



# BRITISH AIRWAYS

Interim Management Report  
Preliminary Full Year Results  
2009/10

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.

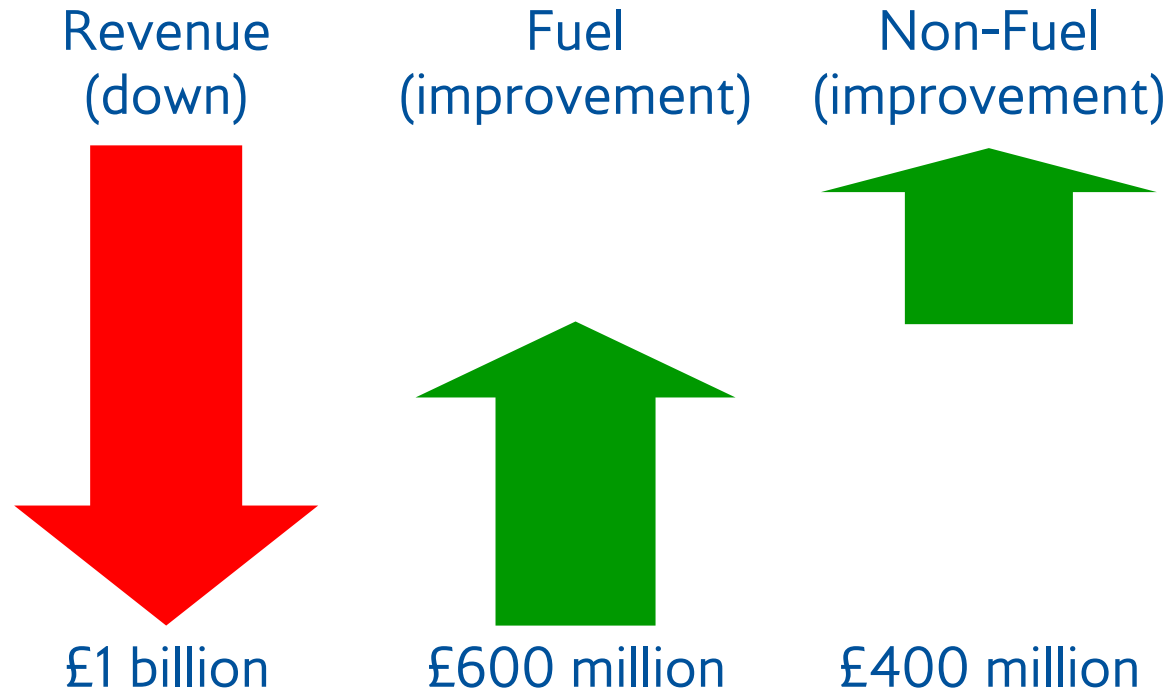


# Keith Williams

## Chief Financial Officer



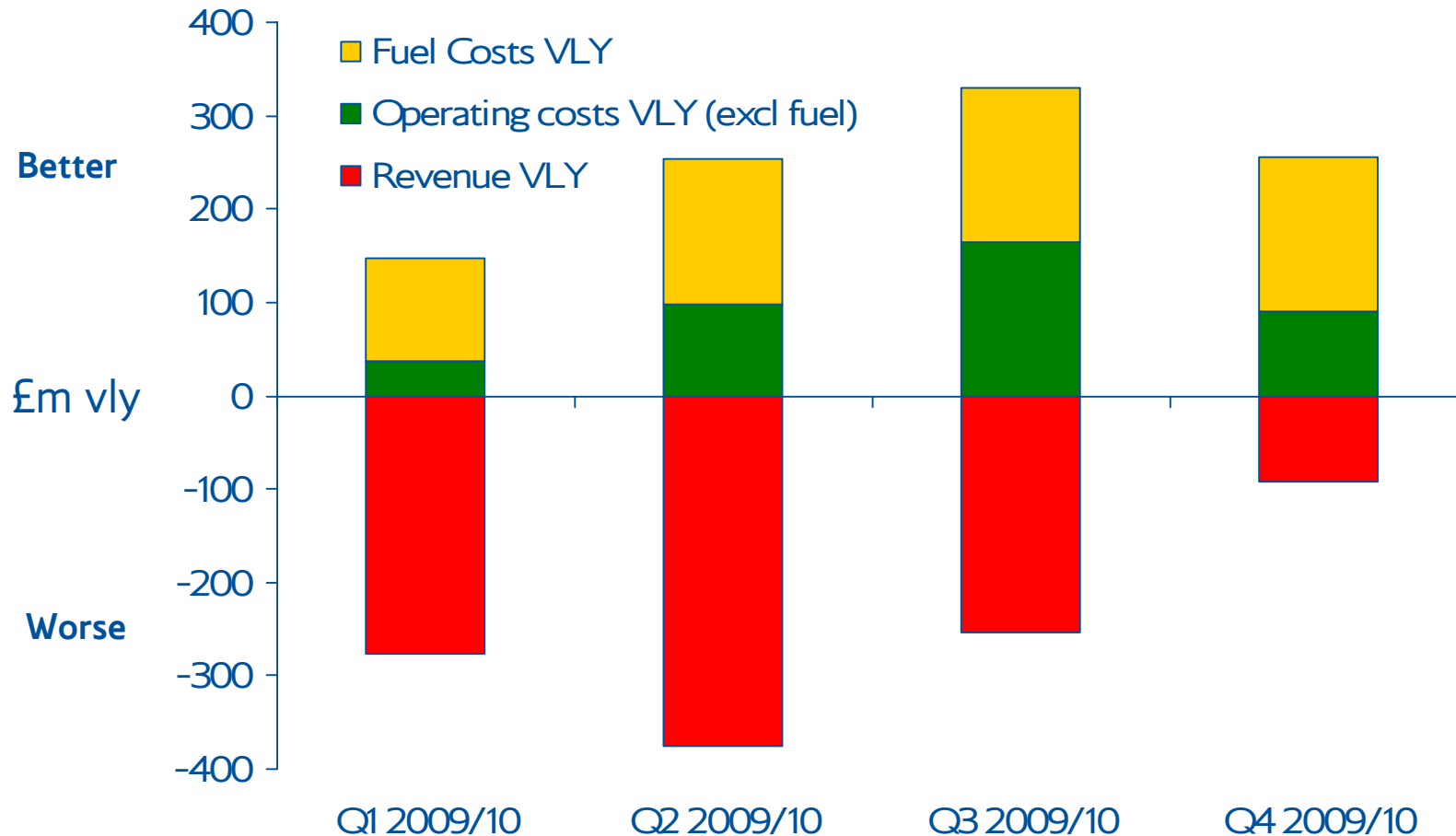
# Highlights – We delivered the year's target...



£m	2009/10	2008/09
Basic operating result	(146)	(142)
Restructuring	(85)	(78)
Operating result	(231)	(220)



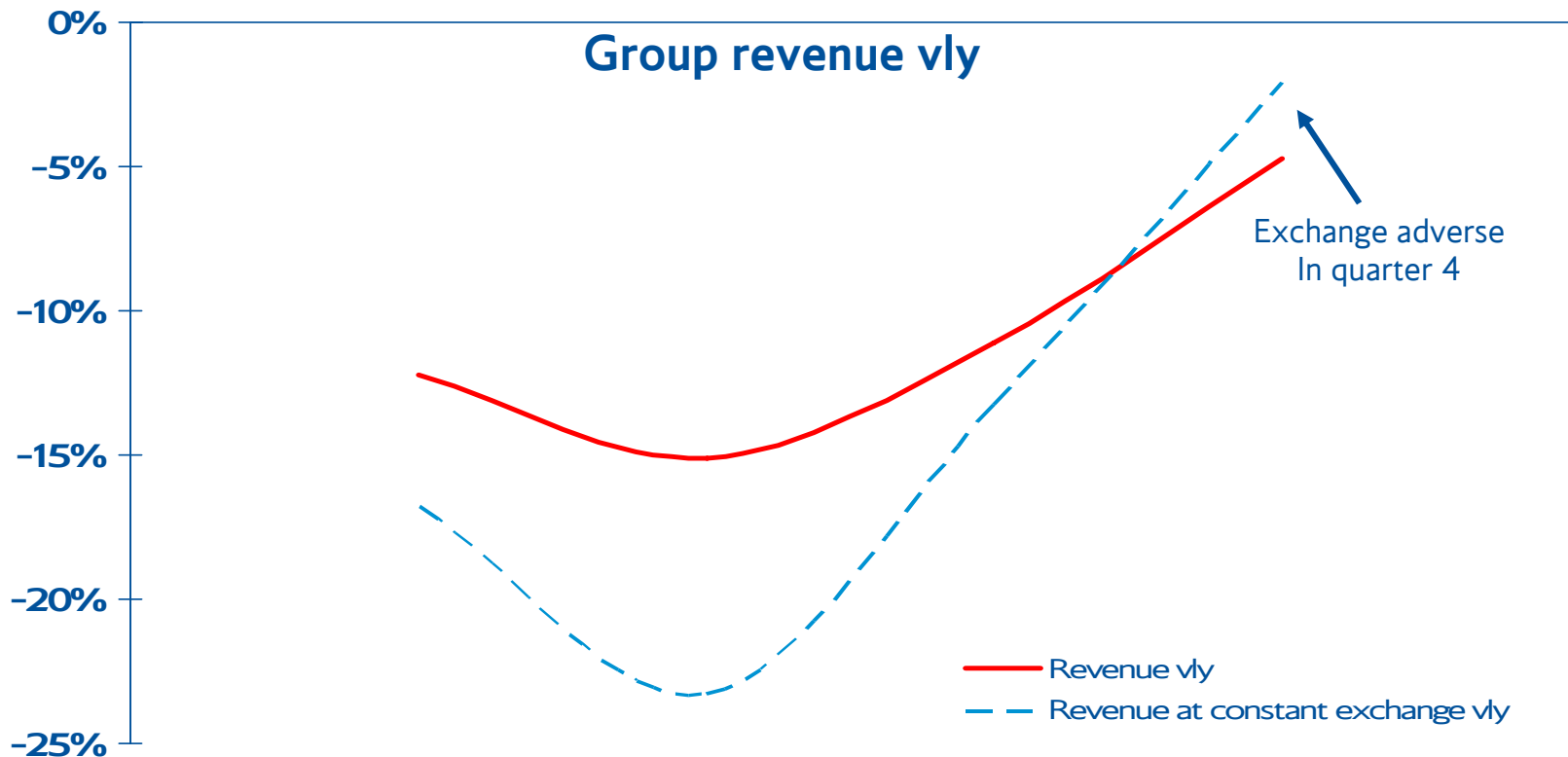
..as 'cost-driven' actions offset revenue decline.



Net operating result vly £m	<b>-129</b>	<b>-122</b>	<b>+76</b>	<b>+164</b>
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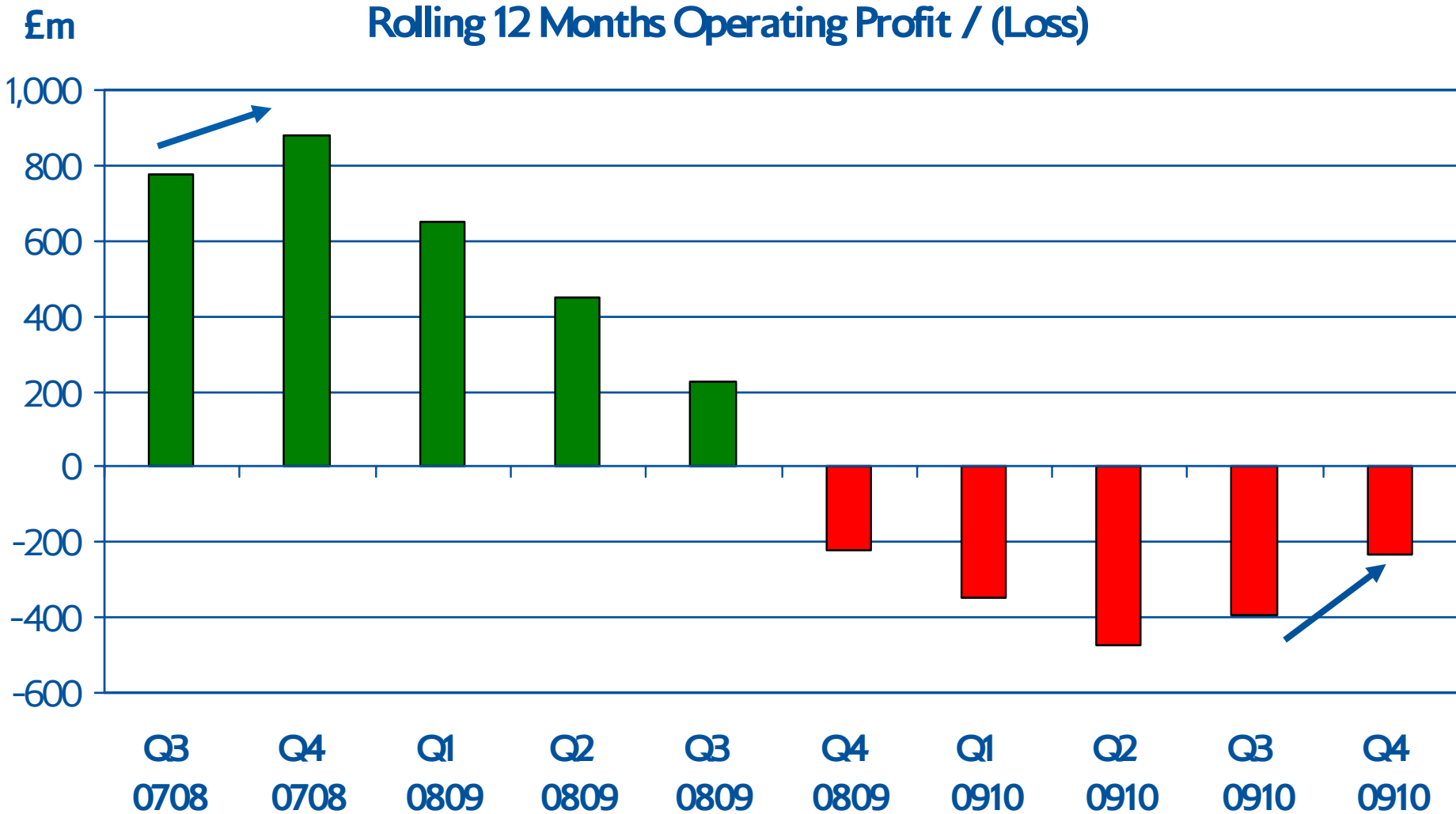
# Revenue only now starting to recover



Q1	Q2	Q3	Q4
-12.2%	-15.1%	-11.1%	-4.7%
-£276m	-£376m	-£254m	-£92m



# Resulting in improvement in results



# Headline numbers – full year

	Apr-Mar £m	Better/ (worse) vly
Turnover	7,994	(11.1)%
Fuel costs	2,372	20.1%
Non fuel costs <small>(note)</small>	5,853	6.2%
Operating loss	(231)	(5.0)%
Operating margin	(2.9)%	(0.5)pts
EBITDAR	642	(0.5)%
Pre-tax loss	(531)	(32.4)%

Note: includes restructuring of £85m

Period ended March 31, 2010



# Headline numbers – fourth quarter

	Jan-Mar £m	Better/ (worse) vly
Turnover	1,854	(4.7)%
Fuel costs	559	22.9%
Non fuel costs <small>(note)</small>	1,440	5.9%
Operating loss	(145)	53.1%
Operating margin	(7.8)%	8.1 pts
EBITDAR	72	nm
Pre-tax loss	(189)	42.9%

Note: includes restructuring of £23m

Period ended March 31, 2010

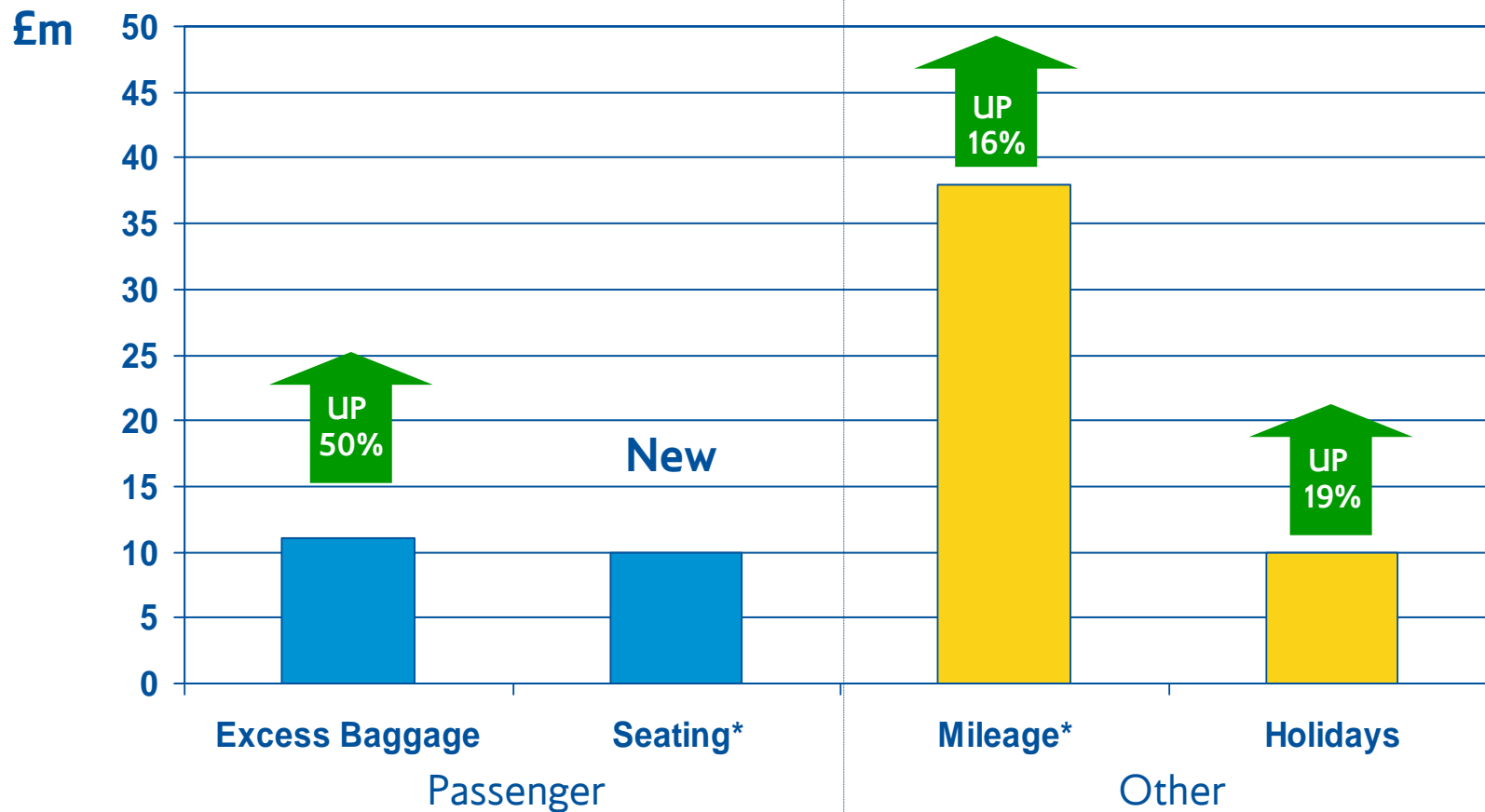
# Revenue weak but improving

<u>£m</u>	<u>Full Year</u>	<u>vly</u>	<u>Q4</u>	<u>vly</u>
Passenger	6,980	(10.9)%	1,623	(3.2)%
Cargo	550	(18.3)%	148	8.8%
Other	464	(3.9)%	83	(38.1)%
	<u>7,994</u>	<u>(11.1)%</u>	<u>1,854</u>	<u>(4.7)%</u>

Period ended March 31, 2010

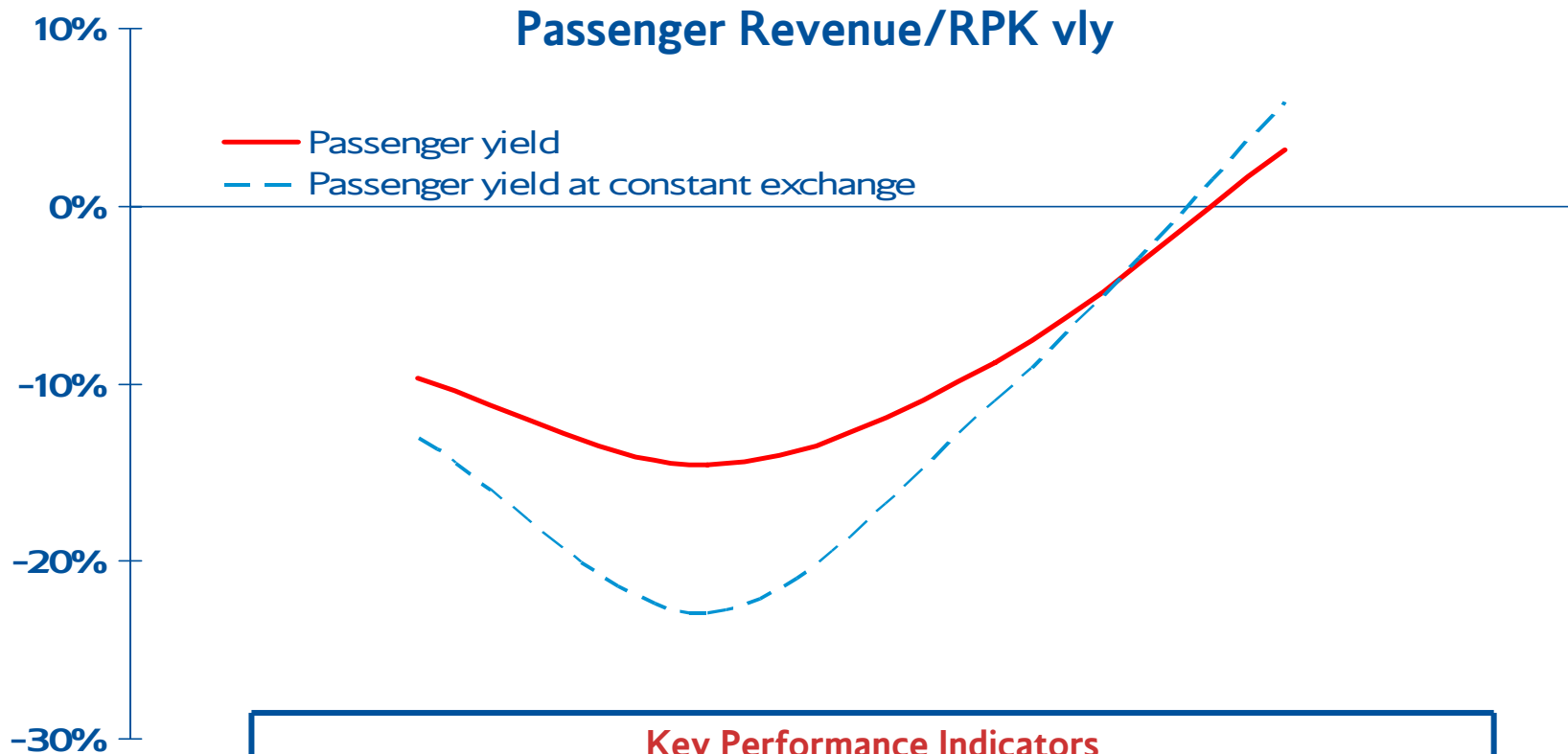
# Other revenue streams

Change vly



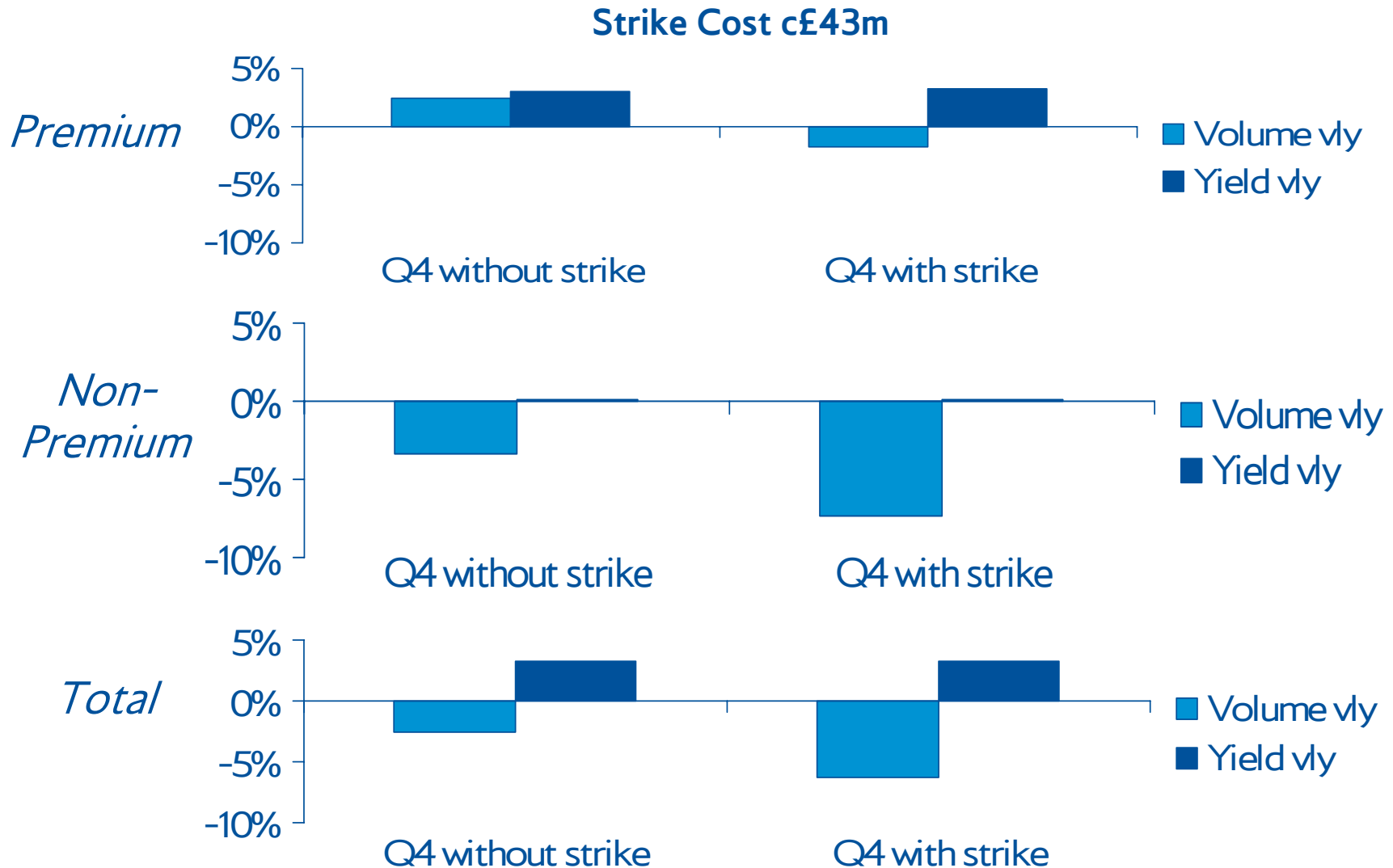
\* based on sold revenue in year

# PAX revenue seeing yield increase



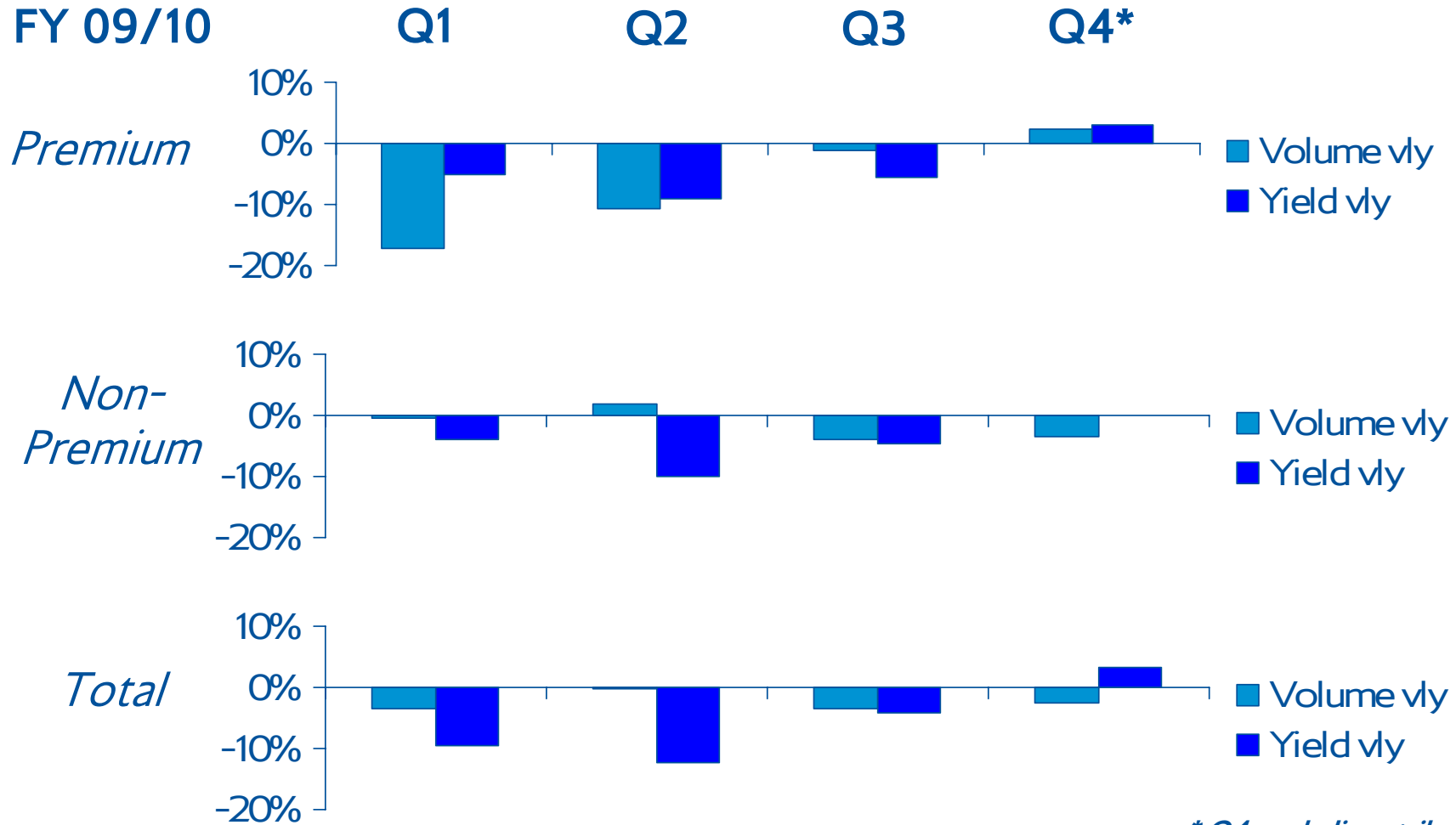
	Key Performance Indicators			
% vly	Q1	Q2	Q3	Q4
Yield/RPK	-9.7%	-14.6%	-8.8%	+3.2%
ASKs	-3.1%	-2.9%	-5.6%	-8.4%
RPKs	-3.2%	-0.1%	-3.4%	-6.2%

# Q4 volumes hit by strike, yield held



# An encouraging trend for yield in second half

FY 09/10

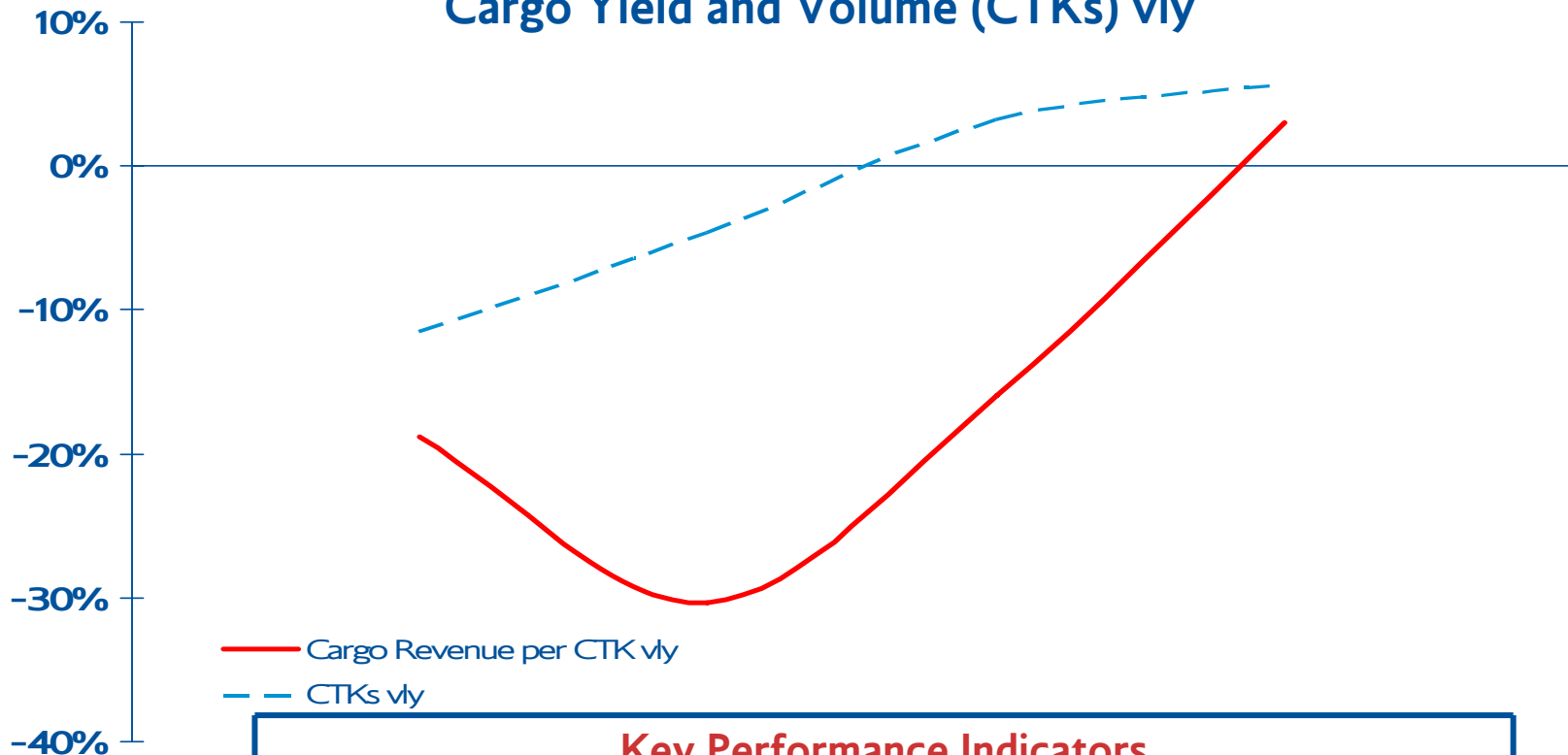


\* Q4 excluding strike impact



# and cargo seeing yield and volume increase

Cargo Yield and Volume (CTKs) vly



— Cargo Revenue per CTK vly  
 - - - CTKs vly

## Key Performance Indicators

% vly	Q1	Q2	Q3	Q4
Yield/CTK	-18.8%	-30.4%	-15.9%	+3.0%
CTKs	-11.5%	-4.6%	+3.2%	+5.7%



# Full year costs

	£m	% vly	
Employee costs	1,998	8.9	down
Restructuring	85	nm	
Engineering & other aircraft	505	1.0	down
Landing & en route charges	608	0.8	up
Handling, catering etc	997	2.4	down
Selling costs	290	21.4	down
Other costs (inc. retranslation)	1,370	6.7	down
TOTAL COSTS (excl. fuel)	5,853	6.2	down
Fuel & oil	2,372	20.1	down
<b>REPORTED TOTAL COSTS</b>	<b>8,225</b>	<b>10.7</b>	<b>down</b>

Period ended March 31, 2010

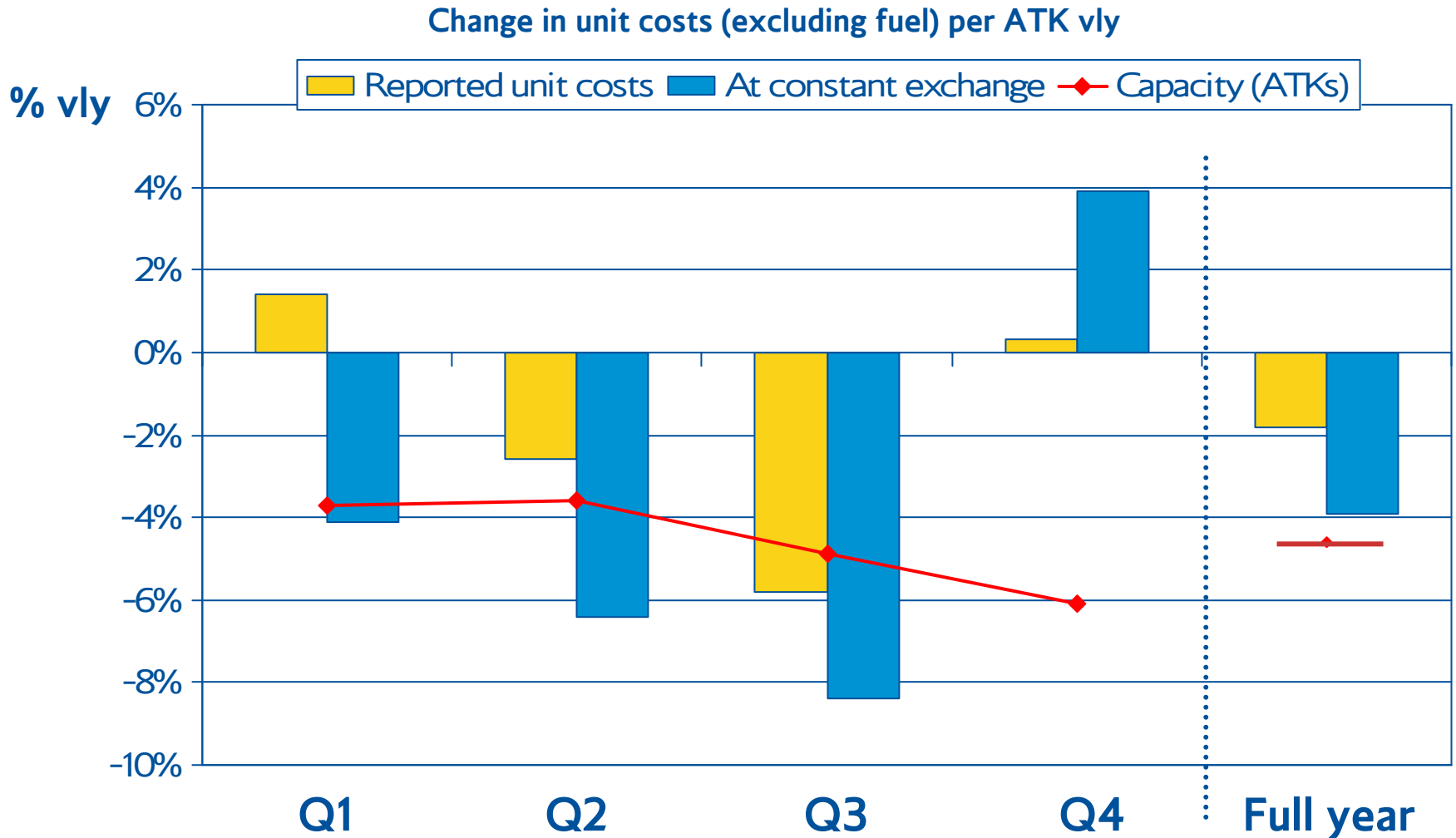


# Q4 costs

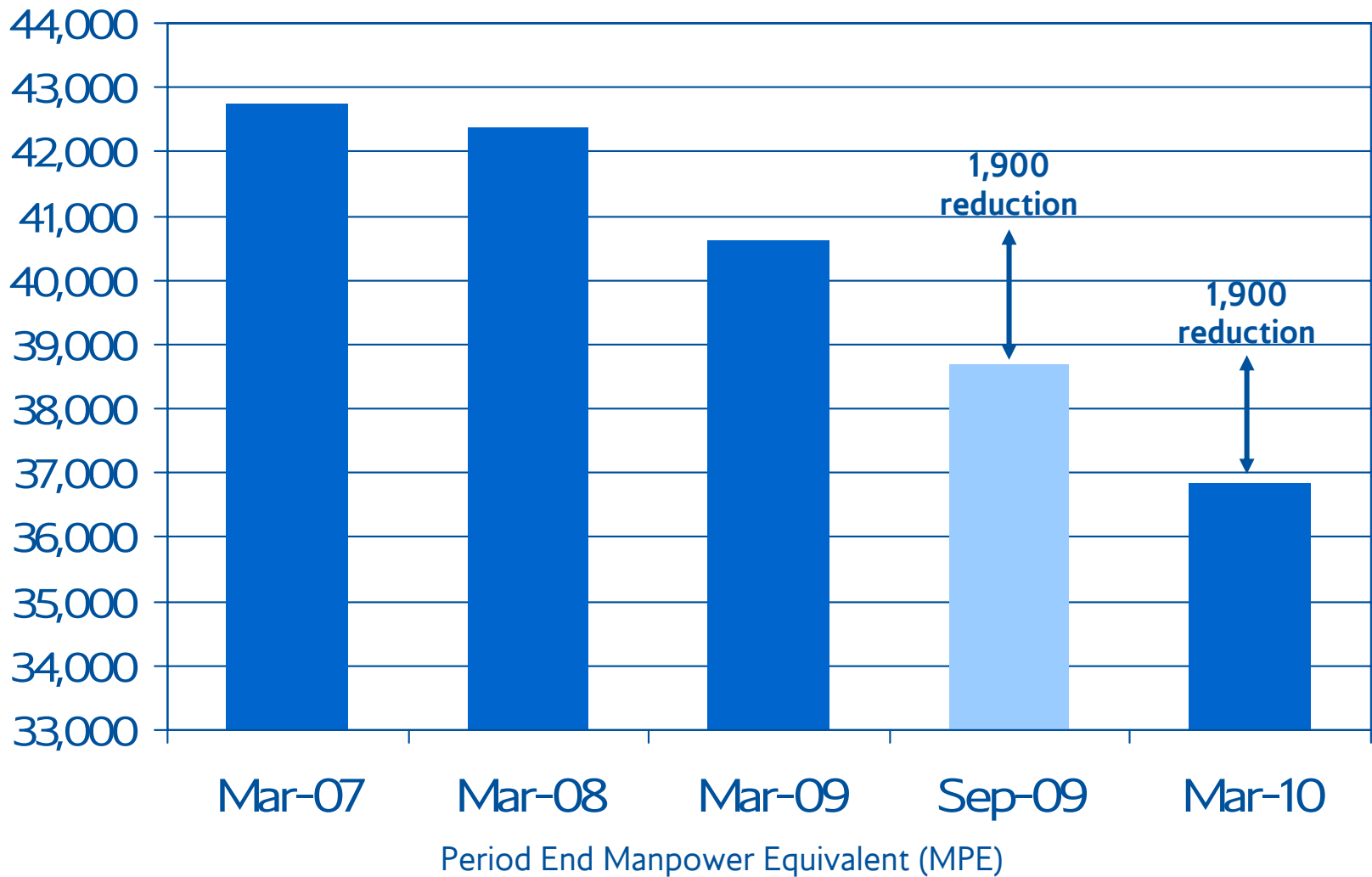
January to March 2010	£m	% vly	
Employee costs	475	10.2	down
Restructuring	23	nm	
Engineering & other aircraft	133	20.9	up
Landing & en route charges	141	4.7	down
Handling, catering etc	225	13.5	down
Selling costs	80	11.1	down
Other costs (inc. retranslation)	363	0.3	down
TOTAL COSTS (excl. fuel)	1,440	5.9	down
Fuel & oil	559	22.9	down
<b>REPORTED TOTAL COSTS</b>	<b>1,999</b>	<b>11.4</b>	<b>down</b>

Period ended March 31, 2010

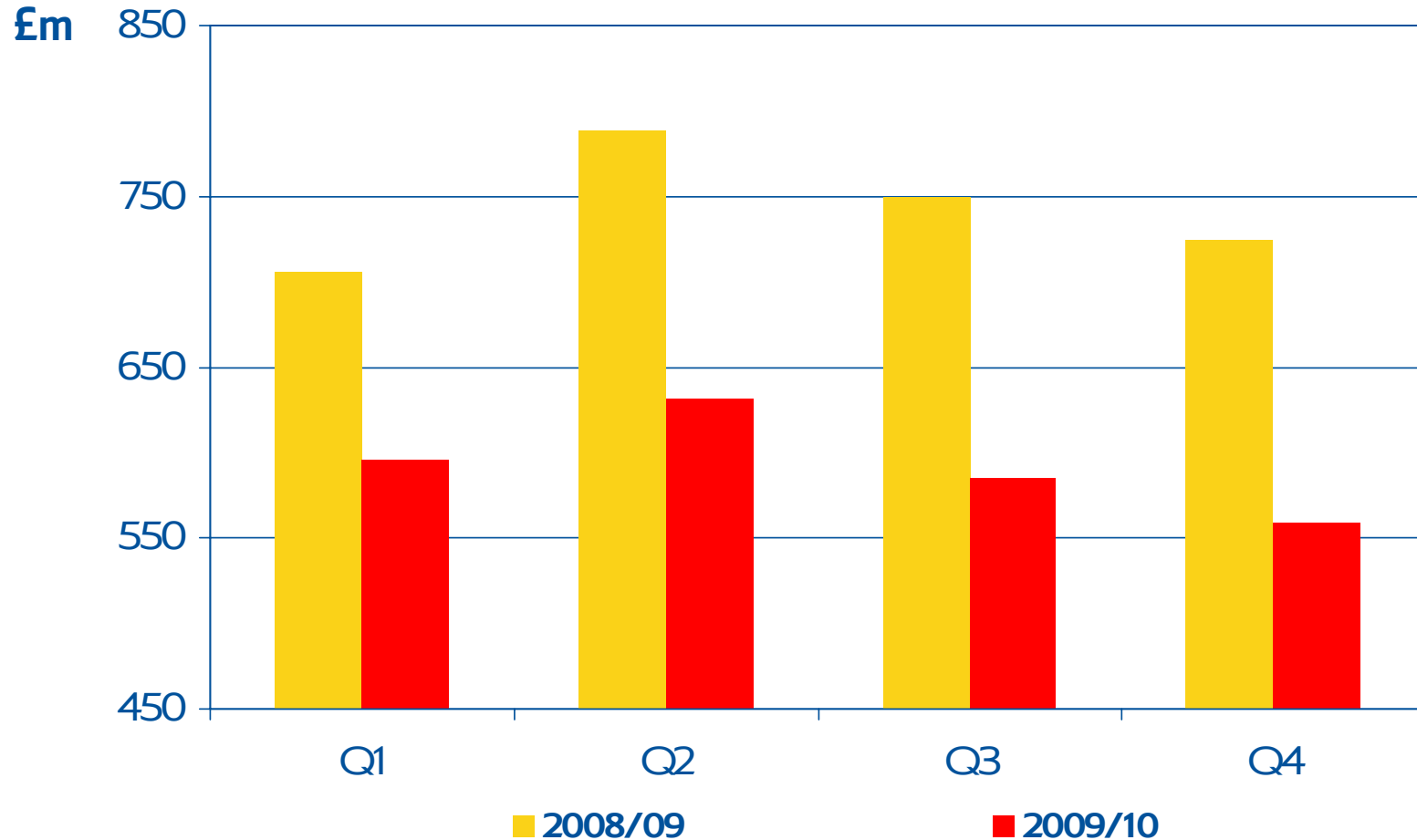
# Bringing down unit costs and capacity



# Manpower down 3,800

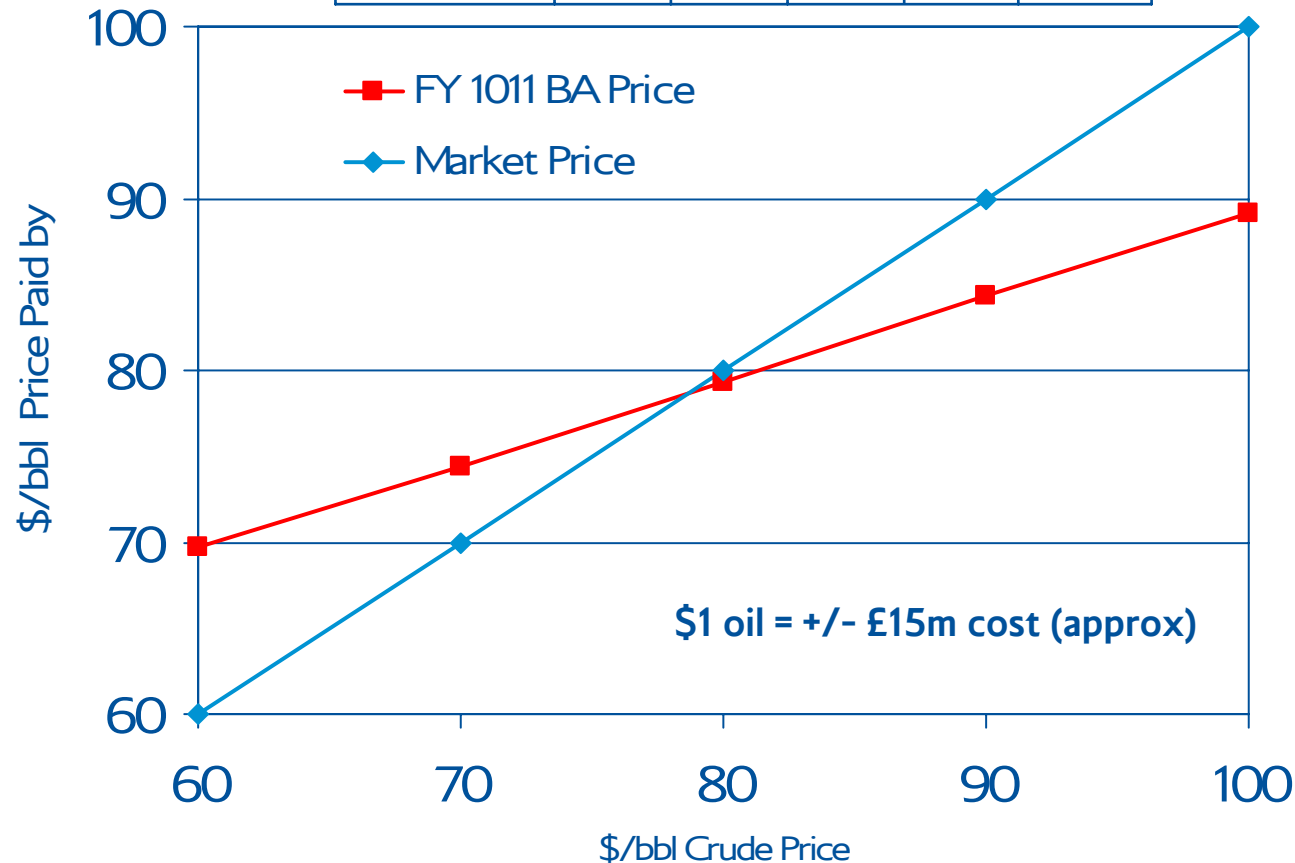


# Fuel cost lower by £600 million



# We have a good hedging position this year

Hedging	Q1	Q2	Q3	Q4	11/12
% Cover	75	74	66	43	23
pts vly	+15	+19	+11	+3	

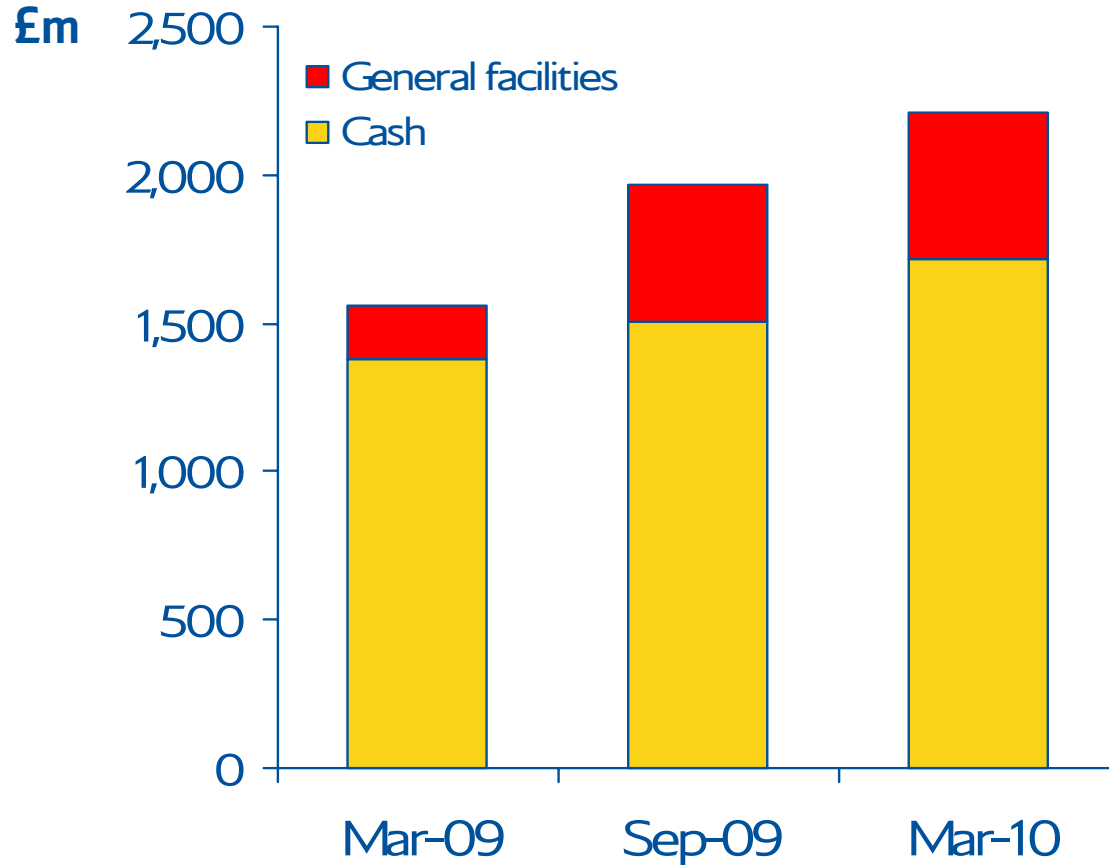


# Cashflow improving, net debt stable

	£m	Better/ (worse) vly
Cash generated from operations	461	154
Capital expenditure	(505)	66
Borrowing less repayments	368	
Other	9	
Increase in cash	<u>333</u>	
Cash balance at March 31, 2010	1,714	
Net Debt	2,288	94 lower

Period ended March 31, 2010

# Liquidity remains strong



# Committed facilities of £2.4 billion take total liquidity over £4 billion

Facility	Amount	Available To
Multi Option Facility	\$912m	June 2013
Airbus A380 Backstop	\$966m	September 2016
Boeing 787 Backstop	\$509m	September 2016
Airbus A320 Backstop	\$114m	October 2010
Embraer Facility	\$98m	December 2012
General Purpose	\$750m	June 2012
Yen Facility	\$260m	January 2011

As at March 31, 2010



# Summary balance sheet

£m	March 2010	March 2009	Change
Property, plant and equipment	6,904	7,233	(329)
Employee benefit assets	483	340	143
Cash	1,714	1,381	333
Other assets	1,576	1,534	42
<b>Total assets</b>	<b>10,677</b>	<b>10,488</b>	<b>189</b>
Gross debt	4,002	3,763	239
Employee benefit obligations	208	191	17
Other liabilities	4,354	4,688	(334)
Share capital & minority interest	1,421	1,416	5
Reserves	692	430	262
<b>Total equity and liabilities</b>	<b>10,677</b>	<b>10,488</b>	<b>189</b>

# Pension scheme funding starting to improve

Asset/(Liability) £bn	APS/NAPS 31 Mar 10	APS/NAPS 31 Mar 09	Better/ (worse)
Actuarial valuation <i>(Not agreed with Pensions Regulator)</i>	<u><u>(2.7)*</u></u>	<u><u>(3.7)</u></u>	<u><u>1.0</u></u>
Accounting valuation	(1.7)	(0.3)	
Not recognised	2.3	0.8	
Asset recognised	<u><u>0.6</u></u>	<u><u>0.5</u></u>	<u><u>0.1</u></u>
Total schemes in the accounts			
Assets	0.5	0.3	
Liabilities	(0.2)	(0.2)	
	<u><u>0.3</u></u>	<u><u>0.1</u></u>	

\* Actuarial estimate

# Status of negotiations

- Employee members
- Trustees
- Pensions Regulator



# Summary

- Cost driven result
- Revenue continuing to improve
- Quarter 4 better than expected
  - some impact from industrial action
  - some weather impact
- Strong cash and liquidity to complete change programme

**BRITISH AIRWAYS**

