



**BRITISH AIRWAYS**

Interim management statement

3<sup>rd</sup> Quarter results

2008-2009

Analysts' presentation

February 6, 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



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# Headlines

- Still heading into the storm
- Buffeted by economic weakness
- Weakening pound creating volatility
- Operating profit for nine months £89 million
- Operating loss for quarter three £51 million
- Outlook for quarter four bleak
- Strong liquidity position

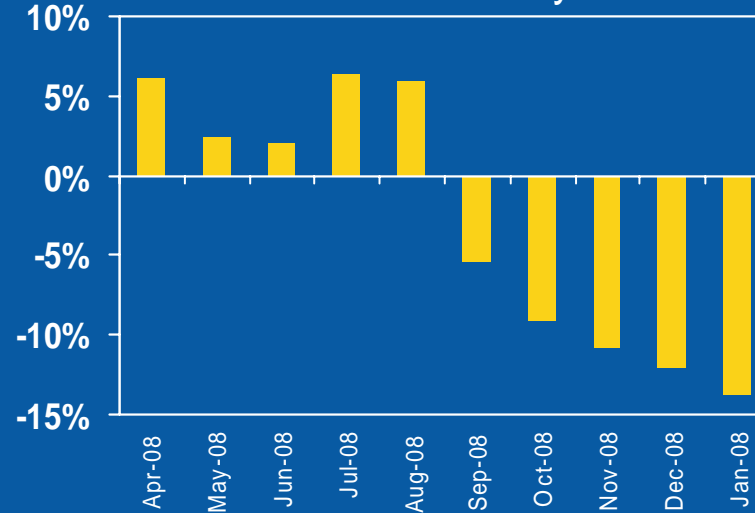


# Volatility has never been higher

CRUDE OIL \$/ bbl



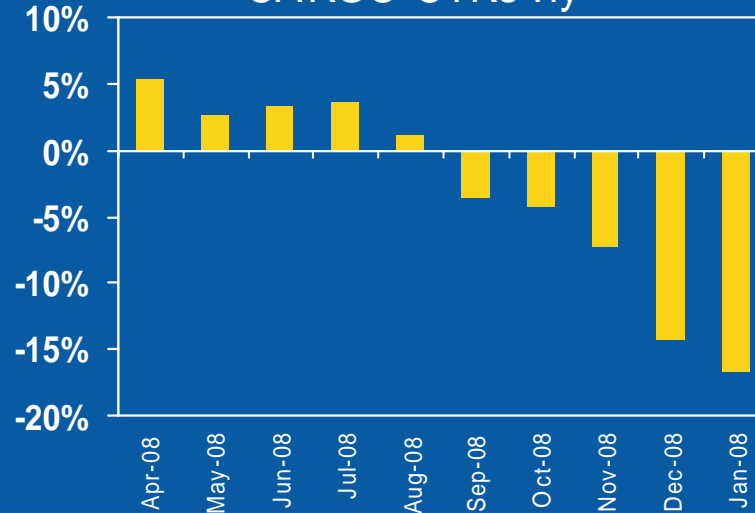
PREMIUM RPKs vly



£/\$



CARGO CTKs vly



# Headline numbers

	9 Months £m	Better/ (worse)
Turnover	7,046	6.2%
Fuel costs	2,244	(48.4)%
Total costs	6,957	(18.1)%
Operating profit	89	(88.0)%
Operating margin	1.3	(9.9)pts
EBITDAR	745	(48.2)%
Pre-tax loss	(70)	nm

Period ended December 31, 2008



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# Statistics

## Key statistics

	9 months vly Better/(worse)
ASK	0.2%
RPK	(2.8)%
Seat factor	(2.3)pts
ATK	(1.9)%

## Key performance indicators

Yield per RPK	up 9.6%
Unit costs per ATK	up 20.4%
Unit costs per ATK excl fuel	up 9.7%

Period ended December 31, 2008



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# Costs

9 months vly

Capacity in ATKs	down 1.9%
Total costs	up 18.1%
Unit costs	up 20.4%

## Excluding fuel

Total costs	up 7.7%
Before exchange	up 2.2%
Unit costs	up 9.7%
Unit costs before exchange	up 4.2%

Period ended December 31, 2008

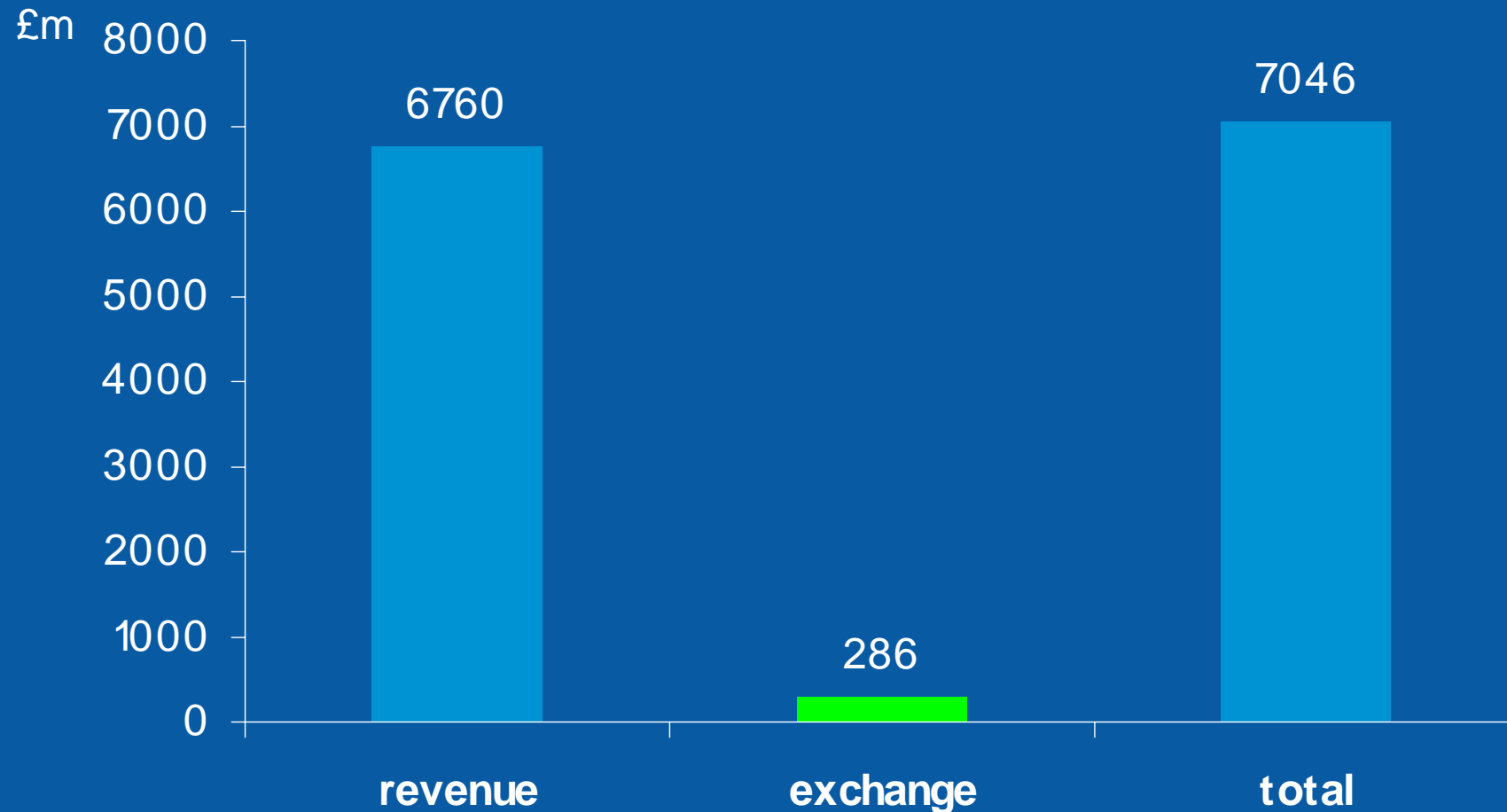


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# Exchange impact is revenue positive



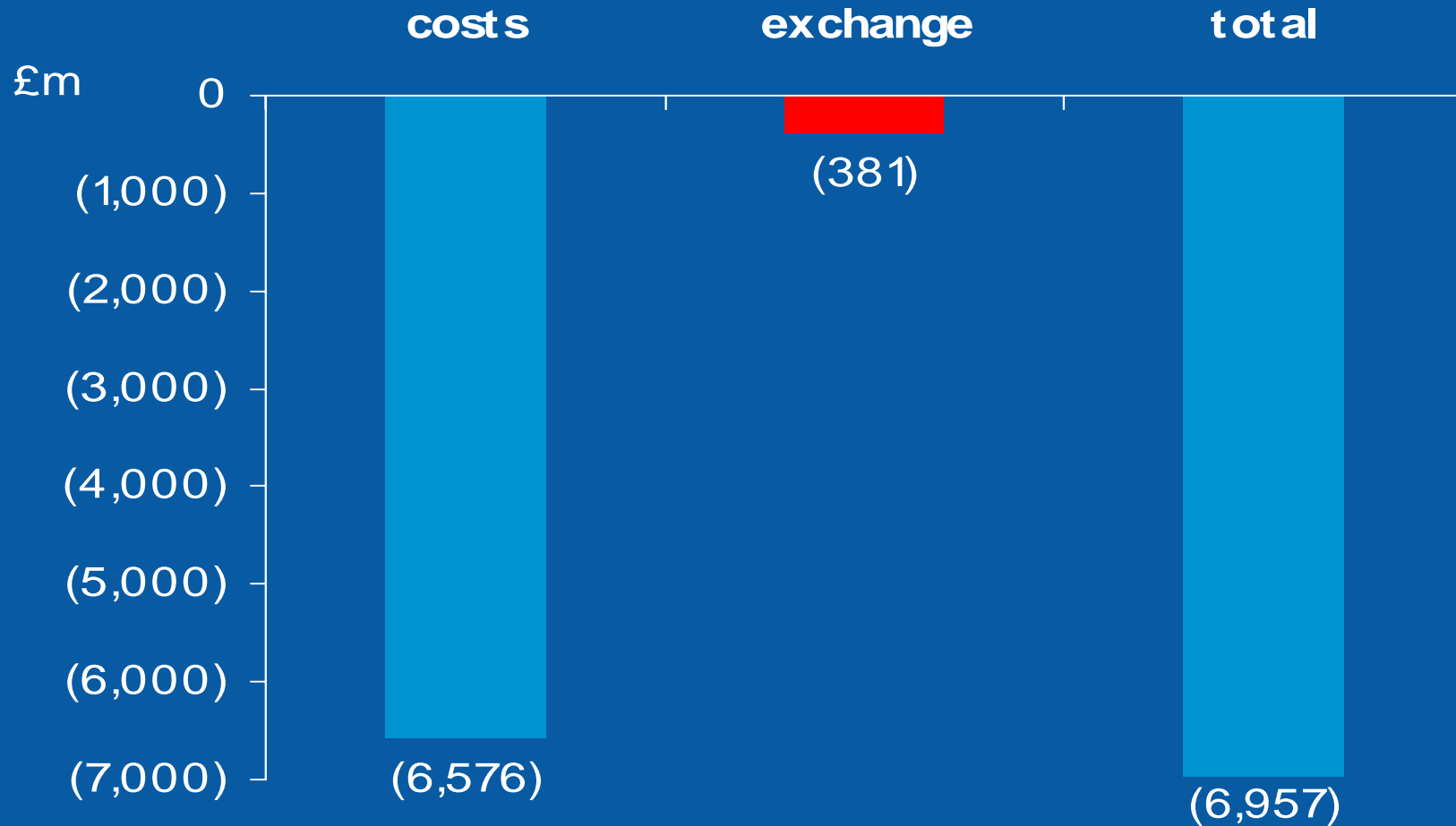
Period ended December 31, 2008



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# But negative on costs



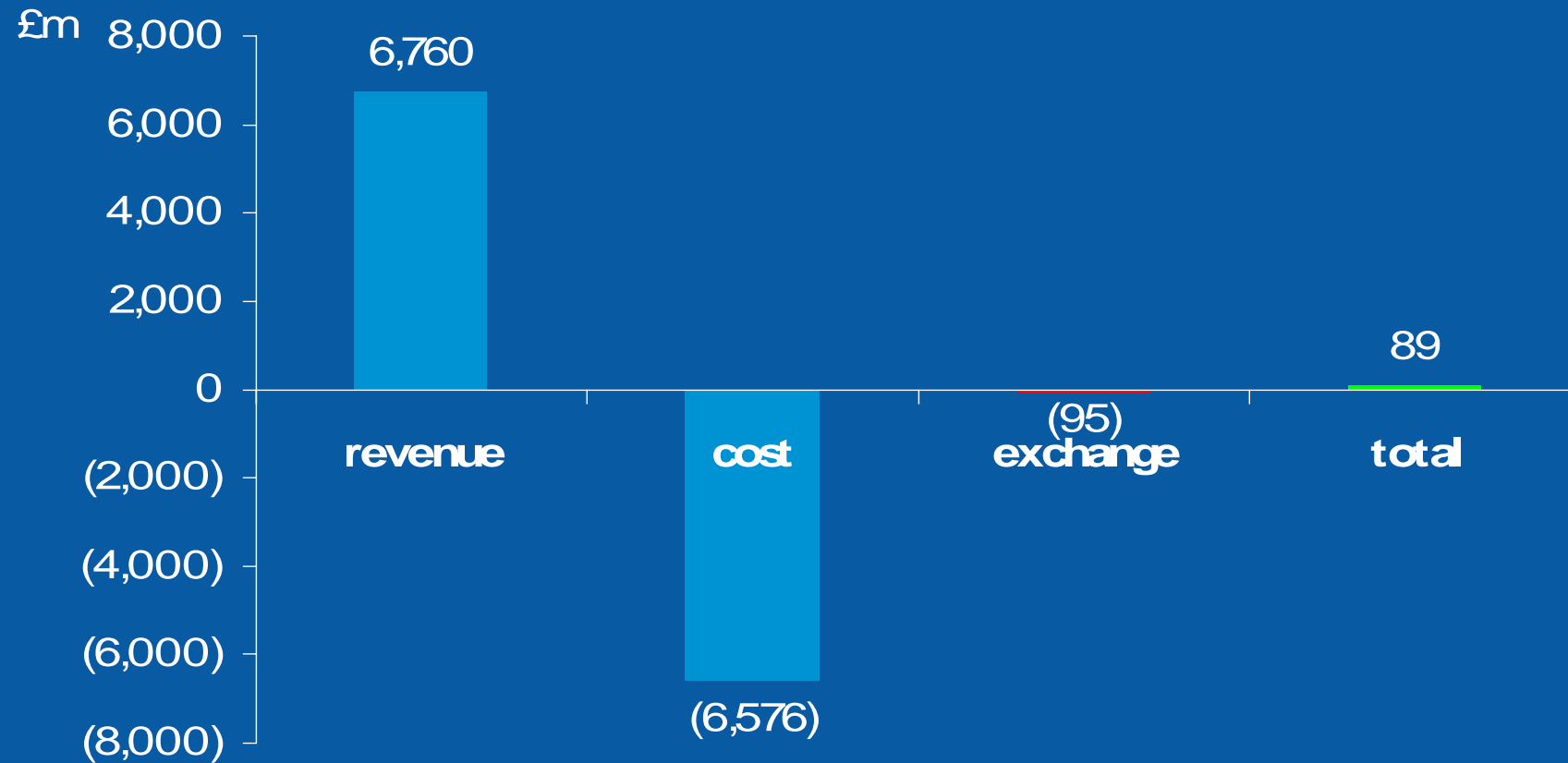
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# Leaving the total picture



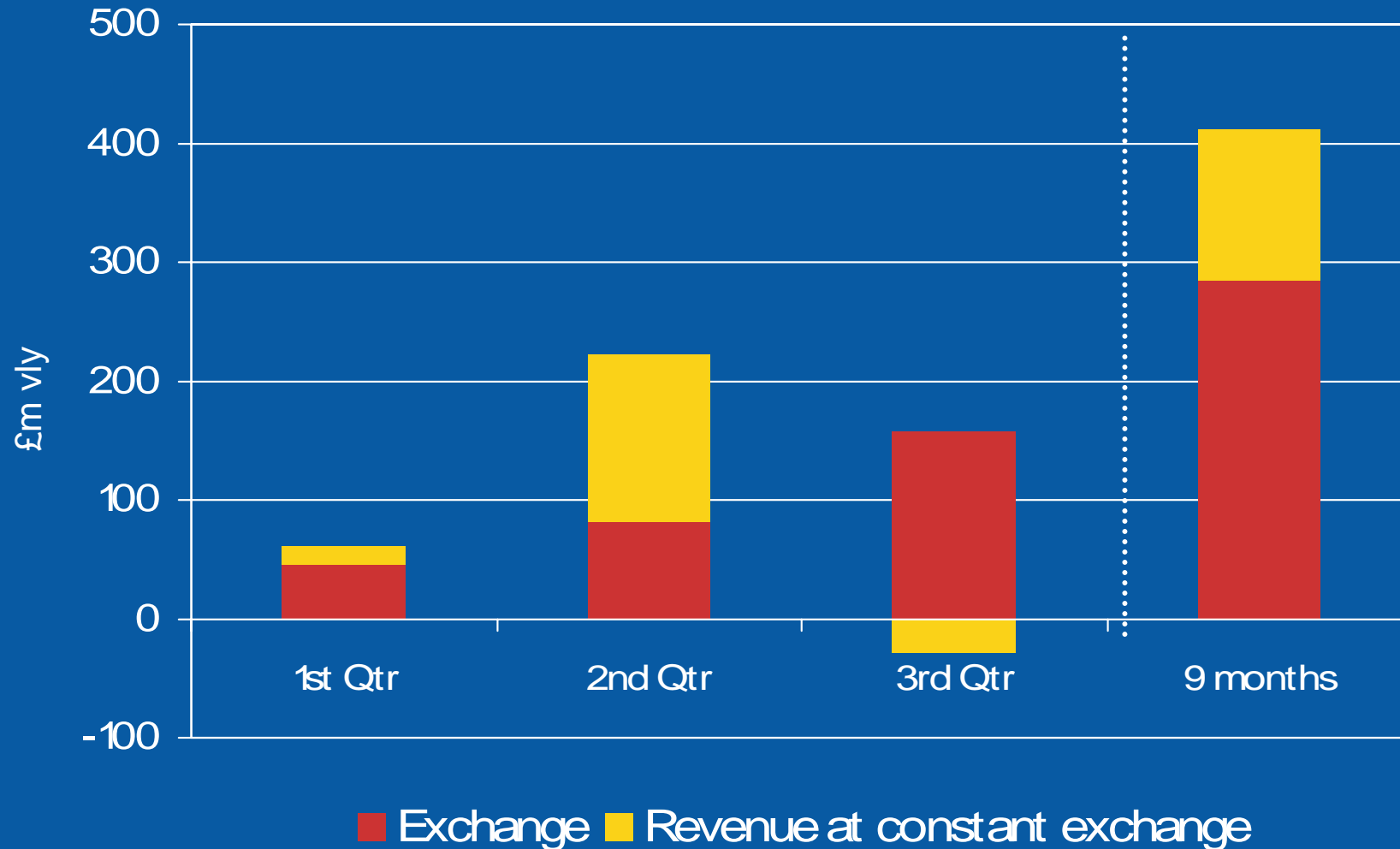
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# Exchange impact on revenue increasing



# Volumes are weak

BA Total RPKs vly	<u>Oct</u>	<u>Nov</u>	<u>Dec</u>	<u>Jan</u>
Premium	-9.2%	-10.8%	-12.1%	-13.7%
Non-Premium	-3.3%	-4.8%	-1.7%	+1.4%
Total	-4.4%	-5.9%	-3.4%	-1.3%
Cargo (CTKs)	-4.2%	-7.2%	-14.3%	-16.7%



# With yield benefits starting to slow

	Q1 08/09	Q2 08/09	Q3 08/09
% vly			
Price	2.2	7.1	7.5
Mix	2.5	3.2	(2.7)
Exchange	2.2	3.5	7.1
Reported	<u>6.9</u>	<u>13.8</u>	<u>11.9</u>

*Q1 and Q2 as reported*



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# Revenue split year to date

	£m	VLV
Passenger	6,160	6.6%
Cargo	537	18.8%
Other	349	(13.6)%
	<u>7,046</u>	<u>6.2%</u>

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# Pressure on all cost items

9 months	£m	% vly	
Employee costs	1,713	7.1	up
Engineering & other aircraft	400	16.6	up
Landing & en route charges	455	12.9	up
Handling, catering etc	761	4.0	up
Selling costs	279	0.4	up
Other costs (inc. retranslation)	1,105	8.0	up
TOTAL COSTS (excl. fuel)	4,713	7.7	up
Fuel & oil	2,244	48.4	up
<b>REPORTED TOTAL COSTS</b>	<b>6,957</b>	<b>18.1%</b>	<b>up</b>

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# Costs excluding exchange

9 months	£m	% vly	
Employee costs	1,687	5.5	up
Engineering & other aircraft	349	1.7	up
Landing & en route charges	421	4.5	up
Handling, catering etc	723	(1.2)	down
Selling costs	267	(4.0)	down
Other costs (inc. retranslation)	1,029	0.6	up
TOTAL COSTS (excl. fuel)	4,476	2.2	up
Fuel & oil	2,100	38.9	up
<b>REPORTED TOTAL COSTS</b>	<b>6,576</b>	<b>11.6%</b>	<b>up</b>

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# Pressure on all cost items

3 months	£m	% vly	
Employee costs	552	4.2	up
Engineering & other aircraft	156	28.9	up
Landing & en route charges	150	11.9	up
Handling, catering etc	251	4.6	up
Selling costs	91	(1.1)	down
Other costs (inc. retranslation)	393	15.2	up
TOTAL COSTS (excl. fuel)	1,593	9.3	up
Fuel & oil	750	41.8	up
<b>REPORTED TOTAL COSTS</b>	<b>2,343</b>	<b>17.9%</b>	<b>up</b>

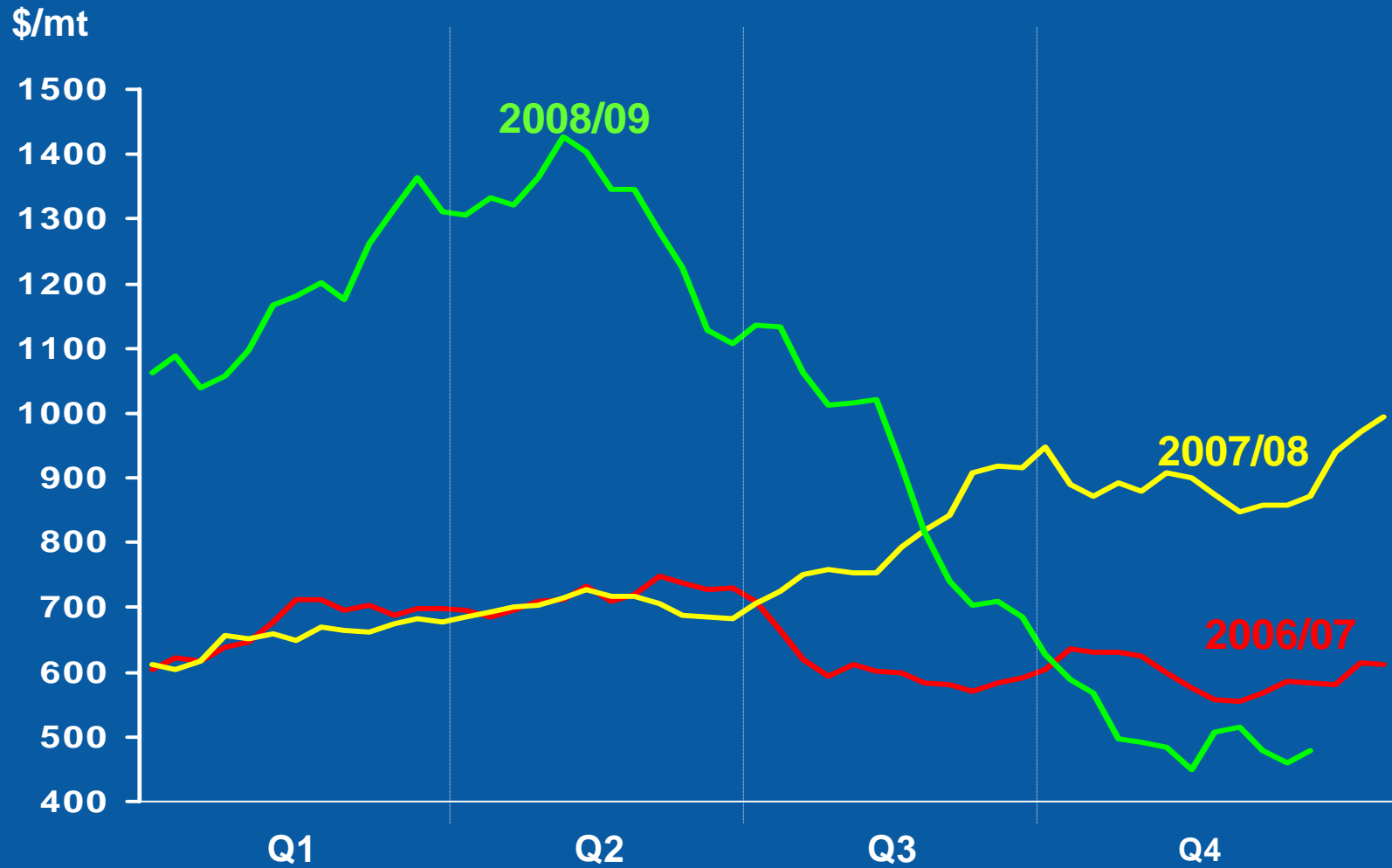
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# Jet fuel prices

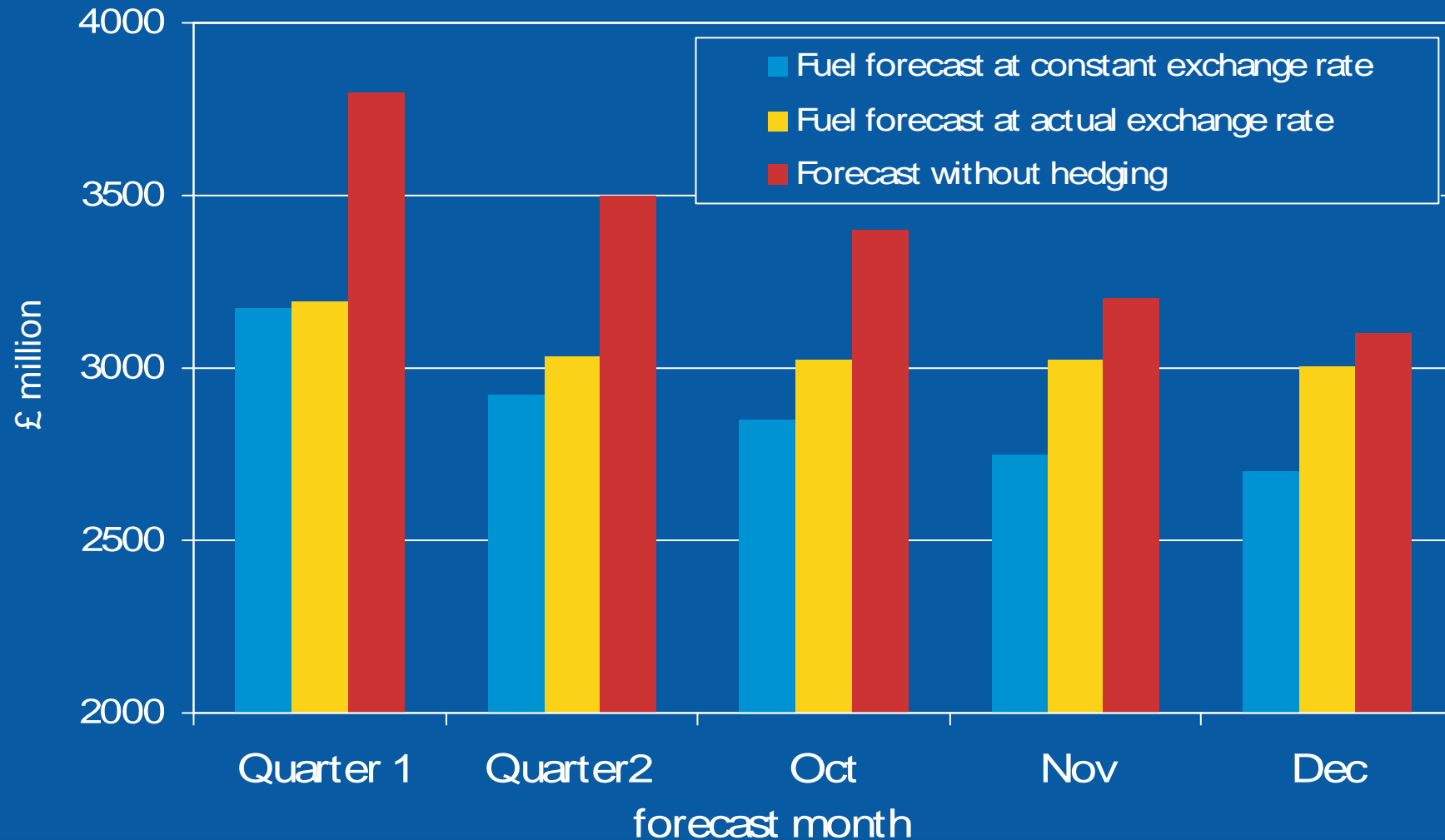


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# Our fuel forecast has remained constant

Forecast spend for the year

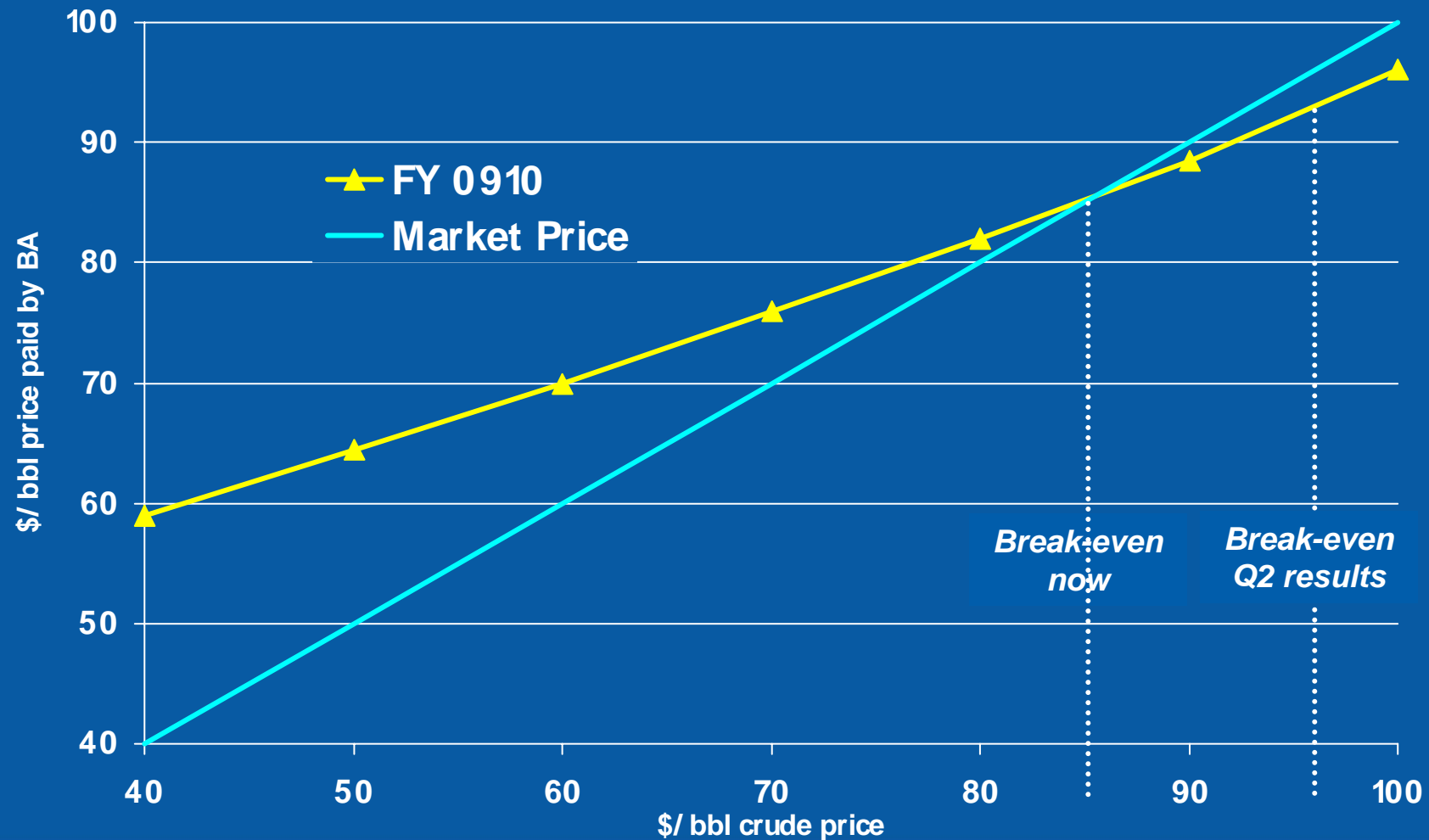


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# Fuel cost down next year at current prices

Well placed to take advantage of price fall



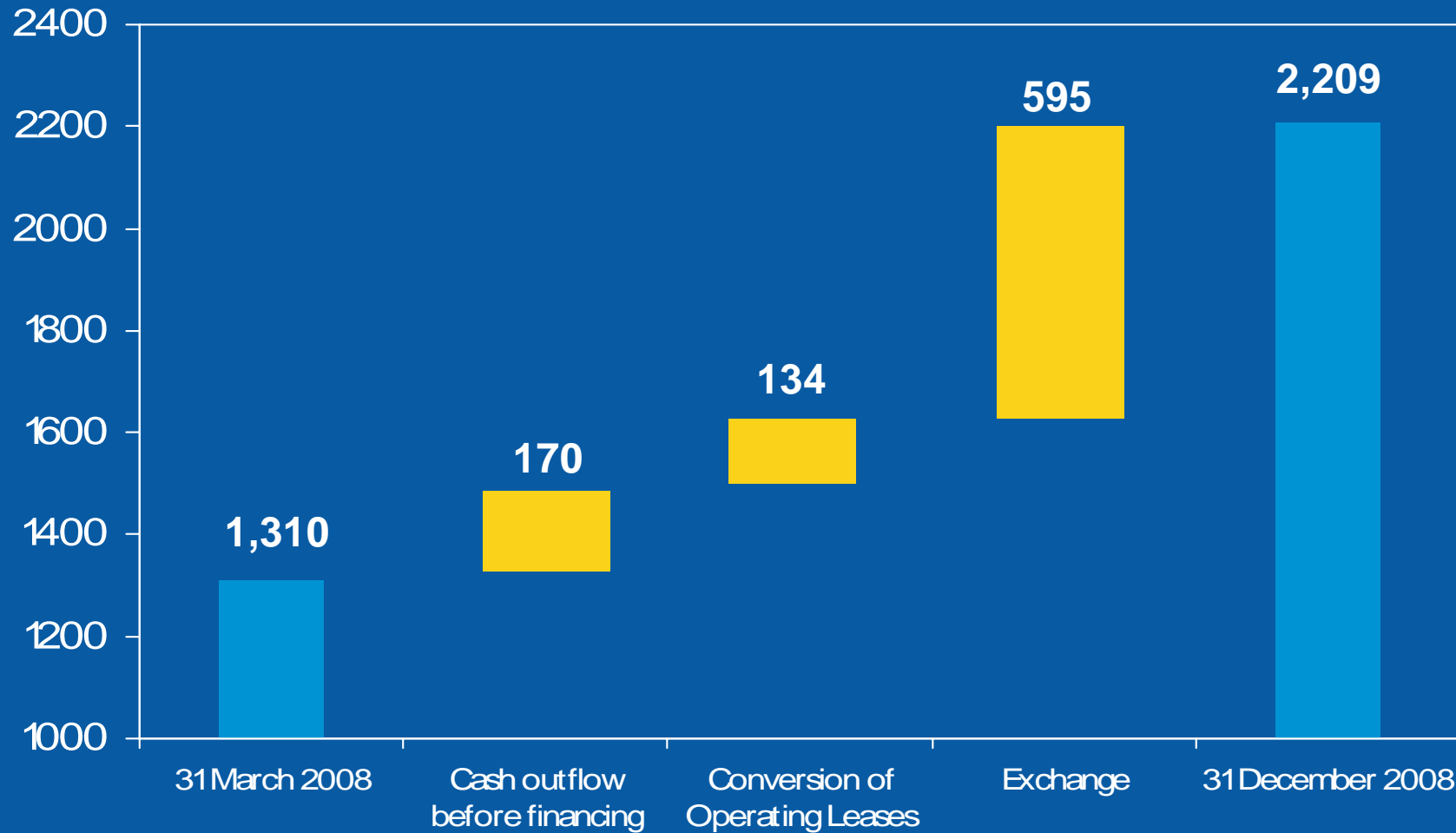
# Balance sheet

- Cashflow from operations £283 million
- Cash balance of £1,586 million
- Liquidity £4.7 billion
- Gearing increased from exchange
- Limited debt repayments
- No covenants or refinancing risk



# Exchange impact on Net Debt

£m



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# Reminder of outlook for the year

## H1 Results

Revenue growth    up at least 4%        up at least 4%

Fuel cost                    up £1bn                                        up £1bn

Non-fuel costs            up 5%                                        up 8%

Exchange has increased both revenue and costs

Operating Loss expected to be £150m for the year





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