



Auditor's Report on International Consolidated Airlines Group, S.A.

**(Together with the financial
statements and management report
of International Consolidated
Airlines Group, S.A. for the year
ended 31 December 2025)**



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

Independent Auditor's Report on the Financial Statements

To the shareholders of International Consolidated Airlines Group, S.A., commissioned by management

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of International Consolidated Airlines Group, S.A. (the "Company"), which comprise the balance sheet at 31 December 2025 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2025, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the accompanying 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 Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Recoverable amount of investments in Group companies

See notes 4.6, 8, 9 and 16 to the financial statements

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>As of December 31, 2025, as described in the annual accounts, the Company has an amount of €8,077 million and €111 million as Equity instruments in and Loans receivable from Group companies, respectively, under the caption of Investments in group companies presented in non current assets. In addition, the Company also has €1,046 million as Loans receivable from Group companies in current assets.</p> <p>The Company has carried out an impairment test of the investments in Group companies for which it has identified objective evidence of impairment. In this regard, the estimated recoverable amounts of these assets are allocated is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.</p> <p>Changes in the key assumptions in cash flow forecasts can have a material impact on the calculation of the recoverable amount and therefore on whether any impairment is required. The most significant assumptions are revenue growth and operating profit margins, ASK, fuel prices and discount rate.</p> <p>The effect of this key matter is that, as part of our risk assessment, we determined that the recoverable amount has a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the Company's financial statements, the reason for which it has been considered as a key matter of our audit.</p>	<p><i>Our procedures included the following</i></p> <ul style="list-style-type: none"> - Our sector experience: Assessing the Company's identification of impairment indicators and considering whether further indicators should have been assessed based on our knowledge of the business, its operating environment, industry knowledge, current market conditions and other information obtained during the audit. - Benchmarking assumptions: Evaluating assumptions applied, among others, forecast revenue growth, operating profit margins, fuel prices and ASK compared to external data. - Benchmarking assumptions: With the assistance of our valuation specialists, we assessed the reasonableness of the methodology applied by the Company in the calculation of the WACC. - Sensitivity analysis: Analysing the sensitivity of the recoverable amount to changes in relevant hypothesis and assumptions. - Methodology implementation: Assessing the arithmetical accuracy of the model and whether the calculation has been made in accordance with applicable accounting legislation. - Assessing transparency: We also assessed whether the disclosures in the accompanying notes to the financial statements meet the requirements of the financial reporting framework applicable to the Company.

Other Information: Management Report

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

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

- a) Determine, solely, whether the non-financial information statement, certain information included in the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration, as specified in the Spanish Audit Law, have 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 management report with the financial statements, based on knowledge of the entity obtained during the audit of the aforementioned financial statements. Also, assess and report on whether the content and presentation of this part of the 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 management report is consistent with that disclosed in the financial statements for 2025, and that the content and presentation of the report are in accordance with applicable legislation.

Director's and Audit and Compliance Committee's Responsibility for the Financial Statements

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

In preparing the financial statements, the Directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.

The Audit and Compliance Committee is responsible for overseeing the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the 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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Audit and Compliance Committee of International Consolidated Airlines Group, S.A. 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.

We also provide the Company's Audit and Compliance Committee with a statement that we have complied with the ethical requirements regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, safeguarding measures adopted to eliminate or reduce the threat.

From the matters communicated to the Audit and Compliance Committee of the entity, we determine those that were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of International Consolidated Airlines Group S.A. for 2025 in European Single Electronic Format (ESEF), comprising an XHTML file with the financial statements for the aforementioned year, which will form part of the annual financial report.

The Directors of International Consolidated Airlines Group S.A. are responsible for the presentation of the 2025 annual financial report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation"). In this regard, they have incorporated the Annual Corporate Governance Report and the Annual Report on Directors' Remuneration by means of a reference thereto in the management report.

Our responsibility consists of examining the digital file prepared by the Company's Directors, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the financial statements included in the aforementioned digital file fully corresponds to the financial statements we have audited, and whether the financial statements have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Audit and Compliance Committee

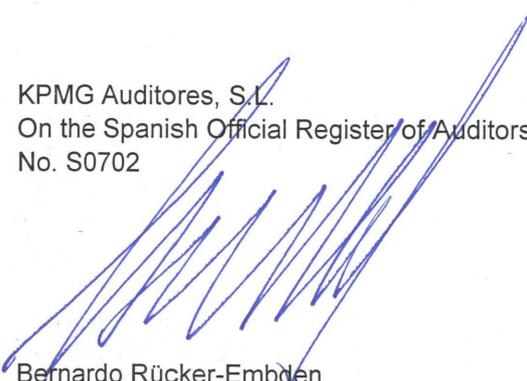
The opinion expressed in this report is consistent with our additional report to the Company's Audit and Compliance Committee dated 3 March 2026.

Contract Period

We were appointed as auditor of the Group by the shareholders at the ordinary general shareholders' meeting on 19 June 2025 for a period of 1 year for the year ended 31 December 2025.

Previously, we had been appointed for a period of 3 years and additional period of 1 year, by the shareholders at their general meeting. We have been auditing the annual accounts since the year ended 31 December 2021.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with
No. S0702



Bernardo Rücker-Embsen
On the Spanish Official Register of Auditors ("ROAC") with no. 18836

3 March 2026

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Financial statements for the year to 31 December 2025

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MANAGEMENT REPORT FOR THE YEAR TO 31 DECEMBER 2025

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Balance sheet at 31 December 2025

(Expressed in thousands of euros)

	Note	2025	2024
ASSETS			
NON-CURRENT ASSETS		8.545.471	9.377.367
Intangible assets	6	15.509	23.741
Property, plant and equipment	7	71.688	43.587
Investments in Group companies		8.187.526	9.138.663
Equity instruments	8	8.076.612	7.483.507
Loan receivable from Group companies	9,16	110.914	1.655.156
Non-current financial assets		262.261	156.597
Equity instruments	9	240.564	152.972
Other financial asset		21.697	3.625
Deferred tax asset	12	8.487	14.779
CURRENT ASSETS		2.612.485	2.791.104
Trade and other receivables		232.800	201.353
Clients, Group companies	9,16	60.535	126.502
Current tax receivable	12	163.478	51.003
Other receivables	9	8.787	23.848
Investments in Group companies		1.046.313	207.531
Loan receivable from Group companies	9,16	1.046.313	207.531
Cash and cash equivalents		1.333.372	2.382.220
Cash	9,10	52.983	138.517
Cash equivalents	9,10	1.280.389	2.243.703
TOTAL ASSETS		11.157.956	12.168.471
EQUITY AND LIABILITIES			
EQUITY		8.865.046	9.290.522
SHAREHOLDERS' FUNDS			
Capital		472.720	497.147
Registered share capital	11	472.720	497.147
Share premium		6.924.526	7.770.439
Reserves		746.287	263.089
Legal and statutory reserves	11	99.429	99.429
Other reserves	11	646.858	163.660
Own shares and equity holdings		(592.371)	(286.777)
Profit for the year		1.306.970	941.797
Interim dividend		(219.545)	(147.026)
Other equity instruments		122.397	163.711
VALUATION ADJUSTMENTS		104.062	88.142
Valuation adjustments to financial assets at fair value through equity	11	116.839	87.978
Translation differences	11	(12.777)	164
LIABILITIES			
NON-CURRENT LIABILITIES		919.646	1.185.742
Non-current debt		616.694	1.184.800
Bond and other marketable securities	9	616.694	1.184.800
Group companies, non-current		301.736	-
Deferred tax liability	12	1.216	942
CURRENT LIABILITIES		1.373.264	1.692.207
Current provisions		600	600
Current debt		1.247.868	1.559.632
Bond and other marketable securities	9	1.247.868	1.559.632
Group companies, current		754	-
Trade and other payables		124.042	131.975
Suppliers, Group companies	9,16	13.528	39.572
Various creditors	9	35.721	52.903
Other amounts due to tax authorities	12	74.793	39.500
TOTAL EQUITY AND LIABILITIES		11.157.956	12.168.471

Income statement for the year to 31 December 2025

(Expressed in thousands of euros)

	Note	2025	2024
Continuing operations			
Revenue from operations		1.689.689	1.464.314
Rendering of services to Group companies	13,16	60.890	100.884
Dividend income	16	1.508.589	1.189.253
Finance income receivable from debt with Group companies and associates	13,16	120.210	174.177
Employee costs	13	(84.949)	(86.967)
Wages, salaries and other costs		(69.619)	(74.050)
Social security costs		(15.330)	(12.917)
Other operating expenses		(29.335)	(175.778)
External services received		(27.508)	(117.519)
Other operating expenses		(1.827)	(58.259)
Depreciation, amortisation and impairment		(9.555)	(2.445)
Amortisation of intangible assets		(9.555)	(2.445)
Finance costs		(6.516)	(1.443)
Payable on debt with Group companies and associates	16	(6.516)	(1.443)
Impairment and losses on disposal of financial instruments		(24.061)	-
Impairment losses on loans receivable from Group companies	8,13	(24.061)	-
OPERATING PROFIT		1.535.273	1.197.681
Finance income		24.439	62.558
Receivable from third parties	13	24.439	62.558
Finance costs		(45.621)	(59.764)
Payable on debt with third parties	13	(45.621)	(59.764)
Impairment and gains on disposal of financial instruments		922	-
Gain on disposal and other	13	922	-
Change in fair value of financial instruments	13	(213.593)	(280.488)
Currency differences		(522)	(504)
NET FINANCE EXPENSE		(234.375)	(278.198)
PROFIT BEFORE TAX		1.300.898	919.483
Taxes	12	6.072	22.314
PROFIT FOR THE YEAR	3	1.306.970	941.797

Statement of changes in equity for the year to 31 December 2025

(Expressed in thousands of euros)

A) Statement of other comprehensive income

	Note	2025	2024
PROFIT FOR THE YEAR	3	1.306.970	941.797
Income and expenses recognised directly in equity		15.920	(7.682)
Fair value movements on other equity investments	9	29.135	(18.650)
Currency differences		(12.941)	10.902
Tax effect	12	(274)	66
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY	11	15.920	(7.682)
TOTAL INCOME AND EXPENSES RECOGNISED		1.322.890	934.115

Statement of changes in equity for the year to 31 December 2025

(Expressed in thousands of euros)

B) Statement of changes in equity

	Issued share capital	Share premium	Reserves	Own shares and equity holdings	Profit for the year	Interim dividend	Other equity instruments	Valuation adjustments	TOTAL
BALANCE AT 31 DECEMBER 2023	497.147	7.770.439	285.561	(99.333)	(22.749)	-	118.843	95.824	8.645.732
Total recognised income and expense	-	-	-	-	941.797	-	-	(7.682)	934.115
Transactions with shareholders and owners	-	-	277	(187.444)	-	(147.026)	(32.513)	-	(366.706)
Acquisition of treasury shares	-	-	-	(210.973)	-	-	-	-	(210.973)
Vesting of share-based payment schemes	-	-	409	23.529	-	-	(32.513)	-	(8.575)
Transaction costs on share buyback	-	-	(132)	-	-	-	-	-	(132)
Dividend	-	-	-	-	-	(147.026)	-	-	(147.026)
Other movements in equity	-	-	-	-	-	-	77.381	-	77.381
Share-based payments charge (note 17)	-	-	-	-	-	-	77.381	-	77.381
Appropriation of prior year loss	-	-	(22.749)	-	22.749	-	-	-	-
BALANCE AT 31 DECEMBER 2024	497.147	7.770.439	263.089	(286.777)	941.797	(147.026)	163.711	88.142	9.290.522
Total recognised income and expense	-	-	-	-	1.306.970	-	-	15.920	1.322.890
Transactions with shareholders and owners	(24.427)	(845.913)	(311.573)	(305.594)	-	(219.545)	(99.831)	-	(1.806.883)
Capital reduction	(24.427)	(845.913)	24.427	845.913	-	-	-	-	-
Acquisition of treasury shares	-	-	-	(1.234.046)	-	-	-	-	(1.234.046)
Vesting of share-based payment schemes	-	-	(55.847)	73.935	-	-	(99.831)	-	(81.743)
Transactions with own shares and equity holdings	-	-	1.287	8.604	-	-	-	-	9.891
Transaction costs on share buyback	-	-	(1.196)	-	-	-	-	-	(1.196)
Dividend	-	-	(280.244)	-	-	(219.545)	-	-	(499.789)
Other movements in equity	-	-	-	-	-	-	58.517	-	58.517
Share-based payments charge (note 17)	-	-	-	-	-	-	58.517	-	58.517
Appropriation of prior year profit	-	-	794.771	-	(941.797)	147.026	-	-	-
BALANCE AT BALANCE AT 31 DECEMBER 2025	472.720	6.924.526	746.287	(592.371)	1.306.970	(219.545)	122.397	104.062	8.865.046

Cash flow statement for the year to 31 December 2025

(Expressed in thousands of euros)

	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before tax		1.300.898	919.483
Profit from continued operations		1.300.898	919.483
Adjustments to profit		(1.340.943)	(1.015.888)
Finance income	13	(144.649)	(236.735)
Dividend income	16	(1.508.589)	(1.189.253)
Finance costs	13	52.137	61.207
Change in fair value of financial instruments	13	213.593	280.488
Currency differences		522	504
Share-based payments	17	13.349	15.456
Impairment charge	8,16	23.139	-
Amortisation of intangible assets		9.555	2.445
Air Europa Holdings termination settlement payment		-	50.000
Changes in working capital		(508)	148.746
Trade and other payables		(16.614)	14.724
Trade and other receivables		16.106	134.022
Other cash flows from operating activities		1.397.822	1.163.845
Interest paid		(3.502)	(782)
Taxation paid		(107.265)	(24.626)
Dividend received from Group companies	16	1.508.589	1.189.253
CASH FLOWS FROM OPERATING ACTIVITIES		1.357.269	1.216.186
CASH FLOWS FROM INVESTING ACTIVITIES			
Amounts paid		(732.701)	(216.454)
Purchase of other equity instruments	9	(63.937)	(19.507)
Purchase of Property, plant and equipment	7	(30.219)	(5.269)
Purchase of Intangible assets	6	(2.344)	(19.553)
Amount paid to Group companies		(623.000)	(118.500)
Increase in Other financial assets		(13.201)	(3.625)
Air Europa Holdings termination settlement payment	9	-	(50.000)
Amounts received		876.683	641.517
Proceeds from sale of Property, plant and equipment		3.641	26.084
Interest received		24.543	57.648
Amount received from Group companies		848.499	557.785
CASH FLOWS FROM INVESTING ACTIVITIES		143.982	425.063
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts and payments on equity instruments		(1.241.536)	(210.890)
Acquisition of treasury shares		(1.243.410)	(201.609)
Repayment of equity instruments		(9.281)	(9.281)
Disposal of equity instruments		11.155	-
Receipts and payments on financial liabilities		(830.860)	(257.918)
Issue		797.226	-
Debt with Credit institutions		497.226	-
Debt with Group companies		300.000	-
Repayment		(1.628.086)	(257.918)
Debt with Credit institutions		(1.624.559)	(47.500)
Debt with Group companies		(3.527)	(210.331)
Settlement of derivative financial instruments		-	(87)
Dividend payments and receipts from other equity instruments		(469.817)	(147.026)
Dividend paid		(469.817)	(147.026)
CASH FLOWS FROM FINANCING ACTIVITIES		(2.542.213)	(615.834)
IMPACT OF EXCHANGE DIFFERENCES		(7.886)	2.586
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1.048.848)	1.028.001
Cash and cash equivalents at the beginning of the year	9,10	2.382.220	1.354.219
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	9,10	1.333.372	2.382.220

Notes to the financial statements

1. Corporate information and activity

International Consolidated Airlines Group, S.A. (hereinafter the 'Company' or 'IAG') is a Spanish company formed to hold the interests of airline and ancillary operations, and is registered in Madrid and was incorporated on 17 December 2009. IAG is the parent company of British Airways Plc ('British Airways'), Iberia Líneas Aéreas de España S.A. Operadora ('Iberia'), Vueling, Aer Lingus, IAG Cargo Ltd ('IAG Cargo'), IAG Transform (formerly IAG GBS), AERL Holding Ltd ('AERL Holding'), Fly Level S.L., Fly Level Barcelona LH S.L. and IAG Connect Ltd all collectively defined as the 'Group'. The Group presents consolidated financial statements separately. These will be deposited at the Madrid Mercantile Registry and the FCA in London on 4 March 2026.

On 21 January 2011 British Airways and Iberia completed a merger transaction becoming the first two airlines of the Group. Vueling Airlines, S.A. (hereinafter 'Vueling') was acquired on 26 April 2013 and Aer Lingus Group DAC (hereinafter 'Aer Lingus') was acquired on 18 August 2015. During 2017, the Group incorporated Fly Level S.L. (hereinafter 'Fly Level') and IAG Connect Limited (hereinafter 'IAG Connect'), with a 100% investment by the Company. During 2024 the Group incorporated Fly Level Barcelona LH S.L. (hereinafter Fly Level Barcelona).

The objective and main activity, among others, of the Company is the acquisition, ownership, management and disposal of shares or other equity interests in other companies, provision of management services to those companies, and significant Group investments including aircraft procurement.

IAG is a Spanish Private Law entity, incorporated for an indefinite period by virtue of a public deed granted before the Public Notary of Madrid Ignacio Martínez-Gil Vich on 17 December 2009 under number 3.866 of his files, with its registered office in Madrid, at El Caserío, Iberia Zona Industrial nº 2 (La Muñoza), Camino de La Muñoza, s/n, 28042, Madrid, Spain and entered at the Madrid Mercantile Registry with registration number M-492129 in Volume 27312, Book 0, Section 8, Folio 11.

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

The Company's presentation currency is euro. The United Kingdom ('UK') branch's functional currency is pound sterling as this is the currency of the economic environment in which it operates.

2. Basis of presentation of the financial statements

Applicable financial reporting framework

The financial statements have been prepared in accordance with the accounting principles approved by Royal Decree 1514/2007, of 16 November 2007, which was amended in 2016 by Royal Decree 602/2016 of 2 December 2016, and in 2021 by Royal Decree 1/2021, and the remaining prevailing mercantile law.

These financial statements have been prepared by the Directors of the Company for submission to and for approval at the General Shareholders' Meeting, where it is expected they will be approved without modification.

The figures shown in these financial statements are presented in thousands of euros unless otherwise indicated.

Going concern

At 31 December 2025, the Company had cash and cash equivalents of €1.333 million (31 December 2024: €2.382 million) and the Group had total liquidity of €10.948 million (31 December 2024: total liquidity of €13.362 million), comprising cash and interest-bearing deposits of €8.319 million and €2.629 million of committed and undrawn general and overdraft facilities. At 31 December 2025 the Company and the Group had no financial covenants associated with its loans and borrowings.

In its assessment of going concern, the Company and the Group have modelled two scenarios referred to below as the Base Case and the Downside Case over the period of at least 12 months from the date of the approval of these financial statements (the 'going concern period'). The Group's three-year business plan, used in the creation of the Base Case, was prepared for and approved by the Board in December 2025. The business plan takes into account the Board's and management's views on capacity, based on the potential impact of the wider economic and geopolitical environments on the Company and the Group's businesses across the going concern period. The key inputs and assumptions underlying the Base Case through to 31 March 2027 include:

- The Company and the Group have assumed that the committed and undrawn general and overdraft facilities of €2.629 million will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €2.568 million being available to the Group at 31 March 2027;
- The Company and the Group have €2.048 million of capital commitments due to be paid over the period to 31 March 2027;
- The Company and the Group have assumed none of the expected aircraft deliveries over the going concern period are financed; and
- The shareholder returns detailed in note 19.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts over the going concern period, represented by: reduced levels of capacity operated in each month, including reductions of 25% for three months over the going concern period; reduced passenger unit revenue per available seat kilometre (ASK); increases in the price of jet fuel by 20% above that assumed in the Base Case; and increased operational costs. In the Downside Case, over the going concern period, capacity would be 10% down when compared to the Base Case. The Downside Case assumes that British Airways and Iberia would be required to partially draw down their portions of the available US dollar Revolving Credit Facility. The Directors consider the Downside Case to be a severe but plausible scenario.

Having reviewed the Base Case and the Downside Case, the Directors have a reasonable expectation that the Company and the Group have sufficient liquidity to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements and hence continue to adopt the going concern basis in preparing the financial statements at 31 December 2025.

Notes to the financial statements *continued***2. Basis of presentation of the financial statements** *continued***2.1. True and fair view**

The accompanying financial statements have been prepared from the Company's accounting records in accordance with prevailing Spanish accounting legislation to give a true and fair view of its equity, financial position and reserves. The cash flow statement has been prepared to present fairly the origin and usage of monetary assets, such as cash and cash equivalents.

The annual accounts for 2025 shall be submitted for the approval in the Shareholders' Meeting in June 2026, and it is expected that they will be approved without any modification.

2.2. Comparative information

According to corporate law, the prior year information in the Balance sheet, Income statement, Statement of other comprehensive income, Statement of changes in equity and Cash flow statement is presented for comparison purposes, in addition to figures for 2025. The notes to the financial statements also include quantitative information for the prior year, unless an accounting standard specifies that it is not necessary.

2.3. Critical accounting estimates and assumptions

The Directors have prepared the financial statements using estimates and assumptions based on current and historical experience and various other factors that affect the reported value of the assets and liabilities, and are considered reasonable under the circumstances. The carrying amount of assets and liabilities, which are not readily apparent from other sources, is established on the basis of these estimates. The Directors are not aware of any specific risks that might significantly alter the value of the assets or liabilities in the following year and, therefore, considers that it is not necessary to make estimates of uncertainty at the end of the reporting period.

Impairment of investments in Group companies

The Company assesses whether there are any indicators of impairment for equity investments in Group companies. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amounts of equity investments in Group companies have been determined based on the future forecast cash flows of the investments, which require the use of estimates and assumptions, including three year business plan assumptions, long-term growth rates and discount rates.

Impairment losses can be reversed and recognised in the Income statement if there is any indication that the impairment loss no longer exists. The reversal is limited to the carrying value of the asset that would have been recognised on the reversal date had the original impairment not occurred.

3. Appropriation of profit

The appropriation of the 2024 result was approved in the Shareholders' Meeting dated 19 June 2025.

The Board of Directors will submit the following proposed appropriation of the 2025 result for approval at the Shareholders' Meeting in June 2026:

€'000	2025	2024
Proposed appropriation:		
Profit for the year	1.306.970	941.797
	1.306.970	941.797
Appropriation to:		
Interim dividend	219.545	147.026
Final dividend	228.000	280.244
Voluntary reserve	859.425	514.527
	1.306.970	941.797

Notes to the financial statements *continued***3. Appropriation of profit** *continued***3.1. Interim dividend**

On 6 November 2025 the Board of Directors approved an interim dividend of €0,048 per share. The interim cash dividend was paid on 1 December 2025 for a total amount (net of withholding tax of €41.714.000) of €219.545.000. The withholding tax was paid in January 2026.

In accordance with article 277 of the Spanish Corporations Law, the following table shows the statement (unaudited) issued by the Directors to substantiate that the Company had sufficient liquidity to distribute the interim dividend (expressed in thousands of euros):

Accounting statement	Nine months to 30 September 2025
	Amount (€ thousand)
Net profit (after estimated tax) for the period from January 1 to 30 September 2025	244.201
Losses from prior years	-
Mandatory allocations to reserves	-
Distributable income for the period	244.201
Proposed interim dividend (maximum amount)	220.089
Liquidity statement (funds available for distribution)	
Cash and cash equivalents	674.827
Cash deposits maturing after the payment date of the proposed interim dividend	-
Estimation of additional net outflows until the payment date of the proposed interim dividend	(71.263)
Available credits	-
Total estimated funds available at the payment date of the proposed interim dividend	603.564

3.2. Final dividend

On 26 February 2026 IAG's Board of Directors proposed a distribution in cash of a final dividend of €0,05 per share. The proposed final dividend is subject to approval at the annual general meeting and subject to approval, will be recognised as a liability on that date.

The proposed final dividend would be distributed from net profit for the year to 31 December 2025.

€'000	2025	2024
Cash dividends on ordinary shares declared		
Interim dividend for 2025 of €0,048 per share (2024: €0,03 per share)	219.545	147.026
Final dividend for 2024 of €0,06 per share (2023: nil)	280.244	-
Proposed dividends on ordinary shares		
Final dividend for 2025 of €0,05 per share	228.000	

3.3. Limitations on the distribution of the profit

During 2025, following the finalisation of the triennial valuation, as at 31 March 2024, of British Airways' main UK defined benefit pension scheme (NAPS), all previously existing requirements relating to pension contributions arising from dividend payments have been removed. Accordingly, at 31 December 2025 the Group had no restrictions on the payment of dividends from the Group's main operating companies to the Company.

The Company is obliged to transfer 10% of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20% of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders. As at 31 December 2025 and 2024 the legal reserve included the minimum amount required by law. The non-distributable reserves at 31 December 2025 are €991.148.000 (2024: €966.720.000).

Once the guidance provided by the law or the statutes has been covered, dividends can only be distributed from profit for the year, or from distributable reserves, if the value of equity is not or, does not become as a result of the distribution, lower than share capital. In this case, the profit charged directly to equity cannot be distributed, directly or indirectly. If losses from previous years existed, that make the Company's equity lower than share capital, the profits would be used to compensate those losses.

Notes to the financial statements *continued*

4. Recognition and measurement accounting policies

The main recognition and measurement accounting policies applied in the preparation of the 2025 financial statements are the following:

4.1. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the Company. All other lease arrangements are classified as operating leases.

For operating leases, the total minimum payments, measured at inception, are charged to the Income statement in equal annual amounts over the term of the lease.

4.2. Intangible assets

The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis generally over a period not exceeding five years.

4.3. Property, plant and equipment

Property, plant and equipment are held at cost. Depreciation is calculated to write off the cost less the estimated residual value on a straight-line basis, over the economic life of the asset.

4.4. Investments in Group companies

Equity investments in Group companies include investments in entities over which the Company has control. On initial recognition the investments are measured at fair value, which generally is equal to the fair value of the consideration paid, plus directly attributable transaction costs. Equity investments are subsequently measured at cost less, where appropriate, provisions for impairment, or distributions received recognised against the cost of the investment, if applicable.

4.5. Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the value by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value-in-use. Non-financial assets other than goodwill that were subject to an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

4.6. Financial instruments

The Company classifies financial instruments on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the economic substance of the contractual arrangement and the definitions of a financial asset, a financial liability and an equity instrument.

The Company recognises a financial instrument when it becomes party to the contract or legal transaction, in accordance with the terms set out therein, either as the issuer or as the holder or acquirer thereof.

The Company classifies financial instruments into the following categories: financial assets and financial liabilities at fair value through profit or loss and financial assets and financial liabilities measured at amortised cost.

Other equity investments, on initial recognition, are irrevocably designated as measured at fair value through other comprehensive income. They are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income with no recycling of these gains and losses to the Income statement when the investment is sold.

The Company classifies investments in equity instruments of Group companies and associates, and investments in equity instruments whose fair value cannot be determined by reference to a quoted price in an active market for an identical asset, or cannot be reliably estimated, at cost.

All other financial assets are classified at fair value through profit or loss.

The Company designates a financial liability at initial recognition as measured at fair value through profit or loss when doing so eliminates or significantly reduces a measurement or recognition inconsistency or mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The Company classifies all other financial liabilities at amortised cost.

I Offsetting principles

A financial asset and a financial liability are offset only when the Company currently has the legally enforceable right to offset the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Notes to the financial statements *continued*

4. Recognition and measurement accounting policies *continued*

4.6. Financial instruments *continued*

II Financial assets and financial liabilities

Financial assets and financial liabilities are classified, upon initial recognition, as measured at amortised cost, fair value through other comprehensive income (OCI), or fair value through profit or loss. Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

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

The Group's business model for managing financial assets establishes how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

III Convertible debt

Convertible bonds are classified as either compound financial instruments or hybrid financial instruments depending on the settlement alternatives upon redemption. Where the bondholders exercise their equity conversion options and the Company has no alternative other than to settle the convertible bonds into a fixed number of ordinary shares of the Company, then the bonds are classified as a compound financial instrument. Where the Group has an alternative settlement mechanism to the convertible bonds that permits settlement in cash, then the convertible instrument is classified as a hybrid financial instrument.

Convertible bonds that are classified as compound financial instruments consist of a liability and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt, and is subsequently recorded at an amortised cost basis using the effective interest method until extinguished on conversion or maturity of the bonds, and is recognised within Long-term borrowings. The difference between the proceeds of issue of the convertible bonds and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the Company, is included in the equity portion of the convertible bonds in Other reserves and is not subsequently remeasured. The interest expense on the liability component is calculated by applying the effective interest rate for similar non-convertible debt to the liability component of the instrument. The difference between this value and the interest paid is added to the carrying amount of the liability.

Convertible bonds that are classified as hybrid financial instruments consist only of a liability component recognised within Long-term borrowings. At the date of issue, the entirety of the convertible bonds is accounted for at fair value with subsequent fair value gains or losses recorded within Finance cost in the Income statement. The fair value of such financial instruments is obtained from their respective quoted prices in active markets.

Issue costs associated with compound financial instruments are apportioned between the liability and equity components of the convertible bonds where appropriate based on their relative carrying values at the date of issue. The portion relating to the equity component is charged directly against equity. Issue costs associated with hybrid financial instruments are expensed immediately to the Income statement.

IV Investments in Group companies and associates

Equity investments in Group companies and associates are measured at the fair value of the consideration given, plus any directly attributable transaction costs (except fees paid to legal advisors or other professionals, which are taken directly to the income statement), less any accumulated impairment. Such impairment is calculated as the difference between the carrying amount and the recoverable amount, which is the higher of fair value less costs to sell and the present value of future cash flows from the investment. In the absence of better evidence of the recoverable amount, the investee's equity is taken into consideration, corrected for any unrealised gains existing at the measurement date (including any goodwill).

V Equity instruments

Equity instruments are non-derivative financial assets including unlisted investments, excluding interests in associates and joint ventures. On initial recognition, these equity instruments are irrevocably designated as measured at fair value through other comprehensive income. They are subsequently measured at fair value, with changes in fair value recognised in other comprehensive income with no recycling of these gains and losses to the Income statement when the investment is sold or a change in the structure of transaction changes its classification as an Equity instruments. Dividends received on equity instruments are recognised in the Income statement.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date. Where there is no active market, fair value is determined using valuation techniques.

Notes to the financial statements *continued*

4. Recognition and measurement accounting policies *continued*

4.6. Financial instruments *continued*

VI Reclassification of financial instruments

The Company reclassifies financial assets when it changes the business model for their management or when they meet or cease to meet the criteria for classification as an investment in Group companies or associates, or the fair value of an investment ceases to be or is once again reliable, except for equity instruments classified at fair value through equity, which cannot be reclassified. The Company does not reclassify financial liabilities.

VII Interest and dividends

The Company recognises interest and dividends accrued on financial assets after their acquisition as income.

The Company accounts for interest on financial assets carried at amortised cost using the effective interest rate method and recognises dividends when the Company's right to receive payment is established.

If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investee itself or by any investee thereof since acquisition have been distributed, the carrying amount of the investment is reduced. This criterion applies irrespective of the measurement criterion used to measure equity instruments.

Therefore, in the case of equity instruments at fair value, the value of the investment is also reduced, and any subsequent increase in value is recognised in the income statement or in equity, depending on the instrument's classification.

VIII Impairment of financial assets

A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the event or events have an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Company recognises impairment on financial assets at amortised cost when estimated future cash flows are reduced or delayed due to debtor insolvency.

For equity instruments, objective evidence of impairment exists when the carrying amount of an asset is uncollectible due to a significant or prolonged decline in its fair value.

- Impairment of financial assets carried at amortised cost.

The amount of the impairment loss of financial assets carried at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For variable income financial assets, the effective interest rate corresponding to the measurement date under the contractual conditions is used. Nevertheless, the Company uses the market value, providing this is sufficiently reliable to be considered representative of the recoverable amount.

The impairment loss is recognised in profit or loss and may be reversed in subsequent periods if the decrease can be objectively related to an event occurring after the impairment has been recognised. The loss can only be reversed to the limit of the amortised cost of the assets had the impairment loss not been recognised.

The Company directly reduces the carrying amount of a financial asset when it has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

- Impairment of investments in Group companies, associates and equity instruments carried at cost.

Impairment is calculated by comparing the carrying amount of the equity investment with its recoverable amount. The recoverable amount is the higher of value in use and fair value less costs to sell.

Value in use is calculated based on the Company's share of the present value of future cash flows expected to be derived from ordinary activities and from the disposal of the asset, or the estimated cash flows expected to be received from the distribution of dividends and the final disposal of the investment.

Nonetheless, and in certain cases, unless better evidence of the recoverable amount of the equity investment is available, when estimating impairment of these types of assets, the investee's equity is taken into consideration, adjusted, where appropriate, to generally accepted accounting principles and standards in Spain, corrected for any net unrealised gains existing at the measurement date. If the investee forms a subgroup of companies, the equity shown in the consolidated annual accounts is taken into account, provided that these accounts have been authorised for issue. Otherwise, the equity reflected in the individual annual accounts is considered.

The carrying amount of the equity investment includes any monetary item that is receivable or payable for which settlement is neither planned nor likely to occur in the foreseeable future, excluding trade receivables or trade payables.

In subsequent years, reversals of impairment losses in the form of increases in the recoverable amount are recognised, up to the limit of the carrying amount that would have been determined for the investment if no impairment loss had been recognised. Impairment losses are recognised and reversed in the income statement.

Notes to the financial statements *continued*

4. Recognition and measurement accounting policies *continued*

4.6. Financial instruments *continued*

IX Derecognition and modifications of financial liabilities

The Company derecognises all or part of a financial liability when it either discharges the liability by paying the creditor, or is legally released from primary responsibility for the liability either by process of law or by the creditor.

The exchange of debt instruments between the Company and the counterparty or substantial modifications of initially recognised liabilities are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability, provided that the instruments have substantially different terms. The Company considers the terms to be substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

If the exchange is accounted for as an extinguishment of the financial liability, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised at amortised cost over the remaining term of the modified liability. In the latter case, a new effective interest rate is determined on the modification date, calculated as the rate that equates the present value of the flows payable under the new terms to the carrying amount of the financial liability at that date.

The difference between the carrying amount of a financial liability, or part of a financial liability, extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. If the Company transfers non-monetary assets in settlement of the debt, the difference between their fair value and their carrying amount is recognised as results from operating activities, and the difference between the value of the debt being settled and the fair value of the assets as net finance income/cost. If the Company transfers inventories, the corresponding sale transaction is recognised at their fair value and the change in inventories at their carrying amount.

4.7. Treasury shares

When the share capital of the Company is repurchased, the amount of the consideration paid, including directly attributable transaction costs, is recognised as a deduction from equity within the treasury share reserve. When treasury shares are sold or reissued, the amount received is recognised as an increase in equity and the resulting gain or loss on the transaction is presented as an adjustment to other reserves with no gain or loss recorded in the Income statement. When treasury shares are cancelled, the nominal value of the shares is deducted from share capital, and any difference between the cost of repurchase and nominal value is charged or credited to share premium or reserves.

4.8. Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

4.9. Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange prevailing on the date of the transaction. Monetary foreign currency balances are translated into the functional currency at the rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

The net assets of foreign operations are translated into euros at the rate of exchange ruling at the balance sheet date. Profits and losses of such operations are translated into euros at average rates of exchange during the year. The resulting exchange differences are taken directly to a separate component of equity until all or part of the interest is sold, when the relevant portion of the cumulative exchange difference is recognised in the Income statement.

4.10. Corporate tax

From 1 January 2015 onwards the Spanish entities International Consolidated Airlines Group S.A., Vueling Airlines S.A., Avios Group Limited Sucursal en España, IAG Transform Limited Sucursal en España and IAG Cargo Limited Sucursal en España, filed consolidated tax returns as part of the Spanish tax unity (0061/15, pursuant to title VII, Chapter VI of the Spanish Corporate Income Tax Law set forth in the Law 27/2014 of 27 November 2014). Fly Level S.L. joined the tax unity on 7 November 2017. Yellow Handling S.L.U. joined the tax unity on 17 October 2019. From 1 January 2020 Vueling and Yellow Handling S.L.U. ceased to be part of the Spanish tax unity due to modifications in their shareholding.

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted at the balance sheet date.

Deferred income tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exceptions:

- where the temporary difference arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss;
- in respect of taxable temporary differences associated with investments in subsidiaries or associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future; and
- deferred income tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Notes to the financial statements *continued*

4. Recognition and measurement accounting policies *continued*

4.10. Corporate tax *continued*

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Income tax is charged or credited directly to equity if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the Income statement.

Top-up tax

The Company's current income tax expense includes the tax related to the minimum effective taxation of multinational enterprise groups (OECD model rules or Pillar Two, hereinafter the "Top-up Tax"), in respect of which the Company is a taxable person and taxpayer.

If the Company is a substitute 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 a taxable person and taxpayer in respect of the Top-up Tax, but the parent acts as a substitute taxpayer of the Company, the latter recognises the accrued current income tax expense with a credit to an account payable to group companies.

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

The Company has applied the exception to the recognition and disclosure of deferred tax assets and liabilities related to the Top-up Tax.

4.11. Revenue and expense recognition

The Company presents the income from rendering management services to Group companies, dividends received from Group Companies and financial income from financing granted to them as Revenue from operations.

4.12. Provisions

Provisions are made when all of the following criteria have been met: (i) an obligation exists for a present liability in respect of a past event; (ii) where the amount of the obligation can be reliably estimated; and (iii) where it is considered probable that an outflow of economic resources will be required to settle the obligation.

Where it is not considered probable that there will be an outflow of economic resources required to settle the obligation, the Company does not recognise a provision, but discloses the matter as a contingent liability. The Company assesses whether each matter is probable of there being an outflow of economic resources to settle the obligation at each balance sheet date.

4.13. Long-term remuneration to personnel

The Company offers a defined contribution pension plan to all IAG employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years. Current service costs are recognised within the Income statement in the year in which they arise. At each financial year end, accrued contributions payable are recognised in the Balance sheet.

4.14. Share-based payment transactions

The Company operates a number of equity-settled, share-based payment plans, under which the Company awards equity instruments of the Company for services rendered by employees. The fair value of the share-based payment plans is measured at the date of grant using a valuation model provided by external specialists (note 17). The resulting cost, as adjusted for the expected and actual level of vesting of the plan, is charged to the Income statement over the period in which the options vest.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, and accordingly the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous balance sheet date is recognised in the Income statement with a corresponding entry in equity.

4.15. Dividends

Interim dividends are recognised when they are paid and final dividends are recognised when authorised in general meetings by shareholders.

Notes to the financial statements *continued***4. Recognition and measurement accounting policies** *continued***4.16. Related parties**

Transactions between group companies, except those related to mergers and non-cash contributions of businesses where particular regulations apply, including investments in group companies, are recognised at the fair value of the consideration given or received. The difference between fair value and the transaction price is recognised either as a contribution or a dividend distribution. However, the amount which is not realised in proportion to the percentage interest held in the group company is recognised as an income or expense.

In the transactions where the aforementioned particular regulations apply, the values of the net assets received must be those that come from consolidated accounts of the group or of the larger sub-group in which the assets and liabilities are included and whose parent company is Spanish. If the aforementioned financial statements are not prepared under one of the exemptions considered in the consolidation rules, the values to be used shall be those existing prior to the transaction in the separate financial statements of the transferring or acquired company.

4.17. Classification of assets and liabilities between current and non-current

Assets and liabilities are presented in the Balance sheet as either current or non-current. The assets and liabilities are classified as current when linked to the normal operating cycle of the Company.

When an asset or liability is not linked to the normal operating cycle but the Company expects the asset or liability to mature or liquidate, or plans to dispose of the asset or liability within 12 months, then these are also classified as current when they are maintained for the purposes of operations, or the instrument is related to cash and cash equivalents.

Any asset or liability whose use is restricted to beyond one year is classified as non-current.

5. Leases

The Company has a property in Madrid which is leased from Iberia with an annual renewal. The contract has an option to review the duration of the lease on an annual basis. The Company also has an office in London which is leased from British Airways. The lease expires in 2026.

The annual cost of the leases is €848.000 (2024: €700.000). The amount of future minimum lease payment is €786.000 (2024: €710.000) for less than one year and €nil (2024: €nil) for between one year and two years.

6. Intangible assets

€'000	1 January	Additions	Exchange movements	Disposals	Transfers	31 December
2025						
Cost						
Computer software	13.785	-	(777)	(7.584)	13.772	19.196
Computer applications in progress	12.415	2.344	(513)	-	(13.772)	474
	26.200	2.344	(1.290)	(7.584)	-	19.670
Amortisation						
Computer software	2.459	9.526	(240)	(7.584)	-	4.161
Computer applications in progress	-	-	-	-	-	-
	2.459	9.526	(240)	(7.584)	-	4.161
Net book value						
Computer software	11.326	(9.526)	(537)	-	13.772	15.035
Computer applications in progress	12.415	2.344	(513)	-	(13.772)	474
	23.741	(7.182)	(1.050)	-	-	15.509
2024						
Cost						
Computer software	-	-	-	-	13.785	13.785
Computer applications in progress	6.472	19.553	277	-	(13.887)	12.415
	6.472	19.553	277	-	(102)	26.200
Amortisation						
Computer software	-	2.430	29	-	-	2.459
Computer applications in progress	-	-	-	-	-	-
	-	2.430	29	-	-	2.459
Net book value						
Computer software	-	(2.430)	(29)	-	13.785	11.326
Computer applications in progress	6.472	19.553	277	-	(13.887)	12.415
	6.472	17.123	248	-	(102)	23.741

Notes to the financial statements *continued***7. Property, plant and equipment**

€'000	1 January	Additions	Exchange movements	Transfers	31 December
2025					
Cost					
Fleet ¹	43.497	30.219	(2.376)	291	71.631
Computer equipment	105	-	(6)	-	99
	43.602	30.219	(2.382)	291	71.730
Amortisation and depreciation					
Computer equipment	15	29	(2)	-	42
	15	29	(2)	-	42
Net book value					
Fleet ¹	43.497	30.219	(2.376)	291	71.631
Computer equipment	90	(29)	(4)	-	57
	43.587	30.190	(2.380)	291	71.688
2024					
Cost					
Fleet ¹	61.986	5.269	2.654	(26.412)	43.497
Computer equipment	-	-	3	102	105
	61.986	5.269	2.657	(26.310)	43.602
Amortisation and depreciation					
Computer equipment	-	15	-	-	15
	-	15	-	-	15
Net book value					
Fleet ¹	61.986	5.269	2.654	(26.412)	43.497
Computer equipment	-	(15)	3	102	90
	61.986	5.254	2.657	(26.310)	43.587

¹ Relates to pre-delivery payments made on aircraft.

Capital expenditure authorised and contracted for but not provided for in the financial statements was €2,311,344,000 (2024: €2,699,036,000) in relation to fleet purchases. The capital expenditure is denominated in US dollars, and as such is subject to changes in exchange rates.

8. Equity investments in Group companies

The details and movement of individual items that comprise this section are:

€'000	1 January	Additions	Impairment	31 December
2025				
Equity instruments				
Cost	8.096.276	617.166	-	8.713.442
Distribution received	(342.766)	-	-	(342.766)
Impairment	(270.003)	-	(24.061)	(294.064)
	7.483.507	617.166	(24.061)	8.076.612
2024				
Equity instruments				
Cost	8.096.275	1	-	8.096.276
Distribution received	(342.766)	-	-	(342.766)
Impairment	(270.003)	-	-	(270.003)
	7.483.506	1	-	7.483.507

Notes to the financial statements *continued***8. Equity investments in Group companies** *continued***8.1. Description of the main movements**

On 17 December 2025 the Company made capital contributions to its wholly owned subsidiaries British Airways and IB Opco Holding of €547,8 million and €52,2 million, respectively, increasing the value of investments held in those subsidiaries.

On 18 December 2025 British Airways partially redeemed €600 million of the intercompany loan with the Company. The difference between the fair value and the notional value of the intercompany loan repaid gave rise to a €24,1 million charge recorded in the Income statement of the Company, with a corresponding reduction in the carrying value of the investment in British Airways.

On 18 December 2025 the Company invested an additional €17,2 million (15.000.000 £1 ordinary shares) in its wholly owned subsidiary IAG Transform.

Prior year movements

On 16 July 2024 LEVEL BCN was incorporated and the Company subscribed to 49,90% of the share capital with IB Opco Holding subscribing to the other 50,10%. The total amount paid for the shares was €1.497.

8.2. Details of investments

Information at 31 December on the Group companies is as follows:

	Business activity	Percentage of ownership ¹	Capital	Reserves	Profit/(loss) after tax for the year	Total shareholders' equity	Operating profit/(loss)	Dividend received during the year	Net book value €'000
2025									
€'000									
Iberia	Airline operations	Indirect	66.717	(91.405)	799.642	774.954	800.258	-	-
IB Opco Holding	Holding company	100%	10	1.792.775	642.577	2.435.362	650.631	552.526	2.474.007
Aer Lingus	Airline operations	Indirect ³	27.615	280.721	236.587	544.923	281.860	-	-
Vueling	Airline operations	99,5% ²	29.905	(250.682)	267.558	46.781	393.220	-	37.961
AERL Holding	Holding company	100%	760.000	521.032	(3.125)	1.277.907	-	-	836.000
LEVEL ⁶	Airline operations	100%	185.003	(169.937)	13.169	28.235	6.941	-	-
Fly Level Barcelona	Airline operations	Indirect ⁵	3	(743)	38.218	37.478	47.990	-	1
£'000									
British Airways	Airline operations	100%	290.000	4.175.000	1.902.000	6.367.000	2.230.000	836.074	4.684.371
IAG Cargo	Air freight operations	100%	-	10.168	1.850	12.018	4.064	-	-
IAG Transform	IT, finance, procurement services	100%	35.000	(24.353)	1.603	12.250	2.149	-	39.384
IAG Connect	Inflight eCommerce platform	100%	-	4.443	2.987	7.430	3.927	-	4.888
Polish złoty '000									
IAG GBS Poland	IT, finance, procurement services	1% ⁴	-	13.188	2.291	15.479	4.070	-	-
Other Group companies			n/a	n/a	n/a	n/a	n/a	n/a	n/a
									8.076.612

Notes to the financial statements *continued*8. Equity investments in Group companies *continued*8.2. Details of investments *continued*

	Business activity	Percentage of ownership ¹	Capital	Reserves	Profit/(loss) after tax for the year	Total shareholders' equity	Operating profit/(loss)	Dividend received during the year	Net book value €'000
2024									
€'000									
Iberia	Airline operations	Indirect	66.717	(42.939)	745.034	768.812	670.500	-	-
IB Opco Holding	Holding company	100%	10	1.601.308	779.967	2.381.285	791.100	610.246	2.421.807
Aer Lingus	Airline operations	Indirect ³	27.615	95.482	137.842	260.939	205.024	-	-
Vueling	Airline operations	99,5% ²	29.905	(390.439)	241.002	(119.532)	400.082	-	37.961
AERL Holding	Holding company	100%	760.000	524.016	(2.984)	1.281.032	-	-	836.000
LEVEL ⁶	Airline operations	100%	185.003	(172.327)	2.390	15.066	1.363	-	-
Fly Level Barcelona	Airline operations	Indirect ⁵	3	-	(743)	(740)	(644)	-	1
£'000									
British Airways	Airline operations	100%	290.000	2.138.000	2.389.000	4.817.000	2.060.000	483.434	4.160.632
IAG Cargo	Air freight operations	100%	-	9.139	1.498	10.637	1.779	-	-
IAG Transform	IT, finance, procurement services	100%	20.000	(26.701)	1.120	(5.581)	1.879	-	22.218
IAG Connect	Inflight eCommerce platform	100%	-	4.325	118	4.443	35	-	4.888
Polish złoty '000									
IAG GBS Poland	IT, finance, procurement services	1% ⁴	-	11.056	2.094	13.150	3.690	-	-
Other Group companies			n/a	n/a	n/a	n/a	n/a	n/a	n/a
									7.483.507

1 IAG directly holds 90,02% and 86,45% of the economic rights in British Airways and Iberia respectively. The remaining economic ownership of both companies is indirectly held by IAG through the cross-holdings between British Airways and Iberia.

IAG, including through British Airways' shareholding, holds 49,9% of the total nominal share capital and of the total number of voting rights in IB Opco Holding, S.L. (and thus, indirectly, in Iberia Líneas Aéreas de España, S.A. Operadora), such stake having almost 100% of the economic rights in these two companies. The remaining shares, representing 50,1% of the total nominal share capital and of the total number of voting rights belong to Garaniar, S.L., a Spanish company incorporated for the purposes of implementing the Spanish nationality structure.

IAG, including through Iberia's shareholding, holds 49,9% of the total number of voting rights and 99,65% of the total nominal share capital in British Airways Plc, such stake having almost 100% of the economic rights. The remaining nominal share capital and voting rights, representing 0,35% and 50,1% respectively, correspond to a trust established for the purposes of implementing the British Airways nationality structure.

2 IAG holds a total investment of 99,49% in Vueling, 49,39% held directly and 50,10% held through its subsidiary IB Opco Holding.

3 IAG holds 49,75% of the total number of voting rights and almost 100% of the economic rights in Aer Lingus. The remaining voting rights, representing 50,25%, correspond to a trust established for implementing the Aer Lingus nationality structure.

4 IAG holds a direct investment of 1% in IAG GBS Poland and an indirect investment of 99% through IAG Transform.

5 IAG holds a total investment of 100% in Fly Level Barcelona, 49,90% held directly and 50,10% held through its subsidiary IB Opco Holding.

6 LEVEL includes Fly Level S.L and its subsidiary Fly Level UK Limited.

Notes to the financial statements *continued*

8. Equity investments in Group companies *continued*

8.2. Details of investments *continued*

British Airways' registered office is at Waterside, PO Box 365, Harmondsworth, Middlesex, UB7 0GB, United Kingdom. The main activity of British Airways is the operation of international and domestic air services for the carriage of passengers and cargo. In addition it provides aircraft maintenance services.

Iberia's registered office is at Calle Martínez Villergas 49, 28027, Madrid, Spain. The main business of Iberia is the operation of international and domestic air services for the carriage of passengers and cargo. In addition it provides ancillary services including aircraft maintenance and handling services.

Vueling's registered office is at Calle Catalunya 83, Viladecans, 08840, Barcelona, Spain. The main business of Vueling consists of the operation of international and domestic air services for the carriage of passengers.

IAG Cargo's registered office is at Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, Middlesex, TW6 2JS, United Kingdom. The principal activity of IAG Cargo is commercial sales, support and management services in the provision of air freight on the British Airways, Iberia and Aer Lingus networks.

IAG Transform's registered office is at Waterside (HAA2), PO Box 365, Harmondsworth, Middlesex, UB7 0GB, United Kingdom. The principal activity is the provision of business services to the IAG Group. This entity changed its name from IAG GBS to IAG Transform during the year.

IAG GBS Poland's registered office is at ul. Opolska 114, 31-323 Kraków, Poland. The principal activity is the provision of business services to the IAG Group.

AERL Holding's registered office is at Waterside (HAA2), PO Box 365, Harmondsworth, Middlesex, UB7 0GB, United Kingdom. The principal activity is acquisition and holding of equity interests in Aer Lingus Group DAC and the management and disposition of such equity interests.

Fly Level S.L.'s registered offices are at El Caserío, Camino de la Muñoza s/n, Iberia zona Industrial no 2, 28042 Madrid, Spain. The principal activity is airline operations.

Fly Level Barcelona LH S.L.'s registered offices are at Calle Catalunya, 83, Viladecans, Barcelona, 08840, Spain. The principal activity is passenger air transport.

IAG Connect Limited's registered office is at Dublin Airport, County Dublin, Republic of Ireland. The principal activity is the provision of the Group's inflight eCommerce platform.

In accordance with article 155 of the Spanish Companies Law (Ley de Sociedades de Capital), the Company has duly notified the above mentioned subsidiaries of the acquisition of their share capital.

8.3. Impairment review

The principal equity investments in Group companies comprise British Airways, Iberia, Vueling and AERL Holding (the holding company of Aer Lingus).

Basis for calculating recoverable amount

The recoverable amounts of Company's investments have been measured based on their value-in-use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the going concern section of note 2, with a weighting of 70% to the Base Case and 30% 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 the pre-tax discount rate for each investment.

Annually, the relevant operating companies prepare and their respective boards approve three-year business plans, and the IAG Board approves the Group three-year business plan in the fourth quarter of the year. 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.

Impact of climate change on the Company's investment impairment analysis

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.

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 Group's Flightpath Net Zero climate strategy that are expected to occur over the medium term, being through 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 Group's existing asset base in its current condition; and (iii) incorporate legislation and regulation that is expected to be required to achieve the Group's Flightpath Net Zero climate strategy, and which is sufficiently progressed at the balance sheet date.

As a result, the Company's investment impairment modelling incorporates the following aspects of the Group'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 in the overall fuel mix; (ii) forecast cost of carbon, including SAF, ETS allowances and CORSIA units (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; and (iv) assumptions regarding the ability of the Group to recover these incremental costs through increased ticket pricing.

Notes to the financial statements *continued*8. Equity investments in Group companies *continued*8.3. Impairment review *continued*

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 Company 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 Group'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 as replacement aircraft; (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 been proven to be technologically feasible; and (vi) the required government incentives and/or support across the supply chain.

Given the inherent uncertainty associated with the impact of climate change, the Company and the Group have applied additional sensitivities below 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.

Key assumptions

The value-in-use calculations for each investment 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 investments the key assumptions used in the value-in-use calculations are as follows:

Per cent	2025			
	British Airways	Iberia	Vueling	Aerl Holding
Operating margin ¹	12-17	13-16	7-12	8-14
Average ASK growth per annum ¹	1-9	3-6	(2)-5	0-6
Long-term growth rate	1,9	1,7	0,8	1,7
Pre-tax discount rate	11,8	12,3	14,8	11,0

Per cent	2024			
	British Airways	Iberia	Vueling	Aerl Holding
Operating margin ¹	12-16	11-13	8-10	8-13
Average ASK growth per annum ¹	0-8	2-7	1-8	2-3
Long-term growth rate	1,8	1,4	1,0	1,3
Pre-tax discount rate	11,3	11,6	13,7	10,7

1 Operating margin and average ASK growth per annum are stated as the weighted average derived from the multi-scenario 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

Forecast ASKs in the current year modelling represent the range of average annual increases in capacity over the forecast period, based on planned committed network growth and taking into account management's expectation of the market.

The long-term growth rate is calculated for each investment, 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 the Group 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% to the Base Case and 30% 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 are reviewed annually as part of the three-year business plan preparation and reflect management's plans in response to specific market risks or opportunities.

Notes to the financial statements *continued*

8. Equity investments in Group companies *continued*

8.3. Impairment review *continued*

Pre-tax discount rates represent the current market assessment of the risks specific to each investment, 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 Group and the investment. 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 investors and loyalty scheme investors and the cost of debt is derived from both market data structure and industry gearing levels derived from comparable companies. Investment 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 Company 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 prices after taking into consideration the level of fuel derivatives and their associated prices that the Group has in place and the incremental price differentials expected for the purchase of SAF.

As detailed above, the Group 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 (2024: through to 2030). These adjustments include the following key assumptions: (i) an assumed price of €7.000 per metric tonne of SAF; (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 (iii) the removal of all free ETS and CORSIA allowances.

Summary of results

At 31 December 2025 and 31 December 2024 management reviewed the recoverable amount of each of the investments and concluded the recoverable amounts exceeded the carrying values.

For the British Airways, Iberia, Vueling and AERL Holding investments, the recoverable amounts are estimated to exceed the carrying amounts by €21.369 million, €8.847 million, €900 million and €1.775 million (2024: €24.952 million, €10.305 million, €1.329 million and €2.251 million), respectively.

Reasonably possible changes in key assumptions, both individually and in combination, have been considered for each investment, where applicable, which include reducing the operating margin by 2 percentage points in each year, reducing ASKs by 5% 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%, with cost recovery consistent with that experienced historically. Given the inherent uncertainty associated with the impact of climate change, these sensitivities represent a reasonably possible impact of climate change on the investments than those included in the impairment models. For all reasonably possible changes in key assumptions, both individually and in combination, no impairment arises.

Notes to the financial statements *continued***9. Financial instruments****9.1. Financial assets**

Details of the Company's financial assets at 31 December by nature and classification for measurement purposes is as follows:

At 31 December 2025 €'000	Financial assets at amortised cost	Financial assets at fair value through Other comprehensive income	Total
Non-current assets			
Loan receivable from Group company (note 16.1)	110.914	-	110.914
Other financial asset	21.697	-	21.697
Investment in other equity instruments (note 9.1.2)	-	240.564	240.564
	132.611	240.564	373.175
Current assets			
Trade and other receivables (note 9.1.1)	69.322	-	69.322
Loan receivable from Group company (note 16.1)	1.046.313	-	1.046.313
Cash and cash equivalents (note 10)	1.333.372	-	1.333.372
	2.449.007	-	2.449.007
At 31 December 2024			
€'000	Financial assets at amortised cost	Financial assets at fair value through Other comprehensive income	Total
Non-current assets			
Loan receivable from Group company (note 16.1)	1.655.156	-	1.655.156
Other financial assets	3.625	-	3.625
Investment in other equity instruments (note 9.1.2)	-	152.972	152.972
	1.658.781	152.972	1.811.753
Current assets			
Trade and other receivables (note 9.1.1)	150.350	-	150.350
Loan receivable from Group company (note 16.1)	207.531	-	207.531
Cash and cash equivalents (note 10)	2.382.220	-	2.382.220
	2.740.101	-	2.740.101

9.1.1. Trade and other receivables

The breakdown of trade and other receivables at 31 December is as follows:

€'000	2025	2024
Current		
Receivables from Group companies (note 16.1)	60.535	126.502
Other receivables	8.787	23.848
	69.322	150.350

9.1.2. Non-current investments in other equity instruments

Non-current investments in other equity instruments at 31 December is as follows:

€'000	2025	2024
Cost		
Unlisted investments	240.564	152.972
	240.564	152.972

Notes to the financial statements *continued*9. Financial instruments *continued*9.1. Financial assets *continued*

Investment in Air Europa Holdings

On 15 June 2022, the Company entered into a financing arrangement with Globalia Corporación Empresarial, S.A. ('Globalia'), whereby, the Company provided a €100 million seven-year unsecured loan, which was convertible for a period of two years from inception into a fixed number of the shares of Air Europa Holdings, S.L. ('Air Europa Holdings'), a wholly owned subsidiary of Globalia. Subsequently, on 16 August 2022, the Company exercised its exchange option with Globalia and converted the aforementioned loan into an investment in 20% of the share capital of Air Europa Holdings, which is recorded as an Other equity investment.

Prior year movements:

On 23 February 2023, the Company entered into an agreement to acquire the remaining 80% of the share capital of Air Europa Holdings that it had not previously owned. On 1 August 2024 the Company withdrew from the agreement. Up until the Company withdrew from the agreement, the recognition criteria of the Registration and Valuation Standard (Norma de registro y valoración NRV) 21^a Business combinations had not been met.

As a result of the Company withdrawing from the agreement with Globalia, the Company was required to pay a break-fee to Globalia of €50 million, which was recognised as a charge to other operating expenses in 2024.

Current year movements:

On 12 September 2025, the Company entered into an agreement with Globalia that, subsequent to Air Europa Holdings undertaking a share capital increase, the Company would acquire a further 93,377 shares of Air Europa Holdings for €55 million in order to maintain its 20% holding in the share capital of Air Europa Holdings.

At 31 December 2025, the fair value of the investment in Air Europa Holdings was €223 million, representing an increase of €84 million from the €139 million recorded at 31 December 2024, with the fair value movement of €29 million having been recorded within other comprehensive income. The tax effect of this is a deferred tax liability of €274,000 recorded in other comprehensive income.

Concurrent with the Group entering into an agreement with Globalia to acquire a further 93,377 shares in Air Europa Holdings, Globalia entered into an agreement to sell a minority interest in Air Europa Holdings to a third party. Accordingly, the Group determined the fair value of the investment in Air Europa Holdings at 31 December 2025 using the price arising from the aforementioned transaction, adjusted for observable market movements (31 December 2024: market comparison approach). There were no significant unobservable inputs applied in the valuation.

9.2. Financial liabilities

Details of the Company's financial liabilities at 31 December by nature and classification for measurement purposes is as follows:

€'000	2025	2024
Non-current liabilities		
Bonds and other marketable securities	616.694	1.184.800
Group companies (note 16.1)	301.736	-
	918.430	1.184.800
Current liabilities		
Trade and other payables (note 9.2.1)	35.721	52.903
Group companies (note 16.1)	14.282	39.572
Bond and other marketable securities	18.758	544.115
Convertible bonds	1.229.110	1.015.517
	1.297.871	1.652.107

In July 2019, the Company issued two tranches of senior unsecured bonds for an aggregate principal amount of €1 billion, €500 million due 4 July 2023 and €500 million due 4 July 2027. The 2023 bond bore a fixed rate of interest of 0,5% per annum and was redeemed in full at maturity on 4 July 2023. The 2027 bond bears a fixed rate of interest of 1,5% per annum annually payable in arrears. The 2027 bond was issued at 98,803% of its principal amount, and, unless previously redeemed or purchased and cancelled, will be redeemed at 100% of its principal amount on its maturity date.

On 25 March 2021, two senior unsecured bonds were issued by the Company for an aggregate principal amount of €1,2 billion; €500 million fixed rate 2,75% due in 2025, and €700 million fixed rate 3,75% due in 2029.

On 17 January 2025, the Company paid €305 million to redeem, at a net premium, €300 million of the notional value of the unsecured €700 million fixed rate bonds 2029. On 12 September 2025, the Company paid a further €292 million to redeem, at a net premium, €281 million of the notional value of the remaining €400 million at that time. On 29 September 2025, the Company paid a further €119 million to redeem the remaining outstanding notional value of the bonds. At 31 December 2025 no amounts on the bonds remained outstanding. The net premium paid on redemption of the bonds of €16 million has been recorded as a charge within Finance costs. In redeeming the bonds, the Company paid accrued interest for the bonds of €16 million.

On 17 January 2025, the Company paid €269 million to redeem, at a net discount, €277 million of the notional value of the unsecured €500 million fixed rate bonds 2027. On 12 September 2025, the Company paid a further €89 million to redeem, at a net discount, €90 million of the notional value of the remaining €223 million at that time. The net discount paid on redemption of the bonds of €9 million has been recorded as a credit within Finance costs. In redeeming the bonds, the Company paid accrued interest for the bonds of €3 million. At 31 December 2025 €133 million is outstanding.

On 25 March 2025, the Company redeemed upon maturity the senior unsecured €500 million fixed rate bonds.

On 11 September 2025, the Company issued senior unsecured bonds for an aggregate principal amount of €500 million due 2030. The bonds bear a fixed rate of interest of 3,352% per annum, payable in arrears. The bonds were issued at 100% of their principal amount and, unless previously redeemed or purchased and cancelled, will be redeemed at 100% of their principal amount on their maturity date.

Notes to the financial statements *continued***9. Financial instruments** *continued***9.2. Financial liabilities** *continued**Details of the 2028 convertible bonds*

On 11 May 2021, the Company issued the €825 million fixed rate 1,125% senior unsecured bonds convertible into ordinary shares of IAG. The convertible bonds raised net proceeds of €818 million and mature in 2028. The Company holds an option to redeem the convertible bonds at their principal amount, together with accrued interest, no earlier than two years prior to the final maturity date.

The convertible bonds provide bondholders with dividend protection and include a total of 244.850.715 options at inception and following the 2024 interim and final dividends, include 255.117.818 options at 31 December 2025 to convert into ordinary shares of the Company. The Company also holds an option to redeem the convertible bonds, in full or in part, in cash in the event that bondholders exercise their right to convert the bonds into ordinary shares of the Company. The bondholders' conversion right is currently exercisable.

The convertible bonds are recorded at their fair value, which at 31 December 2025 was €1.229.110.000 (2024: €1.015.517.000), representing an increase of €213.593.000 since 1 January 2025.

9.2.1. Trade and other payables

The breakdown of trade and other payables at 31 December is as follows:

€'000	2025	2024
Current trade and other payables		
Various creditors	35.721	52.903
	35.721	52.903

9.2.2. Average payment days to suppliers

The information on average period for payment to suppliers in commercial transactions at 31 December is as follows. This information uses the supplier invoice date, which may be earlier than the date on which the invoice is recorded in the system.

Days	2025	2024
Average days for payment to suppliers	67	66
Ratio of transactions paid	68	66
Ratio of transactions outstanding for payment	29	60

€'000	2025	2024
Total payments made	43.839	62.506
Total payments outstanding	1.161	2.247

Information on invoices paid in a period shorter than the maximum period established in the late payment regulations

	2025	2024
Total payments made	20.932	28.003
Percentage share of total payments to suppliers	48 %	45 %
Number of invoices paid	1.014	1.061
Percentage share of total number of invoices paid	55 %	43 %

9.3. Fair value of financial assets and financial liabilities

The fair values of the Company's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values and using the following methods and assumptions:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. Level 1 methodologies (market values at the balance sheet date) were used to determine the fair value of listed asset investments classified as equity investments and listed interest-bearing borrowings. The fair value of financial liabilities and financial assets incorporates own credit risk and counterparty credit risk, respectively.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques.

These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model that considers the present value of the dividend cash flows expected to be generated by the associated assets.

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

Notes to the financial statements *continued*9. Financial instruments *continued*9.3. Fair value of financial assets and financial liabilities *continued*

The fair values and carrying amounts of the Company's financial assets and liabilities at 31 December 2025 are as follows:

2025 €'000	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Loan receivable from Group companies	-	1.157.227	-	1.157.227	1.157.227
Other financial assets	-	-	21.697	21.697	21.697
Equity instruments	-	-	240.564	240.564	240.564
Financial liabilities					
Bond and other marketable securities ¹	1.860.088	-	-	1.860.088	1.864.562
Loan payable to Group companies	-	302.490	-	302.490	302.490

The fair values and carrying amounts of the Company's financial assets and liabilities at 31 December 2024 were as follows:

2024 €'000	Fair value				Carrying value
	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Loan receivable from Group companies	-	1.862.687	-	1.862.687	1.862.687
Other financial assets	-	-	3.625	3.625	3.625
Equity instruments	-	-	152.972	152.972	152.972
Financial liabilities					
Bond and other marketable securities ¹	2.706.509	-	-	2.706.509	2.744.432

¹ Bonds and other marketable securities includes the convertible bonds.

Bonds and other marketable securities, with the exception of the IAG €825 million convertible bonds due 2028 which are measured at fair value, are measured at amortised cost. Loans with Group companies are measured at amortised cost.

Level 3 financial assets reconciliation

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

€'000	% Holding	1 January	Additions	Withdrawals	Valuation adjustments	Transfers	Exchange movements	31 December
2025								
Air Europa Holdings	20	138.500	55.000	-	29.135	-	-	222.635
Other		14.472	8.937	(342)	-	(5.127)	(11)	17.929
		152.972	63.937	(342)	29.135	(5.127)	(11)	240.564
2024								
Air Europa Holdings	20	129.300	16.250	-	(7.050)	-	-	138.500
Other		22.950	3.257	-	(11.600)	-	(135)	14.472
		152.250	19.507	-	(18.650)	-	(135)	152.972

Notes to the financial statements *continued***10. Cash and cash equivalents**

The cash and cash equivalents as at 31 December is as follows:

€'000	2025	2024
Cash at bank	52.983	138.517
Cash equivalents	1.280.389	2.243.703
	1.333.372	2.382.220

There are no restrictions on the use of the amounts included in these captions.

At 31 December 2025 and 2024, the Company had no outstanding bank overdrafts.

11. Equity - capital and reserves**11.1. Share capital**

At 31 December 2025, the share capital of the Company amounts to €472.720.114,70, divided into 4.727.201.147 ordinary shares of the same class and series and with a nominal value of 0,10 € each, fully subscribed and paid.

Details of shareholders and their equity based on their declaration at 31 December is as follows:

Per cent	2025	2024
Significant shareholders:		
Qatar Airways (Q.C.S.C.)	24,995	24,995
Capital Research and Management Company	5,034	5,001
Blackrock Inc.	3,446	-
Europacific Growth Fund ¹	3,036	-
Hargreaves Lansdown Plc	2,450	3,122
Other shareholders	61,039	66,882
	100	100

¹ Europacific Growth Fund is the legal owner of shares in the Company. However, it has delegated its proxy voting authority to Capital Research and Management Company.

The share capital and premium for the Company is as follows:

	Number of shares 000s	Share capital €'000	Share premium €'000
At 31 December 2025: Ordinary shares of 0,10 € each	4.727.201	472.720	6.924.526
Cancellation of ordinary shares of €0,10 each ¹	(244.275)	(24.427)	(845.913)
At 31 December 2024: Ordinary shares of 0,10 € each	4.971.476	497.147	7.770.439

¹ Following approval at the Annual General Meeting of the Company on 19 June 2025 for the cancellation of up to 426.206.309 ordinary shares, on 11 September 2025 the Company cancelled 244.274.863 treasury shares acquired through the buyback programmes. The cancellation had the total effect of reducing share capital by €24 million and share premium by €846 million. The remaining 115.531.620 treasury shares acquired through the buyback programmes will be cancelled in 2026.

11.2. Reserves and prior year results

Details of movements through reserves for the years to 31 December is as follows:

€'000	1 January	Appropriation of prior year profit/(loss)	Vesting of share based payments	Dividend	Redeemed capital reserve	Share buyback transaction costs	Employee share plan release	31 December
2025								
Legal reserve	99.429	-	-	-	-	-	-	99.429
Other reserve	163.660	794.771	(55.847)	(280.244)	24.427	(1.196)	1.287	646.858
	263.089	794.771	(55.847)	(280.244)	24.427	(1.196)	1.287	746.287
2024								
Legal reserve	99.429	-	-	-	-	-	-	99.429
Other reserve	186.132	(22.749)	409	-	-	(132)	-	163.660
	285.561	(22.749)	409	-	-	(132)	-	263.089

According to Spanish Companies Law, the legal reserve is not distributable to shareholders until it exceeds 20% of the share capital, and may only be used, in the case that no other reserves are available, to offset losses. This reserve may also be used to increase the share capital in excess of 10% of the increased capital stock.

As permitted by the Spanish Companies law, the Company may decrease its share capital without granting its creditors the right of objection legally contemplated in connection with such capital reduction if it records from unrestricted reserves a reserve for redeemed capital for an amount equal to the nominal value of the cancelled shares. This reserve can only be used if the same requirements as those applicable to the reduction of share capital are met.

Other reserves include a Redeemed capital reserve of €94.905.000 (2024: €70.478.000) associated with the decrease in share capital relating to cancelled shares and a Share capital reduction reserve of €796.813.000 (2024: €796.813.000) associated with a reduction in the nominal value of the Company's share capital in 2020.

Notes to the financial statements *continued*11. Equity - capital and reserves *continued*

11.3. Equity - valuation reserve

A breakdown of movements through the valuation reserve for the years to 31 December is as follows:

€'000	1 January	Valuation adjustment	31 December
2025			
Fair value movements on other equity investments (note 9.1.2)	87.978	28.861	116.839
Currency translation differences	164	(12.941)	(12.777)
	88.142	15.920	104.062
2024			
Fair value movements on other equity investments (note 9.1.2)	106.562	(18.584)	87.978
Currency translation differences	(10.738)	10.902	164
	95.824	(7.682)	88.142

The currency differences include the impact of converting the functional currency of the UK branch into the Company's presentation currency.

11.4. Treasury shares

The Company has authority to acquire its own shares, subject to specific conditions. The treasury shares balance consists of shares held directly by the Company.

Share buyback programmes

During the year to 31 December 2025, the Company commenced and completed a €1,000 million share buyback programme, and completed a €350 million share buyback programme (which commenced in 2024). In total, the Company purchased 311.953.000 shares at a weighted average share price of €3,82 per share totalling €1.192 million. Refer to note 11.1 on detail of cancellation of shares purchased as part of the buyback programmes.

Prior year movements

During the year to 31 December 2024, the Company commenced a €350 million share buyback programme, which completed in February 2025. At 31 December 2024, the Company had purchased 47.854.000 shares amounting to €156 million.

Employee share schemes

The Company also acquired treasury shares for IAG's use, which will be applied towards employee share scheme requirements. In total, the Company purchased 9.400.000 shares (2024: 27.064.575 shares), at a weighted average share price of €4,47 per share (2024: €2,04 per share) totalling €42 million (2024: €55 million), which are held as treasury shares. A total of 32.525.000 shares (2024: 13.141.000) were issued to employees during the year as a result of vesting of employee share schemes and transfer of shares under the employee share plan.

At 31 December 2025 the Group held 162.175.000 treasury shares (2024: 117.622.000) which represented 3,43% (2024: 2,37%) of the issued share capital of the Company.

€'000	1 January	Purchase of treasury shares	Shares cancelled	Share-based payment scheme vesting	Employee share plan transfer	31 December
2025						
Treasury shares	(286.777)	(1.234.046)	845.913	73.935	8.604	(592.371)
	(286.777)	(1.234.046)	845.913	73.935	8.604	(592.371)
2024						
Treasury shares	(99.333)	(210.973)	-	23.529	-	(286.777)
	(99.333)	(210.973)	-	23.529	-	(286.777)

11.5. Other equity instruments

The detail of balances related to other equity instruments at 31 December is as follows:

€'000	1 January	Equity instruments movement for the year	31 December
2025			
Share-based payments charge (note 17)	430.823	58.517	489.340
Vesting of share-based payment	(267.112)	(99.831)	(366.943)
	163.711	(41.314)	122.397
2024			
Share-based payments charge (note 17)	353.442	77.381	430.823
Vesting of share-based payment	(234.599)	(32.513)	(267.112)
	118.843	44.868	163.711

Notes to the financial statements *continued***12. Taxes****12.1. Current taxes****12.1.1. Tax receivables and payables**

The detail of balances related to tax assets and liabilities at 31 December is as follows:

€'000	2025	2024
Corporate income tax receivable from Tax Authorities (net):		
Spain	157.840	50.299
UK	5.638	704
Total corporate income tax receivable	163.478	51.003
Intercompany payable relating to UK corporate income tax	(13.521)	(16.353)
Provisions for taxes	(600)	(600)
Social security and withholding taxes payable	(44.828)	(39.500)
Value added tax receivable	6.230	9.432
Withholding tax payable on interim dividend	(29.965)	-
	80.794	3.982

12.1.2. Reconciliation of accounting profit for corporate income tax

The reconciliation between the accounting profit and tax (charge)/credit is as follows:

€'000	2025	2024
Profit after tax for the year from continuing operations	1.306.970	941.797
Current tax	(6.140)	(2.293)
Deferred tax	5.438	(3.151)
Adjustments in respect of prior years	(5.370)	(16.870)
Profit before tax	1.300.898	919.483
Permanent differences	(1.383.412)	(1.104.670)
Temporary differences	(11.178)	10.969
Adjustment for the purposes of determining the Group taxable base (50% of current tax loss)	28.420	82.523
Taxable loss	(65.272)	(91.695)

The adjustment for the purposes of determining the Group taxable base (50% of current tax loss) is an amount of €28 million (2024: €83 million) that originated as a tax loss and in accordance with the Nineteenth Amendment of Law 27/2014 can be deducted in 10 equal annual instalments.

12.1.3. Reconciliation of accounting profit to taxable profit for corporate income tax

€'000	2025	2024
	Total	Total
Profit before tax	1.300.898	919.483
Tax at the standard rates in Spain (25%) and the UK (25%)	(325.226)	(229.871)
Permanent differences decreasing the tax charge / increasing the tax credit	359.367	289.253
Permanent differences increasing the tax charge / decreasing the tax credit	(19.229)	(12.966)
Adjustment in respect of prior years	5.370	16.869
Current year tax asset not recognised	(16.547)	(41.262)
Prior year tax assets not recognised	2.337	291
Tax credit	6.072	22.314

Notes to the financial statements *continued***12. Taxes** *continued***12.1. Current taxes** *continued*

From 1 January 2015 onwards the Spanish companies International Consolidated Airlines Group, S.A., Vueling Airlines, S.A, Veloz Holding, S.L.U., Avios Group Limited Sucursal en España, IAG GBS Limited Sucursal en España and IAG Cargo Limited Sucursal en España filed consolidated tax returns as part of the Spanish tax unity (0061/15, pursuant to title VII, Chapter VI of the Spanish Corporate Income Tax Law set forth in the Law 27/2014 of 27 November 2014). Fly Level S.L. joined the tax unity on 7 November 2017. Yellow Handling S.L.U. joined the tax unity on 17 October 2019. Vueling and Yellow Handling S.L.U. were excluded from the Spanish tax unity since 1 January 2020 due to modifications in their shareholding. Veloz Holding, S.L.U was excluded from the Spanish tax unity since 1 January 2023 since it was absorbed by Vueling Airlines, S.A.

IAG will be responsible for filing consolidated tax returns on behalf of the other companies that belong to this tax unity.

12.1.4. Taxable (loss)/profit

The taxable loss for the year to 31 December arises as follows:

€'000	2025	2024
Profit before tax	1.300.898	919.483
Spain	1.352.896	992.518
UK	(51.998)	(73.035)
Permanent differences	(1.383.412)	(1.104.670)
Temporary differences	(11.178)	10.969
Adjustment for the purposes of determining the Group taxable base (50% of current tax loss)	28.420	82.523
Taxable loss	(65.272)	(91.695)

12.2. Current provisions and tax audits

€'000	2025	2024
Provisions for taxes	600	600
	600	600

Under prevailing tax regulations, tax returns in Spain may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. A tax provision in the balance sheet of €600.000 (2024: €600.000) has been made as a result of potentially varying interpretations of the tax legislation applicable to the Company's transactions. On 21 February 2025, an audit on Corporate Income Tax covering the period 2020 and 2021 was initiated by the Spanish Tax Authority, which is still in progress.

Under prevailing tax regulations, tax returns in the UK may not be considered final until they have either been inspected by tax authorities or until the six-year inspection period for discovery assessment has expired. On 15 October 2025, the UK Tax Authority finalised its tax audit into corporate income tax for the years 31 December 2014 to 31 December 2021 inclusive, and those years are now closed.

12.3. Deferred tax asset

The detail and movements of balances related to deferred tax assets at 31 December is as follows:

€'000	1 January	Variations reflected in			31 December
		Income statement	Equity	Exchange difference	
2025					
Temporary differences on share-based payments	14.779	(5.440)	(277)	(575)	8.487
	14.779	(5.440)	(277)	(575)	8.487
2024					
Temporary differences on share-based payments	5.381	3.151	5.750	497	14.779
	5.381	3.151	5.750	497	14.779

This deferred tax asset on temporary differences relates to the taxation of the UK branch and it is expected to be recovered against future taxable profits.

Notes to the financial statements *continued*12. Taxes *continued*

12.4. Deferred tax liability

The detail and movements of balances related to deferred tax liability at 31 December is as follows:

€'000	1 January	Variations reflected in			31 December
		Income statement	Equity	Exchange difference	
2025					
Temporary differences on Air Europa shares revaluation	(942)	-	(274)	-	(1.216)
	(942)	-	(274)	-	(1.216)
2024					
Temporary differences on Air Europa shares revaluation	(1.008)	-	66	-	(942)
	(1.008)	-	66	-	(942)

12.5. Unrecognised tax assets

At the balance sheet date, the Company has €131.059 thousand of unrecognised tax losses that arose in Spain in 2014 (before the tax unity was formed), 2020, 2023 and 2024, and €120.176 thousand of unrecognised deductible temporary differences that arose in Spain in 2015, 2016, 2023, 2024 and 2025.

Unrecognised tax losses €'000	2025	2024
2014	8.284	8.284
2020	12.614	12.614
2023	9.838	9.838
2024	62.920	82.523
2025	37.403	-
Total	131.059	113.259

Unrecognised deductible temporary differences €'000	2025	2024
2015	6.191	6.191
2016	2.608	2.608
2023	9.316	10.480
2024	73.641	82.523
2025	28.420	-
Total	120.176	101.802

The Spanish Group's subsidiaries tax unity will be able to offset up to 25% of its taxable base with carried forward tax losses, with no time limitation.

12.6. Tax related contingent liabilities

The Company has certain contingent liabilities, across all taxes, which at 31 December 2025 amounted to €113 million. No material losses are likely to arise from such contingent liabilities. As such the Directors do not consider it appropriate to make a provision for these amounts. Included in the tax related contingent liability is the following:

12.6.1. Merger gain

Following tax audits covering the period 2011 to 2014, the Spanish Tax Authorities issued a corporate income tax assessment to the Company regarding the merger in 2011 between British Airways and Iberia (the 'Merger'). The maximum exposure in this case is €107 million (31 December 2024: €104 million), being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to 31 December 2025.

The Company appealed the assessment to the *Tribunal Económico-Administrativo Central* or 'TEAC' (Central Administrative Tax Tribunal). On 23 October 2019, the TEAC ruled in favour of the Spanish Tax Authorities. The Company subsequently appealed this ruling to the *Audiencia Nacional* (National High Court) on 20 December 2019, and on 24 July 2020 filed submissions in support of its case. To assist it in its deliberations as to whether a gain arose from the Merger, on 15 September 2023, the *Audiencia Nacional* commissioned an independent accounting expert to provide a report on the appropriate basis of accounting. As at 31 December 2025 and through to the date of these financial statements, the *Audiencia Nacional* has not ruled on whether a gain arose from the Merger. The Company does not expect a judgment at the *Audiencia Nacional* on this case until the first half of 2026 at the earliest.

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

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

Notes to the financial statements *continued***12. Taxes** *continued***12.6. Tax related contingent liabilities** *continued***12.6.1. Merger gain** *continued*

Within the context of the aforementioned tax audits, the Spanish tax authorities concluded on the value of Iberia's business within the Merger. This valuation was contested by the Company in a separate case, where no tax liability is due. The Company believes there are technical merits for a higher value, something that would indirectly reduce the quantum of the merger gain assessed in the dispute described above. On 18 January 2024, the *Audiencia Nacional* served notice on its judgment issued on 13 December 2023, whereby it ruled in favour of the Spanish tax authorities in respect of the valuation of Iberia's business within the Merger. On 28 February 2024, the Company submitted a request for an appeal of the judgment to the Supreme Court in Spain, which was duly accepted and the resultant appeal was filed on 8 October 2025. There is no specific timeframe for the Supreme Court to issue its judgment.

12.7. Other Information*Pillar Two minimum effective tax rate reform*

On December 21 2024, Law 7/2024, of 20 December, was published in the Spanish Official State Gazette, establishing a Top-up Tax in order to guarantee a global minimum tax rate for multinational groups and large national groups, a Tax on the Net Interest Income and certain financial institutions' fees and a Tax on liquids for electronic cigarettes and other products related to tobacco. Other tax regulations are also amended (hereinafter, "Law 7/2024").

Law 7/2024 implements Pillar Two in Spain, establishing, with retroactive effect for Fiscal Years beginning from 31 December 2023, a Top-up Tax, which guarantees that large multinational groups are taxed at a minimum effective rate of 15% wherever they operate.

In this regard, the Group has carried out an analysis of the possible impacts that may arise from the application of this tax in Fiscal Year 2024, considering the application of the Transitional Safe Harbours that have been established in the Fourth Transitional Provision of Law 7/2024 and the full computation, where applicable, and the conclusion is that the impact of Pillar Two is not material for the Company.

As a consequence, the Company has no 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, as established in IAS 12.

Revocation of Royal Decree-Law 3/2016 in Spain

In January 2024, the ruling of the Tribunal Constitucional (Constitutional Court) in Spain was made public, which upheld the exceptions of unconstitutionality raised regarding several modifications to the Corporate Tax introduced by Royal Decree-Law 3/2016, through which measures were adopted in the tax field aimed at consolidating public finances and other urgent social measures. In this regard, prior to the aforementioned ruling, in January 2024, the Company submitted a request for correction of the Corporate Tax returns for the fiscal years 2021 and 2022, requesting the non-application of the measures introduced by Royal Decree-Law 3/2016.

Prior to the introduction of Royal Decree-Law 3/2016, the Company was permitted to offset up to 70% of its taxable profit with historical accumulated tax losses (to the extent there were sufficient tax losses to do so). With the introduction of Royal Decree-Law 3/2016, this limitation of tax losses applied to taxable profit was reduced to 25%.

The declaration of unconstitutionality of certain measures introduced by Royal Decree-Law 3/2016 resulted in the reinstatement of the limitation on the offsetting of tax losses, returning it to 70%.

As a result of the above, the Company has not recognised a current tax credit in 2025 (2024: current tax credit of €15 million, equivalent to the refund received from the Spanish tax authorities in relation to the fiscal years 2021 and 2022.)

Restoration of the measures declared unconstitutional, following the approval of Law 7/2024

The aforementioned Law 7/2024 has restored the tax measures mentioned in the previous section, which had been declared unconstitutional by the Constitutional Court in its ruling of January 18, 2024. Specifically, effective from January 1, 2024, the Group's Spanish subsidiaries will be able to offset up to 25% of their taxable base with historical accumulated tax losses (to the extent there were sufficient tax losses to do so).

13. Income and expenses**13.1. Revenue**

The Company's activity as described in note 1, is the acquisition, ownership, management and disposal of shares or other equity interests in other companies and provision of management services to those companies. Details and distribution of the revenue for the year to 31 December, from continuing operations by geographical segments can be represented by the following information:

€'000	2025	2024
Revenue from operations		
Rendering of services to Group companies (note 16.1)	60.890	100.884
Receivable from debt with Group companies (note 16.1)	120.210	174.177
	181.100	275.061
€'000	2025	2024
Revenue by area of geographical sale:		
UK	150.059	200.487
Spain	24.195	65.220
Rest of the World	6.846	9.354
	181.100	275.061

Notes to the financial statements *continued***13. Income and expenses** *continued***13.2. Employee costs**

The breakdown of personnel expenses is as follows:

€'000	2025	2024
Wages, salaries and other costs		
Salaries and wages	56.270	58.594
Share-based payments charge (note 17)	13.349	15.456
Social security costs		
Social security	11.534	9.159
Other social costs	3.796	3.758
	84.949	86.967

The Company offers a defined contribution pension plan to all IAG employees. The contributions paid into the defined contribution scheme during the year to 31 December 2025 totalled €3.796.000 (2024: €3.758.000), and have been recognised as Other social costs.

Employee numbers are presented in 18.1.

13.3. Impairment and (losses)/gains on disposal of financial instruments

€'000	2025	2024
Impairment losses on loans receivable from Group companies		
Loss on fair value of debt repayment (note 8.1)	(24.061)	-
	(24.061)	-

On 18 December 2025 British Airways partially redeemed €600 million of the intercompany loan with the Company. The difference between the fair value and the notional value of the intercompany loan repaid gave rise to a €24,1 million loss.

€'000	2025	2024
Gain on disposal and other		
Gain on disposal of equity investment	922	-
	922	-

In November 2025 the Company disposed of its equity shares in Assaia International AG giving rise to a gain on disposal of €922.000.

13.4. Finance income and costs

The breakdown of finance income and cost is as follows:

€'000	2025	2024
Finance income		
Receivable from third parties	24.439	62.558
	24.439	62.558
Finance costs		
Payable interest on convertible bonds and other securities payables	(33.522)	(59.292)
Payable to third parties	(5.370)	(472)
Loss on derecognition of bonds	(6.729)	-
	(45.621)	(59.764)

13.5. Change in fair value of financial instruments

€'000	2025	2024
Changes in fair value of financial instruments		
Net change in fair value of convertible bonds	(213.593)	(280.401)
Realised gains/(losses) on derivatives not qualifying for hedge accounting	-	(87)
	(213.593)	(280.488)

During the year the Company did not enter into any foreign exchange derivatives to mitigate exposure arising from intra group dividends received in currencies other than euro (2024: 87.000 loss).

Notes to the financial statements *continued***14. Foreign currency**

IAG is a Spanish Company with a UK branch which has a pound sterling functional currency. The breakdown of assets and liabilities of the UK branch, all denominated in pound sterling, is as follows:

Pound sterling '000	2025	2024
Assets		
Property, plant and equipment	73.908	53.225
Investment in other equity instruments	54.331	36.273
Current tax receivable	4.936	582
Deferred tax asset	7.430	12.232
Amounts owed by Group companies	75.087	80.599
Other receivables	24.298	51.369
Cash and cash equivalents	54.801	66.047
	294.791	300.327
Liabilities		
Other taxes and social security	37.996	32.184
Accruals and others payables	28.995	33.782
Amounts due from Group companies	44.417	21.703
	111.408	87.669
Net assets	183.383	212.658

The Income statement, all denominated in '000 pound sterling, of the branch is as follows:

Pound sterling '000	2025	2024
Revenue	42.562	72.769
Finance income	2.979	2.508
Employee costs	(62.279)	(64.984)
Other costs	(26.525)	(71.596)
Finance costs	(1.308)	(630)
Loss for the year before tax	(44.571)	(61.933)

15. Financial risk management

The nature of the Company's business model and its ability to pay dividends to shareholders means the Company is primarily exposed to capital and credit risk.

Counterparty risk

The Company is exposed to the non-performance by its counterparties in respect of financial assets receivable. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty. The underlying exposures are monitored on a daily basis and the overall exposure limit by counterparty is periodically reviewed by using available market information.

The carrying amount of financial assets represents the maximum exposure to counterparty risk.

Foreign currency risk

The Company undertakes external foreign exchange derivatives trading activity to mitigate the exposure arising from potential dividends received in currencies other than the euro.

Liquidity risk

The Company invests cash in interest-bearing accounts, time deposits and money market funds, choosing instruments with appropriate maturities or liquidity to retain sufficient headroom to readily generate cash inflows required to manage liquidity risk. The Company had no committed revolving credit facilities as at 31 December 2025 (2024: €nil).

Capital risk

The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure, to reduce the cost of capital and to provide returns to shareholders.

Notes to the financial statements *continued***16. Related party transactions**

The Company has the following related parties at 31 December:

	Nature of relationship
British Airways Plc	Other Group companies
Iberia Líneas Aéreas de España S.A. Operadora	Other Group companies
IB Opco Holding, S.L.	Other Group companies
Vueling Airlines, S.A.	Other Group companies
IAG Cargo Ltd	Other Group companies
IAG Transform Ltd	Other Group companies
IAG GBS Poland Sp. z o.o.	Other Group companies
Aerl Holding Limited	Other Group companies
Aer Lingus Group DAC	Other Group companies
Avios Group (AGL) Limited	Other Group companies
IAG Connect	Other Group companies
FLY LEVEL S.L.	Other Group companies
FLYLEVEL UK Limited	Other Group companies
Fly Level Barcelona LH S.L.	Other Group companies
Qatar Airways (Q.C.S.C.)	Significant shareholder
Key management personnel	Directors and Management Committee

16.1. Related entities

The following transactions took place with related parties for the financial years to 31 December:

€'000	2025	2024
Revenue from operations		
Rendering of services to Group companies	60.890	100.884
Dividend income received from Group companies	1.508.589	1.189.253
Receivable from debt with Group companies	120.210	174.177
Purchases of services		
Purchases from Group companies	6.413	19.017
Costs		
Payable on debt with Group companies	6.516	1.443

December balances

€'000	2025	2024
Receivables from related parties		
Amounts owed by Group companies	60.535	126.502
Loan receivable from Group companies	1.157.227	1.862.687
Payables to related parties		
Amounts owed to Group companies	14.282	39.572
Loan payable to Group companies	301.736	-

Notes to the financial statements *continued*16. Related party transactions *continued*16.1. Related entities *continued*

The details of the loans receivable from Group companies is as follows:

€'000	Amount outstanding 31 December		Due date	Interest rate	Finance income	
	2025	2024			2025	2024
AERL Holdings	81.294	-	2027	3,15% fixed	869	-
AERL Holdings	-	77.496	2025	5,66% fixed	2.929	4.278
British Airways	1.046.114	1.648.645	2026	3 months EURIBOR + 4,60%	114.385	140.131
IB Opco Holding	-	-	2024	3,5% fixed	-	1.641
IB Opco Holding	-	17.711	2025	12 months EURIBOR + EBIT	(2.716)	27.685
Fly Level Barcelona LH, S.L	6.510	6.511	2027	6,2% fixed	564	118
Fly Level Barcelona	23.111	-	2028	5% fixed	613	-
Fly Level Barcelona LH, S.L	198	2.018	2025	12 months EURIBOR + EBIT component	180	18
Vueling	-	110.306	2025	12 months EURIBOR + EBIT component	3.386	306
	1.157.227	1.862.687			120.210	174.177

During 2025 the AERL Holdings existing loan was refinanced and a new loan was drawn down. The outstanding balance as at 31 December 2025 was €81.294.000 (2024: €77.496.000).

During 2025 British Airways repaid a principal amount of €600.000.000 to the Company. The outstanding balance as at 31 December 2025 was €1.046.114.000 (2024: €1.648.645.000).

During 2025 IB Opco Holding repaid interest of €17.711.000 to the Company. The outstanding balance as at 31 December 2025 was €nil (2024: €17.711.000).

During 2025 Vueling repaid the principal and interest outstanding totalling €113.692.000 to the Company. The outstanding balance as at 31 December 2025 was €nil (2024: €110.306.000).

During 2025 Fly Level Barcelona borrowed €23.000.000 from the Company. The outstanding balance as at 31 December 2025 was €23.111.000 (2024: €nil).

Prior year movements:

During 2024 IB Opco Holding repaid the principal and interest outstanding totalling €417.768.000 to the Company. The outstanding balance as at 31 December 2025 was €nil (2024: €17.711.000).

During 2024 Vueling borrowed €110.000.000 from the Company which was issued as a profit participating loan. The outstanding balance as at 31 December 2025 was €nil (2024: €110.306.000).

During 2024 Fly Level Barcelona borrowed €8.500.000 from the Company. €2.018.000 was issued as a profit participating loan. The outstanding balance as at 31 December 2025 was €6.708.000 (2024: €8.529.000).

The details of the loans payable to Group companies is as follows:

€'000	Amount outstanding 31 December		Due date	Interest rate	Finance costs	
	2025	2024			2025	2024
Vueling	-	-	2024	1,2% fixed	-	1.239
Vueling	301.736	-	2028	3 months EURIBOR + 1% 5 year euro mid swap rate +1,03%	4.427	-
Aer Lingus	-	-	2024		-	204
	301.736	-			4.427	1.443

During 2025 the Company entered into Revolving Credit Facility agreements with the operating companies amounting to €1,8 billion.

During 2025 the Company drew down the Revolving Credit Facility with Vueling totalling €300.000.000. The outstanding balance as at 31 December 2025 was €301.736.000 (2024: €nil).

As at 31 December 2025 the remaining Revolving Credit Facilities of €1,5 billion were undrawn.

Prior year movements:

During 2024 the Company repaid to Vueling the principal and interest outstanding of €110.059.000. The outstanding balance as at 31 December 2024 was €nil.

During 2024 the Company repaid to Aer Lingus the principal and interest outstanding of €100.272.000. The outstanding balance as at 31 December 2024 was €nil.

Ordinary transactions with Group companies were carried out on an arm's length basis in accordance with the Group's transfer pricing policies. Outstanding balances that relate to trading balances are placed on intragroup accounts with payment terms of 90 days.

Notes to the financial statements *continued***16. Related party transactions** *continued***16.2. Board of Directors and Management Committee remuneration**

A breakdown of the remuneration received by the Board of Directors and Management Committee for the years to 31 December is as follows:

€'000	2025	2024
Board of Directors		
Salaries (fixed and variable)	4.900	4.673
Benefits in kind	343	297
Life insurance policies	12	12
	5.255	4.982
Management Committee		
Salaries (fixed and variable)	14.205	14.008
Benefits in kind	1.520	2.543
Life insurance policies	34	35
Pension contributions	173	163
Share-based payments	22.980	3.110
	38.912	19.859

The pension obligation outstanding, which represents the transfer value of the accrued pension was €3.296.000 (2024:€3.665.000) for the Management Committee.

Information regarding share-based remuneration can be found on the Report of the Remuneration Committee in the Group Annual Report and Accounts 2025.

At 31 December 2025 and 2024, no advances or loans had been given to members of the Board of Directors.

The members of the Board of Directors of the Company and persons related to them are as defined per Article 229 of the Spanish Capital Companies Act approved by Royal Decree 1/2010 dated 2 July, amended by Law 31/2014 dated 3 December, amending the Spanish Capital Companies. They have also confirmed that they have not engaged in activities on their own behalf or on behalf of others that involve effective competition, whether actual or potential, with the Company or that in any other way places them in permanent conflict with the interests of the company.

17. Share-based payments

The Group operates share-based payment schemes as part of the total remuneration package provided to employees. These schemes comprise both share option schemes where employees acquire shares at an option price and share award plans whereby shares are issued to employees at no cost, subject to the achievement by the Group of specified performance targets.

IAG Performance Share Plan

The IAG Performance Share Plan (PSP) was granted to senior executives and managers of the Group who are most directly involved in shaping and delivering business success over the medium to long term. Awards made from 2015 to 2020 were nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. All awards had three independent performance measures with equal weighting: Total Shareholder Return (TSR) relative to the STOXX Europe 600 Travel and Leisure Index (2020 awards) or MSCI European Transportation Index (prior to 2020 awards), earnings per share, and Return on Invested Capital.

IAG Restricted Share Plan

The IAG Restricted Share Plan (RSP) was introduced in 2021 to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Group. Awards have been made as conditional awards, with a two-year holding period following the three-year vesting period. There are no performance measures associated with the awards. Vesting will be contingent on the satisfaction of a discretionary underpin, normally assessed over three financial years commencing from the financial year in which the award was granted. Approval at the end of the vesting period will be at the discretion of the Remuneration Committee, considering the Group's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified.

IAG Full Potential Incentive Plan

In 2021, the Group launched the Full Potential Incentive Plan (FPIP), which was granted to key individuals involved in the delivery of a series of transformation projects that will enable the Group to deliver business success over the medium to long term. The awards have been made as conditional awards, vesting in 2025 and dependent on stretch operating result performance targets for 2024 and the approval of the Board.

IAG Stretch Performance Incentive Plan

In 2025, the Group launched the Stretch Performance Incentive Plan (SPIP), which was granted to senior leaders across IAG. The plan is designed to support the delivery of stretch operating margin performance that exceeds the Group's medium-term ambition and plan targets through to the end of 2027. The awards have been made as conditional awards, vesting in 2028 and dependent on the achievement of stretch performance targets for 2025 to 2027 and the approval of the Board. The targets have been set at a level that requires significant outperformance of IAG's historical performance, and that of its peers.

IAG Incentive Award Deferral Plan

The IAG Incentive Award Deferral Plan (IADP) is granted to qualifying employees based on performance and service tests. It will be awarded when an annual incentive award is triggered subject to the employee remaining in employment with the Group for three years after the grant date. The relevant population will receive a proportion of their incentive award up front in cash, and the remaining proportion in shares after three years through the IADP.

Notes to the financial statements *continued*17. Share-based payments *continued*

Share-based payment schemes summary

	Outstanding at 1 January 2025	Granted number	Lapsed number	Vested number	Outstanding at 31 December 2025	Exercisable 31 December 2025
	000s	000s	000s	000s	000s	000s
Performance Share Plans	1.014	-	-	835	179	179
Restricted Share Plans	14.784	2.742	333	3.584	13.609	-
Full Potential Incentive Plan	4.826	-	-	4.826	-	-
Stretch Performance Incentive Plan	-	4.433	-	-	4.433	-
Incentive Award Deferral Plans	913	100	-	-	1.013	-
	21.537	7.275	333	9.245	19.234	179

	Outstanding at 1 January 2024	Granted number	Lapsed number	Vested number	Outstanding at 31 December 2024	Exercisable 31 December 2024
	000s	000s	000s	000s	000s	000s
Performance Share Plans	2.602	-	-	1.588	1.014	1.014
Restricted Share Plans	12.137	5.388	582	2.159	14.784	-
Full Potential Incentive Plan	4.847	-	21	-	4.826	-
Incentive Award Deferral Plans	448	465	-	-	913	-
	20.034	5.853	603	3.747	21.537	1.014

The weighted average share price at the date of exercise of options exercised during the year to 31 December 2025 was €3,78 (2024: €1,91). The weighted average contractual life for awards outstanding at 31 December 2025 was 1,6 years (2024: 0,9 years).

In 2025 there were no equity-settled share-based payment plan grants made with a fair value determined using the Monte Carlo method of valuation. The fair value of awards made during 2025 is the share price at the date of award.

The Company recognised a share-based payments charge of €13.349.000 for the year to 31 December 2025 (2024: €15.456.000). A credit of €58.517.000 (2024: €77.381.000) representing the total Group charge was recognised in Reserves including a tax credit of €217.000 (2024: €5.750.000). Group companies are recharged for the grants made to employees of those Group companies.

18. Other disclosures

18.1. Employee numbers

Professional category	Number of employees at year end			Average number of employees
	Men	Women	Total	
2025				
Management Committee	8	3	11	11
All other employees	114	92	206	192
	122	95	217	203
2024				
Management Committee	8	3	11	11
All other employees	89	63	152	148
	97	66	163	159

There are no employees with a certified disability greater than 33% (2024: nil)

At 31 December 2025, the Board consisted of 11 people, including five men and six women (2024: 11 people, including six men and five women).

18.2. Audit fees

The fees for the audit of the Company's financial statements, the audit of the Group consolidation and non-audit services provided to the Company by the external auditor KPMG Auditores S.L. are as follows:

€'000	2025	2024
Fees for the audit of the financial statements	1.886	1.901
Other audit related services	1.148	758
All other services	-	-
	3.034	2.659

Information on services provided to the Company and its subsidiaries by KPMG and other network firms is included in the Group's consolidated financial statements.

Notes to the financial statements *continued*

18. Other disclosures *continued*

18.3. Contingent liabilities

There are a number of legal and regulatory proceedings against the Company in a number of jurisdictions which at 31 December 2025, where they could be reliably estimated, amounted to €3,5 million (31 December 2024: €3,5 million). The Company does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provisions have been recorded.

Contingent liabilities associated with income taxes, deferred taxes and indirect taxes are presented in note 12.

18.4. Information on environmental issues

The undersigned, as Directors of the Company, hereby state that the accounting records relating to these financial statements do not contain any item of an environmental nature that should be included pursuant to point 5 of the Valuation Standard 4^ª Financial Statements, or Section 3 of the Spanish National Chart of Accounts (Royal Decree 1514/2010, of 16 November). Please refer to the Corporate Sustainability Reporting Directive within the Group Annual Report and Accounts 2025 for Group disclosures on environmental matters and climate change.

19. Post balance sheet events

Final dividend

A final dividend of €0,05 per share was proposed by the Board of Directors on 26 February 2026 (31 December 2024: €0,06), and is subject to approval at the annual general meeting. It is payable from 29 June 2026 to shareholders who are on the register at 26 June 2026. The final dividend amounting to €228 million, calculated based on the number of shares in issue less treasury shares at the close of trading on 26 February 2026, has not been recognised as a liability in these consolidated financial statements. It will be recognised in total equity in the year to 31 December 2026.

Return of excess cash

On 26 February 2026 the Board approved excess cash returns of €1,5 billion to be completed by the end of February 2027, starting with a share buyback of €500 million to be completed by the end of May 2026.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Management report for the year to
31 December 2025

MANAGEMENT REPORT

International Consolidated Airlines Group, known as International Airlines Group or IAG is the parent company of British Airways, Iberia, Vueling, Aer Lingus, IAG Cargo, IAG Transform, AERL Holding, Fly Level, Fly Level Barcelona and IAG Connect. The Group was formed on 21 January 2011 when the merger between British Airways and Iberia was completed.

Business review

IAG is a Spanish registered company with the majority of its Board meetings held in Spain. IAG operates a head office through its UK branch in London, with an average staff of 203 (2024: 159) managing key support functions for the Group. The increase in average staff is due to contractual changes for employees previously employed by other subsidiaries in the Group. The Company's focus is on the Group strategy, synergies, digital and connectivity, and support of finance, legal and communications functions as well as the administration of the Company.

Costs in relation to work carried out for the operating companies of the Group are recharged back to those companies.

It is expected that the Company will remain relatively small within the Group, whilst continuing to provide support to the operating companies where required and providing leadership of the Group strategy.

Our business model is centred on our purpose: to connect people, businesses and countries. We are an active parent company that invests in our airlines, with a culture of being stronger together.

As the parent company, IAG is responsible for managing and allocating capital, driving overall Group performance and setting the agenda for sustainability and innovation.

There is active engagement and collaboration between the Group's operating companies, facilitated by the parent company, so that ideas and expertise can be shared and progress tracked where necessary.

IAG as the parent company sets the ambition, drives the management and pipeline of top talent, promotes the sustainability agenda, facilitates the capture of synergies, drives innovation and provides centres of excellence to facilitate the sharing of best practice.

IAG's three strategic imperatives are:

- A strong core;
- Capital-light earnings growth; and
- A sustainable value-creation framework

These imperatives are achieved through a series of strategic priorities:

- Growing our portfolio of global leadership positions and strengthening our portfolio of world-class brands;
- Developing our loyalty and holidays businesses and leveraging our strategic airline partnerships;
- Performing disciplined capital allocation and balance sheet management; and
- Being committed to sustainability.

This is underpinned by a Group-wide transformation programme.

The Board is dedicated to maintaining high standards of corporate governance, ensuring we create long-term sustainable value for our shareholders while balancing the interests of all our stakeholders. Our strong and effective governance processes are fundamental to our ability to uphold our values and execute our strategy.

The Board recognises the importance of culture and setting the tone of the organisation from the top and embedding it throughout the Group. Our culture is a key component in continuing to make progress with our strategic and transformation plans and therefore the Board has continued to focus on and support the development of a healthy Group culture that supports our ambition and transformation and is aligned with our core values and purpose.

Finance review

Income statement

Revenue derived from charging the airline companies for the services that IAG provides to them totalled €61 million for the year to 31 December 2025 (2024: €101 million). Such services cover financial control over treasury policy, treasury support including hedging, financing and refinancing, major capital investments, co-ordination and delivery support of the synergies, strategy and general management of the Group. Revenue from services in 2025 decreased compared to 2024 as IT costs and related recoveries from the operating companies moved to IAG Transform. Revenue also includes finance income received from lending provided to operating companies within the Group. Finance income from debt with Group companies in the period was €120 million compared to €174 million in 2024.

The Company received dividend income from British Airways and Iberia amounting to €1.509 million during the year (2024: €1.189 million).

The Company's expenses are split between employee costs, services received and other operating expenses.

Employee costs for the year were €85 million (2024: €87 million). The decrease is primarily due to lower share-based payment costs, which were €13 million for the year, compared with €15 million in 2024.

Services received largely relate to supporting the activities of the key departments. Other expenses reflect the cost of operating the IAG offices and IT costs, as well as the costs supporting the Group's market listings with the CNMV and UKLA. Operating expenses decreased to €29 million in 2025 from €176 million in 2024. The decrease is due to lower advisory, legal and IT costs, lower IAG Transform management fee, and the termination of Air Europa purchase agreement in 2024.

Finance costs payable on debt with third parties of €46 million (2024: €60 million) include interest expense on bonds.

The change in fair value of financial instruments related to derivatives entered into by the Company not qualifying for hedge accounting was nil (2024: €87 thousand loss).

The profit before tax for the year was €1.301 million (2024: profit €919 million).

The tax credit of €6 million (2024: €22 million credit) reflects:

- UK tax on the tax adjusted results of the Company's UK branch at the tax rate of 25% (2024: 25%);
- No Spanish tax credit being recognised on the tax adjusted losses of the Company's head office; and
- Adjustments in respect of prior years.

The profit after tax for the year was €1.307 million (2024: profit €942 million).

Balance sheet

IAG's primary assets are its subsidiaries. IAG's investments in British Airways and Iberia were created at the time of the merger on 21 January 2011 and amounted to €6.208 million. At 31 December 2025, IAG held an investment of €4.684 million in British Airways, €2.474 million in Iberia, €836 million in AERL Holding, €38 million in Vueling, €39 million in IAG Transform, €5 million in IAG Connect and €1.000 in Fly Level Barcelona, totalling €8.077 million (2024: €7.484 million). It also holds an investment in Cargo.

Treasury shares

At 31 December 2025 the Company held 162,2 million shares (2024: 117,6 million).

During the year the Company purchased 321,4 million shares, and a total number of 32,5 million shares vested in relation to share-based payment schemes. The total number of the Company's treasury shares as at 31 December 2025 accounts for 3,43% (2024: 2,37%) of the total issued capital at that date.

Dividends

On 6 November 2025 the Board of Directors approved an interim dividend of €0,048 per share. The interim cash dividend was paid on 1 December 2025 for a total amount (net of withholding tax of €41.714.000) of €219.545.000. The withholding tax was paid from December 2025.

On 26 February 2026 IAG's Board of Directors proposed a distribution in cash of a final dividend of €0,05 per share. The proposed final dividend is subject to approval at the annual general meeting and subject to approval, will be recognised as a liability on that date. The proposed final dividend would be distributed from net profit for the year to 31 December 2025.

Post balance sheet events

Final dividend

A final dividend of €0,05 per share was proposed by the Board of Directors on 26 February 2026 (31 December 2024: €0,06), and is subject to approval at the annual general meeting. It is payable from 29 June 2026 to shareholders who are on the register at 26 June 2026. The final dividend amounting to €228 million, calculated based on the number of shares in issue less treasury shares at the close of trading on 26 February 2026, has not been recognised as a liability in these consolidated financial statements. It will be recognised in total equity in the year to 31 December 2026.

Return of excess cash

On 26 February 2026 the Board approved excess cash returns of €1,5 billion to be completed by the end of February 2027, starting with a share buyback of €500 million to be completed by the end of May 2026.

Research and development

The Company does not undertake any research or development activity.

Financial risk management

The nature of the Company's business model and ability to pay dividends to shareholders and execute share repurchases means the Company is primarily exposed to capital and credit risk. The Company's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, to maintain an optimal capital structure in order to reduce the cost of capital and to provide future returns to shareholders.

Principal risks and uncertainties

The Company has continued to maintain its framework and processes to identify, assess and manage risks under IAG's Enterprise Risk Management (ERM) framework, and monitors the risk landscape in the light of changes that influence or impact the Company's performance, financial markets, or the aviation industry. Through its risk reviews, the Group considers changes in the speed of potential impact and how principal risks influence other principal risks to help assess where key mitigations can have a greater effect on reducing overall risk exposure. Risks are also assessed in combining events where a number of risks could occur together, particularly given the airline sector's exposure to external macroeconomic or geopolitical factors and an increasingly complex and integrated supply chain.

In assessing its principal risks, the Company has considered the status of the financial markets, geopolitical and economic risk, government policy changes, including policy shift or greater protectionism, cyber threat, pace of transformation, Artificial Intelligence (AI) adoption and future skillsets, people engagement, and securing talent and expertise to deliver cultural change. The Directors of the Company believe that the risks and uncertainties described below are the ones that may have the most significant impact on the day to day operations of IAG as a parent company. These risks are considered by the IAG Management Committee as part of its wider consideration of Group risks. Management remains focused on mitigating risks, where appropriate or feasible, whilst recognising that such risk events may not be so easily planned for and that mitigations may be more responsive in nature. The list is not intended to be exhaustive.

Data and cybersecurity

The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences particularly through social engineering and human behaviours, with the threat of malware attacks on the Company or its suppliers remaining high and increasing in the year with heightened geopolitical tensions. The Company could face financial loss, disruption or damage to brand reputation arising from an attack on the Company's systems. The emergence and usage of AI to bypass cybersecurity controls, produce sophisticated phishing campaigns or allow accelerated deployment of malware could increase the scale, severity and impact of cyberattacks and cyber-related fraud, with high profile attacks across different industries, including aviation. This has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering or cyberattacks, data loss or data corruption. The Company continues to improve its cyber security posture either through IT transformational change or additional monitoring through tools as well as better understanding the risk presented by its suppliers. There is significant oversight of critical systems and suppliers to ensure that the Company understands the data it holds, that it is secure and regulations are adhered to. The fast-moving nature of this risk means that the Company will always retain a level of vulnerability.

Economic and political risk

Geopolitical risk and political uncertainty remains high and wider macroeconomic events may continue to drive market volatility. Changes in government may result in greater protectionism or policy shift in sentiment to aviation or access to markets. The Company continues to monitor the implications for trade and any imposition of baseline or other tariffs may disrupt the markets or economic confidence or competitiveness and drive cost inflation. The tone of dialogue between the US, Russia, China and the EU and UK which can influence markets and result in imposition of misaligned policies or tariffs and any potential impact to the Group is also kept under review.

Financial risk, including tax

Access to the secured and unsecured debt markets may be disrupted by geopolitical and economic uncertainty, impacting funding options and interest rates available to the Group for new aircraft financing or where it chooses to re-finance debt. Any interest rate increases implemented by central banks increase the cost for the Group of existing floating rate debt, as well as for new financing. The failure to manage the financial counterparties credit exposure arisen from cash investments and derivatives trading may result in financial losses. The Company is exposed to non-performance of financial contracts by counterparties, for activities such as money market deposits, fuel and currency hedging. The Group has a financial counterparty credit limit allocation by airline and by type of exposure and monitors the financial and counterparty risk on an ongoing basis. The Company has maintained its clear focus on managing liquidity and maintaining strong relationships with banks, lenders and lessors. There is continuous review of the capital structure to minimise interest rate exposure and lower cost of capital. The Company is exposed to systemic tax risks arising from either changes to tax legislation and accounting standards or challenges by tax authorities on the interpretation or application of tax legislation. The Company may be subject to higher levels of taxation as governments seek to redesign the global tax framework and rebuild public finances. The Group adheres to the tax strategy which is reviewed and approved annually by the IAG Board. It is committed to complying with all tax laws, to acting with integrity in all tax matters and to working openly with tax authorities. The Group takes expert advice on tax matters as required.

Group Governance Structure

The aviation industry continues to operate under a range of nationality and other restrictions, some of which are relevant to market access under applicable bi-lateral and multi-lateral air service agreements, while some are relevant to eligibility for applicable operating licences. IAG could face a challenge to its ownership and control structure. IAG will continue to monitor regulatory developments affecting the ownership and control of airlines in the UK and EU and will continue to encourage stakeholders to normalise ownership of airlines in line with other business sectors.

Operational and IT resilience

The dependency on IT systems for key business and customer processes for operational resilience is increasing and the failure of a critical system may cause significant disruption. Obsolescence within the Company's IT estate could result in service outages or delays in implementation of transformation activities. The integration within the Company's supply chain means that it is also dependent on the performance of suppliers' IT infrastructure, including networks. The Company works to deliver digital and IT change initiatives to enhance security, stability and availability. System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.

People and culture

Our people, their engagement and cultural appetite and mindset for change are critical to achieving our transformation plans. Our people and leaders are a critical enabler of the Company's current performance and future success. The Company may fail to attract, motivate, retain or develop its people with critical skillsets not being in place to execute on the required transformation or to exploit innovation and AI opportunities and drive the business forward. The Company is also at risk of our people not being engaged or not displaying the required leadership or cultural behaviours. Enhancing leadership capability, succession planning and plans for improving organisational health and employee engagement mitigate these risks. The Company is exposed to the risk of individual employees' or groups of employees' inappropriate and/or unethical behaviour. Failure to meet legal or regulatory standards may result in breach with the potential to hurt or impact our employees, or third parties, and lead to reputational damage, fines or losses to the Company. There are clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance, monitored by the IAG Audit and Compliance Committee. There are mandatory training programmes in place to educate employees in these matters, including training in respect of the IAG Code of Conduct framework. Compliance, human resources and legal professionals advise the Company as needed.

Reputation

As a listed entity in Spain and the UK, and as owner of British Airways, Iberia, IAG Cargo, Vueling, Aer Lingus, IAG Loyalty and LEVEL, the Company is exposed to reputational risk and consequent impact to the Group's brands. The Company's Investor Relations and Media Relations teams work with stakeholders to understand their concerns or update on specific matters.

The Annual Corporate Governance Report is part of this Management Report but has been presented separately together with the Group Annual Report and Accounts. This report has been filed with the CNMV, together with the required statistical annex, in accordance with the CNMV Circular 2/2018, dated June 12. The Annual Corporate Governance Report and the statistical annex are also available on the Company's website (www.iairgroup.com).

The Corporate Sustainability Reporting Directive in response to the requirements of Law 11/2018, of 28 December, (amending the Commercial Code, the revised Capital Companies Law approved by Legislative Royal Decree 1/2010, of 2 July 2010 and Audit Law 22/2015, of 20 July 2015), is part of this Management Report and is available on the Company's website (www.iairgroup.com).

ANNUAL CORPORATE GOVERNANCE REPORT AND DIRECTORS REMUNERATION REPORT

The 2025 annual corporate governance and directors' remuneration reports of International Consolidated Airlines Group, S.A., prepared according to Circular 3/2021, of 28 September, of the Spanish National Stock Exchange Commission are part of this Management Report and, from the date of the publication of the 2025 Financial Statements, are available in the Spanish National Stock Exchange Commission website and in the International Consolidated Airlines Group, S.A. website, being incorporated by reference to this report as appropriate.

LIABILITY STATEMENT OF DIRECTORS FOR THE PURPOSES ENVISAGED UNDER ARTICLE 8.1.b OF SPANISH ROYAL DECREE 1362/2007 OF 19 OCTOBER (REAL DECRETO 1362/2007).

At a meeting held on 26 February 2026, the Directors of International Consolidated Airlines Group, S.A. state that, to the best of their knowledge, the individual and consolidated financial statements for the year to 31 December 2025, prepared in accordance with the applicable set of accounting standards and in single electronic format, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and that the individual and consolidated management reports include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with the description of the principal risks and uncertainties that they face.

26 February 2026

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Eva Castillo Sanz

Margaret Ewing

Maurice Lam

Bruno Matheu

Heather Ann McSharry

Simone Menne

Robin Phillips

Päivi Rekonen

Lucy Nicola Shaw

FORMULATION OF THE INDIVIDUAL FINANCIAL STATEMENTS AND OF THE INDIVIDUAL MANAGEMENT REPORT FOR THE YEAR 2025

The Board of Directors of International Consolidated Airlines Group, S.A., in compliance with the provisions of Article 253 of the Capital Companies Law and of Article 37 of the Commercial Code, proceeded to formulate on 26 February 2026 the individual financial statements and the individual management report of the company for the year to 31 December 2025, in single electronic format according with the Commission Delegated Regulation (EU) 2018/815 of 17 December 2018.

In witness whereof, the members of the Board of Directors of International Consolidated Airlines Group, S.A. signed below on 26 February 2026:

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Eva Castillo Sanz

Margaret Ewing

Maurice Lam

Bruno Matheu

Heather Ann McSharry

Simone Menne

Robin Phillips

Päivi Rekonen

Lucy Nicola Shaw