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PRESENTATION

Antonio Vazquez - *International Airlines Group - Chairman*

Good morning, everybody, and I would like to welcome you to our Third Capital Market Day IAG. We have already started the morning with a good news, with the news of our increased confidence in our future by raising our targets, our financial targets 2015 from the EUR1.6 billion up to EUR1.8 billion.

And after establishing IAG in 2011, the group has become a clear global company and its market capitalization has almost doubled, actually, over the past year. We are right now the number 10 market company within the IBEX 35 and around 54 within the FTSE.

And this really means that we are in the highest position ever we have held in our financial market of reference. And we are absolutely delighted for the fact that this means that the achievement of IAG has been recognized by the financial market.

The group's disciplined financial performance and innovative approach to finance market has allowed us to gain access to funding so that we can invest in our airlines for the benefit of our customer, our shareholder, and our employees. This has demonstrated the ability of the group to raise funds to fulfill its duties to (inaudible).

This year, we used the Enhanced Equipment Trust Certificates, EETC, for British Airways. As you know, the transaction successfully raised EUR927 million in a publicly-traded bond issue using aircraft as collateral. The transaction marked a strategic milestone in funding diversification to renew our fleet.

It was the first time that British Airways has used the EETC and can -- and that this form of financing was used in the United Kingdom. We also launched a senior unsecured convertible bond which raised EUR390 million to fund Vueling's acquisition and improve general liquidity as well as the credit profile of the group.

In addition, this year, British Airways successfully exercised its option to redeem its convertible bond which was issued in 2009 to raise GBP350 million. All the bond holders converted their bonds into shares, which means and demonstrates the confidence that the market has placed in IAG.

We have successfully integrated BMI into British Airways. And the addition of Vueling early this year has added value to the group with its lower costs and successful product strategy. Vueling has managed to undertake a major expansion to new markets while continuing to grow profitably.

One of the advantages for Iberia of being part of IAG is that it's undertaken its restructuring under the umbrella of the group rather than flying solo. The restructuring is already very improved with the line improving its financial performance.

The new management team at Iberia set their mind to fully implement the restructuring plan while they continue to work with its union to reach an agreement to secure additional productivity and efficiency gains. These will be needed to bring about long term sustainable profits and growth.

We are optimistic about what lies ahead for our group. We are constantly moving towards the profitability level that will allow us to revamp our airlines fleet, thereby boosting both the efficiency and competitiveness of our operation.

In September, our shareholders approved a firm order for 30 Airbus 320ceo's and 32 320neos to renew Vueling's fleet. In addition to this firm order, we have 58 additional options for Vueling and another 100 A320 aircraft neo which could be used to renew the short- to medium-haul fleet, of any of the airlines within the group.

The long-haul, we are purchasing 18 Boeing 787 and 18 Airbus 350 for British Airways. The order also includes options to purchase 18 Airbus 350 for British Airways as well as up to 32 A350 and up to 12 Boeing 787 for Iberia. This combined order clearly shows the benefits that the member has brought to all four airlines because as part of the British Airways and Vueling order, we had been able to obtain options for all the airlines of the group including Iberia.

As far as the corporate governance is concerned, last week we announced the board changes that will reinforce and improve the corporate governance of the group. This was a timely opportunity to review the structure of the nearly three years on the road. We have renewed the obligation in the way that the board performs its duties which provides clarity and allows the CEOs for airlines to focus on their businesses.

By the way, we were very glad to announce yesterday that the board will appoint next December Marjorie Scardino as the Non-executive Director of the Board of IAG. We're all very glad because we do believe that Marjorie is going to be not only very welcome to the board, but is quite a significant acquisition in the long term and both to enrich what is today a very well performing Board of Directors.

The summary side, we absolutely related that all the achievements of IAG has been recognized and is supported by the market. As we have stated before, with the (inaudible) innovation, its entrepreneurial spirit and determination and we hope that today we will provide you with a vision and information about IAG to demonstrate that those characteristics are really pushing up for the future. Thank you very much.

Andrew Barker - *International Airlines Group - Head - Group IR*

Thank you very much, Antonio. Just to give you a quick run-through of the agenda before we start with the groups and to explain some logistics for today, you'll be seeing four presentations of roughly one hour. So the overall IAG presentation with Enrique and one each for the BA team, the Iberia team and the Vueling team.

We'll run Enrique and the BA through to the break. And then what we're doing is during the Iberia presentation, we're going to give you not only a taste of the financial and strategic outlook for Iberia but also a taste of Iberia food. They're sponsoring the event today very kindly. And after 11.30, you'll find at the back where you came in, Iberia has improved and also they prepared for you, the Iberia flight kitchen has prepared Iberia in-flight meal so you can eat while you're listening to Luis.

We also have for those who want to some very nice Spanish wine selected by the Iberia team and I'm looking forward to that. But after that, we run straight to continuing the Spanish flavor into Alex and the team of Vueling. We then have a break and then an extended section with Willie and Enrique with Q&A. You can ask all your formal questions then and we can run that on if you'd like a little bit longer if there are questions still to be answered.

Obviously, I've attended hundreds of these events before and I find it is easy during the middle of a presentation, let's say after a glass of wine, to find your mind wondering. We're presenting three different airlines, each with their own flavor, each with their own story.

And to make it easy for you, if your mind is wondering during the day, just look up at the top right-hand corner of any slide, you'll see one of these four icons so you'll be able to focus back on what we're saying.

And we've arranged it in cost-fleet network product, know, these could be arranged in any order but we have been spending a lot of time focusing on costs, as you know, since the start of IAG and there's a lot of detail there to get through which then leads to fleet and our growth strategy. Network and product has really everything to do with the customer which obviously is ultimately what we're doing on this call.

Now, obviously also during this day, you're not coming here just to be read a presentation that you could download off the Web anyway, you're coming here to see us. And more than the speakers, there are experts in the room from IAG from each of these airlines who've been helping us through these presentations and we'd be glad to help you in the break if you have any questions.

Again, to make it easy for you, we've given them each a badge with one of these icons on. And just to -- I won't introduce everyone, but here are the people we've randomly grouped -- not randomly, but we've assigned for the cost category. Just to pick out, for example, Fernando Candela in red there is Chief Executive of a very special airline, Iberia Express. He's the Chief Executive, so he's responsible for everything but he's got a Euro badge on for today.

And just to continue that theme, Silvia Mosquera, at the bottom there is the Commercial Director of Iberia Express. We've grouped her in fleet and network but of course she can also talk very eloquently about the product.

So those are the names of the people -- I won't go through them all, but just look for their badge in the break and they'll be very happy to help.

Now, logistics of the day, just to finish off, for those of you that arrived on the bus or want to go back on the bus, there'll be a free bus departing at the conclusion of the day every 15 minutes round to the airport. You can also take the Hotel Hoppa bus which I think is not free, but it's also very convenient.

But also we have, for those of you parking today in the hotel, we've arranged free parking. You may have been told that it costs GBP5, but actually, when you come to leave, just drive out and the barrier apparently will raise and just let you out. It may be a bit more complicated than that, but I'm sure you can work it out.

Also, a word of thanks to Mr. Rafael Nadal who we contacted yesterday and he's lending his personal support to this event and you'll see his participation in Luis' presentation a bit later on. We also contacted Mr. Pablo Picasso and unfortunately he declined to support this event, so we've had to get someone else's support.

So with that, I'd like to hand over to Enrique for the financial overview. Thank you.

Enrique Dupuy - *International Airlines Group - CFO*

Thanks, Andrew. Good morning, everybody. So we have tried again this year with my team to make this [landfill] part of the whole presentation a little bit less boring. I know it is difficult because we usually fall into a state of figures and ratios and it gets a little bit with it too busy, too boring. So what we are trying to do is to present with more of a dynamism, a little bit of animation but of course with the aim of trying to send the right clear messages about what we're going to do and how we're going to do it, so you will have the final statement of -- about the restructure.

Okay, so as you will know, the main topic of today is about us improving, increasing our targets in terms of operating profit by year 2015 from what we were saying last year, EUR1.6 billion for 2015 and then into the new target of EUR1.8 billion.

And on a very summarized way, these are going to be the arguments and the reasons that we are going to be, through the whole morning, transmitting to you as the main foundation of this increase in profitability we are seeking and we are thinking that we are going to be able to deliver.

So the first one, of course, has to do with the impact of Vueling integration and the performance that we are seeing for this new member of the group for now and into year 2016. And we are having here Alex and his team in Vueling to be able to go through these messages, his own arguments on how Vueling is going to be able to bring value and to help us to reach this EUR1.8 billion figure by year 2015.

The second one you know about with -- and also quite clear in terms of messaging what has been happening in British Airways through the last quarters is a significant improvement in unit revenues and margins that have been achieved in British Airways for this year. And the challenge there is to keep that increased margin, to keep that improved profitability through '14 and through '15.

In fact, the specific target for British Airways is improving their operating profit from the GBP1.1 billion we were mentioning last year to the GBP1.3 billion. And that's something that we have had to reach agreement about. I think we are there already.

The next one is not a novelty. It's about Iberia recovery plan on track; we have been also informing the markets, investors, shareholders about how Iberia recovery plan which is based on the mediator plan that was reached by the end of March this year has been improving the underlying performance of the company. We know and we have been very clear about it, it's not enough. It's not enough to reach a sustainable business model that is able to grow and [bear] which we are comfortable investing in the future.

But we have some improvement expectation and some clear opportunities of improving the performance of Iberia towards year 2015 and the Iberia team will be very clear on their ideas, their challenges on their respect. There's also additional contributions that we are going to be allocating to growth, okay?

So you'll see growth is improving its contribution to the total pie in terms of additional value created and this is because of today, on one side, Vueling, of course. Vueling is a growth animal. It's a different tool. They are playing in a different league and they will be growing faster than the average of the two other companies. The other one is British Airways. The growth of British Airways is going to create more value because of the better margins that we have already been achieving and that we will retain.

In terms of some figures, that's something I cannot avoid, we are aiming to these earnings per share target of EUR0.54 per share. We have opened there a little bit of an expectation for potential improvement but we will also comment about the challenges, the risks that we are going to have to face. So we are setting this target for EPS at EUR0.54 spent per share.

And this is correspondent with a return on investment capital of around 12%. That could also have eventually a bit of a positive headroom.

Leverage, we have been, in the past, talking about leverage on constant accounting type of terms, so ex pre IAS19 of around 50%. So we are saying now it would be around 55%. There is a clear example. This is actually Vueling. The acquisition of Vueling is bringing about 3%, 4%v points up in leverage and this is because Vueling is -- more leverage will need to grow faster and that's going to mean a little bit of a drag up in terms of leverage for the whole group.

Finally, we are going to also permit some very preliminary ideas about how we are thinking our business model would become a sustainable business model into a long term, capable of growing and capable of producing consistent and regular returns for our shareholders. So we would be assuming in the long term a pattern of growth between 2% and 3%. Maybe Vueling is going to be pushing us as an average group more on the 3% type of level.

That will mean, assuming CapEx of between EUR2 billion and EUR2.2 billion per year on an average basis and this is not taking into account on this figure the operating leases, and basically providing market level returns for our shareholders, that's how we are defining and building up our long term business model.

So this is, as we were saying last year, the improvements that we were planning for our performance towards their relative modest base -- initial base by the end of year 2012 which was a modest pre-exceptional loss we made last year into what we thought could be the target last year, EUR1.6 billion. It was a limit of climbing the Everest, as you can imagine.

So the size and the intensity of the challenges that we were, at that time, maintaining for the group was huge. It had to do with a big transformation in Spain. We were counting already on Vueling although we didn't know about the final outcome of that one. We were counting on a big, big restructuring taking place in Iberia. That transformation of the Spanish business should be rendering about an improvement of EUR450 million at a cruise speed for year 2015.

We were also counting on a new fleet of additional savings in terms of fuel consumption. Very important at this actual level of fuel prices, so for the group was EUR250 million of less fuel cost and cruise speed again.

We were also mentioning the transformation of the London business basically around British Airways, new opportunities coming from the acquisition of BMI, coming also from, I would say, the improvement getting up to cruise speed of the JBA with American Airlines in the North Atlantic, improvements on the short-haul business model and the strategy there, and cost discipline.

So were basically accounting EUR600 million of improvements out of this transformation of London exercise. And on top, we had synergies which we had already done for '11 and '12 but were remaining still for '13, '14, and '15 up to EUR280 million and the growth component of around EUR100 million for additional contributions.

That was the way that we thought we were going to be getting to the EUR1.6 billion last year. So let's see how this chart has been moving, okay?

First thing is Vueling. Vueling, we have been able to complete the acquisition. Vueling is now contributing to our EBIT figures this year in a very significant way, so here's one of the first news you know about. And the Iberia improvement, Iberia execution of the mediator agreement is also something that will be helping a lot and already through year 2013 and it will be getting better through '14 and '15.

British Airways improvement in performance, this has been huge. It has been related to BMI completion. And then optimization of the use of these new slots is an ongoing improvement that we will see through '14 and '15, so good news on that one.

A bounce back in our profitability, profitability of British Airways in London due to a negative impact last year because of the Olympics and that's something that we have experienced especially through Q3 and then in general terms a unit revenue improvement, RASK improvement, through most of our business segments and networks. So it's affecting premium, non-premium, North Atlantic, Asia, the European network, so it's quite across the board.

And then the synergies. We delivered the EUR122 million synergies finally in this year, 2013. And this, as you will see, represents a significant improvement with the initial expectations we had for last year for year 2013.

So this is what remains to be done. We are re-basing this chart -- of course the starting point is now higher. It's November at EUR740 million, but the estimate that we have made of our full year 2013 operating results. And again, we have the same areas of talent, finishing the transformation of Spain, finishing the job in terms of British Airways in London, completing the remaining synergies, and achieving this growth.

And here is where we have identified areas of improvement, okay? So we see in terms of London, British Airways, we have the new challenge and we are going to fight for it to improve the performance in British Airways through the increase of margins, increase in unit revenues, retention of this achievement through year 2014 and '15.

We will show you that also we have been increasing the target on our synergy project. We are going to get now to around EUR650 million of gross synergies by year 2015 on improved EBIT. And the contribution from the growth element will also be higher and this is because of these two elements.

On one side, the growth in British Airways at higher margins that we have captured is going to be higher. And we have Vueling. Vueling, the growth component of value creation of Vueling is also there. And that's why we are going to get to EUR1.8 billion, that's why we are heading to EUR0.54 per share as our target in terms of this year for 2015.

More to come? Yes, maybe. In the case of Spain, potential on top of those figures coming for the Iberia agreement, so Luis and his team are going to be explaining that of where they are in terms of what are those targets in this specific area.

Vueling potential, of course, Vueling is a new tool for us, a new animal. It's very encouraging how they've been performing, but there may be more to come.

Spanish economic recovery, that's a big question. I am beginning to be a little bit more confident about having a recovery. There are some signals in the Spanish economy that are pointing to maybe a quicker and maybe a little bit of a steeper recovery than most of the analysts were thinking just over six months ago. But we'll see. We'll leave it as a potential.

In the case of transforming London, it's about what we are seeing on the underlying and future economic growth of British Airways' main strategic markets, so we're -- what we're seeing is the US market is improving and it appears that it's going to improve further on to '14 and '15.. It appears as the U.K. market, the big catchment area around London, will also be improving, so that may be also a source of additional potential.

But there are some challenges there. They have always been, in all our industries, it's very volatile, so we have to keep our contingencies, we have to keep our headroom. And this is because of fuel uncertainty again. As you know, we are very sensitive to fuel changes. Our fuel bill now accounts for almost 35% of our total costs, which is a big figure.

What we know now is we've been able to recover 100% of fuel cost impact in the past. Even just a couple of years ago, we've done it. So we know that's something that we will be able to cope with. The problem is timing. Our industry needs timing to recover also the fuel cost impact. Maybe it's about 18 months, maybe it's in 24 months, but that's an area of challenge. Also, these economic uncertainties, as I've been mentioning.

Finally, operational risk. So we will talk about Iberia. There is a lack of agreement at this point in time. There is an opportunity, but we cannot really make it in a statement. It is something that we are going to need to work through.

So Synergies. So remember this is the old chart of synergies. It shows, at the top, the cumulative cruise speed and the structural improvements that we are getting year after year. And last year, we are say, look, by year 2015 we will be getting EUR560 million gross synergies and then there's going to be a cost for the year of about EUR35 million. So the net positive impact in the profits and loss account on a base year 2011, beginning of 2011 would be EUR525 million.

So those were the figures that we were using last year. And we've been able to improve them this year, 2013. So as you will see, year 2013 will be showing a significant improvement on the previous estimate. This has to do not only through additional gross synergies that we are seeing coming through this year 2013 and into year 2015, it has also to do with some, I would say, cost reallocation that we have been doing.

So we have a big cost allocation initially in year 2013 and that has been flowing through '13 and '14 in a little bit of a different way. It has to do also on how the restructuring exercise in Iberia will be flowing from year to year.

As a whole, we are thinking, we are aiming, we are betting to this EUR650 million to see end of year 2015 which will mean EUR600 million of positive improvements at EBIT level since beginning of year 2012, so very important figures in terms of how this exercise is contributing to the total profitability and to the target of the group. Very important contribution of the synergy programme.

And just mentioning some of the things that we have been doing since last year, as you see, the incremental synergies for year 2013 have accounted for EUR122 million. We have done the beginning of the outsourcing of transactional functions. That's a very important process that we will be undertaking through '13 and '14 and basically it has to do with outsourcing some of the less valuable tasks and jobs that we have in the group have to do with administrative type of activities and other back office type of activities that we will be outsourcing.

There's also significant improvement being done in terms of sales integration. So it will be including, by the end of year 2013, 19 locations, so including Portugal, Morocco, Israel in year 2013. It's about the same with ground handling contract synergies. So new contracts taking the benefit of the greater size of the companies of the group, seven major European airports re-negotiated in the year 2013.

Other commercial activities that have been improved, basically network extensions through codeshares with 19 new elements, new areas in this -- through year 2013, including Buenos Aires, Rio de Janeiro, Sao Paulo as the top performers for IAG.

And the last one which I would like to spend a little more time which is the new fleet contracts. The new fleet contracts of course have nil repercussion, nil impact on the very short term because the delivery will be coming in year 2015, especially '16 end of the year. So they have to do with short-haul fleet, A320 family aircraft for the group and also long-haul fleet, so it's Boeing and Airbus.

When we talk about synergies here, it's very accurate because it's suddenly related to status. So the contracts that we have been building with Airbus and Boeing are very much related in terms of economic concessions to size. So bringing these new requirements coming from Vueling, bringing these new requirements, potential requirements, coming from Iberia will create an additional size and additional discount.

The level of net present value of the discount is, in terms of the future impact on our profit and loss account since year 2016 and then through the life of the new aircraft so maybe 20 years, will be in the range of EUR20 million to EUR30 million per year, depending on the timing and type of it, so big, big numbers.

And this is a back of the envelope exercise, so it's very simple. I think Andrew has been insisting me a lot through the last week to bring it to you. And so what it tries to do is to just make a little bit of rule of thumb exercise that could be leading us to an appropriate level of cash -- sorry, of CapEx and return on capital employed as main drivers for our performance.

Of course, behind this back of the envelope exercise, there is a pile of very detailed planning sheets through which we get to assume the conclusion. So that's why it's so simple and easy to get through this back of the envelope type of exercise.

So the first thing we are saying is, okay, if we think our leverage could be around 50/50 debt and equity, we allocate the cost of debt of around 5% and we presume the cost of equity in the range of 15% pre-tax, that will be creating a WACC type of level in the range of 10%. So this is no secret, is easy. You could have your WACC 9.5 or 10.5, it would be around 10.

And then let's take a look at our books. And they show, by the end of year 2012, a tangible fixed asset net of depreciation, of course, it's historical figure of EUR10 billion. And then what if we translate that net book figure into gross, okay? So before depreciation, that would have meant something in the range of EUR21 billion, not taking into account the depreciation that we have done on our asset base for the last years.

So let's put that gross figure under inflation type of -- effective inflation happening since the deliveries of those assets into our balance sheet. So applying a 2.5% inflation, you can see 21 billion would mean in real terms, the market value of those aircrafts if they were -- before depreciation if they were new, it would be reaching EUR27 billion. So that's the type of big, big figure before depreciation that we could find if we had to buy those aircrafts in the market today.

And as they are approximately halfway through their operating life, through their economic life, their type of secondhand value, their real value taking into account their actual average life, will be around EUR13.5 billion.

So if we take this EUR13.5 billion as a very, very simple exercise of an approximation to the market value of our assets today and we required by the end of '13 a 12% return on investment capital on that figure, we would have to produce EUR1.6 billion. This is on a '13 basis, okay?

So if we made the same exercise just on year 2015, the figure would be EUR1.8 billion. Okay, what a surprise. EUR1.8 billion, that's exactly the figure that we are pointing out. Good. A little bit of magic, okay?

So if we were then to translate that type of asset base into replacement and then regular yearly equivalent CapEx figures, taking into account the growth that we are going to be producing for the next 10 years and future inflation, we could translate that big stock into a CapEx for replacement and growth for a yearly basis that would be reaching EUR2 billion to EUR2.2 billion.

When we get to the final of the presentation we will see that the figure, the real planned figure that we are reaching for the same purpose on our spreadsheets, on our detailed calculation is in the range of EUR2.2 billion. Okay. So there is no magic, but it's just how it shows and it may be helping you on your own simple model to get to, I would say, a similar conclusion.

So when we talk about the figure of CapEx for IAG in balance sheet CapEx of EUR2 billion to EUR2.2 billion, this is about normality. That's about the rate of CapEx that we are going to be having to produce through the next 10 years. And this is how it shows. So this is just year 2015 but if we were to prolong this graph into the 2020s, it will be showing very, very similar. So in terms of '14, '15 our IAG expected growth is 6.6% and before Vueling it will be 4.9%.

And if we get to a longer period for the calculations, the IAG would be looking at 5% and Vueling will be looking at 3%, which is the basic rate of figures that we have been talking to you about.

So as you see, the changes that we are going to see through next year and '15 are going to be basically related to new long-haul new generation aircraft. These are the actual concepts for 787 and 380 that we have in place and that we'll be concentrating these deliveries through these couple of years, usually, more of a detail on those deliveries through '14 and '15.

So end of '13, we will be having long-haul aircraft 153 and that's 330, 340 in the case of Iberia. We'll be having one more 330 in year 2015. It's a net because we are going to see some existing of 340, 330.

So in the case of 380, we'll be having three by the end of this year and then nine by the end of '15. 747 fleet of course will be the one to sync with the 767 fleet. 777 will have four more by the end of '15, 787 will have eight more by the end of '15 and the 318, it will be at the current status. So that's about the long-haul. And the short-haul will be growing basically due to Vueling expansion and Vueling new 320 family aircraft.

So for the group is we're climbing from 266 to 299. What is left beyond year 2015? So we have these new contracts in place and the old ones which will be bringing 18 more 350s, three more 380s and 30 more 787s and also 52 additional A320 family aircraft basically for the Vueling fleet.

So with this outstanding order, basically what we are securing is replacement of all these. So the confirmation of all these is basically aimed to secure what we feel, what we have planned in terms of replacement. And with the options we have, we'll be building up, I would say, the full growth pattern that we are also thinking about.

So taking into account the options and what we call in our industry the rolling options, so the further options that could be released through the exercise previous [options] with those two sources of additional aircraft, we could be securing up to 5% additional CAGR growth for the period '16 to '22. And you'll see a very flexible approach. We can go on a very, very low case to zero or even below zero and then through replacement into the 3% to 5% pattern of growth, however you want to fine tune it.

So again, this is a capex plan that we were explaining to you last year. This is EUR7.3 billion for the periods '11-'15 , well know chart, and we have been making some minor changes here. The one of '13 is basically having to do with the operating lease financing that we have agreed, signed and then in some way left behind for A320 family aircraft in Iberia, okay? So this is basically in book or in balance sheet CapEx that's why we have took off those figures from the year 2013 one.

The increases -- small increases in '14 and '15 have mostly to do with Vueling. Vueling basically non-fleet CapEx which is some small figures.

So at the end of the day, we will be getting to a EUR7.1 billion for the period '11-'15. And again, '16-'18, we will be heading to a EUR2 billion per year average of CapEx.

Our balance sheet parameters are going to be very much aligned to the ones that we showed you last year with just a small difference having to do with expected gearing which will be lining a little bit to the 50% to 60% level and is having to do, as I told, you as I had mentioned to you before, about Vueling increasing the leverage of the group by maybe 3, 4 percentage points.

Again targeting investment grades will be probably asymmetric in terms of the different companies of our group. I guess British Airways is going to be very close and others maybe take a little more time.

So this is going to be also an interesting chance to -- if you still want to follow. That is an old -- the old one that we were showing last year and this is about the whole period, '13-'15, how were thinking about the sources, I mean sources of fund and the main applications of funds.

So just very quickly to remind you, main source was the cash flow from operations for the period. On top of that, we were expecting to have a positive net from financing and refinancing financial deals in the terms that we are going to be talking about, and also divesting some, I would say, multi-financial investments that we have prepared to basically fund the restructuring program of Iberia.

On top of that, we had the application of funds for CapEx and the so-called PIT. PIT is basically pension contributions with interest and the taxes, so the balance between sources and applications and the ability to use these buffer of cash that we have also has a flow, [if] required, was allowing us a significant headroom by the end of year 2015. And that's in some ways the comfort that we were needing and that we want commit to you in terms of being able to fulfill our obligations in terms of payments and capital.

So what has happened? Effectively, we have ring-fenced our funds that we want to allocate, that we will be allocating for the restructuring program of Iberia and that's why we have basically hedged our Amadeus exposure and we have been basically dedicating -- we will be basically dedicating those funds for funding the redundancy program which now will be an early -- mainly an early retirement program. So it will be having cash requirements for us to the next say six, seven years.

But we have been spending CapEx of course. It has to do with our -- mainly our fleet renewal program. We've been paying our pension contributions and our interest. We've been acquiring Vueling, so that's because we're tentatively above EUR140 million. We've been refinancing and obtaining net new funds from the marketplace. And we've been generating funds from our operations at the three companies.

So as a whole, we have created cash. So the cash, we'll be adding some of that to the back, okay? So we are on track. Even we are creating a little more of a buffer, a little more of opportunity to face our commitments and our potential additional allocation of funds.

This is something that we have been talking about last year and so this one is about just I would say reassessing what we have said last year. We have done, I should say, asset back loan, sorry. We have not been very active on this type of funds this year. Why, because the European banking system is still at the hospital, so the availability of new funds is scarce.

We've been using the MOF facility and they're closing the availability of this stuff because they're extremely efficient -- efficiently fine. And we are doing this revolving credit facility also but this has not been the story here.

We've been using operating leases again for the so-called interim fleets, fleets that we know we are going to need them. But we are going to need them for the transition series. It has to do with (inaudible) in the case of Iberia. It has to do also with frequency fields to all generations that we will be using also in Iberia for some time. For this purpose -- for this transition fleet, we will be using - operating this at a quick and easy exit when we need it, okay?

And this is the star. This is the real star this year as the Chairman was mentioning. We have been opening the EETC market for British Airways. This one has had basically some significant challenges that we have been able to overcome. So first one has been about U.K. legal system. So we are getting funds from the US, the investors there have to be very comfortable about the repossession mechanism for an aircraft that's registered under U.K. rule. But the U.K. legal system is even better than the US one, so we were able to convince. That was a good achievement.

Second one even more important is about blending the funds that we got from the market which are in the range a little bit above of $900 million with the so-called tax equity funds from the Japanese market, so very efficient source of funding. It's around 1% dividend cost. So the blend of these market funds with the tax equity one is extremely efficient and has allowed us to get up to a little bit more than 100 of the funds we needed to pay the aircraft, so very efficient fund.

Finally, we've also been, I would say, using European credit export financing for the first time in the case of British Airways. Two A380s, it will be achieving some very efficient cost as well because they are grandfathered by old rules, so it's below 200 basis points but more in the range of 140 basis points or around. So very efficient funding and on top of that one, Airbus backstop financing for A380.

So we've been in some way spreading our financial needs to these four areas in order to diversify and optimize them. How is it going to be looking for the next years, '16-'18 and this is the pattern that probably we'll be able to replicate beyond '18. So again, we are going to be wanting to fund, I would say, the restructuring exercise that we may be having for this period of time through a specific divestment, okay? So that's a way to ringfence the efficient use of those funds and the efficient allocation of this restructuring exercise.

We will have to raise funds from a net positive way from the financial market so this finance plus refinance and also having to do with the repayments will have to be a positive figure. We still are aiming to above 75% of the new fleet deliveries. We are getting 100% in some cases. And we'll be aiming to 50% of the old fleet and the non-fleet type of CapEx requirements. That may become a tough one, especially on some of our non-fleet CapEx needs.

The funds from the operations will be the big bulk of the funds being generated and used for the period and we'll be having the buffer of our cash that we will have to fine tune in terms of its appropriate time. And this is having to do with future expectations of risk and volatility. And that's the figure that probably we'll have to rethink about because the carried cost is very high.

So on the application of funds, we'll still be having the CapEx related to fleet and others. We, since having the PIT and the pension elements is a well known one, no changes there, as you know. We will stick to our contributions then. The interest and tax element will grow. The tax element is -- that's good news. The interest is having to do with our asset-based growth, more debt, more fleet, more assets.

The headroom will stay there and the headroom is something that we are focusing and measuring carefully to, I would say, our new ideas and new plans in terms of being able to return profits to our shareholders.

So this is an introduction to the final slide; the final slide with these final messages. The merger statement that the company and the board of the company did on from the prospectus and the registration document is just, I would say, stated on the front of the page. So it refers to the will of the company to distribute regular dividends to its shareholders in the medium and long term in an appropriate amount which has to be aligned with market conditions.

So this was the statement and we are working, okay? So work in progress. What we are doing, what we have already been doing is about extending our affordability cases and our probability and analysis for a period beyond the year 2015, maybe up to year 2025, so 10 years.

The requirement has been to maintain a cash position of around 20% of our revenues as adequate buffer and that's to provide general practice in the sector. It is then introducing a dividend embedded in our payments to check affordability and for this purpose we've been doing notional exercises referring to typical type of yields and payouts that companies in the market are using today. And then we've gone to then what level of EBITDAR margins would be required to make this policy sustainable and strong.

And we've been satisfied by the answer. So we are not going to give more details and this respect is not mature enough, it's work in progress but we are not forgetting about it. It's a commitment. It's a long-term commitment with our shareholders that we don't want to forget about that.

So next steps during year 2014, we will be obtaining feedback from our investors. We have some initial feedback. It's in the right direction. We will be getting more feedback. And of course, we have to analyze our progress towards our goal, towards this EUR1.8 billion to see how close, how consistently and factually we get closer and closer to this EUR1.8 billion figure.

We also have to regard closely the volatility of our earnings and volatility of the earnings of the industry. And this one has basically two frames that we'll have to regard closely. On one side, it's about the volatility of the frame of our industry. This is improving. This is improving because of consolidation, it's improving because of capacity discipline. So it's providing us with a little bit more of a shortened frame towards the future.

The other one is the certainty of our own business model flow. That's improving. It's improving basically through becoming more and better leaders in the market -- in the strategic markets in which we are operating. And that's a fact because we are measuring that fact. We are going to be talking about it.

And it's improving because we are working very strongly on our cost base. So it is a combination of a more efficient, productive cost base and a better management of our leadership position that this market should bring us to the level of certainty that we need to test in order to boom give the green light to a policy of dividends as soon as possible.

And now I'm going to hand the floor to Keith.

Keith Williams - *British Airways - CEO*

Thank you very much. Good morning, everybody. Yes, I saw an analyst comment a couple of weeks ago and it read the management are making structural changes to the business, finding a lower cost platform for non-hub operations, exploiting back office functions and even tackling defined pension benefits. Now I thought for a moment that was about British Airways and IAG. It wasn't. It was about Lufthansa.

Now some of those changes are in our past at British Airways, and today, we're going to give you a view of the future changes. It's a change program built first and foremostly on cost and cost control and then and only then on sustainable profitable growth. I say we because today I'm going to be joined by Nick Swift who's the CFO; Lynne, Lynne Embleton who's Director of Strategy; Frank van der Post who's Director of Customer Experience and then Drew Crawley who's Commercial Director.

Now, you've already heard from Enrique that we've increased our group target to 2015 and it's specifically British Airways increasing its target by GBP200 million then GBP1.1 billion to GBP1.3 billion. Our objective in our session is to tell you how we're going to get there.

In short, the message is that we're some GBP200 million ahead of where we thought we'd be in our plans today. And the plan is to maintain that momentum into 2015 and retain the same level of out performance for the next two years that we've achieved to date, and this GBP1.1 billion gets to GBP1.3 billion.

Now we're ahead of plan for two main reasons. The first is BMI and the BMI integration. And the second is progress on revenue, particularly on short-haul revenue but we'll keep -- we're also keeping an eye on our cost targets and delivering to our cost targets at the same time.

On BMI, we previous told you that we'd make a GBP50 million loss in the first half of this year and then be break-even in the second half. We now see a GBP30 million profit in the second half on top of the break-even position in the first half of the year, a swing of GBP80 million. And Lynne will give you a talk in a moment about the opportunities that still exist to maximize the network opportunities that BMI integration gives us going forward.

We're also ahead on revenue particularly in relation to short-haul which is some GBP120 million ahead of our plan. Now I'm really excited about the further changes that we've got planned in the pipeline there to leverage our strength in business and leisure travel. Through product change, through innovation, and through customer insight. And Frank and Drew will talk to those things in a moment. And then Drew will give you a picture of the ensuing revenue outlook.

Our revenues are building today from an improved perception of brand, improved customer satisfaction together with the product change that we've already put in place and the aircraft renewal program. This year, we've taken delivery of 12 new short- and long-haul aircraft. And over the next two years, we expect delivery of 25 new aircraft. So you can see the aircraft renewal program is gaining pace.

Now, I know that some of you have been asking me about the amounts of planned growth that we've got at British Airways and Lynne will show you how that's developed over the next two years. However, being a historian and the oldest of the presenters today, I thought I'd show you a key measures slide over time.

The first point to make on this slide is that even with the planned growth through 2015, the ASKs at British Airways will still be 3% lower than they were in 2001. Whilst we've grown about 6% in the last two years, much of that growth is coming through BMI and it's not new flying at Heathrow, it's substitutional flying. It replaces flying that BMI has been doing.

However, Lynne will show you a slide which shows you the increasing volume of BMI's connecting traffic. And that will give you an idea of the strength of the BMI integration. At the same time, our joint businesses are delivering more passengers and Drew will show a slide on that in a moment as well.

Now, both passenger numbers and load factors have been increasing. The latter is now 81% as the BMI integration, the joint businesses, and the customer proposition all start to take effect. This has resulted in an increased RASK which has been up well over 10% over the last three years. So there is undoubtedly some room for growth.

At the same time, the focus on cost is not relented not only in relation to productivity, as you can see on the chart here, but also from technological improvements and more recently the synergies driven by IAG.

Non-fuel costs per ASK are lower today than they were in 2001 and are set to fall lower over the business time period as Nick's going to demonstrate now.

Nick Swift - *British Airways - CFO*

Morning. So we're looking to increase our targets from GBP1.1 billion to GBP1.3 billion. We expect to make around about GBP700 million this year, so we're looking for another GBP600 million in the next two years. And this slide explains where that's coming from.

So firstly, non-fuel unit cost we now expect to be down 1% in 2014 and flat in 2015. And that's the after holding them flat in 2013. That's roughly GBP470 million savings on inflation of about GBP400 million, giving a net GBP70 million benefit and that's GBP70 million better than we told you last year.

Fuel efficiencies stay in line, so we've achieved about GBP10 million in 2013. We expect another GBP140 million to come up with a total of GBP150 million which is what we told you last time.

On the network and product, we're looking for around 1% to 2% increase in unit revenues per annum. Keith mentioned we're ahead of revenue significantly this year. We expect that split to be around GBP100 million to GBP150 million in short-haul in the next two years and around GBP150 million to GBP200 million in long-haul, giving us a total of around GBP300 million. That's about GBP130 million better than we told you last year.

And then finally, growth is consistent with what we said last year. Excluding BMI, we've grown about 1% in 2013. We're expecting about 6% next year and then 2% the year after that, so a total of 9%, an average of 3% over three years. We think we've made about GBP10 million in profit this year from growth. We'd expect a further GBP90 million to give a total of GBP100 million.

Overall, that should mean we exceed our cost per capital not just in total but in each of Heathrow, Gatwick and City and for each of short-haul and long-haul. And that in turn supports disciplined growth, capital investment and dividends.

One small footnote on the non-fuel unit cost, we do exclude BA Holidays and that's because that's growing rapidly as Drew will explain and it's not related to ASKs, so it excludes the costs associated with that growth.

Now let me talk a little bit more about some of the inflationary pressures before I'll talk about what we're doing to more than off-set them. On average, when we look at the detail, we are running at around about 3% per annum inflation on a non-fuel cost base of about GBP7 billion, so about GBP200 million a year, GBP400 million over two years. And these are two examples of where we're getting above average inflation.

The dark blue line shows you our charges for Heathrow. Most of that is regulated so then we've also added in the deregulated parts. And as you can see, it's an increase of more than GBP100 million over the next two years. And that is why we were so determined to negotiate with HAL and through the CAA process on a better Q6 outcome.

The current ruling is RPI compared to a Q5 of RPI+7.5 and we're currently assessing our response to that initial CAA ruling. So that, the blue chart shows you our engine costs and they've increased by around about GBP60 million over the next two years.

There's a couple of things happening here. Firstly, the new aircraft, the 380s and the 787s again have engine maintenance down to what's called a total care package. Now that's lower risk but it does come a little bit extra cost, around about GBP15 million of that about GBP60 million is the extra cost. In context, that's about 10% of fuel benefits we'll get from the engine.

We've also seen quite a bit of inflation in the older 747 engine maintenance cost. And that's one of the reasons why we're looking to retire those 747s sooner rather than later. When we do retire, that avoids the CapEx on time and material maintenance on those 747; overall it could be cash neutral. But you will see a P&L impact.

Now what we're doing to offset that is a program that we think will deliver around about GBP470 million of savings. And it's not a program in isolation, it's really an embedded way of working. So let me give you some examples of what we're doing.

The chart you're looking at here first of all down the -- your left-hand side shows you roughly where we're targeting these savings. So out of about GBP7 billion cost base, around GBP5 billion is the cost of running the operation. And we're looking for a 7% reduction over the next two years to offset the 6% inflation.

Cost of selling is a little bit less net reduction because we're also looking to reinvest in that area on some of the things Frank and Drew will talk about. In the back office, the cost of support we're looking for a little bit more saving there, around about 10% of the money spent there.

By way of examples, if we start at the top of the cost of operation, we now have new starter contract in most areas of the operation. You are familiar with mixed fleet contracts. We've also got similar contracts for Heathrow customer services. And the gradient for increments and our new pilots has moved from 24 gradients to 34 gradients, so it's a shallower increment there. In addition to that, in engineering, we started employing a large number of apprentices which helps the cost mix in that part of our operation.

We're getting some benefits from both gauge on the A380 and 787, and also some of the short-haul focus including additional density on seating which helps their unit cost.

We're looking at better ways of processing engineering and we're finding savings around 10% reduced downtime for example. And lots of synergy related work going to improve the cost of our ground handling.

On the cost of selling, similarly we've have synergy benefits through call centre rationalization and distribution savings. And we're continually retendering areas such as catering and marketing and finding some significant savings in those areas. We'll continue looking at channel shifts which saves us money and this further sales force synergies to come.

And in our back office, we've achieved this year a significant reduction in management. We're looking at further outsourcing such as finance and additional synergies over the next two years as we create our shared service center.

On the IT side, changes to our systems will save us support cost and infrastructure improvements such as the change in our training center also saves us money. There's a huge amount going on overall in our cost savings. I'll give you two more specific examples.

Heathrow is changing again over the next two years for us as Terminal 1 is consolidated into 3 and 5. At the same time, systems improvement in the way we check in and manage our customers also gives us opportunity and that also coincides with changes in customer behavior. Now, more than half of our customers arrive having already checked in.

We believe that combination gives us an opportunity to improve the customer experience, improve the way we manage disruption and also improve our cost base.

Finally from me, the fuel saving chart. As I mentioned, we were on track for GBP150 million by 2015. That's about 20% reduction on the new aircraft per seat flown. The experience to date is in line with that and we do have fuel burn guarantees underpinning that.

The new aircraft accounts for around about GBP130 million of the GBP150 million and the other GBP20 million is to other fuel efficiency programs. And we're confident that we'll deliver that GBP150 million by 2015.

That completes the overall financial targets and cost savings. I'll now hand it over to Lynne.

Lynne Embleton - *British Airways - Director - Strategy and Business Units*

Good morning, everybody. I'm going to talk through three things -- our fleet, our network and our growth plan, and our intent across our London airports.

Before I do that, I'd like to give one slide to put some strategic position in context. We are building a very strong position in the most important aviation market in the world -- London. London has more passengers coming in and out than any other city. We are more than 50% bigger than the next European city which is Paris.

We are obviously number one at Heathrow. We are now number one at London City airport as well and we are a reinvigorated number two competitor at Gatwick. And in totality, we have more than twice the number of seats coming and going from London than our nearest competitor.

So with that foundation in mind, let me move on to fleet. So our long-haul fleet is going through an unprecedented and quite exciting amount of change. We know about the fuel savings from 787s and the A380s and the product benefits that you get. So from a network perspective, these are quite interesting too. The A380 allows us to grow key markets without using more peak time Heathrow slots. The 787, being small and able to go long range unlocks numerous opportunities for us.

And with these two, we can get rid of the 767s which are limited in their range today and to be honest, not best loved by our customers either.

The aircraft coming in are typically a little bigger than those they are replacing and so we see a small lift up in average aircraft size in long-haul over the next three years which will not be the case later in the decade. And of course this greater aircraft size gives some unit cost benefits, as Nick has alluded to.

The other things that the new fleet has allowed us to do is we look at how we use floor space across the airplanes. And we know that profitability per square meter of floor space for example, is lower for first class than it is for the rest of our long-haul cabins. So we've taken this opportunity to relook at how we use floor space.

You'll see that the A380 has a lower percentage of first-class seats than the aircraft it's replacing. And the 787-9 when that comes into our fleet in 2016 will be fitted out with eight first-class seats. Today we see around about 50% seats actually served. So by right-sizing first-class that will enable us to generate more revenue from our assets.

Our average growth in long-haul over the period the five-year plan is 3%. It is lumpy and I'll come back to that. But be assured that if the market conditions deteriorate, then we have the flexibility in the fleet to eliminate all of that growth.

So to short-haul fleet, again, we have some changes here. The 737s at Gatwick will be exited over the next couple of years, replaced by a combination of 319 Airbus and 320 Airbus. Towards the end of the plan, we hope to exit the 767s from Heathrow thereby simplifying our fleet with the cost savings that come with that.

We're pointing three more Embraer's at London City. But I think the big change in our short-haul fleet is the increase in seating density that we'll be putting in place from 2014 and 2015 where we'll get 6% extra seats on the aircraft that we have today.

And this is quite important for Heathrow, so with Heathrow we're not growing the number of short-haul aircrafts, but we do want to continue to serve the point-to-point market and feed long-haul which is growing. And the extra seat-count on short-haul enables us to do that and keep the balance of point-to-point and transfer in balance to people. So that's our fleet.

Let me talk to network. First, to give you an insight to our long-haul network today, our long-haul network is very healthy. The green bubble represents that bit of our network which is very strong. It's over three-quarters of our ASKs.

And history has shown us that we can grow these markets and grow or maintain unit revenues at the same time. And that's quite important because growth and unit revenues are often seen as conflicting, and they're not. Not when you're growing strong routes as we have in our network. Of course here, we're also building on that leadership position that we have across the North Atlantic.

We then have about an eighth of our network which we term as maturing. We typically won't grow these routes unless in doing so we're improving the schedule to a daily proposition which supports our ability to drive quality revenue to the business customer.

And then we do have some weaknesses in our network. And here, we either strengthen or we exit. An example of strengthen in the last six months, we've pulled together a cross-functional response to the end of the joint service agreement. And in just six months, we've improved the route performance by 30 million.

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But if we don't think we can strengthen then we're not afraid to exit. And Lusaka, Dar es-Salaam are two cases in point. And this is very consistent with the philosophy that I have and my network team has which is one of capacity discipline. But capacity discipline does not mean turning our back on the opportunity to profitably grow.

So let me now talk you through our growth plans for the next two years. So on the left, you have the decrease in ASKs from canceling those markets where we think we are structurally weak. We then have some growth from new long-haul destinations, carefully chosen destinations we believe will be key strategic markets in the future, Austin in Texas, China for example.

Then we have the upgauging from the 787s and A380s and as I said, capacity is lumpy. It doesn't come in little packets of 2%, 3% that I can put on each route. It comes in bigger aircraft, so it comes in extra hulls. This lumpy capacity going on Los Angeles, on Johannesburg, these are our strong routes and so putting extra capacity on our strong routes we believe is a very positive move.

The next piece is it's not real growth. This is the joint business working. This is British Airways doing flying that American has done this year where we've swapped around in part we get customer benefits. So in doing this, we're able to offer London-New York customers for example a flatbed guarantee on all of the joint business services. So we've swapped capacity around.

Next, we're doing a little more flying than American Airlines for 2014 and that's absolutely fair. Short-haul growth, that predominantly the increasing seating density. And then we get to the rest of the core network growth. This really breaks down into three parts. About a third of it is growth which I would have liked to have done this year, but as a consequence of aircraft availability, we weren't able to fly. It was in the plan originally, so we'll be doing that in 2014.

About a third of it is frequencies on routes which are strong and we believe we can get value from growing in frequency, and about a third of it was we happened to be putting our bigger aircraft farther distances and so driving up ASKs that way.

So 2015, we're looking at about 2% growth and therefore in total, we get to the similar size position as we said to you last year at investor day. So that's our growth plan.

Let me now just talk you through our intent across our three main airports, and obviously starting with Heathrow. So what BMI has shown is that we can profitably grow Heathrow, and actually that we can nail the execution of some of our big change agendas too consistent with, indeed ahead of business case, we have grown feed from short-haul onto long-haul, we have used the new flat portfolio to retime services and create significantly more revenue of our long-haul frequency.

We have made thousands of scheduled changes on short-haul to optimize the new and enlarged portfolio that we have. So that's a bit we've done. We've got more assigning to go, 2014, the team have been squeezing out more benefits from optimization. We've got routes that are maturing. So if you take [stall] for example, that is tracking to business case. We are penetrating the market of all kinds of route and we'll see that route performance move up in the next two years.

We then got this thing, the green bubble called mid-haul. Now mid-haul were 321 aircraft, Airbus A321 in a long-haul configuration that we inherited from BMI. Now let me tell you where these airplanes have been going. They've been going to initially Iran, Syria, Egypt, Damascus, Beirut, you get a sense that it has been a rather turbulent period for the mid-haul A321. And I can tell you now, we have not optimized this bit of our business.

We've learned a lot in the last 18 months, and we know better now where to direct this metal with what frequency and what timings. So there was undoubtedly more to come from mid-haul.

And then let me go back to what Nick talked about which is consolidation from three terminals into two terminals. That brings us cost-savings and the customer experience benefits that Nick referenced. But from a network's perspective, it's actually quite exciting. By bringing our airplanes into two terminals, we can better direct which aircraft go on to which route and therefore better balance supply and demand and therefore drive more value from that. And what we can also do is look at which route we put into which terminal and therefore optimize that mix of point-to-point and transfer traffic.

So before I leave Heathrow, one area of my responsibility is the establishing, designing, negotiating, implementing our aligned and joint business relationships. And we have these in relative stages of maturity, our joint business with American is mature. Drew has got some more to come on the commercial side I think, but it's already driving significant value.

It was that joint business that has allowed San Diego to be very rapidly profitable for us. And our decision on Austin was done in conjunction with looking at the market opportunity with our American Airlines colleagues. That's the Atlantic joint business.

The Siberian joint business with JAL is maturing. And we can see the revenues that JAL is putting on the BA metal on Narita and on Haneda in that joint business. But I think there's more to come from alliances. We have US Airways merging with American. And our preparations for that implementation are well under way and I'm confident that we will be able to negotiate US Airways coming into the joint business on terms that add value for us, for IAG and for American.

And with Qatar coming into oneworld with TAM, LATAM in Brazil coming in next year, I see more opportunities to deepen our commercial cooperation and therefore drive that strength to support and develop our network. So that's Heathrow.

Let me move east a little bit. We are really pleased with the progress that the CityFlyer management team have been making at London City. In CityFlyer, we've got a punctual airline, an airline with market rate costs, we've got an airline with excellent customer satisfaction. And therefore we think we've got an airline that is ripe for growth.

Its network is primarily focused on the business customer, but we use off-peak to drive profitable leisure flying as well. And so I mentioned we're putting three more Embraer's into London City. And we can go on London City with confidence because we know we've got the flexibility to very rapidly take aircrafts out with our fleet plan, should the conditions turnaround. That's City.

And then finally then, for Gatwick. So the role of Gatwick in our network is to serve the local market, but also to add a leisure balance to our route portfolio and our customer proposition. Long-haul at Gatwick is very strong. We've seen very good returns from our routes where we are the leader in long-haul out of Gatwick. We're ahead of Virgin. Where possible, we're supported by BA Holidays and we'll putting another of our hulls down to Gatwick for next summer.

And on the short-haul side, the cost savings initiatives in the last year or two have put Gatwick short-haul in a much stronger position. We are moving to an all airbus fleet which brings simplicity, but also unlocks more route opportunities that we couldn't do on the 737s, and renewed commercial focus is really reasserting our position in this short-haul market.

So that's all from me, our network and our fleet plans are at the heart of our business plan, and I think build on that strong position we have as leader in London. And over to Frank.

Frank van der Post - *British Airways - Managing Director - Brands & Customer Experience*

All right. Thank you very much, Lynne. Good morning. I will start my presentation talking about the short-haul and short-haul improvement plans we have put into place in order to have it return its cost of capital. Nick has just spoken to you a little bit about the initiatives we've done in the cost competitiveness and they're well underway.

Lynne just went into some of the initiatives we've taken around the fleet and network and the density, and I will talk you through the customer proposition and how we are making changes in order to drive the competitiveness in short-haul.

From May next year, we will start to refurbish the short-haul fleet and put in all new cabins with lightweight, more efficient seats. At the same time, we will use the opportunity to have a new and different premium option in Club Europe

We will keep Club Europe because it has shown to us that there is a very small, but profitable segment in both transfer, business and leisure who are prepared to pay a premium well above the additional cost of freight and the additional cost of the product we need to put in.

In Gatwick for example this year, we have seen that the Club Europe revenues are up 25% over last year, which is a very encouraging and differentiated offering. We'll continue with complimentary catering at the relevant time of day. We will -- and I'll talk a little bit more about the personalized, thoughtful service as well as the strength of the loyalty program.

So that's make us best for business. Best for business is obviously the airports we serve, the schedules we have, the relationships we have with our corporate accounts and our SME's which really help us in short-haul as well as long-haul because we can offer integrated schedules.

At the same time, the focus of the customer loyalty programs we have is a strong driver in the business segment. We put in some competitively priced product and made some changes to the way we position ourselves. Semi-flex fares which we rolled out a couple of weeks ago proved to be extremely successful. And there are actually growth in volume and in revenue adding value to us.

And then we've rolled out the HBO, the hand baggage only fare in Heathrow. We trialed this and started this in Gatwick. We've rolled it out in Heathrow and we're now taking about 5,000 bookings a day for HBO. And the hand baggage only fares are very much driven around off-peak, that's based around the weekends for the leisure travelers, and at the same time, on the domestic routes for the business travelers.

So then there is a tremendous focus on becoming preferred for leisure. And there's quite a bit work we've done. So through always on marketing, we have a very competitive rate in the market we're talking about all the time. In Gatwick for example, we have a lead-in fare of GBP39 which is very competitive with any of the other operators in Gatwick and has really started to help us drive additional seat factor in the off-season.

The competitive and innovative fare structures we have created. We now have a choice of four different fares. We have our standard fare which continues to include a hold bag, and it includes Tier Points, Avios Points, and a meal, but as I mentioned, the HBO fares are also available now and offers you a slight discount if you don't travel with the a bag. So we've positioned that quite differently than a lot of our competitors within Europe, and it's adding value to us.

We launched three weeks ago the cash and Avios offering and it's been quite a success we've taken in three weeks and taken well over 10,000 bookings, generated 2 million in additional revenues. And what we see is that 78% of the customers who have booked the cash and Avios fares are either Blue or Bronze card holders.

So it's the loyalty of the customers travelling with us not that frequent, but the ability for them to have competitive fare using their Avios and a cash position. In the middle of next year, we will roll this out to all the other non-air partners like Tesco card, like Lloyds, and we will see further improvement in the cash and Avios offering.

And then in leisure, we started to do more flying around weekends to leisure destinations and in the summer and in the winter to specific destinations. And we have demonstrated that even if we fly to one destination from two or three or our London airports, we can do that without dilution.

We've also built very much in the last three years, we've rebuilt the brands and we're in a much stronger position today than we've ever been. On the back of the 'To Fly. To Serve.' campaign which we launched about two years ago in September 2011, and the Olympics campaign where we told everyone not to fly, we have seen our branding scores improve to 16% which is the highest it's ever been. And we have taken a lot of that directly from our competitors.

But it's also encouraging to see, and I think Keith mentioned this earlier on is that our customer satisfaction scores have continued to improve and they're now sitting at about 86%. At the same time, the value for money scores have been improving steadily as well.

So not only are we taking more money from our customers, but we're making them happier whilst we're serving them, they're feeling a lot better about it. And I'll come back to that in a minute. But those elements I think help us support the tremendous result in the Superbrands survey where everything's storming up the charts in the last three years as well as in the YouGov BrandIndex where we were basically awarded the mantelpiece brand of the year.

So we need to continue to deliver a consistency and a consistent service, because the 'To Fly. To Serve.' is all about who we are and what we do. So we went in and we did quite a bit of research and tried to identify, okay, how do we deliver that consistency and what does good service mean.

Some of the global research we did both with customers as well as with our own colleagues faces the nine realities of flying. And some of those are a little bit ugly. And some of those are actually quite funny. So what are the realities of flying? It is that it's a very hope-filled, but utterly disappointing and emotionally and physically abusive exercise.

We stick you in a metal tube and then we tell you when you can sit, when you can stand, when to put your seatbelt on, we will feed you when we like it, and we will give you the opportunity to go to the toilet when it suits us. At the same time our customers were telling us life without flying is unbearable. And I think the ash cloud in 2010 made everybody realize this.

Another reality of flying is the service happening in front of a crowd. And if you look at the call bell for example, our Indian customers would tell us, I'm not going to press the call bell because if nobody shows up, I'll be utterly embarrassed. Our British customers would tell us, I'm not going to push the call bell because I really don't want -- you're obviously very busy, and I don't want to disturb you and I'm sure that when you have time for me, you'll come. The Dutch guy was pressing the call bell and go like, why is nobody here?

But those realities I think really helps understand and think behind what is important and what we need to deliver. And we basically came up with the four hallmarks. Those are the four very simple actions. We are now rolling out across the organization that they will drive one outstanding result.

And if you really look at them and think about them, there is no reason if it's a good day or a bad day that if we deliver these four simple hallmarks, it makes the difference because at the end of the day, it's not about -- you won't remember what we've done to you as much as you will remember how we made you feel. And that's the difference we're trying to create.

We're supporting that with a new suite of customer insight tools. We now have a fully online dynamic and integrated system we can get customer feedback from. We have created a system which will give us immediate feedback in the moment through a field survey, and we started mystery shopping programs.

Those insights will give us a fantastic opportunity to feedback and allow ourselves to measure what happens on every single flight in every single cabin, and make sure that we perform to the maximum, and secondly, it will give us the insights we need to make selective investments because we need to invest where it matters to the customer and we shouldn't invest where it doesn't. And the insights help us direct our decisions.

So as we go to the investment that we've made, obviously the new aircraft that Lynne has talked about a little bit. But if you look at the A380 and 787 and the 777-300, we now have a fully integrated design. So they were completely from the interior, we designed nose to tail. Specifically on the A380 and the 787s we're getting great customer feedback about the size of the cabins we've created and we're often referred to as being a very intimate feel.

You've all been there in some of those larger cabins and you want to eat, or work, or sleep, and the family is walking up with four kids all crying. Well in our A380, you'll be somewhat excluded from that because the cabins are a lot smaller and a lot more intimate. I talked about these short-haul cabin refits will start in May next year and should complete at the end of 2014.

The lounge strategy we will be rolling out in the next couple of years is to make sure that we have relevant lounges with relevant product offering in those locations where it counts and where it matters. And where it doesn't, that we stop providing the service there.

And the lifetime recognition has been very, very well received. We have about 8,000 Gold members for life. And we think about 1,000 will be added every year. I've got one letter from a customer who was married for 25 years and he gave his wife a beautiful diamond ring. And he wrote me a letter and he said, she was excited by the ring, but she was more excited to have just received British Airways Gold for life card.

It's a true story; it's a sad marriage I guess, but -- and what we've seen is customers who are getting up to the 35,000 Tier Points level starting to change their behavior because they absolutely want to reach that Gold for life status.

And the last but not the least, the innovation. Luxury brands and premium brands are defined by quality and innovation. And BA has always been an innovator. We were the first ones with flat beds. We have a more efficient business class cabins from a density perspective than anyone else. And we continue to innovate.

One of the innovations we will be launching in the second quarter of next year is a choice for our premium passengers on the London-New York route of their choice of meal. And they can pre-order that when they either make the booking or when they check in online. It will give them a better customer proposition because you're going to get your first choice of meal and it will reduce our waste quite considerably.

And the other innovation, we have just trialed very successfully with the Microsoft recently, it's the electronic bag tag. So some of our competitors have done an RFID bag tag that looks really slick and really beautiful, the problem is none of the airports around the world have the technology to actually read it. It doesn't make it very useful.

Other airlines have come up with ideas where you print the bag tag at home and you stick in a plastic envelope and then you attach it to your bag. But that's not very elegant either. So we developed something which we trialed with Microsoft very successfully in the last three months, and went out redesigning the actual bag tag to make it look a little smarter. But basically, what it can do on your phone, you will have your flight details, you hold your phone over the backpack and it will put a bar code on the electronic backpack.

This technology is being patented by us. We're absolutely convinced that luggage manufacturers will come and integrate this into the actual luggage. And I'm sure we would be willing to talk to some of our competitors to see if they want to license this for a nice handy fee. But this is the luggage tag of the future. So with that, ladies and gentlemen, I hand it over to Drew.

Drew Crawley - *British Airways - Chief Commercial Officer*

Thank you, Frank. Good morning, everybody. Well, I'm here for the last part for British Airways. And my job is to talk to you about the extra GBP1.3 billion of revenues that we're going to deliver between now and 2015 to deliver the profit target that we spoke about earlier today.

And first, I'll just talk about the capacity growth as Lynne has already spoken to you in some detail. But I would like to tell you that I'm very confident about this capacity growth, that's GBP0.8 billion of the GBP1.3 billion. Because of the huge amount of that capacity going into the joint business, the joint business I think is now where we've already proven that we can grow profitability. And I've got some numbers on that a bit later in one of my slide pack.

In addition, those schedules where we're going from six a week to seven a week will give us the opportunity as you probably all know, of getting a better penetration for the business travel market, to enable us to drive revenues up on the back of a full week round schedule.

So those sorts of things plus the forward outlook that I can see on that additional capacity that we have already in the system gives me confidence that that GBP0.8 billion is very achievable. We split out RASK improvements in short-haul and long-haul, and I've got a little bit of an update on how we're doing on the ancillary side to give you the confidence that we'll deliver there as well.

On the RASK improvements, we've always got continuous improvement going on in the revenue management area and also in the corporate and agency deal design area that we make incremental changes every year with that tens of millions of pounds to our overall revenue generating capability.

But in addition to that, we have initiatives that I'm going to take you through now, which I believe will help give us that extra push to drive to the GBP1.3 billion revenue. And the first of them is something that I spoke about last year.

This is the what some people might call a CRM program. But I don't think CRM is the right language to use. It doesn't really describe the depth of ambition that we have around this. Our ambition is to use data that we have on the customer to really power all of the decisions that we're making across the airline at British Airways.

To give you an example of that, that means that at every customer touch point where the customers are coming to us or they're engaging with us or there's an opportunity for us to engage with them, we need to ensure that we're using data that we've collected, link to that customer and empower the conversation through that through our servicing or upgrading the way we service that customer or the way we sell to that customer.

As a result, we believe it can drive extra revenue. So I'm going to give you a bit of an update of what we just covered over the last year. This last year has been really what I describe as a test and learn, a sort of lab environment.

What we don't want to do is throw things at the customers that they don't want. So we're moving tentatively in this space so that we actually get customers to give us their data because they realize that in giving us their data, we're going to give them things back that they value.

So a test and learn approach is what we've been doing. So I'll come onto some of the results for us to explain the universe that we're dealing with. Today in British Airways, we have around 700 million customer interaction records. But that's a little bit too much for us to get our heads around and probably some of that data is out of date.

So what we do as we look back three years and we use the data that's available to us within that 700 million and that amount will run to about 100 million to 150 million customer interactions. To give a flavor of what a customer interaction might be, if we come to the Web site and browse that's a customer interaction, if you booked a ticket, that's one; if you're on our airplane, that's one; anywhere where we have a piece of data about you is a customer interaction.

But it's not very useful on its own. So what we do is from that customer data, which is in our universe, today 100 million to 150 million, we identify unique customers by using pieces of data within those bookings or those interactions which allow us to identify you. So a passport number, an email address and so forth. And that allows us to have a database which today is 79 million strong.

But we go further in British Airways because we don't just want a database that we're going to blindly send out emails with less relevant offers. We want to add data to those records to make you a known customer, so that when you approach us through any of channels that you come through in British Airways, we know who you are and we're able to tailor the offer be that service or selling towards you.

That 10 million number was 4.5 million when I was speaking to you last year. But our challenge, our target that we expect is to grow that to 15 million customers.

Some of the results to-date. So in a recent email campaign where previously we would have sent a million customers the same email, we've devised processes and capabilities to deliver in that instance, 760,000 different variants of an email. And we logged the results from that particular email and compared it to a control group and discovered that customers who bought from the personalized email spent on average GBP8 more with it.

So that's just a little vignette of the sorts of things that we're discovering and the sorts of things that give me the confidence that when we scale it up, it's going to really make a difference in the way go to the market.

And it's not just on the selling side. Today, we deliver a personalized message either in the air through the iPad which you've all seen or on the ground where we expanded that trial to. We deliver one every few minutes.

Just last year, so far, we've delivered just under 250,000 messages, but there's a huge amount of headroom there. And we're expanding the way we use that data across all the channels and the call centers will be using that data, on the Web site we'll be using that data.

And the results we've seen from that are on the next slide. And these I think are pretty staggering. Just to explain this graphic -- this is an Ipsos MORI research on customers who have been engaged with through messaging that I've just described.

The light orange is those who have been messaged but can't remember and the darker orange are those who have been messaged but can remember. So see even if you have been messaged and can't remember, subliminally you have a better view of British Airways altogether.

Recommend BA. The average uplift in satisfaction or recommend BA measure was 5 points for those who couldn't remember, but a staggering 13 points for those who could. And at the bottom down there are people who are in our executive club who are our most loyal flyers, we have a message that's delivered through our iPad which is welcoming customers who've just achieved Silver to their status, which is of course the first status when you're allowed into a lounge, which is very aspirational to people.

And they in particular welcome being greeted and welcomed into the club. So the satisfaction improvement that you get in our most loyal customer base is quite staggering. So a huge amount of headroom in the Know Me program.

I've spoken about how we're using the data in what I would describe as day to day commercial and servicing activity. But there are other applications from the customer data as well which we haven't even started to look out such as employing this customer data in revenue management.

One example, if the customer booked and we have their history of how often they no show, we might be able to tweak our over booking profiles for example through the revenue management systems. But that's to come in a few years' time. Next year, we're moving to scale a lot more on Know Me. So that's an update for you there.

The next area that I thought I would talk to you about where we're investing in technology, but also we think it's a very rich seem to go and mine is the SME market. This graphic here, it's got a couple of lines, and the red line is the index trend of growth from our bigger corporate customers, those that we have relationships with, and give deals to.

The blue is the growth profile indexed again for those SME customers who are in our SME loyalty program. So you can see they grow faster than our bigger corporate customers.

We have around about GBP1 billion worth of revenue in that loyalty program at the moment. We've estimated that the SME revenues within our, broadly speaking, GBP10 billion of revenue amount about GBP3.8 billion. So one of the jobs that we have is to convert as many of those GBP3.8 billion customers into that billion and grow the SME base.

But also, we believe that there is a huge opportunity to leverage the SME approach across our joint businesses. So we're developing new technology which will allow us to move off our old platform onto a platform which is applicable within the joint business environment, -- the Siberia, American and Jal in the future. And that we think will be a very positive contribution to the revenue that we need to deliver over the coming years.

I'll move on now to retail. I've spoken again about retail a number of times at this forum. And the most critical thing about retail, the outset is that it drives footfall into your stores. And when you've got customers in the stores then you can sell them more things. So I thought I'd show you this chart. This chart goes back -- it's indexed back to December '11, January '12. And it shows how we have managed to improve visits through our Web site relative to other major airlines and other major OTAs.

So this is very successful. And it's built on the fact that we have developed and built on our digital marketing capability. I think that we've got a good team that's managing this these days. And what they've managed to achieve is quite staggering. Now, when of course customers come to your retail Web site, you need to convert them.

And I'm happy to say that again, by better understanding the customer and putting things in front of the customer they want to buy at the relevant point in the booking flow, we've been able to move our conversion rate up from 5.8% in January '12 to 7.6% in this month, the month just past, October. So not only we are bringing more customers to the Web site, we are converting more of them.

And that can be seen in this next chart which is about our ancillary sales trend. The things I would pull out here of interest are twofold. First of all, BA Holidays. BA Holidays is the big dark blue bar at the bottom. We made a significant investment in something called dynamic packaging which allows us to go directly into the inventory systems of ground operator providers, which gives us more dynamic and better value pricing for customers.

And it also gives us the better breadth of choice of products for customers too. Now, it wasn't easy to develop. And it's not easy to copy. But what we've seen is that [we've fantastic awards] in the BA Holidays area. That coupled with a customer satisfaction level of people who travel on BA Holidays of 94%. That's the magic ingredient for making BA Holidays grow. I'll come on to how much its grown in a minute.

And the other interesting area I think is seating where year-to-date, we've generated or on cash generated around about 40 million here on seating. And seating was a completely new product that we've put into the market from a British Airways' perspective in 2009. And we weren't sure how well it would go then, but what we've decided and learned is if you put the offer in front of the customer at the right moment in the booking flow and price it in a way which is attractive, many, many people will buy it. And we've seen that seating revenue growth quite tremendously.

Upgrades and baggage are what we've been doing for some time, but upgrades again, we're using some of the Know Me processes and data to better target customers to upgrade who are more likely to upgrade. So we're on a trajectory to deliver an extra GBP150 million of ancillaries. Our target is to get 50% of our customers to buy more than the base flight from us.

And that will come through either when they purchase an ancillary from us or when they trade up to get the product attribute in the fare and we're well on the way. We're around about 30% of all customers buying something additional from us at the moment. And this is the BA Holidays story, which we're very proud of actually.

So we started off in 2011. This is CAA data, and the chart on the right is their projected forecast for 2014. So we started off as 19th in the League Table and we're currently eighth. And we have plans to grow even further. So a good story from BA Holidays I think.

Now the joint business. You'll be familiar with some of these statistics. These have been updated from the last year. But it continues to go from strength to strength. This is where we've put capacity in. We've grown revenue, we've increased the unit revenue. It's been very profitable growth. And we've done that by designing our joint business around what customers want.

We've given customers more choice. We've given them better frequent flyer programs, we've given them more network opportunities. And we've given them greater flexibility. And they're paying us back because they're coming to us.

Our premium load factor increased across the joint business over this period. Since the joint business started on October 2010 to now, rolling 12 months comparison. But our premium load factor is 6.8% is something which is quite stellar. We're currently running it around 80% seat factor on the joint business. And indeed last month, the seat factor across the joint business as of September was 83%.

Premium market share, we're growing 71% of the O&D, there are around about 2,500 O&Ds that we fly on our joint business, and in 71% of those we've grown share in both premium and in non-premium. So, that for me is the bit that gives me confidence about growing our capacity within the joint business. It's the safe environment to grow profitably.

Just a reminder on how we got there and what we're intending to do this coming year. For the first year, the joint business was about what I describe as housekeeping. Aligning our processes and policies further so that the customer had a seamless service. That sounds a lot easier than it actually was, code-shares and joint pricing for enabling -- to leverage our distribution strength in our home market, frequent flyer enhancements and so forth. 2012 was a year of planning and reaping the rewards of some of the alignment in 2011.

OpenSkies joined in 2012 and we had a network and a customer strategy development in that period which we started to deliver this year. The Finnair joining being our full partner, adds to the joint business, disruption we believe is a key area where customers, if we can get it right, will repay us in their loyalty. There's disruption across the airline industry everyday of the week, the carrier or the joint business can that get right, we believe will win. The joint business SME proposition and further network expansion, which you can see and is doing rather well in outlook already.

So that's my little round up. I'm going to hand it back now to Keith Williams to sum up. Thank you.

Keith Williams - *British Airways - CEO*

Yes. So I'll pass over to Andrew. I'll hit the call button for Andrew in a second. Just to summarize, the team has given you an in-depth presentation on our plans. Just to give you a summary.

I think the first point that I'd emphasize is that, now I've been coming to investor day with BA and with IAG for the last 15 years. And it's very rare that we don't mention cost control and certainly since 2006 and Willie was CEO and I was CFO, we've mentioned cost control every year. And that is the bedrock of what we need to achieve.

In many years, we've achieved a reduction in unit cost at the same time as reducing capacity. But it's absolutely right that we should reduce unit cost in a time of growth. As Lynne mentioned -- to some degree, our growth's been held back. The new aircraft have come slightly later than we intended.

And we'd been holding on to the 747s and the 767s, probably slightly longer than we intended. But it gives this tremendous opportunity. And it's actually at a time of good confluence with BMI coming in and the strength that we're seeing out of the integration of BMI and the things that Lynne and another team has done.

We got the BMI. We've got a joint business team and joint businesses that are working well. Some are in their infancy, some of them are starting to mature. There's a lot of progress that we need to drive there, to drive revenue. And with the introduction of Big Data and things that you can interact with your customers much more closely today than you could with the past.

That you've got an opportunity to bring along a rapport and a customer who knows BA, whether that's through lifetime recognition or whether it's a bronze or a blue card holder is using their Cash and Avios, there's tremendous opportunity there. The things are coming together. We need to improve unit revenues and at the same time, we need to reduce unit cost, and it will be that that will drive us to our target.

So thanks to the team and thanks for listening. Thank you.

Andrew Barker - *International Airlines Group - Head - Group IR*

Thank you very much Keith. Well, I have to say, we're running slightly ahead of schedule even though we've downloaded an awful lot to you so far. So if you like to go out, there will be refreshments served. You can chat, as I said to all the IAG and airline people here.

The lunch, the Iberia lunch will start to be served on trays about 11.30. What I'd recommend is grab a tray, maybe come back and stake out your table. Leave it on the table maybe carry on, going on chatting or even start your lunch early. But feel free to carry on eating as we start the Iberia presentation, and we'll start that with Luis at midday. So thank you very much and see you in about 50 minutes.

(BREAK)

PRESENTATION

Andrew Barker - *International Airlines Group - Head - Group IR*

I hope you've been enjoying your lunch. As I said, please feel free to carry on eating and drinking and we'll be collecting the trays after Alex and Vueling's presentation during the next break. So feel free to leave them on the table. That will be taken away.

So without anymore, I'll hand over to Luis and the Iberia team. Thank you.

Luis Gallego - *Iberia - CEO*

Good afternoon everyone, I hope you have enjoyed today, the Spanish food and the wine. I know all of you know me. I am Luis Gallego.

Today, we have the pleasure to be here with you, the new executive management team of Iberia. Marco Sansavini, our Chief Commercial Officer. Javier Sanchez-Prieto, Chief Financial Officer. Manolo Lopez, Network and Alliances Director, and all the members of the management team.

Also, with us today executive members of Iberia Express, Fernando Candela the CEO and Silvia Mosquera the Chief Commercial Officer. You can look for them during the break. And I'm sure they can discuss all the issues in more depth.

And today, we are going to start talking about the recent past of Iberia. We are going to a brief reminder of the turbulences that we have encountered recently and how we are progressing in the objectives that we laid out to you last year. However, this company is currently transforming. So the major part of our presentation is to show you where is Iberia right now and how it's going to be the Iberia of the future.

As you know, Iberia recent performance has been racked by a combination of external and internal factors. On the external front, our industry has experienced a dramatic transformation in the short and medium-haul especially with the competition of a low cost carrier. And Iberia did several exercises in the past in order to solve this issue.

In 2006, Iberia launched Clickair. It was merged later with Vueling. In 2011, Iberia launched Iberia Express, but our report has not been fully successful because of the details we will tell you later. Additionally, we have suffered unfavorable macro context especially in our home market, in Spain. And finally, we have several legal decisions that have affected our restructuring efforts.

We will explain later. We have two Laudo's and one mediation in the middle of the process. But, it would not be fair to say that only the external factors have contributed to the situation that we have right now. In internal front, we are fully aware that we are still a complex and inefficient organization with very a uncompetitive cost base.

Also our commercial positioning has not been able to compete with our competitors and we must close the gap that we have with them. The combination of these factors have led to a decrease in our operating performance and also negative financial result.

As you can see on the left-hand side, our customers were less satisfied with our implied products, than they were with our competitors. In the right-hand side, you can see that we have in the long-haul network a 25% disadvantage in RASK against our main competitor, due mainly to our small premium market. We cannot offset by our advantage of 10% in CASK.

In the short-haul, we have profitability levels similar to other legacy carriers that if we compare with a low cost carrier, we suffer a huge gap in unit cost of 40% and they have an advantage of -- and we have an advantage of 15% in the RASK that is not enough to compensate. All in all, we have a material disadvantage in all the market with our competitor.

And as a result of this, this lack of competitiveness with our peers, our operating performance has been negative over the last five years as you can see here. And also, this negative performance with the investment that we have done in fleet and in the restructuring, has reduced our cash position from the start of 2008 where we have EUR3 billion to EUR800 million at the end of 2012.

And last year, we told you that we have some objectives in order to revert this negative situation. The good news is that we are delivering what we proposed last year. We have a reduction in capacity of 15%. So we have a stop with this, the cash bleeding that we have. And we are working very fast to have the competitive cost base that we need in order to compete.

Our commercial plan is also helping to reduce the gap with the competitors, and we are putting a strong focus in implementing all the measures that we have in the mediation agreement. It's important to note that all this restructuring effort are doing through Iberia funds.

So, after this brief context of a situation of the recent Iberia, we are going to talk about the future. Iberia faces now, two potential paths. This the best case that we are considering. As you can see the evolution of the operating result, it relies on the structural agreement with labor unions, with freedom to develop a competitive short, medium-haul with Iberia and Iberia Express, closing the commercial gap and a reduction of the complexity and the cost base.

If we don't have this scenario, if we don't reach an agreement with union, we have a scenario that we could stay as we are, but as you can see, it's an unsustainable company. We will have no growth and even farther reduction in capacity. We can have potential downscale of non-core businesses as maintenance and handling. And we will have significant financial difficulties. This scenario can have possibly an upside if we have an accelerated market growth in the Spain.

So, what we show you in August, in the -- at a glance of the business plan work that we are working in three steps. Fix the present, build a future and develop our corporate health. What we are starting today is a more articulated view of this. So, we are going to show you the turnaround programs that we have in place right now, mainly the reduction in capacity, the implementation of the mediation agreement and the closure of the commercial gap.

We are going to show you how we are right now, in a negotiation with the union to have the structural changes that we need. And also, the platform that we need for all profitable growth. In parallel, we are developing the New Iberia culture.

So fixing the present. Here, you can see how we restructure our network. We made a reduction of capacity of 15%, as you can see. Then the short-haul will remove the routes with lack of profitability and limited feeding contribution. And in the long-haul, we remove the routes with the lack of profitability with no strategic fit or low market potential. You can see that we have reduced the routes in 21 and we have a reduction in aircraft in 23 aircraft.

We are also implementing a mediation agreement. In the mediation agreement, we have 3,141 employees that can leave the company. You can see here, in each collective, the number of people that, they left the company. You can see that the total is 2,343 people, more than we have in the original plan. And also we are implementing what we have in the mediation.

So, we have a salary reduction of 14% for pilots and cabin crew and 7% for ground staff. We have an additional 4% salary reduction until we reach agreement in the productivity measures. And we have salary and tenure freeze until the end of the 2015.

We also have Iberia Express that as you know, is a flexible low-cost feeder and a competitive P2P provider. In 2013, Iberia Express will finish with more than 3.3 million passengers in over more than 26,000 flights. Iberia Express is having an excellent operational perform, with a punctuality or around 96%. It's one of the most punctual companies in Europe.

If we look at the cost, the CASK, the Iberia Express CASK EUR4.3 that is very competitive with other P2P providers. And this year, they will end with around 5% EBIT margin in the first complete year of operation. The problem we have and you know is that we have restrictions in its growth.

This slide is not to go in detail, that is only to see the difficulties that we have and Iberia Express has to develop its project. You can see that after the launch of Iberia Express was announced in October of 2011, the operation started in March of 2012. We had the first Laudo, after that Iberia Express and Iberia appealed and we had the second Laudo.

And the new Laudo was very similar, with similar restrictions. Also, we have accomplished with all the collectives of the company, and we have a mediation agreement that it was time, in March of 2013.

And with all this scenario, Iberia Express right now, only has 14 aircraft. To be honest is a pity, because it is a tool that we have to develop the short and medium-haul to compete with all the competitors that we have in Spain.

And currently, we are negotiation for long-term agreement with the unions. What we have on the table are measures to enhance our crews productivity up to market level. For the new people and also for the people that we have in the company right now, we are negotiating also new salary tables.

We are trying to see how we can remove through the negotiation, the current constraints that we have to grow Iberia and Iberia Express in order to have a short-haul that can provide passengers for the long-haul. We don't have a short-haul efficient, we are not going to have a long-haul, we are not going to have a business. And also, we are negotiating a competitive and profitable handling and maintenance measures in order to have the profitability that we need in those business.

And I'm going to hand over to Marco.

Marco Sansavini - *Iberia - CCO*

Thank you Luis. Good afternoon. So what I will guide you through in the coming 15 minutes is the commercial turnaround of Iberia. And the commercial turnaround as Luis was explaining is just about closing the commercial gap we do have in terms of RASK, compared to our best performing competitors.

As we mentioned on the beginning of the presentation, that gap is in the range of up to 25% in long-haul and is significantly lower on the short-haul. And it's important to know first of all, what is the addressable gap, because there is part of that that is structural and it has to do with the nature of RASK to and from, and within Spain, compared to the European average.

There are elements such as the seasonality of many thousand European markets, such as Spain or Greece and Italy or the weight between business and leisure traffic that mean that structurally, the RASK reachable by Iberia is not comparable. And that also means, why we have such a pressure on the CASK element. Because, never we will survive if we just achieve a CASK level comparable with the others, because our RASK will not be comparable to the others.

But even saying still, there is a sizeable and reachable potential in terms of improving our RASK performance. And when I was talking about the balance between business and leisure, it's interesting for instance, to know that around 10% of the traffic to, from and within Spain is in the business cabin, while the European average is 18%.

So said so, we have determined exactly what is the size of such addressable RASK improvement and we have identified exactly what are the levers that we will use and we have started using in 2013.

And I think that my presentation today focuses more on what actually we started to do and starting to impact in the RASK, rather than the other structural components that will come in the coming two years. Because in fact, the plan is a three years plan, but I think it's vital for us to prove to ourselves and to the market that the measures that we are taking are having immediate effect on the RASK.

And therefore, these are the five elements of the commercial turnaround plan. The first of all, the first one is one of the products. So changing, transforming the products and the customer experience in Iberia. The second one that has a material effect is the one about revenue management, modifying structurally some of the policy structures and organization of our revenue management.

The third one has to do with the sales effectiveness and efficiency. Then we have the digital transformation of the company and lastly, but not least, the whole rebranding change in the communication approach to our customers.

So these are the five components. Let me start therefore with the first one. Since February 2013, the new long-haul product started being introduced into Iberia, it is maybe the most tangible, visible change in the customer experience we are currently introducing. It started in February. It comes in with the new Airbus 330s. We have a total of eight planes, of which four entered into the fleet. One will come next week and the other three at the beginning of 2014.

And at the same time, we are refurbishing the whole long-haul fleet remaining, so the 340-600, so that by March 2015 of the completion of the refurbishing, the whole long-haul fleet will be equipped with a new interior. And there, we'll talk about the latest generation of full-flat seats in business and of economy seats with latest generation also of in-flight entertainment systems. We have the 15 inches screen, touch screens in business and the 9 inches screen in economy.

So that brings a radical change in the customer experience at this very moment just to give you an example, what happened now based on this new product component, you can see that our customer satisfaction index which is the one on the right-hand side has moved immediately from -- well this indicates only the long-haul economy that was the most difficult one at this moment, because we still used to have very outdated product in long-haul economy.

You can see the immediate jump that creates in customer satisfaction index. And that is only the start, because that is only the product component that, together with the introduction of the new brand we are redesigning all customer services experience point-by-point, contact point by contact point, so that that will bring, will move further to the right.

And you can see on the right-hand side what it means in terms of net promoter score, so the difference between our promoters and our detractor. And you can see that the business class has significantly raised from 15 to 33. It is scaled from 0 to 100. And then from long-haul economy, it went from minus 13 to 15.

So, the first element is transforming the product of Iberia. The second one is revenue management and I know that this can be a very technical discipline. But there are few examples that I would like to bring to you to make visible and also tangible how some changes in that discipline can allow generating significant RASK impact.

Let's take the first graph on the left-hand side. Iberia, historically has been accompanied with an over the average load factor performance. This was the result of a policy that allowed to fill the planes with -- very early in the booking curve. In the graph over there, you can see the difference between the booking curve of last year, which is the one on the top, and the booking curve of this year, on an example route. And on the bottom, you see the number of weeks to departure.

So basically, what happened this year is that 20 weeks from departure, Luis got a heart attack, because he saw that our flights were empty. In fact there was a gap of 20 points in load factor, but that was a conscious choice that we took, because we were expecting based on demand curves that we were able to attract more demand closer to departure. And of course, they raised a significant yield difference between one and the other.

To give you an example, despite having very high load factor performance, Iberia suffered from a limited difference in yield between high season and low season, below 5%. So this policy has allowed us, in fact, to reduce load factor in high season, but to increase much more proportionally the yield performance in the same months.

The right-hand side is another example that allows you to capture a bit, what kind of changes can impact the performance. This is an example of a business class, a cluster of business class routes, clustered by load factor. So you can see in the bottom, there is 0-70, 70-80, 80-90, 90-100.

So there are a number of routes where we have a load factor level in business class between 90 and 100. And you can see with the boxes, the red, the gray and the yellow, what is the percentage of those flights that have between 0% and 10% or between 10% and 20% or above 20% capacity dedicated to what we call redemption tickets.

Basically, these are the tickets that customers, such as you use thanks to the frequent flyer programs. So the simple fact there is that we have another element in the generosity in that case of Iberia, that cause, allowing therefore, a lot of redemption in peak flights in business class, but is impacting of course profitability. And that we have changed now by maximizing to 10% in those flights with a above 90% load factor, the accessibility of redemption flights.

A third example that I would like to give you is the change in the product offerings and therefore in the fare structures. We just recently launched in September a complete redesign of all our medium and short-haul fares, so that we have grouped them in three families that allows to clearly indicate in clusters what are the service elements, the service components related to everyone of them. Basic, classic and flexible and by introducing with the basic one, similarly to what was mentioned on the BA side, fares that do not have the baggage included.

That allows us to be more competitive on those levels, and therefore to expand our customer base to gain new customers, but at the same time, allowed us to sell, the market more at a higher yield, the classic and flexible fares because it becomes very visible, what the additional attributes of these fares are.

And as a result, again, this impacted the RASK positively. A last example is the promotion of all the ancillary services, we sold at some point in contact with the client, in the sales process, but now have been extended throughout the whole service experience so they can also be bought at check-in or at the moment of the reservation. And that allowed us to increase the sales of upgrades, of seat assignments and of baggage.

As a result of this overall initiative, of which I gave you just some examples and some of them are much more structural and will come and will bring benefits in future. You can see how the RASK has evolved. Basically, here we have arranged it by quarter and you can see quarter two 2012, quarter four 2012 and then up to quarter two 2013, where we start seeing the positive impact and quarter three 2013.

This RASK is at constant currency, does not include also the stage length effect which by the way improves it a bit, but it tells us clearly, that by activating those initiatives, we have a first and this I say is a first, closure of the gap. We are not yet at the level, because the plan is a three years plan.

I add that in this field of discipline, the group and the J-business that we have bring a lot of value. In the range of revenue management for instance, we have best practices, working group that basically allow us to compare respectively what's the different within the group, what the different policies are.

And for instance, we are now comparing exactly how the performance of the short and medium-haul fares is, as we have partly different systems introduced by the airlines of the IAG group. And that will allow us to mature as a group, the evaluation of what the best practices are in implementing them, so bringing synergies in that respect.

Another example is the fact that we run some business jointly. And of course, what Drew presented about the benefit of the joint business Atlantic, Iberia participates over there, and therefore by managing jointly the North Atlantic routes of Iberia, they are participating in the JB. Some of those benefits are reflected in this RASK performance.

A third area of transformation is a digital one. Iberia's Web site was from 2006, but we're not talking only about the Web site, we're talking about in general, the overall digitization of the interaction with our customers, so also the mobile applications and the social media.

We have introduced recently then, a completely redesign of its new website, all the apps have been changed. It has been created on a Iberia store, more than 800,000 apps have been downloaded in the past two months. And we've been very active in the social media, recently being awarded by the award of the best social media strategy in Spain.

And once again, here I'm talking about immediate impact, you can see in the columns on the right-hand side, what has been the impact of that on the penetration of our online sales. Here it is measured in terms of percentage over the total in .com which has increased by 12%.

And then and maybe the most fascinating, but also the most profound one is the change of Iberia brand. Now this is not about just changing the visual identity of the company. The last time that Iberia redesigned its brand was in 1977.

But I think never was a most appropriated moment than this one to do this, because we are so structurally and fundamentally changing, every single component of Iberia from its consistency to its culture, to the customer proposition that it is ideal, the moment even though it is a tough moment, it is the ideal moment to relaunch and to launch a completely new brand.

And what is this visual identity about? In fact, in order to do it, the process started long ago, it has been a profound process where more than 9,000 target customers have approached and spoken to, to understand what is the Iberia you look forward to.

And fundamentally and very simply, what all our -- the majority of our target customers say to us, is that we simply want a company that represents the best of Spain. In the sense that people in Spain want to feel home when they enter an Iberia plane and people all over the world want to feel like they take their first step in our country at the moment that they enter an Iberia plane.

Therefore, the redesign of the brand, but behind it of the product, is all based on capturing the most profound and fundamental values of the country in relation to the service experience. And such values, while here are represented with the Spanish [word] because way to capture the flavor of that, we do want to represent them and we design for, but what do they mean?

Basically, they mean that first of all, Spain and Iberia wants to be the element of connection between Europe and Latin America, because culturally, that is one of the element most that we represent here with affinity. They are most remarkable about. Spain itself and Iberia potentially, and is also the natural role of Iberia as an airline, being the gateway between Europe and Latin America.

The second element is what you could call in English the passion, the drive that Spanish food in the customer experience in that case, so in the interaction with our customers, which means translating that in the service proposition now and every single point of contact in meaningful and differentiating service component so that we are now introducing with a launch of the new brand.

And the third one is talent. And by talent, what we mean basically is the capability not only to be professional as a service provider but to go beyond that with the contribution, individual contribution in terms of individual engagement by every single one of our employees.

And of course as you can see, this all will happen only if and when and that is the process that we have just started, we are able to transform therefore not only the visual identity but the way our 10,000 people that are engaged in the customer experience do change their way of interacting with the customer.

And therefore, the program of introducing the new brand is a stepped program. Next Friday, we are going to have the first plane, the 330 that will land in Madrid. In fact, it's already landed that will be presented in Madrid and launched with a new livery and as from that day, all the Madrid terminal will be with a new signage. All our staff will be wearing uniforms with the new logo. And you have a preview because our staff outside that has been service our lunch had already the new logo on their uniforms.

We will have all the digital interactions with the new brand on the same day, so all the Web site, all the apps. And we will have all the most significant service components on board and on the ground changed. But as from that moment on, then we will keep transforming and introducing the new brand step by step. And more importantly, converting our service proposition in consistent with that.

So, all in all, we have a long way to go. We are taking very immediate steps, these steps that have been very rapid has have an impact on the RASK. You do see very significant improvements over there. And then, once we reach that position and we have a more competitive CASK position, then we can also start speaking about growth.

And I think that is then the right moment to hand over to Neil Chernoff, who will talk about the future growth opportunity that a New Iberia can afford to look to.

Neil Chernoff *- Iberia - Network Planning Director*

Thank you Marco. So how are we going to build the future? As we look around the world and look for opportunities for growth. What we try to balance is both the size of potential markets and also the growth potential of those markets. And when we look, what we see is a large opportunity for growth particularly for the Iberia network.

If, what we presented here is industry capacity which we're using as a benchmark for market size, that's the size of the bars measuring ASKs. And then secondly in the circle is the average growth rate projected by IATA between 2013 and 2017. And so, if we look in our core market, Europe to Latin America, what we're seeing is an approximately 5% points per year growth rate in those markets.

Now, of course this is very similar as you look at increased GDP. And so what we're seeing is passenger growth similar to GDP growth in those regions. One of the strength of Iberia network is of course, that growth somewhat in a lumpy fashion. And that you have some countries in Latin America growing quite quickly, others that may be going through recession or restructuring. But, overall by adjusting the Iberia network, we're able to tap that growth and be able to focus the network in markets that are performing the best.

When we look at North America, here we define the market for now, Spain to the USA which is a slightly smaller market. And although we do connect from the larger Europe because of the joint business, we focus more on that local market from Spain to the United States. And that's growing at about 4% per year.

Within Spain to Europe, we're seeing about 3.5% growth and a slightly smaller growth rate in our domestic market. What's driving that is the timing of the recovery in the Spanish market but also the increase in high speed rail that we're seeing in the Domestic Spain. But the other things that I think is important to remember is that only approximately 10% of our capacity is actually within Domestic Spain, whereas 55% is in that core Europe, Latin American market.

Now, we also see strong growth rates in both Europe to northern and Western Africa and also to Spain and the Middle East, and Spain and Asia. Now, while those tend to be smaller markets for us, today there is large growth potential. And so, it is an area of the world that we continue to look at.

So, we think that we have the right strategy to capture this growth. If we start in the middle, which is Europe and with a new brand and a competitive cost base, we think we can build both breadth and depth to our current European network. Those come from two fronts.

One is, expanding frequencies and capacity in the markets that we currently serve, but also starting to look for new point-to-point market both ourselves and with our partner Iberia Express. When we look at point-to-point market, or when we look at opening new cities, in both the point-to-point market and connections for Latin America that we're looking at.

With that, that allows us to consolidate our leadership position in Latin America, and we think we can achieve this, number one by our strong local market, our large network within Europe. A new generation aircraft that will allow us to start looking at new destinations within Latin America and also extending partnerships with some of the various airlines that we cooperate with in Latin America.

If we look at North America, our focus there is about working with our JBA partners to grow our presence in that market. And we've seen again some strong improvement in the JBA performance which we've seen earlier today.

Next, in Africa. While Africa is a growing market, the market from Spain is smaller than other European countries. But we do think that there are some opportunities with the right cost base and the location of the Madrid Hub, that there are opportunities to participate in that growth. And then within Asia, again in the near term, we're focused more on deepening our relationships with one world members to start building our presence in that market.

So our ability to do this is based on our leadership position in Latin America, when we look at traffic flow from Europe to Latin America year-to-date 2013, what we see is Iberia which has been and continues to be the market leader in flows between Europe and Latin America.

At the very top, what we have is market share based on traffic data and what we see is that Iberia has 15% market share of all traffic between Europe and Latin America. If we look at the airline Group and we look IAG, so Iberia with British Airways where the 22% market share versus Air France and KLM with a 20% market share.

The other thing that's important on the bottom graph is to look at how that traffic that we carry is composed. And so what we have in the red box is what we've defined as our home market which is essentially the country in which that airline operates. So for Iberia, not just Madrid but all of Spain and then connections from the rest of Europe.

And what I think is important here is two points. Number one is if you look at home market and one of the advantages that Iberia has is by being in Madrid and in Spain, it is the largest market in Europe to Latin America. And then secondly that despite having this large home market, the network allows that 45% of our passengers actually come from the rest of Europe. And so when we go through what we've experienced now and economic downturn in Spain, we actually do have a diversified traffic base because not all of our traffic is coming from Spain.

So let's talk a little bit about the leverage of our Madrid hub. What we have here is our plane on the left representing our long-haul flying and the plane on the right representing our short-haul flying. What is in red is our connecting traffic and what is in the white is our point-to-point traffic. While on the right side in short-haul what we've divided is yellow keys such as short-haul connections.

So focusing on the long-haul, 34% of our passengers in Latin America are point-to-point passengers, but there are 66% who are actually connecting passengers and this flow of traffic is what allows Iberia to offer the most frequencies to the most destinations in Latin America than at any European carrier.

The 66% of connections is important just so you're aware is approximately six percentage points of that are people who are connecting in Latin America or the USA onto our partners to other destinations in that region, but 60% are connecting in Madrid on to the Iberia, Iberia Express network.

So how are we able to do that? We are able to do that by having a large European network. And what's important is when you look at the European network, you have 18% of passengers on each flight that we fly within Europe are connecting to our long-haul network. Now that number is slightly higher if we look at European flights versus domestic. If we look at just the European flights, that number can be slightly higher up to 25%.

But by offering frequencies, in order to connect in our hub is what allows us to have this large long-haul network, but the other thing that's important is really 75%, so if we take the point-to-point and also the short-haul connection is subject to LCC competition. And that's why having this competitive cost base is so essential in our short-haul network.

When we look at our ability to modernize our fleet, we look both at current orders and options and also what we have into the future. And so in 2013 and '14 in the short-haul -- in our short-haul aircraft, we have seven A320s that were delivered, three to Iberia and four to Iberia Express. And in addition we have two deliveries coming in 2014 along with options in 2016 and '17.

Similarly in long-haul which we've spoken about is our 8 A330s that are coming in to modernize our fleet and we have option for 8 additional aircraft should we decide to begin to pursue growth over the next coming years. And in addition as Marco alluded as to on our A340-600 we'll have six aircraft with the new products completed this year and another 11 completed next year. And one interesting thing on the layout of that product is that it actually allows on the A340s to increase business class seats by an additional four seats which is close to 10% additional seats in that cabin.

But the other thing that's important is that once we have a competitive cost base, we have an option to grow and that option to grow comes from our relationship with IAG. And so from 2018 and to the future, we have up to 100 short-haul aircraft that we have options that we can take in IAG and in addition up to 32 A350s and 12 787s that we can use to replace our long-haul flee].

But in addition to that, we have a high degree of flexibility. And so what we've shown you is three lines here for both long-haul and short-haul aircraft. The red line in the middle is the number of aircraft in our base business plan. If we look at the top line, that's an upside potential. So if we have a competitive cost base. If the economy begins to recover in Spain and we can continue to pursue growth by extending lease options and extending available options that we have, we can actually grow the number of aircrafts at a faster pace.

At the same time, we also have flexibility in the downside scenario. And so by not taking lease extensions and letting those expire, we have the opportunity to decrease our fleet over time. And so I think that this is important because with about the 30 long-haul aircrafts and 55 short-haul aircrafts, we have opportunities for growth both in the near term, but also in the long term as we go through the restructuring process.

Luis Gallego - *Iberia - CEO*

As we said before and in parallel to that, we are developing the New Iberia culture. We are having a radical transformation of the management team. We had a reduction of 50% of the management team of the company. We have a simplification of the organization of the org chart, new key functions.

And also we have put new talents in the company. One-third of the people of the new management committee is from other companies. So we are looking also for people with right and changed mentality, but also having in our consideration that we have very good people in Iberia with a lot of know-how that we must consider.

So we have a cultural transformation. As you know, we have to move to a new building. We have a new scheme of compensation for the people in the company. We have management review to see the people that we have, the talent that we have inside the house. We have developed a project of job posting for all the new jobs that we have there and we have a new internal and external communication approach.

So in summary of this presentation, we have gone through turbulent times that now we are focused on turning around problems in order to have a healthy cost and revenue base. We are building in parallel a platform to grow the company when we are ready. We are transforming our corporate culture and we believe in Iberia. We believe in the future. And we consider that it's going to be brilliant. Thank you.

(VIDEO PLAYING)

Alex Cruz - *International Consolidated Airlines Group - CEO - Vueling*

Good afternoon everyone. I'm Alex Cruz and frankly, it's difficult to top that after the lovely video and I also have the difficult time to wake you up after the lunch and the presentation. I'm very pleased to be here with you. I'm pleased to see some of you again. As you know, we used to be in the stock exchange ourselves and we have lots of meetings with many of you.

I'm going to go through a brief introduction just to make sure that we're on the same page, then after that, I'll pass it on to Sonia to review network and cost and I'll come back and we'll wrap it up talking a little bit about product and a couple of other things.

Well let's get started just to make sure we're on the same page. These are the pillars in which we are basing Vueling's proposition. One, for most, and it has to come out of my mouth first that cost discipline. This is what has been driving this whole project since the very beginning particularly since the merger with Clickair in 2009. We continue achieving cost savings on a yearly basis and obviously our target continues to be EUR0.04 per ASK.

You know there are several times a year, a couple of quarters a year, we actually are under EUR0.04 and we normally end up just EUR0.01, EUR0.03, EUR0.07, EUR0.09 above EUR0.04, but we continue looking for ways and I think we will be able to achieve eventually below EUR0.04 which is our objective.

And as part of that and sharing with both our partners, our brother airlines, sister airlines, we have this ongoing program which later on that Sonia will tell you about.

Now, we want to continue growing. So we want to continue growing profitably. I was commenting with some of you in the break that you may see some cities, a couple of cities, if you are observant enough in our network that are not there. And they're not there because we pick our fight correctly. We're not going to enter markets which we don't believe we're not going to make money on.

But we are going to continue looking for ways to grow profitably. We're looking at over 100 aircraft in 2015 and trying to really establish ourselves in airports where we have slowly been building up over the last few years beyond Spanish borders, places like Paris, Amsterdam and Florence and Rome where today we have bases ongoing.

We are going to continue investing in product. Now, invest and really low cost don't go together very well. But I hope that at the end of this presentation, you'll get a flavor as to how we're able to achieve that. I'm sure you'll ask more about it afterwards. We're going to continue investing in our business class product. We're still young. You got to think of us as the graduate, the precocious graduate that's beginning a new job and we're learning how to do it. And this is part of our learning experience.

We've had it now for about a year and a half, but we're increasing the premiumness of the cabin and the premiumness of the business class.

We're going to continue investing on online and mobile self-service solution. Mobile is perfect. It generates more revenue. It cuts cost and it generates additional loyalty, so lots of investment going on, on that as well.

We're going to continue improving aircraft technologies not just the aircraft itself as we move on into Sharklet enabled airplanes would give us between 2.5% and 3% on savings on fuels, but also introducing iPads in the cockpit which will make our operations more efficient so we'll be able to measure how the actual operation of the aircraft take place in an ongoing basis in a much more automated way and of course our ongoing Wi-Fi project we reported over the last couple of days.

We are also very keen on maintaining an efficient operation. I guess that come out of everyone's mouth. And it's definitely if you just look at everyone, all of us talking about it in IAG objective is to make it a very efficient operation. We've been keeping 86% of our targets. We're going to try to increase it to one or two points over the coming year for on-time performance. Again an attribute which is absolutely important for us passengers when we're traveling for business purposes.

Now, this is the network that we're flying today, the little yellow dot show all the cities that we're covering. There's even a couple of additional cities that we've announced in the last few days. We had a press conference in Barcelona on Wednesday. So we should have about 117 destinations direct from Barcelona and a total network of the airport about 120 or so next year.

From 2012 to '13, you see the growth in aircraft. We'll talk on that later, significant growth on routes, route is point of origin, point of destination we covered well beyond just Barcelona route. And of course a number of destinations, I gave you numbers which applied to 2014 as we have committed to them already includes the number of increasing passengers.

The important part is we now have a network of destinations which covers all of Europe and we believe that we're going to continue growing it certainly not just from our homes hub of Barcelona, the operation in Barcelona, but also from other points not just in Spain, but also increasingly in other points across Europe.

Now, if you look at how we grew from that time of the merger, 2009 Clickair and Vueling came together and we at that time as a merger have 35 aircrafts. At the end of the year, we ended up with 36.

And from there, we'd basically doubled the number of aircrafts up until the high, peak season of this year with 70 aircrafts, the number of routes, the number of passengers, and perhaps quite relevant to the whole story as we move forward, the percentage of passengers that we service from outside of Spain. We have been up until this point, basically Spanish Airline, the Catalan airline based in Barcelona with presence in over 14 bases across the whole of Spain.

But we're now evolving significantly from there. To wrap up, the results that have come over this period of time have helped in being able to continue investing in this growth.

Revenues have been going up. CAGR at 22% since 2009 and the average margin 6% with as you can see tremendous opportunity when we merge between Clickair and Vueling, executed synergy programs that worked really, really well first year, second year, then in our home market we experiment a period of -- a short period of irrational, politically driven excess capacity which was rationally solved after a while and then we're back up again to this sort of margins that should be achieving.

Now the building blocks of Vueling, the combination of these two things, a low cost model and a premium product. Low cost, why, because we still have a singe aircraft model. We still have very high fleet utilization, significantly high in the peak of the summer and very average at market levels in the winter time.

We're very low cost base and we've discussed and Sonia will go over it, very high punctuality, high crew productivity. Productivity of crews that live in the bases that they work at, so there's no night stops for the crews. A high level of revenue coming from ancillary revenue and short turnaround.

These are the things that you will absolutely not debate as attributes of what we would consider a low-cost airline. But we not just have that. We also have a business class which allows us go to the VIP lounge, travel miles, free catering, special attention, free flight drink, et cetera, et cetera, et cetera. We have always varying between 39% and 40% of our passengers with month-by-month declare that they're traveling for the purposes of business.

In a very strange network combination because we do have flights that are very high business, Monday through Friday, 80%, 85% of passengers flying for business and then we have a bunch of markets which have very, very low business. So the mixture comes out with a very good average, one that's probably of the highest in terms of airline that try to achieve the same model as we have.

We have of course do connections in Barcelona. We are not a hub airline. We are not designed to have waves of connectivity. We just have a huge network of flights in Barcelona. And after a number of trials in 2010 we turned on the ability to connect and its providing additional -- some additional revenues and some additional passengers.

We are an airline that is operating not just in the main airport, so you will not find at the second or the third airport of large cities but at the main terminals of main airport. So we fly for the main terminal in Schiphol and the main terminal in Marseille and the main terminal in Copenhagen. We want to be able to provide a service to passengers, to business passengers which is not one level below what others are offering.

Of course we have flexible fares and everything that comes with that, distribution flow, travel agencies and GDS exactly the same degree of participation as Iberia and British Airways.

And finally we are slowly, slowly -- I am emphasizing slowly because we're slow at this in getting into more and more into feeding of airlines. And we do that as we see the opportunities arise. We definitely have an interline agreement with Iberia and British Airways already feeding customers to both of them and we are going to continue building on those as we see the opportunity wherever we actually have critical mass in terms of destinations.

So we become a member of the IAG family. And we are already working very well together. We are learning from each other or we feel, at least, we're learning a tremendous amount from BA and from Iberia. And a lot of the things that we have to do we're benefiting already from the big size of IAG.

And if there is one particular proof, that was the purchase of aircraft. We had been negotiating on our own for nearly a year and a half and what we got together from -- with IAG, we learned (inaudible). And together with them, I think that we reached a tremendous deal for the whole group and Vueling benefited from there.

So we will continue to work with them. We are already quite close on frequent flyer. I think we'll do more things on the whole Avios environment as we move forward, but tremendous opportunity to Vueling to selectively work and look for ways to enhance the product for Vueling customers.

Now, I'm going to pass it on to Sonia. Sonia, give us the run please if you can to cost base and a bit about fleet where we are with that.

Sonia Jerez - *International Consolidated Airlines Group - CFO - Vueling*

Okay. So hello, everybody. I'm going to talk about our cost and our fleet strategy. So both things or issues are key factors to being able for Vueling to grow profitable. Always I was wondering why a CFO has to talk about cost because, well, probably because better than talking about (inaudible)

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process, but because in the low-cost market 85% of our cost comes from operations, so probably, I tell you, if you see Chief of Operations talking about saving cost, this is a company that is going think chase cost.

So now for 10 minutes, I will be presenting our cost strategy by acting as Chief of Operation just a minute because I don't want this kind of responsibility at all. Okay, so let's go to cost. So this is a current situation of cost of Vueling. So as you can see here, Vueling has a real competitive advantage in terms of unique cost ex-fuel. This allows Vueling to be very competitive -- to be a very competitive player in the market and also to be a very good platform for IAG to continue growing.

Nevertheless, the challenge for the Vueling team is to be enable to maintain this cost to continue reducing the cost to continue growing.

Well, let me tell you how we did -- how we did it. So it comes from -- it came from the merger between Vueling and Clickair in 2009. We decided, as always, to create a synergy group. And the group that was in account of the cost was very successful. So we decided to continue with this kind of program every year.

So first stages of the program, of the cost saving program in 2010 and 2011 were about cutting unnecessary cost and spread that cost culture around the organization. In 2012 and 2013 we were being more focused on changing processes, changing the real way to do sort of things. In many areas of the company, in the company so such as in call centers, automating contacts with customers and in handling process, procedures to reduce cost, reduce fuel, many, many areas. We changed a lot the way we do things.

And now in 2014 and onwards, our main challenge would be to change what we call the structure -- structural areas of our cost. And a good example of this is the fleet. We will be able to change with the deal with Airbus that we made in September, we were able to change our strategy in fleet from coming to the market and to take fleet under operating leases to purchase directly, to repurchase directly with the manufacturer.

And another important issue is who is leading the cost saving program in Vueling? In fact, nobody and everybody. The most important point in Vueling is that cost saving is part of our culture as Alex mentioned. And every single people around the organization has to take this in his mind.

Nevertheless, there is a group of people fully dedicated to this area, is the people coming from what, people who is analytical experience and has very helpful for all the areas to being able to analyze what the cost and area to reduce -- to reduce cost.

And as Alex said, our main target in terms of cost is to be able to reach or to be able to be below EUR0.04 as this is the result in 2012, I believe it will be better it will be in 2013. But as you can see we have a lot of area, 87% of our cost are areas where we are still -- we have still room to reduce our cost.

Fleet will be -- has been started with purchase with Airbus that allow us to recapture a better price and also we'll be -- we can have the opportunity to have better financial cost using the power of IAG in the financial market.

Maintenance, on the one hand as a consequence of having a new aircraft, having almost unity in our fleet, we should be able to reduce the cost. And also another part of our program will be to change the way of doing things. Remember that I thought about changing (inaudible) things. As an example for this quarter, we decided to internalize engineering planning in order to be able to control -- to have a better control of maintenance event. And as a consequence of that, to reduce cost.

So far the staff, when we are talking about staff, we are talking about crew. Many projects, we have to reduce fuel cost, but mainly are based on optimizing the rostering of our crew and defining for the coming years which is the correct and the optimum crew mix, crew mix that we want to have.

Handling, same as the others, changing the way we are doing things. And in general, all these items should be -- take the benefit of economies of scale and announce till now, the invention of being part of the group.

So let's talk a little bit about fleet, our current fleet is based on 70 aircraft, A320 family. The majority of them are A320 with 180 seats and we have four A319s with 156. These smaller airplanes allow us to be in airports with some constraints whether that's Florence or St. Sebastian in Spain and this is a good opportunity for us to be there. All, our entire fleet is financed under operating leases and as all of us have mentioned before we entered in an agreement with Airbus in September for 62 firm orders and 58 options. Let's go and see a little bit about this.

The order has 30 CEOs, the current generation from 2015 to 2017 and 32 NEOs, the new generation of aircraft that allow us to reduce fuel expenses from 2017 until 2020. On top of that, we have 58 options during the same period and afterwards. And in parallel to that order, IAG as Enrique has mentioned, agreed also another agreement with Airbus to have over 100 additional NEO options for any company of the group.

And to finalize, it's important to remark that we have a lot of flexibility even having taken these orders from our -- from the lowest scenario which is the lower grey line without making extensions as just taking into account the firm order. And our current target which is the yellow line, as you can see we have a few room -- a huge room to adapt to market changes.

So, okay, I have to conclude my part of the presentation. Thank you very much for your attention and I'll hand you back to Alex.

Alex Cruz - *International Consolidated Airlines Group - CEO - Vueling*

Thank you, Sonia. Now, you will have seen that all three airlines are claiming the 100 options, I don't know if you noticed that, all three airlines. And we have 100 of them to go for. That's a very healthy battle which I'm sure all three of us will have. We love to hear about all of these 100.

Anyway, let's retake again, the conversation and let's talk about some of the aspects of Vueling reinforcing some of the messages that I was talking on to you before. Now, first of all, we can't escape the fact that we were born in Spain and we have been growing in Spain. So therefore we have a very strong position in terms of the market, the Spanish market at those airports where were mainly in operation.

So you'll find that we have the number one position in terms of market share in Barcelona, hopefully there will be ways in which we can increase that slowly as we continue building the network in, and out of Barcelona.

We are number one in Bilbao and we're also number one in some other smaller regions in Spain where there's a little -- a little bit less capacity. So you may be surprised, I always say that. You shouldn't be surprised by now because I've been saying to you, you may be surprised for the last years, but we are the number three airline in Paris, a very, very small percentage yes, but an excellent market, a market where Vueling, six, seven years ago, spend many millions of euros bringing up the brand awareness of Vueling and today we're reaping the benefits of that, fantastic market all around Orly, except a few operations in Charles de Gaulle. And we hope to be able to continue growing there as capacity becomes available. As you know Orly is slot restricted.

Florence was an airport that we came in just last year. And we hope that we continue to grow and we should be in a very good position next year, smaller airport, smaller city yet the kind of city we really like because of the very good mix of business and leisure traffic both longer leisure in terms of traveling around some of the parts of Italy around Florence as well as weekend break. And of course Flumicino showing there as another place where we have a base and we keep still not a very high ranking, but a growing ranking so far.

Now, what this means in terms of equivalent aircraft, what is an equivalent aircraft? It's a measure to show you activity. This is quite an interesting picture. It turns out that we have newly two aircraft worth of activity in Moscow. And if you went to El Prat airport in Barcelona during the summer, you'd be surprised to see that we have four daily flights to Moscow every day, half an hour away from each other. In fact, you can see the map and the four aircraft following each other at night as they reach Moscow.

But in addition to that we've been growing our operation in places like Amsterdam and of course Paris as I told you about, Munich, Milan as well as Lisbon, these are places where more and more flight activities are coming in either from Spanish destinations and increasingly from non-Spanish destinations. And certainly our objective is going to continue looking for opportunities to build up on the cities and some of the cities popping up probably this time next year.

Now, this is the network from Barcelona. It is a formidable network. It is an array of destinations which is really touching pretty much every place in Europe. We've added from the Russian destinations. We announced earlier this week for next year fantastic traffic at this time. I don't how long Barcelona will last as a very desirable destination, I hope for a very, very long time.

We hope to contribute to that, but the fact is that at the moment during the summer time and during for the weekend break market it is becoming a really, really desirable market. So here you can see the trend of all these destinations. It includes also in this map, some of the destinations we've announced for next year.

Now, something we can't evade any longer to talk about, at the beginning, it was -- it was novelty for us, but not becoming a contributor through revenues is the fact that we, one day, turns on a switch which allowed to buy a flight from Gatwick to Catania or from Bari to Reykjavik and it was just turning on the switch and actually having the right procedures in the ramp to be able to connect the bag.

The number of passengers has been increasing. It's unlikely, maybe presumptuous on my side, it's unlikely that we're going to be able to increase this percentage of passengers significantly much more simply because we are not designed to be a hub. We're just taking advantage of something that was there and that's it.

We will continue to increase a number of destinations that may provide some opportunities. And in some of the business markets we'll increase frequencies, so that may provide some opportunities. So I think we're probably going to plateau around this number of connecting passengers in Barcelona.

So what are the axis for the future? We will continue working in Barcelona. It's our home. We know it. It's working. We're likely to continue interacting with other airlines to feed traffic there. We like you to express in our products there for those that are coming to visit as well as for the strong local economy. We're going to continue our expansion in the non-Spanish bases.

I announced last week a Brussels base for next year with 11 destinations. Interesting place, not a huge market, but certainly a place of interest to us again because of that mixture of business traffic with the leisure traffic in this particular case outgoing traffic from Brussels.

And finally, we cannot forget that we have a very important role in regional Spain from Bilbao to La Coruna, to Seville, to Alicante to Palmas, to Canary Islands. We now have a permanent aircraft bases there with crews that live there and go to work every day. And we're increasingly connected all of those cities not just with Barcelona, that was a long time ago, but with many other European cities.

So those are perhaps the three actives of growth that we see in the future. This will definitely drive, as I was mentioning to you as an increasingly proportional number of non-Spanish originated passengers. In fact at some point, we looked at some of our competitor's presentations of 8 years ago when there were perhaps making that shift out of their own country. And we are in a very similar position in that respect.

We are at some point may no longer be called Spanish international traffic. We may actually begin to focus by country because we will be growing sufficiently in those countries. But in any case, the point I have here, the Spanish traffic is likely to take a smaller and smaller proportion out of this total traffic in the years to come.

Okay, finally I'll talk a little bit about the product. We start -- I start the discussion of product very quickly to remind you that we probably are the most balanced airline in the world because balance you would consider 50-50 and indeed we are 50-50 in terms of direct traffic distribution and indirect traffic distribution well in apps, mobile apps, iPad apps and Internet channels continue developing. In fact lots of growth from the mobile's channel direct interaction.

But at the same time we continue signing an agreement and experiencing growth through GDS's, through corporate travel agencies and through online travel agencies and of course through partnerships with airline such as Iberia and BA which we've been working with BA recently over the last year and a half and with Iberia over the last few years.

So very interesting balance, not one particular channel dominate and that is, we believe, a very interesting characteristic of Vueling for the future particularly in the area of distribution of its product. Now, if you look at mobile services that are airport operations at on-board services and we, without going into this -- in any of these features, we have been building up all these services and all these features for the sake of the passenger and obviously to try to either reduce cost or generate additional revenue.

We are getting into more and more mobile applications as I mentioned to you before. We're getting into more automating, the travel process. We don't like check in. We think the check in is something that should disappear. So approximately 20% of our customers today receive the boarding pass on booking and there is no check in process per say because the seats selected, so you move on. There is no -- you need to go back to the Web site if there's something we can afford to do in the markets that we're on, then we hope to be able to continue introducing it for the first quarter to the rest of the fares.

And then a number of other features. So we're not a stagnant airline. We continue building more and more features for the passenger.

Specifically in talking about our business class, which we call Excellence, Excellence class, lots of debate with that. We made a decision internally that was the best word to call it. You will find the typical features of course of extra comfort, empty middle seat, fully flexible ticket, dedicated resources, catering, fast track, newspapers in the morning, et cetera, et cetera, et cetera. And we wanted to continue building on these features.

We also have committed to a new seat configuration on the 320 where the first four rows will have a 32-inch pitch and we believe that is going to give us option. At the moment business process is just one row. We always start up very slow, but by starting and putting this additional pitch in the first four rows, we are having some flexibility for the future in terms of perhaps extending the business class. If we need to do so in some markets.

The only thing to say here is -we still have 180 seats and this configuration was made possible by Airbus negotiating with some of the certifying agencies removing a bit of space by the emergency exit and that's what allowed us to get a tiny bit more of room at the front for additional space.

As I mentioned to you before, we're going to continue investing in aircraft technology. We see real opportunity for additional cost savings and more efficiency in terms of managing the profit and operation and, of course, for the benefit of our customers and hopefully for us to get some additional margins investing in the Wi-Fi product.

Everybody has talked about social media, so we have to have some slide about social media and some press as well, so we've been winning socially devoted airline which I always wonder if it's something good because we've won this devoted prize because we are the ones that answer a tweet the fastest. And I don't know if that's a good thing or a bad thing for many reasons. I'm not sure how many people we have doing that. They say it's in the downtime of the call center.

Anyway, we are very committed to social media and we've been since two years ago, measuring a specific revenue impact on social media, so no investment goes on Twitter, Facebook or LinkedIn without having specific business [case] for revenue generation and it's really, really important either we see it or we don't invest in it. There has to be a correlation.

And you will see that we are perhaps an unusual airline that we don't pay for the brand, we actually get money from the brand and we've been licensing our brand in this case. Hotel Vueling, this week have launched -- it was my first time, quite interesting and is branded as an aircraft, the restaurants, the rooms are called after destinations of Vueling and it's a very, very neat experience and it's a license opportunity for us that we make a little bit of extra money and we'll try to look, we'll continue looking for expanding this concept of licensing the Vueling brand.

Okay. Coming on to the very end. Vueling, these are the four messages. Number one, we will continue growing. So by 2015, we should be on a fleet of 100 aircraft, can't tell you how many, we're still building that up. We should have the largest short and medium haul network from many cities by home airlines out of Barcelona so we already committed to 117 destinations next year. We see that there's still room to continue growing there.

We're going to continue maintaining the cost discipline, it just doesn't just go away. When it's in the DNA, it's in your DNA, you can't get rid of it. We just have to be more and more innovative in finding new sources for cost reduction. And finally, we'll continue investing on the premium products. As a source of access for higher yield passengers which gives us an option -- to be more competitive against other airlines which would categorized themselves to be in this category.

Thank you very much.

Andrew Barker - *International Airlines Group - Head - Group IR*

Thank you very much, Alex. And we're again running a bit ahead of schedule, so what I would suggest is we take about a 40-minute break to have some more chats, get some more refreshment and be back here by 2.00 when we'll have a round up from our Chief Executive Willie Walsh and then extend to Q&A.

The Q&A can go on for quite a while. I think we'll let it go on for probably an hour, an hour and a half and see how it goes. We may have answered all your questions already but be back here by 2.00 and we'll do the round. Thank you.

(BREAK)

PRESENTATION

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Hey, good afternoon, everyone. You'd be pleased to know I don't have any slides to show you and I was pleased to hear Andrew say that I will answer your questions for as long as you like. I hope you got a play for what it is we're doing. We clearly have three very different operating entities in different places at the moment.

What a common theme or at least two very common theme that you should have picked up as we went through the presentation, first and foremost is cost discipline, I make absolutely no apologies for saying that we talk about cost discipline all the time, every single day of the week, we talk to one another about what it is we need to do, what it is we can do to ensure that we manage our ex-fuel unit cost in particular. That's the metric we've decided to pick on and that is the area that we focus on.

It is not at the expense of investment in the business where investment is justified, and that's another discipline that we have that we practice all the time in relation to capital discipline. So we're not afraid to invest but we will only invest, we will only commit to spend money where that investment will make a return. And as you've seen, we want to exceed our cost of capital.

We believe that the business is capable of exceeding its cost of capital. Indeed we believe that all parts of the business are capable of exceeding the cost of capital and we're very clear that if they can't exceed their cost of capital, well then, we will not be investing in those aspects of the business.

So we are bringing a discipline to the business that is designed to generate returns that is important not just for us but clearly for you, for people who are investing in the business and it remains our ambition, very much reaffirmed by the board recently that we want to bring the business to a position -where we can start paying dividends and all of our investments, all of the work that we do is with that in mind.

So you've seen British Airways talk about cost discipline. You've seen British Airways deliver cost discipline and I think right to the theme of British Airways. You've heard Luis talk about what it is he's doing to improve the cost performance of Iberia and Alex dreams about it, lives this -- you've heard everybody in Vueling talk about it.

I went down to address the management team in Vueling in Barcelona recently and for the first 15 minutes I spoke about how cost discipline was important and they looked at me and I thought they're really annoyed as what it is I'm saying and after -- of course, I realized, it's just what they've heard it so often, but it's not new to them. So it's within their DNA. I think it's now established within the DNA of British Airways.

And Luis and his team are bringing change to Iberia unlike anything you have seen before. And for people who don't know Luis, let me tell you, he is one of the toughest guys you will ever meet. That guy understands what needs to be done to make Iberia profitable and that guy has determination, he and his team have determination, unlike anything I have ever seen before to make Iberia successful and he's done it in an understated way, engaging with just about everybody not just internally but externally to ensure that people understand the need for change in Iberia and understand the benefit that change will bring.

And we remain very optimistic that the current negotiations with the trade union will make a significant progress and that the future for Iberia is actually quite positive. But as I said at the beginning, it will only be positive if we can demonstrate that the investment of Iberia will require going forward, there will be an investment that makes return and we believe that we can bring that business to a very healthy performance.

So somebody challenged me outside earlier on, he said, you have delivered good results in the third quarter of this year, you're clear now in terms of expectation for the full year, you've revised your target for 2015, how difficult is it going to be to get there? And if I'm honest, I don't see it as any difficult task.

I think the operating companies have is well within their capability to achieve the targets that we have set and we're taking a very realistic view on what the external environments will look like. We're not, in any way, hoping our banking recovery to generate the performance. I think we're being very realistic in terms of unit revenue performance, different performance within the three operating companies, was very realistic in terms of what it's capable.

And I'm pleased to see that the changes that have been made in Iberia in relation to the commercial strategy that you saw earlier, that Marco presented, is actually beginning to have quite a bit of impact.

So our approach to revenue has been realistic. Our approach to cost has been very realistic. We can deliver the targets that we have set for ourselves in terms of non-fuel unit cost.

Some concern has been expressed by people and I think it's generally people who don't fully understand what British Airways has been doing in the past, what British Airways is doing today and what it's likely to do in the future about growth. We're not embarking on a growth strategy for BA that is any different to what we have done in the past. There is a little bit of catch up.

There is a little bit of a timing effect with the replacement of aircraft as we replace 747 with A380 and 767s with 787s which gives a bit more capacity. But over time, actually, as we reduce the 747 fleet. A lot of those aircrafts are going to be replaced by aircrafts that are smaller in gauge than the 747.

So the 6% that you see for British Airways today is absolutely justified based on where BA is coming from, the new roots that they have identified which will be profitable for us, the transfer of activities from American into British Airways which makes absolute sense. And the change in gauge on the aircraft with the introduction of the A380. And, again, we're very comfortable with what we have targeted for British Airways through 2014 and 2015.

Vueling is a fantastic airline that's part of the group. I think culturally, it is a real positive Alex and his team as part of the group, it brings a much better understanding of what's happening in the low-cost segment. I'm a great admirer, have been for a long time, of what they have achieved and I know many of you in the room, if not, all of you in the room, are equal admirers of what Vueling has done. And we believe that it will continue to do what it has done.

So the approach to capacity remains very disciplined and I remain very positive about the industry approach to capacity which I think has been very disciplined in recent past and continues to show very good signs of discipline.

You can see where we're investing in changes to the product. Again, all of these investments make sense. You heard Frank tell you a story about the lifetime goals. I got one letter, only one letter and it was an interesting one because the guy wrote to me and said, this is a crazy idea. You've given me a lifetime gold card and I have no incentive to fly with you, so I took his lifetime gold card away. So anybody else who thinks it's a crazy idea, please keep it to yourself.

We're really pleased to see the American and US Airways merger go ahead to -- subject to approval in the courts in the US but I think the settlement that has been reached in the mediation is a positive one. And it's certainly very much in line, if not, better than what we have expected given the limited view of what was going on that we had there. So we're pleased to see this -- I think from an industry point of view, it should be welcomed as well.

I think there was some concerns being expressed and surprise being expressed in the US that the DOJ has taken such a strong position, in opposition to the merger. But I think common sense has prevailed on all sides and a settlement has been reached that to me looks very positive. And we're excited about the prospect of US Airways joining with American and joining us as part of the transatlantic and joint business.

We made clear before that we're not factoring in any positive or any contribution from that in 2014. We're clear that there's a lot that can be achieved but I think we need to be realistic that American and US will be very focused initially on ensuring that they put those two together and not make the mistakes that have been made by United and Continental. I think Delta has shown a pathway to success in terms of what they have achieved.

So we're keen to see them move quickly to establish a single entity and we believe that this new entity will represent an improve and increasing opportunity for us as part of the joint business on the transatlantic. And clearly, the merger of American and US, brings additionally capacity discipline to the transatlantic which is something that should be welcomed by everybody.

Pleased to see Qatar come into the One World alone. Qatar is a very strong performer and I think will be a great partner for British Airway. We have had a number of discussions with them informally to-date about areas of potential cooperation that would include areas of cooperation or design on the passenger side of the business. So I think there are things we can do together on cost and there are things that we can do together in a range of areas that represents opportunities for us.

I was interested to know, I don't know if anybody reads this Financial Times. I have to be honest with you, I only read sections of it but I'll just quote you something that Andrew Parker -- we have to make clear when talk about Andrew Parker and Andrew Barker because we like one of them and he talked about the alliances and then he said, these alliances were supposed to be clubbed -- that look after their respective interest but last year, Qantas, a founding member of One World sent shockwaves through the industry by agreeing to a form of far reaching partnership with Emirates and it went on to say, the main casualty of the deal was Qantas 17 year old partnership with British Airways.

What happened as a result of that, a shockwave, we've actually significantly improved our performance on the Singapore Sydney. In fact, it's the second most improved route on our network and we've reduced capacity by 11% but we've seen a unit revenue increase of 29%. So I have to say, it surprised me that a partnership that was immunized wasn't able deliver the sort of results that we're able to deliver on our own.

Now some of that was down to how we were operating, some of that was down to difference in attitude towards profitability and capacity and some of that was down to the nature of Heathrow. But you should not be concerned at changes like this. What Qantas was doing I think is right for Qantas but we're doing, is absolutely right for us. And while it may have been a shockwave to some people, it certainly did not come as a surprise to us and, in fact, it was a very welcome development.

It allows us to work with other partners, potential partners. And who, quite honestly, were reluctant to talk to us because they felt we were wedded to this relationship with Qantas. So you have to look at that as a positive opportunity for us and in terms of financial performance, I have to say it's been a very positive development.

We have a good relationship with LATAM particularly through Iberia. And we have a joint business with LATAM that has gone on for a number of years. We believe there's real opportunity for British Airways and Iberia to work together with a merged LAN-TAM.

This is something that we will work on in the coming months, probably years, but the opportunity to create a joint venture similar to the joint business that we have on the North Atlantic with LATAM on the South Atlantic is clearly something that is exciting to us and we believe that that's an opportunity for the future and one that we will be pursuing with our colleagues in LATAM in the months.

As I said, it may take a little bit longer because clearly they've had to tackle some underperforming parts of their business particularly Brazil, but that represents a new opportunity for us.

And the final comment I want to make is about synergy. Synergy is clearly been a real positive for us. We've exceeded the original target. We've exceeded the revised target. We've exceeded the revised, revised target and these are real. Without doubt, we are demonstrating that, working together, we can generate a lot of value that we couldn't access working independently.

The issue for us is that the synergies have been delivered by what I would call almost business as usual activity and what we are challenging ourselves about now is particularly on the cost side of this and, in fact, almost primarily on the cost side of the business, is there a new way of working that can unlock significant additional synergy. We're targeting something new on this, we're calling it next generation synergies. In fact, we might try and come up a new name for it because it is about doing business in a different way.

It may lead to further integration in areas that we have not integrated at this day. But we believe that based on our performance to date which as I've said is driven almost by just working together in the same ways that we worked separately and working together, can we work in a completely different way together and unlock additional synergies. And I think that's something that we'll work on over the next 12 months. Certainly this time next year, I would hope to have that as a feature of the presentation that we make for you.

So don't expect us to give a new update in relation to synergy as we've seen it. I think our ambition now goes beyond that to say can we do something in a completely different way and unlock further cost reduction through working in a very different way.

That is, as I said, a new project that was only kicked off recently but is driven by the fact that we've taken a lot of comfort from our ability to deliver significant synergy and well in excess of what we originally felt was available to the business and just putting the two businesses in that together.

Synergies with Vueling as you've seen primarily comes from fleet and insurance, some procurement, but we don't see a very significant additional synergies there because quite honestly, Vueling is operating in a very efficient way in isolation and unless it can make sense for them to participate in these projects which is leaving them to get on with what they do because what they do, they do very well and we don't want to interfere with a well-performing company by distracting them on projects that really won't generate significant additional value to them.

So I'm really optimistic about 2014 and 2015. I'm particularly optimistic about the performance of Iberia. I cannot stress to you how pleased I am with the performance of Luis and his team. They've made a huge difference, embarking on change that will radically transform Iberia, as I said, in a way that has never been envisioned in the past and this is something that really opens up quite a lot of opportunity for us.

So the 2015 target we believe is -- if you can say it in the bank as much as you can because it's well within our capability to deliver on that and clearly we will continue to work on areas of the business where we believe we can improve on our performance.

And I think at this point, I'm going to hand over to Andrew. Enrique is going to join me on the stage here and we'll take your questions. Now, you don't have to go on for as long as you like. You're free to --

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Andrew Barker - *International Airlines Group - Head - Group IR*

Willie, by the way, the bus is now been brought forward, so they'll leave at about 3.30, so that is one limit. But David and I have microphones so, Willie, if you like to pick out --

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Willie Walsh - *International Consolidated Airlines Group - Group CEO*

You can do it. You take -- manage that.

Andrew Barker - *International Airlines Group - Head - Group IR*

It looks like Jarrod was the first here and for the record, if you could identify your name and affiliation.

QUESTIONS AND ANSWERS

Jarrod Castle - *UBS - Analyst*

Thanks. It's Jarrod Castle from UBS. I'll limit it to two questions. Just thinking a little bit about returns on invested capital on your over 12% target. Two things, is that something internally which you are utilizing in terms of deciding potential route, in terms of deciding on capital programs and how would you think about returns kind of through the cycle?

Secondly and I think the answer is possible going to be no, but just on slide 96, you spoke about Iberia kind of doing a lot more with oneworld in terms of tapping into the Asian market. Could there ever be a scenario where Iberia might fly directly to Asia using its own fleet? Thanks.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Okay. Let me deal with the second one first and then come back for the first question. Yes, we think, in the right circumstances with the right cost base, there is an opportunity for Iberia to expand into Asia. There are growing links between Asia and Spain. There is significant interest in Asia.

When we travel to China in a particular, we get a lot of questions about this. So it could be that that's a new opportunity for Iberia. It's not in our plans but I think it is something that Iberia could look to -- if it gets, say, cost base that is competitive in that market and with the right aircraft. So Asia is a new opportunity for Iberia but it's not embedded in any of the existing plans that we have for the business.

In terms of return on invested capital, I've spoken publicly about this before. One of the people I admire most in the industry today is Richard Anderson because at every presentation you hear or you attend and listen to Anderson speak when you talk about return on invested capital. Anybody who works for Anderson, if they don't talk about return on invested capital at a presentation, I think Anderson deals with them.

We're going to do the same because that is the principle that we want embedded in the business. We want to make sure that people understand that this is a business that has to make returns on the investments that we make.

So when we're analyzing any business case -- we look at what the return on that investment will be. I think it's a new but an easy discipline to have brought to the business because it existed to a large degree within the business previously. But I think we're more honest about the targets that we've set for the business. We're more clear as to why those targets are what they are and I think the presentation that was given to you by Enrique, we tried to simplify it.

As Enrique said, it's just a piece of simple magic that we got to the figures, we've got to, but they work and behind that simple magic and simple presentation was a lot of thought, a lot of debate and a lot of research. So it is absolutely something that we deal with in terms of everything that we do and actually, it made a big difference. So the fleet replacement in Gatwick, that was on the basis -that that's going to make a return on invested capital and that's the business case that had -- they had to demonstrate to us.

And to be fair to the team, they didn't succeed in doing it on one presentation. I think we did that over, I don't know, within four, maybe three or four presentations. But at the end of that and we were really tough on them. At the end of that, they convinced us that that business can make a return on the capital that we're investing and we would not have made those changes if we didn't believe in that.

So that clearly demonstrates to you that we believe our short hold business, not just at Heathrow, but at Gatwick can be profitable. Enrique, do you want to --

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Enrique Dupuy - *International Airlines Group - CFO*

No, no.

Andrew Barker - *International Airlines Group - Head - Group IR*

Get the mike to Penny over here.

Penny Butcher - *Morgan Stanley - Analyst*

Penny Butcher from Morgan Stanley. Two questions, both are just an extension of the return on invested capital question. Is it conceivable that all three businesses in IAG can beat the 12% target over a period of time or rely on BA and as well as Vueling to achieve the metrics in excess that amount?

And explain to us how Iberia could get there because I guess on the implied business plan that we have seen today that still wouldn't, I guess, in my calculation not quite gets us to 12, but if you could perhaps explain some of levers. And my second question is with regard to airport. Could you talk a bit about where you stand on the CAA proposal at Heathrow and also with the AENA proposed changes as well?

Enrique Dupuy - *International Airlines Group - CFO*

Can I take the first one?

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Yes.

Enrique Dupuy - *International Airlines Group - CFO*

To clear the couple of how to apply these metrics of this internal discipline. So our basic target is that all of our business units comply with this requirement about being able to surpass this return on invested capital that we are establishing as a reference. And Iberia will have to surpass it, if they need, they will try to convince us to invest more capital into their business to renew their fleet, to support growth decision for the network, okay.

So what this on our projection is a very realistic approach as Willie was stating. I mean, we are not factoring any improvement in the economic environment and we are not factoring in agreement that could improvement significantly the productivity of the work force of Iberia. And with these two restrictions, we are getting to figures that we have shared with you.

At the same time, and it is on Luis presentation, we are showing the chart of how things could be looking if we were to get these additional process agreements and if we were to benefit from a more favorable Spanish economic environment. And you will see that the potential is totally different. The ability then of the Iberia business case to clearly support additional investments would be much greater.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

So I've described Iberia as work in progress. Clearly where it is today at third quarter result was a positive development and there was an increase in operating profit from EUR1m to EUR 74m. If may from memory -- just over EUR100 million operating loss for the fourth quarter last year. There's a lot of work that we need to do, but it is work in progress and it is heading in the right direction and there's opportunity beyond what we have within the, what we call, the mediators' plan and to further restructure Iberia.

And the other thing you can look at is what they've achieved with Iberia Express in a very short period of time to be able to -- and in a period where it was being restricted in terms of what it could do.

So making a 5% margin and the worst performing routes, you can imagine what is possible if it had the ability to grow and access other parts of the network that were more attractive. So we know it can be done and to be fair it was Luis that created Iberia Express, in fact, we know Luis has it within him and his team have it within them to be able to achieve this.

It does require everybody working together and as Marco said, that isn't just about improving the cost performance of Iberia, it means improving the revenue performance and commercial performance and the image of Iberia. So the investments we're making are all designed to bring this to a position whereby we will have confidence to make investments.

And, of course, investment in new aircraft will in itself generate significant additional operating benefit through fuel performance because let's be fair, the A340 is not the most efficient aircraft that's going around at the moment.

In relation to airports, we were disappointed that the CAA revised its outlook from RPI minus 1.3 to RPI. We're considering whether we make an appeal against that. We believe we've got good grounds to appeal. We're clearly watching with interest to see what the airport does. I would be surprised given comments that Heathrow made if they don't appeal, I would be very surprise if they don't appeal. And in the circumstances, I think an appeal is inevitable almost but we've not made a final decision in relation to that.

But the case that we had for a real reduction in prices at Heathrow we believe is very robust and we're prepared to argue that case for as long as is required -- but we'll wait and see what happens in relation to Iberia -- sorry, in relation to Heathrow-- Keith, I don't know, would you want to add anything to that?

Keith Williams - *British Airways - CEO*

The only thing to add is that part of the settlement CAA asked for a spend GBP2.85 billion over the next quinquennium-- and from our side, the sooner that starts in the interest of the customer and the interest of the airlines the better.

Andrew Barker - *International Airlines Group - Head - Group IR*

Okay. We'll go to Oliver next. Then David, will you give the mic to the Steve Furlong?

Oliver Sleath - *Barclays Capital - Analyst*

Hi, it's Oliver Sleath from Barclays. Just two questions on the strategy side of the business. Firstly, could you update us on the search for a partner for IAG in Mainland China and could we see BA itself fly to more secondary Chinese cities?

And secondly regarding Vueling, Vueling is clearly one of the number of smaller aircraft carriers in Europe which has the ambition to grow to -- pan-European scale and how can Vueling really stand out in the crowd and be successful there given it lacks quite the ground penetration of Ryanair and easyJet?

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

In relation to China, I think it is one of the weaknesses of the oneworld alliance that we don't have a domestic partner in the Mainland China. We clearly have a strong partnership with Cathay and Dragonair over Hong Kong.

And so we continued to have a discussion with a number of Chinese carriers both from a oneworld point of view but more important from a bilateral point of view, BA bilaterally in discussions with a number of the Chinese carriers, so I think it would be more realistic to expect BA to create bilateral relationships than oneworld to convince one of the existing three Chinese carriers to leave their -- three main carriers to leave their alliance. So we're actively in discussions with the carriers if they have those potential for bilateral and there is interest in that.

Aside from that, we believe there's opportunity for BA to grow organically in China serving secondary cities. These secondary cities are huge relative to some of the cities we already serve. Chengdu is an interesting one and we were asked by some people, why did we pick Chengdu. It was top of the list when we consulted with our corporate is where they would like to see us fly. It has 245 Fortune 500 companies with the presence in Chengdu.

And if you look at the figures for the airport in 2000, Chengdu airport is 5.5 million passengers. Last year, it has 32 million passengers. So we've seen real strong growth in the Chinese domestic market and we're seeing the potential for very significant growth in international traffic from China.

One of the barriers to growth for us is the visa regime here in the U.K. and pleased to see the more and more emphasis being placed on reforming visa regime, so to make it easier and cheaper for Chinese tourists and Chinese business people wishing to travel to the U.K. and that is a huge market that we're only really scratching the surface of the moment. So I think there's a real opportunity for British Airways. So it is a combination bilateral discussions with a number of carriers and focus on organic growth to other Chinese destinations.

I think Alex actually made a very strong presentation in terms of why he's different, a real focus on cost with a ex-fuel cost base that is more efficient and everyone with the exception of Ryanair and then a service proposition that is way superior to everybody out there. And I used to have a a go at Alex, I said that I didn't think his brand was a particularly strong one. He's proved me wrong for the network that he has, the penetration that he has in market that are important to him.

The U.K. -- Alex, you can speak for yourself here but the U.K. is a market that is of I think less interest to Alex than many of the other markets that he showed and it was interesting -- there was one very important European country that he didn't fly to at all but over flies on the way to Iceland. So you can see that he targets his markets very carefully.

And I think what Alex and the team have done is they've tried to identify markets where we they can succeed or that they can move quickly to take advantage of the retreat that is seen across Europe by many of the traditional carriers and fill the gaps where there is strong demand prepared to pay the price that Alex has on offer which is very competitive and clearly very attractive to the customer proposition that Alex have.

Alex Cruz - *International Consolidated Airlines Group - CEO - Vueling*

I cannot top that.

Stephen Furlong - *Davy Stockbrokers - Analyst*

I heard what you said, Willie, about how to be disciplined in the industry. I just wondered, when you look at different markets and businesses, you look at the competitive dynamics, I mean, by Gatwick, I know there's been some changes in terms of slots with Flybe. And are you happy with the business instead of going into next summer given that kind of dynamic changes there?

And then on the same question but in LATAM, sometimes in these emerging markets where a lot of the growth really comes from the home countries. And so are you seeing more kind of competitive competition from the LATAM companies? I'm sure that's where you're focused on, the restructuring in Iberia. That would be great. Thanks.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Yes, Gatwick, we actually did bid for the Flybe slots at Gatwick as well in competition to easyJet. I think for Flybe, it made more sense for them to sell the slots to easyJet because we wanted them to continue to operate them for a period of time while we address the position within the restructuring that was ongoing within British Airways which I'm happy to say is pretty much complete now. But we saw opportunities for us to grow at Gatwick. But Gatwick, we believe is a very attractive market and we see room for us and for our main competitor easyJet at Gatwick to grow.

So the departure of Flybe from Gatwick is not a major concern for us. We have access to slots at Gatwick because we have slots leased out, and so we have been able to use the slot portfolio that we have sensibly. But don't be surprised, if the BA team continues to deliver the way have delivered, and in fact to give them credit, they've exceeded the target that we have set for them to date, so if they continue to that, I think there is very attractive future for them at Gatwick. So Gatwick is -- we're very comfortable. We look around globally as capacity increases.

The capacity that we see going in, in many cases, is well-matched and, in fact, often still below what we believe the underlying demand to be. We don't see any evidence at this stage of an oversupply of capacity. We think the industry has been disciplined and it helps us that we have people O'Leary as always talking about chaos and a blood bath because that discourages people from doing things that otherwise they might have thought to do.

So quite honestly, we very carefully assess where we're growing and we very carefully monitor what others are doing and I can't think of any area where we're concerned or surprised at what we see. And LATAM, yes.

Enrique Dupuy - *International Airlines Group - CFO*

Yes. Well, of course, we are seeing more and more efficient carriers that are based in Latin America. It's about -- a bunch of them, maybe two or three. What they will never have is a distribution hub in a place in as Madrid in Europe.

The ability of the Iberia model about canalizing all these traffic out of Latin America into the different destination in Europe is something that Iberia is especially quick to produce in an efficient way. They will have to fly directly to Frankfurt or to Milan or to Paris or to wherever different destinations they want to fly counting on their direct flow, just a direct flow.

Iberia will be able to channel those traffic through Madrid into a broader and efficient network to reach a large scope of final Euro destinations.

Jamie Baker - *JPMorgan - Analyst*

Willie, good afternoon. Jamie Baker with JPMorgan. Since you brought up the topic of Richard Anderson, I thought I would continue on that theme. One of the things that has made Richard unique is his strong aversion to flying brand new aircraft and his preference, not an exclusive preference but a strong preference for aircraft that are somewhat used and or taking advantage of steep, steep discounts that are available on aircraft would be A330 as that line winds down in preparation for the A350.

What level of confidence do you have that your aircraft strategy which seems to be uniquely biased only towards new aircraft is this the carrier of the two? And if you have any doubt, is there is a scenario where overtime you might be willing to target slightly used aircrafts and hope to generate better returns.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Yes, I've spoken to Richard about that and he was very clear in terms of his acquisition of the 717. He felt that he could acquire this at very low capital cost, modify them and they were for his network in particularly the stage length that he was operating those aircraft, very efficient because the fuel saving benefit that they would have got from a new generation aircraft would not have justified the additional capital cost.

I think that was right for his market and we're not -- we don't disagree with him. In fact, some of the things we're doing in terms of aircraft, we're doing that. We're not just ordering new aircraft, we're leasing second hand aircraft.

So the portfolio of aircraft that we will have going forward will continue to be a mix of owned and leased aircraft. And we won't always lease new aircraft, we're quite happy to lease second hand aircraft within a certain vintage but some of the aircraft that we're looking at in terms of leasing today are in the 10 to 12 year age.

So we do look at that, for us it's about a balance in the portfolio. For the long haul aircraft to take the view that these are aircrafts that will operate for their whole life and therefore our view has been that it makes sense for us to look at those in an owned basis, but we will have a mix of aircraft within the fleets.

And as I said, I very much agree with what Richard has done there. I think he has targeted aircraft that work for him in his particular market and that aircraft would not be a good aircraft for us, for example, I think people would generally accept that.

Our average stage length flying is just over a thousand kilometers and BA short haul is in excess of that, as is Iberia. So when we look at this, we make sure that we balance the capital cost against the operating efficiency or the operating cost of the aircraft to as well. Enrique?

Enrique Dupuy - *International Airlines Group - CFO*

Yes, I know, thanks Willie, you've come to it. What -- the only exception to what Willie was saying in terms of the long-haul aircraft are these type of aircraft that we know are going to be a transition to what new generation aircraft when we get there probably deliver this. So that's one example of the case for the A330 in Iberia and these fully will be financed to operation lease agreement.

It may be also the case of the 777-300 fleet. So some of them will be making this transition into the new generation fleet as well and we will also treat them as operating leases.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

But I can assure you, we don't just look at new aircraft, so we're looking at the high gross weight version of the Airbus A330 to see, would that make sense in some of those -- in airports that we operate and we evaluate that against other aircrafts, that are available to us. So we're constantly looking at the aircraft type against another against another to ensure that we get the right mix.

So I wouldn't, in any way disagree with what Richard has said or done there and I think that's -- although we're -- it appear to be very different. We're actually thinking in exactly the same way.

Andrew Barker - *International Airlines Group - Head - Group IR*

That's -- okay, next.

Tim Marshall - *Redburn Partners - Analyst*

Hi, it's Tim Marshall from Redburn. In the Iberia presentation, there were some really interesting useful data on the % of passengers who are transferring through Madrid. I wondered if you have some of the data for BA at Heathrow and how that changed since -- I mean it was about 30% in the -- in about 2009 and whether the slot restrictions at Heathrow leading to more O&D passengers?

And then second, I just wanted to ask if the historic cost of the fleet is the right reference for you when thinking about the ongoing CapEx for the business given the synergy that you should be getting from combined group in purchasing new aircraft from Boeing/Airbus?

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Keith, I'll ask you to comment on Heathrow. The thing about Heathrow and just before Keith gets the microphone is that we can change the balance pretty quickly and we do from time to time.

As you know, we changed it significantly a couple of years ago when we saw a revenue opportunity in terms of strong euro versus a much weaker pound and we can quickly change the bias towards transfer. I think from memory it's probably about 40%, Keith, I don't think it's changed much --

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Keith Williams - *British Airways - CEO*

That's right, between 30% and 40%.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Yes. It's still within that 30% to 40% range. I think we've got about 12% transfer Gatwick so it's a very small percentage of the Gatwick but it demonstrates this relevance to the Gatwick network as well feeding some traffic into the long-haul network that we have there which work very well for us. But it's still within that 30% to 40% range.

I looked at it recently, I think it peaked at about 42% in one of the months in the past 12 months and it's been as low as 33%, I think. So it changes from month to month and can change very quickly depending on where we see weakness and opportunity.

Keith Williams - *British Airways - CEO*

And I think that Lynne's slide showed you that the more connecting traffic through bmi and if you look at some of the connecting (inaudible). They are also good strong connecting traffic.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

And your point about historic cost, again, it was -- if you like a simple way of explaining this. So it's not -- we're not saying that's religion. What's religion is you've got to exceed the -- we have to make a return on invested -- cost of capital.

Enrique Dupuy - *International Airlines Group - CFO*

In some way -- a very simple way to demonstrate that, looking at historical values of the -- on our assets, is a limited approach. Because it can get you to, I would say, big divergence about what the real allocation of capital at market value that you're having on a specific (inaudible) or that you are deciding on a specific business decision.

And there is a way to switch and to compare return on capital, it employs for examples on return on invested capital. It may be similar in some cases, it may be very divergent in others and we have to bear in mind that diversion.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

And clearly we know something that you don't know which is how much we actually pay for aircraft and I know that's what you want to know -- but unfortunately, if we tell you, we'll never buy or get access to the aircraft again.

Andrew Barker - *International Airlines Group - Head - Group IR*

(inaudible).

Unidentified Audience Member

Hi, I'm (inaudible). Thanks for the time. I just have a question about, I think it was slide 65 specifically where you talked about the opportunity on the joint business agreement with American, Iberia, British Air and so on, and the numbers are very impressive and I'm wondering a) are you shifting share from United and Delta over their -- and their respective alliances has all the easy, the low hanging fruit has been captured, are there other opportunities to drive additional growth and I just wonder if you could put some meat on the bone on that one. Thanks.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Yes, I'll ask Drew to comment. Drew is our expert on the joint business but I think the simple message for us is that we've made a lot of very significant progress in a short period of time and by no means is this mature. In fact, I would say this is very immature and represents further opportunity and what Drew -- I think was in slide, the following slide 66, talked about more to come in 2014. Drew?

Drew Crawley - *British Airways - Chief Commercial Officer*

I agree with everything Willie just said. But I would add that we don't go out of our way to target market share per se. The market share results are just as much an outcome as our approach on how we target profitable revenue. So is there more to come? I think there is because I can honestly say hand on heart that we don't have everything fine-tuned and polished. So we could do better on our corporate dealing, we could do better on our agency dealing, we could do better on leveraging each other's distribution, frequent-flyer programs.

And we're doing a piece of work at the moment to estimate how much value we could bring to a joint business. If we performed at the highest common denominator in all those areas, and then you add on the opportunity that US Air brings and I think that there is -- Enrique described it, the joint business in the cruise. I think we will probably be moving into an increased altitude at some point over the next two years.

Unidentified Audience Member

(inaudible), questions really relates to the last one, on Delta. With the joint venture being approved now between Delta and Virgin, do you think that is going to lead to an erosion of the strong position in particular on Heathrow-North Atlantic because they are -- start doing some of the things which you've been able to do already with America in terms of improving the distribution schedule into the US market.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

I may be a bit contrarian on this one and that I actually think Delta Virgin is overall a positive for a simple reason. I think I would describe Virgin as being irrational in their behavior in recent years, clearly losing a lot of money and not sure what to do, thrashing around from time to time and irrational competitors to me are more likely to damage you in the short term because they're damaging themselves as well.

So bringing discipline to Virgin which is what Richard Anderson will do without question because again, when he talks about that, he talks about return on invested capital.

We'll make them stronger, it will be a stronger competitor but I think in the overall scale of things and going forward, I see that as a positive. Further example of consolidation where you will have fewer decision makers in terms of what capacity should be made. So overall, I see it a positive and more likely to hurt United who I believe are the weakest performer and the weakest participant in the trans-Atlantic competitive environment than it is to hurt us.

So I think you're going to see some healthy competition, but sensible competition between -- and that to me is very important. We want to see the market compete, provides us with all the incentive we need to ensure that we're making progress in terms of our performance, in terms of the investments that we're making. So, I see this in the long term a thing of positive relevance. Drew I don't know if you want to add to that or --

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Drew Crawley - *British Airways - Chief Commercial Officer*

I think that clearly they're getting -- Virgin and Delta getting together will improve their offer in the marketplace but that forces us to what we do even better than we are. So we have got a plan not just for Virgin and Delta but for the -- there's quite a bit of underlying capacity come in across the North Atlantic this winter as well. And we have a plan on how we will better market and how we will compete.

And there are some areas where we just had to -- we won't compete because we believe that competing in certain segments is unprofitable or us. So we know where we will compete and we know where we won't compete.

Andrew Barker - *International Airlines Group - Head - Group IR*

We'll go to James and Donal here.

James Mcdonald - *Bluebay Asset Management - Analyst*

Thank you. Thank, Drew, first one's for you, just on the BA holidays you've gained about 150% from '11 to forecast '14, I was wondering if you could, I think you had a bit of a chat about it last year I was wondering what you've done in terms of technology, marketing et cetera. And more importantly where you think that roughly 0.5 million passengers in '14 can go to '15, '16, 17 and beyond.

The second one is on the increase in the target for the year '15, I was wondering if A, there'd been any change in the fuel assumptions to get to the 1.8 and secondly, unless my math is gone awry which wouldn't be a first time, it looks like Iberia is gone backwards in terms of its target. Is that right and if so, what's changed? Thanks.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

I'll let Drew answer the BA holidays.

Drew Crawley - *British Airways - Chief Commercial Officer*

Thank you. I think there's room for improvement -- further improvement in BA holidays. If you ask the Managing Director of BA holidays, Claire Bentley has done such a great job. She will be -- slightly more conservative but every time she's more conservative, she seems to beat the target by even more herself.

So the areas where we're looking at to improve BA holidays' performance is long-haul Gatwick where we have made some very good progress against Virgin holidays so the Caribbean and Florida is an area where we have made significant improvement. Some of the extra hull going down to Gatwick long-haul, there will be further improvements and new destinations to come down there.

On the technology side, the basic, the advantage of the dynamic packaging that we have created is that we are able to plug in directly to the inventory of many different hotel groups, many different hotel wholesalers and what that enables us to do is offer a huge breadth of hotel offerings where -- which gives greater customer choice.

A good example of that is our association with Mr. and Mrs. Smith. Mr. and Mrs. Smith hotels is now available through, BA holidays and that was enabled by this technology. In the past it would have been very complex and clumsy to be able to do that effectively and importantly to get access to the dynamic pricing.

In the tour operating market, you have to competitive on price and if you're operating in the old fashioned way of taking big bulks, bulk delivery of the rooms and then hand them back when you don't sell them, you have a very static pricing environment. So the dynamic pricing will make things incredibly competitive.

Enrique Dupuy - *International Airlines Group - CFO*

In relation with the kerosene price, the fuel price that we've been using on our plans for year 2015, it's $950 per ton of kerosene and the foreign exchange for the euro dollar that was set at 1.3 so we have a good -- basically been purchasing future concept at those levels already. So we have 21%, I think, 21% of our -- '15 requirement hedged at levels which are consistent with those.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

And in relation to Iberia, yes the difference is slightly backwards and we talked about this publicly, the mediators done -- had a lower number of headcounts reduction than the original plan so there was a short fall in cost reduction associated with that.

What we have said however is that the original plan assumes no improvement in unit revenue performance in Iberia. So although we will have a cost shortfall under the mediators and setting aside any renegotiation that Louis does, overtime we believe that some of that if not all of that will be offset by the improving revenue performance that Marco has talked about.

So if you like, it's a delay in getting to the targets that we have set for Iberia principally because we have a lower number of people leaving the business than we had originally targeted.

Donal O'Neill - *Goodbody - Analyst*

Hi, Donal O'Neill from Goodbody. Three questions, if that's okay. First question, there's been a lots on productivity improvement and (inaudible) cost in the business, can you tell us how you think about seasonality of the business as part of your longer term strategy and sustainable strategy in terms of managing fleets through the winter management and labor, et cetera, and is there any you can do around the partnership with the other airlines to manage that?

And secondly, again on the partnership side, in terms of the JB's and particularly with LATAM and Qatar, how do you think about their growth plans and how do you manage your own expansion plan and network plan? For example of Qatar going into Barcelona, what impact does have Vueling-- or likewise LATAM trying to grow into Europe?

And lastly, could you give us a view on your position within City airport in London and what's the competitor environment there is like and what opportunities there are for you to grow?

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Okay, I think the issue with seasonality is a very interesting one. And I'm going to ask Alex to comment on this because I think seasonality is probably one that impacts on his business more than the BA or Iberia business, where peak to trough in BA is -- it's measureable but not hugely significant and a lot of that is dealt with through things like maintenance activity that we require to do. So you bias that towards the winter period, annual leave we bias that towards the lower demand areas.

So, it's -- the range of -- between peak to trough can be managed I think between BA and Iberia without major change in the approach of the business. I think for Alex, it's probably slightly different. Alex?

Alex Cruz - *International Consolidated Airlines Group - CEO - Vueling*

For us, it's definitely a big factor and we're seeing seasonality increasing year-over-year. So there are only two ways to deal with seasonality, you cut the top and you do something about the bottom. So, from the top perspective, one of the things that we're likely to do maybe even next year is to have a couple of rotations during the summer, bringing aircraft in from other people. That means people in, so that will hedge us having to take the risk on having additional aircraft for the full year, so that's beginning to address it.

From the bottom end, what we've been doing now for several years in a row, and we will do this winter again is to take aircrafts of ours elsewhere around the world to fly on behalf of others. So we're going to have a couple of aircraft in Uruguay this year during rotations for another airline. This amply covers the cost, in fact we may get a little margin out of it.

So, you will see us doing more and more of these things to address, the proper growth of the asset to make sure that we don't fall ourselves into heavy asset under utilization.

Lastly, making sure that we have the right aircraft fleet mix in terms of age is also something that made some previous meaning that whilst we all aspire, theoretically, to have the absolute newest fleet, it may not be the most optimal particularly in environment where we have a lot of seasonality. That means that we are going to be content with having a few aircraft which are slightly over that mean in lower cost and we make it a part during the winter season.

In addition to that, there's about two or three other initiatives from a commercial perspective. They are aimed at counterbalancing the seasonality. So I'm pleased to tell you that this is something that this is -- it's something that we've been working on for quite a long time and I think that we're going to be ready to respond to measures like these.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Thanks Alex. In relation to Qatar and LATAM, obviously both, Qatar particularly has ambitious growth plans and are delivering on their target to create the probably one of the best airlines in the world when they move into their new hub airport back in Doha, Hamad International Airport.

And the advantage for Iberia in having a relationship with Qatar is, we can start gaining a presence in the market, Neil showed you that, that there is an opportunity overtime for Iberia to grow in there but at the moment we don't have any direct services. So having a partner like Qatar will be able to give Iberia an opportunity to sell to their customers and access the markets that they can't serve directly.

So you know, we think both airlines can both grow this as LATAM and Qatar without tripping over us in anyway, or without us tripping over them. It is potentially an opportunity for Alex at Barcelona if he chooses to work with Qatar and you heard what he says, if it makes sense for him because he can code-share or feed passengers, or take passengers because he's been able to do that.

But it only works for Alex if it's profitable so he's under no pressure whatsoever to do anything to feed traffic into any of our oneworld partners. It's only if it makes sense to Vueling to do that and I think you've seen the approach that Alex and the team adopts, they're very clear that if it enhances their profitability then they would certainly look at this. If it doesn't do anything for the profitability then they won't.

And City airport, City airport's really interesting. You've seen from Lynne's presentation, we're number in City and then you guys might want comment on this and we've got a profitable operation with City flyer, with the Embraer aircraft just to find the increase in the fleet, to 17 from the 14 aircrafts that we have today.

We're very clear with the airports that we're only going to grow there if we can grow profitably. It's an expensive airport and the airport charges have certainly been a disincentive for us to pursue our growth and I think it's a case where it's driving some of the existing operators away from London City because of the charges associated with that.

So there are a number of airlines operating there that are unprofitable and never will be profitable but this is a very profitable airport. So we're absolutely clear that we will grow there if we can grow profitably and we put pressure on the airport to ensure that their charges are moderated or indeed reduced and that reducing the charges that are maybe an incentive for us to pursue some additional growth. Lynne do you want comment?

Lynne Embleton - *British Airways - Director - Strategy and Business Units*

Yes. As what you said, we are now number one in London City but we got there quite carefully. We got there through organic growth, and we had the opportunity to buy VLM several years ago but we've chosen a different path to getting profitability.

We have, as I mentioned earlier market rate cost. We have been in discussion with the airport because we're not going to grow if it's not going to be profitable, and the airport fees are quite important part of that. We've got a weak competitor in CityJet and that gives us opportunity. The European carriers flying into City airport have made some changes that we think will benefit us and we're going to capitalize on those opportunities too.

And actually in the core business, we're really riding on the back of a lot of the things that BA is doing anyway. So the Know Me program, the SME program, that gives us real reasons why we believe we can improve the unit revenue on our existing business there and remember we've got small workforce, so there's quite a growing sense of engagement and intimacy within the team in Cityflyer and we've got some really regular customers and that's getting to know our customers better and serve our customers better together with the growth, we're very excited about the prospects for Cityflyer at London City.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Thanks. As Lynne said, we did bid for VLM and we kept bidding for it knowing that the time AirFrance is going to buy it regardless of what price it was, so we pushed the price up for them. I wouldn't do that with de Juniac to be fair. I don't think he would play in that game but it's nice to see that we've been able to access slots without having to pay for them and we're watching with interest to see the restructuring of CityJet, but that clearly is an opportunity for us.

Andrew Barker - *International Airlines Group - Head - Group IR*

Okay, thank you. I think it's Andrew there.

Andrew Lobbenberg - *HSBC - Analyst*

Hi, it's Andrew Lobbenberg from HSBC. Two things if I may, on M&A, I think you're on record of saying that you're not looking at anything at the moment but at some stage presuming it does come back to the agenda and if we can say with the homage to Atlanta, what's your thinking about their chosen strategy and in Abu Dhabi as well of buying minority states in other airlines around the world. Is that something you would bring in to the mix as well?

And then a question on sort of a second theme would be on the Heathrow configuration. It'll get better when you get out of terminal one and concentrate on five and three but that's still clearly suboptimal. What's your thinking about planning your configuration at Heathrow going forward? Or do we have to wait for Boris' Island?

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Okay, in my homage to Atlanta, I like that one, hopefully Mr. Anderson is listening. I think Delta has pursued minority investment in a very sensible and strategic way.

The example I gave was GOL where I think for a small investment, they secured exclusivity with a partner and a market that everybody was going to access, so we were all talking about partnership with Brazil and -given that there is effectively only three carriers there now and at the time most people only saw two carriers with their term and goal ignoring what (inaudible) but I think he -- that to me was a very sensible investment. I think he's done a similar thing with Aeromexico.

So where's he's doing it, he's doing it to secure additional strategic benefit and we have said that we don't like minority investment but that's if we saw something of additional value that we could bring. So our view is, if you want to invest in airlines you can do it. So you don't look to us to invest money in airlines but you would look to us to see if we could get some additional benefit to an investment.

We have not identified any of those, but we do constantly look and as I said, I think Delta's foray into minority investments, I would describe as being more strategic and more successful than Etihad had so far anyway. I know you'll see Hogan say a different thing and he will say he's managed to get a lot of traffic through the equity investment that he has Air Berlin and others, but I think he's paid a heavy price to access that traffic.

And so I wouldn't -- I never say never but I would say very unlikely that we would do that and only if we could identify some additional value that you couldn't get through a direct investment yourself.

And in relation to Heathrow, I think you've heard what I said publicly. I think Heathrow's going to be a two run way airports forever. I can't see any runway development at Heathrow taking place because I think it's just politically impossible to envision a scenario where it would get support from a majority of the politicians.

So the Lib Dems I think will always oppose it. I can't see Labour expressing any support for Heathrow because there's no real advantage to them in doing so. So I just don't see it developing regardless of what the Davies Commission comes up with. And I think the Davies Commission, to their credit, will come up with a very, very good report. But I don't see it being acted on by politicians. Now, people say I am a cynical that's -- it actually may be different with that, there are politicians who will be brave and -- but I'll wait and see.

Andrew Barker - *International Airlines Group - Head - Group IR*

Maybe you can get a mike to Juan --

Juan Ros - *BBVA - Analyst*

Hi this is Juan Ros, from BBVA. I have three very quick questions if I may. First one is regarding Express, do you have any kind of aircraft or ASK target once the bargaining agreement limit expires? Second, regarding Iberia's MRO and the handling operations, are you thinking about disposing any of those? And finally regarding your project of outsourcing the handling or ground operation of your outposts. Do you feel that maybe your quality perception might get hurt if you start doing so? Thank you.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

The original plan for -- I'll let Luis comment, but the original plan for Iberia Express is to have 37 aircraft in 2015. So you can see the potential that we identified for us, so that was with a 2012 start, getting to 37 or an average of 37 aircraft in 2015. It's technically unlocked from the end of 2014, so we could pursue growth from its 14 aircraft and as Luis said, it's got a very efficient cost base and clearly has opportunities to grow. I think Luis, maybe -- I don't know if you want to say anything in relation to Iberia. You got a microphone?

Luis Gallego - *Iberia - CEO*

The real plan for Iberia Express was to have 14 -- the first year 2012, 16 to 2013, 28 the third year and 40, 2015. Unfortunately because of the market and because of the restriction that we have, we couldn't comply with that. Our idea is to develop Iberia Express in the routes where we need a (inaudible) of cost that we have. But we need to check first which is going to be the restructured cost that we are going to have in Iberia. So we don't have a clear number of the aircraft that we are going to have there.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

In relation to ground handling and MRO, that has traditionally been seen as a profitable part of the Iberia business. We're evaluating that and clearly again that that's a business that we will only participate in and certainly a business we would only invest in if it can make a return on the investment that we make there.

The MRO I think there are aspects of the MRO business that are likely to be very successful whether we should continue to do everything we do in terms of MRO, that's very much up for debate at the moment and that's something we're looking at not just in isolation within Iberia but in conjunction with British Airways and Vueling across the group to see how we can extract synergies that may exist by working together in a different way on MRO activity.

But what is clear to us is that there is expertise within the Iberia MRO that can be potentially very interesting for us particularly in terms of engine overhaul, which is a special feature of the Iberia business and has traditionally been a difficult part of the business to get into.

So that's an acquired knowledge that Iberia has and that could be an attractive part of the Iberia MRO business. So it's being reviewed and Luis has been very clear to the trade union saying, he'll stay in that business, if that business is profitable and if that business isn't profitable, and that refers to both the ground handling and the MRO. So then we're unlikely to be in that business going forward. So I think Luis has been completely transparent with everybody in relation for the ambition there.

And the third question so that -- I think was -- yes and outsourcing is absolutely the right thing to do and it goes to the seasonality that people talked about. One of the advantages of having ground activities outsourced is that if you reduce your capacity, you're reducing your cost as well because you're not exposed to that cost whereas you have all of your people employed right across the global network, you clearly have much more of your cost, potentially locked in as fixed cost.

So where we pursued outsourcing of ground handling is where it makes sense to do that. So British Airways in effect, has outsourced nearly all of the below the wing ramp handling, everywhere with the exception of Heathrow. I think we do some limited activity where we've got scale but we see that as a feature of the business and it makes a lot of sense.

There is no service issue in fact we monitored very carefully to see how our customers rate our service and in some areas where we've outsourced this activity, they rate our service very highly. So we're very clear that that is about how you manage the provision of those services and it gives you flexibility in terms of your cost base. So absolutely, the right thing for the business to do.

Andrew Barker - *International Airlines Group - Head - Group IR*

I think we're approaching bus time so probably a chance for two or three more questions. Gerald here.

Gerald Khoo - *Liberum Capital - Analyst*

Gerald Khoo from Liberum Capital. Three questions, firstly on adding US airways to the joint business, do you need a new round of anti-trust approvals or any other regulatory approvals?

Secondly, you talked about Singapore-Sydney, the ex-JSA routes and the significant improvements there, could elaborate on how you've been able to deliver those significant yield improvements. And finally, it's probably a vague question, but what happens after 2015? What are your thoughts as the way you go after the targets there?

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Okay, Chris Haynes is here. Chris is our General Counsel, he can answer the first question for you.

Chris Haynes - *International Consolidated Airlines Group - General Counsel*

In terms of the regulatory approvals, no we don't need any further approval. The DOT, the US DOT have effectively given us 120 days post completion of the merger to effectively amend the joint business agreement to bringing in US airways so we're confident we'll do that and we don't see any regulatory issues beyond that.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

And the second question again? Sorry I missed the second.

Gerald Khoo - *Liberum Capital - Analyst*

About Singapore and Sydney and --

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Oh yes.

Gerald Khoo - *Liberum Capital - Analyst*

How do you get the improvements?

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Yes and Lynne can comment here but it was -- getting the right aircraft and the right terminal was part of those. But also the -- (inaudible).

Lynne Embleton - *British Airways - Director - Strategy and Business Units*

Yes, exactly. We pulled together a cross-functional BA team and looked at our entire offerings. So on the aircraft side, we moved to 777-300 and we moved the site in to terminal five. So we put mixed fleet onto the route which helps the crew cost, we had dialogue with the airports in Singapore and Sydney to get savings there. And a large part of it actually is also in Drew's team where the sales areas were in a way more free to operate how they want in the Sydney market and that brought a lot of revenue benefits as well.

So a real cross-team method. I think we've got a little bit more to come, we haven't yet right sized Bangkok for example in terms of aircraft size, but there's a bit more post-JSA restructuring to finish but it was quite an integrated response.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

Thanks Lynne, and targets beyond 2015 we'll disclose in the future but just to say, we don't see 2015 as being the peak. So the parts of the business should continue to improve and going back to everything we've said, we clearly looked at our CapEx well beyond 2015 and everything we're doing is designed to ensure that we're exceeding our cost of capital and getting this business to a cash position that should enable us to start paying a dividend to our shareholders as well.

Enrique Dupuy - *International Airlines Group - CFO*

In fact we've been achieving significant improvement in years where the economic environment has been weak. So if we are facing years where economic environment would be better, we would think there is scope for us improving our margins and results. That's how we are approaching it.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

And certainly we don't see that we will have peaked in 2015. And --

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Neil Glynn - *Credit Suisse - Analyst*

Hi good afternoon, Neil Glynn from Credit Suisse. If I could ask a question first of all on BA revenue, obviously momentum is very strong with this year, it should be the fourth year of successive pricing increases, and I just think about the higher it gets the more difficult it is to keep growing.

You're obviously highlighting RASK improvement and expectations for '14 and '15 but should we think about each individual passenger paying more per ticket or are there mixed effects that give you comfort that pricing can still rise?

And then the second question, the way I calculated it looks like BA is targeting at 12%, 13% operating margin for '15 or thereabout. Have you any latest thought in terms of what's an appropriate through the cycle, margin is, or maybe you either side of that 12% to 13%, what's a trough and peak margin for BA.

Willie Walsh - *International Consolidated Airlines Group - Group CEO*

I think the approach we're taking to revenue in British airways is just conservative. There is a mix element in that and as Enrique said one of the things that has driven the improvement in unit revenue in recent years has been the recovery through revenue of the increasing fuel price.

So, we need to be honest, that has been part of the driver in terms of getting the revenue performance of -- I think looking at the margins for BA in '15 is just over 10%, it's not 12% if we talked about it. But again, we see that BA has the potential to improve on that margin.

So, I know they're all smiling over there but nodding as well. Just checking, yes. So I think BA gets advantages in terms of the embedded cost reduction, structural cost gains that they have pursued through the delivery of the new aircraft that we have ordered, would clearly will be more efficient from the fuel point of view.

From the consolidation that will take place in Heathrow from a continuing strong performance in the network or the expansion into new destinations that will be profitable through the benefit of the -- an approved joint business with the new American on the trans Atlantic.

So I think when you look at this, there is opportunity for BA to improve their cost performance and its revenue performance in an environment that is relatively benign in terms of economic growth. So clearly anything that happens in terms or U.K. GDP, we see a more positive economic environment. There should be some upside for BA. But we have not factored in, that was one of the things that Enrique showed in his presentation that an improved economic environment is a potential upside for us.

Obviously, a weaker economic environment means we'll have to take action but I think we've demonstrated that we can respond very well to downturn in the general economic environment.

So I think to give the BA team credit, they've done a great job in terms of managing cost. I think that culture is embedded within the organization, getting their short haul performance to profit is a big step forward for them. And so there's a lot of positives that have taken place in BA and a lot of positives to come.

And I think the same applies for Iberia. It's at a different stage, and clearly in terms of development, it has been later to the structural change than BA has -- definitely moving fast to catch up and the combination of those two I think demonstrates from a legacy carrier point of view, we have a solid future.

And then we've got Alex and the team at Vueling continuing to do what they're doing exceptionally well in recent years and we believe that they can continue to do that in an environment where they're very, very focused and targeted with their growth.

So this time next year, we should be standing here talking to you about a new approach to synergies, we think of something very smart when it gets -- (inaudible) come up with some really smart name for that and that will be, I think a step forward for us. If the economic environment improves, you should see a further improvement. But we believe that we're on a good path.

We think we made good progress to date, we know there's a lot of work that needs to be done, but I'm really pleased that -- with the team we have place in Iberia making excellent progress, very determined, full of energy which is very important, great team at Vueling continuing to do what they've done well and great team at British Airways.

We're definitely heading in the right direction and we can build on the progress that we've made so far.

Andrew Barker - *International Airlines Group - Head - Group IR*

On that note, I think first bus leaves in about five minutes, they leave every 15 minutes. So I just like to say two thank yous, first for the whole team in the room. A lot of hard work that's gone in, in the last few weeks to bring you this view of the company. But thank you very much to all of you that come and visit us today.

You know where we are over the next year or so, if you have any questions and we get lots of questions every day. We welcome any questions you may have. And look forward to seeing you this time next year. Thank you very much.
