

**BRITISH AIRWAYS**



**BRITISH AIRWAYS**  
**2<sup>nd</sup> Quarter & Interim Results**  
**2002/03**

**5<sup>th</sup> November 2002**

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

2002/03

Lord Marshall  
Chairman

John Rishton  
Chief Financial Officer

Rod Eddington  
Chief Executive

5<sup>th</sup> November 2002

**BRITISH AIRWAYS**



# Lord Marshall

Chairman

**BRITISH AIRWAYS**



**John Rishton**

Chief Financial Officer

# Headline Numbers

PERIOD TO SEPT 30, 2002

3 months

vly

6 months

vly

£m

%

£m

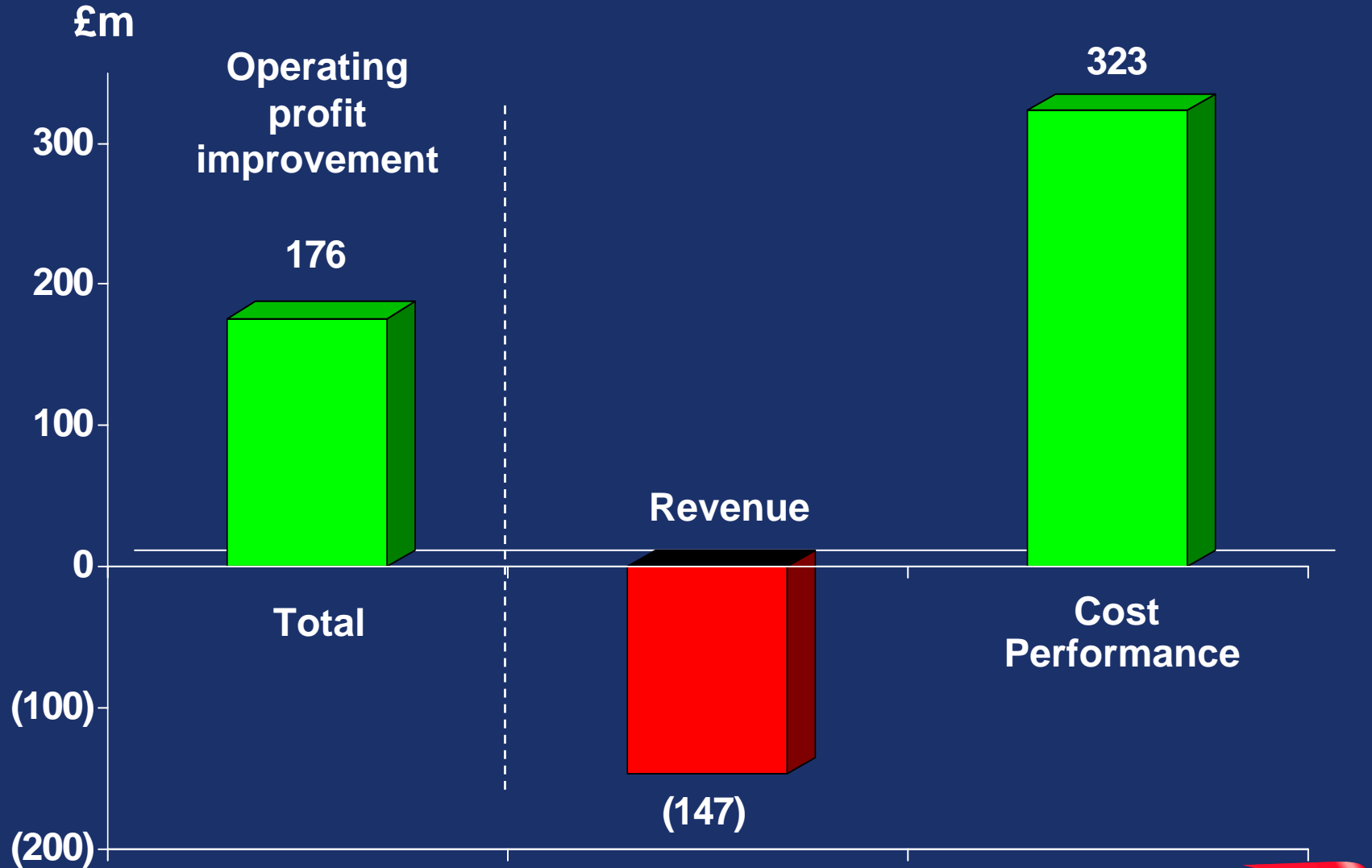
%

Turnover	2,104	(6.5)	4,156	(8.6)
Operating profit	248	244	406	233
Operating margin	11.8%	8.6pts	9.8%	7.1pts
EBITDAR	486	41	887	28
Pre-tax profit	245	nm	310	nm

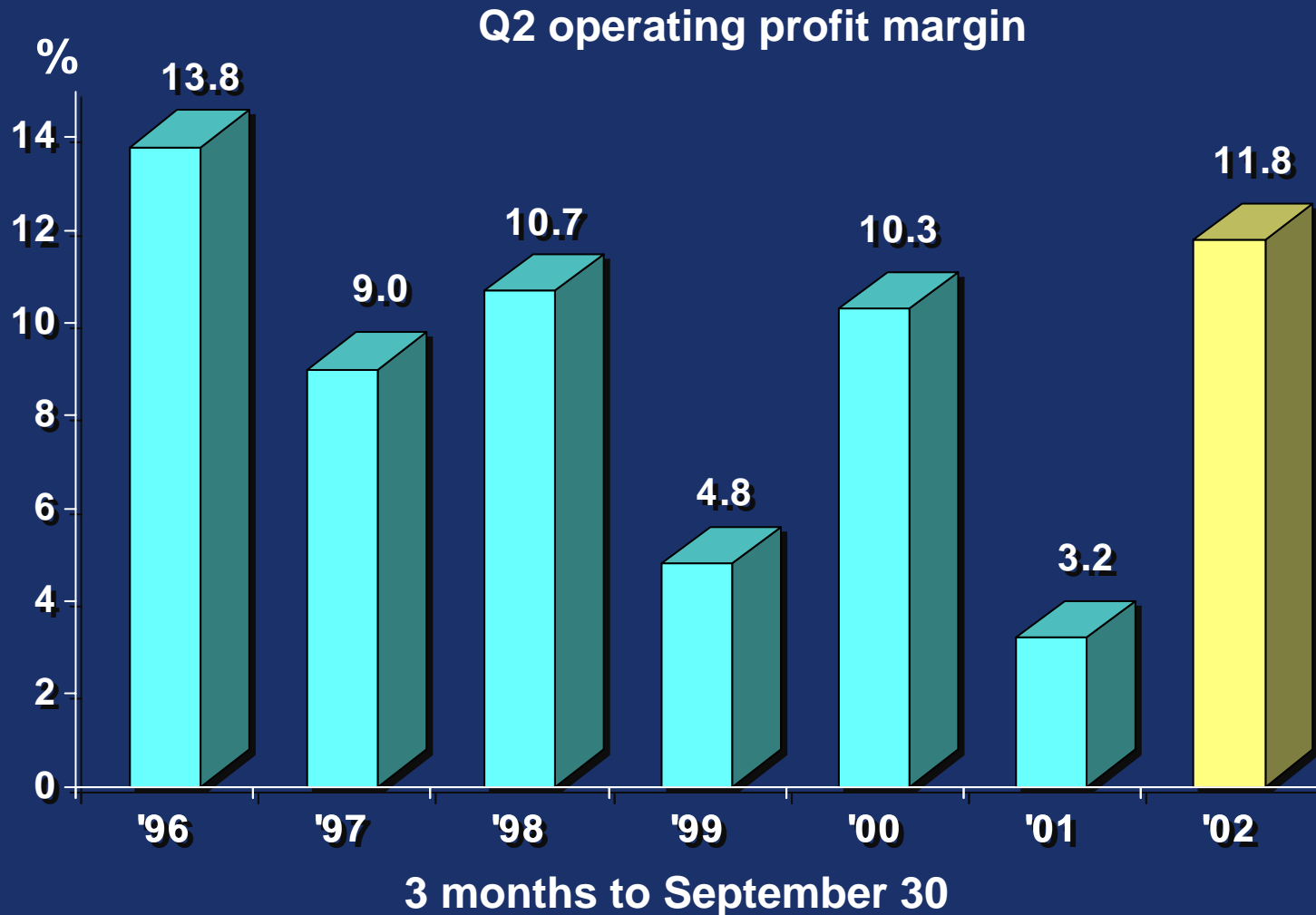




# Cost savings exceed revenue decline...

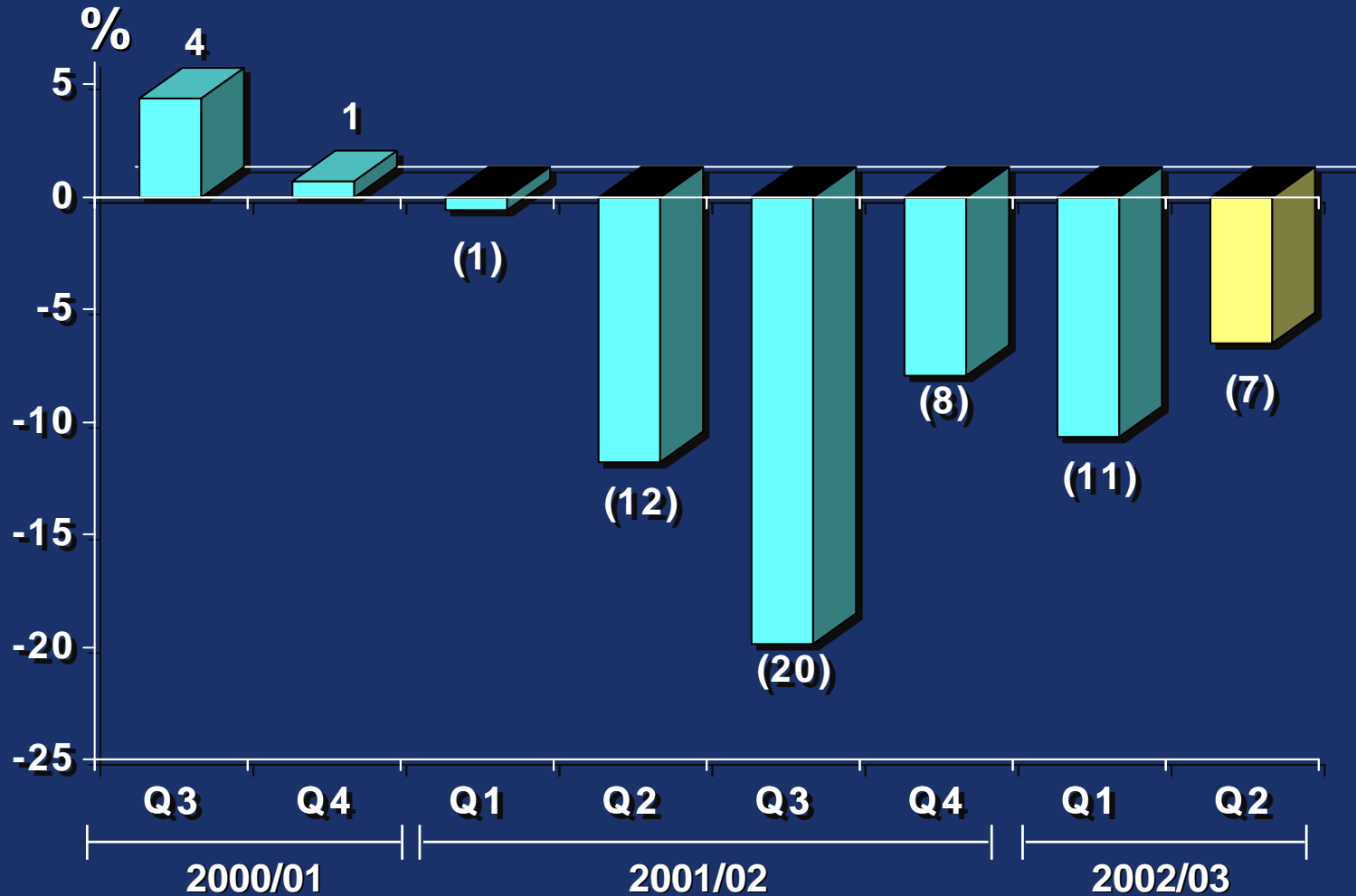


# ...and driven best margin for 6 years



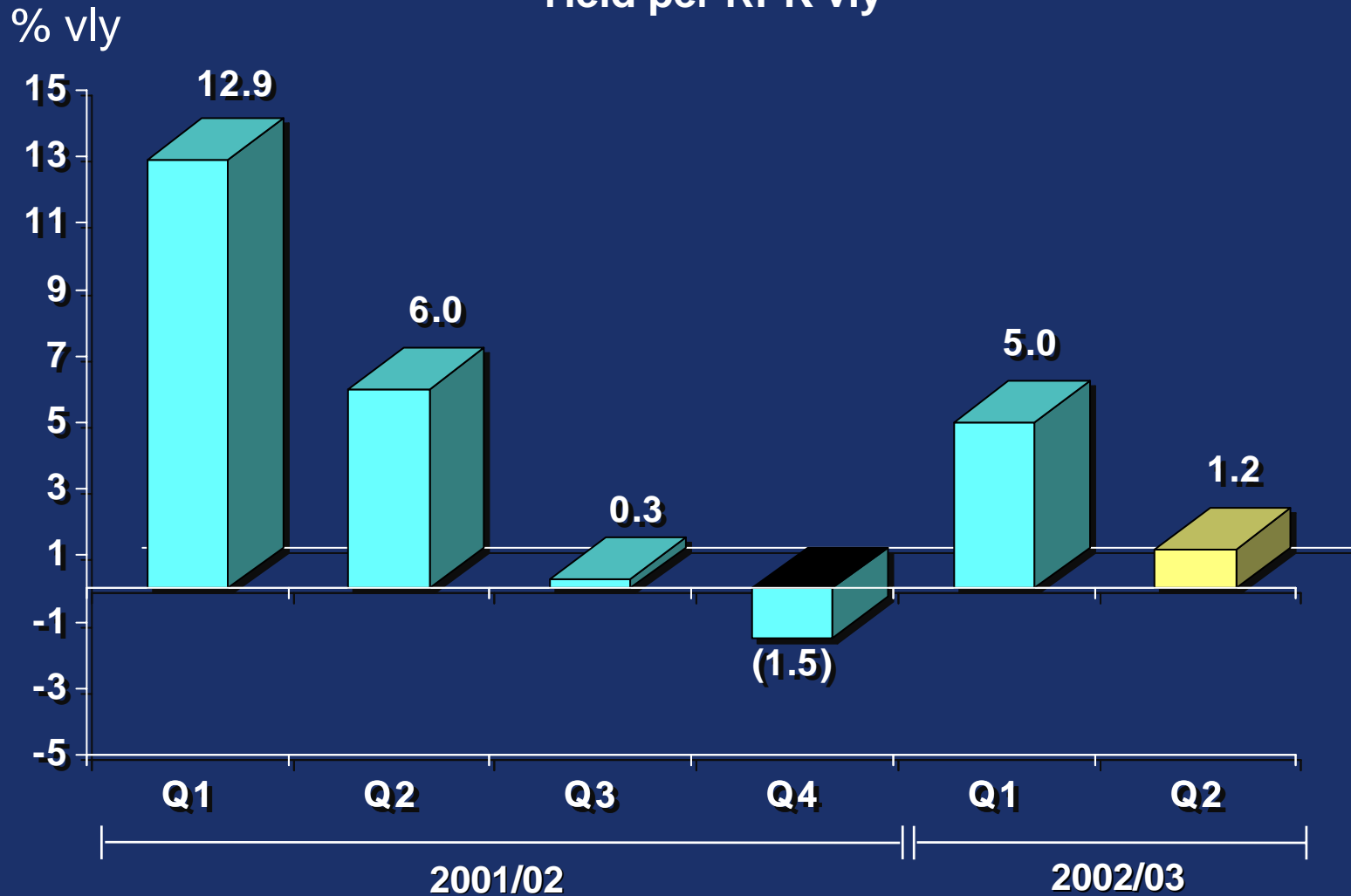
# Revenue stable

Group revenue, vly

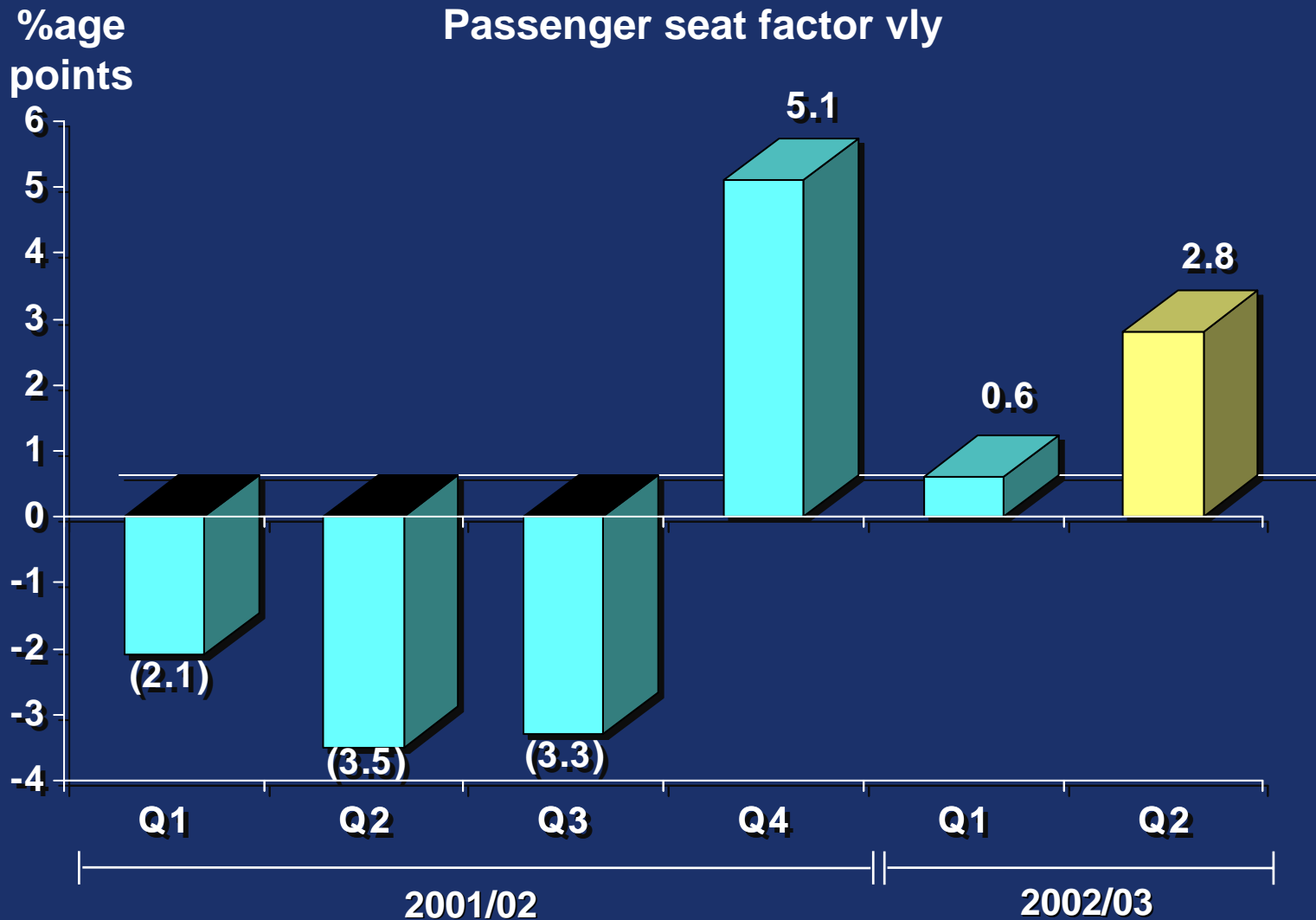


# Yield per RPK

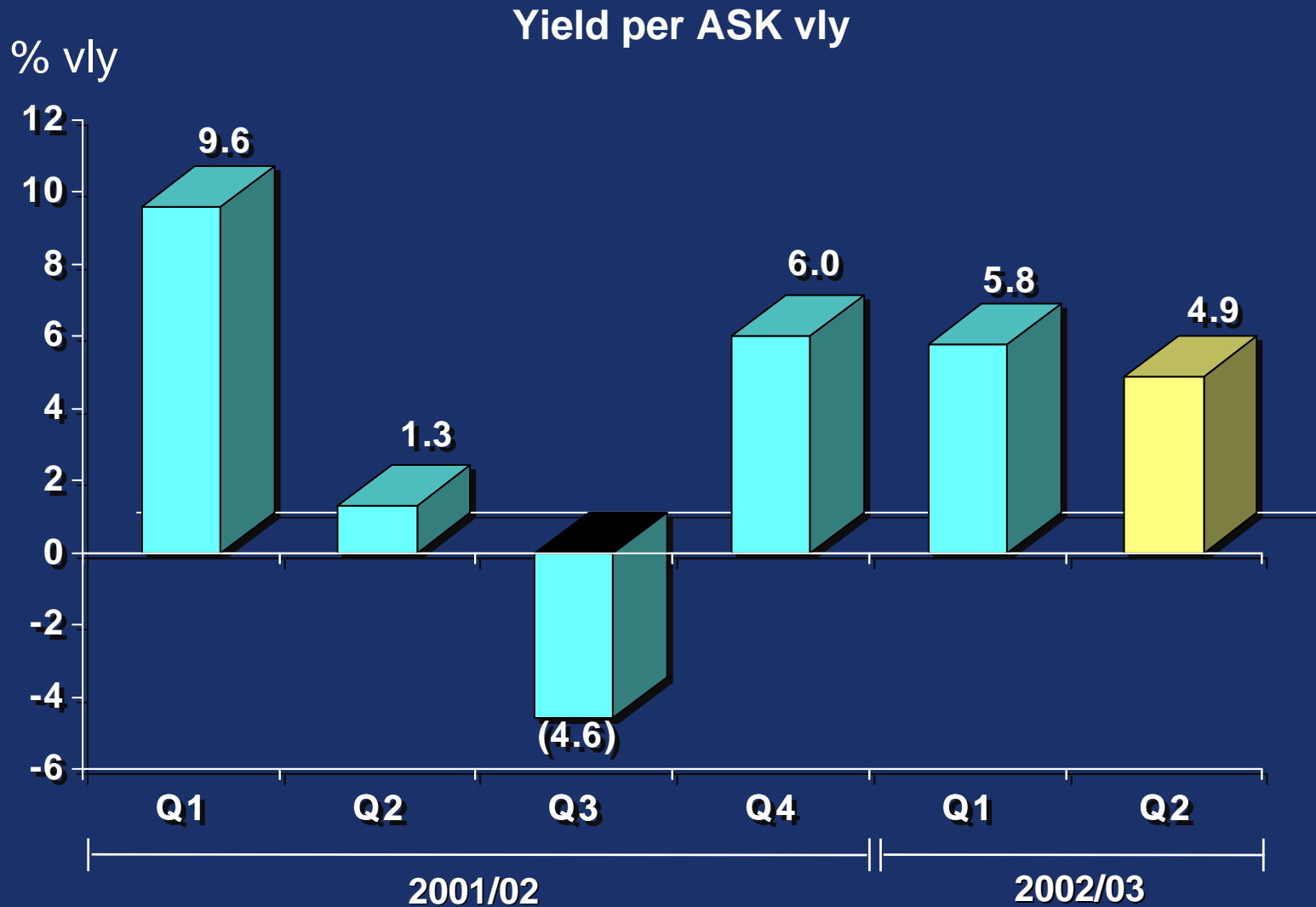
Yield per RPK vly



# Seat factor improving



# And yield per ASK steady



# Q2 Costs

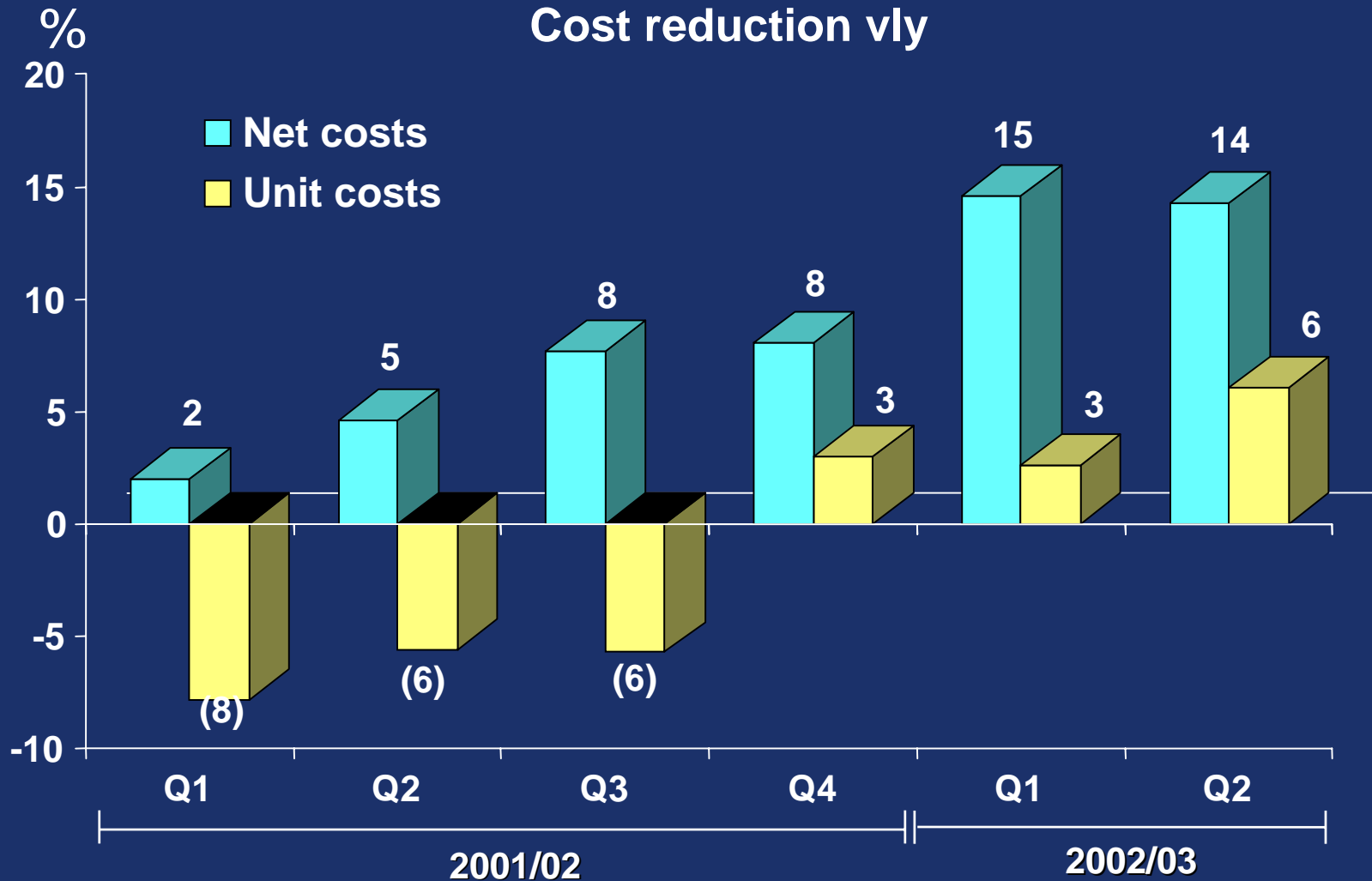
- **Capacity down 8.7%**
- **Net costs down 14.3%**
- **Unit costs down 6.1%**

# Net costs down 14%

	£m	vly
<b>Employee costs</b>		<b>516 15% down</b>
<b>Handling, catering etc</b>	<b>259</b>	<b>13% down</b>
<b>Selling costs</b>	<b>197</b>	<b>9% down</b>
<b>Engineering</b>	<b>142</b>	<b>8% down</b>
<b>Fuel &amp; oil</b>	<b>199</b>	<b>32% down</b>
<b>Other costs</b>	<b>370</b>	<b>6% down</b>
<b>NET OPERATING COST</b>	<b>1,683</b>	<b>14% down</b>

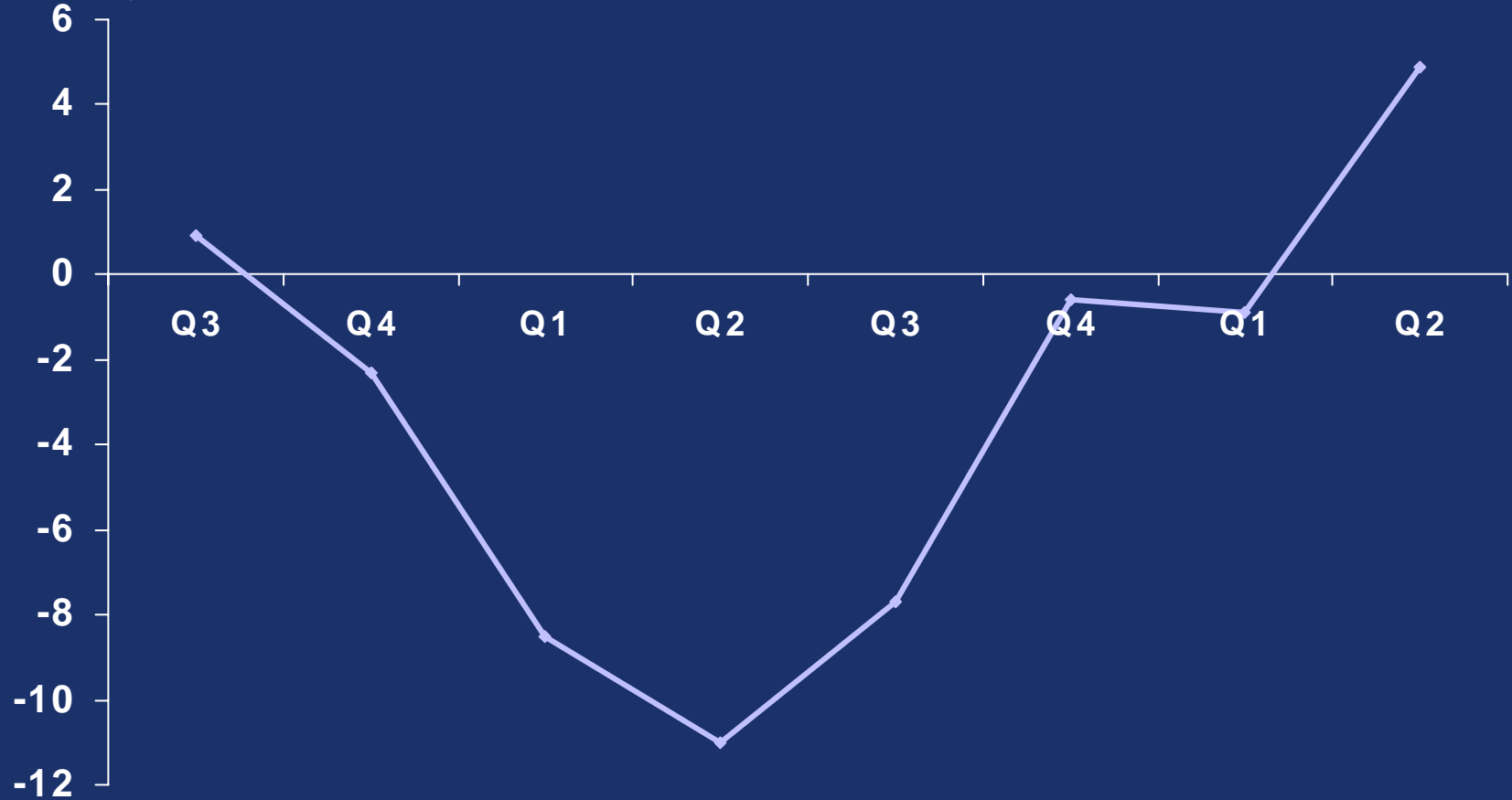


# Cost performance improving



# Productivity improving

ATK per MPE,  
% vly

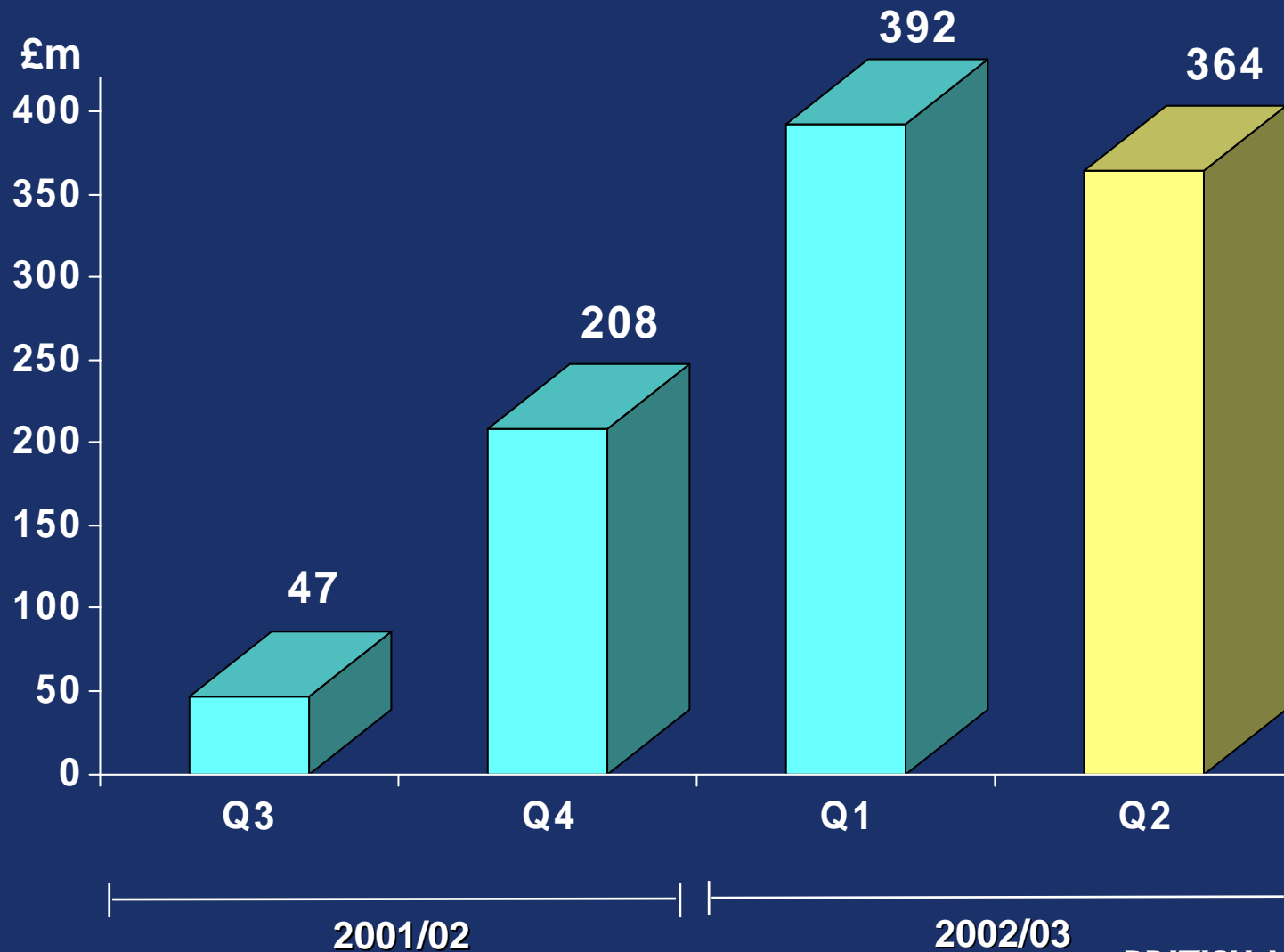


# Liquidity increasing

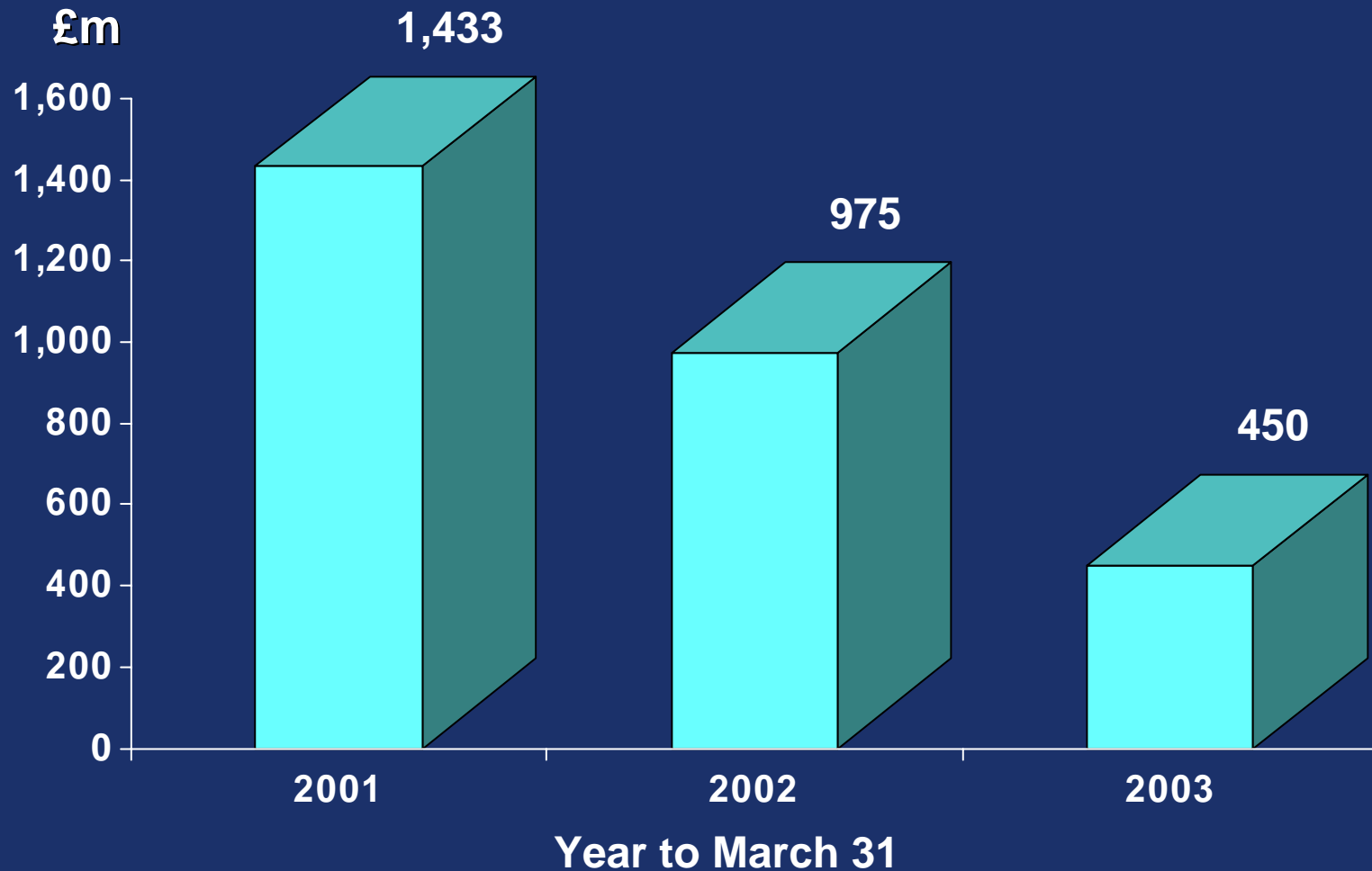
	Sept 2002 £bn
Cash	1.5
Facilities	0.5
Realisable assets	2.0
	<hr/>
Total liquidity	4.0

# Operating cashflow strong

## Cash inflow from operations



# Capital Expenditure down

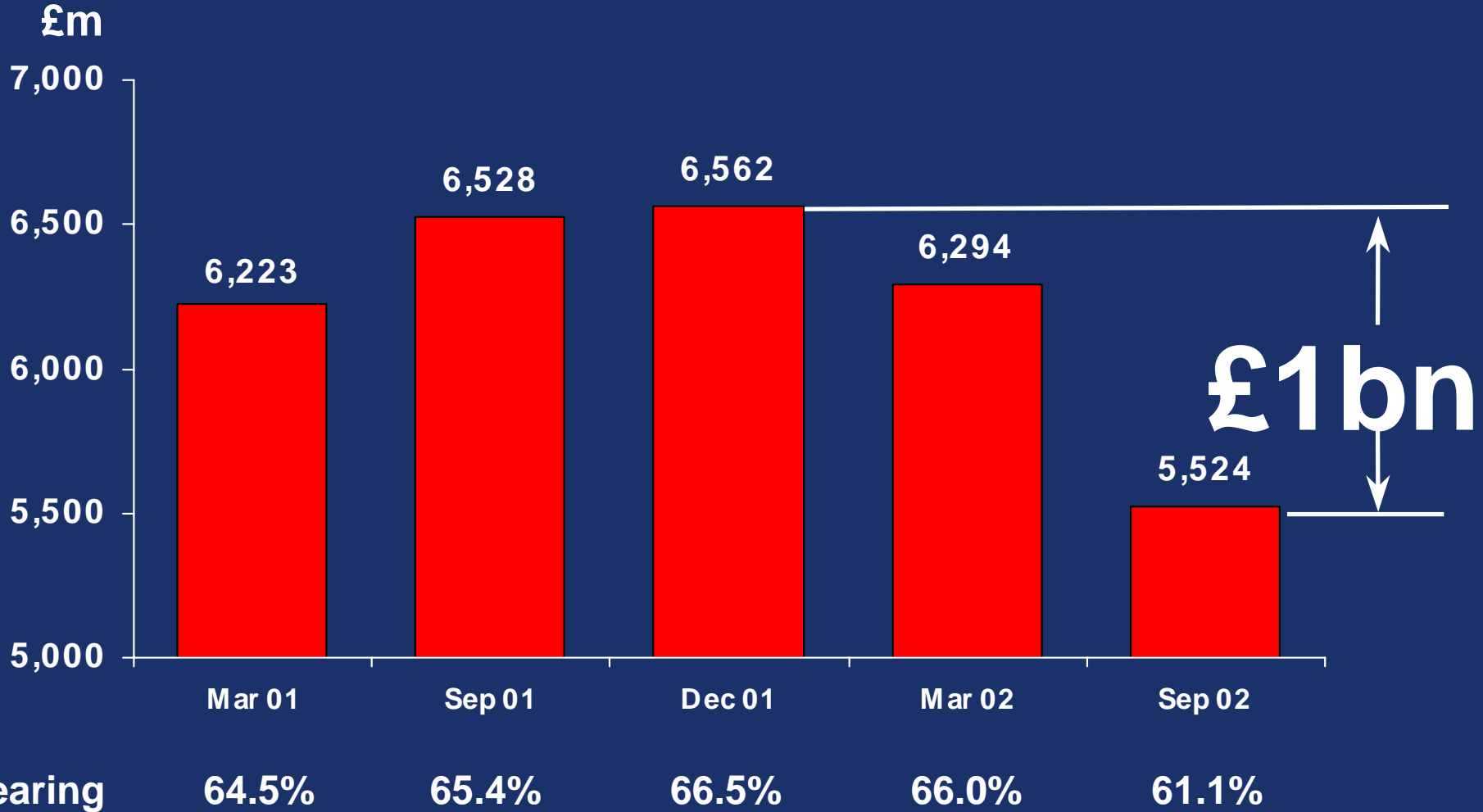


# £426m of disposals done

	<u>Feb '02 to Sep '02</u>	<u>Remaining target 02/03</u>
	£m	£m
Aircraft	278	
Properties	83	
Other	65	
<b>TOTAL</b>	<u>426</u>	<u>74</u>

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£500m

# Net debt £1bn lower



# Debt Characteristics

- No financial covenants/triggers
- No repayment spikes
- Long term - average age 8.5 years
- 93% aircraft/property financing
- 7% unsecured
- 55% fixed rate



# BA delivers

- Operating profit                      £248m
- Operating margin                      11.8%
- Net debt down                      £1 billion
- Record cash and  
committed facilities                      £2 billion

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# Rod Eddington

Chief Executive

# BA delivers

# Future Size and Shape

- Profitability
  - Cost reduction
  - Restructuring shorthaul
  - Simplification

# Shorthaul update

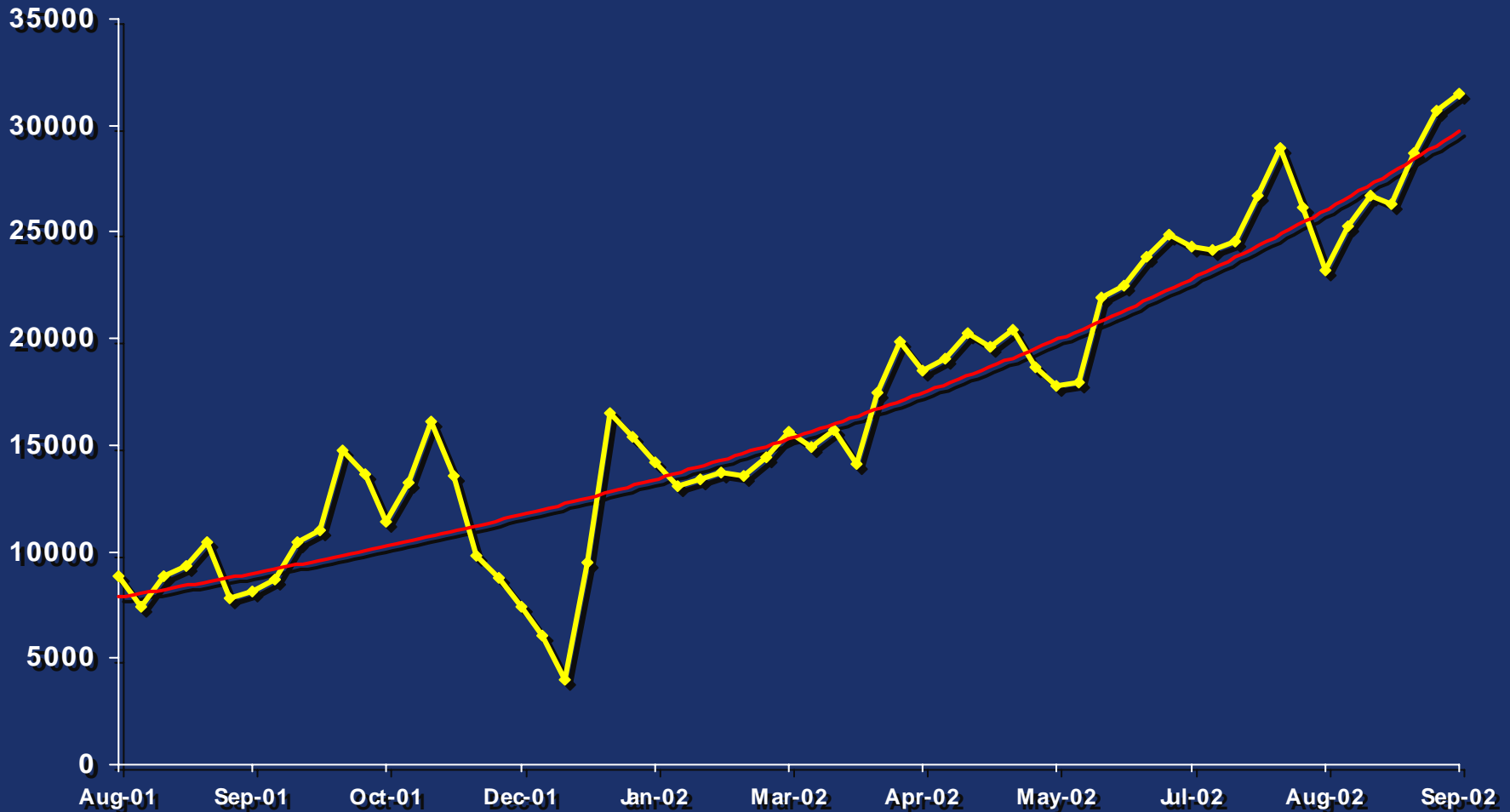
- Yield development
- Seat factors
- Demand profile
- Website performance
- Advertising

# Shorthaul yield



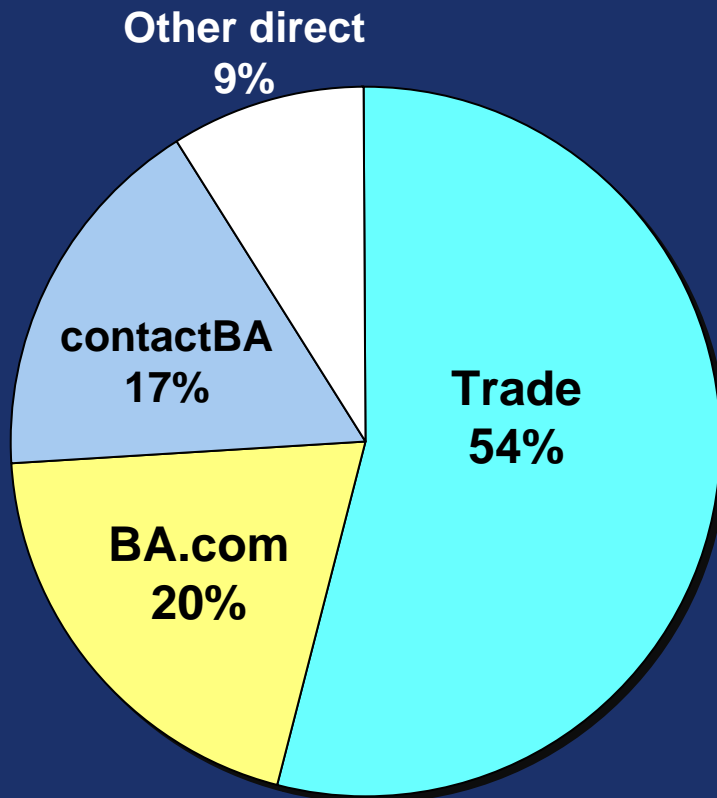
# Online usage increasing

No of PSJ's

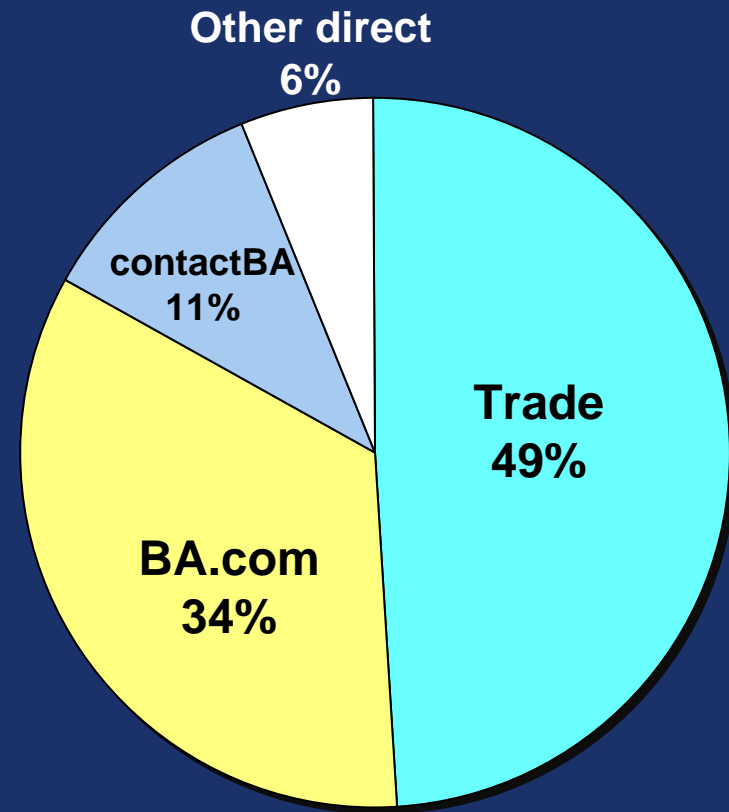




# Shorthaul distribution changing



April 2002



September 2002

# Advertising

# Distribution

- Website
- Commission cuts
- E ticket

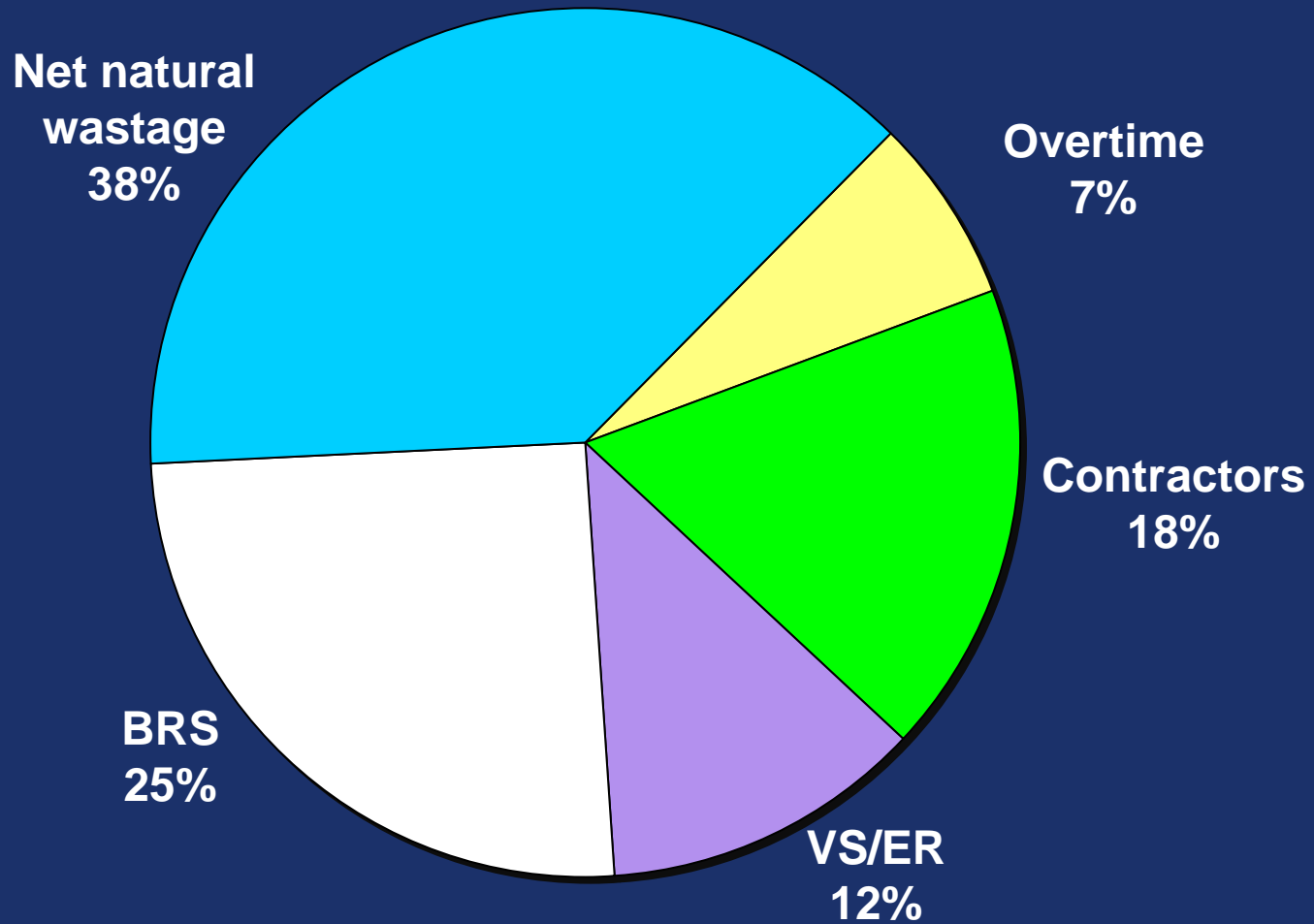
# Gatwick

- Destinations reduced from 95 to 49
- 30 routes to Heathrow
- Jet fleet types reduced from 7 to 3
- Transfer less than 20%
- Capacity flat Winter '03

# Sweating assets

- Capacity and fleet
- Property
- Inventory

# Manpower - down 8,180



# Pay talks 2002

- Cabin Crew Agreed
- Engineers Agreed
- Ground Staff Agreed
- 'A' scales In ballot
- Flight Crew In discussion

# Outlook

- Deliver Future Size and Shape
- Debt falling
- Profit



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