

BRITISH AIRWAYS

Interim management statement

Analyst presentation

3 August 2007

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.

Profits up on good results

- Record Q1 performance *despite*
 - operational issues
- Cost performance benefiting from earlier actions *but*
 - more to do
- Performance sufficient to deliver 10% target *but*
 - outlook challenging

Headline numbers

	3 Months £m	Better/ (worse)
Turnover	2,193	(2.4)%
Total costs	(1,930)	5.4%
Operating profit	263	27.7%
Operating margin	12.0%	2.8pts
EBITDAR	502	14.9%
Pre-tax profit	289	51.3%

Period ended 30 June, 2007

Key factors

- Large exchange impact as dollar 9% weaker
 - revenue excluding exchange flat
 - exchange benefit to fuel £44 million
- Costs excluding fuel down 5.5%
 - driven by pensions, severance and exchange
 - spending more on the operation
- Below the line
- Tax rate at 6%

Statistics

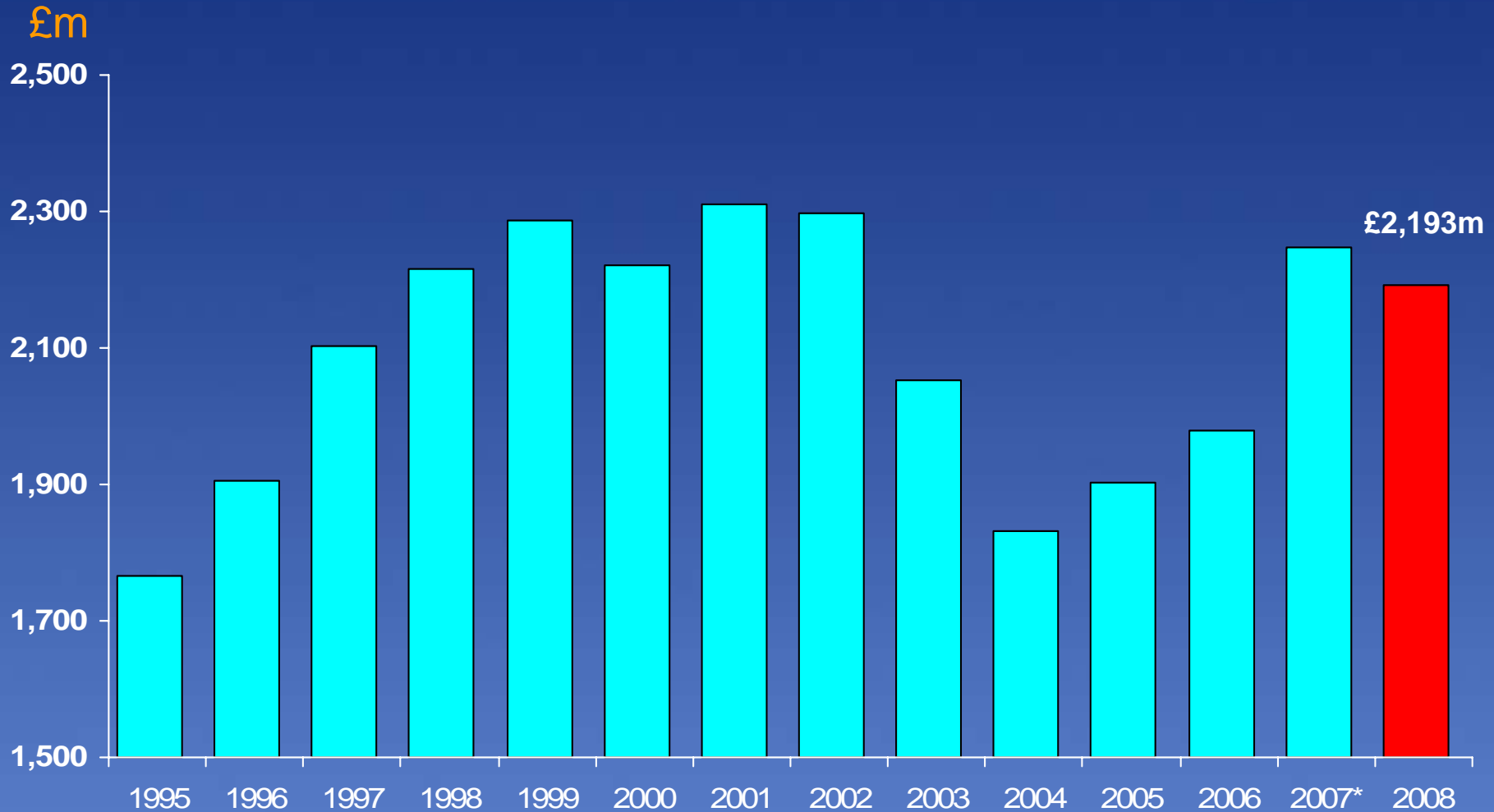
Key statistics

	Q1 VLY B/(W)
ASK	0.3%
RPK	(1.9)%
Seat factor	(1.8)pts
ATK	(1.6)%

Key performance indicators

Yield per RPK	flat
Unit costs per ATK	3.9%
Unit costs per ATK excl fuel	3.9%

Solid revenue despite the challenges



* Restated for discontinued operations

Period ended 30 June, 2007

Revenue challenges continue

- Weak US Dollar
- Soft non-premium traffic on Atlantic
- APD increase – double hit for domestic
- Heightened security/security alerts
- Continuing baggage restrictions
- Strong comparatives

Turnover split

	£m	VLY
Passenger	1,899	(1.9)%
Cargo	146	(11.5)%
Other	148	1.4%
	<u>2,193</u>	<u>(2.4)%</u>

Period ended 30 June, 2007

Yield improvement despite exchange

	Q1
Price	2.7
Mix	0.8
Exchange	(3.5)
Reported	<u>0.0</u>

Period ended 30 June, 2007

Cargo performance

- Revenue fell 11.5% to £146 million
- Excluding exchange revenue fell 7.3%
- Cargo capacity down 5.2%
- Yield down 3.8%
- Volume performance improving

Strong cost performance

- Capacity in ATKs down 1.6%
- Total costs down 5.4%
- Unit costs down 3.9%

Excluding fuel:

- Total costs down 5.5%
- Unit costs down 3.9%

Costs down

	£m	VLV	
Employee costs	542	8.3	down
Engineering & other aircraft	110	3.8	up
Landing & en route charges	134	2.9	down
Handling, catering etc	235	0.9	up
Selling costs	89	14.4	down
Other costs	347	6.2	down
TOTAL COSTS (excl. fuel)	1,457	5.5	down
Fuel & oil	473	5.2	down

REPORTED TOTAL COSTS	1,930	5.4%	down
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Period ended 30 June, 2007

Employee costs

£50 million reduction driven by:

Pensions



down £25m

Severance



down £25m

Other
manpower
costs

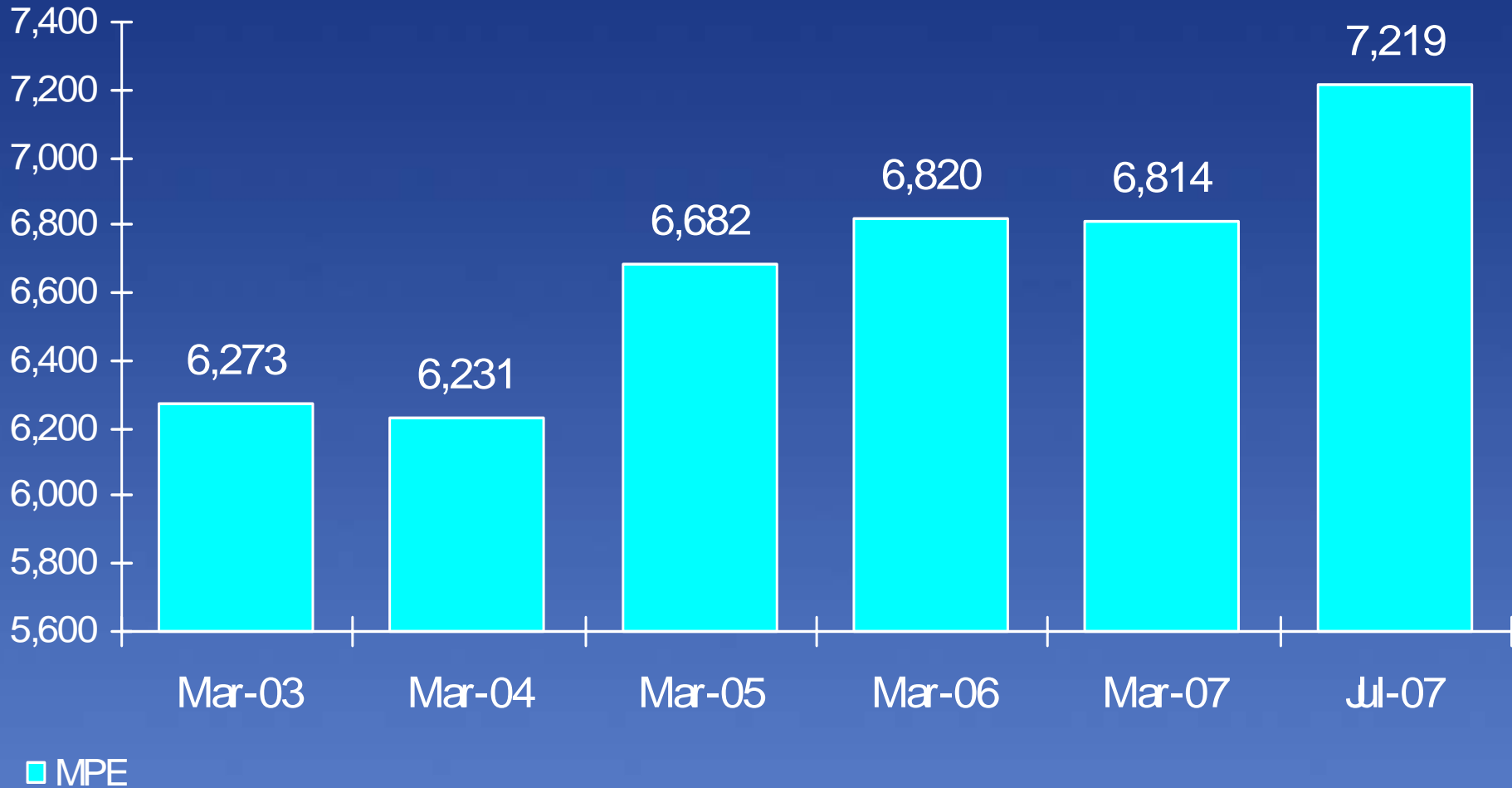


flat

(Note: includes pay increases)

Spending more on
Heathrow

HCS manpower increased



Total BA Manpower 14% lower March 2003 to July 2007

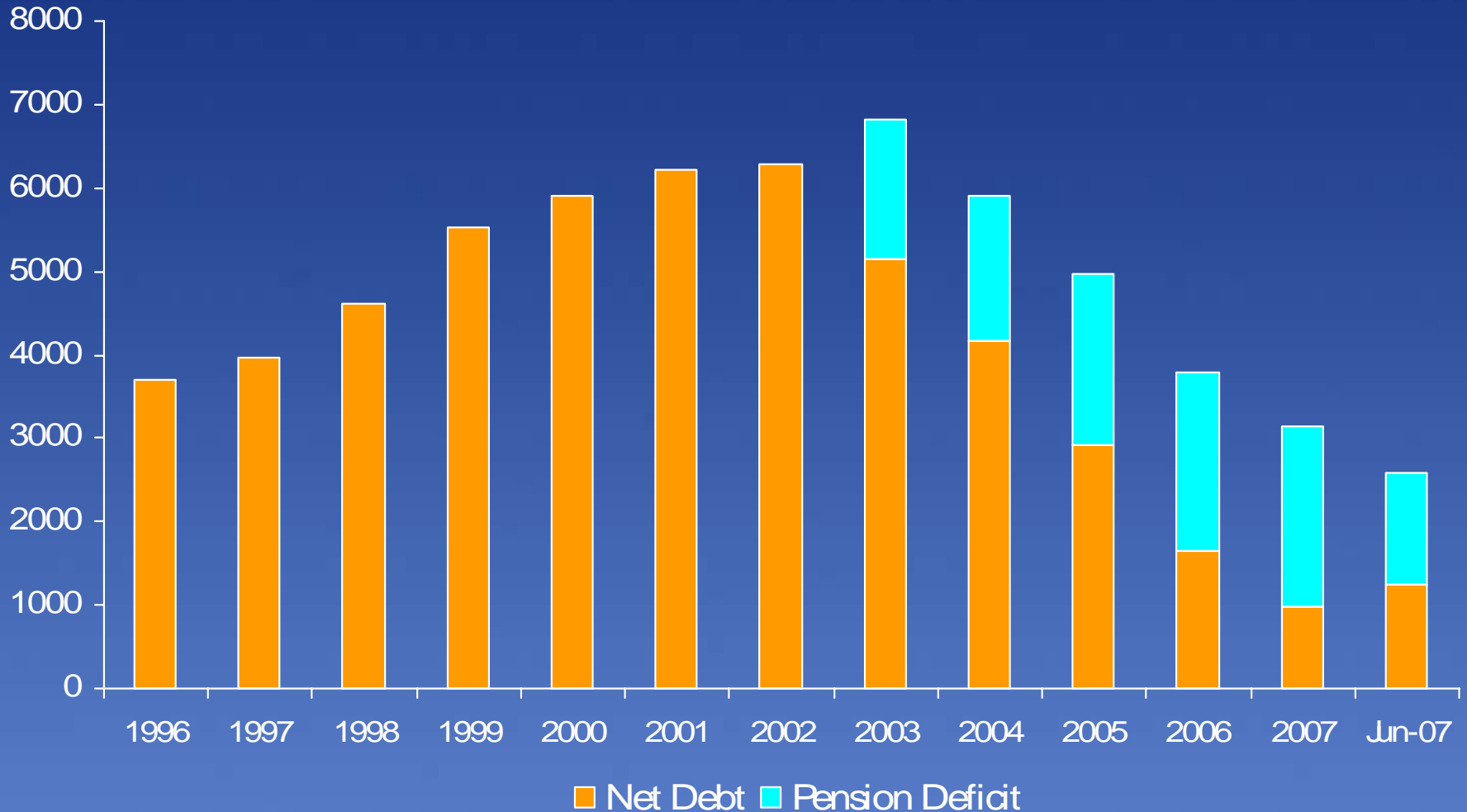
Strong financials

- Net debt of £1,246 million
- Current cash of £1,954 million post £560 million payment
- Upgrade to Investment grade credit rating

Cashflow

- Cash outflow from operating activities £172 million
- £647 million decline from last year due to:
 - £560 million pension payment
 - Working capital movements
- Capital expenditure of £163 million

Net debt including pension deficit



Gross pension deficit included from first FRS17 numbers in 2003

Year ended March

Fuel Hedging Cover

Brent equivalent prices

	07/08 Q2	07/08 Q3	07/08 Q4	08/09 FY
Cover	85%	73%	61%	28%
Swaps	41% @\$63/bbl	24% @\$61/bbl	10% @\$62	---
Collars	44% @ average \$73/\$59	50% @ average \$73/\$61	51% @average \$75/\$63	28% @ average \$76/\$65

Investigations

2007/08 Outlook

Outlook challenging but unchanged

Revenue growth  4 per cent

Non-fuel costs  flat

Fuel cost  up £120 million

 Targeting 10% operating margin

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