

Capital Markets Day

15th November 2013

IAG INTERNATIONAL
AIRLINES
GROUP



Agenda

0900	Opening Speech	Antonio Vázquez	<i>Chairman</i>
0915	Event Introduction	Andrew Barker	<i>Group Head of Investor Relations</i>
0930	IAG Plans and Targets	Enrique Dupuy	<i>Chief Financial Officer</i>
1030	British Airways	Keith Williams Nick Swift Lynne Embleton Frank van der Post Drew Crawley	<i>Chief Executive Officer Chief Financial Officer Director Strategy & Business Units MD Brands & Customer Experience Chief Commercial Officer</i>
1130	Break		
1200	Iberia and lunch	Luis Gallego Marco Sansavini Neil Chernoff	<i>Chief Executive Officer Commercial Director Network Director</i>
1300	Vueling	Alex Cruz Sonia Jerez	<i>Chief Executive Officer Chief Financial Officer</i>
1400	Break		
1430	Conclusion and Q&A	Willie Walsh	<i>Group Chief Executive Officer</i>
1600	Close		

Financial Targets & Synergies

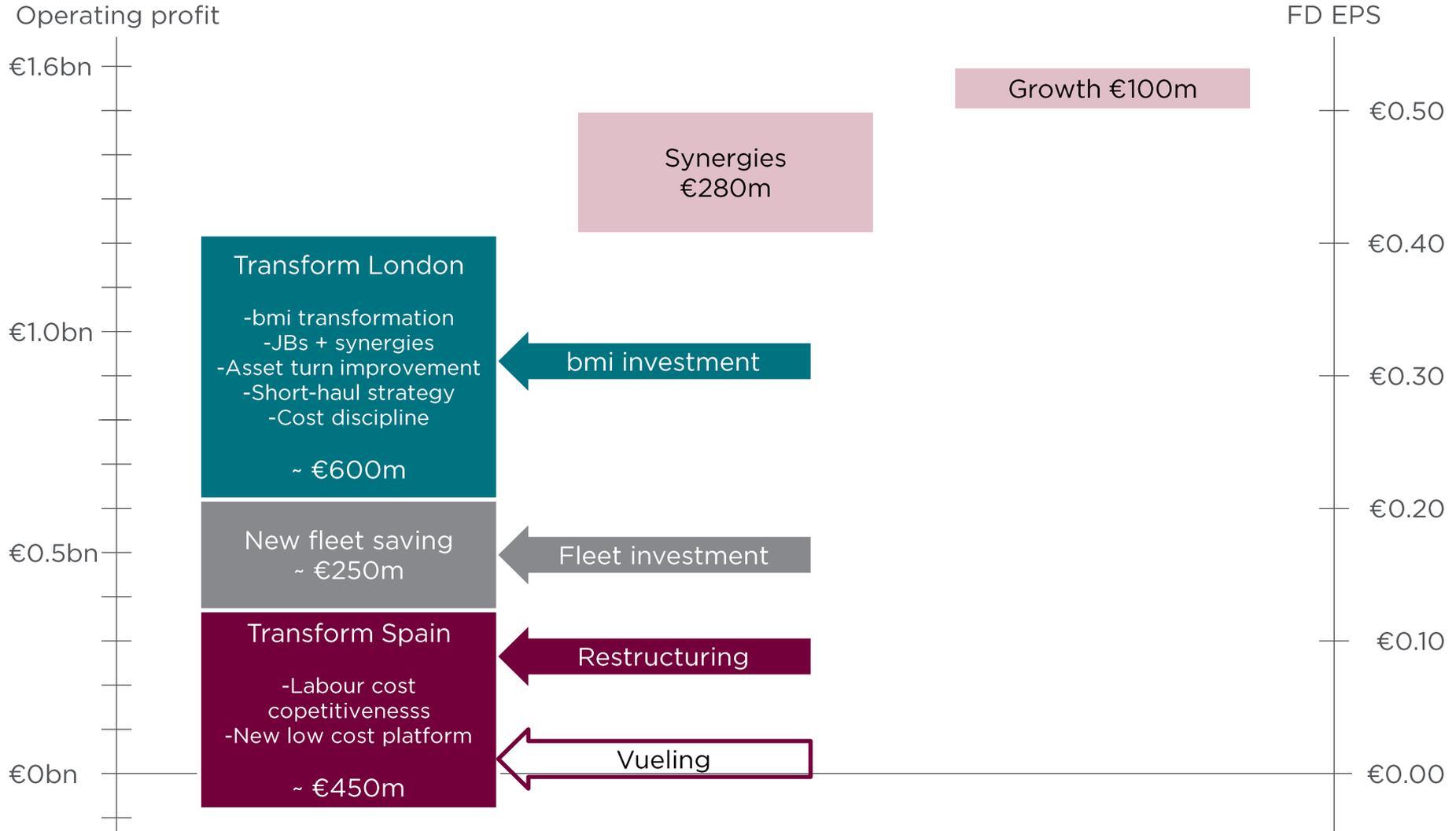
Enrique Dupuy

Group Chief Financial Officer

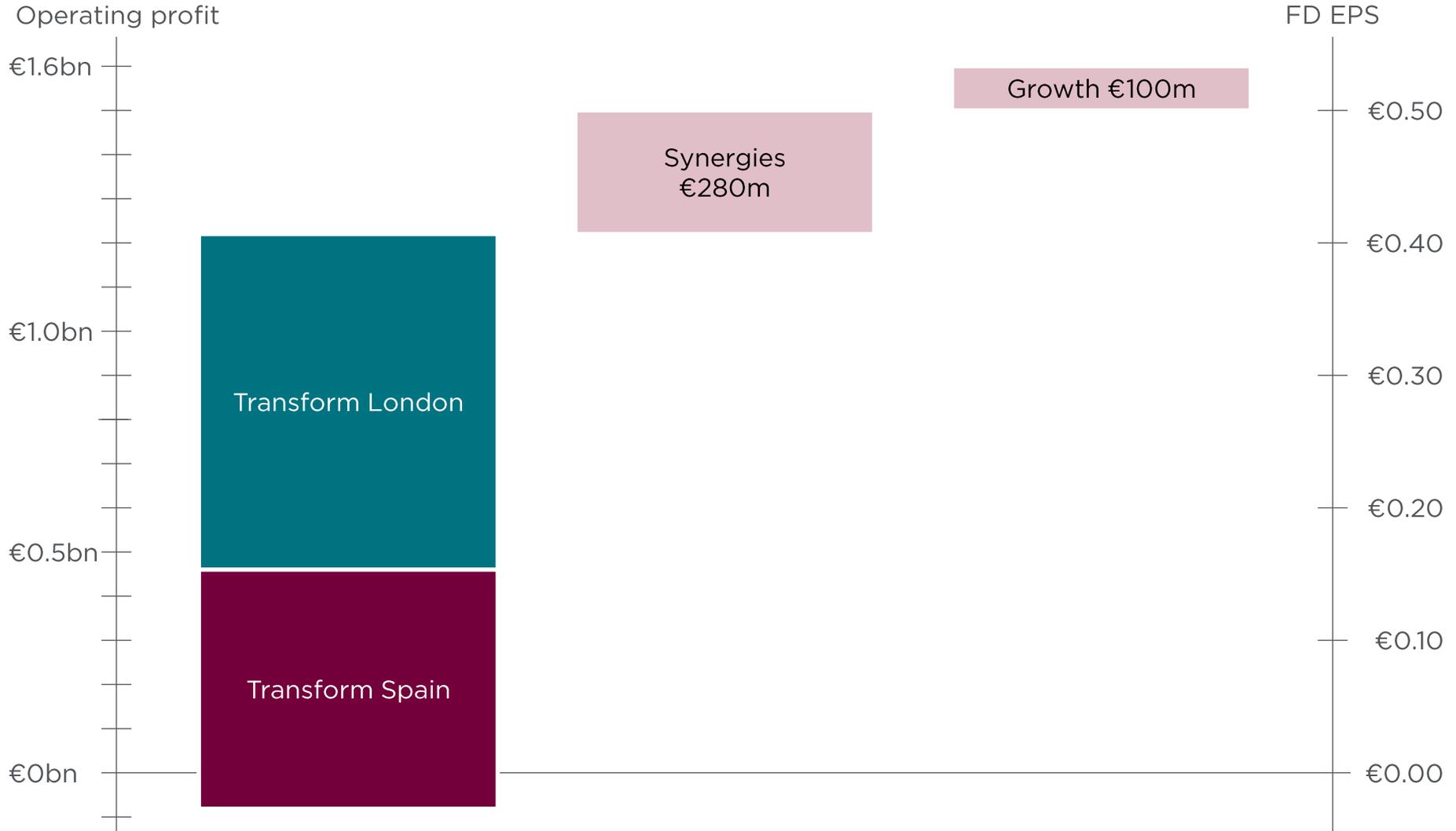
Financial targets – headlines 2013

- **IAG is targeting €1.8bn operating profit in 2015, up from €1.6bn through:**
 - Impact of Vueling integration and performance
 - Improved margins in British Airways increasing the 2015 operating profit target from £1.1 billion to £1.3 billion
 - Iberia recovery plan on track with improvement expected
 - Additional contribution coming from BA and Vueling growth
- **Aiming for a level of EPS \geq €0.54 (RoIC \geq 12%)**
- **Keeping 2015 leverage at around 55% pre IAS19**
- **Heading for a business model that could sustain organic growth levels of 2-3% (ex Vueling) beyond 2015**
 - Assuming capex of €2.0 - 2.2bn per year
 - Providing market level returns for our shareholders

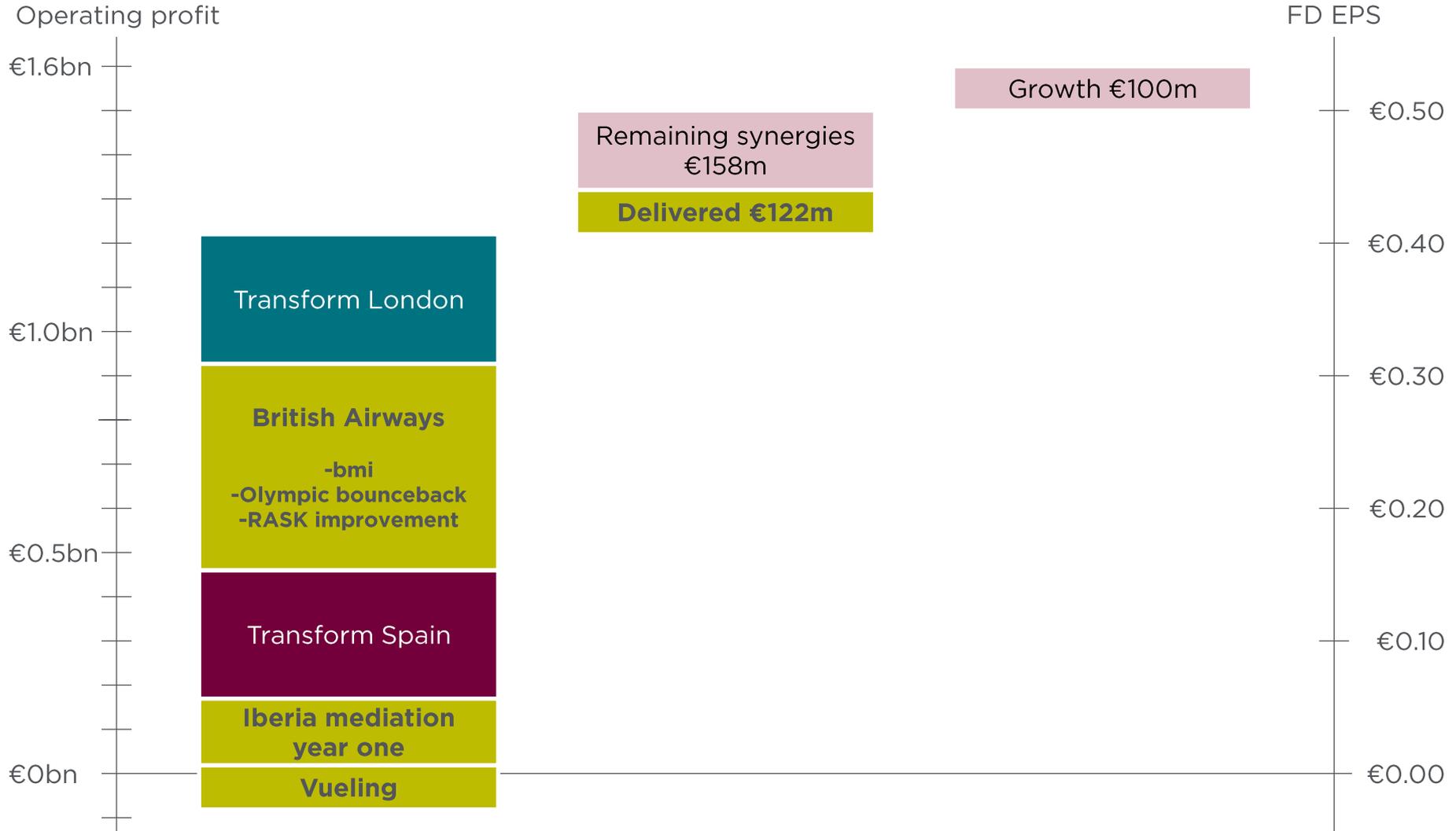
2015 financial targets - framework 2012



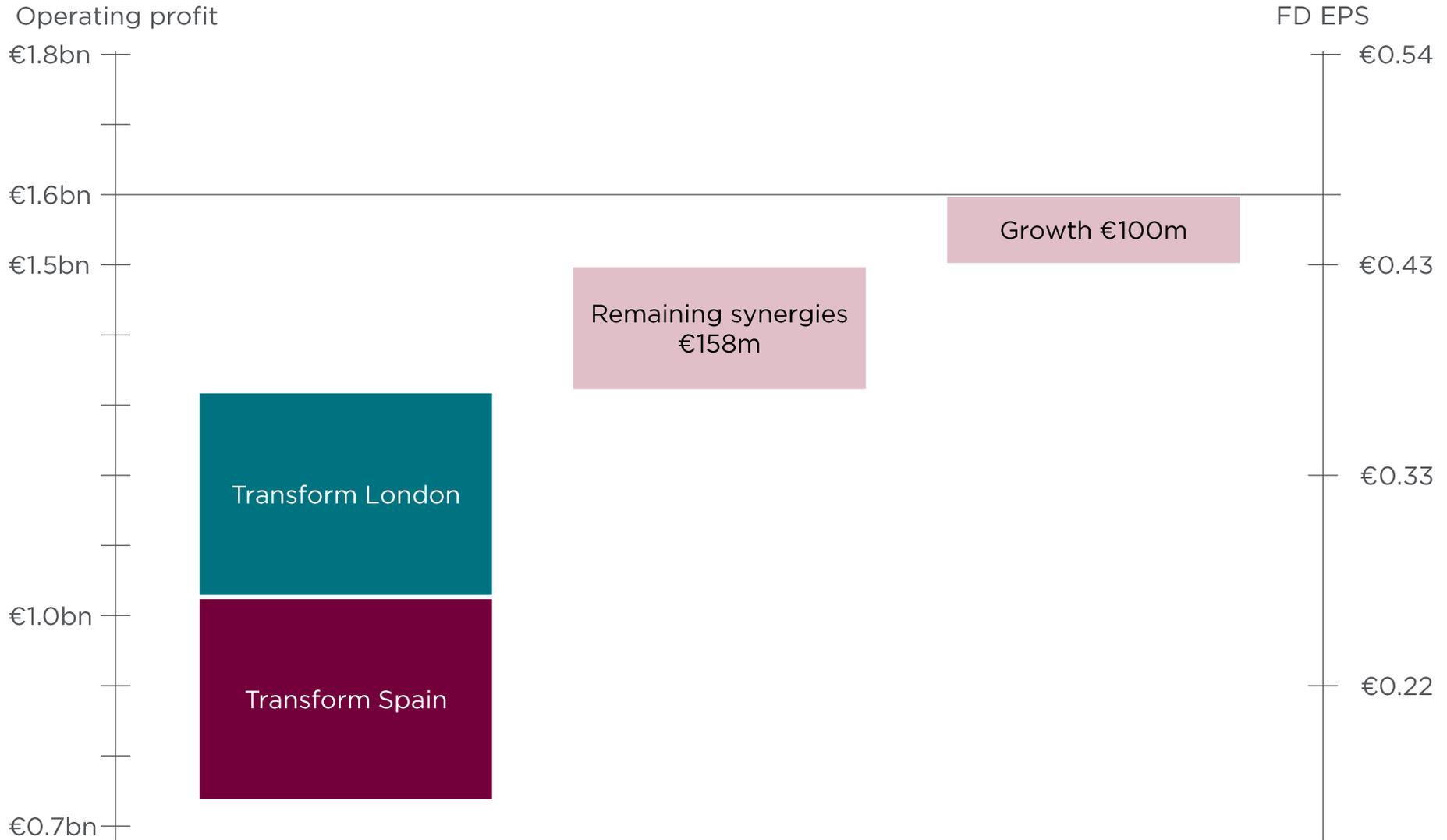
2015 financial targets - framework 2012



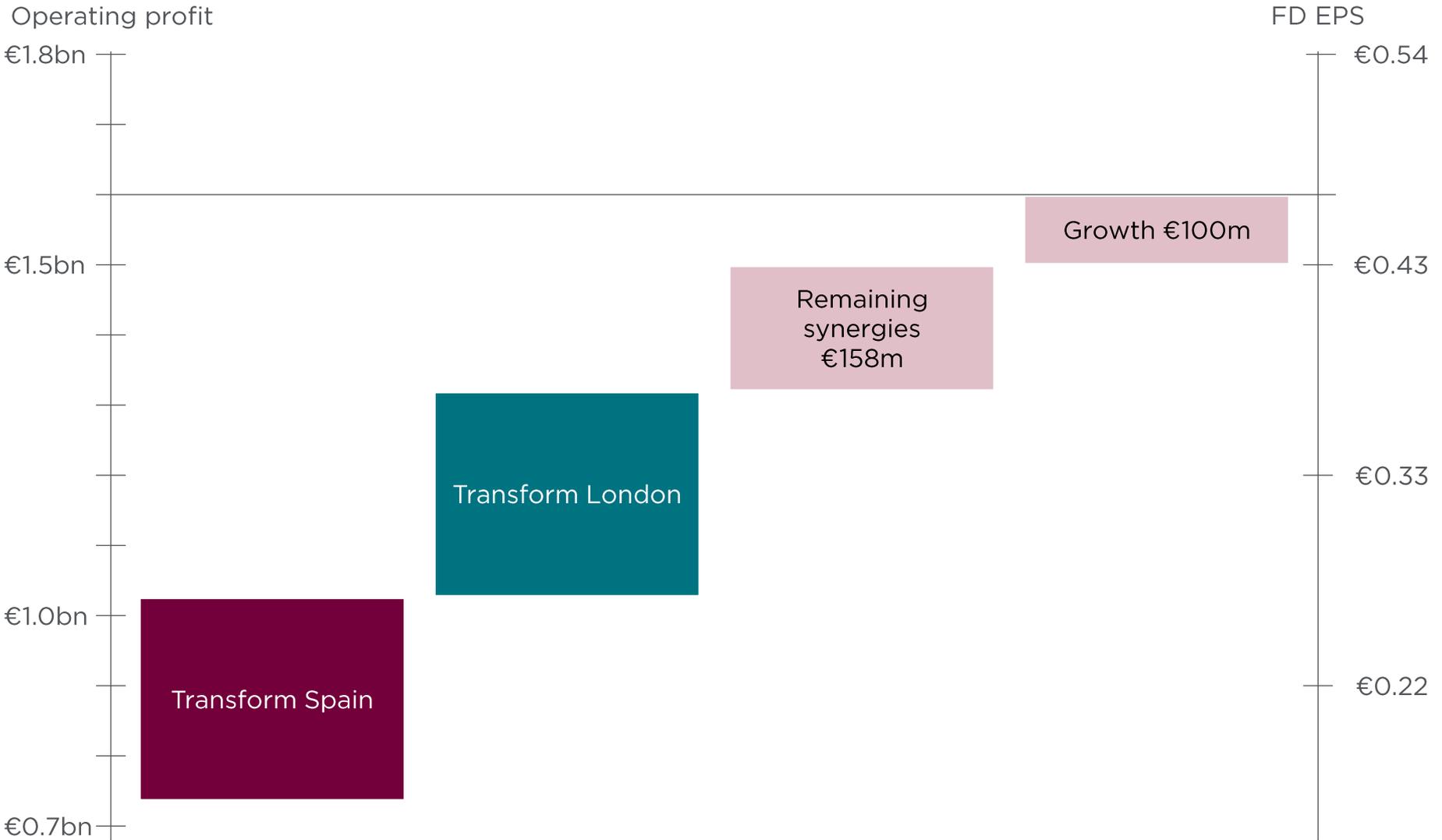
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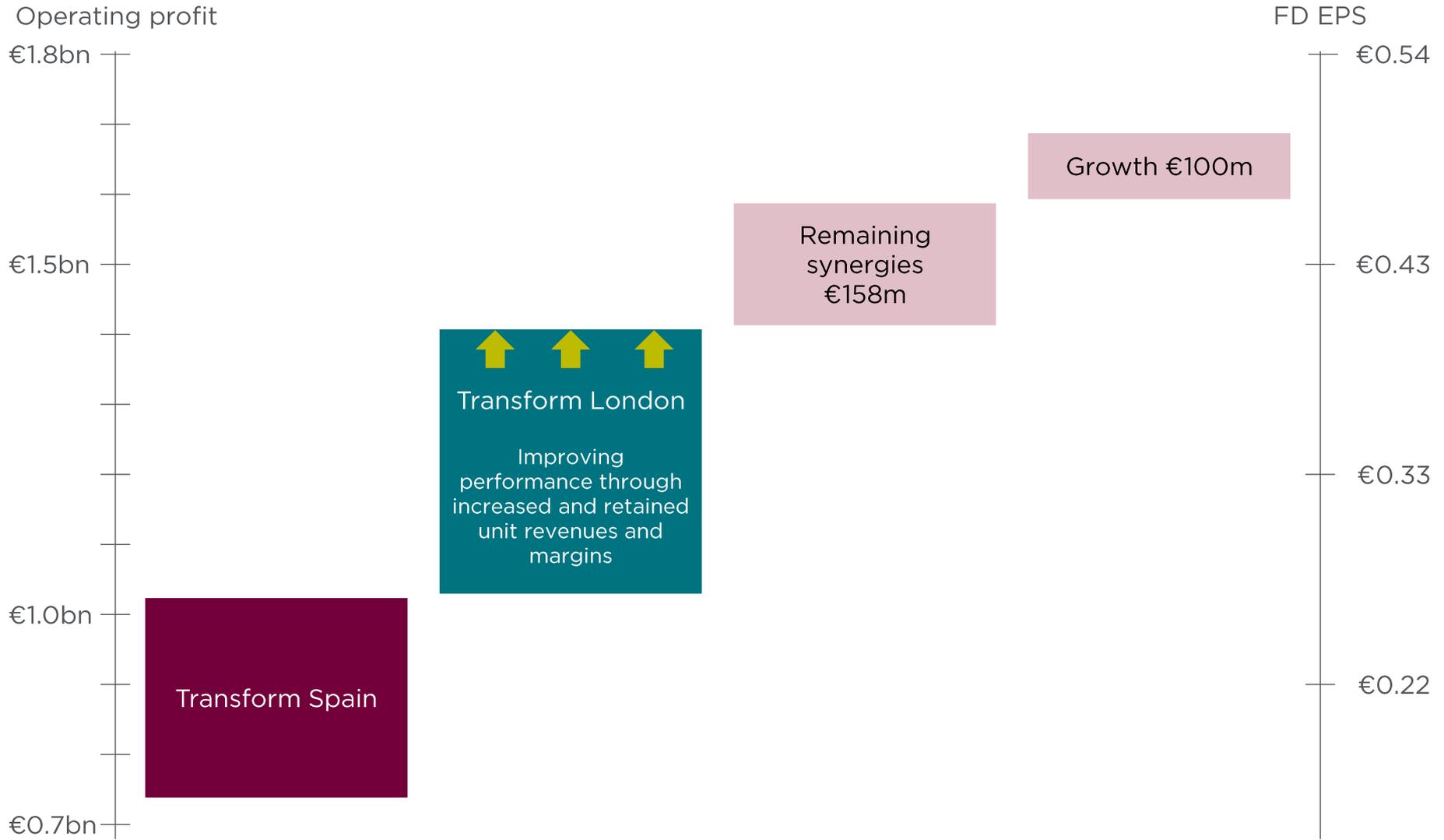
2015 financial targets - framework 2013



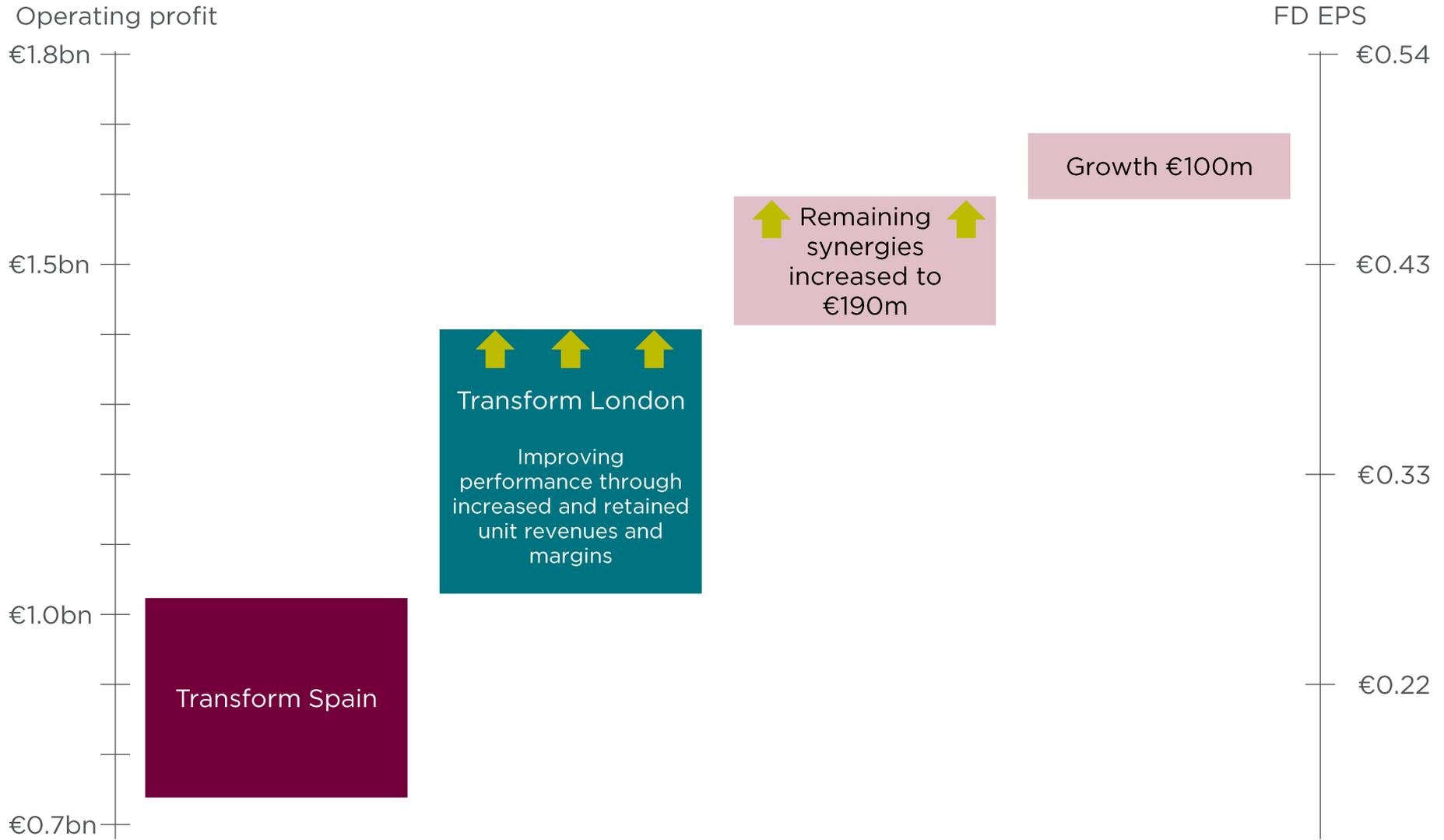
2015 financial targets - framework 2013



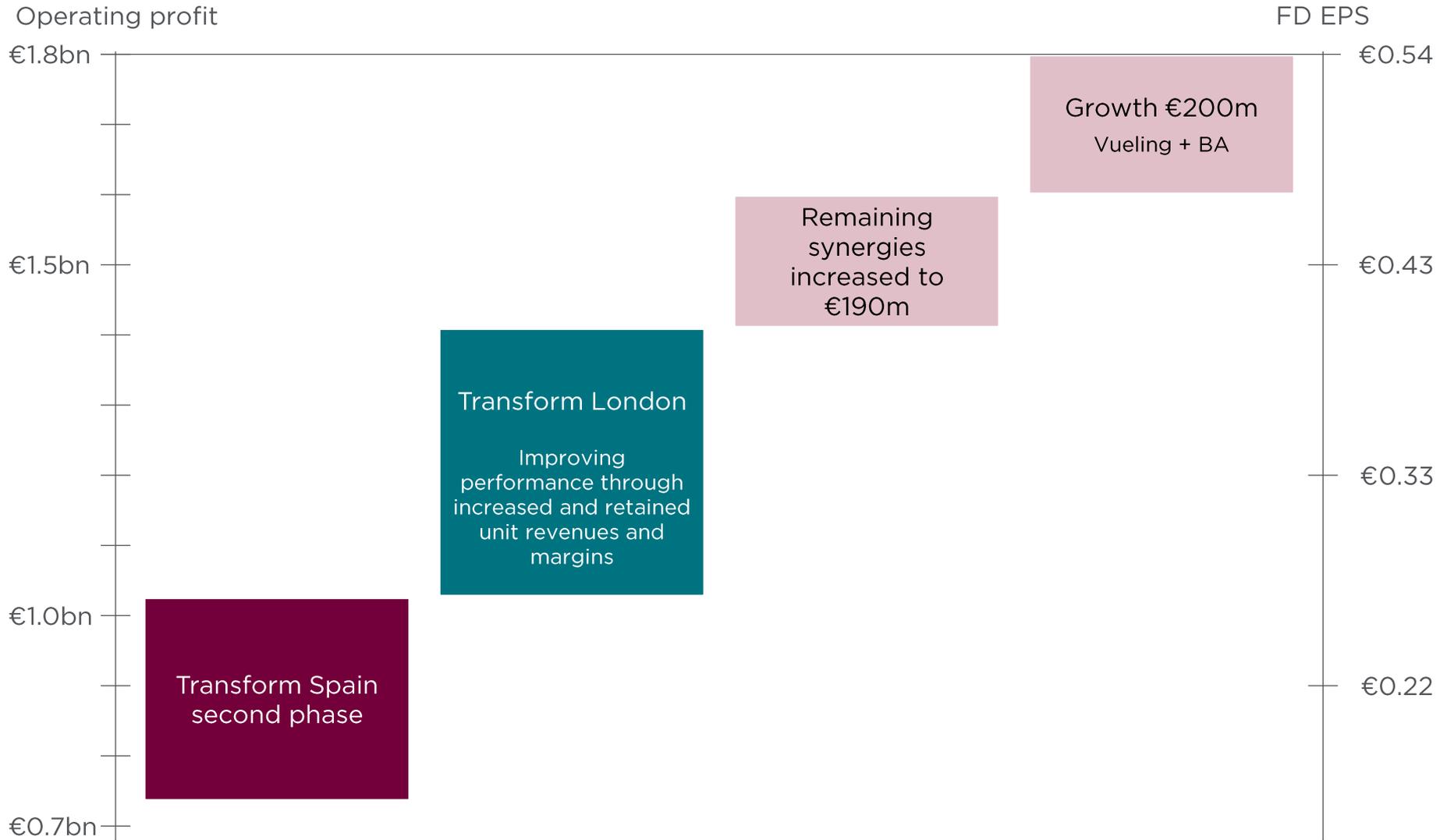
2015 financial targets - framework 2013



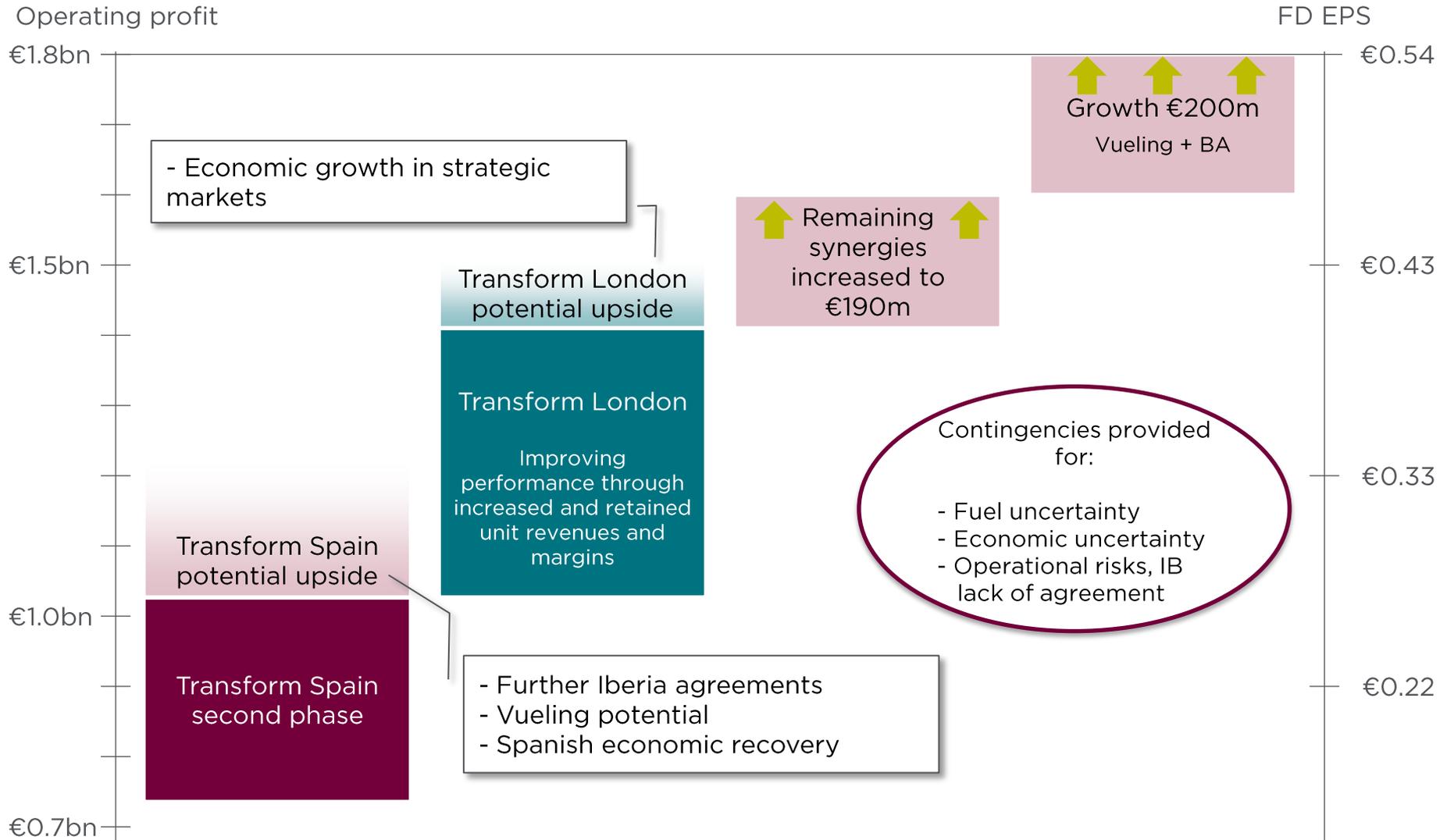
2015 financial targets – framework 2013



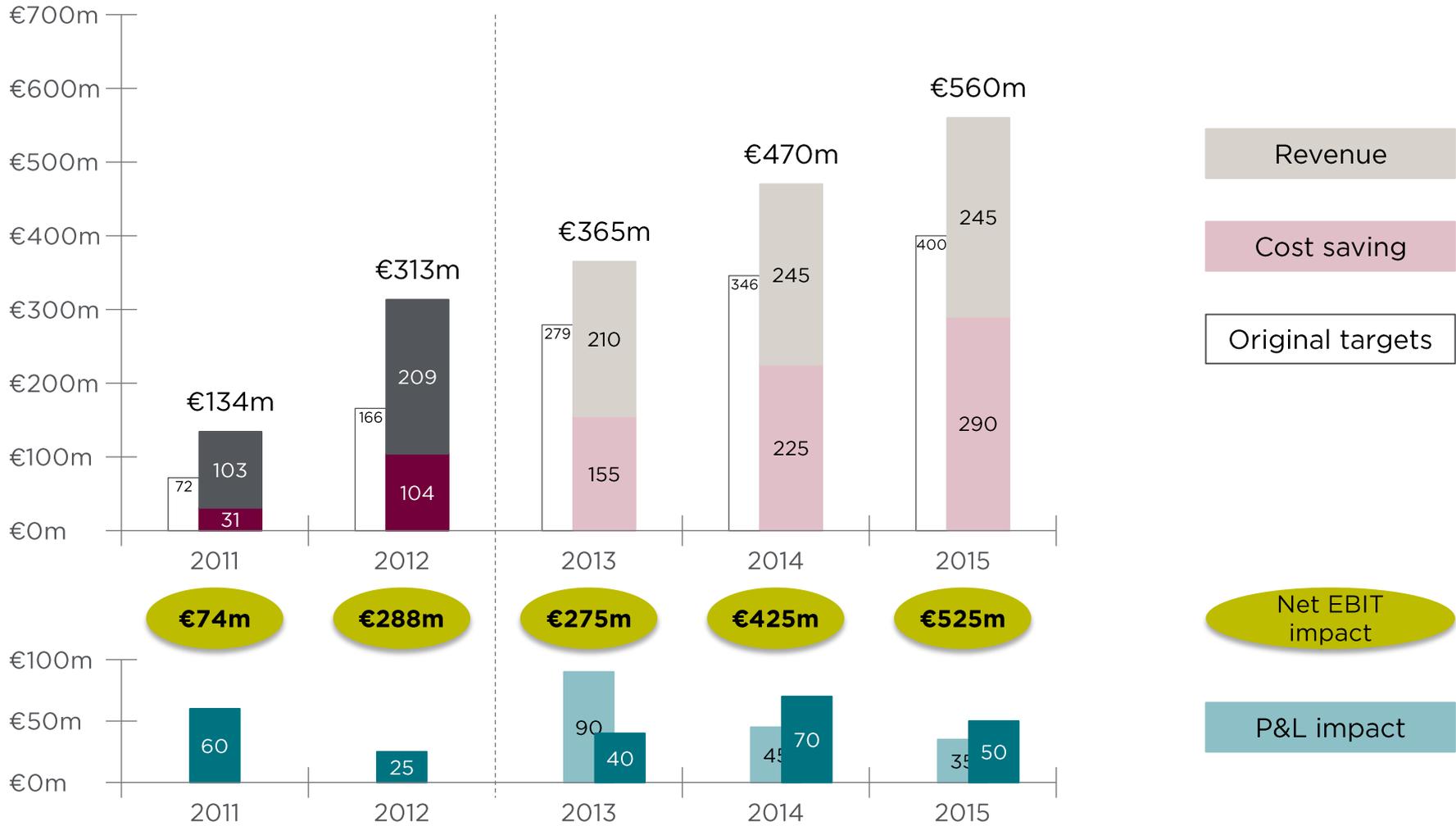
2015 financial targets - framework 2013



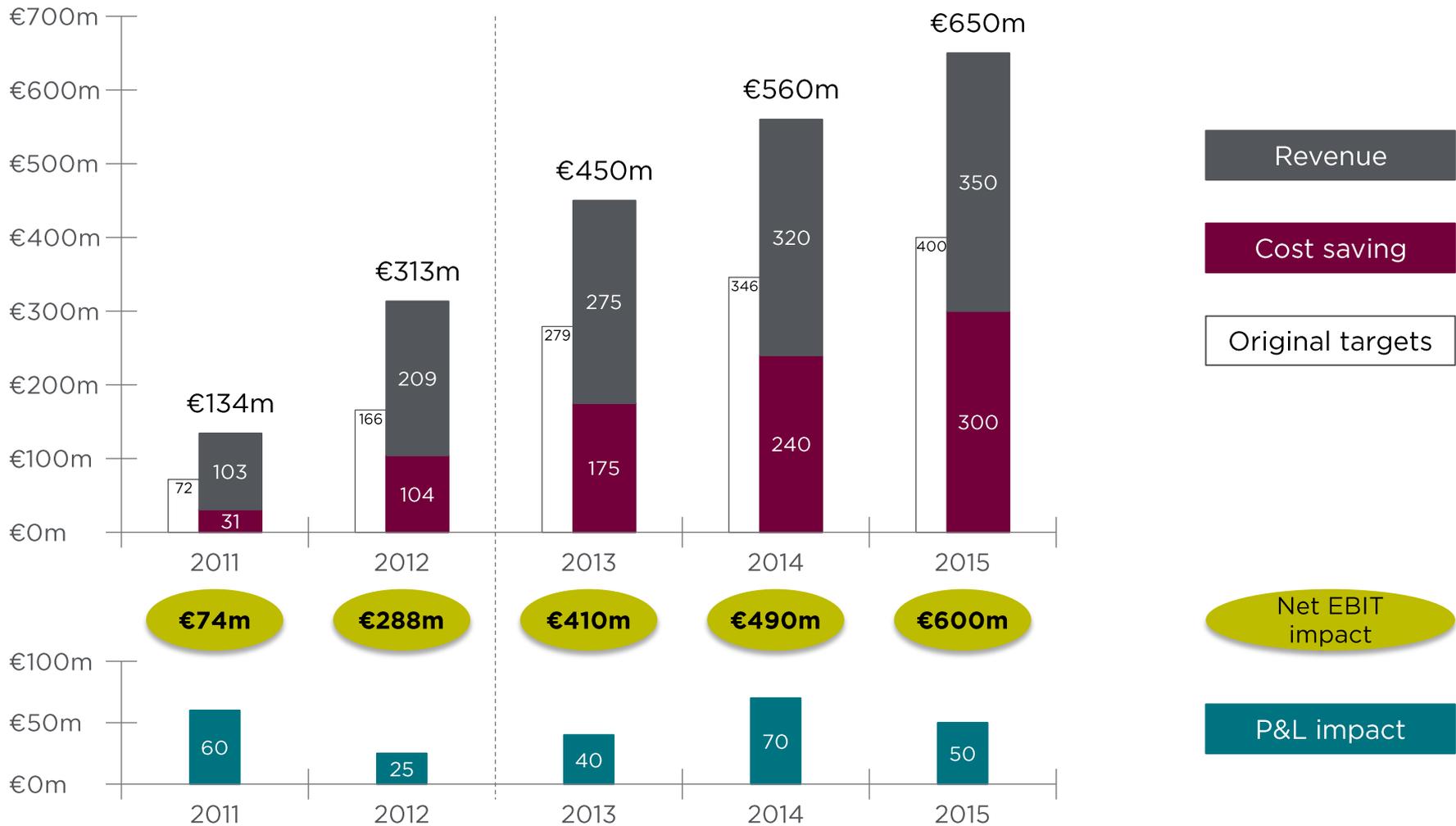
2015 financial targets – framework 2013



Synergies: previous forecast 2012



Synergies: new target €600m net EBIT impact



Synergy achievements in 2013

2013 net additional synergies

Revenue: €66m
Cost: €56m
Total: €122m

In 2013 the Group began programme of **outsourcing** transactional functions

Sales integration now in **19** locations

Portugal, Morocco, Israel and Nordics integrated in 2013

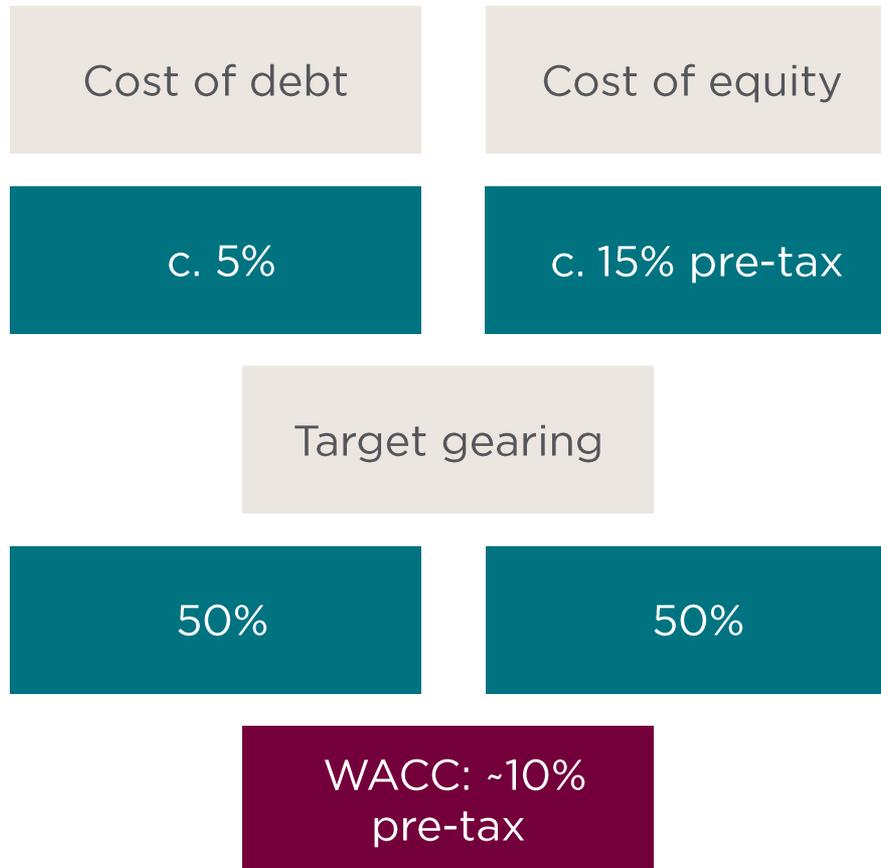
Further ground handling contract synergies, **7 major** European airports renegotiated in 2013

Network extensions through codeshares with **19 new** in 2013, making 58 in total

Buenos Aires, Rio de Janeiro and Sao Paulo top performers

New Group long-haul and short-haul fleet order secured in 2013 to deliver between **€20-30m** per annum

Calibrating profit: reference IAG cost of capital



Calibrating profit: reference IAG invested capital

Tangible fixed assets net book value, 12/2012

€10bn

Historic cost measure: unsuitable for comparison with forward-looking WACC, as does not account for inflation in long-life assets

A better denominator for operating profit:

Tangible fixed assets gross bk value, 12/2012

€21bn

Simple calculation of financial age of assets = latest annual depreciation (€1.1bn) / accumulated depreciation (€11bn) = **10 years**

Notional current cost

€27bn

Simple inflation adjustment: assumed inflation rate of eg 2.5% gives **inflator of 1.28**

Inflation adjusted TFA, 12/2012

€13.5bn

“Half-life” of notional current cost: profits have to be calibrated against what assets cost today, rather than what they cost 20-25 years ago, otherwise IAG cannot replace / grow assets

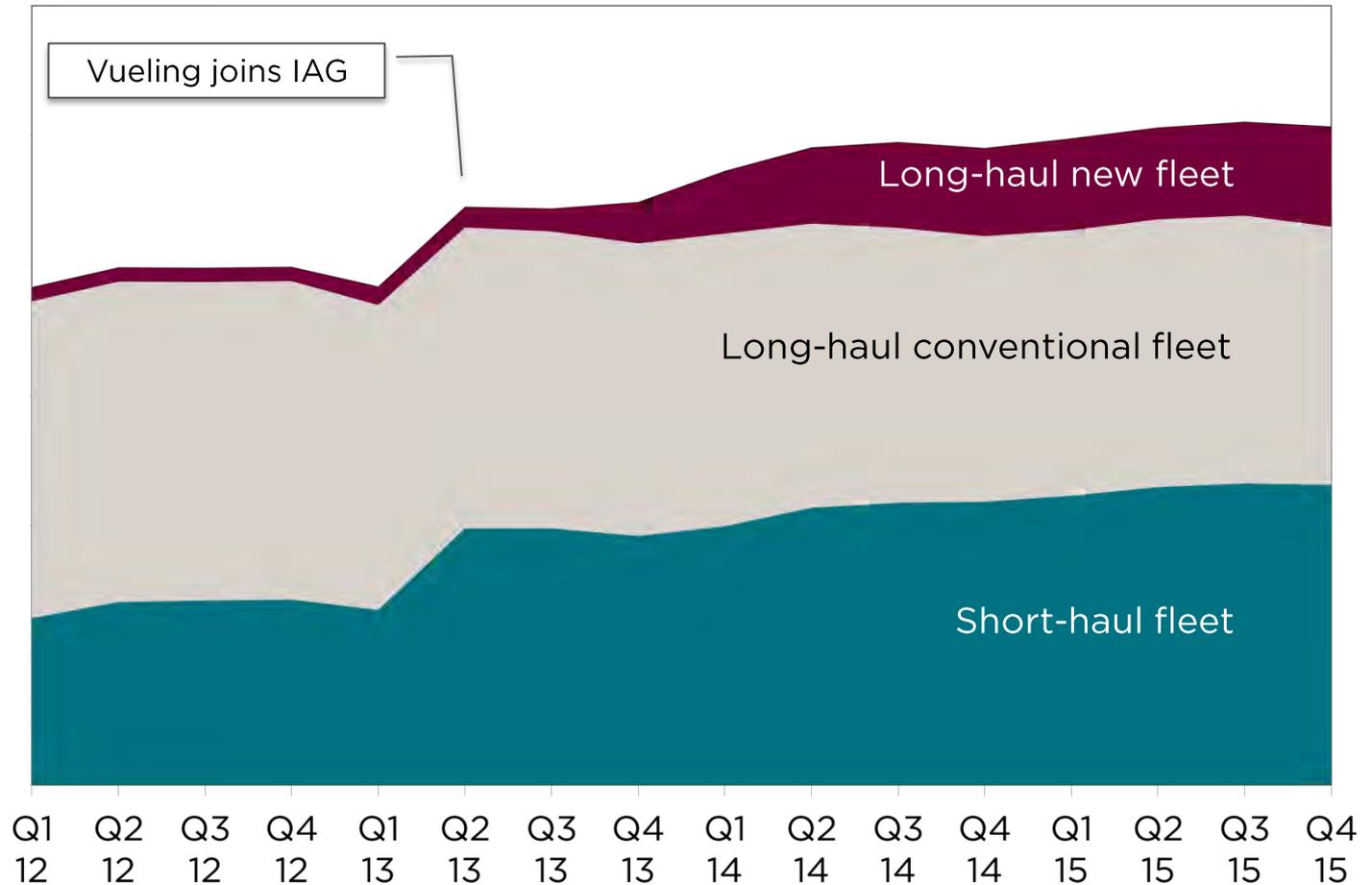
Calibrating profit: RoIC and capex implications

Inflation adjusted TFA, 12/2012	€13.5bn	
2013 required EBIT @ 12% RoIC	€1.6bn	What we would have to generate today if we were earning above WACC returns
2015 required EBIT @ 12% RoIC	€1.8bn	Allows for growth, addition of Vueling
Implied typical annual capex	€2bn - €2.2bn	€27bn notional replacement cost 4.5% replacement rate = approx. €1.2bn replacement capex 3% growth = approx. €800m growth capex

Fleet plan - 2013

2014 - 2015 CAGR:
 - IAG: 6.6%
 - ex Vueling: 4.9%

2011 - 2018 CAGR:
 - IAG: 4.9%
 - ex Vueling: 3.0%



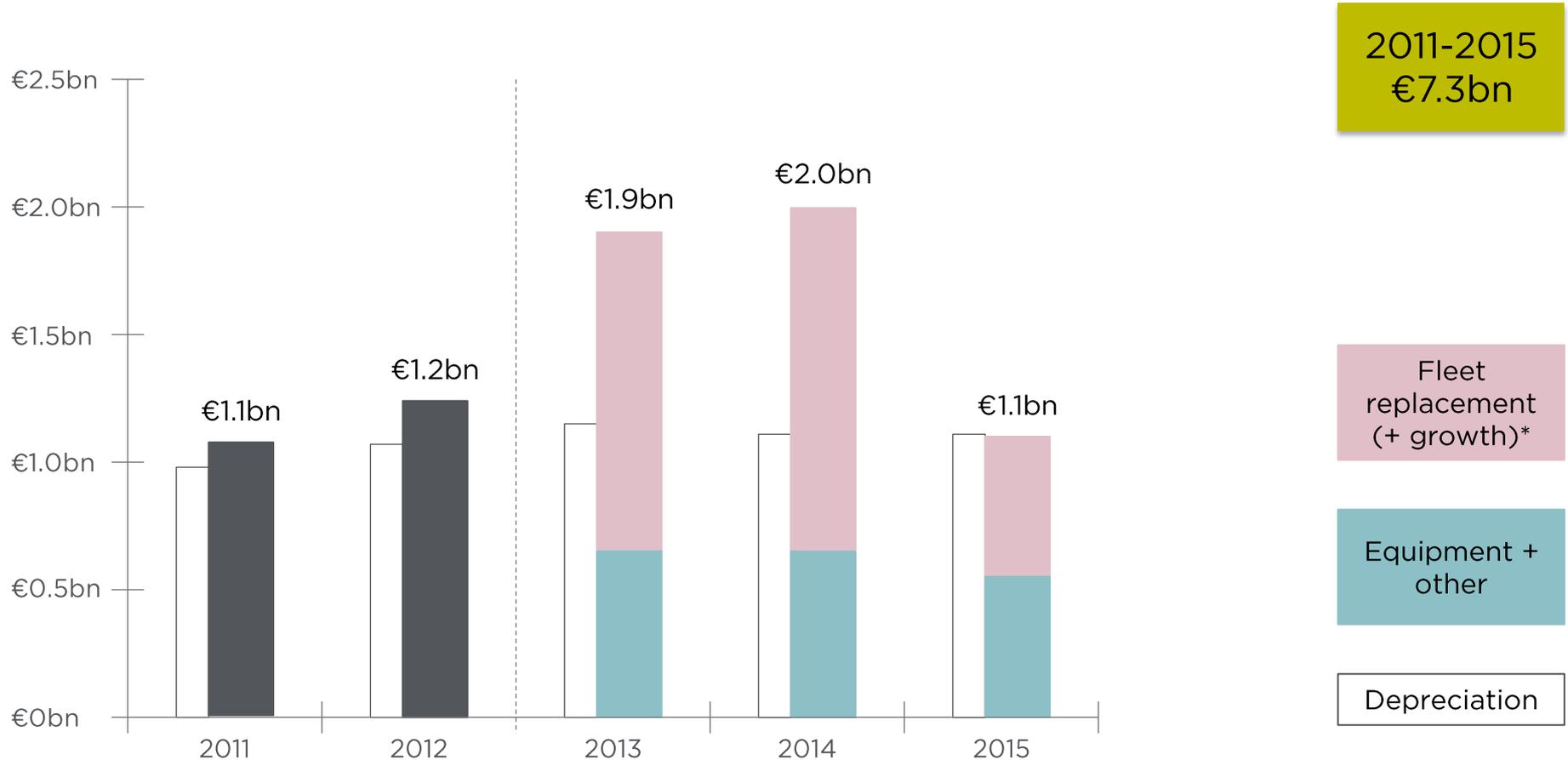
Fleet plan detail - 2013

Aircraft	2013	2015	2016 - 2022	
			Outstanding orders post 2015	Current further options
A330/340	29	30	-	8
A350	-	-	18	50
A380	3	9	3	7
B747	49	39	-	-
B767	12	7	-	-
B777	54	58	-	-
B787	4	12	30	18
A318	2	2	-	-
Total long-haul	153	157	51	83
A320 family	227	282	52	158
Other	39	17	-	12
Total short-haul	266	299	52	170
Total fleet	419	456	103	253

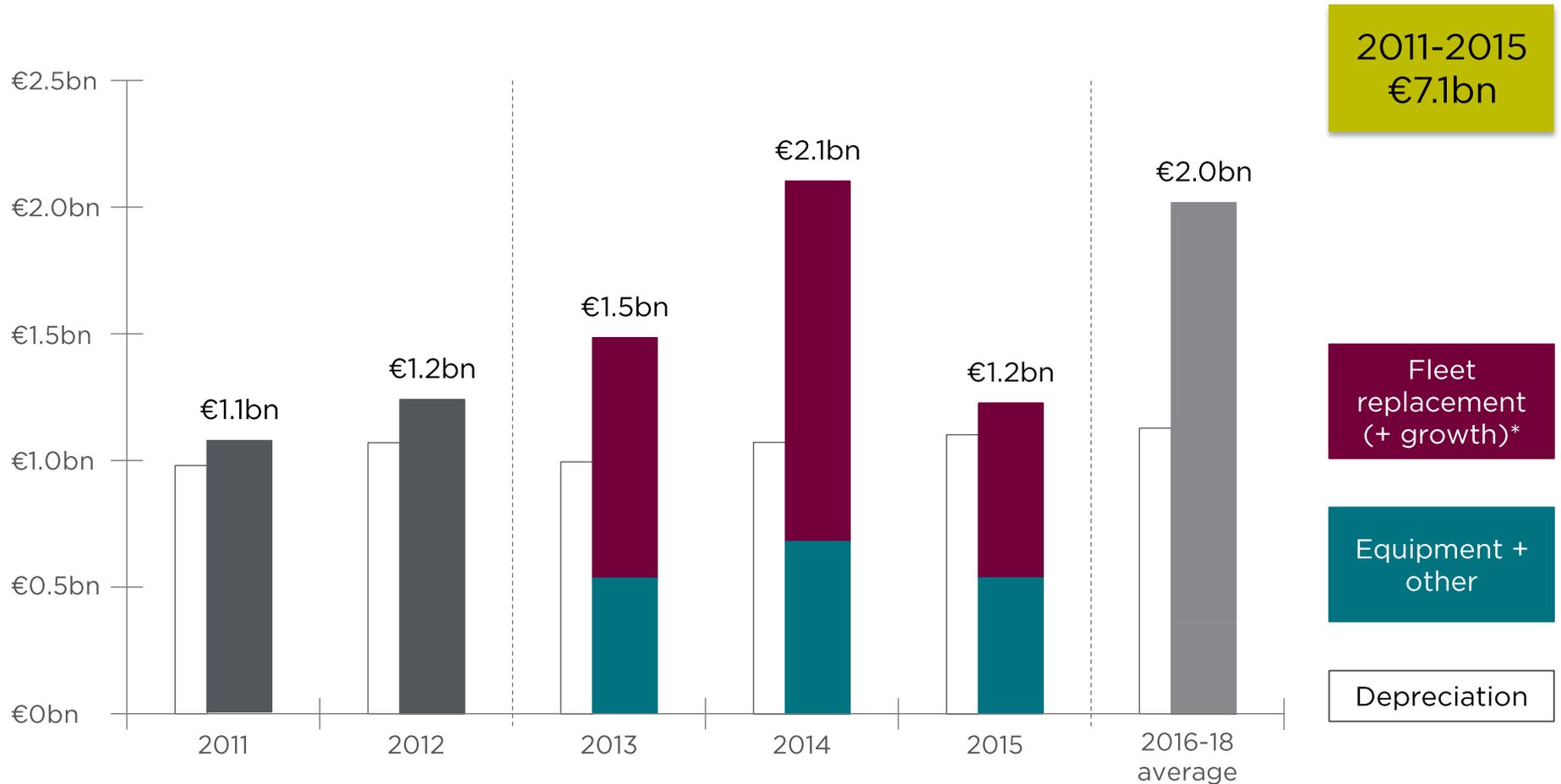
Outstanding orders to secure fleet replacement

Up to around 5% ASK CAGR growth if options exercised

2012 capex plan (excluding Group op. leases)



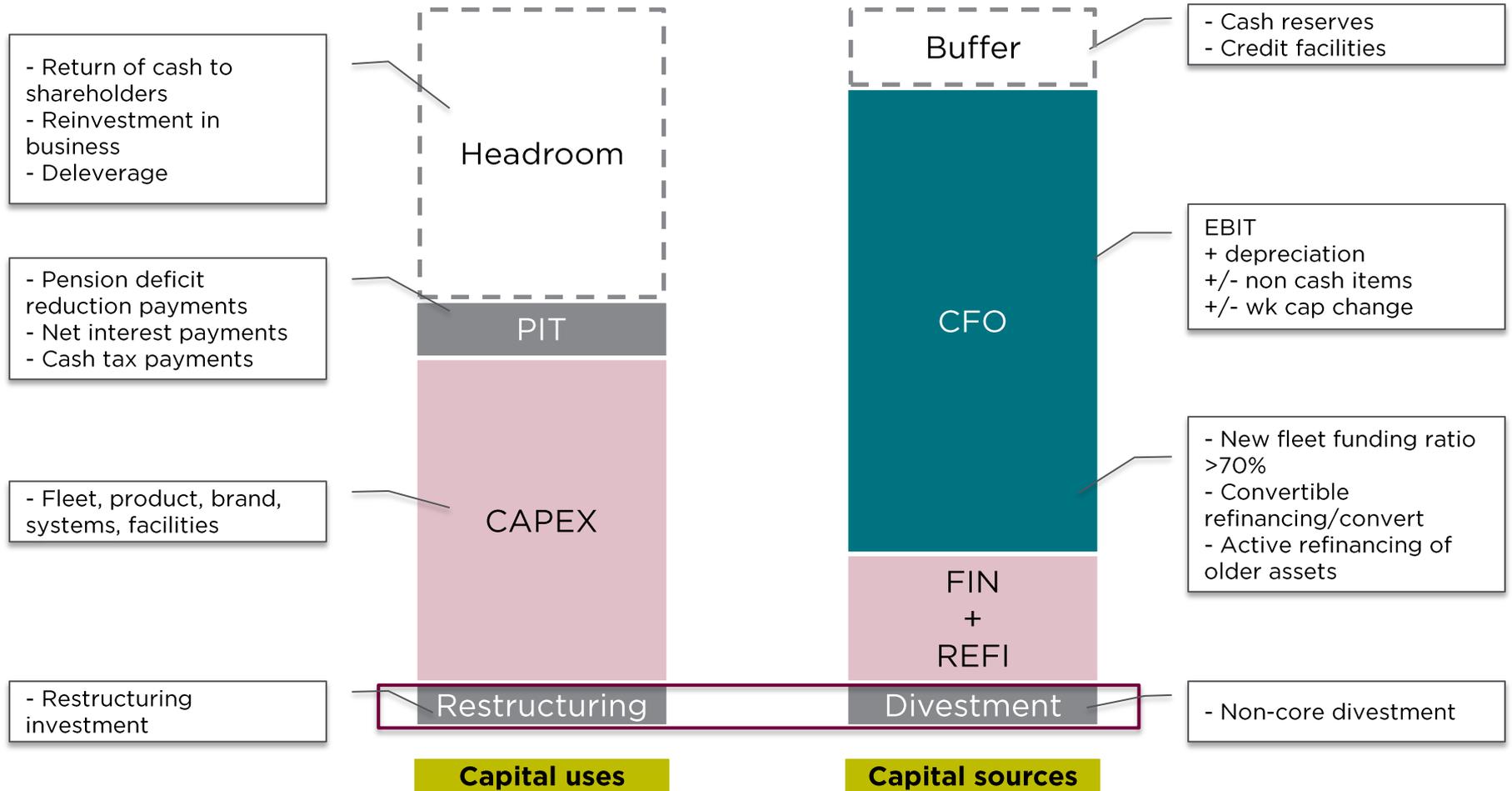
2013 capex plan (excluding Group op. leases)



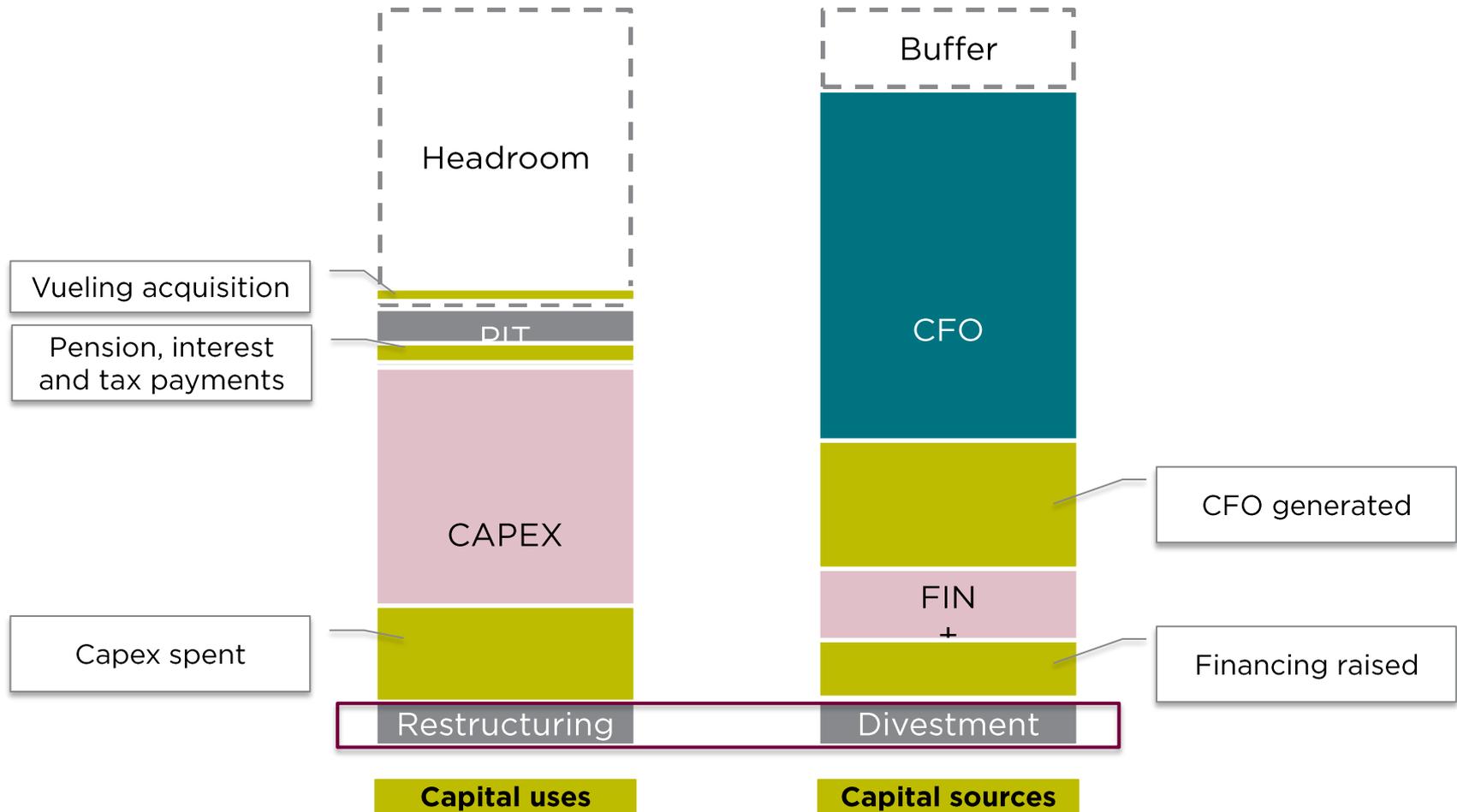
2014 - 2015 balance sheet parameters

- Net debt/EBITDA: < 3.0x
- Gross debt/EBITDA: < 4.0x
- Expected gearing < 50%-60% net debt (inc. leases) to total capital
- Targeting investment grade

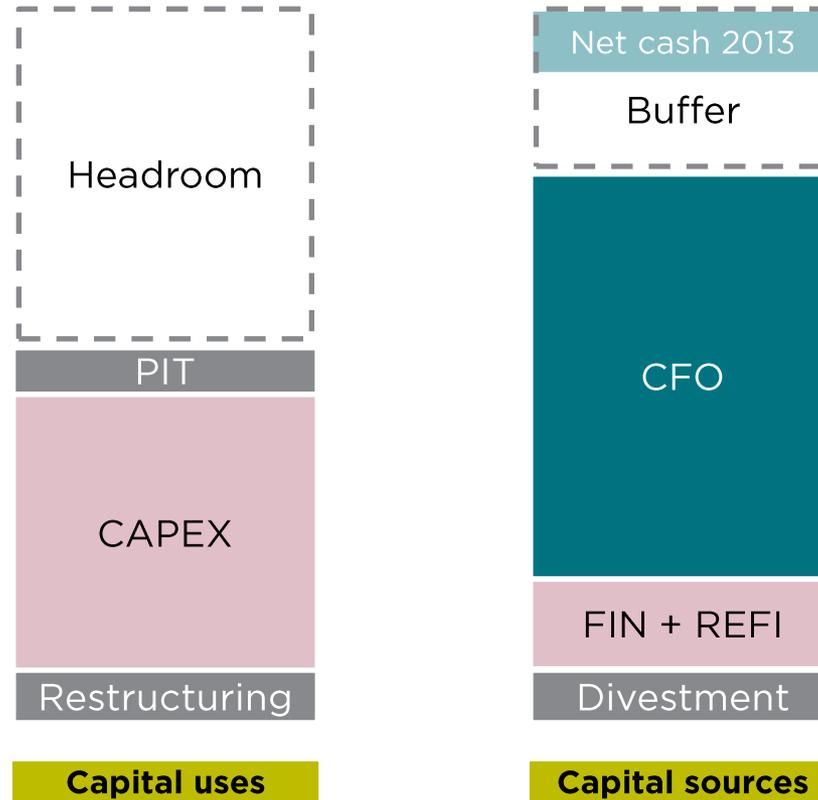
IAG corporate finance strategy, 2013-15



IAG corporate finance strategy, 2013-15



IAG corporate finance strategy, 2014-15



Financing strategy 2013-15

Asset backed loans

- Utilised for contingent liquidity such as revolving credit facilities
- Certain asset types more suited to bilateral lending

Operating lease

- 5 Airbus A330s and 7 A320s secured
- Utilised for financing solutions for interim fleet

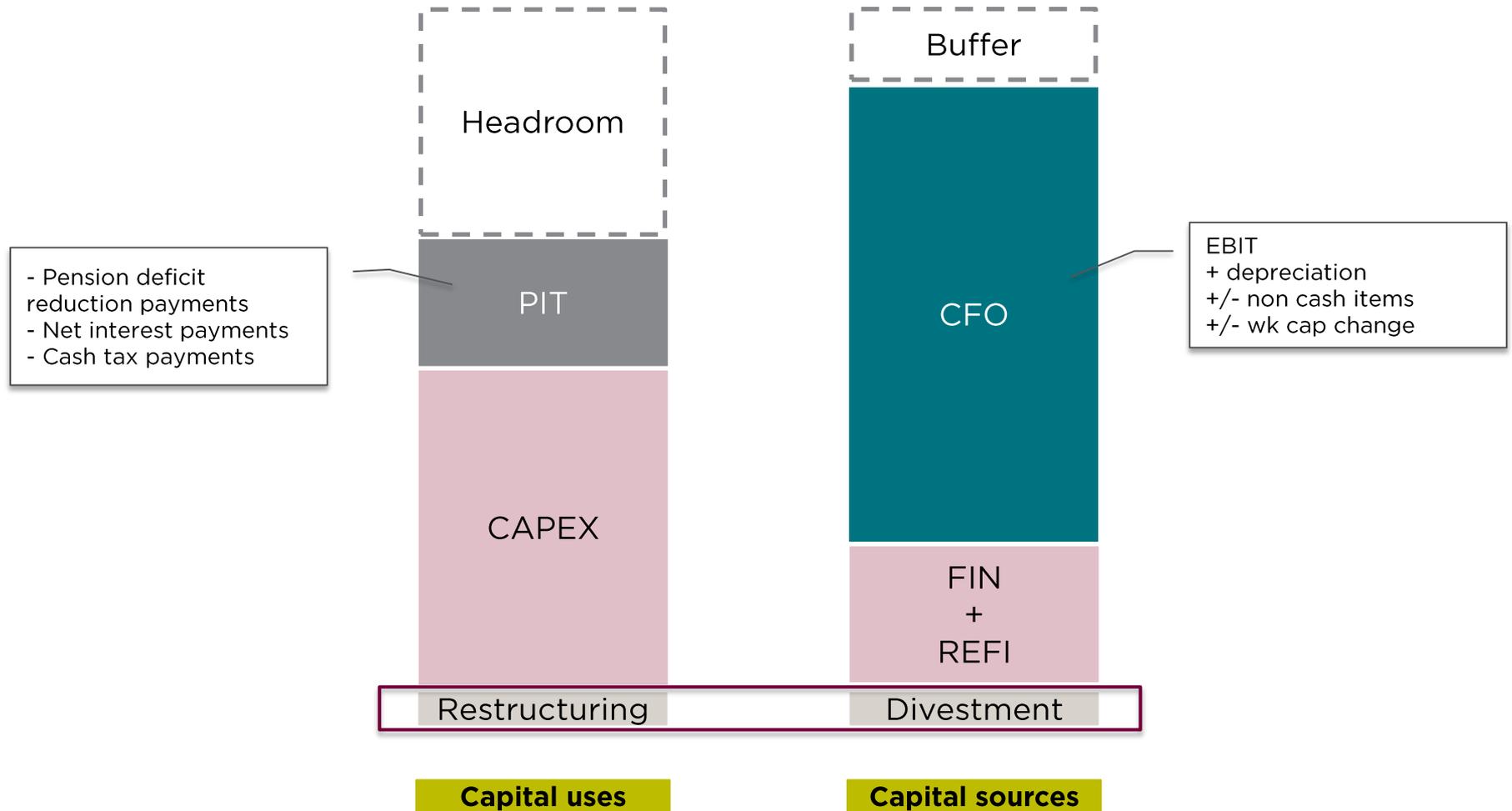
Asset backed bonds

- BA issued \$1.3bn EETC related financing, June 2013
- First in a long-term programme
- First non-S.1110 and non-Cape Town EETC
- Covers 14 aircraft delivered over 2013 and 2014

Manufacturer backstop / ECA funding

- Home market exemptions utilised to successfully finance two A380s
- At least 50% of all new aircraft orders supported by manufacturer financing
- ECA support also secured on a proportion of new short-haul order

IAG corporate finance strategy, 2016-18



Dividend thoughts – process we are following

Merger statement

“It is the intention of IAG to distribute regular dividends to its shareholders in the medium and long term, in an amount appropriate to market conditions, depending on a number of factors, including but not limited to, the earnings of the company, financial conditions, cash requirements and prospects and legal requirements” (IAG Registration Document, 2010)

Work in progress

- Affordability analysis out 10 years performed
- Maintaining cash position of 20% of revenues ✓
- Dividend embedded in analysis to check affordability, referencing market benchmark for payout ratio ✓
- Required EBITDAR margins evaluated ✓

Next steps (during 2014)

- Obtain feedback from investors
- Prepare future dividend policy, depending on progress towards profit target / background market volatility

British Airways

IAG INTERNATIONAL
AIRLINES
GROUP



Speaker list

Keith Williams, CEO

Nick Swift, CFO

Lynne Embleton, Director of Strategy & Business Units

Frank van der Post, Managing Director, Brands & Customer Experience

Drew Crawley, Chief Commercial Officer



Overview

- Ahead of plan for 2013, strengthened by bmi
- Long-haul fleet replacement started
- Additional short-haul focus working well
- Aim to maintain momentum

Financial targets
& cost control

Nick Swift

Fleet & network

Lynne Embleton

Short-haul &
Customer

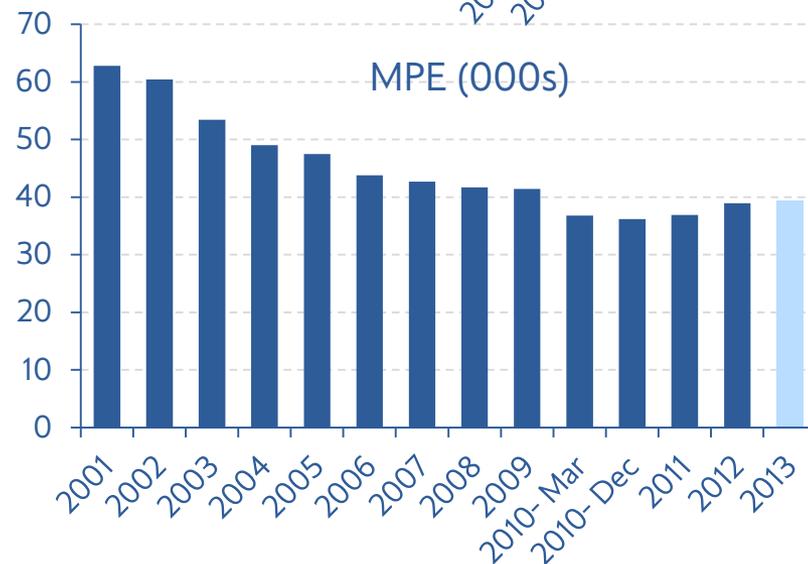
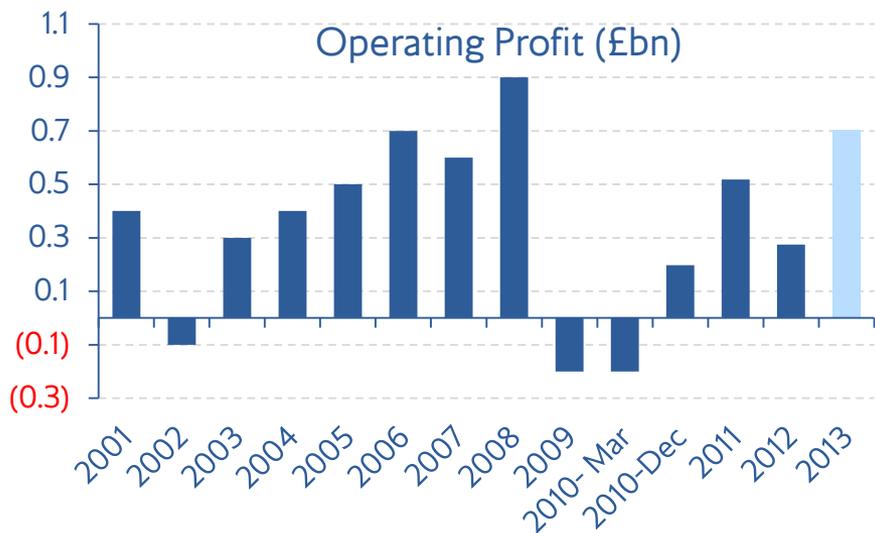
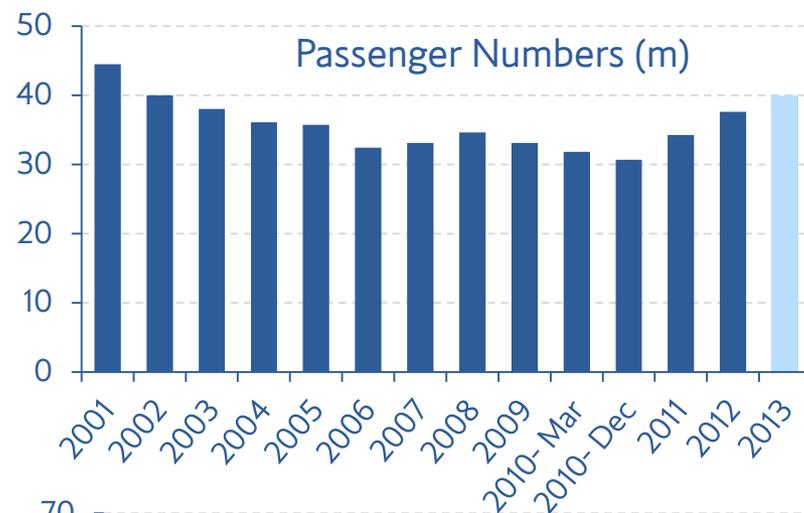
Frank van der Post

Revenue &
joint business

Drew Crawley



Our Journey since 2001





Cost

Nick Swift



Fleet



Network



Product

IAG

BRITISH AIRWAYS

2015 operating profit target increased to £1.3bn

Increase of c£600m v 2013; £200m since last year's target

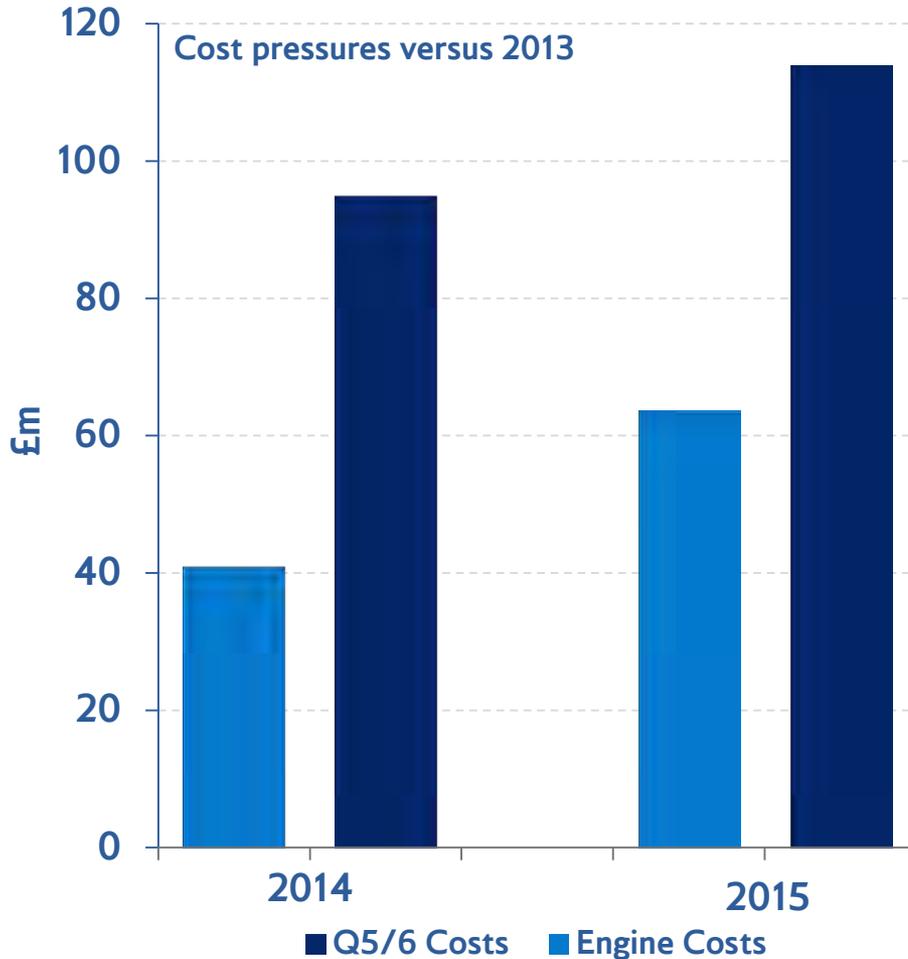
Area	Target	Profit Impact (2013-2015)	Change v last year's target
Non fuel unit costs*	Down 1% in 2014, flat 2015 (flat in 2013)	£70m (c£470m savings, c£400m inflation)	+£70m
Fuel efficiencies	New aircraft (c£10m in 2013)	£140m	same
Network & Product	Up c1-2% RASK pa >£100m ahead of expectations for 2013	SH: £100-150m LH: £150-200m Total: c£300m	+£130m
ASK growth (trend 2-3% pa)	LfL c1% 2013, 6% 2014, 2% 2015 c£10m profit in 2013	£90m	same
Total		£600m	£200m

Overall aim is to exceed pre-tax cost of capital (c10%) at each airport (Heathrow, Gatwick, City) for each of long-haul and short-haul, which would support disciplined growth, capital investment and dividends

* at constant exchange and excluding BA Holidays (growth independent of ASKs)

Cost inflation c£400m: two examples

Heathrow Q6 charges, engine maintenance costs



Heathrow airport charges:

- Q5 to 31 March 2014: RPI +7.5%
- Q6 five years from 1 April 2014: current CAA ruling RPI

Engine maintenance P&L costs increase by c£60m (10%) over next two years:

- A380 and 787 engines maintained under total care packages (lower risk, but extra cost)
- Older 747 engines increasingly expensive to maintain
- Cash costs offset by capex savings as aircraft are retired



Cost savings c£470m

Not a separate programme; an embedded way of working



Indicative savings
(before inflation)
2015 v 2013

2013

2014

2015

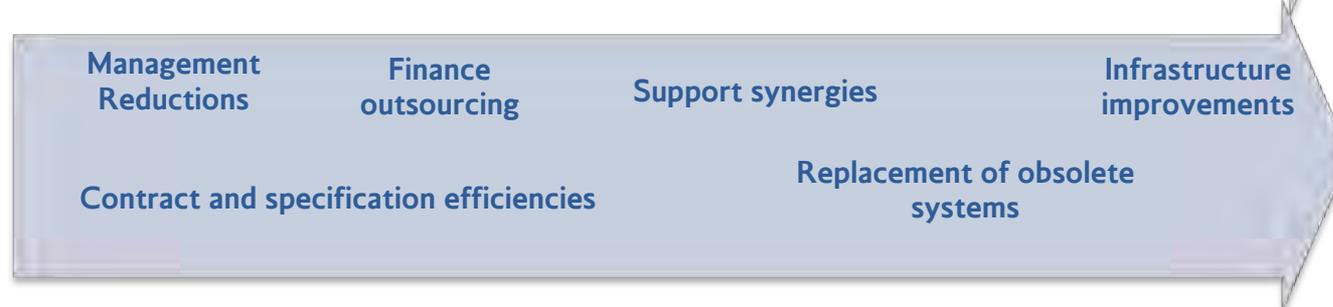
COST OF OPERATION
(£350m, 7% reduction)



COST OF SELLING
(£60m, 5% reduction net of investment)

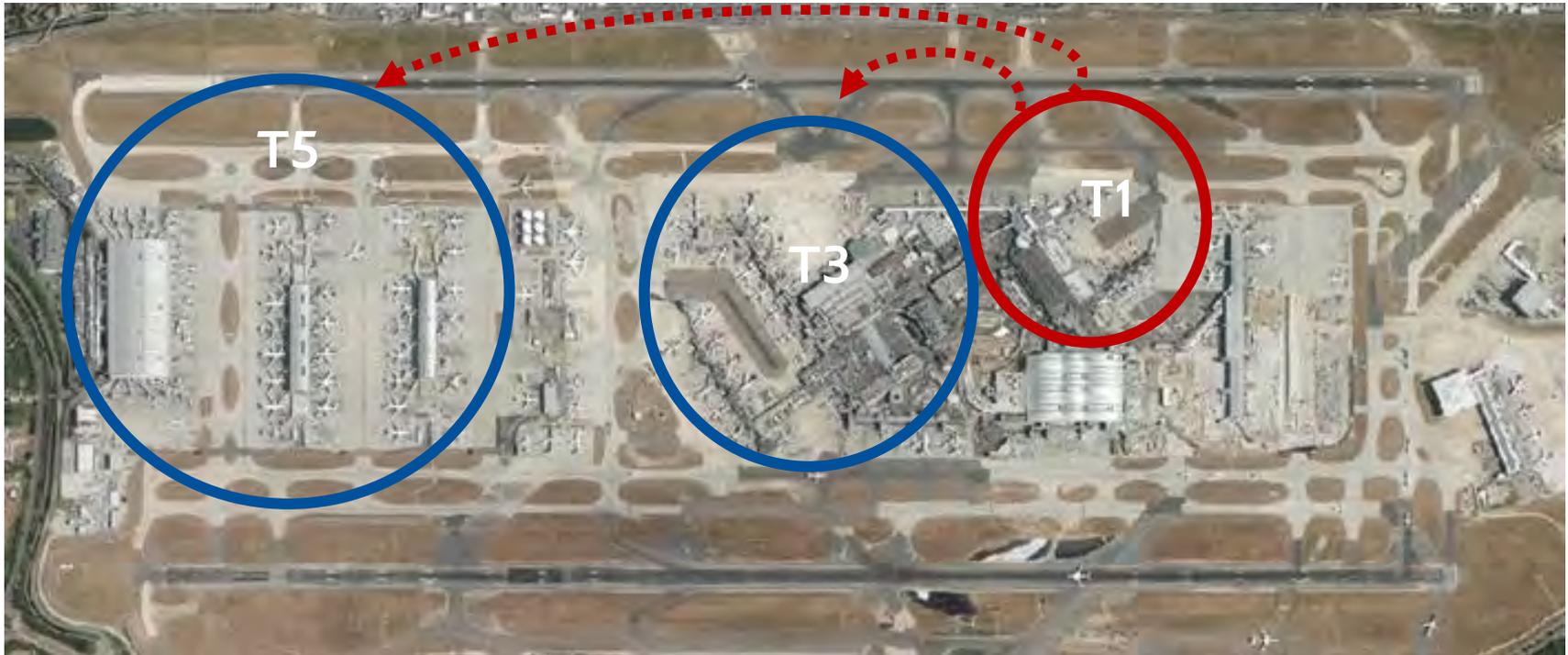


COST OF SUPPORT
(£60m, 10% reduction)



Total £470m (c7%)

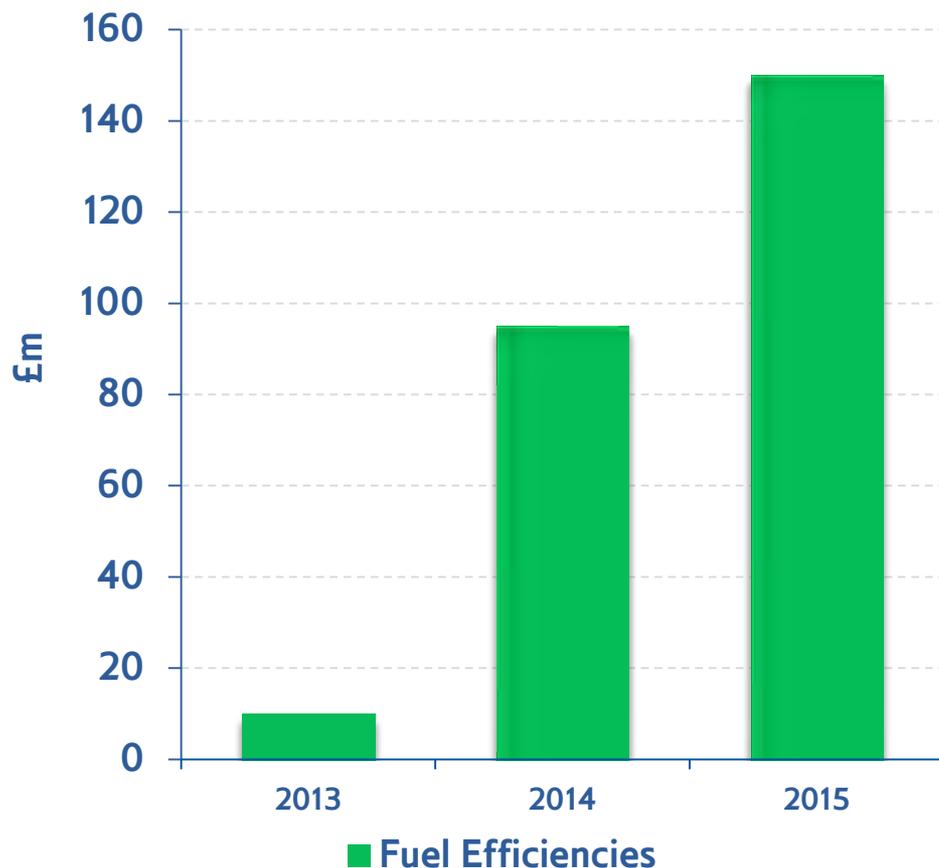
Further transformation at LHR



Opportunity to improve customer proposition at Heathrow:

- New technology and processes to provide better customer experience and disruption management
- Also support cost savings (lower cost of disruption, IT and use of new starter contracts)
- Customer experience further enhanced by move from Terminal 1 to 3 in Summer 2015

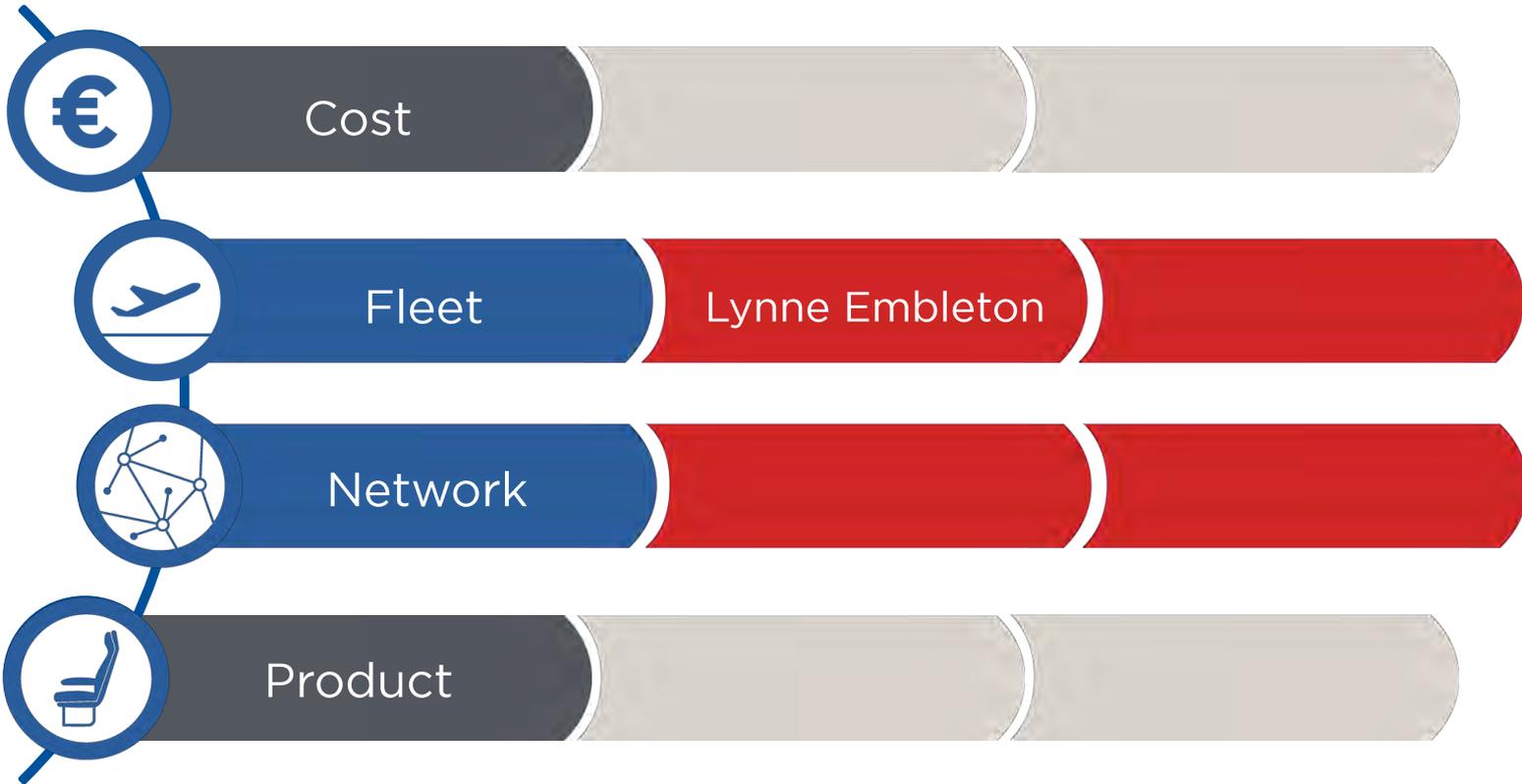
Fuel savings



Fuel savings remain on track for £150m* pa by 2015 (2013: £10m)

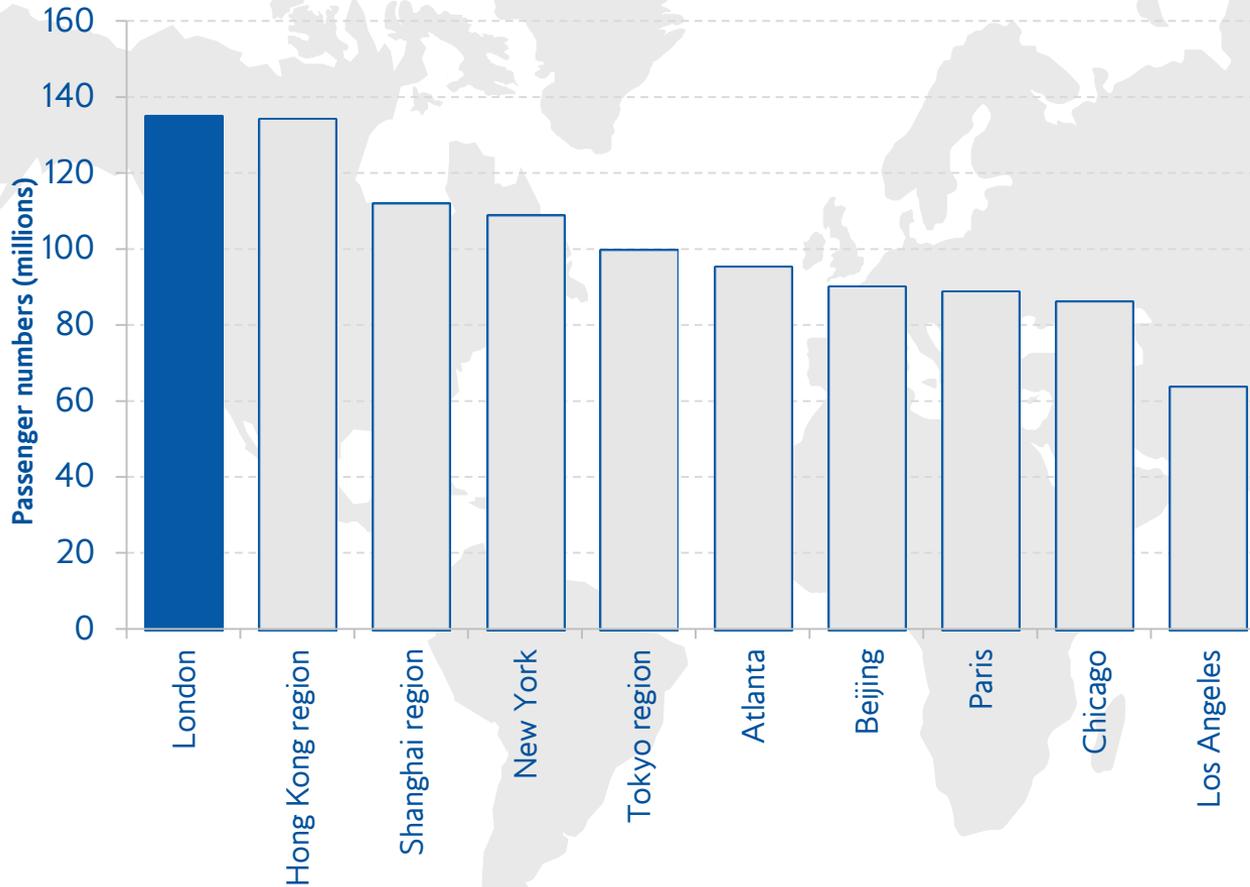
- Approximately 20% per seat flown
- Performance to date in line
- Supported by fuel burn guarantees
- Also includes £20m of other fuel saving initiatives





BA is the leader in London

Top aviation cities in the world - 2012



#1 at Heathrow

#1 at London City

#2 at Gatwick

Source: Flight Global 2012

Source: OAG total departure seats from all London airports, W12/S13

IAG

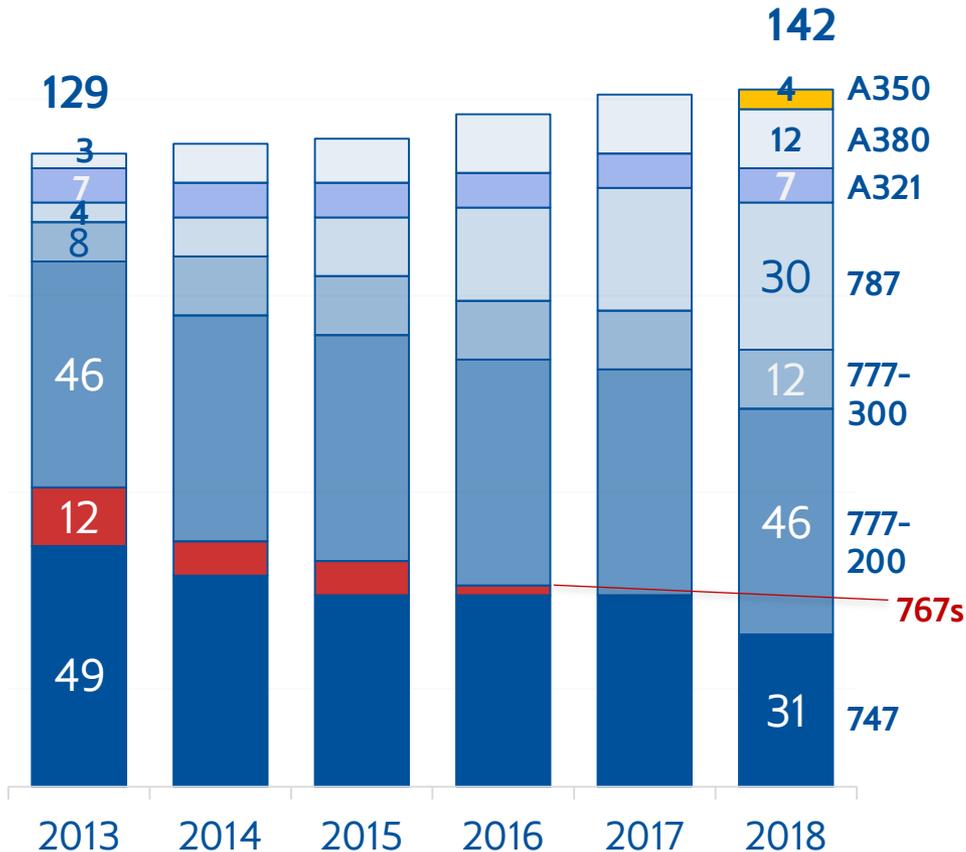
Network

London leadership

BRITISH AIRWAYS

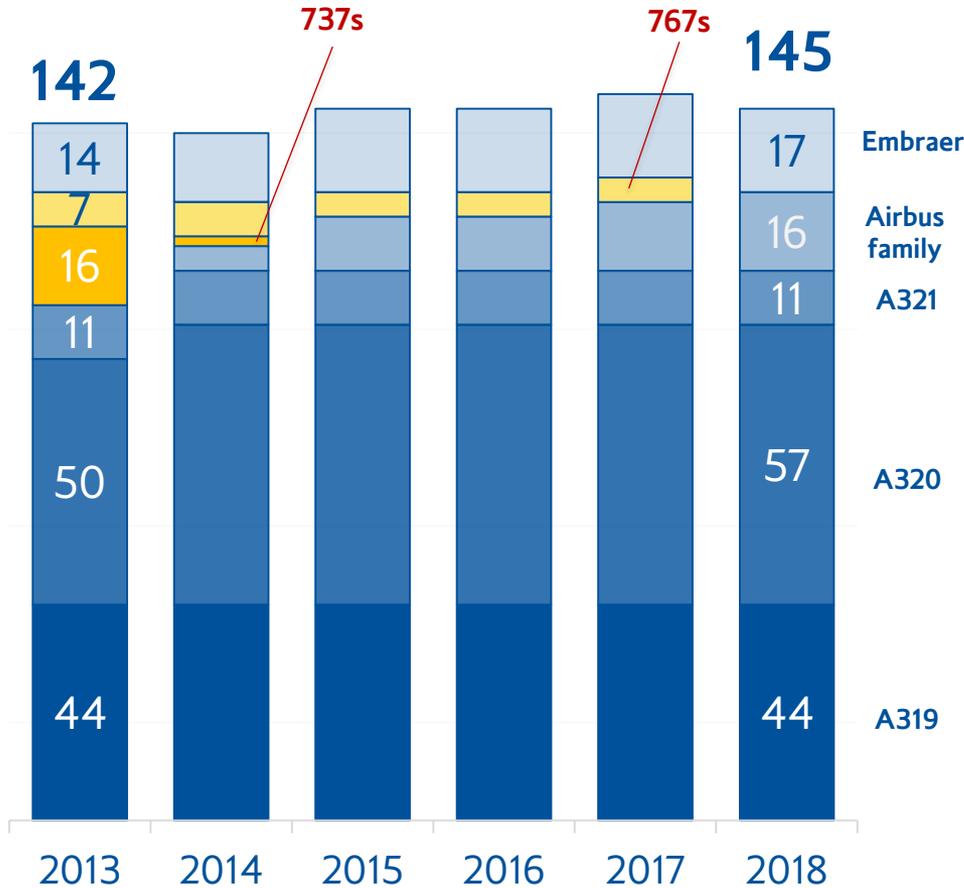


Long-haul fleet plan



- 787 and A380 unlocks opportunities
- Retirement of long-haul 767s
- c3% increase in average seats per aircraft over next three years
- Right-size First on new aircraft types
- c3% p.a. average long-haul growth over five years: c7% 2014, c2% 2015
- Accelerated retirement gives flexibility to eliminate growth if required

Short-haul fleet plan



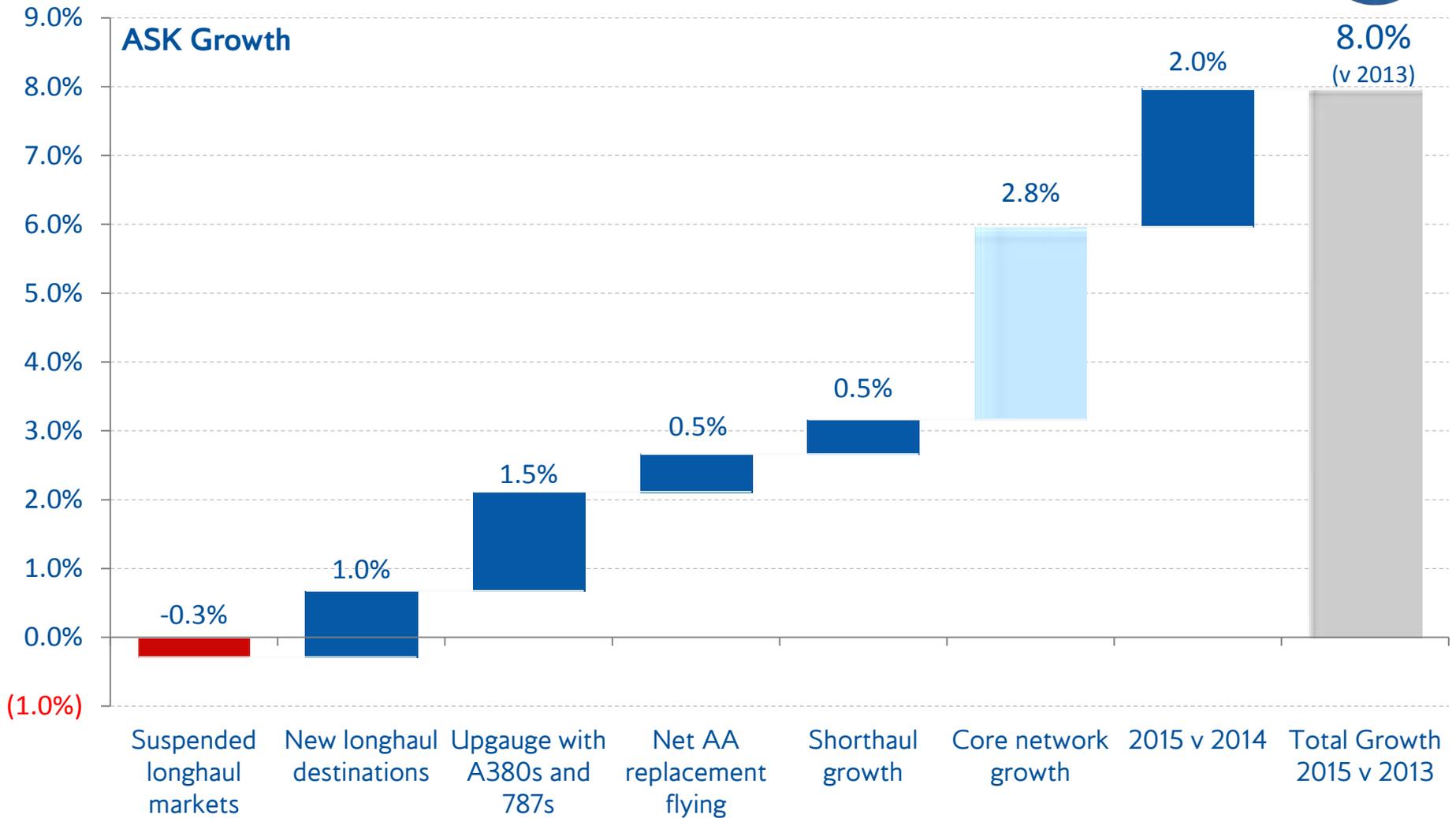
- Refleet Gatwick – transit to A319/A320
- Exit 767s at Heathrow
- 3 Embraer 190s for London City
- Increased density on Airbus (c6% spread over 2014 and 2015)
- Maintain point-to-point versus transfer % at Heathrow
- ASK growth 2014: c2%, 2015 c6%

Our long-haul profitability is strong



ROUTE CATEGORY	% OF TOTAL LONG-HAUL ASKS	OBJECTIVES
STRONG (Meets/beats cost of capital)		<ul style="list-style-type: none">• Invest in growth on strong, profitable routes• Build on leadership position across the North Atlantic
MATURING		<ul style="list-style-type: none">• Yield improvement focus• Grow only where it improves quality of schedule
UNDER PERFORMING		<ul style="list-style-type: none">• Strengthen<ul style="list-style-type: none">• Ex-JSA routes (Singapore and Sydney) c£30m profit improvement vly in Q2 & Q3• Or exit<ul style="list-style-type: none">• Lusaka & Dar es-Salaam

2013 - 15 growth plans

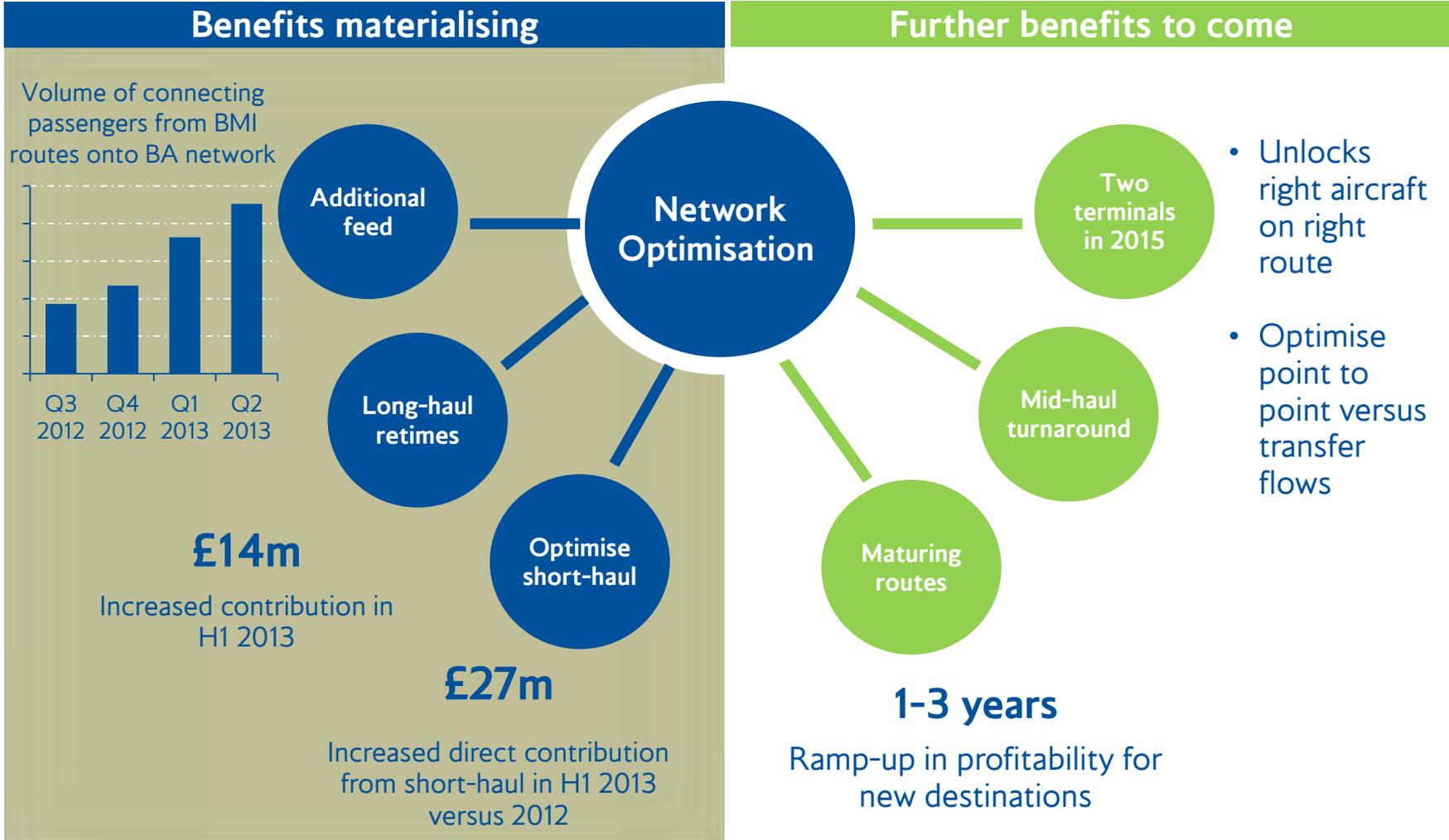


Fleet

2013-15 capacity plan



London Heathrow transformation



Key partnerships support network growth



- IAG delivering synergies



- Established joint business
- Supporting network strength (e.g. Austin and San Diego) and revenue growth



- Developing joint business
- Driving revenue and customer benefits
- Codeshare benefits on Narita and Haneda



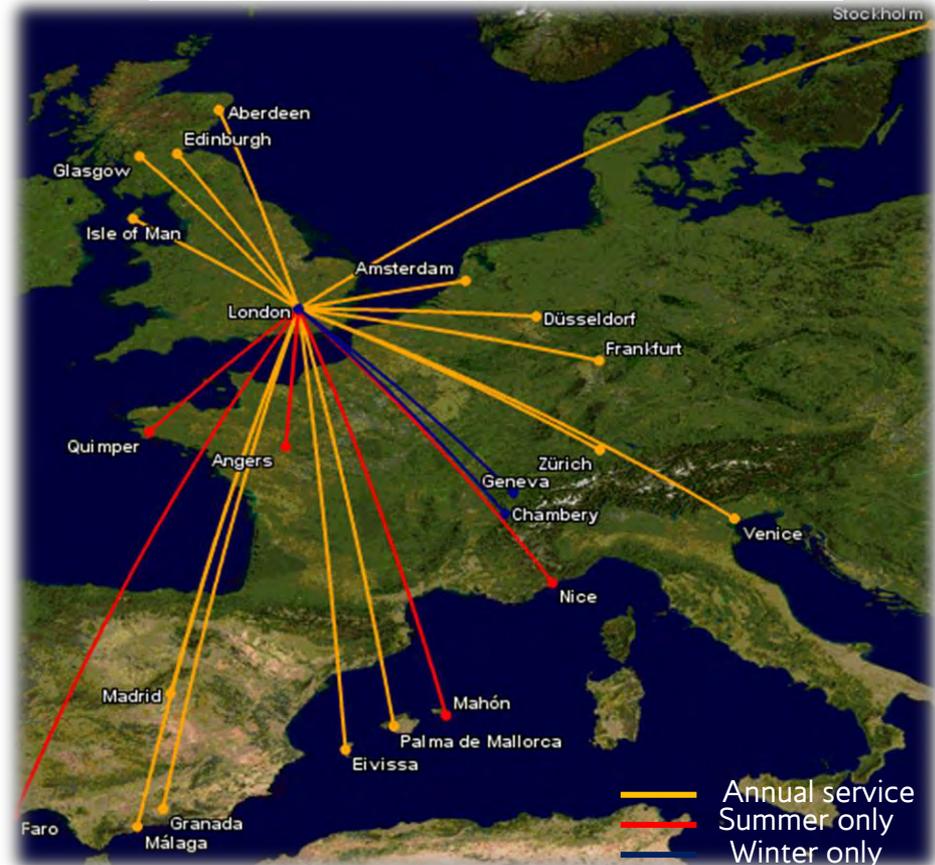
- Further opportunities with **oneworld** partners

CityFlyer enhances leadership in London



- The UK's most on-time airline in 2012
- Market rate labour costs
- The highest penetration of Executive Club Gold and Silver members
- Strong corporate overlap
- Business focused schedule, supported by profitable off-peak leisure
- Profitable expansion, with fleet flexibility, subject to London City Airport costs

BA CITYFLYER



IAG

Network

CityFlyer

BRITISH AIRWAYS



Significant improvement at Gatwick

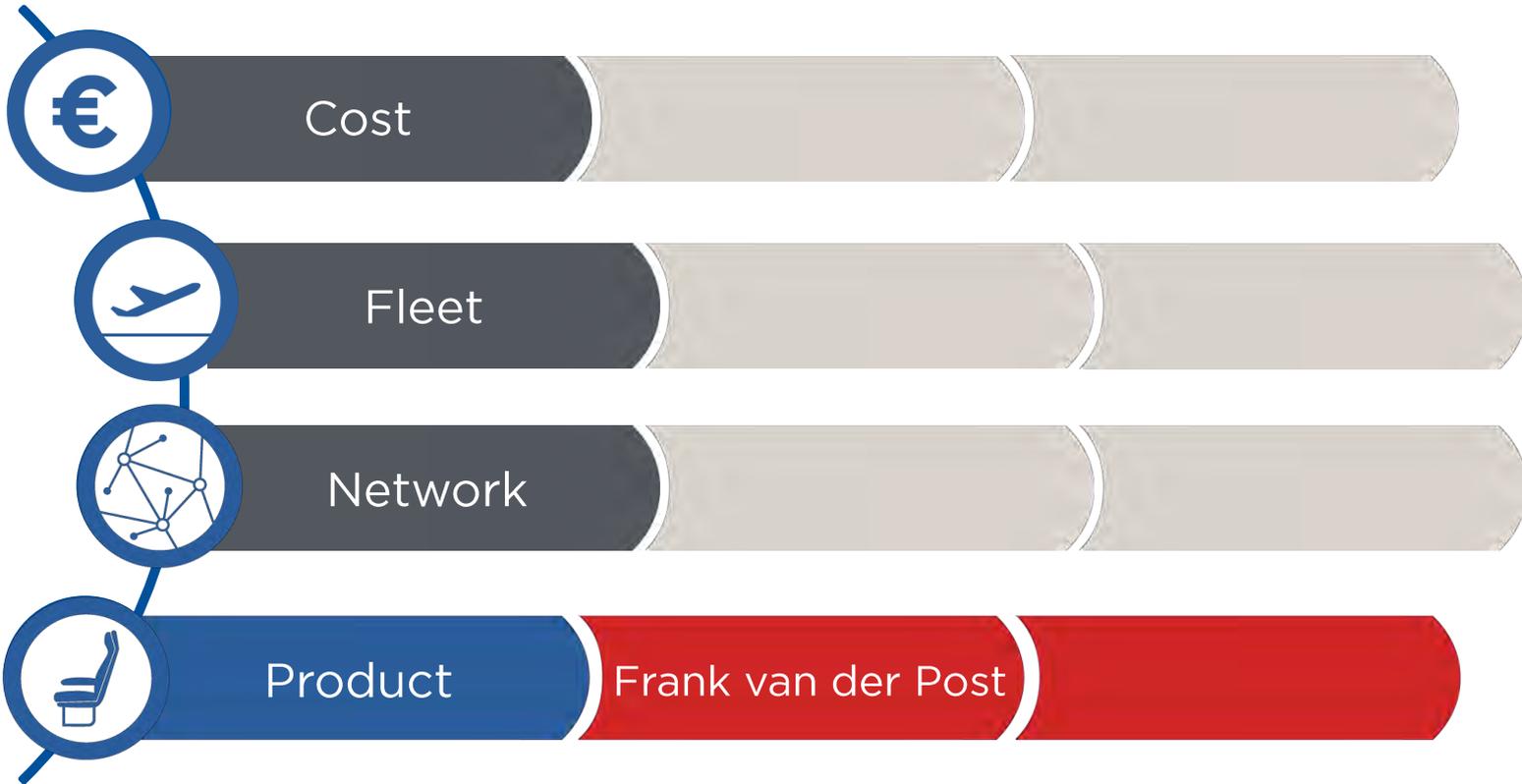


LONG-HAUL

- **Leisure oriented network**
 - Competitive cost base
 - Leader in long-haul
 - Supported by BA Holidays
- **Strong performance**
 - 11% unit revenue growth since 2012
- **Growth**
 - Additional 777-200 in Summer 14

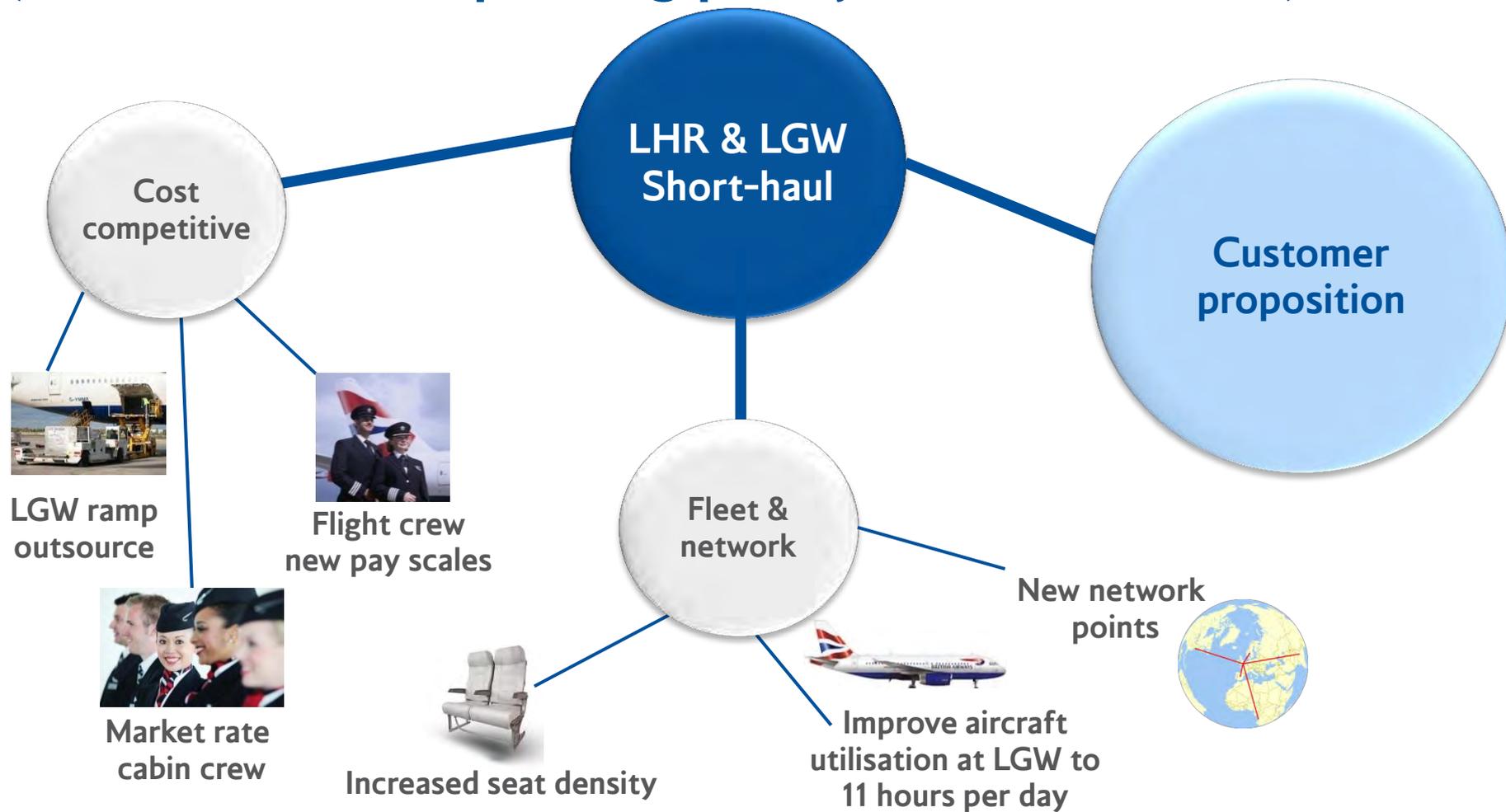
SHORT-HAUL

- **Cost restructuring gives foundation for growth**
- **Synergies with long-haul**
- **Fleet transformation**
 - All Airbus fleet by 2015
 - Unlocks new destinations
- **Improved schedule and network**
 - 69% of slots retimed in summer 2013
 - Seven new routes, five cancelled
 - Greater aircraft utilisation
- **Commercial focus is reasserting BA's position across short-haul**



Focus on short-haul: improve by £100-150m

(2013: breakeven operating profit, 2012: £120m loss)



Product

Short-haul improvement



BA Short-haul customer proposition is...



Smarter cabins,
premium option

Complimentary
catering

Thoughtful,
personalised
service

Loyalty
programme

Best for Business

- Unrivalled schedule breadth & quality
- Competitively priced products
- semi flex fares & Hand baggage only
- The best airports & terminals
- Relationships with corporates and SME's
- Customers' loyalty rewarded
- lifetime recognition

Preferred for leisure

- Always on marketing
- Low lead in fares and price led advertising
- Competitive and innovative fare structures
- Cash and Avios
- Added leisure and seasonal routes

Building a strong brand supports revenue



At the height of **London 2012**, BA's brand tracking rose 2 points to its **highest** score since **2003** of **16%**, which has been **sustained** throughout **2013**

In **2013**, British Airways became **Britain's favourite carrier**, **overtaking** Virgin Atlantic and Emirates

YouGov **BrandIndex**



2nd strongest B2B brand 2013
(4th 2012)



4th strongest consumer brand 2013
(4th 2012)



1st in airline category 2013
(1st 2012)

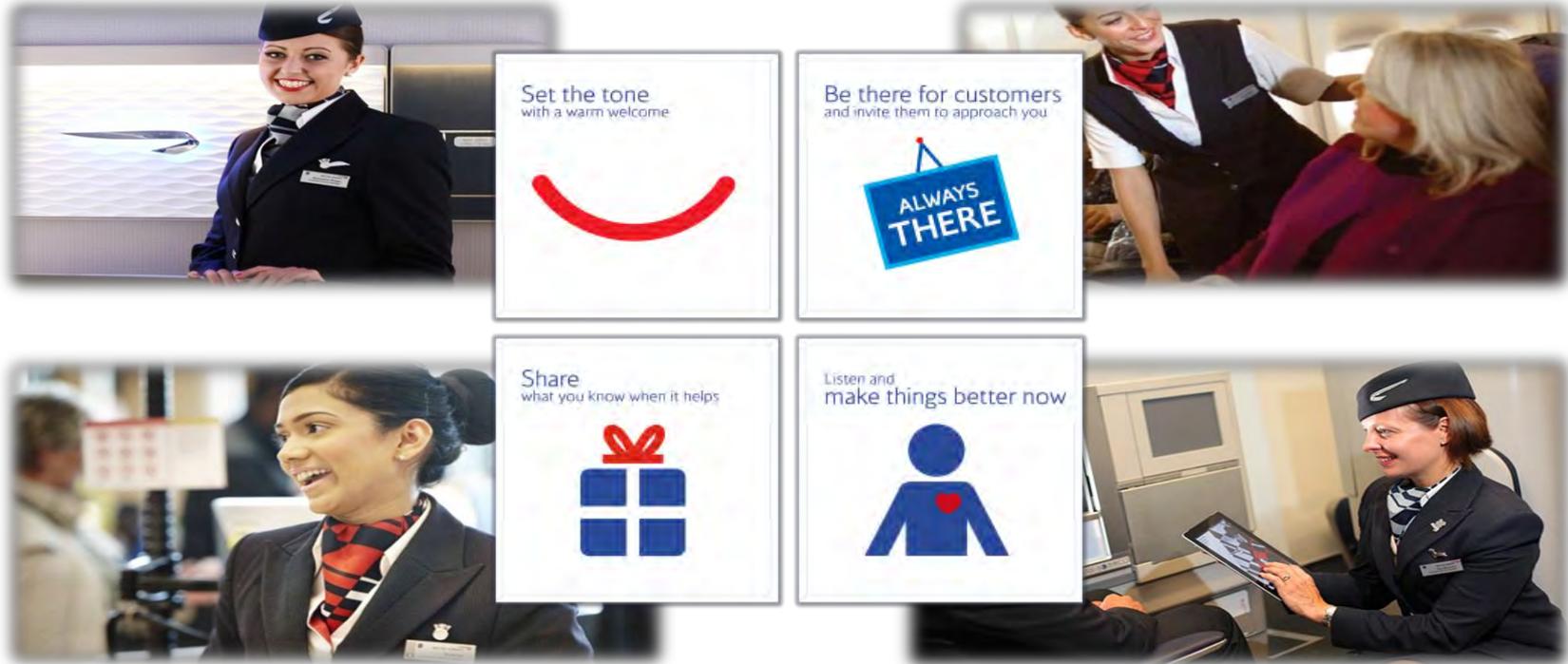
IAG

Product

Brand

BRITISH AIRWAYS 

Differentiate through consistency & service



New customer insight platform
We know outstanding service makes financial sense

Selective investment to drive returns



New Aircraft



- A380/ 787/ 777-300
- 777 refurbishment
- SH cabin refit
- Service routines

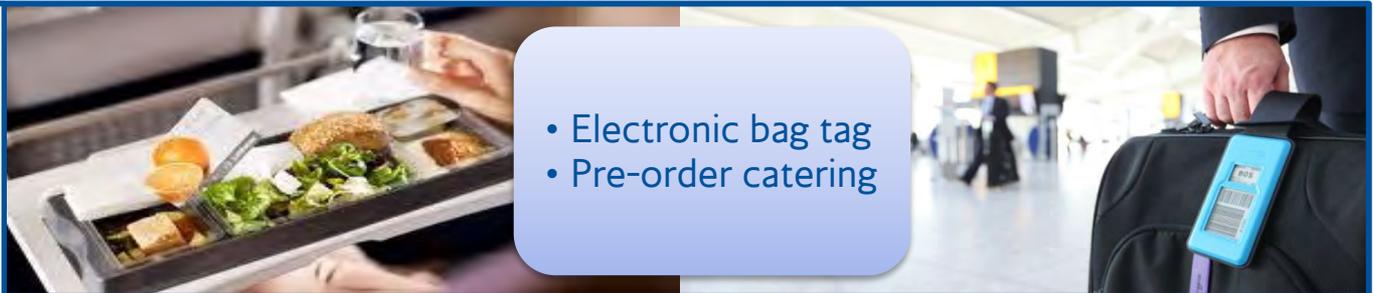
Concorde Dining

- Lounge strategy
- Lifetime recognition

Lounges & Executive Club



Innovation



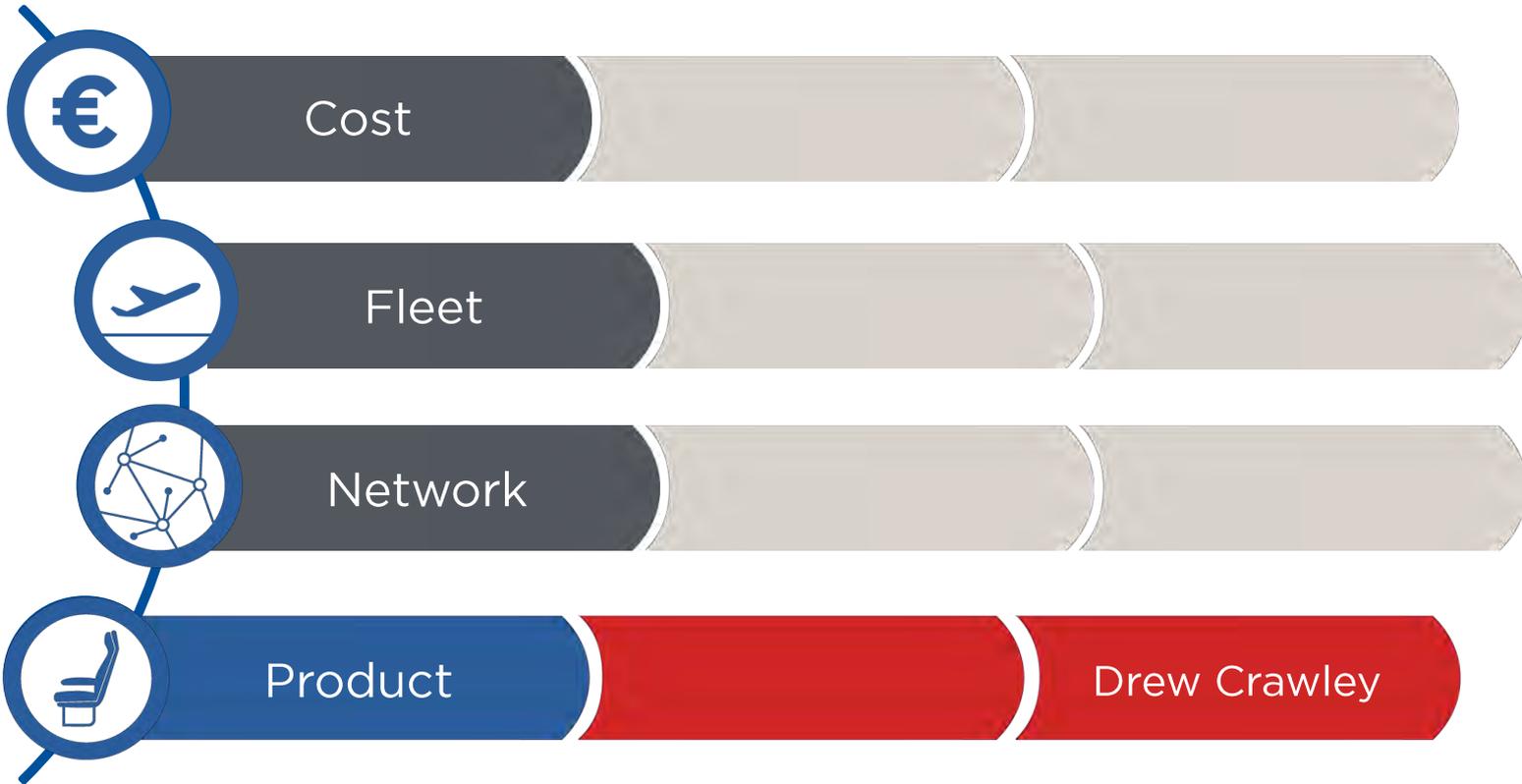
- Electronic bag tag
- Pre-order catering

IAG

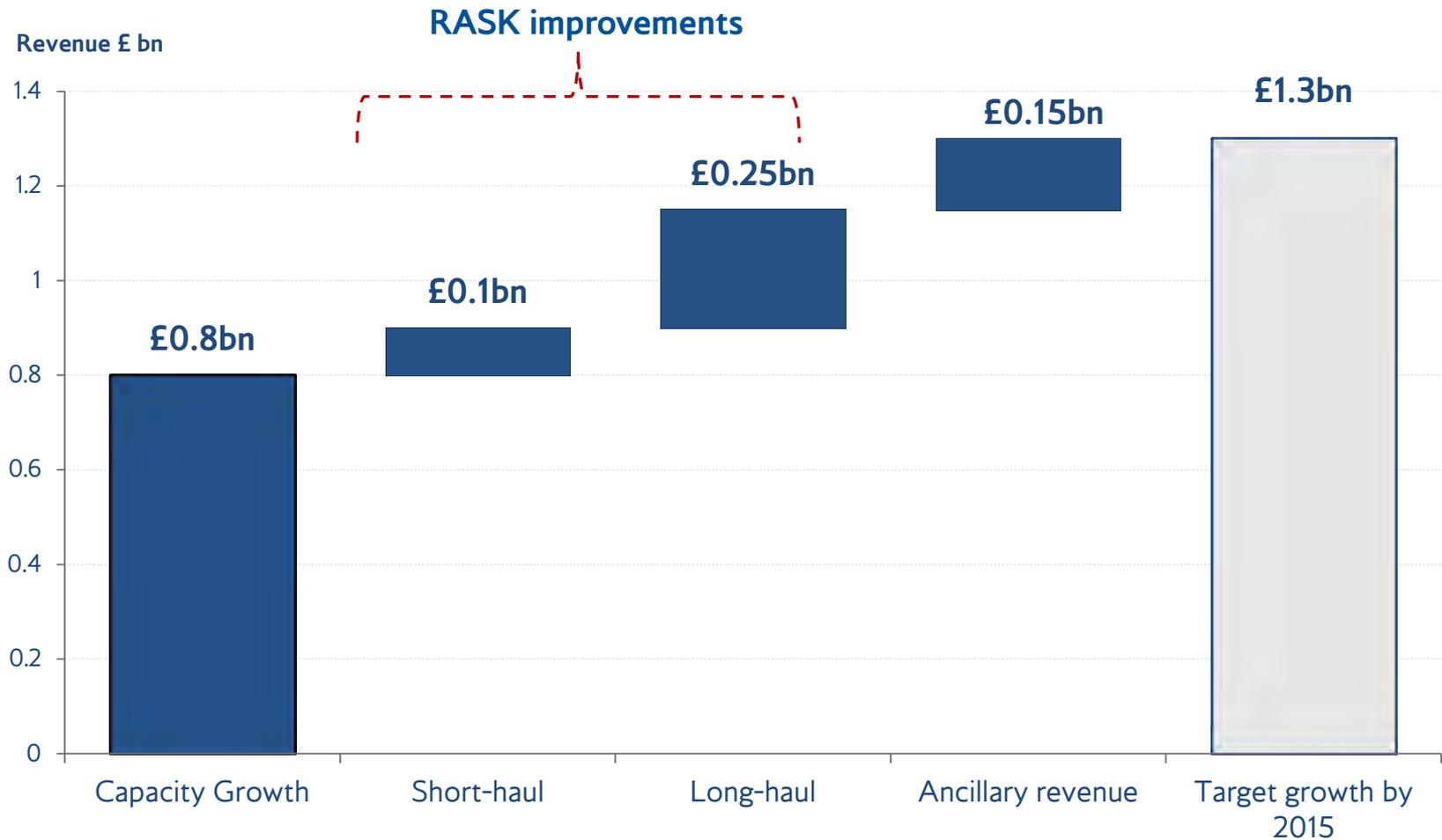
Product

Investment

BRITISH AIRWAYS



Revenue growth (2013-15) - £1.3bn



50 Million known customers by 2016



Know Me



Source: Ipsos MORI

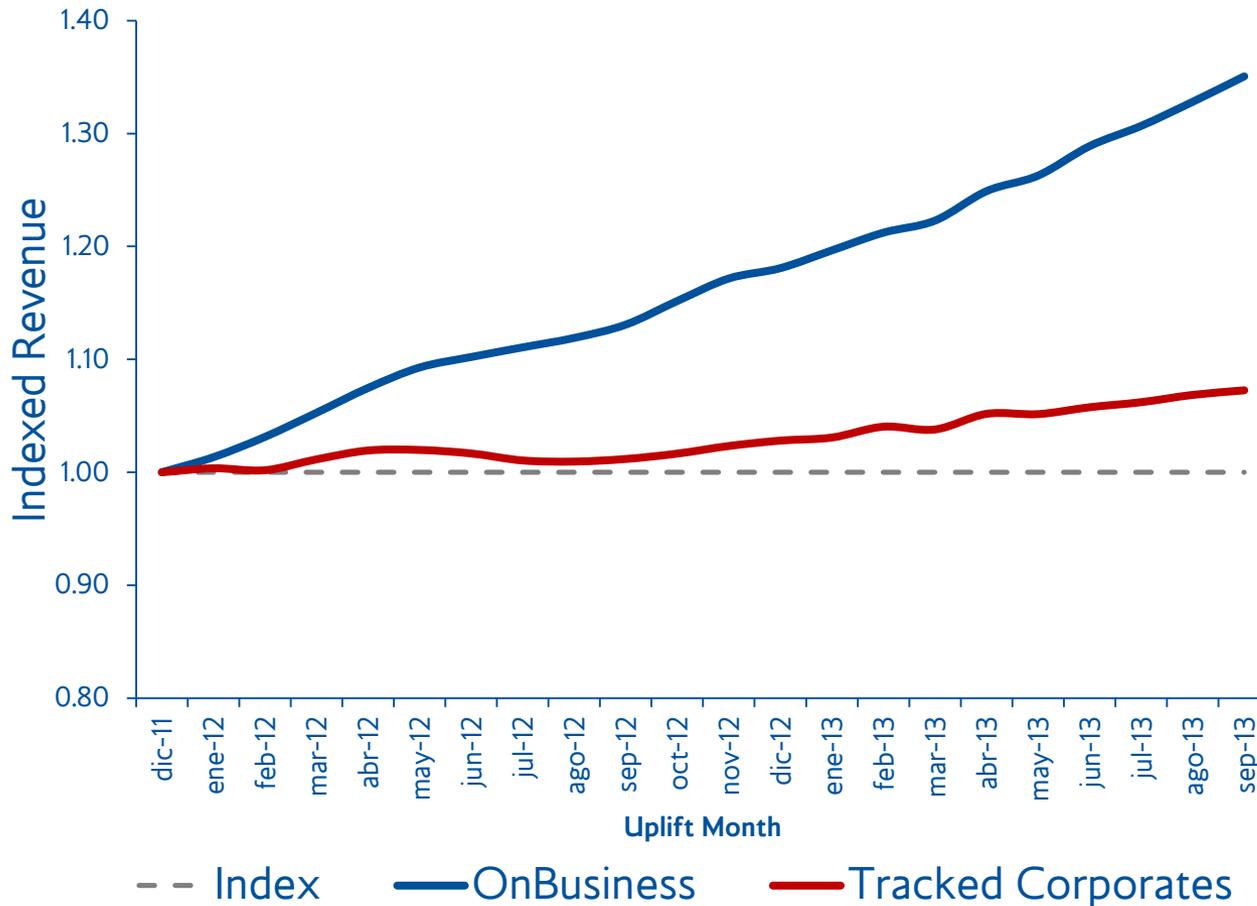
All respondents excluding don't know, Jan-Jun 2013



OnBusiness - our SME loyalty programme

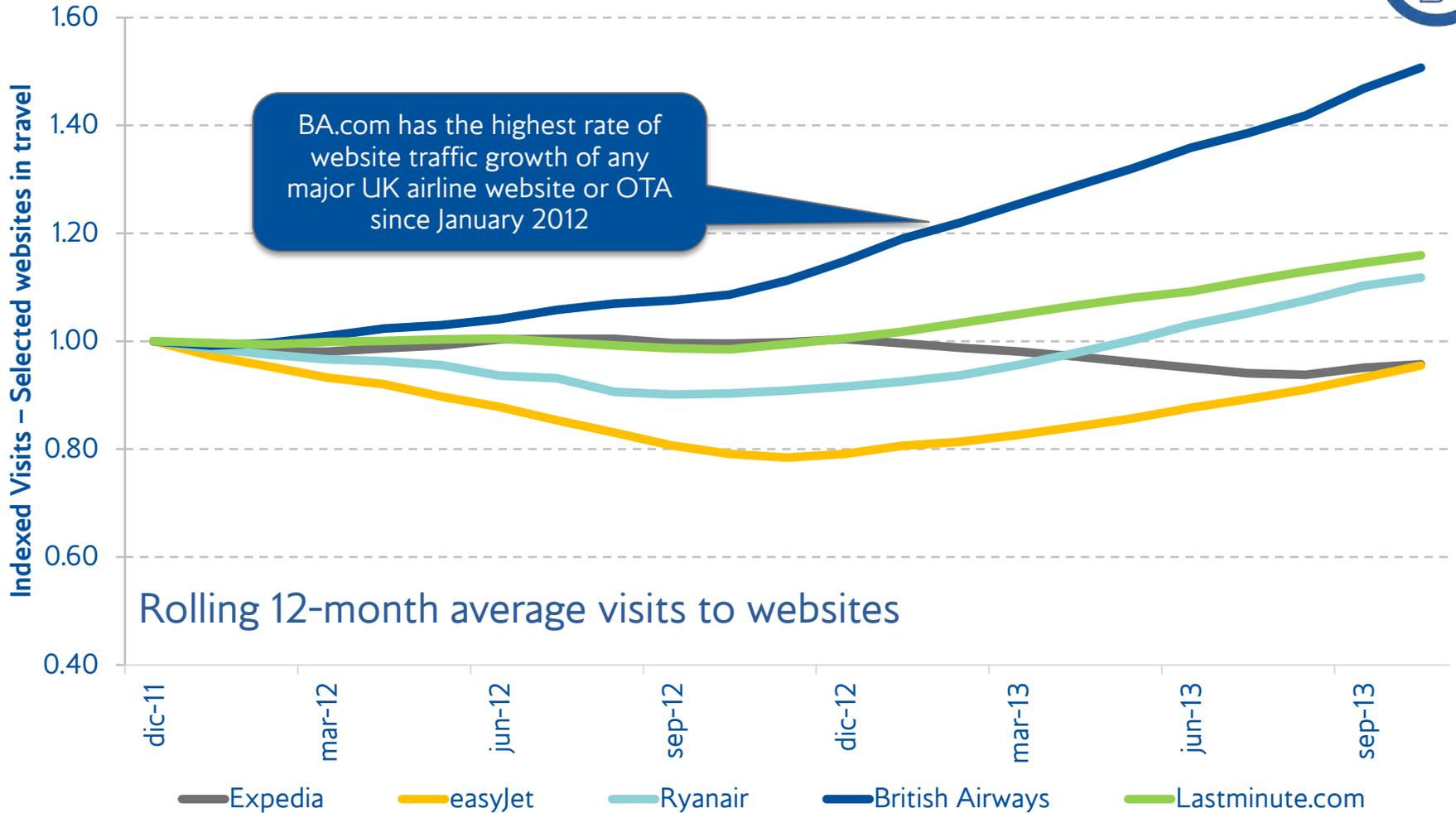


Rolling 12 month revenue performance Global Point of Sale



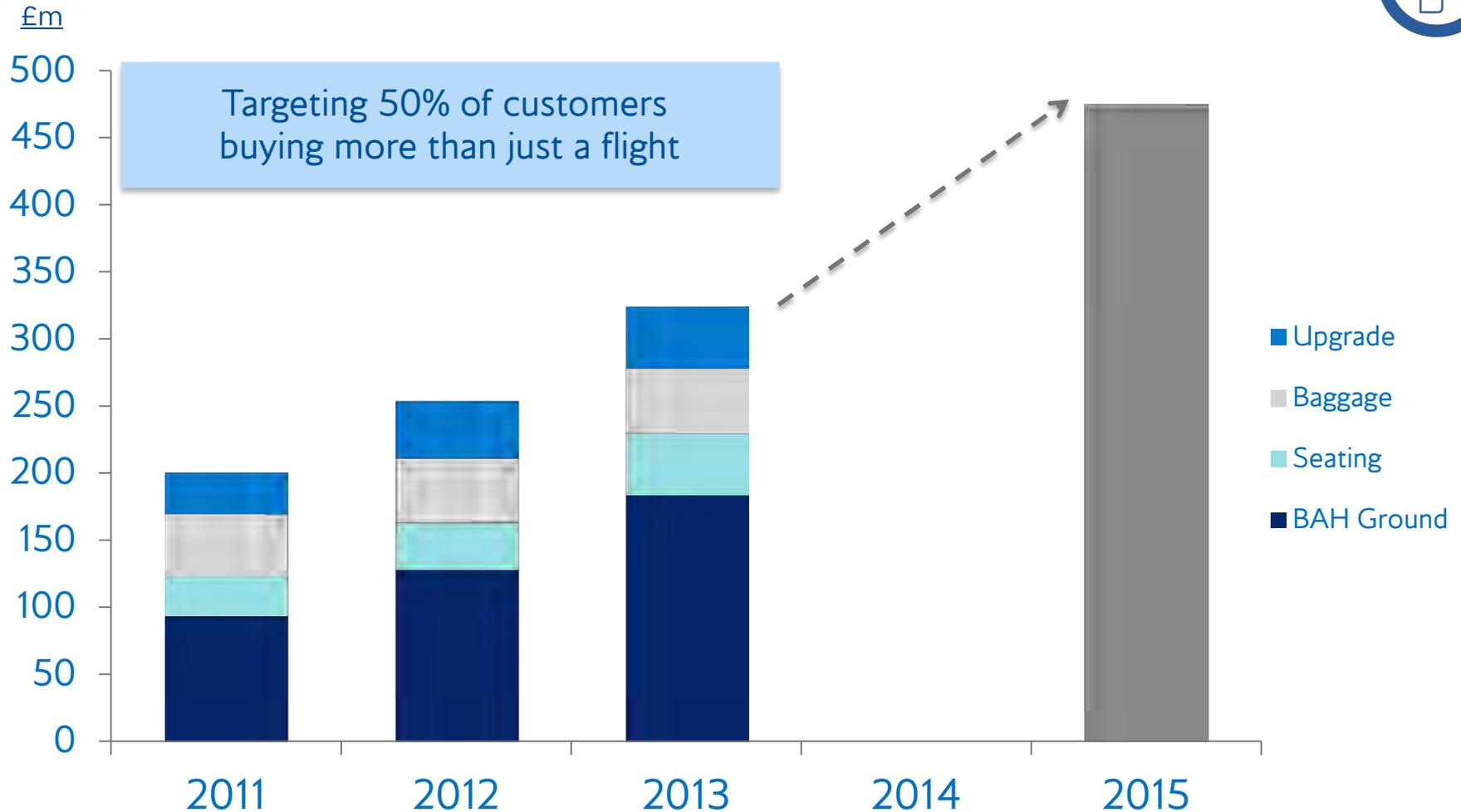
- 7% of UK travelling companies are in our current programme
- SME is the fastest growing corporate channel and accounts for £2.8 billion of our revenue (£1 billion of which is in the programme)

Retail strategy paying off



Source: Experian Hitwise - Travel Industry, monthly total visits

Strong growth in ancillary revenue



*BAH = BA Holidays = ground revenue, not contribution



BAH has grown in the CAA 'League Table'



2011

Rank	Company	Pax. #'s 000s
1	TUI	4,361
2	Thomas Cook TO	4,038
3	Gold Medal	684
4	Expedia Inc	489
5	Thomas Cook Retail	434
6	Avro Ltd	413
7	Virgin Holidays	400
8	Travelworld	400
9	Trailfinders	368
10	On The Beach	300
19	BA Holidays	175

2014 (Forecast)

Rank	Company	Pax nos 000s
1	TUI	4,418
2	Thomas Cook TO	3,694
3	Jet2Holidays	1,187
4	Travel Republic	799
5	Expedia Inc	778
6	On The Beach	639
7	Avro Ltd	500
8	BA Holidays	468
9	Travelworld	400
10	Virgin Holidays	330

Source: CAA Projections @ 2011 and @ October 2013 for 2014
Reflects Package sales and Flight Plus sales

IAG

Product

BA Holidays

BRITISH AIRWAYS 

Joint Business delivery since launch



+12.5%

Capacity
increase

+31.5%

Revenue
increase

+17.0%

Unit Revenue
improvement

+1.2 %

Non premium market
share increase



1.7 million

Extra
passengers

71%

Of markets have seen
premium share gains

+3.3%

Premium market
share increase

+6.8%

Premium load
factor increase

Source: JAS; BA MIDT Rolling 12 Months at Launch (Oct 2010) vs. latest rolling 12 Months (September 2013)

IAG

Product

Atlantic Joint
Business

BRITISH AIRWAYS

Joint Business: lots achieved; lots to do



Benefits materialising			More to come
2011	2012	2013	2014
Codeshares & Joint Pricing	5 Year Network Strategy	Finnair Joined AJB	Co-ordinated response to mkt developments
Policy Alignment 60+	openSkies	Disruption Strategy	US Airways integration
FFP Transatlantic Gap closed	RM Structural Changes	4 New Routes Launched	JB SME proposition
5 New Routes Launched	5 Year Customer Strategy	New Aircraft & Products	Enhanced disruption process
Joint selling launched	Selling AJB products online	Mobile boarding passbook	Further network expansion



Product

Atlantic Joint Business



In conclusion

- Clear financial targets and cost control
- Significant fleet renewal strengthening network and allowing disciplined growth
- Unit revenue increases supported by customer focus in short-haul and long-haul
- Strong distribution channels and continued growth in our key partnerships



Iberia

In big steps, building the Iberia of the future

Speaker list

Luis Gallego, CEO

Marco Sansavini, Chief Commercial Officer

Neil Chernoff, Network Planning Director



Agenda



Negative impacts on recent performance

External factors

Change in industry structure

Unfavourable macro context

Legal restrictions in restructuring

Internal factors

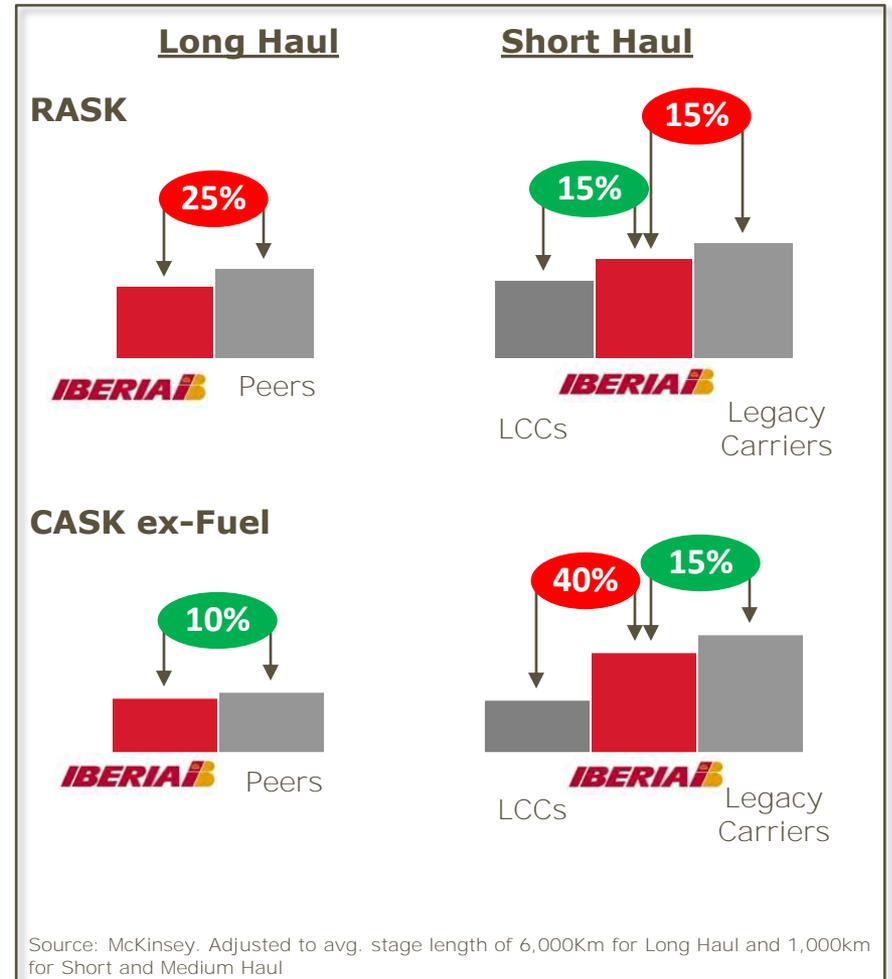
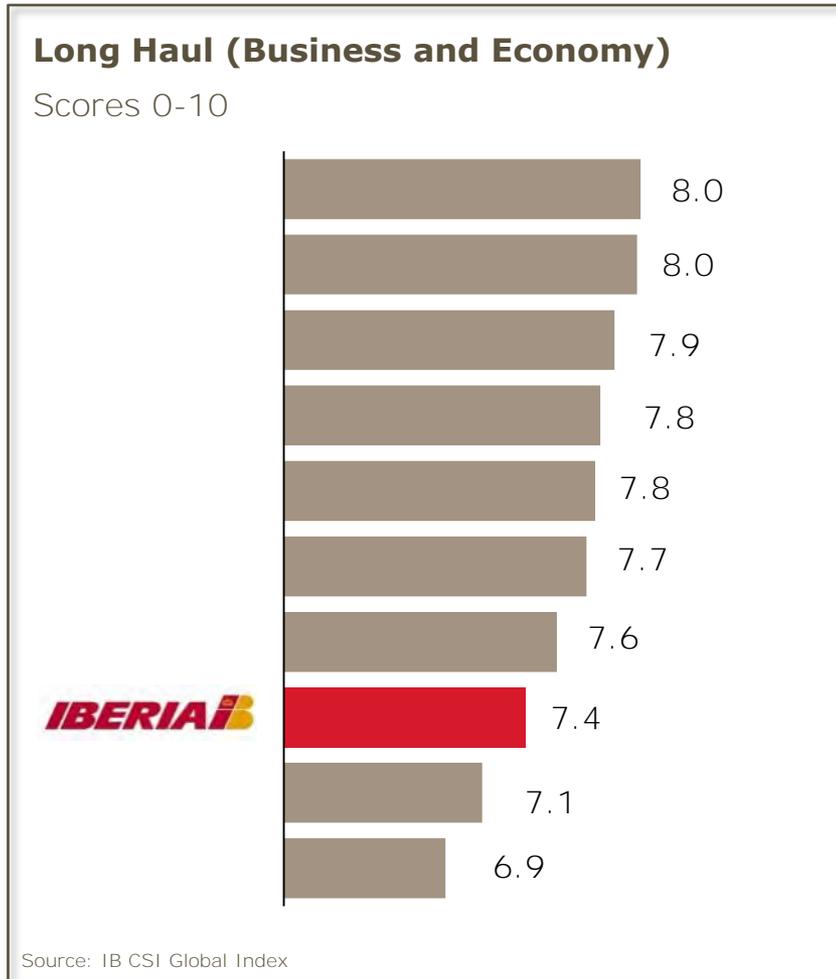
Inefficient cost structure

Corporate complexity

Outdated commercial positioning

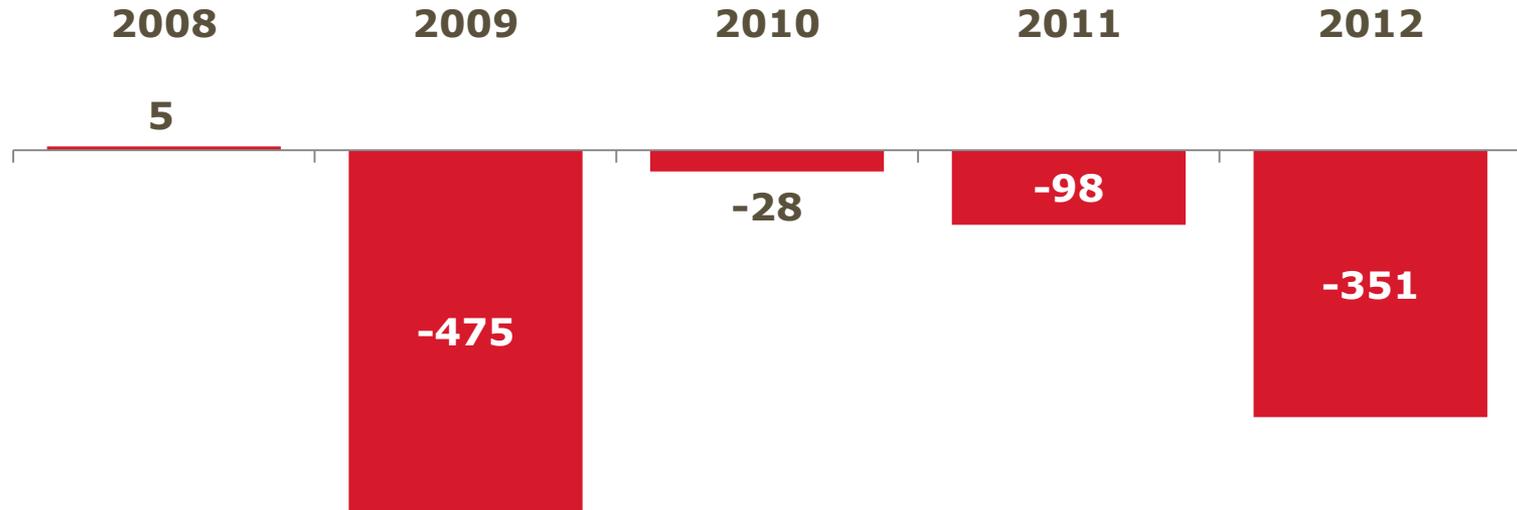
- **Deterioration of operating performance**
- **Negative financial results**

Resulting in performance gap to our peers



... and in significantly negative financial results

Operating result (€m)



Cash position (€m)

2,908
(start of 2008)

Fleet: ~€700m
Previous early retirement program: ~€600m
Losses: ~€800m

808
(end of 2012)

Delivering what we proposed last year

November 2012's objectives

How are we progressing

1 **To stop** Iberia's **operating cash burn** by mid-2013



Measures currently being implemented

- Capacity reduction
- Labour optimisation through Mediation Agreement
- Commercial plan
- Productivity programmes in non-core businesses

2 To give Iberia a **competitive cost base** for long-term growth



3 **To fund** the transformation entirely **through Iberia's own resources**



Agenda

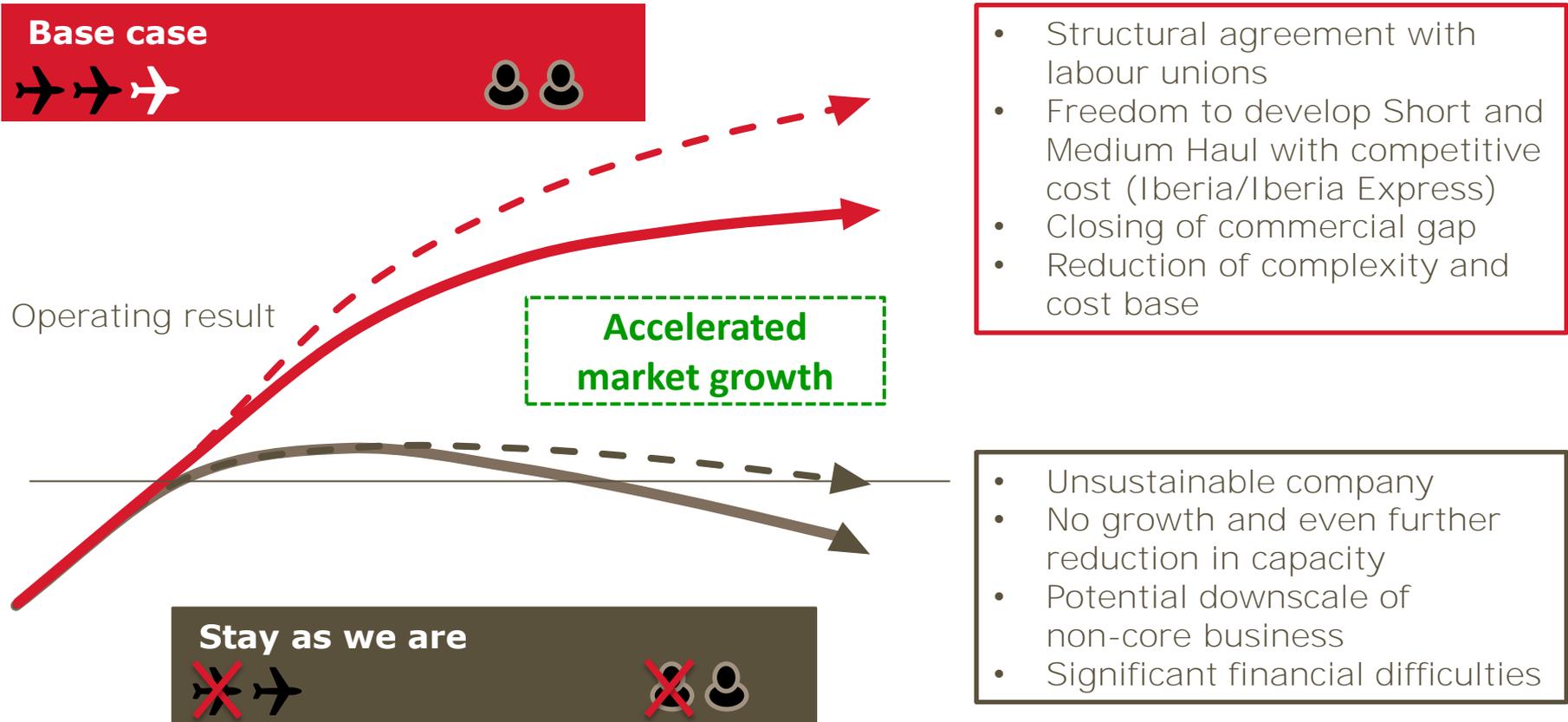


Background

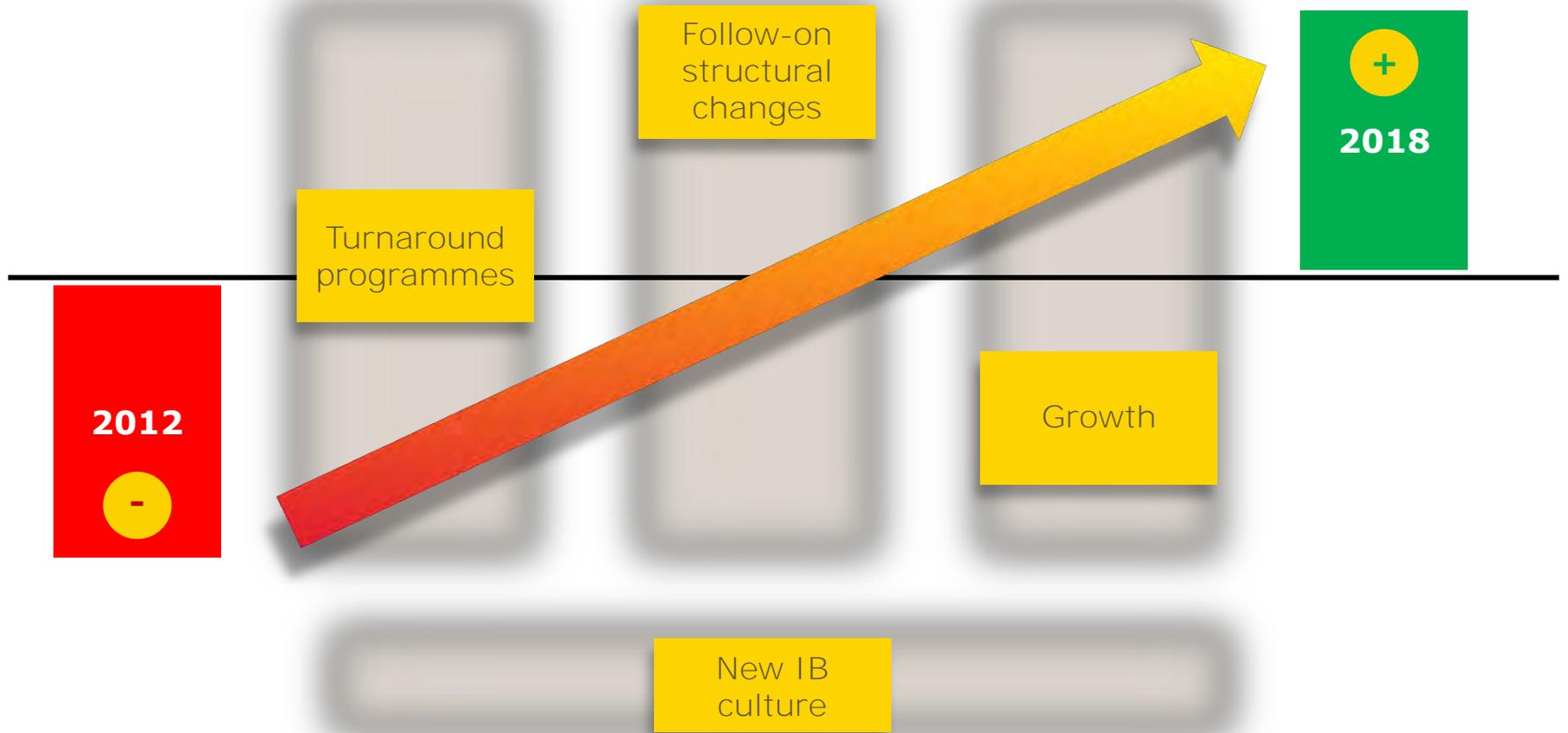


The future

Looking forward, Iberia faces two potential paths



What we showed you in August



2012



Turnaround programmes

Follow-on structural changes

Growth

New IB culture

+
2018

IAG

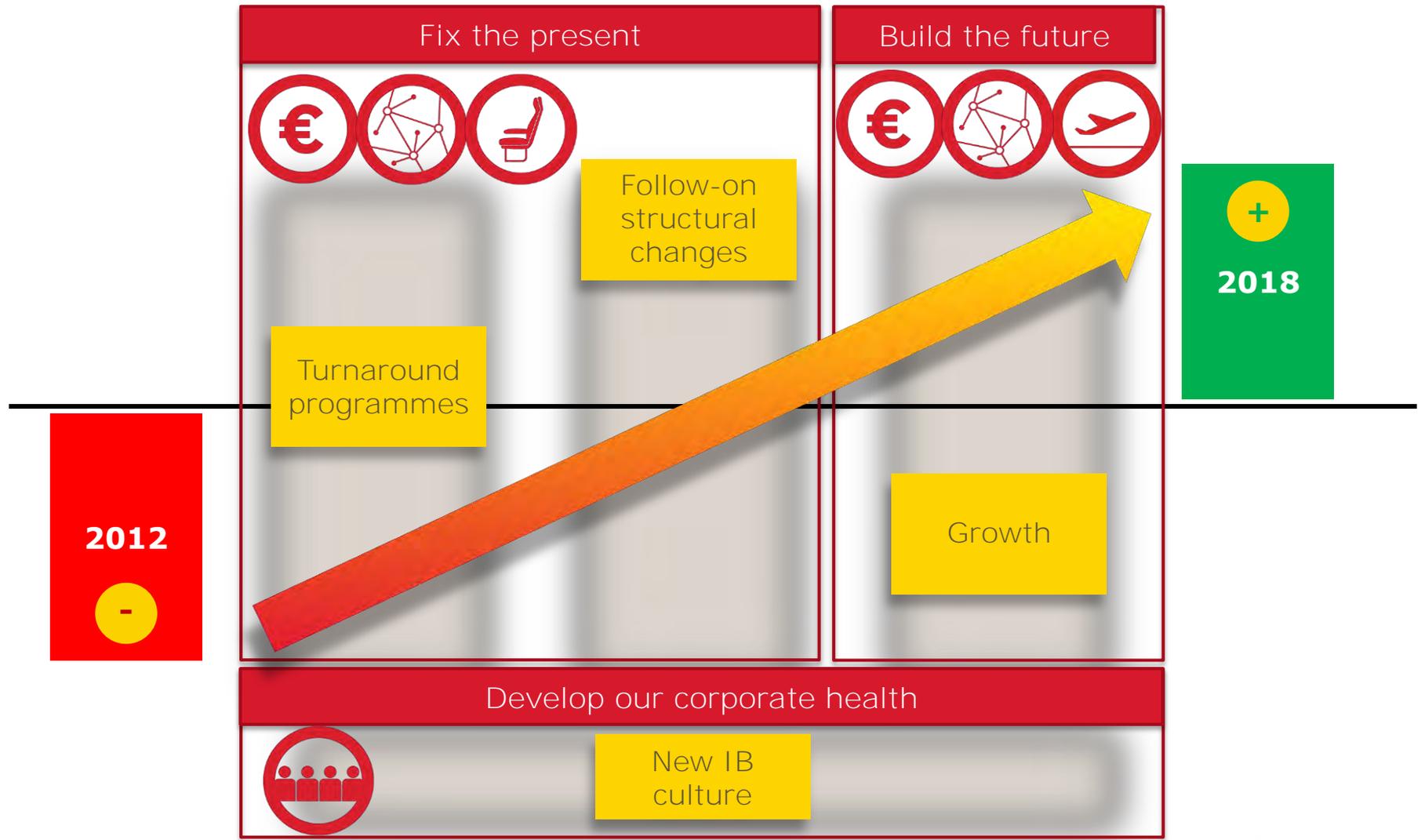
The future

New Business Plan

IBERIA



What we are showing you today



Fix the present



Build the future



Develop new Iberia culture

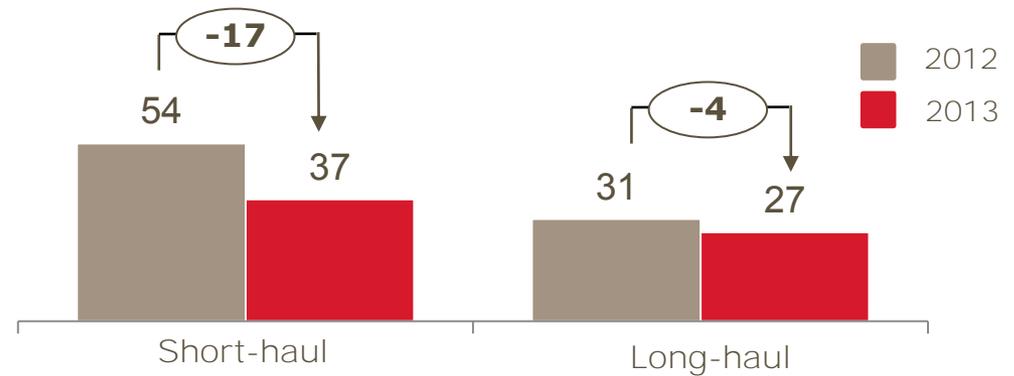


How we restructured our network

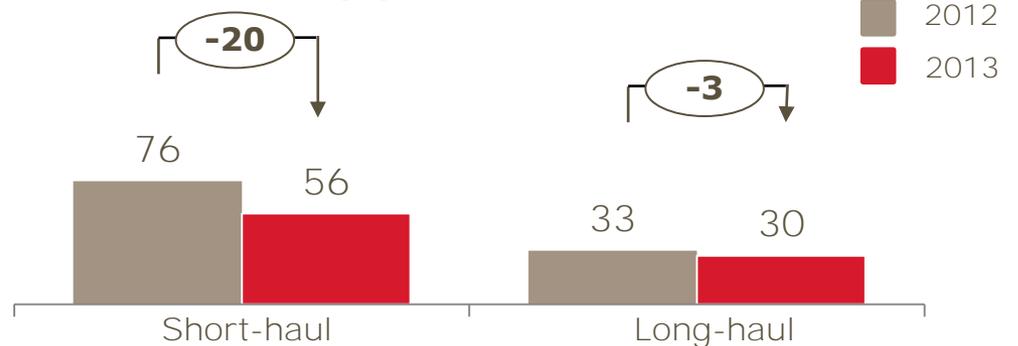


- **Network optimisation, resulting in 15% decrease in capacity**
- **Criteria for route optimisation:**
 - Short-haul: lack of profitability and limited feeding contribution
 - Long-haul: lack of profitability, no strategic fit or low market potential

Routes (#) Summer season



Aircraft reduction (#) Year end



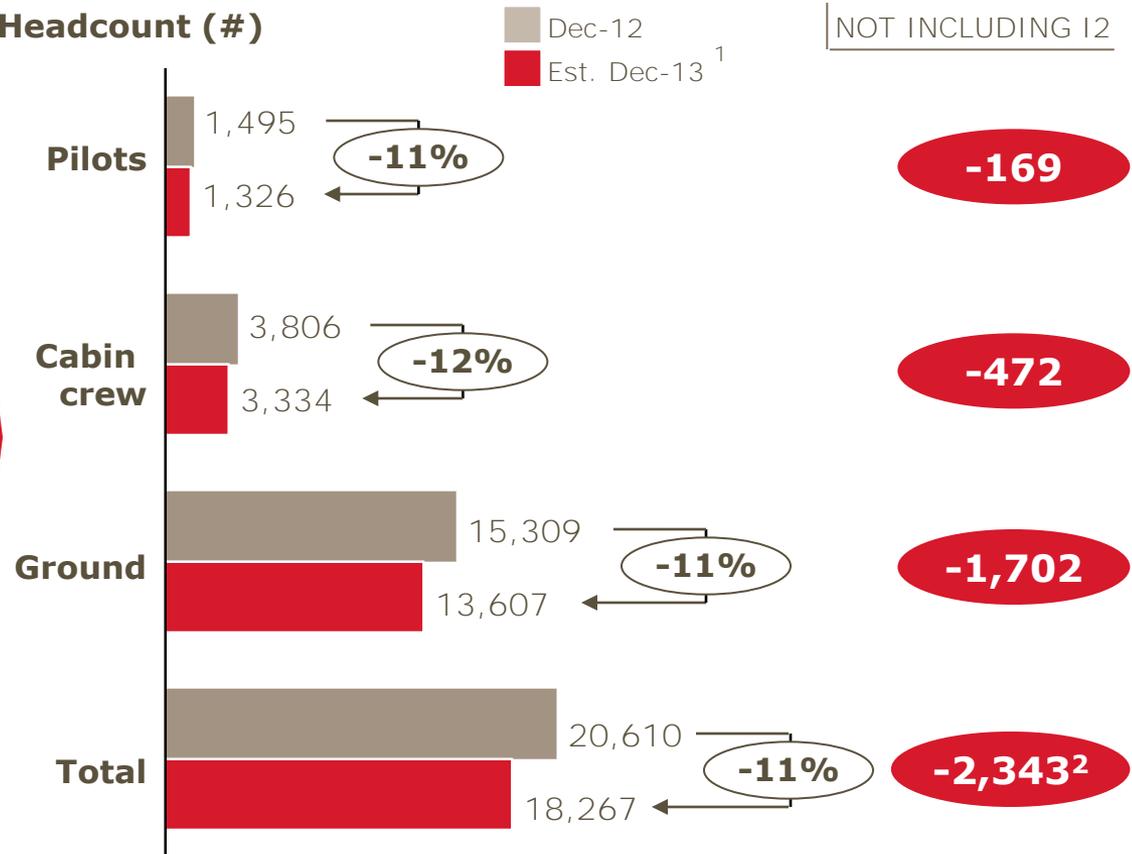
How we are implementing the Mediation Agreement



Key measures of Mediation Agreement

- Redundancy of at least 3,141 employees
- Salary reduction of 14% for pilots and cabin crew and 7% for ground staff
- Additional 4% salary reduction until productivity measures are agreed
- Salary and tenure freeze 2013-2015

Headcount (#)



¹ Does not include approx. 130 natural attrition leavers

² Total accumulated reduction 2011-2013 of 14% (2,990 employees). Including attrition leavers in 2013, the reduction is approx. 3,120 employees



Iberia Express flexible low cost feeder and competitive P2P



2013E

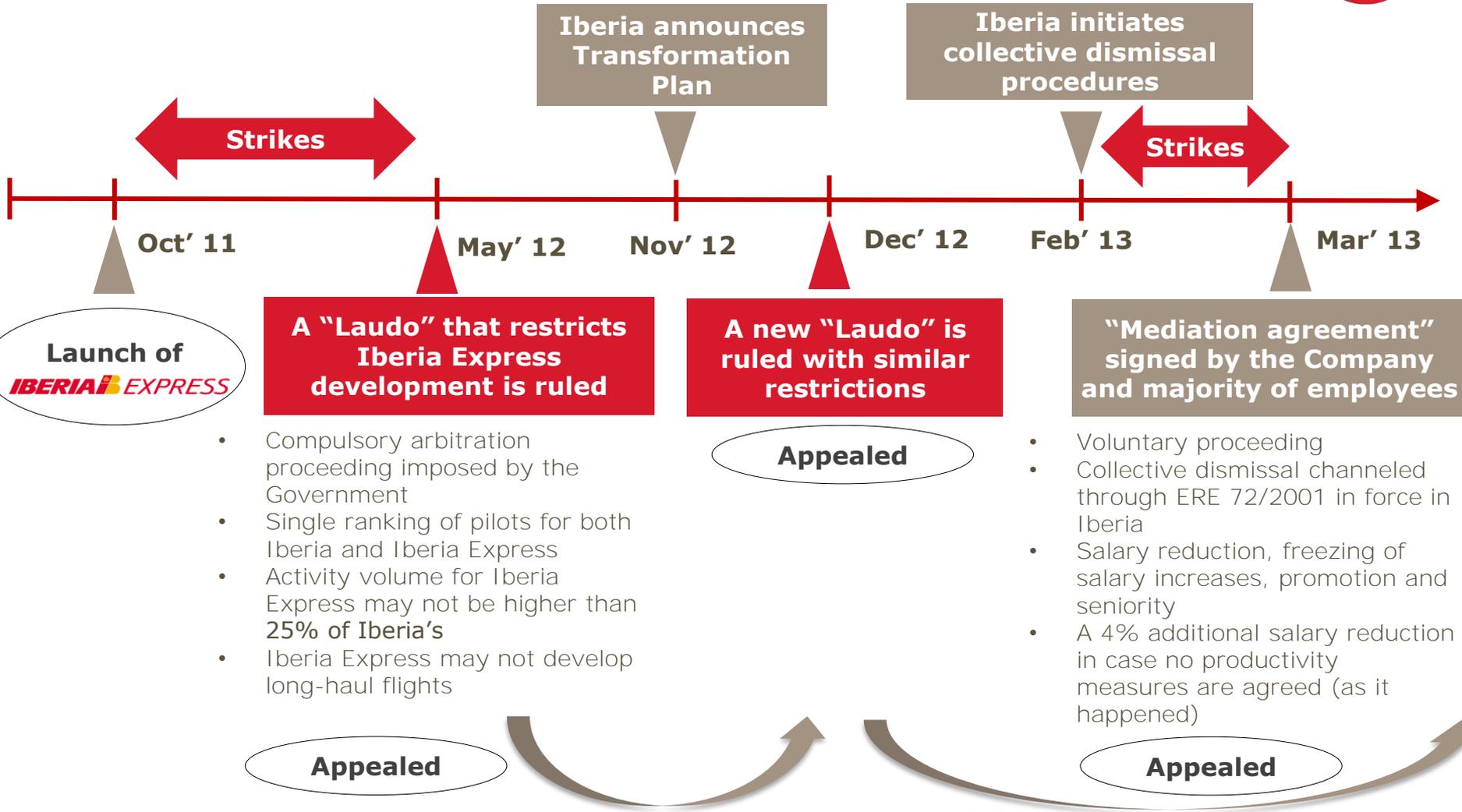
- **Short-haul feeding to Iberia's long-haul:** 3.3 million passengers transported in over 26,000 flights
- **Operational excellence:** ~96% punctuality
- **Cost competitiveness vis-à-vis LCCs:** 4.3 CASK ex-fuel¹
- **Profitability:** ~5% EBIT margin



... although it is restricted in its growth

¹ Adjusted to seat density; includes feeding model associated costs (business service, VIP lounge, ground hub operations, etc.)

Restructuring has been a long process influenced by legal restrictions



Currently in negotiation for long-term agreements



- **Pilots**
- **Cabin crew**
- **Handling**
- **Maintenance**
- **Other ground personnel**

- Measures to enhance our Crew's productivity up to market levels
- New salary tables
- Removal of current constraints to grow Iberia and Iberia Express short-haul with a competitive cost base
- Competitive and profitable handling and maintenance businesses



**Commercial
turnaround**

**Transform Iberia
product and customer
experience**

**Revenue
management**

Digital experience

**Sales force
effectiveness**

**New brand and
communication**

IAG

Fix the present

Commercial
turnaround

IBERIA



New product and customer experience introduced



Business

- New generation full-flat
- Latest generation IFE and connectivity
- Direct aisle access
- Privacy
- Personal storage
- Space optimisation



Economy

- Seat comfort
- Individual IFE and connectivity
- Improved personal space
- Customisable & improved overall experience



New product to be installed in all new A330s (8) and refurbished A340s (17)



IAG

Fix the present

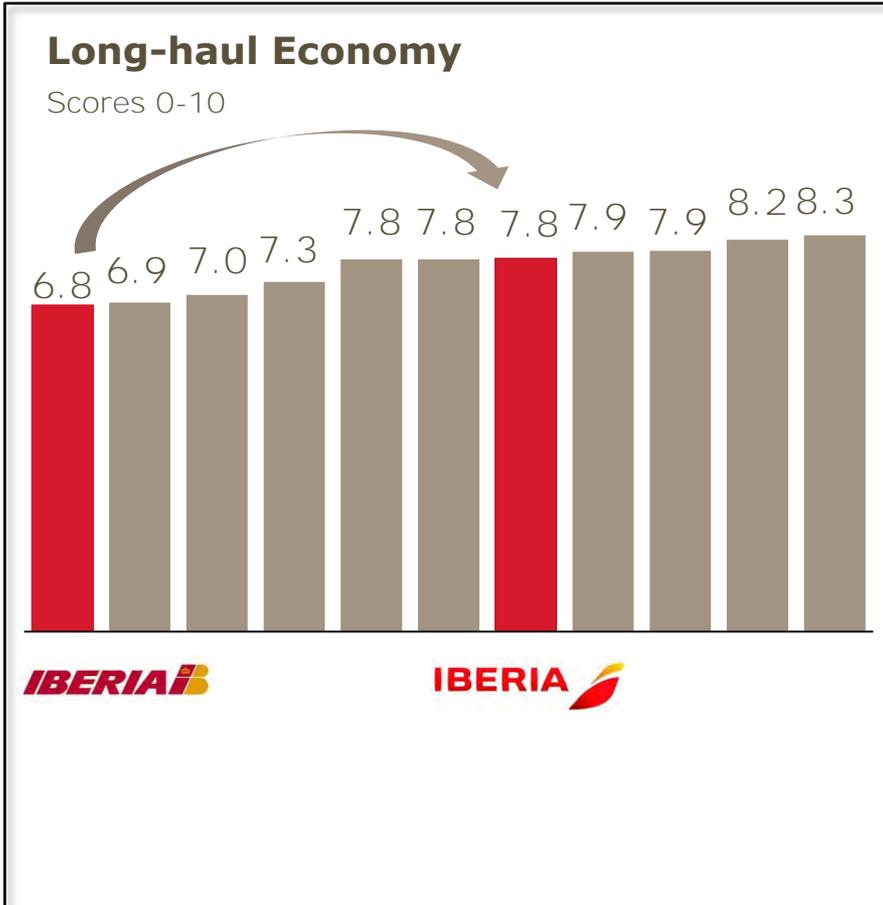
New longhaul product

IBERIA

Leading to increased customer satisfaction

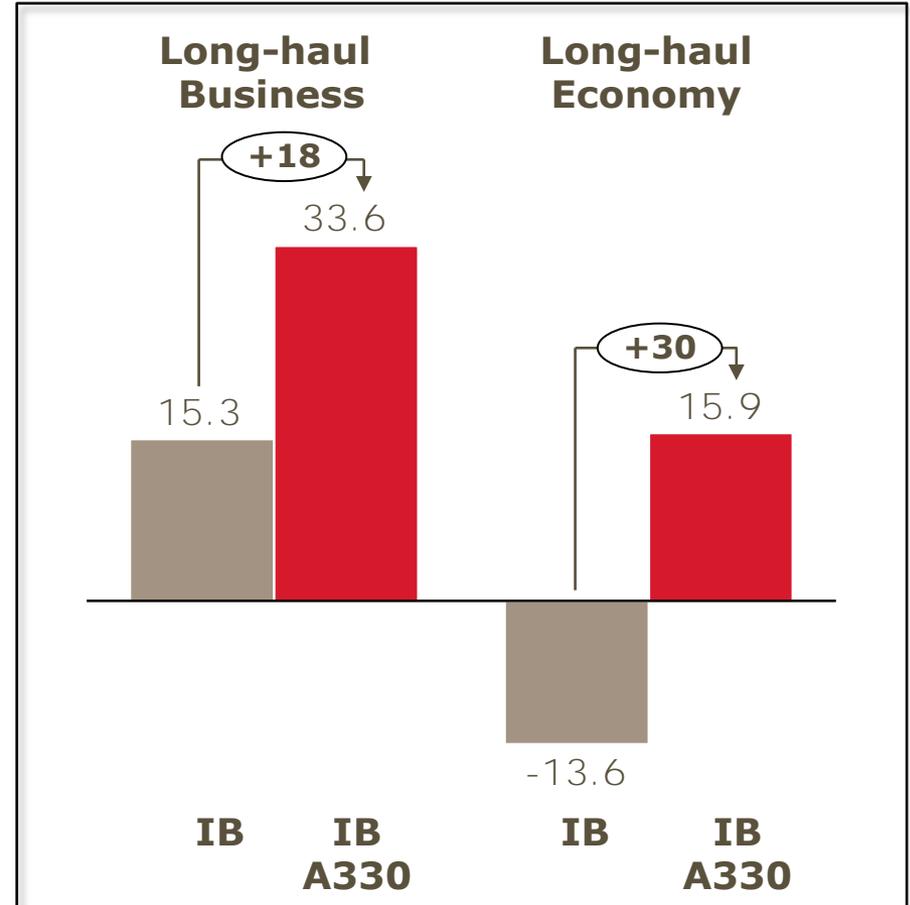


Customer Satisfaction Index



Source: IB CSI Global Index

Net Promoter Score



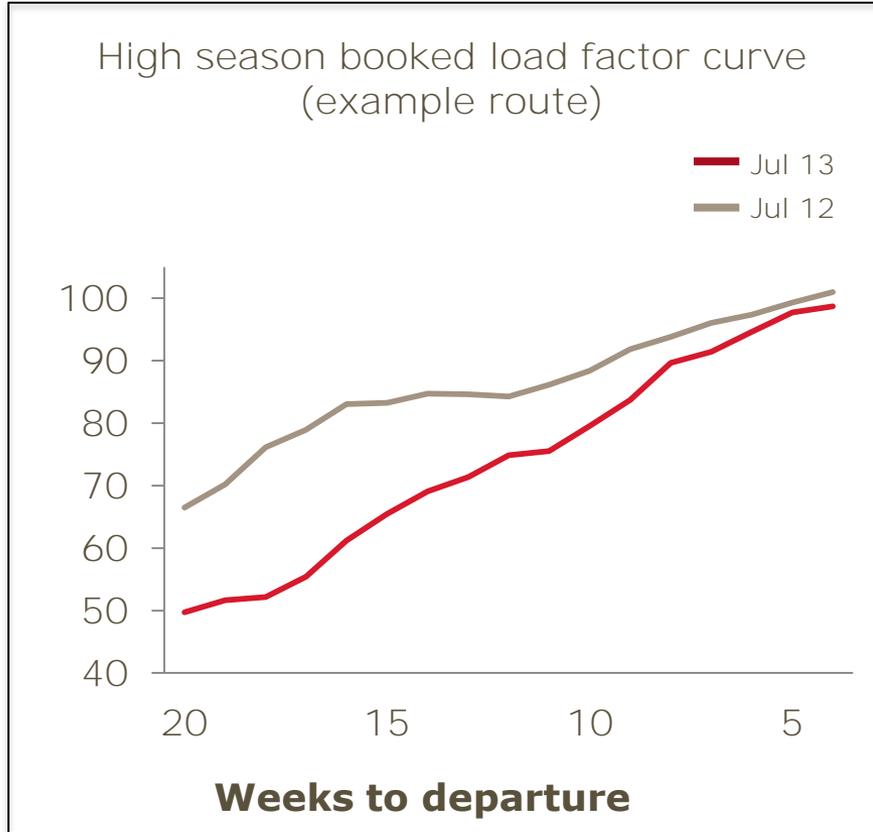
Source: IB CSI Global Index



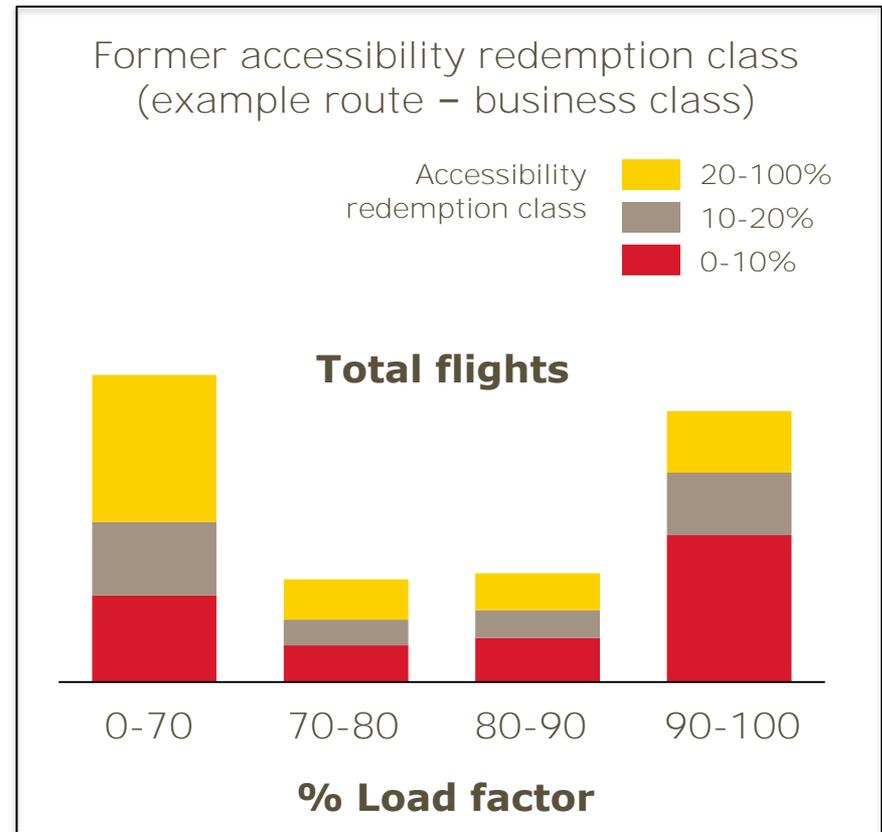
Profound changes in revenue management



Changes in high season policies



Changes in inventory settings



... and additional changes in product offerings (e.g. new family fares, new ancillaries)



Fix the present

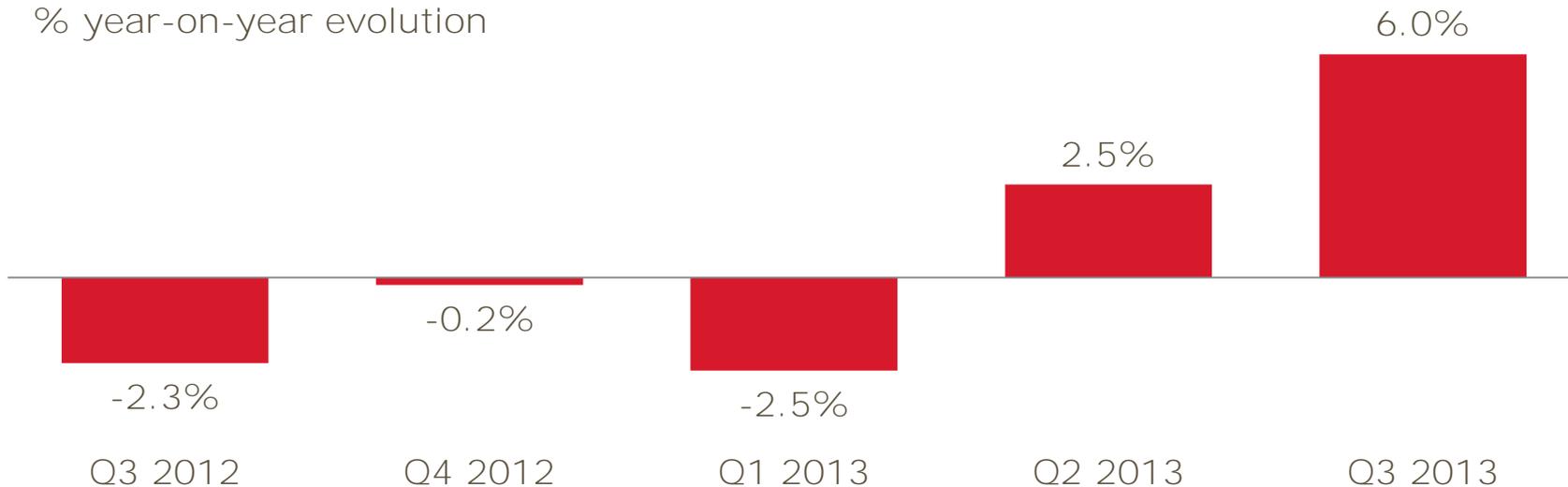
Revenue management



... leading to a progressive RASK improvement

RASK at constant currency

% year-on-year evolution



Stage length

% year-on-year evolution



IAG

The future

RASK improvement



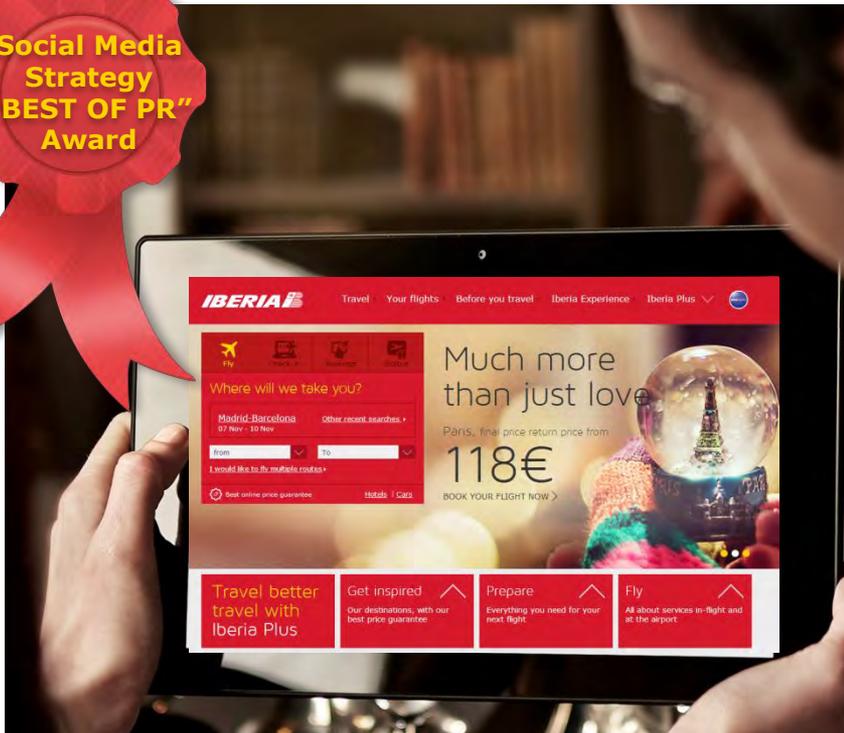
New digital experience



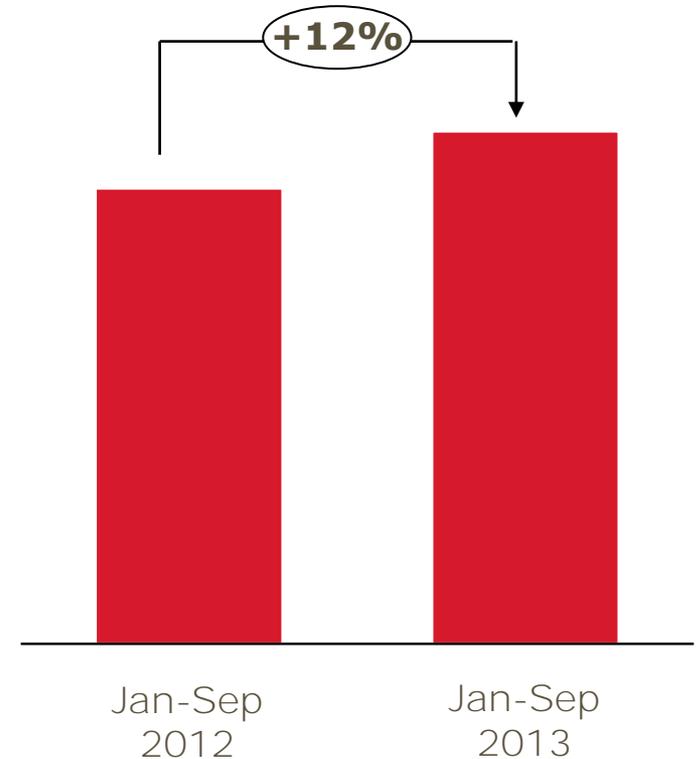
Digital transformation as an important tool to improve customer experience...

...leading to a 12% improvement on online penetration

Social Media Strategy
"BEST OF PR"
Award



Coupons sold in iberia.com
% of total



IAG

Fix the present

Digital experience

IBERIA



We have launched a new brand ...



IBERIA 

The word "IBERIA" is written in a bold, white, sans-serif font on a solid red background. To the right of the text is the Iberia logo graphic, which consists of a stylized, curved shape in white and yellow.

IAG

Fix the present

New brand

IBERIA



... which represents our core values



Afinidad



Our organic connection with Latin America and all of Europe

Empuje



Our inherently dynamic, charismatic and vital character

Talento



Our professionalism competency and service vocation

Fix the present



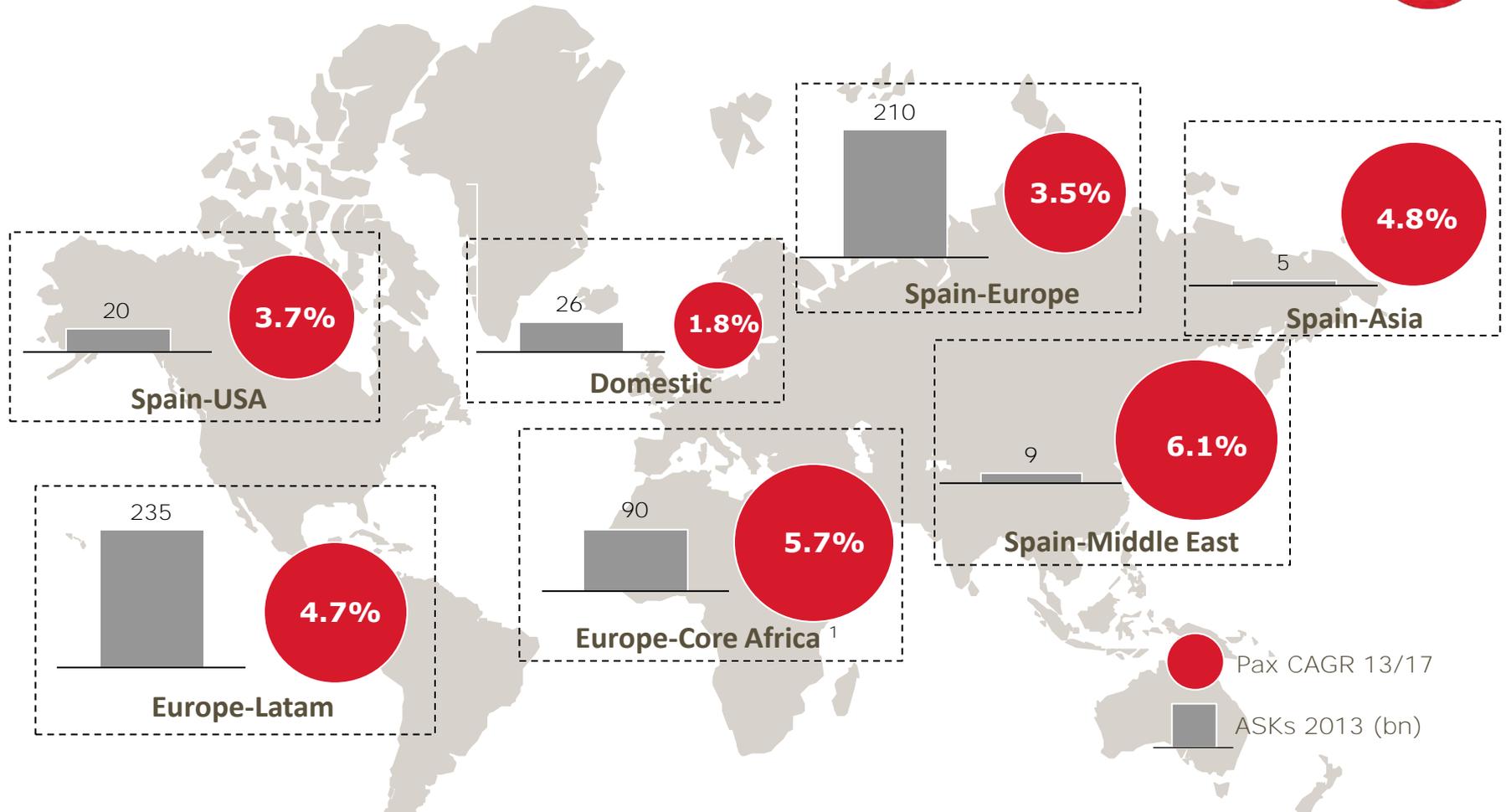
Build the future



Develop new Iberia culture



Strong prospects for growth in core markets ...



Source: OAG 2013; IATA pax forecast CAGR 13/17

¹ Core Africa: North/Central/Western Africa excl. LY & EG



Build the future

Core markets
IATA growth

IBERIA



... and we have the right strategy to capture them ...



Work with partners to enhance and develop the Joint Business offering

Leverage competitive cost base to add new destinations, focusing on both P2P traffic and Latin America connections

Deepen oneworld relationships to begin building presence in market

Consolidate leadership position via competitive cost base, new generation aircraft and strong regional partnerships

Explore further opportunities in Africa

IAG

Build the future

Strategy in core markets

IBERIA

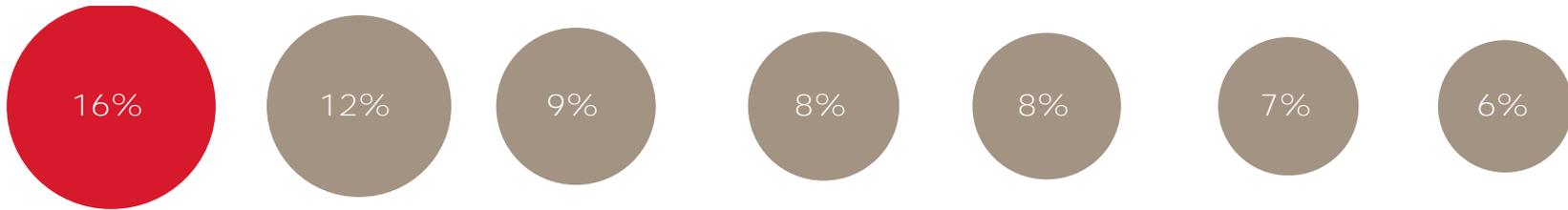


... based on our leadership to Latin America ...



Europe – Latin America market share

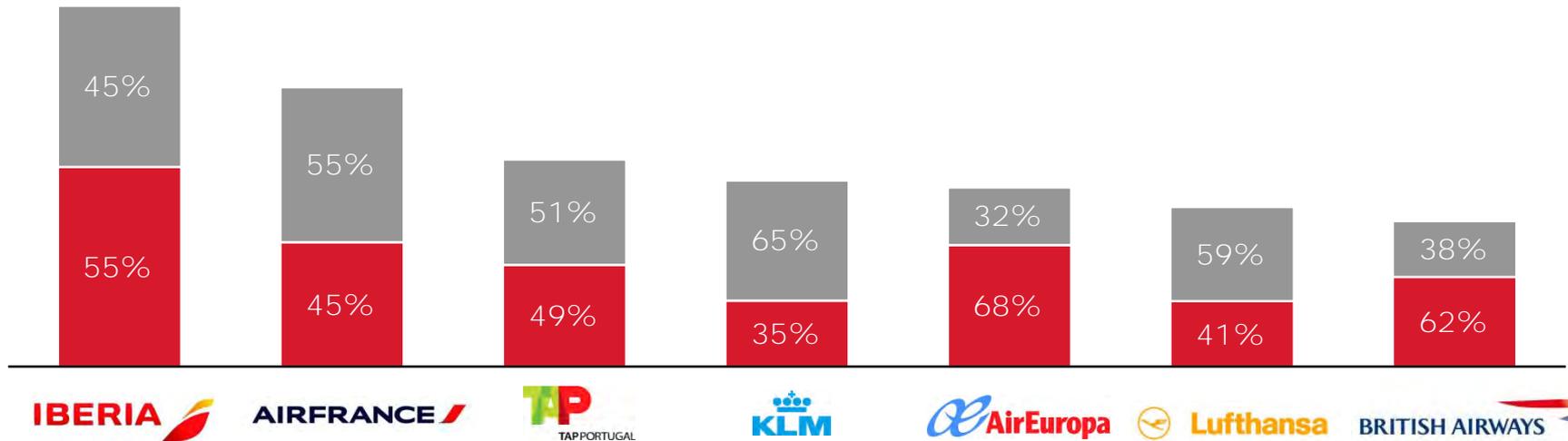
% Jan-Sep 2013



Europe – Latin America traffic

Total bookings Jan-Sep 2013

Europe
 Home market

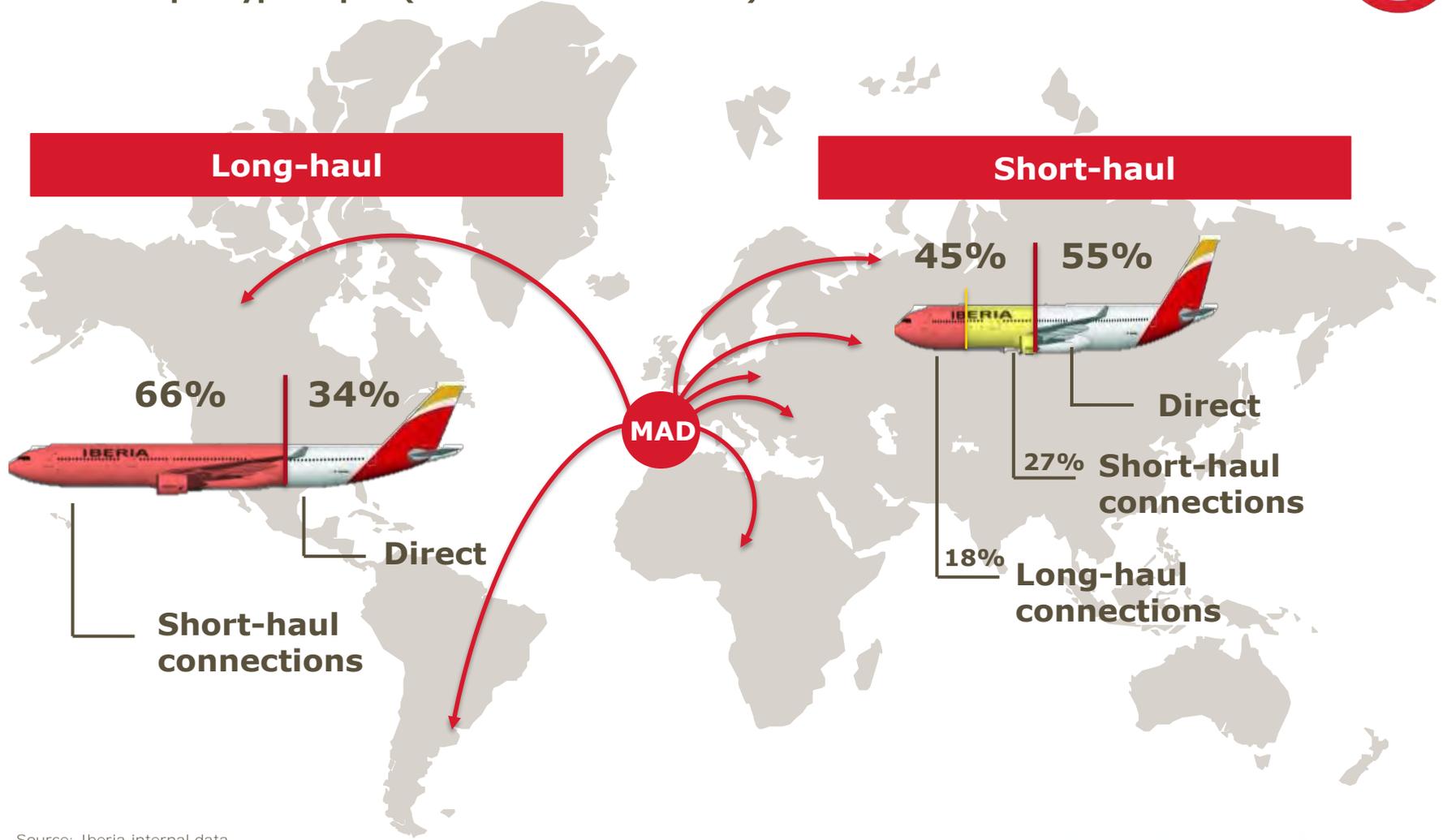


Source: CRS

... and the leverage of our Madrid hub



Breakdown per type of pax (connections. vs. direct)



Source: Iberia internal data

IAG

Build the future

Madrid hub



Fleet modernization potential...



Short haul orders

Long haul orders

New product retrofit

	Firm orders		Options	
	2013	2014	2016-2017	2018-onwards
Short haul orders	 7 A320 (delivered: 3 IB, 4 I2)	 2 A320	 4 A320	 Up to 100 A320 available to IAG
Long haul orders	 5 A330-300 (delivered)	 3 A330-300	 8 A330	 Up to 32 A350  Up to 12 B787 IAG has signed options to replace Iberia's A340 fleet once restructuring is achieved
New product retrofit	 6 A340-600	 11 A340-600 (2014 and 2015)		



Build the future

Fleet modernisation



... with a high degree of flexibility

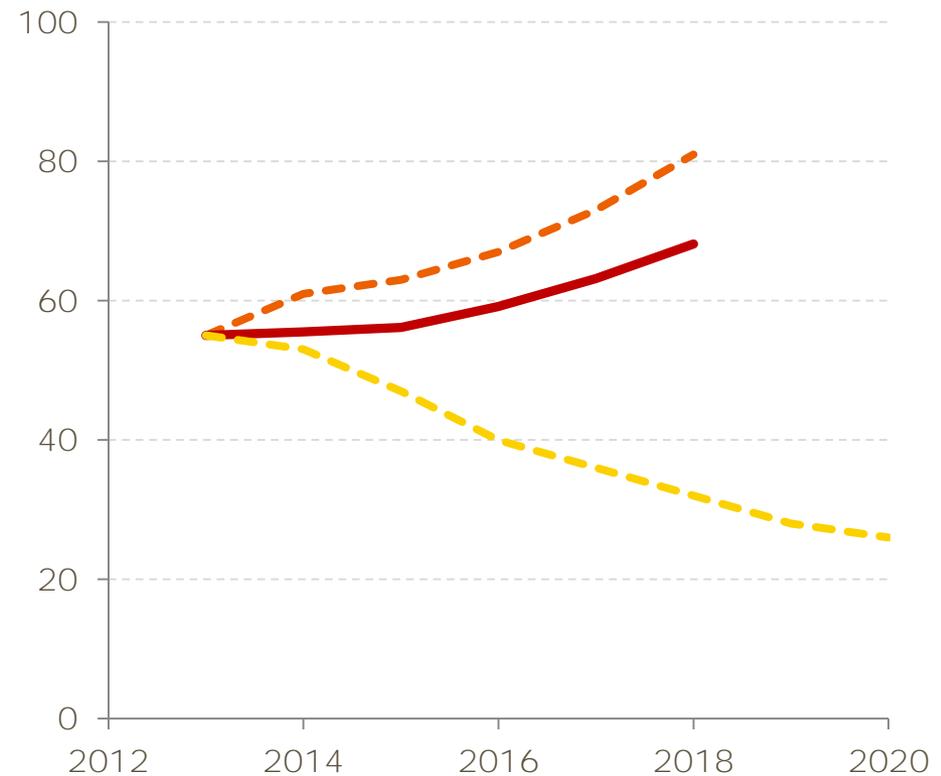
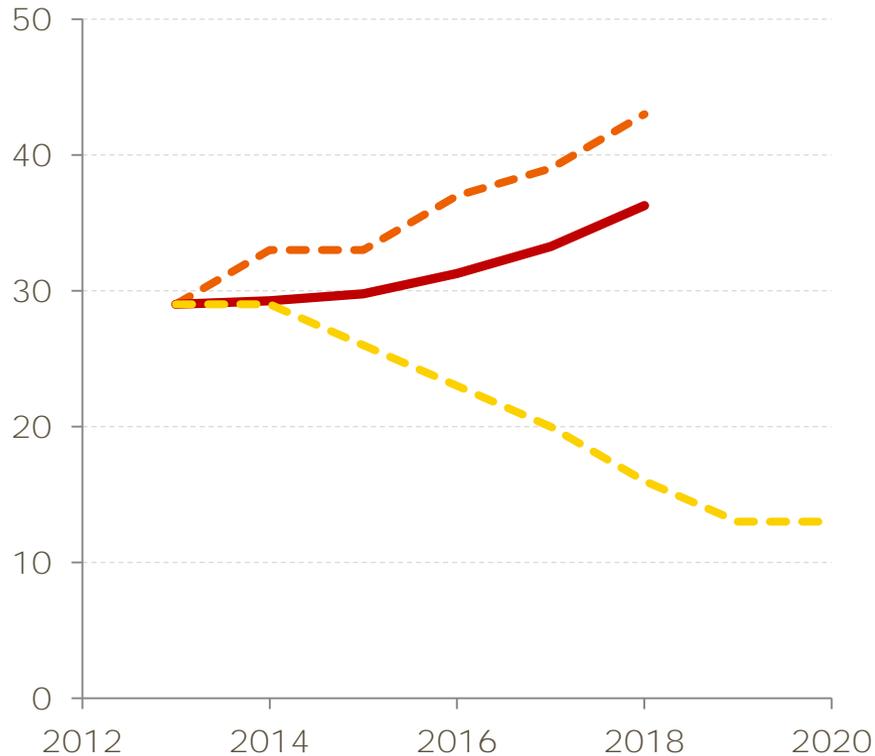


Fleet count at year-end

Long Haul fleet

Short Haul fleet

--- Upside — Base - - - Flexibility



¹ Includes lease market options

IAG

Build the future

Fleet flexibility

IBERIA



100

Fix the present



Build the future



Develop new Iberia culture



Radical transformation of management team



- **Reduction of management team**

- Agility
- Efficiency
- New management style

- **Simplification** of org. chart
- **New key functions**

- Focus on key topics
- Balancing business as usual with change

- Incorporation of **external talent**, while relying upon on internal intellectual capital

- Additional skills for a new environment
- **Drive and “change mentality”**

Cultural transformation program launched



- Introduction of **new management variable compensation packages** based on individual performance and corporate results
- Development of **systematic talent management review** and internal **job posting** to identify, manage and promote **the best talent**
- Inauguration of **new headquarters**, with material cost reduction and significant benefits in working habits and efficiency
- **New** internal and external **communication approach**: proactivity, consistency and transparency

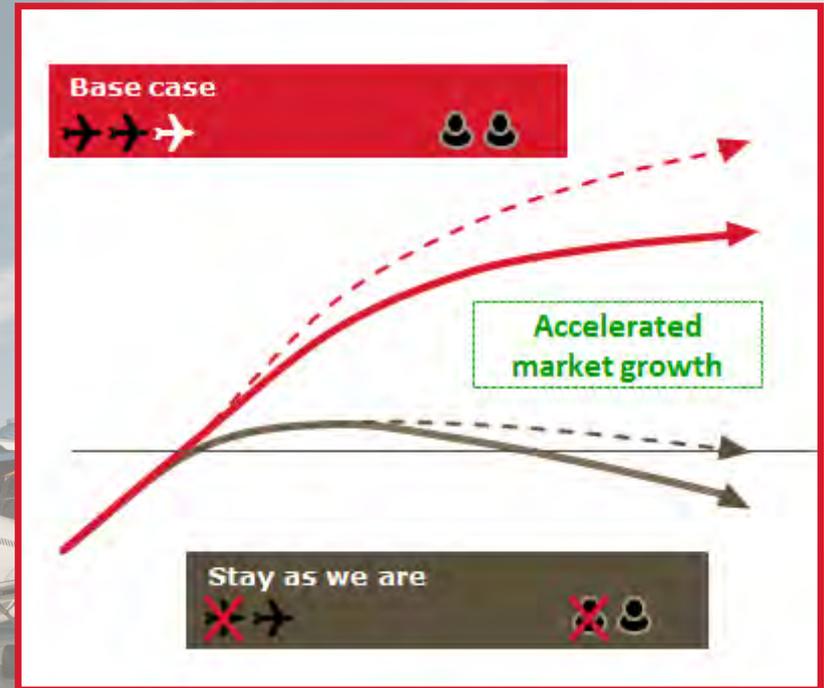


In summary...



In summary ...

- We have gone through turbulent times recently
- We are focused on turning around the company to achieve a healthy cost and revenue base (“fixing the present”)
- We are building in parallel a platform for profitable growth (“building the future”)
- We are transforming our corporate culture (“developing our health”)
- **We believe in the future of Iberia ... but we will need significant restructuring efforts to succeed**



In big steps, building the Iberia of the future

Vueling

IAG INTERNATIONAL
AIRLINES
GROUP



Speaker list

Alex Cruz, CEO

Sonia Jerez, CFO



Company background

1. Vueling
2. Historical growth
3. Business model

Vueling vision

1

Cost discipline

- Target: ex-fuel CASK below €4c
- Annual cost savings programme continues

2

Profitable Growth

- Fleet of more than 100 aircraft in 2015
- Build strong leadership position at key European airports
- Increased focus on non-Spanish markets

3

Product & Innovation

- Business class product
- Mobile and self-service solutions
- Continued investment in aircraft technologies

4

Efficient Operation

- High on time performance and flight completion levels
- More than 90% customer recommendation levels

Vueling has developed a wide European network

2013e	2012	Δ
70 Aircraft	59 Aircraft	+19%
222 Routes	178 Routes	+25%
107 Destinations	82 Destinations	+30%
>17 M Pax	14.8M Pax	+16%

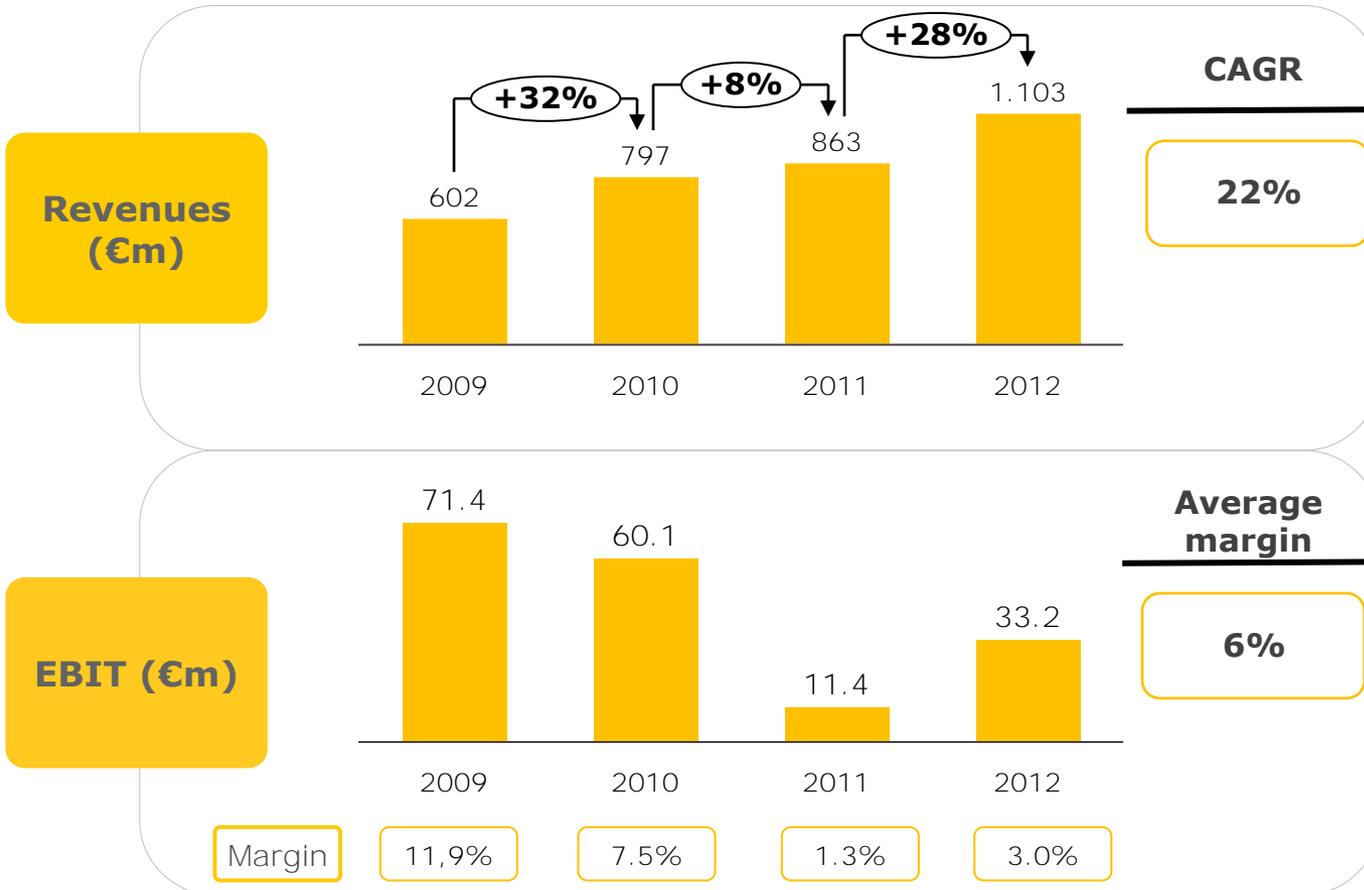


Vueling has doubled its fleet in the 2009-13 period

Vueling aircraft in "summer peak" season



Vueling reported positive results four consecutive years despite the difficult macro economic environment



- Vueling increased revenues at a 22% CAGR in the 2009-12 period
- Average EBIT margin was 6% from 2009 to 2012

The building blocks of a sustainable and profitable hybrid business model: premium low-cost



Low cost model

- Single aircraft model
- High fleet utilization
- Low cost base
- High punctuality
- High crew productivity
- Short turnarounds
- No crew night-stops
- Ancillary revenue



vueling pass ::

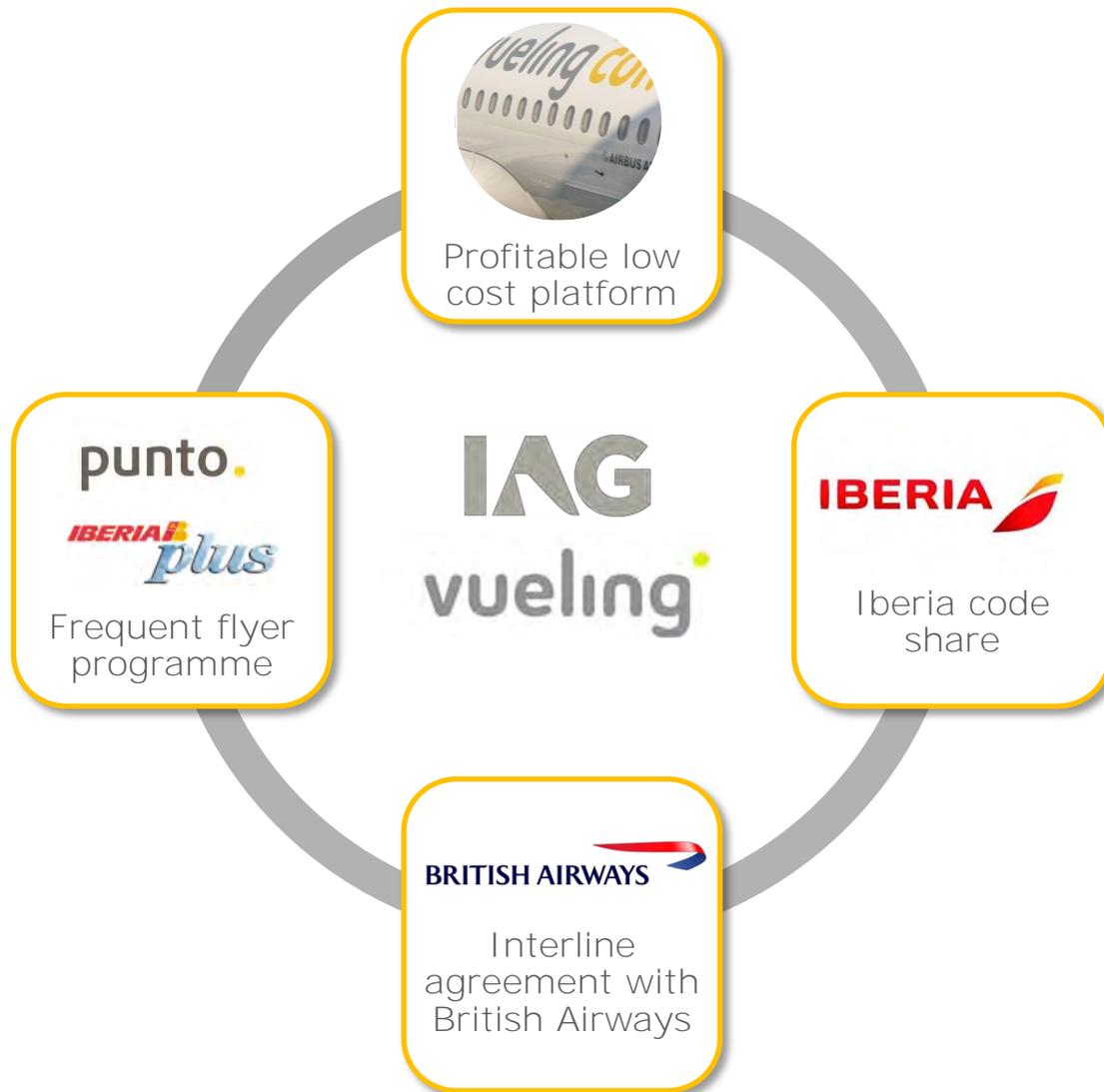
Sólos VP disponibles en los siguientes aeropuertos:
BARCELONA MADRID ALICANTE MALAGA AMSTERDAM
PALMA DE MALLORCA BRUSELAS ROMA LISBON MILAN



Premium service delivery

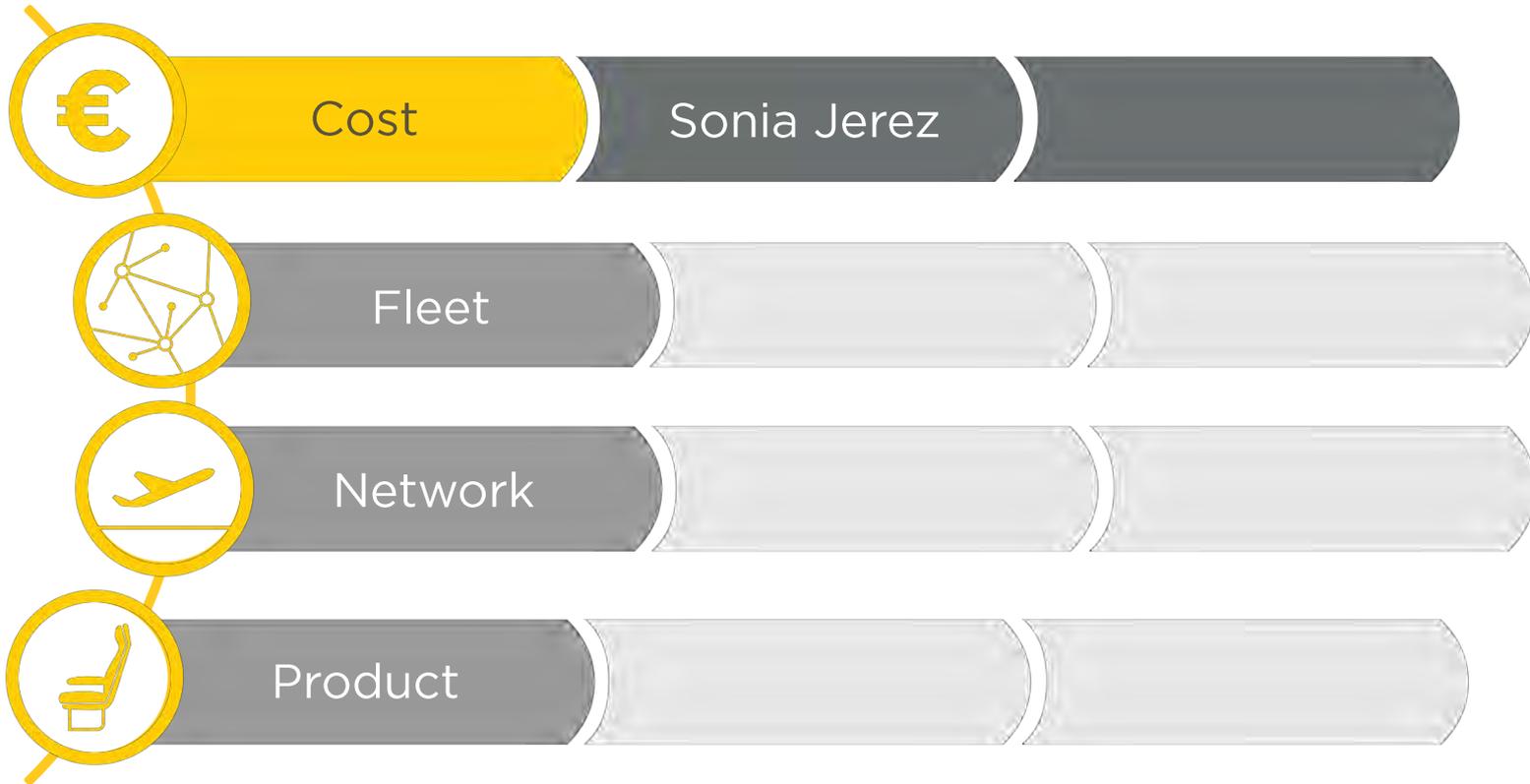
- Business class: VIP lounge, unlimited catering, fast track...
- 40% business passengers
- Connecting flights
- Main airports at main terminals
- Flexible fares
- Feeding to other airlines

Vueling has become a member of the IAG group



- Vueling is IAG's low cost platform
.....
- Iberia and Vueling have a code share agreement
.....
- BA and Vueling have an Interline agreement in Barcelona and London Heathrow
.....
- In addition to Vueling's frequent flyer programme, Iberia's FFP is valid in Vueling flights

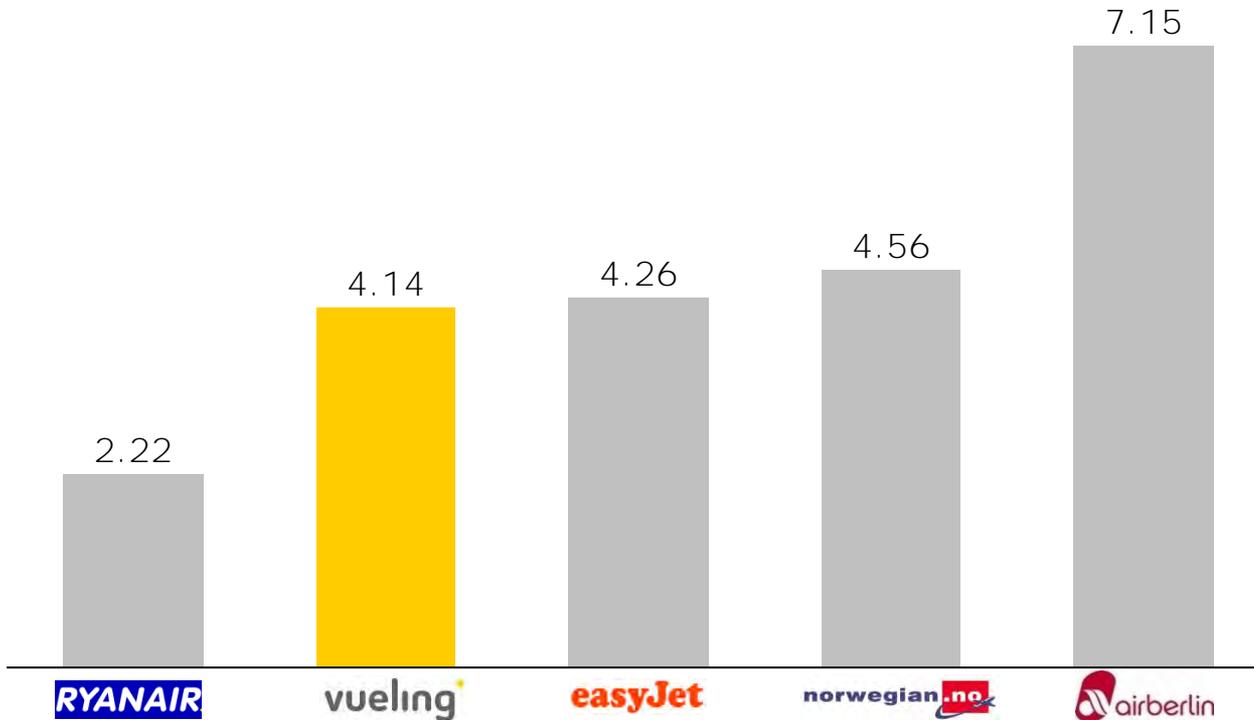
Vueling CMD 2013: Cost



Vueling has developed a competitive cost advantage



2012 CASK ex-fuel(€c)*

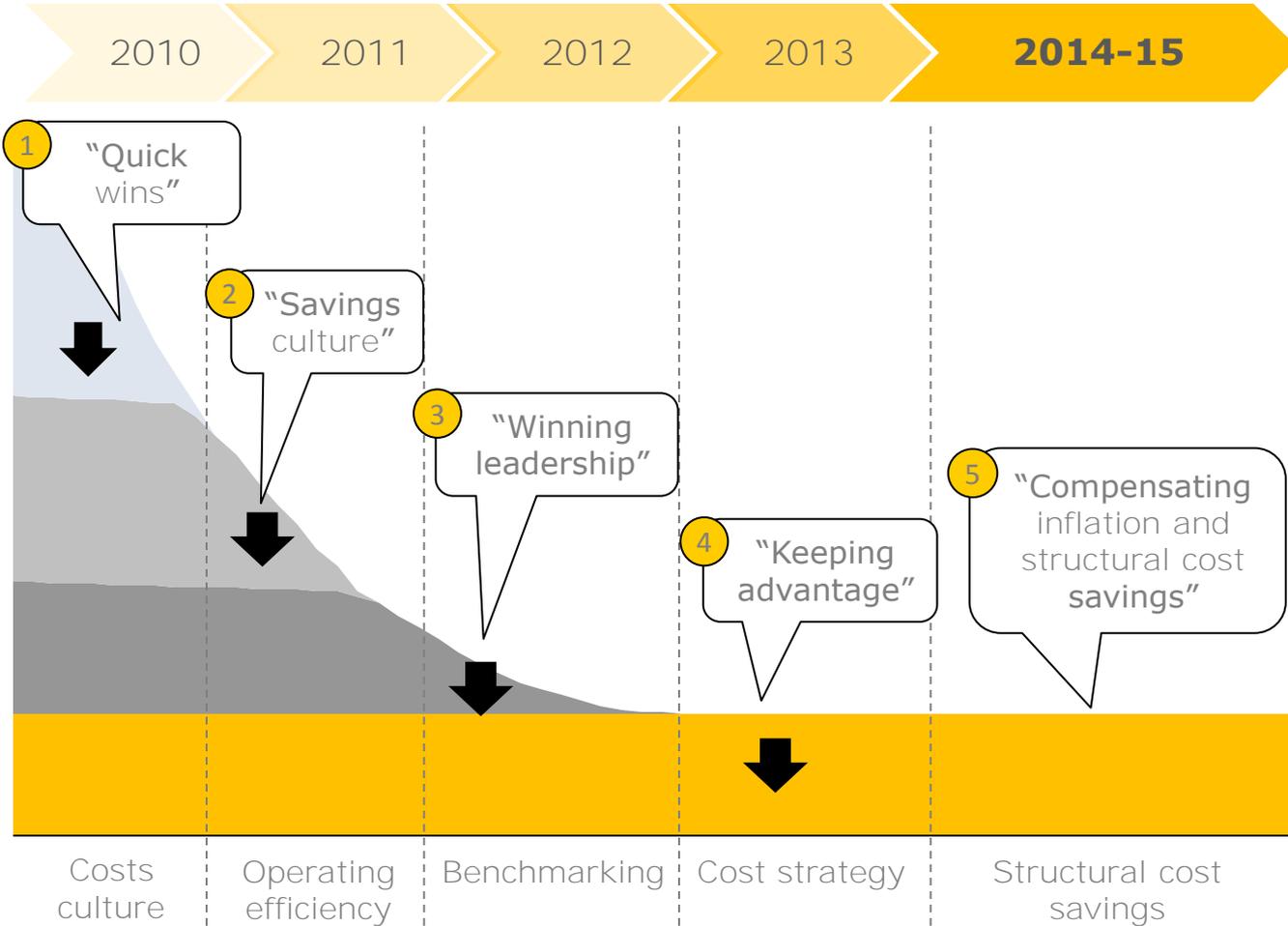


- Vueling has a competitive cost advantage vs. its peers
- Vueling is a profitable low-cost platform for IAG

Source: Annual accounts and Vueling estimates. *Adjusted to Vueling stage length



Darwin cost reduction programme evolution

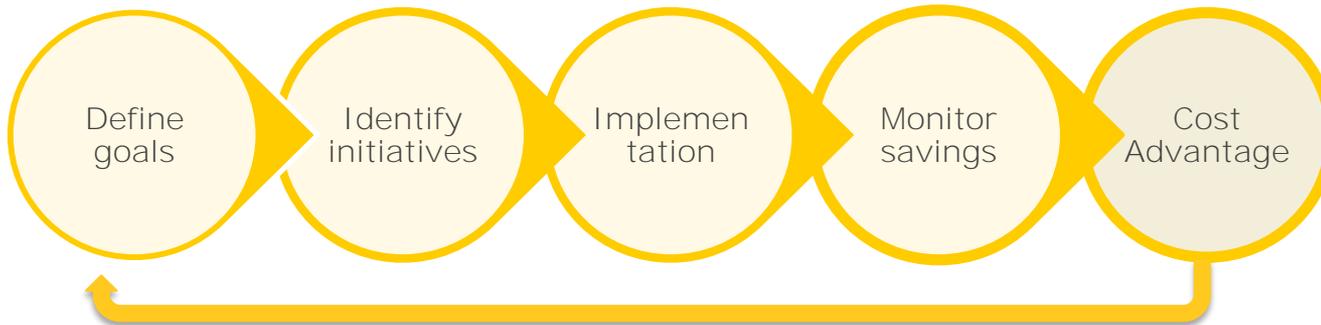


- Cost reduction is part of **Vueling's** DNA
- For 2014-15 the Darwin cost reduction programme will contribute to offset inflation and will introduce structural cost savings

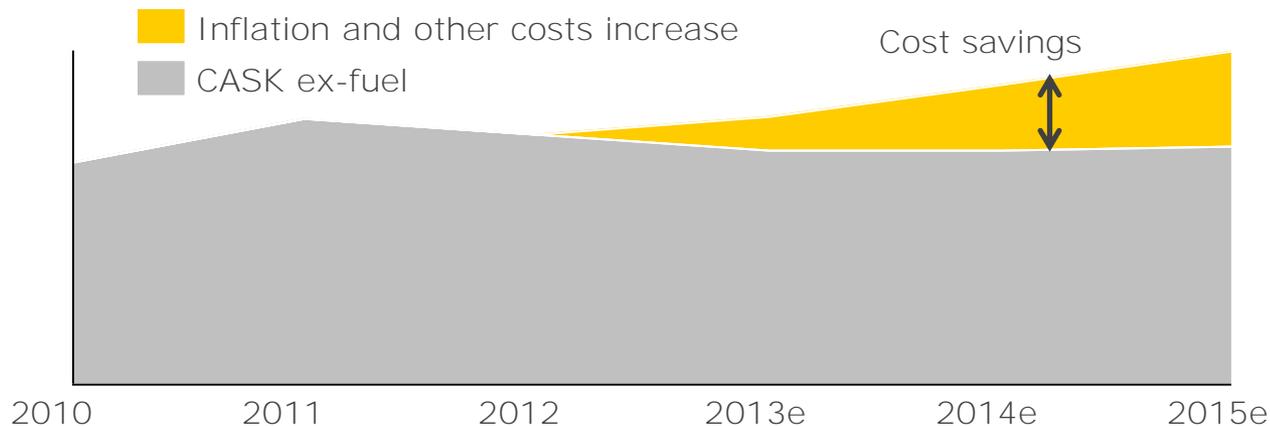
Vueling has developed a sustainable cost model



Darwin cost reduction programme



CASK ex-fuel (€c)

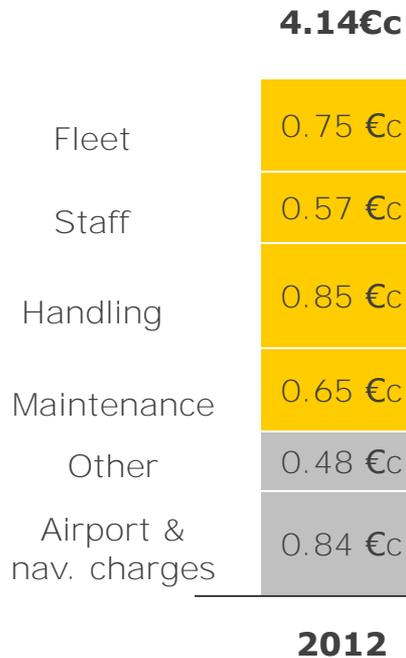


- Despite inflation and other cost increases, Vueling has shown its ability to maintain its low unit costs
- Vueling has a target of reducing CASK ex-fuel to levels below 4€c.
- 2/3 of the saving initiatives arise from production and operations, the remainder relates to commercial and corporate areas

Additional cost savings yet to be realized in several areas



CASK ex-fuel 2012 (€c)

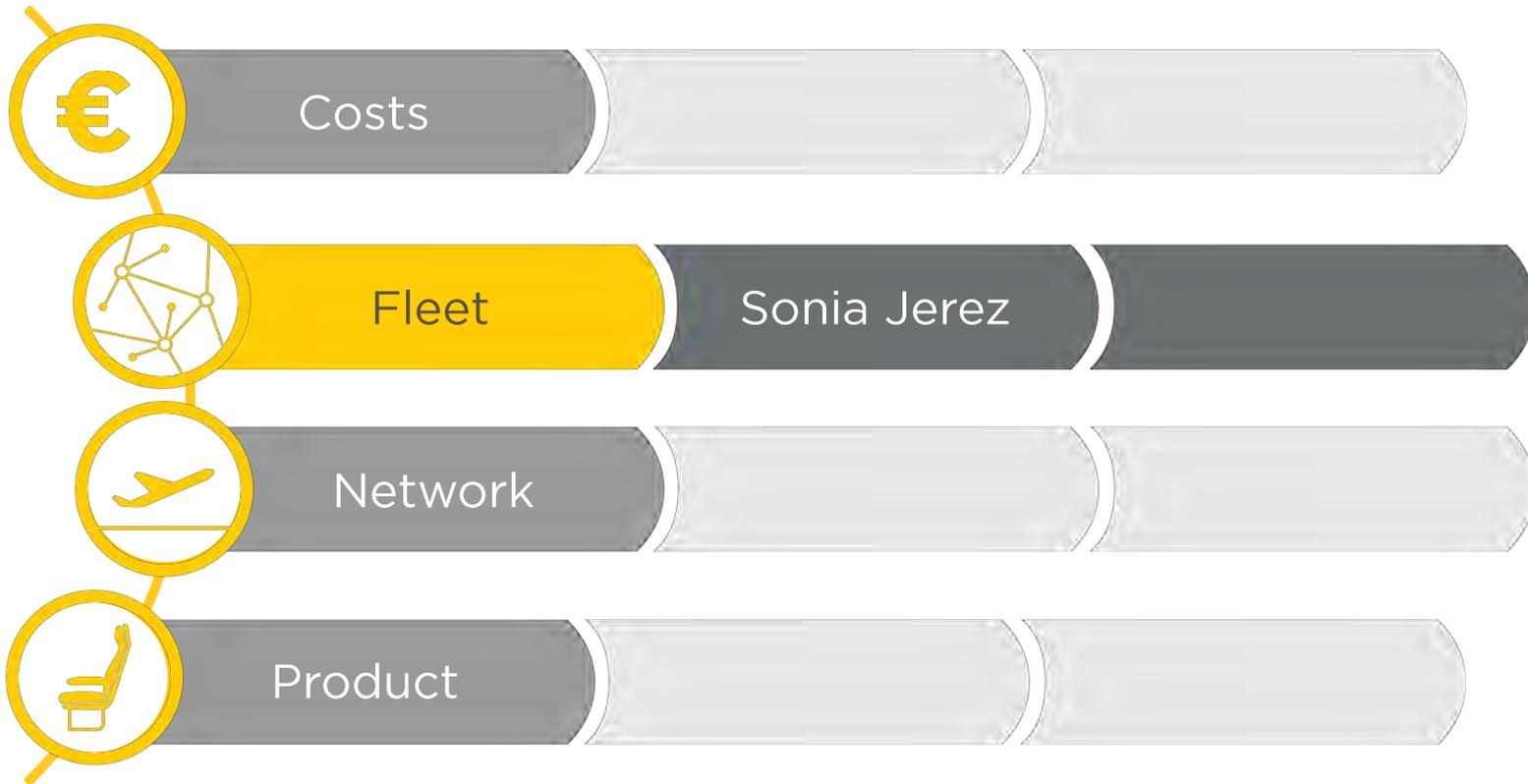


68%
Of the ex-fuel costs still subject to major cost reductions

Levers

- 1. Fleet:
 - Lower ownership costs through fleet purchase ✓
 - Improved op. efficiency ✓
 - 2. Maintenance:
 - Fleet renewal ✓
 - Volume leverage ✓
 - 3. Staff:
 - Crew mix optimization ✓
 - Roster optimizations ✓
 - 4. Handling:
 - Process optimization ✓
 - Volume leverage ✓
 - + Increased benefits of the economies of scale ✓
- ✓ = in progress

Vueling CMD 2013: Fleet



Vueling's current fleet is comprised of 70 A320 family aircraft



Size	70 Aircraft
A320	66
A319	4
Operating lease	100%
Firm orders	62 Aircraft
Options	58 Aircraft



Vueling's fleet order



Fleet order deliveries



■ A320 CEO ■ A320 NEO



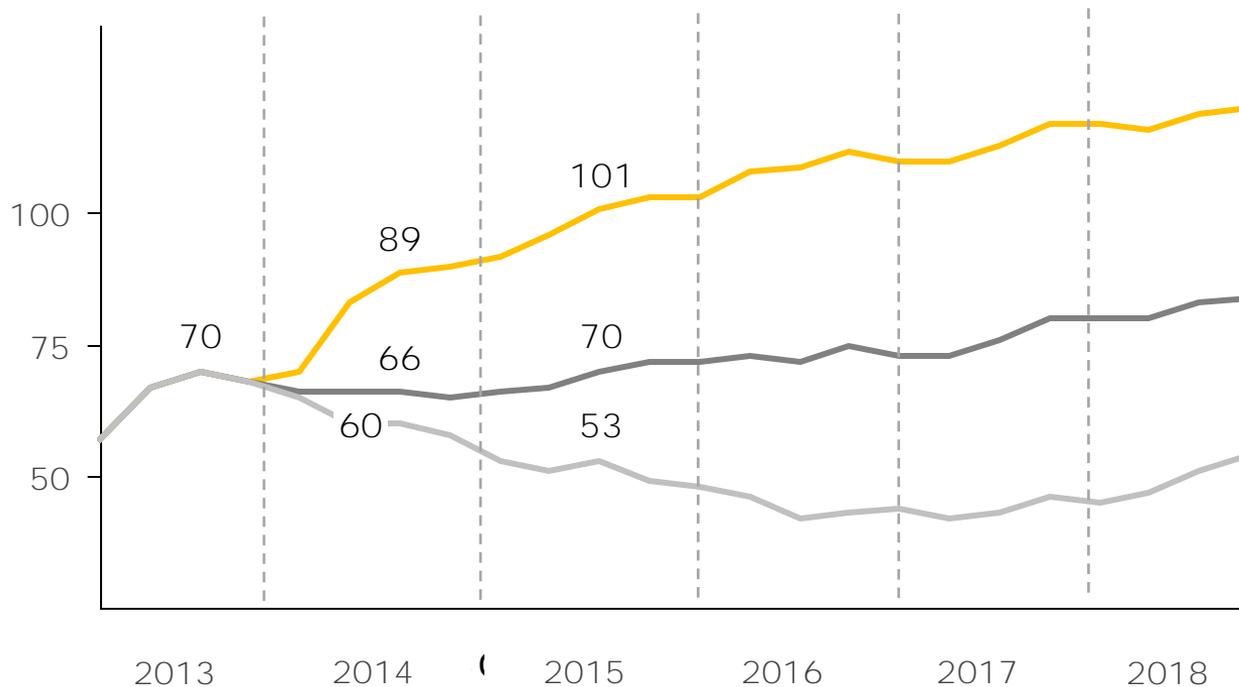
- 62 firm orders: 30 A320 CEO and 32 A320 NEO
-
- 58 additional options
-
- Additional 100 options for any of the airlines of IAG

Vueling's fleet plan flexibility



Fleet plan flexibility*

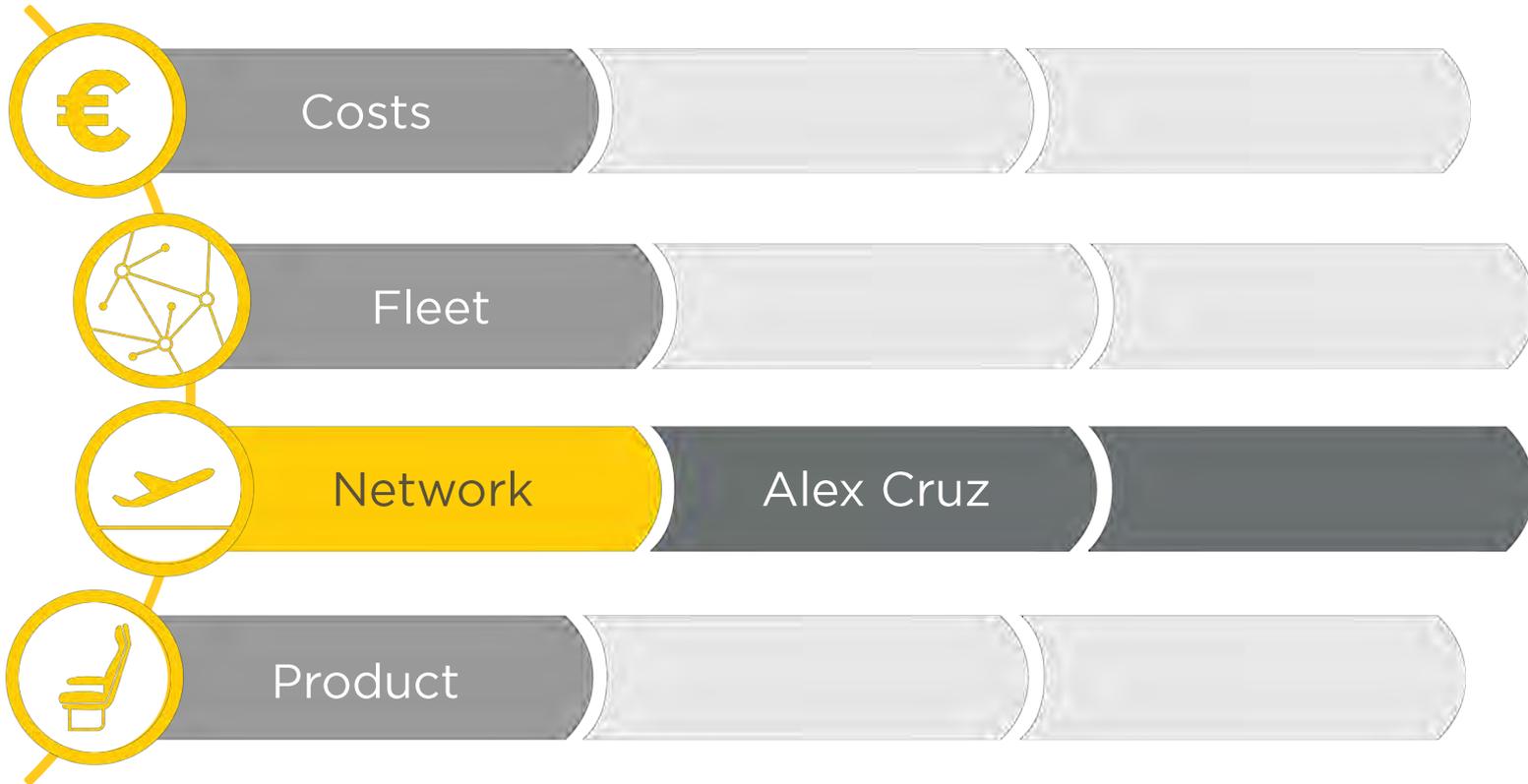
— Firm orders + Extensions + New leases/Options — No extensions
— Firm orders + Extensions



- Vueling's fleet plan has a target of more than 100 aircraft in 2015
-
- The fleet plan is designed to allow for flexibility and efficiency

Source: Vueling. * Available aircraft in peak summer season

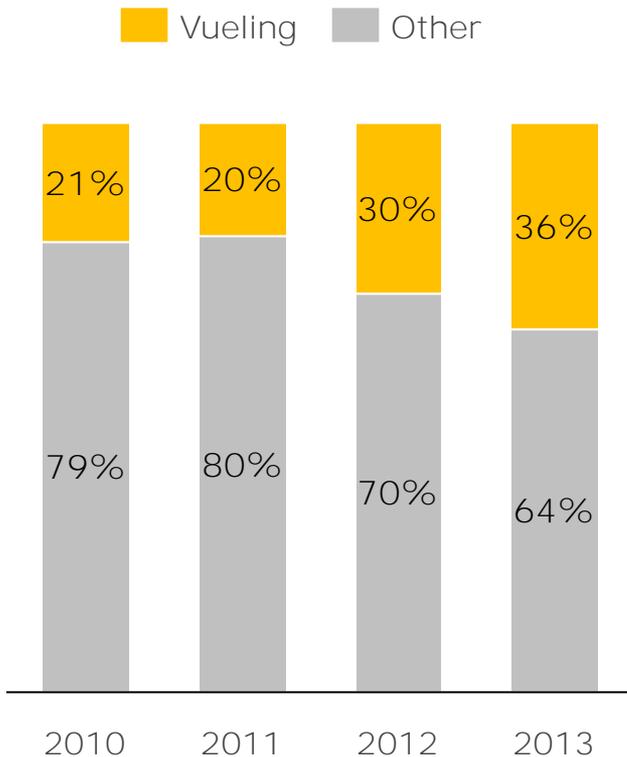
Vueling CMD 2013: Network



Vueling has improved its leadership in BCN and it is increasing its non-Spanish presence



Market share in BCN



Market share Jan-Sep'13

	Ranking	Market Share	Change
Barcelona	1st	34%	+4pp
Bilbao	1st	35%	+5pp
Paris Orly	3rd	8%	+1pp
Florence	4th	14%	New base
Fiumicino	4th	3%	+0.2pp

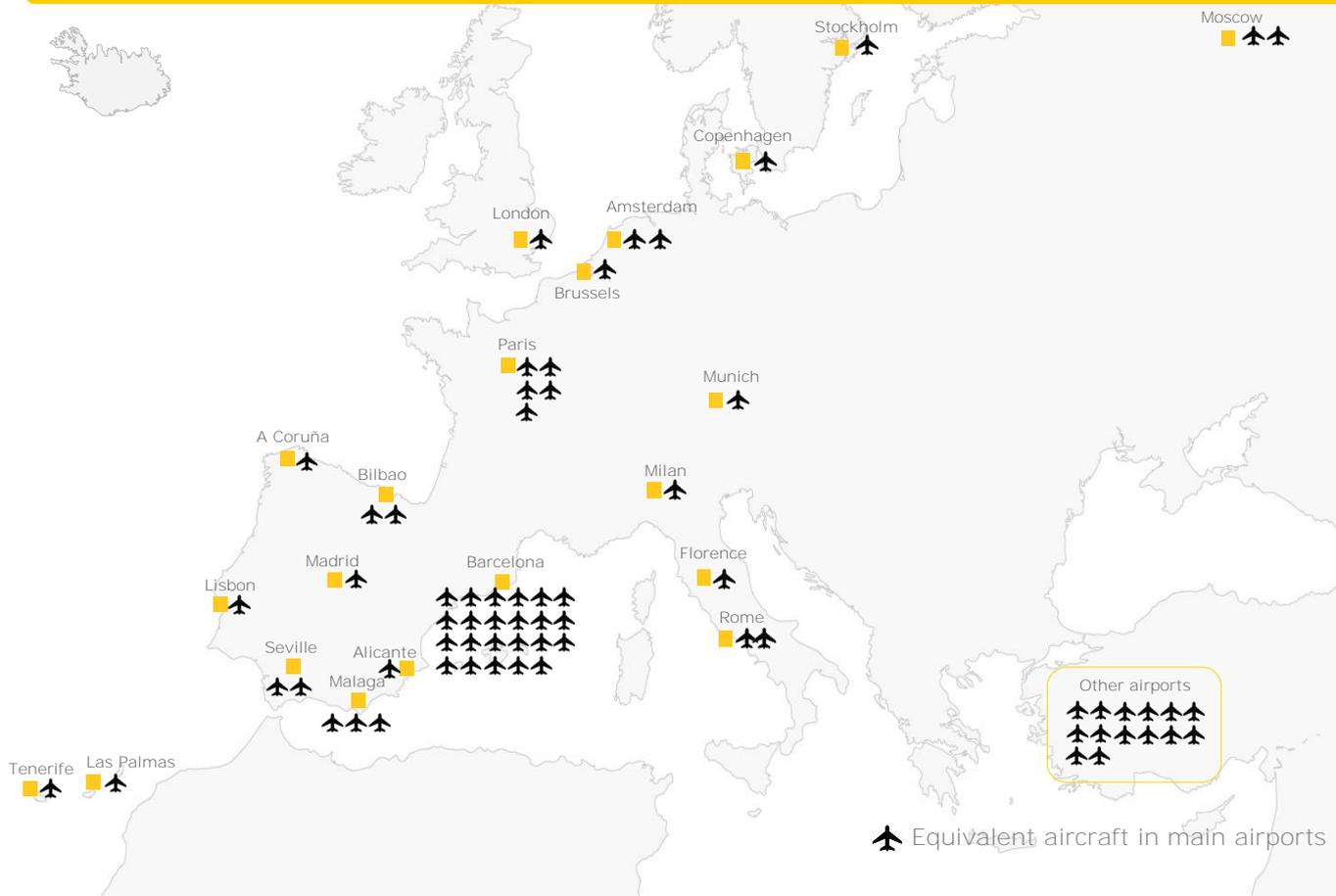
- Vueling has built a strong No. 1 position at Barcelona airport despite strong competition from other European LCCs
- Vueling has opened international bases in Paris Orly, Rome Fiumicino, Amsterdam and Florence
- Vueling has announced the opening of a base in Brussels in 2014

Source: AENA and Vueling estimates

Vueling increased its presence and market position at the main international airports



Capacity in equivalent aircraft Jan-Sep 2013



Source: AENA, SRS and Vueling estimates for the period Jan-Sep 2013

- Vueling consolidates its leadership in Bilbao and Barcelona with 35% and 34% market share respectively
-
- Vueling increased its non-domestic destinations and routes

Vueling has developed a strong network in Barcelona



2013e

38
Aircraft

104
Destinations

12 M
Passengers

2 M
Transfer pax

36%
Market share

IAG

Network

Barcelona

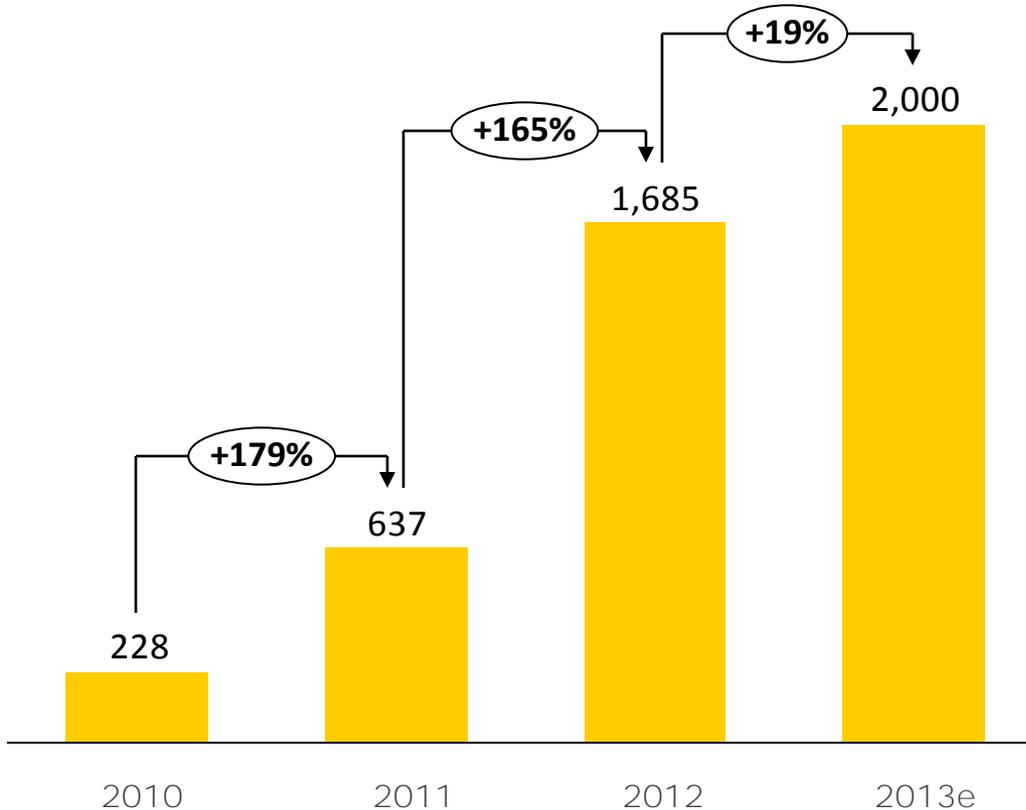
vueling

127

Vueling has developed a profitable and sustainable model of transfer passengers



Vueling-Vueling transfer passengers ('000)



- Transfer passengers account for 11% of total passengers, and 16% of Barcelona airport passengers
-
- Full transfer service: more than 100 destinations from BCN and over 1,200 available connecting O&D routes

Sustainable growth plan

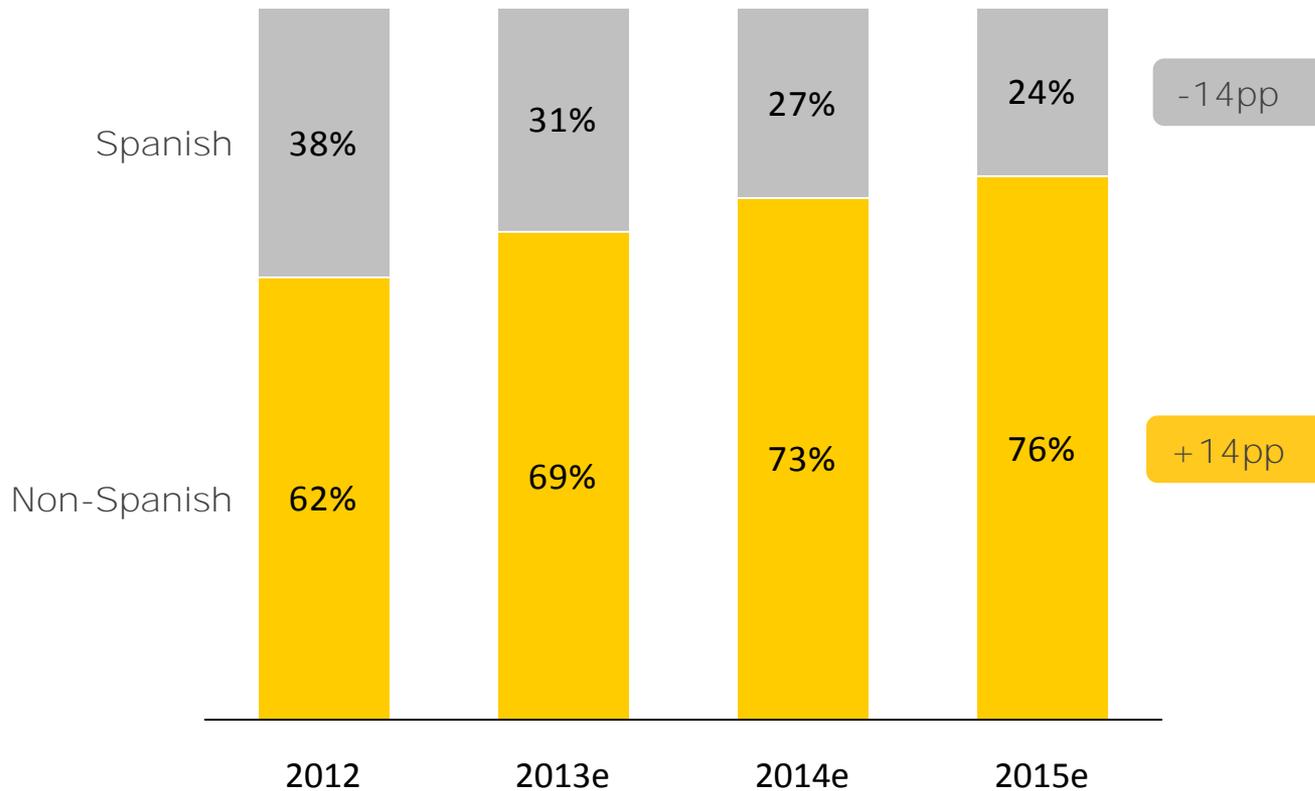


- Growth in Barcelona focused primarily in Northern and Central Europe
.....
- Build strong positions in European bases
.....
- Continued market share increase in relevant airports

Vueling will continue expanding its international network

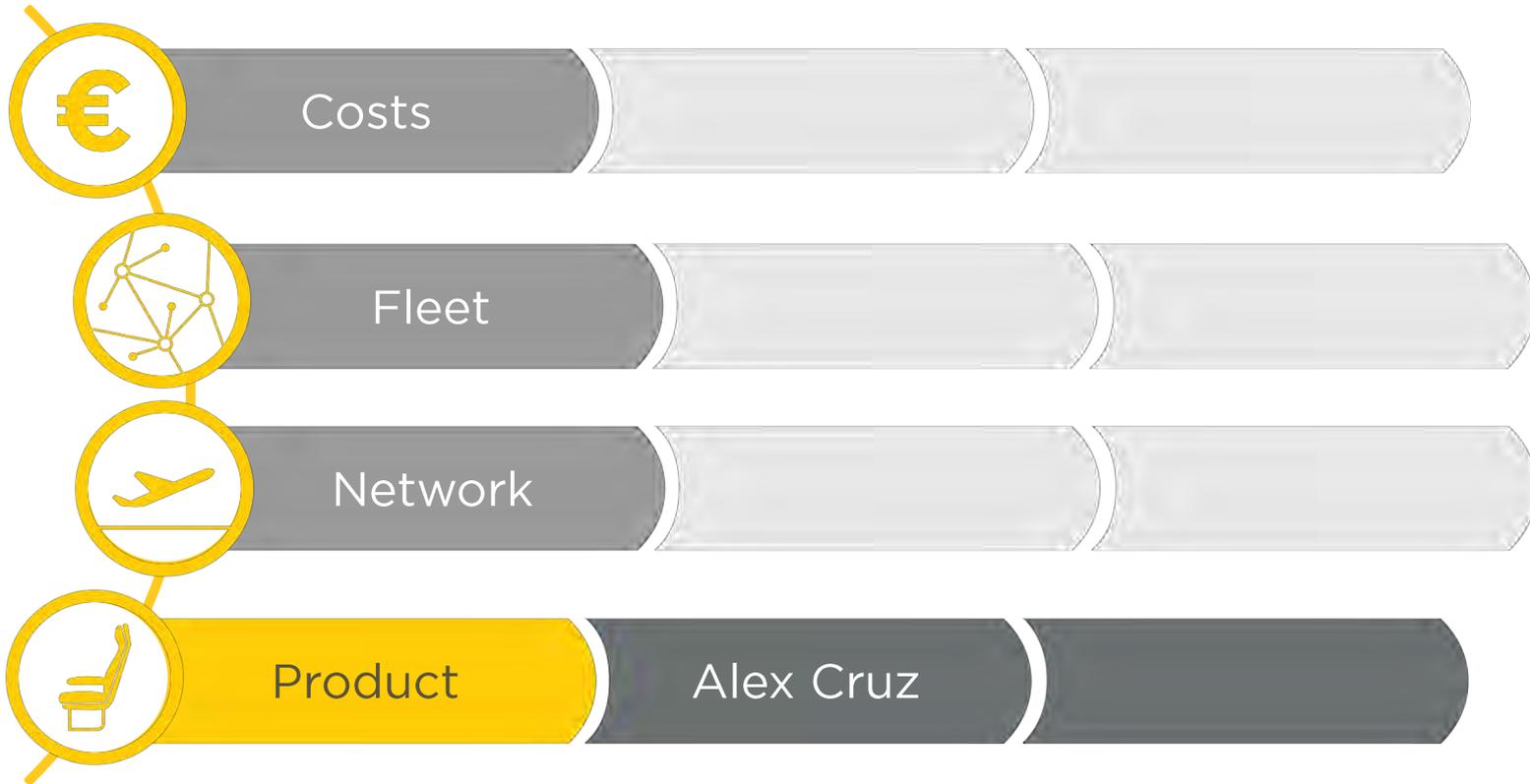


ASKs by market



- International markets will drive Vueling's growth
-
- Vueling will grow internationally both in existing and new markets

Vueling CMD 2013: Product



A balanced sales channel mix gives access to both business and leisure passengers



Direct channel

Indirect channel

vueling.com



AMADEUS



Balanced
distribution
strategy

Vueling App



Available for
iPhone and
Android:

- ✔ Book flights
- ✔ Manage bookings
- ✔ Flight status

Download

IBERIA

BRITISH AIRWAYS

- The direct channel represents 46% of total revenues
-
- A strong presence in travel agencies is a competitive advantage vs. other LCC
-
- The Iberia code share further supports the development of the business segment

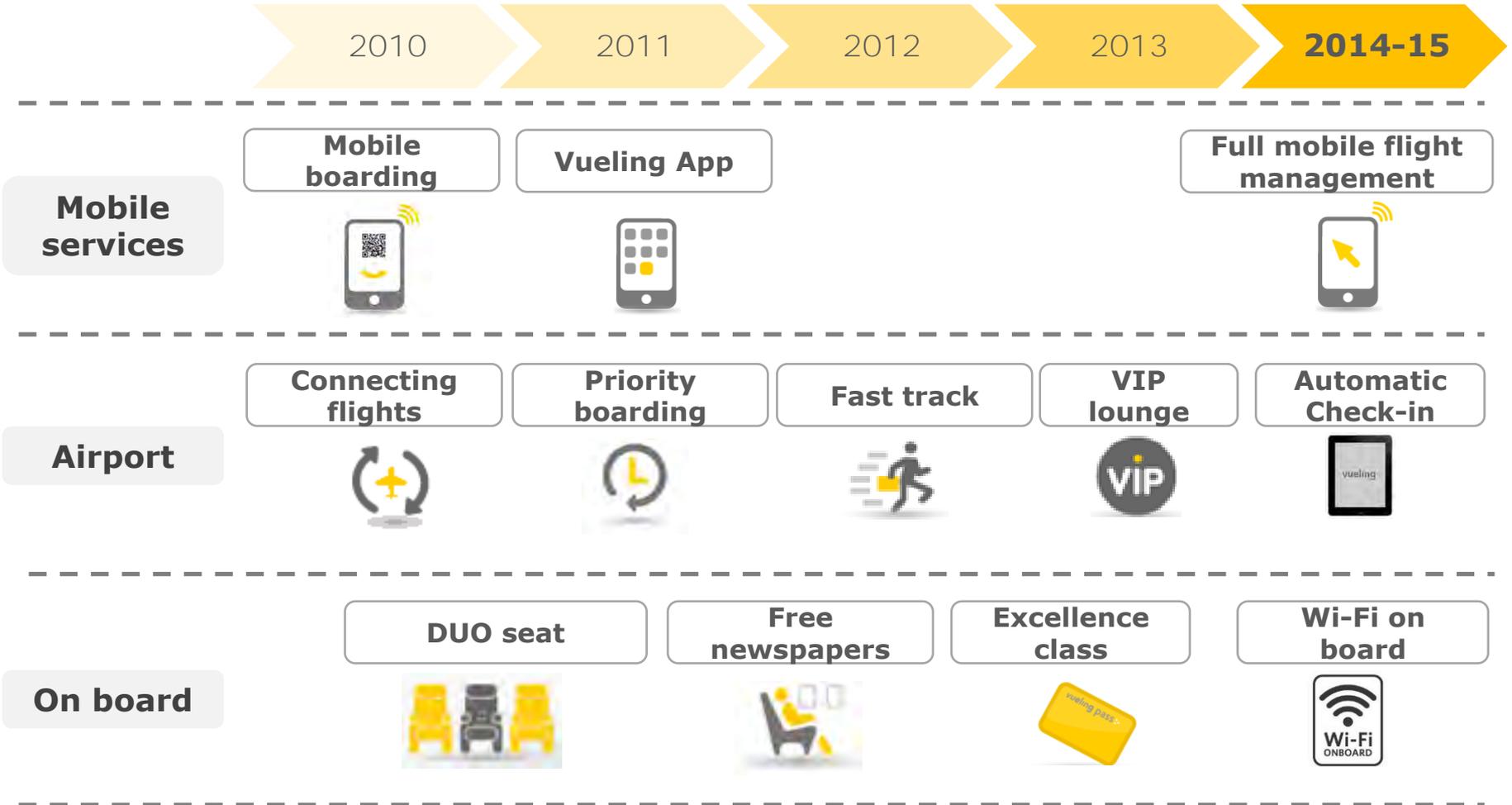
IAG

Product

Sales channels

vueling

Vueling has a strong track record of product and service innovation



Product

Product innovation



Vueling Excellence class offers innovative premium services



Excellence class



Extra comfort



Empty middle seat



Fully flexible ticket



Dedicated check-in counters and priority boarding



"Unlimited" catering on board

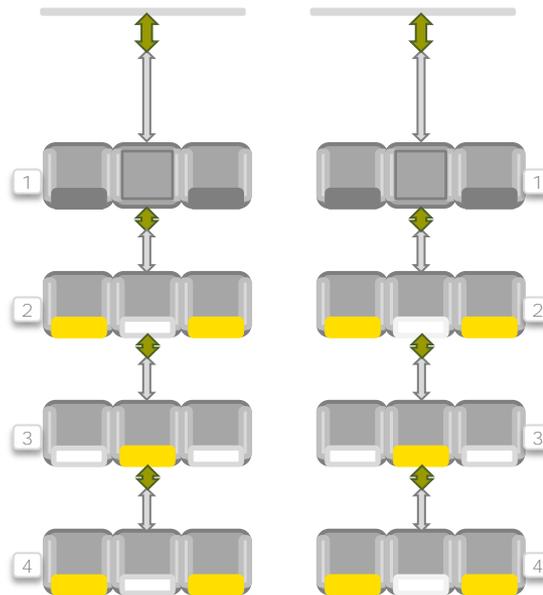


Fast track



Access to VIP lounges

New seat configuration



- Excellence class offers the best service in short-medium haul
-
- New cabin configuration allows for additional comfort in the front rows

New on-board technology



iPad in cockpit



On-board Wi-Fi



- On-board Wi-Fi will be rolled out in 2014
.....
- On-board Wi-Fi connectivity improves customer experience and overall competitiveness
.....
- Introduction of iPad in the cockpit delivers additional cost savings and improves operational efficiency

Vueling continues innovating: social media and Vueling hotel



Social media

#1 in Spain



Vueling hotel



- Vueling awarded as #1 “Socially devoted” company in Spain
.....
- International Facebook fans and twitter followers have doubled in 2013
.....
- Brand licensing: Vueling hotel is a new source of revenue with no extra
.....
- Currently studying new opportunities in brand licensing

Vision

A. Vision 2015

IAG

vueling

Vueling 2015

1

More than 100 aircraft by 2015



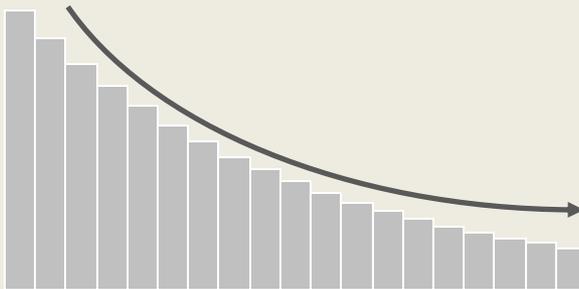
2

Largest short-medium haul network in Europe from Barcelona



3

Maintain cost discipline



4

Best business class service in short-medium haul



vueling pass



Disclaimer

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and International Consolidated Airlines Group S.A. (the 'Group') plans and objectives for future operations, including, without limitation, discussions of the Group's Business Plan, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Group on the date of this report. The Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Group's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Further information on the primary risks of the business and the risk management process of the Group is given in the Annual Report and Accounts 2012; this document is available on www.iagshares.com.