

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.



Agenda

Welcome
Introduction
Full Year Results

George Stinnes
Martin Broughton
Keith Williams

Coffee break

Outlook for 2010-11

Keith Williams

Coffee break

Iberia
Introducing IAG
Revenue synergies
Cost & fleet synergies

Willie Walsh
Robert Boyle
Ignacio de Torres

Lunch

Transatlantic Joint Business
A Major Strategic Milestone
Customer Offering
Implementation

Willie Walsh
Craig Kreeger
Simon Talling-Smith

Final Q&A
Closing remarks

Willie Walsh





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Interim Management Report
Preliminary Full Year Results
2009/10

May 21, 2010



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Outlook for 2010/11

May 21, 2010

Keith Williams

Chief Financial Officer



Last year we said we needed foundations for profitability

- Economic recovery
- Revenue and capacity management
- Customer service
- Operational performance
- Competitive cost base

Competitive cost base (Cabin crew changes)

A comparison of now and then

2009/10 (summarised)

Revenues	8.0 billion
Fuel cost	(2.4) billion
Other costs	(5.8) billion
Operating result	(0.2) billion



A comparison of now and then

2009/10 (summarised)

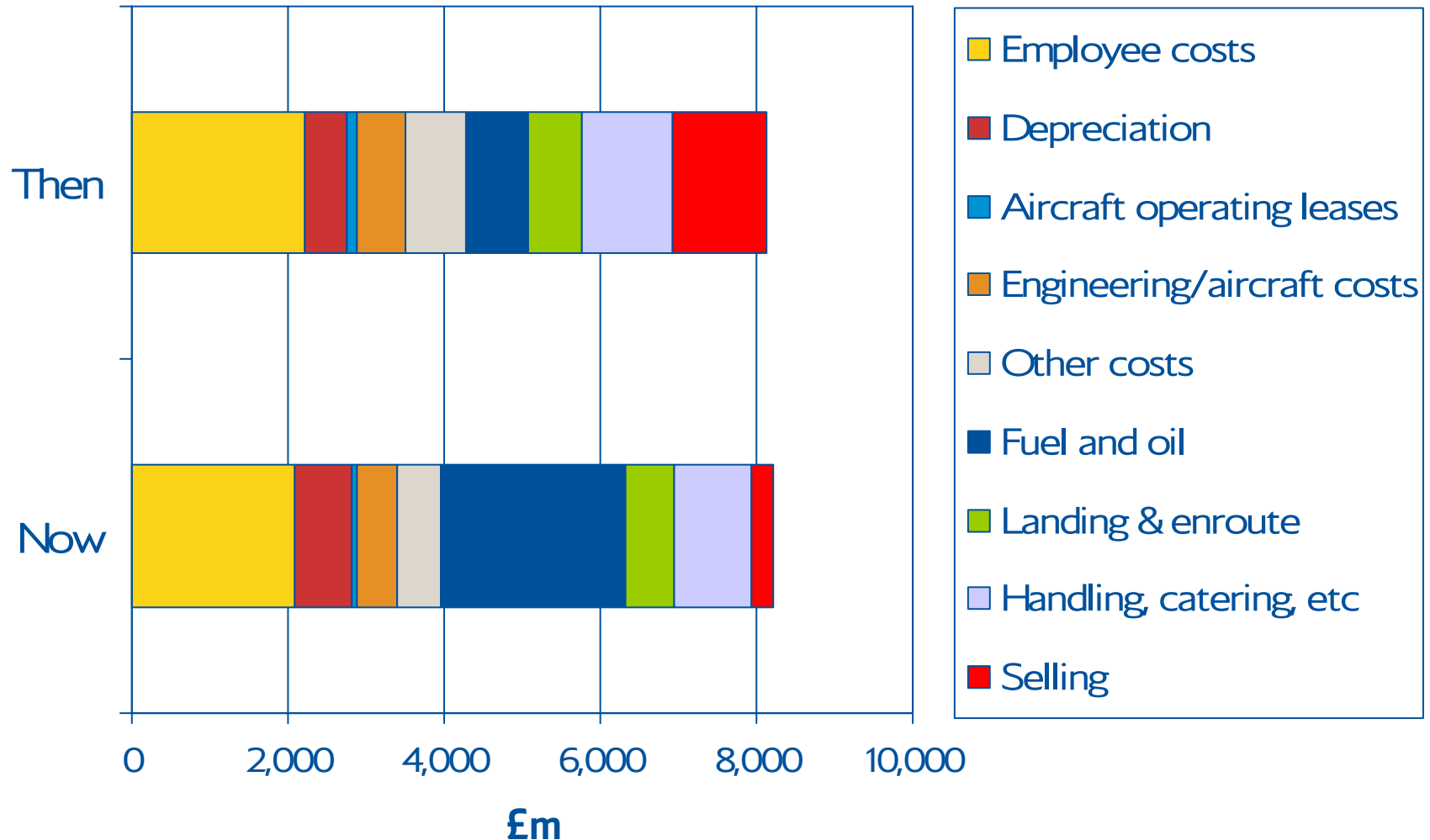
Revenues	8.0 billion
Fuel cost	(2.4) billion
Other costs	(5.8) billion
Operating result	(0.2) billion

1997/98 (summarised)

Revenues	8.6 billion
Fuel cost	(0.8) billion
Other costs	(7.3) billion
Operating result	0.5 billion

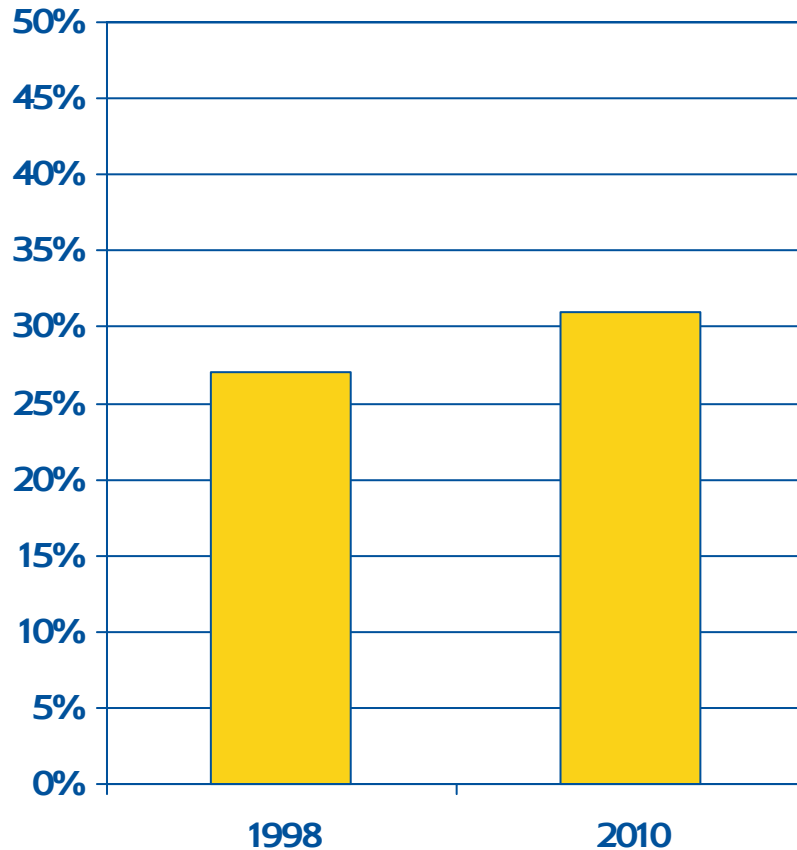


Employment costs slightly lower

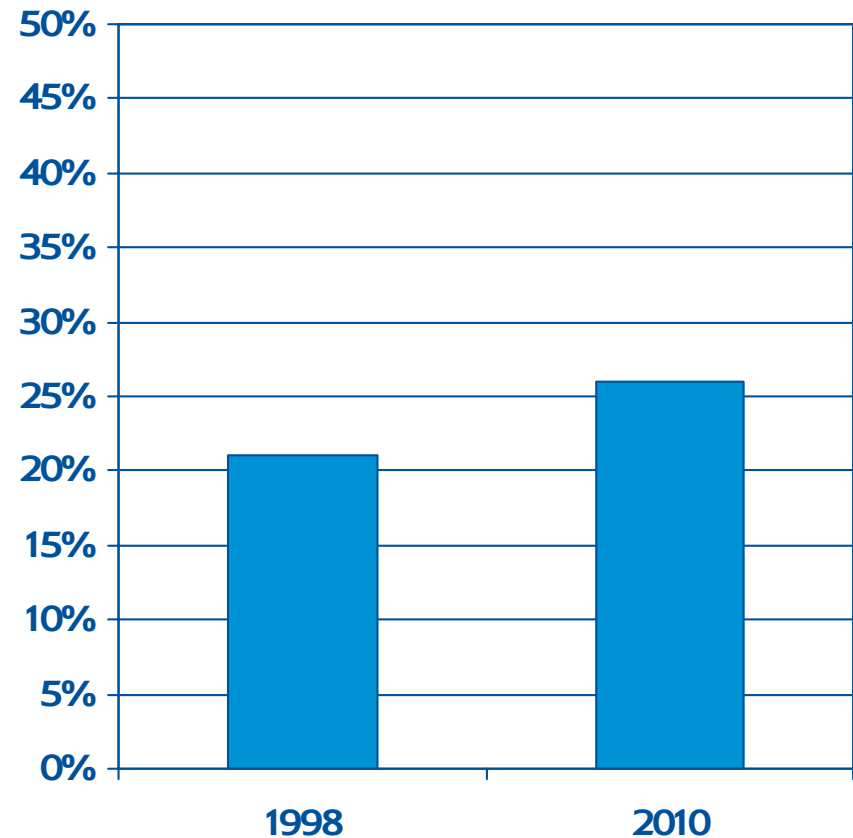


Cabin crew productivity and cost

Cabin Crew Manpower/Total Manpower



Cabin Crew Employment Cost/Total Employment Cost



Unit cost trends

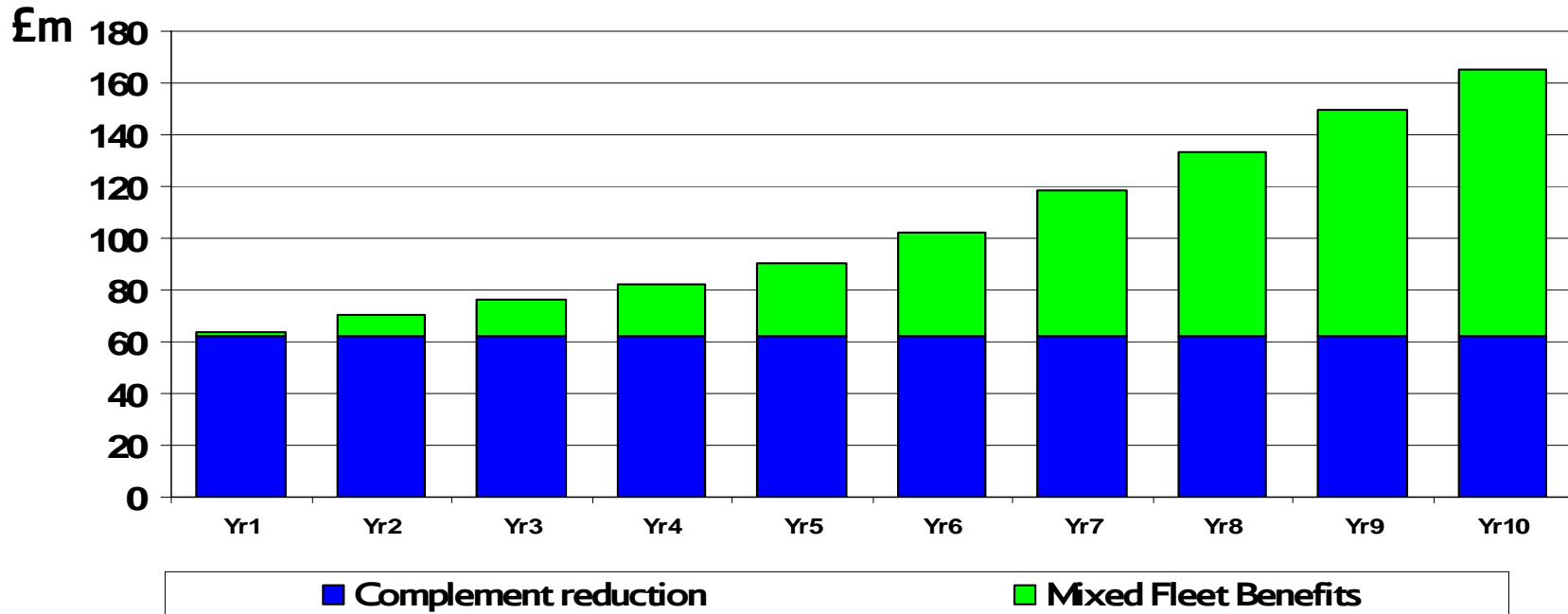
Cost per Flying Hour

£	1997	2009	<i>% increase 1997-2009</i>	Fin Plan 2010
Worldwide Heathrow	50.8	63.2	<i>24.3%</i>	61.3
Eurofleet Heathrow	52.7	69.4	<i>31.8%</i>	65.8
Gatwick Single Fleet	n/a	38.0		37.8



Impact of cabin crew initiatives

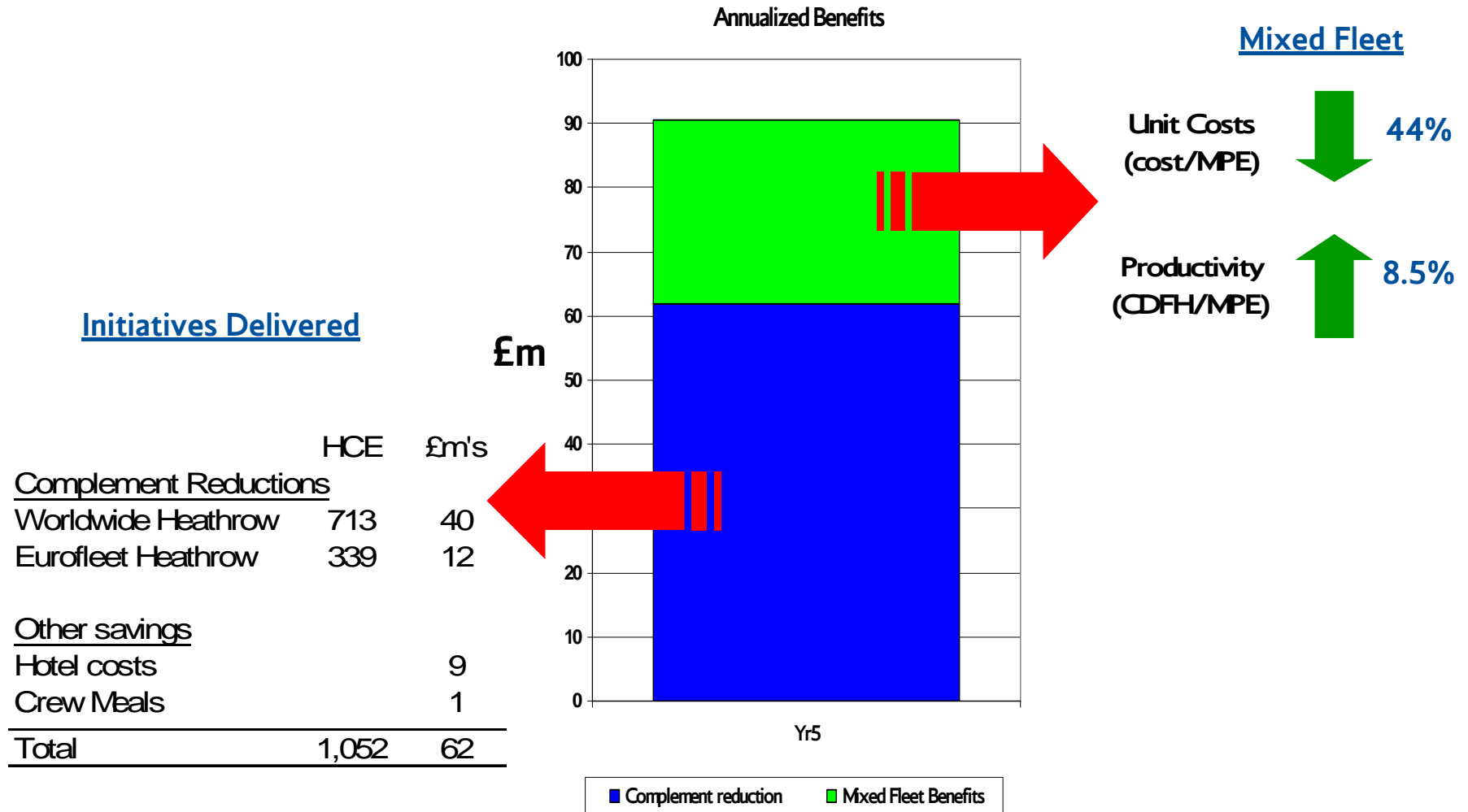
Annualized Benefits



Mixed Fleet Manpower

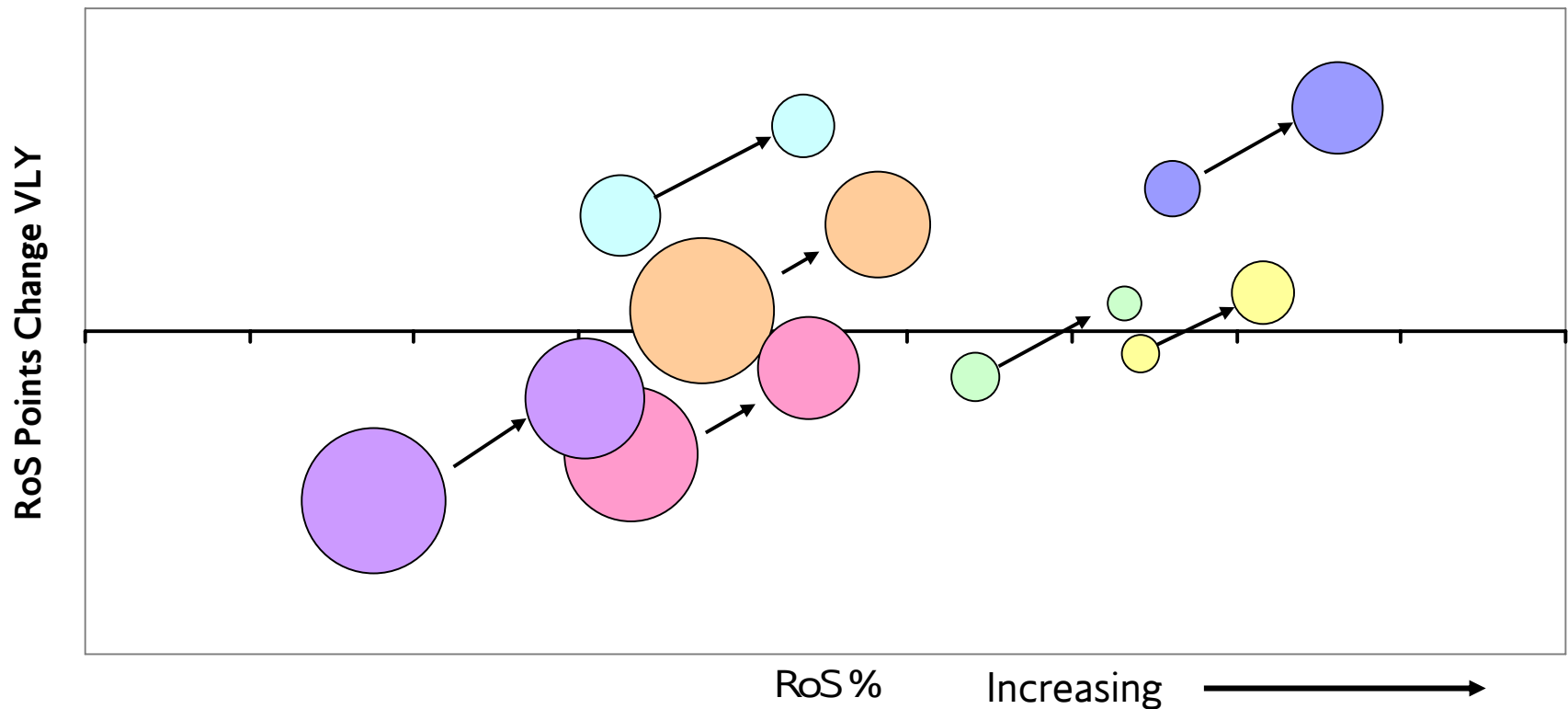
	Yr1	Yr2	Yr3	Yr4	Yr5	Yr6	Yr7	Yr8	Yr9	Yr10
Average Annual MPE	446	1,067	1,514	1,889	2,426	3,023	3,879	4,353	4,275	4,865
% of Total Heathrow MPE	5%	11%	15%	18%	23%	28%	34%	38%	38%	42%

Benefits – how they will be realised (year 5)



New crew costs improve route profitability

FAR EAST/PACIFIC Route Results - 2009/10

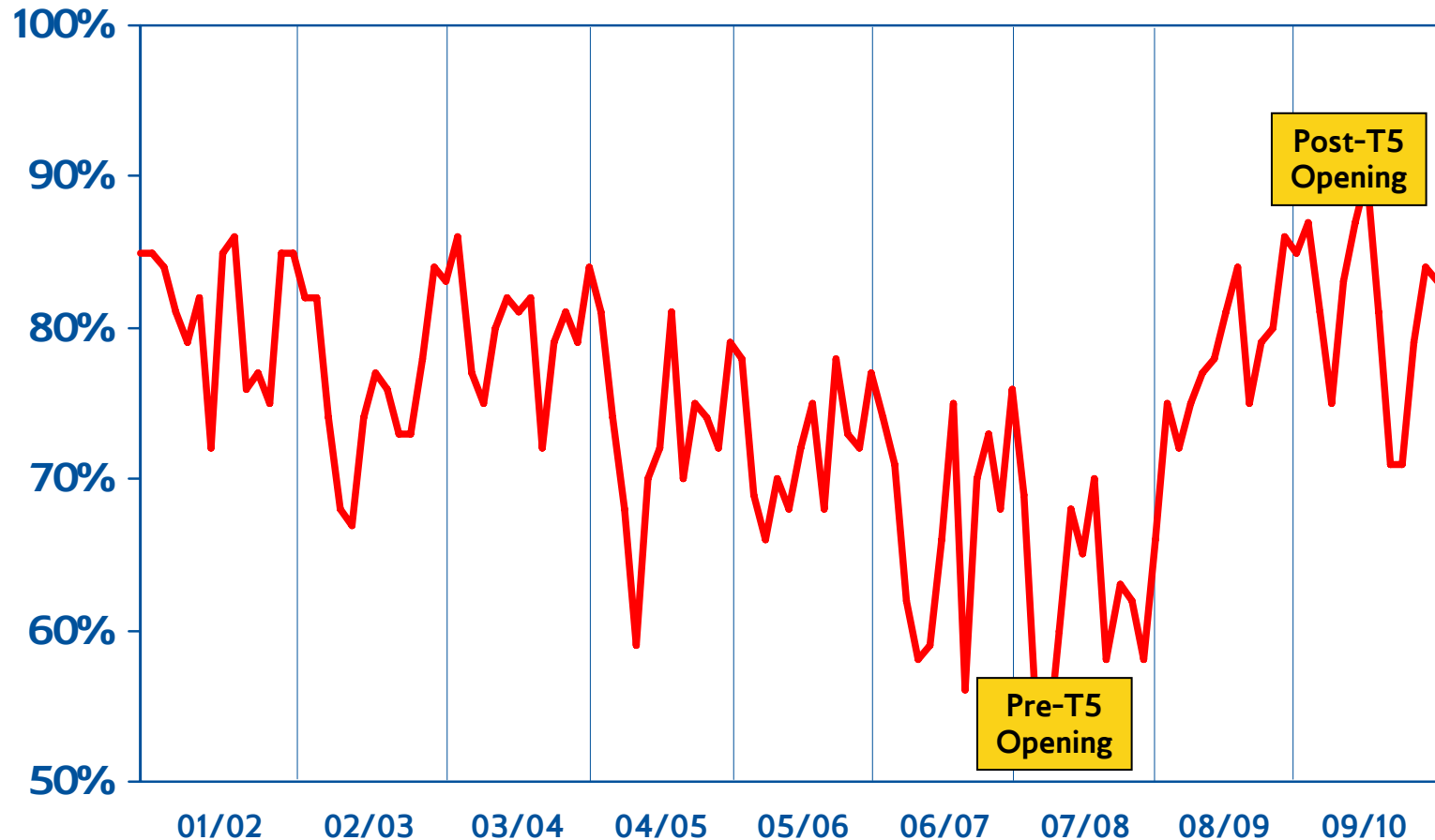


Operational performance



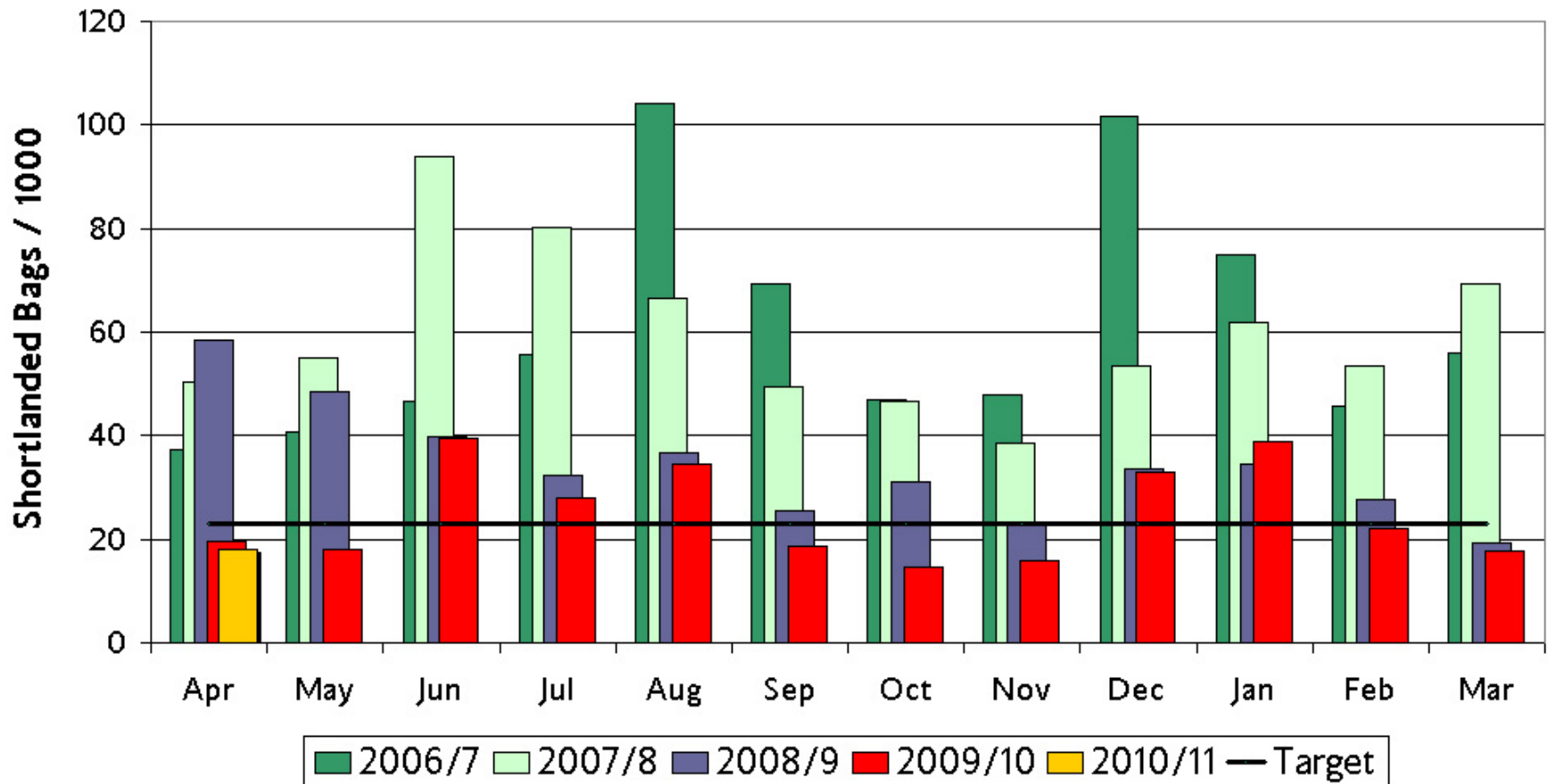
Punctuality within 15 mins

Mainline departures on time performance



Heathrow baggage regularly beating target

LHR Overall Shortlanded Baggage Performance
Shortlanded Bags / 1000 Pax



Customer experience



Investing for the customer (1)



Roll-out of new First cabin



BA Cityflyer to operate all-new Embraer fleet from July

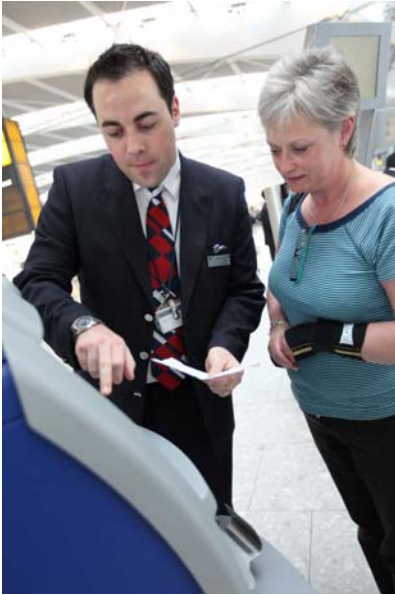
New In-flight Entertainment system delivered on new aircraft



Targeted cabin interior investments to maintain standards



Investing for the customer (2)



A revolution in customer service, through changes in the way we lead, train and reward our customer-facing staff

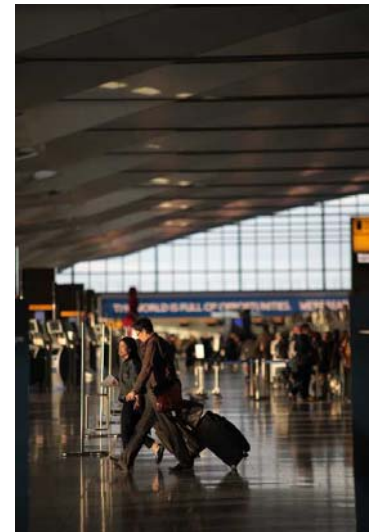


Reaffirmation of our brand

Investments in the quality and choice of our on-board catering

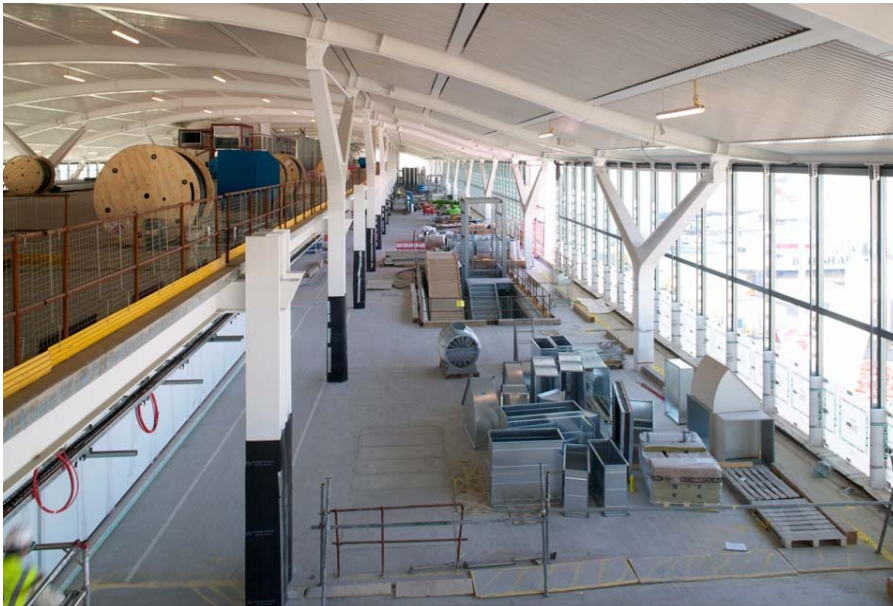


Refinements to the T5 ground experience for premium passengers



T5C satellite will open next summer

- Design based on T5B and connected to other satellites by extension of the underground train
- Improved connectivity for transfer bags
- 10 more stands than at T5 opening



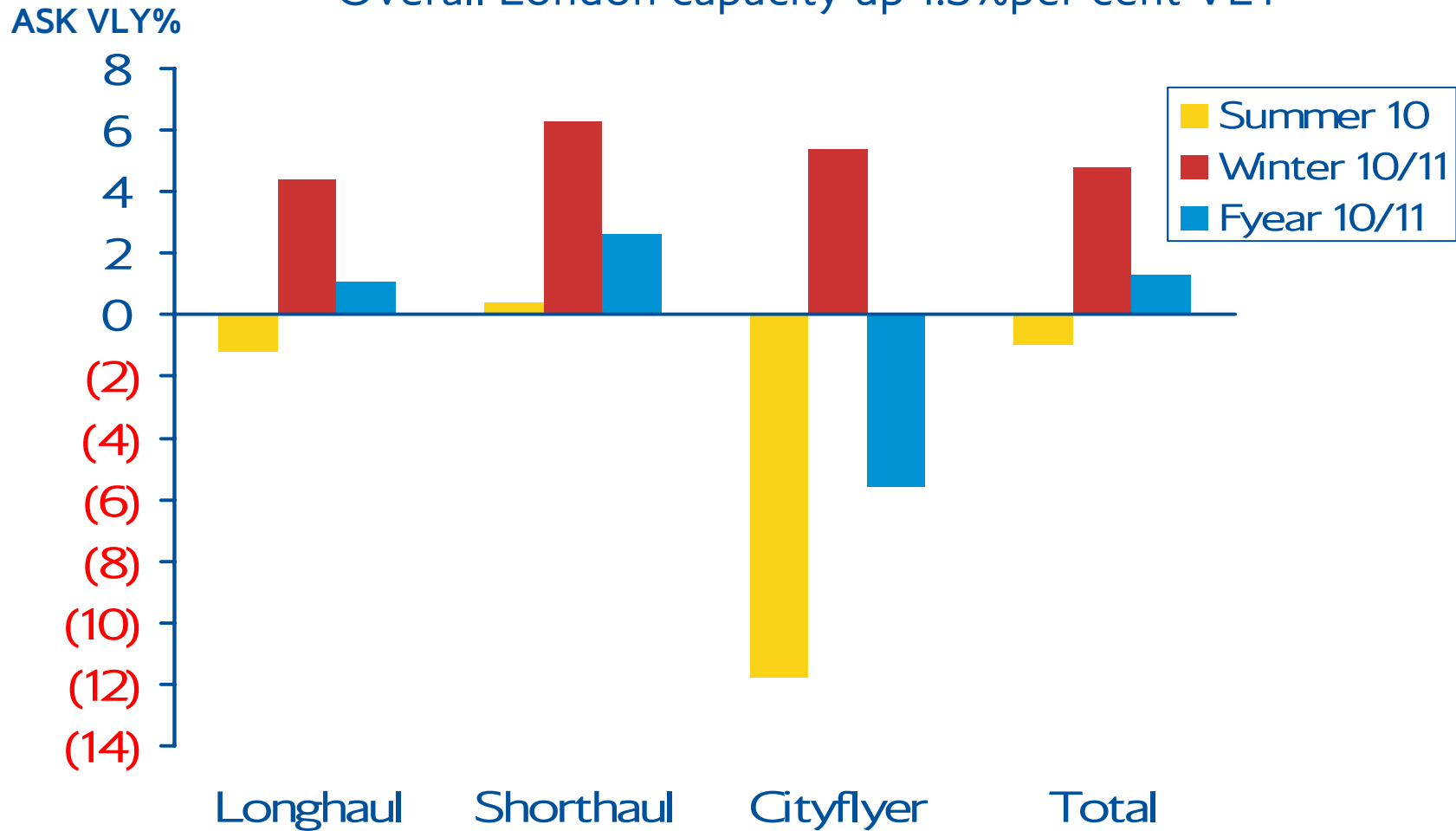
- 12 additional pier served stands
- Pier service rising to 95% from current levels of 80%
- A380 ready

Capacity management



Our base plan was a +1.3% increase in capacity

Overall London capacity up 1.3% per cent VLY



Excludes strike impact in 2009/10



Favourable economics for standing up 747

Cost per B747 Rotation, North Atlantic



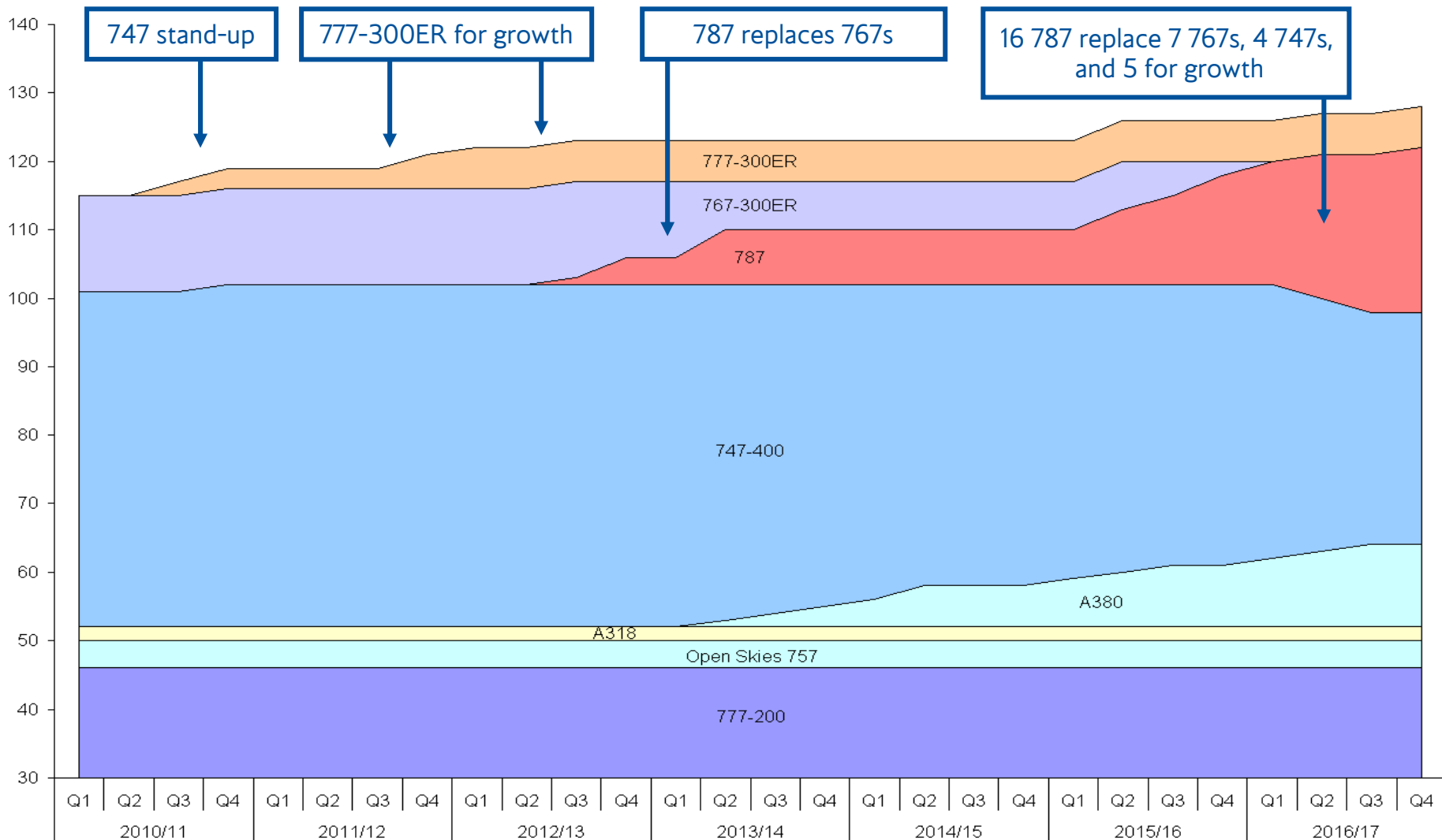
- We have decided to stand up one 747 from winter 2010
- Premium market strong – bigger Club capacity
- Structural cost savings help route economics
- No incremental ownership cost



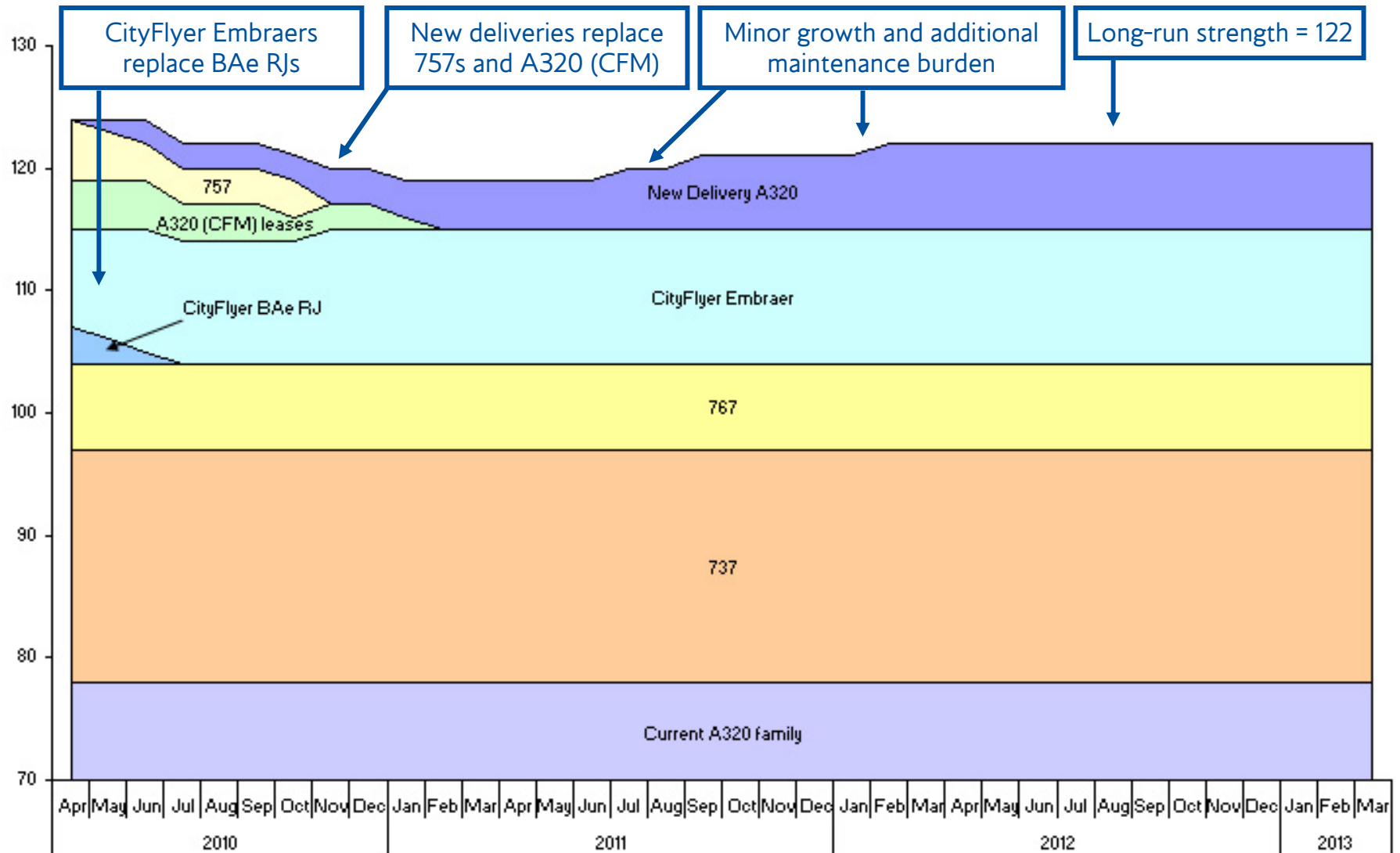
Fleet and capex summary



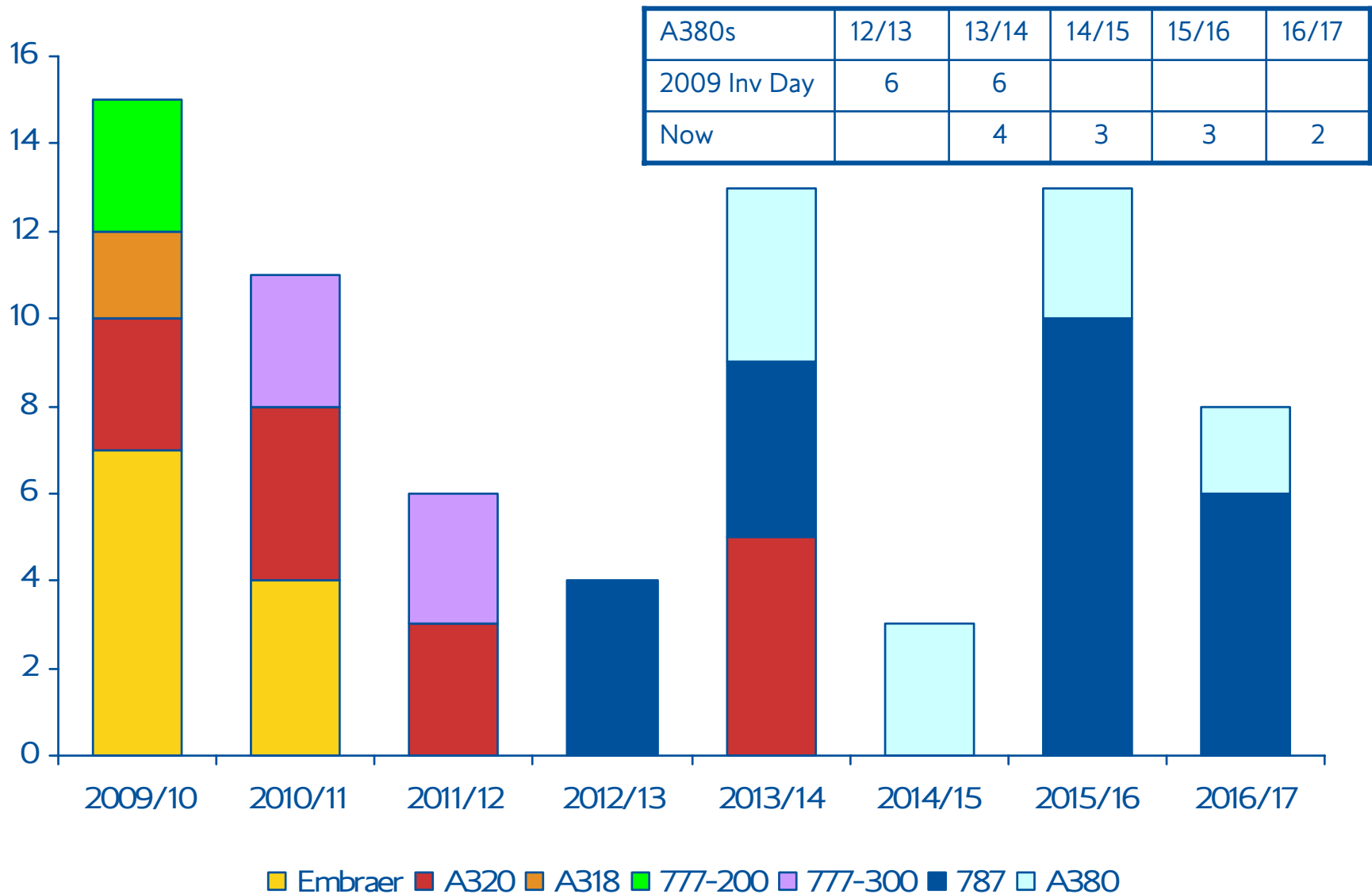
Longhaul fleet plan – central case



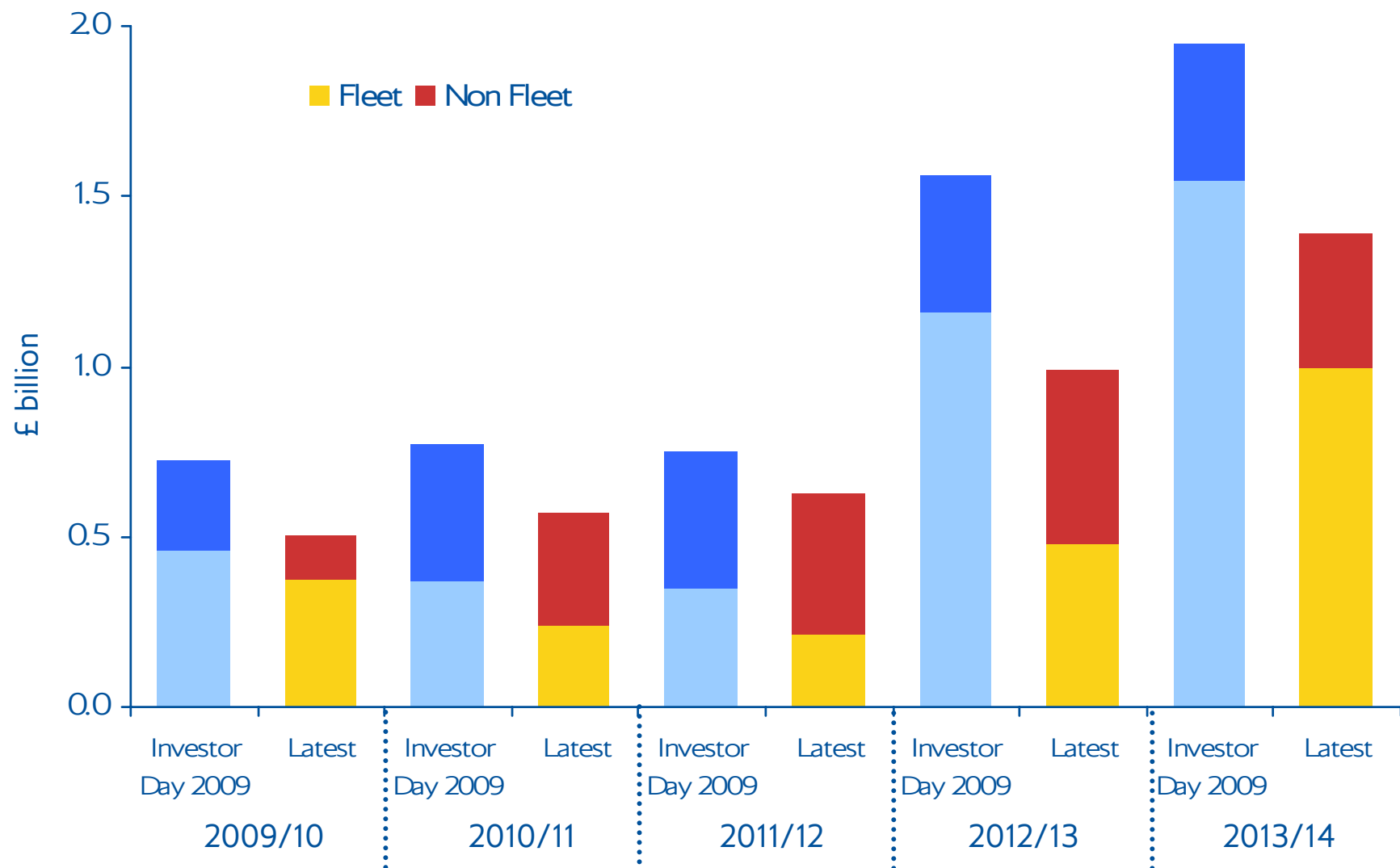
Shorthaul fleet plan – central case



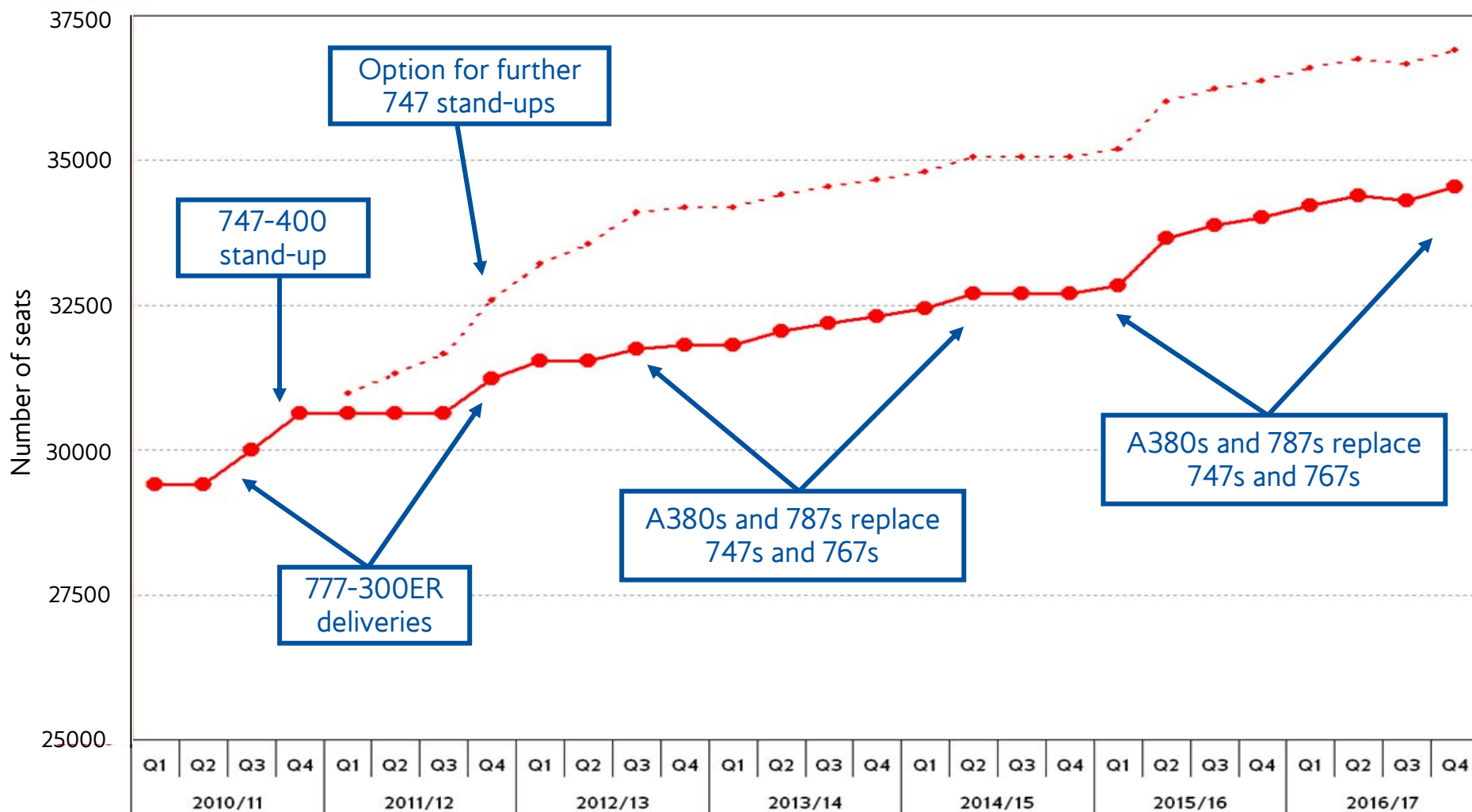
Fleet orders have been delayed



Capital expenditure down



We have flexibility in our fleet



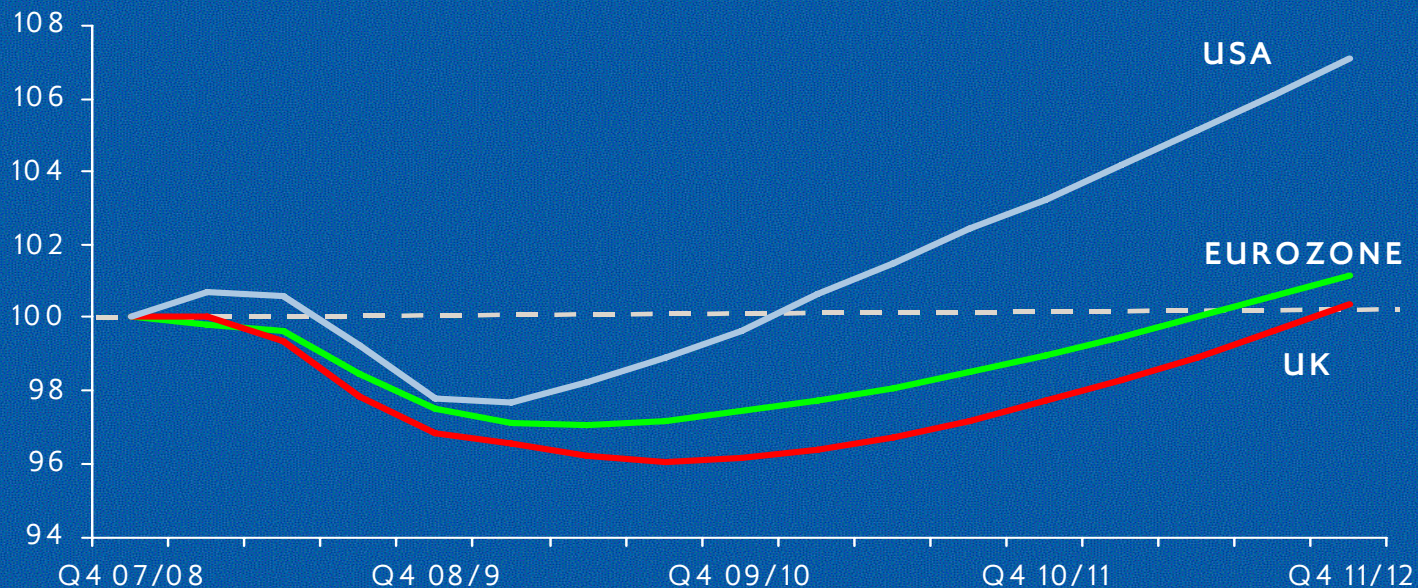
Revenue outlook



The economic forecast last year

US expected to lead recovery during 2009-10

Index based on
GDP % VLQ



Source: Oxford Economics and Capital Economics, February 2009

 **BRITISH AIRWAYS** Investor Day 2009

Last year: Passenger revenue 09/10

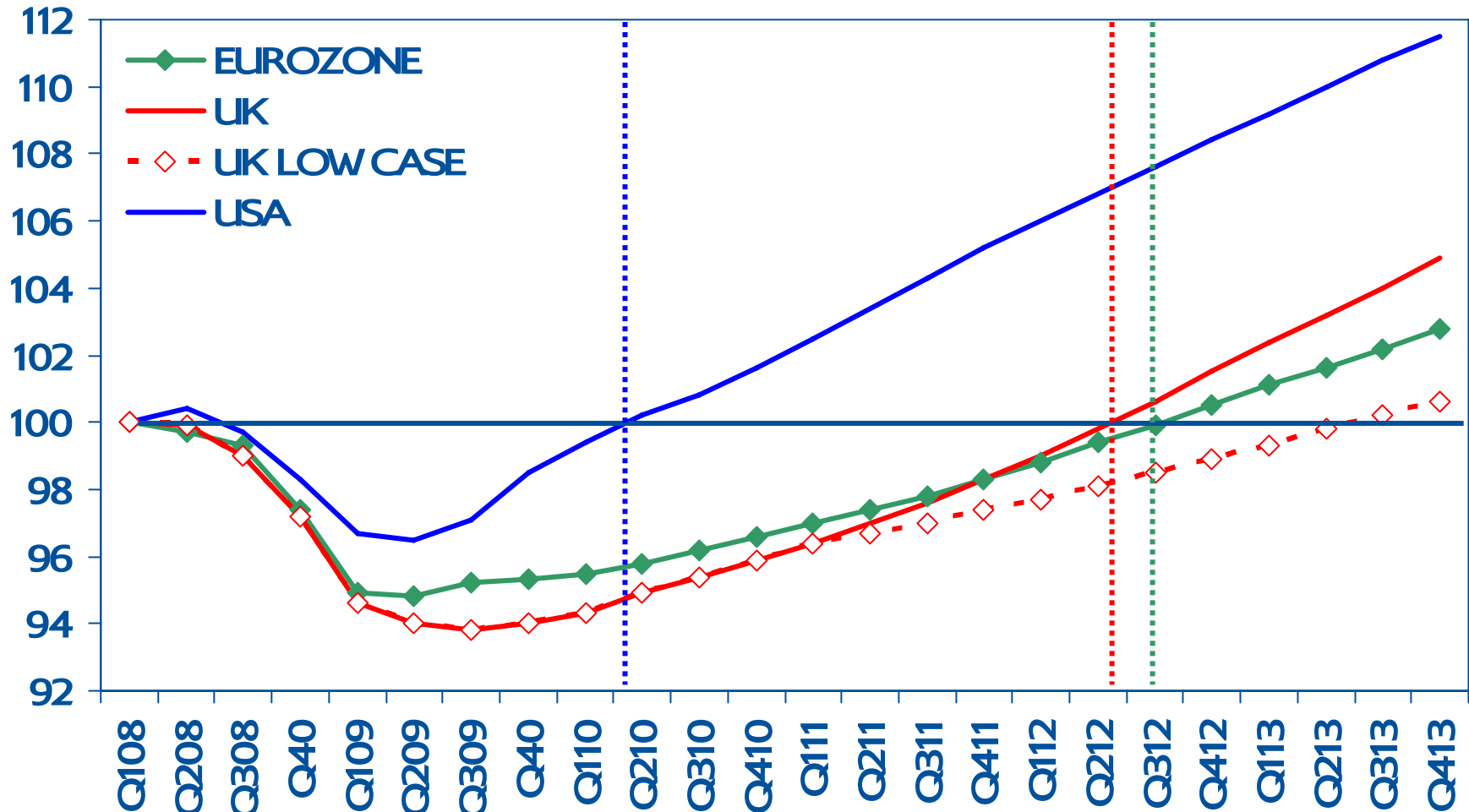
- Last year we achieved increased loads on reduced capacity
 - Good volume performance at reduced yield
 - Driven by price, dialling-up transfers, cabin adjustments
 - Premium volumes began to recover in H2
- Q4 yield performance positive
 - Capacity reductions
 - Improved premium mix
 - Strengthening yields in each cabin
- Q4 volumes disrupted by strike and snow



GDP outlook – key economies

US recovers next quarter; the UK delayed by 2 yrs, but could be 3 yrs. EZ lags UK.

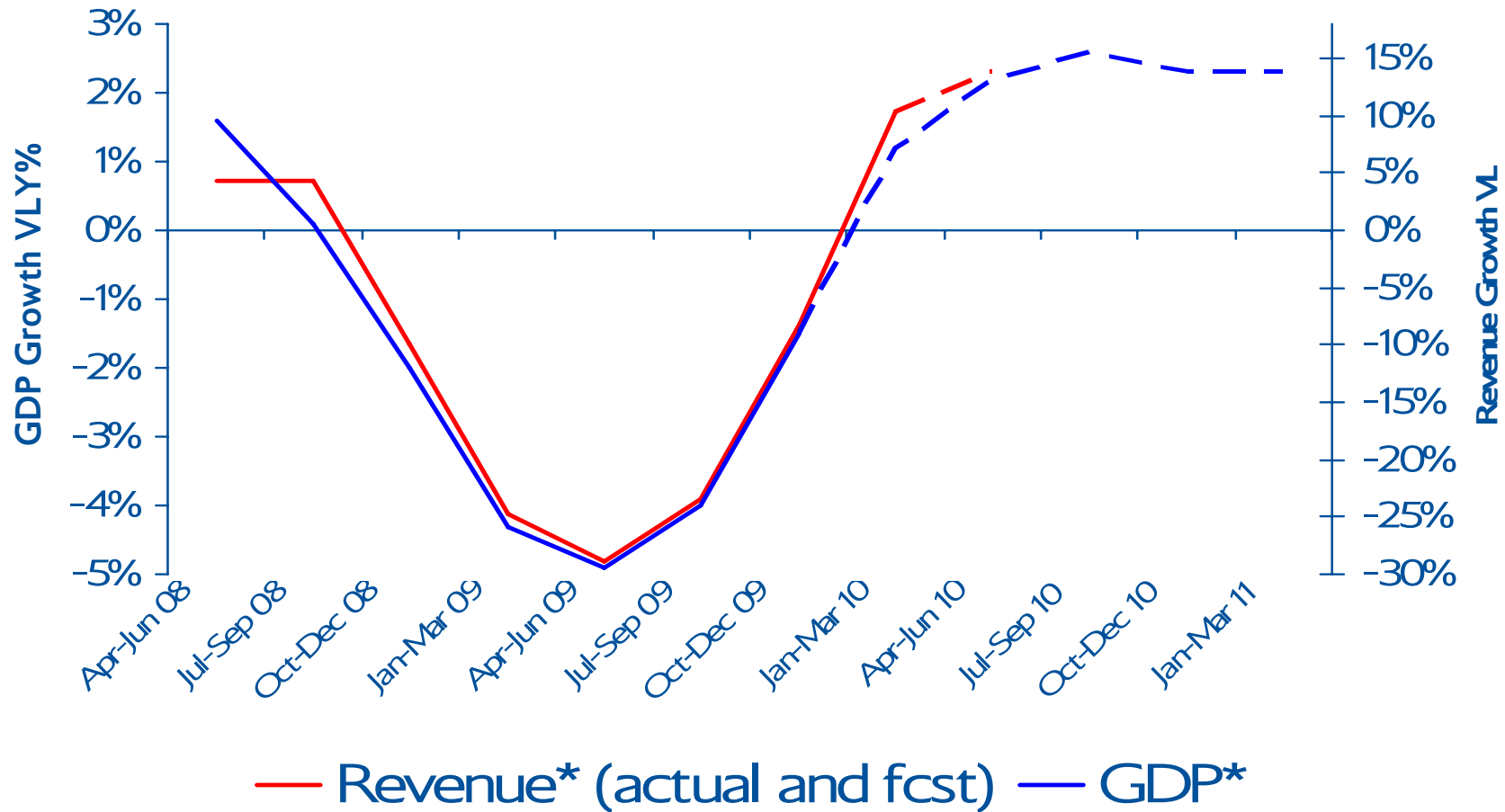
GDP Jan-Mar 08=100



SOURCE: ONS, FEBRUARY 2010



Longhaul premium revenue ahead of GDP



*Note: Revenue is Net including Fuel Surcharge; GDP is an average between UK and US GDP growth



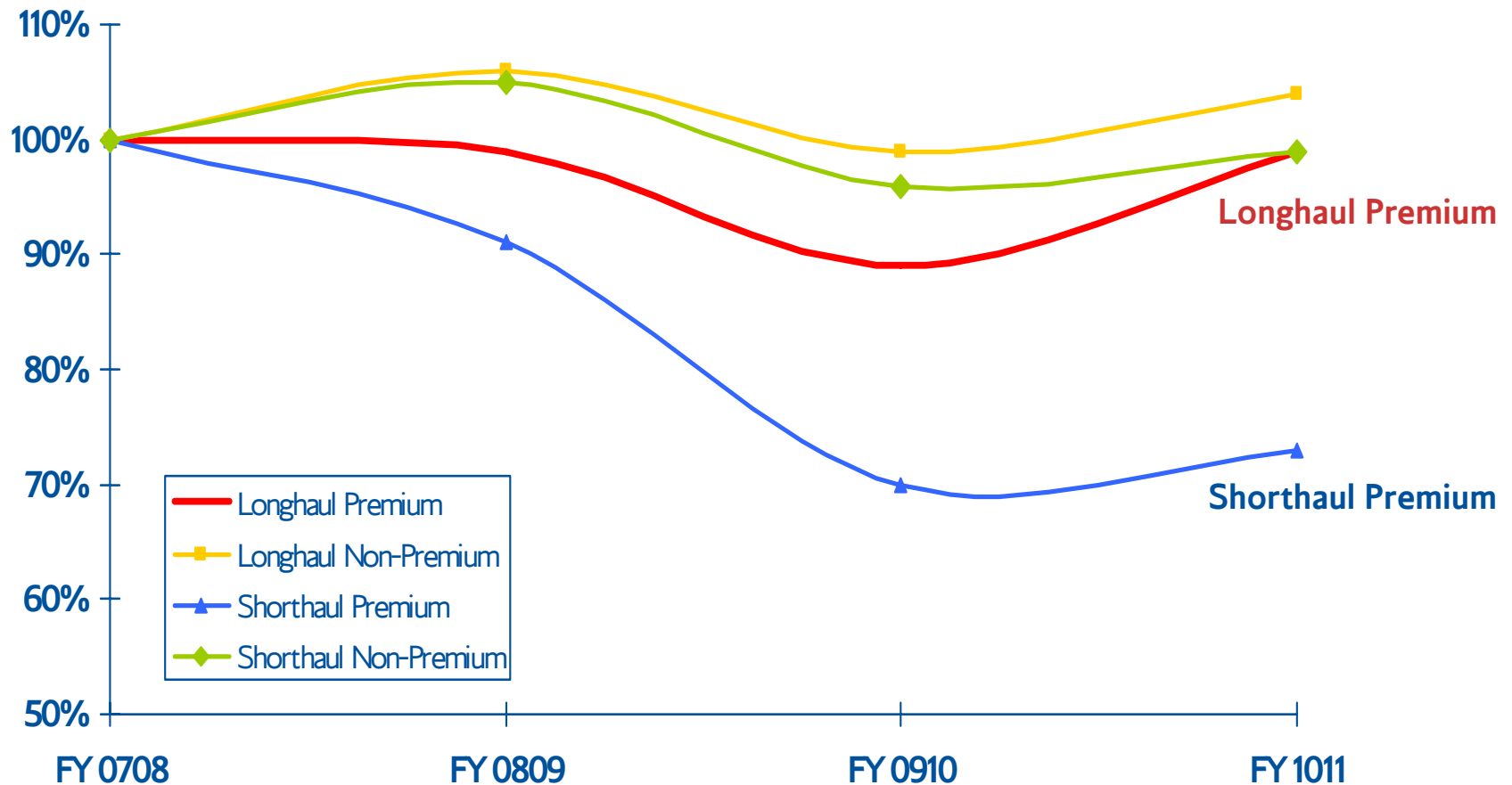
So how does this year look....

(Passenger Revenue 10/11)

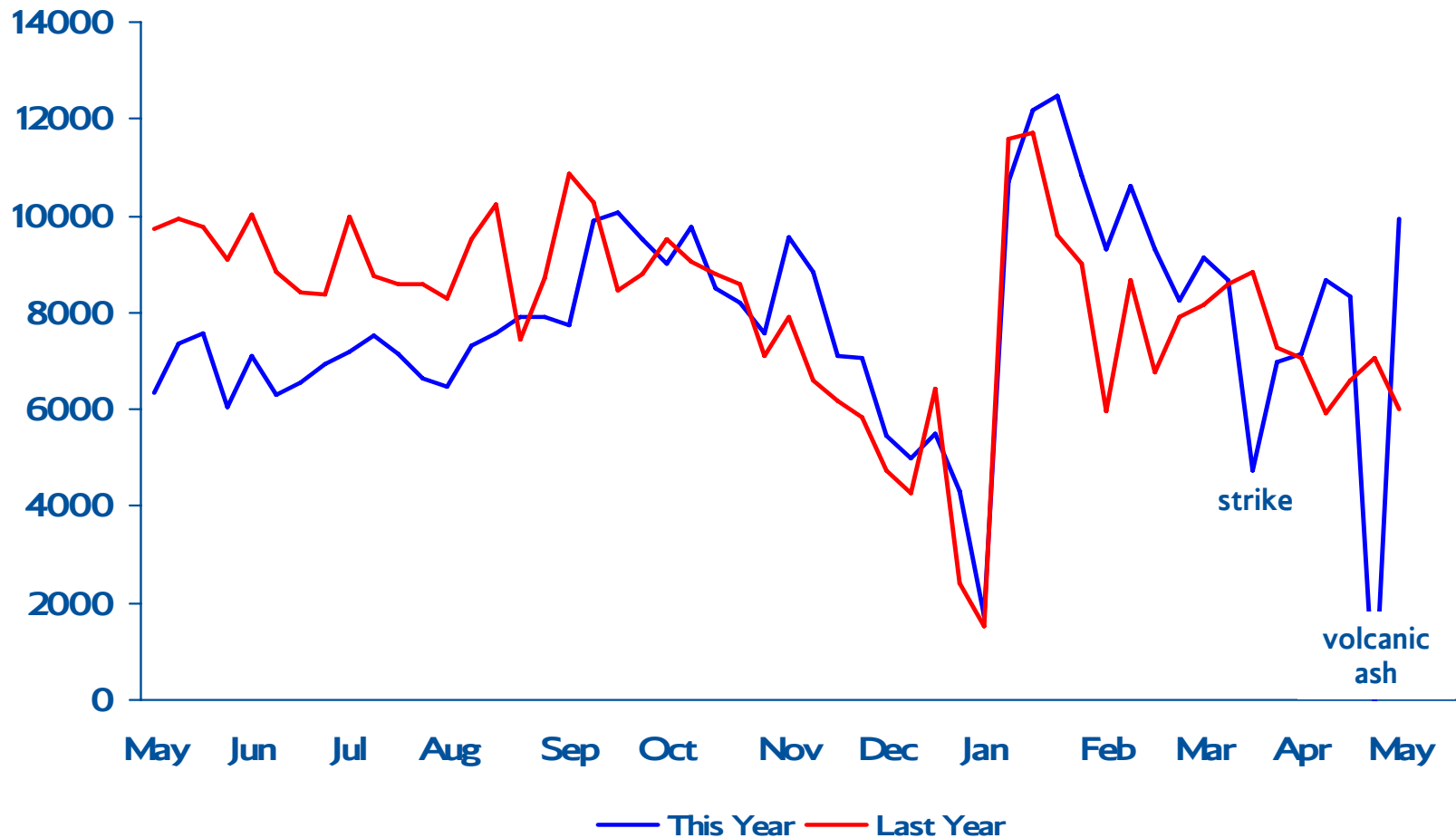
- This year we expect yield to continue to improve
 - Holding capacity
 - Improved premium mix
 - Strengthening yields in each cabin
- Not looking to grow load factors
- Positive booking trends (disrupted by strike/snow/ash)
 - Strong volumes out of North America
 - UK corporate growth, especially North Atlantic



Longhaul premium should lead to revenue improvement



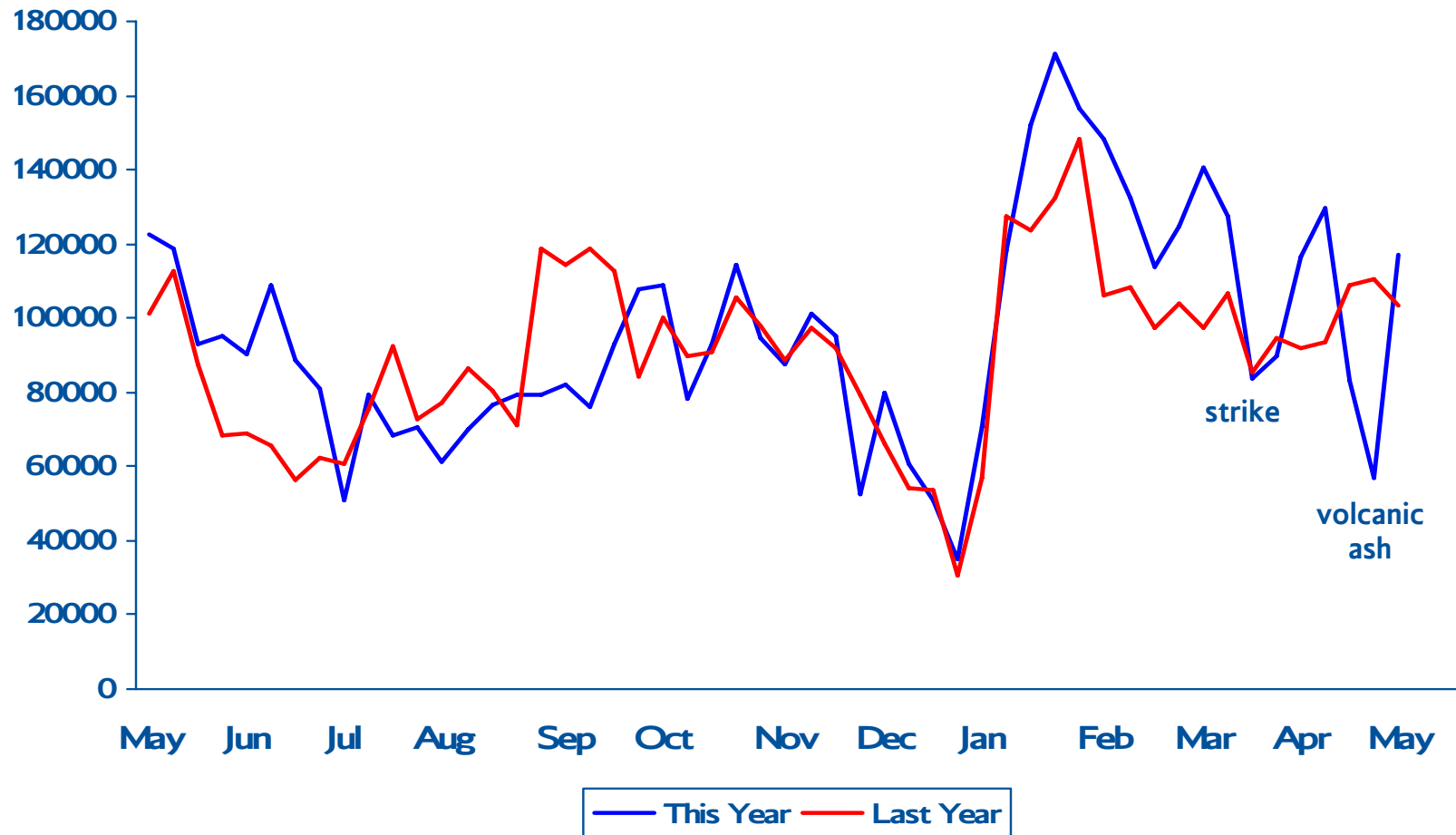
UK corporate growth: Transatlantic promising



Note: Weekly net new booking volumes, UK&I corporate sales, North Atlantic routes



Strong bookings out of North America



Note: Weekly net new booking volumes, North America sales, all routes



and longhaul premium mix improving

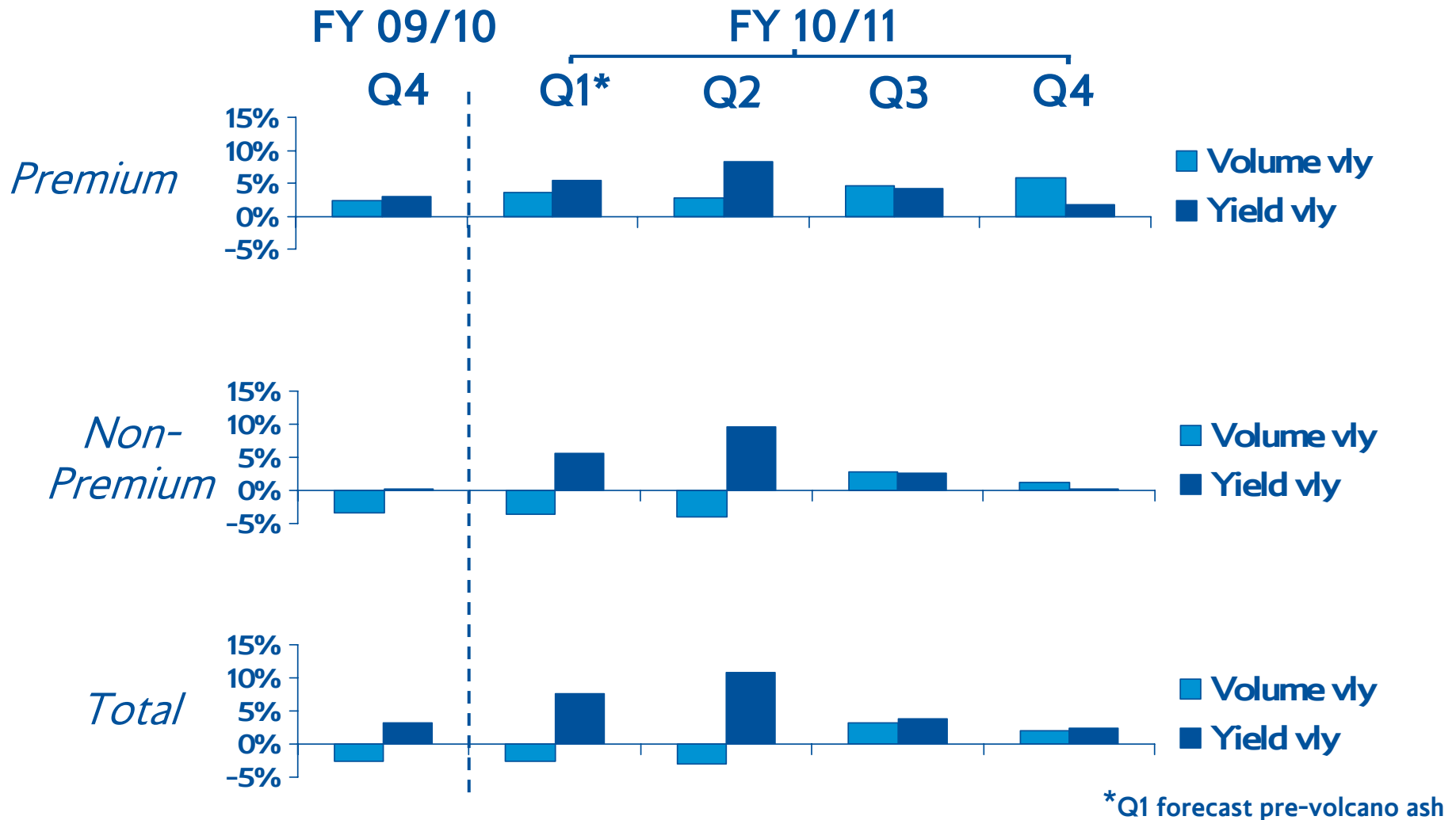
Bookings into flexible selling classes in First and Club World



Note: Weekly net new booking volumes, global sales, all routes, highest fare classes



..so expecting yield improvement.









Passenger revenue in summary

- Last year
 - strong loads
 - reduced yield
 - reduced capacity
 - positive yield Q4
- Outlook for this year
 - continued yield improvement
 - driven by premium mix and price
 - encouraging North Atlantic booking trends



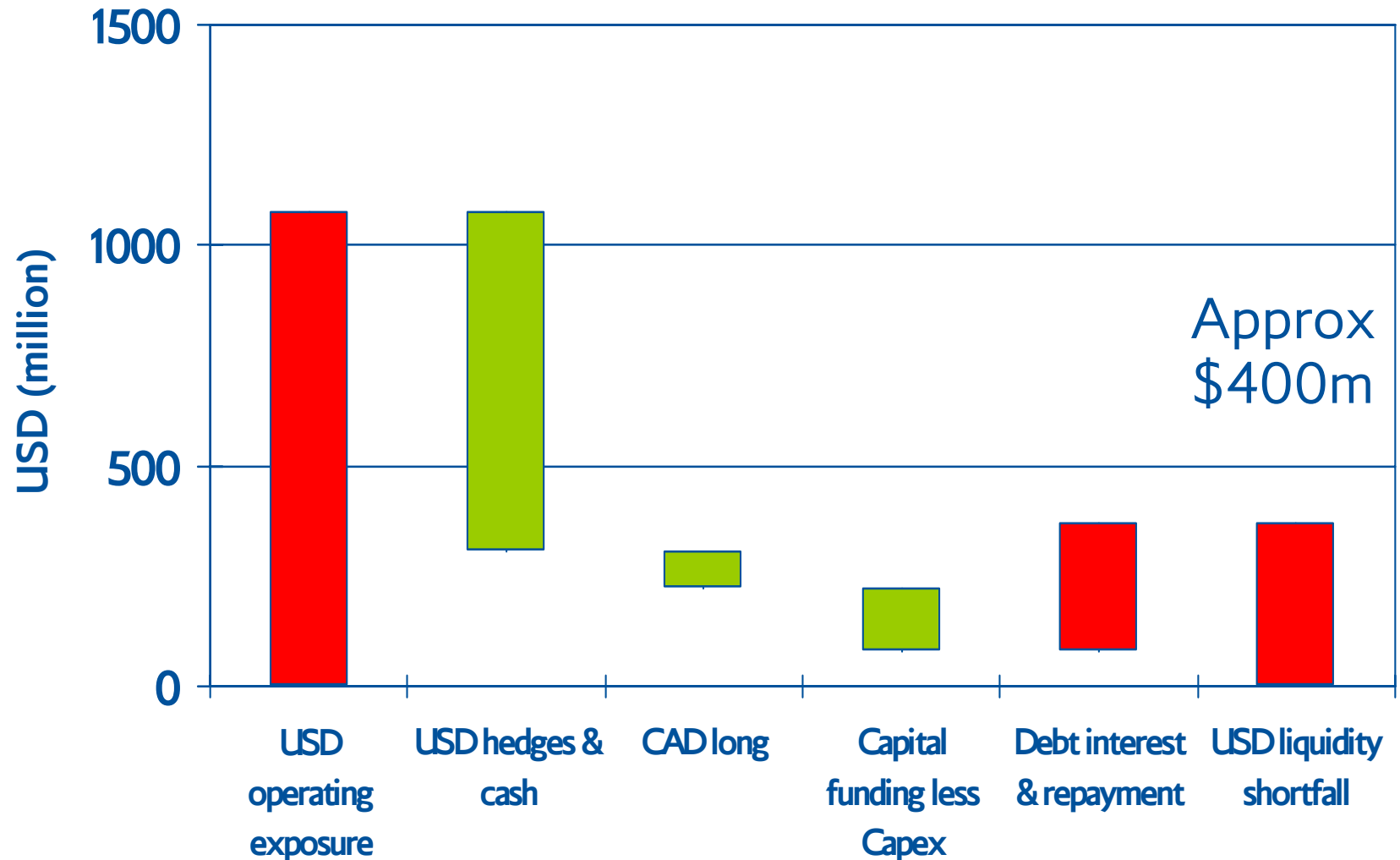
Costs

	Fuel	Non-Fuel
Investor Day 2009	£300m 	£220m 
2009/10	£600m 	£390m 
2010/11		
	targeting flat overall	



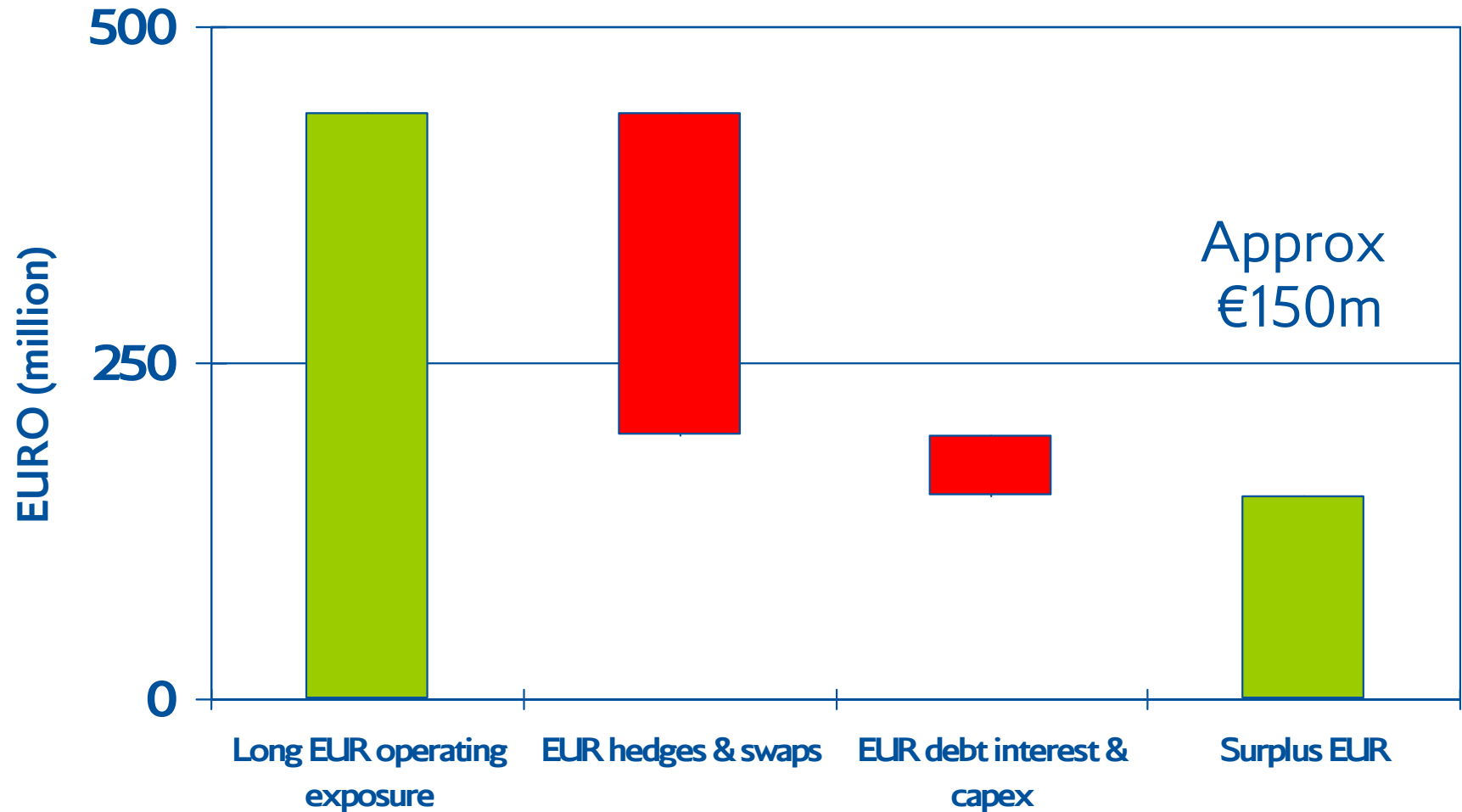
Hedged currency risk - dollar

(FY10/11: USD FX exposures)



Hedged currency risk - Euro

(FY10/11 : EUR FX exposures)



Summary

- Economic backdrop and yields improving
- Progress on structural cost change
 - Cabin crew changes implemented
- Revenue target up 6%
- Targeting break-even at PBT



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Investor Day

May 21, 2010



Introducing International Airlines Group

Willie Walsh
Chief Executive



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

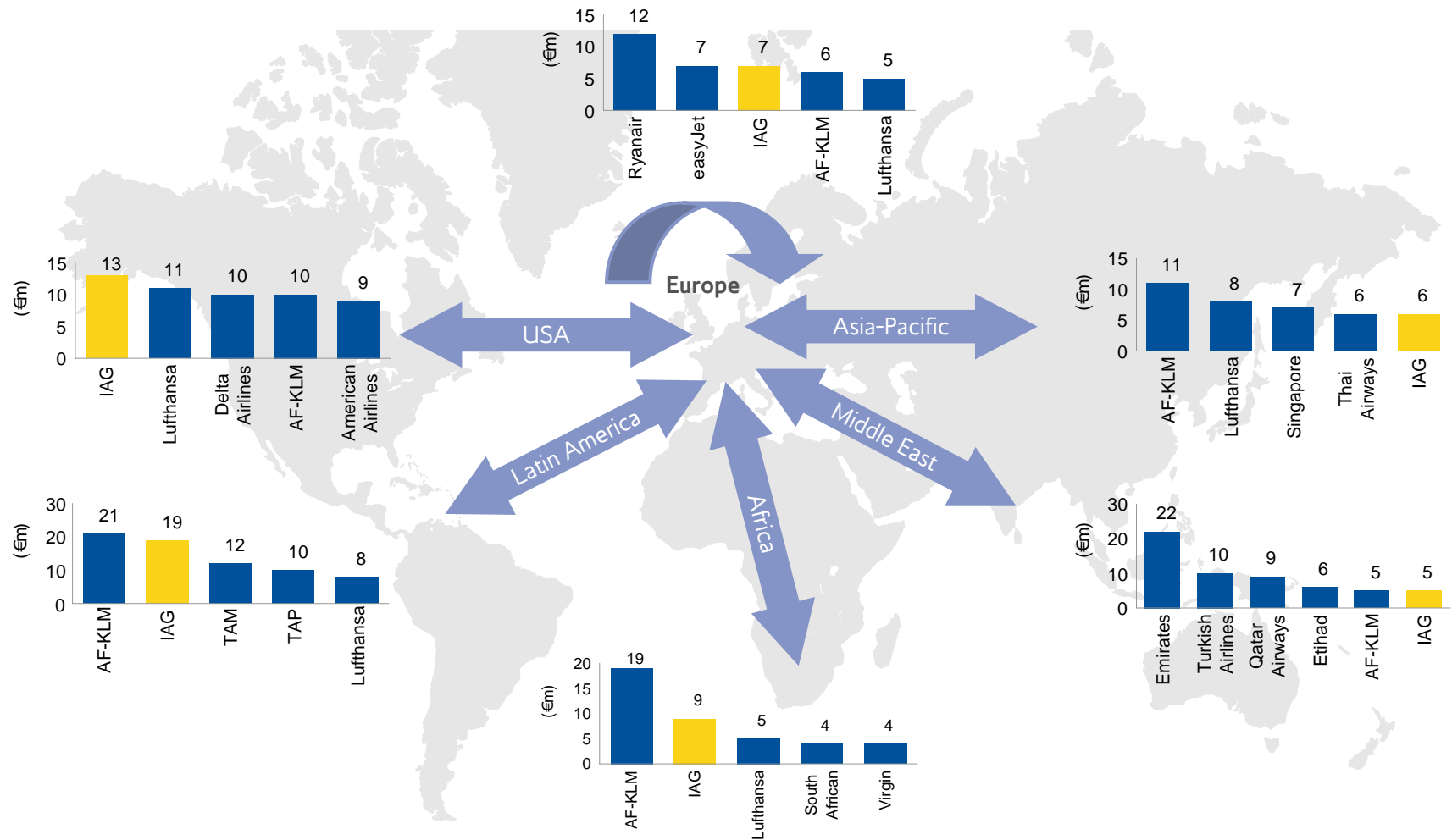
5. Run-rate synergies of €400 million by year 5

6. Effective governance and management



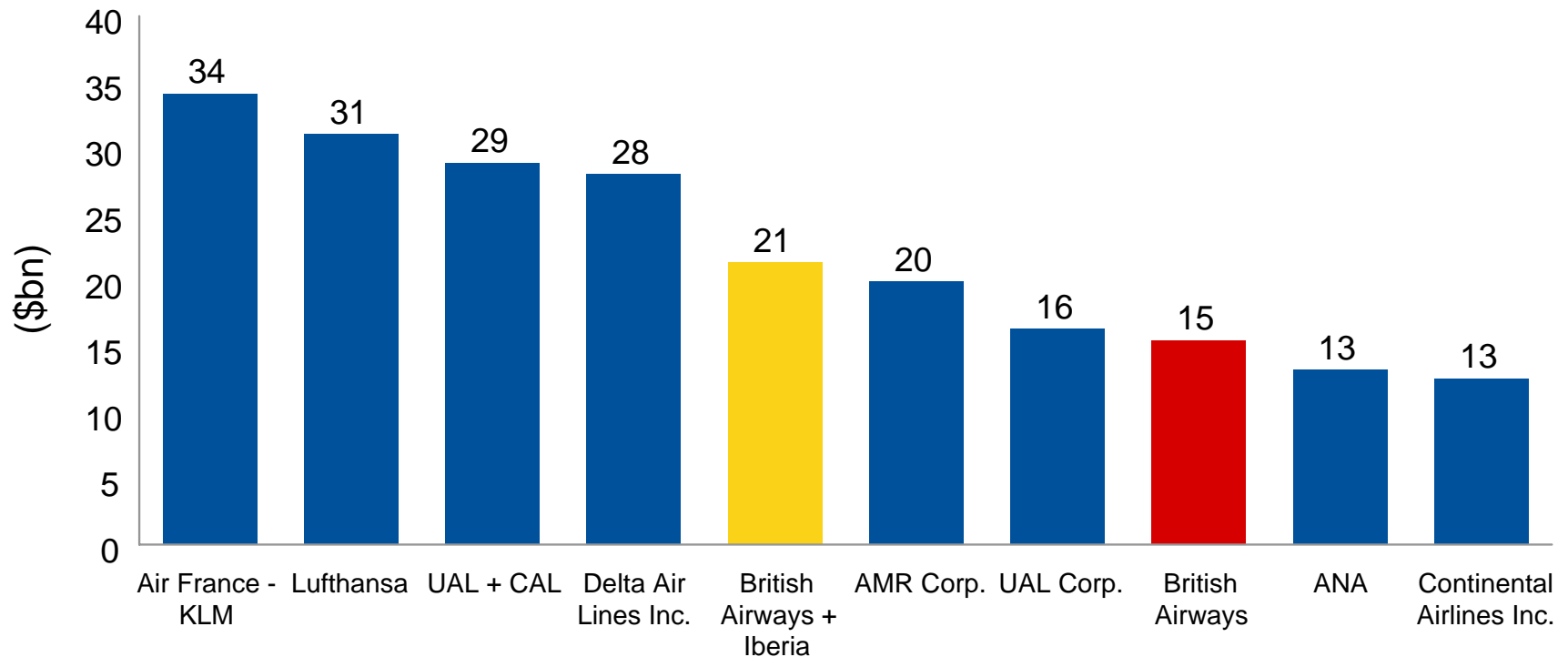
Strong strategic positioning globally

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



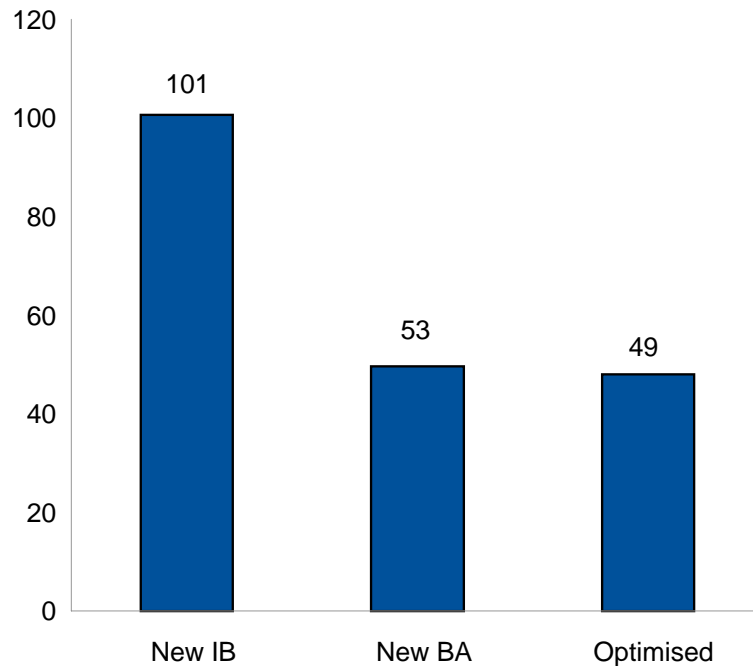
A top five global airline group

Global airlines by revenue (FY2009)

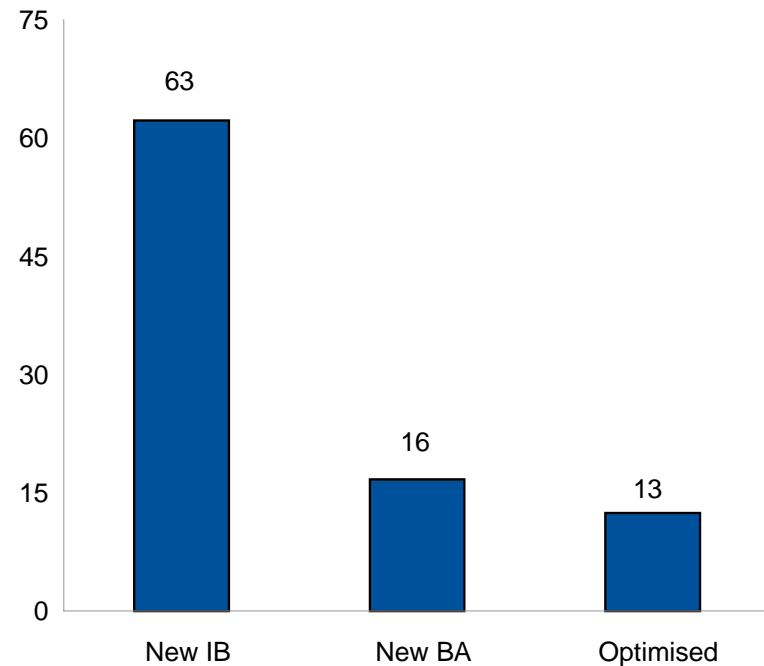


Complementary networks and hubs

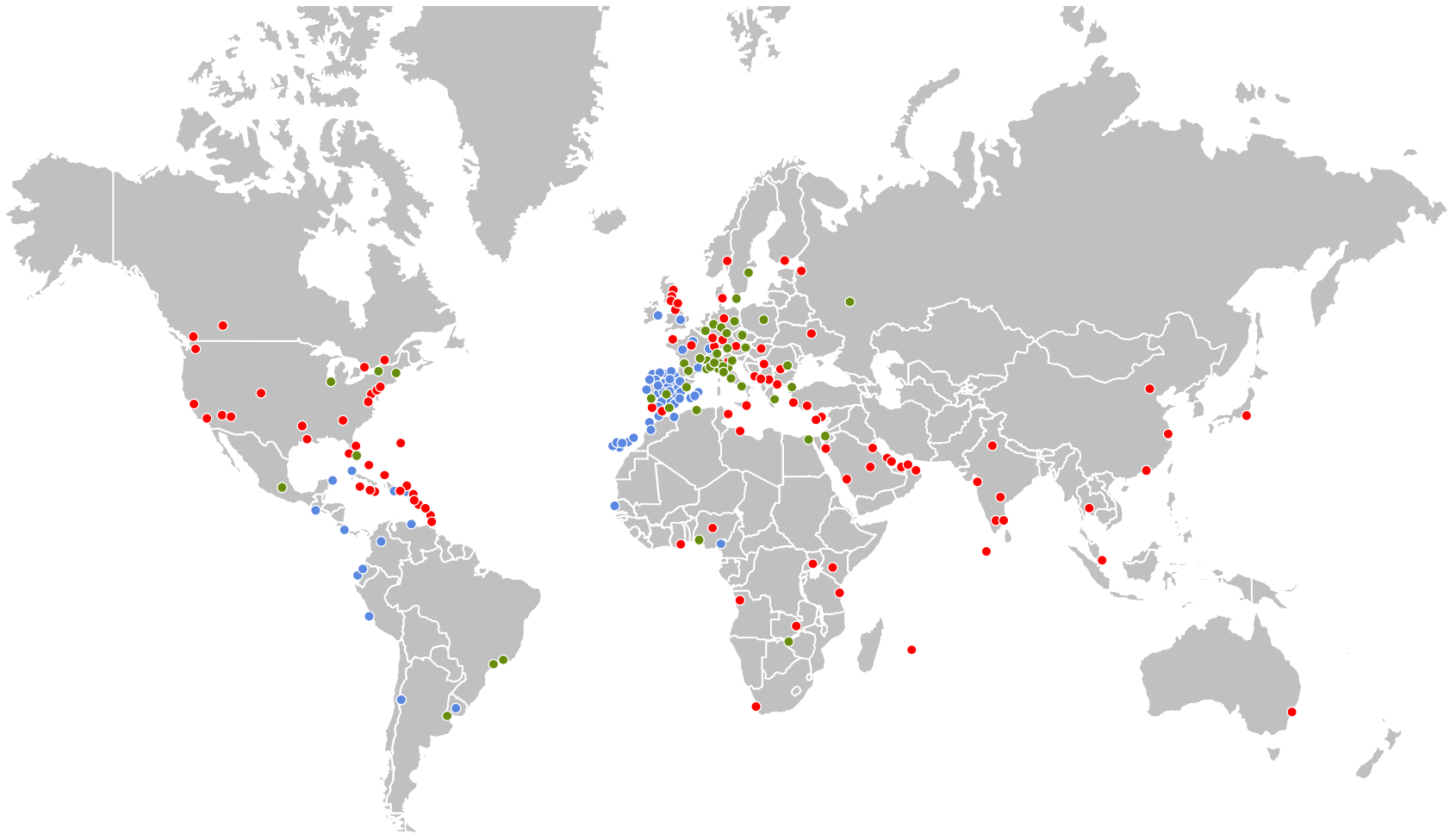
New destinations



New long haul destinations



Enhanced customer benefits



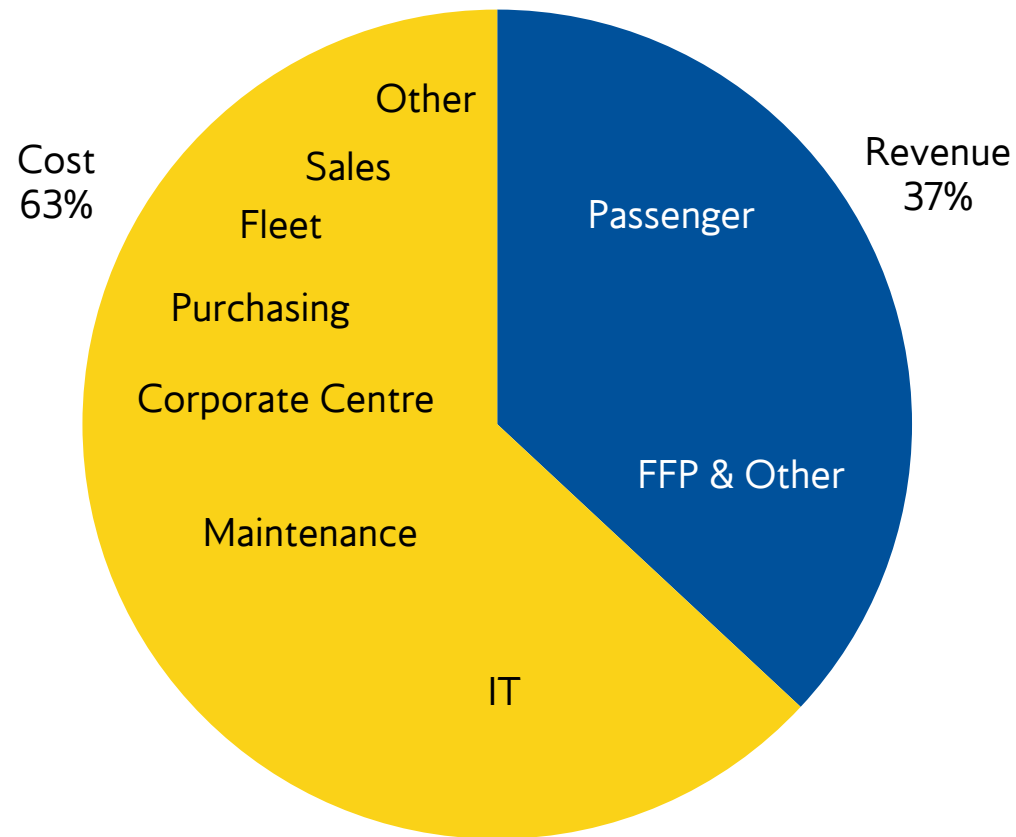
Leading brands



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



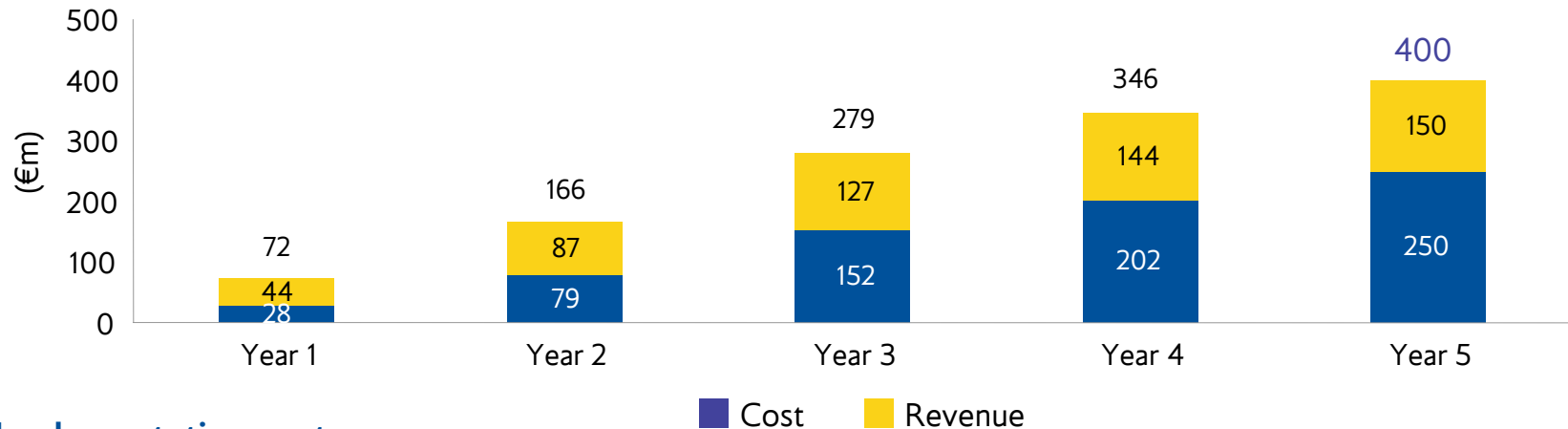
Total: €400 million



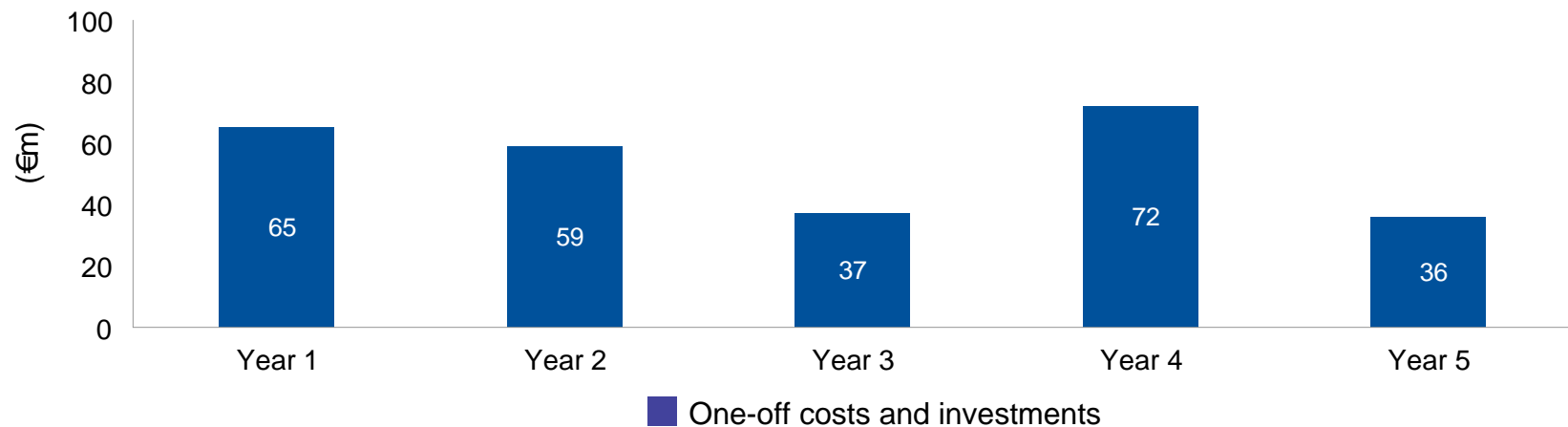
Phasing of synergies

- positive contribution from day 1

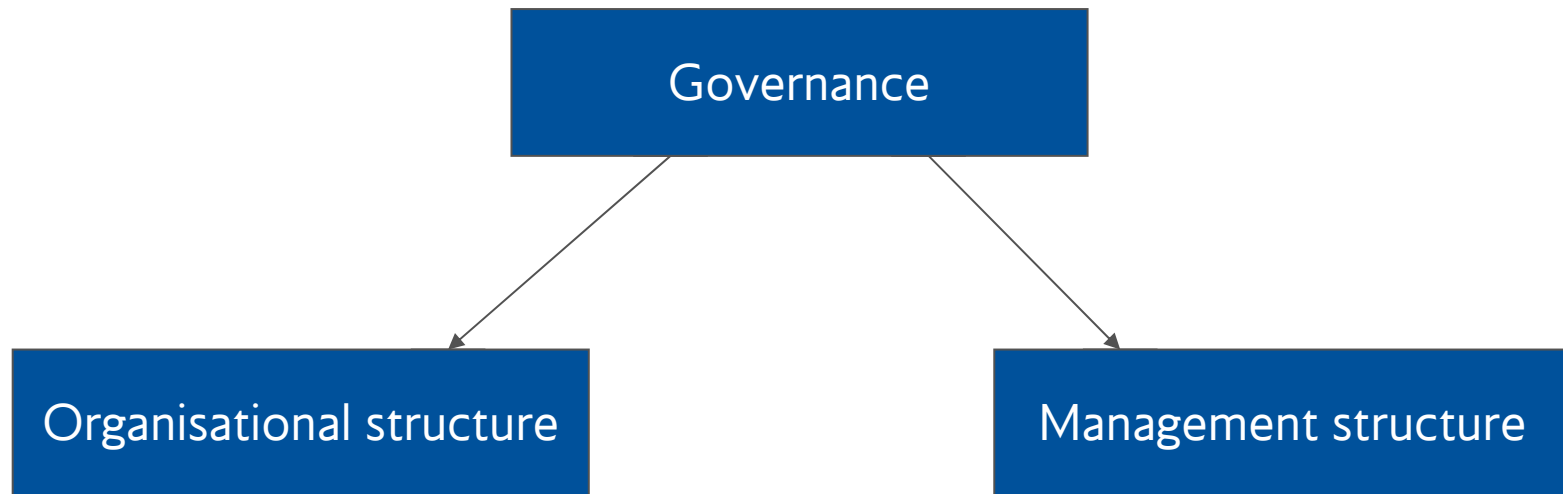
Synergies



Implementation costs



Effective governance and management

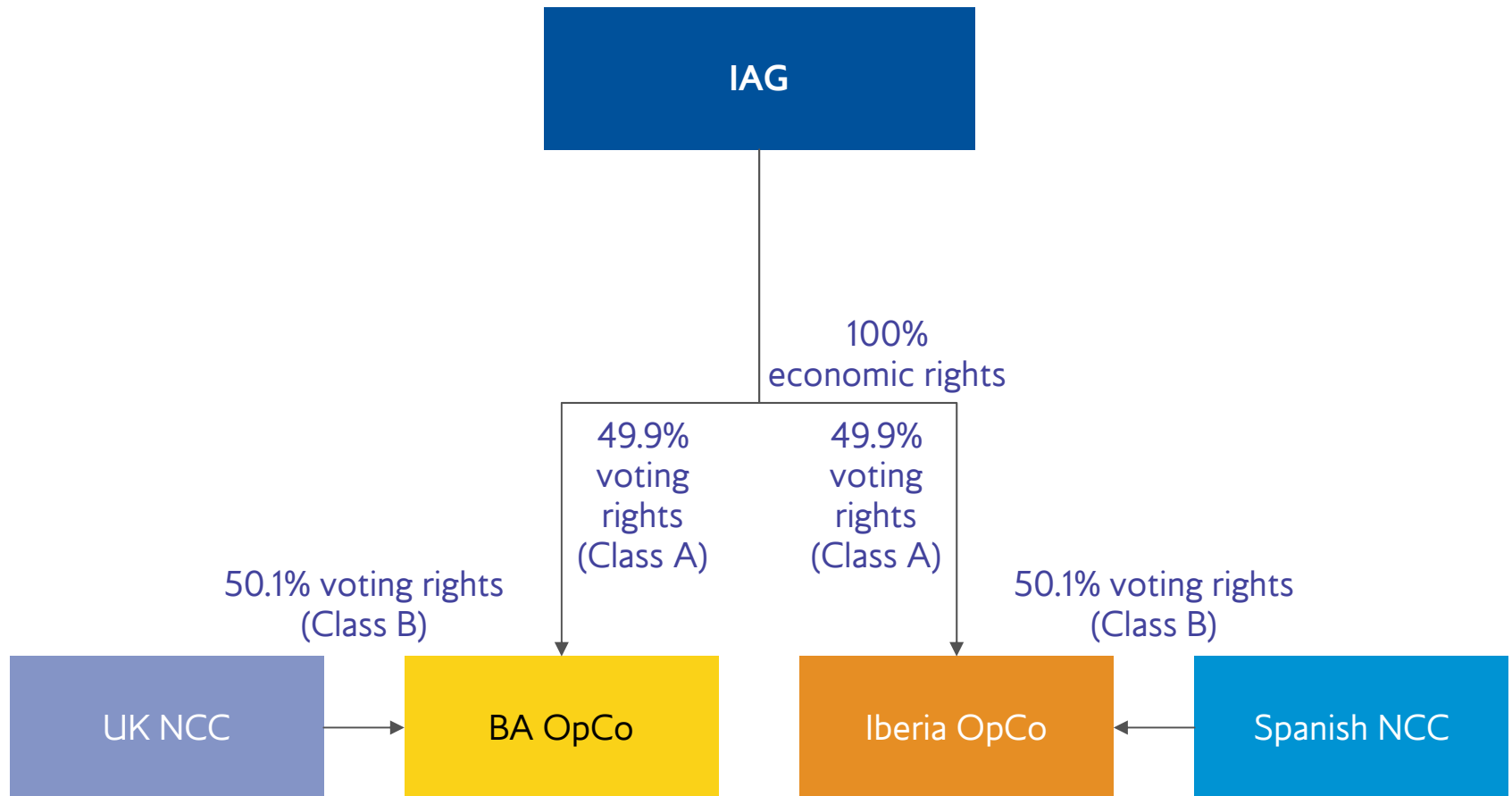


IAG organisational structure—rationale

- 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

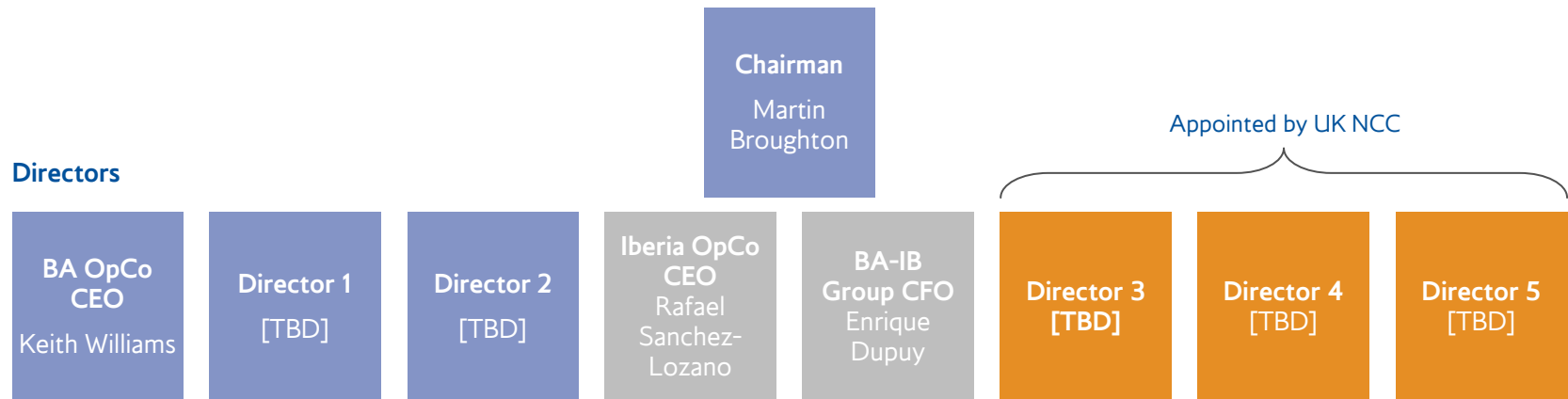
■ Iberia appointee

■ New independent appointee



OpCos governance

BA OpCo Board (9 Members)



Iberia OpCo Board (9 Members)



■ BA appointee ■ Iberia appointee ■ New independent appointee

Assurances

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



IAG management team

IAG Executive Committee

Group CEO

Willie Walsh

- BA appointee
- Iberia appointee

Other Directors

BA OpCo CEO

Keith Williams

Iberia OpCo CEO

Rafael Sanchez-Lozano

Group CFO
Enrique Dupuy

Revenue Synergies Officer
Robert Boyle

Cost Synergies Officer
Ignacio de Torres

Division of responsibility



Group management

Joint business plan delivery

Synergy delivery—Revenue & synergy officers

Centralised corporate functions



Day-to-day responsibility

Accountability for implementation of
Joint business plan and synergy plan



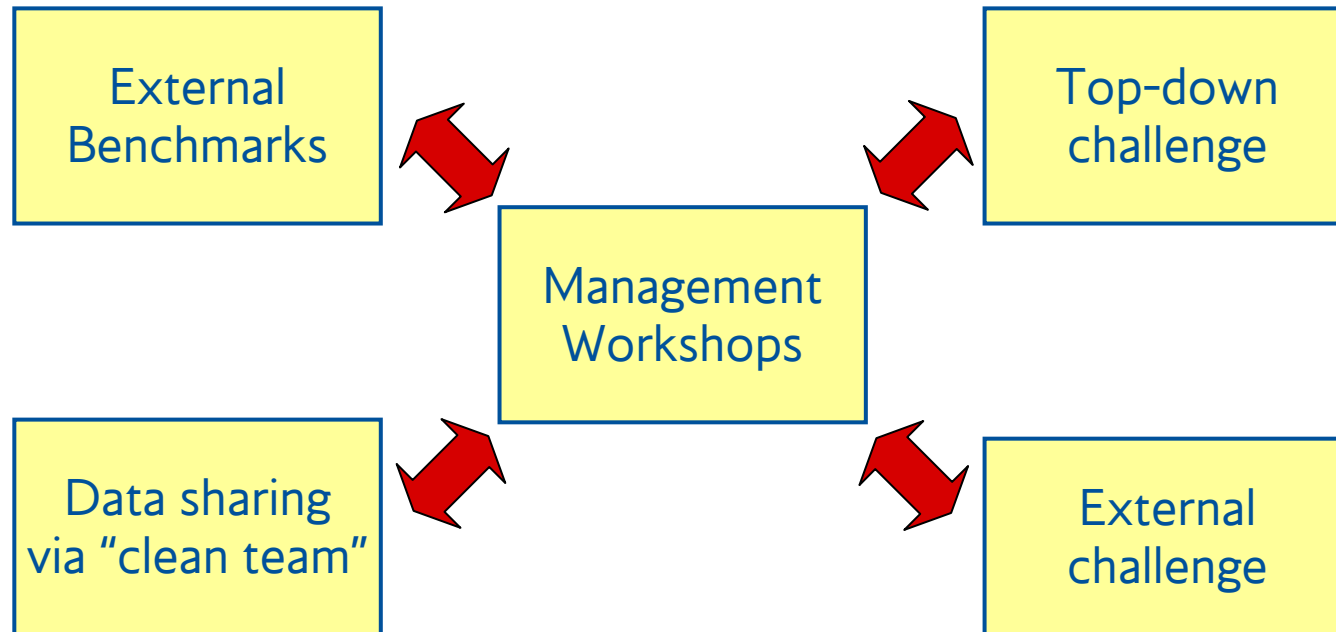
Revenue Synergies

Robert Boyle

Revenue synergies officer

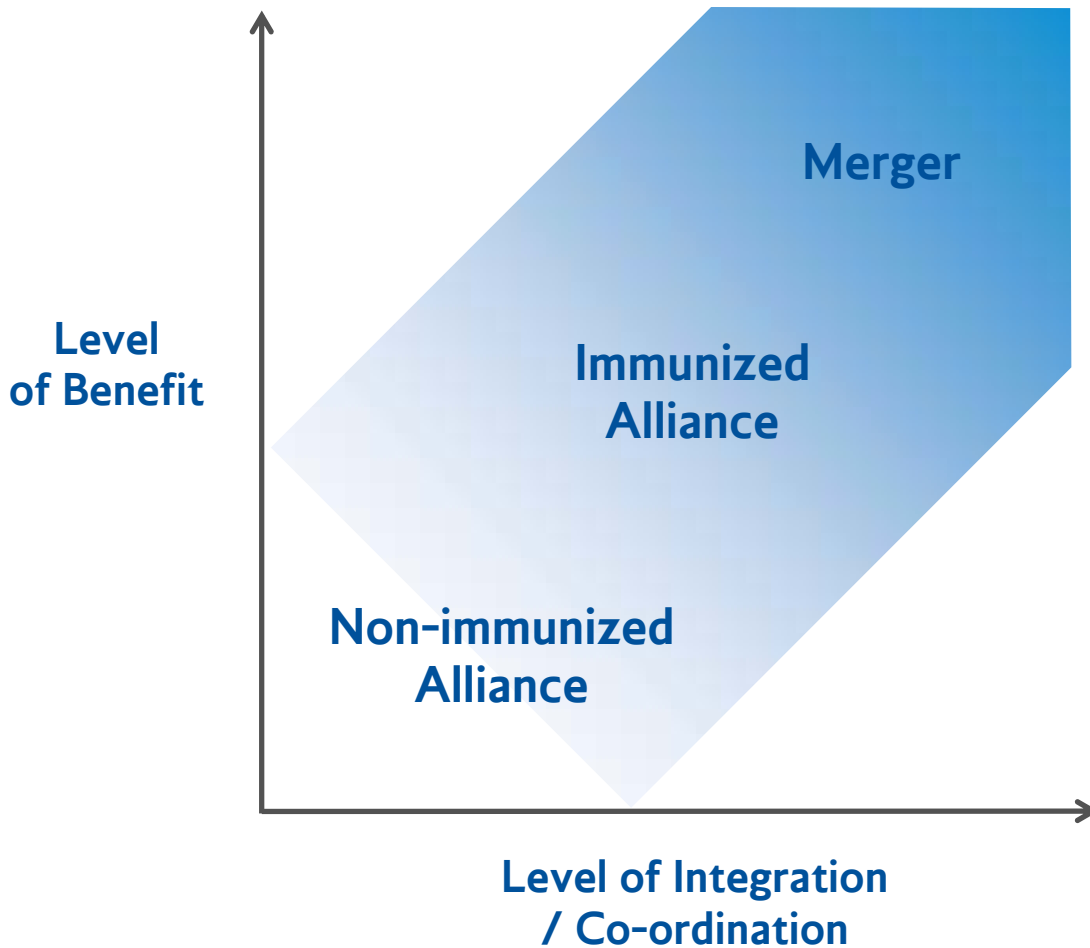


Synergy calculations



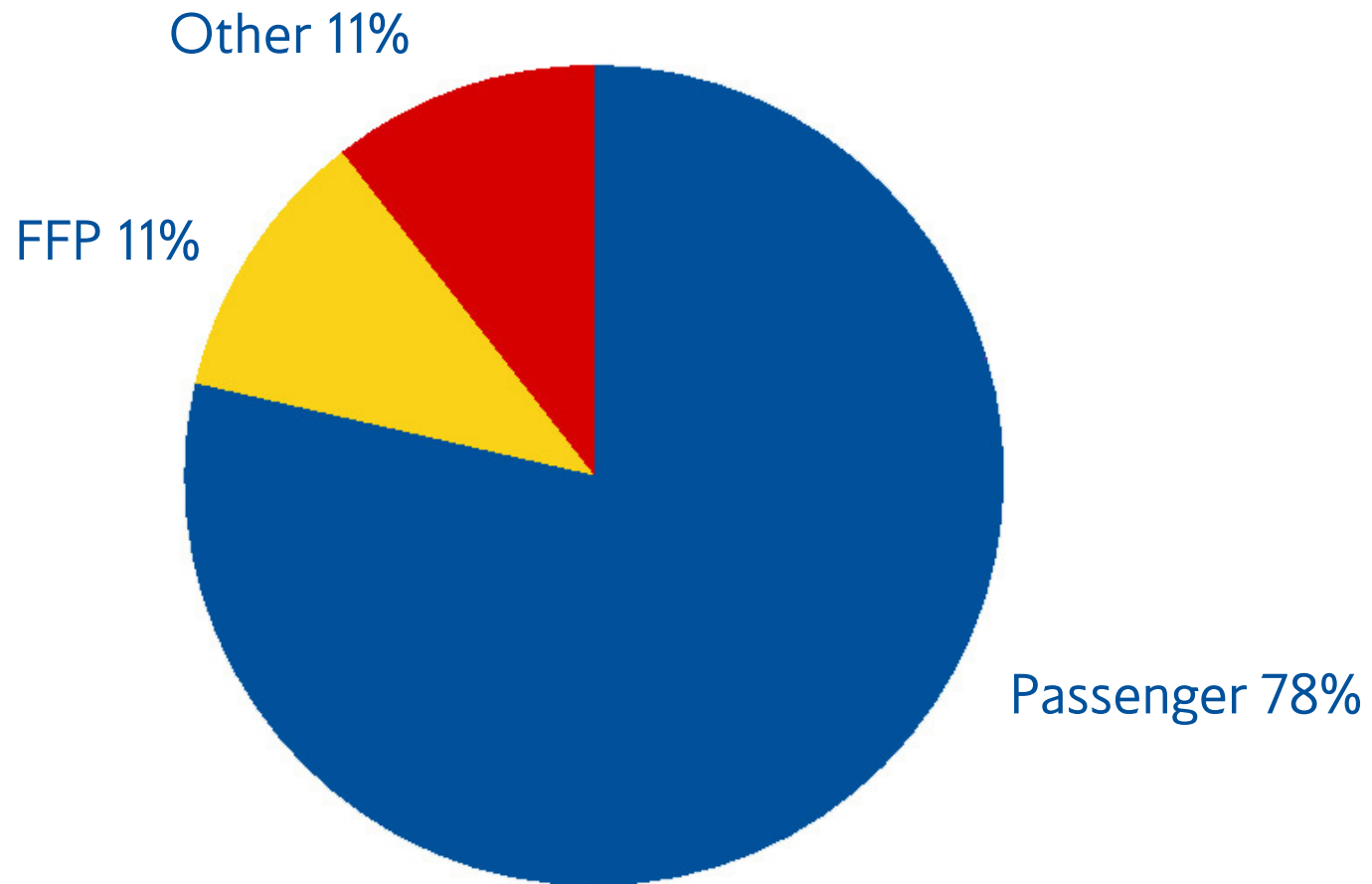
Alliance vs merger revenue benefits

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

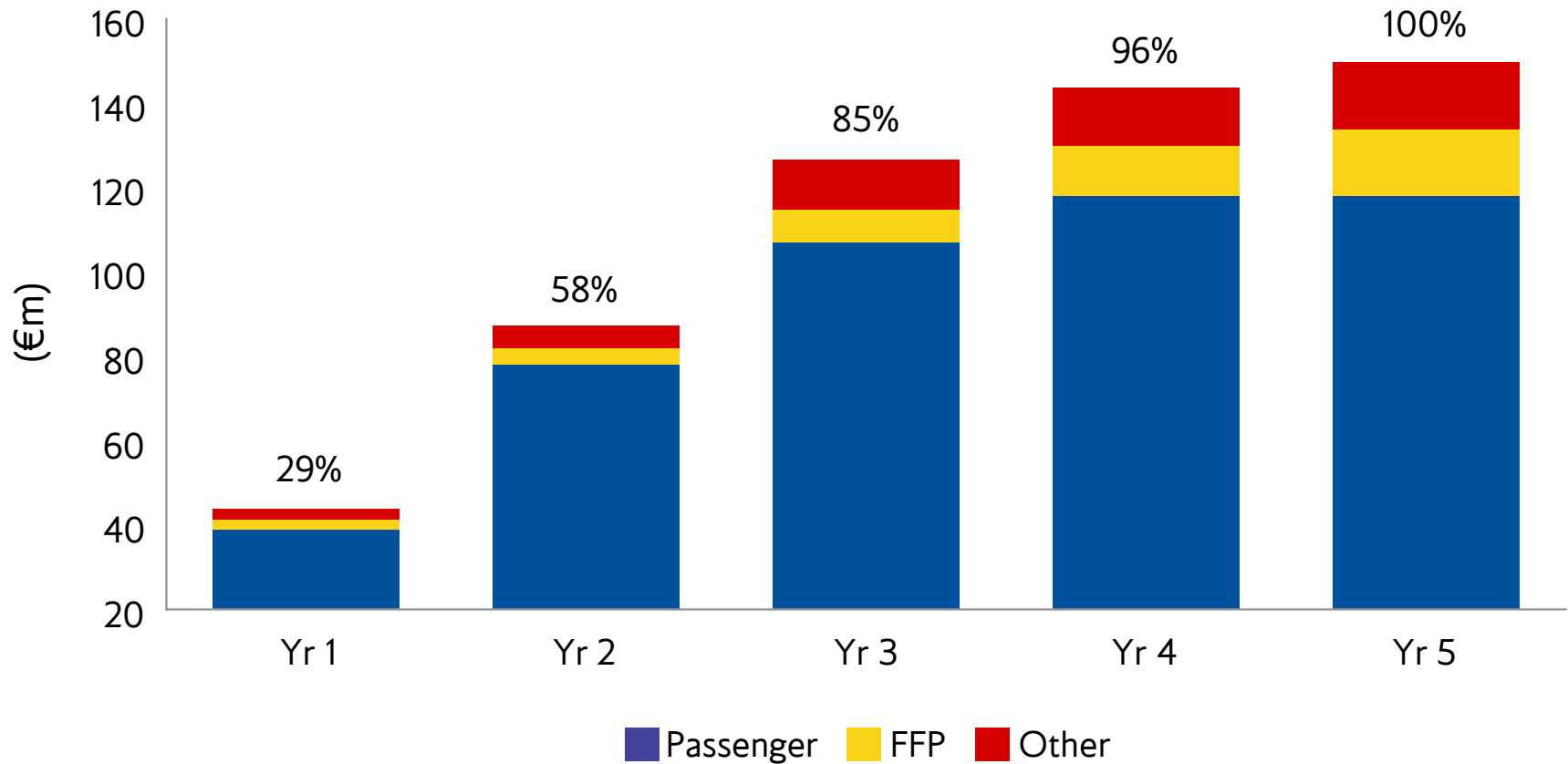
Revenue synergy breakdown



Revenue synergies €150m



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



Combining point of sale strength

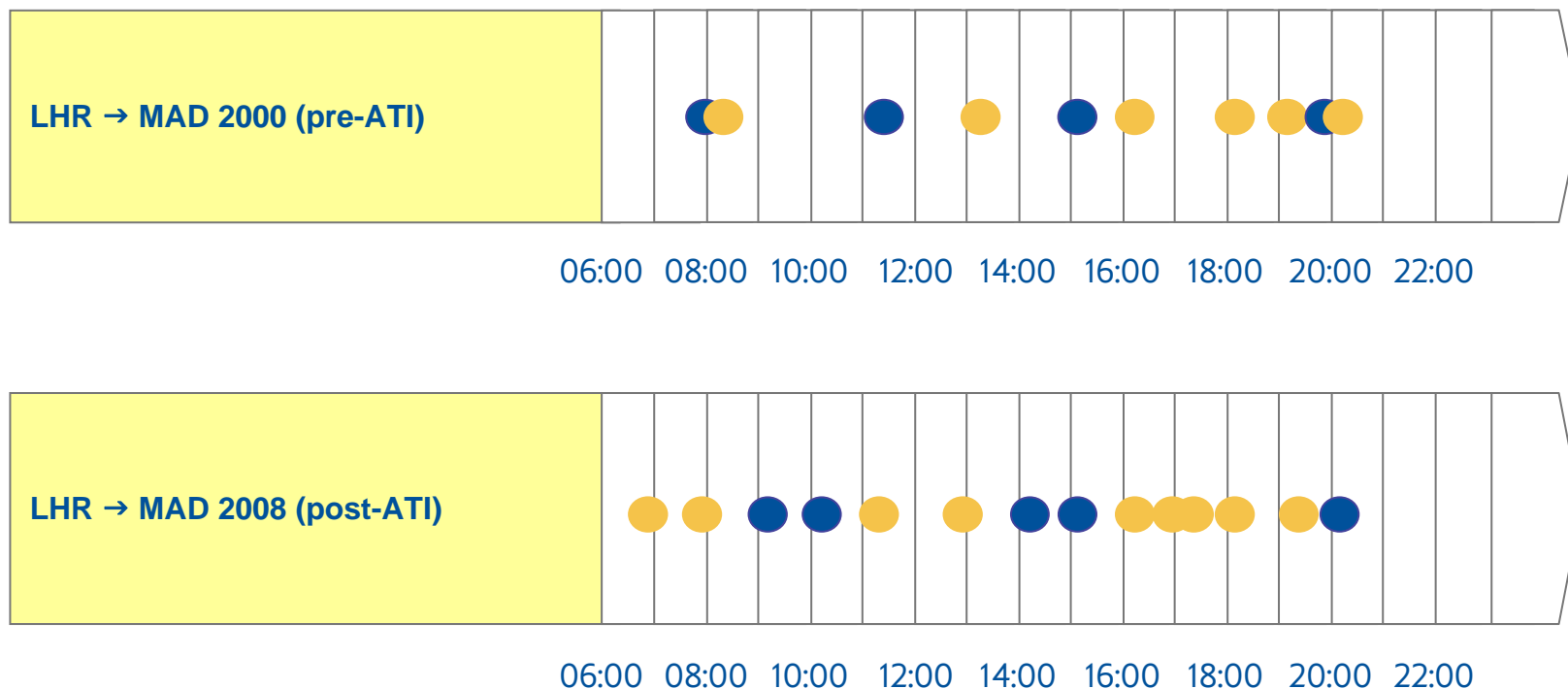
Market type	Example	Source of synergy
• BA strong	UK, N. America	Enhanced market access for IB
• IB strong	Spain, LatAm	Enhanced market access for BA
• Neither strong	Germany, France	Credible alternative to home carrier



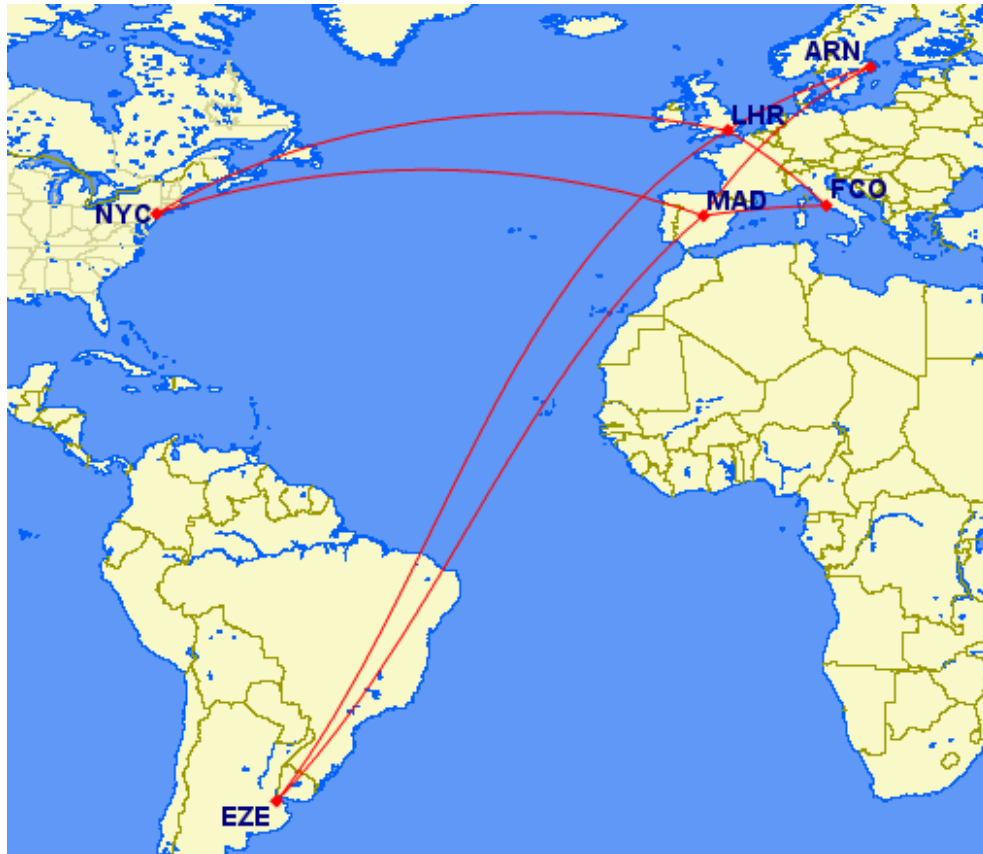
Increased connectivity and optimised scheduling

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

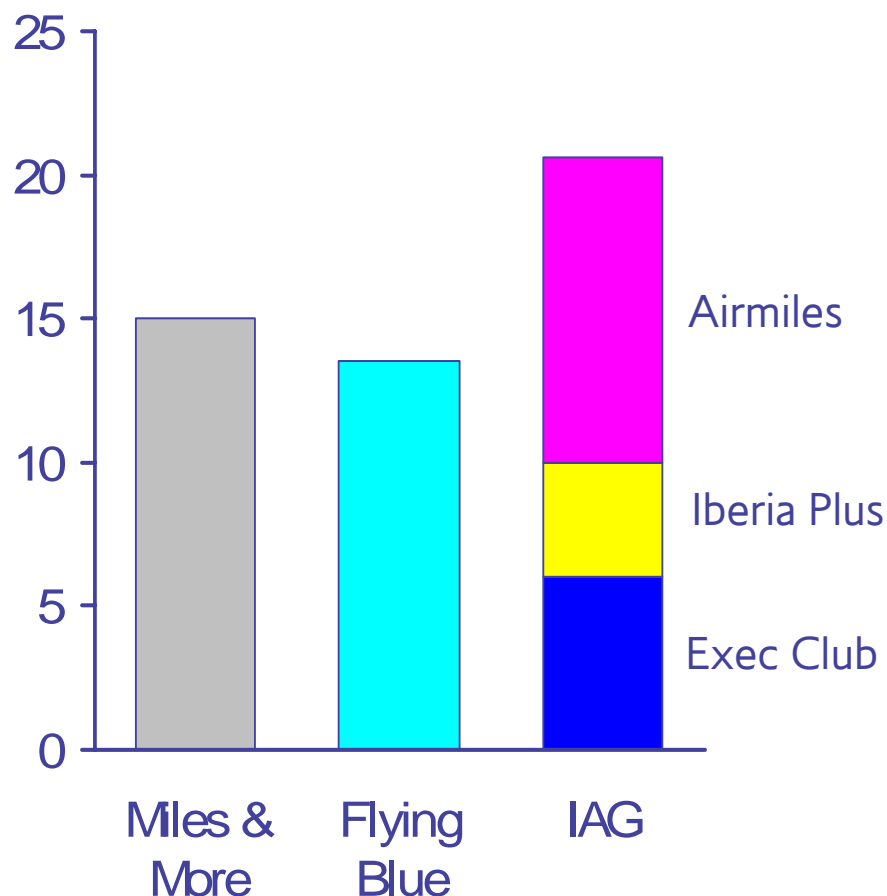
Best practice revenue management and selling

- 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

Members

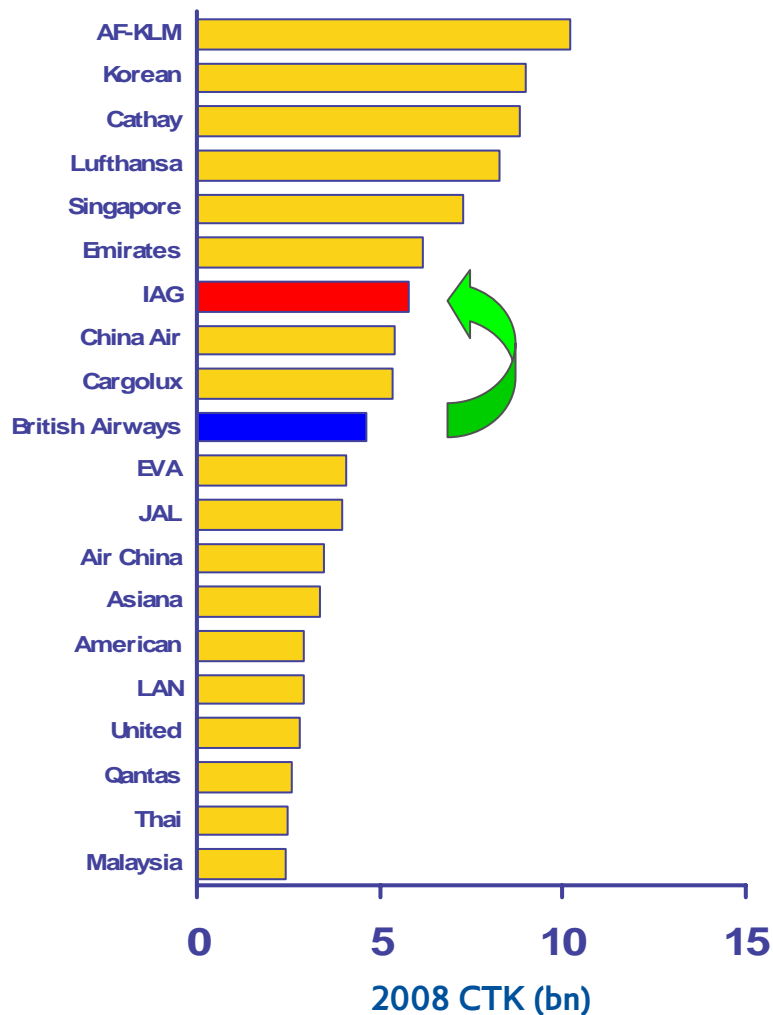


- Integrated management structure for combined programmes
- European leader with combined membership of 21m
- Enhanced customer proposition (included in passenger revenue benefits)
- Growing third party revenues
- Shared infrastructure (included in cost synergies)
- Best practice and systems exploitation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

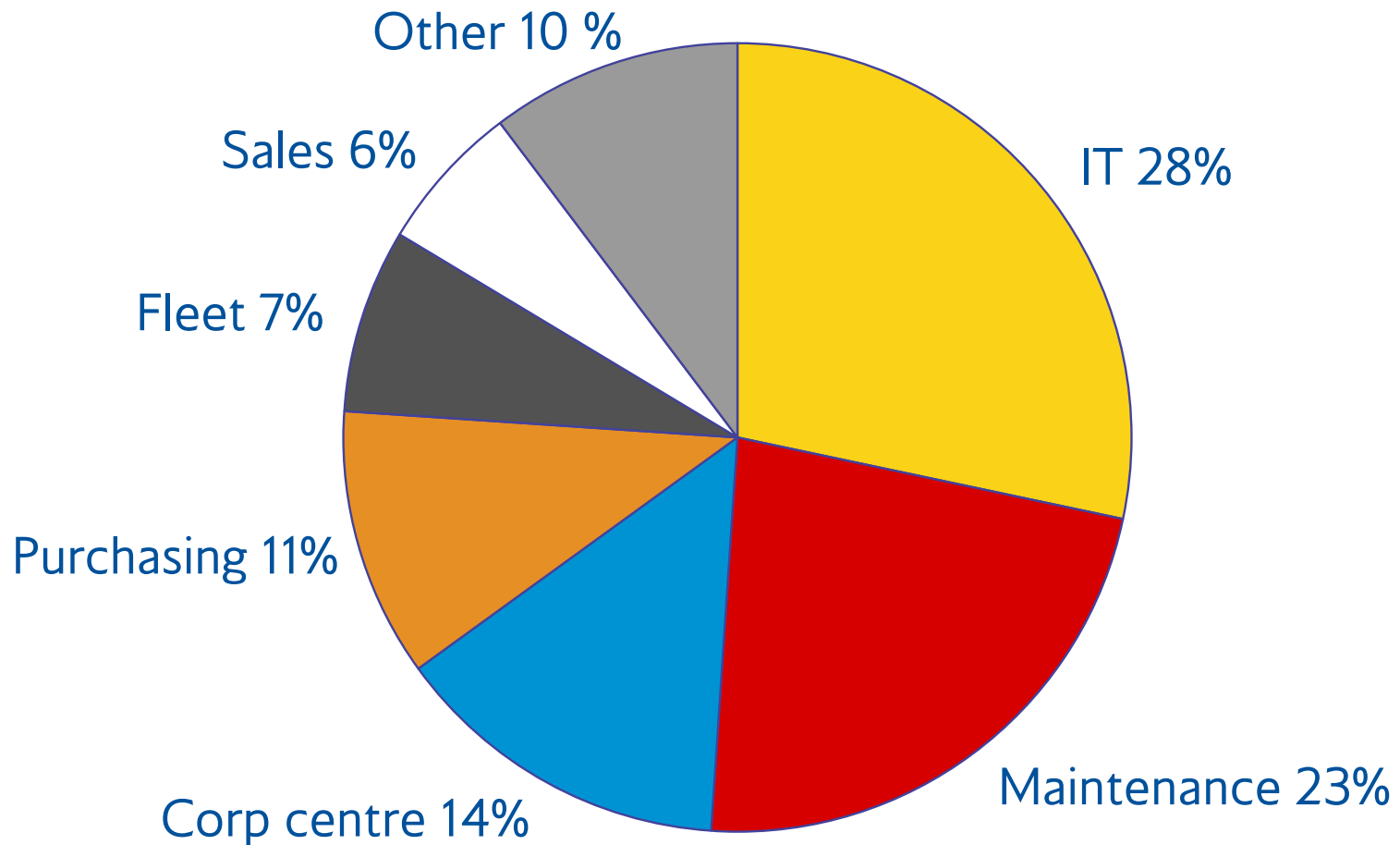
- €150m p.a. of mature year benefits
- 58 per cent in year two
- Management buy-in to targets from the outset
- Further upside potential

Cost and Fleet Synergies

Ignacio de Torres
Cost synergies officer



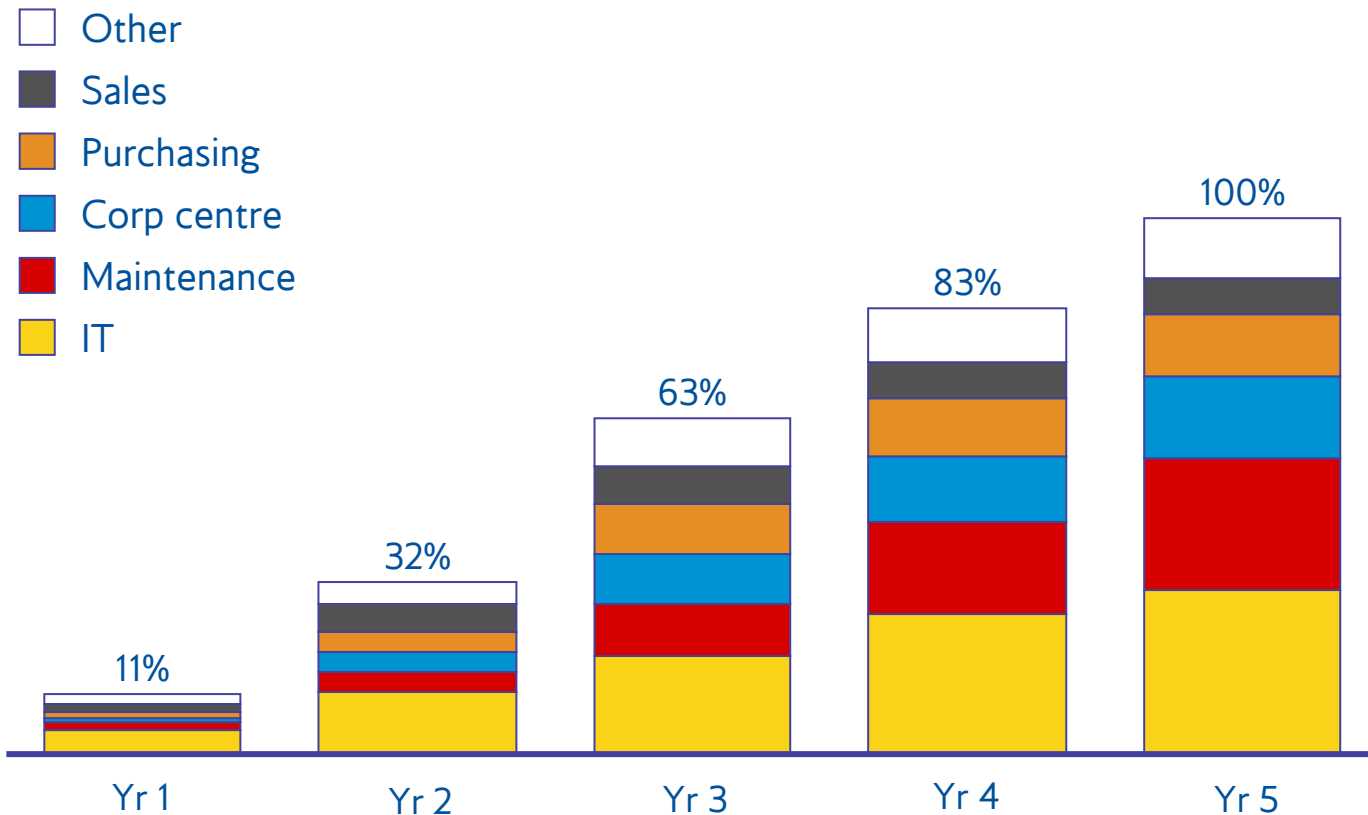
Cost synergy breakdown



Cost Synergy €250m



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

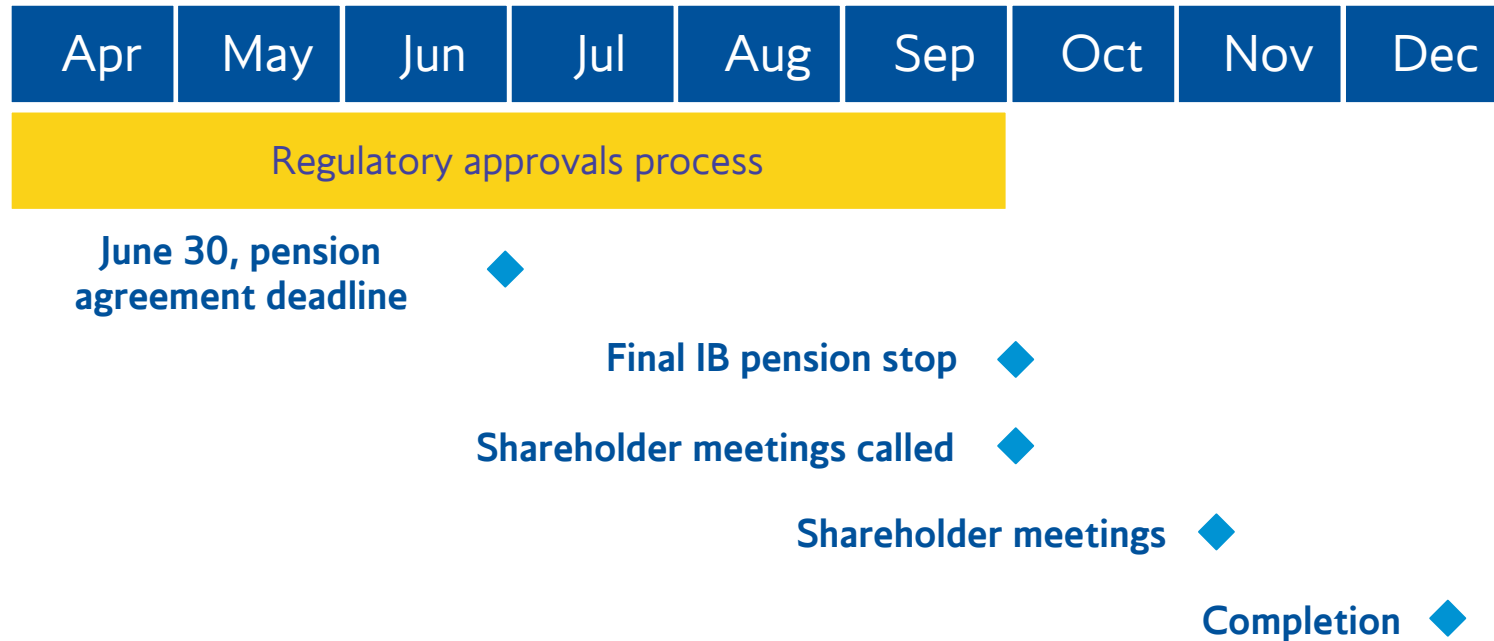
- Sales & Call Centres
 - Integrate sales forces and call handling teams in overlapping locations
- Airport Operations
 - Align ground handling and lounge contracts at overlapping airports
 - Integrate activities at overlapping airports to capture scale benefits
- Cargo
 - Align ground handling and trucking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



Summary



Timetable



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

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Investor Day 2010
Transatlantic Joint Business

May 21, 2010



A Major Strategic Milestone

Willie Walsh
Chief Executive



Overview

- Transatlantic ATI alliance agreement
- Contractual joint venture - Joint Business
- Capacity-based benefit share
- Full point-to-point codesharing on transatlantic
- Services between USA/Canada/Mexico and EU/Switzerland/Norway
- Deeper coordination on behind and beyond
- 1/3 of total BA revenues



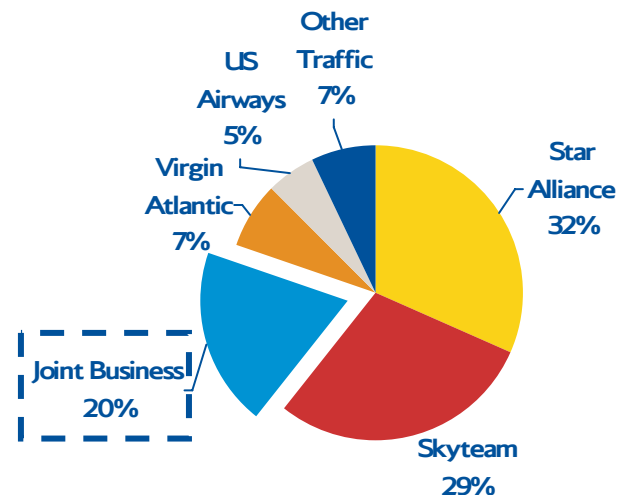
Key principles of the Joint Business

- "Metal neutrality"
- "Balanced growth"
- Coordination of key functions – sales, marketing, scheduling and pricing
- Expanded codesharing
- Customer benefits from an expanded network and enhanced service offerings

Joint Business key facts

- Approximately 20% share of the Europe – US market
- Total estimated Joint Business revenues of \$7bn
- An extensive network built around key strategic hubs of LHR, LGW, MAD, NYC, MIA, DFW and ORD
- Approximately 100 jointly operated transatlantic flights per day
- 500 destinations per day in 100 countries
- 70 million frequent flyer programme members across AAdvantage, BA Executive Club and Iberia Plus
- 200 lounges globally

Europe – US Market Share⁽¹⁾



(1) Source: T-100 non-stop segment data, 12 months ended June 2009; market shares based on non-stop segment passenger share; competitors defined as independent airlines or groups of airlines operating with antitrust immunity; oneworld post-ATI

Open skies has increased competition

		Pre Open-Skies (Summer 2007)	Post Open-Skies (Summer 2009)	
Services from LHR to US Per Day	Total	76	88	
	BA/AA	49	52	
	Non BA/AA	27	36	
Operators	7 Operators		10 Operators	
	ONEWORLD	STAR ALLIANCE	ONEWORLD	STAR ALLIANCE
	<div>AA BA</div>	<div>NZ UAL</div>	<div>AA BA</div>	<div>UAL NZ CO US</div>
	OTHER	SKYTEAM	OTHER	
	<div>AI KU VS</div>	<div>AF DX NW</div>	<div>AI KU VS</div>	
Airlines with rights	CX		CX	
	SQ		SQ	

Subsequent Additional LHR Services to NYC

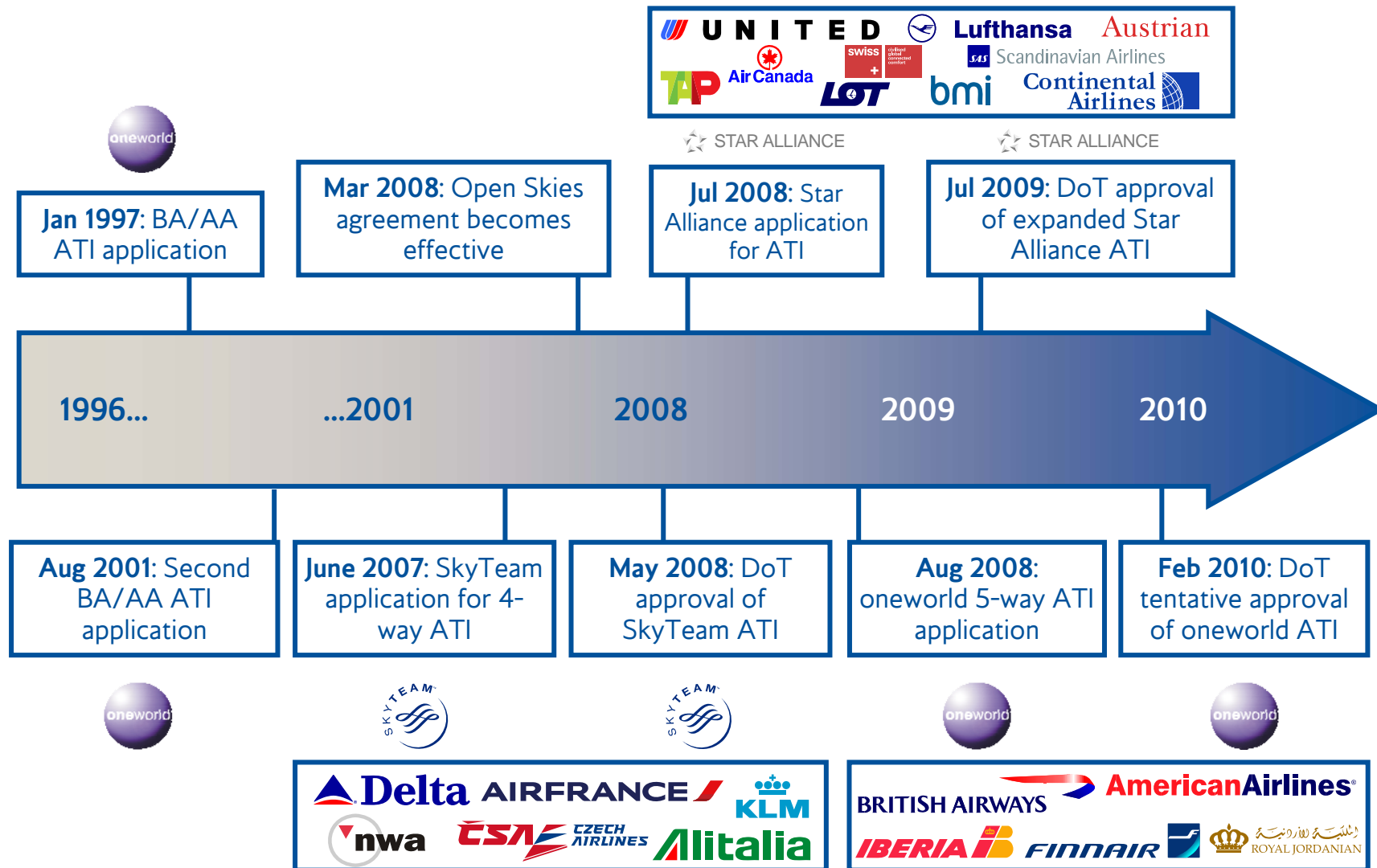


- JFK-LHR
- 1 New Service 2010
- Now 3 daily services



- EWR-LHR
- 2 New Services 2010
- Now 5 daily services

Competitive landscape has changed



Transatlantic ATI compelling

- oneworld share of LHR USA capacity has declined from 61% to 58% since Open Skies



Why is the Joint Business necessary?

- Star and SkyTeam alliance members with broad-based immunity protections have a distinct advantage over AA, BA and IB
- ATI necessary to strengthen oneworld and sustain BA's competitive position at LHR
- Joint Business structure enhances relationships, global reach and the ability to coordinate, schedule and market the network
- ATI/Joint Business brings substantial benefits to our customers



Joint Business supports oneworld



BRITISH AIRWAYS



CATHAY PACIFIC



FINNAIR



IBERIA



Retention of JAL



"Rebuff to Delta as
JAL Stays by AA's
Side"

FT, 10-Feb-10

oneworld Has Expanded

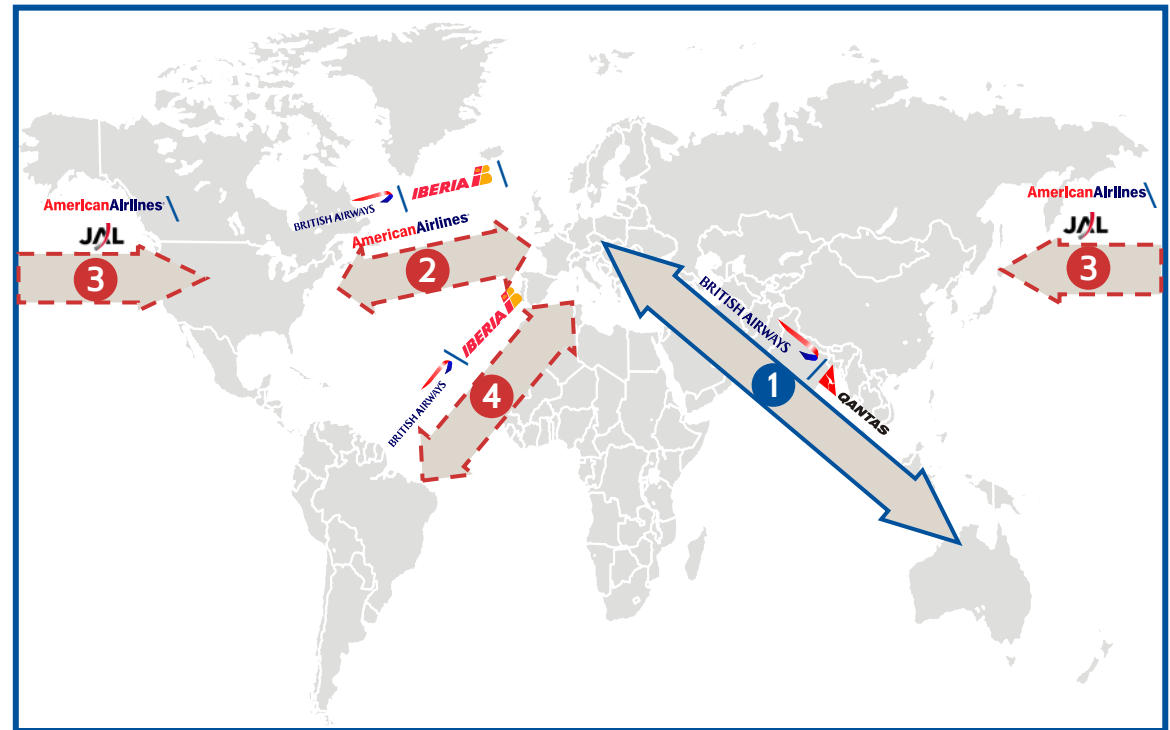


- Joint Business deepens and expands upon existing oneworld benefits
- Making global travel smoother, easier, better value and more rewarding for customers
- Network effects, expanding reach: 800 destinations in almost 150 countries: >340 million passengers, >750 flights a day
- Common commitment to quality and service: oneworld member carriers represents high quality brands with solid market positions in their home regions
- Over time, alliance linkages will become stronger and deeper

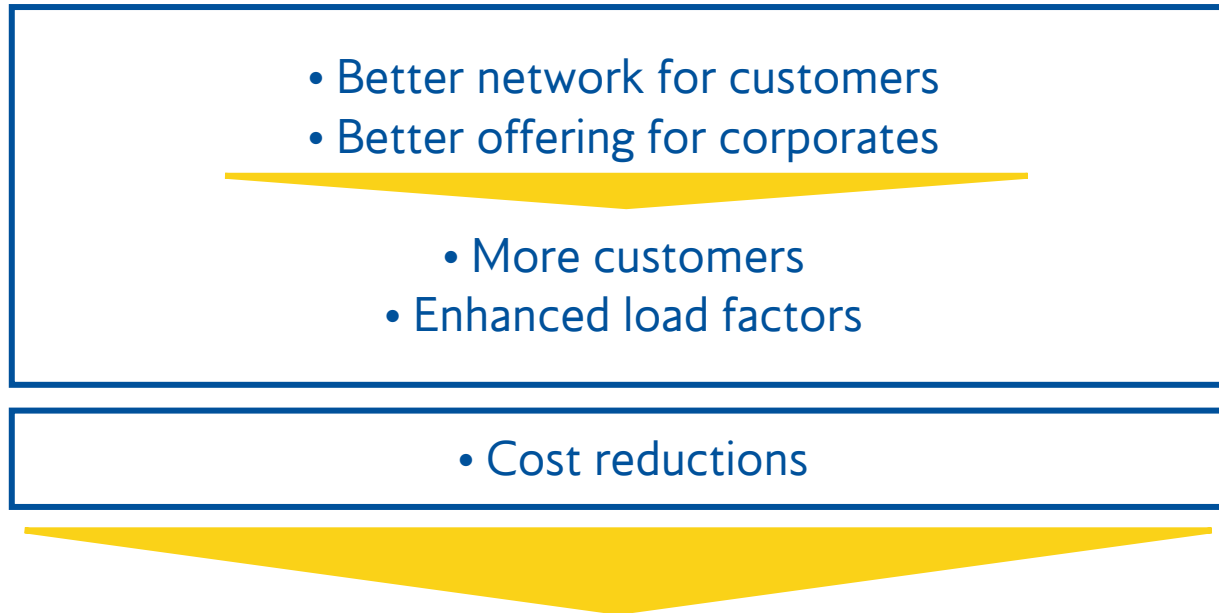


Deepening co-operation for key flows

- 1 Previous JV/alliance experience:
 - 10-year JV with Qantas
 - Significant learnings
- 2 Transatlantic Joint Business a "standard-bearer"
- 3 Model for future arrangements e.g. transpacific ATI (AA/JAL)
- 4 BA/Iberia transformational merger



Benefits of Joint Business



- “Mature year” financial uplift for Joint Business expected to be in line with precedents
- Ultimate level of benefit dependent upon:
 - Detailed data sharing and joint planning post-approval
 - Cost of anti-trust remedies



Antitrust approval/remedies

- Lengthy negotiations with EU and DOT
- Slot remedies in more realistic range compared to previous ATI attempts due to recognition that:
 - Key flows are competitive and open to entrants
 - ATI is key to an even playing field
 - Slot remedies can be counter productive and reduce choice in transfer segment
- Proposed remedies subject to consultation
- Seeking consistent remedy treatment relative to other alliances

Delivering a More Attractive Offering for Our Customers

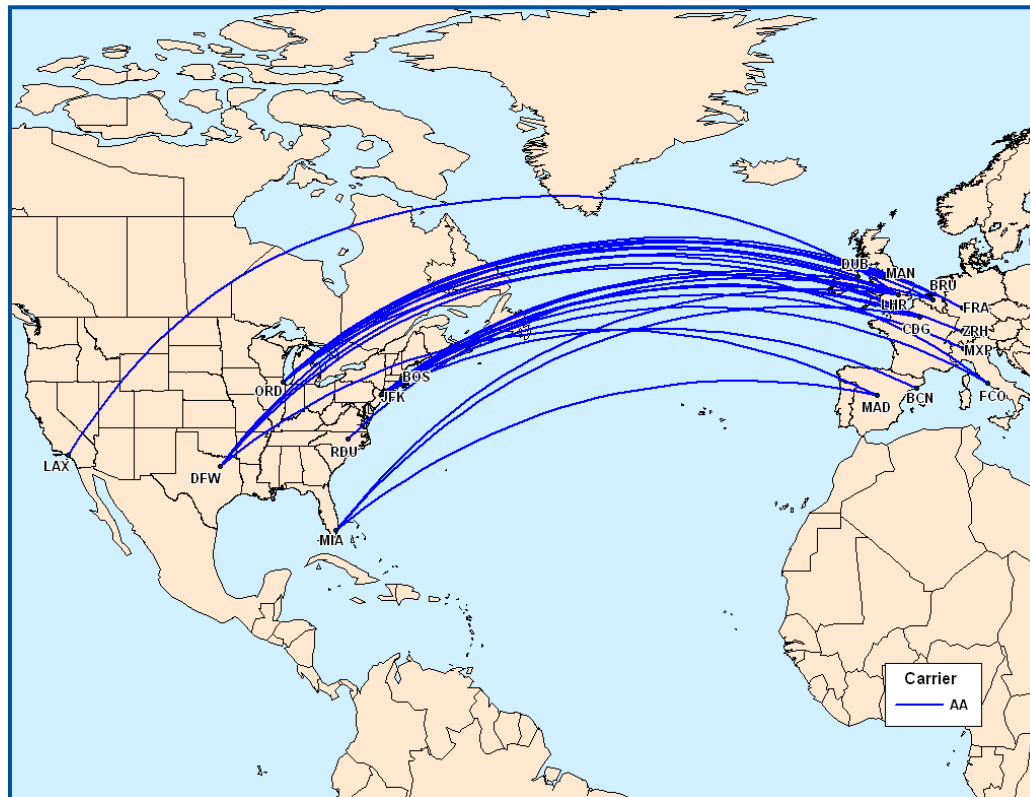
Craig Kreeger,
SVP International, American Airlines



Focus on benefits for customers

- 1 Broader transatlantic network supported by behind and beyond codeshares
- 2 Greater convenience through coordinated schedules
- 3 Superior customer experience and service integration
- 4 Frequent flyer programme consistency and integration
- 5 Corporate customers benefit from joint sales agreements across larger network
- 6 Further opportunities – facility co-location, product, procurement

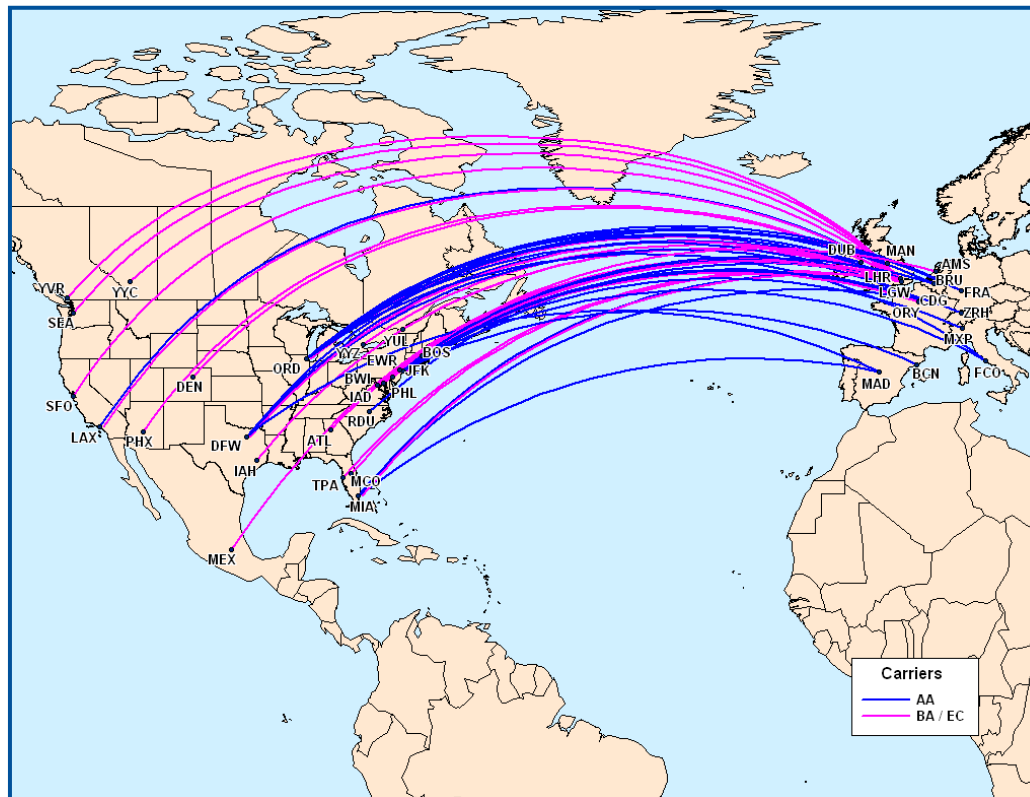
Combined transatlantic network



AA: 36 daily flights
26 non-stop routes



Combined transatlantic network

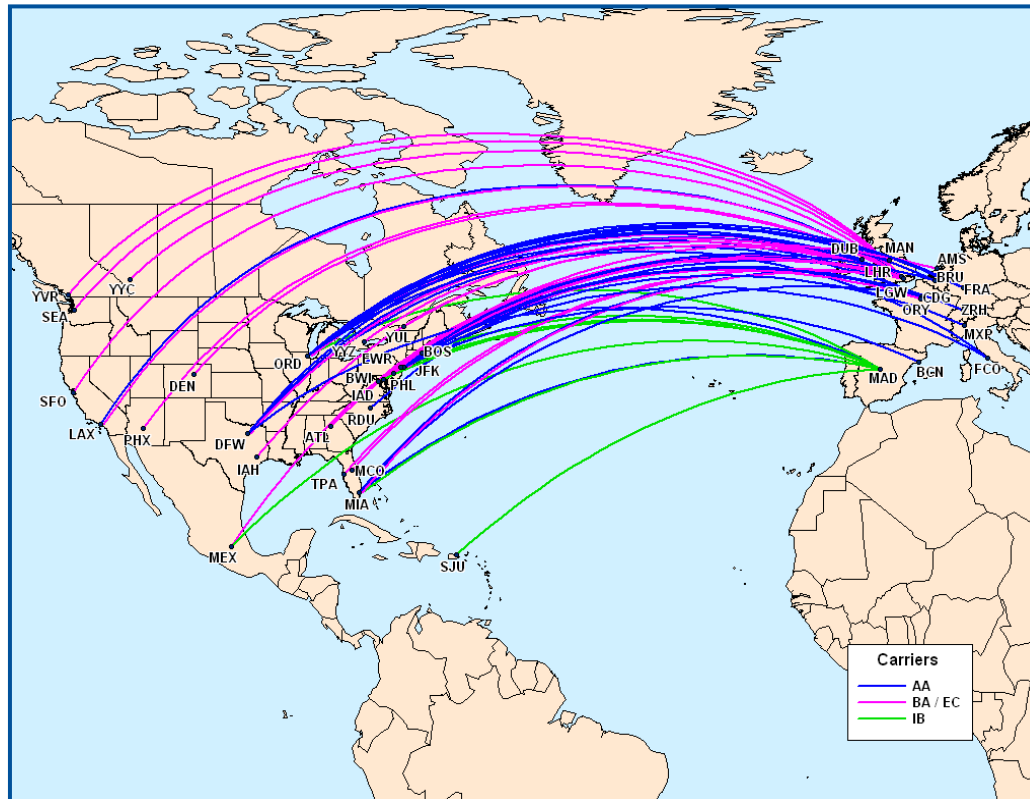


AA: 36 daily flights
26 non-stop routes
PLUS

BA: 47 daily flights
27 non-stop routes



Combined transatlantic network



AA: 36 daily flights
26 non-stop routes

PLUS

BA: 47 daily flights
27 non-stop routes

PLUS

IB: 8 daily flights
7 non-stop routes

Total: 91 daily flights
60 non-stop routes

A broader network for customers

	<u>Intended to codeshare</u>		<u>Could codeshare</u>	
	<u>Markets (Legs)</u>	<u>Flights</u>	<u>Markets (Legs)</u>	<u>Flights</u>
Transatlantic	34	55	34	55
Excluding Transatlantic	165	1,718	340	3,102
Total	192	1,798	367	3,182

- Ongoing development of the network (e.g AA growth at JFK) enhances complementarity



More customer choice - frequencies

- Codeshares on transatlantic routes open up new itineraries
- Create customer choice through combinability (eg. fly out on BA; return on AA)
- Joint scheduling and network planning will provide even more convenience over time

Example 1: Transatlantic (Pre-joint Schedule/Optimisation)

Pre ATI


London → New York



BRITISH AIRWAYS Departure: 08:55 BA0117 – Gate 01

BRITISH AIRWAYS Departure: 10:15 BA0185 – Gate 10

BRITISH AIRWAYS Departure: 10:25 BA0175 – Gate 22



Post ATI

London → New York



American Airlines Departure: 08:30 AA115 – Gate 01

BRITISH AIRWAYS Departure: 08:55 BA0117 – Gate 10

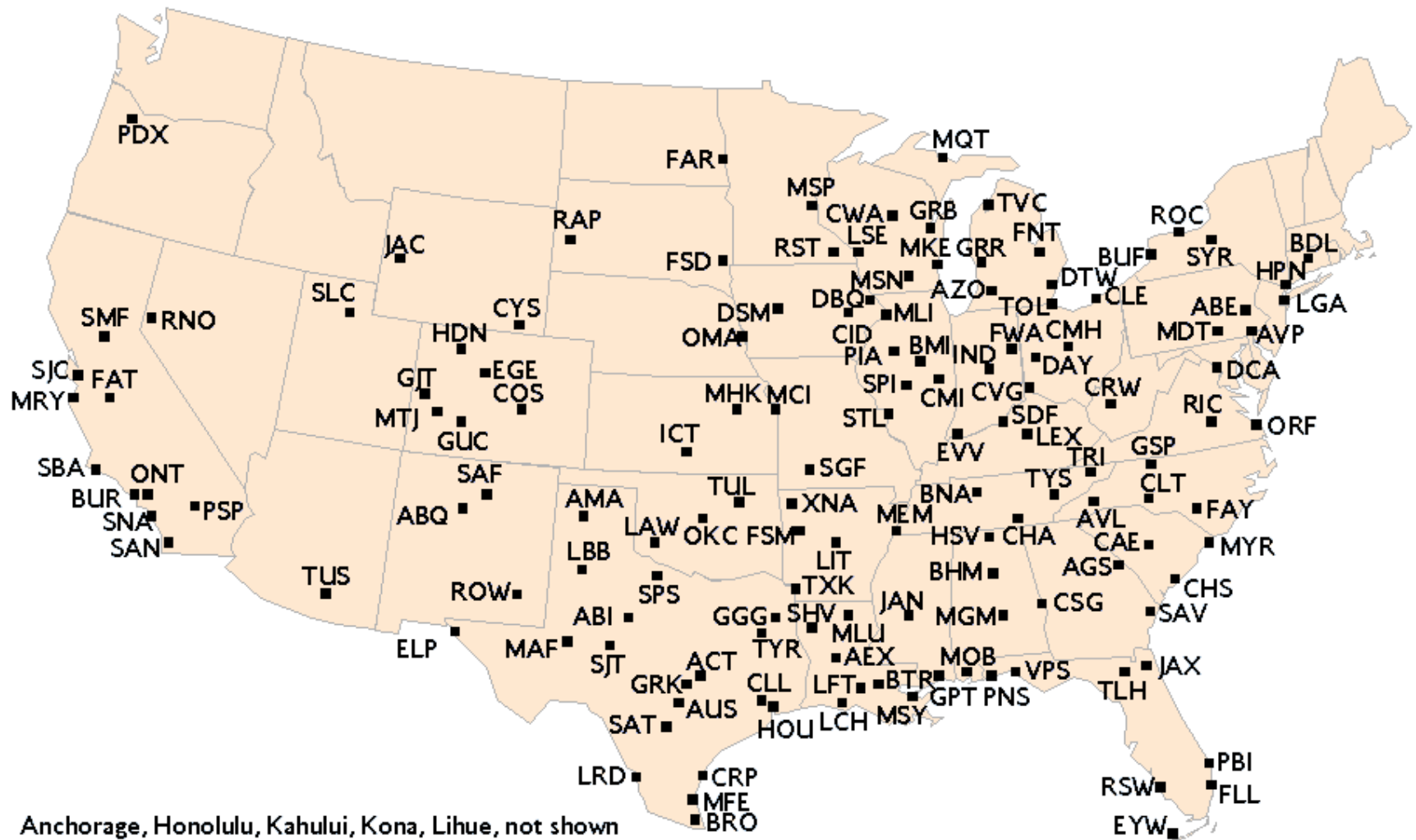
BRITISH AIRWAYS Departure: 10:15 BA0185 – Gate 22

BRITISH AIRWAYS Departure: 10:25 BA0175 – Gate 31

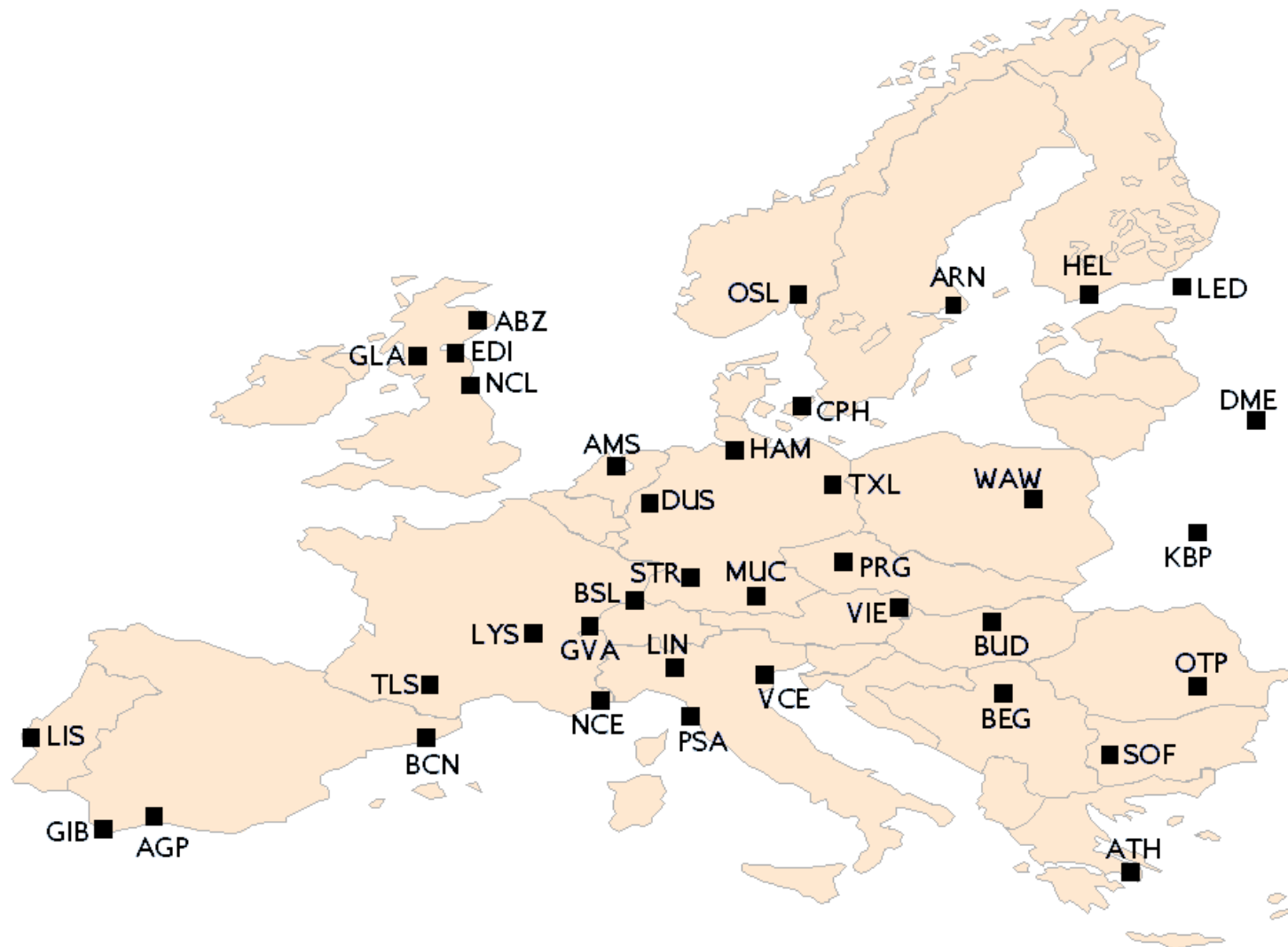
American Airlines Departure: 11:55 AA109 – Gate 05



Behind points in US for BA



Behind points via LHR for AA



Hub development

- BA T5/T3: building on success
- AA driving significant growth over JFK Hub
 - JFK is a key oneworld US gateway
 - AA increasing behind feed and terminal capacity
- BA/AA/IB Terminal 8 co-location
 - Create a single oneworld terminal operation
 - Seamless transfer proposition
 - Adopt very best of T5 at JFK
 - Leading edge lounge and premium services
 - Operational and facility synergies

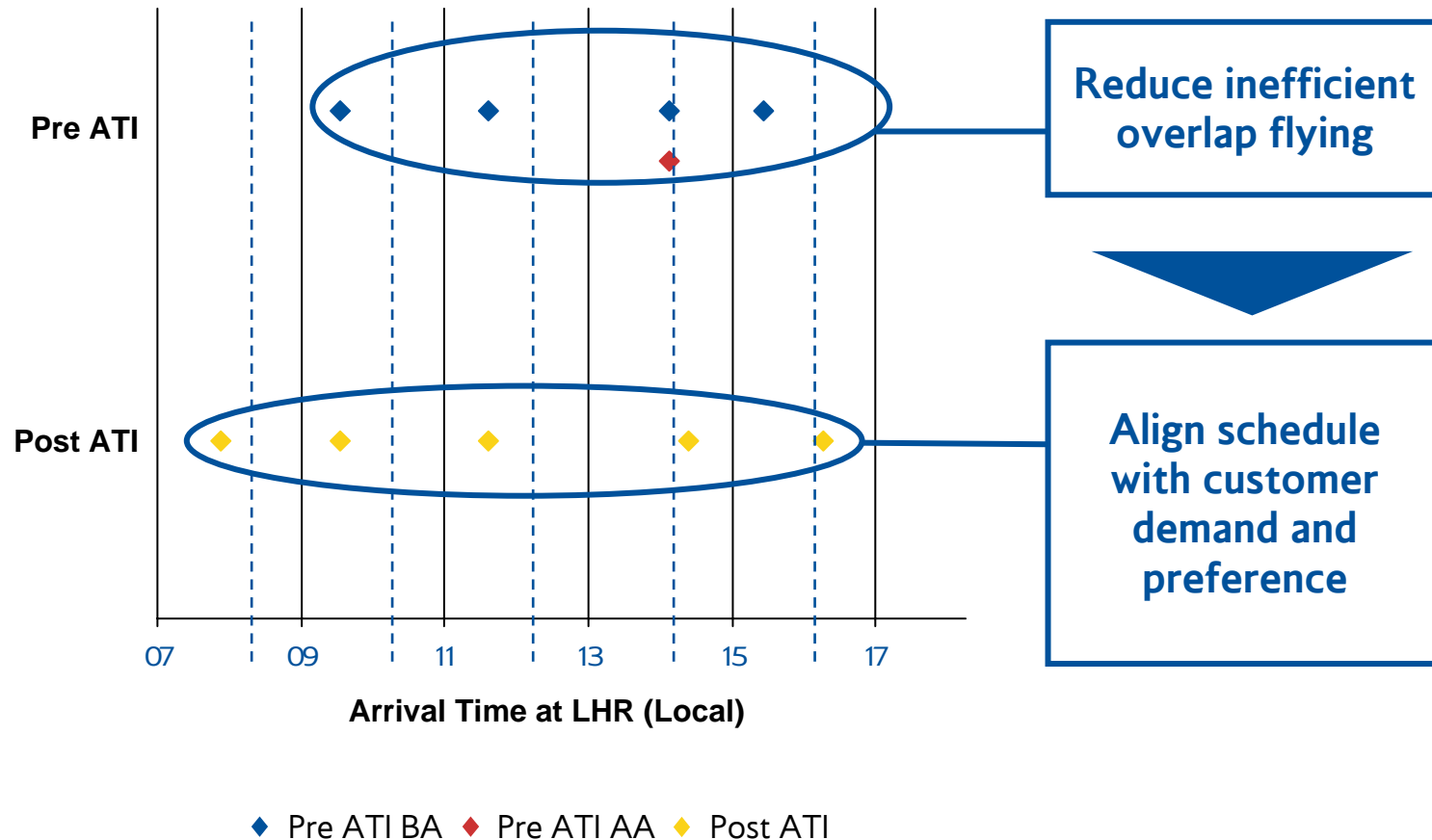


Scheduling benefits

- Co-ordination of a more convenient spread of schedules
- Seamless transfer proposition
- Reduced connection times
- Improved optimisation of hub feed
- Better asset utilisation



Schedule improvements - example



Superior customer experience



Frequent flyer reciprocity

- Collective membership of 70 million globally



- Leverage combined customer base and distinct brands presence of the respective schemes
- Alignment to enhance the proposition
- Better earn and burn opportunities
- Wider range of redemption options

Corporate customer enhancements

- Joint dealing, selling and distribution
- Single account with access to full Joint Business network offering
- More solutions for corporates / travel managers
- Combinability provides more flexibility
- Carriers incentivised to support joint offering due to metal neutrality



Further optimisation opportunities

- Selective common procurement – aircraft, fuel, airport charges, GDS fees, credit card fees
- Lower cost per passenger through use of larger aircraft on major routes
- Co-operation on technology
- Harmonisation of product
- Extended collaborative – best practices shared across the groups
- Addition of other partners



Implementation: Driving a Seamless Execution

Simon Talling-Smith
Executive Vice President, Americas



Critical launch milestones

- Colleagues - Train 7,500 staff in airports, call centres and sales force
- Integration
 - Sales: 1,798 codeshare flights on 192 markets
 - IT: web, airport and call centre interfaces in place
 - Loyalty: integrated frequent flyer proposition
- Benefits - Terms of benefit sharing agreed in detail
- Management - Clearly defined governance processes



Guiding principles

- Respect and value difference
- Work to the strengths of each carrier
- Align and integrate joint business work with each carrier's existing people and organisational strategies
- Focus on enabling people to do their work effectively so the joint business can be successful
- Promote transparency across the joint business in order to build confidence and trust
- Minimise bureaucracy

People/culture phases

Getting Started

- Focuses on the lead-up to Day One
- Activity that prepares and equips colleagues for new roles, accountabilities and ways of working
- Emphasis on education, awareness-raising and confidence-building

Smooth/ Sustainable Machinery

- Focuses on the mechanisms that ensure effective day-to-day management and delivery
- Activity that drives the desired behaviours and embeds the Joint Business within each carrier's own people practices, systems and procedures
- Emphasis on organisational effectiveness

Deepening the Partnership

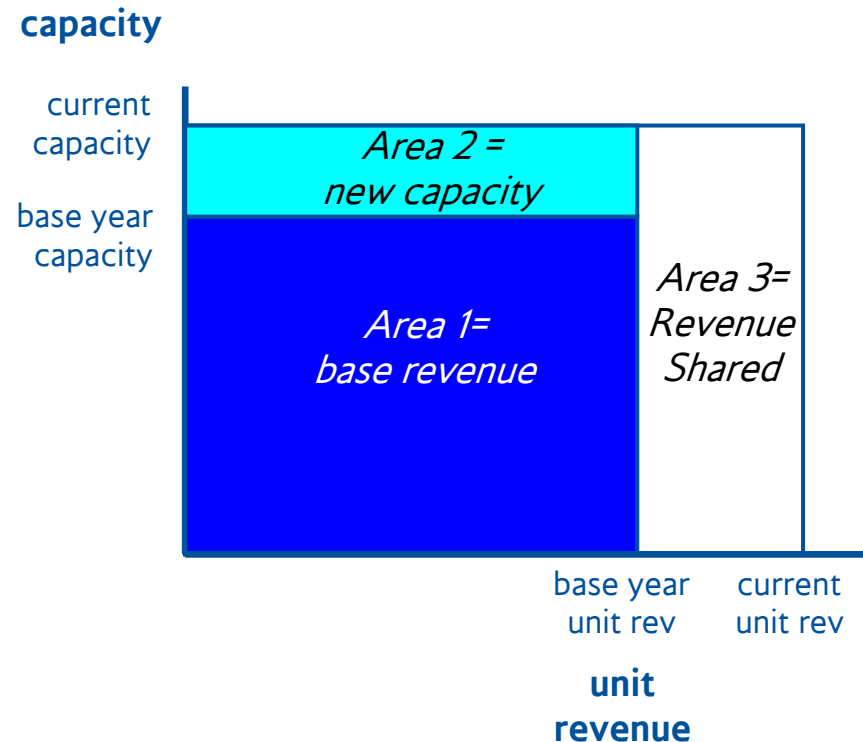
- Focuses on creative ways to deepen the partnership and further exploit the longer-term potential of the Joint Business
- Activity that ensures alignment, individual responsibility and a desire to identify and pursue new value
- Emphasis is on learning, innovation and continuous improvement

Revenue sharing principles

- Proportionality
 - Balanced growth for all parties
- Metal Neutrality
 - Promote neutrality regarding sales and pricing decisions
- Fairness
 - Share the risk and reward of beneficial decisions
 - Dis-incentive for damaging unilateral actions
- Incentive Alignment
 - Creates a framework for cooperation and optimal joint decisions
 - Incentives for alignment of product/service

Revenue sharing illustration

- Sharing of incremental revenues (less cost of sale/carriage)
- Incremental revenues established with reference to a base year (2008/09)
- Carriers receive allowance for introduction of new capacity
- Partial revenue sharing (15%) on behind and beyond codeshares
- Codeshare commission on other routes



Future revenue share benefits should be driven by optimisation and load factor improvements

Cost synergies

- Lower costs through co-operating to increase operational efficiency in key areas
- Near term opportunities arise from:
 - Sales, operations and distribution efficiencies
 - Advertising and promotion
 - Joint procurement initiatives
 - Overheads
- Integration planning for combined corporate service functions underway in conjunction with Day 1 readiness preparation



Separate brands retained

- Not a full or traditional merger between AA, BA and IB
 - Retain separate brands
 - Retain individual corporate identities
 - Retain independent operations
- Full transparency when choosing flights/booking as to what metal will be flown on

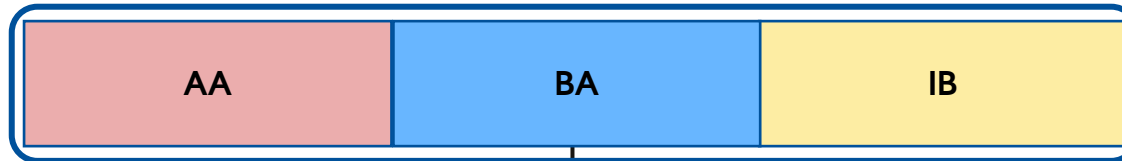


Managing the Joint Business

- Principles underpinning the agreed approach
 - Day to day decisions in the main taken by line organisations following tri-laterally agreed guidelines
 - A single accountable person to focus overall performance management and planning
 - Driving joint business performance will involve cross-functional improvements (implemented within each carrier)
- 10 year deal term – diminishing exit penalties over time

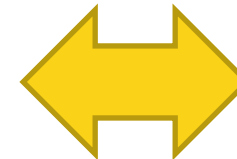
Joint Business management structure

Management Committee



Rotating every 2 years,
Management Committee
choice. Not from same
carrier as Management
Committee chair

**General Manager
Joint Business**

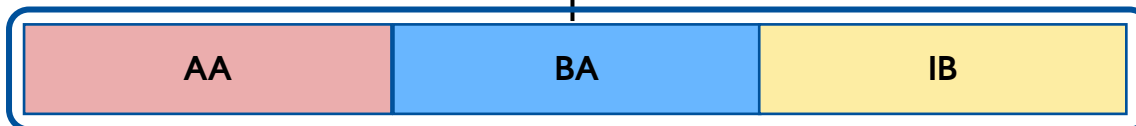


AA alliances

BA alliances

IB alliances

Joint Business team



Central Team

Functional Teams

Functional team responsibilities

Functional Teams:



Capacity	Sales	RevMan	FFP	Finance
Airports/ Customer Service	Web & Call Centre	IT	Products & Services	Cargo
Contracts/ Negotiation	PCH	Comms		

Key:

	=	Continue in steady state		=	No requirement post launch		=	New Functional Committee
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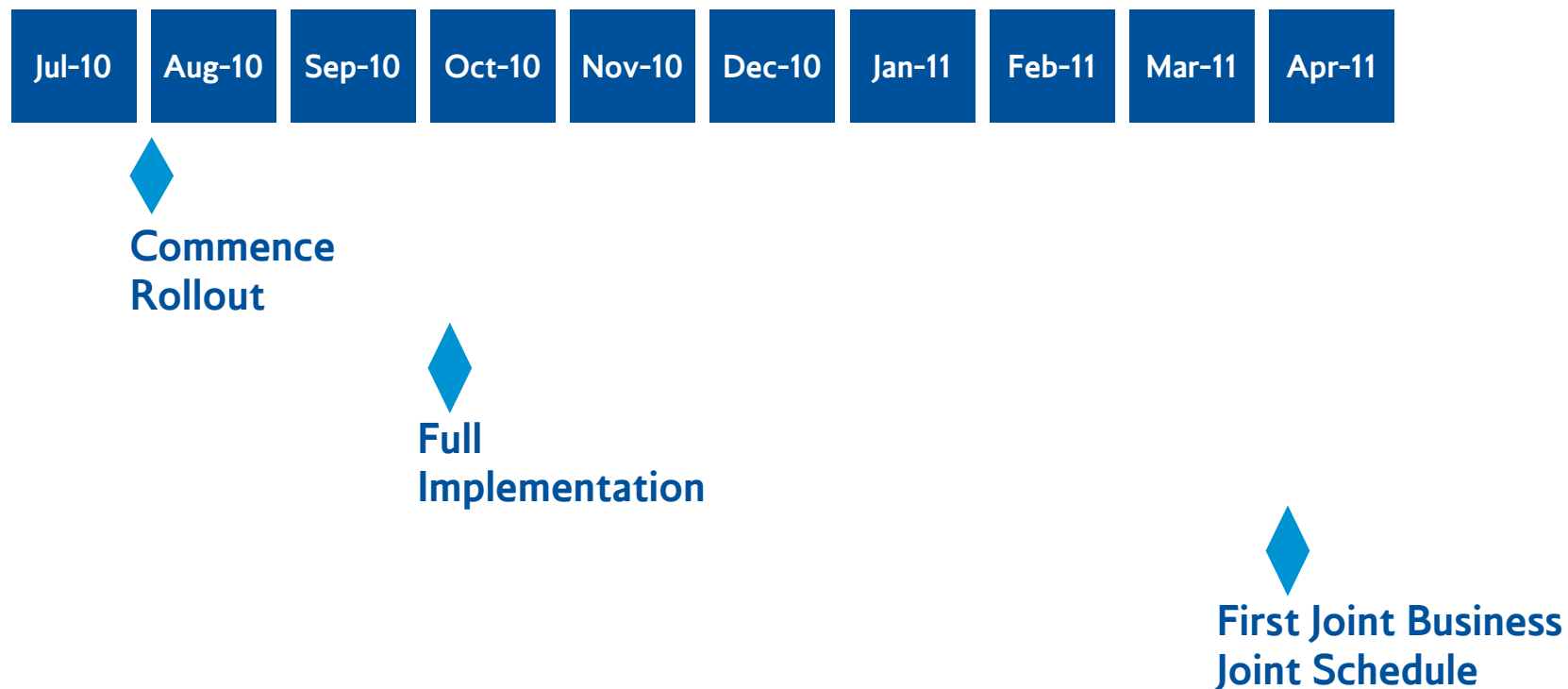
Day 1 readiness well advanced

Milestone	Winter 2010	Summer 2011
Joint Management Team	✓	
Staff Training	✓	
Codeshares in Place	✓	
Aligned Frequent Flyer	✓	
Benefit Sharing	✓	
Aligned Policies	✓	
Aligned Pricing & Planning Principles	✓	
Joint Scheduling		✓
Seamless Transfer Key Hubs		✓

Note: Subject to anti-trust clearances

Go live

- Subject to concluding ATI by mid July...



A major strategic milestone



A major strategic milestone

- Important “stepping stone” in BA’s global development strategy
- Significantly enhanced offering with lower costs to benefit both customers and shareholders
- Dynamic collaborative partnership to jointly manage the business and identify incremental future opportunities to add value
- Day 1 readiness well advanced: Integrated joint services operating from Summer 2011 (subject to timing of anti-trust clearances)

Q & A



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