



**BRITISH AIRWAYS**

Interim Management Statement

1<sup>st</sup> Quarter Results

2009/10

Analysts' presentation

July 31, 2009

# 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



# Headlines

- Revenue of £1,983 million
- Operating loss of £94 million
- Strong cost performance
- Fuel costs down 15.6 %
- Non-fuel costs down 2.4%
- Raising cash to improve liquidity



# Headline numbers

	3 Months £m	Better/ (worse) vly
Turnover	1,983	(12.2)%
Fuel costs	596	15.6%
Non fuel costs	1,481	2.4%
Operating loss	(94)	nm
Operating margin	(4.7)%	(6.2)pts
EBITDAR	118	(53.4)%
Pre-tax loss	(148)	nm

Quarter ended June 30, 2009



# Revenue split including exchange benefit

	£m	vly
Passenger	1,724	(12.5)%
Cargo	128	(28.1)%
Other	131	19.1%
	<u>1,983</u>	<u>(12.2)%</u>

Quarter ended June 30, 2009



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2009/10 first quarter results July 31, 2009

# Statistics starting to show results of actions

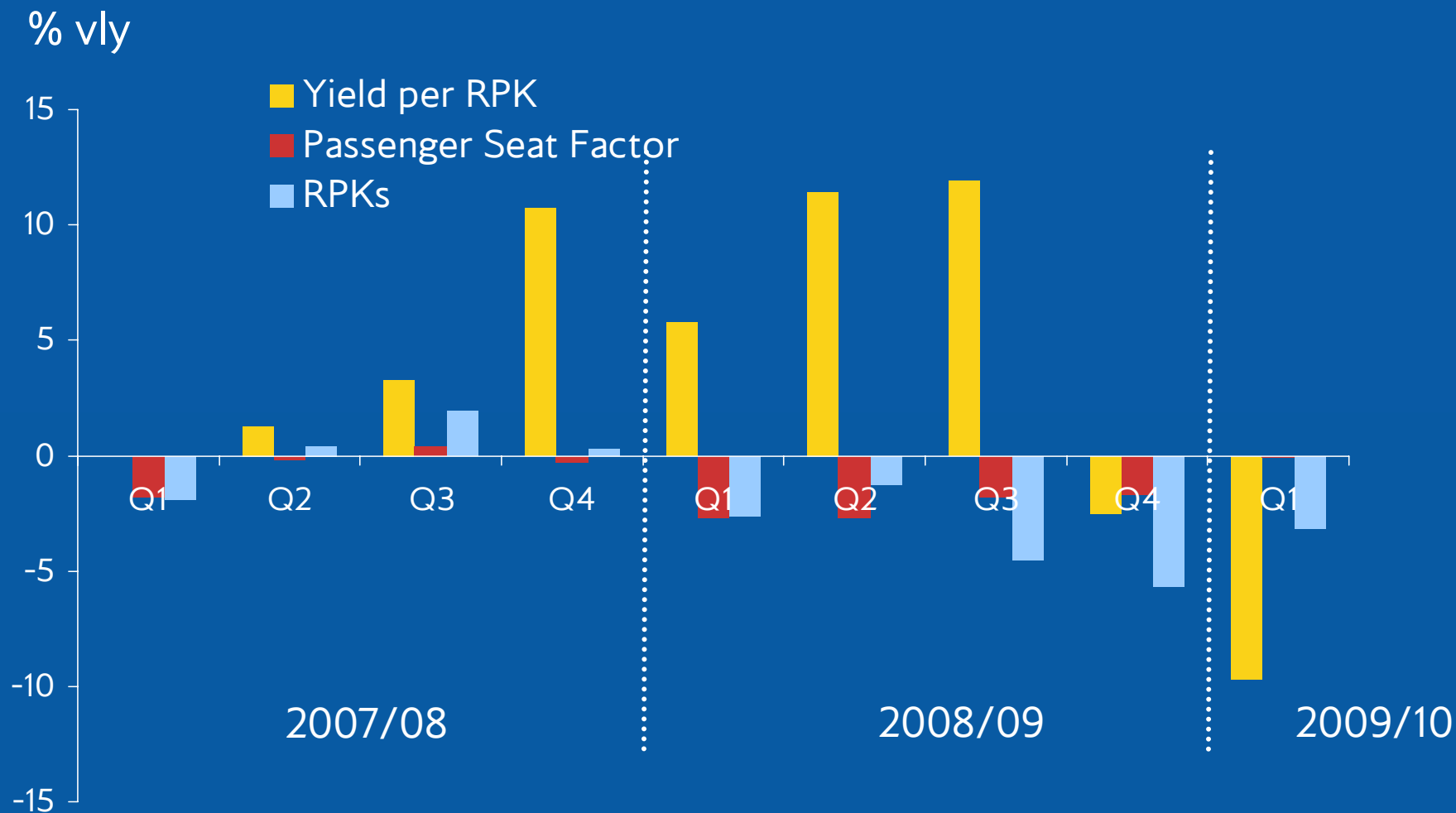
<u>Key statistics</u>	3 months vly Better/(worse)
ASK	(3.1)%
RPK	(3.2)%
Seat factor	(0.1) pts
ATK	(3.7)%

<u>Key performance indicators</u>	
Yield per RPK	down 9.7%
Yield per RPK at constant exchange	down 13.3%
Unit costs per ATK	down 3.0%
Unit costs at constant exchange	down 13.2%

Quarter ended June 30, 2009



# We are better matching supply to demand...





...price better in Q1, with less exchange benefit.

## Passenger Revenue/RPK

% vly	Q1 08/09	Q2 08/09	Q3 08/09	Q4 08/09	Q1 09/10
Price	2.2	7.1	7.5	(12.8)	(8.9)
Mix	2.5	3.2	(2.7)	(3.6)	(4.4)
Exchange	2.2	3.5	7.1	13.9	3.6
Reported	6.9	13.8	11.9	(2.5)	(9.7)



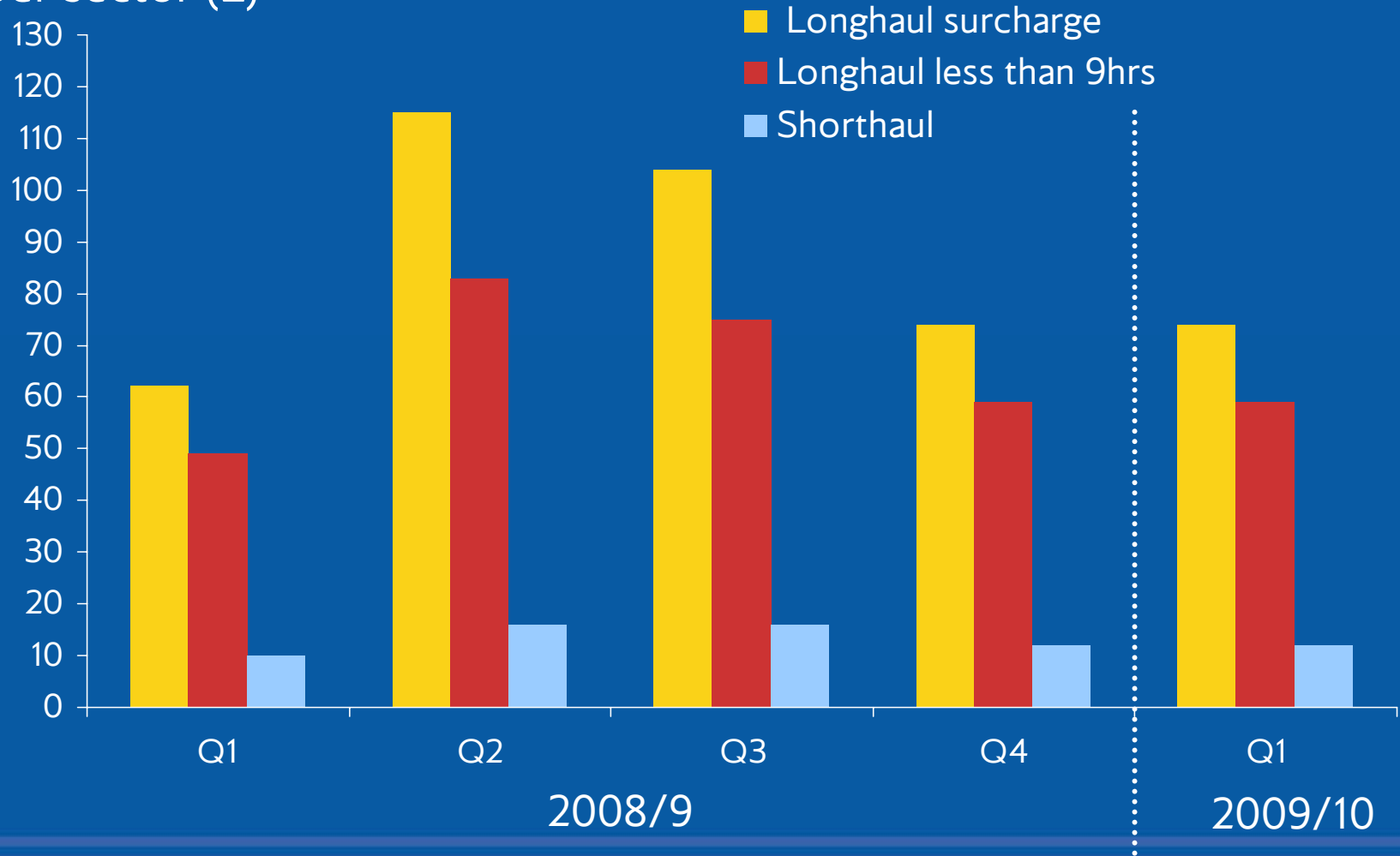
# Looking forward yields under pressure

- Cabin mix remains weak
- Fuel surcharges falling
- Exchange benefit reducing

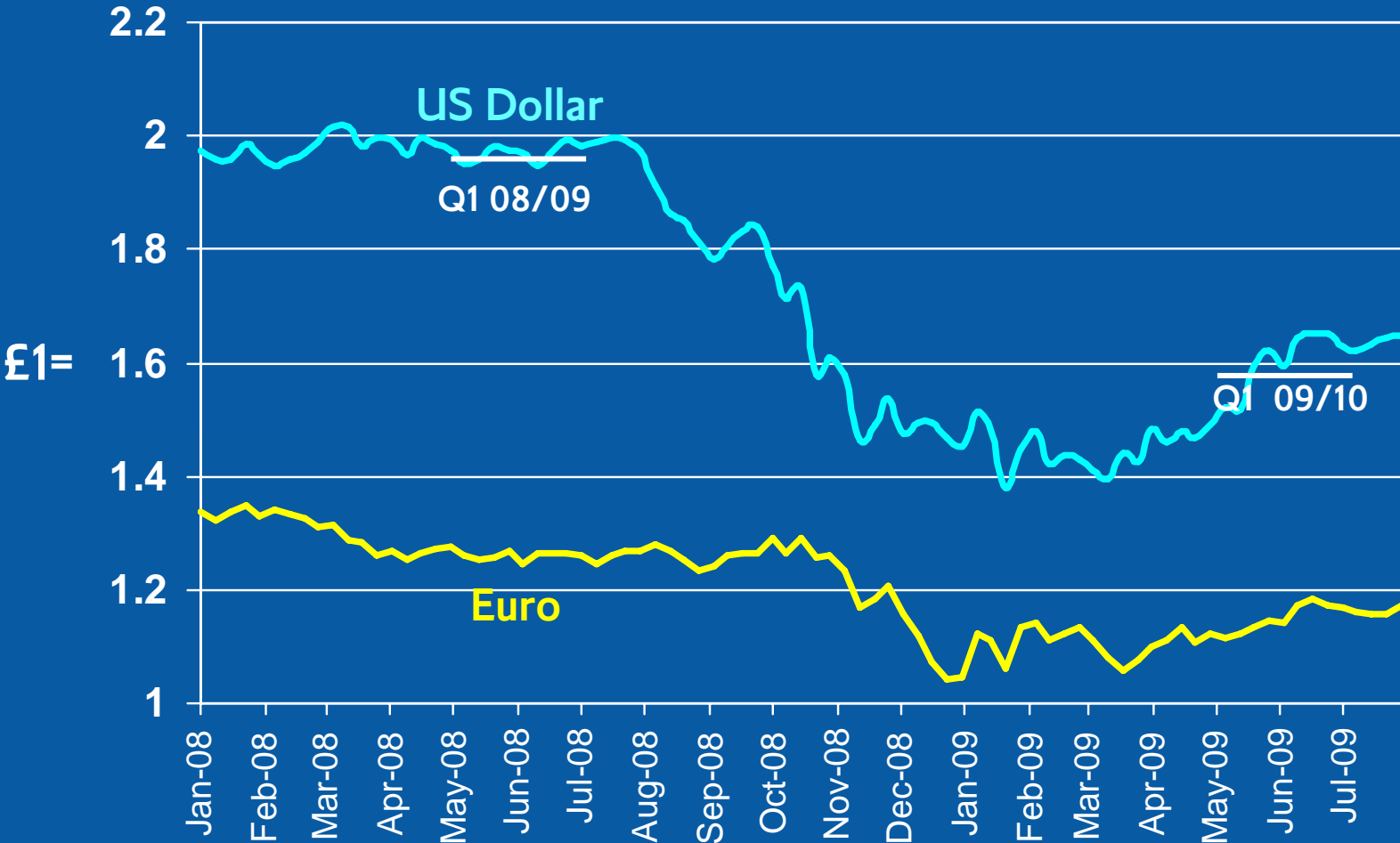


# Fuel surcharge benefit declining

Average surcharge  
per sector (£)



# Sterling weakened in August 2008



# Revenue outlook uncertain

- Volumes improving in summer

but visibility limited

- Yield outlook linked to capacity and demand
- Economic climate

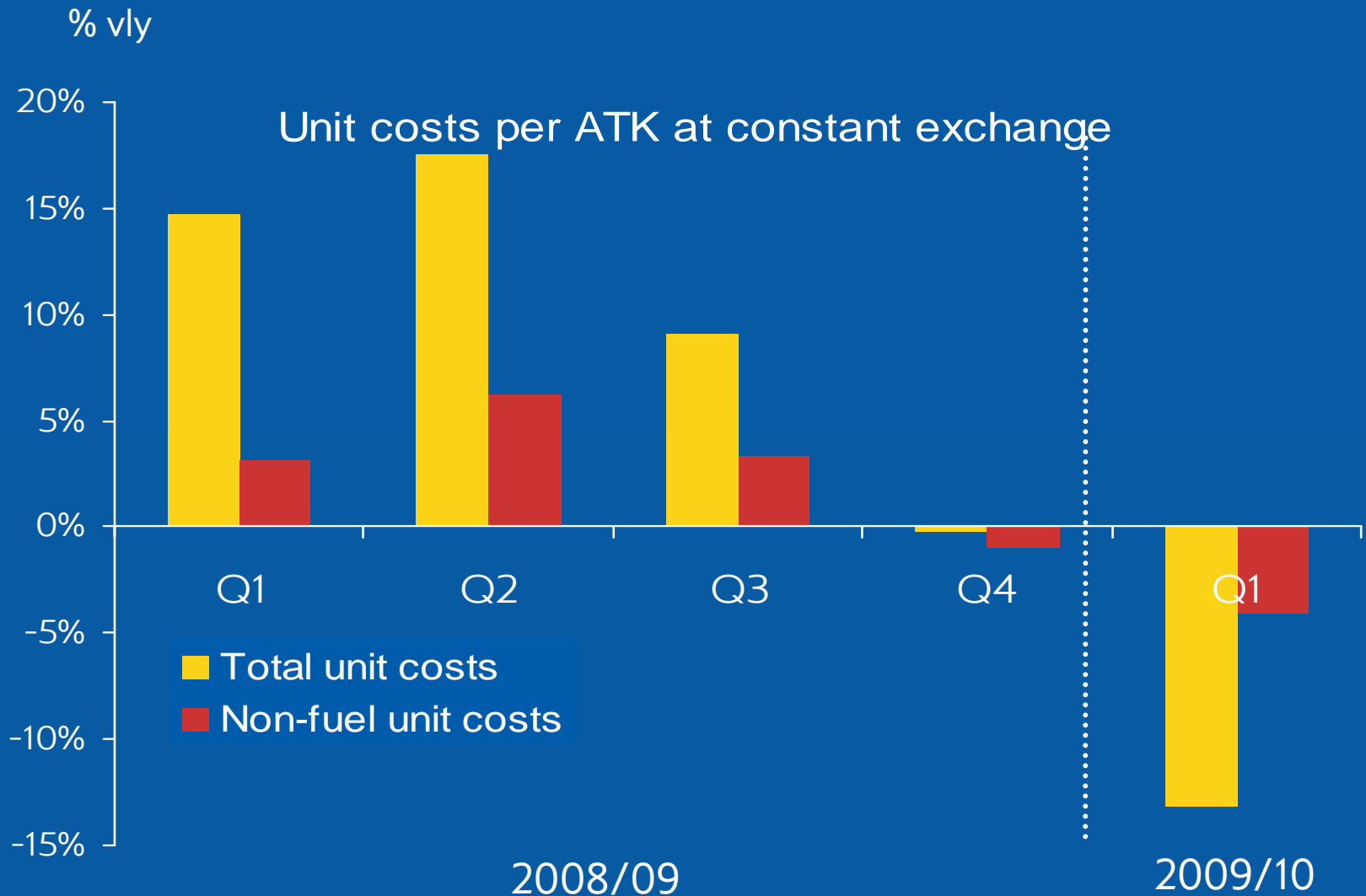


# Cost showing improvement vly

- Fuel costs down 15.6% (£110m)
- Non fuel costs down 7.6% (£116m) before exchange
- Capacity (ATKs) down 3.7%
- Average MPE down 7.4%
- Period end MPE down 9%
- Working closely with suppliers on costs



# Non-fuel unit costs improving



# Quarter 1 costs

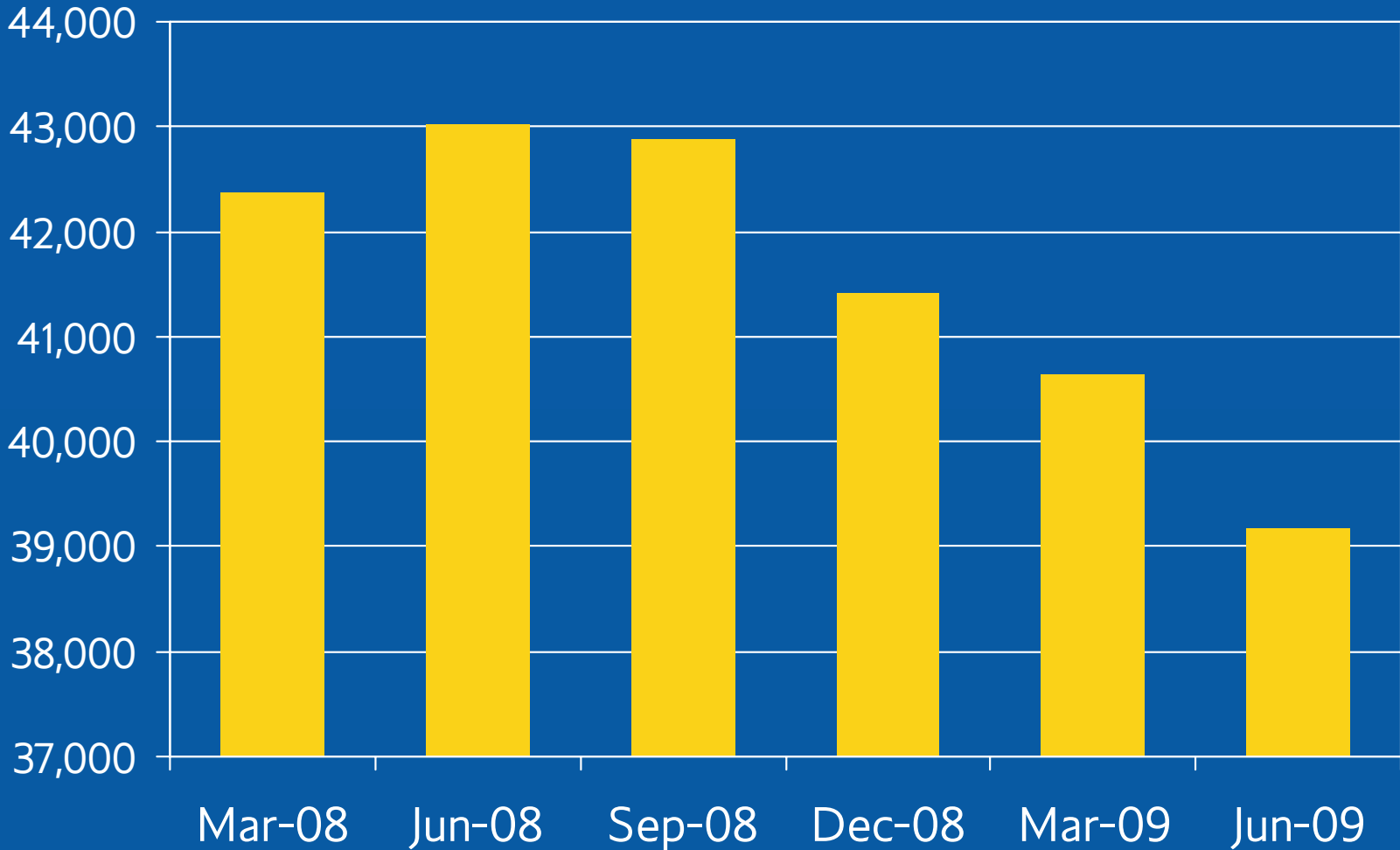
3 months Apr to June 2009	£m	% vly	
Employee costs	527	5.0	down
Severance	9	nm	
Engineering & other aircraft	130	10.2	up
Landing & en route charges	165	15.4	up
Handling, catering etc	266	4.3	up
Selling costs	68	25.3	down
Other costs (inc. retranslation)	316	11.2	down
TOTAL COSTS (excl. fuel)	1,481	2.4	down
Fuel & oil	<u>596</u>	<u>15.6</u>	down
<b>REPORTED TOTAL COSTS</b>	<b><u>2,077</u></b>	<b><u>6.6</u></b>	<b>down</b>

Quarter ended June 30, 2009





# Manpower reducing from efficiency and capacity

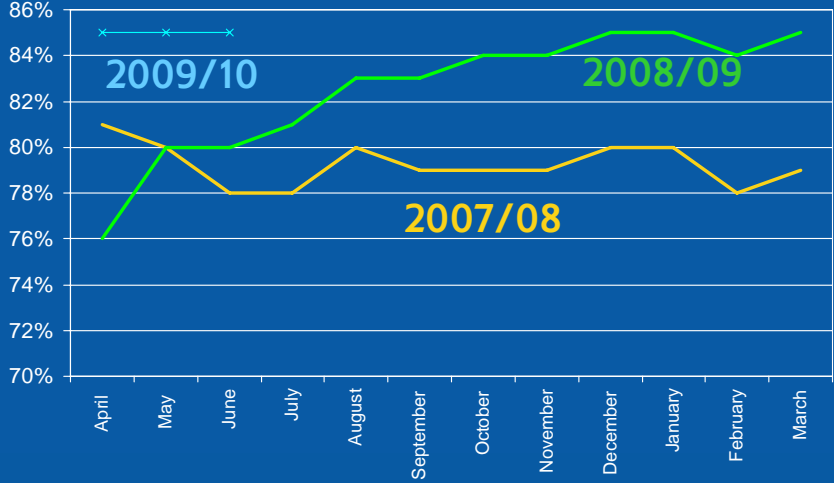


Period End Manpower Equivalent (MPE)

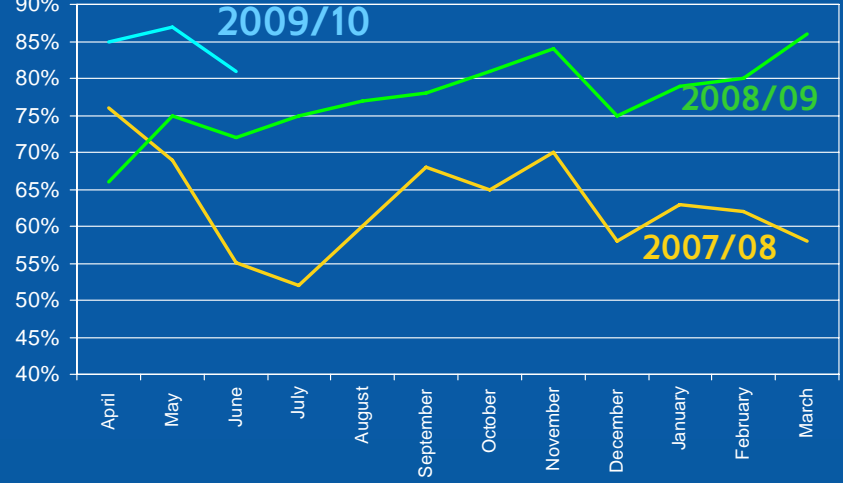


# ...and simultaneous operational improvement

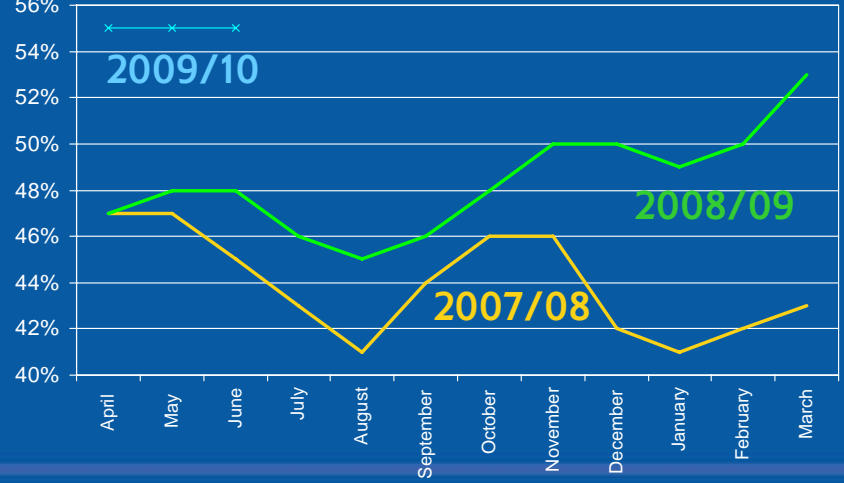
Overall satisfaction with BA (longhaul)



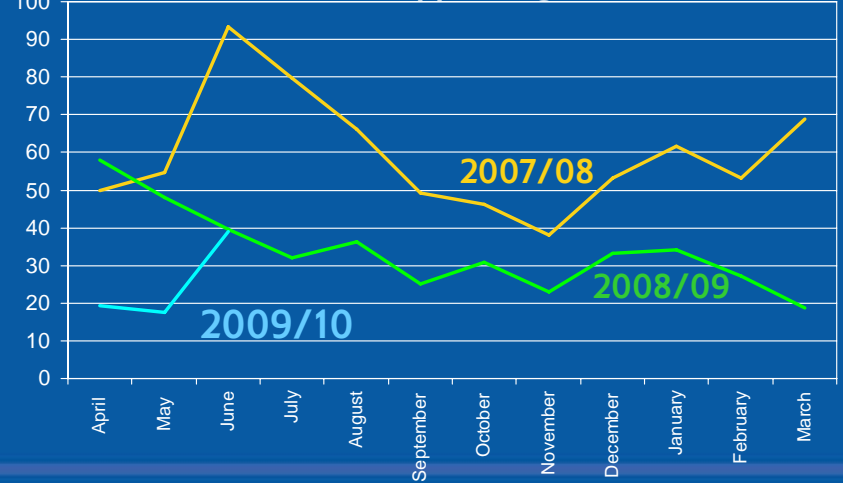
Punctuality (within 15 mins)



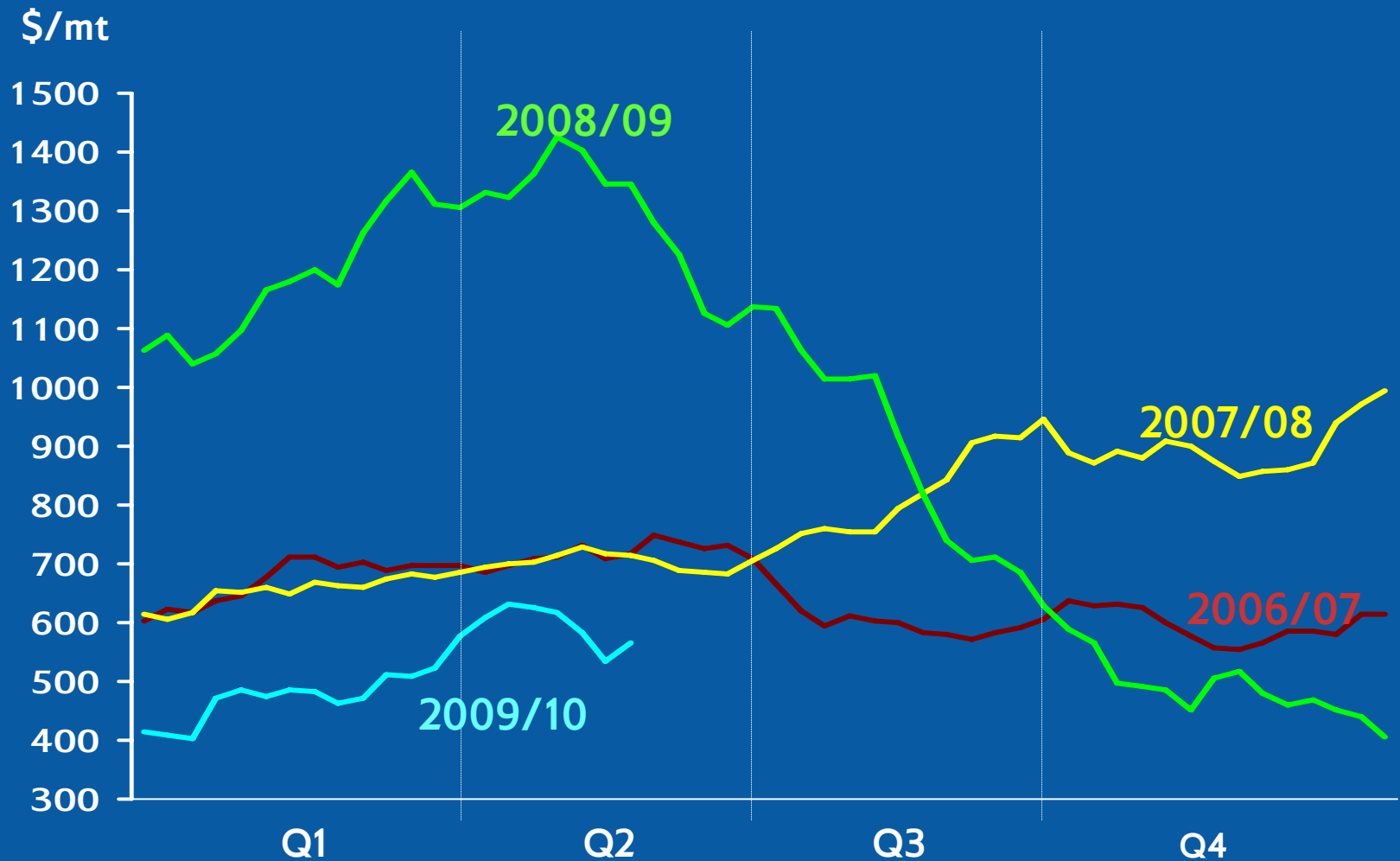
Satisfaction with Speed of Baggage Retrieval



LHR short-shipped bags/1000

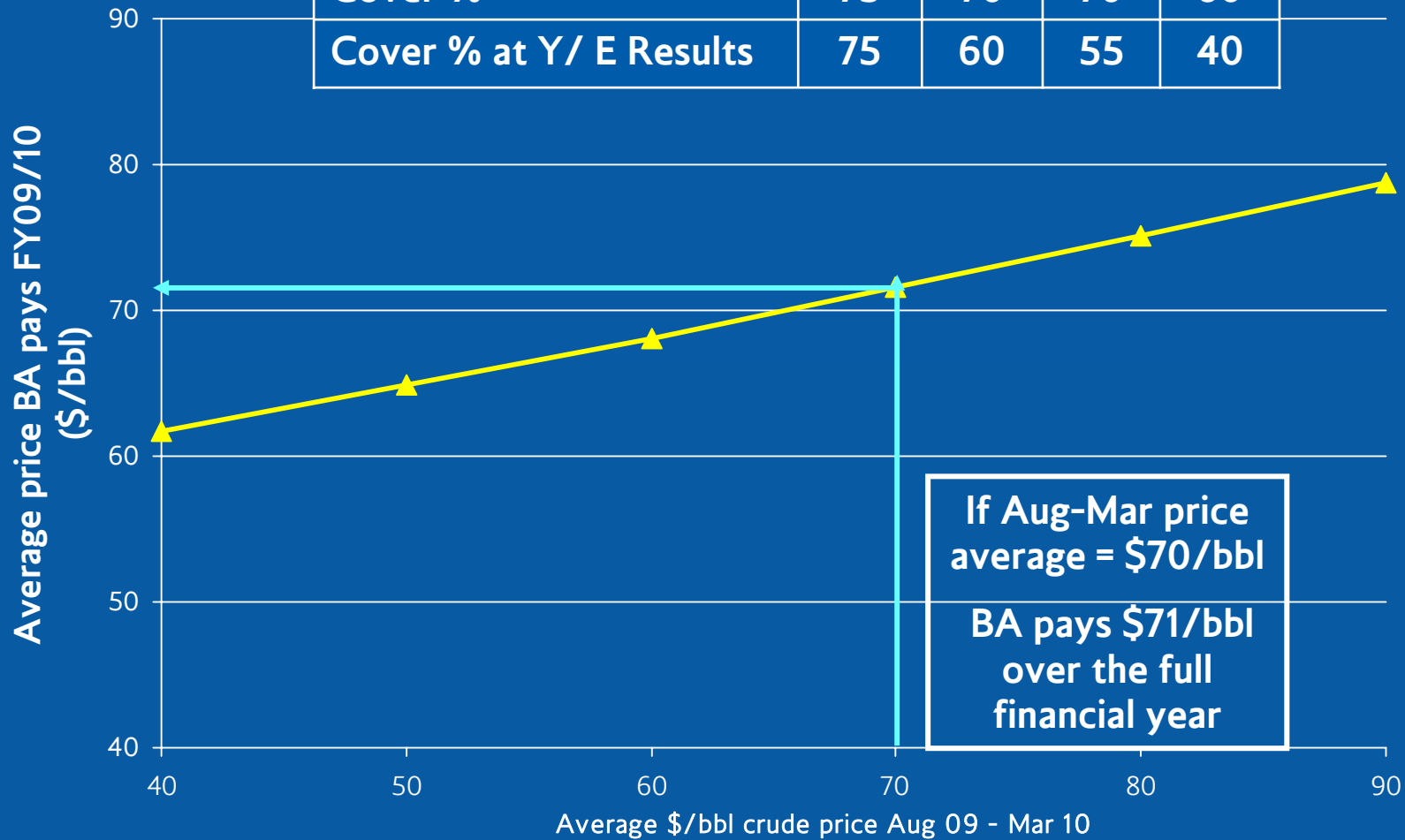


# Jet fuel prices still showing low refining margins



...with additional hedging placed.

Hedging 2009/10	Q1	Q2	Q3	Q4
Cover %	75	70	70	60
Cover % at Y/ E Results	75	60	55	40



# Balance sheet and cash

- Cash balance £1,258m (plus £130m facilities)
- Cash shortfall from operations £29m
- Cash raising in progress
- Net debt down £114m since March due to exchange



# Summary

- Revenue continuing to be weak, with limited visibility:
  - volume improving
  - lower exchange benefit going forward
  - lower fuel surcharge benefit
- Cost performance making good progress
- Cost focus continuing



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