



Auditor's Report on IB Opco Holding, S.L. and subsidiaries

(Together with the consolidated financial statements and consolidated management report of IB Opco Holding, S.L. and subsidiaries for the year ended 31 December 2025)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)



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

Independent Auditor's Report on the Consolidated Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of IB Opco Holding S.L. and subsidiaries

Opinion

We have audited the consolidated financial statements of IB Opco Holding S.L. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2025, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 3 to the consolidated financial statements) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated financial statements pursuant to the legislation regulating the audit of accounts in Spain. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



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Most Relevant Aspects of the Audit

The most relevant aspects of the audit are those that, in our professional judgement, have been considered as the most significant risks of material misstatement in the audit of the consolidated financial statements of the current period. These risks were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these risks.

Provisions for major repairs (see notes 5.13 and 12 to the consolidated financial statements)

At 31 December 2025, the Group has recognised Euros 742 million in provisions for major repairs which, as detailed in note 12.3 to the accompanying consolidated financial statements, primarily include the cost associated with the necessary repairs to be carried out before handing back leased aircraft to return them to the conditions of use agreed with each lessor. The Group calculates the aforementioned provisions based on key assumptions that require management to use judgement, such as flight hours and cycles, changes in which could give rise to significant adjustments in the level of the provisions recognised. Given the size of the fleet of leased aircraft subject to handback, the uncertainty associated with the aforementioned estimates and the fact that changes therein could lead to material differences in the provisions recognised, this has been considered one of the most relevant aspects of our audit.

Our audit procedures included evaluating the design and implementation of the key controls related to the provision recognition process, assessing the mathematical accuracy of the calculation of the provision held at the reporting date, and checking that a related provision has been made for all leased aircraft subject to handback. We likewise analysed, for a sample of lease contracts, whether the significant handback obligations included therein have been considered in the calculation of the provision, and reviewed the tariffs included in the aforementioned contracts. We also assessed the reasonableness of the key assumptions used in calculating the provision, including flight hours and cycles, and with the assistance of our valuation specialists, the discount rate; and whether the estimates made by the Group have been historically accurate, comparing the actual cost with the provisions previously made.

Moreover, we assessed whether the disclosures in the accompanying notes to the consolidated financial statements meet the requirements of the financial reporting framework applicable to the Company.

Passenger revenue recognition (see notes 5.12 and 17.1 to the consolidated financial statements)

The recognition of passenger revenue, amounting to Euros 6,500 million, comprises high volumes of low value transactions that are recorded through complex and automated processes, which involve third-party booking management systems and the recording of the transaction on the actual flight date. Passenger revenue includes coupons for different flights, classes, surcharges and taxes that vary according to the route. The accuracy of revenue recognition depends on the correct application of the standards. Also, due to flight restrictions and cancellations during the pandemic, there has been an increased number of refunds and vouchers issued to be exchanged for future tickets. The recognition of passenger revenue is not subject to a high degree of judgement and estimation by Group management and therefore does not carry a significant risk of material misstatement. However, due to the significance of the amount, it is considered one of the most relevant aspects of our audit.



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Our audit procedures included assessing the operating effectiveness of the Company's general controls over key systems to ensure that they are adequately configured and that unauthorised changes are logged. We also analysed the expected routine of revenue streams, confirming that inflows pass through the expected accounts and, with the support of our technological audit specialists, we checked customer advances for the year against cash inflows, determining whether revenue has been recognised correctly for a sample of tickets by contrasting this data with external flight information.

Moreover, we assessed whether the disclosures in the accompanying notes to the consolidated financial statements meet the requirements of the financial reporting framework applicable to the Group.

Other Information: Consolidated Management Report

Other information solely comprises the 2025 consolidated management report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not encompass the consolidated management report. Our responsibility regarding the information contained in the consolidated management report is defined in the legislation regulating the audit of accounts, as follows:

- a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.
- b) Assess and report on the consistency of the rest of the information included in the consolidated management report with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated management report is consistent with that disclosed in the consolidated financial statements for 2025, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Financial Statements

The Parent's Directors are responsible for the preparation of the accompanying consolidated financial statements in such a way that they give a true and fair view of the consolidated equity, consolidated financial position and consolidated financial performance of the Group in accordance with the financial reporting framework applicable to the Group in Spain, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



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In preparing the consolidated financial statements, the Parent's Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.
- Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Plan and execute the Group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units of the Group as the basis to form an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the Group audit. We remain solely responsible for our audit opinion.



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We communicate with the Directors of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the significant risks communicated to the Directors of IB Opco Holding S.L., we determine those that were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the most significant risks.

We describe these risks in our auditor's report unless law or regulation precludes public disclosure about the matter.

KPMG Auditores, S.L.

On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(Signed on original in Spanish)

Bernardo Rücker-Embden

On the Spanish Official Register of Auditors ("ROAC") with No. 18836

5 March 2026

A close-up photograph of an Iberia aircraft's tail and wing against a clear blue sky. The tail features a vertical stabilizer with a red, white, and orange design. The wing is white with a red and orange stripe. The word "IBERIA" is printed in red on the fuselage, accompanied by a red and orange logo.

IB Opco Holding, S.L. and subsidiaries

Consolidated Financial Statements and Consolidated
Management Report for the year ended 31 December
2025

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Consolidated balance sheet at 31 December 2025

€ million	Note	31 December 2025	31 December 2024
NON-CURRENT ASSETS		4,366	3,913
Intangible assets	6	129	168
Goodwill		-	65
Other intangible assets		129	103
Property, plant and equipment	7	2,677	2,154
Aircraft		2,122	1,644
Other property, plant and equipment		555	510
Investments in Group companies and associates		747	698
Investments accounted for using the equity method	8.1	302	313
Other equity instruments	8.2	438	385
Non-current financial assets	9.1	60	111
Equity instruments		10	10
Derivatives financial instruments	10	6	53
Other financial assets	9.1.3	44	48
Deferred tax assets	15	753	782
CURRENT ASSETS		3,765	4,088
Inventories	17.3	892	653
Aircraft spare parts		417	359
Other inventories		475	294
Trade and other receivables		1,057	1,176
Trade receivables for services rendered		455	692
Trade receivables from Group companies and associates	19.2	153	159
Other receivables		338	166
Public authorities	15	111	159
Short-term financial investments:	9.2	390	742
Derivatives financial instruments	10	20	151
Other financial assets		370	591
Prepayments		38	39
Cash and cash equivalents	5.7	1,388	1,478
Cash at bank		488	429
Short term deposits maturing within three months		900	1,049
TOTAL ASSETS		8,131	8,001
EQUITY	11	920	856
SHAREHOLDERS' EQUITY			
Share capital and share premium		2,301	2,301
Reserves		(1,614)	(1,575)
Interim dividends		(641)	(709)
Other shareholder contributions		91	38
Profit/(loss) for the year attributable to the Parent		958	750
VALUATION ADJUSTMENTS	11.4		
Financial assets at fair value through equity		41	41
Hedging transactions		(151)	66
Other		(68)	(58)
SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED		-	-
NON-CONTROLLING INTERESTS		3	2
NON-CURRENT LIABILITIES		2,950	3,056
Non-current provisions	12	1,509	1,500
Non-current borrowings	13	1,245	1,266
Non-current borrowings with Group companies and associates	19.2	-	-
Deferred tax liabilities	15	46	40
Non-current accruals		142	164
Other non-current liabilities		8	86
CURRENT LIABILITIES		4,261	4,089
Current provisions	12	403	380
Current borrowings	13, 19.2	294	178
Trade creditors and other payables		3,549	3,515
Suppliers and other accounts payable		1,083	1,139
Suppliers, Group companies and associates	19.2	172	154
Remuneration payable		269	248
Payables to public authorities	15	338	339
Deferred revenue	5.12	1,687	1,635
Prepayments		15	16
TOTAL EQUITY AND LIABILITIES		8,131	8,001

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated statement of financial position for the year ended 31 December 2025

Consolidated income statement for the year ended 31 December 2025

€ million	Notes	2025	2024
CONTINUING OPERATIONS:			
Revenue	17.1	8,282	7,838
In-house work on non-current assets	6, 7	53	23
Supplies	17.3	(2,442)	(2,474)
Other operating income	17.2	280	204
Personnel expenses	17.4	(1,401)	(1,560)
Wages, salaries and similar expenses		(1,063)	(1,073)
Restructuring		-	(160)
Social charges		(338)	(327)
Other operating expenses	17.5	(3,516)	(3,135)
Depreciation, amortisation and impairment	6, 7, 8.1	(391)	(334)
Overprovisions	12	119	65
Impairment and gains/(losses) on disposal of non-current assets		(16)	1
(Loss)/gain on disposals		(16)	1
Operating profit/(loss)		968	628
Financial income	17.6	150	149
Finance costs	17.7	(131)	(136)
Variation in the fair value of financial instruments	10	-	1
Currency differences		78	(43)
Impairment and gains or losses on disposal of financial instruments	2.3	-	-
FINANCIAL PROFIT/(LOSS)		97	(29)
Share of profit (loss) of companies accounted for using the equity method	8.1	194	165
PROFIT/(LOSS) BEFORE TAX		1,259	764
Income tax	15	(300)	(14)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		959	750
Profit (loss) attributed to the Parent		958	750
Profit attributable to non-controlling interests		1	-

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated income statement for the year ended 31 December 2025

Consolidated statement of changes in equity for the year ended 31 December 2025

A) Consolidated statement of recognised income and expenses

€ million	Notes	2025	2024
PROFIT / (LOSS) PER CONSOLIDATED INCOME STATEMENT		959	750
Income and expense recognised directly in equity:			
Hedges	10	(323)	169
Subsidies, donations and bequests received		33	31
From actuarial gains and losses and other adjustments		(93)	(24)
Tax impact		76	(27)
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	11.4	(228)	80
Transfers to the income statement:			
Hedges	10	34	5
Subsidies, donations and bequests received		(33)	(31)
Tax impact		-	7
TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT	11.4	1	(19)
TOTAL RECOGNISED INCOME/(EXPENSE)		732	811

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2025

B) Consolidated total statement of changes in equity

€ million	Share capital and share premium	Reserves	Interim dividend	Other shareholder contributions (Note 11.5)	Profit/(loss) for the year	Valuation adjustments	Total	Non-controlling interests	Total equity
FINAL BALANCE - 2023	2,301	(2,635)	-	38	1,001	(12)	693	2	695
Total recognised income and expense	-	-	-	-	750	61	811	-	811
Distribution of 2023 profit/(loss)	-	1,001	-	-	(1,001)	-	-	-	-
Interim dividend	-	-	(709)	-	-	-	(709)	-	(709)
Other	-	59	-	-	-	-	59	-	59
FINAL BALANCE - 2024	2,301	(1,575)	(709)	38	750	49	854	2	856
Total recognised income and expense	-	-	-	-	958	(227)	731	1	732
Distribution of 2024 profit/(loss)	-	41	709	-	(750)	-	-	-	-
Interim dividend (note 11.6)	-	-	(641)	-	-	-	(641)	-	(641)
Other shareholder contributions (note 11.5)	-	-	-	53	-	-	53	-	53
Other (note 11.3)	-	(80)	-	-	-	-	(80)	-	(80)
FINAL BALANCE - 2025	2,301	(1,614)	(641)	91	958	(178)	917	3	920

Notes 1 to 22 to the accompanying financial statements are an integral part of the consolidated total statement of changes in equity for the year ended 31 December 2025

Notes to the 2025 consolidated financial statements

Consolidated cash flow statement

€ million	Notes	2025	2024
CASH FLOWS USED IN OPERATING ACTIVITIES:		1,566	1,294
Profit/(loss) before tax		1,259	764
Adjustments for:		168	590
Depreciation, amortisation and impairment	6, 7, 8.1	391	334
Variation in provisions		318	459
Allocation of subsidies		(23)	(33)
Losses on retirements and disposal of fixed assets and financial assets	6, 7	10	(3)
Financial income	17.6	(150)	(149)
Finance costs	17.7	131	136
Currency differences		(64)	57
Variation in the fair value of financial instruments		-	(1)
Other income and expenses		(251)	(46)
Share of profit/(loss) of companies accounted for using the equity method		(194)	(164)
Changes in working capital		(100)	41
Inventories		(294)	(203)
Trade and other receivables		156	(159)
Other current assets		(83)	(99)
Trade and other payables		122	502
Other current liabilities		(1)	-
Other cash flows used in operating activities		239	(101)
Interest payments		(48)	(66)
Dividends received	17.6	148	59
Interest received		50	80
Income tax payments		(147)	(44)
Other payments		236	(130)
CASH FLOWS USED IN INVESTING ACTIVITIES:		(614)	306
Payments on investments		(836)	(441)
Group companies		(53)	-
Intangible assets		(56)	(30)
Property, plant and equipment		(727)	(408)
Other financial assets		-	(3)
Proceeds from disposals		222	747
Group companies		-	-
Property, plant and equipment		1	575
Other financial assets		221	172
CASH FLOWS USED IN FINANCING ACTIVITIES:		(567)	(1,248)
Proceeds from and payments for equity instruments		53	
Proceeds from and payments for financial liabilities		21	(539)
Issue of debts with credit institutions		133	2
Repayment and amortisation of debts with credit institutions		(112)	(166)
Group companies		-	(375)
Dividends		(641)	(709)
IMPACT OF EXCHANGE RATE VARIATIONS		(5)	(2)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(90)	350
Cash and cash equivalents at the beginning of the year		1,478	1,128
Cash and cash equivalents at the end of the year		1,388	1,478

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated cash flow statement for the year ended 31 December 2025

IB Opco Holding, S.L. and Subsidiaries Notes to the 2025 consolidated financial statements

1. ACTIVITY OF THE PARENT COMPANY AND THE GROUP

IB Opco Holding, S.L. (hereinafter "the Parent") was incorporated for an indefinite period of time on 23 December 2009 and its registered office is in Madrid, at calle Martínez Villergas, 49.

The main activity of the Parent, in accordance with its articles of association, is the holding, management and administration of the shares of the Spanish company "Iberia Líneas Aéreas de España, S.A. Operadora (Unipersonal)", hereinafter "Iberia".

Iberia mainly engages in the air transport of passengers and cargo, although it also has a number of complementary activities, particularly services for passengers and aircraft at airports and aircraft maintenance.

As a passenger and cargo airline, Iberia is an operator with a broad network serving four main markets alongside Iberia Express since 2012: Spain, Europe, the Americas and Asia. Both Iberia and Iberia Express are full members of the oneworld airline alliance, one of the most important in the world, which enables the globalisation of its air transport operations.

In addition to the lines of business carried on directly by Iberia and Iberia Express, the Parent has sought to complement these or develop in other businesses in connection with air transport through indirect holdings in a number of companies making up the Iberia Group, hereinafter "the Group", headed by IB Opco Holding, S.L.

IB Opco is also a subsidiary of International Airlines Group, S.A. ("IAG"), which has its registered office in Madrid, El Caserío, Iberia Zona Industrial nº2, Camino de la Muñoza, s/n, and whose shares have been listed on the London Stock Exchange and the four Spanish stock exchanges since 24 January 2011. The consolidated financial statement of IAG for the year ended 31 December 2024 were drawn up by the Board of Directors of IAG at its meeting on 28 February 2025 and approved by its Annual General Meeting on 19 June 2025. The consolidated financial statements have been filed with the Madrid Companies Register

2. SUBSIDIARY, ASSOCIATE AND JOINTLY CONTROLLED ENTITIES

2.1 Subsidiaries

All subsidiaries were fully consolidated. Subsidiaries are defined as those over which the Parent exercises or can exercise direct or indirect control, understood as the capacity to direct the financial and operating policies of a company with a view to securing economic profit from its business activities. This circumstance is generally, though not solely, manifested by the direct or indirect ownership of 50% or more of the company's voting rights.

The shareholdings of minority shareholders in equity and in the results of the consolidated subsidiaries are presented under "Non-controlled interest" within the "Equity" heading of the consolidated statement of financial position and in "Profit attributable to non-controlling interest" within the consolidated income statement, respectively.

Appendix I contains a list of the consolidated subsidiaries.

All subsidiaries have the same financial year as the Parent, which closes on 31 December each year.

Notes to the 2025 consolidated financial statements

2.2 Associates

Associates are accounted for using the equity method. Associates are companies over which there is significant influence over their management, understood as the capacity for involvement in decisions concerning the financial and operating policies of the investee, although without any control or joint control. Significant influence is presumed to exist if one or more group companies hold at least 20 per cent of the voting rights of a company that does not belong to the group.

The equity method consists of recognising the value of net assets and any goodwill corresponding to the holding in the associate as non-current "Investment in Group companies and associates accounted for using the equity method". The net result achieved in each year, which corresponds to the percentage interest in these companies, is shown in the consolidated income statement as "Share of profit of companies accounted for using the equity method".

Annex II provides a list of consolidated associates and note 8 to these consolidated financial statements shows the contributions by these companies to Group earnings.

All subsidiaries have the same financial year as the Parent, which closes on 31 December each year

2.3 Change in scope of consolidation

The main changes in the Group's consolidation perimeter for the 2025 financial year are described below.

- In July 2025, the company of Iberia L.A.E. Solutions S.L. (IBTECH) was incorporated, in which Iberia holds a 100% equity interest, involving a total cash contribution of €3 million. This subsidiary is consolidated using the full consolidation method.
- Disposal of the associated company Mundiplan, which generated a revenue of €0.4 millions recognised under "Gains or losses on disposal of financial instruments" in the consolidated income statement.

3. BASES OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

3.1 Regulatory financial reporting framework applicable

These 2025 consolidated financial statements were drawn up by the Directors of the Parent pursuant to the regulatory financial reporting framework applicable to the Group, as laid down in:

- The Spanish Commercial Code and other commercial legislation.
- The Standards for Drawing up Consolidated Annual Accounts approved by Royal Decree 1159/2010 and the Chart of Accounts approved by Royal Decree 1514/2007 and its amendments approved in Royal Decree 602/2016 and Royal Decree 1/2021
- The mandatory rules approved by the Instituto de Contabilidad y Auditoría de Cuentas (Institute of Accounting and Auditing) in the development of the Spanish Chart of Accounts and its supplementary rules
- Any other Spanish accounting regulations applicable.

The figures included in the consolidated financial statements are expressed in millions of euros (€) unless otherwise stated.

Notes to the 2025 consolidated financial statements

3.2 True and fair view

The 2025 consolidated financial statements have been prepared from the accounting records of the Parent and its subsidiaries and associates and are presented in accordance with the regulatory accounting requirements applicable to them as described in note 3.1 above and, in particular, the accounting policies and criteria therein so as to give a true and fair view of the consolidated equity and financial position of the Group as at 31 December 2025 and of its consolidated results and cash flows for the year ended 31 December 2025.

These consolidated financial statements for the year 2025 prepared by the Board of Directors of the Parent, as well as the financial statements of the subsidiaries and associates, will be submitted to the respective annual general meetings of shareholders for approval and are expected to be approved without amendment.

These financial statements omit information or disclosures that, although not required to be presented in detail because of their qualitative significance, are considered non-material or have no relative importance in accordance with the concept of materiality or relative importance as defined in the conceptual framework of the Spanish Chart of Accounts.

3.3 Significant issues regarding the measurement and estimation of uncertainty and relevant judgments in the application of accounting policies

The preparation of the consolidated financial statements requires the use of significant accounting estimates and the making of judgements, estimates and assumptions in the process of applying the Group's accounting policies. In this context, the following is a summary of the aspects that required a higher degree of judgement and complexity or where the assumptions and estimates are significant to the preparation of the financial statements:

- The measurement of possible impairments of property, plant and equipment, goodwill, inventories and financial assets and the valuation of deferred tax assets.
- The fair value of derivative financial instruments
- The evaluation of provisions and contingencies.
- The useful life of property, plant and equipment and the estimation of residual values
- The assumptions used in the actuarial calculation of commitments to employees.

In this regard, the estimates of the directors of the subsidiary Iberia arising from the successive transformation plans described in note 3.6 are noteworthy.

Although the estimates made by the directors of the Parent have been calculated based on the best information available as at 31 December 2025, it is possible that future events may require a change in these estimates in future years. The impact of any changes resulting from adjustments to be made in future years would be recognised prospectively in the consolidated financial statements.

3.4 Comparative information

The information in these consolidated financial statements for the financial year 2024 is presented for comparison purposes only with the information for the financial year 2025. The application of accounting policies has been consistent in both years.

3.5 Grouping of items

Certain items on the consolidated balance sheet, the income statement, the statement of changes in equity and the consolidated statement of cash flows are presented in groups to make them easier to understand, although where individual data is significant, they have been included in the respective notes to these consolidated financial statements.

Notes to the 2025 consolidated financial statements

3.6 Plan de Vuelo 2030

In 2026, we will continue to implement our Flight Plan 2030, with the ambition of maintaining top-tier margins positioned at the upper end of the IAG range. In addition, among other strategic objectives, we expect to reach a long-haul fleet of 70 aircraft by the mid-2030s, while upholding our commitment to sustainable value creation: for our shareholders, by ensuring long-term profitability and consistent returns; for our employees, by fostering a culture of transformation and shared purpose; for our customers, by delivering a reliable and differentiated travel experience; and for society at large, by advancing towards more sustainable aviation and contributing to the prosperity of the communities we proudly serve.

We will continue to drive the full development of our Madrid hub, and the incorporation of additional aircrafts will further expand our reach and strengthen our network. (Note 7.1.1.c)

3.7 Going concern principle

As of 31 December 2025, the Group presents a negative working capital, with current liabilities exceeding current assets by an amount of €496 million. However, excluding customer advances, the working capital on that date would be positive by an amount of €1,191 million.

As of 31 December 2025, the Group had total liquidity of €2,187 million, consisting of cash and other liquid equivalent assets as well as remunerated deposits recorded in the balance sheet as other financial assets totalling €1,758 million and €429 million of credit lines granted and undrawn for general purposes. These lines correspond to €369 million of the credit line formalised by the IAG for the Group's disposal and another €60 million of undrawn credit lines.

On the basis of the above, it is considered that there is no doubt that the going concern principle is complied with. In this respect, the Directors of the Group have prepared these consolidated financial statements for the year 2025 in accordance with the going concern principle.

4. DISTRIBUTION OF PROFIT AND LOSS OF THE PARENT

The proposal that the Directors of the Parent will submit for approval to the General Meeting of Shareholders consists of allocating the positive result for the 2025 financial year as follows:

€ million	2025
Basis for distribution	
Profit/ (loss) for the period	643
Distribution	
To interim dividend	641
To Voluntary reserve	2
Total	643
<hr/>	
€ million	2024
Basis for distribution	
Profit/ (loss) for the period	780
Distribution	
To interim dividend	709
To offset losses from previous years	63
To Voluntary reserve	9
Total	780

Notes to the 2025 consolidated financial statements

Additionally, the application of the positive result for the 2024 financial year, approved by the Sole Shareholder on 20 March 2024, consisted of its full transfer to negative results from previous years.

5. RECOGNITION AND MEASUREMENT STANDARDS

The principal accounting policies adopted by the Group in the preparation of these 2025 financial statements in accordance with the Spanish Chart of Accounts and in the Standards for the Preparation of Consolidated Financial Statements are as follows:

5.1 Consolidation principles applied

Transactions with companies within the scope of consolidation

All balances, transactions and earnings of fully consolidated companies were removed from the consolidation process.

Uniformity of items

The accounting principles and procedures employed by Group companies were unified in order to present the consolidated financial statements on a consistent valuation basis.

Translation of financial statements drawn up in foreign currencies

The financial statements of investees the functional currency of which is other than the presentation currency, the euro, were translated as follows:

- Assets and liabilities in their statements of financial position are translated at the closing rate at the respective statement of financial position date.
- Income and expenses for each income item are translated at the cumulative average exchange rate of the period in which they occurred.

No major translation differences arose from application of the above procedures.

5.2 Intangible assets

Intangible assets are generally valued initially at their acquisition price or production cost. They are subsequently valued at cost, less their accumulated amortisation and any impairment losses they may have incurred, estimated as described in note 5.4. These assets are amortised in accordance with their useful lives.

Goodwill

The Parent taking over a subsidiary is a business combination that the acquisition method will be applied to. In subsequent consolidations, the investment-equity shall generally be eliminated from subsidiaries based on the values arising from applying the acquisition method described as follows on the control date.

Business combinations are recognised by applying the acquisitive method for which the acquisition date is determined and the cost of the combination is calculated, the identifiable assets acquired and the liabilities assumed are recognised at their fair value on the aforementioned date.

Goodwill or the negative difference of the combination is determined by the difference between the fair value of the recognised assets acquired and the liabilities assumed and the cost of the combination, all on the date of acquisition.

The cost of the combination is determined by adding:

- The fair values on the acquisition date of the acquisition of transferred assets, liabilities incurred and the equity instruments issued.

Notes to the 2025 consolidated financial statements

- The fair value of any contingent consideration which depends on future events or on predetermined conditions being complied with.

The cost of the combination does not include expenditure relating to the issue of the equity instruments or the financial liabilities delivered in exchange for items acquired.

Likewise and as of 1 January 2010, nor will the cost of the combination include the fees paid to legal advisers or other professionals who take part in the combination or, of course, any costs generated internally by these concepts. These amounts will be attributed directly to the income statement.

If the business combination takes place in stages, so that there is a preliminary investment prior to the date of acquisition (takeover date), the goodwill or negative difference is obtained by the difference between:

- The cost of the business combination plus the fair value on the date of acquisition of any prior share in the acquired company held by the acquiring company, and
- The value of the identifiable assets acquired minus that of the assumed liabilities, determined in accordance with the above.

Any profit or loss that arises as a consequence of the fair value valuation on the date when control of the prior share in the acquired company is obtained will be recognised in the income statement. If the investment in the subsidiary was previously valued at its fair value, the valuation adjustment pending recognition in the year's financial statement will be transferred to the income statement. In addition, it is assumed that the cost of the business combination is the best reference point for estimating the fair value on the date of acquisition of any previous share.

In the exceptional event that there is a negative difference in the combination, it will be recognised in the income statement as revenue.

If, at the end of the financial year in which the combination takes place, the valuation processes required for applying the acquisition method described above cannot be concluded, this accounting is considered provisional and these provisional values may be adjusted within the period required for obtaining the necessary information, which may not be longer than one year under any circumstances. The effects of the adjustments made in this period are recognised retroactively, changing the comparative information if necessary.

After initial recognition, the goodwill is valued by its acquisition price minus the accumulated depreciation and, where applicable, the amount accumulated from valuation corrections due to recognised impairment. In accordance with applicable regulations, the useful life of goodwill has been established at 10 years and amortisation is on a straight line basis.

The Parent accepted control of Iberia through the non-monetary contribution made by IAG. The difference between the value of the identifiable net assets acquired, which were measured at the carrying amount at the time of initial consolidation, amounting to €2,077 million, and the amount of the capital increase through which the Parent obtained control of Iberia, amounting to €2,734 million, was recognised as "Goodwill" in the consolidated statement of financial position.

Industrial property

This account is used to recognise amounts paid to acquire property and the costs incurred in registering property developed by the Group. Industrial property is amortised on a straight-line basis over its estimated useful life of 10 years.

Computer software

The Group uses this account to recognise costs incurred in acquiring and developing software programs or having them developed. The maintenance costs of computer applications are recognised with a charge to the income statement in the year in which they are incurred.

These costs are amortised on a straight-line basis over a maximum period of 5 years.

Notes to the 2025 consolidated financial statements

5.3 Property, plant and equipment

Property, plant and equipment are carried at historical cost, net of any related accumulated depreciation and impairment losses, calculated as described in Note 5.4.

Any improvements to items of property, plant and equipment leading to increased capacity, efficiency, or to a lengthening of the useful lives of the assets are capitalised.

The Group depreciates its property, plant and equipment using the straight-line method at annual rates based on years of estimated useful life. The breakdown is as follows:

	Years
Aircraft	23 – 25
Buildings and other constructions	20 – 50
Machinery, fixtures and tools	10 – 15
Overland travel elements	7 – 10
Furniture and fixtures	10
Computer hardware	4 – 7
Spare parts for property, plant and equipment	10 – 18
Flight simulators	12 – 14

The estimated residual value of aircraft is estimated at 5% of their acquisition cost. The estimated residual value of rotatable and repairable airframe parts (those assigned to specific types or families of aircraft) ranges from 10% to 20% of acquisition cost, depending on the fleet type. This is recognised under "Spare parts for property, plant and equipment". The Group depreciates the acquisition cost of other items of property, plant and equipment in full.

When consolidating owned aircraft and aircraft operated under finance leases, the Group strips out from the cost of the aircraft, the cost that will be replaced during regular scheduled overhauls. This cost is depreciated on a straight-line basis over the period from the addition of each aircraft to the first scheduled overhaul. The cost of repairs during these shutdowns is capitalised as an increase in the value of the asset and depreciated over the period between overhauls.

For each aircraft under an operating lease, depending on the terms of the lease, the Group recognises a provision for the total cost that will be incurred by scheduled overhauls and allocates this cost to the income statement on a straight-line basis over the period between two consecutive overhauls. A provision is also made for the estimated costs incurred by the Group for repairs required by each aircraft when returned, in accordance with the conditions of use agreed with the lessor (note 5.1.3).

Maintenance costs of property, plant and equipment and the cost of minor repairs to all aircraft operated by the Group are taken to the income statement in the year in which they are incurred.

5.4 Impairment of the value of property, plant and equipment and intangible assets

When there are any indications of impairment to value, the Group performs impairment analysis to estimate the possible loss of value that may reduce the recoverable amount of the assets to below their net carrying amount.

The recoverable value is established as the greater between fair value less costs to sell and value in use.

Irrespective of any indications of impairment, the Group analyses its fixed assets that are not yet in condition for use for impairment, annually at least.

Value in use of the asset is determined using the future expected cash flows which would derive from the use of the asset, expectations about possible changes in the amount or distribution over time of the flows, the temporary value of money, the price to be paid to withstand uncertainty relating to the asset and other factors which market participants would consider when valuing the future cash flows relating to the asset.

Notes to the 2025 consolidated financial statements

Impairment losses related to the impairment of the Cash generating unit (CGU) reduce the non-current assets of the CGU proportionately based on their carrying amount, with the limit for each asset being the higher of fair value less costs to sell, value in use and nil.

Once an impairment loss has been recognised or reversed, the accumulated amortisation or depreciation is adjusted in the following years based on the new carrying amount.

Any valuation adjustments for impairment and their reversals are recognised in the income statement. Valuation corrections due to impairment are reverted when the circumstances which prompted such a reversion are no longer applicable, except those corresponding to goodwill. Reversals of impairment are limited to the carrying amount that the asset would have had if no impairment had been recognised.

5.5 Leases

Leases are classified as finance or operating leases depending on the underlying value and the nature of the transaction.

To evaluate the substance and nature of a lease (finance or operating), the Group's management considers the following at the inception of the lease: whether the lease transfers ownership by the end of the lease term; whether it is felt that the lessee will exercise any purchase option; whether the lease term is for the major part of the lifespan of the asset; whether the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset. If any of these four conditions are met the lease is classified as a finance lease, and otherwise it is classified as an operating lease.

The main leases entered into by the Group are for aircraft. These do not include automatic transfer of ownership at the end of the lease term.

Finance lease

For finance leases, the Group recognises the cost of the leased assets in the balance sheet based on the nature of the leased asset and, simultaneously, a liability for the same amount. This amount is calculated as the lesser of the fair value of the leased asset and the present value, at the beginning of the lease term, of the minimum payments agreed upon, plus any purchase option, when there is no reasonable doubt as to its exercise. The calculation does not include contingent payments, service costs or taxes that can be passed on by the lessor. The total finance charge on the lease is recognised in the income statement for the year in which it is incurred, using the effective interest rate method. Contingent payments, if any, are recognised as an expense for the year in which they have arisen.

The assets recognised for these types of transactions are depreciated on the basis of their nature using the same criteria as those applied to other items of property, plant and equipment.

Operating leases

Under operating leases, ownership of the leased asset and substantially all the risks and rewards incidental to ownership of the leased asset remain with the lessor.

If the Group acts as a lessor, the income and costs arising from operating leases are taken to the income statement for the year in which they accrue. The acquisition costs of leased assets are presented in the balance sheet in accordance with their nature, increased by all costs directly attributable to the contract, which are recognised as expenses during the term of the contract, applying the same criteria as used to recognise the income from the lease.

If the Group acts as a lessee, the costs arising from operating leases are charged to the income statement for the year in which they accrue.

Any collection or payment that may be made when arranging an operating lease will be treated as a prepaid lease collection or payment that will be allocated to profit or loss over the lease's term as the benefits of the leased asset are provided or received.

Notes to the 2025 consolidated financial statements

Sale and leaseback agreements

Sale and leaseback transactions of assets that qualify as finance leases are considered financing transactions so that the nature of the asset does not change and no gain or loss is recognised.

If the subsequent lease is classified as an operating lease, the asset is derecognised in the balance sheet. If the selling price is below fair value, any gain or loss is recognised immediately unless the loss is offset by future lease payments below market prices. In this case, it is deferred and amortised in proportion to the lease payments made over the period in which the asset is expected to be used. If the selling price exceeds the fair value, the excess is deferred and amortised over the period in which the asset is expected to be used.

5.6 Financial instruments

The Group classifies financial instruments as financial assets, financial liabilities or equity instruments on initial recognition, in accordance with the nature of the contractual agreement and the definitions of financial assets, financial liabilities and equity instruments.

The Group recognises a financial asset when it becomes a party to the contract or business transaction in accordance with the terms and conditions thereof, whether as the issuer, holder or purchaser.

For measurement purposes, the Group classifies financial instruments in the categories of financial assets or liabilities at fair value through profit or loss, separating those designated initially from those held for trading and those mandatorily at fair value through profit or loss, financial assets and liabilities at amortised cost, financial assets at fair value through equity, separating equity instruments designated as such from other financial assets and liabilities at cost. The Group classifies financial assets at amortised cost and at fair value through changes in equity, except those designated as equity instruments, in accordance with the business model and the characteristics of the contractual cash flows. The Group classifies financial liabilities at amortised cost, except those designated at fair value through profit and loss and those held for trading.

The Group classifies a financial asset or liability as held for trading if:

- It was originated, acquired or issued principally for the purpose of selling or repurchasing it in the immediate future.
- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of recent actions to realise gains in the immediate future;
- It is a derivative financial instrument, other than a derivative designated as a hedging instrument that is not a financial guarantee contract; or
- There is an obligation for the Group to deliver financial assets that have been lent to it in the short term.

The Group classifies financial assets at amortised cost when, even if they are admitted to trading, they are held within a business model whose objective is to hold the investment to collect the contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group classifies financial assets at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The business model is determined by key personnel in the Group at a level that reflects the way in which groups of financial assets are jointly managed to achieve a specific business objective. The Group's business model represents the way in which it manages its financial assets to generate cash flows.

Notes to the 2025 consolidated financial statements

The Group designates financial assets at fair value through profit or loss on initial recognition if doing so eliminates or significantly reduces any accounting or measurement mismatches that would otherwise arise if the assets or liabilities were measured, or their results were recognised on a different basis.

The Group classifies investments in group companies and associates at cost, together with investments in equity instruments whose fair value cannot be determined by reference to a listed price in an active market for an identical instrument or cannot be estimated reliably.

All other financial assets are classified at fair value through profit and loss, with the exception of equity instruments designated at fair value through other comprehensive income.

The Group designates financial liabilities at fair value through profit and loss on initial recognition if doing so eliminates or significantly reduces any accounting or measurement mismatches that would otherwise arise if the assets or liabilities were measured or their results were recognised on a different basis, or a group of financial liabilities or group of financial liabilities and financial assets are managed and their performance measured on the basis of fair value, under a documented investment or risk management strategy, and information is provided internally on this group on the same basis to key management personnel in the Group.

The Group classifies all other financial liabilities as financial liabilities at amortised cost.

(i) Compensation principles

Financial assets and financial liabilities are subject to offsetting only when the Group has the enforceable right to offset the amounts recognised and has the intention to settle the amount net, or to realise the asset and cancel the liability simultaneously.

(ii) Financial assets and liabilities at fair value through profit or loss

The Group recognises financial assets and liabilities at fair value through profit or loss at fair value on initial recognition. Transaction costs directly attributable to the purchase or issue are expensed as incurred.

The fair value of a financial instrument at initial recognition is usually the transaction price, unless that price contains elements of other instruments, in which case the Group determines the fair value thereof. After initial recognition, they are carried at fair value with changes recognised in the income statement. Changes in fair value include the interest and dividend components. The fair value is not reduced by transaction costs that may be incurred in the event of a sale or other disposal.

(iii) Financial assets and liabilities at amortised cost

Financial assets and liabilities at amortised cost are initially recognised at fair value plus or minus transaction costs incurred and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the discount rate that exactly matches the carrying amount of a financial instrument to the estimated cash flows over the expected life of the instrument, based on its contractual terms and, for financial assets, excluding future credit losses, except for those acquired or originated with incurred losses for which the effective interest rate adjusted for credit risk is used, i.e. taking into account credit losses incurred at the date of acquisition or origin.

(iv) Financial assets at fair value through equity

Financial assets at fair value through equity are initially recognised at fair value plus transaction costs directly attributable to the acquisition.

After initial recognition, financial assets in this category are measured at fair value with the gain or loss recognised in recognised income and expense in equity, except for impairment losses and foreign exchange gains and losses on debt instruments. The amounts recognised in equity are recognised in the income statement when the financial assets are derecognised and impairment losses are recognised, if any. However, interest calculated using the effective interest method is recognised in the income statement.

Notes to the 2025 consolidated financial statements

(v) Financial assets and liabilities measured at cost

Investments in equity instruments whose fair value cannot be reliably estimated and derivative instruments that are linked to equity instruments and must be settled by delivery of such unquoted equity instruments are measured at cost. If the Group can ever have a reliable measurement of a financial asset or liability on a continuous basis, they are recognised at fair value at that time, recognising the profits or losses based on their classification.

The Group measures the investments in this category at cost, which equates to the fair value of the consideration given or received, plus or less any directly attributable transaction costs, and less the accumulated amount of any impairment losses. The initial measurement of equity instruments also includes the amount of acquired preferential subscription rights and similar rights.

(vi) Reclassifications of financial instruments

The Group reclassifies financial assets when the business model for their management is changed or when they fulfil or cease to fulfil the criteria for classification as investments in group, multigroup or associate companies, or the fair value of an investment ceases to be or becomes reliable, except for equity instruments classified at fair value through equity, which cannot be reclassified. The Group does not reclassify its financial liabilities.

(vii) Interests and dividends

The Group recognises interest and dividends from financial assets accrued after the date of acquisition as income in the income statement.

The Group recognises interest from financial assets measured at amortised cost using the effective interest method. Dividend income is recognised when the Group's right to receive payment is established.

If the dividends distributed clearly arise from profits earned before the acquisition date because amounts were distributed in excess of the profits earned by the investee or an investee of the investee since the acquisition, they reduce the carrying amount of the investment. This criterion is applied independently of the measurement criterion for equity instruments, so that the value of investments in equity instruments at fair value is reduced, recognising the subsequent increase in value in the income statement or in equity, depending on the classification of the instruments.

(viii) Elimination of financial assets

The Group applies the derecognition criteria for financial assets to a portion of a financial asset or a portion of a group of similar assets, or to a financial asset or a group of similar financial assets.

Financial assets are derecognised when the rights to receive their cash flows have expired or been transferred, or if the Group has substantially transferred the risks and benefits of their ownership. The Group only derecognises financial assets for which it retains the contractual rights to receive cash flows when it has accepted contractual obligations requiring the remittance of such cash flows to one or more recipients and the following requirements are met:

- The payment of cash flows is conditional on prior collection.
- The Group cannot sell or pledge the financial asset; and
- The cash flows collected on behalf of the ultimate recipient are remitted without material delay, with the Group having no right to reinvest the cash flows. This criterion does not apply to investments in cash or cash equivalents by the Group during the settlement period between the collection date and the remittance date agreed with the ultimate recipients, provided that the interest accrued is also passed on to the ultimate recipients.

The derecognition of a financial asset involves the recognition of results owing to the difference between its carrying amount and the amount of the compensation received, net of transaction fees; any assets obtained or liabilities assumed. Any amounts deferred in equity are reclassified to the income statement.

Notes to the 2025 consolidated financial statements

The criteria for derecognition of financial assets in transactions where the Group neither assigns nor substantially retains the risks and rewards of ownership are based on analysis of the degree of control. Thus:

- If the Group has not retained control, the financial asset is derecognised and any rights or obligations created or retained as a result of the assignment are recognised separately as assets or liabilities.
- If the Group retains control, it continues to recognise the financial asset at the Group's ongoing commitment and recognises the associated liability. The continuing involvement in relation to the financial asset is determined by the level of exposure to changes in the value of the asset. The asset and associated liability are measured based on the rights and obligations recognised by the Group. The associated liability is recognised in such a way that the carrying amount of the asset and the associated liability is equal to the amortised cost of the rights and obligations retained by the Group, when the asset is measured at amortised cost or at the fair value of the rights and obligations retained by the Group, if the asset is measured at fair value. The Group continues recognising the revenue derived from the asset to the extent of its ongoing commitment and the costs deriving from the associated liability. Changes in the fair value of the asset and the associated liability are recognised consistently in the income statement or in equity in accordance with the general recognition criteria set out above and should not be offset.

Transactions in which the Group retains substantially all of the risks and benefits inherent to ownership of an assigned financial asset are recorded through recognition of the consideration received in liability accounts. Transaction costs are recognised in the income statement using the effective interest method.

(ix) Impairment in value of financial assets

A financial asset or group of financial assets is impaired and a loss produced as a cause of impairment if there is objective evidence of the impairment as the result of one or more events occurring after the initial recognition of the asset where the event or events causing the loss have an impact on estimated future cash flows from the financial asset or group of financial assets, which can be reliably estimated.

The Group applies a criterion of recognising valuation adjustments for impairment of financial assets at amortised cost when there are reductions or delays in estimated future cash flows due to insolvency of the debtor.

Similarly, in the case of equity instruments, impairment exists if the carrying amount of the asset is no longer recoverable due to a prolonged or significant decline in its fair value.

■ Impairment in the value of financial assets valued at amortised cost

The amount of the loss from impairment in the value of financial assets valued at amortised cost is the difference between the carrying amount of the financial asset and the current value of the estimated future cash flows, excluding future credit losses that have not been incurred, with the original effective interest rate of the asset discounted. For financial assets at a variable interest rate, the effective interest rate corresponding to the valuation date will be used according to contract conditions.

Group uses their market value, provided that this is sufficiently reliable to be considered representative of the value that could be recovered.

Loss from impairment of value is entered on the income statement and is reversible in later years if the decrease can be objectively related to an event occurring after its recognition. Nonetheless, the reversal of the loss has a limit of the amortised cost the assets would have had if the loss for impairment had not been recognised.

The Group reduces the carrying amount of a financial asset when it has reasonable expectations of recovery in part or in full.

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(x) Eliminations and modifications of financial liabilities

The Group derecognises a financial liability or part therefore when it has fulfilled the obligation in the liability or it is legally released from the main liability, whether through legal proceedings or by the creditor.

Exchanges of debt instruments between the Group and the counterparty, or substantial modifications to the liabilities initially recognised are posted through derecognition of the original financial liability and recognition of a new financial liability, provided that the instruments have substantially different conditions. The Group considers that conditions are substantially different if the current value of the discounted cash flows under the new conditions, including any commissions paid net of any commissions received, and using the original effective interest rate as the discount rate, differs by at least 10 percent from the discounted current value of the remaining cash flows of the original financial liability.

If the exchange is posted through derecognition of the original financial liability, the costs or commissions are recognised in the income statement as part of the gain or loss of the original financial liability. Otherwise, costs or commissions adjust the carrying amount of liability and are amortised using the amortised cost method during the rest of the life of the changed liability. In the latter case, a new effective interest rate is determined at the modification date that equates the present value of the flows payable under the new terms with the carrying amount of the financial liability at that date.

The Group recognises the difference between the carrying amount of the financial liability or part of a financial liability derecognised or assigned to a third party and the consideration paid, including any asset assigned other than cash or liability accepted, through a charge or credit to the income statement. If the Group delivers non-monetary assets in payment of the debt, it recognises the difference between the fair value thereof and their carrying amount as an operating gain or loss, and the difference between the value of the debt derecognised and the fair value of the assets as a financial gain or loss. If the Group delivers inventories, it recognises the corresponding sale transaction for these at their fair value, and the change in inventories at their carrying amount.

5.7 Cash and cash equivalents

Under this balance sheet heading, the Group includes cash and highly liquid short-term investments maturing in less than three months that are readily convertible into cash and where the risk of change in value is insignificant, in addition to accrued interest receivable on the investments at year-end.

5.8 Hedge accounting

Derivative financial instruments are initially recognised following the criteria set out above for financial assets and liabilities. Specifically, derivative financial instruments that do not meet the hedge accounting criteria below are classified and measured as financial assets or liabilities at fair value through profit or loss. Derivative financial instruments that meet the criteria for hedge accounting are initially recognised at fair value plus, where applicable, transaction costs directly attributable to entering into the instruments or less transaction costs directly attributable to issuing the instruments. Transaction costs are subsequently recognised in profit or loss, to the extent that they are not part of the effective variation of the hedge. The derivatives held by the Group mainly relate to hedging of foreign currency, interest rates and fuel prices, and the value of investments in certain equity instruments, the purpose of which is to significantly reduce these risks in the underlying hedged transactions.

Derivatives are recognised under "Non-current financial assets – Derivatives financial instruments" or "Current financial assets – Derivatives financial instruments" if they are positive, and under "Non-current borrowings – Derivatives financial instruments" or "Current borrowings – Derivatives financial instruments" if they are negative.

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Accounting recognition of hedging transactions is only required when there is an economic relationship between the item hedged and the hedging instrument, credit risk does not have a dominant effect on the resulting changes in value of that economic relationship, and the hedging ratio is the same as that resulting from the amount of the item hedged that the Group actually uses to hedge the said amount of the item hedged. However, such designation shall not reflect an imbalance between the weightings of the hedged item and the hedging instrument that results in recognised or unrecognised hedge ineffectiveness that would cause a result contrary to the purpose of hedge accounting.

The Group applies the following types of hedges, recognised as described below:

1. Fair value hedges: the hedged item and the hedging instrument are both measured at fair value, recognising any changes in their fair values in the income statement.
2. Cash flow hedging: Changes in the value of hedging instrument are recognised in equity for the effective portion of the hedge in "Equity – Valuation adjustments", while the ineffective part of the hedge is taken directly to the income statement. The cumulative gain or loss recognised under "Equity – Valuation adjustments" is transferred to the income statement to match the underlying's impact (for the risk hedged) on the income statement. This effect is thus netted under the same heading on the income statement.

If the hedging relationship ceases to meet the effectiveness requirements related to the hedging ratio but the risk management objective remains the same for that relationship, the Group adjusts the hedging ratio so that the criteria for hedging relationships continue to be met (rebalancing). Rebalancing refers to adjustments made to the designated amounts of the hedged item or hedging instrument in an existing relationship to maintain the hedge ratio that meets the hedge effectiveness requirements. The Group accounts for this rebalancing as a continuation of the hedging relationship. On the rebalancing date, the Group determines the ineffective part of the relationship and recognises any ineffectiveness in profit or loss.

Hedge accounting is discontinued when the hedging instrument reaches maturity, is sold, finalised or exercised, or no longer qualifies for hedge accounting. At this point, any cumulative profit or loss on the hedging instrument recognised in equity remains in equity until the operation planned has been carried out. When the hedging operation is not expected to be carried out, the net cumulative profit or loss on the hedging instrument is taken to net profit or loss for the period.

The fair value of the various derivative financial instruments is calculated by discounting estimated future cash flows based on spot and forward market conditions at the reporting date.

Hedging transactions are documented, including how they are expected to be effective and how this is measured, in accordance with the Group's risk-management policy.

All the Group's hedging relationships meet the requirements for hedge accounting under the General Chart of Accounts.

5.9 Inventories

Inventories mainly include spare parts for aircraft, repairable aircraft engine parts and emission allowances. These are measured at the lesser of acquisition cost, calculated using the weighted average cost method, and net realisable value.

The Group makes the appropriate valuation adjustments and recognises these as an expense in the income statement when the net realisable value of the inventories is less than their acquisition cost (note 17.3).

Emission allowances

Pursuant to Directive 2003/87/EC, which establishes a scheme for emission allowance trading system within the European Community (EU ETS), measures to reduce the impact of aviation carbon emissions became effective in 2012, whereby airlines must bear certain costs for CO₂ emissions caused by flights to or from a European Union member airport.

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Directive (EU) 2018/410, amending Directive 2003/87/EC, was approved in 2018 to establish the regulatory framework for phase IV emissions trading, which will take place between 2021 and 2030, seeking to reduce emissions in a cost-effective way and promote investment in low-carbon technologies. This new directive is the European Union's main instrument for achieving its 2030 emission-reduction targets, included in the European Union's climate strategy known as the Green Deal or European Green Pact.

In October 2016, ICAO (International Civil Aviation Organisation) reached an agreement on a carbon offsetting and reduction scheme for international aviation (known by the acronym CORSIA, by its acronym). The implementation of CORSIA began with a pilot phase from 2021, in which Iberia was involved, and will be followed by a first phase from 2024 until the end of 2026. The Group has been closely monitoring all its emissions and reporting them to the competent authority since 1 January 2019, that year being the baseline for calculating emissions. Following the agreement reached at the 41st ICAO General Assembly, as of 2024, the baseline for this scheme will be modified to stabilise the growth of sector emissions at 85% of the 2019 level aimed at increasing the climate ambitions and enhancing the international mitigation of emissions from the sector.

According to Decision No. 2/2019 of 5 December 2019, it is agreed to link the Swiss emissions scheme with the European scheme, with flights from an EU country to an aerodrome located on Swiss territory being covered by the EU ETS and flights from Switzerland to an EU country being covered by the Swiss scheme as of 1 January 2020.

Due to the UK leaving the European Union (Brexit), a new UK-ETS emissions trading scheme has been in effect since 1 January 2021. This applies to all flights originating in the UK bound for a destination airport in the European Economic Area. The operations from the European Union to the UK are included in the EU Emissions Trading Scheme. The Group has the tools and procedures needed to monitor its emissions and ensure it complies with all of these schemes.

In July 2021, the European Commission launched a new 'Fit for 55' package of measures, resulting in the adoption of Directive (EU) 2023/958, which is complemented by Regulation (EU) 2023/2405 on ensuring a level playing field for sustainable aviation ('ReFuelEU Aviation'). Directive (EU) 2023/958 aims to contribute to the European Green Pact's emission reduction target of 55% by 2030, as well as to align the scope of EU aviation emissions trading with CORSIA by adopting the so-called 'clean cut' approach.

The greenhouse gas emission allowances assigned to the Group at no cost through the Spanish National Allocation Plan pursuant to Law 9/2020, of 16 December, modifying Law 1/2005 and governing trading in these allowances, were recognised on allocation in 2025 under "Inventories" at their market value, with a non-refundable capital grant being simultaneously recognised for the same amount. The rights received are recorded at cost. From 2021, a linear reduction of 2.2% will be applied to the free allocation of allowances, as required by Directive (EU) 2018/410. Directive (EU) 2023/958 increases this linear reduction to 4.3% in 2023 and further reductions of 25% in 2024 and 50% in 2025 until finally 100% in 2026. It also provides for the creation of incentives for sustainable aviation fuels (SAF) from 2024 to 2030, with 20 million allowances dedicated to cover a certain percentage of the cost differential compared to standard paraffin.

The "Current provisions" heading on the balance sheet includes the sum of costs associated with greenhouse gases incurred during the year, charged to "Other operating costs" on the income statement. This amount was valued as the sum for which the emission allowances were granted or acquired if any allowances were held or valued at the best possible estimate of the cost to cover any allowance deficit.

The related provision and inventories recognised upon receipt of the rights are cancelled on settlement of the liabilities, which will be before 30 April 2026 for UK rights and by 30 September 2026 for EU rights.

The non-refundable subsidies associated with emission allowances acquired at no cost were recognised on the income statement as the costs arising from greenhouse gas emissions in relation to the subsidised emission allowances.

Notes to the 2025 consolidated financial statements

5.10 Balances and transactions in currencies other than the euro

Transactions in currencies other than the euro and the resulting receivables and payables are recognised at their equivalent euro value at the transaction date. At the close of each financial year, the receivables and payables denominated in currencies other than the euro are translated at the exchange rates prevailing at said date. Any differences in value arising from a discrepancy between the official exchange rates at year-end and the exchange rates at which non-euro receivables and payables were originally recognised or from differences in exchange rates at the date of collection or payment of non-euro receivables, payables and cash or equivalent balances are recognised under "Exchange differences" or "Other operating costs" on the income statement, in accordance with their nature.

Pursuant to customary airline practice, the balance of the liability for unused traffic documents is recognised in the balance sheet at the exchange rate prevailing in the month of sale, as set by the International Air Transport Association (IATA). The IATA exchange rate for each month is the average exchange rate for the last five banking days prior to the 25th, inclusive, of the preceding month. These balances are not adjusted for the exchange rate prevailing at the end of the reporting period and exchange differences only occur when they are reimbursed. This does not have a significant effect on the financial statements.

5.11 Income tax

The expense of income for tax on profits includes both current and deferred tax.

Assets and liabilities for current tax on profits are valued at the amounts that are expected to be paid or recovered from the tax authorities, using the standard and tax rates in force or approved and pending publication at year end.

Tax on current or deferred profits is recognised in the income statement, except when it arises from a transaction or economic event that has been recognised in the same year or a different year against equity or from a combination of businesses.

Since 2012, the Group has been taxed under the consolidated tax regime, with IB Opco Holding, S.L. being the Parent of the tax group. In addition to the aforementioned entities, this tax group includes the group companies Iberia Lineas Aereas de España S.A. Operadora, Compañía Operadora de Corto y Medio Radio Iberia Express, S.A., Compañía de Explotación de Aviones Cargueros, Cargosur, S.A., Iberia Desarrollo Barcelona S.L., Iberia Tecnología S.A., South Europe Ground Services S.L. (from 1st January 2024) and Iberia Lineas Aereas de España Solutions, S.L. (from 26th May 2025, date of incorporation).

(i) Recognition of deferred tax liabilities

The Group recognises deferred tax liabilities in all cases, except when they arise from the initial recognition of the goodwill or from an asset or liability in a transaction that is not a business combination and which on the date of the transaction does not affect the accounting profit/(loss) or the tax base;

(ii) Recognition of deferred tax assets

The Group recognises deferred tax assets when it is probable that sufficient future taxable profit will be available against which they can be utilised or when tax legislation provides for the possibility of future conversion of deferred tax assets into a receivable from the tax authorities.

However, assets which arise from the initial recognition of assets and liabilities in a transaction which is not a business combination, and which on the transaction date does not affect accounting profit/(loss) or the tax base, are not recognised.

Notes to the 2025 consolidated financial statements

In the absence of evidence to the contrary, it is considered unlikely that future taxable profits will be available to the Group if their future realisation is expected more than ten years after the reporting date, regardless of the nature of the deferred tax asset, or in the case of tax credits and other tax benefits, which are not yet available for tax purposes due to insufficient taxable profit when the activity has been carried out or the income has been earned that gives rise to the entitlement to the tax credit or tax benefit and there is reasonable doubt as to whether the conditions for claiming the tax credit or tax benefit have been met.

The Group recognises deferred tax assets arising from tax loss carry forwards only to the extent that it is probable that future taxable profit will be available against which they can be utilised within a period not exceeding ten years, unless there is evidence that it is probable that they can be utilised within a longer period, when tax legislation permits their utilisation within a longer period or does not impose a time limit on their utilisation.

On the other hand, it is considered probable that the Group will have sufficient taxable profits to realise deferred tax assets, provided that there are sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity that may be reversed in the same year as the expected reversal of deductible temporary differences or in years in which a tax loss, due to a deductible temporary difference, can be netted against previous or subsequent gains.

The Group recognises deferred tax assets that have not been recognised because they exceed the ten-year reversal period to the extent that the future reversal period does not exceed ten years from the end of the reporting period or when sufficient taxable temporary differences exist.

In determining future taxable profit, the Group considers tax planning opportunities when it intends to use them or is likely to use them.

(iii) Measurement of deferred tax assets and liabilities

Deferred tax assets and liabilities are measured at the tax rates that will apply in the years in which the assets are expected to be realised or the liabilities are expected to be settled, based on tax rates and tax laws that have been enacted or substantively enacted and taking into account the tax consequences that will follow from the manner in which the Group expects to realise the assets or settle the liabilities.

(iv) Classification

Deferred tax assets and liabilities are recognised on the consolidated statement of financial income as non-current assets or liabilities, regardless of their expected realisation or settlement dates.

(v) Supplementary Tax

The current income tax expense of the Company includes the tax related to the minimum effective taxation of multinational enterprise groups (OECD model rules or Pillar Two, hereinafter the Supplementary Tax), for which the Company is the taxpayer and liable entity.

If the Company is a substitute for the taxpayer, then the current income tax expense accrued on behalf of the taxpayer is recognised as a receivable from group companies.

If the Company is the taxpayer and liable entity for the Supplementary Tax, but the Parent acts as a substitute for the Company, the Company recognises the current income tax expense accrued with a credit to a payable account with group companies.

The Company recognises the accrual of the Supplementary Tax expense with a credit to the non-current tax liabilities item in the balance sheet.

The Company has applied the exception to the recognition and disclosure of information on deferred tax assets and liabilities related to the Supplementary Tax.

Notes to the 2025 consolidated financial statements

5.12 Income and expenses

Income and expenses are recognised when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Ticket sales and sales of the traffic documents for cargo and other services are initially recognised under "Deferred revenue" in the consolidated statement of financial position. The balance of this heading includes the estimated liabilities for ticket sales and traffic documents sold each year prior to 31 December but not yet used at that date. Ticket and traffic document revenue are recognised on the date established for the provision of the carriage or service. Unclaimed tickets are recognised as revenue after the contractual departure date, with the timing of recognition estimated based on ticket terms and conditions and statistical analysis of historical trends.

The Group analyses whether it acts as an agent or as a commission agent in relation to transport services by considering whether it has a performance obligation to the customer or whether its obligation is to arrange for the service to be provided by a third party. The Group acts as an agent when (i) it collects and remits to the relevant tax authorities various taxes and commissions charged on the sale of tickets to passengers; and (ii) it provides interline services to partner airlines.

Other revenue, such as maintenance and handling (aircraft handling and airport services) is recognised when the performance obligations are satisfied (over time) and control of the goods or services is transferred to the customer.

In 2015, the Group transferred the Iberia Plus loyalty programme to Avios Group (AGL) Ltd, trading as IAG Loyalty (IAGL), a Spanish branch of the IAG. IAG Loyalty (IAGL), whose object is creating the customer loyalty allowing them accumulate Avios each time the participants of the same perform determined flights, use the services of other participating entities of the programme or perform their purchases with select credit cards. Since then, the Avios points awarded in services provided by Iberia are measured at their fair value and recognized as a payable to AGL, which is settled monthly. When programme users redeem their Avios for services provided by IAG Group companies, revenue is recognised in the consolidated income statement when the Avios is used, with a balancing entry in a liability account funded by the amount the Group charges AGL for the contracted value at the time the award is issued.

In general, any incentives, bonuses or discounts received in cash or in kind by the Group relating to aircraft coming into service under operating leases are recognised in the consolidated income statement either on a straight-line basis over the term of the lease or when the incentive, bonus or discount is used. Amounts not yet recognised as income at each year-end are included under "Long-term accruals" on the liabilities side of the consolidated statement of financial position.

Interest income from financial assets is recognised using the effective interest method, and dividend income is recognised when the shareholder's right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income in the consolidated income statement.

5.13 Provisions

Provisions are recognised when the Group has a present legal, contractual, constructive or legal obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amounts recognised in the consolidated statement of financial position represent the best estimate of the expenditure required to settle the present obligation at the reporting date, taking into account the risks and uncertainties associated with the provision and, where material, the financial effects of discounting, provided that the expenditure to be incurred in each period can be estimated reliably. The discount rate is determined on a pre-tax basis, taking into account the time value of money and the specific risks not reflected in the future flows relating to the provision at each reporting date.

Provisions are reversed through profit or loss if it is not probable that an outflow of resources will be required to settle the obligation.

Notes to the 2025 consolidated financial statements

Obligations to personnel

Pension obligations and net pension costs are determined using actuarial calculations. These valuations are based on key assumptions such as the discount rate, estimated salary increases, mortality rates and social security assumptions. The discount rate assumptions reflect the interest rates available for high-quality corporate bonds with an appropriate maturity at the reporting date. Due to changes in economic and market conditions, key assumptions may differ from current assumptions and result in changes in the pension liability. These differences are recognised in full in equity as actuarial gains or losses.

In its defined benefit plans, the Group includes benefits, where there is a legal or implicit obligation to deliver the promised benefits directly to the employees when these become due for services provided by the employees in the current or previous periods.

The defined benefit liability recognised in the consolidated balance sheet is the present value of the obligation at the reporting date, less the fair value of plan assets at that date and less unrecognised past service costs. The Group recognises actuarial gains and losses in its equity in the period in which they occur.

Under the collective bargaining agreements in force, on reaching the age of 62 Iberia flight crew shall retire from the flying services and be placed on reserve, retaining their employment relationship until they reach the age of 67 at the latest or until they reach a lower age if they retire, or remaining active with restrictions on their activity. The Group recognises the costs of staff placed on reserve throughout the active working life of each employee in accordance with the related actuarial studies based on estimates at the time of this placement. At present, 20 employees have taken up this scheme.

Likewise, there are 3 cabin crew members who, by virtue of the collective bargaining agreement in force, is covered by this benefit.

The collective labour agreements in force also provide that flight crew who meet certain conditions may take early retirement (special leave of absence and voluntary termination until November 2010). Iberia is required to remunerate these employees until they reach the age of 65 or 67. At present, 782 employees are on special leave and no employee has opted for voluntary retirement. In addition, 64 members of the technical crew are covered by the special termination programme for pilots.

The present value of the defined benefit obligations, the cost of benefits provided and the cost of past service are calculated annually by independent actuaries using the projected unit credit method, with the most recent calculation in December 2025 using a technical rate of interest, rate consistent with the iBoxx index, of 3.88% and 2.55%, depending on whether or not they are currently active staff, the mortality tables PER_Col_2020.1er.orden., and assuming and annual increases in benefits of 2.70% in 2025 and 2% beyond.

Restructuring provisions

Compensation for involuntary termination of employment is recognised as soon as a detailed official plan exists and has produced a valid expectation among affected personnel that there will be a termination of labour relations.

Provisions related to restructuring processes are recognised when the Group has a constructive obligation because a detailed formal plan exists and there is a valid expectation among those affected that the process will be carried out, either by starting to implement the plan or by announcing its main features. Furthermore, these provisions only include disbursements directly related to the restructuring that are not associated with the Group's continuing operations.

In December 2001, Iberia secured authorisation from the employment authorities for a collective redundancy procedure (ERE 72/01) to be applied to various employee groups. This plan has been extended by further authorisations and will remain in force until 31 December 2015. This plan involves the payment of certain amounts to the staff members concerned up to the age of 65.

In 2017, Iberia obtained approval for a new severance plan (ERE 65/17), applicable to all groups and valid until 31 December 2019.

Notes to the 2025 consolidated financial statements

In December 2024, South obtained approval for a new Employment Regulation File (ERE 151/24) to be applied to the ground staff segregated to this company, effective until 31 December 2026. This scheme provides for the payment of certain amounts to the affected employees until they reach the age of 65.

The actuarial studies performed in December 2025 by independent experts to estimate the liabilities for the restructuring plans were based on the same assumptions as those made to determine the provisions for obligations with employees, with the exception of the technical discount rate, which in this case was 2.53%, also consistent with the iBoxx index, and the mortality tables PERM/F-2000P. Due to changes in economic and market conditions, key assumptions may differ from current assumptions and may result in changes to pension liabilities. Such differences are recognised in full as actuarial gains or losses in the income statement.

Provisions for major repairs and refurbishments

As mentioned in note 5.3, the Group has entered into certain operating leases under which it is contractually obliged to carry out major repairs at regular intervals and upon return of the aircraft. At the end of each reporting period, the Group recognises a provision for the estimated amount of the obligation incurred at that time and charges it to the consolidated income statement.

The provisions referred to in this section are recognised in accordance with the general criteria for the recognition of provisions. In particular, the amount is estimated using key assumptions such as flight hours and flight cycles based on historical information.

Provision for onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the contractual obligations exceed the economic benefits expected to be received under the contract. In such circumstances, the Group recognises a provision for onerous contracts, measured at the present value of the lower of (i) the estimated cost of exiting or terminating the contract; and (ii) the net cost of continuing to fulfil the contract, determined by considering the incremental costs directly attributable to fulfilling the contractual obligation, together with a reasonable allocation of other costs directly related to the execution of the contract.

Prior to recognising the provision, the Group assesses and recognises, where applicable, any impairment loss relating to assets that are specifically associated with the contract.

5.14 Montepío de Previsión Social Loreto

Montepío de Previsión Social Loreto's main purpose is to pay retirement pensions to its members (which include employees of subsidiary Iberia) and other welfare benefits in certain circumstances (death and permanent disability).

Under the current collective labour agreements, the subsidiary Iberia and its employees make the statutory contributions established therein (defined contributions). The Montepío's by-laws limit the Group's economic liability to payment of the statutory contributions established.

The Group recognises contributions to defined contribution plans when employees render service. The amount of contributions accrued is recognised as an employee benefit expense and as a liability net of any amounts already paid. In the event that the amounts paid exceed the accrued expenses, the corresponding assets are recognised only to the extent that they can be used to reduce future payments or result in a cash refund.

In the 2025 financial year, contributions in this context amounted to €20 million (2024: €19 million) and were recognised in the accompanying consolidated income statement for 2025 under "Employee costs – Employee welfare costs".

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5.15 Related party transactions

Transactions between Group companies, with the exception of mergers, spin-offs and contributions in kind of business units to which special rules apply, including investments in Group companies, are recognised at the fair value of the consideration given or received. The difference between this value and the agreed amount is recognised according to the underlying economic substance either as a contribution or as a dividend distribution. However, the portion that is not realised in proportion to the percentage interest in the Group company is recognised as donation income or expense.

The special provisions refer, in the valuation of the transactions received, to the values of the consolidated accounts of the group or of the larger sub-group in which the assets and liabilities are included and whose Parent is Spanish. If the aforementioned financial statements are not prepared under one of the exemption grounds provided for in the consolidation rules, or the values of the consolidated annual accounts whichever is lower, the values used shall be those existing prior to the transaction in the separate financial statements of the transferring or acquired company.

Furthermore, transfer prices are adequately documented, and, therefore, the Directors of the Parent believe there are no significant risks in this regard which might give rise to considerable liabilities in the future.

5.16 Current / non-current

In the consolidated balance sheet, assets and liabilities that are expected to be settled or fall due within 12 months of the reporting date are classified as current items, and those which fall due or will be settled after more than 12 months are classified as non-current items.

Financial liabilities are classified as current if they fall due within twelve months of the reporting date even if the original term is for a period longer than twelve months and there is an agreement to refinance or restructure long-term payments that was concluded after the reporting date and before the consolidated financial statements are authorised for issue.

5.17 Share-based payments

IAG has a number of equity-settled share-based payment plans in return for services rendered. IAG estimates annually the expense of the subsidiaries Iberia, Iberia Express and South who are members of the plan, taking into account management's estimate of the achievement of the targets set and therefore the number of equity instruments that will ultimately vest. The cost of these awards is recharged from IAG and recognised within Other operating expenses to the Group and as a creditor owed to IAG.

5.18 The impact of climate change on financial reporting

Environmental activities are generally considered to be those aimed at preventing, reducing or repairing damage to the environment. Accordingly, investments arising from environmental activities are recognised at cost and capitalised as an increase to property, plant and equipment and inventories in the year they are made, in accordance with the criteria described in Notes 5.2 and 5.8.

Costs arising from environmental protection and improvements are taken to the income statement for the year in which they are incurred, irrespective of when the associated monetary or financial flows take place.

Provisions for contingencies or liabilities, litigation in progress and indemnities or obligations of undetermined amount related to the environment that are not covered by insurance policies are made as soon as the contingency or liability giving rise to the indemnity or payment occurs.

Significant transactions and critical accounting estimates, assumptions and judgements in the determination of the impact of climate change

As a result of climate change the Company has designed and approved its Flightpath Net Zero climate strategy, which commits the Group to net zero emissions by 2050. While approved business plans currently have a duration of three years, the Flightpath Net Zero climate strategy impacts both the short, medium and long-term operations of the Group.

Notes to the 2025 consolidated financial statements

The details regarding the inputs and assumptions used in the determination of the Flightpath Net Zero climate strategy include, but are not limited to, the following that are within the control of the Group:

- The additional cost of the Group's commitment to increasing the level of Sustainable Aviation Fuels to 10 per cent by 2030 and to 70 per cent by 2050;
- The cost of incurring an increase in the level of carbon offsetting and carbon capture schemes; and
- The impact of introducing more fuel-efficient aircraft and being able to operate these more efficiently.

In addition to these inputs and measures within the control of management, Flightpath Net Zero includes assumptions pertaining to consumers, governments and regulators regarding the following:

- The impact on passenger demand for air travel as a result of both passenger trends regarding climate change and government policies;
- Investment and policy regarding the development of Sustainable Aviation Fuel (SAF) production facilities;
- Investment and improvements in air traffic management; and
- The price of carbon through the EU, Swiss and UK Emissions Trading Schemes (ETS) and the UN Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA).

The level of uncertainty regarding the impact of these factors increases over time. Accordingly, the Group has applied critical estimation and judgement in the evaluation of the impact of climate change regarding the recognition and measurement of assets and liabilities within the financial statements.

Critical accounting estimates, assumptions and judgements – cash flow forecast estimation

With the Flightpath Net Zero climate strategy assessing the impact over a long-term horizon to 2050, the level of estimation uncertainty in the determination of cash flow forecasts increases over time. For those assets and liabilities, where their recoverability is dependent on long-term cash flows, the following critical accounting estimates, assumptions and judgements, to the extent they can be reliably measured, have been applied:

a. Long-term fleet plans and useful economic lives

The Group's Flightpath Net Zero climate strategy has been developed in conjunction with the long-term fleet plans. This includes the annual assessment of useful lives and the residual values of each aircraft type.

Group considers the existing fleet assets, such as the committed future deliveries of fuel-efficient aircraft, align with the long-term fleet plans to achieve its Flightpath Net Zero climate strategy. All aircraft in the fleet, and those due to be delivered in the future, have the capability to utilise SAF in their operations without impediment. Accordingly, no impairment has arisen in the current or prior year, nor have the useful lives and residual values of aircraft been amended, as a result of IAG's decarbonisation plans.

b. Impairment testing of the Group's cash generating units

The Group applies discounted cash flow models derived from the cash flow forecasts from the approved three-year business plans. The Group's Flightpath Net Zero climate strategy is long-term in nature and includes commitments that will occur at differing points over this time horizon. To the extent that certain of those commitments occur over the short-term, then they have been incorporated into the three-year business plans.

Notes to the 2025 consolidated financial statements

The Group adjusts the final year (being the third year) of these probability-weighted cash flows to incorporate the impacts of climate change from the IAG's Flightpath Net Zero climate strategy that are expected to occur over the medium-term, being to 2035 (2024: through to 2030). These adjustments are limited to those that: (i) the Group can reliably estimate at the balance sheet date, with those costs subsequent to 2035 having such a high degree of uncertainty that they cannot be reliably estimated; (ii) only relate to the Company's existing asset base in its current condition; and (iii) incorporate legislation and regulation that is expected to be required to achieve the IAG's Flightpath Net Zero climate strategy, and which is sufficiently progressed at the reporting date.

As a result, the Group's impairment modelling incorporates the following aspects of the IAG's Flightpath Net Zero climate strategy through to 2035, after which time the level of uncertainty regarding timing and costing becomes insufficiently reliable to estimate: (i) an increase in the level of SAF consumption of the overall fuel mix; (ii) forecast cost of carbon, including SAF, ETS allowances and CORSIA allowances (all derived from externally sourced or derived information); (iii) the removal of existing free ETS allowances issued by the EU member states, Switzerland and the UK; (iv) forecast kerosene taxes applied to jet fuel for all intra EU flight activity; and the removal of existing free ETS allowances issued by the UK and EU member states; and (v) assumptions regarding the ability of the Group to recover these incremental costs through increased ticket pricing.

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 unless already committed and assets not currently in use by the Group. In addition, for the avoidance of doubt, the Group's impairment modelling excludes the following aspects of the IAG's Flightpath Net Zero climate strategy: (i) the expected transition to electric and hydrogen aircraft, as well as future technological developments to jet engines and airframes; (ii) any savings from the transition to more fuel efficient aircraft other than those either in the Group's fleet or those committed orders due to be delivered over the business plan period; (iii) the benefit of the development of carbon capture technologies and enhanced carbon offsetting mechanisms; (iv) the required beneficial reforms to air traffic management regulation and legislation; (v) the consumption of advanced SAF products that have not yet technologically feasible; and (vi) the required government incentives and/or support across the supply chain.

The Group applies a long-term growth rate to these adjusted probability weighted cash flows and long-term growth rates and include a specific adjustment to reduce the rate to reflect the Group's assumptions regarding the reduced demand and elasticity impact arising from climate change. These impacts are derived with reference to external market data, industry publications and internal analysis.

Given the inherent uncertainty associated with the impact of climate change, the Group has applied additional sensitivities to reflect a more adverse impact of climate change than currently expected. This has been captured through both the downward sensitivities of the long-term growth rates, ASKs, operating margins and the increased fuel price sensitivity.

c. The price of carbon through the EU, Swiss and UK Emissions Trading Schemes

EU, Swiss and UK Emissions Trading Systems/Schemes

The EU, Swiss and the UK's ETS were established to reduce greenhouse gas emissions cost effectively. Under these schemes, companies, including the Group, are required to buy emission allowances, or are issued them under existing quotas. The Group is required to surrender these allowances to the relevant authorities annually dependent on the level of CO₂ equivalent emitted within a 12-month period. Over time the level of available emission allowances decreases in order to reduce total emissions, which has the effect of increasing the price of such allowances. The Group expects that the future price of such allowances will continue to increase and that the free allocation of emission allowances will cease. Given the relative illiquid nature of the emission allowance market there is uncertainty as to the future pricing of such allowances.

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Carbon Offsetting and Reduction Scheme for International Aviation

In October 2016, the International Civil Aviation Organisation (ICAO) agreed on the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to offset growth-related CO₂ emissions in international air traffic from 1 January 2021, with the pilot phase running through to 31 December 2024. The first phase of the CORSIA implementation commenced on 1 January 2024 and will run through to 31 December 2026, after which the second phase will run through to 31 December 2035, measured in three-year reporting periods. The first phase of CORSIA is voluntary and currently 126 States have agreed to participate.

The first phase of CORSIA utilises total CO₂ emissions from the international civil aviation over a baseline of 85% of the 2019 level of emissions (the Baseline Year) for all of those participating States. The offsetting requirements apply to CORSIA eligible flights, being all international flights between participating States, with the following flights excluded: (i) domestic flights; (ii) international flights between States where at least one State has not volunteered to participate in the first phase; (iii) those flights subject to various ETS arrangements to avoid duplication of emission charges. In addition, for those flights utilising SAF, the CORSIA offsetting requirement is reduced, but not eliminated, depending on the lifecycle carbon reductions of the SAF compared to conventional fossil jet kerosene

The calculation and verification of the offsetting requirements in the first phase shall be determined by the sectoral approach annually, with companies retiring their obligations in 2028 (although retirements can occur earlier subject to agreement with national authorities). Under the sectoral approach, each of the Group's operating companies will be required to offset an amount of CO₂ emissions equivalent to the emissions generated on CORSIA eligible flights, multiplied by the Sectoral Growth Factor. The Sectoral Growth Factor is calculated on total global aviation CO₂ emissions arising on international air routes between all participating States in a given year divided by the total sectoral CO₂ emissions in the Baseline Year for the same routes.

Impact on financial reporting

The Group accounts the purchase of allowances as detailed in note 5.9. At December 31, 2025, the Group has recorded ETS allowances within Inventories (note 17.3) in the consolidated balance of €220 million, representing sufficient allowances, by operating Group, to settle its forecast obligations through to at least December 31, 2025. At December 31, 2025, the Group has recorded a provision in the consolidated balance for settling its 2025 emissions obligation of €102 million.

Notes to the 2025 consolidated financial statements

6. INTANGIBLE ASSETS

The changes under this heading in 2025 and 2024 were as follows:

Year 2025

€ million	Balance at 31-12-2024	Additions or provisions	Transfers	Withdrawals	Balance at 31-12-2025
Cost:					
Goodwill	657	-	-	-	657
	657	-	-	-	657
Other intangible assets					
Industrial property and transfer rights	1	3	-	-	4
Computer software	371	5	45	-	421
Computer applications in progress	10	51	(45)	-	16
	382	59	-	-	441
Amortisation and depreciation:					
Goodwill	(592)	(65)	-	-	(657)
	(592)	(65)	-	-	(657)
Other intangible assets					
Industrial property and transfer rights	(1)	-	-	-	(1)
Computer software	(278)	(33)	-	-	(311)
	(279)	(33)	-	-	(312)
					-
Total net	168	(39)	-	-	129

Year 2024

€ million	Balance at 31-12-2023	Additions or provisions	Transfers	Withdrawals	Balance at 31-12-2024
Cost:					
Goodwill	657	-	-	-	657
	657	-	-	-	657
Other intangible assets					
Industrial property and transfer rights	1	-	-	-	1
Computer software	329	3	51	(12)	371
Computer applications in progress	31	30	(51)	-	10
	361	33	-	(12)	382
Amortisation and depreciation:					
Goodwill	(526)	(66)	-	-	(592)
	(526)	(66)	-	-	(592)
Other intangible assets					
Industrial property and transfer rights	(1)	-	-	-	(1)
Computer software	(259)	(31)	-	12	(278)
	(260)	(31)	-	12	(279)
					-
Total net	232	(64)	-	-	168

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In 2025, the Group acquired computer developments or programs from third parties for a total of €56 million (2024: €33 million), of which €16 million are in the process of being put into operation. The Group has carried out improvement works on its fixed assets which have been capitalised as an increase in the cost of computer software, with a balancing entry under the heading of "In-housework on non-current assets" in the 2025 consolidated income statement, in the amount of €4 million (2024: €2 million).

At 31 December 2025, the Group had fully depreciated property, plant and equipment items which continued to be in use, made up as follows:

€ million	2025	2024
Industrial property and transfer rights	1	10
Computer software	231	217
Goodwill	657	-
	889	227

Notes to the 2025 consolidated financial statements

7. PROPERTY, PLANT AND EQUIPMENT

The changes under this heading in 2025 and 2024 were as follows:

Year 2025

€ million	Balance at 31-12-2023	Additions or provisions	Transfers	Withdrawals	Balance at 31-12-2024
Cost:					
Aircraft	2,714	444	231	(45)	3,344
	2,714	444	231	(45)	3,344
Other property, plant and equipment					
Land	2	-	-	-	2
Buildings and other constructions	169	-	-	-	169
Machinery, fixtures and tools	604	-	49	(21)	632
Overland travel elements	27	-	-	(2)	25
Furniture and fixtures	13	2	-	-	15
Computer hardware	110	1	13	-	124
Spare parts for property, plant and equipment	114	12	15	(18)	123
Flight simulators	3	-	-	-	3
Work in progress	238	328	(308)	(9)	249
	1,280	343	(231)	(50)	1,342
Amortisation and depreciation:					
Aircraft	(1,070)	(195)	-	43	(1,222)
	(1,070)	(195)	-	43	(1,222)
Other property, plant and equipment					
Buildings and other constructions	(147)	(2)	-	-	(149)
Machinery, fixtures and tools	(458)	(24)	-	21	(461)
Overland travel elements	(26)	(1)	-	1	(26)
Furniture and fixtures	(13)	(2)	-	-	(15)
Computer hardware	(77)	(10)	-	-	(87)
Spare parts for property, plant and equipment	(46)	(5)	-	5	(46)
Flight simulators	(3)	-	-	-	(3)
	(770)	(44)	-	27	(787)
Total net	2,154	548	-	(25)	2,677

Notes to the 2025 consolidated financial statements

Year 2024

€ million	Balance at 31-12-2022	Additions or provisions	Transfers	Withdrawals	Balance at 31-12-2023
Cost:					
Aircraft	3,107	147	119	(659)	2,714
	3,107	147	119	(659)	2,714
Other property, plant and equipment					
Land	2	-	-	-	2
Buildings and other constructions	170	-	-	(1)	169
Machinery, fixtures and tools	560	4	66	(26)	604
Overland travel elements	27	-	-	-	27
Furniture and fixtures	16	-	-	(3)	13
Computer hardware	91	-	30	(11)	110
Spare parts for property, plant and equipment	105	10	8	(9)	114
Flight simulators	3	-	-	-	3
Work in progress	190	265	(217)	-	238
	1,164	279	(113)	(50)	1,280
Amortisation and depreciation:					
Aircraft	(1,018)	(155)	-	103	(1,070)
	(1,018)	(155)	-	103	(1,070)
Other property, plant and equipment					
Buildings and other constructions	(147)	(1)	-	1	(147)
Machinery, fixtures and tools	(460)	(24)	-	26	(458)
Overland travel elements	(26)	-	-	-	(26)
Furniture and fixtures	(16)	-	-	3	(13)
Computer hardware	(85)	(3)	-	11	(77)
Spare parts for property, plant and equipment	(46)	(6)	-	6	(46)
Flight simulators	(3)	-	-	-	(3)
	(783)	(34)	-	47	(770)
Total net	2,470	237	6	(559)	2,154

Notes to the 2025 consolidated financial statements

7.1 Aircraft

7.1.1 Fleet in service

A summary of the Group's aircraft in service at 31 December 2025 is as follows:

Fleet	Number of aircraft			Total
	Owned (**)	Financial Leases (***)	Lease Operational (*)	
A-319	-	1	2	3
A-320	1	17	26	44
A-321	6	11	8	25
A-321-XLR	5	2	-	7
A-330-300	-	-	8	8
A-330-200	2	1	16	19
A-350-900	1	6	16	23
	15	38	76	129

(*) Include 7 A-330-200 subleased to Flylevel Barcelona LH, S.L.

(**) Include 1 A-321-XLR stood down pending its first operational flight (note 7.1.2)

(***) Include 1 A-320 stood down to return (note 7.1.2)

a. Owned aircraft and aircraft on finance leases:

The main changes under this heading in 2025 and 2024 were as follows:

- Additions:

Additions in 2025 and 2024 were as follows:

€ million	2025	2024
Airframe and Engines	443	145
Refurbishment	1	2
	444	147

In 2025, the Group acquired six A-321-XLR aircrafts, all owned, for which advance payments had previously been made.

In addition, two A330-200 aircraft that had been under operating leases were transferred to owned status, and one A321-XLR aircraft acquired in 2024 was reclassified as a finance lease.

The Group has performed improvement work on its fixed assets that has been capitalised as an increase in the cost of airframe, engines and refurbishment, with a corresponding entry under "In-housework on non-current assets" in the 2025 consolidated income statement, in the amount of €49 million (2024: €21 million).

- Retirements:

In 2025 two aircrafts, one from the A-321 and other from A-320 fleet, all having been leased through a finance lease contract, have been returned to lessor.

None of these transactions had a material impact on the income statement.

b. Aircraft operated under an operating lease:

Following are the expiry dates of the operating leases of aircraft being operated by the Group:

Notes to the 2025 consolidated financial statements

Fleet	Years							No. of aircraft
	2026	2027	2028	2029	2030	2031	Subsequent	
A-319	-	2	-	-	-	-	-	2
A-320	5	2	1	-	5	8	5	26
A-321	-	3	-	-	-	-	5	8
A-330-300	-	-	5	3	-	-	-	8
A-330-200	-	-	5	5	2	2	2	16
A-350-900	-	-	-	-	2	2	12	16
	5	7	11	8	9	12	24	76

Operating lease costs:

The lease payments in 2025 and 2024 for passenger aircraft operating leases amounted to €683 million and €482 million respectively, recognised under "Other operating costs" in the consolidated income statement (note 17.5). During 2025, the Group entered into four A320 aircraft lease agreements and early terminated two A330-200 aircraft lease agreements.

The approximate total of future operating lease payments, including estimated contingency payments calculated based on the interest rates and exchange rates prevailing at 31 December 2025 and 2024, respectively, is as follows:

€ million	2025	2024
Up to one year	402	469
Between one and five years	1,260	1,598
In five years or more	597	927
	2,259	2,994

Equivalent to \$2,653 million and \$3,101 million at the 2025 and 2024 year-end exchange rate. The exchange rate and interest rate risks on these lease payments are partially hedged with derivatives (note 10).

c. Commitments on the fleet:

The Group is carrying out an aircraft renewal programme, both short-haul and long-haul operations, under various agreements with Airbus. Following the updated agreement with Airbus, aircraft pending delivery at 31 December 2025 will be included in accordance with the following schedule:

Fleet in service	2026	2027	2028	2029	2030	2031	2032
A-320 Neo	2	6	-	-	-	-	-
A-321 Neo	-	5	-	-	-	-	-
A-321 XLR	1	-	-	-	-	-	-
A-330	-	-	-	-	1	2	2
A-350-900	-	2	3	3	-	-	-
	3	13	3	3	1	2	2

Based on the basic prices established in the agreements, the total cost of the aircraft subject to outright purchase commitments not yet delivered at 31 December 2025 was approximately €2,300 million.

7.1.2 Fleet not in service

In December 2025, the Group has leased seven aircrafts to Flylevel Barcelona, LH, S.L. under an operating sublease contract, with net lease payments of €25 million.

Notes to the 2025 consolidated financial statements

In addition, at year-end 2025, the Group has 1 A-321-XLR which was delivered in the final days of 2025 and is currently stood down pending its first operational flight, and one A320 aircraft stood down for return in 2026.

7.2 Other property, plant and equipment

"Property, plant and equipment in progress and pre-payments" includes the sums paid out on the fleet renewal agreements described in note 7.1.1.c) above, in addition to aircraft instruction sheets and configuration of the new cabins of aircraft.

In 2025 and 2024 there were significant retirements in cost amounting to €50 million and €50 million respectively, mainly relating to airport equipment and spare parts for property, plant and equipment. None of these transactions had a material impact on the consolidated income statement.

The carrying amount of the buildings and facilities built on land owned by the Spanish government, mainly at Spanish airports, was €16 million at 31 December 2025 (2024: €18 million). The Parent's Directors do not expect any material losses to arise as a result of the reversal process, since Group maintenance programmes ensure that the items are always in good operating condition.

7.3 Assets held under finance lease

At 31 December 2025, the total cost of property, plant and equipment acquired under finance leases, mainly aircraft and airport equipment, was €2,117 million with accumulated depreciation of €818 million (2024: €2,004 million and €7374 million respectively).

The schedule for lease payments outstanding at 31 December 2025, including any purchase options, is shown in note 13.3.

7.4 Fully depreciated items:

At 31 December 2025 and 2024 the cost of the Group's fully depreciated items of property, plant and equipment was €661 million and €648 million respectively. The breakdown is as follows:

€ million	2025	2024
Aircraft	88	78
Buildings and other constructions	119	113
Machinery, fixtures and tools	272	366
Furniture and fixtures	12	13
Computer hardware	73	73
Other fixed assets	97	5
	661	648

7.5 Insurance coverage

The Group has taken out insurance policies for its property, plant and equipment, which provided adequate coverage for their carrying amount at 31 December 2025. It has also maintained its insurance policies to cover aircraft leased to third parties.

Notes to the 2025 consolidated financial statements

8. INVESTMENTS IN GROUP COMPANIES, ASSOCIATES AND NON-CONSOLIDATED COMPANIES

8.1 Investments accounted for using the equity method

Changes in 2025 and 2024 in the different items of the consolidated statement of financial position are as follows:

Year 2025

€ million	Balance at 31-12-2024	Share of profit/(loss)	Amortisation of implicit goodwill	Dividends	Valuation adjustments	Balance at 31-12-2025
Vueling Airlines, S.A.	26	118	(11)		(86)	47
Avios Group (AGL) Limited	250	57	(43)	(52)	(8)	204
Fly Level Barcelona LH, S.L.	-	17	-	-	-	17
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A.	16	(1)	-	-	-	15
Others	21	3	-	(5)		19
	313	194	(54)	(57)	(94)	302

Year 2024

€ million	Balance at 31-12-2023	Share of profit/(loss)	Amortisation of implicit goodwill	Valuation adjustments	Balance at 31-12-2024
Vueling Airlines, S.A.	-	107	(10)	(71)	26
Avios Group (AGL) Limited	231	53	(38)	4	250
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A.	15	1	-	-	16
Others	18	3	-	-	21
	264	164	(48)	(67)	313

Vueling Airlines, S.A.

The acquisition of 45.85% of Vueling, S.A. was recognised following the 9th recognition and measurement standard of the Spanish Chart of Accounts for the consolidated historic cost within the Group of Clickair S.A. assets and liabilities provided as compensation for the operation.

On 8 November 2012, Veloz Holdco, S.L. (Sole-Shareholder Company), a company wholly owned by IAG, presented its application for a voluntary takeover bid for Vueling Airlines, S.A. ("Vueling") to the Spanish National Securities Market Commission (CNMV). This was accepted for processing by the CNMV on 20 December 2012.

Iberia notified Veloz Holdco, S.L.U. of its unconditional and irrevocable undertaking not to accept the bid with respect to any of its 13,711,221 shares in Vueling, accounting for 45.85% of the company's share capital, and immobilised the shares to demonstrate this commitment. Consequently, the bid made by Veloz Holdco, S.L.U. effectively targeted only 16,193,297 Vueling shares, accounting for 54.15% of the company's share capital and the same percentage of voting rights. In 2013, IAG increased its shareholding to 53.51% through its subsidiary Veloz Holdco, S.L.U. in three operations, and this, coupled with the 45.85% indirect stake already held through Iberia put the total ownership interest of IAG in Vueling at 99.36% at 31 December 2015.

Notes to the 2025 consolidated financial statements

In December 2020, the Group acquired an additional 4.25% for €30 million, taking its holding to 50.10%. However, as a result of an agreement signed by the shareholders of that investee, the Group does not have control over the investee.

As a result of the merger between Vueling Airlines, S.A. and its parent company Veloz Holdco S.L.U., in 2023 the value of the Group's interest in Vueling Airlines, S.A. increased by €38 million, which was considered as a shareholder contribution in the equity of Iberia's balance sheet.

Iberia did not receive any dividends from Vueling in 2025 or 2024.

Avios Group (AGL) Limited.

The merger of IAG's loyalty programmes was formalised on 28 January 2015: Iberia Plus and BA Executive Club, and the company Avios Group (AGL) Limited took over responsibility for the management of both programmes.

As part of this merger, certain assets were contributed from the company's AVIOS loyalty programme to the Spanish subsidiary of Avios Group (AGL) Limited, which is responsible for managing the assets received. This entailed the assignment of assets related to the loyalty programmes, as well as the assignment of certain agreements with partners to this subsidiary in the form of a non-cash contribution, which is subject to the special tax regime set forth in Chapter VII, Title VII of Act 27/2014, of 27 November, on Corporation Tax. Assets related to the loyalty programme were valued by an independent expert, amounting to €327 million, proceeding to deliver a 14% of AGL shares as consideration to such contribution.

The whole holding in AGL was legally transferred to Iberia Operadora UK, Ltd on 31 December 2020, for €327 million.

In the 2025 financial year, IAGL acquired 100% of the share capital of British Airways Holidays Limited, thereby obtaining full control of the entity, which has consequently been incorporated into its consolidated subgroup.

In 2025 Iberia received dividends from Iberia Operadora UK, Ltd amounted in €52 million (2024: no dividends were received).

At 31 December 2025 the main indicators for the Group's associates were as follows:

€ million	Active	Liabilities	Revenue	Profit for the year
Vueling Airlines, S.A.	2,681	2,639	3,309	235
Avios Group (AGL) Limited	4,790	4,473	2,656	409
Fly Level Barcelona LH	215	181	175	35
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A.	150	115	39	(2)

Notes to the 2025 consolidated financial statements

8.2 Other equity instruments

On 21 January 2011, the date on which IAG - which includes the Group and British Airways Plc - was created, the Group held a 9.98% holding in British Airways Plc, the acquisition cost of which was €331 million, with a fair value at that date of €385 million, based on its stock market price. After the settlement of the convertible bonds issued by British Airways Plc, this interest was diluted to 8.68%.

Following the creation of ICAG, the Group recognised the balance of its shareholding in British Airways Plc under "Investments in Group, associate and linked companies", with valuation adjustments amounting to €54 million in equity, net of their tax effect (note 11.4).

In December 2025, the Group made an additional cash contribution to the subsidiary amounting to €53 million.

The main financial information in accordance with the audited financial statements for 2025, is as follows:

€ million	Ownership	Carrying amount			Total equity	Profit/(loss) after tax
		Cost	Impairment for the year	Accumulated impairment		
British Airways Plc.	8.68 %	438	-	-	7,297	2,180

British Airways Plc. operates as a passenger and goods carrier, and its registered address is Harmondsworth, Waterside PO BOX 365 (England, UK).

In 2025 the Group received dividends from British Airways amounted in €91 million (2024: €55 million).

8.3 Impairment review

Basis for calculating recoverable amount

As part of its impairment analysis, IAG has calculated the recoverable amounts for British Airways, Vueling, South and Avios Group (AGL) Limited, based on value in use and using a discounted cash flow model weighted for a number of scenarios.

These analyses have been based on the Business Plans approved by the Boards of IAG and the participating companies for a three-year period, considering this scenario as the Base Case. Additionally, a more pessimistic scenario has been conducted where lower long-term growth rates have been considered.

The details of these scenarios were determined by IAG 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.

Annually the relevant operating companies prepare and approve three-year business plans, and the Board approved the three-year business plan in the fourth quarter of the year. Adjustments have been made to the final year of the business plan cash flows to incorporate the impacts of climate change that the Company can reliably estimate at the reporting date. However, given the long-term nature of the Company's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated and accordingly have been excluded from the value-in-use calculations. The business plan cash flows used in the value-in-use calculations also reflect all restructuring of the business where relevant that has been approved by the Board and which can be executed by management under existing labour agreements.

Notes to the 2025 consolidated financial statements

Key assumptions

The value-in-use calculations for each CGU reflect the wider economic and geopolitical environments, including updated projected cash flows for activity from 2026 through to the end of 2028. For each of the Group's CGUs the key assumptions used in the value-in-use calculations are as follows:

	British Airways		Iberia		Vueling		AGL		South	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Operating Margin ¹	12-17	12-16	13-16	9-13	7-12	8-10	16.3	17	11	12
AKO growth rate % ¹	1-9	0-8	3-6	2-7	(2)-5	1-8	N/A	N/A	N/A	N/A
Long-term growth rate	1.9	1.8	1.7	1.4	0.8	1.0	1.6	1.6	0	0
Pre-tax discount rate	11.8	11.3	12.3	11.7	14.8	13.7	12.5	15.4	15.0	15

¹ In 2025, the AKO growth assumptions and operating margin per year are shown as a weighted average derived from the discounted cash flow model

Jet fuel price (\$ per MT)	Within 12 months	1-2 years	2-3 years	3 years and thereafter
2025	694	680	682	685
2024	704	715	717	717

The long-term growth rate is calculated for each CGU, considering a number of data points: (i) industry publications; (ii) forecast weighted average exposure in each primary market using gross domestic product (GDP); and (iii) internal analysis regarding the long-term changes in consumer preferences and the effects on demand from the increased costs to IAG of climate change. The calculation of the long-term growth rate utilises a Base Case and a Downside Case growth rate, which is then weighted on the same basis as the cash flows detailed above of 70 per cent to the Base Case and 30 per cent to the Downside Case. The terminal value cash flows and long-term growth rate incorporate the impacts of climate change insofar as they can be determined. The airlines' network plans and the AGL forecasts are reviewed annually as part of the three-year business plan preparation and reflect management's plans in response to specific market risk or opportunity.

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 calculations are based on the circumstances of the airline industry, the loyalty scheme industry, IAG and the CGU. These rates are derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines and loyalty schemes. The cost of equity is derived from the expected return on investment by airline and loyalty scheme investors and the cost of debt is derived from both market data and industry gearing levels derived from comparable companies. 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. The Group engages an external valuation expert as at the valuation date to assist in the determination of the post-tax discount rate.

Jet fuel price assumptions are derived from forward price curves in the fourth quarter of each year and sourced externally from readily available market data at the valuation date. The cash flow forecasts reflect these price increases after taking into consideration the level of fuel derivatives and their associated prices that IAG has in place and the incremental price differentials expected for the purchase of SAF.

As detailed above, IAG adjusts the final year of the three-year business plans to incorporate the medium-term impacts of climate change from the Group's Flightpath Net Zero climate strategy through to 2035 (2030: through to 2030). These adjustments include the following key assumptions: (i) an assumed price of 7,000 per metric tonne; (ii) for costs of carbon, prices of €194, €194, €141 and €51 for EU ETS allowances, Swiss ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO₂ equivalents emitted; and (iv) the removal of all free ETS and CORSIA allowances.

Notes to the 2025 consolidated financial statements

Summary of results

At December 31, 2025 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, reducing ASKs by 5 percentage points in each year, reducing long-term growth rates in the terminal value calculation to zero, increasing pre-tax discount rates by 2.5 percentage points and increasing the fuel price (both jet fuel and SAF) by 40 per cent, both with cost recovery consistent with that experienced historically and with no assumed cost recovery. Given the inherent uncertainty associated with the impact of climate change, these sensitivities represent a reasonably possible impact of climate change on the CGUs greater than that included in the impairment models.

As a result of this impairment analysis and the changes in the key assumptions, it has not been considered necessary to recognise impairment for the Group's investments in the year ended 31 December 2025.

9. FINANCIAL ASSETS

9.1 Non-current financial assets

The detail of "Non-current financial assets" at 31 December 2025 and 2024 is as follows:

31 December 2025

€ million	Equity instruments	Derivatives	Other financial assets	Total
Financial assets at amortised cost				
Credits and other financial assets	-	-	44	44
Financial assets at cost				
Equity instruments	10	-	-	10
Derivatives financial instruments	-	6	-	6
	10	6	44	60

31 December 2023

€ million	Equity instruments	Derivatives	Other financial assets	Total
Financial assets at amortised cost				
Credits and other financial assets	-	-	48	48
Financial assets at cost				
Equity instruments	10	-	-	10
Derivatives financial instruments	-	53	-	53
	10	53	48	111

The carrying amount of financial assets approximates their fair value.

Notes to the 2025 consolidated financial statements

9.1.1 Equity instruments

The changes in this item of the consolidated statement of financial position in 2025 and 2024 were as follows:

Year 2025

€ million	% Holding at 31-12-2025	Balance at 31-12-2024	Additions	Withdrawals	Valuation Adjustments	Transfers	Balance at 31-12-2025
Servicios de Instrucción de Vuelo, S.L.	19,90	9	-	-	-	-	9
Other		1	-	-	-	-	1
		10	-	-	-	-	10

Year 2024

€ million	% Holding at 31-12-2024	Balance at 31-12-2023	Additions	Withdrawals	Valuation Adjustments	Transfers	Balance at 31-12-2024
Servicios de Instrucción de Vuelo, S.L.	19,90	9	-	-	-	-	9
Other		1	-	-	-	-	1
		10	-	-	-	-	10

In 2025, dividends of €1 million were received from Servicios de Instrucción de Vuelo, S.L. (2024: no dividends were received millions).

9.1.2 Loans to third parties

The activity in this item of the consolidated statement of financial position during the financial years 2025 and 2024 are as follows:

Year 2025

€ million	Balance at 31-12-2024	Transfers	Balance at 31-12-2025
Loans to Venezolana Internacional de Aviación, S.A. (a)	26	-	26
Provisions	(26)	-	(26)
Total net	-	-	-

(a) Loans to Venezolana Internacional de Aviación, S.A. (VIASA), are carried forward from previous years and are fully provided as at 31 December 2025.

Year 2024

€ million	Balance at 31-12-2023	Transfers	Balance at 31-12-2024
Loans to Venezolana Internacional de Aviación, S.A. (a)	26	-	26
Provisions	(26)	-	(26)
Total net	-	-	-

(a) Loans to Venezolana Internacional de Aviación, S.A. (VIASA), are carried forward from previous years and are fully provided as at 31 December 2024.

Notes to the 2025 consolidated financial statements

9.1.3 Other financial assets

In 2025 and 2024, the changes under this item of the consolidated statement of financial position were as follows:

€ million	2025	2024
Opening balance	48	46
Additions	4	5
Withdrawals or provisions used	(3)	(4)
Currency differences	(4)	1
Final balance	45	48

Other financial assets mainly include deposits and guarantees.

9.2 Short-term financial investments:

The balance of "Current financial assets" at 31 December 2025 and 2024 is as follows:

€ million	2025	2024
Financial assets at amortised cost:		
Other financial assets	370	591
Derivatives financial instruments	20	151
Total	390	742

Other financial assets include interest-bearing deposits with a maturity of more than three months from the date of constitution.

10. INFORMATION CONCERNING THE NATURE AND RISK OF FINANCIAL INSTRUMENTS

10.1 Risk management policies

The Group deploys procedures and systems to identify and mitigate the main risks affecting its various areas of business.

Risk management policies are integrated within the Group's key areas of management, including the following: the consolidated income statement, gearing levels, investments and disposals. This approach allows the Group to optimise the consolidated income statement and gearing level and take balanced decisions in terms of risk/return offered by new investments.

With respect to financial risk, in accordance with the policy of IAG of which it forms part, the Group has a management programme to control and reduce the potential impact of fluctuations in exchange rates, interest rates and fuel prices on earnings, and to maintain sufficient liquidity for its current transactions, and investing and financing activities.

Foreign exchange risk

Due to its global activity, the Group generates receipts and payments in currencies other than the euro. The main risk is a strengthening of the US dollar against the euro, as the Group expects more expenditure than income in dollars.

This risk is managed through the progressive accumulation of hedges, with a time horizon of up to three years under the policies applied at the Group level. The hedging profile during this time is decreasing, showing a higher percentage of hedging in the immediate quarters. The implementation of the hedging strategy is reviewed on a monthly basis. The instruments used are mainly forwards, options and swaps.

Notes to the 2025 consolidated financial statements

Interest rate risk

The Group's position as a net creditor (including aircraft operating leases) means it is exposed to increases in the interest rates of the currencies in which its short-term and long-term borrowing are denominated.

To manage this risk the Group keeps at least a percentage of its borrowings at fixed rates or protected by hedges.

Fuel price risk

This is the risk caused by higher prices for aircraft fuel brought about by rising prices on fuel indexes.

This risk is managed through the progressive accumulation of hedges, which also reach a time horizon up to three years under policies applied at Group level. The hedging profile during this time is decreasing, showing a higher percentage of hedging in the immediate quarters. The hedging strategy is reviewed on a monthly basis in accordance with the decisions taken by the Risk Management Committee. The instruments used are generally swaps and options.

Liquidity risk

Due to the seasonal nature of its business and the need for investment and finance to renew its aircraft, the Group applies a liquidity policy of maintaining substantial amounts of cash and current financial assets.

This cash position is invested in highly liquid short-term instruments such as deposits, money market funds with leading financial institutions, in accordance with the existing policy on counterparty risk, with priority given to liquidity and security over profitability in view of the current situation of financial markets.

Besides these short-term investments and its cash position, the Group also has permanent credit facilities in place that guarantee its liquidity requirements, as discussed in note 3.7.

Pursuant to Law 3/2004, of 29 December, which sets out measures to combat arrears in trading operations and in accordance with the transitory provisions set out in Law 15/2010, of 5 July, the legal payment deadline applicable to the Group in the 2025 year is 60 days until the publication of Law 11/2013 of 26 July and 30 days from the publication of that Law and until the present (unless the conditions set out in the Act are fulfilled, in which case the payment deadline is extended to 60 days). The information required by this provision is as follows:

	Days	
	2025	2024
Average payment period to suppliers	22	25
Ratio of transactions settled	22	25
Outstanding payment transactions ratio	18	12

€ million	2025	2024
Total payments made	7,538	6,499
Total payments due	206	103

From the total payments made during the financial year 2025, €6.935 million were made in a period from the maximum period established in the regulations on late payment, which represents 92% of the total payments made (2024: €5,548 million; 85% of the total).

During 2025, a total of 248,777 invoices were paid, of which 80% of total number of invoices were paid from the maximum period established in the regulations on late payment (2024: 229,237 invoices; 75% of the total).

Notes to the 2025 consolidated financial statements

Credit risk

The Group's main financial assets are cash, equity instruments and other financial assets, and trade and other receivables. These last two categories carry most of the insolvency and bad debt risk. In general, the Group controls its bad debt and insolvency risks by setting credit limits and applying strict conditions on collection periods.

Trade and other receivables are mainly the amounts pending collection from travel and cargo agencies for the transport of passengers and goods, in addition to handling and maintenance services for customers. In transactions with national airlines and travel agencies, the Group has an established policy of requiring bank guarantees in the form of pledges that hedge part of the credit extended to counterparties. Most Group transactions with travel and cargo agencies and airlines are carried out through a settlement system managed by the International Air Transport Association (IATA), which also imposes credit conditions on the companies in each country using the system.

The Group has no significant concentration of credit risk with third parties as its commercial risk is spread across a large number of entities. The provision for impairment of trade receivables at 31 December 2025 stood at €65 million (2024: €70 million).

10.2 Derivative financial instruments

In accordance with the risk management policy set out in note 10.1, the Group contracts exchange rate, interest rate and aviation fuel derivatives, and others, to mitigate the impact of price changes in the financial markets.

The exchange rate derivatives used include forwards and options. Interest rate swaps are used for interest rate derivatives. The fuel price derivatives used are swaps and options.

The Group classifies its derivatives into two types:

1. Derivatives designated as cash flow hedges: these mainly hedge the cash flows from operating leases, ticket sales in non-euro currencies, fuel procurement and fleet purchases and disposals, inter alia.
2. Other derivatives: those that have not been designated as hedging instruments or that do not meet the criteria of accounting regulations to qualify as such.

Foreign exchange hedges

At 31 December 2025 and 2024, the derivatives hedging exchange differences but not specifically designated as accounting hedges and the underlying assets and liabilities are:

31 December 2025	\$ million	JPY million
Underlying assets:		
Assets:		
Existing guarantees extended to the long term	31	-
MMF	16	-
Liabilities:		
Loan A-319/320/321	(17)	(3,119)
Loan A-330/332	(19)	-
JOLCOS	(836)	-
Net	(825)	(3,119)
Fx Swaps	763	3,099
Outrights	62	20

Notes to the 2025 consolidated financial statements

31 December 2024	\$ million	JPY million
Underlying assets:		
Assets:		
Existing guarantees extended to the long term	31	-
MMF	16	-
Liabilities:		
Loan A-319/320/321	(22)	(3,090)
Loan A-330/332	(19)	-
JOLCOs	(839)	-
Net	(833)	(3,090)
Fx Swaps	18	29
Outrights	815	3,061

The net fair value of these derivatives was negative at €31 million at 31 December 2025, with €1 million in assets and €32 million in liabilities on the consolidated statement of financial position (2024: €38 million positive).

At 31 December 2025, the total notional value of cash flow hedges against exchange risks is as follows:

Underlying	\$ million		Cash flows hedged (\$ million)			
	Expected cash outflows in 2026 (Capex)	Hedging instruments	2026	2027	2028	2029
Foreign currency cost	1,553	Fx forwards	251	120	42	-
		FX options	36	9	5	-

Underlying	\$ million		Cash flows hedged (\$ million)			
	Expected cash outflows in 2026 (Capex)	Hedging instruments	2026	2027	2028	2029
Foreign currency cost	241	Fx forwards	124	427	285	-
		FX options	-	-	-	-

Underlying	\$ million		Cash flows hedged (\$ million)			
	Expected cash inflows in 2026	Hedging instruments	2026	2027	2028	2029
Foreign currency income	3,751	Fx forwards	(378)	(107)	-	-

Notes to the 2025 consolidated financial statements

At 31 December 2024 the information was as follows:

Underlying	\$ million		Cash flows hedged (\$)			
	Expected cash outflows in 2025 (Opex)	Hedging instruments	2025	2026	2027	2028
Foreign currency cost	1,525	Fx forwards	226	141	60	-
		FX options	124	36	9	-

Underlying	\$ million		Cash flows hedged (\$)			
	Expected cash outflows in 2025 (Capex)	Hedging instruments	2025	2026	2027	2028
Foreign currency cost	602	Fx forwards	192	-	-	-
		FX options	-	-	-	-

Underlying	\$ million		Cash flows hedged (\$)			
	Expected cash inflows in 2025	Hedging instruments	2025	2026	2027	2028
Foreign currency income	2,229	Fx forwards	(246)	(94)	-	-

As at 31 December 2025, the Group held \$2,233 million in FX Forward contracts in which only the spot component has been designated as accounting hedge for US dollar denominated aircraft rentals (2024: \$2,530 million).

Valuation of FX forwards and currency options

The net market value of exchange rate derivatives (FX forwards and options) at 31 December 2025 is negative and amounts to €127 million (2024: €140 million positive). The net amount is composed of €17 million recognised under "Financial assets – Derivatives financial instruments" in the short and long term, and €144 million recognised under "Non-current borrowings" and "Current borrowings" on the liabilities side of the accompanying consolidated statement of financial position at 31 December 2025. These hedges are related to cash flows that will take place over the next three years.

The change in fair value during the period of the exchange rate derivatives that are effective as cash-flow hedges was a negative €273 million before considering tax effects, which was deferred and taken to equity, net of its tax effect, the exchange rate hedging related to aircraft leases settlement adjustment included.

The exchange rate hedging related to aircraft leases expenses is performed on a cumulative basis with the net settlement of the purchase and sale transactions hedging the exposure. On a monthly basis, the Group rolls forward part of the notional amount to other months using swaps (rolling strategy). Therefore, the gains/losses realised during the year as a result of the settlement of the derivatives, which hedge the future lease payments, have been recorded in equity and will be reclassified to the profit and loss account when such payments impact the profit and loss account. The amount recorded in equity for this item in 2025 amounts to €9 million positive (2024: €23 million positive), under the heading Valuation adjustments in the accompanying consolidated balance sheet and will be reclassified to the consolidated income statement in 2026 and 2027.

No changes in fair value during the year of the ineffective portion of forwards and options were taken to the consolidated income statement for 2025 (2024: €0.1 million positive).

A movement of +/-1,500 basis points on the USD/EUR exchange rate at 31 December 2025 would have an impact on both designated as hedges and non-designated as hedges of +86/-88 million € respectively.

Notes to the 2025 consolidated financial statements

Interest rate hedges

The Group uses interest rate swaps to manage its exposure to fluctuations in interest rates arising from its aircraft financing activities. Details at 31 December each year are as follows:

Instrument	Group		€ million		
	Receives	Pays	2026	2027	2028
Interest Rate Swaps:					
IRS	\$	\$	376	141	0

The fair value of interest rate swaps entered into at 31 December 2025 was a positive €2 million, recognised in assets (2024: €4 million positive). These hedges are related to cash flows that will take place from 2026 to 2028.

During the 2025 financial year, the changes in value by the effective portion of the swaps used for cash-flow and interest rate hedges, which amounted to a positive €2 million (2024: positive €1 million), was recognised in equity, net of its tax effect. No cumulative changes in the ineffective portion were taken to profit or loss for the financial year.

A movement of +/-100 bp on the 3-month EURIBOR yield curve would have a positive impact of +€2/- €2 million, respectively. For the purpose of these calculations, the Group considers the likeliest scenario to be a change in the yield curves of this scale in years 2026 to 2028.

Fuel price hedges

The Group chooses to hedge its jet fuel risk through its main components: Brent, Gasoil and Jet. Improved hedging quality can be achieved through purchases of Gasoil Crack, Jet Crack or Jet Diff, which improve Brent positions against Gasoil, Brent positions against Jet and Gasoil positions against Jet, respectively.

At 31 December 2025, the derivatives of the JET Kero CIF-NWE contracts are as follows:

Underlying	Commodity	M/tonnes Fuel 2026	Hedges			
			Type	Mt 2026	Mt 2027	Mt 2028
Purchases of JET Kerosene fuel	Brent ICE GO	1,965,856	Swaps	742,469	513,491	40,752
			Opciones	467,928	80,245	-

Fuel price risk is hedged with swaps and options that protect against changes in financial flows due to changes in the price of fuel.

At 31 December 2025, the Group held derivative contracts with the underlying Brent ICE with a nominal amount of 1,612,093 Mt, and derivative contracts with the underlying Gasoil with a nominal amount of 510,522 Mt and derivative contracts with the underlying Jet with a nominal amount of 67,581 Mt.

The market value of fuel price derivatives was a negative €73 million at 31 December 2025, with a €6 million in assets and negative €79 million in liabilities on the consolidated statement of financial position. At 31 December 2024 the market value of fuel price derivatives was a negative €44 million.

The change in value of the effective portion of fuel price derivatives for this period was a negative €18 million before tax effects and was recognised under equity, net of its tax effect.

During the year 2025 there have been no changes in the fair value of the ineffective portion due to price analysis that have been recognised in the consolidated profit and loss account.

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The impact of a +40% change in the price of fuel on the value of derivatives at 31 December 2025 is a positive €358 million. A change of -40% would reduce the value of the hedging position at 31 December 2025 by negative €330 million.

Cash flow hedges

Hedge accounting is applied on the following cash flow hedges.

At 31 December 2025, the Group had five principal risk management activities that were designated as hedges of expected future transactions. They are:

- A proportion of future revenue receipts, hedging future foreign currency risk
- Future jet fuel purchases by forward crude, gas oil and jet kerosene derivative contracts hedging future fuel price risk
- Aircraft lease cash outflows hedging interest rate risk
- Certain revenue receipts hedging future foreign currency risk with foreign exchange contracts;
- Certain foreign short and long-term currency operational payments by hedging future foreign currency risk with forward currency contracts

To the extent that the hedges were deemed effective, the changes in their value were recognised in equity. The breakdown of cash flows excluding the costs of hedging is as follows:

Year 2025 and 2024

€ million	31 December 2025	31 December 2024
Hedging of fuel derivatives	(77)	(50)
Exchange rate risk hedging for future fuel purchases	(27)	20
Hedging of forward foreign exchange contracts	(27)	-
Hedging of exchange rate risk related to fleet financing	(73)	137
Hedging of interest rate risk	(4)	(6)
	(208)	101

The notional amounts of principal are as follows:

€ million	31 December 2025	31 December 2024
To hedge future currency revenues against US dollars	763	18
Hedges of future fuel purchases in tonnes	1.663.487 TM	912.570 TM
Hedges of aircraft leases	2233	2,530
Exchange rate options	517	670
Fuel options in tonnes	548.173 TM	1.006.087 TM

Notes to the 2025 consolidated financial statements

11. CONSOLIDATED EQUITY AND SHAREHOLDERS' EQUITY

11.1 Share capital

At 31 December 2025 and 2024 the Parent's share capital amounted to €10,000, represented by 1,000 shares of €10 par value each, distributed as follows:

Shareholder	Number of shares	Class
IAG	431	A
British Airways Holdings, B.V.	68	A
Garanair, S.L.	501	B
	1,000	

All shares have equal voting rights. However, Class B shares are entitled to an annual dividend equivalent to 1% of the total dividends that the Company agrees to distribute, with an annual aggregate limit of €1 million. The remaining dividends will be allocated to the holders of Class A shares.

11.2 Share premium

The Corporate Enterprises Act (Ley de Sociedades de Capital) expressly allows the balance of the share premium to increase capital and does not establish any specific restrictions on the availability of this balance.

11.3 Reserves

The composition and movements in the accounts under the heading of reserves and income are shown below:

€ million	Legal reserves	Voluntary reserves	Losses from previous year	Reserves in consolidated companies	Translation differences	Profit (loss) for the year attributed to the Parent	Total
Final balance – 2023	-	33	(77)	(2,594)	3	1,001	(1,634)
Allocation of 2023 profit	-	-	15	986	-	(1,001)	-
Other	-	-	-	54	5	750	809
Final balance – 2024	-	33	(62)	(1,554)	8	750	(825)
Allocation of 2024 profit	-	9	62	(30)	-	(750)	(709)
Other	-	-	-	(86)	6	958	878
Final balance - 2025	-	42	-	(1,670)	14	958	(656)

Legal reserve

Pursuant to the Corporate Enterprise Act, the Parent must earmark an amount equal to 10 per cent of the profit for the year for the legal reserve until such reserve represents at least 20 per cent of the capital. The legal reserve may be used to increase capital to the extent that the balance of the reserve exceeds 10% of the amount of capital resulting from any such increase. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses if no other reserves are available.

At 31 December 2025, this reserve was fully constituted.

Voluntary reserves

The voluntary reserves are fully available.

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11.4 Valuation adjustments and grants

Activity in 2025 and 2024 in this heading of the consolidated statement of financial position is as follows:

Year 2025

€ million	Balance at 31-12-2024	Income and directly attributable costs to Net Assets	Transfers to the income statement	Balance at 31-12-2025
Financial hedging instruments	85	(323)	34	(204)
Available-for-sale financial assets (British Airways Plc (note 8.2))	54	-	-	54
Subsidies, donations and bequests received	-	33	(33)	-
From actuarial gains and losses and other adjustments	(78)	(14)	-	(92)
Tax effect (note 15.3)	(12)	76	-	64
Total	49	(228)	1	(178)

Year 2024

€ million	Balance at 31-12-2023	Income and directly attributable costs to Net Assets	Transfers to the income statement	Balance at 31-12-2024
Financial hedging instruments	(89)	169	5	85
Available-for-sale financial assets (British Airways Plc)	54	-	-	54
Subsidies, donations and bequests received	-	31	(31)	-
From actuarial gains and losses and other adjustments	15	(93)	-	(78)
Tax effect	8	(27)	7	(12)
Total	(12)	80	(19)	49

11.5 Other shareholder contributions

During the 2023 financial year, the merger by absorption between Vueling Airlines, S.A. and Veloz HoldCo, S.L. as absorbing and absorbed companies, respectively, was approved. This merger took place through the absorbing company's absorption of the absorbed company, with the consequent dissolution without liquidation of the latter and the attribution to the absorbing company of all the assets and liabilities of the absorbed company on a universal basis. Likewise, the shares held by the absorbed company in the absorbing company become the property of IAG, this being the only consideration that IAG receives within the framework of the operation. As a result of this transaction, the valuation of the subsidiary Iberia L.A.E. S.A. Operadora's stake in Vueling Airlines has been increased by €38,493,808. The merger is tax neutral.

In December 2025, the sole shareholder made a cash contribution amounting to €53 million.

11.6 Interim Dividend

During the 2025 financial year, the General Meeting of Shareholders of the Group's Parent approved the distribution of two interim dividends for the 2025 financial year:

- According to the minutes of the Extraordinary and Universal General Meeting dated 10 June 2025, the distribution of €326 million as an interim dividend for the 2025 financial year was approved.

Notes to the 2025 consolidated financial statements

- According to the minutes of the Extraordinary and Universal General Meeting of Shareholders dated 20 December 2025, the additional distribution of €383 million as an interim dividend for the 2025 financial year was approved.

The interim dividends amounting to a total of €641 million did not exceed the results obtained by the Company at the distribution date, after deducting the estimated Corporate Income Tax payable on those results, nor did they impair the estimated liquidity for the Company, in accordance with the provisions of Article 277 of the Consolidated Text of the Capital Companies Act.

The unaudited distributable results since the close of the last period are as follows:

€ thousand	29 September 2025	3 November 2025	16 December 2025
Profit/ (loss) for the period	9,876	166,636	226,635
Dividend to be received by Iberia LAE, S.A., Operadora	158,700	218,700	640,700
To offset losses from previous years	-	-	-
Proposed dividend	(158,700)	(218,700)	(640,700)
Total	9,876	166,636	226,635

The provisional financial statement of the Parent, prepared in accordance with legal requirements, demonstrates the existence of sufficient liquidity for the distribution of dividends:

€ thousand	29 September 2025	3 November 2025	16 December 2025
Liquidity	9,968	8,264	7,424
Cash flow forecast until 31 December 2025			
Current operations December 2025	158,700	60,000	422,000
Financial operations December 2025	-	-	-
Dividend payment forecast	(158,700)	(60,000)	(422,000)
Total	9,968	8,264	7,424

12. CURRENT AND NON-CURRENT PROVISIONS

The main changes in provisions in 2025 and 2024 were as follows:

Year 2025

€ million	Balance at 31-12-2024	Additions	Updating of exchange rate	Amounts used	Overprovisions	Balance at 31-12-2025	Current	Non-current
Employee benefit obligations	780	65	-	(45)	(22)	778	57	721
Provisions for restructuring costs	194	5	-	(37)	(3)	159	58	101
Provisions for major repairs	716	270	(67)	(77)	(100)	742	179	563
Other provisions	190	204	(2)	(142)	(17)	233	109	124
Total	1,880	544	(69)	(301)	(142)	1,912	403	1,509

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Year 2023

€ million	Balance at 31-12-2022	Additions	Updating of exchange rate	Amounts used	Overprovisions	Balance at 31-12-2023	Current	Non- current
Employee benefit obligations	677	139	-	(36)	-	780	47	733
Provisions for restructuring costs	72	159	-	(36)	(1)	194	55	139
Provisions for major repairs	565	208	40	(32)	(65)	716	152	564
Other provisions	315	164	-	(155)	(134)	190	126	64
Total	1,629	670	40	(259)	(200)	1,880	380	1,500

12.1 Non-current employee benefit obligations

The additions under "Non-current provisions for employee benefits" include interest payments on the provision recognised, which are recognised in the 2025 consolidated income statement under "Finance costs", amounting to €24 million (2024: €21 million) (note 17.7). In addition, due to the actuarial remeasurements, an amount of positive €14 million has been recognised in 2025, which is recognised in "Valuation adjustments - Others" in Equity at 31 December 2025 net of tax (note 11.4) (2024: €93 million positive).

12.2 Restructuring provisions

The balance of "Restructuring provisions" relates to the present value of the liabilities arising from a collective redundancy procedure explained as follows:

- Redundancy procedure prior to 2013, affecting 3 employees at 31 December 2025 (3 in 2024). The total amount paid for this item in 2025 amounted to €25 thousands (€33 thousands in 2024). Payments related to this provision will be made over the coming years in accordance with the age of the employees who have availed themselves of the procedure.
- Under the Iberia "Plan de Futuro" (Future Plan), the mediation process that ended in 2015 with 3,134 redundancies across all employee groups led to total payments in this connection in 2025 of €4 million (2024: €11 million). At the ending year closing this does not apply to any employee of the 3,134 employees (154 in 2024).
- Authorisation was received in 2017 for a new redundancy plan for up to 955 employees, applicable to all groups in Iberia based on early retirement and incentivised voluntary redundancies, which were available until December 2019. The total amount paid for this item in 2025 amounted to €10 million (2024: €25 million) The number of current employees affected is 155 (243 in 2024).
- In December 2024, authorisation was obtained for a new Workforce Adjustment Plan applicable to the ground staff transferred to South, covering up to 1,499 employees and based on early retirements and voluntary redundancy schemes, with validity through December 2026. The plan was activated during the first quarter of 2025. As of 31 December 2025, a total of 1,196 employees had joined the plan. This provision will remain in place over the coming years depending on the age profile of the former employees who took part in the scheme. During 2025, total payments made under this concept amounted to €23 million.

The additions to the account "Restructuring provisions" include financial returns on the provision already made, which are included in the consolidated profit and loss account for the year 2025 under the heading "Finance costs" in the amount of €4 million (2024:€1 million)

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12.3 Provisions for major repairs

Here the Group has included the estimated cost of scheduled periodic maintenance reviews of its aircraft held under operating leases, and the repairs to be made to each of the aircraft when they are returned so that they are in the conditions of use agreed with each lessor.

The additions to this account include the annual provision for the normal cost and interest payments on the provision recognised, which are recognised in the 2025 consolidated income statement under "Aircraft maintenance", amounting to €229 million (2024: €187 million) and "Financial expenses" amounting to 2025 €41 million (2024: €21 million) (note 17.7) respectively. Updating these provisions using the exchange rate at 31 December 2025 had a positive impact of €67 million on the accompanying consolidated income statement (2024: €40 million negative) included under the headings "Other operating expenses" and "Exchange differences".

12.4 Other provisions

This account includes the forecast amount to meet probable liabilities of a varied nature, related mainly to employment and other litigation and tax assessments pending resolution, for greenhouse gas emissions, and the provision for compensation payments to passengers.

Additions to the "Other Provisions" account basically include:

- amounts recognised to cover legal claims and tax assessments, along with the related interest. These amounts are recognised in the 2025 consolidated income statement under "Other operating costs" and "Personnel expenses" for €48 million (2024: €12 million) (note 17.5) and "Financial expenses" amounting to €7 million (2024: €0.2 million) (note 17.7) respectively.
- the provisions for costs associated with greenhouse gas emission allowances consumed in the year measured at the amount at which they were granted or acquired, charged to "Other operating expenses" in the consolidated income statement for €93 million (2024: €98 million) and the application of these at the time of their settlement, amounting to €91 million (2024: €89 million).

13. NON-CURRENT AND CURRENT BORROWINGS

The balance of "Non-current borrowings" and "Current borrowings" on the consolidated statement of financial position at 31 December 2025 and 2024 is as follows:

€ million	2025			2024		
	Current	Non-current	Total	Current	Non-current	Total
Measured at amortised cost-						
Bonds and other marketable debt securities	1	55	56	1	54	55
Bank borrowings	4	5	9	4	6	10
Finance lease	134	1,070	1,204	123	1,172	1,295
Other financial liabilities	6	9	15	8	9	17
At fair value:						
Derivatives financial instruments (note 10.2)	149	106	255	42	25	67
Total	294	1,245	1,539	178	1,266	1,444

The carrying amount of financial liabilities is an acceptable approximation of their fair value.

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13.1 Bonds and other marketable debt securities

Debt issuances are initially recorded at fair value of their consideration, less costs directly attributable to the transaction. Subsequently, they are valued at amortised cost using the effective interest method. Bonds due in more than twelve months are classified within the non-current liabilities, while those with a shorter maturity are reflected in the current liabilities.

On 27 April 2015, the board of directors of the Group approved the issue of straight bonds up to a maximum of €200 million. Successive issuances were made in 2015 and 2016 until the authorised maximum amount was fully reached.

The main characteristics of the issues outstanding at 31 December 2025 is:

€ million	
Issuer	Iberia Líneas Aéreas de España, S.A. Operadora
Date of issue	28/05/2015
Issue amount	55,0
Nominal value	0,1
Maturity*	28/05/2027
Interest rate	3,75%
Nature of issue	Straight bonds

* In certain cases, this instrument may be redeemed early.

* The bond placements described are backed by the Company's equity

The issuance costs associated with these issuances amounted to €2 million (2024: €2 million) which are recorded as a reduction of debt. Of these issuance costs, an amount of €0.2 million was taken to "Financial expenses" in the 2025 income statement (2024: €0.2 million). As at 31 December 2025 the outstanding issuance costs to be amortised amount to €0.2 million (2024: €0.4 million).

Interest accrued during the financial year 2025 amounted to €2 million (2024: €2 million), with €1 million outstanding as at 31 December 2025.

On 29 March 2016, the Board of Directors approved a new issue of straight bonds up to a maximum of €250 million. As of year-end 2025, no placement has taken place.

13.2 Bank borrowings

The detail, by maturity, of bank borrowings in the form of loans and lines of credit at 31 December 2025 and 2024 was as follows:

31 December 2025

€ million	Currency	Maturity					2031 and subsequent	Total
		2026	2027	2028	2029	2030		
euro		4	2	2	-	-	1	9

31 December 2024

€ million	Currency	Maturity					2030 and subsequent	Total
		2025	2026	2027	2028	2029		
euro		4	2	2	2	-	-	10

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The main features of the loan agreements arranged by the Group at 31 December 2025 are as follows:

€ million		
Maturity	Available limit	Amount drawn down
2026	60	-

The Group has guarantees for an amount of €103 million, which are required mainly in the course of its ordinary business.

13.3 Finance lease creditors

At the end of 2025 and 2024, the Group was contracted to pay the following minimum lease payments including, where applicable, purchase options:

€ million	31-12-2025				31-12-2024			
	Borrowings denominated in:				Borrowings denominated in:			
	€	\$(*)	JPY(*)	Total	€	\$(*)	JPY(*)	Total
Less than a year	58	76	-	134	54	70	-	124
Between two and five years	196	320	17	533	193	397	19	609
In five years or more	116	421	-	537	87	475	-	562
Total	370	817	17	1,204	334	942	19	1,295

(*) Converted to € at the prevailing exchange rate at the respective balance sheet date

The main finance leases held by the Group relate to aircraft and airport equipment (note 7) and bear interest at rates linked to Euribor or SOFR plus a market spread.

During the 2025 financial year, two finance lease agreements were entered into in respect of two aircraft (2 A321-XLR), for a total amount of €1.31million. No such agreements were entered into during the 2024 financial year.

13.4 Net borrowings

Details of net borrowings activity and reconciliation to cash balances in 2025 and 2024 are shown below:

Year 2025

€ million	1 January 2025	Cash flows	Currency differences	Other non-cash movements	31 December 2025
Bank and other loans	82	(2)	-	-	80
Lease liabilities	1,295	23	(119)	5	1,204
Interest-bearing borrowings	1,377	21	(119)	5	1,284
Cash and cash equivalents	1,478	(90)	(5)	5	1,388
Other current interest-bearing deposits	591	(221)	-	-	370
	(692)	332	(114)	-	(474)

Notes to the 2025 consolidated financial statements

Year 2024

€ million	1 January 2024	Cash flows	Currency differences	Other non- cash movements	31 December 2024
Bank and other loans	86	(4)	-	-	82
Lease liabilities	1,393	(163)	59	6	1,295
Interest-bearing borrowings	1,479	(167)	59	6	1,377
Cash and cash equivalents	1,128	352	(2)	-	1,478
Other current interest-bearing deposits	762	(171)	-	-	591
	(411)	(348)	61	6	(692)

14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis;
- Level 2: Inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates; and
- Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

- The instruments included in Level 1 consist of bonds traded on regulated markets.
- The instruments included in Level 2 comprise derivatives and interest-bearing financial liabilities.

Forward foreign exchange contracts, fuel derivative contracts and interest rate derivative contracts are entered into with various counterparties, mainly financial institutions with high credit ratings. These instruments are valued at the fair value of instruments with similar terms and conditions at the date of the consolidated statement of financial position, determined using forward pricing models.

The fair value of interest-bearing loans and borrowings, including leases, is determined by discounting the cash flows to the end of the contract at market interest rates at the date of the consolidated balance sheet.

All resulting fair value estimates are included in Level 2.

Notes to the 2025 consolidated financial statements

The carrying amounts and fair values of the Group's financial assets and liabilities other than trade and other receivables and accounts payable and other liabilities as at 31 December 2025 are shown below:

€ million	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Non-current financial assets	-	-	10	10	10
Hedging of fuel derivatives	-	6	-	6	6
Exchange rate risk hedging for future fuel purchases	-	-	-	-	-
Hedging of forward foreign exchange contracts	-	16	-	16	16
Hedging of exchange rate risk related to fleet financing	-	2	-	2	2
Hedging of interest rate risk	-	2	-	2	2
Financial liabilities					
Bank borrowings	-	9	-	9	9
Lease liabilities	-	1,001	-	1,001	1,204
Bonds	56	-	-	56	56
Hedging of fuel derivatives	-	79	-	79	79
Exchange rate risk hedging for future fuel purchases	-	21	-	21	21
Hedging of forward foreign exchange contracts	-	64	-	64	64
Hedging of exchange rate risk related to fleet financing	-	91	-	91	91
Hedging of interest rate risk	-	-	-	-	-

The carrying amounts and fair values of the Group's financial assets and liabilities at 31 December 2024 are set out below:

€ million	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
Financial assets					
Non-current financial assets	-	-	10	10	10
Hedging of fuel derivatives	-	8	-	8	8
Exchange rate risk hedging for future fuel purchases	-	28	-	28	28
Hedging of forward foreign exchange contracts	-	47	-	47	47
Hedging of exchange rate risk related to fleet financing	-	117	-	117	117
Hedging of interest rate risk	-	4	-	4	4
Financial liabilities					
Bank borrowings	-	10	-	10	10
Lease liabilities	-	1,031	-	1,031	1,295
Bonds	55	-	-	55	55
Hedging of fuel derivatives	-	53	-	53	53
Exchange rate risk hedging for future fuel purchases	-	-	-	-	-
Hedging of forward foreign exchange contracts	-	14	-	14	14
Hedging of exchange rate risk related to fleet financing	-	-	-	-	-
Hedging of interest rate risk	-	-	-	-	-

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

Of the financial instruments listed in the table above, only derivative financial instruments are measured at fair value on a recurring basis.

Notes to the 2025 consolidated financial statements

15. TAX

15.1 Current balances with Public Authorities

The composition of tax receivables balance with Public Authorities at 31 December 2025 and 2024 are as follows:

€ million	2025	2024
Non-current:		
Deferred tax assets	753	782
	753	782
Current: Income tax		
Income tax	71	121
Value added tax	28	32
Foreign tax payables	10	5
Other tax receivables	2	1
	111	159

Similarly, the composition of tax payables balance with Public Authorities at 31 December 2025 and 2024 are as follows:

€ million	2025	2024
Non-current:		
Deferred tax liabilities	46	40
	46	40
Current:		
Current tax liability	1	-
Take-off and security charges at airports	271	276
Foreign tax receivables	4	1
Social Security taxes payable	27	33
Personal income tax withholdings	34	29
Other tax receivables	1	-
	338	339

15.2 Reconciliation between accounting profit/(loss) and taxable income

The reconciliation between the accounting profit/(loss) and the taxable income under Corporate Income Tax for 2025 and 2024 is as follows:

Notes to the 2025 consolidated financial statements

€ million	Receivable/ (payable)	
	2025	2024
Profit (loss) for the year	959	750
Corporate Income tax	300	14
Permanent differences:		
Increases (a)	167	192
Decrease (b)	(211)	(174)
Temporary differences		
Arising in the year:		
Increase (c)	154	284
Arising in prior years:		
Decrease (d)	(180)	(148)
Limitation 50% base to be included in the tax Group (e)	-	-
Tax loss carryforward	(304)	(230)
Taxable income	885	688
Tax charge at 25%	221	172
Tax credits	(29)	(43)
Net tax payable	192	129
Withholdings and interim payments	(191)	(153)
Amount payable/refundable (f)	1	(24)

a) This amount includes the adjustment relating to the amortisation of consolidated goodwill and other permanent differences.

b) This amount mainly corresponds to tax-exempt income arising from dividends received by the Group during the year, as well as the results of equity-accounted investees.

c) These amounts mainly relate to provisions concerning commitments to employees and other generic provisions, as well as the reversal by third parties of impairment losses on investments booked prior to 2013, a measure reinstated under Law 7/2024 (Note 15.7).

d) These amounts mainly correspond to reversals of provisions concerning commitments to employees and other generic provisions.

e) With effect for tax periods commencing in 2023, 2024 and 2025, the tax base of the tax group shall be determined where applicable, by considering only 50% of the negative taxable base of each of the entities comprising the tax group. These individual tax losses must be included in the tax group's tax base, in equal tenths, over the following ten tax periods. In 2025, this limitation did not apply.

f) The amount payable consists of €1 million after the application of withholdings and interim payments made to the Public Administration.

The corporate Income Tax legislation in force during previous financial years established various tax incentives to encourage investments, allowing for the possibility of applying a tax credit for the reinvestment of extraordinary profits, subject to the fulfilment of certain requirements. In accordance with this legislation, the Group benefited from this regime in several tax periods. In this regard, in the 2024 Corporate Income Tax return, the Group fully utilised all outstanding tax credits of this nature.

Furthermore, for the purposes of calculating the estimated Corporate Income Tax expense for the 2025 financial year, the Group fully utilized all tax credits carried forward from prior years. As a result, as of 31 December 2025, there are no tax credits carryforward.

Notes to the 2025 consolidated financial statements

€ million	2025 (a)	2024 (a)
Pending tax credit for research and development		
2016	-	-
2017	-	-
2018	-	-
2019	-	1
2022	-	3
2023	-	6
Other tax credits		
2014	-	-

- a) This amount does not include the tax credits that the Group would have ceased to apply in the 2017, 2018 and 2019 Corporate Income Tax returns, amounting to a total of €25 million (€28 million in 2024), as a result of the Constitutional Court ruling that declared several measures introduced by Royal Decree-Law 3/2016 to be unconstitutional (see Note 15.7). These tax credits are fully recognised in the Group's balance sheet.

The Group also qualified for the tax credit for investment in the Canary Islands, with the following amounts reinvested and tax credits:

€ million	Reinvestment	Tax credit
2016	5	1
2017	4	1
2018	2	-

The reconciliation between accounting profit/(loss) result and Corporate Income Tax is as follows:

€ million	2025	2024
Accounting profit/(loss) before Corporate Income Tax	1,259	764
Theoretical tax payable at 25%	(315)	(191)
Permanent differences		
Increases (a)	(42)	(48)
Decrease (b)	53	44
Tax rate at 25%	(304)	(195)
Other items (c)	4	181
Tax (expense)/income recognised in the income statement	(300)	(14)

- a) The increases relating to permanent differences mainly correspond to the amortisation charge of consolidated goodwill.
b) The decreases related to permanent differences correspond to the tax-exempt income from dividends received by the Group during the year, to the results of equity-accounted investees, as well as to other adjustments which, although treated as temporary differences for tax purposes, behave as permanent adjustments for accounting purposes.
c) The amount recognised in 2025 under "Other items" includes: (i) a negative impact of €10 million derived from the adjustment between the estimated Corporate Income Tax expense for 2024 and the amount resulting from the final tax return filed; (ii) a positive impact of €10 million corresponding to foreign taxes effectively paid; and (iii) a positive impact of €4 million arising from the tax audit, following the signature of the relevant assessments.

15.3 Taxes recognised in net equity

The composition of tax recognised directly in net equity in 2025 and 2024 and the changes therein is as follows:

Notes to the 2025 consolidated financial statements

31 December 2025

€ million	Balance at 31-12-2024	Adjustments for changes in value	Amounts transferred to the consolidated income statement	Balance at 31-12-2025
Financial hedging instruments	(20)	82	(9)	53
British Airways Plc	(13)	-	-	(13)
Subsidies, donations and bequests received	-	(8)	8	-
From actuarial gains and losses and other adjustments	20	4	-	24
Total (note 11.4)	(13)	78	(1)	64

31 December 2024

€ million	Balance at 31-12-2023	Adjustments for changes in value	Amounts transferred to the consolidated income statement	Balance at 31-12-2024
Financial hedging instruments	23	(42)	(1)	(20)
British Airways Plc	(13)	-	-	(13)
Subsidies, donations and bequests received	-	(8)	8	-
From actuarial gains and losses and other adjustments	(3)	23	-	20
Total	7	(27)	7	(13)

15.4 Details of income tax expense (or income)

The composition of income tax expense/(income) for 2025 and 2024 is as follows:

€ million	2025	2024
Current tax:		
From continuing operations (a)	198	1
Deferred tax:		
From continuing operations (b)	102	13
Total	300	14

- The current income tax expense includes the impact arising from the difference between the estimated Corporate Income Tax expense for the 2024 financial year and the amount resulting from the final tax return filed.
- The deferred tax expense mainly arises from the derecognition of deferred tax assets recorded during the financial year.

15.5 Deferred tax assets and liabilities

Deferred tax assets and liabilities are recognised in the consolidated statement of financial position under "Deferred tax assets" and "Deferred tax liabilities" respectively as follows:

Notes to the 2025 consolidated financial statements

€ million	31-12-2025		31-12-2024	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax assets
Temporary differences (a)	339	46	273	40
Tax loss carryforwards	389	-	469	-
Tax credit carryforwards	25	-	40	-
Total	753	46	782	40

- a) The temporary differences relating to financial year 2025 include a positive amount of €64 million arising from fair value adjustments recorded in the Company's equity (2024: €13 million negative), together with temporary differences arising from provisions concerning commitments to employees.

Deferred tax assets recognised

The composition of movements and balance under "Deferred tax assets" for 2025 and 2024 is as follows:

Year 2025

€ million	Deferred tax assets			Total
	Temporary differences	Tax loss carry forwards	Unused tax credits	
Balance at 31 December 2024	273	469	40	782
Additions	113	-	14	127
Disposals	(47)	(80)	(29)	(156)
Balance at 31 December 2025	339	389	25	753

Year 2024

€ million	Deferred tax assets			Total
	Temporary differences	Tax loss carry forwards	Unused tax credits	
Balance at 31 December 2023	265	512	25	802
Additions	49	173	58	280
Disposals	(41)	(216)	(43)	(300)
Balance at 31 December 2024	273	469	40	782

Deferred tax assets were partially recognised in the consolidated balance sheet as the Directors of the Parent Company consider, based on their best estimate of the Group's future results, that they are expected to be recovered within the terms and timeframes established under Spanish accounting regulations.

The deferred tax asset relating to tax credits increased due to differences between the amounts estimated and finally submitted/reviewed for prior years. It also decreased as a result of the utilisation of tax credits carryforward from previous periods. In 2024, this balance increased following the recognition of tax credits that would not have been applied in the tax returns for 2017, 2018, 2019 and 2022, after the publication of the Constitutional Court ruling that declared several measures introduced by Royal Decree-Law 3/2016 to be unconstitutional (Note 15.7).

Movements in deferred tax assets in connection with temporary differences arose as a result of the out-of-book adjustments recognised in the estimated tax expense for 2025, as well as due to differences between the estimated tax expense for 2024 and the final tax return filed.

Notes to the 2025 consolidated financial statements

The derecognition of deferred tax assets in connection with tax loss carryforwards corresponds to the amounts utilised in calculating the estimated tax expense for 2025, as well as from adjustments arising from differences between the estimated tax expense for 2024 and the final tax return filed. In 2024, these derecognitions related to the tax loss carryforwards that would have been offset in the tax returns for 2017, 2018, 2019 and 2022 following the aforementioned Constitutional Court ruling declaring several of the measures introduced by Royal Decree-Law 3/2016 to be unconstitutional (Note 15.7)

Additionally, the Group has not recognised deferred tax assets in relation to certain tax loss carryforwards and temporary differences from previous years, as detailed below:

Year 2025

Check-in. Rates	€ million	
	Taxable profit	Non-capitalised amount
Tax loss carry forwards from prior years (a)	186	46
Temporary differences from prior years	128	32
	314	78

Year 2024

Check-in. Rates	€ million	
	Taxable profit	Non-capitalised amount
Tax loss carry forwards from prior years (a)	220	55
Temporary differences from prior years	128	32
	348	87

- (a) The unrecognised amount of tax loss carryforwards, amounting to €46 million corresponds to tax loss carryforwards that the Company would have offset in the returns for the years 2017, 2018 and 2019, following the aforementioned of the Constitutional Court ruling declaring the unconstitutionality of several measures of Royal Decree-Law 3/2016 (Note 15.7).

Considering the estimated Corporate Income Tax expense for 2025, the tax loss carryforwards at the reporting date are as follows:

Year of origin	€ million	
	Taxable profit (a)	Tax effect (a)
2008 (b)	7	2
2009 (b)	460	115
2010 (b)	15	4
2011 (b)	62	16
2020	441	109
2021	692	173
	1,677	419

- (b) This amount includes the tax loss carryforwards that the Company would have utilized in the tax returns for 2017, 2018 and 2019, totaling €186 million (tax effect of €46 million) (€219 million in 2024, tax effect of €55 million), following the Constitutional Court ruling declaring several measures introduced by Royal Decree-Law 3/2016 to be unconstitutional (Note 15.7).

Regarding tax loss carryforwards, article 26 of the Spanish Corporate Income Tax Law (hereinafter, CITL) establishes that they may be offset without any time limitation.

Notes to the 2025 consolidated financial statements

Accordingly, of the potential tax credit arising from tax loss carryforwards amounting to €419 million, €389 million has been recognised in the consolidated balance sheet, as it is considered that, based on the best estimate of the future results of the tax group, these amounts are expected to be recovered within the terms and timeframes established under Spanish accounting regulations.

Deferred tax liabilities

The composition of movements and balance under "Deferred tax liabilities" for 2025 and 2024 is as follows:

€ million	2025	2024
Opening balance	40	24
Additions (a)	10	20
Transfers	(4)	(4)
Final balance	46	40

- a) The additions recorded in 2024 correspond to the amounts that the Group expects will need to be included in the tax base for the 2025 and 2026 tax periods, in accordance with the measure introduced by Law 7/2024 of 20 December, through the sixteenth transitional provision of the CITL), which establishes the reversal of impairment losses on investments that were tax-deductible in tax periods commencing prior to 1 January 2013.

15.6 Tax procedures and inspections

As a result of the assessments signed in disagreement issued in connection with tax audit procedures relating to prior years, the Company is involved in administrative and contentious-administrative tax proceedings.

In 2020 and 2021, IB Opco, as the parent entity of the Tax Group to which it belongs, received notifications of the decisions issued by the Central Economic-Administrative Court (CEAC) rejecting the appeals relating to the Corporate Income Tax assessments for 2011, 2012 and 2013. The Company filed contentious-administrative appeals against these CEAC decisions in January and September 2021, respectively. These appeals are currently pending resolution before the National High Court.

In the 2019 financial year, IB Opco filed an amended request of the Corporate Income Tax returns for the 2014 and 2015 financial years, in order to apply in those returns the criterion established by the Tax Audit for the 2011–2013 period. In line with this amended request, a claim for undue tax payments amounting to €4 million was recorded in favour of Iberia L.A.E., S.A. Operadora. In 2020, IB Opco received notice of the start of tax audits relating to corporate income tax for 2014 and 2015, limited solely to the review of this adjustment request. In 2021, the audit scope was extended to Iberia LAE, a subsidiary of IB Opco's Tax Group. In 2022, the tax audit procedures were completed, and Iberia received a refund of €4 million plus €1 million of late-payment interest.

In September 2023, IB Opco, as the parent entity of the Tax Group, received notification of the commencement of a general tax audit relating to the Corporate Income Tax returns for 2019 to 2022. In June 2025, the audit procedures concluded with the issuance of two assessments in disagreement. Subsequently, at the end of December 2025, the corresponding final Tax Assessment were notified, resulting in a refund of €48 million plus €5 million of late-payment interest. It is the Company's intention to challenge these assessment resolutions by filing the corresponding appeals before the CEAC.

Based on the assessment performed by the Company's Directors, with the support of its tax advisors, management does not expect any material tax exposures to arise as a result of potential differences in the interpretation of the applicable tax legislation, even in the event of a tax audit.

Notes to the 2025 consolidated financial statements

15.7 Other information

Merger of Vueling Airlines, S.A. and Clickair, S.A.

In compliance with the provision of article 84 of the Revised Text of the Spanish Corporate Income Tax Law (Royal Legislative Decree 4/2004 of 5 March, which was in force at the date of the transaction), in 2009 Iberia, Líneas Aéreas de España, S.A., as a shareholder, participated in the merger of Vueling Airlines, S.A. and Clickair, S.A. The capital gain obtained, amounting to €21 million, was treated as non-taxable for tax purposes, giving rise to a deferred tax liability of €6 million. The information relating to this transaction was included in Note 8.1 to the 2009 annual accounts of Iberia, Líneas Aéreas de España, S.A.

Additionally, on 20 January 2011, the full demerger of Iberia, Líneas Aéreas de España, S.A. in favour of the Company was formally executed, with accounting effect from 1 January 2010. This transaction was carried out under the special tax regime provided for in Chapter VIII of Title VII of the Revised Text of the Spanish Corporate Income Tax Law. Notes 13 and 18 to the Company's 2010 annual accounts include the information required under Article 93 of the Revised Text of the Corporate Income Tax Law (Royal Legislative Decree 4/2004 of 5 March).

Segregation of South Europe Ground Services S.L.

On 16 May 2024, the public deed formalising the segregation of an economic unit was executed, through which the Company transferred the handling services business unit in its entirety, by way of universal succession, to South Europe Ground Services S.L., with retroactive accounting effect from 1 January 2024.

For tax purposes, the segregation constituted a non-monetary contribution of a business line in accordance with Article 76.3 of the CITL, and was therefore subject to the special tax regime established in Chapter VII, Title VII of the CITL (Special Regime for mergers, spin-offs, contributions of assets, exchange of securities and the transfer of the registered office of a European Company or a European Cooperative Society from one EU Member State to another). Note 1.1 to the Company's 2024 Annual Financial Statements includes the information required under Article 86 of the CITL. As a result, the acquiring company of the business unit (South Europe Ground Services S.L.) duly notified the application of this special tax regime to the Tax Authorities within the legally established deadline.

In accordance with Article 86 of the CITL, the following information is provided:

- (a) The business unit transferred has been in existence for more than one year.
- (b) The value of the items of property, plant and equipment transferred as part of the segregation was included in the segregation balance sheet (see Note 1.1 to the 2024 financial statements of Iberia LAE Operadora). The most recent balance sheet closed by the transferring company (Iberia LAE Operadora) as at 31 December 2023 is that referred to in Note 1.1 to the aforementioned 2024 financial statements.
- (c) All acquired assets have been booked in the accounting records at the same net carrying amount at which they were recorded in Iberia prior to the transaction, as reflected in the segregation balance sheet included in Note 1.1 to the 2024 financial statements, which is consistent with the amount booked in the consolidated financial statements of the IAG Group.
- (d) No tax benefits previously enjoyed by Iberia LAE Operadora have been subrogated to the Company that would require the assumption of any specific obligations.

In 2025, Iberia LAE Operadora increased its investment in South Europe Ground Services S.L. by €21 million, corresponding to the allocation of tax loss carryforwards generated in prior years and linked to the Handling business unit, which were transferred to South Europe Ground Services S.L. as part of the partial segregation of that business, by way of universal succession and with effect from the same date as the segregation.

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Complementary tax to guarantee an overall minimum level of taxation

On 21 December 2024, Law 7/2024 of 20 December was published in the Spanish Official State Gazette, establishing (i) a Complementary Tax to guarantee an overall minimum level of taxation for large multinational groups and large domestic groups, (ii) a Tax on the net interest margin and fees of certain financial institutions, and (iii) a Tax on liquids for electronic cigarettes and other tobacco-related products, and amending other tax regulations (hereinafter, "Law 7/2024").

Law 7/2024 implements Pillar Two in Spain and introduces, with retroactive effect for financial years beginning on or after 31 December 2023, a Complementary Tax that ensures that large multinational groups are subject to a minimum effective tax rate of 15% in all jurisdictions in which they operate.

In this regard, the Group has performed an analysis of the potential impacts arising from the application of this tax in the 2025 financial year, taking into consideration the application of the Transitional Safe Harbours set out in the Fourth Transitional Provision of Law 7/2024 and, where applicable, the full computation.

The Group has not recorded any impact related to Pillar Two rules on its current tax expense and applies the exception to the recognition of deferred tax assets and liabilities arising from the implementation of Law 7/2024.

Unconstitutionality of Royal Decree-Law 3/2016 in Spain

In January 2024, the ruling of the Spanish Constitutional Court was handed down, declaring unconstitutional several amendments to the Corporate Income Tax introduced by Royal Decree-Law 3/2016 of 2 December. Before the aforementioned ruling, in July 2021, the Tax Group had filed a request to rectify the Corporate Income Tax returns for the 2016–2019 financial years, seeking not to apply the measures introduced by Royal Decree-Law 3/2016. The Group later also requested the amendment of the returns for the 2020–2022 financial years.

Before the introduction of Royal Decree-Law 3/2016, the Spanish subsidiaries of the Group could offset up to 70% of their taxable income with accumulated tax loss carryforwards (to the extent that sufficient tax losses were available). With the introduction of Royal Decree-Law 3/2016, this limitation was reduced to 25%. Additionally, where companies had booked impairment losses on investments in subsidiaries prior to 2013 and treated those impairments as tax-deductible, Royal Decree-Law 3/2016 retroactively required the tax reversal of those impairments in equal parts over the five tax periods beginning on or after 1 January 2016.

The declaration of unconstitutionality of certain measures introduced by Royal Decree-Law 3/2016 resulted in the reinstatement of the 70% limit on the offsetting of tax loss carryforwards, as well as the requirement to include in taxable income the impairment losses on investments recorded prior to 2013 that had been treated as tax-deductible.

As a result, in 2024 the Tax Group recognised a current tax credit amounting to €57 million, corresponding to the receivable from the Spanish tax authorities relating to the 2017, 2018, 2019 and 2022 tax periods. In addition, the Tax Group derecognised deferred tax assets relating to the tax loss carryforwards that would have been offset in those years (€55 million) and recognised deferred tax assets for the tax credits that would not have been utilized in those years (€28 million). The Group also recognised deferred tax assets for tax loss carryforwards from prior periods that had been pending recognition (€170 million).

Following the completion of the tax audit for the 2019–2022 tax periods referred to in the preceding section, the amounts pending as at 31 December 2025 are as follows: a current tax credit of €39 million, derecognition of deferred tax assets relating to tax loss carryforwards of €46 million, and recognition of deferred tax assets relating to tax credits of €24 million.

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Reinstatement of the measures declared unconstitutional following the approval of Law 7/2024

Law 7/2024 has reinstated the tax measures mentioned above, which had been declared unconstitutional by the Spanish Constitutional Court in its ruling dated 18 January 2024. Specifically, with effect from 1 January 2024, the Spanish subsidiaries of the Group may offset up to 25% of their taxable income with accumulated tax loss carryforwards (subject to availability). Additionally, they must reverse, for tax purposes and as a general rule, in three equal instalments, the impairment losses on investments booked before 2013 that remain pending reversal as at 31 December 2023, recognising the effect over the three tax periods beginning on or after 1 January 2024.

16. CURRENCIES OTHER THAN THE EURO

The breakdown of major transactions in currencies other than the euro in 2025 and 2024, measured in euros, is as follows:

€ million	2025	2024
Revenue	4,230	3,670
Services provided	75	65
Purchases	1,436	1,374
Services received	1,767	1,782
Operating leases	521	482

Major balances in currencies other than the euro primarily concern advance payments on aircraft, receivables for ticket sales and maintenance services provided, and payables for fuel purchases and spare parts for aircraft, usually denominated in dollars.

The exchange differences recognised in profit or loss for 2025, amounting to an income of €78 million, mostly relate to derivatives and non-current provisions, and adjustments to financial investments and bank borrowings.

17. INCOME AND EXPENSES

17.1 Revenue

The distribution of the Group's revenue in the 2025 and 2024 financial years is as follows:

€ million	2025	2024
Passenger revenue (a)	6,500	6,284
Cargo revenue	328	313
Handling (aircraft dispatching and services in airports)	314	305
Technical assistance to airlines	1,136	929
Other income	4	7
	8,282	7,838

- a) Includes other income (recovery of unused tickets, commercial agreements etc.) totalling €367 million (2024: €280 million).

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The breakdown of passenger revenue excluding "Other income", by networks, is as follows:

€ million	2025	2024
Domestic	812	813
Medium-haul	1,349	1,418
Long haul	3,972	3,773
	6,133	6,004

The Group operates a number of routes along with other airlines, as follows:

Routes	Airlines
North Atlantic	American Airlines, British Airways, Finnair, Aer Lingus, LEVEL and Iberia
Madrid - London	British Airways and Iberia
Spain - Ecuador and Peru	LATAM and Iberia
Spain - Japan	Japan Airlines, British Airways, Finnair and Iberia
Madrid - Barcelona	Vueling and Iberia
Madrid-Doha	British Airways, Iberia y Qatar Airways

These agreements, which do not entail joint operation of company assets, concern the distribution of income and margins generated on these routes on an agreed distribution basis, depending on the operations carried out by each airline.

The "Madrid-Doha" agreement with Qatar Airways entered into force in December 2024. The Madrid-Barcelona agreement is temporarily suspended pending activation and renegotiation of conditions.

In October 2016, with the commencement of flights between Madrid and Tokyo, the subsidiary Iberia joined the Joint Business Agreement between Japan Airlines, British Airways, and Finnair for routes between Europe and Japan (Siberian Joint Business), which continues, and allowed Iberia to reopen the route with direct flights between Madrid and Tokyo from the winter season of 2025.

17.2 Other operating income

The breakdown of this item on the accompanying consolidated income statement is as follows:

€ million	2025	2024
Sundry, subventions and other current operating income:		
Revenue from commission	48	30
Lease income	53	32
Other income	179	142
	280	204

Income from commissions chiefly consists of commissions on the sale of tickets for other airlines, commissions arising from the franchise agreement with Air Nostrum and sale of tickets for Vueling Airlines, S.A. and Fly Level (from 1st December 2025) under Iberia's code, and also commissions from in-flight product sales.

Notes to the 2025 consolidated financial statements

17.3 Supplies

The breakdown of "Procurements" on the accompanying consolidated statement of financial position is as follows:

€ million	2025	2024
Consumption of:		
Aircraft fuel	1,533	1,682
Spare parts for aircraft	867	751
Catering supplies	28	28
Other supplies	14	13
	2,442	2,474

The composition of this item in terms of purchases, changes in and write-down of inventories, is as follows:

€ million	2025	2024
Purchases	2,379	2,379
Changes in inventories	58	89
Impairment of inventories	5	6
Consumption	2,442	2,474

The Group's inventories are broken down as follows:

€ million	2025	2024
Spare parts for aircraft	417	359
Catering supplies	9	12
Other supplies	-	-
Provision for inventories	(29)	(26)
Emission allowances	220	176
Supplier advance payments	275	132
	892	653

The Group has recognised €27 million (2024: €30 million) in emission allowances received at no cost, measured at their market value.

The breakdown of Group purchases in 2025 and 2024 in terms of origins is as follows:

€ million	2025	2024
National	958	960
Intra-Community	482	391
Imports	939	1,028
	2,379	2,379

Notes to the 2025 consolidated financial statements

17.4 Workforce

In 2025 and 2024 the workforce distribution in terms of the average headcount, by professional category, was as follows:

	2025	2024
Directors and Management Committee	13	15
Senior management	64	59
Ground:		
Managers and other line staff	1,348	1,197
Administrative	3,716	3,867
Auxiliary services	3,722	3,794
Fleet maintenance technicians	2,695	2,569
Other	360	347
	11,841	11,774
Flight:		
Technical crew	1,701	1,704
Flight attendants	4,071	4,183
	5,772	5,887
	17,690	17,735

At 31 December 2025 and 2023 the workforce distribution, by gender and professional category, was as follows:

	31-12-2025		31-12-2024	
	Female	Male	Female	Male
Directors	2	3	2	7
Management Committee	2	6	1	4
Senior management	26	43	24	30
Ground:				
Managers and other line staff	709	746	635	635
Administrative	2,915	1,414	3,002	1,346
Auxiliary services	623	3,825	487	3,679
Fleet maintenance technicians	101	2,619	81	2,516
Other	164	196	166	201
	4,512	8,800	4,371	8,377
Flight:				
Technical crew	134	1,681	135	1,584
Flight attendants	3,079	1,413	3,292	1,605
	3,213	3,094	3,427	3,189
	7,755	11,946	7,825	11,607

Notes to the 2025 consolidated financial statements

The average number of people employed during the period with a disability of 33% or more, broken down by category, is as follows:

	2025	2024
Ground:		
Managers and other line staff	10	7
Administrative	29	43
Auxiliary services	66	87
Fleet maintenance technicians	16	16
Other	11	11
Flight:		
Flight attendants	1	1
	133	165

In accordance with the provisions of the applicable regulations, the Group must employ a number of disabled workers of no less than 2% of its total workforce.

Given the complex nature of the company's work, it is difficult to hire a sufficient number of such employees to reach this percentage, and therefore, the legal requirement is met through acceptable alternative measures.

17.5 Other operating expenses

The composition of "Other operating costs" on the accompanying consolidated income statement is as follows:

€ million	2025	2024
Air traffic services	465	470
Aircraft lease payments		
Dry lease (crewless contract) (note 7.1)	683	482
Cargo	11	12
Navigation charges	271	255
Aircraft maintenance	687	634
Selling costs	363	285
Booking system expenses	93	90
Other rent	67	63
In-flight services	135	140
Other types of maintenance	53	58
Stopover expenses	64	74
Indemnities for passengers, luggage and cargo	115	110
Royalties	20	15
Incident costs	21	9
Losses, impairment and variation of provisions for trade operations	5	3
Independent professional services	116	129
Emission allowances (note 20)	95	98
Other operating expenses	252	208
	3,516	3,135

"Aircraft maintenance" includes expenditure on subcontracted maintenance work and provisions for major repairs of aircraft operated under operating leases (note 5.3).

Notes to the 2025 consolidated financial statements

In 2025 and 2024 the fees billed for audit and non-audit services provided by the Group's auditor, KPMG, or by a company forming part of the auditor's organisation through control, common ownership or management, were as follows:

Type of service	€ thousand	
	2025	2024
Auditing services and other audit-related services		
Audit and limited reviews	1,069	1,044
Other verification work	7	7
Total services	1,076	1,051

The "Other verification work" item for the 2025 and 2024 financial year included fees related to agreed-upon procedures concerning the certification of compliance with certain clauses established in the terms of reference for the provision of air services subject to public service obligations on the Menorca-Madrid route.

17.6 Financial income

The breakdown of this item on the accompanying consolidated income statement is as follows:

€ million	2025	2024
Dividends	92	55
Interest on loans	54	94
Interest on borrowing with Group companies and associates (note 19.1)	4	-
	150	149

During the 2025 financial year, the Group received a dividend from British Airways Plc amounting to €91 million (2024: €55 million).

17.7 Finance costs

The breakdown of this item on the accompanying consolidated income statement is as follows:

€ million	2025	2024
Interest on finance leases (note 13)	44	55
Interest on borrowing with Group companies and associates (note 19.1)	-	29
Interest on updating provisions for contingencies and charges (note 12)	69	43
Other	18	9
	131	136

18. BUSINESS AND GEOGRAPHIC SEGMENTS

Basis of segmentation

Segment reporting is structured primarily by business segments, according to the Group's lines of business, and secondly by geographic segments.

Primary business segments

The lines of business described below were established on the basis of the Group's organisational structure at the 2025 reporting date and take account of the nature of the services provided and also of the customer segments targeted by them.

Notes to the 2025 consolidated financial statements

In 2025, the Group engaged mainly in the following major lines of business, which provide the basis for the Group's primary segment reporting:

1. Transport activity (includes both passenger and freight transport)
2. Airport activity (including handling activities)
3. Maintenance and engineering activity
4. Other activities

Income and expenses that cannot be specifically attributed to any operating line or that are the result of decisions affecting the Group as a whole – including expenses incurred in projects or activities affecting several lines of business, or income from strategic investments, income tax expenses, etc. – are attributed to a "Corporate Unit". Reconciling items arising from the comparison of consolidating the financial statements of the various lines of business (prepared using a management approach) with the Group's consolidated financial statements are also allocated to the same "Corporate Unit".

The costs incurred by the Corporate Unit are allocated among the various lines of business using an internal cost allocation system at market prices.

Secondary segments - geographic segments

The Group's activities are also classified into geographic segments: Domestic (Spain), Medium-Haul (Europe and Africa excluding South Africa, and the Middle East) and Long-Haul markets.

Basis and methodology for segment reporting

The segment reporting below is based on monthly reports prepared by the Group. These reports are generated on the basis of the Group's cost accounting system, which classifies transactions carried out by the Group by lines of business and geographic segments.

The ordinary income of each segment relates to the external and internal ordinary income directly attributable to the segment and excludes finance income, dividends or proceeds from disposals.

The expenses of each segment are determined by the directly allocable expenses incurred in the operating activities of the segment, plus the corresponding proportion of the corporate expenses which can be allocated to the segment using reasonable allocation bases. The expenses thus allocated do not include interest, losses from disposals or income tax expenses that are unrelated to the segments' operating activities and that, therefore, cannot be allocated using reasonable allocation bases.

Segment assets and liabilities are those directly related to each segment's operations, plus the assets and liabilities that can be directly attributed to them using the bases for allocation mentioned above. Segment liabilities do not include income tax payables.

Notes to the 2025 consolidated financial statements

Segment information concerning these businesses in 2025 and 2024 is presented below:

€ million	Transport		Airports		Maintenance and engineering		Corporate and other activities		Total Group	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024
Operating income:										
External	7,249	6,857	322	292	1,136	932	27	49	8,734	8,130
Inter-segment	-	-	216	222	199	129	322	290	737	641
Operating expenses:										
External	(5,721)	(5,520)	(477)	(633)	(1,252)	(1,029)	(316)	(320)	(7,766)	(7,502)
Inter-segment	(660)	(598)	(15)	(14)	(62)	(29)	-	-	(737)	(641)
Operating profit (loss)	868	739	46	(133)	21	3	33	19	968	628
EBITDAR	1,837	1,462	57	(124)	35	22	113	87	2,042	1,447
Aircraft lease payments	(683)	(485)	-	-	-	-	-	-	(683)	(485)
EBITDA	1,154	977	57	(124)	35	22	113	87	1,359	962
Depreciation and amortisation	(286)	(238)	(11)	(9)	(14)	(19)	(80)	(68)	(391)	(334)
Financial profit (loss)	60	(117)	(4)	1	-	-	40	74	96	(42)
Share of profit (loss) of companies accounted for using the equity method										
	135	53	4	4	-	-	55	108	194	165
Profit (loss) before tax	1,063	625	46	(127)	21	2	129	264	1,259	764
Income tax	(76)	(81)	(10)	33	(4)	-	(210)	34	(300)	(14)
Net profit/(loss)	987	544	36	(94)	17	2	(81)	298	959	750
Average headcount (FTEs)										
	5,924	5,887	6,830	7,006	2,207	2,174	2,724	2,668	17,685	17,735
Property, plant and equipment										
	2,429	1,926	62	49	148	140	38	39	2,677	2,154
Inventories										
	428	292	1	1	463	299	-	61	892	653
Other assets										
	1,336	1,187	234	96	243	335	2,749	3,576	4,562	5,194
Total assets	4,193	3,405	297	146	854	774	2,787	3,676	8,131	8,001
Customer prepayments										
	1,687	1,635	-	-	-	-	-	-	1,687	1,635
Remuneration payable										
	156	151	42	37	40	21	31	39	269	248
Other liabilities										
	4,511	4,598	195	201	275	158	274	305	5,255	5,262

Practically, all the Group's assets can be allocated to the domestic market with the exception of aircraft, which have no defined geographic location. The percentages of aircraft used in each geographic market, measured in terms of total block hours, are as follows:

Secondary segments	2025	2024
Domestic	16%	18%
International short-haul/medium-haul	31%	32%
Long-haul	53%	50%
	100%	100%

Notes to the 2025 consolidated financial statements

19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

19.1 Operations with related parties

The following transactions took place with related parties in 2025 and 2024:

€ million	2025			2024		
	Group companies or entities and associates	Other related companies or entities	Total	Group companies or entities and associates	Other related companies or entities	Total
Expenses:						
Finance cost	-	-	-	-	29	29
Receipt of services	196	120	316	64	141	205
Purchase of goods	6	-	6	-	-	-
	202	120	328	64	170	234
Income:						
Financial income	-	4	4	-	-	-
Management or cooperation contracts	-	(13)	(13)	-	(10)	(10)
Dividends	57	91	148	4	55	59
Provision of services	322	100	422	270	176	446
	379	182	561	274	221	495

€ million	2025			2024		
	Director and senior management	Group companies or entities and associates	Total	Director and senior management	Group companies or entities and associates	Total
Other transactions						
Other operations	4	-	4	4	-	4
	4	-	4	4	-	4

The main transactions with Group companies and associates are accounted for by the Group's core business, along with handling and maintenance activities based on long term contracts. In addition, IAG provides various management services to the Group and passes on other costs, including the cost of the executive share option programme. The expense passed on in 2025 was €10 million (2024: €14 million).

The transactions with British Airways Plc relate mainly to the joint operating agreements mentioned in note 17.1, commissions on passenger tickets collected from and paid to this company for tickets issued by one company and flown by the other, and collections and payments for handling and maintenance services.

In addition, the transactions with Avios Group (AGL) Ltd mainly relate to collections and payments under the loyalty programme.

Notes to the 2025 consolidated financial statements

19.2 Balances with related parties

The balances with related parties on the consolidated statement of financial position at 31 December 2025 and 2024 were as follows:

€ million	2025			2024		
	Group companies or entities and associates	Other related companies or entities	Total	Group companies or entities and associates	Other related companies or entities	Total
Non-current investments:						
Equity instruments (note 8.2)	-	438	438	-	385	385
Loans to companies	-	7	7	-	-	-
Advances to suppliers	-	44	44	-	30	30
Trade receivables	137	16	153	98	61	159
Trade creditors	97	75	172	45	109	154

In addition, at 31 December 2025, the Group has recognised the flight redemption liability with Avios Group (AGL) Limited in relation to the loyalty programme of €162 million under "Deferred revenue" in "Trade and other payables" in the consolidated statement of financial position.

ICAG, as the Group's parent company, agreed to strengthen its capital by entering into a €300 million equity loan as financial support during the year 2022, which bears interest at market rates. During the year 2024, the €300 million principal amount of the loan were repaid together with the interest accrued in the year 2023, with the interest accrued during this year of €18 million pending payment at 31 December 2024 which have been paid in the year 2025.

Additionally, during the 2024 fiscal year, the loan amounting to €75 million plus the accrued interest was repaid. This loan was received during the 2021 fiscal year from IAG, one of the partners of the parent company, in the context of the agreement with Globalia.

At 31 December 2025, the Group had €429 million through a credit facility arranged by IAG for the Group to draw on (2024: €418 million).

19.3 Remuneration and other benefits of Directors and Senior Management

The remuneration received in 2025 and 2024 by the Group's directors, classified by items, was as follows:

€ thousand	2025	2024
Fixed remuneration and other remuneration	225	225
Compensation in kind	17	19
	242	244

Notes to the 2025 consolidated financial statements

In both 2025 and 2024, IAG charged the Group expenses for the work of certain directors (note 17.1).

The table above does not include the remuneration the executive directors who have also held a post on the management committee.

The table below details the remuneration of the three directors of the Group who held executive posts in 2025:

€ thousand	2025	2024
Fixed remuneration	611	875
Variable remuneration	460	813
Compensation in kind	55	63
Social security and other welfare benefits	41	50
	1,167	1,801

The table above does not include the remuneration of the executive directors of the Group who receive their remuneration from the parent ICAG (International Consolidated Airlines Group, S.A.) with which they have a contractual relationship.

In 2025 premiums were paid in respect of an insurance policy for executive directors with an approximate total of €43 thousand (2024: €62 thousand). No advances or loans have been granted to the directors.

In 2025 and 2024, the Directors of the Group did not enter into any transactions with the Group or any Group companies other than ordinary business transactions under normal market conditions.

In compliance with article 229 of the Spanish Corporate Enterprises Act, the directors have stated that neither they nor the people linked to them have any conflicts of interest with the Group.

19.4 Remuneration of senior executives

The remuneration received by members of the Group's management in 2025 and 2024 (excluding the CEO and those simultaneously exercising directorships, whose remuneration is set out above) is as follows for 41 managers at year-end 2025 (2024: 40 managers):

€ thousand	2025	2024
Fixed remuneration	6,542	6,102
Variable remuneration	3,187	4,620
Compensation in kind	449	378
Social security and other welfare benefits	814	718
	10,992	11,818

In 2025, contributions were made to an insurance policy and pension plans in the amount of €102 thousand (2024: €53 thousand). No advances or loans have been granted to the Group's senior management.

In 2025 and 2024, the management of the Group did not enter into any transactions with the Company or any Group companies other than ordinary business transactions under normal market conditions.

As mentioned in note 19.1, IAG charges the Group the cost of the share schemes programme for executive directors and senior management, which amounted to €10 million in the year ended 31 December 2025 (2024: €14 million).

Notes to the 2025 consolidated financial statements

20. ENVIRONMENTAL INFORMATION

As part of the environmental policy, various activities and projects were carried out in 2025 to guarantee the proper management of the main environmental impacts of the air transport business as a whole.

In 2025 and 2024 the breakdown of environmental expenses was as follows:

€ million	2025	2024
Environmental repair and maintenance	1	1
Employee costs relating to environmental management	1	1
Emission allowances	95	98
Environmental taxes and other	4	4
	101	104

The acquisition cost and accumulated depreciation of the Group's environmental assets, which include emission allowances, water-treatment plants, hazardous waste storage facilities, gas recharge and filter systems, and water recycling infrastructure, amounted to €131 million and €85 million, respectively, at 31 December 2025 (2024: €73 and €45 million respectively).

With respect to its aircraft, the Group has a renewal policy in which the environment (minimising the impact of noise and atmospheric emissions) is an important factor. Accordingly, the Group is continuing to add new aircraft models that reduce fuel consumption by approximately 20% compared to aircraft from earlier generations. A new EU CO₂ emissions-reduction regulation entered into force in 2012, under which airlines are required to deliver emission allowances for flights departing from or arriving at European airports (note 5.9).

In its ground operations, the Group holds certification under the ISO 14001/AENOR Environmental Management System, including the Group's aircraft maintenance facilities at Barajas airport in Madrid. As a result of this certification, along with existing certification for handling and the Group's other maintenance facilities, all the Group's major environmental issues are covered by external certification.

The Group is also involved in the European SESAR programme to reorganise air space with a view to reducing aircraft congestion and pollution of the environment.

The Group considers that any possible environmental contingencies that might arise are covered sufficiently by its civil liability insurance policies and by provisions relating to probable or certain liability arising from litigation in progress or from outstanding indemnity payments or obligations of undetermined amount.

Lastly, during the 2025 fiscal year, investments amounting to €33 million were made for environmental reasons, mainly in tangible fixed assets related to airport equipment.

21. EVENTS AFTER THE REPORTING PERIOD

Since the end of the 2025 financial year and up to the date of preparation of these Annual Accounts, no significant events have occurred that would have resulted in a relevant modification of the information contained in the report or that could have had a significant impact on the annual accounts.

22. EXPLANATIONS ADDED FOR TRANSLATION TO ENGLISH

The attached Consolidated Financial Statements have been translated into English for the convenience of the reader from the statutory Financial Statements prepared in Spanish language in accordance with generally accepted accounting principles established in Spain. In the event of discrepancy, the Spanish-language version prevails.

Appendix I - Subsidiaries

31 December 2025

Name Registered office Corporate purpose	€ million						
	Interest of the Parent (%)		Profits/(losses)				
	Direct	Indirect	Capital	Operating profit/(loss)	Net profit/(loss)	Other Net equity	Total equity
Companies of the Group:							
Iberia Líneas Aéreas de España, S.A. Operadora <i>Martínez Villergas, 49; Madrid</i> Air transport of passengers and cargo	100.00	-	66.7	800.0	800.0	(90.7)	776.0
South Europe Ground Services, S.L. <i>Avenida de la Hispanidad 6; Madrid</i> Servicios de asistencia en tierra a aeronaves y pasajeros	-	100.00	-	45.8	35.8	31.5	67.3
Cargosur, S.A. <i>Martínez Villergas, 49; Madrid</i> Air transport of goods	-	100.00	6.1	-	0.3	8.3	14.7
Iberia Tecnología, S.A. <i>Martínez Villergas, 49; Madrid</i> Aircraft maintenance services	-	100.00	1.4	-	0.2	6.3	7.9
Compañía operadora de corto y medio radio Iberia Express, S.A. <i>Alcañiz, 23; Madrid</i> Air transport of passengers and cargo	-	100.00	20.1	230.5	175.7	203.4	399.2
Iberia Operadora UK, Ltd <i>Waterside (Haa2) P O Box 365, Harmondsworth, Speedbird Way, West Drayton, United Kingdom, UB7 0GB</i> Holding of ownership interests	-	100.00	-	-	-	327.0	327.0
Iberia Desarrollo Barcelona, S.L.R. <i>Avda. de Les Garrigues 38-44 Edificio B; Barcelona</i> Promotion and development of airport infrastructure	-	75.00	6.0	0.1	0.1	4.1	10.2
Iberia Líneas Aéreas de México, S.A.C.V. <i>Xochicalco 174, Col. Narvarte, Alcaldía Benito Juárez; Ciudad de México</i> Merchandise storage, security and custody services	-	100.00	0.2	(0.1)	(0.1)	(0.2)	(0.1)
Iberia L.A.E. Solutions S.L. (IB Tech) <i>Iberia Zona Industrial nº 2 (La Muñoza); Madrid</i> Provision of IT support services	-	100.00	-	0.2	0.1	3.3	3.4

31 December 2024

Name Registered office Corporate purpose	€ million							
	Interest of the Parent (%)		Profits/(Losses)					Total equity
	Direct	Indirect	Capital	Operating profit/(loss)	Net profit/ (loss)	Other Net equity		
Companies of the Group:								
Iberia Líneas Aéreas de España, S.A. Operadora <i>Martínez Villergas, 49; Madrid</i> Air transport of passengers and cargo	100.00	-	67.0	671.0	745.0	(43.0)	769.0	
South Europe Ground Services, S.L. <i>Avenida de la Hispanidad 6; Madrid</i> Aircraft and Passenger ground handling services	-	100.00	-	(133.1)	(98.3)	108.8	10.5	
Cargosur, S.A. <i>Martínez Villergas, 49; Madrid</i> Air transport of goods	-	100.00	6.1	-	0.4	7.8	14.3	
Iberia Tecnología, S.A. <i>Martínez Villergas, 49; Madrid</i> Aircraft maintenance services	-	100.00	1.4	-	-	6.3	7.7	
Compañía operadora de corto y medio radio Iberia Express, S.A <i>Alcañiz, 23; Madrid</i> Air transport of passengers and cargo	-	100.00	20.1	205.0	146.8	148.7	315.6	
Iberia Operadora UK, Ltd <i>Waterside (Haa2) P O Box 365, Harmondsworth, Speedbird Way, West Drayton, United Kingdom, UB7 OGB</i> Holding of ownership interests	-	100.00	-	-	-	327.0	327.0	
Iberia Desarrollo Barcelona, S.L.R. <i>Avda. de Les Garrigues 38-44 Edificio B; Barcelona</i> Holding of ownership interests	-	75.00	6.0	0.3	0.1	4.0	10.1	
Iberia Líneas Aéreas de México, S.A.C.V. <i>Xochicalco 174, Col. Narvarte, Alcaldía Benito Juárez; Ciudad de México</i> Merchandise storage, security and custody services	-	100.00	0.2	(0.1)	(0.1)	(0.2)	(0.1)	

The voting rights held by the Parent arise from direct or indirect interests in each of the companies.

Appendix II - Associates

31 December 2025

Name Registered office Corporate purpose	€ million							
	Interest of the Parent (%)		Profits/(losses)					Total equity
	Direct	Indirect	Capital	Operating profit/(loss)	Net profit/(loss)	Other Net equity		
Associates:								
Serpista, S.A. <i>Cardenal Marcelo Espínola, 10. Madrid</i> Maintenance of airport equipment	-	39.00	1.2	3.6	2.6	3.6	7.3	
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. <i>Edificio Los Cubos C/ Albacete 5, 9ª planta Madrid 28027</i> Issue and management of payment cards	-	43.50	6.0	(2.2)	(2.1)	30.7	34.6	
Air Miles España, S.A. <i>Avda. Bruselas 20, Alcobendas, Madrid</i> Multi-sector loyalty scheme	-	30.00	0.1	(1.8)	0.2	15.0	15.2	
Multiservicios Aeroportuarios, S.A. <i>Avenida de Manoteras, 46; Madrid</i> Auxiliary airport services	-	49.00	0.1	6.4	4.8	11.4	16.3	
Empresa Logística de Carga Aérea, S.A. (ELCA) <i>Aeropuerto Jose Martí. (La Habana)</i> Cargo terminal operator	-	50.00	0.3	0.1	0.1	1.2	1.7	
Empresa Hispano Cubana de Mantenimiento de Aeronaves Ibeca, S.A. <i>Aeropuerto Jose Martí. (La Habana)</i> Aircraft maintenance	-	50.00	0.1	(0.1)	(0.4)	1.4	1.2	
Vueling Airlines, S.A. <i>Viladecans Business Park, Edif. Brasil</i> <i>Carrer de Catalunya 83, Viladecans; Barcelona</i> Passenger and cargo transport	-	50.10	29.9	286.3	235.0	(223.2)	41.7	
Avios Group (AGL) Limited <i>Waterside, PO Box 365, Harmondsworth, UB7 0GB</i> Management of airline loyalty reward currency	-	14.00	2.2	549.7	409.4	(85.3)	326.3	
Fly Level Barcelona LH, S.L <i>C/ Catalunya 83; Viladecans, Barcelona</i> Passenger and cargo transport	-	50.10	-	45.0	35.2	(0.7)	34.5	

31 December 2024

Name Registered office Corporate purpose	€ million						
	Interest of the Parent (%)		Capital	Profits/(losses)			
	Direct	Indirect		Operating profit/(loss)	Net profit/(loss)	Other Net equity	Total equity
Associates:							
Serpista, S.A. Cardenal Marcelo Espínola, 10. Madrid Maintenance of airport equipment	-	39.00	1.2	3.3	2.4	3.6	7.2
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. O'Donnell, 12; Madrid Issue and management of payment cards	-	43.50	6.0	0.2	0.6	30.1	36.7
Air Miles España, S.A. Avda. Bruselas 20, Alcobendas, Madrid Multi-sector loyalty scheme	-	26.67	0.1	(1.7)	0.5	14.8	15.4
Multiservicios Aeroportuarios, S.A. Avenida de Manoteras, 46; Madrid Auxiliary airport services	-	49.00	0.1	9.4	6.8	11.4	18.3
Empresa Logística de Carga Aérea, S.A. (ELCA) Aeropuerto Jose Martí. (La Habana) Cargo terminal operator	-	50.00	0.4	0.2	0.1	1.3	1.8
Empresa Hispano Cubana de Mantenimiento de Aeronaves Ibeca, S.A. Aeropuerto Jose Martí. (La Habana) Aircraft maintenance	-	50.00	0.1	0.8	0.7	1.7	2.5
Vueling Airlines, S.A. Viladecans Business Park, Edif. Brasil Carrer de Catalunya 83, Viladecans; Barcelona Passenger and cargo transport	-	50.10	29.9	300.2	213.7	(263.7)	(20.1)
Fly Level Barcelona LH, S.L C/ Catalunya 83; Viladecans, Barcelona Passenger transport	-	14.00	2.2	493.3	416.2	(115.5)	302.9
Avios Group (AGL) Limited Waterside, PO Box 365, Harmondsworth, UB7 0GB Management of airline loyalty reward currency	-	50.10	-	(0.6)	(1.0)	-	(1.0)
Mundiplan Turismo y Ocio, S.L C/ Hermanos Garcia Noblejas, 41; Madrid Travel agency and development of activities in tourist destinations	-	50.00	-	(3.1)	(2.9)	1.5	(1.4)

The voting rights held by the Parent arise from direct or indirect interests in each of the companies.

Management Report

DESCRIPTION OF GROUP

The Iberia Group is an international air transport group with 98 years of experience, the largest in Spain and a leader between Europe and Latin America. It belongs to the IAG air group, the first in the world to commit to achieving net zero emissions by 2050 and to operate with 10 percent sustainable aviation fuel by 2030.

Iberia is the leading airline in flights connecting Europe and Latin America, offering direct flights to 21 destinations in 16 countries in the region. Together with Iberia Express and Iberia Regional (Air Nostrum), it has a fleet of 165 aircraft and offers flights to around fifty countries worldwide from Madrid airport, where it has developed its hub.

In addition to passenger transport, the Group has diversified its business with air cargo, aircraft maintenance, and airport assistance.

In 2025, the Group increased the number of routes and frequencies in almost all markets. The airline's connectivity between Europe and Latin America this year set a record, significantly exceeding 5.5 million seats between the two regions.

The United States has also been a strategic market in 2025, where Iberia scheduled an average of 126 weekly flights, totaling 1.3 million seats.

This year has been a year of premieres, with the start of flights to Tirana (Albania) and Ljubljana (Slovenia) in summer, Salzburg and Innsbruck (Austria) and Tromsø (Norway) during the winter season, and long-haul flights to Tokyo from October.

The year 2025 marked a historic milestone in terms of fleet, with the incorporation of the A321XLR into Iberia, a narrow-body, single-aisle model capable of operating transoceanic routes, and of which Iberia has been the world's launch airline.

The following table shows the breakdown of the Iberia Group's revenues for each of the services in 2025 and 2024:

	2025		2024	
	(€ million)	(%)	(€ million)	(%)
Passenger revenue	6,500	78%	6,284	80%
Aircraft maintenance	1,136	14%	929	12%
Handling	314	4%	305	4%
Cargo revenue	328	4%	313	4%
Other income	4	0%	8	0%
Total revenue	8,282	100%	7,839	100%

The Group's loyalty programmes as well as its strategic alliance and cooperation agreements are also critical to its business success and are described below.

Iberia's hub is located at Adolfo Suárez Madrid-Barajas International Airport, the main airport of Madrid and Spain. Located within the city, Adolfo Suárez Madrid-Barajas airport welcomed 66.1 million passengers in 2025, representing an increase of 9.2% compared to 2023. Iberia is the leading airline operating at the airport in terms of both capacity and passengers. Adolfo Suárez Madrid-Barajas airport has established itself as a hub airport where airlines can increase their connectivity between the Latin American, domestic and European markets. The Group operates at Adolfo Suárez Madrid-Barajas airport in Terminal 4, the airport's newest terminal and one of the largest in the world.

In 2017, it began operating under the LEVEL brand, which, with its operations center at Barcelona - El Prat Airport, offers low-cost routes to America. In the 2025 fiscal year, Fly Level Barcelona, LH, S.L. was created, 50.1% owned by Iberia, a company awarded its own AOC (Air Operator Certificate) and that is under operating authorization obtention, expecting to start its owned operations in fiscal year 2025.

Compañía operadora de corto y medio radio Iberia Express, S.A. ("Iberia Express")

Iberia's subsidiary, Iberia Express, which began operations in March 2012, operates short and medium-haul routes. This airline has a pioneering hybrid business model, offering point-to-point flights to compete with low-cost carriers and the best connections in Madrid to feed Iberia's long-haul network with the same advantages and quality of service for the customer.

Iberia Express positions itself as the leading low-cost airline at Madrid Airport. It currently operates a fleet of 25 aircraft, comprising 13 A320s and 12 A321s. Thanks to this operational capacity, it offers a total of 24 domestic and international routes, basing its success on the efficiency and simplicity that characterise its low-cost model.

The company is fully aligned with IAG's objectives regarding sustainability and the reduction of environmental impact. In this regard, Iberia Express has renewed its fleet by incorporating 12 A321 NEO aircraft, Airbus's most efficient model for short- and medium-haul routes. This reinforces its commitment to the roadmap towards net zero emissions by 2050. Additionally, in 2025, the airline acquired 2,700 tonnes of sustainable aviation fuel (SAF) for its flights within the European Union, voluntarily anticipating future requirements.

Punctuality is one of Iberia Express's top priorities, an attribute that has been recognized internationally. For five consecutive years (2014–2018) and again in 2024, the company was distinguished as the world's most punctual low-cost airline. In 2022, it was recognized as Europe's most punctual low-cost carrier, and in 2023 and 2024 it was the most punctual airline in Europe. These achievements reflect the commitment of the entire Iberia Express team to its customers, who highly value punctuality as a key attribute of the service.

South Europe Ground Services, S.L. ("South")

In February 2024, the Board of Directors of Iberia approved the Plan to segregate the ground handling services for aircraft, passengers, and cargo at airports into a new company, South Europe Ground Services ("South"), with accounting effects from 1 January 2025, the date on which the assets and liabilities of the segregated business unit were transferred (note 1.1 of the annual accounts of Iberia L.A.E. S.A. Operadora).

South provides airport assistance services to passengers, baggage, aircraft, and cargo. It is present in 38 airports in Spain. As of 31 December 2025, the handling division had approximately 6,830 employees, as well as the largest fleet of GSE (Ground Support Equipment) in Spain. South offers the following ground services at Spanish airports to both other companies and Iberia itself:

- Passenger services, including check-in and boarding, baggage handling, including lost baggage tracking, seat allocation, special assistance services, and security services
- Ramp services, including loading and unloading and cargo transport, pushback and towing, aircraft cleaning, heating and cooling, potable and waste water supply, tyres and electronic systems, de-icing, and passenger and crew transport
- Coordination, including cabin-ramp communication, flight documentation, load sheet and weight balance, weather reports, and aeronautical and operational reports
- Cargo assistance, including cargo transport, delivery of cargo to warehouses, inventory control, and handling of dangerous and perishable goods; and
- Flight services, including weather data, aeronautical data, flight documentation, operational summary, and operational flight plans

During 2025, external and internal revenues from the airport business amounted to €322 million and €216 million respectively (2024: €292 million and €222 million).

South is accredited by AENOR (Spanish Association for Standardisation and Certification), with the standards of the International Quality and Environmental Management Standards (ISO 9001:2015 and ISO 14001:2015).

Iberia LAE Solutions

Iberia LAE Solutions S.L. was incorporated on 26 May 2025 with the purpose of providing IT support services, including the installation, configuration, maintenance and repair of computer equipment and systems; technology consulting, advisory services and the development of technological solutions; software programming; user technical assistance; and, in general, all activities related to the management, development and support of IT infrastructures and systems.

The creation of Iberia LAE Solutions S.L. is the result of a corporate reorganization through which the Company acquired an Autonomous Productive Unit dedicated to technological services that had previously been part of IAG GBS. This acquisition included the human, material and contractual resources required for the provision of IT services, enabling the Company to assume the role of internal technology provider for the business group to which it belongs.

During the financial year, Iberia LAE Solutions S.L. effectively carried out its core activity of providing IT and technology consulting services, focusing on the support, maintenance and development of technological solutions tailored to the needs of the Iberia Group.

Passenger transport

The Group's core business is passenger transport, which it operates through an extensive network of scheduled flights, most of which connect with Adolfo Suárez Madrid-Barajas airport. The Group's main networks are the domestic network, the medium-haul network (mainly flights to Europe and some destinations in Africa and the Middle East) and the long-haul network focusing mainly on Latin America, the United States and Asia.

The Group distributes its products to customers through four principal channels:

- Travel agencies
- Websites
- Ticket sales offices in the city or at the airport; and
- Call centres

In addition, the Group negotiates contracts with corporate customers, usually through a travel agency. Travel agencies act as intermediaries between Iberia Group and its end customers, for which they receive a commission. Travel agencies are Iberia Group's most important channel.

The Group's websites (Iberia, Iberia Express and LEVEL), city/airport sales offices and call centres are considered "direct" channels, as the end customer interacts directly with the airline to book tickets or pay for ancillary services, rather than going through an intermediary. The website includes sales made through the Iberia.com website. City or airport sales offices are ticket sales offices in city centres or airports that airlines use to sell tickets directly to customers. Call centres are also used by Group to sell tickets directly to customers over the telephone.

Other smaller distribution channels include General Sales Agents (GSAs), staff travel bookings and frequent flyer programme redemptions. GSAs are mainly sales representatives who charge a commission on airline ticket sales.

The following table shows the performance of Iberia Group's passenger transport business in 2025 and 2024 (including Iberia, Iberia Express and LEVEL, but excluding Vueling and Air Nostrum - a regional franchise).

Operating statistics of the Transport business

	2025	2024	% (*)
PASSENG.			
ASK (million)	94,086	93,346	0.8%
Domestic	8,415	9,115	-7.7%
Medium-haul	17,999	19,097	-5.7%
Europe	15,593	16,411	-5.0%
Africa and Middle East (a)	2,406	2,686	-10.4%
Long-haul	67,672	65,134	3.9%
RPK (million)	83,313	82,204	1.3%
Domestic	7,570	8,131	-6.9%
Medium-haul	15,653	16,490	-5.1%
Europe	13,662	14,295	-4.4%
Africa and Middle East (a)	1,991	2,195	-9.3%
Long-haul	60,090	57,583	4.4%
Load factor (%)	88.5	88.1	0.40p
Domestic	90.0	89.2	0.80p
Medium-haul	87.0	86.3	0.70p
Europe	87.6	87.1	0.50p
Africa and Middle East (a)	82.7	81.7	1.00p
Long-haul	88.8	88.4	0.40p
CHARGE			
ATK (million)	2,026	2,088	-3.0%
RTK (million)	1,331	1,254	6.1%
Load factor (%)	65.7	60.1	5.60p
PASSENGER REVENUE			
Revenues (€ million)	6,482	6,284	3.2%
Revenue/ASK (€)	6.89	6.70	2.8%
Revenue/PKT (€)	7.78	7.61	2.2%

(*) Year-on-year variations calculated with exact figures in euros.

(a) Passenger revenues include only those revenues generated on flights operated during the period. Therefore, revenues from the cancellation of customer advances and other minor accounting adjustments

ASK: Available Seat Kilometre RPK: Revenue Passenger-Kilometres.

ATK: Available Tonne Kilometre RTK: Revenue Tonne-Kilometres.

Variations in load factor expressed in percentage points.

Iberia Group traffic statistics

The three airlines that make up the Group have experienced a strong increase in capacity in 2025, 1.1% more than in 2024. Iberia and Iberia Express have added new routes, such as Orlando and Recife.

The long-haul sector's capacity increased by 3.9%, and the load factor improved by 0.4 percentage points, reaching 88.8%. Capacity to North America decreased by 3.4%, accompanied by a decline of 0.7 percentage points in the load factor. However, in Latin America and the Caribbean, ASKs grew by 4.3%, with an improvement of 0.8 percentage points in the load factor. In Asia, capacity increased by 100%, and the load factor rose by 2.6 percentage points.

The medium-haul capacity decreased by 5.7%, although the load factor increased by 0.7 percentage points, reaching 87.0%. Capacity in Europe fell by 5.0%, and in the other international medium-haul markets—Africa and the Middle East—ASKs declined by 10.4%.

In the domestic market, capacity fell by 7.7% and RPKs decreased by 6.9%, resulting in a load factor of 90.0%, 0.8 percentage points above the 2024 figure.

Status of global air transport

During 2025, the air transport industry continued to demonstrate resilience in its recovery from the pandemic crisis, during which it recorded a historic loss of nearly USD –140,000 million, driven especially by a second consecutive year of significant increases in non-fuel costs and operational challenges. The operating margin remained at the same level as in 2024, above 6%.

During 2025, the global economy remained stable and, despite uncertainties regarding industry-wide capacity that affected airlines worldwide, available seat-kilometres (ASKs) grew by more than 5%. The recovery in capacity compared with pre-pandemic levels continued to consolidate, reaching +9% growth versus 2019. However, it is important to note a slowdown in annual ASK growth compared with 2024, when it exceeded 10%.

Revenue passenger-kilometres (RPKs) showed a very similar trend to available seat-kilometres (ASKs), with year-on-year growth of 5.2%. Expected passenger revenues amount to USD 716,000 million, an increase of 4.2% compared with the previous year. The average passenger ticket yield declined by 0.7% year-on-year, a figure very similar to that of 2024. Despite this slight decrease, absolute values remain nearly 10% above pre-pandemic levels, demonstrating that average revenue remains strong and stable and that passengers' willingness to pay is being maintained. This favourable context has been reinforced by yet another year of capacity constraints in the market, with the passenger load factor once again surpassing the 2024 level and reaching 83.7%, a record for the last decade.

Global economic growth in 2025 is projected to experience a slight slowdown, with a year-on-year increase of around 3.3% compared with 3.4% in 2024. At the same time, overall inflation continues its deceleration since 2022, falling from levels above 9% year-on-year to 4.2% in 2025, with a forecast of 3.7% by the end of 2026. These figures remain strongly affected by a significant upward deviation from the annual inflation target in the United States. The slowdown is more pronounced in advanced economies, which are expected to grow by around 1.5%, while emerging and developing market economies are projected to grow above 4%.

In 2025, the industry's estimated net profit amounts to USD 39,500 million, representing an increase of more than USD 10,000 million compared with 2024, and remaining very similar to 2023 levels. Overall, this profit growth can be explained by the industry's response to the pressure airlines have faced from non-fuel costs: wage increases, logistical challenges related to component supply, and higher maintenance costs driven by fleet ageing and engine issues. Throughout 2025, airlines adapted to the new environment that emerged in 2024 by diversifying revenue—particularly through new ancillary products—containing operating costs, and increasing aircraft utilization combined with a high load factor. As a result, the net margin rose from 2.9% in 2024 to 3.9% in 2025. The operating margin, meanwhile, is estimated at 6.6%.

North America is a market with solid financial results, maintaining 2024 profitability levels, although airlines in the region are facing several challenges. First, changes in tariff and immigration policies, and second, significant operational capacity issues arising both from engine problems and air traffic control constraints. All of this has resulted in passenger growth of only 0.2%, with U.S. low-cost carriers particularly affected. The projected net profit for the region at the end of 2025 is USD 10.8 billion.

In Europe, stronger results are expected across all regions, with net profit reaching USD 13.2 billion. These results are supported by sustained, robust demand over time and by a strong euro throughout the year, which has helped offset inflationary pressures. Passenger growth exceeds 5% year-on-year.

On the other hand, Latin American airlines have experienced a progressive improvement in results since 2020, with an estimated positive outcome of USD 2.5 billion. However, performance varies significantly across the region: some airlines are delivering very strong results, while others continue to face financial difficulties, entering and exiting bankruptcy processes (Chapter 1.1). This dynamic partly explains why regional results in 2025 are so positive, with net margin increasing from 0.2% in 2024 to 5.2%, and passenger growth reaching 7.0% year-on-year.

Other services

Iberia Maintenance

Iberia offers maintenance, repair and overhaul services for engines, aircraft and components of the Iberia fleet and other airlines. These services are offered through the General Maintenance and Engineering Department Iberia Maintenance, which carries out scheduled and unscheduled maintenance work (ad hoc repairs). As at 31 December 2025, the maintenance division had approximately 2,207 employees.

In 2025, external and internal revenues from maintenance and engineering amounted to €1,136 million and €199 million, respectively (2024: €932 million and €129 million).

The objective of scheduled maintenance is to ensure that the aircraft is fully airworthy and/or to restore specified levels of reliability. Scheduled maintenance is divided into three categories: (i) on-wing maintenance (outside the perimeter of Iberia Maintenance since 2022, which was transferred to the operator), (ii) minor maintenance and (iii) major overhaul. Each of these categories covers specific inspections, the frequency and depth of which are gradually increased and tailored to the characteristics and age of the fleet.

Minor maintenance comprises A, B and C checks, the frequency and depth of which is gradually increased up to C inspections, which consist of a comprehensive review of all exterior and internal areas of the aircraft, including systems, installations and visible structure.

Major overhaul (D inspections) covers the "Structural Inspection Programme" in its entirety. This programme covers the inspection of all structural elements, carried out periodically (between four and seven years) as part of the major overhaul, which involves the stripping of all exterior paintwork; change of engine, landing gear, flight controls and other components; the dismantling, inspection, repair and subsequent reassembly of a large number of aircraft parts; fresh paintwork; and functional tests including a flight test.

Iberia Maintenance is certified by civil aviation authorities, including (i) the Spanish Civil Aviation Agency; (ii) the European Air Safety Agency (EASA); and (iii) the Federal Aviation Administration of the United States. Iberia Maintenance is also accredited by Spain's AENOR standards bureau for Environmental Management (ISO 14001:2004).

Maintenance and repair activities are carried out in four hangars and numerous workshops and bench-testing facilities on a 2.5 million square meter site at Adolfo Suárez Madrid-Barajas Airport. In addition, services are provided in a hangar at Barcelona's El Prat airport.

IAG Cargo

IAG Cargo Ltd (IAG Cargo) was established on 18 May 2012 within IAG Group following the integration of the commercial teams of British Airways World Cargo and Iberia Cargo, aimed at providing a single commercial platform for IAG Group.

It is a business unit of IAG Group and is responsible for optimising the profitability of the Group's cargo transport. Operations commenced on 1 December that same year with a newly created single commercial platform to manage and market the entire cargo capacity of the IAG airlines through a single set of distribution channels under the IAG Cargo brand.

IAG Cargo is also responsible for Vueling, LEVEL and Aer Lingus sales.

IAG Cargo currently services more than 250 destinations with approximately 12,000 weekly flights focused on "Constant Climate" and "Critical" products. Cargo revenues are distributed between the companies that make up IAG Cargo Ltd, based on what each of them carries.

Cargo capacity for more than 500 wide-body and narrow-body aircraft is managed with the extensive network offered by the Group's airlines.

Additionally, it also leads the operational part associated with cargo handling worldwide, with Madrid being the main hub for Iberia, London Heathrow for British Airways, Dublin for Aer Lingus, and Barcelona for Level and Vueling.

Between Madrid and London, Iberia operates part of its operation with wide-body aircraft, which allows for efficient and rapid cargo connections.

During fiscal year 2025, Iberia Cargo recorded solid revenue growth compared with the previous year, particularly in the first half. This performance was driven by strategic management actions designed to maximize the high market yields resulting from disruptions in the global supply chain.

However, from the third quarter onwards, revenues showed a moderate slowdown, in line with the stabilization of market rates following the temporary surge associated with the Red Sea crisis.

The company continues to focus on prioritizing high-value cargo flows and premium services from strategic regions, thereby strengthening its positioning in higher-margin segments.

Iberia loyalty programme

From 28 January 2015, IAG Group's loyalty programmes (Iberia Plus and BA Executive Club), which aligned their customer proposition in November 2011, were run by Avios Group Limited (now IAGL) and as part of this transaction, the assets and certain contracts with Iberia partners were transferred to the IAGL Spanish subsidiary. This was regulated through the ASR (Avios Shareholding Restructuring), which defined the contracts on which this relationship is based. These contracts were reviewed and updated in 2021. This management model allows customers to obtain more benefits from both airlines. IAGL also manages the loyalty programmes of Vueling and Air Lingus, also part of the IAG Group.

Avios are the currency of both frequent flyer programmes. Customers can accumulate Avios when flying with Iberia partner airlines (including oneworld partners and other companies with bilateral agreements). They can also accumulate Avios in other services in diverse sectors, such as hotel stays, rental cars, and even when they make purchases through agreements with a wide range of partners. These Avios can be redeemed in different services in Iberia, such as flights, "upgrades", ancillaries and discounts on commercial tickets. They can also be used in the associated companies of the different sectors mentioned above.

In the 2025 fiscal year, IAGL acquired 100% of British Airways Holidays Limited, which is one of the largest holiday companies in the United Kingdom, offering carefully selected hotels and resorts in the most incredible locations, as well as car hire.

ALLIANCES

Oneworld

The oneworld alliance was created in 1999 and currently comprises Iberia, British Airways, American Airlines, Alaska Airlines, Cathay Pacific, Fiji Airways, Finnair, Japan Airlines, Malaysia Airlines, Oman Air, Qantas, Qatar Airways, Royal Jordanian, Royal Air Maroc, SriLankan Airlines, and up to 20 affiliated airlines. The oneworld alliance initiated a procedure to incorporate Oman Air and Fiji, likely to reach completion in 2025.

The oneworld alliance is designed to provide customers with a seamless travel experience of the highest quality standards, access to a worldwide network of destinations and a package of exclusive benefits and services. Through the alliance, customers have access to more choices in terms of destinations, combined itineraries and fare types, smoother transfers, greater access to airport lounges and the opportunity to earn and redeem Avios across the alliance's entire flight network. For airlines, the key benefits are access to a larger customer base and the consequent improvement in flight occupancy and revenue from this additional traffic.

The oneworld airlines operate approximately 13,000 daily flights, with connections to around 900 destinations in more than 170 countries.

Joint Business for the North Atlantic

Under the Joint Business Agreement to operate North Atlantic routes, Iberia, Aer Lingus, British Airways, American Airlines and Finnair cooperate very closely to maximise the customer value proposition and the profitability of their joint network between North America (Canada, the US and Mexico), Europe (the EU, Switzerland and Norway) and Israel, sharing revenues and certain expenses.

The joint business offers connections between around than 160 cities in Europe and more than 250 North American cities, with strategic hubs in Madrid, London and Helsinki in Europe and New York, Miami, Dallas, Chicago, Philadelphia, Charlotte, Los Angeles and Phoenix in the US. Iberia and its partners strive to make travelling simple and rewarding, with unbeatable fares across the five airlines, flights at different times to meet customers' needs, smoother connections, more integrated customer service and the opportunity to earn more Avios with all five airlines.

Other affiliations

Iberia, LATAM Peru and LATAM Ecuador are part of a joint business agreement between Europe, Peru and Ecuador to operate Madrid-Lima and Madrid-Quito/Guayaquil routes. The arrangement enables the companies to plan and manage the flights operating these routes jointly, and to share the profits. Customers enjoy greater choice and flexibility with schedules and services, as well as better connections and fares at those airports to a larger number of destinations.

In October 2016, with the commencement of flights between Madrid and Tokyo, Iberia joined the Joint Business Agreement between Japan Airlines, British Airways, and Finnair for routes between Europe and Japan (Siberian Joint Business), which continues to this day. This partnership enabled Iberia to reopen the route with direct flights between Madrid and Tokyo from the winter season of 2024. The benefit of this participation is reciprocal, as the alliance values Iberia's contribution to this market by connecting Spain and Japan with direct flights. For Iberia, the support of Japan Airlines as a local partner in Japan has been crucial. This collaboration allows us to offer our customers a highly competitive product with greater advantages and benefits, such as an enhanced and improved range of itineraries for their journey using the network of all partners under the best conditions. Customers can choose from the fares offered for that itinerary by all partners, selecting the ones that best suit their needs (combinable fares).

From 2023, Iberia joined the world's largest joint venture, alongside Qatar Airways and British Airways, with the opening of the Madrid-Doha route, adding more frequencies to Qatar Airways' operation. Operating across Madrid, London and Doha, the three strategic partners offer unrivalled connectivity between Spain and more than 200 destinations in Asia, Australasia, the Middle East and Africa, with the most efficient connections. This joint venture opens the door to and from Asia, which will provide a wide range of options to increase and diversify connectivity and, thereby, tourism and business.

Iberia also has a franchise agreement with Air Nostrum, a company incorporated on 23 May 1994. It was the first private project for regional aviation in Spain. In May 1997, it became Iberia's franchise partner as Iberia Regional-Air Nostrum. It currently operates around 220 routes in Spain, Europe and North Africa. Air Nostrum is also a member of the OneWorld Alliance as an Iberia affiliate.

Iberia also has bilateral agreements, including code share agreements, with 30 airlines, some of which are also members of the **OneWorld Alliance**. Through the bilateral cooperation between Iberia and British Airways, passengers benefit from greater flexibility in the form of combined fares and cross-selling through the two carriers' channels, which cover most long-haul destinations in the America, Africa, the Middle East and South Asia.

FLEET AND AIRCRAFT

Acquisition of aircraft

The year 2025 has seen growth in the long-haul fleet compared to 2024.

Iberia continues to invest in new aircraft, incorporating next-generation models such as one A350 and an additional six units of Airbus's new A321-NEO-XLR. This new fleet is characterised by being a narrow-body aircraft with a range that enables transatlantic operations. This allows for lower operating costs, including fuel consumption and maintenance, while maintaining superior passenger comfort thanks to new cabin technologies. Throughout 2025, the renewal of part of the short-haul fleet has continued with the addition of A320-NEO aircraft

Financing of aircraft

Iberia's existing fleet has principally been financed by a mix of finance and operating leases

Since the merger, new aircraft purchases have been negotiated on an IAG Group-wide basis by IAG with a view to maximising discounts to list prices based on the size and scale of the IAG Group, although subsequent purchases are made and financed for each airline. The Group's financial strategy for financing new aircraft will continue to be based on finance or operating leases, with possible additional sources of financing:

- Loans secured by assets of financial banking institutions
- Manufacturers' credits
- Capital markets and, potentially, the Enhanced Equipment Trust Certificate (EETC) and Japanese Operating Lease with Call Option (JOLCO) markets.

MAIN RISKS, UNCERTAINTIES AND OUTLOOKS FOR THE GROUP

The evolution of the aviation sector is directly related to economic growth. Thus, one of the main risks for the Group is linked to the consolidation of the recovery of air demand in its strategic markets according to the economic evolution in the different geographical areas. In turn, it will be influenced by employment levels, consumer and business confidence, credit availability, and trade progression. Business traffic is particularly sensitive to economic conditions and is now conditioned by the inflationary environment and more restrictive travel policies.

As previously mentioned, 2025 ends with economic growth at the same level as 2024, around +3%, continuing the slow recovery following the crisis of recent years. Some of the risks that are foreseen for the future and some present risks are: firstly, the volatility of commodity prices could increase in a context of resurgent geopolitical tensions and disruptions linked to climate change. Secondly, although they have decreased and are beginning to stabilise, both general and core inflation rates remain too high. Thirdly, there are risks associated with the ageing of the fleet, as there is currently insufficient production in the market to replace aircraft to pre-pandemic levels. An ageing fleet means longer aircraft downtime, higher maintenance costs, increased fuel consumption, and additional CAPEX to refurbish older aircraft that were not originally expected to remain operational at such ages.

Given the anticipated economic challenges, IATA forecasts that the industry will continue to generate value in 2025, with a net profit of \$41.0 billion. The operating margin is expected to improve by +0.3pp to reach 6.9%.

In 2026, capacity variation (available seat kilometres, ASK) is expected to be +4.9% compared to 2025, with overall growth in all regions, with North America showing the least growth (+1.0%).

Additionally, all markets are expected to generate profits above those of 2025.

Future strategy

In 2025, Iberia continued to rank among the most profitable European airlines, supported by favourable conditions such as low fuel prices and strong network demand.

We received six new Airbus A321-XLR aircraft and one Airbus A350-900 to strengthen our long-haul operations, and we continued the renewal of the short- and medium-haul fleet with the addition of four Airbus A320-NEO aircraft.

Despite persistent supply-chain bottlenecks affecting the availability of aircraft and engines—a challenge facing our entire industry since the pandemic—we were able to deploy record capacity between Europe and Latin America.

In 2025, we reinforced our transformation programme with a project portfolio aimed at driving operational efficiency, commercial competitiveness, and organisational adaptation to a digital and AI-enabled environment.

This programme is transforming all areas of the company. In operations, we achieved progress from a reactive model to a proactive and predictive one. In the commercial area, we evolved our retail platform towards personalised solutions for our customers, optimised our sales channels by adopting new distribution models, and further enhanced the value proposition of Loyalty. Across the organisation, we delivered efficiency gains in supplier management through zero-based cost methodologies and strengthened the Hub by increasing the number of aircraft and opening new routes..

With all these initiatives, we remain fully committed to our strategic plan – Flight Plan 2030, which is built on three main pillars: strengthening financial and operational excellence, positioning Madrid as the leading European hub, and ensuring the future of our Maintenance (MRO) and Handling businesses.

Our Employees

Our employees are our greatest strength, and their dedication drives our success; we remain firmly committed to improving their working conditions and environment.

We reached a new agreement with the cabin crew group, which includes salary revisions and additional payments, among other improvements.

In 2025, Iberia welcomed more than 450 new colleagues. We are immensely proud of our air, ground, and office teams, whose dedication and professionalism ensured operational stability during a summer that was heavily affected by air traffic control restrictions

Our customers

In 2025 despite the challenges of the summer, we improved our operational resilience during the period compared with the previous year.

Iberia successfully met its punctuality commitments, ranking as the second most punctual airline in the world in February, according to Cirium's global on-time performance rankings.

We were honoured for the second consecutive year with the award for Best In-Flight Service in Europe at the PAX International Awards. We also received the awards for Best Cabin Interior Design for the Airbus A321-XLR and Best Economy Class Meal for short-haul flights from the Onboard Hospitality Awards.

Building on Madrid's transformation into 'the new Miami'—a key reference point for Latin Americans, with a growing number of residents, international visitors, and cross-border investment from the region—we have continued to strengthen Madrid's global connectivity. In 2025, we launched new long-haul routes to and from Orlando and Recife, as well as new short-haul destinations such as Tivat and Bucharest for 2026.

Looking ahead, we will further expand our long-haul presence with new destinations including Fortaleza, Monterrey, Toronto, and Philadelphia, all scheduled to begin operations in 2026.

We continue to enhance the customer experience, including the opening of a new premium VIP lounge at Adolfo Suárez Madrid-Barajas Airport to improve the spaces dedicated to our passengers.

We have continued to evolve our loyalty programme, which since April has been known as Iberia Club. Our members have begun to earn Elite Points based on spending rather than distance flown. For the first time, ancillary products and non-air partners also count toward achieving a higher status. In addition, we introduced a new top tier offering even more benefits: Platino Prime.

Our planet

In 2025, Iberia continued to make significant progress towards its sustainability objectives. We launched 'Círculo SAF,' a pioneering initiative aimed at promoting the production and use of sustainable aviation fuel (SAF) in Spain, fostering collaboration across the entire aviation value chain. The programme was introduced in partnership with major Spanish companies such as Amadeus, BBVA, Repsol and Telefónica.

The company advanced in its fleet-modernisation programme with the incorporation of six Airbus A321-XLR aircraft, which offer approximately 15% greater fuel efficiency and lower CO₂ emissions compared with previous models.

Looking to the future

In 2026, we will continue implementing our Flight Plan 2030 and developing our strategy, maintaining a firm commitment to creating sustainable value: for our shareholders, by ensuring long-term profitability and consistent returns; for our employees, by fostering a culture of transformation and shared purpose; for our customers, by offering a reliable and differentiated travel experience; and for society, by advancing towards more sustainable aviation and contributing to the well-being of the communities we proudly serve.

We will continue driving the full development of our Madrid hub, and the arrival of two additional Airbus A321-XLR aircraft will further extend our reach and reinforce our network. Likewise, the gradual easing of the operational bottlenecks experienced in recent years will enable us to operate with greater agility and efficiency.

RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

Iberia has procedures and systems in place to identify and mitigate the main risks affecting its various business lines.

Risk actions extend to the Group's key management parameters and measures, such as: the income statement, gearing levels, investments and disposals. This approach allows the Group to optimise earnings and gearing and take balanced decisions in terms of risk/return offered by new investments.

Iberia carries out a broad range of actions to control and manage risks, putting in place systems that allow it to identify, measure, manage and mitigate the main risks affecting its various business lines. In terms of financial risks, Iberia has a management programme to control and reduce the potential impact of fluctuations in fuel prices, exchange rates and interest rates on its earnings and to maintain sufficient liquidity for its operating and cash-related requirements.

In accordance with its risk-management policy, Iberia primarily uses derivative instruments related to foreign exchange rates, interest rates, and aviation fuel.

The most commonly used foreign-exchange derivatives include forwards, options, and currency swaps. For fuel-price risk, Iberia mainly uses swaps and options, while interest-rate risk is managed through interest rate swaps and interest-rate options.

COMMITMENT TO SUSTAINABILITY

Iberia was founded in 1927 with the purpose of "generating prosperity by connecting people from Spain to the world." This phrase is full of meaning and intention. Aviation is a strategic sector in Spain because it ensures interconnection and is key to the tourism industry. This sector generates a significant social impact: Iberia's activity alone contributes 0.6% of Spain's GDP and 0.9% of employment. Iberia connects our territory with the world, generating wealth and quality jobs, and adding value to society.

However, we are aware that, like all economic activities, aviation generates an environmental impact that must be limited. Greenhouse gas emissions (from CO₂ and other gases such as methane CH₄ or nitrous oxide N₂O, among others) generated during flights represent a major challenge. This is compounded by the difficulty of decarbonising the sector within the urgent timeframe established by science and international and European regulations to limit the worst effects of climate change.

Understanding our responsibility to ensure the progress and well-being of society while simultaneously reducing our environmental impact, we have defined an ambitious sustainability strategy that integrates environmental and social aspects in a cross-cutting manner. In this way, we combine the most current measures for decarbonising aviation (fleet renewal, operational efficiency, and the commitment to new technologies, particularly SAF) with an ambitious impact measurement plan and strategic collaboration with non-profit organisations, public-private partnerships, and inter-company alliances to improve and extend their results.

The Group's sustainability strategy has two pillars: Environment and Social Impact. These environmental and social aspects are necessarily harmonised with the principles of good governance that guide the Group's strategy to ensure the Iberia's sustainable future in the context of the new century.

Agenda 2030 and the 17 Sustainable Development Goals

The Group maintains its commitment to sustainable development, adhering to the United Nations Global Compact and the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda. Through its sustainability strategy, it contributes to key objectives such as health and well-being, gender equality, decent work, innovation, reduced inequalities, the creation of sustainable communities, responsible consumption, and climate action. It also promotes strong institutions through transparency and anti-corruption policies, and strengthens strategic partnerships with public, private, and third-sector organisations.

The company is committed to the main national and international initiatives in the areas of sustainability, labour rights, and good governance, including the United Nations Global Compact and the Sustainable Development Goals, the ILO Fundamental Conventions, and the OECD Principles of Corporate Governance.

Sustainable and responsible management

The implementation and maintenance of environmental management systems enable the company to develop its environmental policy and meet the management objectives it has established to achieve climate neutrality by 2050. Over the past year, we have maintained the IEnvA environmental management system, equivalent to the ISO 14001 standard, across both the passenger transport business and the maintenance division. This system, developed and audited by IATA with a specific focus on airlines, successfully passed its audit during the year.

Additionally, several other environmental management systems in place at Iberia are described below.

During 2025, the monitoring of Iberia's CO₂ emissions and the information system for flights subject to market-based emission schemes, as well as ground operations (industrial areas), was audited by SGS and TÜV SÜD, respectively, in accordance with the European Emissions Trading System (EU ETS) and, additionally, the Swiss (CH ETS) and UK (UK ETS) schemes applicable to flight emissions.

For international flights, the monitoring of Iberia's CO₂ emissions and the associated information system was also externally verified by SGS and reported in accordance with the International Civil Aviation Organization's (ICAO) global market-based scheme, CORSIA.

In 2025, the Iberia's fleet also complied with the international environmental standards established by ICAO regarding noise emissions and air quality below an altitude of 900 metres near airports.

Additionally, in 2025 Iberia maintained its processes under the international IQNet SR10 management and improvement standard, which certifies that the company has incorporated international best practices and recommendations in the field of social responsibility. This milestone represents a substantial consolidation of Iberia's sustainability strategy, positioning the airline as the first worldwide to obtain this certification. Iberia works jointly with its main service providers to reduce environmental impacts across the supply chain. All suppliers are included in the responsible purchasing strategy implemented by the IAG Group, led by IAG Transform. Through this strategy, suppliers' actual and potential environmental impacts are assessed, controls are established to mitigate them, and collaborative frameworks are promoted to strengthen the Group's sustainability strategy. In addition, Iberia completes the EcoVadis questionnaire annually, achieving a score of 58 in 2025, which places the company in the 56th percentile for environmental performance.

Details of Iberia's sustainable policies and corporate responsibility initiatives are available in the Annual Sustainability Report.

TECHNOLOGY AND INFORMATION SYSTEMS

The Group makes extensive use of information technology systems and works with leading IT and service providers in the industry. It also uses some internally developed software. Iberia's systems focus on providing better service to its customers, operational efficiency, and internal process management. The company continuously explores the best technological options to support business transformation through the digitalisation of operations and the improvement of customer and employee experiences.

During this year, Iberia completed the migration of its applications to a cloud-based operating environment, enabling the company to benefit from greater flexibility, speed, and robustness in its technology services. In addition, the company is transforming its ways of working in line with market best practices to ensure the development and operation of systems focused on delivering business value and strengthening operational resilience.

RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

The Group continues to invest in R&D&I as one of its main strategic values. Notable projects include those with a strong technological component that help improve operations along with those aimed at enhancing the customer travel experience through innovative solutions related to digitalisation, virtual reality, and artificial intelligence.

From the perspective of tax incentives for R&D&I activities, Iberia secured a tax deduction of €million for Corporate Tax to be applied in the 2025 fiscal year.

Regarding public funding, the following projects are currently under evaluation by the Centre for the Development of Industrial Technology (CDTI), part of the Ministry of Science and Innovation:

- TIG WELDING. New Welding Center for V2500 aircraft engines.
- BALANCING MACHINES. New state-of-the-art GTF PW1100 balancing machines.

- INDEP. New Internal Developer Platform (IDP) for aerospace applications.

Two new R&D projects were submitted and are currently under evaluation by Red.es (Ministry of Digital Transformation) under the 2025 funding call:

- AEROCIBERS. The project aims to strengthen the cybersecurity of Iberia's critical infrastructures.
- AERODIGITAL FACTORY. AeroDigital Factory develops prototypes of intelligent agents for key processes in the aviation sector.

During this period, an additional project was submitted to the Centre for Industrial Technological Development (CDTI) and is currently under evaluation within the Aerospace PERTE R&D programme:

- AVAIR. A project to develop an advanced artificial-intelligence platform for operational flight management..

Energy efficiency

The Group is committed to environmental care and, therefore, develops initiatives aimed at reducing its environmental impact.

The company has carried out energy-efficiency investments that have been verified and submitted for the issuance of Energy Savings Certificates (CAE), in accordance with the procedure established by the Ministry for Ecological Transition and the Demographic Challenge. These certificates allow the monetisation of the savings achieved and enable the recovery of part of the investment made. During fiscal year 2025, these measures generated savings of more than 330 GWh.

ACQUISITION OF TREASURY SHARES

During the fiscal year, no transactions involving the parent company's own shares were carried out.

COMPLIANCE WITH ARTICLE 262.1 OF THE SPANISH COMPANIES LAW FOR THE AVERAGE PAYMENT PERIOD FOR SUPPLIERS

The Group's average payment period to suppliers in 2025 was 22 days.

EXEMPTION FROM THE OBLIGATION TO SUBMIT A STATEMENT OR REPORT OF NON-FINANCIAL INFORMATION

As set out in the new Law 11/2018, of 28 December 2018, which amends the Commercial Code, the revised text of the Spanish Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audit , in matters of non-financial information and diversity, the IB Opco Holding Group is exempt from presenting a statement or report on non-financial information as it belongs to the IAG Group, which discloses the information required in its statement of non-financial information, which will be available at the Commercial Registry, on the website of the National Securities Market Commission and on the Group's website.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Since the end of the 2025 financial year and up to the date of preparation of these Annual Accounts, no significant events have occurred that would have resulted in a relevant modification of the information contained in the report or that could have had a significant impact on the annual accounts.

IB Opco Holding, S.L. and subsidiaries

Consolidated financial statements and management report for 2025

D. MARCO SANSAVINI

D^a. M^a JESÚS LÓPEZ SOLÁS

D. RAFAEL DÍAZ YEREGUI

D^a. SARAH CLEMENTS

D. SANTIAGO BAU ARRECHEA

Madrid, February 24, 2026