INTERNATIONAL AIRLINES GROUP

RELEVANT FACT

IBERIA'S TRANSFORMATION PLAN

A comprehensive plan to save Iberia after record losses and return it to profitability was announced today by International Airlines Group (IAG). Iberia's transformation plan will introduce permanent structural change across all areas of the business with the aim of stemming losses and returning the Spanish airline to profitability.

Transformation Plan Highlights:

- Stem Iberia's cash losses by mid-2013;
- Turnaround in profitability of at least €600 million from 2012 levels to align Iberia with IAG's target return on capital of 12 per cent by 2015;
- Network capacity cut by 15 per cent in 2013 to focus on profitable routes
- Downsizing its fleet by 25 aircraft - five long haul and 20 short haul.
- Reduction of 4,500 jobs to safeguard around 15,500 posts across the airline. This is in line with capacity cuts and improved productivity across the airline.
- New commercial initiatives to boost unit revenues including increased ancillary sales and website redesign.
- Discontinue non-profitable third party maintenance and retain profitable ground handling services outside Madrid.
- The transformation will be funded from Iberia's internal resources

In the short term the transformation will focus on stemming the losses and creating a profitable route network. This will include suspending loss making routes and frequencies and ensuring there is effective feed for profitable long haul flights.

As well as halting Iberia's financial decline we will establish a viable business that can grow profitably in the long term. Short and medium haul operations will be transformed to compete effectively with low cost carriers who have successfully established themselves in Iberia's home market. The plan will see comprehensive productivity improvements and the introduction of permanent salary adjustments to achieve a competitive and flexible cost base.

Iberia has many advantages. It has an excellent geographical position to serve Latin America, along with historical ties; a strong brand and the ability to grow long term at it hub.

A deadline of January 31, 2013 has been set to reach agreement with the unions. If agreement is not reached, deeper cuts and a more radical reduction in the size and scale of Iberia's operations will take place to secure the natural long haul traffic flows at Madrid and safeguard the company's future.

Rafael Sánchez-Lozano, Iberia's chief executive, said: "Iberia is in fight for survival. It is unprofitable in all its markets. We have to take tough decisions now to save the company and return it to profitability. Unless we take radical action to introduce permanent structural change the future for the airline is bleak. However this plan gives us a platform to turn the business around and grow".

"The Spanish and European economic crisis has impacted on Iberia, but its problems are systemic and pre-date the country's current difficulties. The company is burning €1,7 million every day. Iberia has to modernise and adapt to the new competitive environment as its cost base is significantly higher than its main competitors in Spain and Latin America".

"Time is not on our side. We have set a deadline of January 31, 2013 to reach agreement with our trade unions. We enter those negotiations in good faith. If we do not reach consensus we will have to take more radical action which will lead to greater reductions in capacity and jobs".

Willie Walsh, IAG's chief executive said: "We want Iberia to be strong and successful. For too long the narrow self interest of the few has damaged the long term future for the many. We will not hesitate to take the necessary steps to protect the interests of our shareholders, our customers and our employees."

"This turnaround plan is critical for Iberia and for the future of Spain. A strong and profitable Iberia can create jobs and boost tourism, a key driver in Spain's economic recovery".