



BRITISH AIRWAYS

2nd Quarter & Interim Results

2003/04

10th November 2003



Lord Marshall





John Rishton

Chief Financial Officer

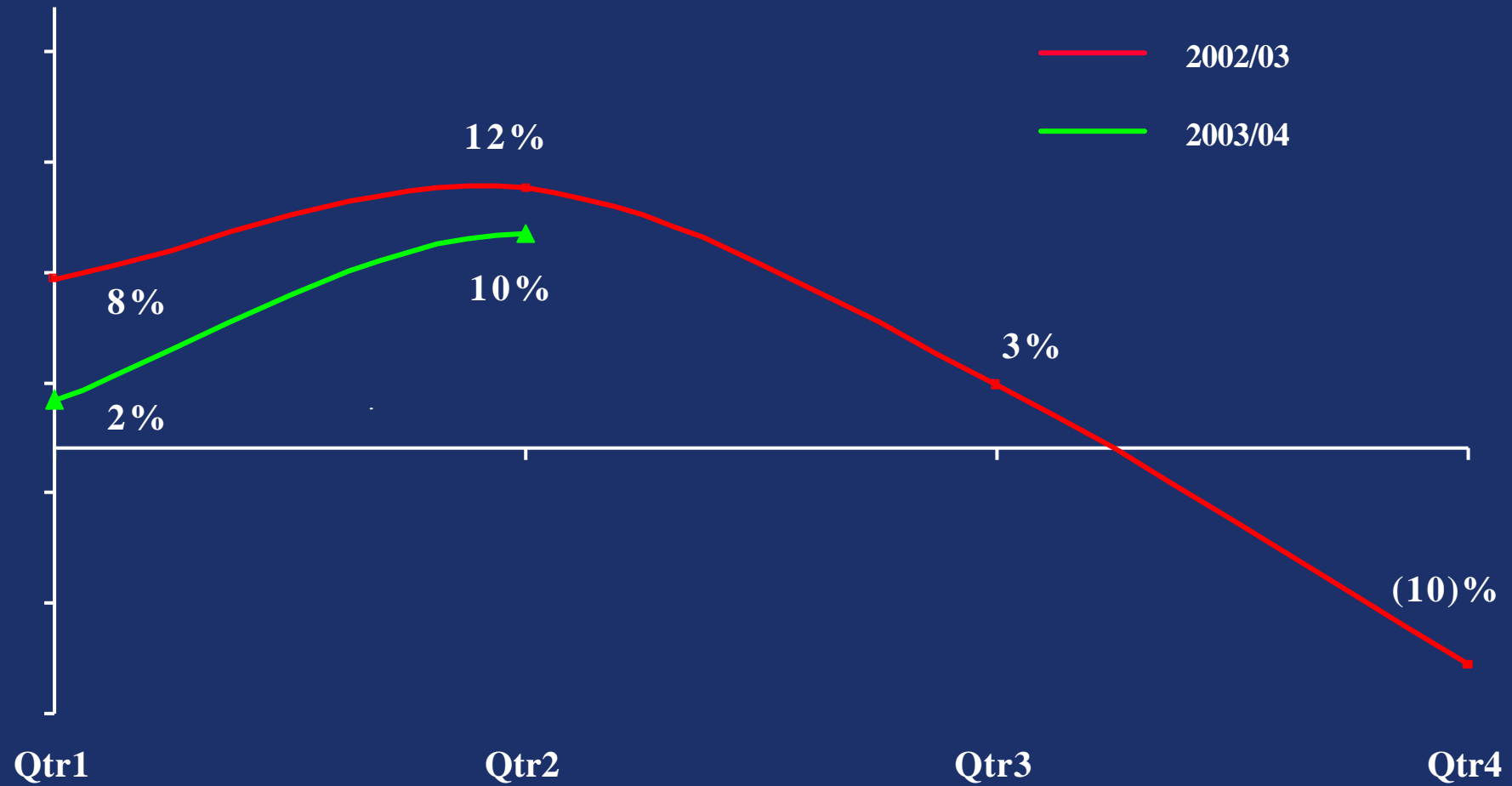


Headline numbers

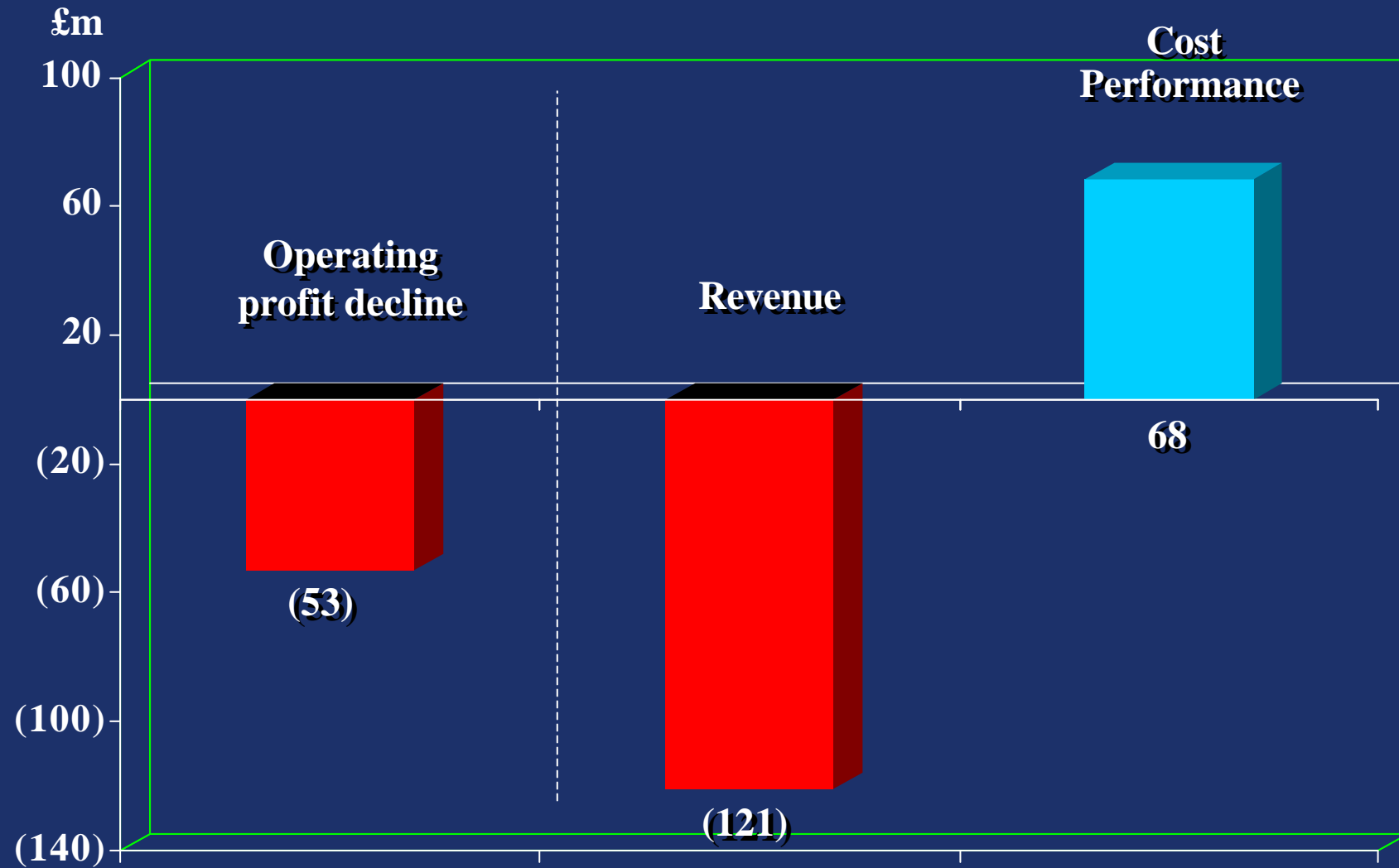
Period ended September 30, 2003

	3 MONTHS £m	VLY	6 MONTHS £m	VLY
Turnover	1,983	(6)%	3,815	(8)%
Operating profit	195	(21)%	235	(42)%
Operating margin	9.8%	(2.0)pts	6.2%	(3.6)pts
EBITDAR	437	(10)%	705	(21)%
Pre-tax profit	105	(57)%	60	(81)%

Operating margin by quarter



Cost savings partially offset revenue decline



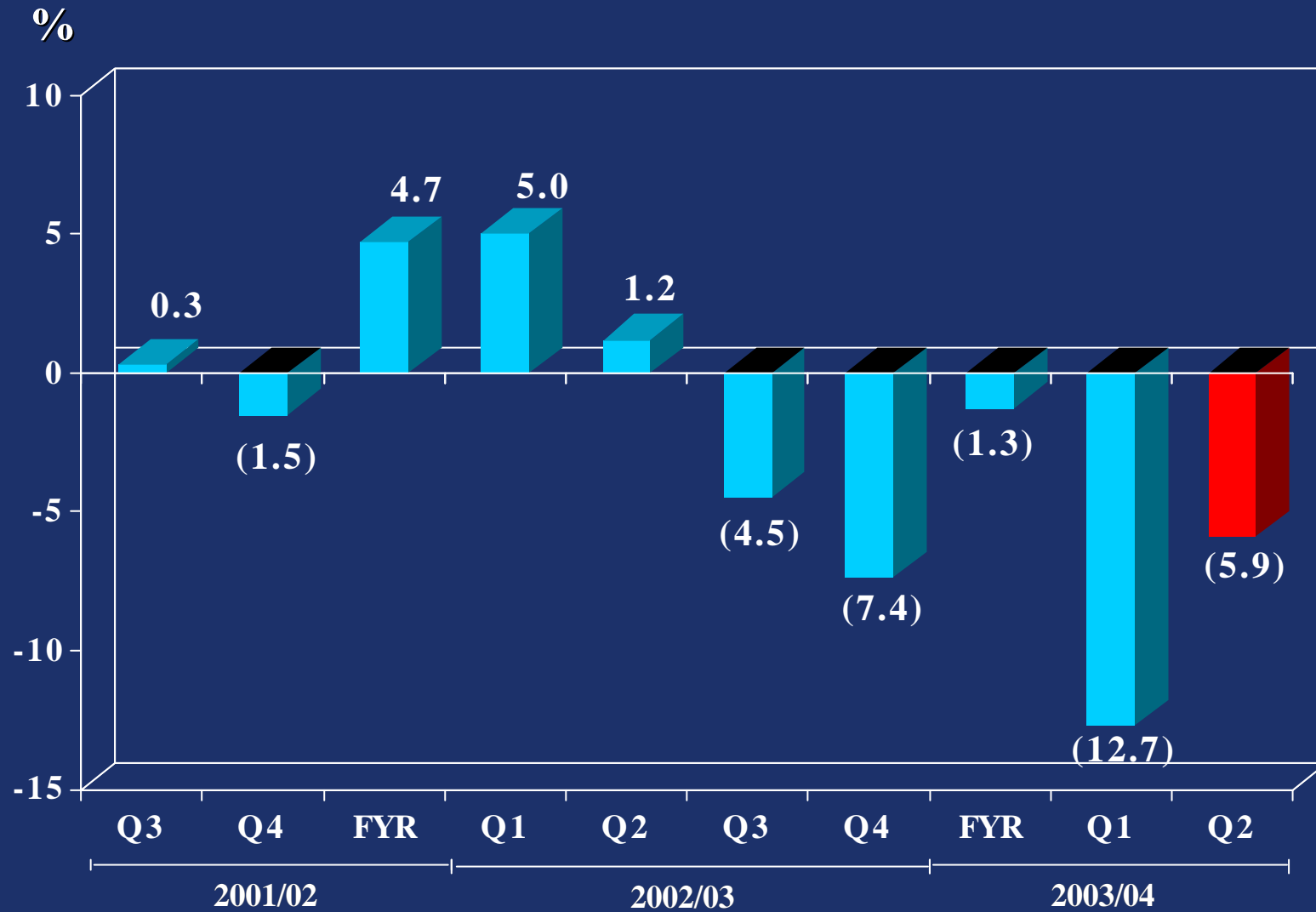
Revenue

Group revenue, vly



Yield per RPK remains weak

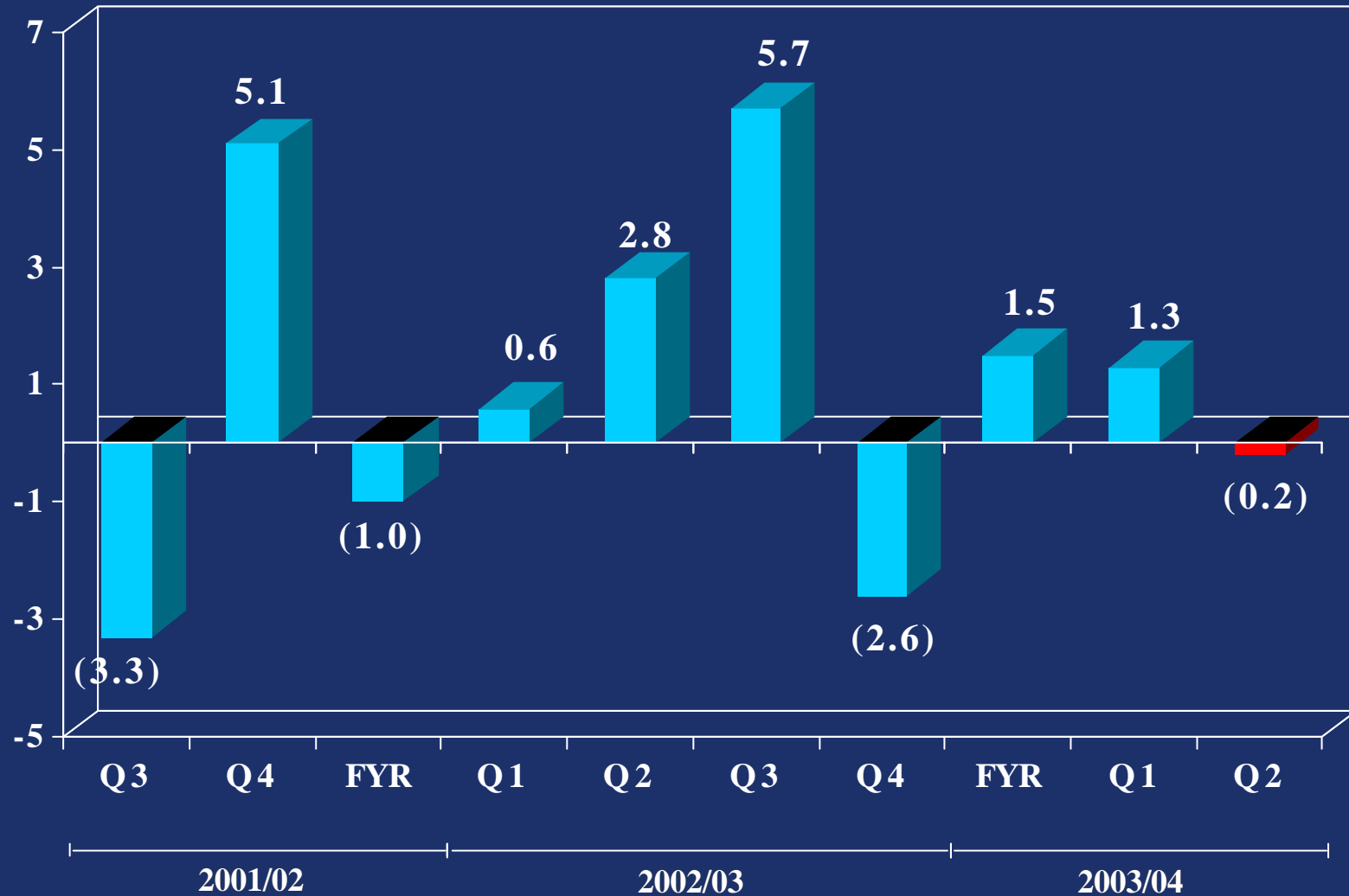
Yield per RPK vly



Seat factor flat

Passenger seat factor vly

% age
points



Quarter 2 costs

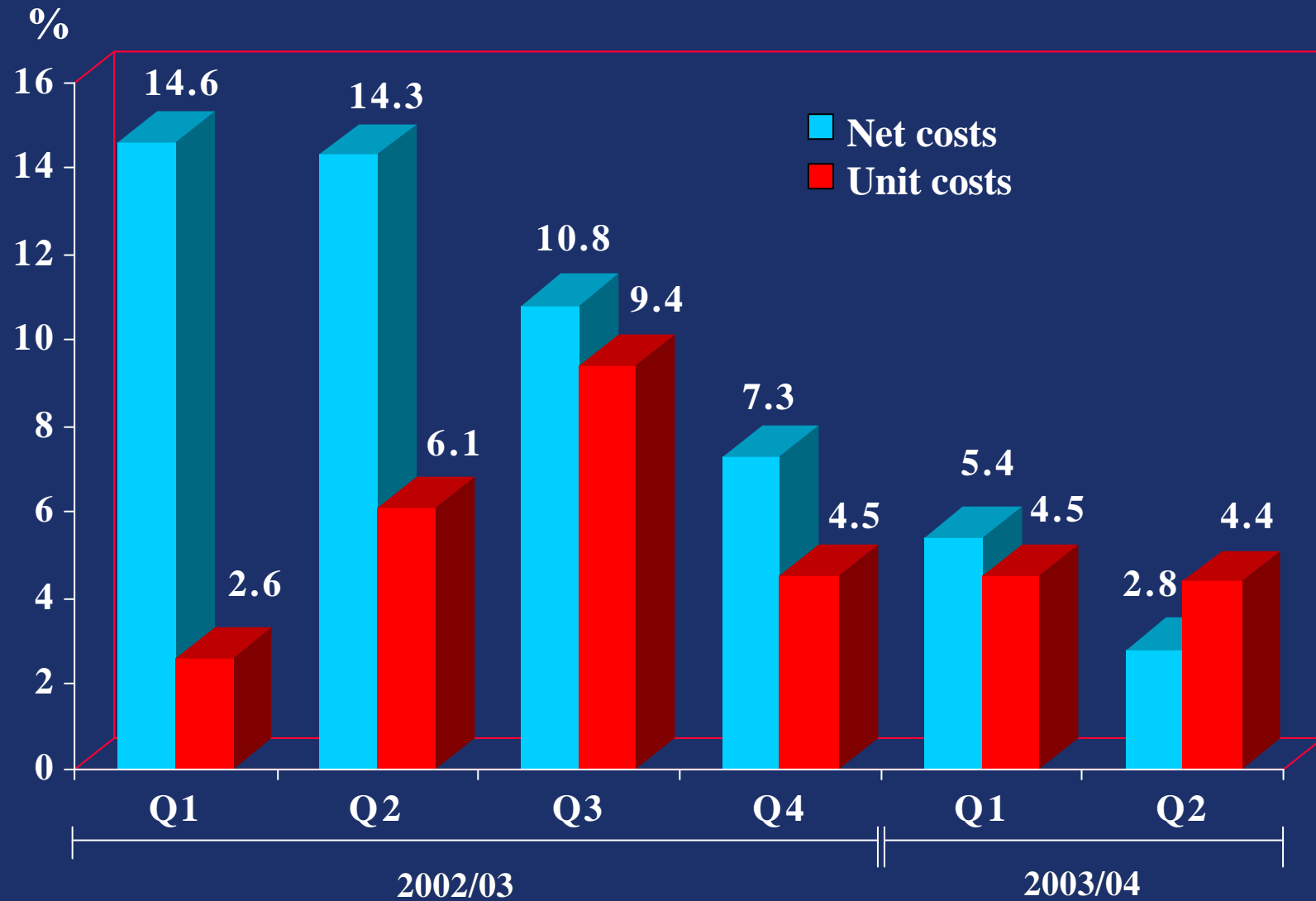
- Capacity up 1.7%
- Net costs down 2.8%
- Unit costs reduced by 4.4%

Net costs down 2.8%

	<u>£m</u>	<u>vly</u>
Employee costs	521	1.0% up
Handling, catering etc	250	3.5% down
Selling costs	153	22.3% down
Engineering	126	11.3% down
Fuel & oil	241	21.1% up
Other	345	6.8% down
NET OPERATING COST	<u>1,636</u>	<u>2.8% down</u>

Cost performance

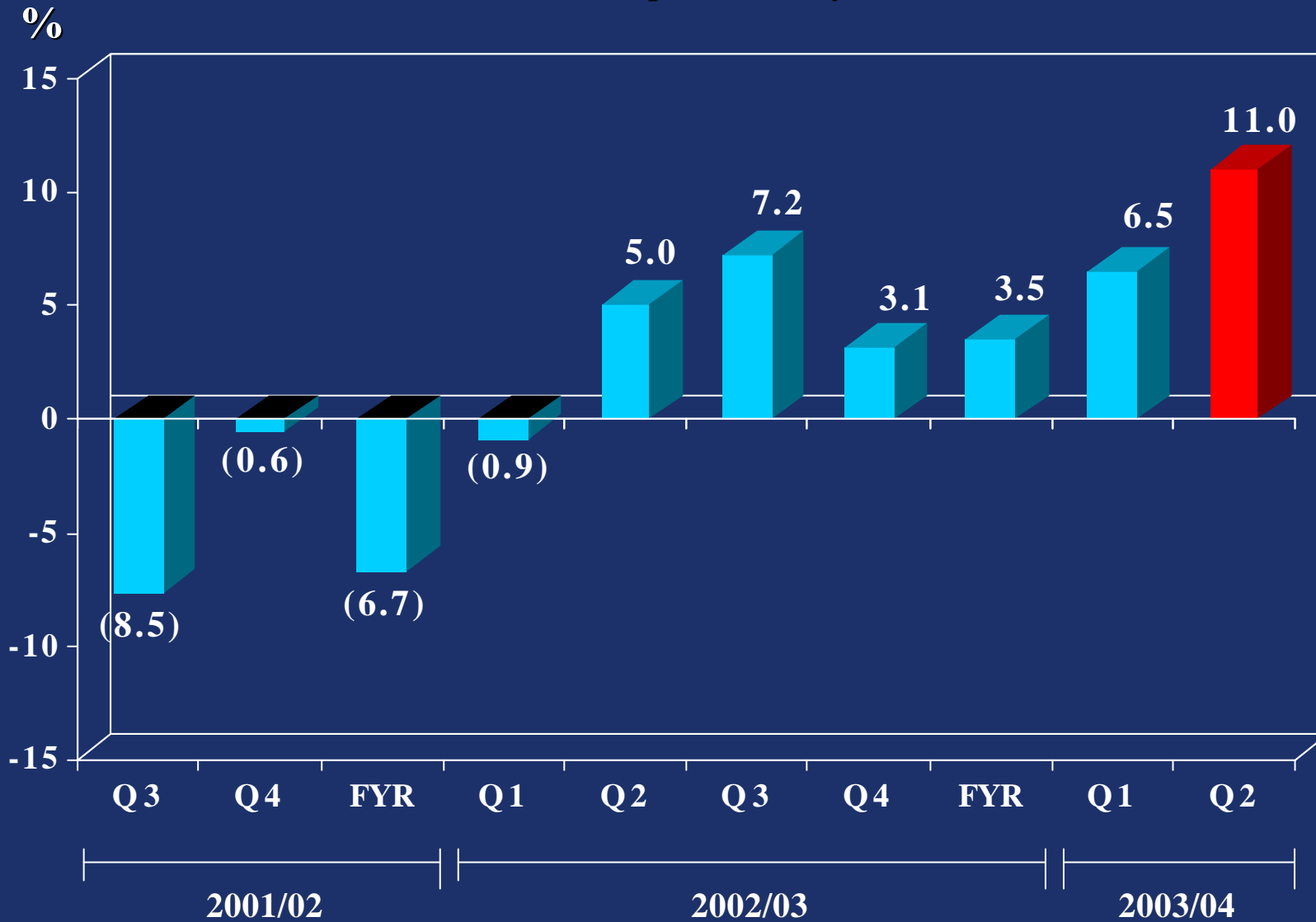
Cost reduction vly



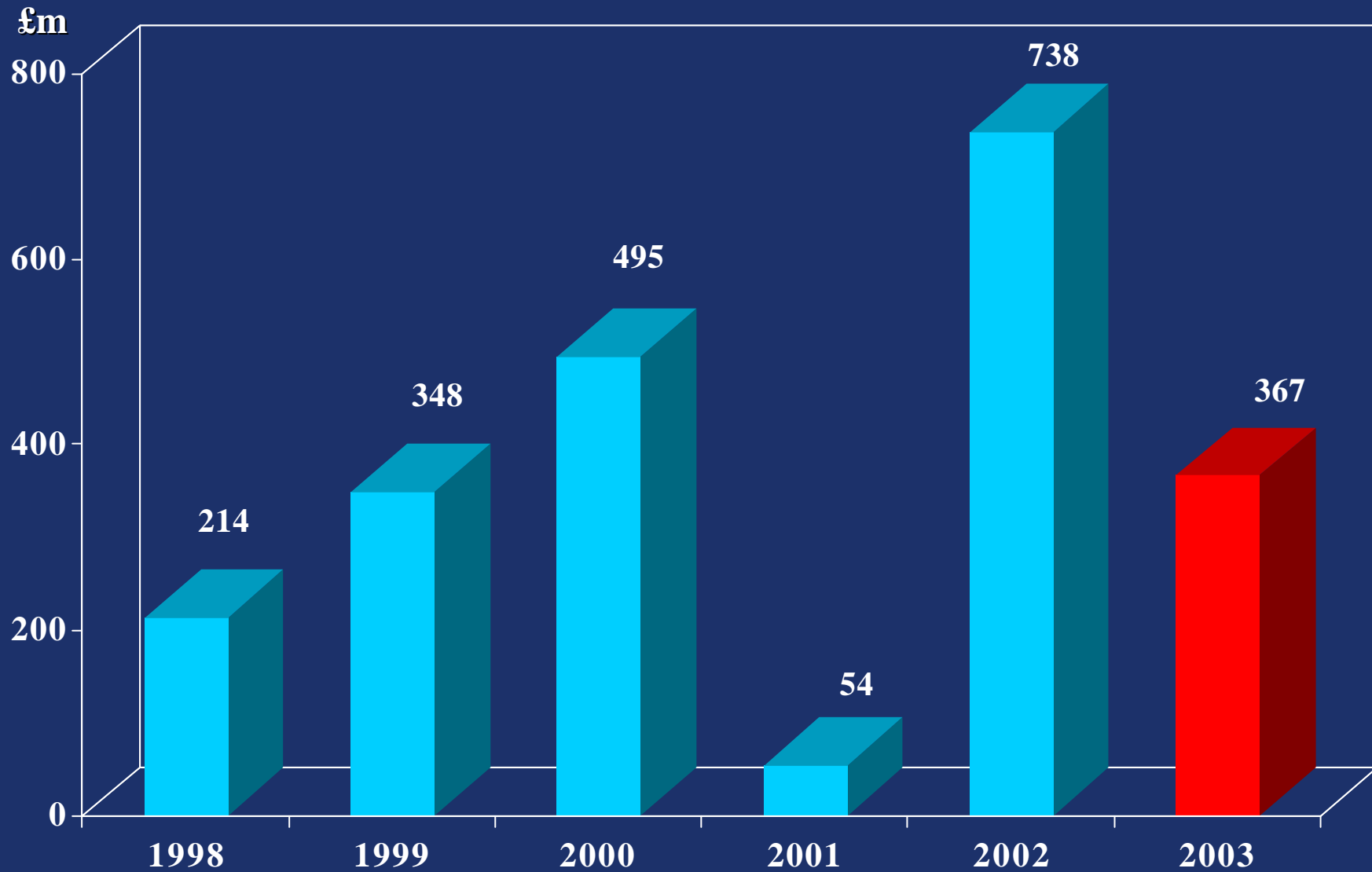
* Excludes Concorde

Productivity

ATKs per MPE vly




Cashflow before financing



Half year ended 30 September

£694m disposals achieved

£m	Feb '02 to Sep'03	Remaining target to Mar '04
Aircraft	422	
Properties	83	
Other	<u>189</u>	<u> </u>
TOTAL	694	206

 900

Liquidity remains strong

Sept 2003

£bn

Cash

1.8

Facilities

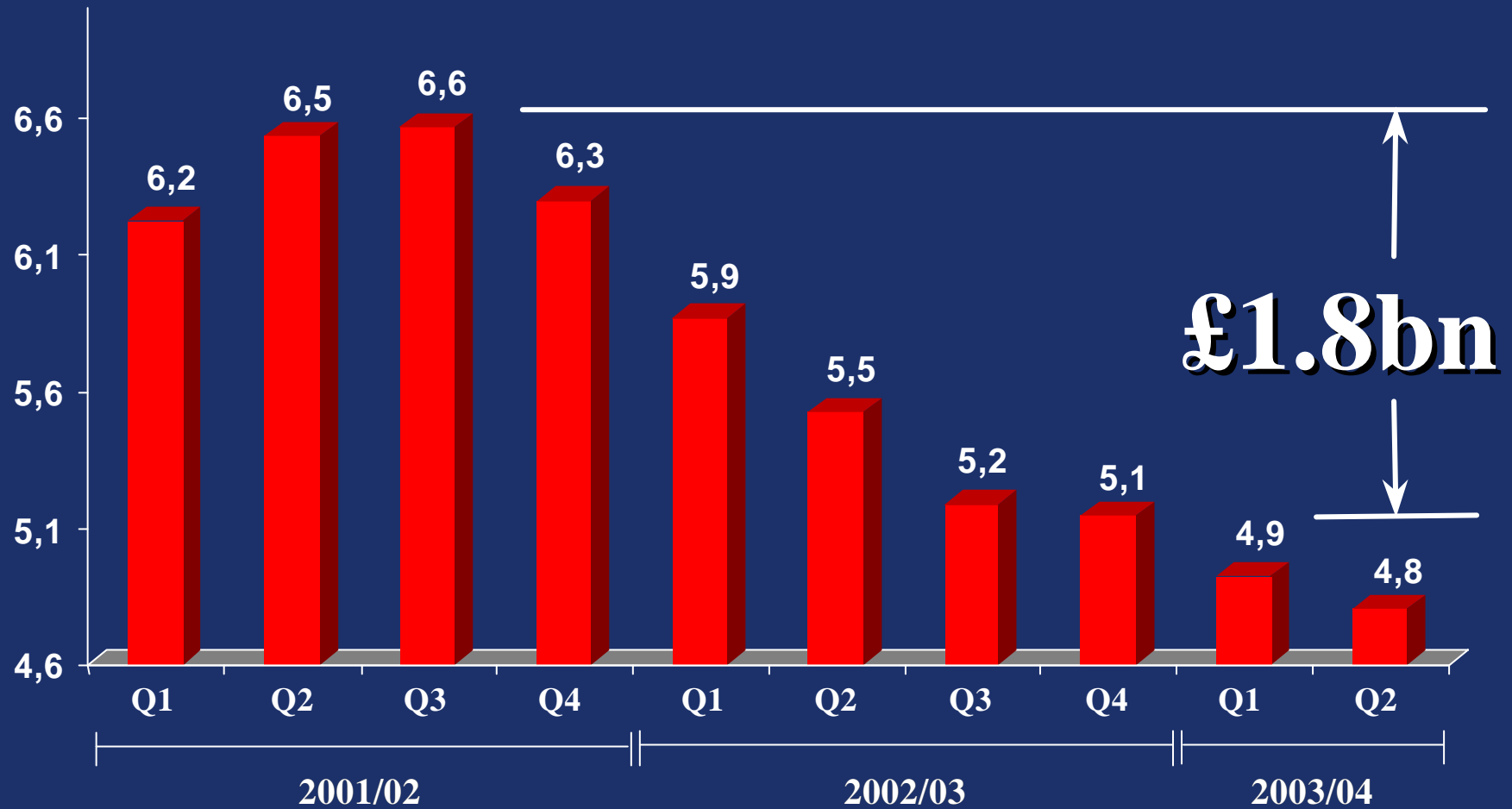
0.5

Total liquidity

2.3

Net debt £1.8bn lower

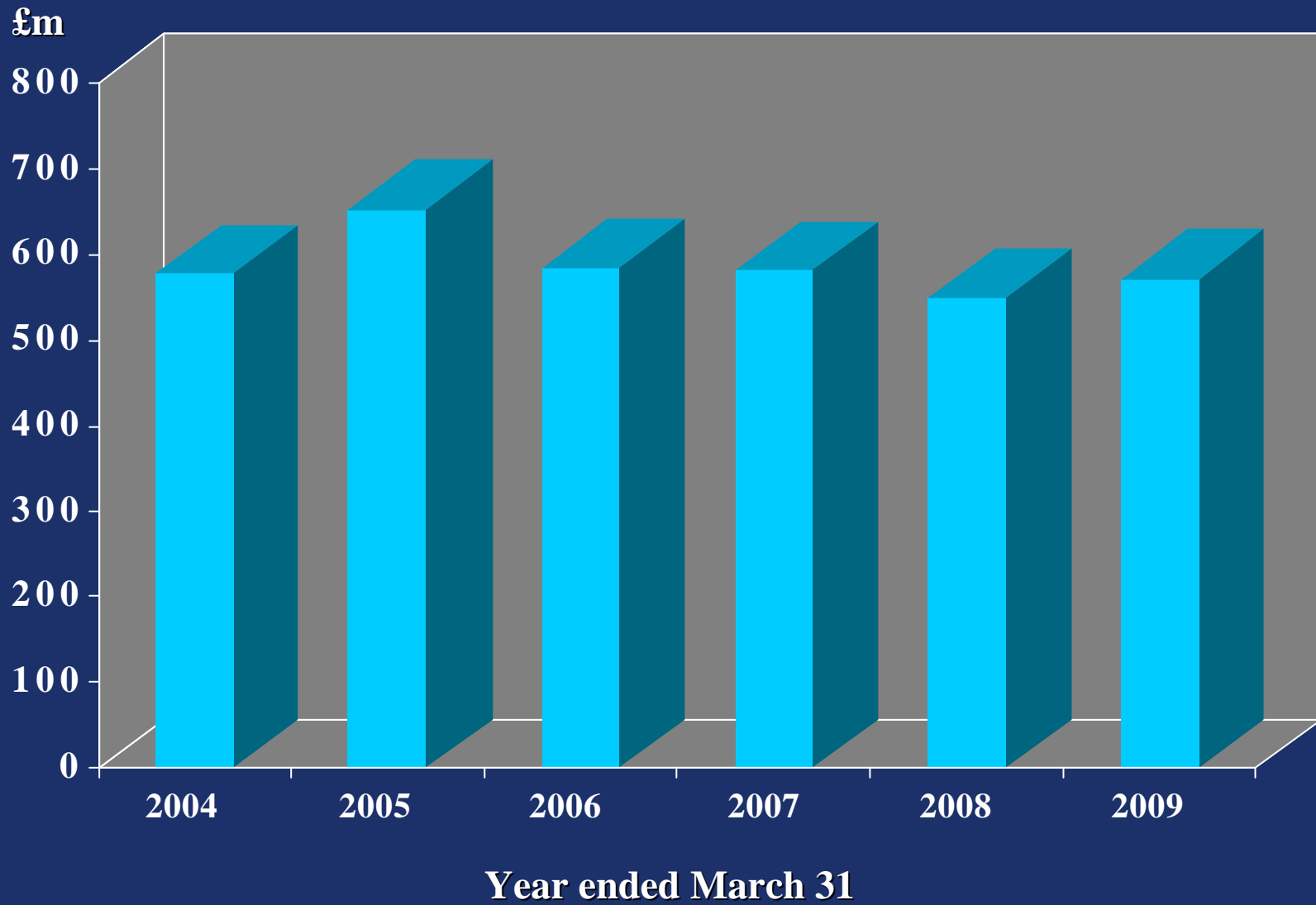
£bn



£1.8bn

Gearing 64.5% 64.4% 66.5% 66.0% 64.2% 61.1% 59.6% 60.7% 59.8% 58.4%

Debt profile



BA delivers

- Costs down £1.7 billion
- Manpower on target
- Debt down £1.8 billion
- Disposals on target
- Capital expenditure on target
- Liquidity strong



Rod Eddington

Chief Executive Officer



Highlights

- FSAS targets exceeded
- Simplification
- ceBA
- Procurement
- Consolidation
- Customer service
- Revenue environment

£1.9bn revenue lost








Rolling 12 months turnover



Revenue outlook

- Revenue stabilising
- Volume steady
- Price sensitive
- Premium
- Revenue environment

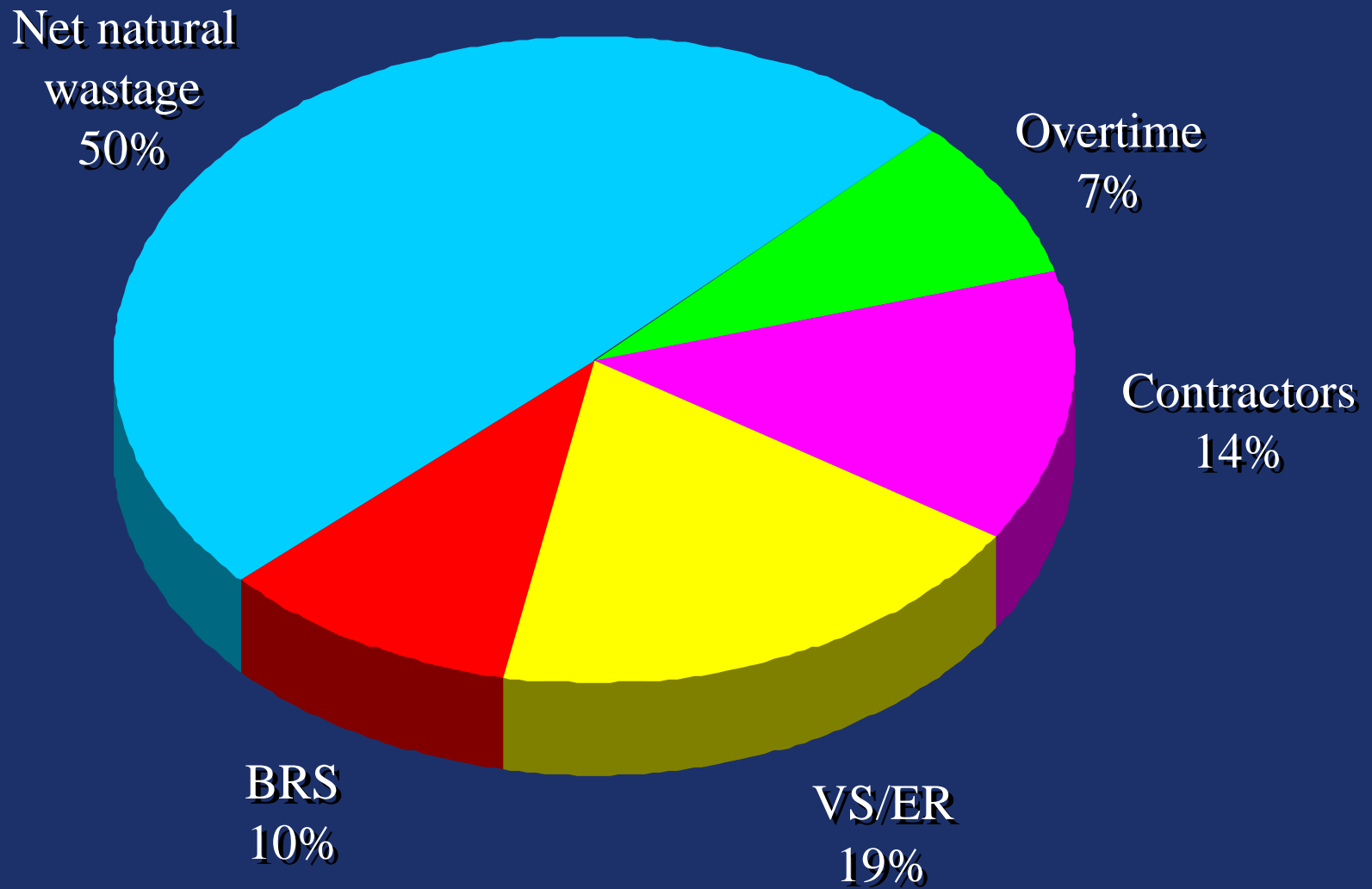
FSAS targets

	Achieved by 30/09/03	Cumulative target end 2003/04	Status
<u>MPEs</u>			
Manpower reductions	12,087	13,000	
<u>£m</u>			
Manpower cost savings	437	450	
Distribution cost savings	148	100	
Procurement / IT savings	116	100	
Total	<hr/> 701	<hr/> 650	
Disposals	694	900	
Capital expenditure	473	850	

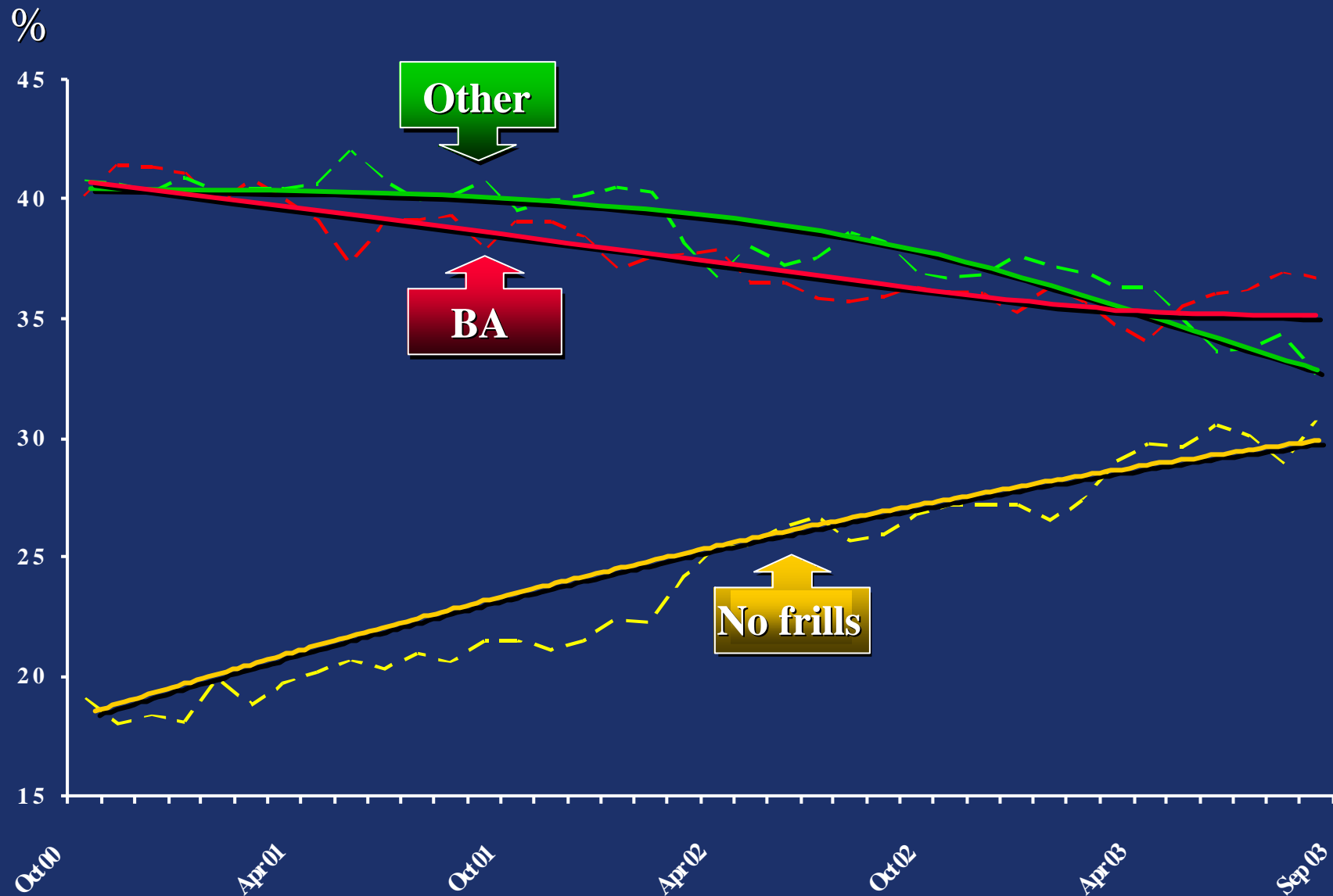
MPE Reductions

	Achieved 30/09/03	Target 31/03/04
Overhead	4,214	4,000
Delivery	7,873	9,000
Total	12,087	13,000

Manpower - down 12,087



London Total Shorthaul Market Share



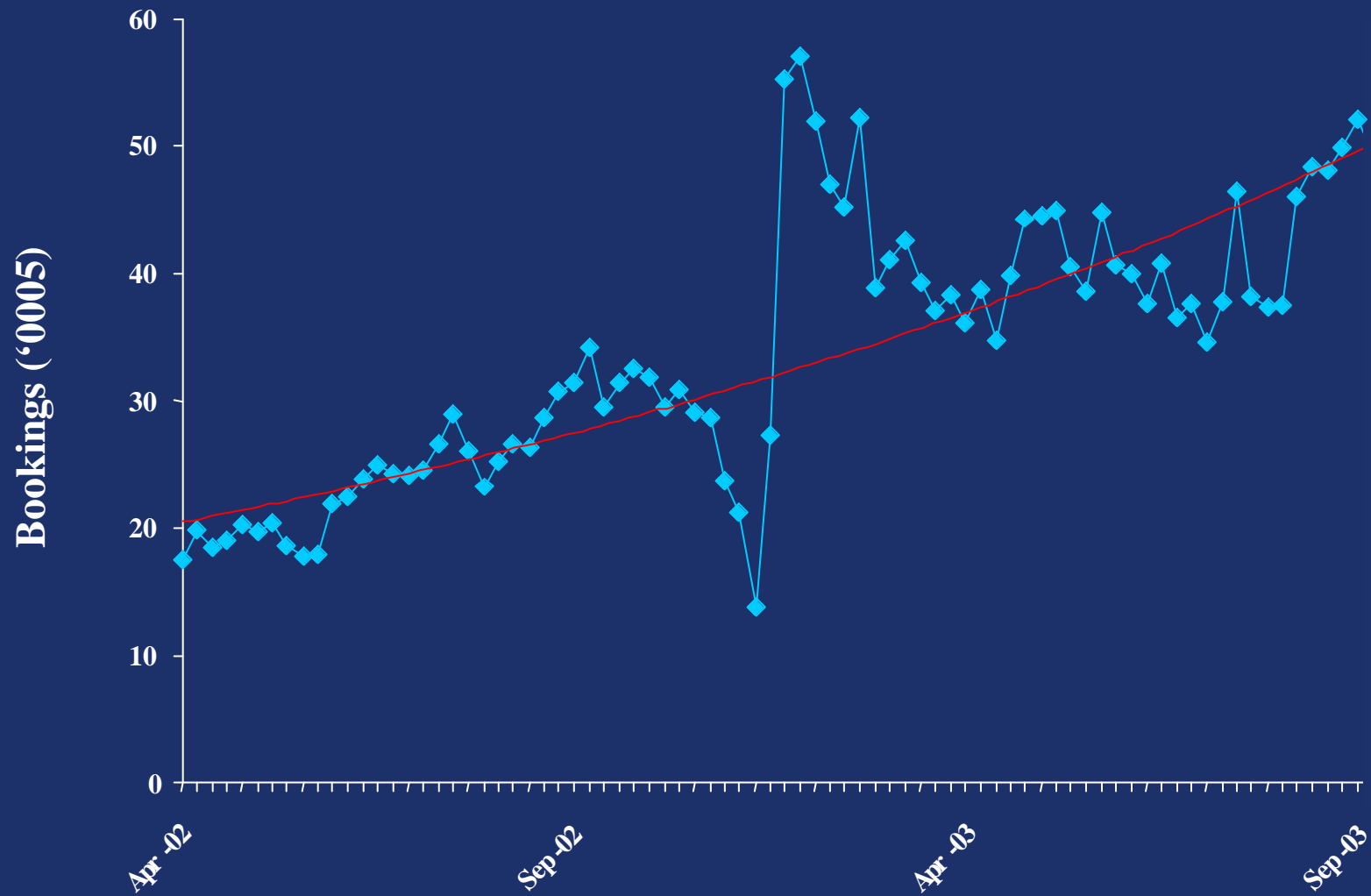
Simplification

- Engineering
- Fleet types
- Utilisation
- Customer enabled BA (ceBA)

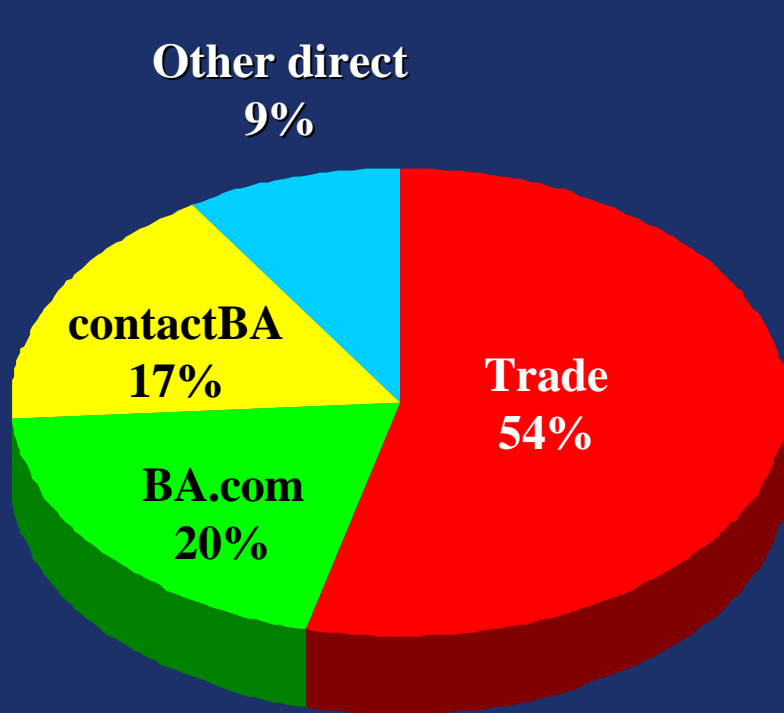
ceBA

- 50% self service option
- Fare types down 15%
- Call centre trial
- Employee self service
- ba.com
- E-ticket

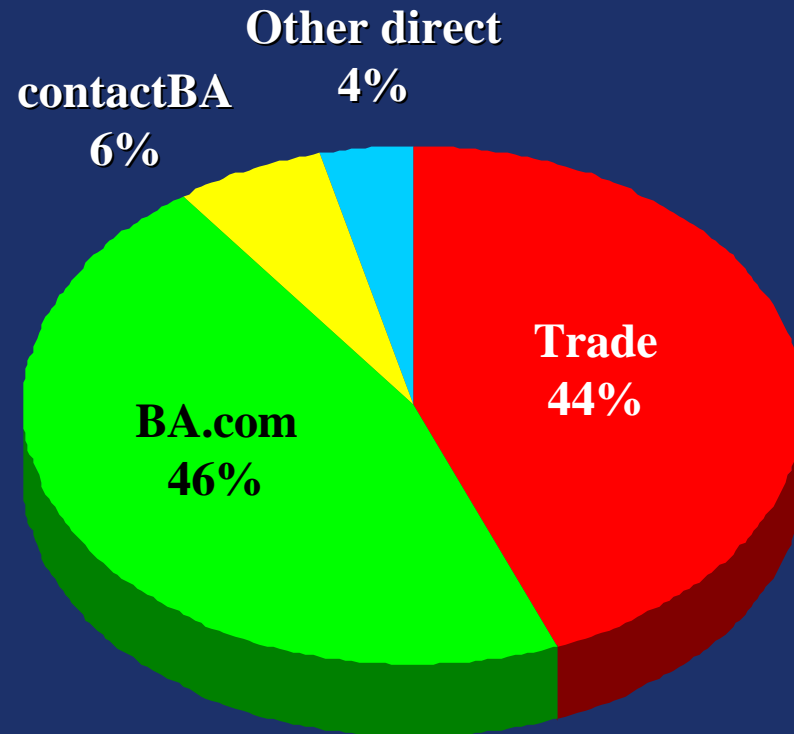
Achievements: ba.com bookings



Shorthaul distribution channels

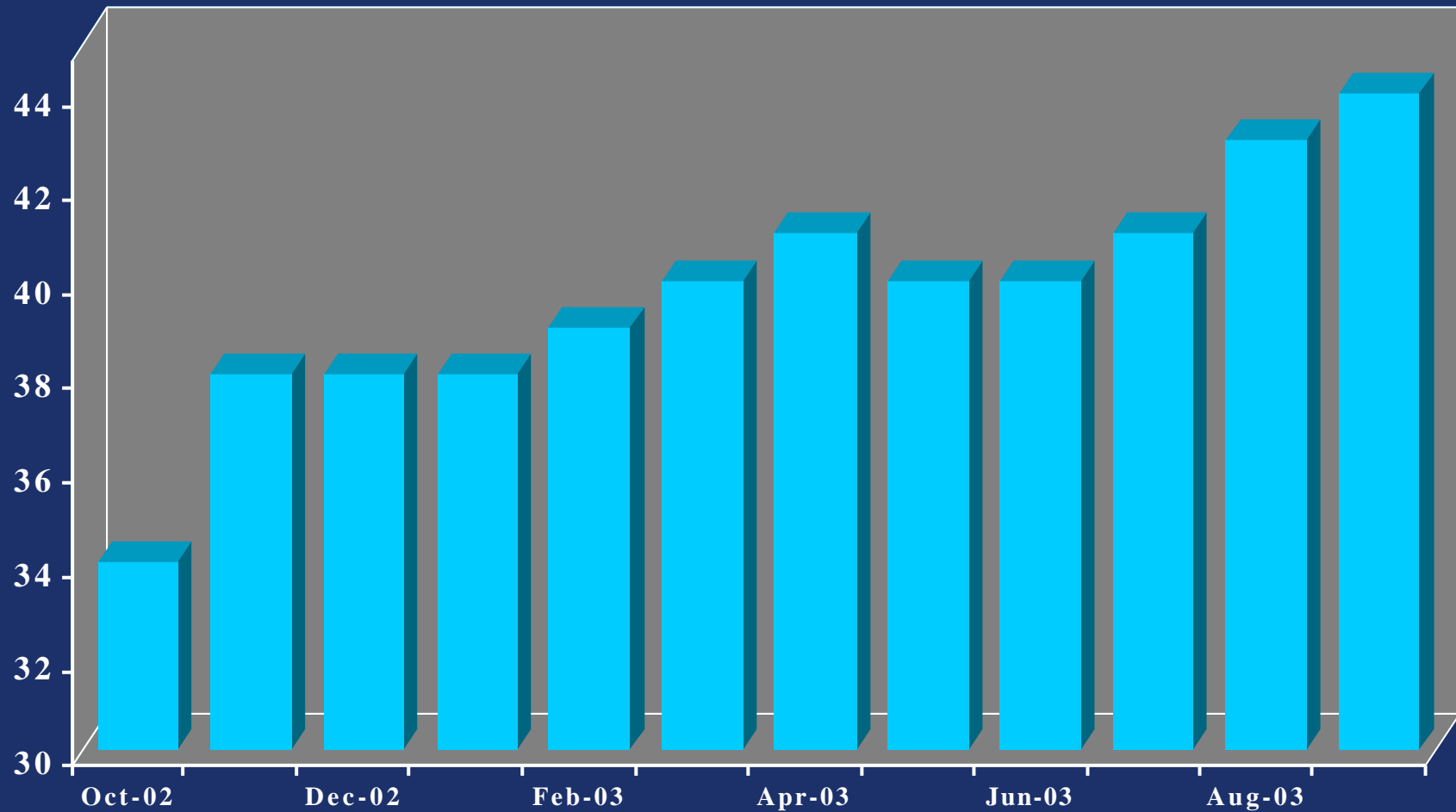


April 2002



September 2003

eTicket take up



■ % Uptake on total bookings

Procurement

- Supplier numbers
- Auctions
- BA2buy

Consolidation

- BA/AA codeshare
- SWISS deal
- Iberia ATI
- Heathrow slot position

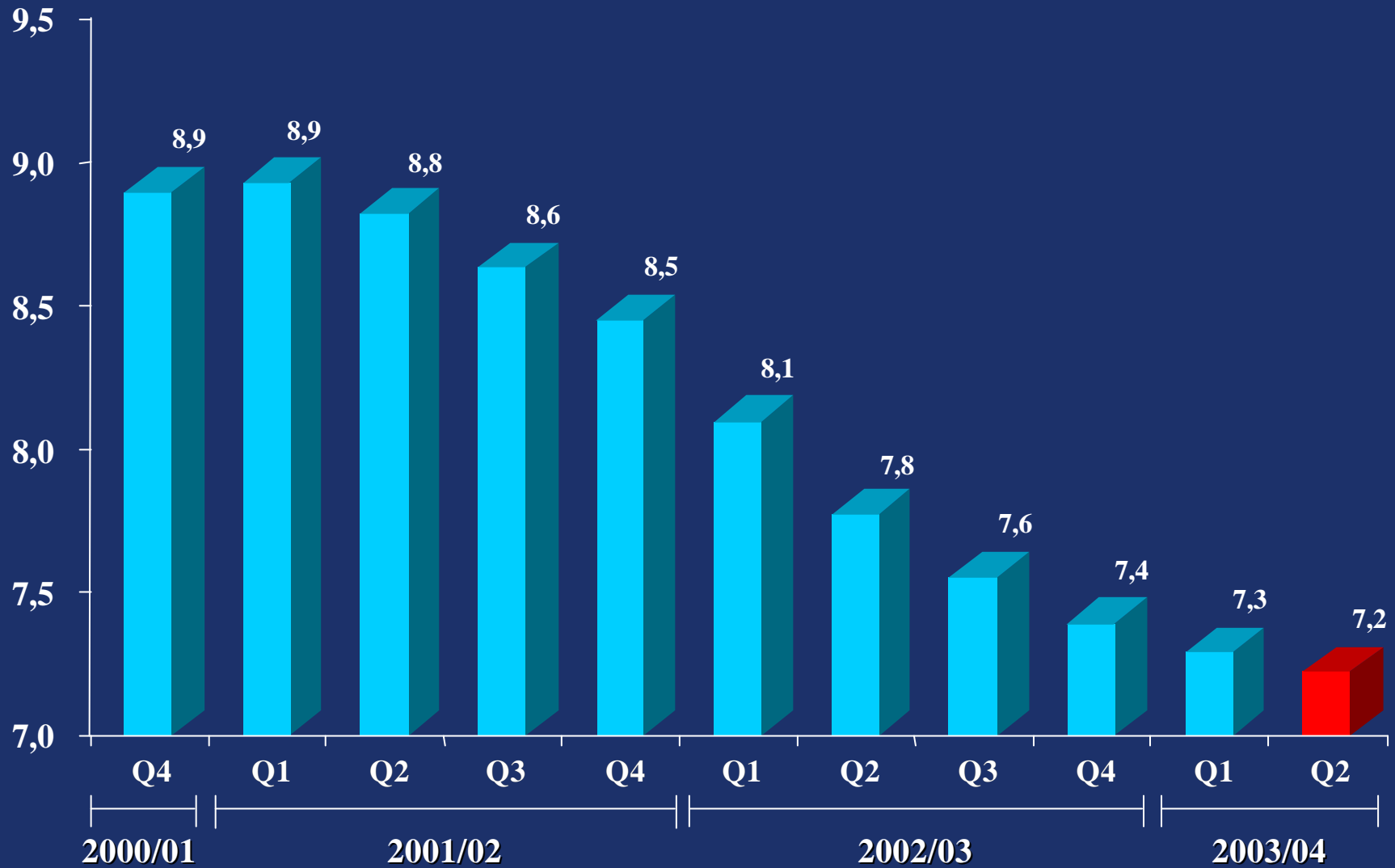
Customer service

- Terminal 4 to 1
- Terminal 1 lounges
- Self service check in
- 6,000 beds
- Awards

£1.7bn of costs saved

Rolling 12 months costs

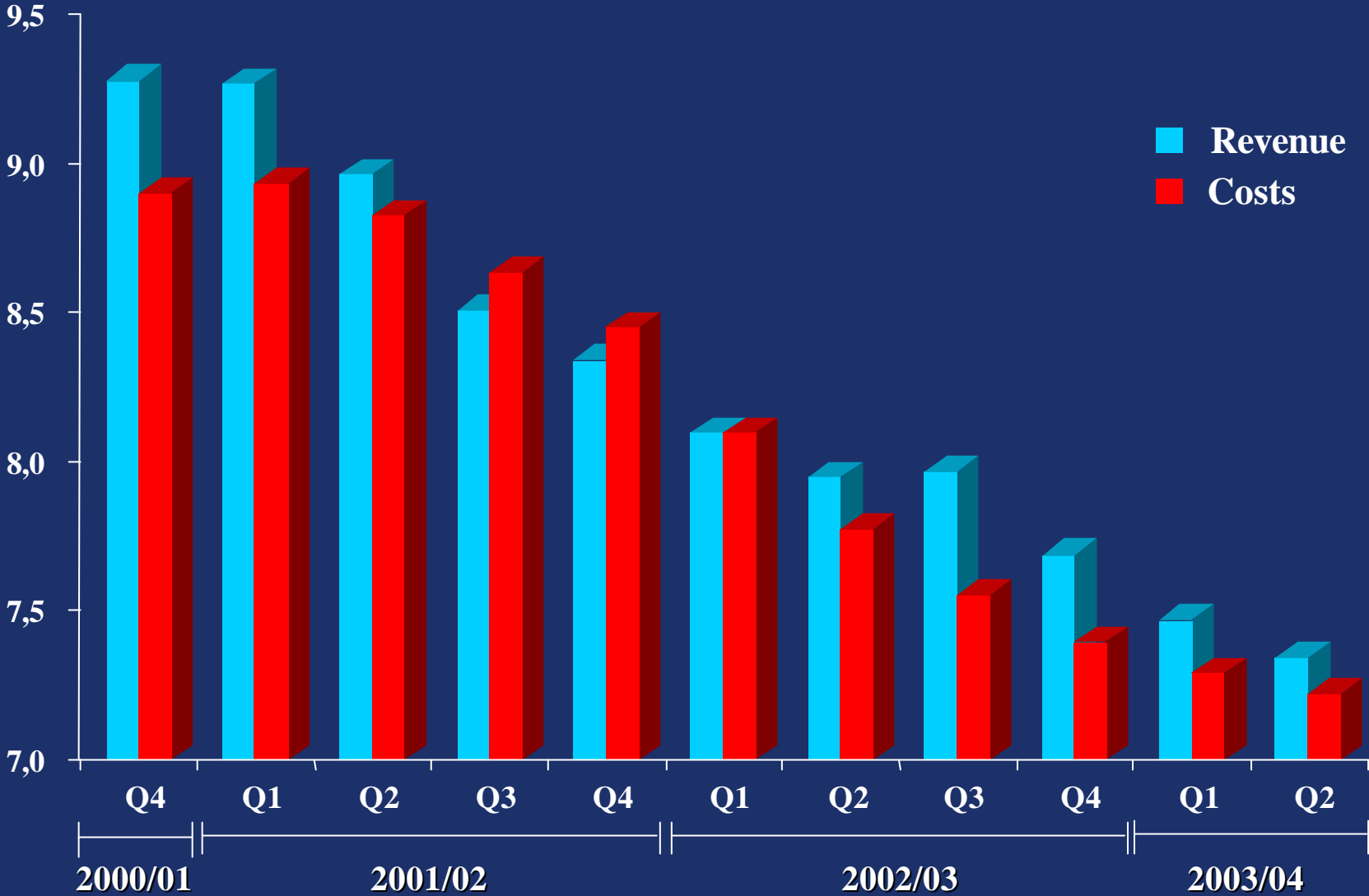
£bn



Continuing challenge

Rolling 12 months

£bn



Profitability

- Revenue below expectations
- 10% operating margin
- Cost targets exceeded
- Challenges ahead
- Continue to delivery

Outlook

- Deliver Future Size and Shape
- Deliver new initiatives
- Benefit from recovery

