
Lufthansa Investor Day

Frankfurt, June 28th, 2010

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Agenda

■ **bmi overview**

- Overview bmi 2009
- Revenue shares bmi group 2009
- Strengths and weaknesses
- Turnaround plan on track

■ **Immediate restructuring measures 2009 and 2010**

- Fleet and capacity
- Network
- Human resources
- Integration initiatives LH
- Summary

■ **Major elements for completion of turnaround**

- Mission statement and streamlined group structure
- Completion of restructuring measures in all areas
- Strong LHR network with STAR partners

bmi British Midland International: Overview 2009

■ bmi British Midland International: Base London-Heathrow (LHR)

- LHR-Services (UK/IR, Middle East- Africa, Continental Europe)
- 30 A320 family / 3 A330 / 1 B757
- Ca. 13 % of slots in LHR

■ bmi Regional: Base Aberdeen

- Services out of several UK bases
- Domestic and international traffic
- 18 Embraer 145

■ bmibaby: Base East Midlands (Low Cost)

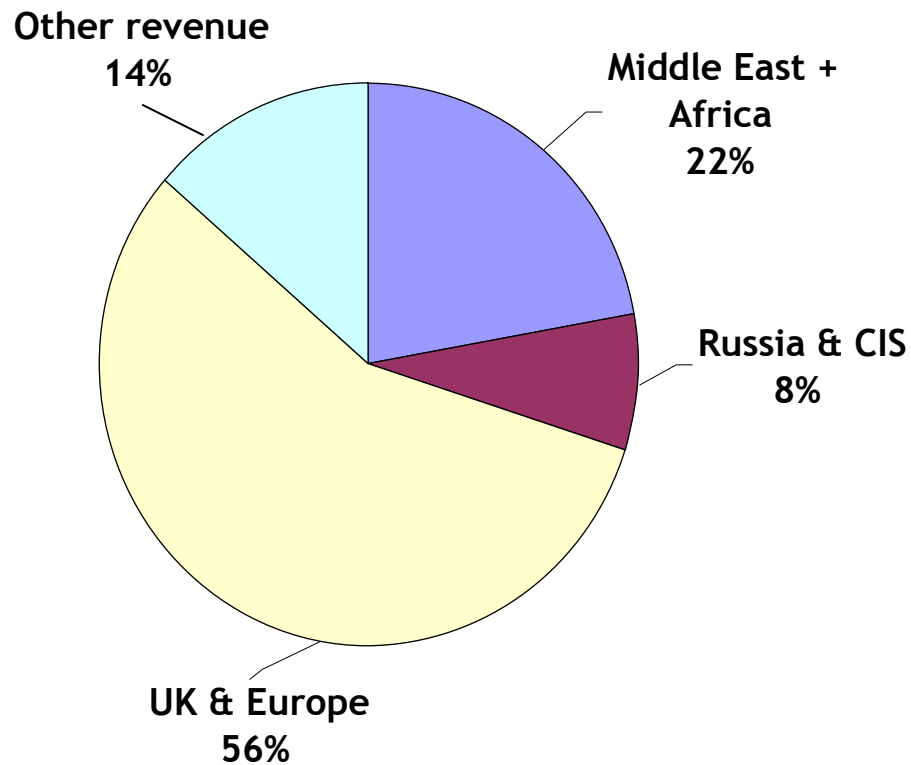
- Services out of several UK bases
- Domestic and international traffic
- 17 B737 Classic

■ bmi group

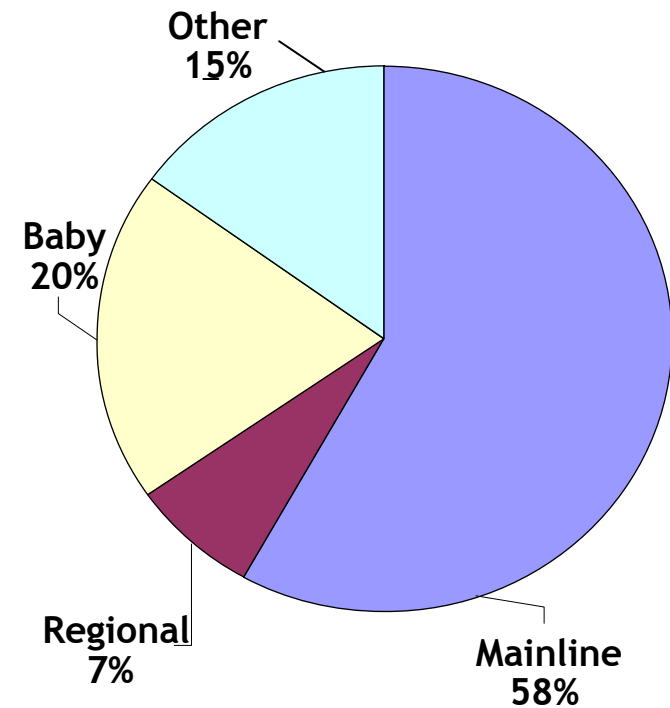
- 69 aircraft
- Ca. 7.4 m passengers
- 4,346 employees

Revenue shares bmi group (2009) by traffic area and airlines

Share by traffic area



Share by airline



Strengths and weaknesses bmi at takeover July 2009



- Slotshare at London-Heathrow
- Position Middle-East; mainly operated as exclusive UK carrier
- Employees / customer dedication
- Sound operation
- Cost position
- Presence in major UK catchments



- Network focus on shorthaul, e.g. domestic, with LCC exposure
- Low aircraft utilization
- No economies of scale
- Brand awareness
- Market presence
- Sales leverage
- Lack of investment
- No hedging
- Risks in pension system

Turnaround plan on track

■ Major targets

- Significant reduction in losses 2010 compared to 2009
- Return to profitability medium term

■ Major elements of turnaround plan on track

- Capacity reduction and new network focus
- Redundancy program
- LH integration
- Group restructuring and cost saving

■ Financial parameters in line with turnaround plan

- Forecast 2010 (adjusted by one off effects) in line with plan
- Cash burn rate reduced significantly
- Liquidity according to turnaround plan, despite negative one off effects (volcanic ash, FX)

Fleet: Capacity reduction and improved aircraft utilisation

	2009	2010*	Var. in %
Schedule Service (Mainline/Regional)			
Aircraft	52	45	(13)
Passengers	4.5 million	3.3 million	(27)
bmibaby (Low Cost)			
Aircraft	17	14	(18)
Passengers	2.9 million	2.7 million	(7)
BMI Group			
Aircraft	69	59	(14)
Passengers	7.4 million	6.0 million	(19)
Aircraft Utilisation B/H (Summer Program)			
A320 Family	8.8	10.4	18
B737	9.3	10.7	15

* as per Operating Plan

Network: Immediate restructuring measures taken

- **Biggest loss makers eliminated:**

- Aleppo, Tel Aviv, Kiev, Amsterdam, Brussels

- **A330 services terminated (Cairo, Las Vegas)**

- **Capacity reduction (ask 2010 vs 2009)**

- Total - 25%

- Europe - 22%

- Mid-/Longhaul - 33%

- **Reduction domestic UK**

- **Capacity shift to continental Europe (Berlin, Vienna)**

- **Optimized connecting waves**

- **Increased aircraft utilization**

- **Increase codeshare with LH Group / STAR**

Slots: Optimized use within LH Group in strictly constrained LHR

bmi slots	2009	2010
Long / midhaul	14	11
Shorthaul	59	45
Leased out	14	10*
Sold	--	18**
Return BA	--	3***

bmi owned slots	87	66	delta - 24%
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* e.g. SN, Aegean, Blue1

** 12 LH, 6 LX

*** due to contract takeover BMed

After restructuring bmi owns 10% of
LHR slots

Human Resources: Redundancies/Pay Freeze/Pensions

■ **Redundancies: goal 800 positions**

- Redundancy program for 670 employees implemented
- Restructuring cost 9m £
- Corporate Restructuring initiated

■ **Pay freeze/Union agreements**

- Agreed with pilot unions (2009 and 2010)
- In negotiation with other unions for 2010
- Scope clause Heathrow (increased production share of subsidiaries)

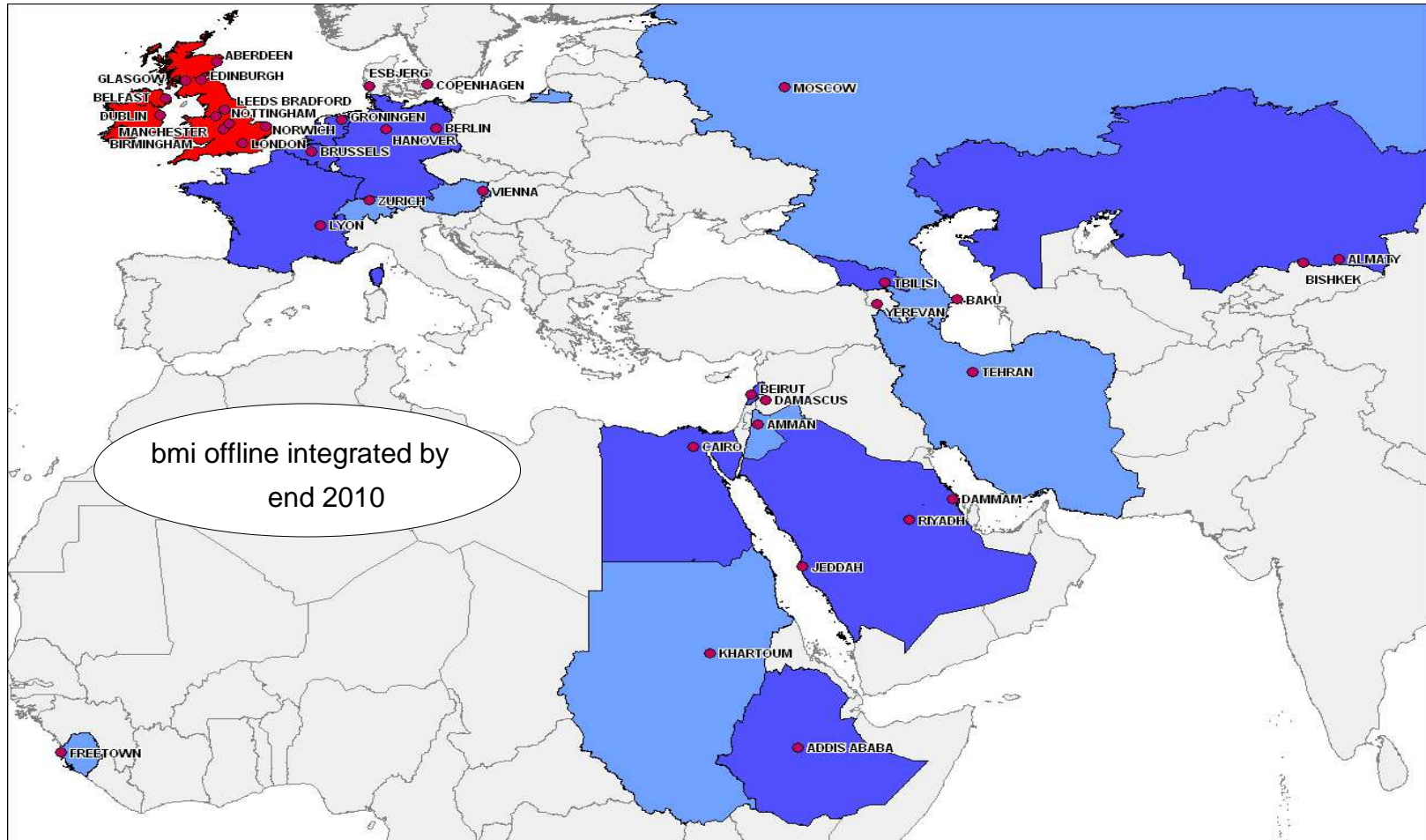
■ **Pension system as of 1st March 2010**

- Agreement with Pension Trustees / Unions
- Defined Contribution Scheme (DC) replaces Defined Benefit Scheme (DB)
- 870 employees in old DB scheme
- Accumulated pension deficit of 180 m £ frozen to be repaid over 18 years
- Reduced employer contribution to pension scheme
- Annual saving ca. 2 m £
- Risk of increased pension deficit largely eliminated

Integration: Comprehensive measures initiated with LH

- **Sales Integration in non-UK markets**
- **Stations**
 - Handling integration Heathrow
 - „Move-under-one-Roof“ in overseas stations
- **Frequent Flyer Program**
 - Roadmap for integration „Diamond Club“ in M&M agreed
- **Codeshare and Pricing cooperation enhanced**
- **Finance:**
 - Hedging/Treasury centrally done by LH
 - Shift of shared services to LH (e.g. Rev. Acc, Insurance, etc.)
- **Intensified relationship with Lufthansa Technik**
 - Engine overhaul, heavy maintenance
 - Line maintenance for LH Group in LHR
- **Cargo**
 - Evaluation „Total Cargo Management“ by Lufthansa Cargo

Sales integration 2010 in major online & offline markets

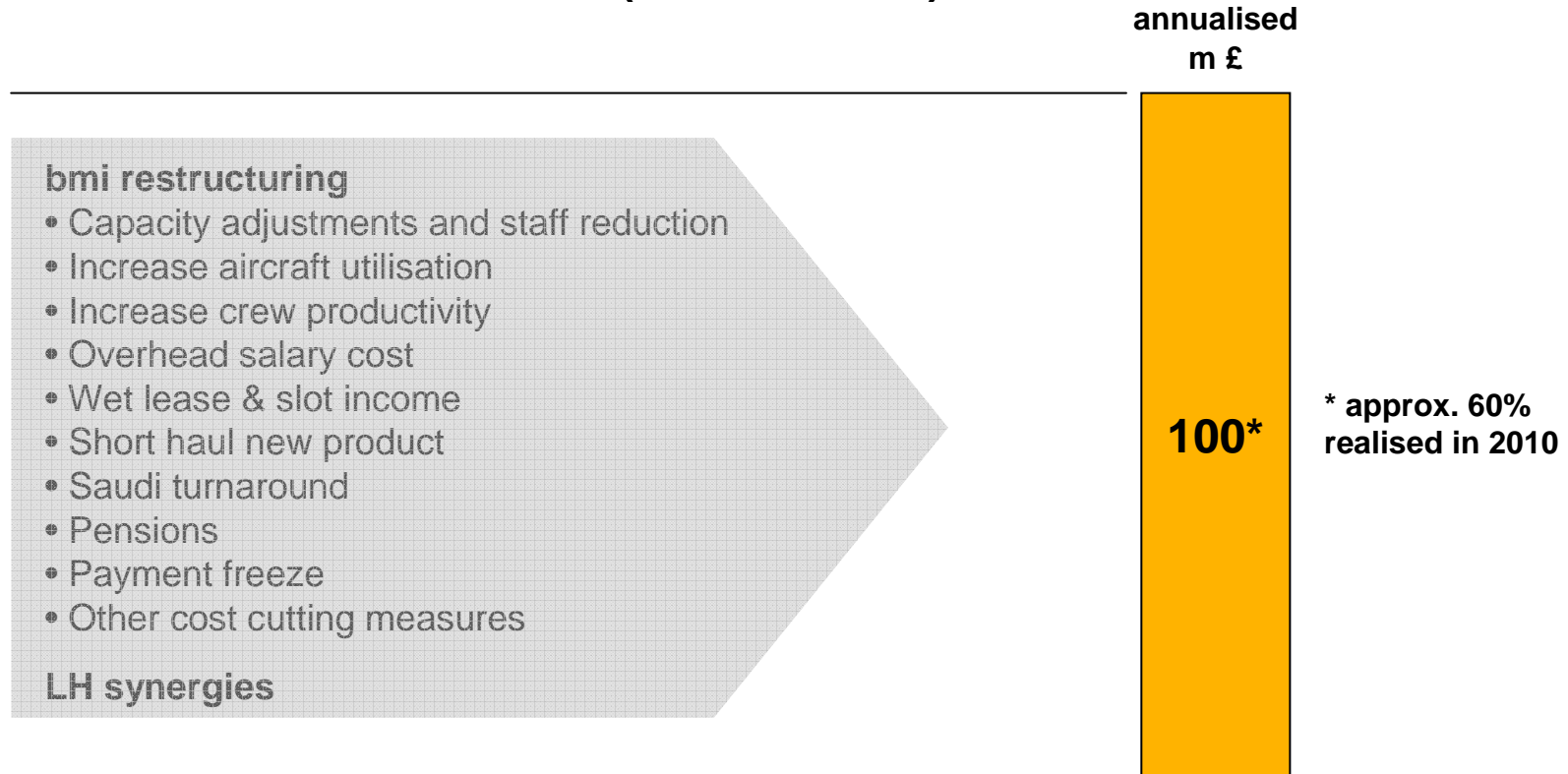


bmi offline integrated by end 2010

■ UK/Ireland ■ already integrated ■ integrated till end 2010 ● BMI destination

Summary: 100m £ restructuring in first phase of turnaround

Quantification of measures (delta vs 2009)



Mission statement and streamlined group structure

■ Mission statement bmi group

- Modern-dynamic, profitable airline representing contemporary British lifestyle, fully using synergies of LH Group & STAR
- Successful player in London, the world's largest aviation market
- Lean, focusing on quality using state of the art technology
- Employees as key assets; key differentiator
- Customer care is core competence

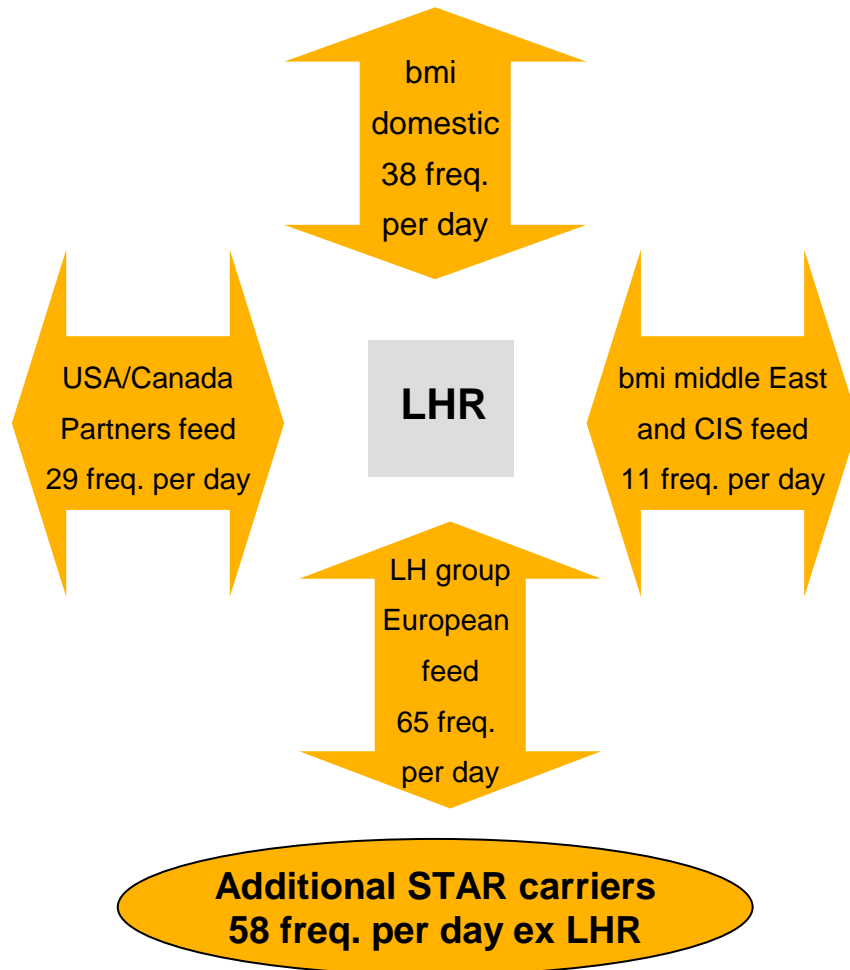
■ Group structure

- Three different production platforms, using common support/service functions
- bmi British Midland International: Comprehensive LHR network
- bmi Regional: Domestic and connecting U.K. regions to LH Group hubs
- bmibaby: Niche strategy, low cost carrier of The Midlands

Completion of restructuring measures in all areas

- **Restructuring shows concrete results in 2010**
- **Restructuring will show full effect in 2011 and 2012, examples...**
 - Newly implemented routes in a more mature stadium
 - New network elements with high potential in evaluation
 - Plug-in of bmi network into LH Group / STAR
 - LH integration will be completed, e.g. sales, M&M...
 - Aircraft lease rate restructuring
 - Corporate restructuring completed

Outlook: bmi key pillar of strong LHR network



BD forms a core part of STAR LHR operation

<u>Airline/ Group</u>	<u>weekly slots</u>	<u>% of total</u>
STAR	1,408	30%
BD	408	9%
LH group (total)	802	17%
Oneworld	2,319	49%
BA	2,014	42%
Skyteam	290	6%
Others	740	16%
Total	4,757	100%