

# 2<sup>nd</sup> Quarter & Interim Results

2000/01

Lord Marshall

Chairman

Rod Eddington

Chief Executive

John Rishton

Chief Financial Officer

6<sup>th</sup> November 2001

**John Rishton**

Chief Financial Officer

# Impact of September 11

- Operational
- Customer
- Business
  - Demand fell 30%
  - Cancelled bookings and No-Shows
  - Security and insurance costs increase
  - Cash drain

# Immediate actions

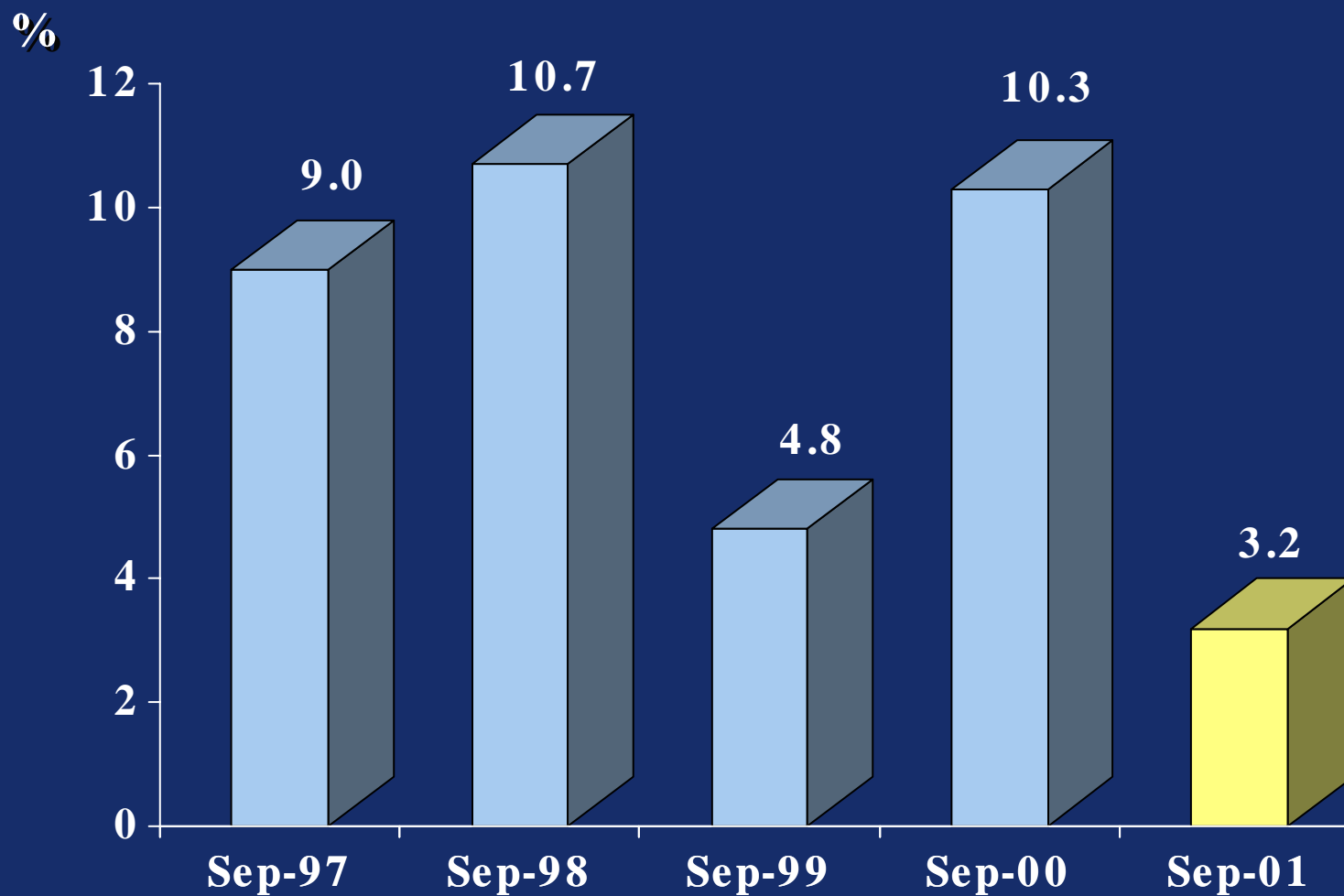
- Capacity taken out
- Cash conservation the priority
  - Freeze on capital spending and hiring
  - Manpower reductions
  - Cost reduction actions
- New cash

# Headlines

PERIOD TO SEPTEMBER 30, 2001

		<u>3 months</u>	<u>vly</u>	<u>6 months</u>	<u>vly</u>
<b>Turnover</b>	<b>£m</b>	<b>2,251</b>	<b>(11.8)%</b>	<b>4,548</b>	<b>(6.5)%</b>
<b>Operating profit</b>	<b>£m</b>	<b>72</b>	<b>(72.7)%</b>	<b>122</b>	<b>(66.2)%</b>
<b>EBITDAR</b>	<b>£m</b>	<b>347</b>	<b>(37.6)%</b>	<b>673</b>	<b>(26.1)%</b>
<b>Pre-tax profit</b>	<b>£m</b>	<b>5</b>	<b>(97.5)%</b>	<b>45</b>	<b>(70.0)%</b>
<b>Dividend</b>	<b>p</b>	<b>0</b>	<b>(100)%</b>	<b>0</b>	<b>(100)%</b>

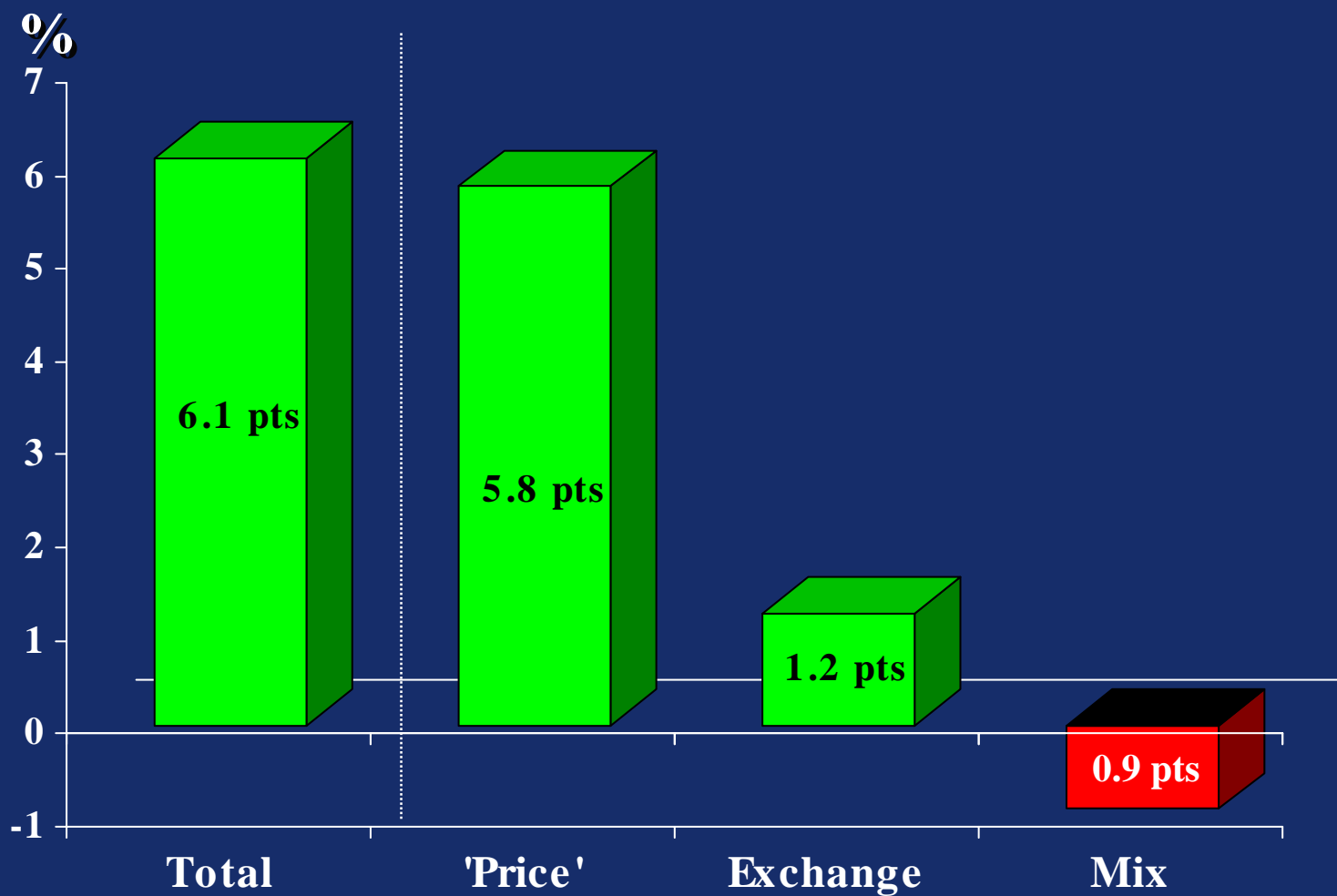
# Operating margin down



Three Months Ending

# 2<sup>nd</sup> Quarter yield up 6.1%

SCHEDULED PASSENGER YIELD PER RPK



# Regional traffic/yield performance

THREE MONTHS TO SEPTEMBER 30, 2001

	<u>Capacity</u> (%)	<u>ASKs</u> (%vly)	<u>Seat factor</u> (pts vly)	<u>Yield/RPK</u> (%vly)
<b>N Atlantic</b>	<b>37</b>	<b>(16.9)</b>	<b>(6.8)</b>	<b>1.7</b>
<b>Far East/Aus</b>	<b>16</b>	<b>(15.3)</b>	<b>(2.2)</b>	<b>10.4</b>
<b>Europe</b>	<b>22</b>	<b>2.8</b>	<b>(4.5)</b>	<b>0.7</b>
<b>Africa/Mid East</b>	<b>18</b>	<b>(8.1)</b>	<b>3.5</b>	<b>1.9</b>
<b>Other</b>	<b>7</b>	<b>(9.2)</b>	<b>0.2</b>	<b>8.3</b>



# Costs down 4.8%

THREE MONTHS ENDED SEPTEMBER 30, 2001

**NET COSTS - 4.8% ..... ATKs -9.7% ..... COST PER ATK +5.6%**

	£m	£m	vly %
<b>Employee costs</b>	<b>608</b>	<b>29</b>	<b>5.0</b>
<b>Handling, catering etc</b>	<b>299</b>	<b>- 58</b>	<b>- 16.2</b>
<b>Selling costs</b>	<b>216</b>	<b>- 87</b>	<b>- 28.7</b>
<b>Fuel &amp; oil costs</b>	<b>294</b>	<b>40</b>	<b>15.7</b>
<b>Landing / en route fees</b>	<b>160</b>	<b>- 8</b>	<b>- 4.8</b>
<b>Other costs</b>	<b>602</b>	<b>- 25</b>	<b>- 4.0</b>
<b>NET OPERATING COST £m</b>	<b>2179</b>	<b>-109</b>	<b>- 4.8</b>

# Debt

- Net debt £6.5billion
- Gearing 65.4%
- Losses will push up debt
- Aircraft funding down
- Good structure and shape to debt

# £ 1 billion new cash

	£m
• Aircraft secured facilities	743
• 6 new aircraft funded	165
• Committed credit facilities	70
• France Telecom sale/other	31

# Liquidity today

Cash now	£1.1billion
Facilities	£0.8billion
Realisable assets	£1.5billion
	<hr/>
Total liquidity	£3.4billion

# Cost reductions

- Manpower reductions of 7,200
- Working practice changes
- Big reductions in discretionary spend
- Supplier savings negotiated
- Capital spend down £82 million

# Pay Cuts

The Board	50%
Leadership team	15%
Senior Managers	10%
Middle managers	5%
Employees forego pay supplement	holiday
Total saving this year	<hr/> £ 25 million

# From survival to viability


- Liquidity in place
- Rebuild cash flow
- Industry leader

**Rod Eddington**

Chief Executive Officer



# Post September 11

- Manage in tougher times
- Get cost base right
- European consolidation
- Strengthen **one** 

# Accelerate programme

- Gatwick
- Shorthaul
- Capacity
- Network

# Gatwick

- Network change accelerated
  - reductions in services to San Diego and Houston
  - 8 European services suspended
- Accelerated transfers to Heathrow
- Gatwick capacity falls a further 19%

# Shorthaul changes

- BA Regional and BA CitiExpress combined
- Creates 2nd largest regional airline in Europe
- Network changes and capacity reductions

# Capacity changes

## Winter 01/02

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	Pre 11 Sept changes	Post 11 Sept changes	Current S02
<b>Longhaul</b>	<b>-7.3%</b>	<b>-11.4%</b>	<b>-8.1%</b>
<b>North Atlantic</b>	<b>-3.8%</b>	<b>-15.6%</b>	<b>-2.4%</b>
<b>Shorthaul</b>	<b>-5.1%</b>	<b>-16%</b>	<b>-16.2%</b>
<b>Total BA</b>	<b>-6.8%</b>	<b>-12.4%</b>	<b>-9.8%</b>

# Network changes

- 5% fewer North Atlantic services
- 13% fewer Middle East services
- Withdrawal from LHR-Belfast

# European consolidation

- Timescale uncertain
- Measured approach

# Travel market

- Restore confidence
- Series of promotions
- Phased campaign



# BA/AA

- Open skies
- Regulatory hurdles
- Commercial benefit

# Outlook

- Manage in tough times
- Get cost base right
- European consolidation
- onei çêäÇ/ BA AA