

BRITISH AIRWAYS

4th Quarter & Preliminary Results

2001/02

20th May 2002

Lord Marshall

Chairman

BRITISH AIRWAYS



John Rishton

Chief Financial Officer

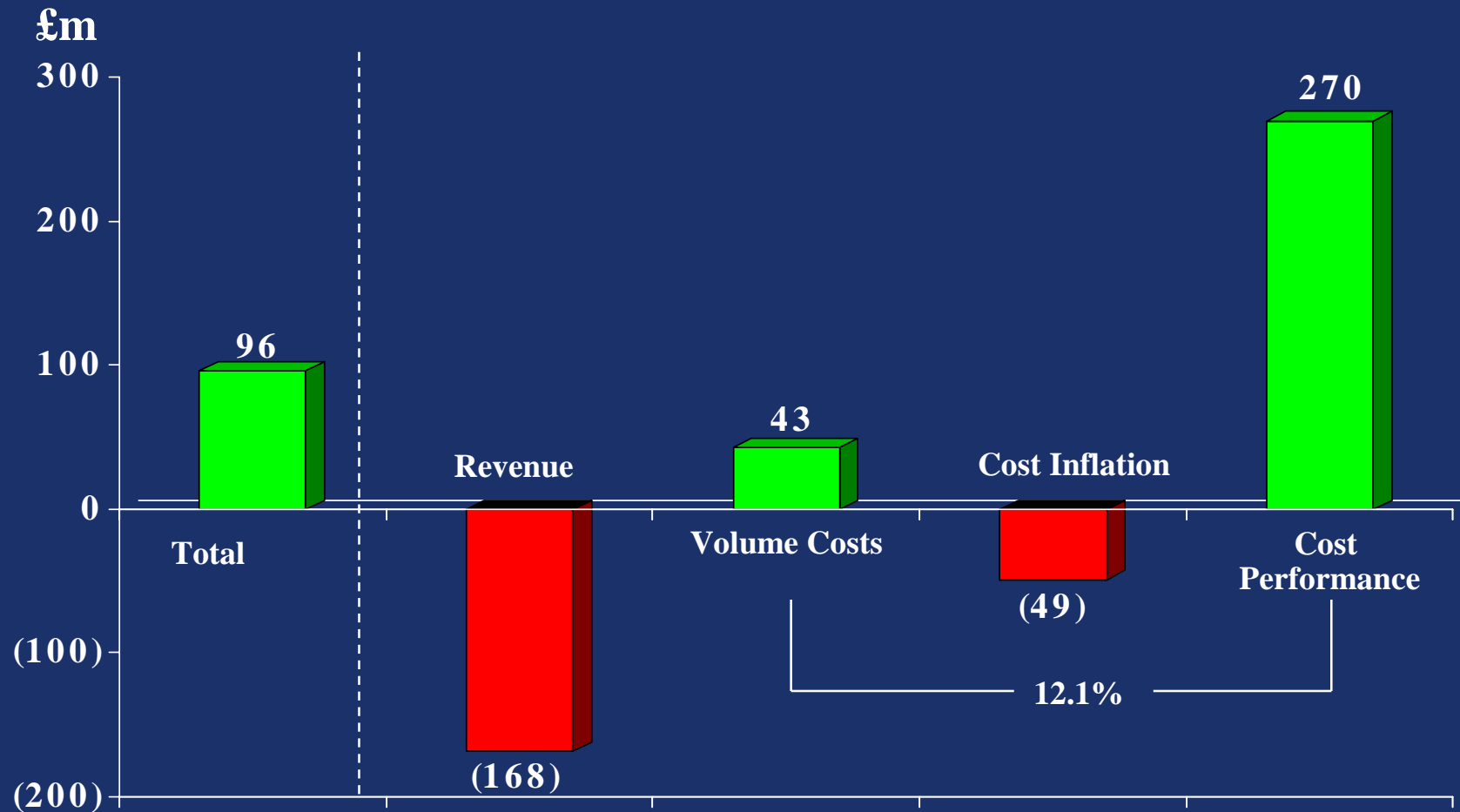
Headline Numbers

PERIOD TO MARCH 31, 2002

	<u>3 months</u>		<u>vly</u>	<u>12 months</u>		<u>vly</u>
Turnover		1,953	(168)		8,340	(938)
Operating profit/(loss)	(45)	16	(110)		(490)	
Operating profit/(loss)	35	96	(30)		(410)	
(excl. FSAS restructuring)						
EBITDAR		335	89		1128	(381)
Pre-tax loss		(85)	(20)		(200)	(350)

Cost savings exceed revenue decline

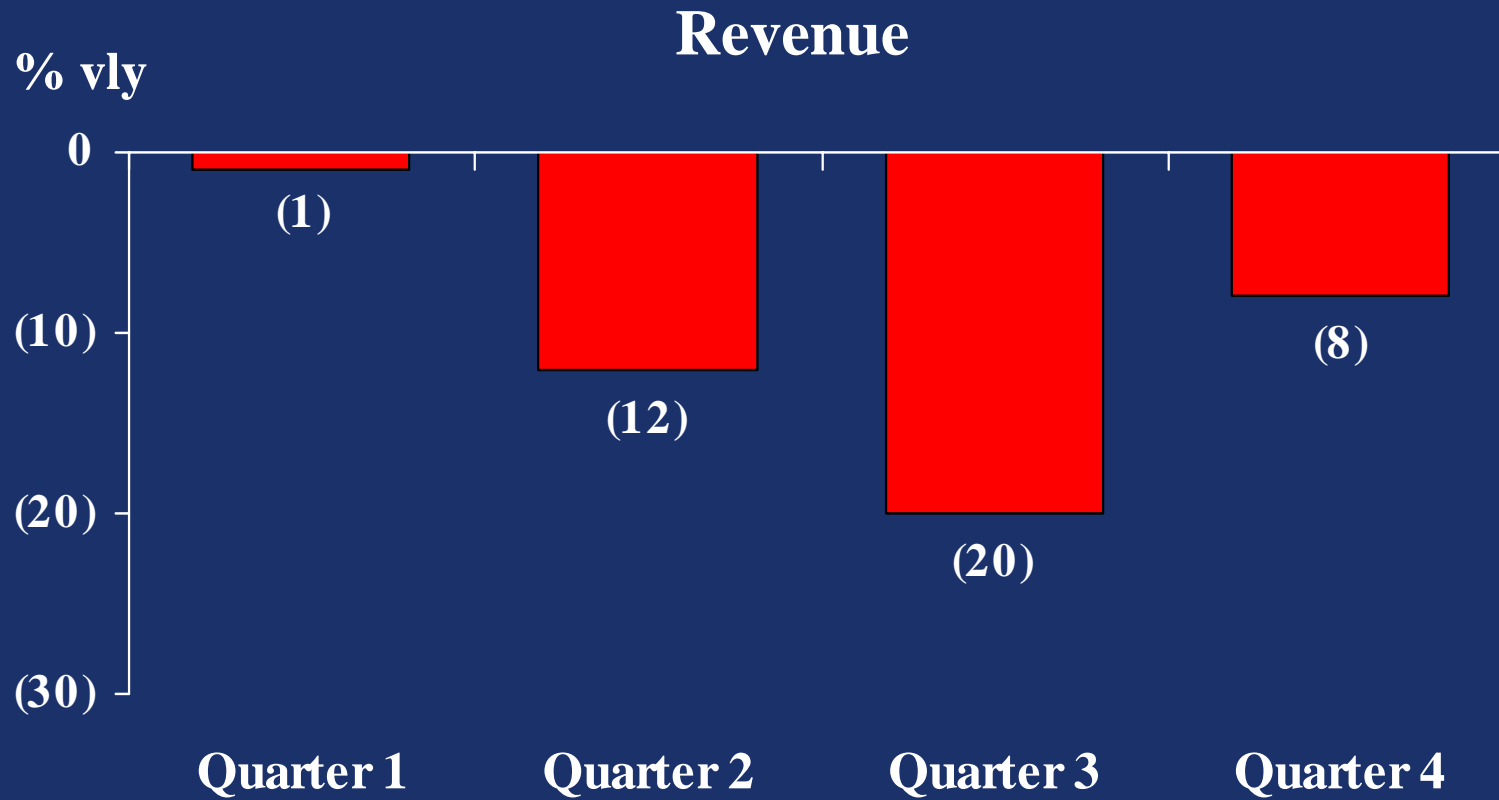
Operating profit excl. FSAS restructuring



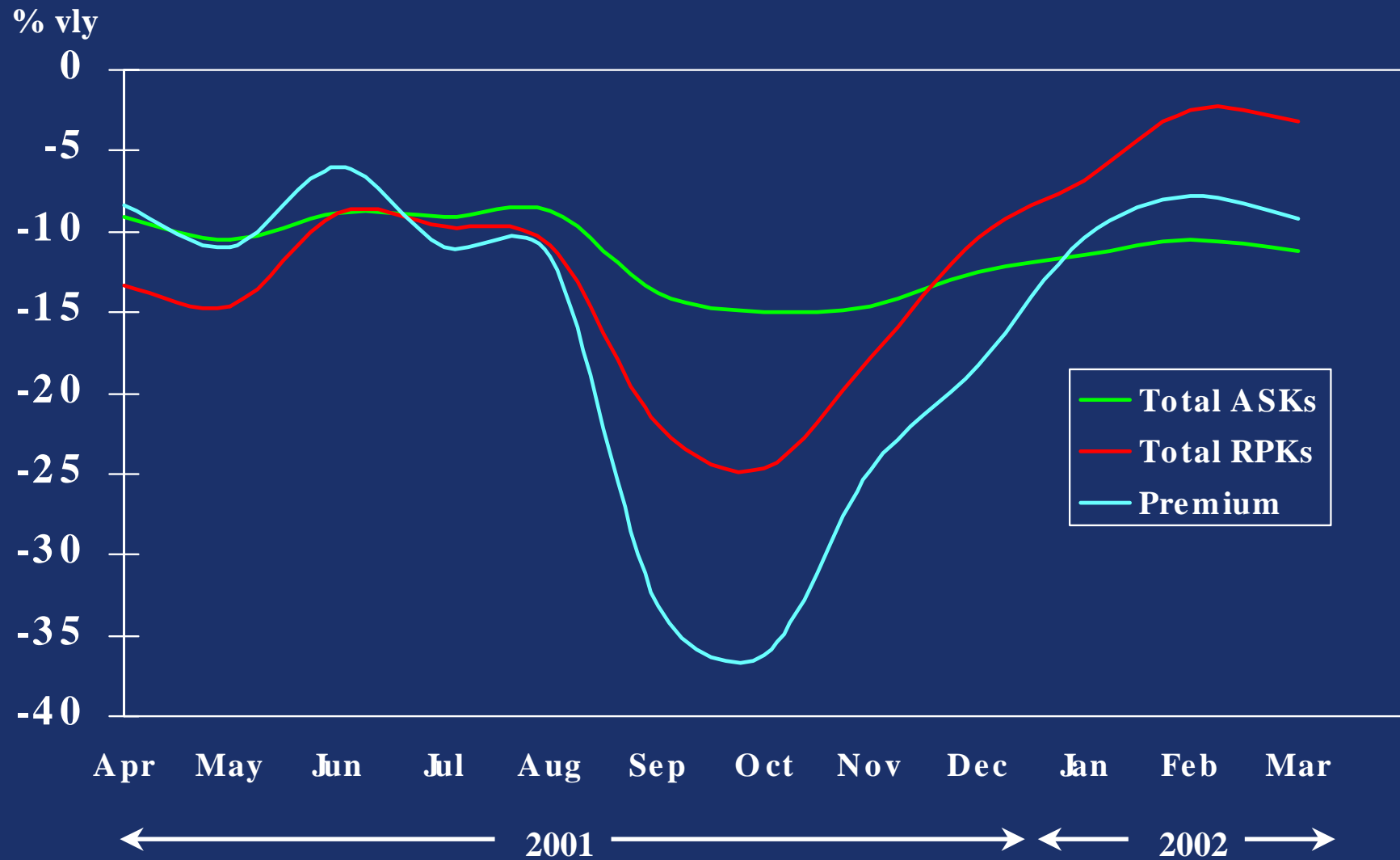
Results by geographical area

	2002 £m	vly £m
Americas	144	(326)
Africa, Mid East, India	91	(1)
Far East & Australasia	(101)	(91)
Europe	<u>(244)</u>	<u>(72)</u>
Total	(110)	(490)

Not just September 11th

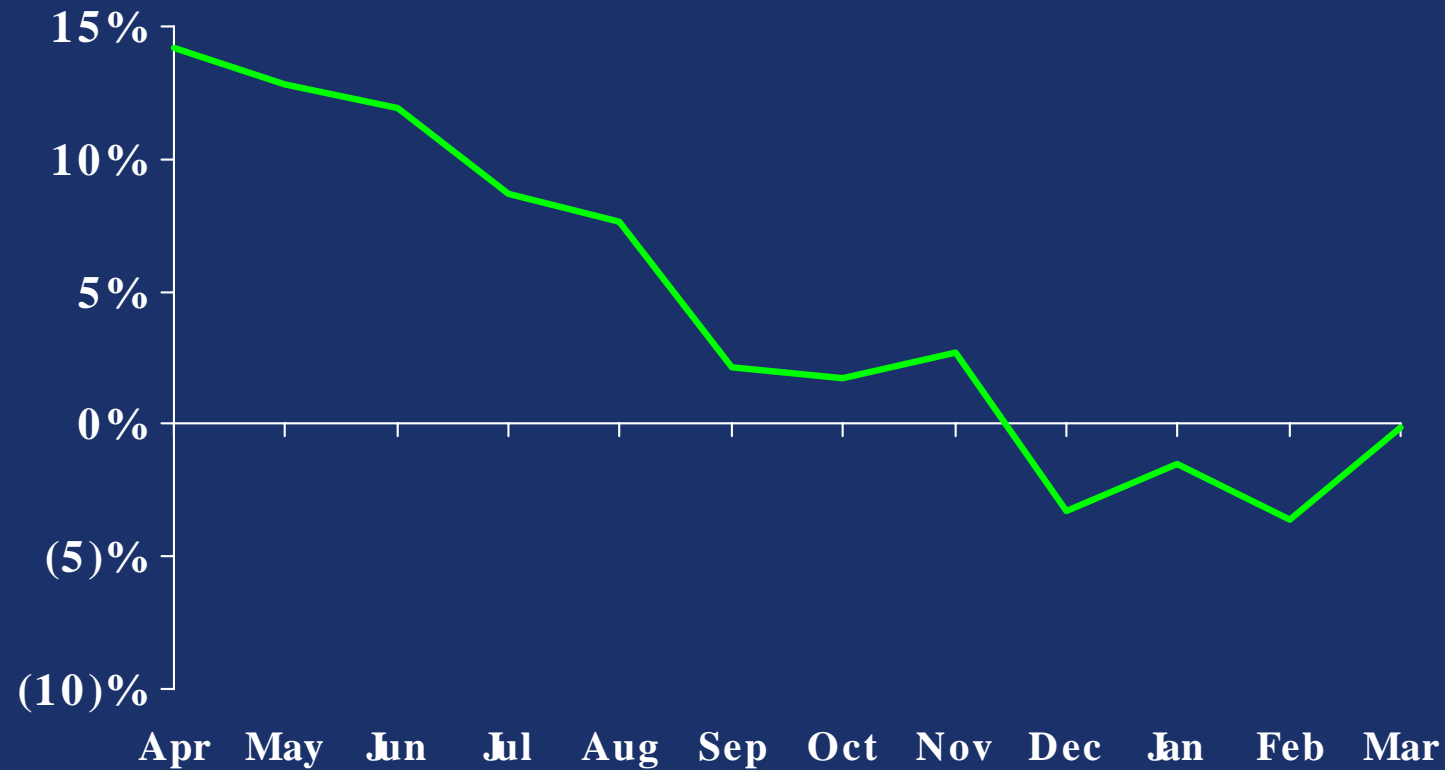


Supply and demand back in balance



Yield no longer falling

p/RPK vly



← 2001 → ← 2002 →

Q4 Costs

- **Capacity down 9.6%**
- **Costs down 12.1%**
- **Unit costs reduced by 2.8%**

Note: excluding FSAS restructuring

Costs down 12%

	£m	vly
Employee costs	548	10% down
Handling, catering etc	265	8% down
Selling costs	194	32% down
Fuel & oil costs	186	34% down
Other costs	554	6% up
NET OPERATING COST	1,747	12% down

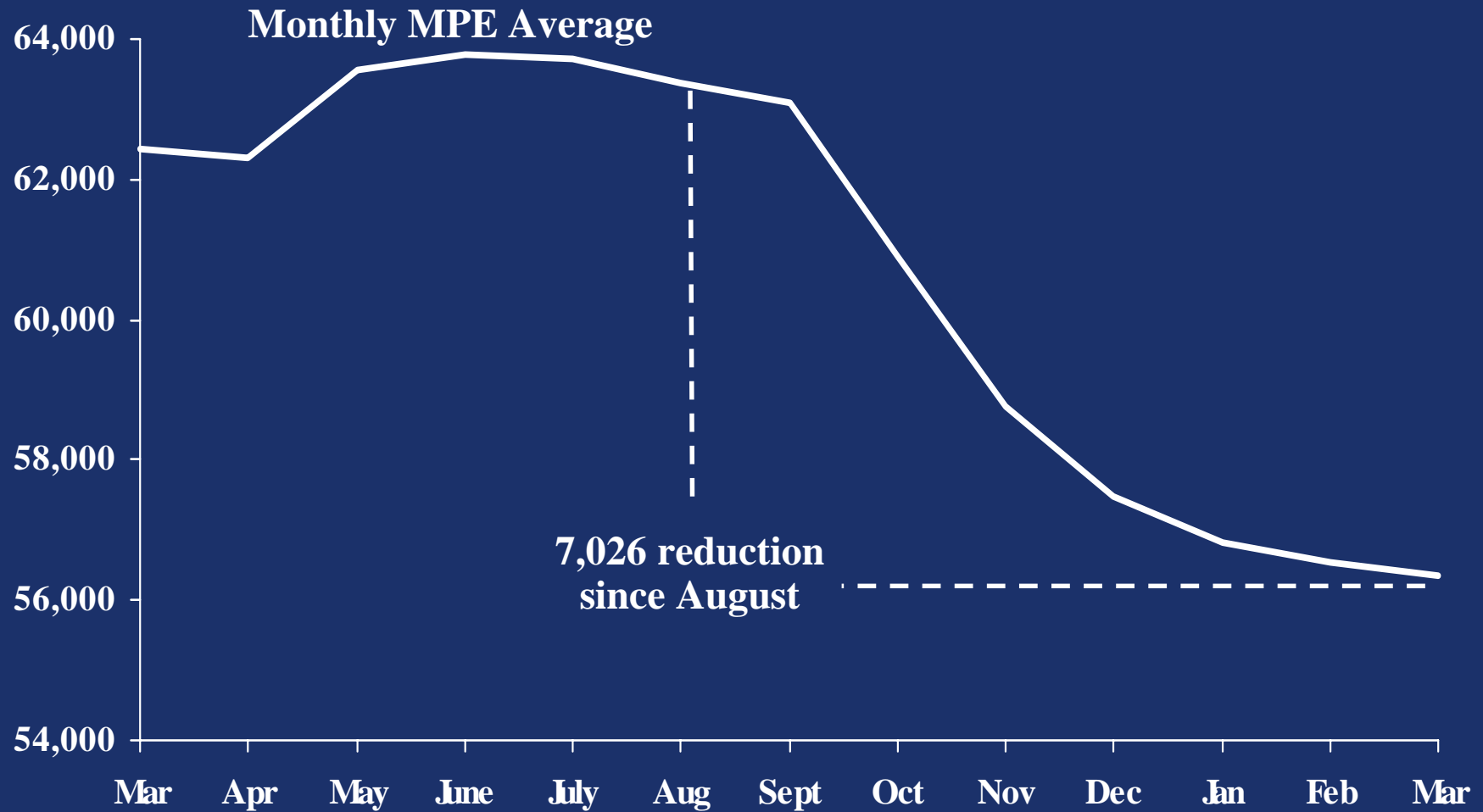
Note: Q4 excluding FSAS restructuring

Unit costs reduced



Note: Q4 excluding FSAS restructuring

Group manpower down



Liquidity

March 31 2002

£bn

Cash

1.2

Facilities

0.6

Realisable assets

1.6

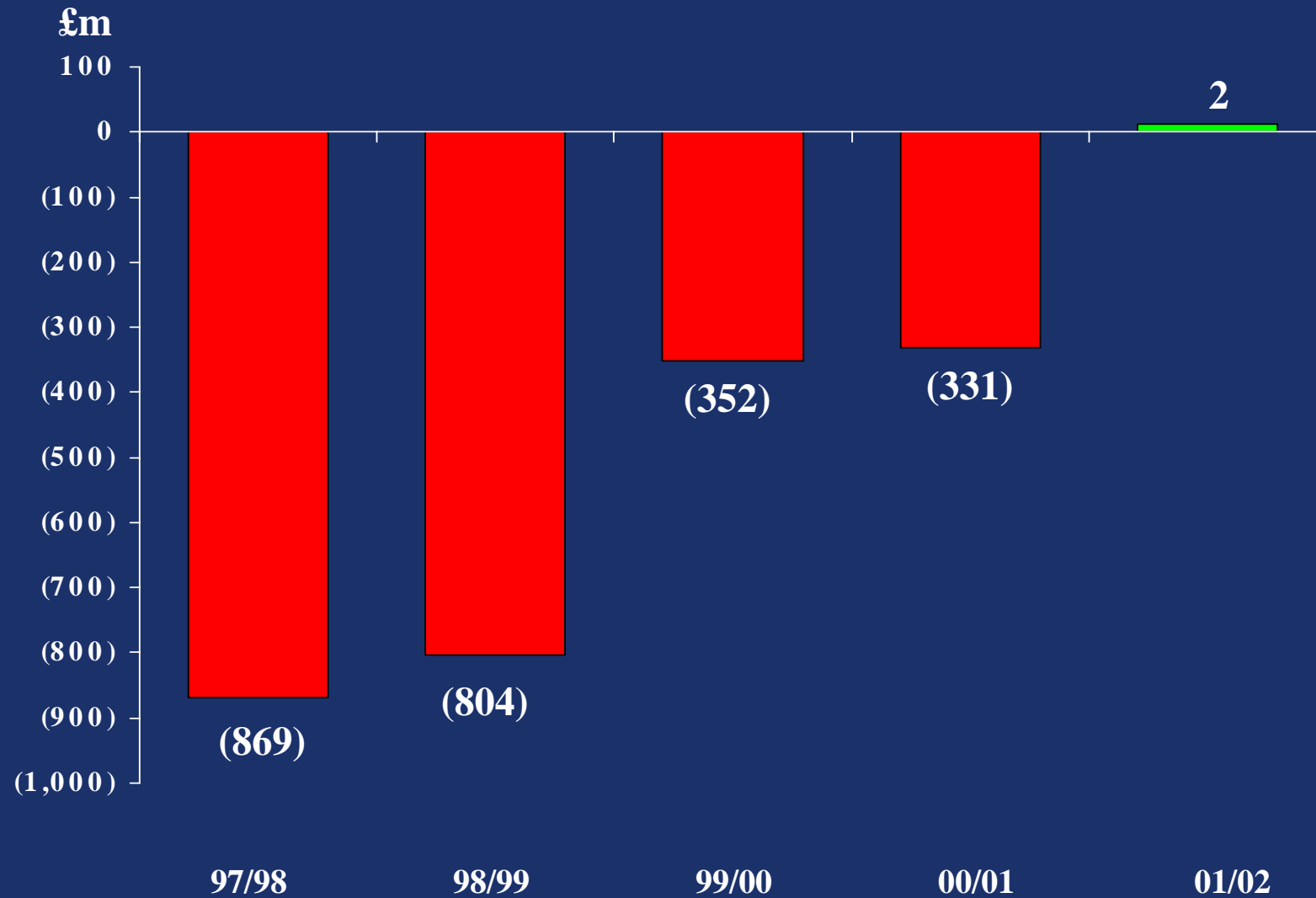
Total liquidity

3.4

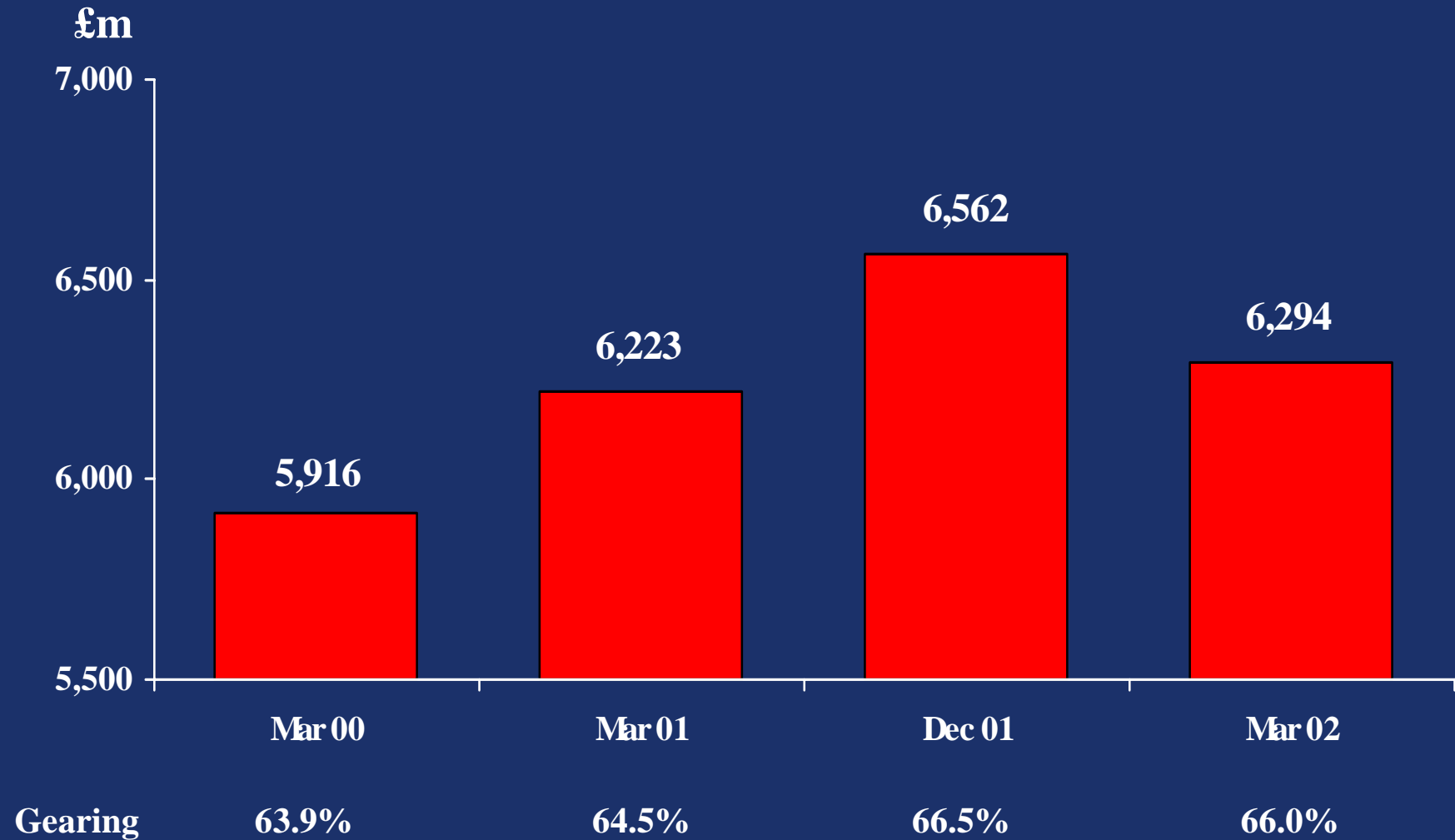
Cash outflow stopped

	Daily cashburn	
	Q3	Q4
	£m	£m
Operating cashflow	<u>0.5</u>	<u>2.5</u>
Interest	(0.7)	(0.7)
Net capex / disposals	<u>(0.7)</u>	<u>1.4</u>
Cash generation	(0.9)	3.2
Debt repayment	<u>(1.4)</u>	<u>(3.2)</u>
Net cashflow	(2.3)	0


Cashflow before financing



And debt is reducing



£264m of disposals done

	<u>As at</u> <u>31 March 02</u> £m	<u>1 Apr 02 -</u> <u>20 May 02</u> £m	<u>Remaining</u> <u>target 02/03</u> £m
Aircraft	163	11	
Properties	26	35	
Other	<u>29</u>	<u>0</u>	<u></u>
TOTAL	218	46	236
			
		£500m	

BA delivers

We said we would...

- ✓ **Survive**
- ✓ **Not need a rights issue**
- ✓ **Take out headcount**
- ✓ **Get costs down**
- ✓ **Conserve cash**

We will deliver Future Size and Shape

BRITISH AIRWAYS



Rod Eddington

Chief Executive

Overview

- 2001/02
- Future Size and Shape
- Industry issues

2001-2002

Initiatives completed

- Fleet restructuring
- Capacity reduction
- Network simplification
- Shorthaul integration
- Gatwick dehubbing
- Amadeus cut over

New initiatives

- September 20 - Immediate actions
- February 13 - Future Size and Shape

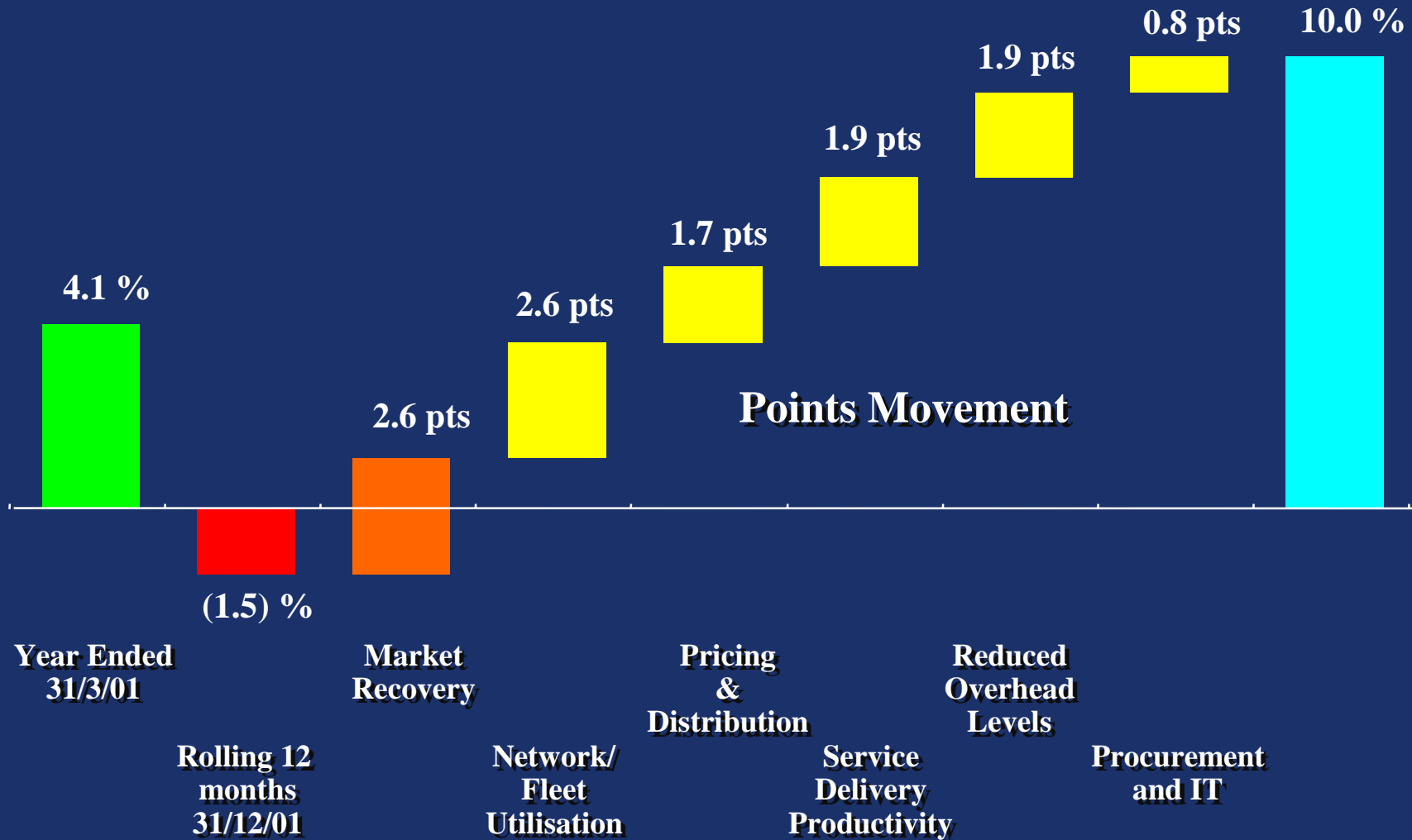
September 20

- Manpower reduction
- Capacity grounded
- Capital expenditure controls
- Cash management

Future Size and Shape

- Target 10% margin
- Simplification
- No frills
- Cost reduction
- Manpower

Target 10% margin



Future Size and Shape

Progress to October 2002:

- Capacity reduction complete
- 9% fewer destinations
- 27 fewer aircraft
- 18% fewer sub types
- 43% less capacity at Gatwick

Competing with no frills

- Shorthaul capacity reductions
 - Heathrow 9%
 - Gatwick 32%
- Comprehensive network
- New booking engine
- Inventory management

Press

“British Airways in particular is learning fast from its new rivals...BA now offers very cheap, last-minute deals online, something the low-cost airlines don't tend to do”

The Daily Telegraph, 26 January 2002

Press

“Its [BA’s] new-look Fare Explorer shows an easy-to-read, colour-coded calendar that displays the cheapest fares for a range of dates. The improvements are dramatic...”

Sunday Times, 5 May 2002

Press

“Unless seats are booked months in advance, the luxury offered by national carriers can be hundreds of pounds cheaper than offered on no-frills”

London Evening Standard, 14 May 2002

Manpower reduction

10,000 by March 2003

Industry issues

- US subsidies
- Infrastructure
- Consolidation

Deliver Future Size and Shape

2002/03

- Headcount reduction of 10,000
- Capital expenditure of £450 million
- Disposals of £500 million

BRITISH AIRWAYS

