IAG – acquisition of bmi

December 2011

Acquisition of bmi – rationale

- IAG reaches binding agreement to acquire bmi from Lufthansa
- bmi comprises bmi mainline, bmi regional and bmi baby
  - Lufthansa has the option to sell bmi regional and bmi baby before completion
- bmi mainline key attributes:
  - up to 56 Heathrow weekday slot pairs
  - fleet comprising 27 aircraft (23 leased and 4 owned)
- bmi mainline to bring significant synergies through:
  - cost synergies via elimination of overhead, scale benefits and more efficient use of slots
  - revenue synergies via optimisation of the expanded network, enhanced customer offering

Acquisition of bmi – financial highlights

- Acquiring bmi for a total cash consideration of £172.5 million
  - if bmi baby is not sold by May 2012, Lufthansa will provide compensation to cover costs of orderly exit
  - bmi defined benefit pension scheme risk and funding requirement to be retained by Lufthansa
- Consideration to be funded from existing cash resources within IAG
- Transaction expected to be earnings accretive from 2014
  - underpins target of 12% RoCE by 2015
  - expected to enhance 2015 €1.5 billion operating profit target by more than €100 million
  - consequent positive impact on 2015 €0.50 EPS target
- Restructuring costs spread over three years and significantly lower in total than bmi's current annual losses

IAG

Acquisition of bmi – timetable and conditions

- Completion subject to:
  - regulatory clearances by the EC and other relevant competition authorities
  - break fee of £10m, only payable by IAG in the event that phase I EU regulatory approval not achieved by March 31, 2012 and only if either party elects to terminate the SPA
- It is hoped that the transaction will be completed during Q1 2012
- bmi membership of the Star Alliance will be terminated at completion
  - Lufthansa will bear the associated exit fee costs
- £60 million funding to be paid in four instalments to bmi pre-completion (secured with LHR slots)
  - deductible from purchase price at completion

Transforming the Heathrow hub - efficiency

Significant room for unit cost reduction post-acquisition:

- Elimination of duplicate overhead
- Scale benefits to IAG engineering / front-line operations
- Distribution / marketing synergies
- Aircraft size / sector length increase
- Possibility to co-locate bmi mainline capacity at Heathrow in the Western Campus (T5 / T3) with the rest of IAG, after T2 phase 1 completion in 2013

Significant room for unit revenue improvement:

- Greater range of destinations for customers
- Better network connection opportunities
- Product / service improvements

Transforming the Heathrow hub - growth

- BA currently has approx. 44% of Heathrow slots – this acquisition would take IAG slot share (BA + IB + bmi) to around 53%
- bmi currently uses smaller aircraft per slot than BA - summer 2011 average aircraft sizes:
  - bmi 119.2 seats, BA 199.9 seats, LHR total 201.3 seats
  - bmi used regional 50-seaters on 25% of its LHR slot portfolio
- Long-term network opportunities for BA:
  - new long haul routes / frequencies
  - broaden range of destinations - 162 destinations currently served direct from LHR, vs. 229 from Paris CDG, 252 from Frankfurt (summer 2011, source: OAG)
  - more efficient use of slots / better connections
  - more opportunities for alliance partners

IAG

Disclaimer

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of the Company's Business Plan, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. All subsequent oral or written forward-looking statements attributable to IAG or any of its members, directors, officers, employees or any persons acting on its behalf are expressly qualified in their entirety by the cautionary statement above. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy.

Further information on some of the most important risks in this regard is given in the shareholder documentation in respect of the merger issued on October 26, 2010 and in the Securities Note and Summary issued on January 10, 2011; these documents are available on www.iagshares.com.

IAG