

# IAG full year results 2025

## A world-class business creating value for our shareholders

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

"We reported another year of exceptional performance in 2025, delivering for our customers with continued improvements in on-time performance and customer satisfaction.

This sector-leading operational performance is translating into world-class financial results, with outstanding margins and superior return on capital.

Execution of our strategy and transformation programme is creating value for shareholders, with adjusted EPS growth of 22.4% and, in line with our disciplined capital allocation framework, we have grown the dividend per share by 8.9% and are announcing today a further return of excess cash of €1.5 billion.

We are confident as we look to the future, with compelling market dynamics, long-term secular growth and a clear plan to leverage our business model and deliver our strategy.

I want to thank all of our employees across IAG for their hard work and dedication, and I look forward to a year of further success in 2026."

### Highlights:

- IAG has delivered a record financial performance in 2025, driven by strong operational performance
  - Revenue grew by 3.5% to €33,213 million (2024: €32,100 million)
  - Operating profit before exceptional items grew by 13.1% to €5,024 million (2024: €4,443 million)
  - Operating margin grew by 1.3 pts to 15.1%
  - Adjusted earnings per share grew by 22.4% to 69.5 € cents per share
  - Significant free cash flow of €3.1 billion (2024: €3.6 billion)
  - Return on Invested Capital at 18.5% (2024: 17.3%)

### Summary

- Market dynamics are compelling – secular long-term demand growth in our core markets and constrained supply in a consolidating industry
- We are executing our strategy with an ambition to be the best in the world: for our customers, employees and shareholders
- Strong operational performance is continuing to deliver high free cash flow
- Disciplined capital allocation delivering sustainable margins, return on invested capital and shareholder returns

### Disciplined capital allocation

- Very strong balance sheet: net leverage 0.8x; gross leverage 1.9x
- Investing in the business at high rates of return on invested capital: €3.4 billion spent on new aircraft, onboard product, customer services, IT and property
- Building a track record of significant shareholder returns
  - Attractive and sustainable dividend: 8.9% increase in total dividend per share for 2025
  - Return of excess cash of €1.5 billion, starting with a €500 million share buyback, an increase from €1 billion announced in February 2025

### Executing on our strategy and our transformation programme

- Capacity increase of 2.4% delivering profitable growth
- Customer NPS increased by 6.9 pts to 29.5 pts
- On Time Performance increased by 4.6 pts to 82.4%
- IAG Loyalty issued 200 billion Avios, an increase of 13.1%, delivering a 20.5%\* increase in profit

### Outlook

- Executing our strategy and transformation will continue to deliver:
  - revenue growth and earnings growth at high margins and high return on capital
  - significant free cash flow leading to a stronger balance sheet
  - rewards for our shareholders with sustainable dividends and we plan significant further excess cash returns in future
- Positive outlook for 2026 supported by compelling market dynamics and secular long-term demand
- Confident in creating value for our shareholders in the long term

\*Before the impact of adopting HMRC's VAT approach, which the Group disputes and is subject to ongoing litigation.

## Financial summary:

Statutory results (€ million)	Year to 31 December			Three months to 31 December		
	2025	2024	Higher/ (lower)	2025	2024	Higher/ (lower)
Total revenue	<b>33,213</b>	32,100	3.5 %	<b>7,979</b>	8,047	(0.8)%
Operating profit	<b>5,024</b>	4,283	17.3 %	<b>1,093</b>	961	13.7 %
Profit after tax	<b>3,342</b>	2,732	22.3 %	<b>639</b>	392	63.0 %
Basic earnings per share (€ cents)	<b>71.3</b>	55.7	28.0 %			
Cash, cash equivalents and interest-bearing deposits	<b>8,319</b>	9,828	(1,509)			
Borrowings	<b>14,267</b>	17,345	(3,078)			

Alternative performance measures (€ million)	Year to 31 December			Three months to 31 December		
	2025	2024	Higher/ (lower)	2025	2024	Higher/ (lower)
Total revenue before exceptional items	<b>33,213</b>	32,100	3.5 %	<b>7,979</b>	8,047	(0.8)%
Operating profit before exceptional items <sup>1</sup>	<b>5,024</b>	4,443	13.1 %	<b>1,093</b>	1,121	(2.5)%
Operating margin before exceptional items <sup>1</sup>	<b>15.1%</b>	13.8%	1.3 pts	<b>13.7%</b>	13.9%	(0.2) pts
Profit after tax before exceptional items <sup>1</sup>	<b>3,342</b>	2,802	19.3 %	<b>639</b>	552	15.8 %
Adjusted earnings per share (€ cents)	<b>69.5</b>	56.8	22.4 %			
Net debt	<b>5,948</b>	7,517	(1,569)			
Net debt to EBITDA before exceptional items (times) <sup>1</sup>	<b>0.8</b>	1.1	(0.3)			
Total liquidity <sup>2</sup>	<b>10,948</b>	13,362	(2,414)			

Operating figures	Year to 31 December			Three months to 31 December		
	2025	2024	Higher/ (lower)	2025	2024	Higher/ (lower)
Available seat kilometres (ASK million)	<b>351,435</b>	343,253	2.4 %	<b>85,848</b>	84,320	1.8 %
Passenger revenue per ASK (€ cents)	<b>8.24</b>	8.24	0.1 %	<b>8.08</b>	8.26	(2.1)%
Non-fuel costs per ASK (€ cents)	<b>6.01</b>	5.84	2.8 %	<b>6.06</b>	6.15	(1.5)%

1 There were no exceptional items in the year to 31 December 2025 (2024: exceptional items related to employee restructuring in Iberia's ground-handling subsidiary, the termination of the Air Europa purchase agreement and tax, as explained in the Financial review and Alternative performance measures section).

2 Total liquidity includes Cash, cash equivalents and interest-bearing deposits, plus committed and undrawn general and aircraft-specific financing facilities.

The definition of the Group's alternative performance measures is set out in the Alternative performance measures note to the consolidated financial statements, which includes: Free cash flow; Net debt to EBITDA before exceptional items ('leverage'); and Return on Invested Capital. Capital expenditure is measured as the 'Acquisition of property, plant and equipment and intangible assets' from the Cash flow statement. Operating margin is shown before exceptional items. All other profit, revenue and cost metrics are quoted on a statutory basis, unless indicated otherwise.

## Modelling assumptions for 2026

### Revenue

- Capacity increase of c.3% – continuing disciplined focus on our core markets
- Cargo revenue affected by annualising high yields in 2025 from shipping disruption
- Other revenue expected to grow by low-single-digits
- Q1 bookings are strong and with the additional benefit of an earlier Easter

### Non-fuel unit costs

- Non-fuel unit costs to be down around 1%, including a benefit from FX of around two percentage points

### Fuel cost

- Total fuel cost scenarios from c.€7.0 billion, based on 31 December 2025 curve, to c.€7.4 billion, based on 24 February 2026 curve
- 62% hedged
- Including additional year-on-year ETS/CORSIA costs of c.€150 million

### Free cash flow

- Capex of c.€3.6 billion depending on fleet deliveries
- Committed to a sustainable ordinary dividend – €0.05 per share final full year 2025 dividend proposed and interim dividend to increase broadly by inflation
- Returning €1.5 billion of excess capital in the next 12 months, starting with a share buyback of €500 million to complete by the end of May
- Free cash flow after gross capex expected to be greater than €3 billion
- Majority of 17 aircraft deliveries unencumbered

## CEO review:

IAG has a powerful role to play in global economic and social advancement as one of the world's leading aviation businesses, connecting people, businesses and countries, which is why demand for our services has been so robust. We create long-term value for our shareholders as well as delivering for our wider stakeholders.

We have a business model in which IAG sets the strategy for the Group and its portfolio of businesses; performance-manages those businesses such that they individually and collectively are some of the best performing in the world; allocates capital to maximise long-term shareholder value; and develops the talent that delivers best-in-class results.

For our shareholders this will deliver long-term value creation: good revenue growth; ongoing earnings growth; sustainable dividends through the cycle; and excess capital returned to shareholders.

## Our performance in 2025

2025 was another very strong year in which we delivered record operating profit. We have grown our revenue by 3.5%, increased our operating profit before exceptional items by 13.1% and grown our adjusted earnings per share by 22.4%.

This highlights the underlying strength of demand for travel, a long-term secular trend, as well as the attractive nature of IAG's core markets, brands and customers. This diversity is one of the key strengths of our portfolio. Trading was generally strong across all our markets and even with softness in the third quarter we still delivered a record profit in that quarter. We finished the year strongly.

We continue to execute on our transformation which is delivering market-leading margins at Group and at individual operating company level. Group margins of 15.1% are now at the top of our through-the-cycle range whilst Iberia delivered a 16.2% margin, an excellent performance, with British Airways not far behind at 15.2%. Our margins, as in previous years, continue to be significantly better than those of our global competitors.

We invested in the business, with €3.4 billion spent on aircraft, customer-focused products, IT and property. This contributed to excellent operational performance, alongside improving customer Net Promoter Scores (NPS).

The strength of our operating performance and capital allocation has delivered significant value creation for our shareholders. We are proposing a final dividend of €228 million, taking the total dividend for 2025 to €448 million, an increase in total dividend per share of 8.9%. Last February we announced a €1 billion share buyback and we are pleased to be announcing another return of excess cash of €1.5 billion today. This takes the total amount of excess cash returns announced in the last three years to €2.85 billion as we build a track record of cash returns to shareholders.

## Delivering our strategy

Our business model and strategy are designed to deliver sustainable earnings growth in the medium term.

The first pillar of our strategy is to strengthen the core of the business. This means that we will grow our portfolio of global leadership positions and strengthen our portfolio of world-class brands.

Over the next few years we plan to grow our capacity (measured in available seat kilometres, ASKs) by around 2% to 4% each year. This broadly reflects the mix of growth we see in our markets as well as expected aircraft deliveries.

We expect revenue generation from our capacity growth to be supported by constrained global market supply dynamics for a number of years due to delivery delays from the aircraft manufacturers, with orders increasingly likely to be used as replacements rather than for growth.

## Leveraging our global leadership positions

**Investing in the North Atlantic:** IAG and its joint business partners have market share of 49% on the North Atlantic. Alongside our partners we serve North America 136 times each day to 34 destinations. The market is served at IAG by Aer Lingus, British Airways, Iberia and LEVEL. The North Atlantic is a more mature market and is expected to grow at low-single-digits over the medium term.

During 2025 British Airways' capacity was broadly flat in this market, as lower aircraft availability offset growth. Trading was robust throughout the year, particularly in its premium cabins, offsetting some third quarter softness in the US point-of-sale economy leisure segment. Both Aer Lingus and Iberia started to deploy their new A321XLR aircraft, profitably delivering growth from greater frequency, year-round services and targeting secondary destinations. Competitor growth into both Spain and Ireland from North America has been significant, so the ability to deploy these efficient aircraft is strategically important.

**Investing in the South Atlantic:** IAG is the market leader in the South Atlantic, operating, on average, 54 flights each day to and from Latin America, through Iberia, LEVEL and British Airways. The South Atlantic is seeing structurally higher growth and is expected to grow at mid-single-digits in the medium term.

During 2025 Iberia continued its strategy to add frequencies to its primary destinations, growing at 4.4% in the year. In particular it introduced the A321XLR to fly to South America for the first time, adding Fortaleza and Recife in Brazil. Whilst there is more capacity now being added by other airlines, Iberia's competitive cost base, investment in its customers and operational efficiency is delivering exceptional performance.

**Investing in Europe, including domestic Spain:** The short-haul European market represents 34% of IAG's total capacity and is served by our network carriers delivering feeder traffic for long-haul routes (Aer Lingus, British Airways and Iberia), alongside our efficient lower-cost operations providing a combination of feeder and point-to-point services (BA Euroflyer, BA Cityflyer, Iberia Express and Vueling). We have seen good performance in our core market of Spain but demand in Northern Europe has been weaker, exacerbated by higher costs to operate in those markets.

**Investing in the rest of the world:** Throughout the rest of the world we are selective in where we fly and our capacity is mostly delivered by British Airways and Iberia. This focus on where we deploy our capacity has seen positive performance in most markets in 2025. In particular the Asia Pacific market has been strong.

## Strengthening our portfolio of world-class brands

We continually invest in the propositions of all our airlines to improve customer experience, operational resilience, efficiency and sustainability.

Our two most important non-financial metrics are On Time Performance (OTP) and Customer NPS and both of these improved in 2025. Group OTP improved by 4.6 points to 82.4% as British Airways in particular improved its operational performance, whilst Iberia and Vueling continue to deliver world-class punctuality. Iberia Express is the most punctual airline in Europe and Iberia is the sixth most punctual airline in the world. Not only does On Time Performance drive significant productivity and efficiency benefits but it is also the biggest driver of customer satisfaction, which increased by 6.9 points in 2025. Our investments in customer service, lounges, on-board food and digital products have all also contributed to the increase.

In November we announced a partnership to implement Starlink-enabled high-speed Wi-Fi connectivity on Aer Lingus, British Airways, Iberia, LEVEL and Vueling aircraft. This will allow customers to stay connected, with download and upload speeds as good as home connectivity, enabling fast downloads, streaming and online gaming for customers on IAG airlines. The first Starlink-enabled aircraft is due to go live with British Airways in March.

## Asset-light businesses and airline partnerships

The second pillar of our strategy is to grow our complementary businesses. They are a key part of the portfolio, providing more diverse revenue streams and higher earnings growth and require significantly less capital than our airline businesses.

IAG Loyalty continues to perform well and its profit this year is now double what it was in 2019. We are seeing growth coming predominantly from new members collecting Avios from existing IAG partners, as reflected by the business increasing its active customer base by 10% in the year and issuing 13% more Avios in 2025 than in 2024. IAG Loyalty renewed its two largest non-airline partnerships in 2025, with both American Express and JPM Chase extending their agreements. The Holidays business continues to do well within IAG Loyalty, with higher quality revenue coming mainly from changes to the British Airways Club scheme. It saw a 9% increase in revenue per booking and 83% of revenue now comes from British Airways Club members. In particular, revenue from members of British Airways Club elite tiers is growing more than 15 times faster than revenue from other members. We remain confident in our position in our legal case against HMRC, which is scheduled to be heard at the end of 2026.

Other capital-light businesses include our Maintenance, Repair and Overhaul (MRO) business in Spain, which offers airframe and engine services to internal and third-party customers. We saw a strong revenue increase in the first half of the year as we worked more with third parties compared to the previous year.

Airline partnerships continue to be an essential part of the long-term strategy of the business, giving our customers access to the biggest network of destinations and frequencies globally in a capital-disciplined way whilst enabling IAG to benefit from cross-sales, connecting traffic, corporate agreements and frequent flyer agreements.

## Transforming our businesses

Our transformation programme drives our operational and financial performance, helping us to deliver margins that are currently at the top end of our range but would also provide lower cyclicality and greater resilience in a consumer downturn.

Whilst the transformation has already delivered material improvements in the last few years, we still have a significant amount of work to do, as highlighted in our recent investor updates on British Airways and Iberia. Whilst British Airways has already achieved its target 15% operating margin it still has a lot more to deliver, in particular in its commercial systems rollout and continued operational efficiencies. It is also waiting for a significant number of more efficient, high-premium-capacity aircraft to be delivered over the coming years. Iberia has a well-established customer and operational platform and plans to grow its long-haul capacity, particularly to Latin America. We plan to hold an investor day in 2026 to highlight the high-growth, high-margin, high return-on-capital opportunity that we have at IAG Loyalty. The combination of these programmes is what gives us confidence in our ability to continue to create significant shareholder value.

## Our sustainable value-creation framework

Our strategy is designed to drive sustainable profitability and accretive earnings growth. We have set medium-term targets to ensure that we create value for shareholders in a sustainable way, through the cycle. These are:

- Operating margin of 12-15%
- Return on Invested Capital of 13-16%
- Net leverage of less than 1.8x.

These targets are supported by our disciplined capital allocation framework.

## A strong Balance Sheet

Our first priority is to ensure that the business has a strong and stable financial foundation.

We are aiming to build a more efficient balance sheet over time that balances security for the future with optimising the cost of capital to the business, whilst also allowing us to deploy excess capital to maximise value creation.

We have a target to be lower than 1.8x net leverage, which we think is appropriate for a capital-intensive and cyclical business. This is a level approximate to that at which the ratings agencies assign investment grade status, which in turn ensures access to capital at competitive rates. IAG is currently rated Investment Grade by both Moodys and S&P Global.

The Group has an undrawn five-year \$3 billion sustainability-linked, secured Revolving Credit Facility, entered into in 2024.

We now have the objective to ensure our gross leverage remains between 1.5x and 2.0x by increasing the number of unencumbered aircraft in the fleet. During 2025 16 of 25 aircraft deliveries were unencumbered. Going forward we plan to purchase the majority of the 17 aircraft deliveries in 2026 as unencumbered. We are targeting to increase the value of our unencumbered assets over time.

We are also reducing our debt, having repaid, retired and repurchased €1.6 billion of gross debt during 2025. Over time we expect our overall level of financial debt to reduce further, so that the vast majority of our debt is in aircraft leases.

## **Investing in the business**

With a strong foundation in place, our next priority is to invest in the business in order to create value through long term earnings growth, at a rate of return that targets a Return on Invested Capital of 13% to 16% through the cycle. This also supports our Group operating margin target range, which reflects the different business models and markets of each of our operating companies.

Our biggest capital investment is in our fleet. This investment supports our strategy to strengthen our core and provides the platform for brand differentiation, thereby increasing customer NPS, as well as driving more efficient, sustainable operations.

In the North Atlantic, IAG is driving returns and margins principally through the rebuilding of British Airways' premium capacity to pre-COVID levels and through Iberia and Aer Lingus's new A321XLR aircraft, which are already exceeding expectations from both a customer and financial standpoint.

In the Latin American market, Iberia's earnings growth is being accelerated by its fleet of A350 and now A321XLR aircraft.

In the short-haul market our objective is broadly to maintain our overall fleet size, delivering some growth through upgauging as well as cost savings through new efficient aircraft. In particular this is planned through the introduction of a Boeing 737 fleet at Vueling which will deliver a significantly lower ownership and operating cost at the airline.

In 2025 the Group placed orders for 71 latest-generation, fuel-efficient long-haul aircraft that are planned to be delivered between 2028 and 2033, as well as options for a further 23 aircraft. These will be for a combination of replacement and growth and will be deployed in alignment with our long-term profit pool framework.

IAG's fleet is well-invested but continues to experience delays to deliveries due to issues at its suppliers, which is resulting in lower capital expenditure in the short term. Our current expectations are that in 2027 and 2028 we will spend an average of €4.9 billion per annum; between 2029 and 2031 this will average €5.6 billion; and from 2032 onwards spend will normalise at around €4.5 billion per annum.

## **A sustainable dividend**

IAG is committed to paying its shareholders a sustainable ordinary dividend through the cycle. We reintroduced a dividend in 2024 and paid a total dividend of €427 million for the 2024 year, or €0.09 per share.

During 2025 we increased the interim dividend to €220 million (€0.048 per share) partly as we moved to a 50:50 balance between interim and final dividend and reflecting a year-on-year increase broadly in line with inflation. This means that we are proposing a final dividend for 2025 of €228 million, or €0.05 per share. This represents an increase in the total dividend per share of 8.9%.

## **Returning excess cash to shareholders**

We are committed to returning excess cash to shareholders if no inorganic opportunities exist, with consideration to the outlook and to future capital requirements.

We are currently participating in the partial disposal process by the Portuguese government of TAP, which we think is a strategically interesting opportunity for the Group but will have to be on terms that create value for IAG's shareholders.

As a result, we will return €1.5 billion of excess cash to shareholders in the next 12 months.

In line with our policy to manage an efficient but strong balance sheet and in anticipation of the step-up in capital expenditure over the next five years, we will distribute excess cash to shareholders when net leverage is below 1.0x to 1.5x.

Based on our conviction in our strategy and execution, which allows us to generate significant free cash flow, we will be able to continue to pay a sustainable dividend and make further significant excess cash returns to shareholders in the future.

## **Commitment to sustainability**

We recognise the need to achieve net zero emissions by 2050 and for the aviation sector to develop sustainably. IAG advocates for a transition where climate regulations uphold the competitiveness of all airlines globally. This means regulators must administer appropriate, fair obligations on all airlines to reduce carbon emissions, alongside providing incentives that support the delivery of each emission-reduction initiative.

In 2025 we made further progress in line with our sustainability roadmap, achieving a carbon intensity of 77.5gCO<sub>2</sub>/pkm. This was achieved by increasing our Sustainable Aviation Fuel usage to 3.3% of our total fuel volumes in the year. The Group also took delivery of 25 latest-generation aircraft, which are more efficient than the aircraft they replaced, and continue to deliver operational efficiencies across our flight operations.

The deliverability of emission-reduction initiatives is undertaken in collaboration with key stakeholders. The Group monitors its targets in relation to available government support and market conditions to ensure it remains competitive with peers. The current regulatory requirements mean that European airlines will continue to be burdened with significant extra cost and be disadvantaged compared to our global competitors. We therefore continue to engage with governments and regulators to find solutions to these challenges, to support the delivery of the sector's sustainability goals.

## **Committed to our people**

All of our activities, from customer service to operations to the supporting functions, are delivered by our excellent and committed people. During the year we increased our headcount to 75,786 as we grew the business.

We are committed to supporting our employees throughout their careers at IAG. We support early-stage careers through graduate and apprenticeship programmes. Our pilot training academies at Aer Lingus, British Airways and Iberia offer funded training to a new cohort each year, helping to ensure that our airlines have a pipeline of well-trained new pilots, as well as making this role more accessible.

We are committed to an inclusive and supportive workplace. We value diversity of ideas, perspectives and experiences and are always striving to find the very best talent.

Our leaders play a key role in driving culture and transformation, and we continue to invest in talent, leadership and succession.

We are continuing to work towards sustainable pay agreements that benefit everyone. A number of agreements align pay with customer and productivity outcomes, and I am delighted that we have already launched employee share plans in Spain and plan to launch similar ones in the UK and Ireland in 2026, enabling all colleagues to share in the continued success of our business.

### **Regulatory environment**

We continue to face external challenges in our operational and regulatory environment.

The Air traffic control (ATC) situation in Europe remains difficult, as a result of conflict-related airspace closures, staffing issues and weather-related disruption. Whilst 2025 was slightly better than 2024 this issue continues to affect our customers and is an ongoing cost headwind to the airline sector. Structural reform, through the EU-led Single European Skies initiative, remains as far away as ever.

In January 2025 the UK Government confirmed its support for a third runway at Heathrow. IAG supports this commitment to growth but the cost must be far lower to ensure that Heathrow remains globally competitive. We are working with the Government, UK regulator and other stakeholders to make sure that the environment in which we operate supports economic growth, is affordable and improves service standards.

### **Outlook**

We are positively positioned for 2026.

The outlook for travel trends continues to be supportive, particularly in our core markets. We will continue to execute on our strategy, supported by our transformation programme. This will enable the continuing delivery of earnings growth at world-class margins, as well as significant free cash flow, which will help to strengthen the balance sheet as we build towards a step up in capital expenditure. We will continue to reward shareholders with a sustainable dividend and we plan significant excess cash returns to shareholders, starting with the €1.5 billion to be executed in the next 12 months.

I am incredibly grateful to our employees for their hard work in delivering another year of success across the Group in 2025 and I look forward to a positive year in 2026.

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### **Forward-looking statements:**

Certain statements included in this announcement are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements often use words such as "expects", "believes", "may", "will", "could", "should", "continues", "intends", "plans", "targets", "predicts", "estimates", "envisages" or "anticipates" or other words of similar meaning or their negatives. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the 'Group'), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure, acquisitions and divestments relating to the Group and discussions of the Group's business plans, and its assumptions, expectations, objectives and resilience with respect to climate scenarios. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, economic and geo-political, market, regulatory, climate, supply chain or other significant external events, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group's risk management process is set out in the Risk management and principal risk factors section in the Annual report and accounts 2024; this document is available on [www.iairgroup.com](http://www.iairgroup.com). All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section.

### **Alternative Performance Measures:**

This announcement contains, in addition to the financial information prepared in accordance with International Financial Reporting Standards ('IFRS') and derived from the Group's financial statements, alternative performance measures ('APMs') as defined in the Guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015. The performance and outcome of the Group's strategy is assessed using a number of APMs. These measures are not defined under IFRS, should be considered in addition to IFRS measurements, may differ to definitions given by regulatory bodies relevant to the Group and may differ to similarly titled measures presented by other companies.

For definitions and explanations of APMs, refer to the APMs section in the most recent published financial report and in the IAG Annual report and accounts 2024. These documents are available on [www.iairgroup.com](http://www.iairgroup.com).

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## CONSOLIDATED INCOME STATEMENT

€ million	Year to 31 December			Three months to 31 December		
	2025	2024	Higher/ (lower)	2025	2024	Higher/ (lower)
Passenger revenue	<b>28,969</b>	28,274	2.5 %	<b>6,935</b>	6,961	(0.4)%
Cargo revenue	<b>1,238</b>	1,234	0.3 %	<b>326</b>	364	(10.4)%
Other revenue	<b>3,006</b>	2,592	16.0 %	<b>718</b>	722	(0.6)%
<b>Total revenue</b>	<b>33,213</b>	32,100	3.5 %	<b>7,979</b>	8,047	(0.8)%
Employee costs	<b>6,586</b>	6,356	3.6 %	<b>1,695</b>	1,841	(7.9)%
Fuel costs and emissions charges	<b>7,083</b>	7,608	(6.9)%	<b>1,686</b>	1,740	(3.1)%
Handling, catering and other operating costs	<b>4,352</b>	4,135	5.2 %	<b>1,033</b>	1,034	(0.1)%
Landing fees and en-route charges	<b>2,487</b>	2,405	3.4 %	<b>592</b>	563	5.2 %
Engineering and other aircraft costs	<b>2,850</b>	2,729	4.4 %	<b>598</b>	725	(17.5)%
Property, IT and other costs	<b>1,085</b>	1,120	(3.1)%	<b>232</b>	300	(22.7)%
Selling costs	<b>1,127</b>	1,082	4.2 %	<b>329</b>	241	36.5 %
Depreciation, amortisation and impairment	<b>2,628</b>	2,364	11.2 %	<b>708</b>	627	12.9 %
Net loss/(gain) on sale of property, plant and equipment	<b>19</b>	(14)	nm	<b>18</b>	(13)	nm
Currency differences	<b>(28)</b>	32	nm	<b>(5)</b>	28	nm
Total expenditure on operations	<b>28,189</b>	27,817	1.3 %	<b>6,886</b>	7,086	(2.8)%
<b>Operating profit</b>	<b>5,024</b>	4,283	17.3 %	<b>1,093</b>	961	13.7 %
Finance costs	<b>(861)</b>	(917)	(6.1)%	<b>(230)</b>	(240)	(4.2)%
Finance income	<b>279</b>	404	(30.9)%	<b>62</b>	105	(41.0)%
Net change in fair value of financial instruments	<b>(201)</b>	(237)	(15.2)%	<b>(66)</b>	(174)	(62.1)%
Net financing credit relating to pensions	<b>84</b>	63	33.3 %	<b>21</b>	17	23.5 %
Net currency retranslation credits/(charges)	<b>317</b>	(127)	nm	<b>(3)</b>	(183)	(98.4)%
Other non-operating (charges)/credits	<b>(137)</b>	94	nm	<b>13</b>	122	(89.3)%
Total net non-operating charges	<b>(519)</b>	(720)	(27.9)%	<b>(203)</b>	(353)	(42.5)%
<b>Profit before tax</b>	<b>4,505</b>	3,563	26.4 %	<b>890</b>	608	46.4 %
Tax	<b>(1,163)</b>	(831)	40.0 %	<b>(251)</b>	(216)	16.2 %
<b>Profit after tax</b>	<b>3,342</b>	2,732	22.3 %	<b>639</b>	392	63.0 %

## ALTERNATIVE PERFORMANCE MEASURES

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

€ million	Year to 31 December			Three months to 31 December		
	Before exceptional items			Before exceptional items		
	2025	2024	Higher/ (lower)	2025	2024	Higher/ (lower)
Passenger revenue	<b>28,969</b>	28,274	2.5 %	<b>6,935</b>	6,961	(0.4)%
Cargo revenue	<b>1,238</b>	1,234	0.3 %	<b>326</b>	364	(10.4)%
Other revenue	<b>3,006</b>	2,592	16.0 %	<b>718</b>	722	(0.6)%
<b>Total revenue</b>	<b>33,213</b>	32,100	3.5 %	<b>7,979</b>	8,047	(0.8)%
Employee costs	<b>6,586</b>	6,196	6.3 %	<b>1,695</b>	1,681	0.8 %
Fuel costs and emissions charges	<b>7,083</b>	7,608	(6.9)%	<b>1,686</b>	1,740	(3.1)%
Handling, catering and other operating costs	<b>4,352</b>	4,135	5.2 %	<b>1,033</b>	1,034	(0.1)%
Landing fees and en-route charges	<b>2,487</b>	2,405	3.4 %	<b>592</b>	563	5.2 %
Engineering and other aircraft costs	<b>2,850</b>	2,729	4.4 %	<b>598</b>	725	(17.5)%
Property, IT and other costs	<b>1,085</b>	1,120	(3.1)%	<b>232</b>	300	(22.7)%
Selling costs	<b>1,127</b>	1,082	4.2 %	<b>329</b>	241	36.5 %
Depreciation, amortisation and impairment	<b>2,628</b>	2,364	11.2 %	<b>708</b>	627	12.9 %
Net loss/(gain) on sale of property, plant and equipment	<b>19</b>	(14)	nm	<b>18</b>	(13)	nm
Currency differences	<b>(28)</b>	32	nm	<b>(5)</b>	28	nm
Total expenditure on operations	<b>28,189</b>	27,657	1.9 %	<b>6,886</b>	6,926	(0.6)%
<b>Operating profit</b>	<b>5,024</b>	4,443	13.1 %	<b>1,093</b>	1,121	(2.5)%
Finance costs	<b>(861)</b>	(917)	(6.1)%	<b>(230)</b>	(240)	(4.2)%
Finance income	<b>279</b>	404	(30.9)%	<b>62</b>	105	(41.0)%
Net change in fair value of financial instruments	<b>(201)</b>	(237)	(15.2)%	<b>(66)</b>	(174)	(62.1)%
Net financing credit relating to pensions	<b>84</b>	63	33.3 %	<b>21</b>	17	23.5 %
Net currency retranslation credits/(charges)	<b>317</b>	(127)	nm	<b>(3)</b>	(183)	(98.4)%
Other non-operating (charges)/credits	<b>(137)</b>	144	nm	<b>13</b>	122	(89.3)%
Total net non-operating charges	<b>(519)</b>	(670)	(22.5)%	<b>(203)</b>	(353)	(42.5)%
<b>Profit before tax</b>	<b>4,505</b>	3,773	19.4 %	<b>890</b>	768	15.9 %
Tax	<b>(1,163)</b>	(971)	19.8 %	<b>(251)</b>	(216)	16.2 %
<b>Profit after tax</b>	<b>3,342</b>	2,802	19.3 %	<b>639</b>	552	15.8 %
Operating figures	2025	2024	Higher/ (lower)	2025	2024	Higher/ (lower)
Available seat kilometres (ASK million)	<b>351,435</b>	343,253	2.4 %	<b>85,848</b>	84,320	1.8 %
Revenue passenger kilometres (RPK million)	<b>300,814</b>	296,877	1.3 %	<b>73,066</b>	72,181	1.2 %
Passenger load factor (per cent)	<b>85.6</b>	86.5	(0.9)pts	<b>85.1</b>	85.6	(0.5)pts
Passenger numbers (thousands)	<b>121,560</b>	122,047	(0.4)%	<b>29,171</b>	29,072	0.3 %
Cargo tonne kilometres (CTK million)	<b>5,273</b>	5,253	0.4 %	<b>1,398</b>	1,444	(3.2)%
Sectors	<b>745,806</b>	741,653	0.6 %	<b>180,437</b>	179,345	0.6 %
Block hours (hours)	<b>2,328,601</b>	2,276,790	2.3 %	<b>566,463</b>	554,838	2.1 %
Average headcount	<b>75,871</b>	73,498	3.2 %	<b>n/a</b>	n/a	n/a
Aircraft in service	<b>627</b>	601	4.3 %	<b>n/a</b>	n/a	n/a
Passenger revenue per RPK (€ cents)	<b>9.63</b>	9.52	1.1 %	<b>9.49</b>	9.64	(1.6)%
Passenger revenue per ASK (€ cents)	<b>8.24</b>	8.24	0.1 %	<b>8.08</b>	8.26	(2.1)%
Cargo revenue per CTK (€ cents)	<b>23.48</b>	23.49	(0.1)%	<b>23.32</b>	25.21	(7.5)%
Fuel cost per ASK (€ cents)	<b>2.02</b>	2.22	(9.1)%	<b>1.96</b>	2.06	(4.8)%
Non-fuel costs per ASK (€ cents)	<b>6.01</b>	5.84	2.8 %	<b>6.06</b>	6.15	(1.5)%
Total cost per ASK (€ cents)	<b>8.02</b>	8.06	(0.4)%	<b>8.02</b>	8.21	(2.3)%

## TRAFFIC AND CAPACITY STATISTICS - GROUP

	Year to 31 December			Three months to 31 December		
	2025	2024	Higher/(lower) vly	2025	2024	Higher/(lower) vly
<b>Passengers carried ('000s)</b>	<b>121,560</b>	<b>122,047</b>	<b>(0.4)%</b>	<b>29,171</b>	<b>29,072</b>	<b>0.3 %</b>
North Atlantic	13,381	13,447	(0.5)%	3,178	3,228	(1.5)%
Latin America and Caribbean	7,486	7,254	3.2 %	1,933	1,882	2.7 %
Europe	62,963	63,322	(0.6)%	14,619	14,507	0.8 %
Domestic (Spain and UK)	29,754	30,196	(1.5)%	7,345	7,437	(1.2)%
Africa, Middle East and South Asia	6,605	6,498	1.6 %	1,749	1,691	3.4 %
Asia Pacific	1,371	1,330	3.1 %	347	327	6.1 %
<b>Revenue passenger kilometres (million)</b>	<b>300,814</b>	<b>296,877</b>	<b>1.3 %</b>	<b>73,066</b>	<b>72,181</b>	<b>1.2 %</b>
North Atlantic	89,090	89,587	(0.6)%	20,992	21,368	(1.8)%
Latin America and Caribbean	61,384	59,023	4.0 %	15,952	15,338	4.0 %
Europe	77,130	76,654	0.6 %	17,287	17,166	0.7 %
Domestic (Spain and UK)	25,036	24,663	1.5 %	6,177	6,183	(0.1)%
Africa, Middle East and South Asia	34,824	34,236	1.7 %	9,292	8,959	3.7 %
Asia Pacific	13,350	12,714	5.0 %	3,366	3,167	6.3 %
<b>Available seat kilometres (million)</b>	<b>351,435</b>	<b>343,253</b>	<b>2.4 %</b>	<b>85,848</b>	<b>84,320</b>	<b>1.8 %</b>
North Atlantic	106,752	105,304	1.4 %	25,218	25,176	0.2 %
Latin America and Caribbean	69,059	66,879	3.3 %	18,026	17,470	3.2 %
Europe	90,469	88,513	2.2 %	20,530	20,368	0.8 %
Domestic (Spain and UK)	28,029	27,438	2.2 %	6,917	7,047	(1.8)%
Africa, Middle East and South Asia	41,913	40,821	2.7 %	11,206	10,645	5.3 %
Asia Pacific	15,213	14,298	6.4 %	3,951	3,614	9.3 %
<b>Passenger load factor (%)</b>	<b>85.6</b>	<b>86.5</b>	<b>(0.9)</b>	<b>85.1</b>	<b>85.6</b>	<b>(0.5)</b>
North Atlantic	83.5	85.1	(1.6)	83.2	84.9	(1.7)
Latin America and Caribbean	88.9	88.3	0.6	88.5	87.8	0.7
Europe	85.3	86.6	(1.3)	84.2	84.3	(0.1)
Domestic (Spain and UK)	89.3	89.9	(0.6)	89.3	87.7	1.6
Africa, Middle East and South Asia	83.1	83.9	(0.8)	82.9	84.2	(1.3)
Asia Pacific	87.8	88.9	(1.1)	85.2	87.6	(2.4)
<b>Cargo tonne kilometres (million)</b>	<b>5,273</b>	<b>5,253</b>	<b>0.4 %</b>	<b>1,398</b>	<b>1,444</b>	<b>(3.2)%</b>

## TRAFFIC AND CAPACITY STATISTICS - BY AIRLINE

	Year to 31 December			Three months to 31 December		
	2025	2024	Higher/(lower) vly	2025	2024	Higher/(lower) vly
<b>Aer Lingus</b>						
Passengers carried ('000s)	<b>11,339</b>	11,018	2.9 %	<b>2,545</b>	2,521	1.0 %
Revenue passenger kilometres (million)	<b>27,681</b>	26,317	5.2 %	<b>6,271</b>	6,205	1.1 %
Available seat kilometres (million)	<b>34,848</b>	32,676	6.6 %	<b>8,338</b>	8,034	3.8 %
Passenger load factor (%)/Pts variance	<b>79.4</b>	80.5	(1.1)pts	<b>75.2</b>	77.2	(2.0) pts
Cargo tonne kilometres (million)	<b>174</b>	185	(5.9)%	<b>49</b>	53	(7.5)%
<b>British Airways</b>						
Passengers carried ('000s)	<b>46,334</b>	46,164	0.4 %	<b>11,409</b>	11,202	1.8 %
Revenue passenger kilometres (million)	<b>149,396</b>	149,156	0.2 %	<b>36,676</b>	36,669	- %
Available seat kilometres (million)	<b>178,186</b>	175,141	1.7 %	<b>43,748</b>	43,314	1.0 %
Passenger load factor (%)/Pts variance	<b>83.8</b>	85.2	(1.4) pts	<b>83.8</b>	84.7	(0.9) pts
Cargo tonne kilometres (million)	<b>3,762</b>	3,814	(1.4)%	<b>970</b>	1,035	(6.3)%
<b>Iberia</b>						
Passengers carried ('000s)	<b>24,805</b>	25,859	(4.1)%	<b>6,061</b>	6,281	(3.5)%
Revenue passenger kilometres (million)	<b>76,645</b>	75,408	1.6 %	<b>19,008</b>	18,681	1.8 %
Available seat kilometres (million)	<b>86,540</b>	85,792	0.9 %	<b>21,467</b>	21,268	0.9 %
Passenger load factor (%)/Pts variance	<b>88.6</b>	87.9	0.7 pts	<b>88.5</b>	87.8	0.7 pts
Cargo tonne kilometres (million)	<b>1,289</b>	1,204	7.1 %	<b>366</b>	341	7.3 %
<b>LEVEL</b>						
Passengers carried ('000s)	<b>899</b>	846	6.3 %	<b>221</b>	171	29.2 %
Revenue passenger kilometres (million)	<b>7,661</b>	7,192	6.5 %	<b>1,875</b>	1,490	25.8 %
Available seat kilometres (million)	<b>8,287</b>	7,555	9.7 %	<b>2,085</b>	1,574	32.5 %
Passenger load factor (%)/Pts variance	<b>92.4</b>	95.2	(2.8) pts	<b>89.9</b>	94.7	(4.8) pts
Cargo tonne kilometres (million)	<b>48</b>	50	(4.0)%	<b>13</b>	15	(13.3)%
<b>Vueling</b>						
Passengers carried ('000s)	<b>38,183</b>	38,160	0.1 %	<b>8,935</b>	8,897	0.4 %
Revenue passenger kilometres (million)	<b>39,431</b>	38,804	1.6 %	<b>9,236</b>	9,136	1.1 %
Available seat kilometres (million)	<b>43,574</b>	42,089	3.5 %	<b>10,210</b>	10,130	0.8 %
Passenger load factor (%)/Pts variance	<b>90.5</b>	92.2	(1.7) pts	<b>90.5</b>	90.2	0.3 pts
Cargo tonne kilometres (million)	<b>n/a</b>	n/a	n/a	<b>n/a</b>	n/a	n/a

## Financial review

### IAG capacity

In 2025, passenger capacity operated, measured in available seat kilometres (ASKs), rose by 2.4% versus 2024. This capacity increase was lower than that originally planned for the year, as reduced availability of engines for the long-haul fleet resulted in a higher number of aircraft being unavailable to fly.

### Capacity operated by region

Year to 31 December 2025	Proportion of total ASKs 2025	ASKs higher/ (lower) v2024	Passenger load factor (%)	Higher/ (lower) v2024
North Atlantic	<b>30.4 %</b>	1.4 %	83.5	(1.6) pts
Latin America and Caribbean	<b>19.7 %</b>	3.3 %	88.9	0.6 pts
Europe	<b>25.7 %</b>	2.2 %	85.3	(1.3) pts
Domestic (Spain and UK)	<b>8.0 %</b>	2.2 %	89.3	(0.6) pts
Africa, Middle East and South Asia	<b>11.9 %</b>	2.7 %	83.1	(0.8) pts
Asia Pacific	<b>4.3 %</b>	6.4 %	87.8	(1.1) pts
<b>Total network</b>	<b>100.0 %</b>	<b>2.4 %</b>	<b>85.6</b>	<b>(0.9) pts</b>

### Capacity operated by airline

Year to 31 December 2025	ASKs higher/ (lower) v2024	Passenger load factor (%)	Higher/ (lower) v2024
Aer Lingus	6.6 %	79.4	(1.1) pts
British Airways	1.7 %	83.8	(1.4) pts
Iberia	0.9 %	88.6	0.7 pts
LEVEL	9.7 %	92.4	(2.8) pts
Vueling	3.5 %	90.5	(1.7) pts
<b>Group</b>	<b>2.4 %</b>	<b>85.6</b>	<b>(0.9) pts</b>

### North Atlantic

The North Atlantic, in particular between the UK and the US, is one of the world's largest and most valuable airline markets; IAG has a strong position in this market, which is one of its key profit pools. The Group grew its capacity across the North Atlantic by 1.4% in 2025. British Airways continued to consolidate its position, and expanded to serve Pittsburgh on a daily basis, together with increases in frequencies to destinations including Austin, Vancouver and Washington. Some of the British Airways US routes were flown by American Airlines (a partner airline within the Atlantic Joint Business), due to engine availability issues in British Airways' Boeing 787 fleet. Iberia and Aer Lingus deployed their new Airbus A321XLRs to the region. Iberia increased flights to Boston, increased Washington to year-round and launched A330 flights to Orlando. Aer Lingus launched services to US secondary cities, such as Nashville and Indianapolis. LEVEL benefited from a full year of flying to Miami, which was a new route in 2024. Passenger load factor for the region was down 1.6 points versus 2024 to 83.5%.

### Latin America and Caribbean (LACAR)

IAG's other core long-haul profit pool is Latin America and Caribbean. Latin America is a market which is growing strongly as economic investment, migration and leisure travel increases between Latin America and Europe, and Iberia has a strong position in this market. The Caribbean is a profitable leisure market, particularly for British Airways. The Group grew its capacity to the LACAR region by 3.3% in 2025. Iberia increased

frequencies on core routes, with Buenos Aires up to three flights per day and São Paulo up to two flights per day. Iberia also launched A321XLR flights to Recife, Brazil in December. Flights to Venezuela were suspended from November, following the recommendation of the *Agencia Estatal de Seguridad Aérea* in Spain. However, Venezuela only represents approximately 2% of Iberia's capacity to the LACAR region. LEVEL increased flying to Buenos Aires and Santiago de Chile. British Airways rebalanced its flying in the region, increasing capacity to Antigua, Cancun and St Lucia, whilst reducing capacity to Aruba, Santiago de Chile and Tobago. The passenger load factor for the region of 88.9% was up 0.6 points versus 2024.

### Europe

The Group's capacity in Europe was 2.2% higher than in 2024, with robust demand for leisure travel. The Group's airlines adjusted flying across the region to match customer demand. British Airways increased capacity to destinations such as Florence, Milan, Rome and Crete, and resumed services from London City airport to Madrid in December. Aer Lingus saw the continuation of leisure routes it launched in 2024, such as Malta and Seville, as well as the expansion of services to European sun destinations such as Lanzarote and Tenerife. Vueling changes included increased flying to London from Alicante, Malaga and Seville. Iberia increased flying to Amsterdam, Naples and Rome, whilst slightly reducing capacity overall to Europe due to the current operational issues the industry is facing with narrow-bodied new-generation engines. Passenger load factor for the region was down 1.3 points versus 2024 to 85.3%.

### Domestic

Capacity and passenger numbers in IAG's Domestic markets, which are predominantly within mainland Spain and to the Canary and Balearic Islands, continued to increase overall, up 2.2% versus 2024, driven by Vueling, which included increased flying from the Spanish peninsula to the Canary Islands. As in the Europe region, Iberia reduced capacity due to engine issues on new-generation narrow-bodied aircraft, with the impact to customers partly mitigated by increased flying from its franchise partner, Air Nostrum. The passenger load factor remained high across the year at 89.3%, down 0.6 points versus the previous year.

### Africa, Middle East and South Asia (AMESA)

Capacity to this region was up 2.7% on 2024. British Airways increased flying to Amman, Delhi, Jeddah and Johannesburg, at the same time reducing capacity to Abu Dhabi, Bahrain, Doha and Kuwait. British Airways and Iberia resumed flights to Tel Aviv in October. The other main changes in capacity to the region were driven by Vueling, which increased flying from Barcelona to Istanbul and Morocco, whilst reducing flights from Paris to Morocco. Passenger load factor for the region was down 0.8 points versus 2024 to 83.1%.

### Asia Pacific

British Airways is the Group's main operator to the region, with its capacity to Asia Pacific still lower than it was in 2019, due to a shortage of long-haul aircraft. British Airways added Bangkok from late 2024 and resumed flights to Kuala Lumpur in the summer, which offset planned reductions in capacity to Beijing and Hong Kong, which were undertaken to build resilience elsewhere across its network. Iberia relaunched its route to Tokyo in October 2024 and so the growth in capacity in the region also included the benefit of a full year of flying to Japan by Iberia in 2025. The net increases during 2025 led to capacity 6.4% higher than 2024, with the passenger load factor for the region down 1.1 points versus 2024 to 87.8%.

## Basis of preparation

In its assessment of going concern over the period of at least 12 months from the date of approval of this report (the 'going concern period'), the Board has considered the impact of a severe but plausible downside scenario and sensitivities, together with aircraft financing requirements. Consequently the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern period, and hence continue to adopt the going concern basis.

## Summary

The overall backdrop for the year saw positive impacts from lower fuel prices, with commodity prices down around 11% versus 2024, together with favourable foreign exchange, with the US dollar approximately 3% weaker across the year. The first half of the year saw some uncertainty linked to the threat of and subsequent introduction of certain US tariffs. Geopolitical issues in certain regions were present across the year. Despite these challenges, demand for travel proved to be robust overall and some areas of softness, such as US point-of-sale leisure and intra-European travel, particularly in central Europe, were offset by demand in other areas, including Latin America and the Spanish Domestic region. Demand for premium travel remained strong. Cargo was slightly weaker in the second half of the year, once the impact of Red Sea disruption had normalised, and IAG continued to grow other revenue streams, including in the Iberia Maintenance, Repair and Overhaul (MRO) business, and at IAG Loyalty, which includes British Airways Holidays.

The Group's operating profit for the year increased by €741 million, or 17.3%, versus 2024, driven by higher passenger unit revenues and lower fuel unit costs, partially offset by an increase in non-fuel unit costs, as discussed further below. The increase in operating profit included the impact of favourable foreign exchange of €165 million in 2025 and an exceptional charge for restructuring in 2024 of €160 million.

## Profit for the year

Statutory results € million	2025	2024	Higher/ (lower) vly
Operating profit	<b>5,024</b>	4,283	741
Profit before tax	<b>4,505</b>	3,563	942
Profit after tax	<b>3,342</b>	2,732	610

## Summary of exceptional items

The Group uses alternative performance measures (APMs) to analyse the underlying results of the business excluding exceptional items, which are those that in the Board's and management's view need to be separately disclosed by virtue of their size or incidence in understanding the entity's financial performance.

There were no exceptional items in 2025.

In 2024, the Group recorded exceptional items relating to employee restructuring in Iberia's ground-handling subsidiary, the termination of the Air Europa purchase agreement, and a net credit relating to changes in tax legislation in Spain, the main impact of which was changing the rate at which tax losses can be utilised from 2016 onwards.

A summary of the exceptional items relating to 2024 is given below, with more detail in the Alternative performance measures section.

Income statement line	Exceptional item description	(Charge)/credit to the Income statement € million	
		2025	2024
Employee costs	Iberia restructuring costs	-	(160)
Other non-operating credits	Termination of Air Europa agreement	-	(50)
Tax	Tax on exceptional items above	-	40
Tax	Changes to Spanish tax legislation	-	100

## Operating profit before exceptional items

The Operating profit before exceptional items for 2025 of €5,024 million was €581 million better than 2024, driven by the increased capacity and higher revenues, net of higher operating costs, as explained further below. The Profit after tax and before exceptional items was €3,342 million, €540 million higher than the 2024 profit of €2,802 million.

Alternative performance measures (before exceptional items) € million	2025	2024	Higher/ (lower) vly
Operating profit	<b>5,024</b>	4,443	581
Profit before tax	<b>4,505</b>	3,773	732
Profit after tax	<b>3,342</b>	2,802	540

The operating margin before exceptional items of 15.1% was 1.3 points higher than in 2024 and at the top of the Group's 12-15% medium-term target range.

## Revenue

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Passenger revenue	<b>28,969</b>	2.5 %	695
Cargo revenue	<b>1,238</b>	0.3 %	4
Other revenue	<b>3,006</b>	16.0 %	414
Total revenue	<b>33,213</b>	3.5 %	1,113

Total revenue increased €1,113 million versus 2024, after adverse foreign exchange rate movements of €359 million, due to adverse transaction foreign exchange impacts on revenue of €220 million and the translation of British Airways' and IAG Loyalty's results from pound sterling into euro, which resulted in an adverse variance of €139 million versus 2024.

## Passenger revenue

Year to 31 December 2025	ASKs higher/(lower) v2024	Passenger revenue per ASK higher/(lower) v2024 <sup>1</sup>
North Atlantic	1.4 %	(0.5)%
Latin America and Caribbean	3.3 %	2.1 %
Europe	2.2 %	(2.8)%
Domestic (Spain and UK)	2.2 %	- %
Africa, Middle East and South Asia	2.7 %	(0.8)%
Asia Pacific	6.4 %	2.6 %
<b>Total network</b>	<b>2.4 %</b>	<b>0.1 %</b>

<sup>1</sup> Passenger revenue per ASK for the total network is based on total passenger revenue divided by ASKs. For the analysis by region, passenger revenue excludes certain items that are not directly assigned at a route level, including joint business payments or receipts, foreign exchange hedging gains or losses, EC261 and UK261 compensation, and adjustments to assumptions for unused tickets.

The increase in Passenger revenue of €695 million, or 2.5%, reflected the increase in passenger capacity of 2.4%, with resilient demand for travel in IAG's core markets, despite some areas of softness versus the previous year, notably in the US point-of-sale economy segment, together with intra-European travel, particularly in the third quarter, with both showing improvement in the fourth quarter.

The passenger load factor for the year of 85.6% was 0.9 points lower than in 2024. Passenger yields, measured as passenger revenue per revenue passenger kilometre (RPK) were 1.1% higher than in 2024. The resulting passenger unit revenue (passenger revenue per ASK) for the year was broadly unchanged versus 2024, including adverse foreign exchange of 0.9 points.

## Cargo revenue

Cargo revenue of €1,238 million was 0.3% higher than in 2024. Cargo volumes, measured in cargo tonne kilometres (CTKs), were 0.4% higher than the previous year. Cargo yields, measured as cargo revenue per cargo tonne kilometre, were 0.1% lower than in 2024. In the first half of 2025, market yields remained buoyant, fuelled by worldwide supply chain disruptions and strong customer demand, but they fell year on year in the second half as the Red-Sea-related rate spike normalised. Notwithstanding the evolving market trends, the Group kept its focus on high-yield and premium routes, delivering growth in key regions Asia Pacific and Africa.

## Other revenue

Overall for the year, Other revenue was up 16.0% or €414 million versus 2024 to €3,006 million.

Iberia's MRO business saw increased engine maintenance activity for third-party airlines, with revenues from maintenance and overhaul services up €225 million to €1,045 million. The growth was weighted to the first half of the year, as the third-party activity in the first half of 2024 had been lower than average. Revenue from ground-handling, mainly reflecting Iberia's ground-handling subsidiary, SOUTH, was €191 million, €32 million higher than 2024.

One of the Group's strategic imperatives is to drive earnings growth through asset-light businesses, with the growth of IAG Loyalty a particular priority. The impact of the growth in IAG Loyalty contributes both to the airlines' Passenger revenue and to Other revenue, through both the issuance and redemption of its loyalty currency, Avios. IAG Loyalty delivered another strong year of growth in the number of members collecting Avios, including through its long-term partnership with American Express, which was extended in the year. IAG Loyalty includes British Airways Holidays; Group holiday and hotel services revenue was up by €20 million to €1,010 million and other loyalty revenue (within brand and marketing services) was up by €15 million to €451 million.

Other significant aspects of other revenue were mainly driven by the sale of certain carbon attributes, available due to the Group's investment in SAF above mandates, and the sale of other energy-saving certificates in Spain, generated from the purchase of certain new aircraft. These revenues are expected to moderate in future years as environmental mandates increase.

## Operating costs

Total operating expenditure rose from €27,817 million in 2024 to €28,189 million in 2025, an increase of 1.3%, linked to the higher volume of flights and an increase in non-fuel unit costs, which increased by 2.8%, partially offset by lower fuel unit costs.

The increase in non-fuel unit costs was impacted by favourable foreign exchange impacts of €272 million, representing 1.3 points of the variance; the foreign exchange benefit was offset by a similar adverse impact from costs arising from the Group's increased other revenue. The remaining growth in non-fuel unit costs was due to: increased resourcing to recruit, train and then operate the larger flying programme in the peak summer season; the investments in the airlines' operations and customer experience; and the impact of wage increases and supplier cost increases. These costs were partially mitigated by the impact of the Group's transformation and innovation initiatives.

## Employee costs

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Employee costs	<b>6,586</b>	3.6 %	230
Employee costs per ASK, € cents <sup>1</sup>	<b>1.87</b>	3.8 %	

<sup>1</sup> Employee costs per ASK variance calculated excluding exceptional item related to Iberia restructuring in 2024.

The rise in Employee costs of €230 million, or 3.6%, versus 2024 reflected the increase in the Group's capacity and the related increase in employee numbers, together with investments in the airlines' operations. Average headcount for the year was 75,871, up 2,373 or 3.2% versus 2024. The strong performance in 2025 also led to higher payments to colleagues in the form of bonuses and other performance-related payments. The Group had agreements in place with substantially all employee groups at the end of 2025. Employee costs in 2024 included an exceptional restructuring charge related to Iberia's SOUTH subsidiary of €160 million.

On a unit basis per ASK, and excluding the impact of the exceptional restructuring charge in the 2024 base, Employee costs were up 3.8% versus 2024.

## Fuel costs and emissions charges

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Fuel costs and emissions charges	<b>7,083</b>	(6.9)%	(525)
Fuel costs and emissions charges per ASK, € cents	<b>2.02</b>	(9.1)%	

Fuel costs and emissions charges were down €525 million, or 6.9% versus 2024, driven by lower prices, partially offset by increased flying volumes. Foreign exchange movements accounted for €252 million of the year-on-year reduction, due to a weaker US dollar.

## Jet fuel price trend (\$ per metric tonne)



## Fuel hedging

The Group seeks to reduce the impact of volatile commodity prices by hedging prices in advance. The Group's fuel hedging policy is designed to provide flexibility to respond to both significant unexpected reductions in travel demand or capacity and/or material or sudden changes in jet fuel prices. The policy allows for differentiation within the Group, to match the nature of each operating company, and the use of call options for a proportion of the hedging undertaken. The policy operates on a three-year rolling basis, with hedging of up to 75% of anticipated requirements in near-term, reducing steadily over the first two years down to 20% for the final year. The policy also provides flexibility for low-cost airlines within the Group to adopt hedging of up to 80% in the near-term.

## Fuel consumption

The Group continued to benefit from reduced fuel consumption associated with the investment in new fleet, with 24 newer-generation and more fuel-efficient aircraft delivered and brought into service in the year. Despite the reduced passenger load factors versus 2024, the fleet changes and increased use of SAF led to reduced carbon intensity, measured as grammes of CO<sub>2</sub> per passenger kilometre, which was down 0.7% versus 2024. SAF accounted for 3.3% of the Group's fuel consumption in 2025.

The Group's effective fuel price net of fuel hedging and related foreign currency hedging was down approximately 9% versus 2024. Fuel consumption and costs continue to benefit from the Group's investment in new-generation aircraft.

The premia paid for the use of Sustainable Aviation Fuel (SAF) are included within Fuel costs and emissions charges; in 2025 this cost was €222 million, approximately double that in 2024, as the Group increased its use of SAF. The cost of complying with various emissions trading requirements and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) was €378 million, up €77 million versus 2024.

Fuel costs and emissions charges were down 9.1% on a unit basis.

## Supplier costs

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Handling, catering and other operating costs	<b>4,352</b>	5.2 %	217
Landing fees and en-route charges	<b>2,487</b>	3.4 %	82
Engineering and other aircraft costs	<b>2,850</b>	4.4 %	121
Property, IT and other costs	<b>1,085</b>	(3.1)%	(35)
Selling costs	<b>1,127</b>	4.2 %	45
Currency differences	<b>(28)</b>	nm	(60)
Total Supplier costs	<b>11,873</b>	3.2 %	370
Supplier cost per ASK, € cents	<b>3.38</b>	0.8 %	

Total Supplier costs rose by €370 million, or 3.2%, to €11,873 million, with the impact of the Group's cost transformation initiatives partially mitigating the impacts of inflation and the additional operating cost arising from the Group's investment in customer experience and IT. Handling, catering and other operating costs include costs related to growth in British Airways Holidays, and Engineering and other aircraft costs include costs related to the growth in Iberia's MRO revenues. The increase in selling costs was driven by vouchers for future travel issued to Iberia customers as a consequence of disruption to operations in the year.

Total foreign currency impacts on Supplier costs were €231 million favourable versus 2024, with favourable transaction foreign exchange impact of €189 million (which includes the favourable currency differences variance of €60 million shown above), together with favourable translation foreign exchange impacts of €42 million related to translating British Airways' and IAG Loyalty's supplier costs from pound sterling into euro.

On a unit basis per ASK, Supplier costs were higher 0.8% than in 2024.

## Ownership costs

Ownership costs include Depreciation, amortisation and impairment of tangible and intangible assets, including right-of-use assets, and the Net loss/(gain) on sale of property, plant and equipment.

€ million	2025	Higher/ (lower) vly (%)	Higher/ (lower) vly
Depreciation, amortisation and impairment	<b>2,628</b>	11.2 %	264
Net loss/(gain) on sale of property, plant and equipment	<b>19</b>	nm	(33)
Total Ownership costs	<b>2,647</b>	12.6 %	297
Ownership costs per ASK, € cents	<b>0.75</b>	10.0 %	

The increase in Ownership costs versus 2024 is mainly driven by the increase in the Group's fleet of aircraft, linked to the increased capacity and the investments in new, more fuel-efficient aircraft. In addition, costs increased due to the depreciation related to aircraft maintenance and investments to improve the customer experience, such as new business cabin seats, digital offerings and lounges. The Net loss/(gain) on sale of property, plant and equipment was €19 million, reflecting the disposal of aircraft withdrawn from service and related spare parts. Ownership costs include net foreign exchange impacts of €4 million.

On a unit basis per ASK, Ownership costs were up 10.0% versus 2024.

## Aircraft fleet

In 2025, the in-service fleet increased by 26 aircraft, with 38 entering service and 12 retiring. The aircraft entering service comprised 24 out of the 25 new deliveries from Airbus and Boeing, eight used aircraft that were delivered in 2024 but did not start flying for the Group until 2025, and a further six used aircraft leased directly from aircraft lessors.

## Fleet numbers

Number of aircraft in service	2025	2024	Higher/ (lower) vly
Short-haul	<b>412</b>	396	4.0 %
Long-haul	<b>215</b>	205	4.9 %
Total	<b>627</b>	601	4.3 %

In addition to the in-service fleet, there were a further nine aircraft not in service, made up of five aircraft held by the Group pending disposal or lease return, as well as one Airbus A321XLR for Iberia and three Airbus A320ceo for Vueling that were delivered in 2025 but had not yet entered service by 31 December 2025.

## Exchange rate impact

Exchange rate impacts are calculated by retranslating current year results at prior year exchange rates. The reported revenues and expenditures are impacted by the translation of currencies other than euro to the Group's reporting currency of euro: primarily pound sterling related to British Airways and IAG Loyalty. From a transaction perspective, the Group's performance is impacted by the fluctuation of exchange rates, primarily exposure to the pound sterling, euro and US dollar. The Group typically generates a surplus in most currencies in which it does business, except the US dollar, for which capital expenditure, debt repayments and fuel purchases typically create a deficit which is managed and partially hedged. The Group hedges its economic exposure from transacting in foreign currencies but does not hedge the translation impact of reporting in euro.

Overall, in 2025 the Group operating profit before exceptional items was improved by €165 million due to favourable exchange rate impacts, with revenue reduced by €359 million and operating cost reduced by €524 million.

## Exchange rate impact before exceptional items

€ million Favourable/(adverse)	2025		
	Translation impact	Transaction impact	Total exchange impact
Total exchange impact on revenue	(139)	(220)	<b>(359)</b>
Total exchange impact on operating expenditures	98	426	<b>524</b>
Total exchange impact on operating profit	(41)	206	<b>165</b>

€ million Favourable/(adverse)	2024		
	Translation impact	Transaction impact	Total exchange impact
Total exchange impact on revenue	505	(242)	263
Total exchange impact on operating expenditures	(432)	106	(326)
Total exchange impact on operating profit	73	(136)	(63)

The exchange rates of the Group were as follows:

	2025	2024	Higher/ (lower) vly
<b>Translation - Balance sheet</b>			
£ to €	<b>1.14</b>	1.21	(5.8)%
<b>Translation - Income statement (weighted average)</b>			
£ to €	<b>1.17</b>	1.18	(0.8)%
<b>Transaction (weighted average)</b>			
£ to €	<b>1.17</b>	1.18	(0.8)%
€ to \$	<b>1.14</b>	1.09	4.6 %
£ to \$	<b>1.33</b>	1.28	3.9 %

### Total net non-operating costs

Total net non-operating costs for the year were €519 million, versus €720 million in 2024.

Finance costs of €861 million were €56 million lower than in 2024, due to early debt repayments made in the second half of 2024 and the bond repayments in early 2025. Finance income at €279 million was down from €404 million in 2024, reflecting progressive interest rate cuts since the middle of 2024. The Net change in the fair value of financial instruments of €201 million mainly reflects the increase in the fair value of IAG's €825 million convertible bonds maturing in 2028, which increased in line with the Group's strong share price performance during the year. Net currency retranslation resulted in a credit of €317 million in 2025 versus a charge of €127 million in 2024, principally reflecting the weakening of the US dollar in 2025 versus a strengthening in 2024. Other non-operating charges of €137 million in 2025 (2024: credit of €94 million) mainly represent net gains or losses on derivative contracts for which hedge accounting is not applied.

### Tax

The tax charge on the Profit for the year was €1,163 million (2024: tax charge of €831 million), and the effective tax rate was 25.8% (2024: 23.3%).

The substantial majority of the Group's activities are taxed where the main operations are based: in Spain, the UK and Ireland, which have statutory corporation tax rates of 25%, 25% and 12.5% respectively for 2025. The expected tax rate for the Group is determined by applying the relevant corporation tax rate, as adjusted by domestic top-up taxes, to the profits or losses of each jurisdiction. The geographical distribution of profits and losses in the Group results in the expected tax rate being 24% for the year.

The difference between the actual effective tax rate of 26% and the expected tax rate of 24% is principally due to Spanish tax arising on intragroup dividends, partially offset by the recognition of prior year tax assets.

The Profit after tax for the year was €3,342 million (2024: €2,732 million).

### IAG Loyalty VAT

As previously disclosed, beginning in 2022 and for periods commencing March 2018, His Majesty's Revenue and Customs in the UK (HMRC) undertook a review of the appropriate VAT accounting to be applied by IAG Loyalty, and the validity of a historical ruling ('the Ruling') issued by HMRC to the Group. On 29 October 2024, HMRC issued a decision asserting that VAT is payable at the standard rate of 20% on the issuance of Avios as opposed to the historical approach of accounting for VAT depending on the nature of the redemption products for which Avios are redeemed, for which the vast majority are flights that are zero-rated.

During 2025, the Group appealed this matter to the First-tier Tribunal (Tax) in the UK with a hearing scheduled for the fourth quarter of 2026, with a decision of the First-tier Tribunal (Tax) expected during 2027. To advance the case to the First-tier Tribunal (Tax), without admission of liability, the Group paid amounts to HMRC for periods prior to its decision, and net of amounts recovered as input VAT for certain of its subsidiaries, of €507 million, which is expected to be refunded if the matter is resolved in the Group's favour. Accordingly, these amounts have been recorded as a non-current asset on the Balance sheet.

In addition, during 2025, the Group applied to the High Court in the UK for a judicial review as to whether IAG Loyalty had a legitimate expectation that it could rely on the Ruling. On 6 January 2026 the High Court in the UK approved IAG Loyalty's request to stay the judicial review proceedings until after the conclusion of the First-tier Tribunal (Tax) proceedings and any subsequent appeals.

For payments made to HMRC for periods subsequent to its decision on 29 October 2024, a proportion of the payments made reduce the amounts that would have previously been recognised within Deferred revenue in the Balance sheet upon issuance of the Avios and subsequently within Passenger revenue and Other revenue in the Income statement when the Avios are redeemed. These payments amount to €89 million at 31 December 2025 and have been disclosed as a contingent asset.

The Directors are satisfied that it is not probable that an adverse outcome will eventuate, and accordingly, the Group continues to consider at 31 December 2025, and through to the date of this report, that the €507 million non-current asset, recognised as a result of the payment to HMRC, is recoverable.

Further detail on tax matters, including IAG Loyalty can be found in note 10 to the consolidated financial statements.

## Operating profit performance of airline operating companies

	Aer Lingus € million		British Airways £ million		Iberia <sup>1</sup> € million		Vueling € million	
	2025	Higher/ (lower) vly	2025	Higher/ (lower) vly	2025	Higher/ (lower) vly	2025	Higher/ (lower) vly
Statutory								
Passenger revenue	2,454	150	13,722	256	6,126	264	3,235	(9)
Cargo revenue	50	(5)	788	(1)	320	15	-	-
Other revenue	25	8	169	16	1,639	264	29	12
<b>Total revenue</b>	<b>2,529</b>	<b>153</b>	<b>14,679</b>	<b>271</b>	<b>8,085</b>	<b>543</b>	<b>3,264</b>	<b>3</b>
Fuel costs and emissions charges	628	(10)	3,403	(273)	1,476	(135)	856	(39)
Employee costs	551	37	3,142	271	1,486	(132)	460	33
Supplier costs	871	16	4,677	(2)	3,255	270	1,257	(3)
Ownership costs <sup>2</sup>	197	33	1,227	93	555	94	298	19
<b>Operating profit</b>	<b>282</b>	<b>77</b>	<b>2,230</b>	<b>182</b>	<b>1,313</b>	<b>446</b>	<b>393</b>	<b>(7)</b>
<i>Operating margin</i>	11.1%	2.5 pts	15.2%	1.0 pts	16.2%	4.7 pts	12.0%	(0.3)pts
Alternative performance measures <sup>3</sup>								
Passenger revenue	2,454	150	13,722	256	6,126	264	3,235	(9)
Cargo revenue	50	(5)	788	(1)	320	15	-	-
Other revenue	25	8	169	16	1,639	264	29	12
<b>Total revenue before exceptional items</b>	<b>2,529</b>	<b>153</b>	<b>14,679</b>	<b>271</b>	<b>8,085</b>	<b>543</b>	<b>3,264</b>	<b>3</b>
Fuel costs and emissions charges	628	(10)	3,403	(273)	1,476	(135)	856	(39)
Employee costs	551	37	3,142	271	1,486	28	460	33
Supplier costs	871	16	4,677	(2)	3,255	270	1,257	(3)
Ownership costs <sup>2</sup>	197	33	1,227	93	555	94	298	19
<b>Operating profit before exceptional items</b>	<b>282</b>	<b>77</b>	<b>2,230</b>	<b>182</b>	<b>1,313</b>	<b>286</b>	<b>393</b>	<b>(7)</b>
<i>Operating margin before exceptional items</i>	11.1%	2.5 pts	15.2%	1.0 pts	16.2%	2.6 pts	12.0%	(0.3)pts

1 The Iberia numbers in the table above are presented on the same basis as in note 5 to the consolidated financial statements and exclude LEVEL Spain.

2 Ownership costs reflects Depreciation, amortisation and impairment, and the Net loss/(gain) on the sale of property, plant and equipment.

3 Further detail is provided in the Alternative performance measures section.

### Review by operating company

The biggest drivers of the Group's increase in operating profit for 2025 were Iberia and British Airways, which saw operating profit before exceptional items improve by €286 million and £182 million respectively, driven by strong performance in their core markets and the benefits of lower fuel prices and favourable foreign exchange. The increase in supplier costs in Iberia reflects the growth of its maintenance business, together with higher selling costs related to vouchers for future travel issued to customers in the light of disruption to operations in the year. Aer Lingus increased its operating profit by €77 million, despite additional competition from the US into Dublin; the prior year was impacted by industrial action in the summer of 2024. Vueling was able to maintain its operating profit and operating margin at broadly the same levels as the previous year, with strength in the Spanish domestic market offsetting some weakness in the summer in European travel, particularly in central Europe.

### Operating profit before exceptional items

IAG Loyalty, which includes British Airways Holidays, continued to achieve double-digit growth in its operating profit, increasing by £49 million to £469 million (€548 million) in 2025, driven by the growth of its non-airline partner revenue streams, together with benefiting from the strong performance of the Group's airlines.

	2025	2024
Aer Lingus (€ million)	<b>282</b>	205
British Airways (£ million)	<b>2,230</b>	2,048
Iberia (€ million)	<b>1,313</b>	1,027
Vueling (€ million)	<b>393</b>	400
IAG Loyalty (£ million)	<b>469</b>	420

## Free cash flow and leverage

The Group uses Free cash flow as an Alternative performance measure. Free cash flow is defined as Net cash flows from operating activities less Acquisition of property, plant and equipment and intangible assets. See Alternative performance measures section for further details.

€ million	2025	2024	Variance
Net cash flows from operating activities	<b>6,588</b>	6,372	216
Acquisition of property, plant and equipment and intangible assets	<b>(3,442)</b>	(2,816)	(626)
<b>Free cash flow</b>	<b>3,146</b>	3,556	(410)

In 2025, Free cash flow was €3,146 million, down €410 million versus 2024, principally driven by the impact of the expected increase in capital expenditure.

The Group's strong free cash flow generation supported the Group's dividends and share buybacks, detailed further below, together with a reduction in net debt, which also benefited from the weaker US dollar (as the majority of aircraft debt is denominated in US dollars). As at 31 December 2025, net leverage, measured as net debt to EBITDA before exceptional items, had reduced to 0.8 times, further strengthening the IAG balance sheet and providing flexibility for the future.

During 2025, the Group also consciously reduced its gross debt and cash balances, by choosing to repay bonds in advance of their scheduled maturity, and also by deciding to only finance around one third of its new aircraft deliveries. Gross leverage, measured as gross debt to EBITDA before exceptional items, fell to 1.9 times, down from 2.5 times at 31 December 2024.

## Cash flow extract

€ million	2025	2024	Variance
Net cash flows from operating activities	<b>6,588</b>	6,372	216
Net cash flows from investing activities	<b>(2,769)</b>	(2,502)	(267)
Net cash flows from financing activities	<b>(4,413)</b>	(1,175)	(3,238)
<b>Cash and cash equivalents at year end</b>	<b>7,421</b>	8,189	(768)
Interest-bearing deposits maturing after more than three months	<b>898</b>	1,639	(741)
<b>Cash, cash equivalents and other interest-bearing deposits</b>	<b>8,319</b>	9,828	(1,509)

## Cash flows from operating activities

€ million	2025	2024	Variance
Operating profit	<b>5,024</b>	4,283	741
Depreciation, amortisation and impairment	<b>2,628</b>	2,364	264
(Decrease)/increase in provisions (excluding carbon-related obligations)	<b>(56)</b>	282	(338)
Purchase of carbon-related assets net of the change in carbon-related obligations	<b>(118)</b>	62	(180)
Payment to HMRC to appeal IAG Loyalty VAT	<b>(442)</b>	-	(442)
Interest paid	<b>(666)</b>	(764)	98
Interest received	<b>280</b>	367	(87)
Tax paid	<b>(488)</b>	(245)	(243)
Movement in working capital	<b>550</b>	(82)	632
Other operating cash flow movements	<b>(124)</b>	105	(229)
<b>Net cash flows from operating activities</b>	<b>6,588</b>	6,372	216

Operating profit, Ownership costs, the HMRC VAT payment and interest are explained elsewhere in this report. The movement in provisions is impacted by the €160 million provision for restructuring in Iberia's ground-handling subsidiary in 2024. There were higher purchases of carbon-related assets than provisions, as the Group prepared for the removal of free ETS allowances in 2026.

Cash tax in 2025 was higher, largely driven by higher Group profitability and the prior year benefiting from a one-off refund in relation to changes in Spanish tax legislation. Cash tax continues to see the benefit of losses carried forward and UK capital allowances.

The positive movement in working capital includes the impact of IAG Loyalty's contract renewal with American Express.

Other operating movements were adverse, reflecting non-cash movements in relation to unrealised currency differences from the translation of operating balance sheet items, timing differences, and other movements in relation to financial instruments, together with the impact of equity-settled share-based payments.

### Cash flows from investing activities

€ million	2025	2024	Variance
Acquisition of property, plant and equipment and intangible assets	<b>(3,442)</b>	(2,816)	(626)
Sale of property, plant and equipment, intangible assets and investments	<b>27</b>	584	(557)
Decrease/(increase) in other current interest-bearing deposits	<b>712</b>	(215)	927
Air Europa Holdings termination settlement payment	-	(50)	50
Other investing movements	<b>(66)</b>	(5)	(61)
<b>Net cash flows from investing activities</b>	<b>(2,769)</b>	(2,502)	(267)

### Capital expenditure

In 2025, the Group continued to invest in the replacement and growth of its aircraft fleets, customer products and services, and IT infrastructure and applications. Capital expenditure, measured as the Acquisition of property, plant and equipment and intangible assets from the Cash flow statement, was €3,442 million, compared with €2,816 million in 2024, with the increase of €626 million due mainly to a higher level of pre-delivery payments for future deliveries, as well as additional investments in retrofitting aircraft with new cabin interiors and the investment in upgraded connectivity through Starlink. There was also additional investment in other property, plant and equipment, including the acquired hangar and maintenance facility at Gatwick, investment in lounges and in IT. The latter includes software assets recorded within Intangible assets, as the Group continues to invest in its customer product, IT estate and transformation projects.

€ million	2025	2024
Property, plant and equipment - fleet	<b>2,506</b>	2,035
Property, plant and equipment - other	<b>404</b>	296
Intangible assets	<b>532</b>	485
<b>Total</b>	<b>3,442</b>	2,816

In 2025, the Group took delivery of 25 new aircraft from Airbus and Boeing: 13 for British Airways, 7 for Iberia, and 5 for Aer Lingus. The Group also took delivery of nine used Airbus A320ceo aircraft direct from aircraft lessors for Vueling, partly to backfill additional aircraft maintenance requirements linked to the Pratt & Whitney 'GTF' engines issue.

Aircraft deliveries	2025	2024
Airbus A320neo family	<b>14</b>	10
Airbus A321XLR	<b>9</b>	3
Airbus A350	<b>1</b>	2
Boeing 787-10	<b>1</b>	4
<b>Sub-total deliveries from manufacturer</b>	<b>25</b>	19
Airbus A330	-	1
Airbus A320ceo	<b>9</b>	14
<b>Sub-total deliveries from lessors</b>	<b>9</b>	15
<b>Total</b>	<b>34</b>	34

### Capital commitments

Capital expenditure authorised and contracted for at 31 December 2025 amounted to €20,248 million (2024: €12,634 million). The increase versus 2024 was mainly driven by the impact of the additional aircraft orders outlined below, net of the impact of the aircraft delivered in 2025 and favourable foreign exchange, due to the weakening of the US dollar over the course of the year (as most of these commitments are denominated in US dollars).

The Group has certain rights to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at 31 December 2025.

## Aircraft orders

During 2025, the Group exercised options for six Airbus A350-900 aircraft for Iberia, together with six Airbus A350-1000 aircraft and six Boeing 777-9 aircraft for British Airways. The Group placed new orders for a further 53 wide-bodied aircraft: 21 Airbus A330-900neo aircraft, which can be deployed within Aer Lingus, Iberia or LEVEL; and 32 Boeing 787-10 aircraft for British Airways, 15 of which represented exercises of options.

These orders will be used for a combination of fleet replacement and growth and form part of the Group's ongoing investment in new, modern aircraft to drive operational efficiency, reduce emissions, and enhance on-board products for customers. The aircraft subject to these orders will be delivered between 2028 and 2033.

Aircraft future deliveries at 31 December	2025	2024
Airbus A320ceo	-	7
Airbus A320neo family	68	82
Airbus A321XLR	2	11
Airbus A330-900	21	-
Airbus A350	14	3
Boeing 737	50	50
Boeing 777-9	24	18
Boeing 787-10	38	7
<b>Total</b>	<b>217</b>	178

In addition to the committed future deliveries shown above, at 31 December 2025 the Group held options to acquire a further 195 aircraft from Airbus and Boeing.

## Funding and debt

IAG has a disciplined approach to capital allocation, which is designed to maximise shareholder value creation over the long term. It ensures that we balance the needs of all of our stakeholders: our customers, our employees and our investors.

A strong financial foundation is essential to any business. As a relatively cyclical business, this is our first priority in capital allocation – to maintain a strong balance sheet. The Group's current ratings (at 26 February 2026) are all investment grade, with the following ratings: S&P: BBB (stable outlook) and Moody's: Baa2 (stable outlook). British Airways has separate credit ratings, which are also investment grade, with S&P BBB (stable outlook), Moody's Baa2 (stable outlook) and Fitch BBB (stable outlook).

## Debt and leverage

The Group monitors leverage using Net debt to EBITDA before exceptional items, in addition to closely following measures used by the credit rating agencies, including those based on total borrowings (gross debt).

In 2019, the Group set a target of net debt to EBITDA before exceptional items below 1.8 times, which broadly corresponded to investment grade with the credit rating agencies. At its Capital Markets Day in November 2023, the Group confirmed this target remained appropriate.

As at 31 December 2025, net debt to EBITDA before exceptional items had reduced to 0.8 times, compared with 1.1 times at 31 December 2024, reflecting the strong profitability and the related cash generation.

€ million	2025	2024	Higher/ (lower)
Total borrowings (gross debt)	14,267	17,345	(3,078)
Cash, cash equivalents and interest-bearing deposits	8,319	9,828	(1,509)
Net debt at 31 December	5,948	7,517	(1,569)
<b>Net debt to EBITDA before exceptional items (times)</b>	<b>0.8</b>	1.1	(0.3)
<b>Gross debt to EBITDA before exceptional items (times)</b>	<b>1.9</b>	2.5	(0.6)

## Movements in net debt

The table below shows the principal drivers of the reduction in net debt in 2025 and 2024.

€ million	2025	2024
Net debt at 1 January	<b>7,517</b>	9,245
<i>Summary of cash movements in net debt</i>		
Free cash flow	<b>(3,146)</b>	(3,556)
Sale of property, plant and equipment, intangibles and investments	<b>(27)</b>	(584)
Acquisition of treasury shares	<b>1,243</b>	202
Dividend paid	<b>471</b>	149
Other cash flows from investing activities	<b>66</b>	55
Settlement of derivative financial instruments	<b>193</b>	151
<i>Summary of non-cash movements in net debt</i>		
New leases and modifications	<b>543</b>	988
Fair value movement on IAG convertible bonds	<b>213</b>	280
Foreign exchange differences	<b>(1,142)</b>	558
Other items	<b>17</b>	29
<b>Net debt at 31 December</b>	<b>5,948</b>	7,517

## Debt

During 2025, the Group continued to reduce its gross debt by choosing to repay certain bonds in advance of their scheduled maturity, together with choosing to finance only around one third of its deliveries of new aircraft in the year. Gross debt reduced by €3,078 million to €14,267 million at 31 December 2025. Gross debt also benefited from the weakening of the US dollar, with a foreign exchange benefit of €1,345 million. The Group's share price performed strongly in 2025, increasing by 37% over the course of the year; in line with this increase, the fair value of IAG's €825 million convertible bonds due in 2028 increased by €213 million.

## Cash flows from financing activities

€ million	2025	2024	Variance
Proceeds from borrowings	<b>1,160</b>	1,474	(314)
Repayment of borrowings	<b>(2,322)</b>	(410)	(1,912)
Repayment of lease liabilities	<b>(1,344)</b>	(1,737)	393
Settlement of derivative financial instruments	<b>(193)</b>	(151)	(42)
Acquisition of treasury shares	<b>(1,243)</b>	(202)	(1,041)
Dividend paid	<b>(471)</b>	(149)	(322)
<b>Net cash flows from financing activities</b>	<b>(4,413)</b>	(1,175)	(3,238)

## Aircraft debt

Long-term aircraft financing was drawn for nine of the 25 new aircraft delivered during 2025. In addition, financing was also drawn for three aircraft that were delivered in 2024. The 12 aircraft financings were all via finance leases (recorded as asset financed liabilities under IFRS), with the proceeds shown in Proceeds from borrowings above.

The Group continues to have attractive alternatives for aircraft financing, which include retaining new aircraft unencumbered, in order to balance the mix of net debt between gross debt and cash.

The repayment of borrowings includes the repayment of bonds outlined further below and principal repayments in respect of aircraft on finance lease arrangements entered into from 1 January 2019 onwards, the date from which IAG adopted IFRS 16 Leases. The repayment of lease liabilities of €1,344 million includes €370 million of principal repayments in respect of finance leases in place on 31 December 2018 and accounted for under IFRS 16 as lease liabilities; the balance of €974 million includes the principal element of aircraft operating lease payments in the year, together with certain other lease liabilities.

The Group enters into derivative contracts to offset the foreign exchange impacts relating to its US-dollar-denominated aircraft debt, with the net proceeds or payments arising from such derivatives shown within Settlement of derivative financial instruments.

## Non-aircraft debt

In January 2025, the Group chose to partially repay certain bonds in advance of their scheduled maturity and redeemed a notional amount of €277 million of its 2027 unsecured bonds and €300 million of its 2029 unsecured bonds. In March 2025, the Group repaid its €500 million unsecured bonds on maturity. The Group also repaid a further €490 million of nominal amounts of its 2027 and 2029 unsecured bonds in September; at the same time the Group issued new unsecured bonds totalling €500 million and maturing in 2030.

At 31 December 2025, the Group's general debt, aside from aircraft-financing-related debt, included: €133 million of remaining principal from its 2027 unsecured bonds; IAG's €825 million 2028 convertible bonds (fair value at 31 December 2025: €1,229 million); and the new €500 million IAG bonds, due in 2030.

## Equity

No equity was raised during the year, nor in 2024. In 2025, the Group cancelled 244 million shares acquired through share buyback programmes, with further shares to be cancelled in 2026, in line with such programmes. See note 31 to the consolidated financial statements for further information.

## Dividends and share buybacks

During 2025, the Group paid a final dividend in respect of 2024 of €0.06 per share, together with an interim dividend in respect of 2025 of €0.048 per share, paid in December. In 2024, the Group paid an interim dividend of €0.03 per share. The Board has proposed a final dividend in respect of 2025 of €0.05 per share and this will be paid subsequent to approval at the General Shareholders' Meeting in June 2026. The proposed final dividend will result in dividend payments in respect of 2025 of €448 million (based on the number of eligible shares at 31 December 2025), versus €427 million in respect of 2024.

In November 2024, the Group launched a €350 million share buyback, which was completed by the end of February 2025. In February 2025, the Group announced its intention to return up to a further €1,000 million of excess capital to shareholders in up to 12 months. Share buyback programmes in support of this return of capital were implemented in the year, with the full €1,000 million executed by the end of November. The acquisition of treasury shares of €1,243 million also includes €42 million for the acquisition of treasury shares in relation to various employee incentive and sharesave schemes.

In February 2026, the Group announced its intention to return a further €1.5 billion of excess cash in the next 12 months, starting with a share buyback of €500 million to be completed by the end of May 2026.

## Cash

### Cash, cash equivalents and interest-bearing deposits

€ million	2025	2024	Higher/ (lower)
Aer Lingus <sup>1</sup>	<b>694</b>	567	127
British Airways	<b>2,117</b>	2,530	(413)
Iberia	<b>1,758</b>	2,069	(311)
Vueling	<b>838</b>	1,054	(216)
IAG Loyalty	<b>1,348</b>	1,134	214
IAG and other Group companies	<b>1,564</b>	2,474	(910)
<b>Cash and cash equivalents and interest-bearing deposits</b>	<b>8,319</b>	9,828	(1,509)

<sup>1</sup> At 31 December 2025 Aer Lingus held €29 million of restricted cash (2024: €29 million) in interest-bearing deposits maturing after more than three months to be used for employee-related obligations.

All the operating companies generated strong cash flow and changes in their cash balances are after intragroup loan repayments and dividends. The reduction in cash in IAG and other Group companies mainly reflects the repayment of bonds held by the parent company.

## Liquidity

Total liquidity, measured as cash, cash equivalents and interest-bearing deposits of €8,319 million and committed and undrawn general and overdraft facilities of €2,629 million, was €10,948 million at 31 December 2025. This represented a reduction of €2,414 million versus total liquidity of €13,362 million at the end of 2024, due to the Group's lower cash and cash equivalents and current interest-bearing deposits, linked to the repayment of bonds and aircraft financing during the year and the resulting reduction in gross leverage outlined above, together with a reduction in facilities outlined below.

€ million	2025	2024	Variance
Cash, cash equivalents and current interest-bearing deposits	<b>8,319</b>	9,828	(1,509)
Committed and undrawn general and overdraft facilities	<b>2,629</b>	3,400	(771)
Committed and undrawn aircraft facilities	-	134	(134)
<b>Total</b>	<b>10,948</b>	13,362	(2,414)

## Liquidity facilities

Committed and undrawn general and overdraft facilities is principally composed of a five-year \$3.0 billion (€2.6 billion), sustainability-linked, secured Revolving Credit Facility (RCF), entered into in 2024 and accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits. The facility was undrawn at 31 December 2025. At 31 December 2024 Aer Lingus had a €350 million credit facility with the Ireland Strategic Investment Fund (ISIF); this facility expired in March 2025 and was not replaced.

The Group also has certain other committed and undrawn general and overdraft facilities, amounting to €73 million, bringing total committed and undrawn general and overdraft facilities at 31 December 2025 to €2,629 million (2024: €3,400 million), with the reduction versus 31 December 2024 mainly due to the expiry of the ISIF facility and the weakening of the US dollar in respect of the RCF.

At 31 December 2024 the Group held €134 million of committed aircraft financing for aircraft that were subsequently financed in 2025. There was no committed aircraft financing at 31 December 2025, as by that date the Group had already financed those aircraft that it planned to finance in 2025. The Group has access to an increasing pool of unencumbered aircraft, including the 16 new aircraft that were not financed in 2025.

In total, the Group had €2,629 million of committed and undrawn general, overdraft and aircraft facilities as at 31 December 2025 (2024: €3,534 million).

## PRINCIPAL RISKS AND UNCERTAINTIES

The Group has continued to maintain its processes to identify, assess, and manage risks under the Group's Enterprise Risk Management (ERM) framework. The IAG Board monitors the risk landscape and challenges management on its plans to address and adapt to changes that influence or impact the Group's performance, including volatility in financial markets and friction in trade flows, geopolitical and macroeconomic risk, cyber threats, disruption in operations and the Group's supply chain, Artificial Intelligence (AI) and other emerging technologies that could transform the business or the aviation industry. In assessing its principal risks, the Group has considered its risk environment including monitoring the trade and economic effects, outcomes to markets and demand resulting from inflation or governmental policy decisions that may reduce customer confidence in key customer segments or markets; ongoing heightened geopolitical events and conflicts that create further market uncertainty, that could curtail access to markets and result in significant movements in fuel and foreign exchange rates; resilience to the externally hostile and increasing cyber threat environment with the use of sophisticated techniques, including AI and social engineering to gain unauthorised access to systems and data within the Group's businesses or its supply chains; operational, IT and technical resilience across its airlines, response plans and disruption management tools to adapt to unplanned events, including airspace closures or disruptions, cyber events or increased friction impacting the flow of goods and creating further supply chain delays in aircraft deliveries and maintenance, especially for engines and components; the Group's industrial relations landscape; expansion plans for the London airports, including Heathrow and Gatwick; and managing the cost base and accelerating transformational change. No new principal risks were identified through the risk management discussions and assessments in the year. The Group continues to report 11 principal risks. The Group's ERM framework will continue to adapt and evolve according to the needs of the business and our stakeholders. This allows the Group and its businesses to both respond to changes in the external risk environment and support the pace and scale of business transformation, in line with the Board's appetite for risk.

Where further action has been required, the Board has considered potential mitigations, and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks or retain them within the Board's determined Group risk appetite. From the risks identified in the 2024 Annual report and accounts, given the current environment, the main risks that continue to be a key area of focus, due to their potential implications for the Group, are outlined below.

- *Critical third parties in the supply chain.* The aviation sector continues to be affected by global supply chain disruption, which has impacted new aircraft deliveries; engine and component availability and reliability; resource availability and/or threat of industrial action in critical third parties and airport services; the resilience of airports, particularly London airports and their ability to adapt to a high demand environment with increasing airport congestion; and ATC capability and restrictions, particularly given skillset shortages and weather events. Weaknesses in aircraft and engine production have caused industry-wide delays in deliveries of new fleet and lack of spare engines. Prolonged recovery timelines continue to impact the Group's airlines' ability to deliver flight schedules as planned. Additionally, any imposition of new tariffs or increased baseline tariffs could result in further stress on the global supply chain, particularly for aircraft and engine production, or create inflationary cost environments. The Group proactively assesses its schedules for operability and continues to work with all critical suppliers to understand any potential disruption within their supply chains which could impact the availability of new fleet, engines or critical goods or reliability of critical services, particularly third-party applications and network services. The Group continues to challenge unreasonable levels of increases in airport charges or inefficient expansion plans, especially at London Heathrow.
- *Data and cybersecurity.* The risks from cyber threats continue as threat actors seek to exploit any weaknesses in defences, particularly through social engineering and human behaviours. The threat of malware attacks on critical infrastructure and services remains high due to ongoing geopolitical tensions, with the Group exposed to threat actors targeting IAG, its operating companies and its suppliers. The Group continues to improve its cybersecurity posture either through major IT transformational change or additional monitoring tools and is focused on better understanding the risk presented by its suppliers. The emergence and usage of AI to enhance existing tactics, techniques and procedures (TTPs), produce phishing emails and deploy malware has also accelerated attempts to access organisations' systems and data and increases the threat and scale of social engineering or cyberattacks. Increased digitalisation and integration with suppliers could increase the risk of impacts from third-party breaches or a cyberattack, including unauthorised access to Group systems, data loss or data corruption.
- *Economic, political and regulatory environment.* Geopolitical risk and uncertainty remains high and wider macroeconomic events may continue to drive market volatility, impacting demand. The Group continues to monitor the implications for trade and any imposition of baseline or other tariffs that may disrupt economic confidence and drive cost inflation. Increased regulation and political intervention drive increased levels of cost and impact the ability of airlines to set capacity and pricing, which may impact the Group's revenue streams and business model. The rise of populist governments and government policy globally sees increased protectionism which could result in market or competitive distortion and a trend for increased scrutiny from regulators and tax authorities which could see changes that increase costs to airlines. Ongoing conflicts, wars, political instability and heightened tensions continue to cause airspace restrictions and congestion for flows to Asia. The Group also considers elections or government policy changes in key markets and the implications for trade, respective economic health and how governments view the aviation industry.
- *Operational and IT resilience.* Shortages in the supply chain; airspace and ATC restrictions; availability of experienced licensed resources, including engineers and pilots; industrial unrest or strike action, combined with goods availability shortages in the supply chain, and fragility and delays over delivery in the supply chain, especially engines, and airspace and ATC restrictions can all impact the operational environment and the customer experience of the Group's airlines. This increases the costs of running operations to provide additional resilience, as well as impacting the costs and operations of the businesses on which the Group relies. Additional buffers and resilience have been built into the airlines' networks. The Group continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estates. It is reliant upon the resilience of its systems and networks for key customer and business processes and is exposed to risks that relate to poor performance, vulnerability or failure of these systems. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans for the go-live of IT systems-related changes with focus on minimising unplanned outages.

- *People, culture and employee relations.* Our people and their engagement, cultural appetite and mindset for change are critical to the Group's current performance and future success. Shortages in technical licensed staff across the aviation sector and in the Group airlines may impact maintenance delivery timelines unless resource levels can be secured. Additionally, pilot entry into the Group's airlines is critical to keep the operations resilient and meet future growth plans. Across the Group, collective bargaining is in place with various unions. Where agreements are open, and there is a threat of industrial unrest, our operating companies engage in discussions with unions, as well as governments and labour courts where relevant, to address concerns arising within the negotiations, manage customer disruption and enable the airlines to secure sustainable collective agreements and growth.
- *Transformation, innovation and AI.* The Group continues to focus on its cost base to offset price increases in the supply chain, particularly costs from fleet and engine manufacturers and the additional costs of resilience, to ensure that the Group is well prepared for any further external headwinds that may impact the aviation industry. Opportunities for AI adoption to drive efficiencies and better insights have been identified across the Group's businesses with business cases and implementation subject to guardrails to help protect against unexpected outcomes. The people impact of change and the talent and skillsets needed for the future size and shape of the Group's businesses are considered as part of the Group's transformation and innovation programmes.

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

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

Full year Unaudited Consolidated Financial Statements

1 January 2025 – 31 December 2025

## Consolidated income statement

€ million	Note	Year to 31 December	
		2025	2024
Passenger revenue		<b>28,969</b>	28,274
Cargo revenue		<b>1,238</b>	1,234
Other revenue	5	<b>3,006</b>	2,592
<b>Total revenue</b>	5	<b>33,213</b>	32,100
Employee costs	8	<b>6,586</b>	6,356
Fuel costs and emissions charges	6	<b>7,083</b>	7,608
Handling, catering and other operating costs		<b>4,352</b>	4,135
Landing fees and en-route charges		<b>2,487</b>	2,405
Engineering and other aircraft costs		<b>2,850</b>	2,729
Property, IT and other costs	6	<b>1,085</b>	1,120
Selling costs		<b>1,127</b>	1,082
Depreciation, amortisation and impairment	6	<b>2,628</b>	2,364
Net loss/(gain) on sale of property, plant and equipment		<b>19</b>	(14)
Currency differences		<b>(28)</b>	32
Total expenditure on operations		<b>28,189</b>	27,817
<b>Operating profit</b>		<b>5,024</b>	4,283
Finance costs	9	<b>(861)</b>	(917)
Finance income	9	<b>279</b>	404
Net change in fair value of financial instruments	9	<b>(201)</b>	(237)
Net financing credit relating to pensions	9	<b>84</b>	63
Net currency retranslation credits/(charges)		<b>317</b>	(127)
Other non-operating (charges)/credits	9	<b>(137)</b>	94
Total net non-operating costs		<b>(519)</b>	(720)
<b>Profit before tax</b>		<b>4,505</b>	3,563
Tax	10	<b>(1,163)</b>	(831)
<b>Profit after tax for the year</b>		<b>3,342</b>	2,732
<b>Attributable to:</b>			
Equity holders of the parent		<b>3,342</b>	2,732
Non-controlling interest		<b>-</b>	-
		<b>3,342</b>	2,732
<b>Basic earnings per share (€ cents)</b>	11	<b>71.3</b>	55.7
<b>Diluted earnings per share (€ cents)</b>	11	<b>69.5</b>	55.5

## Consolidated statement of other comprehensive income

€ million	Note	Year to 31 December	
		2025	2024
<i>Items that may be reclassified subsequently to net profit</i>			
Cash flow hedges:			
Fair value movements in equity	30d	(516)	53
Reclassified and reported in net profit	30d	80	69
Fair value movements on cost of hedging	33	(11)	24
Cost of hedging reclassified and reported in net profit	33	46	48
Currency translation differences	33	(170)	118
<i>Items that will not be reclassified to net profit</i>			
Fair value movements on other equity investments		51	(19)
Fair value movements on liabilities attributable to credit risk changes		(12)	(44)
Remeasurements of post-employment benefit obligations	34	380	206
Remeasurements of long-term employee-related provisions		(10)	(70)
Total other comprehensive (loss)/income for the year, net of tax		(162)	385
Profit after tax for the year		3,342	2,732
<b>Total comprehensive income for the year</b>		<b>3,180</b>	<b>3,117</b>
Total comprehensive income is attributable to:			
Equity holders of the parent		3,180	3,117
Non-controlling interest	33	-	-
		<b>3,180</b>	<b>3,117</b>

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

## Consolidated balance sheet

€ million	Note	31 December 2025	31 December 2024
<b>Non-current assets</b>			
Property, plant and equipment	13	21,445	21,132
Intangible assets	17	3,770	3,642
Investments accounted for using the equity method	18	41	44
Other equity investments	19	298	190
Employee benefit assets	34	2,060	1,711
Derivative financial instruments	30	27	229
Deferred tax assets	10	675	754
Carbon-related and other non-current assets	20	1,527	916
		<b>29,843</b>	28,618
<b>Current assets</b>			
Non-current assets held for sale	16	-	5
Inventories	21	699	617
Trade receivables	20	1,344	1,774
Carbon-related and other current assets	20	2,328	2,336
Current tax receivable	10	242	231
Derivative financial instruments	30	74	395
Current interest-bearing deposits	22	898	1,639
Cash and cash equivalents	22	7,421	8,189
		<b>13,006</b>	15,186
<b>Total assets</b>		<b>42,849</b>	43,804
<b>Equity</b>			
Issued share capital	31	473	497
Share premium	31	6,924	7,770
Treasury shares		(593)	(287)
Other reserves		784	(1,810)
<b>Total shareholders' equity</b>		<b>7,588</b>	6,170
Non-controlling interest	33	6	6
<b>Total equity</b>		<b>7,594</b>	6,176
<b>Non-current liabilities</b>			
Borrowings	26	11,221	13,870
Employee benefit obligations	34	71	135
Deferred tax liability	10	701	254
Provisions	27	3,241	3,302
Deferred revenue	24	707	203
Derivative financial instruments	30	371	102
Other long-term liabilities	25	395	401
		<b>16,707</b>	18,267
<b>Current liabilities</b>			
Borrowings	26	3,046	3,475
Trade and other payables	23	5,721	6,149
Deferred revenue	24	8,032	8,333
Derivative financial instruments	30	604	194
Current tax payable	10	28	11
Provisions	27	1,117	1,199
		<b>18,548</b>	19,361
<b>Total liabilities</b>		<b>35,255</b>	37,628
<b>Total equity and liabilities</b>		<b>42,849</b>	43,804

## Consolidated cash flow statement

€ million	Note	Year to 31 December	
		2025	2024
<b>Cash flows from operating activities</b>			
Operating profit		5,024	4,283
Depreciation, amortisation and impairment	6	2,628	2,364
Net loss/(gain) on disposal of property, plant and equipment		19	(14)
Employer contributions to pension schemes		(34)	(35)
Pension scheme service costs	34	11	20
(Decrease)/increase in provisions (excluding carbon-related obligations)	35	(56)	282
Purchase of carbon-related assets net of the change in carbon-related obligations	35	(118)	62
Unrealised currency differences		(46)	27
Payment to HMRC to appeal IAG Loyalty VAT	10	(442)	-
Other movements	35	(74)	107
Interest paid		(666)	(764)
Interest received		280	367
Tax paid		(488)	(245)
<b>Net cash flows from operating activities before movements in working capital</b>		<b>6,038</b>	<b>6,454</b>
Decrease/(increase) in trade receivables		309	(189)
Increase in inventories		(93)	(115)
(Decrease)/increase in other receivables and current assets (excluding carbon-related assets)		65	(580)
(Decrease)/increase in trade payables		(273)	121
Increase in deferred revenue		566	336
(Decrease)/increase in other payables and current liabilities		(24)	345
<b>Net movement in working capital</b>		<b>550</b>	<b>(82)</b>
<b>Net cash flows from operating activities</b>		<b>6,588</b>	<b>6,372</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment and intangible assets	35	(3,442)	(2,816)
Sale of property, plant and equipment and intangible assets		26	584
Proceeds from sale of investments		1	-
Decrease/(increase) in other current interest-bearing deposits		712	(215)
Air Europa Holdings termination settlement payment		-	(50)
Other investing movements		(66)	(5)
<b>Net cash flows from investing activities</b>		<b>(2,769)</b>	<b>(2,502)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	35	1,160	1,474
Repayment of borrowings	35	(2,322)	(410)
Repayment of lease liabilities	35	(1,344)	(1,737)
Settlement of derivative financial instruments	35	(193)	(151)
Acquisition of treasury shares		(1,243)	(202)
Dividend paid		(471)	(149)
<b>Net cash flows from financing activities</b>		<b>(4,413)</b>	<b>(1,175)</b>
Net (decrease)/increase in cash and cash equivalents		(594)	2,695
Net foreign exchange differences		(174)	53
Cash and cash equivalents at 1 January		8,189	5,441
<b>Cash and cash equivalents at year end</b>	22	<b>7,421</b>	<b>8,189</b>
<b>Reconciliation to total cash, cash equivalents and other interest-bearing deposits</b>			
Cash and cash equivalents at year end	22	7,421	8,189
Interest-bearing deposits maturing after more than three months	22	898	1,639
<b>Cash, cash equivalents and other interest-bearing deposits</b>	22	<b>8,319</b>	<b>9,828</b>

For details on restricted cash balances see note 22 Cash, cash equivalents and other current interest-bearing deposits.

## Consolidated statement of changes in equity

For the year to 31 December 2025

€ million	Issued share capital (note 31)	Share premium (note 31)	Treasury shares (note 31)	Other reserves (note 33)	Retained earnings	Total shareholders' equity	Non-controlling interest (note 33)	Total equity
1 January 2025	497	7,770	(287)	(1,688)	(122)	6,170	6	6,176
Profit for the year	-	-	-	-	3,342	3,342	-	3,342
Other comprehensive income for the year								
Cash flow hedges reclassified and reported in net profit:								
Fuel costs and emissions charges	-	-	-	83	-	83	-	83
Currency differences	-	-	-	(3)	-	(3)	-	(3)
Finance costs	-	-	-	(1)	-	(1)	-	(1)
Ineffectiveness recognised in other non-operating costs	-	-	-	1	-	1	-	1
Net change in fair value of cash flow hedges	-	-	-	(516)	-	(516)	-	(516)
Net change in fair value of equity investments	-	-	-	51	-	51	-	51
Net change in fair value of cost of hedging	-	-	-	(11)	-	(11)	-	(11)
Cost of hedging reclassified and reported in net profit	-	-	-	46	-	46	-	46
Fair value movements on liabilities attributable to credit risk changes	-	-	-	(12)	-	(12)	-	(12)
Currency translation differences	-	-	-	(170)	-	(170)	-	(170)
Remeasurements of post-employment benefit obligations	-	-	-	-	380	380	-	380
Remeasurements of long-term employee-related provisions	-	-	-	-	(10)	(10)	-	(10)
Total comprehensive income for the year	-	-	-	(532)	3,712	3,180	-	3,180
Hedges transferred and reported in property, plant and equipment	-	-	-	13	-	13	-	13
Hedges transferred and reported in sales in advance of carriage	-	-	-	(20)	-	(20)	-	(20)
Hedges transferred and reported in inventory	-	-	-	(9)	-	(9)	-	(9)
Cost of share-based payments	-	-	-	-	63	63	-	63
Movement in treasury shares	-	-	82	-	(156)	(74)	-	(74)
Acquisition of treasury shares	-	-	(1,234)	-	-	(1,234)	-	(1,234)
Dividend	-	-	-	-	(500)	(500)	-	(500)
Cancellation of share capital	(24)	(846)	846	24	-	-	-	-
Dividend of a subsidiary	-	-	-	-	(1)	(1)	-	(1)
<b>31 December 2025</b>	<b>473</b>	<b>6,924</b>	<b>(593)</b>	<b>(2,212)</b>	<b>2,996</b>	<b>7,588</b>	<b>6</b>	<b>7,594</b>

For the year to 31 December 2024

€ million	Issued share capital (note 31)	Share premium (note 31)	Treasury shares (note 31)	Other reserves (note 33)	Retained earnings	Total shareholders' equity	Non-controlling interest (note 33)	Total equity
1 January 2024	497	7,770	(100)	(1,996)	(2,899)	3,272	6	3,278
Profit for the year	-	-	-	-	2,732	2,732	-	2,732
Other comprehensive income for the year								
Cash flow hedges reclassified and reported in net profit:								
Fuel costs and emissions charges	-	-	-	93	-	93	-	93
Currency differences	-	-	-	3	-	3	-	3
Finance costs	-	-	-	(11)	-	(11)	-	(11)
Ineffectiveness recognised in other non-operating costs	-	-	-	(16)	-	(16)	-	(16)
Net change in fair value of cash flow hedges	-	-	-	53	-	53	-	53
Net change in fair value of equity investments	-	-	-	(19)	-	(19)	-	(19)
Net change in fair value of cost of hedging	-	-	-	24	-	24	-	24
Cost of hedging reclassified and reported in net profit	-	-	-	48	-	48	-	48
Fair value movements on liabilities attributable to credit risk changes	-	-	-	(44)	-	(44)	-	(44)
Currency translation differences	-	-	-	118	-	118	-	118
Remeasurements of post-employment benefit obligations	-	-	-	-	206	206	-	206
Remeasurements of long-term employee-related provisions	-	-	-	-	(70)	(70)	-	(70)
Total comprehensive income for the year	-	-	-	249	2,868	3,117	-	3,117
Hedges transferred and reported in property, plant and equipment	-	-	-	(11)	-	(11)	-	(11)
Hedges transferred and reported in sales in advance of carriage	-	-	-	60	-	60	-	60
Hedges transferred and reported in inventory	-	-	-	10	-	10	-	10
Cost of share-based payments	-	-	-	-	90	90	-	90
Movement in treasury shares	-	-	24	-	(32)	(8)	-	(8)
Acquisition of treasury shares	-	-	(211)	-	-	(211)	-	(211)
Dividend	-	-	-	-	(147)	(147)	-	(147)
Dividend of a subsidiary	-	-	-	-	(2)	(2)	-	(2)
31 December 2024	497	7,770	(287)	(1,688)	(122)	6,170	6	6,176

# Notes to the consolidated financial statements

For the year to 31 December 2025

## 1 Background and general information

International Consolidated Airlines Group, S.A. (hereinafter 'International Airlines Group', 'IAG' or 'the Group') is a leading European airline group, formed to hold the interests of airline and ancillary operations. IAG (hereinafter the 'Company') is a Spanish company registered in Madrid, incorporated on 17 December 2009. The registered address of IAG is El Caserío, Zona industrial 2, Camino de La Muñoza s/n, 28042, Madrid, Spain. On 21 January 2011, British Airways plc and Iberia Líneas Aéreas de España S.A. Operadora (hereinafter 'British Airways' and 'Iberia', respectively) completed a merger transaction becoming the first two airlines of the Group. Vueling Airlines S.A. ('Vueling') was acquired on 26 April 2013 and Aer Lingus Group Plc ('Aer Lingus') on 18 August 2015. A list of the subsidiaries of the Group is included in the Group investments section.

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

## 2 Significant accounting policies

### Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as endorsed by the European Union ('IFRS as endorsed by the EU'). The consolidated financial statements herein are not the Group's statutory accounts and are unaudited. The consolidated financial statements are rounded to the nearest million unless otherwise stated. These financial statements have been prepared on the historical cost convention except for certain financial assets and liabilities, including employee benefit assets and liabilities, the €825 million convertible bonds due 2028, derivative financial instruments and other equity investments that are measured at fair value.

The Group's financial statements for the year to 31 December 2025 were authorised for issue and approved by the Board of Directors on 26 February 2026.

### Going concern

At 31 December 2025, the Group had total liquidity of €10,948 million (31 December 2024: total liquidity of €13,362 million), comprising cash, cash equivalents and interest-bearing deposits of €8,319 million, and €2,629 million of committed and undrawn general and overdraft facilities. At 31 December 2025, the Group had no financial covenants associated with its loans and borrowings.

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

- The Group has assumed that the committed and undrawn general and overdraft facilities of €2,629 million will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €2,568 million being available to the Group at 31 March 2027;
- Of the capital commitments detailed in note 15, €2,048 million is due to be paid over the period to 31 March 2027;
- The Group has assumed none of the expected aircraft deliveries over the going concern period are financed; and
- The shareholder returns detailed in note 37.

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

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

### Consolidation

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

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

The Group applies the acquisition method to account for business combinations. The consideration paid is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Non-controlling interests represent the portions of profit or loss and net assets in subsidiaries that are not held by the Group and are presented separately within equity in the Consolidated balance sheet. Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, as at the acquisition date the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the Income statement.

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

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

### **Unconsolidated structured entities**

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

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

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

Further information as to the financial impact of these financial transactions is given in note 26.

### **Joint Business Agreements**

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

### **Segmental reporting**

Operating segments are reported in a manner consistent with how resource allocation decisions are made by the chief operating decision-maker. The chief operating decision-maker, who is responsible for resource allocation and assessing performance of the operating segments, has been identified as the IAG Management Committee.

### **Foreign currency translation**

#### **a Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the functional currency, being the currency of the primary economic environment in which the entity operates. In particular, British Airways and IAG Loyalty have a functional currency of pound sterling. The Group's consolidated financial statements are presented in euros, which is the Group's presentation currency.

#### **b Transactions and balances**

Transactions in foreign currencies are initially recorded in the functional currency using the rate of exchange prevailing on the date of the transaction. Monetary foreign currency balances are translated into the functional currency at the rates ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement, except where hedge accounting is applied. Foreign exchange gains and losses arising on the retranslation of monetary assets and liabilities classified as non-current on the Balance sheet are recognised within Net currency retranslation credits/(charges) in the Income statement. All other gains and losses arising on the retranslation of monetary assets and liabilities are recognised in operating profit.

#### **c Group companies**

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

### **Property, plant and equipment**

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

## **a Fleet**

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

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

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

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

## **b Other property, plant and equipment**

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

## **c Capitalisation of interest on assets under construction**

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

## **d Liquidated damages**

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

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

## **e Leases**

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

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

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

### **Lease liabilities**

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

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

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

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

### **Right-of-use assets**

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

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

### **Amounts excluded from recognition as ROU assets and lease liabilities**

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

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

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

### **Sale and leaseback transactions**

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

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

### **Cash flow presentation – lease liabilities**

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

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

### **Cash flow presentation – asset financed liabilities**

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

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

### **Lessor accounting**

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

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

## **f Maintenance, repairs and overhaul**

### **Owned aircraft**

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

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

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

### **Leased aircraft**

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

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

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

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

### **Power by the hour contracts**

Certain of the Group's maintenance contracts, for both owned and leased aircraft, transfer the risk and legal obligation for undertaking the maintenance activity to third-party service providers, with the Group paying the service providers based on usage of the asset. The associated usage of the asset gives rise to a charge, as flight hours are incurred and dependent on the number of take offs and landings, in the Income statement within Engineering and other aircraft costs.

## **Intangible assets**

### **a Goodwill**

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

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

### **b Brands**

Brands arising on the acquisition of subsidiaries are initially recognised at fair value at the acquisition date. Long-established brands that are expected to be used indefinitely are not amortised but assessed annually for impairment.

### **c Customer loyalty programmes**

Customer loyalty programmes arising on the acquisition of subsidiaries are initially recognised at fair value at the acquisition date. A customer loyalty programme with an expected useful life is amortised over the expected remaining useful life. Established customer loyalty programmes that are expected to be used indefinitely are not amortised but assessed annually for impairment.

### **d Landing rights**

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

Capitalised landing rights based outside the UK and the EU are amortised on a straight-line basis over a period not exceeding 20 years. Capitalised landing rights based within the UK and the EU are not amortised, as regulations provide that these landing rights are perpetual.

### **e Contract-based intangibles**

Contract-based intangibles acquired in a business combination are recognised initially at fair value at the acquisition date and amortised over the remaining life of the contract.

## **f Software**

The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis, generally over a period not exceeding five years, with certain specific software developments amortised over a period of up to 10 years.

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

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

## **g Carbon-related assets and obligations**

### **Held for own use**

As an operating company emits CO<sub>2</sub> equivalent, it builds up either an ETS obligation, a CORSIA obligation or a voluntary carbon offset obligation to the relevant authorities. Where an operating company purchases ETS emission allowances, CORSIA emission units and voluntary carbon offset units, these amounts are recognised at cost and recorded within Carbon-related and other assets.

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

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

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

### **Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the value by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. Non-financial assets other than goodwill that were subject to an impairment are reviewed for possible reversal of the impairment at each balance sheet date.

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

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

### **b Intangible assets**

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

### **Investments in associates and joint ventures**

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

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries.

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

## **Financial instruments**

### **a Financial assets and liabilities**

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

The classification of financial assets at initial recognition depends on the financial assets' contractual cash flow characteristics and the Group's business model for managing them.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest' (SPPI) on the principal amount outstanding. A financial asset that is not SPPI is classified and measured at fair value through profit or loss. This assessment is performed on an instrument by instrument basis.

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

### **Long-term borrowings**

Long-term borrowings are recorded at amortised cost.

### **Convertible debt**

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

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

Convertible bonds that are classified as hybrid financial instruments consist only of a liability component recognised within Borrowings. At the date of issue, the entirety of the convertible bonds are accounted for at fair value with subsequent fair value gains or losses recorded within Borrowings. The fair value of such financial instruments is obtained from their respective quoted prices in active markets, with the portion of the change in fair value attributable to changes in the credit risk of the convertible bonds recognised in Other comprehensive income, and the portion of the change in fair value attributable to market conditions recognised in the Income statement within Finance costs.

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

### **Other equity investments**

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

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date.

Where there is no active market, fair value is determined using valuation techniques.

### **Interest-bearing deposits**

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

### **Impairment of financial assets**

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

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

## **b Cash and cash equivalents**

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

## **c Derivative and non-derivative financial instruments and hedging activities**

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

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

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

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

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

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

## **d Cash flow hedges**

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

### **Hedge effectiveness**

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

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

Sources of ineffectiveness include the following:

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

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

### Reclassification and transfer adjustments

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

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

Further information on the risk management activities of the Group is given in note 29.

### e Fair value hedges

Changes in the fair value of derivative financial instruments designated in a fair value hedge relationship are recorded within the Income statement as Net change in the fair value associated with fair value hedges within Other non-operating credits. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the overall carrying amount of the hedged item and is recorded within the Income statement as Net change in the fair value associated with fair value hedges within Other non-operating credits.

For fair value hedges associated with financial liabilities measured at amortised cost, any adjustment to the carrying value is amortised to the Income statement from the date of the cessation of the hedge relationship through to the maturity of the hedged item using the effective interest rate method.

If the hedged item is de-recognised, the unamortised fair value is recognised immediately in the Income statement.

Ineffectiveness included in fair value hedges of interest rate payments may arise if there are differences in the critical terms between the interest rate derivative instrument and the underlying hedged item, or if there are changes in the credit risk of the Group or the derivative counterparty.

### Employee benefit plans

#### a Pension obligations

The Group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

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

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

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

### **b Severance obligations**

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

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

### **c Flight crew provisions**

The Group's obligations in respect of flight crew provisions are calculated separately for each collective bargaining agreement. In estimating these obligations, the Group makes assumptions regarding the number of employees who will elect to take early retirement under these agreements, and the age at which they make this election (where relevant), using the probability-weighted methodology. The Group recognises a provision for service costs from the date of employment of the relevant individual, with the corresponding amount recorded within the Income statement. The provisions recognised are discounted at the balance sheet date and the effect of unwinding of these discount rates is recognised as a finance cost in the Income statement.

Remeasurements of the provisions are made for changes in financial assumptions and recorded in Other comprehensive income. The Group records changes through Other comprehensive income, where assumptions regarding the elections to be made by individuals differ to actual elections. These calculations are performed by a qualified actuary using the projected unit credit method.

### **Taxation**

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

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

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

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

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

### **International tax reform: Pillar Two implementation**

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

### **Inventories**

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

### **Share-based payments**

The Group operates a number of equity-settled, share-based payment plans, under which the Group awards equity instruments of the Group for services rendered by employees. The fair value of the share-based payment plans is measured at the date of grant using a valuation model provided by external specialists. The resulting cost, as adjusted for the expected and actual level of vesting of the plan, is charged to the Income statement over the period in which the options vest. At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, and accordingly the number of equity instruments that will ultimately vest. The movement in the cumulative expense since the previous balance sheet date is recognised in the Income statement with a corresponding entry in equity.

### **Treasury shares**

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

## Provisions

Provisions are made when all of the following criteria have been met: (i) an obligation exists for a present liability in respect of a past event; (ii) the amount of the obligation can be reliably estimated; and (iii) it is considered probable that an outflow of economic resources will be required to settle the obligation. Where it is not considered probable that there will be an outflow of economic resources required to settle the obligation, the Group does not recognise a provision, but discloses the matter as a contingent liability. The Group assesses whether each matter is probable of there being an outflow of economic resources to settle the obligation at each balance sheet date.

Employee leaving indemnities and other employee provisions are recorded for flight crew who, meeting certain conditions, have the option of being placed on reserve or of taking early retirement. The Group is obligated to remunerate these employees until they reach the statutory retirement age. The calculation is performed by qualified independent actuaries using the projected unit credit method.

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

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

## Revenue recognition

### Passenger revenue

The Group's revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the transportation service has been provided.

Passenger tickets are generally paid for in advance of transportation and are recognised, net of discounts, as Deferred revenue and presented within current liabilities until either: (i) the customer has flown; or (ii) the customer does not fly on the intended date and has purchased a non-flexible fare.

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

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

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

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

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

In relation to vouchers, the Group also recognises revenue by estimating the amount of vouchers that customers are not expected to exercise their remaining rights prior to expiry using analysis of historical experience. The estimation regarding historical experience is updated at each balance sheet date. The amount of such revenue recognised is constrained, where necessary, such that the risk of a significant reversal of revenue in the future is remote.

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

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

### Cargo revenue

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

## Other revenue

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

- The provision of maintenance services and overhaul services for engines and airframes, where the Group is engaged to enhance an asset while the customer retains control of the asset. Accordingly, the performance obligations are satisfied, and revenue recognised, over time. The Group estimates the proportion of the contract completed at the balance sheet date and recognises revenue based on the percentage of completion of the contract;
- The provision of ground-handling services, where the performance obligations are fulfilled when the services are provided;
- The provision of holiday and hotel services, where the performance obligations are satisfied over time as the customer receives the benefit of the service; and
- Brand and marketing activities, where the performance obligations are satisfied as the associated activities occur.

## Customer loyalty programmes

The Group operates four principal loyalty programmes: the British Airways Club, Iberia Club, Vueling Club and Aer Lingus AerClub. The customer loyalty programmes award travellers Avios to redeem for various rewards, primarily redemption travel, including flights, hotels and car hire. Avios are also sold to commercial partners to use in loyalty activity.

### Avios issuance

When issued, the relative standalone selling price of an Avios is recorded within Deferred revenue in current liabilities until the customer redeems the Avios. The relative standalone selling price of Avios is based on the value of the awards for which the Avios could be redeemed. The Group also recognises revenue associated with the proportion of Avios that are not expected to be redeemed, referred to as 'breakage', based on the results of modelling using historical experience and expected future trends in customer behaviour, up until the balance sheet date. The amount of such revenue recognised is limited, where necessary, such that the risk of a significant reversal of revenue in the future is remote.

Where the issuance of Avios arises from travel on the Group's airlines, the consideration received from the customer may differ to the aggregation of the relative standalone selling prices. In such instances, the allocation of the consideration to each performance obligation is undertaken on a proportional basis using the relative standalone selling prices.

The Group has contractual arrangements with non-Group airlines and non-air partners for the issuance and redemption of Avios, for which it has identified the following performance obligations:

#### *Companion vouchers*

Certain non-air partners issue their cardholders with companion vouchers, which form part of the variable consideration of the overall contract, depending on the level of expenditure by the cardholders, for redemption on the airlines of the Group for the same flight and class of cabin as the underlying fare being purchased. The Group estimates the standalone selling price of the companion voucher performance obligation, using valuation techniques, by reference to the amount that a third party would be prepared to pay in an arm's length transaction.

#### *Brand and marketing activities*

For both air and non-air partners, the Group licenses the Avios and the airline brands for certain activities, such as the creation of co-branded credit cards. In addition, the Group has certain contractual arrangements whereby it commits to provide marketing services to the members of the loyalty schemes on behalf of those partners. Under IFRS 15, for the provision of both brand and marketing services, the partner receives benefits incremental to the issuance of Avios. The Group estimates the standalone selling price of the brand and marketing performance obligations, using valuation techniques, by reference to the amount that a third party would be prepared to pay in an arm's length transaction for access to comparable brands for the period over which they use the brand. For brand services, as the Group considers that the partner has the right to use the brand, revenue is recognised as the brand service is provided and not over time. For marketing performance obligations, revenue is recognised as the marketing activities occur.

#### *Upfront payments*

Where a partner makes an upfront payment to the Group that does not relate to any specific performance obligation, then the Group considers such a payment as an advance payment for future goods and services and the associated revenue is recognised as those goods and services are provided, as detailed above. In such instances, the payment is allocated across all of the performance obligations over the contract term. The Group estimates the expected level of Avios to be issued over the contract term using experience together with historical and expected future trends, and allocates the payments to the relevant performance obligations accordingly. At each balance sheet date, the Group updates its estimate of the number of Avios expected to be issued over the total contract term and recognises a cumulative catch-up adjustment where necessary.

When a partner makes an upfront payment to the Group, the Group assesses whether such a payment is representative of a significant financing event. Where a significant financing component is identified, the Group estimates a market rate of interest that an arm's length financial liability of similar size and tenor would yield. The Group recognises the imputed interest within the Income statement as Other finance costs within Finance costs.

#### *Other considerations*

The Group considers whether it is an agent or a principal in relation to the loyalty services by considering whether it has a performance obligation to provide services to the customer or whether the obligation is to arrange for the services to be provided by a third party. In particular, the Group acts as an agent where customers redeem their Avios on interline partner flights outside the Group, where the fees payable to the interline partner are presented net against the associated release of the Deferred revenue.

## Exceptional items

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

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

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

Further information is given in the Alternative performance measures section.

## Government grants

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

## Critical accounting estimates, assumptions and judgements

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

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

- Revenue recognition (note 24): breakage assumptions applied to passenger revenue, customer loyalty programmes and unredeemed vouchers;
- Restoration and handback provisions (note 27): key assumptions underlying the carrying value of the provisions; and
- Employee benefit obligations (note 34): Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS) key actuarial assumptions.

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

- Income taxes (note 10): determining whether payments made to HMRC in relation to the IAG Loyalty VAT accounting are recoverable;
- Leases (note 14): determining the lease term of contracts with renewal and termination options; and
- Restoration and handback provisions (note 27): determination of accounting policy for leased aircraft.

### New standards, amendments and interpretations

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

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

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

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

#### IFRS 18 Presentation and disclosure in financial statements

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

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

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

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

### 3 Significant changes and transactions in the current reporting period

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

- On 17 January 2025, the Group paid €305 million to redeem, at a net premium, €300 million of the notional value of the unsecured €700 million fixed rate bonds 2029. On 12 September 2025, the Group paid a further €292 million to redeem, at a net premium, €281 million of the notional value of the remaining €400 million at that time. On 29 September 2025, the Group paid a further €119 million to redeem the remaining outstanding notional value of the bonds. In redeeming the bonds, the Group paid accrued interest for the bonds of €16 million;
- On 17 January 2025, the Group paid €269 million to redeem, at a net discount, €277 million of the notional value of the unsecured €500 million fixed rate bonds 2027. On 12 September 2025, the Group paid a further €89 million to redeem, at a net discount, €90 million of the notional value of the remaining €223 million at that time. In redeeming the bonds, the Group paid accrued interest for the bonds of €3 million;
- On 27 February 2025, the Board of Directors proposed a final dividend of €0.06 per share, amounting to €280 million, which was approved at the Annual General Meeting on 19 June 2025;
- During March 2025, the Group exercised options for 12 Airbus A350 aircraft and six Boeing 777-9 aircraft. These orders are part of the Group's ongoing investment in new, modern aircraft to drive operational efficiency, reduce emissions, and enhance onboard products for customers. The aircraft will be delivered between 2028 and 2030;
- On 25 March 2025, the Group redeemed upon maturity the senior unsecured €500 million fixed rate bonds;
- On 9 May 2025, the Group entered into agreements with Boeing to purchase 32 787-10 aircraft and with Airbus to purchase 21 A330-900neo aircraft. The aircraft will be delivered between 2028 and 2033 and will be used for the Group's medium-term long-haul fleet requirements. The fleet order was subsequently approved by shareholders on 19 June 2025;
- On 11 September 2025, the Group issued €500 million of senior unsecured bonds due 2030 and bearing a fixed rate of interest of 3.352%;
- On 17 September 2025, the Group, as an investor, announced that the **oneworld** alliance and Breakthrough Energy Ventures had launched an investment fund to advance and commercialise Sustainable Aviation Fuel (SAF) technologies. As part of the arrangement, the Group committed to provide €21 million (\$25 million) to the investment fund. At 31 December 2025, following contributions made subsequent to the aforementioned announcement, the remaining commitment was €17 million (\$20 million);
- On 6 November 2025, the Board of Directors declared an interim dividend of €0.048 per share, amounting to €220 million, which was subsequently paid by 31 December 2025; and
- On 17 November 2025, British Airways, paid €349 million (\$403 million) to early redeem Asset financed liabilities relating to 10 aircraft initially financed in 2020. In redeeming the Asset financed liabilities, British Airways recorded a loss of €13 million, recorded within Finance costs in the Income statement, associated with the transaction costs incurred.

## 4 Impact of climate change on financial reporting

### 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 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 use of Sustainable Aviation Fuel (SAF) to 10% by 2030 and to 70% by 2050;
- The cost of incurring an increase in the level of carbon offsetting and carbon capture schemes; and
- The impact of introducing more fuel-efficient aircraft and being able to operate these more efficiently.

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

- The impact on passenger demand for air travel as a result of both passenger trends regarding climate change and government policies;
- Investment and policy regarding the development of SAF production facilities;
- Investment and improvements in air traffic management; and
- The price of carbon through the EU, Swiss and UK Emissions Trading Systems/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 on 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 of each operating company. This includes the annual assessment of useful lives and the residual values of each aircraft type.

With the current aircraft fleet and the future committed delivery of 217 fuel-efficient aircraft as detailed in note 15, the Group considers the existing and future 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 Group's decarbonisation plans.

#### b Impairment testing of the Group's cash-generating units

The Group applies discounted cash flow models for each cash-generating unit (CGU), 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, they have been incorporated into the three-year business plans.

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

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

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

As detailed in note 17, the Group applies a long-term growth rate to these adjusted probability weighted cash flows, per CGU, and each of the long-term growth rates includes a specific adjustment to reduce the rate to reflect the Group's assumptions regarding the reduced demand and elasticity impact arising from climate change. These impacts are derived with reference to external market data, industry publications and internal analysis.

Given the inherent uncertainty associated with the impact of climate change, the Group has applied additional sensitivities in note 17 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 and operating margins, and the increased fuel price sensitivity.

#### **c Valuation of employee benefit scheme assets**

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

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

#### **d Recoverability of deferred tax assets**

In determining the recoverable amounts of the Group's deferred tax assets, the Group applies future cash flow projections for a period of up to 10 years derived from the approved three-year business plans. The Group applies a medium-term growth rate subsequent to the three-year business plans, specific to each operating company. In considering the impact of the Group's Flightpath Net Zero climate strategy, management adjusts this medium-term growth rate, where applicable, to incorporate the assumed impacts on both revenue and costs to the Group.

#### **e Provision recognition**

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

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

#### **f The price of carbon**

##### **EU, Swiss and UK Emissions Trading Systems/Schemes**

The EU, Swiss and the UK ETS were established to reduce greenhouse gas emissions cost effectively. Under these schemes the Group's operating companies 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 CO<sub>2</sub> 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 relatively illiquid nature of the emission allowance market, there is uncertainty as to the future pricing of such allowances.

##### **Carbon Offsetting and Reduction Scheme for International Aviation**

In October 2016 the International Civil Aviation Organization adopted CORSIA, which aims to offset growth-related CO<sub>2</sub> 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<sub>2</sub> emissions from international civil aviation over a baseline of 85% of the 2019 level of emissions (the Baseline Year) for all 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; and (iii) those flights subject to various ETS arrangements, to avoid duplication of emission charges. In addition, for those flights utilising SAF, the CORSIA offsetting requirement is reduced, but not eliminated, depending on the lifecycle carbon reductions of the SAF compared to conventional fossil jet kerosene.

The calculation and verification of the offsetting requirements in the first phase shall be determined by the sectoral approach annually, with companies retiring their obligations in 2028 (although retirements can occur earlier subject to agreement with national authorities). Under the sectoral approach, each of the Group's operating companies will be required to offset an amount of CO<sub>2</sub> emissions equivalent to the emissions generated on CORSIA eligible flights, multiplied by the Sector's Growth Factor. The Sector's Growth Factor is calculated based on total global aviation CO<sub>2</sub> emissions arising on international air routes between all participating States in a given year divided by the total sectoral CO<sub>2</sub> emissions in the Baseline Year for the same routes.

##### **Voluntary offset schemes**

The Group utilises certain voluntary offset schemes to offset certain CO<sub>2</sub> emissions. The Group purchases offset certificates arising from a broad range of accredited projects. Periodically, the Group will retire these offset certificates from the registry.

## Impact on financial reporting

As detailed in note 2, the Group accounts for the purchase of allowances as an increase in Carbon-related and other assets, which are measured at amortised cost. In addition, as the Group emits CO<sub>2</sub> equivalent as part of its flight operations, a provision is recorded to settle the Carbon-related obligation. As the provision is recognised, a corresponding amount is recorded in the Income statement within Fuel costs and emission charges. For emissions for which the Group has already purchased Carbon-related assets, the provision is valued at the weighted cost of those allowances. Where the level of emissions exceeds the amounts of allowances held, this deficit is measured at the market price of such allowances at the balance sheet date.

For the year to, and at 31 December 2025, the Group has recorded the following within the financial statements:

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

€ million	2025				2024			
	ETS assets	CORSIA assets	Voluntary offsets	Total	ETS assets	CORSIA assets	Voluntary offsets	Total
Balance at 1 January	598	-	-	598	577	-	-	577
Purchase of carbon assets	496	-	-	496	242	-	-	242
Extinguished/retired during the year	(320)	-	-	(320)	(233)	-	-	(233)
Exchange differences	(18)	-	-	(18)	12	-	-	12
<b>Balance at 31 December</b>	<b>756</b>	<b>-</b>	<b>-</b>	<b>756</b>	<b>598</b>	<b>-</b>	<b>-</b>	<b>598</b>
Analysis:								
Current	321	-	-	321	323	-	-	323
Non-current	435	-	-	435	275	-	-	275
	<b>756</b>	<b>-</b>	<b>-</b>	<b>756</b>	<b>598</b>	<b>-</b>	<b>-</b>	<b>598</b>

Carbon-related obligations (presented as part of Provisions in note 27) include the following amounts:

€ million	2025				2024			
	ETS obligations	CORSIA obligations	Voluntary offsets	Total	ETS obligations	CORSIA obligations	Voluntary offsets	Total
Balance at 1 January	307	9	-	316	244	-	3	247
Obligations recognised in the Income statement <sup>1</sup>	328	61	-	389	304	9	1	314
Release of unused amounts in the Income statement <sup>1</sup>	(11)	-	-	(11)	(12)	-	(1)	(13)
Extinguished/retired during the year	(320)	-	-	(320)	(233)	-	(3)	(236)
Exchange differences	(6)	-	-	(6)	4	-	-	4
<b>Balance at 31 December</b>	<b>298</b>	<b>70</b>	<b>-</b>	<b>368</b>	<b>307</b>	<b>9</b>	<b>-</b>	<b>316</b>
Analysis:								
Current	298	-	-	298	307	-	-	307
Non-current	-	70	-	70	-	9	-	9
	<b>298</b>	<b>70</b>	<b>-</b>	<b>368</b>	<b>307</b>	<b>9</b>	<b>-</b>	<b>316</b>

<sup>1</sup> For the year to 31 December 2025, the total amount in the Income statement within Fuel costs and emission charges that related to emission allowances was €378 million (2024: €301 million). Refer to note 6.

See note 35 for details of the amounts recognised in the Cash flow statement for the years to 31 December 2025 and 31 December 2024.

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

Percentage of forecast emission allowances required	2025	2024
Within 12 months	<b>100%</b>	100%
1-2 years	<b>82%</b>	67%
2-3 years	<b>36%</b>	19%

## 5 Segment information

### a Business segments

The chief operating decision-maker is responsible for allocating resources and assessing performance of the operating segments, and has been identified as the IAG Management Committee (IAG MC).

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

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

There are varying levels of transactions between operating segments, which principally relate to the provision of maintenance services from the Iberia operating segment to the other operating segments, the provision of flight services by the airlines to the IAG Loyalty segment and the provision of loyalty and holiday services from IAG Loyalty to the airline operating segments.

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

For the year to 31 December 2025

€ million	2025						Total
	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies <sup>1</sup>	
<b>Revenue</b>							
Passenger revenue	15,639	6,070	3,234	2,426	1,181	419	<b>28,969</b>
Cargo revenue	913	267	-	50	-	8	<b>1,238</b>
Other revenue	127	1,350	29	29	1,471	-	<b>3,006</b>
<b>External revenue</b>	<b>16,679</b>	<b>7,687</b>	<b>3,263</b>	<b>2,505</b>	<b>2,652</b>	<b>427</b>	<b>33,213</b>
Inter-segment revenue	507	398	1	24	389	553	<b>1,872</b>
<b>Segment revenue</b>	<b>17,186</b>	<b>8,085</b>	<b>3,264</b>	<b>2,529</b>	<b>3,041</b>	<b>980</b>	<b>35,085</b>
Employee costs	(3,679)	(1,486)	(460)	(551)	(120)	(290)	<b>(6,586)</b>
Fuel costs and emission charges	(3,986)	(1,476)	(856)	(628)	-	(137)	<b>(7,083)</b>
Depreciation and amortisation charge	(1,455)	(545)	(308)	(201)	(33)	(86)	<b>(2,628)</b>
<b>Operating profit/(loss)</b>	<b>2,597</b>	<b>1,313</b>	<b>393</b>	<b>282</b>	<b>548</b>	<b>(109)</b>	<b>5,024</b>
Exceptional items	-	-	-	-	-	-	-
<b>Operating profit/(loss) before exceptional items</b>	<b>2,597</b>	<b>1,313</b>	<b>393</b>	<b>282</b>	<b>548</b>	<b>(109)</b>	<b>5,024</b>
Net non-operating costs							<b>(519)</b>
<b>Profit before tax</b>							<b>4,505</b>
Total assets	25,654	10,254	3,494	2,667	4,775	(3,995)	<b>42,849</b>
Total liabilities	(18,337)	(8,939)	(3,447)	(2,122)	(4,458)	2,048	<b>(35,255)</b>

<sup>1</sup> Includes eliminations on total assets of €17,269 million and total liabilities of €5,329 million.

For the year to 31 December 2024

€ million	2024						Total
	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies <sup>1</sup>	
Revenue							
Passenger revenue	15,426	5,807	3,240	2,291	1,099	411	28,274
Cargo revenue	921	250	-	55	-	8	1,234
Other revenue	110	1,034	19	16	1,413	-	2,592
External revenue	16,457	7,091	3,259	2,362	2,512	419	32,100
Inter-segment revenue	530	451	2	14	350	485	1,832
Segment revenue	16,987	7,542	3,261	2,376	2,862	904	33,932
Employee costs	(3,386)	(1,618)	(427)	(508)	(104)	(313)	(6,356)
Fuel costs and emission charges	(4,328)	(1,611)	(895)	(638)	-	(136)	(7,608)
Depreciation and amortisation charge	(1,338)	(476)	(279)	(169)	(23)	(79)	(2,364)
Operating profit/(loss)	2,422	867	400	205	495	(106)	4,283
Exceptional items <sup>2</sup>	-	(160)	-	-	-	-	(160)
Operating profit/(loss) before exceptional items	2,422	1,027	400	205	495	(106)	4,443
Net non-operating costs							(720)
Profit before tax							3,563
Total assets	26,138	10,220	3,731	2,431	4,164	(2,880)	43,804
Total liabilities	(20,328)	(9,319)	(3,850)	(2,170)	(3,861)	1,900	(37,628)

1 Includes eliminations on total assets of €16,960 million and total liabilities of €5,676 million.

2 For details on exceptional items refer to the Alternative performance measures section.

### b Other revenue

€ million	Year to 31 December	
	2025	2024
Holiday and hotel services	1,010	990
Maintenance and overhaul services	1,045	820
Brand and marketing services	451	436
Ground-handling services	191	159
Other	309	187
	<b>3,006</b>	2,592

### c Geographical analysis

#### Revenue by area of original sale

€ million	Year to 31 December	
	2025	2024
UK	11,793	11,291
Spain	6,370	5,562
USA	5,464	5,406
Rest of world	9,586	9,841
	<b>33,213</b>	32,100

**Assets by area**  
31 December 2025

€ million	Property, plant and equipment	Intangible assets
UK	13,932	1,889
Spain	5,911	1,249
USA	96	21
Rest of world	1,506	611
	<b>21,445</b>	<b>3,770</b>

31 December 2024

€ million	Property, plant and equipment	Intangible assets
UK	14,021	1,807
Spain	5,617	1,210
USA	97	18
Rest of world	1,397	607
	<b>21,132</b>	<b>3,642</b>

## 6 Operating expenses

### a Expenses by nature

Operating result is arrived at after charging

Depreciation, amortisation and impairment of non-current assets:

€ million	2025	2024
Depreciation charge on right-of-use assets	1,113	1,134
Depreciation charge on owned assets	1,173	972
Amortisation and impairment of intangible assets	316	239
Depreciation charge on other leasehold assets	26	19
	<b>2,628</b>	<b>2,364</b>

Cost of inventories:

€ million	2025	2024 <sup>1</sup>
Cost of inventories recognised as an expense	1,536	1,318
	<b>1,536</b>	<b>1,318</b>

<sup>1</sup> The 2024 figures include a restatement to increase Cost of inventories recognised as an expense in the Income statement by €106 million. There is no change to any of the 2024 Income statement line items as a result of this restatement.

### b Fuel costs and emission charges

€ million	2025	2024
Fuel costs	6,525	7,116
Hedging losses	180	191
Emission charges	378	301
	<b>7,083</b>	<b>7,608</b>

### c Property, IT and other costs

€ million	2025	2024
IT costs	536	478
Property costs	284	290
Insurance costs, professional fees and other costs	265	352
	<b>1,085</b>	<b>1,120</b>

## 7 Auditor's remuneration

The fees for the years to 31 December 2025 and 31 December 2024, for audit and non-audit services provided by the external auditor of the Group's consolidated financial statements and of certain individual financial statements of the consolidated companies, KPMG Auditores S.L., and by companies belonging to KPMG's network, were as follows:

€'000	2025	2024
Fees payable for the audit of the Group and individual accounts	<b>6,990</b>	6,979
Fees payable for other services:		
Audit of the Group's subsidiaries pursuant to legislation	<b>1,166</b>	1,284
Other services pursuant to legislation	<b>155</b>	205
Other audit and assurance services	<b>2,163</b>	1,795
	<b>10,474</b>	10,263

Fees payable to the Group's external auditor for the audit of the Group's pension scheme during the year total €265 thousand (2024: €268 thousand).

## 8 Employee costs and numbers

€ million	2025	2024
Wages and salaries	<b>4,467</b>	4,380
Social security costs	<b>772</b>	692
Costs related to pension scheme benefits	<b>308</b>	312
Share-based payment charge	<b>58</b>	72
Other employee costs <sup>1</sup>	<b>981</b>	900
Total employee costs	<b>6,586</b>	6,356

<sup>1</sup> Other employee costs include allowances and accommodation for crew.

The number of employees during the year and at 31 December was as follows:

	2025			2024		
	Average number of employees	Number of employees <sup>1</sup>	Percentage of women	Average number of employees	Number of employees <sup>1</sup>	Percentage of women
In the air:						
Cabin crew	<b>25,304</b>	<b>25,225</b>	<b>70%</b>	24,421	24,615	70%
Pilots	<b>8,951</b>	<b>9,107</b>	<b>7%</b>	8,516	8,742	7%
On the ground:						
Airports	<b>16,717</b>	<b>16,501</b>	<b>38%</b>	16,725	16,396	38%
Corporate	<b>16,978</b>	<b>16,906</b>	<b>48%</b>	16,313	16,936	48%
Maintenance	<b>7,680</b>	<b>7,809</b>	<b>9%</b>	7,288	7,454	8%
Senior leaders	<b>241</b>	<b>238</b>	<b>35%</b>	235	235	36%
	<b>75,871</b>	<b>75,786</b>	<b>44%</b>	73,498	74,378	44%

<sup>1</sup> The number of employees is based on actual headcount at 31 December.

## 9 Finance costs, income and other non-operating credits

### a Finance costs

€ million	2025	2024
Interest expense on:		
Bank borrowings	(4)	(10)
Asset financed liabilities	(206)	(198)
Lease liabilities	(416)	(485)
Bonds	(36)	(62)
Provisions unwinding of discount	(150)	(130)
Other borrowings	(33)	(50)
Capitalised interest on progress payments	27	33
Other finance costs	(43)	(15)
	<b>(861)</b>	<b>(917)</b>

### b Finance income

€ million	2025	2024
Interest on other interest-bearing deposits, cash and cash equivalents	274	404
Other finance income	5	-
	<b>279</b>	<b>404</b>

### c Net change in fair value of financial instruments

€ million	2025	2024
Net change in the fair value of convertible bonds	(201)	(237)
	<b>(201)</b>	<b>(237)</b>

### d Net financing credit relating to pensions

€ million	2025	2024
Net financing credit relating to pensions	84	63
	<b>84</b>	<b>63</b>

### e Other non-operating (charges)/credits

€ million	2025	2024
Gain on sale of investments	1	-
Credit related to equity investments (note 19)	13	7
Share of profits in investments accounted for using the equity method (note 18)	3	-
Realised (losses)/gains on derivatives not qualifying for hedge accounting	(27)	42
Unrealised (losses)/gains on derivatives not qualifying for hedge accounting	(128)	95
Net change in the fair value associated with fair value hedges (note 30)	1	-
Air Europa Holdings termination settlement expense	-	(50)
	<b>(137)</b>	<b>94</b>

## 10 Tax

### a Tax (charges)/credits

Tax (charges)/credits recognised in the Income statement, Other comprehensive income and directly in equity:

€ million	2025				2024			
	Income statement	Other comprehensive income	Recognised directly in equity	Total	Income statement	Other comprehensive income	Recognised directly in equity	Total
<b>Current tax</b>								
Movement in respect of prior years	1	-	-	<b>1</b>	183	-	-	183
Movement in respect of current year	(501)	14	4	<b>(483)</b>	(384)	7	-	(377)
<b>Total current tax</b>	<b>(500)</b>	<b>14</b>	<b>4</b>	<b>(482)</b>	<b>(201)</b>	<b>7</b>	<b>-</b>	<b>(194)</b>
<b>Deferred tax</b>								
Movement in respect of prior years	(6)	1	1	<b>(4)</b>	(33)	(2)	-	(35)
Movement in respect of current year	(657)	110	4	<b>(543)</b>	(597)	(70)	4	(663)
Rate change/rate differences	-	-	-	-	-	-	-	-
<b>Total deferred tax</b>	<b>(663)</b>	<b>111</b>	<b>5</b>	<b>(547)</b>	<b>(630)</b>	<b>(72)</b>	<b>4</b>	<b>(698)</b>
<b>Total tax</b>	<b>(1,163)</b>	<b>125</b>	<b>9</b>	<b>(1,029)</b>	<b>(831)</b>	<b>(65)</b>	<b>4</b>	<b>(892)</b>

The current tax credit in Other comprehensive income relates to movements relating to employee benefit plans of €14 million (2024: credit of €7 million).

Tax recognised in equity of a €4 million credit (2024: €14 million charge) relates to cash flow hedges, in addition to a €5 million credit (2024: €18 million credit) relating to share-based schemes.

Within tax in Other comprehensive income is a tax credit of €139 million (2024: tax charge of €64 million) that may be reclassified to the Income statement and a tax charge of €14 million (2024: tax charge of €1 million) that will not.

### b Current tax asset

€ million	2025	2024
Balance at 1 January	<b>220</b>	157
Income statement	<b>(500)</b>	(201)
Other comprehensive income	<b>14</b>	7
Recognised directly in equity	<b>4</b>	-
Cash	<b>488</b>	245
Exchange and other movements	<b>(12)</b>	12
<b>Balance at 31 December</b>	<b>214</b>	220
Current tax asset	<b>242</b>	231
Current tax liability	<b>(28)</b>	(11)
<b>Balance at 31 December</b>	<b>214</b>	220

### c Deferred tax (liability)/asset

€ million	Fixed assets	Right-of-use assets	Lease liabilities	Employee leaving indemnities and others	Employee benefit plans	Fair value gains/losses <sup>1</sup>	Share-based payment schemes	Tax loss carried forward and tax credits	Other temporary differences <sup>2</sup>	Total
Balance at 1 January 2025	(1,389)	113	8	279	34	45	56	1,335	19	<b>500</b>
Income statement	(351)	(85)	-	6	(1)	-	(15)	(314)	97	<b>(663)</b>
Other comprehensive income	-	-	-	3	(11)	139	-	(21)	1	<b>111</b>
Recognised directly in equity	-	-	-	-	-	4	1	-	-	<b>5</b>
Exchange movements and other	82	-	-	-	(1)	(18)	(2)	(31)	(9)	<b>21</b>
<b>Balance at 31 December 2025</b>	<b>(1,658)</b>	<b>28</b>	<b>8</b>	<b>288</b>	<b>21</b>	<b>170</b>	<b>40</b>	<b>969</b>	<b>108</b>	<b>(26)</b>
Balance at 1 January 2024	(1,013)	24	7	214	45	121	26	1,721	53	1,198
Income statement	(395)	91	1	41	(3)	-	11	(326)	(50)	(630)
Other comprehensive income	-	-	-	23	(12)	(64)	-	(20)	1	(72)
Recognised directly in equity	-	-	-	-	-	(14)	18	-	-	4
Exchange movements and other	19	(2)	-	1	4	2	1	(40)	15	-
Balance at 31 December 2024	(1,389)	113	8	279	34	45	56	1,335	19	500

1 Fair value gains/losses include both the Cash flow hedge reserve and the Cost of hedging reserve, of which the movement in relation to Other comprehensive income recognised in the Cash flow hedge reserve for 2025 was €151 million (2024: €40 million, see note 30d).

2 Other temporary differences include a deferred tax asset in relation to corporate interest of €64 million (2024: €36 million). There were no deferred tax liabilities in relation to unremitted earnings (2024: €5 million).

€ million	2025	2024
Deferred tax asset	<b>675</b>	754
Deferred tax liability	<b>(701)</b>	(254)
<b>Balance at 31 December</b>	<b>(26)</b>	500

The deferred tax assets mainly arise in Spain and the UK and are expected to reverse in full beyond one year. Recognition of the deferred tax assets is supported by the expected reversal of deferred tax liabilities in corresponding periods and projections of operating performance laid out in the Board-approved business plans and longer term forecasts, where necessary, prepared by management.

### d Reconciliation of the total tax charge in the Income statement

The tax (charge)/credit is calculated at the domestic tax rates applicable to profits/(losses) in the country in which the profits/(losses) arise. The differences between the expected tax charge (2024: charge) and the actual tax charge (2024: charge) on the profit for the year to 31 December 2025 (2024: profit) are explained below:

€ million	2025	2024
Profit before tax	<b>4,505</b>	3,563
Weighted average tax charge of the Group <sup>1</sup>	<b>(1,092)</b>	(873)
Unrecognised losses and deductible temporary differences arising in the year	<b>(20)</b>	(47)
Fair value movement on convertible bonds	<b>3</b>	11
Share of associates' profits and losses <sup>2</sup>	<b>17</b>	(3)
Prior year tax assets recognised	<b>19</b>	10
Effect of lower tax rate in the Canary Islands	<b>13</b>	8
Intragroup dividends	<b>(59)</b>	(26)
Movement in respect of prior years	<b>(4)</b>	15
Revocation of Royal Decree-Law 3/2016 in Spain	-	135
Changes in accounting standards/tax legislation	-	(35)
Employee benefit plans accounted for net of withholding tax	<b>17</b>	13
Non-deductible expenses	<b>(51)</b>	(26)
Other items <sup>2</sup>	<b>(6)</b>	(13)
<b>Tax charge in the Income statement</b>	<b>(1,163)</b>	(831)

1 The expected tax charge is calculated by aggregating the expected tax charges arising in each company in the Group and changes each year as tax rates and profit mix change. The 2025 corporate tax rates for the Group's main countries of operation are Spain 25% (2024: 25%), the UK 25% (2024: 25%) and Ireland 12.5% (2024: 12.5%).

2 The 2024 reconciliation of the total tax charge has been re-presented to conform with the current year, where the Share of associates' profits and losses has been disaggregated from Other items. There is no net change in the overall tax charge for 2024.

### e Payroll-related taxes and UK Air Passenger Duty

The Group was also subject to other taxes paid during the year which are as follows:

€ million	2025	2024
Payroll-related taxes	749	698
UK Air Passenger Duty	1,099	1,084
	<b>1,848</b>	1,782

### f Factors that may affect future tax charges

#### Unrecognised deductible temporary differences and losses

€ million	2025	2024
<i>Income tax losses</i>		
Spanish corporate income tax losses	273	253
OpenSkies SASU trading losses	405	405
Other trading losses	10	7
	<b>688</b>	665
<i>Other losses and temporary differences</i>		
Spanish deductible temporary differences <sup>1</sup>	313	361
UK capital losses	337	357
Irish capital losses	17	17
	<b>667</b>	735

<sup>1</sup> Included in Spanish deductible temporary differences is an amount of €111 million (2024: €93 million) that originated as a tax loss and, in accordance with the Nineteenth Amendment of Law 27/2014, can be deducted in 10 equal annual instalments.

None of the unrecognised temporary differences have an expiry date.

#### Unrecognised temporary differences – investment in subsidiaries and associates

There are temporary differences of €3,665 million (2024: €1,495 million) associated with investments in subsidiaries and associates for which deferred tax liabilities have not been recognised.

#### Pillar Two minimum effective tax rate reform

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

The predominant jurisdiction in which the Group operates with an effective tax rate of less than 15% is Ireland through Aer Lingus. In 2025, Aer Lingus recorded a current tax expense of €42 million (2024: €24 million) relating to its Irish operations, which included a Domestic Top-up Tax of €4 million (2024: €2 million).

#### Engagement with tax authorities

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

## g Tax-related contingent liabilities

### Significant accounting judgement applied – Determining whether payments made to HMRC in relation to the IAG Loyalty VAT accounting are recoverable

At 31 December 2025 the Group recognised, as a Non-current other asset, €507 million in respect of VAT it expects to recover from HMRC in the UK.

The Group applies judgement in the determination as to whether it considers the outcome of the judicial process between IAG Loyalty and HMRC, with regard to the IAG Loyalty VAT accounting, is more probable than not to result in a favourable outcome to the Group, and accordingly whether to record the aforementioned payments as an asset.

In forming its judgement, the Group has reviewed the decision letter issued by HMRC and the correspondence with HMRC on this matter, including having considered the historical tax ruling issued by HMRC to the Group on this matter.

The Directors are satisfied that it is probable that a favourable outcome will eventuate, and accordingly the Group continues to consider at 31 December 2025, and through to the date of this report, that the €507 million asset recognised as a result of the payment to HMRC is recoverable.

The Group has certain contingent liabilities that could be reliably estimated, across all taxes, but excluding the IAG Loyalty VAT matter detailed below, at 31 December 2025 amounting to €134 million (31 December 2024: €128 million). While the Group does not consider it more likely than not that there will be material losses on these matters, given the inherent uncertainty associated with tax litigation and tax audits, there can be no guarantee that material losses will not eventuate. As the Group considers that its chances of success in each of these matters is more probable than not, it is not appropriate to make a provision for these amounts. Included in the tax-related contingent liabilities are the following:

#### Merger gain

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

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

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

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

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

#### IAG Loyalty VAT

##### Background to the matter

As reported in the 2024 Annual Report and Accounts, His Majesty's Revenue and Customs (HMRC) in the UK had been considering: (i) the appropriate VAT accounting to be applied by Avios Group (AGL) Limited, a controlled undertaking of the Group trading as IAG Loyalty; and (ii) the validity of a historical ruling ('the Ruling') issued by HMRC to the Group.

On 29 October 2024, HMRC issued the Group its decision letter with its view of the appropriate VAT accounting to be applied by IAG Loyalty. HMRC's decision letter asserted that the charges made by IAG Loyalty are for developing, administering and maintaining a loyalty scheme with the result that VAT arises at 20% on the issuance of Avios irrespective of the redemption product. By implication, HMRC's decision letter confirmed its view that IAG Loyalty was not entitled to rely on the Ruling during the relevant assessed periods. The decision letter differs to the VAT accounting approach applied by IAG Loyalty, which was based on both the Ruling issued by HMRC and existing case law precedent. Historically, IAG Loyalty has accounted for VAT depending on the nature of the redemption products for which Avios are redeemed, the vast majority of which are flights which are zero-rated.

The Group, having reviewed HMRC's decision letter with its legal and tax advisers, strongly disagrees with HMRC's view. The Group considers that not accounting for VAT on the issuance of Avios, but for VAT to be accounted for depending on the nature of the redemption products for which Avios are redeemed, remains appropriate. Accordingly, on 14 February 2025, the Group appealed the case to the First-tier Tribunal (Tax) in the UK with a hearing scheduled for the fourth quarter of 2026 and a decision of the First-tier Tribunal (Tax) expected during 2027.

In addition, the Group, having reviewed its position with its legal and tax advisers, considers that it has a legitimate expectation that it should have been able to rely upon the Ruling. Accordingly, during 2025, the Group applied to the High Court in the UK for a judicial review of whether IAG Loyalty had a legitimate expectation that it could rely upon the Ruling and whether HMRC acted lawfully in asserting that the Ruling was defunct with retrospective effect. The application also sought to stay the hearing pending the outcome of the appeal to the First-tier Tribunal (Tax). On 6 January 2026 the High Court in the UK approved the application to stay the hearing until after the conclusion of the First-tier Tribunal (Tax) proceedings and any subsequent appeals.

### Accounting for the matter

In January 2019, the IFRS Interpretations Committee (IFRIC) issued an agenda decision, which states that deposits made to tax authorities for taxes, other than income tax, for which the entity and the tax authorities are in dispute and in respect of which the entity considers it more likely than not that the matter will be resolved in its favour, should be recorded as an asset. The Group, having reviewed HMRC's decision with its legal and tax advisers, considers it more likely than not that a favourable outcome from the judicial process will eventuate. Accordingly, payments made to HMRC relating to this dispute for periods prior to its decision letter on 29 October 2024 are classified as an asset on the Balance sheet.

For payments made to HMRC for periods subsequent to its decision letter on 29 October 2024, the IFRIC agenda decision does not apply, and while the Group considers it more likely than not that the matter will be resolved in its favour, it is not possible to assert that such payments are virtually certain of being refundable to the Group and accordingly no asset on the Balance sheet is recognised.

### Impact on the financial statements

The table below reflects the payments made to and the refund from HMRC during 2025 relating to periods prior to it issuing its decision letter on 29 October 2024, for which an Other non-current asset has been recorded in the Balance sheet:

Million	€	£
Balance at 1 January 2025 <sup>1</sup>	<b>88</b>	73
Cash payments to HMRC for periods immediately prior to its decision, paid in 2025 <sup>2</sup>	<b>39</b>	33
Cash payment to HMRC for remaining historical periods prior to its decision letter <sup>3</sup>	<b>668</b>	557
Cash refunds from HMRC <sup>4</sup>	<b>(265)</b>	(220)
Exchange movements	<b>(23)</b>	-
<b>Balance at 31 December 2025<sup>5,6</sup></b>	<b>507</b>	443

1 During the course of 2024 and prior to HMRC issuing its decision letter, in order to avoid incurring potential interest and penalties, the Group commenced accounting and paying to HMRC, without admission of liability, VAT on the issuance of Avios. This has resulted in payments, that the Group does not consider it can recover from its partners, totalling €88 million (£73 million) having been made in 2024.

2 During 2025, the Group paid €39 million (£33 million) of VAT for the months immediately prior to HMRC's decision letter, which formed part of VAT returns paid during 2025.

3 On 14 February 2025, the Group appealed this matter to the First-tier Tribunal (Tax) in the UK. To advance the case to the First-tier Tribunal (Tax), without admission of liability, the Group paid to HMRC €668 million (£557 million).

4 During 2025, certain of the Group's subsidiaries recovered €265 million (£220 million) as input VAT.

5 While at 31 December 2025 no amounts relating to interest have been paid, in the event of an ultimate adverse judgment against the Group, the Group has estimated interest on these assessments to 31 December 2025 to total €121 million (£106 million). The Group considers it appropriate not to record any provision for these amounts but to disclose them as a contingent liability.

6 In the event of an adverse outcome for the Group upon completion of the judicial process, the €507 million asset would be recoverable through the settlement of any VAT liability arising from that outcome. The recognition of any VAT liability arising from the judicial process would result in a charge to the Income statement. The Group considers it appropriate not to record any provision for these amounts but to disclose them as a contingent liability.

Payments made to HMRC in relation to periods prior to its decision, after deducting refunds and excluding any interest arising, amounting to €507 million (£443 million) have been recorded as an Other non-current asset in the Balance sheet.

Subsequent to HMRC issuing its decision and through to 31 December 2025, the Group has made payments to HMRC of €89 million (£78 million), excluding those amounts the Group's other subsidiaries, principally British Airways, expect to recover as input VAT. While the Group considers it more likely than not that the matter will be resolved in its favour, it is not possible to assert that such payments are virtually certain of being refundable to the Group and accordingly no asset on the Balance sheet is recognised at 31 December 2025, but such amounts are disclosed as a contingent asset. In addition, as a result of the aforementioned accounting, a proportion of the ongoing payments made to HMRC reduce the amounts that would have previously been recognised within Deferred revenue in the Balance sheet upon issuance of the Avios and subsequently within both Passenger revenue and Other revenue in the Income statement when the Avios are redeemed.

## 11 Earnings per share

€ million	2025	2024
Earnings attributable to equity holders of the parent for basic earnings per share	<b>3,342</b>	2,732
Income statement impact of convertible bonds	<b>158</b>	185
Diluted earnings attributable to equity holders of the parent for diluted earnings per share	<b>3,500</b>	2,917

	2025 Number '000	2024 Number '000
Weighted average number of ordinary shares in issue used for basic earnings per share <sup>1</sup>	<b>4,690,069</b>	4,903,453
Assumed conversion on convertible bonds	<b>250,534</b>	245,944
Dilutive employee share schemes outstanding	<b>91,377</b>	110,261
Weighted average number of ordinary shares used for diluted earnings per share	<b>5,031,980</b>	5,259,658

€ cents	2025	2024
Basic earnings per share	<b>71.3</b>	55.7
Diluted earnings per share	<b>69.5</b>	55.5

<sup>1</sup> Includes 187 million as the weighted average impact for 312 million treasury shares purchased in the share buyback programme (note 31a).

The assumed conversion of the €825 million convertible bonds 2028 and outstanding employee share schemes have a dilutive impact on the earnings per share for the years to 31 December 2025 and 31 December 2024 due to the reported profit after tax for the respective years.

For information relating to Adjusted earnings per share, refer to the Alternative performance measures section.

## 12 Dividends

€ million	2025	2024
<i>Cash dividend declared</i>		
Interim cash dividend declared for 2025 of €0.048 per share (2024: €0.03 per share)	<b>220</b>	147
Final dividend for 2024 of €0.06 per share (2023: €nil)	<b>280</b>	-
<i>Proposed cash dividend</i>		
Final dividend for 2025 of €0.05 per share	<b>228</b>	

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

Proposed dividends on ordinary shares are subject to approval at the Annual General Meeting and, subject to such approval, are recognised as a liability on that date.

The future dividend capacity of the Group is dependent on the liquidity requirements and the distributable reserves of the Group's main operating companies and their capacity to pay dividends to the Company, together with the Company's distributable reserves and liquidity.

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

## 13 Property, plant and equipment

€ million	Fleet	Property	Equipment	Total
<b>Cost</b>				
Balance at 1 January 2024	30,371	3,086	1,532	34,989
Additions	2,779	67	240	3,086
Modification of leases	286	110	-	396
Disposals	(871)	(39)	(85)	(995)
Reclassifications	(1)	3	(1)	1
Transfers to Non-current assets held for sale (note 16)	(28)	-	-	(28)
Exchange movements	915	120	52	1,087
Balance at 31 December 2024	33,451	3,347	1,738	38,536
Additions	2,603	159	302	<b>3,064</b>
Modification of leases	241	157	-	<b>398</b>
Disposals	(244)	(11)	(59)	<b>(314)</b>
Exchange movements	(1,281)	(168)	(76)	<b>(1,525)</b>
<b>Balance at 31 December 2025</b>	<b>34,770</b>	<b>3,484</b>	<b>1,905</b>	<b>40,159</b>
<b>Depreciation and impairment</b>				
Balance at 1 January 2024	12,851	1,310	1,052	15,213
Depreciation charge for the year	1,891	152	82	2,125
Disposals	(304)	(35)	(81)	(420)
Modification of leases	(2)	(4)	-	(6)
Reclassifications	(23)	3	(3)	(23)
Exchange movements	423	52	40	515
Balance at 31 December 2024	14,836	1,478	1,090	17,404
Depreciation charge for the year <sup>1</sup>	2,063	150	99	<b>2,312</b>
Disposals	(217)	(10)	(43)	<b>(270)</b>
Exchange movements	(608)	(73)	(51)	<b>(732)</b>
<b>Balance at 31 December 2025</b>	<b>16,074</b>	<b>1,545</b>	<b>1,095</b>	<b>18,714</b>

<sup>1</sup> During 2025, the Group extended the useful lives of certain aircraft to align with current fleet planning. Had these useful lives not been extended, the depreciation charge for 2025 would have been €18 million higher.

### Net book values

<b>31 December 2025</b>	<b>18,696</b>	<b>1,939</b>	<b>810</b>	<b>21,445</b>
31 December 2024	18,615	1,869	648	21,132

€ million	Fleet	Property	Equipment	Total
<b>Analysis at 31 December 2025</b>				
Owned	11,137	882	569	<b>12,588</b>
Right-of-use assets (note 14)	5,996	952	10	<b>6,958</b>
Assets under construction (including progress payments) <sup>1</sup>	1,559	105	231	<b>1,895</b>
Assets not in current use	4	-	-	<b>4</b>
<b>Property, plant and equipment</b>	<b>18,696</b>	<b>1,939</b>	<b>810</b>	<b>21,445</b>
Analysis at 31 December 2024				
Owned <sup>1</sup>	10,139	886	441	11,466
Right-of-use assets (note 14)	7,111	901	6	8,018
Assets under construction (including progress payments) <sup>1</sup>	1,278	78	189	1,545
Assets not in current use	87	4	12	103
Property, plant and equipment	18,615	1,869	648	21,132

<sup>1</sup> Included in the fleet assets under construction are progress payments of €995 million (2024: €870 million).

The net book value of property comprises:

€ million	2025	2024
Freehold	508	485
Right-of-use assets (note 14)	952	901
Long-leasehold improvements with a contractual life in excess of 50 years	365	337
Short-leasehold improvements with a contractual life of less than 50 years	114	146
<b>Property</b>	<b>1,939</b>	<b>1,869</b>

At 31 December 2025, bank and other loans of the Group are secured on owned fleet assets with a net book value of €5,476 million (2024: €5,958 million).

## 14 Leases

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

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

### a Amounts recognised in the Balance sheet – right-of-use assets

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

€ million	Fleet	Property	Equipment	Total
<b>Cost</b>				
Balance at 1 January 2024	13,983	1,140	43	15,166
Additions	622	11	-	633
Modifications of leases	286	110	-	396
Disposals	(131)	(21)	-	(152)
Reclassifications <sup>1</sup>	(1,240)	-	(32)	(1,272)
Exchange movements	301	46	1	348
31 December 2024	13,821	1,286	12	15,119
Additions	93	32	7	132
Modification of leases	241	157	-	398
Disposals	(145)	(9)	(2)	(156)
Reclassifications <sup>1</sup>	(582)	-	-	(582)
Exchange movements	(368)	(66)	(1)	(435)
<b>31 December 2025</b>	<b>13,060</b>	<b>1,400</b>	<b>16</b>	<b>14,476</b>
<b>Depreciation and impairment</b>				
Balance at 1 January 2024	6,302	302	28	6,632
Depreciation charge for the year	1,036	96	2	1,134
Disposals	(128)	(21)	-	(149)
Modification of leases	(2)	(4)	-	(6)
Reclassifications <sup>1</sup>	(644)	-	(24)	(668)
Exchange movements	146	12	-	158
31 December 2024	6,710	385	6	7,101
Depreciation charge for the year	1,021	90	2	1,113
Disposals	(121)	(9)	(2)	(132)
Reclassifications <sup>1</sup>	(354)	-	-	(354)
Exchange movements	(192)	(18)	-	(210)
<b>31 December 2025</b>	<b>7,064</b>	<b>448</b>	<b>6</b>	<b>7,518</b>
<b>Net book value</b>				
<b>31 December 2025</b>	<b>5,996</b>	<b>952</b>	<b>10</b>	<b>6,958</b>
31 December 2024	7,111	901	6	8,018

<sup>1</sup> Amounts with a net book value of €228 million (2024: €604 million) were reclassified from ROU assets to owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified relate to leases with purchase options that were grandfathered as ROU assets upon transition to IFRS 16, for which the Group had been depreciating over the expected useful life of the aircraft, incorporating the purchase option.

### b Amounts recognised in the Balance sheet – lease liabilities and asset financed liabilities

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

€ million	Operating leases	Finance leases	Total lease liabilities <sup>1</sup>	Asset financed liabilities	Total
1 January 2025	6,906	1,740	<b>8,646</b>	5,788	<b>14,434</b>
Additions	141	-	<b>141</b>	662	<b>803</b>
Modifications	396	6	<b>402</b>	-	<b>402</b>
Repayments	(1,345)	(411)	<b>(1,756)</b>	(874)	<b>(2,630)</b>
Interest expense	367	49	<b>416</b>	206	<b>622</b>
Exchange movements	(740)	(114)	<b>(854)</b>	(488)	<b>(1,342)</b>
<b>31 December 2025</b>	<b>5,725</b>	<b>1,270</b>	<b>6,995</b>	<b>5,294</b>	<b>12,289</b>
Depreciation expense	922	191	<b>1,113</b>	283	<b>1,396</b>
Interest expense	367	49	<b>416</b>	206	<b>622</b>
<b>Total amounts recorded in the Income statement</b>	<b>1,289</b>	<b>240</b>	<b>1,529</b>	<b>489</b>	<b>2,018</b>
Repayment of principal within financing activities	974	370	<b>1,344</b>	696	<b>2,040</b>
Repayment of interest within operating activities	366	40	<b>406</b>	178	<b>584</b>
<b>Total repayments in the Cash flow statement<sup>2,3</sup></b>	<b>1,340</b>	<b>410</b>	<b>1,750</b>	<b>874</b>	<b>2,624</b>

€ million	Operating leases	Finance leases	Total lease liabilities <sup>1</sup>	Asset financed liabilities	Total
1 January 2024	6,460	2,507	8,967	4,427	13,394
Additions	587	-	587	1,473	2,060
Modifications	390	11	401	-	401
Repayments	(1,325)	(887)	(2,212)	(525)	(2,737)
Interest expense	406	79	485	198	683
Disposals	(4)	-	(4)	-	(4)
Exchange movements	392	30	422	215	637
31 December 2024	6,906	1,740	8,646	5,788	14,434
Depreciation expense	922	212	1,134	238	1,372
Interest expense	406	79	485	198	683
Total amounts recorded in the Income statement	1,328	291	1,619	436	2,055
Repayment of principal within financing activities	923	814	1,737	347	2,084
Repayment of interest within operating activities	404	68	472	177	649
Total repayments in the Cash flow statement <sup>2,3</sup>	1,327	882	2,209	524	2,733

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

2 Includes the repayment of both principal and interest.

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

Interest-bearing long-term borrowings include the following amount relating to lease liabilities:

€ million	2025	2024
<b>Current</b>	<b>1,397</b>	1,477
<b>Non-current</b>	<b>5,598</b>	7,169

### c Amounts recognised in the Income statement

€ million	2025	2024
<i>Amounts not included in the measurement of lease liabilities</i>		
Variable lease payments	-	2
Expenses relating to short-term leases	104	60
<i>Amounts expensed as a result of the recognition of ROU assets and lease liabilities</i>		
Interest expense on lease liabilities	416	485
(Gains)/losses arising from sale and leaseback transactions	-	-
Depreciation charge for the year	1,113	1,134

### d Amounts recognised in the Cash flow statement

The following table details the amounts recognised in the Cash flow statement for the years to 31 December 2025 and 31 December 2024.

€ million	2025	2024
<i>Cash flows arising from transactions giving rise to lease liabilities</i>		
Total cash outflows arising from lease liabilities - aircraft	(1,620)	(2,101)
Total cash outflows arising from lease liabilities - other	(130)	(108)
Total cash inflows arising from sale and leaseback transactions - aircraft	-	567
<i>Cash flows arising from transactions that do not give rise to the recognition of lease liabilities</i>		
Total cash outflows arising from short-term leases, low-value assets and variable lease payments	(105)	(62)
Total cash inflows arising from the recognition of asset financed liabilities	662	1,473
Total cash outflows arising from asset financed liabilities	(874)	(524)

The Group is exposed to future cash outflows (on an undiscounted basis) at 31 December 2025, for which an amount of €nil (2024: €89 million) has been recognised in relation to leases not yet commenced to which the Group is committed.

### e Maturity profile of lease liabilities and asset financed liabilities

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

€ million	Operating leases	Finance leases	Total lease liabilities	Asset financed liabilities	Total
Within 1 year	1,084	398	1,482	478	1,960
1-2 years	1,019	322	1,341	481	1,822
2-3 years	890	301	1,191	489	1,680
3-4 years	662	144	806	678	1,484
4-5 years	599	163	762	571	1,333
More than 5 years	4,308	20	4,328	3,526	7,854
<b>31 December 2025</b>	<b>8,562</b>	<b>1,348</b>	<b>9,910</b>	<b>6,223</b>	<b>16,133</b>

€ million	Operating leases	Finance leases	Total lease liabilities	Asset financed liabilities	Total
Within 1 year	1,183	423	1,606	528	2,134
1-2 years	1,139	411	1,550	524	2,074
2-3 years	1,059	332	1,391	529	1,920
3-4 years	911	327	1,238	552	1,790
4-5 years	679	160	839	714	1,553
More than 5 years	4,589	194	4,783	3,901	8,684
31 December 2024	9,560	1,847	11,407	6,748	18,155

## f Extension options

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

The Group is exposed to future cash outflows (on an undiscounted basis) at 31 December 2025, for which no amount has been recognised, for potential extension options of €1,068 million (2024: €1,115 million) due to it not being reasonably certain that these leases will be extended.

## g Lessor accounting

The Group leases out certain of its property, plant and equipment. The Group has classified those leases that transfer substantially all of the risks and rewards of ownership to the lessee as finance leases and those leases that do not transfer substantially all of the risks and rewards of ownership to the lessee as operating leases.

### Finance leases

The Group recognised rental income from finance leases in 2025 of €nil (2024: €4 million). Rental income is recorded within Property, IT and other within the Income statement.

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

€ million	2025	2024
Within 1 year	7	4
1-2 years	2	4
2-5 years	6	-
Total undiscounted lease receipts	15	8
Less finance income	-	(4)
Net investment in finance leases	15	4

## 15 Capital expenditure commitments

Capital expenditure authorised and contracted but not provided for in the accounts, including outstanding aircraft commitments, at 31 December 2025 amounted to €20,248 million (31 December 2024: €12,634 million). The outstanding aircraft commitments including the expected delivery timeframes, totalling €19,034 million (2024: €11,436 million), are as follows:

Aircraft future deliveries at 31 December	2025 <sup>1</sup>	2024 <sup>1</sup>
Airbus A320 (from 2026 to 2029)	38	47
Airbus A321 (from 2026 to 2030)	30	35
Airbus A321XLR (in 2026)	2	11
Airbus A330-900 (from 2028 to 2033)	21	-
Airbus A350-900 (from 2027 to 2029)	8	3
Airbus A350-1000 (from 2028 to 2029)	6	-
Boeing 737-8200 (from 2026 to 2028)	25	25
Boeing 737-10 (from 2028 to 2030)	25	25
Boeing 777-9 (from 2027 to 2030)	24	18
Boeing 787-10 (from 2026 to 2033)	38	7
Total	217	171

<sup>1</sup> Capital commitments exclude options to purchase additional aircraft.

The majority of these commitments are denominated in US dollars translated at the closing exchange rate at the balance sheet date and include escalation clauses dependent on the timing of aircraft deliveries. Under the terms of the committed purchase agreements, the Group is required to make periodic progress payments towards the purchase price, with the commitments above stated net of progress payments that have been made at the balance sheet date.

The Group has certain rights to defer aircraft deliveries and to cancel commitments in the event of significant delays to aircraft deliveries caused by the aircraft manufacturers. No such rights had been exercised as at 31 December 2025.

## 16 Non-current assets held for sale

At 31 December 2025, there were no non-current assets held for sale.

At 31 December 2024, the non-current assets held for sale of €5 million represented one Airbus A320 aircraft. No gain or loss was recognised on classification as a non-current asset held for sale. This aircraft was reported within the Aer Lingus segment and exited the business during 2025.

## 17 Intangible assets and impairment review

### a Intangible assets

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights <sup>1</sup>	Software	Other	Total
<b>Cost</b>							
Balance at 1 January 2024	596	451	253	1,593	2,163	74	5,130
Additions	-	-	-	-	493	1	494
Disposals	-	-	-	-	(69)	-	(69)
Reclassifications	-	-	-	-	(1)	-	(1)
Exchange movements	2	-	-	37	66	-	105
Balance at 31 December 2024	598	451	253	1,630	2,652	75	5,659
Additions	-	-	-	-	535	-	535
Disposals	-	-	-	-	(91)	-	(91)
Exchange movements	(3)	-	-	(49)	(101)	(1)	(154)
<b>31 December 2025</b>	<b>595</b>	<b>451</b>	<b>253</b>	<b>1,581</b>	<b>2,995</b>	<b>74</b>	<b>5,949</b>
<b>Amortisation and impairment</b>							
Balance at 1 January 2024	249	-	-	153	1,326	70	1,798
Amortisation charge for the year	-	-	-	6	225	1	232
Impairment charge for the year	-	-	-	-	7	-	7
Disposals	-	-	-	-	(63)	(1)	(64)
Exchange movements	-	-	-	2	42	-	44
Balance at 31 December 2024	249	-	-	161	1,537	70	2,017
Amortisation charge for the year	-	-	-	6	309	1	316
Disposals	-	-	-	-	(90)	-	(90)
Exchange movements	-	-	-	(3)	(61)	-	(64)
<b>31 December 2025</b>	<b>249</b>	<b>-</b>	<b>-</b>	<b>164</b>	<b>1,695</b>	<b>71</b>	<b>2,179</b>
Net book values							
<b>31 December 2025</b>	<b>346</b>	<b>451</b>	<b>253</b>	<b>1,417</b>	<b>1,300</b>	<b>3</b>	<b>3,770</b>
31 December 2024	349	451	253	1,469	1,115	5	3,642

<sup>1</sup> The net book value includes non-UK and non-EU based landing rights of €51 million (2024: €57 million) that have a definite life. The remaining average life of these landing rights is 10 years.

## b Impairment review

The carrying amounts of intangible assets with indefinite life and goodwill allocated to cash-generating units (CGUs) of the Group are:

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights	Total
<b>2025</b>					
<b>Iberia</b>					
1 January and 31 December 2025	-	306	-	423	<b>729</b>
<b>British Airways</b>					
1 January 2025	49	-	-	833	<b>882</b>
Exchange movements	(3)	-	-	(46)	<b>(49)</b>
31 December 2025	46	-	-	787	<b>833</b>
<b>Vueling</b>					
1 January and 31 December 2025	28	35	-	94	<b>157</b>
<b>Aer Lingus</b>					
1 January and 31 December 2025	272	110	-	62	<b>444</b>
<b>IAG Loyalty</b>					
1 January and 31 December 2025	-	-	253	-	<b>253</b>
<b>31 December 2025</b>	<b>346</b>	<b>451</b>	<b>253</b>	<b>1,366</b>	<b>2,416</b>

€ million	Goodwill	Brand	Customer loyalty programmes	Landing rights	Total
<b>2024</b>					
<b>Iberia</b>					
1 January and 31 December 2024	-	306	-	423	729
<b>British Airways</b>					
1 January 2024	47	-	-	798	845
Exchange movements	2	-	-	35	37
31 December 2024	49	-	-	833	882
<b>Vueling</b>					
1 January and 31 December 2024	28	35	-	94	157
<b>Aer Lingus</b>					
1 January and 31 December 2024	272	110	-	62	444
<b>IAG Loyalty</b>					
1 January and 31 December 2024	-	-	253	-	253
31 December 2024	349	451	253	1,412	2,465

### Basis for calculating recoverable amounts

The recoverable amounts of the Group's CGUs have been measured based on their value in use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the Going concern section of note 2, with a weighting of 70% to the Base Case and 30% to the Downside Case. Cash flow projections are based on the business plans approved by the relevant operating companies covering a three-year period. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using each CGU's pre-tax discount rate.

Annually, the relevant operating companies prepare and their respective boards approve three-year business plans, and the IAG Board approves the Group three-year business plan in the fourth quarter of the year. Adjustments have been made to the final year of the business plan cash flows to incorporate the impacts of climate change that the Group can reliably estimate at the balance sheet date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated and, accordingly, have been excluded from the value in use calculations (see note 4). 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.

### Key assumptions

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

Per cent	2025				
	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty
Operating margin <sup>1</sup>	12-17	13-16	7-12	8-14	19-21
Average ASK growth per annum <sup>1</sup>	1-9	3-6	(2)-5	0-6	n/a
Long-term growth rate	1.9	1.7	0.8	1.7	1.6
Pre-tax discount rate	11.8	12.3	14.8	11.0	16.3

Per cent	2024				
	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty
Operating margin <sup>1</sup>	12-16	11-13	8-10	8-13	20-21
Average ASK growth per annum <sup>1</sup>	0-8	2-7	1-8	2-3	n/a
Long-term growth rate	1.8	1.4	1.0	1.3	1.6
Pre-tax discount rate	11.3	11.6	13.7	10.7	15.5

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

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

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

The long-term growth rate is calculated for each 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 long-term changes in consumer preferences and the effects on demand from the increased costs to the Group of climate change. The calculation of the long-term growth rate utilises a Base Case and a Downside Case growth rate, which is then weighted on the same basis as the cash flows detailed above of 70% to the Base Case and 30% to the Downside Case. The terminal value cash flows and long-term growth rate incorporate the impacts of climate change insofar as they can be determined (see note 4). The airlines' network plans and the IAG Loyalty forecasts are reviewed annually as part of the three-year business plan preparation and reflect management's plans in response to specific market risks or opportunities.

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

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

As detailed above, the Group adjusts the final year of the three-year business plans to incorporate the medium-term impacts of climate change from the Group's Flightpath Net Zero climate strategy through to 2035 (2024: through to 2030). These adjustments include the following key assumptions: (i) an assumed price of €7,000 per metric tonne of SAF; (ii) for costs of carbon, prices of €194, €194, €141 and €51 for EU ETS allowances, Swiss ETS allowances, UK ETS allowances and CORSIA allowances, respectively, per tonne of CO<sub>2</sub> equivalents emitted; and (iii) the removal of all free ETS and CORSIA allowances.

## Summary of results

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

For the British Airways, Iberia, Vueling, Aer Lingus and IAG Loyalty CGUs, the recoverable amounts are estimated to exceed the carrying amounts by €11,374 million, €4,559 million, €1,272 million, €868 million and €3,032 million (2024: €17,647 million, €6,130 million, €2,300 million, €1,490 million and €3,751 million), respectively.

Reasonably 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%, with cost recovery consistent with that experienced historically. Given the inherent uncertainty associated with the impact of climate change, these sensitivities represent a reasonably possible impact of climate change on the CGUs greater than that included in the impairment models. For all reasonably possible changes in key assumptions, both individually and in combination, no impairment arises.

## 18 Investments

### a Investments in subsidiaries

The Group's subsidiaries at 31 December 2025 are listed in the Group investments section.

All subsidiary undertakings are included in the consolidation. The proportion of voting rights in the subsidiary undertakings held directly does not differ from the proportion of ordinary shares held. There have been no significant changes in ownership interests of subsidiaries during the year.

The total non-controlling interest at 31 December 2025 is €6 million (2024: €6 million).

### b Investments in associates and joint ventures

The share of assets, liabilities, revenue and profit of the Group's associates and joint ventures, which are included in the Group's financial statements, are as follows:

€ million	2025	2024
Total assets	156	166
Total liabilities	(137)	(127)
Revenue	89	96
Profit for the year	3	-

The detail of the movement in investment in associates and joint ventures is shown as follows:

€ million	2025	2024
At beginning of year	44	47
Additions	-	1
Share of retained profits	3	-
Dividends received	(5)	(5)
Exchange movements	(1)	1
	41	44

At 31 December 2025 there are no restrictions on the ability of associates or joint ventures to transfer funds to the parent, and there are no related contingent liabilities.

At both 31 December 2025 and 31 December 2024, the investment in Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. exceeded 50% ownership by the Group (50.5%). The entity is treated as a joint venture as decisions regarding its strategy and operations require the unanimous consent of the parties who share control, including IAG.

## 19 Other equity investments

Other equity investments include the following:

€ million	2025	2024
Unlisted securities	298	190
	<b>298</b>	190

The credit relating to Other equity investments was €13 million (2024: credit of €7 million).

### Investment in Air Europa Holdings

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

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

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

At 31 December 2025, the fair value of the investment in Air Europa Holdings was €223 million, representing an increase of €84 million from the €139 million recorded at 31 December 2024, with the fair value movement of €29 million having been recorded within Other comprehensive income.

## 20 Trade and other receivables

€ million	2025	2024
<b>Amounts falling due within one year</b>		
Trade receivables	1,448	1,885
Provision for expected credit loss	(104)	(111)
Net trade receivables	1,344	1,774
Prepayments	951	887
Accrued income <sup>1</sup>	423	511
Carbon-related assets <sup>2</sup>	321	323
Other non-trade receivables	633	615
Carbon-related and other current assets	2,328	2,336
<b>Amounts falling due after one year</b>		
Prepayments	531	515
Accrued income <sup>1</sup>	8	10
Carbon-related assets <sup>2</sup>	435	275
Other non-trade receivables <sup>3</sup>	553	116
<b>Carbon-related and other assets due after one year</b>	<b>1,527</b>	916

1 The accrued income balance (representing contract assets) predominantly relates to revenue earned from ongoing maintenance and overhaul services, where the balances vary depending on the number of ongoing activities at the balance sheet date.

2 The disaggregation of Carbon-related assets by underlying scheme is presented in note 4f.

3 Other non-trade receivables predominantly includes an amount of €507 million (2024: €88 million) associated with the IAG Loyalty VAT matter referred to in note 10g.

Movements in the provision for expected credit loss were as follows:

€ million	2025	2024
At beginning of year	111	114
Provided during the year	6	6
Released during the year	(4)	(4)
Receivables written off during the year	(6)	(7)
Exchange movements	(3)	2
	104	111

Trade receivables are generally non-interest-bearing and on 30-day terms (2024: 30 days).

The credit risk exposure on the Group's trade receivables is set out below:

### 31 December 2025

€ million	Current	<30 days	30-180 days	180-365 days	>365 days
Trade receivables	819	366	99	54	110
Expected credit loss rate (%)	0.1%	0.1%	4.0%	7.4%	87.3%
<b>Provision for expected credit loss</b>	-	-	4	4	96

31 December 2024

€ million	Current	<30 days	30-180 days	180-365 days	>365 days
Trade receivables	1,224	188	284	49	140
Expected credit loss rate (%)	0.1%	0.1%	0.7%	6.1%	75.7%
Provision for expected credit loss	-	-	2	3	106

## 21 Inventories

€ million	2025	2024
Engineering expendables	577	534
Catering consumables	45	44
Other inventories	77	39
	699	617

## 22 Cash, cash equivalents and other current interest-bearing deposits

### a Cash

€ million	2025	2024
Cash at bank and in hand	3,013	2,975
Short-term deposits maturing within three months	4,408	5,214
Cash and cash equivalents	7,421	8,189
Current interest-bearing deposits maturing after three months	898	1,639
Cash, cash equivalents and other interest-bearing deposits	8,319	9,828

Cash at bank is primarily held in AAA money market funds and bank deposits. Short-term deposits are for periods up to three months and earn interest based on the floating deposit rates.

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

Current interest-bearing deposits have maturities in excess of three months and typically within 12 months of the balance sheet date, and earn interest based on the market rates available at the time the deposit was made.

At 31 December 2025, Aer Lingus held €29 million of restricted cash (2024: €29 million) in interest-bearing deposits maturing after more than three months to be used for employee-related obligations.

## b Net debt

Movements in net debt were as follows:

€ million	Balance at 1 January 2025	Cash flows	Exchange movements	New leases and modifications	Fair value movements <sup>1</sup>	Other items <sup>1</sup>	Balance at 31 December 2025
Bank and other loans, convertible bonds and asset financed liabilities	8,699	(1,162)	(491)	-	213	13	<b>7,272</b>
Lease liabilities	8,646	(1,344)	(854)	543	-	4	<b>6,995</b>
Cash and cash equivalents	(8,189)	594	174	-	-	-	<b>(7,421)</b>
Current interest-bearing deposits	(1,639)	712	29	-	-	-	<b>(898)</b>
	<b>7,517</b>	<b>(1,200)</b>	<b>(1,142)</b>	<b>543</b>	<b>213</b>	<b>17</b>	<b>5,948</b>

€ million	Balance at 1 January 2024	Cash flows	Exchange movements	New leases and modifications	Fair value movements <sup>1</sup>	Other items <sup>1</sup>	Balance at 31 December 2024
Bank and other loans, convertible bonds and asset financed liabilities	7,115	1,064	217	-	280	23	8,699
Lease liabilities	8,967	(1,737)	422	988	-	6	8,646
Cash and cash equivalents	(5,441)	(2,695)	(53)	-	-	-	(8,189)
Current interest-bearing deposits	(1,396)	(215)	(28)	-	-	-	(1,639)
	<b>9,245</b>	<b>(3,583)</b>	<b>558</b>	<b>988</b>	<b>280</b>	<b>29</b>	<b>7,517</b>

<sup>1</sup> During the year to 31 December 2025, the Group has presented the fair value movements on the convertible bonds separately within Fair value movements, which were previously included within Other items. Accordingly figures for the comparative year to 31 December 2024 have been reclassified to conform with the current year presentation. Further information on the convertible bonds 2028 is given in note 26b.

## 23 Trade and other payables

€ million	2025	2024
Trade creditors	<b>2,905</b>	3,350
Other creditors	<b>1,466</b>	1,481
Other taxation and social security	<b>348</b>	280
Accruals	<b>792</b>	847
Deferred income relating to non-flight activity	<b>210</b>	191
	<b>5,721</b>	6,149

### Average payment days to suppliers – Spanish Group companies

Days	2025	2024
Average payment days for payment to suppliers	<b>23</b>	25
Ratio of transactions paid	<b>22</b>	26
Ratio of transactions outstanding for payment	<b>23</b>	19

€ million	2025	2024
Total payments made	<b>10,581</b>	9,606
Total payments outstanding	<b>301</b>	152

### Information on invoices paid in a period shorter than the maximum period established in the late payment regulations – Spanish Group companies

	2025	2024
Total payments made (€ million)	<b>9,803</b>	8,523
Percentage share of total payments to suppliers	<b>93%</b>	89%
Number of invoices paid (thousand)	<b>246</b>	218
Percentage share of total number of invoices paid	<b>81%</b>	77%

## 24 Deferred revenue

### Significant accounting estimates applied – Revenue recognition: breakage assumptions applied to passenger revenue, customer loyalty programmes and unredeemed vouchers

At 31 December 2025 the Group recognised €8,739 million (2024: €8,536 million) in respect of deferred revenue of which €3,348 million (2024: €2,888 million) related to customer loyalty programmes.

#### Passenger revenue

Passenger revenue is recognised when the transportation service is provided. At the time of intended transportation, revenue is also recognised in respect of estimated unused tickets breakage and is estimated based on the terms and conditions of the tickets and historical experience. The Group considers that there is no reasonably possible change to unused ticket assumptions that would have a material impact on passenger revenue recorded in the year. A 2 percentage point increase in the level of unused ticket breakage of the sales in advance of carriage balance (excluding vouchers) at 31 December 2025 would result in an adjustment to Deferred revenue of €98 million (2024: €101 million), with an offsetting adjustment to increase revenue and operating profit recognised in the year.

#### Customer loyalty schemes

Revenue associated with the issuance of Avios under customer loyalty programmes is based on the relative standalone selling prices of the related performance obligations (brand, marketing and Avios), determined using estimation techniques. The transaction price of brand and marketing services is determined using specific brand valuation methodologies. The transaction price of an Avios is determined as the price of the rewards against which it can be redeemed and is reduced to take account of the proportion of Avios that are not expected to be redeemed by customers.

The Group estimates the number of Avios not expected to be redeemed using statistical modelling based on historical experience and expected future trends in customer behaviour. The Group considers historical redemption activity representative of long-term behavioural trends. A five percentage point increase in the assumption of Avios not expected to be redeemed would result in an adjustment to Deferred revenue of €103 million (2024: €99 million), with an offsetting adjustment to increase revenue and operating profit recognised in the year.

#### Unredeemed vouchers liability

At 31 December 2025, the Group recognised €483 million in respect of unredeemed vouchers, including associated taxes (2024: €587 million) within Deferred revenue. Of the €483 million, €10 million (2024: €100 million) relates to vouchers issued due to COVID-19 pandemic flight cancellations, referred to as 'disrupted flights', and €473 million (2024: €487 million) relates to non-disrupted voucher issuance, such as certain flexible fare options, non-air partner companion vouchers and gift vouchers.

The jurisdiction in which a voucher is issued dictates the period over which a customer can redeem the voucher, which ranges up to six years from the point of issuance. This period of time is also influenced by whether the voucher was issued for disrupted flights or non-disrupted issuance and whether statutory or commercial expiry policies prevail. The Group expects the majority of the total voucher liability to mature within 12 months of the balance sheet date.

Where a voucher has been issued to a customer in the event of a flight cancellation, the Group estimates, based on historical experience, the level of such vouchers not expected to be used prior to expiry and recognises revenue accordingly.

A five percentage point increase in the assumption of the number of vouchers outstanding at 31 December 2025 and not expected to be redeemed prior to expiry would result in a reduction to Deferred revenue of €24 million (2024: €29 million), with an offsetting adjustment to increase Passenger revenue and Operating profit recognised in the year.

€ million	Customer loyalty programmes	Sales in advance of carriage	Total
Balance at 1 January 2025	2,888	5,648	<b>8,536</b>
Cash received from customers <sup>1</sup>	592	26,929	<b>27,521</b>
Revenue recognised in the Income statement <sup>2, 3</sup>	(1,389)	(27,243)	<b>(28,632)</b>
Financing charge recognised in the Income statement	19	-	<b>19</b>
Loyalty points issued to customers <sup>4</sup>	1,406	223	<b>1,629</b>
Transfers between categories	(10)	10	<b>-</b>
Exchange movements	(158)	(176)	<b>(334)</b>
<b>Balance at 31 December 2025</b>	<b>3,348</b>	<b>5,391</b>	<b>8,739</b>
Analysis:			
Current	2,641	5,391	<b>8,032</b>
Non-current	707	-	<b>707</b>
	<b>3,348</b>	<b>5,391</b>	<b>8,739</b>

€ million	Customer loyalty programmes	Sales in advance of carriage	Total
Balance at 1 January 2024	2,712	5,311	8,023
Cash received from customers <sup>1</sup>	-	26,241	26,241
Revenue recognised in the Income statement <sup>2, 3</sup>	(1,397)	(26,248)	(27,645)
Financing charge recognised in the Income statement	13	-	13
Loyalty points issued to customers <sup>4</sup>	1,453	207	1,660
Exchange movements	107	137	244
Balance at 31 December 2024	2,888	5,648	8,536
Analysis:			
Current	2,685	5,648	8,333
Non-current	203	-	203
	2,888	5,648	8,536

1 Cash received from customers is net of refunds.

2 Where the Group acts as an agent in the provision of redemption products and services to customers through loyalty programmes, or in the provision of interline flights to passengers, revenue is recognised in the Income statement net of the related costs.

3 Included within revenue recognised in the Income statement during 2025 is an amount of €5,407 million previously held as deferred revenue at 1 January 2025 (recognised during 2024 and previously held as deferred revenue at 1 January 2024: €4,924 million).

4 Included within loyalty points issued to customers at 31 December 2025 is an amount of €223 million (31 December 2024: €207 million) classified within Sales in advance of carriage representing the cash component of the consideration paid by customers, where such consideration comprises both cash and the redemption of Avios.

The unsatisfied performance obligation under the Group's customer loyalty programmes that is classified as non-current was €707 million at 31 December 2025 (31 December 2024: €203 million), all of which is expected to be recognised as revenue within one to 10 years from the balance sheet date.

Deferred revenue relating to customer loyalty programmes consists primarily of consideration allocated to performance obligations associated with Avios. Avios are issued by the Group's airlines through their loyalty programmes, or are sold to third parties such as credit card providers, who issue them as part of their loyalty programmes. While Avios do not have an expiry date and can be redeemed at any time in the future, a customer's membership account is closed if there is a period of 36 months of inactivity in terms of both issuances and redemptions. Revenue may, therefore, be recognised at any time in the future.

The remaining performance obligations under long-term maintenance and overhaul contracts provided by the Group's MRO operations, as at 31 December 2025, amounted to €5,906 million on an undiscounted basis, of which €573 million is contracted to be fulfilled within the next 12 months.

## 25 Other long-term liabilities

€ million	2025	2024
Non-current other creditors	337	343
Accruals and deferred income	58	58
	395	401

## 26 Long-term borrowings

### a Total borrowings

€ million	2025			2024		
	Current	Non-current	Total	Current	Non-current	Total
Bank and other loans	57	692	749	601	1,294	1,895
Convertible bonds	1,229	-	1,229	1,016	-	1,016
Asset financed liabilities	363	4,931	5,294	381	5,407	5,788
Lease liabilities	1,397	5,598	6,995	1,477	7,169	8,646
Interest-bearing long-term borrowings	3,046	11,221	14,267	3,475	13,870	17,345

Long-term borrowings of the Group amounting to €5,334 million (31 December 2024: €5,853 million) are secured on owned fleet assets with a net book value of €5,476 million (31 December 2024: €5,958 million). All asset financed liabilities, which are included in long-term borrowings, are secured on the associated aircraft or other property, plant and equipment.

## b Bank loans, other loans and convertible bonds

€ million	2025	2024
€825 million fixed rate 1.125% convertible bonds 2028 <sup>1</sup>	<b>1,229</b>	1,016
€500 million fixed rate 3.352% unsecured bonds 2030 <sup>2</sup>	<b>502</b>	-
€500 million fixed rate 1.50% bonds 2027 <sup>3</sup>	<b>133</b>	501
Fixed rate secured bonds <sup>4</sup>	<b>56</b>	56
Floating rate euro mortgage loans secured on aircraft <sup>5</sup>	<b>41</b>	66
Fixed rate unsecured euro loans with the Spanish State (Department of Industry) <sup>6</sup>	<b>9</b>	9
Fixed rate unsecured US dollar mortgage loan <sup>7</sup>	<b>8</b>	35
€700 million fixed rate 3.75% unsecured bonds 2029 <sup>8</sup>	-	718
€500 million fixed rate 2.75% unsecured bonds 2025 <sup>9</sup>	-	510
Total bank loans, other loans and convertible bonds	<b>1,978</b>	2,911
Less: current instalments due on bank loans, other loans and convertible bonds	<b>(1,286)</b>	(1,617)
Total non-current bank loans, other loans and convertible bonds	<b>692</b>	1,294

1 See details of the 2028 convertible bonds below.

2 On 11 September 2025, the Group issued senior unsecured bonds for an aggregate principal amount of €500 million due 2030. The bonds bear a fixed rate of interest of 3.352% per annum, payable in arrears. The bonds were issued at 100% of their principal amount and, unless previously redeemed or purchased and cancelled, will be redeemed at 100% of their principal amount on their maturity date.

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

4 Fixed rate secured bonds with 3.75% coupon repayable in 2027.

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

6 Fixed rate unsecured euro loans with the Spanish State (Department of Industry) bear nil interest and are repayable in 2034.

7 Fixed rate unsecured US dollar mortgage loan bearing interest of 1.38%. The loan is repayable in 2026.

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

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

### Details of the 2028 convertible bonds

On 11 May 2021, the Group issued €825 million fixed rate 1.125% senior unsecured bonds convertible into ordinary shares of IAG. The convertible bonds raised net proceeds of €818 million and mature in 2028. The Group holds an option to redeem the convertible bonds at their principal amount, together with accrued interest, no earlier than two years prior to the final maturity date.

The convertible bonds provide bondholders with dividend protection and included a total of 244,850,715 options at inception and, following the 2024 interim and final dividends, and the 2025 interim dividend, include 255,117,818 options at 31 December 2025 to convert into ordinary shares of IAG. The Group also holds an option to redeem the convertible bonds, in full or in part, in cash in the event that bondholders exercise their right to convert the bonds into ordinary shares of IAG. The bondholders' conversion right is currently exercisable.

The convertible bonds are recorded at their fair value, which at 31 December 2025 was €1,229 million (2024: €1,016 million), representing an increase of €213 million since 1 January 2025. Of this increase, the charge recorded in Other comprehensive income arising from credit risk of the convertible bonds was €12 million and the charge recorded within Finance costs in the Income statement attributable to changes in market conditions was €201 million.

### Undrawn facilities

On 14 June 2024, the Group entered into a five-year \$3.0 billion, sustainability-linked, secured Revolving Credit Facility, with two one-year extension options available subject to the approval of lenders, and accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits. At 31 December 2025 no amounts had been drawn under the facility. While the Group does not forecast drawing down on the Revolving Credit Facility, should it do so the resultant debt would be secured, in the respective operating companies, against: (i) specific landing rights; or (ii) aircraft; or (iii) a combination of both.

Details of further undrawn facilities are given in note 29f.

### Transactions with unconsolidated entities

The Group has entered into asset financing transactions with unconsolidated entities as follows:

- The British Airways Pass Through Certificates, Series 2019-1, were entered into in the third quarter of 2019, recognising Asset financed liabilities of €725 million for eight aircraft that mature between 2029 and 2034;
- The British Airways Pass Through Certificates, Series 2020-1, were entered into in the fourth quarter of 2020, recognising Asset financed liabilities of €472 million for nine aircraft that mature between 2028 and 2032;
- The British Airways Pass Through Certificates, Series 2021-1, were entered into in the third quarter of 2021, recognising Asset financed liabilities of €204 million for seven aircraft that mature between 2031 and 2035;
- The Iberia Pass Through Certificates, Series 2022-1, were entered into in April 2022, recognising Asset financed liabilities of €680 million for five aircraft that mature between 2032 and 2036;
- The British Airways Pass Through Certificates, Series 2022-1, were entered into in October 2022, recognising Asset financed liabilities of €159 million for four aircraft that mature between 2032 and 2036; and
- There have been no asset financing transactions with unconsolidated entities during the years to 31 December 2025 and 31 December 2024.

As at 31 December 2025, Asset financed liabilities include cumulative amounts of €2,114 million (2024: €2,956 million) and the associated assets recorded within Property, plant and equipment include cumulative amounts of €1,075 million (2024: €2,076 million) associated with transactions with unconsolidated structured entities having issued EETCs.

### c Total loans, convertible bonds, asset financed liabilities and lease liabilities

Million	2025	2024
<b>Loans</b>		
Bank:		
US dollar	\$9	\$38
Euro	€50	€75
	€58	€110
Fixed rate bonds:		
Euro	€691	€1,785
	€691	€1,785
<b>Convertible bonds</b>		
Euro	€1,229	€1,016
	€1,229	€1,016
<b>Asset financed liabilities</b>		
US dollar	\$3,658	\$3,977
Euro	€1,993	€1,730
Japanese yen	¥35,375	¥35,051
	€5,294	€5,788
<b>Lease liabilities</b>		
US dollar	\$6,224	\$6,873
Euro	€558	€799
Japanese yen	¥39,813	¥58,881
Pound sterling	£790	£696
	€6,995	€8,646
<b>Total interest-bearing borrowings</b>	<b>€14,267</b>	<b>€17,345</b>

## 27 Provisions

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

At 31 December 2025, the Group recognised €2,866 million in respect of maintenance, restoration and handback provisions, principally in respect of leased aircraft (31 December 2024: €3,014 million).

The Group has a number of contracts with service providers to replace or repair engine parts and for other maintenance checks. These agreements are complex and generally cover a number of years. Provisions for maintenance, restoration and handback are made based on the best estimate of the likely committed cash outflow. In determining this best estimate, the Group applies significant judgement as to the level of forecast costs expected to be incurred when the major maintenance event occurs. Other assumptions not considered to be significant include aircraft utilisation, expected maintenance intervals and the aircraft's condition. The associated forecast costs are discounted to their present value. While the Group considers that there are no reasonably possible changes to any of the individual assumptions that would have a material impact on the provisions, a combination of changes in several assumptions may. The Group considers that a reasonably possible change in the inflation rate and discount rate assumptions of a 100 basis point increase would give rise to an increase of €85 million (2024: €62 million) and a decrease of €77 million (2024: €70 million), respectively, in the provisions balance when applied in isolation to one another.

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

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

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims and contractual disputes provisions	Carbon-related obligations <sup>1</sup>	Other provisions	Total
Net book value 1 January 2025	3,014	201	842	75	316	53	<b>4,501</b>
Provisions recorded during the year	626	27	39	28	390	29	<b>1,139</b>
Reclassifications	32	-	-	(2)	-	-	<b>30</b>
Utilised during the year	(572)	(45)	(53)	(20)	-	(29)	<b>(719)</b>
Extinguished during the year	-	-	-	-	(320)	-	<b>(320)</b>
Release of unused amounts	(58)	(1)	(34)	(16)	(12)	(4)	<b>(125)</b>
Unwinding of discount	122	4	24	-	-	-	<b>150</b>
Remeasurements	15	(2)	14	-	-	-	<b>27</b>
Exchange differences	(313)	(1)	(1)	(3)	(6)	(1)	<b>(325)</b>
<b>Net book value 31 December 2025</b>	<b>2,866</b>	<b>183</b>	<b>831</b>	<b>62</b>	<b>368</b>	<b>48</b>	<b>4,358</b>
Analysis:							
Current	618	83	95	19	298	4	<b>1,117</b>
Non-current	2,248	100	736	43	70	44	<b>3,241</b>
	<b>2,866</b>	<b>183</b>	<b>831</b>	<b>62</b>	<b>368</b>	<b>48</b>	<b>4,358</b>

<sup>1</sup> The disaggregation of Carbon-related obligations by underlying scheme is presented in note 4f.

### Restoration and handback provisions

Provisions for restoration and handback costs are recognised to meet the contractual major maintenance and return conditions on aircraft held under lease. For those obligations arising on inception of an aircraft lease, the associated estimated cost is capitalised within the ROU asset. For those obligations that arise through usage or through the passage of time, the associated estimated costs are recognised in the Income statement as the associated asset is used or through the passage of time. The provision is long-term in nature.

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

The provisions are determined by discounting the future cash flows using pre-tax risk-free rates specific to the tenor of the provision and the currency in which it arises. The unwinding of the discounting of the provisions is recorded as a Finance cost in the Income statement (see note 9a).

Remeasurements arising from changes in estimates relating to the effects of both discounting and inflation are recorded in the Income statement to the extent they relate to avoidable provisions or are recorded as an adjustment to the ROU asset (see note 14) for those unavoidable provisions.

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

### Restructuring provisions

The restructuring provision includes provisions for voluntary redundancies, including the collective redundancy programme for Iberia's Transformation Plan implemented prior to 2023 and Iberia's ground-handling restructuring programme implemented in 2024, which provides for payments to affected employees until they reach the statutory retirement age. The amounts provided for have been determined by actuarial valuations made by independent actuaries and were based on the same assumptions as those made to determine the provisions for obligations to flight crew below, with the exception of the discount rates, which were 2.5% and 2.4%, respectively. The payments related to these provisions are expected to continue through to 2032.

At 31 December 2025, €183 million of this provision related to collective redundancy programmes (2024: €199 million).

### Employee leaving indemnities and other employee related provisions

This provision includes employee leaving indemnities relating to staff under various contractual arrangements. As part of these provisions, the Group recognises provisions relating to the Iberia flight crew (both pilots and cabin crew):

- Pilots – under the relevant collective bargaining agreement, pilots have the option at the age of 60 to elect to: continue in full-time employment; being placed on reserve and retaining their employment relationship until reaching the statutory retirement age (referred to as 'active'); or, alternatively, taking early retirement (referred to as 'inactive'). Additionally in certain cases, those pilots from the age of 55 may apply for retaining their employment relationship, but with reduced activity (referred to as 'special leave'); and
- Cabin crew – under the relevant collective bargaining agreement, cabin crew have the option at the age of 62 to elect to: continue in full-time employment; being transferred to active status; or being transferred to inactive status. Additionally in certain cases, cabin crew employees from the age of 57 may apply for 'special leave'.

The Group is required to remunerate these employees until they reach the statutory retirement age. In determining the provision to be recognised for the proportion of employees that will elect either special leave or to be inactive, the Group estimates a number of financial assumptions, including, but not limited to: (i) medium- to long-term salary growth and inflation; (ii) the discount rate to apply; (iii) the rate of public social security growth; (iv) mortality rates; and (v) staff turnover.

The provision was reassessed at 31 December 2025 with the use of independent actuaries using the projected unit credit method, based on a discount rate consistent with the iBoxx index of 3.88% for active employees and 2.55% for inactive employees (2024: iBoxx index of 3.24% and 2.80%, respectively), the PER\_Col\_2020.1er.orden. mortality tables, and assuming contractual salary increases of up to 2.0% per annum for each of 2026 and 2027 and then 2.0% per annum thereafter derived from increases in the Consumer Price Index (CPI). At 31 December 2025, there were a total of 5,418 flight crew (31 December 2024: 5,594) eligible for making such elections when they reach the age of 60. At 31 December 2025, there were 846 employees who had not reached the age of retirement, and eligible to elect for early retirement ('special leave') and who had elected to become inactive (31 December 2024: 638). In addition, at 31 December 2025, there were 20 employees having reached the age of retirement and had elected to become inactive (31 December 2024: 23).

At 31 December 2025, the average length of employment of the eligible flight crew was 16 years (31 December 2024: 16 years). This is mainly a long-term provision. Remeasurements in the valuation of this provision are recorded in Other comprehensive income. The amount relating to this provision was €778 million at 31 December 2025 (2024: €780 million).

### Legal claims and contractual disputes provisions

Legal claims and contractual disputes provisions include:

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

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

### Carbon-related obligations

Carbon-related obligations relate to the Emissions Trading Systems/Schemes and the CORSIA for CO<sub>2</sub> equivalent emitted on flights within the EU, Switzerland, the UK and globally. Those obligations related to Emissions Trading Systems/Schemes are due to be extinguished in the year subsequent to the balance sheet date through settlement with the relevant authorities. Those obligations related to the CORSIA are expected to be retired in 2028. See notes 2 and 4 for further information.

## 28 Contingent liabilities

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions, which at 31 December 2025, where they could be reliably estimated, amounted to €44 million (31 December 2024: €42 million). The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and, accordingly, no provisions have been recorded.

Included in contingent liabilities is the following:

### Vueling commercial hand luggage policy

During 2024, the *Ministerio de Consumo* (Ministry of Consumer Affairs) in Spain issued Vueling with a Sanctioning Resolution, covering the 26-month period to 31 December 2023, asserting that the Vueling commercial hand luggage policy infringes consumers' rights under Article 47.1 of the Royal Legislative Decree 1/2007 in Spain and Regulation (EC) No 1008/2008 of the European Parliament on the common rules for the operation of air services. In addition, the Sanctioning Resolution fined Vueling €39 million and sought rectification of the alleged infringements.

On 29 January 2025, Vueling filed a Contentious Administrative appeal in relation to the Sanctioning Resolution. Concurrently, Vueling filed a precautionary measure to suspend the sanction until such time as a final judgment is issued. On 1 July 2025, the appeal to suspend the sanctioning until a final judgment was notified and approved by the *Tribunal Superior de Justicia* (High Court of Justice) of Madrid.

On 8 October 2025, the European Commission commenced infringement proceedings against the Spanish Government on the basis that the fines issued to Vueling and other airlines breached EU law on air services. The European Commission gave the Spanish Government two months to either send a detailed reply or retract the fines. As at 31 December 2025 and through to the date of this report, the Group is not aware of the current status of interaction between the Spanish Government and the European Commission in regard to this matter.

The Group, with its advisers, has reviewed the infringement proceedings notice from the European Commission, the List of Charges, the Sanctioning Resolution and the correspondence from the *Ministerio de Consumo* and considers it has strong arguments to support its commercial hand luggage policy and does not consider it probable that an adverse outcome will result in the future. As such, the Group does not consider it appropriate to record any provision.

Contingent liabilities associated with income taxes, deferred taxes and indirect taxes are presented in note 10.

## 29 Financial risk management objectives and policies

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

### a Fuel price risk

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

The following table demonstrates the sensitivity of the Group's principal exposure to a reasonably possible change in the fuel price, based on current market volatility and with all other variables held constant on the profit before tax and equity<sup>1</sup>. The sensitivity analysis has been performed on fuel derivatives (both those designated in hedge relationships and those not designated in hedge relationships) at the balance sheet date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2025 and 2024.

2025			2024		
Increase/(decrease) in fuel price %	Effect on profit before tax € million	Effect on equity € million	Increase/(decrease) in fuel price %	Effect on profit before tax € million	Effect on equity € million
40	-	1,648	40	-	2,079
(40)	-	(1,517)	(40)	-	(1,865)

<sup>1</sup> The sensitivity analysis on equity excludes the sensitivity amounts recognised in the profit before tax.

At 31 December 2025, the fair value of fuel net liability derivative instruments was €314 million (2024: net liability of €189 million), representing a movement of €125 million since 1 January 2025. Of the carrying amount of the net liability at 31 December 2025, all (2024: all) of the associated derivatives were designated within hedge relationships.

### b Foreign currency risk

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

The following table demonstrates the sensitivity of the Group's principal foreign exchange exposure to a reasonably possible change in the US dollar, pound sterling and Japanese yen exchange rates, based on current market volatility and with all other variables held constant on the profit before tax and equity<sup>1</sup>. The sensitivity analysis has been performed on interest-bearing liabilities, lease liabilities and derivatives (both those designated in hedge relationships and those not designated in hedge relationships) denominated in foreign currencies at the balance sheet date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2025 and 2024.

	Strengthening/ (weakening) in US dollar rate %	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in pound sterling rate %	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in Japanese yen rate %	Effect on profit before tax € million	Effect on equity € million
	<b>2025</b>	<b>15</b> <b>(15)</b>	<b>408</b> <b>(403)</b>	<b>882</b> <b>(935)</b>	<b>15</b> <b>(15)</b>	<b>6</b> <b>(5)</b>	<b>351</b> <b>(351)</b>	<b>15</b> <b>(15)</b>	<b>(1)</b> <b>1</b>
2024	20 (20)	404 (404)	975 (969)	20 (20)	(13) 13	394 (394)	20 (20)	(1) 1	(21) 21

<sup>1</sup> The sensitivity analysis on equity excludes the sensitivity amounts recognised in the profit before tax.

At 31 December 2025, the fair value of foreign currency net liability derivative instruments was €567 million (2024: net asset of €505 million), representing a movement of €1,072 million since 1 January 2025. These comprise both derivatives designated in hedge relationships and those derivatives that are not designated in a hedge relationship at inception. Of the carrying amount of the net liability at 31 December 2025, €217 million (2024: net asset of €191 million) of the associated derivatives were designated within hedge relationships. Those derivatives not designated in a hedge relationship on inception have their mark-to-market movements recorded directly in the Income statement and recognised within Other non-operating (charges)/credits and Net currency retranslation credits/(charges).

### c Interest rate risk

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

The following table demonstrates the sensitivity of the Group's interest rate exposure to a reasonably possible change in euro interest rates, based on expectations regarding forward rate movements, on the profit before tax and equity<sup>1</sup>. The sensitivity analysis has been performed on interest rate derivatives (both those designated in hedge relationships and those not designated in hedge relationships) at the balance sheet date only and is not reflective of the impact had the sensitised rates been applied through the duration of the years to 31 December 2025 and 2024.

2025			2024		
Strengthening/ (weakening) in euro interest rate Basis points	Effect on profit before tax € million	Effect on equity € million	Strengthening/ (weakening) in euro interest rate Basis points	Effect on profit before tax € million	Effect on equity € million
100	(16)	7	100	(17)	9
(100)	16	(5)	(100)	17	(7)

<sup>1</sup> The sensitivity analysis on equity excludes the sensitivity amounts recognised in the profit before tax.

At 31 December 2025, the fair value of interest rate net asset derivative instruments was €7 million (2024: net asset of €12 million), representing a movement of €5 million since 1 January 2025. Of the carrying amount of the net asset at 31 December 2025, all (2024: all) of the associated derivatives were designated within hedge relationships.

### d Credit risk

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

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

### e Counterparty risk

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

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

At 31 December 2025 and 2024 the Group's credit risk position, allocated by region, in respect of treasury managed cash and derivatives was as follows:

Region	Mark-to-market of treasury controlled financial instruments allocated by geography	
	2025	2024
United Kingdom	41%	39%
Spain	1%	2%
Ireland	24%	25%
Rest of eurozone	24%	27%
Rest of world	10%	7%

## f Liquidity risk

The Group invests cash in interest-bearing accounts, time deposits and money market funds, choosing instruments with appropriate maturities or liquidity to retain sufficient headroom to readily generate cash inflows required to manage liquidity risk. The Group also has committed revolving credit facilities.

The Group held the following committed undrawn general and committed aircraft financing facilities:

Million	2025	
	Currency	€ equivalent
<i>Committed general facilities<sup>1</sup></i>		
Euro facilities expiring between March and April 2025	€60	60
US dollar facilities expiring June 2029 <sup>2</sup>	\$3,000	2,556
		<b>2,616</b>
Million	2024	
	Currency	€ equivalent
<i>Committed general facilities<sup>1</sup></i>		
Euro facilities expiring between March and April 2025	€120	120
Euro facility expiring March 2025 <sup>2</sup>	€350	350
US dollar facilities expiring June 2029 <sup>2</sup>	\$3,000	2,874
		<b>3,344</b>
<i>Committed aircraft facilities</i>		
US dollar facilities expiring between May and June 2025 <sup>3</sup>	\$140	134
		<b>134</b>

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

2 Further information regarding these facilities is given in note 26b.

3 At 31 December 2025, the Group had no committed aircraft facilities for specific committed aircraft deliveries (2024: maturing between May and June 2025).

In addition, at 31 December 2025, the Group had undrawn overdraft facilities of €13 million (2024: €56 million).

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

€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total 2025
Interest-bearing loans and borrowings:						
Asset financing liabilities	(239)	(239)	(481)	(1,737)	(3,525)	<b>(6,221)</b>
Lease liabilities	(775)	(707)	(1,342)	(2,759)	(4,329)	<b>(9,912)</b>
Fixed rate borrowings	(17)	(25)	(220)	(1,383)	-	<b>(1,645)</b>
Floating rate borrowings	(13)	(13)	(16)	-	-	<b>(42)</b>
Trade and other payables	(5,721)	-	(395)	-	-	<b>(6,116)</b>
Derivative financial instruments (assets):						
Interest rate derivatives	3	2	2	1	-	<b>8</b>
Foreign exchange contracts	36	14	16	4	-	<b>70</b>
Fuel derivatives	12	7	5	-	-	<b>24</b>
Derivative financial instruments (liabilities):						
Interest rate derivatives	(1)	-	-	-	-	<b>(1)</b>
Foreign exchange contracts	(223)	(216)	(186)	(28)	-	<b>(653)</b>
Fuel derivatives	(88)	(87)	(134)	(35)	-	<b>(344)</b>
<b>31 December 2025</b>	<b>(7,026)</b>	<b>(1,264)</b>	<b>(2,751)</b>	<b>(5,937)</b>	<b>(7,854)</b>	<b>(24,832)</b>
€ million	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years	Total 2024
Interest-bearing loans and borrowings:						
Asset financing liabilities	(266)	(262)	(524)	(1,795)	(3,901)	(6,748)
Lease liabilities	(801)	(805)	(1,550)	(3,468)	(4,783)	(11,407)
Fixed rate borrowings	(576)	(14)	(56)	(2,186)	-	(2,832)
Floating rate borrowings	(14)	(13)	(26)	(16)	-	(69)
Trade and other payables	(6,149)	-	(401)	-	-	(6,550)
Derivative financial instruments (assets):						
Interest rate derivatives	6	3	4	1	-	14
Foreign exchange contracts	203	174	201	20	-	598
Fuel derivatives	5	9	13	1	-	28
Derivative financial instruments (liabilities):						
Interest rate derivatives	(1)	-	(1)	-	-	(2)
Foreign exchange contracts	(56)	(12)	(13)	-	-	(81)
Fuel derivatives	(64)	(64)	(61)	(36)	-	(225)
<b>31 December 2024</b>	<b>(7,713)</b>	<b>(984)</b>	<b>(2,414)</b>	<b>(7,479)</b>	<b>(8,684)</b>	<b>(27,274)</b>

### g Offsetting financial assets and liabilities

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

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

31 December 2025

€ million	Gross value of financial instruments	Gross amounts set off in the Balance sheet <sup>1</sup>	Net amounts of financial instruments in the Balance sheet	Related amounts not offset in the Balance sheet <sup>1</sup>	Net amount
<b>Financial assets</b>					
Derivative financial assets	149	(48)	101	(17)	<b>84</b>
<b>Financial liabilities</b>					
Derivative financial liabilities	1,023	(48)	975	(17)	<b>958</b>

31 December 2024

€ million	Gross value of financial instruments	Gross amounts set off in the Balance sheet <sup>1</sup>	Net amounts of financial instruments in the Balance sheet	Related amounts not offset in the Balance sheet <sup>1</sup>	Net amount
<b>Financial assets</b>					
Derivative financial assets	679	(55)	624	(6)	618
<b>Financial liabilities</b>					
Derivative financial liabilities	351	(55)	296	(6)	290

<sup>1</sup> The Group has pledged cash and cash equivalents as collateral against certain of its derivative financial liabilities. As at 31 December 2025, the Group recognised €48 million of collateral (2024: €55 million) offset in the Balance sheet and €17 million (2024: €6 million) not offset in the Balance sheet.

### h Capital risk management

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

The Group monitors capital on the basis of both the Gross debt to EBITDA before exceptional items ratio and the Net debt to EBITDA before exceptional items ratio. For the year to 31 December 2025, Gross debt to EBITDA before exceptional items was 1.9 times (2024: 2.5 times) and Net debt to EBITDA before exceptional items was 0.8 times (2024: 1.1 times). The definition and calculation for these performance measures are included in the Alternative performance measures section.

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

## 30 Financial instruments

### a Financial assets and liabilities by category

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

31 December 2025

€ million	Financial assets			Non-financial assets	Total carrying amount by balance sheet item
	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement		
<b>Non-current assets</b>					
Other equity investments	-	298	-	-	<b>298</b>
Derivative financial instruments	-	-	27	-	<b>27</b>
Other non-current assets	209	-	22	1,296	<b>1,527</b>
<b>Current assets</b>					
Trade receivables	1,344	-	-	-	<b>1,344</b>
Other current assets	482	-	-	1,846	<b>2,328</b>
Derivative financial instruments	-	-	74	-	<b>74</b>
Other current interest-bearing deposits	898	-	-	-	<b>898</b>
Cash and cash equivalents	7,421	-	-	-	<b>7,421</b>

€ million	Financial liabilities			Total carrying amount by balance sheet item
	Amortised cost	Fair value through Income statement	Non-financial liabilities	
<b>Non-current liabilities</b>				
Lease liabilities	5,598	-	-	<b>5,598</b>
Interest-bearing long-term borrowings	5,623	-	-	<b>5,623</b>
Derivative financial instruments	-	371	-	<b>371</b>
Other long-term liabilities	80	-	315	<b>395</b>
<b>Current liabilities</b>				
Lease liabilities	1,397	-	-	<b>1,397</b>
Current portion of long-term borrowings	420	1,229	-	<b>1,649</b>
Trade and other payables	4,191	-	1,530	<b>5,721</b>
Derivative financial instruments	-	604	-	<b>604</b>

31 December 2024

€ million	Financial assets				Total carrying amount by balance sheet item
	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement	Non-financial assets	
<b>Non-current assets</b>					
Other equity investments	-	190	-	-	190
Derivative financial instruments	-	-	229	-	229
Other non-current assets	225	-	4	687	916
<b>Current assets</b>					
Trade receivables	1,774	-	-	-	1,774
Other current assets	699	-	-	1,637	2,336
Derivative financial instruments	-	-	395	-	395
Other current interest-bearing deposits	1,639	-	-	-	1,639
Cash and cash equivalents	8,189	-	-	-	8,189

€ million	Financial liabilities			Total carrying amount by balance sheet item
	Amortised cost	Fair value through Income statement	Non-financial liabilities	
<b>Non-current liabilities</b>				
Lease liabilities	7,169	-	-	7,169
Interest-bearing long-term borrowings	6,701	-	-	6,701
Derivative financial instruments	-	102	-	102
Other long-term liabilities	171	-	230	401
<b>Current liabilities</b>				
Lease liabilities	1,477	-	-	1,477
Current portion of long-term borrowings	982	1,016	-	1,998
Trade and other payables	4,746	-	1,403	6,149
Derivative financial instruments	-	194	-	194

## b Fair value of financial assets and financial liabilities

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

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

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

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

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

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

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model that considers the present value of the dividend cash flows expected to be generated by the associated assets. For other equity investments where cash flow information is not available, an adjusted net asset method is applied. For the methodology used in the determination of the fair value of the investment in Air Europa Holdings, see note 19.

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

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

€ million	Fair value			Total	Carrying value
	Level 1	Level 2	Level 3		Total
<b>Financial assets</b>					
Other equity investments	2	-	297	299	<b>298</b>
Other non-current financial assets	-	22	22	44	<b>40</b>
Derivative financial assets:					
Interest rate swaps <sup>1</sup>	-	8	-	8	<b>8</b>
Foreign exchange contracts <sup>1</sup>	-	69	-	69	<b>69</b>
Fuel derivatives <sup>1</sup>	-	24	-	24	<b>24</b>
<b>Financial liabilities</b>					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	5,179	-	5,179	<b>5,294</b>
Fixed rate borrowings	1,916	17	-	1,933	<b>1,937</b>
Floating rate borrowings	-	41	-	41	<b>41</b>
Derivative financial liabilities:					
Interest rate derivatives <sup>2</sup>	-	1	-	1	<b>1</b>
Foreign exchange contracts <sup>2</sup>	-	636	-	636	<b>636</b>
Fuel derivatives <sup>2</sup>	-	338	-	338	<b>338</b>

1 Current portion of derivative financial assets is €74 million.

2 Current portion of derivative financial liabilities is €604 million.

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

€ million	Fair value				Carrying value	
	Level 1	Level 2	Level 3	Total	Total	
<b>Financial assets</b>						
Other equity investments	1	-	189	190	190	
Other non-current financial assets	-	22	4	26	23	
<b>Derivative financial assets:</b>						
Interest rate swaps <sup>1</sup>	-	14	-	14	14	
Foreign exchange contracts <sup>1</sup>	-	583	-	583	583	
Fuel derivatives <sup>1</sup>	-	27	-	27	27	
<b>Financial liabilities</b>						
<b>Interest-bearing loans and borrowings:</b>						
Asset financed liabilities	-	5,400	-	5,400	5,788	
Fixed rate borrowings	2,762	45	-	2,807	2,845	
Floating rate borrowings	-	66	-	66	66	
<b>Derivative financial liabilities:</b>						
Interest rate derivatives <sup>2</sup>	-	2	-	2	2	
Foreign exchange contracts <sup>2</sup>	-	78	-	78	78	
Fuel derivatives <sup>2</sup>	-	216	-	216	216	

1 Current portion of derivative financial assets is €395 million.

2 Current portion of derivative financial liabilities is €194 million.

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

Financial assets, other equity instruments, financial liabilities and derivative financial assets and liabilities are all measured at fair value in the consolidated financial statements. Interest-bearing borrowings, with the exception of the €825 million convertible bonds due 2028, which are measured at fair value, are measured at amortised cost.

### c Level 3 financial assets reconciliation

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

€ million	2025	2024
Opening balance for the year	189	187
Additions	58	20
Net gains/(losses) recognised in Other comprehensive income	51	(19)
Exchange movement	(1)	1
<b>Closing balance for the year</b>	<b>297</b>	<b>189</b>

### d Hedges

#### i Cash flow hedges

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

- Foreign exchange contracts, hedging foreign currency exchange risk on cash inflows and certain operational payments. Remeasurement gains and losses on the derivatives are (i) recognised in equity and transferred to the Income statement, where the hedged item is recorded directly in the Income statement, to the same caption as the underlying hedged item is classified; (ii) recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability, and recorded to the Balance sheet to the same caption as the hedged item is recognised; and (iii) recognised in equity and transferred to the Income statement, where the hedged item is a financial asset or liability, at the same time as the financial asset or liability is recorded in the Income statement. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement when the future transaction is no longer expected to occur and recorded in the relevant Income statement caption to which the hedged item is classified;
- Crude, gas oil and jet kerosene derivative contracts, hedging price risk on fuel expenditure. Remeasurement gains and losses on the derivatives are: (i) recognised in equity and transferred to the Income statement within Fuel costs and emissions charges to match against the related fuel cash outflow, where the underlying hedged item does not give rise to the recognition of fuel inventory; and (ii) recognised in equity and transferred to the Balance sheet within Inventory, where the underlying hedged item is fuel inventory. Gains and losses recorded within Inventory are recognised in the Income statement when the underlying fuel inventory is consumed, within Fuel costs and emission charges. Reclassification gains and losses on derivatives, arising from the discontinuance of hedge accounting, are recognised in the Income statement within Fuel costs and emissions charges when the future transaction is no longer expected to occur;
- Interest rate contracts, hedging interest rate risk on floating rate debt and certain operational payments. Remeasurement gains and losses on the derivatives are recognised in equity and transferred to the Income statement within Interest expense; and
- Future loan repayments denominated in foreign currency which are designated in a hedge relationship in order to hedge foreign exchange fluctuations on revenue cash inflows. Remeasurement gains and losses on the associated loans are recognised in equity and transferred to the Balance sheet, where the hedged item is a non-financial asset or liability when the loan repayments are made (generally in instalments over the life of the loan).

## ii Losses in respect of cash flow hedges included within equity

The amounts included in equity are summarised below:

€ million	2025	2024
Loan repayments to hedge future revenue	35	(42)
Foreign exchange contracts to hedge future revenue and expenditure <sup>1</sup>	322	(169)
Crude, gas oil and jet kerosene derivative contracts <sup>1</sup>	250	229
Derivatives used to hedge interest rates <sup>1</sup>	14	11
Instruments for which hedge accounting no longer applies <sup>1, 2</sup>	32	40
	<b>653</b>	69
Related deferred tax credit	(167)	(17)
<b>Total amount included within equity</b>	<b>486</b>	52

1 The carrying value of derivative instruments recognised in assets and liabilities is analysed in parts a and b of this note.

2 Relates to previously terminated hedge relationships for which the underlying forecast transactions are expected to occur.

## iii Notional amounts of significant financial instruments used as cash flow hedging instruments

Notional principal amounts € million	Average hedge rate	Hedge range	Within 1 year	1-2 years	2-5 years	5+ years	Total 31 December 2025
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pounds sterling <sup>1</sup>	1.30	1.20 to 1.37	3,277	1,656	610	-	<b>5,543</b>
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros <sup>1</sup>	1.15	1.03 to 1.26	1,667	1,371	830	-	<b>3,868</b>
Foreign exchange contracts to hedge future revenue and expenditure from euros to pounds sterling <sup>1</sup>	1.20	1.08 to 1.42	521	537	529	768	<b>2,355</b>
Fuel commodity price contracts to hedge future US dollar fuel expenditure <sup>2</sup>	600	457 to 1,100	2,785	1,175	666	-	<b>4,626</b>
Interest rate contracts to hedge future interest expenditure <sup>3,4</sup>	1.21	(0.06) to 3.90	1,443	591	9	-	

Notional principal amounts € million	Average hedge rate	Hedge range	Within 1 year	1-2 years	2-5 years	5+ years	Total 31 December 2024
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to pounds sterling <sup>1</sup>	1.26	1.16 to 1.34	3,716	1,352	206	-	5,274
Foreign exchange contracts to hedge future revenue and expenditure from US dollars to euros <sup>1</sup>	1.11	1.04 to 1.19	1,907	959	295	-	3,161
Foreign exchange contracts to hedge future revenue and expenditure from euros to pounds sterling <sup>1</sup>	1.25	1.11 to 1.42	561	386	452	731	2,130
Fuel commodity price contracts to hedge future US dollar fuel expenditure <sup>2</sup>	670	489 to 1,200	4,219	1,735	883	-	6,837
Interest rate contracts to hedge future interest expenditure <sup>3,4</sup>	1.87	(0.06) to 3.90	2,052	509	149	-	

1 Expenditure includes both operating and capital expenditure.

2 Notional amounts of fuel commodity price hedging instruments at 31 December 2025 represent 10.0 million metric tonnes of jet fuel equivalent (31 December 2024: 10.0 million metric tonnes), and the hedge range is expressed as the US dollar price per metric tonne, which for those products typically priced in barrels, has been determined using a conversion factor of 7.88.

3 The hedge range for interest rate contracts is expressed as a percentage.

4 The notional amount of interest rate contracts at 31 December 2025 was €835 million (31 December 2024: €1,742 million). Amounts included reflect the notional amortising amounts outstanding at the end of each period and align with the profiles of the underlying hedged items.

#### iv Movements recorded in the cash flow hedge reserve

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

For the year to 31 December 2025 € million	Amounts recognised in the Income statement			Fair value movements recognised in Other comprehensive income <sup>2</sup>	Amounts transferred to the Balance sheet
	Ineffectiveness <sup>1</sup>	Reclassified to the Income statement	Total recognised movements		
Foreign exchange contracts to hedge future revenue and expenditure	-	(58)	(58)	539	19
Crude, gas oil and jet kerosene derivative contracts	(1)	(52)	(53)	71	10
Derivatives used to hedge interest rates	-	2	2	1	-
Loan repayments to hedge future revenue	-	-	-	85	(8)
Instruments for which hedge accounting no longer applies	-	-	-	-	(5)
	(1)	(108)	(109)	696	16
Related deferred tax			29	(180)	(3)
Total movements recorded in the cash flow hedge reserve			(80)	516	13

For the year to 31 December 2024 € million	Amounts recognised in the Income statement			Fair value movements recognised in Other comprehensive income <sup>2</sup>	Amounts transferred to the Balance sheet
	Ineffectiveness <sup>1</sup>	Reclassified to the Income statement	Total recognised movements		
Foreign exchange contracts to hedge future revenue and expenditure	1	(102)	(101)	(185)	21
Crude, gas oil and jet kerosene derivative contracts	1	(26)	(25)	190	(7)
Derivatives used to hedge interest rates	-	17	17	(5)	-
Loan repayments to hedge future revenue	19	-	19	(72)	(10)
Instruments for which hedge accounting no longer applies	-	-	-	-	(87)
	21	(111)	(90)	(72)	(83)
Related deferred tax			21	19	20
Total movements recorded in the cash flow hedge reserve			(69)	(53)	(63)

1 Ineffectiveness recognised in the Income statement is presented as Realised and Unrealised gains and losses on derivatives not qualifying for hedge accounting within non-operating items.

2 Amounts recognised in Other comprehensive income represent gains and losses on the hedging instrument.

#### v Fair value hedges

At 31 December 2025, the Group's principal risk management activities associated with fair value hedging were related to interest rate contracts hedging the fair value risk on fixed rate lease liabilities. Remeasurement gains and losses on both the derivatives and the host financial liability are recognised in the Income statement within Other non-operating (charges)/credits.

The carrying values of the hedged items and hedging instruments of the Group's fair value hedges at 31 December 2025 are as follows:

€ million	2025	2024
Carrying value of lease liabilities to which fair value hedging has been applied (hedged items) <sup>1</sup>	(42)	(54)
Carrying amount of the interest rate derivatives (hedging instruments)	(1)	(2)
Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item	(3)	(3)
Change in value used for calculating hedge ineffectiveness	5	4

1 Hedged items included in the fair value hedges are presented within Borrowings in the Balance sheet and in note 26.

## 31 Share capital, share premium and treasury shares

Allotted, called up and fully paid	Number of shares '000s	Ordinary share capital € million	Share premium € million
31 December 2024: Ordinary shares of €0.10 each	4,971,476	497	7,770
Cancellation of ordinary shares of €0.10 each	(244,275)	(24)	(846)
<b>31 December 2025: Ordinary shares of €0.10 each</b>	<b>4,727,201</b>	<b>473</b>	<b>6,924</b>

<sup>1</sup> Following approval at the Annual General Meeting of the Company on 19 June 2025 for the cancellation of up to 426,206,309 ordinary shares, on 11 September 2025 the Company cancelled 244,274,863 treasury shares acquired through the buyback programmes. The cancellation had the total effect of reducing share capital by €24 million and share premium by €846 million. The remaining 115,531,620 treasury shares acquired through the buyback programmes will be cancelled in 2026.

### a Treasury shares

	2025			2024		
	Number of treasury shares (million)	Weighted average price per share (€)	Treasury shares (€ million)	Number of treasury shares (million)	Weighted average price per share (€)	Treasury shares (€ million)
Balance at 1 January	117.6	2.44	287	55.8	1.79	100
Shares purchased – buyback programmes	312.0	3.82	1,192	47.9	3.26	156
Shares purchased – other	9.4	4.47	42	27.0	2.04	55
Shares cancelled	(244.3)	3.46	(846)	-	-	-
Shares issued on vesting of employee share schemes	(32.5)	2.54	(82)	(13.1)	(1.83)	(24)
<b>Balance at 31 December<sup>1</sup></b>	<b>162.2</b>	<b>3.65</b>	<b>593</b>	<b>117.6</b>	<b>2.44</b>	<b>287</b>

<sup>1</sup> At 31 December 2025 the Group held 162.2 million treasury shares (2024: 117.6 million), which represented 3.43% (2024: 2.37%) of the issued share capital of the Company.

## 32 Share-based payments

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

### a IAG Performance Share Plan

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

### b IAG Restricted Share Plan

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

### c IAG Full Potential Incentive Plan

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

### d IAG Stretch Performance Incentive Plan

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

### e IAG Incentive Award Deferral Plan

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

### f Share-based payment schemes summary

Number of awards '000s	Outstanding at 1 January 2025	Granted number	Lapsed number	Vested number	Outstanding at 31 December 2025	Exercisable at 31 December 2025
Performance Share Plan	4,191	-	90	3,202	899	899
Restricted Share Plan	70,506	14,464	1,044	20,123	63,803	-
Full Potential Incentive Plan	29,031	-	1,892	27,139	-	-
Stretch Performance Incentive Plan	-	20,354	120	-	20,234	-
Incentive Award Deferral Plan	912	100	-	-	1,012	-
	<b>104,640</b>	<b>34,918</b>	<b>3,146</b>	<b>50,464</b>	<b>85,948</b>	899

The weighted average share price at the date of exercise of options exercised during the year to 31 December 2025 was £3.24 (2024: £1.66). The weighted average contractual life for awards outstanding at 31 December 2025 was 1.4 years (2024: 1.1 years).

The Group recognised a share-based payment charge of €58 million for the year to 31 December 2025 (2024: €72 million).

### 33 Other reserves and non-controlling interests

For the year to 31 December 2025

€ million	Other reserves					Total other reserves	Non-controlling interest
	Unrealised gains and losses <sup>1</sup>	Cost of hedging reserve <sup>2</sup>	Currency translation <sup>3</sup>	Merger reserve <sup>4</sup>	Capital reserves <sup>5</sup>		
1 January 2025	(56)	(50)	18	(2,467)	867	(1,688)	6
<i>Other comprehensive (loss)/income for the year</i>							
Cash flow hedges reclassified and reported in net profit:							
Fuel costs and emission charges	83	-	-	-	-	83	-
Currency differences	(3)	-	-	-	-	(3)	-
Finance costs	(1)	-	-	-	-	(1)	-
Ineffectiveness recognised in other non-operating costs	1	-	-	-	-	1	-
Net change in fair value of cash flow hedges	(516)	-	-	-	-	(516)	-
Net change in fair value of other equity investments	51	-	-	-	-	51	-
Net change in fair value of cost of hedging	-	(11)	-	-	-	(11)	-
Cost of hedging reclassified and reported in net profit	-	46	-	-	-	46	-
Fair value movements on liabilities attributable to credit risk changes	(12)	-	-	-	-	(12)	-
Currency translation differences	-	-	(170)	-	-	(170)	-
Hedges transferred and reported in property, plant and equipment	16	(3)	-	-	-	13	-
Hedges transferred and reported in sales in advance of carriage	(20)	-	-	-	-	(20)	-
Hedges transferred and reported in inventory	(9)	-	-	-	-	(9)	-
Cancellation of share capital	-	-	-	-	24	24	-
<b>31 December 2025</b>	<b>(466)</b>	<b>(18)</b>	<b>(152)</b>	<b>(2,467)</b>	<b>891</b>	<b>(2,212)</b>	<b>6</b>

€ million	Other reserves					Total other reserves	Non-controlling interest
	Unrealised gains and losses <sup>1</sup>	Cost of hedging reserve <sup>2</sup>	Currency translation <sup>3</sup>	Merger reserve <sup>4</sup>	Redeemed capital reserve <sup>5</sup>		
1 January 2024	(178)	(118)	(100)	(2,467)	867	(1,996)	6
<i>Other comprehensive (loss)/income for the year</i>							
Cash flow hedges reclassified and reported in net profit:							
Fuel costs and emission charges	93	-	-	-	-	93	-
Currency differences	3	-	-	-	-	3	-
Finance costs	(11)	-	-	-	-	(11)	-
Ineffectiveness recognised in other non-operating costs	(16)	-	-	-	-	(16)	-
Net change in fair value of cash flow hedges	53	-	-	-	-	53	-
Net change in fair value of other equity investments	(19)	-	-	-	-	(19)	-
Net change in fair value of cost of hedging	-	24	-	-	-	24	-
Cost of hedging reclassified and reported in net profit	-	48	-	-	-	48	-
Fair value movements on liabilities attributable to credit risk changes	(44)	-	-	-	-	(44)	-
Currency translation differences	-	-	118	-	-	118	-
Hedges transferred and reported in property, plant and equipment	(6)	(5)	-	-	-	(11)	-
Hedges transferred and reported in sales in advance of carriage	59	1	-	-	-	60	-
Hedges transferred and reported in inventory	10	-	-	-	-	10	-
31 December 2024	(56)	(50)	18	(2,467)	867	(1,688)	6

1 The unrealised gains and losses reserve records fair value changes in equity investments and the portion of the amounts of hedging instruments in cash flow hedges that are determined to be effective hedges. The amounts at 31 December 2025 that relate to the fair value changes in equity instruments and to the cash flow hedge reserve were a €170 million credit and €653 million charge, respectively.

2 The cost of hedging reserve records, among others, changes in the time value of options.

3 The currency translation reserve records exchange differences arising from the translation of the financial statements of non-euro functional currency subsidiaries and investments accounted for under the equity method into the Group's reporting currency of euros. The movement through this reserve is affected by fluctuations in the pound sterling to euro foreign exchange translation rate.

4 The merger reserve originated from the merger transaction between British Airways and Iberia. The balance represents the difference between the fair value of the Group on the transaction date and the fair value of Iberia and the book value of British Airways (including its reserves).

5 Capital reserves include a Redeemed capital reserve of €94 million (2024: €70 million) associated with the decrease in share capital relating to cancelled shares, and a Share capital reduction reserve of €797 million (2024: €797 million) associated with a historical reduction in the nominal value of the Company's share capital.

## 34 Employee benefit obligations

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

At 31 December 2025, the Group recognised €17,776 million in respect of employee benefit obligations (2024: €19,796 million), of which €17,318 million related to the APS and NAPS obligations (2024: €19,275 million).

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

The Group operates a variety of post-employment benefit arrangements, covering both defined contribution and defined benefit schemes. The Group also has a scheme for flight crew who meet certain conditions and as a result have the option of being placed on reserve and retaining their employment relationship until reaching the statutory retirement age, or taking early retirement (see note 27).

#### Defined contribution schemes

The Group operates a number of defined contribution schemes for its employees.

Costs recognised in respect of defined contribution pension plans in Spain, the UK and Ireland for the year to 31 December 2025 were €297 million (2024: €292 million).

#### Defined benefit schemes

The principal funded defined benefit pension schemes within the Group are the APS and the NAPS, both of which are in the UK and are closed to new members.

APS has been closed to new members since 1984, but remains open to future accrual for a small group of active members. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment.

NAPS has been closed to new members since 2003 and closed to future accrual since 2018. Following closure, members' deferred pensions are increased annually by inflation up to 5% per annum (measured using the UK Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI).

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

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

During the year to 31 December 2025, the triennial valuations as at 31 March 2024 were finalised for APS and NAPS, which resulted in a surplus of €179 million (£153 million) for APS and a surplus of €2,023 million (£1,730 million) for NAPS. The actuarial valuations performed for APS and NAPS are different to the valuation performed as at 31 December 2025 under IAS 19 'Employee benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation performed as at 31 March 2024 compared with IAS 19 requirements used in the accounting valuation assumptions as at the balance sheet date.

The actuarial valuation of neither APS nor NAPS is updated outside of the triennial valuations, making comparability between the scheme liabilities applying the principles set out in UK pension legislation and the requirements of IAS 19 not possible. The principal difference relates to the discount rate applied, which under the triennial actuarial valuation aligns with a prudent estimate of the future investment returns on the assets of the respective schemes, whereas under IAS 19 the rates are based on high-quality corporate bond yields, regardless of how the assets are invested.

#### Other plans

British Airways also operates post-retirement schemes in a number of jurisdictions outside the UK. The principal scheme is the British Airways plc Pension Plan (USA) based in the United States and referred to as the 'US Plan'. The US Plan is considered to be a defined benefit scheme and is closed to new members and to future accrual.

The majority of British Airways' other plans are fully funded, but there are also a number of unfunded plans, for which the Group meets the benefit payment obligations as they fall due.

In addition, the IAG Loyalty and Aer Lingus operating segments operate certain defined benefit plans, both funded and unfunded.

### Risk associated with the defined benefit schemes

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

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

### a Cash payments and funding arrangements

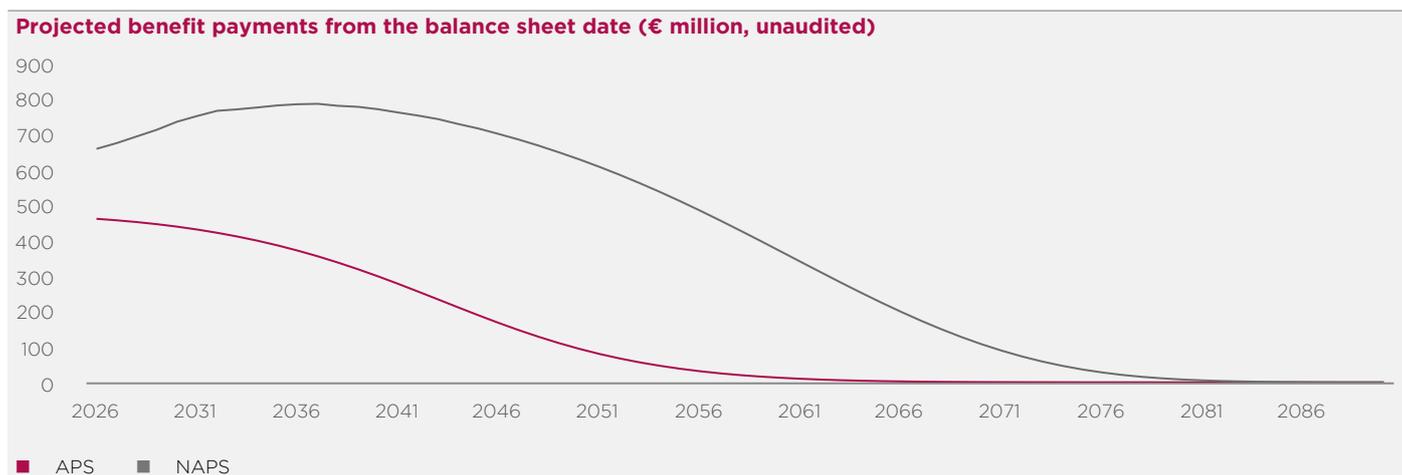
Cash payments in respect of pension obligations comprise normal employer contributions by the Group and deficit contributions based on the agreed deficit payment plans. Following the completion of the triennial valuations, as at 31 March 2024, for APS and NAPS, neither scheme has a deficit contribution plan.

Total payments for the year to 31 December 2025, net of service costs made by the Group, were €33 million (2024: €37 million) being the employer contributions of €34 million (2024: €38 million) less the current service cost of €1 million (2024: €1 million) (note 34b,c).

### Future funding arrangements

In total, the Group expects to pay €nil in employer contributions to APS and NAPS in 2026.

The following graph shows the undiscounted benefit payments to be made by the Trustees of APS and NAPS over the remaining expected duration of the schemes:



The amounts and timing of these projected benefit payments are subject to the aforementioned risks to the schemes.

### Deficit contributions

At 31 December 2025, while the Group has no future committed deficit contributions for either APS or NAPS, it has the following committed undiscounted deficit payments for other schemes, which are deductible for tax purposes at the statutory rate of tax:

€ million	At 31 December 2025
Within 12 months	26
1-2 years	27
2-5 years	23
Greater than 5 years	-
<b>Total expected deficit payments</b>	<b>76</b>

Deficit payments in respect of local arrangements outside the UK have been determined in accordance with local practice.

## b Employee benefit scheme amounts recognised in the financial statements

### i Amounts recognised on the Balance sheet

€ million	2025			Total
	APS	NAPS	Other <sup>4</sup>	
Scheme assets at fair value <sup>1,2</sup>	5,418	14,625	416	<b>20,459</b>
Present value of scheme liabilities <sup>1</sup>	(5,236)	(12,082)	(458)	<b>(17,776)</b>
Net pension asset/(liability)	182	2,543	(42)	<b>2,683</b>
Effect of the asset ceiling <sup>3</sup>	(45)	(636)	(1)	<b>(682)</b>
Other employee benefit obligations	-	-	(12)	<b>(12)</b>
<b>31 December 2025</b>	<b>137</b>	<b>1,907</b>	<b>(55)</b>	<b>1,989</b>
Represented by:				
Employee benefit asset				<b>2,060</b>
Employee benefit obligation <sup>5</sup>				<b>(71)</b>
Net employee benefit asset				<b>1,989</b>

€ million	2024			Total
	APS	NAPS	Other <sup>4</sup>	
Scheme assets at fair value <sup>1</sup>	5,819	15,713	417	21,949
Present value of scheme liabilities <sup>1</sup>	(5,819)	(13,456)	(521)	(19,796)
Net pension asset/(liability)	-	2,257	(104)	2,153
Effect of the asset ceiling <sup>3</sup>	-	(564)	(2)	(566)
Other employee benefit obligations	-	-	(11)	(11)
31 December 2024	-	1,693	(117)	1,576
Represented by:				
Employee benefit asset				1,711
Employee benefit obligation <sup>5</sup>				(135)
Net employee benefit asset				1,576

1 Includes Additional Voluntary Contributions (AVCs), which the Trustees hold as assets to secure additional benefits on a defined contribution basis for those members who elect to make such AVCs. At 31 December 2025, such assets were €296 million (2024: €317 million) with a corresponding amount recorded in the scheme liabilities.

2 Included within the fair value of scheme assets are €1,592 million of private equities and alternatives at 31 December 2025, where the fair value has been determined based on the most recent third-party valuations. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not through to the balance sheet date unless there are indications of significant market movements.

3 Both APS and NAPS are in an IAS 19 accounting surplus, which would be available to the Group as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee arising on the net pension asset.

4 The net deferred tax asset recognised on the net employee benefit asset (2024: asset) was €21 million at 31 December 2025 (2024: €34 million).

5 The defined benefit obligation includes €9 million (2024: €20 million) arising from unfunded plans.

### ii Amounts recognised in the Income statement

Pension costs charged to operating result are:

€ million	2025	2024
Defined benefit plans:		
Current service cost	<b>1</b>	1
Past service credit	<b>(9)</b>	-
Administrative expenses	<b>19</b>	19
	<b>11</b>	20
Defined contribution plans	<b>297</b>	292
<b>Pension costs recorded as employee costs</b>	<b>308</b>	312

€ million	2025	2024
Interest income on scheme assets	<b>(1,120)</b>	(1,041)
Interest expense on scheme liabilities	<b>1,007</b>	951
Interest expense on asset ceiling	<b>29</b>	27
<b>Net financing credit relating to pensions</b>	<b>(84)</b>	(63)

### iii Amounts recognised in the Statement of other comprehensive income

€ million	2025	2024
Return on plan assets excluding interest income	249	2,024
Remeasurement of plan liabilities from changes in financial assumptions	(682)	(1,592)
Remeasurement of plan liabilities from changes in demographic assumptions	(117)	(235)
Remeasurement of experience losses	34	(208)
Remeasurement of the APS and NAPS asset ceilings	120	(220)
Pension remeasurements charged to Other comprehensive income	(396)	(231)
Tax arising on pension remeasurements	16	25
<b>Pension remeasurements charged to Other comprehensive income, net of tax</b>	<b>(380)</b>	<b>(206)</b>

### c Fair value of scheme assets

#### i Investment strategies

For both APS and NAPS, the Trustee has ultimate responsibility for decision-making on investment matters, including the asset-liability matching strategy. The latter is a form of investing designed to match the movement in pension plan assets with the movement in the projected benefit obligation over time. The Trustees' investment committee adopts an annual business plan which sets out investment objectives and work required to support achievement of these objectives. The committee also deals with the monitoring of performance and activities, including work on developing the strategic benchmark to improve the risk return profile of the scheme where possible, as well as having a trigger-based dynamic governance process to be able to take advantage of opportunities as they arise. The investment committee reviews the existing investment restrictions, performance benchmarks and targets, as well as continuing to develop the de-risking and liability hedging portfolio.

Both schemes use derivative instruments for investment purposes and to manage exposures to financial risks, such as interest rate, foreign exchange, longevity and liquidity risks arising in the normal course of business. Exposure to interest rate risk is managed through the use of inflation-linked swap contracts. Foreign exchange forward contracts are entered into to mitigate the risk of currency fluctuations. Longevity risk is managed through the use of buy-in insurance contracts, asset swaps and longevity swaps.

Along with existing contracts with Rothesay Life (as detailed in note 34c(iii)) and following the completion of a further longevity swap in 2024, APS is 100% protected against all longevity risk and fully protected in relation to all pensions that were already being paid as at 31 March 2018. APS is nearly 90% protected against interest rates and inflation (on a Retail Price Index (RPI) basis). NAPS is 95% protected against interest rates and inflation (on a Consumer Price Index (CPI) basis).

The assets held by APS and NAPS are split between 'return-seeking assets' and 'liability-matching assets' depending on the maturity of each scheme. At 31 December 2025, the actual asset allocation for NAPS was 17% (2024: 20%) in return seeking assets and 83% (2024: 80%) in liability matching investments. For NAPS, the Trustee agreed an updated investment framework with British Airways as part of the Scheme's 31 March 2021 actuarial valuation agreement. The Trustee aims towards an overall asset allocation with an agreed modest expected return relative to liabilities and sufficient liquidity to manage investment risk appropriately on an ongoing basis. The actual asset allocation for APS at 31 December 2025 was 1% (2024: 1%) in return seeking assets and 99% (2024: 99%) in liability matching investments. NAPS uses Liability Driven Investments (LDIs) to effectively hedge volatility in the scheme liabilities. This is achieved through direct bond holdings as opposed to the use of derivatives and, as such, leverage is low. Accordingly, as at 31 December 2025, NAPS has not been required to raise additional cash or liquidate existing assets in order to fund derivative positions.

#### ii Movement in scheme assets

A reconciliation of the opening and closing balances of the fair value of scheme assets is set out below:

€ million	2025	2024
1 January	21,949	23,187
Interest income	1,120	1,041
Administrative expenses	(18)	(18)
Return on plan assets excluding interest income	(249)	(2,024)
Employer contributions <sup>1</sup>	34	38
Benefits paid	(1,164)	(1,223)
Exchange movements	(1,213)	948
31 December	20,459	21,949

1 There were no employer contributions to APS or NAPS in 2025 (2024: €1 million contribution to APS).

### iii Composition of scheme assets

Scheme assets held by the Group at 31 December comprise:

€ million	2025				2024
	APS	NAPS	Other	Total	
<i>Return seeking investments</i>					
Listed equities – UK	8	107	-	115	128
Listed equities – rest of world	1	979	111	1,091	1,073
Private equities	22	528	19	569	667
Properties	-	866	10	876	1,319
Alternative investments	14	1,009	-	1,023	1,729
	<b>45</b>	<b>3,489</b>	<b>140</b>	<b>3,674</b>	4,916
<i>Liability matching investments</i>					
Government issued fixed bonds	1,079	4,119	204	5,402	5,782
Government issued index-linked bonds	609	7,833	10	8,452	9,400
Asset and longevity swaps	931	-	-	931	872
Insurance contract	2,922	-	36	2,958	3,261
	<b>5,541</b>	<b>11,952</b>	<b>250</b>	<b>17,743</b>	19,315
<i>Other</i>					
Cash and cash equivalents	79	720	16	815	760
Derivative financial instruments	(247)	(1,581)	7	(1,821)	(3,075)
Other investments	-	45	3	48	33
	<b>(168)</b>	<b>(816)</b>	<b>26</b>	<b>(958)</b>	(2,282)
<b>Total scheme assets</b>	<b>5,418</b>	<b>14,625</b>	<b>416</b>	<b>20,459</b>	21,949

The fair values of the Group's scheme assets, which are not derived from quoted prices on active markets, are determined depending on the nature of the inputs used in determining the fair values (see note 30b for further details) and using the following methods and assumptions:

- Private equities are valued at fair value based on the most recent transaction price or third-party net asset, revenue or earnings-based valuations that generally result in the use of significant unobservable inputs. The dates of these valuations typically precede the balance sheet date and have been adjusted for any cash movements between the date of the valuation and the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.
- Properties are valued based on an analysis of recent market transactions supported by market knowledge derived from third-party professional valuers that generally result in the use of significant unobservable inputs.
- Alternative investments fair values, which predominantly include holdings in investment and infrastructure funds, are determined based on the most recent available valuations applying the Net Asset Value methodology and issued by fund administrators or investment managers and adjusted for any cash movements having occurred from the date of the valuation to the balance sheet date. Typically, the valuation approach and inputs for these investments are not updated through to the balance sheet date unless there are indications of significant market movements.
- Other investments predominantly include: interest receivable on bonds; dividends from listed and private equities that have been declared but not received at the balance sheet date; receivables from the sale of assets for which the proceeds have not been collected at the balance sheet date; and payables for the purchase of assets which have not been settled at the balance sheet date.
- Derivative financial instruments are entered into predominantly to mitigate interest rate and inflation rate risks. These derivative financial instruments are stated at their fair value using pricing models and relevant market data as at the balance sheet date.
- Asset and longevity swaps – APS has a contract with Rothesay Life, entered into in 2010 and extended in 2013, which covers 25% (2024: 25%) of the pensioner liabilities for an agreed list of members. Under the contract, to reduce the risk of long-term longevity risk, Rothesay Life makes benefit payments monthly in respect of the agreed list of members in return for the contractual return receivable on a portfolio of assets (made up of quoted government debt) held by the scheme and the contractual payments made by APS to Rothesay Life on the longevity swaps. The Group holds the portfolio of assets at their fair value, with the government debt held at their quoted market price and the swaps accounted for at their estimated discounted future cash flows.

During 2011, APS entered into a longevity swap with Rothesay Life, which covers an additional 21% (2024: 21%) of the pensioner liabilities for the same agreed list of members as the 2010 contract. Under the longevity swap, to reduce the risk of long-term longevity risk, APS makes a fixed payment to Rothesay Life each month reflecting the prevailing mortality assumptions at the inception of the contract, and Rothesay Life makes a monthly payment to APS reflecting the actual monthly benefit payments to members. The cash flows are settled net each month. If pensioners live longer than expected at inception of the longevity swap, Rothesay Life will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Rothesay Life. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.

During 2024, APS entered into a longevity swap with Zurich Assurance Ltd to transfer longevity risk in relation to an additional 7% (2024: 7%) of the scheme's liabilities. Under the longevity swap, to remove the risk of long-term longevity risk, APS makes monthly fixed payments to Zurich Assurance Ltd reflecting the prevailing mortality assumptions at the inception of the contract, and Zurich Assurance Ltd makes a monthly payment to APS reflecting the actual monthly benefit payments to members. If pensioners live longer than expected at inception of the longevity swap, Zurich Assurance Ltd will make payments to the scheme to offset the additional cost of paying pensioners and if pensioners do not live as long as expected, then the scheme will make payments to Zurich Assurance Ltd. The Group holds the longevity swap at fair value, determined at the estimated discounted future cash flows.

Insurance contract – during 2018, the Trustee of APS secured a buy-in contract with Legal & General. The buy-in contract covers all members in receipt of pensions from APS at 31 March 2018, excluding dependent children, receiving a pension at that date and members in receipt of equivalent pension only benefits, who were alive on 1 October 2018. Benefits coming into payment for retirements after 31 March 2018 are not covered. The contract covers benefits payable from 1 October 2018 onwards. The policy covers approximately 60% of all benefits APS expects to pay out in future.

#### iv Effect of the asset ceiling

In measuring the valuation of the net defined benefit asset for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available in the form of a refund or a reduction in future contributions after they are paid into the plan. The Group has determined that the recoverability of such surpluses, including minimum funding requirements, will be subject to withholding taxes in the UK, payable by the Trustee.

The Group has determined that upon the wind up of the scheme, if the scheme is in surplus, including the incorporation of the minimum funding requirements, then the surplus will be available as a refund or a reduction in future contributions after they are paid into the scheme. The recovery of such amounts is subject to UK withholding tax payable by the Trustee. In measuring the recoverability of the surplus for each scheme, the Group limits such measurement to the lower of the surplus in each scheme and the respective asset ceiling. The asset ceiling represents the present value of the economic benefits available upon wind up of the scheme, less the application of withholding taxes in the UK, payable by the Trustee, at 25%.

A reconciliation of the effect of the asset ceiling used in calculating the IAS 19 irrecoverable surplus in APS and NAPS is set out below:

€ million	2025	2024
1 January	566	735
Interest expense	29	27
Remeasurements <sup>1</sup>	120	(220)
Exchange movements	(33)	24
<b>31 December</b>	<b>682</b>	<b>566</b>

<sup>1</sup> Included within the 2024 remeasurements of the asset ceiling is an amount of €215 million (£184 million) that arose as a result of the reduction in the UK rate of withholding tax of 35% to 25%, resulting in an increase in the net employee benefit asset.

#### d Present value of scheme liabilities

##### i Movement in scheme liabilities

A reconciliation of the opening and closing balances of the present value of the defined benefit obligations is set out below:

€ million	2025	2024
1 January	19,796	21,239
Current service cost	1	1
Past service credit	(9)	-
Interest expense	1,006	950
Remeasurements – financial assumptions <sup>1</sup>	(682)	(1,592)
Remeasurements – demographic assumptions	(117)	(235)
Remeasurements – experience losses	34	(208)
Benefits paid	(1,164)	(1,223)
Exchange movements	(1,089)	864
<b>31 December</b>	<b>17,776</b>	<b>19,796</b>

<sup>1</sup> Included in the remeasurements from financial assumptions is an amount of €51 million (2024: reduction of €1,959 million) that reduces the scheme liabilities relating to changes in the discount rates and an amount of €631 million (2024: increase of €367 million) that reduces the scheme liabilities relating to changes in inflation rates.

## ii Scheme liability assumptions

The principal assumptions used for the purposes of the IAS 19 valuations were as follows:

% per annum	2025			2024		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate <sup>1</sup>	<b>5.25</b>	<b>5.50</b>	<b>2.3 - 6.7</b>	5.30	5.45	1.5 - 6.7
Rate of increase in pensionable pay <sup>2</sup>	<b>2.90</b>	-	<b>2.0 - 5.0</b>	3.30	-	2.0 - 5.0
Rate of increase of pensions in payment <sup>3</sup>	<b>2.90</b>	<b>2.45</b>	<b>1.8 - 3.4</b>	3.30	2.80	1.0 - 3.4
RPI rate of inflation	<b>2.90</b>	<b>2.80</b>	<b>2.0 - 2.5</b>	3.30	3.10	2.0 - 2.5
CPI rate of inflation	<b>2.45</b>	<b>2.45</b>	<b>2.0 - 2.5</b>	2.85	2.80	2.0 - 2.5

1 Discount rate is determined by reference to the yield on high quality corporate bonds of currency and term consistent with the scheme liabilities.

2 Rate of increase in pensionable pay, which reflects inflationary increases, is assumed to be in line with increases in RPI.

3 It has been assumed that the rate of increase of pensions in payment, which reflects inflationary increases, will be in line with CPI for NAPS and RPI for APS as at 31 December 2025.

The current longevities underlying the values of the scheme liabilities were as follows:

Mortality assumptions	2025	2024
Life expectancy at age 60 for a:		
• male currently aged 60	<b>27.6</b>	27.6
• male currently aged 40	<b>28.0</b>	29.0
• female currently aged 60	<b>29.0</b>	29.2
• female currently aged 40	<b>30.9</b>	31.3

For APS, the base mortality tables are based on the Agreed Valuation Basis (AVB) as agreed between British Airways and the trustees of APS. For NAPS, the base mortality tables are based on analysis undertaken for the purpose of the triennial valuation dated 31 March 2024. Future mortality improvements reflect the most recent model published by the UK actuarial profession's Continuous Mortality Investigation (CMI), being its 2024 model. These standard mortality tables, for both APS and NAPS, incorporate adjustments specific to the demographics of scheme members, including a long-term improvement parameter of 1.00% per annum (2024: 1.00%).

For schemes in the United States, mortality rates were based on the MP-2021 mortality tables incorporating adjustments for the long-term impact COVID-19 is expected to have on mortality.

At 31 December 2025, the weighted average duration of the defined benefit obligation was 8 years for APS (2024: 9 years) and 13 years for NAPS (2024: 13 years). The weighted average duration of the defined benefit obligations was 1 to 15 years for other schemes (2024: 1 to 16 years). The weighted average duration represents a single figure for the average number of years over which the employee benefit liability discounted cash flows is extinguished and is highly dependent on movements in the aforementioned discount rates.

## iii Sensitivity analysis

Reasonably possible changes at the balance sheet date to significant valuation assumptions, holding other assumptions constant, would have affected the present value of scheme liabilities by the amounts shown:

€ million	2025			2024		
	Increase in scheme liabilities			Increase in scheme liabilities		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate (decrease of 50 basis points) <sup>1</sup>	<b>217</b>	<b>731</b>	<b>23</b>	242	858	25
Future pension growth (increase of 50 basis points) <sup>1</sup>	<b>194</b>	<b>720</b>	<b>4</b>	217	822	2
Future mortality rate (one year increase in life expectancy)	<b>263</b>	<b>320</b>	<b>19</b>	290	338	21

1 Sensitivities smaller than those disclosed can be approximately interpolated from those sensitivities above.

Although the analysis does not take into account the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

## 35 Supplemental cash flow information

### a Reconciliation of movements of liabilities to cash flows arising from financing activities

€ million	Bank loans, other loans and asset financed liabilities	Convertible bonds	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2025	7,683	1,016	8,646	(326)	17,019
Proceeds from borrowings	1,160	-	-	-	1,160
Repayment of borrowings	(2,322)	-	-	-	(2,322)
Repayment of lease liabilities	-	-	(1,344)	-	(1,344)
Settlement of derivative financial instruments	-	-	-	(193)	(193)
<b>Total changes from financing cash flows</b>	<b>(1,162)</b>	<b>-</b>	<b>(1,344)</b>	<b>(193)</b>	<b>(2,699)</b>
Interest paid	(223)	(9)	(406)	9	(629)
Interest expense	236	9	416	-	661
New leases and lease modifications	-	-	543	-	543
Fair value movements	-	213	-	863	1,076
Other non-cash movements	-	-	(6)	-	(6)
Exchange movements	(491)	-	(854)	(9)	(1,354)
<b>Balance at 31 December 2025</b>	<b>6,043</b>	<b>1,229</b>	<b>6,995</b>	<b>344</b>	<b>14,611</b>

€ million	Bank loans, other loans and asset financed liabilities	Convertible bonds	Lease liabilities	Derivatives to mitigate volatility in financial liabilities	Total
Balance at 1 January 2024	6,380	735	8,967	180	16,262
Proceeds from borrowings	1,474	-	-	-	1,474
Repayment of borrowings	(410)	-	-	-	(410)
Repayment of lease liabilities	-	-	(1,737)	-	(1,737)
Settlement of derivative financial instruments	-	-	-	(151)	(151)
Total changes from financing cash flows	1,064	-	(1,737)	(151)	(824)
Interest paid	(233)	(9)	(472)	23	(691)
Interest expense	255	9	485	-	749
New leases and lease modifications	-	-	988	-	988
Fair value movements	-	281	-	(380)	(99)
Other non-cash movements	-	-	(7)	-	(7)
Exchange movements	217	-	422	2	641
Balance at 31 December 2024	7,683	1,016	8,646	(326)	17,019

### b Reconciliation of movement in provisions included within Net cash flows from operating activities

€ million	2025	2024
Opening provisions	4,501	3,740
Non-cash additions recorded in operating profit	1,153	1,121
Non-cash releases of unused provisions recorded in operating profit	(125)	(142)
Other non-cash amounts recorded within operating profit	13	18
Cash settlements relating to operating provisions	(719)	(411)
Less non-cash carbon-related obligations reported in operating profit (note 35c)	(378)	(304)
Movements in provisions recorded within net cash flows from operating activities	(56)	282
Movements in provisions recorded within Other comprehensive income	14	93
Movements elsewhere within the Balance sheet	16	41
Unrealised currency differences arising on provisions recorded within operating profit	(325)	147
Non-cash extinguishment of Carbon-related obligations	(320)	(236)
Add non-cash carbon-related obligations reported in operating profit (note 35c)	378	304
Movements in provisions recorded in the Income statement outside of operating profit	150	130
<b>Closing provisions (note 27)</b>	<b>4,358</b>	<b>4,501</b>

### c Reconciliation of movement in carbon assets and obligations included within Net cash flows from operating activities

€ million	2025	2024
Non-cash carbon-related obligations recorded in operating profit	378	304
Purchase of carbon-related assets	(496)	(242)
Movements in carbon-related assets and obligations recorded within net cash flows from operating activities	(118)	62

### d Other items included within Net cash flows from operating activities

€ million	2025	2024
Non-cash equity-settled share-based payments	(25)	61
Non-cash movements on derivative and non-derivative financial instruments	(43)	30
Settlement of interest rate derivatives	9	22
Other	(15)	(6)
	(74)	107

### e Details of Acquisition of property, plant and equipment and intangible assets within Net cash flows from investing activities

€ million	2025	2024
Purchase of property, plant and equipment - fleet	2,506	2,035
Purchase of property, plant and equipment - other	404	296
Purchase of intangible assets	532	485
	3,442	2,816

## 36 Related party transactions

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

€ million	2025	2024
<b>Sales of goods and services</b>		
Sales to associates <sup>1</sup>	13	6
Sales to significant shareholders <sup>2</sup>	200	246
<b>Purchases of goods and services</b>		
Purchases from associates <sup>3</sup>	91	76
Purchases from significant shareholders <sup>2</sup>	194	181
<b>Receivables from related parties</b>		
Amounts owed by associates <sup>4</sup>	29	20
Amounts owed by significant shareholders <sup>5</sup>	96	91
<b>Payables to related parties</b>		
Amounts owed to associates <sup>6</sup>	12	10
Amounts owed to significant shareholders <sup>5</sup>	37	15

1 Sales to associates: Consisted primarily of sales for airline-related services to Dunwoody Airline Services (Holding) Limited ('Dunwoody') of €10 million (2024: €5 million), €2 million (2024: €1 million) to Serpista, S.A., Multiservicios Aeroportuarios, S.A., Viajes Ame, S.A.U., Sociedad Conjunta para la Emisión y Gestión de Medios de Pago, EFC, S.A., Mundiplan Turismo y Ocio S.L. and Air Miles España, S.A. and €1 million (2024: nil) to LanzaJet, Inc.

2 Sales to and purchases from significant shareholders principally relates to interline services, ground-handling services, the purchase of cargo capacity, the provision of maintenance services and the income from licensing of the Avios brand with Qatar Airways (Q.C.S.C.).

3 Purchases from associates: Consisted primarily of €58 million of airport auxiliary services purchased from Multiservicios Aeroportuarios, S.A. (2024: €50 million), €22 million of maintenance services received and the purchase of handling assets from Serpista, S.A. (2024: €15 million) and €11 million of handling services provided by Dunwoody (2024: €11 million).

4 Amounts owed by associates: Consisted primarily of €27 million from two long-term loans provided to LanzaJet, Inc. (2024: €19 million) and €2 million of services provided to Dunwoody, Multiservicios Aeroportuarios, S.A., Serpista, S.A., Sociedad Conjunta para la Emisión y Gestión de Medios de Pago, EFC, S.A., Viajes AME, S.A.U. and Mundiplan Turismo y Ocio, S.L. (2024: €1 million).

5 Amounts owed by and to significant shareholders related to Qatar Airways (Q.C.S.C.).

6 Amounts owed to associates: Consisted primarily of €7 million of auxiliary airport services to Multiservicios Aeroportuarios, S.A., Dunwoody and Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeica, S.A. (2024: €7 million) and €5 million of maintenance of airport equipment to Serpista, S.A. (2024: €3 million).

During the year to 31 December 2025, as part of the share buyback programmes (note 31a) the Group purchased 78,437,327 shares (year to 31 December 2024: 12,032,014 shares) from Qatar Airways (Q.C.S.C.). The transactions were executed via banks on behalf of the Company for a total consideration of €299 million (2024: €39 million), recording these shares as treasury shares.

During the year to 31 December 2025, the Group received dividends from associates of €5 million (2024: €4 million) (see note 18b).

During the year to 31 December 2025 British Airways met certain costs of administering its retirement benefit plans, including the provision of support services to the Trustees. Costs borne on behalf of the retirement benefit plans amounted to €81 thousand (2024: €457 thousand) in relation to the costs of the Pension Protection Fund levy.

The Group has transactions with related parties that are conducted in the normal course of business of the airline and loyalty operating companies, which include the provision of airline and related services and loyalty services. All such transactions are carried out on an arm's length basis.

For the year to 31 December 2025, the Group has not made any provision for expected credit loss arising relating to amounts owed by related parties (2024: €nil).

### Significant shareholders

In this instance, significant shareholders are those parties who have the power to participate in the financial and operating policy decisions of the Group, as a result of their shareholdings in the Group, but who do not have control over these policies. At 31 December 2025, the only significant shareholder of the Group was Qatar Airways (Q.C.S.C.).

At 31 December 2025 the Group had no cash deposit balances with shareholders who were not significant shareholders, holding a participation of more than 3% (2024: none).

### Board of Directors and Management Committee remuneration

Compensation received by the Group's Board of Directors and Management Committee in 2025 and 2024 is as follows:

€ million	Year to 31 December	
	2025	2024
<b>Base salary, fees and benefits</b>		
<b>Board of Directors</b>		
Short-term benefits	5	5
Share-based payments	-	-
<b>Management Committee</b>		
Short-term benefits	16	17
Share-based payments	23	3

For the year to 31 December 2025, the Board of Directors includes remuneration for one executive director (31 December 2024: one executive director). The Management Committee includes remuneration for 10 members (31 December 2024: 11 members) and excludes remuneration for the one executive director.

The Company provides life insurance for the executive director and all members of the Management Committee. For the year to 31 December 2025, the Company's obligation was €46 thousand (2024: €47 thousand).

At 31 December 2025 the transfer value of accrued pensions covered under defined benefit pension obligation schemes, relating to the current members of the Management Committee, totalled €3 million (2024: €4 million).

No loan or credit transactions were outstanding with directors or officers of the Group at 31 December 2025 (2024: €nil).

## 37 Post balance sheet events

### Final dividend

A final dividend of €0.05 per share was proposed by the Board of Directors on 26 February 2026 (31 December 2024: €0.06), and is subject to approval at the annual general meeting. It is payable from 29 June 2026 to shareholders who are on the register at 26 June 2026. The final dividend amounting to €228 million, calculated based on the number of shares in issue less treasury shares at the close of trading on 26 February 2026, has not been recognised as a liability in these consolidated financial statements. It will be recognised in total equity in the year to 31 December 2026.

### Return of excess cash

On 26 February 2026 the Board approved excess cash returns of €1.5 billion to be completed by the end of February 2027, starting with a share buyback of €500 million to be completed by the end of May 2026.

## Alternative performance measures definition and reconciliation

The performance of the Group is assessed using a number of alternative performance measures (APMs), some of which have been identified as key performance indicators of the Group. These measures are not defined under International Financial Reporting Standards (IFRS), should be considered in addition to IFRS measurements, may differ to definitions given by regulatory bodies applicable to the Group and may differ to similarly titled measures presented by other companies. They are used to measure the outcome of the Group's strategy based on the Group's strategic imperatives of: strengthening our core; driving earnings growth through asset-light businesses; and operating under a strengthened financial and sustainability framework.

During 2025, the Group has ceased to report Airline non-fuel costs per ASK as it no longer monitors performance using this measure. Other than this change, the Group has made no changes to its pre-existing disclosures and treatments of APMs compared to those disclosed in the Annual Report and Accounts for the year to 31 December 2024.

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

### a Profit after tax before exceptional items

Exceptional items are those that in the Board's and management's view need to be separately disclosed by virtue of their size or incidence to supplement the understanding of the entity's financial performance. The Management Committee of the Group uses financial performance on a pre-exceptional basis to evaluate operating performance and to make strategic, financial and operational decisions, and externally because it is widely used by security analysts and investors in evaluating the performance of the Group between reporting periods and against other companies.

While there have been no exceptional items recorded in 2025, there were four exceptional items recorded in 2024.

The table below reconciles the reported Income statement to the Income statement before exceptional items of the Group:

€ million	Year to 31 December					
	Reported 2025	Exceptional items	Before exceptional items 2025	Reported 2024	Exceptional items	Before exceptional items 2024
Passenger revenue	28,969	-	28,969	28,274	-	28,274
Cargo revenue	1,238	-	1,238	1,234	-	1,234
Other revenue	3,006	-	3,006	2,592	-	2,592
<b>Total revenue</b>	<b>33,213</b>	<b>-</b>	<b>33,213</b>	<b>32,100</b>	<b>-</b>	<b>32,100</b>
Employee costs <sup>1</sup>	6,586	-	6,586	6,356	160	6,196
Fuel costs and emissions charges	7,083	-	7,083	7,608	-	7,608
Handling, catering and other operating costs	4,352	-	4,352	4,135	-	4,135
Landing fees and en-route charges	2,487	-	2,487	2,405	-	2,405
Engineering and other aircraft costs	2,850	-	2,850	2,729	-	2,729
Property, IT and other costs	1,085	-	1,085	1,120	-	1,120
Selling costs	1,127	-	1,127	1,082	-	1,082
Depreciation, amortisation and impairment	2,628	-	2,628	2,364	-	2,364
Net loss/(gain) on sale of property, plant and equipment	19	-	19	(14)	-	(14)
Currency differences	(28)	-	(28)	32	-	32
Total expenditure on operations	28,189	-	28,189	27,817	160	27,657
<b>Operating profit</b>	<b>5,024</b>	<b>-</b>	<b>5,024</b>	<b>4,283</b>	<b>(160)</b>	<b>4,443</b>
Finance costs	(861)	-	(861)	(917)	-	(917)
Finance income	279	-	279	404	-	404
Net change in fair value of financial instruments	(201)	-	(201)	(237)	-	(237)
Net financing credit relating to pensions	84	-	84	63	-	63
Net currency retranslation credits/(charges)	317	-	317	(127)	-	(127)
Other non-operating (charges)/credits <sup>2</sup>	(137)	-	(137)	94	(50)	144
Total net non-operating costs	(519)	-	(519)	(720)	(50)	(670)
<b>Profit before tax</b>	<b>4,505</b>	<b>-</b>	<b>4,505</b>	<b>3,563</b>	<b>(210)</b>	<b>3,773</b>
Tax <sup>3</sup>	(1,163)	-	(1,163)	(831)	140	(971)
<b>Profit after tax</b>	<b>3,342</b>	<b>-</b>	<b>3,342</b>	<b>2,732</b>	<b>(70)</b>	<b>2,802</b>

## Three months to 31 December

€ million	Reported 2025	Exceptional items	Before exceptional items 2025	Reported 2024	Exceptional items	Before exceptional items 2024
Passenger revenue	6,935	-	6,935	6,961	-	6,961
Cargo revenue	326	-	326	364	-	364
Other revenue	718	-	718	722	-	722
<b>Total revenue</b>	<b>7,979</b>	<b>-</b>	<b>7,979</b>	<b>8,047</b>	<b>-</b>	<b>8,047</b>
Employee costs <sup>1</sup>	1,695	-	1,695	1,841	160	1,681
Fuel costs and emissions charges	1,686	-	1,686	1,740	-	1,740
Handling, catering and other operating costs	1,033	-	1,033	1,034	-	1,034
Landing fees and en-route charges	592	-	592	563	-	563
Engineering and other aircraft costs	598	-	598	725	-	725
Property, IT and other costs	232	-	232	300	-	300
Selling costs	329	-	329	241	-	241
Depreciation, amortisation and impairment	708	-	708	627	-	627
Net loss/(gain) on sale of property, plant and equipment	18	-	18	(13)	-	(13)
Currency differences	(5)	-	(5)	28	-	28
Total expenditure on operations	6,886	-	6,886	7,086	160	6,926
<b>Operating profit</b>	<b>1,093</b>	<b>-</b>	<b>1,093</b>	<b>961</b>	<b>(160)</b>	<b>1,121</b>
Finance costs	(230)	-	(230)	(240)	-	(240)
Finance income	62	-	62	105	-	105
Net change in fair value of financial instruments	(66)	-	(66)	(174)	-	(174)
Net financing credit relating to pensions	21	-	21	17	-	17
Net currency retranslation charges	(3)	-	(3)	(183)	-	(183)
Other non-operating credits	13	-	13	122	-	122
Total net non-operating costs	(203)	-	(203)	(353)	-	(353)
<b>Profit before tax</b>	<b>890</b>	<b>-</b>	<b>890</b>	<b>608</b>	<b>(160)</b>	<b>768</b>
<b>Tax</b>	<b>(251)</b>	<b>-</b>	<b>(251)</b>	<b>(216)</b>	<b>-</b>	<b>(216)</b>
<b>Profit after tax for the period</b>	<b>639</b>	<b>-</b>	<b>639</b>	<b>392</b>	<b>(160)</b>	<b>552</b>

The rationale for each exceptional item is given below.

### **1 Restructuring costs**

The exceptional charge of €160 million for the year to 31 December 2024 is attributable to the Iberia ground-handling restructuring programme, which right-sizes the Group's ground-handling function for the near term. The exceptional charge was recorded within Employee costs in the Income statement.

During 2024, the Group incurred cash outflows associated with the Iberia ground-handling restructuring programme of €3 million, with the remaining amounts expected to be paid through to 2032, dependent on the age of each individual who is part of the Iberia ground-handling restructuring programme.

The related tax credit was €40 million.

### **2 Termination of the agreement with Globalia to purchase Air Europa Holdings**

The exceptional charge of €50 million for the year to 31 December 2024 represented the amount agreed with Globalia to terminate the agreement, signed on 23 February 2023, to purchase the remaining 80% of the share capital of Air Europa Holdings that the Group had not previously owned. On 1 August 2024, the Group exercised its right to withdraw from the acquisition and, as such, the agreement was terminated. The exceptional charge was recorded within Other non-operating credits in the Income statement. There was no related tax impact in the Income statement. The Group recognised the cash outflow impact of the termination agreement during 2024, recorded within cash flows from investing activities within the Cash flow statement.

### **3 Changes to Spanish tax legislation**

The exceptional tax credit of €100 million recorded in the year to 31 December 2024 related to the revocation of Royal Decree-Law 3/2016 (RDL 3/2016) amounting to a net credit of €135 million, and the enactment of Law 7/2024 amounting to a charge of €35 million. These two items are described below:

#### **(i) Revocation of RDL 3/2016**

RDL 3/2016 for fiscal years 2016 to 2023 was revoked by the *Tribunal Constitucional* (Constitutional Court) in Spain on 18 January 2024.

Prior to the introduction of RDL 3/2016, the Company and the Spanish subsidiaries of the Group were permitted to offset up to 70% of their taxable profits with historical accumulated tax losses (to the extent there were sufficient tax losses to do so) and the impairment of subsidiaries was treated as deductible for tax purposes. With the introduction of the RDL 3/2016, this limitation of tax losses applied to taxable profits was reduced to 25% and the deductibility for tax purposes of historical impairments of subsidiaries that had occurred prior to 2013 was reversed. The revocation by the *Tribunal Constitucional* in January 2024 principally meant that the loss limitation reverted to 70% and historical impairments in subsidiaries reverted to being deductible for tax purposes, giving rise to the aforementioned net exceptional tax credit. The combination of the above gave rise to an exceptional current tax credit, which was partially offset by a net deferred tax charge.

During the year to 31 December 2024, the Group received €101 million from the Spanish tax authorities relating to fiscal years 2021 to 2023 as a result of a refund of current taxes.

#### **(ii) Enactment of Law 7/2024**

On 20 December 2024, the Spanish parliament enacted Law 7/2024, which reinstated the aforementioned tax measures that had been previously declared unconstitutional by the *Tribunal Constitucional* (Constitutional Court). Law 7/2024 was effective from 1 January 2024, whereby the Spanish subsidiaries of the Group are permitted to offset only up to 25% of their taxable profits with historical accumulated losses (to the extent there are sufficient tax losses to do so). In addition to the change in the loss limitation rate, the non-deductibility of historical impairments in subsidiaries that occurred prior to 1 January 2013 was reintroduced. There was no cash flow impact in 2024 as a result of the enactment of Law 7/2024.

The table below provides a reconciliation of the statutory to pre-exceptional condensed alternative income statement by operating segment for the years to 31 December 2025 and 2024:

Million	Year to 31 December 2025														
	British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	13,722	-	13,722	16,064	-	16,064	6,126	-	6,126	3,235	-	3,235	2,454	-	2,454
Cargo revenue	788	-	788	923	-	923	320	-	320	-	-	-	50	-	50
Other revenue	169	-	169	199	-	199	1,639	-	1,639	29	-	29	25	-	25
<b>Total revenue</b>	<b>14,679</b>	<b>-</b>	<b>14,679</b>	<b>17,186</b>	<b>-</b>	<b>17,186</b>	<b>8,085</b>	<b>-</b>	<b>8,085</b>	<b>3,264</b>	<b>-</b>	<b>3,264</b>	<b>2,529</b>	<b>-</b>	<b>2,529</b>
Employee costs	3,142	-	3,142	3,679	-	3,679	1,486	-	1,486	460	-	460	551	-	551
Fuel costs and emissions charges	3,403	-	3,403	3,986	-	3,986	1,476	-	1,476	856	-	856	628	-	628
Ownership costs	1,227	-	1,227	1,436	-	1,436	555	-	555	298	-	298	197	-	197
Supplier costs	4,677	-	4,677	5,488	-	5,488	3,255	-	3,255	1,257	-	1,257	871	-	871
Total expenditure on operations	12,449	-	12,449	14,589	-	14,589	6,772	-	6,772	2,871	-	2,871	2,247	-	2,247
<b>Operating profit</b>	<b>2,230</b>	<b>-</b>	<b>2,230</b>	<b>2,597</b>	<b>-</b>	<b>2,597</b>	<b>1,313</b>	<b>-</b>	<b>1,313</b>	<b>393</b>	<b>-</b>	<b>393</b>	<b>282</b>	<b>-</b>	<b>282</b>
<b>Operating margin (%)</b>	<b>15.2%</b>		<b>15.2%</b>				<b>16.2%</b>		<b>16.2%</b>	<b>12.0%</b>		<b>12.0%</b>	<b>11.1%</b>		<b>11.1%</b>

Million	Year to 31 December 2025					
	IAG Loyalty (£)			IAG Loyalty (€)		
	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue				1,336	-	1,336
Other revenue				1,264	-	1,264
<b>Total revenue</b>				<b>2,600</b>	<b>-</b>	<b>2,600</b>
Employee costs				102	-	102
Ownership costs				28	-	28
Supplier costs				2,001	-	2,001
Total expenditure on operations				2,131	-	2,131
<b>Operating profit</b>				<b>469</b>	<b>-</b>	<b>469</b>
<b>Operating margin (%)</b>				<b>18.0%</b>		<b>18.0%</b>

Year to 31 December 2024

Million	British Airways (£)			British Airways (€)			Iberia			Vueling			Aer Lingus		
	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	13,466	-	13,466	15,871	-	15,871	5,862	-	5,862	3,244	-	3,244	2,304	-	2,304
Cargo revenue	789	-	789	931	-	931	305	-	305	-	-	-	55	-	55
Other revenue	153	-	153	185	-	185	1,375	-	1,375	17	-	17	17	-	17
Total revenue	14,408	-	14,408	16,987	-	16,987	7,542	-	7,542	3,261	-	3,261	2,376	-	2,376
Employee costs	2,871	-	2,871	3,386	-	3,386	1,618	160	1,458	427	-	427	514	-	514
Fuel costs and emissions charges	3,676	-	3,676	4,328	-	4,328	1,611	-	1,611	895	-	895	638	-	638
Ownership costs	1,134	-	1,134	1,337	-	1,337	461	-	461	279	-	279	164	-	164
Supplier costs	4,679	-	4,679	5,514	-	5,514	2,985	-	2,985	1,260	-	1,260	855	-	855
Total expenditure on operations	12,360	-	12,360	14,565	-	14,565	6,675	160	6,515	2,861	-	2,861	2,171	-	2,171
Operating profit	2,048	-	2,048	2,422	-	2,422	867	(160)	1,027	400	-	400	205	-	205
Operating margin (%)	14.2%		14.2%				11.5%		13.6%	12.3%		12.3%	8.6%		8.6%

Year to 31 December 2024

Million	IAG Loyalty (£)			IAG Loyalty (€)		
	Statutory	Exceptional items	Before exceptional items	Statutory	Exceptional items	Before exceptional items
Passenger revenue	1,247	-	1,247	1,470	-	1,470
Other revenue	1,183	-	1,183	1,392	-	1,392
Total revenue	2,430	-	2,430	2,862	-	2,862
Employee costs	88	-	88	104	-	104
Ownership costs	19	-	19	23	-	23
Supplier costs	1,903	-	1,903	2,240	-	2,240
Total expenditure on operations	2,010	-	2,010	2,367	-	2,367
Operating profit	420	-	420	495	-	495
Operating margin (%)	17.3%		17.3%			

### b Adjusted earnings per share <sup>(KPI)</sup>

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

€ million	Note	2025	2024
Profit after tax attributable to equity holders of the parent	a	<b>3,342</b>	2,732
Exceptional items	a	-	(70)
<b>Profit after tax attributable to equity holders of the parent before exceptional items</b>		<b>3,342</b>	2,802
Income statement impact of convertible bonds	11	<b>158</b>	185
<b>Adjusted profit</b>		<b>3,500</b>	2,987
Weighted average number of ordinary shares in issue used for basic earnings per share	11	<b>4,690</b>	4,903
Weighted average number of ordinary shares used for diluted earnings per share	11	<b>5,032</b>	5,260
<b>Basic earnings per share (€ cents)</b>		<b>71.3</b>	55.7
<b>Basic earnings per share before exceptional items (€ cents)</b>		<b>71.3</b>	57.1
<b>Adjusted earnings per share before exceptional items (€ cents)</b>		<b>69.5</b>	56.8

### c Ownership costs

Ownership costs represents the income statement impact of the historical purchase of capital assets and is defined as depreciation, amortisation and impairment, arising on both property, plant and equipment and intangible assets, and the Net loss/(gain) on sale of property, plant and equipment. The Group believes that this measure is useful to the users of the financial statements in understanding the impact of capital assets in deriving the operating result of the Group.

€ million	2025	2024
Depreciation, amortisation and impairment	<b>2,628</b>	2,364
Net loss/(gain) on sale of property, plant and equipment	<b>19</b>	(14)
<b>Ownership costs</b>	<b>2,647</b>	2,350

### d Free cash flow <sup>(KPI)</sup>

Free cash flow represents the cash generated by the businesses and is defined as the net cash flows from operating activities taken from the Cash flow statement, less the cash flows associated with the acquisition of property, plant and equipment and intangible assets reported in net cash flows from investing activities from the Cash flow statement. The Group believes that this measure is useful to the users of the financial statements in understanding the cash-generating ability of the Group to support operations and maintain its capital assets.

€ million	2025	2024
<b>Net cash flows from operating activities</b>	<b>6,588</b>	6,372
Acquisition of property, plant and equipment and intangible assets	<b>(3,442)</b>	(2,816)
<b>Free cash flow</b>	<b>3,146</b>	3,556

### e Gross and Net debt to EBITDA before exceptional items <sup>(KPI)</sup>

To supplement total borrowings as presented in accordance with IFRS, the Group reviews both Gross debt to EBITDA before exceptional items and Net debt to EBITDA before exceptional items to assess its level of gross and net debt in comparison to the underlying earnings generated by the Group, in order to evaluate the underlying business performance of the Group. These measures are used to monitor the Group's leverage and to assess financial headroom against internal and external analyst and investor benchmarks and their long-term industry expectations.

Gross debt is defined as long-term borrowings (both current and non-current). Net debt is defined as Gross debt, less cash, cash equivalents and current interest-bearing deposits.

EBITDA before exceptional items is defined as operating result before exceptional items, interest, taxation, depreciation, amortisation and impairment.

The Group believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how the Group's financial capacity has changed over the year. It is a measure of the profitability of the Group and of the core operating cash flows generated by the business model.

€ million	Note	2025	2024
<b>Gross debt:</b> interest-bearing long-term borrowings	26	<b>14,267</b>	17,345
Less: Cash and cash equivalents	22	<b>7,421</b>	8,189
Less: Other current interest-bearing deposits	22	<b>898</b>	1,639
<b>Net debt</b>		<b>5,948</b>	7,517
Operating profit	a	<b>5,024</b>	4,283
Add: Depreciation, amortisation and impairment	a	<b>2,628</b>	2,364
<b>EBITDA</b>		<b>7,652</b>	6,647
Add: Exceptional items	a	<b>-</b>	160
<b>EBITDA before exceptional items</b>		<b>7,652</b>	6,807
<b>Gross debt to EBITDA before exceptional items (times)</b>		<b>1.9</b>	2.5
<b>Net debt to EBITDA before exceptional items (times)</b>		<b>0.8</b>	1.1

### f Return on Invested Capital <sup>(KPI)</sup>

The Group monitors Return on Invested Capital (RoIC) as it gives an indication of the Group's capital efficiency relative to the capital invested, as well as the ability to fund growth and to pay dividends. RoIC is defined as EBITDA before exceptional items, less fleet depreciation adjusted for inflation, depreciation of other property, plant and equipment, and amortisation of software intangibles, divided by average invested capital and is expressed as a percentage.

Invested capital is defined as the average of property, plant and equipment and software intangible assets over a 12-month period between the opening and closing net book values. The fleet aspect of property, plant and equipment is inflated over the average age of the fleet to approximate the replacement cost of the associated assets.

€ million	Note	2025	2024
EBITDA before exceptional items	e	<b>7,652</b>	6,807
Less: Fleet depreciation multiplied by inflation adjustment		<b>(2,468)</b>	(2,246)
Less: Other property, plant and equipment depreciation		<b>(249)</b>	(234)
Less: Software intangible amortisation		<b>(309)</b>	(232)
		<b>4,626</b>	4,095
<b>Invested capital</b>			
Average fleet value <sup>1</sup>	13	<b>18,656</b>	18,068
Less: Average progress payments <sup>2</sup>	13	<b>(933)</b>	(892)
Fleet book value less progress payments		<b>17,723</b>	17,176
<i>Inflation adjustment</i> <sup>3</sup>		<b>1.19</b>	1.18
		<b>21,124</b>	20,326
Average net book value of other property, plant and equipment <sup>4</sup>	13	<b>2,633</b>	2,387
Average net book value of software intangible assets <sup>5</sup>	17	<b>1,208</b>	976
<b>Total invested capital</b>		<b>24,965</b>	23,689
<b>Return on Invested Capital</b>		<b>18.5%</b>	17.3%

1 The average net book value of aircraft is calculated from an amount of €18,696 million at 31 December 2025 and €18,615 million at 31 December 2024.

2 The average net book value of progress payments is calculated from an amount of €995 million at 31 December 2025 and €870 million at 31 December 2024.

3 Presented to two decimal places and calculated using a 1.5% inflation (31 December 2024: 1.5% inflation) rate over the weighted average age of the fleet at 31 December 2025 of 12.0 years (31 December 2024: 11.6 years).

4 The average net book value of other property, plant and equipment is calculated from an amount of €2,749 million at 31 December 2025 and €2,517 million at 31 December 2024.

5 The average net book value of software intangible assets is calculated from an amount of €1,300 million at 31 December 2025 and €1,115 million at 31 December 2024.

### g Results on a constant currency basis

Movements in foreign exchange rates impact the Group's financial results. The IAG Board and Management Committee review the results, including revenue and operating costs, at constant rates of exchange. These financial measures are calculated at constant rates of exchange based on a retranslation, at prior year exchange rates, of the current year's results of the Group. Although the Board and Management Committee do not believe that these measures are a substitute for IFRS measures, the Board and Management Committee do believe that such results excluding the impact of currency fluctuations year on year provide additional useful information to investors regarding the Group's operating performance on a constant currency basis. Accordingly, the financial measures at constant currency within the discussion of the Group Financial review should be read in conjunction with the information provided in the consolidated financial statements.

The following table represents the main average and closing exchange rates for the reporting periods.

#### Foreign exchange rates

	Weighted average		Closing	
	2025	2024	2025	2024
Pound sterling to euro	<b>1.17</b>	1.18	<b>1.14</b>	1.21
Euro to US dollar	<b>1.14</b>	1.09	<b>1.17</b>	1.04
Pound sterling to US dollar	<b>1.33</b>	1.28	<b>1.34</b>	1.26

### h Liquidity

The Board and the Management Committee monitor liquidity in order to assess the resilience of the Group to adverse events and uncertainty and to develop funding initiatives to maintain this resilience.

Liquidity is used by analysts, investors and other users of the financial statements as a measure of the financial health and resilience of the Group.

Liquidity is defined as Cash and cash equivalents plus Current interest-bearing deposits, Committed and undrawn general facilities, aircraft financing facilities and overdraft facilities.

€ million	Note	2025	2024
Cash and cash equivalents	22	<b>7,421</b>	8,189
Current interest-bearing deposits	22	<b>898</b>	1,639
Committed and undrawn general facilities	29f	<b>2,616</b>	3,344
Committed and undrawn aircraft facilities	29f	-	134
Overdrafts and other facilities	29f	<b>13</b>	56
<b>Total liquidity</b>		<b>10,948</b>	13,362

## Group investments

### Subsidiaries

#### British Airways

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>BA and AA Holdings Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
<b>BA Call Centre India Private Limited (callBA)</b> F-42, East of Kailash, New Delhi, 110065	Call centre	India	100%
<b>BA Cityflyer Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%
<b>BA Euroflyer Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100%
<b>BA European Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
<b>BA Excepted Group Life Scheme Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Insurance	England	100%
<b>BA Healthcare Trust Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
<b>BA Holdco Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
<b>BA Number One Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
<b>BA Number Two Limited</b> IFC 5, St Helier, JE1 1ST	Holding company	Jersey	100%
<b>Bealine Plc</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
<b>BritAir Holdings Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
<b>British Airways (BA) Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
<b>British Airways 777 Leasing Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100%
<b>British Airways Associated Companies Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
<b>British Airways Avionic Engineering Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
<b>British Airways Capital Limited</b> Queensway House, Hilgrove Street, St Helier, JE1 1ES	Aircraft financing	Jersey	100%
<b>British Airways Engineering Wales Limited*</b> (Formerly: British Airways Maintenance Cardiff Limited) Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
<b>British Airways Holdings B.V.</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	Netherlands	100%
<b>British Airways Interior Engineering Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
<b>British Airways Leasing Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft leasing	England	100%
<b>British Airways Pension Trustees (No 2) Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Trustee company	England	100%
<b>British Midland Airways Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
<b>British Midland Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
<b>Gatwick Ground Services Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Ground services	England	100%
<b>Speedbird Insurance Company Limited*</b> Canon's Court, 22 Victoria Street, Hamilton, HM 12	Insurance	Bermuda	100%
<b>British Airways Engineering Gatwick Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Aircraft maintenance	England	100%
<b>Avios Group (AGL) Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Management of airline loyalty reward currency	England	86% <sup>1</sup>

## Iberia

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>Compañía Operadora de Corto y Medio Radio Iberia Express, S.A.*</b> Calle Alcañiz 23, Madrid, 28006	Airline operations	Spain	100%
<b>Compañía Explotación Aviones Cargueros Cargosur, S.A.</b> Calle Martínez Villergas 49, Madrid, 28027	Cargo transport	Spain	100%
<b>Iberia Líneas Aéreas de México, S.A.C.V.</b> Xochicalco 174, Col. Narvarte, Alcaldía Benito Juárez, Mexico City, 03020	Aircraft technical assistance	Mexico	100%
<b>Iberia Líneas Aéreas de España, S.A. Operadora*</b> Calle Martínez Villergas 49, Madrid, 28027	Airline operations and maintenance	Spain	100% <sup>2</sup>
<b>Iberia Operadora UK Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100% <sup>1</sup>
<b>Iberia Tecnología, S.A.*</b> Calle Martínez Villergas 49, Madrid, 28027	Aircraft maintenance	Spain	100%
<b>South Europe Ground Services, S.L.</b> Avenida de la Hispanidad 6, Madrid, 28042	Ground-handling services	Spain	100%
<b>Iberia LAE Solutions, S.L.</b> Edificio de Mandos (236B), Iberia Zona Industrial nº 2 (La Muñoza), Camino de La Muñoza, s/n, Madrid, 28042	IT support services	Spain	100%
<b>Iberia Desarrollo Barcelona, S.L.*</b> Avenida de les Garrigues 38-44, Edificio B, El Prat de Llobregat, Barcelona, 08220	Airport infrastructure development	Spain	75%
<b>Fly Level Barcelona LH, S.L.</b> Calle Catalunya 83, Viladecans, Barcelona, 08840	Airline operations	Spain	50%
<b>Avios Group (AGL) Limited*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Management of airline loyalty reward currency	England	14% <sup>1</sup>

## Aer Lingus

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>Aer Lingus (Ireland) Limited</b> Dublin Airport, Dublin	Provision of human resources support to fellow Group companies	Republic of Ireland	100%
<b>Aer Lingus 2009 DCS Trustee Limited</b> Dublin Airport, Dublin	Trustee	Republic of Ireland	100%
<b>Aer Lingus Beachey Limited</b> Penthouse Suite, Analyst House, Peel Road, Douglas, IM1 4LZ	Dormant	Isle of Man	100%
<b>Aer Lingus Group DAC*</b> Dublin Airport, Dublin	Holding company	Republic of Ireland	100% <sup>3</sup>
<b>Aer Lingus Limited*</b> Dublin Airport, Dublin	Airline operations	Republic of Ireland	100%
<b>Aer Lingus (UK) Limited</b> Victoria House, 15-17 Gloucester Street, Belfast, BT1 4LS	Airline operations	Northern Ireland	100%
<b>ALG Trustee Limited</b> 33-37 Athol Street, Douglas, IM1 1LB	Trustee	Isle of Man	100%
<b>Dirnan Insurance Company Limited</b> Canon's Court, 22 Victoria Street, Hamilton, HM 12	Insurance	Bermuda	100%
<b>Santain Developments Limited</b> Dublin Airport, Dublin	Dormant	Republic of Ireland	100%

## IAG Loyalty

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>IAG Loyalty Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
<b>IAG Loyalty Retail Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Retail services	England	100%
<b>British Airways Holidays Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Tour operator	England	100%
<b>Overseas Air Travel Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Flight procurement	England	100%

## IAG Cargo

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>Cargo Innovations Limited</b> Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, Middlesex, TW6 2JS	Dormant	England	100%

## Vueling

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>Yellow Handling, S.L.U.</b> Calle Catalunya 83, Viladecans, Barcelona, 08840	Ground-handling services	Spain	100%

## LEVEL

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>Fly Level UK Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Dormant	England	100%
<b>OpenSkies SASU</b> 3 Rue le Corbusier, Rungis, 94150	Airline operations	France	100%

## International Consolidated Airlines Group, S.A.

Name and registered address	Principal activity	Country of incorporation	Percentage of equity owned
<b>AERL Holding Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Holding company	England	100%
<b>British Airways plc*</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	Airline operations	England	100% <sup>4</sup>
<b>Fly Level Barcelona LH, S.L.</b> Calle Catalunya 83, Viladecans, Barcelona, 08840	Airline operations	Spain	100% <sup>5</sup>
<b>Fly Level, S.L.</b> El Caserío, Iberia Zona Industrial 2 (La Muñoza), Camino de la Muñoza s/n, Madrid, 28042	Airline operations	Spain	100%
<b>IAG Cargo Limited*</b> Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, TW6 2JS	Air freight operations	England	100%
<b>IAG Connect Limited</b> Waterside, PO Box 365, Harmondsworth, UB7 0GB	In-flight ecommerce platform	Republic of Ireland	100%
<b>IAG Transform Limited*</b> (Formerly: IAG GBS Limited) Waterside, PO Box 365, Harmondsworth, UB7 0GB	IT, finance, procurement services	England	100%
<b>IAG GBS Poland sp z.o.o.*</b> Ul. Opolska 114, Krakow, 31-323	IT, finance, procurement services	Poland	100%
<b>IB Opco Holding, S.L.</b> Calle Martínez Villergas 49, Madrid, 28027	Holding company	Spain	100% <sup>2</sup>
<b>Vueling Airlines, S.A.*</b> Calle Catalunya 83, Viladecans, Barcelona, 08840	Airline operations	Spain	99.5% <sup>6</sup>

\* Principal subsidiaries

- The Group holds 100% of both the nominal share capital and economic rights in Avios Group (AGL) Limited, held directly by British Airways plc, which owns 86%, and Iberia Operadora UK Limited, which owns 14%.
- The Group holds 49.9% of both the total nominal share capital and the total number of voting rights in IB Opco Holding, S.L. (and thus, indirectly, in Iberia Líneas Aéreas de España, S.A. Operadora), such stake having almost 100% of the economic rights in these companies. The remaining shares, representing 50.1% of the total nominal share capital and the total number of voting rights, belong to a Spanish company incorporated for the purposes of implementing the Iberia nationality structure.
- The Group holds 49.75% of the total number of voting rights and the majority of the economic rights in Aer Lingus Group DAC. The remaining voting rights, representing 50.25%, correspond to a trust established for implementing the Aer Lingus nationality structure.
- The Group holds 49.9% of the total number of voting rights and 99.65% of the total nominal share capital in British Airways plc, such stake having almost 100% of the economic rights. The remaining nominal share capital and voting rights, representing 0.35% and 50.1% respectively, are held by a trust established for the purposes of implementing the British Airways nationality structure.
- The Group holds 100% of both the nominal share capital and economic rights in Fly Level Barcelona LH, S.L., held directly by Iberia, which owns 50.1%, and the Company, which owns 49.9%.
- The Group holds 99.5% of both the nominal share capital and economic rights in Vueling Airlines, S.A., held directly by Iberia, which owns 50.1%, and the Company, which owns 49.4%.

## Associates

Name and registered address	Country of incorporation	Percentage of equity owned
<b>Empresa Hispano Cubana de Mantenimiento de Aeronaves, Ibeca, S.A.</b> Carretera Aerocaribbean y Final, Terminal No 5 Jose Martí Airport, Wajay, Municipio Boyeros, Havana	Cuba	50%
<b>Empresa Logística de Carga Aérea, S.A.</b> Carretera de Wajay km 1 ½, Jose Martí Airport, Havana	Cuba	50%
<b>Multiservicios Aeroportuarios, S.A.</b> Avenida de Manóteras 46, 2ª planta, Madrid, 28050	Spain	49%
<b>Dunwoody Airline Services Limited</b> Building 552, Shoreham Road East, London Heathrow Airport, Hounslow, TW6 3UA	England	40%
<b>Serpista, S.A.</b> Calle Cardenal Marcelo Spinola 10, Madrid, 28016	Spain	39%
<b>Air Miles España, S.A.</b> Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	30%
<b>Inloyalty by Travel Club, S.L.U.</b> Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	30%
<b>Viajes Ame, S.A.U.</b> Avenida de Bruselas 20, Alcobendas, Madrid, 28108	Spain	30%
<b>LanzaJet Inc.</b> 520 Lake Cook Road, Suite 680, Deerfield, Illinois, 60015	USA	9.7%

## Joint ventures

Name and registered address	Country of incorporation	Percentage of equity owned
<b>Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A.</b> Edificio Los Cubos, Calle Albacete 5, 9ª planta, Madrid, 28027	Spain	50.5%

## Other equity investments

The Group's principal other equity investments are as follows:

Name and registered address	Country of incorporation	Percentage of equity owned	Currency	Shareholder's funds (million)	Profit/(loss) before tax (million)
<b>Air Europa Holdings S.L.<sup>1</sup></b> Carretera Arenal - Lluçmajor, km 21.5, Lluçmajor, 07620	Spain	20%	€	117	4
<b>Servicios de Instrucción de Vuelo, S.L.</b> El Caserío, Iberia Zona Industrial 2 (La Muñoza), Camino de la Muñoza s/n, Madrid, 28042	Spain	19.9%	€	74	1
<b>The Airline Group Limited</b> 4000 Parkway, Whiteley, Fareham, Hampshire, PO15 7FL	England	16.7%	£	287	80
<b>Travel Quinto Centenario, S.A.</b> Calle Alemanes 3, Sevilla, 41004	Spain	10%	€	-	-
<b>Nova Pangaea (Holdings) Limited</b> Lealholme Building, Wilton International, Middlesbrough, Teesside, TS10 4RG	England	8.9%	£	(7)	(7)
<b>i6 Group Limited</b> Farnborough Airport, Ively Road, Farnborough, Hampshire, GU14 6XA	England	6.6%	£	(2)	(2)
<b>NAYAKJV1, SL</b> Carrer d'Osona 2, El Prat de Llobregat, 08820	Spain	5.0%	€	1	-

<sup>1</sup> The Shareholder's funds and result before tax of Air Europa Holdings S.L. represent the data for the year to 31 December 2024 and are prepared under Spanish GAAP. The Group does not have access to financial information other than that reported in the statutory financial statements of the company, which are published subsequent to the authorisation of these consolidated financial statements.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

At a meeting held on 26 February 2026, the directors of International Consolidated Airlines Group, S.A. state that, to the best of their knowledge, the consolidated financial statements for the year to 31 December 2025 prepared in accordance with the applicable international accounting standards, offer a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole, and the interim consolidated management report includes a fair review of the required information.

26 February 2026

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**Javier Ferrán Larraz**  
Chairman

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**Luis Gallego Martín**  
Chief Executive Officer

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**Eva Castillo Sanz**

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**Margaret Ewing**

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**Maurice Lam**

---

**Bruno Matheu**

---

**Heather Ann McSharry**

---

**Simone Menne**

---

**Robin Phillips**

---

**Päivi Rekonen**

---

**Lucy Nicola Shaw**

## Aircraft fleet

### Number in service with Group companies

	Owned	Finance lease	Operating lease	Total 31 December 2025	Total 31 December 2024	Changes since 31 December 2024	Future deliveries	Options <sup>1</sup>
Airbus A319ceo	11	-	21	<b>32</b>	36	(4)	-	-
Airbus A320ceo	53	3	143	<b>199</b>	193	6	-	-
Airbus A320neo	6	49	28	<b>83</b>	74	9	38	30
Airbus A321ceo	14	-	28	<b>42</b>	42	-	-	-
Airbus A321neo	5	12	19	<b>36</b>	31	5	30	-
Airbus A321LR	-	-	8	<b>8</b>	8	-	-	-
Airbus A321XLR	7	4	-	<b>11</b>	3	8	2	14
Airbus A330-200	4	1	17	<b>22</b>	22	-	-	-
Airbus A330-300	4	4	12	<b>20</b>	20	-	-	-
Airbus A330-900	-	-	-	<b>-</b>	-	-	21	13
Airbus A350-900	1	6	16	<b>23</b>	22	1	8	7
Airbus A350-1000	2	14	2	<b>18</b>	18	-	6	12
Airbus A380	8	4	-	<b>12</b>	12	-	-	-
Boeing 737-8200	-	-	-	<b>-</b>	-	-	25	100
Boeing 737-10	-	-	-	<b>-</b>	-	-	25	-
Boeing 777-200	41	-	2	<b>43</b>	43	-	-	-
Boeing 777-300	9	-	7	<b>16</b>	16	-	-	-
Boeing 777-9	-	-	-	<b>-</b>	-	-	24	9
Boeing 787-8	8	2	2	<b>12</b>	12	-	-	-
Boeing 787-9	1	8	9	<b>18</b>	18	-	-	-
Boeing 787-10	3	7	2	<b>12</b>	11	1	38	10
Embraer E190	9	-	11	<b>20</b>	20	-	-	-
<b>Group total</b>	<b>186</b>	<b>114</b>	<b>327</b>	<b>627</b>	<b>601</b>	<b>26</b>	<b>217</b>	<b>195</b>

1 The options to purchase 100 Boeing 737 aircraft allow for flexibility in the choice of variant.

Aircraft are reported based on their contractual definitions as opposed to their accounting determination. For accounting purposes, while all operating leases are presented as lease liabilities, finance leases are presented as either lease liabilities or asset financed liabilities, depending on the nature of the individual arrangement. See note 2 to the consolidated financial statements for further information.

As well as those aircraft in service, the Group also holds 9 aircraft (31 December 2024: 11) not in service.