

FINAL TRANSCRIPT

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BAIRY.PK - British Airways H1 2008/09 Results conference call

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CORPORATE PARTICIPANTS

Willie Walsh
British Airways - CEO

PRESENTATION

Operator

Good morning, good afternoon and thank you for standing by. At this time, all participants are in a listen-only mode. After the presentation, we will conduct a question and answer session. (OPERATOR INSTRUCTIONS).

I will now hand the meeting over to Mr. Willie Walsh, Chief Executive Officer of British Airways PFC. Please, sir, your line is open. You can go ahead.

Willie Walsh - British Airways - CEO

Thank you. Good afternoon, everyone, and North America, good morning. Welcome to the British Airways conference call for the 2008 '09 first six months. I have with me today Keith Williams, Chief Financial Officer and George Stinnes, Group Treasurer and Head of Investor Relations. This morning in London we announced our results for the six months ended 30 September 2008. I think most of you will by now have had a chance to review the results, so I will just give you a few highlights before opening the call to Q&A. The events of the last six months have been the bleakest on record for the airline industry where a crisis in the banking sector, record oil prices and a progressively worsening economic environment. Several airlines have gone out of business and I expect more to follow in any months to come. Against this backdrop, these results represent a good performance. Revenue is up 6.4% at just under 4.75 billion pounds. Passenger yields was up 10.8% driven by the effect of price increases, a better mix of premium traffic and the benefit of exchange rate movements. Yield in the quarter was up 13.8%. This clearly shows that we have been successful in managing the price volume trade off. Total costs are up 18.2% Excluding fuel, costs were up 6.8% with all cost items rising.

Fuel cost rose by 52% in the period at 511 million pounds which includes a hedging benefit of 329 million pounds. Employee cost rose 8.6% or 92 million pounds. That includes a restructuring charge of 40 million pounds for severance. Operating profit was 140 million pounds, giving a margin of 2.9%. The financial position of the company remains strong with net debt at 1.4 billion pounds and cash balances of just over 1.8 billion pounds. In light of the current market conditions, we continue to review our capacity plans. We plan to reduce our capacity for summer 2009 by around 1%. We also continue to review the structure and cost base of the business as well as our capital expenditure plans, and this will not only ensure that we weather the current economic storms, but will help us to emerge in even stronger shape. And we have altered our guidance for the full year. The yield improvement driven by the price and exchange are expected to more an offset volume reductions and overall, we expect revenue growth of at least 4% this year. We expect non-fuel costs to rise by 5% and our guidance for fuel cost remains unchanged with the lower commodity cost being offset by sterling weakness, so the total fuel bill this year will still amount to around 3 billion pounds, and we remain focused on delivering a small operating profit in the current financial year. Now Keith and I are happy to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you. So we will now start the question-and-answer session. (OPERATOR INSTRUCTIONS). One moment, please, for the first question. (OPERATOR INSTRUCTIONS). One moment, please, for the first question. At this time, are no questions.

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Willie Walsh - British Airways - CEO

Okay. Thank you. We see no questions at this stage, so thank you for listening in, and look forward to talking to you again at our next results. Thank you.

Operator

Thank you. In concludes today's conference. You may now disconnect.

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