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EDITED TRANSCRIPT

IAG.L - International Consolidated Airlines Group SA Capital Markets Day

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CORPORATE PARTICIPANTS

Antonio Vazquez Romero *International Airlines Group - Non-Executive Chairman*

Enrique Dupuy De Lome Chavarri *International Airlines Group - Group CFO*

Steve Gunning *International Airlines Group - CEO IAG Cargo*

Gavin Halliday *International Airlines Group - Avios Managing Director*

Andrew Barker *International Airlines Group - Head of IR*

Stephen Kavanagh *Aer Lingus - CEO*

Glenn Morgan *International Airlines Group - Head of Digital Business Transformation*

Bill Francis *International Airlines Group - Global Head of Group IT*

Luis Gallego *International Airlines Group - Chairman, CEO of Iberia*

Henri Ozarovsky *International Airlines Group - Group Strategy and Development*

Willie Walsh *International Airlines Group - Group CEO*

Alex Cruz *International Airlines Group - Vueling Chariman & CEO*

Keith Williams *International Airlines Group - BA Executive Chairman*

Silvia Cairo Jordan *International Airlines Group - Head of Group Commercial Planning and Policy*

Laurence Turnbull *International Airlines Group - Head of Group Finance Services*

CONFERENCE CALL PARTICIPANTS

Neil Glynn *Credit Suisse - Analyst*

Oliver Sleath *Barclays - Analyst*

Andrew Lobbenberg *HSBC - Analyst*

Jarrod Castle *UBS - Analyst*

Stephen Furlong *Davy - Analyst*

Guilherme Macedo *BPI - Analyst*

Robert Murphy *Investec - Analyst*

Anand Date *Deutsche Bank - Analyst*

Suzanne Todd *Morgan Stanley - Analyst*

James Hollins *Nomura - Analyst*

Andrew Light *Citigroup - Analyst*

Douglas McNeil *Macquarie - Analyst*

Alexia Dogani *Goldman Sachs - Analyst*

Gerald Khoo *Liberum - Analyst*

PRESENTATION

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

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Welcome, everyone, to IAG's 5th Capital Markets Day. It doesn't feel like five years, actually, it does feel quite a long time; we've done a huge amount, but you'll see from today, the agenda is quite familiar. We're following the same pattern that we have, pretty much, for every capital markets day.

Telling you about our financials, telling you about IAG integration, and telling you about our fantastic airlines in the group. So, very quickly, if we put the agenda up on the board.

We have Enrique, the finance director, presenting the finance section. A load of IAG senior managers presenting to you what we're doing, integrating the company, producing an IAG platform. The chief executive and chairman of the operating companies and then finally group CEO at the end.

Following our normal format, we'll have all Q&A at the end and there'll be plenty of time to ask Q&A as there will be to people, you'll see senior managers from around the group in the coffee break and the lunch break.

We have a coffee break after the first two sections, then we move on to our airline section, lunch after that and then Q&A after lunch when you're all feeling relaxed and have composed all your questions.

So, without any more time I'll hand over to our chairman, Antonio Vazquez, Chairman.

Antonio Vazquez Romero - *International Airlines Group - Non-Executive Chairman*

Good morning everybody. I am really proud to be here today opening this fifth capital markets, IAG capital market day.

And it's not only the fifth, but it's a milestone in our life because of when we came by the first line to have captured the market day with you in November 2011, we were setting out our target for 2015 so today is quite an important day to us.

And I'm particularly happy and proud to be here also because well what we have to share with you is that we did accomplish our target and we did increase our target and we did deliver. When we merged British Airways and Iberia five years ago, we had a mission of a group of airlines, not just trying to be a major player, but to be really an industry leader.

And I think what we have done, within these five years; it is exactly on this direction. Today we have a bigger group, we have been incorporating Vueling as a first, low cost airline coming into the group. Later on integrating bmi and making stronger position in our main hub in London, Heathrow.

We did create from scratch, a low cost with Iberia Express, which, by the way, is the only low cost feeder for a main hub in a significant airline in Europe working extremely well today. And, finally, we're very happy that Aer Lingus is within the family and is going to be presenting today for the first time.

We're bigger, we are stronger and at the time of the merger, British Airways were exiting a deep, deep restructuring, which took place within September 11 and the Lehman collapse and Iberia was on the way to go into restructuring at that point in time.

Today, we can share with you that a various ways of success in the restructuring of Iberia -- it exceeded by far what we were trying to get from the very beginning and I think it's the management of Iberia deserve a strong recognition, jointly with the commitment of the employees for the group, because they jointly have been made possible to have a new company better than ever and with a wonderful foundation for the future.

And also we have a unique group. We have been setting up a shared service office in Kracow in Poland for the global services of the group. We have been putting together the common platform for IT, for finance and for procurement.

Avios today is a reality; we put together at that point in time two loyalty programs and today, Avios is a reality, which has exceeded the first target that we had with the company and we are predicting things with the future.

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One of the things we have been doing these five years is, if you recall, we are an airline and so we have our restrictions and our regulations and so when we merged we put together a corporate governance which was, in some way, influenced by the fact that we had to preserve the air traffic rights and so design the situation that we needed to comply with the regulation.

The corporate governance of the company has been making easier and easier and easier every day in such a way that we have in place a corporate common, which is absolutely standard for any company, not realizing that we are an airline.

And the most important thing is that we have delivered what we have promised. In 2011 we set out to target for 2015 of EUR1.5 billion, today we expect that 2015 is going to be between EUR2.25 billion and EUR2.3 billion. We set out a target of 400 million synergies, now we are talking about 850 million synergies. So, it's a significant upgrade of the target and a significant delivery.

And the most important thing, I think, is we have really set a strong foundation for that future of our business. At the time of the merger, we did say, literally, that we had the vocation of being paid dividend at the point in time, once a situation permitted it.

And last week we took the initial step towards payment EUR0.10 per share and we're planning at the end of the year, once we publish the final result to present to the AGM proposal, for a final dividend for 2015.

We are particularly pleased because the cash generation in the company is going in the direction we want it to be. And you, as a shareholder, can be sure that we are not taking care only of the return on capital but also the return of capital.

Because our final target and our final aim is you to take the position that we should value as a normal company, investible business and not as airlines in the past, just speculative and cyclical investment.

As far as the future is concerned, we are absolutely convinced that the best is yet to come. We were talking about Iberia and Plan de Futuro. We did finish the restructuring and the management of a very important place the Plan de Futuro, which is very, very ambitious and the company's returning roots is creating more and more possibilities for making business because a platform for growth today is very healthy.

Vueling it's became a reality; it's a high quality, low cost operator. It's going to continue to expand in Italy and France as well as in investing in keeping the leadership position that they have already in Barcelona.

British Airways is now embarking in an exciting new phase in its long and successful history. And, I mentioned before that we were merging the two companies, British Airways was exiting driven by Willie, was exiting the restructuring process.

Keith took over 2011 and immediately the company was in the ramp up and very, very quickly, the company has taken the opportunity of being scaling up to the number one brand recognition in the United Kingdom and we are very proud of it.

And today, we are announcing that Keith will retire and Nick Swift will leave the company as well and Alex Cruz and Steve Gunning will come into the picture. Keith, I have to recognize professionally, the pleasure of having been associated with you for a while.

But personally, I don't have words of the kind of human relationship that I have been with you all the time. Quick answer, right answer, proper answer and very, very, fair behavior; you have been a great leader and I think we have to thank you very much for your contribution to the company for many, many years.

We will forget you for a long, long while. We would never forget you. And Alex, good luck. He's the big gorilla. But, good luck. We have all the confidence and I'm sure that Alex and Steve will make a very, very good team jointly with an exceptional higher standard team that BA has in place.

I'm going to give the word for the people who has given you all the details, but I want to insist in the last point. We have been taking a lot of care about the cost; cost control has been a religion inside the company, but we did not forget the growth, just a single figure.

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2010, which was the year before the merger, we did welcome British Airways plus Iberia together -- 50 million passengers, next year, we will welcome 100 million passengers.

So, doubling the name of passengers integrating companies, buying new ones, suffering extreme economic conditions and restructuring on Iberia and turning around the company with success, that's an amazing achievement. So, we thank you very much for your support and you can be sure that the motto and the mood of the team and the board of directors couldn't be higher.

Thank you.

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Good morning, ladies and gentlemen. Thank all of you to be here with us this morning. I think you're going to enjoy it. We have enjoyed preparing this session. There's some very interesting ideas that we are going to be able to share with you in terms of how we are going to be driving the progress of the group through these next five years.

So, some important news as headlines. We are today announcing a very significant upgrade on our target. Both in terms of returns, but also in terms of free-cash flow being produced with the basic aim to improve, to increase, the returns to our shareholders.

Second message, which is very much related; we are not banking very much on the fuel price reduction that we have experience in the last, I would say, 12 months. Of course, our teams, our commercial teams, our organizations are going to be targeting to retain as much of this benefit as much as possible, especially in our strategic markets in which we are really competitive.

But for the sake of the frame that we are presenting today, we are just considering a final retention for the plan of between 15% and 20% of these fuel savings. On a gross basis, you know, because we have been very explicit about where around EUR2 billion.

So then, if it's not fuel, why are we getting more confident, or why are we betting on this increase on our targets? And it is because of two issues that we are going to be treating extensively today.

On one side, we'll be talking about our IAG platform. Our IAG platform is basically the successor of synergy projects that we initiated five years ago and that we have been completing, very successfully, by the way, through this five year period.

The other one is we are going to continue our focus on improvements at OpCo level and this time with a special focus on British Airways improvement potential. I think now the pieces of the puzzle may be fitting better in terms of how we are explaining the things that we are doing.

So, finally, we also announced very recently our first dividend payment. As you know, it is an interim dividend payment and we'll be completing this exercise in the month of February and then June.

So, in February the board will be proposing a completion of the dividend payment on the results of the year 2015. It will be approved at the shareholder assembly, general assembly, by June and we'll be paying immediately afterwards.

So, a lot of interesting novelties and good news that we are now going to be sharing with you. A little bit of a reminder, this is what we were telling you last year, basically, the same time table.

It was early November and we're showing you how we wanted to improve our operating profits out of the 1.39 figure of year 2014 into EUR1.8 billion that we were telling you November last year for year 2015.

In terms of earnings per share, we'll be representing an increase of our target to 0.54. Of course, this frame was subject to different fuel prices, different dollar price as the one that we have been experiencing through year 2015.

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And a reference by that time we we're $950 per metric ton and $1.35 per Euro. So, this basically what we've been doing through the year 2015. The execution has been significantly better than we expected.

We are going to be reaching somewhere in the range of 2.3. Remember the bracket that we have been signaling recently is between 2.25 and 2.3. Earnings per share will be jumping from the 0.54 to 0.72.

This is basically the new frame and the benefits, and improvement that we've been able to achieve through the year. They have to do with non-fuel cost savings, as Antonio, our Chairman, was saying, it is an obsession. It is a constant focus for all our organizations and we have been able to achieve significant improvements for the year.

Productivity gains, and of course, some of this you'll see because on the foundation of this non-fuel cost improvements, productivity has been improving at every one of our companies through the year.

A very balanced and efficient position on our flows on foreign currencies between revenues and costs on the strong currencies. The strong currencies this year have been the dollar and the Sterling and that's something that has, in some way, differentiated us with some of our peers.

So, the way that we have been able to benefit from the strength of our revenues based in dollars, North Atlantic and Sterlings, London point of sale, has been able to more than offset the increased costs that have been due to the strength of the dollar and even of the sterling.

Finally, we've been able to retain a significant part of the gross fuel benefit that we've been achieving through the year, even considering that those fuel benefits through year 2015, have been, in some way, minimized by the unwinding of the hedges profile.

So, as you know, in the next 12 months we will see more of these benefits coming into our accounts. But, with this frame, Spain activities; so Vueling and Iberia have been improving consistently.

So, transformation plan in Iberia has been progressing. And Iberia growth, their new terms and new conditions of these growth, these efficient growth, has enabled us and them to improve the cost in a significant way and there has been a rigorous cost focus on the rest of the manageable areas.

For British Airways has been a very significant improvement, again, based on their investment in product and brand that we have been doing in the last years and also taking the benefit of the bmi acquisition and our joint business agreement.

So, all these factors have been catalyzing a very significant improvement in the case of British Airways as well.

We've been completing our synergy project and we've been achieving greater savings and margin improvements than we thought last year. EUR210 million better than we thought. And this -- we are going to insist a little bit more in the following slides about, basically, the final gross figure that we have been achieving is about EUR850 million, and on a net figure, it would be around EUR800 million.

When we compare these figures with the ones that we imagined on our pre-merger and just post-merger exercise, the increase has been absolutely fantastic. And, as you will see, it's part of the way we've been able to differentiate our performance with our competitors.

And then growth, the growth that we've been able to product this year then is disciplined growth on improved margins. And this has been proved and tested through the RoIC improvement we've been able to achieve on every one of our operating companies. So, growing and improving RoIC is a win-win exercise.

And the one huge example about how we've been able to drive this when the exercise has been the restoration of the Iberia routes in an extremely profitable way. So, let's talk a little about synergy performance.

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As I told you, it's about EUR120 million better than we thought. It's reaching a net figure of EUR800 million, which is more than doubling the figure that we set at the beginning of this synergy process.

This time, again, has been about improvements on the revenue side and we need to mention best practice sharing, in terms of revenue management and origin and destination pricing. It's about Avios frequent flier.

We're going to be talking a lot about Avios today because it's going to be a fantastic tool for the group, for IAG into the future, but what we have done through year 2015 is to set up Avios as an independent company, which is managed on an arm's length-basis, but very strongly rooted on the operating company.

So, that combination is the one that's going to be working for us into the future. Passenger revenue improvements through code-sharing in the new routes that we have been opening and also extending our code- share network to LATAM, very intensively, also Havana.

Also, significant improvements on the cost side. For IAG Cargo has been about implementing a new IT system, which is enabling them to improve their revenue management at much lower costs and much more efficiency. For IT is going to be, it's happened year 2015 the starting of a revolution.

The revolution on the good sense, so there has been significant improvements already through the streamlining and improvement in efficiency of our IT operations and also the starting of the outsourcing exercise that we are going to be hearing today from the direct responsibles of that area of our business.

For maintenance, it has been also testing our bargaining strengths through deal, group deal contracts; in this case, has been around new engine agreements with our main manufacturers.

So, lot of good news, which will allow us, as I already said, to jump out of the 400 expected improvement into the 856. If we make this exercise of understand how much of an improvement these revenue achievements, and these cost achievements have been represented on a CAGR basis, year after year, in the case of the revenues it has presented a 0.8% year after year lift on our revenue performance.

This is very significant. And probably will help you to understand why we've been decoupling with some of our competitors in these respects as well. If a cost size is exactly the same at 0.5 improvement saving; consistent CAGR saving through the period on our costs.

And here, again, the basic new areas in which we have been working recently, we've already mentioned about fleet. So, common specifications and bargaining power it's about GBS. We are going to be talking very intensively about GBS today, again. It's about MRO, maintenance.

We are again starting the maintenance new group targeting and projects. That's something we are going to be also going to be hearing from the responsibles today; IT and procurement, of course. So this is basically the completion exercise of the synergy projects and activities and focus that we have been going through in the last five years.

This does not mean that we are going to be just, I would say, jumping out of those activities, of those projects, of that specific focus. It's just, we are transitioning into new group tools and the new group tools that we are going to be implementing and perfectioning through the next five years is the IAG platform.

And the IAG platform will be basically related to these areas of activities that I mentioned here. We are going to be dedicating the second part of this session to explain you how we are going to be progressing in these areas. So, of course, cargo is very well advanced in the process of delivering.

Doesn't mean that this 95% complete, there's nothing else to come. Of course there's much more to come and that will be through the development of the cargo business and the cargo business opportunities. So, we are going to be hearing, also, about that one.

In the case of Avios, they are our frequent flier tools, what we can say is, even after this first exercise of spinning off and independent arms-length management, we are still halfway through. So, there's much more to come and much more to improve in the following years.

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And then we'll be talking about GBS; Global Business Service tool, we have now a new unit, a new business unit, with a brand new location in Krakow, which is already developing this platform, these services and this basic activity.

So, we're talking about finance and administration, about IT and about managing the back office service of the groups that are going to be under the IAG umbrella. And it's not going to be just the back office service; it's going to be more and more through the decision process string that we are going to be migrating into Krakow, into the GBS.

Because we've been very positively surprised by our initial findings in terms of the skills, the culture and the initiative that we will be finding in this location through these new GBS tools. And then a couple of embryonic exercises that we are going to be showing you today, they are still on the first stages of their new life, but it's going to be a very promising one.

There's a lot of things to improve to do with a global group perspective in MRO. And there's a new field, a new area, of potential value creation though, what we are calling, the digital world. So, the new interface that we will be developing and the way we interact with our customer-base.

So, this is what we are going to do in terms of focus projects and improvements for this five year period. This is a very, very synthetic summary of our five year plan. I will be completing these ideas through the next slide.

So, for Spain, it's going to be about the completion and maturity of the Plan de Futuro and that one is going to be, basically, releasing additional gains in terms of productivity on our crews, on our ground employees and basically, transforming the cost structure of Iberia even further.

There's much more to come in this respect. And the growth in Iberia will be a catalyzer to unchain these improvements. For London, for basically British Airways, is going to be, again, constructing additional value out of the slots that we were able to acquire from bmi.

We told you about the three to four year period of extracting the value out of those slots through transformation; basically, of short and medium haul slots into long-haul slots. That's being done, but there's more to come.

Also, joint business agreement with British Airways and the rest of the group have been reaching and have been exploiting are going to be rendering additional benefits. Improve hub efficiencies; this is going to be, probably, the masterpiece of British Airways in the next five years.

There's lots of areas of improvement in the ways British Airways has been historically managing the hubs, basically London Heathrow, and also their operations so it's about handling, it's about catering, it's about MRO, it's about the whole organization of the operations of British Airways, that they're going to be experiencing a very significant change.

It's also reaping and getting the benefits of the IAG platform. That's going to be, again, a case for British Airways.

Ireland; very promising exercise. We've been very positively surprised by what we have been finding in Dublin just at the very beginning of the integration process. So, we told you about from 18 August to the end of September, Aer Lingus has been bringing us, contributing to our operating profit in EUR45 million, that's just the aperitif.

I think, we all believe there's much more to come, and Steven is going to tell us a little bit of how he thinks we're going to be able to make it; very promising. From the IAG platform, of course, we are going to be expanding a lot about how we are going to be using these new tools.

Organic growth; again, our approach to organic growth -- this is maybe a repetition, is a very selective and focused one. It is basically using our brands, our specific brands, our specific skills to develop profitable opportunities for growth in our main strategic market. That's the name of the game.

This is not about growing wherever and however, no. This is a very, very focused and very precise exercise of growth and a very flexible one, as you will see. And then inorganic growth, of course, why not? It's not a surprise; we have always been absolutely open to new opportunities and they may be coming as well.

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So, let's talk a little bit about our asset-base and, basically, our asset base has very much to do with our fleet structure and this is the chart that we brought in last year and we are repeating this year again. So, it shows how we are going to be increasing the size of our fleet and how we are going to be bringing in the new generation aircraft.

It also shows how Air Lingus will be, again, adding additional fleet to our base. So, this is an important message that we want to bring to your attention here in this chart. What we are doing, basically, is bringing us to an average fleet life evolution through the plan, which will be in a range of between 11 and 12 years.

And this is a very, very interesting debate in the industry as for today, very interesting. So, we have companies that are operating in the extreme of aging fleets and they think that using intensively older fleets has a very consistent benefit from the point of view of return to shareholders and it may be true but it's a short term approach and it's a vulnerable approach.

Why? Because it's good if the fuel prices are low and remain low and the financial markets are open and fluid. It may be getting difficulty if fuel prices come up and financial markets get bottlenecked because in that situation, you will be struggling to renew your fleet. And you will be having to use a huge proportion of your free cash flow for that purpose. There is the other extreme.

So, we have companies that really believe that it's a good thing to do to operate seven year old aircrafts all because they are growing, all because they have to do with the brand we mentioned et cetera, et cetera.

So, this is good and efficient when you are operating in a high fuel price environment. It is also a vulnerable position when fuel prices come down because the amount of free cash flow that you are dedicating to just renew and buy new aircraft on a year-by-year basis can be huge. So, we are focusing on the middle range.

But at the same time, we want to become flexible and to be able to, basically, bias our average life, taking the benefits of where fuel prices are going to be. And in this specific period of time, we are going to try to increase the average life of our fleet through the business plan and you'll see the idea that we will be deploying in these exercises.

This is the flexibility that we have imbedded in our plans. So, in terms of short-haul and in terms of long-haul. So, as you see, for the short-haul, basically, we have the blue line, which shows the short-haul plan seats and they are basically sustained from orders; that's the plan that we will be executing and it's fully booked.

But of course, we have flexibility tools to bring the size of our short-haul fleet much lower if we need it, and that's the red line. If we were to need additional downsizing flexibility, we could also do it efficiently because we have part of our fleet, which is close to fully depreciation and that could be landing efficiently, grounding efficiently, without suffering a significant, I would say, negative impact through fixed ownership costs.

In the long-haul area, what we are planning is to follow the blue line, again, it's a booked one; we have firm orders to be able to accomplish the proper fleet size on the long-haul. We have opportunities to increase the pace of our growth if needed and if there are opportunities to grow efficiently, and that's the yellow line.

There are also opportunities to bring down the size of the fleet to a lower level. The red full line would be before grounding aircraft and the dotted line would be, basically, grounding some of our older fleet.

So, as you see, it's a very, very flexible approach to growth and a very efficient way to manage, if needed, the size of the fleet through a cycle. And this is coming, specifically, to how we will be driving these fleet renewal exercises.

So, in the case of the A330, 340, 350 family; what we are intending is to replace gradually the 340s, probably not as accelerated as we've thought before. I will talk about this issue later on. But at the end of the game, yes, we will be replacing the A340s through 330s and 350s, of course.

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We are going to also be replacing the 767 fleet and the 747 fleet through this combination of big, medium and smaller sized aircrafts. That is going to - the new blend is going to give us a better approach to each of the market requirements. So, we are going to be using the 350s as you see in the chart. We are going to be using also 350s and we are going to be using 787s.

So, that's basically, our exercise in terms of the end-game for the long-haul fleet. It's going to be driven through these five years and beyond and we will fine tune the timing. We are going to be bringing you some ideas of the fine tuning of the timing.

On the short and medium haul fleet, it is - it's an easy exercise. We have this significant benefit of having a very, very high proportion in the group, including Air Lingus now, of A320 family aircraft.

So, we have a significant opportunities of renewing that fleet through A320 NEO and the new IAG group contract, which is very, very efficient for the group purposes. And also, we will be benefitting from a very high level of options; both direct options with a specific delivery date, but also rolling options that we can transform into specific options through time.

So, as you see, the last column, we have both, short or medium haul, but also into the long-haul, some, I would say, very high level of flexibility in terms of our ability to alter the size of our fleets through use of these opportunities.

This one is a little bit of a difficult one and I'm going to spend a little bit of time on it because I think it's quite critical; it's going to be bringing some of our main strategic ideas to your attention. So, the left hand side is the column that we showed last year about what would be the notional yearly CapEx on a perfect, regular, substitution process through time.

And in this case we were considering for this EUR2.5 billion figure, a mix of leased and owned aircraft between 75/25, 80/20 as it's shown here in the chart. So, out of these, Euro2.5 billion of notional recurrent replacement plus growth CapEx it'll be 60% for replacement; that has to do with a 4.5% depreciation model. 22 years of final life for our fleet.

And there is also the requirements for growth and the requirements for growth are about 3%. We are telling you it's 3% on a growth that will probably be slightly in excess of 4% in terms of ASKs and this shows another tool that we are going to be using, which is not only we will be buying our aircraft better, cheaper, so less money for more ASK growth, but also will be revising the density of our aircraft.

That's something we are going to be doing through this plan as well. So, this is a little bit of the theoretical, historical figure for CapEx that we have as a frame. Now the frame, we are going to convert it into a cap.

We think we should do better than that and we think that we should be able to execute our plan and comply with our targets with a lower level of CapEx and we are going to do it rowing against the tide because the tide is the U.S. dollar strength.

But before we get into the tide and the way to deal with the tide, let's just send you a couple of messages about the dollar strength and the impact in our CapEx figures. So, on the long-haul fleet the dollar strength will be increasing the value of our fleet in Euros, not in dollars.

But you have to take into account that the long-haul fleet produces dollars, so that Atlantic axis is a dollar related market; both in north and the south. So, we'll be getting a higher Euro asset-base, but we will be producing more revenues.

On the short and medium haul, the picture is different. We are producing Euro denominated revenues, mostly. Some sterling denominated revenues as well, which is behaving as strong currency. But we are all the competitors in the same picture.

So at the end of the day, even if we have an increase in the value of our assets due to a strong dollar, in Euro terms we are going to be playing against our peers and competitors with the same cards.

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So, on the medium and long term, the dollar shouldn't be as much of a threat on our flows. Different thing is the dollar could be disrupting the global growth patterns on a worldwide basis, yes, that could be the case. So, but on the short-term, we are worried about our CapEx figures, so we want to bring it down.

And we are developing all these initiatives to make this 2.5 a real absolute cap and our average figure well below that one. Basically, it has to do with these type of ideas. On one side the 330s would be favored as a way to substitute the 340s and also attend some growth opportunities.

For example, in the case of Air Lingus and their 330, as you know, is perfectly suitable for a big proportion of our routes. And they can do the job in a more efficient way at today's fuel prices than the 350. So, that's something that we are going to be bearing in mind.

So, we are going to also analyze, we are already analyzing and ready to make some decisions on extensions of some of our more mature routes as the 777-200 fleet; even the 747 fleet. So, that's going to be another tool that we're going to be using to smoothen the CapEx intensivity through the plan.

And also to get a net benefit out of those exercises in terms of having a similar cost structure with a much lower asset-base. We are also thinking about densification of aircraft and that is something that we have already implemented in some of our routes and some of our fleets.

There are routes where we are not going to be operating first class, in the case of British Airways, and we are going to be using, for example 787-8 densified to a number of seats that will be equivalent to a higher model, to a 787-9. We are also going to be extending this thinking to other areas.

We will not discard the use of second hand short and medium, but also long-haul aircrafts for the purpose of bridging the introduction of new generation fleets; that's something that we are already working in as a concept, as an opportunity.

Finally, fleet harmonization. So, we need to progress in the way we drive fleet used by the different companies of the group in a way they are fungible because that will be bringing significant opportunities in their back up planes that we need and also in the inventory that we need to use and we need to hold as stocks.

So, at full shot, very interesting idea that we will be maturing and progressing through the life of this business plan. Finally, another very interesting debate about the buy or lease opportunities.

So, our basic historical trends and split have been more like a 30% lease 70% own. We are now migrating into something more of a 40% lease, 60% own and this is basically because of two, three basic ideas that I'll try to share with you.

One is flexibility; of course we need to rebuild flexibility on our fleet structure into the future. So, we have been able to manage the size of our fleet in the past because we had already that flexibility on our contracts, on our A340s. We could ground 747s fully depreciated. We need to rebuild that flexibility into the future.

We also need to be open to what may be happening in the aircraft market prices because if this situation of low fuel prices is becoming more and more, or will become more and more structural, I'm afraid the manufacturers are going to have to make concessions on the prices for the introduction of the new generation aircraft because, if not, people are going to be willing to stick to aging, older fleets.

Introduction of new generation aircrafts is becoming less and less appealing and manufacturers are going to have to do something about that and we want to be flexible at that moment in time.

So, this is also a chart that we've been using last year it's about, graphically, the sources of our funds and the uses that we will be applying for those through the next years. This is the type of typical average year. Of course, a new figure that we are introducing this year is a 5.6 billion EBITDAR figure per annum. That's a very significant cornerstone of our new targets.

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There's also, I mentioned to these, capped CapEx figures at around EUR2.5 billion on a yearly basis. So, that will allow you to have a little bit of a sense of our free cash flow margins. After paying for leases, interest and taxes and after allocating what we are going to be allocating as regular dividends.

And that's also what we are showing here in this chart. The level of, even if we, on purpose haven't planned figures, on that arrow, on those arrows, the level of coverage that we are showing here for the regular dividend through the margin that we will be producing on a yearly basis.

But also through the buffer that we have in terms of cash and credit lines is going to be significant. This has been, probably one of the main arguments that have allow us to finally launch and be very comfortable on our dividend policies, the one that we have announced.

So, again, a reminder and I'm finishing, I hope I haven't been too long, this is a just a reminder of that set of targets and metrics that we're using a frame last year, they were basically around RoIC, around operating margin, around CapEx and EBITDAR, some very significant changes and improvements to the chart.

Of course, these two are very relevant for us because they are aligning the organization in a very specific direction, which is the one about efficiency. So, our ROIC in real terms, inflation adjusted, will be targeting a sustainable level of 15% and this is a very ambitious target, but you'll see that we are very confident of being able to achieve it.

Our CapEx will be targeting less than EUR2.5 billion per annum. So, then our equity cash flow will be on a bracket between EUR1.5 billion and EUR2.5 billion on a yearly basis. And the bracket has to be wide because of the specific delivery dates that we have on our fleet, which are asymmetrical.

So, that's why we have a broader bracket there. But then our operating margin will be jumping; remember the forward bracket was 10% to 14% to 12% to 15% and our average earning per share growth is going to be, again, jumping to a +12% increase on a CAGR basis per annum.

After digesting the huge increase that we've been able to produce in the year 2015. So this is basically the how. This is basically why we feel confident about our new set of targets as it shows how we have been improving our EBITDAR yearly, EBITDAR figure through the last years, 12, 13, 14. Steady improvement into year 2015 where we have achieved a EUR4.2 billion.

Remember last year, average EBITDAR figure for the plan was EUR5bn, so that's not so far away the 2015 achievement. Now that EUR5 billion has turned to EUR5.6 billion and the improvement since the base, since 2015.

Will have to do, as I told you in the beginning of the presentation, not so much with fuel prices and fuel price savings retention, so we are assuming a significant part of this fuel price advantage is going to be competed away through this period of five years.

So, we probably will be aiming to retain up to 15%, 20% by the end of the plan and that's going to be one of the big fights for this period of time. That's going to be the big challenge of our commercial teams, to increase those proportions, those ratios And that's why we're saying further revenue potential, of course, because we feel conservative in this 15% to 20%.

So after that, a big bulk of improvements having to do with manageable areas of our business. Fuel efficiency is more than manageable, it's nearly mathematic because it's the new fleets and the new fleets are performing, from the point of view of fuel consumption, as we expected and in some cases, slightly better.

So good news on fuel efficiency and very confident on that first I would say dark red tranche. And then supplier and employees. Supply are very much related to IAG platform tools and employees are same. Very much related to our new IAG platform. And also, that specific, standalone projects of the OpCos that we are going to be hearing about in the last part of our session today.

So, as a whole, the basic message is, this new ROIC target and the growth, which is one that we have been telling you 3% to 4%, maybe the range of 4%, will allow us to increase on a very significant way, the cash that we'll be generating and the cash that will be able to partially send back to our shareholders.

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And this is the last page, so there's a little bit of a funny anecdote on this one because you know, well, Andrew and we were, a couple of days ago just reviewing the presentation. And I was asking, Andrew, so, how does it look like? Is it convincing enough? Do we need to tell something more to emphasize some other aspects of the plan?

And, you know what he was saying? "Mm." You know him, no? "Mm." What's this, "Mm?" "Enrique, I think we need to show them the money." I said, "I'm not going to bring money." He said, "No, no, no. Not that money. The cash that we are going to be able to generate and how that cash is going to be ending in the hands of the shareholders."

So, this is about this idea, so in terms of a free cash flow basis, we've been negative through year 2013 and 2014. We were improving in terms of our EBITDAR generation. We had still some very large CapEx commitment to go through. Improving.

So, 2015 has been the first year of positive free cash flow. And we've been quick and reactive in terms of - look, and then there's going to be, also, the first year of our dividend. So, the first tranche of our dividend will be coinciding with a first year of positive free cash flow being generated. And that's what we are showing here.

But then last year we saying, OK? Yes? And even if we don't know the exact figures, it's going to be a range for free cash flow generated, moving between EUR1 billion per year and EUR1.5 billion per year. And then we brought in the new figures, and the new figures will be showing that the ceiling of last year plan is the floor of this year's projections.

And the feeling of this year's projections will reach to EUR2.5 billion per year. So as you see, and we have left question marks and dotted lines, we are very comfortable in being able to comply with our commitment in terms of our dividend policy, and maybe to improve and to enhance this flow of returns to our shareholders.

But we will have to combine this exercise with other efficient uses of our funds that we'll have to convince you about. So this is it for me and I pass again.

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

Thank you very much, Enrique. And show me the money is a very common internal phrase we use. It dates from an iconic evening with Willie in a tapas bar in Madrid in 2012. Many of the senior IAG managers in the room were there. We usually use an adjective before the word money, but we'll share that with you in drinks afterwards.

Apologies for everyone who was delayed on the way. I'm not sure why I'm apologizing for traffic on the M4, but apparently it was terrible. Enrique made it in time, luckily. Our speakers are all here now, and, hopefully, you will be able to find a comfortable seat in the auditorium.

We'll come back to the IAG integrated platform in a second, but before that on the theme of show me the money, I know from having been on your side of the fence, you'll all want to flip forward to in the presentation to the show me the money bit at the end, which will be led by the airline CEO's.

And to help you with that, we've devised a new kind of investor relations analysis with blobs. So, I'm sure a lot of you will try and figure out what the blobs mean, how much each blob is. This represents roughly how much we're going to get in EBITDAR improvement from each area, in this case, in lines of the P&L.

We also give an indication, also, in terms of growth by region. The growth by region is not intended to tell you the profitability of the region, it's simply roughly where our ASKs will be going in our current scenario for the next five years.

The blobs are fungible. It's the same currency, so you can compare the airlines with each other. You can compare lines with the P&L and regions with each other. And just to give you the punchline, each blob is up to EUR75 million with EBITDAR, but where you have three blobs, there, that's anything above the top of the range.

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As you will immediately realize, there's a lot of range that you can derive from that, but I'm sure lots of you will be getting your calculators out and focusing your questions for the final session, as a result of all these blobs.

But coming back to the next session, the IAG platform that Enrique showed you. I see the speakers are all here, miked up. I'm going to ask them to introduce each other, or hand off to each other as we go through, so you don't waste time with me standing up here.

But just to give you brief introductions for everyone before we start. And starting with the end with Digital, that's going to be Glenn Morgan, who leads our digital business transformation team, a really dynamic team that we've set up over the last year. Sits with us in the head office in IAG.

We then have fleet, working from right to left, Henri Ozarovsky, who I know many of you know is our group head of fleet strategy and heading up the common specification of aircraft, the fungibility that Enrique was talking about. It has a huge impact on your future capital efficiency.

Also, we'll give you a preview of our maintenance repair and overhaul strategy that we're kicking off now. And that's lead internally by the Iberia chief executive, Luis Gallego, who you know very well. But, also, senior members of his team are here to chat to you in the coffee and lunch breaks, and after in drinks.

Working again towards the left, GBS, global business services, split into two. We're going to talk to you about IT transformation, that's Bill Francis. Bill Francis has a long history inside British Airways. And, actually, one of his previous jobs was leading the introduction of the new cabin crew contracts and working practices into BA.

So he's very skilled at large scale business transformations that are highly successful. We then have the other side of GBS to be presented to you this time by Laurence Turnbull. He runs the finance section, centralized finance functions and has a long history of doing the same kind of thing successfully at other FTSE 100 companies. Very experienced.

Avios, you met Gavin Halliday last year. He runs Avios. Last year, we gave you a sort of general overview of where we're going with Avios. There's a huge milestone we've had in the last 12 months of putting it in its own independent corporate structure. And he'll tell you a lot more how that works and lead you into an investor day we're hoping to organize in January on that.

But first up will be Steve Gunning, who led - leads IAG Cargo until early next year, when he'll be moving round the airport, as announced this morning, to an airline on the opposite side of Heathrow. That is something we went into a lot of detail last year on when we had an investor day, but there's even more progress to update you on. So I'll hand over to Steve.

Steve Gunning - *International Airlines Group - CEO IAG Cargo*

Good morning. Thank you, Andrew. It's my pleasure this morning to update you on IAG Cargo. I'll take about 10 or 15 minutes on this, and I will be building on what we said last year in the capital markets day and in the investor seminar.

I've basically got four key messages today. One is that market imbalance continues to persist in our market. Demand growth is not keeping up with supply growth, and I want to take you through some of those insights that we have. Also, I want to tell you about how we faced that in 2015.

And our focus has been on yield and it's been on cost. And I think we've made good progress on those, so much so that we've been able to grow our contribution and contribution margin in a very difficult market. As already been touched on, for us with IAG Cargo, our platform is pretty much complete.

The last big piece of that was a new revenue management system. That's gone in this year. We spent about EUR12 million on this. The business case benefits are coming in harder than we - better than we expected, and the payback will be roughly a year, maybe a year and a half. So we're very pleased with that new system that's come in.

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And lastly, I want to give you an update on our progress on our strategic strategies. We outlined three strategy - three priorities last year, drive premium product mix. Really be aggressive with our cost base, and, also, have regionally differentiated strategies. And I want to update you on those. So those are the four key messages and key areas I want to talk about.

So, let's talk about the market. I put this slide up last year, and it's indexed with 2005 as the base, but it shows you how global capacity for air freight has been developing and how demand has been developing. And what we observed last year was from 2011 there's been a disconnect in the growth.

Capacity is growing far faster than demand, and inevitably that's putting a price on pressure. We called this last year. It's continued this year, because this is how it looks 12 months on. And if anything, it's got slightly worse. So difficult market conditions, price under real pressure. It's a challenging market, I have to say.

I'm not going to go into the demand factors today. We talked about them a lot last year, particularly in the investor seminar. But I did just want to focus a little bit more on the capacity growth. Where is this capacity growth coming from? And this slide here shows you how air freight capacity has grown since 2007.

And what you can see there is freighter capacity has been pretty static throughout that period, but it's the grey part of this chart, the belly-hold capacity from the passenger aircraft, that has really grown. And what this is doing, inevitably, is putting pressure on price. And I think it's also putting a lot of pressure on the freighter models, as well.

We made a big decision, April last year, to get out of the three wet-leased freighters that we had. That was a very smart decision. It's helped our finances this year, and we're very comfortable with it. Why is passenger capacity growing so much?

One, because passenger businesses generally seem to be growing quite a lot. And, two, the newer generation aircraft that are coming in are typically much larger cargo capacity holds than the aircraft that they're replacing. And I give you a bit of a flavor of that on the left-hand side of the slide.

So no doubt about it, we called it last year, difficult market conditions. I think these will prevail for a while yet. And, in my humble opinion, the only way I think this market really gets back to a real equilibrium is if freighter capacity really starts to come out in a big way. We've taken ours out, and we're comfortable with that decision.

So if that's the market conditions, how have we got on? And our focus for 2015 has been very much on yield, and it's been on cost. On the top half of the chart, you'll see our unit revenue, revenue per CTK at constant currency. And, unsurprisingly, with those market conditions at constant currency, our yield has been down about 5 percentage points.

At outturn exchange it has actually been up 5 percentage points. On the next slide, I'll go into a bit more detail on the yield. So, let me drop down to our unit cost performance. Our unit cost per CTK, that includes our fuel cost. We take the incremental fuel burn. It also includes the share of the hedge loss, as well, just to be clear.

What we've also done, so as to not flatter Q4 and Q1, we haven't included the benefit there of taking the long-haul freighters out. That was additional cost saving on top of that. And what you can see with this unit cost performance at constant currency is, we've been successful at taking quite a lot of cost out of our business this year. Just under half of it relates to fuel, but over a half of it relates to management actions.

We have done an awful lot of things to take cost out, and we've got a very long program to take further cost out next year. If I give you a couple of examples of that, we've basically gone after any of our suppliers that has a high level of fuel in their cost base, because if the fuel cost has come down, we want to participate in some of that saving with our suppliers.

Similarly, if I think about ground support staff, we entered into a new labor agreement at the beginning of this year, which increased our roster factors from 4.67 to 4.85. That doesn't sound very exciting, but it means, actually, our people are working an extra seven days a year as a consequence of it. So driving productivity through.

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So there's been an awful lot of changes that we've made to drive cost out of our business, and we're pleased with that. I said I'd talk to you a little bit more about revenue and yield. We think we've held a pretty high line on yield this year. And the table at the bottom of this chart gives you a feel for that, if you compare us to our two principal European competitors.

How have we managed to hold a high line? Two reasons, really. One, we have driven our premium product mix very, very well, and I'll talk to you about that in the strategic priorities. But premium products have a much higher yield and double the contribution of general freight products. And we've managed to drive that mix up this year, which has helped bolster the yield.

The other thing that we've done is have really strong revenue management disciplines. We're not interested in taking any loss making freight. And we have tools in our new revenue management system, but we had these tools before, as well, which make us - enable us to make evaluate every booking, and if its loss making, we're not very interested.

Now, that might sound very sensible and obvious. In our industry, you'd be surprised how much that doesn't prevail. And we are more than prepared to walk away from volumes, if they're not going to be contribution-positive. If you adopt that stance, and we have, you have to keep an eye on the revenue share.

And this top slide, this top graph, shows you the growth in our revenue share this year. So despite the fact that we've walked away from some volumes, actually, our overall revenue share in our addressable market has actually gone up this year.

We'll now turn onto our three strategic priorities. I outlined these last year, drive premium product mix to fight commoditization. Drive out as much cost as possible, in order to maintain margin even when price is under pressure. And as we're seeing markets behave in different ways, to complete successfully, we need clear regional strategies, rather than just one global strategy.

Those are our three priorities. I've talked a bit about the central one, with regards to cost. So let me talk to you a little bit about premium products, and a little bit about our regional strategies. As I touched on earlier, premium products has been a real success for us this year.

Why are we so interested in them? Because they're twice the contribution rich as general freight, and they're actually growing faster than general freight. And they're more resilient when the market's on the downturn, as well. And we set ourselves a strategic goal of 20% of all of our volumes would be premium product by 2018.

Well, we have exceeded our expectations this year by three points. We're already up to 19%. As you can see on the left-hand side, our express product and our pharmaceutical product, which make up the bulk of the portfolio, are both up 40% year-on-year, which is a huge achievement.

We have both grabbed share and grown with the market. And, as a consequence of this, we've revised our target now. We're going for 25% of volumes by 2020. That will require some ground infrastructure investment at Heathrow, but we think the return on that will be very strong. So premium products, a really good performance this year, and I really think premium products are the way forward for this business.

An area that's going to help premium products, but, also, general freight is an area that we're really going to build up and renew our focus on in 2016, which is the small-to-medium sized forwarders. We think we're underweight, in this customer segment. It was in our strategy, but we haven't put a big emphasis on it yet. In 2016, we will be.

And the small-to-medium sized forwarders make up just a little under half the entire market. So we're not talking about a small segment. But, historically, we have about 4% global share of the large, global forwarders, but only 2% of the small- and medium-sized forwarders.

We're not yet considered easy to do business with. We don't make ourselves sufficiently attractive to that segment. So we have a range of initiatives that we are going to work on during the course of 2016, and we'll be trying to grow that segment in 2016 and 2017.

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Our analysis shows us that not only is this a good plan, but when we've looked at the average yields, actually, the average yields you get from the small- or medium-sized forwarders is actually higher than that from the large global forwarders. So this is a rich seam of value that we're going to be tapping into in 2016 and '17.

So, that brings us onto our last strategic priority, which is our regional networks. About three or four years ago, we introduced an enhanced interline product called Partner Plus. And we've introduced three new members to that this year, China Southern, Aer Lingus, and Finnair.

In addition to that, with Finnair, in mid-September we established an air bridge between Helsinki and London, in order to join up our networks twice a week. It's a small step, but I think it's a step in the right direction. Finnair has an enormous network out into Asia. We have a very strong network into North America. This gives us the opportunity to connect those two. So we're quite excited that could grow in the future.

With regards to Qatar, as you know, when we moved out of the three wet-leased freighters, we, also, then, entered into a big capacity program with Qatar. We buy 400 tons of capacity every week, going Hong Kong-London. That's worked exceedingly well for us. We make a very good margin and it's very well supported.

As a consequence of that, we've extended that agreement for a further two years to 2018. At the same time, we're further developing the relationship, in as much as we are using Qatar capacity to move freight from Hong Kong into Madrid, and, also, from Pakistan into Doha, and then to connect onto our line flights. The relationship with Qatar seems to be growing, and growing well.

What I would say about all of this, though, is at the moment it's still what I would consider incremental. It's not transformational. And we are looking at deepening the relationship with one or two of these carriers. So that will be a future emphasis for us in 2016 and 2017.

So, to conclude, back to my four messages. The market imbalance persists. I think that will be the state of play for at least the next year or two. And I think we've got the right strategy to compete in that kind of market environment.

Our focus on yield and cost has been strong this year, and it's enabled us to grow our contribution margin and our overall contribution. Our platform's complete. We're looking forward, in particular, to testing that platform by bringing the Aer Lingus cargo capacity onto it. So that will be one of the priorities for us in 2016.

And we've made very strong progress on our strategic priorities this year, particularly premium product, but also on cost. Thank you. I'm now going to hand over to Gavin Halliday. He's going to talk to you about Avios.

Gavin Halliday - *International Airlines Group - Avios Managing Director*

Well, good morning, everybody. In this update, I'm going to talk about Avios in general, but I'm going to start by giving you a recap on the chronology that captures the journey that we're on and that we've been on, and, also, give you a refresh on how the Avios model actually operates.

The journey we've been on takes us back to a place where our heritage was enshrined in great brands like British Airways Executive Club and Iberia Plus, and, also, the Coalition Frequent Buyer program that was Air Miles. And I can hardly think of a portfolio of brands that could provide a richer heritage.

The need in the merger of Iberia and British Airways to create a single loyalty currency was clearly evident. And, in 2011, the creation of Avios gave us that very platform. And the genius of that platform is that it's unaligned. The Avios brand is unaligned to any one of those two airlines, and it's also unaligned to either the airline industry of the retail industry. And that gives us a platform that's got extraordinary versatility and flexibility.

And on the back of the brands that were able to extend, in partnership, the currency to, in 2014, to Meridiana and to Flybe, we were able to demonstrate that the brand and the currency could extend to businesses that were not necessarily in IAG, giving us that vertical for growth.

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And I'm pleased to tell you today that we've been able to finalize details of our partnerships with Aer Lingus and, also, Kulula in South Africa. In the coming weeks and months, the currency will extend to their customers. And the details of that will come from those airlines very soon.

Also in 2015, we were able to, as Enrique and Andrew identified, we were able to create Avios as a single operating entity. And that was a very, very major step, indeed. The benefits of setting Avios up as a single entity have been terrific.

We've got a very, very clean business model now that gives us and provides extraordinary transparency around the cash flows, around the service level agreements and contracts. And that helps us, both internally in IAG and externally with our non-air partners and their partners, as well.

Looking now at the business model - and thanks to Ben for this extraordinary animation of the business model - we can see how the interaction of our customers, their behavior, their engagement, our business, the currency, and our partners, work to create what is quite an extraordinary ecosystem. We call it the Avios ecosystem.

And what we do in the action of customers earning points, is for us that's the reverse of selling. So customers get their points from partners, and these partners could be non-air partners. These partners could be travel partners, air and non-air, outside IAG, or airlines inside IAG. And their awarded points for buying services and products that are offered by those partners.

The points that are awarded are then put into the customer's account that we maintain and that we master. Now, nobody, unfortunately, collects points for the fun of it. The reason people collect reward points is to get rewards and get redemptions. It's an obvious point, but it's worth saying.

So what we do is, also, we organize the function of creating propositions that provide those rewards and those redemptions from our partners. So customers then have the opportunity to pull down those propositions in exchange for their Avios points. That transaction happens, and we debit the customer's points from their accounts accordingly.

Now, you'll have seen in the transaction that the end state of this is happy customers, customers that are engaged in our currency and that's our real pursuit. You'll have also noticed in this illustration that the number of flight redemptions and a number of wine redemptions was roughly similar. That was only for illustrative purposes.

Our redemptions are actually on flights in order of 75%, 80 % of the total. The others being made up of car and hotels, and other travel-related or lifestyle-related products, although wine does feature. And we've got a new wine selection that I would encourage you to visit, as it's the season - it's the right season for wine, I think.

In terms of profit-drivers for our business, active membership of the currency is right at the very crux of how we are able to drive revenue and drive profit. I'm going to come on in a minute and talk a little bit more about active members and the need to focus on engagement as a loyalty currency.

The second one, on the assumption that we've got a model that can create and retain active members is the opportunities that we have, therefore, to issue more points and to grow our topline sales through the issuance of more points. And there are a variety of ways that we can do this.

One of the ways is to engage, clearly, more partners. But that has to work within the ecosystem, and we're very considered in the way that we work with new partners. The other is to engage in and work in new markets. And these markets could be new segments within existing geographies, or new geographical markets. And airlines are an excellent medium to take our currency into new markets.

Within the parameters of how we define profit, clearly our focus on cost is absolutely essential. And the way that we approach cost within Avios, given that we're not a startup business, we didn't start yesterday, we've actually got costs that we have inherited.

The way that we approach cost is on a principle of creative destruction. So any resources or any costs, or any money that we invest in new projects, have to be found within the existing business to ensure that we're focusing on issuance of new points and ensure that we're focusing on the right things around customer engagement.

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And that philosophy is working very, very well for is, indeed. Then the last area around our cost and how we drive margin is in the management of our liability, and the processes, the methodology, the skills and the accounting that we put into this is right core into the middle of the company and very much a key focus for us.

And I'm very confident that we'll be able to demonstrate, to those of you who are able to come to our investor seminar, all of the complexity that sits underneath this. And this is something we take very seriously, not least because we're carrying a liability in excess of EUR1 billion.

Talking a little further now about the importance of customer engagement and giving an example of one of the metrics that we use to ensure that we're retaining and attracting active customers is called ACE, conveniently called ACE, because we think we have aced it.

Having engaged customers is fundamental to this type of business. You can attract customers and you can acquire customers, but if you're lapsing them at the same speed, or even remotely near the same speed as your acquisition, you're going nowhere and it's actually costing you a lot of money.

So, the focus that we put around engagement is absolutely key and we've got a metric that we use internally to review this. And it's basically got two foundations; the equation has got two planks. The first one is the perception that customers have of the brand, their likelihood to recommend this brand.

And this could be managed by something that's familiar to most businesses, a net promoter score, and that's what we use. But we also put into the equation, not just the singular perception; we also put into the equation the customers' behavior, the transactions and the activities that they undertake. And this sources five bits of data that are metrics, quantitative metrics that we can manage.

And it gives us a very good barometer of how well we're doing with all the other activities that we undertake in the eyes of the customer. The reason engagement is important is because it indicates a direct correlation to relevance. And relevance is critical to us because, of course, we're trying to influence customer behavior in the loyalty ecosystem.

Another area for growth that's very, very key to us but I think a tremendous opportunity, is the scope and reach that Avios already has in the world. We currently issue and redeem points in 230 countries. And, although away from the main IAG hubs, it's fairly thin, it gives an indication of the kind of presence that the Avios currency already has in the minds of customers.

But perhaps the real magic of the Avios currency is the ability that it has to interact with customers. Customers want these points. They place value on these points, not because of the points themselves, but because of the value they can unlock.

And therefore, if we are currently producing and issuing about 200,000 points a minute, which is the number that we've now got up to in 2015, the beauty of this is that customers want us to issue more points. And, in so doing, if we took that 200,000 a minute to, say, 400,000, or 1,000,000, we could do that without incrementing any extra cost within our business.

And that, I think, is very - an inspiring opportunity for us to consider, both as a business, and also in regards to being able to bring greater engagement from our customers. And lastly, from our partner's perspective, the increment of new partners into the ecosystem is actually a positive and something that they celebrate.

So, the example that I've got here regards to the U.K. where, in conjunction with the partnership we have with Flybe, we were able to put the currency and put our brands into new segments of the market where Avios had previously been fairly poorly represented. We were able to take Avios to the West Country, to cities like Exeter, to Plymouth.

We were able to become more prolific in terms of Avios collection in the central and east midlands, where Avios had not been that prolific. Having now established populations of people, collectors, in those areas, the introduction now of Aer Lingus's domestic network within the U.K., the regional services that they offer in the U.K., then adds and complements, from a customers' perspective, the opportunities to redeem and earn Avios points on that service, as well.

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So, this sort of aggregates up into a very symbiotic model, on the right-hand side here, where partners, air partners, non air partners, and the growth of Avios is the benefit for all of the participants in the ecosystem, and for the customers, as well.

And then, if we port that model into a canvas, such as the globe, where we can see we've got a heavy presence in Europe, we can certainly consolidate further in Europe, but moving that model into other countries around the world, I think, gives us extraordinary inspiration and excitement for further growth of the Avios currency.

If we look at how we approach innovation, clearly any growth that we undertake has got the opportunity with a virtual currency to lend itself beautifully to innovation. And the way that we at Avios approach innovation is by looking to simplify for our customers how to use it, how to collect it, and, importantly, how to use it.

So, the propositions that we look for are very much geared around our customers, not necessarily the functions of sales or anything else. So, what we're looking to do is really take our products and take our content to customers with propositions that they value in the channels and in the places that they already are.

And a virtual currency like Avios lends itself beautifully to that. So we focus on digital channels, we focus on open applications, that we can take the customers and that we can use in conjunction with our partners and collaborate with them, because invariably customers and collectors of Avios are already in those channels.

And a few examples that I've put up here pay a testament of what we've been able to do in the last year or two in this space. Being able to, for example, show where available seats are on Twitter, rather than expecting people to tap in permutations of dates or destinations to try and find availability, proactively communicating where it is in social media.

Being able to offer a pay with Avios proposition that gives discounts off of the commercial fares that are offered by our airline partners, is something that we look to do as a product to roll out across all of the airline partners. And that enables people with smaller balances to find a redemption.

And we know that once customers find a redemption, they are - they're significantly more likely to go onto find collection opportunities in the months and years ahead. So having a pay with Avios proposition has enabled us, now, to appeal to a much, much greater audience of collectors of Avios.

So we look here to innovation as something of a liberation for our business, because when we think about targets, the opportunity to grow our business in different markets, in different segments, in different geographies, will very much play to us being more innovative in the way we take the product forward.

So looking at the targets, we believe we're building on some very, very strong fundamentals in the Avios business. And being able to grow our revenues will very much be dependent on how well we're able to grow the active customer base and continue the activities that grow engagement.

In terms of specifics for the active customer base, we're looking to grow the seven million active customers we have today through to 12 million by 2020, the life of this plan. I talked about the principal we have around cost, and I indicated that we use a principal of creative destruction.

And, so, through the life of this plan, we're actually going to hold our costs flat in absolute terms. Not percentage terms, absolute terms, to encourage the challenge, internally, of growing things at the expense of things that are not adding as much value, be that revenue or be that customer engagement.

And in terms of liability management, whilst we don't target it, the expertise and focus we have on liability management is geared around ensuring that the currency is sustainable through the period of this plan. And I'm certainly solid that we're in a very good place, there.

So these are very complex subjects that require huge explanation, and we can't do justice to them in the time that we've got. But I will look forward to taking you through these in much more detail in our January investor seminar.

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Looking at this from an Avios opportunity within the group, what does this represent for IAG? Well, undoubtedly, the operating companies are going to be the huge beneficiaries of the loyalty that we're able to drive to them, and that will express itself in increased passenger and ancillary revenues.

I think the opportunity here is quite clear. And as we take the currency to more markets, to more customers in more geographies, I think we should feel very compelled by and inspired by the opportunity in that place.

But, also, perhaps some uncovered treasure. The distribution channel that we have within Avios is a proprietary-owned distribution channel. It's not subject to some strange constraints, or licenses, or intermediary transaction fees. This is our channel and with a virtual currency we can expose this to all sorts of extraordinary innovation.

And this may involve partners, it may not. But, as an asset, I think this is a tremendous asset. A proprietary distribution channel that can work globally. And then, equally important, I think, is the data. I think within the IAG group, and in conjunction with partners, Avios can act as a catalyst to coordinating customer data.

And that can inform improved CRM, better communication to customers, the definition of products that we may want to offer, and a real opportunity there to capitalize all of the data that sits within the IAG group and make sense of the insights. I think, again, a tremendous asset opportunity.

Now, I'm going to close with a short video. It's a bit of a humorous video, on purpose, because the way we should look at Avios is very much through the eyes of our customers. And our customers see great fun, and they see great inspiration in Avios and everything that it stands for.

(Video Playing)

Gavin Halliday - *International Airlines Group - Avios Managing Director*

Thank you very much, and I look forward to seeing as many of you as possible at our investor seminar in January. And I'll now hand over to Lawrence, who's going to talk us through the next session.

Laurence Turnbull - *International Airlines Group - Head of Group Finance Services*

Thank you very much, Gavin. I think I need to spend a bit more time with Ben to get some better graphics. Anyway, what I'm going to do today is to explain to you what we mean by GBS, Global Business Services. And it's really good to hear how this is now coming through in the broader agenda that we've covered already.

Now, as you can see, GBS is IAG's back office platform. But for me, if you read those things on the left-hand side of the page, what we're saying here is that the right work should be done by the right people in the right place and, of course, at the right cost. Anything that can be done in a common way should be done in a common way.

Now, that's quite a big step forward and through this short presentation, I'll give you a flavor of what that means for my area, which is finance. Raghbir Singh Pattar is in the room, who covers procurements, and then Bill will follow with a session to talk about IT.

So, I think the key bullet here is the second one down, which is around the scalable platform for growth. Enrique mentioned that this morning and you can see in that chain of all of the different levers that we've now got in place. GBS and GBS IT and procurement really have a key role to play.

The graphic on the right-hand side really says that the three functions will work together, and will work together because, by doing that, we can unleash incremental value that we couldn't do with individual functions and we couldn't do as a collection of OpCos.

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And that will generate better service and value to our customers. So, these are internal clients, the OpCos, which are trying to drive the brands, but also that should generate high return to our shareholders.

The second bullet from the bottom is a really important one, as well, because we're not doing this for fun, obviously, although I enjoy this. We're doing this to free up the OpCos to focus on growing their brands. And that's what GBS is all about, about liberating.

So, what have we been up to? So, the GBS journey so far. So, think it's fair to say that post-merger, the focus was on synergies. A lot of that work doesn't come into rooms like this, but it's essential and it comes through in the numbers that Enrique's kindly shared with us already.

You can see, as you move left to right across this page, the structural nature of some of the changes are starting to step in. So, for me personally, 2013, it's when I joined the business. It's when we started looking at outsourcing with one global supplier. And that really triggered a big change across the finance community.

Through '14, we're looking at establishing group global functions and then a company-wide contracts and spec review was launched that couldn't and wouldn't have happened in the old world, as I guess I'm calling it.

In 2015, a very important milestone, as the Chairman mentioned earlier, the Krakow office opened up. And I'll cover that a little bit more here, but we've only got a short piece of time. Happy to talk a little bit more about it outside of the room. There's a whole wave of group IT transformations that's coming, and Bill will run through those.

And in 2015 and kind of pretty much this month, we started to look at some of the really sacred finance systems, tax, treasury, and decision support activities. A little bit more tougher to centralize, but we're cracking on and doing a decent job.

So, let's just look at the model. There are lots of lines here. So, if you focus firstly on the blue, kind of balloon shape point. They are the original operating companies on the left-hand side. So, you've got Dublin, got Heathrow. We've got Spain. And, in addition to that, we've now got the Krakow office.

So, just as the OpCo employees are part of IAG, so are the team in Krakow. Now we're benefiting from labor arbitrage and location arbitrage. But later on, I'll share how we're also benefiting from skills, and focus, and specialization, which is great.

We're also working with partners. So, where it's the right thing to do and let someone else take the burden, outsourcing is the way to go. Bill will talk a little bit more about IT outsourcing, back to the ITO piece. For me, BPO, business process outsourcing, is something that's common in most industries.

We're working with partners in the East. So I think Bucharest and Chennai are the locations there. On the right-hand side are some of the things that it allows us to do and, to me, this is about flexibility. So, I've learnt through doing this that the model you start off with is probably not the model you'll end up with.

But that's OK, because the industry's moving on. Our capability's moving on. And, also, our business is growing. The bottom bullet's also really important, because we're having outsources in the mix. We're getting a little bit of tension to ourselves to make sure that we're always working to the best cost. It's very easy to get carried away with the emotion of a project like this, but cost is what it's all about.

So, I mentioned the modern working practices, and Enrique did earlier on. So, this is a snapshot, I think it's last week, of our team in Krakow, so at our Krakow office, 150, 160 people, predominately focusing on procurement services and finance services.

We're finding that there's a really strong talent pool. So from a raw basis, there's 26,000 to 30,000 thousand graduates coming through into the shared service world, the GBS world. But more important to us and kind of relevant to me, it's the same reason I came in. There's an opportunity to bring people into our business that have done this stuff before.

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So, where there's an opportunity to learn, let's learn. We don't need to recreate. I find it quite refreshing, when we touch these guys that have worked in big, global PLC's, they're bringing stuff to this that we just didn't know.

And then, finally, some of the other things that are enabling change are some of our systems and processes. So commonality, common systems that I mentioned on the introduction page are now becoming more and more prevalent in the company. And Bill will mention that as he touches on the IT world, quite shortly.

So, how are we doing? From a cost savings perspective, one of the biggest outcomes, clearly, has to be cost, just under a thousand FTEs, roles have moved out of OpCo, of the OpCos as of 2015, enabled by GBS.

Now, in the OpCos there are programs going on, as well, and we're working in partnership with the OpCos. And the way that we're working as three functions within GBS is supplemented by the way that we work in partnership with the operating companies.

I'll now spend a little bit more time on supply, because it touches procurements, and it's the third important tower of our GBS organization. So, there's been a thorough and deep transformation of procurement across IAG. And Raghbir has led that to the point that things have changed and things have changed for the better.

On the left-hand side, there was some of the levers that have shown how that's happened. And to me the fourth bullet down on the left says better tendering, better negotiation and then bringing in the people that know about this stuff.

So, if there's someone in the market, someone in the business that's been involved in a particular tender or a particular type of deal, let's use that and let's leverage it, use the opportunity. So, in the middle, you can see just a snapshot of the kind of deals, the kind of areas that we've had benefit from. And there's a huge price tag there, which is fantastic.

Now, we can't explain any more detail because of confidentiality, but there really is, really, a very big difference. And I think it's through either renegotiating contracts or better negotiating new contracts that a lot of this is being grabbed.

On the right-hand side, a couple of bullets, there, and I'd focus on the second one, really. So, the work that the team is doing is really driving a fundamental change in the attitude to cost in the group within the GBS umbrella, which is really key to establishing the platform.

So and closer to home in my world and supporting Enrique in particular, we've moved from a world which, quite rightly, is in grey on the left-hand side. This is, thankfully, many years ago. It was a world where things were different, and quite rightly, because these are standalone finance functions that were doing things in a pretty efficient way, but not in a way that was collective to opportunities, as Gavin said, to share data, to look at analytics, to do things in a better way to understand opportunities across the company weren't taken.

There were large independent finance teams, all doing the same kind of thing in all different places around the group, and of course that results in high running costs and possibly not the most efficient organization.

The right-hand side is clearly where we're headed. So, the Krakow team are taking on finance services and global process management, which is quite a new concept for the group, but luckily not for the Krakow team. So, they're going to march ahead with that, which is fantastic.

We're moving to a world where we're starting to look at the data that we've got, as Gavin said. So, the conversation is now about what's the issue, not of many years ago, when it's let's make sure we've got the right numbers. That's a huge step forward and will unlock massive value.

From a systems perspective, Bill will touch on that, so I shan't go to into too much detail, there, but it's really, really important. And then, finally, we've got leaner teams in the OpCos. So, those small blue blobs on the left-hand side of that chart, they are leaner. They're more focused. And let's face it, for the individuals in those teams, it's probably a more stimulating day to be driving your brands, rather than sorting out issues of invoices and all of that kind of stuff.

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So, optimal cost, more controllable, and are resulting already in 28% savings in people costs across the global finance community. So, in summary, I mean, clearly, we're delivering back office processes at a lower cost with a higher quality. And, as Enrique said, some of what we call back office, others probably don't, but we're progressing that into the decision-making areas.

We're enabling the OpCos to run more efficiently. We're on a journey. We're learning. We're part way, 40% through a transformation, so we're growing as we go. And GBS, I think, is now showing itself as a real enabler of future growth. What are we doing? Still more to come.

Momentum will carry on, so there's the additional finance work to bring to my team in Krakow, which is really, really important, and to let them become more independent in running that. Integrating Aer Lingus, fully integrating Avios. Iberia Express and Vueling processes into GBS, subject to right place, time, and cost, is obviously a priority, and, also, delivering the next phase of the IT transformation program.

So, to that point, I've gone through quite quickly, I'll hand over to Bill, who will give you some more details on the IT transformation program.

Bill Francis - *International Airlines Group - Global Head of Group IT*

Thank you. Thanks very much, Lawrence. Good morning, everybody. My name's Bill Francis. I'm the head of group IT. And I wanted to start my presentation this morning by actually going back to Capital Market's Day, 2014, where some of you may have been here, as well.

I sat in the audience that day, and it was the HSBC analyst in the question time that asked Willie, "Are there any areas that you're disappointed with?" And he, quite rightly, said he's disappointed with where IT had got to.

Yes, it had made some synergy savings, but it hadn't moved fast enough. And we hadn't began to really transform the IT operations so we can really help the operating companies and enable their customer experience.

So, with that in mind, we then set about setting up group IT. And that was to really start to take control over our technologies, over our people, over all of our cost base, and start to say, how can we really start to move this forward and get some pace?

Let me move on and just show you a little bit about where we've come from. Of course, there are some positives. And to pick up on a few, we had very high availability of our systems. We were developing in an agile methodology, which is like an iterative approach. So, we were fast to market in about 20% of our projects.

And the bottom one, there, I'd point out, would be, of course, we had very strong aviation experience, and some great technical knowledge, but of our current systems. The trouble is, the negatives on the right-hand side outweigh the positives, as you can see.

And to pick up on a few, there, we have very complex systems. We've managed to add them all up. We've got 2,346, which isn't something, really, to be proud of. And what comes with that is a huge number of suppliers.

And because our IT operations, at that time, were running independently, we were never doing deals together. So we didn't have the same technology, and nor did we have the same suppliers or the same deals.

And the fixed cost base refers to a very large internal footprint that we have across our IT estate of people. And that means that we also had duplication of roles across the group. Unfortunately, we've been customizing applications. So instead of changing the business processes, we've been customizing the IT to go with that.

And then, we have our reliance on contractors, which is one thing, but then we have them where contractors have been with us for a very long time. They've actually started to become single points of failure for us. We're too reliant. And then, when we have used offshore, unfortunately, we've brought some of those offshore people onshore. And that meant that we had a ratio of about 35% of them onshore, 65% off.

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And you can imagine what that does to our cost base. It doubles for those particular contractors. And I guess the bottom one on here is, we were at risk of losing control of our design and direction.

So, let me take you now, forward, something a little bit more positive to say. What are we actually doing to try and transform this? So, we've got three real pillars. The first one is about reducing our unit costs, and that is to make sure that, not only to bring our cost down in line with our best market price that we can get as a group, but also create a flexible, scalable model, that will allow us to be future-proof.

And, included in that, is a future skill set. We've got to simplify our systems and remove duplication. And, while we're doing that, we want to increase the capability of those systems, as well. And, to go hand-in-hand with simplifying systems, you've also go to simplify the business processes as we go along.

So, we have to work closely with each of our operating companies. And finally, and Lawrence has touched on this in the GBS piece there, was around shared solutions. That doesn't mean a one-size-fits-all for every operating company. That's unlikely. But where we can have scalable solutions, or if we can have a common, particularly in the back office area, then why wouldn't we do that?

So on my next slide, I want to really bring this to life, because you've got PowerPoint's one thing, what have we really been up to over the last nine to 12 months, to try to make some real progress?

And I'm going to start with the IT operations area, which is the run-the-business area within IT. Now, the first thing we did is we divided this area into a number of towers, and I've put a few of them on the screen here for you to see.

The first tower is end-user computing. To you and me, that's desktops, laptops, printers. We've got 20,000 desktops, 10,000 laptops, six-and-a-half thousand printers, in about 122 countries. So, this is a sizable estate.

Tower two is around networks. So, LANS, WANS, Wi-Fis, mobile data and voice. And then in tower three is our service operations, and by that we mean our 24/7 help desks, and, also, our monitoring bridges that are looking after all of our operation consistent.

Now, over the last six months, since about April of this year, the first thing we did is, we went out to the marketplace and we issued RFPs to about six different suppliers in each of those towers to say, "Can you give us your best market price for the group and start looking across more than one operating company?"

Well, the results are here, and I'm really pleased to say we're going to run through a few of them. The first one on tower one, the cost saving that we achieved was a 38% reduction in our run rate from our baseline around tower one. And we have a preferred supplier for that.

As you can see in the bottom bubble there, that does include a significant reduction in our manpower. So our internal footprint reduces from 91 to 15 people. That doesn't mean less people are going to be working on tower one. It means that we're not going to be employing them.

We're looking to use third parties. This is primarily an offshore outsource piece and then it will be at a fixed price. So the number of people working on it, actually, is slightly irrelevant to us. We just want the service and the cost at the right price.

In tower two, this is more of a technology channel. There are less people initially in this channel, and then working very closely with Rags and the procurement team. We've got some great savings. So we managed to get a 21% saving over our cost base and, again, a reduction, 59 down to 12 people.

And then the last one, which we are particularly pleased with, is the service operations. By going out as a group and talking to our third parties, and fundamentally changing the model. This is isn't just procurement. This is a fundamental shift in how we're going to move forward. We've got a 52% savings on our run rate and a reduction in our internal footprint, coming down from 152 to 24.

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Now, all of those three towers are subject to consultation. We're consulting with our unions at the moment and progressing those forward. The very first tower, we've concluded our consultation, and we've signed a contract. So we're well on our way. That was the first one.

If I look at the second one about simplifying systems, and for this one I've given an example of Iberia and working with Luis. And it's really important, first of all, that we work very closely with the business and listen to some of the challenges there. And what Luis has done in Iberia has been incredible.

But equally what we're saying is we need to jump to the next system. We can't evolve what we've currently got. We need to make a leap and transform in one go. So here we have an example of that, where we have the ground operation systems and flight operations systems. You can see in here, if you look in the middle bubble, that most of these are going to be absolutely relevant to getting a plane away on time.

And the proposal here is that we're going to consolidate our applications from 11 down to one, and, at the same time, simplify the business processes that go with that, as well, and work in harmony with the business. Now, the business case for this is signed. We're already working it on it, and we're expecting to see this, then, rollout towards the end of '16.

So good example. In fact, if I just, then, move on to the third element, which is around shared solutions. And let me just start with the first one here on the left-hand side, a new common treasury management system. So, absolutely, where we can have a common solution, why wouldn't we, across the group?

This has been a great success. Equally, it's actually transformed from nine applications down to one, and we now have one way of working. So really good use. And this launched just over a month ago. The second one on that page is around next generation, a selling platform. And this is using software as a service.

It's using the Cloud, and we're really positive that we've now got both the BA and IB selling teams, who are able to do dealing and, also, workflow within a single system in absolutely future technologies.

The middle one, we've talked about, shared and scalable IT operations using some of our commodity costs and using those as an outsource model. And we're looking to see how much more of the group can now start to benefit from this and, actually, bring those prices down even further.

Now, for anyone who's flown recently on BA, the fourth one there, you probably see that our check-in or fast bag drop teams are looking and spending quite a bit of time looking into a green screen. Well, we are about to transform that. It's started already. We have a new integration platform that's gone in, which is allowing us to connect a new technology and to our existing ones, and combine the two.

But, equally, you're going to see a much more Windows environment, which they're going to be using. We started that rollout a number of weeks back. And that's going to continue through until mid-'16. So a massive investment, but a real leap forward. It touches 207 airport locations. That's how transformational it's going to be.

And, then the last one is a nod really to Glenn Morgan, who's going to talk to you a bit about digital later on, and saying that group IT is really helping enable that team. And, so examples that we found early on is to give them some test environments, called an alpha environment or a beta environment where they're now able to spin up environments in a number of minutes, rather than days and weeks.

And that should get some innovation, and almost saying, are we going to learn to fail fast and then work out where we are succeeding. So, very positive. OK. So my last slide is how we actually got on. We set ourselves a very challenging target, which is to save EUR90 million by the end of 2018.

And, with some of the work that we've already seen coming through the pipeline now, we're a third of our way towards that, and that's over the last year. So, we're quite pleased that we know that we're on the right track. We are taking out commodity costs.

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That's to the advantage of the scale benefits that come with that, we're using specialist suppliers to make sure we have a future skill set. But, we're equally - we've got to simplify the business. And you look at the third point - take the complexity out of our estate, remove those vast number of applications, focus on some key suppliers, and then help simplify the business processes, which ultimately means we're giving our customers a better service as well. Now, all of this approach, we haven't done with a blindfold on.

We've had a look at what's going in that market all the time, and we've got a really good internal reference as well, which is Vueling. Vueling already started with a blank sheet of paper, and said we're going to have a very small internal footprint, and then use our external third party skill resources where appropriate. We're following that approach.

The other one that we picked up from Alex was around the portfolio management, to say that every time we're going to have a new project, before it even starts, we need some very strong governance to say, is this the right thing to for the business and the operating company, and can we afford that investment, and are we going to make sure that we prioritize it to absolutely hit what's key to moving those business plans forward.

So, 80% of our projects we're trying to have on the strategic projects to move those business plans. So, I finish by saying this is very much part of the building block of the IAG platform that Enrique has been talking about. IT is very much a part of GBS.

It's a very positive start, and we're actually delighted now to have Aer Lingus come along as new member of the IAG team. And, Stephen and I have already had some early conversations about how group IT can restart to enable Aer Lingus as well. Thanks very much. I'm going to move on to Luis and talk about MRO.

Luis Gallego - *International Airlines Group - Chairman, CEO of Iberia*

Good morning, everyone. Since the birth of the group of IAG, we have achieved significant cost synergies in the area of maintenance through combinations of initiatives and actions. Initiatives of observing, leveraging and developing internal capabilities, procurement in each of these, performing dual importations of material and best practices, from economies of a scale in joint negotiations.

Commercial actions bringing new customers to the group. Initiatives of continuous improvement, sharing all knowledge of maintenance areas and best practices. And, finally capturing savings in different business areas and one off initiatives.

But now the new transformation model goes beyond synergies. A new maintenance strategy project has been launched to enter in a different phase of savings and improvements. A project that on behalf of the management committee I'm leading, and run by Juan Diaz and as Andrew said before is here today. I'm very happy to talk with all of you about the project and any doubts that you can have. In the group, a big part of the maintenance activities that are performed in-house.

And, as you can see in the map British Airways engineering, Iberia maintenance, and Aer Lingus have several facilities to perform those tasks. Different facilities with different capabilities and scopes. All of them will be analyzed in this project. The project will cover five work streams, line maintenance, heavy maintenance, component repair and inventory, engine maintenance, technical and engineering services.

And, we have two main objectives for the project. First, OpCos must have the best maintenance market price at the agreed quality and service levels. And, second, MROs should focus on those activities and facilities that can achieve target profitability levels. From the current situation to the full externalization, all the possible scenarios will be analyzed to ensure maximize group returns.

Savings, implementation costs, timing, and strategic operational consideration will be taken into account. The project has started with an initial focus on line and heavy maintenance businesses. Implementation of the first actions approved by the management committee for line maintenance business on non-hub European outstations is estimated for the first half of 2016.

The complete strategic assessment will finish during first half of 2016. And at the same time, we'll have also an estimation of the group savings. And, now, I'm going to talk about - we are going to talk about all the projects that's been important for us, that is fleet administration, and that will bring us also savings in the area of maintenance. So, I hand over to Henri.

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Henri Ozarovsky - *International Airlines Group - Group Strategy and Development*

Good morning. My name is Dr. Henri Ozarovsky. I manage jointly with the OpCos and with IAG teams, the fleet harmonization process. We're running a bit tight on time, so I'm going to speed through some of these slides. If you would like to talk about some more things, we'll have lots of time during the break. So, I'd be happy to take some time and explain to you some of the things we've done.

The core goals that we talked about last year on the 320 common spec is three pillars - lowest cost, reduce capital intensity, and greatest flexibility. What we've done is actually extended those goals to all of the fleets - the new fleets, which are the 330s, the 350s, and the 787-10s. Obviously, each program is taking its time, one after the other, and utilizing on each of these - these key pillars, of lowest cost, which is lowest purchase cost, and lowest running cost.

Reduce capital intensity, which means less maintenance burden for the OpCos. But most importantly, maintaining their branding. So, the way we design this harmonization and this simplification, and particularly the interoperability of the fleet, is to ensure that we can co-blend within the designs what I call brand freedom. So, if we look back at what we talked about last year in terms of standardization, what are we talking about?

So, we have three main areas. It's the cabin configuration, the avionics, and the emergency equipment. I'll give you one example. On the cabin configuration, if you look on these diagrams, the entrance area is completely harmonized. And this is a real airplane. One of the first few we took this year. So, you see on the seats, for example, the seats are all the same on each OpCo now. The screens, where it says Vueling - that's called a CIDF system. That's something that's standard.

On the avionics, for example, the weather radar that we selected is now the same for each OpCo. And this wasn't done as just as IAG joined, but it was actually done with all the experience of each OpCo and all the pilots. In terms of the emergency equipment, it's an ongoing work in progress. But, it's things such as the emergency locator beacon, which you've heard about - the ELT. It's something we went out and we tried to harmonize and save money on, as a group, by buying these purchases together and creating synergies.

We look at the configuration. This is a real 320 airplane, which Vueling has taken delivery of, and is one of the first common specs. So this is what I would call the base spec, from which every OpCo works on. So, each OpCo will have to take this standard spec and actually adapt it to its branding, but creating an interoperable airplane in between.

So, all of these pictures you're looking at are actually real, particularly at the back where you can see that what we've actually done is utilize what's called SpaceFlex. It's this new toilet layout which allows you to place the toilets not before the last two doors, but behind the doors, creating more space efficiency layouts for us to have more room to maneuver. But, in fact, keeping the customer experience exactly the same, if not better.

In terms of scope and impact, we're talking about EUR0.5 million to EUR1 million just on cost savings when you purchase the airplane. Weight savings - 220 to 470 kilos. That is a massive amount for a narrow-body. And, in fact, we have 16 airplanes already in our fleet. We will be receiving two more by the end of year.

And by the time we reach 2020, with the NEO order - with the NEO and the CEO are very similar - we should have over 100 airplanes common in our fleet that can literally move from one OpCo into the other as quickly as we can do it.

In terms of the 330, where last year we had already started discussing some of the benefits we started reaping by reproducing the same philosophy. Same things - cabin configuration, avionics, and emergency equipment.

I'm sorry to tell you the bad news. It's not that much more complicated. It's just a matter of time to go through each item. So, if you look at cabin configuration - the economy seats. A very simple thing to do, but actually takes a bit of time because it's a long-haul product.

And, we pride ourselves in creating a really good long-haul product. So we have to take our time to evaluate each individual OpCo need and ensure that within that we could create a standardized product. The IFE and the connectivity, which I'll talk about. The galley suppliers - galley suppliers can be very tricky, particularly when you're moving airplanes around.

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Avionics and systems - the rear cargo ventilation system. So, this something we took off. We actually have one in the front, and through the help of IAG cargo we looked at all the loads and the different types of cargo that we were carrying, and we had a temperature-sensitive cargo ventilation at the front. And, we felt we didn't need one at the rear. So we removed it and saved lots of money.

The third - water tank. We evaluated how much water we were using on our very long sector length and we realized that, actually, the third water tank wasn't being used very much. And, in fact, because it wasn't being used, you were not only carrying the system, but the water left over in there from not being used.

So, last year we told you that we were still working on the Iberia 330-200 spec. And, today, I'm happy to announce because this airplane is about to be delivered in December, 2015. And, in fact, these are thanks to Airbus photos from yesterday, this new LOPA will have 288 seats - 19 in business and 269 in economy.

And I believe it is an incredibly space-efficient LOPA that we have created for Iberia, and will mix in very well with their new fleet types, and allow them the flexibility, not only within Iberia, but within the group, to be able to adapt its capacity accordingly.

Not only that, but the way this seat map has been designed - the seat map and the LOPA itself is extremely flexible. And, we can talk about that in the break. Toilet, stowages and cabin attendant seats. Once you set the number and size of cabin class, it's much easier to make an efficient use of those items.

Galley space - we looked at the galley space in detail, and so has British Airways, and so has Aer Lingus. We're looking on each of the use of every single galley space and establishing how much space we need. And, with the arrival of connectivity this is only going to get better.

We look at the scope and impact - you remember that 0.5 million to 1 million on the 320 - versus budget. Iberia was able to achieve over EUR3 million savings per airplane. In terms of weight, over one ton. So, it can do these things rigorously if you apply a simple principle. If you allow the OpCos the time to do their work, they can do incredible things.

If we look at the 350, which is the first program which we've actually started all together, we've actually standardized quite a few things already. On the economy and the economy plus seats we've decided to harmonize all those for all of the main OpCos that you see below. The toilets, the IFE, and connectivity has also all been harmonized already. It's still a work in progress, but the principles are there.

The avionics and systems is a bit trickier because on the 350 you have less selection choice. So, on the choice that we have, such as wheels, brakes, and tires, we are coming together as group looking at the existing fleets, at our future requirements, be it 787, 350, 330, and 320, and seeing where we can leverage on that. And, the IAG procurement team has done a great job of managing all that.

The emergency equipment - it's quite complicated because you have aviation authorities to align to, as well. But, we've done a pretty good job of aligning the equipment and the locations, the placard and the markings, and again, the ELT, which was the same item we talked in the 320. So you can see how the stuff reproduces itself quite often.

So, the configuration is something we're still working on. Unfortunately, I can't announce it, but I'm sure in the next year or two each OpCo, individually, will announce their specific configuration. However, I can already give you some good news. Looking at the market research that's out there and the configurations that have been delivered or announced, we are already looking as one of the best in class versus the known competitors.

The scope and impact is something we'll reproduce for you next time, in the same fashion as we've done for the 320 and the 330, but it follows the same principles. Simplification, harmonization, space efficiency and weight savings, because these are critical to the long-term future of this organization. As I mentioned, the system configuration has far fewer options, so I just want to set that precedent so you understand where most of the savings are going to come from.

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In terms of harmonized aircraft, if you will follow this path we should have anywhere from 10 to 30 by 2020. Now, let me move on to another topic which is very similar, applying the same processes, is the onboard Wi-Fi connectivity. It's a very complicated topic. It's one that we've been developing and working on for over a year. And, it's something that, actually, the OpCos have been working on and learning from since 2010.

So, if you look through this diagram we have Aer Lingus, which as you know on their long-haul has full connectivity on all its 330s. We have British Airways which has trialed a 747, using the same system. Iberia and Iberia Express have recently retrofitted and line-fit, and is taking delivery of a new line-fit airplane with connectivity. So it's something they're also familiar with. And, it's something that Vueling has also announced that they're working very diligently on.

And I must say, through all of these OpCos, we've had a huge amount of learning because the truth of the matter is there isn't one simple answer. It is a very, very complicated story, particularly with our fleet network, which is so vast. And the number of areas that we have to travel to, and the number of aviation authorities that we have to deal with. However, looking at that, we've decided on our long-haul aircraft to line-fit 60 of these new airplanes.

So that applies to the new 330s, particularly those that we announced yesterday. And, those that Iberia are taking delivery of. The 350s and the 787-10s. So, that will start our baseline based on what we have already, particularly with Aer Lingus and Iberia, to set the scene for what we're trying to develop.

And, Glenn is going to talk much more in detail on what we're doing. But, the important thing to note is that only, unfortunately, satellite connectivity offers us the coverage that we need for extensive long-haul networks.

Now it's a bit different on short-haul, which is why I want to talk about the future plans. So, we've been evaluating this strategy and looking very carefully at all the different options and been going back and forth to senior management, and having very extensive debates on what the right strategy is. And, I'll let Glenn talk more about that.

But, what I can tell you is that we are evaluating retrofit on over 100 wide-body airplanes, which is predominantly British Airways. Because, as you know, Iberia is pretty much connected, and so is Aer Lingus.

On the short-haul we're extending the Inmarsat MoU that British Airways has initially signed with Inmarsat to over 300 airplanes, and giving each OpCo the optionality to choose which system it feels it needs for the network it has.

Again, it's having that flexibility to understand the requirements, rather than just setting in stone what OpCos should do. In terms of aggressive targets, we want to be 90% connected on the long-haul by 2019, and we've set a plan to do that.

We're still working with the RFP process in order to make that plan a reality, but I can say it's pretty much ongoing already. In terms of the short-haul, as we've announced already and we're on target, we want our first in-service air-to-ground airplane to be in service by 2017. And, why is that important? Because air-to-ground offers faster network speeds. Latency is the key to it all, and less weight and drag. So it's something that's quite attractive for us to look at.

All in all I can say that the group connectivity strategy and the equipment selection has been done in the same process as the common specs, harmonized and flexible for each OpCo to reap as much benefit, but also have the flexibility to switch if it's not exactly the same strategy. Thank you very much. I'm going to pass you on now to Glenn, who's going to you more about connectivity.

Glenn Morgan - *International Airlines Group - Head of Digital Business Transformation*

Yes, and welcome everybody. I know I'm in between yourselves and coffee and toilets, so I'm just going to give you a little flavor of what we've done setting up a digital team, and what we're actually doing - what we're all about.

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So, if, sort of, to start off, I want to just, sort of, set the context of what industry was, sort of, planning in at the moment. And, the analogy that I use that here is that the concept of plantations and rainforests. If you actually look out there most big corporate/corporates, we're very good at doing the business as usual.

Building on the efficiency, building on the scale, building on the known results. But, the challenge is there's digital disruptors out there. The Ubers, the AirBnb's. That is coming from a very different place. They're coming from what I would call the rainforests. If you take a banana plantation, you know - it's great at doing the scale, it's great at being able to go out there and build all those efficiencies that I just talked. But, it's very difficult to think outside of bananas.

And, what they're - the answer here is when we look at rainforests, I think that they are really generating, sort of, some different drivers in the marketplace. And so I'm going to take you through. IAG, we've set a place where we're going to keep the discipline of what we're doing with the plantation that really build on a platform of growth by leveraging the rainforest capabilities.

I mean, what's out there is actually - if you take a 25-year-old, at the moment, with a credit card and access to AWS or Amazon platform of services, they are probably our new competition that we need to be very mindful of.

And, what we're doing is we're putting a plan in place that we'll do it. So this plan - we've got three pillars that we're looking at. Unlike some in the industry, what we are actually looking at is making sure that we've got a central group. That we're giving everybody a digital mindset, other than the businesses who are setting up large digital teams.

But that's not good enough. I think that what we need to do is ensure that everybody across the entire group has that digital mindset. And what we've done is we're acting as a catalyst to inject that catalyst into each of the OpCos and show them where they can go. And, we've seen some great results already coming through from that.

And, as an example, I've talked - Henri mentioned about what we're doing with the connectivity program. And, unlike others out there, a lot of people have treated as just a product or an ancillary revenue opportunity. I think that really the answer here is that if you take a digital mindset to it, you actually extend right across the ecosystem of customer experience. You can bring and join up the customer experience from the start of a trip journey right through.

Today, it's clearly disjointed. It's very disjointed into siloes - that experience. And what we can bring is a lot of opportunities around that customer experience, the operational experience, bringing them opportunities around time savings, the crew aspect. Connecting our crew. Ensuring that they have the tools to do the job, or to sell, are right there in front of the customer. And, that's an example of what we're doing there.

Part of the other areas within the digital mindset which set up, and we're leveraging some of the key players. So, we put in incubators into Israel and San Francisco. And, wherever there is new technology coming along we're able to pick that quickly and leverage on it, and bring it into our operation and scale it across our group very fast.

The second pillar that we're looking at is the digital transformation. And if I look at this in terms of the overall digital plan - digital side of things - what we've got is these number of areas. So digital can go from any part of your business - from the front part of your business to right behind the business.

And, there are great opportunities. I'm just going to pick one here, and that's this one order. I mean, if you take our business in the full-service side, in terms of British Airways and Iberia, we've been working with processes that are over 46 years old.

One order is an opportunity - if anyone's heard of the PNR, or the passenger name record. It's a little six-digit record locator that you have as a part of it. But, then, you also have an E-ticket. And, then, we have a proprietized industry E-line accounting platform that goes along that keeps all of those prorated. Proration of all of that together and that tripod of complexity. That's a lot of complexity.

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New digital businesses don't have to worry about that. And, what we're putting in play is the ability to transform our business, taking away a lot of that complexity and then out to move to send platforms. And, Bill highlighted he's making the change that he'll be able to quickly scale those capabilities across the group and not across the OpCos.

APIs - and, APIs are an application programming interface. I mean, a simple way of explaining this is that they're really the platform for creating participation. They're really a building block of any digital transformation. And, this is, is that we've opened up parts of our services to expose them to different parts of the industry. Our partners have opened their data sources out there so that people like Avios can leverage those data sources.

We're opening them out with much broader, deeper revenue opportunities that we've got, and that's generating different partnerships that we can take. So, now, you can go to developer.ba.com if you're a developer, and actually pull on services, create a new application, and build on that, right today.

You can go to Avios at developer.avios and do exactly the same with the Avios platform. And, if you -- we're expanding that across the rest of our group as we're building on it. But it is really the platform for, sort of, growth and participation.

The third area, and final area - that pillar that I'll talk about - is being prepared for this digital disruption that's coming along. We need some sort of seismograph - or, seismograph to look in to how we can actually make sure that any of these challenges, which are moving a lot faster than they previously did before, are coming along. So, we've embedded this seismograph right in the heart of our strategy.

And, I report into our group direct - group strategy director, and basically we're taking a lot of the industry changing things that you may have heard out there. Smart machines, the robotics capabilities that are going on, automation with drones. And, looking at adapted security and biometrics capability. Creating a digital mesh with all the customer experiences that you're looking at from 3D printing through to wearables. All those areas.

Looking at our contextual user experience,- not having a siloed approach as I discussed around the connectivity program that we're looking at. Making sure that our customers are getting a journey experience in context.

On data fracking, making sure that we extract all of the good insight from all the data opportunities that we have at every single touchpoint across the journey. Physical touchpoints or digital touchpoints. Making sure that we extract good knowledge and transaction knowledge about that.

Moving on, I just wanted to touch a flavor on automation. And I just put a little video here together. But, as the video is talking, I'll talk through. When the opportunities of automating in airports is a really good example.

The fact is that airports are very structured, process driven. We have huge opportunities with the autonomous vehicles. You have seen that Google now has over 2.5 million miles of autonomous vehicle driving on public roads in America.

We have those capabilities - to leverage those capabilities. To build them in. Use technologies, like drones and everything, to look at how we could do future delivery of that critical cargo that Steve was talking about. And the data give us a really good examples of what we can actually leverage. So today we're bringing value from that disruptive technology.

Bill's putting a platform in play that we can leverage and dare to bring it forward. He talked about his alpha-beta platform. They're going to have to really test things out very, very fast, and then scale very, very quickly. And, tomorrow, we'll be transforming business models using the disruptive technology. So, thank you very much.

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

Thank you very much, Glenn, and apologies. I saw quite a few of you looking for the digital presentation in your pack. I thought it would be a very un-digital thing to do to print it out for you. But Glenn and his team will be putting an analog thing to do. Glenn and his team will be putting the presentation on our website and you'll be able to look forward to a lot more of that kind of thing popping up on our website over the next year.

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So, we're running a little bit behind time, but hopefully that's given you a flavor of the enormous amount of stuff we're still working on, and still ahead of us in that 5-year plan that Enrique told you about. Really, we've only just begun to do a lot of the things that you've had a preview of today. Because we've given you a lot to digest, we'll stick, I'll suggest, with half an hour for coffee break.

So, if you get back here in half an hour's time. There's some very nice freshly baked waffles. I just had one with chocolate sauce. The chef is impatient to serve you them. The next part - the final part, will be very much the home straight, much more familiar territory. A lot more videos. And then finishing up with Willie's presentation at the end. So, see you in about half an hour.

OK. Thank you very much. Hope you enjoyed the waffles and other things. I saw there were some bananas out there, as well, but I missed those. The chief executives lined up need no introduction, so we'll kick off with British Airways and we finish up with Willie at the end. Thank you.

Keith Williams - *International Airlines Group - BA Executive Chairman*

Thank you. So, I hope you don't mind, but I thought I'd start I'd start with a CV for my next employer. That's my wife. Given that I haven't spent much time at home over the last 10 years, I thought I'd better go back with a report card. So, this is the report card. If I go back to 2011, we set out with, I think, five objectives. The first was to consolidate our position in London. Secondly, to build a joint business, particularly across the Transatlantic.

Thirdly, build the brand through better customer interaction. Restore shortfall profitability. And, finally, achieve what was then a GBP1 billion operating profit target, which we subsequently amended to GBP1.2 billion and then GBP1.3 billion. Now, the reason for showing these slides is not so much about the past, because what I think it will show you is that what we've built is a platform for the future.

What we haven't yet totally done is to exploit it. And, that's really the opportunity that happens, I think, between 2016 and 2020. To exploit the basis that's been there between 2011 and 2015. Now, there's a saying that discipline is the bridge between goals and accomplishment. And, I think what we've shown is discipline. We've had - as you can see from the chart there, we've had 10 solid quarters of growth. And, if you look at the dip - the dip, in part, was the period in which we were integrating bmi.

And, bmi has transformed our position at Heathrow. As you can see from the slot position that we hold now at Heathrow, we're there at more than 50%. And bmi has been part of that. We've also acquired other slots over that period when the opportunity's arisen at the right price. So, that places, as well. In terms of joint businesses, obviously we've set up the joint business in Asia. And, we've exploited the joint business across the Transatlantic.

Now, Transatlantic-wise, we started with quite a large gap to Star Alliance. And as you can see from the chart we've all but closed the gap with Star, down to less than three percentage points. The challenge, obviously for the future, is to make it a positive. We invested significantly for the customer, primarily through ba.com, and ba.com is the world's favorite mobile airline app. And, through our project "Know Me", where we know about 39 million of our customers.

And, of course, we are the U.K.'s super brand. On short-haul, Heathrow is profitable, Gatwick is now profitable, and London City profitable. And we couldn't have said that a few years ago. bmi has helped enormously, and we've turned GBP150 million loss with bmi into a profit. The challenge now for short-haul is for each of those operations to return their cost to capital and be positive RoIC.

London City - I'd like to touch on London City briefly. London City is a good example. What you see at London City is growth, not through acquisition, but through opportunity. We've increased our slot share and London City, which was making losses, is now making almost 10% operating margin. It's still a little bit more work to do on RoIC, but it's getting to where it needs to be. Gatwick needs to follow, and London Heathrow needs further work.

So, we've set a solid foundation for future growth. If I then look at investments, Enrique showed you a slide about investments in aircraft. The BA Fleet plan assumes that we grow from 287 aircraft today to around 310 aircraft by 2020. We have new 41 long-haul deliveries, and 31 short-haul deliveries. By 2020, over half of our wide-body fleet will be new generation, and we'll have the fuel efficiency that comes with that.

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But, equally, we will have the Legacy fleet. And, we've chosen to do that to improve our capital allocation and to make the Legacy fleet work harder. This has meant keeping aircraft for longer, and given us the opportunity to invest in product.

So what you can see there is we've replaced IFE on 18 of the 747s, which will now know will be in the fleet for longer. We've improved IFE from 28 777-200s that are staying in the fleet. And, by 2018, we'll be investing in next generation Club World on 48 aircraft at that point in time.

But that doesn't mean that we're going to give away capital discipline. A lot of investments over the last few years has been what I call legacy systems. And in building our capability of "Know Me" through ba.com.

Over the last few years we've spent around GBP250 million on the customer management platform on movement over to Amadeus. And that was a replacement for the legacy system, which is largely replacement, but gives us opportunity for cost savings going forward.

"Know Me" is about exploitation. Today we can measure the benefits of "Know Me." And keep it's around GBP120 million. There's further opportunity to exploit there. So, if we can move investment from Legacy, it gives us an opportunity to focus more on customer. And that's what this plan is about.

The other thing is getting the basics right, and we had a difficult few years at Heathrow. Heathrow has become more congested, and the arrival of the A380's has actually increased the difficulties of Heathrow.

At the same time, as you know, there's been a lot of ATC issues, namely outside the U.K. Punctuality suffered, but if you look at short-haul, the number one drive of customer satisfaction is punctuality. And, that's been a real focus, and our punctuality has improved and this looks at the 12 months rolling data where you can see BA is ahead of both Ryanair and easyJet in London, even though we operate through Heathrow.

Hopefully, we've got a video. Yes. So, that just looks at some of the product enhancements that we have. But at the same time, it's absolutely important that we focus on capital efficiency. We've almost completed the short-haul densification program. I think at this moment in time we've got three aircraft still to do.

So, in 2016, you'll see the full annual benefit of what we've been doing on our short-haul fleet. And that adds about 1.8 million seats per annum - the equivalent to seven aircraft, and, we're very, very pleased with the results of that.

And, you know, we've won a number of plaudits in the year - a number of awards during the year as short-haul airliner of the year. And I'm particularly pleased with Club Europe because that was not an easy change to do.

But, what we've seen in Club Europe is a return of higher volumes at slightly lower yield - but higher volumes, and overall the change has been very successful. And, what we're seeing again is Club Europe start to increase in numbers against the backdrop of decline over the years.

But, at the same time, the retirement of the 747 fleet gave us an opportunity to take some of the seats off the aircraft we're retiring to increase the configuration of aircraft that we were keeping in the fleet.

And that allowed us to take 18 of the aircraft and reconfigure them to what we call a Super High-J configuration where we've got 100 premium seats in total on that aircraft and 175 non. And, those aircraft are aimed at key markets that will benefit from that high configuration, particularly across the Transatlantic.

Enrique spoke about some of the things that we're doing in extending the life of the 777. We can see that the 777 has a life of about 30 years. That makes it worth our while making some products changes to bring the aircraft with the same configuration. We've been carrying five oddball aircraft at Gatwick with 280 seats, which we're increasing to 306. And, we had nine oddball aircraft at Heathrow. But, it doesn't stop there.

When you look at the fleets that are coming in - Enrique mentioned the 787-9. The 787-9 we see as an opportunity. An opportunity to look at the right configuration to fly to the right market. And we're looking at what the right densification should be to fly to the Far East. If I look at growth,

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what you see within British Airways is ASK growth of around 2% to 3%, and that's balanced across the network. And it's in line with market growth in the markets that we operate from.

Around 40% of our capacity today is Transatlantic. And the changes that we've made there - the Super High-Js were an example - is taking our position and consolidating it - cementing it in that market. Clearly what we've seen is growth from British Airways and our partners in 2014, and growth from Delta and Virgin in 2015.

That starts to ameliorate in the summer of next year when capacity discipline is much more in line with market growth. And, that actually should give us some positive momentum on the Transatlantic.

We are looking at new secondary cities in - on Transatlantic. And our partner, American, is looking at flying to secondary destinations in the U.K. Our new routes have performed well Austin is performing particularly well. As you can see, we've established new routes to places like San Jose. American is improving its position with its new product. It has new lounges. It's strengthening its position in Los Angeles, and, as I say, it's strengthening its position in flying to the U.K. regions.

What is true today is that if you look at the relative RASK is BA is ahead of American, but those changes within American should bring it back more into balance. If I look elsewhere, Latam is about several different markets. Obviously, Brazil has been in reverse. Argentina, I'm pleased to say, is starting to recover. But, in part, it's opportunity for BA on leisure routes. And, leisure routes from Gatwick serve Latin American markets.

If I look at leisure overall, and I looked at leisure in the context of short-haul. And, short-haul is partly about the group, but it's partly also about BA. You've seen the densification, but what we've also seen is an ability to capture leisure passengers in increasing numbers across all our London airports.

At Heathrow we've grown from 47% to 53%, Gatwick from 75% to 83%, and London City from 43% to 54%. So there is an increasing move of leisure traffic, and we see that as an opportunity.

As I said earlier, we still have a very successful Club Europe product at the same time. And that has getting on to 2.5 million passengers a year. Rest of World is about three things. It's about the right aircraft for the right routes. And the A380, on the trunk roots, gives us a good platform there. On the 787-9 - is they're ideal for the markets for the changing, such as the Indian market.

So, it's about the aircraft. It's about the right configuration for those aircraft, as we discussed. And, finally, it's about the right partnership. And, China, in particular, is an opportunity for partnership into the future.

If you look at this slide - and if you look for what I call the dominos to the right, what you can - what that shows - if you look here our contribution to margin - margin increase within BA, is the - is like two-thirds is more towards cost. And one-third is towards the opportunity that revenue brings, net of fuel surcharges.

And our current assumption, as it says there, is that we're banking on about 25% of the fuel benefit. And, as Enrique and Andrew said, is that the challenge for the commercial team is to improve on that.

But this is a plan built primarily about other areas. It's a build about cost performance. If you look at 2015, we've brought our unit costs down around 2.5% on a constant currency basis. Our objective for the next five years is to continue that with a 1% improvement on unit costs year-on-year.

And, we've got a lot of the platform in place to do that. We have new starter contracts with all the working groups within BA. We've got the benefit, as you saw earlier, of IAG, particularly in the area of IT, business services, and some of the things that you were seeing earlier on. And that's a real positive for British Airways. It takes out a lot of the legacy issues that are there at Heathrow, and in particular within Waterside.

On fuel, you see the amount of new aircrafts that we have, and the fuel efficiency that emanates from those. And as Enrique said earlier, is we're actually seeing slightly better fuel benefit than we'd planned for.

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So, overall, you know, BA growth is aligned to market growth. And, I think that is an opportunity for British Airways in terms of RASK performance over the business plan. But, we don't rely on that in the plans that we've got.

And, finally, if I started off with my CV, the obvious thing is to finish with somebody else's KPIs. Before I do that, there's a number of - I'll have the opportunity to say thanks to a number of people over the next six months or so - five, six months. But, since the board are here, I'd just like to pay particular tribute to the board. To Martin, who've I've worked with now for oh, 12-13 years, Martin? Really solid advice to me.

And, to Denise and Jim who are on the IAG board, but were previously on the BA board, thank you. And, Alison, I think - Alison Reed, who's here today at the back of the room. Alison's been really solid advice to me. You know, she sits on the BA board and has done for a number of years. And it's been really solid advice to me. And, then, what I call the newcomers. Marjorie, Patrick, and Alberto, who in my time at IAG have just been fantastic help to IAG and to British Airways. So, thank you to them.

But most of all, thank you to Willie. People always ask me, "What's it like to work with Willie?" And, I summarize it as, I think I know what - I think he knows - no, I know he knows what I'm thinking. I think I know what he's thinking. He's always one step ahead of me. I think it's fantastic to work with Willie. Lastly, to Nick, who has helped me financially and brought us to where we are in 2015. But I mustn't forget the KPIs - the other guys.

Towards the end of this year we will be getting towards the 12% return on invested capital. But, that's a beginning, you know. That's the platform. I see there's enormous opportunity to get above 15%. Fuel is obviously going to be a tailwind. The costs, you know - there's more to do. There's more to do with IAG, and there's more to do within BA.

And, you know, we've got moderate growth, and that should give us opportunity to grow in line with market and over the time bring the RASK back to where it should be. And, with that, I'd just say thank you very much. Thank you.

Luis Gallego - *International Airlines Group - Chairman, CEO of Iberia*

Good morning, again. Last year in the capital markets day we share with you the Plan de Futuro. The Plan de Futuro that is assigned to radically transform Iberia in a sustainable and profitable company. One of the key pillars of the Plan de Futuro is the full transformation of Iberia's customer proposition, putting our customers in the middle of our - sorry, of all of our activities.

Over the last two years, we have been working very hard to improve our customer focus. And, for example, we train more than 8,000 employees in the program that we call Hoy t?. And all the frontline have to improved their skills in order to deal with the customers. We have analysed in-depth our customer journey, and we have been taking improvement actions in order to improve the places where we don't match with standards.

We have also invested strongly to improve our new long-haul product. And you know that we have whole new inflight products in the long-haul, both in business class and economy class. So far we have 15 out of 17 340-600 retrofitted. And we will end 2016 with a 100% of the new product in the long-haul. We will complete also the retrofitting, and substitute our 340-300 with the new 330-200.

As you can see punctuality has also been a major area of focus. And we are very proud of the results we are having and the client satisfaction that we are receiving. Iberia has improved a lot in this area. I mean, in 2014, we were the third most punctual airline in the world. And Iberia Express was the most punctual low-cost carrier in the world. This operational excellence has all been possible with the commitment of our crews, maintenance, handling and the rest of the ground staff.

We also redesigned the brand and that was a catalyst in helping accelerate the perception that Iberia is changing and that we have a new Iberia. We started in Spain in 2013, and last May we have started the rollout in international markets. We have started in Brazil, and as a result of that we gained two percentage points in brand recognition. And in October, the new products was launched in Peru. And in a couple of weeks we will go to Mexico to present the new brand.

The results of all these measures has been a radical change in the net promotor score that has produced an improvement of 16 percentage points since the third quarter of 2013 until the third quarter of 2015.

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We are very happy that our customers are so happy, and we continue in that direction. And, we are also using the capital better. Increasing capital efficiency as we have seen before is the cornerstone of IAG's financial objectives.

At Iberia we are fully committed with that strategy and we have developed a fleet plan aimed to improve the return on our fleet capital while enhancing the passenger experience. As I described earlier today, during 2015 we have worked in collaboration with all the group companies to harmonize the new 320s and 321s NEO.

And this approach is expected to bring some significant savings on purchase and in MRO cost. Therefore we are going to extend also to the new fleets that we will have in the future, especially to the Airbus 350-900.

Additionally, in Iberia, we continue optimizing our long-haul configurations and space potential that we have there. At the end of 2015, we will take delivery of the first of the 13 330-200s, phasing out the 340-300 fleet. The 330-200 will carry the same number of seats, with 15% less fuel burn, and we'll have 40% lower maintenance costs.

In 2016, we'll start the retrofit of premium economy in our 330-300 fleet by removing seven business class seats and using that as space to place 21 premium economy seats. This configuration we are aligning our product with our partners, mainly in the North America and JBA. And, we'll reduce the overall weight of the cabin by 700 kilograms. A similar approach will be implemented in the 340-600 that will remain the longest in our current fleet.

And, finally, to further increase the fleet capital efficiency, we have carried out a policy of aircraft life extensions. And in 2015 we purchase two 340-600 from our lessors, and extended three lease agreements, bringing the ownership cost to nearly half of what we used to pay.

If the opportunity comes, we'll continue with this policy. And a similar approach will be followed - will follow in the short-haul, where we are currently extending leases even going to the market where needed until the new 320s and 321 NEOs will arrive.

And we have plans to grow in profitable and sustainable manner. Our growth is based on strengthening our position as a leader between Spain and Europe to Americas. Developing new long-haul markets leveraging the strength of our Madrid hub. And, also cementing our leadership position in Madrid by developing Iberia Express. In North America, we will work with our partners to maintain our position in capacity and market share.

And we will grow in existing markets. We consider that in the following year we will add two or three more destinations to this region. In Latin America we will try to consolidate the number of routes that we have put in the previous year with daily service to Santa Domingo, Havana, and Montevideo, while we are at the same time exploring new opportunities to fly to the region and to destinations not currently served by Iberia.

In short-haul, we are going to right size our capacity in order to fit our markets properly. And we are going to deploy Iberia Express to compete in the point-to-point in the leisure market, consolidating our leadership position in Spain. Finally, we're working also in a network - a strategy for Northern Africa. We are considering also the possibility to develop opportunities in Asia. And, also, as we said in the slide, the flight to Johannesburg can be something that can happen soon.

If we look at the margin drivers, the implementation of the Plan de Futuro is already producing substantial positive impact in our financial period. The commercial plan has reduced the RASK gap that we have with our competitors, and in our plan we have remained cautious, that the current-because apart from the current environment of low fuel prices we are assuming that the markets will remain extensively competitive.

We have not yet banked any significant fuel price benefits, and only we have recognized the savings that we are going to have because of the new fleet. The savings that we are having because of the changes in the procedures we are having in our operation. In terms of labor, we will continue with the optimization of our workforce. We have already reduced our CASK from 2012 in 25%, and we will reach to 35% by 2018.

Also, we are benefitting from the projects that we are having in the group that are contributing to our labor cost objectives. Our plan also incorporates focus on supplier optimization. We are working in ways to reduce operating costs, overhead, and also to try to leverage the IAG procurement platform. We are also working to have a commercial plan optimized and to improve the fleet utilization.

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So finally Iberia targets will be aligned with group targets. Year to date 2015 results already show a strong financial improvement and confirm that we are on the right track towards the Iberia of the future.

This allows us to be confident in what we are doing and in our Plan de Futuro. And therefore we remain highly confident on the financial targets that we have committed to. An operating margin between 10% and 14%, adjusted by leases, 15% of return on invested capital, 7% growth in our key markets leveraging our new cost base while keep a close eye on flexibility. And a balanced fleet portfolio of around 122 aircraft by 2020. Thank you very much.

(Video Playing)

Alex Cruz - *International Airlines Group - Vueling Chariman & CEO*

Good morning. Good morning everyone, Alex Cruz. It's a tough act to follow. Unbelievable work that Luis has done over the years. And just for the sake of clarity, I am one of those two guys that Keith was making reference to earlier when he was talking about the scorecard over the coming years.

In any case, I'm very pleased to come and share with you a few thoughts about Vueling over the next few minutes. And I'm going to focus on a couple of things that Andrew has allowed us to talk about before I show you the numbers and how we see Vueling progressing over the coming years.

Now one of the areas where we believe we're going to be spending more time, and we certainly are going to see the balance of our marketing and online spend is going to be around the mobile experience. We believe that mobile is not just a marketing gadget or customer gadget.

It's actually a tool to remove significant cost out of the business. So you will see already happening today a lot of personalization where we are saving already steps in the purchasing process of tickets. We're seeing sales capturing up to 4% to 5% in the peak of all total sales through mobile technology.

We are increasingly adding more and more features to disruption management, meaning that we're seeing fewer and shorter queues whenever there are disruptions at the airport because you can self-manage whatever is happening in a particular disruption, straight through your mobile.

And this is actually going to have direct impact into our airport costs as well as passenger compensation costs. This really leads us to believe that ultimately over the coming years we're going to be developing significantly much more features, many more features through the mobile platform than through the web platform.

And it is now proven that developing in this platform is actually cheaper, faster and more efficient. So we're looking at a completely different paradigm change over the next few years in terms of how we relate to customers. And we believe this actually goes quite well with other trends taking place in the market place.

Now before I show you some numbers we put a little video together for you, in terms of how Vueling employees take a look at the challenge that is coming ahead over these coming five years. Let's take a look at it.

(Video Playing)

Alex Cruz - *International Airlines Group - Vueling Chariman & CEO*

Great. Now let's take a look at some of the numbers and some of the other aspects that we've looking at both at BA and Iberia. First of all, we are also going to continue making working on our capital efficiency.

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As we look at our fleet plans and we look at how we're going to deploy those aircraft, first and foremost the same message that we send every year. We're going to continue maintaining that degree of fleet flexibility.

As you can see every year through different kinds of contracts, lease contracts, short-term leases, etcetera, we have an opportunity to adapt our fleet size to whatever circumstances may take place in the market place. So that's always been a feature of Vueling that will continue to be a strong feature of Vueling.

Now something new to us, very new for us this year, we already have five Airbus 321s, five more to come next year. And these are proving to be fantastic aircraft. Not only are they performing really, really well of course, they're brand new aircraft.

They're also providing a tremendous amount of commercial flexibility on some of our thicker routes which are allowing us to provide and deploy other capacity elsewhere in some of the new markets. So really fantastic environment with the 321s. We think they are going to offer a lot of very interesting opportunities over these coming five years.

And of course we are part of the harmonization project on the fleet. And we are adopting the same seats and the same features that Henri was telling you before and at the same time continue to work on that premium feeling that Vueling has been working on for years in order to cater to those higher value passengers.

In terms of the growth drivers and looking particularly at market, yes, Spain continues to be a very, very large market for us. And we're going to be developing around the new - the regular places that you're familiar with.

First of all, Barcelona. Barcelona now has nearly 160 direct destinations served by Vueling, albeit some are low frequency, one or two flights a week. But most of them are increasing as times goes by and the markets mature.

We're going to continue leveraging our presence in the other remaining 12 bases across Spain and continue to manage small, little growth particularly in the more leisure markets. We have a presence all across the Mediterranean and all the islands with fixed bases already, with crew bases and aircraft bases there.

And finally, we believe that there is an opportunity to growing on that leisure market, not just domestically but as well internationally. Every year we add that new extra route to Germany, that new extra route to Scandinavia. And they are maturing. And they're maturing quite well, that would be in Spain.

Outside of Spain the focus, once again, revolves probably around three areas, Italy, France, and other. Under Italy very happy to report that Fiumicino despite air traffic control strikes and fires in terminals - more than one fire actually, two fires - we have been performing actually quite well this summer. And the RASK has been evolving very, very well over the prior years.

So we are going to continue betting on Rome as a destination next year. We should be reaching around 65 destinations, obviously the second airline in passenger send destinations and connectivity in Fiumicino.

We're also going to do a bit more growth in Florence. Florence is a very restricted airport because with their runway size and there's some few opportunities. There's a fantastic premium market. So we'll continue our presence there. And of course we'll continue to fly to Italy from the rest of our other bases, not just in Spain but across Europe.

France is a project that we probably have not discussed so openly but has been taking place over the years. France has always been our second market after Spain, all together. And we believe that after really coming to reality that Orly is not an airport that is going to open up any time soon.

We've decided to go ahead and begin to try flying from Charles De Gaulle over the last year and a half. And it has worked. So we have decided to continue growth in Paris by deploying additional aircraft and this time at Charles De Gaulle.

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So the project will continue both at Orly and Charles De Gaulle together. But serving a market which is probably our most mature market outside of Spain, Paris.

Finally, we will continue to look for opportunities to have profitable growth in other parts of Europe. But whilst we started basing in Amsterdam and Belgium some time ago, we've decided to go ahead and take advantage of some of the very little remaining capacity in Schiphol, and build on some of the relationships that we have there, not just with the airport, with tour operators and some of the local travel agencies. And add some additional destinations over the year 2016 and onwards.

We'll also continue to grow into the U.K.. Our first foray into the U.K. has been really Cardiff, some leisure destinations, and of course Barcelona where we believe that the U.K. will be another geography just like France and Germany where we fly to every single airport.

What a great place to come and fly into the U.K. because we can leverage resources that are in the group such as BA and other relationships. So a very good market to continue growing into. In terms of margin drivers, definitely there is a fuel effect. We're counting on 20%. Perhaps we'll be able to exceed that in terms of the price benefit by the end of 2020. And there is farther efficiencies coming to Vueling.

Not only just newer aircraft are coming CEO's with Sharklets and those are all aircraft of that type are coming every year. But also NEOs are coming, and finally the 321s, which are also already providing significant benefits in terms of unit costs.

In terms of employees, we have committed this year to our third geography outside of Spain. The second one was Italy. The third one is France, and we are now hiring locally in France both cabin crew and pilots.

So we have three geographies which allow us to optimize the overall crew costs. If you remember when we were first operating in this market overnight bases we were actually paying for the hotels for the crews, and coming back after three or four or five days of staying there.

Now we have and we're implementing local crews to that. And there are efficiencies that come with that. Now Vueling despite being a very lean carrier, the leanest of its group around the four Euro cents that we've discussed so many times before, still sees - we still see opportunities to outsource internally.

These are not huge outsourcing activities. But they are small outsourcing activities which we are going to execute over the coming months in order to create additional opportunities for cost savings.

Finally, we're investing big in technology. And over the next few months the number of projects have been kick started and will be developing efficiencies of scale. We're not going to require as many people to do a number of tasks, which probably were OK for when we had 50, 60, 70 aircraft.

They're definitely not OK for when we're going to have 150 aircraft. Darwin, our cost saving project continues. And it will continue to deliver our cost savings, particularly as we try to reduce the impact of inflation.

And we continue to leverage the power of the group. There's something that we appreciate enormously and it has provided immediate value to Vueling. It has been working IAG GBS, particularly around procurement. And that will continue along with the finance and the IT functions over these coming years as we implement them.

And this is the scoring card. We'll see who gets this one in the future. But the numbers definitely are an upgrade from what we had before. Over the last 12 months we see lease adjusted operating margins are nearly 13%, but we really want to move towards the 15% that the group has been targeting, along with RoIC around those numbers.

Growth, double digits, but probably low double digits, around 10%. Some of the years maybe 11%, 12%. We'll see how we fare with regards to how the market is evolving. Nothing crazy, lower than it has been so far but steady and obviously over a much larger base.

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So we see a final approximate target fleet size of about 150 aircraft, 147 on the group. The last message here is as you can see from the video, Vueling is more than prepared. The Vueling team which really made all this happen over the last few years are completely ready to take on this challenge and completely convinced that it will be delivered. Thank you.

Stephen Kavanagh - *Aer Lingus - CEO*

Good afternoon ladies and gentlemen. First I want to introduce myself before I introduce our company. Stephen Kavanagh CEO of Aer Lingus. Having so worked with Aer Lingus for 27 years. So Enrique will be pleased with the depreciation and the life extension that's possible.

The Aer Lingus is a great company. And the potential that IAG gives us is to deliver on that. We have a long track record and history. We've never been short of ambition. We've never been short of talented people. We've always had opportunity. But we've never had a framework to deliver that opportunity.

We came into IAG as a good business. At the moment we're in the midst of a customer service training program titled From Good to Great. And I can't think of a better way to describe the journey and the ambition of the Aer Lingus team to go from a good business to a great business, and to create real shareholder value for all of you.

We do it with confidence because we have a record of delivery. Since 2010 we've added 40% to our topline. That is in the context of a home base which was deep in recession and facing competition from one of the most aggressive and successful competitors.

We are a demand led business. And we will respond to demand. Ireland is now one of the fastest growing economies in the EU. On our short-haul business we manage revenue per seat. And we have managed it successfully over the period, delivering growth year on year.

We recognized the opportunity to develop our transatlantic operation very early on. And since 2010 we've grown from less than 1 million customers a year, to in excess of 1.5 million. And that will grow further to in excess of two in a very short period of time.

And we've done it not at the expense of yield, not with compromising service, not at the expense of load. We've driven significant growth rates in our CAGR and our revenue per seat. And as you'll see that's an opportunity which we don't believe we've scratched the surface of.

The step change in planned operating profitability that we had targeted for '15 will be delivered. And our confidence on that delivery is secure after what was an extremely positive quarter three performance. We grew our ASKs not just on long-haul across the Atlantic, but on short-haul.

We increased our occupancy on both networks. We grew our revenue per available seat kilometer on both networks. And we kept the discipline on CASK. Not influenced on fuel because we haven't yet seen the benefits due to our hedging and the strengthening of the dollar rate.

We delivered at 24% operating margin in Q3. We are a highly seasonal business. But we have further opportunities to address our profitability across the quarters.

To give you some perspective on the commercial numbers, our TA is obviously growing. The transatlantic fare revenue makes up a significant portion of our total revenue base, but short-haul both in fare and in passenger volumes is still the most significant element of our business.

And short-haul is intrinsically tied to our performance in retail. 12% of our revenue revenue base is powered by retail, retail on short-haul primarily for us is a EUR200 million plus business.

And the combination of success in retail and our ability to drive volume on existing assets gives us the confidence that we can drive robust profitability on short-haul in the most competitive market place in Europe.

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We will serve 11 million plus customers this year. 10 million on mainline operations, and 1 million on our regional franchise which is operated by a third party, carries no commercial risk, but a commission for Aer Lingus. And it enables us to increase the level of flow and the level of connectivity with our primary hub, Dublin.

Our fare revenue by sales region I think presents an interesting picture. We are very strong in generating ex-North American revenue. That provides us with a natural hedge. That success is influenced by our ability to market effectively in North America.

Aer Lingus not just as a carrier that serves Dublin and Shannon, but also as a carrier that serves Europe. In terms of our success in transforming from a point to point focused transatlantic carrier to a network focused carrier, the combination of point to point and behind European flows is now close to 80% of our traffic.

That is traffic that Aer Lingus managed to generate independently. Those are traffic flows which travel only on Aer Lingus metal. The opportunity which combination with partner carriers whether it be within IAG or in broader alliances gives us the ability to significantly increase our market reach and to serve demand and bring Aer Lingus to a whole new range of customers.

We are deliberately positioned as a value carrier. It's a very generic term but ultimately value is determined by the consumer. We work hard to understand what our customers want. And we work even harder to deliver.

We do see different consumer habits on short-haul and long-haul. And on short-haul price, it remains king, particular in the market place in which we serve. But we allow the flexibility for consumers to build their own products.

We have a modular offering. If you want just seat only we will be very competitive. If you want to build attributes into your journey we will also be competitive. We enable you with technology. And we will ultimately leave the decision to you.

Distribution is key to our model on short-haul. We are in excess of 90% direct in our home market. And that's not just to remove cost from the business, but to establish the relationship with the consumer and enable us to understand both their behavior, their needs, and ultimately for us to retail and generate margin.

We invest heavily in brand and product. And we believe Aer Lingus for the consumer in the Irish short-haul market is the smart choice. Central airports, schedule quality, friendly, professional service. They say imitation is the sincerest form of flattery, and everything that our largest competitor in Dublin is doing continues to flatter us.

We can't be complacent because we need to move on. We need to continue to innovate. We need to continue to give them something in due course to copy.

On long-haul we price lead in both cabins across the Atlantic but without compromising on product. We have natural cost advantages which I'll come to later. But we do not compromise on product, as you've seen from the business seat in the foyer.

We use traditional distribution where it's required, but nevertheless even in North America we have a 55% plus direct distribution in a market where that is not the norm and in a market where distribution costs potentially could be a significant cost driver for Aer Lingus.

The smart choice for using Aer Lingus across the Atlantic is driven by not just the value of the price proposition but the convenience. Dublin is a natural gateway blessed by geography. We have full preclearance of customs and immigration at Dublin. So you arrive as a domestic customer, straight from gate to curb.

And we continue to invest significantly in our inflight and lounge experiences. Our network is key to our propositions. And we continue to maintain significant market strength in our home market, which is the island of Ireland.

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We operate in excess of 80 routes, 70% of our seat capacity are on routes with frequency of two or more daily. We have invested in quality. We have invested in central airports. And our route network is mature but it continues to be scalable.

The opportunity in the short term, presented by our entry into IAG, is to cement that strength not just in our own home market but in our fellow operating companies by making sure that the propositions that in combination we offer between the principle hubs improves both the commercial performance for all of us and gives all of us access to more market opportunity and more flow.

The European fleet designed for IAG, not designed with IAG in mind, but designed for IAG. We have attempted to keep our business simple and yet innovate where appropriate. We operate high density A320 family aircraft.

We will have some changes in '16 as aircraft returning from ACMI business are invested back into fleet. So our average unit size will increase but the number of units is capped until we are comfortable we've extracted maximum value from those units.

We saw an opportunity to introduce regional turbo props into our market place. And we found a solution which didn't compromise the cost of delivery of those services at market rate.

The power of our short-haul network and the compelling geography of a gateway between North America and continental Europe and the U.K. has enabled us to leverage the opportunity to grow our transatlantic base.

The gateway and its geography is not just convenient from an elapsed time perspective but it drives cost competitiveness. The shortest path, the shortest crossing is the lowest cost crossing.

We with our competitive short-haul production platform joined with a long-haul efficient cost effective platform to drive value to the North American and European consumers, particularly those now who are making one stop.

We see the opportunity in the short term as being capable of being leveraged by IAG. And that is demonstrated by announcements in recent days. Network expansion in due course through code and through joint business has the ability to sustain significant levels of profitable growth.

And yield opportunity through Avios, through corporate business, enables us to have confidence that we can do so without compromise on our RASK expectations. We have an efficient transatlantic platform very similar to that operated by Iberia.

And we've already seen joint procurement and GBS deliver for Aer Lingus. We will be adding two A330s in 2016 at a procurement cost which Aer Lingus could not have achieved independently and which exploits these synergies with regards to seats, with regards to galley, with regards to all the specifications with Henri referenced earlier.

The addition of a fifth 757, again very similar to the regional franchise. We recognized an opportunity on thinner routes and as a pathfinder for the 757. And without compromising the simplicity of the Aer Lingus model we operate with a very efficient ACMI provider crewed by Aer Lingus cabin and serviced by Aer Lingus ground to deliver the Aer Lingus service but at a very, very competitive cost.

So we will focus on integration and in delivering benefits but we also have our business strategies, our business priorities which we'll continue to focus on. Our opportunity to deliver a return on capital with appropriate investment will be driven by growth.

We need to further exploit our gateway opportunity at Dublin. We have less than 3% share of total traffic between Europe and North America. The opportunity demands that we grow that share.

And in the home market we have significant opportunity to build our short-haul business now that natural demand has returned to the market place. Up to 2014 we wasted one in four of our seats. In 2015 I'm glad to report that we will have wasted just one in five.

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That is our real opportunity to transform the competitiveness of the Aer Lingus proposition. We have wasted seats to fill. We will grow and focus on load, maintaining discipline on revenue per seat and leverage that load to retail primarily through the digital experience.

And finally central to everything we do is a cost discipline. To be relevant in our marketplace we need to be relevant from a cost production perspective. The context of cost reduction, short-haul is now our price point market. And there is significant cost pressure from our largest competitor.

There are narrowing points of differentiation which we will work hard to continue to maintain. But we have opportunities across the piece. Most of them will greatly assisted and enabled by IAG GBS. Pre-integration we had a target of EUR7 cost per seat reduction.

We will accelerate the delivery of that. We now have opportunities for very efficient growth. We will constrain our invested resources and extract full value from that growth. And we will reduce the complexity in our business.

And most of all we will improve our operational performance because the experience from Iberia proves that not only is it good from a customer proposition but it actually delivers in terms of cost.

So what can we do for IAG? Well I believe in the immediate and short term we will deliver a return on investment. We are a flexible platform for growth. We have strengthened the leadership position of the group on the key North American markets.

We can assist in coordinated hub to hub flying. And we can deliver more flow across partner airline networks. And we do provide further scale to leverage for GBS and we will bring some new ideas as well as extract some valuable learnings from the combination.

We have a very credible operating margin coming into the group. We need to manage our capital efficiency. And our target of 15% is identical to all of the OpCos. And it's great to be in competition and to prove the real quality of the investment made by IAG.

ASK growth, it will be primarily long-haul. Because until we waste one in ten seats we'll be constraining the short-haul growth. Nevertheless we will grow our short-haul in terms of its revenue base, its customer base. And we will add aircraft where appropriate.

Over the period the ASK growth is in the moderate range based on what we've delivered in recent years. And the fleet growth, while conservative is deliverable. And we will continue to look at opportunities for innovative solutions, particularly to service the seasonal operations without any adverse effect on our efficiency and cost metrics.

So I look forward in due course to giving more detail, for us too to have a domino deck. And thank you for your attention this afternoon. I'll hand you over now to Willie. Thank you.

Willie Walsh - *International Airlines Group - Group CEO*

OK. Thank you Stephen. Thank you very much. You're welcome to the team. So you come to an airline capital markets day and we talk about bananas and rainforests, and ecosystems, and seismographs.

But I hope in those presentations you've got a sense of all of the activities that goes on behind the scenes to enable us to deliver on the strong financial performance that we are producing for you. Now the chairman in his opening remarks said that this was a significant year for us, 2015, because at our first capital market days back in 2011 we set ourselves a target for 2015.

And many of you were there in Madrid. And many of you laughed at us when we said we were going to generate an operating profit in 2015 of EUR1.5 billion. And you wished us well. And you were nice and polite.

And you hoped we were able to do it. But very few if any of you believed that we could actually achieve it. I'm delighted that we're here today not just delivering on that promise, but exceeding it. So how do we do it?

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What we do is because we've got the right structure, which is still unique in the industry. I'm surprised others haven't copied it. We've got the right governance. You heard the chairman talk about that. We set ourselves clear, challenging, ambitious targets. We are ambitious.

We've got the right people. And you've seen some of those today. But we've got the lots of them. There's a lot of talent within the organization. And those people are determined and energetic, determined to deliver.

Determined to exceed on the targets that we set ourselves. And we enjoy it. We love what we do. And you've seen some of that. And you know I've enjoyed I have to say working with Keith for the past ten years. Keith in my book is a legend. He's been you know really inspirational for me.

And I've thoroughly enjoyed working with him every day and every minute of the past ten years. Plus I look forward to working with him for the next five or six months. He hasn't retired today. He's going on holiday today. We've let him take a short break. But he will be back.

But the great thing about having Keith around is that you know he has inspired a new generation of people within British Airways as well. And we've got a lot of talent within the organization. The great thing about our structure is that when Keith and Nick were presenting the BA business plan that was to the IAG management committee.

And at that committee you had Alex and Steve Gunning. And they sat there during those presentations. And they had the opportunity to challenge and to push BA. They did. I think on a couple of occasions they felt BA weren't really aggressive enough on some of the issues that they felt they should deliver.

And they were there when we signed off on that plan. So this is not a plan designed by Keith and Nick it's the plan that's been signed off by the IAG management committee and only after we signed it off did I have a chat with Alex and Steve and said by the way you will now be delivering on it.

So the structure works for us. And the structure has proven itself. And we will in due course announce replacements for both Steve and for Alex. We have plenty of talent within the business. But I think it's also appropriate that we take the opportunity to look outside the business to see if there's others that we can bring in.

And that's something we have done well. We've brought people into the business where we recognized that there was experience and talent outside of it. And you see some of those people today. So we're excited about what it is we're doing. We're very clear in terms of what it is we can do. And we're determined to do all of that.

And we're delighted to have Aer Lingus as part of the group. And you've seen Stephen give a presentation. Stephen said Aer Lingus has never been short of talent. I agree with him. Some very, very talented people have come out of Aer Lingus to do wonderful things afterwards.

But we're delighted not just to have Aer Lingus as part of group. We're delighted to have Stephen as part of the management committee because he has in the short time he's been with us contributed significantly to our understanding of what it is we can do going forward because Aer Lingus has done some very smart things.

And you all have seen that in some of the presentations. So you know we're in a position where we've got CEOs, airline CEOs sitting around us. There are people who will people who will pay to go and listen to a panel of CEOs talk.

I do that every week. We sit around the table. So we have people with the experience, people who have tried things and succeeded and tried things and failed. And they can share those learning experiences. Both the things that have worked and things that haven't worked. And that's a huge advantage to IAG.

We believe Aer Lingus can really contribute to the financial goals. And you will see that we're adjusting our goals upwards. We're adjusting our goals upwards at the same time as Aer Lingus is saying they can adjust theirs upward because they can benefit from being part of IAG.

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So this is an exciting opportunity for us. We think there is more to come from Aer Lingus. And that's something that we will share with you in due course. Now those of you haven't fully appreciated the skills of Luis Gallego you're going to see more of that.

When he gave the presentation on MRO in his usual sort of understated fashion, and some of you would have looked at the few charts and said interesting. You haven't seen anything yet. This is a big program for us. And Luis is in charge of it because he has a track record of delivery and particularly delivering on big transformational change.

And we believe that this is the next big area of transformation within IAG. So you're going to see a lot of activity. He set out the time table there. He's got an excellent group of people working for him and reporting to him.

Again the structure here is driven by somebody with determination who sits at the top table and has a track record of delivering and is excited about the opportunity to deliver further transformation in the group.

So I come back to what this is all about. Somebody asked me during the break there you know did I really give a speech around show me the money in a tapas bar in Madrid. And I have to say I was insulted because those of you that know me if you can picture me in the tapas bar with a glass of wine in my hand, I didn't say show me the money. I said show me the (expletive) money. Silvia stand up. Shout it out. Shout it out with pride. Come on.

Silvia Cairo Jordan - *International Airlines Group - Head of Group Commercial Planning and Policy*

Show me the (expletive) money.

Willie Walsh - *International Airlines Group - Group CEO*

All right. I'll bring you back to show me the (expletive) money. And we make no apologies for it. You know because we're in a new industry. And you've heard me talk about this. You've heard me talk about the airline industry being different.

I honestly believe it is. Because it's no longer an industry that's driven by those capacity statistics, ASKs, people going out there talking about the way they're growing. It's an industry that's now driven by capacity balanced with unit revenue.

Capacity balance by unit costs. Capacity balanced by return on investment. There are more and more airline leaders talk about return investment. So we're here to show you the (expletive) money today. Because look at what we're doing. We're increasing all of our targets. And we're increasing all of our targets because we are determined to deliver on them.

We know we can deliver on them. We've got a proven track record of delivery. And these are ambitious targets. And some of you will sit there and say let's see if they can do it. But I can tell you we will do it. And we'll work to exceed them.

And we'll do it because we have the right structure. We've got the right people. We've got the right determination. We've got the right airlines with the right attitudes operating in the right markets. And we have all of that together. And that's what sets us aside from some of our competitors in this industry.

I think the fantastic industry that's behaving much better today and will behave much better going forward. And you've got some in this industry that will excel, and we're one of them. And you've got others that will struggle.

And they will struggle because they don't have the right people. And they don't have the right structures. And they don't have the right determination. But that's what you get when you invest in IAG. And you're going to get more of this.

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So you know we're nowhere near delivering on everything we can do. There's a lot more to come. And we're excited by virtue of the fact that we're delivering what we told you we would. We're exceeding on those targets. And we're going to work hard to exceed on the new targets that we've set for you.

I hope you enjoy your lunch. I'm going to hand back to Andrew now who will tell you how you're going to be able to get your lunch. And then I look forward to answering your questions after we've had lunch. Thank you.

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

Thanks very much, Willie. The lunch will be served to either side. Feel free to help yourself. I suggest we do it in about 45 minutes, come back in as per the schedule. Don't rush your lunch. If you're still eating feel free to bring it back in for the extended Q&A.

And before you head off to lunch a special request on the format of the Q&A. At the request of one of our senior board members who has to catch a flight midway through the Q&A, he has requested on behalf of the board that you ask the toughest question first.

So three questions, if I may, hedging a bet won't count. So think about your toughest question. I'm sure Willie will select the toughest looking questioner when you come back from lunch. So enjoy the lunch.

QUESTIONS AND ANSWERS

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

I have a mic at the front here. So I'll deal with one side of the room or the front of the room, and either Irene or David if you could grab a mic at the back and hand it to questioners towards there.

So the time has come. Who has the toughest? Well I think Jarred and Andrew are looking pretty tough. But Jarred got there first in the finger up. So over to you Jarred.

Jarrod Castle - *UBS - Analyst*

Thanks, Andrew. It's Jarred from UBS. I guess the main one for me would be how bad would the global economic outlook have to be for you to miss your targets? You know kind of looking ahead forward, 3%, 3.5% GDP growth over the next two years.

And now what would that mean for the variance around the 5.6 billion EBITDAR average over the period? And then just - I'll limit it to just one other topic which is kind of digital. And just kind of you know some of the stuff in terms of disintermediation from third parties. You touched a bit on this.

But can you talk a bit about kind of the impact on OTA consolidation, GDS, do the GDSs represent possibly an opportunity in terms of forcing your digital programs but also maybe you know for instance on Iberia in terms of PSS, the Altea offering?

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

OK. Yes. So our plan is basically consistent with a level of GDP growth on a worldwide basis which is - which is the figure that we know about, how basically something in the range of 3% to 4%.

If there is a slowdown in the level of growth, all the pieces of the puzzle will be changing. But remember what we are going to be using then as our main tool is our flexibility. Our flexibility that we have imbedded in our fleet. It is imbedded in our contracts. It's huge.

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So we have had that experience. We know how to adjust our network, our growth patterns to a slowdown in demand. And they should be to be ready to react, quick to react. Because remember on this plan the bets that we are making on unit revenue increases is absolutely in existent.

So on a different growth environment, I think capacity is going to be probably more benign. The players, the weaker players will be having more and more troubles. And our ability to bring up unit revenues is going to be probably greater. Greater than the flattish scenario that we are drawing in our plan.

So it will be a timing issue. It's about shortening the time. But we will be clearly sticking to the same target.

Willie Walsh - *International Airlines Group - Group CEO*

In terms of distribution, GDSs, and disruption as a result of digital I was at a conference recently. And I was asked the question about the GDSs and innovation. And I made the comment that if you were looking for innovation the last place you would look to would be the GDSs. Because they don't innovate.

And in fact that's part of the problem that the industry has been innovating, the industry has been changing and the GDSs still have a very old style approach to product distribution. And that's why IATA created the approach to a new style of distribution.

It was interesting, the moderator then asked the people in the audience to vote on it. And not a single person in the room would look to the GDSs for innovation. So what we did in creating this digital team was we recognized that the risk of disruption exists.

We can see it already. And we think there's some fantastic ideas out there. And we want to utilize that to get ahead of the game. And we've given the team freedom to spend money. And we've cut through - we had to wait for Enrique to leave the room.

And then we sort of cut through the normal process of capital approval because we recognized that they would need to move a lot faster. And so we think there's opportunities for us to get in ahead of the disruption and potentially utilize some of these smart ideas for our benefit.

But going forward we will continue to use distribution through the traditional GDSs because that's our business model. We've no problem with that in the short and medium term. But longer term you know we believe that this is going to be radically changed.

And we want to participate in changing that rather than being at the receiving end of the disruption that's going to take place. And that's why we have Glenn and his team in place with the freedom to travel around, look at smart ideas, and freedom to spend money if they see the right idea.

We recognize that some of these will not work. But we're not afraid of taking a few risks. We're not going to be reckless in relation to this but we do think there's opportunity for us to participate in disrupting our own business.

And that's what we did. You know we put these guys in a room and said if you were looking at our business, how would you disrupt it. And then we looked at OK, that's going to happen. How do we get in and either prevent that from happening, or use that to our benefit in changing the way we operate.

So we see this as an opportunity. And I remind people you know I go back in the industry a long way. And I can remember when people were talking about the internet. It was presented as the greatest threat to the airline industry because the internet was going to enable people to communicate and connect, and would mean we'd never have to fly again.

And what was identified - I don't know probably 15, actually it must have been 20 years ago. It was identified 20 years ago as a threat to our industry. Actually turns out to be one of the greatest facilitators of change in our industry because it opened up a whole new opportunity to distribute our product directly to the customer.

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And you saw the figures that Stephen gave you in terms of what Aer Lingus is doing. Really, really smart stuff. You know they're distributing their product in a cheap and direct way. And this is where you know where we're looking at it.

We see this as an opportunity for us to change our cost base and to change the way we're working. And that's why we've created the team within IAG to facilitate that.

Andrew Lobbenberg - *HSBC - Analyst*

Hi, it's Andrew from HSBC. Can I ask about regulation? And I'm curious to see how you see the regulatory structures evolving facing our industry. And that's obviously important for the shape of the structure of the industry. If you look at Europe, you're obviously super-profitable.

But many of your sort of competitors are not. And so how can you manage the situation of state aid or protectionism from the government or from Europe at a time when you've got a strong developing business?

On the flip side, if you look over to the U.S.. The industry there is bewilderingly creating economic value. And with these profits are attracting attention from competition authorities who are interested in expressing some concern about consolidation going on in that industry. And obviously that consolidation is very much mirrored on the North Atlantic which is critical to your wellbeing.

To what extent do you see potential threats from competition policy intervention or broader policy intervention on the U.S. and on the North Atlantic?

Willie Walsh - *International Airlines Group - Group CEO*

Yes. Thanks Andrew. I'm glad you think we're super profitable, because we don't. We think there's a long way to go yet. And we make no apologies in that. I think that's one of the things we've got to do as an industry. Because there are people out there who think we are super profitable.

And yet you know we need to remind people in terms of the industry's track record, in terms of exceeding its cost to capital, which of course you know is very, very poor. Now the industry this year should do it the first time in a long, long time.

So we're not overly concerned about regulation because the problem - if there's a new regulatory regime it's going to impact on everybody to the same degree. And what we're trying to do is ensure that we're in a position that if that were to happen that we can take advantage of that rather than be threatened by it.

I don't think it is going to happen. And there are some noises being made. But I don't think it is going to happen. And in relation to state aid in Europe, I think the new commission and, I'll go on the record here personally. I am in favor of the EU, but I'm shocked by my experience with dealing with commissioners over the years that I've been involved in this.

But I think this new commission is very determined when it comes to issues like state aid and competition. And that's a double edged sword for us. Because some of the things we would like to pursue would be more difficult in terms of consolidation. But we don't see an environment where state aid is going to become easier.

If anything we think that environment is going to become much tougher for European airlines who struggle. And we don't see an environment where there's likely to be governments wishing to facilitate struggling national carriers because most of them have disappeared or are in the process of changing now.

So I think the general regulatory environment is one that has as many opportunities for us as has potential threats and on balance we'll probably see the environment as being slightly positive towards us.

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But we're working on the basis that the current regime of regulation continues but conscious of the fact that if it did change we're trying to understand how we would position ourselves better in that environment. And we do think about that.

So we are - we're not going to be taken by surprise if there's a change because we try and anticipate what those changes could be. That's one of the advantages of IAG. We have time and opportunity and expertise to actually play out these scenarios around the table, figuring out how it would impact on us. And how it would impact on our major competitors.

On balance we see this as being an opportunity more than a threat to us.

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

And we have a neutral approach to opportunities, which is a clear advantage. Because we are - we have enough perspective on top of the priorities of the of the OpCos. So we have this ability to grab opportunities from a more neutral type of point of view.

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

I'll go to Stephen.

Stephen Furlong - *Davy - Analyst*

Stephen Furlong, Davy. You know just want to - I don't see Keith here. But it's a question on BA. In terms of, with the fuel price dropping, I was just wondering whether you've seen any change in behavior from competitors.

And bearing in mind the comments that like the capacity environment may be more benign even next year perhaps on the transatlantic why do you think you may have to give away a lot of the fuel savings?

I just wondered also, maybe just a quick update is there anything we could expect this year from pensions on BA. And then finally you integrate the longer term targets were pre the Aer Lingus integration, and I was just wondering when are we going to, how long is that going to take?

Is it this time next year that you will put them in? Or just give us a flavor of that. That would be great. Thank you.

Willie Walsh - *International Airlines Group - Group CEO*

Yes. Thanks. Keith has gone off on his holiday. So he's catching a flight to L.A. But Alex is here. I won't do that. I think Keith made the comment that we see the capacity environment on the transatlantic being benign certainly through the peak.

The capacity that came on stream this year principally Delta/Virgin capacity and some of that has been tactically reduced as we go through the fourth quarter into the first quarter. But it will wash out as we get into May.

And therefore when we look at the peak summer environment on the transatlantic we actually see very little if any additional capacity coming on stream. We're putting some - because we've got some new destinations on the transatlantic. So we're not taking a position that we're going to give the benefit away.

What we're saying is over the period of the plan and particularly looking out to 2020, and trying to figure out what our competitors would do and looking at it on a route by route basis, how much of that is likely to be competed away.

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And that's why the chart that Enrique showed you, it was based on the retention of 15% to 20%. But he clearly showed that there's opportunity, revenue opportunity above that. And I think the key message there is we believe there's a lot more for us to deliver.

But we're not banking on delivering that on the back of a reduction in the oil price. We're going to deliver on that on actions that we can control. And while we can control pricing in certain markets or in certain routes, you've got to acknowledge that, you know, we do face competition pretty much on every destination we serve. And therefore looking at competitor reaction or competitor behavior, we anticipate that there are some things that will impact on our ability to retain,

Enrique if you want to add to that?

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Yes, it's very much on the same direction. So basically what we are recognizing in the plan that we showed you is a conservative exercise. Our commercial teams and our CEOs are targeting much more ambition - much more ambitious type of figures than the ones that we are showing, OK?

And number two is, if you remember the structure of the savings that we plan to achieve through this period of time, the ones that are the controllable ones, the actionable ones, will occupy maybe two-thirds of the total. So that's the, in some way, the ring-fencing that we have in terms of our ability to defend our figure.

Willie Walsh - *International Airlines Group - Group CEO*

On pensions, that will be the subject of discussion and negotiation with the trustees, which will continue through the early part of next year, and it's likely to continue through until May or June, when we would expect to have that result.

So that's the normal triannual review of pensions, but our opinion there is that the situation should be better for us because the environment is better in terms of the strength of the covenant and you've seen BA's credit rating again was upgraded by..

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

If we get through an interest rate increase here in the U.K., maybe by the end of winter, that's going to be moving all the variables to calculate the actuarial and financial size of the deficit, so that's going to helpful.

Willie Walsh - *International Airlines Group - Group CEO*

With Aer Lingus, the reason we didn't include it was to be fair to Stephen and Rachel Izzard, who's just gone into Aer Lingus on the - I think it's the 19th of October as the CFO. We had a plan, which we had put together prior to the acquisition, so we have clear targets in terms of what we believe Aer Lingus can contribute.

To be fair, Stephen had a better one, so we thought, "We'll use his better plan," and no doubt that Rachel will have an even better one still. So we're going to - we'll include Aer Lingus as we go through the financial planning exercise for the budget of 2016, and then we'll plug it in.

But Stephen has given you an idea of the targeted capacity growth compound - about 7.7%, I think it was, Stephen. Today, Aer Lingus would represent about 8% of our ASK, so we're probably add in or around 2% of capacity.

But it's - it's not that we're increasing IAG, it's a new IAG increase in capacity, but we'll - as soon as we have those figures, the budget will be signed off by the boards in December. We'll have an opportunity, maybe, when we update you with our full-year results at the end of February.

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But it just really to give Stephen and his team an opportunity to refine their plan in the context of what they know now about IAG, and for us, given what we know about Aer Lingus. So there's not going to be any surprise in it, it's just that having given Stephen the opportunity to outline it directly to us.

He had a plan that went beyond what, you know, we would've had, had we plugged it in. So we felt it was better to wait and complete it as a 100% rather than plug in an exercise that's about 70% to 80% complete at this stage.

Oliver Sleath - *Barclays - Analyst*

Thanks. It's Oliver Sleath from Barclays. Three questions, please. First of all, in your targets I note you assume most of the fuel price benefits get competed away, but, then in the domino slides, you're clearly counting a lot of fuel efficiency savings towards your longer-term margins.

I just wonder, when most of you competitors in the industry are also getting more fuel-efficient aircraft, isn't there a risk that that does simply get competed away and shouldn't be counted towards structurally high margins?

Second question is on low costs. I guess in Iberia and Aer Lingus, you now effectively have two low-cost, long-haul platforms to play with. Do you ever see any opportunity to use those platforms outside of their home market? Do you ever look, for example, at flying long-haul from other EU cities, like Barcelona and Rome, subject to regulation?

And third question, maybe for Enrique, a lot of talk about centralizing functions at an IAG level. I believe the three airlines do have their own individual balance sheets. Is there any merit in the future of actually trying to merge towards one central IAG balance sheet in terms of financing the capital structure? Thanks.

Willie Walsh - *International Airlines Group - Group CEO*

Yes, in terms of new technology, aircraft and the fuel efficiency, we take the view that, you know, we're vesting money to capture that benefit and, therefore, we've targeted the airlines, we're capturing it all.

We're in a slightly different - we do look at our position relative to all of our competitors. What was seen as a negative for us, which was the age of our long-haul fleet is an opportunity for us. So not everybody is introducing new technology with the same benefit as we're doing.

So what we're saying is, we're introducing incremental benefits that only falls to us. We're capturing - we're targeting to capture it all. We recognize where everybody does the same thing, it's certainly more difficult because you might get some of that competed away. But again, it's our analysis on a - if you like, on a competitor...

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Our experience is that on a - on a region-by-region basis, on a route-by-route basis, we are retaining the technical fuel benefit. We're doing so. We've done it a couple of years since now, no? So the way the market behaves is visible 3% of improvement, for example, in terms of fuel consumption. So that level of figures probably are the ones that the market allows you to retain.

Willie Walsh - *International Airlines Group - Group CEO*

On long-haul, low cost, yes, you're quite right. Both in Aer Lingus today and with the continuing transformation that's taking place in Iberia, we have two very cost-effective long-haul platforms, which puts us in a strong position to be able to defend what we currently do, but more importantly, also, to look at opportunity.

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So we haven't ruled out doing something. Stephen would argue he's in a position with his cost base and efficiency and brand and distribution model that he could do more in terms of long-haul outside of his traditional Dublin, Shannon long-haul market. Luis and his team, to their credit, came forward with a plan that had them utilizing their transformed cost base to look at expanding outside of their traditional.

So we do have plans and opportunities in place; however, our view is, there's still a lot that we need to do at the core activity, and we'll complete that because the benefit of that is so significant. But we are looking all the time at how we could utilize that efficiency beyond our traditional markets and if it would make sense for us to do that.

And we've not taken any decision to do it. We believe that there's more opportunity within our existing core markets first, but we are in a position, certainly, to consider doing something beyond what we would traditionally do. And in relation to the balance sheet...

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Yes, in relation with the potential integration of balance sheets, we're thinking, now, very seriously in using these homogeneous fleets that we have defining and configurating, to create opportunities for acquisition tools that could be useful for the different companies of the group on a type of isolated basis.

So that's something that probably we are going to be thinking seriously of launching next year when new generation aircraft on a type of fungible basis - on a homogenous basis for the group will be starting to be delivered to the companies of the group - for example, the new A320NEO family; for example, the 350 family of aircraft; for example, the 330s.

So on that type of a specific exercise, there will be clear advantages of having not only a single group buyer, which we have already, but also a single group financer, and you'll see some of this coming very soon.

Willie Walsh - *International Airlines Group - Group CEO*

We take the view that having the separate, individual balance sheets is a good discipline to have, because in an environment where one part of your group is not performing, there's always a risk that they take the view that they don't need to address that because they have the strength of the group. We disagree strongly with that approach.

So you've seen within the individual companies, Stephen has said, his short-haul business has to be profitable, even though it does feed the long-haul business, he looks at them as separate businesses and they both have to contribute in their own right.

The same approach is taken is Iberia - Iberia Express and Iberia - they have to be profitable in their own right. The same approach is now taken in BA. You can see what Keith said - "The short-haul has to be profitable; Heathrow short-haul, Gatwick short-haul, London City short-haul."

So we think it imposes a discipline within the operating companies that is healthy. Now, you could get to a point where all of our operating companies are operating in an efficient manner and you may then say, "Actually, now is the time to look at doing something different."

So we do have a few opportunities there, but, as we stand here today, we think the structure we have is correct. It doesn't mean that will always be the structure, it's just something that we have discussed with the board and there may well be an appetite to change that at some point in the future.

Neil Glynn - *Credit Suisse - Analyst*

Hi, Neil Glynn from Credit Suisse. If I could ask three questions, please? First question with respect to your emerging market exposure, I appreciate you don't talk much about regional profitability, but I'm just trying to understand how reliant your 2020 plans are on the Transatlantic. Can you confirm that you emerging markets are targeted or tasked with the same return on invested capital exposure?

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And then following on from that, I think Keith mentioned China partnerships, which I think we've brought up the first time maybe two or three years ago. You have been talking to LATAM as well as Qatar, as clearly a newer theme. Just interested in terms of what have the stumbling blocks been there in so far as you can talk, and should we expect anything to happen in the foreseeable future?

And then third question, maybe for Alex. Business travelers will obviously be a bigger part of his future at BA, but with respect to Vueling, where are we now relative to the medium-term opportunity for the business traveler?

Willie Walsh - *International Airlines Group - Group CEO*

OK, well, I'll let Alex address the Vueling answer directly. Yes, with emerging markets, we take the same view to everything. We acknowledge that there's some markets that will take a little bit of time to ramp up to a position whereby they're contributing, but we're not going to invest in any destination or any market if we don't believe there's a sustainable, profitable position that's consistent with the targets that we set for the group.

And we believe that there are. Hence the reason why we've been a little bit slower with our capacity growth in China than we had originally planned based on our experience with Chengdu, which is progressing, but it's progressing slowly.

But it also reflects the fact that we think for China really to work for us in a BA context, we need further change in the visa regime with the U.K., which continues to discourage, particularly group tourists traveling to the U.K., because of the complexity and cost of getting visas. Now, that is changing, but it's changing slower than we had hoped.

So we are putting capacity into our traditional market -- and we make no apology for that. We said we would do that. The Transatlantic continues to be a strong-performing part of our business. We have said on past occasions that we saw opportunities to grow our network on the Transatlantic, in particular, and on the South Atlantic.

But on the North Atlantic -- and hence the new destinations that we've launched -- the success of Austin has given us encouragement to actually accelerate some of those plans. And there are a number of other cities in North America that look very attractive to us and you shouldn't be surprised if we continue to look at adding capacity to those markets.

So that may disappoint some people that we're not growing our presence into emerging markets, but we'll grow our presence in emerging markets where -- when we're confident that those emerging markets can deliver returns. So it's the same approach. We do acknowledge, maybe, a different timescale.

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Yes. So we have a quota to deploy in this opening of new markets and investing in the maturity of the routes. But it's a fixed quota because we have to fund it through over-profitable sides of our network. So that's that balance -- the bell curve -- that we need to keep under control, and that's something that we follow very closely.

Willie Walsh - *International Airlines Group - Group CEO*

You asked the question specifically in relation to China? Yes. In terms of partnerships, yes, we would like to have a closer relationship with a domestic Chinese carrier through oneworld, which I think is not going to happen and, therefore, we've taken the view that we should pursue bilateral relations with the Chinese domestic carriers, and we are doing that.

The challenge we face is that they are members -- the three big China carriers are members of alliances and those alliances don't take as flexible a view on relationships as the oneworld alliance does. So we have airlines in China that want to work with us, have agreed to work with us, where we've reached commercial agreements with them, but it's subject to getting approvals through their alliance structures, which have taken a little bit more time.

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In relationship to Qatar, we're delighted with the progress we've made so far. We are pursuing opportunities on joint procurements with Qatar as well as commercial opportunities for code-sharing. And Qatar is very keen to work with us. I've made the point that we would do that whether they were a shareholder or not because the relationship is very positive and good.

So we've done a bit on the cargo side. It's been really excellent and we've extended the relationship with Qatar on cargo. It's worked very well for us and it's worked very well for them, so that's a perfect example of where we can work together and we see opportunities to work.

And with LATAM, yes, we have a clear desire to have a closer relationship with LATAM. They have some issues that they're working through themselves. Brazil is a challenge for everybody, but it's a particular challenge for them given the scale of their presence in the Brazilian market.

So I think when the time is right and they're ready to sit down with us we'll have further constructive discussions with LATAM. But we have a good relationship with them. We have joint activity with them on Peru and Colombia and that's working well for us -- and Vueling.

Alex Cruz - *International Airlines Group - Vueling Chariman & CEO*

So, very quickly, we are very happily stuck in the 35% to 40% of business travelers. These are people that, through the several thousand surveys we do every month, declare that they're traveling for business purposes when they answer the online or the onboard survey.

The only small comment to that is, increasingly, every winter season, we're adding more and more routes that are business-type routes, so you will have seen us starting to fly Milan/Paris, Milan/Amsterdam, Paris/Gatwick, et cetera. And these are routes that can be upgraded across the whole year.

So the percentage of travelers as an overall, I don't expect it to really -- to vary over time - 35% to 40%. We'll continue to deliver services that we can -- where we can drive a bit of higher RASK or higher fare from those passengers as we have been in the last few years.

Alexia Dogani - *Goldman Sachs - Analyst*

Thank you. Alexia Dogani from Goldman Sachs. I had two questions, please. Just firstly, when you look at the -- your business and the industry overall, what do you think is better? Is it low oil prices or high oil prices? And I guess you've been successful in consolidating -- maybe if you can comment on that front.

And then my second question is on unit cost. Obviously, you have put forward some very ambitious unit cost plans, but as your profitability hits new level, how can you be confident that you won't have to give back some of that on the cost side?

Willie Walsh - *International Airlines Group - Group CEO*

On low -- would I prefer low oil prices or high oil prices? Low oil prices. I think having come through an environment where we had lower oil prices with rising oil prices, I think it did change behavior in the industry and was instrumental in changing the thinking of the industry.

I think that thinking is now embedded in the industry. So without question, a high-oil-price environment introduced a external pressure to maintain capacity discipline because the oil price is our single biggest cost. It continues to be our single biggest cost.

So about for the first nine months, it was still around 30% of our cost base, but that clearly will reduce as we get the benefit of the hedging unwinding going through next year. But it will still be a very significant part of our cost base and the industry's cost base.

But I think that's new behavior that the industry learned in the high price -- oil price environment -- is sticking today. That's our experience. And we've not seen any change in behavior. We've not seen anybody change fleet plans other than to -- as we have done -- look at, maybe, delay the replacement of the older aircraft because the fuel benefit isn't as significant.

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But we haven't seen anybody put significant capacity or additional capacity back in as a result of a low oil price. So in that environment, I prefer the low oil price environment, but it's simply because we've come from that high-oil-price, good-discipline environment. And that's why I think this industry has changed because we've seen that behavior continue to stick with the fall in the oil price.

And on unit costs.

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Yes. On unit costs, we're basically -- our performance in the past has been very encouraging. We have the tools, we have the plan, we know how to do it. We'll do it again. In the case of Iberia, there's still much more to come. In the case of British Airways, there's raw materials to work with.

There is one issue where we need to be especially careful, which is, of course, some of our cost-cutting plans will involve redundancy programs, restructuring, and then outsourcing.

So we have to be careful, the balance between the savings in employee costs because of outsourcing are not overdone because of the additional supplier cost increases. And that's something that we follow very carefully on a case-by-case basis.

But in general terms, we have the tools, so the IAG platform is going to be huge tool to improve our supplier costs, our employee costs, and we're having programs to develop other sources of potential savings -- MRO, for example. MRO is basically an untapped area of savings for IAG, and that - it will be basically rendering benefits through the next five years.

Douglas McNeil - *Macquarie - Analyst*

Douglas McNeil from Macquarie. Can I ask about the possibilities for using Dublin to take the pressure off Heathrow? How actively would you like to try and switch connecting traffic that would have gone over Heathrow over Dublin?

How practical is that and is it possible to give any sort of indication as to the amount of capacity you could free up with Heathrow if you did do that?

Willie Walsh - *International Airlines Group - Group CEO*

It's not a significant figure. I think what we've seen in -- and Stephen will tell you -- he does get traffic from Heathrow into his Transatlantic network. He is particularly attractive because of the network he has and now the customs preclearance, which is something that is certainly valued.

The airport is very efficient. It's an easy airport to transfer at - Stephen, I don't know if you want to comment on this.

But what we have seen is with Aer Lingus as part of IAG, it opens up the prospect of traveling with Aer Lingus to a lot of our frequent fliers who will see that they will get the benefit of being part of the frequent flyer program, while utilizing the Aer Lingus products. And the investment that Aer Lingus has made in the product is paying off as well.

So you've seen the new A330 product outside. It is a very consistent product with what it -- what BA has offered with full flat bed in their business class. Did you want to --

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Stephen Kavanagh - *Aer Lingus - CEO*

Yes. Just, London is an important market for us, but I don't see it being a play to redirect traffic. What I do see is the other core markets -- source markets for us in Europe -- Paris is our biggest source market, Amsterdam, Barcelona, Rome, Madrid. So we would have more selling capability simply because of the partnership with our OpCos the power of brand.

So I think from an IAG perspective, this is about a share gain, and that's what will drive Aer Lingus and the Dublin hub forward.

Willie Walsh - *International Airlines Group - Group CEO*

Where I think it's useful is with a route like Hartford, Connecticut, where there's nobody else serving that route from Europe. Clearly, London will become a -- I think -- more important feed into the Aer Lingus network. And being part of IAG benefits Aer Lingus from that point of view.

But we didn't look at Aer Lingus as a relief valve to Heathrow capacity because, as you've seen, we still have capacity within the slot portfolio that we have with British Airways following the acquisition of bmi to fulfill all of our short- and medium-term expansion plans within the portfolio that we have.

But certainly if we see opportunities to redirect traffic into Aer Lingus, it clearly makes sense for us to do that.

Andrew Light - *Citigroup - Analyst*

Andrew Light with Citi. Two questions, one on the subject of Aer Lingus. Have you been able to identify or give an order of magnitude of the revenue and cost synergies from the acquisition?

And then secondly, how do you plan to -- or, do you have plans to share the financial success with employees? And what is the risk that unionized employees might demand more than their fair share given their feeling that they've made concessions in the last couple years?

Willie Walsh - *International Airlines Group - Group CEO*

Yes, we have clearly identified the revenue and cost synergies. We're not telling you, but -- and we're doing further work on that, but we will -- we will do that.

They are exciting and I think we had a plan that was shared as part of the acquisition, but Stephen and his team had separately conducted their analysis of that, and, putting the two together, they're close, but there are some differences in it -- Stephen being more optimistic -- and I think rightly so than we were.

So we see good revenue and cost opportunity working together, and that will become clear as we include Aer Lingus in the --

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Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

And that we feel very comfortable that that integration will not dilute our targets, more on the contrary. Probably it will enhance them, of course in a limited extent because of the volume. But in terms of quality, it may be even enhancing our target.

Willie Walsh - *International Airlines Group - Group CEO*

And in relation to our employees, clearly our employees do share in the success. We do have -- British Airways, there is a bonus scheme in place. In Iberia the plan that was agreed was to rescue that airline.

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And I think in due course you'll see a lot more in terms of the confidence that the Iberia employees have in the future. And they are benefiting from it now because we're expanding that business. We're seeing people getting new job and growth opportunities that they wouldn't have had if Iberia had not transformed, so we've got to be realistic.

But I think the key message internally is that this is a business that has a lot more work to do to get to a position where we can say we're now delivering on financial targets that are acceptable because we're only introducing a dividend payment. And we've said that that's a fundamental feature of our industry.

We have got to remunerate our shareholders. We can't continue to run a business where the excess cash that is generated, if any, is being distributed to sources other than the shareholders, so there's still a long way to go.

And that's the reason we're in the job we're in. We've got to manage that, but we're confident that we can manage that environment. We've got a good track record managing that environment, and we will continue to do that.

But we're realistic about this and we don't have any issue sharing benefit, but we're in a market that is competitive and our pay and conditions are very competitive relative to the market. We still have leading conditions in the environments in which we operate, and that isn't lost on the people that work with us.

James Hollins - *Nomura - Analyst*

It's James Hollins from Nomura. First off, on IAG revenue synergies, I think you've come in at close to four times your target that was made at the time of the merger. Can you just, sort of, run through, I guess, informally what went very, very well and what can continue to develop?

Secondly, I would love to hear from Alex on where he thinks the greatest opportunities for BA are if you allow him.

And then the third one, it's a bit like that time that Cantona was talking about seagulls; I find your discussion on dividends a bit confusing. You've been very vehement for some time that you want to pay one.

You've increased your free cash flow target at the mid-point by EUR0.8 billion. Are you itching to actually increase the dividend payout ratio yet or should I wait quite some time before that happens? Thanks.

Willie Walsh - *International Airlines Group - Group CEO*

This is exactly the conversation we had in 2011 when we said, "1.5 billion", and you laughed at us. And then we said, "1.8 billion." And then we said, "2 billion," and then, "2.2," and then you said, "Come on, guys, you can better than that."

So, yes, we can do better, and that's clear. And do we want to do better? Then we said, "yes." And when we get to that position, it will be a great conversation to have with the board, but we're still at the starting position. The interim dividend was announced and I think that was an important milestone.

And our board will keep us very much in rein to ensure that we don't get ahead of ourselves, so when the time is right, I think it will be a discussion at the board meeting.

But I think the dividend policy we have at the moment is absolutely right, and we do talk about it as the ordinary sustainable dividend so it leaves open the prospect of potential special dividends or share back, buyback -- if we got into that position, but let's get there first.

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We believe we will be in that position, but we think the dividend policy that we've articulated is appropriate. We see no reason to change it at this stage. I'd be surprised if this time next year when we're standing in front of you, we will be expressing anything different than what we've said today.

But in due course, when we deliver on the targets that we have communicated today, then we'd obviously be in a situation where there will be another discussion on that. On BA, I think it would be unfair to ask Alex.

But I think what is important -- and I did say it -- Alex sat at the table when BA presented their business plan, and Steve was there at the table as well.

So they had an opportunity to understand what BA was targeting -- they had an opportunity to challenge what BA was targeting. They might slightly disagree with how it's delivered. There may be issues that they would prefer to do differently, and that will be their decision, and you would expect that.

But I don't think there's going to be any argument over what gets delivered. The only difference might be how that is delivered. And I'm not going to put Alex in a spot where he has to -- he's got a airline to run for another few months, and he'll be fully committed to running that, as will Keith be fully committed to running BA.

But we felt it was important, given that the decision of Keith to retire would become public. We wanted to address that in a proper way and to be clear that we had a succession plan in place.

I said last year when I stood here that we had gone through a comprehensive succession planning exercise, so this time last year I had in my head exactly what we would do in this environment. I had shared that with the board on in informal basis. We were able to then go through a formal process of considering that.

And that's thanks to Keith who was open in sharing his intentions. He hadn't decided to retire, but he was thinking about it, and as soon as he started thinking about the prospect of retirement, he let me know, which enabled us, therefore, to have this process complete by the time Keith came to me and handed me his formal notice of retirement. So I think that is a nice position for us to be in.

And I forget your first comment was?

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Revenue synergies. So when you get to a merger exercise with the data that you can manage, the level of certainty that you can have in projecting unit -- sorry, revenue synergies -- it's much less than the certainties that you have in forecasting cost synergies.

That's easy task because we know by heart our costs. We can get some information about the costs of the competitors. We know how to do and how to make it happen.

In the case of revenues, it's much more of a crystal ball exercise. It's more -- much more of a type of using historical ratios exercise, other mergers exercise, and in general terms, you fall short of what you actually are able to achieve.

The tools are always the same ones, so it's about fare combinability, it's about code shares, it's about best practices in terms of revenue management.

In our case, that has been very, very important. It's about commercial costs, it's about distribution costs, so those five are basic tools that we have been using. And of course when we got there, we didn't have the knowledge to make an accurate assessment.

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Willie Walsh - *International Airlines Group - Group CEO*

And we've been very clear in identifying revenue synergies that we believe we would have pursued outside of the merger. In other words, we took the view that some of these we could have done on a bilateral basis working with a partner rather than somebody who we've merged with.

So our performance and revenue actually exceeds what we're showing there as a synergy because we've discounted any activity that we believed we would have gone after had the merger not happened, and there was clearly-identifiable additional benefits that we believe we would have achieved outside of the merger.

So if you go back to the time of the merger, I think it would be fair to say that Enrique was much more enthusiastic and ambitious on the revenue side than maybe I was, and we agreed on a sort of compromised position and a very conservative position, but both of us believing that there was more to be delivered.

But we were much more scientific, I think, about the cost --

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

On the cost side, yes.

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

And I'm sure if the seagulls continue flying high, James, they'll join the hornets next season. So I think Gerald next.

Gerald Khoo - *Liberum - Analyst*

Thanks. Gerald Khoo from Liberum. Couple of questions on the joint business and one on M&A. In terms of the Transatlantic joint business, I think in the past Willie you've talked about how there would be upside with U.S. Airways merging with American, but they were focused on their internal issues.

First off, that appears to be largely behind them. What upside is there to come -- what upside is there for Aer Lingus, presumably, joining the joint business and what timing do you envisage for that? And how much of that have you incorporated into the 2016-2020 plan?

And also, on M&A, three deals so far. Presume -- it sounds like you want to do more. What are your criteria and, in particular, would you take on another turnaround project?

Willie Walsh - *International Airlines Group - Group CEO*

On the joint business, they've only moved to a single reservation system in the last few weeks, so there was a lot of work going on within the new American to finish the work that they had set for themselves, so we have seen some benefit already from U.S. Airways being in the joint business.

But we fully accepted that it was in American's interest and, therefore, longer-term in our interest that they focus on the completion of the integration of the two airlines. As I said, the move to a single res system only took -- I think it was completed -- Drew will tell me -- the end of October, was it?

Yes, so it's really just finished there, so there's still more to come from that. We have not factored in any benefit from Aer Lingus participation in the joint business in our plans. The integration of Aer Lingus into the joint business is the subject of a negotiation which will take place; that has not yet started.

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Aer Lingus has a lot of work to do. You've seen the expansion plans that they have with the three new Transatlantic routes, which will be the focus that Aer Lingus has in the short-term. But when Aer Lingus is integrated, we'll then include the benefits in subsequent plans. But there's nothing in our 2016 to 2020 figures to identify upside from Aer Lingus as part of the joint business.

On M&A, we've said all along we're not deal junkies. We're not out there searching for a deal to do. We're very clear in the criteria that we use. We believe that there is further opportunity on consolidation. We think that the consolidation we've pursued so far has been very effective.

The acquisition of bmi and integration into BA worked extremely well. The acquisition of Vueling and integration into IAG has been great success. And Aer Lingus already has proven -- in a very short period of time -- has been very successful for us.

We're not afraid of a turnaround, but we're not out there looking for broken airlines to acquire. So we're all the time looking at the opportunities, trying to anticipate what others are doing, but we're not currently active on any particular proposal.

We do get approaches from airlines on a regular basis. There's nothing that has happened in the past six or 12 months that looks attractive to us, but that's not to say an attractive proposition wouldn't be made, but we're not currently looking at anything.

We've work to do within Iberia that is in progress. We've got a great new initiative on MRO. You've seen the work that we're doing on the creation of GBS. We've work to do on the integration of Aer Lingus. So there's enough to keep us busy in the short-term before we need to look at anything else, and there's a lot more to exploit.

And the thing that really excites us is with IAG as it is, there's huge opportunity. We're nowhere near the peak -- nowhere near the peak -- and I would hope that that's obvious from the new financial targets that we expressed today.

There's a lot more for us to achieve, and the value of achieving that is significant, and, therefore, you should expect us to continue to show that determination and focus on delivering the internal targets that we have, while always being open and ready to pursue an acquisition or a merger if the right opportunity presented itself.

Suzanne Todd - *Morgan Stanley - Analyst*

Thank you. It's Suzanne Todd for Morgan Stanley. It's more a question for Andrew, actually, with regard to Andrew's domino or blobs chart. If I add them together, I'm getting to around 2.1 billion of aggregated earnings. What exactly does that refer to? Are we looking at 2015 EBITDAR and adding that on to get to 2020 EBITDAR ex-Avios and Aer Lingus?

Secondly, in terms of your budgeting for the phasing of earnings growth to 2020, how are you thinking about that? Is it linear or is it very much backend-loaded as you take on the new IAG platform?

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

Shall I take the blobs first? You're not quite doing a range there, so it's -- each blob is up to EUR75 million, so I'm sure you can work that out. But if you max out all the blobs, then you probably get up to that.

But obviously our plans are much more conservative than that at this stage. And it refers to EBITDAR and relative to the 2015 base that we've shown you the forecast for in previous slides -- ex Aer Lingus, yes.

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

Yes. And in terms of the progress of our improvement through the plan, we're going to have two, type of forces offsetting a little bit each other. On one side, the upfront benefits of hedging unwinding are going to be very short-term.

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On the other side, the improved benefits of a use of the IAG platform are going to be ended in terms of when they are going to be improving their impact. So there's going to be a little bit of ramping up, and then more of a stabilization in terms of improvement.

Anand Date - *Deutsche Bank - Analyst*

Hi, it's Anand Date from Deutsche Bank. I have two questions. You talked about MRO as a good opportunity. Is there anything you can do with airports if we believe your other airlines are in a weaker position? Shouldn't you be able to get much better deals when you go in to renegotiate?

And also just on that, do you think there are other airports that might look to make self-connect easier and does that become a threat in the future?

And then, now, we've got four airlines in the same group. Do you think there are any merits to looking at ways to make the group less cyclical?

Willie Walsh - *International Airlines Group - Group CEO*

On airports, without question, there are opportunities and we're pursuing them.

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

On a group basis.

Willie Walsh - *International Airlines Group - Group CEO*

Yes. I had an e-mail from the procurement team on a very attractive proposition from an airport based on negotiations that we've had. So we're out there pursing these all the time.

And I think the strength that we have is -- the scale of the group, the different airlines, the different customer propositions, full service and low costs, and value service if you look at Aer Lingus -- these are all attractive to different airports.

So that is definitely an opportunity for us. I think the scale of opportunity within MRO is what excites us. It exceeds the scale of opportunity that we have identified so far with airports. But we've already renegotiated deals with a lot of airports, and there'll be more to come, and we're out there discussing potential deals with airports that we've not operated to traditionally.

We're very keen to see IAG either present with all of the airlines or one or more of the airlines. And that's the great thing about us. We go in as a group, but negotiate the benefits for one of the airlines or for the group of airlines.

And self-connect, yes. I think some airports will do it. Others aren't yet interested in it. I don't see it as a threat, I see it as an opportunity. For us, opportunity, opportunity, opportunity everywhere we go. It's something that airports, where we do see connections, have made far too complex.

So if you could rebuild some of the existing connecting airports, you'd do it in a very different way and learn from some of the smart initiatives that other airports, who are looking at self-connect, have taken onboard.

So the more of this that gets developed, the better. And the beauty of our model is we're not dependent -- or, as dependent on transfer traffic as some of our competitors. So every time we look at potential disruption to our model, what we see are issues that will disrupt our competitors to a much greater degree than it will for us.

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And I think the flexibility that we have within the group, for every threat we identify for, maybe, one carrier within the group, we see an opportunity for the other three. And that's the beauty of it. So, does that work, then, to your last question in terms of better balance to the cycle? We think there is more that we can do.

And certainly one of the things that we've considered, in the context of M&A, is M&A with a contra seasonal carrier, which would be a natural hedge to the seasonality issues that we face here. That would be very, very attractive.

And it's definitely something that excites us and something that we're actively looking at. But we've not identified anything that would make sense for us to pursue at this stage.

Anand Date - *Deutsche Bank - Analyst*

Thanks, sorry. So you're looking at Southern Hemisphere stuff, then, potentially. But would you also look at stuff outside of airlines, so maybe we get outside of the cycle as well? So I'm not necessarily advocating it, but kind of more vertical integration within aviation or just any other thing as well.

Willie Walsh - *International Airlines Group - Group CEO*

We have considered that, and that was one of the discussion items that we've had. We're not really enthusiastic about it.

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

We don't close the door.

Willie Walsh - *International Airlines Group - Group CEO*

No. But you don't see us being really excited about it. We have had some ideas presented to us, and we've had to come up with some ideas ourself.

But that's the role of the strategy team that we have, and it's -- the role of the digital distribution team as well -- disruption team to come up with, maybe, some suggestions there.

So we're not saying we'd never do it, but I think you can judge by the body language back there --

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Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

We need -- we will need to be convinced.

Willie Walsh - *International Airlines Group - Group CEO*

When Enrique says, "We will need to be convinced." You --

Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

English mood. I'm putting myself in the English mood.

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Willie Walsh - *International Airlines Group - Group CEO*

Yes. When Enrique is excited, it's whoa. So we are looking more at the airline industry than outside the airline industry.

Guilherme Macedo - *BPI - Analyst*

Hello. Guilherme Macedo from BPI. Just to get a flavor on your opinion of the impact of the growing around distribution on the share of direct versus indirect channel because I'm a bit concerned -- every travel supplier is trying to promote direct distribution, but they're not going -- they're not seeing what's the impact that this could have on the user-end experience.

On the other hand, I'd like to question on a statement that you've made on the third quarter results presentation, saying that you're more optimistic than your competitors on capacity evolutions for 2016 and the impact that this could have on your unit revenues. Can you give a bit more color on that, please? Thank you very much.

Willie Walsh - *International Airlines Group - Group CEO*

OK. On the distribution we think Lufthansa has taken a very brave step to introduce the charge for people wishing to use the GDS. We have looked at doing that in the past and we've threatened to do that.

In fact, we've even issued press statements to the trade to say we will be doing it as part of the negotiation process with the GDS'. And that's a cycle that comes around on a regular basis, two to three years.

It's something that I've no doubt we will look at in the future. We'll certainly learned from what Lufthansa has been doing. I admire what they've done. I wish them well. I hope they succeed in it. It would be foolish for us not to take advantage of any difficulties they encounter as they go through that.

But my preference would be to see them succeed in that because anything that disrupts our supplier costs and improves it, is something that we would naturally try, yes, to take advantage of.

But we still have opportunity within the group to increase the level of bookings that go directly to our channels, be they our Web Sites or our call centers. And you can see a wide distribution within the group in terms of direct bookings -- Aer Lingus being at the very top in terms of what they have done.

Iberia has traditionally relied more on the trade in Spain for distribution, but more and more we're seeing Iberia.com being a source of distribution with them. So there's more that we can do before we get into the next round of negotiations directly with GDSs.

And on the -- you said capacity for 2016? Yes, capacity for 2016, as we look at it at the moment, we actually see peak capacity being pretty flat, actually. We don't see much additional capacity coming in to peak.

There is some additional capacity that will be evident in the early part of the year in Quarter 1, and on the Transatlantic, as I said, some of that -- well, not just in Q1, but in the early part of Q2.

But that capacity is actually moderating. We're seeing tactical reductions in what had been planned capacity increases. But when we look at the peak periods, we don't see much in terms of additional capacity, particularly in the markets that we're operating in. We're not seeing anything that causes us concern.

In fact, we're seeing what we believe will be a very good capacity environment in 2016.

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Enrique Dupuy De Lome Chavarri - *International Airlines Group - Group CFO*

At least better than this year.

Willie Walsh - *International Airlines Group - Group CEO*

Yes. So we would expect that to have a positive impact, which is part of the thinking that we have in our 2016 figures.

Robert Murphy - *Investec - Analyst*

Robert Murphy, Investec. Just on the capacity environment, you mentioned that you've seen no changes to fleet plans -- that 2016's shaping up relatively OK -- versus history, what do you think has changed?

Why do you think the industry is allocating capacity in a more rational fashion? And after -- I suppose, if you can tell me what changed and what's the threat to that kind of decoupling?

Willie Walsh - *International Airlines Group - Group CEO*

Well, I think the main change has been a drive towards profitability rather than market share and scale. I think if you went back 10 years ago, you would've heard a lot of airlines, particularly in the U.S., it was all market share and growth, and ignoring the fact that they had to be profitable.

We don't see that as much today. We also don't see as many new entrants coming into the market today. That's been a big structural change. And I would date that change back to 2008-2009 as well.

And I think that's particularly true of Europe where the number of new entrants has reduced significantly. I think that's reflection of the strength of the low-cost carriers in the European environment, that most of the flight space is occupied now.

And if you're a new entrant coming in to the European arena, you're going to come head-to-head with a very efficient, low-cost carrier in -- probably everywhere you touch, be it Ryanair, Whizz, easyJet, Vueling, Aer Lingus. You're going to come up against competition in a way you've historically not encountered.

So I think there have been some significant changes to the dynamics in the industry, and they've been evident -- in our opinion, they've been there for seven or eight years, now. And we don't see any move away from that sort of behavior. We're all the time monitoring it and looking at the behavior of competitors and potential new entrants.

So the threat as we would see it is a lot less today than it has been historically because I don't really see huge risk from new entrants. If there's anybody out there with a plan to create a new airline, they're not going to last very long. And, in fact, nobody's going to tolerate them trying to do anything silly in the way that maybe we would in the past.

So I think behavior is much more rational today because the industry recognizes that it's got to generate a return, and investors are demanding a return when maybe they were prepared to take a speculative punt on somebody disrupting the existing environment.

I think any rational investor looking at the industry today will struggle to see an opportunity for that to happen. So it's a very, very different industry today than it was 10 years ago, and I think it's going to get even better still going forward.

That's some of our thinking. But what we're saying is, "well let's continue to control what we can control and continue to drive forward with the efficiencies that are available to us." And everything else is in the chart where Enrique shows further opportunity.

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Enrique Dupuy De Lome Chavarri: We see that type of benign environment in Europe, for example. The intra-European market is going to grow on a limited basis. Unit revenue performance for us, but we have been growing more than the average.

This year has been relatively comfortable. The low-cost carriers have been going through their own growth patterns with unit revenue improvement. So in the U.S., intra-U.S., is very much the same, and we see the North Atlantic with some ups and downs, but a general adequate balance between capacity and demand.

Different picture maybe -- the Far East, also - or Africa, where there are specific issues that probably would require some capacity adjustment, maybe some countries in Latin America, but not all of them. There are areas that are well-balanced, also, in terms of capacity and demand.

So we see a much better picture in terms of the people in charge, making the right decisions in terms of capacity deployment and their own goals in terms of targeting returns.

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

I think we're about on time for our arrival for the drinks at the back afterwards at 3:00. Would you like to say some final words?

Willie Walsh - *International Airlines Group - Group CEO*

Yes. Thanks, Andrew. And thank you very much. It's been great for us to be able to stand in front of you saying "We told you we would do it and we've done it." And we're telling you today that it's only the start of what we think is going to be an exciting journey ahead.

I used to think -- we're probably now normal in that as a business we're going to exceed our cost of capital and we're going to pay dividends and we're going to make you happy. And I used to think normal was boring, but actually I think normal is now going to be really, really exciting because it's the future, I think both in terms of the industry and our place in the industry, I genuinely believe is a very exciting future for us.

The targets that we've set, we think are stretching and challenging, but we believe they're achievable as well. And I know, given our track record, you're sitting there saying "Yes, they are challenging, but we expect you to beat them." And that's exactly what we're going to set out to do.

And we'll do it because, as I said, we've got the right structure, we've got the right people, we show the right determination, we've got an excellent track record, and we can manage all of the challenges that get placed in our way.

And for every challenge we see out there, we've got a bunch of people who are trying to identify the opportunity that that presents to us. And having the scale and a difference and the structure within IAG, that's the beauty of us. What would traditionally, for a single airline, be a huge challenge, often represents a big opportunity for another part of the group.

And we're going to drive the business to deliver enhanced performance. We're delighted to be standing in front of you, talking about the dividend and being challenged about improving it, so it's a nice position to be in, but there's a lot more to come.

And we're looking forward to releasing our full-year results and disclosing that to you at the end of February, and looking forward to talking to you as we go through the year. And more importantly, this time next year, talking to you about even more exciting plans .

So, thank you very much, and look forward to seeing you soon.

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