BRITISH AIRWAYS

Q4 & Preliminary Results

2006/2007

18th May 2007

BRITISH AIRWAYS

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 itemize 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. Fuller information on some factors which could result in material difference to the results is available in the company's Annual Report for the year ended 31 March 2007, which is available on www.bashareholders.com.

Martin Broughton

Chairman

BRITISH AIRWAYS

Keith Williams

Chief Financial Officer

Strong results despite challenges

- Disruption impacts results
- Results in line with forecast
- New provision for competition investigations
- Financials remain strong
- Major issues resolved
- 10% target unchanged

Headline numbers

	3 Months £m	Better/ (worse)	12 Months £m	Better/ (worse)
Turnover	1,932	(5.9)%	8,492	3.4%
Total costs before non-recurring items	(1,947)	0.5%	7,936	(5.5)%
Non-recurring items	46	nm	46	nm
Operating profit	31	nm	602	(13.3)%
Operating margin	1.6%	(3.2)pts	7.1%	(1.4)pts
EBITDAR	271	(19.3)%	1,549	(7.0)%
Pre-tax profit	27	nm	611	(0.8)%

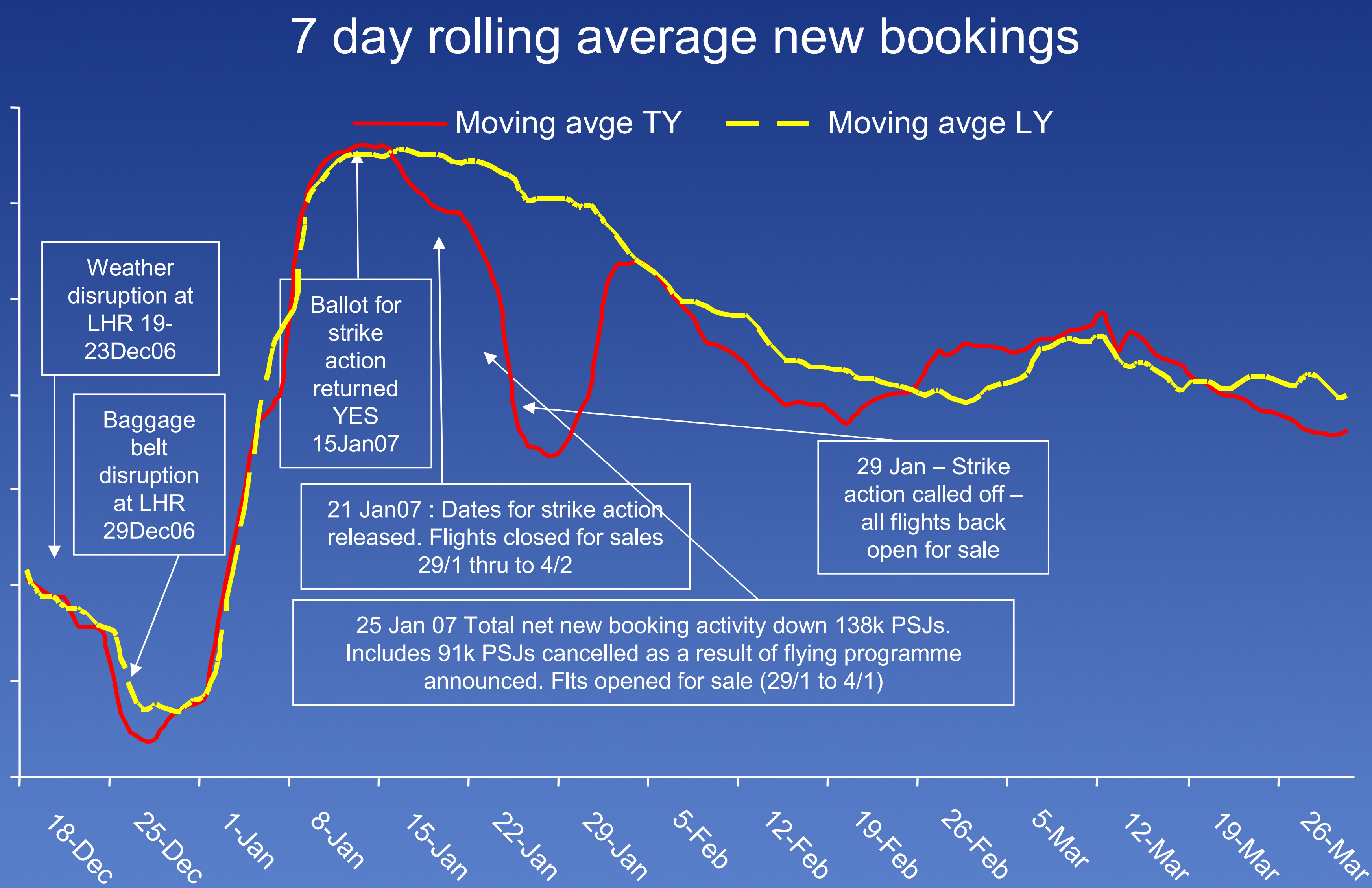
Year ended March 31, 2007

Revenue challenges

Revenue growth 3.4%

- Impacted by challenges worth 2.8%
  - Quarter 2 - August security £100 million
  - Quarter 3 - Baggage/Fog £40 million
  - Quarter 4 - Strike threat £80 million
    - Air Passenger Duty £11 million

Quarter 4 impacted by threat of strike



Turnover split

	£m	VLY
Passenger	7,263	4.9%
Cargo	618	(3.1)%
Other	611	(6.1)%
	8,492	3.4%

Year ended March 31, 2007

Statistics

Key statistics	Q4 VLY B/(W)	Full year VLY B/(W)
ASK	1.4%	2.9%
RPK	(1.3)%	2.9%
Seat factor	(2.0)pts	flat
ATK	(1.5)%	0.7%
Key performance indicators		
Yield per RPK	(3.4)%	2.1%
Yield per ASK	(6.1)%	2.1%
Unit costs per ATK excl one-offs	(3.5)%	(4.2)%
Unit costs excl fuel and one-offs	0.7%	(0.4)%

Year ended March 31, 2007

Yield improvement driven by price

	Q4	Full year
Price	0.2	2.4
Mix	(0.2)	0.3
Exchange	(3.4)	(0.6)
Reported	(3.4)	2.1

Year ended March 31, 2007

Cargo performance

- Capacity down
- Yield down
- Soft market conditions
- Operational challenges

Cargo outlook

- Market conditions likely to remain sluggish
- Capacity flat
- Some volume recovery
- Stable operations
- Premium handling facility
- Year of two halves

Q4 costs

Excluding one-offs:

• Capacity down	1.5%
• Total costs down	0.5%
• Unit costs up	1.1%

Excluding one-offs and fuel:

• Total costs down	2.2%
• Unit costs down	0.7%

Year ended March 31, 2007

Q4 costs down

	£m	VLY	
Employee costs	560	8.3%	down
Engineering & other aircraft	105	6.3%	down
Landing & en route charges	120	4.8%	down
Handling, catering etc	222	1.8%	up
Selling costs	131	9.2%	up
Other costs	354	4.7%	up
TOTAL COSTS (excl. fuel & one-offs)	1,492	2.2%	down
Fuel & oil	455	5.6%	up
TOTAL COSTS (excl one-offs)	1,947	0.5%	down
Exceptionals	(46)	nm	
REPORTED TOTAL COSTS	1,901	2.8%	down

Year ended March 31, 2007

Full year costs

Excluding one-offs:

• Capacity up	0.7%
• Total costs up	5.5%
• Unit costs up	4.8%

Excluding one-offs and fuel:

• Total costs up	1.1%
• Unit costs up	0.4%

Year ended March 31, 2007

Full year costs up

	£m	VLY	
Employee costs	2,277	0.8%	up
Engineering & other aircraft	414	6.1%	down
Landing & en route charges	517	0.6%	down
Handling, catering etc	930	1.6%	up
Selling costs	436	0.5%	down
Other costs	1,431	4.9%	up
TOTAL COSTS (excl. fuel & one-offs)	6,005	1.1%	up
Fuel & oil	1,931	22.1%	up
TOTAL COSTS (excl one-offs)	7,936	5.5%	up
Exceptionals	(46)	nm	
REPORTED TOTAL COSTS	7,890	4.9%	up

Year ended March 31, 2007

Three exceptional issues

(1) Provision for competition investigations

- Investigations continue
- Covers Cargo and LH Passenger surcharges
- Both competition authority and civil claims
- Provision involves estimation

Three exceptional issues

(2) Pension fund changes

- In line with Investor day
- £396 million one off credit
- FRS 17 deficit post changes £1 billion

Three exceptional issues

(3) Sale of BA Connect

– Cash cost £146 million

– Quarter 4 accounting charge of £53 million

- Asset write downs £28 million

- Costs associated with the sale £21 million

Cashflow

- Cash from operations £1,072 million down £535 million
- Includes £240 million pension payment
- EBITDAR £1,549 million down £117 million

Strong financials

- Net debt lowest since 1990
- Current cash on target at £1.8 billion post £560 million payment
- Credit rating update

Fuel hedging cover

Brent equivalent prices

	Q1	Q2	Q3	Q4
Cover	81%	61%	58%	39%
Swaps	35% @$57/bbl	20% @$56/bbl	16% @$57/bbl	10% @$62/bbl
Collars	46% @ average $71/$56	41% @ average $73/$58	42% @ average $73/$58	29% @ average $73/$61

Year ended March 31, 2008

Moving from 7.1% to 10%

Margin 2006/7	7.1%
Less impact of exceptionals	(0.6)%
Disruption	2.8%
Lower severance costs	0.9%
Lower pension costs	1.0%
Fuel	(1.2)%
Margin	10.0%

2007/08 outlook

Revenue growth	→	5 – 6 per cent
Non-fuel costs	→	+£50 million
Capex	→	£850 million
Fuel cost	→	up £100 million

In summary

- Strong results despite challenges
- Results impacted by disruption and threat of strike
- Non-recurring items relating to investigation provision, pensions and sale of BA Connect
- Foundations laid for 10% margin this year
- Cost performance focus continues
- 10% target unchanged

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Willie Walsh

Chief Executive Officer

Agenda

- Open Skies
- Shorthaul developments
- Iberia

What is Open Skies?

From March 2008:

Any US or EU carrier can fly from anywhere in the EU direct to US and from the US to the EU.

This includes flights to and from Heathrow with unrestricted frequency.

Immediate actions

- Move Houston and Dallas from Gatwick to Heathrow
- Leave 7 longhaul aircraft at Gatwick
- Retain mix of 4-class and 3-class aircraft
- Seek to re-use valuable Gatwick slots
  - Outlet for future growth given Heathrow constraints
  - Shorthaul important part of overall strategy

Opportunities for BA

- Move routes from Gatwick to Heathrow
  - Benefit from access to our network
  - Better proposition for the oil sector
- Removal of frequency restrictions on existing Heathrow routes
- Ability to fly new routes to US
- Launch services US to EU

New services US to EU

- Blanket filing to fly US to EU
- Senior team appointed
- 757/767 aircraft
- Targeting 2008 launch

Risks for BA

Scenarios include:

- Existing US carriers at Gatwick move to Heathrow
- bmi
- New competitors at Heathrow
- Business-only carriers

But:

- Dependent on ability to secure slots and infrastructure
- Heathrow is highly competitive today

What Open Skies is not

- Its *not* a change to previously unrestricted UK-US routes
- Its *not* a true open aviation agreement
- Its *not* a change to foreign ownership rules
- Its *not* a change to slot allocations

Shorthaul developments

New shorthaul aircraft

- Order of 29 Airbus family aircraft
- Flexibility as 8 firm orders and 21 options
- Facilitates return of 14 oldest 737s to lessors
- First step to single fleet across the operation
- Flexibility of aircraft between Heathrow and Gatwick – can exploit future growth opportunities at either airport
- Deliver cost and environmental benefits

London City

- Integral to London strategy
- New routes launched
- Fleet optimisation
- Growth potential

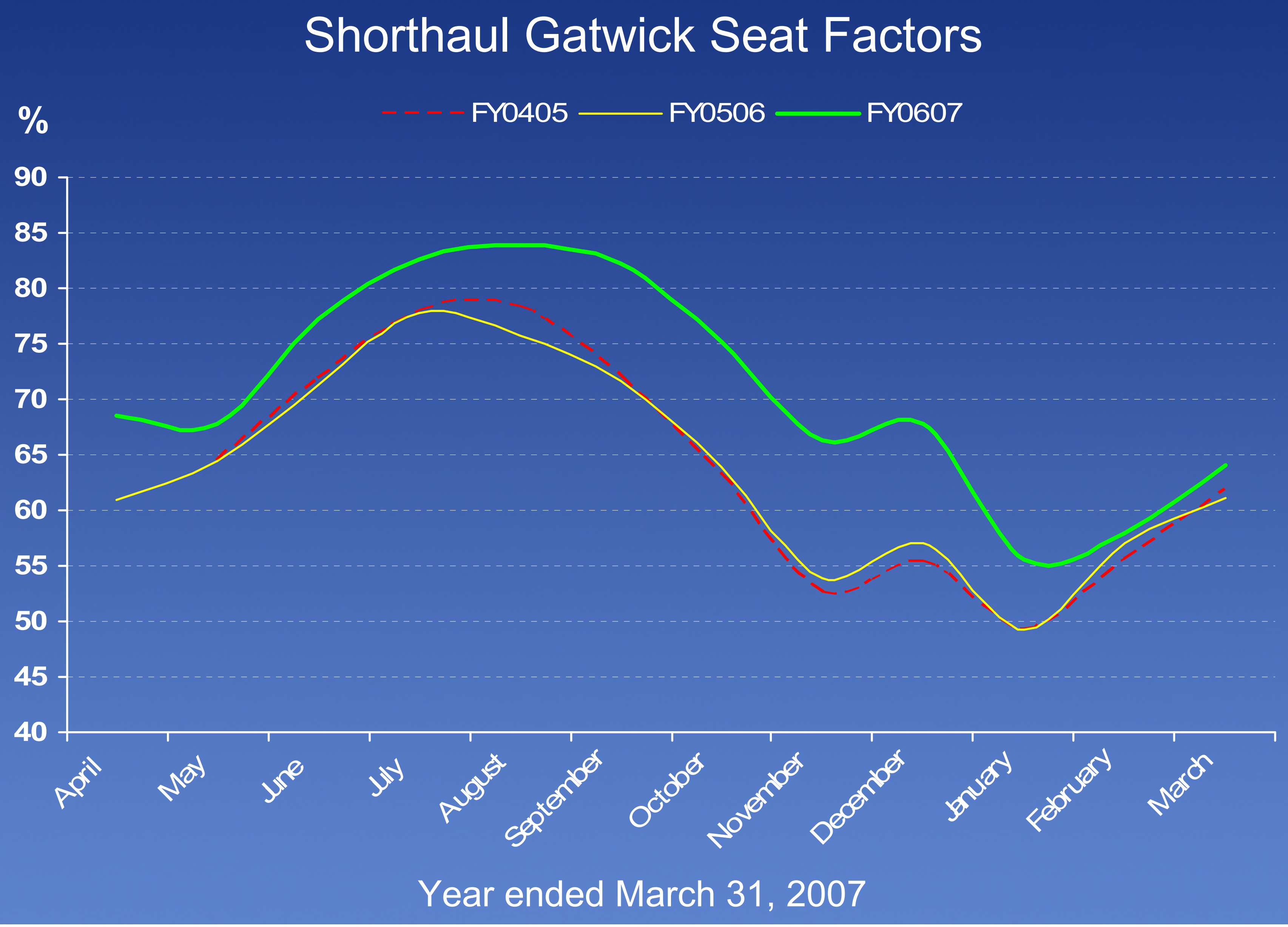
Gatwick

- Considerable progress especially on costs
- Driving volumes and revenues
- Important part of the overall strategy
- Confidence to upgrade the shorthaul fleet
- Airbus choice allows flexibility across network

Good progress on costs

- Property and facilities rationalisation
- Cost of sale reductions
- Working practice change
- Cabin crew single fleet agreement
- Staff reductions
- More to come

Driving volumes



Driving revenues

- Driving volumes
- Club Europe upgrades
- Ancillary revenues

→ Higher revenues per seat versus no-frills

Summary

- Overall shorthaul profitable
- Shorthaul important to group strategy
- Considerable progress at Gatwick
- Confidence to upgrade fleet at Gatwick
- New shorthaul aircraft
- First step to single fleet across the network

Iberia

Our investment in Iberia

Date	No of shares	Cost in Euro	Reason
March 2000	82,166,583	1.19*	Initial 9% investment
July 2005	2,711,587	2.38	To maintain 9%
November 2006	9,430,910	1.90	Purchase of AA share

Market value of total shareholding at March 31	€376.6m
Book value of total shareholding at March 31	€179.2m
Dividends received	€45.2m

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Questions

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