INTERNATIONAL AIRLINES GROUP

IAG H1 results 2026

Strong fundamentals deliver a robust first half performance despite near-term headwinds

Luis Gallego, IAG Chief Executive Officer, said:

“With these results IAG has again demonstrated that its excellent fundamentals are supporting continued value creation for our shareholders, despite the impact of the crisis in the Middle East and wider geopolitical events.

“We are well-positioned to deal with these near-term headwinds with a diverse portfolio of world-class brands in large and attractive markets; industry-leading margins; significant free cash flow and a strong balance sheet; and attractive shareholder returns.

“Our long-term transformation programme has created the resilience that we are now benefitting from - products and services that our customers value, efficient and punctual operations and a low cost base. Each of our businesses is very focused on continuing to execute their transformation plans to deliver further long-term benefits.

“We remain confident in our business model and strategy that has made us one of the best-performing airline groups in the world.”

Highlights

- Revenue growth driven by continued strong demand for travel as well as our diverse portfolio of markets and customer propositions
- Robust first half operating profit delivered by a resilient revenue performance despite lower capacity than planned
- Disciplined cost control partly mitigating the impact of a significant fuel price increase
- A strong and efficient balance sheet - net leverage of 0.6x; gross leverage of 1.8x
- Delivering for our shareholders: final 2025 dividend paid in June; continue to execute our excess cash return
- We expect to deliver full year operating margin within our 12% to 15% target range; generate significant free cash flow; and maintain a strong and efficient balance sheet

Financial performance

- A strong first quarter and resilient second quarter have delivered an industry-leading operating margin before exceptional items of 10.9% for the first half of 2026
- First half
  - Revenue increase of 1.0% to €16,064 million driven by ongoing strong demand for travel
  - Operating profit before exceptional items of €1,757 million (H1 2025 €1,878 million) and an operating margin before exceptional items of 10.9% (H1 2025 11.8%)
  - Strong cost control delivering non-fuel unit cost in line with guidance given at full year results, despite lower capacity than planned
  - Results driven by the mix of brands and markets
  - IAG Loyalty continues to deliver high growth, high margin and excellent free cash flow
- Second quarter
  - Revenue increased by 0.2% to €8,883 million as increased yields offset a reduction in capacity, negative impact of the Middle East crisis and the timing of Easter
  - Operating profit before exceptional items decreased by 16.3% to €1,406 million mainly due to the impact of higher fuel costs
  - Recovering around 60% of higher fuel cost through revenue growth and cost initiatives, in line with guidance
  - Lower capacity flown than planned due to impact of the Middle East crisis
- Significant free cash flow of €2,905 million (H1 2025 €2,097 million) benefitting from the timing of fleet deliveries and a base effect benefit of last year’s payment to HMRC

Outlook

- We expect demand for travel across our network to remain strong, as it has done through the recent volatility and over a sustained, multi-year period
- We are currently around 57% booked for the second half of the year, with booked revenue in line with last year
- We expect our long-haul markets to remain positive and short-haul markets to be competitive
- We continue to expect to recover around 60% of the higher fuel cost, through both revenue and cost initiatives, in line with previous guidance. Our hedging policy remains unchanged
- Transformation benefits to support operating margin within our 12% to 15% margin range
- Significant free cash flow generation, supporting our commitment to sustainable dividends and completion of our excess cash return
- Confident in delivering long term value creation for our shareholders

Modelling assumptions for FY 2026

- Capacity (ASK) now expected to be flat in 2026 compared to 2025
- We expect non-fuel unit costs to be flat, including the benefit of FX of around one percentage point reflecting significantly lower capacity growth than previously guided
- Total fuel cost scenarios from €8.3 billion based on 30 June 2026 curve, to €8.6 billion based on 27 July 2026 curve
- Capital expenditure of around €3.4 billion. 16 aircraft now expected to be delivered in 2026

Financial summary:

Reported results (€ million)	Six months to 30 June 2026	2025	Higher/ (lower)	Three months to 30 June 2026	2025	Higher/ (lower)
Total revenue	**16,064**	15,906	1.0 %	**8,883**	8,862	0.2 %
Operating profit	**1,608**	1,878	(14.4)%	**1,257**	1,680	(25.2)%
Profit after tax	**1,033**	1,301	(20.6)%	**732**	1,125	(34.9)%
Basic earnings per share (€ cents)	**22.9**	27.3	(16.1)%			
Cash, cash equivalents and interest-bearing deposits[1]	**9,175**	8,319	856			
Borrowings[1]	**13,867**	14,267	(400)			

Alternative performance measures (€ million)	2026	2025	Higher/ (lower)	2026	2025	Higher/ (lower)
Total revenue before exceptional items	**16,064**	15,906	1.0 %	**8,883**	8,862	0.2 %
Operating profit before exceptional items	**1,757**	1,878	(6.4)%	**1,406**	1,680	(16.3)%
Operating margin before exceptional items	**10.9%**	11.8%	(0.9)pts	**15.8%**	19.0%	(3.2)pts
Profit after tax before exceptional items[2]	**1,146**	1,301	(11.9)%	**845**	1,125	(24.9)%
Adjusted earnings per share (€ cents)	**23.6**	26.5	(10.9)%			
Net debt[1]	**4,692**	5,948	(1,256)			
Net debt to EBITDA before exceptional items (times)[1]	**0.6**	0.8	(0.2)			
Total liquidity[1,3]	**11,873**	10,948	925			

Operating figures	2026	2025	Higher/ (lower)	2026	2025	Higher/ (lower)
Available seat kilometres (ASK million)	**169,800**	170,050	(0.1)%	**90,483**	90,916	(0.5)%
Passenger revenue per ASK (€ cents)	**8.29**	8.10	2.4 %	**8.68**	8.55	1.6 %
Non-fuel costs per ASK (€ cents)	**6.10**	6.18	(1.3)%	**5.81**	5.91	(1.7)%

For definitions of Alternative performance measures, refer to the Alternative performance measures definition and reconciliation section from page 46.

1 The prior period comparative is 31 December 2025.
2 Exceptional items in the six months to 30 June 2026 (2025: no exceptional items) relate to restructuring costs within employee costs, as explained in the Financial review and Alternative performance measures definition and reconciliation section.
3 Total liquidity includes Cash, cash equivalents and interest-bearing deposits, plus committed and undrawn general and aircraft-specific financing facilities.

Delivering our strategy

IAG's strategy is creating substantial value for its shareholders. Over the long term we are targeting to deliver earnings growth at sustainable world-class sector margins. This in turn generates significant free cash flow that we allocate in a disciplined way to maximise shareholder value creation.

We expect consistently to deliver our objectives of:

- operating margins of 12% to 15%;
- return on invested capital (RoIC) of 13% to 16%; and
- net leverage below 1.8x

These priorities are underpinned by our Group-wide transformation programme to enable our businesses to reach their full potential.

Strengthening our core

Our performance in the first half reflects the strength of demand for travel in our markets and for our strong brands as a result of our investments in the network, products and customer services.

Group capacity decreased very slightly during the half, by 0.1% and overall passenger unit revenue performance in the first half was positive, up 2.4%, and up 6.2% at constant currency, reflecting a strong performance across our airline brands.

By region:

Six months to 30 June	**Proportion of total ASKs 2026**	ASKs higher/(lower) v2025	**Passenger load factor (%)**	Higher/(lower) v2025	Passenger revenue per ASK higher/(lower) v2025[1]
North Atlantic	**30.6 %**	1.5 %	**81.7**	0.1 pts	1.7 %
Latin America and Caribbean	**20.8 %**	3.5 %	**88.6**	0.4 pts	1.6 %
Europe	**24.7 %**	(2.8)%	**84.7**	1.2 pts	1.2 %
Domestic (Spain and UK)	**8.2 %**	2.3 %	**89.3**	1.6 pts	8.1 %
Africa, Middle East and South Asia	**11.0 %**	(9.4)%	**83.6**	2.1 pts	5.3 %
Asia Pacific	**4.7 %**	7.7 %	**87.1**	(0.1)pts	8.4 %
Total network	**100.0 %**	**(0.1)%**	**85.0**	**0.9 pts**	**2.4 %**

1 Passenger revenue per ASK ('PRASK') 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 compensation and the impact of assumptions for unused tickets.

North Atlantic

The North Atlantic represents around 30% of the Group's capacity and is a valuable, premium market. IAG and its partners represent have a strong share of this market at around one third of the Europe – North America market, with a particular strength in London and the benefit of a leading position in Madrid. Group capacity in the North Atlantic increased during the first half, by 1.5% and unit revenue performance was positive, up 1.7%, and up 7.1% at constant currency.

British Airways has delivered very good unit revenue performance that reflects its excellent network and schedule across the North Atlantic (capacity up slightly in the first half, by 0.5%) as well as its premium offering and strong corporate travel demand.

Iberia has grown capacity significantly (ASKs up 18% year-on-year in the second quarter) as a result of its A321XLR-driven network development, for example as it added new destinations such as Toronto and Newark and moved to a daily frequency to Washington. The North Atlantic market continues to be competitive as US carriers grow their networks directly to southern Europe.

Aer Lingus has increased capacity very slightly in the North Atlantic (up 0.1% in the first half) through the deployment of its own XLR-related network, including new routes to Cleveland, Pittsburgh and Indianapolis which are performing well. This offset the closure of the Manchester base in March. It has also seen significant capacity growth from US carriers over the last 18 months (up 45% over the last 12 months). As a result its unit revenues were down 3.8% in the first half.

South Atlantic

The South Atlantic represents around 20% of the Group's capacity and is primarily operated by Iberia, with contributions from British Airways and LEVEL. Group capacity in the South Atlantic increased during the first half by 3.5% and unit revenue increased by 1.6% and by 5.9% at constant currency.

Iberia has continued to grow its network to the region, with capacity growing by 3% in the half year, continuing to increase frequencies to key airports as well as the recent addition of A321XLR routes to Recife and Fortaleza in Brazil.

British Airways slightly reduced its capacity to the region, with reductions to São Paulo, Rio de Janeiro and Buenos Aires, with some offsetting additional frequencies to the Caribbean (e.g. Kingston) from Gatwick.

Europe and Domestic

The European short-haul market, including the domestic Spanish and UK markets, represents around 30% of IAG's capacity. Group capacity in Europe reduced by 2.8% during the first half and unit revenue increased by 1.2% and by 2.9% at constant currency.

Over the past few months these markets have been highly competitive due to significant capacity growth in some markets; in particular in more price-sensitive markets such as short-haul point-to-point leisure markets to Spain. This capacity growth has limited our ability to recover the fuel cost increase through pricing, although British Airways' premium offering at Heathrow has delivered some short-haul yield improvement. Iberia reduced some of its short-haul capacity due to engine-related maintenance and Vueling has also trimmed some of its short-haul routes. We expect this market to continue to see high competitor growth, at least for the remainder of the summer, and we will continue to review capacity for the winter months to protect profitability.

In the Domestic market Group capacity increased by 2.3% and unit revenue increased by 8.1% and by 8.9% at constant currency. In the Spanish Domestic market both of our airlines benefitted from disruption to travel by train, which drove significant extra demand for airline services.

Rest of the World

The Group's performance in the Rest of the World segment was very strong, after adjusting for the loss of flying to Middle Eastern destinations.

In Africa, Middle East and Asia the Group reduced capacity by 9.4% (and by 17.4% in Q2) as our airlines (British Airways, Iberia and Vueling) suspended most of their routes to the Middle East, including the Gulf states as well as Israel and Jordan. This is now expected to continue for the rest of the year. Trading on remaining routes in this region was strong, with unit revenue increasing by 5.3% and 10.5% at constant currency. British Airways has benefitted from additional demand from customers avoiding the Middle East, in particular corporate travellers.

Group capacity in the Asia Pacific region increased during the first half by 7.7%. Iberia added a seasonal additional weekly flight to Tokyo and British Airways deployed incremental capacity to destinations such as Bangkok, Kuala Lumpur and Singapore to capture the demand from travellers avoiding the Middle East. Unit revenue performance was positive, up 8.4% and up 12.5% at constant currency.

Driving capital-light earnings growth

IAG Loyalty has had another strong half and we showcased its strengths and opportunities at our investor day on 3 June. IAG Loyalty is a high margin, high return on capital business that is generating significant free cash flow and growing operating profit at over 10% a year, with the objective to reach €1 billion in operating profit in the medium term.

During the first half year, IAG Loyalty grew its revenue by 3.4% (up 4.5% on a pre-VAT basis) as progress in the core Loyalty business was offset by the impact of the Middle East on Holidays revenues. Reported (post-VAT) operating profit increased by 25% to £239 million, with some timing benefits that means that full year profit growth will be closer to our >10% long-term guidance, at a margin of c.19%.

Within the Loyalty part of the business, revenue grew by 7.7% as Avios issuance increased by 15%, This was driven mainly by our non-airline partners (and in particular our financial services partners) but also by the growth in our airline revenues. Redemptions grew by 6%, with greater availability of Reward flights, although this was affected by the absence of popular Middle East destinations and less opportunity to redeem on our partner airline Qatar Airways.

Revenue in our Holidays business decreased by 6.5%, due mainly to the suspension of Middle Eastern routes and partly mitigated by good bookings for the Caribbean, Indian Ocean and short-haul Beach destinations. There were also positive developments in some key long-term value drivers, such as an 11% increase in revenue per booking, and up 15% from our BA Club Gold and Silver-cardholders, linked to the Tier-point-earning proposition.

Elsewhere we continue to strengthen the Group's other complementary businesses. Iberia is growing its MRO business with its award by CFM of one of only 8 LEAP engine-maintenance licences globally. Our South ground handling business won a tender to provide handling services at Lisbon airport.

Transforming our businesses

Our strong and resilient margin performance is driven by our ongoing transformation programme, which focuses on operational, customer and cost improvement.

Aer Lingus has announced a major transformation programme as it takes action to address strategic and cost challenges and to position itself to succeed in the long-term. It has reduced its flying schedule by 6% to take out lower margin short-haul and long-haul routes and will look to reduce supplier costs as well as take out fixed costs in head office functions. It is also deploying technology that will improve revenue management as well as maintenance and engineering efficiency. With a more efficient and productive platform it can return to IAG margin targets within the next few years and benefit from additional investment from the Group to develop its network further.

British Airways' transformation is continuing to make good progress, as new commercial systems drive revenue improvement and cost initiatives will support future margins. During the first half it made significant progress with its commercial platform transformation. 90% of passenger flight journeys are now bookable through the new BA.com website and its new app has been rolled out to 93% of users across Android and iOS platforms, with significant additional functionality to come. The revenue management and upgraded payments systems implemented in 2025 are delivering revenue positive benefits in line with expectations. British Airways is also targeting significant efficiencies across its support functions over the next two years.

Iberia's transformation is a core part of the *Plan de Vuelo* (Flight Plan) 2030 to deliver €1.4 billion of operating profit at a margin at the mid-to-upper end of the Group's 12% to 15% range. Its network growth is being delivered by the increase to 51 modern, efficient long-haul aircraft, including eight new A321XLRs. As part of its longer term initiatives to provide a platform for its planned growth Iberia has carried out a voluntary early-retirement programme, in agreement with its unions. This offer has been taken up by around 1,000 employees across ground staff, cabin crew and pilots. This will also enable Iberia to shape its future workforce with the skills and technology support to drive higher productivity and value creation. Elsewhere its punctuality remains world-class and customer initiatives include a new VIP Emerald Lounge at Madrid airport and the ongoing rollout of new Business and Premium Economy cabins.

Earlier this year Vueling announced its Project Rumbo, in which it set out a 10-year ambition to target 60 million passengers a year. This will involve the transition to a new 737 fleet, starting at the end of this year, which will drive significant cost efficiencies as well as a modern onboard experience. This will be supported by digital transformation for both operational efficiency and customer benefits, such as AI-based predictive maintenance and digital passenger journey support.

Other IAG transformation projects include the installation of Starlink, which has started across Aer Lingus, British Airways and Iberia, with a faster ramp up over the winter. Around 50% of the Group's long-haul fleet is scheduled to be completed by the end of the year. Vueling's first Boeing 737 delivery later this year will also have Starlink installed, the first Low Cost Carrier in Europe to do so. In addition, there is a Group-wide initiative to modernise our engineering capability by introducing new technologies, unify data and processes, and implement AI functionality. With all of our airlines on a common platform this will drive significant cost savings through reduced operational disruption, improved aircraft availability and optimised productivity and utilisation.

Both the British Airways and Iberia workforce efficiency programmes have been treated as exceptional costs. We expect further costs to be incurred by both British Airways and Aer Lingus in the second half of the year.

A sustainable value-creation framework

Committed to sustainability

IAG remains committed to its target of zero net emissions by 2050. 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 such context we are continuing to evaluate the European Union's recent proposal to extend the Emissions Trading System, rather than implement the globally-recognised CORSIA initiative. IAG is also working to encourage the relevant governments and regulators to incentivise the production of Sustainable Aviation Fuel (SAF) as the only realistic long-term path to airline sector decarbonisation. An example would be introducing SAF allowances in the UK to match the EU policy helping bridge the price gap between SAF and fossil-based jet fuel. We welcome the UK Government's recent Call For Evidence regarding the UK SAF mandate targets recognising that these need to be better aligned with the likely supply of SAF.

Disciplined capital allocation and a strong balance sheet

Investment in new aircraft is the biggest part of the Group's capital expenditure, delivering the latest onboard products for our customers as well as significant cost benefits through operational efficiency. During 2026 we now expect to receive 16 new aircraft, of which three were delivered in the first half. The deliveries are mostly short-haul aircraft, including the first deliveries of Boeing 737s as part of Vueling's fleet conversion from Airbus to Boeing, as well as the last of the current order of new Airbus A321XLRs for Iberia and Aer Lingus. Of three originally scheduled to be delivered in 2026, one 787-10 will now be delivered in 2027. The majority of deliveries will be unencumbered.

We continued to strengthen the balance sheet in the first half of the year. In May, the Group executed a tender-offer to repurchase its €825 million convertible bond due in 2028. Following the tender-offer, the Group issued €1,000 million of senior, unsecured bonds split across two €500 million tranches due in 2031 and 2034. The transactions have allowed the Group to mitigate the risk of dilution from the convertible bond, preserve liquidity and extend the maturity profile on competitive terms.

Delivering for our shareholders

We are committed to paying a sustainable dividend to our shareholders. In June, following approval at our AGM, we paid our final dividend for 2025 of €0.05 per share amounting to €222 million. This took the 2025 full year dividend to €0.098 per share, an increase of 8.9% compared to 2024 and €441 million in total. We expect to update the market at Q3 results regarding an interim dividend for 2026, subject to board approval.

We have now completed c.€800 million of the €1.5 billion share buyback programme that we announced in February.

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Forward-looking statements:

This announcement contains forward-looking statements within the meaning of applicable securities laws. This cautionary statement is made for the purpose of providing protection for such forward-looking statements and is intended to qualify all forward-looking statements made in, or incorporated by reference into, this announcement. 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", "would", "might", "continues", "intends", "plans", "targets", "predicts", "estimates", "envisages", "anticipates", "aims", "seeks", "projects", "forecasts", "outlook" or "guidance", or the negative or other variations of such words, or comparable terminology. They include, without limitation, any and all projections or expectations relating to the results of operations, financial condition, cash flows, dividend policy, capital allocation, fleet and capacity plans, route network development, competitive position, industry trends, strategy and regulatory developments 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 and sustainability 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. Except as required by applicable law, regulation or the rules of any stock exchange on which the Group's securities are admitted to trading, the Group expressly disclaims any obligation or undertaking to release publicly any update, revision, or correction to any forward-looking statement contained herein to reflect any change in the Group's expectations or any change in events, conditions, assumptions, 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: changes in general economic, business, or market conditions; fuel price volatility; foreign exchange rate fluctuations; changes in interest rates and financing conditions; the impact of pandemics, public health emergencies, or travel restrictions; terrorist incidents, armed conflicts, or geopolitical instability; changes in applicable laws, regulations, or government policy (including taxation, emissions trading schemes, and environmental regulation); the loss, reduction, or reallocation of airport slots or changes to slot allocation rules and regulations, labour relations, industrial action, or workforce constraints; disruptions to IT systems or cybersecurity incidents; the outcome of litigation or regulatory proceedings; changes in competitive dynamics, consumer demand, or booking patterns; supply chain disruptions; climate-related risks; and the Group's ability to execute its business strategy, achieve anticipated synergies, or manage its fleet and capacity plans — many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to enumerate all factors that could cause actual results to differ materially from those anticipated. 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 2025; this document is available on 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.

Where forward-looking statements in this announcement are based on data, forecasts, or estimates sourced from third parties, the Group has not independently verified such information and makes no representation or warranty, express or implied, as to its accuracy, completeness, or reliability.

To the fullest extent permitted by applicable law, neither the Group nor any of its directors, officers, employees, or advisers accepts any liability whatsoever for any loss, howsoever arising, from any use of, or reliance on, forward-looking statements contained in this announcement or any information on which such statements are based.

These cautionary statements qualify all forward-looking statements contained in this announcement and all forward-looking statements attributable to the Group or to persons acting on its behalf, whether made in writing or orally, including in investor presentations, earnings calls, or other communications.

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 2025. These documents are available on www.iairgroup.com.

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CONSOLIDATED INCOME STATEMENT

	Six months to 30 June			Three months to 30 June		
€ million	**2026**	2025	Higher/ (lower)	**2026**	2025	Higher/ (lower)
Passenger revenue	**14,082**	13,771	2.3 %	**7,856**	7,771	1.1 %
Cargo revenue	**570**	629	(9.4)%	**295**	311	(5.1)%
Other revenue	**1,412**	1,506	(6.2)%	**732**	780	(6.2)%
Total revenue	**16,064**	15,906	1.0 %	**8,883**	8,862	0.2 %
Employee costs	**3,454**	3,232	6.9 %	**1,833**	1,623	12.9 %
Fuel costs and emissions charges	**3,956**	3,523	12.3 %	**2,221**	1,808	22.8 %
Handling, catering and other operating costs	**2,000**	2,114	(5.4)%	**1,028**	1,127	(8.8)%
Landing fees and en-route charges	**1,236**	1,201	2.9 %	**657**	647	1.5 %
Engineering and other aircraft costs	**1,341**	1,580	(15.1)%	**676**	802	(15.7)%
Property, IT and other costs	**572**	572	– %	**286**	273	4.8 %
Selling costs	**528**	573	(7.9)%	**235**	274	(14.2)%
Depreciation, amortisation and impairment	**1,366**	1,257	8.7 %	**694**	639	8.6 %
Net gain on sale of property, plant and equipment	**(2)**	(2)	– %	**(5)**	4	nm
Currency differences	**5**	(22)	nm	**1**	(15)	nm
Total expenditure on operations	**14,456**	14,028	3.1 %	**7,626**	7,182	6.2 %
Operating profit	**1,608**	1,878	(14.4)%	**1,257**	1,680	(25.2)%
Finance costs	**(400)**	(431)	(7.2)%	**(220)**	(212)	3.8 %
Finance income	**128**	155	(17.4)%	**66**	70	(5.7)%
Net change in fair value of financial instruments	**54**	(70)	nm	**(108)**	(145)	(25.5)%
Net financing credit relating to pensions	**55**	42	31.0 %	**28**	21	33.3 %
Net currency retranslation (charges)/credits	**(61)**	336	nm	**(38)**	202	nm
Other non-operating credits/(charges)	**33**	(164)	nm	**10**	(109)	nm
Total net non-operating charges	**(191)**	(132)	44.7 %	**(262)**	(173)	51.4 %
Profit before tax	**1,417**	1,746	(18.8)%	**995**	1,507	(34.0)%
Tax	**(384)**	(445)	(13.7)%	**(263)**	(382)	(31.2)%
Profit after tax for the period	**1,033**	1,301	(20.6)%	**732**	1,125	(34.9)%

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.

	Six months to 30 June			Three months to 30 June		
	Before exceptional items			Before exceptional items		
€ million	**2026**	2025	Higher/ (lower)	**2026**	2025	Higher/ (lower)
Passenger revenue	**14,082**	13,771	2.3 %	**7,856**	7,771	1.1 %
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Total revenue	**16,064**	15,906	1.0 %	**8,883**	8,862	0.2 %
Employee costs	**3,305**	3,232	2.3 %	**1,684**	1,623	3.8 %
Fuel costs and emissions charges	**3,956**	3,523	12.3 %	**2,221**	1,808	22.8 %
Handling, catering and other operating costs	**2,000**	2,114	(5.4)%	**1,028**	1,127	(8.8)%
Landing fees and en-route charges	**1,236**	1,201	2.9 %	**657**	647	1.5 %
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Selling costs	**528**	573	(7.9)%	**235**	274	(14.2)%
Depreciation, amortisation and impairment	**1,366**	1,257	8.7 %	**694**	639	8.6 %
Net gain on sale of property, plant and equipment	**(2)**	(2)	– %	**(5)**	4	nm
Currency differences	**5**	(22)	nm	**1**	(15)	nm
Total expenditure on operations	**14,307**	14,028	2.0 %	**7,477**	7,182	4.1 %
Operating profit	**1,757**	1,878	(6.4)%	**1,406**	1,680	(16.3)%
Finance costs	**(400)**	(431)	(7.2)%	**(220)**	(212)	3.8 %
Finance income	**128**	155	(17.4)%	**66**	70	(5.7)%
Net change in fair value of financial instruments	**54**	(70)	nm	**(108)**	(145)	(25.5)%
Net financing credit relating to pensions	**55**	42	31.0 %	**28**	21	33.3 %
Net currency retranslation (charges)/credits	**(61)**	336	nm	**(38)**	202	nm
Other non-operating credits/(charges)	**33**	(164)	nm	**10**	(109)	nm
Total net non-operating charges	**(191)**	(132)	44.7 %	**(262)**	(173)	51.4 %
Profit before tax	**1,566**	1,746	(10.3)%	**1,144**	1,507	(24.1)%
Tax	**(420)**	(445)	(5.6)%	**(299)**	(382)	(21.7)%
Profit after tax for the period	**1,146**	1,301	(11.9)%	**845**	1,125	(24.9)%

Operating figures	**2026**	2025	Higher/ (lower)	**2026**	2025	Higher/ (lower)
Available seat kilometres (ASK million)	**169,800**	170,050	(0.1)%	**90,483**	90,916	(0.5)%
Revenue passenger kilometres (RPK million)	**144,281**	143,074	0.8 %	**77,468**	77,657	(0.2)%
Passenger load factor (%)	**85.0**	84.1	0.9 pts	**85.6**	85.4	0.2 pts
Passenger numbers (thousands)	**57,935**	57,802	0.2 %	**31,541**	31,624	(0.3)%
Cargo tonne kilometres (CTK million)	**2,277**	2,596	(12.3)%	**1,070**	1,288	(16.9)%
Sectors	**358,161**	362,632	(1.2)%	**191,369**	193,766	(1.2)%
Block hours (hours)	**1,129,088**	1,122,469	0.6 %	**606,718**	605,675	0.2 %
Average headcount	**76,581**	75,429	1.5 %	**n/a**	n/a	n/a
Aircraft in service	**628**	615	2.1 %	**n/a**	n/a	n/a
Passenger revenue per RPK (€ cents)	**9.76**	9.63	1.4 %	**10.14**	10.01	1.3 %
Passenger revenue per ASK (€ cents)	**8.29**	8.10	2.4 %	**8.68**	8.55	1.6 %
Cargo revenue per CTK (€ cents)	**25.03**	24.23	3.3 %	**27.57**	24.15	14.2 %
Fuel cost per ASK (€ cents)	**2.33**	2.07	12.5 %	**2.45**	1.99	23.4 %
Non-fuel costs per ASK (€ cents)	**6.10**	6.18	(1.3)%	**5.81**	5.91	(1.7)%
Total cost per ASK (€ cents)	**8.43**	8.25	2.1 %	**8.26**	7.90	4.6 %

FINANCIAL REVIEW for the six months to 30 June 2026

IAG capacity

In the first six months of 2026, passenger capacity operated, measured in available seat kilometres (ASKs), fell by 0.1% versus the same period in 2025. Growth was lower than the original plan of approximately 2.5%, linked to cancellations due to the conflict in the Middle East, together with aircraft availability linked to engine issues.

Capacity operated by airline

Six months to 30 June	**ASKs higher/(lower) v2025**	Passenger load factor (%)	Passenger load factor higher/(lower) v2025
Aer Lingus	**1.8 %**	77.7	(0.4)pts
British Airways	**(1.2)%**	83.1	1.2 pts
Iberia	**1.4 %**	87.9	0.1 pts
LEVEL	**9.4 %**	91.7	(1.2)pts
Vueling	**(2.0)%**	91.2	1.9 pts
Group	**(0.1)%**	**85.0**	**0.9 pts**

The conflict in the Middle East, particularly from 28 February 2026 onwards, led to the Group's airlines promptly suspending flights to destinations in the immediately affected area, including Abu Dhabi, Amman, Bahrain, Doha, Dubai and Tel Aviv, with Jeddah suspended from 24 April. The Middle East represents approximately 3% of the Group's capacity. British Airways redirected capacity to South Asia, Africa and Asia Pacific, including additional flying to destinations such as Bangkok, Bengaluru, Delhi, Malé (Maldives), Nairobi and Singapore. Iberia redeployed capacity previously flying to the Middle East to Japan, Latin America, the North Atlantic and the Spanish Islands.

Capacity operated by region

Capacity by region for the first six months is included in the Delivering our strategy section earlier in this report. The equivalent figures for the second quarter are shown below.

Three months to 30 June 2026	**Proportion of total ASKs 2026**	ASKs higher/(lower) v2025	**Passenger load factor (%)**	Passenger load factor higher/(lower) v2025	Passenger revenue per ASK higher/(lower) v2025[1]
North Atlantic	**33.0 %**	3.0 %	**83.6**	(0.3)pts	2.8 %
Latin America and Caribbean	**19.0 %**	5.3 %	**87.4**	(1.1)pts	(1.5)%
Europe	**26.3 %**	(3.6)%	**86.4**	1.3 pts	– %
Domestic (Spain and UK)	**8.3 %**	6.7 %	**90.2**	0.2 pts	1.2 %
Africa, Middle East and South Asia	**8.9 %**	(17.4)%	**82.6**	1.2 pts	9.2 %
Asia Pacific	**4.5 %**	(1.7)%	**85.8**	(1.2)pts	13.3 %
Total network	**100.0 %**	**(0.5)%**	**85.6**	**0.2 pts**	**1.6 %**

1 Passenger revenue per ASK ('PRASK') 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 compensation and the impact of assumptions for unused tickets.

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 of preparation for this report.

Unless stated otherwise, all figures and variances quoted below relate to the first six months of 2026 compared with the first six months of 2025 on a reported basis (including exceptional items).

Summary

Reported results € million	**2026**	2025	Higher/(lower)
Operating profit	**1,608**	1,878	(270)
Profit before tax	**1,417**	1,746	(329)
Profit after tax	**1,033**	1,301	(268)

The Group's Operating profit for the first six months decreased by €270 million versus the first six months of 2025, including €149 million of exceptional restructuring cost in 2026 as outlined further below. Operating profit was negatively impacted by the significant increase in jet fuel prices from March onwards, with the impact partially mitigated by the Group's hedging policy, together with revenue and cost actions. Operating profit was also impacted by adverse foreign exchange impacts of €52 million versus the first six months of 2025.

Summary of exceptional items

Income statement line	Exceptional item description	(Charge)/credit to the Income statement € million 2026	2025
Employee costs	Iberia restructuring costs	**(114)**	–
Employee costs	British Airways restructuring costs	**(35)**	–
Tax	Tax on exceptional items above	**36**	–

In the first six months of 2026, the Group recognised restructuring provisions in respect of Iberia and British Airways. See Alternative performance measures definition and reconciliation note for further details.

Operating profit before exceptional items

Alternative performance measures (before exceptional items) € million	2026	2025	Higher/(lower)
Operating profit	**1,757**	1,878	(121)
Profit before tax	**1,566**	1,746	(180)
Profit after tax	**1,146**	1,301	(155)

The operating margin before exceptional items for the first six months was 10.9%, 0.9 points lower than 2025.

Revenue

€ million	2026	Higher/(lower) (%)	Higher/(lower)
Passenger revenue	**14,082**	2.3 %	311
Cargo revenue	**570**	(9.4)%	(59)
Other revenue	**1,412**	(6.2)%	(94)
Total revenue	**16,064**	1.0 %	158

Passenger revenue

The increase in passenger revenue of €311 million, or 2.3%, was driven by higher yields, measured as passenger revenue per revenue passenger kilometre (RPK), up 1.4% and a higher passenger load factor, which was up 0.9 points versus the first six months of 2025. Passenger unit revenue, measured as passenger revenue per ASK (PRASK), rose by 2.4%. PRASK for the first half was adversely affected by foreign currency variances, due to the translation impact of a weaker pound sterling against the euro, together with a weaker US dollar than in early 2025; at constant currency PRASK was up 6.2%.

Cargo revenue

Cargo revenue of €570 million was €59 million lower than in 2025. Cargo volumes, measured in cargo tonne kilometres (CTKs), were 12.3% lower than in the first half of the previous year, whilst cargo yields, measured as cargo revenue per cargo tonne kilometre, were 3.3% higher. Cargo capacity was impacted from March onwards by cancellations to destinations in the Middle East. The impact of lower revenues was mainly offset through operating cost savings and fuel-related price increases. The cargo business continued to prioritise premium and higher-yielding flows, particularly across Asia Pacific and India, supported by strong demand for specialist products. IAG Cargo advanced the planned launch of its Global Cargo Joint Business with Qatar Airways Cargo and Malaysian Airlines' MASkargo, strengthening its long-term network proposition and customer offering.

Other revenue

Other revenue, at €1,412 million, was down €94 million versus 2025. The reduction was driven by a change in how the cost of certain components related to Maintenance, Repair and Overhaul (MRO) activities undertaken by Iberia's MRO business are charged to customers: previously such costs were included in Iberia's MRO contracts, but now these costs are charged directly to Iberia's MRO customers by the manufacturer, reducing Iberia's MRO revenue and engineering costs by an equal amount. Revenues from the MRO business are mainly denominated in US dollars and so were also adversely impacted by foreign exchange. Excluding the impact of contract changes and foreign exchange, the MRO business generated increases in revenue. Loyalty revenues continued to see growth, particularly from non-airline partners, however the Group's revenue from holiday and hotel services was down €33 million, including some adverse impact from the conflict in the Middle East.

Operating costs

Total operating expenditure in the first six months increased from €14,028 million in 2025 to €14,456 million in 2026, including €149 million of exceptional restructuring costs and after the benefit of favourable foreign exchange of €581 million, linked to the translation impact of a weaker pound sterling against the euro, together with a weaker US dollar. The main driver of the increased operating expenditure was an increase in fuel costs, explained further below, together with the impact of wage increases, inflationary increases to supplier costs, and the Group's investment in new fleet and products; the impact was partially mitigated by the Group's transformation and innovation initiatives.

Employee costs

€ million	2026	Higher/(lower) (%)	Higher/(lower)
Employee costs	**3,454**	6.9 %	222
Employee costs per ASK, € cents	**1.95**	2.4 %	

The rise in employee costs of €222 million or 6.9% versus 2025 reflects €149 million of exceptional restructuring costs within British Airways and Iberia outlined above, together with wage increases and increased employee numbers linked to planned additional capacity. Employee costs also reflect the increase in Employers' National Insurance in the UK, which was effective from April 2025 and so was only partially reflected in the comparative period in 2025.

Fuel costs and emissions charges

€ million	2026	Higher/(lower) (%)	Higher/(lower)
Fuel costs and emissions charges	**3,956**	12.3 %	433
Fuel costs and emissions charges per ASK, € cents	**2.33**	12.5 %	

Fuel costs and emissions charges were up €433 million, or 12.3% versus 2025, driven principally by a significant increase in average commodity fuel prices from the end of February 2026 onwards, linked to the conflict in the Middle East and the disruption to shipping and oil exports through the Strait of Hormuz. Fuel costs and emission charges benefited from a weaker US dollar, leading to favourable foreign exchange impact of €243 million compared with the first six months of 2025. Fuel contracts are priced on a number of different bases, representing the average price over a reference period. Approximately 60% of the Group's fuel consumption is linked to contracts with a pricing reference period of the prior month (or before), with approximately 40% priced within the month. The increase in commodity prices was partially offset by the impact of the Group's fuel hedging policy, which resulted in fuel hedging gains of €769 million in the first half of 2026.

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 option structures 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 the 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. In the near-term, the Group hedges its anticipated jet fuel exposure using a greater proportion of jet fuel derivatives. Further out, the Group uses more liquid proxy instruments, primarily Brent crude oil and gasoil, with positions progressively transitioned into jet fuel hedges, where possible, as delivery approaches.

Emissions charges

The cost of complying with various emissions trading schemes and the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA) was €233 million, up from €185 million in the first six months of 2025; the increased cost includes the impact of the end of free allowances in the EU and UK. Fuel consumption, carbon emissions and costs continue to benefit from the Group's investment in new-generation aircraft.

Supplier costs

€ million	2026	Higher/(lower) (%)	Higher/(lower)
Handling, catering and other operating costs	**2,000**	(5.4)%	(114)
Landing fees and en-route charges	**1,236**	2.9 %	35
Engineering and other aircraft costs	**1,341**	(15.1)%	(239)
Property, IT and other costs	**572**	– %	–
Selling costs	**528**	(7.9)%	(45)
Currency differences	**5**	nm	27
Total Supplier costs	**5,682**	(5.6)%	(336)
Supplier costs per ASK, € cents	**3.35**	(5.4)%	

Total Supplier costs fell by €336 million, or 5.6%, to €5,682 million. Excluding the impact of favourable foreign exchange benefits, total Supplier costs were 1.8% lower than the first half of 2025, with the impact of the Group's cost transformation initiatives mitigating the impacts of inflation. Foreign exchange particularly impacts on Engineering and other aircraft costs, the majority of which are denominated in US dollars; the change in Iberia's MRO contract basis also had a favourable impact, which was neutral overall, but reduced Other revenue and Engineering and other aircraft costs by an equal amount.

Ownership costs

Ownership costs include depreciation, amortisation and impairment of tangible and intangible assets, including right of use assets, and the net gain on sale of property, plant and equipment.

€ million	2026	Higher/(lower) (%)	Higher/(lower)
Depreciation, amortisation and impairment	**1,366**	8.7 %	109
Net gain on sale of property, plant and equipment	**(2)**	– %	–
Ownership costs	**1,364**	8.7 %	109
Ownership costs per ASK, € cents	**0.80**	8.8 %	

The increase in ownership costs versus 2025 is mainly driven by the increase in the Group's fleet of aircraft, which is linked to the airlines' growth in capacity and their investments in new, more fuel-efficient aircraft, together with customer-focused investments, such as new and improved seats in business cabins, and IT investment.

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, primarily pound sterling related to British Airways and IAG Loyalty, to the Group's reporting currency of euro. 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 the first six months of 2026 the Group's operating profit before exceptional items was impacted by €52 million of adverse exchange rate impacts versus the same period in 2025.

Exchange rate impact before exceptional items

	2026		
€ million Favourable/(adverse)	Translation impact	Transaction impact	**Total exchange impact**
Total exchange impact on revenue	(359)	(274)	**(633)**
Total exchange impact on operating expenditures	322	259	**581**
Total exchange impact on operating profit	**(37)**	**(15)**	**(52)**

The adverse translation foreign exchange variance of €37 million relates to the weakening of the pound sterling versus the euro of 3.4% versus the first half of 2025. The transaction foreign exchange variance was also adverse overall, with a negative impact of €15 million.

Average Income statement foreign exchange rates

Six months to 30 June	**2026**	2025	Higher/(lower) (%)
£ to €	**1.15**	1.19	(3.4)%
€ to $	**1.17**	1.08	8.3 %
£ to $	**1.34**	1.29	3.9 %

Operating profit/(loss) before exceptional items by operating company

Six months to 30 June	**2026**	2025	Higher/(lower)
British Airways (£ million)	**885**	824	61
Aer Lingus (€ million)	**(34)**	80	(114)
Iberia (€ million)	**526**	564	(38)
Vueling (€ million)	**46**	95	(49)
IAG Loyalty (£ million)	**239**	191	48

The Group's airlines all saw an adverse impact from higher fuel prices from March onwards. British Airways' improvement versus 2025 was driven by its first quarter improvement of £91 million; the airline was also able to offset some of the initial impact of Middle East cancellations through additional flying via alternative routings. Iberia and Vueling both saw reductions linked to fuel costs, with Iberia also impacted by operational cancellations due to engine availability, and Vueling impacted by competition in the low-cost segment. The €114 million deterioration in the operating result for Aer Lingus mainly reflected the combination of additional fuel costs and lower passenger revenues linked to competition on North Atlantic routes. IAG Loyalty's operating profit growth of £48 million reflected growth in the loyalty business, including the growth in non-airline partnerships, with the holidays business lower than the first six months of 2025, due mainly to the impact of the conflict in the Middle East.

Total net non-operating charges

Total net non-operating charges for the six months were €191 million, versus charges of €132 million in 2025. Finance costs net of finance income were €4 million lower, linked to lower borrowings net of reduced interest income, in line with lower interest rates on deposits. The net change in the fair value of financial instruments of €54 million is related to the reduction in the fair value of the Group's convertible bond versus 31 December 2025. A slightly stronger US dollar at 30 June 2026 compared with 31 December 2025 led to net currency retranslation charges of €61 million in 2026, versus a credit of €336 million in 2025, linked to the significant weakening in the US dollar in the first half of 2025. Other non-operating credits of €33 million mainly relate to foreign exchange derivative contracts for which hedge accounting is not applied.

Tax

The tax charge on the profit for the six months was €384 million (2025: tax charge of €445 million), with an effective tax rate of 27% (2025: 25%). The difference between the current period effective tax rate of 27% and the prior period effective tax rate of 25% is principally due to the movement in respect of prior years.

IAG Loyalty VAT

As previously disclosed, on 29 October 2024 His Majesty's Revenue and Customs in the UK (HMRC) issued a decision asserting that VAT is payable at the standard rate of 20% upon issuance of Avios by IAG Loyalty from March 2018 onwards. This contrasts with IAG Loyalty's historical approach of accounting for VAT depending on the nature of the redemption products for which Avios are redeemed, with the vast majority being flights that are zero-rated.

The Group has a hearing scheduled at the First-tier Tribunal (Tax) in the UK during the fourth quarter of 2026, with a decision expected during 2027. To enable a hearing of the case at the First-tier Tribunal (Tax), without admission of liability, the Group in prior periods paid €512 million to HMRC for periods prior to its decision, net of amounts recovered as input VAT for certain of its subsidiaries, 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.

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 previously have 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 €118 million at 30 June 2026 and are 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 30 June 2026, and through to the date of this report, that the €512 million non-current asset, recognised as a result of the payment to HMRC, is recoverable.

Please see note 6 for further information.

Aircraft deliveries and financing

Number of aircraft	**Delivered in the six months to 30 June 2026**	Financed in the six months to 30 June 2026
Airbus A320neo (British Airways)	**1**	–
Airbus A321XLR (Aer Lingus)	**1**	–
Airbus A321XLR (Iberia)	**1**	–
Total	**3**	–

During the first six months of 2026, the Group exercised options to purchase 10 Airbus A320neo family aircraft for delivery in 2030 and 10 Boeing 737 aircraft for delivery in 2028 and 2029. The orders will provide flexibility for short-haul replacement or growth and will be allocated within the Group closer to delivery.

Free cash flow

	Six months to 30 June		
€ million	**2026**	2025	Variance
Net cash flows from operating activities	**4,196**	3,787	409
Acquisition of property, plant and equipment and intangible assets	**(1,291)**	(1,690)	399
Free cash flow	**2,905**	2,097	808

Cash flow

	Six months to 30 June		
€ million	**2026**	2025	Variance
Net cash flows from operating activities	**4,196**	3,787	409
Net cash flows from investing activities	**(808)**	(1,678)	870
Net cash flows from financing activities	**(2,113)**	(2,578)	465
Cash and cash equivalents at period end	**8,747**	7,723	1,024
Interest-bearing deposits maturing after more than three months	**428**	1,625	(1,197)
Cash, cash equivalents and other interest-bearing deposits	**9,175**	9,348	(173)

Cash flows from operating activities

€ million	2026	2025	Variance
	Six months to 30 June		
	2026	2025	Variance
Operating profit	**1,608**	1,878	(270)
Depreciation, amortisation and impairment	**1,366**	1,257	109
Net gain on disposal of property, plant and equipment	**(2)**	(2)	-
Pension contributions net of service costs	**(12)**	(8)	(4)
Increase/(decrease) in provisions (excluding carbon-related obligations)	**50**	(68)	118
Purchase of carbon-related assets net of the change in carbon-related obligations	**(19)**	(170)	151
Unrealised currency differences	**10**	(61)	71
Payment to HMRC to appeal IAG Loyalty VAT	**-**	(447)	447
Other movements	**40**	(63)	103
Interest paid	**(288)**	(371)	83
Interest received	**123**	159	(36)
Tax paid	**(116)**	(156)	40
Movement in working capital	**1,436**	1,839	(403)
Net cash flows from operating activities	**4,196**	3,787	409

The increase in the net cash inflow from operating activities versus the first six months of 2025 of €409 million mainly reflects a payment (net of refunds) to HMRC of €447 million in the first six months of 2025 related to the IAG Loyalty VAT litigation, as outlined in the Tax section above. The movement in working capital of €1,436 million in 2026 principally relates to deferred revenue and reflects the normal seasonal inflow of bookings ahead of the peak summer travel period. Working capital was €403 million lower than in prior period mainly due to fuel prepayments made by the Group to mitigate the impact of the Middle East conflict on jet fuel supply, together with higher receivable balances as of June 2026, impacted by the timing of settlements. The net cash inflow from movements in provisions (excluding carbon-related obligations) relates to restructuring provisions in the period, net of outflows related to the timing of maintenance activities on aircraft and engines.

Cash flows from investing activities

€ million	Six months to 30 June		
	2026	2025	Variance
Acquisition of property, plant and equipment and intangible assets	**(1,291)**	(1,690)	399
Sale of property, plant and equipment and intangible assets	**7**	17	(10)
Decrease/(increase) in other current interest-bearing deposits	**472**	(4)	476
Other investing movements	**4**	(1)	5
Net cash flows from investing activities	**(808)**	(1,678)	870

The acquisition of property, plant and equipment and intangible assets of €1,291 million reflects the Group's continued investment in new aircraft, with three new aircraft delivered in the first half of the year, together with product enhancements, maintenance, IT and ground equipment. In the first half of 2025, 13 new aircraft were delivered.

Cash flows from financing activities

€ million	Six months to 30 June		
	2026	2025	Variance
Proceeds from borrowings	**993**	414	579
Repayment of borrowings	**(1,366)**	(1,292)	(74)
Repayment of lease liabilities	**(722)**	(682)	(40)
Of which:			
Operating leases	***(519)***	*(492)*	*(27)*
Finance leases in place on 1 January 2019	***(203)***	*(190)*	*(13)*
Settlement of derivative financial instruments	**(142)**	(20)	(122)
Acquisition of treasury shares	**(667)**	(771)	104
Dividend paid	**(209)**	(227)	18
Net cash flows from financing activities	**(2,113)**	(2,578)	465

During the first six months, the Group raised €1,000 million via two series of unsecured bonds of €500 million each, due to mature in 2031 and 2034, and redeemed convertible bonds due to mature in 2028, with a fair value on the date of redemption of €1,172 million. See note 11 for further information. No financing of new aircraft was undertaken in the first six months of 2026. Repayment of lease liabilities reflects scheduled lease principal repayments related to aircraft financing.

The cash outflow related to the acquisition of treasury shares in the first six months of 2026 reflects purchases to date under share buyback programmes first announced in February 2026, with total purchases of €1.5 billion to be made by the end of February 2027. In the first six months of 2025, the Group completed its €350 million share buyback programme announced in November 2024 and made purchases under its €1 billion share buyback programme announced in February 2025.

Cash outflows for dividends paid reflect payments to shareholders in respect of the final 2025-related dividend of €0.05 per share (€222 million); €179 million was paid in the first half, together with €30 million in respect of withholding tax related to the interim dividend paid in December 2025; the balance representing withholding tax will be paid in quarter 3. This final dividend brought total dividends in respect of 2025 to €441 million, with the Group returning to its previous approach of the dividend amount split approximately equally between the interim and final dividend. In the six months to 30 June 2025, a final dividend of €0.06 per share was approved (€280 million), bringing total dividends in respect of 2024 to €427 million.

Gross debt, net debt and leverage

€ million	**30 June 2026**	31 December 2025
Total borrowings	**13,867**	14,267
Cash, cash equivalents and current interest-bearing deposits	**9,175**	8,319
Net debt	**4,692**	5,948
Rolling four quarters EBITDA before exceptional items	**7,640**	7,652
Gross debt to EBITDA before exceptional items (times)	**1.8**	1.9
Net debt to EBITDA before exceptional items (times)	**0.6**	0.8

In addition to the cash flow items described in the cash flows from financing activities section above, which resulted in a net repayment of €1,095 million of debt, there were two main drivers offsetting part of that reduction, being €239 million of adverse foreign exchange impacts, principally on US-dollar-denominated aircraft debt, and non-cash additions to debt of €479 million, related to the extension and modification of aircraft leases.

The main driver of the reduction in Net debt to EBITDA before exceptional items (leverage) versus 31 December 2025 was the normal seasonality within working capital linked to the build up of bookings for future travel ahead of the peak summer travel season.

The Group's current credit ratings (at 30 July 2026) are both 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).

Liquidity

€ million	**30 June 2026**	31 December 2025
Cash, cash equivalents and current interest-bearing deposits	**9,175**	8,319
Committed and undrawn general and overdraft facilities	**2,698**	2,629
Total	**11,873**	10,948

The principal component of the Group's committed and undrawn general and overdraft facilities is a $3.0 billion (€2.6 billion), sustainability-linked, secured Revolving Credit Facility (RCF), available until 2029 and accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits; this facility was fully undrawn at 30 June 2026.

The Group also has access to an increasing pool of unencumbered aircraft, which totals 196 aircraft, including 26 aircraft less than 6 years old.

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 principal risks and uncertainties affecting the Group are detailed in the Risk management and principal risk factors section of the 2025 Annual report and accounts and these remain relevant.

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 the Group's businesses' response to significant geopolitical events such as the outbreak of war or market shocks, volatility in financial markets and friction in trade flows, disruption in operations and the Group's supply chain, and AI and other emerging technologies that could transform the business or the aviation industry.

In assessing the Group's principal risks, the Board has considered the risk environment including:

- status of the negotiations between the US and Iran, and its impact to ongoing market volatility and macro-economic uncertainty, fuel pricing and operational and customer disruption;
- access to financial markets and hedging mitigations, with increasing inflation and pressure on interest rates;
- energy price increases and security over jet fuel supply from the intermittent closure of key supply lanes;
- monitoring the trade and economic effects, outcomes to markets and demand resulting from central bank or governmental policy decisions that may reduce customer confidence in key customer segments or markets;
- resilience to the cyber threat environment, further heightened by geopolitical conflicts, with the acceleration in agentic AI to gain unauthorised access to systems or data within the Group's businesses or its supply chains;
- operational, IT and technical resilience across its airlines, response plans, customer support and disruption management tools to adapt to unplanned events;
- increased friction impacting the flow of goods and creating further supply chain delays in aircraft maintenance, especially for engines and components;
- status of expansion plans and proposed costs for London and other hub airports;
- mandates for the use of synthetic sustainable jet fuel and carbon schemes, and relative competitive distortion, particularly for EU aviation; and
- managing the cost base and any new inflationary effects, and managing AI and agentic AI adoption and transformational change at pace.

No new principal risks were identified through the risk management discussions and assessments in the year to date. 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 2025 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 is affected by its reliance on the global supply chain with the additional stresses of inflationary pressures and friction in global trade driven by geopolitical events and tariffs. Procurement specialists work with all critical suppliers to understand any potential disruption which could impact the availability of new fleet, engines or critical goods or reliability of critical services. The Group is particularly focused on aircraft and engine manufacturers, given lack of fleet and engine availability and engines' durability problems, to understand their recovery plans and ensure that the additional cost and complexity of delivery delays is minimised or resilience to mitigate third party weaknesses is optimised. Airport infrastructure developments and the airlines' dependency on airport planners in hub airports, to enable growth in a timely, cost effective manner or to minimise operational impacts, are assessed and proactively managed. Expansion plans for the London Heathrow airport could see the costs of inefficient infrastructure developments impacting on traffic and network, growth and fleet decisions.

Data and cybersecurity

Ongoing geopolitical conflicts, protectionist stances between regions and governments and the acceleration in agentic AI to gain unauthorised access to systems or data and to scale attacks sees increased exposure across all sectors particularly those with complex, interconnected supply chains. These can have a significant impact with uncertain recovery times or require limitations on operations to address and resolve or restore data loss. The Group is further developing its security defences and extending monitoring and recovery capabilities and that of its third parties to protect itself.

Economic, political and regulatory environment

Wider macroeconomic events continue to drive significant market uncertainty and volatility as well as financial factors including inflation, interest rates, fuel price and foreign exchange rates. The status of the negotiations between the US and Iran and its impact on markets and demand, as well as operations, remain under review. The tone of dialogue and political responses between countries to ongoing conflicts or relative policy position may cause operational disruption to the Group or its third parties as well as see shifts in investment, change in support for the aviation industry or increased costs. The Group monitors and assesses threats and potential impacts, particularly the effects of trading friction, barriers to trade or additional tariffs. The rise of populist governments and the trend of regulatory and policy disparity between key regions, or significant reversal in government policy approaches, may see further protectionism which could result in market or competitive distortion that increases costs to the Group's airlines.

Operational and IT resilience

The operational environment of the Group's airlines remains highly reliant on the ability to adapt operational and customer processes to external event changes, particularly with a volatile geopolitical environment creating short term operational and airspace disruptions. The Group continues with the delivery of significant IT infrastructure transformation to modernise and digitalise its IT estates, as well as securing increased technical resilience. The Group is affected by its reliance on the global supply chain and the impacts of delays in aircraft deliveries, scarcity of components and engines on aircraft turnarounds, aircraft on the ground and reduced aircraft utilisation. Its airlines are focused on minimising the impact of any unplanned outages or disruption to customers with additional resilience built into the airlines' networks.

Sustainable aviation

The Group monitors and assesses the outcomes of EU and UK policy on carbon costs from mandates on the aviation sector. Current mandates and policy proposals could see an increase in competitive distortion rather than improve the competitiveness of EU aviation, particularly from the costs of mandates for the use of synthetic sustainable jet fuel.

Transformation, innovation and AI

The Group has identified initiatives within its cost base to help offset inflationary price increases driven by geopolitical events and the additional costs of resilience and disruption management. Use of AI and agentic AI models provide solutions to operational bottlenecks or disruption events, optimise outcomes or re-engineer ways of working supported by data driven insights. The Group's businesses are focused on securing skillsets and implementing organisational structures for future ways of working as AI tools and end to end domain transformation is embedded across the Group's businesses. An AI governance framework with Group oversight is in place across AI enabled initiatives. The talent and cultural mindset needed to deliver the transformation, innovation and growth plans to meet the Group's ambition will be critical to delivery success.

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

TRAFFIC AND CAPACITY STATISTICS - GROUP

	Six months to 30 June			Three months to 30 June		
	2026	2025	Higher/(lower)	**2026**	2025	Higher/(lower)
Passengers carried ('000s)	**57,935**	57,802	0.2 %	**31,541**	31,624	(0.3)%
North Atlantic	6,348	6,243	1.7 %	3,754	3,655	2.7 %
Latin America and Caribbean	3,814	3,691	3.3 %	1,824	1,763	3.5 %
Europe	29,356	29,736	(1.3)%	16,373	16,763	(2.3)%
Domestic (Spain and UK)	14,768	14,293	3.3 %	7,969	7,562	5.4 %
Africa, Middle East and South Asia	2,927	3,171	(7.7)%	1,264	1,515	(16.6)%
Asia Pacific	722	668	8.1 %	357	366	(2.5)%
Revenue passenger kilometres (million)	**144,281**	143,074	0.8 %	**77,468**	77,657	(0.2)%
North Atlantic	42,382	41,697	1.6 %	25,054	24,404	2.7 %
Latin America and Caribbean	31,262	30,065	4.0 %	15,004	14,428	4.0 %
Europe	35,480	35,989	(1.4)%	20,530	20,988	(2.2)%
Domestic (Spain and UK)	12,500	11,995	4.2 %	6,768	6,331	6.9 %
Africa, Middle East and South Asia	15,643	16,809	(6.9)%	6,637	7,920	(16.2)%
Asia Pacific	7,014	6,519	7.6 %	3,475	3,586	(3.1)%
Available seat kilometres (million)	**169,800**	170,050	(0.1)%	**90,483**	90,916	(0.5)%
North Atlantic	51,867	51,083	1.5 %	29,953	29,070	3.0 %
Latin America and Caribbean	35,277	34,076	3.5 %	17,165	16,294	5.3 %
Europe	41,906	43,097	(2.8)%	23,772	24,668	(3.6)%
Domestic (Spain and UK)	13,994	13,684	2.3 %	7,505	7,032	6.7 %
Africa, Middle East and South Asia	18,702	20,632	(9.4)%	8,036	9,728	(17.4)%
Asia Pacific	8,054	7,478	7.7 %	4,052	4,124	(1.7)%
			Pts Var			Pts Var
Passenger load factor (%)	**85.0**	84.1	0.9	**85.6**	85.4	0.2
North Atlantic	81.7	81.6	0.1	83.6	83.9	(0.3)
Latin America and Caribbean	88.6	88.2	0.4	87.4	88.5	(1.1)
Europe	84.7	83.5	1.2	86.4	85.1	1.3
Domestic (Spain and UK)	89.3	87.7	1.6	90.2	90.0	0.2
Africa, Middle East and South Asia	83.6	81.5	2.1	82.6	81.4	1.2
Asia Pacific	87.1	87.2	(0.1)	85.8	87.0	(1.2)
Cargo tonne kilometres (million)	**2,277**	2,596	(12.3)%	**1,070**	1,288	(16.9)%

TRAFFIC AND CAPACITY STATISTICS – BY AIRLINE

	Six months to 30 June			Three months to 30 June		
	2026	2025	Higher/(lower)	**2026**	2025	Higher/(lower)
Aer Lingus						
Passengers carried ('000s)	**5,375**	5,311	1.2 %	**3,210**	3,170	1.3 %
Revenue passenger kilometres (million)	**12,943**	12,775	1.3 %	**7,892**	7,884	0.1 %
Available seat kilometres (million)	**16,647**	16,348	1.8 %	**9,852**	9,853	– %
Passenger load factor (%)/Pts variance	**77.7**	78.1	(0.4)pts	**80.1**	80.0	0.1pts
Cargo tonne kilometres (million)	**74**	80	(7.5)%	**40**	42	(4.8)%
British Airways						
Passengers carried ('000s)	**22,115**	21,936	0.8 %	**11,879**	11,966	(0.7)%
Revenue passenger kilometres (million)	**71,677**	71,459	0.3 %	**38,080**	38,565	(1.3)%
Available seat kilometres (million)	**86,222**	87,266	(1.2)%	**45,177**	46,096	(2.0)%
Passenger load factor (%)/Pts variance	**83.1**	81.9	1.2pts	**84.3**	83.7	0.6pts
Cargo tonne kilometres (million)	**1,597**	1,875	(14.8)%	**747**	933	(19.9)%
Iberia						
Passengers carried ('000s)	**12,059**	12,275	(1.8)%	**6,183**	6,206	(0.4)%
Revenue passenger kilometres (million)	**37,619**	37,077	1.5 %	**19,378**	18,941	2.3 %
Available seat kilometres (million)	**42,783**	42,210	1.4 %	**22,206**	21,407	3.7 %
Passenger load factor (%)/Pts variance	**87.9**	87.8	0.1pts	**87.3**	88.5	(1.2)pts
Cargo tonne kilometres (million)	**583**	619	(5.8)%	**272**	303	(10.2)%
LEVEL						
Passengers carried ('000s)	**410**	382	7.3 %	**209**	223	(6.3)%
Revenue passenger kilometres (million)	**3,581**	3,315	8.0 %	**1,807**	1,881	(3.9)%
Available seat kilometres (million)	**3,904**	3,568	9.4 %	**1,965**	2,035	(3.4)%
Passenger load factor (%)/Pts variance	**91.7**	92.9	(1.2)pts	**92.0**	92.4	(0.4)pts
Cargo tonne kilometres (million)	**23**	22	4.5 %	**11**	10	10.0 %
Vueling						
Passengers carried ('000s)	**17,976**	17,898	0.4 %	**10,060**	10,059	– %
Revenue passenger kilometres (million)	**18,461**	18,448	0.1 %	**10,311**	10,386	(0.7)%
Available seat kilometres (million)	**20,244**	20,658	(2.0)%	**11,283**	11,525	(2.1)%
Passenger load factor (%)/Pts variance	**91.2**	89.3	1.9pts	**91.4**	90.1	1.3pts
Cargo tonne kilometres (million)	**n/a**	n/a	n/a	**n/a**	n/a	n/a

INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.

Unaudited Condensed Consolidated Interim Financial Statements

1 January 2026 – 30 June 2026

CONSOLIDATED INCOME STATEMENT

	Six months to 30 June	
€ million	**2026**	2025
Passenger revenue	**14,082**	13,771
Cargo revenue	**570**	629
Other revenue	**1,412**	1,506
Total revenue	**16,064**	15,906
Employee costs	**3,454**	3,232
Fuel costs and emissions charges	**3,956**	3,523
Handling, catering and other operating costs	**2,000**	2,114
Landing fees and en-route charges	**1,236**	1,201
Engineering and other aircraft costs	**1,341**	1,580
Property, IT and other costs	**572**	572
Selling costs	**528**	573
Depreciation, amortisation and impairment	**1,366**	1,257
Net gain on sale of property, plant and equipment	**(2)**	(2)
Currency differences	**5**	(22)
Total expenditure on operations	**14,456**	14,028
Operating profit	**1,608**	1,878
Finance costs	**(400)**	(431)
Finance income	**128**	155
Net change in fair value of financial instruments	**54**	(70)
Net financing credit relating to pensions	**55**	42
Net currency retranslation (charges)/credits	**(61)**	336
Other non-operating credits/(charges)	**33**	(164)
Total net non-operating charges	**(191)**	(132)
Profit before tax	**1,417**	1,746
Tax	**(384)**	(445)
Profit after tax for the period	**1,033**	1,301
Attributable to:		
Equity holders of the parent	**1,033**	1,301
Non-controlling interest	**-**	-
	1,033	1,301
Basic earnings per share (€ cents)	**22.9**	27.3
Diluted earnings per share (€ cents)	**21.2**	26.5

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

€ million	Six months to 30 June **2026**	2025
Items that may be reclassified subsequently to net profit		
Cash flow hedges:		
Fair value movements in equity	**1,421**	(571)
Reclassified and reported in net profit	**(599)**	67
Fair value movements on cost of hedging	**(3)**	(25)
Cost of hedging reclassified and reported in net profit	**16**	20
Currency translation differences	**74**	(82)
Items that will not be reclassified to net profit		
Fair value movements on other equity investments	**11**	52
Fair value movements on liabilities attributable to credit risk changes	**(1)**	(3)
Remeasurements of post-employment benefit obligations	**77**	103
Remeasurements of long-term employee-related provisions	**(40)**	1
Total other comprehensive income/(loss) for the period, net of tax	**956**	(438)
Profit after tax for the period	**1,033**	1,301
Total comprehensive income for the period	**1,989**	863
Total comprehensive income is attributable to:		
Equity holders of the parent	**1,989**	863
Non-controlling interest	**–**	–
	1,989	863

Items in the consolidated Statement of other comprehensive income above are disclosed net of tax.

CONSOLIDATED BALANCE SHEET

€ million	30 June 2026	31 December 2025
Non-current assets		
Property, plant and equipment	**21,957**	21,445
Intangible assets	**3,901**	3,770
Investments accounted for using the equity method	**50**	41
Other equity investments	**322**	298
Employee benefit assets	**2,172**	2,060
Derivative financial instruments	**204**	27
Deferred tax assets	**596**	675
Carbon-related and other non-current assets	**1,760**	1,527
	30,962	29,843
Current assets		
Non-current assets held for sale	**3**	–
Inventories	**668**	699
Trade receivables	**1,638**	1,344
Carbon-related and other current assets	**2,806**	2,328
Current tax receivable	**226**	242
Derivative financial instruments	**635**	74
Current interest-bearing deposits	**428**	898
Cash and cash equivalents	**8,747**	7,421
	15,151	13,006
Total assets	**46,113**	42,849
Equity		
Issued share capital	**461**	473
Share premium	**6,422**	6,924
Treasury shares	**(724)**	(593)
Other reserves	**2,466**	784
Total shareholders' equity	**8,625**	7,588
Non-controlling interest	**6**	6
Total equity	**8,631**	7,594
Non-current liabilities		
Borrowings	**11,939**	11,221
Employee benefit obligations	**57**	71
Deferred tax liability	**1,096**	701
Provisions	**3,494**	3,241
Deferred revenue	**684**	707
Derivative financial instruments	**67**	371
Other long-term liabilities	**430**	395
	17,767	16,707
Current liabilities		
Borrowings	**1,928**	3,046
Trade and other payables	**6,069**	5,721
Deferred revenue	**10,098**	8,032
Derivative financial instruments	**297**	604
Current tax payable	**22**	28
Provisions	**1,301**	1,117
	19,715	18,548
Total liabilities	**37,482**	35,255
Total equity and liabilities	**46,113**	42,849

CONSOLIDATED CASH FLOW STATEMENT

€ million	Six months to 30 June 2026	2025
Cash flows from operating activities		
Operating profit	**1,608**	1,878
Depreciation, amortisation and impairment	**1,366**	1,257
Net gain on disposal of property, plant and equipment	**(2)**	(2)
Employer contributions to pension schemes	**(12)**	(15)
Pension scheme service costs	**–**	7
Increase/(decrease) in provisions (excluding carbon-related obligations)	**50**	(68)
Purchase of carbon-related assets net of the change in carbon-related obligations	**(19)**	(170)
Unrealised currency differences	**10**	(61)
Payment to HMRC to appeal IAG Loyalty VAT	**–**	(447)
Other movements	**40**	(63)
Interest paid	**(288)**	(371)
Interest received	**123**	159
Tax paid	**(116)**	(156)
Net cash flows from operating activities before movements in working capital	**2,760**	1,948
Increase in trade receivables	**(275)**	(80)
(Decrease)/increase in inventories	**34**	(19)
Increase in other receivables and current assets (excluding carbon-related assets)	**(526)**	(272)
Increase in trade payables	**360**	203
Increase in deferred revenue	**1,943**	1,945
(Decrease)/increase in other payables and current liabilities	**(100)**	62
Net movement in working capital	**1,436**	1,839
Net cash flows from operating activities	**4,196**	3,787
Cash flows from investing activities		
Acquisition of property, plant and equipment and intangible assets	**(1,291)**	(1,690)
Sale of property, plant and equipment and intangible assets	**7**	17
Decrease/(increase) in other current interest-bearing deposits	**472**	(4)
Other investing movements	**4**	(1)
Net cash flows from investing activities	**(808)**	(1,678)
Cash flows from financing activities		
Proceeds from borrowings	**993**	414
Repayment of borrowings	**(1,366)**	(1,292)
Repayment of lease liabilities	**(722)**	(682)
Settlement of derivative financial instruments	**(142)**	(20)
Acquisition of treasury shares	**(667)**	(771)
Dividend paid	**(209)**	(227)
Net cash flows from financing activities	**(2,113)**	(2,578)
Net increase/(decrease) in cash and cash equivalents	**1,275**	(469)
Net foreign exchange differences	**51**	3
Cash and cash equivalents at 1 January	**7,421**	8,189
Cash and cash equivalents at period end	**8,747**	7,723
Reconciliation to Total cash, cash equivalents and other interest-bearing deposits		
Cash and cash equivalents at period end	**8,747**	7,723
Interest-bearing deposits maturing after more than three months	**428**	1,625
Cash, cash equivalents and other interest-bearing deposits	**9,175**	9,348

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months to 30 June 2026

€ million	Issued share capital	Share premium	Treasury shares	Other reserves	**Total shareholders' equity**	Non-controlling interest	**Total equity**
1 January 2026	473	6,924	(593)	784	**7,588**	6	**7,594**
Total comprehensive income for the period (net of tax)	–	–	–	1,989	**1,989**	–	**1,989**
Hedges transferred and reported in the Balance sheet	–	–	–	(45)	**(45)**	–	**(45)**
Cost of share-based payments	–	–	–	31	**31**	–	**31**
Movement in treasury shares	–	–	52	(82)	**(30)**	–	**(30)**
Acquisition of treasury shares	–	–	(685)	(1)	**(686)**	–	**(686)**
Dividend	–	–	–	(222)	**(222)**	–	**(222)**
Cancellation of share capital	(12)	(502)	502	12	**–**	–	**–**
30 June 2026	**461**	**6,422**	**(724)**	**2,466**	**8,625**	**6**	**8,631**

For the six months to 30 June 2025

€ million	Issued share capital	Share premium	Treasury shares	Other reserves	Total shareholders' equity	Non-controlling interest	Total equity
1 January 2025	497	7,770	(287)	(1,810)	6,170	6	6,176
Total comprehensive income for the period (net of tax)	–	–	–	863	863	–	863
Hedges transferred and reported in the Balance sheet	–	–	–	2	2	–	2
Cost of share-based payments	–	–	–	24	24	–	24
Movement in treasury shares	–	–	77	(133)	(56)	–	(56)
Acquisition of treasury shares	–	–	(770)	–	(770)	–	(770)
Dividend	–	–	–	(280)	(280)	–	(280)
30 June 2025	497	7,770	(980)	(1,334)	5,953	6	5,959

1 CORPORATE INFORMATION AND BASIS OF PREPARATION

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 and was incorporated on 17 December 2009. 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.

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

The condensed consolidated interim financial statements for the six months to 30 June 2026 have been prepared in accordance with IAS 34 (as adopted by the EU) and authorised for issue by the Board of Directors on 30 July 2026. The condensed consolidated interim financial statements herein are not the Company's statutory accounts and are unaudited.

The same basis of preparation and accounting policies set out in the IAG Annual report and accounts for the year to 31 December 2025 have been applied in the preparation of these condensed consolidated interim financial statements, other than those matters described below. IAG's financial statements for the year to 31 December 2025 have been filed with the *Registro Mercantil de Madrid,* and are in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and with those of the Standing Interpretations issued by the IFRS Interpretations Committee of the International Accounting Standards Board (IASB). The report of the auditors on those financial statements was unqualified.

Going concern

At 30 June 2026, the Group had total liquidity of €11,873 million (31 December 2025: total liquidity of €10,948 million), comprising cash, cash equivalents and interest-bearing deposits of €9,175 million and €2,698 million of committed and undrawn general and overdraft facilities. At 30 June 2026, the Group has no financial covenants associated with its loans and borrowings.

In its assessment of going concern, the Group modelled two scenarios referred to as the Base Case and the Downside Case over the period of at least twelve months from the date of the approval of these condensed consolidated interim 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 and was subsequently refreshed with the latest available internal and external information in June and July 2026. 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 30 September 2027 include:

- the Group has assumed that the committed and undrawn general and overdraft facilities of €2,698 million will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €2,638 million being available to the Group at 30 September 2027;
- of the capital commitments detailed in note 9, €2,923 million is due to be paid over the period to 30 September 2027; and
- while the Group does not expect to finance all expected aircraft deliveries over the going concern period, for those it does expect to finance, it has forecast securing 100%, or €671 million, of the aircraft financing that is currently uncommitted, to align with the timing and payments for those aircraft deliveries it expects to finance, including aircraft delivered prior to the balance sheet date that had not had their financing secured at the balance sheet date.

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 these condensed consolidated interim financial statements and hence continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements at 30 June 2026.

2 ACCOUNTING POLICIES

Critical judgement and estimates

Except as described below, the accounting policies adopted in the presentation of the condensed consolidated interim financial statements for the six months to 30 June 2026 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year to 31 December 2025.

In preparing the condensed consolidated interim financial statements for the six months to 30 June 2026, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses consistent with those disclosed in the Group's annual consolidated financial statements for the year to 31 December 2025.

Impairment of non-financial assets

At 30 June 2026, the Group recognised €2,475 million in respect of intangible assets with an indefinite life, including goodwill.

Goodwill and intangible assets with indefinite economic lives are tested, as part of the cash generating units to which they relate, for impairment annually and at other times when such indicators exist. The recoverable amounts of cash generating units are determined based on value-in-use calculations, which use a weighted average multi-scenario discounted cash flow model, which are then compared to the carrying amount of the associated cash generating unit.

At 30 June 2026, the Group has applied judgement in the consideration as to whether either external or internal sources of information would indicate that each cash generating unit might be impaired. Such significant judgement included: (i) the changes, since the last impairment test date, in interest rates and other market rates of return that influence the pre-tax discount rate used in the value-in-use modelling; and (ii) the geopolitical uncertainty from the conflict in the Middle East and the associated increase in jet fuel prices since the last impairment test date.

While the Group considers that the effect of changes in significant assumptions would impact both the pre-tax discount rate applied to and the operating profit included in the value-in-use of each cash generating unit, the level of headroom for each cash generating unit at the last testing date is considered to be of such a magnitude that these additional sources of information would not lead to the recognition of an impairment charge. Accordingly, at 30 June 2026, no impairment test has been undertaken.

Determining whether payments made to HMRC in relation to the IAG Loyalty VAT accounting are recoverable

At 30 June 2026 the Group recognised, as a Non-current other asset, €512 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 30 June 2026, and through to the date of this report, that the €512 million asset recognised as a result of the payment to HMRC is recoverable.

New standards, amendments and interpretations adopted by the Group

The following amendments and interpretations apply for the first time in 2026, but do not have a material impact on the consolidated financial statements of the Group:

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

The IASB and the IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments and interpretations with an effective date after the balance sheet date of these financial statements.

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. While the implementation of IFRS 18 does not change existing recognition and measurement requirements in other IFRSs, it does introduce a more structured Income statement.

At the date of this report, a number of application issues are being considered by the IFRIC, for which the Group is currently monitoring the potential estimated impact on the initial application of IFRS 18. Until such time as these application issues are resolved, the Group cannot complete its detailed assessment of the implications of applying the new standard on the Group's consolidated financial statements.

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 six month period to 30 June 2026:

- On 26 February 2026, the Board of Directors proposed a final dividend of €0.05 per share in relation to the 2025 financial year, amounting to €222 million, which was approved at the Annual General Meeting on 18 June 2026;
- On 11 May 2026, the Group launched a one-day offer period to redeem the 2028 convertible bonds from bondholders. At the end of the offer period 99.6% of bondholders accepted to sell their bonds to the Group for total consideration of €1,197 million. The fair value of the associated convertible bonds being redeemed immediately prior to their redemption was €1,172 million, resulting in a premium of €25 million having been paid, which has been recorded as a charge within Finance costs; and
- On 20 May 2026, the Group issued two separate series of senior unsecured bonds for an aggregate principal amount of €1,000 million. The Series A Bonds amounted to €500 million, due 2031 and bear a fixed rate of interest of 3.875% per annum, payable in arrears. The Series B Bonds amounted to €500 million, due 2034 and bear a fixed rate of interest of 4.50% per annum.

3 SEASONALITY

The Group's business is highly seasonal with demand strongest during the summer months. Accordingly higher revenues and operating profits are usually expected in the latter six months of the financial year than in the first six months.

4 SEGMENT INFORMATION

a Business segment

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 which 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 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 six months to 30 June 2026

	2026						
€ million	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies[1]	**Total**
Revenue							
Passenger revenue	7,855	2,949	1,488	1,091	509	190	**14,082**
Cargo revenue	417	128	–	25	–	–	**570**
Other revenue	58	621	13	16	703	1	**1,412**
External revenue	8,330	3,698	1,501	1,132	1,212	191	**16,064**
Inter-segment revenue	208	203	–	14	212	190	**827**
Segment revenue	8,538	3,901	1,501	1,146	1,424	381	**16,891**
Employee costs	(1,875)	(861)	(230)	(292)	(61)	(135)	**(3,454)**
Fuel costs and emission charges	(2,219)	(830)	(465)	(347)	–	(95)	**(3,956)**
Depreciation and amortisation charge	(732)	(306)	(157)	(108)	(19)	(44)	**(1,366)**
Operating profit/(loss)	**985**	**412**	**46**	**(34)**	**275**	**(76)**	**1,608**
Exceptional items[2]	(35)	(114)	–	–	–	–	**(149)**
Operating profit/(loss) before exceptional items	**1,020**	**526**	**46**	**(34)**	**275**	**(76)**	**1,757**
Net non-operating costs							**(191)**
Profit before tax							**1,417**
Total assets	28,399	11,418	3,844	2,976	5,318	(5,842)	**46,113**
Total liabilities	(19,600)	(9,733)	(3,653)	(2,418)	(4,789)	2,711	**(37,482)**

1 Includes eliminations on total assets of €18,947 million and total liabilities of €6,744 million.
2 For details on exceptional items refer to the Alternative performance measures definition and reconciliation section.

For the six months to 30 June 2025

€ million	British Airways	Iberia	Vueling	Aer Lingus	IAG Loyalty	Other Group companies[1]	Total
	2025						
Revenue							
Passenger revenue	7,616	2,831	1,464	1,125	562	173	13,771
Cargo revenue	462	137	–	26	–	4	629
Other revenue	64	725	16	11	673	17	1,506
External revenue	8,142	3,693	1,480	1,162	1,235	194	15,906
Inter-segment revenue	243	194	–	13	190	272	912
Segment revenue	8,385	3,887	1,480	1,175	1,425	466	16,818
Employee costs	(1,828)	(703)	(227)	(270)	(57)	(147)	(3,232)
Fuel costs and emission charges	(2,004)	(744)	(412)	(301)	–	(62)	(3,523)
Depreciation and amortisation charge	(710)	(253)	(151)	(95)	(14)	(34)	(1,257)
Operating profit/(loss)	976	564	95	80	227	(64)	1,878
Net non-operating costs							(132)
Profit before tax							1,746
Total assets	27,259	10,905	3,828	2,795	4,484	(5,280)	43,991
Total liabilities	(21,029)	(9,642)	(4,023)	(2,405)	(4,020)	3,087	(38,032)

1 Includes eliminations on total assets of €17,396 million and total liabilities of €5,950 million.

b Other revenue

€ million	Six months to 30 June 2026	2025
Holiday and hotel services	**429**	462
Maintenance and overhaul services	**522**	625
Brand and marketing	**272**	210
Ground handling services	**88**	81
Other	**101**	128
	1,412	1,506

c Geographical analysis

Revenue by area of original sale

€ million	Six months to 30 June 2026	2025
UK	**5,513**	5,713
Spain	**3,067**	2,998
USA	**2,891**	2,695
Rest of world	**4,593**	4,500
	16,064	15,906

Assets by area
30 June 2026

€ million	**Property, plant and equipment**	**Intangible assets**
UK	**14,091**	**2,010**
Spain	**6,237**	**1,254**
USA	**93**	**22**
Rest of world	**1,536**	**615**
	21,957	**3,901**

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
	21,445	3,770

5 FINANCE COSTS, INCOME AND OTHER NON-OPERATING CREDITS/(CHARGES)

a Finance costs

	Six months to 30 June	
€ million	**2026**	2025
Interest expense on:		
Bank borrowings	**(1)**	(3)
Asset financed liabilities	**(85)**	(104)
Lease liabilities	**(176)**	(222)
Bonds	**(20)**	(20)
Unwinding of discount on provisions	**(71)**	(74)
Other borrowings	**(11)**	(10)
Capitalised interest on progress payments	**14**	13
Other finance costs[1]	**(50)**	(11)
	(400)	(431)

1 Included in Other finance costs is €25 million associated with the premium paid on the partial redemption of the 2028 convertible bonds (note 11).

b Finance income

€ million	**2026**	2025
Interest on other interest-bearing deposits, cash and cash equivalents	**128**	153
Other finance income	**–**	2
	128	155

c Net change in fair value of financial instruments

€ million	**2026**	2025
Net change in the fair value of convertible bonds	**54**	(70)
	54	(70)

d Net financing credit relating to pensions

€ million	**2026**	2025
Net financing credit relating to pensions	**55**	42
	55	42

e Other non-operating credits/(charges)

€ million	**2026**	2025
Loss on sale of investments	**(3)**	–
Credit related to equity investments	**6**	7
Share of profits in investments accounted for using the equity method	**–**	2
Realised gains on derivatives not qualifying for hedge accounting	**4**	3
Unrealised gains/(losses) on derivatives not qualifying for hedge accounting	**26**	(176)
	33	(164)

6 TAX

The tax charge in the Income statement was as follows:

	Six months to 30 June	
€ million	**2026**	2025
Current tax	**(189)**	(224)
Deferred tax	**(195)**	(221)
Total tax	**(384)**	(445)

The tax charge is calculated by applying the best estimate of the average annual effective tax rate for each material tax jurisdiction to the interim period pre-tax income of each jurisdiction.

The tax charge on the profit for the six months to 30 June 2026 was €384 million (2025: charge of €445 million), with an effective tax rate of 27% (2025: 25%). The difference between the current period effective tax rate of 27% and the prior period effective tax rate of 25% is principally due to the movement in respect of prior years. The substantial majority of the Group's activities are taxed where the main operations are based, being Spain, the UK, and Ireland, with corporation tax rates during 2026 of 25%, 25% and 12.5% respectively. 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 25% for the six months to 30 June 2026.

The difference between the actual effective tax rate of 27% and the expected tax rate of 25% for the six months to 30 June 2026 is principally due to movements in respect of prior years and Spanish tax arising on intra-group dividends, partially offset by the recognition of prior year tax assets.

Unrecognised deductible temporary differences and losses at 30 June 2026 were €1,378 million (31 December 2025: €1,355 million).

€ million	**30 June 2026**	31 December 2025
Income tax losses		
Spanish corporate income tax losses	**316**	273
OpenSkies SASU trading losses	**405**	405
Other trading losses	**9**	10
	730	688
Other losses and temporary differences		
Spanish deductible temporary differences	**277**	313
UK capital losses	**354**	337
Irish capital losses	**17**	17
	648	667

None of the unrecognised deductible temporary differences or losses have an expiry date.

Tax-related contingent liabilities

The Group has certain contingent liabilities that could be reliably estimated, across all taxes, but excluding the IAG Loyalty VAT matter detailed below, at 30 June 2026 amounting to €131 million (31 December 2025: €134 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 €108 million (31 December 2025: €107 million), being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to 30 June 2026.

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 30 June 2026 and through to the date of these condensed consolidated interim financial statements, the *Audiencia Nacional* has not ruled on whether a gain arose from the Merger. The Company expects a judgment at the *Audiencia Nacional* on this case during the remainder of 2026.

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 2025 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, during 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 refunds from HMRC relating to periods prior to it issuing its decision letter on 29 October 2024 for the six month periods to 30 June 2026 and to 30 June 2025, for which an Other non-current asset has been recorded in the Balance sheet:

	Six months to 30 June 2026		Six months to 30 June 2025	
Millions	**€**	**£**	€	£
Balance at 1 January[1]	**507**	**443**	88	73
Cash payments to HMRC for periods immediately prior to its decision[2]	**-**	**-**	707	590
Cash refunds from HMRC[3]	**-**	**-**	(260)	(216)
Exchange movements	**5**	**-**	(14)	-
Balance at 30 June[4,5]	**512**	**443**	521	447

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 the six months to 30 June 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). Subsequent to this payment, but relating to periods prior to the decision letter, the Group paid a further €39 million (£33 million).

3 During the six months 30 June 2025, certain of the Group's subsidiaries recovered €260 million (£216 million) as input VAT.

4 While at 30 June 2026, 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 30 June 2026 to total €117 million (£101 million). The Group considers it appropriate not to record any provision for these amounts but to disclose them as a contingent liability.

5 In the event of an adverse outcome for the Group upon completion of the judicial process, the €512 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.

Subsequent to HMRC issuing its decision and through to 30 June 2026, the Group has made payments to HMRC of €118 million (£102 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 30 June 2026, 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.

7 EARNINGS PER SHARE AND SHARE CAPITAL

	Six months to 30 June	
Millions	**2026**	2025
Weighted average number of ordinary shares in issue used for basic earnings per share[1]	**4,512**	4,771
Assumed conversion on convertible bonds	**196**	248
Dilutive employee share schemes outstanding	**78**	97
Weighted average number of ordinary shares used for diluted earnings per share	**4,786**	5,116

	Six months to 30 June	
€ cents	**2026**	2025
Basic earnings per share	**22.9**	27.3
Diluted earnings per share	**21.2**	26.5

1 Includes 59 million reduction as the weighted average impact for 153.7 million treasury shares purchased in the share buyback programmes.

The effect of the outstanding employee share schemes and the assumed conversion of the residual 2028 convertible bonds (note 11) is dilutive for the six months to 30 June 2026 and 30 June 2025 due to the reported profit after tax for the periods. In 2025, the dilution also reflected the assumed conversion of the 2028 convertible bonds.

The number of ordinary shares in issue at 30 June 2026 was 4,611,669,527 (31 December 2025: 4,727,201,147) with a par value of €0.10 each.

a Treasury shares

During the period to 30 June 2026, the Group completed the €500 million share buyback programme that commenced in February 2026, and commenced a further share buyback programme of up to €500 million. During this period, the Group purchased 153.7 million shares as part of the programmes at a weighted average share price of €4.46 per share totalling €685 million, which are held as treasury shares. During 2026, a total of 115.5 million treasury shares were cancelled related to the share buyback programme in 2025.

At 30 June 2026 the Group held 185.9 million treasury shares (31 December 2025: 162.2 million).

8 DIVIDENDS

A final dividend of €0.05 per share was proposed by the Board of Directors on 26 February 2026 amounting to €222 million, which was approved by shareholders on 18 June 2026 at the Annual General Meeting. At 30 June 2026, €179 million was paid, and the remainder was paid subsequent to 30 June 2026 and prior to the date of this report. This final dividend brought total dividends in respect of 2025 to €441 million, with the Group returning to its previous approach of the dividend amount split approximately equally between the interim and final dividend. In the six months to 30 June 2025, a final dividend of €0.06 per share was approved (€280 million), bringing total dividends in respect of 2024 to €427 million.

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. At 30 June 2026 the Group had no restrictions on the payment of dividends from the Group's main operating companies to the Company.

9 PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND RIGHT OF USE ASSETS

€ million	Other property, plant and equipment	Right of use	**Total Property, plant and equipment**	**Intangible assets**
Net book value at 1 January 2026	14,487	6,958	**21,445**	**3,770**
Additions	1,056	66	**1,122**	**280**
Modifications	–	448	**448**	**–**
Disposals	(31)	(5)	**(36)**	**–**
Reclassifications[1]	156	(156)	**–**	**–**
Depreciation and amortisation charge	(653)	(542)	**(1,195)**	**(171)**
Exchange movements	129	44	**173**	**22**
Net book value at 30 June 2026	**15,144**	**6,813**	**21,957**	**3,901**

€ million	Other property, plant and equipment	Right of use	Total Property, plant and equipment	Intangible assets
Net book value at 1 January 2025	13,114	8,018	21,132	3,642
Additions	1,529	110	1,639	241
Modifications	–	148	148	–
Disposals	(9)	(1)	(10)	–
Reclassifications[1]	92	(92)	–	–
Depreciation and amortisation charge	(543)	(566)	(1,109)	(148)
Exchange movements	(332)	(135)	(467)	(54)
Net book value at 30 June 2025	13,851	7,482	21,333	3,681

1 Amounts with a net book value of €156 million (six months to 30 June 2025: €92 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.

At 30 June 2026, bank and other loans of the Group are secured on owned fleet assets with a net book value of €5,325 million (31 December 2025: €5,476 million). Refer to note 11 for details on the value of bank and other loans secured on owned fleet assets.

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to €21,357 million (31 December 2025: €20,248 million). The majority of capital expenditure commitments are for fleet and are denominated in US dollars, and as such are subject to changes in exchange rates.

10 OTHER EQUITY INVESTMENTS

Other equity investments include the following:

€ million	**30 June 2026**	31 December 2025
Unlisted securities	**322**	298
	322	298

Investment in Air Europa Holdings

Consistent with the approach at 31 December 2025, the Group has designated its investment in Air Europa Holdings as measured at fair value through Other comprehensive income. At 30 June 2026, the Group determined the fair value of the investment in Air Europa Holdings using the market comparison approach, whereby the Group used both observable market data and unobservable inputs. The fair value was determined on the stand-alone basis of Air Europa Holdings without consideration of potential synergies that could be obtained if the Group were able to obtain control over the operations of Air Europa Holdings. The resultant fair value at 30 June 2026 was €234 million, representing an increase of €11 million since 1 January 2026, which has been recorded within Other comprehensive income.

11 BORROWINGS

€ million	30 June 2026 Current	Non-current	Total	31 December 2025 Current	Non-current	Total
Bank and other loans	**141**	**1,598**	**1,739**	57	692	749
Convertible bonds	**4**	**–**	**4**	1,229	–	1,229
Asset financed liabilities	**375**	**4,842**	**5,217**	363	4,931	5,294
Lease liabilities	**1,408**	**5,499**	**6,907**	1,397	5,598	6,995
Interest-bearing long-term borrowings	**1,928**	**11,939**	**13,867**	3,046	11,221	14,267

Banks and other loans are repayable up to the year 2034. Long-term borrowings of the Group amounting to €5,245 million (31 December 2025: €5,334 million) are secured on owned fleet assets with a net book value of €5,325 million (31 December 2025: €5,476 million). Asset financed liabilities are all secured on the associated aircraft or other property, plant and equipment.

On 20 May 2026, the Group issued two separate series of senior unsecured bonds for an aggregate principal amount of €1,000 million. The Series A Bonds amounted to €500 million, due 2031 and bear a fixed rate of interest of 3.875% per annum, payable in arrears. The Series B Bonds amounted to €500 million, due 2034 and bear a fixed rate of interest of 4.50% per annum payable in arrears. The Series A Bonds were issued at 99.752% and the Series B Bonds were issued at 99.723% of their respective principal amounts and, unless previously redeemed or purchased and cancelled, will be redeemed at 100% of their principal amount on their maturity date.

Details of the 2028 convertible bonds

On 11 May 2026, the Group launched an offer period to redeem the convertible bonds from bondholders. At the end of the offer period 99.6% of bondholders accepted to sell their bonds to the Group for total consideration of €1,197 million. The fair value of the associated convertible bonds being redeemed immediately prior to their redemption was €1,172 million, resulting in a premium of €25 million having been paid, which has been recorded as a charge within Finance costs. Of the cumulative charge of €206 million recorded in Other comprehensive income, arising from the credit risk of the convertible bonds, substantially all of this amount (rounded to €206 million) was reclassified to Retained earnings upon redemption of the convertible bonds.

At 30 June 2026 the notional value of the convertible bonds having not been repurchased was €3 million. The associated convertible bonds are recorded at their fair value, which at 30 June 2026 was €4 million (31 December 2025: €1,229 million).

Subsequent to 30 June 2026 the Group has agreed with all remaining bondholders to repurchase the remaining outstanding convertible bonds during the remainder of 2026.

Supplemental information - Disclosure of contractual lease obligations

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

€ million	Operating leases	Finance leases	**Total lease liabilities**[1]	Asset financed liabilities	**Total**
1 January 2026	5,725	1,270	**6,995**	5,294	**12,289**
Additions and modifications of leases	476	3	**479**	–	**479**
Repayments and interest expense	(518)	(204)	**(722)**	(160)	**(882)**
Other	142	13	**155**	83	**238**
30 June 2026	**5,825**	**1,082**	**6,907**	**5,217**	**12,124**
Repayment of principal within financing activities	519	203	**722**	172	**894**
Repayment of interest within operating activities	158	17	**175**	73	**248**
Total repayments in the Cash flow statement[2,3]	**677**	**220**	**897**	**245**	**1,142**

€ million	Operating leases	Finance leases	Total lease liabilities[1]	Asset financed liabilities	Total
1 January 2025	6,906	1,740	8,646	5,788	14,434
Additions and modifications of leases	254	1	255	414	669
Repayments and interest expense	(492)	(187)	(679)	(169)	(848)
Other	(729)	(89)	(818)	(471)	(1,289)
30 June 2025	5,939	1,465	7,404	5,562	12,966
Repayment of principal within financing activities	492	190	682	179	861
Repayment of interest within operating activities	193	24	217	94	311
Total repayments in the Cash flow statement[2,3]	685	214	899	273	1,172

1 Upon transition to IFRS 16 on 1 January 2019, all finance leases were grandfathered as Lease liabilities.
2 Includes both the repayment of principal and interest.
3 Excludes cash flows associated with low-value leases and variable lease payments for which the Group does not recognise within lease liabilities.

12 FINANCIAL INSTRUMENTS

a Financial assets and liabilities by category

The detail of the Group's financial instruments at 30 June 2026 and 31 December 2025 by nature and classification for measurement purposes is as follows:

30 June 2026

	Financial assets				
€ million	Amortised cost	Fair value through Other comprehensive income	Fair value through Income statement	Non-financial assets	**Total carrying amount by balance sheet item**
Non-current assets					
Other equity investments	–	322	–	–	**322**
Derivative financial instruments	–	–	204	–	**204**
Other non-current assets	203	–	–	1,557	**1,760**
Current assets					
Trade receivables	1,638	–	–	–	**1,638**
Other current assets	741	–	–	2,065	**2,806**
Derivative financial instruments	–	–	635	–	**635**
Other current interest-bearing deposits	428	–	–	–	**428**
Cash and cash equivalents	8,747	–	–	–	**8,747**

	Financial liabilities			
€ million	Amortised cost	Fair value through Income statement	Non-financial liabilities	**Total carrying amount by balance sheet item**
Non-current liabilities				
Lease liabilities	5,499	–	–	**5,499**
Interest-bearing long-term borrowings	6,440	–	–	**6,440**
Derivative financial instruments	–	67	–	**67**
Other long-term liabilities	86	–	344	**430**
Current liabilities				
Lease liabilities	1,408	–	–	**1,408**
Current portion of long-term borrowings	516	4	–	**520**
Trade and other payables	4,495	–	1,574	**6,069**
Derivative financial instruments	–	297	–	**297**

31 December 2025

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

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

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 determination of the fair value of derivative financial assets and liabilities are detailed in the 2025 Annual report and accounts.

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 the methodology in the determination of the fair value of the investment in Air Europa Holdings, refer to note 10.

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

The carrying amounts and fair values of the Group's financial assets and liabilities at 30 June 2026 are as follows:

	Fair value				**Carrying value**
€ million	Level 1	Level 2	Level 3	Total	**Total**
Financial assets					
Other equity investments	2	–	321	323	**322**
Other non-current financial assets	–	23	13	36	**32**
Derivative financial assets[1]	–	839	–	839	**839**
Financial liabilities					
Interest-bearing loans and borrowings	1,701	4,970	–	6,671	**6,960**
Derivative financial liabilities[2]	–	364	–	364	**364**

1 Current portion of derivative financial assets is €635 million.
2 Current portion of derivative financial liabilities is €297 million.

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

	Fair value				Carrying value
€ million	Level 1	Level 2	Level 3	Total	Total
Financial assets					
Other equity investments	2	–	297	299	298
Other non-current financial assets	–	22	22	44	40
Derivative financial assets[1]	–	101	–	101	101
Financial liabilities					
Interest-bearing loans and borrowings	1,916	5,237	–	7,153	7,272
Derivative financial liabilities[2]	–	975	–	975	975

1 Current portion of derivative financial assets is €74 million.
2 Current portion of derivative financial liabilities is €604 million.

There have been no transfers between levels of fair value hierarchy during the period. 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 bond due 2028 which is 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	**30 June 2026**	31 December 2025
Opening balance for the period	**297**	189
Additions	**12**	58
Net gains recognised in Other comprehensive income	**11**	51
Exchange movement	**1**	(1)
Closing balance for the period	**321**	297

13 SHARE BASED PAYMENTS

During the six months to 30 June 2026, 11,724,773 awards were made under the Group's Restricted Share Plan to key senior executives and selected members of the wider management team. The Group also made awards under the Group's Incentive Award Deferral Plan and the Stretch Performance Incentive Plan during the period, under which 92,937 and 476,144 conditional shares were awarded.

The fair value of equity-settled share awards granted is the share price at the date of the grant. The Group settles the employees' tax obligations arising from the issue of the shares directly with the relevant tax authority in cash and an equivalent number of shares is withheld by the Group upon vesting.

14 EMPLOYEE BENEFIT OBLIGATIONS

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

APS has been closed to new members since 1984, but remains open to future accrual. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment.

NAPS has been closed to new members since 2003 and closed to future accrual since 2018. Following closure, members' deferred pensions are increased annually by inflation up to 5% per annum (measured using the Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI).

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.

The triennial valuations, as at 31 March 2024, for APS and NAPS, 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 30 June 2026 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 reporting date.

Cash payments and funding arrangements

Cash payments in respect of pension obligations comprise normal employer contributions by the Group and any deficit contributions required. Given the surpluses in APS and NAPS arising from the triennial valuations, as at 31 March 2024, neither scheme has a deficit contribution plan.

Total payments for the six months to 30 June 2026 net of service costs made by the Group were €11 million (six months to 30 June 2025: €9 million). The Group expects to pay €nil in employer contributions to APS and NAPS over the six month period to 31 December 2026.

Scheme assets

	30 June 2026			
€ million	**APS**	**NAPS**	**Other**	**Total**
Scheme assets at fair value[1,2]	5,306	14,585	438	**20,329**
Present value of scheme liabilities[1]	(5,139)	(11,877)	(467)	**(17,483)**
Net pension asset	167	2,708	(29)	**2,846**
Effect of the asset ceiling[3]	(42)	(677)	(2)	**(721)**
Other employee benefit obligations	–	–	(10)	**(10)**
30 June 2026	**125**	**2,031**	**(41)**	**2,115**
Represented by:				
Employee benefit asset				**2,172**
Employee benefit obligation				**(57)**
Net employee benefit asset				**2,115**

	31 December 2025			
€ million	APS	NAPS	Other	Total
Scheme assets at fair value[1]	5,418	14,625	416	20,459
Present value of scheme liabilities[1]	(5,236)	(12,082)	(458)	(17,776)
Net pension asset/(liability)	182	2,543	(42)	2,683
Effect of the asset ceiling[3]	(45)	(636)	(1)	(682)
Other employee benefit obligations	–	–	(12)	(12)
31 December 2025	137	1,907	(55)	1,989
Represented by:				
Employee benefit asset				2,060
Employee benefit obligation				(71)
Net employee benefit asset				1,989

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 30 June 2026, such assets were €299 million (31 December 2025: €296 million) with a corresponding amount recorded in the scheme liabilities.
2 Included within the fair value of scheme assets are €703 million of private equities and alternatives at 30 June 2026, where the fair value has been determined based on the most recent third-party valuations. The dates of these valuations typically precede the reporting date and have been adjusted for any cash movements between the date of the valuation and the reporting date. Typically, the valuation approach and inputs for these investments are not through to the reporting 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 both the net pension asset and the future contractual minimum funding requirements.

Scheme liability assumptions

At each balance sheet date the assumptions used to determine the obligations under the APS and NAPS are reviewed and updated to reflect the market condition at that date. The principal assumptions used for the purpose of the IAS 19 valuation were as follows:

	30 June 2026		31 December 2025	
% per annum	**APS**	**NAPS**	APS	NAPS
Discount rate	**5.60**	**5.90**	5.25	5.50
Rate of increase in pensionable pay	**3.05**	**–**	2.90	–
Rate of increase of pensions in payment	**3.05**	**2.55**	2.90	2.45
RPI rate of inflation	**3.05**	**2.90**	2.90	2.80
CPI rate of inflation	**2.60**	**2.55**	2.45	2.45

Further information on the basis of the assumptions is included in note 34 of the Annual report and accounts for the year to 31 December 2025.

15 PROVISIONS

€ million	Restoration and handback provisions	Restructuring provisions	Employee leaving indemnities and other employee related provisions	Legal claims and contractual disputes provisions	Carbon-related obligations	Other provisions	**Total**
Net book value 1 January 2026	2,866	183	831	62	368	48	**4,358**
Provisions recorded during the period	331	160	20	11	233	22	**777**
Reclassifications	(2)	43	(43)	–	–	–	**(2)**
Utilised during the period	(296)	(30)	(35)	(1)	–	(15)	**(377)**
Extinguished during the period	–	–	–	–	(77)	–	**(77)**
Release of unused amounts	(60)	(5)	–	(11)	(2)	–	**(78)**
Unwinding of discount	53	5	13	–	–	–	**71**
Remeasurements	(11)	–	53	–	–	–	**42**
Exchange differences	77	1	–	–	3	–	**81**
Net book value 30 June 2026	**2,958**	**357**	**839**	**61**	**525**	**55**	**4,795**
Analysis:							
Current	747	142	89	18	299	6	**1,301**
Non-current	2,211	215	750	43	226	49	**3,494**
	2,958	**357**	**839**	**61**	**525**	**55**	**4,795**

16 FINANCIAL RISK MANAGEMENT

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

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.

At 30 June 2026, the fair value of net asset derivative instruments was €513 million (31 December 2025: net liability of €314 million), representing a movement of €827 million since 1 January 2026.

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.

At 30 June 2026, the fair value of foreign currency net liability derivative instruments was €48 million (31 December 2025: net liability of €567 million), representing a movement of €519 million since 1 January 2026.

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.

At 30 June 2026, the fair value of net asset derivative instruments was €10 million (31 December 2025: net asset of €7 million), representing a movement of €3 million since 1 January 2026.

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 expenses.

17 CONTINGENT LIABILITIES

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions, which at 30 June 2026, where they could be reliably estimated, amounted to €47 million (31 December 2025: €44 million). The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provisions have been recorded.

Contingent liabilities associated with income taxes, deferred taxes and indirect taxes are presented in note 6.

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 30 June 2026 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.

18 RELATED PARTY TRANSACTIONS

The Group had the following transactions in the ordinary course of business with related parties.

	Six months to 30 June	
€ million	**2026**	2025
Sales of goods and services		
Sales to associates	**6**	7
Sales to significant shareholders	**123**	96
Purchases of goods and services		
Purchases from associates	**47**	42
Purchases from significant shareholders	**74**	95

Period end balances arising from sales and purchases of goods and services:

€ million	**30 June 2026**	31 December 2025
Receivables from related parties		
Amounts owed by associates	**24**	29
Amounts owed by significant shareholders	**63**	96
Payables to related parties		
Amounts owed to associates	**15**	12
Amounts owed to significant shareholders	**21**	37

For the six months to 30 June 2026, the Group has not made any provision for expected credit loss arising relating to amounts owed by related parties (2025: nil).

Board of Directors and Management Committee remuneration

Compensation received by the Group's key management personnel is as follows:

	Six months to 30 June	
€ million	**2026**	2025
Base salary, fees and benefits		
Board of Directors' remuneration		
Short-term benefits	**2**	2
Share-based payments	**3**	–
Management Committee remuneration		
Short-term benefits	**4**	4
Share-based payments	**12**	23

For the six months to 30 June 2026, the Board of Directors includes remuneration for one executive director (30 June 2025: one executive director). The Management Committee includes remuneration for 11 members (30 June 2025: 10 members), and excludes remuneration for the executive director.

The Company provides life insurance for the executive director and all members of the Management Committee. For the six months to 30 June 2026 the Company's obligation was €21,000 (2025: €30,000).

At 30 June 2026 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 (2025: €3 million).

No loan or credit transactions were outstanding with Directors or officers of the Group at 30 June 2026 (2025: nil).

19 POST BALANCE SHEET EVENTS

Between the reporting date and the date of this report there have been no post balance sheet events.

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 30 July 2026, the Directors of International Consolidated Airlines Group, S.A. (the 'Company') state that, to the best of their knowledge, the condensed consolidated interim financial statements for the six months to 30 June 2026 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.

30 July 2026

Javier Ferrán Larraz
Chairman

Luis Gallego Martín
Chief Executive Officer

Eva Castillo Sanz

Margaret Ewing

Maurice Lam

Bruno Matheu

Heather Ann McSharry

Simone Menne

Robin Phillips

Daniel Pinto

Päivi Rekonen

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Limited Review Report on the Condensed Consolidated Interim Financial Statements

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

REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed consolidated interim financial statements (the "interim financial statements") of International Consolidated Airlines Group, S.A. (the "Company") and subsidiaries (together the "Group"), which comprise the balance sheet at 30 June 2026, the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and the explanatory notes thereto for the six-month period then ended (all condensed and consolidated). The Directors of the Company are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial information. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the six-month period ended 30 June 2026 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, pursuant to article 12 of Royal Decree 1362/2007 as regards the preparation of condensed interim financial statements.

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N.I.F. B-78510153

Emphasis of Matter

We draw your attention to note 1 of the accompanying explanatory notes, which states that the accompanying interim financial statements have been prepared in accordance with International Accounting Standard (IAS) 34 Interim Financial Reporting as adopted by the European Union, and therefore they do not include all the information that would be required in a complete set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union and should be read in conjunction with the Group's consolidated financial statements for the year ended 31 December 2025. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying consolidated interim management report for the six-month period ended 30 June 2026 contains such explanations as the Directors of the Company consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The consolidated interim management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with that disclosed in the interim financial statements for the six-month period ended 30 June 2026. Our work is limited to the verification of the consolidated interim management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of International Consolidated Airlines Group, S.A. and subsidiaries.

Other Matter

This report has been prepared at the request of management in relation to the publication of the six-month financial report required by article 100 of Law 6/2023 of 17 March 2023 on Securities Markets and Investment Services.

KPMG Auditores, S.L.

Sergio Gámez Martínez

30 July 2026

AIRCRAFT FLEET

Number in service with Group companies

	Owned	Finance lease	Operating lease	Total 30 June 2026	Total 31 December 2025	Changes since 31 December 2025	Future deliveries	Options[1]
Airbus A319ceo	10	–	20	**30**	32	(2)	–	–
Airbus A320ceo	58	–	141	**199**	199	–	–	–
Airbus A320neo	7	49	28	**84**	83	1	45	20
Airbus A321ceo	14	–	27	**41**	42	(1)	–	–
Airbus A321neo	5	12	19	**36**	36	–	32	–
Airbus A321LR	–	–	8	**8**	8	–	–	–
Airbus A321XLR	10	4	–	**14**	11	3	–	14
Airbus A330-200	5	–	17	**22**	22	–	–	–
Airbus A330-300	4	4	12	**20**	20	–	–	–
Airbus A330-900	–	–	–	**–**	–	–	21	13
Airbus A350-900	1	6	16	**23**	23	–	8	7
Airbus A350-1000	2	14	2	**18**	18	–	6	12
Airbus A380	8	4	–	**12**	12	–	–	–
Boeing 737-8200	–	–	–	**–**	–	–	35	90
Boeing 737-10	–	–	–	**–**	–	–	25	–
Boeing 777-200	41	–	2	**43**	43	–	–	–
Boeing 777-300	9	–	7	**16**	16	–	–	–
Boeing 777-9	–	–	–	**–**	–	–	24	9
Boeing 787-8	8	2	2	**12**	12	–	–	–
Boeing 787-9	2	7	9	**18**	18	–	–	–
Boeing 787-10	3	7	2	**12**	12	–	38	10
Embraer E190	9	–	11	**20**	20	–	–	–
Group total	**196**	**109**	**323**	**628**	**627**	**1**	**234**	**175**

1 The options to purchase 20 Airbus A320neo family aircraft and 90 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.

As well as those aircraft in service the Group also holds 6 aircraft (31 December 2025: 9) not in service.

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 the six months to 30 June 2026, 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 2025.

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.

There has been one exceptional item recorded in the six months to 30 June 2026 (six months to 30 June 2025: none).

The tables below reconcile the summarised reported Income statement to the Income statement before exceptional items of the Group:

	Six months to 30 June					
€ million	**Reported 2026**	**Exceptional items**	**Before exceptional items 2026**	Reported 2025	Exceptional items	Before exceptional items 2025
Passenger revenue	**14,082**	**-**	**14,082**	13,771	-	13,771
Cargo revenue	**570**	**-**	**570**	629	-	629
Other revenue	**1,412**	**-**	**1,412**	1,506	-	1,506
Total revenue	**16,064**	**-**	**16,064**	15,906	-	15,906
Employee costs[1]	**3,454**	**149**	**3,305**	3,232	-	3,232
Fuel costs and emissions charges	**3,956**	**-**	**3,956**	3,523	-	3,523
Handling, catering and other operating costs	**2,000**	**-**	**2,000**	2,114	-	2,114
Landing fees and en-route charges	**1,236**	**-**	**1,236**	1,201	-	1,201
Engineering and other aircraft costs	**1,341**	**-**	**1,341**	1,580	-	1,580
Property, IT and other costs	**572**	**-**	**572**	572	-	572
Selling costs	**528**	**-**	**528**	573	-	573
Depreciation, amortisation and impairment	**1,366**	**-**	**1,366**	1,257	-	1,257
Net gain on sale of property, plant and equipment	**(2)**	**-**	**(2)**	(2)	-	(2)
Currency differences	**5**	**-**	**5**	(22)	-	(22)
Total expenditure on operations	**14,456**	**149**	**14,307**	14,028	-	14,028
Operating profit	**1,608**	**(149)**	**1,757**	1,878	-	1,878
Finance costs	**(400)**	**-**	**(400)**	(431)	-	(431)
Finance income	**128**	**-**	**128**	155	-	155
Net change in fair value of financial instruments	**54**	**-**	**54**	(70)	-	(70)
Net financing credit relating to pensions	**55**	**-**	**55**	42	-	42
Net currency retranslation (charges)/credits	**(61)**	**-**	**(61)**	336	-	336
Other non-operating credits/(charges)	**33**	**-**	**33**	(164)	-	(164)
Total net non-operating charges	**(191)**	**-**	**(191)**	(132)	-	(132)
Profit before tax	**1,417**	**(149)**	**1,566**	1,746	-	1,746
Tax[1]	**(384)**	**36**	**(420)**	(445)	-	(445)
Profit after tax for the period	**1,033**	**(113)**	**1,146**	1,301	-	1,301

€ million	Reported 2026	Exceptional items	Before exceptional items 2026	Reported 2025	Exceptional items	Before exceptional items 2025
	Three months to 30 June					
Passenger revenue	**7,856**	**-**	**7,856**	7,771	-	7,771
Cargo revenue	**295**	**-**	**295**	311	-	311
Other revenue	**732**	**-**	**732**	780	-	780
Total revenue	**8,883**	**-**	**8,883**	8,862	-	8,862
Employee costs[1]	**1,833**	**149**	**1,684**	1,623	-	1,623
Fuel costs and emissions charges	**2,221**	**-**	**2,221**	1,808	-	1,808
Handling, catering and other operating costs	**1,028**	**-**	**1,028**	1,127	-	1,127
Landing fees and en-route charges	**657**	**-**	**657**	647	-	647
Engineering and other aircraft costs	**676**	**-**	**676**	802	-	802
Property, IT and other costs	**286**	**-**	**286**	273	-	273
Selling costs	**235**	**-**	**235**	274	-	274
Depreciation, amortisation and impairment	**694**	**-**	**694**	639	-	639
Net (gain)/loss on sale of property, plant and equipment	**(5)**	**-**	**(5)**	4	-	4
Currency differences	**1**	**-**	**1**	(15)	-	(15)
Total expenditure on operations	**7,626**	**149**	**7,477**	7,182	-	7,182
Operating profit	**1,257**	**(149)**	**1,406**	1,680	-	1,680
Finance costs	**(220)**	**-**	**(220)**	(212)	-	(212)
Finance income	**66**	**-**	**66**	70	-	70
Net change in fair value of financial instruments	**(108)**	**-**	**(108)**	(145)	-	(145)
Net financing credit relating to pensions	**28**	**-**	**28**	21	-	21
Net currency retranslation (charges)/credits	**(38)**	**-**	**(38)**	202	-	202
Other non-operating credits/(charges)	**10**	**-**	**10**	(109)	-	(109)
Total net non-operating costs	**(262)**	**-**	**(262)**	(173)	-	(173)
Profit before tax	**995**	**(149)**	**1,144**	1,507	-	1,507
Tax[1]	**(263)**	**36**	**(299)**	(382)	-	(382)
Profit after tax for the period	**732**	**(113)**	**845**	1,125	-	1,125

1 Restructuring costs

The exceptional charge of €149 million is attributable to the British Airways and the Iberia restructuring programmes, amounting to €35 million and €114 million, respectively, which right-sizes and supports more efficient working within the Group's central functions. The exceptional charge has been recorded within Employee costs in the Income statement.

During the six months to 30 June 2026, the Group incurred cash outflows associated with the restructuring programmes of €8 million. For British Airways, the remaining amounts are expected to be paid during the remainder of 2026, while for Iberia the remaining amounts are expected to be paid through to 2033, dependent on the age of each individual that is part of the Iberia restructuring programme.

The related tax credit was €36 million.

b Adjusted earnings per share (KPI)

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.

	Six months to 30 June	
€ million	**2026**	2025
Profit after tax attributable to equity holders of the parent	**1,033**	1,301
Exceptional items	**(113)**	–
Profit after tax attributable to equity holders of the parent before exceptional items	**1,146**	1,301
Income statement impact of convertible bonds	**(19)**	56
Adjusted profit	**1,127**	1,357
Weighted average number of ordinary shares in issue used for basic earnings per share	**4,512**	4,771
Weighted average number of ordinary shares used for diluted earnings per share	**4,786**	5,116
Basic earnings per share (€ cents)	**22.9**	27.3
Basic earnings per share before exceptional items (€ cents)	**25.4**	27.3
Adjusted earnings per share before exceptional items (€ cents)	**23.6**	26.5

c Ownership costs

Ownership costs represent 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 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.

	Six months to 30 June	
€ million	**2026**	2025
Depreciation, amortisation and impairment	**1,366**	1,257
Net gain on sale of property, plant and equipment	**(2)**	(2)
Ownership costs	**1,364**	1,255

d Free cash flow (KPI)

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.

	Six months to 30 June	
€ million	**2026**	2025
Net cash flows from operating activities	**4,196**	3,787
Acquisition of property, plant and equipment and intangible assets	**(1,291)**	(1,690)
Free cash flow	**2,905**	2,097

e Gross and Net debt to EBITDA before exceptional items (KPI)

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 the rolling four quarters 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 reporting period. It is a measure of the profitability of the Group and of the core operating cash flows generated by the business model.

€ million	**30 June 2026**	31 December 2025
Gross debt: Interest-bearing long-term borrowings	**13,867**	14,267
Less: Cash and cash equivalents	**8,747**	7,421
Less: Other current interest-bearing deposits	**428**	898
Net debt	**4,692**	5,948
Operating profit	**4,754**	5,024
Add: Depreciation, amortisation and impairment	**2,737**	2,628
EBITDA	**7,491**	7,652
Add: Exceptional items	**149**	–
EBITDA before exceptional items	**7,640**	7,652
Gross debt to EBITDA before exceptional items (times)	**1.8**	1.9
Net debt to EBITDA before exceptional items (times)	**0.6**	0.8

f Return on invested capital (KPI)

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 (as detailed in note e), 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	**30 June 2026**	31 December 2025
EBITDA before exceptional items	**7,640**	7,652
Less: Fleet depreciation multiplied by inflation adjustment	**(2,559)**	(2,468)
Less: Other property, plant and equipment depreciation	**(271)**	(249)
Less: Software intangible amortisation	**(332)**	(309)
	4,478	4,626
Invested capital		
Average fleet value[1]	**18,933**	18,656
Less: Average progress payments[2]	**(1,127)**	(933)
Fleet book value less progress payments	**17,806**	17,723
Inflation adjustment[3]	***1.20***	*1.19*
	21,323	21,124
Average net book value of other property, plant and equipment[4]	**2,712**	2,633
Average net book value of software intangible assets[5]	**1,278**	1,208
Total invested capital	**25,313**	24,965
Return on invested capital	**17.7%**	18.5%

1 The average net book value of aircraft is calculated from an amount of €19,101 million at 30 June 2026 and €18,765 million at 30 June 2025.
2 The average net book value of progress payments is calculated from an amount of €1,220 million at 30 June 2026 and €1,034 million at 30 June 2025.
3 Presented to two decimal places and calculated using a 1.5% inflation rate (30 June 2025: 1.5% inflation rate) over the weighted average age of the fleet at 30 June 2026: 12.4 years (30 June 2025: 11.8 years).
4 The average net book value of other property, plant and equipment is calculated from an amount of €2,856 million at 30 June 2026 and €2,568 million at 30 June 2025.
5 The average net book value of software intangible assets is calculated from an amount of €1,372 million at 30 June 2026 and €1,184 million at 30 June 2025.

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 Group financial statements.

The following table represents the main average and closing exchange rates for the reporting periods:

Foreign exchange rates

	Six months average to 30 June		Closing at 30 June	Closing at 31 December
	2026	2025	**2026**	2025
Pound sterling to euro	**1.15**	1.18	**1.16**	1.14
Euro to US dollar	**1.17**	1.11	**1.14**	1.17
Pound sterling to US dollar	**1.34**	1.31	**1.32**	1.34

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 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, plus Committed and undrawn general facilities, plus aircraft financing facilities and overdraft facilities.

€ million	**30 June 2026**	31 December 2025
Cash and cash equivalents	**8,747**	7,421
Current interest-bearing deposits	**428**	898
Committed and undrawn general facilities	**2,685**	2,616
Overdrafts and other facilities	**13**	13
Total liquidity	**11,873**	10,948