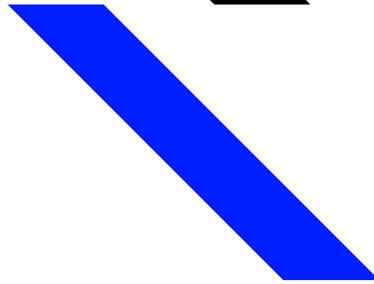
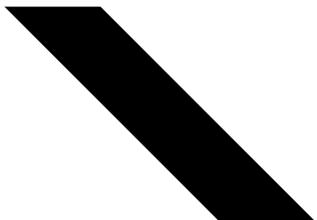
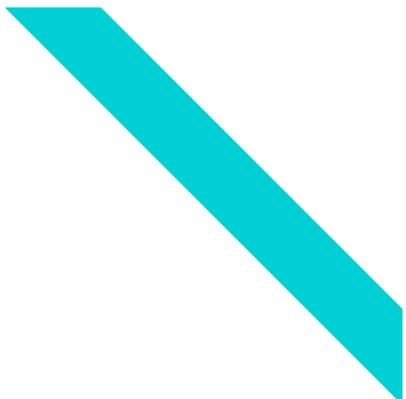


LSEG STREETEVENTS

EDITED TRANSCRIPT

**FULL YEAR 2025 INTERNATIONAL CONSOLIDATED AIRLINES GROUP
SA EARNINGS CALL**

EVENT DATE/TIME: February 27, 2026 / 8:45AM UTC



An LSEG Business



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- **Sean Doyle** *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*
- **Marco Sansavini** *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia*
- **Carolina Martinoli** *International Consolidated Airlines Group SA – Chairman and Chief Executive Officer of Vueling*
- **Adam Daniels** *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of IAG Loyalty*

CONFERENCE CALL PARTICIPANTS

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- **Alex Irving** *Sanford C Bernstein & Co LLC - Analyst*
- **Stephen Furlong** *J & E Davy Unlimited Co - Analyst*
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PRESENTATION

Operator

Good morning, ladies and gentlemen, and welcome to the International Airlines Group full year 2025 results. (Operator Instructions). I would like to remind all participants that this call is being recorded. I will now hand to Luis Gallego, Chief Executive Officer, to open the presentation. Please go ahead, sir.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Thank you very much. Good morning, everyone, and welcome to the IAG 2025 full year results. As usual, I'm joined today by Nicholas Cadbury, our CFO; as well as the other members of the IAG Management Committee.

I'm pleased to be announcing a record set of results today, highlighting the excellence of IAG's performance in 2025. We are delivering for our customers as our investments in operational and customer-related performance have led to another year of improving punctuality and customer Net Promoter Scores.

We are delivering record operating profit, operating margin and return on invested capital. And we are delivering for our shareholders through the increased dividend and the new excess cash returns of EUR1.5 billion. This is a significant increase on the EUR1 billion buyback we announced last year.

We continue to see a supportive demand environment that encourages our positive outlook. And as a result, we are planning further excess cash returns in future and we look to the future with great confidence as we continue to leverage our business model and execute our strategy, which will create value for our shareholders in the long term.

In 2025, we have delivered world-class financial performance in each of our key metrics, continuing our track record over the past few years. We continue to grow revenue with robust demand for travel in our markets.

Our operating profit and operating margin are now both at record levels, and our earnings per share has increased by over 22% this year. Our balance sheet is now in a very strong position. This has benefited from the strong free cash flow that we are now consistently generating despite a bigger step-up in CapEx during the year.

And for our shareholders, we are creating significant value by earning an excellent return on invested capital of 18.5% the fact that we are delivering strong results is not an accident, starting with the fundamental premise of IAG. Our group structure promotes excellence and accountability, whilst providing the group level support and direction that individual businesses benefit from.

Our portfolio contains diversity of markets, brands and business models that continually increase the resilience and sustainability of our performance through the cycle. Bringing this together is the secret sauce of IAG, and set us apart from any other airline group.

Moving on to our strategy and targets. We are sticking to what make us best in class. Our three strategic imperatives are designed to make our business stronger, more resilient and less cyclical. We have set out margin and return on invested capital targets that are appropriate for the group through the cycle, and we believe support a more sustainable long-term future.

We are pleased to be delivering results that are at or above the top of those ranges, and we will continue to target the full potential for all of our businesses through our transformation program and capital allocation process ultimately, we want to create value for shareholders by delivering sustainable profitability and accretive growth in the long term.

Over the past couple of years, we have highlighted three major areas where we could create significant value, and we are delivering on our commitments. British Airways has already reached its 15% margin, but it still has more to deliver on its transformation program, including the commercial platform and fleet deliveries.

Iberia is well underway to its EUR1.4 billion profit target, with an exceptional margin last year of over 16%, and we'll continue to grow profitably in its core markets.

And we will tell you more about Loyalty's exciting potential at our Investor Day in June, both as a business in its own right as a significant contributor of value to the overall group performance and on that note, I will pass over to Nicholas.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Thanks, Luis, and hi, everybody. I'm pleased to share our full year results. This first slide shows our very strong operating profit and margin performance. We've delivered a record operating profit of EUR5.024 billion, up EUR581 million versus last year.

This is driven by a strong passenger revenue growth and also good other revenue growth from Loyalty and maintenance and also sustainability incentives, and supported by the lower fuel bill, of course.

Our cost performance was in line with expectations and with the guidance previously provided to the market. I'm pleased with our margin performance, which continues to rank among the best in the industry at 15.1%. It sits at the top end of our target range and 1.3 points higher than last year.

On the right side, you can see how our strong markets, hubs and brands drove this exceptional performance in all our businesses, which we will detail in the next slide.

All our operating companies delivered excellent results this year, building on the strong performance also achieved last year. Aer Lingus delivered a strong improvement in 2025, increasing its operating margin to 11%, with operating profits at its second best level on record.

The airline was affected by industrial action in a base last year and managed to hold unit revenue flat while growing capacity. This was despite a very tough competitive environment in Dublin, particularly from US carriers, that is ongoing.

Alongside this, Aer Lingus has delivered strong cost discipline, supported by its transformation program. British Airways delivered an excellent margin performance at the upper end of the group target range. This was supported by strong premium leisure and improving corporate demand, with cost performance reflecting investments in the business alongside its transformation program.

Iberia also had a tremendous year, reaching a record 16.2% operating margin. The airline made excellent progress against its flight plan 2030, delivering EUR1.3 billion of operating profit this year towards its EUR1.4 billion ambition.

Driven by the strong revenue performance, particularly in the Latin America, Iberia's costs were particularly affected by engine availability on both long haul and short haul leading to extra disruption and resilience costs. The cost increase also includes the costs relating to its growing MRO business that was particularly strong in the first half of the year.

Vueling delivered a robust set of results, generating an operating profit of EUR393 million and a 12% margin, among the strongest in the European low-cost sector. Revenues reflected a softer summer travel environment in parts of Europe, particularly in Northern Europe, partially offset by the continuing strength in the Spanish domestic market. What really stands, however, is Vueling's strong cost performance that Luis will touch on later.

And IAG Loyalty, including Holidays, continues to deliver high-quality, high-margin earnings. The business yet again delivered the 10% margin growth ambition we set for it, recording GBP469 million of profit at an 18% margin.

Excluding the impact of the VAT dispute with the HMRC, which is subject to ongoing litigation, and we've given and we feel still confident in, the operating profit would have reached over GBP500 million.

Turning now to our revenue performance in more detail. Overall demand for travel remains strong throughout the year, underpinned, as just mentioned, by the diversity of our network and of our strong brands.

Capacity grew by 2.4%, in line with our guidance that we gave at Q3 results, and we delivered an increase of 1% in passenger unit revenue at constant currency and flat on reported basis, a solid outcome against a record 2024.

If we look at the default performance by region, we are pleased with the North Atlantic performance, where we grew capacity by 1.4%, with unit revenues up 1.5% at constant currency and importantly, showed an improving trend as we went through the second half with Q4 unit revenues up 1.8% in constant currency.

Underneath this trend, we're consistent with what we highlighted throughout the year, with good premium demand, partially offset by some softness in US point-of-sale economy leisure demand and continued impact from US direct capacity growth into our hubs in Dublin and Madrid and secondary European markets.

BA drove the Q4 performance with unit revenue at constant currency increasing strongly year-on-year, driven by strong premium cabin and business travel demand, particularly from the US point of sale despite a tough comparator last year.

Latin America and the Caribbean were the strongest performer in the network. Our capacity increased 3.3%, with unit revenue at plus 3.3% as well at constant currency. Iberia delivered another excellent year and drove the Q4 performance, with premium cabin, LatAm point-of-sale and business travel all performing strongly.

In Europe, we increased our capacity by 2.2%, with unit revenue down 2.1% at constant currency. As mentioned earlier, this reflects a softer demand in parts of the summer and also the additional British Airways capacity.

Domestic saw a growing capacity by 2.2%, with unit revenues flat for the year, reflecting strong demand, particularly in the Canary and Balearic Islands. In Africa, Middle East and South Asia, increased capacity by 2.7%, with unit revenue up 0.8% at constant currency.

And finally, Asia Pacific delivered a strong recovery, with capacity up 6.4% and unit revenue up 4.2%, supported by a refocus of the network towards stronger performing markets such as Bangkok and Kuala Lumpur and the full year impact of Iberia's relaunched route to Tokyo.

Just turning to this year, we're planning to continue to grow the business in a disciplined way with capacity up around 3% in 2026. And briefly touching on what we're seeing so far this year, we're seeing a strong Q4 -- Q1, sorry, including the North and South Atlantic and some additional benefits from the shift to an earlier Easter.

At this point, I'd just like to highlight that FX has a major impact -- factor. Over 2025, we saw the pound weakened against the euro, and the dollar weakened against the pound and euro.

At these current rates, you will know that there will be a significant FX headwind on revenue this year, particularly in the first half of the year, which will be reducing progressively into the second half.

And of course, this will apply to our cost base in the reverse with a favourable FX impact. Total unit costs improved to 0.4% and non-unit fuel unit cost increased by 2.8% year-on-year, actually in line with our guidance.

This full year cost performance benefited from FX movements of 1.3%. Although it's worth noting that the increase in costs relating to the growth of other revenue to the MRO also drive around 1.3% of uplift as well. So they're both the FX and the other revenue costs neutralize each other out.

Employee cost, unit costs increased 3.8%, driven by operating investments operational investments and payments linked to strong financial performance. Supplier unit costs rose by 0.8%, with the transformation initiatives helping to offset inflation pressures and support investments in our customer experience.

Ownership costs increased 10%, reflecting the new aircraft, cabin retrofits, lounge upgrades and digital platforms, all of which are for the benefit of our customers. Those impacts were partly offset by a 9.1% reduction in fuel costs, driven by lower prices and partly offset by an increase in carbon-related costs both ETS and CORSIA. We remain confident that our transformation program will continue to underpin cost benefits, cost efficiencies as we move forward.

For 2026, we expect nonfuel costs to be down around 1%, that includes a benefit of around about 2%. So in other words, they're up 1% on a constant currency basis.

Fuel prices have been very volatile. On the December 31, our fuel build based on the forward curve, that was estimated to be EUR7 billion, including 62% hedge that we have in place. Since then, jet prices have increased, following the recent escalations and tensions in the Middle East.

So based on the current forward curve, we can see an increase to around about EUR7.4 billion. We'll have to see how this plays out over the next few weeks and months this fuel for also includes a year-on-year increase from ETS and CORSIA of roughly EUR150 million.

Adjusted EPS increased by 22.4%, reflecting both the strong performance, with a growth in adjusted profit after tax of 17% to EUR3.3 billion, and the share buyback program that reduced our weighted average share count by 4.3%.

Overall, this performance underscores the continued momentum in our earnings and our focus on delivering sustained value for all of our shareholders.

We achieved a free cash flow of EUR3.1 billion after investing EUR3.4 billion of capital in the business. This was supported by the positive working capital movement, partly driven by IAG's Loyalty and the Amex contract renewal as well as interest paid benefit from the early debt repayment.

These benefits more than offset higher purchase of carbon assets ahead of the changes ETS allowances and a payment to HMRC relating to the IAG Loyalty tax appeal that will not settle until the earliest 2027.

I'm pleased to report that our balance sheet continues to be very strong, with net debt leverage of 0.8x and liquidity over EUR10 billion, positioning us well for the years ahead. Our gross debt benefited from a EUR1.3 billion favorable FX impact related to the US dollar-denominated debt from the weakening of the US dollar. We aim to keep our gross debt leverage between 1.5 times and 2 times.

To this aim, we finished the year at 1.9 times, having repaid EUR1.6 billion in non-aircraft debt and taking two thirds of our '25, aircraft deliveries as unencumbered.

We remain committed to investing in our fleet, enhancing customer experience and building resilience. We've shown on this slide, the phasing of CapEx over the coming years, which will put our CapEx allocation and balance sheet decisions into context.

In 2025, CapEx was slightly lower than planned due to the timing differences, and there are phasing of some customer-related investments. This year, 2026, we expect CapEx to be around about EUR3.6 billion with 17 aircraft deliveries, continued cabin retrofits, including British Airways' A380s and 787-9s and ongoing investments in property, especially the improvement to our lounges.

Looking forward, we've been saying for a while now that our CapEx will increase in the coming years as delayed aircraft for the manufacturers start to get delivered and make up the lower CapEx numbers we've seen over the last few years.

For the last four years, this increase has continuously pushed to the right. However, we expect to start seeing this increase materialize in the next few years. In 2027, and 2028, we expect CapEx to average EUR4.9 billion, mainly reflecting the delivery of the Boeing 737s for Vueling and the start of the 777-9 deliveries for British Airways in 2028.

CapEx is then expected to increase further to an average of EUR5.6 billion for 2029, to 2031, as the 71 wide-body aircraft we ordered in 2025 and the previously delayed wide-body aircraft deliveries start to materialize, with around about 70% of these deliveries being replacement aircraft.

Beyond this period, we'll return to our normalized CapEx run rate of around about EUR4.5 billion from 2032, onwards. We're able to do this as we're making good returns on capital and have high disciplined approach to capital allocation to support our ambition to deliver focused capacity growth by 2% to 4% over the medium term.

With this increase in future capital spend, we will still be strong cash positive throughout these years, and we'll continue strong shareholder cash returns, with a higher CapEx delivering higher profits. Given this confidence in our cash generation, the current very strong balance sheet and in preparation for this CapEx trajectory, we've decided to widen our guidance on distributing excess cash returns to 1 times to 1.5 times net debt leverage.

And finally, for a disciplined approach to capital allocation and how we manage our balance sheet investments and shareholder returns, firstly, we remain focused on balance sheet strength. Across the cycle, we maintain our net leverage aim of less than 1.8 times.

This being a proxy for investment-grade rating, which we are with both Moody's and S&P. And as I mentioned earlier, in the near term, we want our gross debt to be 1.5 times to 2 times, which puts our balance sheet in an extremely strong position.

Secondly, as I've just described, how we'll continue to invest in the business, and we'll be doing so at high rates of return on capital.

Thirdly, we're committed to a sustainable dividend through the cycle for 2025, this equates to a total dividend of EUR448 million, and our intention is to grow this broadly in line with inflation, while dividend per share will grow faster as we buy back shares.

And lastly, we'll continue to return excess cash to shareholders as we've just announced a further EUR1.5 billion of excess cash returns over the next year. This represents around about 6.5% of today's market capital.

And over the three years since 2024, we will have distributed just under EUR3 billion of excess cash, around 13% of today's market cap. Given our financial framework and ambitions will still allow us to continue significant excess shareholder returns over the coming years, while also reinforcing the balance sheet in anticipation of higher CapEx.

Overall, the disciplined approach ensures that our balance sheet remains a source of strength, supporting the business through the cycle and giving us the flexibility to allocate capital where it creates the most value, and positioning us to continue investing for the long term while delivering attractive returns to our shareholders. Thank you. I'll now hand back to Luis to continue with the strategic update about our business.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Thank you, Nicholas. I will now spend a few moments going through the strategy, which has worked successfully for us for a long time now. This will demonstrate how we can sustain this level of performance. Firstly, the backdrop is compelling. Demand for travel is and has been a long-term secular trend, which, if anything, has increased in recent years and as Nicholas indicated in his review of our deliveries over the next six years, supply is constrained by the aircraft and engine manufacturers.

We have strong positions in highly attractive markets, which are served by more than one airline brand in every market. This diversity is a key component of the group's resilience and helped to deliver such a strong performance in 2025, even whilst the macroeconomic backdrop is not particularly supportive.

Nevertheless, we grew passenger revenue in each of our core markets, with all of our airlines contributing to that growth.

We are investing in our brands, which is delivering a better experience for our customers. And you can see in our NPS improvement across the last three years.

The investment is across the customer journey, so it includes on the ground and in the air. We are currently excited about our partnership with Starlink, which will provide high-speed connectivity across the group on every one of our airlines, and the first Starlink-enabled aircraft will be operated by British Airways in a few weeks' time.

On this slide, we have highlighted some examples of how transformation underpins our margin delivery, supporting both revenues and cost control. At British Airways, the improvement in on-time performance has been a fundamental driver of margin improvement over the last couple of years.

It drives productivity, increases revenue and reduce cost of disruption. It is also the biggest driver of customer satisfaction. In 2025, they delivered OTP of over 80%, the best performance since 2014, and a 20 point increase over 2023.

In the meantime, Iberia remains as one of the most punctual airlines in the world. Also at Iberia, they have focused on transforming their proposition over the last few years, reflecting the more valuable demographic of their customer base, particularly in the South American market. As a result, they have grown the premium customer base, and this has helped to drive their yields in the premium cabins.

And Vueling has delivered the best cost control of any low-cost carrier in Europe since pre-COVID. In particular, they have driven lower supply unit costs, which includes both maintenance and airports, which is an exceptional situation in the current operating environment.

I will also mention at this point that Aer Lingus delivered a record NPS score and their best OTP since 2016, highlighting their customer focus point of difference in Dublin. All these improvements have been supported by collaboration and sharing best practices across the group, one of the core benefits of our structure and business model.

IAG Loyalty continues to grow strongly as a higher growth, higher margin and capital-light business. Based on the earn and burn model where we incentivized the awarding of Avios by also increasing opportunities to spend them, it increased revenue by issuing \$200 billion Avios, up to 30%, and at British Airways Holidays, they benefited significantly from the changes to the BA Club, with revenue from elite members increasing more than 15 times faster than other customers.

As I mentioned earlier, Loyalty expects to grow earnings by at least 10% each year and grew profit by GBP49 million to GBP469 million in 2025. This profit growth was even higher growth if you put to one side the disputed HMRC tax treatment at over 20%.

The second major trend to our capital-light development is through our airline partnerships, which deliver accretive value without the need for investment in aircraft. We access 3,000 additional aircraft through our partners, which then look 2,600 additional markets through one-stop journey.

This allows us to cover 97% of all passenger demand from our home markets, with loyalty scheme benefits a key factor. This powerful network, the world's largest, deliver significant partner enabled revenue to the group every year.

We made progress with our sustainability road map in 2025. We increased our SAF usage to 3.3% of our total fuel volumes, up from 1.9% in 2024. This also helped to deliver carbon intensity of 77.5 grams of CO2 per passenger kilometer, ahead of our target, alongside our investment in more than 15 aircraft.

As always, this was all delivered by our people. We are committed to supporting our employees through their careers at IAG. We recruited over 10,000 people in 2025, continue to recruit and train pilots and our dedicated airline academies and continue to develop pay structures with all our collective group that benefit both parties.

This includes an agreement two weeks ago with Iberia's ground staff. I would like to take the opportunity at this point to thank all of our employees for their hard work during the year.

Over the last three years, we have created significant value for shareholders. Firstly, we have a portfolio of markets and brand that is unrivaled anywhere in the world and is valued by our customers. This drives attractive revenue growth.

Secondly, our execution every day is delivering best-in-class margins and earnings growth, significant free cash flow and higher return on invested capital and thirdly, this creates value for our shareholders through the dividend and our program of historical and prospective buybacks this is world-class shareholder value creation.

So in summary, the market remains compelling. We will continue to execute on our strategy and deliver world-class margins and return on capital. We are rewarding our shareholders with a strong earnings per share and dividend per share growth as well as EUR1.5 billion in excess cash returns.

We plan to continue to return more excess cash to shareholders, and we are confident that we will create significant value for our shareholders in the long term and now we open the line to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions).

Jaime Rowbotham, Deutsche Bank.

Jaime Rowbotham *Deutsche Bank AG - Analyst*

Morning everyone. Two questions from me. Firstly, the transatlantic unit revenues at constant currency were negative three-point-something percent in Q3, but back to positive, I think it was 1.8 in Q4. So very encouraging.

Could you talk a bit about the outlook for the transatlantic in Summer '26? It feels like there's quite a few moving parts, both economy, cabin weaker trends in '25 become a soft comp.

But at the same time, I don't know if you anticipate any disruption from the Football World Cup and to what extent do you expect the premium cabin trends to remain strong any comments, please, on summer transatlantic unit revenue progression in 2026.

Second question, Slide 17, very helpful in terms of laying out the medium-term vision on the CapEx. Could you just help us in terms of actual aircraft deliveries. Is there a particular year 2029, 2030 when you expect to be at peak deliveries? And could you just tell us roughly what that might look like? Is it 40-50 aircraft? What's the split between narrowbody, widebody in a sort of peak delivery year, please? Thanks very much.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Thank you very much. So North Atlantic, as you said, since the third quarter last year, we saw a rebound. We had a positive increase of unit revenue in the last quarter of the year at constant currency.

And now what we see is an improvement in the trend over the last few months, in particular, in the case of British Airways, where even the nonpremium leisure revenue has been booking well, US point of sale, in particular, strong and this is in contrast with what we saw in the third quarter of 2025.

Business demand is also booking really well, both US and UK point of sale, and premium leisure continues strong. So in Iberia and Aer Lingus, we also expect demand to remain strong, but they are having more increased competition in the hubs. But maybe, Sean, you can add something about British Airways.

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

Yes. I think we've got a couple of things which have been very encouraging in Q4 and in Q1 as well as the business demand. So we're seeing strong demand out of the US point of sale and pretty robust demand out of UK point of sale and I think we've seen recently as well the kind of market out of US point of sale to Europe more broadly is resilient like one example, to be honest, was the Winter Olympics, where we saw really strong demand out of the US into markets like Italy, and we were able to capitalize on that over our hubs. So we're seeing that in the fourth quarter and we see it in the first quarter as well.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Marco, you want to comment?

Marco Sansavini *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia*

Well, in terms of the performance in Iberia, Also, we have seen very strong business evolution there. And it's true that in terms of our yields in economy, we have seen some pressure related to increased competition, but that is applied primarily in Q3 that you saw reflected of last year and you saw reflected also in the overall performance of the group. But in Q4, that strong increase has softened and as a result also, we saw an improvement of performance.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Just on the CapEx numbers, we'll come back, Jaime, and give you kind of more, kind of precise, kind of delivery time was being delivered by a little bit later. I mean what I would say is in 2027, we're, of course, back end of this year and into next year, we're, of course, starting the reflecting of Vueling into the 737.

So that starts ramping up from '27, onwards and that takes on around about six years to do as well. And then in '28, you can start getting the deliveries of the 777-9s into British Airways and then you get the claims that we ordered in March, really start to tend to get delivered from '29, onwards over the last kind of four, five years. So we'll come back and probably give you a bit more detail come up later.

Jaime Rowbotham *Deutsche Bank AG - Analyst*

Great, thanks.

Operator

Alex Irving, Bernstein.

Alex Irving *Sanford C Bernstein & Co LLC - Analyst*

Good morning. Two for me, please. First one is on distribution. Specifically, how are you approaching the decision about whether and how to sell through large language models? Would you plan to engage directly with LLMs through an API or to rely on existing structures, GDSs, travel agents and continue to pay commissions? When do you think you will sell your first trip ticket through an LLM?

Second question also on tech, specifically for BA. You're about two years into the implementation of Nevio. We've seen Finnair 4% uplift in pricing, 10% to 15% uplift in ancillary sales from this implementation.

Is that sort of result achievable at British Airways? Or more broadly, how do you see the RASK impact of your IT transformation removed to a modern retailing platform? Thank you.

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

Yeah, we are seeing we are now selling the vast, vast majority of our direct sales through our new platform. In fact, 95% of our volume went through new ba.com in the January sale. And I think the numbers we're seeing are encouraging. One is CSAT is much higher.

I think two things like look-to-book conversion has improved. And we've also seen better trade up and better average revenues coming through. That's kind of the first real sort of significant tests that we've put the volumes through, but the numbers are encouraging. I think Finnair may be a little bit more advanced in adoption of Nevio compared to where we are.

So we work with them across the joint business and we do see some significant improvements that they're demonstrating on ancillaries and that would have been part of the kind of business case that we would have put together a couple of years ago when we embarked on this journey. So encouraging signs both on CSAT revenue conversion trade-up and ancillaries.

Operator

Stephen Furlong, Davy.

Stephen Furlong *J & E Davy Unlimited Co - Analyst*

Yeah. I guess two questions. Can you just talk about why the again, the excess cash below net leverage target has been widened? Is it to do with the delivery or the CapEx step-up? Or is it to do with one eye on TAP.

That's the first question and maybe for Sean, just on I mean obviously, BA is performing well in terms of margins.

But I know from the Insight Day, I thought it was 2027, maybe when some of the investments come true, that the underlying business probably feel that the, let's say, more resilient by then, maybe just the market is good right now or the way the dollar has gone and stuff like that.

So just talk about more the resilience of BA and when do you think it's kind of in full bloom is the word, that would be great. Thank you.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Just starting on the kind of guidance on the distribution of excess cash. We widened the guidance to 1 times net leverage to 1.5 times we have had fantastic results last year, really strong cash generation, and that gives us real flexibility to both distribute what we think has been a good return on capital in a 9% yield this year in terms of what we're returning to shareholders at the same time and strengthen our balance sheet further and invest heavily in the business.

I guess the main thing for that though is we got our eye on the increase in CapEx that comes in the next kind of the next few years overall.

So it's really making sure that we lock in the benefit. We've had a really strong year this year to really make sure that continues and then we're in a strong place to make sure we continue to give good shareholder returns and distribute excess cash.

So we've used this kind of really strong opportunity to set the balance sheet for that increasing on those future shareholder returns.

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

If I pick up on the BA question, Stephen. Yes, look, I think we have delivered the 15% two years earlier than we set out about 14 months ago. I think, as you said, some of the dynamics have probably worked in our favor, but I think we are seeing the benefits of transformation already.

I think Luis mentioned the operational performance transformation, the benefits that gives to Net Promoter Scores or CSAT, but also the benefits it gives in terms of reducing nonperformance-related costs such as disruption. So we expect that to kind of flow through and carry on.

Number two, I suppose, is the investment we've made in technology and new platforms. I think we are very excited about the new digital capability. It's performing well, but we have more to come in the coming months as we roll out more of that functionality.

We have a new revenue management system, again, which is showing encouraging results. We have a new payments platform, which is increasing optionality and also increasing conversion.

So I think we will see more value accretion coming from those levers as we look into '26, and '27, I think the other angle, I suppose, which we're excited about, is growth. And Nicholas mentioned CapEx, but we will see more long-haul aircraft come back into BA.

Today, we're still a bit smaller than we were in 2019, and we feel we have a lot of opportunities to grow long haul, which again helps with margin growth and also helps with things like seasonality because it works very well in winter with a number of markets that we could serve.

And finally is the onboard product. We will complete the rollout of the club suite. We're at about 76% now at Heathrow, the 789s are going in this year, the A380 start, we see really strong commercial and customer performance on the back of completing those reconfigurations.

So I think we've made a lot of progress on what we said we would deliver on 15 months ago. But I'd agree, there is still a lot of transformation that we will unlock in the next couple of years.

Stephen Furlong *J & E Davy Unlimited Co - Analyst*

Okay, great, thanks Sean, thanks Nicholas.

Operator

Savi Syth, Raymond James.

Savanthi Syth *Raymond James Holdings (Canada) Inc - Equity Analyst*

Hey, good morning. I have two questions from me. Just first, I was wondering if you could give a bit more detail on what you're seeing on in terms of engine durability, maybe supply chain and cost escalation? Just wondering across those three things, are things improving or not changing or getting worse and then second, I know you mentioned it was strong, but I was wondering if you could give -- please give a little bit more color on like corporate and premium trends across the airline. Thanks.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Okay. So the first question about the supply chain. I think we talk about aircraft, the plan is that we are going to receive 17 aircraft this year. We are pretty sure that the manufacturers, they are going to comply with this plan. In any case, we have some buffers in case we could have some delay. We continue with the issue that everybody has with the engines.

We are having problems with GE engines, in particular, in Iberia where they are suffering the lack of spare engines in their 330s. They are having the problems with the GTF in Vueling. As you know, they have an average like 16 aircraft grounded because of this situation and also in the case of BA, they still have 787 grounded because of the Rolls issue.

We hope that in the case of BA, the situation, it's going to be recovered in May. But as the plan that we have right now, that we continue working with different OEMs to try to improve the situation. But I would say it's improving, but slowly.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah, the second question was about corporate demand. We're trying to move away from comparing myself to 2019. I think that's kind of ancient history now. So all you can just say is actually we've seen corporate demand be strong in Q4, and in the first early days into Q1, it's been good as well, of course, that helps the yield curve, which is so it's been strong across all kind of sectors, not just finance so been good so far.

Marco Sansavini *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia*

And in particular, let's say, the Latin America and premium market as a whole came very, very strongly. For instance, comparing to last year, the business market has increased in revenue, 7% versus last year and it's a bit like what we have been sharing with you when presenting our Flight Plan 2030.

So there is a Madrid converting into the new Miami since not only to indicate an increase in overall traffic, but in particular, premium traffic from Latin American countries.

Operator

James Hollins, BNP Paribas.

James Hollins *Exane Bnp Paribas - Analyst*

Nicholas, one for you. On the unit cost guidance of minus 1% in 2026, if we reference Slide 13, give a little bit of detail on the puts and takes across employees, suppliers, ownership. I was wondering if you would be willing to flag maybe how you expect those to move in 2026, (inaudible) in particular, you had seen nicely down. Obviously, FX is the big help. And seasonally, I assume H1 better than H2 because of FX.

Any other seasonality you might want to flag and secondly, on Vueling, please, I know that IAG obviously has a policy of asking CEOs to beg for growth and clearly, Carolina has won the battle. I don't know if Carolina is on, but I'd love to hear a bit more about the planned 50% passenger growth over the next decade in Vueling, whether it's where it is outside of Barcelona, if there is -- I assume there must be clearly, what happened internally to secure that investment and maybe a bit more detail on what I think is called Rumbo 2035. Thank you.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. So last year, we finished with nonfuel unit cost up 2.8%. We've always said that would moderate actually under a constant currency, it's up 1%. So it's exactly what we're selling to do. It's moderating. We have got a benefit there, as you say, of around about 2% benefit from FX. So that's why it's down 1% overall.

I think if you just for information for everyone, if you look at the FX impact through this year, coming, you're going to get a benefit in nonfuel CASK and you're going to get a headwind on revenue of around about in Q4 of around about 4%, in Q2 about 3%, and in Q3 of about 1%, and that should be hopefully, it should be flat in Q4.

So that's the kind of shape of it. If you look at the nonfuel CASK, just the way it's phasing, you'll see there's a bit more of a kind of headwind in Q1 and probably the Q3 overall. But if you got to phase it across the year on a constant currency basis.

Carolina Martinoli *International Consolidated Airlines Group SA – Chairman and Chief Executive Officer of Vueling*

Okay. Good morning, on Vueling plan, what we have presented is a plan for the next 10 years. We have a 20 million passenger growth. So the geographical focus is clearly Barcelona, domestic Spain, where we are leaders. We have over one third of the market of Spain domestic and connecting Europe with Spain fundamentally through the 11 bases we have, Barcelona and plus other 10.

This plan is very linked to the re-fleeting, which will restructure our cost base. Also, will give us more gauge and this is extremely important, especially in the case of Barcelona, you know Barcelona is a constrained airport, we have expansions plans in 31 and 32, but we will have a 14% gauge increase with the new fleet in average.

Operator

Jarrold Castle, UBS.

Jarrold Castle *UBS AG - Analyst*

Thank you and good morning, everyone. I just want to come back to AI, but now more on the opportunity for taking out costs because obviously, we're starting to see companies at least announce large job cuts today, today it was block but I'm just wondering, what are your plans to achieve efficiencies through AI adoption? And kind of related to headcount, are there any staff negotiations outstanding as well and then secondly, just on the 3% capacity deployment, obviously, a very useful slide. But can you give some just regional color in big pictures where that 3% gets deployed. Thanks.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Okay. So the data intelligence, you know that in our transformation, 80% of the projects are linked to technology, and artificial intelligence for sure is critical. So we have projects, for example, in the area of maintenance, where artificial intelligence is going to help us to be much more efficient.

We have developed some tools, for example, in order to improve the planning that we do with our engines or our fleet. Artificial intelligence is going to help and is helping us also in the customer experience.

And also, we are analyzing ways to be more efficient, but the objective is not to reduce the head count, it's more how we can use artificial intelligence to improve customer experience and to improve also the efficiency of all of our workforce.

So again, all the plans are based in technology. Artificial intelligence opens a big range of opportunity, and we are exploring all of them.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

So just on the capacity, 3%, you've got -- we've got -- we've given you some in the appendix where it's going to be by airline overall, so you can take a view on that. But -- and if you look at North America, it's roughly in line with that, but better than 3% overall. It's a

bit better -- that even again on Latin America, probably kind of 4.5 plus capacity on South America South Atlantic and it's pretty flat across Europe. It's up in Asia Pacific and base but, of course, it's a low base.

Jarrold Castle *UBS AG - Analyst*

Okay, thanks, and negotiations, sorry.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

We're in a relatively good position on comes.

Operator

Harry Gowers, JPMorgan.

Harry Gowers *JPMorgan Chase & Co - Analyst*

So first question, I mean, you talked about strong booking in the Q1 -- in your outlook. So maybe like a little bit more color on what that might mean in terms of booked revenue or pricing?

I mean could we see the same group ex currency RASK in Q1 that we saw in Q4? And then just second question, on EBIT margins by airline, just wondering what's the full potential for some of these businesses? I mean when I look at your Slide 11, the margins are already very high. Aer Lingus is at 11; BA, 15, Iberia, 16, and Vueling, 12. So maybe where do you see the margin upside by individual airline going forward? Thanks a lot.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

Okay. So I think what we see now for a year, I think we have a lot of visibility for the first quarter. We are, for the first half, in line with the plan. It's true that the first quarter, we are going to have the benefit of the Easter, that is helping. But when we look at the summer Q2 and Q3, we only have about 30% booked.

So what we see is, in general, positive. Business traffic is growing and it's helping the near-term bookings and when we look at the different geographies, we talked before about North Atlantic, but LatAm also remains strong for Iberia.

And also, we see a healthy performance in the Caribbean for BA. Europe also is booked well. We see also a strong business demand in the case of BA and the only region where we see some softness is Africa, Middle East. So I think in general, we are on plan and we are confident for this year.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. Just in terms of kind of full potential, of course, if very strong demand, you get low fuel price. Of course, you can maybe go higher. I guess what we are focused on is delivering in the range we've already set out, 12% to 15%. In our view is if we can keep towards the top end of that range, keep delivering at 15%, grow at 2% to 4% ask, that is incredibly strong performance overall generates huge amounts of cash.

Great shareholder returns overall and allows us to invest in the business. So that's where we're going. If the benefits go move in our favor and we get them off that's great. But that's -- our aim is to be kind of delivering out at that top end of the range.

Harry Gowers - Analyst

Right, thanks a lot.

Operator

Conor Dwyer, Citi.

Conor Dwyer Citibank Cameroon SA (Douala Branch) - Analyst

First question is around that margin question. Obviously, the last couple of years, you've been asked the upper end of that 12% to 15% range. We're obviously still talking about more transformation of BA, Loyalty, we we're growing above the rest of the group. Obviously, the trends in Iberia are very strong.

So I'm just wondering if -- is there any scope for that kind of 12% to 15% to be moved up or even the lower end of that to be moved up?

And then on the second side, just around free cash. Obviously, at the moment, the outlook for that looks super strong, but for CapEx is rising towards the end of the decade and obviously, you'll be intending to grow your top line. I'm just kind of wondering, do you envisage a scenario that in that higher CapEx environment, free cash is still able to be in and around the current level? Obviously, some investors will be somewhat worried that we have a couple of years here of super strong free cash generation in the 5/6 years that maybe that kind of normalizes. Thanks very much.

Nicholas Cadbury International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer

Yeah, just in terms of the margin targets, we've got we're very comfortable where our margin targets are through the cycle at the moment, as I said earlier. If we keep growing at 2% to 4% ask and hit 15% margin, I can't think of any other airline that's going to be able to do that as well over that little time.

So that's a really great performance overall. So we're very comfortable with that as well overall just in terms of the free cash flow, I mean, we kind of I said in my script, actually, that you've got the kind of CapEx going up over time higher CapEx, when you're driving good margins, means higher profits at good returns.

So it should continue to be strong cash generation overall. So actually, with the higher CapEx, actually over the longer term, even more confidence in our cash generation.

Conor Dwyer Citibank Cameroon SA (Douala Branch) - Analyst

Thanks.

Operator

Muneeba Kayani, Bank of America.

Muneeba Kayani Bofa Merrill Lynch Asset Holdings Inc - Analyst

Good morning. Thanks for taking my questions. Actually, just wanted to talk about your range again, like -- maybe I don't understand how what do you really mean by through cycle? Like what's the definition of that? And ROIC is clearly well above your target at this point.

So both on margin and ROIC, if you can talk about what you mean through cycle. And into your growth algorithm, which you touched on in the slide, historically has been strong, but how do you think about that growth algorithm into the medium term?

That's the first question and then secondly, just going back on Loyalty. You talked about the Amex contract renewal had a positive impact on working capital. Can you give a little bit more details on what this renewal was? And how do you think about it into that 10% growth?

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. So I'll start with the loyalty Amex question. Yes, we're really pleased that we've signed -- which really underpins the profitability of our loyalty business overall.

And that's been one of the great sources of growth as our partnerships, particularly on the kind of financial partnerships, and we'll talk a little bit more about that on the June 3, overall. We've got it's commercially sensitive in terms of how much it benefited our working capital, but we just thought it was worth calling it out overall. Definition sort of through the cycle, good question.

I guess it mean -- I mean through the cycle, it just means that we think with normal kind of cycles of ups and downs in the economies and GDP of course, it doesn't mean it if you get another COVID event or something like that. But we just think through that kind of normal GDP fluctuations that you get over a kind of 10-year cycle. That's what we're trying our targets to be.

Muneeba Kayani *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

And the growth algorithm.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

I didn't quite follow your question on the growth algorithm, sorry.

Muneeba Kayani *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

So as you think about the growth algorithm in the medium term, so you talked about the 2% to 4% ask growth and margins kind of remaining at that stable level.

So that drives kind of 2% to 4% EBIT growth is how to think about it and then you get the strong cash generation and buybacks driving EPS growth of high single digits. Is that the way to think about it?

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

That's a nice way of thinking about it. That's a nice way of thinking about it.

Muneeba Kayani *Bofa Merrill Lynch Asset Holdings Inc - Analyst*

Thank you.

Operator

Ruairi Cullinane, RBC Capital Markets.

Ruairi Cullinane Rbc Capital Markets - Analyst

Congrats on a strong year. So firstly, how do you view the capacity backdrop on IAG routes this summer? It looks pretty constrained to me on the Atlantic overall, but I think Nicholas also commented on elevated capacity growth from Dublin and then secondly, domestic RASK was up over 8% in Q4 after declining in Q3 and untrimmed capacity. So what drove that? Thank you.

Luis Gallego Martin International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director

The plan that we have for this year is to increase capacity by 3%. When we look at the capacity that we are going to happen in the different markets, for example, North Atlantic, the capacity that we see out of London, is going to continue May 9, and we are going to have a flat environment.

Madrid is going to be different. We expect significant increases. Although it's true that part of this is driven by Iberia because they are adding capacity in North Atlantic.

Also they have now the new 321 extra long range and they are putting capacity there. Dublin is going to be a competitive market also and they are going to have a growth close to 10% during the summer. South Atlantic, a little different capacity out of Madrid. We expect growth between 5%, 6% for the summer.

And if we look at intra Europe, for example, the capacity out of London on IAG routes is expected to be down in the first quarter, but up to between 2% and 3% in the second and third quarter.

Barcelona is also a place where we see we are going to have growth in the summer, around 5%, 6%. And where we see more capacity is in places out of Madrid and Barcelona in Spain. But this is the global picture that we see.

Marco Sansavini International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia

And talking about the domestic, and in particular, domestic Spain, it's true, it's been very strong along the past years. And it's true that you've seen in Q4, in particular, an additional increase, which is relating to the fact that both with Iberia Express and with Vueling, we strengthened our relative position into the islands in particular. And at the same time, Ryanair in the winter reduced capacity to the island.

So the combination of these two factors made our position even stronger and that will continue. You will see it continuing in 2026. In Q1, for instance, is already producing itself with an additional element, which is that you have seen the very the tragedy of the train accident in Spain, and that has led some corporations, for instance, to change their travel policy in domestic traffic, and in general consumers to shift more to flights. Therefore, you will see an underlying very strong demand throughout 2026 in domestic. Thank you.

Operator

Gerald Khoo, Panmure Liberum.

Gerald Khoo Panmure Liberum Capital Ltd - Analyst

Good morning, everyone -- If I could start with the sustainability of margins and return invested capital. How sustainable do you think they are at these levels? It sounds like you are fairly comfortable about that. But what pushes you towards the middle of that sort of through the cycle range? Is it just an economic downturn?

Should we expect there's only invested capital to moderate as the CapEx ramps up? What impact does that CapEx ramp-up have on margin and secondly, you talked about the strength of premium leisure. I was just wondering how the booking profile of premium

leisure differs to sort of the network average and to non-premium leisure in particular? Does it book earlier? Does it book later? Is the duration of stay longer or shorter? Thanks.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Yeah. I mean the sustainability of the margin, good question. I think there's lots of areas you could say this a short-term downturn in the market. You could say it's increasing tension across the Middle East.

What happens then as well, I mean, just the example we called out on the call now as well that I think basically consensus is 5.2 billion and that includes kind of 7.1 billion of fuel in there and the fuel has got up to 7.4 billion in the last few weeks as well.

Now hopefully, we can pass some of that on to investors. I think we'll still retain our strong margins, but you got lots of external variables that kind of impact that overall.

But I think we're focused on making sure we commit to our transformation, commit to our growth plan, our disciplined growth plan as well, and that kind of always whatever circumstances just towards the most competitive margins that we can get overall.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

And the second question, premium leisure, usually, they book in advance. So as we said before that business traffic is recovering. So and the pattern of booking of business traffic, usually bookings are late.

So in some cases, we are holding the nerve because we know that demand is coming. And in some way, we are trading between premium leisure around business but maybe, Sean, you can comment?

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

Yeah. I think what we have been seeing is strong lately in business leisure our business bookings, certainly in Q1. And we try and protect inventory to capitalize on that. I think we've done some analysis, and interestingly enough, people from an exec club who are traveling for premium leisure will be booking 60 days plus. In terms of travel plans, your business traveler will be more like 40 days.

So there's kind of a two-to-three-week difference in the booking profile between one segment and the other. But as Luis said, it's one of the things that we look into next year to try and optimize because we see that late booking business demand has been pretty robust in Q4, and we're seeing it in Q1 as well.

Gerald Khoo *Panmure Liberum Capital Ltd - Analyst*

I'm sorry, how does premium relation book relative to non-premium? Is it earlier or later?

Sean Doyle *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of British Airways*

I think it has a similar profile actually. I think when people are planning a holiday and they're planning a hotel and planning an itinerary, they'll tend to plan further out. So we don't see that marked a difference between the premium leisure and the nonpremium leisure side.

We do see premium leisure actually tends to book more directly through our channels. We do work with sort of online travel agents more for the non-premium side.

Operator

Axel Stasse, Morgan Stanley.

Axel Stasse Morgan Stanley - Analyst

Yeah, morning everyone. Thanks for doing my questions. The first one is on the BA and Iberia cost improvement and efficiency program that you guys have announced in the last couple of years.

Can you maybe quantify the improvement heading into 2026? What are the improvements done? Is it just about efficiency and therefore, depending on the aircraft delivery? Or is there something else we should be aware of?

So that's the first one and then the second one, coming back to the working cap effect from the Loyalty, should we expect this to reverse heading into 2026? I understand you're about to tell us more specifics, but how should we model this going forward? Thank you.

Nicholas Cadbury International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer

So I just think -- I think your question just on the working capital one. So there were 2 things that happened on the cash flow this year into Loyalty. One is we did benefit from some Amex and signing of the Amex, we can't quantify that over time.

So that gets smoothed across the P&L over the next X years, and we've signed the contracts for. So it doesn't reverse, you just don't get it again.

We did, though, pay kind of 450 million to the HMRC for this VAT case that we've got with HMRC that we feel very confident on. Actually, that comes into court later this year, but it probably won't get settled until 2027 probably.

So you should get a reversal, but it might take a number of years before it does reverse overall. So just -- I hope that answers your question on that one overall.

Just in terms of the cost improvements, we don't give kind of specific guidance on the kind of transformation savings that we're doing, and we only do that because there's lots of moving parts, both the kind of inflation, the investments we're making, the growth we're having and the kind of transformation. So it's all moving parts.

But you can see that actually, if we're growing if we're growing our kind of constant currency nonfuel CASK by kind of 1%. And if you think kind of inflation is well above that as well, and we're making kind of good investments in the company.

At the same time, you can see there's a high level of transformational benefits that we're putting through the P&L at the same time.

Marco Sansavini International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia

And maybe to give a bit of color of what is to come still in our efficiency programs. Clearly, supplier cost is one where through the strength of the group purchasing, for instance, we are having a lot of value creation in the coming months and years in our transformation plans that you will see coming through and another key area of value creation there and efficiency is utilization.

As you see, we've been evolving a lot through the years in reaching very high utilizations, and we still see room for improvement there.

For instance, now we're taking new fleet, we are progressively introducing them, and we could not, of course, maximize the utilization of these new fleet in the first year with all the XLRs, and in 2026, you will see a very significant improvement there in our utilization and productivity.

Operator

Andrew Lobbenberg, Barclays.

Andrew Lobbenberg *Barclays Services Corp - Equity Analyst*

I have two questions, one on competition on the South Atlantic. Clearly, premium goes really well for Iberia. Can you talk about how competitive that is against the Latin American carriers who are emerging from Chapter 11 and getting their mojo. And yet Air Europa is wherever Air Europa is. So how does that go and actually, in Latin America, you don't have a very wide footprint of partnerships locally. So does that impact your the power of Loyalty and your ability to attract LatAm -- Latin originating premium passengers and then the second question at the risk of lighting and obvious blue touch paper.

Do you want to talk around the relations with the airports, Aena and their airport charges, Heathrow and their third runway, and Dublin and its cap, which is on, all struggle to keep up. Thanks.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

Sure that was three questions there Andrew, but.

Marco Sansavini *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia*

Well Andrew starting from the first one I'm not very good with numbers.

Nicholas Cadbury *International Consolidated Airlines Group SA - Chief Financial and Sustainability Officer*

No comment.

Marco Sansavini *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of Iberia*

If you look at our Flight Plan 2030, you would see that our starting point is to have a structural and maintain and foster a structural competitive advantage in cost versus our European competitors. We indicated we have a 30% almost unit cost advantage versus the Air France and KLMs and Lufthansas in Europe. But at the same time, in LatAm, in fact, LatAm carriers are have a much more competitive cost position.

They have a cost position that is similar to our some cases, even some quarters slightly better than ours, but we have a structural revenue advantage over there.

We are the only carrier to Latin America that has, for instance, business class with full ignition and doors . So we are the only one having four stars Skytrax. All the others are three star Skytrax. And we have, therefore, a premium revenue advantage that is also reflected by the fact that we've been building that through network coverage.

We are the largest operator to Latin America by far and the one that has the most spread network, 18 countries are covered. Therefore, that competitive advantage in product and network spread is reflected into a premium advantage. It is remaining.

And in fact, in building what we are sharing is that our PRASK in premium, you saw the comparison of our RASK in premium in 2019, and today is 34% higher. So these are competitive advantages that we are building, strengthening and making stronger in time.

Now certainly, as you mentioned, the loyalty program is a key driver of that. We have mentioned, for instance, how much our top tier customers have increased in the year. So maybe, Adam, you can give some color there.

Adam Daniels *International Consolidated Airlines Group SA - Chairman and Chief Executive Officer of IAG Loyalty*

Yeah, sure. I think it's interesting that South America is particularly strong in the loyalty space in terms of loyalty businesses, and we are seeing significant growth, not only in terms of the membership both in British Airways and Iberia, but also in terms of the deals that we're doing now and there on the currency side with financial services and elsewhere.

So definitely, South America is a very bright spot in terms of the loyalty business and in terms of the collection of the currency and the drive to deliver or achieve the tiers. So we're very pleased with what we're seeing down there.

Luis Gallego Martin *International Consolidated Airlines Group SA - Chief Executive Officer, Executive Director*

About your third question about airports. So I think that the approach is the same with the different airports that where we operate. So at Heathrow, I think we don't want to have a debate about the cost of the project.

So what we are saying is that we need to look at the fact and the facts are that Heathrow is the most expensive airport in the world. You need to pay 2 times or 3 times more than what you have to pay in other big European hubs.

So Heathrow has announced. It's not our number. They have in their web page, an expansion plan of GBP49 billion. And we think that plan goes ahead, the passengers are going to pay double of what they are paying today.

So we have done our internal analysis of the maximum level of investment that we think with the right phasing, we can afford in order to have flat charges for the passenger, and we have reached GBP30 billion is our number.

And we can't be wrong, but that's a reduction of 40% in the investment they are proposing but in any case, what we are saying is if Heathrow is sure about what they are proposing and the extra passengers that we are going to have, and sure they don't have any problem to put a cap in the passenger charges, that at the end is to get that we have a cap in what they are going to pay and we don't increase what they are paying today that I think is enough, then we support any project.

Aena. Aena, we are working with also with Dora 3 and a similar situation. So we support the investment not at any price and for sure investment brings associated more passengers and more revenues without more efficiencies and because of that, we are defending that the charges for the passengers cannot raise.

So much and in the case of Dublin, good news that the cap has been removed. What we are waiting is for an urgent progress of the legislation and that's all and I think it was the last question?

Okay. So thank you, everyone, for listening today. We are very pleased that we have delivered another great set of results. And we are looking forward a very positive way for 2026. Thank you very much.

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