Auditor's Report on Vueling Airlines, S.A.

(Together with the annual accounts and directors' report of Vueling Airlines, S.A. for the year ended 31 December 2023)

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

KPMG Auditores, S.L.
Torre Realia
Plaça d'Europa, 41-43
08908 L'Hospitalet de Llobregat
(Barcelona)

Independent Auditor's Report on the Annual Accounts

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

To the Shareholders of Vueling Airlines, S.A.

REPORT ON THE ANNUAL ACCOUNTS

Opinion

We have audited the annual accounts of Vueling Airlines, S.A. (the "Company"), which comprise the balance sheet at 31 December 2023, and the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying annual accounts give a true and fair view, in all material respects, of the equity and financial position of the Company at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 2 to the annual accounts) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

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

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

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

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the annual accounts of the current period. These matters were addressed in the context of our audit of the annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Provisions for scheduled aircraft maintenance

See notes 5.10 and 13 to the annual accounts

Key audit matter	*How the matter was addressed in our audit*
The Company operates aircraft which are owned or held under finance or operating lease arrangements. Due to the scheduled periodic maintenance and the aircraft handback conditions stipulated in the contracts with the lessors, there is a commitment to perform certain major repairs over the term of the lease contracts, which gives rise to the recognition of a provision. As detailed in note 13.1 to the accompanying annual accounts, at 31 December 2023 the provision for major repairs relating to engine and aircraft maintenance amounts to Euros 905 million. These aspects have required significant judgements by the Directors when determining the assumptions used to estimate the provision, such as those referring to the evaluation of aircraft utilisation hours, expected maintenance intervals, future maintenance costs and the condition of the aircraft when handed back, where applicable, which has led us to consider this area as one of the most relevant aspects of the audit.	Our audit procedures included the following: - evaluating the design and implementation of the key controls related to the process of calculating provisions for scheduled aircraft maintenance; - understanding the methodology, criteria and assumptions used to calculate the provisions for scheduled aircraft maintenance; - reviewing the maintenance contracts and understanding the obligations derived therefrom; - reviewing, for a sample of aircraft, the handback conditions as per the lease contracts, where applicable, and comparing them with the assumptions used by the Company. - retrospectively reviewing the events that occurred during the year in respect of provisions made in prior years; - reviewing the financial updating and that of the key assumptions used by the Company; - assessing whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

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Passenger revenue recognition See notes 5.9 and 19 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
Passenger revenue recognition is a significant area and susceptible to material misstatement, because it comprises large volumes of low-value transactions that are recorded using complex and automated processes and, particularly at the reporting date as regards the appropriate timing of recognition. Passenger revenue from the sale of flight tickets not yet used is recognised at the unaccrued amount in liabilities under current accruals and amounts to Euros 300 million at 31 December 2023.	Our audit procedures included the following: - assessing the design and implementation of the Company's controls over the recognition of revenue; - the technological audit team performing tests, reconciling revenue for the year with cash inflows, checking the nature, accuracy and correct timing of the tickets sold and their correct recognition in revenue; - checking revenues by tracing a sample of passenger events, such as bookings, departures and voucher issuance, back to the revenue figures; - assessing whether the disclosures in the annual accounts meet the requirements of the financial reporting framework applicable to the Company.

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Going concern See note 2.8 to the annual accounts	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2023, the Company has negative equity due to cumulative losses in 2020 and 2021, which is a direct consequence of the pandemic. However, as indicated in note 2.8 to the accompanying annual accounts, in accordance with Royal Decree-Law 20/2022, the need to restore the equity balance described in article 363 of the Spanish Companies Act is postponed. These losses will be carried forward to the results of 2024, at which time the need for capital will be evaluated. Note 2.8 also explains how the Board of Directors and management have reached the conclusion that it is appropriate to adopt the going concern principle when preparing the annual accounts. This judgement is based on an assessment of the risks inherent to the three-year business plan and cash flow projections and how these risks could affect the Company's financial resources or its capacity to continue with operations over the 12-month period from the date the annual accounts at 31 December 2023 were authorised for issue, in particular to the extent that the Company continues to recover from the COVID-19 pandemic and its cash flows are affected by the economic and geopolitical scenario. As part of its evaluation of the going concern principle, the Company's Board of Directors has prepared a business plan assuming certain key assumptions regarding the growth of passenger revenue and cost reductions, inter alia, which reflects a more gradual recovery of the market and of operating capacity. In these circumstances, we consider the risk associated with the Directors' assessment of applying the going concern principle to be one of the most relevant aspects of the audit because of the significant judgement required in that assessment, as well as the inherent uncertainty in preparing business plans and cash flow projections in the current circumstances and the impact of that assessment on the annual accounts.	Our audit procedures included the following: - understanding the factors that management considered when preparing the accompanying annual accounts on a going concern basis; - analysing the process established by management to monitor the impact of the macroeconomic and geopolitical scenario on the Company's activity and identifying the measures that need to be taken; - understanding and evaluating the business plans and cash flow forecasts prepared by management, in particular, the reasonableness of the estimates and key assumptions used in their preparation and their consistency with the business plan, as well as our knowledge of the sector and comparable external information; - analysing the degree of achievement of the forecasts made using actual data and assessing the implications of the deviations identified; - evaluating the sensitivity analyses of the business plans and cash flow forecasts to identify whether reasonable variations in assumptions used in more unfavourable (but not unrealistic) scenarios could generate liquidity stress for the Company in the short term; and - assessing whether the disclosures in the annual accounts on the assessment of the use of the going concern principle are consistent with the Directors' analysis and their conclusion and comply with the requirements of the financial reporting framework applicable to the Company.

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Other Information: Directors' Report

Other information solely comprises the 2023 directors' report, the preparation of which is the responsibility of the Company's Directors and which does not form an integral part of the annual accounts.

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

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

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

Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the directors' report is consistent with that disclosed in the annual accounts for 2023, and that the content and presentation of the report are in accordance with applicable legislation.

Directors' and Audit Committee's Responsibility for the Annual Accounts

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

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

The audit committee is responsible for overseeing the preparation and presentation of the annual accounts.

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Auditor's Responsibilities for the Audit of the Annual Accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts.

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

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

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

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

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

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

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

We also provide the entity's audit committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the audit committee of the entity, we determine those that were of most significance in the audit of the annual accounts of the current period and which are therefore the key audit matters.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Additional Report to the Audit Committee

The opinion expressed in this report is consistent with our additional report to the Company's audit committee dated 26 February 2024.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting on 16 June 2021 for a period of three years, from the year ended 31 December 2021.

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

(Signed on original in Spanish)

Joan Manuel Plà Hernàndez
On the Spanish Official Register of Auditors ("ROAC") with No. 20351

5 March 2024

Vueling Airlines, S.A.

Annual Accounts and Management Report

For the year ended December 31, 2023

VUELING AIRLINES, S.A.

BALANCE SHEET

As of December 31, 2023

Expressed in thousand Euros

ASSETS	Notes	2023	2022
NON-CURRENT ASSETS:			
Intangible fixed assets	**6**	**122,521**	**115,127**
Goodwill		3,084	4,626
Computer software		109,409	96,285
Landing rights		10,028	14,216
Tangible fixed assets	**7**	**621,543**	**662,848**
Aircraft components		35,031	34,149
Aircraft		468,714	473,317
Other Tangible fixed assets		17,430	15,473
PPE under construction and advances		100,368	139,909
Investments in Group companies and associates	**16.1 & 9.1**	**701**	**23,616**
Long-term financial investments	**9.1**	**144,111**	**111,564**
Other financial assets		138,350	106,210
Derivatives	**17**	5,761	5,354
Deferred tax assets	**18.5**	**243,391**	**217,424**
Total non-current assets		**1,132,267**	**1,130,579**
CURRENT ASSETS:			
Inventories	**5.15 & 10**	**303,876**	**189,406**
Trade and other receivables		**292,431**	**223,098**
Sales and services rendered	**9.2**	225,166	178,785
Group companies and associates	**16.1**	18,846	4,840
Receivables from Public Authorities	**18.1**	48,419	39,473
Investments in group and associate companies	**9.2**	**114,420**	**40,712**
Loans to companies		114,420	40,712
Short-term financial investments	**9.2**	**396,559**	**631,663**
Derivatives	**17**	14,253	63,551
Other financial assets		382,306	568,112
Short-term accruals		**26,324**	**22,726**
Cash and cash equivalents	**11**	80,328	**171,613**
Treasury		**80,328**	171,613
Total current assets		**1,213,938**	**1,279,218**
TOTAL ASSETS		**2,346,205**	**2,409,797**

VUELING AIRLINES, S.A.

BALANCE SHEET

As of December 31, 2023

Expressed in thousand Euros

EQUITY AND LIABILITIES	Notes	2023	2022
SHAREHOLDERS' EQUITY:			
Capital	**12.1**	**29,905**	**29,905**
Authorised capital		29,905	29,905
Share premium	**12.4**	**199,185**	**199,185**
Reserves		**162,142**	**85,251**
Legal	**12.2**	5,981	5,981
Other reserves		156,161	79,270
Previous years' losses		**(1,005,205)**	**(1,135,285)**
Loss for the year	**4**	**315,695**	**130,875**
Total capital and reserves		**(298,278)**	**(690,069)**
Adjustments for changes in value	**17**	**(43,732)**	**53,509**
Subsidies, donations and legacies received	**12.6**	**-**	**605**
Total net equity		**(342,010)**	**(635,955)**
NON-CURRENT LIABILITIES:			
Long-term provisions	**13.1**	**757,348**	**597,406**
Other provisions		757,348	597,406
Long-term payables		**407,627**	**669,110**
Payables to credit institutions		-	220,381
Derivatives	**17**	14,276	11,033
Financial lease payables	**14.1**	393,351	437,531
Other financial liabilities	**14.1**	-	165
Long-term payables with related parties	**16.1**	**345**	**-**
Deferred tax liabilities	**18.6**	**3,769**	**39,535**
Long-term accruals	**15**	**30,534**	**46,306**
Total non-current liabilities		**1,199,623**	**1,352,357**
CURRENT LIABILITIES:			
Short-term provisions	**13.1**	**344,064**	**410,321**
Short-term liabilities		**85,636**	**165,311**
Payables to credit institutions		-	39,322
Derivatives	**17**	42,676	84,911
Financial lease payables	**14.1**	42,610	40,769
Other financial liabilities	**14.1**	350	309
Trade creditors and other payables	**14.1**	**743,908**	**783,030**
Trade payable		300,468	354,489
Group company suppliers	**16**	175,311	145,758
Sundry payables		198,631	210,357
Personnel		53,158	57,034
Other payables to Public Authorities	**18.1**	16,340	15,392
Short-term accruals	**15**	**314,985**	**334,733**
Total current liabilities		**1,488,593**	**1,693,395**
TOTAL NET EQUITY AND LIABILITIES		**2,346,205**	**2,409,797**

Notes 1 to 26 described in the accompanying notes form an integral part of the Balance Sheet as of December 31, 2023,

VUELING AIRLINES, S.A.

INCOME STATEMENT

For the year ended as of December 31, 2023

Expressed in thousand Euros

	Notes	2023	2022
CONTINUING OPERATIONS:			
Net turnover	**19.1**	**3,189,488**	**2,600,141**
Services rendered		3,189,488	2,600,141
Work carried out by the Company for its assets	**6**	**4,599**	**3,974**
Supplies	**19.3**	**(963,378)**	**(800,314)**
Consumption of raw materials and other supplies		(963,378)	(800,314)
Other operating income	**19.4**	**66,206**	**68,786**
Personnel expenses	**19.5**	**(377,857)**	**(354,195)**
Wages, salaries and similar		(314,369)	(296,908)
Social Security contributions		(63,488)	(57,287)
Other operating expenses	**19.6**	**(1,534,591)**	**(1,377,811)**
Outsourced services		(1,533,637)	(1,389,024)
Taxes		(1,024)	(1,031)
Loss, impairment and variation of trade provisions		70	12,244
Amortisation/depreciation of fixed assets	**6 & 7**	**(90,865)**	**(53,175)**
Results from disposals and other items		**7,114**	**677**
OPERATING PROFIT/(LOSS)		**300,716**	**88,083**
Financial income		**29,223**	**7,119**
From marketable securities and other financial instruments with third parties		27,916	5,250
Credits with Group companies	**16.1**	1,306	1,869
Financial expenses		**(69,560)**	**(50,750)**
For payables to third parties		(69,560)	(50,750)
Changes in fair value of financial instruments		**55,263**	**117,042**
Exchange rate differences	**21**	**23,142**	**(39,883)**
FINANCIAL PROFIT/(LOSS)		**38,068**	**33,528**
Profit/(loss) before tax		**338,784**	**121,611**
Corporate Income Tax	**18.3**	**(23,089)**	**9,264**
PROFIT/(LOSS) FOR THE YEAR	**4**	**315,695**	**130,875**

Notes 1 to 26 described in the accompanying notes form an integral part of the Income Statement for the year ended December 31, 2023,

VUELING AIRLINES, S.A.

STATEMENT OF CHANGES IN NET EQUITY

For the year ended as of December 31, 2023

Expressed in thousand Euros

	Notes	2023	2022
PROFIT FROM THE INCOME STATEMENT (I)		**315,695**	**130,875**
Income and expenses recognised directly in net equity:			
For cash flow hedging	**17**	(193,425)	(354,493)
Tax effect		48,356	88,623
Subsidies, donations and legacies received	**12.6**	56,901	60,948
Tax effect		(14,225)	(15,237)
Total income and expenses recognised directly in net equity: (II)		**(102,393)**	**(220,159)**
Transfers to the Income Statement:			
For cash flow hedging	**17**	63,771	343,988
Tax effect		(15,943)	(85,997)
Subsidies, donations and legacies received	**12.6**	(57,708)	(60,900)
Tax effect		14,427	15,225
Total transfers to the Income Statement (III)		**4,547**	**212,316**
Total recognised income and expenses (I+II+III)		**217,849**	**123,032**

Notes 1 to 26 described in the accompanying notes form an integral part of the Statement of Changes in Net Equity for the year ended as of December 31, 2023.

VUELING AIRLINES, S.A.

STATEMENT OF CHANGES IN NET EQUITY

For the year ended as of December 31, 2023

Expressed in thousand Euros

	Share capital	Share premium	Legal reserve	Goodwill reserve	Other reserves	Profit/loss for the previous year	Profit/loss for the year	Adjustments for changes in value	Subsidies, donations and legacies	Total
Closing balance 2021 and opening balance 2022	**29,905**	**199,185**	**5,981**	**4,240**	**75,030**	**(785,262)**	**(350,023)**	**61,388**	**569**	**(758,987)**
Distribution of the profit for 2021	-	-	-	-	-	(350,023)	350,023	-	-	-
Total recognised income and expenses	-	-	-	-	-	-	130,875	(7,879)	36	**123,032**
Opening balance 2023	**29,905**	**199,185**	**5,981**	**4,240**	**75,030**	**(1,135,285)**	**130,875**	**53,509**	**605**	**(635,955)**
Distribution of the profit for 2022	-	-	-	-	-	130,875	(130,875)	-	-	-
Total recognised income and expenses	-	-	-	-	-	-	315,695	(97,241)	(605)	**217,849**
Addition due to a business combination (Note 3.2)	-	-	-	-	76,891	(795)	-	-	-	**76,096**
Closing balance 2023	**29,905**	**199,185**	**5,981**	**4,240**	**151,921**	**(1,005,205)**	**315,695**	**(43,732)**	**-**	**(342,010)**

Notes 1 to 26 in the accompanying notes to the annual accounts form an integral part of the Statement of Changes in Net Equity for the year ended December 31, 2023.

VUELING AIRLINES, S.A.

CASH FLOW STATEMENT

For the annual period ended as of December 31, 2023

Expressed in thousand Euros

	Notes	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES (I)		**67,929**	**574,889**
Profit (loss) for the year before tax		**338,784**	**121,611**
Adjustments to profit (loss)		**141,693**	**413,805**
Amortisation/depreciation of fixed assets	6 & 7	90,865	82,669
Change in provisions	13	171,885	185,352
Profit/loss on disposals of fixed assets		(7,115)	-
Loss, impairment and variation of trade provisions		(3,154)	(25,943)
Financial income		(29,223)	(7,119)
Financial expenses		69,560	50,750
Exchange rate differences	21	(23,142)	39,883
Hedging adjustment		(110,612)	110,993
Other income and expenses		(17,371)	(22,678)
Changes in working capital		**(343,280)**	**88,043**
Trade and other receivables	9,2	(59,464)	(87,560)
Changes in inventories		(184,735)	(107,548)
Trade and other payables		(40,997)	159,826
Other current assets		(2,554)	(5,548)
Other current liabilities		(19,506)	147,303
Other non-current assets and liabilities		(36,024)	(18,430)
Other cash flows used in operating activities		**(69,269)**	**(48,570)**
Interest payments		(30,949)	(18,151)
Interest received		27,158	5,965
Income tax paid	18.2	(65,478)	(36,384)
CASH FLOWS FROM INVESTING ACTIVITIES (II)		**152,175**	**(470,268)**
Operating profit (loss)			
Payments for investments		**(262,080)**	**(185,472)**
Intangible fixed assets	6	(50,331)	(43,387)
Tangible assets	7	(211,749)	(142,085)
Proceeds from divestitures		**414,255**	**(284,796)**
Tangible assets	7	204,116	13,717
Other short-term financial assets and business combinations (Note 3.2)	9	210,139	(298,513)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES (III)		**(301,262)**	**(94,848)**
Collection and payment for financial instruments		**(301,262)**	**(94,848)**
Debts with credit institutions	8.2	(301,262)	(94,848)
EFFECT OF EXCHANGE RATE VARIATIONS (IV)	21	**(10,119)**	**(18,493)**
NET (DECREASE) OF CASH AND CASH EQUIVALENTS (I+II+III+IV)		**(91,277)**	**(8,720)**
Cash and cash equivalents at the start of the year		171,613	180,333
Cash and cash equivalents at the end of the year		80,328	171,613

Notes 1 to 26 in the accompanying notes to the annual accounts form an integral part of the Cash Flow Statement for the year ended December 31, 2023.

Vueling Airlines, S.A.

Notes to the Annual Accounts
For the year ended December 31, 2023

1. Company Activity

The Company Vueling Airlines, S.A. (hereinafter, Vueling or the Company) is a Company incorporated in Spain in 2004 in accordance with the Public Limited Companies Act, now the Capital Companies Act.

The Company's commercial activity consists of the operation and management of scheduled passenger air transport under the commercial name of Vueling.

Its registered office is located in Barcelona, at Calle de Catalunya 83 (Viladecans). The Company has branches in Italy, France, the Canary Islands, Algeria and the Netherlands, among others. The Company mainly carries on air passenger transportation activities in Spain, the European Union, and several countries outside the EU, such as the United Kingdom and certain North African countries. The Company's functional currency is the Euro.

The Company is included within the group of companies headed up by International Consolidated Airlines Group, S.A. (herein referred to as IAG), domiciled in Spain. The Consolidated Annual Accounts of IAG and the Consolidated Management Report for 2022 were prepared on February 23, 2023 and filed with the Companies Registry, along with the corresponding audit report. The Consolidated Annual Accounts and the Consolidated Management Report for 2023 will be filed in due time and form with the Companies Registry, within the legally established deadline.

2. Basis for presentation of the Annual Accounts

2.1. Financial reporting legislation framework applicable to the Company

The Directors have prepared these Annual Accounts in accordance with the financial reporting legislation framework applicable to the Company, established in:

a) The Code of Commerce and other commercial legislation.
b) The General Chart of Accounts approved by Royal Decree 1514/2007, of November 16, modified in 2021 by Royal Decree 1/2021, of January 12, as well as other commercial legislation in force and its sector adaptations.
c) The mandatory standards approved by the Institute of Accounting and Auditing in implementation of the General Chart of Accounts and its complementary standards.
d) Other applicable Spanish accounting legislation.

The figures included in the Annual Accounts are expressed in thousand Euros, unless otherwise stated.

2.2. True and fair view

The Annual Accounts have been obtained from the Company's accounting records and are presented in accordance with the financial reporting legislation framework applicable to the Company and the accounting principles and criteria contained therein, so that they give a true and fair view of the Company's net worth, financial position, results and cash flow during the year. These Annual Accounts have been prepared by the Company Directors and will be submitted to the General Shareholders' Meeting for approval. They are expected to be approved without any modifications.

The Annual Accounts for the financial year ended as of December 31, 2022 were approved by the General Shareholders' Meeting held on June 6, 2023.

2.3. Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. Furthermore, the Directors have prepared these Annual Accounts in accordance with all mandatory accounting principles and standards which have a significant effect on the Annual Accounts.

There is no mandatory accounting principle which has not been applied.

2.4. Critical aspects for measuring and estimating uncertainty

In preparing the Annual Accounts, the Company's Directors have used estimates to measure some of the assets, liabilities, income, expenses and commitments which are recorded therein. These estimations have been made based on the best information available at the close of the financial year. However, given the uncertainty inherent to these estimations, future events could arise over the coming years leading to the need for modifying them, which would be carried out prospectively. These estimates basically refer to:

- The useful life of tangible and intangible assets (see Notes 5.1 and 5.2).
- The calculation of provisions and the present value of the provisions as well as the guarantees submitted (see Notes 5.10. 9 and 13).
- The market value of certain financial instruments (see Notes 5.4.3 and 17).
- The assessment of possible losses due to the impairment of certain financial assets (see Note 5.4.1).
- Deferred tax assets (see Notes 5.8 and 18.5).

2.5. Information comparison

As explained in Note 3.2, on December 29, 2023, the boards of directors of Veloz Holdco, S.L.U. (Absorbed Company) and Vueling Airlines, S.A. (Absorbing Company) approved a reverse merger by absorption in which Vueling Airlines, S.A. absorbs Veloz Holdco, S.L.U. Accordingly, in order to give continuity to the business prevailing in the merger, the Annual Accounts at December 31, 2023 present, as comparative figures of the Balance Sheet, Income Statement, Statement of Changes in Equity, Cash Flow Statement and their accompanying notes, those corresponding to the close of the previous 12-month period ending as of December 31, 2022 of the Company Vueling Airlines, S.A.

The accounting principles and the main measurement standards used by the Company to prepare the Annual Accounts for the year are the same as those applied in the Company's Annual Accounts for the year ended December 31, 2022.

2.6. Groups of items

Certain items in the Balance Sheet. the Income Statement. the Statement of Changes in Net Equity and the Cash Flow Statement are grouped together to aid their understanding. However. material information has been broken down in the corresponding notes.

2.7. Changes in accounting criteria

There were no significant changes in accounting criteria in 2023 compared with the criteria applied in 2022 disclosed in the body of the report.

2.8. Going concern

As a result of the global emergency health situation caused by COVID-19, the financial situation of the Company was significantly affected in both 2020 and 2021. Furthermore, the drop in activity had a strong impact on the Company’s profit/loss and cash flows, incurring significant losses which, at December 31, 2023, meant that the negative net equity of the Company stood at 342 million Euros (negative net equity of 636 million Euros, respectively), as a direct result of the pandemic. However, pursuant to Royal Decree-Law 20/2022, amending Article 13 of Act 3/2020, which replaced Royal Decree-Law 16/2020, of April 28, the need to re-establish the equity balance described in Article 363 of the Capital Companies Act was delayed, accumulating these losses in the profit/loss from financial year 2024, when this capital requirement will be evaluated. At the close of 2024, the Board of Directors will assess the different alternatives for the equity rebalance, which will be presented to the shareholders for their approval.

In 2023, the Company enjoyed a very significant recovery in demand and sales levels, and there are no signs that any event will be likely to cause levels of mobility restrictions similar to those of the last few years. However, the macroeconomic environment expected during the period of analysis of the continued management principle shows a moderate probability that a recession will take place in the Eurozone which could affect the recovery of demand.

In this context, the Company has drawn up a three-year business plan, including certain assumptions and key events for the growth in income per passenger, seat kilometres and the transition to more fuel-efficient aircraft, among others, which show a gradual market recovery and operating capacity. In this regard, although these factors indicate a potential halt in the recovery of demand, the Company does not consider that these will be serious enough to affect its capacity to operate as a going concern.

Furthermore, although the Company presented a negative working balance for the amount of 275 million Euros (414 million Euros at December 31, 2022), the Company has total liquidity of 491,406 thousand Euros (774,819 thousand Euros at December 31, 2022), made up of cash, cash equivalents and remunerated deposits amounting to 451,406 thousand Euros (734,819 thousand Euros in 2022) and 40,000 thousand Euros in lines of credit that have not been drawn down (40,000 thousand Euros in 2022).

Bearing in mind the content of the previous paragraphs, the Board of Directors and the Management consider that the Company has sufficient liquidity available to continue operating in the foreseeable future, having significantly reduced the uncertainty that existed in previous years, and has thus drawn up these Annual Accounts in accordance with the going concern principle.

3. Business combination and other information

3.1. Merger with Clickair. S.A.

In 2009. the Company merged with Clickair. S.A. The transaction was structured by the Company as a takeover merger of Clickair. S.A. The main economic reasons for the merger were to obtain significant income and cost synergies.

Appendix I of the 2009 Annual Accounts includes disclosures required by Law 43/1995.

As a result of this business combination. the Company recognised goodwill and landing rights, which amounted to 10,430 thousand Euros as of December 31, 2023 (15,645 thousand Euros as of December 31, 2022) (See Notes 5.1 and 6).

3.2. Merger with Veloz Holdco, S.L.

On October 31, 2023, the boards of directors of the entities Veloz Holdco, S.L. (the Absorbed Company) and Vueling Airlines, S.A. (the Absorbing Company) drew up and adopted the draft terms of reverse merger whereby the entity Vueling Airlines, S.A. absorbs the entity Veloz Holdco, S.L. by means of the transfer of the entire assets *en bloc* of the Absorbed Company to the Absorbing Company by universal succession and the dissolution without liquidation of the Absorbed Company. The draft terms of merger were approved by the sole shareholder of Veloz Holdco, S.L. and the general shareholders meeting of Vueling Airlines, S.A. on December 29, 2023.

The reverse merger was carried out in accordance with the provisions of Book One, on the Transposition of the European Union Directive on Structural Modifications of Commercial Companies, of Royal Decree-Law 5/2023, of 28 June, without implementing a capital increase and without complementary compensation for the swap, in the terms indicated in the draft terms of merger, by means of the integration of the assets and liabilities of the entity Veloz Holdco, S.L. into the entity Vueling Airlines, S.A. and the attribution to the sole shareholder of Veloz Holdco, S.L. - International Consolidated Airlines Group, S.A. - of all the shares held by Veloz Holdco, S.L. in Vueling Airlines, S.A., i.e. 14,775,037 shares with a par value of 1 Euro.

The main objective and economic reason for the merger is to strengthen the equity of Vueling Airlines, S.A. and mitigate its equity imbalance, as well as to restructure the group of companies to which the companies participating in the merger belong in order to simplify their management and enhance synergies through the integration of their management, administration and operation, eliminating duplication, reducing costs and optimising cash flows.

The public deed of merger, executed on December 29, 2023, was filed with the Companies Registry of Barcelona on December 29, 2023.

In accordance with the regulatory financial reporting framework applicable to the Company in Spain, the merger has been carried out with accounting effects from January 1, 2023. The assets and liabilities acquired have been valued at the amount that would correspond to them, once the transaction has been completed, in the Group Consolidated Annual Accounts.

The operation described is a merger under the scope of Article 76 of the Corporate Income Tax Act 27/2014, of November 27, whereby it has been subject to the application of the tax regime established in Chapter VII, Title VII of the Corporate Income Tax Act (special regime for mergers, spin-offs, contributions of assets, exchanges of securities and change of registered office of a European Company or a European Cooperative Society from one Member State to another Member State of the European Union). As a result, Vueling Airlines, S.A. will communicate the application of said special tax regime to the Tax Authorities within the legally established period.

In accordance with the provisions of Article 86 of the Corporate Income Tax Act, the following information is included below:

a) There are no tangible or intangible fixed assets transferred for the purpose of the aforementioned merger operation.

b) Latest Balance Sheet closed by Veloz Holdco, S.L. (31/12/2022):

ASSETS	***31.12.2022***
Investments in Group companies	***246,440***
Equity instruments	*137,027*
Investments in Group and companies associates	*109,413*
NON-CURRENT ASSETS	***246,440***
Trade and other receivables	***838***
Clients, Group companies and associates	*837*
Sundry debtors	*1*
Cash and cash equivalents	***30,380***
Cash	*30,380*
CURRENT ASSETS	***31,218***
TOTAL ASSETS	***277,658***

EQUITY AND LIABILITIES	***31.12.2022***
CAPITAL AND RESERVES	
Capital	***33***
Authorised capital	*33*
Share premium	***4,406***
Reserves	***113,220***
Legal and statutory reserves	*113,220*
Other equity holder contributions	***150,124***
Previous years' losses	***(53,491)***
Loss for the year	***(797)***
SHAREHOLDERS' EQUITY	***213,495***
Long-term payables with Group companies	***23,259***
NON-CURRENT LIABILITIES	***23,259***
Short-term payables with Group companies	***40,713***
Trade creditors and other payables	***191***
Trade payable	*53*
Group company suppliers	*81*
Sundry payables	*57*
CURRENT LIABILITIES	***40,904***
TOTAL EQUITY AND LIABILITIES	***277,658***

c) All the assets acquired have been recorded in the accounting books at the same value at which they appeared in those of Veloz Holdco, S.L. prior to the operation.

d) There has been no subrogation in any tax benefit enjoyed by Veloz Holdco, S.L. in respect of which Vueling Airlines, S.A. must assume compliance with any requirement.

It should be noted that International Consolidated Airlines Group, S.A. directly owned 100% of the Absorbed Company Veloz Holdco, S.L. and indirectly held a 49.407% stake in Vueling Airlines, S.A. through Veloz Holdco, S.L. and a 50.100% stake through Iberia Opco Holding, S.L. and the company wholly owned by the latter - Iberia Líneas Aéreas de España S.A. Operadora. Following the merger, the percentage stakes in Vueling Airlines, S.A. are as follows:

Shareholder	Number of shares held by the shareholder after registration of the merger	Percentage shareholding in the share capital of the Absorbing Company resulting from the merger
International Consolidated Airlines Group	14,775,037	49.407%
Iberia LAE, Operadora	14,982,163	50.100%
Other minority shareholders	147,318	0.493%
	29,904,518	100.00%

The merger operation generated an increase in equity (merger reserves) of 76,891 thousand Euros and income in the Income Statement amounting to 745 thousand Euros (379 thousand Euros derived from the increase in equity of which the minority shareholders are the beneficiaries and 366 thousand Euros due to the recognition of deferred tax assets)

The values of the assets and liabilities of the Absorbed Company incorporated into the Absorbing Company were as follows:

(Thousand Euros)	Veloz Holdco, S.L.
Equity instruments	109,413
Cash	30,380
Collection rights	838
Trade creditors and other payables	(186)
Loans and payables with Group companies	(63,972)
Deferred Tax assets	366
	76,839
Loss for the year	(745)
Previous years' losses Veloz	797
	76,891

The profit and turnover apply to the complete financial year from January 1, 2023.

It should be noted that the items included under the heading "Loans and payables with Group companies" include an account receivable of the Absorbing Company from the Absorbed Company which are written off due to confusion as a result of the merger.

In order to give continuity to the business that prevails in the merger, the figures and financial statements included in these Annual Accounts for comparative purposes are those relating to the individual Annual Accounts of Vueling Airlines, S.A. for the year ended December 31, 2022.

4. Application of losses

The application of losses for 2022 approved by the General Shareholders' Meeting held on June 6, 2023 is as follows:

	Thousand Euros
Previous years' losses	130,875
Total	**130,875**

The proposal for the application of losses for 2023 by the Company Directors, which will be submitted for approval at the General Shareholders' Meeting, is as follows:

	Thousand Euros
Previous years' losses	315,695
Total	**315,695**

For the sole purpose of determining the existence of the grounds for dissolution provided for in Article 363.1.e) of the recast text of the Capital Companies Act, in accordance with Article 65 of Royal Decree-Law

20/2022, of December 27, that amends Article 13 of Act 3/2020, of September 18, losses for the financial years 2020 and 2021 shall not be taken into consideration for a period of three years, that is, losses for the financial years 2020 and 2021 shall not be taken into account either in the accounting years 2022 and 2023 or until the end of the financial year 2024. If the profit/loss for the financial years 2022, 2023 or 2024 record losses that reduce the net equity to less than half of the share capital, a general meeting must be called by the Directors or may be requested by any shareholder within two months of the end of the financial year, in accordance with Article 365 of the aforementioned Act, to dissolve the company, unless the capital is increased or reduced sufficiently (Note 2.8).

4.1. Limitations on the distribution of dividends

The Company is obliged to transfer 10% of the profit from the year to the legal reserve, until this reserve amounts to at least 20% of the share capital. While this reserve has not yet reached 20% of the share capital, it cannot be distributed to the shareholders. As of December 31, 2023 and 2022, the legal reserve is fully allocated (Note 12.2).

Having met the legal requirements and those of the Company Articles of Association. dividends can be charged to net profits for the year, or to unrestricted reserves, provided that the value of net equity is not lower than the share capital following such distribution. For these purposes. profits directly allocated to net equity may not be distributed either directly or indirectly. If there are losses from previous years that bring the value of the Company's share capital to below net equity, the profit will be used to offset said losses.

5. Recognition and measurement standards applied

The main accounting policies for recognition and measurement used by the Company in preparing the 2023 and 2022 Annual Accounts, in accordance with those established by the General Chart of Accounts, were as follows:

5.1. Intangible fixed assets

The intangible fixed assets are made up of goodwill and landing rights resulting from the merger with Clickair, S.A., landing rights purchased on the market and computer software.

Generally, intangible fixed assets are initially measured at their acquisition price, production cost or fair value at acquisition date if they derive from a business combination. They are subsequently measured at their cost less the corresponding accumulated amortisation and impairment losses.

Intangible fixed assets are systematically amortised following a straight-line method based on the estimated useful life of the assets and their residual value. The amortisation methods and periods applied are reviewed at the end of each year and, where applicable, are adjusted prospectively. The existence of impairment is evaluated at least at every year-end, whereby the recoverable amounts are estimated, and the applicable valuation adjustments are made.

Goodwill

Goodwill is initially valued at cost at the time of acquisition. This is the excess of the cost of the business combination regarding the fair value of the identifiable assets acquired less the liabilities assumed.

Goodwill appears in the assets when its value is clearly based on an onerous acquisition in the context of a business combination. Goodwill is assigned to each of the cash-generating units expected to receive the benefits of the business combination.

With effect as from January 1, 2016, in accordance with Royal Decree 602/2016 of December 2, 2016, goodwill is amortised applying the straight-line method over a useful life of ten years.

At least annually, the Company assesses if there are signs of impairment of cash-generating units to which goodwill has been allocated. If so, the Company tests for any possible impairment.

Specifically, under this heading the Company records the goodwill resulting from the merger by takeover of Clickair. S.A., as described in Note 3.

Computer software

The Company records the costs incurred in the acquisition and development of computer software, including the costs of developing its website. The maintenance costs of computer software are charged to the Income Statement in the year in which they are incurred.

Computer software is amortised applying the straight-line method over a period of five years.

The cost of the personnel that participate in the development of in-house software is recorded as an increase in the cost of the assets, recognising income on the Income Statement under the heading “Work carried out by the Company for its assets”.

Landing rights

Under this heading, the Company records the value of the landing rights (landing rights) resulting from the merger with Clickair. S.A. (see Note 3) as well as landing rights purchased.

In accordance with Royal Decree 602/2016 of December 2, with effective date as from January 1, 2016, these assets are amortised applying the straight-line method over a period of ten years.

Impairment of intangible fixed assets

Whenever there are indicators of impairment, the Company carries out an impairment test of affected assets. However, following the policy of the group to which the Company belongs, every year the Company estimates any possible impairment using an impairment test, which would reduce the recoverable amount of said assets to an amount lower than their carrying amount. Following this analysis, the Company has not recognised any impairment.

The recoverable amount is determined as the higher value between the fair value less the costs to sell and the value in use.

5.2. Tangible assets

Tangible assets are initially measured at the acquisition price or production cost and subsequently reduced by the corresponding accumulated depreciation and impairment losses, if applicable.

When delivered to the Company, aircraft under ownership and finance lease are itemised between spare parts to be replaced, engines and scheduled maintenance events. This cost is depreciated on a straight-line basis over the period between the delivery of the aircraft and the first scheduled maintenance event. The repair cost of these events is recorded as a higher cost of the assets and is depreciated in the period until the next scheduled event has been completed.

Repair and maintenance costs for the different elements comprising tangible fixed assets including minor aircraft maintenance activities, are charged to the Income Statement in the year incurred. In contrast, if the investment leads to an improvement in productivity, capacity or efficiency, or lengthens the useful life of assets, then the investment is capitalised as an increase in the cost of the corresponding assets.

The Company depreciates its tangible fixed assets on a straight-line basis over the estimated useful life of the assets concerned at the following rates of straight-line annual amortisation:

	Estimated years of useful life
Aircraft components (*)	3 – 23
Fleet (hull)	23
Fleet (engines)	8
Information processing equipment	5 – 7
Technical facilities	8 – 10
Furniture	8 – 10
Property	50

(*) According to the useful life of the leasing agreement

The Company's Directors have not identified any problems regarding impairment of its tangible assets at the year-end.

Impairment of tangible fixed assets

At least at the year-end, the Company assesses the existence of signs of any non-current asset or, where applicable, any cash-generating unit having suffered impairment. If there are signs of this, their recoverable amounts are estimated.

The recoverable value is determined as the higher value between fair value less costs to sell and value in use. When the carrying amount exceeds the recoverable amount, this causes an impairment loss. The value in use is the present value of the expected future cash flows. For assets that do not generate cash flows, and that are, to a large extent, independent of those derived from other assets or group of assets, the recoverable amount is determined for the cash-generating units to which the assets belong.

Value adjustments due to impairment losses and their reversal are recognised in the Income Statement. Value adjustments due to impairment are reversed when the circumstances leading to these cease to exist. The reversal of the impairment is limited by the carrying amount of the asset which would have appeared if the corresponding value impairment had not previously been recognised.

5.3. Leases

Leases are classified as finance leases whenever their conditions show that the risks and benefits inherent to the asset that is the subject matter of the contract are transferred to the lessee. Otherwise, leases are classified as operating leases.

The Company finances the purchase of certain aircraft by means of “Sale and leaseback” operations in which the aircraft is sold to a third party, a financial entity, and subsequently leases it back via operating or finance lease agreements. The profits obtained for the sale of the aircraft, when the sale price exceeds the fair value, are recognised as advance income on liabilities in the heading “Short- and long-term accruals” (Notes 15 and 8), deferring the income in the Income Statement for the duration of the aircraft's useful life which, unless stated otherwise, is the lease term of the aircraft. In the event that the fair value is equal to the sale price and the operation qualifies as an operating lease, the gain on the operation is recognised in full in profit or loss in the year in which the operation occurs in accordance with the Eighth Measurement Standard of the Spanish National Chart of Accounts.

Operating leases

The Company as lessee

The Company´s operating lease contracts and, specifically, the lease contracts for the aircraft were considered operating leases given that:

- Ownership of aircraft is not transferred at the end of the lease term.
- The lease term does not cover most of the economic life of the aircraft, estimated at 23 years.
- At the start of the lease contract, the present value of the minimum payments agreed upon for the lease does not comprise practically all the fair value of the leased asset.
- The aircraft subject to the lease are not such special assets that their use is restricted to the Company.

Expenses derived from operating lease contracts are charged to the Income Statement in the year in which they are accrued and mainly correspond to aircraft leases paid in US Dollars.

Any amounts paid upon taking out an operating lease are treated as advance payments allocated to the Income Statement over the lease term as the benefits of the leased asset are received.

Future operating lease payments mainly depend on the number of the Company’s aircraft as well as the price of the Dollar (see Note 8.1).

Finance leases

Lease contracts are classified as finance leases whenever their economic conditions show that all the risks and benefits inherent to the asset that is the subject of the contract are transferred to the lessee. Otherwise, lease contracts are classified as operating leases.

In the classification analysis of leases, the Company considers the following aspects as indicators of the transfer of the risks and benefits of the leased asset:

- The lease term covers most of the economic life of the asset.
- The present value of the minimum lease payments is similar to the fair value of the asset.
- The special characteristics of the assets lead to its use being restricted to the lessee.
- There is a purchase option which may be executed at the end of the lease period.

Assets acquired through finance leases are recognised according to their nature, at the lower value between the fair value of the asset and the present value of the minimum agreed payments calculated at the time of the purchase, including the purchase option, recording a financial liability for the same amount, Contingent instalments, the cost of services and taxes payable by the lessee are not included in the calculation of the minimum agreed payments. The payments made for the lease are allocated between financial expenditure and liability reduction. The total financial burden of the contract is transferred to the Income Statement for the year when they fall due. applying the effective interest rate method. The assets receive the same depreciation. impairment and derecognition criteria applied to other assets of the same nature.

5.4. Financial instruments

(i) Recognition and classification of 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, showing separately those designated as such upon initial recognition from those that are held for trading and those mandatorily measured at fair value through profit or loss; financial assets and financial liabilities measured at amortised cost; financial assets measured at fair value through equity, showing separately equity instruments designated as such from other financial assets; and financial assets measured at cost. The Company classifies financial assets at amortised cost and at fair value through equity, except for equity instruments designated as such, based on the business model and the contractual cash flow characteristics. The Company classifies financial liabilities as measured at amortised cost, except those designated as at fair value through profit or loss and those held for trading.

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

- It is originated, acquired, issued or assumed principally for the purpose of selling or repurchasing it in the near term;

- On initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking;

- It is a derivative, except for a financial guarantee contract or a designated hedging instrument; or

- It is an obligation held by the Company in a short position, to return the financial assets that it has borrowed.

The Company classifies a financial asset at amortised cost, even when it is traded, if it is held within a business model whose objective is to hold the investment in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

The Company classifies a financial asset as at fair value through equity when it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI).

The business model is determined by key personnel of the Company and at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Company's business model refers to how it manages its financial assets in order to generate cash flows.

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

In any case, the Company classifies equity investments in 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.

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 or when a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Company's key management personnel.

The Company classifies all other financial liabilities at amortised cost.

(ii) 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.

(iii) Financial assets and financial liabilities at fair value through profit or loss

The Company initially recognises financial assets and financial liabilities at fair value through profit or loss at fair value. Transaction costs directly attributable to the acquisition or issue are recognised as an expense when incurred.

The fair value of a financial instrument at initial recognition is normally the transaction price, unless this price includes items other than the instrument, in which case the Company determines the fair value of the latter. If the Company determines that the fair value of an instrument differs from the transaction price, it recognises the difference through profit or loss, to the extent that the value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. In all other cases, the Company recognises the difference as a gain or a loss only to the extent that it arises from a change in a factor that market participants would take into account when pricing the asset or liability.

After initial recognition, they are recognised at fair value through profit or loss. Changes in fair value include the component of interest and dividends. Fair value is not reduced by transaction costs incurred on sale or disposal.

(iv) Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are initially recognised at fair value, plus or minus transaction costs, and are subsequently measured at amortised cost using the effective interest 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.

(v) Financial assets at fair value through equity

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

After initial recognition, financial assets classified in this category are measured at fair value and any gain or loss is accounted for in recognised income and expense, except for impairment losses and foreign exchange gains and losses on debt instruments. On disposal of the financial assets, amounts recognised in equity and any impairment loss are reclassified to profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss.

(vi) Financial assets and financial liabilities carried at cost

Investments in equity instruments for which the fair value cannot be reliably measured and derivative instruments that are linked to and must be settled by delivery of such unquoted equity instruments, are measured at cost. Nonetheless, if the financial assets or liabilities can subsequently be reliably measured on an ongoing basis, they are accounted for at fair value and any gain or loss is recognised in accordance with their classification.

The Company measures investments included in this category at cost, which is equivalent to the fair value of the consideration given or received, plus or minus any directly attributable transaction costs, and net of any accumulated impairment. The initial measurement of the equity instruments also includes any pre-emptive subscription and similar rights acquired.

(vii) Investments in Group companies, associates and jointly controlled entities

Investments in Group companies, associates and jointly controlled entities are initially recognised at cost, which is equivalent to the fair value of the consideration given, including transaction costs in the case of investments in associates and jointly controlled entities, and are subsequently measured at cost net of any accumulated impairment. Nevertheless, in acquisitions of investments in Group companies that would not be classified as a business combination, transaction costs are also included in the cost of acquisition of these investments. The cost of investments in Group companies acquired before 1 January 2010 includes any transaction costs incurred.

(viii) 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, jointly controlled entities 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.

If the Company reclassifies a financial asset out of the amortised cost measurement category and into the fair value through profit or loss measurement category, it recognises any difference between the fair value and the carrying amount in profit or loss. From the reclassification date, the Company does not recognise the interest separately from the financial asset.

(IX) Interest and dividends

The Company recognises interest and dividends accrued on financial assets after their acquisition in the income statement.

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

(X) Derecognition of financial assets

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire or have been transferred and the Company has transferred substantially all the risks and rewards of ownership. Where the Company retains the contractual rights to receive cash flows, it only derecognises financial assets when it has assumed a contractual obligation to pay the cash flows to one or more recipients and the following requirements are met:

- Payment of the cash flows is conditional on their prior collection;
- The Company is unable to sell or pledge the financial asset; and
- The cash flows collected on behalf of the eventual recipients are remitted without material delay and the Company is not entitled to reinvest the cash flows. This criterion is not applicable to investments in cash or cash equivalents made by the Company during the settlement period from the collection date to the date of required remittance to the eventual recipients, provided that interest earned on such investments is passed on to the eventual recipients.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, net of transaction costs, including any new asset obtained less any new liability assumed, is recognised in profit or loss. Any amounts deferred in equity are reclassified to the income statement.
If the Company neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, it determines whether it has retained control of the financial asset. Thus:

- If the Company has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer.

- If the Company has retained control, it continues to recognise the financial asset to the extent of its continuing involvement therein and recognises an associated liability. The extent of the Company's continuing involvement in the financial asset is the extent to which it is exposed to changes in the value of the asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has recognised. The associated liability is measured in such a way that the net carrying amount of the asset and the associated liability is equal to the amortised cost of the rights and obligations retained by the Company, if the asset is measured at amortised cost, or to the fair value of the rights and obligations retained by the Company, if the asset is measured at fair value. The Company continues to recognise any income arising on the asset to the extent of its continuing involvement and recognises any expense incurred on the associated liability. Recognised changes in the fair value of the asset and the associated liability are accounted for consistently with each other in profit or loss or in equity, following the general recognition criteria described previously, and are not offset.

If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the consideration received is recognised as a liability. Transaction costs are recognised in profit or loss using the effective interest method.

(xi) 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 that event or events have an impact on the estimated future cash flows from 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.

- 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 floating-rate 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 and 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 up 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.

(XII) 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.

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.

5.4.1 Derivative financial instruments

Derivative financial instruments are initially recognised using the same criteria as those described for financial assets and financial liabilities. Derivative financial instruments that do not meet hedge accounting requirements are classified and measured as financial assets and financial liabilities at fair value through profit or loss. Derivative financial instruments that qualify for hedge accounting are initially measured at fair value, plus any transaction costs that are directly attributable to the acquisition, or less any transaction costs directly attributable to the issue of the financial instruments. Nonetheless, transaction costs are subsequently recognised in profit or loss, in as much as they do not form part of the changes in the effective value of the hedge.

The Company has arranged mainly cash flow hedges for forecast jet fuel purchases, cash flow hedges for forecast payments in foreign currencies for various items (such as fleet leases and aircraft maintenance), as well as cash flow hedges for upcoming payment schedules in aircraft lease contracts.

Hedging transactions qualify for hedge accounting when there is an economic relationship between the hedged item and the hedging instrument, the effect of credit risk does not dominate the value changes that result from that economic relationship and the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Company actually uses to hedge that quantity of hedged item. However, that designation should not reflect an imbalance between the weightings of the hedged item and the hedging instrument that would create hedge ineffectiveness, irrespective of whether recognised or not, that could result in an accounting outcome that would be inconsistent with the purpose of hedge accounting.

The Company has aligned its accounting with its financial risk management. Its risk management objectives and hedging strategy are regularly reviewed, and a description of the risk management objective pursued is drawn up.

The market price of the different derivative financial instruments is calculated as follows:

- For derivatives quoted on an organised market, on the basis of their quoted price at the reporting date (Level 1).

- For derivatives not traded on organised markets, using discounted cash flows based on market conditions at the reporting date or, in the case of non-financial items, based on the best estimate of forward price curves for those items (Levels 2 and 3).

Fair values are adjusted for the expected impact of observable counterparty credit risk in a positive valuation scenario and the Company's observable own credit risk in a negative valuation scenario.

Derivatives that are embedded within other financial instruments or host contracts are accounted for separately as derivatives only when their economic characteristics and inherent risks are not closely related to the instruments in which they are embedded and as a whole they are not recognised at fair value through profit or loss.

For recognition purposes, transactions are classified as follows:

Derivatives that qualify for hedge accounting

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

When option contracts are used to hedge forecast transactions, the Company designates only the intrinsic value of the option contract as a hedging instrument.

Amounts accumulated in equity are transferred to the income statement in the reporting period in which the hedged item affects the gain or loss, as follows:

- The gain or loss corresponding to the effective portion of interest rate swaps is recognised under finance costs at the same time as the interest expense on hedged loans.

- When a hedging instrument hedges a forecast transaction, amounts accumulated in equity remain in equity until the forecast transaction occurs. If the forecast transaction does not occur, the amount accumulated in equity is immediately reclassified to profit or loss for the period.

However, if this amount is a loss, the amount that is not expected to be recovered.
is immediately reclassified to the income statement as a reclassification adjustment.

If the hedged item subsequently gives rise to the recognition of an asset, the amount accumulated in equity is transferred and recognised within the initial cost of the asset.

Discontinuation of hedge accounting

If the hedging relationship ceases to meet the effectiveness requirements related to the hedge ratio but the risk management objective for that relationship remains the same, the Company adjusts the hedge ratio so that it continues to meet the hedging relationship criteria (rebalancing). Rebalancing refers to the adjustments made to the designated quantities of the hedged item or the hedging instrument of an existing relationship for the purpose of maintaining a hedge ratio that complies with the hedge effectiveness requirements. The Company accounts for rebalancing as a continuation of the hedging relationship. On the rebalancing date, the Company determines the ineffectiveness of the hedging relationship and recognises any ineffectiveness in profit or loss.
The Company discontinues prospectively the hedging relationship when all or part of the hedging relationship ceases to meet the qualifying criteria. This includes situations where the hedging instrument expires or is sold, terminated or exercised. For this purpose, the replacement or rollover of a hedging instrument into another hedging instrument is not an expiration or termination if such replacement or rollover is part of the Company's documented risk management strategy.

However, expiration or termination of the hedging instrument does not occur if as a result of new or prevailing laws or regulations, the Company agrees with the counterparty that a clearing house shall act as a counterparty for each part of the instrument and the changes to the instrument are limited to those required for the replacement of the counterparty. The Company recognises the effects of the replacement in the measurement of the instrument and therefore in the calculation and measurement of its effectiveness.

In cash flow hedges, the cumulative amount in recognised income and expense is not recognised in profit or loss until the forecast transaction occurs. If the transaction is no longer expected to occur, the cumulative amounts in recognised income and expense are reclassified to finance income or finance costs.

Derivatives that do not qualify for hedge accounting

Certain derivatives do not meet the criteria for the application of hedge accounting. Changes in the fair value of any derivative that does not qualify for hedge accounting are recognised immediately in profit or loss.

Commodity derivatives that are not considered as hedge accounting are recognised in results from operating activities, inasmuch as they essentially constitute an economic hedge given that the critical terms of the derivative and the related economically hedged item are aligned .

5.5. Related-party transactions

The Company considers International Consolidated Airlines Group, S.A. and all its subsidiaries as related parties (see Note 16), likewise, the Directors and Senior Management are also considered related parties.

The Company values transactions with related parties at market prices. The Directors of the Company consider that related-party transactions are valued at market prices.

5.6. Classification between current and non-current

Current assets and liabilities include those items that the Company expects to sell, pay, consume or realise during a normal operating cycle. They also include those assets and liabilities whose maturity, disposal or realisation is expected to occur within a period of one year, as well as those classified as held for trading (except long-term derivatives) and cash and cash equivalents. Other assets are classified as non-current.

5.7. Foreign currency transactions

The operational currency used by the Company is the Euro. Consequently, transactions in currencies other than the Euro are considered as denominated in foreign currencies and are recorded using market exchange rates generally accepted in the airline industry.

At year-end, monetary assets and liabilities denominated in foreign currencies are converted by applying the exchange rate applicable at that date. Any gains or losses are directly allocated to the Income Statement in the year in which they take place.

On their initial recognition, foreign currency transactions are converted at the exchange rate current on the date of the transaction,

Non-monetary items recorded at their fair value are valued at the exchange rate on their determination date, Exchange rate differences are recorded in the Income Statement, except when the change in value of the non-monetary item is recorded in net equity, in which case the corresponding exchange rate differences are also recorded in net equity.

5.8. Corporate Income Tax

The expense or income for Corporate Income Tax includes the part relating to the expense or income for current tax and the part corresponding to the expense or income for deferred tax.

The current tax is the amount paid by the Company for the settlement of Corporate Income Tax on profits relating to a financial period. Deductions and other tax benefits in the tax expense, excluding withholdings and payments on account, as well as tax losses offset against previous years and effectively applied in this year, reduce the current tax expense.

Deferred tax costs or income correspond to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that are amounts that may become payable or recoverable deriving from differences in the carrying amounts of assets and liabilities and their tax value, as well as tax losses pending to be offset and credits for non-applicable tax deductions. These amounts are recorded applying the temporary or credit difference corresponding to the tax rate at which they are expected to be recovered or settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except those derived from the initial recognition of goodwill or from other assets and liabilities in a transaction that does not affect the taxable profit or the accounting profit and is not a business combination.

Deferred tax assets are only recognised when it is considered the Company will have future tax gains against which these may be made effective.

Deferred tax assets and liabilities, originating from direct charges or payments in equity accounts, are recorded with a balancing entry in net equity.

At the end of each financial year, the deferred tax assets are reconsidered and adjusted to the extent that there are doubts as to their future recovery, Likewise, at the end of each financial year, the deferred tax assets not recognised in the Balance Sheet are evaluated with a view to recognising to what extent it is possible they will be recovered with future tax profits, Directors must make significant estimates to determine the amount of deferred tax assets that can be recorded, considering the amounts and dates when future tax profits will be obtained and the reversal period of temporary taxable differences. The Company has recorded deferred tax assets as of December 31, 2023, for 243,391 thousand Euros (217,424 thousand Euros as of December 31, 2022) corresponding to the deductible temporary differences and hedge accounting. As of December 31, 2023, the Company has offset tax losses carried forward amounting to 71,227 thousand Euros and has generated tax credits amounting to 3,731 thousand Euros (Note 18).

5.9 Income, expenses and accruals

Income and expenses are recognised according to the accounting principle of accrual, i.e. when the real flow of goods and services they represent takes place, regardless of the time when the monetary or financial flow occurs. The Company recognises income for air transport services when the corresponding flight takes place. This income is measured at the fair value of the consideration received, after deducting trade discounts and taxes.

The amount received from customers as advance payments for future flights for tickets that have been issued and paid for is recorded under the heading "Short-term accruals" under liabilities in the accompanying Balance Sheet.

Interest received on financial assets is recognised using the effective interest rate method.

“Short- and long-term accruals” also include income obtained from the Sale and Leaseback transactions performed by the Company, transferred to the Income Statement using the accrual basis over the duration of the leases for the different aircraft (see Notes 5.3 and 15).

5.10 Provisions and contingencies

When preparing the accompanying Annual Accounts, the Company's Directors differentiate between:

- Provisions: Credit balances covering current obligations arising because of past events which will probably give rise to an outflow of resources, but for which the amount and/or time has not been determined.

- Contingent liabilities: Possible obligations arising from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not within the control of the Company.

The Annual Accounts include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the Annual Accounts, although they are disclosed in the notes if they are not considered remote (see Note 13).

Provisions are measured at present value of the best estimates possible of the amount necessary to settle or transfer the obligation, bearing in mind available information about the event and its consequences, Adjustments resulting from updating the provisions are recognised in the Income Statement.

The compensation to be received from a third party on settling the obligation, provided there are no doubts that this refund will be received, is recorded as an asset, unless there is a legal obligation which externalises part of the risk, pursuant to which the Company is not liable. In this situation, the compensation is used to estimate the amount of the corresponding provision.

Provisions for scheduled aircraft maintenance

The expense derived from scheduled maintenance checks (general aircraft and engine checks) is accrued based on the flight hours/cycle and days elapsed in accordance with the clauses contained in the aircraft lease contracts and maintenance contracts,

The Company records the expense for the commitment based on flight hours/cycles and days elapsed, The amount of the provision for aircraft maintenance is calculated according to the approved maintenance schedule and based on flight hours/cycles or days elapsed, bearing in mind the time of the aircraft's use cycle, and based on the estimated cost for the next scheduled check, Changes in provisions for maintenance derived from changes in the payment amount or time structure are recorded in the Income Statement prospectively, For some of the contracts formalised between the Company and aircraft lessors, the costs of these checks are paid periodically to the lessor as a guarantee. As with the provision, the Company records the guarantees given at their present value. When the Company carries out the periodic checks and provides evidence to the lessors of the aircraft, the lessors return the guarantee amounts which the Company had previously paid in advance.

Provision for greenhouse gas emission allowances

The Company records the expense incurred for greenhouse gas emission allowances based on its fuel consumption, expressed in metric tonnes, multiplied by the conversion factor of 3.15, valuing it at the average cost.

The aforementioned provision will be settled in the following year when the allowances consumed are surrendered.

5.11 Transactions with payments in equity instruments

The Company classifies its stock option plans for Directors and employees depending on how the transaction is settled. In this regard, all the stock option plans are settled through shares of the parent company of the IAG Group, which recharges the cost to the Company. Personnel expenses are determined based on the fair value of the options to be delivered on the date of the concession agreement. Personnel expenses are recognised as services are provided in the stipulated three-year period and considering low turnover.

5.12 Capital assets of an environmental nature

Assets of an environmental nature are goods used in a lasting manner for the Company's activities, whose primary function is to minimise environmental impact and to protect and improve the environment, including reducing or eliminating future contamination.

Directive 2008/101, of November 19, 2008, amends Directive 2006/87/EC to include aviation activities in the scheme for greenhouse gas emission allowance trading within the EU as from January 1, 2012. Aircraft operators will be responsible for complying with the obligations imposed by the Directive, including the obligation to prepare a monitoring plan, submit specific information as from January 1, 2010 and monitor and report emissions generated.

The Company has complied with each and every one of the obligations imposed by the Directive.

5.13 Severance pay

Pursuant to prevailing legislation, the Company is obliged to meet its severance pay obligations to those employees it dismisses under certain conditions. Hence, the reasonable amount of severance pay is quantified and recorded as an expense in the year in which the decision for the dismissal is made and a valid expectation *vis-à-vis* third parties is created regarding this dismissal. The attached Annual Accounts do not contain any significant provision under this heading, since significant events of this nature are not expected.

5.14 Subsidies, donations and legacies

The Company uses the following criteria to account for subsidies, donations and legacies received:

- Non-refundable subsidies, donations and legacies: These are recorded at the fair value of the amount or asset granted, based on whether it is monetary or not, and are allocated to profit (loss) in proportion to the amortisation/depreciation of the subsidised items in the year or, as the case may be, at the time of their disposal or impairment adjustment.
- Refundable subsidies: While they remain refundable, they are recorded as liabilities.
- Operating subsidies: These are credited to profit (loss) at the time they are granted except if they are used for financing the operating deficit of future years, in which case they are recognised in those years. If they are granted in order to finance specific expenses, they will be recognised as the expense is accrued. Under this heading, the Company has recorded the amount of the subsidy resulting from greenhouse gas emission allowances assigned free of charge (see Note 12.6).

In addition, subsidies, donations and legacies received from shareholders or owners do not constitute income and must be directly recorded in capital and reserves, irrespective of the type of subsidy, providing it is not refundable.

5.15. Inventories

This heading includes the spare engine aircraft parts, consumables, and greenhouse gas emission allowances.

Spare engine aircraft parts and consumables are valued at acquisition cost and are de-registered when consumed.

The Company records the value of the greenhouse gas emission allowances necessary for its operations in accordance with the 2008 EU agreement whereby all flights taking off and landing in the EU will be included within the EU Emissions Trading System (EU ETS) as from January 1, 2012 (see Note 10). The Company measures greenhouse gas emission allowances using the weighted average cost method.

Whenever there are indicators of impairment, the Company performs an impairment test of affected assets.

6. Intangible fixed assets

The breakdown and movements in the different items comprising intangible fixed assets are as follows:

2023

	Cost				
Thousand Euros	**Opening balance**	**Additions**	**Disposals**	**Transfers**	**Closing balance**
Goodwill	15,419	-	-	-	15,419
Computer software	254,513	50,331	(5,247)	-	299,596
Landing rights	41,880	-	-	-	41,880
Total cost	**311,812**	**50,331**	**(5,247)**	**-**	**356,895**

	Amortisations				
Thousand Euros	**Opening balance**	**Charged**	**Disposals**	**Transfers**	**Closing balance**
Goodwill	(10,794)	(1,541)	-	-	(12,335)
Computer software	(158,227)	(37,208)	5,247	-	(190,187)
Landing rights	(27,664)	(4,188)	-	-	(31,852)
Total amortisations	**(196,685)**	**(42,937)**	**5,247**	**-**	**(234,374)**

	Total intangible fixed assets	
Thousand Euros	**Opening balance**	**Closing balance**
Cost	311,812	356,895
Amortisations	(196,685)	(234,374)
Net Total	**115,127**	**122,521**

2022

	Cost				
Thousand Euros	**Opening balance**	**Additions**	**Disposals**	**Transfers**	**Closing balance**
Goodwill	15,419	-	-	-	15,419
Computer software	226,204	43,387	(15,078)	-	254,513
Landing rights	41,880	-	-	-	41,880
Total cost	283,503	43,387	(15,078)	**-**	311,812

	Amortisations				
Thousand Euros	Opening balance	Charged	Disposals	Transfers	Closing balance
Goodwill	(9,252)	(1,541)	-	-	(10,793)
Computer software	(141,354)	(31,952)	15,078	-	(158,228)
Landing rights	(23,476)	(4,188)	-	-	(27,664)
Total amortisations	(174,082)	(37,681)	15,078	**-**	(196,685)

	Total intangible fixed assets	
Thousand Euros	Opening balance	Closing balance
Cost	283,503	311,812
Amortisations	(174,082)	(196,685)
Net Total	109,421	115,127

Computer software

The additions in 2023 mainly correspond to the cost incurred in developing computer software and the website, amounting to 50,331 thousand Euros (43,387 thousand Euros in 2022), of which a total of 4,599 thousand Euros correspond to work performed by Company personnel (3,974 thousand Euros in 2022),

Landing rights

Under the heading "Landing rights", the Company records 36,732 thousand Euros as the fair value of the traffic rights resulting from the merger with Clickair, S.A. (Notes 3 and 5.1). This heading also includes 5,147 thousand Euros corresponding to landing rights acquired from third parties in 2019.

As of December 31, 2023, the Company had intangible fixed assets that were fully amortised amounting to 97,772 thousand Euros (78,669 thousand Euros in 2022).

7. Tangible fixed assets

The breakdown and movements of the different items comprising Tangible fixed assets are as follows:

2023

	Cost				
Thousand Euros	Opening balance	Additions	Disposals	Transfers	Closing balance
Aircraft components	97,483	11,920	(6,269)	4,515	107,649
Property	199	-	-	-	199
Technical facilities	6,375	372	-	1,586	8,333
Furniture	1,498	179	(102)	20	1,595
Information processing equipment	16,760	4,112	-	-	20,872
Fleet	597,760	11,526	-	14,039	623,325
Property, plant and equipment under construction and advances	139,909	183,640	(194,921)	(28,261)	100,368
Total cost	**859,984**	**211,749**	**(201,292)**	**(8,100)**	**862,341**

	Depreciation				
Thousand Euros	Opening balance	Charged	Disposals	Transfers	Closing balance
Aircraft components	(63,203)	(13,407)	4,208	(217)	(72,618)
Property	(16)	(4)	-	-	(20)
Technical facilities	(1,220)	(822)	-	85	(1,957)
Furniture	(290)	(168)	58	-	(400)
Information processing equipment	(7,833)	(3,360)	-	-	(11,193)
Fleet	(124,443)	(30,168)	-	-	(154,611)
Total depreciation	**(197,005)**	**(47,929)**	**4,266**	**(131)**	**(240,798)**

Thousand Euros		Impairment			
	Opening balance	Additions	Disposals	Transfers	Closing balance
Aircraft components	(131)	-	-	131	-
Total impairment	**(131)**	**-**	**-**	**131**	**-**

	Total tangible fixed assets	
Thousand Euros	Opening balance	Closing balance
Cost	859,984	862,340
Depreciation	(197,136)	(240,798)
Net Total	**662,848**	**621,542**

2022

	Cost				
Thousand Euros	Opening balance	Additions	Disposals	Transfers	Closing balance
Aircraft components	86,832	12,833	(2,182)	-	97,483
Property	199	-	-	-	199
Technical facilities	5,617	1,929	(1,171)	-	6,375
Furniture	1,728	347	(577)	-	1,498
Information processing equipment	17,270	4,558	(5,068)	-	16,760
Fleet	574,190	23,570		-	597,760
Property, plant and equipment under construction and advances	54,778	98,848	(13,717)	-	139,909
Total cost	**740,614**	**142,085**	**(22,715)**	**-**	**859,984**

	Depreciation				
Thousand Euros	Opening balance	Charged	Disposals	Transfers	Closing balance
Aircraft components	(50,088)	(13,510)	2,128	(1,733)	(63,203)
Property	(12)	(4)	-	-	(16)
Technical facilities	(1,411)	(980)	1,171	-	(1,220)
Furniture	(628)	(192)	530	-	(290)
Information processing equipment	(10,051)	(2,850)	5,068	-	(7,833)
Fleet	(96,991)	(27,452)	-	-	(124,443)
Total depreciation	**(159,181)**	**(44,988)**	**8,897**	**(1,733)**	**(197,005)**

Thousand Euros	Impairment				
	Opening balance	Additions	Disposals	Transfers	Closing balance
Aircraft components	(2,874)	-	1,010	1,733	(131)
Total Impairment	**(2,874)**	**-**	**1,010**	**1,733**	**(131)**

	Total tangible fixed assets	
Thousand Euros	Opening balance	Closing balance
Cost	740,610	859,984
Depreciation	(162,055)	(197,136)
Net Total	**578,555**	**662,848**

The assets included under the heading “Aircraft” have mainly been acquired under a finance lease regime (see Note 8.2).

In 2023, there have been no additions to Property, Plant and Equipment under construction relating to prepayments of the original Airbus fleet order (49 million Euros, equivalent to 54 million US Dollars in 2022). As of December 31, 2023, 13 aircraft are pending delivery (17 aircraft as of December 31, 2022).

A total of six (6) aircraft were received in 2023, four under Sale and Leaseback operating contracts and two directly contracted in the market under operating leases (no aircraft were recorded in 2022). The purchases of the four aircraft for which Sale and Leaseback transactions took place were made in US Dollars. The payments for these aircraft were transactions hedged by exchange rate derivatives whose settlements amounting to 8,100 thousand Euros have been incorporated into the value of the aircraft.

The disposals in 2023 mainly correspond to payments for the four aircraft for which an operating Sale and Leaseback contract has been concluded. The disposals in 2022 correspond to pre-delivery payments of five aircraft that were reassigned to Iberia.

In 2023, the Company did not record a reversal of the impairment of aircraft components (1,010 thousand Euros in 2022) under the heading “Income from Disposals and Others” in the Income Statement. These reversals recorded in 2022 correspond to the net book value of six of the aircraft mentioned in the previous paragraph that have been considered necessary for operations considering the forecasts made by the Company.

The fully depreciated tangible assets as of December 31, 2023 amount to 36,140 thousand Euros (23,725 thousand Euros in 2022).

The Company's policy is to take out insurance policies to cover the net book value of tangible fixed assets.

8. Leases

8.1. Operating leases

The Company's most significant operating lease contracts correspond to aircraft operating leases.

At year-end 2023, the Company had agreements with aircraft lessors for the following minimum lease payments in US Dollars, in accordance with the agreements currently in force, without taking into account the impact of other expenses, future CPI increases or future income updates contractually agreed:

Thousand US Dollars	**2023**	**2022**
Less than one year	287,592	285,255
Between one and five years	640,428	672,290
More than five years	193,127	144,076
Total	**1,121,147**	**1,101,621**

The exchange value in Euros of the committed payments as of December 31, 2023, at the year-end exchange rate, is 1,015,624 thousand Euros (1,029,069 thousand Euros as of December 31, 2022),

As of December 31, 2023, the Company had three formalised operating lease contracts for aircraft entering operation in 2024 (no aircraft were scheduled to enter into operation in 2023 at the end of 2022). The minimum lease payments for these contracts are 39,888 thousand US Dollars.

The aircraft operating lease expense recorded in 2023 amounts to 257,687 thousand Euros (259,215 thousand Euros in 2022).

The average number of aircraft available in 2023 was 124 (with an average of 124 aircraft in 2022). As of December 31, 2023, the Company has 110 leased aircraft (108 aircraft as of December 31, 2022).

8.2. Finance leases

The net book value of the aircraft acquired under finance leases as of December 31 is as follows (see Note 7):

Thousand Euros	2023	2022
Cost	564,134	556,398
Depreciation	(144,845)	(117,629)
Total	**419,289**	**438,769**

The amount for which the finance lease assets were initially recognised was the present value of the minimum payments to be made upon signing the corresponding contract.

The reconciliation between the total amount of the minimum future payments and their present value as of December 31 is as follows:

Thousand Euros	2023		2022	
	Minimum future payments	**Present value (Note 14.1)**	**Minimum future payments**	**Present value (Note 14.1)**
Less than one year	53,717	42,610	50,233	40,769
Between one and five years	209,386	191,167	230,199	199,598
More than five years	213,197	202,183	254,298	237,934
Total	**476,300**	**435,960**	**534,730**	**478,301**

The finance lease contracts have the following features:

- The lease terms are for 10 years and end between 2025 and 2030.
- The interest rate is EURIBOR + spread between 0.3% and 1.10%.
- The conservation and maintenance costs are paid for by the lessee.
- The finance lease contracts signed by the Company are formalised in Euros, US Dollars and Japanese Yen.
- The amount of the purchase option is the equivalent to the last instalment of the finance lease contract plus the interest accrued to date by said option. The value of these purchase options ranges between 8 million Euros and 13 million Euros at the year-end exchange rate. There are no contingent instalments.

9. Financial investments

9.1. Long-term financial investments

The breakdown of long-term financial investments as of December 31, 2022 and 2021 is as follows:

Thousand Euros	2023	2022
Loans, deposits and other receivables	139,051	129,826
Derivatives (Note 17)	5,761	5,354
Total	**144,812**	**135,180**

Investments in Group companies and associates have been included under the heading "Long-term financial investments", The maturity breakdown of this heading is as follows:

2023

Thousand Euros	2025	2026	2027	2028	2029 and subsequent years	Total
Loans, deposits and other receivables	13,444	35,734	44,534	33,485	11,854	**139,051**
Derivatives	4,936	825	-	-	-	**5,761**
Total	**18,380**	**36,559**	**44,534**	**33,485**	**11,854**	**144,812**

2022

Thousand Euros	2024	2025	2026	2027	2028 and subsequent years	Total
Loans, deposits and other receivables	92,331	29,804	4,575	2,005	1,111	**129,826**
Derivatives	4,503	579	272	-	-	**5,354**
Total	**96,834**	**30,383**	**4,847**	**2,005**	**1,111**	**135,180**

"Loans, deposits and other receivables" includes:

- Guarantees to the lessors of the aircraft attributable to the payments on account made as part of the Aircraft Maintenance Programme and to the future compensation with aircraft lessors amounting to 132,856 thousand Euro (101,098 thousand Euro in 2022). The deposits paid to the lessors of aircraft are guarantees for the payments of the maintenance to be performed on the aircraft operated, for which the Company is making the corresponding provision which is shown as part of the non-current liabilities (see Note 13.1) and will be recovered once the Company has carried out said maintenance and provided certification that it has taken place to the lessor.

- Payments to guarantee payment of aircraft leases amounting to 3,680 thousand Euro (2,104 thousand Euros in 2022).

- Loans received amounting to 0 thousand Euros (806 thousand Euros in 2022).

- Investments in Group companies amounting to 701 thousand Euros.

- Security deposits given to airports and other suppliers amounting to 1,814 thousand Euros (2,201 thousand Euros in 2022).

- As of December 31, 2022, the Company had two loans under "Long-term financial investments" in the amount of 12,500 thousand Euros and 10,000 thousand Euros granted to its shareholder Veloz Holdco, S.L.U. in 2019 and 2020, respectively. These loans have been cancelled as a result of the reverse merger between the Company and Veloz (see Note 3.2).

9.2. Short-term financial investments

A breakdown of the financial investments as of December 31, 2023 and 2022 is as follows:

	Debt securities		Loans, derivatives and others		Total	
Thousand Euros	2023	2022	2023	2022	2023	2022
Trade receivables for sales and services rendered	-	-	225,166	178,785	225,166	178,785
Trade receivables, Group companies and associates	-	-	18,846	4,840	18,846	4,840
Investments in Group companies and associates	-	-	114,420	40,713	114,420	40,713
Short-term financial investments	374,231	564,681	8,075	3,439	382,306	568,112
Short-term derivatives			14,253	63,551	14,253	63,551
Total	**374,231**	**564,681**	**380,760**	**291,320**	**754,991**	**856,001**

The heading " Short-term financial investments " corresponds to fixed-term deposits with a maturity of more than three months deposited with banks, which provide a return on available cash surpluses, the amount of which does not differ significantly from their fair value, As of December 31, 2023, the Company had "Held-to-maturity investments" amounting to 100,000 thousand Euros (as of December 31, 2022 there was no balance under the heading "Held-to-maturity investments").

"Short-term deposits" relate to deposits in money market investment funds totalling 274,231 thousand Euros (564,681 thousand Euros as of December 31, 2022). These deposits are subject to the market interest rate.

The heading ‘’Loans, guarantees and receivables’’ corresponds to the following items:

- The heading "Loans, guarantees and receivables" includes advances given to aircraft lessors corresponding to amounts given on account of the maintenance programme of leased aircraft and future amounts to be offset by aircraft lessors totalling 8,075 thousand Euros (3,424 thousand Euros as of December 31, 2022), which are expected to be recovered in a period of less than 12 months.

- Also included under this heading are amounts receivable from customers and Group companies of 244,012 thousand Euros (224,345 thousand Euros as of December 31, 2022).

- At year-end 2023, the heading "Investments in Group companies and associates" includes a loan of 109,000 thousand Euros that Veloz formalised with ICAG in 2019, maturing on December 20, 2024, with an annual interest rate of 1.20%. This loan has been included in the Balance Sheet as a result of the reverse merger explained in Note 3.2. In 2022, this heading included a loan of 40,000 thousand Euros granted by the Company to Veloz Holdco, S.L.U. in 2018 which, at December 31, 2023 has been neutralised as a result of the reverse merger between the Company and Veloz (see Note 3.2).

- At year-end 2023, the heading "Investments in Group companies and associates" includes amounts receivable by Veloz from International Consolidated Airlines Group, S.A. in respect of Corporate Income Tax.

9.3. Information on the nature and level of risk of the financial instruments

The Company's financial risk is managed by the Financial Department and the Board of Directors, which have established the mechanisms necessary to control exposure to changes in exchange rates, interest rates and fuel prices, as well as credit and liquidity risks. The main financial risks which the Company is exposed to are indicated below:

Credit risk

The credit risk is generated by the possible loss caused by the breach of the contractual obligations of the Company's counterparties, that is, by the possibility of not recovering the financial assets for the amount recognised and within the established term.

Except for the guarantees to aircraft lessors and investments in banking entities of recognised solvency, the Company does not have a significant credit risk given the low concentration of its accounts receivable and the high volume of on-line sales, sales to retail customers made in cash or by credit card. Payment for sales to travel agencies is partially collected at the time of booking and the rest before the flight date.

Direct sales to passengers are made through credit cards and other means of payment: Sales through travel agencies are also made through IATA’s (International Air Transport Association) BSP (Billing Settlement Plan) or by credit card and other means of alternative payment. As of December 31, 2023 and 2022, there are no significant balances overdue more than 180 days.

The Company's Directors consider that there is no significant credit risk related to the accounts receivable as of December 31, 2023 and 2022.

The Company´s and the sector standard practice is to collect payment for tickets before the flight takes place.

As regards derivative financial instruments and bank deposits, the counterparties are to a large extent Spanish financial institutions with a high credit rating and, as a result, the risk of insolvency is considered unlikely.

Liquidity risk

Liquidity risk is caused by the possibility that the Company does not have cash funds, or access to them, in sufficient amounts and at an adequate cost, to address its payment obligations.

The Company carries out prudent management of liquidity risks based on holding sufficient cash, short-term financial investments and marketable securities, the availability of committed credit financing and sufficient capacity to liquidate market positions.

In order to meet the cash requirements derived from COVID-19, on April 30, 2020, the Company signed an ICO-guaranteed syndicated loan for an amount of 262,000 thousand Euros with a grace period of three years (Note 14). This loan was fully repaid in 2023.

Market risk

Market risk is caused by the possible loss caused by changes in the fair value or in the future cash flows of financial instruments due to changes in market prices. Market risk includes interest rate, exchange rate and fuel price risks. The Company's income is mainly in Euros, but a significant proportion of the operating expenses are incurred in US Dollars or are linked to the US Dollar Exchange Rate.

The Company is exposed to price risks from jet fuel. The Company has contracted derivative instruments to hedge the risk of future price fluctuations. The price risk management policy consists of hedging a specific percentage of jet fuel - the fuel used by aircraft (see Note 17).

The Company is exposed to exchange-rate risks for currency transactions. mainly in US Dollars. Exchange-rate risk arises from commercial transactions. such as the purchase of fuel or the costs associated with aircraft operating leases. In order to control the exchange-rate risk which arises from commercial transactions denominated in US Dollars. the Company uses currency forward contracts. The Company's Financial Department is responsible for managing the net position in US Dollars using derivative financial instruments. The Company's policy for managing exchange-rate risk is based on hedging a defined percentage of the currency needs for purchasing fuel, aircraft lease payments and operating payments in US Dollars. Through budget management, the Company is able to determine the dates of future payments in US Dollars with a high degree of accuracy. Therefore. almost all the planned payments in US dollars are classified as firm commitments or highly probable forecast transactions for the purpose of hedge accounting.

The Company holds assets with short-term returns invested in deposits with a yield in accordance with financial markets. Income and cash flows from the Company's ordinary activities are mostly independent of variations in market interest rates.

The Directors ratify the main decisions regarding the Company's hedging policies.

10. Inventories

The breakdown and movement of the items comprising inventories are as follows:

2023

Thousand Euros	Opening Balance	Additions	Disposals	Closing Balance
Spare aircraft engine parts	33,878	70,603	(33,082)	71,399
Greenhouse gas emission allowances	146,554	198,210	(126,990)	217,774
Consumables	8,974	7,769	(2,040)	14,703
Total cost	**189,406**	**276,582**	**(162,112)**	**303,876**

2022

Thousand Euros	Opening Balance	Additions	Disposals	Closing Balance
Spare aircraft engine parts	11,585	33,607	(11,314)	33,878
Greenhouse gas emission allowances	38,461	139,768	(31,675)	146,554
Consumables	2,587	6,387	-	8,974
Total cost	**52,633**	**179,762**	**(42,989)**	**189,406**

The additions of the purchases of "Greenhouse gas emission allowances" are recorded at their purchase price, while those received free of charge are recorded at the market price listed on the first business day of the year in which they have been allocated.

In 2023, the Company received 684,056 thousand free allowances (703,726 thousand allowances in 2022), with a value of 56,725 thousand Euros (58,784 thousand Euros in 2022).

In 2023, the Company has purchased 1,901.5 thousand rights with a value of 141,485 thousand Euros (1,248 thousand rights with a value of 78,868 thousand Euros in 2022). The Company did not sell rights during the financial year 2022.

The inventories recorded as of December 31, 2023, are measured at the average cost of purchase, which does not exceed their market value.

11. Cash and cash equivalents

The heading "Cash and cash equivalents" records all cash deposited in sight current accounts together with the sight bank deposits which are convertible into cash and which have no restrictions, and which have a maturity of less than three months when acquired. The total amount recorded under this heading as of December 31, 2023 stood at 80,328 thousand Euros (171,613 thousand Euros as of December 31, 2022). Current accounts accrue the market interest rate for this type of account.

As of December 31, 2023 and 2022, Vueling has a pledged account of 556 thousand Dollars with Deutsche Bank to cover the risk of the guarantees given to the aircraft lessors.

As of December 31, 2023, the Company has an available cash position of 451,406 thousand Euros, made up of cash and cash equivalents, held-to-maturity investments and short-term deposits (734,819 thousand Euros as of December 31, 2022), as set out in Note 9.2. In addition, the Company has undrawn credit lines at year-end 2022 and 2023 totalling 40,000 thousand Euros (Note 14.1) which increase the available cash position.

12. Net equity

12.1. Share capital

At the end of 2023 and 2022, the Company's share capital stood at 29,904,518 Euros, represented by 29,904,518 shares, each with a par value of 1 Euro, all of the same class and fully subscribed and paid up.

According to the information available to the Company, as of December 31, the shareholders who have a stake of greater than 10% of the Share Capital are as follows. For the purposes of comparing the two years, the shareholding of International Consolidated Airlines, S.A. in the Company is shown for 2022 as if it were direct, while in 2022 this shareholding was indirect through the company Veloz Holdco, S.L.U., which was absorbed by the Company in the merger operation described in note 3.2.

Shareholder (Note 1)	2023	2022
IBERIA, Líneas Aéreas de España, S.A. Operadora	50.1%	50.1%
International Consolidated Airlines Group, S.A. (*)	49.40%	49.40%

(*) in 2022 Veloz Holdco, S.L.U (Note 3.2)

Both Company shareholders belong to the IAG Group.

The loans that the Company had granted to Veloz Holdco. S.L.U. have been neutralised following the reverse merger between these two companies (see Note 3.2).

In addition, as mentioned in Note 9.2, the Company (formerly Veloz Holdco, S.L.U.) has a loan with International Consolidated Airlines Group, S.A. amounting to 109 million Euros.

12.2. Legal reserve

In compliance with the Capital Companies Act. 10% of the profit for the year of public limited companies must be allocated to the legal reserve until said reserve reaches at least 20% of the share capital. The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Except as mentioned above, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses. In the event that insufficient other reserves are available for this purpose.

As of December 31, 2023 and 2022, the legal reserve is fully allocated.

12.3. Goodwill reserve

This reserve was set up in previous years in accordance with Section 4 of Article 273 of the Capital Companies Act (repealed with effect as from 1 January 2016) which established that a proportion of the profit representing at least 5% of the goodwill recorded in the Balance Sheet must be allocated to this goodwill reserve (Note 6). If there is no profit, or the profit is insufficient, freely-available reserves will be used. The goodwill reserve was considered unavailable while the assets were recorded in the Balance Sheet of the Company.

This reserve is unavailable and, in accordance with the Sole Transitional Provision of Royal Decree 602/2016, of December 2, as from January 1, 2016, the amount that exceeds the carrying amount of the goodwill recorded in the assets of the Balance Sheet must be reclassified to voluntary reserves and will be considered available.

The Company recorded this reserve in the heading “Other reserves” amounting to 4,240 thousand Euros in 2023 and 2022.

12.4. Share premium and limits on the payment of dividends

As a result of the merger with Clickair, S.A. in 2009 (see Note 3), together with the capital increase, the share premium was increased by 65,640 thousand Euros, resulting in the share premium rising to 199,185 thousand Euros. As of December 31, 2023, this reserve is freely available in its totality (the same situation as of December 31, 2022), except if, as a result of the distribution of dividends, the net equity is less than the share capital.

12.5. Information regarding the right of separation of the shareholder due to lack of distribution of dividends (Article 348 *bis* of the revised text of the Capital Companies Act)

In 2023 and 2022, and due to the losses caused by the Covid-19 crisis, the Company has not distributed dividends.

12.6. Subsidies

The information on the subsidies received by the Company, which are included in the net equity, as well as the resulting profits (losses) allocated to the Income Statement, is as follows:

2023

Thousand Euros	**Scope**	**Opening Balance**	**Additions**	**Transfer to profit and loss**	**Closing Balance**
Greenhouse gas emission allowances (Note 10)	European	-	42,676	(42,676)	-
Airbus (Note 5.14)	Private	162	-	(162)	-
Others	Private	443	-	(443)	-
Total		**605**	**42,676**	**(43,281)**	**-**

2022

Thousand Euros	**Scope**	**Opening Balance**	**Additions**	**Transfer to profit and loss**	**Closing Balance**
Greenhouse gas emission allowances (Note 10)	European	-	45,675	(45,675)	-
Airbus (Note 5,14)	Private	162	-	-	162
Others	Private	407	36	-	443
Total		**569**	**45,711**	**(45,675)**	**605**

As of December 31, 2023 and 2022, the Company had met all the requirements necessary to receive and use the aforementioned subsidies. The amounts of the additions and transfers to profit and loss are net of their tax effect. Additions include a tax effect for 14,225 thousand Euros (15,237 thousand Euros in 2022) and transfers to profit and loss include 14,427 thousand Euros of tax effect (15,225 thousand Euros in 2022).

12.7. Law governing dissolution due to losses

Article 363.1.e) of the Capital Companies Act establishes that a company must be dissolved "due to losses that reduce the net assets to an amount less than half of the share capital, unless the latter is increased or reduced to a sufficient extent, and provided that it is not appropriate to request a declaration of insolvency".

As regards 2022 and 2023, and by virtue of Article 65 of Royal Decree 20/2022, of December 27, which extends certain economic measures to support the recovery:

The exceptional measure provided for in Article 13 of Law 3/2020, of September 18, is hereby extended until 2024.

For the sole purpose of determining the grounds of the cause for dissolution provided for in Article 363 1.e) of the recast text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010, of July 2, the losses for 2020 and 2021 shall not be taken into consideration for a period of three financial years; in other words, the losses of 2020 and 2021 will not be included in the accounting years of 2022 and 2023 or until the close of 2024. If the result for 2022, 2023 or 2024 shows losses that reduce the net assets to less than half of the share capital, a general meeting must be called by the Directors or may be requested by any shareholder within two months of the end of the financial year, in accordance with Article 365 of the aforementioned Act, to dissolve the company, unless the capital is increased or sufficiently reduced (Note 2.8).

The provisions of the preceding paragraph are without prejudice to the duty to apply for a declaration of insolvency in accordance with the provisions of this Law.

13. Provisions and contingencies

13.1. Provisions

The breakdown of provisions in 2023 and 2022 is as follows:

Thousand Euros	**Long-term**	**Short-term**	**Total**
2023			
Provisions for scheduled aircraft maintenance	757,348	148,262	905,610
Provisions for greenhouse gas emission allowances	-	168,499	168,499
Provisions for aircraft rentals	-	-	-
Provisions for passenger claims	-	26,938	26,938
Other provisions	-	365	365
Total	**757,348**	**344,064**	**1,101,412**
2022			
Provisions for scheduled aircraft maintenance	597,406	276,511	873,917
Provisions for greenhouse gas emission allowances	-	130,144	130,144
Provisions for aircraft rentals	-	1,945	1,945
Other provisions	-	1,721	1,721
Total	**597,406**	**410,321**	**1,007,727**

The movements are as follows:

2023

Thousand Euros	Opening balance	Additions	Disposals	Reversals	Closing balance
Provisions for scheduled aircraft maintenance	873,917	154,111	(122,418)	-	905,610
Provisions for greenhouse gas emission allowances	130,144	165,345	(126,990)	-	168,499
Provisions for aircraft rentals	1,945	-	(1,945)	-	-
Provisions for passenger claims	-	26,938	-	-	26,938
Other provisions	1,721	-	(1,356)	-	365
Total	**1,007,727**	**346,394**	**(252,709)**	**-**	**1,101,412**

2022

Thousand Euros	Opening balance	Additions	Disposals	Reversals	Closing balance
Provisions for scheduled aircraft maintenance	697,173	215,603	(38,854)	-	873,922
Provisions for greenhouse gas emission allowances	33,323	128,496	(31,675)	-	130,144
Provisions for aircraft rentals	18,570	-	(7,454)	(9,176)	1,940
Other provisions	2,622	-	(901)	-	1,721
Total	**751,688**	**344,099**	**(78,884)**	**(9,176)**	**1,007,727**

Provisions for scheduled aircraft maintenance

This heading includes the provision to cover future aircraft checks, as part of the scheduled maintenance, to be performed before the aircraft are returned as provided for in the lease contracts (see Note 5.10).

To calculate this provision, the Company differentiates between maintenance which must be carried out over the lease life of the aircraft and maintenance which must be carried out on a date subsequent to the termination of the lease. In the first case, the Company makes the provision based on historical prices and those established in the maintenance agreements and based on the prices established in the aircraft lease contract in the second case. In both cases, the Company considers the hours/cycles and months of operation of each aircraft.

Allowances for the year have been charged to the Income Statement under the heading "Other operating expenses - aircraft maintenance" (see Note 19.6) and correspond to the hours/cycles and months of operation of the aircraft based on the contract price applicable in each case. The Company also records line maintenance expense for which no provision is recognised under the same heading.

The gross allowances in 2023, excluding the effect of foreign exchange rate changes and the financial discount, relating to "Provisions for scheduled maintenance" amounted to 167,840 thousand Euros, while in 2022 they amounted to 147,875 thousand Euros. The following factors should be taken into consideration:

- The aircraft maintenance costs have a negative effect of 9.4% on price in 2023 compared with 2022.
- The average fleet in 2022 and 2023 comprises 124 aircraft.
- Applications for 2023 correspond to the cost of the checks performed, as well as the amounts attributable to the aircraft returned during the year.

Provision for greenhouse gas emission allowances

The Company records a provision for greenhouse gas emission allowances. Said provision is determined based on metric tonnes of carbon dioxide emitted, which are determined based on monthly fuel consumption, multiplied by the weighted average cost at the end of each month.

The Company makes provisions for the consumption of greenhouse gas emission allowances until their subsequent settlement in April next year (see Note 5.10).

Provision for aircraft rental payments

In 2020, the Company recorded a provision to meet the contractual obligations for rent of 65,124 thousand Euros under the heading “Income from disposals and others” in the Income Statement. This provision corresponded to the committed rentals for 14 leased aircraft which, due to the COVID-19 pandemic, were not expected to be used before the date of return to the lessor.

In 2021, the Company recorded a provision to meet contractual rental obligations for 21,484 thousand Euros under the heading “Income from disposals and others” in the Income Statement. This reversal corresponds to the rental of four of the aircraft mentioned in the previous paragraph that were considered necessary in the operation considering the latest forecasts made by the Company.

In 2022, the Company recorded a reversal of the provision amounting to 9,176 thousand Euros under the heading “Income from disposals and others” in the Income Statement. This reversal corresponds to the rental of six of the aircraft mentioned in the previous paragraph that were considered necessary for operations considering the latest forecasts made by the Company.

In 2023, the Company did not record any reversals of provisions under the heading “Income from disposals and other” in the Income Statement. At year-end, there are no longer any contractual obligations for rentals provided for any aircraft.

Provisions for passenger claims

This heading includes provisions for passenger claims arising from flight disruptions in accordance with Regulation (EC) No. 261/2004 of the European Parliament and of the Council of February 11, 2004, establishing rules on compensation and assistance to passengers in the event of denied boarding and of cancellation or delay of flights.

Other provisions

This heading includes the amounts which the Company estimates will have to be paid due to the resolution of certain legal disputes for which no final legal ruling has been issued, as well as other provisions. The Company's Directors estimate that the outcome of the aforementioned disputes will not lead to additional liabilities for the Company other than those for which a provision has been allocated in the accompanying Balance Sheet.

13.2. Contingencies

In 2023, the Company received requests for information from the Spanish Ministry of Social Rights, Consumer Affairs and Agenda (hereinafter, the Ministry of Consumer Affairs) in relation to its commercial hand luggage policy, which the Company complied with in due time and form. On January 12, 2024, the Ministry of Consumer Affairs sent the Company a statement of objections stating that the Company's commercial hand luggage policy affects the rights of consumers in accordance with Article 47.1 of Royal Legislative Decree 1/2007, of November 16, which approves the revised text of the General Law for the Defence of Consumers and Users and other complementary laws. While the statement of objections sets out the basis for sanctioning the Company for such infringements, it also states that the basis for determining such sanctions is subject to information to be provided by the Company. Accordingly, at the date of preparation of these financial statements, it is not possible to reliably estimate any exposure that may arise from these disciplinary proceedings until the ongoing proceedings with the Ministry of Consumer Affairs have progressed. The Company, in conjunction with its advisors, has analysed and studied the Ministry of Consumer Affairs' statement of objections and considers that it has a strong case to support its commercial policy on cabin luggage and does not consider it probable or likely that an adverse outcome will occur in the future. Therefore, the Company does not consider it appropriate to record any provision for this item.

14. Liabilities

14.1. Financial liabilities

The breakdown of the financial liabilities as of December 31, 2023 and 2022 is as follows:

Thousand Euros	2023	2022
Long-term financial liabilities		
Payables to credit institutions	-	220,381
Hedging derivatives (Note 17)	14,276	11,033
Financial lease payables (Note 8.2)	393,351	437,532
Long-term payables with related parties	345	-
Other long-term liabilities	-	164
Total	**407,972**	**669,110**
Short-term financial liabilities		
Payables to credit institutions	-	39,322
Hedging derivatives (Note 17)	42,676	84,911
Financial lease payables (Note 8,2)	42,610	40,769
Other short-term liabilities	350	309
Trade payables	327,406	354,489
Group company suppliers (Note 16)	175,311	145,758
Sundry payables	198,631	210,357
Personnel (remuneration payable)	53,158	57,034
Total	**840,142**	**932,949**
Total financial liabilities	**1,247,769**	**1,602,059**

In 2020 and in order to address the crisis caused by the COVID-19 pandemic, the Company obtained syndicated loans guaranteed by the Spanish Government (ICO) for an amount of 262,000 thousand Euros with a grace period of three years, In 2021, due to the uncertainty generated by the COVID-19 pandemic, the Company decided to extend the loan repayment periods as follows: 39,300 thousand Euros on April 30, 2023; 52,400 thousand Euros on April 30, 2024; 65,500 thousand Euros on April 30, 2025 and 104,800 thousand Euros on April 30, 2026, The loan was subject to a market interest rate of 3.135%. In 2023, the Company paid off this loan in full.

At the close of 2022 and 2023, the Company had an unused credit policy granted by the financial institution BBVA for a value of 40,000 thousand Euros.

14.2. Information on average payment period to suppliers

The information related to the average payment period to suppliers, expressed in days, is as follows:

	2023	2022
	Days	
Average payment period to suppliers	27	29
Ratio of operations paid	27	29
Outstanding ratio of payment operations	24	13
	Amount (thousand Euros)	
Total payments made	3,576,437	2,571,819
Total payments outstanding	20,909	59,787
Total number of invoices paid	54,918	58,028

The information regarding invoices paid in a period less than the maximum limit established of 60 days, expressed in days, is as follows:

	2023	2022
Amount paid	3,453,029	2,414,140
Percentage of total payments to suppliers	97%	94%
Number of invoices paid	46,992	49,128
Percentage of the total number of invoices paid	86%	85%

15. Deferred income/accruals

A breakdown of the long- and short-term accruals as of December 31, 2023 and 2022 is as follows:

Thousand Euros	2023	2022
Long-term accruals:		
Income from fleet transactions	30,534	46,306
Total	**30,534**	**46,306**
Short-term accruals:		
Advance sales	300,488	319,905
Income from fleet transactions	14,497	14,828
Total	**314,985**	**334,733**
Total accruals	**345,519**	**381,039**

Advance sales are mainly due to the amount received from clients for tickets related to future flights already issued and paid. These amounts remain as short-term accruals until the flight takes place,

Deferred income from fleet operations includes the profit obtained from "Sale and Leaseback" transactions explained in Notes 5.3 and 8. As of December 31, 2023, the deferred amount recorded in the Balance Sheet for these transactions amounted to 45,031 thousand Euros, related to 43 aircraft (61,135 thousand Euros relating to 43 aircraft as of December 31, 2022). In 2023, the deferred amounts included in the Income Statement recorded as a reduction in the rental cost totalled 16,103 thousand Euros (15,718 thousand Euros in 2022).

16. Transactions and balances with Group companies

The breakdown of transactions with Group companies in 2023 and 2022 is as follows:

2023

Thousand Euros	Services provided	Services received
IBERIA, Líneas Aéreas de España, S.A. Operadora	-	280,860
International Consolidated Airlines Group, S.A.	-	5,419
British Airways, Ltd.	-	9,184
Avios Group (AGL), Ltd.	-	(1,208)
IAG GBS, Ltd	-	5,602
Aer Lingus, Ltd.	-	-
Yellow Handling	-	4,672
Total	**-**	**304,529**

2022

Thousand Euros	Services provided	Services received
IBERIA, Líneas Aéreas de España, S.A. Operadora	-	224,174
International Consolidated Airlines Group, S.A.	-	5,041
British Airways, Ltd.	-	6,288
Avios Group (AGL), Ltd.	-	1,191
IAG GBS, Ltd	-	4,958
Aer Lingus, Ltd.	-	4,539
Yellow Handling	-	3,768
Total	**-**	**249,959**

The volume of sales made through the distribution channels of some of its related companies as of December 31, 2023 and 2022, is set out below:

Thousand Euros	2023	2022
IBERIA, Líneas Aéreas de España. S.A. Operadora	75,413	125,512
British Airways, Plc	35,649	37,337
Total	**111,062**	**162,849**

The services received by Group companies mainly correspond to maintenance tasks for the fleet of aircraft performed and ground support services received, based on the contracts formalised, for amounts of 135,126 and 154,889 thousand Euros, respectively (134,984 and 95,455 thousand Euros, respectively, in 2022).

The related-party balances shown in the Balance Sheet as of December 31, 2023 and 2022 are as follows:

2023

Thousand Euros	Balances receivable	Balances payable
IBERIA, Líneas Aéreas de España. S.A. Operadora	12,067	61,049
International Consolidated Airlines Group, S.A.	115,103	109,355
Aer Lingus, Ltd.	-	-
IAG GBS, Limited	-	(113)
British Airways, Plc	2,281	3,006
Fly Level, S.L.	2,372	-
Yellow Handling, S.L.U.	999	1,527
Avios Group (AGL), Limited	1,145	832
Total	**133,967**	**175,656**

2022

Thousand Euros	Balances receivable	Balances payable
IBERIA, Líneas Aéreas de España, S.A. Operadora	2,669	50,769
International Consolidated Airlines Group, S.A.	-	93,482
IAG GBS, Ltd	-	(1,820)
British Airways, Plc	42	2,288
Fly Level, S.L.	906	(96)
Veloz Holdco. S.L.U.	63,940	-
Yellow Handling, S.L.U.	295	192
Avios Group (AGL), Limited	904	943
Total	**68,756**	**145,758**

As of December 31, 2023, the Company has an account payable with Iberia Líneas Aéreas de España. S.A. Operadora of 61,049 thousand Euros (50,769 thousand Euros in 2022).

The commercial, contractual and/or corporate relationships existing between Iberia and the Company correspond to the shared code agreement, the aircraft maintenance service agreement and the ground handling agreement.

The Company carries out all operations with related parties at market price. The Company's Directors consider that there are no significant risks related to this aspect which may result in material liabilities in the future.

As mentioned in Note 9.2, the Company granted a loan to the parent company International Consolidated Airlines Group, S.A. for 109,000 thousand Euros. As a result of this loan, the Company has recorded financial income from accrued interest of 1,308 thousand Euros during 2023. No amount was recorded for this loan in 2022 as the loan has been integrated into the Company due to the reverse merger with Veloz Holco, S.L.U. in 2023.

17. Derivative financial instruments

The Company uses derivative financial instruments on the over-the-counter market with national and international financial institutions with a high credit rating.

These instruments are used to reduce the impact of future cash flows of the Company due to jet fuel purchases in the event of an unfavourable price situation (in US Dollars), as well as to reduce the impact on the Company's future cash flow derived from US Dollar payments (fuel purchases, aircraft lease payments and the corresponding insurance policies, etc.) as a result of an unfavourable trend in the EUR/USD exchange rate.

The fair value of derivative financial instruments is determined using measurement techniques that maximise the use of observable inputs in observable markets (Level 2).

In order to calculate the fair value of derivative financial instruments, measurement techniques such as the discounted estimated cash flow method or Black Scholes options valuations for European options are used. The fair value of long-term exchange rate contracts (exchange rate forwards) is calculated using spot exchange rates quoted in the market at the Balance Sheet date. For exchange rate collar options, the calculation is made using the Black Scholes formula adjusted to exchange rate options. The fair value of Jet Fuel, Brent, Gasoil and components derivatives is established using future curves of quoted market prices at the Balance Sheet date and, for Jet Fuel, Brent, Gasoil and components swaps, the Black Scholes formula adjusted to commodity options is used. The fair value of interest rate swaps is calculated as the present value of future estimated cash flows.

The effectiveness of all accounting hedges contracted by the Company has been verified (cash flow hedges), both at the start and during their life. There has not been ineffectiveness recognised as financial income and expenses in the Income Statement in 2023 (income of 25,457 thousand Euros in 2022)

When recording and measuring the effectiveness of the hedging relationship, the Company designates groups of hedged items considering the monthly needs for its activity (either fuel needs for Jet fuel, Brent, Gasoil and components price hedges or US Dollar requirements for purchases and/or payments in the aforementioned currency).

As regards interest rate hedges, the Company designates specific items, highly probable transactions corresponding to new aircraft operating lease contracts where the lessor has not yet determined the lease instalment interest rate or it is a variable instalment. Furthermore, the Company designates balance sheet financial liability hedges at a variable interest rate.

The Company does not hedge all future needs, but it does hedge a percentage defined by the Board of Directors, which is always lower than the scheduled needs.

a) Exchange rate derivatives

In 2023 and 2022, the Company hedged the exchange rate risk of part of its transactions denominated in US Dollars.

The derivatives in effect as of December 31, 2023 and 2022and their fair values on said date are as follows:

2023

Currency	Thousand Dollars	Thousand Euros			
		Fair value			
	Nominal 2023	Assets: Short-term financial investments	Assets: Long-term financial investments	Liabilities: Short-term debts	Liabilities: Long-term debts
Forwards, calls and collar options EUR/USD 1st half-year 2024	1,121,281	3,645	-	12,156	-
Forwards, calls and collar options EUR/USD 2nd half-year 2024	882,880	564	-	16,114	-
Forwards, calls and collar options EUR/USD 2025 and subsequent years	719,000	-	720		7,561
Total	**2,723,161**	**4,209**	**720**	**28,270**	**7,561**

2022

Currency	Thousand Dollars Nominal 2022	Thousand Euros			
		Fair value			
		Assets: Short-term financial investments	Assets: Long-term financial investments	Liabilities: Short-term debts	Liabilities: Long-term debts
Forwards, calls and collar options EUR/USD 1st half-year 2023	496,332	17,227	-	23,245	-
Forwards, calls and collar options EUR/USD 2nd half-year 2023	412,113	12,355	-	18,015	-
Forwards, calls and collar options EUR/USD 2024 and subsequent years	583,045	-	2,664	-	10,316
Total	**1,491,490**	**29,582**	**2,664**	**41,260**	**10,316**

The net fair value as of December 31, 2023, of the exchange rate derivatives (exchange rate forwards, calls and collar options) is positive by 30,902 thousand Euros (negative by 19,329 thousand Euros as of December 31, 2022), the total amount of which is recorded in net equity.

The forward exchange contracts in US Dollars ensure the purchase of US Dollars at prices which vary between 0.87 and 1.21 USD/EUR (0.91 and 1.26 USD/EUR as of December 31, 2022).

As of December 31, 2023 and 2022, the Company had designated as hedging instruments for accounting purposes, as permitted by the General Chart of Accounts, all the forwards for US Dollars in effect at that date (except those explained below in paragraph d), as well as all the calls and exchange rate collar options used as cash flow hedges for payment of fuel purchases, payments for aircraft leases and the corresponding maintenance (all the cases are highly probable future transactions). The hedging relationships of the designated cash flow hedging with these derivatives have been estimated as highly effective. Therefore, the Company has recorded their fair value in net equity.

b) Fuel derivatives

The Company has used derivative financial instruments on the price of the Mt of Jet Fuel Cif NWE, Brent and Gasoil, with the aim of hedging fluctuations in the price of jet fuel referenced to fuel purchases. The commodity derivatives in effect as of December 31, 2023 and 2022 and their fair values at that date are as follows:

2023

Fuel	Thousands of Mt 2023	Thousand Euros			
		Fair Value			
		Assets: Short-term financial investments	Assets: Long-term financial investments	Liabilities: Short-term debts	Liabilities: Long-term debts
Swaps and collar options on Jet Fuel 1st half-year 2024	360	1,314	-	2,157	-
Swaps and collar options on Jet Fuel 2nd half-year 2024	351	673	-	4,086	-
Swaps and collar options on Jet Fuel 2025 and subsequent years	435	-	1,821	-	6,701
Total	**1,146**	**1,987**	**1,821**	**6,243**	**6,701**

2022

Fuel	Thousands of Mt 2022	Thousand Euros			
		Fair Value			
		Assets: Short-term financial investments	**Assets: Long-term financial investments**	**Liabilities: Short-term debts**	**Liabilities: Long-term debts**
Swaps and collar options on Jet Fuel 1st half-year 2023	331	10,977	-	8,893	-
Swaps and collar options on Jet Fuel 2nd half-year 2023	295	5,867	-	12,145	-
Swaps and collar options on Jet Fuel 2024 and subsequent years	77	-	953		717
Total	**703**	**16,844**	**953**	**21,038**	**717**

The net fair value as of December 31, 2023, of commodities derivatives (swaps and collar options on the Mt of Jet Fuel Cif NEW, Brent and Gasoil) is negative by 9,136 thousand Euros (negative by 3,959 thousand Euros as of December 31, 2022), the total amount of which is recorded in net equity.

The contracted prices for swaps on Jet Fuel Cif NEW, Brent and Gasoil range between 503 and 1,200 USD/Mt (417,718 and 2,200 USD/Mt as of December 31, 2022).

As of December 31, 2023 and 2022, the Company had designated as hedging instruments for accounting purposes, as permitted by the General Chart of Accounts, all swaps and options for Jet Fuel Cif NWE, Brent and Gasoil as cash flow hedges, resulting from fuel highly probable purchases referenced to Jet Fuel.

c) Interest rate derivatives

The Company has hedged the interest rate risk of a portion of its aircraft lease future contracts (highly probable expected transactions) and financial liabilities recognised in the Balance Sheet. The interest rate derivatives in effect as of December 31, 2023 and 2022 are as follows:

2023

IRS	Thousand USD/EUR 2023	Thousand Euros			
		Fair Value			
		Assets: Short-term financial investments	**Assets: Long- term financial investments**	**Liabilities: Short Term Debts**	**Liabilities: Long Term Debts**
Swaps 1st half-year 2024	191,551	3,119	-	38	-
Swaps 2nd half-year 2024	187,882	2,401	-	13	-
Swaps 2025 and subsequent years	280,899	-	3,220	-	-
Total	**660,332**	**5,520**	**3,220**	**51**	**-**

2022

IRS	Thousand USD/EUR 2022	Thousand Euros			
		Fair Value			
		Assets Short-term financial investments	**Assets Long- term financial investments**	**Liabilities Short Term Debts**	**Liabilities Long Term Debts**
Swaps 1st half-year 2023	206,583	8,430	-	-	-
Swaps 2nd half-year 2023	35,050	557	-	-	-
Swaps 2024 and subsequent years	25,663	-	1,737	-	-
Total	**267,296**	**8,987**	**1,737**	**-**	**-**

The net fair value of the interest rate swaps that the Company has designated as an accounting hedge as of December 31, 2023, is positive by 8,689 thousand Euros (positive by 10,723 thousand Euros as of

December 31, 2022). These accounting hedges will be allocated to the Income Statement to the extent that the hedged expense is recognised in profit and loss (lease expense recognition).

d) Non-derivative hedging instruments

As of December 31, 2023, the Company had in its portfolio EUR/USD exchange rate forwards totalling 733 million US Dollars and EUR/JPY exchange rate forwards totalling 4,956 million Japanese Yen. The net valuation of EUR/USD forwards was negative by 6,208 thousand Euros and the valuation of EUR/JPY forwards was positive by 619 thousand Euros (as of December 31, 2022, exchange rate forwards totalled 792 million US dollars and EUR/JPY exchange rate forwards totalled 4,913 million Japanese Yen). The net valuation of EUR/USD forwards was positive by 14,920 thousand Euros and the valuation of EUR/JPY forwards was negative by 445 thousand Euros) to hedge the exchange rate risk of the Company´s monetary assets and liabilities denominated in US Dollars and Japanese Yen. The net position of non-hedging derivatives is negative by 5,589 thousand Euros, corresponding to 2,536 thousand Euros of short-term financial investments, -8,112 thousand Euros of short-term debt and -14 thousand Euros of long-term debt.

e) Impact of derivatives on net equity

The impacts of the aforementioned derivatives on net equity as of December 31, 2023 and 2022 in thousand Euros and net of the tax effect are as follows:

2023

Thousand Euros	Exchange rate derivatives	Fuel derivatives	Interest-rate swaps	Total
Opening balance	**50,052**	**(4,586)**	**8,043**	**53,509**
Total income and expenses directly allocated to net equity	(139,325)	(392)	(5,351)	(145,068)
Total transfers to the Income Statement	56,825	(11,550)	2,552	47,828
Closing balance	**(32,448)**	**(16,528)**	**5,244**	**(43,731)**

2022

Thousand Euros	Exchange rate derivatives	Fuel derivatives	Interest-rate swaps	Total
Initial balance	**42,263**	**20,209**	**(1,084)**	**61,388**
Total income and expenses directly allocated to net equity	(101,380)	(173,917)	9,427	(265,870)
Total transfers to the Income Statement	109,169	149,122	(300)	257,991
Closing balance	**50,052**	**(4,586)**	**8,043**	**53,509**

In 2023, a loss of 139,325 thousand Euros from exchange rate derivatives has been added to net equity (losses of 101,380 thousand Euros as of December 31, 2022), as the effective portion of the hedge over the year. An amount of 56,825 thousand Euros was transferred from net equity to the Income Statement based on its nature, increasing the cost of purchases and services received (increase of 91,714 thousand Euros as of December 31, 2022), all net of the corresponding tax effect.

In 2023, a loss of 392 thousand Euros for fuel derivatives has been added to net equity (losses of 173,917 thousand Euros as of December 31, 2022), as the effective portion of the hedge over the year. An amount of 11,550 thousand Euros was transferred from net equity to the Income Statement reducing the cost of fuel purchases (147,485 thousand Euros in 2022), all net of the corresponding tax effect.

In 2023, losses of 5,351 thousand Euros on exchange-rate derivatives were allocated to Net Equity (a profit of 9,427 thousand Euros in 2022), as the effective portion of the hedge over the year, all net of the corresponding tax effect. A loss of 2,552 thousand Euros was transferred from net equity to the Income Statement due to a change in the forecasts associated with these transactions.

The derivatives directly allocated to net equity are presented net of their tax effect, which totalled a positive amount of 14,618 thousand Euros in 2023 (a negative amount of 17,801 thousand Euros in 2022) and the derivatives transferred to the Income Statement are presented net of their tax effect, which totalled a positive amount of 15,943 thousand Euros (85,997 thousand Euros in 2022).

f) Analysis of exchange-rate sensitivity

The variations in the fair value of the exchange-rate derivatives used by the Company mainly depend on the variation in the spot rate of the US Dollar against the Euro, as well as the performance of short-term interest-rate curves. As of December 31, 2023, the fair value of exchange-rate derivatives designated as cash flow hedges is positive for a net amount of 43,263 thousand Euros (positive for a net amount of 66,736 thousand Euros as of December 31, 2022), net of the tax effect.

The following table shows the breakdown of the sensitivity analysis (changes in the fair value as of December 31, 2023) on the fair values of the exchange-rate derivatives, recorded in net equity as accounting hedges:

	Million Euros	
Sensitivity in net equity	**2023**	**2022**
+10% (appreciation of Euro)	87	209
-10% (depreciation of Euro)	(135)	(211)

The sensitivity analysis shows that the Euro/US Dollar exchange-rate derivatives will perform negatively if the Euro rises, and positively if the Euro falls. It is therefore recommendable to purchase USD at a fixed exchange rate.

g) Analysis of jet fuel price sensitivity

Variations in the fair value of the fuel derivatives used by the Company mainly depend on the variation in the price of the underlying Commodity, the Mt of Jet Fuel CIF NWE, Brent and Gasoil and the time to maturity. As of December 31, 2023, the fair value of these derivatives is positive for a net amount of 22,307 thousand Euros (negative for a net amount of 6,114 thousand Euros as of December 31, 2022).

The following table shows the breakdown of the sensitivity analysis (changes in the fair value as of December 31, 2022) on the fuel derivatives, recorded in net equity as hedging instruments:

	Million Euros	
Sensitivity in net equity	**2023**	**2022**
+30% (rise in the price of jet fuel)	109	103
-30% (fall in the price of jet fuel)	(123)	(102)

The sensitivity analysis shows that fuel derivatives will perform positively if the price of Jet Fuel CIF NWE rises. The Company has thus set a purchase price and has hedged against rises in Jet Fuel CIF NEW. The negative value increases as a result of decreases in Jet Fuel Cif NEW.

18. Public Authorities and tax position

18.1. Current balances with Public Authorities

The breakdown of current balances with Public Authorities at the close of 2023 and 2022 is as follows:

	Debit balances	
Thousand Euros	**2023**	**2022**
Tax authorities, withholding tax	-	20
CIT recoverable	46,229	37,187
VAT recoverable	2,190	2,266
Total	**48,419**	**39,473**

	Credit balances	
Thousand Euros	**2023**	**2022**
Social Security payables	8,325	8,805
Taxation authorities, withholding tax	6,446	5,386
CIT payables	557	557
VAT payables	1,012	644
Total	**16,340**	**15,392**

18.2. Reconciliation of accounting loss and taxable income

The reconciliation between the accounting loss and the taxable income under Corporate Income Tax at the close of 2023 and 2022 is as follows:

2023

Thousand Euros	**Increases**	**Decreases**	**Total**
Accounting profit after tax			**315,694**
Permanent differences:			
Corporate Income Tax	-	-	**23,089**
Other permanent differences	6,412	(73,729)	(67,317)
Temporary differences:			
Arising in the year	39,193	-	39,193
Arising in previous years	-	(25,751)	(25,751)
Previous taxable income	-	-	**284,909**
Tax loss carryforwards	-	-	(71,227)
Taxable income	-	-	**213,681**
Adjusted tax payable	-	-	50,440
ZEC tax payable	-	-	477
Withholdings and payments on account	-	-	(67,156)
Deductions	-	-	(3,731)
Corporate Income Tax receivable	-	-	**(19,970)**

2022

Thousand Euros	**Increases**	**Decreases**	**Total**
Accounting profit after tax			130,875
Permanent differences:			
Corporate Income Tax	-	(9,264)	(9,264)
Other permanent differences	5,870	(14)	5,856
Temporary differences:	-	-	-
Arising in the year	33,650	-	33,650
Arising in previous years	-	(60,482)	(60,482)
Previous taxable income			100,635
Tax loss carryforwards	-	-	(25,159)
Taxable income	**-**	**-**	**75,476**
Adjusted tax payable	-	-	14,587
ZEC tax payable	-	-	685
Withholdings and interim payments	-	-	(36,775)
Deductions	-	-	(5,835)
Corporate Income Tax receivable	**-**	**-**	**(27,338)**

In 2023, the permanent differences are mainly comprised of penalties and gifts/donations. Negative permanent differences arise in accordance with Article 21.8 of the Corporate Income Tax Act 27/2014.

In accordance with changes introduced to Law 8/2018, of November 5, modifying Law 19/1994, of July 6, of the Economic and Fiscal Regime of the Canary Islands, and in compliance with the requirements of said Law, the Company has applied the tax profit of the Canary Island Special Zone (ZEC). The accounting result before taxes of the ZEC branch amounted to 38,030 thousand Euros. However, the previous positive taxable income to which the ZEC Zone profit has been applied is 15,892 thousand Euros along with the current taxable income of 11,919 thousand Euros (negative 22,138 thousand Euros in 2022). Therefore, the tax difference at the ZEC rate amounts to 477 thousand Euros in 2023.

In 2023, tax loss carryforwards have been generated for future years, as shown in the table below:

Year	To be applied in the year	Applied in 2022	To be applied in the future
2013	350	(350)	-
2014	1,114	(1,114)	-
2020	797,042	(69,763)	727,279
2021	391,886	-	391,886
TOTAL	**1,190,392**	**(71,227)**	**1,119,165**

The Company has recognised tax loss carryforwards for the 2013 and 2014 tax years amounting to 1,464 thousand Euros, pending application by the Absorbed Company (Veloz Holdco, S.L.). This is due to the draft terms of reverse merger in which Vueling Airlines, S.A. absorbs Veloz Holdco, S.L. through the transfer *en bloc* of the entire assets of the Absorbed Company to the Absorbing Company by universal succession (see Note 3.2).

The Company has tax losses carry forward pending activation with a net value of 5,780 thousand Euros, according to the detail included below. This will be recognised in accordance with the criteria established in consultation 10 of BOICAC 80.

	Thousands €	
Description	Gross amount	Net amount
Tax losses carry forward	144.502	5.780
	144.502	**5.780**

18.3. Reconciliation between the accounting profit/(loss) and the Corporate Income Tax expense

The reconciliation between the accounting profit and the Corporate Income Tax expense for 2023 and 2022 is as follows:

Thousand Euros	2023	2022
Accounting profit before Corporate Income Tax	**338,784**	**121,611**
Tax payable at 25%	(84,696)	(30,403)
Corporate Income Tax adjustments for previous year	(2,500)	2,959
Other adjustments	56,672	27,879
Deferred recognition merger (Note 3.2)	366	-
Deductions	3,731	4,033
Difference ZEC vs mainland	3,337	4,796
Total (expense) or income for tax recognised in the Income Statement	**23,090**	**9,264**

Permanent differences include Corporate Income Tax for the year as well as other permanent differences according to Note 18.2. The “Other adjustments” heading of the table above includes the difference between the tax rate applicable in the ZEC and the general tax rate pursuant to the Corporate Income Tax Act (25%), in addition to the effect of the deferred tax expense recognised by application of the criteria established in consultation 10 of BOICAC 80 (Spanish Official State Gazette) on accounting recognition of tax credits.

18.4. Tax recognised in net equity

The breakdown of tax recognised directly in net equity is as follows:

2023

Thousand Euros	Increases	Decreases	Total
For current tax:			
Cash flow hedges	32,413	-	32,413
Subsidies	14,427	(14,225)	202
Total tax recognised directly in net equity (current tax)	**46,840**	**(14,225)**	**32,615**

2022

Thousand Euros	Increases	Decreases	Total
For current tax:			
Cash flow hedges	2,626	-	2,626
Subsidies	15,225	(15,237)	12
Total tax recognised directly in net equity (current tax)	**17,851**	**(15,237)**	**2,638**

18.5. Deferred tax assets

The breakdown of movements and balance under this heading in 2023 and 2022 is as follows:

2023

Thousand Euros	Opening balance	Corporate Income Tax 2023	Corporate Income Tax from other adjustments from previous year	For changes in derivative financial instruments	Closing balance
Tax credit to offset losses	**178,287**	**(16,972)**	**40,812**	-	**202,127**
Total temporary differences:	**39,137**	**2,348**	**1,934**	**(2,155)**	**41,264**
For temporary differences in CIT	14,461	2,348	636	-	17,445
R&D tax credits	5,779	-	1,298	-	7,077
For temporary differences in derivatives (Note 17)	18,897	-	-	(2,155)	16,742
Total deferred tax assets	**217,424**	**(14,624)**	**42,746**	**(2,155)**	**243,391**

2022

Thousand Euros	Opening balance	Corporate Income Tax 2022	Corporate Income Tax from other adjustments from previous year	For changes in derivative financial instruments	Closing balance
Tax credit to offset losses	**154,035**	**(5,091)**	**29,344**	**-**	**178,288**
Total temporary differences:	**35,005**	**(9,523)**	**2,959**	**10,695**	**39,136**
For temporary differences in CIT	20,227	(7,721)	1,954	-	14,460
R&D tax credits	6,576	(1,802)	1,005	-	5,779
For temporary differences in derivatives (Note 17)	8,202	-	-	10,695	18,897
Total deferred tax assets	**189,040**	**(14,614)**	**32,303**	**10,695**	**217,424**

The Company has recognised deferred tax assets amounting to €366 thousand pending recognition by the legal absorbed entity (Veloz Holdco, S.L.). This is due to the proposed merger by reverse absorption in which the entity Vueling Airlines, S.A. absorbs the entity Veloz Holdco, S.L. through the transfer en bloc of the entire assets of the absorbed company to the absorbing entity by universal succession (See Note 3.2).

In the accounting recognition of tax credits, consultation 10 of BOICAC 80 has been taken into consideration. In this regard, as of December 31, 2023, tax credits have been recognised for 42,136 thousand Euros as the Company's Directors consider it probable that future earnings will be obtained in the next 10 years, which take into account key assumptions such as the growth in sales or seat kilometres and fleet utilisation and an improvement in profitability and operating results in line with the approved Business Plan.

At year-end, temporary differences contain deferred tax assets corresponding to tax losses of the Vueling branch in Italy.

18.6. Deferred tax liabilities

The breakdown of the balance of the deferred tax liabilities at the close of 2023 and 2022 is as follows:

Thousand Euros	**2023**	**2022**
Temporary differences	1,639	2,837
Changes in financial Instruments, derivatives and subsidies	2,130	36,698
Total deferred tax liabilities	**3,769**	**39,535**

Temporary differences include a total of 1,210 thousand Euros as of December 31, 2023 (2,837 thousand Euros as of December 31, 2022) associated with the tax effect of the assets identified as "landing rights" and goodwill as a result of the merger with Clickair, S.A. (see Notes 3 and 6).

Deferred tax liabilities generated by variations in derivative financial Instruments (see Note 17) and subsidies totalled 2,130 thousand Euros as of December 31, 2023 (36,698 thousand Euros as of December 31, 2022).

18.7. Financial years pending verification and inspections

In accordance with current legislation, taxes cannot be considered fully settled until the returns submitted have been inspected by the tax authorities, or the four-year time limit has expired.

The Directors of the Company consider that the settlements of the aforementioned taxes have been properly made so that, even in case of discrepancies in the current regulatory interpretation for the tax treatment granted to the operations, the possible resulting liabilities, should they materialise, would not significantly affect the attached Annual Accounts.

As of December 31, 2023, the Company is subject to several tax inspections in the following jurisdictions:

Spain

On June 26, 2017, the tax authorities notified the Company of the start of the corresponding verification and investigation actions for the following taxes in the following periods:

Item	**Period**
Corporate Income Tax	2012 to 2014
VAT	06/2013 to 12/2014
Withholdings/Income on Account - Capital Gains	06/2013 to 12/2014
Withholdings/Income on Account - Employment Earnings	06/2013 to 12/2014
Withholdings/Income on Real Estate Leases	06/2013 to 12/2014
Withholding on Non-Residents Tax	06/2013 to 12/2014
Special Tax on Property of Non-Residents	06/2013 to 12/2014

On September 25, 2019, settlement agreements were issued for Withholdings on Employment Earnings and Corporate Income Tax corresponding to the years 2012, 2013 and 2014, which have been signed in disagreement.

On November 24, 2020, the Central Economic-Administrative Court dismissed the economic-administrative claims filed against the settlement agreements for Withholdings on Employment Earnings and for Corporate Income Tax.

At the end of 2023, following the filing of contentious appeals within the corresponding deadlines, the Corporate Income Tax cases are still pending resolution.

Furthermore, on November 18, 2019, the Tax Authorities notified the Company of the start of the pertinent verifications and investigations for the following taxes and periods:

Item	Period
VAT	10/2015 to 06/2018

On December 10, 2020, the Central Delegation of Large Taxpayers (DCGG) issued VAT settlement agreements for the years 2015 to 2018, which were signed in disagreement and an administrative economic claim was filed by the Company, which was favourably upheld in March 2023 by the CEAC.

Italy

On September 10, 2018, the Italian Tax Authorities notified the Company of the start of the corresponding verification and investigation actions for the following taxes in the following periods:

Item	Period
Corporate Income Tax – IRES	2014
Italian Regional Tax – IRAP	2014
VAT	2014
Withholdings/Income on Account - Capital Gains	2014
Withholdings/Income on Account – Employment Earnings	2014
Withholdings on Non-Residents Tax	2014

The Italian Tax Administration (Agenzia delle Entrate) notified the Permanent Establishment of the Company in Italy of settlements for Corporate Income Tax and Regional Tax on Production Activities for the year 2014 which were signed in disagreement. The Company has initiated an amicable procedure linked to Convention 90/436/EU, which was resolved favourably for the Company in January 2023 with a right to a refund that has already been paid by the Spanish Administration in September 2023.

Likewise, in 2020, the Italian Tax Administration (Agenzia delle Entrate) notified the Permanent Establishment of the Company in Italy of the settlements for Corporate Income Tax and Regional Tax on Production Activities for 2015, which was later replaced by a settlement agreement signed in disagreement. In December 2021, notification was received of the acceptance of the opening of the amicable agreement procedure under Convention 90/436/EU for 2015, which was resolved favourably for the Company in January 2023 with a right to a refund from the Spanish Tax Authorities.

In 2022, the Italian Tax Administration (Agenzia delle Entrate) notified the Permanent Establishment of the Company in Italy of the settlements for Corporate Income Tax and Regional Tax on Production Activities for the 2016, later replaced by a settlement agreement signed in disagreement. In December 2023, the Italian Administration notified the acceptance of the opening of the amicable procedure under Convention 90/436/EU for 2016 which was resolved favourably for the Company in January 2023 with a right to a refund from the Spanish Tax Authorities.

Furthermore, in 2023, the Italian Tax Administration (Agenzia delle Entrate) notified the Company's Permanent Establishment in Italy of the settlements for Corporate Income Tax and Regional Tax on Productive Activities for 2017, which led to a settlement agreement signed in disagreement.

France

On August 6, 2019, the Company received notice from the French Tax Authorities that an inspection and verification process would commence for the following taxes and periods:

Item	Period
Value Added tax (VAT)	01/2016 to 06/2019

The French Tax Authorities notified the Company's Permanent Establishment in France of settlements for Value Added Tax corresponding to 2016, which is in the appeal phase in contentious-administrative proceedings.

In 2023, a limited verification procedure was initiated in relation to the refund of French input VAT, which has been favourably resolved.

18.8. Pillar two minimum effective tax rate reform

In 2021 the OECD released the Two Pillar solution to address the tax challenges arising from the digitalisation of the economy. This reform to the international tax system addresses the geographical allocation of profits for the purposes of taxation and is designed to ensure that multinational enterprises will be subject to a minimum 15 per cent effective tax rate.

On 15 December 2022, the Council of the European Union formally adopted the EU Pillar Two Directive. On 22 December 2022, the EU Minimum Tax Directive was published.

On 19 December 2023, Spain's Council of Ministers approved a draft law to implement the EU Minimum Tax Directive. This is to be subject to consultation, prior to being sent to Parliament. Under the legislation, the Group is liable to pay a top-up tax for the difference between the effective rate per jurisdiction and the 15 per cent minimum rate. Such legislation applies prospectively for accounting periods beginning on or after 31 December 2023.

19. Income and expenses

19.1. Net turnover

The Company's sole ordinary activity consists of passenger air transport. Given that all other activity categories are complementary and do not present any significant differences, the notes to the annual accounts solely includes a breakdown of the information by geographic market landing rights.

The analytic breakdown of turnover by geographic market for 2023 and 2022 is as follows:

Thousand Euros	2023	2022
Spain	1,492,826	1,272,998
Other countries	1,696,662	1,327,143
Total	**3,189,488**	**2,600,141**

19.2. Supplies

The heading "Supplies" in 2023 and 2022 primarily relates to fuel consumption and, to a lesser extent, to the consumption of greenhouse gas emission allowances.

19.3. Breakdown of purchases by origin

The breakdown of the purchases made by the Company in 2023 and 2022 according to their origin is as follows:

Thousand Euros	2023	2022
National	634,632	530,704
Intra-Community	302,234	250,595
Extra-Community	26,512	19,015
Total	**963,378**	**800,314**

19.4. Other operating income

The balance under the heading "Other operating income" in the 2023 and 2022 Income Statements is as follows:

Thousand Euros	2023	2022
Advertising	9,481	7,003
Free CO2 allowances	56,725	60,900
Social Security exemptions	-	883
Total	**66,206**	**68,786**

19.5. Personnel

The breakdown of the heading "Personnel expenses" in the Income Statement for 2023 and 2022 is as follows:

Thousand Euros	2023	2022
Wages, salaries and similar	312,643	293,015
Severance pay	1,725	3,893
Social contributions (Social Security)	61,395	55,296
Other personnel expenses	2,094	1,991
Total	**377,857**	**354,195**

The average number of employees in 2023 and 2022 by category and gender is as follows:

2023

Category	Men	Women	Total	Employees with a certified disability > 33%
Airport Managerial	6	6	12	-
Airport Non-Managerial	22	27	49	-
Cabin Crew Managerial	176	610	786	-
Cabin Crew Non-Managerial	447	1,362	1,809	-
Corporate Managerial	95	87	182	-
Corporate Non-Managerial	191	185	376	7
Maintenance Managerial	9	0	10	-
Maintenance Non-Managerial	79	25	104	4
Captains	660	21	681	-
Co-pilots	564	33	597	-
Total	**2,249**	**2,356**	**4,605**	**11**

2022

Category	Men	Women	Total	Employees with a certified disability > 33%
Airport Managerial	2	2	4	-
Airport Non-Managerial	16	16	32	-
Cabin Crew Managerial	182	612	794	-
Cabin Crew Non-Managerial	431	1,359	1,790	-
Corporate Managerial	94	76	170	-
Corporate Non-Managerial	195	196	391	10
Maintenance Managerial	9	1	10	-
Maintenance Non-Managerial	81	23	104	-
Captains	647	23	670	-
Co-pilots	570	35	605	-
Total	**2,227**	**2,343**	**4,570**	**10**

The Company workforce as of December 31, 2023 and 2022, broken down by category and gender, is as follows:

2023

Category	Men	Women	Total	Employees with a certified disability > 33%
Airport Managerial	6	6	12	**-**
Airport Non-Managerial	22	25	47	**-**
Cabin Crew Managerial	176	610	786	**-**
Cabin Crew Non-Managerial	452	1,384	1,836	**-**
Corporate Managerial	93	88	181	**-**
Corporate Non-Managerial	199	186	385	**6**
Maintenance Managerial	9	1	10	**-**
Maintenance Non-Managerial	79	25	104	**4**
Captains	680	22	702	**-**
Co-pilots	552	32	584	**-**
Total	**2,268**	**2,379**	**4,647**	**10**

2022

Category	Men	Women	Total	Employees with a certified disability > 33%
Airport Managerial	2	2	4	**-**
Airport Non-Managerial	19	17	36	**-**
Cabin Crew Managerial	186	591	777	**-**
Cabin Crew Non-Managerial	436	1,397	1,833	**-**
Corporate Managerial	92	79	171	**-**
Corporate Non-Managerial	194	197	391	**10**
Maintenance Managerial	8	-	8	**-**
Maintenance Non-Managerial	82	22	104	**-**
Captains	650	21	671	**-**
Co-pilots	570	34	604	**-**
Total	**2,239**	**2,360**	**4,599**	**10**

As of December 31, 2023, the Company's Board of Directors consisted of three men and two women (three men and two women as of December 31, 2022).

As of December 31, 2023, the Company's Senior Management consisted of two men and three women (four men and three women as of December 31, 2022).

In 2020, as an exceptional measure due to the COVID-19 crisis, it was decided to furlough (ERTE) most of the Company's workforce. This measure served to align costs with the ordinary activity of the Company. The ERTE ended in February 2022.

Social Security costs have been included in full under "Personnel expenses" in the Income Statement, taking into account the discounts received as operating subsidies and have been included in "Other operating income" in the Income Statement. No subsidies were received for this item in 2023 (883 thousand Euros in 2022).

19.6. Other operating expenses

The breakdown of the heading "Other operating expenses" in the Income Statement for 2023 and 2022 is as follows:

Thousand Euros	2023	2022
Outsourced services:	1,533,637	1,389,023
Aircraft maintenance	365,164	318,926
Aircraft leases	277,772	263,925
Other leases	4,661	4,232
Ground handling service	252,505	232,403
Airport fees	199,132	183,795
Air traffic control	166,994	143,314
Supplies and other expenses	126,698	119,277
Independent professional services	41,886	42,472
Advertising	52,827	45,768
Insurance, banking services and other items	45,998	34,912
Taxes	1,024	1,031
Losses, impairment and changes in trade provisions	(70)	(12,244)
Total other operating expenses	**1,534,591**	**1,377,811**

The aircraft maintenance expense includes scheduled maintenance (see Note 13.1), and additionally, the daily maintenance, totalling 116,746 thousand Euros in 2022 (112,174 thousand Euros in 2022).

19.7. Provisions for non-performing loans

Movements under provisions for non-performing loans in 2023 and 2022 are as follows:

2023

Thousand Euros	Opening balance	Provisions	Applications	Closing balance
Provisions for non-performing loans for commercial operations	2,161	-	(543)	1,618

2022

Thousand Euros	Opening balance	Provisions	Applications	Closing balance
Provisions for non-performing loans for commercial operations	6,733	253	(4,825)	2,161

The Company applied 543 thousand Euros in 2023, of which 352 thousand Euros were recorded as a loss and 191 thousand Euros were recovered from the client.

20. Transactions with equity-based payments

Personnel expenses (Note 19.5) recognised in 2023 through transactions with equity-based payments amount to 6,960 thousand Euros (3,962 thousand Euros in 2022).

The current share plans will be settled with options on IAG shares, whereby the latter transfers the cost of the plan to the Company. In 2021, they began to be handed over according to the RSP (restricted share plan) and FPIP (Full potential incentive plan). The latter plan is linked to achieving long-term objectives.

21. Foreign currency transactions

The breakdown of the most significant balances and transactions in foreign currencies in 2023 and 2022, measured at the closing exchange rate and the average exchange rate for each period respectively is as follows:

Thousand Euros	2023	2022
Balances:		
Cash and cash equivalents	28,414	127,889
Long- and short-term guarantees and deposits	381,720	312,406
Maintenance provisions	764,758	789,646
Payables and other liabilities	255,855	247,265
Finance leases	156,583	162,114
Transactions:		
Purchases	798,003	671,817
Services received	552,106	575,124

The main currency used in balances and transactions included in the table above is US Dollars. All services were performed in Euros. These transactions and balances in foreign currency led to exchange differences in 2023 and 2022 as broken down in the following table:

Thousand Euros	2023	2022
Exchange rate (losses)/gains	23,142	(39,883)

The exchange rate differences corresponding to the year ended December 31, 2023, consist of unrealised exchange rate gains totalling 40,885 thousand Euros (losses amounting to 9,941 thousand as of December 31, 2022) and realised exchange rate losses totalling 17,713 thousand Euros (losses totalling 29,942 thousand Euros as of December 31, 2022).

22. Balances and other information relating to Members of the Board of Directors and Senior Management

The total number of Company shares owned directly by the Board of Directors and related parties as of December 31, 2023 is 14 shares, which represent 0.00004682% of the total shares (14 shares in 2022, which represent 0.00004682% of the total shares).

Remuneration received by way of salaries and wages by Senior Management during 2023 amounts to 2,113 thousand Euros (1,868 thousand Euros in 2022). Remuneration for Senior Management which is paid by other Group companies is not included. The members of the Board of Directors have not received any salary or wage payments from the Company in 2022 nor 2023.

As of December 31, 2023, there are no obligations taken out with the Directors relating to pensions or any outstanding balances with the Company.

In relation to Article 229 of the Capital Companies Act, there are no direct or indirect conflicts of interests reported by the Directors and/or persons related to the board of directors.

In 2023, public liability insurance premiums of 670 thousand Euros have been paid to cover Directors' liability with regard to damages and losses arising from their position (783 thousand Euros in 2022).

23. Environmental information

The Company's Directors consider that the environmental risks resulting from its activity are minimal and, in any case, appropriately covered, and they consider that no additional liabilities will arise relating to these risks (see Note 5.12).

The Company did not incur any significant expenses or receive any subsidies relating to these risks in 2023 or 2022, except for the use in 2023 of greenhouse gas emission allowances for an amount of 165,346 thousand Euros (128,497 thousand Euros in 2022).

24. Guarantees with third parties

As an alternative to the deposits established (see Note 9.1), several financial institutions have presented bank guarantees in favour of the aircraft lessors to secure the lease contracts and other items, mainly in favour of airports and fuel supply companies.

As of December 31, 2023, the guarantees extended by the Company to aircraft lessors stood at 48,045 thousand Euros (55,950 thousand Euros as of December 31, 2022), and the guarantees extended to ground handling companies, airports and for fuel purchases stood at 121,829 thousand Euros (136,312 thousand Euros as of December 31, 2022).

The Company's Directors do not consider that additional liabilities other than those already recorded in the accompanying Annual Accounts will arise as a result of these guarantees.

25. Auditors' fees

In 2023 and 2022, the fees related to the audit of the accounts and other services provided by the Company's auditor KPMG S.A., or by a company of the same group or related to the auditor were as follows:

Thousand Euros	**2023**	**2022**
Audit services	395	259
Other verification services	31	34
Total audit and related services	**426**	**289**
Other services	-	-
Total professional services	**426**	**289**

26. Subsequent events

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

On 18 January 2024, the Tribunal Constitucional (Constitutional Court) in Spain, issued a judgement stating that a number of amendments to Corporate Income Tax arising from the introduction of Royal Decree-Law 3/2016 were unconstitutional and accordingly considered as invalid and null. The revocation of Royal Decree-Law 3/2016 impacts the Company operations as follows:

- *Limitation of the use of historic tax losses*

Prior to the introduction of Royal Decree-Law 3/2016, the Company were permitted to offset up to 70 per cent of their taxable profit with historical accumulated tax losses (to the extent there were sufficient tax losses to do so). With the introduction of the Royal Decree-Law 3/2016, this limitation of tax losses applied to taxable profit was reduced to 25 per cent.

- *Tax deductibility of impairments of investment in subsidiary undertakings*

Where companies had impaired investments in subsidiaries prior to 2013 and deducted those impairments for tax purposes, Royal Decree-Law 3/2016 retrospectively required companies to reverse those impairment charges, for tax purposes, with the effect recognised equally over the five years commencing 1 January 2016.

In accordance with IFRS, the Company has considered the judgement issued by the Tribunal Constitucional as a non-adjusting post-closing event and, therefore, it has not reflected the impact of the changes derived from such ruling in the financial statements. As at the date of these financial statements, there remains uncertainty as to how the revocation of Royal Decree-Law 3/2016 will be applied and accordingly the methodology by which the Company, with its external tax advisors, quantifies the impacts of this revocation. Had the Company reflected the impact of the judgement into the financial statements as of 31 December 2023, the impact would have been as follows:

- *Current tax impact of historic tax loss offset limitation for fiscal year 2022*

The Company's tax losses in Spain were limited to 25 per cent loss offset. Had the loss limitation been 70 per cent, the taxable profits, and as a result the tax paid to the Spanish tax authorities, would have been lower. The Company expects to record an associated current tax credit up to €10 million, with a corresponding receivable from the Spanish tax authorities.

- *Current tax impact of tax loss offset limitation to fiscal year 2023*

The Company measures current tax expense based on the regulations in effect as of the date when corporate income taxes are accrued. With the change in loss limitation, the Company anticipates the ability to offset up to 70 per cent of their Spanish taxable profits with prior-year losses for their 2023 Spanish taxes. If this limit had been applied at 31 December 2023, the Company foresees a reduction of the 2023 current tax expense of approximately €31 million.

- *Deferred tax impact of future tax loss offset limitation*

The Company measures deferred tax assets at the tax rates that are expected to apply when the related asset is realised. As detailed in note 2, the Company uses future cash flow projections over periods of up to ten years to determine the recoverability of deferred tax assets. With the change in tax loss offset limitation, the Company expects to be able to utilise more of its historical tax losses within this ten-year period. Had the Royal Decree-Law 3/2016 not applied at 31 December 2023, the Company expects that the deferred tax assets associated with tax losses and tax credits would have decreased by approximately €36 million, with the corresponding deferred tax expense booked in the income statement.

Vueling Airlines, S.A.

Management Report

Corresponding to the year ended December 31, 2023

Business performance and Company position

Vueling Airlines S.A. was set up in Spain in accordance with the Spanish Capital Companies Act. The Company's commercial activity consists of the operation and management of scheduled passenger air transport under the commercial name of Vueling.

Vueling was set up with the aim of becoming the leading new generation European airline, combining the seemingly irreconcilable advantages of the "low cost" model together with the highest standard of customer service.

In 2023, the Company operated a network of flights with national and international destinations, achieving a higher level of activity than before the COVID-19 pandemic for the first time. The Company has been operating normally in all its bases in Spain (Barcelona, Bilbao, Valencia, Alicante, Palma de Mallorca, Ibiza, Seville, Malaga, Tenerife, Santiago and Las Palmas), in Italy (Rome and Florence), in France (Paris), in the Netherlands (Amsterdam) and in the United Kingdom (London).

Vueling provides all its services with the aim of meeting the needs and expectations of its customers and providing its shareholders with a growing and sustainable return.

Throughout 2023, Vueling has increased its offer compared with 2022 and has exceeded pre-pandemic levels. The available-seat-kilometres have increased by 10% compared with the previous year and by 9% compared with 2019. Growth was mainly concentrated on flights between Spain and international destinations.

Activity and traffic

Vueling carried 37 million passengers in 2023. This represents an increase of 15% when compared with the previous year. The Company has operated 215,619 flights (10% more than the previous year) with a load factor of 91%.

Profit

Vueling recorded net profit after tax of 316 million Euros in 2023, improving on the previous year's profit by 141%. In 2022, a net profit of 131 million Euros was recorded, while in 2021 a net loss of 350 million Euros was recorded.

Income

Vueling has obtained total income of 3.189 billion Euros in 2023. This number represents an increase of 23% when compared with the previous year. This value is related to the increase in activity, which has been seen both in available-seat-kilometres and in average income per passenger. The rise in the number of passengers carried was 15%. This increase has been caused by the growth in activity mentioned above and the rise of 4% in the load factor, which stood at 91%.

The average income per passenger was 87 Euros per passenger in 2023, which represents an increase of 7% compared with the total income per passenger of the previous year. On the other hand, unit income per available seat-kilometres stood at 7.65 Euros, which represents a rise of 11% compared with the previous year.

Expenses

Total expenses amounted to 2.960 billion Euros, an increase of 14% on 2022, related to the increase in activity (10%) and the inflationary environment.

The total unit cost per seat kilometre offered was 7.10 Euro cents, an increase of 4% on the previous year. Unit fuel costs increased by 9% compared with the previous year, due to the increase in the cost of fuel and

CO_2 emissions. The unit cost excluding fuel stood at 4.79 Euro cents. This represents an increase of 1% when compared with the previous year. Cost containment measures and the increase in capacity have made it possible to offset the impact of the high inflation environment. Thus, the unit cost excluding fuel was similar to that of 2019, with an increase of just 2% and a unitary cost per available-seat-kilometres offered for fuel up by 56%.

Business consolidation and robust profitability

In 2023, pre-pandemic activity was exceeded and, together with the recovery in demand, income was 23% higher than in 2022 and 214% higher than in 2021. The net profit amounted to 316 million, 185 million higher than in 2022 and 666 million higher than in 2021. Also, for the first time, the pre-pandemic profit has been exceeded, surpassing the net profit obtained in 2019 by 183 million Euros. Vueling has adjusted its offer to demand and has been able to offset the rise in costs in a high inflation environment, particularly fuel, thanks to the constant efforts to preserve the profitability of its operations. In addition, it has regained a very sound leverage position with net debt below pre-pandemic levels.

Research and Development

The Company has not performed any significant research and development in 2023.

Risk and uncertainty policy and management

The Company's financial risk is managed centrally by the Financial Department and the Board of Directors, which have established the mechanisms necessary to control exposure to fluctuations in exchange rates, interest rates and fuel prices, as well as credit and liquidity risks. The main financial risks to which the Company is exposed are indicated below:

Credit risk

Except for the transactions performed to hedge exchange rate risk, fuel and the balances payable to aircraft lessors, the Company has no significant credit risk concentrations. The transactions with currency and fuel derivatives are only executed with financial institutions with a high credit rating. Direct sales to passengers are carried out via credit cards and other alternative means of payment or in cash. Travel agency sales are also carried out via the BSP of IATA or via credit card and other alternative means of payment.

Liquidity risk

The Company carries out prudent management of liquidity risk based on holding sufficient cash, short-term financial investments and marketable securities, the availability of committed credit financing and sufficient capacity to settle market positions.

Market risk

The Company is exposed to price risks from jet fuel. The Company has contracted derivative instruments to hedge the risk of future price fluctuations. The price risk management policy consists of hedging a specific percentage of jet fuel, the fuel used by aircraft (Note 17).

The Company is exposed to exchange-rate risks for currency transactions, mainly in US Dollars. Exchange-rate risk arises from future commercial transactions, such as the purchase of fuel or the costs associated with aircraft operating leases. In order to control the exchange-rate risk which arises from future commercial transactions denominated in US Dollars, the Company uses currency forward contracts. The Company's Financial Department is responsible for managing the net position in US Dollars using derivative financial instruments.

The Company's risk management policy is based on using hedging instruments for a defined percentage of its currency needs. Through budget management, the Company can determine the dates of future payments in US Dollars with a high degree of accuracy. Therefore, almost all the planned payments in US Dollars are classified as firm commitments or highly probable forecast transactions for the purpose of hedge accounting.

The Company holds assets with short-term returns invested in deposits with a yield in accordance with financial markets. Income and cash flows from the Company's ordinary activities are mostly independent of variations in market interest rates.

Treasury shares

As of December 31, 2023, the Company had no treasury shares.

Significant events after the year-end

please see note 26 subsequent events.

Non-financial information statement

As stated in Law 11/2018 of 28 December 2018, which amends the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010 of 2 July and Law 22/2015 of 20 July on Auditing of Accounts, in relation to non-financial information and diversity,

The Company is exempted from presenting the statement of non-financial information as such information is included as a separate document in the Consolidated Management Report of International Consolidated Airlines Group, S. A. which has been filed and made public in due time and form, and will be available at the Mercantile Registry, on the website of the National Securities Market Commission and on the IAG Group's website.

Vueling Airlines, S.A.

Annual Accounts for the year ended December 31, 2023

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Barcelona, February 26, 2024