

BMI acquisition update

11th May 2012



BMI acquisition - headlines

- Contributing more than €100 million operating profit by 2015; earnings accretive by 2014
- Transforming IAG Heathrow hub: long term growth
- Acquisition focused on bmi mainline – Regional sold subject to CAA approval; bmibaby in consultation with employees, preparation for potential closure
- Total consideration £172.5m, less significant reduction for closure of bmibaby: bmi comes debt-free, cash-free
- Increases IAG's portfolio by 56 daily slot pairs at Heathrow, less competition remedies of up to 14 pairs

BMI Group 2011- baseline financials

€m	Full year 2011	April-Dec 2011
Revenue	918	735
Employee costs	172	132
Fuel costs	240	195
Supplier costs	646	499
EBITDAR	(139)	(91)
Operating loss	(200)	(136)

Assumptions for rest of 2012:

- fuel headwind in line with overall IAG guidance
- small negative revenue drift
- low double-digit €m cost improvement during the year (anticipated redundancies weighted towards back end of period)



Guidance: bmi impact

€, <i>m</i>	2015
Revenue benefit	>100m
Network contribution	>100m
Cost improvement	>100m
Total improvement	>300m
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IAG operating contribution	>100m

- 2012: post-acquisition share of operating loss around €150m
- €90m of expected €115m restructuring cost to be booked in 2012
- >€300m turnaround benefits at operating level to be sequenced at broadly €100m per year, 2013-15



Transition approach, 2012 - 2015



Transition approach, 2012-2015

Integrate

- Rapid transfer of commercial activity
- Aircraft by aircraft operational transition
- Remove duplicate activity and costs
- Employee consultation

Optimise

- Begin optimisation of combined schedule
- Align and optimise procurement

Transform

- Network and fleet
- Long term productivity change

Integrate - commercial control



- bmi Heathrow Summer 2012 schedule retained
 - ✓ customers can book with confidence
- Flights to be sold as BA unless prohibited by Air Service Agreements
- Plan first tranche of BA sold flights from 23rd May, second tranche mid June
- Gives BA pricing control and integration into commercial systems and processes
- bmi flights become part of oneworld as they move to BA flight numbers
Executive Club and Diamond Club interchangeable

Integrate – transfer to BA operations



- Aircraft, with crews, move to BA Air Operator Certificate aircraft by aircraft
- AOC transition planned to start end May 2012, first bmi crew rostered end April
- Aircraft and crew alignment with BA standard operating procedures
- BA livery installed as each aircraft is transferred
- Complete aircraft AOC transfer end 2012

UK employee integration



	Current	Integrate*
Cabin crew	840	✓
Flight ops	350	✓
Ground staff	700	Partial
Engineering	350	Partial
Head office	250	x
Commercial	150	x
IT	50	x
Current	2,700	
Future	c.1,500	

* Applies to majority



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A better offering for customers

Optimise the network

- Begin schedule optimisation Winter 2012
- Optimise network offering across Heathrow, Gatwick and London City
- Drive feed across the Heathrow hub
- Retime services, starting Winter 2012
- Add new destinations to BA network
- Add frequencies to strengthen existing BA routes
- Begin conversion of short haul slots to long haul use



In Winter 2012, bmi enables...

- 18 new routes for the BA London Heathrow network
 - 3 UK&I, 6 short haul and 9 mid/longhaul
 - 13 are currently operated by bmi, 1 will move from LGW
- Extra capacity on 8 existing BA London Heathrow routes
 - 3 UK&I, 3 short haul and 2 long haul
 - 3 are currently operated by bmi
- Timing improvements through schedule
- Winter schedule to be announced June

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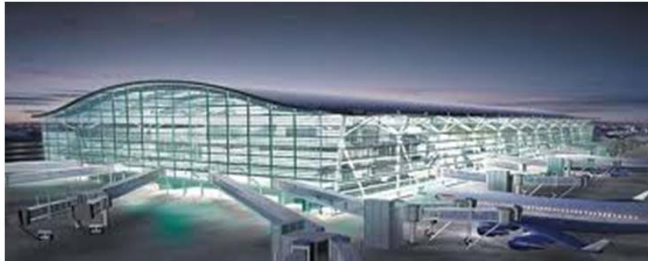
- Network and fleet
- Long term productivity

IAG

Long term network transformation - outline

- Long haul growth enabled by conversion of around one third slots from short haul to long haul over the medium term
- Growth and new route opportunities facilitated by B787 and A380 coming into BA fleet
- Conversion rate driven by market conditions and fleet

Heathrow vision: Europe's hub of choice



BA will operate over three terminals initially, but look towards increasing co-location over time, working with BAA and other stakeholders

Next 5 – 10 year Heathrow development and funding plan now under consultation as part of Q6 regulatory review

Unique time for increased-scale BA / IAG / oneworld to contribute to building a pre-eminent hub for customers, serving UK and rest of world

