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

(Together with the consolidated financial statements and consolidated management' report of IB Opco Holding, S.L. and subsidiaries for the year ended 31 December 2024)

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

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

Independent Auditor's Report on the Consolidated Financial Statements

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

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

Opinion

We have audited the consolidated financial statements of IB Opco Holding S.L. (the "Parent") and subsidiaries (together the "Group"), which comprise the consolidated balance sheet at 31 December 2024, and the consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and consolidated notes.

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Group at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 3 to the consolidated financial statements) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

Most Relevant Aspects of the Audit

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

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

At 31 December 2024, the Group recognised Euros 716 million in provisions for major repairs which, as detailed in note 12.3 to the accompanying consolidated annual accounts, primarily include the cost associated with the necessary repairs to be carried out before handing back leased aircraft to return them to the conditions of use agreed with each lessor. The Group calculates the provisions based on key assumptions that require management to use judgement, such as flight hours and cycles, changes in which could give rise to significant adjustments in the level of the provisions recognised. Given the size of the fleet of leased aircraft subject to handback, the uncertainty associated with the aforementioned estimates and the fact that changes therein could lead to material differences in the provisions recognised, this has been considered one of the most relevant aspects of our audit.

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

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

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

The recognition of passenger revenue, amounting to Euros 6,284 million, comprises high volumes of low value transactions that are recorded through complex and automated processes, which involve third party booking management systems and the recording of the transaction on the actual flight date. Passenger revenue includes coupons for different flights, classes, surcharges and taxes that vary according to the route. The accuracy of revenue recognition depends on the correct application of the standards. Also, due to flight restrictions and cancellations during the pandemic, there has been an increased number of refunds and vouchers issued to be exchanged for future tickets. The recognition of passenger revenue is not subject to a high degree of judgement and estimation by Group management and therefore does not carry a significant risk of material misstatement. However, due to the significance of the amount, it is considered one of the most relevant aspects of our audit.

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

We also assessed whether the disclosures in the accompanying notes to the consolidated financial statements meet the requirements of the financial reporting framework applicable to the Group.

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Other Information: Consolidated Directors' Report

Other information solely comprises the 2024 consolidated directors' report, the preparation of which is the responsibility of the Parent's Directors and which does not form an integral part of the consolidated financial statements.

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

a) Determine, solely, whether the consolidated non-financial information statement has been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the consolidated directors' report with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated directors' report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the consolidated directors' report is consistent with that disclosed in the consolidated financial statements for 2024, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' Responsibility for the Consolidated Financial Statements

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

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

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

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

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

– Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's Directors.

– Conclude on the appropriateness of the Parent's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

– Plan and execute the audit of the Group to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units of the Group as the basis to form an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the work performed for the Group audit. We remain solely responsible for our audit opinion.

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

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

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

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

(Signed on original in Spanish)

Bernardo Rücker-Embden
On the Spanish Official Register of Auditors ("ROAC") with No. 18,836

6 March 2025

IB Opco Holding, S.L. and subsidiaries

Consolidated Financial Statements and Consolidated Management Report for the 2024 year

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Consolidated balance sheet at 31 December 2024

€ million	Note	31 December 2024	31 December 2023
NON-CURRENT ASSETS		**3,913**	4,218
Intangible assets	6	**168**	232
Goodwill		65	131
Other intangible assets		103	101
Property, plant and equipment	7	**2,154**	2,470
Aircraft		1,644	2,089
Other property, plant and equipment		510	381
Investments in Group companies and associates		**698**	649
Investments accounted for using the equity method	8.1	313	264
Other equity instruments	8.2	385	385
Non-current financial assets	9.1	**111**	65
Equity instruments		10	10
Derivatives financial instruments	10	53	9
Other financial assets	9.1.3	48	46
Deferred tax assets	15	**782**	802
CURRENT ASSETS		**4,088**	3,354
Inventories	17.3	**653**	545
Aircraft spare parts		359	277
Other inventories		294	268
Trade and other receivables		**1,176**	874
Trade receivables for services rendered		692	488
Trade receivables from Group companies and associates	19.2	159	139
Other receivables		166	151
Public authorities	15	159	96
Short-term financial investments:	9.2	**742**	783
Derivatives financial instruments	10	151	21
Other financial assets		591	762
Prepayments		**39**	24
Cash and cash equivalents	5.7	**1,478**	1,128
Cash at bank		429	372
Short term deposits maturing within three months		1,049	756
TOTAL ASSETS		**8,001**	7,572

€ million	Note	31 December 2024	31 December 2023
EQUITY	11	**856**	695
SHAREHOLDERS' EQUITY			
Share capital and share premium		2,301	2,301
Reserves		(1,575)	(2,635)
Interim dividends		(709)	-
Other shareholder contributions		38	38
Profit/(loss) for the year attributable to the Parent		750	1,001
VALUATION ADJUSTMENTS-	11.4		
Financial assets at fair value through equity		41	41
Hedging transactions		66	(65)
Other		(58)	12
SUBSIDIES, DONATIONS AND BEQUESTS RECEIVED		**-**	-
NON-CONTROLLING INTERESTS		**2**	2
NON-CURRENT LIABILITIES		**3,056**	3,294
Non-current provisions	12	1,500	1,313
Non-current borrowings	13	1,266	1,349
Non-current borrowings with Group companies and associates	19.2	-	380
Deferred tax liabilities	15	40	24
Non-current accruals		164	153
Other non-current liabilities		86	75
CURRENT LIABILITIES		**4,089**	3,583
Current provisions	12	**380**	316
Current borrowings	13 and 19.2	**178**	220
Trade creditors and other payables		**3,515**	3,032
Suppliers and other accounts payable		1,139	970
Suppliers, Group companies and associates	19.2	154	143
Remuneration payable		248	145
Payables to public authorities	15	339	307
Deferred revenue	5.12	1,635	1,467
Prepayments		**16**	15
TOTAL EQUITY AND LIABILITIES		**8,001**	7,572

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated statement of financial position for the year ended 31 December 2024

Consolidated income statement for the year ended 31 December 2024

€ million	Notes	**2024**	2023
CONTINUING OPERATIONS:			
Revenue	17.1	**7,838**	7,136
In-house work on non-current assets	6 and 7	**23**	23
Supplies	17.3	**(2,474)**	(2,261)
Other operating income	17.2	**204**	283
Personnel expenses	17.4	**(1,560)**	(1,231)
Wages, salaries and similar expenses		(1,073)	(953)
Restructuring		(160)	-
Social charges		(327)	(278)
Other operating expenses	17.5	**(3,135)**	(2,828)
Depreciation, amortisation and impairment	6, 7 and 8.1	**(334)**	(296)
Overprovisions	12	**65**	35
Impairment and gains/(losses) on disposal of non-current assets		**1**	(2)
Gain/(loss) on disposals		1	(2)
Operating profit/(loss)		**628**	859
Financial income	17.6	149	75
Finance costs	17.7	(136)	(158)
Variation in the fair value of financial instruments	10	1	3
Currency differences		(43)	27
Impairment and gains or losses on disposal of financial instruments	2.3	-	11
FINANCIAL (LOSS)/PROFIT		**(29)**	(42)
Share of profit (loss) of companies accounted for using the equity method	8.1	**165**	203
PROFIT/(LOSS) BEFORE TAX		**764**	1,020
Income tax	15	**(14)**	(19)
CONSOLIDATED PROFIT/(LOSS) FOR THE YEAR		**750**	1,001
Profit (loss) attributed to the Parent		**750**	1,001
Profit attributable to non-controlling interests		-	-

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated income statement for the year ended 31 December 2024

Consolidated statement of changes in equity for the year ended 31 December 2024

A) Consolidated statement of recognised income and expenses

€ million	Notes	**2024**	2023
PROFIT / (LOSS) PER CONSOLIDATED INCOME STATEMENT		**750**	1,001
Income and expense recognised directly in equity:			
Hedges	10	169	(61)
Subsidies, donations and bequests received		31	62
From actuarial gains and losses and other adjustments		(93)	(24)
Tax impact		(27)	6
TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY	11.4	**80**	(17)
Transfers to the income statement:			
Hedges	10	5	(207)
Subsidies, donations and bequests received		(31)	(62)
Tax impact		7	79
TOTAL TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT	11.4	**(19)**	(190)
TOTAL RECOGNISED INCOME/(EXPENSE)		**811**	794

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated statement of recognised income and expense for the year ended 31 December 2024

B) Consolidated total statement of changes in equity

€ million	Share capital and share premium	Reserves	Interim dividend	Other shareholder contributions (Note 11.5)	Profit/(loss) for the year	Valuation adjustments	Total	Non-controlling interests	Total equity
FINAL BALANCE - 2022	2,301	(2,860)	-	-	272	195	(92)	2	(90)
Total recognised income and expense	-	-	-	-	1,001	(207)	794	-	794
Distribution of 2022 profit/(loss)	-	272	-	-	(272)	-	-	-	-
Other	-	(47)	-	38	-	-	(9)	-	(9)
FINAL BALANCE - 2023	2,301	(2,635)	-	38	1,001	(12)	693	2	695
Total recognised income and expense	-	-	-	-	750	61	**811**	-	**811**
Distribution of 2023 profit/(loss)	-	1,001		-	(1,001)	-	-	-	-
Interim dividend (note 11.6)	-	-	(709)	-	-	-	**(709)**	-	**(709)**
Other (note 11.3)	-	59	-	-	-	-	**59**	-	**59**
FINAL BALANCE - 2024	**2,301**	**(1,575)**	**(709)**	**38**	**750**	**49**	**854**	**2**	**856**

Notes 1 to 22 to the accompanying financial statements are an integral part of the consolidated total statement of changes in equity for the year ended 31 December 2024

Consolidated cash flow statement

€ million	Notes	2024	2023
CASH FLOWS USED IN OPERATING ACTIVITIES:		**1,294**	933
Profit /(loss) before tax		**764**	205
Adjustments for:		**590**	180
Depreciation, amortisation and impairment	6, 7 and 8.1	334	296
Variation in provisions		459	185
Allocation of subsidies		(33)	(4)
Losses on retirements and disposal of fixed assets and financial assets	6 and 7	(3)	(9)
Financial income	17.6	(149)	(75)
Finance costs	17.7	136	158
Currency differences		57	7
Variation in the fair value of financial instruments		(1)	(3)
Other income and expenses		(46)	(172)
Share of profit/(loss) of companies accounted for using the equity method		(164)	(203)
Changes in working capital		**41**	112
Inventories		(203)	(113)
Trade and other receivables		(159)	(1)
Other current assets		(99)	(93)
Trade and other payables		502	337
Other current liabilities		-	(18)
Other cash flows used in operating activities		**(101)**	(379)
Interest payments		(66)	(112)
Dividends received	17.6	59	4
Interest received		80	68
Income tax payments		(44)	(166)
Other payments		(130)	(173)
CASH FLOWS USED IN INVESTING ACTIVITIES:		**306**	(1,286)
Payments on investments		**(441)**	(1,501)
Intangible assets		(30)	(33)
Property, plant and equipment		(408)	(859)
Other financial assets		(3)	(609)
Proceeds from disposals		**747**	215
Group companies		-	11
Property, plant and equipment		575	204
Other financial assets		172	-
CASH FLOWS USED IN FINANCING ACTIVITIES:		**(1,248)**	(738)
Proceeds from and payments for financial liabilities		**(539)**	(738)
Issue of debts with credit institutions		2	113
Repayment and amortisation of debts with credit institutions		(166)	(951)
Group companies		(375)	100
Dividends		**(709)**	**-**
IMPACT OF EXCHANGE RATE VARIATIONS		**(2)**	(15)
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**350**	(1,106)
Cash and cash equivalents at the beginning of the year		**1,128**	2,234
Cash and cash equivalents at the end of the year		**1,478**	1,128

Notes 1 to 22 to the accompanying consolidated financial statements are an integral part of the consolidated cash flow statement for the year ended 31 December 2024

IB Opco Holding, S.L. and Subsidiaries
Notes to the 2024 consolidated financial statements

1. ACTIVITY OF THE PARENT COMPANY AND THE GROUP

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

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

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

As a passenger and cargo airline, Iberia is an operator with a broad network serving four main markets alongside Iberia Express since 2012: Spain, Europe, the Americas and Asia. Since 2017, Iberia has operated the LEVEL brand, mainly serving routes from Barcelona to the Americas. Both Iberia and Iberia Express are full members of the **one**world airline alliance, one of the most important in the world, which enables the globalisation of its air transport operations.

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

IB Opco is also a subsidiary of International Airlines Group, S.A. ("IAG"), which has its registered office in Madrid, El Caserío, Iberia Zona Industrial nº2, Camino de la Muñoza, s/n, and whose shares have been listed on the London Stock Exchange and the four Spanish stock exchanges since 24 January 2011. The consolidated financial statements of the IAG for the 2023 financial year were prepared by the Board of Directors of IAG at its meeting held on 28 February 2024, approved by the General Meeting of Shareholders held on 25 June 2024 and filed with the Commercial Registry of Madrid.

2. SUBSIDIARY, ASSOCIATE and JOINTLY CONTROLLED ENTITIES

2.1 Subsidiaries

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

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

Appendix I contains a list of the consolidated subsidiaries.

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

2.2 Associates

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

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

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

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

2.3 Change in scope of consolidation

The main changes in the Group's consolidation perimeter for the 2024 financial year are described below.

In February 2024, the Board of Directors of the Company (sole shareholder of Iberia) approved the Project for the segregation of the business branch (hereinafter the "Economic Unit") of ground handling services for aircraft, passengers, and cargo at airports to a newly established company, initially named Minotaur Ground Services S.L. and currently named South Europe Ground Services, S.L. (hereinafter, South), in which Iberia holds a 100% stake. The Segregation Project was published in the Official Gazette of the Commercial Register and, after the mandatory legal deadlines had passed and no objections to the Project were raised, the segregation was finally approved by the Company's Board of Directors and its sole shareholder in May 2024. South is consolidated into the Group by the full integration method, and no impacts have been recorded at the consolidated level for this operation.

In July 2024, Fly Level Barcelona LH, S.L. was established, a company that will operate under the LEVEL brand. The Group holds a 50.1% stake and consolidates this company using the equity method.

In 2023 financial year, the Group established Mundiplan Turismo y Ocio, S.L., acquiring a 50% stake; this company is consolidated using the equity method.

On 13 March 2023, the 100% stake that the subsidiary, Iberia L.A.E. S.A. Operadora, held in Iberia México S.A. was sold for €12 million, generating a profit of €11 million, which is recorded in the consolidated income statement for the 2023 financial year under the item " Gains on disposal of financial instruments".

3. BASES OF PRESENTATION OF THE CONSOLIDATED ANNUAL ACCOUNTS

3.1 Regulatory financial reporting framework applicable

These 2024 consolidated financial statements were drawn up by the Directors of the Parent pursuant to the regulatory financial reporting framework applicable to the Group, as laid down in:

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

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

3.2 True and fair view

The 2024 consolidated financial statements have been prepared from the accounting records of the Parent and its subsidiaries and associates and are presented in accordance with the regulatory accounting requirements applicable to them as described in note 3.1 above and, in particular, the accounting policies and criteria therein so as to give a true and fair view of the consolidated equity and financial position of the Group as at 31 December 2024 and of its consolidated results and cash flows for the year ended 31 December 2024.

These consolidated financial statements for the year 2024 prepared by the Board of Directors of the Parent, as well as the financial statements of the subsidiaries and associates, will be submitted to the respective annual general meetings of shareholders for approval and are expected to be approved without amendment.

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

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

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

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

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

Although the estimates made by the directors of the Parent have been calculated based on the best information available as at 31 December 2024, it is possible that future events may require a change in these estimates in future years. The impact of any changes resulting from adjustments to be made in future years would be recognised prospectively in the consolidated financial statements.

3.4 Comparative information

The information in these consolidated financial statements for the financial year 2023 is presented for comparison purposes only with the information for the financial year 2024. The application of accounting policies has been consistent in both years.

3.5 Grouping of items

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

3.6 Plan de Vuelo 2030

In 2024, the Iberia Group has proposed a new strategic plan, Flight Plan 2030, which outlines a roadmap for the next decade and will enable the Iberia Group to achieve ambitious objectives in the coming years.

Flight Plan 2030 is based on three strategic pillars, upon which concrete initiatives have been developed for all areas of the Iberia Group. These three pillars are:

- **Consolidate financial robustness and maintain operational excellence**: with the aim of maintaining a structural margin between 12-15% and positioning the Iberia Group among the best operators in terms of CASK (cost per available seat kilometre).

- **Develop the leadership of the Madrid Hub**: through the growth of the long-haul fleet, thus positioning the Iberia Group at the level of its European counterparts, consolidating the airline as a benchmark in the Europe-Latin America corridor.

- **Ensure the long-term future of the Handling and Maintenance businesses**: for handling, the objective is to guarantee a high-level service at market prices, and for maintenance, to make it one of the main aeronautical industrial hubs.

The implementation of the initiatives that form Flight Plan 2030 is aimed at delivering value to our shareholders, customers, employees, and society.

3.7 Going concern principle

As of 31 December 2024, the Group presents a negative working capital, with current liabilities exceeding current assets by an amount of €5 million. However, excluding customer advances, the working capital on that date would be positive by an amount of €1,630 million.

As of 31 December 2024, the Group had total liquidity of €2,607 million, consisting of cash and other liquid equivalent assets as well as remunerated deposits recorded in the balance sheet as other financial assets totalling €2,069 million and €538 million of credit lines granted and undrawn for general purposes. These lines correspond to €418 million of the credit line formalised by the IAG for the Group's disposal and another €120 million of undrawn credit lines. Additionally, as of 31 December 2024, the Group had committed financing for aircraft on the balance sheet amounting to €135 million.

On the basis of the above, it is considered that there is no doubt that the going concern principle is complied with. In this respect, the Directors of the Group have prepared these consolidated financial statements for the year 2024 in accordance with the going concern principle.

4. DISTRIBUTION OF PROFIT AND LOSS OF THE PARENT

The proposal that the Directors of the Parent will submit for approval to the General Meeting of Shareholders consists of allocating the positive result for the 2024 financial year as follows:

€ million	2024
Basis for distribution	
Profit/ (loss) for the period	780
Distribution	
To offset losses from previous years	62
To interim dividend	709
To Voluntary reserve	9
Total	**780**

Additionally, the application of the positive result for the 2023 financial year, approved by the Sole Shareholder on 20 March 2024, consisted of its full transfer to negative results from previous years.

5. RECOGNITION AND MEASUREMENT STANDARDS

The principal accounting policies adopted by the Group in the preparation of these 2024 financial statements in accordance with the Spanish Chart of Accounts and in the Standards for the Preparation of Consolidated Financial Statements are as follows:

5.1 Consolidation principles applied

Transactions with companies within the scope of consolidation

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

Uniformity of items

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

Translation of financial statements drawn up in foreign currencies

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

- Assets and liabilities in their statements of financial position are translated at the closing rate at the respective statement of financial position date.

- Income and expenses for each income item are translated at the cumulative average exchange rate of the period in which they occurred.

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

5.2 Intangible assets

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

Goodwill

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

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

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

The cost of the combination is determined by adding:

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

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

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

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

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

- The cost of the business combination plus the fair value on the date of acquisition of any prior share in the acquired company held by the acquiring company, and

- The value of the identifiable assets acquired minus that of the assumed liabilities, determined in accordance with the above.

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

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

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

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

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

Industrial property

This account records the amounts paid for the acquisition of the property or for the expenses incurred for the registration of the property developed by the Group. Industrial property is amortised on a straight-line basis over its estimated useful life of 10 years.

Computer software

The Group recognises costs incurred to acquire and develop software programmes or have them developed under this heading. The maintenance costs of computer applications are recognised with a charge to the income statement for the year in which they are incurred.

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

5.3 Property, plant and equipment

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

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

The Group depreciates its property, plant and equipment on a straight-line basis, distributing the depreciable cost over the years of estimated useful life, as follows:

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

The residual value of aircraft is estimated at 5% of acquisition cost. The residual value of rotable fuselage spares (i.e. those assigned specifically to types or families of aircraft, included in "Spare parts") is estimated at between 10% and 20% of acquisition cost, depending on the type of fleet. The Group depreciates in full the acquisition cost of other items of property, plant and equipment.

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

For each aircraft held under an operating lease, the Group makes a provision for the total costs that will be incurred for the periodic overhaul, depending on the lease terms. These costs are recognised in the income statement on a straight-line basis over the period between two successive overhauls. In addition, a provision is made to cover the estimated cost of necessary repairs to each aircraft when it is returned and to maintain it in the condition agreed with each lessor (note 5.13).

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

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

When there is any indication of a decline in value, the Group performs an impairment analysis to estimate the possible loss of value that may reduce the recoverable amount of the assets to below their net carrying amount.

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

In addition, irrespective of indications of impairment, the Group tests intangible assets that are not yet in a usable condition for impairment at least once a year.

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

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

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

Valuation corrections due to impairment, and their reversion are recorded on the income statement and are reverted when the circumstances which prompted such a reversion are no longer applicable, except those corresponding to goodwill. The limit for the reversion of the impairment is the carrying amount of the asset which would appear if the pertinent impairment in value had not been previously entered.

5.5 Leases

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

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

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

Finance lease

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

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

Operating leases

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

When the Group is the lessor, the income and costs arising from operating leases are recognised in the consolidated income statement in the year in which they are incurred. In addition, the cost of the leased asset is recognised in the consolidated statement of financial position according to the nature of the asset, increased by costs directly attributable to the lease, which are expensed over the lease term using the same method as for the recognition of lease income.

When the Group acts as a lessee, the expenses arising from the operating lease agreements are charged to the consolidated income statement in the year in which they are accrued.

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

Sale-and-leaseback transactions

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

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

5.6 Financial instruments

Financial instruments are classified at the time of their initial recognition as financial assets, financial liabilities or equity instruments, in accordance with the funds arising from the contractual agreement and with the definitions of financial asset, financial liability and equity instrument.

The Group recognises a financial instrument when it becomes a party to it under the terms of the contract or legal instrument, either as the issuer or as the holder or acquirer of the instrument.

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

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

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

The Group classifies a financial asset at amortised cost, even if it is held for trading, if it is held within a business model whose objective is to hold the asset to collect cash flows from the settlement of the contract and the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal outstanding at specified dates.

The Group classifies a financial asset at fair value through equity if it is held within a business model whose objective is to generate contractual cash flows and sell financial assets and the contractual terms of the financial asset give rise to cash flows at specified dates that are solely payments of principal and interest.

The business model is determined by the Group's key personnel at a level that reflects the way in which they collectively manage groups of financial assets to achieve a particular business objective. The Group's business model represents how it manages its financial assets to generate cash flows.

The Group designates a financial asset on initial recognition as at fair value through consolidated profit or loss if this eliminates or significantly reduces measurement inconsistencies or accounting mismatches that would otherwise arise if the assets or liabilities were measured on different bases or the results of those assets or liabilities were recognised on different bases.

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

All other financial assets are designated as at fair value through consolidated profit or loss, with the exception of equity instruments which are designated as at fair value through other comprehensive income.

The Group designates a financial liability as at fair value through profit or loss on initial recognition if this eliminates or significantly reduces an accounting inconsistency or mismatch in measurement or recognition that would otherwise arise, if the valuation of assets or liabilities or the recognition of the results of those assets or liabilities would be made on a different basis, or if a group of financial liabilities or financial assets and financial liabilities is managed and its performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy and information about that group is communicated internally on the same basis to the Group's key management personnel.

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

(i) *Compensation principles*

A financial asset and a financial liability are only an object of compensation when the Group has the legally enforceable right to compensate the amounts registered and intends to settle the net amount or realise the asset and cancel the liability simultaneously.

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

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

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

(iii) *Financial assets and liabilities at amortised cost*

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

(iv) *Financial assets at fair value through equity*

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

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

(v) *Financial assets and liabilities measured at cost*

Investments in equity instruments whose fair value cannot be reliably estimated and derivative instruments that are linked to equity instruments and must be settled by delivery of such unquoted equity instruments are measured at cost. However, if at any time a reliable measure of the financial asset or financial liability is available to the Group at any time on an ongoing basis, the financial asset or financial liability is carried at fair value at that time, with gains or losses recognised in accordance with the classification of the asset or liability.

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

(vi) *Reclassifications of financial instruments*

The Group reclassifies financial assets when it changes the business model for managing them or when it meets or ceases to meet the criteria to be classified as an investment in group entities, jointly controlled entities or associates, or when the fair value of an investment ceases or becomes unreliable, except for equity instruments designated classified at fair value through equity, which cannot be reclassified. The Group does not reclassify financial liabilities.

(vii) *Interests and dividends*

Interest and dividends on financial assets accrued after the time of acquisition are recognised as income in the income statement.

Interest received from financial assets is recognised at amortised cost using the effective interest rate method and dividends are recognised when the Group's right to receive them is declared.

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

(viii) *Elimination of financial assets*

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

Financial assets are derecognised when the related rights to receive cash flows have expired or have been transferred and the Group has substantially transferred the risks and rewards of ownership. Financial assets are derecognised only when the Group retains the contractual rights to receive the cash flows, contractual obligations have been incurred to pay the cash flows to one or more recipients and the following conditions are met:

- The payment of cash flows is conditional on prior collection.
- The Group may not sell or pledge the financial asset; and
- Cash flows collected on behalf of potential recipients are remitted without material delay and the Group is unable to reinvest the cash flows. Investments in cash or cash equivalents made by the Group during the accounting period between the collection date and the remittance date agreed with the potential recipients are excluded from this criterion, provided that the accrued interest is attributed to the potential recipients.

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

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

- If the Group has not retained control, the financial asset is derecognised and any rights or obligations created or retained by the transfer are recognised separately as assets or liabilities.

- If control has been retained, the financial asset continues to be recognised for the Group's continuing involvement in the financial asset and an associated liability is recognised. The continuing involvement in relation to the financial asset is determined by the level of exposure to changes in the value of the asset. The asset and the associated liability are measured on the basis of the rights and obligations that the Group has recognised. The associated liability is recognised such that the carrying amount of the asset and the associated liability equals the amortised cost of the rights and obligations held by the Group if the asset is measured at amortised cost or the fair value of the rights and obligations held by the Group if the asset is measured at fair value. The Group continues to recognise income on the asset to the extent of its continuing involvement and expense on the associated liability. Changes in the fair value of the asset and the associated liability are recognised consistently in the income statement or in equity in accordance with the general recognition criteria set out above and should not be offset.

Transactions in which the Group retains substantially all the risks and rewards of ownership of a transferred financial asset are recognised by recognising the consideration received as a liability. Transaction costs are recognised in the income statement using the effective interest method.

(ix) *Impairment in value of financial assets*

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

The Group recognises impairment losses on financial assets at amortised cost if there has been a reduction or delay in the estimated future cash flows due to the insolvency of the debtor.

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

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

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

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

The Group directly reduces the carrying amount of a financial asset when it has reasonable expectations of full or partial recoverability.

(x) *Eliminations and modifications of financial liabilities*

The Group derecognises a financial liability or part of one when it has fulfilled the obligation contained in the liability or where the Group has been legally exempted from the basic liability contained in the instrument either by virtue of legal proceedings or by the creditor.

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

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

The Group recognises the difference between the carrying amount of the financial liability cancelled or assigned to a third party and the consideration paid, including any asset assigned which is different to the cash or liability assumed, and charges it to the income statement. When the Group delivers non-monetary assets in settlement of liabilities, it recognises the difference between the fair value of the assets and their carrying amount as operating profit or loss and the difference between the value of the liabilities to be written off and the fair value of the assets as financial result. When the Group delivers inventory, the corresponding sales transaction is recognised at fair value and the change in inventory is recognised at carrying amount.

5.7 Cash and cash equivalents

The Group classifies under this consolidated statement of financial position item cash and short-term, highly liquid investments with a maturity of three months or less that are readily convertible to cash and which are subject to an insignificant risk of changes in value, as well as the interest receivables on these investments at the year.

5.8 Hedge accounting

Derivative financial instruments are initially recognised following the criteria set out above for financial assets and liabilities. Specifically, derivative financial instruments that do not meet the hedge accounting criteria below are classified and measured as financial assets or liabilities at fair value through profit or loss. Derivative financial instruments that meet the criteria for hedge accounting are initially recognised at fair value plus, where applicable, transaction costs directly attributable to entering into the instruments or less transaction costs directly attributable to issuing the instruments. However, the transaction costs are subsequently recognised in profit or loss to the extent that they do not form part of the effective change in the financial hedge.

The derivatives held by the Group mainly relate to hedges of foreign exchange risk, interest rate risk, fuel price risk and the value of investments in certain equity instruments, with the objective of significantly reducing these risks in the underlying hedged transactions.

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

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

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

1. Fair value hedges: the hedged item and the hedging instrument are both measured at fair value, and any changes in their fair values are recognised in the consolidated income statement.

2. Cash flow hedging: Changes in value of the hedging instrument are recognised in consolidated equity for the effective portion of the hedge in "Equity – Valuation adjustments", while the ineffective part of the hedge is taken directly to the income statement. The cumulative gain or loss recognised under "Equity – Valuation adjustments" is transferred to the consolidated income statement to match the underlying's impact (for the risk hedged) on the consolidated income statement; thus this effect is netted under the same heading in the consolidated income statement.

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

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

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

The hedging operations are properly documented, including the way in which it is expected to achieve and measure their effectiveness, in accordance with the Group's risk management policy.

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

5.9 Inventories

Inventories are valued at the lower of cost, calculated using the average weighted price method, and net realizable value. Inventories include mainly aircraft spare parts, repairable aircraft engine parts and emission allowances.

The Group makes the appropriate valuation allowances and recognises them as an expense in the consolidated income statement when net realizable value is below purchase price (note 17.3).

Emission allowances

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

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

In October 2016, the OACI (International Civil Aviation Organization) agreed on a Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). The implementation of the CORSIA started with a pilot phase until the end of 2023, in which the Group is included, followed by a first phase from 2024 until the end of 2026. From 1 January 2019, the Group is monitoring all its emissions in detail and reporting them to the Competent Authority, as 2019 is used as the base year for the emissions calculations during the pilot phase of the scheme. Following the agreement reached at the 41st OACI General Assembly, from 2024, the base year for this emissions scheme will be modified to stabilise the sector's emissions at 85% of the 2019 level in order to increase the sector's climate ambition internationally.

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

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

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

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

The "Current provisions" in the consolidated statement of financial position, with a charge to "Other operating expenses" in the consolidated income statement, includes the amount of expenses related to greenhouse gas emission allowances consumed in the year measured at the amount at which they were granted or acquired, if the rights are held, or based on the best estimate of the expenditure required to cover the shortfall of allowances.

The related provision and inventories recognised upon receipt of the rights are cancelled on settlement of the liabilities, which will be before 30 April 2025 for UK rights and by 30 September 2025 for EU rights.

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

5.10 Balances and transactions in currencies other than the euro

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

In accordance with standard airline practise, the balance representing the liability for unused traffic documents is recorded in the consolidated statement of financial position at the International Air Transport Association (IATA) exchange rate for the month of sale, which is the average exchange rate for the last five banking days up to and including the 25th of the previous month. These balances are not remeasured at the exchange rate prevailing at the end of the reporting period and there are only exchange differences when they are reimbursed. This did not have a significant effect on the consolidated financial statements.

5.11 Income tax

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

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

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

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

(i) Recognition of deferred tax liabilities

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

(ii) Recognition of deferred tax assets

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

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

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

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

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

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

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

(iii) Measurement of deferred tax assets and liabilities

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

(iv) Classification

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

(v) Supplementary Tax

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

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

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

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

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

5.12 Income and expenses

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

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

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

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

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

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

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

5.13 Provisions

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

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

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

Obligations to personnel

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

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

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

Under the collective bargaining agreements in force, on reaching the age of 62 Iberia flight crew shall retire from the flying services and be placed on reserve, retaining their employment relationship until they reach the age of 67 at the latest or until they reach a lower age if they retire, or remaining active with restrictions on their activity. The Group recognises the costs of staff placed on reserve throughout the active working life of each employee in accordance with the related actuarial studies based on estimates at the time of this placement. At present, 3 employees have taken up this scheme.

Likewise, there are 20 cabin crew members who, by virtue of the collective bargaining agreement in force, is covered by this benefit.

The collective labour agreements in force also provide that flight crew who meet certain conditions may take early retirement (special leave of absence and voluntary termination until November 2010). Iberia is required to remunerate these employees until they reach the age of 65 or 67. At present, 596 employees are on special leave and no employee has opted for voluntary retirement. In addition, 42 members of the technical crew are covered by the special termination programme for pilots.

The present value of the defined benefit obligations, the cost of benefits provided and the cost of past service are calculated annually by independent actuaries using the projected unit credit method, with the most recent calculation in December 2024 using a technical rate of interest, rate consistent with the iBoxx index, of 3.24% and 2.80%, depending on whether or not they are currently active staff, the mortality tables PER_Col_2020.1er.orden., and assuming and annual increases in benefits of 2.80% in 2025 and 2% beyond.

Restructuring provisions

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

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

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

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

In December 2024, South obtained approval for a new Employment Regulation File (ERE 151/24) to be applied to the ground staff segregated to this company, effective until 31 December 2026.

The actuarial studies performed in December 2024 by independent experts to estimate the liabilities for the restructuring plans were based on the same assumptions as those made to determine the provisions for obligations with employees, with the exception of the technical discount rate, which in this case was 2.65%, also consistent with the iBoxx index. Due to changes in economic and market conditions, key assumptions may differ from current assumptions and may result in changes to pension liabilities. Such differences are recognised in full as actuarial gains or losses in the income statement.

Provisions for major repairs and refurbishments

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

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

5.14 Montepío de Previsión Social Loreto

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

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

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

In the 2024 financial year, contributions in this context amounted to €14 million (2023: €19 million) and were recognised in the accompanying consolidated income statement for 2024 under "Employee costs – Employee welfare costs".

5.15 Related party transactions

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

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

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

5.16 Current / non-current

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

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

5.17 Share-based payments

IAG has a number of equity-settled share-based payment plans in return for services rendered. IAG estimates annually the expense to be passed on by the employees of the subsidiaries Iberia, Iberia Express and South who are members of the plan, taking into account management's estimate of the achievement of the targets set and therefore the number of equity instruments that will ultimately vest.

5.18 The impact of climate change on financial reporting

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

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

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

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

As a result of climate change the 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 Sustainable Aviation Fuels to 10 per cent by 2030 and to 70 per cent by 2050;
- The cost of incurring an increase in the level of carbon offsetting and carbon capture schemes; and
- The impact of introducing more fuel-efficient aircraft and being able to operate these more efficiently.

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

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

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

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

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

a. Long-term fleet plans and useful economic lives

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

As a result of the impact of the COVID-19, Iberia permanently stood down 17 A-340-600s, their engines and rotable inventories during 2020. These permanently stood down aircraft were older generation aircraft, that were less fuel efficient, more carbon intensive and more expensive to operate than more modern models.

Subsequent to the retirement of these aircraft, along with the committed future delivery of fuel-efficient aircraft, 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 SAF in their operations without impediment. Accordingly, no impairment has arisen in the current or prior year, nor have the useful lives and residual values of aircraft been amended, as a result of the IAG's decarbonisation plans.

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

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

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

As a result, the Group's impairment modelling incorporates the following aspects of IAG's Flightpath Net Zero climate strategy through to 2030, 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 10 per cent of the overall fuel mix; (ii) forecast cost of carbon, including SAF, ETS allowances and CORSIA allowances (all derived from externally sourced or derived information); (iii) the removal of existing free ETS allowances issued by the EU member states, Switzerland and the UK; (iv) forecast kerosene taxes applied to jet fuel for all intra EU flight activity; and the removal of existing free ETS allowances issued by the UK and EU member states; and (v) assumptions regarding the ability of the Group to recover these incremental costs through increased ticket pricing.

In preparing the impairment models, the Group cash flow projections are prepared on the basis of using the current fleet in its current condition. The Group excludes the estimated cash flows expected to arise from future restructuring unless already committed and assets not currently in use by the Group. In addition, for the avoidance of doubt, the Group's impairment modelling excludes the following aspects of IAG's Flightpath Net Zero climate strategy: (i) the expected transition to electric and hydrogen aircraft, as well as future technological developments to jet engines and airframes; (ii) any savings from the transition to more fuel efficient aircraft other than those either in the Group's fleet or those committed orders due to be delivered over the business plan period; (iii) the benefit of the development of carbon capture technologies and enhanced carbon offsetting mechanisms; (iv) the required beneficial reforms to air traffic management regulation and legislation; and (v) the required government incentives and/or support across the supply chain.

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

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

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

<u>EU, Swiss and UK Emissions Trading Systems/Schemes</u>

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

<u>Carbon Offsetting and Reduction Scheme for International Aviation</u>

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 CO_2 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 CO_2 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 utilising sustainable aviation fuel; and (iv) those flights subject to various ETS arrangements to avoid duplication of emission charges.

The calculation and verification of the offsetting requirements in the first phase shall be determined by the sectoral approach annually, with companies retiring their obligations in 2028 (although retirements can occur earlier subject to agreement with national authorities). Under the sectoral approach, each of the Group's operating companies will be required to offset an amount of CO_2 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 CO_2 emissions arising on international air routes between all participating States in a given year divided by the total sectoral CO_2 emissions in the Baseline Year for the same routes.

Impact on financial reporting

The Group accounts the purchase of allowances as detailed in note 5.9. At December 31, 2024, the Group has recorded ETS allowances within Inventories (note 17.3) in the consolidated balance of €176 million, representing sufficient allowances, by operating Group, to settle its forecast obligations through to at least December 31, 2025. At December 31, 2024, the Group has recorded a provision (note 12.4) in the consolidated balance for settling its 2024 emissions obligation of €100 million.

6. INTANGIBLE ASSETS

The changes under this heading in 2024 and 2023 were as follows:

Year 2024

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

Year 2023

€ million	Balance at 31-12-2022	Additions or provisions	Transfers	Withdrawals	Balance at 31-12-2023
Cost:					
Goodwill	657	-	-	-	657
	657	-	-	-	657
Other intangible assets					
Industrial property and transfer rights	1	-	-	-	1
Computer software	306	18	5	-	329
Computer applications in progress	19	17	(5)	-	31
	326	35	-	-	361
Amortisation and depreciation:					
Goodwill	(460)	(66)	-	-	(526)
	(460)	(66)	-	-	(526)
Other intangible assets					
Industrial property and transfer rights	(1)	-	-	-	(1)
Computer software	(232)	(27)	-	-	(259)
	(233)	(27)	-	-	(260)
Total net	290	(58)	-	-	232

In 2024, the Group acquired computer developments or programs from third parties for a total of €33 million (2023: €35 million), of which €10 million are in the process of being put into operation. The Group has carried out improvement works on its fixed assets which have been capitalised as an increase in the cost of computer software, with a balancing entry under the heading of "In-housework on non-current assets" in the 2024 consolidated income statement, in the amount of €1 million (2023: €2 million).

At 31 December 2024, the Group had fully depreciated property, plant and equipment items which continued to be in use, made up as follows:

€ million	2024	2023
Industrial property and transfer rights	10	1
Computer software	217	199
	227	200

7. PROPERTY, PLANT AND EQUIPMENT

The changes under this heading in 2024 and 2023 were as follows:

Year 2024

€ million	Balance at 31-12-2023	Additions or provisions	Transfers	Withdrawals	**Balance at 31-12-2024**
Cost:					
Aircraft	3,107	147	119	(659)	**2,714**
	3,107	**147**	**119**	**(659)**	**2,714**
Other property, plant and equipment					
Land	2	-	-	-	**2**
Buildings and other constructions	170	-	-	(1)	**169**
Machinery, fixtures and tools	560	4	66	(26)	**604**
Overland travel elements	27	-	-	-	**27**
Furniture and fixtures	16	-	-	(3)	**13**
Computer hardware	91	-	30	(11)	**110**
Spare parts for property, plant and equipment	105	10	8	(9)	**114**
Flight simulators	3	-	-	-	**3**
Work in progress	190	265	(217)	-	**238**
	1,164	**279**	**(113)**	**(50)**	**1,280**
Amortisation and depreciation:					
Aircraft	(1,018)	(155)	-	103	**(1,070)**
	(1,018)	**(155)**	**-**	**103**	**(1,070)**
Other property, plant and equipment					
Buildings and other constructions	(147)	(1)	-	1	**(147)**
Machinery, fixtures and tools	(460)	(24)	-	26	**(458)**
Overland travel elements	(26)	-	-	-	**(26)**
Furniture and fixtures	(16)	-	-	3	**(13)**
Computer hardware	(85)	(3)	-	11	**(77)**
Spare parts for property, plant and equipment	(46)	(6)	-	6	**(46)**
Flight simulators	(3)	-	-	-	**(3)**
	(783)	**(34)**	**-**	**47**	**(770)**
Total net	2,470	**237**	**6**	**(559)**	**2,154**

Year 2023

€ million	Balance at 31-12-2022	Additions or provisions	Transfers	Withdrawals	Balance at 31-12-2023
Cost:					
Aircraft	2,553	705	257	(408)	3,107
	2,553	705	257	(408)	3,107
Other property, plant and equipment					
Land	2	-	-	-	2
Buildings and other constructions	170	-	-	-	170
Machinery, fixtures and tools	544	15	6	(5)	560
Overland travel elements	27	-	-	-	27
Furniture and fixtures	16	-	-	-	16
Computer hardware	88	3	-	-	91
Spare parts for property, plant and equipment	88	23	2	(8)	105
Flight simulators	3	-	-	-	3
Work in progress	318	124	(249)	(3)	190
	1,256	165	(241)	(16)	1,164
Amortisation and depreciation:					
Aircraft	(1,022)	(133)	-	137	(1,018)
	(1,022)	(133)	-	137	(1,018)
Other property, plant and equipment					
Buildings and other constructions	(145)	(2)	-	-	(147)
Machinery, fixtures and tools	(445)	(20)	-	5	(460)
Overland travel elements	(26)	-	-	-	(26)
Furniture and fixtures	(16)	-	-	-	(16)
Computer hardware	(84)	(1)	-	-	(85)
Spare parts for property, plant and equipment	(43)	(5)	-	2	(46)
Flight simulators	(3)	-	-	-	(3)
	(762)	(28)	-	7	(783)
Provisions:					
Aircraft	(92)	-	-	92	-
	(92)	-	-	92	
Total net	1,933	709	16	(188)	2,470

7.1 Aircraft

7.1.1 Fleet in service

A summary of the Group's aircraft in service at 31 December 2024 is as follows:

	Number of aircraft			
Fleet	Owned	Financial Leases	Lease Operational (*) (**)	**Total**
A-319	-	1	2	**3**
A-320	1	18	22	**41**
A-321	6	12	8	**26**
A-321-XLR	1	-	-	**1**
A-330-300	-	-	8	**8**
A-330-200	-	1	18	**19**
A-350-900	-	6	16	**22**
	8	**38**	**74**	**120**

(*) Include 1 A-330-200 subleased to Flylevel Barcelona LH, S.L.

(**) Include 1 A-321 stood down to return (note 7.1.2)

a. Owned aircraft and aircraft on finance leases:

The main changes under this heading in 2024 and 2023 were as follows:

- Additions:

Additions in 2024 and 2023 were as follows:

€ million	2024	2023
Airframe and Engines	145	705
Refurbishment	2	-
	147	705

During the 2024 financial year, the Group acquired two aircraft, on which it had made advance payments, subsequently disposing of one of them for subsequent operational leasing.

The Group has performed improvement work on its fixed assets that has been capitalised as an increase in the cost of airframe, engines and refurbishment, with a corresponding entry under "In-housework on non-current assets" in the 2024 consolidated income statement, in the amount of €21 million (2023: €21 million).

- Retirements:

During 2024, four aircrafts of the A-350 fleet were sold, which were all financed again through operating lease agreements.

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

b. Aircraft operated under an operating lease:

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

	Years							
Fleet	2025	2026	2027	2028	2029	2030	Subsequent	**No. of aircraft**
A-319	-	-	2	-	-	-	-	**2**
A-320	2	5	1	1	-	4	9	**22**
A-321	-	-	3	-	-	-	5	**8**
A-330-300	-	-	-	5	3	-	-	**8**
A-330-200	-	-	-	7	5	2	4	**18**
A-350-900	-	-	-	-	-	2	14	**16**
	2	**5**	**6**	**13**	**8**	**8**	**32**	**74**

Operating lease costs:

The lease payments in 2024 and 2023 for passenger aircraft operating leases amounted to €482 million and €290 million respectively, recognised under "Other operating costs" in the consolidated income statement (note 17.5). The approximate total of future operating lease payments, including estimated contingency payments calculated based on the interest rates and exchange rates prevailing at 31 December 2024 and 2023, respectively, is as follows:

€ million	2024	2023
Up to one year	469	400
Between one and five years	1,598	1,421
In five years or more	927	775
	2,994	2,596

Equivalent to $3,100 million and $2,866 million at the 2024 and 2023 year-end exchange rate. The exchange rate and interest rate risks on these lease payments are partially hedged with derivatives (note 10).

c. Commitments on the fleet:

The Group is carrying out an aircraft renewal programme under various agreements with Airbus, covering the A-320, A-321 NEO, A-321 XLR and A-350 fleets. Following the updated agreement with Airbus, aircraft pending delivery at 31 December 2024 will be included in accordance with the following schedule:

Fleet in service	2025	2026	2027	2028
A-320 Neo	-	-	2	6
A-321 Neo	-	-	5	-
A-321 XLR	6	1	-	-
A-350-900	1	1	1	-
	7	**2**	**8**	**6**

The Group paid €172 million in pre-payments to implement this renewal programme, as follows:

€ million	31-12-2024		31-12-2023	
	Outright purchase	Option	Outright purchase	Option
A-320 NEO Family	38	2	-	2
A-321 XLR	91	-	71	-
A-350	37	4	38	3
	166	**6**	109	5

Based on the basic prices established in the agreements, the total cost of the aircraft subject to outright purchase commitments not yet delivered at 31 December 2024 was approximately €1,475 million.

7.1.2. Fleet not in service

In December 2024, the Group has sub-leased one aircraft to Flylevel Barcelona, LH, S.L. under an operating lease contract, with net lease payments of €1 million.

In addition, at year-end 2024, the Group has 1 A-321 stood down to return in 2025.

7.2 Other property, plant and equipment

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

In 2024 and 2023 there were significant retirements amounting to €50 million and €16 million respectively, mainly relating to airport equipment, spare parts for property, plant and equipment and computer hardware. Most of these assets were fully depreciated.

The carrying amount of the buildings and facilities built on land owned by the Spanish government, mainly at Spanish airports, was €18 million at 31 December 2024 (2023: €20 million). The Parent's Directors do not expect any material losses to arise as a result of the reversal process, since Group maintenance programmes ensure that the items are always in good operating condition.

7.3 Assets held under finance lease

At 31 December 2024, the total cost of property, plant and equipment acquired under finance leases, mainly aircraft and airport equipment, was €2,004 million with accumulated depreciation of €737 million (2023: €2,392 million and €944 million respectively).

The schedule for lease payments outstanding at 31 December 2024, including any purchase options, is shown in note 13.3.

7.4 Fully depreciated items:

At 31 December 2024 and 2023 the cost of the Group's fully depreciated items of property, plant and equipment was €648 million and €659 million respectively. The breakdown is as follows:

€ million	2024	2023
Aircraft	78	67
Buildings and other constructions	113	114
Machinery, fixtures and tools	366	351
Furniture and fixtures	13	15
Computer hardware	73	83
Other fixed assets	5	29
	648	659

7.5 Insurance coverage

The Group has taken out insurance policies for its property, plant and equipment, which provided adequate coverage for their carrying amount at 31 December 2024. It has also maintained its insurance policies to cover aircraft leased to third parties.

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

8.1 Investments accounted for using the equity method

Changes in 2024 and 2023 in the different items of the consolidated statement of financial position are as follows:

Year 2024

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

Year 2023

€ million	Balance at 31-12-2022	Share of profit/(loss)	Amortisation of implicit goodwill	Other	Balance at 31-12-2023
Vueling Airlines, S.A.	-	159	(10)	(149)	-
Avios Group (AGL) Limited	222	39	(32)	2	231
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A.	14	1	-	-	15
Others	14	4	-	-	18
	250	203	(42)	(147)	264

Vueling Airlines, S.A.

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

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

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

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

As a result of the merger between Vueling Airlines, S.A. and its parent company Veloz Holdco S.L.U., in 2023 the value of the Group's interest in Vueling Airlines, S.A. increased by €38 million, which was considered as a shareholder contribution in the equity of consolidated balance sheet (note 11.5).

The Group did not receive any dividends from Vueling in 2024 or 2023.

Avios Group (AGL) Limited.

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

As part of this merger, certain assets were contributed from the company's AVIOS loyalty programme to the Spanish branch of Avios Group (AGL) Limited, which is responsible for managing assets received. This has entailed the transfer of assets related to the loyalty programmes along with the transfer of certain partnership agreements to this branch under the form of a non-monetary contribution, to which the special taxation system provided for in Chapter VII, Title VII of Spanish Act 27/2014, of 27 November, on Corporate Tax is applicable. Assets related to the loyalty programme were valued by an independent expert, amounting to €327 million, proceeding to deliver a 14% of AGL shares as consideration to such contribution.

In the 2024 financial year, AGL acquired 100% of British Airways Holidays Limited, gaining control of this company, which became part of its consolidated subgroup.

The Group did not receive any dividends from AGL in 2024 or 2023.

At 31 December 2024 the main indicators for the Group’s associates were as follows:

€ million	Active	Liabilities	Revenue	Profit for the year
Vueling Airlines, S.A.	2,925	2,945	3,314	214
Avios Group (AGL)	4,162	3,860	2,322	381
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A.	135	98	35	1

8.2 Other equity instruments

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

Following creation of IAG, the Group recognised the balance of its shareholding in British Airways Plc under "Investments in Group companies and associates", maintaining €54 million net of tax effect in valuation adjustments under "Equity - Valuation adjustments" (note 11.4). The main financial information in accordance with the audited financial statements for 2024, is as follows:

€ million	Ownership	Carrying amount			Total equity	Profit/(loss) after tax
		Cost	Impairment for the year	Accumulated impairment		
British Airways Plc.	8.68%	385	-	-	5,821	2,887

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

In 2024 the Group received dividends from British Airways amounted in €55 million (2023: no dividends were received).

8.3 Impairment review

Basis for calculating recoverable amount

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

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

The details of these scenarios were determined by IAG with a weighting of 70 per cent to the Base Case and 30 per cent to the Downside Case. Cash flow projections are based on the business plans approved by the relevant operating companies covering a three-year period. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using each CGU's pre-tax discount rate.

Annually the relevant operating companies prepare and approve three-year business plans, and the Board approved the three-year business plan in the fourth quarter of the year. Adjustments have been made to the final year of the business plan cash flows to incorporate the impacts of climate change that the Group can reliably estimate at the reporting date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated 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.

Regarding South, a newly created company, in the fiscal year 2024, it presents a negative result mainly explained by the provision for the Employment Regulation File (ERE 151/24) amounting to €157 million (Note 12.2). The recoverability of the participation is based on the estimation of cash flows based on the financial budgets approved by the Management, and after the analysis, no impairment need has been identified.

Key assumptions

The value-in-use calculations for each CGU reflect the wider economic and geopolitical environments, including updated projected cash flows for activity from 2025 through to the end of 2027. For each of the Group's CGUs the key assumptions used in the value-in-use calculations are as follows:

Notes to the 2024 consolidated financial statements

	British Airways		Iberia		Vueling		AGL		South	
	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Operating Margin[1]	12-16	7-14	9-13	7-14	8-10	4-12	17	23	12	N/A
AKO growth rate %[2]	0-8	3-9	2-7	5-11	1-8	1-6	N/A	N/A	N/A	N/A
Long-term growth rate	1.8	1.7	1.4	1.5	1.0	0.9	1.6	1.5	0,0	N/A
Pre-tax discount rate	11.3	11.2	11.7	12.4	13.7	14.3	15.4	14.7	15,0	N/A

[1] In 2024, the AKO growth assumptions and operating margin per year are shown as a weighted average derived from the discounted cash flow model

[2] In 2023, the AKO growth assumptions are shown as the growth from the previous year

Jet fuel price ($ per MT)	Within 12 months	1-2 years	2-3 years	3 years and thereafter
2024	704	715	717	717
2023	895	829	800	800

The long-term growth rate is calculated, for each CGU, considering a number of data points: (i) industry publications; (ii) forecast weighted average exposure in each primary market using gross domestic product (GDP); and (iii) internal analysis regarding the long-term changes in consumer preferences and the effects on demand from the increased costs to IAG of climate change. The calculation of the long-term growth rate 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 per cent to the Base Case and 30 per cent to the Downside Case. The terminal value cash flows and long term growth rate incorporate the impacts of climate change insofar as they can be determined. The airlines' network plans 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 each CGU, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculation is based on the circumstances of the airline industry, IAG and the CGU. It is derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines. The cost of equity is derived from the expected return on investment by airline investors and the cost of debt is derived from both market data and industry gearing levels derived from comparative 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.

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

As detailed above, IAG adjusts the final year of the three-year business plans to incorporate the medium-term impacts of climate change from the Group's Flightpath Net Zero climate strategy through to 2030. These adjustments include the following key assumptions: (i) a 10 per cent level of SAF consumption out of the overall fuel mix with an assumed price of €7,000 per metric tonne; (ii) a kerosene tax of €526 per metric tonne on all intra-EU flights; (iii) for costs of carbon, prices of €120, €120, €179 and €42 for EU ETS allowances, Swiss ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO_2 equivalents emitted; and (iv) the removal of all free ETS and CORSIA allowances.

Summary of results

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

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

As a result of this impairment analysis and the changes in the key assumptions, it has not been considered necessary to recognise impairment for the Group's investments in the year ended 31 December 2024.

9. FINANCIAL ASSETS

9.1 Non-current financial assets

The detail of "Non-current financial assets" at 31 December 2024 and 2023 is as follows:

31 December 2024

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

31 December 2023

€ million	Equity instruments	Derivatives	Other financial assets	Total
Financial assets at amortised cost				
Credits and other financial assets	-	-	46	46
Financial assets at cost				
Equity instruments	10	-	-	10
Derivatives financial instruments	-	9	-	9
	10	9	46	65

The carrying amount of financial assets approximates their fair value.

9.1.1 Equity instruments

The changes in this item of the consolidated statement of financial position in 2024 and 2023 were as follows:

Year 2024

€ million	% Holding at 31-12-2024	Balance at 31-12-2023	Additions	Withdrawals	Valuation Adjustments	Transfers	**Balance at 31-12-2024**
Servicios de Instrucción de Vuelo, S.L.	19.9	9	-	-	-	-	**9**
Other		1	-	-	-	-	**1**
		10	**-**	**-**	**-**	**-**	**10**

Year 2023

€ million	% Holding at 31-12-2023	Balance at 31-12-2022	Additions	Withdrawals	Valuation Adjustments	Transfers	Balance at 31-12-2023
Servicios de Instrucción de Vuelo, S.L.	19.9	9	-	-	-	-	9
Other		1	-	-	-	-	1
		10	-	-	-	-	10

In 2024, no dividends were received from Servicios de Instrucción de Vuelo, S.L. (2023: dividends of €2.7 million).

9.1.2 Loans to third parties

The activity in this item of the consolidated statement of financial position during the financial years 2024 and 2023 are as follows:

Year 2024

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

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

Year 2023

€ million	Balance at 31-12-2022	Transfers	Balance at 31-12-2023
Loans to Venezolana Internacional de Aviación, S.A. (*)	26	-	26
Provisions	(26)	-	(26)
Total net	-	-	-

(*) Loans to Venezolana Internacional de Aviación, S.A. (VIASA), are carried forward from previous years and are fully provided as at 31 December 2023

9.1.3 Other financial assets

In 2024 and 2023, the changes under this item of the consolidated statement of financial position were as follows:

€ million	2024	2023
Opening balance	46	45
Additions	5	2
Withdrawals or provisions used	(4)	-
Currency differences	1	(1)
Final balance	**48**	46

Other financial assets mainly include deposits and guarantees.

9.2 Short-term financial investments:

The balance of "Current financial assets" at 31 December 2024 and 2023 is as follows:

€ million	2024	2023
Financial assets at amortised cost:		
Other financial assets	591	762
Derivatives financial instruments	151	21
Total	**742**	**783**

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

10. INFORMATION CONCERNING THE NATURE AND RISK OF FINANCIAL INSTRUMENTS

10.1 Risk management policies

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

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

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

Foreign exchange risk

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

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

Interest rate risk

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

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

Fuel price risk

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

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

Liquidity risk

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

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

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

Pursuant to Law 3/2004, of 29 December, which sets out measures to combat arrears in trading operations and in accordance with the transitory provisions set out in Law 15/2010, of 5 July, the legal payment deadline applicable to the Group in the 2024 year is 60 days until the publication of Law 11/2013 of 26 July and 30 days from the publication of that Law and until the present (unless the conditions set out in the Act are fulfilled, in which case the payment deadline is extended to 60 days). The information required by this provision is as follows:

	Days	
	2024	2023
Average payment period to suppliers	25	24
Ratio of transactions settled	25	24
Outstanding payment transactions ratio	12	15

€ million	2024	2023
Total payments made	6,499	7,344
Total payments due	103	131

From the total payments made during the financial year 2024, €5,548 million were made in a period from the maximum period established in the regulations on late payment, which represents 85% of the total payments made (2023: €6,526 million; 89% of the total).

During 2024, a total of 229,237 invoices were paid, of which 75% of total number of invoices were paid from the maximum period established in the regulations on late payment (2023: 223,604 invoices; 74% of the total).

Credit risk

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

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

The Group has no significant concentration of credit risk with third parties as its commercial risk is spread across a large number of entities. The provision for impairment of trade receivables at 31 December 2024 stood at €70 million (2023: €71 million).

10.2 Derivative financial instruments

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

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

The Group classifies its derivatives into two types:

1. Derivatives designated as cash flow hedges: these mainly hedge the cash flows from operating leases, ticket sales in non-euro currencies, fuel procurement and fleet purchases and disposals, inter alia.

2. Other derivatives: those that have not been designated as hedging instruments or that do not meet the criteria of accounting regulations to qualify as such.

Foreign exchange hedges

At 31 December 2024 and 2023, the derivatives hedging exchange differences but not specifically designated as accounting hedges and the underlying assets and liabilities are:

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

31 December 2023	$ million	JPY million
Underlying assets:		
Assets:		
Existing guarantees extended to the long term	32	-
MMF	22	-
Liabilities:		
Loan for engines	(54)	-
Loan A-319/320/321	(47)	(3,041)
Loan A-330/332	(19)	-
JOLCOs	(861)	-
Net	(927)	(3,041)
Fx Swaps	818	19
Outrights	109	3,022

The net fair value of these derivatives was positive at €38 million at 31 December 2024, with €38 million in assets on the consolidated statement of financial position (2023: €12 million negative).

At 31 December 2024, the total notional value of cash flow hedges against exchange risks is as follows:

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

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

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

At 31 December 2023 the information was as follows:

	$ million		Cash flows hedged ($ million)			
Underlying	Expected cash outflows in 2024 (Opex)	Hedging instruments	2024	2025	2026	2027
Foreign currency cost	1,650	Fx forwards	413	127	-	-
		FX options	215	115	-	-

Underlying	$ million Expected cash outflows in 2024 (Capex)	Hedging instruments	Cash flows hedged ($ million) 2024	2025	2026	2027
Foreign currency cost	217	Fx forwards	235	-	-	-
		FX options	21	-	-	-

Underlying	$ million Expected cash inflows in 2024	Hedging instruments	Cash flows hedged ($ million) 2024	2025	2026	2027
Foreign currency income	2,712	Fx forwards	(407)	(111)	-	-

As at 31 December 2024, the Group held $2,530 million in FX Forward contracts in which only the spot component has been designated as accounting hedge for US dollar denominated aircraft rentals (2023: $2,227 million).

Valuation of FX forwards and currency options

The net market value of exchange rate derivatives (FX forwards and options) at 31 December 2024 is positive and amounts to €140 million (2023: €40 million negative). The net amount is composed of €154 million recognised under "Financial assets – Derivatives financial instruments" in the short and long term, and €14 million recognised under "Non-current borrowings" and "Current borrowings" on the liabilities side of the accompanying consolidated statement of financial position at 31 December 2024. These hedges are related to cash flows that will take place over the next three years.

The change in fair value during the period of the exchange rate derivatives that are effective as cash-flow hedges was a positive €197 million before considering tax effects, which was deferred and taken to equity, net of its tax effect, the exchange rate hedging related to aircraft leases settlement adjustment included.

The exchange rate hedging related to aircraft leases expenses is performed on a cumulative basis with the net settlement of the purchase and sale transactions hedging the exposure. On a monthly basis, the Group rolls forward part of the notional amount to other months using swaps (rolling strategy). Therefore, the gains/losses realised during the year as a result of the settlement of the derivatives, which hedge the future lease payments, have been recorded in equity and will be reclassified to the profit and loss account when such payments impact the profit and loss account. The amount recorded in equity for this item in 2024 amounts to €23 million positive (2023: €4 million positive), under the heading Valuation adjustments in the accompanying consolidated balance sheet and will be reclassified to the consolidated income statement in 2025 and 2026.

The changes in fair value during the year of the ineffective portion of forwards and options were positive at €0.1 million and were taken to the consolidated income statement for 2024 (2023: €3 million positive).

A movement of +/-20 basis points on the USD/EUR exchange rate at 31 December 2024 would have an impact on both designated as hedges and non-designated as hedges of +497/-487 million € respectively.

Interest rate hedges

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

Instrument	Group Receives	Pays	€ million 2025	2026	2027
Interest Rate Swaps:					
IRS	$	$	435	146	89

The fair value of interest rate swaps entered into at 31 December 2024 was a positive €4 million, recognised in assets (2023: €7 million positive). These hedges are related to cash flows that will take place from 2025 to 2027.

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

A movement of +/-100 bp on the 3-month EURIBOR yield curve would have a positive impact of +/- €3 million, respectively. For the purpose of these calculations, the Group considers the likeliest scenario to be a change in the yield curves of this scale in years 2025 to 2027.

Fuel price hedges

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

At 31 December 2024, the derivatives of the JET Kero CIF-NWE contracts are as follows:

		M/tonnes	Hedges		
Underlying	Commodity	Fuel 2025	Type	Mt 2025	Mt 2026
Purchases of JET Kerosene fuel	Brent ICE GO	2,031,041	Swaps	440,476	472,094
			Options	857,662	148,425

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

At 31 December 2024, the Group held derivative contracts with the underlying Brent ICE with a nominal amount of 615,205 Mt, and derivative contracts with the underlying Gasoil with a nominal amount of 479,836 Mt.

The market value of fuel price derivatives was a negative €44 million at 31 December 2024, with a €8 million in assets and negative €53 million in liabilities on the consolidated statement of financial position. At 31 December 2023 the market value of fuel price derivatives was a negative €18 million.

The change in value of the effective portion of fuel price derivatives for this period was a negative €22 million before tax effects and was recognised under equity, net of its tax effect.

During the year 2024 there have been no changes in the fair value of the ineffective portion due to price analysis that have been recognised in the consolidated profit and loss account.

The impact of a +40% change in the price of fuel on the value of derivatives at 31 December 2024 is a positive €485 million. A change of -40% would reduce the value of the hedging position at 31 December 2024 by negative €429 million.

Cash flow hedges

Hedge accounting is applied on the following cash flow hedges.

At 31 December 2024, the Group had five principal risk management activities that were designated as hedges of expected future transactions. They are:

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

To the extent that the hedges were deemed effective, the changes in their value were recognised in equity. The breakdown of cash flows excluding the costs of hedging based on the periods in which they are expected to occur is as follows:

Year 2024

€ million	Within 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	**Total 31 December 2024**
Hedging of fuel derivatives	(15)	(11)	(16)	(8)	-	**(50)**
Exchange rate risk hedging for future fuel purchases	5	5	7	3	-	**20**
Hedging of forward foreign exchange contracts	(1)	2	(1)	-	-	**0**
Hedging of exchange rate risk related to fleet financing	60	40	37	-	-	**137**
Hedging of interest rate risk	-	(1)	(2)	(2)	-	**(6)**
	49	**35**	**24**	**(7)**	**-**	**101**

Year 2023

€ million	Within 6 months	6 - 12 months	1 - 2 years	2 - 5 years	More than 5 years	Total 31 December 2023
Hedging of fuel derivatives	(4)	(3)	(1)	(8)	-	(16)
Exchange rate risk hedging for future fuel purchases	(4)	(6)	(2)	-	-	(12)
Hedging of forward foreign exchange contracts	(1)	6	2	-	-	7
Hedging of exchange rate risk related to fleet financing	(15)	(13)	-	-	-	(28)
Hedging of interest rate risk			(2)	(3)	(1)	(6)
	(24)	(16)	(3)	(11)	(1)	(55)

The notional amounts of principal are as follows:

€ million	31 December 2024	31 December 2023
To hedge future currency revenues against US dollars	18	818
Hedges of future fuel purchases in tonnes	912,570 MT	7,492 MT
Hedges of aircraft leases	2,530	2,227
Exchange rate options	670	1,004
Fuel options in tonnes	1,006,087 MT	1,938,674 MT

11. CONSOLIDATED EQUITY AND SHAREHOLDERS' EQUITY

11.1 Share capital

At 31 December 2024 and 2023 the Parent's share capital amounted to €10,000, represented by 1,000 shares of €10 par value each, distributed as follows:

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

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

11.2 Share premium

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

11.3 Reserves

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

€ million	Legal reserves	Voluntary reserves	Losses from previous year	Reserves in consolidated companies	Translation differences	Profit (loss) for the year attributed to the Parent	Total
Final balance – 2022	-	33	(74)	(2,819)	-	272	(2,588)
Allocation of 2022 profit	-	-	(3)	275	-	(272)	-
Other	-	-	-	(50)	3	1,001	954
Final balance – 2023	-	33	(77)	(2,594)	3	1,001	(1,634)
Allocation of 2023 profit	-	-	15	986	-	(1,001)	**-**
Other	-	**-**	-	54	5	750	**809**
Final balance - 2024	**-**	**33**	**(62)**	**(1,554)**	**8**	**750**	**(825)**

Legal reserve

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

At 31 December 2024, this reserve was fully constituted.

Voluntary reserves

The voluntary reserves are fully available.

11.4 Valuation adjustments and grants

Activity in 2024 and 2023 in this heading of the consolidated statement of financial position is as follows:

Year 2024

€ million	Balance at 31-12-2023	Income and directly attributable costs to Net Assets	Transfers to the income statement	**Balance at 31-12-2024**
Financial hedging instruments	(89)	169	5	**85**
Available-for-sale financial assets (British Airways Plc (note 8.2)	54	-	-	**54**
Subsidies, donations and bequests received	-	31	(31)	**-**
From actuarial gains and losses and other adjustments	15	(93)	-	**(78)**
Tax effect (note 15.3)	8	(27)	7	**(12)**
Total	(12)	**80**	**(19)**	**49**

Year 2023

€ million	Balance at 31-12-2022	Income and directly attributable costs to Net Assets	Transfers to the income statement	**Balance at 31-12-2023**
Financial hedging instruments	179	(61)	(207)	**(89)**
Available-for-sale financial assets (British Airways Plc)	54	-	-	**54**
Subsidies, donations and bequests received	-	62	(62)	**-**
From actuarial gains and losses and other adjustments	39	(24)	-	**15**
Tax effect	(78)	6	79	**8**
Total	195	**(17)**	**(190)**	**(12)**

11.5 Other shareholder contributions

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

11.6 Interim Dividend

During the 2024 financial year, the General Meeting of Shareholders of the Group's Parent approved the distribution of two interim dividends for the 2024 financial year:

- According to the minutes of the Extraordinary and Universal General Meeting dated 10 June 2024, the distribution of €326 million as an interim dividend for the 2024 financial year was approved.
- According to the minutes of the Extraordinary and Universal General Meeting of Shareholders dated 20 December 2024, the additional distribution of €383 million as an interim dividend for the 2024 financial year was approved.

The interim dividends amounting to a total of €709 million did not exceed the results obtained by the Company at the distribution date, after deducting the estimated Corporate Income Tax payable on those results, nor did they impair the estimated liquidity for the Company, in accordance with the provisions of Article 277 of the Consolidated Text of the Capital Companies Act.

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

€ thousand	31 May 2024	30 November 2024
Profit/ (loss) for the period	(675)	397,988
Dividend to be received by Iberia LAE, S.A., Operadora	408,553	382,617
To offset losses from previous years	(62,659)	(62,659)
Proposed dividend	(326,000)	(708,617)
Total	**19,219**	**9,329**

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

€ thousand	31 May 2024	30 November 2024
Liquidity	**10**	**12**
Cash flow forecast until 31 December 2024		
Current operations December 2024	408,553	382,617
Financial operations December 2024	81,831	-
Dividend payment forecast	(326,000)	(382,617)
Total	**732**	**12**

12. CURRENT AND NON-CURRENT PROVISIONS

The main changes in provisions in 2024 and 2023 were as follows:

<u>Year 2024</u>

€ million	Balance at 31-12-2023	Additions	Updating of exchange rate	Amounts used	Overprovisions	**Balance at 31-12-2024**	Current	Non-current
Employee benefit obligations	677	139	-	(36)	-	**780**	47	733
Provisions for restructuring costs	72	159	-	(36)	(1)	**194**	55	139
Provisions for major repairs	565	208	40	(32)	(65)	**716**	152	564
Other provisions	315	164	-	(155)	(134)	**190**	126	64
Total	1,629	**670**	**40**	**(259)**	**(200)**	**1,880**	**380**	**1,500**

Year 2023

€ million	Balance at 31-12-2022	Additions	Updating of exchange rate	Amounts used	Overprovisions	Balance at 31-12-2023	Current	Non-current
Employee benefit obligations	611	94	-	(28)	-	677	35	642
Provisions for restructuring costs	148	2	-	(63)	(15)	72	36	36
Provisions for major repairs	514	156	(15)	(28)	(62)	565	111	454
Other provisions	436	142	-	(121)	(142)	315	134	181
Total	1,709	370	(15)	(240)	(195)	1,629	316	1,313

12.1 Non-current employee benefit obligations

The additions under "Non-current provisions for employee benefits" include interest payments on the provision recognised, which are recognised in the 2024 consolidated income statement under "Finance costs", amounting to €21 million (2023: €23 million) (note 17.7). In addition, due to the actuarial remeasurements, an amount of positive €93 million has been recognised in 2024, which is recognised in "Valuation adjustments - Others" in Equity at 31 December 2024 net of tax (note 11.4) (2023: €24 million positive).

12.2 Restructuring provisions

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

a) Redundancy procedure prior to 2013, affecting 3 employees at 31 December 2024 (4 in 2023). The total amount of payments made in this connection in 2024 was €33 thousands (€30 thousands in 2023). Payments related to this provision will be made over the coming years in accordance with the age of the employees who have availed themselves of the procedure.

b) Under the Iberia "Plan de Futuro" (Future Plan), the mediation process that ended in 2015 with 3,134 redundancies across all employee groups led to total payments in this connection in 2024 of €11 million (2023: €18 million). It currently applies to 154 of 3,134 employees (347 in 2023).

c) Authorisation was received in 2017 for a new redundancy plan for up to 955 employees, applicable to all groups in Iberia based on early retirement and incentivised voluntary redundancies, which were available until December 2019. The total amount paid for this item in 2024 amounted to €25 million (2023: €43 million) The number of current employees affected is 243 (421 in 2023).

d) In December 2024, authorisation was obtained for a new Employment Redundancy procedure applicable to the ground staff segregated to South (note 2.3), covering up to 1,499 employees, based on early retirements and voluntary incentivised redundancies, effective until December 2026. This plan will be effective from the first quarter of 2025. The disbursements related to this provision will occur over the coming years, depending on the age of the individuals who have opted for the procedure. During the 2024 financial year, a provision amounting to €157 million was made under the "restructuring" section of the consolidated profit and loss account.

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

12.3 Provisions for major repairs

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

The additions to this account include the annual provision for the normal cost and interest payments on the provision recognised, which are recognised in the 2024 consolidated income statement under "Aircraft maintenance", amounting to €187 million (2023: €141 million) and "Financial expenses" amounting to €21 million (2023: €15 million) (note 17.7) respectively. Updating these provisions using the exchange rate at 31 December

2024 had a negative impact of €40 million on the accompanying consolidated income statement (2023: €15 million positive) included under the headings "Other operating expenses" and "Exchange differences".

12.4 Other provisions

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

Additions to the "Other Provisions" account basically include:

- amounts recognised to cover legal claims and tax assessments, along with the related interest. These amounts are recognised in the 2024 consolidated income statement under "Other operating costs" and "Personnel expenses" for €12 million (2023: €8 million) (note 17.5) and "Financial expenses" amounting to €0.2 million (2023: €0.2 million) (note 17.7) respectively.

- the provisions for costs associated with greenhouse gas emission allowances consumed in the year measured at the amount at which they were granted or acquired, charged to "Other operating expenses" in the consolidated income statement for €98 million (2023: €98 million) and the application of these at the time of their settlement, amounting to €100 million (2023: €89 million).

- the overprovision corresponding to the obligations arising from the profit of the associated company Vueling Airlines, SA amounting to €124 million (2023: €124 million), due to the recovery of the associate´s activity. As of 31 December 2024, the investment in Vueling is recognised under the "Investments accounted for using the equity method" item in non-current assets.

13. NON-CURRENT AND CURRENT BORROWINGS

The balance of "Non-current borrowings" and "Current borrowings" on the consolidated statement of financial position at 31 December 2024 and 2023 is as follows:

€ million	2024			2023		
	Current	Non-current	**Total**	Current	Non-current	Total
Measured at amortised cost-						
Bonds and other marketable debt securities	1	54	**55**	1	54	55
Bank borrowings	4	6	**10**	3	7	10
Finance lease	123	1,172	**1,295**	133	1,260	1,393
Other financial liabilities	8	9	**17**	7	11	21
At fair value:						
Derivatives financial instruments (note 10.2)	42	25	**67**	76	17	93
Total	**178**	**1,266**	**1,444**	220	1,349	1,572

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

13.1 Bonds and other marketable debt securities

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

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

The main features of the outstanding issues as at 31 December 2024 are as follows:

€ million	
Issuer	Iberia Líneas Aéreas de España, S.A. Operadora
Date of issue	28/05/2015
Issue amount	55.0
Nominal value	0.1
Maturity*	28/05/2027
Interest rate	3.75%
Nature of issue	Straight bonds

* In certain cases, this instrument may be redeemed early.
* The bond placements described above are guaranteed by Iberia's assets

The issuance costs associated with these issuances amounted to €2 million which are recorded as a reduction of debt. Of the total issuance costs, in 2024 €0.2 million was transferred to "Finance costs" in the consolidated income statement for the year 2024 (2023: €0.2 million). As at 31 December 2024 the outstanding issuance costs to be amortised amount to €0.4 million (2023: €1 million).

Interest accrued during the financial year 2024 amounted to €2 million (2023: €2 million), with €1 million outstanding as at 31 December 2024.

On 29 March 2016, the Board of Directors of the subsidiary Iberia approved a new issue of straight bonds up to a maximum amount of €250 million. As of year-end 2024, no placement has taken place.

13.2 Bank borrowings

In April 2020, the Group agreed a syndicated bank loan amounting to €750 million, subsequently extended by an additional €8 million. 80% of the loan amount is guaranteed by the Instituto de Crédito Oficial (ICO) and matures in 2026, with the first repayment instalment due in 2023 and a market interest rate.

Additionally, during 2021, the subsidiary Iberia arranged a bank loan backed by Spain's Instituto de Crédito Oficial (Official Credit Institute) amounting to €50 million, with conditions similar to those of the syndicated loan and the first repayment in 2023, accruing interest at the market rate.

Both loans were repaid prior to their maturity in the last quarter of 2023.

The detail, by maturity, of bank borrowings in the form of loans and lines of credit at 31 December 2024 and 2023 was as follows:

31 December 2024

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

31 December 2023

€ million	Maturity						
Currency	2024	2025	2026	2027	2028	2029 and subsequent years	**Total**
euro	3	2	2	2	1	-	**10**

The main features of the loan agreements arranged by the Group at 31 December 2024 are as follows:

	€ million	
Expiry	Available limit	Amount drawn down
2025	120	-

The Group has guarantees for an amount of €117 million, which are required mainly in the course of its ordinary business.

13.3 Finance lease creditors

At the end of 2024 and 2023, the Group was contracted to pay the following minimum lease payments including, where applicable, purchase options:

€ million	31-12-2024				31-12-2023			
	Borrowings denominated in:				Borrowings denominated in:			
	€	$(*)	JPY(*)	**Total**	€	$(*)	JPY(*)	Total
Less than a year	54	70	-	**124**	50	83	-	133
Between two and five years	193	397	19	**609**	204	268	19	491
In five years or more	87	475	-	**562**	130	639	-	769
Total	**334**	**942**	**19**	**1,295**	384	990	19	1,393

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

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

During the 2024 financial year, no new financial lease placements were formalised.

In the 2023 financial year, a new debt placement was made for the formalisation of financial leases on two aircraft (2 A321-Neo) valued at €112 million.

13.4 Net borrowings

Details of net borrowings activity and reconciliation to cash balances in 2024 and 2023 are shown below:

Year 2024

€ million	1 January 2024	Cash flows	Currency differences	Other non-cash movements	**31 December 2024**
Bank and other loans	86	(4)	-	-	82
Lease liabilities	1,393	(163)	59	6	1,295
Interest-bearing borrowings	1,479	**(167)**	**59**	**6**	**1,377**
Cash and cash equivalents	1,128	352	(2)	-	1,478
Other current interest-bearing deposits	762	(171)	-	-	591
	(411)	**(348)**	**61**	**6**	**(698)**

Year 2023

€ million	1 January 2023	Cash flows	Currency differences	Other non-cash movements	31 December 2023
Bank and other loans	891	(804)	(1)	-	86
Lease liabilities	1,438	(28)	(32)	15	1,393
Interest-bearing borrowings	2,329	(832)	(33)	15	1,479
Cash and cash equivalents	2,234	(1,091)	(15)	-	1,128
Other current interest-bearing deposits	155	607	-	-	762
	(60)	(348)	(18)	15	(411)

14. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis;

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

- Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

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

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

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

All resulting fair value estimates are included in Level 2.

The carrying amounts and fair values of the Group's financial assets and liabilities other than trade and other receivables and accounts payable and other liabilities as at 31 December 2024 are shown below:

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

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

€ million	Level 1	Level 2	Level 3	**Total fair value**	**Total carrying amount**
Financial assets					
Non-current financial assets	-	-	10	10	10
Hedging of fuel derivatives	-	8	-	8	8
Exchange rate risk hedging for future fuel purchases	-	1	-	1	1
Hedging of forward foreign exchange contracts	-	11	-	11	11
Hedging of exchange rate risk related to fleet financing		3	-	3	3
Hedging of interest rate risk	-	7	-	7	7
Financial liabilities					
Bank borrowings	-	10	-	10	10
Lease liabilities	-	1,200	-	1,200	1,393
Bonds	55	-	-	55	55
Hedging of fuel derivatives	-	26	-	26	26
Exchange rate risk hedging for future fuel purchases	-	13	-	13	13
Hedging of forward foreign exchange contracts	-	20	-	20	20
Hedging of exchange rate risk related to fleet financing	-	34		34	34
Hedging of interest rate risk	-	-	-	-	-

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

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

15. TAX

15.1 Tax receivables and payables

Details of tax receivables at 31 December 2024 and 2023 are as follows:

€ million	2024	2023
Non-current:		
Deferred tax assets	782	802
	782	802
Current:		
Income tax	121	65
Value added tax	32	21
Foreign tax payables	5	9
Other tax receivables	1	1
	159	96

Meanwhile, details of tax payables at 31 December 2024 and 2023 are as follows:

€ million	2024	2023
Non-current:		
Deferred tax liabilities	40	24
	40	24
Current:		
Take-off and security charges at airports	276	242
Foreign tax receivables	1	4
Social Security taxes payable	33	29
Personal income tax withholdings	29	32
	339	307

15.2 Reconciliation of accounting profit to taxable income for income tax

The reconciliation of accounting profit/(loss) for 2024 and 2023 with taxable profit for income tax purposes is as follows:

€ million	Receivable/ (payable) 2024	2023
Profit (loss) for the year	750	1.001
Income tax	14	19
Permanent differences:		
Increases (a)	192	155
Decrease (b)	(174)	(216)
Temporary differences		
Arising in the year:		
Increase (c)	284	136
Arising in prior years:		
Decrease (d)	(148)	(180)
Limitation 50% base to be included in the tax Group (e)	-	2
Tax loss carry forward	(230)	(229)
Tax profit	**688**	688
Tax charge at 25%	172	172
Tax credits	(43)	(43)
Net tax payable	**129**	129
Withholdings and split payments	**(153)**	(164)
Amount payable/refundable (f)	**(24)**	(35)

a) This amount includes the correction of the amortisation of consolidated goodwill and other permanent differences.

b) This amount includes the dividends received by la Company during the year, as well as the results of equity-accounted companies.

c) These amounts relate mainly to provisions for obligations to employees and provisions for contingencies and charges.

d) These amounts relate mainly to reversals of provisions for obligations to employees and other provisions for contingencies and charges, and reversal of the restriction that was in force in previous years, for a transitional period, on the deductibility of the amortisation of assets.

e) With effect for tax periods beginning in 2023, the taxable income of the tax Group shall be determined, where applicable, by considering only 50% of the individual tax losses of each of the entities comprising the tax Group. Such tax losses shall be included in the tax base of the Group, in tenths, in the following 10 tax periods.

f) The amount to be refunded is made up of €24 million of tax credit against the public administration.

The Corporate Tax legislation in force during past financial years established various tax incentives to encourage investments, allowing for the possibility of applying a deduction for the reinvestment of extraordinary profits, subject to the fulfilment of certain requirements. In accordance with this legislation, the Group availed itself of the deduction for the reinvestment of extraordinary profits in various fiscal years. As of 31 December 2024, the Group has fully applied the corresponding deductions that were pending application.

The Group also has the following tax credits pending application:

€ million	2024 (a)	2023
Tax credit for research and development		
2016	-	1
2017	-	1
2018	-	2
2019	1	2
2022	3	3
2024	6	-
Other tax credits		
2014	-	1

(a) It does not include the deductions that the Company would have ceased to apply in the returns for the years 2017, 2018, 2019, and 2022, amounting to a total of €28 million, following the publication of the Supreme Court ruling declaring the unconstitutionality of several measures of Royal Decree-Law 3/2016 (note 14.7)

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

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

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

€ million	**2024**	2023
Pre-tax profit /(loss)	764	1,020
Permanent differences:		
Increases (a)	192	155
Decrease (b)	(174)	(240)
Tax rate at 25%	**195**	233
Other items (c)	(181)	(214)
Tax (income)/expense recognised in the income statement	**14**	19

a) The increases related to permanent differences correspond mainly to the amortisation of consolidated goodwill.

b) The decreases in permanent differences correspond to dividends received by the Group during the year, as well as the results of associates accounted for using the equity method, and other adjustments which, although temporary for tax purposes, are considered permanent for accounting purposes.

c) The income for the 2023 financial year under 'Other concepts' includes: (i) the impact of the recognition of current tax assets of €134 million negative, due to negative taxable bases amounting to €12 million negative, and deductions amounting to €54 million negative; (ii) the recognition of deferred tax liabilities amounting to €20 million positive; (iii) the impact of differences between the estimate made for the 2023 Corporate Tax and the final return submitted amounting to €5 million negative; (iv) the tax paid abroad amounting to €4 million positive.

15.3 Taxes recognised equity

The detail of tax recognised directly in equity in 2024 and 2023 and the changes therein is as follows:

31 December 2024

€ million	Balance at 31-12-2023	Adjustments for changes in value	Amounts transferred to the consolidated income statement	**Balance at 31-12-2024**
Financial hedging instruments	23	(42)	(1)	**(20)**
British Airways Plc	(13)	-	-	**(13)**
Subsidies, donations and bequests received	-	(8)	8	**-**
From actuarial gains and losses and other adjustments	(3)	23	-	**20**
Total (note 11.4)	7	**(27)**	**7**	**(13)**

31 December 2023

€ million	Balance at 31-12-2022	Adjustments for changes in value	Amounts transferred to the consolidated income statement	Balance at 31-12-2023
Financial hedging instruments	(56)	15	64	23
British Airways Plc	(13)	-	-	(13)
Subsidies, donations and bequests received	-	(15)	15	-
From actuarial gains and losses and other adjustments	(9)	6	-	(3)
Total	(78)	6	79	7

15.4 Details of income tax expense (or income)

The detail of income tax expense/(income) for 2024 and 2023 is as follows:

€ million	2024	2023
Current tax:		
From continuing operations (a)	1	115
Deferred tax:		
From continuing operations (b)	13	(96)
Total	**14**	19

a) This includes the impact of the differences between the estimate of income tax in 2023 and the final tax return filed, as well as the adjustment of the balance of the income tax asset arising from previous years.

b) The amount of deferred tax expense is mainly due to the recognition of deferred tax liabilities and the derecognition of deferred tax assets recorded during the financial year.

15.5 Deferred tax assets and liabilities

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

€ million	31-12-2024		31-12-2023	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax assets
Temporary differences (a)	273	40	265	24
Tax loss carry forwards	469	-	512	-
Unused tax credits	40	-	25	-
Total	**782**	**40**	802	24

(a) The temporary differences relating to financial year 2024 include a negative amount of €13 million relating to valuation adjustments recognised in la Companies' equity (2023: €7 million positive) and temporary differences relating to provisions for employees.

Deferred tax assets recognised

The changes in 2024 and 2023 in "Deferred tax assets" were as follows:

Year 2024

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

Year 2023

€ million	Deferred tax assets			
	Temporary differences	Tax loss carry forwards	Unused tax credits	Total
Balance at 31 December 2022	255	355	71	681
Additions	111	215	4	330
Disposals	(47)	(58)	(50)	(155)
Transfers	(54)	-	-	(54)
Balance at 31 December 2023	265	512	25	802

Deferred tax assets have been partially recognised in the consolidated statement of financial position as the Parent's directors consider that, based on the best estimate of the Group's future results, they are expected to be recovered within the terms and periods established by Spanish accounting regulations.

The deferred tax asset related to deductions has increased mainly due to the recognition of research and development deductions for the 2023 fiscal year, and the recognition of deductions that would have ceased to apply in the returns for the years 2017, 2018, 2019, and 2022, following the publication of the Supreme Court ruling declaring the unconstitutionality of several measures of Royal Decree-Law 3/2016 (note 15.7)

The reductions in deferred tax assets relating to temporary differences resulted from the negative off-balance-sheet adjustments for the forecast income tax expense for 2024, and the differences between the calculation of the forecast for 2023 and the expense in the tax return filed.

The derecognition of assets for tax loss carryforwards corresponds to those offset in the 2023 tax return and in the calculation of the tax expense forecast for the 2024 fiscal year, as well as those that would have been offset in the returns for the years 2017, 2018, 2019, and 2022, following the publication of the Supreme Court ruling declaring the unconstitutionality of several measures of Royal Decree-Law 3/2016 (note 15.7).

In addition, the Group has not recognised deferred tax assets in relation to tax loss carry forwards and certain temporary differences as follows:

Year 2024

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

(a) The unactivated amount of tax loss carryforwards (€55 million) corresponds to the tax loss carryforwards that the Company would have offset in the returns for the years 2017, 2018, 2019, and 2022, following the publication of the Supreme Court ruling declaring the unconstitutionality of several measures of Royal Decree-Law 3/2016 (note 15.7)

Year 2023

	€ million	
Check-in. Rates	Taxable profit	Non-capitalised amount
Tax loss carry forwards from prior years (a)	680	170
Temporary differences from prior years	128	32
	808	202

Considering the estimated income tax expense for 2024, the tax loss carry forwards at the reporting date are as follows:

	€ million	
Year of origin	Taxable profit (a)	Tax effect (a)
2009 (b)	524	131
2010 (b)	15	4
2011 (b)	62	16
2020	791	198
2021	705	176
	2,097	**525**

(a) It includes the tax loss carryforwards that the Company would have offset in the returns for the years 2017, 2018, 2019, and 2022, amounting to a total of €219 million (tax effect of €55 million), following the publication of the Supreme Court ruling declaring the unconstitutionality of several measures of Royal Decree-Law 3/2016 (note 15.7)

Of the potential tax credit for tax loss carry forwards generated by the Group of €525 million, an amount of €469 million is recognised in the consolidated statement of financial position as it is considered that these assets will be recovered in the terms and periods set in Spanish accounting regulations, based on the best estimates of the tax group's future results.

Deferred tax liabilities

The changes in 2024 and 2023 in "Deferred tax liabilities" were as follows:

€ million	2024	2023
Opening balance	24	84
Additions (a)	20	(6)
Transfers	(4)	(54)
Final balance	**40**	24

(a) The recorded additions correspond to the amounts that the Company estimates will need to be included in the taxable base for the years 2025 and 2026, in accordance with the measure introduced by Law 7/2024 of 20 December, in the 16th transitional provision of the Corporate Income Tax Law, which establishes the reversal of impairment losses on investments that were tax-deductible in tax periods beginning before 1 January 2013.

15.6 Tax procedures and inspections

As a result of disputing the outcome of tax audits on prior years, the Group is involved in tax proceedings through both administrative channels and judicial review.

In 2020, IB Opco, as the parent entity of the Tax Group of which it is a member, was notified by the Central Economic Administrative Tribunal (Tribunal Económico Administrativo Central) of the dismissal of its appeal against corporate income tax assessments for 2012 and 2013. In January 2021, IB Opco lodged an application for judicial review of the Tribunal's ruling. The application is pending a decision by the court.

In the 2019 financial year, IB Opco applied for a correction of the corporate income tax for the 2014 and 2015 financial years in order to adopt in these tax returns the criterion set by the Inspectorate for the 2011 to 2013 financial years. This adjustment request resulted in a claim for a tax overpayment of €4 million to be recovered by Iberia L.A.E. S.A. Operadora. In 2020, IB Opco received notice of the start of tax audits relating to corporate income tax for 2014 and 2015, limited solely to the review of this adjustment request. In financial year 2021, the scope of proceedings was extended to Iberia. In 2022, the tax audit actions were completed and Iberia received the return of €4 million plus €1 million in late payment interest.

In September 2023, IB Opco, as the parent company of the Tax Group to which it belongs, received notification of the commencement of inspection proceedings of a general scope in relation to financial years 2019 to 2022. At the end of the year, the inspection proceedings were still in progress and no assessment proposal had yet been received.

The Directors and tax advisors of the Parent consider that no tax liabilities additional to those recognised under "Non-current provisions - Other provisions" will arise from the resolution of the tax appeals and litigation described above.

15.7 Other information

In compliance with the provisions of Article 84 of the Revised Text of the Law on Corporate Income Tax (Royal Legislative Decree 4/2004 of 5 March, which was in force at the time, in 2009 Iberia, Líneas Aéreas de España, S.A. participated as a shareholder in the merger of Vueling Airlines, S.A. y Clickair, S.A., considering the gains obtained in the amount of €21 million non taxable, generating deferred tax of €6 million. Information concerning this transaction was set out in note 8.1 to the 2009 financial statements of Iberia, Líneas Aéreas de España, S.A.

In addition, the full demerger of Iberia, Líneas Aéreas de España, S.A. in favour of the Company was executed on 20 January 2011, effective for accounting purposes from 1 January 2010, whereupon the Company joined the special tax scheme stipulated in Chapter VIII of Title VII of the Amended Income Tax Law. Notes 13 and 18 to this company's 2010 financial statements contain the information required by Article 93 of the Amended Income Tax Law (Royal Legislative Decree 4/2004 of 5 March).

Segregation

The segregation operation described in note 1.1 constitutes a non-monetary contribution of a business branch in accordance with the provisions of Article 76.3 of the Corporate Income Tax Law (hereinafter, CITL), which subjects it to the application of the tax regime established in Chapter VII, Title VII of the CITL (Special Regime for mergers, spin-offs, asset contributions, share exchanges, and the change of registered office of a European Company or a European Cooperative Society from one Member State to another within the European Union). Consequently, the acquiring company of the business branch (South) notified the Tax Administration of the application of this special tax regime within the legally established period. The Company recorded in its assets the value of the participation in South received due to the segregation, amounting to €24 million (note 8).

Top-up Tax to Ensure a Global Minimum Level of Taxation

On December 21, 2024, Law 7/2024 of December 20 was published in the Official State Gazette, establishing a Top-up Tax to ensure a global minimum tax rate for large multinational groups and large national groups, a Tax on the net interest income and certain financial institutions' fees, and a Tax on liquids for electronic cigarettes and other tobacco-related products. Other tax regulations are also amended (hereinafter, Law 7/2024). Law 7/2024 implements Pillar Two in Spain, establishing, with retroactive effect for fiscal years beginning from December 31, 2023, a Top-up Tax that guarantees that large multinational groups are taxed at a minimum effective rate of 15% wherever they operate. In this regard, the Group has conducted an analysis of the potential impacts that may arise from the application of this tax in the fiscal year 2024, considering the application of the Transitional Safe Harbors provided in the fourth Transitional Provision of Law 7/2024 and the full computation, where applicable.

The Company has no impact related to the Pillar Two rules on its current tax expense and applies the exception to the recognition of deferred tax assets and liabilities arising from the implementation of Law 7/2024, as established in IAS 12.

Declaration of Unconstitutionality of Royal Decree-Law 3/2016 in Spain

In January 2024, the ruling of the *Tribunal Constitucional* (Constitutional Court) in Spain was made public, which upheld the question of unconstitutionality raised regarding several amendments to the Corporate Income Tax introduced by Royal Decree-Law 3/2016 of December 2, which adopted measures in the tax field aimed at consolidating public finances and other urgent social measures. In this regard, prior to the aforementioned ruling, in July 2021, the Company submitted a request for rectification of the Corporate Income Tax returns for the years

2016 to 2019, requesting the non-application of the measures introduced by Royal Decree-Law 3/2016. Subsequently, the Company has also requested the rectification of the returns for the years 2020 to 2022.

Prior to the introduction of Royal Decree-Law 3/2016, the Spanish subsidiaries of the Group were permitted to offset up to 70 per cent of their taxable profit with historical accumulated tax losses (to the extent that there were sufficient tax losses to do so). With the introduction of Royal Decree-Law 3/2016, this limitation on the offsetting of tax losses was reduced to 25 per cent. Additionally, in cases where companies had impaired investments in subsidiaries before 2013 and considered such impairments as tax-deductible, Royal Decree-Law 3/2016 retroactively required the reversal for tax purposes of such impairments in equal parts, recognizing the effect over the five fiscal years starting from January 1, 2016.

The declaration of unconstitutionality of certain measures introduced by Royal Decree-Law 3/2016 resulted in the reinstatement of the limitation on the offsetting of tax losses, returning to 70 per cent, as well as the tax reversal of the impairments of investments recorded before 2013 as tax-deductible. As a result, the Company recorded a current tax credit of €57 million in fiscal year 2024, equivalent to the corresponding receivable from the Spanish tax authorities in relation to the years 2017, 2018, 2019, and 2022. On the other hand, it derecognized deferred tax assets for the tax losses that would have been offset in those years (€55 million) and recognized deferred tax assets for the deductions that would have ceased to apply in those years (€28 million). Additionally, it recognized deferred tax assets for the tax losses from previous years that were pending recognition (€170 million). As of the closing date of these Annual Accounts, the Company has obtained the refund of the impact corresponding to the 2023 fiscal year.

Reinstatement of Measures Declared Unconstitutional, Following the Approval of Law 7/2024

The aforementioned Law 7/2024 has restored the tax measures referred to in the previous section, which had been declared unconstitutional by the Constitutional Court in its ruling dated January 18, 2024. Specifically, effective from January 1, 2024, the Spanish subsidiaries of the Group will be able to offset up to 25 per cent of their taxable income with historical tax losses (to the extent that there are sufficient tax losses to do so). Additionally, they will have to reverse for tax purposes in equal parts the impairments of investments recorded before 2013, recognizing the effect over the three fiscal years starting from January 1, 2024.

16. CURRENCIES OTHER THAN THE EURO

The breakdown of major transactions in currencies other than the euro in 2024 and 2023, measured in euros, is as follows:

€ million	2024	2023
Revenue	3,670	2,942
Services provided	65	69
Purchases	1,374	1,376
Services received	1,782	1,361
Operating leases	482	395

The item "Purchases" includes transactions in euros, mainly fuel, whose price is referenced to the dollar.

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

The exchange differences recognised in profit or loss for 2024, amounting to an expenditure of €43 million, mostly relate to derivatives and non-current provisions, and adjustments to financial investments and bank borrowings. The balances referred to in note 9.2 are also relevant.

17. INCOME AND EXPENSES

17.1 Revenue

The distribution of the Group's revenue in the 2024 and 2023 financial years is as follows:

€ million	2024	2023
Passenger revenue (a)	6,284	5,611
Cargo revenue	313	282
Handling (aircraft dispatching and services in airports)	305	319
Technical assistance to airlines	929	871
Other income	7	53
	7,838	7,136

(a) Includes other income (recovery of unused tickets, commercial agreements etc.) totalling €280 million (2023: €265 million).

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

€ million	2024	2023
Domestic	813	749
Medium-haul	1,418	1,248
Long haul	3,773	3,349
	6,004	5,346

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

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

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

The "Madrid-Doha" agreement with Qatar Airways entered into force in December 2023. The Madrid-Barcelona agreement is temporarily suspended pending activation and renegotiation of conditions.

In October 2016, with the commencement of flights between Madrid and Tokyo, the subsidiary Iberia joined the Joint Business Agreement between Japan Airlines, British Airways, and Finnair for routes between Europe and Japan (Siberian Joint Business), which continues, and allowed Iberia to reopen the route with direct flights between Madrid and Tokyo from the winter season of 2024.

17.2 Other operating income

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

€ million	2024	2023
Sundry, subventions and other current operating income:		
Revenue from commission	30	43
Lease income	32	35
Other income	142	205
	204	283

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

17.3 Supplies

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

€ million	2024	2023
Consumption of:		
Aircraft fuel	1,682	1,592
Spare parts for aircraft	751	629
Catering supplies	28	25
Other supplies	13	15
	2,474	2,261

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

€ million	2024	2023
Purchases	2,379	2,183
Changes in inventories	89	69
Impairment of inventories	6	9
Consumption	**2,474**	2,261

The Group's inventories are broken down as follows:

€ million	2024	2023
Spare parts for aircraft	359	277
Catering supplies	12	10
Other supplies	-	1
Provision for inventories	(26)	(20)
Emission allowances	176	165
Supplier advance payments	132	112
	653	545

The Group has recognised €30 million (2023: €62 million) in emission allowances received at no cost, measured at their market value. The difference with the 2023 financial year is due to Directive (EU) 2023/958 explained in note 4.8.

The breakdown of Group purchases in 2024 and 2023 in terms of origins is as follows:

€ million	2024	2023
National	960	938
Intra-Community	391	366
Imports	1,028	879
	2,379	2,183

17.4 Workforce

In 2024 and 2023 the workforce distribution in terms of the average headcount, by professional category, was as follows:

	2024	2023
Directors and Management Committee	15	13
Senior management	59	57
Ground:		
Managers and other line staff	1,197	1,078
Administrative	3,867	3,797
Auxiliary services	3,794	3,820
Fleet maintenance technicians	2,569	2,420
Other	347	367
	11,774	11,482
Flight:		
Technical crew	1,704	1,609
Flight attendants	4,183	3,776
	5,887	5,385
	17,735	16,937

At 31 December 2024 and 2023 the workforce distribution, by gender and professional category, was as follows:

	31-12-2024		31-12-2023	
	Female	Male	Female	Male
Directors	2	7	3	6
Management Committee	1	4	-	4
Senior management	24	30	25	33
Ground:				
Managers and other line staff	635	635	572	574
Administrative	3,002	1,346	3,129	1,389
Auxiliary services	487	3,679	459	4,140
Fleet maintenance technicians	81	2,516	70	2,456
Other	166	201	159	204
	4,371	8,377	4,389	8,763
Flight:				
Technical crew	135	1,584	123	1,634
Flight attendants	3,292	1,605	3,054	1,341
	3,427	3,189	3,177	2,975
	7,825	11,607	7,594	11,781

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

	2024	2023
Ground:		
Managers and other line staff	7	8
Administrative	43	38
Auxiliary services	87	86
Fleet maintenance technicians	16	14
Other	11	15
Flight:		
Flight attendants	1	-
	165	161

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

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

17.5 Other operating expenses

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

€ million	2024	2023
Air traffic services	470	413
Aircraft lease payments		
Dry lease (crewless contract) (note 7.1)	482	290
Cargo	12	12
Navigation charges	255	220
Aircraft maintenance	634	582
Selling costs	285	300
Booking system expenses	90	105
Other rent	63	56
In-flight services	140	120
Other types of maintenance	58	52
Stopover expenses	74	53
Indemnities for passengers, luggage and cargo	110	87
Royalties	15	11
Incident costs	9	15
Losses, impairment and variation of provisions for trade operations	3	3
Independent professional services	129	106
Emission allowances (note 20)	98	87
Other operating expenses	208	316
	3,135	2,828

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

In 2024 and 2023 the fees billed for audit and non-audit services provided by the Group's auditor, KPMG, or by a company forming part of the auditor's organisation through control, common ownership or management, were as follows:

	€ thousand	
Type of service	2024	2023
Auditing services and other audit-related services		
Audit and limited reviews	1,044	1,018
Other verification work	7	12
Total services	**1,051**	1,030

The "Other verification work" item for the 2024 financial year included fees related to agreed-upon procedures concerning the certification of compliance with certain clauses established in the terms of reference for the provision of air services subject to public service obligations on the Menorca-Madrid route. Additionally, in 2023, this item included fees related to agreed-upon procedures concerning the certification of ratios in relation to ICO loans.

17.6 Financial income

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

€ million	2024	2023
Dividends	55	3
Interest on loans	94	72
	149	75

During the 2024 financial year, the Group received a dividend from British Airways Plc amounting to €55 million (in the 2023 financial year, dividends of €2.7 million were received from Servicios de Instrucción de Vuelo, S.L.).

17.7 Finance costs

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

€ million	2024	2023
Interest on finance leases (note 13)	55	56
Interest on borrowing with Group companies and associates (note 19.1)	29	37
Interest on updating provisions for contingencies and charges (note 12)	43	40
Other	9	25
	136	158

18. BUSINESS AND GEOGRAPHIC SEGMENTS

Basis of segmentation

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

Primary business segments

The lines of business described below were established on the basis of the Group's organisational structure at the 2024 reporting date and take account of the nature of the services provided and also of the customer segments targeted by them.

In 2024, the Group engaged mainly in the following major lines of business, which provide the basis for the Group's primary segment reporting:

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

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

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

Secondary segments - geographic segments

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

Basis and methodology for segment reporting

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

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

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

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

Segment information concerning these businesses in 2024 and 2023 is presented below:

	Transport		Airports		Maintenance and engineering		Corporate and other activities		Total Group	
€ million	2024	2023	2024	2023	2024	2023	2024	2023	2024	2023
Operating income:										
External	6,857	6,126	292	321	932	924	49	106	8,130	7,477
Inter-segment	-	23	222	179	129	109	290	239	641	550
Operating expenses:										
External	(5,520)	(4,853)	(633)	(444)	(1,029)	(976)	(320)	(345)	(7,502)	(6,618)
Inter-segment	(598)	(506)	(14)	(17)	(29)	(27)	-	-	(641)	(550)
Operating profit (loss)	**739**	790	**(133)**	39	**3**	30	**19**	-	**628**	859
EBITDAR	1,462	1,402	(124)	49	22	43	87	11	1,447	1,505
Aircraft lease payments	(485)	(350)	-	-	-	-	-	-	(485)	(350)
EBITDA	977	1,052	(124)	49	22	43	87	11	962	1,155
Depreciation and amortisation	(238)	(263)	(9)	(9)	(19)	(14)	(68)	(10)	(334)	(296)
Financial profit (loss)	**(167)**	(117)	**2**	1	**(1)**	-	**137**	74	**(29)**	(42)
Share of profit (loss) of companies accounted for using the equity method	**53**	39	**4**	3	**-**	-	**108**	161	**165**	203
Profit (loss) before tax	**625**	712	**(127)**	43	**2**	30	**264**	235	**764**	1,020
Income tax	(81)	(29)	33	-	-	-	34	10	(14)	(19)
Net profit/(loss)	**544**	683	**(94)**	43	**2**	30	**298**	245	**750**	1,001
Average headcount (FTEs)	5,887	5,385	7,006	6,967	2,174	2,077	2,668	2,508	17,735	16,937
Property, plant and equipment	1,926	2,257	49	39	140	140	39	34	2,154	2,470
Inventories	292	267	1	1	299	233	61	44	653	545
Other assets	1,187	614	96	73	335	289	3,576	3,581	5,194	4,557
Total assets	**3,405**	3,138	**146**	113	**774**	662	**3,676**	3,659	**8,001**	7,572
Customer prepayments	1,635	1,467	-	-	-	-	-	-	1,635	1,467
Remuneration payable	151	72	37	25	21	16	39	32	248	145
Other liabilities	4,598	4,392	201	64	158	118	305	691	5,262	5,265

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

Secondary segments	2024	2023
Domestic	18%	19%
International short-haul/medium-haul	32%	33%
Long-haul	50%	48%
	100%	100%

19. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

19.1 Operations with related parties

The following transactions took place with related parties in 2024 and 2023:

€ million	2024			2023		
Expense and revenue	Group companies or entities and associates	Other related companies or entities	**Total**	Group companies or entities and associates	Other related companies or entities	Total
Expenses:						
Finance cost	-	29	**29**	-	37	37
Receipt of services	64	141	**205**	54	109	163
	64	**170**	**234**	54	146	200
Income:						
Financial income	-	-	**-**	-	1	1
Management or cooperation contracts		(10)	**(10)**	-	12	12
Dividends	4	55	**59**	1	-	1
Provision of services	270	176	**446**	334	186	520
	274	**221**	**495**	335	199	534

€ million	2024			2023		
Other transactions	Director and senior management	Group companies or entities and associates	**Total**	Director and senior management	Group companies or entities and associates	Total
Other operations	4	-	**4**	4	-	4
	4	**-**	**4**	4	-	4

The main transactions with Group companies and associates are accounted for by the Group's core business, along with handling and maintenance activities. In addition, IAG provides various management services to the Group and passes on other costs, including the cost of the executive share option programme. The expense passed on in 2024 was €14 million (2023: €10 million).

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

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

19.2 Balances with related parties

The balances with related parties on the consolidated statement of financial position at 31 December 2024 and 2023 were as follows:

€ million	2024 Group companies or entities and associates	2024 Other related companies or entities	2024 **Total**	2023 Group companies or entities and associates	2023 Other related companies or entities	2023 Total
Non-current investments:						
Equity instruments (note 8.2)	-	385	**385**	-	385	385
Advances to suppliers	-	30	**30**	-	38	38
Trade receivables	98	61	**159**	97	42	139
Non-current borrowings	-	-	**-**	-	380	380
Trade creditors	45	109	**154**	36	107	143

In addition, at 31 December 2024, the Group has recognised the flight redemption liability with Avios Group (AGL) Limited in relation to the loyalty programme of €162 million under "Deferred revenue" in "Trade and other payables" in the consolidated statement of financial position.

IAG as the Group's parent company agreed to strengthen its capital by entering a €300 million equity loan as financial support during the financial year 2022 which accrued interest referenced to the market rate. During the 2024 fiscal year, the principal amount of the loan, amounting to €300 million, was repaid along with the interest accrued in the 2023 fiscal year. As of 31 December 2024, the interest accrued during this fiscal year, amounting to €18 million, remains outstanding and will be paid in the 2025 fiscal year.

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

At 31 December 2024, the Group had €418 million through a credit facility arranged by IAG for the Group to draw on (2023: €238 million).

19.3 Remuneration and other benefits of Directors and Senior Management

The remuneration received in 2024 and 2023 by the Parent's Directors, classified by items, was as follows:

€ thousand	2024	2023
Fixed remuneration and other remuneration	225	225
Compensation in kind	19	13
	244	238

In both 2024 and 2023, IAG charged the Company expenses for the work of certain directors (note 19.1).

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

The table below details the remuneration of the three directors of the Parent who held executive posts.

€ thousand	2024	2023
Fixed remuneration	875	953
Variable remuneration	813	779
Compensation in kind	63	65
Social security and other welfare benefits	50	52
	1,801	1,849

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

In 2024 premiums were paid in respect of an insurance policy for executive directors with an approximate total of €62 thousand (2023: €65 thousand), and no advances or loans have been granted to the directors.

In 2024 and 2023, the Directors of the Parent did not enter into any transactions with the Company or any Group companies other than ordinary business transactions under normal market conditions.

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

19.4 Remuneration of senior executives

The remuneration received by members of the subsidiary Iberia’s management in 2024 and 2023 (excluding the CEO and those simultaneously exercising directorships, whose remuneration is set out above) is as follows for 40 managers at 31 December 2024 (2023: 40 managers):

€ thousand	2024	2023
Fixed salaries	6,102	6,518
Variable remuneration	4,620	4,246
Compensation in kind	378	305
Social security and other welfare benefits	718	774
	11,818	11,843

In 2024, contributions were made to an insurance policy and pension plans in the amount of €53 thousand (2023: €72 thousand).

In 2024, no advances or loans were granted to members of Group management and no transactions have been carried out with Group management or Group companies outside the ordinary course of business or on other than arm's length terms.

As mentioned in note 19.1, IAG passes on the cost of the share option programme for executive directors and management in 2024 to the Group in the amount of €14 million (2023: €10 million).

20. ENVIRONMENTAL INFORMATION

As part of the environmental policy, various activities and projects were carried out in 2024 to guarantee the proper management of the main environmental impacts of the air transport business as a whole.

In 2024 and 2023 the breakdown of environmental expenses was as follows:

€ million	2024	2023
Environmental repair and maintenance	1	1
Employee costs relating to environmental management	1	1
Emission allowances	98	87
Environmental taxes and other	4	4
	104	93

The acquisition cost and accumulated depreciation of the Group’s environmental assets, which include emission allowances, water-treatment plants, hazardous waste storage facilities, gas recharge and filter systems, and water recycling infrastructure, amounted to €73 million and €43 million, respectively, at 31 December 2024 (2023: €74 and €58 million respectively).

With respect to its aircraft, the Group has a renewal policy in which the environment (minimising the impact of noise and atmospheric emissions) is an important factor. Accordingly, the Group is continuing to add new aircraft models that reduce fuel consumption by approximately 20% compared to aircraft from earlier generations. A new EU CO_2 emissions-reduction regulation entered into force in 2012, under which airlines are required to deliver emission allowances for flights departing from or arriving at European airports (note 5.9).

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

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

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

Lastly, during the 2024 fiscal year, investments amounting to €9 million were made for environmental reasons in tangible fixed assets related to airport equipment.

21. EVENTS AFTER THE REPORTING PERIOD

Since the end of the 2024 financial year and up to the date of preparation of these Annual Accounts, no significant events have occurred that would have resulted in a relevant modification of the information contained in the report or that could have had a significant impact on the annual accounts.

22. EXPLANATIONS ADDED FOR TRANSLATION TO ENGLISH

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

Appendix I - Subsidiaries

31 December 2024

Name *Registered office* Corporate purpose	Interest of the Parent (%) Direct	Indirect	€ million Capital	Profits/(losses) Operating profit/(loss)	Net profit/(loss)	Other Net equity	Total equity
Companies of the Group:							
Iberia Líneas Aéreas de España, S.A. Operadora	100.00	-	67	671	745	(43)	769
Martínez Villergas, 49; Madrid							
Air transport of passengers and cargo							
South Europe Ground Services, S.L.	-	100.00	-	(133.1)	(98.3)	108.8)	10.5
Avenida de la Hispanidad 6; Madrid							
Servicios de asistencia en tierra a aeronaves y pasajeros							
Cargosur, S.A.	-	100.00	6.1	-	0.4	7.8	14.3
Martínez Villergas, 49; Madrid							
Air transport of goods							
Iberia Tecnología, S.A.	-	100.00	1.4	-	0.1	6.3	7.8
Martínez Villergas, 49; Madrid							
Aircraft maintenance services							
Compañía operadora de corto y medio radio Iberia Express, S.A.	-	100.00	20.1	204.9	146.8	148.7	315.6
Alcañiz, 23; Madrid							
Air transport of passengers and cargo							
Iberia Operadora UK, Ltd	-	100.00	-	-	-	327.0	327.0
Waterside (Haa2) P O Box 365, Harmondsworth, Speedbird Way, West Drayton, United Kingdom, UB7 0GB							
Holding of ownership interests							
Iberia Desarrollo Barcelona, S.L.R.	-	75.00	6.0	0.3	0.1	4.0	10.1
Avda. de Les Garrigues 38-44 Edificio B; Barcelona							
Promotion and development of airport infrastructure							
Iberia Líneas Aéreas de México, S.A.C.V.	-	100.00	0.2	(0.1)	(0.1)	(0.1)	(0.1)
Xochicalco 174, Col. Narvarte, Alcaldía Benito Juárez; Ciudad de México							
Merchandise storage, security and custody services							

31 December 2023

Name *Registered office* Corporate purpose	Interest of the Parent (%) Direct	Indirect	€ million Capital	Operating profit/(loss)	Net profit/(loss)	Other Net equity	Total equity
Companies of the Group:							
Iberia Líneas Aéreas de España, S.A. Operadora *Martínez Villergas, 49; Madrid* Air transport of passengers and cargo	100.00	-	67	778	804	(92)	779
Cargosur, S.A. *Martínez Villergas, 49; Madrid* Air transport of goods	-	100.00	6.1	-	0.4	7.5	14.0
Iberia Tecnología, S.A. *Martínez Villergas, 49; Madrid* Aircraft maintenance services	-	100.00	1.4	-	0.2	6.1	7.7
Compañía operadora de corto y medio radio Iberia Express, S.A. *Alcañiz, 23; Madrid* Air transport of passengers and cargo	-	100.00	20.1	184.5	156.2	45.2	221.5
Iberia Operadora UK, Ltd *Waterside (Haa2) P O Box 365, Harmondsworth, Speedbird Way, West Drayton, United Kingdom, UB7 0GB* Holding of ownership interests	-	100.00	-	-	-	327.0	327.0
Iberia Desarrollo Barcelona, S.L.R. *Avda. de Les Garrigues 38-44 Edificio B; Barcelona* Promotion and development of airport infrastructure	-	75.00	6.0	0.2	-	4.0	10.0
Iberia Líneas Aéreas de México, S.A.C.V. *Xochicalco 174, Col. Narvarte, Alcaldía Benito Juárez; Ciudad de México* Merchandise storage, security and custody services	-	100.00	0.2	(0.2)	(0.2)	-	-

Note: columns Operating profit/(loss) and Net profit/(loss) are grouped under "Profits/(Losses)".

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

Appendix II - Associates

31 December 2024

	Interest of the Parent (%)		€ million				
				Profits/(losses)			
Name *Registered office* Corporate purpose	Direct	Indirect	Capital	Operating profit/(loss)	Net profit/(loss)	Other Net equity	Total equity
Associates:							
Serpista, S.A. *Marcelo Espínola, 10. Madrid* Maintenance of airport equipment	-	39.00	1.2	3.3	2.4	3.6	7.2
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. *O´Donnell, 12; Madrid* Issue and management of payment cards	-	43.50	6.0	0.2	0.6	30.1	36.7
Air Miles España, S.A. *Avda. Bruselas 20, Alcobendas, Madrid* Multi-sector loyalty scheme	-	26.67	0.1	(1.7)	0.5	14.8	15.4
Multiservicios Aeroportuarios, S.A. Avenida de Manoteras, 46; Madrid Auxiliary airport services	-	49.00	0.1	9.4	6.8	11.4	18.3
Empresa Logística de Carga Aérea, S.A. (ELCA) *Aeropuerto Jose Martí. (La Habana)* Cargo terminal operator	-	50.00	0.4	0.1	0.1	1.3	1.8
Empresa Hispano Cubana de Mantenimiento de Aeronaves Ibeca, S.A. *Aeropuerto Jose Martí. (La Habana)* Aircraft maintenance	-	50.00	0.1	0.8	0.7	1.7	2.5
Vueling Airlines, S.A. *Viladecans Business Park, Edif Brasil* *Carrer de Catalunya 83, Viladecans; Barcelona* Passenger and cargo transport	-	50.10	29.9	300.2	213.7	(263.7)	(20.1)
Avios Group (AGL) Limited *Waterside, PO Box 365, Harmondsworth, UB7 0GB* Management of airline loyalty reward currency	-	14.00	2.299.8	493.3	416.2	(2.413.1)	302.9
Fly Level Barcelona LH, S.L *C/ Catalunya 83; Viladecans, Barcelona* Passenger transport	-	50.10	-	(0.6)	(1.0)	-	(1.0)
Mundiplan Turismo y Ocio, S.L *Str. Hermanos Garcia Noblejas, 41; Madrid* Travel agency and development of activities in tourist destinations	-		50.00	-	(3.1)	(2.9	1.5

31 December 2023

Name *Registered office* Corporate purpose	Interest of the Parent (%) Direct	Indirect	€ million Capital	Profits/(losses) Operating profit/(loss)	Net profit/(loss)	Other Net equity	Total equity
Associates:							
Serpista, S.A. *Marcelo Espínola, 10. Madrid* Maintenance of airport equipment	-	39.00	1.2	2.7	2.0	3.6	6.8
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. *O´Donnell, 12; Madrid* Issue and management of payment cards	-	43.50	6.0	1.3	1.1	29.0	36.1
Air Miles España, S.A. *Avda. Bruselas 20, Alcobendas, Madrid* Multi-sector loyalty scheme	-	26.67	0.1	0.2	6.0	13.4	19.5
Multiservicios Aeroportuarios, S.A. Avenida de Manoteras, 46; Madrid Auxiliary airport services	-	49.00	0.1	5.7	3.9	10.2	14.2
Empresa Logística de Carga Aérea, S.A. (ELCA) *Aeropuerto Jose Martí. (La Habana)* Cargo terminal operator	-	50.00	0.4	-	-	1.3	1.7
Empresa Hispano Cubana de Mantenimiento de Aeronaves Ibeca, S.A. *Aeropuerto Jose Martí. (La Habana)* Aircraft maintenance	-	50.00	0.1	1.2	1.1	0.9	2.1
Vueling Airlines, S.A. *Viladecans Business Park, Edif Brasil* *Carrer de Catalunya 83, Viladecans; Barcelona* Passenger and cargo transport	-	50.10	29.9	300.7	315.7	(687.6)	(342)
Avios Group (AGL) Limited *Waterside, PO Box 365, Harmondsworth, UB7 0GB* *Management of airline loyalty reward currency*	-	14.00	2,206.3	324.0	279.0	(1,858.4)	671.9
Mundiplan Turismo y Ocio, S.L *Str. Hermanos Garcia Noblejas, 41; Madrid* Travel agency and development of activities in tourist destinations	-	50.00	50.00	-	-	-	-

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

DESCRIPTION OF GROUP

The Iberia Group is an international air transport group with 97 years of experience, the largest in Spain and a leader between Europe and Latin America. It belongs to the IAG air group, the first in the world to commit to achieving net zero emissions by 2050 and to operate with 10 percent sustainable aviation fuel by 2030.

Iberia is the leading airline in flights connecting Europe and Latin America, offering direct flights to 18 destinations in 16 countries in the region. Together with Iberia Express and Iberia Regional (Air Nostrum), it has a fleet of 165 aircraft and offers flights to around fifty countries worldwide from Madrid airport, where it has developed its hub.

In addition to passenger transport, the Group has diversified its business with air cargo, aircraft maintenance, and airport assistance. Iberia Maintenance has become a center of excellence for wide-body aircraft for the IAG Group airlines, and South Europe Ground Services S.L. (a company created in 2024) offers handling services at 29 Spanish airports, being the only company to provide full service in Spain.

In 2024, the Group increased the number of routes and frequencies in almost all markets. The airline's connectivity between Europe and Latin America this year set a record, significantly exceeding 5.3 million seats between the two regions.

The United States has also been a strategic market in 2024, where Iberia scheduled an average of 126 weekly flights, totaling 1.3 million seats.

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

The year 2024 marked a historic milestone in terms of fleet, with the incorporation of the A321XLR into Iberia, a narrow-body, single-aisle model capable of operating transoceanic routes, and of which Iberia has been the world's launch airline.

The following table shows the breakdown of the Iberia Group's revenues for each of the services in 2024 and 2023:

	2024		2023	
	(€ million)	(%.)	(€ million)	(%.)
Passenger revenue	6,284	80%	5,611	79%
Aircraft maintenance	929	12%	871	12%
Handling	305	4%	319	4%
Cargo revenue	313	4%	282	4%
Other income	7	0%	53	1%
Total revenue	**7,838**	**100%**	7,136	100%

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

Iberia's hub is located at Adolfo Suárez Madrid-Barajas International Airport, the main airport of Madrid and Spain. Located within the city, Adolfo Suárez Madrid-Barajas airport welcomed 66.1 million passengers in 2024, representing an increase of 9.2% compared to 2023. Iberia is the leading airline operating at the airport in terms of both capacity and passengers. Adolfo Suárez Madrid-Barajas airport has established itself as a hub airport where airlines can increase their connectivity between the Latin American, domestic and European markets. The Group operates at Adolfo Suárez Madrid-Barajas airport in Terminal 4, the airport's newest terminal and one of the largest in the world.

In 2017, it began operating under the LEVEL brand, which, with its operations center at Barcelona - El Prat Airport, offers low-cost routes to America. In the 2024 fiscal year, Fly Level Barcelona, LH, S.L. was created, 50.1% owned by Iberia, a company awarded its own AOC (Air Operator Certificate) and that is under operating authorization obtention, expecting to start its owned operations in fiscal year 2025.

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

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

Iberia Express is the leading low-cost carrier at Madrid airport, with a fleet of 25 A320 family aircraft and offering 27 domestic and international routes, basing its success as a low-cost airline on efficiency and simplicity.

Iberia Express is aligned with IAG in its goals of reducing its environmental footprint and, to this end, renewed its fleet with 12 A-321 NEO aircraft, the most efficient Airbus model for short and medium distances, reinforcing its roadmap towards net zero emissions by 2050. Additionally, in 2024, it purchased 6,700 tonnes of SAF for its flights originating from the Balearic Islands, voluntarily anticipating the Refuel EU regulation and contributing to reducing its emissions per passenger.

One of Iberia Express’s priorities is punctuality. For five consecutive years (2014-2018), it was the world’s most punctual low-cost airline, in 2022 it was Europe’s most punctual low-cost airline, and in 2023 it was Europe’s most punctual airline and the world’s fifth most punctual low-cost airline. This recognition is the result of the commitment of all Iberia Express staff towards customers, who particularly value this attribute.

South Europe Ground Services, S.L. (“South”)

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

South provides airport assistance services to passengers, baggage, aircraft, and cargo. It is present in 38 airports in Spain. As of 31 December 2024, the handling division had approximately 7,854 employees, as well as the largest fleet of GSE (Ground Support Equipment) in Spain. South offers the following ground services at Spanish airports to both other companies and Iberia itself:

- Passenger services, including check-in and boarding, baggage handling, including lost baggage tracking, seat allocation, special assistance services, and security services

- Ramp services, including loading and unloading and cargo transport, pushback and towing, aircraft cleaning, heating and cooling, potable and waste water supply, tyres and electronic systems, de-icing, and passenger and crew transport

- Coordination, including cabin-ramp communication, flight documentation, load sheet and weight balance, weather reports, and aeronautical and operational reports

- Cargo assistance, including cargo transport, delivery of cargo to warehouses, inventory control, and handling of dangerous and perishable goods; and

- Flight services, including weather data, aeronautical data, flight documentation, operational summary, and operational flight plans

During 2024, external and internal revenues from the airport business amounted to €299 million and €222 million respectively (2023: €321 million and €179 million).

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

Passenger transport

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

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

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

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

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

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

The following table shows the performance of Iberia Group's passenger transport business in 2024 and 2023 (including Iberia, Iberia Express and LEVEL, but excluding Vueling and Air Nostrum - a regional franchise).

Operating statistics of the Transport business

	2024	2023	% (*)
PASSENG.			
ASK (million)	**93.347**	**82.137**	**13,6**
Domestic	9.115	8.448	7,9
Medium-haul	19.097	16.432	16,2
Europe	16.411	14.657	12,0
Africa and Middle East (a)	2.686	1.775	51,3
Long-haul	65.134	57.257	13,8
RPK (million)	**82.205**	**71.744**	**14,6**
Domestic	8.131	7.459	9,0
Medium-haul	16.490	14.232	15,9
Europe	14.295	12.752	12,1
Africa and Middle East (a)	2.195	1.478	48,5
Long-haul	57.583	50.053	15,0
Load factor (%)	**88,1**	**87,3**	**0,8p.**
Domestic	89,2	88,3	0,9p.
Medium-haul	86,3	86,6	-0,3p.
Europe	87,1	87	0,1p.
Africa and Middle East (a)	81,7	83,2	-1,5p.
Long-haul	88,4	87,4	1,0p.
CHARGE			
ATK (million)	2.088	1.964	6,3
RTK (million)	1.254	1.081	16,0
Load factor (%)	60,1	55,1	5,0p.
PASSENGER REVENUE			
Revenues (€ million)	6.284	5.611	11,6
Revenue/ASK (€) €)	6,70	6,82	-1,8
Revenue/PKT (€) €)	7,61	7,81	-2,6

(*) Year-on-year variations calculated with exact figures in euros.
(a) Passenger revenues include only those revenues generated on flights operated during the period. Therefore, revenues from the cancellation of customer advances and other minor accounting adjustments

ASK: Available Seat Kilometre RPK: Revenue Passenger-Kilometres.
ATK: Available Tonne Kilometre RTK: Revenue Tonne-Kilometres.

Variations in load factor expressed in percentage points.

Iberia Group traffic statistics

The three airlines that make up the Group have experienced a strong increase in capacity in 2024, 13.6% more than in 2023. Iberia and Iberia Express have added new routes, such as Tokyo.

The long-haul sector's capacity increased by 13.8%, and the load factor improved by 1.0 percentage point to reach 88.4%. Capacity to North America increased by 7.2%, with an improvement in the load factor of 1.3 percentage points. In Latin America and the Caribbean, ASKs grew by 15.6%, with an improvement in the load factor of 0.8 percentage points. In Asia, capacity increased by 100%, and the load factor increased by 32.2 percentage points.

The medium-haul sector increased its capacity by 16.2%, but there was a drop in the load factor of 0.3 percentage points, placing it at 86.3%. Capacity in Europe grew by 12.0%, and in other international medium-haul routes, Africa and the Middle East, ASKs increased by 51.3%.

Domestically, capacity grew by 7.9%, and RPKs increased by 9.0%, placing the load factor at 89.2%, 0.9 percentage points above 2023.

Status of global air transport

Despite the rapid recovery in passenger demand and the significant reduction in Covid-19 travel restrictions, the aviation industry continues to deal with the aftermath of the pandemic, during which it recorded a historic loss of nearly $-140 billion. Additionally, this year 2024 follows 2023, the first post-pandemic year with global operating margin results in positive territory and well above 2019, consistent across all regions. This has led to an increase in non-fuel costs in 2024, which, despite an increase in capacity and improved revenues, has caused the operating margin to fall slightly but remain strong, not dropping below 6%.

During 2023 and 2024, the global economy has remained stable, and despite uncertainties in industry-wide capacity affecting all airlines worldwide, in terms of available seat kilometres (ASKs), pre-pandemic levels have been surpassed (+4% vs 2019), reaching a historic peak in the number of annual passengers transported. The annual growth in ASKs compared to 2023 has been 10.1%.

Revenue passenger kilometres (RPKs) for the first time increased above 2019 levels, reaching 105% of the past value in 2024, with year-on-year growth of 11.2%. Expected passenger revenues reach $678 billion, +5% more than the previous year. The average passenger ticket revenue has decreased year-on-year by -5.6%, after ending 2023 at 13% above 2019. Despite this decline, these figures demonstrate that average revenue remains strong and stable, and passengers' willingness to pay is maintained. This favourable context has been further enhanced by another year of capacity limitation in the market, especially in long-haul.

Global economic growth in 2024 is projected to remain stable with a year-on-year increase of around +3.2%. At the same time, overall inflation continues its deceleration since 2022, moving from being above +9% year-on-year to +4.2% in 2024 and forecasting +3.6% by the end of 2025. This deceleration is the result of a correction of the economic shocks caused by the supply and demand disruption during the pandemic and the raw materials crisis due to the Ukraine war. The deceleration is more pronounced in advanced economies than in emerging and developing markets, although towards the end of the year, forecasts for the Middle East and Central Asia and Sub-Saharan Africa have been revised downwards. The United States stands out, with much higher forecasts than other advanced economies, supported by wage increases and the resilience of consumption and investment.

In 2024, the estimated net profit of the industry amounts to $31.5 billion, with a decrease of nearly $4 billion compared to 2023. In general, this profit decline despite the capacity increase can be explained as a consequence of the 2023 result, the first post-pandemic year with capacity and load factors very similar to 2019, with airlines facing significant pressure in terms of non-fuel costs: wage increases, logistical problems with components, and maintenance costs due to fleet ageing and general engine issues. Even so, the net margin is estimated at 3.3%. On the other hand, the operating margin is estimated at 6.4%.

North America is a market with strong financial performance, but it is also the only market that has not recovered compared to pre-pandemic levels, 34% below 2019. The main reason is that American low-cost airlines have not been able to return to previous profitability levels, heavily impacted by the high wage increases in the region. The projected net profit at the end of 2024 is $11.8 billion with a capacity growth of 5.1% in ASKs.

In Europe, better-than-expected results are anticipated, with a net profit amounting to $10 billion. These results are supported by robust and sustained demand over time, almost doubling the results of 2019.

On the other hand, Latin American airlines have seen a progressive improvement in results since 2020, with a positive result of $1 billion. However, the results by airline in the region vary greatly, with some airlines achieving very positive results and other airline groups facing financial difficulties, entering and exiting bankruptcy processes (Chapter 11). This latter situation will likely lead to better expected results for 2025 due to the restructurings carried out.

Other services

Iberia Maintenance

Iberia offers maintenance, repair and overhaul services for engines, aircraft and components of the Iberia fleet and other airlines. These services are offered through the General Maintenance and Engineering Department **Iberia Maintenance**, which carries out scheduled and unscheduled maintenance work (ad hoc repairs). As at 31 December 2024, the maintenance division had approximately 2,200 employees.

In 2024, external and internal revenues from maintenance and engineering amounted to €929 million and €129 million, respectively (2023: €871 million and €109 million)

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

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

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

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

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

IAG Cargo

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

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

In 2016, Aer Lingus was merged into IAG Group and Aer Lingus cargo into IAG Cargo.

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

IAG Cargo currently services more than 350 destinations with approximately 15,000 weekly flights focused on "Constant Climate" and "Critical" products. Cargo revenues are distributed between the companies that make up IAG Cargo Ltd, based on what each of them carries.

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

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

In 2024, a new company, South Europe Ground Services, was created within the IAG group, wholly owned by Iberia, to provide handling services, not only for cargo but also for passengers, in Madrid and various locations in Spain, both for group companies and external companies.

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

AsiaPAC-LATAM connections have been improved with the Doha-Madrid route, allowing the connection of two strategic hubs for cargo worldwide.

During this year, Iberia’s cargo revenues have performed better than in 2023, due to the growth in tonnes transported, successfully overcoming the significant challenge posed by the global increase in competition in international markets, the growth in cargo capacity in the air sector, and the progressive reduction of disruptions in maritime cargo transport due to the conflict in the Red Sea, which had benefited the air sector.

Iberia loyalty programme

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

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

In the 2024 financial year, IAGL acquired 100% of British Airways Holidays Limited, which is one of the largest holiday companies in the United Kingdom, offering carefully selected hotels and resorts in the most incredible locations, as well as car hire.

ALLIANCES

Oneworld

The **one**world alliance was created in 1999 and currently comprises Iberia, British Airways, American Airlines, Alaska Airlines, Cathay Pacific, Finnair, Japan Airlines, Malaysia Airlines, Qantas, Qatar Airways, Royal Jordanian, Royal Air Maroc, SriLankan Airlines, and up to 24 affiliated airlines. The oneworld alliance initiated a procedure to incorporate Oman Air and Fiji, likely to reach completion in 2025.

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

The **one**world airlines operate approximately 12,000 daily flights, with connections to around 900 destinations in more than 170 countries.

Joint Business for the North Atlantic

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

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

Other affiliations

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

In October 2016, with the start of flights between Madrid and Tokyo, the subsidiary Iberia joined the Joint Business Agreement between Japan Airlines, British Airways, and Finnair for routes between Europe and Japan (Siberian Joint Business), which continues, although not operated, and allowed Iberia to reopen the route with direct flights between Madrid and Tokyo during 2023 from the winter season of 2024. The benefit of this participation is reciprocal, as the alliance values Iberia's contribution to this market by connecting Spain and Japan with direct flights, and for Iberia, it has been fundamental, especially with the support of Japan Airlines as a local partner in Japan. All this allows us to offer our customers a very competitive product with greater advantages and benefits, such as a wider and better range of itineraries for their journey using the network of all partners and under the best conditions, as they can choose from the fares offered for that itinerary by all partners, the ones that best suit their needs (combinable fares).

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

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

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

FLEET AND AIRCRAFT

Acquisition of aircraft

The year 2024 has been a year of growth in the long-haul fleet compared to 2023 levels.

The Group continues to invest in a new fleet, with the incorporation of next-generation aircraft including an A350 and the global debut of the new Airbus model, the A321NEO XLR. This new fleet is characterised by being a narrow-body aircraft with a range that allows for transatlantic flights. This results in lower operating costs, such as fuel consumption and maintenance, while maintaining superior comfort levels for passengers due to the incorporation of new cabin technologies. Throughout 2025, the growth of the next-generation fleet for long-haul operations will continue, as well as the renewal of part of the short-haul fleet.

Financing of aircraft

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

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

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

MAIN RISKS, UNCERTAINTIES AND OUTLOOKS FOR THE GROUP

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

As previously mentioned, 2024 ends with economic growth at the same level as 2023, around +3%, continuing the slow recovery following the crisis of recent years. Some of the risks that are foreseen for the future and some present risks are: firstly, the volatility of commodity prices could increase in a context of resurgent geopolitical tensions and disruptions linked to climate change. Secondly, although they have decreased and are beginning to stabilise, both general and core inflation rates remain too high. Thirdly, there are risks associated with the ageing of the fleet, as there is currently insufficient production in the market to replace aircraft to pre-pandemic levels. An ageing fleet means longer aircraft downtime, higher maintenance costs, increased fuel consumption, and additional CAPEX to refurbish older aircraft that were not originally expected to remain operational at such ages. Given the anticipated economic challenges, IATA forecasts that the industry will continue to generate value in 2025, with a net profit of $36.6 billion. The operating margin is expected to improve by +0.3pp to reach 6.7%.

In 2025, capacity variation (available seat kilometres, ASK) is expected to be +7.5% compared to 2024, with overall growth in all regions, with North America showing the least growth (+2.8%). Additionally, all markets are expected to generate profits above those of 2024.

Future strategy

In 2024, we achieved solid growth while maintaining profitability, driven by strong demand across our network. Our transformation plan, Flight Plan 2030, will drive ambitious organic growth and position Madrid as a leading European hub, reinforcing our position as one of the most profitable airlines in Europe. Despite global economic uncertainties, strong demand in our key corridors and lower fuel prices allowed us to expand profitably.

We improved our long-haul fleet with the addition of an Airbus A350-900 and an Airbus A321XLR, becoming the global launch customer for the latter. This aircraft has enabled us to operate less-travelled transatlantic routes more profitably and sustainably. This year, we set a record for connectivity between Europe and Latin America, surpassing 5.3 million seats, a 16% increase over 2023.

In August, IAG withdrew from the acquisition of Air Europa, considering the conditions set by the European Commission to be unaffordable. Nevertheless, the Group's commitment to solid growth and building a leading European hub in Madrid remains unchanged. With more than 20 initiatives in our airline and maintenance divisions, our Flight Plan 2030 serves as a comprehensive roadmap to create lasting value for shareholders, employees, customers, and society.

Our Employees

Our employees are the cornerstone of our success, and we believe that sharing our financial and operational achievements with them is a key piece in building the company's future. In line with this, we achieved a fundamental milestone by signing an agreement with the majority pilots' union (SEPLA) that will allow us to share profits with the pilots if financial, operational, and customer service targets are met. Our goal is to extend similar profit-sharing agreements to other employee groups, starting with our cabin crew.

Throughout the year, more than 100 pilots, 450 cabin crew members, and 180 maintenance colleagues have joined Iberia. We are deeply grateful to all our flight crews, ground staff, and office employees, whose commitment and dedication have successfully allowed us to minimise the impact of a challenging operational environment marked by significant air traffic control restrictions during the summer.

Our customers

In 2024, despite the operational challenges during the summer, we successfully maintained strong customer satisfaction. Our commitment to service excellence was recognised with awards including "Best Staff Service in Europe" from Skytrax and "Best Food Service" from Pax International magazine.

We continue to connect Spain with the world and the world with Spain, and in 2024 we launched new routes from Madrid to Tokyo, Innsbruck, Salzburg, and Tromso, and increased frequencies to Buenos Aires, Sao Paulo, and Santo Domingo.

Additionally, we enhanced the customer experience in our VIP lounge in Madrid by introducing new schedules and services, and passengers on outbound flights from Madrid enjoyed revamped menus and a greater variety of options. Furthermore, we expanded our in-flight entertainment offering thanks to our collaboration with Disney+.

Our Iberia Plus loyalty programme has also seen significant improvements, with new benefits for top-tier members. We introduced Avios-Only flights to several short-haul destinations across our network, where seats could only be purchased by redeeming points from this loyalty system.

Our planet

In 2024, we advanced our sustainability strategy to accelerate the industry's transition. We also reduced our carbon intensity by 2.2% compared to 2019, putting us ahead of our 2025 target of 10%.

We have signed SAF agreements with corporate clients and concluded several purchase agreements, reinforcing our commitment to the growth of the SAF industry. Between Iberia and Iberia Express, we increased our SAF consumption almost 14 times compared to the previous year. We also introduced the use of 5% SAF in our maintenance, repair, and overhaul (MRO) operations at the engine test centre in our La Muñoza facilities. Additionally, we implemented a water consumption reduction plan and completed the second phase of our solar panel project at these facilities.

In January 2024, we obtained the IATA IEnvA environmental certification, highlighting our sustainability efforts. In the last quarter, Iberia partnered with Nexus Lab through the Hangar51 programme to analyse in detail the impact of non-CO2 emissions, such as contrails. We also developed an onboard food waste reduction plan with the NGO Enraiza Derechos.

Looking to the future

In 2025, we anticipate continued profitable growth, expanding our long-haul network with six additional Airbus A321XLRs and one additional Airbus A350-900. Through our Flight Plan 2030, we are committed to continuing to transform Iberia by focusing on three strategic pillars: maintaining financial strength and operational excellence, establishing Madrid as a leading hub in Europe, and shaping the future of our handling and maintenance businesses.

RISK MANAGEMENT AND USE OF FINANCIAL INSTRUMENTS

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

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

The Group carries out a broad range of actions to control and manage risks, putting in place systems that allow it to identify, measure, manage and mitigate the main risks affecting its various business lines. In terms of financial risks, the Group has a management programme to control and reduce the potential impact of fluctuations in fuel prices, exchange rates and interest rates on its earnings and to maintain sufficient liquidity for its operating and cash-related requirements.

In accordance with this risk management policy, the Group arranges mainly exchange rate, interest rate and aviation fuel derivatives.

The most-used exchange rate derivatives are forwards, options and cross currency swaps. Fuel price derivatives used are mainly swaps and options. The most commonly used interest rate derivatives are interest rate swaps and interest rate options.

COMMITMENT TO SUSTAINABILITY

Iberia was founded in 1927 with the purpose of "generating prosperity by connecting people from Spain to the world." This phrase is full of meaning and intention. Aviation is a strategic sector in Spain because it ensures interconnection and is key to the tourism industry. This sector generates a significant social impact: Iberia's activity alone contributes 0.6% of Spain's GDP and 0.9% of employment. Iberia connects our territory with the world, generating wealth and quality jobs, and adding value to society.

However, at the Iberia Group, we are aware that, like all economic activities, aviation generates an environmental impact that must be limited. Greenhouse gas emissions (from CO_2 and other gases such as methane CH_4 or nitrous oxide N_2O, among others) generated during flights represent a major challenge. This is compounded by the difficulty of decarbonising the sector within the urgent timeframe established by science and international and European regulations to limit the worst effects of climate change.

Understanding our responsibility to ensure the progress and well-being of society while simultaneously reducing our environmental impact, we have defined an ambitious sustainability strategy that integrates environmental and social aspects in a cross-cutting manner. In this way, we combine the most current measures for decarbonising aviation (fleet renewal, operational efficiency, and the commitment to new technologies, particularly SAF) with an ambitious impact measurement plan and strategic collaboration with non-profit organisations, public-private partnerships, and inter-company alliances to improve and extend their results.

The Group's sustainability strategy has two pillars: Environment and Social Impact. These environmental and social aspects are necessarily harmonised with the principles of good governance that guide the company's strategy to ensure the Group's sustainable future in the context of the new century.

Agenda 2030 and the 17 Sustainable Development Goals

We are a Group committed to sustainable development and, therefore, we have joined the United Nations Global Compact, as well as other national and international groups that share our vision.

Within the framework of the Sustainable Development Goals, the Group contributes, through its sustainability strategy, to the achievement of the following:

- SDG 3, Good Health and Well-being, through its decarbonisation initiatives, waste management, and customer health and hygiene care;
- SDG 5, Gender Equality, through initiatives aimed at people development, focusing on women;
- SDG 8, Decent Work and Economic Growth, through talent development initiatives;
- SDG 9, Industry, Innovation, and Infrastructure, by improving facilities and promoting the digitalisation and modernisation of company processes;
- SDG 10, Reduced Inequalities, through the development of its own activity, ensuring its financial sustainability;
- SDG 11, Sustainable Cities and Communities, through measures to improve air quality and reduce noise;
- SDG 12, Responsible Consumption and Production, with initiatives to improve waste management;
- SDG 13, Climate Action, through decarbonisation measures;
- SDG 17, Partnerships for the Goals, by fostering public-private collaboration and with the third sector.

We are committed to the following national and international initiatives:

- Spanish Network of the United Nations Global Compact
- United Nations Sustainable Development Goals
- Spanish Green Growth Group
- Fundamental Conventions of the International Labour Organization

- OECD Principles of Corporate Governance
- Companies for a Society Free of Gender Violence Programme, from the Ministry of Health, Social Services, and Equality
- World Tourism Organization Global Code of Ethics for Tourism

Sustainable and responsible management

The implementation and maintenance of environmental management systems allow the Group to develop its environmental policy and meet the management objectives set to achieve climate neutrality by 2050. This past year, we implemented the IEnvA environmental management system, equivalent to the ISO 14001 standard, across all Group businesses (airline, MRO, handling, and airports). This system is developed and audited by IATA with a focus on airlines.

Additionally, some other existing environmental management systems at Iberia are described below.

During 2024, the monitoring of CO2 emissions from Iberia and Iberia Express and the information system for flights affected by market-based measures and ground operations (industrial areas) were audited by SGS and TÜV SÜD, respectively, in accordance with the European Emissions Trading System (EU ETS) and, additionally, the Swiss (CH ETS) and British (UK ETS) schemes applicable to flight emissions. For international flights, the monitoring of CO2 emissions and the information system for international flights were also externally verified by SGS and reported in accordance with the International Civil Aviation Organization (ICAO) emissions scheme, CORSIA.

In 2024, the Group's fleet also complied with the international environmental standards established by ICAO regarding noise emissions and air quality below an altitude of 900 metres near airports.

Additionally, in 2022, its processes were certified under the international management and improvement standard IQNet SR10, which certifies that companies have incorporated the best international practices and recommendations in social responsibility. This milestone represents a substantial consolidation of the Group's sustainability strategy, positioning Iberia as the first airline internationally to achieve this certification.

During 2024, we obtained the IEnvA environmental certification, similar to the criteria established by the international ISO 14001 standard, being an IATA-audited programme specific to airlines.

The Group works closely with its main service providers to reduce environmental impacts within the supply chain. All suppliers are included in the responsible purchasing strategy of the IAG Group, led by IAG GBS. Through this strategy, the actual and potential environmental aspects of suppliers are evaluated, controls are established to mitigate them, and collaborative environments are created to strengthen the Group's sustainability strategy. Additionally, Iberia annually completes the EcoVadis questionnaire, having achieved a score of 65 in 2023, placing the company in the 86th percentile for environmental performance.

Details of the Group's sustainable policies and corporate responsibility results are available in the Annual Sustainability Report.

TECHNOLOGY AND INFORMATION SYSTEMS

The Group makes extensive use of information technology systems and works with leading IT and service providers in the industry. It also uses some internally developed software. Iberia's systems focus on providing better service to its customers, operational efficiency, and internal process management. The company continuously explores the best technological options to support business transformation through the digitalisation of operations and the improvement of customer and employee experiences.

Currently, the Group is in the process of migrating all its applications to a cloud operating environment, which will provide the flexibility, speed, and robustness needed to offer better technology services to the company. Additionally, it is transforming its working methods in line with the best market standards to ensure system development and operation are focused on delivering business value and operational resilience.

RESEARCH, DEVELOPMENT AND INNOVATION ACTIVITIES

The Group continues to invest in R&D&I as one of its main strategic values. Notable projects include those with a strong technological component that help improve operations along with those aimed at enhancing the customer travel experience through innovative solutions related to digitalisation, virtual reality, and artificial intelligence.

From the perspective of tax incentives for R&D&I activities, Iberia secured a tax deduction of €4.8 million for Corporate Tax to be applied in the 2023 fiscal year.

Regarding public funding, the following projects are currently under evaluation by the Centre for the Development of Industrial Technology (CDTI), part of the Ministry of Science and Innovation:

- **TIG Welding**: New Blade and Vane Welding Centre in HPC for V2500 aircraft engines. IBERIA will implement, homologate, and test a new TIG welding centre for the repair of high-pressure compressor (HPC) blades of the latest generation V2500 aircraft engines. This will offer an added maintenance service for these engines internally to various airlines operating in Spain, Europe, and the rest of the world.

- **Balancers**: New balancers for the repair of the latest generation GTF PW1100 aircraft engines. The main objective of this project is to equip the engine workshop with two innovative balancing systems, one vertical and one horizontal, to perform balancing tasks in different sections of aerospace engines. Not only conventional ones as is currently the case, but also the latest generation (GTF or LEAP).

- **INDEP**: Development of a new Internal Developer Platform (IDP) for aerospace applications using Backstage, aimed at increasing the efficiency and productivity of development teams and reducing their cognitive load.

Additionally, during this period, the Centre for the Development of Industrial Technology (CDTI) has also certified the completion of the following projects:

- **Tolerances**: Design and development of adjustment, balancing, and machining solutions for the maintenance of GTF engines. In this way, the company aims to equip itself, through the creation of new solutions, to carry out the necessary tasks for the maintenance of innovative GTF engines, positioning itself at the forefront of the sector in their maintenance.

- **IRIS-TAM**: New turn-around control system "TAM" to digitally manage all processes and activities that occur from the time the aircraft lands at an airport until it takes off again (Turn-around).

Energy efficiency

The Group is committed to environmental care and, therefore, develops initiatives aimed at reducing its environmental impact. In this regard, it has presented certain energy efficiency investments for verification and obtaining an Energy Savings Certificate (CAE) through the procedure established by the Ministry for the Ecological Transition and the Demographic Challenge.

The CAE is an instrument that allows the monetisation of energy savings, recovering part of the cost of energy efficiency investments, which in the 2024 fiscal year have saved more than 200 GWh.

Iberia has made other investments in renewing hangar lighting with LED lighting, replacing machinery in the maintenance and repair operations (MRO) area, and incorporating a new fleet of more modern and efficient aircraft.

Similarly, throughout 2024, electrified ground vehicles have continued to be incorporated to meet its commitment to energy savings and decarbonisation.

ACQUISITION OF TREASURY SHARES

During the fiscal year, no transactions involving the parent company's own shares were carried out.

COMPLIANCE WITH ARTICLE 262.1 OF THE SPANISH COMPANIES LAW FOR THE AVERAGE PAYMENT PERIOD FOR SUPPLIERS

As described in note 10.1 to the consolidated financial statements, the Group's average payment period to suppliers in 2024 was 25 days.

EXEMPTION FROM THE OBLIGATION TO SUBMIT A STATEMENT OR REPORT OF NON-FINANCIAL INFORMATION

As set out in the new Law 11/2018, of 28 December 2018, which amends the Commercial Code, the revised text of the Spanish Companies Law approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audit , in matters of non-financial information and diversity, the IB Opco Holding Group is exempt from presenting a statement or report on non-financial information as it belongs to the IAG Group, which discloses the information required in its statement of non-financial information, which will be available at the Commercial Registry, on the website of the National Securities Market Commission and on the Group's website.

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Since the end of the 2024 financial year and up to the date of preparation of these Annual Accounts, no significant events have occurred that would have resulted in a relevant modification of the information contained in the report or that could have had a significant impact on the annual accounts.

IB Opco Holding, S.L. and subsidiaries

Consolidated financial statements and management report for 2024

D. MARCO SANSAVINI

D. SANTIAGO BAU ARRECHEA

D. RAFAEL DÍAZ YEREGUI

Dª. Mª JESÚS LÓPEZ SOLÁS

D. RAFAEL JIMÉNEZ HOYOS

D. JUAN CIERCO JIMÉNEZ DE PARGA

D. GABRIEL PERDIGUERO DE LA TORRE

Dª. CAROLINA MARTINOLI CÓRDOVA

D. RICARDO GOIZUETA SAGUES

Madrid, February 25, 2025