



**BRITISH AIRWAYS**

Interim Management Statement  
First Quarter Results  
2010/11

Analysts' presentation  
July 30, 2010

# Disclaimer

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



# Delivering on strategic priorities

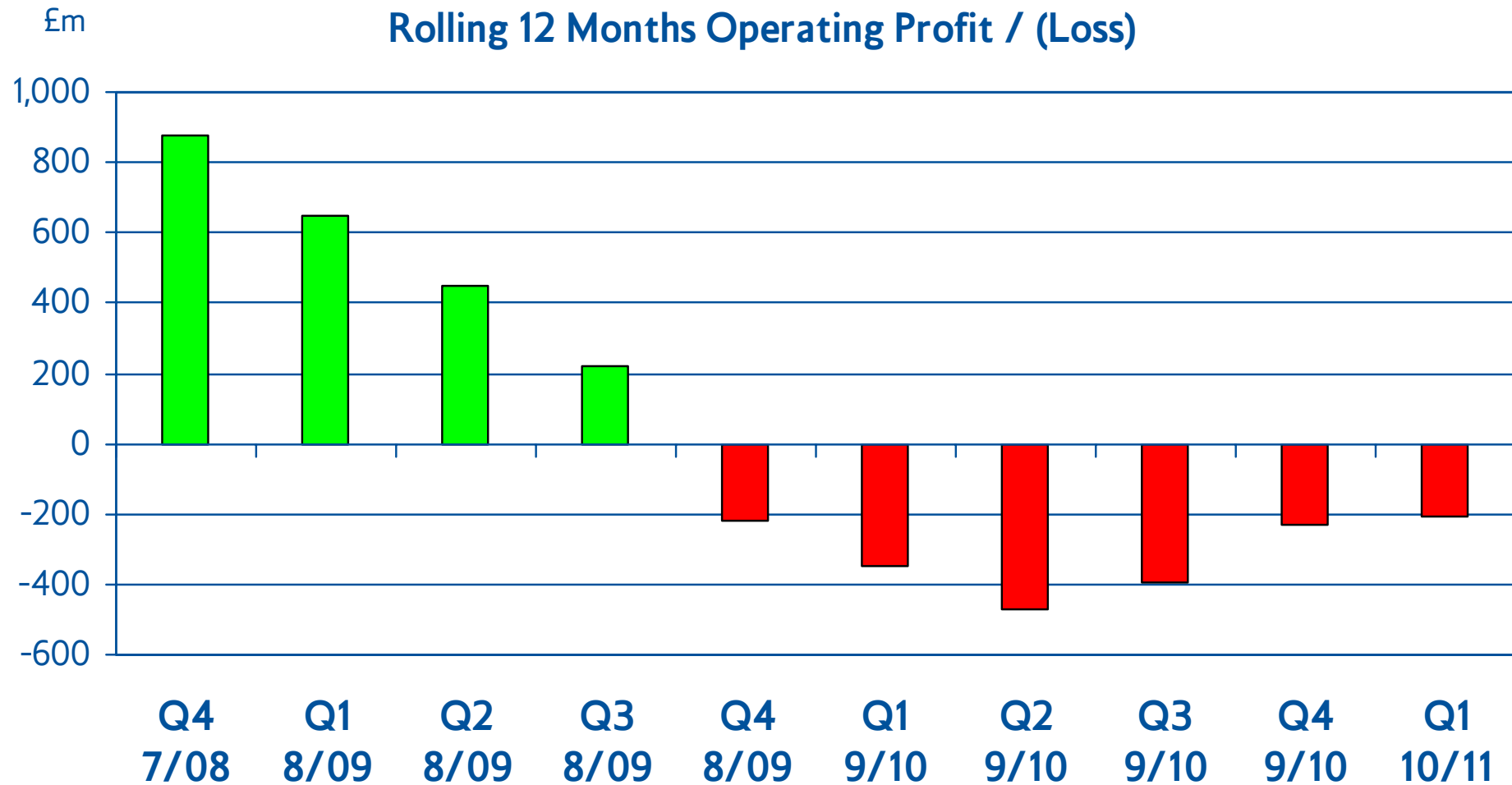
- Fixing the core business
  - Bringing business back to profitability
  - Completing structural change programme
- Dealing with other major business issues
  - Pensions
- Building a global position
  - Transatlantic ATI alliance
  - Iberia merger



# Fixing the core business

## (1) Overview

# Bringing business back to profitability...



...despite impact of disruption.

April						
Su	Mo	Tu	We	Th	Fr	Sa
				1	2	3
4	5	6	7	8	9	10
11	12	13	14			
				22	23	24
25	26	27	28	29	30	

May						
Su	Mo	Tu	We	Th	Fr	Sa
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17					

June						
Su	Mo	Tu	We	Th	Fr	Sa
				10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30			

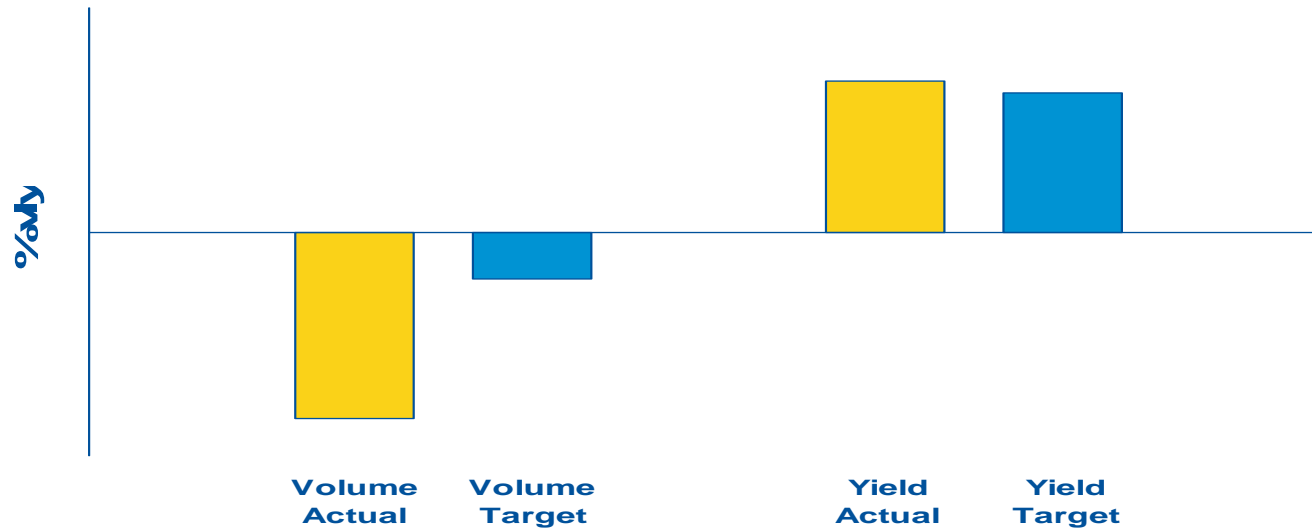
Final estimate £m	Ash	Dispute	Total
Revenue	-106	-174	-280
Net costs	-2*	32	30
Total	-108	-142	-250

*Net costs \* include £26 million of costs incurred, net of fuel savings from lower flying programme*



# Strong yields offsetting lower volume...

Q1 2010 Performance- PAX



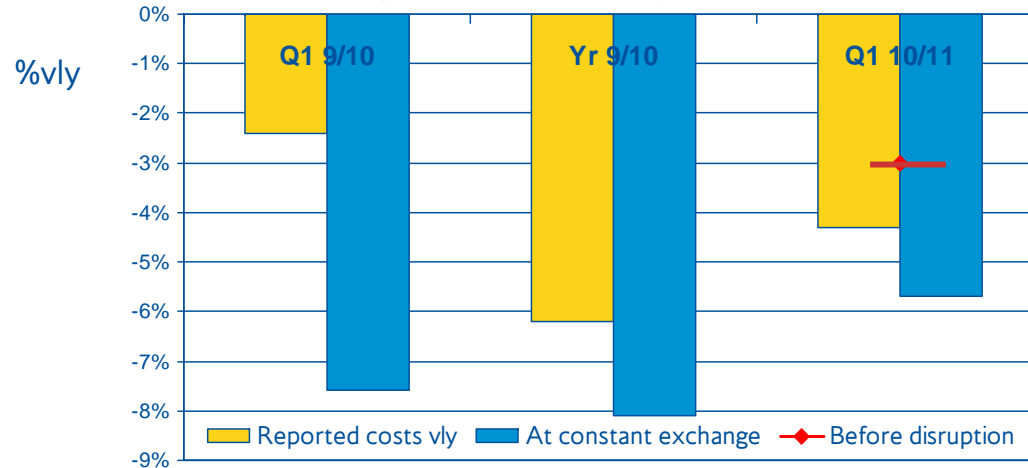
	Key Performance Indicators	
% vly	vly	At constant exchange
Yield/RPK	+13.5%	+12.7%
ASKs (m)	-11.2%	-
RPKs (m)	-14.9%	-



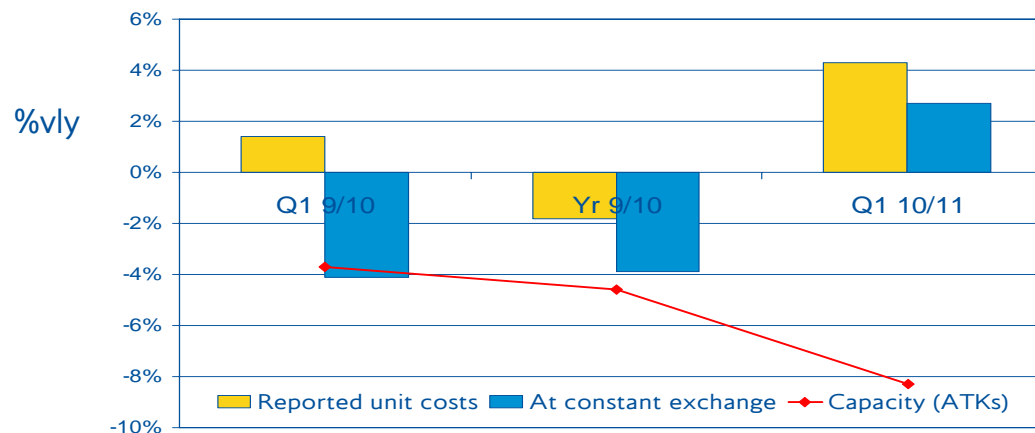


# ...and cost performance still improving.

### Costs (excluding fuel) versus last year



### Unit costs (excluding fuel) per ATK versus last year



# Fixing the core business

## (2) The figures

# Headline numbers – first quarter

	Apr - Jun £m	Better/ (worse) vly
Turnover	1,937	(2.3)%
Fuel costs	592	0.7%
Non fuel costs	1,417	4.3%
Operating loss	(72)	23.4%
Operating margin	(3.7)%	1.0pts
EBITDAR	139	17.8%
Pre-tax loss	(164)	(10.8)%

Period ended June 30, 2010



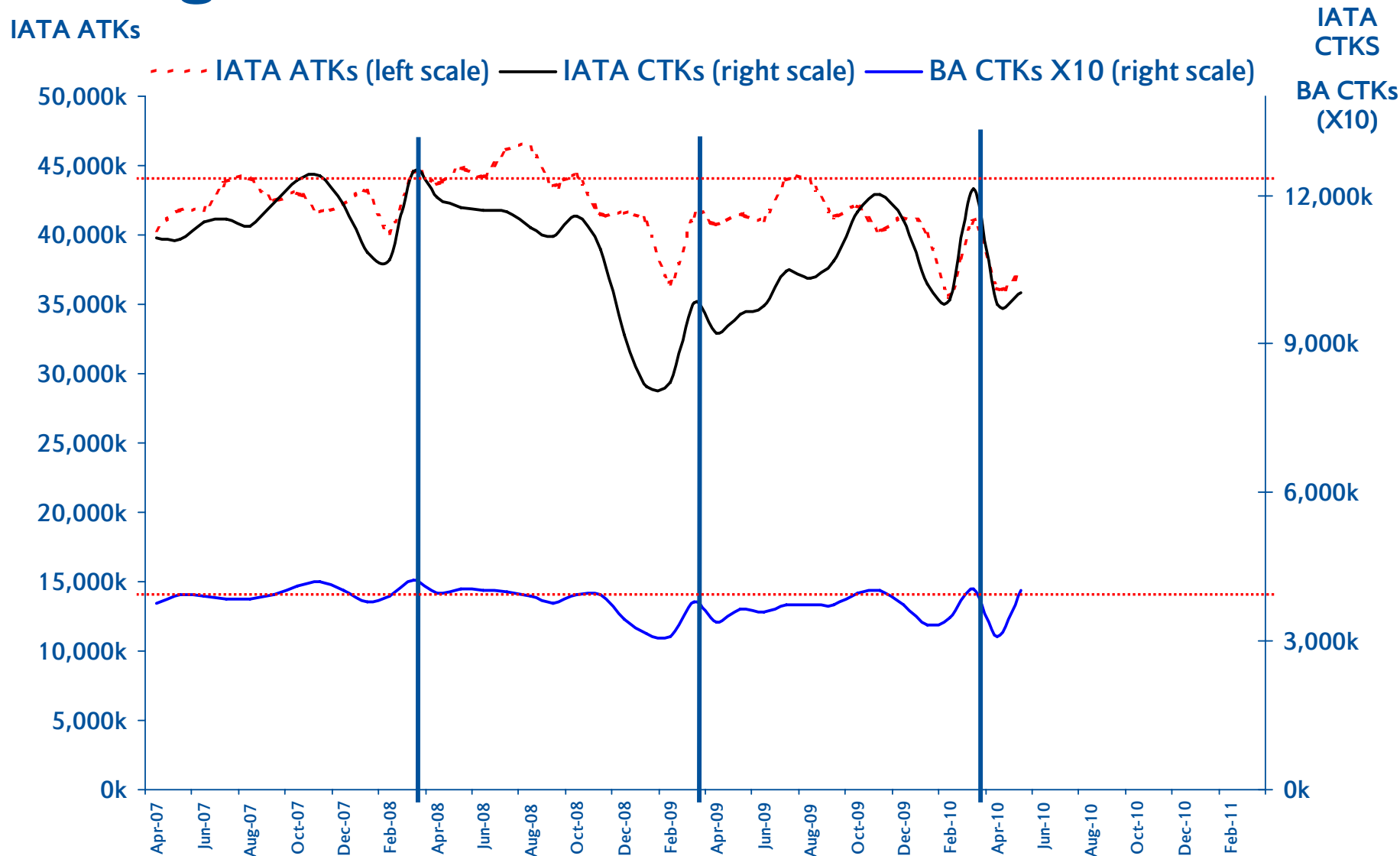
## Revenue split for quarter

Apr - June	£m	vly
Passenger	1,666	(3.4)%
Cargo	175	36.7%
Other	96	(26.7)%
	<u>1,937</u>	<u>(2.3)%</u>

Period ended June 30, 2010



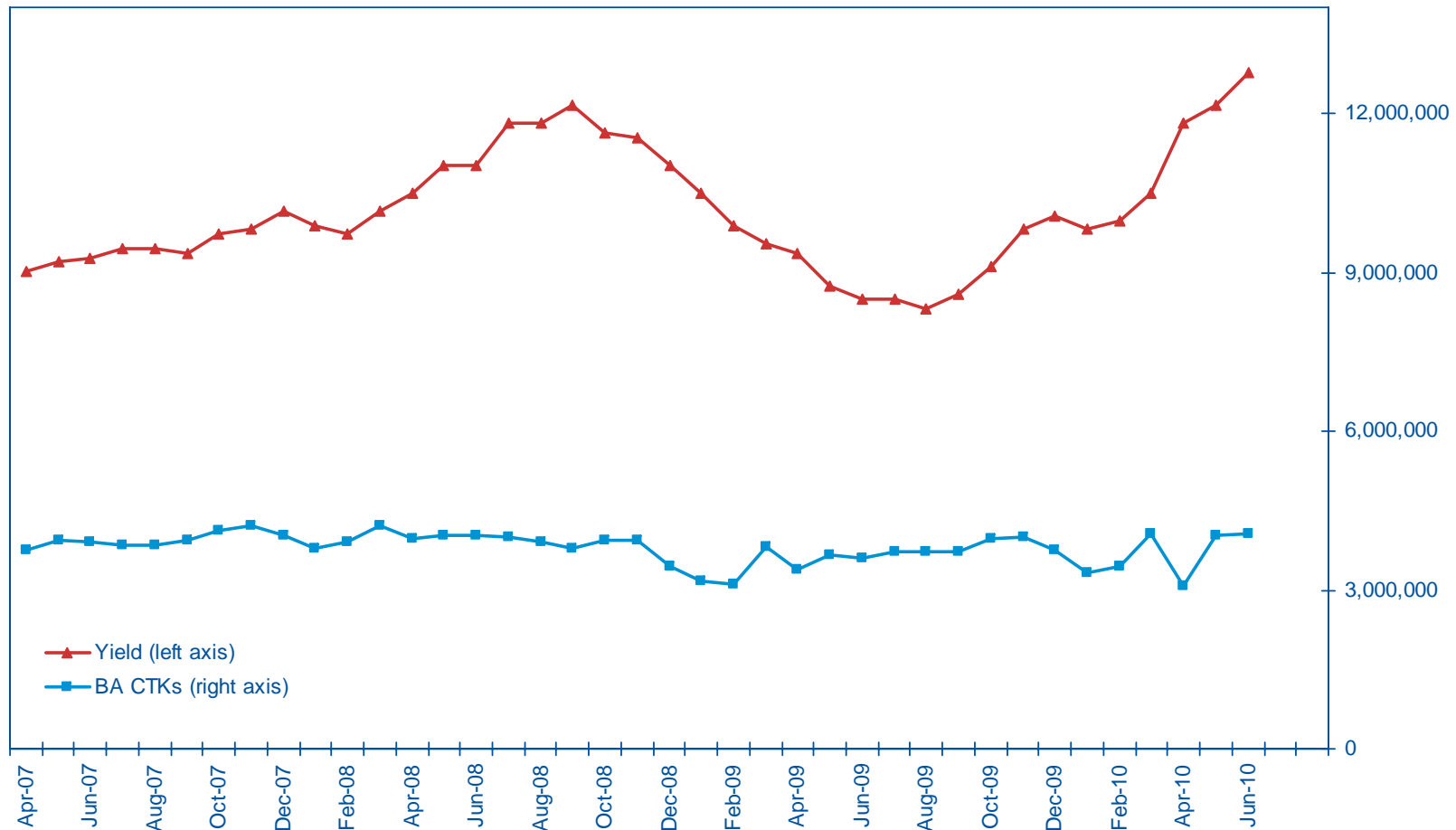
# Cargo- Volumes have remained stable



# With yields increasing on stable volumes

Cargo Yield

Cargo Capacity



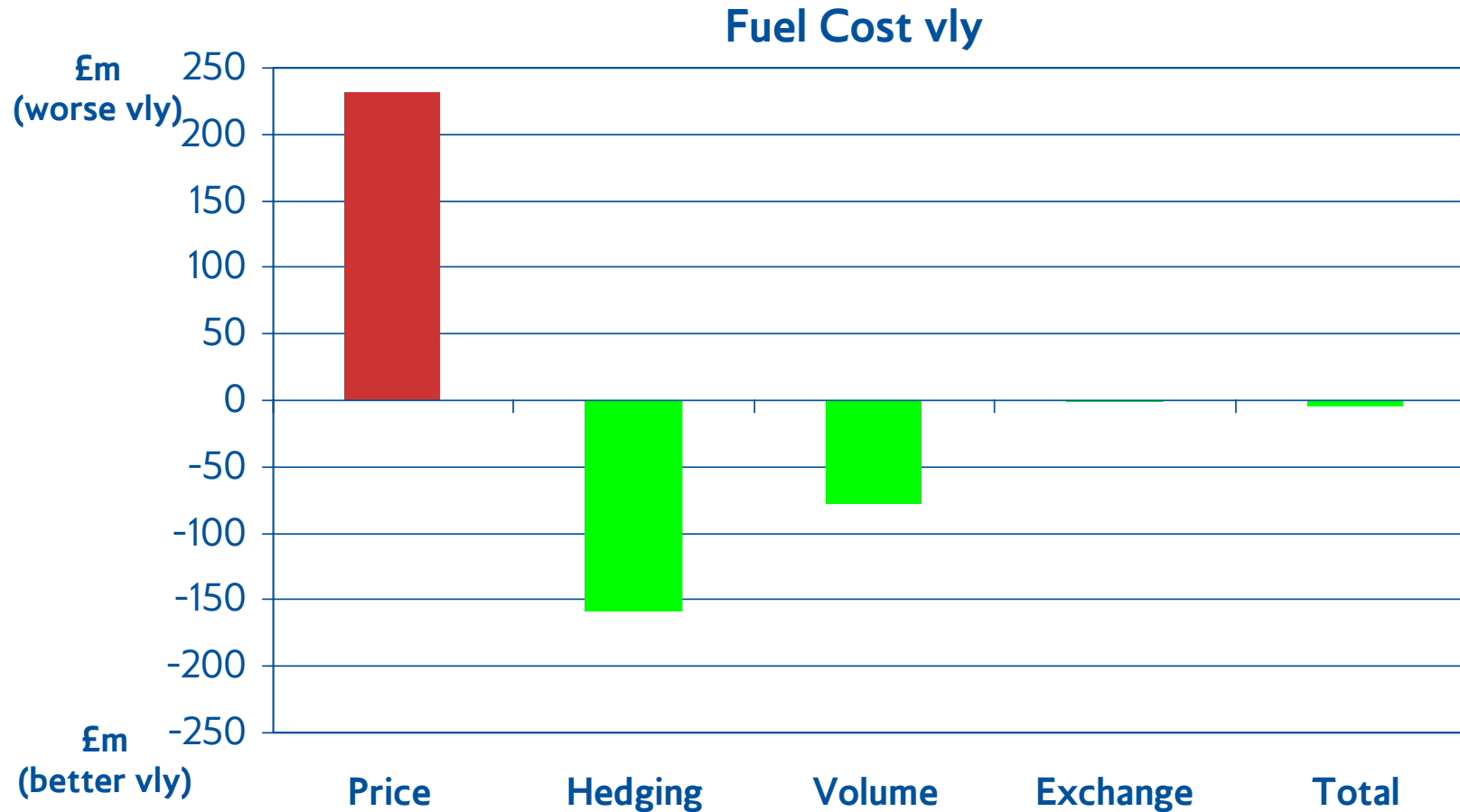
# Q1 Costs

<b>3 months April to June 2010</b>	<b>£m</b>	<b>% vly</b>	
Employee costs	495	6.1	down
Restructuring	0	nm	
Engineering & other aircraft	136	4.6	up
Landing & en route charges	150	9.1	down
Handling, catering etc	243	8.6	down
Selling costs	70	2.9	up
Other costs (inc. retranslation)	323	2.2	up
<b>TOTAL COSTS (excl. fuel)</b>	<b>1,417</b>	<b>4.3</b>	<b>down</b>
Fuel & oil	592	0.7	down
<b>REPORTED TOTAL COSTS</b>	<b>2,009</b>	<b>3.3</b>	<b>down</b>

Period ended June 30, 2010

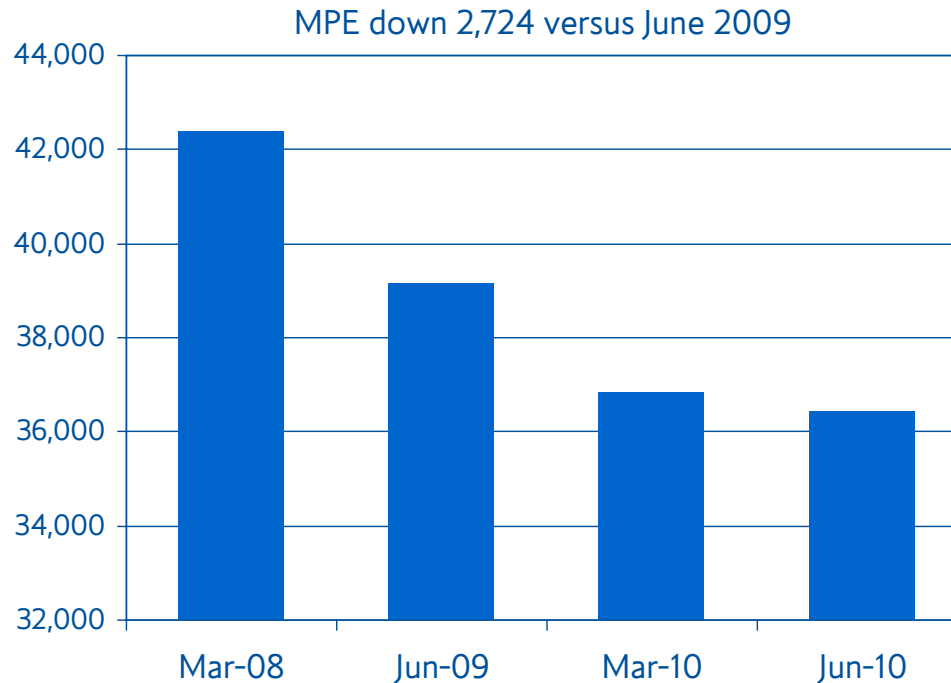


# Fuel cost flat year-on-year





# Employment cost still improving

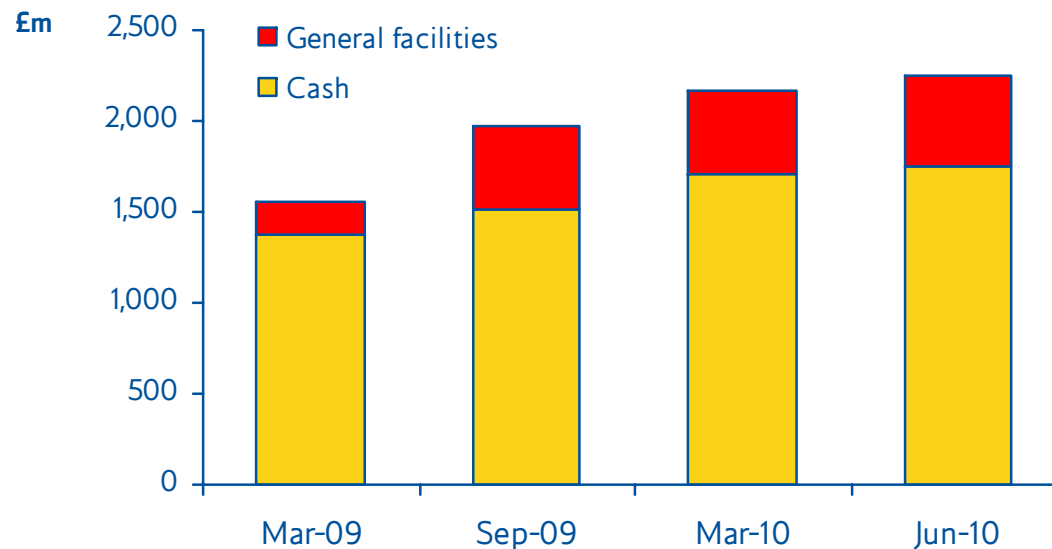


- Manpower down 7% vly
- Employment cost down £41 million (7.6%), despite pension cost increases
- Cabin crew changes generating £17 million saving in Q1



# Cash and net debt continuing to improve

- Cash generated from operations £209m (up £225m vly)
- Cash balances increased to £1,749 million



- Net debt reduced to £2,251 million

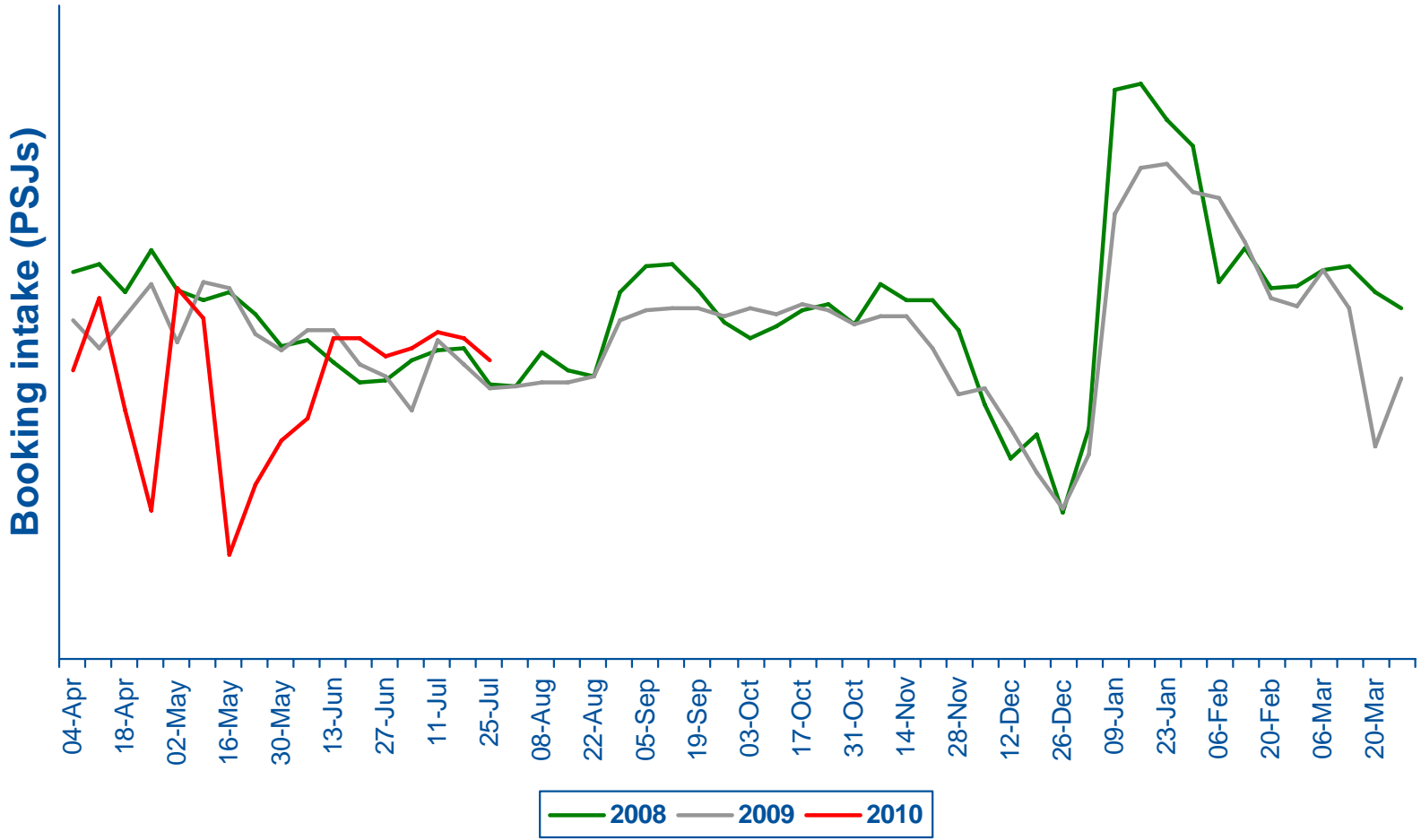


# Fixing the business

## (3) Outlook

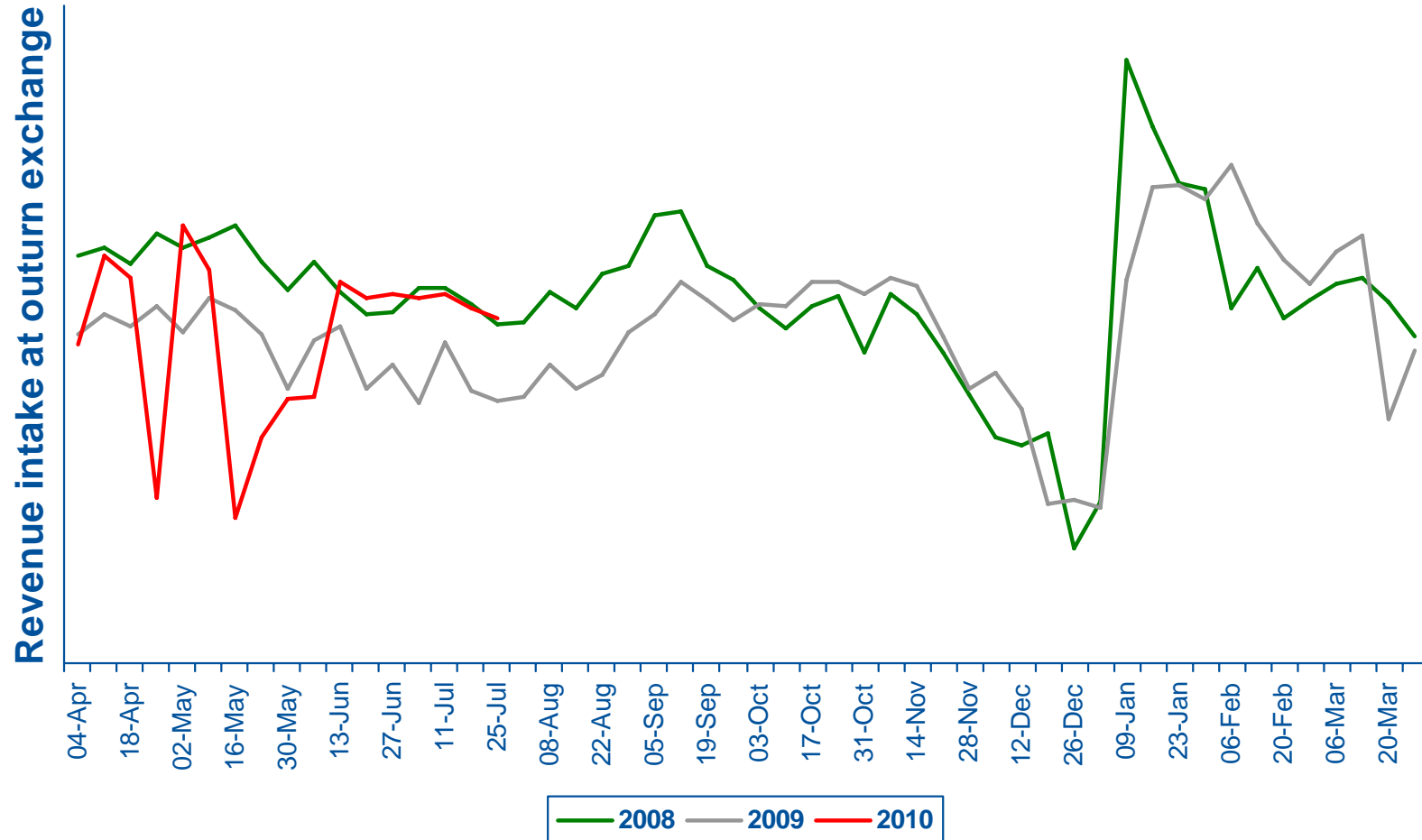
# Bookings intake back on trend

## Net new bookings by week



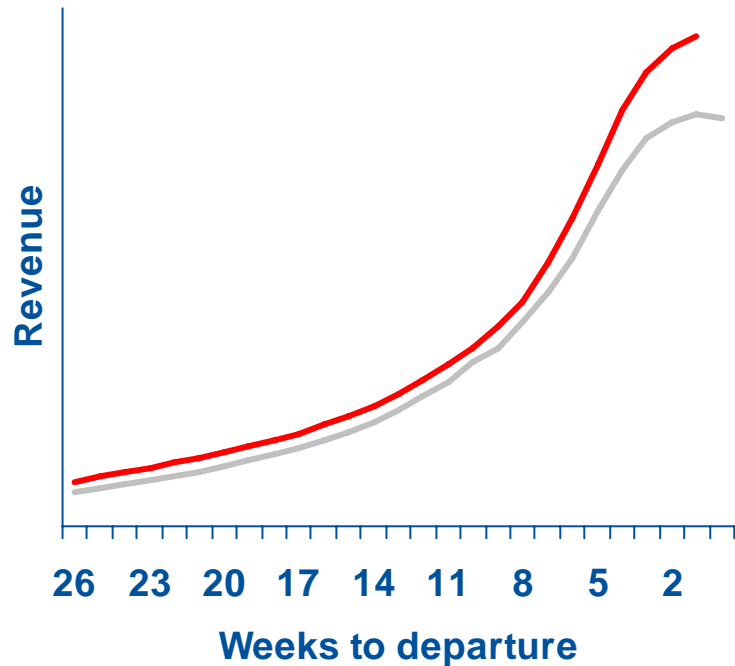
# And Revenue intake still encouraging

## Net new booked revenue by week

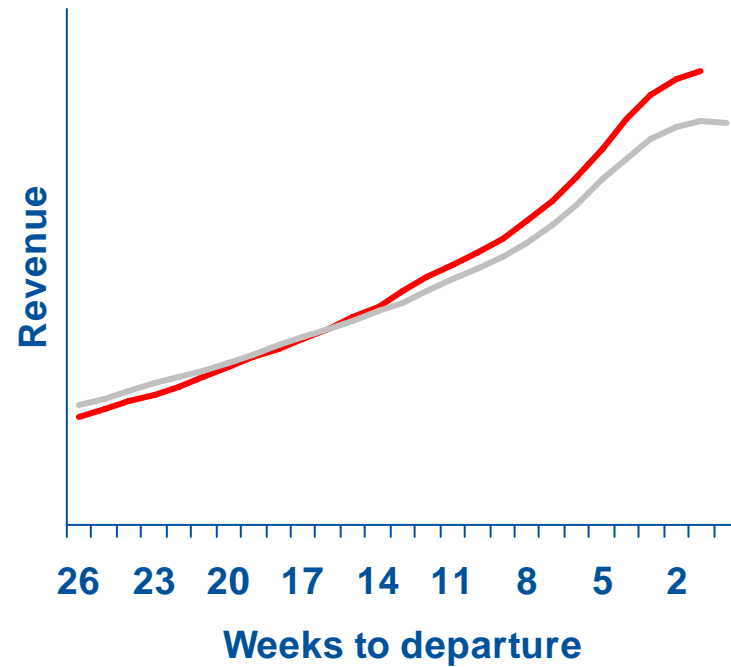


# With July travel rebounding sharply.

## Premium: July



## Non-Premium: July



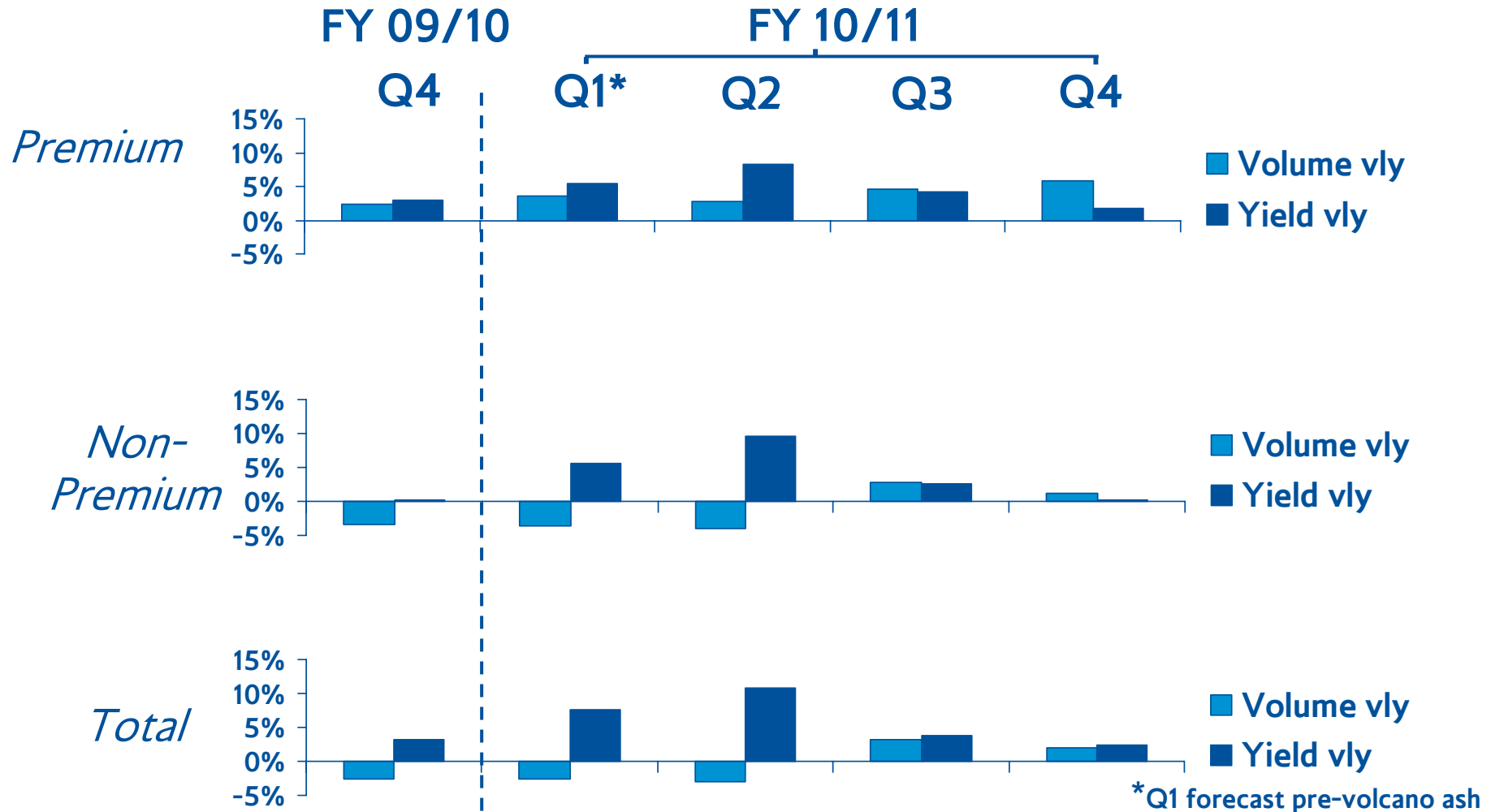
— This year

— Last year



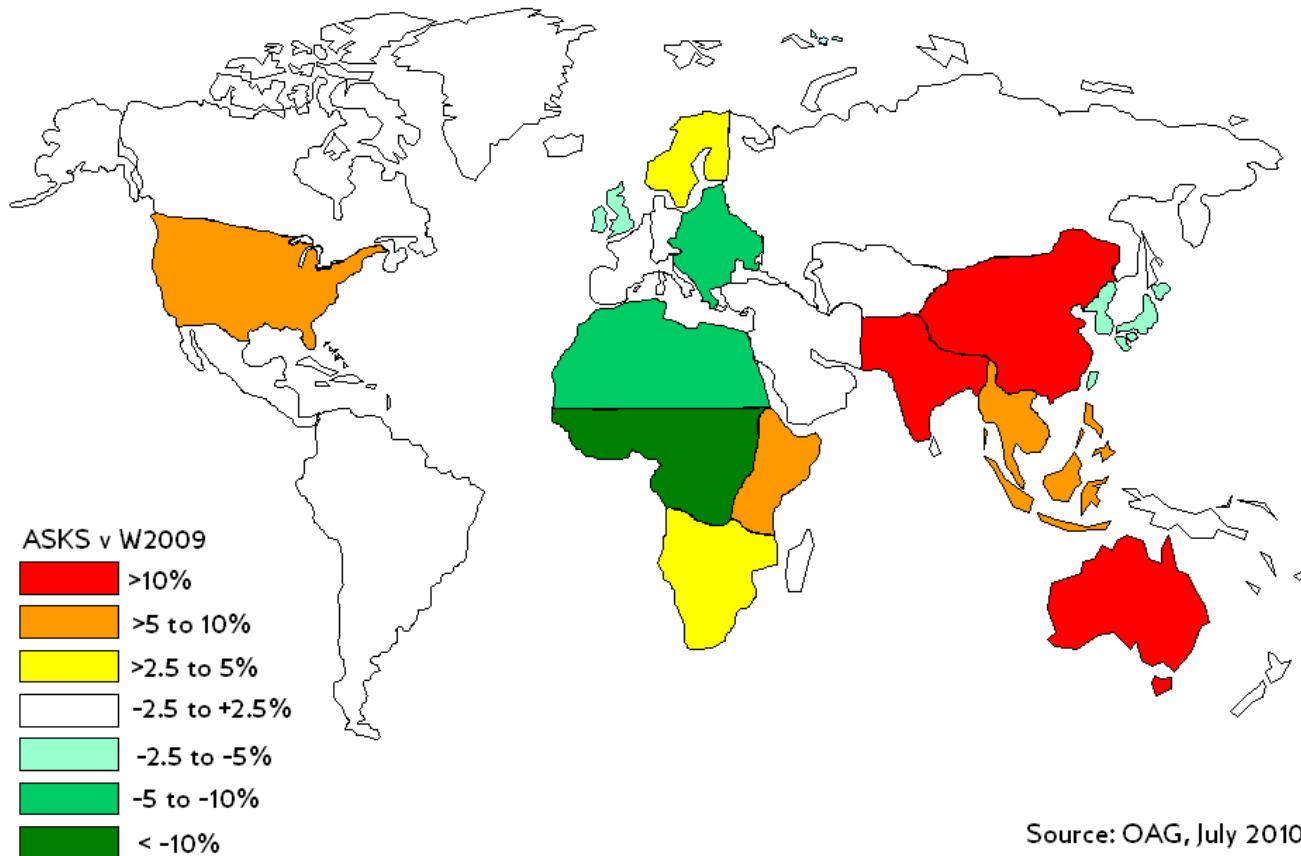
# However yield improvement likely to slow

*(Picture we gave at Investor day May 21, 2010)*



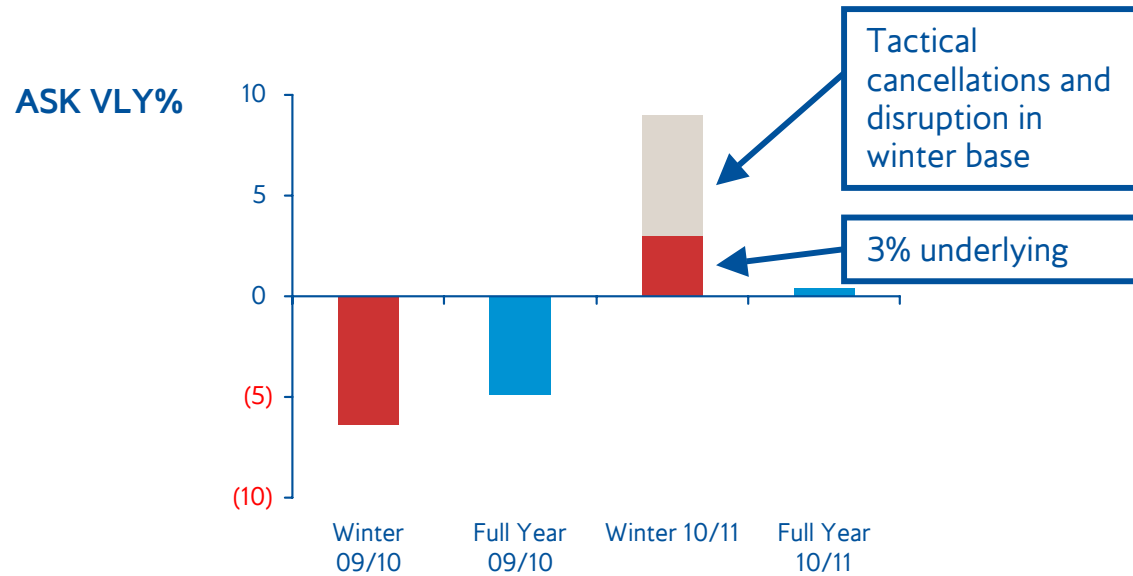
# As competitors add back capacity

LONDON – WINTER 2010 – BA SERVED MARKETS





# Winter underlying seat capacity growth c3%



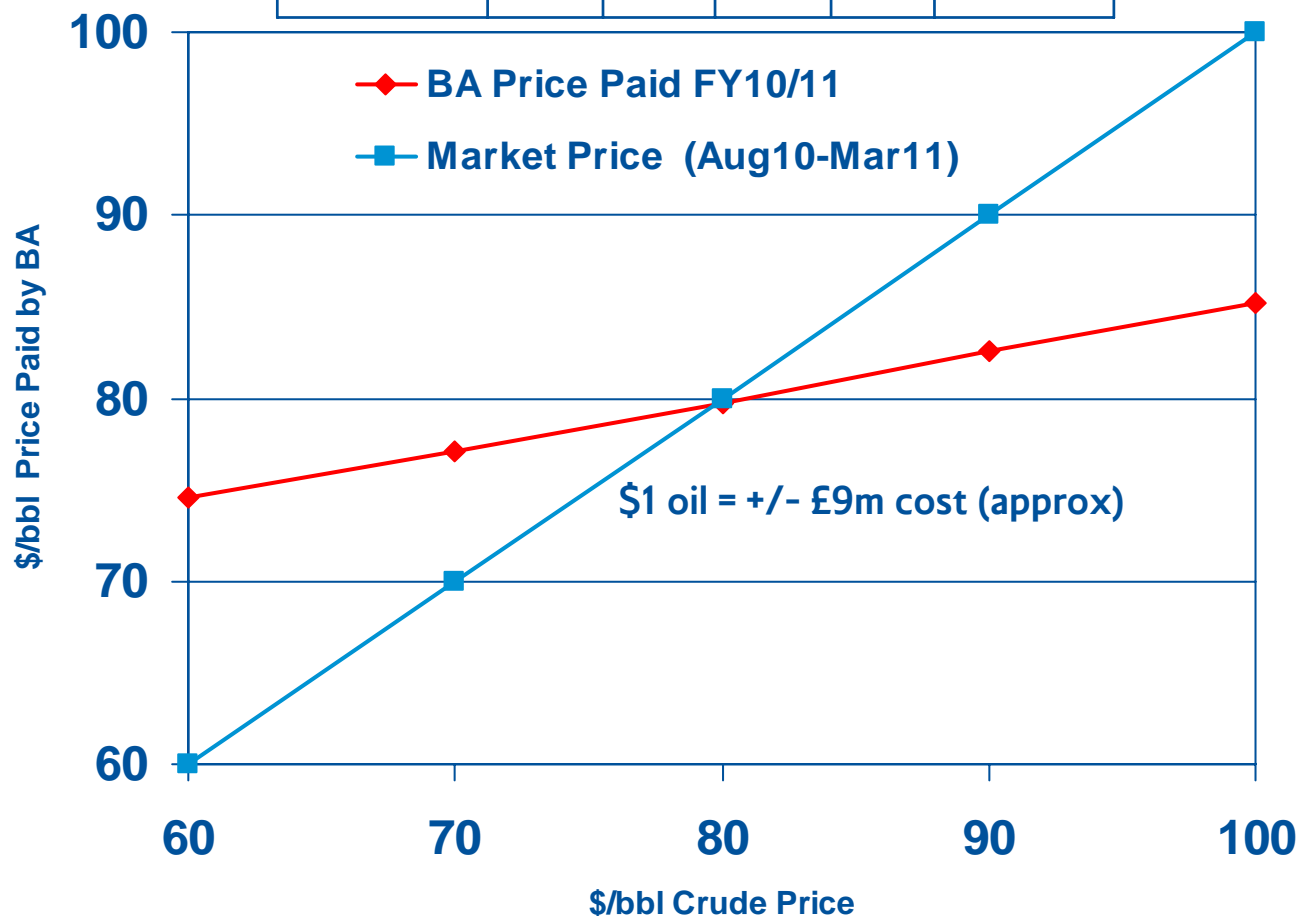
Changes in Operating Fleet March 2011 v March 2010

IN	OUT
3 x 777-300	
1 x 747-400 stand up	3 x 757-200
4 x A320	4 x CFM A320
Embraer fleet	RJ fleet



# We have a good hedging position this year

Hedging FY10/11	Q1	Q2	Q3	Q4	FY11/12
% Cover	75	81	79	59	27



# Summary

- Quarter impacted by reduced volumes
- Significant underlying revenue improvement
- Strong Cargo performance
- Costs down on last year
- Cash and liquidity remain strong
- On track for break-even at PBT level
- Progress on ATI, Merger and Pensions



**BRITISH AIRWAYS**



# Q & A

