

BRITISH AIRWAYS



# 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, 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 revised 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 material adverse effect on the future operations or results of an airline operating in the global economy. Information on some factors which could result in material difference to the results is available in the Company's SEC filings, including, without limitation the Company's Report on Form 20-F for the year ended March 2005.

# BRITISH AIRWAYS

Q4 & Preliminary Results

2005/2006

19th May 2006

Martin Broughton

Chairman

BRITISH AIRWAYS



**Keith Williams**

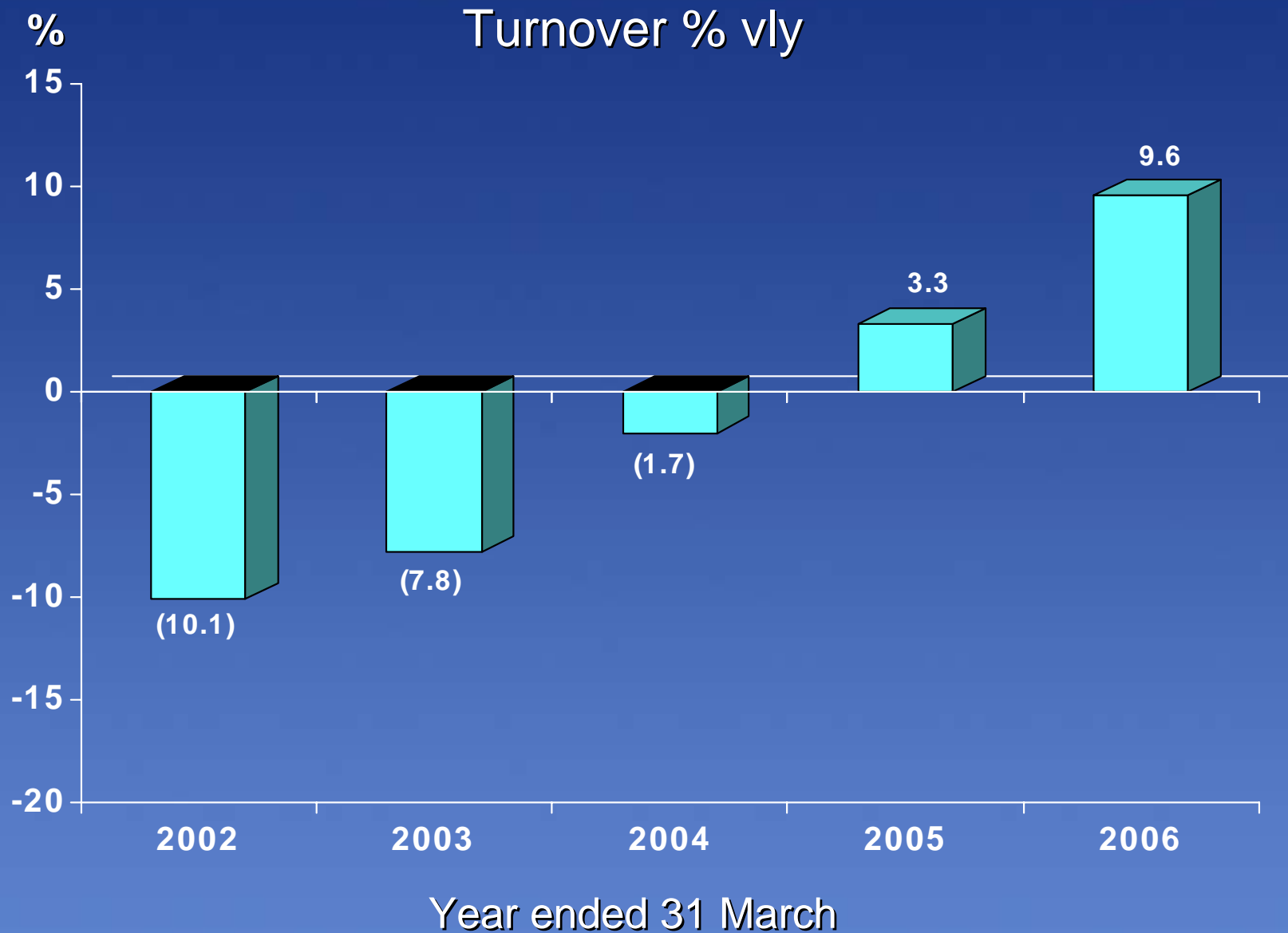
**Chief Financial Officer**

# Headline numbers

	<b>3 Months £m</b>	<b>vly</b>	<b>12 Months £m</b>	<b>vly</b>
Turnover	2,122	13.2%	8,515	9.6%
Operating profit	93	102.2%	705	26.8%
Operating margin	4.4%	1.9pts	8.3%	1.1pts
EBITDAR	344	7.3%	1,702	9.7%
Pre-tax profit	91	nm	620	20.9%

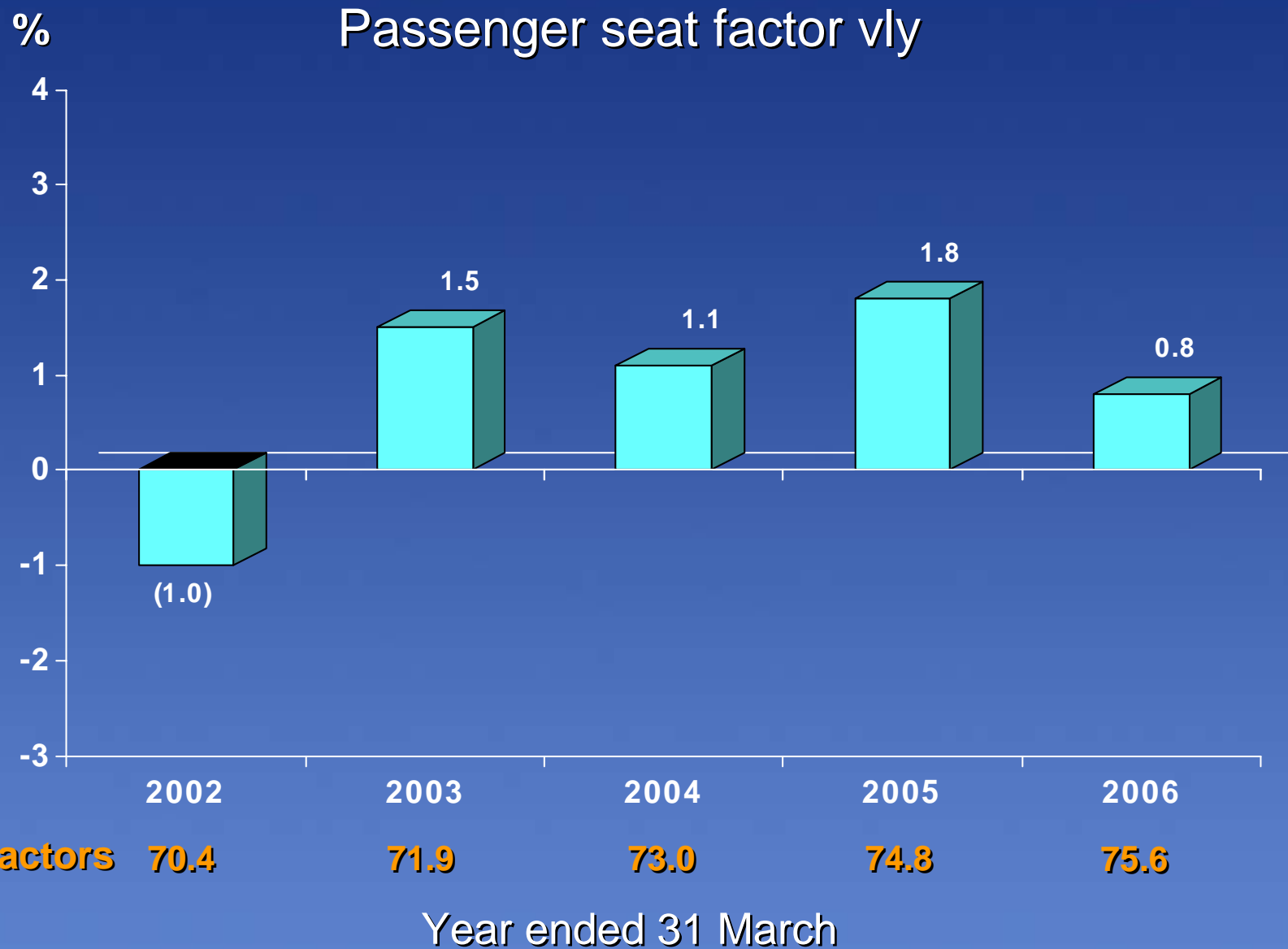
Period ended March 31, 2006

# Revenue continues to improve

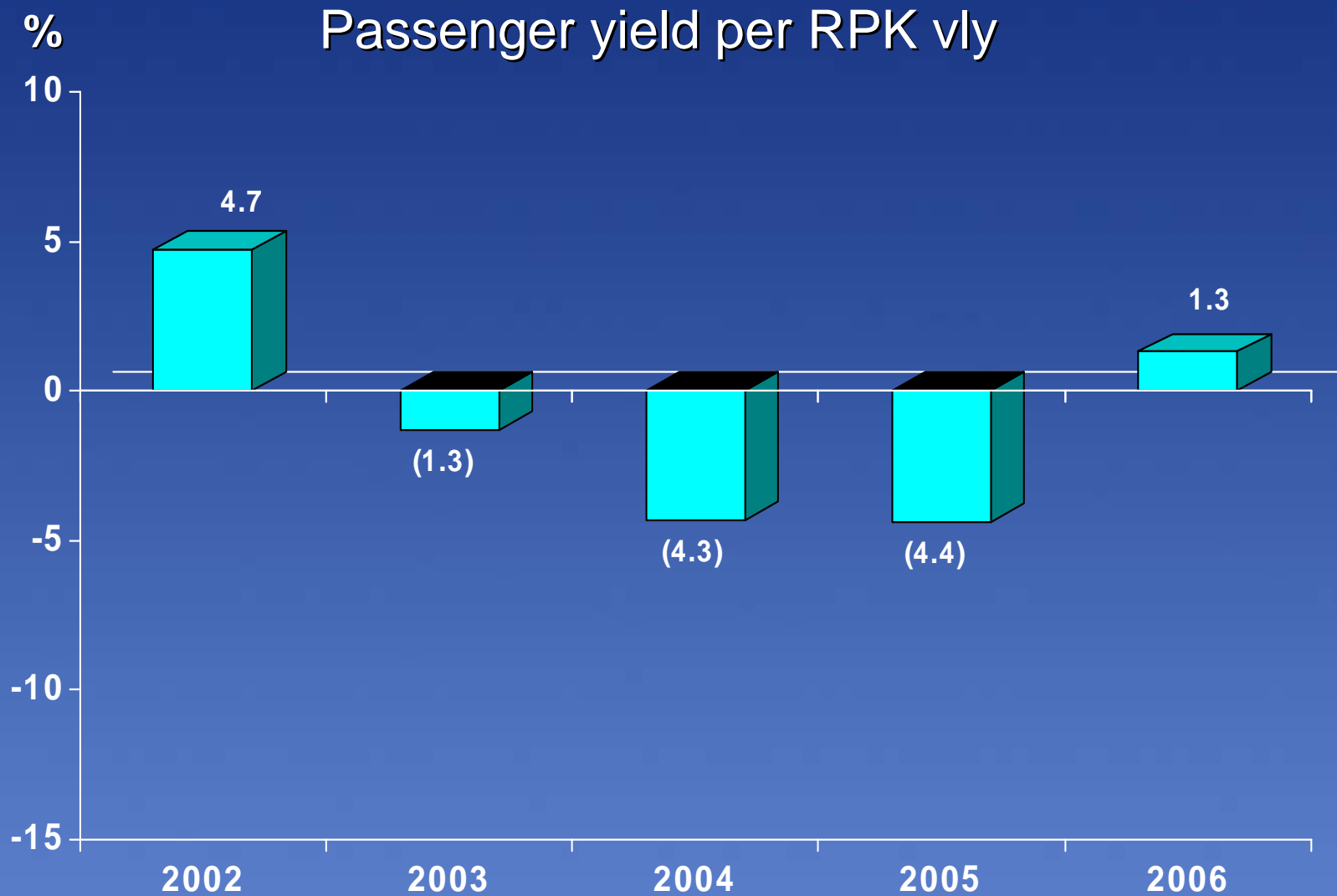




# Seat factors continue to improve



# And yields positive



Excludes fuel surcharges

Year ended 31 March

# Yield improvement driven by mix

Yield, excl fuel surcharge, year ended 31 March 2006

	<b>% vly</b>
Price	(1.2)
Mix	1.5
Exchange	1.0
	<hr/>
	1.3
	<hr/>

# Revenue by geographical area

£m	Year ended 31 March	
	2006	2005
Europe	5,406	5,079
The Americas	1,611	1,364
Africa, Middle East and India	826	747
Far East and Australasia	672	582
	<u>8,515</u>	<u>7,772</u>

By area of original sale

# Quarter 4 revenue strong

- Revenue up 13.2% at £2,122m
- Seat factor up 0.1pts at 73.1%
- Yield, excl fuel surcharge, up 3.7%
- Yield improvement driven by mix

# Full year costs up

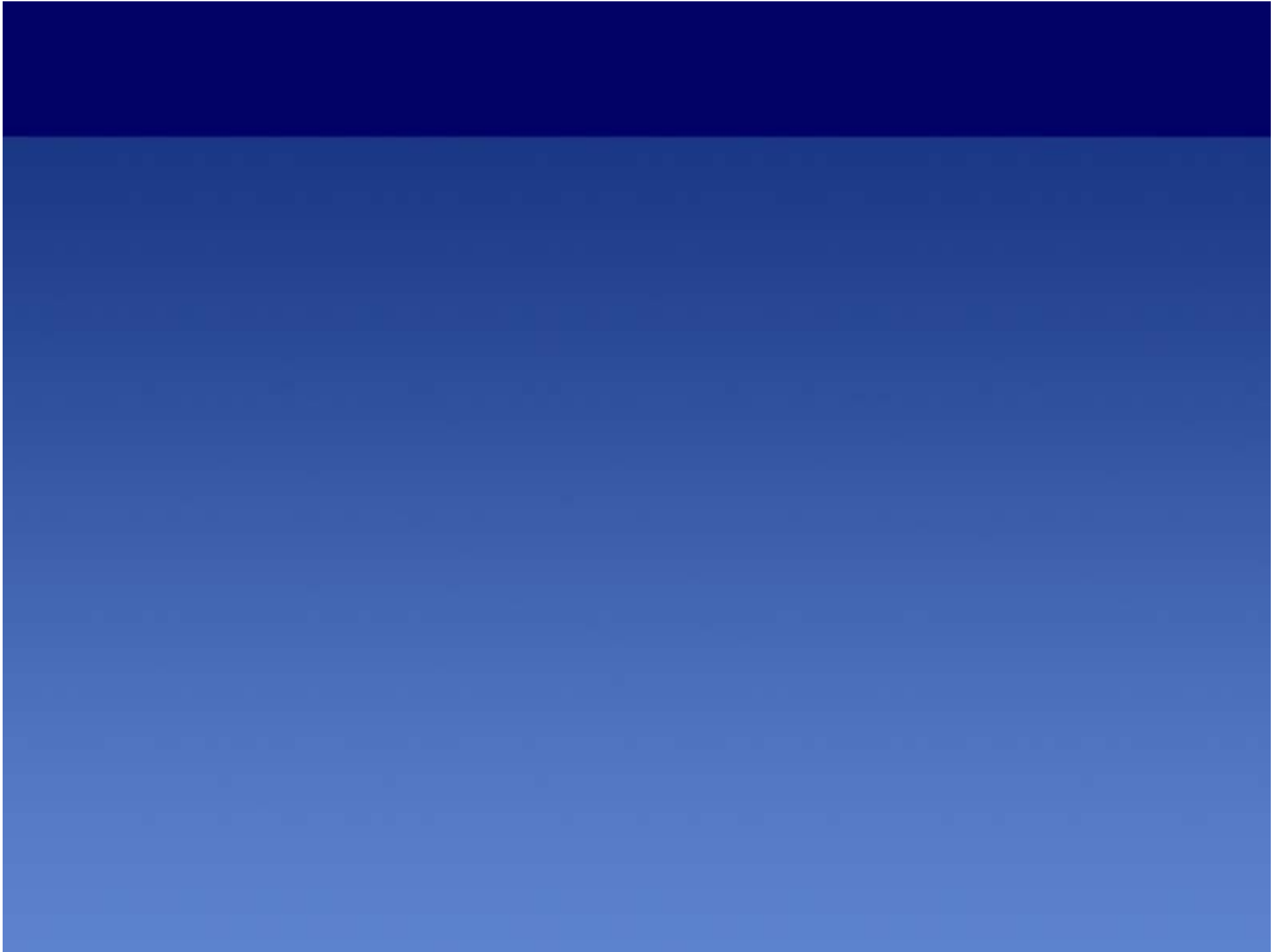
- Capacity up 2.4%
- Net costs up 2.9%
- Unit costs up 0.5%

Excluding fuel and other revenue:

- Total costs up 1.5%
- Unit costs down 0.9%

# Full year net costs up

	<i>£m</i>	<i>VL</i>	<i>Y</i>
Employee costs	2,346	5%	up
Engineering & other aircraft	473	10%	up
Landing & en route charges	559	1%	up
Handling, catering etc	955	4%	up
Selling costs	449	8%	down
Other costs	1,396	5%	down
<b>TOTAL COSTS (excl. fuel)</b>	<b>6,178</b>	<b>1.5%</b>	<b>up</b>
Fuel & oil	1,632	45%	up
Other revenue	(1,197)	52%	up
<b>NET OPERATING COST</b>	<b>6,613</b>	<b>2.9%</b>	<b>up</b>
<b>Net Unit Costs (p/ATK)</b>		<b>0.5%</b>	<b>up</b>





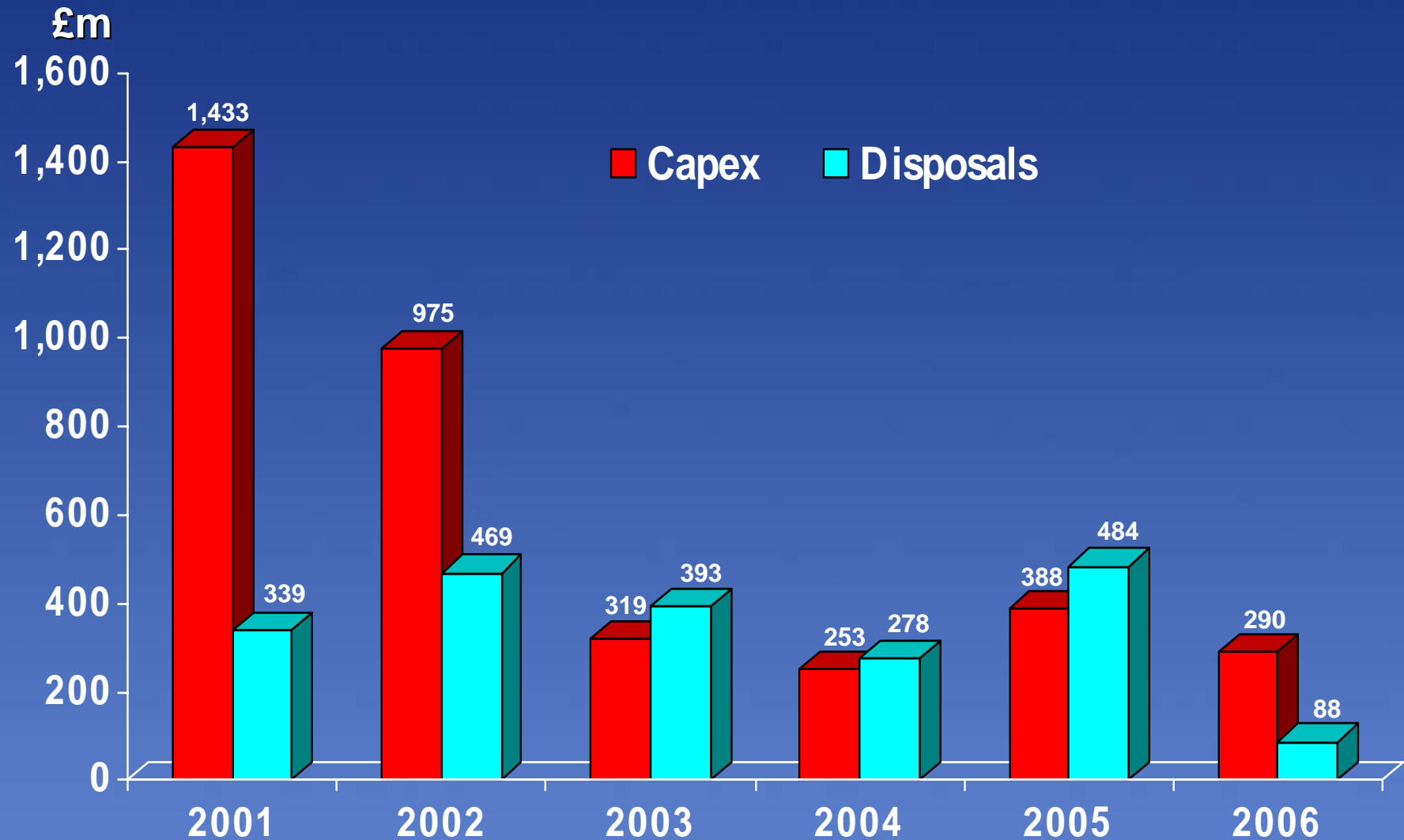
# Quarter 4 net costs up

	<i>£m</i>	<i>VL</i>	<i>Y</i>
Employee costs	632	3%	up
Engineering & other aircraft	120	2%	down
Landing & en route charges	133	2%	up
Handling, catering etc	226	4%	up
Selling costs	125	9%	up
Other costs	349	4%	down
<b>TOTAL COSTS (excl. fuel)</b>	<b>1,585</b>	<b>1.6%</b>	<b>up</b>
Fuel & oil	444	65%	up
Other revenue	(340)	65%	up
<b>NET OPERATING COST</b>	<b>1,689</b>	<b>4.1%</b>	<b>up</b>
<b>Net Unit Costs (p/ATK)</b>		<b>1.8%</b>	<b>up</b>

# Cash

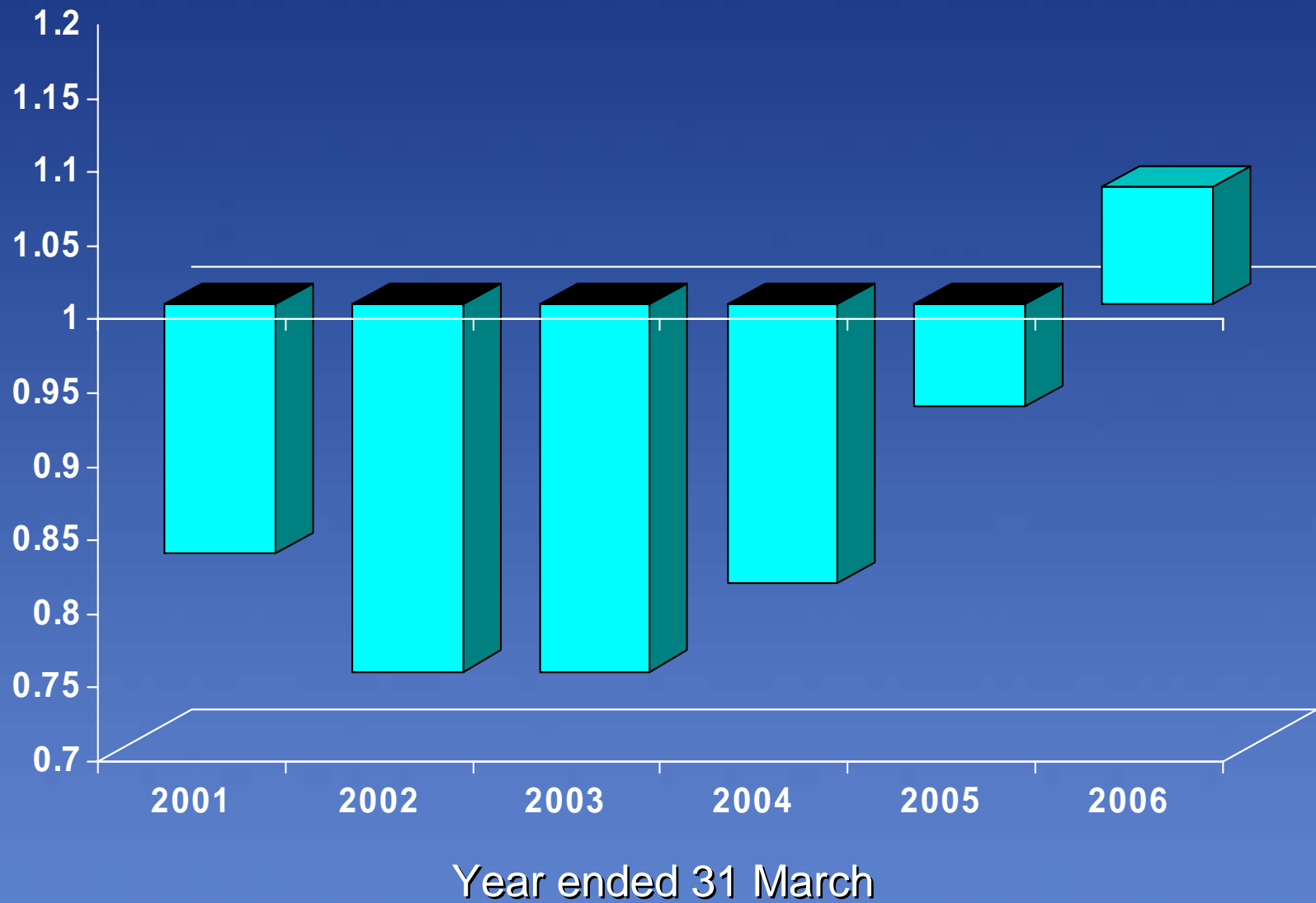
- Operating cashflow up £334m at £1.3bn
- EBITDAR up 9.7% at £1.7bn
- Cash balances up £758m at £2.4bn

# Capex and disposals

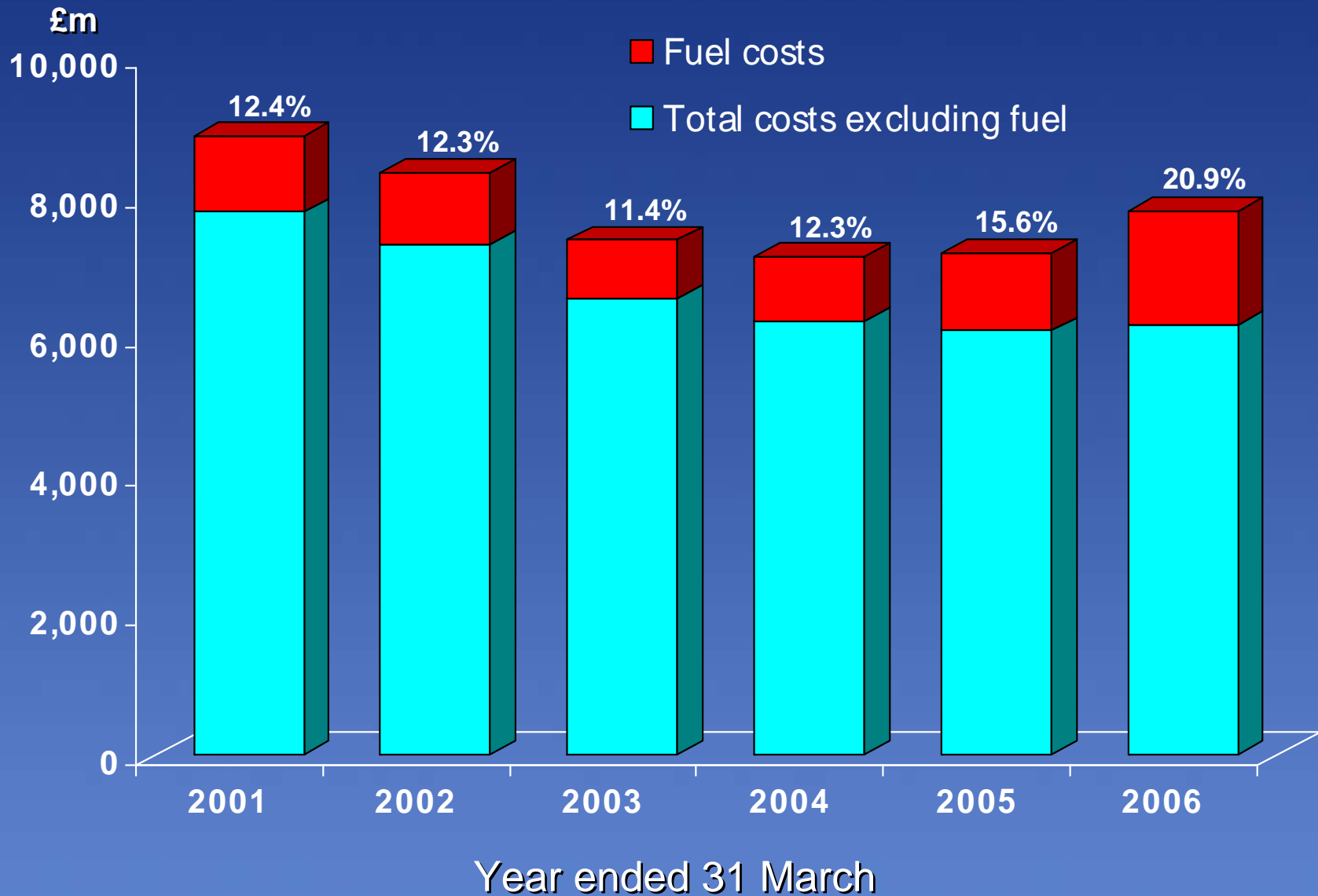


# Asset turns

Turnover divided by fixed assets



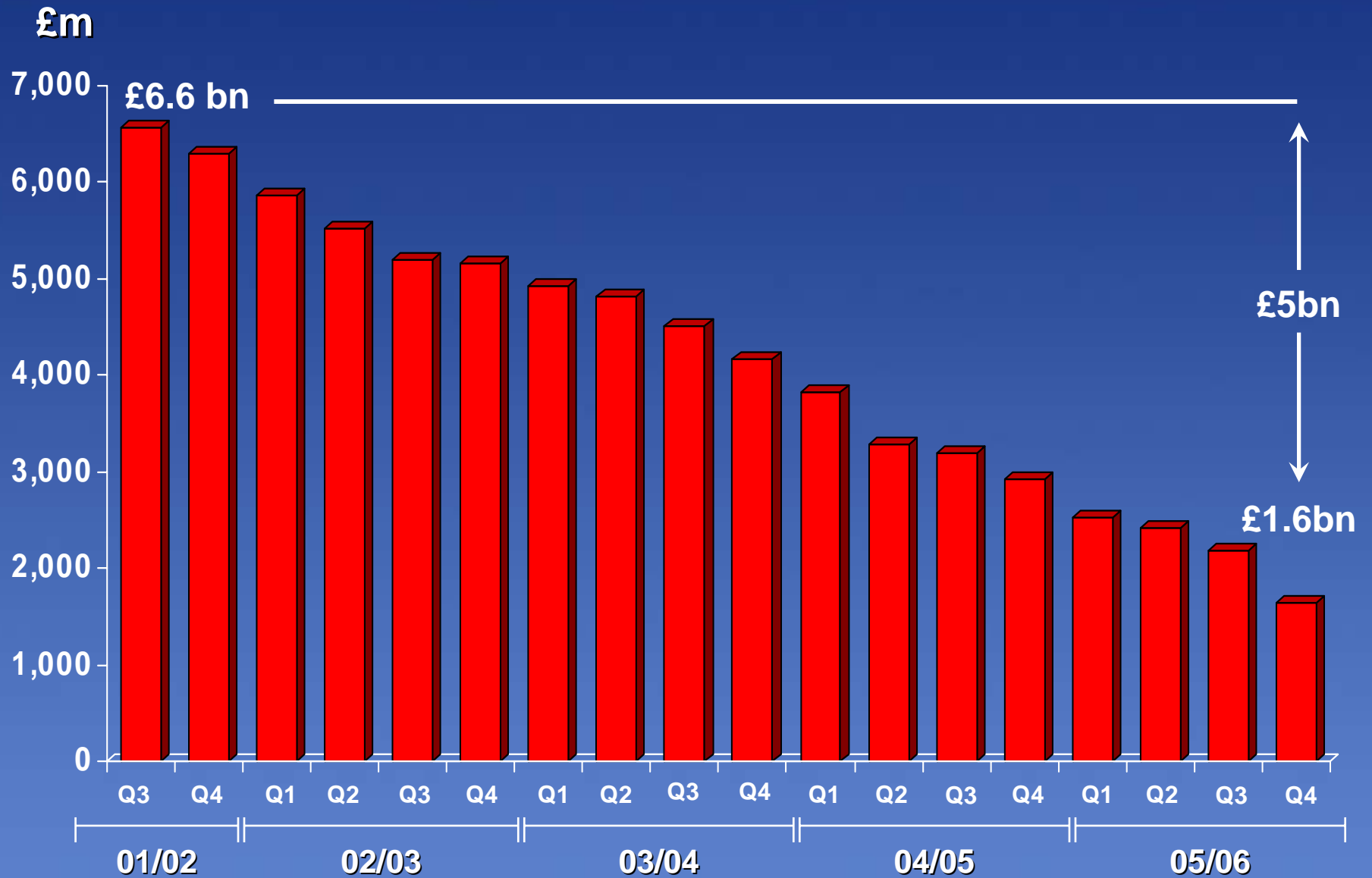
# Total costs



# Fuel hedging position

	<b>Hedging cover</b>	<b>Average cap (Brent equivalent)</b>
April – June 2006	66%	\$55
July – September 2006	58%	\$58
October – December 2006	60%	\$58
January – March 2007	47%	\$62
April – December 2007	25%	\$63

# Net debt £5 billion lower



# Pensions

£m	NAPS		Total	
	2006	Better/ worse	2006	Better/ worse
Gross IAS 19 ('FRS 17')	2,070	(101)	2,290	(99)
Recognised IAS 19	1,587	25	1,791	16



# Financial year 2006/07 outlook

Revenue



5-6% growth

Fuel total



cost + £600m

Non-fuel costs



flat

Capex



£500m

# In summary

- Good results
- Cost performance needs to improve
- Fuel and pensions remain key challenges
- Outlook for 2006/07 – revenue up 5-6%

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**Willie Walsh**

**Chief Executive Officer**

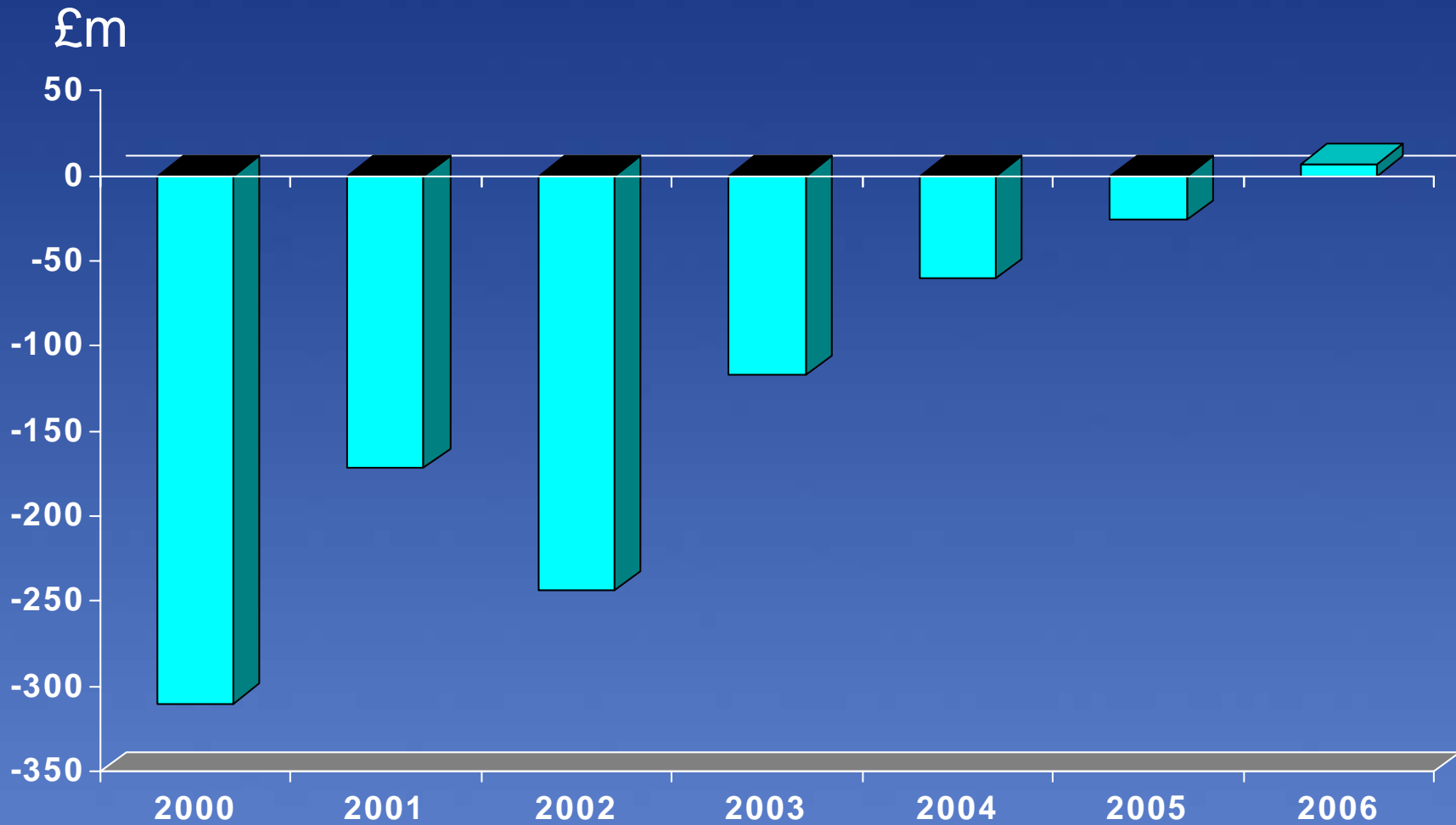
# Agenda

- Shorthaul
- Pensions
- Outlook

# Shorthaul

# Shorthaul profit history

Operating profit UK/Europe by destination



Year ended 31 March

# The shorthaul business

Regional

- 56 routes
  - 50 aircraft
- 

Gatwick

- 43 routes
  - 33 aircraft
- 

Heathrow

- 43 routes
- 87 aircraft



# BA Connect

- Re-launched January 10, 2006
- Selling started February 1, 2006
- Services started March 26, 2006
- New routes from Birmingham launched

# New fare structure

## **'BA Connect'**

- 2 million seats available at the lowest prices
- BA Miles on every fare

## **'BA Connect Plus'**

- Lounge access and seat selection
- Prices start from £110 one-way, all inclusive
- Exec Club points and BA Miles on every fare

# Buy on board



all day snacks

Pepperoni Hot Pizza Slice .....	£2.50
● Roasted Vegetable Hot Pizza Slice .....	£2.50
● Brie and Apple Chutney White Baguette.....	£3.00
Chicken Caesar and Lettuce Malted Baguette.....	£3.00
Ham, Egg and Lettuce Malted Baguette.....	£3.00
Chicken Tikka Tortilla Wrap .....	£3.20
Afternoon Tea: Salmon & Cucumber and Egg & Cress sandwiches and Scone with Jam and Clotted Cream. Includes a choice of hot drink .....	£4.00
McVities Blueberry Muffin.....	£1.60
Galaxy Chocolate Muffin.....	£1.60
Planters Exotic Fruit Mix .....	£2.00
Kate's Cakes Granola Bar .....	£1.60
Kate's Cakes Honey Flapjack .....	£2.00
Snack Pack: Mini Cheese Biscuits, Pate, Voche qui Rit Cheese, two packs of Crackers, KitKat Chunky .....	£2.50
Penn's Pretzels Original .....	£0.60
Cadbury Mini Chocolate Fingers .....	£1.60
O/zon Cool Mints .....	£1.60
Cadbury Dairy Milk Bar.....	£1.00
Fruit Tempters: Apricots with Peach Schnapps; Apricots with Amaretto; Prunes with Strawberry; Prunes with Vanilla .....	£1.00



all day breakfast

## full english breakfast

Two Bacon Slices, Scrambled Egg, Sausage, Mushrooms, Tomato, Hash Browns, Roll & Butter, Brown Sauce, Orange Juice. Includes a choice of hot drink.....£5.00

- Vegetarian Sausage, Omelette, Mushrooms, Tomato, Hash Browns, Roll & Butter, Brown Sauce, Orange Juice. Includes a choice of hot drink .....

## hot drinks

Kenco Coffee .....	£1.60
Kenco Cappuccino .....	£1.60
PG Tips Tea .....	£1.60
Suchard Hot Chocolate .....	£1.60

some products may be available on selected flights only



bar

## spirits & lager

Gordon's Gin 50ml .....	£3.00
Smirnoff Red Vodka 50ml .....	£3.00
Johnnie Walker Red Whisky 50ml.....	£3.00
Camus VS Cognac 30ml .....	£3.00
Bacardi Rum 50ml .....	£3.00
Stella Artois Lager 330ml .....	£2.50

## wines

Red Wine 187ml .....	£3.00
White Wine 187ml .....	£3.00

*please ask the crew for the selection available today*

## champagne

Heidsieck Monopole 187ml .....	£6.00
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# Gatwick

- Broad network
- Premium leisure
- New advertising and pricing approach
- Overhead/productivity improvements
- £40m profit improvement target

# Heathrow

- Network and frequency
- Club Europe
- Extra capacity
- New advertising and pricing approach

# New advertising and pricing approach

- Low lead in prices
- One way fares to allow comparison with no frills
- All types of ticket are changeable
- Aggressive marketing to drive bookings off peak
- Combined value and price message

# ba.com

- Booking and distribution
- Servicing
- Ancillary revenue

# “Cutting prices not corners”

FROM

£45

**FRANKFURT (INT)**  
one-way incl. taxes

That's Frankfurt, not an airport 75 miles from Frankfurt

FROM

£29

**GENEVA**  
one-way incl. taxes

Allocated seating. Something you can bank on.

**ba.com** 



# New TV Ad

# Summary

3 different businesses with different solutions



All must be profitable

# Pensions

# Pensions – where we are

- Company proposal announced 23 March

# Pension proposal – the details

- Final salary scheme retained
- Normal retirement age raised
- Slower accrual rate
- Pensionable pay increases capped at inflation
- Pension increases on retirement capped at 2.5% p.a
- Company and staff to share impact of changes in life expectancy
- Company to contribute £500m once changes agreed

# Pensions – where we are

- Company proposal announced 23 March
- Intensive staff communications programme
- Joint response from Unions received on 26 April
- Further talks with Unions agreed
- Independent expert initial findings to Trustees
- IAS 19 deficit disclosed

# Pensions – what next

## Proposed timing

Staff consultation

Ongoing

Actuarial review (draft)

June

Trustees review

July

Funding discussions/proposal evaluation

Summer

Actuarial review (final)

Autumn

Implementation

# Outlook



# Outlook

- Competitive cost base
- Service that matters
- Fit for 5
- Fit for growth
- Market conditions

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# Questions

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