



BRITISH AIRWAYS

Interim management statement

Analyst presentation

2007-2008

February 1, 2008





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.



H2 Outlook

| | | H1 | H2 | FY |
|---------|----|---|---|----------|
| Revenue | | flat | +7-8% | + 3-3.5% |
| Fuel | £m |  36 |  136 | up 100 |
| Costs | £m |  114 |  14 | down 100 |

Target remains 10% operating margin



Profits up on good results

- Revenue on track, despite challenges
- Continuing cost performance despite soaring fuel

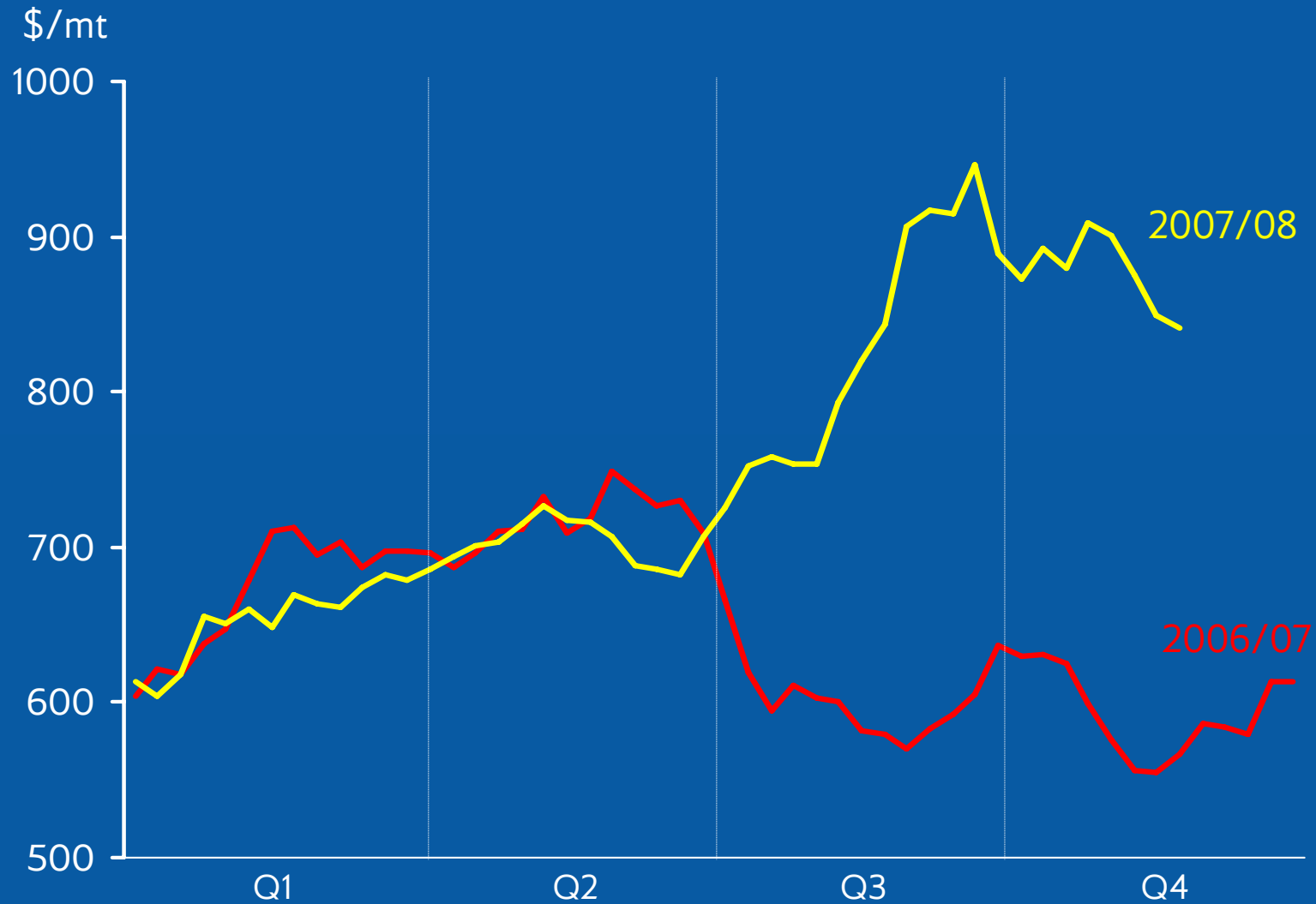
= Another record quarter

= 10% target still attainable

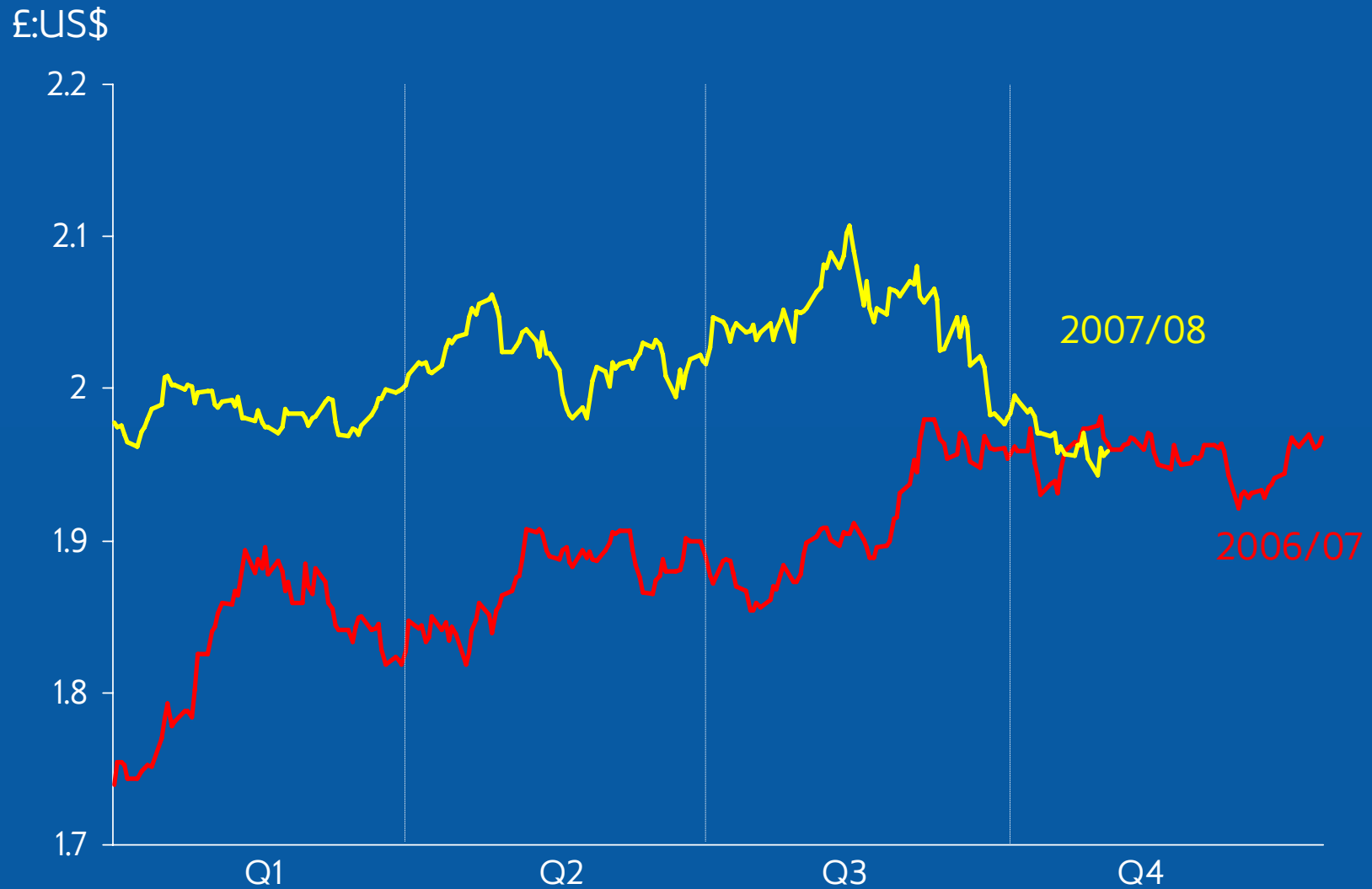
- Record Q4 needed



Jet fuel prices



US dollar strengthening into Q4



Headline numbers

| | 9 Months £m | Better/ (worse) |
|------------------|----------------|--------------------|
| Turnover | 6,622 | 0.9% |
| Total costs | (5,888) | 1.7% |
| Operating profit | 734 | 28.5% |
| Operating margin | 11.1% | 2.4pts |
| EBITDAR | 1,428 | 11.7% |
| Pre-tax profit | 788 | 34.9% |

Period ended 31 December, 2007



Statistics

9M VLY
B/(W)

Key statistics

| | |
|-------------|----------|
| ASK | 0.8% |
| RPK | 0.1% |
| Seat factor | (0.6)pts |
| ATK | (0.2)% |

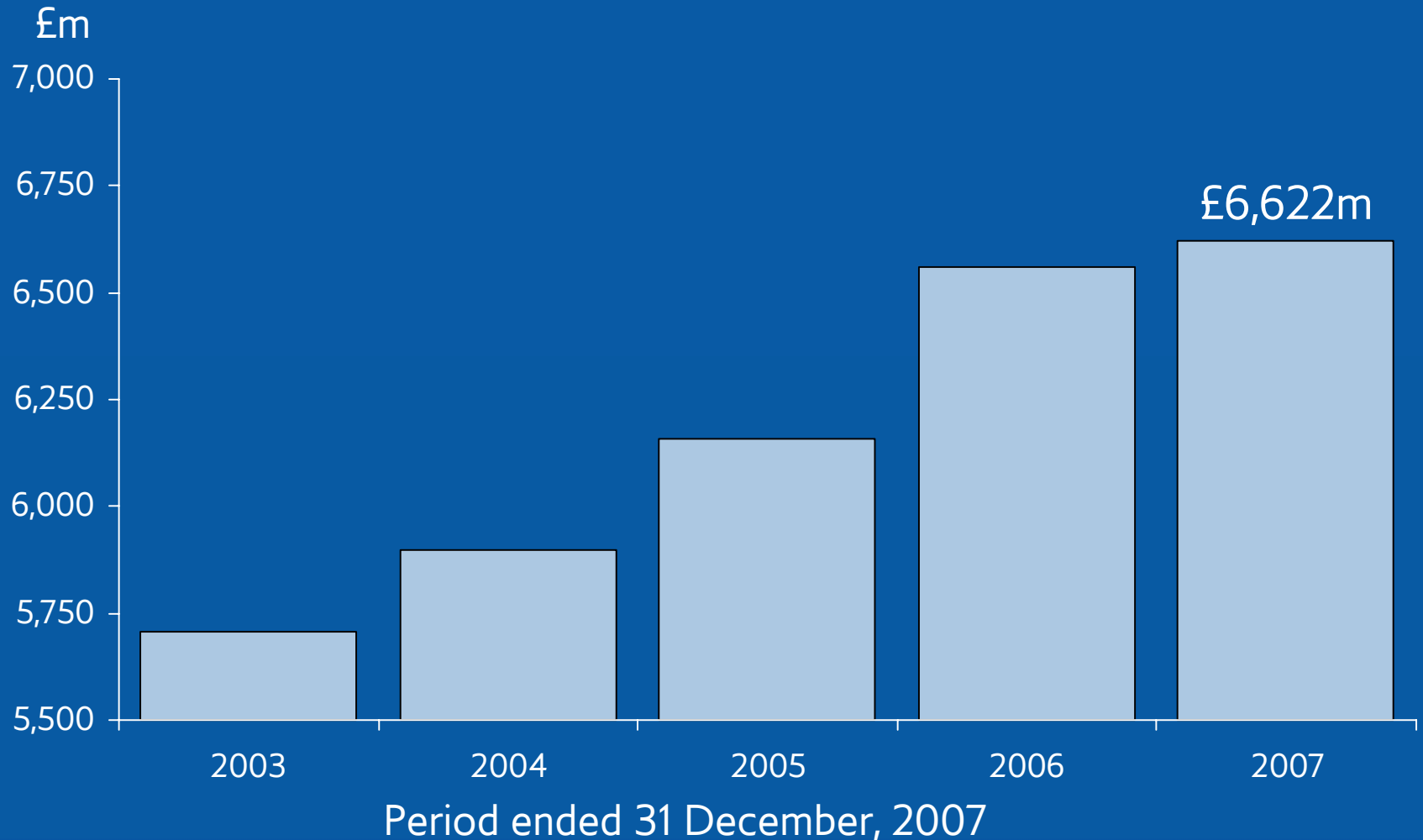
Key performance indicators

| | |
|------------------------------|-----------|
| Yield per RPK | up 1.5% |
| Unit costs per ATK | down 1.5% |
| Unit costs per ATK excl fuel | down 2.9% |

Period ended 31 December, 2007



Solid revenue despite the challenges



Turnover split third quarter

| | £m | VLY |
|-----------|--------------|-------------|
| Passenger | 1,861 | 5.9% |
| Cargo | 163 | 5.2% |
| Other | 142 | (9.0)% |
| | <u>2,166</u> | <u>4.7%</u> |

Period ended 31 December, 2007



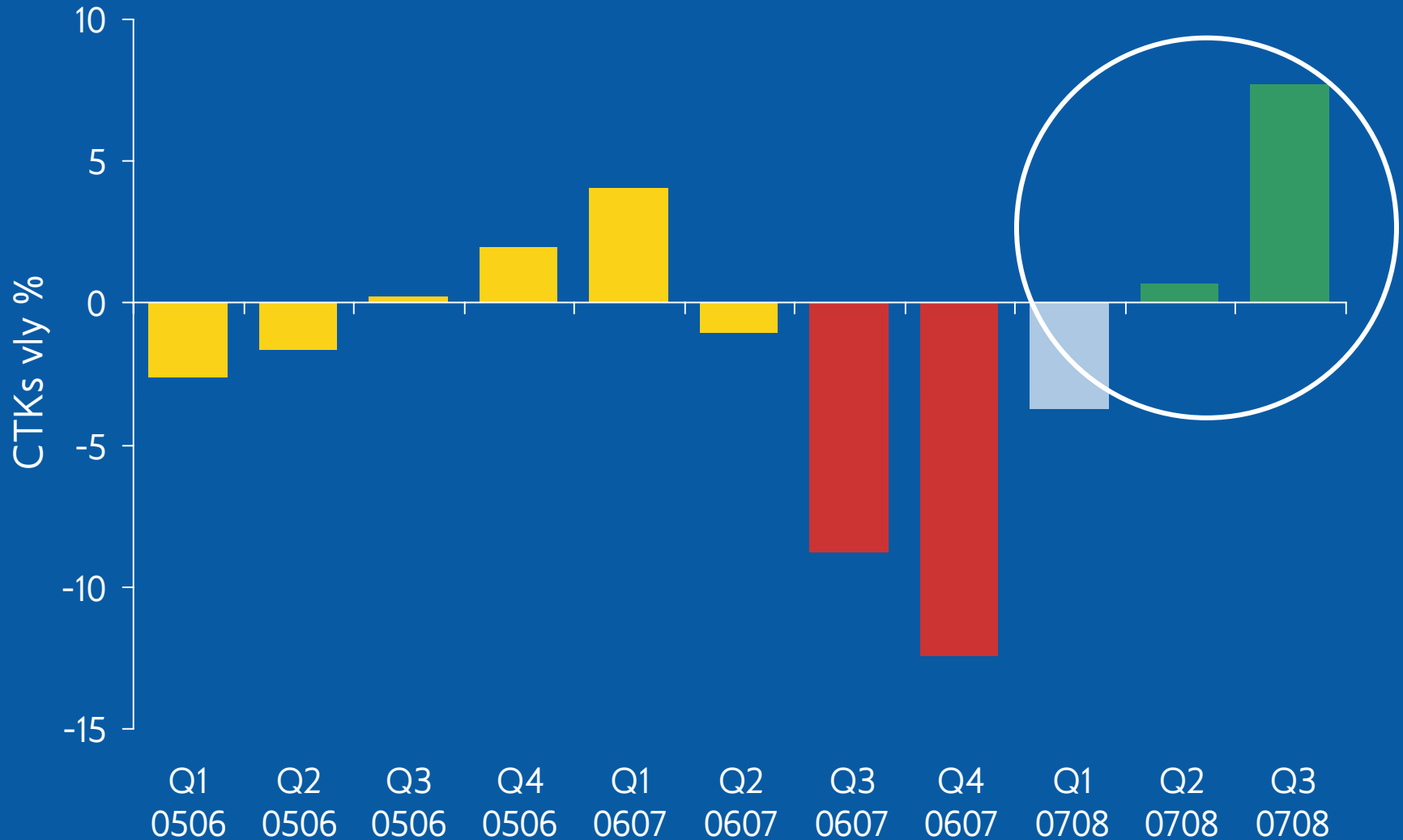
Turnover split year to date

| | £m | VLY |
|-----------|--------------|-------------|
| Passenger | 5,732 | 1.7% |
| Cargo | 453 | (4.2)% |
| Other | 437 | (3.5)% |
| | <u>6,622</u> | <u>0.9%</u> |

Period ended 31 December, 2007



Cargo volume recovery continues



Price and mix both driving yield

| % | Q1 | Q2 | Q3 | 9M |
|----------|------------|------------|------------|------------|
| Price | 2.7 | 2.1 | 2.5 | 2.4 |
| Mix | 0.8 | 1.7 | 2.5 | 1.9 |
| Exchange | (3.5) | (2.5) | (1.1) | (2.8) |
| Reported | <u>0.0</u> | <u>1.3</u> | <u>3.9</u> | <u>1.5</u> |



Strong cost performance

9 months

| | | |
|------------------|------|------|
| Capacity in ATKs | down | 0.2% |
| Total costs | down | 1.7% |
| Unit costs | down | 1.5% |

Excluding fuel:

| | | |
|-------------|------|------|
| Total costs | down | 3.0% |
| Unit costs | down | 2.9% |

Period ended 31 December, 2007



Good underlying cost performance

| 3 months | £m | VLY | |
|------------------------------|--------------|-------------|-----------|
| Employee costs | 530 | 6.4 | down |
| Engineering & other aircraft | 121 | 19.8 | up |
| Landing & en route charges | 134 | 8.9 | up |
| Handling, catering etc | 240 | 3.4 | up |
| Selling costs | 93 | 12.3 | down |
| Other costs | 341 | 3.7 | down |
| TOTAL COSTS (excl. fuel) | 1,459 | 1.6 | down |
| Fuel & oil | 529 | 15.8 | up |
| REPORTED TOTAL COSTS | 1,988 | 2.5% | up |

Period ended 31 December, 2007



Good underlying cost performance

| 9 months | £m | VLY | |
|------------------------------|--------------|-------------|-------------|
| Employee costs | 1,599 | 6.9 | down |
| Engineering & other aircraft | 343 | 11.0 | up |
| Landing & en route charges | 403 | 1.5 | up |
| Handling, catering etc | 732 | 3.4 | up |
| Selling costs | 276 | 9.5 | down |
| Other costs | 1,023 | 5.0 | down |
| TOTAL COSTS (excl. fuel) | 4,376 | 3.0 | down |
| Fuel & oil | 1,512 | 2.4 | up |
| REPORTED TOTAL COSTS | 5,888 | 1.7% | down |

Period ended 31 December, 2007



Fuel costs rising

- Q3 fuel costs up £72m...
- ...versus £36m improvement in H1
- Hedging insulated against full impact of price rises
- US dollar strengthening into Q4



Hedging cover

| | FY07/08 | | FY08/09 | |
|--|---------|------|---------|------|
| | Q3 | Q4 | H1 | H2 |
| Cover | 85 % | 90% | 50% | 35% |
| Average price cap Crude equivalent (\$/bbl) | \$70 | \$73 | \$77 | \$80 |



Cashflow

- Cash down to £1,724 m due to:
 - £560 million pension payment
 - £149 million US DoJ payment
 - Working capital movements
- Capital expenditure of £519 million



Other issues

- No financial change on Competition Investigation
- Impact of BA38 incident
- OpenSkies launched
- Business-class only service London City to New York



Revenue outlook

- Longhaul premium still strong
- Shorthaul premium is weak
- North Atlantic non-premium remains soft
- January booking period down on last year
- Revenue guidance of 3 – 3.5% remains



10% margin still achievable

- Q4 fuel costs even more challenging
- Cost performance key to meeting target
- Record Q4 required – after record 9 months
- Move to Terminal 5 in under 8 weeks
- 10% margin still possible



BRITISH AIRWAYS

