Capital Markets Day

15th November 2013
## Agenda

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

Operating profit

€1.6bn

€1.0bn

€0.5bn

€0bn

FD EPS

€0.50

€0.40

€0.30

€0.20

€0.10

€0.00

Transform London
- bmi transformation
- JBs + synergies
- Asset turn improvement
- Short-haul strategy
- Cost discipline
- €600m

New fleet saving
- €250m

Transform Spain
- Labour cost competitiveness
- New low cost platform
- €450m

Synergies
- €280m

Growth €100m

bmi investment

Fleet investment

Restructuring

Vueling

IAG
Financial targets
Framework 2012
2015 financial targets – framework 2012

Operating profit

- €1.6bn
- €1.0bn
- €0.5bn
- €0bn

FD EPS

- €0.50
- €0.40
- €0.30
- €0.20
- €0.10
- €0.00

Transform London

Transform Spain

Synergies €280m

Growth €100m

Financial targets Framework 2012
2015 financial targets – framework 2012

Operating profit

- Transform London
- British Airways
  - bmi
  - Olympic bounceback
  - RASK improvement
- Transform Spain
- Iberia mediation year one
- Vueling

Remaining synergies €158m
Delivered €122m

Growth €100m

FD EPS

€0.00
€0.10
€0.20
€0.30
€0.40
€0.50

€0.0bn
€0.5bn
€1.0bn
€1.6bn
2015 financial targets – framework 2013

Operating profit

€1.8bn

€1.6bn

€1.5bn

€1.0bn

€0.7bn

FD EPS

€0.54

€0.43

€0.33

€0.22

Transform London

Transform Spain

Remaining synergies €158m

Growth €100m
2015 financial targets – framework 2013

- Operating profit:
  - €1.8bn
  - €1.5bn
  - €1.0bn
  - €0.7bn

- FD EPS:
  - €0.54
  - €0.43
  - €0.33
  - €0.22

- Key targets:
  - Transform London
  - Transform Spain
  - Remaining synergies €158m
  - Growth €100m
2015 financial targets – framework 2013

- Operating profit
  - €1.8bn
  - €1.5bn
  - €1.0bn
  - €0.7bn

- Financial targets
  - Transform Spain
  - Transform London
    - Improving performance through increased and retained unit revenues and margins
  - Remaining synergies €158m
  - Growth €100m

- FD EPS
  - €0.54
  - €0.43
  - €0.33
  - €0.22
2015 financial targets – framework 2013

Operating profit

€1.8bn

€1.5bn

€1.0bn

€0.7bn

FD EPS

€0.54

€0.43

€0.33

€0.22

Transform London
Improving performance through increased and retained unit revenues and margins

Remaining synergies increased to €190m

Growth €100m

Transform Spain
2015 financial targets – framework 2013

Operating profit

€1.8bn

€1.5bn

€1.0bn

€0.7bn

FD EPS

€0.54

€0.43

€0.33

€0.22

- Transform London
  Improving performance through increased and retained unit revenues and margins
- Transform Spain second phase
- Remaining synergies increased to €190m
- Growth €200m Vueling + BA
2015 financial targets - framework 2013

Operating profit

- Economic growth in strategic markets

Transform London potential upside

Transform London
Improving performance through increased and retained unit revenues and margins

Transform Spain potential upside

Transform Spain second phase

- Further Iberia agreements
- Vueling potential
- Spanish economic recovery

Contingencies provided for:
- Fuel uncertainty
- Economic uncertainty
- Operational risks, IB lack of agreement

Growth €200m
Vueling + BA

Remaining synergies increased to €190m

FD EPS
€1.8bn
€1.5bn
€1.0bn
€0.7bn
€0.54
€0.43
€0.33
€0.22
Synergies: previous forecast 2012

Revenue
Cost saving
Original targets
Net EBIT impact
P&L impact

IAG
Financial targets
Synergies 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

Cost of debt: c. 5%
Cost of equity: c. 15% pre-tax
Target gearing: 50% / 50%
WACC: ~10% pre-tax

Financial targets
Cost of capital
Calibrating profit: reference IAG invested capital

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible fixed assets net book value, 12/2012</td>
<td>€10bn</td>
<td>Historic cost measure: unsuitable for comparison with forward-looking WACC, as does not account for inflation in long-life assets</td>
</tr>
<tr>
<td>Tangible fixed assets gross book value, 12/2012</td>
<td>€21bn</td>
<td>Simple calculation of financial age of assets = latest annual depreciation (€1.1bn) / accumulated depreciation (€11bn) = 10 years</td>
</tr>
<tr>
<td>Notional current cost</td>
<td>€27bn</td>
<td>Simple inflation adjustment: assumed inflation rate of eg 2.5% gives inflator of 1.28</td>
</tr>
<tr>
<td>Inflation adjusted TFA, 12/2012</td>
<td>€13.5bn</td>
<td>“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</td>
</tr>
</tbody>
</table>

IAG

Financial targets

Invested capital
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

<table>
<thead>
<tr>
<th>Aircraft</th>
<th>2013</th>
<th>2015</th>
<th>2016 - 2022</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2015</td>
<td>Outstanding orders post 2015</td>
</tr>
<tr>
<td>A330/340</td>
<td>29</td>
<td>30</td>
<td>-</td>
</tr>
<tr>
<td>A350</td>
<td>-</td>
<td>-</td>
<td>18</td>
</tr>
<tr>
<td>A380</td>
<td>3</td>
<td>9</td>
<td>3</td>
</tr>
<tr>
<td>B747</td>
<td>49</td>
<td>39</td>
<td>-</td>
</tr>
<tr>
<td>B767</td>
<td>12</td>
<td>7</td>
<td>-</td>
</tr>
<tr>
<td>B777</td>
<td>54</td>
<td>58</td>
<td>-</td>
</tr>
<tr>
<td>B787</td>
<td>4</td>
<td>12</td>
<td>30</td>
</tr>
<tr>
<td>A318</td>
<td>2</td>
<td>2</td>
<td>-</td>
</tr>
<tr>
<td>Total long-haul</td>
<td>153</td>
<td>157</td>
<td>51</td>
</tr>
<tr>
<td>A320 family</td>
<td>227</td>
<td>282</td>
<td>52</td>
</tr>
<tr>
<td>Other</td>
<td>39</td>
<td>17</td>
<td>-</td>
</tr>
<tr>
<td>Total short-haul</td>
<td>266</td>
<td>299</td>
<td>52</td>
</tr>
<tr>
<td>Total fleet</td>
<td>419</td>
<td>456</td>
<td>103</td>
</tr>
</tbody>
</table>

- Outstanding orders to secure fleet replacement
- Up to around 5%ASK CAGR growth if options exercised
2012 capex plan (excluding Group op. leases)

2011-2015 €7.3bn

- Fleet replacement (+ growth)*
- Equipment + other
- Depreciation

Financial targets

2012 capex
2013 capex plan (excluding Group op. leases)

2011-2015 €7.1bn

Fleet replacement (+ growth)*

Equipment + other

Depreciation

2013 capex

IAG

Financial targets

2013 capex

23
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

**Capital uses**
- Return of cash to shareholders
- Reinvestment in business
- Deleverage
- Pension deficit reduction payments
- Net interest payments
- Cash tax payments
- Fleet, product, brand, systems, facilities
- Restructuring investment

**Capital sources**
- Cash reserves
- Credit facilities
- EBIT + depreciation
  +/- non cash items
  +/- wk cap change
- New fleet funding ratio >70%
- Convertible refinancing/convert
- Active refinancing of older assets
- Non-core divestment

**Headroom**
- Pitt
- CAPEX

**Buffer**
- CFO
- FIN + REFI

**Restructuring**

**Divestment**

**Financial targets**

**Finance strategy**
IAG corporate finance strategy, 2013-15

- Headroom
  - Vueling acquisition
  - Pension, interest and tax payments
  - Capex spent

- Buffer
  - CFO
  - CFO generated
  - Financing raised

- Capital uses
  - Restructuring

- Capital sources
  - Divestment
IAG corporate finance strategy, 2014-15

Headroom

- PIT
- CAPEX
- Restructuring

Capital uses

Net cash 2013

- Buffer
- CFO
- FIN + REFI
- Divestment

Capital sources

Financial targets

Finance strategy
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

- Pension deficit reduction payments
- Net interest payments
- Cash tax payments

**Headroom**

**PIT**

**CAPEX**

**Buffer**

**CFO**

**FIN + REFI**

**Restructuring**

**Divestment**

**Capital uses**

**Capital sources**

**EBIT**

+/- depreciation

+/- non cash items

+/- wk cap change
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
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
Our Journey since 2001

- Revenue & ASKs (bn)
- Passenger Numbers (m)
- Operating Profit (£bn)
- MPE (000s)
## 2015 operating profit target increased to £1.3bn
Increase of c£600m v 2013; £200m since last year’s target

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

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<tr>
<th>COST OF OPERATION</th>
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<tr>
<td>(£350m, 7% reduction)</td>
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<tr>
<td>2013</td>
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<tr>
<td>Extended</td>
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<tr>
<td>New starter contracts</td>
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<tr>
<td>Apprentices</td>
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<tr>
<td>A380 &amp; 787 gauge benefits</td>
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<tr>
<td>Short-haul focus to move to competitive cost base</td>
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<tr>
<td>Engineering process improvements</td>
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<tr>
<td>Heathrow consolidation &amp; transformation</td>
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<tr>
<td>Call centre rationalisation &amp; distribution savings</td>
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<tr>
<td>Ongoing marketing and catering re-tenders</td>
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<td>Competitive overseas ground handling and retenders</td>
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<td>Ongoing productivity improvements</td>
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<table>
<thead>
<tr>
<th>COST OF SELLING</th>
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<tr>
<td>(£60m, 5% reduction net of investment)</td>
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<tr>
<td>2013</td>
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<tr>
<td>Ongoing marketing and catering re-tenders</td>
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<td>Call centre rationalisation &amp; distribution savings</td>
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<tr>
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<td>Engineering process improvements</td>
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<tr>
<td>Heathrow consolidation &amp; transformation</td>
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<tr>
<td>Further sale force synergies</td>
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<td>Channel shift and new selling technology</td>
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<th>COST OF SUPPORT</th>
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<tr>
<td>(£60m, 10% reduction)</td>
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<tr>
<td>2013</td>
</tr>
<tr>
<td>Management Reductions</td>
</tr>
<tr>
<td>Finance outsourcing</td>
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<tr>
<td>Support synergies</td>
</tr>
<tr>
<td>Contract and specification efficiencies</td>
</tr>
<tr>
<td>Replacement of obsolete systems</td>
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<tr>
<td>Infrastructure improvements</td>
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<tr>
<td>Total £470m (c7%)</td>
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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 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

Source: Flight Global 2012
Source: OAG total departure seats from all London airports, W12/S13

#1 at Heathrow
#1 at London City
#2 at Gatwick
• 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**

<table>
<thead>
<tr>
<th>ROUTE CATEGORY</th>
<th>% OF TOTAL LONG-HAUL ASKS</th>
<th>OBJECTIVES</th>
</tr>
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<tbody>
<tr>
<td>STRONG (Meets/beats cost of capital)</td>
<td><img src="#" alt="Green Circle" /></td>
<td>• Invest in growth on strong, profitable routes</td>
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<tr>
<td></td>
<td></td>
<td>• Build on leadership position across the North Atlantic</td>
</tr>
<tr>
<td>MATURING</td>
<td><img src="#" alt="Yellow Circle" /></td>
<td>• Yield improvement focus</td>
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<td></td>
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<td>• Grow only where it improves quality of schedule</td>
</tr>
<tr>
<td>UNDER PERFORMING</td>
<td><img src="#" alt="Blue Circle" /></td>
<td>• Strengthen</td>
</tr>
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<td></td>
<td></td>
<td>• Ex-JSA routes (Singapore and Sydney) c£30m profit improvement vly in Q2 &amp; Q3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Or exit</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Lusaka &amp; Dar es-Salaam</td>
</tr>
</tbody>
</table>
2013 – 15 growth plans

- Suspended longhaul markets: -0.3%
- New longhaul destinations: 1.0%
- Upgauge with A380s and 787s: 1.5%
- Net AA replacement flying: 0.5%
- Shorthaul growth: 0.5%
- Core network growth: 2.8%
- 2015 v 2014: 2.0%
- Total Growth 2015 v 2013: 8.0%
London Heathrow transformation

Benefits materialising

Volume of connecting passengers from BMI routes onto BA network

- Additional feed
- Long-haul retimes
- Optimise short-haul

£14m
Increased contribution in H1 2013

£27m
Increased direct contribution from short-haul in H1 2013 versus 2012

Network Optimisation

Further benefits to come

- Two terminals in 2015
- Mid-haul turnaround
- Maturing routes
- 1-3 years Ramp-up in profitability for new destinations
- Unlocks right aircraft on right route
- Optimise point to point versus transfer flows

Ramp-up in profitability for new destinations

Network
LHR transformation

IAG
BRITISH AIRWAYS
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 one world 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
### Significant improvement at Gatwick

<table>
<thead>
<tr>
<th>LONG-HAUL</th>
<th>SHORT-HAUL</th>
</tr>
</thead>
</table>
| • Leisure oriented network  
  • Competitive cost base  
  • Leader in long-haul  
  • Supported by BA Holidays  
| • Cost restructuring gives foundation for growth |
| • Strong performance  
  • 11% unit revenue growth since 2012  
| • Synergies with long-haul |
| • Growth  
  • Additional 777-200 in Summer 14  
| • Fleet transformation  
  • All Airbus fleet by 2015  
| • 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 |
Cost
Fleet
Network
Product
Frank van der Post
Focus on short-haul: improve by £100-150m
(2013: breakeven operating profit, 2012: £120m loss)

LHR & LGW Short-haul

- Increased seat density
- Improve aircraft utilisation at LGW to 11 hours per day

Customer proposition

- New network points

Fleet & network

- New network points
- Improve aircraft utilisation at LGW to 11 hours per day

Cost competitive

- LGW ramp outsource
- Flight crew new pay scales
- Market rate cabin crew
- Increased seat density

Product

- Short-haul improvement
BA Short-haul customer proposition is...

- Smarter cabins, premium option
- Complimentary catering
- 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
- Thoughtful, personalised service
- Loyalty programme
- 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.

- **2nd strongest B2B brand 2013** (4th 2012)
- **4th strongest consumer brand 2013** (4th 2012)
- **1st in airline category 2013** (1st 2012)
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

Lounge strategy
- Lifetime recognition

Innovation
- Electronic bag tag
- Pre-order catering

Lounges & Executive Club

Product Investment
Revenue growth (2013-15) - £1.3bn

- Capacity Growth: £0.8bn
- Short-haul: £0.1bn
- Long-haul: £0.25bn
- Ancillary revenue: £0.15bn
- Target growth by 2015: £1.3bn

RASK improvements
50 Million known customers by 2016

- All possible customers: 100 to 150m*
- Unique Customers: 79 m
- Known Customers: 10 m

*These figures are approximate and subject to change.
Know Me

Source: Ipsos MORI
All respondents excluding don’t know, Jan-Jun 2013

Jan-Jun 13
OnBusiness – our SME loyalty programme

- 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)

Rolling 12 month revenue performance
Global Point of Sale

Indexed Revenue

Uplift Month

Index | OnBusiness | Tracked Corporates
Retail strategy paying off

BA.com has the highest rate of website traffic growth of any major UK airline website or OTA since January 2012.

Rolling 12-month average visits to websites

Source: Experian Hitwise - Travel Industry, monthly total visits
Strong growth in ancillary revenue

Targeting 50% of customers buying more than just a flight

*BAH = BA Holidays = ground revenue, not contribution
## BAH has grown in the CAA ‘League Table’

### 2011

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

### 2014 (Forecast)

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

Source: CAA Projections @ 2011 and @ October 2013 for 2014
Reflects Package sales and Flight Plus sales
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)
### Joint Business: lots achieved; lots to do

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

- Finnair Joined AJB
- Disruption Strategy
- 4 New Routes Launched
- New Aircraft & Products
- Mobile boarding passbook
- Co-ordinated response to mkt developments
- US Airways integration
- JB SME proposition
- Enhanced disruption process
- Further network expansion

**Notes:**
- 2011:
  - Codeshares & Joint Pricing
  - Policy Alignment 60+
  - FFP Transatlantic Gap closed
  - 5 New Routes Launched
  - Joint selling launched

- 2012:
  - 5 Year Network Strategy
  - openSkies
  - RM Structural Changes
  - 5 Year Customer Strategy
  - Selling AJB products online

- 2013:
  - Finnair Joined AJB
  - Disruption Strategy
  - 4 New Routes Launched
  - New Aircraft & Products
  - Mobile boarding passbook

- 2014:
  - Co-ordinated response to mkt developments
  - US Airways integration
  - JB SME proposition
  - Enhanced disruption process
  - Further network expansion
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

Background

The future
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

### Long Haul (Business and Economy)

Scores 0-10

<table>
<thead>
<tr>
<th>Score</th>
<th></th>
</tr>
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<tbody>
<tr>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>8.0</td>
<td></td>
</tr>
<tr>
<td>7.9</td>
<td></td>
</tr>
<tr>
<td>7.8</td>
<td></td>
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<tr>
<td>7.8</td>
<td></td>
</tr>
<tr>
<td>7.7</td>
<td></td>
</tr>
<tr>
<td>7.6</td>
<td></td>
</tr>
<tr>
<td>7.4</td>
<td>IBERIA</td>
</tr>
<tr>
<td>7.1</td>
<td></td>
</tr>
<tr>
<td>6.9</td>
<td></td>
</tr>
</tbody>
</table>

Source: IB CSI Global Index

### Long Haul

- **RASK**: 25% for Peers, 15% for LCCs and Legacy Carriers

### Short Haul

- **RASK**: 15% for Peers, 15% for LCCs and Legacy Carriers

- **CASK ex-Fuel**: 10% for Peers, 40% for LCCs and Legacy Carriers

Source: McKinsey. Adjusted to avg. stage length of 6,000Km for Long Haul and 1,000km for Short and Medium Haul
... and in significantly negative financial results

### Operating result (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Result (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>-475</td>
</tr>
<tr>
<td>2009</td>
<td>-28</td>
</tr>
<tr>
<td>2010</td>
<td>-98</td>
</tr>
<tr>
<td>2011</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>-351</td>
</tr>
</tbody>
</table>

### Cash position (€m)

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

- **(start of 2008)**
  - 2,908

- **(end of 2012)**
  - 808
Delivering what we proposed last year

<table>
<thead>
<tr>
<th>November 2012’s objectives</th>
<th>How are we progressing</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> To stop Iberia’s operating cash burn by mid-2013</td>
<td>Measures currently being implemented</td>
</tr>
<tr>
<td>2 To give Iberia a competitive cost base for long-term growth</td>
<td>• Capacity reduction</td>
</tr>
<tr>
<td>3 To fund the transformation entirely through Iberia’s own resources</td>
<td>• Labour optimisation through Mediation Agreement</td>
</tr>
<tr>
<td>4</td>
<td>• Commercial plan</td>
</tr>
<tr>
<td>5</td>
<td>• Productivity programmes in non-core businesses</td>
</tr>
</tbody>
</table>

Measures currently being implemented
Agenda

Background

The future
Looking forward, Iberia faces two potential paths

Base case

- Structural agreement with labour unions
- Freedom to develop Short and Medium Haul with competitive cost (Iberia/Iberia Express)
- Closing of commercial gap
- Reduction of complexity and cost base

Operating result

- Unsustainable company
- No growth and even further reduction in capacity
- Potential downscale of non-core business
- Significant financial difficulties

Accelerated market growth

Stay as we are
What we showed you in August

- Turnaround programmes
- Follow-on structural changes
- Growth
- New IB culture

2012

2018

The future

New Business Plan
What we are showing you today

Fix the present
- Turnaround programmes
- Follow-on structural changes

Build the future
- Growth
- New IB culture

Develop our corporate health

2012

The future

Roadmap

IAG

IBERIA

2018
Fix the present

Build the future

Develop new Iberia culture
How we restructured our network

- **Network optimisation**, resulting in a 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

<table>
<thead>
<tr>
<th></th>
<th>Short-haul</th>
<th>Long-haul</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>54</td>
<td>31</td>
</tr>
<tr>
<td>2013</td>
<td>37</td>
<td>27</td>
</tr>
<tr>
<td>Decrease</td>
<td>-17</td>
<td>-4</td>
</tr>
</tbody>
</table>

### Aircraft reduction (#) Year end

<table>
<thead>
<tr>
<th></th>
<th>Short-haul</th>
<th>Long-haul</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>76</td>
<td>33</td>
</tr>
<tr>
<td>2013</td>
<td>56</td>
<td>30</td>
</tr>
<tr>
<td>Decrease</td>
<td>-20</td>
<td>-3</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Headcount (#)</th>
<th>Dec-12</th>
<th>Est. Dec-13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pilots</td>
<td>1,495</td>
<td>1,326</td>
</tr>
<tr>
<td>Cabin crew</td>
<td>3,806</td>
<td>3,334</td>
</tr>
<tr>
<td>Ground</td>
<td>15,309</td>
<td>13,607</td>
</tr>
<tr>
<td>Total</td>
<td>20,610</td>
<td>18,267</td>
</tr>
</tbody>
</table>

-11% -12% -11% -11%

-169 -472 -1,702 -2,343

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-fuel\(^1\)

- **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

- Iberia announces Transformation Plan
- Iberia initiates collective dismissal procedures
- “Mediation agreement” signed by the Company and majority of employees

**Launch of Iberia Express**

- A “Laudo” that restricts Iberia Express development is ruled
  - Compulsory arbitration proceeding imposed by the Government
  - Single ranking of pilots for both Iberia and Iberia Express
  - Activity volume for Iberia Express may not be higher than 25% of Iberia’s
  - Iberia Express may not develop long-haul flights

Appealed

- A new “Laudo” is ruled with similar restrictions

Appealed

- “Mediation agreement” signed by the Company and majority of employees
  - Voluntary proceeding
  - Collective dismissal channeled through ERE 72/2001 in force in Iberia
  - Salary reduction, freezing of salary increases, promotion and seniority
  - A 4% additional salary reduction in case no productivity measures are agreed (as it happened)

Appealed

**Fix the present**

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

Digital experience

New brand and communication

Sales force effectiveness

Revenue management
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)
Leading to increased customer satisfaction

Customer Satisfaction Index

Long-haul Economy
Scores 0-10

6.8 6.9 7.0 7.3 7.8 7.8 7.9 7.9 8.2 8.3

Net Promoter Score

Long-haul Business

15.3 33.6

+18

Long-haul Economy

IB A330

IB

-13.6

IB A330

Source: IB CSI Global Index
Profound changes in revenue management

Changes in high season policies

High season booked load factor curve (example route)

Weeks to departure

Changes in inventory settings

Former accessibility redemption class (example route – business class)

Total flights

% Load factor

... and additional changes in product offerings (e.g. new family fares, new ancillaries)
... leading to a progressive RASK improvement

RASK at constant currency
% year-on-year evolution

-2.3% Q3 2012
-0.2% Q4 2012
-2.5% Q1 2013
2.5% Q2 2013
6.0% Q3 2013

Stage length
% year-on-year evolution

-7.7% -1.6% 2.0% 4.3% 6.0%
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

Jan-Sep 2012

Jan-Sep 2013

+12%
We have launched a new brand ...
... 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  
Core values
Fix the present

Build the future

Develop new Iberia culture
Strong prospects for growth in core markets ...

- Spain-USA: 3.7% growth
- Domestic: 1.8% growth
- Europe-Core Africa: 4.7% growth
- Europe-Latam: 5.7% growth
- Spain-Europe: 3.5% growth
- Spain-Middle East: 6.1% growth
- Spain-Asia: 4.8% growth
- Spain-USA: 20 ASKs 2013 (bn)
- Spain-Europe: 210 ASKs 2013 (bn)
- Spain-Middle East: 9 ASKs 2013 (bn)
- Spain-Asia: 5 ASKs 2013 (bn)

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

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

IAG | 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
- Consolidate leadership position via competitive cost base, new generation aircraft and strong regional partnerships
- Explore further opportunities in Africa
- Deepen oneworld relationships to begin building presence in market

Build the future
Strategy in core markets
... based on our leadership to Latin America ...

### Europe – Latin America market share
% Jan-Sep 2013

- 16%
- 12%
- 9%
- 8%
- 8%
- 7%
- 6%

### Europe – Latin America traffic
Total bookings Jan-Sep 2013

- IBERIA: 55% Home market, 45% Europe
- AIRFRANCE: 45% Home market, 55% Europe
- TAP PORTUGAL: 51% Home market, 49% Europe
- KLM: 65% Home market, 35% Europe
- AirEuropa: 32% Home market, 68% Europe
- Lufthansa: 59% Home market, 41% Europe
- BRITISH AIRWAYS: 38% Home market, 62% Europe

Source: CRS
... and the leverage of our Madrid hub

Breakdown per type of pax (connections vs. direct)

Long-haul

- Direct: 66%
- Short-haul connections: 34%

Short-haul

- Direct: 45%
- Short-haul connections: 27%
- Long-haul connections: 18%

Source: Iberia internal data
**Fleet modernization potential...**

<table>
<thead>
<tr>
<th>Short haul orders</th>
<th>Firm orders</th>
<th>Options</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2018-onwards</td>
</tr>
<tr>
<td></td>
<td>7 A320</td>
<td>Up to 100 A320 available to IAG</td>
</tr>
<tr>
<td>(delivered: 3 IB, 4 I2)</td>
<td>2 A320</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2 A320</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2016-2017</td>
<td></td>
</tr>
<tr>
<td></td>
<td>4 A320</td>
<td></td>
</tr>
<tr>
<td></td>
<td>2018-onwards</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Up to 12 B787</td>
<td></td>
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<table>
<thead>
<tr>
<th>Long haul orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
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<tr>
<td>5 A330-300</td>
</tr>
<tr>
<td>(delivered)</td>
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</table>

<table>
<thead>
<tr>
<th>New product retrofit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>6 A340-600</td>
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<td>(2014 and 2015)</td>
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</table>

<table>
<thead>
<tr>
<th>Long haul orders</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
</tr>
<tr>
<td>3 A330-300</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New product retrofit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016-2017</td>
</tr>
<tr>
<td>8 A330</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New product retrofit</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-onwards</td>
</tr>
<tr>
<td>IAG has signed options to replace Iberia’s A340 fleet once restructuring is achieved</td>
</tr>
</tbody>
</table>
... with a high degree of flexibility

Fleet count at year-end

<table>
<thead>
<tr>
<th>Fleet count at year-end</th>
<th>Long Haul fleet</th>
<th>Short Haul fleet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Baseline</td>
<td>Flexibility</td>
</tr>
<tr>
<td></td>
<td>Base</td>
<td>100</td>
</tr>
<tr>
<td></td>
<td>Upside</td>
<td>80</td>
</tr>
<tr>
<td></td>
<td></td>
<td>60</td>
</tr>
<tr>
<td></td>
<td></td>
<td>40</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

1 Includes lease market options

Build the future Fleet flexibility
Fix the present

Build the future

Develop new Iberia culture
Radical transformation of management team

- Reduction of management team
- Simplification of org. chart
- New key functions
- Incorporation of external talent, while relying upon on internal intellectual capital
- Agility
- Efficiency
- New management style
- Focus on key topics
- Balancing business as usual with change
- 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
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%

IAG Background  |  Network
### Vueling has doubled its fleet in the 2009-13 period

#### Vueling aircraft in “summer peak” season

<table>
<thead>
<tr>
<th>Year</th>
<th>Routes</th>
<th>Passengers</th>
<th>Percent International</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>120</td>
<td>8.2M</td>
<td>47%</td>
</tr>
<tr>
<td>2010</td>
<td>123</td>
<td>11M</td>
<td>47%</td>
</tr>
<tr>
<td>2011</td>
<td>144</td>
<td>12.3M</td>
<td>47%</td>
</tr>
<tr>
<td>2012</td>
<td>178</td>
<td>14.8M</td>
<td>50%</td>
</tr>
<tr>
<td>2013e</td>
<td>222</td>
<td>&gt;17M</td>
<td>57%</td>
</tr>
</tbody>
</table>
Vueling reported positive results four consecutive years despite the difficult macroeconomic 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

**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

Background | Hybrid model
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

Iberia code share

Interline agreement with British Airways

Frequent flyer programme

Profitable low cost platform
Vueling CMD 2013: Cost

Cost
Sonia Jerez

Fleet

Network

Product
Vueling has developed a competitive cost advantage

2012 CASK ex-fuel(Cc)*

- 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
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**
- Define goals
- Identify initiatives
- Implementation
- Monitor savings
- Cost Advantage

**CASK ex-fuel (€c)**
- Inflation and other costs increase
- CASK ex-fuel

- 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 (Cc)**

- **Fleet**: 0.75 €c
- **Staff**: 0.57 €c
- **Handling**: 0.85 €c
- **Maintenance**: 0.65 €c
- **Other**: 0.48 €c
- **Airport & nav. charges**: 0.84 €c

**Total: 4.14€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

- Costs
- Fleet
- Network
- Product

Sonia Jerez
Vueling’s current fleet is comprised of 70 A320 family aircraft

<table>
<thead>
<tr>
<th>Size</th>
<th>70 Aircraft</th>
</tr>
</thead>
<tbody>
<tr>
<td>A320</td>
<td>66</td>
</tr>
<tr>
<td>A319</td>
<td>4</td>
</tr>
<tr>
<td>Operating lease</td>
<td>100%</td>
</tr>
<tr>
<td>Firm orders</td>
<td>62 Aircraft</td>
</tr>
<tr>
<td>Options</td>
<td>58 Aircraft</td>
</tr>
</tbody>
</table>
Vueling’s fleet order

Fleet order deliveries

- 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

- 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

 Costs

 Fleet

 Network Alex Cruz

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

- 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.

### Market share in BCN

<table>
<thead>
<tr>
<th>Year</th>
<th>Vueling</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>21%</td>
<td>79%</td>
</tr>
<tr>
<td>2011</td>
<td>20%</td>
<td>80%</td>
</tr>
<tr>
<td>2012</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>2013</td>
<td>36%</td>
<td>64%</td>
</tr>
</tbody>
</table>

### Market share Jan-Sep’13

<table>
<thead>
<tr>
<th>Location</th>
<th>Ranking</th>
<th>Market Share</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barcelona</td>
<td>1st</td>
<td>34%</td>
<td>+4pp</td>
</tr>
<tr>
<td>Bilbao</td>
<td>1st</td>
<td>35%</td>
<td>+5pp</td>
</tr>
<tr>
<td>Paris Orly</td>
<td>3rd</td>
<td>8%</td>
<td>+1pp</td>
</tr>
<tr>
<td>Florence</td>
<td>4th</td>
<td>14%</td>
<td>New base</td>
</tr>
<tr>
<td>Fiumicino</td>
<td>4th</td>
<td>3%</td>
<td>+0.2pp</td>
</tr>
</tbody>
</table>

Source: AENA and Vueling estimates
Vueling increased its presence and market position at the main international airports

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

Source: AENA, SRS and Vueling estimates for the period Jan-Sep 2013.
Vueling has developed a strong network in Barcelona

- 104 Destinations
- 12 M Passengers
- 38 Aircraft
- 2 M Transfer pax
- 36% Market share
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

Strengthen leadership in Barcelona

Expansion in non-Spanish bases

Become home airline of other Spanish airports

Growth objectives

Network Growth plan
Vueling will continue expanding its international network

**ASKs by market**

- **Spanish**
  - 2012: 38%
  - 2013e: 31%
  - 2014e: 27%
  - 2015e: 24%
  - Change: -14pp

- **Non-Spanish**
  - 2012: 62%
  - 2013e: 69%
  - 2014e: 73%
  - 2015e: 76%
  - Change: +14pp

- **International markets** will drive Vueling’s growth
- **Vueling** will grow internationally both in existing and new markets
Vueling CMD 2013: Product

- Costs
- Fleet
- Network
- Product
  Alex Cruz
A balanced sales channel mix gives access to both business and leisure passengers

- 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

**Direct channel**

- vueling.com

**Indirect channel**

- Amadeus
- Travelport
- American Express
- Carlson Wagonlit Travel
- Iberia
- British Airways

**Balanced distribution strategy**

**Product**

**Sales channels**
Vueling has a strong track record of product and service innovation

**Mobile services**
- 2010: Mobile boarding
- 2011: Vueling App
- 2012-2015: Full mobile flight management

**Airport**
- 2010: Connecting flights
- 2011: Priority boarding
- 2012: Fast track
- 2013: VIP lounge
- 2014-2015: Automatic Check-in

**On board**
- 2010: DUO seat
- 2011: Free newspapers
- 2012-2015: Excellence class
- 2014-2015: Wi-Fi on board

**Product**

**Product innovation**
Vueling Excellence class offers innovative premium services

- 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

- 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
A. Vision 2015
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
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.