INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Financial statements for the year to December 31, 2021

CONTENTS

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
Balance sheet at December 31, 2021
(Expressed in thousands of euros)

	Note	2021	2020
ASSETS			
NON-CURRENT ASSETS		**9.527.555**	9.340.132
Property, plant and equipment	**6**	8.156	-
Investments in Group companies			
Equity instruments	**7**	7.573.190	7.573.190
Loans receivable from Group companies	**8,15**	1.926.037	1.746.961
Non-current financial assets			
Equity instruments	**8**	17.708	17.945
Deferred tax asset	**11**	2.464	2.036
CURRENT ASSETS		**3.654.795**	1.785.011
Trade and other receivables			
Clients, Group companies	**8,15**	146.591	130.548
Current tax receivable	**11**	690	95.658
Other receivables	**8**	16.289	15.489
Investments in Group companies			
Loans receivable from Group companies	**8,15**	3.639	16.078
Cash and cash equivalents			
Cash	**8,9**	45.516	3.987
Cash equivalents	**8,9**	3.442.070	1.523.251
TOTAL ASSETS		**13.182.350**	11.125.143
EQUITY AND LIABILITIES			
EQUITY		**8.623.613**	8.580.805
SHAREHOLDERS' FUNDS			
Capital			
Registered share capital	**10**	497.147	497.147
Share premium	**10**	7.770.439	7.770.439
Reserves			
Legal and statutory reserves	**10**	205.799	205.799
Other reserves	**10**	12.841	309.146
Own shares and equity holdings	**10**	(24.000)	(39.168)
Profit/(loss) for the year	**3**	51.359	(296.305)
Other equity instruments	**10**	111.257	130.338
VALUATION ADJUSTMENTS			
Currency translation differences	**10**	(1.229)	3.409
LIABILITIES			
NON-CURRENT LIABILITIES		**3.741.498**	2.273.705
Non-current debt			
Bond and other marketable securities	**8**	2.920.822	1.461.828
Group companies, non-current	**8,15**	820.676	811.877
CURRENT LIABILITIES		**817.239**	270.633
Current provisions	**11**	600	5.391
Current debt			
Bond and other marketable securities	**8**	542.709	13.125
Group companies, current	**8,15**	213.197	217.047
Trade and other payables			
Suppliers, Group companies	**8,15**	11.390	7.397
Various creditors	**8**	26.923	15.135
Current tax payable	**11**	8.086	-
Other amounts due to tax authorities	**11**	14.334	12.538
TOTAL EQUITY AND LIABILITIES		**13.182.350**	11.125.143

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
Income statement for the year to December 31, 2021
(Expressed in thousands of euros)

	Note	2021	2020 (*)
Continuing operations			
Revenue from operations	**12,15**	**162.665**	58.484
Rendering of services to Group companies		66.062	42.489
Finance income receivable from debt with Group companies and associates		96.603	15.995
Employee costs	**12**	**(47.684)**	(18.949)
Wages, salaries and other costs		(41.066)	(15.413)
Social security costs		(6.618)	(3.536)
Other operating expenses		**(26.080)**	(19.863)
External services received		(23.797)	(18.607)
Other operating expenses		(2.283)	(1.256)
Finance costs		**(16.550)**	(17.950)
Payable on debt with Group companies and associates	**12,15**	(16.550)	(17.950)
Impairment and gains/(losses) on disposal of financial instruments	**7,12,15**	**(1.083)**	(268.920)
Impairment losses on equity instruments, Group companies		(110.000)	(160.003)
Impairment gain/(losses) on loans receivable from Group companies		108.917	(108.917)
OPERATING PROFIT/(LOSS)		**71.268**	(267.198)
Finance income		**858**	10.262
Receivable from third parties	**12**	858	10.262
Finance costs		**(83.652)**	(34.410)
Payable on debt with third parties	**12**	(83.652)	(34.410)
Impairment and gains/(losses) on disposal of financial instruments	**7,12**	**166**	-
Impairment and gain on disposal of other equity investments		166	-
Change in fair value of financial instruments	**8,12**	**68.838**	-
Currency differences		**165**	17
NET FINANCE EXPENSE		**(13.625)**	(24.131)
PROFIT/(LOSS) BEFORE TAX		**57.643**	(291.329)
Taxes	**11**	(6.284)	(4.976)
PROFIT/(LOSS) FOR THE YEAR	**3**	**51.359**	(296.305)

(*) Re-presented (see note 2.2).

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
Statement of changes in equity for the year to December 31, 2021
(Expressed in thousands of euros)

A) Statement of other comprehensive income

	Note	2021	2020
PROFIT/(LOSS) FOR THE YEAR	**3**	**51.359**	(296.305)
Income and expenses recognised directly in equity			
Currency translation differences		(4.638)	8.144
TOTAL INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY	**10**	**(4.638)**	8.144
TOTAL INCOME AND EXPENSES RECOGNISED		**46.721**	(288.161)

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
Statement of changes in equity for the year to December 31, 2021
(Expressed in thousands of euros)

B) Statement of changes in equity

	Issued share capital	Share premium	Reserves	Own shares and equity holdings	(Loss)/profit for the year	Interim dividend	Other equity instruments	Valuation adjustments [1]	TOTAL
BALANCE AT DECEMBER 31, 2019	996.016	5.327.295	(691.638)	(59.568)	763.583	(287.728)	166.141	(4.735)	6.209.366
Total recognised income and expense	-	-	-	-	(296.305)	-	-	8.144	(288.161)
Transactions with shareholders and owners	-	-	3.576	20.400	-	-	(25.568)	-	(1.592)
Vesting of share-based payment schemes	-	-	3.576	20.400	-	-	(25.568)	-	(1.592)
Other movements in equity	(498.869)	2.443.144	727.152	-	-	-	(10.235)	-	2.661.192
Share-based payments credit (note 16)	-	-	-	-	-	-	(10.235)	-	(10.235)
Share capital reduction (note 10)	(796.813)	-	796.813	-	-	-	-	-	-
Rights issue (note 10)	297.944	2.443.144	(69.661)	-	-	-	-	-	2.671.427
Appropriation of prior year profit	-	-	475.855	-	(763.583)	287.728	-	-	-
BALANCE AT DECEMBER 31, 2020	497.147	7.770.439	514.945	(39.168)	(296.305)	-	130.338	3.409	8.580.805
Total recognised income and expense	**-**	**-**	**-**	**-**	**51.359**	**-**	**-**	**(4.638)**	**46.721**
Transactions with shareholders and owners	**-**	**-**	**-**	**15.168**	**-**	**-**	**(42.077)**	**-**	**(26.909)**
Acquisition of treasury shares	-	-	-	(24.098)	-	-	-	-	(24.098)
Vesting of share-based payment schemes	-	-	-	39.266	-	-	(42.077)	-	(2.811)
Other movements in equity	**-**	**-**	**-**	**-**	**-**	**-**	**22.996**	**-**	**22.996**
Share-based payments charge (note 16)	-	-	-	-	-	-	22.996	-	22.996
Appropriation of prior year loss	-	-	(296.305)	-	296.305	-	-	-	-
BALANCE AT DECEMBER 31, 2021	**497.147**	**7.770.439**	**218.640**	**(24.000)**	**51.359**	**-**	**111.257**	**(1.229)**	**8.623.613**

[1] Relates to currency translation adjustments only.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.
Cash flow statement for the year to December 31, 2021
(Expressed in thousands of euros)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) for the year before tax			
Profit/(loss) from continuing operations		57.643	(291.329)
Adjustments to profit			
Finance income	**12**	(97.461)	(26.257)
Finance expenses	**12**	100.202	52.360
Change in fair value of financial instruments		(68.838)	-
Currency differences		(81)	(17)
Share-based payments	**16**	3.256	(5.086)
Impairment charge	**7,15**	917	268.920
Changes in working capital			
Trade and other payables		17.421	(48.746)
Trade and other receivables		1.047	43.947
Other cash flows from operating activities			
Interest paid		(24.446)	(7.887)
Taxation received		93.587	-
CASH FLOW FROM OPERATING ACTIVITIES		**83.247**	(14.095)
CASH FLOWS FROM INVESTING ACTIVITIES			
Amounts paid			
Purchase of other equity instruments	**8**	(58)	(3.409)
Purchase of Property, plant and equipment		(8.040)	-
Amount paid to Group companies		(285.000)	(1.753.550)
Amounts received			
Decrease in other current financial assets		451	-
Interest received		845	9.753
Amount received from Group companies		213.808	15.755
CASH FLOWS FROM INVESTING ACTIVITIES		**(77.994)**	(1.731.451)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts and payments on equity instruments			
Issue of equity instruments	**8**	2.018.326	-
Acquisition of treasury shares		(24.098)	-
Repayment of equity instruments		(17.766)	(13.125)
Proceeds from rights issue	**10**	-	2.674.321
Receipts and payments on financial liabilities			
Repayment			
Debt with Group companies		(25.289)	(27.554)
Dividend payments and receipts from other equity instruments			
Dividend paid	**3**	-	(53.285)
CASH FLOWS FROM FINANCING ACTIVITIES		**1.951.173**	2.580.357
IMPACT OF EXCHANGE DIFFERENCES		3.922	(1.656)
INCREASE IN CASH AND CASH EQUIVALENTS		**1.960.348**	833.155
Cash and cash equivalents at the beginning of the year	**8,9**	1.527.238	694.083
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**8,9**	**3.487.586**	1.527.238

1. CORPORATE INFORMATION AND ACTIVITY

International Consolidated Airlines Group S.A. (hereinafter the 'Company' or 'IAG') is a leading European airline group, formed to hold the interests of airline and ancillary operations. IAG is a Spanish company registered in Madrid and was incorporated December 17, 2009. On January 21, 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. (hereinafter 'Vueling') was acquired on April 26, 2013 and Aer Lingus Group DAC (hereinafter 'Aer Lingus') was acquired on August 18, 2015. During 2017, the Group incorporated FLY LEVEL S.L. and FLYLEVEL UK Limited (hereinafter 'LEVEL') and IAG Connect Limited (hereinafter 'IAG Connect'), with a 100 per cent investment by the Company. The objective and main activity, among others, of the Company is the acquisition, ownership, management and disposal of shares or other equity interests in other companies, provision of management services to those companies, and significant Group investments including aircraft procurement.

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

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

IAG is the parent Company of British Airways, Iberia, Vueling, Aer Lingus, IAG Cargo Ltd (hereinafter 'IAG Cargo'), Veloz Holdco, S.L.U. (hereinafter 'Veloz'), IAG GBS, AERL Holding Limited (hereinafter 'AERL Holding'), LEVEL and IAG Connect all collectively defined as the 'Group'. The Group presents consolidated financial statements separately. These will be deposited at the Madrid Mercantile Registry and the FCA in London on March 2, 2022.

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

Applicable financial reporting framework

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

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

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

Going concern

The economic uncertainty of the COVID-19 pandemic and the fragmented and varied responses from governments have had a significant impact on the Company's and the Group's results and cash flows. At December 31, 2021, the Company had cash and cash equivalents of €3.488 million and a further €50 million of committed and undrawn general facilities and the Group had cash and interest-bearing deposits of €7.943 million, €2.917 million of committed and undrawn general facilities and a further €1.126 million of committed and undrawn aircraft specific facilities.

The increase in liquidity in the Company during the year to December 31, 2021, was attributable to the issuance of fixed rate bonds of €1,2 billion and the issuance of a convertible bond of €0,8 billion. These actions raised an additional €2,0 billion of liquidity. Of these proceeds, the Company has provided long term loans to its Group companies of €0,2 billion.

In addition to the issuance of the fixed rate bonds and the convertible bond, the Group has undertaken other mitigating actions, including accessing €2,3 billion (£2,0 billion) of the UK Export Credit Facility, securing a multi-entity three-year Revolving Credit Facility of €1,5 billion ($1,8 billion), securing a €0,7 billion aircraft specific facility achieved as part of an Enhanced Equipment Trust Certificate (EETC) financing structure and securing an additional Export Development Guarantee Credit Facility of €1,2 billion (£1,0 billion). These actions raised an additional €5,7 billion, of which €0,7 billion matures by June 30, 2023. A loan from the Ireland Strategic Investment Fund (ISIF) of €150 million has limited financial covenants, but otherwise the Group's facilities do not have financial covenants. There are a number of non-financial covenants to protect the position of the lenders, including restrictions on the upstreaming of cash to the the Company or lending to other Group companies.

Despite the uncertainty of the COVID-19 pandemic, the Group has continued to successfully secure financing arrangements for all aircraft delivered in 2021.

In its assessment of going concern over the period to June 30, 2023 (the 'going concern period'), the Company and the Group have modelled three scenarios referred to below as the Base Case, the Downside Case and Downside Lockdown Case. The Group's three-year business plan, prepared and approved by the Board in December 2021, was subsequently refreshed with the latest available internal and external information in February 2022. This refreshed business plan supports the Base Case, which takes into account the Board's and management's views on the anticipated impact of and the recovery from the COVID-19 pandemic on the Group's business across the going concern period.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS continued

The key inputs and assumptions underlying the Base Case include:

- As part of the recovery, the Company and the Group have assumed a gradual easing of travel restrictions, by geographical region, based on deployment of vaccines during the year. Travel restrictions, including testing and quarantine requirements, between countries are assumed to continue to be scaled back and removed;
- Capacity recovery modelled by geographical region (and in certain regions, by key destinations) with capacity gradually increasing from a reduction of 34 per cent in quarter 1 2022 (compared to the equivalent period in 2019) to pre-pandemic levels by the end of the going concern period, with the average over the going concern period being 24 per cent down;
- Passenger unit revenue per ASK, although forecast to continue recovering, is assumed to still remain below levels of 2019 by the end of the going concern period, which is based on, amongst other assumptions, a greater weighting of shorthaul versus longhaul, leisure versus business and economy versus premium compared to 2019. Specifically, the Group's assumption is that traffic related to domestic and leisure will recover faster than longhaul and business;
- The Company and the Group have assumed that the committed and undrawn general facilities of €2,9 billion will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with €2,7 billion being available to the Group at the end of the going concern period;
- The Company and the Group have assumed that of the committed and undrawn aircraft specific facilities of €1,1 billion, €0,9 billion would be available to be drawn over the going concern period if required, of which €0,6 billion is expected to be drawn under the EETC financing structure;
- €4,3 billion of capital commitments are due to be paid over the going concern period of which the Group has committed aircraft financing of €0,6 billion, under the EETC financing structure, and the Company and the Group have forecast securing 80 per cent, or €2,7 billion, of the aircraft financing required that is currently uncommitted, to align with the timing and payments for these aircraft deliveries. This loan to value assumption is below the level of financing the Group has been able to achieve recently, including over the course of the COVID-19 pandemic to date; and
- The Company and the Group has assumed that the €0,5 billion convertible bond that matures in November 2022 will be refinanced.

The Downside Case applies stress to the Base Case to model a more prolonged downturn, with a more gradual recovery relative to the Base Case. The Downside Case is representative of existing travel restrictions remaining in place and the gradual recovery of capacity being delayed longer than in the Base Case. The Downside Case also models a more acute impact on the longhaul sector, with the domestic sector and European shorthaul sectors recovering faster than longhaul. The result of which is that the levels of capacity assumed under the Base Case are delayed by a quarter under the Downside Case and would reach those of the Base Case at the end of the Going Concern period. In the Downside Case, over the going concern period capacity would be 17 per cent down on 2019. The Downside Case assumes that there would be no drawing on either of the RCF and the UKEF credit facility. The Directors consider the Downside Case to be a severe but plausible scenario.

In addition, the Group has sensitised the Downside Case to incorporate the occurrence of a two-month lockdown, and associated travel restrictions, during the second quarter of 2022, a scenario referred to as the Downside Lockdown Case. The Downside Lockdown Case is representative of the emergence of more virulent strains of COVID-19 and/or strains for which the efficacy of existing vaccines is reduced. The Downside Lockdown Case assumes that there would be full drawing on both the RCF and the UKEF credit facility. Subsequent to this lockdown, capacity is assumed to recover gradually over the going concern period and to only recover to the Base Case by the end of 2023. In this scenario, over the going concern period capacity would be 35 per cent down on 2019. Consistent with the Downside Case, the Directors consider the Downside Lockdown Case to be an alternative severe but plausible scenario.

Under all three scenarios modelled, the Group's limited financial covenants are forecast to be met.

The Company and the Group have modelled the impact of further deteriorations in capacity operated and yield, but also considered further mitigating actions, such as reducing operating and capital expenditure. The Company and the Group expect to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions, including asset disposals, it would pursue in the event of adverse liquidity experience.

Having reviewed the Base Case, Downside Case, Downside Lockdown Case and additional sensitivities, the Directors of the Company have a reasonable expectation that the Company and the Group have sufficient liquidity to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis in preparing the financial statements for the year to December 31, 2021.

However, due to the uncertainty created by COVID-19, there are a number of significant factors that are outside of the control of the Company and the Group, including: the status and impact of the pandemic worldwide; the emergence of new variants of the virus and potential resurgence of existing strains of the virus; the speed at which vaccines deployed worldwide; the efficacy of those vaccines; the availability of medicines to combat the impact of the virus and the restrictions imposed by national governments in respect of the freedom of movement and travel. The Directors, therefore, are not able to provide certainty that there could not be a more severe downside scenario than those they have considered, including the sensitivities in relation to the timing of recovery from the COVID-19 pandemic, capacity operated, impact on yield, cost mitigations achieved and the availability of aircraft financing to offset capital expenditure. In the event that a more severe scenario were to occur, the Company and the Group may need to secure sufficient additional funding. Sources of additional funding are expected to include securing additional long-term financial facilities. However, the Company's and the Group's ability to obtain this additional funding in the event of a more severe downside scenario represents a material uncertainty at February 24, 2022 that could cast significant doubt upon the Company's and the Group's ability to continue as a going concern and therefore, to continue to realise its assets and discharge its liabilities in the normal course of business.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS continued

Going concern Going continued

The financial statements for the year to December 31, 2021 do not include the adjustments that would result if the Company was unable to continue as a going concern.

2.1 True and fair view

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

The annual accounts for 2021 are submitted for the approval in the Shareholders' Meeting, and it is expected that they will be approved without any modification.

2.2 Comparative information

According to corporate law, the prior year information in the Balance sheet, Income statement, Statement of other comprehensive income, Statement of changes in equity and Cash flow statement is presented for comparison purposes, in addition to figures for 2021. The notes to the financial statements also include quantitative information for the prior year, unless an accounting standard specifies that it is not necessary.

On January 30, 2021, Royal Decree 1/2021 of January 12, 2021 was published amending the following: the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of November 16, 2007; the Spanish General Chart of Accounts for Small and Medium-sized Enterprises approved by Royal Decree 1515/2007 of November 16, 2007; the Standards for the Preparation of Consolidated Annual Accounts approved by Royal Decree 1159/2010 of September 17, 2010; and the standards adapting the Spanish General Chart of Accounts for non-profit entities approved by Royal Decree 1491/2011of October 24, 2011. The date of first-time application of this Royal Decree is the start of the first accounting period beginning on or after January 1, 2021.

The impacts on the Company's financial statements derive from the criteria for the classification and measurement of financial instruments. In this regard, there have been no changes to the Company's financial statements as a result of applying this legislation. Nevertheless, as required under the aforementioned Royal Decree, the applicable transition criteria have been included in note 4 "Recognition and measurement accounting policies".

Furthermore, in 2021 the Spanish Accounting and Auditing Institute (ICAC) published the Resolution of 10 February 2021, issuing standards for recognition, measurement and the preparation of annual accounts with respect to the recognition of revenue from the delivery of goods and the rendering of services. In this context, given that the Company's activity is that of a holding company, finance income and costs as well as impairment, all in relation to Group companies, have been recognised as part of results from operating activities. In applying this legislation, the Company has re-presented the Income statement for 2020 with there being no impact on the reported loss after tax for 2020, or any previous accounting periods. A reconciliation of the previously reported Income statement for 2020 and the re-presented Income statement is shown below:

	2020 Reported	Adjustments	2020 Re-presented
Revenue from operations	42.489	15.995	58.484
Employee costs	18.949	-	18.949
Other operating expenses	19.863	-	19.863
Finance cost	-	(17.950)	(17.950)
Impairment and losses on disposal of financial instruments	(160.003)	(108.917)	(268.920)
OPERATING LOSS	**(156.326)**	**(110.872)**	**(267.198)**
Finance income	26.257	(15.995)	10.262
Finance costs	(52.360)	17.950	(34.410)
Impairment and losses on disposal of financial instruments	(108.917)	108.917	-
Currency differences	17	-	17
NET FINANCE EXPENSE	**(135.003)**	**110.872**	**(24.131)**
LOSS BEFORE TAX	**(291.329)**	**-**	**(291.329)**
Taxes	**(4.976)**	**-**	**(4.976)**
LOSS AFTER TAX	**(296.305)**		**(296.305)**

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS continued

2.3 Critical accounting estimates and assumptions

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

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

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

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

3. APPROPRIATION OF PROFIT/(LOSS)

The appropriation of the 2020 result was approved in the Shareholders' Meeting dated June 17, 2021.

The Board of Directors will submit the following proposed appropriation of the 2021 result for approval at the Shareholders' Meeting in June 2022:

€'000	**2021**	2020
Proposed appropriation:		
Profit/(loss) for the year	51.359	(296.305)
	51.359	(296.305)
Appropriation to:		
Voluntary reserve	51.359	-
Prior year losses	-	(296.305)
	51.359	(296.305)

In addition, the Company's Board will submit for approval at the Shareholders' Meeting the reclassification of the excess of the legal reserve over the legal requirement (20% of the share capital), i.e., an amount of €106.369.600, to voluntary reserves.

3.1 Dividends

The Directors propose that no dividend be paid for the year to December 31, 2021 (2020: €nil). The dividend paid in the year to December 31, 2020 of €53 million relates to the withholding tax on the 2019 interim dividend, which was proposed in October 2019.

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.

3. APPROPRIATION OF PROFIT/(LOSS) continued

3.2 Limitations on the distribution of the profit

Certain debt obligations place restrictions or conditions on the payment of dividends from the Group's main operating companies to the Company, including a loan to British Airways partially guaranteed by UKEF and loans to Iberia and Vueling partially guaranteed by the Instituto de Crédito Oficial (ICO) in Spain; these loans can be repaid early without penalty at the election of each company. In Spain, Iberia and Vueling are not permitted to make dividends in the reporting period in which they are in receipt of Expedientes de Regulación Temporal de Empleo or 'ERTE' (Temporary Employment Regulation Records). British Airways agreed with the Trustee of its main UK defined benefit pension scheme (NAPS) as part of an agreement to defer £450 million of contributions that no dividends will be paid to IAG before 2024 and that any dividends paid to IAG from 2024 will trigger a pension contribution of 50 per cent of the amount of the dividend, until the deferred pension contributions have been paid.

The Company is obliged to transfer 10 per cent of the profit for the year to a legal reserve until this reserve reaches an amount at least equal to 20 per cent of share capital. Unless the balance of the reserve exceeds this amount, it cannot be distributed to shareholders. The distributable reserves at December 31, 2021 are €7.821.798.000 (2020: €7.770.439.000). The non distributable reserves at December 31, 2021 are €329.897.000 (2020: €353.929.000).

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES

The main recognition and measurement accounting policies applied in the preparation of the 2021 financial statements are the following:

4.1 Leases

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

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

4.2 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. The Company depreciates property, plant and equipment on a straight-line basis at annual rates over their useful economic lives.

4.3 Investments in Group Companies

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

4.4 Impairment of non-financial assets

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

Equity investments in Group companies are not subject to amortisation and are tested annually for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to dispose and the equity value, which is based on the associated future cash flows of the related Cash Generating Units ('CGUs'). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

4.5 Financial instruments

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

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

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES continued

4.5 Financial instruments continued

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

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

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

The Company classifies all other financial liabilities at amortised cost.

(i) *Offsetting principles*

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

(ii) *Financial assets and financial liabilities at amortised cost*

Financial assets and financial liabilities at amortised cost are initially recognised at fair value, net of transaction costs, and are subsequently measured at amortised cost using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash flows through the expected life of a financial instrument to the carrying amount of that financial instrument based on the contractual terms of the instrument, and for financial assets, not considering expected credit losses, except for purchased or originated credit-impaired financial assets, for which the credit-adjusted effective interest rate is used, i.e. considering the credit losses incurred when purchased or originated.

(iii) *Investments in Group companies and associates*

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

(iv) *Reclassification of financial instruments*

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

(v) *Interest and dividends*

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

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

If the dividends are clearly derived from profits generated prior to the acquisition date because amounts higher than the profits generated by the investee itself or by any investee thereof since acquisition have been distributed, the carrying amount of the investment is reduced. This criterion applies irrespective of the measurement criterion used to measure equity instruments. Therefore, in the case of equity instruments at fair value, the value of the investment is also reduced, and any subsequent increase in value is recognised in the income statement or in equity, depending on the instrument’s classification.

(vi) *Impairment of financial assets*

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

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

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES continued

4.5 Financial instruments continued

- Impairment of financial assets carried at amortised cost.

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

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

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

- Investments in Group companies, associates and equity instruments carried at cost.

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

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

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

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

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

(vii) Convertible debt

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

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

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

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES continued

4.5 Financinal instruments continued

(viii) Derecognition and modifications of financial liabilities

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

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

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

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

(ix) Amendment of Recognition and measurement standard 9 – Financial instruments

As set out in note 2.4, Royal Decree 1/2021 of 12 January 2021, amending the Spanish General Chart of Accounts approved by Royal Decree 1514/2007 of 16 November 2007, has introduced changes in the classification of financial instruments. The most significant changes affecting the Company relate to the elimination of the loans and receivables, available-for-sale financial assets, and held-to-maturity categories. Applying the updated standard, financial assets are measured at amortised cost, at fair value through profit or loss, at fair value through equity or at cost. This has not had any material impact on the Company’s income statement or its equity.

Judgement regarding classifying financial assets was made upon first-time application by the Company’s management based on the events and circumstances existing at that date, and the resulting classification is applied prospectively. Furthermore, as permitted under the new standards, comparative information has not been restated in line with the new criteria, although certain items have necessarily been reclassified to show the prior year's balances adjusted to the new presentation criteria.

The recognition and measurement standards that are applicable since the aforementioned Royal Decree entered into force are outlined in section 2.2. There were no reclassifications between categories in balance sheet that had a material impact on the Company’s financial statements. Nevertheless, details of the recognition and measurement standards applicable in the prior year are provided below.

The Company’s financial assets were classified during 2020 in the following categories:

- Loans and receivables: financial assets originating from the sale of goods or the rendering of services related to trading operations or those which, while non-commercial in origin, do not constitute equity instruments or derivatives, are receivable in a fixed or determinable amount and are not traded in an active market.

- Equity investments in Group companies and associates: Group companies are those over which the Company exerts control whereas associates are entities over which the Company has significant influence.

Loans and receivables were initially recognised at the fair value of the consideration given plus any directly attributable transaction costs and, subsequently, at amortised cost. Equity investments in Group companies and associates were measured at the fair value of the consideration given, plus any directly attributable transaction costs (except fees paid to legal advisors or other professionals, which are taken directly to the income statement), less any accumulated impairment. Both in 2021 and 2020 the financial liabilities are recorded at an amortised cost, other than the convertible bond issued in 2021 and accounted for at fair value through profit or loss, which is detailed further in note 8.2.

4.6 Treasury shares

Shares in the Company purchased and held directly by the Company are classified as Treasury shares and shown as deductions from Shareholders’ funds at cost. When these shares are cancelled, Share capital is reduced by the nominal value of the cancelled shares, with an increase in the Redeemed capital reserve. No gain or loss is recognised in the Income statement on the purchase, sale, issue or cancellation of equity shares.

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES continued

4.7 Cash and cash equivalents

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

4.8 Foreign currency translation

Transactions in foreign currencies are initially recorded in the functional currency of the branch using the spot exchange rate ruling at the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated into euro at the rate prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income statement.

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

4.9 Corporate tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on the legislation in force.

From January 1, 2015 onwards the Spanish companies IAG, Vueling, Veloz, the Avios Spanish branch, the IAG GBS Spanish branch and the IAG Cargo Spanish branch filed consolidated tax returns as part of the Spanish tax unity (0061/15, pursuant to title VII, Chapter VI of the Spanish Corporate Income Tax Law set forth in the Law 27/2014 of 27 November 2014). Fly Level S.L. joined the tax unity on 7 November 2017. Yellow Handling S.L. joined the tax unity on 17 October 2019. Since 2020 Vueling and Yellow Handling S.L. are no longer part of the Spanish tax unity due to modifications in their shareholding.

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

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

Deferred income tax assets and liabilities are measured on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on legislation in force.

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

4.10 Revenue and expense recognition

Since its nature as a holding company, the Company presents the income from dividends received from the Company investee and financial income from financing granted to them as Revenue from operations.

4.11 Provisions

Provisions are made when an obligation exists for a present liability in respect of a past event and where the amount of the obligation can be reliably estimated. Restructuring provisions are made for direct expenditures of a business reorganisation where the plans are sufficiently detailed and well advanced and where appropriate communication to those affected has been undertaken at the balance sheet date.

If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the provision. Where discounting is used, the increase in the provision due to unwinding the discount is recognised as a finance cost.

4.12 Long-term remuneration to personnel

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

4. RECOGNITION AND MEASUREMENT ACCOUNTING POLICIES continued

4.13 Share-based payment transactions

The Company operates a number of equity-settled, share-based payment plans, under which the Company awards equity instruments for services rendered by employees. The fair value of the share-based payment plans is measured at the date of grant using an appropriate valuation model (note 16). The resulting cost is adjusted to reflect expected and actual levels of vesting, and is charged to the Income statement over the vesting period.

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

4.14 Dividends

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

4.15 Related parties

Related party transactions are carried out on an arm's length basis and recorded according to the accounting policies set out in this note.

4.16 Classification of assets and liabilities between current and non-current

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

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

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

5. LEASES

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

The annual cost of the leases is €560.000 (2020: €542.000). The amount of future minimum lease payment is €564.000 (2020: €531.000) for less than one year and nil (2020: €390.000) for between 1 year and 2 years.

6. PROPERTY, PLANT AND EQUIPMENT

	Work-in-progress[1]	Total
Cost		
Balance at January 1, 2021	-	-
Additions	8.156	8.156
Net book value at December 31, 2021	**8.156**	**8.156**

[1]Relates to pre-delivery payments made on aircraft. During 2021, the contractual obligation to acquire certain Airbus A350 aircraft was novated from a group company to IAG.

Capital expenditure authorised and contracted for but not provided for in the accounts was €850.913.000 (December 2020: nil) in relation to these fleet purchases. The capital expenditure was denominated in US dollars, and as such was subject to changes in exchange rates.

7. EQUITY INVESTMENTS IN GROUP COMPANIES

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

€'000	January 1	Additions	December 31
2021			
Equity instruments			
Cost	8.075.959	110.000	8.185.959
Distribution received	(342.766)	-	(342.766)
Impairment	(160.003)	(110.000)	(270.003)
	7.573.190	**-**	**7.573.190**
2020			
Equity instruments			
Cost	8.000.959	75.000	8.075.959
Distribution received	(342.766)	-	(342.766)
Impairment	-	(160.003)	(160.003)
	7.658.193	**(85.003)**	**7.573.190**

7.1 Description of the main movements

On February 4, 2021 and June 25, 2021, the Company invested €22.000.000 and €88.000.000 respectively in the equity of FLY LEVEL S.L, which is a 100 per cent owned subsidiary. The full carrying amount of the investment in LEVEL of €110.000.000 was impaired during the year as explained in section 3 of this note (see note 15.1).

Prior year movements
On August 24, 2020, November 19, 2020 and December 16, 2020 the Company invested €25.000.000, €25.000.000 and €25.000.000 respectively in the equity of FLY LEVEL S.L. which is a 100 per cent owned subsidiary. The full carrying amount of the investment in LEVEL of €160.003.000 was impaired during 2020 as explained in section 3 of this note.

7. EQUITY INVESTMENTS IN GROUP COMPANIES continued

7.2 Overview of investments

Information at December 31 on the Group companies, prepared in accordance with International Financial Reporting Standards, is as follows:

	Business activity	Percentage of ownership[1] (economic rights)	Capital	Reserves	Profit/(loss) after tax for the year	Total shareholders' equity	Operating profit/(loss)	Net book value €'000
2021								
€'000								
Iberia	Passenger air transport	Indirect	743.420	(711.489)	(351.583)	(319.652)	(299.857)	-
IB Opco Holding	Holding company	100%	10	2.333.986	(75.066)	2.258.930	(75.066)	2.388.548
Aer Lingus	Passenger air transport	Indirect[3]	28.015	315.701	(329.628)	14.088	(338.026)	-
Vueling	Passenger air transport	Indirect[2]	29.905	(559.534)	(307.476)	(837.105)	(263.008)	-
Veloz	Holding company	100%	33	214.922	(993)	213.962	(185)	166.139
Aerl Holding	Holding company	100%	760.000	530.447	(1.485)	1.288.962	-	836.000
LEVEL	Passenger air transport	100%	185.003	(169.372)	(13.499)	2.132	(4.781)	-
£'000								
British Airways	Passenger air transport	100%	290.000	3.150.000	(1.648.000)	1.792.000	(1.769.000)	4.155.397
IAG Cargo	Cargo air transport	100%	-	1.451	4.389	5.840	2.868	-
IAG GBS	Business services	100%	20.000	(28.646)	(498)	(9.144)	406	22.218
IAG Connect	eCommerce platform	100%	-	4.049	87	4.136	137	4.888
Polish złoty '000								
IAG GBS Poland	Business services	1%[4]	-	5.478	455	5.933	1.455	-
Other Group companies			n/a	n/a	n/a	n/a	n/a	n/a
								7.573.190

7. EQUITY INVESTMENTS IN GROUP COMPANIES continued

7.2 Overview of investments continued

	Business activity	Percentage of ownership[1] (economic rights)	Capital	Reserves	Profit/(loss) after tax for the year	Total shareholders' equity	Operating profit/(loss)	Net book value €'000
2020								
€'000								
Iberia	Passenger air transport	Indirect	743.420	695.240	(1.610.049)	(171,389)	(1.393.546)	-
IB Opco Holding	Holding company	100%	10	2.334.090	(104)	2.333.996	(104)	2.388.548
Aer Lingus	Passenger air transport	Indirect[3]	28.015	792.924	(502.995)	317.944	(562.840)	-
Vueling	Passenger air transport	Indirect[2]	29.905	151.663	(778.773)	(597.205)	(861.685)	-
Veloz	Holding company	100%	33	267.420	(52.498)	214.955	(187)	166.139
Aerl Holding	Holding company	100%	760.000	533.868	(3.421)	1.290.447	(94)	836.000
LEVEL	Passenger air transport	100%	3	106.055	(200.427)	(94.369)	(192.214)	-
£'000								
British Airways	Passenger air transport	100%	290.000	4.766.000	(3.489.000)	1.567.000	(3.881.000)	4.155.397
IAG Cargo	Cargo air transport	100%	-	4.459	(2.488)	1.971	(2.509)	-
IAG GBS	Business services	100%	20.000	(16.390)	(12.256)	(8.646)	(15.927)	22.218
IAG Connect	eCommerce platform	100%	-	1.985	2.064	4.049	2.546	4.888
Polish złoty '000								
IAG GBS Poland	Business services	1%[4]	-	4.418	1.060	5.478	1.626	-
Other Group companies			n/a	n/a	n/a	n/a	n/a	n/a
								7.573.190

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

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

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

[2] IAG holds an indirect investment of 99,50 per cent in Vueling through its subsidiaries Iberia (50,10 per cent) and Veloz (49,39 per cent).

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

[4] IAG holds a direct investment of 1 per cent in IAG GBS Poland and an indirect investment of 99 per cent through IAG GBS.

IAG holds a direct investment of 100 per cent in IAG Connect Limited.

IAG holds a direct investment of 100 per cent in FLY LEVEL S.L.

7. EQUITY INVESTMENTS IN GROUP COMPANIES continued

7.2 Overview of investments continued

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

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

Veloz's registered office is at Parque de Negocios Mas Blau II Pla de l'Estany 5, 08820 El Prat de Llobregat, Barcelona, Spain. The main business of Veloz consists of the acquisition and holding of shares or equity interests in Vueling, as well as the management and disposition of such equity interests.

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

IAG GBS's registered office is at Waterside (HAA2), PO Box 365, Speedbird Way, Harmondsworth, Middlesex, UB7 0GB, United Kingdom. The principal activity is the provision of business services to the IAG Group.

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

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

FLY LEVEL S.L.'s registered office is at El Caserío, Camino de la Muñoza s/n, Iberia zona Industrial no 2, 28042 Madrid, Spain. The principal activity is passenger air transport.

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

In accordance with article 155 of the Spanish Companies Law (Ley de Sociedades de Capital), the Company has duly notified the abovementioned subsidiaries of the acquisitions of its share capital.

7.3 Impairment review

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

Basis for calculating recoverable amount

The recoverable amounts of Company's investments have been measured based on their value-in-use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the going concern section of note 2, with a weighting of 70 per cent to the base case, 20 per cent to the downside case and 10 per cent to the downside lockdown case.

Cash flow projections are based on the business plans approved by the relevant operating companies covering a three-year period. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using pre-tax discount rate for each investment.

Annually the relevant operating companies prepare and approve three-year business plans, and the Board approved the Group three-year business plan in the fourth quarter of the year. Adjustments have been made to the terminal year of the business plan cash flows to incorporate the impacts of climate change that the Group can reliably estimate at the reporting date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated and accordingly have been excluded from the value-in-use calculations (refer to note 4). The business plan cash flows used in the value-in-use calculations also reflect all restructuring of the business where relevant that has been approved by the Board and which can be executed by Management under existing agreements.

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

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

7. EQUITY INVESTMENTS IN GROUP COMPANIES continued

7.3 Impairment review continued

The Group adjusts the final year of the three-year business plan to incorporate the impacts of climate change that the Group can reliably estimate at the reporting date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated at the reporting date and have been excluded from these adjustments. These adjustments incorporate the increased utilisation of sustainable aviation fuel as well as price assumptions relating to sustainable aviation fuels and the price of carbon (both ETS and CORSIA), which are derived from externally sourced prices. Where the Group considers such costs will be recovered through increased passenger ticket fares, then a corresponding adjustment is made to increase passenger revenue.

Further, in preparing the impairment models, the cash flow projections for each investment are prepared on the basis of using the current fleet in its current condition. The Group excludes the estimated cash flows expected to arise from future restructuring, assets not currently in use by the Group and expected technological advancements in aircraft and other technologies not available at the reporting date. The Group excludes potential future legislation / regulation regarding carbon pricing and/or alternative schemes not currently enacted, such as the implementation of kerosene taxes.

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

Key assumptions

The value-in-use calculations for each investment reflected the increased risks arising from COVID-19, including updated projected cash flows for the decreased activity from 2022 through to the end of 2024 and an increase in the pre-tax discount rates to incorporate increased equity market volatility. For each of the Company's investments the key assumptions used in the value-in-use calculations are as follows:

		2021		
Per cent	**British Airways**	**Iberia**	**Veloz**	**Aerl Holding**
Operating margin[1]	**3–13**	**2–12**	**2–11**	**0–14**
ASK as a proportion of 2019[1,2]	**75–103**	**77–100**	**97–119**	**84–115**
Long-term growth rate	**1,9**	**1,7**	**1,6**	**1,7**
Pre-tax discount rate	**11,8**	**11,4**	**11,1**	**10,1**

		2020		
Per cent	**British Airways**	**Iberia**	**Veloz**	**Aerl Holding**
Operating margin[1]	(20)-16	(12)-11	(22)-12	(14)-13
ASK as a proportion of 2019[1,2]	45-95	49-98	49-107	40-100
Long-term growth rate	2,1	2,0	1,8	1,9
Pre-tax discount rate	11,2	11,6	11,5	10,4

[1] Operating margin and ASKs as a proportion of 2019 are both stated as the weighted average derived from the multi-scenario discounted cash flow model.
[2] In prior periods the Group applied the average ASK growth per annum as a key assumption. Given the impact of COVID-19, the Group has presented ASKs as a proportion of the level of ASKs achieved in 2019, prior to the application of the terminal value calculation.

Jet fuel price ($ per MT)	Within 12 months	1-2 years	2-3 years	3 years and thereafter
2021	**690**	**673**	**659**	**659**
2020	373	420	449	449

7. EQUITY INVESTMENTS IN GROUP COMPANIES continued

7.3 Impairment review continued

Forecast ASKs reflect the range of ASKs as a percentage of the 2019 actual ASKs over the forecast period, based on planned network growth and taking into account Management's expectation of the market.

The long-term growth rate is calculated for each investment based on the forecast weighted average exposure in each primary market using gross domestic product (GDP) (source: Oxford Economics). The terminal value cash flows and long-term growth rate incorporates the impact of climate change insofar they can be determined, which include a specific adjustment to the long-term growth rate to reflect the Group's assumptions regarding the reduced demand impact arising from climate change. This demand impact is derived with reference to external market data. The airlines' network plans are reviewed annually as part of the business plan and reflect Management's plans in response to specific market risk or opportunity.

Pre-tax discount rates represent the current market assessment of the risks specific to each investment, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculation is based on the circumstances of the airline industry, the Group and the investment. It is derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines. The cost of equity is derived from the expected return on investment by airline investors and the cost of debt is derived from both market data and the Group's existing debt structure. Investment specific risk is incorporated by applying individual beta factors which are evaluated annually based on available market data. The pre-tax discount rate reflects the timing of future tax flows.

Jet fuel price assumptions are derived from forward price curves in the fourth quarter of each year and sourced externally. The cash flow forecasts reflect these price increases after taking into consideration the level of fuel derivatives and their associated prices that the Group has in place.

Summary of results

At December 31, 2021 Management reviewed the recoverable amount of each of the investments and concluded the recoverable amounts exceeded the carrying values. The impairment review of the carrying value of the Company investment in FLY LEVEL S.L is presented in the next section of this note.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered for each investment, where applicable, which include reducing the operating margin by 2 percentage points in each year, ASKs by 5 per cent in each year, long-term growth rates in the terminal value calculation to zero, increasing pre-tax discount rates by 2,5 percentage points, changing the weighting of the base case, the downside case and the downside lockdown case to be 100 per cent weighted towards the downside lockdown case, and increasing the fuel price by 40 per cent with no assumed cost recovery. Given the inherent uncertainty associated with the impact of climate change, these sensitivities, represent a reasonably possible greater impact of climate change on the investments than that included in the impairment models.

For the British Airways, Iberia, Veloz and AERL Holding investments, while the recoverable amounts are estimated to exceed the carrying amounts by €6,417 million, €2,710 million, €785 million and €1,558 million, respectively, the recoverable amounts would be below the carrying amounts when applying reasonable possible changes in assumptions in each of the following scenarios:

- British Airways: (i) if ASKs had been five per cent lower combined with a fuel price increase of 11 per cent; and (ii) if the fuel price had been 21 per cent higher;
- Iberia: (i) if ASKs had been five per cent lower combined with a fuel price increase of 12 per cent; and (ii) if the fuel price had been 19 per cent higher;
- Veloz: (i) if ASKs had been five per cent lower combined with a fuel price increase of 20 per cent; and (ii) if the fuel price had been 27 per cent higher; and
- AERL Holding: (i) if ASKs had been five per cent lower combined with a fuel price increase of 22 per cent; and (ii) if the fuel price had been 31 per cent higher.

For the remainder of the reasonable possible changes in key assumptions applied to the British Airways, Iberia, Veloz and AERL Holding investments and for all the reasonable possible changes in key assumptions applied to the remaining investments, no impairment arises.

Prior year carrying value of FLY LEVEL S.L..

In response to the COVID-19 pandemic and the resultant structural change to the airline sector, the FLY LEVEL S.L. subsidiary, Openskies SASU, operating its flights from Paris, France, commenced and completed a consultation process during the second half of 2020 regarding the permanent cessation of operations. Accordingly, as at December 31, 2020, Openskies SASU, and as a result FLY LEVEL S.L., had no further cash generating operations and the Company has assessed the recoverability of its investment in and its trading and non-trading receivable balances due from FLY LEVEL S.L., which acts in its capacity as a holding company of Openskies SASU.

In undertaking this assessment, the Company has taken into consideration the remaining expected costs to cease existing operations, the closing cash and cash equivalents and the fair value, sourced from external market data, of the aircraft that Openskies SASU owns. The principal closure costs relate to the executed severance agreements and the discharge of the existing third party liabilities of Openskies SASU.

7. EQUITY INVESTMENTS IN GROUP COMPANIES continued

7.3 Impairment review continued

Current year carrying value of FLY LEVEL S.L.

During the course of 2021, the Company updated its assessment regarding the recoverable amount of its investment in FLY LEVEL S.L.. In doing so the overall consideration as to the level of expected costs to cease existing operations has remained unchanged from 2020.

However, as detailed in section 7.1, the Company made additional equity investments into FLY LEVEL S.L. of €110.000.000 to enable it to repay the previously impaired Loan receivable from the Company. In doing so, the Company recognised an impairment reversal of the €108.917.000 recorded against the Loan receivable from Group company in 2020. This impairment reversal has been included in the "Impairment gain/(losses) on loans receivable from Group companies" line in the Income statement. In addition the Company has recorded an impairment charge of €110.000.000 against the investment value of FLY LEVEL S.L.. This impairment charge has been included in the "Impairment losses on equity instruments, Group companies" line in the Income statement.

8. FINANCIAL INSTRUMENTS

8.1 Financial assets

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

At December 31, 2021 **€'000**	Loans and receivables	Investments	**Total**
Non-current assets			
Loans receivable from Group companies (note 15.1)	1.926.037	-	1.926.037
Investment in other equity instruments (note 8.1.2)	-	17.708	17.708
	1.926.037	**17.708**	**1.943.745**
Current assets			
Trade and other receivables (note 8.1.1)	162.880	-	162.880
Loans receivable from Group company (note 15.1)	3.639	-	3.639
Cash and cash equivalents (note 9)	3.487.586	-	3.487.586
	3.654.105	**-**	**3.654.105**

At December 31, 2020 €'000	Loans and receivables	Investments	Total
Non-current assets			
Loans receivable from Group companies (note 15.1)	1.746.961	-	1.746.961
Investment in other equity instruments (note 8.1.2)	-	17.945	17.945
	1.746.961	17.945	1.764.906
Current assets			
Trade and other receivables (note 8.1.1)	146.037	-	146.037
Loans receivable from Group company (note 15.1)	16.078	-	16.078
Cash and cash equivalents (note 9)	1.527.238	-	1.527.238
	1.689.353	-	1.689.353

8.1.1 Trade and other receivables

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

€'000	**2021**	2020
Current		
Receivables from Group companies (note 15.1)	146.591	130.548
Other receivables	16.289	15.489
	162.880	146.037

8. FINANCIAL INSTRUMENTS continued

8.1 Financial assets continued

8.1.2 Non-current investments in other equity instruments

Non-current investments in other equity instruments at December 31 of €17.708.000 (December 31, 2020: €17.945.000) are unlisted investments.

8.2 Financial liabilities

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

€'000	2021	2020
Non-current liabilities		
Bonds and other marketable securities	2.920.822	1.461.828
Group companies (note 15.1)	820.676	811.877
	3.741.498	2.273.705
Current liabilities		
Trade and other payables (note 8.2.1)	26.923	15.135
Group companies (note 15.1)	224.587	224.444
Bond and other marketable securities	542.709	13.125
	794.219	252.704

Two senior unsecured bonds convertible into ordinary shares of IAG were issued by the Group in November 2015; €500 million fixed rate 0,25 per cent raising net proceeds of €494 million and due in 2020 (and early redeemed in 2019 with no conversion to ordinary shares), and €500 million fixed rate 0,625 per cent raising net proceeds of €494 million and due in 2022. The conversion price for the 2022 bond was set at a premium of 62,5 per cent over the Group's share price on the date of issuance. The Group holds an option to redeem the outstanding convertible bond at its principal amount, together with accrued interest, no earlier than two years prior to the final maturity date.

In July 2019, the Group issued two tranches of senior unsecured bonds for an aggregate principal amount of €1 billion, €500 million due 2023 and €500 million due 2027. The bonds bear a fixed rate of interest of 0,5 per cent and 1,5 per cent per annum annually payable in arrears, respectively. The bonds were issued at 99,417 per cent and 98,803 per cent of their principal amount, respectively, and, unless previously redeemed or purchased and cancelled, will be redeemed at 100 per cent of their principal amount on their respective maturity dates.

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

On May 11, 2021, the Group issued an €825 million senior unsecured convertible bond due 2028. The convertible bond bears a fixed rate of interest of 1,125 per cent per annum, receiving net proceeds, after transaction costs, of €818 million. The Group recognised €825 million within non-current debt.

Details of the 2028 convertible bond
The convertible bond provides bondholders with dividend protection and includes a total of 244.850.715 options at inception and at December 31, 2021 to convert into ordinary shares of IAG. The Group holds an option to redeem the convertible bond at its principal amount, together with accrued interest, no earlier than two years prior to the final maturity date. The Group also holds an option to redeem the convertible bond, in full or in part, in cash in the event that bondholders exercise their right to convert the bond into ordinary shares of IAG.

The convertible bond is recorded at its fair value, which at December 31, 2021 was €756 million, representing a decrease of €69 million since issuance, with a corresponding amount recorded within changes in fair value of financial instruments in the Income statement.

8.2.1 Trade and other payables

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

€'000	2021	2020
Current Trade and other payables		
Various creditors	26.923	15.135
	26.923	**15.135**

8. FINANCIAL INSTRUMENTS continued

8.2 Financial liabilities continued

8.2.2 Average payment days to suppliers

The information on average period for payment to suppliers in commercial transactions at December 31, is as follows:

Days	**2021**	2020
Average days for payment to suppliers	57	59
Ratio of transactions paid	57	60
Ratio of transactions outstanding for payment	47	31

	2021	2020
Total payments made	34.010	19.998
Total payments outstanding	1.886	3.202

8.3 Fair value of financial assets and financial liabilities

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

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

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

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

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

The carrying amounts and fair values of the Company's financial assets and liabilities at December 31, 2021 are as follows:

2021	**Fair value**				**Carrying value**
€'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Financial assets					
Loans receivable from Group companies	-	1.929.676	-	1.929.676	**1.929.676**
Equity instruments	-	-	17.708	17.708	**17.708**
Financial liabilities					
Bonds and other marketable securities	3.463.531	-	-	3.463.531	**3.463.531**
Loans payable to Group companies	-	1.033.873	-	1.033.873	**1.033.873**

8. FINANCIAL INSTRUMENTS continued

8.3 Fair value of financial assets and financial liabilities continued

The carrying amounts and fair values of the Company's financial assets and liabilities at December 31, 2020 were as follows:

2020	**Fair value**				**Carrying value**
€'000	**Level 1**	**Level 2**	**Level 3**	**Total**	**Total**
Financial assets					
Loans receivable from Group companies	-	1.763.039	-	1.763.039	**1.763.039**
Equity instruments	-	-	17.945	17.945	**17.945**
Financial liabilities					
Bond and other marketable securities	1.474.953	-	-	1.474.953	**1.474.953**
Loan payable to Group companies	-	1.028.924	-	1.028.924	**1.028.924**

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

9. CASH AND CASH EQUIVALENTS

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

€'000	**2021**	2020
Cash at bank	45.516	3.987
Cash equivalents	3.442.070	1.523.251
	3.487.586	1.527.238

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

At December 31, 2021 and 2020, the Company had no outstanding bank overdrafts.

10. EQUITY – CAPITAL AND RESERVES

10.1 Share capital

At December 31, 2021, the share capital of the Company amounts to €497.147.000, divided into 4.971.476.000 ordinary shares of the same class and series and with a nominal value of 0,10 € each, fully subscribed and paid.

Details of shareholders and their equity based in their declararion at December 31 is as follows:

Per cent	**2021**	2020
Significant shareholders:		
Qatar Airways (Q.C.S.C.)	25,143	25,100
Marshall Wace LLP	-	3,022
Invesco Limited	-	1,327
Lansdowne Partners International Limited	1,996	1,255
Allan & Gill Gray Foundation	-	1,100
Other shareholders	73,230	68,196
	100	100

10. EQUITY – CAPITAL AND RESERVES continued

10.1 Share capital continued

10.1.1 Share capital reduction

On September 8, 2020, the Company undertook a share capital reduction of €796.813.000, that reduced the nominal value of each ordinary share from 0,50 € per share to 0,10 € per share. A corresponding amount has been recognised within Capital reserves (note 10.2).

10.1.2 Rights issue

On October 2, 2020, the Company raised €2.741.088.000 (and incurred related transaction costs of €69.661.000 as detailed in Note 10.2) through a rights issue of 2.979.443.376 new ordinary shares at a price of 92 € cents per share on the basis of 3 shares for every 2 existing shares.

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

	Number of shares '000s	Share capital €'000	Share premium €'000
January 1, 2020: Ordinary shares of 0,50 € each	**1.992.033**	**996.016**	**5.327.295**
Share capital reduction	-	(796.813)	-
Rights issue	2.979.443	297.944	2.443.144
At December 31, 2020: Ordinary shares of 0,10 € each	**4.971.476**	**497.147**	**7.770.439**
At December 31, 2021: Ordinary shares of 0,10 € each	**4.971.476**	**497.147**	**7.770.439**

10.2 Reserves and prior year results

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

€'000	January 1	Appropriation of prior year profit/(loss)	Vesting of share based payments	Share capital reduction	Equity related transactions costs	December 31
2021						
Legal reserve	205.799	-	-	-	-	205.799
Other reserve	309.146	(296.305)	-	-	-	12.841
	514.945	**(296.305)**	**-**	**-**	**-**	**218.640**
2020						
Legal reserve	205.799	-	-	-	-	205.799
Other reserve	(897.437)	475.855	3.576	796.813	(69.661)	309.146
	(691.638)	**475.855**	**3.576**	**796.813**	**(69.661)**	**514.945**

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

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

Other reserves include a Redeemed capital reserve of €70.478.000 (2020: €70.478.000) associated with the decrease in share capital relating to cancelled shares and a Share capital reduction reserve of €796.813.000 associated with a reduction in the nominal value of the Company's share capital in 2020. Equity related transactions costs of €69.661.000 were incurred in 2020 associated with the Rights Issue.

10. EQUITY – CAPITAL AND RESERVES continued

10.3 Equity – valuation reserve

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

€'000	January 1	Valuation adjustment	December 31
2021			
Currency translation differences	3.409	(4.638)	(1.229)
	3.409	**(4.638)**	**(1.229)**
2020			
Currency translation differences	(4.735)	8.144	3.409
	(4.735)	8.144	3.409

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

10.4 Treasury shares

The Company has authority to acquire its own shares, subject to specific conditions. The treasury shares balance consists of shares held directly by the Company. A total of 5.444.000 shares (2020: 2.605.000) were issued to employees during the year as a result of vesting of employee share schemes. During the year the Company purchased 10.500.000 shares, which are held as treasury shares. These shares were purchased at an average price of €2,30 per share. At December 31, 2021 the Group held 10.153.000 shares (2020: 5.097.000) which represented 0,20 per cent of the issued share capital of the Company.

€'000	January 1	Purchase of treasury shares	Share-based payment scheme vesting	December 31
2021				
Treasury shares	(39.168)	(24.098)	39.266	(24.000)
	(39.168)	**(24.098)**	**39.266**	**(24.000)**
2020				
Treasury shares	(59.568)	-	20.400	(39.168)
	(59.568)	-	20.400	(39.168)

10.5 Other equity instruments

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

€'000	January 1	Equity instruments movement for the year	December 31
2021			
Share-based payments charge (note 16)	239.736	22.996	262.732
Vesting of share-based payment	(171.434)	(42.077)	(213.511)
Equity portion of convertible bond issue (note 8.2)	62.036	-	62.036
	130.338	**(19.081)**	**111.257**
2020			
Share-based payments credit (note 16)	249.971	(10.235)	239.736
Vesting of share-based payment	(145.866)	(25.568)	(171.434)
Equity portion of convertible bond issue (note 8.2)	62.036	-	62.036
	166.141	**(35.803)**	**130.338**

11. TAXES

11.1 Current taxes

11.1.1 Current taxes

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

€'000	2021	2020
Other balances with public administrations:		
Spanish current tax (payable)/receivable	(8.086)	95.658
Receivables, Spanish group companies (tax)	-	3.118
UK current tax receivable	690	-
Liabilities, UK group companies (tax)	(10.317)	(6.860)
Provisions for taxes	(600)	(5.391)
Social security payable	(14.334)	(12.538)
Value added tax receivable	9.836	8.805
	(22.811)	82.792

The reconciliation of accounting profit/(loss) to taxable profit/(loss) is as follows:

€'000	2021	2020
Profit/(loss) for the year from continuing operations	51.359	(296.305)
Current tax	11.487	790
Deferred tax	(33)	2.160
Impact of rate change	(220)	(756)
Adjustments in respect of prior years	(4.950)	2.782
Profit/(loss) before tax	**57.643**	(291.329)
Permanent differences	110.987	163.922
Timing differences	(106.657)	102.921
Taxable profit/(loss)	**61.973**	(24.486)

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

	2021			2020		
€'000	**Total**	Spain	UK	Total	Spain	UK
Profit/(loss) before tax	57.643	53.078	4.565	(291.329)	(303.072)	11.743
Tax at the standard rates in Spain and the UK	(14.137)	(13.270)	(867)	73.537	75.768	(2.231)
Permanent differences increasing the tax (charge)/credit	(115)	-	(115)	-	-	-
Permanent differences decreasing the tax (charge)/credit	(27.451)	(27.451)	-	(40.941)	(40.825)	(116)
Share based payments	(365)	-	(365)	(3.603)	-	(3.603)
Adjustment in respect of prior years	4.950	687	4.263	(2.782)	-	(2.782)
Prior year tax liabilities derecognised	-	-	-	3.000	3.000	-
Impact of rate change	220	-	220	756	-	756
Current year tax asset not recognised	27.229	27.229	-	(34.943)	(34.943)	-
Prior year tax assets not recognised	3.385	3.385	-	-	-	-
Tax (charge)/credit	**(6.284)**	(9.420)	3.136	(4.976)	3.000	(7.976)

11. TAXES continued

11.1 Current taxes continued

11.1.1 Current taxes continued

Permanent differences decreasing the tax credit primarily relate to non-deductible expenses and other taxable income.

Part of the impairment booked in 2020 (€108,917 million) corresponding to a loan with a subsidiary was considered as an unrecognised temporary difference (non-deductible expense) and has been reversed in 2021. The remaining impairment booked (€110,000 million) is related to the investment in a subsidiary and has been classified as a permanent difference for accounting purposes. However, from a tax standpoint, it is considered as a temporary difference to the extent that it will be reversed in the future.

From January 1, 2015 onwards the Spanish companies IAG, Vueling, Veloz, Avios Spanish branch, IAG GBS Spanish branch and IAG Cargo Spanish branch filed consolidated tax returns as part of the Spanish tax unity (0061/15, pursuant to title VII, Chapter VI of the Spanish Corporate Income Tax Law set forth in the Law 27/2014 of 27 November 2014). Fly Level S.L. joined the tax unity on 7 November 2017. Yellow Handling S.L. joined the tax unity on 17 October 2019. Vueling and Yellow Handling S.L. are no longer part of the Spanish tax unity in 2020 and 2021 due to modifications in their shareholding. IAG will be responsible for filing consolidated tax returns with the other companies that belong to this tax unity.

11.1.2 Taxable profit/(loss)

The taxable profit/(loss) for the year to December 31, arises between the UK and Spain as follows:

	2021			2020		
€'000	**Total**	Spain	UK	Total	Spain	UK
Profit/(loss) before tax	**57.643**	53.078	4.565	(291.329)	(303.072)	11.743
Permanent differences	**110.987**	110.007	980	163.922	163.301	621
Timing differences	**(106.657)**	(108.917)	2.260	102.921	108.917	(5.996)
Taxable profit/(loss)	**61.973**	54.168	7.805	(24.486)	(30.854)	6.368

11.2 Current provisions

€'000	**2021**	2020
Provisions for taxes	600	5.391
	600	5.391

Under prevailing tax regulations, tax returns in Spain may not be considered final until they have either been inspected by tax authorities or until the four-year inspection period has expired. In December 2015 the Spanish Tax Authority opened audits into all corporate income tax, VAT and withholding taxes for which the company is liable, covering the preceding four years. A tax provision in the balance sheet of €600.000 (2020: €600.000) has been made as a result of potentially varying interpretations of the tax legislation applicable to the Company's transactions.

Under prevailing tax regulations, tax returns in the UK may not be considered final until they have either been inspected by tax authorities or until the six-year inspection period for discovery assessment has expired. In December 2016 the UK Tax Authority opened an audit into corporate income tax for the year ended 31 December 2014. Audits into subsequent years have since been opened each year for all years up to and including 31 December 2019. The prior year tax provision has been reclassified to "liabilities, UK group companies (tax)".

11. TAXES continued

11.3 Deferred tax asset

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

€'000	January 1	Variations reflected in: Income statement	Equity	Exchange difference	December 31
2021					
Temporary differences on share-based payments	2.036	33	-	395	2.464
	2.036	**33**	**-**	**395**	**2.464**
2020					
Temporary differences on share-based payments	7.604	(3.860)	(1.235)	(473)	2.036
	7.604	(3.860)	(1.235)	(473)	2.036

The deferred tax asset has been booked at the UK tax rate. On March 3, 2021 the UK Chancellor announced that legislation would be introduced in the Finance Bill 2021 to increase the main rate of corporation tax from 19 per cent to 25 per cent from April 2023. On May 24, 2021 the increase in the rate of corporation tax in the UK was substantively enacted, which has led to the remeasurement of deferred tax balances where these are expected to unwind after April 2023. For 2020 the deferred tax asset was booked at 19 per cent.

11.4 Deferred tax liability

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

€'000	January 1	Variations reflected in: Income statement	Equity	Exchange difference	December 31
2021					
Temporary differences on unremitted earnings	-	-	-	-	-
	-	**-**	**-**	**-**	**-**
2020					
Temporary differences on unremitted earnings	(3.000)	3.000	-	-	-
	(3.000)	3.000	-	-	-

There is no deferred tax liability at 31 December 2021. The deferred tax liability at 31 December 2020 was booked at the Spanish tax rate of 25%.

11.5 Unrecognised tax attributes

The Company has €94 million of tax losses that arose in Spain in 2014 (before the tax unity was formed) and 2020; and €23,5 million of deductible temporary differences that arose in Spain in 2015 and 2016. These are not recognised.

11.6 Tax related contingent liabilities

The Company has certain contingent liabilities, across all taxes, which at December 31, 2021 amounted to €95 million. No material losses are likely to arise from such contingent liabilities. As such the Directors do not consider it appropriate to make a provision for these amounts. Included in the tax related contingent liability is the following:

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 maximum exposure in this case is €95 million, being the amount in the tax assessment with an estimate of the interest accrued on that assessment through to December 31, 2021.

The Company appealed the assessment to the Tribunal Económico-Administrativo Central or 'TEAC' (Central Administrative Tax Tribunal). On October 23, 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 December 20, 2019, and on July 24, 2020 filed submissions in support of its case. The Company does not expect a hearing at the National High Court until 2023.

11. TAXES continued

11.6 Tax related contingent liabilities continued

The Company disputes the technical merits of the assessment and ruling of the TEAC, both in terms of whether a gain arose and in terms of the quantum of any gain. The Directors and its advisors believe that the Company has strong arguments to support its appeals. The Directors do not consider it appropriate to make a provision for these amounts and accordingly has recognised this matter as a contingent liability.

12. INCOME AND EXPENSES

12.1 Revenue

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

€'000	**2021**	2020
Revenue from operations		
Rendering of services to Group companies	66.062	42.489
Finance income receivable from debt with Group companies	96.603	15.995
	162.665	**58.484**

€'000	**2021**	2020
Revenue by area of geographical sale		
UK	128.420	34.432
Spain	19.276	12.886
Rest of the World	14.969	11.166
	162.665	**58.484**

12.2 Finance income and costs

The breakdown of finance income and cost is as follows:

€'000	**2021**	2020
Finance income		
Receivable from third parties	858	10.262
	858	10.262
Finance costs		
Payable interest on convertible bond and other securities payables	(57.714)	(25.841)
Payable to third parties	(25.938)	(8.569)
	(83.652)	(34.410)
Changes in fair value of finanacial instruments		
Changes in fair value of finanacial instruments	68.838	-
	68.838	**-**
Impairment and gains/(losses) on financial instruments		
Impairment and gain on disposal of other equity investments	166	-
	166	-

12. INCOME AND EXPENSES continued

12.3 Employee costs

The breakdown of personnel expenses is as follows:

€'000	2021	2020
Wages, salaries and other costs		
Salaries and wages	34.998	20.344
Share-based payments charge/(credit) (note 16)	6.068	(4.931)
Social security costs		
Social security	3.828	855
Other social costs	2.790	2.681
	47.684	18.949

The Company offers a defined contribution pension plan to all IAG employees. The contributions paid into the defined contribution scheme during the year to December 31, 2021 totalled €2.790.000 (2020: €2.681.000), and have been recognised as Other social costs.

13. FOREIGN CURRENCY

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

Pound sterling '000	2021	2020
Assets		
Property, plant and equipment	6.931	-
Investment in other equity instruments	39.017	39.218
Current tax receivable	586	-
Deferred tax asset	2.093	1.848
Amounts owed by Group companies	143.842	184.159
Other receivables	1.318	568
Cash and cash equivalents	219.077	7.199
	412.864	232.992
Liabilities		
Current tax liability	-	-
Provisions for taxes	-	4.351
Other taxes and social security	11.954	12.962
Accruals and others payables	19.316	8.777
Amounts due from Group companies	224.451	280.073
	255.721	306.163
Net assets/(liabilities)	**157.143**	(73.171)

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

Pound sterling '000	2021	2020
Revenue	56.994	37.310
Finance income	1.095	1.138
Employee costs	(37.321)	(13.080)
Other costs	(14.483)	(12.235)
Finance costs	(2.324)	(3.240)
Profit for the year before tax	**3.961**	9.893

14. FINANCIAL RISK MANAGEMENT

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

Counterparty risk

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

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

Foreign Currency risk

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

Liquidity risk

The Company invests cash in interest-bearing accounts, time deposits and money market funds, choosing instruments with appropriate maturities or liquidity to retain sufficient headroom to readily generate cash inflows required to manage liquidity risk. The Company has also committed revolving credit facilities. At December 31, 2021 the Company had an undrawn revolving credit facility of €44 million (2020: €166 million) denominated in US dollar expiring in 2022.

Capital risk

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

15. RELATED PARTY TRANSACTIONS

The Company has the following related parties at December 31:

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

15. RELATED PARTY TRANSACTIONS continued

15.1 Related entities

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

€'000	2021	2020
Revenue from operations		
Rendering of services to Group companies	66.062	42.489
Receivable from debt with Group companies	96.603	15.995
Purchases of services		
Purchases from Group companies	5.360	5.838
Costs		
Payable on debt with Group companies	16.550	17.950

December balances

	2021	2020
Receivables from related parties		
Amounts owed by Group companies	146.591	130.548
Loans receivable from Group companies	1.929.676	1.763.039
Payables to related parties		
Amounts owed to Group companies	11.390	7.397
Loans payable to Group companies	1.033.873	1.028.924

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

	Amount outstanding December 31				Finance Income	
€'000	2021	2020	Due date	Interest rate	2021	2020
AERL Holdings	67.232	64.676	2023	3 year mid swap vs 3 months EURIBOR +4,00 per cent	2.632	4.150
LEVEL	-	16.065	2021-2023	5 year euro mid swap rate +6,00 per cent	1.673	3.475
LEVEL	-	-	2021-2023	5 year euro mid swap rate +6,00 per cent	2.219	4.620
British Airways	1.637.156	1.632.285	2024	3 months EURIBOR + 4,60 per cent	84.097	3.737
Aer Lingus	50.013	50.013	2023	3 months EURIBOR + 4,70 per cent	3.925	13
Aer Lingus	50.235	-	2023	3 months EURIBOR + 4,70 per cent	2.017	-
Aer Lingus	50.040	-	2023	3 months EURIBOR + 2,90 per cent	40	-
Iberia Opco Holding	75.000	-	2026	3,50 per cent	-	-
	1.929.676	1.763.039			**96.603**	15.995

15. RELATED PARTY TRANSACTIONS continued

15.1 Related entities continued

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

€'000	Amount outstanding December 31 2021	2020	Due date	Interest rate	Finance Costs 2021	2020
Veloz	109.044	109.044	2024	1,20 per cent	1.308	1.308
Avios	217.938	203.967	2023	2 year GILT + 1,25 per cent	2.160	3.112
Iberia	200.294	200.302	2022	6 months euro mid swap rate + 1,75 per cent	2.482	2.815
Iberia	100.657	100.762	2023	5 year euro mid swap rate +1,95 per cent	2.210	2.105
Aer Lingus	100.447	100.447	2023	5 year euro mid swap rate +2,00 per cent	2.320	2.322
Aer Lingus	100.027	100.027	2023	5 year euro mid swap rate +2,00 per cent	2.410	2.410
Aer Lingus	100.014	100.014	2024	5 year euro mid swap rate +1,03 per cent	1.086	1.086
British Airways	44.416	48.193	2021-2023	5 year euro mid swap rate +2,00 per cent	1.124	1.221
British Airways	61.036	66.168	2021-2023	5 year euro mid swap rate +2,00 per cent	1.450	1.571
	1.033.873	1.028.924			**16.550**	17.950

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

Non-current loans owed by Group companies bear market rates of interest in accordance with the intragroup loan agreements.

Loans receivable from Group companies:

In 2015, AERL Holding borrowed €804.568.000 from IAG, bearing interest at 0,90 per cent over the 6 months EURIBOR rate. The purpose of this loan was for consideration and expenses relating to the acquisition of Aer Lingus. During 2017 AERL Holding repaid €836.000.000 of the loan by issuing ordinary shares to IAG. During 2018, IAG made payments on behalf of AERL Holding of €155.778.000, received a distribution on behalf of AERL Holding of €225.000.000 and received a dividend declared by AERL Holding of €74.000.000. During 2019, AERL Holding borrowed €301.745.000 from IAG and IAG received a distribution on behalf of AERL Holding of €285.000.000. Interest receivable for the year was €2.632.000 (2020: €4.150.000). As at December 31, 2021 the amount outstanding was €67.232.000 (2020: €64.676.000). The loan is repayable in 2023.

In May 2018, LEVEL borrowed €57.000.000 from IAG for general corporate purposes. Accrued interest receivable for the year was €1.673.000 (2020: €3.475.000). As of December 31, 2020, the balance outstanding was partially impaired and a loss of €36.735.000 was recognised in the Income statement. In 2021, the impairment recorded in 2020, amounting to €36.735.000 has been reversed and the loan has been fully repaid.

In July 2018 LEVEL borrowed €77.000.000 from IAG for general corporate purposes. Accrued interest receivable for the year was €2.219.000 (2020: €4.620.000). As of December 31, 2020, the balance outstanding was fully impaired and a loss of €72.182.000 was recognised in the Income statement. . In 2021, the impairment recorded in 2020, amounting to €72.182.000 has been reversed and the loan has been fully repaid.

In December 2020, British Airways borrowed €1.645.000.000 net of fees of €16.450.000 from IAG for general corporate purposes. Accrued interest receivable for the year was €84.097.000 (2020: €3.737.000). The amount repaid during the year was €79.226.000 (2020: nil). The borrowed balance as at December 31, 2021 was €1.637.156.000 (2020: €1.632.285.000) and is repayable in 2024.

In December 2020, Aer Lingus borrowed €50.000.000 from IAG for general corporate purposes. Accrued interest receivable for the year was €3.925.000 (2020: €13.000). The amount repaid during the year was €3.925.000 (2020: nil). The borrowed balance as at December 31, 2021 was €50.013.000 (2020: €50.013.000) and is repayable in 2023.

In February 2021, Aer Lingus borrowed €50.000.000 from IAG for general corporate purposes. Accrued interest receivable for the year was €2.017.000. The amount repaid during the year was €1.782.000. The borrowed balance as at December 31, 2021 was €50.235.000 and is repayable in 2023.

In December 2021, Aer Lingus borrowed €50.000.000 from IAG for general corporate purposes. Accrued interest receivable for the year was €40.000. The borrowed balance as at December 31, 2021 was €50.040.000 and is repayable in 2023.

15. RELATED PARTY TRANSACTIONS continued

15.1 Related entities continued

In December 2021 IB Opco Holding borrowed €75.000.000 from IAG for general corporate purposes. The interest of the loan was agreed as 3,50 per cent per annum. The borrowed balance as at December 31, 2021 was €75.000.000 and is repayable in 2026.

Loans payable to Group companies:

In 2017, the Company borrowed €200.000.000 from Iberia for general corporate purposes. Accrued interest payable for the year was €2.482.000 (2020: €2.815.000). The amount repaid during the year was €2.490.000 (2020: €2.970.000). As at December 31, 2021 the borrowed balance was €200.294.000 (2020: €200.302.000) which is repayable in 2022.

In 2018, the Company borrowed €100.000.000 from Iberia for general corporate purposes. Accrued interest payable for the year was €2.210.000 (2020: €2.105.000). The amount repaid during the year was €2.315.000 (2020: €2.105.000). As at December 31, 2021 the borrowed balance was €100.657.000 (2020: €100.762.000) which is repayable in 2023.

In May 2018, the Company borrowed €100.000.000 from Aer Lingus for general corporate purposes. Accrued interest payable for the year was €2.410.000 (2020: €2.410.000). The amount repaid during the year was €2.410.000 (2020: €2.429.000). As at December 31, 2021 the borrowed balance was €100.027.000 (2020: €100.027.000) which is repayable in 2023.

In June 2018, the Company borrowed €100.000.000 from Aer Lingus for general corporate purposes. Accrued interest payable for the year was €2.320.000 (2020: €2.322.000). The amount repaid during the year was €2.320.000 (2020: €2.304.000). As at December 31, 2021 the borrowed balance was €100.447.000 (2020: €100.447.000) which is repayable in 2023.

In March 2019, the Company borrowed €100.000.000 from Aer Lingus for general corporate purposes. Accrued interest payable for the year was €1.086.000 (2020: €1.086.000). The amount repaid during the year was €1.086.000 (2020: €1.084.000). As at December 31, 2021 the borrowed balance was €100.014.000 (2020: €100.014.000) which is repayable in 2024.

In May 2018, the Company borrowed €57.000.000 from British Airways for general corporate purposes. Accrued interest payable for the year was €1.124.000 (2020: €1.221.000). The amount repaid during the year was €4.901.000 (2020: €4.894.000). As at December 31, 2021 the borrowed balance was €44.416.000 (2020: €48.193.000) which is repayable from 2021 to 2023.

In July 2018, the Company borrowed €77.000.000 from British Airways for general corporate purposes. Accrued interest payable for the year was €1.450.000 (2020: €1.571.000). The amount repaid during the year was €6.582.000 (2020: €6.589.000). As at December 31, 2021 the borrowed balance was €61.036.000 (2020: €66.168.000) which is repayable from 2021 to 2023.

In June 2019, the Company borrowed €218.540.000 (£185.000.000) from Avios for general corporate purposes. Accrued interest payable for the year was €2.160.000 (2020: €3.112.000). The amount repaid during the year was €2.204.000 (2020: €3.872.000). In June 2021, additional agreement was signed, for the extension of repayment date until 2023 and the new interests rate was agreed as: 2 year GILT + 1,25 per cent. As at December 31, 2021 the borrowed balance was €217.938.000 (2020: €203.967.000) which is repayable in 2023.

In 2013, Veloz borrowed €149.705.000 from the Company for the purpose of the increase in the Group's shareholding in Vueling. The holding was 99,50 per cent at December 31, 2021. In December 2018 €146.000.000 of the loan was capitalised and the Company borrowed €74.000.000, bearing interest at 0,50 per cent over the 1 year euro mid swap rate (floored at zero). Accrued interest receivable for 2019 was €360.000. In December 2019, the loan was repaid and the Company borrowed the amount of €109.000.000. Accrued interest for the new loan was €1.308.000 (2020: €1.308.000). The amount repaid during the year was €1.308.000 (2020: 1.308.000). As at December 31, 2021 the outstanding balance was €109.044.000 (2020: €109.044.000) which is repayable in 2024.

15. RELATED PARTY TRANSACTIONS continued

15.2 Board of Directors and Management Committee remuneration

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

€'000	2021	2020
Board of Directors		
Salaries (fixed and variable)	2.547	2.924
Benefits in kind	464	548
Life insurance policies	8	19
Share based payments	-	-
	3.019	3.491
Management Committee		
Salaries (fixed and variable)	9.576	4.054
Benefits in kind	1.220	1.022
Life insurance policies	26	19
Pension contributions	12	25
Share based payments	747	445
	11.581	5.565

The remuneration of the Group's CFO is included within Management Committee in 2021 and in Board of Directors in 2020.

The pension obligation outstanding, which represents the transfer value of the accrued pension was €8.692.000 (2020: €9.134.000) for the Management Committee.

Information regarding share-based remuneration can be found on the Report of the Remuneration Committee in the Group Annual Report and Accounts 2021.

At December 31, 2021 and 2020, no advances or loans had been given to members of the Board of Directors.

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

16. SHARE-BASED PAYMENTS

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

IAG Performance Share Plan

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

In 2020, the outstanding PSP awards granted to participants other than Executive Directors from 2018 onwards were modified and the resulting incremental fair value granted of £1,61 per award is recognised over the remaining vesting period.

16. SHARE-BASED PAYMENTS continued

IAG Restricted Share Plan

During 2021, the Group revised its approach to long-term incentives, replacing the existing PSP with a Restricted Share Plan proposal under the new Executive Share Plan (RSP) approved by shareholders in June 2021. The RSP was introduced to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Group. Awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. There are no performance measures associated with the awards, although approval at the end of the vesting period will be at the discretion of the Remuneration Committee, considering the Group's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified.

IAG Full Potential Incentive Plan

During 2021, the Group launched the new Full Potential Incentive Plan (FPIP), which is granted to key individuals involved in the delivery of a series of transformation projects that will enable the Group to deliver business success over the medium to long term. The Awards have been made as nil-cost options, vesting in 2025 and dependent on stretch performance targets for 2024 and the approval of the Board.

IAG Incentive Award Deferral Plan

The IAG Incentive Award Deferral Plan (IADP) is granted to qualifying employees based on performance and service tests. It is awarded when an incentive award is triggered, subject to the employee remaining in employment with the Group for three years after the grant date. The relevant population receives 50 per cent of their incentive award up front in cash, and the remaining 50 per cent in shares after three years through the IADP.

Share-based payment schemes summary

	Outstanding at January1, 2021	Granted number	Lapsed number	Vested number	**Outstanding at December 31, 2021**	Exercisable December 31, 2021
	000s	000s	000s	000s	**000s**	000s
Performance Share Plan	12.217	-	2.398	1.079	8.740	409
Restricted Share Plan	-	3.163	23	-	3.140	-
Full Potential Incentive Plan	-	5.037	91	-	4.946	-
Incentive Award Deferral Plan	3.623	-	94	1.424	2.105	-
	15.840	**8.200**	**2.606**	**2.503**	**18.931**	**409**

	Outstanding at January 1, 2020	Granted number	Rights issue adjustment	Lapsed number	Exercised number	**Outstanding at December 31, 2020**	Exercisable December 31, 2020
	000s	000s	000s	000s	000s	**000s**	000s
Performance Share Plan	7.646	2.538	4.417	1.595	789	12.217	307
Incentive Award Deferral Plan	1.982	715	1.221	-	295	3.623	-
	9.628	**3.253**	**5.638**	**1.595**	**1.084**	**15.840**	**307**

The weighted average share price at the date of exercise of options exercised during the year to December 31, 2021 was €2,04 (2020: €2,90).

The fair value of equity-settled share-based payment plans determined using the Monte Carlo method of valuation last granted in 2020 under the IAG Performance based plan, taking into account the terms and conditions upon which the options were granted, used the following weighted average assumptions:

	2021	2020
Weighted average fair value (£)	-	1,84
Expected share price volatility (per cent)	-	35
Expected comparator group volatility (per cent)	-	20
Expected comparator correlation (per cent)	-	70
Expected life of options (years)	-	4,4
Share price at date of grant (£)	-	4,59

16. SHARE-BASED PAYMENTS continued

Volatility was calculated with reference to the Group's weekly pound sterling share price volatility. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome. The fair value of the IAG Perfomance Share plan takes into account a market condition of total shareholder returns as compared to strategic competitors. No other features of share-based payment plans granted were incorporated into the measurement of fair value.

The Company recognised a share-based payments charge of €6.068.000 for the year to December 31, 2021 (2020: €4.931.000 credit). A credit of €22.996.000 (2020: €10.235.000 debit) representing the total Group charge was recognised in Reserves including the deferred tax asset credit of €26.000 (2020: debit of €1.245.000). Group companies are recharged the cost registed in the period for the grants made to employees of those Group companies.

17. OTHER DISCLOSURES

17.1 Employee numbers

Professional category	Number of employees at year end Men	Women	Total	Average number of employees
2021				
Management Committee	9	2	11	11
All other employees	71	47	118	121
	80	**49**	**129**	**132**
2020				
Management Committee	9	2	11	10
All other employees	70	58	128	133
	79	**60**	**139**	**143**

There are no employees with a certified disability greater than 33 per cent.

At December 31, 2021, the Board consisted of 12 people, including 7 men and 5 women (2020: 12 people, including 7 men and 5 women).

17.2 Audit fees

The fees for the audit of the Company's financial statements, the audit of the Group consolidation and non-audit services provided to the Company by the auditor KPMG S.L. (2020: Ernst & Young S.L.) are as follows:

€'000	**2021**	2020
Fees for the audit of the financial statements	1.214	924
Other audit related services	428	189
All other services	-	30
	1.642	1.143

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

17.3 Information on environmental issues

The undersigned, as Directors of the Company, hereby state that the accounting records relating to these financial statements do not contain any item of an environmental nature that should be included pursuant to point 5 of the Valuation Standard 4ª Financial Statements, or Section 3 of the Spanish National Chart of Accounts (Royal Decree 1514/2010, of 16 November). Please refer to the Group Consolidated Statement of Non-Financial Information within the Group Annual Report and Accounts 2021 for Group disclosures on enviromental matters and climate change.

18. POST BALANCE SHEET EVENTS

There have been no post balance sheet events subsequent to the year end that require disclosure in the accounts.

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Management report for the year to December 31, 2021

MANAGEMENT REPORT

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

Business review
IAG is a Spanish registered company with the majority of its Board meetings held in Spain. IAG operates a head office through its UK branch in London, with an average staff of 132 (2020: 143) managing key support functions for the Group. The Company's focus is on the Group strategy, synergies, digital and connectivity, and support of finance, legal and communications functions as well as the administration of the Company.

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

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

The Group's purpose is to connect people, businesses and countries. We do this and create value through a unique model that enables our airlines to perform in the long-term interests of our customers, people, shareholders and society – knowing that success in each reinforces the others.

We hold ambition, teamwork, innovation, pragmatism, efficiency and responsibility as key values that enable us to fulfil our purpose.

The Group's current strategic priorities include:

- Strengthening a portfolio of world-class brands and operations
- Growing global leadership positions
- Enhancing the common integrated platform

We create value by:

- Unrivalled customer proposition
- Value accretive and sustainable growth
- Efficiency and innovation

2021 continued to be a difficult year for the airline industry. A year in which IAG's management team had to focus on the immediate challenges, while also laying the foundations for the transformation of the Group so that it can emerge more competitive in the future. This includes ensuring our culture reflects our values across the Group.

IAG's purpose - 'To connect people, businesses and countries'- underpins the Group's vision to be the world's leading airline group, maximising sustainable value creation for its stakeholders. IAG will continue to use its unique business model to pursue this purpose and vision and always aims to deliver sustainable value for its customers, its people, its shareholders and the communities it serves. By connecting people, businesses and countries, the Group is able to provide the jobs, prosperity and cultural benefits that travel has always created. While a number of important new initiatives and projects have been launched during the year, there is more to be done to achieve the aspirations the Group has set for itself.

The Board believes that IAG can achieve its purpose and vision by promoting the Group's key values, which are ambition, teamwork, innovation, pragmatism, efficiency and responsibility. In 2022, the Board will review how these values are further embedded in the organisation and how this links to the work on corporate culture and on people that started in the last quarter of 2020, ensuring that the complete exercise takes root with the strategy and the transformation of the Group.

Finance review

Income statement
Revenue derived from charging the airline companies for the services that IAG provides to them totalled €66 million for the year to December 31, 2021 (2020: €42 million). Such services cover financial control over treasury policy, treasury support including hedging, financing and refinancing, major capital investments, co-ordination and delivery support of the synergies, strategy and general management of the Group. Revenue from services in 2021 was 55 per cent higher than in the prior year in line with the increase in operating costs, reflecting higher activity in 2021. Revenue also includes finance income received from lending provided to operating companies within the Group. Finance income from debt with Group companies in the period was €97milllion compared to €16 million in 2020 reflecting a new credit facility provided to Aer Lingus and the recognition of interest income for the full year in relation to the loan made to British Airways in December 2020.

The Company did not receive dividend income from its operating companies during the year (2020: nil).

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

Employee costs for the year were €48 million (2020: €19 million). The increase in employee costs reflected salaries starting to return to pre COVID-19 pandemic levels and the charge in 2021 in relation to share-based payment cost and related social security of €6 million, compared to a €6 million credit in 2020.

Services received largely relate to supporting the activities of the key departments. Other expenses reflect the cost of operating the IAG offices and IT costs, as well as the costs supporting the Group's market listings with the CNMV and UKLA. Operating expenses increased to €26 million in 2021 from €20 million in 2020, reflecting higher activity. 2021 also saw expenditure in relation to the Group's transformation strategy and planning activities. In 2020, management actions were implemented in response to the market environment, resulting in many non-essential discretionary spend and non-urgent projects being suspended. These measures have started to be lifted in line with partial recovery of airline capacity and some projects resumed in 2021.

The finance income from third parties in 2021 was lower than in the prior year due to the refund received in 2020 from the Spanish Tax Authorities regarding interest on prior years' tax overpayments, following a judgement issued by the Constitutional Court. Finance costs payable on debt with third parties of €84 million (2020: €34 million) include interest expense on bonds and negative yields on deposits and money market funds. The higher costs in 2021 were driven by the interest from the new bonds issued in 2021 and the yields on the cash balances.

Profit before tax for the year was €58 million (2020: €291 million loss).

The tax charge of €6 million (2020: €5 million charge) reflects:

- UK tax on the profits of the Company's UK branch at the tax rate of 19 per cent;
- Spanish tax on the profits of the Company's head office after offsetting tax losses at the tax rate of 25 per cent, and
- an adjustment in relation to prior years.

The profit after tax for the year from continuing operations was €51 million (2020: €296 million loss).

Balance sheet

IAG's primary assets are its subsidiaries. IAG's investments in British Airways and Iberia were created at the time of the merger on January 21, 2011 and amounted to €6.208 million. At December 31, 2021, IAG held an investment of €4.155 million in British Airways, €2.389 million in Iberia, €836 million in AERL Holding, €166 million in Veloz, €22 million in GBS and €5 million in IAG Connect, totalling €7.573 million (2020: €7.573 million). It also holds an investment in Cargo.

During 2020, the Company made investments of €75 million in LEVEL. In response to the COVID-19 pandemic and the resultant structural change to the airline sector, the FLY LEVEL S.L. subsidiary, Openskies SASU, operating flights from Paris, France, commenced and completed a consultation process during the second half of 2020 regarding the permanent cessation of operations, resulting in an impairment of the full carrying amount of the investment in LEVEL of €160 million and €109 million of the loan payable to the Company.

During the course of 2021, the Company updated its assessment regarding the recoverable amount of its investment in FLY LEVEL S.L.. The overall consideration as to the level of expected costs to cease existing operations has remained unchanged from 2020. However, the Company made an additional equity investment into FLY LEVEL S.L. of €110.000.000 to enable it to repay the previously impaired Loan receivable from the Company. In doing so, the Company recognised an impairment reversal of the €108.917.000 recorded against the Loan receivable from Group company in 2020 and recorded an impairment charge of €110.000.000 against the investment value of FLY LEVEL S.L

2021 Issue of Bonds

As part of the Group's actions to preserve liquidity, during 2021 IAG issued two unsecured bonds totalling €1.2 billion and a €825 million convertible bond:

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

On May 11, 2021, the Group issued an €825 million senior unsecured convertible bond due 2028. The convertible bond bears a fixed rate of interest of 1,125 per cent per annum, receiving net proceeds, after transaction costs, of €818 million. The Group recognised €825 million within long-term borrowings. Further details of the convertible bond can be found on note 8.2 of the Company accounts.

Treasury shares

At December 31, 2021 the Company held 10,2 million shares (2020: 5,1 million).

A total number of 5,4 million shares vested during the year in relation to share-based payment schemes. The total number of the Company's treasury shares as at December 31, 2021 accounts for 0,20 per cent (2020: 0,10 per cent) of the total issued capital at that date.

Dividends

No dividends were proposed by the Board of Directors during the year.

On February 27, 2020 IAG's Board of Directors proposed a distribution in cash of a final 2019 dividend of 17 € cents per share, to be approved at the Annual Shareholders' Meeting. As a result of the impact of COVID-19, on April 2, 2020, IAG's Board of Directors resolved to withdraw the proposal to the next Annual Shareholders' Meeting to pay a final dividend for 2019 of 17 € cents per share. No dividends have been proposed since April 2, 2020.

Post balance sheet events

There have been no post balance sheet events subsequent to the year end that require disclosure in the accounts.

Research and development

The Company does not undertake any research or development activity.

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

Principal risks and uncertainties
The principal risks have been assessed as Company and Group moves back into recovery. The Directors of the Company believe that the risks and uncertainties described below are the ones that may have the most significant impact on the day to day operations of IAG as a parent company. These risks are considered by the IAG management team as part of its wider consideration of Group risks under the IAG Enterprise Risk Management framework. Management remains focussed on mitigating risks whilst recognising that such risk events may not be so easily planned for and that mitigations are more responsive in nature. The list is not intended to be exhaustive.

Cyber-attack and data security
The Company could face financial loss, disruption or damage to brand reputation arising from an attack on the Company's systems. There is significant oversight of critical systems and suppliers to ensure that the Company understands the data it holds, that it is secure and regulations are adhered to.

Financial risk - counterparty credit risk
The failure to manage the financial counterparties credit exposure arisen from cash investments and derivatives trading may result in financial losses. The Company is exposed to non-performance of financial contracts by counterparties, for activities such as money market deposits, fuel and currency hedging. The Group has a financial counterparty credit limit allocation by airline and by type of exposure and monitors the financial and counterparty risk on an ongoing basis.

Group Governance Structure
The governance structure the Group has in place includes nationality structures to protect Aer Lingus', British Airways' and Iberia's operating licences and/or route rights. IAG could face a challenge to its ownership and control structure. IAG will continue to monitor regulatory developments affecting the ownership and control of airlines in the UK and EU.

IT systems and IT infrastructure
The dependency on IT systems for key business and customer processes is increasing and the failure of a critical system may cause significant disruption. Obsolescence within IAG's IT estate could result in service outages and/or operational disruption or delays in implementation of transformation activities, particularly if the Company needs to defer investment to preserve cash. System controls, disaster recovery and business continuity arrangements exist to mitigate the risk of a critical system failure. IAG's Group IT and Digital function, IAG Tech, works with the business to deliver digital and IT change initiatives to enhance security and stability.

Non-compliance with key regulation and laws
The Company is exposed to the risk of individual employees' or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses. The Company has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance. There are mandatory training programmes in place to educate employees in these matters, including training in respect of the IAG Code of Conduct framework. Each operating company and IAG also have a compliance function that monitors compliance with the relevant Group policies.

People risk
The Company is at risk of failing to attract, motivate, retain or develop its people and critical skillsets not being in place to execute on the required transformation. The Group is also at risk of our people not being engaged or not displaying the required leadership behaviours. Succession planning, engagement surveys and action plans mitigate these risks. There is access to support individuals' wellbeing.

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

Tax
The Company is exposed to systemic tax risks arising from either changes to tax legislation and accounting standards or challenges by tax authorities on the interpretation or application of tax legislation. The Company may be subject to higher levels of taxation as governments seek to redesign the global tax framework and recover the national debts arising from pandemic support measures. The Group adheres to the Tax Policy approved by the IAG Board and is committed to complying with all tax laws, to acting with integrity in all tax matters and to working openly with tax authorities. Tax risk is managed by the IAG tax department and overseen by the Board through the Audit and and Compliance Committee.

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

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