

BRITISH AIRWAYS



Investor Day

May 21, 2010



Health warning

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 programs, 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. 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.



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Introducing International Airlines Group

Willie Walsh
Chief Executive



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Merger summary

- Merger Agreement April 8, 2010
- Balanced board and management
- Existing brands and operations maintained
- International Airlines Group (IAG) to be incorporated in Spain
- Listing in UK and Spain and included in FTSE UK index series
- Shareholder meeting Q3 2010
- Completion Q4 2010



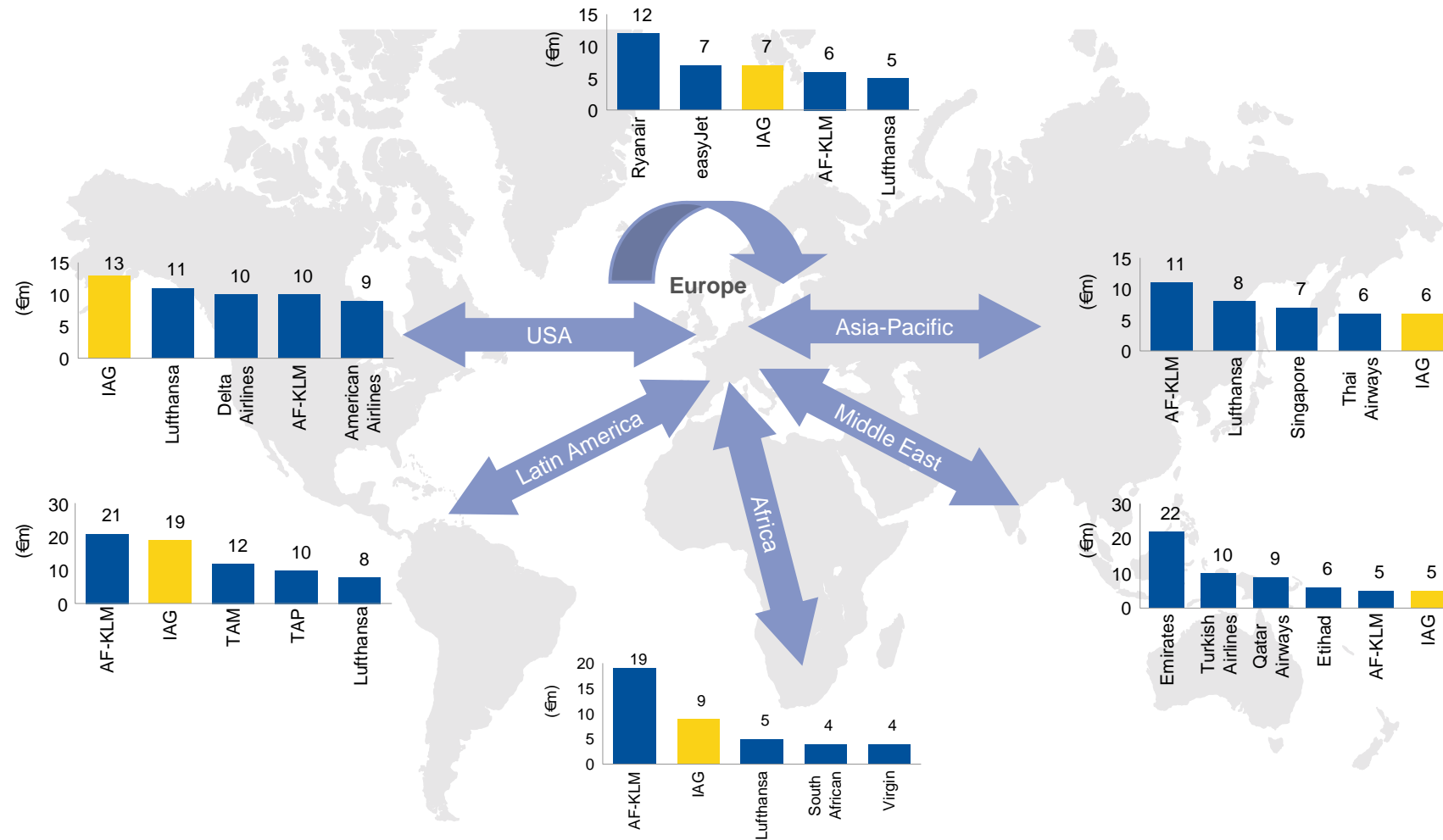
Strong strategic rationale

1. Strong strategic positioning in the global airline sector
2. Complementary networks and hubs
3. Enhanced customer benefits
4. Leading brands
5. Run-rate synergies of €400 million by year 5
6. Effective governance and management



Strong strategic positioning globally

Share of capacity by region, % of total ASK between Europe and region



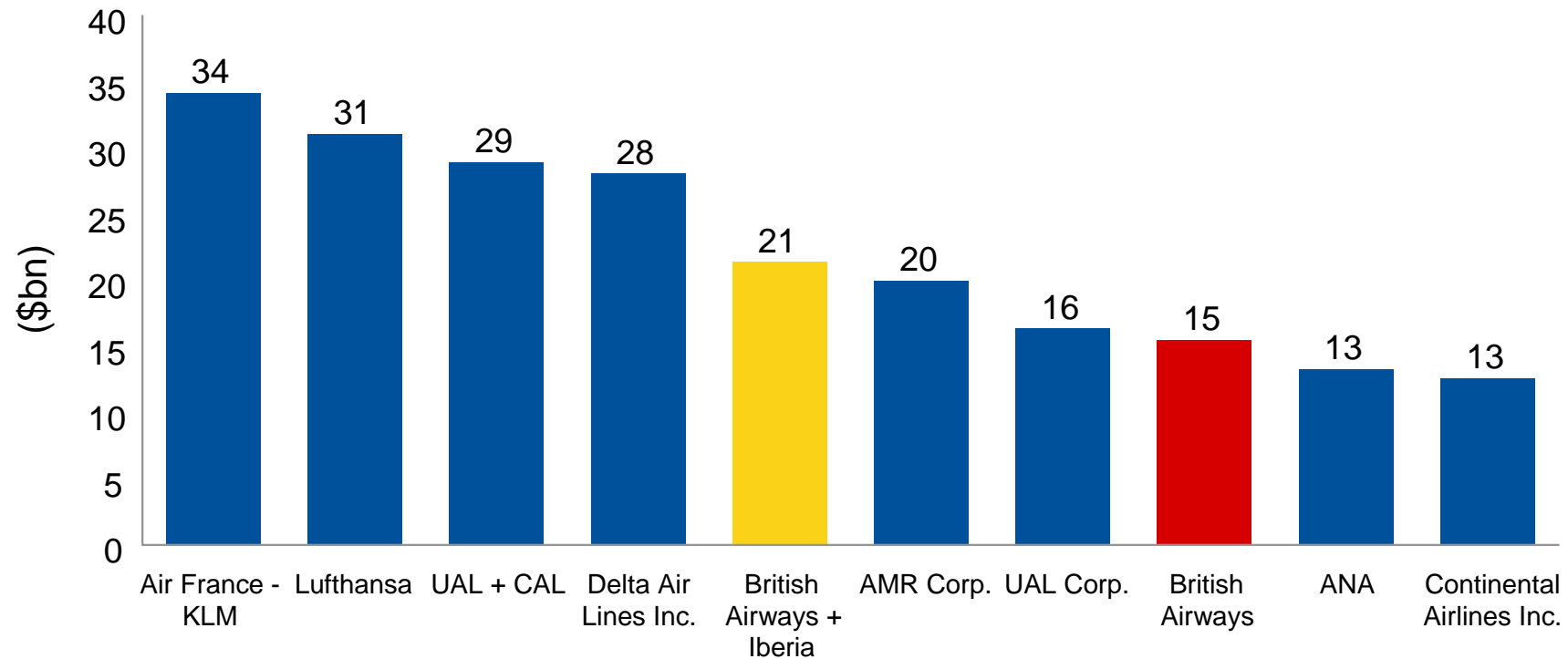
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A top five global airline group

Global airlines by revenue (FY2009) [TBU for BA/IB 2010]



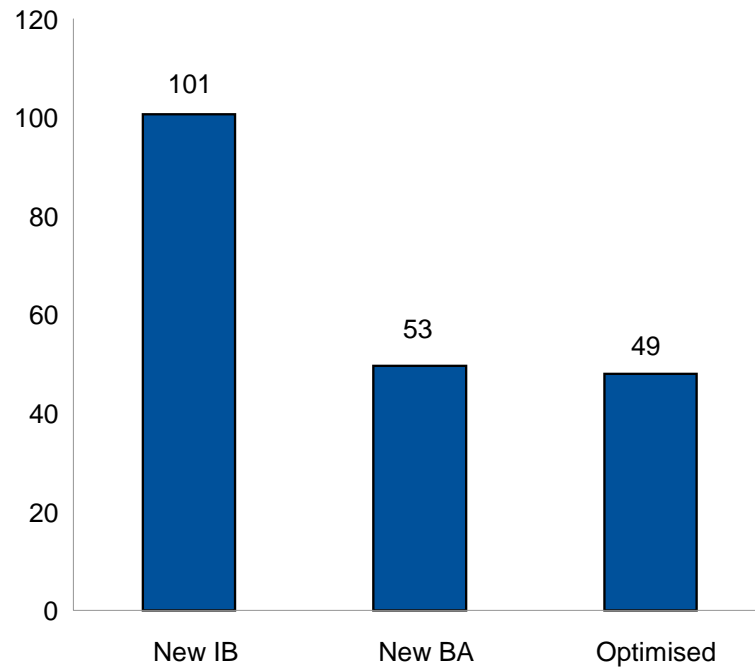
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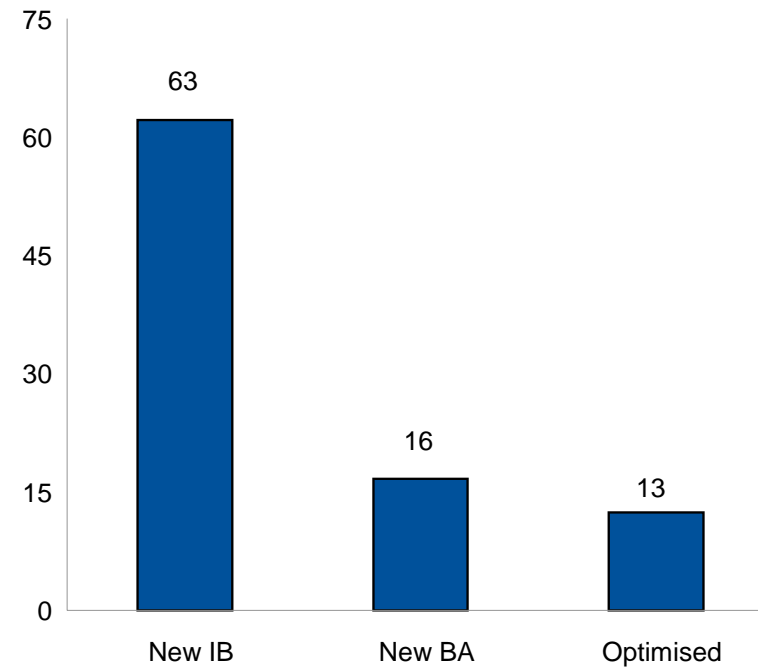


Complementary networks and hubs

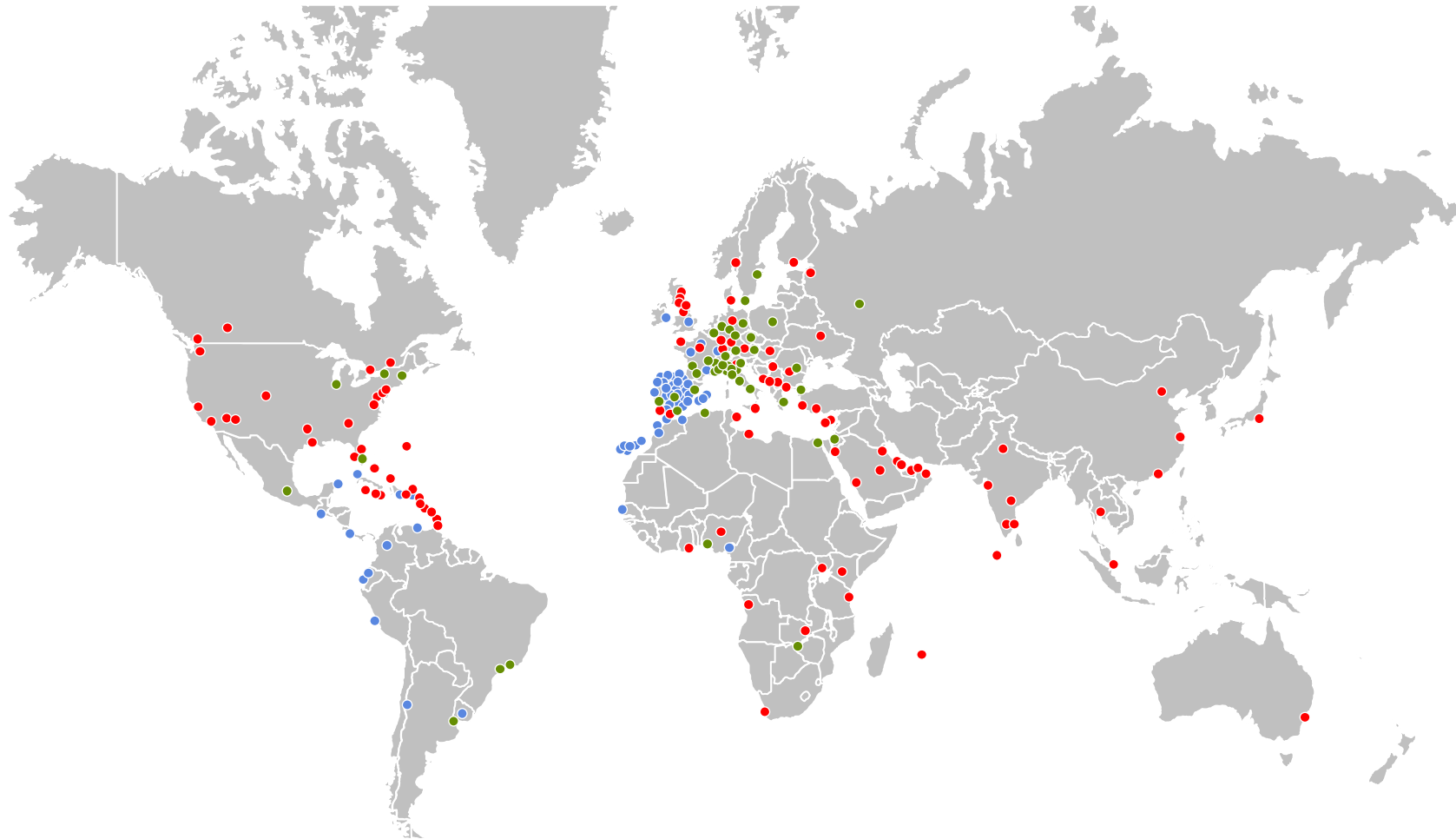
New destinations



New long haul destinations



Enhanced customer benefits



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Leading brands



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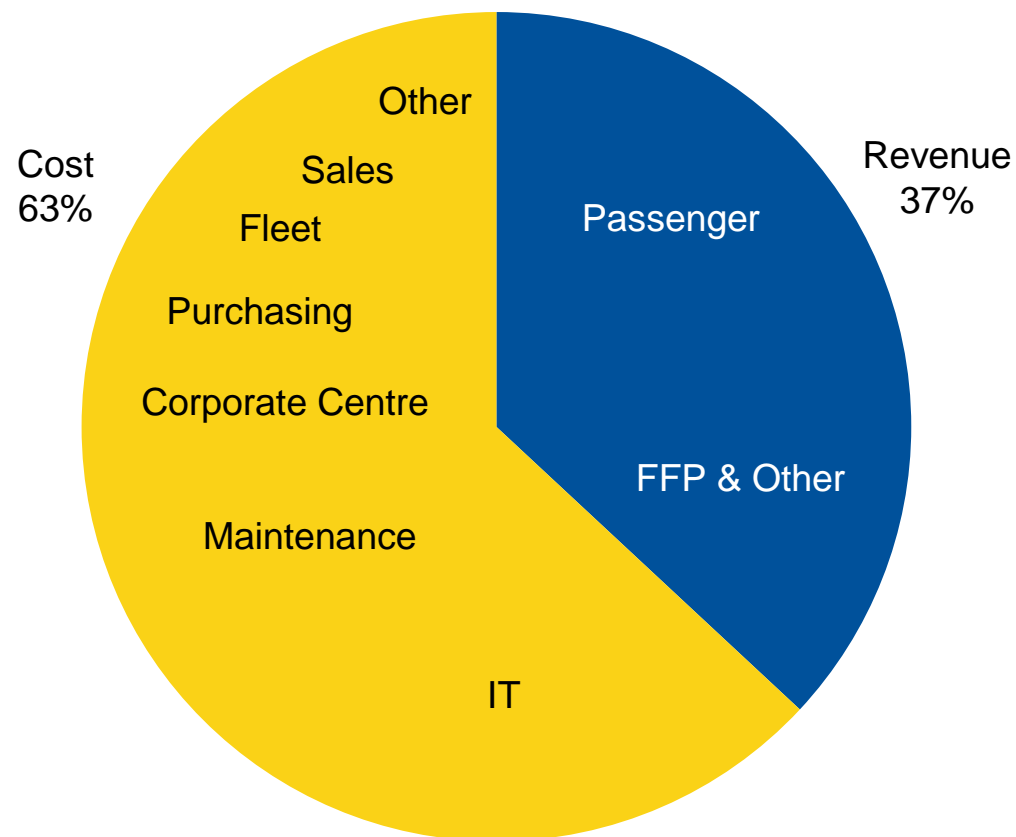


Synergies overview

- Run-rate synergies of €400 million per annum
- Incremental to existing JSA and **oneworld** alliance
- Synergy estimates are robust
- Significant synergies attributable to BA shareholders



Synergies overview



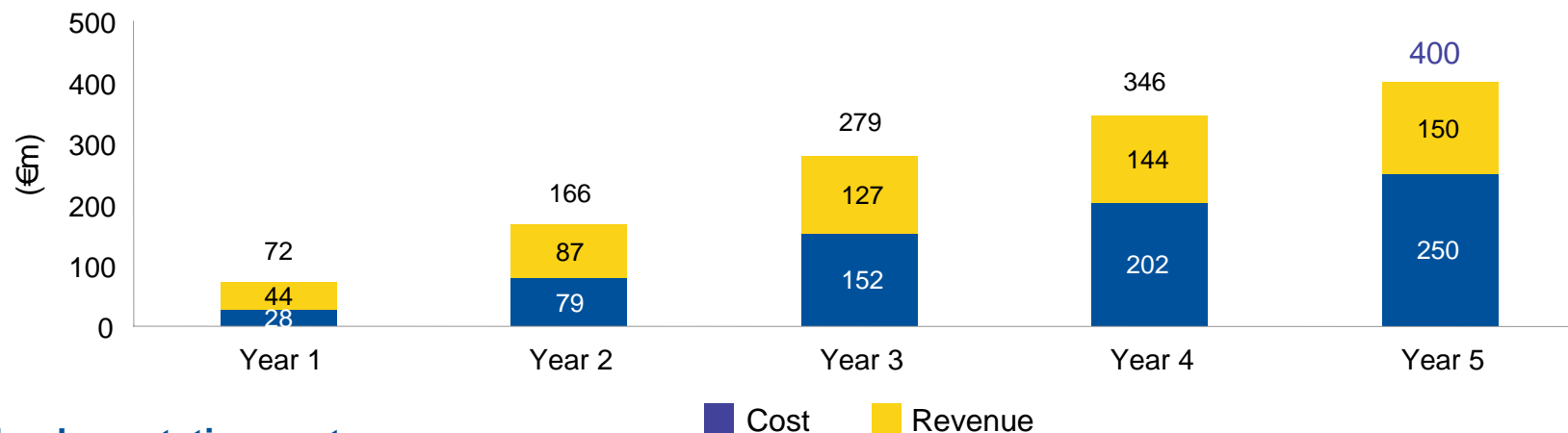
Total: €400 million



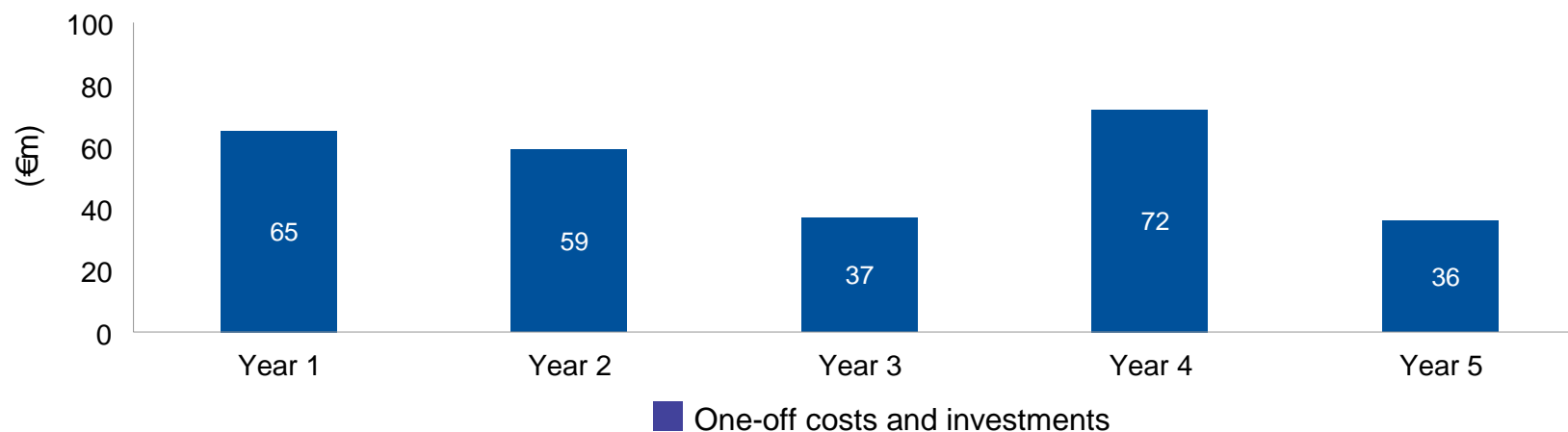
Phasing of synergies

- *positive contribution from day 1*

Synergies



Implementation costs

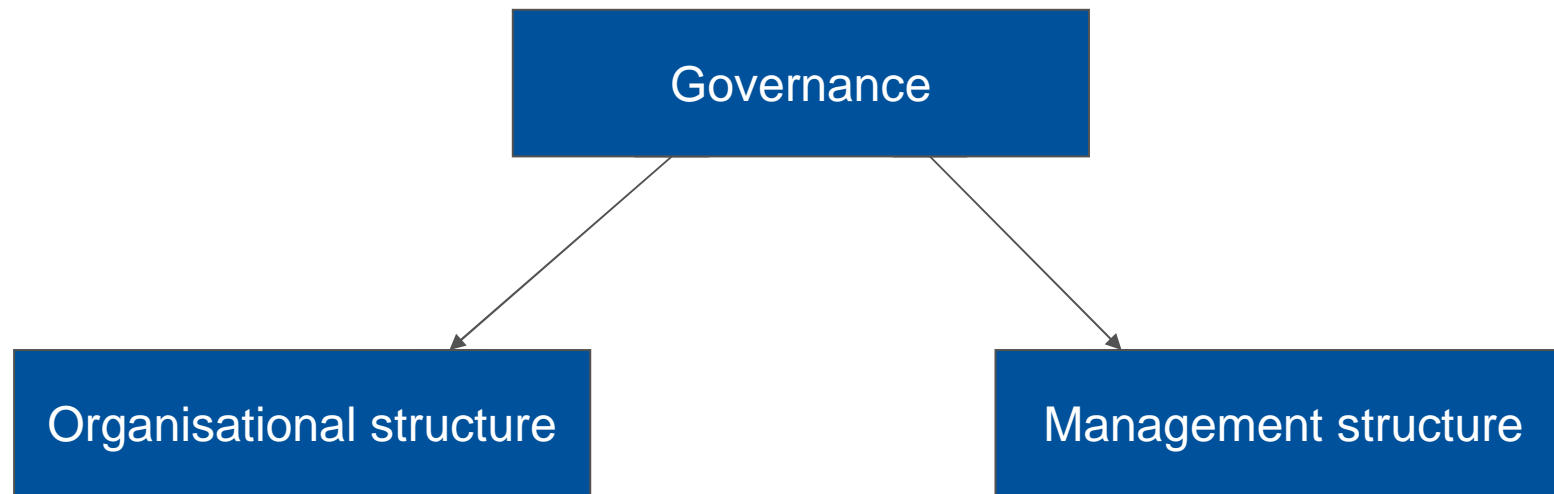


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Effective governance and management

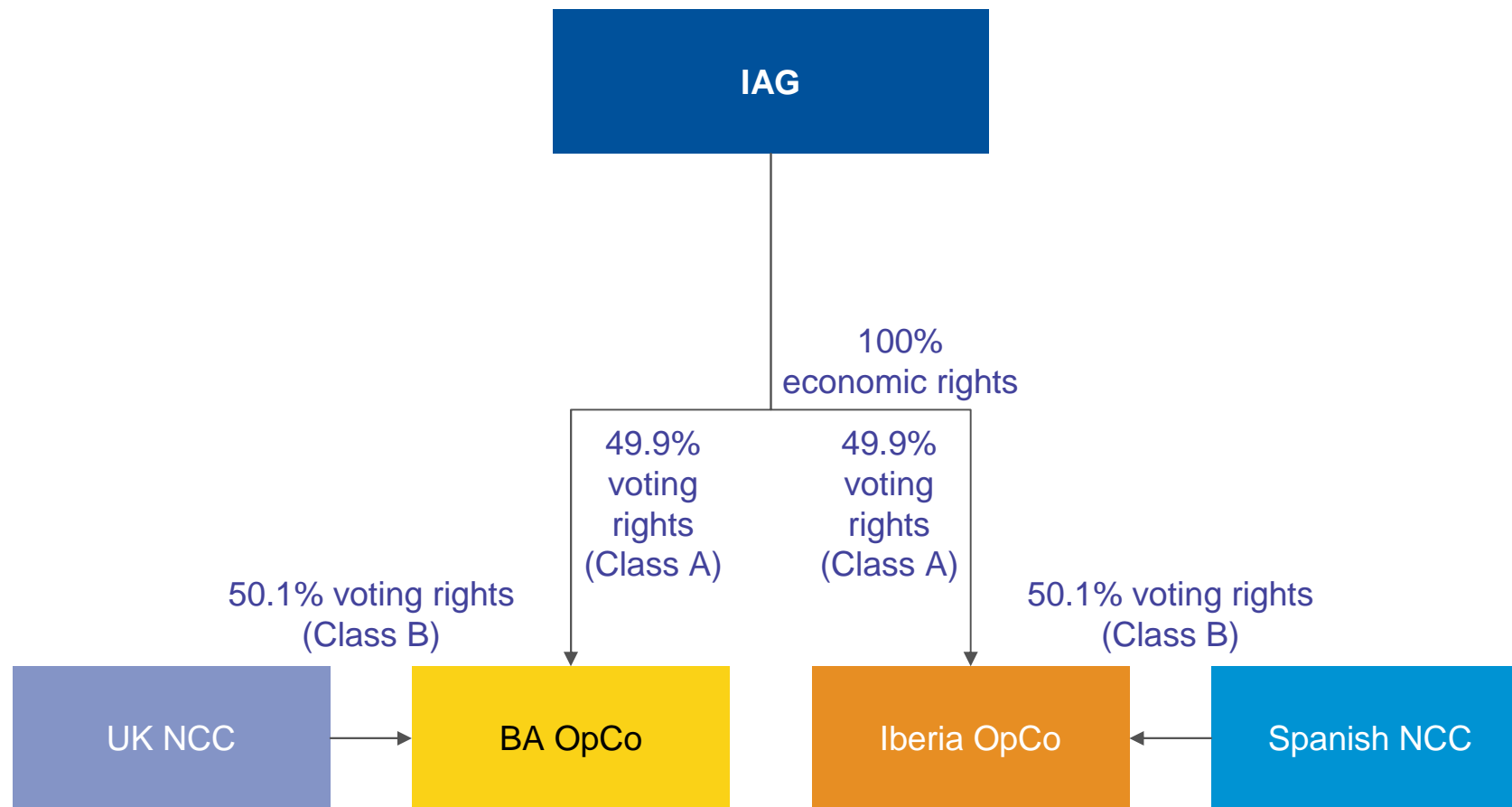


IAG organisational structure—rationale

- IAG to drive group strategy
- BA and Iberia OpCos maintained
- NCC structure allows both airlines to retain flying rights
- Fully scalable to allow further consolidation



IAG structure



IAG governance

Group Board Composition

Non-Executive Director (“NED”)

Group Chairman
Antonio Vazquez

Executive Directors

Group CEO
Willie Walsh

BA OpCo CEO
Keith Williams

Iberia OpCo CEO
Rafael Sanchez-Lozano

Existing NEDs

1
Deputy Chairman
Martin Broughton

2
[TBD]

3
[TBD]

4
[TBD]

5
[TBD]

6
[TBD]

New NEDs

1
[TBD]
(Spanish national)

2
[TBD]
(non-UK/
Spanish national)

3
[TBD]
(UK national)

4
[TBD]
(non-UK/
Spanish national)

Appointed by BA

Appointed by Iberia

■ BA appointee

■ Iberia appointee

■ New independent appointee



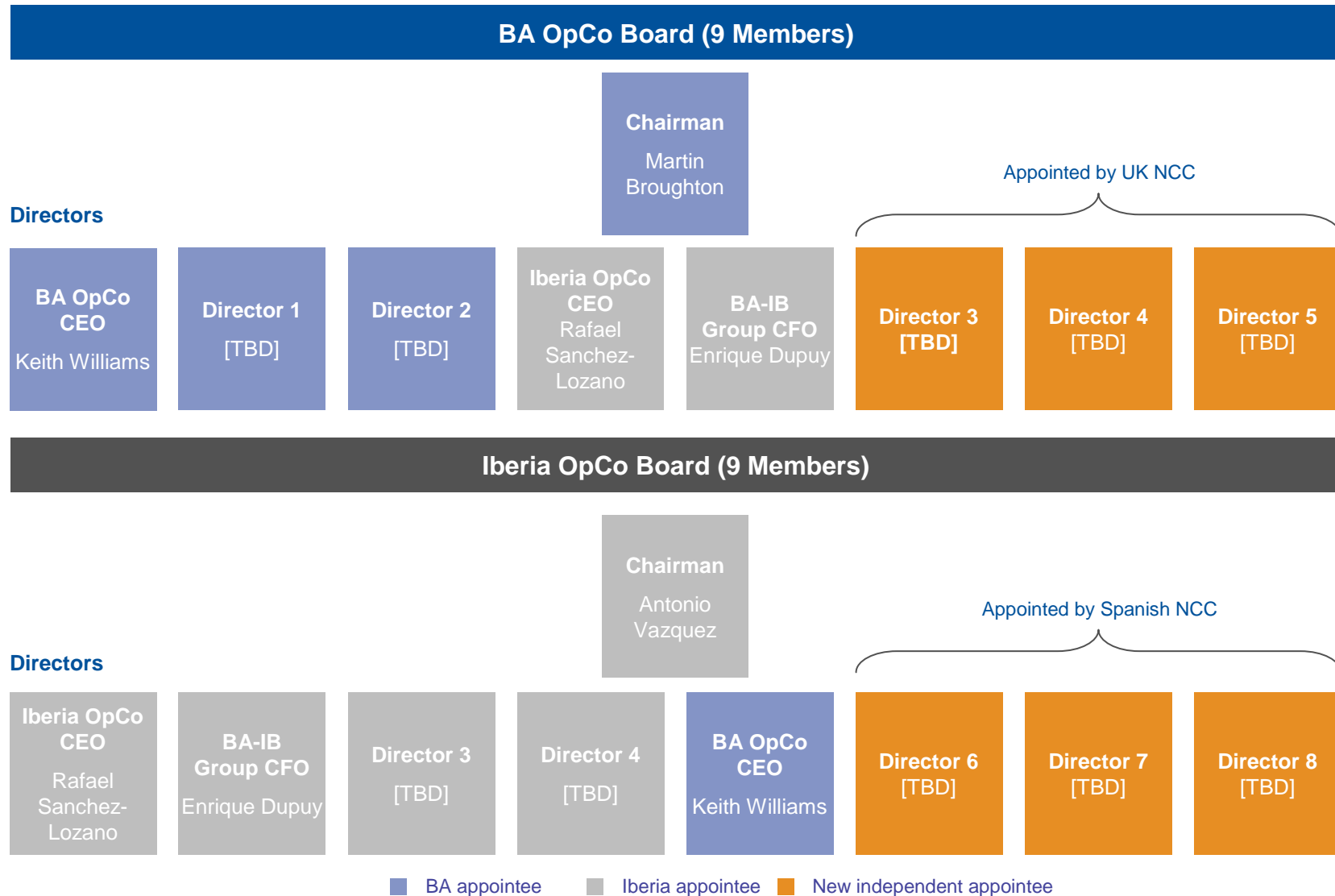
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OpCos governance



Assurances

- Retention of brands
- Balanced network development
- Promotion on merit
- Industrial relations in OpCos
- OpCos responsible for own pension schemes



IAG management team



Division of responsibility



Revenue Synergies

Robert Boyle

Revenue synergies officer

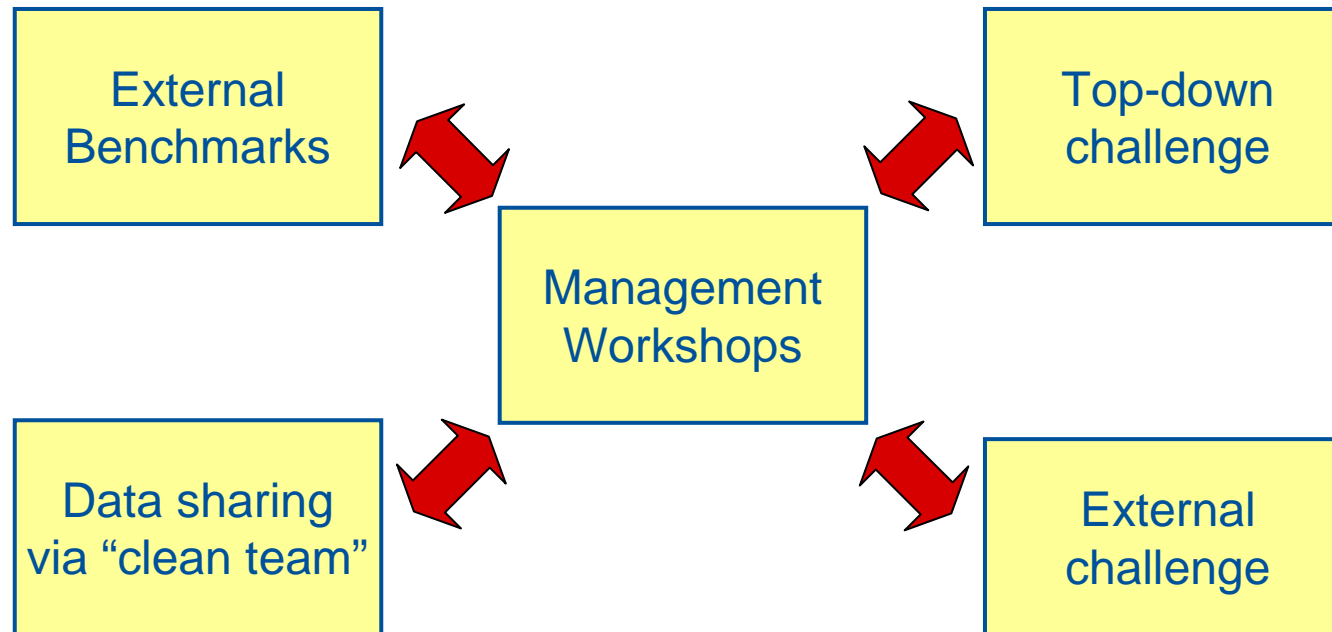


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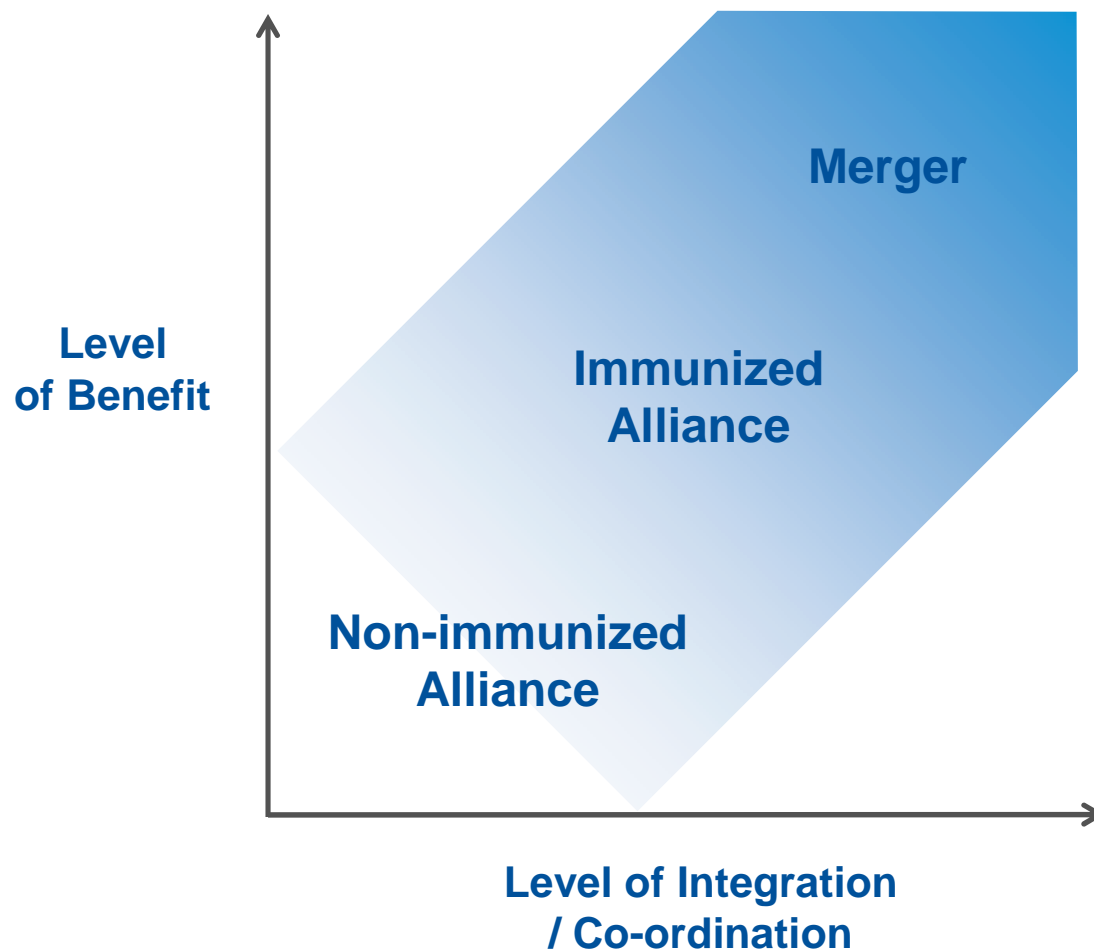


Synergy calculations



Alliance vs merger revenue benefits

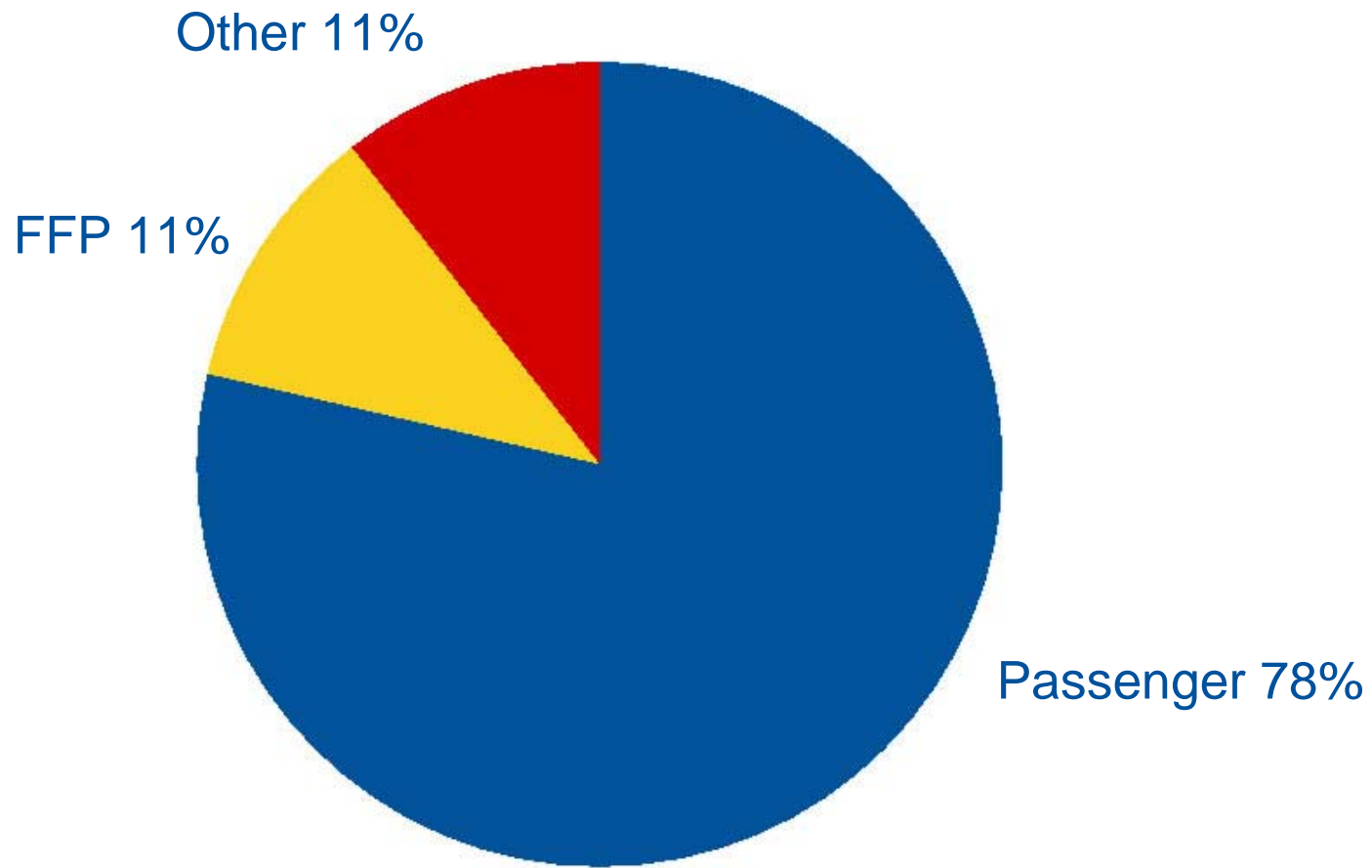
Example: Revenue Management



- Common platform
- Aligned, best practice processes
- Integrated M.I.
- Single bottom line
- Co-ordinated pricing
- Shared information, forecasts and objectives
- Revenue/profit sharing
- Independent decision-making
- “Own metal” optimisation



Revenue synergy breakdown



Revenue synergies €150m

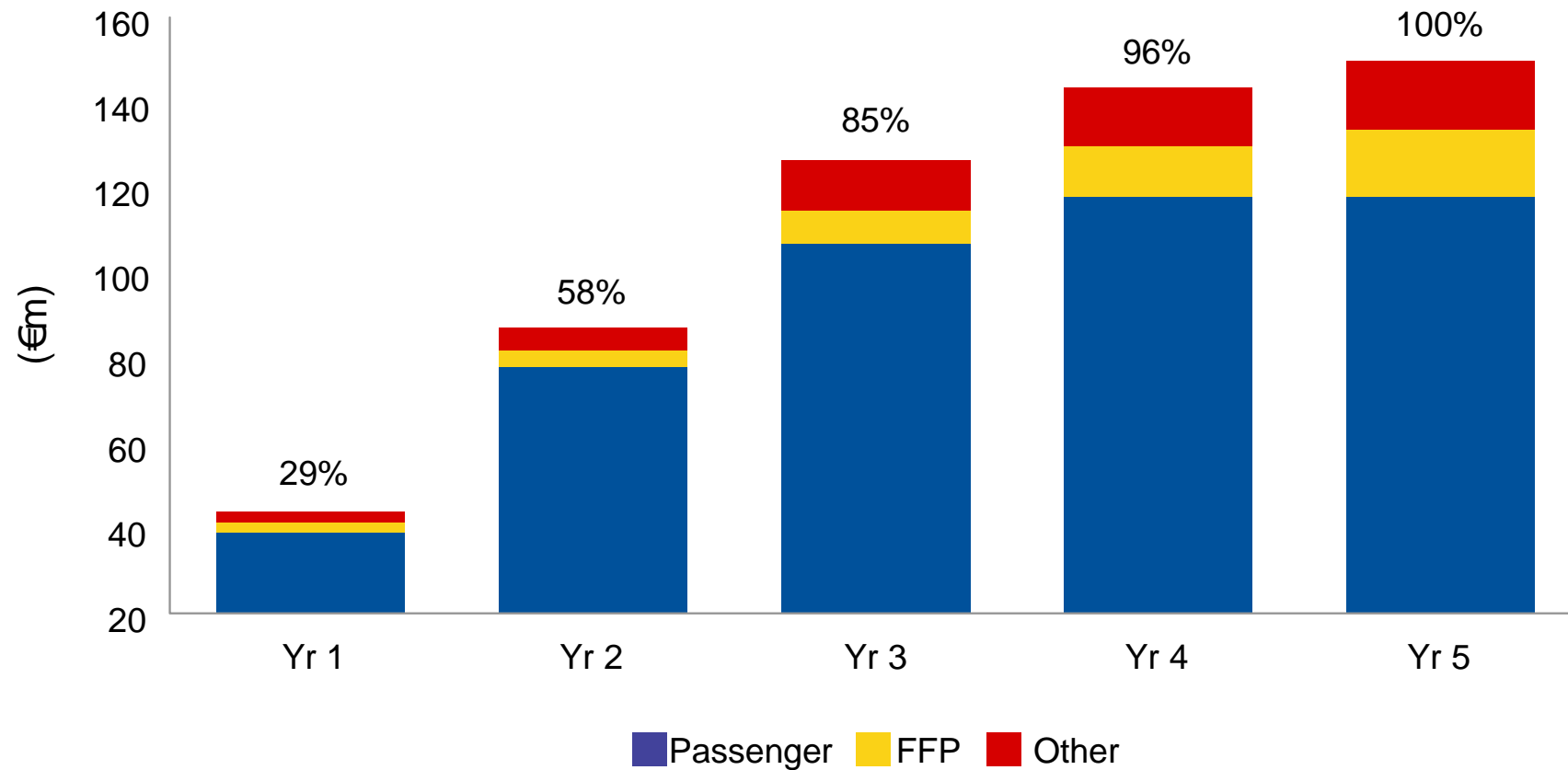


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Revenue synergy phasing



Passenger revenue synergy sources

- Combining point of sale strength
- Cross-selling to each other's customer base
- Increased connectivity and optimised scheduling
- Best practice in revenue management and selling processes
- Enhanced FFP proposition



Complementary route network



Source: SRS Analyser, May 2010



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Combining point of sale strength

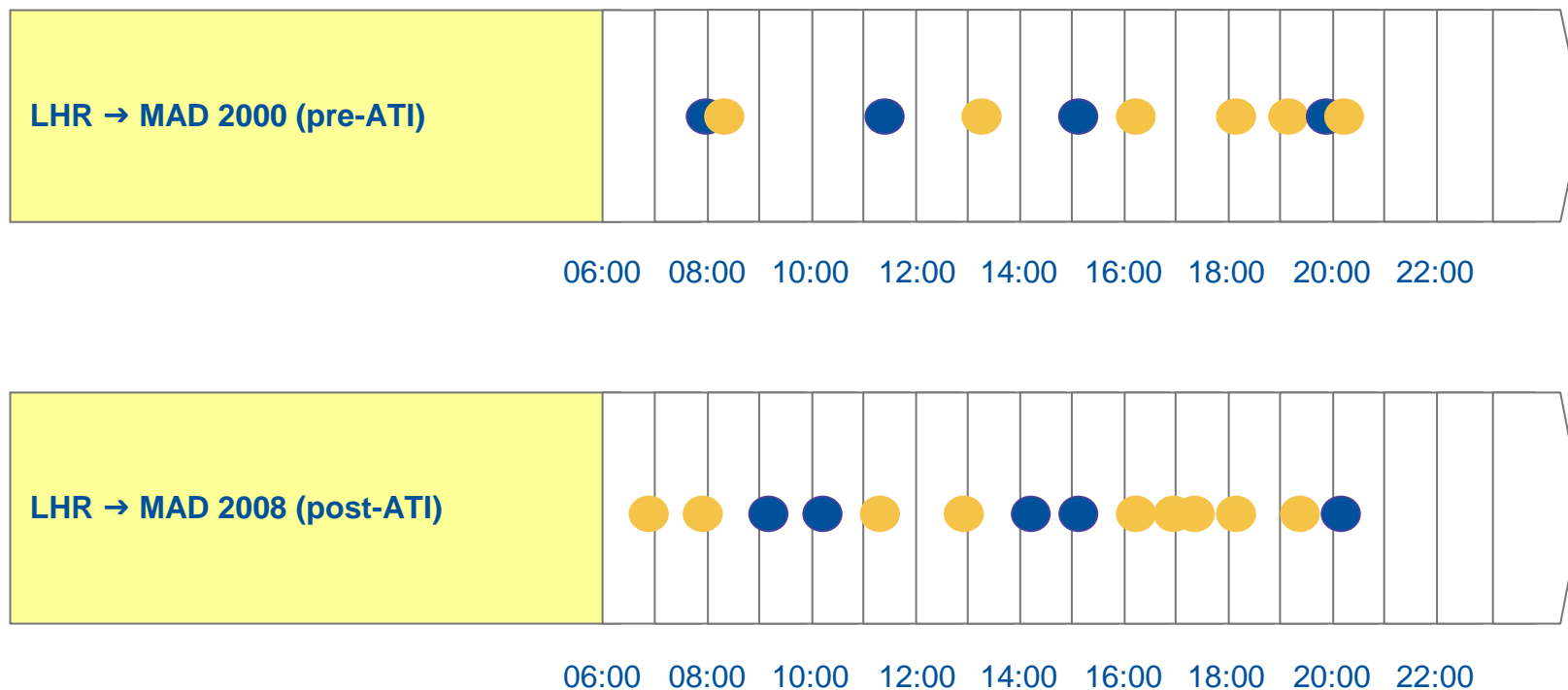
Market type	Example	Source of synergy
• BA strong	UK, N. America	Enhanced market access for IB
• IB strong	Spain, LatAm	Enhanced market access for BA
• Neither strong	Germany, France	Credible alternative to home carrier



Increased connectivity and optimised scheduling

LHR-MAD Example

Timing of flight departures



Opportunities with two hubs



- Improved routings for some flows
 - Stockholm to New York **11%** shorter via London than Madrid
 - Rome to Buenos Aires **9%** shorter via Madrid than London
- Alternative equivalent routings give customer choice and flexibility when one hub constrained
 - Rome to New York difference less than **2%**
- Enhanced growth prospects from both hubs
 - Market share gains
 - Margin boost from synergies

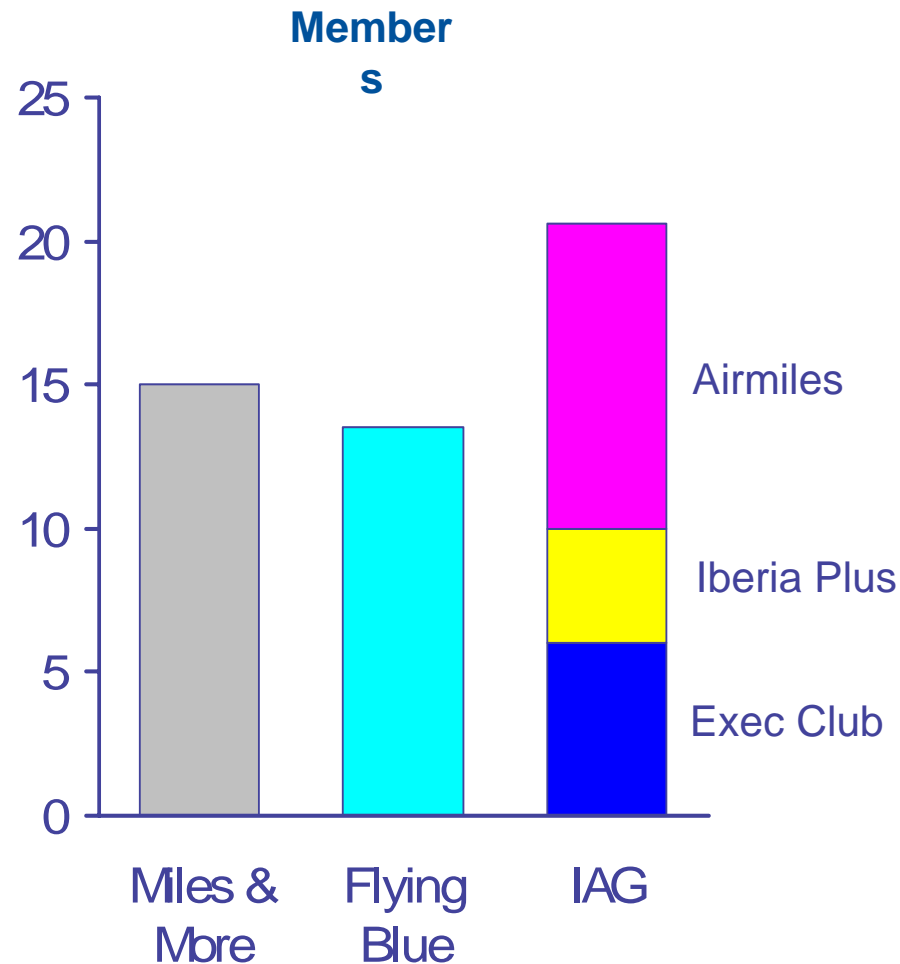


Best practice revenue management and selling

- Multiple opportunity areas
 - Pricing
 - Inventory management
 - Revenue integrity
 - Corporate and agency dealing
 - Direct channels
- Combination of systems, people and process
- Mix of quick wins and longer term opportunities, dependent on IT



Loyalty and mileage

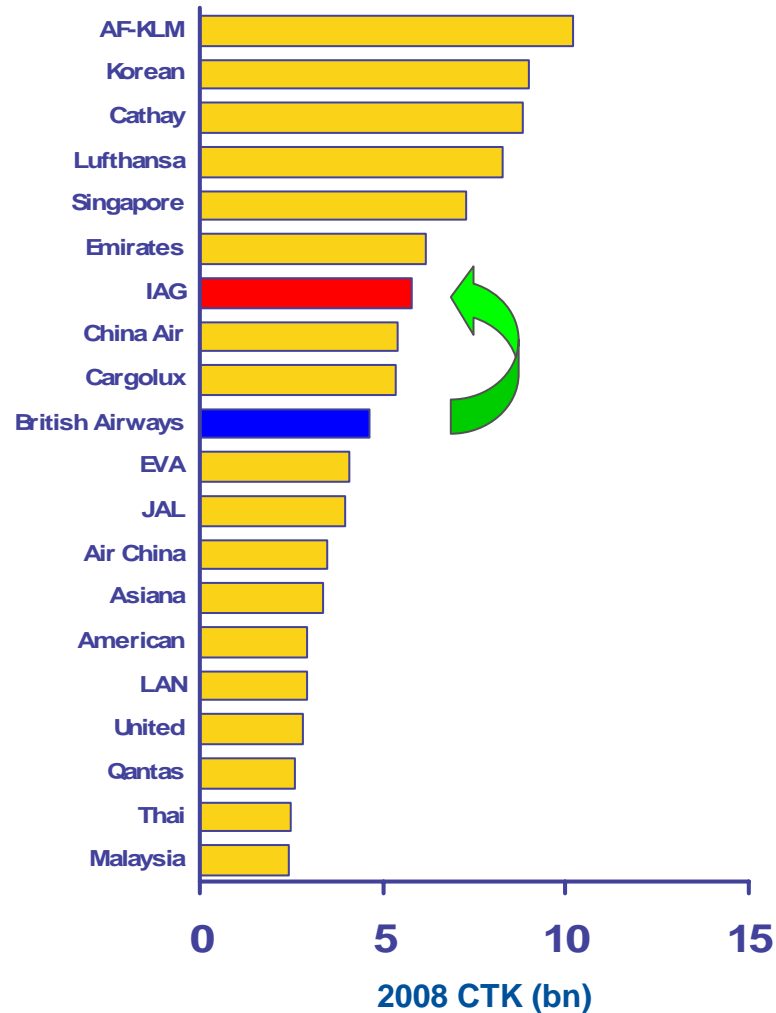


- Integrated management structure for combined programmes
- European leader with combined membership of 21m
- Enhanced customer proposition (included in passenger revenue benefits)
- Growing third party revenues
- Shared infrastructure (included in cost synergies)
- Best practice and systems exploitation
 - Relationship management
 - Customer insight
 - Data management
 - Redemption management
 - Financial liability management



Other revenue

Top 20 Cargo Airlines



- Cargo
 - 9th to 7th in world rankings
 - Increased network coverage
 - More direct routings
 - Optimise use of freighters and trucking
- Maintenance
 - Leverage combined assets, customer base and skill set to drive incremental third party revenue
- Ancillaries
 - Cross-selling opportunities
 - Best practice



Revenue synergies summary

- €150m p.a. of mature year benefits
- 58 per cent in year two
- Management buy-in to targets from the outset
- Further upside potential



Cost and Fleet Synergies

Ignacio de Torres
Cost synergies officer

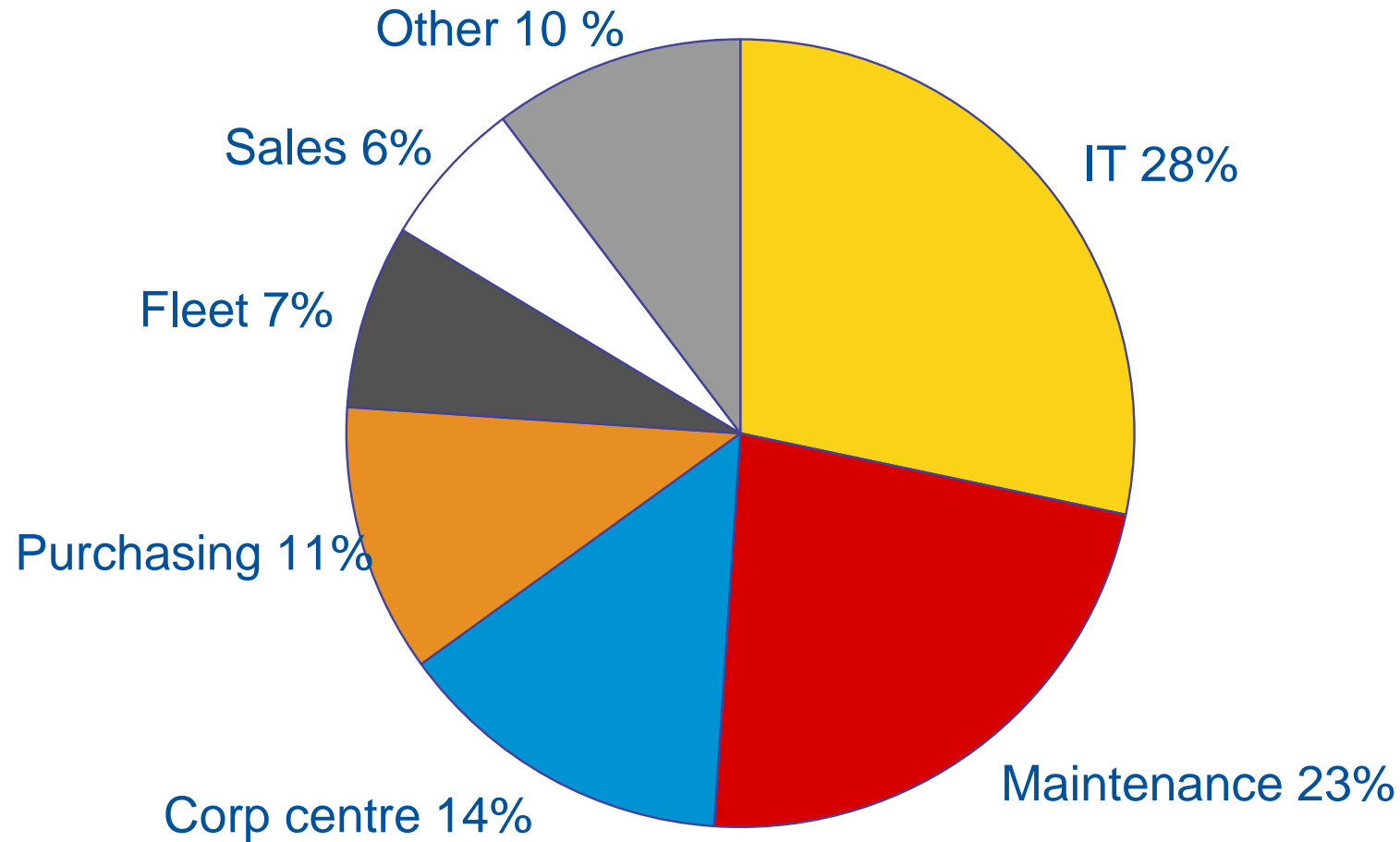


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Cost synergy breakdown



Cost Synergy €250m

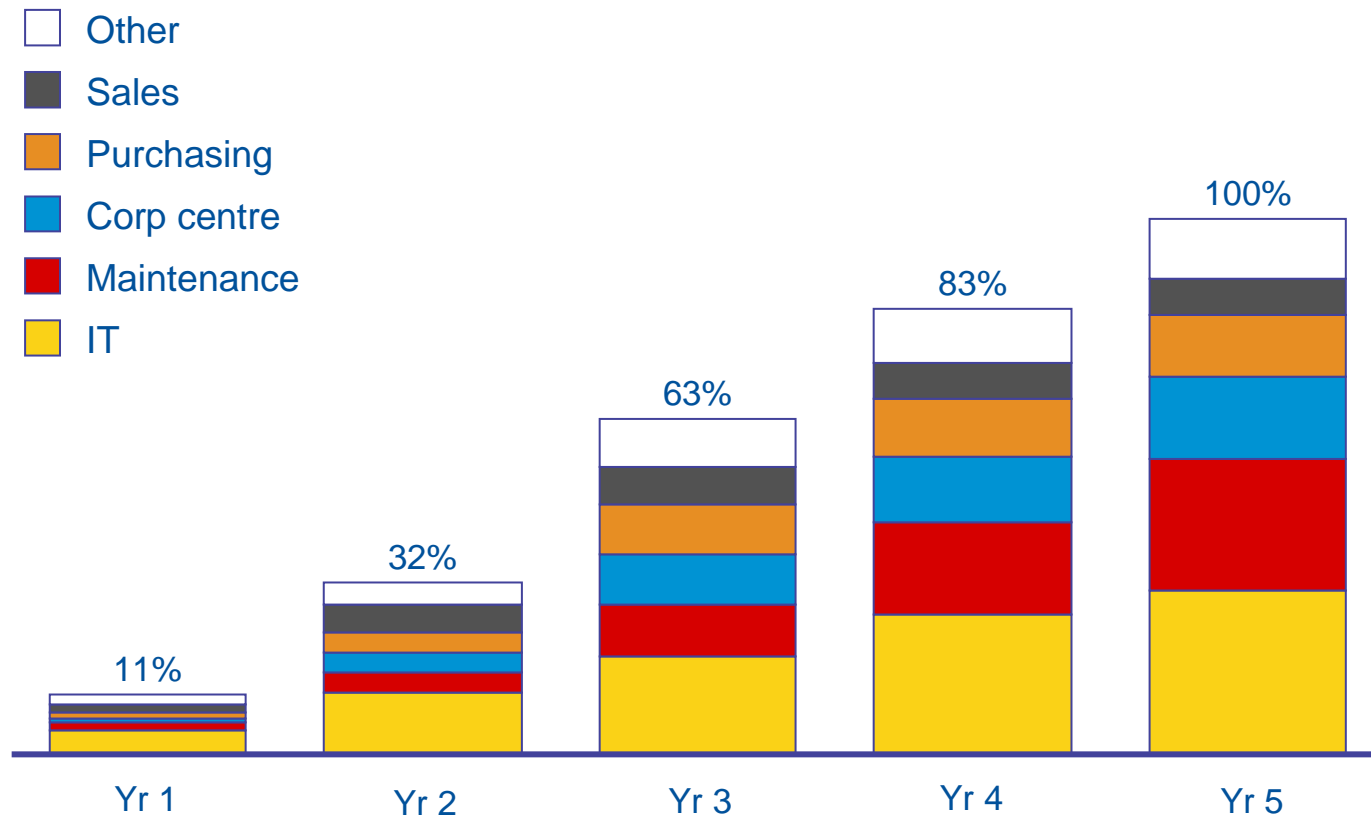


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Cost synergy phasing



IT

- Implement joint procurement of hardware and maintenance
- Eliminate duplication in IT infrastructure
- Improve IT development by eliminating duplicate projects
- Move to common business processes and single best application for key functions
- Reduce IT overhead through common IT strategy and simplification of processes and administrative tasks



Maintenance

- Share best practices and coordinate engineering, planning & control to increase efficiency and better absorb fixed costs
- Reduce working capital through joint inventory management
- Perform joint procurement of materials/components
- Optimize common capabilities



Corporate centre

- Integrate/coordinate duplicated functions
 - Finance & control
 - Commercial
 - Other back office



Purchasing synergies

- Savings in data and distribution costs (MIDT, GDS)
- Savings in flight related costs (on-board service, catering, crew hotels)
- Fuel procurement in overlapping stations
- Savings in aircraft insurance costs
- Other procurement



Fleet

- Align fleet acquisition and customisation to capture efficiency from larger volume
- Optimise exercise of options held by both companies to reduce acquisition costs and better match group requirements
- Align contracts of total care agreement in future fleet to reduce costs



Other synergies

- Sales & Call Centres
 - Integrate sales forces and call handling teams in overlapping locations
- Airport Operations
 - Align ground handling and lounge contracts at overlapping airports
 - Integrate activities at overlapping airports to capture scale benefits
- Cargo
 - Align ground handling and trucking contracts
 - Reduce overhead cost and integrate sales force in overlapping countries



Summary

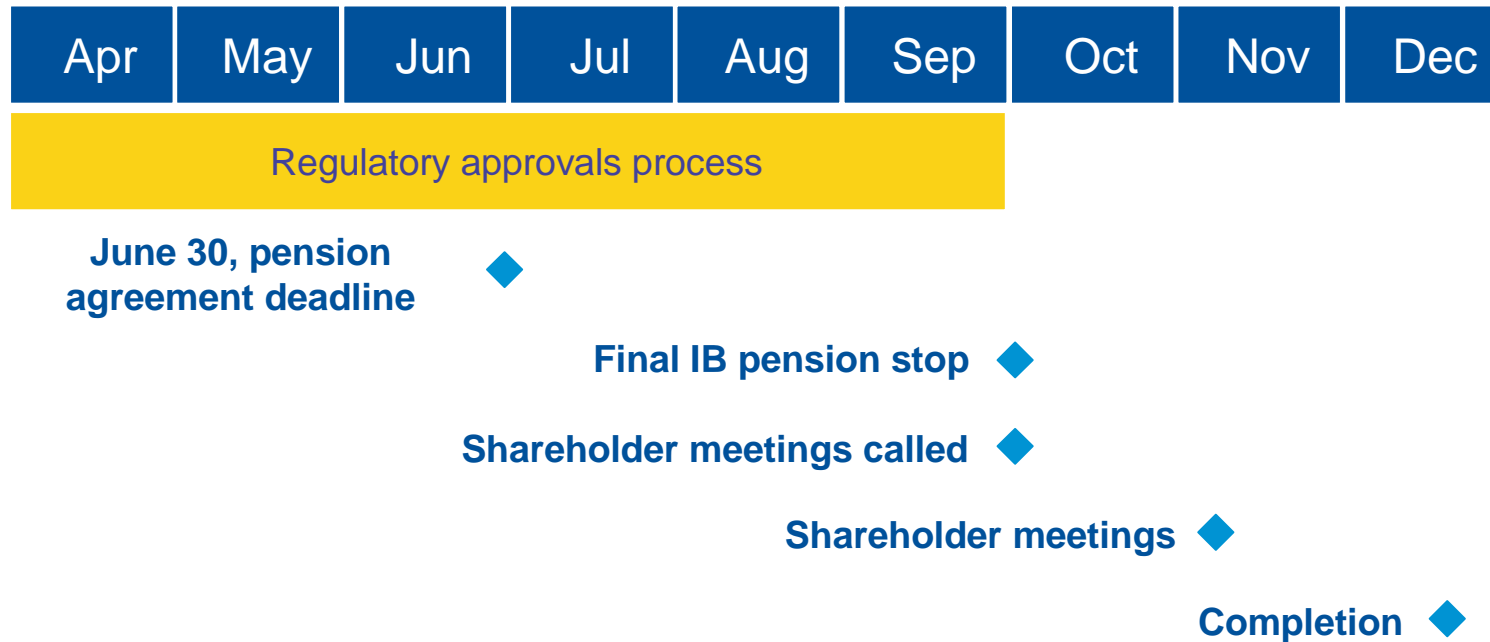


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Timetable



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