

British Airways Plc

Annual Report and Accounts Year ended 31 December 2025

Company registration number: 1777777

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Officers and professional advisers

Directors

Sean Doyle	(Chairman and Chief Executive Officer)
Alison Brittain	(Deputy Chairman)
José Antonio Barrionuevo Urgel	(Chief Financial and Transformation Officer)
Martha Lane-Fox	
Nicholas Cadbury	

Secretary

Andrew Fleming

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Strategic report

The Directors present their strategic report for the year ended 31 December 2025.

British Airways Plc ('British Airways', 'BA', 'the airline', 'the Group' or 'the Company') is the UK's flag carrier airline and one of the world's leading global airlines. The Group's principal place of business is London with significant presence at Heathrow, Gatwick, and London City airports. As part of the International Airlines Group ('IAG'), and together with joint business, codeshare and franchise partners, British Airways operates one of the most extensive international scheduled airline networks. British Airways is a founding member of the **oneworld** alliance, whose member airlines serve more than 900 destinations in more than 170 countries worldwide.

The strategic report is presented in the following five sections:

- Management review and outlook;
- Financial review;
- Principal risks and uncertainties;
- Directors' Section 172 statement; and
- Climate-related financial disclosures

Management review and outlook

Overview

- Total revenue of £14,679 million, up 0.8% (2024: £14,568 million);
- Operating profit of £2,230 million, up 8.3% (2024: £2,060 million);
- Net debt¹ decreased by £964 million to £5,424 million (2024: £6,388 million);
- Passenger numbers increased to 46.3 million, up 0.4% (2024: 46.2 million);
- Punctuality improved by 7 percentage points to 80% (2024: 73%); and
- Dividends paid of £916 million (2024: £530 million).

For the year ended 31 December 2025, the Group made a profit before tax of £2,429 million (2024: £2,835 million). The decrease compared to 2024 is driven by a Gain on sale of investments of £654 million in 2024 relating to the sale of the British Airways Holidays business not repeating in 2025.

Overall capacity measured in available seat kilometres (ASKs) increased by 1.7%, while passenger revenue increased by 1.9% compared to 2024. The increase in passenger revenue was in-line with capacity as both business and leisure volumes continued to increase. A small unit revenue improvement was driven by increased yields of 1.9%, offset by load factors reducing 1.4 percentage points compared to 2024.

Key Performance Indicators

The Board use the following Key Performance Indicators (KPIs) to assess performance internally and guide the strategic direction of the Group:

- Passenger revenue per ASK
- Non-fuel costs per ASK
- On time performance
- Net promoter score
- Employee engagement
- Carbon intensity

¹ This refers to alternative performance measures (APMs) which are considered as industry benchmarks. For the definition refer to the glossary.

Strategic report continued

Management review and outlook continued

Business Overview

In 2025 British Airways delivered a record operating profit and continued to strengthen its balance sheet, continuing to execute its business-wide transformation plan having passed the milestone of 1,000 initiatives delivered to create a better British Airways for customers, investors and colleagues.

While much of the success of the transformation is visible to customers, there has also been significant progress happening behind the scenes. The airline has updated and simplified several of its most critical systems and built in more resilience, resulting in a step change in business continuity, including check-in, flight planning and management, as well as time critical load-control systems. The AI transformation initiatives the airline has introduced have improved operational performance. Upgrading legacy systems to platforms that are faster, newer and more resilient has helped to improve punctuality to the highest level since 2011. Punctuality performance in 2025 for D15 (departure in 15 minutes metric) across the network was 80 per cent compared to 73 per cent in 2024.

British Airways has also had to tackle significant challenges that have impacted the airline's global operations in 2025, such as the temporary Air Traffic Control failure during the summer and the Heathrow power outage in March. These incidents, although outside of BA's control, caused significant operational disruption. Taking the Heathrow power outage as an example, despite over 700 cancellations, the airline was able to operate more than 95 per cent of its schedule on the day that followed, as teams across the business worked hard to get customers where they needed to be as quickly as possible.

The airline also faced operational constraints because of geopolitical challenges in the Middle East, with a number of flights rerouting and block times changing due to closed airspace. There were also further ongoing supply chain challenges affecting the delivery of the spare parts and the Trent 1000 engines from Rolls-Royce for the Boeing 787 fleet resulting in flight cancellations. British Airways continues to work closely with Rolls-Royce to ensure the Company is aware of the impact its issues are having on the schedule and customers and seek reassurance of a prompt and reliable solution.

During 2025, the airline expanded its fleet and took delivery of 13 new fuel-efficient aircraft including one 787-10 and 12 short-haul aircraft (seven A320neo and five A321neo) which feature new cabin interiors. As part of IAG's shareholder investment strategy, BA hosted a small group of investors to highlight the very best of BA, showcasing how the airline is transforming. Teams from across the business organised an engaging, interactive tour, taking investors behind the scenes of the Heathrow operation, on board a new A320neo aircraft and on a tour of the Integrated Operations Centre (IOC) at Waterside.

The airline launched a new subsidiary BA Engineering Gatwick (BAEG) which built extra resilience for our operation and shows continued commitment to driving the future growth and transformation both of British Airways Engineering. The hangar has space to accommodate eight A320/321 aircraft or two of the new Boeing 777X widebodies when delivered. Ultimately, it will benefit BA's customers by bringing additional skills, expertise and facilities into the business which will help to support a more reliable BA operation.

Our People

Colleagues continue to remain at the heart of everything British Airways does. Thousands of colleagues right across the business make significant contributions to the success of the airline every day. In 2025, the airline welcomed more than 3,200 new colleagues into the business and remains committed to sustaining a positive working environment and a culture in which our colleagues feel proud, valued and empowered to do the right thing for customers.

Shaped by colleague feedback, the airline continues to make carefully considered adjustments to uniform wearing colleagues across the business, giving more choice and ensuring the collection continues to support colleagues to look and feel their best at work. There have also been enhancements to our crew operational areas to upgrade the facilities.

As part of wellbeing support to colleagues, British Airways launched a new partnership with TV personality Joe Wicks to provide free digital access to fitness exercise and food plans through his dedicated app, The Body Coach. This exciting partnership forms part of a new Wellbeing strategy, supporting physical, mental and financial wellbeing, aligning to the BA Better World and A Better BA ambitions. The Company also partnered with KareHero to provide colleagues access to free, confidential expert advice and guide colleagues and their family through the practical, financial, legal and emotional sides of caring for a loved one.

Strategic report continued

Management review and outlook continued

Our Customers

British Airways continues to invest in its customer experience and 2025 saw the airline's NPS (Net Promoter Score) increase 10.5pts vs 2024, which was 5.2pts higher than target, making it the best year on record since the start of this methodology in 2017 (excluding the Covid-19 period). Significant investment continues to be made in elevating the customer experience. During 2026, customers will begin to have access to free Starlink Wi-Fi on long and short-haul aircraft.

British Airways also unveiled its new global lounge concept in Miami and Dubai with excellent customer feedback. Both lounges feature striking full-service bars as focal points, menus that champion local ingredients with a British twist, as well as the exclusive Concorde Dining Rooms. These new lounges will serve as the vision for future lounge developments, with its lounges at London Heathrow next in line for a full redevelopment.

The airline's cabin transformation programme, both on long-haul and short-haul interiors continues to drive uplifts in onboard performance, alongside improvements in food and drink, reflecting the continued commitment to quality premium drinks through 2025 and evolving snack and High Life Café selections. British Airways also launched a new collectable range of Business Class amenity kits at London Gatwick, featuring British artwork and London-produced wellness products. Currently, more than 76 per cent of Heathrow-based aircraft are flying with the new award-winning business class product. British Airways also began fitting the Club Suite onto its fleet of Boeing 787-8 aircraft.

The airline introduced The British Airways Club – a new way for Members to earn more Tier Points than ever before including spend on co-brand credit cards and when booking a British Airways Holidays. This new model better rewards BA's customers' loyalty and reflects their changing travel needs.

Plans to launch new routes to St Louis, British Airways' 27th US destination, were announced in 2025 along with Guernsey, UK and Tivat, Montenegro operations starting from 19 April and 14 May, as well as increased frequency to Miami, US and Kingston, Jamaica and upgrading Bangkok, Thailand to a year-round service. The airline also put on sale new routes in the summer for winter destinations to Rabat, Morocco, and Graz, Austria which started flights on 5th and 21st November.

The carrier also launched a complimentary Meet and Assist service for customers travelling from India to the UK, offering personalised support at departure and arrival. Since its inception, BA colleagues have supported more than 5,500 customers with check-in, airport navigation, boarding, and onward connections at London Heathrow, making travel smoother for those with accessibility needs.

As well as expanding its accessibility advisory panel, to further remove barriers in the customer journey, British Airways partnered with Hearlo, a mobile app designed for people with speech or hearing disabilities or who encounter communication barriers. The customised app is available in more than ten languages, including Spanish, Hindi and Arabic and allows customers to transcribe audio, convert text to speech, and translate in real time.

British Airways also won a number of prestigious awards, including three Business Traveller Awards for Best European Airline Cabin Crew, Best Airline between Europe and Africa and Best Airline between Europe and North America. The airline was voted Best Short-Haul Carrier by readers of The Times and The Sunday Times and landed the runner-up slot in the Best Long-Haul Carrier category. The airline's Proactive Customer Care team achieved Gold at the European Contact Centre and Customer Service Awards for Best Innovation in Customer Service.

Strategic report continued

Management review and outlook continued

Our Planet

In 2025, we continued to identify and deliver carbon reduction projects across our business, increase our usage of SAF and engage with government and industry on the scale up of carbon removals. We reduced our carbon intensity to 82.8 g CO₂/RPK, representing a 14% reduction versus our 2019 baseline. A key driver for this was the increased use of SAF across the airline. In 2025 SAF made up 4.5% of our total fuel usage, making British Airways the largest user of SAF within IAG.

British Airways chaired the Greenhouse Gas Removals task and finish group for the UK Government's Jet Zero Taskforce and through this supported to scale industry participation in the carbon removals market and advance advocacy to drive key policy support for greenhouse gas removals in aviation.

The airline has removed more than 380 tonnes of single use plastics (SUP) from onboard its fleet since 2022, representing 18 per cent of its baseline from the same year. There is more to do to remove SUP products from the customer experience, and designated teams are tackling the items with the largest SUP footprint first. This means working closely with suppliers to use less plastic packaging and replacing SUP with sustainable compostable alternatives, such as bamboo or paper wherever possible.

In 2025, British Airways undertook an external re-certification assessment process with the International Air Transport Association (IATA), successfully retaining the IATA Environmental Assessment (IEnvA) certification for its Environmental Management System. The scope of the previous certification includes Corporate Offices & Facilities, Global Flight Operations, and Maintenance, Repair & Overhaul (engineering functions). In 2025, it expanded its certification to include Ground Handling and the Wildlife module standards.

Thanks to the generosity of BA colleagues and customers, in 2025 the BA Better World Community supported 173 charities and projects. From May to December, all customer onboard donations are supporting the five BA Better World Community Fund principal partners – split equally between Alzheimer's Society, The Earthshot Prize, The King's Trust, British Red Cross, and the Disasters Emergency Committee (DEC). Between January to April, British Airways customers continue to support Comic Relief through our Flying Start partnership.

The airline supported the Myanmar Earthquake, Punjab Floods and Hurricane Melissa crisis appeals, raising valuable funds, delivering lifesaving supplies and transporting relief workers. British Airways colleagues participated in multiple fundraising events, such as the London City Airport fun runway challenge. To support local communities and prevent waste, BA works with charities such as Surplus to Supper to help bridge the gap between food waste and food poverty – this included donating 5,000 Christmas meals.

Government Affairs

British Airways' relationships with global governments are a critical part of the airline's business planning. In October, BA operated a charter flight to Mumbai on behalf of the UK Government, as part of a trade mission to celebrate the UK and India signing a trade agreement. On board the flight were 135 business leaders and 31 journalists, in addition to Downing Street support staff. During the flight the Prime Minister announced that British Airways would be increasing flights to Delhi in Winter 2026. The flight was met on arrival in India by the British High Commissioner, amongst other senior government officials.

Looking Forward

For British Airways, 2026 is about continuing to transform and innovate, unlocking the full benefits of the changes being made to improve operational and commercial performance. One of the commitments for 2026 is 'Find it, Fix it' in all areas of the business.

British Airways remains dedicated to delivering for customers and colleagues by operating an airline they can be proud of while maintaining a strong focus on cost management, safety, and operational efficiency.

The airline's management is proud of the progress made in 2025 and looks forward to delivering continued transformation in 2026, with the launch of the new First seat, Starlink WiFi, as well as a new BA website and app. The airline continues to drive change within its operation, invest in customer and colleague experience and consider the environmental impact at every stage, as it works to create a better British Airways for everyone.

Non-financial and sustainability information statement

Pursuant to the Companies Act 2006 s.414CA (7), British Airways is not required to include all requirements of the non-financial and sustainability information statement as a consolidated management report containing non-financial information has been included in IAG's Annual Report and Accounts for the year ended 31 December 2025.

British Airways' Climate-related financial disclosures are set out from pages 20 to 33 to meet the UK requirements of the Climate-related Financial Disclosure Regulations.

Strategic report continued

Financial review

The financial review provides a summary of the Group's financial results for the year ended 31 December 2025.

Summary financial performance

£ million	2025	2024	Higher/(lower)
Total revenue	14,679	14,568	0.8%
Total expenditure on operations	(12,449)	(12,508)	(0.5)%
Operating profit	2,230	2,060	8.3%
Total net non-operating credits	199	775	nm
Profit before tax	2,429	2,835	(14.3)%
Tax	(527)	(446)	18.2%
Profit after tax	1,902	2,389	(20.3)%

	2025	2024	Higher/(lower)
Available seat kilometres (ASK) (millions)	178,185	175,141	1.7%
Revenue passenger kilometres (RPK) (millions)	149,396	149,156	0.2%
Passenger load factor (%)	83.8	85.2	(1.4) pts
Passenger revenue per ASK ² (pence)	7.70	7.69	0.2%
Passenger revenue per RPK ² (pence)	9.18	9.03	1.7%
Non-fuel costs per ASK ² (pence) ¹	5.08	5.04	0.7%

¹ 2024 includes costs related to British Airways Holidays up until its sale on 1 April 2024. Excluding the cost base of British Airways Holidays from both years, Non-fuel costs per ASK would have increased by 2.4% on a like-for-like basis.

² This refers to alternative performance measures (APMs) which are considered as industry benchmarks. For the definition refer to the glossary.

Revenue

£ million	2025	2024	Higher/(lower)
Passenger revenue	13,722	13,466	1.9%
Cargo revenue	788	789	(0.1)%
Other revenue	169	313	(46.0)%
Total revenue	14,679	14,568	0.8%

Overall capacity for the year grew by 1.7% compared to 2024. However passenger load factors decreased by 1.4 percentage points to 83.8%. This translated to total passenger revenue for the year of £13,722 million (2024: £13,466 million), an increase of 1.9% compared to the same period in 2024. Passenger unit revenue (passenger revenue per ASK) was 0.1% higher than in 2024.

Cargo carried, measured in cargo tonne kilometres (CTKs), decreased by 1.3% with Cargo revenue remaining broadly flat compared to 2024.

Other revenue decreased by £144 million or 46.0% to £169 million (2024: £313 million), the majority of which is driven by ground services (including accommodation) following the sale of the British Airways Holidays business to Avios Group (AGL) Limited on 1 April 2024. British Airways Holidays revenue in 2024 was £147 million. Other revenue excluding British Airways Holidays increased by 1.7%.

Strategic report continued

Financial review continued

Operating costs

£ million	2025	2024	Higher/(lower)
Employee costs	3,142	2,876	9.2%
Fuel costs and emission charges	3,403	3,676	(7.4)%
Handling, catering and other operating costs	1,730	1,794	(3.6)%
Landing fees and en-route charges	1,120	1,098	2.0%
Engineering and other aircraft costs	857	852	0.6%
Property, IT and other costs	593	632	(6.2)%
Selling costs	409	430	(4.9)%
Depreciation and amortisation	1,243	1,136	9.4%
Net gain on sale of property, plant and equipment	(16)	(1)	nm
Currency differences	(32)	15	nm
Total Group expenditure on operations	12,449	12,508	(0.5)%
Less: Fuel costs and emission charges	(3,403)	(3,676)	nm
Total Group expenditure excluding fuel costs and emission charges	9,046	8,832	2.4%

Total expenditure on operations decreased by 0.5% or £59 million to £12,449 million (2024: £12,508 million) in 2025. Fuel costs decreased £273 million, or 7.4% to £3,403 million mainly due to lower fuel prices in 2025 compared to 2024 and stronger pound sterling versus US dollar in 2025. Average fuel price in 2025 was \$720/tonne compared to \$807/tonne in 2024.

Total Group expenditure excluding fuel costs and emission charges increased by 2.4% to £9,046 million (2024: £8,832 million). Employee costs increased by £266 million, or 9.2%, to £3,142 million largely due to the full year impact of new pay deals which were agreed with non-management colleagues and pilots in 2024 together with an increase in flying as capacity is gradually restored. Depreciation and amortisation costs increased by £107 million, or 9.4%, to £1,243 million arising on increased IT investment and further fleet deliveries. We categorise the remainder of our operating costs as supplier-related and at an overall level, these were broadly flat versus last year. This is as a result of benefits associated with BA's transformation programme and FX tailwinds, offsetting inflationary increases and an increase in flying related costs owing to higher capacity.

Exceptional items

There were no exceptional items recognised during the year ended 31 December 2025 (2024: £nil).

Total net non-operating credits

£ million	2025	2024	Higher/(lower)
Finance costs	(387)	(443)	(12.6)%
Finance income	109	123	(11.4)%
Net financing credit relating to pensions	71	54	31.4%
Net currency retranslation credit	(34)	1	nm
Share of profits in investments accounted for using the equity method	429	358	19.8%
Gain on sale of investments	-	654	nm
Other non-operating credits	11	28	(60.7)%
Total net non-operating credits	199	775	nm

The Group's total net non-operating credit for the year was £199 million (2024: £775 million). The decrease compared to 2024 is driven by a Gain on sale of investments of £654 million in 2024 relating to the sale of the British Airways Holidays business not repeating in 2025. The decrease in finance costs of 12.6% or £56 million compared to 2024 is largely driven by the cancellation of two \$1bn UKEF facilities and \$1.3bn former RCF in 2024, replaced with a new \$2.4bn RCF at a more favourable interest rate. Other non-operating credits include income received from other equity investments of £11 million (2024: £6 million) and a credit of £nil (2024: credit of £22 million) relating to derivatives not qualifying for hedge accounting.

Taxation

The tax charge for the period was £527 million (2024: £446 million charge). The effective rate for the period was 21.7% (2024: 15.7%) being lower (2024: lower) than the tax charge (2024: tax charge) at the standard UK corporation tax rate of 25.0% (2024: 25.0%) mainly due to the share of associates' profits (2024: share of associates' profits and the non-taxable gain on the sale of British Airways Holidays Limited). Refer to note 8 for further detail.

Strategic report continued

Financial review continued

Capital expenditure

Acquisition of property, plant, equipment and intangible assets in the period amounted to £1,695 million (2024: £1,718 million) which included £1,219 million (2024: £1,322 million) of fleet related (aircraft, aircraft progress payments, spares, modifications, heavy maintenance costs and refurbishments) and £476 million (2024: £396 million) on software, equipment and property. During the year the Group took delivery of thirteen new aircraft, including a B787-10, seven A320neo, and five A321neo (2024: thirteen aircraft comprising an Airbus A350-1000, four B787-10's, six A320neo and two A321neo aircraft).

Dividend

British Airways paid dividends of £916 million in 2025 (2024: £530 million). No dividends were declared and unpaid as at 31 December 2025.

Liquidity

The Group's liquidity position decreased by £367 million to £3,663 million at 31 December 2025 (31 December 2024: £4,030 million), comprising cash and cash equivalents of £1,593 million (2024: £1,624 million), other current interest-bearing deposits of £260 million (2024: £470 million), £1,810 million of undrawn committed general facilities (31 December 2024: £1,936 million) and no undrawn committed aircraft facilities (31 December 2024: £nil). Net debt¹ decreased to £5,424 million at 31 December 2025 (31 December 2024: £6,388 million).

Throughout the year the airline continued to strengthen its balance sheet and is regarded as investment grade by several credit ratings agencies.

Pensions

The Group operates two significant defined benefit pension schemes, the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS'), both of which are in the UK and are closed to new members. British Airways closed NAPS to future accrual from 31 March 2018. The main defined contribution scheme is the British Airways Pension Plan ('BAPP'). The most recent triennial actuarial valuation discussions with effective dates of 31 March 2024 were concluded for APS and NAPS in 2025.

APS remained in a technical provisions surplus as at 31 March 2024, being the date of the last completed triennial valuation, of £153 million (31 March 2021: £295 million).

NAPS confirmed a technical provisions surplus of £1.73 billion as at 31 March 2024 (31 March 2021: £1.65 billion deficit). Given the latest valuation shows the scheme as being in a surplus position, it has been agreed that BA is not required to pay additional contributions to the scheme. There will be no future requirement for contributions from BA unless a future triennial valuation shows the scheme has fallen into a deficit position.

As part of the scheme funding agreement between British Airways and the NAPS Trustee associated with the 31 March 2024 valuation, there is no longer a restriction on dividend payments to IAG.

As part of the triennial valuation as at 31 March 2024 for NAPS, British Airways has agreed to provide certain property assets as security, which BA anticipates will remain in place until 30 September 2028.

¹ This refers to alternative performance measures (APMs) which are considered as industry benchmarks. For the definition refer to the glossary.

Strategic report continued

Principal risks and uncertainties

The highly regulated and commercially competitive environment, together with the operational complexity in the aviation sector and reliance on critical third parties for the provision of goods and services, exposes BA to risks, where its influence and ability to directly manage the risks may be limited, particularly with increased digitalisation and integration across the supply chain. Examples include aircraft, engines and component availability; delays in airframe and engine manufacturer production; issues with fleet and engine performance and reliability; the wider ongoing fundamental weaknesses in the resilience of the supply chain; air traffic control (ATC) restrictions; underperformance at airports, particularly London airports; the impact of resource gaps, industrial unrest or strikes; measures taken by governments including protectionism towards domestic economies, tariff regimes or policy proposals that increase taxes or charges applied to airlines or that could impact BA's ability to set capacity and/or pricing.

External threats which remain heightened include: lack of growth or sub-par performance risk, threat of shifts in trade or business driven by tariffs, airframe and engine manufacturer production and after care support capability; cyber threat risk; increases in inflation or interest rates on demand and customer confidence; higher costs in the supply chain; expansion plans at Heathrow and Gatwick; and the impact of escalating and ongoing geopolitical tensions and conflict in various regions. All of these could impact our customers and flight operations as well as creating further airspace restrictions.

In assessing its principal risks, BA has considered its operational and technical resilience, response plans to adapt to unplanned events, including airspace closures or disruption, cyber events or increased friction and delays in the supply chain; maintenance capacity and specialist resource requirements; the status of the financial markets; customer mix changes and route network adaption, political risk and government policy changes, including policy shift or greater protectionism; pace of transformation, Artificial Intelligence (AI) adoption and the impact to workforce and future skillsets; managing the cost base; BA's industrial relations landscape and challenges in securing collective agreements; and people engagement and securing talent and expertise to deliver digitalisation, end-to-end domain transformation, managing planned growth and embed cultural change.

Business responses implemented by management and that effectively mitigate or reduce the risk are reflected in BA's latest business plan and related risk scenarios. The BA Management Committee and the IAG Group Head of Enterprise Risk review the risk heatmap bi-annually to ensure that risks are appropriately evaluated, and any further actions identified. This is then reported to the BA Board to assist in the management of risk. BA escalates risks that have an IAG group-wide impact or require IAG consideration in line with the IAG Enterprise Risk Management (ERM) framework.

Where there are particular circumstances that mean that the risk is more likely to materialise, those circumstances are described. Additional key business responses implemented by management are also set out.

The list is not intended to be exhaustive but does reflect those risks that the BA Board and BA Management Committee believe to be the most likely to have a potential material impact on BA during the plan period.

Strategic report continued

Principal risks and uncertainties continued

Brand, customer and competition	
<p>Status Customer sentiment to travel and their expectations when they travel are intrinsic to brand health. BA's ability to attract and secure bookings and generate revenue depends on our customers' perception of and affinity with the BA brand and reputation for customer service and value. Operational resilience and customer satisfaction underpin customer trust. The BA brand is, and will continue to be, vulnerable to adverse events impacting service and operations, many of which remain outside of BA's control. Reliability and consistency of service and product delivery, including on-time performance (OTP), and customer support through disruption, are key elements of brand value and of each customer's experience.</p> <p>BA continues to embed and optimise operational resilience and further develop disruption management capabilities and customer communication through each journey in light of the extent of the ongoing external disruption due to ATC restrictions, lack of resilience at London airports and industry-wide third-party resilience supply delays, particularly over aircraft availability and engine availability and reliability. BA remains focused on strengthening its customer-centricity and seeks to support its customers through any disruption including schedule adaptations where required. The resilience and engagement of its people as customer service ambassadors to deliver excellent customer service combined with investment in new fleet, cabin and service propositions, helps ensure that our customers choose to fly with BA.</p> <p>BA continues to adapt and focus its business model, product and customer proposition to meet changing customer expectations and needs (including those with additional needs). The potential for distortionary effects of government policy and/or aviation-specific taxation or other regional or country-specific measures on the competitive landscape continue to be monitored. These include increases in Air Passenger Duty (APD) or fragmented application of mandates or policies on carbon offsets.</p>	
Risk description	Mitigation
<p>Erosion of the brand and customer trust through poor customer service or lack of reliability in operations, may adversely impact BA's leadership position with customers and ultimately affect future revenue and profitability.</p> <p>If BA is unable to meet the expectations of its customers and does not engage effectively to maintain their emotional attachment, then BA may face brand erosion and loss of market share.</p> <p>Some of the markets in which BA operates remain regulated by governments, in some instances controlling capacity and/or restricting market entry. Changes in such restrictions may have a negative impact on margins.</p> <p>Regulatory or policy changes may create competitive distortion, impacting BA and its competitiveness or business model.</p>	<p>Brand initiatives have been identified and are aligned to the plan.</p> <p>Product investment to enhance the customer experience supports the brand proposition and is provided for in the plan.</p> <p>BA tracks and reports internally on its OTP and Net Promoter Score (NPS) to measure customer satisfaction.</p> <p>Reviews of resilience, resourcing levels and schedule operability.</p> <p>Enhanced disruption management tools to allow customers to manage their travel preferences.</p> <p>Increased focus on the end-to-end customer journey from flight search through to arrival and baggage reclaim.</p> <p>BA is investing in ba.com functionality to allow customers to contact BA more effectively.</p> <p>LAG Loyalty and BA loyalty strategy builds customer loyalty.</p> <p>Investment in revenue management systems allows BA's revenue management departments to optimise market share and yield through pricing and inventory management activity.</p> <p>BA maintains rigorous cost control and targeted investment to remain competitive.</p> <p>BA is focused on customer centricity and operational resilience.</p>

Strategic report continued

Principal risks and uncertainties continued

Critical third parties in the supply chain	
<p>Status The aviation sector continues to be affected by global supply chain disruption, which has impacted new aircraft deliveries; engine and component availability and reliability; resource availability and/or threat of industrial action in critical third parties and airport services; the resilience of airports, particularly London airports and their ability to adapt to a high demand environment with increasing airport congestion; and ATC capability and restrictions, particularly given skillset shortages and weather events.</p> <p>BA proactively assesses its schedules for operability and works with all critical suppliers to understand any potential disruption within their supply chains caused by either a shortage of available resource, strike action or production delays which could impact the availability of new fleet, engines or critical goods or reliability of critical services to support IT transformation and delivery. Focus has been placed on key suppliers to understand any business or operational continuity impacts, and where possible identify other suitable suppliers. BA continues to be impacted by availability and performance issues with Rolls-Royce Trent 1000 engines, which is mitigated by using replacement aircraft and invoking remedy support from the engine manufacturer.</p> <p>Many elements of the supply chain remain outside of BA's ability to directly manage, including aircraft deliveries and availability of components, airports performance, ATC resilience and airspace availability.</p> <p>BA and IAG continue to consult stakeholders and raise awareness of the negative impacts of ATC airspace restrictions on the aviation sector with the continued closure of airspace driven by geopolitical events.</p> <p>In November, the UK government selected the third runway proposal scheme to inform the expansion decision and the government's review of the Airports National Policy (ANPS) statement. IAG continues to challenge unreasonable levels of increases in airport charges or inefficient expansion plans, especially at London Heathrow. An uncontrolled increase in the planned cost of expansion, could result in increased landing charges, making the airport uncompetitive versus other European hubs and impact on traffic and network, growth and fleet decisions.</p>	
Risk description	Mitigation
<p>BA is dependent on the timely entry of new aircraft and the engine performance of aircraft to improve operational efficiency, maintain resilience in flight operations and to meet the commitments of the IAG's sustainability programme.</p> <p>BA is dependent on the timely, on-budget delivery of infrastructure and airspace changes. An inefficient Heathrow expansion plan could see increased passenger and operational costs, reducing direct and connecting traffic.</p> <p>BA is dependent on resilience within the operations of ATC services to ensure that its flight operations are delivered as scheduled.</p> <p>BA is dependent on the performance and costs of critical third-party suppliers that provide services to its customers, such as airport operators, border control and caterers. Increases in costs or where suppliers face financial stress may impact BA's operations.</p> <p>BA is dependent on the availability and production of alternative fuels to meet its carbon reduction commitments.</p>	<p>BA mitigates engine and fleet performance risks, including delays to delivery and unacceptable levels of carbon emissions, to the extent possible by working closely with the engine and fleet manufacturers, as well as retaining flexibility with existing aircraft return requirements and aircraft lessors.</p> <p>BA is particularly sensitive to Heathrow and Gatwick charges and how infrastructure developments are prioritised at these airports. BA and IAG engage in regulatory reviews of supplier pricing, such as the UK Civil Aviation Authority's periodic review of charges at London Heathrow and London Gatwick airports.</p> <p>BA proactively works with suppliers to ensure operations are maintained and the impact to their business understood, with mitigations implemented where necessary and inflation minimised.</p> <p>Alternative suppliers are identified where feasible.</p> <p>Transformation initiatives have been identified to offset inflation.</p>
Data and cybersecurity	
<p>Status The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences, particularly through social engineering and human behaviours. The threat of malware attacks on critical infrastructure and services remains high due to ongoing geopolitical tensions, with BA exposed to threat actors targeting the airline and its suppliers.</p> <p>BA continues to improve its cybersecurity posture, either through major IT transformational change or additional monitoring tools; and is focused on better understanding the risk presented by its suppliers.</p> <p>The regulatory regimes associated with data and infrastructure security are also becoming more complex with different regulators applying different framework approaches and guidance for reporting. BA is subject to the requirements of privacy legislation such as GDPR and the Network and Information Systems Directive (NISD).</p> <p>The emergence and usage of AI to enhance existing tactics, techniques and procedures, produce phishing emails and deploy malware has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering or cyberattacks, with high profile attacks across different industries, particularly those with complex, interconnected supply chains.</p> <p>Investment in cybersecurity systems and controls continues as planned, although addressing the risk is also dependent on business capacity and the delivery of solutions to address technical obsolescence. All planned investment is linked to an IAG group-wide maturity assessment based on the National Institute of Standards and Technology (NIST) cybersecurity framework, a leading industry standard benchmark. Data centre migration activity to the Cloud at BA will further help to improve the security controls environment. As BA improves its security posture and maturity, it better understands the rapid nature of potential attack vectors and how to detect and respond to them.</p>	

Strategic report continued

Principal risks and uncertainties continued

Data and cybersecurity continued	
Risk description	Mitigation
<p>BA could face financial loss, disruption or damage to brand reputation arising from an attack on BA's systems by criminals, foreign governments or hacktivists.</p> <p>If BA does not adequately protect customer and employee data, it could breach regulation and face penalties and loss of customer trust.</p> <p>Transformation or changes in environments for BA and its third-party suppliers could result in new weaknesses in the cyber and data security control environment.</p> <p>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, both for BA and its supply chain.</p> <p>BA fails to meet AI regulations, particularly as it emerges, from different geographical regions.</p> <p>Lack of accuracy or insufficient human oversight of AI could increase the risk of data misuse.</p> <p>Increased digitalisation and integration with suppliers could increase the risk of contagion from third-party breaches or a cyberattack, including unauthorized access to BA systems or data.</p>	<p>IAG has a Board approved cyber strategy that drives investment and operational planning.</p> <p>BA operates under the IAG cyber risk management framework.</p> <p>BA's Cyber Governance Board assesses its portfolio of cyber projects.</p> <p>The IAG Chief Transformation and Procurement Officer provides assurance and expertise around strategy, policy, training and security operations for BA.</p> <p>External attack surface monitoring and threat Intelligence is used to analyse cyber risks to BA.</p> <p>External benchmarking exercises conducted on cyber posture.</p> <p>Regular cyber awareness training run by BA, including annual mandatory training on cyber risk and data protection for all staff.</p> <p>Oversight of critical systems and suppliers to ensure that BA understands the data it holds, that it is secure, and regulations are adhered to.</p> <p>BA has a Data Protection Officer in place, and they coordinate activities through the IAG Privacy Steering Group.</p> <p>All third-party suppliers must adhere to IAG security requirements within any revised security protocols.</p> <p>Desktop and simulated exercises to test business response plans.</p>
Economic, political and regulatory environment	
<p>Status Geopolitical risk and uncertainty remains high and wider macroeconomic events may continue to drive market volatility, impacting demand. BA continues to monitor the implications for trade and any imposition of baseline or other tariffs that may disrupt economic confidence, relative purchasing power and drive cost inflation. Increased regulation and political intervention drive increased levels of cost and impact BA's ability to set capacity and pricing, which may impact its revenue streams and business model. The rise of populist governments and government policy globally sees increased protectionism which could result in market or competitive distortion and a trend for increased scrutiny from regulators and tax authorities which could see changes that increase BA's costs.</p> <p>The tone of dialogue between the US, Russia, China and the UK which can influence markets and result in imposition of misaligned policies or tariffs and any potential impact to BA is kept under review.</p> <p>Ongoing conflicts, wars, political instability and heightened tensions across the Middle East and elsewhere continue to cause airspace restrictions and congestion for flows to Asia.</p> <p>Recent supply chain disruptions have occurred in many markets and the level of disruption and potential impacts are considered. BA also considers elections or government policy changes in key markets and the implications for trade, respective economic health and how governments view the aviation industry. Any imposition of new tariffs or increased baseline tariffs could result in further stress on the global supply chain, particularly for aircraft and engine production, or create inflationary cost environments</p> <p>Developments in relevant international relationships, where they affect air services agreements to which the UK is party, are monitored throughout the year and BA's position advocated with the relevant national governments. Any proposals to set floor or ceiling caps on pricing, including the scope of ancillaries that airlines may be allowed to charge their customers for, may impact the ability to freely set pricing, sell ancillaries to meet customer needs and/or set capacity.</p> <p>BA and IAG have worked through trade associations and IATA, as well as national governments to put their case on issues of importance of aviation to international trade and customer connectivity and the value that it brings.</p> <p>Any further macro-economic trends or potential requirements arising from disparity in policy or regulation between the EU and UK are monitored by the IAG Government Affairs function.</p>	

Strategic report continued

Principal risks and uncertainties continued

Economic, political and regulatory environment continued	
Risk description	Mitigation
<p>Economic deterioration or structural change in either a domestic market, key customer segment or the global economy may have a material impact on BA's financial position, while foreign exchange, fuel price and interest rate movements create volatility.</p> <p>Failure to adequately plan for and be able to respond to uncertainty driven by geopolitical or market events or health-related concerns impacts the operations, costs and customers of BA.</p> <p>Changes in government may result in a change in sentiment to aviation and access to markets.</p> <p>Government policy asymmetry impacting a domestic market could increase the burden of regulation and cost to BA's passengers.</p>	<p>The BA Board and BA's Management Committee review the financial outlook and business performance through the monthly trading results, financial planning process and quarterly reforecasting process.</p> <p>Reviews to assess and drive BA's financial performance through the management of capacity, together with appropriate cost control measures including the balance between fixed and variable costs, management of capital expenditure, and actions to improve liquidity.</p> <p>External economic outlook, fuel prices and exchange rates are carefully considered when developing strategy and plans and are regularly reviewed by the BA Board and BA's Management Committee as part of business performance monitoring.</p> <p>IAG and BA engages with its regulators, governments and other political representatives and trade associations to help represent the views and contribution of BA and aviation to society and economies.</p> <p>BA has increased its focus on enhanced disruption management tools to increase operational resilience to restrictions e.g. capacity constraints at airports or health-related measures.</p> <p>IAG's Government Affairs function, in conjunction with BA's Corporate Affairs team, monitors government initiatives, represents BA's interest, forecasts likely changes to relevant laws and regulations and responds to consultations on regulatory change or policy that could impact the aviation industry or create competitive distortion.</p>
Financial risk	
<p>Status Access to the secured and unsecured debt markets may be disrupted by geopolitical and economic uncertainty, impacting interest rates available to BA.</p> <p>Fuel cost volatility driven by geopolitical events is partly mitigated by fuel hedging. Reduced access to fuel hedging instruments or the inability to pass increased fuel costs on to consumers could impact BA's profits. BA continues to assess the strength of the US dollar against pound sterling and the potential impacts on BA's operating results. BA hedges currency risk in line with the IAG Treasury hedging policy.</p>	
Risk description	Mitigation
<p>Failure to finance ongoing operations, committed aircraft orders and future fleet growth plans.</p> <p>Higher interest rates in the market, or more restrictive terms, for new finance arrangements or refinancing may impact BA's floating finance debt, floating operating leases and cost base.</p> <p>Failure to manage the volatility in the price of oil and petroleum products.</p> <p>Failure to manage currency risk on revenue, purchases, cash and borrowings in foreign currencies other than BA's local currency of pound sterling.</p> <p>Failure to manage the financial counterparties' credit exposure arising from cash investments and derivatives trading.</p> <p>BA is exposed to tax risks arising from either changes to tax legislation or challenges by tax authorities on the interpretation or application of tax legislation.</p> <p>BA is exposed to the risks of operating underfunded defined benefit schemes.</p>	<p>The BA Board and BA Management Committee review BA's financial position regularly.</p> <p>BA has maintained its clear focus on managing liquidity and ensuring that critical investment is maintained.</p> <p>BA's Chief Financial & Transformation Officer, in conjunction with IAG Treasury, regularly reviews BA's fuel, interest rate and currency positions.</p> <p>BA hedges in line with the IAG hedging policy under IAG Treasury oversight.</p> <p>BA reviews routes to countries with exchange controls to monitor delays in the repatriation of cash and/or the risk of material local currency devaluation.</p> <p>BA has a financial counterparty credit limit allocation by type of exposure and monitors the financial and counterparty risk on an ongoing basis.</p> <p>BA has a trapped cash review policy to monitor cash balances which may be subject to government or central bank restrictions for certain countries.</p> <p>Tax risk is managed by BA in conjunction with the IAG Tax function and takes expert advice on tax matters as required.</p> <p>Management regularly reviews the funding status of its pension schemes and is in regular dialogue with the schemes' Trustees on funding and investment decisions.</p>

Strategic report continued

Principal risks and uncertainties continued

Operational and IT resilience	
<p>Status Shortages in the supply chain; airspace and ATC restrictions; availability of experienced licensed resource, including engineers and pilots; industrial unrest or strike action, combined with goods availability shortages and fragility and delays over delivery in the supply chain, especially over engines availability, can all impact BA's operational environment and its customer experience. This increases the costs of running operations to provide additional resilience, as well as impacting the costs and operations of the businesses on which BA relies. BA is focused on minimising any unplanned schedule changes or flight cancellations with additional buffers and resilience built into its network. End-to-end domain transformation reviews seek to optimise processes, better utilise data for decision making and deliver efficiencies.</p> <p>BA continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estate. The IAG Chief Transformation and Procurement Officer works with BA to ensure appropriate prioritisation and investment, to maximise value from IT investment, and to provide oversight and challenge over ambition and pace of delivery.</p> <p>BA is progressing with its digitalisation agenda, migration to the Cloud from on-premises data centres, remediation and transformation of its networks and addressing obsolescence. It has moved more resources into product teams more closely aligned to business needs. BA is reliant upon the resilience of its systems and networks for key customer and business processes and is exposed to risks that relate to poor performance, vulnerability or failure of these systems. This includes major programmes and upgrades to modernise, including new commercial capabilities and customer-centric enhancements using agile based models, as well as replacing core IT infrastructure and improving network connectivity and reducing redundancy. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans for the go-live of IT systems-related changes with focus on minimising unplanned outages.</p>	
Risk description	Mitigation
<p>BA is reliant on critical third parties to deliver goods and services to maintain operations and any failure of the level of service or reliability and delivery of goods may impact resilience and BA customers.</p> <p>The ATC infrastructure and resource model does not adapt and optimise aircraft movements, impacting operations.</p> <p>Lack of resilience or provision of airport services at London or other key or constrained airports impacts operational resilience.</p> <p>Ongoing engine availability and performance problems create operational complexity and additional costs.</p> <p>An event causing significant network disruption or the inability to promptly recover from short-term disruptions may result in lost revenue, customer disruption and additional costs.</p> <p>Public health concerns impacting populations at scale could see an adverse effect on BA where governments choose to impose restrictions, as would any other material event impacting customers, employees, the supply chain and flight operations.</p> <p>The dependency on IT systems and networks for key business and customer processes is increasing and the failure of a critical system may cause significant disruption.</p> <p>Obsolescence within legacy infrastructure could result in service outages and disruption.</p>	<p>Management has business continuity plans to mitigate this risk to the extent feasible, with focus on operational and financial resilience and customer and colleague safety and recovery.</p> <p>BA has standby aircraft and crew in place.</p> <p>Resilience to minimise the impact of ATC airspace restrictions, poor performance or constraints at airports and/or strike action on BA's customers and operations is in place.</p> <p>BA focused on developing customer disruption management tools to help its customers in times of disruption.</p> <p>BA works to deliver digital and IT change initiatives to enhance security and stability.</p> <p>Robust portfolio process to determine the right investments across BA. BA's IT governance board reviews delivery timelines.</p> <p>Reversion plans are developed for migrations of critical IT infrastructure.</p> <p>System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure.</p>

Strategic report continued

Principal risks and uncertainties continued

People, culture and employee relations	
<p>Status BA's people and their engagement, cultural appetite and mindset for change are critical to BA's current performance and future success. BA recognises the efforts of its staff and their commitment through the continued operational challenges facing the airline. Shortages in technical licensed staff across the aviation sector and in BA may impact maintenance delivery timelines unless resource levels can be secured. Additionally, pilot entry is critical to keep the operations resilient and meet future growth plans.</p> <p>Across BA, collective bargaining is in place with various unions. Where agreements are open, BA engages in discussions with unions, to address concerns arising within the negotiations, manage customer disruption and enable BA to secure sustainable collective agreements and growth. BA continues to monitor potential changes to employment legislation to ensure compliance.</p> <p>BA is focused on staff wellbeing and people morale and motivation, and initiatives to build trust and engagement continue. BA has identified the skills and capabilities that are required to manage its transformation. BA recognises the critical role that employees will play in its transformation and future success and is focusing on improving organisational health and employee engagement. BA maintains its focus on behaviours and compliance with key regulations.</p>	
Risk description	Mitigation
<p>Any breakdowns in the bargaining process with the unionised workforces may result in subsequent industrial or strike action which may disrupt operations and adversely affect business performance and customer perceptions.</p> <p>BA's people are not engaged, or they do not display the required leadership or cultural behaviours.</p> <p>BA fails to attract, motivate, retain or develop its people to deliver service and brand experience.</p> <p>Critical skillsets are not in place to execute on the required transformation plan or to exploit innovation and AI opportunities and drive the business forward.</p> <p>Technical licensed staff, including pilots and engineers, need to be secured to maintain operations.</p> <p>BA is exposed to the risk of an individual employee's or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses.</p>	<p>Ongoing information sharing, consultation and collective bargaining with unions across BA takes place on a regular basis, led by human resources specialists, who have a strong skillset in industrial relations.</p> <p>Ensuring that remuneration is aligned to local markets in terms of productivity and pay.</p> <p>BA people strategy in place, with succession plans developed.</p> <p>Focus on recruiting and developing skills to run and transform the business.</p> <p>BA is investing in apprenticeship programmes and retention initiatives to develop and secure critical skillsets.</p> <p>Engagement and organisational health surveys have been conducted with action plans developed to create a positive and inclusive culture.</p> <p>Access to support individuals' wellbeing.</p> <p>BA has clear frameworks in place, including comprehensive policies designed to ensure compliance.</p> <p>IAG Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas.</p> <p>'Speak Up' and whistleblowing channels are available.</p>
Safety and security and other regulatory compliance	
<p>Status The BA Safety Board continue to monitor the safety performance of BA. The safety and security of customers and employees are fundamental values for BA. Any failure to prevent or respond effectively to a major safety or security incident could impact the BA brand and result in regulatory censure.</p> <p>IAG continues to embed its compliance framework. Refreshed training materials have been rolled out across BA.</p> <p>BA maintains its focus on compliance with key regulations, and mandatory training programmes have continued through the year.</p>	
Risk description	Mitigation
<p>A failure to prevent or respond effectively to a major safety or security incident or intelligence may adversely impact BA's brand, operations and financial performance.</p> <p>A failure to meet legal or regulatory standards may result in breach with the potential to hurt or impact our customers, employees, or third parties, or impact our operations, and lead to reputational damage, fines or losses to BA.</p>	<p>BA's Safety Board satisfies itself that BA has the appropriate resources and procedures, which include compliance with Air Operator Certificate requirements.</p> <p>BA has comprehensive training and maintenance programmes in place, supported by a just culture environment, where everyone is accountable for their actions, and their performance is reflective of the knowledge, behaviours and skills they have.</p> <p>There is ongoing security engagement with airports, regulators and public authorities across BA's network.</p> <p>Incident centres respond in a structured way in the event of a safety or security incident or intelligence.</p> <p>BA has clear frameworks in place, including comprehensive policies designed to ensure compliance.</p> <p>Compliance, human resources and legal professionals specialising in competition law, anti-bribery and other legislation and regulations that apply to BA, support and advise the business.</p> <p>IAG's Code of Conduct is supported by annual awareness programmes and mandatory training, with additional focus for higher-risk areas.</p> <p>'Speak Up' and whistleblowing channels are available.</p>

Strategic report continued

Principal risks and uncertainties continued

Sustainable aviation	
<p>Status BA is committed to the IAG target of Net Zero carbon emissions across its operations and supply chain by 2050. The IAG Procurement function has a key role to play in ensuring delivery of the Scope 3 commitment for the Group with supplier sustainability ratings and sustainability clauses in supplier contracts key considerations for future contract negotiations and renewals.</p> <p>Plans implemented by the UK, EU and US governments to decarbonise aviation have resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which BA operates. SAF infrastructure and availability still lags demand, impacting the ability to achieve the aviation industry's carbon reduction commitments. Mandates and other tax-based measures may disproportionately impact BA versus its competitors.</p> <p>BA has agreed deals for the production of SAF to meet IAG's target for its use on the path to decarbonisation. Overall aviation industry requirements will require infrastructure investments across markets to support the production of SAF to meet demand expectations. Industry-wide new fleet entry delays may also impact fuel efficiency.</p> <p>BA continues to model potential impacts and costs, with mitigation plans embedded into strategic and financial planning. BA completed a double materiality assessment in the year as part of IAG's Corporate Sustainability Reporting Directive reporting requirements.</p> <p>IAG continues with its assessment of climate-related risks under the Task Force on Climate-related Financial Disclosures (TCFD) guidelines, by testing and revising its assumptions against updated forecasts for future business growth, the regulatory context and future carbon pricing. BA has embedded forecasting of its climate impacts into its strategic, business and financial planning processes and has assessed that it is resilient to material climate-related impacts.</p>	
Risk description	Mitigation
<p>Concern about climate change and the impact of carbon affects BA's performance as customers seek alternative methods of transport or reduce their levels of travel.</p> <p>New taxes, changes in government policy, the potential removal of aviation jet fuel tax exemptions and increasing price of carbon allowances impact on price and demand.</p> <p>The airline industry is subject to fragmented regulatory requirements and policy asymmetry driving costs, and operational complexity, as well as the potential for competitive distortion between airlines and sub-optimal outcomes for the planet.</p> <p>Demand exceeds supply to meet sustainable fuel mandates or infrastructure and production is not available in the markets that BA serves.</p> <p>SAF policy fragmentation results in different in-scope allowances across markets, distorting the competitive environment and levels of carbon costs.</p> <p>BA may face an increasing challenge by external parties over decarbonisation when utilising offsets to meet compliance obligations.</p> <p>Increasing severity of weather events results in operational and customer disruption.</p>	<p>IAG climate change strategy to meet target of Net Zero carbon emissions by 2050.</p> <p>IAG's commitment to SAF usage, with BA continuing to secure mid- and long-term supply agreements.</p> <p>Fleet replacement plan is introducing aircraft into the fleet that are more carbon-efficient.</p> <p>Participating in CORSIA, the ICAO global aviation carbon offsetting scheme, EU ETS and UK-ETS emission trading schemes.</p> <p>Horizon scanning for potential partners and technology.</p> <p>Engagement across UK and global trade associations to shape effective climate policy and drive support for low-carbon solutions.</p>

Strategic report continued

Principal risks and uncertainties continued

Transformation, innovation and AI	
<p>Status BA continues to focus on its cost base to offset price increases in the supply chain, particularly costs from fleet and engine manufacturers and the additional costs of resilience, to ensure that BA is well prepared for any further external headwinds that may impact the aviation industry. Opportunities for AI adoption to drive efficiencies and better insights have been identified across BA with business cases and implementation subject to guardrails to help protect against unexpected outcomes. The people impact of change and the talent and skillsets needed for the future size and shape of BA are considered as part of BA's transformation and innovation programmes.</p> <p>BA has an established Transformation Programme Management Office which has oversight of an agreed portfolio of initiatives focused on improving customer service, revenue and cost efficiency, and the transformation mindset is becoming part of its culture. Many of the programmes are multi-year and all are subject to the ongoing review and investment approvals that include the BA Board as per the governance structure. This has strengthened BA's focus on addressing its legacy estates to deliver digital customer experiences.</p>	
Risk description	Mitigation
<p>Failure to transform the business to effectively deliver cost-efficiency initiatives, maintain or grow share in the new competitive environment, fully implement all programmes across BA and realise the benefits of the change initiatives to deliver BA's digital platforms and customer propositions.</p> <p>The pace of change may expose BA to execution risk as multiple initiatives are delivered across processes and systems that serve its operations and customers.</p> <p>The impact on BA's people of the wide-ranging change agenda, if poorly managed or uncoordinated, could lead to logistical and engagement challenges, with the potential to negatively impact NPS, revenue and efficiency benefits.</p> <p>Further simplification, optimisation and efficiencies from end-to-end domain transformation are not delivered.</p> <p>Competitors, or new entrants, may invest and innovate deploying digital technologies, AI, sustainability initiatives and/or platforms ahead of BA.</p> <p>Technology disruptors may use tools to position themselves between BA's brand and its customers.</p> <p>The levels of data capture, data storage and security and availability of data, are not sufficient and ready to exploit AI use cases.</p> <p>Lack of accuracy or insufficient human oversight of AI tools and agentic AI development and outputs within technical teams and by BA employees could result in errors, suboptimal business decisions or reputational or brand impacts.</p> <p>BA does not understand the scope or depth of the use of AI and agentic AI across its business and third parties as its prevalence accelerates.</p>	<p>Consistent core metrics and dashboard reporting is used to assess performance against plan.</p> <p>The dashboard and progress against delivery is assessed regularly. BA's transformation agenda is subject to BA Board approval.</p> <p>IAG AI governance committee to assess AI initiatives to allow BA to exploit AI capabilities, with a mirrored structure in BA.</p> <p>BA communicates to employees on change initiatives and changes that may affect them.</p> <p>Consideration is given to BA's sustainability commitments and agenda for all programmes.</p> <p>Any potential changes that could impact the brand are reviewed to mitigate against reputational and brand damage.</p>

Strategic report continued

Section 172 statement

During 2025, the Board of British Airways plc ("The Board") and committees of British Airways Plc acted in good faith to promote the success of the Company for the benefit of its members as a whole, having regard to the matters set out in section 172(1)(a)-(f) of the Companies Act 2006 (CA 2006).

Board Oversight and Decision-Making

The Board receives regular reports on stakeholder engagement and considers these, alongside other Section 172 matters, in all principal decisions. In 2025, the Board received monthly written update reports from around the business including operations, engineering, subsidiaries, customer, commercial and financial performance. The reports include KPIs that impact key stakeholders and flag any material issues for board oversight.

All papers and updates from management must address relevant Section 172 factors and consider differing stakeholder views, which are challenged and debated. In each case, the Board considered stakeholder feedback, alternatives, risks, and the need to maintain high standards of business conduct and fairness between members. Where interests conflicted, the Board sought to balance short-term impacts with long-term value creation.

Stakeholder Engagement and Impact

The Directors consider that the following groups are the Company's key stakeholders.

<p>Customers</p> <p>Customers are central to British Airways' success.</p> <p>Their expectations and feedback shape the Company's products, services, and investment decisions. Meeting customer needs drives revenue, brand loyalty, and competitive advantage, making them critical to long-term growth.</p> <p>The Board reviewed customer feedback, NPS data, and complaints data, leading to targeted investment decisions including fleet, product, connectivity and technology. The strategic report on pages 2 to 8 details the investment in customer experience delivered in 2025.</p>
<p>Workforce</p> <p>Engaged and motivated employees are essential to the success of the Company.</p> <p>The Board recognises that workforce well-being and development impact performance and customer experience. The Board considers results from the RealtyCheck and Organisational Health Index ("OHI") surveys which leads to significant changes and investment across the business, including investment in new equipment, technology and upgraded work areas.</p> <p>Employees receive regular updates on the industry, the Company and its performance through emails, the intranet and the CEO's vlog. In 2026, the Board has planned visits to different areas of the business to meet with colleagues and gain insight into the challenges faced by colleagues on a day-to-day basis.</p> <p>The Director's Report on page 34 explains how the Company engages with the workforce.</p>
<p>Suppliers</p> <p>BA is dependent on the performance of key suppliers that provide goods and services to the Company and its customers, including aircraft, engines, maintenance, airport operations, fuel and catering.</p> <p>Suppliers are fundamental to ensuring BA meets the high standards expected by customers and to avoid impacts on operational and financial performance, customer disruption and reputational damage.</p> <p>Suppliers must adhere to the IAG Third Party Code of Conduct which sets out expectations and requirements for ethical, legal, and responsible business conduct by all third parties working with or on behalf of IAG.</p> <p>The Board receives updates regarding material developments in key supplier relationships, including updates through internal audit and risk management.</p>
<p>Investors</p> <p>The key investors of British Airways are its parent Company, ICAG, and lenders.</p> <p>Investors enable BA to invest in and grow business. For IAG, return on invested capital, operating margins and free cash flow generated are important as value is created by generating strong and sustainable results that translate into dividends and share price appreciation.</p> <p>In addition to these financial measures, operating within the Group's policies and maintaining and enhancing brand and reputation are also important. The directors have ongoing engagement with IAG, providing regular operational and financial updates.</p> <p>The Board considered investor interests in all decisions, including capital allocation and transformation decisions.</p>

Strategic report continued

Section 172 statement continued

<p>Communities and Environment</p> <p>The Company's sustainability strategy is a key strategic imperative to minimise BA's impact on the planet and maximise BA's contribution to society.</p> <p>Throughout the year, the Sustainability Committee monitored progress on environmental and social initiatives, with regular updates from management. Every proposal submitted by management to the Board includes an assessment of its sustainability impacts, ensuring the Board can consider these factors in their decision-making process.</p> <p>The strategic report on page 2 provides more information on BA Better World.</p>
<p>Pension Trustees</p> <p>The Company has two main funded pension schemes (more detail in note 28), which a significant number of current and former employees are members of.</p> <p>The Pension Trustees are concerned with BA's covenant to each scheme, to ensure that BA's financial stability is sufficient to meet any required deficit recovery plan such that the scheme can meet all its future liabilities to members.</p> <p>Management have continued engagement with pension trustees to discuss financial performance and forecasts.</p> <p>Any financial commitments approved by the Board considers the impact on the Company's covenant to the pension schemes.</p>

Principal Decisions

The following examples are some of the key decisions taken in the year:

Starlink Wi-Fi connectivity

During 2025, the Board approved a major investment in next-generation connectivity with Starlink, enabling high-speed Wi-Fi for all customers across long-haul and short-haul fleets. Starlink is a revolutionary Wi-Fi provider, powered by the world's most advanced satellite constellation that orbit much closer to Earth than those used traditionally, providing even the most isolated areas with a more reliable and faster internet experience. In making this decision, the Board considered customer feedback and expectations, financial analysis, revenue impact, NPS and customer satisfaction scores, operational benefits for crew, competitor offerings, ongoing maintenance, and alternative suppliers. The lighter weight of the system compared to existing equipment was also noted for its positive environmental impact. This investment supports British Airways' transformation strategy and enhances customer experience while promoting long-term success.

Dividend Distribution

In 2025, the Board approved the distribution of a dividend to the Company's shareholders. In reaching this decision, the Board considered the Company's financial performance, liquidity position, and future investment requirements, alongside the interests of shareholders and the long-term sustainability of the business. The decision was supported by detailed financial analysis to ensure the Company maintained sufficient resources for ongoing operations and strategic initiatives. The Board ensured compliance with the requirements of the Companies Act 2006. Before making the decision, the Board considered the impact on the Company's covenant to its pension schemes.

Fleet

The fleet is constantly reviewed to ensure alignment to the delivery of the Company's strategy. In making fleet decisions the Board considers long-term capacity requirements, customer demands, sustainability impacts and suppliers. Detailed financial analysis is reviewed alongside environmental benefits relative to previous generation aircraft.

Strategic report continued

Climate-related financial disclosure

Executive Summary

British Airways' strategic approach to climate resilience centres on quantifiable impact reduction and working with the industry in sustainability transformation. Building on established environmental targets, the company's actions on sustainability in 2025 have focused on delivering initiatives towards its Net Zero transition pathway, meeting regulatory requirements, and advocating for climate policies which support the global competitiveness of the airline. This integration encompasses both climate risk management and strategic opportunities, with particular emphasis on near-term deliverables through to 2030.

BA's exposure to climate-related financial risks encompasses both physical and transition risks, requiring a comprehensive mitigation strategy. BA's pathway to Net Zero by 2050 is underpinned by strategic investment in three key technological pillars: next-generation aircraft and operational efficiency, sustainable aviation fuel (SAF) development, and carbon markets. 'Net Zero' means any residual emissions from BA operations in 2050, or by the manufacture and transport of goods supplied to BA, will be mitigated by an equivalent amount of CO₂ removed from the atmosphere via carbon removals. The company supports the aviation sector's decarbonisation agenda through strategic partnerships and policy advocacy, to drive global action.

BA's commitment is demonstrated through its tangible actions to date, including SAF offtake agreements towards meeting the company's share of mandated SAF obligations in the UK and the EU, voluntary SAF use beyond this share. These investments serve several purposes: to signal to regulators the need for appropriate, fair policy support to scale these technologies, accelerating the commercialisation of essential decarbonisation technologies and providing regulatory readiness for British Airways carbon market compliance obligations.

The company's climate strategy creates stakeholder-inclusive transformation. BA systematically engages customers and key stakeholders in sustainability initiatives, fostering transparency and active participation in the decarbonisation journey.

British Airways' actions help position the airline as an influential voice in policy development and industry standards. This strategic positioning enables BA and the industry to help shape the regulatory framework necessary for aviation's Net Zero transition.

Governance

The airline maintains robust governance of climate-related matters through its Sustainability Committee. This Committee, which convenes quarterly, comprises the Chief Executive Officer, Chief People, Corporate Affairs and Sustainability Officer, and two Non-Executive Directors. The Committee provides strategic oversight and direction for the company's sustainability initiatives.

At the IAG level, additional governance is provided through the IAG Sustainability Steering Group, which meets at minimum quarterly intervals. This forum brings together senior leadership from across IAG, including BA's Director of Sustainability, under the chairmanship of the IAG Chief Financial and Sustainability Officer. The Steering Group maintains oversight of environmental and social initiatives, ensuring aligned reporting and strategic implementation across the Group's operating companies. IAG also provides oversight and direction for environmental programmes via the Environment and Corporate Responsibility (ECR) Board Committee.

The Board

The Board is responsible for setting the long-term strategy of the business, including managing and assessing all business risks (including climate-related risks and opportunities).

The Management Committee

The Board delegates authority for day-to-day operations and activities of the business to a group, known internally as the Management Committee. The Management Committee consists of the following:

- Chief Executive Officer (CEO)
- Chief Financial and Transformation Officer (CFTO)
- Chief Commercial Officer
- Chief Technical Officer
- Chief Operating Officer
- Chief Information and Digital Officer
- Chief People Customer and People Officer
- Chief Planning and Strategy Officer
- General Counsel and Company Secretary
- Director of Safety and Security

Strategic report continued

Climate-related financial disclosure continued

The Management Committee oversees BA's strategic direction, ensuring alignment between business strategy, organisational culture and core values. The Committee has established and published internally the British Airways Environmental Policy, which outlines the airline's pathway to carbon Net Zero by 2050, incorporating measurable environmental objectives to monitor and evaluate progress.

Business Planning

Business planning is conducted annually through a comprehensive process that includes a detailed three-year financial forecast (the "business plan") and a ten-year strategic outlook covering capital allocation and sustainability considerations. The business plan is led by the Group with input from finance, strategy, and sustainability teams, and incorporates IAG's key sustainability assumptions to model cost and KPI impacts.

During this process, climate-related risks and opportunities are integrated into short- and medium-term planning to ensure appropriate capital allocation for objectives such as fleet modernisation and operational efficiency. The business plan is reviewed and approved by the Management Committees and Boards of both British Airways and IAG.

IAG Task Force on Climate-related Financial Disclosures (TCFD) and Double Materiality Assessment

Climate-Related Financial Disclosures

In 2023 the TCFD was integrated into the International Financial Reporting Standards (IFRS) and the International Sustainability Standards Board (ISSB) disclosure standards, which aim to create consistent and comparable standards for sustainability and climate-related disclosures globally. IAG aligned its climate risk disclosures with the European Sustainability Reporting Standards (ESRS) framework, which is aligned to the latest guidance and standards available under the IFRS 1 and IFRS 2 sustainability standards, as well as the UK's Listing Rules.

British Airways assesses its sustainability risks as part of IAG's climate-related financial disclosures process. In particular, the airlines sustainability team engages in discussions and regular working groups to inform the risk and opportunity assessment as well as other key parts of the disclosure.

Double Materiality Assessment

A double materiality assessment was led by IAG in 2024 to determine material sustainability topics for each operating company including BA, from both an impact and financial perspective. The double materiality assessment was conducted with reference to ESRS requirements.

The double materiality assessment by IAG was completed with the support of third-party consultancy expertise (Transcendent). British Airways provided information sources to the assessment including sustainability reports and OHI and employee engagement documentation. Transcendent also considered third-party standards which IAG and BA comply with (e.g. IATA's Environmental Assessment (IEnvA)).

Transcendent held a consultation exercise by issuing a questionnaire to more than 60 subject-matter experts across IAG and British Airways, including representatives from the Sustainability, People, Government Affairs, Finance, Risks, Customer, and Legal teams. Transcendent prepared a comparative analysis of material topics reported by IAG with 21 competitors to validate the topics identified.

The IAG sustainability team reviewed the findings, and 23 sustainability topics were defined and aligned with the CSRD topics. IAG utilised a four-point scoring system that aligned to its ERM risk assessment. Each impact was given specific criteria to inform the severity analysis, and the probability of occurrence was scored as a percentage likelihood. Impacts scored against CSRD evaluation criteria, based on the assessment of the scale (the severity of the current or future impact), scope (number of individuals or perimeter affected), irremediability (limit in the capacity to restore the affected situation), and probability of occurrence of each impact. The impact materiality scores were calculated as an average, with topics being represented by their highest impact score.

The financial materiality assessment was performed top-down by the IAG Finance, Risk and Sustainability teams. Risks and opportunities were scored according to the CSRD evaluation criteria for financial materiality. The financial materiality score comprised of the magnitude of financial impact (through changes to revenue, capital expenditure or operating expenditure) and the probability of occurrence, using a four-point scoring system which aligned to IAG's ERM risk assessment. The risk and opportunity materiality scores were calculated as an average, with topics being represented by their highest impact score. For Impacts, Risks & Opportunities (IROs) not currently covered by IAG's ERM risk assessment, and opportunities (which require a quantification of the benefit of action), a subjective assessment was made using available financial information.

A central group of IAG experts representing the IAG Finance, Risk and Sustainability teams, including the Chief Financial and Sustainability Officer, evaluated the results of the double materiality assessment. This group selected 'critical' as the applicable threshold for material issues under this assessment as it aligns to IAG's classification of 'critical' in IAG's ERM risk assessment definitions. This meant any IROs, and their relevant CSRD topic which scored as 'critical' based on impact materiality, financial materiality or both would be reported in this statement.

The final results of the double materiality assessment, including the threshold set, was approved by the IAG ECR Board Committee and IAG Audit and Compliance Committees in November 2024. IAG met with its European Works Council on 27 November 2024 to present the material topics identified and the methodology used.

Strategic report continued

Climate-related financial disclosure continued

Reviewing The Double Materiality Assessment

In 2025 the IAG sustainability team review the findings of the 2024 double materiality assessment with the support of analysis provided by Transcendent. The British Airways sustainability team participated in the internal workshop held by IAG with sustainability experts to review the IRO definitions. Transcendent also prepared a review of global trends and updates on the regulation and a peer benchmark on 2024 double materiality topics. IAG Sustainability, Finance and ERM team reviewed the evidence presented by Transcendent and the internal workshop with sustainability colleagues from the Groups operating companies. One new impact was identified ('Biodiversity loss from SAF production', a negative environmental impact), along with two new risks ('Changes to SAF mandates', and 'Lack of policy support for carbon removals'), however these were not assessed as material.

The results were presented to the IAG Audit and Compliance Committee using this feedback. The final results of the review proposed no changes to the material IROs identified in IAG's 2024 double materiality assessment. This scope was approved by the IAG Audit and Compliance Committee in November 2025. IAG met with its European Works Council on 19 November 2025 to present the results of the review of the double materiality assessment.

Business Case Governance

Sustainability considerations are systematically embedded within the company's business case governance framework, ensuring comprehensive evaluation of environmental impacts in capital investment and significant contract decisions. The framework includes:

- Detailed guidance for business case owners on sustainability impact assessments;
- Support from the central sustainability team for complex evaluations;
- Assessment of both direct and indirect financial implications;
- Quantification of environmental impacts, particularly:
 - Aircraft weight modifications and subsequent effects on fuel consumption, emissions trading scheme (ETS) and Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) credits, and carbon emissions;
 - Waste generation and management; and
 - Energy utilisation.

Climate Target Governance and Performance Monitoring

The central sustainability function, supported by the transformation office, maintains responsibility for establishing and monitoring climate-related targets and KPIs. Bi-weekly stakeholder reviews assess initiative progress, with monthly oversight sessions attended by senior representatives of the sustainability team and relevant business area functions. These sessions provide executive scrutiny of achievements and planned activities whilst facilitating rapid identification and resolution of implementation challenges. Progress against the key metric of Carbon Intensity (kgCO₂/epk) is shared quarterly with the BA Management Committee and Remuneration Committee.

Environmental Management and Certification

British Airways successfully recertified its IEnVA Stage 2 Certification in 2025 with expanded scope to include both Ground Operations (LHR) and the IATA Wildlife Module. (valid two years from date of issuance), awarded by the International Air Transport Association (IATA), validating the environmental management practices. BA's Environmental Management System (EMS) continues to adapt and develop to maintain certification through 2028, encompassing:

- Regulatory compliance monitoring;
- Environmental incident reporting protocols;
- Comprehensive environmental training programmes; and
- Internal audit procedures and corrective action processes.

Risk Management and Reporting

Environmental risk reporting is integrated into the company's safety and security risk management framework, enabling employees to report potential environmental compliance issues or hazards through established channels. These reports undergo review by the safety and security team, with escalation to the sustainability team where appropriate.

Incentive Alignment

Climate-related performance metrics are embedded within the annual incentive structure for all management colleagues (approximately 4,700 employees). This integration, communicated through quarterly Director of Reward updates, demonstrates BA's commitment to embedding sustainability throughout decision-making.

Principal Risk Assessment

Sustainable aviation risk is formally documented as a principal risk within the annual report. A comprehensive assessment of climate-related risks and opportunities has been conducted specifically for this disclosure, ensuring alignment between risk reporting frameworks and mitigation strategies.

Strategic report continued

Climate-related financial disclosure continued

Climate Risks and Opportunities

The following table summarises the relevant climate-related risks and opportunities and BA's assessment of each on the business model and strategy. The following time horizons have been identified to categorise the risks:

Short (S): 1-3 years

- Aligned with the detailed business planning cycle; and
- Focuses on immediate operational adaptations and risks.

Medium (M): up to 5 years

- Corresponds with strategic planning framework; and
- Addresses emerging technological and regulatory transitions.

Long (L): 5+ years

- Extends to 2050, aligned with the airlines Net Zero commitment;
- Encompasses scenario modelling with particular focus on 2030 climate impact intensification; and
- Enables comprehensive assessment of transformation requirements.

The risk trending descriptor is used to help illustrate whether the company anticipates the likelihood of the risk to decline, grow or remain stable versus the prior period; this enables a transparent view of its risk assessment process and its view on key climate related risks. This is calculated through central strategy modelling and economic forecasting, and the trend shown is based on an end-of-year assessment, relative to in-year review.

Transitional risks primarily affect airline activity between European destinations due to the maturity of local carbon related regulations, which contributed to 21.0% of capacity in 2025. Physical risks could affect the airlines operations across its global network, reflecting the global nature of climate change.

British Airways considers the relevant risk factors that could impact each risk by region and timescale. Such variability may arise from fragmented policy definition, scope and implementation, changeable market perceptions, or unpredictable delivery of new technology (among other causes). BA considers its mitigation strategy for each risk accordingly. Please refer to the 'Risk and Opportunities' table for more information.

The carbon-reduction targets in the Flightpath Net Zero strategy are the key measures for assessing the mitigation or resilience to these risks, along with the consideration of these risks in relevant governance processes. The external risk environment, materiality of risks, mitigation actions and KPIs for these mitigating actions are reviewed regularly.

The table below lists risks assessed through the ERM and the double materiality assessment. The most material risks are policy risks.

Climate related-opportunities refer to the potential positive effects derived from the deployment of efforts to mitigate and adapt to the effects of climate change, such as through resource and cost efficiency, the adoption and utilisation of low-emissions technologies, the development of new products and services, and reinforcing resilience along the supply chain. Opportunities are identified as potential actions to be taken at BA level to reduce exposure to climate-related risks. The opportunities presented below align to those identified in IAG's double materiality assessment.

Strategic report continued

Climate-related financial disclosure continued

Climate-related risk assessment

CFD Risk Type	Risk Description	Time Frame	Trend
Physical	Resilience to acute weather events	M	Stable
	Resilience of routes and assets to chronic climate changes	L	Stable
Market	Customer spend due to perceptions of BA and industry ESG progress	S	Down
	Perceived quality of offset and removal projects	M	Down
	Activism and direct action protests for climate inaction	S	Stable
	Supply chain readiness	L	Stable
	SAF delivery against committed offtake agreement volumes	M	Stable
	Litigation against claimed carbon reductions from offsetting	S	Up
	Demand impact of EU and UK climate policy	L	Stable
	Resilience to changes in ETS/CORSIA pricing	M	Up
Policy	Policy asymmetry across regions	M	Down
	Extra regulations on activity rather than emissions	L	Stable
	Lack of supporting SAF infrastructure or policy	M	Up
	Lack of carbon removal policy support	M	Up
	Changes to SAF mandates	M	Stable
	Regulation of non-CO ₂ effects	M	Down
Technology	Access to and readiness for lower-emission technologies	L	Stable
	Delivery of contracted SAF supply	S	Down

Climate-related opportunity assessment

CFD Opportunity Type	Opportunity Description	Time Frame	Trend
Market	Strategic investment in SAF	S	Stable
	Incorporation of new and more efficient fleet	M	Stable
Technology	Investment in lower emission technologies	S	Down
	Strategic venture capital investment and startup engagement programmes	M	Stable
	Investing in product innovation and sustainable material transition	M	Stable

Strategic report continued

Climate-related financial disclosure continued

Table 1: Risks

Risk Type	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
Physical	Resilience to acute weather events	M	Up	<p>Increase in weather-related flight delays, diversions, and cancellations leading to increased disruption and compensation costs.</p> <p>Lost revenue due to payload restrictions for safe flight operations.</p> <p>Increase in frequency and severity of in-flight turbulence and bird strikes, impacting flight safety.</p> <p>Greater exposure to extreme weather increasing the risk of absence and operational disruption.</p> <p>Negative impact on workforce health and wellbeing leading to reduced resources and operational disruption.</p> <p>Increased difficulty in rostering variation adds increased complexity and additional costs to incentivise certain routes.</p>	<p>Investment in improved weather-forecasting tools to better predict extreme and temporary weather events that may impact BA's ability to operate. Examples include severe weather (turbulence, depressions, high precipitation) that alter flight schedules and lead to cancellations and diversions of flights.</p> <p>Investment in improved flight planning software to identify safer and more efficient flight paths.</p> <p>Flexible fleet and network to adapt to climate trends and maintain commercial and operational viability of the flying programme.</p> <p>Better utilisation of technology to maintain safe conditions for colleagues and customers, e.g. through pre-conditioned air systems to cool aircraft at times of extreme heat.</p> <p>Participating in the UN World Meteorological Organisation (WMO) and EASA expert groups to assess atmospheric trends and the associated physical impacts of climate change on aviation.</p> <p>Improved workforce training and awareness of climate risk.</p> <p>Investment in improved uniforms and personal protective equipment (PPE).</p>
	Resilience of routes and assets to chronic climate changes	L	Stable	<p>Damage to aircraft, ground vehicles and equipment, increasing operational and maintenance costs.</p> <p>Damage to property such as hangars, terminal buildings and airport lounges increasing maintenance costs.</p> <p>Increasing cost of insurance and compensation payments.</p> <p>Reduction in operations and revenue at coastal destinations due to the risk of sea-level rise.</p>	<p>Movement of mobile assets to different locations to reduce risk of damage.</p> <p>Developing resilience plans with local geography physical risk committee (flooding, severe cold and heat) in collaboration with local authorities, airport operators and government.</p> <p>Investment in remote working technology and IT resilience to maintain resourcing levels and minimise operational disruption.</p> <p>Proactive and strategic network planning to identify risks and opportunities as they materialise.</p> <p>Considering climate resilience into capital infrastructure projects and investments, e.g. new building projects.</p>

Market	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
	Customer spend due to perceptions of BA and industry ESG progress	S	Down	Customers change frequency of flying, duration of trips or spend less relative to other carriers/modes of transport resulting in reduced revenue.	<p>Continuing to deliver emissions reductions, expanding customer communications and integrating the customer into BA's sustainability journey to enhance passenger connection with the BA brand through shared value.</p> <p>Delivering emissions reductions:</p> <ul style="list-style-type: none"> - Increasing the proportion of sustainable aviation fuel (SAF) used on flights, including a target to utilise 10% SAF by 2030, subject to available policy support and appropriate market conditions. British Airways SAF use was reported at 4.5% in 2025. BA continues to monitor SAF projections and available policy support to deliver this target. This includes BA's share of mandates on fuel suppliers to supply SAF in EU and the UK and the suitability of market conditions for voluntary SAF use above our share of these mandates. - Replacement of current fleet with newer and more efficient models. - Spend of over £6 million electrifying the company's operational vehicles and making the property portfolio more energy efficient. - Reviewing all operational processes to realise efficiencies, specifically in relation to the weight of aircraft and decision making regarding outsourced maintenance. - Investing in technologies such as advanced flight navigational software to increase operational efficiency and reducing reliance on fossil fuel energy sources. - Proactive investment in carbon removal technologies, and delivering innovative financing approaches to unlock debt financing for carbon removals. <p>Expanding customer communication:</p> <ul style="list-style-type: none"> - Communication of BA Better World, relevant targets and metrics as well as action to date primarily through key customer touchpoints such as airport lounges and onboard the aircraft as well as the annual BA Better World Sustainability report. <p>Integrating the customer into BA's sustainability journey:</p> <ul style="list-style-type: none"> - Providing opportunities for the customer to contribute to the CO₂ emissions reduction of the company through the CO₂llaborate platform. - Launched in 2025, Avios loyalty programme enables the customer to contribute money to the purchase of SAF in return for The British Airways Club tier points and Avios points. - Encouraging the customer to make use of recycling facilities across airport lounges and other airport spaces, including the removal of plastic water bottles from lounges. <p>SAF Scope 3 Sales:</p> <ul style="list-style-type: none"> - Increasingly corporate partners are utilising data to understand their CO₂ footprint from business travel. These customers are more commonly partnering with BA and IAG to purchase SAF to mitigate their Scope 3 flight emissions.

Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
Perceived quality of offset and removal projects	M	Up	<p>Exposure to sudden variability in prices, cost of CORSIA emission units, scale of growth in revenue by 2050 due to available volume of removals to deliver Net Zero.</p> <p>Challenge from customers and other stakeholders on the quality and robustness of carbon credits purchased.</p>	<p>Continuing to advocate for policy support and rigorous monitoring regimes. Ensuring that the company partners with a diverse range of partners to minimise the risk of unsuccessful projects</p> <p>Continue to assess the governance surrounding removals projects to ensure the integrity and quality of such initiatives. For example, supporting the Oxford Offsetting principals on how to transition to removals.</p> <p>Engaging with third party due diligence partners such as CUR8 to obtain independent assessments of the quality and rigour of carbon removal projects, to guide purchasing decisions.</p> <p>Commit to providing regular transparent reporting to customers on projects and their contributions.</p>
Activism and direct action protests for climate inaction	S	New	<p>Risk of shareholder activism, where NGOs or activists may legally challenge BA for perceived climate inaction or Greenwashing, potentially resulting in costly legal battles and reputational damage.</p>	<p>Increasing transparency of information to stakeholders and maintaining active communication with them via the appropriate channels. Maintaining best practice in communicating the sustainability strategy and progress.</p> <p>Continue partnerships with reputable climate leadership organisations such as the Earthshot Prize and their finalists to demonstrate a commitment to sustainable innovation and problem solving.</p> <p>Continuing to enhance third-party assurance of key metrics, including carbon emissions and carbon intensity, to further support performance claims.</p>
Supply chain readiness	L	Stable	<p>Sustainability compliance or technology change causing unplanned changes in cost of goods and services provided to BA or associated supplier management costs, margin erosion.</p> <p>The delay in low-carbon technology solutions being developed by supply chain partners impacting the rate at which BA can reduce its emissions.</p> <p>Operational difficulties and disruption implementing new technology and achieving relevant safety standards.</p>	<p>Supply chain sustainability programmes developed by IAG Transform Procurement which includes ESG scorecards and supplier risk screening, subsequently administered and implemented by BA. These allow for BA to evaluate and assess different suppliers based on a variety of factors to ensure its scope 3 emissions are minimised.</p> <p>BA have worked closely with IAG Transform to develop and deploy a scope 3 carbon accounting tool to better understand supply chain emissions and how they can be reduced. BA will continue to work with these stakeholders to gain further insight and optimise the accuracy of the tool.</p> <p>Collaborating with a diverse range of major suppliers, including aircraft and engine manufacturers, on the development of low-carbon technologies to aid BA's carbon reduction programme. This mitigation relies on appropriate levels of supply chain resilience and on-time aircraft deliveries, and the clearing of existing backlogs is key to preventing delays in the rollout of new technologies.</p>
SAF delivery against committed offtake agreement volumes	M	Up	<p>SAF delivery from agreed commitments fail to materialise from weak market supply, or failed project development.</p>	<p>Securing SAF purchase agreements as part of IAG in early-stage projects where relevant. Monitoring SAF project development and seeking additional opportunity.</p>

	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
Policy	Litigation against claimed carbon reductions from offsetting and sustainability related activity	S	Up	<p>Litigation against BA for use of credits towards voluntary or compliance offsetting that do not deliver stated emission reductions leads to legal costs.</p> <p>Litigation against BA for alleged misleading advertising and communications about its sustainability progress and commitments.</p>	<p>Due diligence conducted on carbon offsetting projects; internal guidance prepared for external communications.</p> <p>Ongoing legal review of advertising standards and working cross functionally between legal, marketing and sustainability teams to ensure the company is compliant in the information it communicates externally to customer on our sustainability programme (including offsetting).</p> <p>BA continues to comply with regulatory requirements to use CORSIA credits under a government backed ICAO CORSIA programme.</p>
	Demand impact of EU and UK climate policy	L	Stable	Ability to pass-through industry-wide costs affects ticket prices and therefore demand.	<p>Impacts of emerging policy assessed as part of longer-term financial planning and strategy.</p> <p>Continue ongoing approach to reductions in emissions (e.g., SAF purchase agreements, replacement of less efficient aircraft, electrification of ground operations) to reduce exposure to carbon pricing.</p> <p>Working with policy makers to encourage further investments in SAF and carbon removals to ensure there is adequate supply to reduce exposure to carbon pricing.</p>
	Resilience changes in ETS/CORSIA pricing	M	Up	Exposure to long-term price increases affects compliance costs.	<p>Mitigate impact of price volatility by using carbon prices business case assessment and financial planning.</p> <p>Continue the purchase of carbon credits and ETS (Emissions Trading Scheme) allowances utilising IAG's procurement strategy to reduce the cost impact of compliance to the business.</p>
	Policy asymmetry across regions	M	Up	<p>Changing numbers of customers relative to other carriers who are under more favourable or more restrictive policy regimes.</p> <p>The UK and EU SAF mandates passed on by oil companies are likely to cause disproportionately higher costs of compliance versus competitors based in other geographies that this would not directly impact. There is therefore a risk of reduced competitiveness without a globally aligned mandate.</p>	<p>Advocacy for global policies for aviation to deliver the ICAO Long-Term Aspirational Goal.</p> <p>Advocacy for improved operational alignment of the EU and UK SAF mandates, plus other efficiencies in future SAF mandates under development globally. Examples of this include calling for a 'book and claim' system for SAF to recognise uplift globally and support accounting under different compliance schemes.</p> <p>Advocacy for the CORSIA and ensuring fair, equitable compliance across participating states.</p>
	Additional regulation activity, on not emissions	L	Stable	Industry-wide taxes or levies increase operating costs and the ability to pass on these costs to the customer potentially impacts demand, leading to further demand management measures.	<p>Transparent and rigorous reporting on sustainability data and performance against public targets.</p> <p>Robust approach to ensuring all environmental claims are evidenced and use wording in line with relevant sustainability communication and reporting guidelines.</p> <p>Monitoring the evolution of regulatory guidelines and industry best practice.</p> <p>Involvement of government affairs team to engage with government on proportionate and appropriate mechanisms.</p>

	Risk Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Mitigating Action(s): Implemented and planned
Technology	Lack of supporting SAF infrastructure or policy	M	Down	Lack of SAF availability and therefore higher prices of SAF resulting from lack of investment in SAF production or cost of inputs	<p>Advocacy for SAF policy, e.g. via UK Jet Zero Task Force, and strategy and investment to procure SAF in regions where supportive policy exists.</p> <p>Engaging governments in providing investment to support this emerging industry.</p>
	Lack of carbon removal policy support	M	Up	Higher costs of compliance under carbon markets such as the UK and EU ETS, due to high credit prices.	<p>Chair of the UK Jet Zero Task Force's expert working group on carbon removals.</p> <p>Advocacy for appropriate carbon removal policy, including incentives for carbon removal technologies and financial contributions from all sectors with a future carbon removal requirement.</p>
	Changes to SAF mandates	M	Stable	Impact on BA's strategy to procure SAF in regions where supportive policy exists and increases pressure for alternative emission reduction measures such as demand management.	<p>Advocacy for appropriate SAF policy, e.g. via UK Jet Zero Task Force, and a strategy to procure SAF in regions where supportive policy exists.</p> <p>Assessed the financial implications of changes to the UK or EU SAF mandates on the Group and BA's strategy.</p>
	Regulation of non-CO ₂ effects	M	Up	<p>Potential multiplier on existing ETS and CORSIA costs.</p> <p>Potential reduction in operational efficiency and increase in costs due to contrail avoidance initiatives.</p> <p>Potential loss of revenue due to perceived non-management of non-CO₂ effects (including contrails).</p>	<p>Continue to monitor non-CO₂ policy development to ensure fairness and consistency.</p> <p>Participating in the UK's Jet Zero Task Force non-CO₂ expert group and its activities.</p> <p>Conduct flight trials with research partners to assess the operational feasibility of contrail avoidance and opportunities to reduce non-CO₂ impacts.</p> <p>Noise restrictions are not included in this risk but are reviewed as a separate risk through the ERM framework.</p>
	Access to and readiness for lower-emission technologies	L	Stable	<p>Higher ETS costs if technology access is restricted, or technology development is slow.</p> <p>Lack of availability would impact the ability to work towards and maintain the Net Zero target. Next-generation aircraft could be procured but airport infrastructure such as new alternative fuel facilities may not be advanced enough to support such aircraft, leading to hampered utilisation.</p>	<p>IAGi Ventures team (IAG's innovation and investment team) aligns research and work with the Flightpath Net Zero strategy.</p> <p>Collaborating with major suppliers, including aircraft and engine manufacturers, on the development of low-carbon technologies to aid BA's carbon reduction programme.</p> <p>Replacement of current fleet with newer and more efficient models.</p> <p>Chair of the UK Jet Zero Task Force's expert working group on carbon removals.</p>
	Delivery of contracted SAF supply	S	Down	Exposure to changing unit prices of SAF in core markets and potential pass-through costs of any penalties incurred from SAF suppliers	<p>Securing SAF deals and taking equity in early-stage projects where relevant.</p> <p>Continuous assessment of the state of global SAF supply and supply chain logistics.</p>

Strategic report continued

Climate-related financial disclosure continued

Table 2: Opportunities

Opp. Type	Opportunity Title	Time Frame	Trend	Actual/Potential Impact on Business Model and Strategy	Action(s): Implemented and planned
Market	Strategic SAF offtake agreements	S	Stable	Securing purchase agreements for quantities of SAF to meet both internal targets and regulatory targets applied to oil companies who subsequently charge BA, not only reduces BA's climate impact, but also offers a significant potential operating cost reduction per year against the company's carbon market obligations.	Monitoring SAF project development and seeking volume above target and mandated levels. Advocacy for SAF policy, e.g. via UK Jet Zero Council, and strategy and investment to procure SAF in regions where supportive policy exists. Engaging governments in providing investment to support this emerging industry.
	Incorporation of new and more efficient fleet	S	Stable	By introducing new, more fuel-efficient aircraft to the fleet, the company is able to mitigate compliance costs incurred under carbon markets, which regulate carbon emissions on the routes they operate.	Securing SAF purchase agreements in early-stage projects where relevant. Updated internal carbon pricing modelling to assess the contribution of new, more fuel-efficient aircraft towards delivering the company's climate objectives, and the reduction in associated operational costs.
Technology	Investment in lower emission technologies	S	Up	Implementing new technologies such as lighter on-board equipment or software to enable better matching of fuel volumes to in-flight needs presents an opportunity for higher fuel efficiency, which can help reduced operating costs.	Several initiatives have been planned and delivered to reduce unnecessary additional weight on-board aircraft, including reviews of potable water and catering equipment for example. Spend of over £6 million electrifying BA's operational vehicles and making the property portfolio more energy efficient. Investing in technologies such as advanced flight navigational software to increase operational efficiency and reducing reliance on fossil fuel energy sources. Proactive investment in carbon removal technologies, as well as participating in innovative financing approaches to unlock debt financing for carbon removals.

Strategic report continued

Climate-related financial disclosure continued

Scenario Analysis

Overview

BA engages in IAG's Enterprise Risk Management (ERM) reporting process, which includes scenario analysis and collaboration across IAG. In 2025, the IAG Sustainability, IAG ERM, and IAG Finance teams reviewed all IAG group-wide climate-related risks and potential impacts to 2027 and 2030. The impacts of material risks are quantified as part of the IAG Group wide ERM process which receives IAG Board oversight. IAG also considered in its TCFD analysis risks and opportunities identified following its double materiality assessment, which also received IAG Board oversight.

British Airways Plc supported this process by:

- Participating in the IAG double materiality assessment and reviewing its own results alongside those of other businesses in IAG;
- Modelling compliance-related costs alongside other group airlines, from those including UK and EU ETS and CORSIA, to 2050;
- Supporting an IAG Sustainability team led TCFD analysis, which included scenario analysis using a dual timeframe of 2030 and 2050; and
- Providing IAG with ongoing analysis carried out on the Flightpath Net Zero strategy to 2050.

This scenario work informs strategy, planning, risk management and financial management. BA takes a proactive approach to managing climate-related risks and opportunities, and is committed to managing their regulatory, reputational, financial, market and technological aspects.

Applying carbon prices

The company concurrently applies carbon prices to financial planning and to future scenario analysis. The airline's emissions from aviation activities are largely regulated by explicit carbon prices under participation in carbon markets including the EU Emissions Trading System, UK Emissions Trading Scheme, and CORSIA.

The fleet team uses updated carbon prices and price forecasts for short-haul and long-haul fleet purchasing decisions, based on market values and reputable external sources. BA uses carbon prices in financial planning, and flight operations teams.

For the period 2026-28, UK ETS prices of £62-£65/tonne, EU ETS prices of €86-€92/tonne and CORSIA prices of €24-€27/tonne were used for modelling compliance costs. EU and UK ETS prices are based on market prices and the UK Department for Transport (DfT) Aviation Forecast, and CORSIA prices are based on internal analysis and ICAO industry price forecasts.

CFD-aligned scenario analysis

British Airways contributes to the IAG CFD-aligned scenario analysis. In 2025, IAG repeated a CFD-aligned scenario analysis exercise, building on previous years' TCFD exercises.

This was a structured, qualitative discussion of potential climate-related impacts and business responses, using the latest evidence and analysis from reputable sources like the UN, EUROCONTROL and Climate Action Tracker (CAT).

The 2025 analysis was conducted in line with the ESRS, which is based on the TCFD guidance update published in 2021. The TCFD assessment was aligned with findings from the Double Materiality Assessment used to determine the scope of IAG's sustainability statement. The year 2040 was chosen as the key timeframe, based on key policy timelines such as known SAF mandates in the EU and the UK. This also aligns to IAG's Enterprise Risk Management sustainability risk assessment which primarily focuses on the next three years as well as an extended view to 2040; this analysis informs the basis of the CFD.

IAG uses Representative Concentration Pathways (RCPs) scenarios to project future greenhouse gas concentrations and their potential impacts on climate change. An RCP 2.6 scenario equivalent to limiting global warming below 2°C, was chosen for transitional risks, in recognition of British Airways climate targets and the governments where we operate which are committed to upholding the aims of the Paris Agreement. This scenario foresees a strong global cooperation for the development of mitigation that can lead to a rapid decarbonisation of the economy.

An intermediate RCP 6.0 scenario (equivalent to 3°C warming) was chosen for physical risks, based on the latest UN projections. In this scenario, moderate mitigation plans are expected but not strong enough to avoid the major impacts of climate change.

An RCP 8.5 scenario (equivalent to 5°C warming) was used to help us understand the airline's capability to adapt to a world where our operations would change significantly due to very high temperatures and extreme volatility in daily weather conditions.

Strategic report continued

Climate-related financial disclosure continued

IAG's exercises involved representatives from the IAG Sustainability Network which includes colleagues from Strategy, Treasury, Flight Operations, Finance, Government Affairs, Commercial Planning, Investor Relations, People, Enterprise Risk Management, IAG Transform, IAG Loyalty and sustainability representatives from all operating airlines. The IAG Sustainability team collated inputs, which were reviewed by the IAG Sustainability Steering Group.

BA remains resilient to the most material climate-related impacts, industry-wide policy shifts, lack of adequate policy support and market volatility, and these have been quantified at an IAG level and mitigation plans embedded into financial and strategic planning. To address significant uncertainty around future policy, technology and market trends, IAG repeats its scenario analysis annually, and continues to evaluate available policy support and market conditions needed to deliver the climate targets states in its transition plan. BA will keep implementing action plans in the coming years to further improve resilience to wider changes.

Metrics and Targets

Overall, British Airways' transition plan focuses on reducing CO₂ from jet fuel use, as this represents over 99% of Scope 1 emissions. The company measures its full carbon footprint and tracks multiple metrics each quarter to ensure progress is made against the primary contribution source.

2025 saw further progress against the key metric of carbon intensity, with British Airways landing at 82.8g CO₂/pkm.

The use of SAF in British Airways' operations increased from 133kT in 2024 to more than 225kT, reflecting SAF use equivalent to the company's share of the EU and UK SAF mandates which become operational in 2025, plus voluntary use. SAF reductions are calculated using actual lifecycle analysis (LCA) carbon intensity values for SAF fuel uplifted by British Airways and subtracting the achieved emission reductions from the Scope 1 CO₂ footprint.

Fuels Eligible for EU ETS allowances scheme (FEETS).

In March 2025, British Airways applied for the EU SAF support mechanism available under the EU ETS through the Fuel Eligible for ETS Support (FEETS) Regulation. This support mechanism aims to promote the uptake of SAF by granting EU ETS emission allowances to airlines for the use of SAF on eligible routes within the scheme. The allowances help bridge the price gap between conventional jet fuel and SAF on flights covered by EU ETS carbon pricing. During 2024, British Airways uplifted a total of 133kT of SAF, of which 9kT qualified for EU ETS support. Based on this volume, British Airways was awarded 154,668 EU ETS emission allowances in September 2025, which were credited to the airline's EU ETS registry account. Based on the 2024 weighted average price of auctions carried out in accordance with Delegated Regulation (EU) 2023/2830, as published on the common auction platform (€64.74 per allowance), this equated to a financial support of €10,013,206.32.

Due to the retrospective nature of this programme, British Airways will receive confirmation of EU ETS allowances awarded for SAF volumes uplifted in 2025 as part of the airlines 2026 EU ETS compliance cycle.



Co-funded by
the European Union

Strategic report continued

Climate-related financial disclosure continued

Calculation methodology

Emissions are calculated by multiplying fuel and energy use by appropriate conversion factors that are aligned with the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report. 2025 UK Government conversion factors are applied across as these are deemed to be the most robust available.

BA discloses methane (CH₄) and nitrous oxide (N₂O) as Scope 1 non-CO₂ greenhouse gases (GHGs), in line with the UK conversion factors.

Target	Related KPI(s)	Calculation Methodology	Performance to Date
Net Zero 2050	Absolute Scope 1+2 CO ₂ e emissions per year (tonnes)	UK government conversion factors	2019 – 19,092kT* 2022 – 11,887kT 2023 – 15,020kT 2024 – 15,538kT 2025 – 15,494kT
10% SAF usage on flights by 2030	% SAF used on flights	Tonnes SAF utilised / total fuel utilised	2023 – 0.98% SAF 2024 – 2.70% SAF 2025 – 4.50% SAF
86gCO ₂ /pkm by 2025	CO ₂ **/pkm	Total fuel utilised / (ASKs + CTKs)	2023 – 86.2 CO ₂ /pkm 2024 – 83.0 CO ₂ /pkm 2025 – 82.8 CO ₂ /pkm
IEnvA Stage 2 Compliance	Compliant	-	In the 2025 IEnVA recertification BA expanded its scope to include both Ground Operations (LHR) and the IATA Wildlife Module.
20% reduction in waste (kg per passenger) 2025 versus 2019	% waste reduction (tonnes)	kg waste on board / total passenger numbers @ hub	2019 – 0.47 kg/pax @ hub 2023 – 0.54 kg/pax @ hub 2024 – 0.55 kg/pax @ hub 2025 – 0.50 kg/pax @ hub

*2019 is used as a comparative baseline as this was the last full year of normal operations prior to COVID-19.

** Scope 1 emissions only.

The strategic report is approved by the Board and signed on its behalf by:

Signed by:

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Sean Doyle
 Chairman and Chief Executive Officer
 27 February 2026

Signed by:

 E6849F09DD44478...

José Antonio Barrionuevo Urgel
 Chief Financial and Transformation Officer
 27 February 2026

Directors' report

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2025.

Business review

A review of the Group's business, future developments and principal risks is detailed further on pages 2 to 17 of the strategic report.

The Group flies to a number of destinations around the world. In addition to the overseas branches established in many of these countries, there are also branches in countries to which British Airways does not fly. A full list of destinations can be found on the website www.ba.com.

Results and dividends

The operating profit for the year ended 31 December 2025 was £2,230 million (2024: £2,060 million).

The Company paid dividends of £916 million in 2025 (2024: £530 million).

Going concern

In its assessment of going concern, the Group and Company have modelled two scenarios referred to as the Base Case and the Downside Case over the period of at least twelve months from the date of the approval of the Group and Company financial statements (the 'going concern period'). The Group and Company'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 reflects the ongoing uncertainty of the wider economic and geopolitical environments on the Group and company across the going concern period.

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

Events after the balance sheet date

No significant events have taken place post the balance sheet date.

Directors

The Directors who served during the year and since the year end are as follows:

Sean Doyle
 Alison Brittain
 José Antonio Barrionuevo Urgel
 Martha Lane-Fox
 Nicholas Cadbury

Company Secretary

Andrew Fleming

Directors' and Officers' liability insurance and indemnities

IAG purchases insurance against Directors' and Officers' liability covering the IAG Group, as permitted by the Companies Act 2006, for the benefit of the Directors and Officers.

British Airways has granted rolling indemnities to the Directors and the Secretary, uncapped in amount but subject to applicable law, in relation to certain losses and liabilities which they may incur in the course of acting as Officers of companies within the Group. These indemnities also set out the terms on which British Airways may, in its discretion, advance defence costs. The indemnities were in force during the whole of the financial year and remain in force.

British Airways has granted qualifying pension scheme indemnities in the form permitted by the Companies Act 2006 to the Directors of three companies; British Airways Pension Trustees Limited, Airways Pension Scheme Trustee Limited and New Airways Pension Scheme Trustee Limited, that act as trustees of British Airways' UK pension schemes. These indemnities were in force throughout 2025 and remain in force.

Corporate Governance

Effective corporate governance is a key requirement for the Group. For the year ended 31 December 2025, under The Companies (Miscellaneous Reporting) Regulations 2018, British Airways has applied the Wates Corporate Governance Principles for Large Private Companies (the "Wates Principles") as its framework for disclosure regarding its corporate governance arrangements.

Directors' report continued

Corporate Governance continued

Principle 1 – Purpose and leadership

British Airways launched 'A Better BA,' a clear and ambitious strategy that delivers for every single one of the Company's stakeholders. The strategy is built around five strategic imperatives:

- London leadership
- Premium proposition
- Colleague centricity
- Efficient execution
- Sustainable strategy

This strategy is supported by British Airways' business plan, which is refreshed annually and reviewed and approved by the Board. The Board receives regular updates on the transformation initiatives that underpin the Company's strategy.

British Airways' values: caring, excellence and open minded, underpinned by the Company's ethos to be safe and secure in everything we do, guide decision making and culture. The leadership behaviours – trusting, collaborative, curious, empowering, courageous are embedded and reinforced through performance management.

The IAG Group Code of Conduct outlines the key behaviours expected of all employees and provides guidance on how to identify and report concerns. The Code provides a framework of ethical standards, legal compliance and responsible business practices that all employees, including directors, are expected to follow.

Principle 2 – Board composition

In 2025 the Board comprised of two Executive Directors (the Chief Executive Officer and the Chief Financial and Transformation Officer) and three Non-Executive Directors. One Non-Executive Director holds an executive role within IAG (Chief Financial and Sustainability Officer), and two are external to IAG. The roles of Chairman and CEO are combined, and it is considered that the two appointed external Non-Executive Directors provide appropriate challenge and scrutiny to the Board's decision-making process. Significant financial decisions also require approval by the IAG Management Committee and the IAG Board, providing an additional layer of oversight. In accordance with the Articles of Association, the CEO is appointed by the shareholders. There is a diverse mix of experience, skills and perspective to enhance decision making and governance and to enable the Board to effectively fulfil its responsibilities. The Board comprises two female Directors and three male Directors, and in accordance with the obligations for appointments set out in the Articles of Association, the majority of members of the Board are United Kingdom nationals. The Directors have equal voting rights.

The Board is collectively responsible for the management and effective oversight of British Airways' business. The Chairman leads the Board and is responsible for ensuring the overall effectiveness of the Board and to ensure that Directors have timely access to information in order to inform Board decision making. To support governance, certain responsibilities are delegated to three Board Committees:

- Safety and Security Review Committee
- Remuneration Committee
- Sustainability Committee

Membership of each committee is drawn from both the Non-Executive Directors and Executive Directors and includes non-Director attendees. The Chair of each Committee is a non-executive director.

In order to inform the Board of the operations and performance of the business, the Board has access to members of senior management who regularly attend Board meetings. All Directors have access to professional advice and the services of the Company Secretary. Directors update their skills, knowledge and familiarity of the business by meeting with employees and by attending appropriate external seminars and training courses. There is an induction programme for all new Directors which provides access to all parts of the business.

Directors' report continued

Corporate Governance continued

Principle 3 – Director responsibilities

The Board maintains effective oversight of British Airways' business and has ultimate responsibility for major policy and financial expenditure issues. Key decisions are made by members of the Board, committees and senior management with the appropriate knowledge and experience. British Airways policies on governance, decision making and delegation ensure that every decision is taken with the right safeguards in place and is underpinned by appropriate considerations and processes. At IAG level, further oversight and direction is provided by the IAG Board, IAG Management Committee and the IAG Audit and Compliance Committee. IAG carries out detailed risk management reviews under the IAG risk management framework.

The Board delegates authority for day-to-day management of British Airways to the Management Committee which meets weekly and is chaired by the CEO and whose membership includes the CFTO and leaders of each business area. The Management Committee is responsible for considering and recommending to the Board the Group's business plans, financial plans, strategic matters, major projects and programmes (including acquisitions, disposals, joint ventures), other capital investment or divestment decisions and other significant matters affecting British Airways. The Board retains responsibility for reviewing the recommendations of the Management Committee and exercises an oversight role, constructively challenging recommendations and decisions. Where financial approval is also required, this must also be obtained via the capital investment approval process.

In 2025, the Board met seven times, supported by comprehensive and timely information on key aspects of the business, including financial performance, strategy, operational matters, safety, market conditions, and sustainability. Reports are underpinned by KPIs and verified through robust financial controls, which are reviewed by the IAG internal audit function to ensure integrity.

The Company Secretary maintains the conflicts register and ensures conflicts of interest are identified, reviewed, and authorised at each Board meeting.

Principle 4 – Opportunity and risk

Opportunities

Long term strategic opportunities are identified through the business planning process which includes input from all areas of the business. The three-year plan is reviewed and approved by the Board each year.

Internal control framework

IAG complies with the Spanish and UK corporate governance requirements regarding reporting on internal controls. The Group has an internal control framework to ensure it maintains a strong and effective internal control environment. This is independently assessed by the IAG internal audit function on an annual basis with results reported to the British Airways Board and the IAG Audit and Compliance Committee. The Board provides oversight to ensure all internal audit findings are remediated by management.

Business controls are reviewed on an ongoing basis by the IAG internal audit function through a programme based on risk assessment. Professionally qualified personnel manage the department with experience gained from both inside and outside the industry. A risk-based audit plan, which provides assurance over key business processes and commercial and financial risks facing British Airways, is approved by the IAG Audit and Compliance Committee half-yearly.

The Board considers significant control matters raised by management and both the internal and external auditors. Where weaknesses are identified, the British Airways Board ensures that management takes appropriate action.

Internal control and risk management systems in relation to British Airways' financial reporting process and the process for the preparation of consolidated financial statements are in place. There were no changes in risk management and internal control systems over financial reporting that have occurred during the year that have materially affected, or are reasonably likely to materially affect, its financial reporting. All in scope Internal Control over Financial Reporting (ICFR) processes and key IT General Controls (ITGCs) have been tested. No material weaknesses were detected.

Directors' report continued

Corporate Governance continued

Risk management

IAG has a group wide Enterprise Risk Management (ERM) policy which sets out a framework for a comprehensive risk management process and methodology, ensuring robust identification and assessment of the risks, including emerging risks. British Airways manages its risks within the IAG ERM framework, supported by risk management professionals in IAG. Enterprise risks are defined as any risk that could impact the three-year strategic business plan. They are assessed and, if the impact is above a threshold, plotted on an enterprise risk heat map, based on probability and impact. Consideration is given to 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 to the business. Risks are also assessed in combining events where a number of risks could occur together, particularly given the airline's sector exposure to external macro-economic or geopolitical factors and an increasingly complex and integrated supply chain. Risk owners are responsible for identifying risks in their area of responsibility. All risks are assessed for likelihood and impact against British Airways' business plan and strategy and are plotted on a risk heatmap. Key controls and mitigations are documented including appropriate response plans. Every risk has appropriate British Airways Management Committee oversight. The risk framework allows British Airways to develop an assessment of the interdependencies of risks, use scenarios to quantify risk impacts under different assumptions, and to consider the risks within British Airways' risk map that have increased either as a result of the external environment or as a result of decisions made by the business in response to the external environment. British Airways reviews the external landscape and threats to its business strategy to identify emerging risks and implications for existing principal risks as well as competition and market risk changes, particularly those that could impact operational and supply chain resilience, British Airways' sustainability ambitions, its people or its transformation plans. Where further action has been required, the British Airways Board has considered potential mitigations and, where appropriate or feasible, British Airways has implemented or confirmed plans that would address these risks.

The risk heatmap is reviewed twice yearly by the British Airways Management Committee and the IAG Head of ERM to ensure that risks are appropriately evaluated and any further actions identified. This is then reported to, and discussed at, the British Airways Board to assist in the management of risk. This comprehensive risk management process and methodology has been in place throughout the reporting period to which these statements apply and up to their date of approval. The principal risks and uncertainties that are reviewed by the Board are detailed further on pages 9 to 17 of the strategic report.

Principle 5 – Remuneration

The Remuneration Committee ensures that remuneration policies support British Airways' strategic objectives and long-term success. It is responsible for setting remuneration of the members of the Management Committee (excluding the CEO and CFO, which is determined by IAG). Remuneration is structured to align with individual performance, leadership behaviours, and achievement of the Company's strategic priorities. Remuneration is set at a market competitive level to ensure that British Airways can attract and retain quality senior management.

The Remuneration Committee approves the Company's annual incentive plan, including financial and non-financial measures linked to the Company's targets.

The Remuneration Committee is chaired by an independent Non-Executive Director and has clearly defined terms of reference.

Principle 6 – Stakeholder relationships and engagement

The Board recognises that strong stakeholder relationships are essential to British Airways' long-term success. Information relating to the Board's engagement with key stakeholders is set out in the Section 172 statement on pages 18 to 19.

The Group has an independent whistleblowing hotline, enabling employees and other stakeholders to report concerns confidentially. The Board receives reports on whistleblowing activity and monitors the effectiveness of this process, reinforcing its commitment to integrity and transparency.

Directors' report continued

People

In 2025, more than 3,200 colleagues joined British Airways, with colleague centricity remaining at the heart of the airline's strategic objectives. Among the new joiners, British Airways also expanded its Speedbird Pilot Academy. Of the 100 cadets who began their training in 2024, 23 joined the airline in 2025, including women and cadets from Asian, Black and Mixed ethnic backgrounds, reflecting the communities British Airways serves. As well as extending a warm welcome to new joiners, 7,900 colleagues celebrated a career milestone in 2025, marking 1, 5, 10, 15, 20, 25, 30, 40, 45 or 50 years' service. Three colleagues reached an incredible 55 years of service with the airline.

Reflecting the continued focus it's put on its people, the airline once again recorded strong results in its OHI colleague survey. More colleagues reported seeing strong leadership and clear direction, effective coordination and control, and a growing culture of innovation. There was also an increase in those who said they feel motivated and inspired to do a good job – demonstrating the positive impact of the airline's ongoing investment in colleague experience and engagement.

Colleague uniform and workspaces

Having listened to colleague feedback, during the year British Airways continued to make adjustments to some items of uniform to support colleagues to look and feel their best at work, including alterations to pilot shirts, cabin crew and customer experience blouses and female scarves. Further changes were also trialled, with more changes expected in 2026.

As part of a commitment to build a better BA for colleagues, the airline upgraded and refreshed workspaces and restrooms in 17 of its colleague areas, including a number of Engineering spaces. This work continues in 2026, with the refurbishment of the carrier's Newcastle Contact Centre and its Engineering control rooms.

Transformation

Following the pandemic, the organisation rebuilt at pace. In 2025, a project began, focusing on ways of working, providing greater role clarity and accountability and reducing strategic management and increasing delivery and execution. During the year, the People, Corporate Affairs and Sustainability directorates worked with trade union colleagues to successfully restructure their teams to meet these objectives. The work will continue with other functions in 2026.

Investing in our HR technology and enhancing the colleague experience across the full colleague lifecycle was a key priority in 2025. During the year, we initiated a significant transformation programme to replace legacy systems with a modern, cloud-based Oracle platform, enabling more efficient ways of working.

During the year, Microsoft Copilot (AI) was successfully trialled, with more than 93% of participants saying it increased their productivity and effectiveness. As a result, the airline invested in advanced Copilot 365 licences, integrated with Outlook, Excel and PowerPoint, for office-based colleagues to help them work smarter and faster by summarising meetings, drafting presentations and analysing information quickly.

The airline continued to invest in people leadership skills, refining and delivering its flagship BA Better Leader programmes - three separate courses running for between three and twelve months: On the Day Leader, Leader of Teams and Strategic Leader. In 2025, 1,044 graduated from the programme. In addition, colleagues across the business completed more than 152,000 learning activities through the airline's digital Skills Academy and 459 colleagues participated in virtual coaching, completing more than 1,500 coaching sessions.

Health and wellbeing

Health and wellbeing continued to be a priority, and 6,000 colleagues signed up for free access to the Body Coach app, helping them to focus on their mental and physical health and wellbeing. Such was the success of the partnership that the airline extended the free membership for 2026.

Abuse of any kind doesn't fly

Disruptive customer behaviour has an impact on colleagues, and in July, the airline launched its Kindness Travels campaign, with new signage introduced globally reminding customers of the expectations around the way they treat colleagues on board, on the ground, online and on the phone. It also began work to review internal policies to ensure colleagues are better supported when dealing with disruptive customers, including new escalation points.

British Airways continues to be seen by colleagues, suppliers and partners as a caring place to work. Throughout the year the airline hosted roadshows encouraging colleagues to recognise and thank each other. More than 250,000 'thank you' awards were sent between colleagues, and 300 of the most thanked colleagues were invited to the airline's annual Thank you Fest to celebrate their achievements. Customers also showed their appreciation to colleagues who delivered excellent service either on the ground, in the air or over the phone, with more than 61,000 customer compliments being received through ba.com/thankyou.

Directors' report continued

People continued

Staff Travel

Improving its staff travel benefit for colleagues, the airline extended access to business class standby to 19 airlines, offering unmatched choice and flexibility for their travel plans. This is in addition to the 153 economy standby agreements with other airlines. Colleagues were awarded an additional Annual Bookable Concession (ABC) to thank them for their hard work in 2024, and lounge access was introduced for all colleagues who complete 35 years of service.

Through continued focus on its people, British Airways continues to build a future-ready workforce capable of delivering exceptional experiences for colleagues and customers.

Skills Academy

The Skills Academy, powered by our Thrive Learning Experience Platform (LXP), continues to drive skills development across British Airways. In 2025, colleagues completed more than 152,000 learning activities, with 4,032 colleagues engaging in learning through Thrive that year. Since implementation, 5,432 colleagues have completed at least one learning module, demonstrating strong and growing adoption.

BA Better Leader

Our flagship leadership development programme, BA Better Leader, achieved formal accreditation in 2025 from the Institute of Leadership and Management (City & Guilds). A full programme refresh also began in 2025 to ensure content remains current, benchmarked, and aligned to BA's evolving leadership needs. Since launch, 2,962 leaders have graduated from the programme, including 1,044 in 2025.

EZRA Coaching

To broaden access to high quality coaching, we launched EZRA Coaching, offering colleagues virtual sessions with accredited coaches to support performance, wellbeing, and career progression. The programme focuses on key moments that matter, such as leading through change, returning from extended leave, and transitioning into new leadership roles. In 2025, 459 colleagues participated, completing more than 1,500 coaching sessions. Feedback averaged 4.9 out of 5, and both participants and managers reported over 20% improvement across targeted development areas.

Energy and carbon

In accordance with the Streamlined Energy and Carbon Reporting ('SECR') requirements, the Group discloses the following energy and carbon metrics for 2025 and 2024:

BA Group	Metric	Measure	2025	2024
Annual GHG emissions in tonnes of CO ₂ equivalent	Scope 1	tCO ₂ equivalent	15,453,533	15,501,152
	Scope 2 location-based	tCO ₂ equivalent	30,089	34,736
	Scope 2 market-based	tCO ₂ equivalent	10,359	13,522
	Scope 3	tCO ₂ equivalent	5,533,382	3,559,474
Energy in kWh	Electricity	kWh	137,050,367	147,012,747
	Total energy	MWh	64,982,158	64,255,240
Intensity ratio	Flight emissions intensity	gCO ₂ /pkm	82.0	83.0

Refer to pages 20 to 33 of the strategic report for efficiency actions taken by the Group. The Group has followed the 2019 HM Government Environmental Reporting Guidelines and has used the 2024 UK Government's Conversion Factors for Company Reporting.

Political donations

The Group does not make political donations or incur political expenditure and has no intention of doing so.

Auditors

In accordance with Section 489 of the Companies Act 2006, resolutions concerning the appointment of the auditor, KPMG LLP and authorising the Directors to set their remuneration will be proposed at the next Annual General Meeting.

Directors' statement as to disclosure of information to the auditor

The Directors who are members of the Board at the time of approving the Directors' report and business review are listed above. Having made enquiries of fellow Directors and of the Group's auditor, each of these Directors confirms that:

- To the best of each Director's knowledge and belief there is no information relevant to the preparation of the auditor's report of which the Group's auditor is unaware; and
- Each Director has taken all the steps a Director might reasonably be expected to have taken to make himself or herself aware of relevant audit information and to establish that the Group's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Directors' report continued

Statement of Directors' responsibilities in respect of the strategic report, the Directors' report and the financial statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the Group and parent Company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent Company and of the Group's profit or loss for that period. In preparing each of the Group and parent Company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with UK-adopted international accounting standards;
- for the parent Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approved by the Board and signed on its behalf by

DocuSigned by:



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Andrew Fleming

Company Secretary

27 February 2026

Company registration number - 1777777

Independent auditor's report to the members of British Airways Plc

Opinion

We have audited the financial statements of British Airways plc ("the Company") for the year ended 31 December 2025 which comprise the Group consolidated income statement, consolidated statement of other comprehensive income, Group and Company balance sheets, Group cash flow statement, Group and Company statements of changes in equity and related notes, including the material accounting policies in note 2.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2025 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least 12 months from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

We considered whether the going concern disclosure in note 2 of the financial statements gives a full and accurate description of the directors' assessment of going concern, including the identified risks and dependencies.

Our conclusions based on this work:

- We consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.
- We have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

Independent auditor's report to the members of British Airways Plc

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Inquiring of directors, internal audit and inspection of policy documentation as to the Group and parent Company's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Group and parent Company's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Considering remuneration incentive schemes and performance targets for management and directors, including their short- and long-term incentive plans.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account our overall knowledge of the control environment, we performed procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test for all full scope components based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior finance management, those posted by infrequent posters, and those posted to unusual accounts.
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group and the Company's regulatory and legal correspondence. We also discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our audit team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group and parent Company are subject to laws and regulations that directly affect the financial statements including financial reporting legislation, distributable profits legislation, taxation legislation, and pension legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group and parent Company are subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: aviation regulations, health and safety laws, data protection laws, anti-bribery, employment law, environmental laws, competition laws, consumer protection legislation and certain aspects of company legislation recognising the nature of the Group and parent Company's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to inquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent auditor's report to the members of British Airways Plc

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 34, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

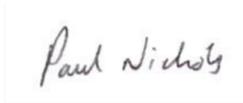
Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Paul Nichols (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

15 Canada Square

London

E14 5GL

27 February 2026

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Group consolidated income statement

For the year ended 31 December 2025

£ million	Note	Group	
		2025	2024
Passenger revenue		13,722	13,466
Cargo revenue		788	789
Other revenue		169	313
Total revenue		14,679	14,568
Employee costs	6	3,142	2,876
Fuel costs and emission charges	4b	3,403	3,676
Handling, catering and other operating costs		1,730	1,794
Landing fees and en-route charges		1,120	1,098
Engineering and other aircraft costs		857	852
Property, IT and other costs	4c	593	632
Selling costs		409	430
Depreciation and amortisation	4a	1,243	1,136
Net gain on sale of property, plant and equipment		(16)	(1)
Currency differences		(32)	15
Total expenditure on operations		12,449	12,508
Operating profit		2,230	2,060
Finance costs	7a	(387)	(443)
Finance income	7b	109	123
Net financing credit relating to pensions	7c	71	54
Net currency retranslation credit		(34)	1
Share of profits in investments accounted for using the equity method	14a	429	358
Gain on sale of investments	14a	-	654
Other non-operating credits	7d	11	28
Total net non-operating credits		199	775
Profit before tax		2,429	2,835
Tax	8	(527)	(446)
Profit after tax		1,902	2,389

Consolidated statement of other comprehensive income

For the year ended 31 December 2025

£ million	Note	Group 2025	Group 2024
Items that may be reclassified subsequently to net profit			
Cash flow hedges:			
Fair value movements in equity		(315)	51
Reclassified and reported in net profit		52	47
Fair value movements on cost of hedging		(17)	11
Cost of hedging reclassified and reported in net profit		30	31
Currency translation differences		14	(12)
Other movements in comprehensive income of associates	14	(78)	7
		<u>(314)</u>	<u>135</u>
Items that will not be reclassified to net profit			
Fair value movements on other equity investments		20	-
Remeasurements of post-employment benefit obligations		330	175
		<u>350</u>	<u>175</u>
Total other comprehensive income for the year, net of tax		36	310
Profit after tax for the year		1,902	2,389
Total comprehensive income for the year		1,938	2,699

Items in the Consolidated statement of other comprehensive income above are disclosed net of tax.

Balance sheets

Company registration number 1777777

As at 31 December 2025

£ million	Note	2025	Group 2024	2025	Company 2024
Non-current assets					
Property, plant and equipment	10	12,227	11,656	11,950	11,474
Intangible assets	13	1,343	1,218	1,303	1,178
Investments in subsidiaries	14	-	-	1,313	1,266
Investments accounted for using the equity method	14	2,553	2,553	1,570	1,570
Other equity investments		42	22	41	22
Employee benefit assets	28	1,800	1,412	1,800	1,412
Derivative financial instruments	24	10	93	13	96
Carbon-related and other non-current assets	20	551	488	618	538
		18,526	17,442	18,608	17,556
Current assets					
Inventories	16	180	122	176	117
Trade receivables	15	751	804	751	804
Carbon-related and other current assets	15	1,070	1,094	1,211	1,154
Derivative financial instruments	24	36	114	48	121
Other current interest-bearing deposits	17	260	470	250	470
Cash and cash equivalents	17	1,593	1,624	1,376	1,485
		3,890	4,228	3,812	4,151
Total assets		22,416	21,670	22,420	21,707
Shareholders' equity					
Issued share capital	25	290	290	290	290
Share premium	25	1,512	1,512	1,512	1,512
Other reserves ¹	27	4,565	3,015	4,160	2,754
Total shareholders' equity		6,367	4,817	5,962	4,556
Total equity		6,367	4,817	5,962	4,556
Non-current liabilities					
Borrowings	21	5,542	7,598	5,504	7,582
Employee benefit obligations	28	62	111	62	111
Deferred tax liability	8	589	227	480	125
Provisions	22	559	551	515	520
Derivative financial instruments	24	149	44	149	46
Other non-current liabilities	20	264	191	258	187
		7,165	8,722	6,968	8,571
Current liabilities					
Borrowings	21	1,735	884	1,725	875
Trade and other payables	18	2,405	2,637	3,057	3,152
Deferred revenue	19	4,187	4,178	4,187	4,178
Derivative financial instruments	24	301	89	301	93
Current tax payable	8	7	33	10	17
Provisions	22	249	310	210	265
		8,884	8,131	9,490	8,580
Total liabilities		16,049	16,853	16,458	17,151
Total equity and liabilities		22,416	21,670	22,420	21,707

¹The profit for the year for the Company was £1,694 million (2024: £2,216 million).

Approved by the Board and signed on its behalf by:

Signed by:

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Sean Doyle
 Chairman and Chief Executive Officer
 27 February 2026

Signed by:

 E6849F09DD44478...

José Antonio Barrionuevo Urgel
 Chief Financial and Transformation Officer
 27 February 2026

Cash flow statement

For the year ended 31 December 2025

£ million	Note	2025	Group 2024
Cash flow from operating activities			
Operating profit		2,230	2,060
Depreciation and amortisation		1,243	1,136
Net gain on disposal of property, plant and equipment		(16)	(1)
Employer contributions to defined benefit pension schemes net of service and administration costs	28	(21)	(12)
Increase in provisions (excluding carbon-related obligations)	34	(63)	(21)
Purchase of carbon-related assets net of the change in carbon-related obligations		(44)	43
Unrealised currency differences		(48)	4
Other movements	34	(48)	34
Interest paid		(347)	(416)
Interest received		103	104
Tax paid		(155)	(84)
Net cash flows generated from operating activities before movements in working capital		2,834	2,847
Increase in inventories		(57)	(24)
Decrease in trade receivables		53	51
Increase/(decrease) in other receivables and current assets (excluding carbon-related assets)		134	(652)
Decrease in trade payables		(267)	(64)
(Decrease)/Increase in deferred revenue		(3)	406
Increase in other payables and current liabilities		14	80
Net cash flows generated from operating activities		2,708	2,644
Cash flow from investing activities			
Acquisition of property, plant, equipment and intangible assets		(1,695)	(1,599)
Proceeds from the sale of property, plant, equipment and intangible assets		11	5
Net proceeds from sale of investments		75	549
Dividends received	14, 7d	370	88
Decrease/(increase) in interest-bearing deposits		210	(200)
Other investing movements		-	6
Net cash flows used in investing activities		(1,029)	(1,151)
Cash flow from financing activities			
Proceeds from borrowings		344	1,163
Repayments of borrowings		(1,077)	(222)
Repayment of lease liabilities		(532)	(922)
Dividends paid	9	(916)	(530)
Settlement of derivative financial instruments		(127)	(177)
Capital contribution		528	-
Net cash flows used in financing activities		(1,780)	(688)
Increase/(decrease) in cash and cash equivalents		(101)	805
Net foreign exchange differences		70	(85)
Cash and cash equivalents at 1 January		1,624	904
Cash and cash equivalents at 31 December	17	1,593	1,624
Reconciliation to Total cash, cash equivalents and other interest-bearing deposits			
Cash and cash equivalents at 31 December	17	1,593	1,624
Interest-bearing deposits maturing after more than three months	17	260	470
Cash, cash equivalents and other interest-bearing deposits at 31 December	17	1,853	2,094

Statement of Changes in Equity

For the year ended 31 December 2025

Group

£ million	Issued share capital	Share premium	Other reserves (note 27)	Retained Earnings	Total equity
At 1 January 2025	290	1,512	(21)	3,036	4,817
Profit for the year	-	-	-	1,902	1,902
<i>Transactions with owners, recorded directly in equity</i>					
Share-based payment charge	-	-	11	-	11
Share-based payment recharge	-	-	(11)	-	(11)
Total contributions by and distributions to owners	-	-	-	-	-
Other comprehensive income for the year	-	-	(216)	252	36
Total comprehensive income for the year, net of tax	-	-	(216)	2,154	1,938
Cost of share-based payments	-	-	-	1	1
Hedges transferred and reported in property, plant and equipment	-	-	8	-	8
Hedges transferred and reported in sales in advance of carriage	-	-	(15)	-	(15)
Dividend	-	-	-	(916)	(916)
Capital contribution	-	-	528	-	528
Other movements in equity of associates	-	-	6	-	6
As at 31 December 2025	290	1,512	290	4,275	6,367

For the year ended 31 December 2024

Group

£ million	Issued share capital	Share premium	Other reserves (note 27)	Retained Earnings	Total equity
At 1 January 2024	290	1,512	(191)	989	2,600
Profit for the year	-	-	-	2,389	2,389
<i>Transactions with owners, recorded directly in equity</i>					
Share-based payment charge	-	-	17	-	17
Share-based payment recharge	-	-	(17)	-	(17)
Total contributions by and distributions to owners	-	-	-	-	-
Other comprehensive loss for the year	-	-	128	182	310
Total comprehensive income for the year, net of tax	-	-	128	2,571	2,699
Cost of share-based payments	-	-	-	6	6
Hedges transferred and reported in property, plant and equipment	-	-	(3)	-	(3)
Hedges transferred and reported in sales in advance of carriage	-	-	45	-	45
Dividend	-	-	-	(530)	(530)
As at 31 December 2024	290	1,512	(21)	3,036	4,817

Statements of changes in equity

For the year ended 31 December 2025					Company
£ million	Issued share capital	Share premium	Other reserves (note 27)	Retained Earnings	Total equity
At 1 January 2025	290	1,512	(28)	2,782	4,556
Profit for the year	-	-	-	1,694	1,694
<i>Transactions with owners, recorded directly in equity</i>					
Share-based payment charge	-	-	11	-	11
Share-based payment recharge	-	-	(11)	-	(11)
Total contributions by and distributions to owners	-	-	-	-	-
Other comprehensive income for the year	-	-	(223)	329	106
Total comprehensive income for the year, net of tax	-	-	(223)	2,023	1,800
Cost of share-based payments	-	-	-	1	1
Hedges transferred and reported in property, plant and equipment	-	-	8	-	8
Hedges transferred and reported in sales in advance of carriage	-	-	(15)	-	(15)
Dividend	-	-	-	(916)	(916)
Capital contribution	-	-	528	-	528
As at 31 December 2025	290	1,512	270	3,890	5,962

For the year ended 31 December 2024					Company
£ million	Issued share capital	Share premium	Other reserves (note 27)	Retained Earnings	Total equity
At 1 January 2024	290	1,512	(203)	909	2,508
Profit for the year	-	-	-	2,216	2,216
<i>Transactions with owners, recorded directly in equity</i>					
Share-based payment charge	-	-	17	-	17
Share-based payment recharge	-	-	(17)	-	(17)
Total contributions by and distributions to owners	-	-	-	-	-
Other comprehensive loss for the year	-	-	133	181	314
Total comprehensive loss for the year, net of tax	-	-	133	2,397	2,530
Cost of share-based payments	-	-	-	6	6
Hedges transferred and reported in property, plant and equipment	-	-	(3)	-	(3)
Hedges transferred and reported in sales in advance of carriage	-	-	45	-	45
Dividend	-	-	-	(530)	(530)
As at 31 December 2024	290	1,512	(28)	2,782	4,556

Notes to the Financial Statements

For the year ended 31 December 2025

1 Authorisation of financial statements and compliance with international accounting standards

The Group's and Company's financial statements for the year ended 31 December 2025 were authorised for issue by the Board of Directors on 27 February 2026 and the balance sheets were signed on the Board's behalf by Sean Doyle and José Antonio Barrionuevo Urgel. British Airways Plc is a public limited company limited by shares incorporated in the United Kingdom and registered in England and Wales. The Company's registered office is Waterside, Speedbird Way, Harmondsworth, United Kingdom, UB7 0GB.

The Company has taken advantage of the exemption provided under Section 408 of the Companies Act 2006 not to publish the Company income statement and related notes.

2 Material accounting policies

Basis of preparation

The Group has prepared the consolidated financial statements in accordance with UK-adopted international accounting standards. The Company has elected to prepare its financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101) in order to take advantage of disclosure exemptions. The recognition and measurement criteria of FRS 101 are the same as those within IFRS, but with reduced disclosure requirements.

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements, in accordance with FRS 101:

- The requirements of paragraphs 10(d), 38A and 111 of IAS 1 'Presentation of financial statements';
- Paragraph 38 of IAS 1 'Presentation of financial statements' – comparative information requirements in respect of:
 - paragraph 79(a)(iv) of IAS 1;
 - paragraph 73(e) of IAS 16, 'Property, plant and equipment'; and
 - paragraph 118(e) of IAS 38, 'Intangible assets' (reconciliations between the carrying amount at the beginning and end of the period).
- IAS 7, 'Statement of cash flows';
- The requirements of paragraphs 130(f)(ii), 130(f)(iii) 134(d)-134(f) and 135(c)-135(e) of IAS 36 'Impairment of Assets';
- IFRS 7, 'Financial instruments: Disclosures'; and
- The requirements of paragraphs 90, 91 and 93 of IFRS 16 'Leases'.

The Group's and Company's financial statements have been prepared on a historical cost convention except for certain financial assets and liabilities, including derivative financial instruments and equity investments that are measured at fair value. The carrying value of recognised assets and liabilities that are subject to fair value hedges are adjusted to record changes in the fair values attributable to the risks that are being hedged.

The Group's and Company's financial statements are presented in pound sterling and all values are rounded to the nearest million pounds (£ million), except where indicated otherwise.

The Directors have considered the Group's business activities (as set out from page 3), principal risks and uncertainties (as set out on pages 9 to 17) and the Group's financial position, including cash flows, liquidity position and available committed facilities (as set out on pages 6 to 8). Further information is provided in note 21 of the financial statements.

Change in presentation of results

There are no material changes in presentation noted during the year.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Going concern

At 31 December 2025, the Group had total liquidity of £3,663 million (2024: total liquidity of £4,030 million), comprising cash, cash equivalents of £1,593 million (2024: £1,624 million) and interest-bearing deposits of £260 million (2024: £470 million) and £1,810 million of committed and undrawn general and other overdraft facilities (2024: £1,936 million). The Company had total liquidity of £3,436 million at 31 December 2025 (2024: £3,891 million). The Group and Company's facilities do not contain financial covenants.

In its assessment of going concern, the Group and Company have modelled two scenarios referred to below as the Base Case and the Downside Case over the period of at least twelve months from the date of the approval of the Group and Company financial statements (the 'going concern period'). The Group and Company's three-year business plan, used in the creation of the Base Case, was prepared for and approved by the Board in the third quarter of 2025 with the forecast for 2026 being updated in the final quarter of 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 Group's businesses across the going concern period. The key inputs and assumptions underlying the Base Case through to 31 March 2027, include:

- The Group and Company have assumed that the committed and undrawn general facilities of £1,799 million will not be drawn over the going concern period;
- The Group and the Company have assumed cash outflow of £925 million (€1,045 million) in 2026 related to the repayment of the remaining loan due to ICAG, the ultimate parent entity of the Group, (see note 21); and
- Of the capital commitments detailed in note 12, £965 million is due to be paid over the going concern period to 31 March 2027. Over the going concern period, the business plan does not assume any new aircraft financing.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts over the going concern period, represented by a combination of: 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 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 11% down when compared to the Base Case. The Downside Case assumes that British Airways would be required to partially draw down its portion of the available US dollar Revolving Credit Facility (further information given in note 23f). The Directors consider the Downside Case to be a severe but plausible scenario.

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

Consolidation

The Group financial statements include the financial statements of the Company and its subsidiaries, each made up to 31 December, together with the attributable share of results and reserves of associates, adjusted where appropriate to conform with the Group's accounting policies.

Subsidiaries are consolidated from the date of their acquisition, which is the date on which the Group obtains control and continue to be consolidated until the date that such control ceases. Control exists when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The Group applies the acquisition method to account for business combinations. The consideration paid is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed.

All intragroup account balances, including intragroup profits, are eliminated in preparing the consolidated financial statements.

Disposal of a subsidiary

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any resulting gain or loss is recognised in the Income statement.

Unconsolidated structured entities

The Group regularly uses sale and leaseback transactions to finance the acquisition of aircraft. In certain instances the Group will undertake several such sale and leaseback transactions at once through Enhanced Equipment Trust Certificates (EETCs). Under each of these financing structures, a company or companies (the EETC Issuer) are established to facilitate such financing on behalf of a number of unrelated investors. In certain of these financing structures, additional special purpose vehicles (the Lessor SPV) are established to provide additional financing from a number of further unrelated investors to the EETC Issuer. The proceeds from the issuance of the EETCs by the EETC Issuer, and where relevant the proceeds obtained from the Lessor SPV, are then used to purchase aircraft solely from the Group. The Group will then enter into fixed rate lease arrangements (which meet the recognition criteria of Asset financed liabilities) with the EETC Issuer, or where relevant the Lessor SPV, with payments made by the Group to the EETC Issuer, or the Lessor SPV, distributed, through a trust, to the aforementioned unrelated investors. The main purpose of the trust structure is to enhance the credit-worthiness of the Group's debt obligations through certain bankruptcy protection provisions and liquidity facilities, and also to lower the Group's total borrowing cost.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Unconsolidated structured entities continued

The EETCs Issuer and the Lessor SPV are established solely with the purpose of providing the asset-backed financing and upon maturity of such financing are expected to have no further activity. The relevant activities of the EETCs Issuer and the Lessor SPV are restricted to pre-established financing agreements and the retention of the title of the associated financed aircraft. Accordingly, the Group has determined that each EETCs Issuer and the Lessor SPVs are structured entities. Under the contractual terms of the financing structures, the Group has no exposure to losses in these entities, does not own any of the share capital of the EETC Issuer or the Lessor SPV, does not have any representation on the respective boards and has no ability to influence decision making.

In addition to the above, such financial transactions expose the Group to no further significant financial or economic risks, such as no variability over time in interest rates.

In considering the aforementioned facts, management has concluded that the Group does not have access to variable returns from the EETC Issuers and Lessor SPVs because its involvement is limited to the payment of principal and interest under the arrangement and therefore, it does not control the EETCs Issuers or the Lessor SPVs and as such does not consolidate them.

Further information as to the financial impact of these financial transactions are given in note 21.

Joint Business Agreements

The Group has established various contractual joint arrangements with carriers outside of the IAG Group, commonly referred to as Joint Business Agreements, that enable the Group and those carriers involved to cooperate on flights between particular destinations and the sharing of the resultant revenues. These Joint Business Agreements are not structured through separate legal entities. Each such arrangement includes a reference year to which the carriers party to that arrangement determine their share of the total revenues generated on the aforementioned flights within a fiscal year. The resultant impact of the revenue shared is presented net within Passenger revenue in the Income statement.

Foreign currency translation

a Functional and presentational currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in pound sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

b Transactions and balances

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, except where hedge accounting is applied. Foreign exchange gains and losses arising on the retranslation of monetary assets and liabilities classified as non-current on the Balance sheet are recognised within Net currency retranslation (charges)/credits in the Income statement. All other gains and losses arising on the retranslation of monetary assets and liabilities are recognised in operating profit.

c Group companies

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

Property, plant and equipment

Property, plant and equipment is held at cost. The Group has a policy of not revaluing property, plant and equipment. Depreciation is calculated to write off the cost less estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates are adjusted accordingly on a prospective basis.

a Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits and pre-delivery instalment payments (referred to as progress payments). Fleet assets owned, or Right of use ("ROU") assets, are disaggregated into separate components and depreciated at rates calculated to write down the cost of each component to the estimated residual value at the end of their planned operational lives (which is the shorter of their useful life or lease term) on a straight-line basis. Depreciation rates are specific to aircraft type, based on the Group's fleet plans, within overall parameters of up to 24 years and up to 5% residual value for shorthaul aircraft and between 23 and 31 years (depending on aircraft) and up to 5% residual value for longhaul aircraft.

Right of use assets are depreciated over the shorter of the lease term and the aforementioned depreciation rates. Where the lease includes a purchase option, at the discretion of the Group, and it is expected that the purchase option will be exercised, the associated right of use asset is depreciated using the aforementioned depreciation rates to reflect the reasonably certain life of the aircraft, irrespective of the lease.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Property, plant and equipment continued

a Fleet continued

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over the lower of 12 years and the remaining economic life of the aircraft, whether owned or leased.

Spare parts for aircraft and engines acquired on the introduction or expansion of a fleet, as well as rotatable spares purchased separately, are carried as property, plant and equipment and generally depreciated in line with the fleet to which they relate.

b Other property, plant and equipment

Owned property, with the exception of freehold land, is depreciated over its expected useful life over periods not exceeding 50 years on a straight-line basis. Right of use assets arising from leasehold properties are depreciated over the lease term, on a straight-line basis. Equipment is depreciated over periods ranging from four to 20 years on a straight-line basis.

c Capitalisation of interest on assets under construction

Interest costs attributed to progress payments made on account of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned. All other borrowing costs are recognised in the Income statement in the year in which they are incurred.

d Liquidated damages

Certain of the Group's contractual arrangements with aircraft and engine manufacturers contain liquidated damage clauses, whereby if the supplier breaches one or more contractual clauses (such as delays in the timing of delivery of an aircraft or engine) then damages are payable to the Group. Liquidated damages are recognised in the Income statement only to the extent that they relate to compensation for loss of income and/or incremental operating costs, when a contractual entitlement exists, the amounts can be reliably measured and the receipt is virtually certain. When liquidated damages do not relate to compensation for loss of income and/or incremental operating costs, the amounts are recorded as a reduction in the cost of the associated aircraft in the Balance sheet and depreciated over the life of the aircraft.

When compensation, not related to the loss of income and/or incremental operating costs, is received in advance of the associated delivery of the aircraft and/or engine, the Group recognises the amount within Other creditors until such time as the aircraft and/or engine is delivered, at which time the amounts are transferred and recorded as a reduction in the cost of the associated asset. Such compensation is recorded in the Cash flow statement within cash flows from investing activities under the caption of Acquisition of property, plant and equipment and intangible assets.

e Leases

The Group leases various aircraft, properties, equipment and other assets. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified tangible asset for a period of time in exchange for consideration. The Group has elected not to apply such consideration where a contract relates to an intangible asset, such as for landing rights or IT software, in which case payments associated with the contract are expensed as incurred.

Leases are recognised as a lease liability and a corresponding ROU asset at the date at which the leased asset is available for use by the Group.

Lease liabilities

Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the Group under residual value guarantees; the exercise price of a purchase option if the Group is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option; and payments to be made under reasonably certain extension options.

Aircraft lease payments are discounted using the interest rate implicit in the lease. The interest rate implicit in the lease is the discount rate that, at the inception of the lease, causes the aggregate present value of the minimum lease payments and the unguaranteed residual value to be equal to the fair value of the leased asset and any initial indirect costs of the lessor. For aircraft leases these inputs are either generally observable in the contract or readily available from external market data. The initial direct costs of the lessor are considered to be immaterial. If the interest rate implicit in the lease cannot be determined, the Group's incremental borrowing rates are used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification of the lease contract, a re-assessment of the lease term (specifically in regard to assumptions regarding extension and termination options) or changes in variable lease payments that are based on an index or a rate.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Property, plant and equipment continued

e Leases continued

Right of use assets

At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; and any initial direct costs.

In addition, at the lease commencement date the ROU asset will incorporate those restoration and handback costs that are considered unavoidable, such as the removal of airline-specific branding and configuration, to return the asset to its original condition, for which a corresponding amount is recognised within Provisions. The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Amounts excluded from recognition as ROU assets and lease liabilities

The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less (and where that short-term lease is not expected to be renewed) and those leases of low-value assets. Short-term leases are leases with a lease term of 12 months or less, that do not contain a purchase option. Low-value assets comprise specific IT-equipment and office furniture. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Income statement.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-assessed and adjusted against the ROU asset. Such variable lease payments are expensed to the Income statement as incurred.

Extension options are included in a number of aircraft, property and equipment leases across the Group and are reflected in the lease liability where the Group is reasonably certain that it will exercise the option.

Sale and leaseback transactions

The Group regularly uses sale and leaseback transactions to finance the acquisition of aircraft. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. The principal criterion for assessing whether a sale has occurred or not, is whether the contract contains the option, at the discretion of the Group, to repurchase the aircraft during or at the end of the lease term. If such a repurchase option exists in the contract, irrespective of whether the Group intends to exercise the option or not, the sale is deemed not to have occurred. Where there is no repurchase option in such a transaction, then a sale is deemed to have occurred. The following defines the accounting for such transactions:

- if a sale is determined to have occurred, then the associated asset is de-recognised and a ROU asset and lease liability are recognised. The ROU asset recognised is based on the proportion of the previous carrying amount of the asset that is retained. Any gain or loss is restricted to the amount that relates to the rights that have been transferred to the counterparty to the transaction; and
- where a sale is determined to have not occurred, the asset is retained on the Balance sheet within Property, plant and equipment and an Asset financed liability recognised equal to the financing proceeds.

Cash flow presentation – lease liabilities

Payments associated with lease liabilities are presented as follows in the Consolidated cash flow statement:

- where the proceeds received from sale and leaseback transactions represent the fair value of the asset being transferred, the total proceeds are presented within cash flows from investing activities. Where the proceeds received from sale and leaseback transactions exceed the fair value of the asset being transferred, the element of the proceeds equivalent to the fair value of the asset being transferred is presented within investing activities and the amount of proceeds in excess of the fair value are presented within financing activities;
- the repayments of the principal element of lease liabilities are presented within cash flows from financing activities;
- the payments of the interest element of lease liabilities are included within cash flows from operating activities;
- the payments arising from variable elements of a lease, short-term leases and low-value assets are presented within cash flows from operating activities; and
- the non-cash gain or loss arising from sale and leaseback transactions is presented within cash flows from operating activities.

Cash flow presentation – asset financed liabilities

Payments associated with asset financed liabilities are presented as follows in the Consolidated cash flow statement:

- the proceeds received asset financed liabilities are presented within cash flows from financing activities;
- the repayments of the principal element of asset financed liabilities are presented within cash flows from financing activities; and
- the payments of the interest element of asset financed liabilities are included within cash flows from operating activities.

Lessor accounting

From time to time the Group will lease, to third parties or other Group companies, specific assets, including certain property, plant and equipment. On inception of the lease, the Group determines whether each lease is a finance lease or an operating lease.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Property, plant and equipment continued

e Leases continued

In order to make this determination, the Group assesses whether the lease transfers substantially all of the risks and rewards of ownership to the lessee. Factors in making this assessment include, but are not limited to, whether the lease term is for the major part of the economic life of the underlying asset and whether the underlying asset transfers to the lessee or the lessee has the option to purchase the underlying asset at the end of the lease. Where substantially all of the risks and rewards of ownership have been transferred, then the lease is recorded as a finance lease, otherwise it is recorded as an operating lease.

f Maintenance, repairs and overhaul

Owned aircraft

Major maintenance, repairs and overhaul expenditure, including replacement spares and labour costs for airframes and engines, is capitalised and depreciated over the expected life between major maintenance, repairs and overhauls or to the end of the useful life of the asset. When each major event is performed, the associated cost is recognised in the carrying amount of the item of property, plant and equipment as a replacement asset and any remaining carrying amount of the cost of the previous maintenance event is derecognised.

On initial recognition of an aircraft, a component of such costs is attributed to the embedded heavy maintenance component of the assets, such as the engines. The embedded heavy maintenance component is depreciated over the period to the next major maintenance event.

All other replacement spares and other costs relating to maintenance of owned fleet assets are charged to the Income statement on consumption or as incurred respectively, recognised within Engineering and other aircraft costs.

Leased aircraft

Under each lease agreement, the Group is contractually committed to either return the airframe, engines and certain other assets in a specified condition or to compensate the lessor based on the conditionality of the aforementioned assets at the point of return to the lessor.

Accordingly the Group records a provision for major maintenance, repair and overhaul events, including for airframes and engines, that occur through usage or through the passage of time, that is recognised as such activity occurs through to the next such maintenance event. A corresponding expense is recorded in the Income statement within Engineering and aircraft costs over the relevant period as the provision is accumulated. Any subsequent changes in estimation are recognised in the Income statement. When the maintenance, repair or overhaul event occurs, the associated provision is de-recognised.

Restoration and handback obligations that arise on the inception of the lease, and that are not dependent on the usage of the asset or on the passage of time, are recognised as a provision for the full expected cost of discharging those obligations with a corresponding amount recognised as a separate component of the ROU asset. The associated ROU asset is depreciated over the lease term. Any subsequent change in estimation relating to such costs are reflected in both the provision and the ROU asset, with the adjustment to the ROU asset depreciated over the remaining lease term.

All other replacement spares and other costs relating to maintenance of leased fleet assets are charged to the Income statement on consumption or as incurred respectively, within Engineering and other aircraft costs.

Power by the hour contracts

Certain of the Group's maintenance contracts, for both owned and leased aircraft, transfer the risk and legal obligation for undertaking the maintenance activity to third-party service providers, with the Group paying the service providers based on the usage of the asset. The associated usage of the asset gives rise to a charge, as flight hours are incurred and dependent on the number of take offs and landings, in the Income statement within Engineering and other aircraft costs. Maintenance contracts with service providers that are subsidiaries of the IAG Group are not classified as 'power by the hour' contracts, as these entities are not third parties.

Intangible assets

a Goodwill

Goodwill arises on the acquisition of subsidiaries and associates and represents the excess of the consideration paid over the net fair value of the identifiable assets and liabilities of the acquiree. Where the net fair value of the identifiable assets and liabilities of the acquiree is in excess of the consideration paid, a gain on bargain purchase is recognised immediately in the Income statement.

For the purpose of assessing impairment, goodwill is grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Goodwill is tested for impairment annually and whenever indicators exist that the carrying value may not be recoverable.

b Landing rights

Landing rights acquired in a business combination are recognised at fair value at the acquisition date. Landing rights acquired from other airlines are capitalised at cost.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Intangible assets continued

b Landing rights continued

Capitalised landing rights based within the United Kingdom and the EU are not amortised, as regulations provide that these landing rights are perpetual.

c Software

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, with certain specific software developments amortised over a period of up to ten years.

In certain instances, the Group enters into cloud computing arrangements with third party providers, such as software as a service (SaaS), where the Group is provided the right to access and use the application software over the contract term. At inception of the contract, the Group will assess whether such an arrangement gives rise to the recognition of a software intangible.

Where the Group determines that no software intangible is recognised, the cloud computing arrangement is determined to be a service contract and the associated fees paid are expensed as incurred. In addition, the costs incurred for both the customisation and configuration of the application software are generally expensed as incurred.

Carbon-related assets and obligations

Held for own use

As the Group emits CO₂ equivalent, it builds up either an ETS obligation, a CORSIA obligation or a voluntary carbon offset obligation to the relevant authorities. Where the Group purchases ETS emission allowances, CORSIA emission units and voluntary carbon offset units, these amounts are recognised at cost and recorded within Carbon-related and other assets.

Carbon-related assets are not revalued or amortised but are tested for impairment whenever indicators exist that the carrying value may not be recoverable. For those obligations arising for which the Group has purchased emission allowances, or emission units, to offset emissions, the obligation is recognised at the weighted average cost of the carbon-related asset. For those obligations arising for which the Group has not yet purchased emission allowances, or emission units, to offset the emissions, the obligation is recognised at the market price of the emission allowances, or emission units, required at the balance sheet date. As the obligation is recognised, a corresponding amount is recorded in the Income statement within Fuel costs and emission charges.

The Group's emissions obligations, recognised as Carbon-related obligations within Provisions, are extinguished when the associated emission certificates are surrendered or retired to the relevant authorities. For ETS obligations, the timing of surrender of the allowances is typically within 12 months of the balance sheet date. For CORSIA obligations, the timing of retirement of the allowances is once every three years, with the first such retiring event for the 2024 to 2026 compliance period expected in 2028 (although entities can agree with their relevant authorities to retire emission units earlier).

From time to time the Group enters into sale and repurchase transactions for specified emission allowances. Such transactions do not meet the recognition criteria of a sale under IFRS 15 and accordingly the emissions asset is retained on the Balance sheet within Carbon-related assets and an Other financing liability recognised equal to the proceeds received.

Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. 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.

a Property, plant and equipment, including Right-of-use assets

The carrying value is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable and the cumulative impairment losses are shown as a reduction in the carrying value of Property, plant and equipment.

b Intangible assets

Intangible assets are held at cost and are either amortised on a straight-line basis over their economic life, or they are deemed to have an indefinite economic life and are not amortised. Indefinite life intangible assets are tested annually for impairment or more frequently if events or changes in circumstances indicate the carrying value may not be recoverable.

Investments in associates

An associate is an undertaking in which the Group has a long-term equity interest and over which it has the power to exercise significant influence. Where the Group cannot exercise control over an entity in which it has a shareholding greater than 51%, the equity interest is treated as an associate undertaking.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Investments in associates continued

Investments in associates are accounted for using the equity method, and initially recognised at cost. The Group's interest in the net assets of associates is included in Investments accounted for using the equity method in the Balance sheet and its interest in their results is included in the Income statement, below the operating result. The attributable results of those companies acquired or disposed of during the year are included for the periods of ownership.

In the Company Balance sheet, investments in associates are recognised at cost subject to any impairment.

Discontinued operation

A discontinued operation is a component of the Group's business, the operations of which can be clearly distinguished from the rest of the Group and which:

- Represents a separate major line of business or geographic area of operations;
- Is part of a single co-ordinated plan to dispose of a major line of business or geographic area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

If the disposal of a subsidiary is not considered to represent a separate major line of business, it does not meet the definition of a discontinued operation.

Financial instruments

a Financial assets and 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 collecting contractual cash flows and selling financial assets.

Long-term borrowings

Long-term borrowings are recorded at amortised cost.

Other equity investments

Other equity investments are non-derivative financial assets including listed and unlisted investments, excluding interests in associates. On initial recognition, these equity investments 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 the transaction changes its classification as an Other equity instrument. Dividends received on other equity investments 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.

Interest-bearing deposits

Interest-bearing deposits, principally comprising funds held with banks and other financial institutions with contractual cash flows that are SPPI, and held in order to collect contractual cash flows, are carried at amortised cost using the effective interest method.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Financial instruments continued

a Financial assets and liabilities continued

Impairment of financial assets

At each balance sheet date, the Group recognises provisions for expected credit losses on financial assets measured at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

When determining whether there has been a significant increase in credit risk since initial recognition and when estimating the expected credit loss, the Group considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment, including forward-looking information. Such forward-looking information takes into consideration the forecast economic conditions expected to impact the outstanding balances at the Balance sheet date. A financial asset is written off when there is no reasonable expectation of recovery, such as the customer having filed for liquidation.

b 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.

c Derivative and non-derivative financial instruments and hedging activities

Derivative financial instruments, comprising interest rate swap derivatives, foreign exchange derivatives and fuel derivatives (including options, swaps and forward contracts) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. They are classified as financial instruments through the Income statement. The method of recognising the resulting gain or loss arising from remeasurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (as detailed below under cash flow hedges). The time value of options is excluded from the designated hedging instrument and accounted for as a cost of hedging. Movements in the time value of options are recognised in Other comprehensive income until the underlying transaction affects the Income statement.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the spot component of the forward contract as the hedging instrument within a hedge relationship. The effective portion of gains or losses arising on the change in fair value of the spot component are recognised within Other comprehensive income in the Cash flow hedge reserve within equity. The forward component of a forward contract is not designated within a hedge relationship, with the associated gains and losses on the forward component recorded within Other comprehensive income in the Cost of hedging reserve within equity until the underlying transaction affects the Income statement.

To manage foreign exchange movements on foreign currency customer cash inflows (denominated in US dollars, euros and Japanese yen), certain non-derivative repayment instalments on foreign currency denominated interest-bearing liabilities are designated as hedging instruments within a hedge relationship. The effective portion of gains or losses arising from movements in foreign exchange rates are recognised within Other comprehensive income in the Cash flow hedge reserve within equity. Accumulated gains or losses within the cash flow hedge reserve are transferred to Sales in advance of carriage in the same period as the forecast transaction occurs or when hedge accounting is discontinued when the forecast transaction is no longer expected to occur, at which point amounts are immediately reclassified to the Income statement.

When a derivative is designated as a hedging instrument and that instrument expires, is sold or is restructured, if the initial forecast transaction is still expected to occur, any cumulative gain or loss remains in the cash flow hedge reserve until such time as the hedged item impacts the Income statement. Where there is a change in the risk management objective, then hedge accounting is discontinued and the associated cumulative gain or loss arising prior to the change in risk management objective remains in the cash flow hedge reserve until such time as the underlying hedged item impacts the Income statement had the risk management objective continued to have been met. Where a forecast transaction which was previously determined to be highly probable and for which hedge accounting applied, is no longer expected to occur, hedge accounting is discontinued and the cumulative gain or loss in the cash flow hedge reserve is immediately reclassified to the Income statement.

The Group enters into foreign currency derivative contracts, that are not designated in a hedge relationship, in order to mitigate foreign exchange movements on financial liabilities designated in currencies other than the presentational currency of the Group, including but not limited to, lease liabilities. Movements in the fair value of such derivatives are recognised in the Income statement in the period in which they occur and are presented within Net currency retranslation (charges)/credits.

Exchange gains and losses on monetary investments are taken to the Income statement unless the item has been designated and is assessed as an effective hedging instrument. Exchange gains and losses on non-monetary investments are reflected in equity.

d Cash flow hedges

Changes in the fair value of derivative financial instruments designated as in a cash flow hedge relationship of a highly probable expected future transaction are assessed for effectiveness and accordingly recorded in the Cash flow hedge reserve within equity.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

d Cash flow hedges continued

Hedge effectiveness

Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments, to ensure that an economic relationship exists between the hedged item and hedging instrument. A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements: (i) there is 'an economic relationship' between the hedged item and the hedging instrument; (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and (iii) the hedge ratio is aligned with the requirements of the Group's risk management strategy and in all instances is maintained at a ratio of 1:1.

The Group assesses whether the derivative designated as the hedging instrument in a hedge relationship is expected to be on inception and at each balance sheet date effective in offsetting the changes in cash flows of the hedged item using the hypothetical derivative model.

Sources of ineffectiveness include the following:

- In hedges of fuel purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty;
- In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty;
- In hedges of interest rate payments, ineffectiveness may arise if there are differences in the critical terms between the interest rate derivative instrument and the underlying hedged item, or if there are changes in the credit risk of the Group or the derivative counterparty; and
- In all hedges, ineffectiveness may arise if there are differences between the critical terms of the hedging instrument and the hypothetical derivative, such as where on inception of the hedge relationship the fair value of the hedging instrument is not zero.

Ineffectiveness is recorded within the Income statement as Realised/unrealised (losses)/gains on derivatives not qualifying for hedge accounting and presented within Other non-operating charges.

Reclassification and transfer adjustments

Gains and losses accumulated in the Cash flow hedge reserve within equity are reclassified from the Cash flow hedge reserve when the hedged item affects the Income statement, or transferred from the Cash flow hedge reserve when the hedged item gives rise to recognition in the Balance sheet as follows:

- Where the forecast hedged item results in the recognition of expenses within the Income statement (such as the purchase of jet fuel for which both fuel and the associated foreign currency derivatives are designated as the hedging instrument), the accumulated gains and losses recorded in both the cash flow hedge reserve and the cost of hedging reserve are reclassified and included in the Income statement within the same caption as the hedged item is presented. Such reclassification occurs in the same period as the hedged item is recognised in the Income statement;
- Where the forecast hedged item results in the recognition of a non-financial asset (such as the purchase of aircraft for which foreign currency derivatives are designated as the hedging instrument or where the purchase of jet fuel gives rise to the recognition of fuel inventory in storage facilities, or a non-financial liability (such as the sales in advance of carriage for which both foreign currency derivatives and non-financial derivative instruments are designated as the hedging instrument), the accumulated gains and losses recorded within both the cash flow hedge reserve and the cost of hedging reserve are transferred and included in the initial cost of the asset and liability, respectively. These gains or losses are recorded in the Income statement as the non-financial asset and the non-financial liability affects the Income statement (which for aircraft is through Depreciation, amortisation and impairment over the expected life of the aircraft, for fuel inventory through fuel costs and emission charges when it is consumed and for sales in advance of carriage through Passenger revenue when the flight is flown); and
- Where the forecast hedged item result in the recognition of a financial asset or liability (such as variable rate debt for which interest rate swaps are designated as the hedging instrument), the accumulated gains and losses recorded within the cash flow hedge reserve are reclassified to the Income statement to Interest expense within Finance costs at the same time as the interest income or expense arises on the hedged item.

Further information on the risk management activities of the Group are given in note 23.

Employee benefit plans

a Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group 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.

Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The pension benefits are dependent on the pension scheme rules and relevant pensions legislation including applicable case law.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Employee benefit plans continued

a Pension obligations continued

The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior years. The benefit is discounted to determine its present value and the fair value of any plan assets are deducted. The discount rate is the yield at the balance sheet date on AA-rated corporate bonds of the appropriate currency that have durations approximating those of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method. When the net obligation calculation results in an asset for the Group, the recognition of an asset is limited to the present value of any future refunds, net of the relevant taxes, from the plan or reductions in future contributions to the plan ('the asset ceiling'). The fair value of plan assets is based on market price information and, in the case of quoted securities, is the published bid price. The fair value of insurance policies which exactly match the amount and timing of some or all benefits payable under the scheme are deemed to be the present value of the related obligations. Longevity swaps are measured at their fair value.

Current service costs are recognised within employee costs in the year in which they arise. Past service costs are recognised in the event of a plan amendment or curtailment, or when the Group recognises related restructuring costs or severance obligations. The net interest is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments. Net interest and other expenses related to the defined benefit plans are recognised in the Income statement. Remeasurements, comprising of IAS 19 gains and losses, the effect of the asset ceiling (excluding interest) and the return on plan assets (excluding interest), are recognised immediately in Other comprehensive income. Remeasurements are not reclassified to the Income statement in subsequent periods.

b Severance obligations

Severance obligations are recognised when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises a provision for severance payments when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without realistic possibility of withdrawal, or providing severance payments as a result of an offer made to encourage voluntary redundancy.

Other employee benefits are recognised when there is deemed to be a present obligation.

Taxation

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 differences arise on the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- 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.

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.

International tax reform: Pillar Two implementation

On 23 May 2023, the IASB issued the amendments to IAS 12 – International tax reform: Pillar Two model reforms, effective for periods beginning on or after 1 January 2023. The amendments to IAS 12 provide temporary mandatory relief from the recognition of deferred tax balances arising from the implementation of the Pillar Two legislation. The Group has applied a temporary mandatory relief from deferred tax accounting for the impacts of the top-up tax and accounts for it as a current tax when it is incurred.

Inventories

Inventories are valued at the lower of cost and net realisable value. Such cost is determined by the weighted average cost method. Inventories include mainly aircraft spare parts, repairable aircraft engine parts, scope 3 emission certificates and fuel held in storage facilities.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Share-based payments

IAG Group operates a number of equity-settled share-based employee incentive plans in which certain of the IAG Group's employees participate. The awards are made under schemes operated by IAG Group and represent rights over its ordinary shares. The cost of these awards is recharged from IAG Group to the IAG Group's operating companies (including British Airways) for their respective share of the charge which is then recognised in employee costs. The awards create a capital contribution in equity whilst the subsequent recharge reduces the capital contribution in equity.

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 Group does not recognise a provision, but discloses the matter as a contingent liability. The Group assesses whether each matter is probable of there being an outflow of economic resources to settle the obligation at each balance sheet date.

Other employee related provisions are recognised for direct expenditures of business reorganisation such as severance payments (restructuring provisions) where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the Balance sheet date.

The method for determining legal claims provisions is determined on a claim-by-claim basis. Where a claim includes a significant population of items, the weighted average provision is estimated by determining all potential outcomes and the probability of their occurrence. Where a claim relates to a single item, then the Group determines the associated provision by applying the most likely outcome giving consideration to alternative outcomes. Where an individual claim is significant, the disclosure of quantitative information is restricted to the extent that it does not prejudice the outcome of the claim. If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the provision. Where discounting is used, the effect of unwinding the discount rate is recognised as a finance cost in the Income statement.

Revenue recognition

a Passenger revenue

The Group's revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the transportation service has been provided. Passenger tickets are generally paid for in advance of transportation and are recognised, net of discounts, as Deferred revenue and presented within current liabilities until either: (i) the customer has flown; or (ii) where the customer does not fly on the intended date and has purchased a non-flexible fare.

For flexible and semi-flexible tickets, when the customer does not travel on the intended date, a term referred to as 'unused tickets', the customer has a number of options they can elect to apply, depending on the fare type: (i) reschedule the date of intended travel; or (ii) request a refund.

The Group estimates the amount of these unused tickets for which customers are not expected to exercise their remaining rights prior to expiry based on the terms and conditions of the ticket and analysis of historical experience, a term referred to as 'unused ticket breakage'. This revenue is recognised based on the terms and conditions of the ticket and analysis of historical experience. For unused ticket breakage, revenue is recognised only when the risk of a significant reversal of revenue is remote. The estimation regarding historical experience is updated at each balance sheet date.

Where a flight is cancelled, the customer has a number of options they can elect to apply to their unused tickets: (i) compensation; (ii) a refund; or (iii) changing to an alternative flight.

The presentation in the financial statements of these customer options, to the extent they differ to the recognition criteria stated above, are as follows:

- Compensation for flight cancellation - such payments are presented net within Passenger revenue against the original ticket purchased.
- Refund - deferred revenue is reduced and no amount is recorded within revenue;
- Changing to an alternative flight - amounts are retained within Deferred revenue until such time as the flight is flown, at which time it is recorded within Passenger revenue.

In relation to vouchers issued over the COVID-19 pandemic, the Group also recognises revenue by estimating the amount of vouchers that customers are not expected to exercise their remaining rights prior to expiry. The estimation is updated at each reporting date. The amount of such revenue recognised is constrained, where necessary, such that the risk of a significant reversal of revenue in the future is remote.

Payments received in relation to certain ancillary services regarding passenger transportation, such as change fees, are not considered to be distinct from the performance obligation to provide the passenger flight. Payments relating to these ancillary services are recognised in Deferred revenue in current liabilities until the customer has flown.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Revenue recognition continued

a Passenger revenue continued

The Group considers whether it is an agent or a principal in relation to passenger transportation services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. The Group acts as an agent where (i) it collects various taxes, duties and fees assessed on the sale of tickets to passengers and remits these to the relevant taxing authorities; and (ii) where it provides interline services to airline partners outside of the Group. Commissions earned in relation to agency services are recognised as revenue when the underlying goods or services have been transferred to the customer. In all other instances, the Group considers it acts as the principal in relation to passenger transportation services.

b Cargo revenue

The Group has identified a single performance obligation in relation to cargo services and the associated revenue is measured at its standalone selling price and recognised on satisfaction of the performance obligation, which occurs on the fulfilment of the transportation service.

c Other revenue

The Group has identified several performance obligations in relation to services that give rise to revenue being recognised within Other revenue. These services, their performance obligations and associated revenue recognition include:

- the provision of maintenance services and overhaul services for engines and airframes, where the Group is engaged to enhance an asset while the customer retains control of the asset. Accordingly, the performance obligations are satisfied, and revenue recognised, over time. The Group estimates the proportion of the contract completed at the balance sheet date and recognises revenue based on the percentage of completion of the contract;
- the provision of ground handling services, where the performance obligations are fulfilled when the services are provided, which occurs upon the provision of the service; and
- the provision of holiday and hotel services, where the performance obligations are satisfied over time as the customer receives the benefit of the service. Following the disposal of British Airways Holidays Limited (see note 14), this is only applicable for the period up until the date of disposal in 2024.

d Customer loyalty programmes

The Group provides a loyalty programme to customers through the acquisition of Avios from Avios Group (AGL) Limited which are then issued to Executive Club members as part of the ticket. The revenue recognised when the transportation service is provided is reduced by the price of the loyalty points issued.

Exceptional items

Exceptional items (disclosed, if any, in note 3) are those that in management's view need to be separately disclosed by virtue of their size or nature and where such presentation is relevant to an understanding of the Group's financial performance. While management has defined a list of items and a quantitative threshold that would merit categorisation as exceptional that has been established through historical experience, the Group retains the flexibility to add additional items should their size or nature merit such presentation. The accounting policy in respect of exceptional items classification of an item as exceptional is approved by the IAG Board, through the IAG Audit and Compliance Committee.

The financial performance of the Group is monitored by the Management Committee and the Board using metrics that exclude exceptional items to enable comparison to prior reporting periods as well as to other selected companies, but also for making strategic, financial and operational decisions.

The exceptional items recorded in the Income statement include, but are not limited to, items such as significant settlement agreements with the Group's pension schemes; significant restructuring; the impact of business combination transactions that do not contribute to the ongoing results of the Group; significant discontinuance of hedge accounting; legal settlements; individually significant tax transactions; and the impact of the sale, disposal or impairment of an asset or investment in a business. Where exceptional items are separately disclosed, the resultant tax impact is additionally separately disclosed. Certain exceptional items may cover more than a single reporting period, such as significant restructuring events, but not more than two reporting periods.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. Those loans provided and/or guaranteed by governments that represent below market rates of interest are measured at inception at their fair value and recognised within Borrowings, with the differential to the proceeds received recorded within Deferred income and released to the relevant financial statement caption in the Income statement on a systematic basis. Grants that compensate the Group for expenses incurred are recognised in the Income statement in the relevant financial statement caption on a systematic basis in the periods in which the expenses are recognised.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These judgements, estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results in the future may differ from judgements and estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- Restoration and handback provisions (note 22): key assumptions underlying the carrying value of the provisions; and
- Employee benefit obligations (note 28): Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) key actuarial assumptions.

The critical accounting judgements made in the preparation of the financial statements are as follows:

- Leases (note 11): determining the lease term of contracts with renewal and termination options;
- Investment in associates (note 14): determining whether the Group has significant influence over its associate undertakings; and
- Restoration and handback provisions (note 22) determination of accounting policy for leased aircraft.

New standards, amendments and interpretations

The following amendments and interpretations apply for the first time in 2025, but do not have a material impact on the consolidated financial statements of the Group and the financial statements of the Company:

- Lack of exchangeability – amendments to IAS 21 effective for periods beginning on or after 1 January 2025;

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements. The Group and Company have assessed the impact of these standards, amendments and interpretations and it is not expected that these will have a material effect on the reported income or net assets of the Group and Company. The Group and Company plan to adopt the following standards, interpretations and amendments on the date they become mandatory:

- classification and measurement of financial instruments – amendments to IFRS 9 and IFRS 7 effective for periods beginning on or after 1 January 2026; and

IFRS 18 presentation and disclosure in financial statements

IFRS 18 becomes effective for periods beginning on or after 1 January 2027 and replaces IAS 1 - presentation of financial statements. IFRS 18 is applicable retrospectively. The new standard introduces the following:

- A requirement to classify all income and expenses within the Income statement into one of five categories: operating, investing, financing, income taxes and discontinued operations, for which the first three are new. There is no change to the existing recognition and measurement criteria within IFRS and accordingly, there will be no change to profit after tax;
- The disclosure of all Income statement non-GAAP measures used to monitor the financial performance of the Group, referred to as Management-defined performance measures (MPMs), are disclosed into a single note to the financial statements;
- Additional guidance on the aggregation and disaggregation of information in the financial statements;
- In the Cash flow statement, interest received and interest paid, currently presented within cash flows from operating activities, will be reclassified to cash flows from investing activities and cash flows from financing activities, respectively.

The Group is currently assessing the detailed implications of applying the new standard on the Group's and the Company's financial statements. The initial expected material impacts on the Group's and the Company's financial statements are as follows:

- In the Income statement, foreign exchange difference will be classified in the category where the related income and expense form the item giving rise to the foreign exchange difference;
- In the Income statement, ineffectiveness arising from hedge relationships as well as realised and unrealised gains/losses on derivatives not qualifying for hedge accounting will be classified in the category where the related underlying transaction is recorded;
- In the cash flow statement, interest received and interest paid will be classified within cash flows from investing activities and cash flows from financing activities, respectively; and
- The introduction of MPMs and their interaction with existing Alternative performance measures (APMs).

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Significant changes and transactions in the current reporting period

The financial performance and position of the Group was affected by the following significant events and transactions in the year to 31 December 2025 and subsequently to the date of this report:

- On 2 May 2025, the Group made an asset acquisition, principally including hangar facilities at London Gatwick Airport, from a third party.
- In September and October 2025, the Board of Directors approved two interim dividends of £184.18 and £616.26 per share amounting to £211 million and £705 million respectively. The dividends were paid across September, October, November and December.
- On 17 November 2025 the Group exercised the make-whole option to voluntarily early repay, in full, the 2020 EETC loan balance of \$403 million (£302 million). This unencumbered 10 aircraft.
- On 18 December 2025, ICAG provided the Group with an equity contribution of €600 million (£528 million) paid in cash. Subsequently on the same date, the Group made an early repayment of €600 million (£528 million) against long-term borrowings due to ICAG bearing interest of EURIBOR + 4.60%, the remaining balance of which is repayable in 2026.

Impact of climate change on financial reporting: Critical accounting judgements and key sources of estimation uncertainty in the determination of the impact of climate change

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

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

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

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

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

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

Key sources of estimation uncertainty in the determination of the impact of climate change – cash flow forecast estimation

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

a Long-term fleet plans and useful economic lives

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

With the current aircraft fleet and the future delivery of 74 fuel efficient aircraft as detailed in note 12, the Group considers the existing fleet assets align with the long-term fleet plans to achieve its Flightpath Net Zero climate strategy. All aircraft in the fleet, and those due to be delivered in the future, have the capability to utilise SAFs in their operations without impediment. Accordingly, no impairment has arisen in the current or prior year as a result of the Group's decarbonisation plans.

b Impairment testing of the Group's cash generating unit

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

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 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 expected 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.

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Key sources of estimation uncertainty in the determination of the impact of climate change – cash flow forecast estimation continued

b Impairment testing of the Group's cash generating unit continued

As a result, the Group's 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 of 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 UK and EU member states; and; (v) assumptions regarding the ability of the Group to recover these incremental costs through increased ticket pricing.

In preparing the impairment models, the Group cash flow projections are prepared on the basis of using the current fleet in its current condition. The Group excludes the estimated cash flows expected to arise from future restructuring unless already committed and assets not currently in use by the Group. In addition, for the avoidance of doubt, the Group's impairment modelling excludes the following aspects of the 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; (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; and (v) the consumption of advanced SAF products that have not yet technologically feasible; and (vi) the required government incentives and/or support across the supply chain.

As detailed in note 13b the Group applies a long-term growth rate to the adjusted probability-weighted cash flows and the long-term growth rate includes a specific adjustment to reduce the rate to reflect the Group's assumptions regarding the reduced demand and elasticity impact arising from climate change. These impacts are derived with reference to external market data, industry publications and internal analysis.

Given the inherent uncertainty associated with the impact of climate change, the Group has applied additional sensitivities in note 13b to reflect a more adverse impact of climate change than currently expected. This has been captured through both the downward sensitivity of the long-term growth rate, ASKs and operating margins and the increased fuel price sensitivity.

c Valuation of employee benefit scheme assets

The Group's employee benefit schemes are principally represented by the APS and NAPS schemes. The schemes are structured to make post-employment payments to members over the long-term, with the Trustees having established both return-seeking assets and liability-matching assets that mature over the long-term to align with the forecast benefit payments.

The assets of these schemes are invested predominantly in a diversified range of equities, bonds, property, and, specifically for APS, insurance contracts. The valuation of these assets ranges from those with quoted prices in active markets, where prices are readily and regularly available, through to those where the valuations are not based on observable market data, often requiring complex valuation models. The trustees of the schemes have integrated climate change considerations into their long-term decision making and reporting processes across all classes of assets, actively engaging with all fund and portfolio managers to ensure that where unobservable inputs are required into valuation models, such valuation models incorporate long-term expectations regarding the impact of climate change.

d Provision recognition

Under Flightpath Net Zero, the Group has committed to reducing its net emissions to zero by 2050 and accordingly the Group has considered whether such a commitment gives rise to a provision at the balance sheet date. In order to recognise a provision, an entity must meet the following criteria: (i) the entity has a present obligation as result of a past event; (ii) it is probable that an economic outflow of resources will be required to settle the obligation; and (iii) a reliable estimate can be made of the amount of the obligation.

While the Group considers there will be an economic outflow of resources to meet its Flightpath Net Zero commitment, these commitments relate to the emissions arising in future reporting periods irrespective as to when those commitments were announced. Accordingly, the Group does not consider that the Flightpath Net Zero commitments give rise to a present obligation as a result of a past event and no separate provisions have been recorded in relation to these commitments.

e The price of carbon

EU and UK Emissions Trading Systems/Schemes

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

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

Key sources of estimation uncertainty in the determination of the impact of climate change – cash flow forecast estimation continued

e The price of carbon continued

Carbon Offsetting and Reduction Scheme for International Aviation

In October 2016, the International Civil Aviation Organisation (ICAO) agreed on the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), which aims to offset growth-related CO₂ emissions in international air traffic from 1 January 2021, with the pilot phase running through to 31 December 2023. The first phase of the CORSIA implementation commenced on 1 January 2024 and will run through to 31 December 2026, after which the second phase will run through to 31 December 2035, measured in three-year reporting periods. The first phase of CORSIA is voluntary and currently 126 States have agreed to participate.

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

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

Voluntary offset schemes

The Group utilises certain voluntary offset schemes to offset certain CO₂ emissions. The Group purchases offset certificates arising from a broad range of accredited projects. Periodically the Group will retire these offset certificates from the registry.

Impact on financial reporting

The Group accounts for the purchase of allowances as an increase in Carbon-related and other assets, which are measured at amortised cost. In addition, as the Group emits CO₂ equivalent as part of its flight operations, a provision is recorded to settle the Carbon-related obligation. As the provision is recognised, a corresponding amount is recorded in the Income statement within Fuel costs and emission charges. For emissions for which the Group has already purchased Carbon-related assets, the provision is valued at the weighted cost of those allowances. Where the level of emissions exceeds the amounts of allowances held, this deficit is measured at the market price of such allowances at the balance sheet date. For the year to, and at 31 December 2025, the Group has recorded the following within the financial statements:

Notes to the Financial Statements continued

For the year ended 31 December 2025

2 Material accounting policies continued

e The price of carbon continued

Impact on financial reporting continued

Carbon-related assets (presented as part of Carbon-related and other assets in note 20) include the following amounts:

£ million	2025			2024		
	ETS assets	CORSIA assets	Total	ETS assets	CORSIA assets	Total
Balance at 1 January	226	-	226	269	-	269
Purchase of carbon assets	162	-	162	42	-	42
Extinguished/retired during the year	(87)	-	(87)	(85)	-	(85)
Carbon assets	301	-	301	226	-	226
Analysis:						
Current	81	-	81	85	-	85
Non-current	220	-	220	141	-	141
	301	-	301	226	-	226

Carbon-related obligations (presented as part of Provisions in note 22) include the following amounts:

£ million	2025			2024		
	ETS obligations	CORSIA obligations	Total	ETS obligations	CORSIA obligations	Total
Balance at 1 January	87	3	90	92	-	92
Obligations recognised in the income statement ¹	83	40	123	88	3	91
Release of unused amounts in the income statement ¹	(5)	-	(5)	(6)	-	(6)
Extinguished/retired during the year	(87)	-	(87)	(87)	-	(87)
Carbon obligations	78	43	121	87	3	90
Analysis:						
Current	78	-	78	87	-	87
Non-current	-	43	43	-	3	3
	78	43	121	87	3	90

¹For the year to 31 December 2025, the total amount in the Income statement within Fuel costs and emission charges that related to emission allowances was £120 million (2024: £85 million). Refer to note 4.

See note 34 for details of the amounts recognised in the Cash flow statement for the years to 31 December 2025 and 31 December 2024.

At 31 December 2025 and 31 December 2024, the Group has acquired and committed to acquire at fixed prices, the following percentages of its total emissions allowances required to be purchased over the three-year business plan periods:

Percentage of forecast emission allowances required	2025	2024
Within 12 months	100%	100%
1-2 years	60%	58%
2-3 years	14%	-

Notes to the Financial Statements continued

For the year ended 31 December 2025

3 Exceptional items

Exceptional items are those that in management's view need to be disclosed by virtue of their size or nature.

There were no exceptional items recognised during 2025 (2024: no exceptional items).

4 Operating expenses

a Expenses by nature - Operating profit is arrived at after charging:

Depreciation and amortisation of non-current assets:

£ million	Group	
	2025	2024
Depreciation charge on owned assets	717	604
Depreciation charge on right of use assets	381	438
Depreciation charge on other leasehold interest	23	16
Amortisation of intangible assets	122	78
Depreciation and amortisation	1,243	1,136

Cost of inventories:

£ million	Group	
	2025	2024 ¹
Cost of inventories recognised as an expense	237	204

¹The 2024 figures include a restatement to increase Cost of inventories recognised as an expense in the Income statement by £90 million. There is no change to any of the 2024 Income statement line items as a result of this restatement.

b Fuel costs and emission charges

£ million	Group	
	2025	2024
Fuel costs	3,040	3,386
Hedging losses	111	130
Emission charges	252	160
Fuel costs and emission charges	3,403	3,676

c Property, IT and other costs

£ million	Group	
	2025	2024
Property costs	167	169
IT costs	287	239
Insurance costs, professional fees and other costs	139	224
Property, IT and other costs	593	632

5 Auditor's remuneration

£ '000	Group	
	2025	2024
Fees payable to the Group's auditor for the audit of the Group's accounts	2,515	2,515
Fees payable to the Group's auditor and its associates for other services:		
Audit of the Group's subsidiaries pursuant to legislation – UK	248	248
Audit related assurance services	324	342
	3,087	3,105

Fees payable to the Group's external auditor for the audit of the Group's pension schemes total £260,425 (2024: £227,255). Remuneration receivable by the Company's auditor for the supply of services to associates of the IAG Group to support the opinion on the Group accounts have not been included as these are included within the Group audit fee disclosure of the parent Company, International Consolidated Airlines Group S.A.

Notes to the Financial Statements continued

For the year ended 31 December 2025

6 Employee costs and numbers

a Employee costs

£ million	Group		Company	
	2025	2024	2025	2024
Wages and salaries	2,073	1,908	1,911	1,762
Social security costs	278	227	259	212
Costs related to pension scheme benefits (note 28b)	208	197	196	187
Other employee costs	583	544	545	509
Total employee costs	3,142	2,876	2,911	2,670

Included in 'Other employee costs' is a total expense for share-based payments of £11 million (2024: £17 million) that arises from transactions accounted for as equity-settled share-based payments (note 26). Other employee costs also include allowances and accommodation for crew.

The average number of persons employed during the year was as follows:

Number	Group		Company	
	2025	2024	2025	2024
UK	37,475	36,305	34,104	33,131
Overseas	4,433	4,216	2,270	2,232
	41,908	40,521	36,374	35,363

b Directors' emoluments

£ million	Group	
	2025	2024
Directors' remuneration	3	3

During the year, three Directors (2024: six) of the Company were employed and remunerated by IAG and two (2024: two) were recharged to the Company accordingly.

The aggregate emoluments for the highest paid Director were borne by IAG. The highest paid Director's aggregate emoluments for the year amounted to £1,766,132 (2024: £2,269,633), including £107,784 pension contributions (2024: £104,645).

During the year, two Directors (2024: two) accrued benefits under a defined contribution pension scheme. There were total pension contributions of £177,365 made during the year (2024: £172,145).

Three Directors (2024: three) participated in IAG's Long Term Incentive Schemes. None of the Directors (2024: one) exercised share options and shares were received by three Directors (2024: three), including the highest paid Director.

c Remuneration of key management personnel

Compensation of key management personnel (which includes the Directors and Management Committee of the Group).

£ million	Group	
	2025	2024
Short-term employee benefits	8	8
Year to 31 December	8	8

Notes to the Financial Statements continued

For the year ended 31 December 2025

7 Finance costs, income and other non-operating credits

a Finance costs

£ million	Group	
	2025	2024
Interest expenses on:		
Bank borrowings	(2)	(5)
Asset financed liabilities	(132)	(119)
Lease liabilities	(136)	(154)
Provisions unwinding of discount	(21)	(22)
Capitalised interest on progress payments	23	28
Other finance costs	(119)	(171)
Total finance costs	(387)	(443)

b Finance income

£ million	Group	
	2025	2024
Interest on other interest-bearing deposits	109	123
Total finance income	109	123

c Net financing credit to pensions

£ million	Group	
	2025	2024
Net financing credit relating to pensions	71	54
Total net financing credit relating to pensions	71	54

d Other non-operating credits

£ million	Group	
	2025	2024
Realised gains on derivatives not qualifying for hedge accounting	-	22
Income received from other equity investments	11	6
Total other non-operating credits	11	28

8 Tax

a Tax on ordinary activities

Tax (charge)/credit in the Income statement, Other comprehensive income and Statement of changes in equity.

£ million	2025				2024			
	Income statement	Other comprehensive income	Statement of changes in equity	Total	Income statement	Other comprehensive income	Statement of changes in equity	Total
Current tax								
Movement in respect of prior years	(6)	-	-	(6)	(7)	-	-	(7)
Movement in respect of current year	(102)	12	1	(89)	(68)	5	-	(63)
Total current tax	(108)	12	1	(95)	(75)	5	-	(70)
Deferred tax								
Movement in respect of prior years	(4)	1	1	(2)	14	(2)	-	12
Movement in respect of current year	(415)	52	3	(360)	(385)	(72)	(8)	(465)
Total deferred tax	(419)	53	4	(362)	(371)	(74)	(8)	(453)
Total tax	(527)	65	5	(457)	(446)	(69)	(8)	(523)

Notes to the Financial Statements continued

For the year ended 31 December 2025

8 Tax continued

a Tax on ordinary activities continued

Within tax in Other comprehensive income is a tax credit of £79 million (2024: tax charge of £48 million) that may be reclassified to the Income statement and a tax charge of £14 million (2024: tax charge of £21 million) that will not.

b Current tax liability

£ million	Group		Company	
	2025	2024	2025	2024
Balance at 1 January	(33)	1	(17)	(4)
Income statement	(137)	(124)	(153)	(103)
Other comprehensive income	12	-	12	-
Cash payments	155	84	153	84
Other	(4)	6	(5)	6
Balance at 31 December	(7)	(33)	(10)	(17)

c Deferred tax

i Group deferred tax asset / (liability)

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2025	557	(865)	-	-	-	-	25	15	13	30	(2)	(227)
Income statement	(159)	(290)	5	-	-	-	-	-	(2)	26	1	(419)
Other comprehensive income	(18)	-	-	-	-	-	(10)	80	-	-	1	53
Statement of changes in equity	-	-	-	-	-	-	-	3	1	-	-	4
Balance at 31 December 2025	380	(1,155)	5	-	-	-	15	98	12	56	-	(589)

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2024	732	(577)	(45)	3	-	3	35	75	5	-	(2)	229
Income statement	(156)	(288)	45	(3)	-	(2)	-	1	2	30	-	(371)
Other comprehensive income	(17)	-	-	-	-	-	(10)	(47)	-	-	-	(74)
Statement of changes in equity	-	-	-	-	-	-	-	(14)	6	-	-	(8)
Disposal of BA Holidays	(2)	-	-	-	-	(1)	-	-	-	-	-	(3)
Balance at 31 December 2024	557	(865)	-	-	-	-	25	15	13	30	(2)	(227)

ii Company deferred tax asset / (liability)

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/ loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2025	557	(762)	-	-	-	1	25	13	13	30	(2)	(125)
Income statement	(159)	(279)	5	-	-	(1)	-	-	(2)	26	(1)	(411)
Other comprehensive income	(18)	-	-	-	-	-	(10)	81	-	-	(1)	52
Statement of changes in equity	-	-	-	-	-	-	-	4	1	-	(1)	4
Balance at 31 December 2025	380	(1,041)	5	-	-	-	15	98	12	56	(5)	(480)

Notes to the Financial Statements continued

For the year ended 31 December 2025

8 Tax continued

c Deferred tax continued

ii Company deferred tax asset continued

£ million	Tax loss carried forward	Fixed assets	Right of use assets	Deferred tax on IFRS 16 transition	Assets held for sale	Employee leaving indemnities and others	Employee benefit plans	Fair value gain/loss	Share-based payment schemes	Corporate interest	Other temporary differences	Total
Balance at 1 January 2024	728	(468)	(45)	3	(3)	4	34	73	5	-	(2)	329
Income statement	(156)	(294)	45	(3)	3	(3)	-	1	2	30	-	(375)
Other comprehensive income	(15)	-	-	-	-	-	(9)	(47)	-	-	-	(71)
Statement of changes in equity	-	-	-	-	-	-	-	(14)	6	-	-	(8)
Balance at 31 December 2024	557	(762)	-	-	-	1	25	13	13	30	(2)	(125)

Fair value gains/losses (Group and Company) include both the cash flow hedge reserve and the cost of hedging reserve, of which the closing balance recognised in the cash flow hedge reserve for 2025 was £90 million (2024: £5 million). Refer to note 24d.

The deferred tax assets are expected to reverse in full. Recognition of the deferred tax assets is supported by the expected reversal of deferred tax liabilities in corresponding periods, and projections of operating performance laid out in the management approved business plans.

d Reconciliation of the total tax charge in the Income statement

In accordance with bilateral tax treaties the Group's profits are mainly taxed in the UK at the standard rate of 25.0%. The Group's effective tax rate² is 21.7% (2024: 15.7%) and the differences between the expected tax charge (2024: charge) and the actual tax charge (2024: charge) on the profit for the year to 31 December 2025 (2024: profit) are explained below.

£ million	2025	2024
Profit before tax	2,429	2,835
Expected tax calculated at the standard rate of corporation tax in the UK of 25.0% (2024: 25.0%)	(607)	(709)
Tax on associates' profits	107	89
Movement in respect of prior years	(10)	7
Non-taxable income ¹	3	163
Non-deductible expenses	(32)	(9)
Employee benefit plans accounted for net of withholding tax	15	11
Other	(3)	2
Tax charge in the income statement	(527)	(446)
Effective tax rate ²	21.7%	15.7%

¹2024: Non-taxable income relates to the 2024 disposal of British Airways Holidays Limited

²This refers to alternative performance measures (APMs). For the definition refer to the glossary.

e Payroll-related taxes and UK Air Passenger Duty

The Group was also subject to other taxes paid as follows:

£ million	2025	2024
Payroll related taxes	278	227
UK Air Passenger Duty	922	866
	1,200	1,093

f Factors that may affect future tax charges

Unrecognised temporary differences - losses

£ million	2025	2024
Overseas income tax losses	2	-
UK capital losses	295	296
	297	296

None of the unrecognised temporary differences have an expiry date.

Notes to the Financial Statements continued

For the year ended 31 December 2025

8 Tax continued

f Factors that may affect future tax charges continued

Unrecognised temporary differences - investment in subsidiaries and associates

No deferred tax liability has been recognised in respect of £1,981 million (2024: £1,651 million) of temporary differences relating to subsidiaries and associates. The Group either controls the reversal of these temporary differences, and it is probable that they will not reverse in the foreseeable future, or no material tax consequences would arise from their reversal.

Tax policy developments

Pillar Two minimum effective tax rate reform

In 2021, the Organisation for Economic Co-operation and Development (OECD) released the Two Pillar solution to address the tax challenges arising from the digitalisation of the economy. This reform to the international tax system addresses the geographical allocation of profits for the purposes of taxation and is designed to ensure that multinational enterprises are subject to a minimum 15% effective tax rate.

The aforementioned legislation is effective to the Group from 1 January 2024. The effect of this legislation on the Group's tax charge is not material.

Engagement with tax authorities

The Group is subject to audit and enquiry by tax authorities in the territories in which it operates and engages with those tax authorities in a cooperative manner.

g Tax-related contingent liabilities

The Group has certain contingent tax liabilities across all taxes which at 31 December 2025 amounted to £14 million (31 December 2024: £21 million), including estimated interest and penalties. While the Group does not consider it more likely than not that there will be material losses on these matters, given the inherent uncertainty associated with tax litigation and tax audits, there can be no guarantee that material losses will not eventuate. As the Group considers that its chances of success is more probable than not, it is not appropriate to make a provision for these amounts.

9 Dividends

£ million	Company	
	2025	2024
First interim dividend:		
A1 Ordinary shares: £184.18 per share (2024: £462.86)	166	415
A2 Ordinary shares: £184.18 per share (2024: £462.86)	18	46
C Ordinary shares: £184.18 per share (2024: £462.86)	27	69
Second interim dividend:		
A1 Ordinary shares: £616.26 per share (2024: £nil)	553	-
A2 Ordinary shares: £616.26 per share (2024: £nil)	61	-
C Ordinary shares: £616.26 per share (2024: £nil)	91	-
	916	530

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

Notes to the Financial Statements continued

For the year ended 31 December 2025

10 Property, plant and equipment

a Group

£ million				Group
	Fleet	Property	Equipment	Total
Cost				
Balance at 1 January 2024	17,545	2,328	949	20,822
Additions	1,340	47	127	1,514
Modification of leases	80	84	-	164
Disposals ¹	(141)	(35)	(7)	(183)
Balance as at 31 December 2024	18,824	2,424	1,069	22,317
Additions	1,249	121	152	1,522
Modification of leases	41	132	-	173
Disposals	(82)	(3)	(12)	(97)
As at 31 December 2025	20,032	2,674	1,209	23,915
Depreciation and impairment				
Balances at 1 January 2024	8,030	985	757	9,772
Depreciation charge for the year	922	105	31	1,058
Disposals ¹	(137)	(28)	(4)	(169)
Balance as at 31 December 2024	8,815	1,062	784	10,661
Depreciation charge for the year	981	102	38	1,121
Disposals	(80)	(2)	(12)	(94)
As at 31 December 2025	9,716	1,162	810	11,688
Net book amounts				
31 December 2025	10,316	1,512	399	12,227
31 December 2024	10,009	1,362	285	11,656
Analysis as at 31 December 2025				
Owned	7,069	654	231	7,954
Right of use assets ²	2,386	786	9	3,181
Assets under construction (including progress payments)	861	72	159	1,092
	10,316	1,512	399	12,227
Analysis as at 31 December 2024				
Owned	6,479	613	140	7,232
Right of use assets ²	2,868	691	4	3,563
Assets under construction (including progress payments)	662	58	141	861
	10,009	1,362	285	11,656

¹Of the amounts included in Disposals in 2024, £5 million relates to the reduction in Net book value following the sale of British Airways Holidays and associated deconsolidation.

²Refer to note 11 for right of use assets.

£ million	Group	
	2025	2024
The net book amount of property comprises:		
Freehold	304	276
Right of use assets ¹	786	691
Long-leasehold improvements with a contractual life in excess of 50 years	321	279
Short-leasehold improvements with a contractual life of less than 50 years	101	116
As at 31 December	1,512	1,362

¹Refer to note 11 for right of use assets.

At 31 December 2025, long-term borrowings of the Group are secured on owned fleet assets with a net book amount of £3,433 million (2024: £3,757 million). There is also property pledged as security with a net book value of £653 million (2024: £546 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

10 Property, plant and equipment continued

b Company

£ million	Company			
	Fleet	Property	Equipment	Total
Cost				
Balance as at 31 December 2024	18,030	2,332	1,050	21,412
Additions	1,237	59	127	1,423
Modification of leases	32	132	-	164
Disposals	(185)	(2)	(12)	(199)
As at 31 December 2025	19,114	2,521	1,165	22,800
Depreciation and impairment				
Balance as at 31 December 2024	8,155	1,013	770	9,938
Depreciation charge for the year	941	97	34	1,072
Disposals	(146)	(2)	(12)	(160)
As at 31 December 2025	8,950	1,108	792	10,850
Net book amounts				
31 December 2025	10,164	1,413	373	11,950
31 December 2024	9,875	1,319	280	11,474
Analysis as at 31 December 2025				
Owned	7,251	574	209	8,034
Right of use assets ¹	2,348	767	3	3,118
Assets under construction (including progress payments)	565	72	161	798
	10,164	1,413	373	11,950
Analysis as at 31 December 2024				
Owned	6,377	570	135	7,082
Right of use assets ¹	2,836	691	4	3,531
Assets under construction (including progress payments)	662	58	141	861
	9,875	1,319	280	11,474

£ million	Company	
	2025	2024
The net book value of property comprises:		
Freehold	229	237
Right of use assets ¹	767	691
Long-leasehold improvements with a contractual life in excess of 50 years	316	275
Short-leasehold improvements with a contractual life of less than 50 years	101	116
As at 31 December	1,413	1,319

¹Refer to note 11 for right of use assets.

At 31 December 2025, long-term borrowings of the Company are secured on owned fleet assets with a net book amount of £3,433 million (2024: £3,757 million). There is also property pledged as security with a net book value of £653 million (31 December 2024: £546 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

11 Leases

Significant accounting judgement applied - Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. Such judgement includes consideration of fleet plans which underpin approved business plans and historical experience regarding the extension of leases. After the commencement date, the Group re-assesses the lease term if there is a significant event or change in circumstances that affects the Group's ability to exercise or not to exercise the option to renew or to terminate.

a Group

(i) Amounts recognised in the Consolidated balance sheet – right of use assets

Property, plant and equipment includes the following amounts relating to right of use assets:

£ million				Group
	Fleet	Property	Equipment	Total
Cost				
Balance at 1 January 2024	6,692	861	9	7,562
Additions	3	8	-	11
Modification of leases	80	84	-	164
Disposals ¹	(18)	(21)	-	(39)
Reclassifications ²	(1,041)	-	-	(1,041)
Balance as at 31 December 2024	5,716	932	9	6,657
Additions	-	19	7	26
Modification of leases	41	132	-	173
Disposals	(7)	(1)	(1)	(9)
Reclassifications ²	(490)	-	-	(490)
As at 31 December 2025	5,260	1,082	15	6,357
Depreciation and impairment				
Balance at 1 January 2024	3,026	194	4	3,224
Depreciation charge for the year	374	63	1	438
Disposals ¹	(15)	(16)	-	(31)
Reclassifications ²	(537)	-	-	(537)
Balance as at 31 December 2024	2,848	241	5	3,094
Depreciation charge for the year	322	57	2	381
Disposals	(5)	(2)	(1)	(8)
Reclassifications ²	(291)	-	-	(291)
As at 31 December 2025	2,874	296	6	3,176
Net book value				
31 December 2025	2,386	786	9	3,181
31 December 2024	2,868	691	4	3,563

¹Of the amounts included in Disposals in 2024, £4 million relates to the reduction in Net book value following the sale of British Airways Holidays and associated deconsolidation.

²Amounts with a net book value of £199 million (2024: £504 million) were reclassified from right of use assets to Owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified related partly to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Group had been depreciating over the expected useful life of the aircraft, incorporating the purchase option and partly to leases without purchase options, where a fixed buyout payment was agreed and paid, and title of the aircraft subsequently transferred to the Group.

Notes to the Financial Statements continued

For the year ended 31 December 2025

11 Leases continued

a Group continued

(ii) Amounts recognised in the Consolidated balance sheet – lease liabilities and asset financed liabilities

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

£ million	Operating leases	Finance leases	Total lease liabilities ¹	Asset financed liabilities	Total
1 January 2025	2,454	1,070	3,524	3,509	7,033
Additions	26	-	26	344	370
Modifications of leases	189	-	189	-	189
Repayments	(395)	(271)	(666)	(615)	(1,281)
Interest expense	109	30	139	132	271
Disposals	-	-	-	-	-
Exchange movements	(118)	(28)	(146)	(118)	(264)
31 December 2025	2,265	801	3,066	3,252	6,318
Depreciation expense	291	90	381	159	540
Interest expense	109	30	139	132	271
Total amounts recorded in the Income statement	400	120	520	291	811
Repayment of principal within financing activities	284	248	532	506	1,038
Repayment of interest within operating activities	106	22	128	109	237
Total repayments in the Cash flow statement^{2,3}	390	270	660	615	1,275
£ million	Operating leases	Finance leases	Total lease liabilities ¹	Asset financed liabilities	Total
1 January 2024	2,582	1,727	4,309	2,492	6,801
Additions	11	-	11	1,163	1,174
Modifications of leases	125	4	129	-	129
Repayments	(406)	(677)	(1,083)	(274)	(1,357)
Interest expense	115	50	165	119	284
Disposals ⁴	(4)	-	(4)	-	(4)
Exchange movements	31	(34)	(3)	9	6
31 December 2024	2,454	1,070	3,524	3,509	7,033
Depreciation expense	318	120	438	137	575
Interest expense	115	50	165	119	284
Total amounts recorded in the Income statement	433	170	603	256	859
Repayment of principal within financing activities	291	631	922	171	1,093
Repayment of interest within operating activities	113	42	155	103	258
Total repayments in the Cash flow statement^{2,3}	404	673	1,077	274	1,351

¹Upon transition to IFRS 16 on 1 January 2019, all finance leases were grandfathered as Lease liabilities.

²Includes both the repayment of principal and interest.

³Excludes cash flows associated with low-value leases and variable lease payments for which the Group does not recognise within lease liabilities.

⁴Disposals in 2024 of £4 million relates to the reduction in Lease liabilities following the sale of British Airways Holidays and associated deconsolidation.

Notes to the Financial Statements continued

For the year ended 31 December 2025

11 Leases continued

a Group continued

Interest-bearing long-term borrowings includes the following amounts relating to lease liabilities:

	2025	2024
Current	584	615
Non-current	2,482	2,909

(iii) Amounts recognised in the Consolidated income statement

£ million	2025	2024
<i>Amounts not included in the measurement of lease liabilities</i>		
Variable lease payments	-	2
Expenses relating to short-term leases	21	14
<i>Amounts expensed as a result of the recognition of ROU assets and lease liabilities</i>		
Interest expense on lease liabilities	139	165
Depreciation charge for the year	381	438

(iv) Amounts recognised in the Consolidated cash flow statement

£ million	2025	2024
<i>Cash flows arising from transactions that do not give rise to the recognition of lease liabilities:</i>		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	21	16
Total cash outflows arising from asset financed liabilities	615	274
<i>Cash flows arising from transactions giving rise to lease liabilities:</i>		
Total cash outflows arising from lease liabilities - aircraft	565	1,001
Total cash outflows arising from lease liabilities - other	95	76

(v) Maturity profile of lease liabilities and asset financed liabilities

The following table analyses the Group's outflows in respect of operating leases, finance leases and asset financed liabilities into relevant maturity groupings based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

£ million	Operating leases	Finance leases	Total lease liabilities	Asset financed liabilities	Total
Within 1 year	372	236	608	305	913
1-2 years	357	205	562	308	870
2-3 years	323	215	538	312	850
3-4 years	230	51	281	315	596
4-5 years	215	142	357	343	700
More than 5 years	3,110	18	3,128	2,466	5,594
31 December 2025	4,607	867	5,474	4,049	9,523

£ million	Operating leases	Finance leases	Total lease liabilities	Asset financed liabilities	Total
Within 1 year	386	275	661	339	1,000
1-2 years	370	238	608	336	944
2-3 years	348	203	551	336	887
3-4 years	312	221	533	353	886
4-5 years	230	55	285	318	603
More than 5 years	2,830	161	2,991	2,600	5,591
31 December 2024	4,476	1,153	5,629	4,282	9,911

Notes to the Financial Statements continued

For the year ended 31 December 2025

11 Leases continued

a Group continued

(vi) Extension options

The Group has certain leases which contain extension and termination options exercisable by the Group prior to the non-cancellable contract period. Where practicable, the Group seeks to include extension and termination options in new leases to provide operational flexibility. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension and termination options.

The Group is exposed to future cash outflows (on an undiscounted basis) as at 31 December 2025, for which no amount has been recognised, for potential extension options of £532 million (2024: £529 million) due to it not being reasonably certain that these leases will be extended.

(vii) Lessor accounting

The Group leases out certain of its property, plant and equipment. The Group has classified those leases that transfer substantially all of the risk and rewards of ownership to the lessee as finance leases.

The following table sets out a maturity analysis of finance lease receipts, showing the undiscounted lease receipts to be received after the reporting date:

£ million	2025	2024
Within one year	6	3
One to two years	2	3
Two to three years	5	-
Total undiscounted lease receipts	13	6
Less: finance income	-	(1)
Net investment in finance leases	13	5

b Company

(i) Amounts recognised in the Balance sheet

Property, plant and equipment includes the following amounts relating to right of use assets:

£ million	Company			
	Fleet	Property	Equipment	Total
Cost				
Balance as at 31 December 2024	5,419	928	8	6,355
Additions	-	-	-	-
Modification of leases	32	132	-	164
Disposals	(20)	(1)	(1)	(22)
Reclassifications ¹	(490)	-	-	(490)
As at 31 December 2025	4,941	1,059	7	6,007
Depreciation and impairment				
Balance as at 31 December 2024	2,583	238	4	2,825
Depreciation charge for the year	306	55	1	362
Disposals	(5)	(1)	(1)	(7)
Reclassifications ¹	(291)	-	-	(291)
As at 31 December 2025	2,593	292	4	2,889
Net book amounts				
31 December 2025	2,348	767	3	3,118
31 December 2024	2,836	690	4	3,530

¹Amounts with a net book value of £199 million (2024: £504 million) were reclassified from right of use assets to Owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified related partly to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Company had been depreciating over the expected useful life of the aircraft, incorporating the purchase option and partly to leases without purchase options, where a fixed buyout payment was agreed and paid, and title of the aircraft subsequently transferred to the Company.

Notes to the Financial Statements continued

For the year ended 31 December 2025

11 Leases continued

b Company continued

(i) Amounts recognised in the Balance sheet continued

Interest-bearing long-term borrowings includes the following amounts relating to lease liabilities:

£ million	Company	
	2025	2024
Lease liability 1 January	3,499	4,284
Additions	-	7
Modification of leases	180	118
Repayments	(654)	(1,071)
Interest expense	137	165
Exchange movements	(144)	(4)
Lease liabilities 31 December	3,018	3,499
Current	574	606
Non-current	2,444	2,893

(ii) Amounts recognised in the Income statement

£ million	Company	
	2025	2024
<i>Amounts not included in the measurement of lease liabilities</i>		
Variable lease payments	-	1
Short-term leases	9	10
Interest on lease liabilities	137	165
Depreciation charge for the year	362	422

(iii) Amounts recognised in the Cash flow statement

£ million	2025	2024
<i>Cash flows arising from transactions that do not give rise to the recognition of lease liabilities</i>		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	9	11
Total cash outflows arising from asset financed liabilities	615	274
<i>Cash flows arising from transactions giving rise to lease liabilities</i>		
Total cash outflows arising from lease liabilities - aircraft	557	992
Total cash outflows arising from lease liabilities - other	93	76

(iv) Extensions and terminations

The Company has certain leases which contain extension and termination options exercisable by the Company prior to the non-cancellable contract period. Where practicable, the Company seeks to include extension and termination options in new leases to provide operational flexibility. The Company assesses at lease commencement whether it is reasonably certain to exercise the extension and termination options.

The Company is exposed to future cash outflows (on an undiscounted basis) as at 31 December 2025, for which no amount has been recognised, for potential extension options £532 million (2024: £529 million) due to it not being reasonably certain that these leases will be extended.

The Company is not exposed to any material termination options which requires disclosure.

Notes to the Financial Statements continued

For the year ended 31 December 2025

11 Leases continued

b Company continued

(v) Lessor accounting

The Company leases out certain of its property, plant and equipment, including to other companies within the BA Group. The Company has classified those leases that transfer substantially all of the risks and rewards of ownership to the lessee as finance leases.

The following table sets out a maturity analysis of finance lease receipts, showing the undiscounted lease receipts to be received after the reporting date:

£ million	2025	2024
Within one year	37	29
One to two years	31	20
Two to five years	45	35
More than five years	-	6
Total undiscounted lease receipts	113	90
Less: finance income	(6)	(12)
Net investment in finance leases	107	78

12 Capital expenditure commitments

Capital expenditure authorised and contracted but not provided for in the accounts at 31 December 2025 amounted to £10,131 million (2024: £4,667 million) for the Group, and £10,130 million for the Company (2024: £4,667 million). The majority of capital expenditure commitments are denominated in US dollars and as such the commitments are subject to exchange movements.

The outstanding aircraft commitments for the Group and the Company include £9,382 million (2024: £3,865 million) for the acquisition of 6 Airbus A320 and A321 neos (in 2026), 6 A350-1000s (from 2028-2029), 38 Boeing 787-10s (from 2026 - 2033) and 24 Boeing 777-9s (from 2027-2030).

The Group and the Company have certain rights to defer aircraft deliveries and to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights have been exercised during the year (2024: none).

Notes to the Financial Statements continued

For the year ended 31 December 2025

13 Intangible assets and impairment review

a Intangible assets

i Group

	Group			
£ million	Goodwill	Landing rights	Software	Total
Cost				
Balance at 1 January 2024	40	737	974	1,751
Additions	-	-	256	256
Disposals ¹	-	-	(47)	(47)
Balance at 31 December 2024	40	737	1,183	1,960
Additions	-	-	248	248
Disposals	-	-	(1)	(1)
31 December 2025	40	737	1,430	2,207
Amortisation				
Balance at 1 January 2024	-	49	651	700
Amortisation charge for the year	-	-	78	78
Disposals ¹	-	-	(36)	(36)
Balance at 31 December 2024	-	49	693	742
Amortisation charge for the year	-	-	122	122
Disposals	-	-	-	-
31 December 2025	-	49	815	864
Net book values				
31 December 2025	40	688	615	1,343
31 December 2024	40	688	490	1,218

¹Of the amounts included in Disposals in 2024, £8 million relates to the reduction in Net book value following the sale of British Airways Holidays and associated deconsolidation.

Notes to the Financial Statements continued

For the year ended 31 December 2025

13 Intangible assets and impairment review continued

a Intangible assets

ii Company

£ million	Company		
	Landing rights	Software	Total
Cost			
Balance at 1 January 2024	737	929	1,666
Additions	-	256	256
Disposals	-	(3)	(3)
Balance at 31 December 2024	737	1,182	1,919
Additions	-	247	247
Disposals	-	-	-
31 December 2025	737	1,429	2,166
Amortisation			
Balance at 1 January 2024	49	615	664
Amortisation charge for the year	-	77	77
Disposals	-	-	-
Balance at 31 December 2024	49	692	741
Amortisation charge for the year	-	122	122
Disposals	-	-	-
31 December 2025	49	814	863
Net book values			
31 December 2025	688	615	1,303
31 December 2024	688	490	1,178

b Impairment review

i Network airline operations

Basis for calculating recoverable amount

Goodwill and other intangible assets with indefinite lives (being landing rights) are tested for impairment annually and when circumstances indicate the carrying value may be impaired. A full impairment test at 30 September 2025 has been conducted.

The impairment review is carried out at the level of a 'cash-generating unit' ('CGU'), defined as the smallest identifiable group of assets, liabilities and associated intangible assets that generate cash inflows which are largely independent of the cash flows from other assets or groups of assets. On this basis, an impairment review has been conducted on one CGU, being the network airline operations CGU, including passenger and cargo operations out of all operated airports, as well as all related ancillary operations.

The recoverable amounts of the CGU is measured based on its 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 plan approved by the Board in the fourth quarter of 2025, 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 CGU's pre-tax discount rate.

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

Notes to the Financial Statements continued

For the year ended 31 December 2025

13 Intangible assets and impairment review continued

b Impairment review continued

Key assumptions

The value-in-use calculations reflect the ongoing uncertainty of the wider economic and geopolitical environments, including updated projected cash flows for activity from 2026 through to the end of 2028. The key assumptions used in the value-in-use calculation are as follows:

Per cent	2025	2024
Operating margin ¹	12% to 17%	12% to 16%
Average ASK growth per annum ¹	1% to 9%	0% to 8%
Long-term growth rate	1.9%	1.8%
Pre-tax discount rate	11.8%	11.3%

¹Operating margin and average ASK growth per annum are all stated as the weighted average derived from the multi-scenario discounted cash flow model.

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

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

The long-term growth rate is calculated 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 using internal analysis 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 (note 2). The network plans are reviewed annually as part of the Business plan and reflect management's plans in response to specific market risk or opportunity.

Pre-tax discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculation is based on the circumstances of the airline industry and the Group. These rates are derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines. The cost of equity is derived from the expected return on investment by airline investors and the cost of debt is derived from both market data and industry gearing levels derived from comparable companies. CGU-specific risk is incorporated by applying individual beta factors which are evaluated annually based on available market data. The pre-tax discount rate reflects the timing of future tax flows. The Group engages an external valuation expert as at the valuation date to assist in the determination of the post-tax discount rate.

Jet fuel price assumptions are derived from forward price curves in the fourth quarter of each year and sourced externally from readily available market data at the valuation date. The cash flow forecasts reflect these price increases after taking into consideration the level of fuel derivatives and their associated prices that 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 £5,880 per metric tonne of SAF; (ii) for costs of carbon, prices of £166, £121, £44 for EU ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO₂ equivalents emitted; and 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 the CGU and concluded the recoverable amount exceeded the carrying value.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered, where applicable, which include reducing the operating margin by two 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, changing the weighting of the base case and downside case to be 100% weighted towards the downside case 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 CGU greater than that included in the impairment model.

Notes to the Financial Statements continued

For the year ended 31 December 2025

13 Intangible assets and impairment review continued

b Impairment review continued

Summary of results continued

The recoverable amounts are estimated to exceed the carrying amounts by £9,915 million (2024: £14,788 million).

For reasonably possible changes in key assumptions, both individually and in aggregate, no impairment arises.

ii Company

In 2025, the Company recognised a £3 million impairment reversal (2024: £5 million) within the Income statement in respect of its investments in subsidiaries. For investments where an indicator of impairment or reversal of previous impairment existed, an impairment test was performed to determine the recoverable amount. The recoverable amounts of the relevant investments have been determined as the higher of the fair value and their value in use, using a discounted cash flow model.

14 Investments

Significant accounting judgement - Investment in associates: determination of significant influence

At 31 December 2025 the Group recognised £2,553 million (2024: £2,553 million) in respect of investments in associates.

The Group owns 6.80% of the equity (13.55% of the economic rights) of IB Opco Holding S.L. ('Iberia') and 86.26% of the equity of Avios Group (AGL) Limited ('IAGL'). The Group applies judgement in the determination as to whether it has the power with which to participate in the decision making of, and as a result, significant influence over Iberia and IAGL. Such judgement includes the consideration as to the ability of the Group to: have representation on the Board; participate in the policy-making processes, including participation in decisions regarding dividends and other distributions; enable the interchange of management personnel and provide essential technical information.

Although the Group holds more than 50% of IAGL's equity and is exposed to its variable returns, it does not have power over relevant activities because the governance agreement grants ICAG decision-making rights through majority board representation. These arrangements rebut the presumption of control arising from majority shareholding, resulting in significant influence rather than control. In contract, ICAG, as both majority shareholder of the Group and ultimate parent undertaking of IAGL, has control because it has the power to direct the relevant activities of IAGL.

The Group uses the equity method of accounting for its investments in these entities because under IFRS it is considered to have significant influence but not control. Significant influence is defined as the power to participate in the financial and operating policy decisions of the investee but is not control or joint control.

The Group has significant influence over Iberia, even though it holds less than 20% of the equity of Iberia, due to its representation on the ICAG Board, the board of Iberia's ultimate parent Company.

The Group has significant influence over IAGL due to representation on the IAGL Board as provided for by the governance agreement, but not control as it does not have the power to direct the activities of IAGL even though it holds more than 50% of the equity of IAGL. ICAG, as both majority shareholder of BA and ultimate parent undertaking of IAGL, controls and has the power to direct the activities of IAGL.

a Group

A summary of the Group's investments in associates accounted for using the equity method is shown below:

£ million	Group	
	2025	2024
Balance at 1 January	2,553	2,275
Exchange differences	2	(5)
Share of attributable results	429	358
Share of movements in comprehensive income of associates	(78)	7
Dividends received ¹	(359)	(82)
Share of other movements in equity of associates	6	-
As at 31 December	2,553	2,553

¹The Group received dividends, net of withholding tax, of £76 million, £282 million, and £1 million from IB Opco Holding, S.L., Avios Group (AGL) Limited and Dunwoody Airline Services Limited respectively (2024: £81 million and £1 million from IB Opco Holding, S.L. and Dunwoody Airline Services Limited).

Notes to the Financial Statements continued

For the year ended 31 December 2025

14 Investments continued

a Group continued

	Percentage of equity owned	Measurement basis	Principal activities	Holding	Country of incorporation and principal operations
Avios Group (AGL) Limited	86.26	Equity method	Management of airline loyalty reward currency	Ordinary shares	England
Dunwoody Airline Services Limited	40.00	Equity method	Airline operations	Ordinary shares	England
IB Opco Holding, S.L.	6.80	Equity method	Airline operations	Ordinary shares	Spain
LanzaJet, Inc.	9.00	Equity method	Sustainable fuel technology	Ordinary shares	USA

At 31 December 2025 there are no restrictions on the ability of associates to transfer funds to the Group and there are no related contingent liabilities.

The following summarised financial information of the Group's investment in material associates is shown below:

£ million	Group			
	2025		2024	
	Iberia	IAGL	Iberia	IAGL
Non-current assets	5,792	564	5,244	170
Current assets	3,185	3,616	3,302	3,277
Current liabilities	(3,999)	(3,278)	(3,622)	(2,956)
Non-current liabilities	(3,826)	(625)	(4,175)	(239)
Net equity	1,152	277	749	252
Group's share of net equity ¹	152	223	167	217
Premium on acquisition under common control	-	557	-	557
Goodwill attributable to investments in associates	-	1,598	-	1,598
Total investment in associates	152	2,378	167	2,372

¹The Group has not recognised losses previously incurred by Iberia because the Group has no obligation in respect of these losses.

The Group's carrying amount of investments in other associates was £6 million (2024: £6 million).

£ million	Group			
	2025		2024	
	Iberia	IAGL	Iberia	IAGL
Revenue	7,391	2,600	6,735	2,269
Operating costs	(6,259)	(2,130)	(5,957)	(1,861)
Other costs (including tax)	(185)	(120)	(169)	(85)
Net profit after tax	947	350	609	323
Other comprehensive income	(128)	3	52	-
Total comprehensive income for the year (net of tax)	819	353	661	323

The Group's share of total comprehensive income of other associates was £1 million (2024: Enil).

Notes to the Financial Statements continued

For the year ended 31 December 2025

14 Investments continued

a Group continued

Disposal of British Airways Holidays Limited

On 1 April 2024, the Group sold 100% of its existing British Airways Holidays Limited (British Airways Holidays) business to its associate, Avios Group (AGL) Limited. British Airways Holidays was derecognised as a subsidiary of the Group, and as a result, the Group no longer has the power to affect the returns of British Airways Holidays as it now falls within the governance structure of IAGL.

British Airways Holidays is not considered to represent a discontinued operation for the Group.

Total consideration on 1 April 2024 amounted to £549 million in cash, with a further £150 million in deferred consideration (discounted to its present value of £130 million on 1 April 2024). Out of this deferred consideration, £75 million was received in 2025, with the remaining £75 million receivable in 2026. Receipt of the deferred consideration is unconditional, but some or all the deferred consideration could become repayable if certain commercial conditions are not met by BA. No repayments are currently expected.

The effect of the disposal on 1 April 2024 is detailed below:

£ million	
Consideration received	556
Less: British Airways Holidays cash and cash equivalents	(7)
Net consideration received per the cash flow	549
Consideration receivable	130
Total consideration	679

British Airways Holidays assets/(liabilities) as at 1 April 2024:

£ million	
Property, plant, and equipment (including right of use assets)	5
Intangible assets	8
Deferred tax assets	3
Other assets ¹	419
Trade and other payables ¹	(375)
Current tax payable	(35)
Net assets	25
Gain on sale of investment	654

¹Included in Other assets and Trade and other payables are balances associated with air revenue of which the BA Group continues to be the principal and therefore continues to recognise such amounts within its Consolidated balance sheet.

b Company

A summary of the Company's investments in subsidiaries is set out below:

£ million	Cost	Impairments	Company	
			2025	2024
Balance at 1 January	1,630	(364)	1,266	1,271
Additions	44	-	44	-
Disposals ¹	-	-	-	(10)
Impairments reversed/(recognised) ²	-	3	3	5
As at 31 December	1,674	(361)	1,313	1,266

¹The 2024 disposals line includes the disposal of the British Airways Holidays cost of investment of £10 million for a total consideration of £686 million (excluding British Airways Holidays cash and cash equivalent of £7 million) which resulted in a Gain on sale of investment of £676 million for the Company.

²The Company recognised a reversal of impairment of £3 million (2024: £5 million impairment reversal) in respect of its subsidiaries.

The Group and Company's investments in subsidiaries, associates and other investments are listed on pages 128 and 129.

Notes to the Financial Statements continued

For the year ended 31 December 2025

14 Investments continued

b Company continued

A summary of the Company's investments in associates is set out below:

£ million	Company	
	2025	2024
Balance at 1 January	1,570	1,570
As at 31 December	1,570	1,570

15 Trade receivables and other assets

Trade receivables and other current assets are set out below:

£ million	Group		Company	
	2025	2024	2025	2024
Amounts falling due within one year				
Trade receivables	781	835	781	835
Allowance for expected credit loss	(30)	(31)	(30)	(31)
Net trade receivables	751	804	751	804
Prepayments	458	371	452	365
Accrued income ²	103	106	102	100
Finance lease receivable	5	3	31	24
Carbon-related assets ¹	78	85	78	85
VAT & other taxes	223	273	216	269
Deferred consideration receivable	70	70	70	70
Other non-trade receivables ³	133	186	262	241
Other current assets	1,070	1,094	1,211	1,154
Trade receivables and other current assets	1,821	1,898	1,962	1,958

¹The disaggregation of Carbon-related assets by underlying scheme is presented in note 2.

²The Accrued income balance (representing contract assets) mainly relates to cargo revenue accruals, as well as revenue earned from ongoing maintenance and overhaul services, where the balances vary depending on the number of ongoing activities at the reporting date.

³The Company other non trade receivables balance is net of £44 million (2024: £44 million) of expected credit loss on receivables with subsidiary undertakings.

Notes to the Financial Statements continued

For the year ended 31 December 2025

15 Trade receivables and other assets continued

Movements in allowance for expected credit loss of trade receivables were as follows:

£ million	2025	2024
At the beginning of the year	31	33
Provided during the year	4	4
Receivables written off as at 31 December	(5)	(6)
	30	31

The credit risk exposure on the Group's trade receivables is set out below. Trade receivables are generally non-interest bearing and on 30 days terms (2024: 30 days).

2025						Group
	Current	<30 days	30-180 days	180-365 days	>365 days	Total
Trade receivables	355	344	39	14	29	781
Expected credit loss rate	0.1%	0.1%	2.0%	7.5%	96.6%	3.8%
Net trade receivables	355	344	38	13	1	751

2024						Group
	Current	<30 days	30-180 days	180-365 days	>365 days	Total
Trade receivables	445	185	115	32	58	835
Expected credit loss rate	0.1%	0.1%	0.1%	8.3%	48.0%	3.7%
Net trade receivables	445	185	115	29	30	804

Notes to the Financial Statements continued

For the year ended 31 December 2025

16 Inventories

£ million	Group		Company	
	2025	2024	2025	2024
Engineering expendables	97	80	95	77
Catering consumables	27	26	27	26
Other inventories	56	16	54	14
	180	122	176	117

17 Cash, cash equivalents and other current interest-bearing deposits

a Cash and cash equivalents

£ million	Group		Company	
	2025	2024	2025	2024
Cash at bank and in hand	1,587	1,624	1,376	1,485
Short term deposits maturing within three months	6	-	-	-
Cash and cash equivalents	1,593	1,624	1,376	1,485
Current interest-bearing deposits maturing after three months	260	470	250	470
Cash, cash equivalents and other interest-bearing deposits	1,853	2,094	1,626	1,955

The fair value of cash and cash equivalents is £1,593 million for the Group (2024: £1,624 million) and £1,376 million for the Company (2024: £1,485 million).

At 31 December 2025, the Group and Company had no outstanding bank overdrafts (2024: £nil).

b Reconciliation of net cash flow to movement in net debt

£ million	Group					Balance at 31 December 2025
	Balance at 1 January 2025	Cash flows	Exchange movements	New leases and modifications	Non-cash	
Bank, other loans and asset financed liabilities	(4,958)	733	34	-	(20)	(4,211)
Lease liabilities	(3,524)	532	146	(215)	(5)	(3,066)
Liabilities from financing activities	(8,482)	1,265	180	(215)	(25)	(7,277)
Cash and cash equivalents	1,624	(104)	73	-	-	1,593
Other current interest-bearing deposits	470	(210)	-	-	-	260
Net debt	(6,388)	951	253	(215)	(25)	(5,424)

£ million	Group					Balance at 31 December 2024
	Balance at 1 January 2024	Cash flows	Exchange movements	New leases and modifications	Non-cash	
Bank, other loans and asset financed liabilities	(4,053)	(941)	53	-	(17)	(4,958)
Lease liabilities	(4,309)	922	5	(140)	(2)	(3,524)
Liabilities from financing activities	(8,362)	(19)	58	(140)	(19)	(8,482)
Cash and cash equivalents	904	805	(85)	-	-	1,624
Other current interest-bearing deposits	270	200	-	-	-	470
Net debt	(7,188)	986	(27)	(140)	(19)	(6,388)

Net debt is calculated as total cash and cash equivalents and current interest-bearing deposits less total interest-bearing borrowings. Proceeds from and repayment of bank, other loans and asset financed liabilities are shown net under Cash flows.

Notes to the Financial Statements continued

For the year ended 31 December 2025

18 Trade and other payables

£ million	Group		Company	
	2025	2024	2025	2024
Trade creditors and accrued expenses	1,483	1,749	1,399	1,689
Amounts owed to subsidiary companies	-	-	748	588
Non-trade creditors	725	689	723	688
Taxation and social security	43	41	43	41
Non-trade accruals	134	127	126	116
Deferred income relating to non-flight activity	20	31	18	30
As at 31 December	2,405	2,637	3,057	3,152

19 Deferred revenue

Significant accounting estimates applied - Revenue recognition: breakage assumptions applied to passenger revenue and unredeemed vouchers

At 31 December 2025 the Group recognised a liability of £4,187 million in respect of deferred revenue (2024: £4,178 million).

Passenger revenue

Passenger revenue is recognised when the transportation service is provided. At the time of intended transportation, revenue is also recognised in respect of estimated unused ticket breakage and is estimated based on the terms and conditions of the tickets and historical experience. The Group considers that there is no reasonably possible change to unused ticket assumptions that would have a material impact on passenger revenue recorded in the year.

A two-percentage point increase in the level of unused ticket breakage of the sales in advance of carriage balance (excluding vouchers) at 31 December 2025 would result in an adjustment to Deferred revenue of £84 million (2024: £82 million), with an offsetting adjustment to increase revenue and operating profit recognised in the year.

Unredeemed vouchers

At 31 December 2025 the Group had no unredeemed vouchers outstanding, excluding associated taxes (2024: £89 million) within Deferred revenue.

During, and subsequent to, the recovery from the COVID-19 pandemic, the Group, has engaged in marketing campaigns and direct customer engagement in an attempt to maximise redemption of these vouchers, which has proven successful in reducing the remaining population of unredeemed vouchers. In addition, in order to give customers greater flexibility to use their vouchers, the book and travel by date was extended on multiple occasions, most recently in 2024 when it was extended to 30 September 2025. All remaining unredeemed COVID-19 vouchers ultimately expired and all related revenue was recognised in the year.

Notes to the Financial Statements continued

For the year ended 31 December 2025

19 Deferred revenue continued

£ million	Group			Company		
	Customer loyalty	Sales in advance of carriage	Total	Customer loyalty	Sales in advance of carriage	Total
			2025			2025
As at 1 January	28	4,150	4,178	28	4,150	4,178
Cash received from customers ¹	-	12,700	12,700	-	11,959	11,959
Revenue recognised in the Income statement ²	(3)	(12,695)	(12,698)	(3)	(11,954)	(11,957)
Loyalty points issued to customers	7	-	7	7	-	7
As at 31 December	32	4,155	4,187	32	4,155	4,187

£ million	Group			Company		
	Customer loyalty	Sales in advance of carriage	Total	Customer loyalty	Sales in advance of carriage	Total
			2024			2024
As at 1 January	37	4,194	4,231	37	4,174	4,211
Cash received from customers ¹	-	12,738	12,738	-	11,796	11,796
Revenue recognised in the Income statement ²	(11)	(12,782)	(12,793)	(11)	(11,820)	(11,831)
Loyalty points issued to customers	2	-	2	2	-	2
As at 31 December	28	4,150	4,178	28	4,150	4,178

¹Cash received from customers is net of refunds.

²Where the Group acts as an agent in the provision of redemption products and services to customers through loyalty programmes, or in the provision of interline flights to passengers, revenue is recognised in the income statement net of the related costs. Included within revenue recognised in the income statement is an amount of £1,970 million (2024: £1,803 million) previously held as deferred revenue at the end of the comparative reporting period.

20 Other non-current assets and liabilities

Other non-current assets are set out below:

£ million	Group		Company	
	2025	2024	2025	2024
Prepayments	304	258	304	258
Finance lease receivable	7	2	75	54
Carbon-related assets	220	141	220	141
Other non-trade receivables	20	87	19	85
As at 31 December	551	488	618	538

Other non-current liabilities are set out below:

£ million	Group		Company	
	2025	2024	2025	2024
Other accruals	7	5	4	5
Deferred income relating to non-flight activity	8	10	6	8
Other non-trade creditors	249	176	248	174
As at 31 December	264	191	258	187

Notes to the Financial Statements continued

For the year ended 31 December 2025

21 Long-term borrowings

a Total borrowings

£ million	Group			Group		
	Current	Non-current	2025 Total	Current	Non-current	2024 Total
Bank and other loans	945	14	959	48	1,401	1,449
Asset financed liabilities	206	3,046	3,252	221	3,288	3,509
Lease liabilities	584	2,482	3,066	615	2,909	3,524
Interest bearing borrowings	1,735	5,542	7,277	884	7,598	8,482

£ million	Company			Company		
	Current	Non-current	2025 Total	Current	Non-current	2024 Total
Bank and other loans	945	14	959	48	1,401	1,449
Asset financed liabilities	206	3,046	3,252	221	3,288	3,509
Lease liabilities	574	2,444	3,018	606	2,893	3,499
Interest bearing borrowings	1,725	5,504	7,229	875	7,582	8,457

Long-term borrowings of the Group and Company amounting to £3,288 million (2024: £3,563 million) are secured on fleet assets with a net book value of £3,433 million (2024: £3,757 million). Asset financed liabilities are all secured on the associated aircraft.

On 17 November 2025, British Airways, paid £302 million (\$403 million) to early redeem Asset finance liabilities relating to 10 aircraft initially financed in 2020. In redeeming the Asset finance liabilities, British Airways recorded a loss of £11 million, recorded within Finance costs in the Income statement, associated with the transaction costs incurred.

b Bank and other loans

Bank and other loans are repayable by 2027 and comprise of the following:

£ million	Group		Company	
	2025	2024	2025	2024
Floating rate euro mortgage loans secured on aircraft (i)	36	54	36	54
Fixed rate unsecured US dollar mortgage loans (ii)	7	30	7	30
Floating rate unsecured euro loan (iii)	916	1,365	916	1,365
	959	1,449	959	1,449
Less: current instalments due on bank and other loans	945	48	945	48
Non-current bank and other loans as at 31 December	14	1,401	14	1,401

(i) Floating rate euro mortgage loans are secured on specific aircraft assets of the Group and bear interest of between 3.54% to 3.56%. The loans are repayable in 2027.

(ii) Fixed rate unsecured US dollar mortgage loans bearing interest is 1.38%. The loans are repayable in 2026.

(iii) Floating rate unsecured euro loan due to ICAG bearing interest of 3 month EURIBOR + 4.60%. In December 2025, £528 million (€600 million) of the loan was repaid by British Airways. The rest of the loan is repayable in 2026.

In June 2024, the Group entered into a five-year US\$2,421 million, sustainability-linked, secured Revolving Credit Facility. At 31 December 2025, no amounts had been drawn under the facility.

Notes to the Financial Statements continued

For the year ended 31 December 2025

21 Long-term borrowings continued

b Bank and other loans continued

Transactions with unconsolidated entities

The Group has sale and leaseback transactions to finance the acquisition of aircraft undertaken through Enhanced Equipment Trust Certificates (EETCs). The Group has asset financing transactions with unconsolidated entities through British Airways Pass Through Certificates Series. As at 31 December 2025, Asset financed liabilities include cumulative amounts of £1,358 million (2024: £1,885 million) and Lease liabilities include cumulative amounts of £399 million (2024: £467 million) associated with transactions with unconsolidated structured entities having issued EETCs. There have been no additional asset financing transactions with unconsolidated entities during the year to 31 December 2025.

c Reconciliation of movements of liabilities to cash flows arising from financing activities

	Group			
£ million	Bank, other loans and asset financed liabilities	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2025	(4,958)	(3,524)	72	(8,410)
Proceeds from borrowings	(344)	-	-	(344)
Repayments of borrowings	1,077	-	-	1,077
Repayment of lease liabilities	-	532	-	532
Settlements of derivative financial instruments	-	-	127	127
Total changes arising from financing cash flows	733	532	127	1,392
Interest paid	211	128	-	339
Interest expense	(231)	(139)	-	(370)
New leases and modifications	-	(215)	-	(215)
Fair value movements	-	-	(333)	(333)
Other non-cash movements	-	6	-	6
Effect of changes in foreign exchange rates	34	146	-	180
Closing financial liabilities at 31 December 2025	(4,211)	(3,066)	(134)	(7,411)

	Group			
£ million	Bank, other loans and asset financed liabilities	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2024	(4,053)	(4,309)	(112)	(8,474)
Proceeds from borrowings	(1,163)	-	-	(1,163)
Repayments of borrowings	222	-	-	222
Repayment of lease liabilities	-	922	-	922
Settlements of derivative financial instruments	-	-	165	165
Total changes arising from financing cash flows	(941)	922	165	146
Interest paid	227	155	-	382
Interest expense	(243)	(165)	-	(408)
New leases and modifications	-	(140)	-	(140)
Fair value movements	-	-	19	19
Other non-cash movements	-	10	-	10
Effect of changes in foreign exchange rates	52	3	-	55
Closing financial liabilities at 31 December 2024	(4,958)	(3,524)	72	(8,410)

Notes to the Financial Statements continued

For the year ended 31 December 2025

21 Long-term borrowings continued

d Total loans, lease liabilities, asset financed liabilities and other financing liabilities

Million	Group		Company	
	2025	2024	2025	2024
Loans:				
US dollar	\$10	\$38	\$10	\$38
Euro	€1,087	€1,711	€1,087	€1,711
Pound sterling	959	1,449	959	1,449
Lease liabilities:				
US dollar	\$2,488	\$2,754	\$2,450	\$2,726
Euro	€276	€411	€276	€408
Japanese yen	¥39,813	¥55,801	¥39,813	¥55,801
Pound sterling	£778	£686	£753	£686
Pound sterling	3,066	3,524	3,018	3,499
Asset financed liabilities:				
US dollar	\$2,616	\$2,994	\$2,616	\$2,994
Euro	€1,329	€1,162	€1,329	€1,162
Japanese yen	¥30,273	¥29,993	¥30,273	¥29,993
Pound sterling	3,252	3,509	3,252	3,509
Total interest-bearing borrowings	7,277	8,482	7,229	8,457

Notes to the Financial Statements continued

For the year ended 31 December 2025

22 Provisions

Significant accounting estimate applied – Restoration and handback provisions: key assumptions underlying the carrying value of the provisions

At 31 December 2025, the Group recognised £640 million in respect of maintenance, restoration and handback provisions, principally in respect of leased aircraft (31 December 2024: £706 million).

The Group has a number of contracts with service providers to replace or repair engine parts and for other maintenance checks. These agreements are complex and generally cover a number of years. Provisions for maintenance, restoration and handback are made based on the best estimate of the likely committed cash outflow. In determining this best estimate, the Group applies significant judgement as to the level of forecast costs expected to be incurred when the major maintenance event occurs. Other assumptions not considered to be significant include aircraft utilisation, expected maintenance intervals and the aircraft's condition. The associated forecast costs are discounted to their present value. While the Group considers that there are no reasonably possible changes to any of the individual assumptions that would have a material impact on the provisions, a combination of changes in several assumptions may. The Group considers that a reasonably possible change in the inflation rate and discount rate assumptions of a 100 basis point increase would give rise to an increase of £16 million (2024: £18 million) and a decrease of £19 million (2024: £20 million), respectively, in the provisions balance when applied in isolation to one another.

Significant accounting judgement applied - Restoration and handback provisions: determination of accounting policy for leased aircraft

IFRS 16 does not address the accounting for maintenance, restoration and handback provisions that arise through the usage of the underlying asset and accordingly, the Group has applied judgement in applying an accounting policy with regard to the recognition and subsequent measurement of such provisions for leased aircraft. The Group's accounting policy for provisions that arise through usage or through the passage of time, is to recognise the associated estimated costs in the Income statement as the underlying asset is used or through the passage of time. The approach applied by the Group is consistent with the majority of major airlines that prepare their financial statements under IFRS. Were the Group to apply an alternative accounting policy, the financial impact would be materially different at the reporting date. An alternative accounting policy that the Group could have applied was the components approach, where the Group would capitalise the estimated costs of major maintenance events and depreciate them until the subsequent maintenance event (or to the end of lease term) and providing over the lease term for any expected cash compensation for maintenance obligations at the end of the lease. The Group considers that the current accounting policy for maintenance, restoration and handback activities reflects the obligations under its lease arrangements.

	Group					
£ million	Restoration and handback	Restructuring	Legal claims and contractual disputes	Carbon- related obligations	Other	Total
Balance at 1 January 2025	706	4	30	90	31	861
Provisions recorded during the year	79	23	-	123	33	258
Reclassifications	(2)	-	(2)	-	-	(4)
Utilised during the year	(88)	(6)	(16)	-	(30)	(140)
Extinguished during the year	-	-	-	(87)	-	(87)
Release of unused amounts	(51)	(1)	(4)	(5)	(15)	(76)
Unwinding of discount	21	-	-	-	-	21
Remeasurements	(3)	-	-	-	-	(3)
Exchange differences	(22)	-	-	-	-	(22)
As at 31 December 2025	640	20	8	121	19	808
Analysis:						
Current	136	20	7	78	8	249
Non-current	504	-	1	43	11	559
	640	20	8	121	19	808

Notes to the Financial Statements continued

For the year ended 31 December 2025

22 Provisions continued

£ million						Company
	Restoration and handback	Restructuring	Legal claims and contractual disputes	Carbon-related obligations	Other	Total
Balance at 1 January 2025	654	4	30	66	31	785
Provisions recorded during the year	65	23	-	90	33	211
Reclassifications	(2)	-	(2)	-	-	(4)
Utilised during the year	(72)	(6)	(16)	-	(30)	(124)
Extinguished during the year	-	-	-	(67)	-	(67)
Release of unused amounts	(50)	(1)	(4)	(2)	(15)	(72)
Unwinding of discount	19	-	-	-	-	19
Remeasurements	(4)	-	-	-	-	(4)
Exchange differences	(19)	-	-	-	-	(19)
As at 31 December 2025	591	20	8	87	19	725
Analysis:						
Current	131	20	7	44	8	210
Non-current	460	-	1	43	11	515
	591	20	8	87	19	725

Restoration and handback provisions

Provisions for restoration and handback costs are maintained to meet the contractual maintenance and return conditions on aircraft held under lease. For those obligations arising on inception of an aircraft lease, referred to as 'unavoidable provisions', the associated estimated cost is capitalised within the ROU asset. For those obligations that arise through usage or through the passage of time, referred to as 'avoidable provisions', the associated estimated costs are recognised in the Income statement as the associated asset is used or through the passage of time. The provision is long-term in nature, typically covering the leased asset term, which for aircraft is up to 12 years.

The provisions also include an amount relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Such costs are capitalised within ROU assets.

The provisions are determined by discounting the future cash flows using pre-tax risk-free rates specific to the tenor of the provision and the currency in which it arises. The unwinding of the discounting of the provisions is recorded as a finance cost in the Income statement (refer to note 7).

Remeasurements arising from changes in estimates relating to the effects of both discounting and inflation are recorded in the Income statement to the extent they relate to avoidable provisions or recorded as an adjustment to the right of use asset (see note 11) for those unavoidable provisions.

Where amounts are finalised and the uncertainty relating to these provisions removed, the associated liability is reclassified to either current or non-current other creditors, depending on the expected timing of the settlement.

Restructuring provisions

Restructuring provisions represents the estimated costs of settling employee obligations under the Group's restructuring plans. The payments are expected to be made within the next 12 months.

Legal claims and contractual dispute provisions

Legal claims and contractual provisions include:

- amounts for multi-party claims from groups of employees on a number of matters related to the Group's operations, including claims for additional holiday pay and for age discrimination;
- amounts relating to ongoing contractual disputes arising from the Group's ongoing provisions; and
- amounts related to investigations by a number of competition authorities in connection with alleged anti-competitive activity concerning the Group's passenger and cargo businesses.

The final amount required to pay the remaining claims and fines is subject to uncertainty.

Carbon-related obligations

Carbon related obligations relate to the Emissions Trading Systems/Schemes and the CORSIA for CO₂ emitted on flights within the United Kingdom, the EU and globally. Those obligations related to Emissions Trading Systems/Schemes are due to be extinguished in the year subsequent to the balance sheet date through settlement with the relevant authorities. Those obligations related to the CORSIA are expected to be retired in 2028. See Note 15 for further information.

Notes to the Financial Statements continued

For the year ended 31 December 2025

23 Financial risk management objectives and policies

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

a Fuel price risk

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

The following table demonstrates the sensitivity of financial instruments to a reasonable possible change in fuel prices, based on current market volatility, with all other variables held constant, on the result before tax and equity. The sensitivity analysis has been performed on fuel derivatives at the balance sheet date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2025 and 2024:

				Group and Company	
		2025		2024	
Increase/(decrease) in fuel price per cent	Effect on equity ¹ £ million Increase/ (decrease)	Increase/(decrease) in fuel price per cent	Effect on equity ¹ £ million Increase/ (decrease)		
40	832	40		970	
(40)	(770)	(40)		(872)	

¹The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

At 31 December 2025, the net liability of the fair value of fuel derivative instruments was £159 million, representing an increase in net liabilities of £72 million since 1 January 2025 (net liability).

b Foreign currency risk

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

The following table demonstrates the sensitivity of the Group's financial instruments to a reasonable, possible change in exchange rates, based on current market volatility, with all other variables held constant, on the result before tax and equity. The sensitivity analysis has been performed on cash and cash equivalents, interest-bearing liabilities, lease liabilities and derivatives (both designated in hedge relationships and those not designated in hedge relationships) denominated in foreign currencies at the balance sheet date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2025 and 2024. These represent both the Group and the Company as the majority of the foreign currency risks are borne by the Company.

Group and Company	Strengthening/ (weakening) in US dollar rate per cent	Effect on result before tax £ million Increase/ (decrease)	Effect on equity ¹ £ million Increase/ (decrease)	Strengthening/ (weakening) in euro rate per cent	Effect on result before tax £ million Increase/ (decrease)	Effect on equity ¹ £ million Increase/ (decrease)	Strengthening/ (weakening) in yen rate per cent	Effect on result before tax £ million Increase/ (decrease)	Effect on equity ¹ £ million Increase/ (decrease)
2025	15	9	462	15	0	(307)	15	(1)	(10)
	(15)	(9)	(488)	(15)	0	307	(15)	1	10
2024	20	(2)	723	20	11	(326)	20	(1)	(17)
	(20)	2	(727)	(20)	(11)	326	(20)	1	17

¹The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

Notes to the Financial Statements continued

For the year ended 31 December 2025

23 Financial risk management objectives and policies continued

b Foreign currency risk continued

At 31 December 2025, the net liability of the fair value of foreign currency derivative instruments was £247 million, representing an increase of £403 million since 1 January 2025 (net asset). These comprise both derivatives designated in hedge relationships and those derivatives that are not designated into a hedge relationship at inception.

Those derivatives not designated in a hedge relationship on inception have their mark-to-market movements recorded directly in the Income statement and recognised within Net currency retranslation credits.

c Interest rate risk

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

The following table demonstrates the sensitivity of the Group's financial instruments to a reasonable possible change in interest rates, based on expectations regarding forward rate movements, with all other variables held constant, on the result before tax and equity. The sensitivity analysis has been performed on financial instruments at the balance sheet date only and is not reflective of the impact had the sensitivity rates been applied through the duration of the years to 31 December 2025 and 2024.

Group and Company	Strengthening/ (weakening) in euro interest rate Basis points	Effect on result before tax	Effect on equity ¹
		£ million Increase/ (decrease)	£ million Increase/ (decrease)
2025	100	(21)	4
	(100)	21	(2)
2024	100	(24)	4
	(100)	24	(3)

¹The sensitivity analysis on equity, excludes the sensitivity amounts recognised in the result before tax.

At 31 December 2025, the net asset of the fair value of interest rate derivative instruments was £2 million, representing a decrease of £3 million since 1 January 2025 (net asset).

d Credit risk

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

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

The financial assets recognised in the financial statements, net of impairment losses (if any), represent the Group's maximum exposure to credit risk, without taking into account any guarantees in place or other credit enhancements.

e Counterparty risk

The Group 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 by underlying exposure. The underlying exposures are monitored on a daily basis and the overall exposure limit by counterparty is periodically reviewed by using available market information.

Notes to the Financial Statements continued

For the year ended 31 December 2025

23 Financial risk management objectives and policies continued

f Liquidity risk

The Group 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 Group also has committed revolving credit facilities.

The Group and Company had the following available undrawn committed general facilities:

Million	31 December 2025	
	Currency	£ equivalent
<i>Committed general facilities¹</i>		
US dollar facility expiring June 2029	\$2,421	£1,799

Million	31 December 2024	
	Currency	£ equivalent
<i>Committed general facilities</i>		
US dollar facility expiring June 2029	\$2,421	£1,936

¹The committed general facilities can be drawn at any time at the discretion of the Group subject to the provision of up to three days' notice of the intended utilisation, depending on the facility.

In addition, at 31 December 2025, the Group and Company had undrawn overdraft facilities of £11 million (2024: £11 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

23 Financial risk management objectives and policies continued

f Liquidity risk continued

The following table analyses the Group's (outflows) and inflows in respect of financial liabilities and derivative financial instruments into relevant maturity groupings based on the remaining period at 31 December to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows and include interest.

£ million						Group
	Within six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Total 2025
Interest-bearing loans and borrowings:						
Asset financing liabilities	(152)	(153)	(308)	(970)	(2,466)	(4,049)
Lease liabilities	(307)	(301)	(562)	(1,176)	(3,128)	(5,474)
Fixed rate borrowings	(7)	-	-	-	-	(7)
Floating rate borrowings	(42)	(948)	(14)	-	-	(1,004)
Trade and other payables	(2,405)	-	(264)	-	-	(2,669)
Derivatives financial instruments (assets):						
Foreign currency derivatives	21	5	7	2	-	35
Fuel derivatives	6	3	1	-	-	10
Interest rate derivatives	1	1	1	-	-	3
Derivative financial instruments (liabilities):						
Foreign currency derivatives	(114)	(103)	(66)	(5)	-	(288)
Fuel derivatives	(45)	(43)	(65)	(17)	-	(170)
As at 31 December	(3,044)	(1,539)	(1,270)	(2,166)	(5,594)	(13,613)

£ million						Group
	Within six months	Between six and twelve months	Between one and two years	Between two and five years	More than five years	Total 2024
Interest-bearing loans and borrowings:						
Asset financing liabilities	(171)	(168)	(336)	(1,007)	(2,600)	(4,282)
Lease liabilities	(333)	(329)	(608)	(1,369)	(2,990)	(5,629)
Fixed rate borrowings	(23)	-	(7)	-	-	(30)
Floating rate borrowings	(61)	(57)	(1,461)	(13)	-	(1,592)
Trade and other payables	(2,312)	-	(191)	-	-	(2,503)
Derivatives financial instruments (assets):						
Foreign currency derivatives	51	56	86	5	-	198
Fuel derivatives	3	3	5	-	-	11
Interest rate derivatives	2	1	1	-	-	4
Derivative financial instruments (liabilities):						
Foreign currency derivatives	(27)	(5)	(3)	-	-	(35)
Fuel derivatives	(29)	(29)	(28)	(16)	-	(102)
As at 31 December	(2,900)	(528)	(2,542)	(2,400)	(5,590)	(13,960)

Notes to the Financial Statements continued

For the year ended 31 December 2025

23 Financial risk management objectives and policies continued

g Offsetting financial assets and liabilities

The Group enters into derivative transactions under ISDA (International Swaps and Derivatives Association) documentation. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding are aggregated into a single net amount that is payable by one party to the other.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements.

£ million					Group
	Gross value of financial instruments	Financial instruments that are offset under netting agreements ¹	Net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset ¹	Net amount
31 December 2025					
Financial assets					
Derivative financial assets	67	20	47	8	39
Financial liabilities					
Derivative financial liabilities	470	(20)	450	(8)	442

Within the Company the gross value of derivative financial assets was £81 million and the net value was £61 million. The gross value of derivative financial liabilities was £470 million and the net value was £450 million. The value of related financial instruments that are not offset was £8 million.

£ million					Group
	Gross value of financial instruments	Financial instruments that are offset under netting agreements	Net amounts of financial instruments in the balance sheet	Related financial instruments that are not offset	Net amount
31 December 2024					
Financial assets					
Derivative financial assets	228	(21)	207	(4)	203
Financial liabilities					
Derivative financial liabilities	154	(21)	133	(4)	130

¹ As at 31 December 2025 the Group recognised £nil of collateral (2024: £nil) offset under netting arrangements.

Within the Company the gross value of derivative financial assets was £238 million and the net value was £217 million. The gross value of derivative financial liabilities was £159 million and the net value was £138 million. The value of related financial instruments that are not offset was £4 million.

h Capital risk management

The Group'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.

The Group monitors capital on the basis of the net debt to EBITDA before exceptional items. For the year to 31 December 2025, the net debt to EBITDA before exceptional items was 1.56 times (2024: 2.00 times). Net debt is defined as the total borrowings, asset financing liabilities, net interest-bearing deposits and cash and cash equivalents less overdrafts and EBITDA is defined as operating profit/(loss) before exceptional items, depreciation, amortisation and impairment.

Further detail on liquidity and capital resources and capital risk management is disclosed in the going concern section in note 2.

Notes to the Financial Statements continued

For the year ended 31 December 2025

24 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 31 December 2025 and 31 December 2024 by nature and classification for measurement purposes was as follows:

At 31 December 2025

£ million	Financial assets			Group	
	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial assets	Total carrying amount
Non-current financial assets					
Other equity investments	-	42	-	-	42
Derivative financial instruments ¹	-	-	10	-	10
Other non-current assets ²	27	-	-	524	551
Current financial assets					
Trade receivables	751	-	-	-	751
Derivative financial instruments ¹	-	-	36	-	36
Other current assets ²	317	-	-	753	1,070
Other current interest-bearing deposits	260	-	-	-	260
Cash and cash equivalents	1,593	-	-	-	1,593

¹Within the Company, non-current derivative financial instrument assets are £13 million and current derivative financial instrument assets are £48 million.

²Within the Company, total other non-current assets are £618 million, of which loans and receivables (amortised cost) are £83 million and non-financial assets are £535 million. Total other current assets in the Company are £1,201 million, of which loans and receivables (amortised cost) are £569 million and non-financial assets are £632 million.

£ million	Financial liabilities			Group	
	Amortised cost	Fair value through income statement	Non-financial liabilities	Total carrying amount	
Non-current financial liabilities					
Interest bearing long-term borrowings	3,060	-	-	3,060	
Lease liabilities	2,482	-	-	2,482	
Derivative financial instruments ¹	-	149	-	149	
Other long-term liabilities ²	55	-	209	264	
Current financial liabilities					
Current portion of long-term borrowings	1,151	-	-	1,151	
Lease liabilities	584	-	-	584	
Trade and other payables ²	1,684	-	721	2,405	
Derivative financial instruments ¹	-	301	-	301	

¹Within the Company, non-current derivative financial instrument liabilities are £149 million and current derivative financial instrument liabilities are £301 million.

²Within the Company, total other long-term liabilities are £258 million, of which loans and payables (amortised cost) are £254 million and non-financial liabilities are £4 million. Total trade and other payables in the Company are £3,057 million, of which loans and payables (amortised cost) are £2,334 million and non-financial liabilities are £723 million.

Notes to the Financial Statements continued

For the year ended 31 December 2025

24 Financial instruments continued

a Financial assets and liabilities by category continued

As at 31 December 2024

£ million	Financial assets			Non-financial assets	Group Total carrying amount
	Amortised cost	Fair value through OCI	Fair value through income statement		
Non-current financial assets					
Other equity investments	-	22	-	-	22
Derivative financial instruments ¹	-	-	93	-	93
Other non-current assets ²	84	-	-	404	488
Current financial assets					
Trade receivables	804	-	-	-	804
Derivative financial instruments ¹	-	-	114	-	114
Other current assets ²	422	-	-	672	1,094
Other current interest-bearing deposits	470	-	-	-	470
Cash and cash equivalents	1,624	-	-	-	1,624

¹Within the Company, non-current derivative financial instrument assets are £96 million and current derivative financial instrument assets are £121 million.

²Within the Company, total other non-current assets are £538 million, of which loans and receivables (amortised cost) are £139 million and non-financial assets are £399 million. Total other current assets in the Company are £1,154 million, of which loans and receivables (amortised cost) are £604 million and non-financial assets are £550 million.

£ million	Financial liabilities			Non-financial liabilities	Group Total carrying amount
	Amortised cost	Fair value through income statement			
Non-current financial liabilities					
Interest bearing long-term borrowings		4,689	-	-	4,689
Lease liabilities		2,909	-	-	2,909
Derivative financial instruments ¹		-	44	-	44
Other long-term liabilities ²		62	-	129	191
Current financial liabilities					
Current portion of long-term borrowings		269	-	-	269
Lease liabilities		615	-	-	615
Trade and other payables ²		1,997	-	640	2,637
Derivative financial instruments ¹		-	89	-	89

¹Within the Company, non-current derivative financial instrument liabilities are £46 million and current derivative financial instrument liabilities are £93 million.

²Within the Company, total other long-term liabilities are £187 million, of which loans and payables (amortised cost) are £60 million and non-financial liabilities are £127 million. Total trade and other payables in the Company are £3,152 million, of which loans and payables (amortised cost) are £2,463 million and non-financial liabilities are £689 million.

Notes to the Financial Statements continued

For the year ended 31 December 2025

24 Financial instruments continued

b Fair values of financial assets and financial liabilities

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

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

Derivative instruments are measured based on the market value of instruments with similar terms and conditions using forward pricing models, which include forward exchange rates, forward interest rates, forward fuel curves and corresponding volatility surface data at the reporting date. The fair value of the principal derivative financial assets and liabilities are determined as follows, incorporating adjustments for own credit risk and counterparty credit risk:

- commodity reference contracts including swaps and options transactions, referenced to (i) CIF NWE cargoes jet fuel; (ii) ICE Gasoil; (iii) ICE Brent; (iv) ICE Gasoil Brent crack; (v) Jet Differential and (vi) Jet fuel Brent crack - the mark-to-market valuation prices are determined by reference to current forward curve and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate;
- currency forward and option contracts – by reference to current forward prices and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate;
- interest rate swap contracts – by discounting the future cash flows of the swap contracts at market interest rate valued with the current forward curve

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

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model that considers the present value of the dividend cash flows expected to be generated by the associated assets. For other investments where cash flow information is not available, an adjusted net asset method is applied.

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

Notes to the Financial Statements continued

For the year ended 31 December 2025

24 Financial instruments continued

b Fair values of financial assets and financial liabilities continued

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2025 are set out below:

£ million				Fair value	Group
	Level 1	Level 2	Level 3	Total	Carrying value
Financial assets:					Total
Other equity investments	-	-	42	42	42
Other assets	-	19	-	19	16
Derivative financial assets:					
Foreign exchange contracts ¹	-	34	-	34	34
Fuel derivatives ¹	-	10	-	10	10
Interest rate derivatives ¹	-	2	-	2	2
Financial liabilities:					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	3,211	-	3,211	3,252
Fixed rate borrowings	-	7	-	7	7
Floating rate borrowings	-	982	-	982	951
Derivative financial liabilities:					
Foreign exchange contracts ²	-	281	-	281	281
Fuel derivatives ²	-	168	-	168	168

¹ Current portion of derivative financial assets is £36 million.

² Current portion of derivative financial liabilities is £301 million.

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

£ million				Fair value	Group
	Level 1	Level 2	Level 3	Total	Carrying value
Financial assets:					Total
Other equity investments	-	-	22	22	22
Other assets	-	18	-	18	16
Derivative financial assets:					
Foreign exchange contracts ¹	-	191	-	191	191
Fuel derivatives ¹	-	11	-	11	11
Interest rate derivatives ¹	-	5	-	5	5
Financial liabilities:					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	3,379	-	3,379	3,509
Fixed rate borrowings	-	29	-	29	30
Floating rate borrowings	-	1,510	-	1,510	1,419
Derivative financial liabilities:					
Foreign exchange contracts ²	-	35	-	35	35
Fuel derivatives ²	-	98	-	98	98

¹ Current portion of derivative financial assets is £114 million.

² Current portion of derivative financial liabilities is £89 million.

Notes to the Financial Statements continued

For the year ended 31 December 2025

24 Financial instruments continued

b Fair values of financial assets and financial liabilities continued

There has been no transfer between levels of fair value hierarchy during the year.

c Level 3 financial assets reconciliation

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

£ million	Group		Company	
	2025	2024	2025	2024
Balance at 1 January	22	22	22	22
Fair value adjustment	20	-	20	-
As at 31 December	42	22	42	22

d Hedges

(i) Cash flow hedges

At 31 December 2025 the Group's principal risk management activities that were hedging future forecast transactions were:

- Foreign exchange contracts, hedging foreign currency exchange risk on certain operational payments. Remeasurement gains and losses on the derivatives are (i) recognised in equity and transferred to the Income statement, where the hedged item is recorded directly in the Income statement, to the same caption as the underlying hedged item is classified; (ii) recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability, are recorded to the Balance Sheet in the same caption as the hedged item is recognised; and (iii) recognised in equity and transferred to the Income statement, where the hedged item is a financial asset or liability, at the same time as the financial asset or liability is recorded in the Income statement. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement when the future transaction is no longer expected to occur and recorded in the relevant Income statement caption to which the hedged item is classified;
- Crude, gas oil and jet kerosene derivative contracts, hedging price risk on fuel expenditure. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the Income statement within Fuel costs and emissions charges to match against the related fuel cash outflow. Remeasurement gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement within Fuel costs and emissions charges when the future transaction is no longer expected to occur;
- Interest rate contracts, hedging interest rate risk on floating rate debt. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the Income statement within Interest expense;
- Future loan repayment instalments denominated in foreign currency are designated in a hedge relationship hedging foreign exchange fluctuations on revenue cash inflows. Remeasurement gains and losses on the associated loans are recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability when the loan repayments are made (generally in instalments over the life of the loan).

(ii) Losses in respect of cash flow hedges included within equity

The amounts included in equity are summarised below:

£ million	Group	
	Total 2025	Total 2024
Loan repayments to hedge future revenue	31	(35)
Foreign exchange contracts to hedge future revenue and expenditure	136	(80)
Hedges of future fuel purchases	166	93
Interest rate hedges	8	9
Instruments for which hedge accounting no longer applies ¹	28	33
	369	20
Related deferred tax credit	(90)	(5)
Total amount included within equity	279	15

¹Relates to previously terminated hedge relationships for which the underlying forecast transaction remains expected to occur.

Notes to the Financial Statements continued

For the year ended 31 December 2025

24 Financial instruments continued

d Hedges continued

(iii) Notional amounts of significant financial instruments used as cash flow hedging instruments are set out below:

Notional principal amounts		Group and Company					
£ million	Hedge range	Within 1 year	1-2 years	2-5 years	More than 5 years	Total 2025	
Foreign exchange contracts to hedge future revenue and expenditure							
USD	1.20-1.37	2,869	1,450	534	-	4,853	
EUR	1.08-1.42	456	470	463	672	2,061	

Notional principal amounts		Group and Company					
£ million	Hedge range	Within 1 year	1-2 years	2-5 years	More than 5 years	Total 2024	
Foreign exchange contracts to hedge future revenue and expenditure							
USD	1.16-1.34	3,076	1,119	214	-	4,409	
EUR	1.11-1.42	465	320	374	605	1,764	

The Group's loan repayment instalments used to hedge foreign currency risk on future revenue inflows were predominantly in euros and Japanese yen. The total notional amounts at 31 December 2025 were €1,652 million (2024: €1,647 million) and ¥14,623 million (2024: ¥17,136 million).

Derivative contracts are used to hedge fuel purchases over a period of up to three years. Notional quantities associated with these contracts at 31 December 2025 amounted to 6 million tonnes (2024: 6 million tonnes) with a hedge price range of USD 465-1,100 (2024: USD 504-1,200).

The notional amount of the Group's interest rate contracts to hedge the floating interest rate on euro-denominated debt at 31 December 2025 was €525 million (2024: €645 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

24 Financial instruments continued

d Hedges continued

(iv) Movements recorded in the cash flow hedge reserve

A schedule of the movements recorded in the cash flow hedge reserve is set out below:

As at 31 December 2025

£ million	Amounts recognised in other comprehensive income ¹	Amounts associated with ineffectiveness recognised in the income statement	Total recognised losses/(gains)	Other amounts reclassified to the income statement	Amounts reclassified to the balance sheet
Debt repayments to hedge future revenue	72	-	72	-	(7)
Foreign exchange contracts to hedge future revenue and expenditure	246	-	246	(44)	14
Hedge of future fuel purchases	99	-	99	(27)	-
Interest rate hedges	(1)	-	(1)	-	-
Instruments for which hedge accounting no longer applies	-	-	-	-	(4)
	416	-	416	(71)	3

¹Amounts recognised in other comprehensive income represent losses/(gains) on the hedging instruments.

As at 31 December 2024

£ million	Amounts recognised in other comprehensive income ¹	Amounts associated with ineffectiveness recognised in the income statement	Total recognised losses/(gains)	Other amounts reclassified to the income statement	Amounts reclassified to the balance sheet
Debt repayments to hedge future revenue	(61)	16	(45)	-	(9)
Foreign exchange contracts to hedge future revenue and expenditure	(75)	1	(74)	(76)	19
Hedge of future fuel purchases	71	1	72	(13)	-
Interest rate hedges	(2)	-	(2)	8	-
Instruments for which hedge accounting no longer applies	-	-	-	-	(74)
	(67)	18	(49)	(81)	(64)

¹Amounts recognised in other comprehensive income represent gains on the hedging instruments.

(v) Fair value hedges

The Group has no fair value hedges at 31 December 2025 and 2024.

Company

The Company undertakes hedging activities on behalf of other companies within the Group and performs the treasury activities of the Group centrally. As a result, the disclosures above apply to the Company as for the Group.

Notes to the Financial Statements continued

For the year ended 31 December 2025

25 Share capital and share premium

	Group and Company			
	2025		2024	
	Number of shares 000s	£ million	Number of shares 000s	£ million
Share capital allotted, called up and fully paid				
A1 Ordinary shares of £289.70 each	897	260	897	260
A2 Ordinary shares of £289.70 each	99	29	99	29
B Ordinary shares of £1 each	1,000	1	1,000	1
C Ordinary shares of £1 each	148	-	148	-
As at 31 December	2,144	290	2,144	290

£ million	Group and Company	
	2025	2024
Share premium as at 31 December	1,512	1,512

The A1 and A2 class ordinary shareholders have full voting and economic rights in accordance with the percentage of shares held. The B class ordinary shareholders have full voting rights in accordance with the percentage of shares held, however have minimal economic rights attached to them. The C class ordinary shareholders have full economic rights in accordance with the percentage of shares held, however are non-voting.

26 Share-based payment schemes

IAG Group operates share-based payment schemes as part of the total remuneration package provided to employees. The share-based payments charge has been recorded as part of 'Employee costs' in the income statement as follows:

£ million	2025	2024
Share-based payment schemes recharged from IAG	11	17
Total share-based payments charge recorded in employee costs	11	17

BA participates in IAG Group share-based payment schemes, with awards to BA employees being made in plans operated by IAG that represent rights over its ordinary shares. The costs of these awards are recharged from IAG Group based on its determination of award fair values. The amount outstanding at the year end is included in the amounts owed to IAG and disclosed in note 30. A brief description of the schemes is set out below:

a) IAG Performance Share Plan

The IAG Performance Share Plan ('PSP') is 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. Since 2015, awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. All awards since 2015 have three independent performance measures with equal weighting: Total Shareholder Return ('TSR') relative to the STOXX Europe 600 Travel and Leisure Index (for 2020 awards) or MSCI European Transportation Index (for prior to 2020 awards), earnings per share, and Return on Invested Capital.

b) 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 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.

c) IAG Full Potential Incentive Plan

During 2021, IAG launched the new Full Potential Incentive Plan ('FPIP'), which is 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 nil-cost options, vesting in 2025 and dependent on stretch performance targets for 2024 and the approval of the Board.

d) IAG Stretch Performance Incentive Plan

In 2025, the Group launched the Stretch Performance Incentive Plan, 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.

Notes to the Financial Statements continued

For the year ended 31 December 2025

e) 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 incentive award is triggered subject to the employee remaining in employment with the IAG Group for three years after the grant date. The relevant population will receive 50% of their incentive award up front in cash, and the remaining 50% in shares after three years through the IADP.

Notes to the Financial Statements continued

For the year ended 31 December 2025

27 Retained earnings and other reserves

a Group

£ million	Retained earnings	Other reserves				Total other reserves
		Unrealised gains and losses	Cost of hedging reserve	Currency translation	Capital reserve ¹	
Balance at 1 January 2024	989	(145)	(59)	13	-	798
Profit for the year	2,389	-	-	-	-	2,389
Other comprehensive income for the year:						
<i>Exchange gains</i>	-	-	-	(12)	-	(12)
<i>Fair value of cash flow hedges reclassified to fuel costs and emission charges</i>	-	66	-	-	-	66
<i>Fair value of cash flow hedges reclassified to finance costs</i>	-	(6)	-	-	-	(6)
<i>Net change in fair value of cash flow hedges</i>	-	51	-	-	-	51
<i>Net change in fair value of cost of hedging</i>	-	-	11	-	-	11
<i>Cost of hedging reclassified and reported in net profit</i>	-	-	31	-	-	31
<i>Share of movement in other comprehensive income of associates</i>	7	-	-	-	-	7
<i>Ineffectiveness taken to Other non-operating costs</i>	-	(13)	-	-	-	(13)
<i>Pension remeasurements</i>	175	-	-	-	-	175
Total comprehensive income for the year net of tax	2,571	98	42	(12)	-	2,699
Hedges transferred and reported in property, plant and equipment	-	(3)	-	-	-	(3)
Hedges transferred and reported in sales in advance of carriage	-	50	(5)	-	-	45
Cost of share-based payments	6	-	-	-	-	6
Dividends	(530)	-	-	-	-	(530)
Total movements for the year	2,047	145	37	(12)	-	2,217
Balance at 1 January 2025	3,036	(22)	-	1	-	3,015
Profit for the year	1,902	-	-	-	-	1,902
Other comprehensive income for the year:						
<i>Exchange gains</i>	-	-	-	14	-	14
<i>Fair value of cash flow hedges reclassified to fuel costs and emission charges</i>	-	52	-	-	-	52
<i>Fair value of cash flow hedges reclassified to finance costs</i>	-	-	-	-	-	-
<i>Net change in fair value of cash flow hedges</i>	-	(315)	-	-	-	(315)
<i>Net change in fair value of cost of hedging</i>	-	-	(17)	-	-	(17)
<i>Cost of hedging reclassified and reported in net profit</i>	-	-	30	-	-	30
<i>Share of movement in other comprehensive income of associates</i>	(78)	-	-	-	-	(78)
<i>Equity investments - fair value movements in equity</i>	-	20	-	-	-	20
<i>Pension remeasurements</i>	330	-	-	-	-	330
Total comprehensive income for the year net of tax	2,154	(243)	13	14	-	1,938
Hedges transferred and reported in property, plant and equipment	-	8	-	-	-	8
Hedges transferred and reported in sales in advance of carriage	-	(10)	(5)	-	-	(15)
Cost of share-based payments	1	-	-	-	-	1
Dividends	(916)	-	-	-	-	(916)
Capital contribution	-	-	-	-	528	528
Other movements in equity of associates	-	-	-	-	6	6
Total movements for the year	1,239	(245)	8	14	534	1,550
As at 31 December 2025	4,275	(267)	8	15	534	4,565

¹ During the year, BA's parent company, ICAG provided the Group with an equity contribution of €600 million (£528 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

27 Retained earnings and other reserves continued

Retained earnings

The retained earnings reserve represents the accumulated retained profits of the Group.

Unrealised gains and losses

The unrealised gains and losses reserve records fair value changes on equity investments and the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Cost of hedging reserve

The cost of hedging reserve records, amongst others, changes on the time value of options.

Currency translation reserve

The currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and associates.

Notes to the Financial Statements continued

For the year ended 31 December 2025

27 Retained earnings and other reserves continued

b Company

£ million	Other reserves					Total other reserves
	Retained earnings	Unrealised gains and losses	Cost of hedging reserve	Currency translation	Capital reserve ¹	
Balance at 1 January 2024	909	(150)	(59)	6	-	706
Profit for the year	2,216	-	-	-	-	2,216
Other comprehensive income for the year:						
<i>Exchange gains</i>	6	-	-	(6)	-	-
<i>Fair value of cash flow hedges reclassified to fuel costs and emission charges</i>	-	66	-	-	-	66
<i>Fair value of cash flow hedges reclassified to finance costs</i>	-	(6)	-	-	-	(6)
<i>Net change in fair value of cash flow hedges</i>	-	51	-	-	-	51
<i>Net change in fair value of cost of hedging</i>	-	-	11	-	-	11
<i>Cost of hedging reclassified and reported in net profit</i>	-	-	30	-	-	30
<i>Ineffectiveness taken to Other non-operating costs</i>	-	(13)	-	-	-	(13)
<i>Pension remeasurements</i>	175	-	-	-	-	175
Total comprehensive income for the year net of tax	2,397	98	41	(6)	-	2,530
Hedges transferred and reported in property, plant and equipment	-	(3)	-	-	-	(3)
Hedges transferred and reported in sales in advance of carriage	-	50	(5)	-	-	45
Cost of share-based payments	6	-	-	-	-	6
Dividends	(530)	-	-	-	-	(530)
Total income and expense for the year	1,873	145	36	(6)	-	2,048
Balance at 1 January 2025	2,782	(5)	(23)	-	-	2,754
Profit for the year	1,694	-	-	-	-	1,694
Other comprehensive income for the year:						
<i>Exchange gains</i>	(1)	-	-	7	-	6
<i>Fair value of cash flow hedges reclassified to fuel costs and emission charges</i>	-	52	-	-	-	52
<i>Fair value of cash flow hedges reclassified to finance costs</i>	-	-	-	-	-	-
<i>Net change in fair value of cash flow hedges</i>	-	(315)	-	-	-	(315)
<i>Net change in fair value of cost of hedging</i>	-	-	(17)	-	-	(17)
<i>Cost of hedging reclassified and reported in net profit</i>	-	-	30	-	-	30
<i>Equity investments - fair value movements in equity</i>	-	20	-	-	-	20
<i>Pension remeasurements</i>	330	-	-	-	-	330
Total comprehensive income for the year net of tax	2,023	(243)	13	7	-	1,800
Hedges transferred and reported in property, plant and equipment	-	8	-	-	-	8
Hedges transferred and reported in sales in advance of carriage	-	(10)	(5)	-	-	(15)
Cost of share-based payments	1	-	-	-	-	1
Dividends	(916)	-	-	-	-	(916)
Capital contribution	-	-	-	-	528	528
Total income and expense for the year	1,108	(245)	8	7	528	1,406
As at 31 December 2025	3,890	(250)	(15)	7	528	4,160

¹During the year, BA's parent company, ICAG provided the Group with an equity contribution of €600 million (£528 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits

Significant accounting estimate applied - Employee benefit obligations: Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) key actuarial assumptions

At 31 December 2025 the Group recognised £15,515 million in respect of employee benefit obligations (2024: £16,338 million), of which £15,161 million related to the APS and NAPS obligations (2024: £15,952 million).

The calculation of the APS and NAPS employee benefit obligations are determined using the valuation requirements of IAS 19. These valuations involve making assumptions about discount rates, mortality rates and future pension increases. Due to the long-term nature of these schemes, such assumptions are subject to significant uncertainty. The Group determines the assumptions to be adopted in discussion with qualified actuaries. Any difference between these assumptions and the actual outcome will impact future net assets and total comprehensive income. The impact of sensitising these assumptions is given below.

Defined contribution schemes

The main defined contribution scheme is the British Airways Pension Plan ('BAPP'). It offers a choice of contribution rates and the ability to opt for cash instead of a pension. Costs recognised in respect of the defined contribution pension plan for the year to 31 December 2025 were £199 million (2024: £178 million).

Defined benefit schemes

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS'), both of which are in the UK and are closed to new members.

APS has been closed to new members since 1984, but remains open to future accrual for a small group of active members. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment. NAPS has been closed to new members since 2003 and closed to future accrual since 2018. Following closure, members' deferred pensions are increased annually by inflation up to 5% per annum (measured using the Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI).

APS and NAPS are governed by separate Trustee Boards. Although APS and NAPS have separate Trustee Boards, certain aspects of the business of the two schemes are common. APS and NAPS have developed certain joint working groups that are attended by the Trustee Board members of each scheme although each Trustee Board reaches its decisions independently. There are sub committees which are separately responsible for the governance, operation and investments of each scheme. British Airways Pension Trustees Limited holds the assets of both schemes on behalf of their respective Trustees. The Trustees are responsible for administering the pension benefits in line with the pension scheme rules and relevant pensions legislation including applicable case law.

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

During the year to 31 December 2025, the triennial valuations as at 31 March 2024 were finalised for APS and NAPS, which resulted in a technical surplus of £153 million for APS and a surplus of £1,730 million for NAPS. The actuarial valuations performed for APS and NAPS are different to the valuation performed as at 31 December 2025 under IAS 19 'Employee Benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation performed as at 31 March 2024, compared with IAS 19 requirements used in the accounting valuation assumptions as at the balance sheet date. The triennial actuarial valuation of neither APS nor NAPS is updated outside of the triennial valuations, making comparability between the scheme liabilities applying the principles set out in the UK Pension legislation and the requirements of IAS 19 not possible. The principal difference relates to the discount rate applied, which under the actuarial valuation, aligns with a prudent estimate of the future investment returns on the assets of the respective schemes, whereas, under IAS 19, the rates are based on high quality corporate bond yields, regardless of how the assets are invested.

Other plans

British Airways also operates post-retirement schemes in a number of jurisdictions outside of the UK. The principal scheme is the British Airways Plc Pension Plan (USA) based in the United States and referred to as the 'US Plan'. The US Plan is considered to be a defined benefit scheme and is closed to new members and to future accrual. The majority of the British Airways' other plans are fully funded, but there are also a number of unfunded plans, where the Group meets the benefit payment obligations as they fall due.

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

Risks associated with the defined benefit schemes

The defined benefit schemes expose the Group to a range of risks, with the following being the most significant:

- Asset volatility risk - the scheme obligations are calculated using a discount rate set with reference to high quality corporate bond yields. If scheme assets underperform this yield, this will reduce the surplus / increase the deficit, depending on the scheme. Certain of the schemes hold a significant amount of equities, which are expected to outperform corporate bonds in the long term while creating volatility and risk in the short term;
- Longevity risk – the majority of the scheme obligations are to provide benefits over the life of the scheme members. An increase in life expectancy will result in a corresponding increase in the defined benefit obligation;
- Interest rate risk - a decrease in interest rates will increase plan liabilities, although this will be partially offset by an increase in the value of certain of the scheme assets;
- Inflation risk – a significant proportion of the scheme obligations are linked to inflation, such that any increase in inflation will cause an increase in the obligations. While certain of the scheme assets are indexed to inflation, any expected increase in the scheme assets from inflation would be disproportionately lower than the increase in the scheme obligations; and
- Currency risk – a number of scheme assets are denominated in currencies other than the pound sterling. Weakening of those currencies, or strengthening of the pound sterling, in the long term, will have the effect of reducing the value of scheme assets.

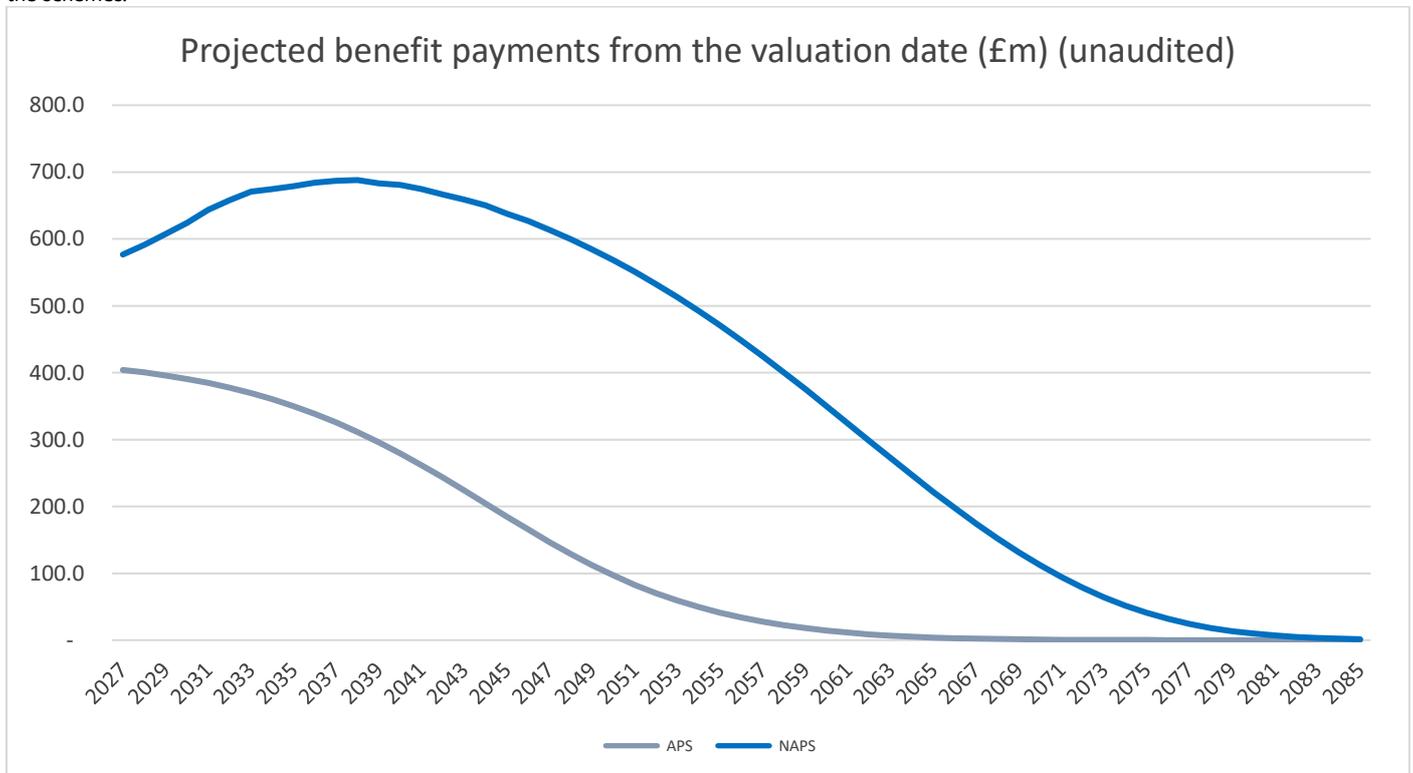
a Cash payments and funding arrangements

Cash payments in respect of pension obligations comprise normal employer contributions made by the Group and deficit contributions based on the agreed deficit payment plans. Following the completion of the triennial valuations, as at 31 March 2024, for APS and NAPS, neither scheme has a deficit contribution plan. Total payments for the year ended 31 December 2025 net of service costs made by the Group were £29 million (2024: £28 million) being employer contributions of £30 million (2024: £29 million) less the current service cost of £1 million (2024: £1 million) (note 28b(ii)).

Future funding arrangements

In total, the Group expects to pay £nil million in employer contributions to APS and £nil to NAPS in 2026.

The following graph provides the undiscounted benefit payments to be made by the trustees of APS and NAPS over the remaining expected duration of the schemes.



The amounts and timing of these projected benefit payments are subject to the aforementioned risks to the schemes.

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

a Cash payments and funding arrangements continued

Deficit contributions

At 31 December 2025, the Group expects to make the following undiscounted deficit payments, including interest, which are deductible for tax purposes at the statutory rate of tax:

£ million	31 December 2025
Within twelve months	23
One to two years	23
Two to three years	20
Total expected deficit payments	66

Deficit payments in respect of local arrangements outside the UK have been determined in accordance with local practice.

b Employee benefit schemes recognised in the financial statements

i Amounts recognised on the Balance sheet

£ million	As at 31 December 2025			
	APS	NAPS	Other	Total
Scheme assets at fair value ¹	4,743	12,803	314	17,860
Present value of scheme liabilities ¹	(4,584)	(10,577)	(354)	(15,515)
Net pension asset/(liability)	159	2,226	(40)	2,345
Effect of the asset ceiling ²	(40)	(557)	-	(597)
Other employee benefit obligations	-	-	(10)	(10)
	119	1,669	(50)	1,738
Represented by				
Employee benefit assets ³				1,800
Employee benefit obligations ³				(62)
Net employee benefit assets ^{1,4}				1,738

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

b Employee benefit schemes recognised in the financial statements continued

£ million	As at 31 December 2024			
	APS	NAPS	Other	Total
Scheme assets at fair value ¹	4,816	13,004	296	18,116
Present value of scheme liabilities ¹	(4,816)	(11,136)	(386)	(16,338)
Net pension asset/(liability)	-	1,868	(90)	1,778
Effect of the asset ceiling ²	-	(467)	-	(467)
Other employee benefit obligations	-	-	(9)	(9)
	-	1,401	(99)	1,302
Represented by				
Employee benefit assets ³				1,412
Employee benefit obligations ^{3,5}				(110)
Net employee benefit assets ^{1,4}				1,302

¹Includes Additional Voluntary Contributions (AVCs), which the Trustees hold as assets to secure additional benefits on a defined contribution basis for those members who elect to make such AVCs. At 31 December 2025, such assets were £259 million (2024: £262 million) with a corresponding amount recorded in the scheme liabilities.

²As at 31 December 2024 and 2025, NAPS had an accounting surplus under IAS 19, which would be available to the Group as a refund upon wind up of the scheme. This refund was restricted due to withholding taxes that would be payable by the Trustee arising on the net pension assets.

³At 31 December 2025, the Company had employee benefit assets of £1,800 million (2024: £1,412 million) and employee benefit obligations of £62 million (2024: £111 million). The deferred tax asset recognised on the Company net employee benefit asset was £15 million at 31 December 2025 (2024: £25 million).

⁴The net deferred tax asset recognised on the Group net employee benefit asset (2024: asset) was £15 million at 31 December 2025 (2024: £25 million).

⁵The defined benefit obligation includes £7 million (2024: £16 million) arising from unfunded plans.

ii Amounts recognised in the Income statement

Pension costs charged to operating result are:

£ million	2025	2024
Defined benefit plans:		
Current service cost	1	1
Past service cost/(gain)	(7)	-
Administrative expenses	15	18
	9	19
Defined contribution plans	199	178
Pension costs recorded as employee costs	208	197

£ million	2025	2024
Interest income on scheme assets	(954)	(882)
Interest expense on scheme liabilities	858	805
Interest expense on asset ceiling	25	23
Net financing credit relating to pensions	(71)	(54)

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

iii Amounts recognised in the Statement of other comprehensive income

£ million	2025	2024
Return on plan assets excluding interest income	206	1,706
Remeasurement of plan liabilities from changes in financial assumptions	(583)	(1,343)
Remeasurement of plan liabilities from changes in demographic assumptions	(102)	(194)
Remeasurement of experience losses/(gains)	30	(174)
Remeasurement of the APS and NAPS asset ceilings	105	(191)
Pension remeasurements recognised in Other comprehensive income	(344)	(196)
Tax arising on pension remeasurements	15	21
Pension remeasurements recognised in Other comprehensive income, net of tax	(329)	(175)

c Fair value of scheme assets

i Investment strategies

For both APS and NAPS, the Trustee has ultimate responsibility for decision making on investments matters, including the asset-liability matching strategy. The latter is a form of investing designed to match the movement in pension plan assets with the movement in the projected benefit obligation over time. The Trustees' investment committee adopts an annual business plan which sets out investment objectives and work required to support achievement of these objectives. The committee also deals with the monitoring of performance and activities, including work on developing the strategic benchmark to improve the risk return profile of the scheme where possible, as well as having a trigger-based dynamic governance process to be able to take advantage of opportunities as they arise. The investment committee reviews the existing investment restrictions, performance benchmarks and targets, as well as continuing to develop the derisking and liability hedging portfolio.

Both schemes use derivative instruments for investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange, longevity and liquidity risks arising in the normal course of business. Exposure to interest rate risk is managed through the use of Inflation-Linked Swap contracts. Foreign exchange forward contracts are entered into to mitigate the risk of currency fluctuations. Longevity risk is managed through the use of buy-in insurance contracts, asset swaps and longevity swaps.

Along with existing contracts with Rothesay Life (as detailed in 28c(iii)), and following the completion of a further longevity swap in 2024, APS is 100% protected against all longevity risk and fully protected in relation to all pensions that were already being paid as at 31 March 2018. APS is 95% protected against interest rates and inflation (on a Retail Price Index basis), and NAPS is 95% protected against interest rates and inflation.

The assets held by APS and NAPS are split between 'return seeking assets' and 'liability matching assets' depending on the maturity of each scheme. At 31 December 2025, the actual asset allocation for NAPS was 17% (2024: 20%) in return seeking assets and 83% (2024: 80%) in liability matching investments. For NAPS, the Trustee agreed updated investment strategy principles with BA as part of a side letter to the Scheme's 31 March 2024 actuarial valuation agreement. The Trustee is aiming to protect the current strong funding levels whilst managing exposure to illiquid assets. The actual asset allocation for APS at 31 December 2025 was 1% (2024: 1%) in return seeking assets and 99% (2024: 99%) in liability matching investments. NAPS uses Liability Driven Investments (LDIs) to effectively hedge volatility in the scheme liabilities. This is achieved through direct bond holdings as opposed to the use of derivatives and as such leverage is low. Accordingly, as at 31 December 2025, NAPS has not been required to raise additional cash or liquidate existing assets in order to fund derivative positions.

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

c Fair value of scheme assets continued

ii Movement in scheme assets

A reconciliation of the opening and closing balances of the fair value of scheme assets is set out below:

£ million	2025	2024
As at 1 January	18,116	20,011
Reduction related to sale of British Airways Holidays	-	(52)
Interest income	954	882
Administration expenses	(14)	(14)
Return on plan assets excluding interest income	(206)	(1,706)
Employer contributions ¹	30	28
Benefits paid	(1,000)	(1,033)
Exchange movements	(20)	-
Fair value of scheme assets	17,860	18,116

¹Includes employer contributions to APS of £nil million (2024: £1 million) and to NAPS of £nil (2024: £nil), none of which were deficit funding payments

iii Composition of scheme assets

Scheme assets held by the Group at 31 December comprise:

£ million	2025				2024
	APS	NAPS	Other	Total	
Return seeking investments					
Listed equities – UK	7	94	-	101	106
Listed equities – Rest of world	1	857	89	947	878
Private equities	19	462	17	498	551
Properties	-	758	9	767	1,091
Alternative investments	12	883	-	895	1,431
	39	3,054	115	3,208	4,057
Liability matching investments					
Government issued fixed bonds	945	3,606	154	4,705	4,761
Government issued index linked bonds	533	6,857	-	7,390	7,769
Assets and longevity swaps	815	-	-	815	722
Insurance contracts	2,558	-	31	2,589	2,700
	4,851	10,463	185	15,499	15,952
Other					
Cash and cash equivalents	69	630	6	705	626
Derivatives financial instruments	(216)	(1,384)	6	(1,594)	(2,545)
Other investments	-	40	2	42	26
	(147)	(714)	14	(847)	(1,893)
Total scheme assets	4,743	12,803	314	17,860	18,116

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

iii Composition of scheme assets continued

The fair values of the Group's scheme assets, which are not derived from quoted process on active markets, are determined depending on the nature of the inputs used in determining the fair values (see note 24b for further details) and using the following methods and assumptions:

- Private equities are valued at fair value based on the most recent transaction price or third-party net asset, revenue or earnings-based valuations that generally result in the use of significant unobservable inputs. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.
- Properties are valued based on an analysis of recent market transactions supported by market knowledge derived from third-party professional valuers that generally result in the use of significant unobservable inputs.
- Alternative investments fair values, which predominantly include holdings in investment and infrastructure funds, are determined based on the most recent available valuations applying the Net Asset Value methodology and issued by fund administrators or investment managers and adjusted for any cash movements having occurred from the date of the valuation and the balance sheet date. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.
- Other investments predominantly includes: interest receivable on bonds; dividends from listed and private equities that have been declared but not received at the balance sheet date; receivables from the sale of assets for which the proceeds have not been collected at the balance sheet date, and; payables for the purchase of assets which have not been settled at the balance sheet date.
- Derivative financial instruments are entered into predominantly to mitigate interest rate and inflation rate risks. These derivative financial instruments are stated at their fair value using pricing models and relevant market data as at the balance sheet date.
- Asset and longevity swaps - APS has a contract with Rothesay Life, entered into in 2010 and extended in 2013, which covers 25% (2024: 25%) of the pensioner liabilities for an agreed list of members. Under the contract, to reduce the risk of long-term longevity risk, Rothesay Life makes benefit payments monthly in respect of the agreed list of members in return for the contractual return receivable on a portfolio of assets (made up of quoted government debt) held by the scheme and the contractual payments made by APS to Rothesay Life on the longevity swaps. The Group holds the portfolio of assets at their fair value, with the government debt held at their quoted market price and the swaps accounted for at their estimated discounted future cash flows.
- During 2011, APS entered into a longevity swap with Rothesay Life, which covers an additional 21% (2024: 21%) of the pensioner liabilities for the same agreed list of members as the 2010 contract. Under the longevity swap, to reduce the risk of long-term longevity risk, APS makes a fixed payment to Rothesay Life each month reflecting the prevailing mortality assumptions at the inception of the contract, and Rothesay Life make a monthly payment to APS reflecting the actual monthly benefit payments to members. The cash flows are settled net each month. If pensioners live longer than expected at inception of the longevity swap, Rothesay Life will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Rothesay Life. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.
- Insurance contract - During 2018 the Trustee of APS secured a buy-in contract with Legal & General. The buy-in contract covers all members in receipt of pensions from APS at 31 March 2018, excluding dependent children, receiving a pension at that date and members in receipt of equivalent pension only benefits, who were alive on 1 October 2018. Benefits coming into payment for retirements after 31 March 2018 are not covered. The contract covers benefits payable from 1 October 2018 onwards. The policy covers approximately 60% of all benefits APS expects to pay out in future.
- During 2024, APS entered into a longevity swap with Zurich Assurance Ltd to transfer longevity risk in relation to an additional 7% (2024: 7%) of the scheme's liabilities attributable to 1,100 members (who are not already covered by existing policies). Under the longevity swap, to remove the risk of long-term longevity risk, APS makes monthly fixed payments to Zurich Assurance Ltd reflecting the prevailing mortality assumptions at the inception of the contract, and Zurich Assurance Ltd makes a monthly payment to APS reflecting the actual monthly benefit payments to members. If pensioners live longer than expected at inception of the longevity swap, Zurich Assurance Ltd will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Zurich Assurance Ltd. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

iv Effect of the asset ceiling

In measuring the valuation of the net defined benefit asset for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available in the form of a refund or a reduction in future contributions after they are paid into the plan. The Group has determined that the recoverability of such surpluses, including minimum funding requirements, will be subject to withholding taxes in the UK, payable by the Trustee.

The Group has determined that upon the wind up of the scheme, that if the scheme is in surplus, including the incorporation of the minimum funding requirements, then the surplus will be available as a refund or a reduction in future contributions after they are paid into the scheme. The recovery of such amounts are subject to UK withholding tax payable by the Trustee. In measuring the recoverability of the surplus for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available upon wind up of the scheme, less the application of withholding taxes in the UK, payable by the Trustee, at 25%.

A reconciliation of the effect of the asset ceiling used in calculating the IAS 19 irrecoverable surplus in APS and NAPS is set out below:

£ million	2025	2024
As at 1 January	467	635
Interest expense	25	23
Remeasurements ¹	105	(191)
As at 31 December	597	467

¹Included within remeasurements of the asset ceiling in 2024 is an amount of £184 million that arose as a result in the reduction in the UK rate of withholding tax of 35% to 25%, resulting in an increase in the net employee benefit asset.

d Present value of scheme liabilities

i Movement in scheme liabilities

A reconciliation of the opening and closing balances of the present value of the defined benefit obligations is set out below:

£ million	2025	2024
As at 1 January	16,338	18,328
Reduction related to sale of British Airways Holidays	-	(52)
Current service cost	1	1
Past service cost/(gain)	(7)	-
Interest expense	858	805
Remeasurements – financial assumptions ¹	(583)	(1,343)
Remeasurements – demographic assumptions	(102)	(194)
Remeasurement of experience losses	30	(174)
Benefits paid	(1,000)	(1,033)
Employee contributions	-	-
Exchange movements	(20)	-
At 31 December	15,515	16,338

¹Included in the remeasurements from financial assumptions is an amount of £40 million that decreases the scheme liabilities relating to changes in the discount rates (2024: £1,657 million decrease) and £543 million that decreases the scheme liabilities relating to changes in inflation rates (2024: £314 million increase).

Notes to the Financial Statements continued

For the year ended 31 December 2025

28 Employee benefits continued

d Present value of scheme liabilities continued

ii Scheme liability assumptions

The principal assumptions used for the purposes of the IAS 19 valuations were as follows:

£ million	2025			2024		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate ¹	5.25	5.50	2.25 – 6.70	5.30	5.45	1.50 – 6.70
Rate of increase in pensionable pay ²	2.90	N/A	2.00 – 5.00	3.30	N/A	2.00 – 5.00
Rate of increase of pensions in payment ³	2.90	2.45	1.75 – 3.40	3.30	2.80	1.00 – 3.40
RPI rate inflation	2.90	2.80	2.00 – 2.50	3.30	3.10	2.00 – 2.50
CPI rate of inflation	N/A	2.45	2.00 – 2.50	N/A	2.80	2.00 – 2.50

¹The discount rate is determined by reference to the yield on high quality corporate bonds of currency and term consistent with the scheme liabilities.

²Rate of increase in pensionable pay, which reflects inflationary increases, is assumed to be in line with increases in RPI.

³It has been assumed that the rate of increase of pensions in payment, which reflects inflationary increases, will be in line with CPI for NAPS and RPI for APS.

The current longevities underlying the values of the scheme liabilities were as follows:

Mortality Assumptions	UK	
	2025	2024
Life expectancy at age 60 for a;		
- male currently aged 60	27.6	27.6
- male currently aged 40	28.0	29.0
- female currently aged 60	29.0	29.2
- female currently aged 40	30.9	31.3

For APS, the base mortality tables are based on the Agreed Valuation Basis (AVB) as agreed between British Airways and the trustees of APS. For NAPS, the base mortality tables are based on analysis undertaken for the purpose of the triennial valuation dated 31 March 2024. Future mortality improvements reflect the most recent model published by the UK actuarial profession's Continuous Mortality Investigation (CMI), being their 2024 model, including a long-term improvement parameter of 1.0% per annum (2024: 1.0%).

As at 31 December 2025, the weighted-average duration of the defined benefit obligation was 8 years for APS (2024: 9 years) and 13 years for NAPS (2024: 13 years). The weighted-average duration of the defined benefit obligations was 1 to 13 years for other schemes (2024: 1 to 16 years). The weighted average duration represents a single figure for the average number of years over which the employee benefit liability discounted cash flows is extinguished and is highly sensitive to movements in the aforementioned discount rates.

iii Sensitivity analysis

Reasonable possible changes at the balance sheet date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown.

£ million	Increase in present value of scheme liabilities					
	2025			2024		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate (decrease of 50 basis points) ¹	190	640	16	200	710	17
Future pension growth (increase of 50 basis points) ¹	170	630	1	180	680	1
Future mortality rate (one year increase in life expectancy)	230	280	15	240	280	16

¹Sensitivities smaller than those disclosed can be approximately interpolated from those sensitivities above.

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

29 Contingent liabilities

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions. At 31 December 2025, where they could be reliably estimated, such liabilities amounted to £4 million (2024: £3 million). The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provisions have been recorded.

Contingent liabilities associated with income taxes, deferred taxes and indirect taxes are presented in note 8.

Notes to the Financial Statements continued

For the year ended 31 December 2025

30 Related party transactions

The following transactions took place with related parties for the financial year ended 31 December 2025:

£ million	Group		Company	
	2025	2024	2025	2024
Sales of goods and services:				
Sales to/purchases on behalf of IAG ¹	22	3	22	3
Sales to/purchases on behalf of subsidiary undertakings of IAG ²	122	110	122	110
Sales to/purchases on behalf of significant shareholders of IAG ³	119	145	119	145
Sales to associates ⁴	530	528	530	528
Sales to subsidiaries ⁵	-	-	29	155
Purchases of goods and services:				
Purchases from IAG ¹	140	89	140	89
Purchases from subsidiary undertakings of IAG ²	329	382	329	382
Purchases from significant shareholders of IAG ³	68	70	68	70
Purchases from associates ⁴	85	87	85	87
Purchases from subsidiaries ⁵	-	-	167	141

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

£ million	Group		Company	
	2025	2024	2025	2024
Receivables from related parties:				
Amounts owed by IAG ¹	22	-	22	-
Amounts owed by subsidiary undertakings of IAG ²	63	87	63	87
Amounts owed by significant shareholders of IAG ³	66	55	66	55
Amounts owed by associates ⁴	291	312	291	312
Amounts owed by subsidiaries ⁵	-	-	81	55
Payables to related parties:				
Amounts owed to IAG ¹	947	1,391	947	1,391
Amounts owed to subsidiary undertakings of IAG ²	50	70	50	70
Amounts owed to significant shareholders of IAG ³	-	-	-	-
Amounts owed to associates ⁴	1,843	1,736	1,846	1,736
Amounts owed to subsidiaries ⁵	-	-	748	588

¹The transactions between BA and IAG principally comprise mainly of a long-term loan, management fee in respect of services provided by IAG and recharges between the entities in respect of invoices settled on behalf of the other party. Transactions with IAG are carried out on an arm's length basis. The long-term loan owed to and from the Group bear market rates of interest.

²Amounts owed by and to subsidiary undertakings of IAG related to other subsidiaries of the IAG Group. Sales include interline transactions amounting to £18 million (2024: includes £18 million) where BA have flown a passenger on behalf of a related party airline and there are revenues and associated costs within BA's income statement. In these transactions, the passenger is the end consumer and the related party airline acts as the agent. Purchases exclude interline transactions amounting to £120 million (2024: excludes £119 million) where a related party airline has flown a passenger on behalf of BA. In these transactions, BA acts as the agent and there are no revenues or associated costs within BA's income statement.

³Amounts owed by and to significant shareholders of IAG. Sales include interline transactions amounting to £67 million (2024: includes £82 million) where BA have flown a passenger on behalf of a related party airline and there are revenues and associated costs within BA's income statement. In these transactions, the passenger is the end consumer and the related party airline acts as the agent. Purchases exclude interline transactions amounting to £285 million (2024: excludes £264 million) where a related party airline has flown a passenger on behalf of BA. In these transactions, BA acts as the agent and there are no revenues or associated costs within BA's income statement.

⁴Sales and purchases with associates are made at normal market prices and outstanding balances are unsecured. Cash settlement is expected within the standard settlement terms. Sales include interline transactions amounting to £105 million (2024: includes £89 million) where BA have flown a passenger on behalf of a related party airline and there are revenues and associated costs within BA's income statement. In these transactions, the passenger is the end consumer and the related party airline acts as the agent. Purchases exclude interline transactions amounting to £197 million (2024: excludes £125 million) where a related party airline has flown a passenger on behalf of BA. In these transactions, BA acts as the agent and there are no revenues or associated costs within BA's income statement. Amounts owed to associates primarily relate to sales to associates where the associate has paid BA in advance of the flight to which the sale pertains.

⁵Outstanding trading balances are placed on inter-company accounts with no specified credit period. Long-term loans owed to and from the Company by subsidiary undertakings bear market rates of interest.

In addition, payments made by the Company on behalf of the Group's retirement benefit plans amounted to £0.1 million in relation to the Pension Protection Fund levy (2024: £1.0 million).

Notes to the Financial Statements continued

For the year ended 31 December 2025

30 Related party transactions continued

Neither the Group nor the Company have benefited from any guarantees for any related party receivables or payables. During the year ended 31 December 2025 the Group has not made any allowance for expected credit losses relating to amounts owed by related parties (2024: £nil). The Company has made an allowance for expected credit losses related to amounts owed by related parties of £44 million (2024: £44 million).

The Group and the Company has a euro-denominated floating rate fixed term loan agreement with the IAG. A repayment of £528 million (€600 million) was made on 18 December 2025 with the remaining loan balance of £925 million (€1,045 million) repayable in November 2026.

The Group provided a long-term shareholder loan to LanzaJet, a company which specialises in the generation of SAFs of which the Group has a 9% equity interest, classified as an associate and presented within Investments accounted for using the equity method in the Balance Sheet. The loan is repayable in June 2044. There has been no repayment received in 2025 for the long-term shareholder loan provided to LanzaJet. The total amount outstanding as at 31 December 2025 is £15 million (2024: £15 million) including interest earned of £1 million (2024: £1 million).

On 1 April 2024, the Group sold 100% of its existing British Airways Holidays Limited (British Airways Holidays) business to its associate, Avios Group (AGL) Limited. At the end of the year, the Group and the Company held a balance of £70 million (2024: £136 million) within other non-trade receivables for the deferred consideration receivable on this sale. In December 2025, the Group and the Company received £75 million from AGL for the deferred consideration, while the remainder is receivable in December 2026.

Directors' and Officers' loans and transactions

There were no loans or credit transactions with Directors or Officers of the Company at 31 December 2025 or that arose during the year that need to be disclosed in accordance with the requirements of sections 412 and 413 to the Companies Act 2006.

31 Post balance sheet events

Between the reporting date and the date of this report there have been no post balance sheet events.

32 Subsidiary audit exemption

The following companies are exempt from the requirements relating to the audit of individual accounts for the year ended 31 December 2025 by virtue of Section 479A of the Companies Act 2006:

BA and AA Holdings Limited (03840072)
 BA European Limited (06346489)
 BA Excepted Group Life Scheme Limited (11283644)
 BA Healthcare Trust Limited (09619950)
 BA Holdco Limited (12278609)
 BritAir Holdings Limited (03537574)
 British Airways (BA) Limited (07990613)
 British Airways 777 Leasing Limited (04954270)
 British Airways Associated Companies Limited (00590083)
 British Airways Avionic Engineering Limited (02775232)
 British Airways Engineering Gatwick Limited (16147388)
 British Airways Interior Engineering Limited (03109109)
 British Airways Leasing Limited (04150220)
 British Airways Engineering Wales Limited (02204178)
 British Midland Airways Limited (00464648)
 Gatwick Ground Services Limited (10390742)
 Bealine Limited (08090752)

The Company has issued guarantees in relation to statutory audit exemptions for the subsidiary companies above.

33 Ultimate parent undertaking

The Company's immediate and ultimate parent undertaking and controlling party as at 31 December 2025 was International Consolidated Airlines Group S.A., which is incorporated in Spain.

The Company is included within the consolidated financial statements of IAG Group which are publicly available on the website www.iairgroup.com.

Notes to the Financial Statements continued

For the year ended 31 December 2025

34 Supplemental cash flow information

a Reconciliation of movement in provisions included within Net cash flows from operating activities

£ million	2025	2024
Opening provisions	861	850
Non-cash additions recorded in operating profit	258	238
Non-cash releases of unused provisions recorded in operating profit	(76)	(55)
Other non-cash amounts recorded within operating profit	13	7
Cash settlements relating to operating provisions	(140)	(124)
Less non-cash carbon-related obligations reported in operating profit (note 2)	(118)	(85)
Movements in provisions recorded within net cash flows from operating activities	(63)	(19)
Movements elsewhere within the Balance sheet	(20)	23
Unrealised currency differences arising on provisions recorded within operating profit	(22)	(13)
Non-cash settlement of Carbon-related obligations	(87)	(87)
Add non-cash carbon-related obligations reported in operating profit (note 2)	118	85
Movements in provisions recorded in the Income statement outside of operating profit	21	22
Closing provisions (note 22)	808	861

b Reconciliation of movement in carbon assets and obligations included within Net cash flows from operating activities

£ million	2025	2024
Non-cash carbon-related obligations recorded in operating profit (note 2)	118	85
Purchase of carbon-related assets	(162)	(42)
Movements in carbon-related assets and obligations recorded within net cash flows from operating activities	(44)	43

c Other items included within Net cash flows from operating activities

£ million	2025	2024
Non-cash movements on derivative and non-derivative financial instruments	(50)	35
Settlement of interest rate derivatives	2	11
Other non-cash movements	-	(12)
	(48)	34

Notes to the Financial Statements continued

For the year ended 31 December 2025

Subsidiary undertakings at 31 December 2025

The holdings disclosed concern ordinary shares and are wholly owned unless otherwise stated.

Name of company	Country of incorporation and principal operations	Principal activities	Registered address
BA and AA Holdings Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA Call Centre India Private Limited ('CallBA') ¹	India	Call centre	F-42, East of Kailash, New Delhi, 110065
BA Cityflyer Limited	England	Airline operations	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA Euroflyer Limited	England	Airline operations	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA European Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA Excepted Group Life Scheme Limited	England	Life insurance	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA Healthcare Trust Limited	England	Dormant	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA Holdco Limited	England	Dormant	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA Number One Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BA Number Two Limited	Jersey	Holding company	IFC 5, St Helier, Jersey, JE1 1ST
Bealine Limited	England	Dormant	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
BritAir Holdings Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways (BA) Limited ¹	England	Former Airline	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways 777 Leasing Limited	England	Aircraft Leasing	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Associated Companies Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Avionic Engineering Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Capital Limited	Jersey	Aircraft financing	Queensway House, Hilgrove Street, St Helier, JE1 1ES
British Airways Engineering Gatwick Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Holdings BV ¹	Netherlands	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Interior Engineering Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Leasing Limited	England	Aircraft Leasing	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Engineering Wales Limited	England	Engineering	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Pension Trustees (No 2) Limited	England	Trustee company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Airways Plc Employee Share Ownership Trust	Jersey	Trust	13 Castle Street, St Helier, JE1 1ES, Jersey
British Midland Airways Limited ¹	England	Former airline	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
British Midland Limited	England	Holding company	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
Gatwick Ground Services Limited	England	Ground Services	Waterside, Speedbird Way, Harmondsworth, U.K, UB7 0GB
Speedbird Insurance Company Limited	Bermuda	Insurance	Canon's Court, 22 Victoria Street, Hamilton, HM 12

¹Not directly owned by British Airways Plc

Notes to the Financial Statements continued

For the year ended 31 December 2025

Associated undertakings at 31 December 2025

The holdings disclosed concern ordinary shares unless otherwise stated.

Name of company	Percentage ownership	Country of incorporation and principal operations	Principal activities	Registered address
Avios Group (AGL) Limited	86.26	England	Management of airline loyalty reward currency	Waterside, Speedbird Way, Harmondsworth, U.K., UB7 0GB
Dunwoody Airline Services Limited	40.00	England	Ground services	Building 552, Shoreham Road East, Heathrow Airport, TW6 3UA
IB Opco Holding S.L. ¹	6.80	Spain	Airline operations	Calle Velazquez 130, 28006 Madrid
LanzaJet, Inc.	9.00	USA	Sustainable fuel technology	520 Lake Cook Road, Suite 680, Deerfield, Illinois, 60015, USA

¹Not directly owned by British Airways Plc

Other equity investments at 31 December 2025

The holdings disclosed concern ordinary shares unless otherwise stated.

Name of company	Percentage ownership	Country of incorporation and principal operations	Principal activities	Registered address
International Consolidated Airlines Group S.A.	0.001	Spain	Holding company	El Caserío, Iberia Zona Industrial nº 2 (La Muñoza), Camino de La Muñoza, s/n, 28042 Madrid.
The Airline Group Limited	16.68	England	Air traffic control holding company	4000 Parkway, Whiteley, Fareham, Hampshire, PO15 7FL

Operating and financial statistics

The below table does not form part of the audited financial statements

Total Group continuing operations	Year ended 31 December			
	2025	2024	2023	
Traffic and capacity				
Available seat kilometre ('ASK')	m	178,185	175,141	167,695
Revenue passenger kilometre ('RPK')	m	149,396	149,156	140,135
Cargo tonne kilometre ('CTK')	m	3,762	3,813	3,431
Passengers carried	'000	46,334	46,163	42,964
Passenger load factor	%	83.8	85.2	83.6
Tonnes of cargo sold	'000	455	445	426
Operations				
Average headcount		41,908	40,521	37,401
Aircraft in service at year end		298	293	284
Aircraft utilisation (average hours per aircraft per day)		10.40	10.48	10.03
Punctuality – within 15 minutes	%	80	73	58
Regularity	%	98.8	97.9	97.0
Financial				
Passenger revenue per ASK	p	7.70	7.69	7.55
Passenger revenue per RPK	p	9.18	9.03	9.04
Cargo revenue per CTK	p	20.95	20.69	22.06
Average fuel price (\$/metric tonne)		720	807	892
Operating margin	%	15.2	14.1	10.0
Operating margin before exceptional items	%	15.2	14.1	10.0
Earnings before interest, tax, depreciation and amortisation ('EBITDA') ¹	£m	3,473	3,196	2,448
Net debt/total capital ratio	%	(540.8)	404.6	155.2
Total revenue per ASK	p	8.24	8.32	8.54
Total expenditure before exceptional items on operations per ASK	p	6.99	7.14	7.69
Total expenditure before exceptional items on operations excluding fuel per ASK	p	5.08	5.04	5.41

¹EBITDA is before exceptional items

m = millions

n/a = not applicable

p = pence

Operating statistics do not include those of associate undertakings and franchisees.

Fleet table

Number in service with Group companies at 31 December 2025

	Owned	Finance lease	Operating lease	Total December 2025	Total December 2024	Changes since December 2024	Future deliveries	Options
Airline Operations²								
Airbus A319	10	-	13	23	27	<i>(4)</i>	-	-
Airbus A320	41	26	26	93	90	<i>3</i>	4	-
Airbus A321	13	8	10	31	26	<i>5</i>	2	-
Airbus A350	2	14	2	18	18	-	6	12
Airbus A380	8	4	-	12	12	-	-	-
Boeing 777-200	41	-	2	43	43	-	-	-
Boeing 777-300	9	-	7	16	16	-	-	-
Boeing 777-9	-	-	-	-	-	-	24	9
Boeing 787-8	8	2	2	12	12	-	-	-
Boeing 787-9	1	8	9	18	18	-	-	-
Boeing 787-10	3	7	2	12	11	<i>1</i>	38	10
Embraer E190	9	-	11	20	20	-	-	-
Total Operations	145	69	84	298	293	<i>5</i>	74	31

Notes:

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

2. Includes aircraft operated by British Airways Plc, BA Cityflyer Limited and BA Euroflyer Limited.

3. As well as those aircraft in service the Group also holds 4 aircraft (31 December 2024: 1) not in service.

Glossary

Airline operations	This includes British Airways Plc, BA Cityflyer Limited and BA Euroflyer Limited.
Available seat kilometres ('ASK')	The number of seats available for sale multiplied by the distance flown.
Available tonne kilometres ('ATK')	The number of tonnes of capacity available for the carriage of revenue load (passenger and cargo) multiplied by the distance flown.
Cargo revenue per CTK	Cargo revenue divided by CTK.
Cargo tonne kilometres ('CTK')	The number of revenue tonnes of cargo (freight and mail) carried multiplied by the distance flown.
Continuing operations	The segments of the business that are considered to be normal and expected to operate in the foreseeable future.
EBITDA	Earnings before interest, tax, depreciation and amortisation
Effective tax rate	Tax charge in the income statement as a percentage of profit before tax
Exceptional items	Those items that in management's view need to be separately disclosed by virtue of their size or nature.
Load factor	The percentage relationship of revenue load carried to capacity available.
Net debt	Current and long-term interest-bearing borrowings less other current interest-bearing deposits and cash and cash equivalents.
Net debt/total capital ratio	Net debt as a ratio of total capital.
nm	Not meaningful.
Non-fuel cost per ASK ('NFCASK')	Total operating expenditure excluding fuel and emissions costs before exceptional items per available seat kilometre
n/a	Not applicable.
Operating margin	Operating profit as a percentage of total revenue.
Overall load factor	RTK expressed as a percentage of ATK.
Passenger load factor	RPK expressed as a percentage of ASK.
Passenger revenue per ASK ('PRASK')	Passenger revenue divided by ASK.
Passenger revenue per RPK ('PRRPK')	Passenger revenue divided by RPK.
Punctuality	The industry's standard, measured as the percentage of flights departing within 15 minutes of schedule.
Ready-to-go	The percentage of flights that have the aircraft door being closed five minutes prior to the advertised scheduled departure time.
Regularity	The percentage of flights completed to flights scheduled, excluding flights cancelled for commercial reasons.
Revenue passenger kilometres ('RPK')	The number of revenue passengers carried multiplied by the distance flown.
Revenue tonne kilometres ('RTK')	The revenue load in tonnes multiplied by the distance flown.
Total capital	Total equity plus net debt.
Total group revenue per ASK	Total Group revenue divided by ASK.
Total operating expenditure excluding fuel per ASK	Total operating expenditure excluding fuel divided by ASK.
Total operating expenditure per ASK	Total operating expenditure divided by ASK.
Total traffic revenue per ASK	Revenue from total traffic divided by ASK.

END