International Airlines Group

Capital Markets Day

9th November 2012

Agenda

Introduction	Antonio Vázquez *Chairman, IAG*
Q3 Results	Enrique Dupuy *Chief Financial Officer, IAG*
Financial Targets & Synergies	Enrique Dupuy *Chief Financial Officer, IAG*
Proposed acquisition of Vueling	Enrique Dupuy *Chief Financial Officer, IAG*
Iberia Transformation	Rafael Sánchez-Lozano *Chief Executive Officer, Iberia*
British Airways Transformation	Keith Williams *Chief Executive Officer, British Airways*
Financing Strategy	Enrique Dupuy *Chief Financial Officer, IAG*
Overview & Strategy	Willie Walsh *Chief Executive Officer, IAG*
Close and Q&A	

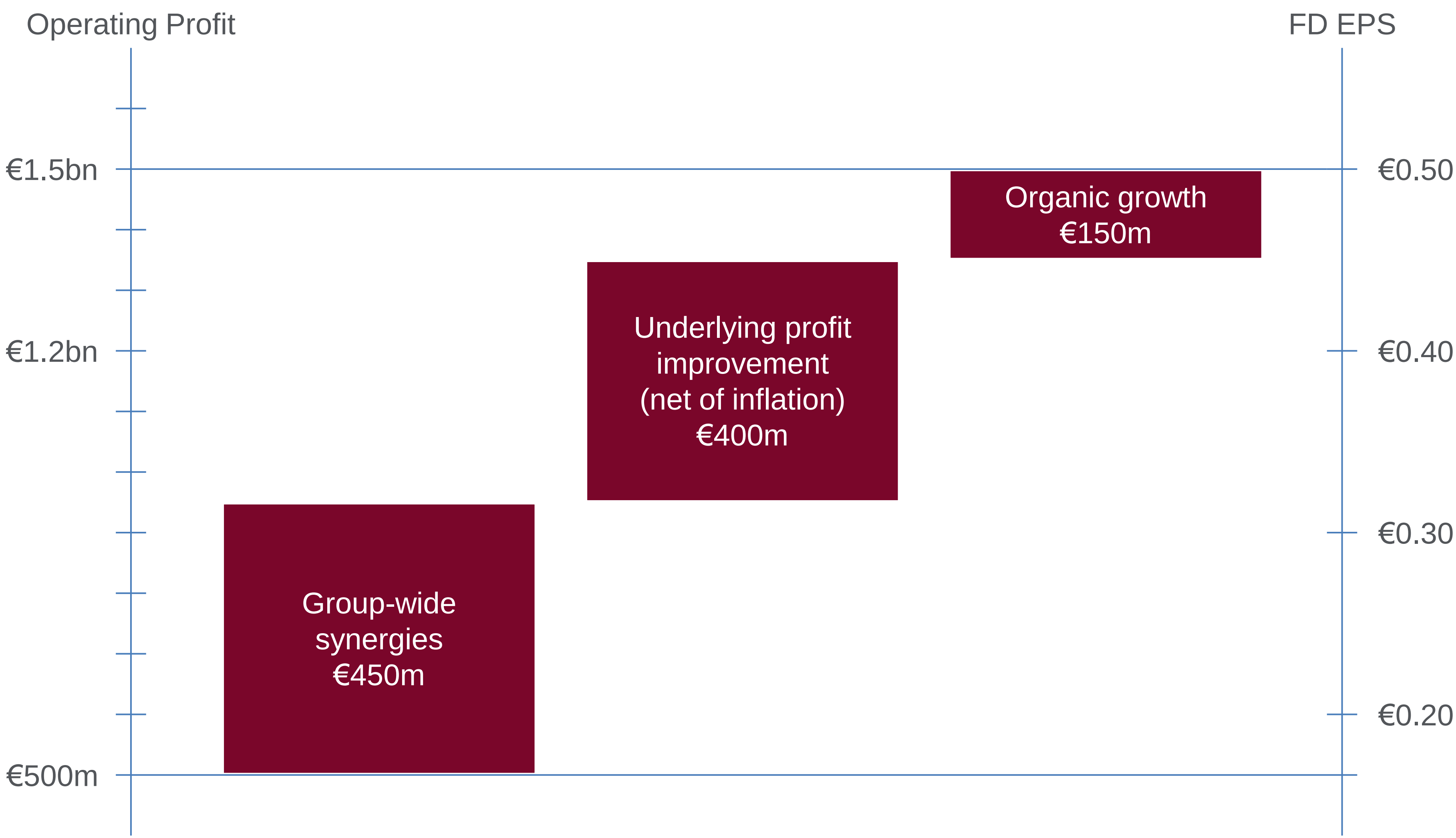
Financial Targets & Synergies

Enrique Dupuy
Group Chief Financial Officer

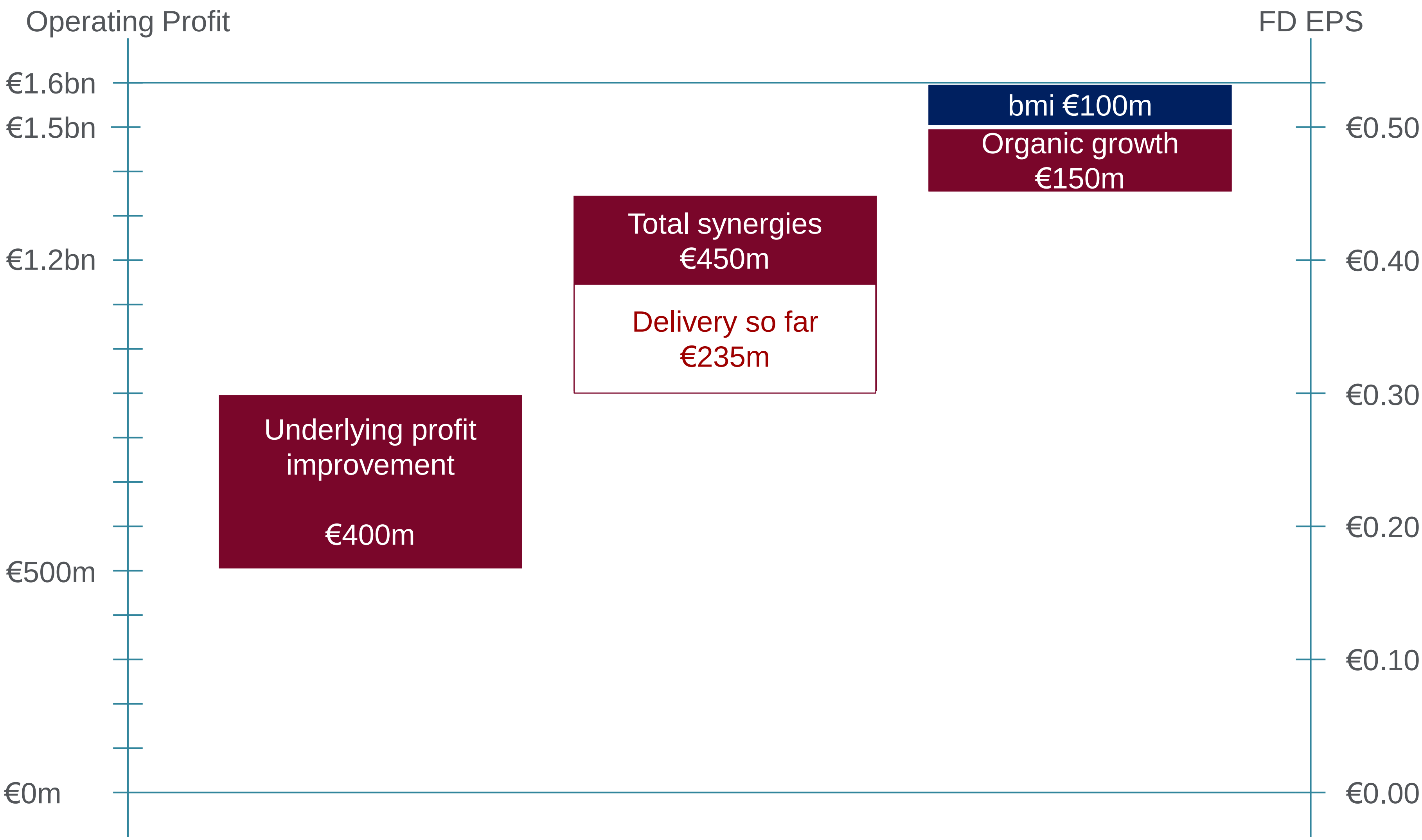
2015 financial targets – headlines 2012

- **Targeting €0.52 fully-diluted EPS by 2015 (unchanged)**
- Equates to approx. €1.6bn operating profit, 12% ROCE **(unchanged)**
- Assumes organic growth rate on average of under 2.0% ASK per annum **(changed from +2.5%)**
- Synergy delivery running ahead of plan: new focus on transformation of profitability of operating companies
- Acquisitions: bmi integration going well, proposed acquisition of remaining stake in Vueling announced today

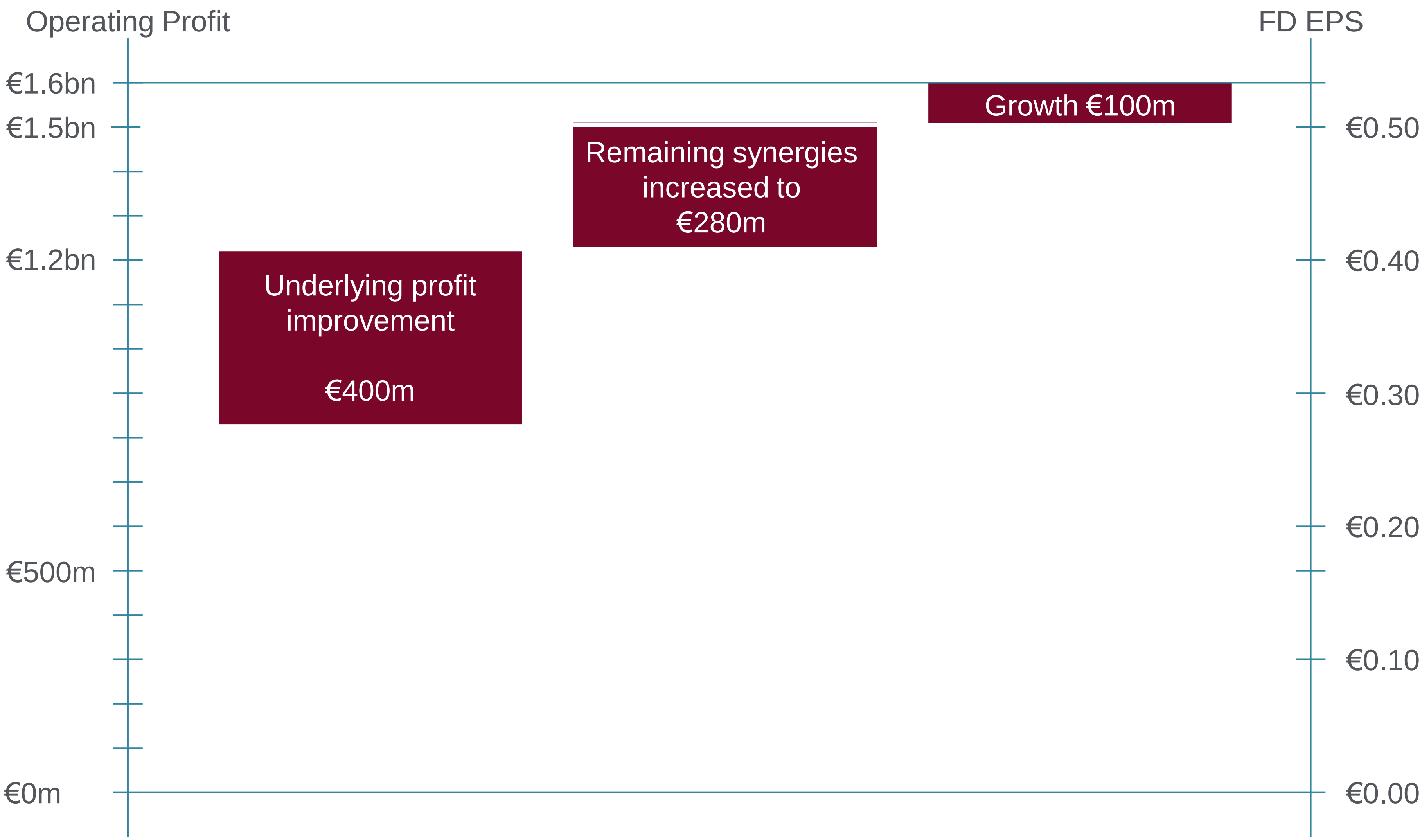
2015 financial targets – framework 2011



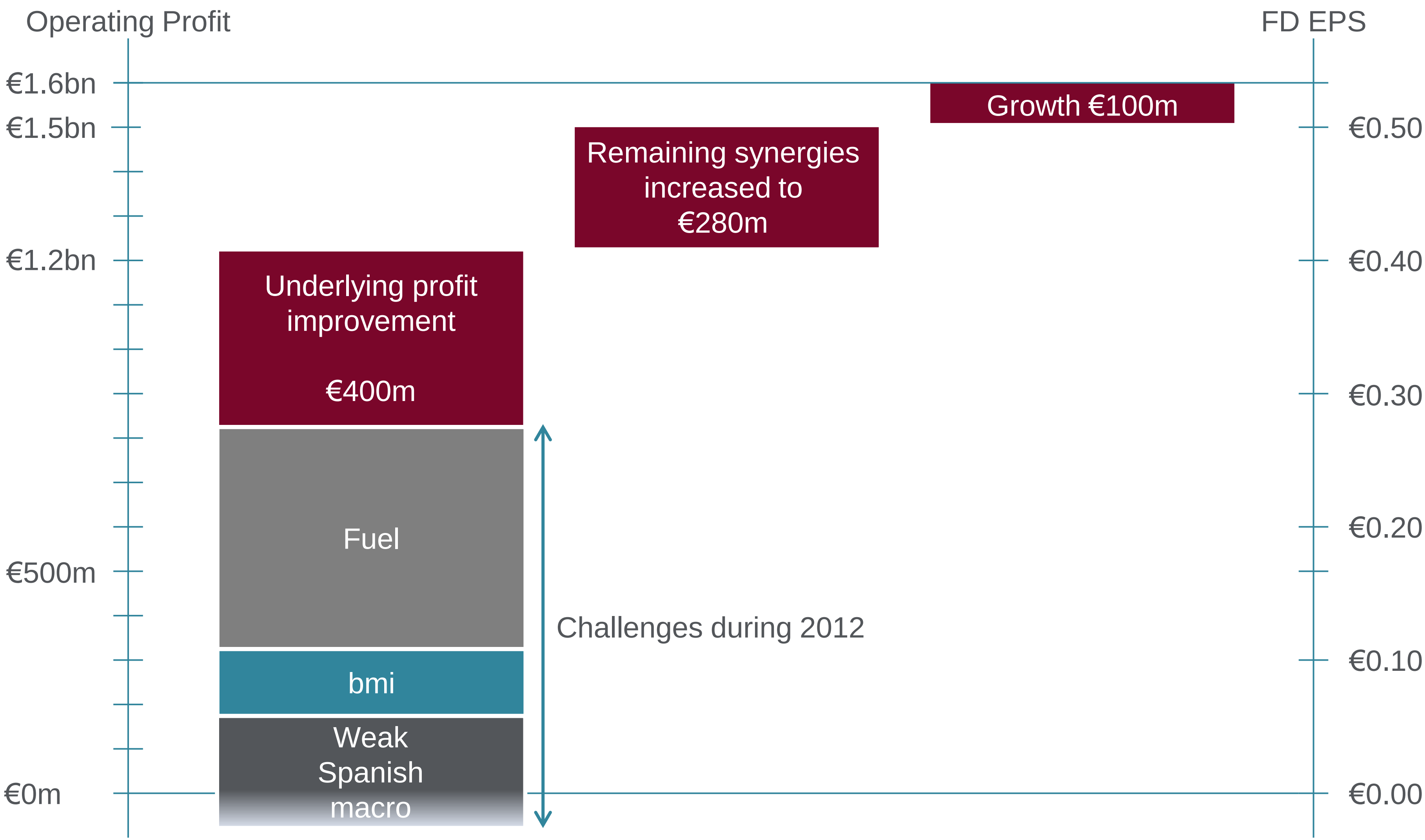
Progress since 2011



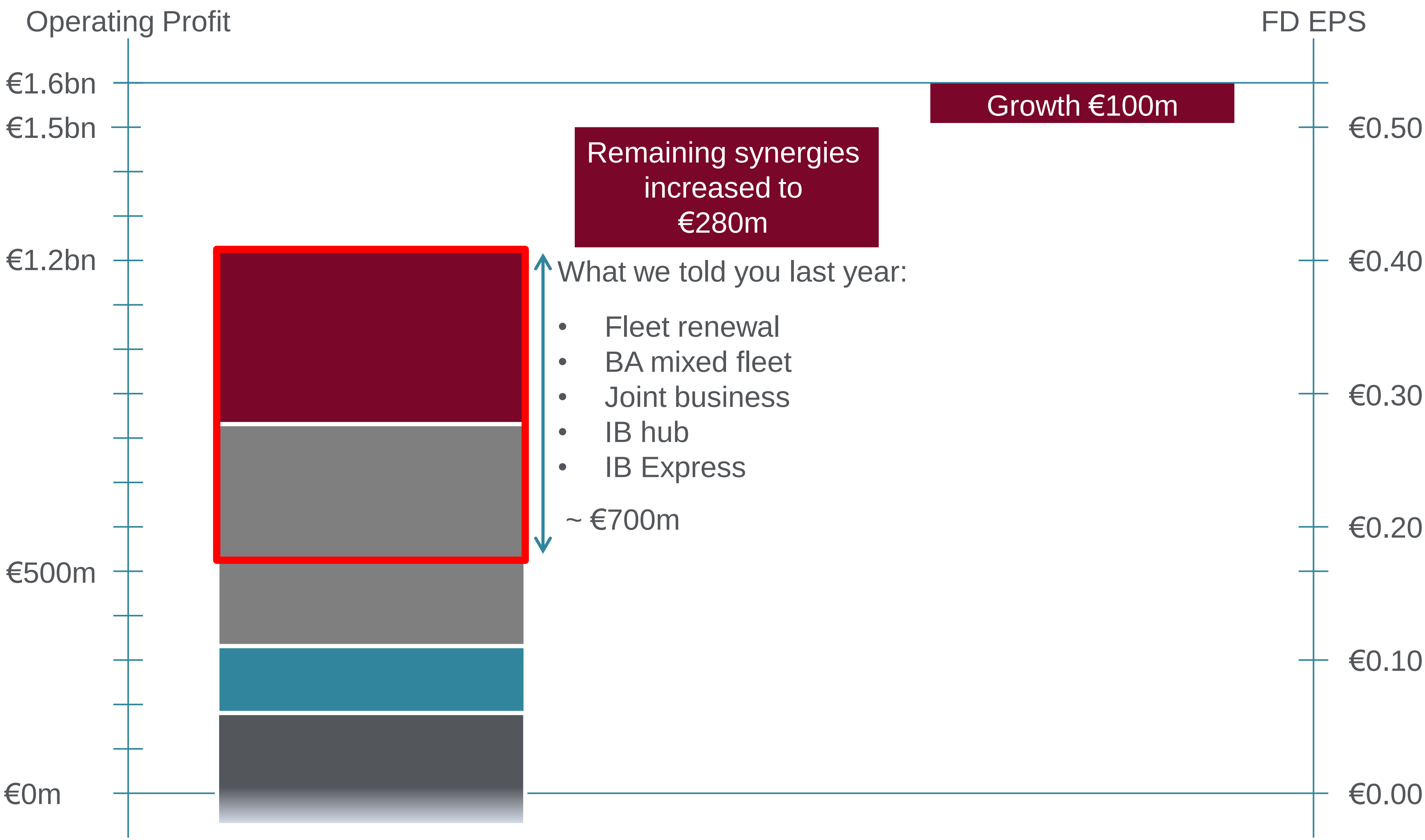
New synergy and growth targets for 2015



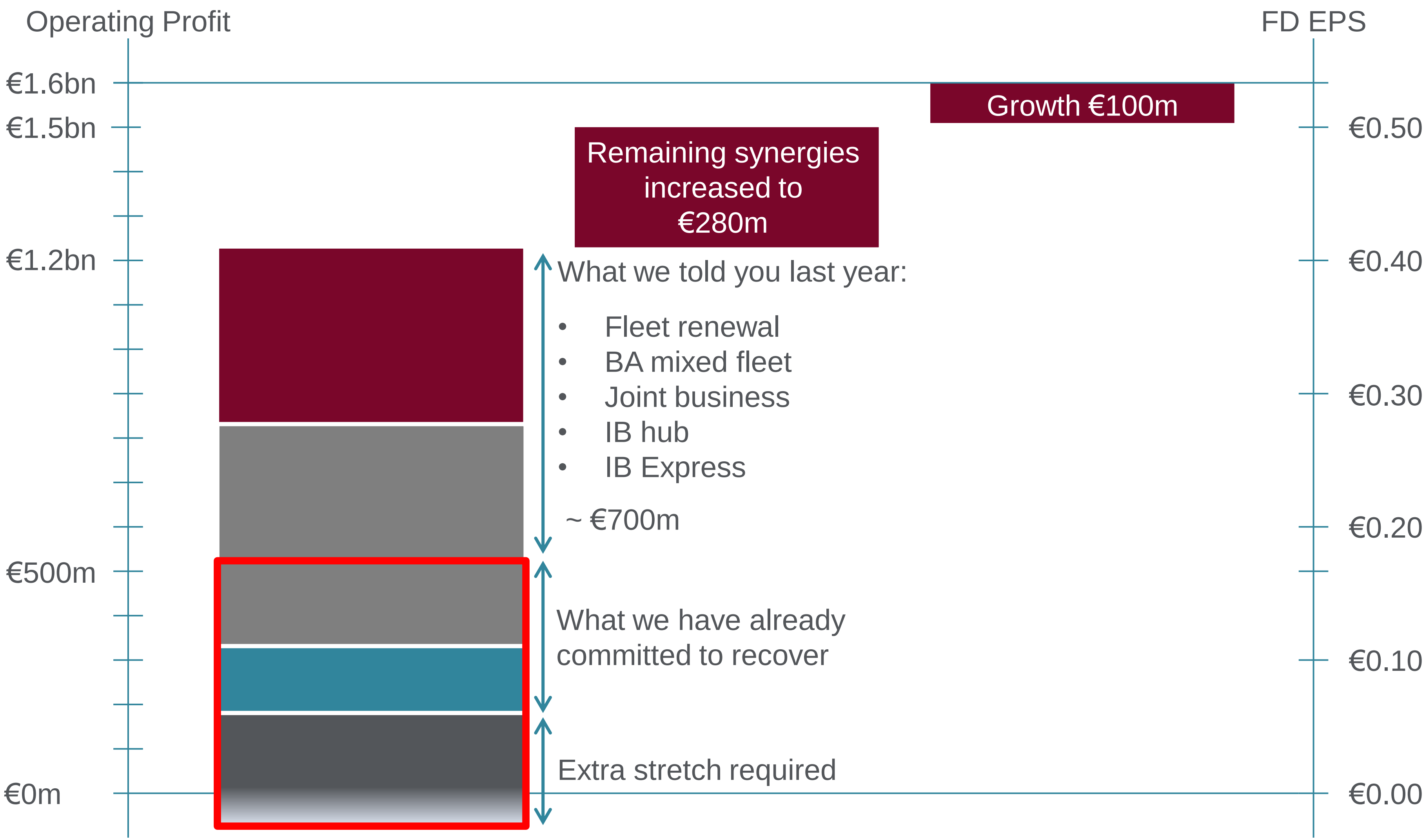
Challenges in 2012 have lowered the baseline



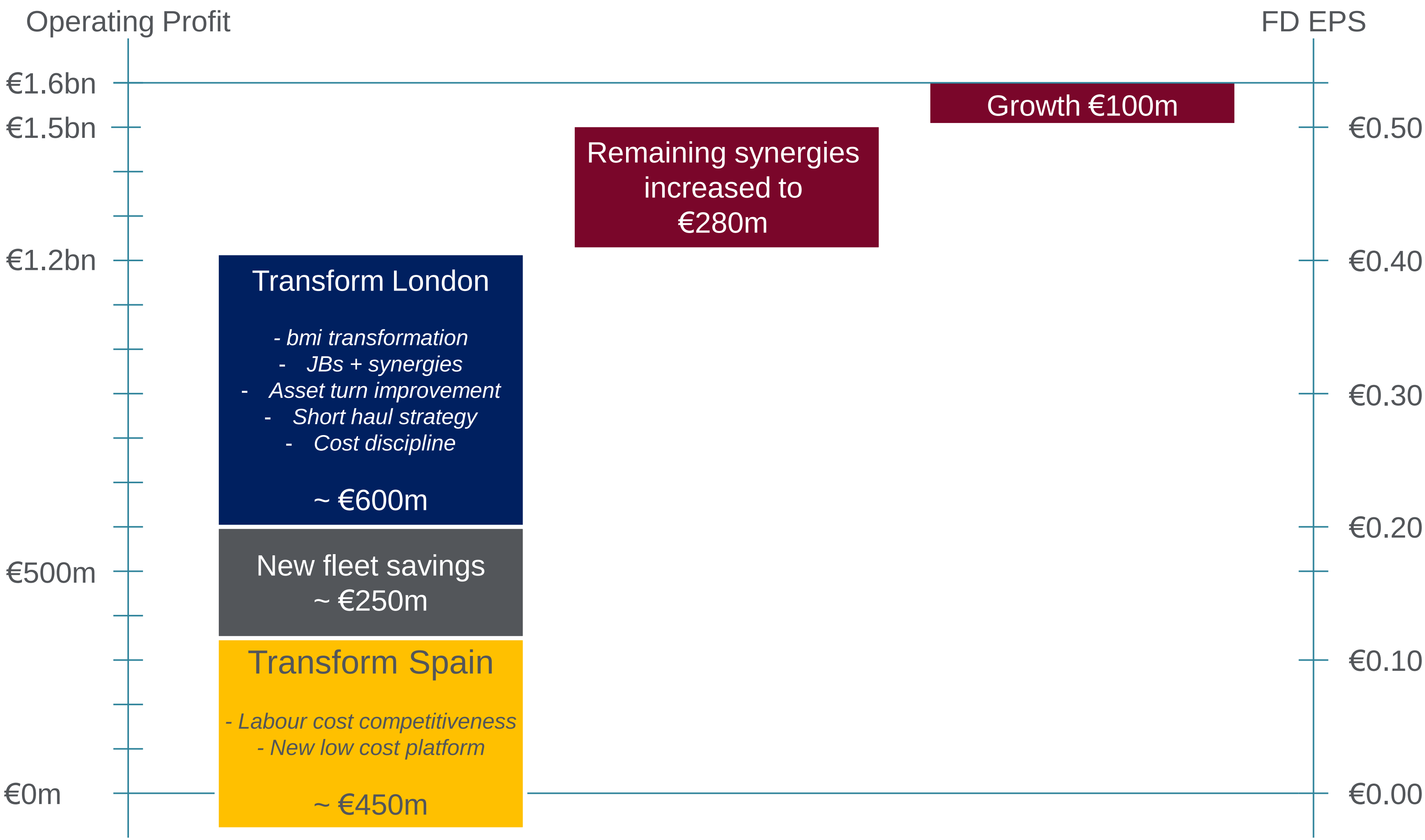
Projects discussed at CMD 2011



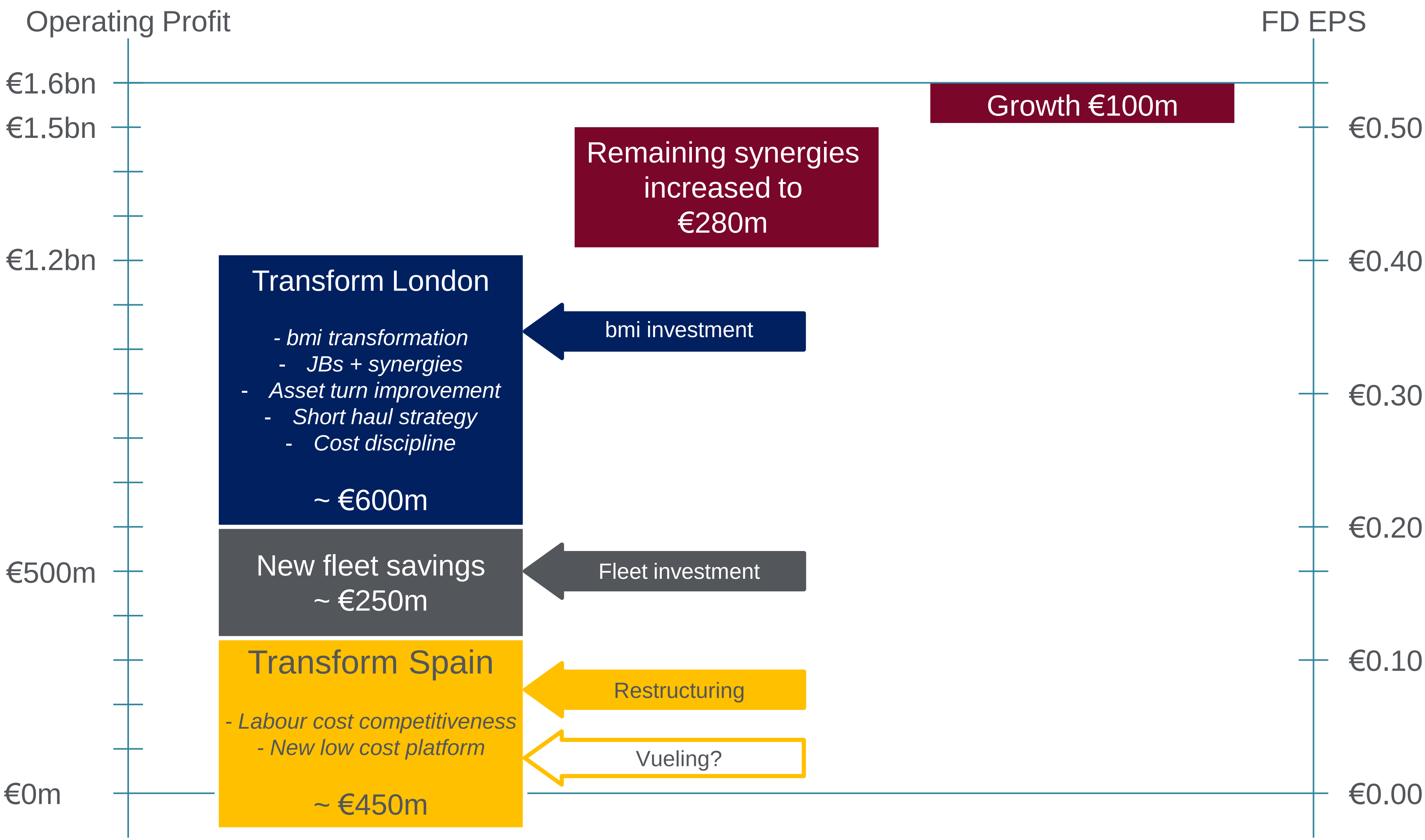
Extra stretch required



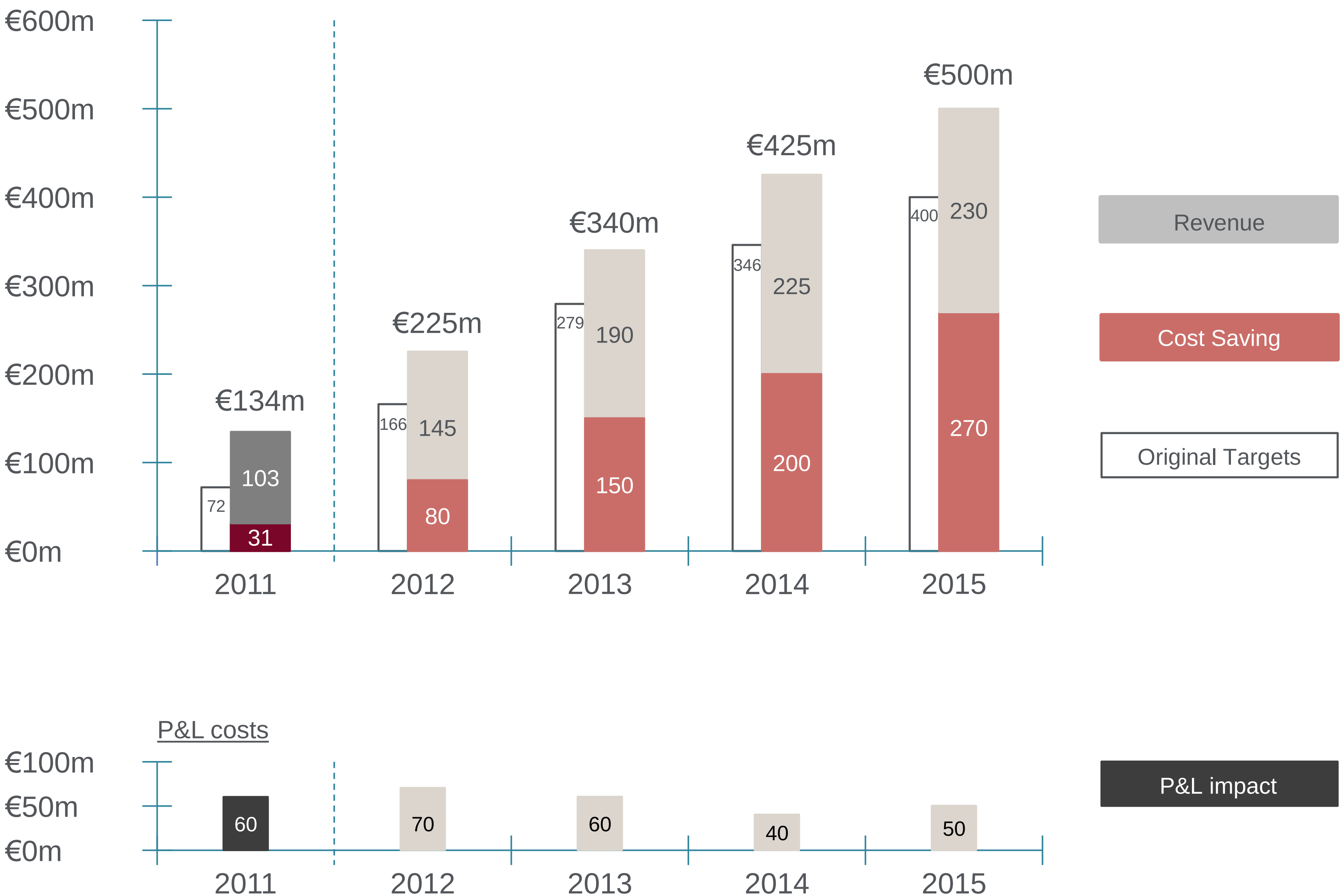
2015 financial targets – framework 2012



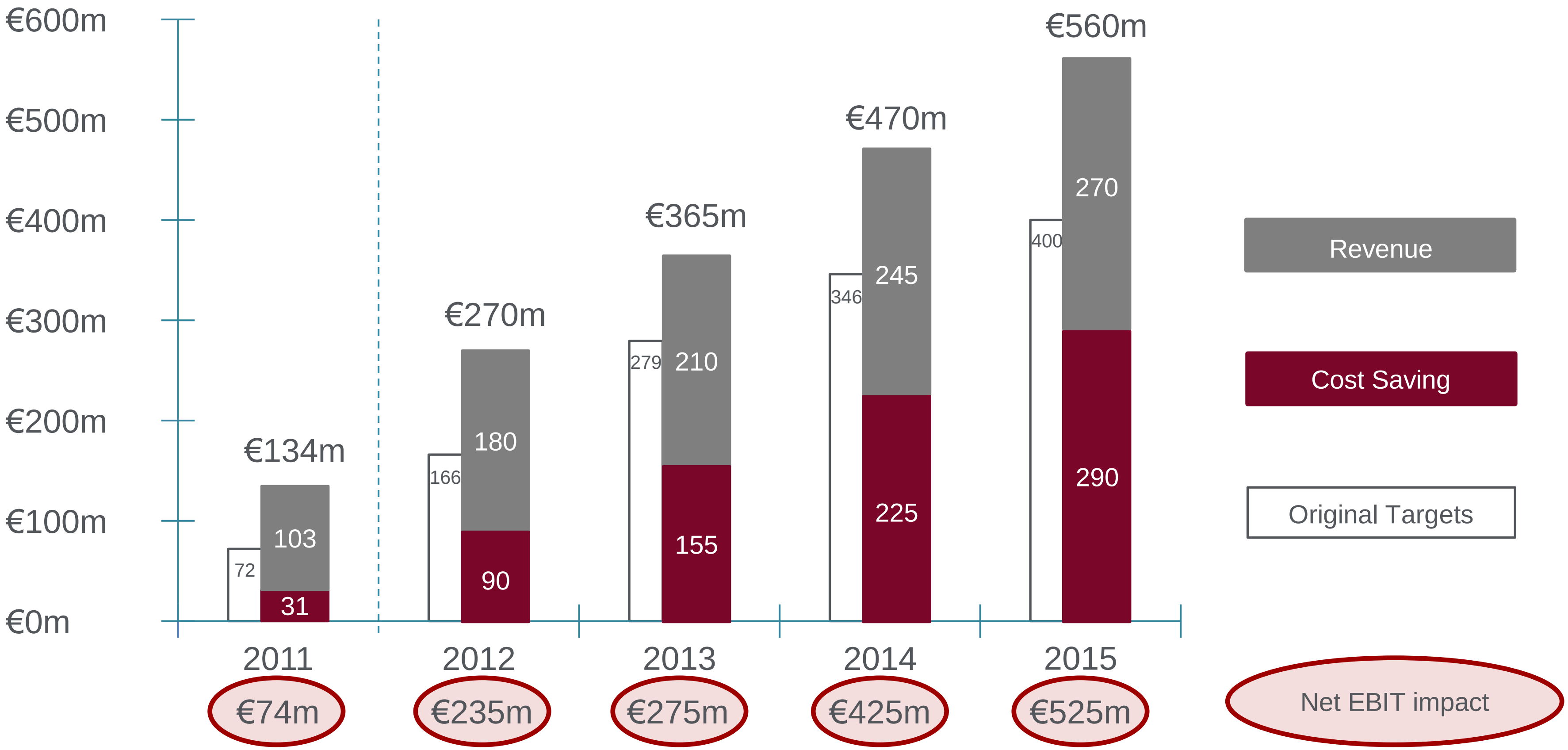
2015 financial targets – investment 2012

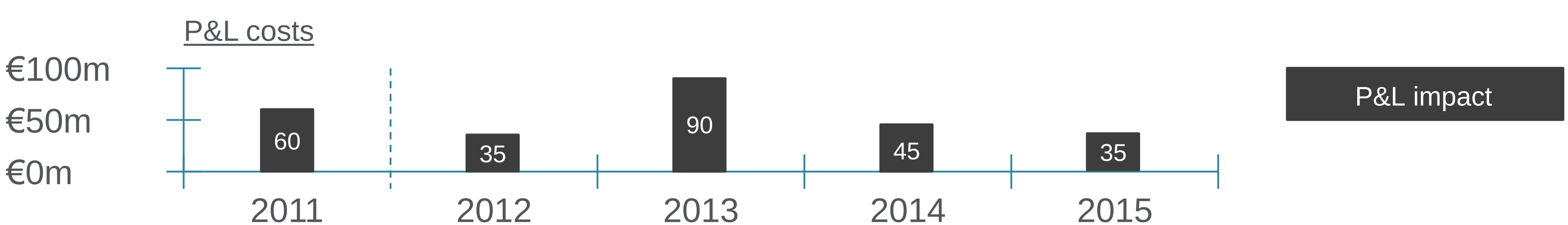


Synergies: previous forecast 2011

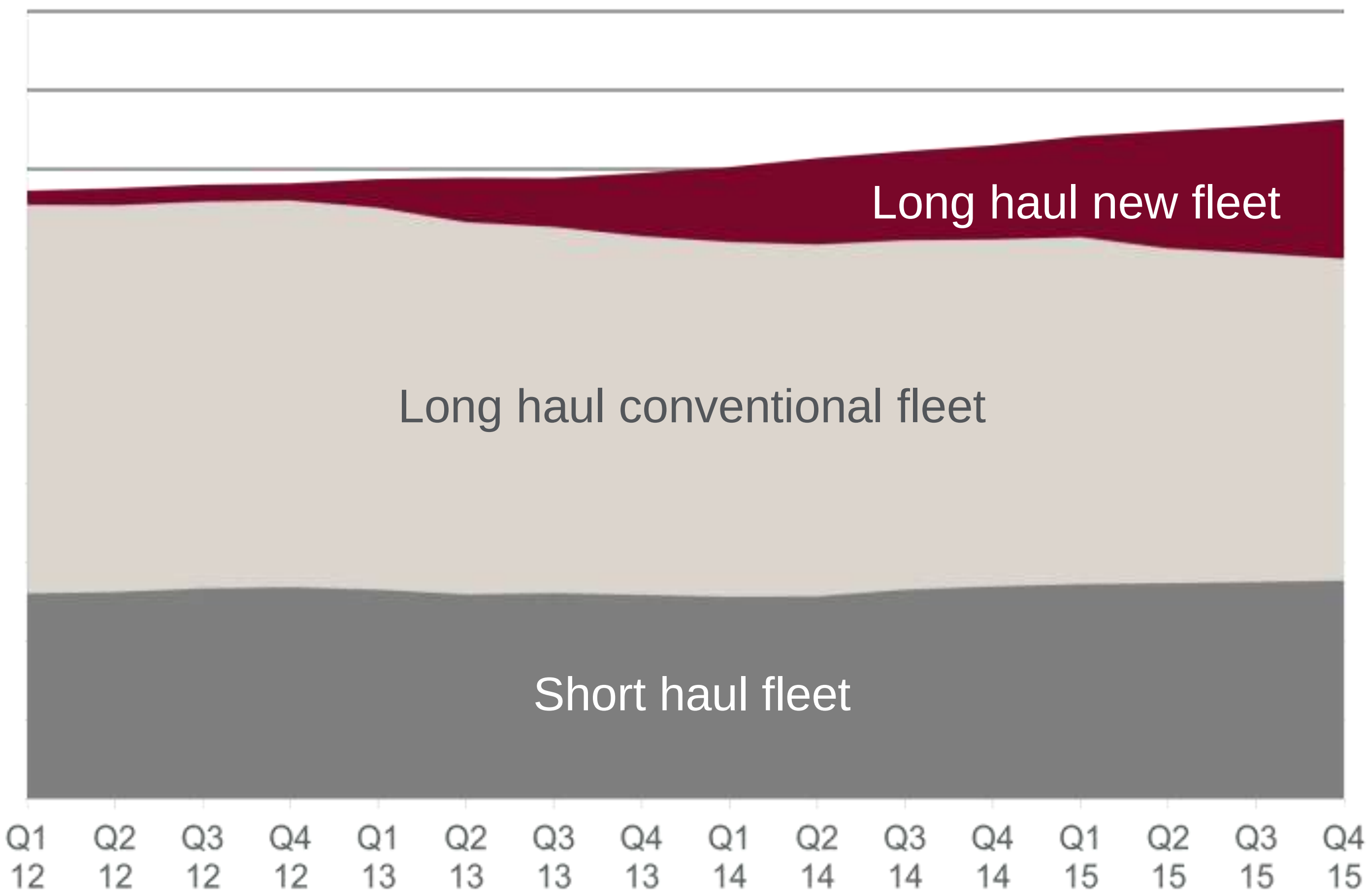


Synergies: new target €525m net EBIT impact

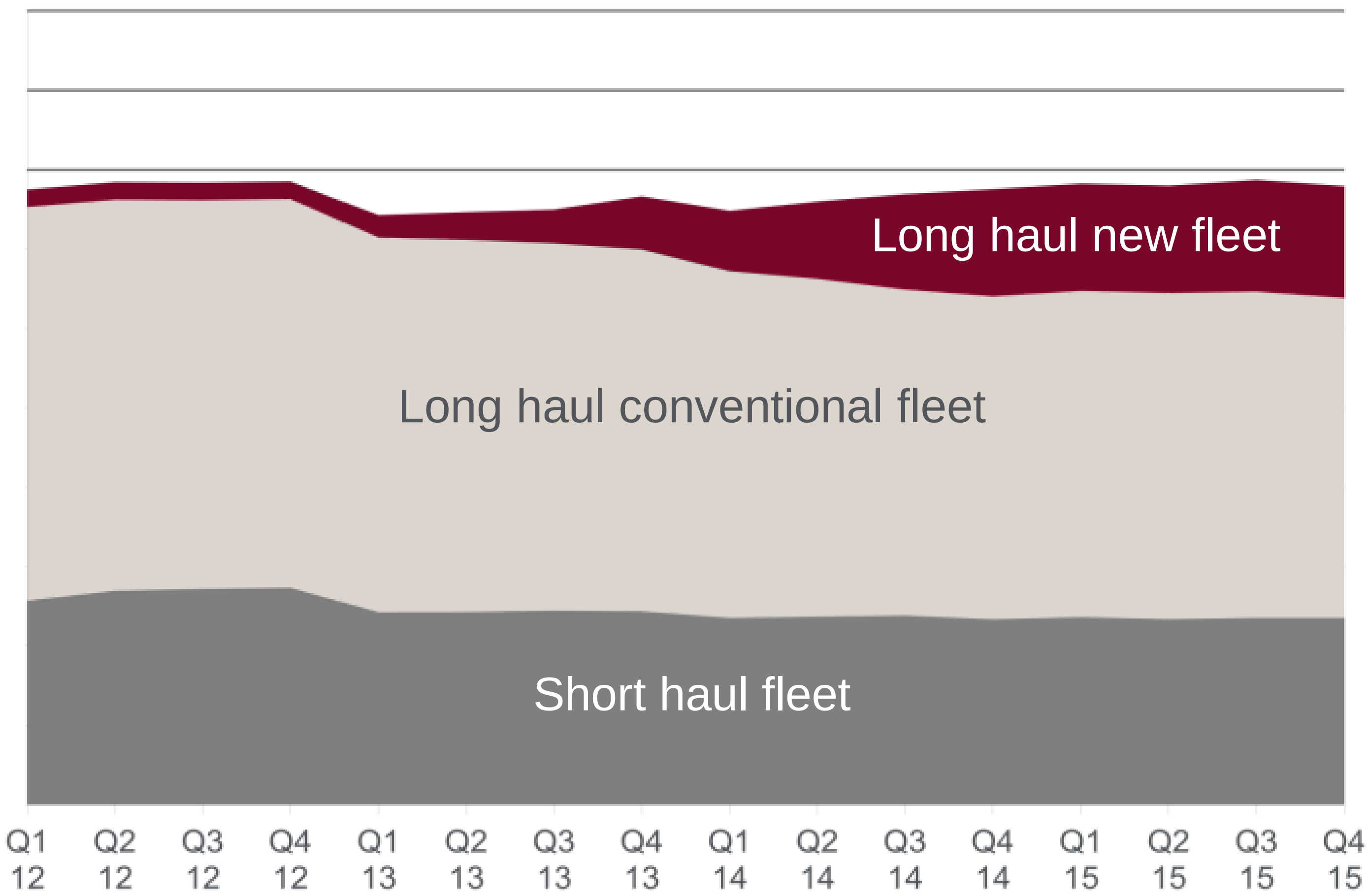




2011 Fleet plan overview: ASK progression



2012 Fleet plan overview: ASK progression



Overall growth in 2013-15 under 2.0% per annum

Fleet investment 2013-15

Fleet plan – detail 2011

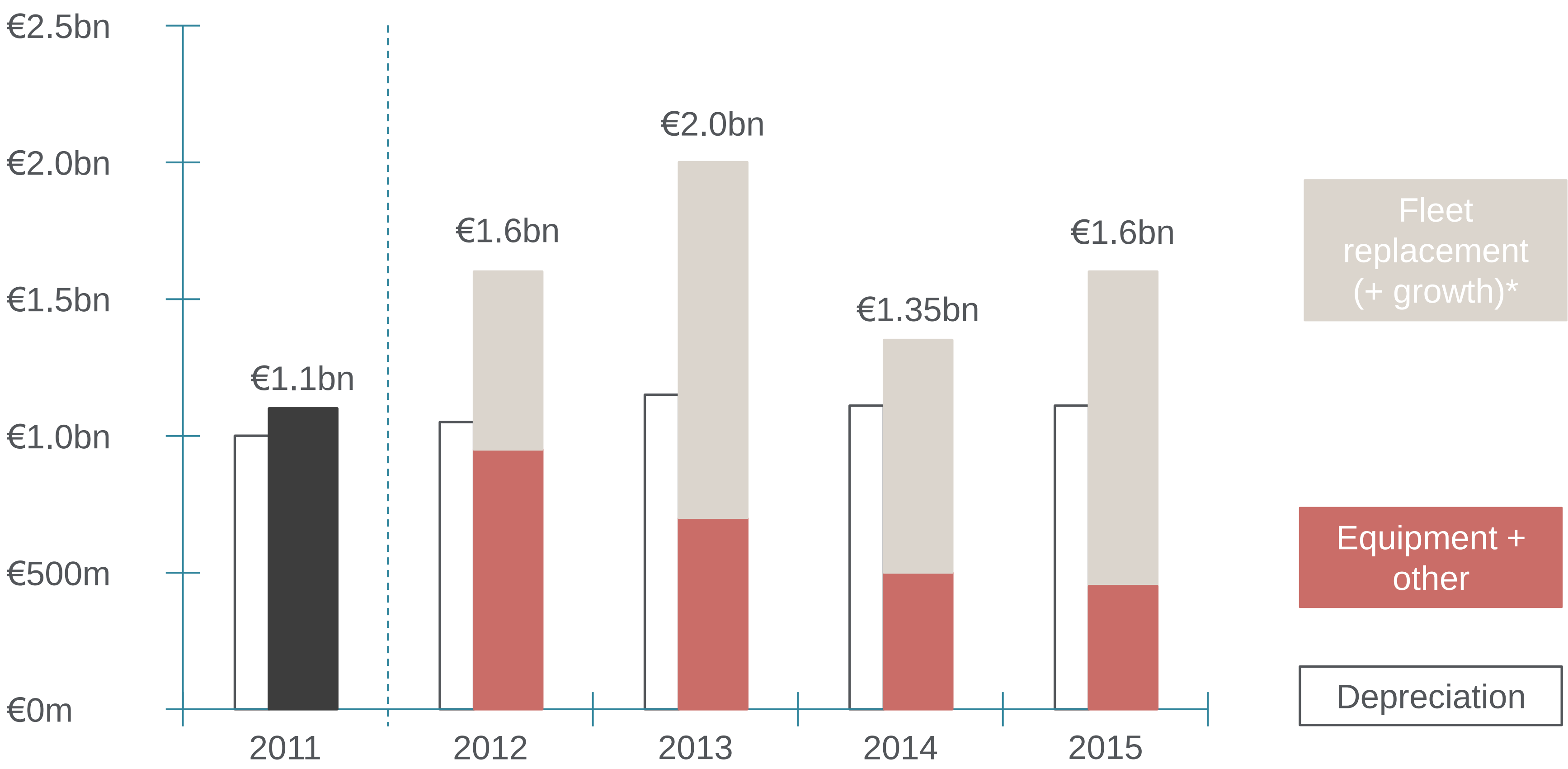
	Aircraft	2011	2015	Deliveries 2012 to 2015	Outstanding orders post 2015	Further options and purchase rights
IB	A330 / 340	36	40	8		8
BA	B747	52	45			
	B767	14	1			
	B777	49	54	5		
	B787		16	16	8	28
	A380		9	9	3	7
	A318	2	2			
Total long haul		153	167	34	11	43
IB	A320 family	68	76	9	12	
BA	A320 family	84	95	10		
	Other	39	34			16
Total short haul		191	205	19	12	16
Total fleet		**344**	**372**	**53**	**23**	**51**

Fleet plan – detail 2012

	Aircraft	2012	2015	Deliveries 2012 to 2015	Outstanding orders post 2015	Further options and purchase rights
IB	A330 / 340	33	**29**	8		8
BA	B747	52	43			
	B767	14	7			
	B777	52	58	**9**		
	B787		12	**12**	12	28
	A380		9	9	3	7
	A318	2	2			
Total long haul		153	160	38	15	43
IB	A320 family	77*	**52**	9	8	
BA	A320 family	110**	120	10		
	Other	40	26			
Total short haul		227	198	19	8	
Total fleet		**380**	**358**	**57**	**23**	**43**

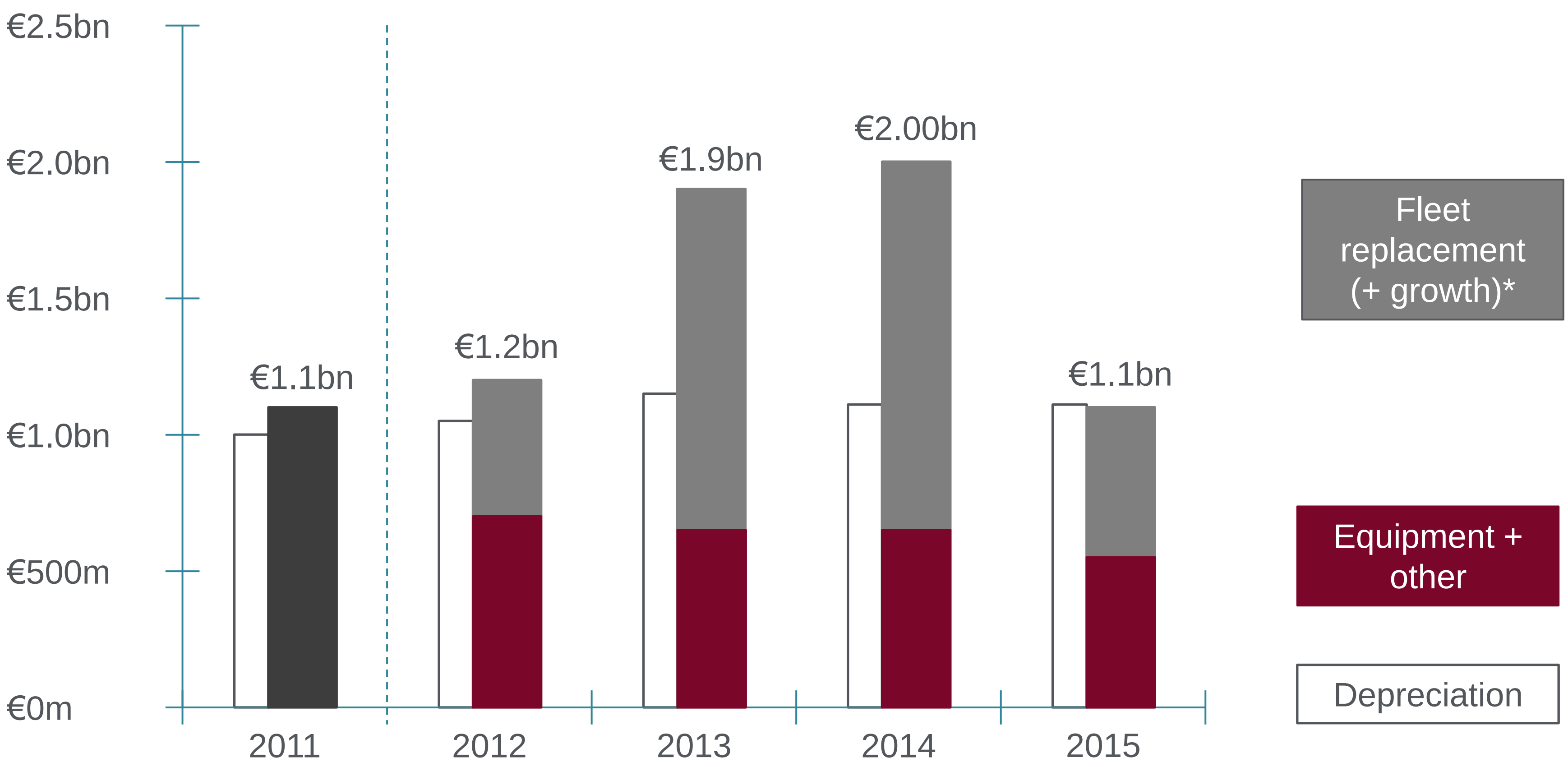
* Including 14 A320 in IB Express
** Including 25 from bmi

2011 capex plan



* net of assumed op. lease funding for A330 fleet

2012 capex plan



* net of assumed op. lease funding for A330 fleet

2012 balance sheet parameters, 2015 horizon

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

Targeting investment grade – BA upgraded to BB (S+P, July 2012)

IAG corporate finance strategy, 2013-15

Capital uses

- Return of cash to shareholders
- Reinvestment in business

Headroom

Pension deficit reduction

Pension

Product, brand, systems, facilities

Non-Fleet

- 9 x A380
- 12 x B787
- 6 x B777
- 19 x A320 family

CAPEX Fleet

Restructuring Investment

Restructuring

Capital sources

Buffer

Cash reserves:
€2bn surplus
+ credit facility

CFO

Net profit
+ depreciation
+/- non cash items
+/- wk cap change

FIN
+
REFI

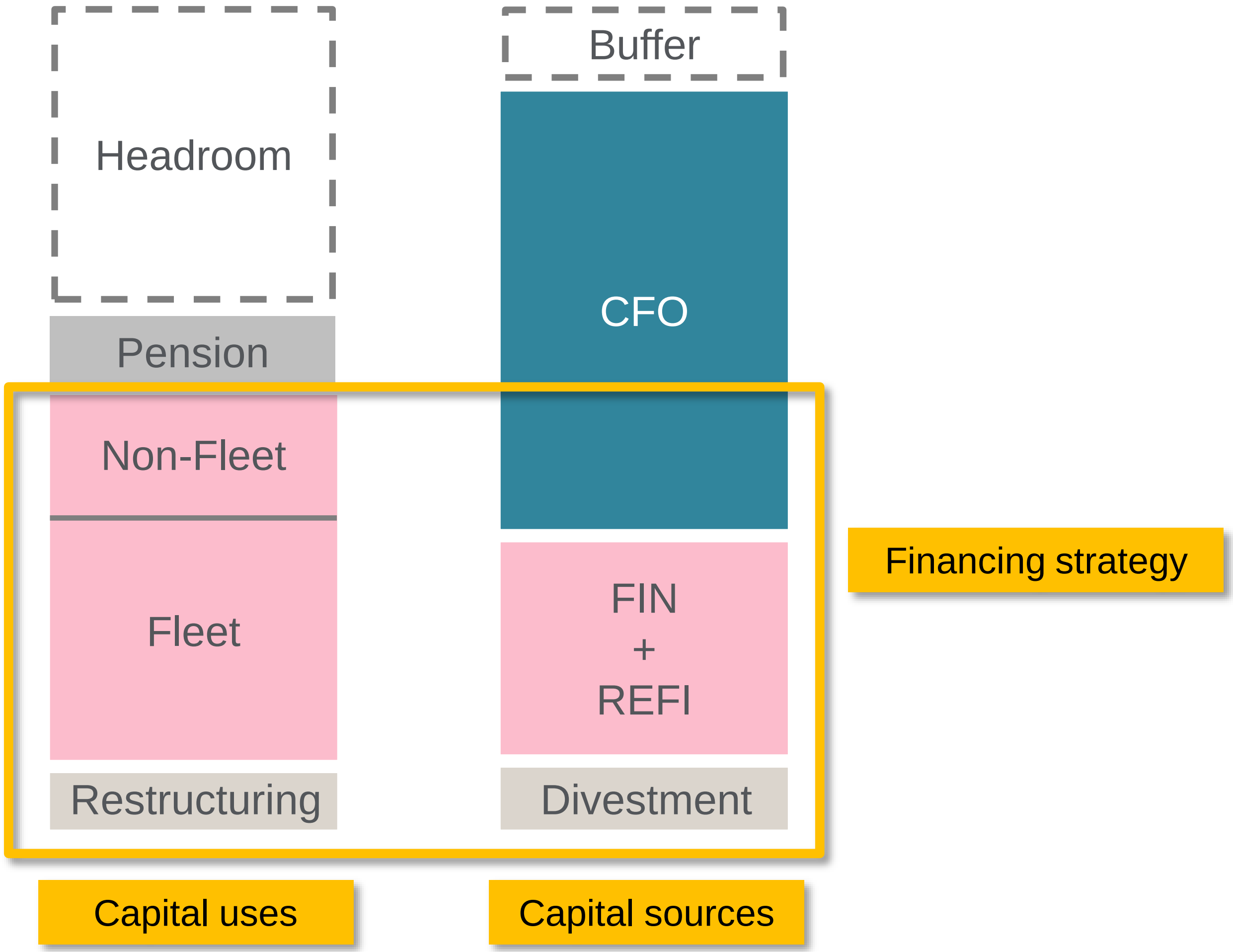
- New fleet funding ratio >70%
- Convertible refinancing / convert
- Active refinancing of older assets

Divestment

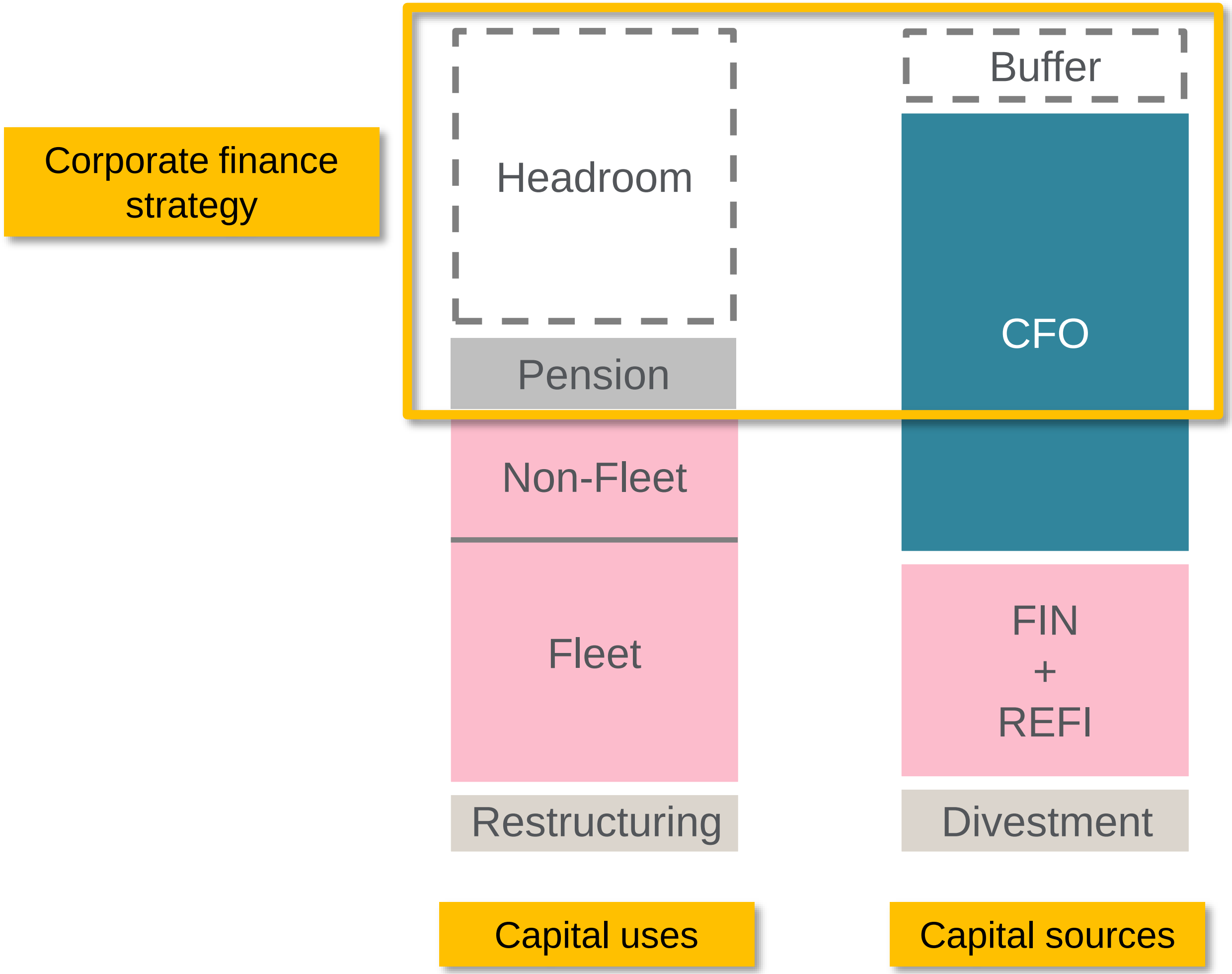
Non-core divestments

IAG

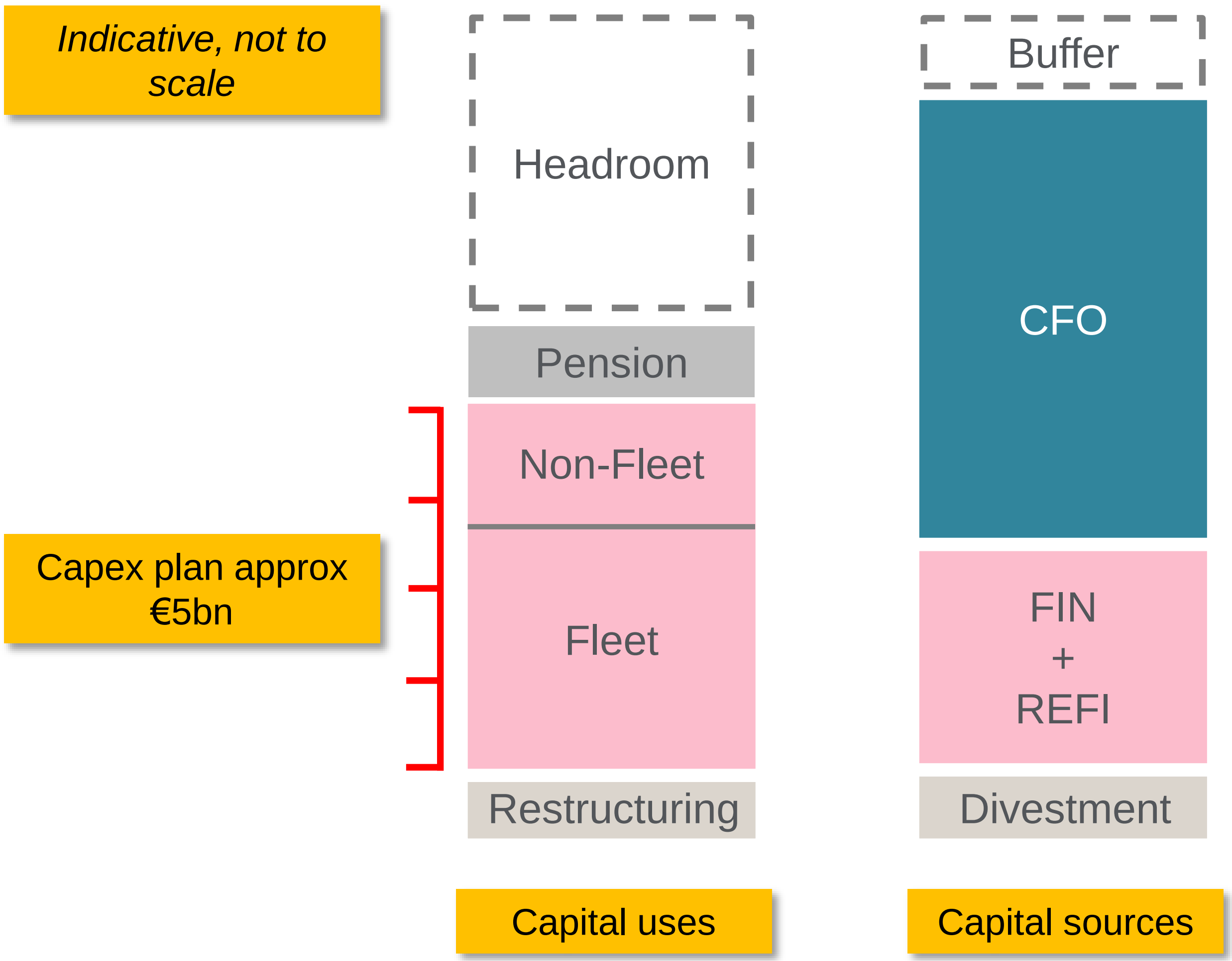
IAG corporate finance strategy, 2013-15



IAG corporate finance strategy, 2013-15



IAG corporate finance strategy, 2013-15



Proposed acquisition of Vueling

9th November 2012

Disclaimer

Legal restrictions during the offer period limit us to discussion only with reference to published materials as of 8th November 2012

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 the Company's plans and objectives for future operations, including, without limitation, discussions of the Company'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 Company on the date of this report. All subsequent oral or written forward-looking statements attributable to IAG or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. The Company 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 Company'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 2011; this document is available on www.iagshares.com.

Deal summary

- IAG proposes to acquire the remaining 54% public stake in Vueling (additional to the 46% already held by Iberia)
- Cash Offer of €113 million at a price of €7.00, a 28% premium to the closing price of Vueling on 7th November 2012, conditional on stock market regulatory approval, completion expected in Q2 2013 (nb. under competition law, Vueling is already classified as part of the Iberia group)
- To be managed as separate IAG operating company with a different business model to other IAG OpCos – Vueling CEO will report directly to IAG CEO
- Gives IAG geographic diversification (leading position in Barcelona, growth in rest of Europe), limited incremental synergies (primarily purchasing / financing), low-cost platform within the Group, earnings enhancement from year one
- To be financed from internal sources

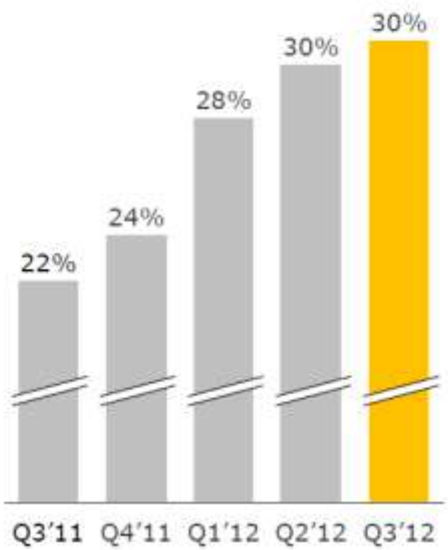
IAG

Vueling outline

- All-A320 family fleet – currently 55 aircraft, commonality with rest of IAG short haul fleet – 3rd largest low-cost carrier in Europe
- 30% market share at Barcelona El Prat – Barcelona is 4th largest origin & destination market in Europe, modern hub with competitive costs and growth capacity
- Additional international bases in Amsterdam and Rome-Fiumicino: currently has 34% of capacity employed in Spanish domestic markets, rest in Spain to Europe & Europe to Europe markets
- Competitive low cost base, but with business model compatible with network carriers (allocated seating, interline agreements, code-sharing, connecting traffic, premium product)
- Profitable in 2012, even with extreme Spanish macro slowdown, and 20% to 25% growth in capacity; net cash position of €407m as of September 30th 2012

Vueling market position - overview

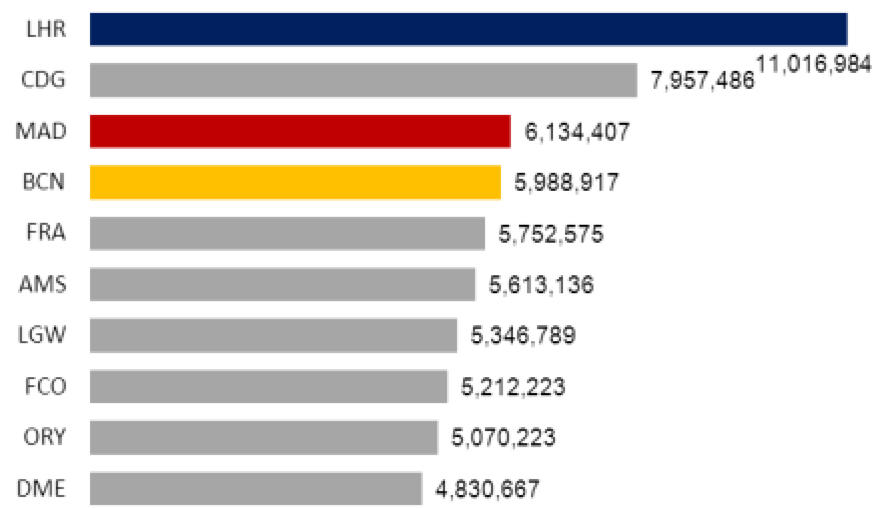
BCN airport market share (% pax.)



Jan-Sept'12 Market share (% pax.)

	Ranking	Market Share
Barcelona	1st	30%
Bilbao	1st	30%
Sevilla	2nd	27%
Paris Orly*	3rd	8%
Rome Fiumicino*	3rd	3%

European airports by O&D traffic (Jan-March 2012)



Source: Vueling Q3 results presentation

Source: GPA using ADI and AENA data

** Measured in seats offered*

Vueling financial summary, 2012 consensus

€ m	Vueling	Per plane	*EZJ per plane*
Revenue	1,072	19.9	*23.2*
Op cost	921	17.1	*20.0*
EBITDAR	151	2.8	*3.2*
Depn (adjusted)*	48	0.9	*0.8*
EBIT (adjusted)*	59	1.1	*2.2*
Net profit	16	0.3	*1.4*
Cash on B/S	407	7.5	*7.2*
Passengers	14.8m	274k	*274k*
ASK	17.3bn	321m	*341m*

Source: Bloomberg, Morgan Stanley research and company websites, 5th November 2012

***** Excluding 33% of operating leases equivalent to the implicit financial interest in aircraft rentals

IAG

Proposed new IAG airline structure

IAG

Iberia	Vueling	British Airways
Key strengths: • Hub operator Madrid • South Atlantic leader **NB: no IB Express integration with Vueling**	*Key strengths:* • LCC cost structure • Hub operator Barcelona • Track record of co-operation with network carriers	*Key strengths:* • Hub operator Heathrow • North Atlantic leader • Pre-eminent global network

Transformation Plan

Rafael Sánchez-Lozano
Chief Executive Officer, Iberia

Key objectives of Iberia transformation plan

1) To stop Iberia's operating cash burn by mid-2013. This will involve negotiations with employee groups being concluded as quickly as possible – if we have not reached agreement by January 31st 2013, we will accelerate the downsizing of Iberia, to safeguard the company's viability

2) To give Iberia a competitive cost base for long-term growth: the IAG Group return on capital of 12% would imply a turnaround in profitability of at least €600m from 2012 levels at the proposed scale of Iberia – this is the minimum required to allow us to grow the business profitably in the long term

3) The transformation will be funded entirely through Iberia's own resources

Last year we said we had several challenges and we had a strategy to deal with them

Iberia faces several challenges:

Long Haul Network ⟷ **Madrid HUB** ⟷ **Short & Medium Haul Network**

- A340 fleet costs
- Need to update product

- Service levels and quality
- Punctuality

- Non competitive costs vs. low cost carriers

We are delivering

Long haul fleet renewal and new product

- First A330 to be delivered on January 22nd 2013

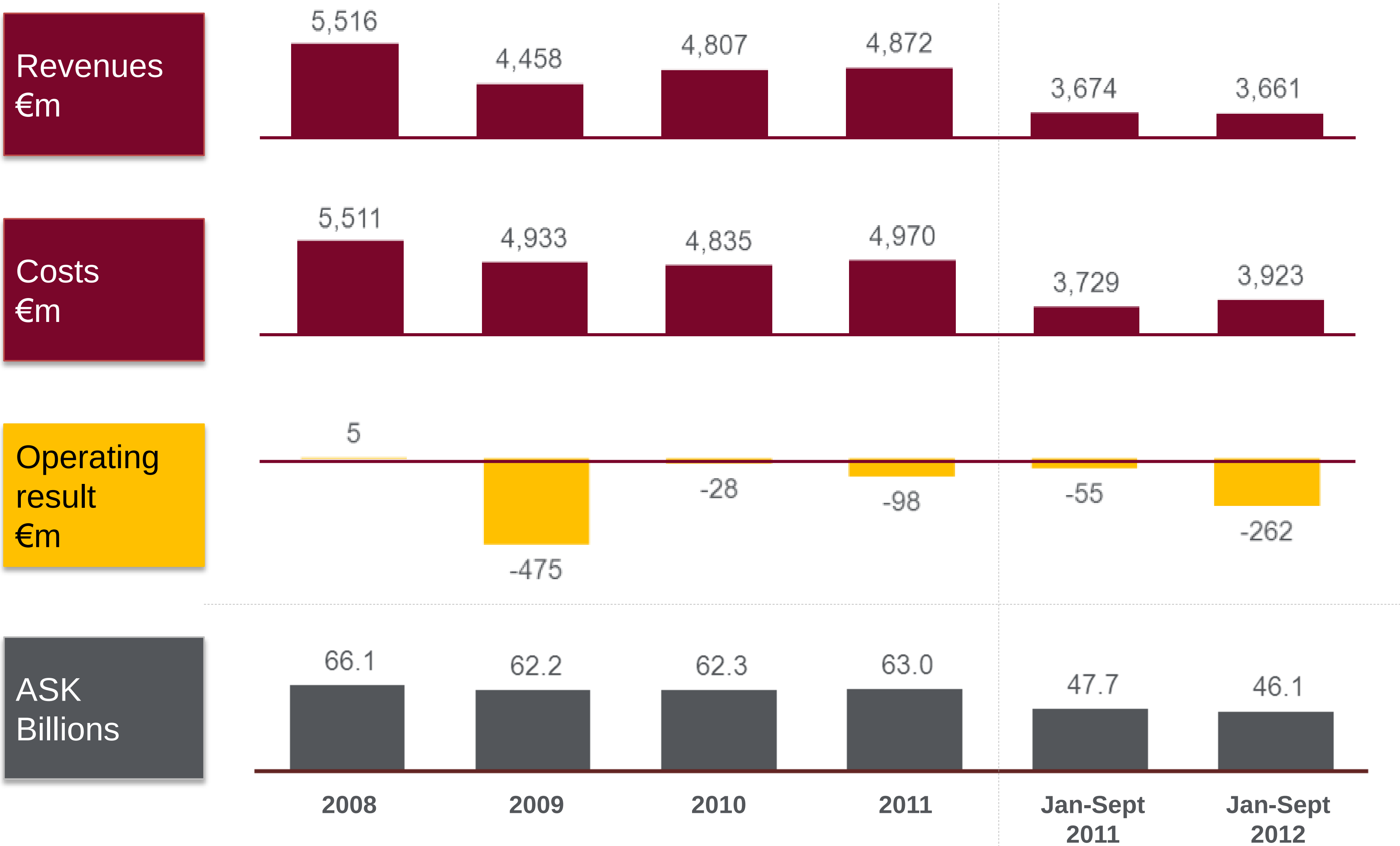
Madrid hub

- 5 consecutive months of improvements on punctuality and quality
- September on-time performance 83%

Short & medium haul transformation

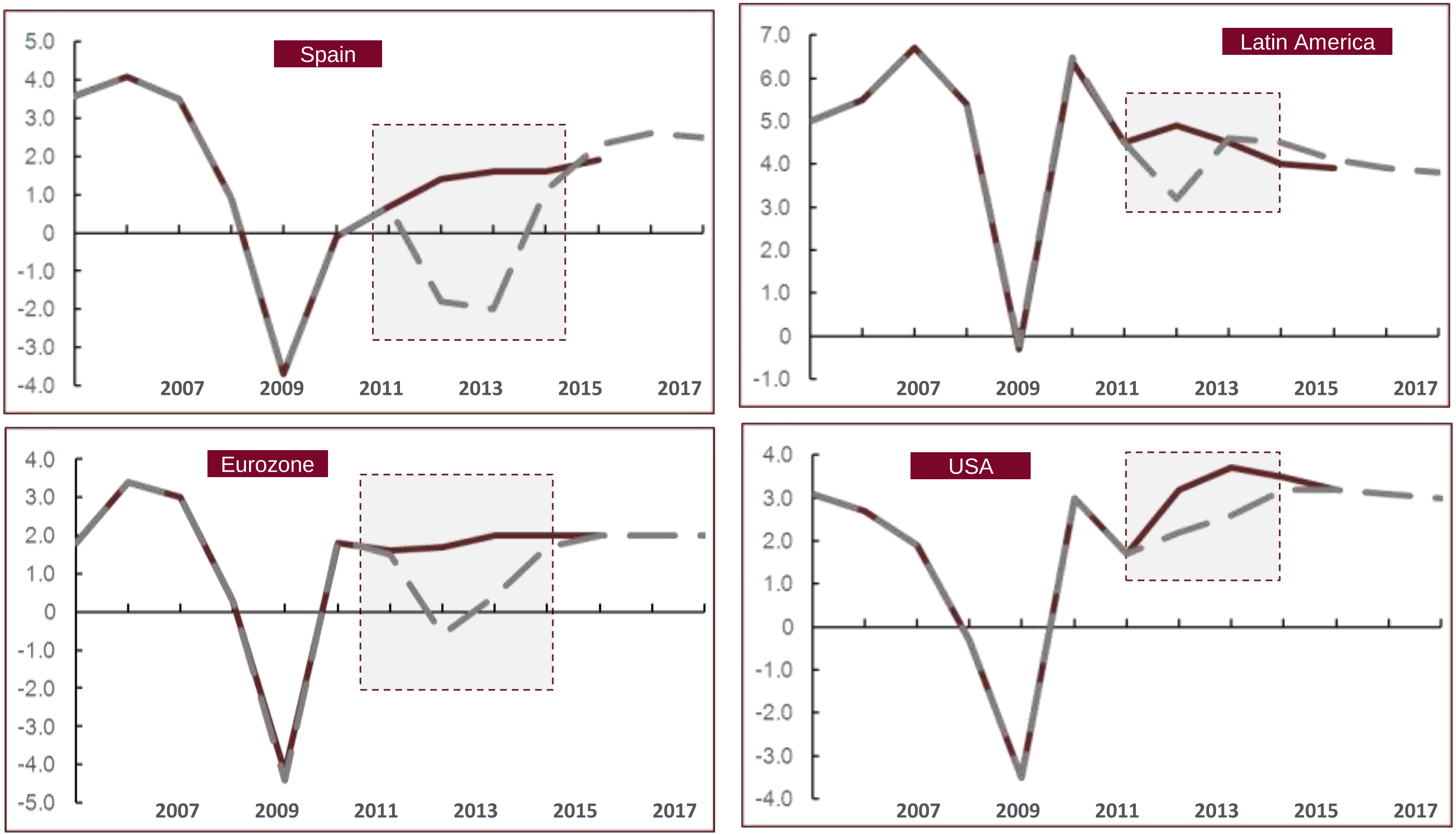
- Iberia Express started operation on 25th March 2012
- Performing better than expected
- The most punctual airline from Madrid airport; 94% up to date
- Safe and reliable: optimum safety indicators and has passed safety audits from AESA, Iberia, JAL and AA

Iberia has a challenging future ahead…



Macro environment worse than projected…

GDP YOY growth. %



SOURCE: IMF; Oxford Economics

BP 2012-2015

New forecasts

Spain number one in Europe-Latam flows

Market size in thousand passengers; weight of Spain in percentage

	Spain	Italy	France	Germany	UK	Portugal	Other
Brazil	496 14%	557	486	379	344	612	734
Mexico	402 28%	163	223	195	143		303
Argentina	522 40%	220	140	110	105		190
Colombia	410 56%						
Venezuela	285 42%	127					
Peru	264 40%	122					
Total	**2.379**	**1.247**	**1.030**	**845**	**722**	**710**	**1.483**

Source: CRS market share data

Size relative to market/flow size in 2011 (all cabins)

Key components of Iberia transformation plan

1 Focus on core network	○ Suspend non-strategic, loss-making routes / frequencies, close the gap in cost, fleet and product and keep effective feed for the long haul network
2 Renewal of commercial plan	○ Narrow the RASK gap to competition with a commercial action plan providing a customer proposition that will ensure competitiveness
3 S&MH transformation	○ Transform the short and medium haul operation, reducing the CASK gap to low cost competition, delivering an efficient short and medium haul operation
4 Comprehensive labour restructuring	○ Negotiate salary adjustments and productivity improvements to close the gap in labour cost and achieve a competitive and flexible cost structure
5 Restructure non-core businesses	○ Secure competitive maintenance and handling costs for the airline ○ Discontinue non-profitable 3rd party activities

1 Focus on core network: key strategy

Objective: network re-design, to sustain competitive position, trimming down non-strategic, loss-making routes/ frequencies and closing the gap in product, fleet and cost

1. Focus on long haul premium markets, removing low margin flying that has higher leisure demand
2. Build an efficient long haul schedule with traditional flying patterns 7 and 14 flights a week to optimise operating costs
3. Maintain short and medium haul routes with:
   - very relevant contribution to long haul (volume and yield)
   - reasonable margins
4. Selected frequency reduction positioned to drive profitability whilst protecting the customer proposition

1 Focus on core network: strong cut in 2013

2013

Long haul fleet	-5 aircraft
Short and medium haul fleet	-20 aircraft
ASK growth	-15%

- Bottom 13 routes currently losing around €100m on annualised basis – these are to be cut

2 Renewal of commercial plan

Objective: to narrow the RASK gap to competition with a commercial action plan providing a customer proposition that will ensure competitiveness

3 Short & medium haul transformation

Objective: to transform the short and medium haul operation from within, narrowing the CASK gap to low cost competition while keeping an effective feeding for the long haul network

1. Iberia will reduce salaries and improve productivity in its short & medium haul mainline operations by getting similar salary and productivity levels for pilots and cabin crew as low cost carrier benchmarks
2. Iberia Express has demonstrated an excellent track record in costs operational performance and customer feedback – and will continue to be central to our plans
3. The Iberia Express product will be extended to Iberia mainline shorthaul, and will thus achieve lower costs than with the current product offering (simpler product, higher aircraft utilisation)

4 Comprehensive labour restructuring

Objective: for the rest of the company, and beyond the short haul operations, we aim to negotiate salary adjustments and productivity improvements to close the gap in labour cost and achieve a competitive, flexible and sustainable cost structure

1. Reduce salaries and increase productivity company-wide
2. Eliminate barriers in labour agreements which currently prevent us from achieving competitive cost base
3. Adjust workforce to capacity - 4,500 redundancies

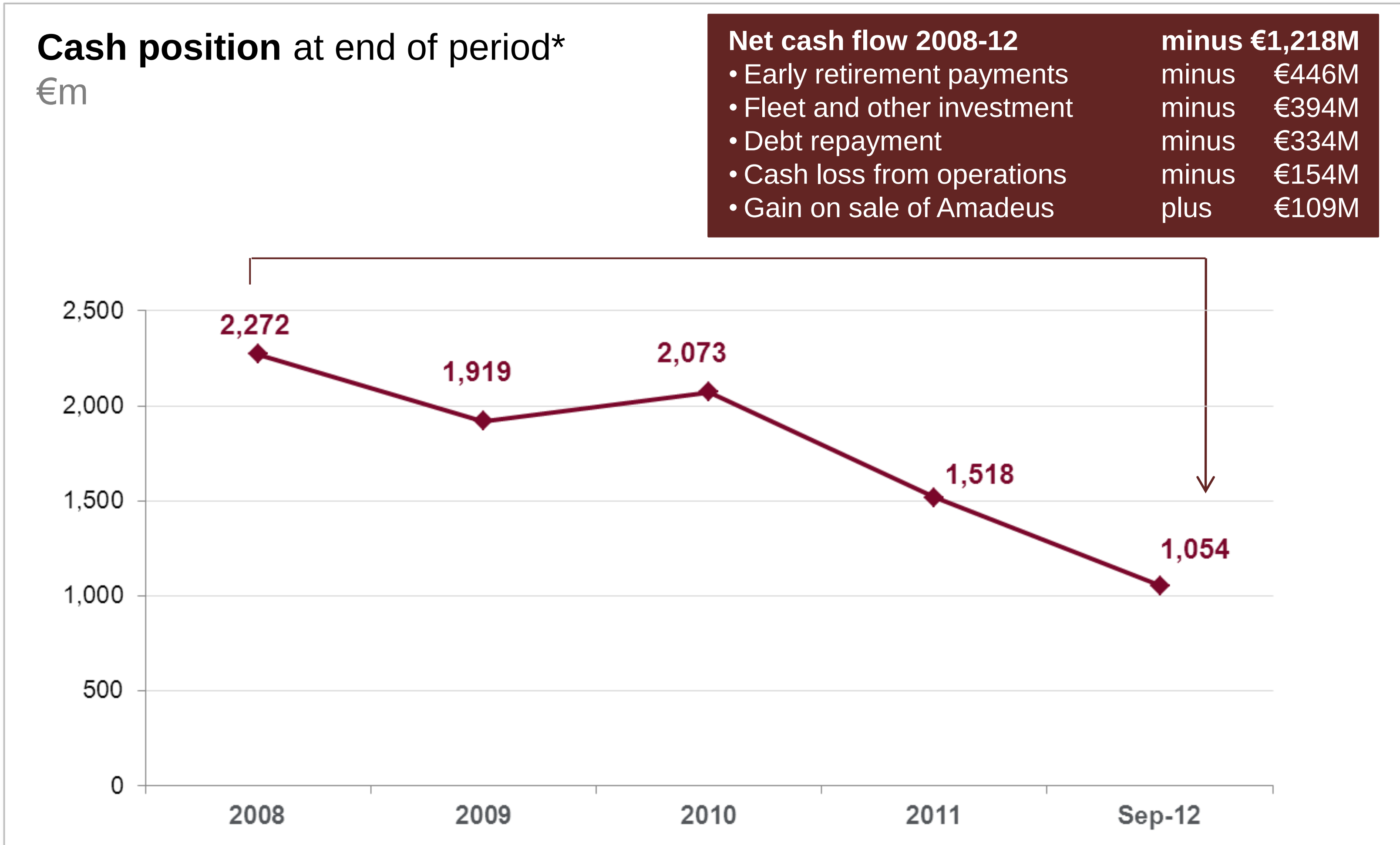
5 Restructure non-core business

Objective: to restructure non-core businesses, while securing competitive maintenance and handling costs for the airline

- Discontinue non-profitable parts of maintenance activity
  - MRO has currently 4 divisions (third parties 51% of sales)
    - line maintenance
    - heavy maintenance
    - engines
    - components

- Discontinue handling services outside Madrid unless they can deliver acceptable profit margins
    - we have 21 licenses to provide third party services at 36 airports in Spain
    - these licences will expired from end of 2013

Deterioration of cash must be stopped



* Total cash position including IFT longer than 3 months

Transformation costs required for the plan

One-off costs incurred will be due to:

Lay-off costs

- Our proposal to unions is to negotiate a new lay-off scheme to come closer to legal levels (maximum 1 year salary compensation)
- Figure is subject to discussion with unions

Fleet costs

- Fleet early retirement
- Delayed deliveries

Implementation and negotiation approach

- We have started negotiations with unions
- We have given a deadline to complete negotiations by end January 2013. Plan is to adjust for summer 2013 season
- If the unions fail to engage in negotiations, or engage in strike action, or fail to reach agreement by the deadline, we will implement further capacity reductions in order to preserve the viability of Iberia

Summary

1. Our intention is to transform the airline from within, to make Iberia competitive in all of its major markets, and enable long term growth

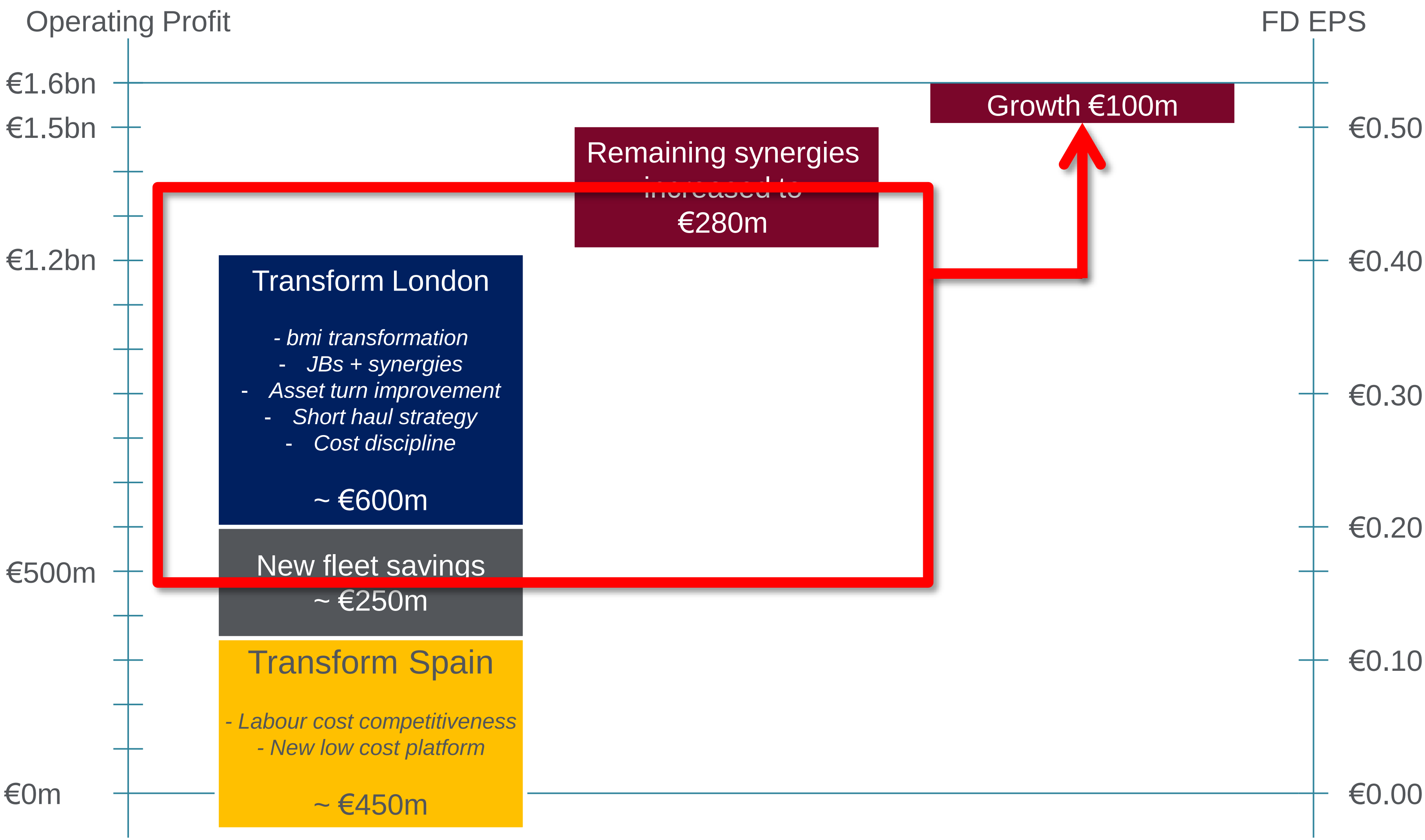
2. Key features of the plan:
   - Capacity reduction of 15% in 2013
   - Salaries and productivity adjustments
   - 4,500 workforce reduction

3. Sustainable competitiveness and achievement of its profit targets by 2015 will create the conditions for long term investment in Iberia, to allow it to fulfil its potential as the leading airline between Europe and Latin America

British Airways

9th November 2012

IAG financial targets 2015 – BA zone

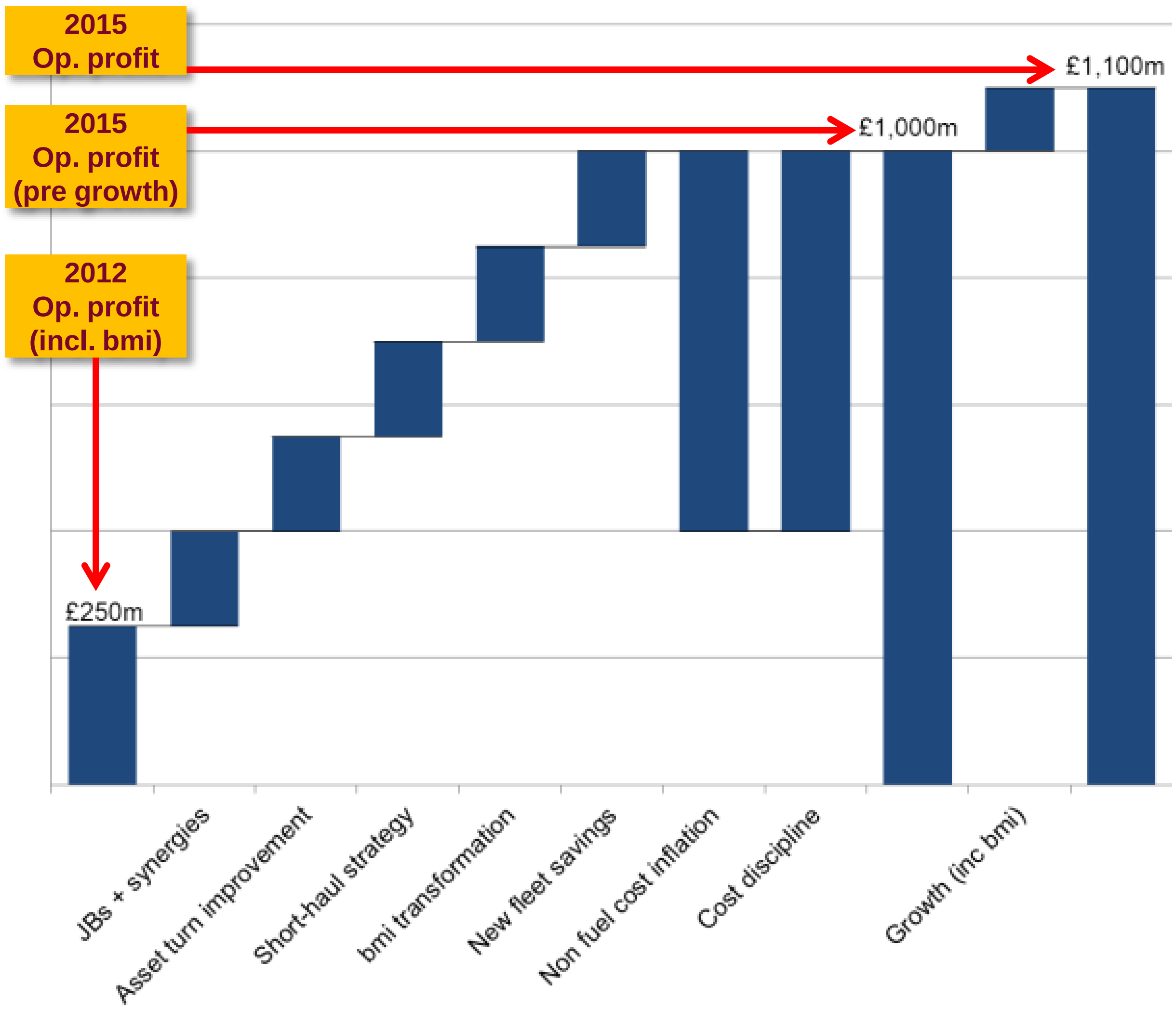


Introduction

- 2012 progress
  - Operating profit on track
  - bmi acquired and integration progressing well
  - Gatwick restructured
  - Customer satisfaction and brand bonding improved

- 2013 - 2015
  - Clear operating profit targets
  - Opportunities from fleet investment and bmi
  - Reinvestment in customer and commercial activities
  - Capacity flexibility

2015 financial targets



- Operating profit of £1.1bn by 2015
  - maintain last year's target of £1bn + £100m for bmi
  - chart demonstrates key building blocks (illustrative only)
  - to be in line with IAG return targets

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Joint Business

North Atlantic Joint Business is delivering

Revenue +23%

Unit revenue +10%

Capacity

+11%

Two years of Joint Business

Premium load factor:

+4 points

to 77.1%

Non premium share

+1.0 points

Premium share

+1.6 points

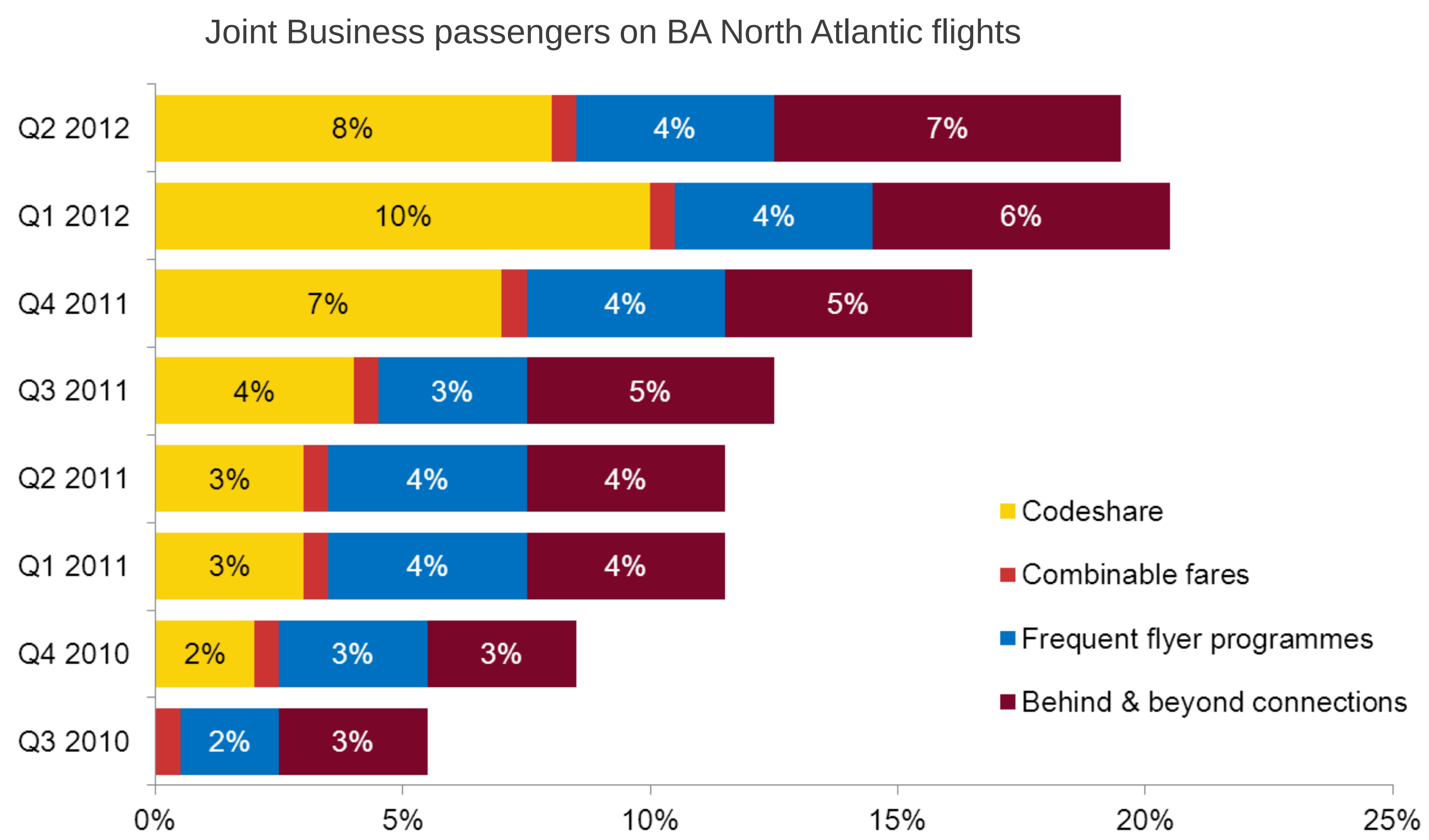
Period: end 2010 to end 2012

Joint Business

Cross-selling in the corporate market is ramping up quickly

Joint Business

Large number of passengers travel on JB enabled products



Joint Business

Further opportunities

Asset turn improvement
New insights into potential opportunities

- Step change in understanding our customers
- Design of new price product
- Best practice retail and digital marketing
- Price increases to offset additional fuel cost and inflation
- New revenue management demand and forecasting system

Short-haul improvement – a clear priority

- Short-haul needs to be profitable in its own right, as well as feed long-haul

- Good progress to secure a competitive cost base:
  - we now have a core cost base at LCC levels at Gatwick
  - bmi synergies at Heathrow

- Focus on driving more revenue per flight:
  - confidence that BA brand has value in short-haul
  - exploit underutilised assets e.g. Avios
  - better product with more inherent revenue potential

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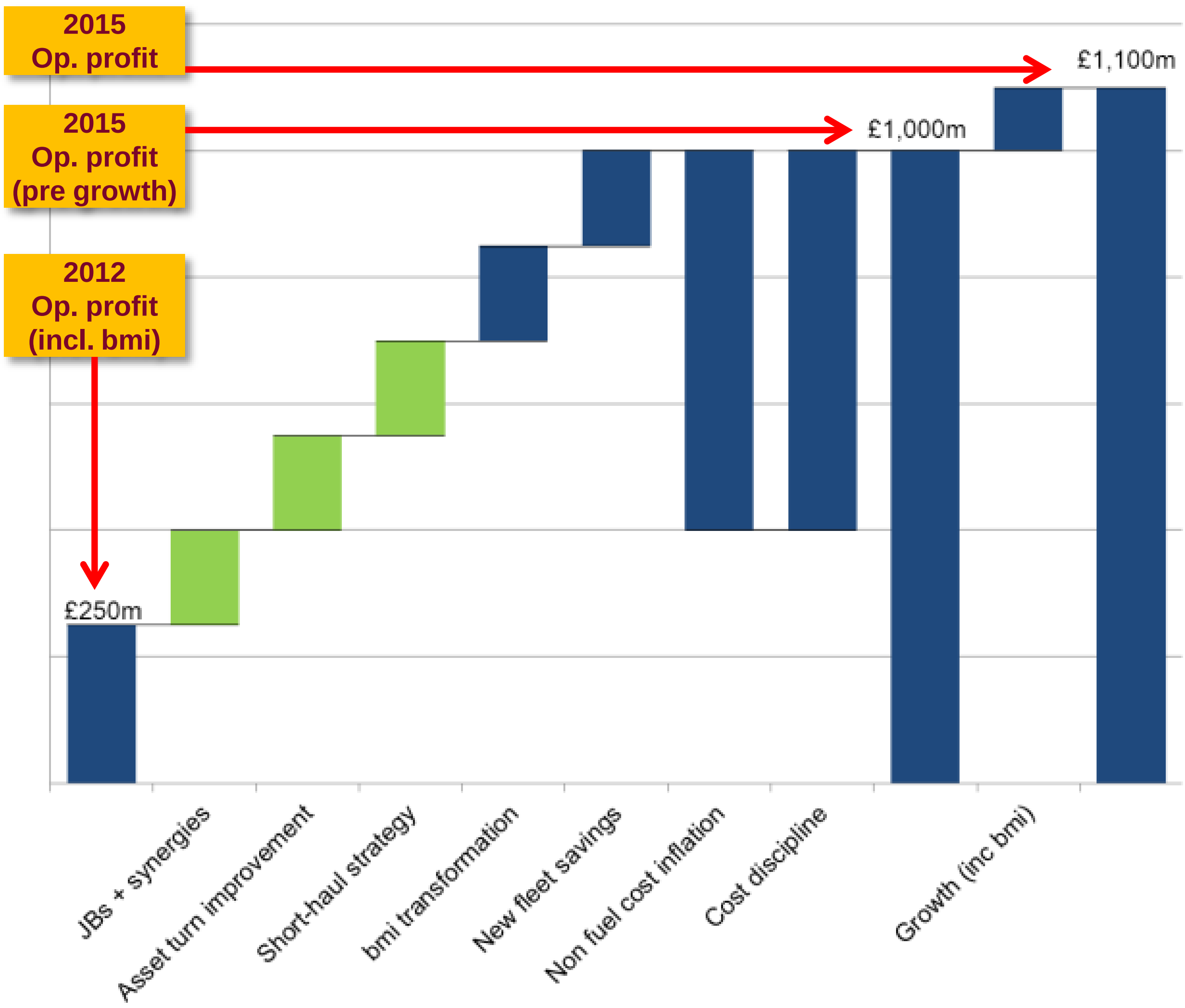
2015 financial targets



- Assumes industry benefits from capacity discipline given high fuel prices, and economic growth from H2 2013

bmi turnaround – integrate

- Integration 90% complete. By the end of the year:
  - transferred all **25 aircraft** to BA
  - transferred **~1,400 people** mainly crew
  - converted **20 bmi routes** to BA
  - closed **13 bmi stations**
  - transferred/cancelled **~900 contracts**
  - decommissioned **~150 IT systems** and exited **~150 bmi properties**

- Commercial integration already driving revenue
  - increased feed onto long-haul and new transfer flow markets
  - example route: revenue up ~37% vly, driven by mix and increased loads, on capacity increase of ~17%
  - flows to some key US cities showing 5-7 point share gains

bmi turnaround – optimise

- In winter 2012 bmi has enabled:
  - 20 new routes for the BA LHR network
  - extra capacity on 8 existing BA LHR routes
  - timing improvements through schedule
- Further cost efficiencies
  - consolidate into two terminals at Heathrow from c.2014
  - ongoing benefits from pilot commitments
- Integrated schedule optimisation began in winter 2012 and will build up through 2013, as fleet and network evolves
- Assume slot remedies summer 2013
- Drive feed across the Heathrow hub
- Convert slots from short-haul to long-haul use

bmi transformation – financial progress

- Proforma operating losses before acquisition c. £200m p.a.
- Post acquisition 2012 operating losses reduced to below £100m (v €150m guidance)
- Integration complete by end of 2012, total exceptional cost below £100m (per guidance)
- Net cost savings of c. £80m secured for 2013, c. £100m by 2015
- H1 2013 c. £50m loss; H2 2013 break-even (six months earlier than guidance)
- Will stop reporting separately from January 1, 2013
- On track to add c. £100m operating profit (including growth) to overall BA results by 2015

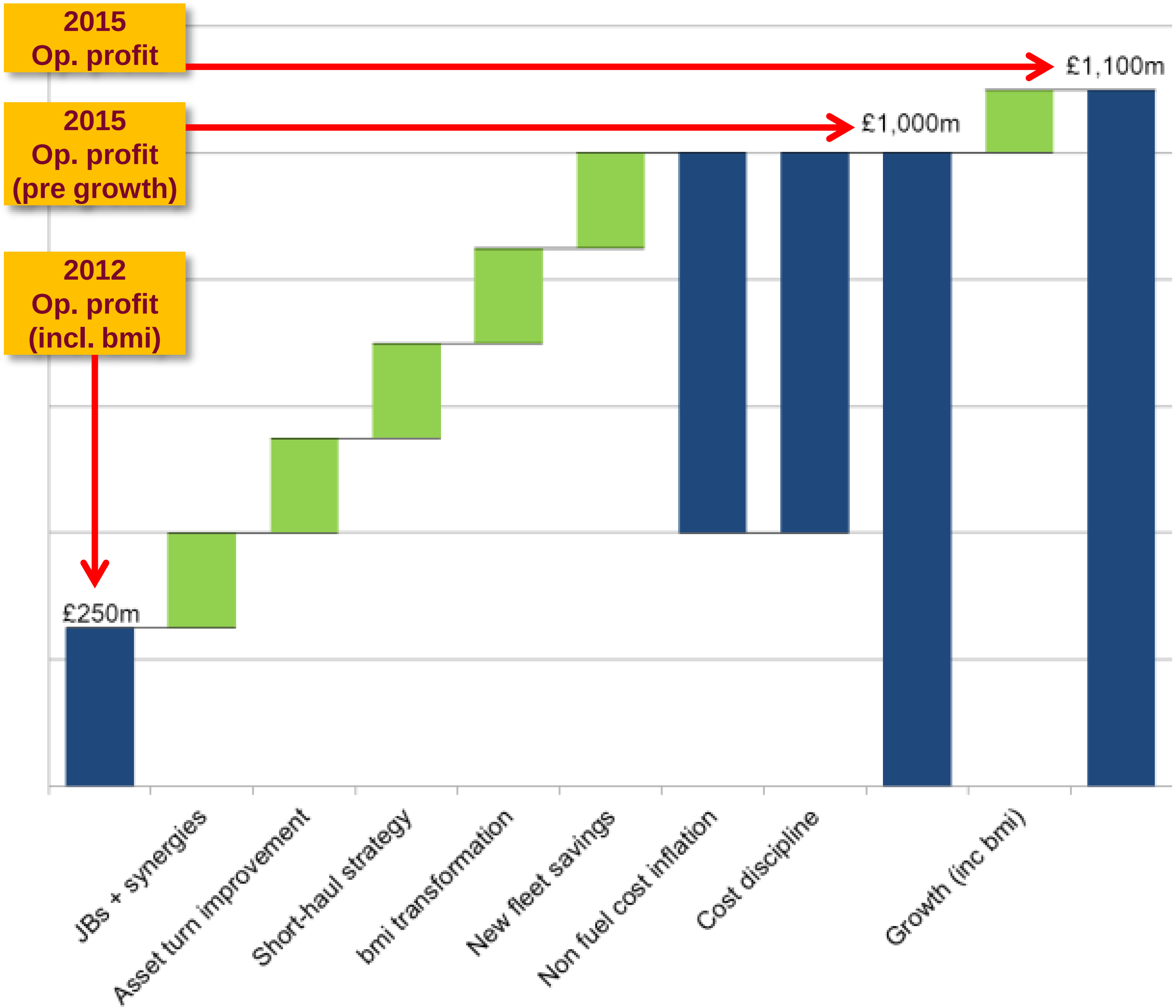
Fuel savings from new aircraft

- 27 long-haul deliveries by 2015
- New aircraft will deliver around £150m in fuel savings in 2015 v 2012 (assuming $110/barrel)
- A higher fuel price will would mean more savings
- Medium term long-haul replacement rate of 5-8 aircraft p.a.
- Customer product benefits

Growth (including bmi)

- Fleet flexibility supports disciplined growth
- Capacity growth assumed to average 2-3% p.a. to 2015
- 787s and bmi slots unlock opportunity
- New winter schedule post bmi
- Growth biased towards North America, Asia and partner hubs
- Airline partnerships support revenue and growth

2015 financial targets

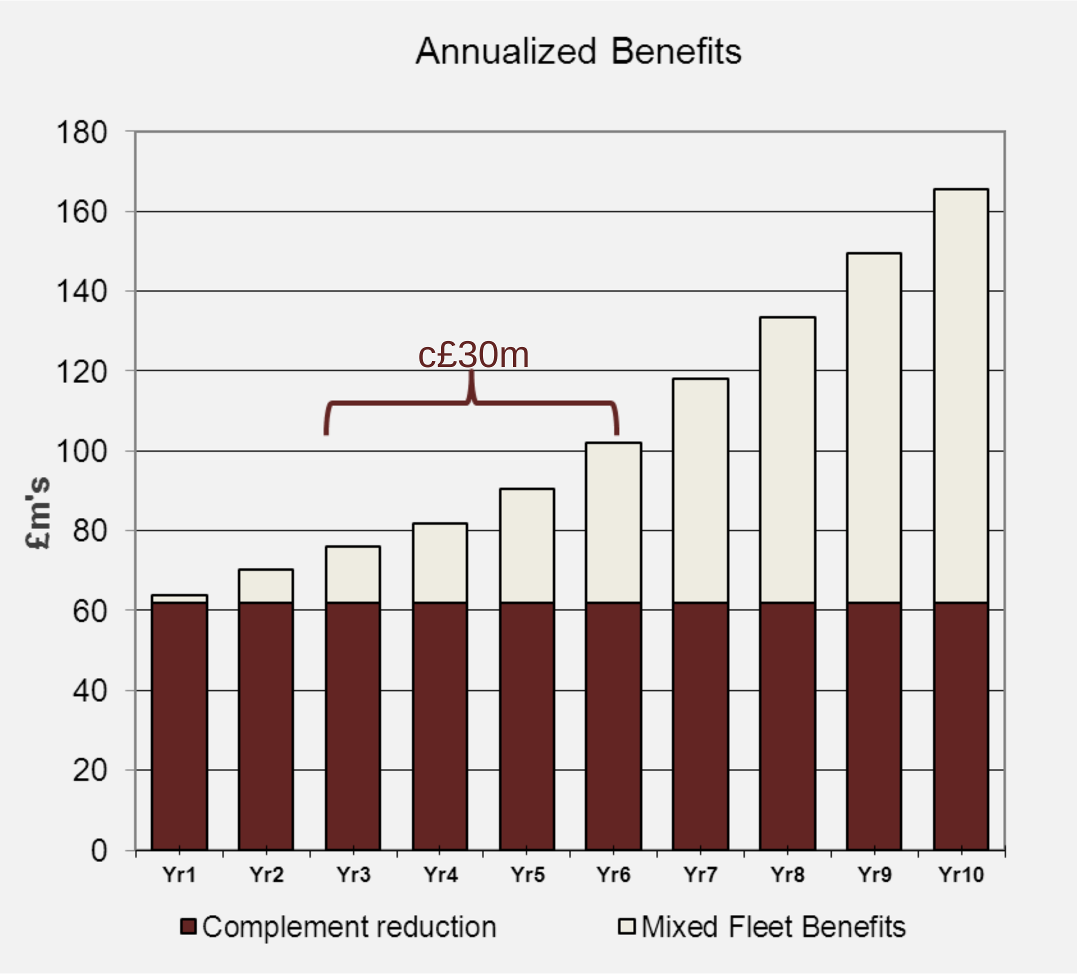


- Need to ensure profitability progress is not reversed by cost inflation

Cost discipline to offset non-fuel unit cost inflation

- Hold non-fuel unit costs flat to 2015
  - excludes bmi and non-cash impairment
  - excludes non-airline cost increases, such as BA Holidays
  - at constant exchange rates
  - achieved 2012 vs. 2011
- Equivalent to 3 years x c.£200m p.a. savings vs. 3 per cent inflation
- Savings net of targeted reinvestment in customer and commercial
- Three broad areas (with some overlap):
  - deliver / accelerate previous structural change
  - further structural change
  - procurement and supplier management

Deliver/accelerate previous structural change



- For example, “mixed fleet” benefits in cabin crew
- IAG cost synergies c.£80m incremental by 2015 vs. 2012
  - expanding opportunity for joint purchasing
  - progressing global business service platform

Further structural change

- Gatwick restructuring complete
  - 500 people, £14m cost, benefit from 2013 c.£12m p.a.

- 10% targeted reduction in overhead spend

- Further bmi related cost efficiencies

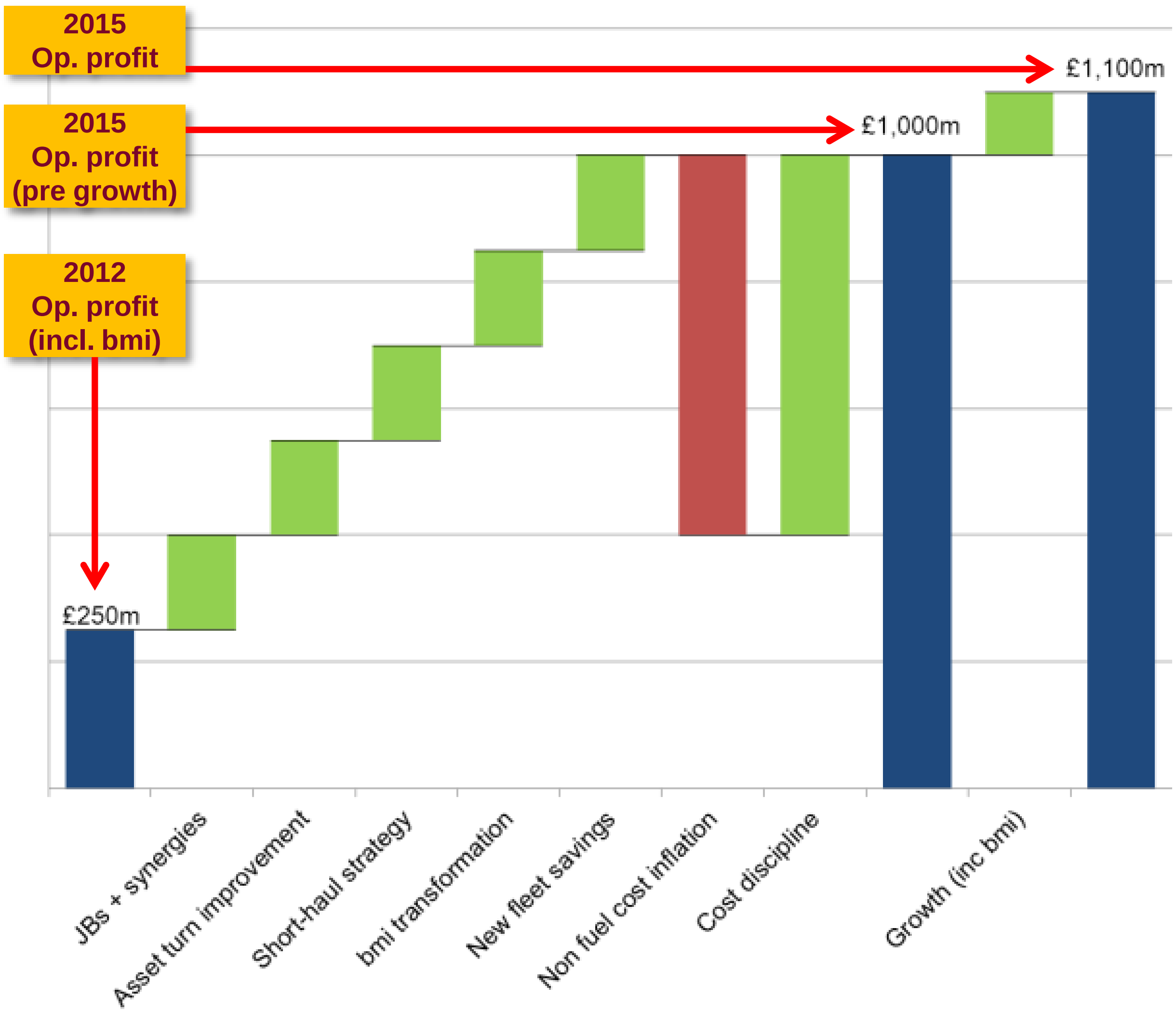
- Ongoing productivity improvements to fund pay rises and increments

Procurement and supplier management

- Broad based procurement programme
  - from specification to contract management
  - examples include catering and security

- Increased focus with strategic suppliers
  - airports (especially LHR with new regulatory period starting April 2014)
  - engineering

2015 financial targets – in summary



- Achieving targets would
  - provide sensible return on capital
  - support investment grade debt rating
  - generate free cash flow
  - support dividends

In conclusion

- Transforming the profitability of British Airways through:
  - partnerships
  - revenue innovation
  - short-haul stand-alone profitability
  - new fleet
  - once-in-a lifetime opportunities from bmi
  - cost discipline

- Balancing customer and commercial focus with cost discipline

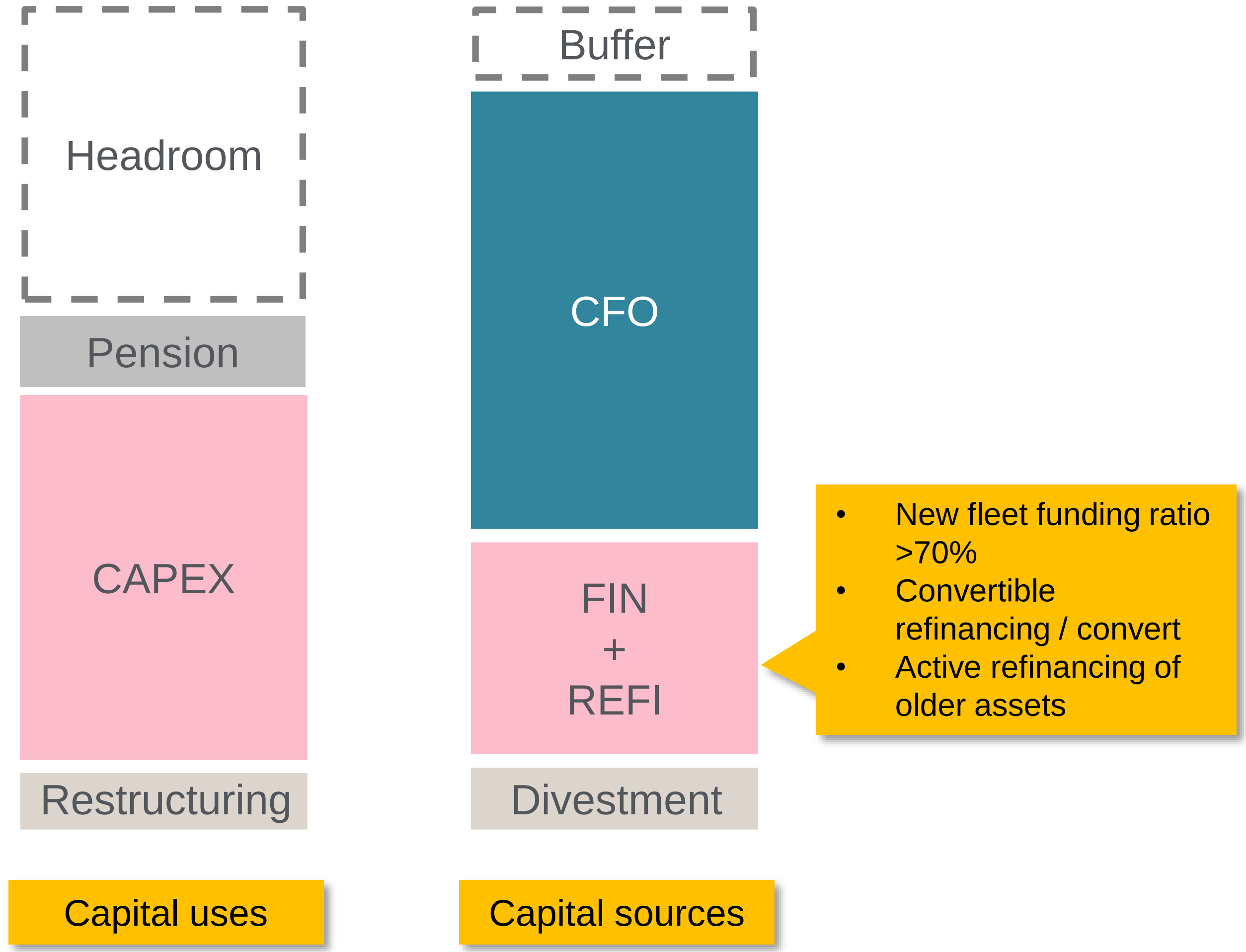
- Determination to provide a return on capital that brand franchise deserves

Financing Strategy

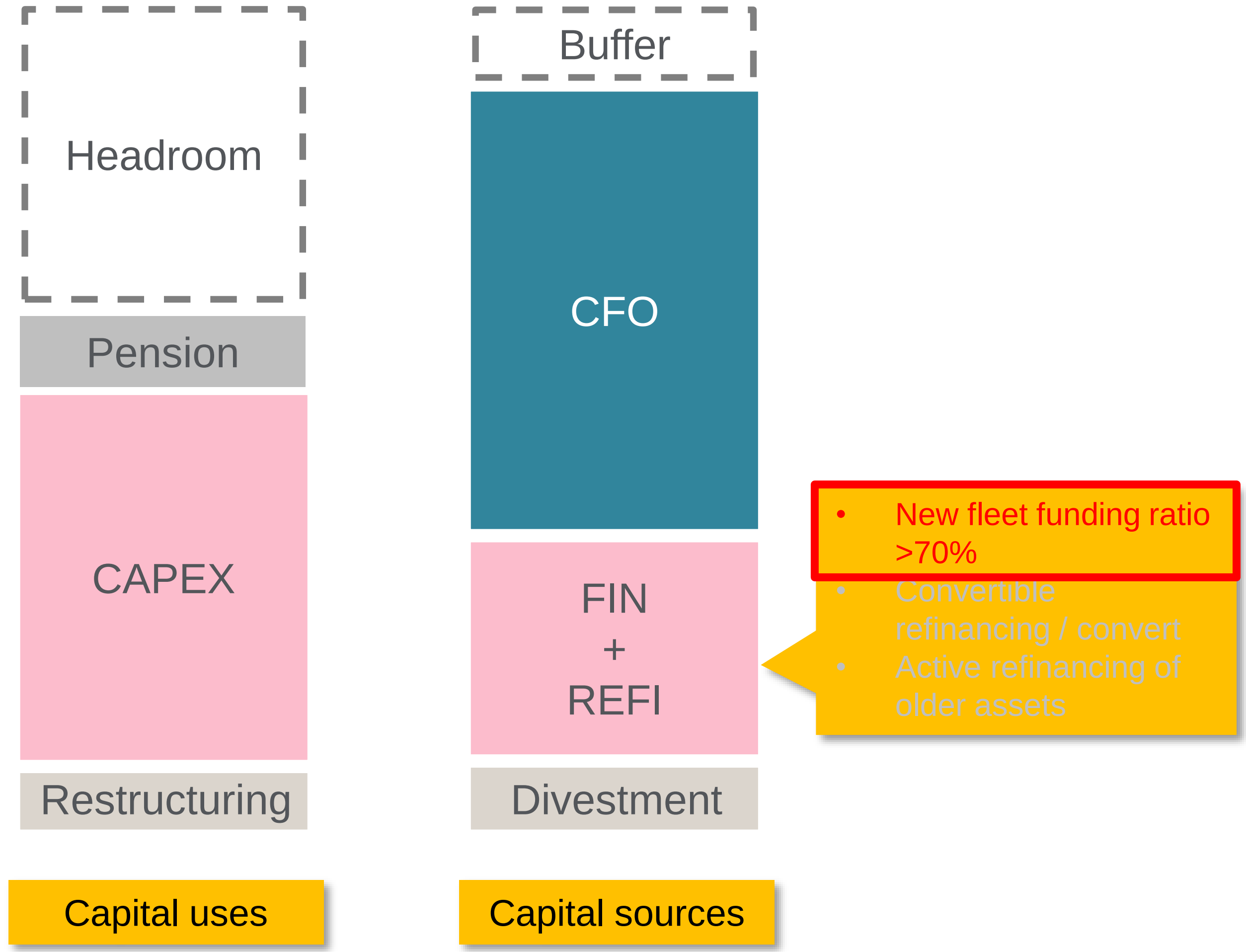
Enrique Dupuy

Group Chief Financial Officer

IAG corporate finance strategy, 2013-15



IAG corporate finance strategy, 2013-15



Generic sources of aircraft funding

Asset backed loans	Operating lease
Asset backed bonds	Manufacturer backstop / ECA funding

Generic sources of aircraft funding

- Asset backed loans
- Operating lease
- Asset backed bonds
- Manufacturer backstop / ECA funding

Asset backed loan market

- Steady withdrawal of European banks since financial crisis
- Offset somewhat by increasing presence of Chinese and Japanese banks
- Regulatory changes have made capital scarce
- Lenders are increasingly choosy: looking for large, stable well-capitalised airlines with good brand; "bankable" aircraft types
- **IAG advantage: large, stable well-capitalised airline group with good portfolio of brands; vanilla fleet; long standing relationships with Chinese and Japanese banks**

Generic sources of aircraft funding

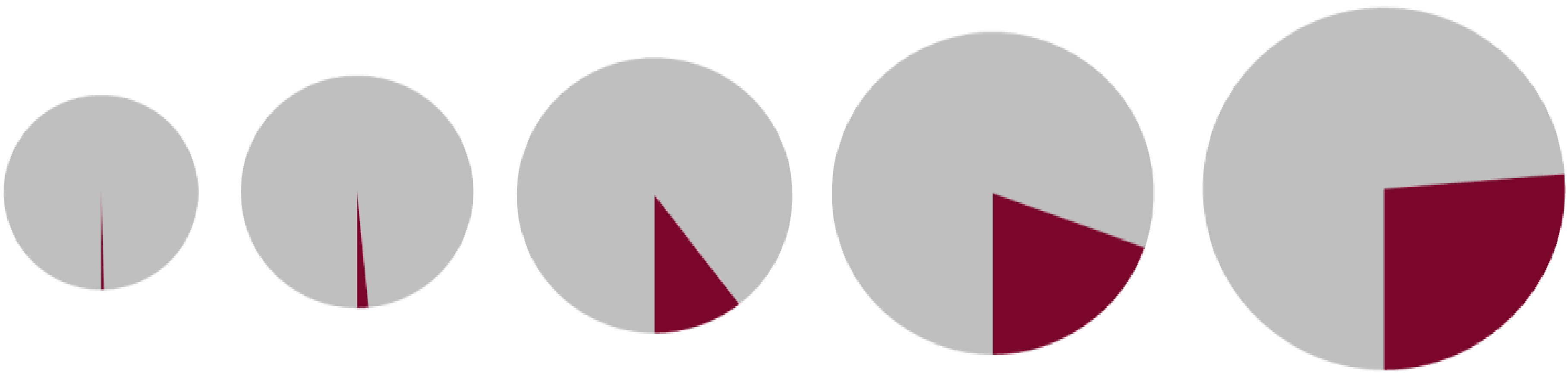
Asset backed loans	Operating lease
Asset backed bonds	Manufacturer backstop / ECA funding

Operating lease market

- Operating lessors provide flexibility in managing residual value risk
- Steady growth of global lessors since financial crisis
- Lessors themselves need to raise funds - in same pool as airlines
- Many new lessors no longer parent funded
- Advent of new generation aircraft have placed downward pressure on existing rentals
- **IAG advantage: strong relationships; well-established leasing practices; high maintenance standards; attractive collateral; strong expertise in IAG team**

Operating lessors playing a larger role

1970	1980	1990	2000	2010
3,722 aircraft	6,037 aircraft	9,161aircraft	15,003 aircraft	21,341 aircraft



17 leased (0.5%)	96 leased (2%)	1,076leased (12 %)	3,644 leased (24%)	7,621 leased (36%)

Operating lessors Other owners

Total in-service/stored western built jets at year end
Source: Ascend

IAG achievements 2012: operating leases

- A330 interim fleet to be used as a bridge to significantly more efficient next generation aircraft
- Sale and leaseback arrangements already in place for upcoming A330 deliveries
- Arrangement covers all eight aircraft with a single lessor (BOC Aviation)
- Separate on-point agreement for maintenance of engines with GE
- Recent technological developments require active management of residual value risk on A320 order
- MOU signed to complete sale and leaseback of A320 aircraft being delivered in 2013

Generic sources of aircraft funding

Asset backed loans	Operating lease
Asset backed bonds	Manufacturer backstop / ECA funding

Manufacturer backstop / ECA funding

- Historically stable but at higher cost than asset backed lending from banks
- Airlines based in UK, Spain, France, Germany and US have traditionally been denied access to export credit financing on Airbus and Boeing aircraft
- Access to export credit financing restricted on current orders but an option on future short haul orders
- Special exemption to home market rule now means export credit financing possible on two A380 aircraft
- Available manufacturing financing of up to €1.1bn
- **IAG advantage: strong manufacturer relationships; fleet size; flag carrier status**

Generic sources of aircraft funding

Asset backed loans	Operating lease
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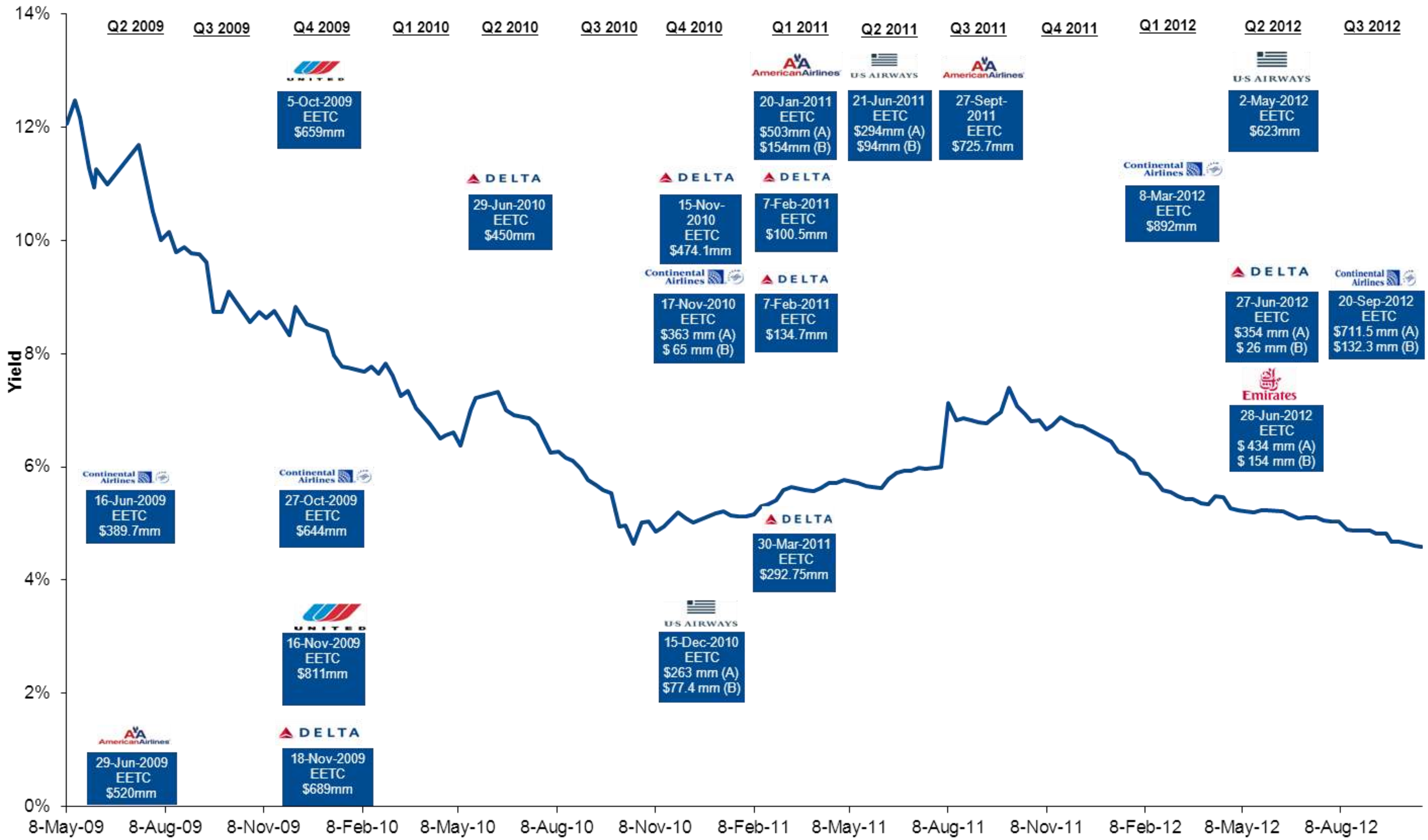
Asset backed bonds (EETC market)

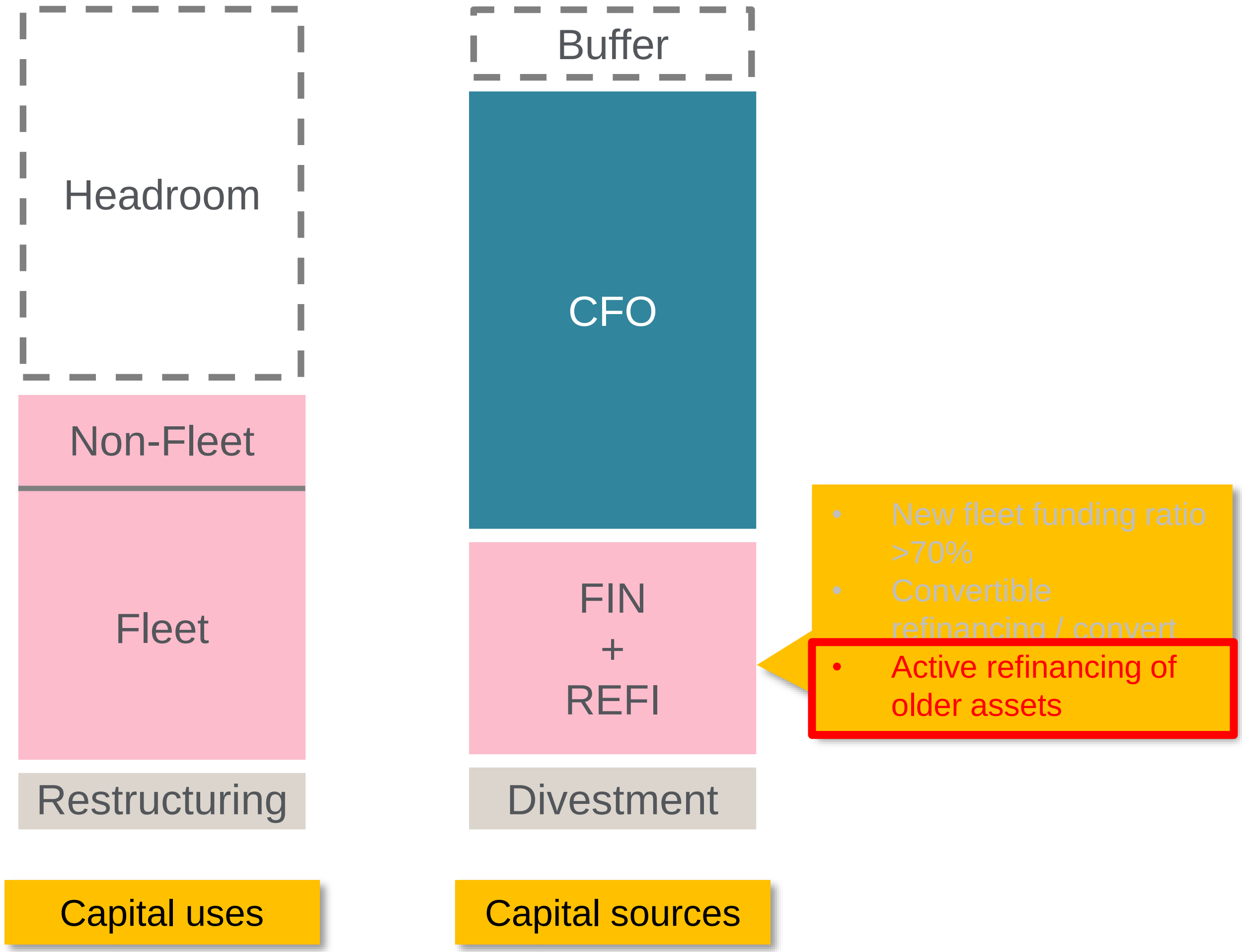
- Enhanced Equipment Trust Certificates (EETCs) are secured bonds backed by aircraft issued typically in US debt capital markets
- Over $11bn bonds issued since financial crisis, backed by both new and older aircraft – investors looking for yield assets, aircraft-backed bonds have consistently performed well in the past
- Yields at all time lows
- Particularly favoured by US carriers, due to favourable legal jurisdiction (ease of asset repossession in event of default)
- **IAG advantage: UK legal jurisdiction considered robust; credit ratings / listed company; EETC investors value potential to diversify away from US into stable brand; long term nature of assets attractive to pension funds and infrastructure funds**

EETC issuances and yields since 2009



Source: Credit Agricole EETC Index compiled using a historical average of 19 senior class EETC bonds beginning in May 2009 to 29 senior class EETC bonds up to date.

IAG corporate finance strategy, 2013-15



Refinancing of older aircraft

- Core fleet will be operated for full useful economic life
- Refinancing opportunities will be actively sought as aircraft exit primary financing
- Recent successful syndication of secured revolving credit facility for British Airways has provided contingent liquidity of up to $805 million

$805m secured revolving credit facility

- Provides contingent liquidity for general corporate purposes against vintage aircraft and spare engines
- Accordion feature to upsize up to $1bn
- Leverages assets well beyond their primary financing periods at attractive loan to value ratios
- Syndicate of 12 banks:

中国银行 BANK OF CHINA
ICBC
BARCLAYS
Deutsche Bank
citi
RBS The Royal Bank of Scotland Group
Morgan Stanley
HSBC
Santander
COMMERZBANK
UBS
CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

Generic sources of aircraft funding

Asset backed loans	Operating lease
• Well established banking relationships • Long standing presence in Asian banking markets • Good management track record	• Increasingly prominent and competitive • Ideal solution for interim fleet
Asset backed bonds	**Manufacturer backstop / ECA funding**
• Friendly jurisdiction and ratings an advantage over peers • Good brand presence in US • Economies of scale	• Manufacturer support remains available

IAG corporate finance strategy, 2013-15