



**BRITISH AIRWAYS**

Interim Management Report

First Half Results

2009/10

Analysts' presentation

November 6, 2009

# Disclaimer

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of the Company's Business Plan programs, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company's forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy.



# Martin Broughton

## Chairman



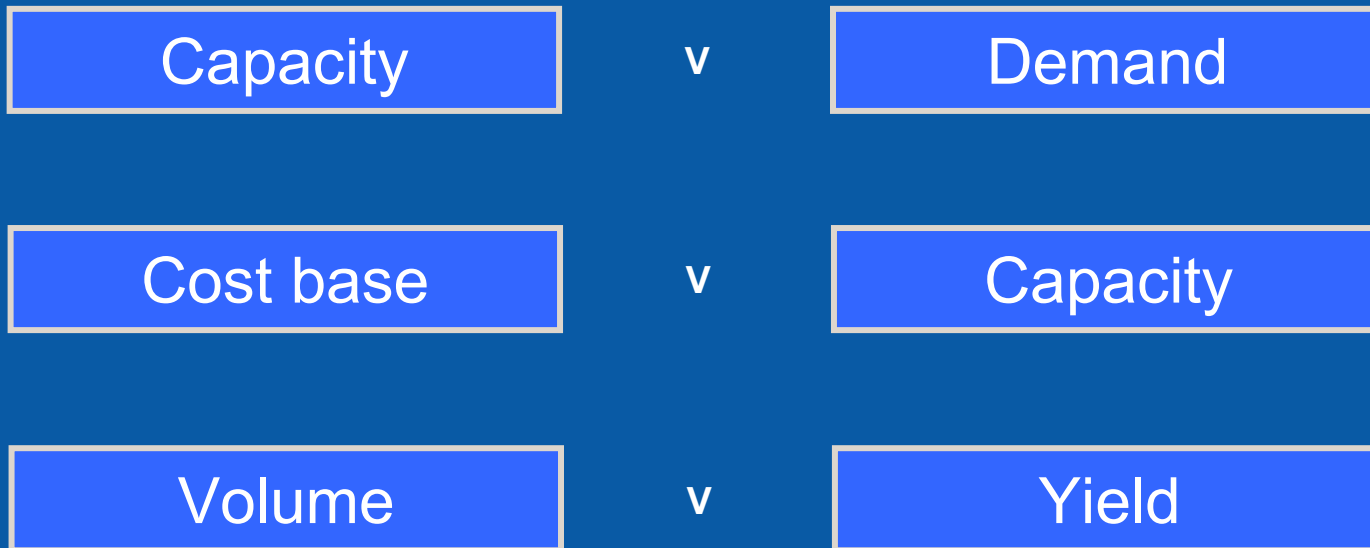
**BRITISH AIRWAYS**

2009/10 First Half Results November 6, 2009

Keith Williams  
Chief Financial Officer



# We have been focusing on our key trade-offs



# Headline numbers – half year

Capacity  
ASKs –3.0%

v

Demand  
RPKs –1.6%  
Seat Factor +1.1pts

Cost base  
Underlying costs –16.9%  
Unit costs –5.2%  
ATK/employee up 5.4%

v

Capacity  
ATKs –3.7%

Volume  
Passengers –2.6%

v

Yield  
Passenger yield –12.2%  
Underlying –18.2%



# Headlines – half year trends

- Traffic volumes stabilised
- Underlying yields slowly improving from a low base
- Structural change in shorthaul premium
- Costs improving from early actions
- Productivity improving and unit costs reducing



# Headline numbers – half year

	6 Months £m	Better/ (worse) vly
Turnover	4,102	(13.7)%
Fuel costs	1,228	17.8%
Non fuel costs <small>(note)</small>	2,985	4.3%
Operating loss	(111)	nm
Operating margin	(2.7)%	(5.6)pts
EBITDAR	317	(44.8)%
Pre-tax loss	(292)	nm

Note: includes restructuring of £48 million

Period ended September 30, 2009



BRITISH AIRWAYS

2009/10 First Half Results November 6, 2009



# Headline numbers – Q2

	3 Months £m	Better/ (worse) vly
Turnover	2,119	(15.1)%
Fuel costs	632	19.8%
Non fuel costs <small>(note)</small>	1,504	6.1%
Operating loss	(17)	nm
Operating margin	(0.8)%	(5.0)pts
EBITDAR	199	(38.0)%
Pre-tax loss	(144)	nm

Note: includes restructuring of £39 million

Period ended September 30, 2009



BRITISH AIRWAYS

2009/10 First Half Results November 6, 2009

# Revenue split

Apr - Sep	£m	vly
Passenger	3,593	(13.6)%
Cargo	251	(30.9)%
Other	258	11.2%
	<u>4,102</u>	<u>(13.7)%</u>

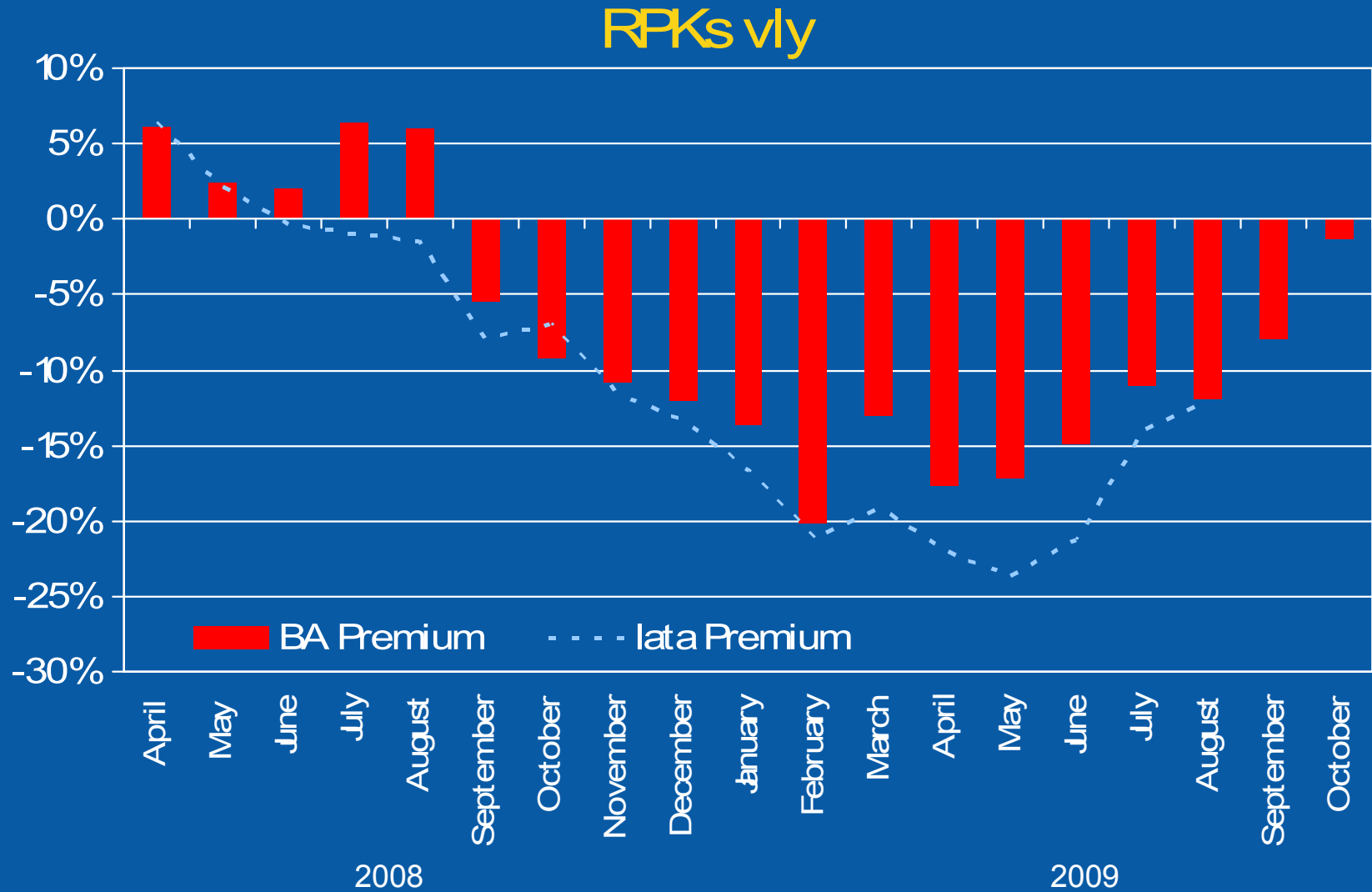
Period ended September 30, 2009



BRITISH AIRWAYS

2009/10 First Half Results November 6, 2009

# Premium traffic volume has improved...



...but is consistently below 2007/8 levels.

### Premium RPKs

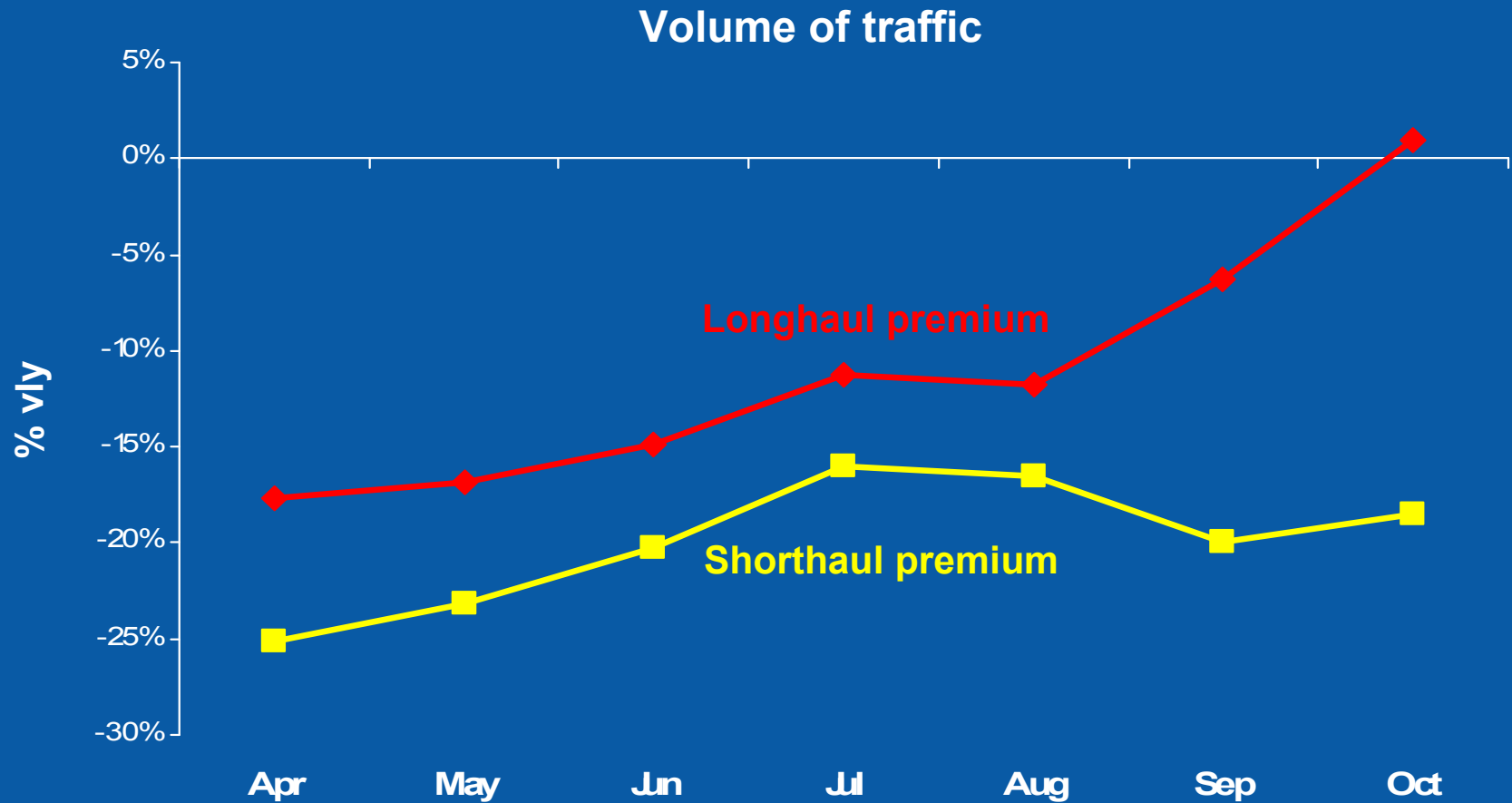


# Longhaul premium seat factor is improving...

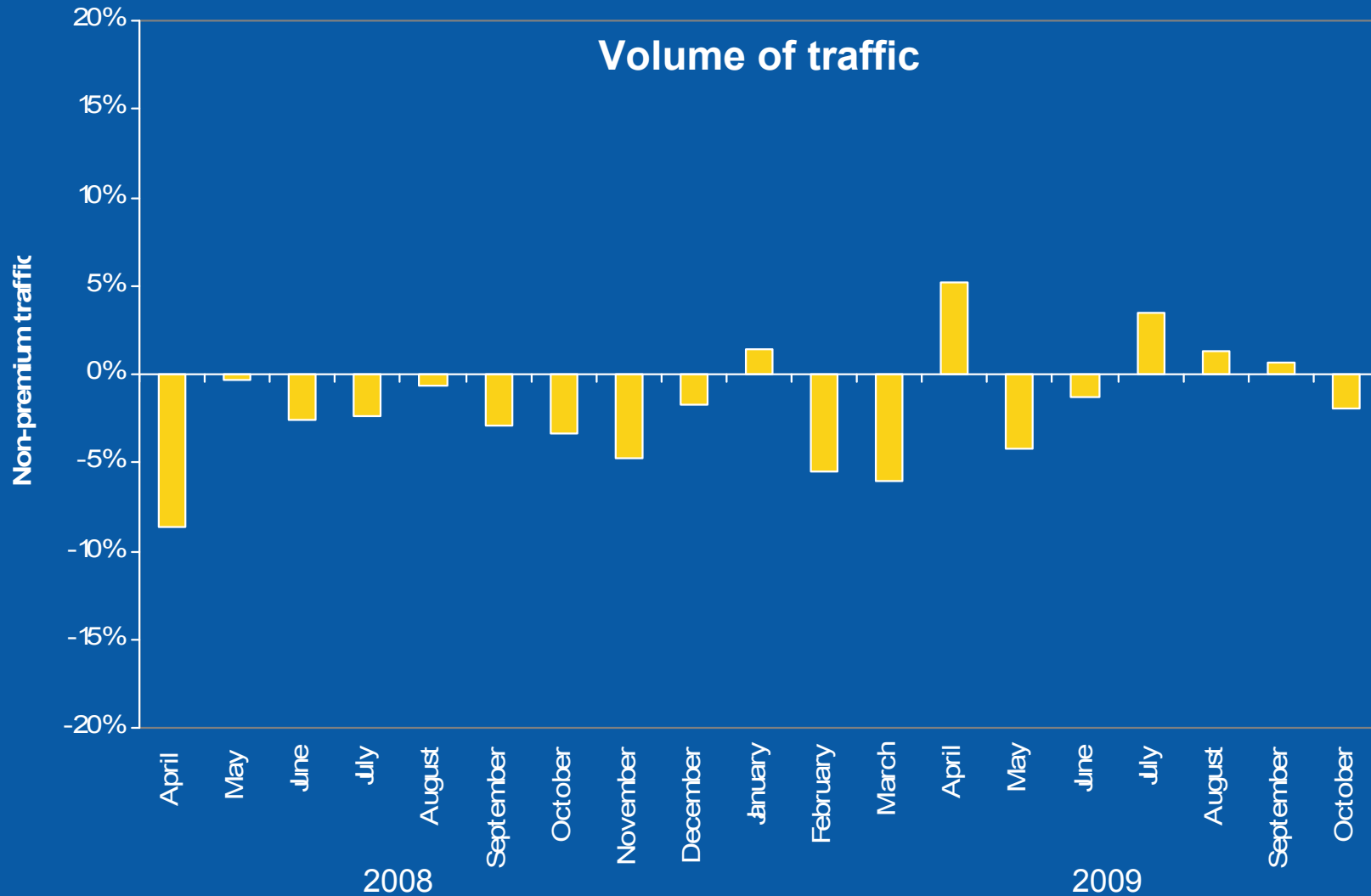
## Longhaul Premium Seat Factor



...but structural change in shorthaul premium.

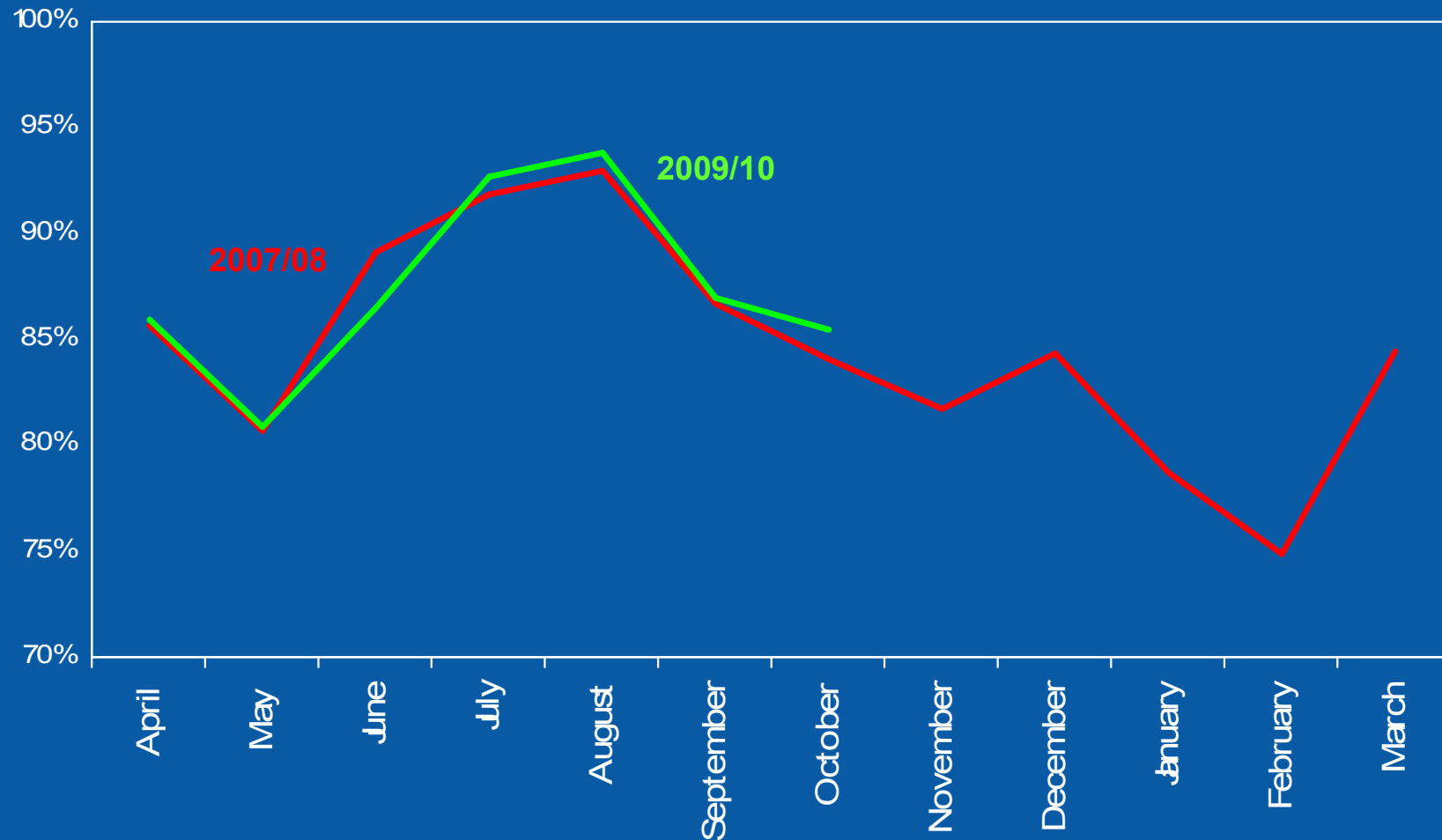


# Non premium volume is driven by price...



...with seat factors back to previous levels.

## Longhaul Non-Premium Seat Factor



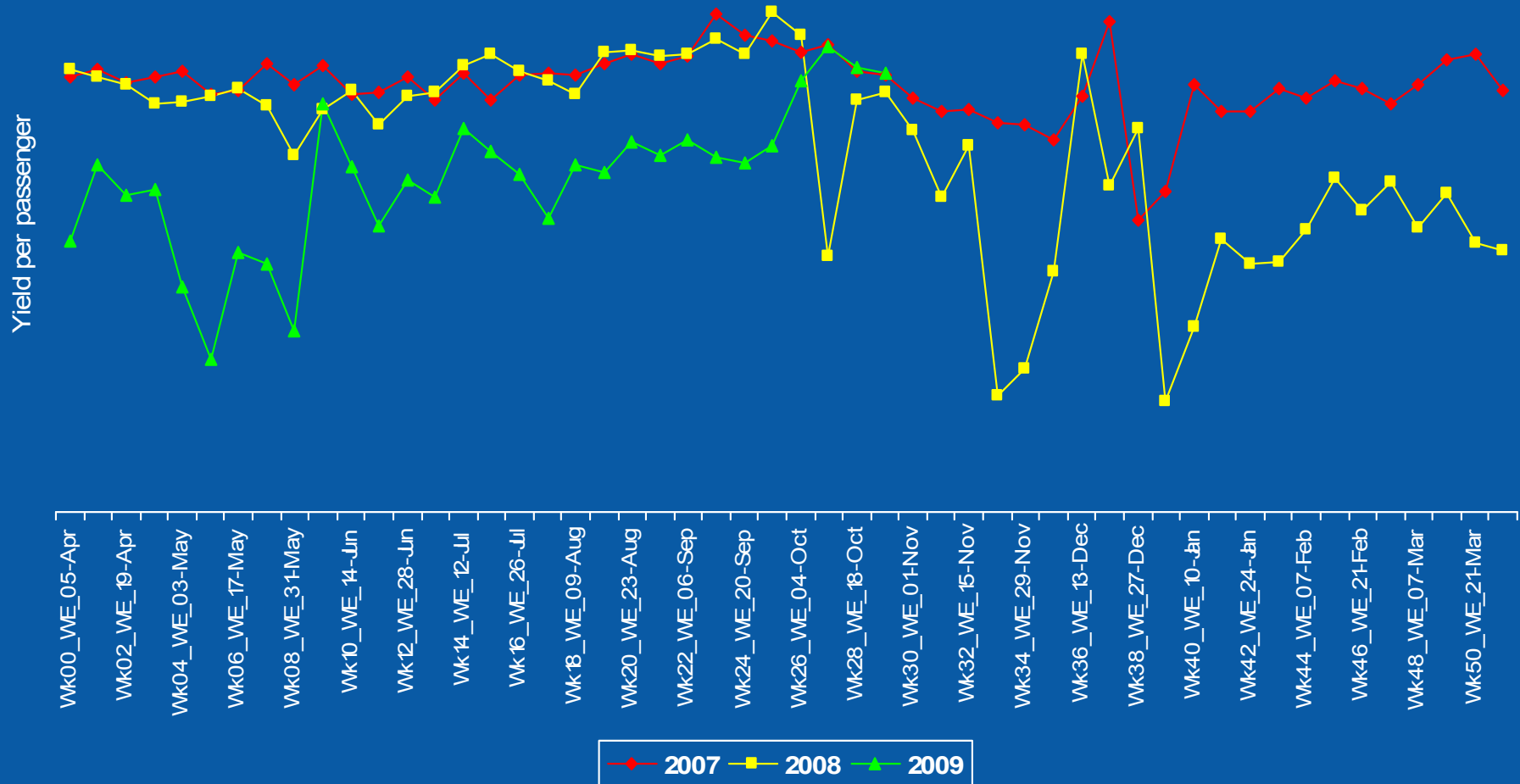
BRITISH AIRWAYS

2009/10 First Half Results November 6, 2009



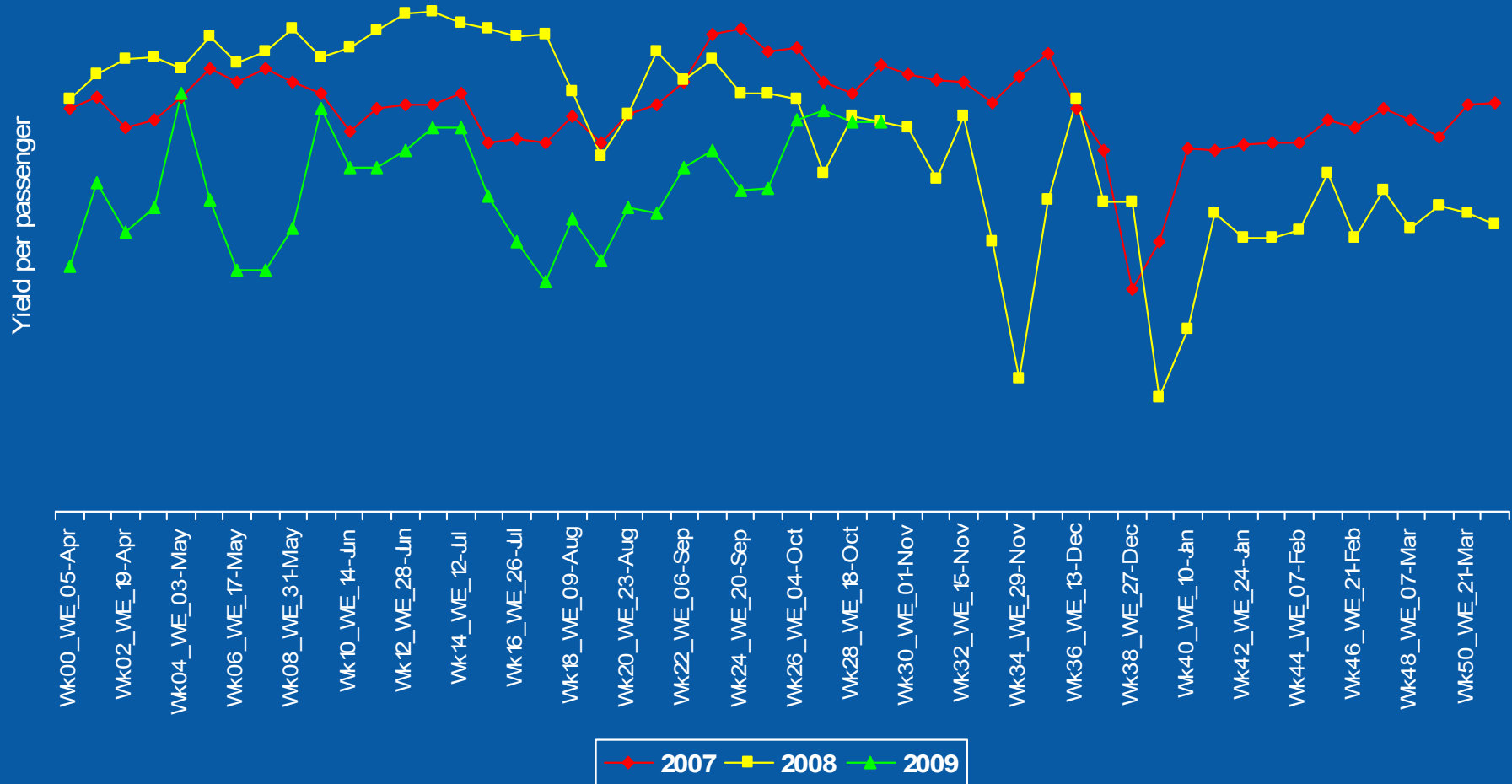
# Some improved yield in LH premium bookings

## Longhaul premium booked yield at constant exchange



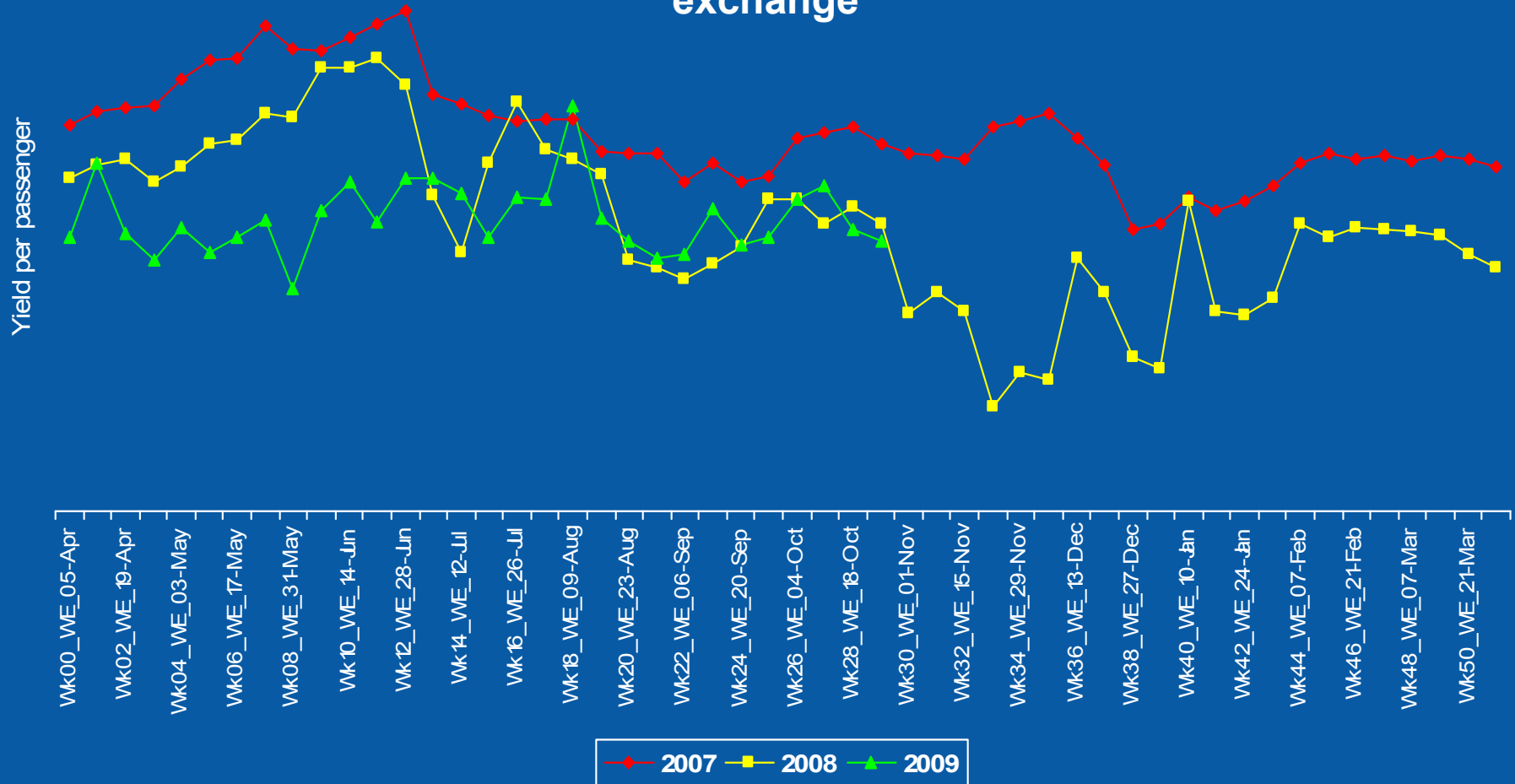
# And improved yield in SH premium bookings

## Shorthaul premium booked yield at constant exchange



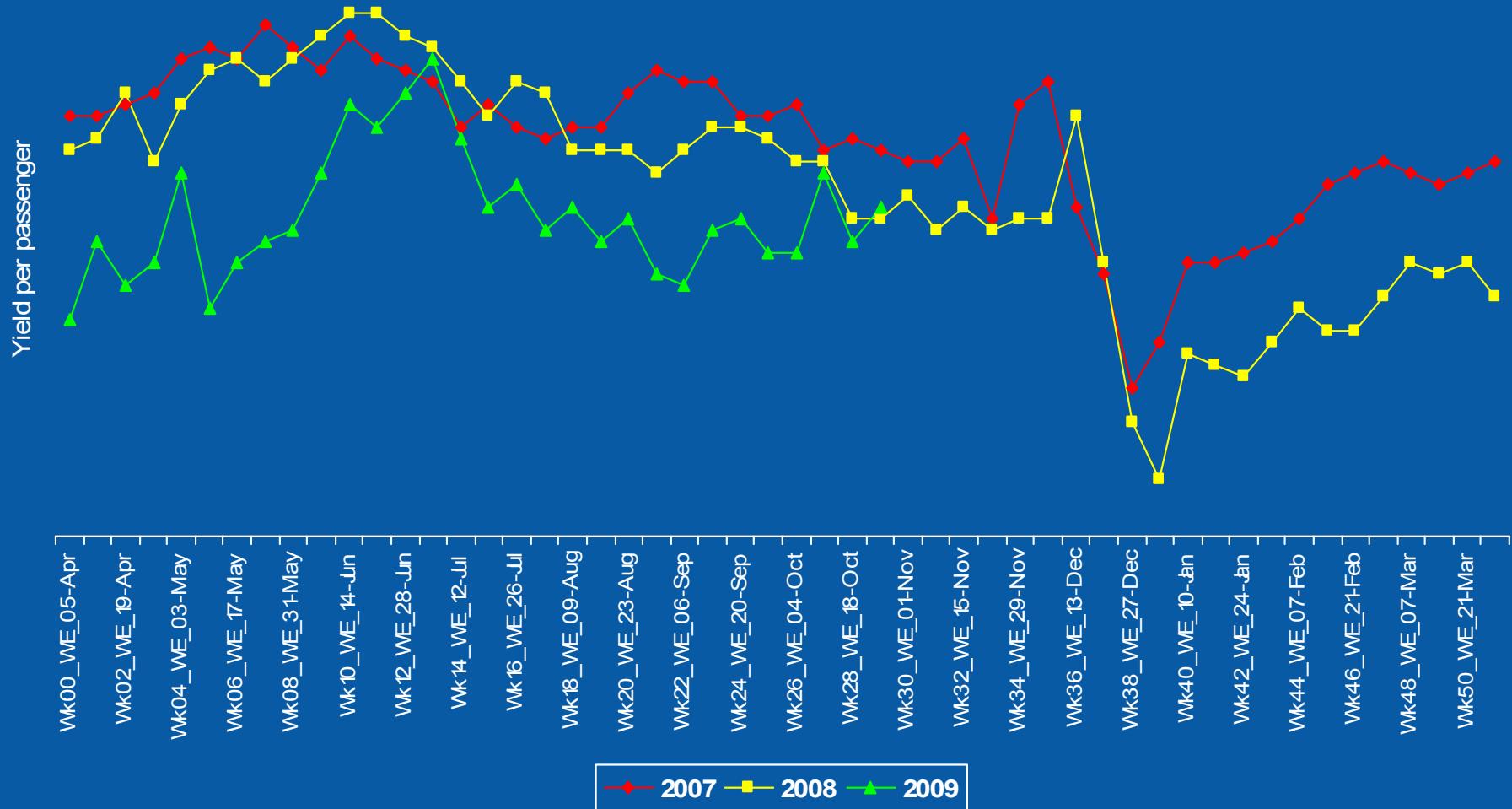
# With yields stable in LH non-premium bookings

## Longhaul non-premium booked yield at constant exchange



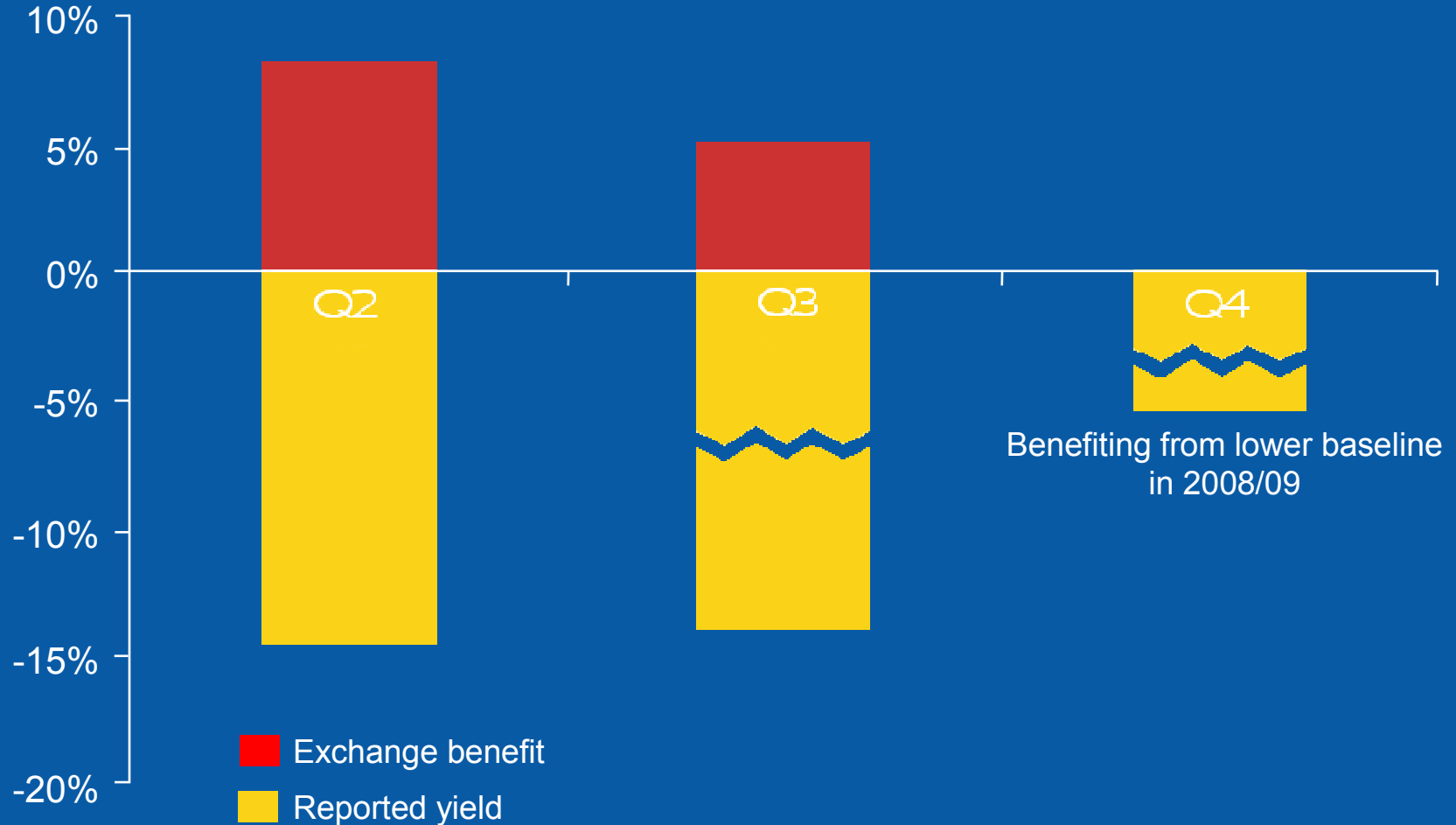
# And yield recovery in SH non-premium bookings

## Shorthaul non-premium booked yield at constant exchange



# Yields expected to improve over time...

## Yield per RPK % vly



# Revenue summary

- Looking at a slow recovery in premium
  - volumes stable, yields slowly improving
- Non-premium seat factors back to peak levels
  - volumes strong, yields stable
- Structural change in shorthaul premium
- Revenue expected to be down around £1 billion



# Cost headlines

- Twelve months of structural change
  - Management reductions, Terminal 5 changes, engineering productivity, overseas functions, supplier costs, commission changes
- MPE down 10% year on year
- Unit costs improved by 5.2% (as reported)
- More to do in response to revenue environment



# First half costs

6 months April to September 2009	£m	% vly	
Employee costs	1,031	7.6	down
Restructuring	48	nm	
Engineering & other aircraft	247	1.2	up
Landing & en route charges	322	5.6	up
Handling, catering etc	529	3.7	up
Selling costs	144	23.4	down
Other costs (inc. retranslation)	664	6.7	down
TOTAL COSTS (excl. fuel)	2,985	4.3	down
Fuel & oil	1,228	17.8	down
<b>REPORTED TOTAL COSTS</b>	<b>4,213</b>	<b>8.7</b>	<b>down</b>

Period ended September 30, 2009





# Q2 costs show continued improvement

3 months July to September 2009	£m	% vly	
Employee costs	504	10.2	down
Restructuring	39	nm	
Engineering & other aircraft	117	7.1	down
Landing & en route charges	157	3.1	down
Handling, catering etc.	263	3.1	up
Selling costs	76	21.6	down
Other costs (inc. retranslation)	348	2.2	down
<b>TOTAL COSTS (excl. fuel)</b>	<b>1,504</b>	<b>6.1</b>	<b>down</b>
Fuel & oil	632	19.8	down
<b>REPORTED TOTAL COSTS</b>	<b>2,136</b>	<b>10.6</b>	<b>down</b>

Period ended September 30, 2009



**BRITISH AIRWAYS**

2009/10 First Half Results November 6, 2009

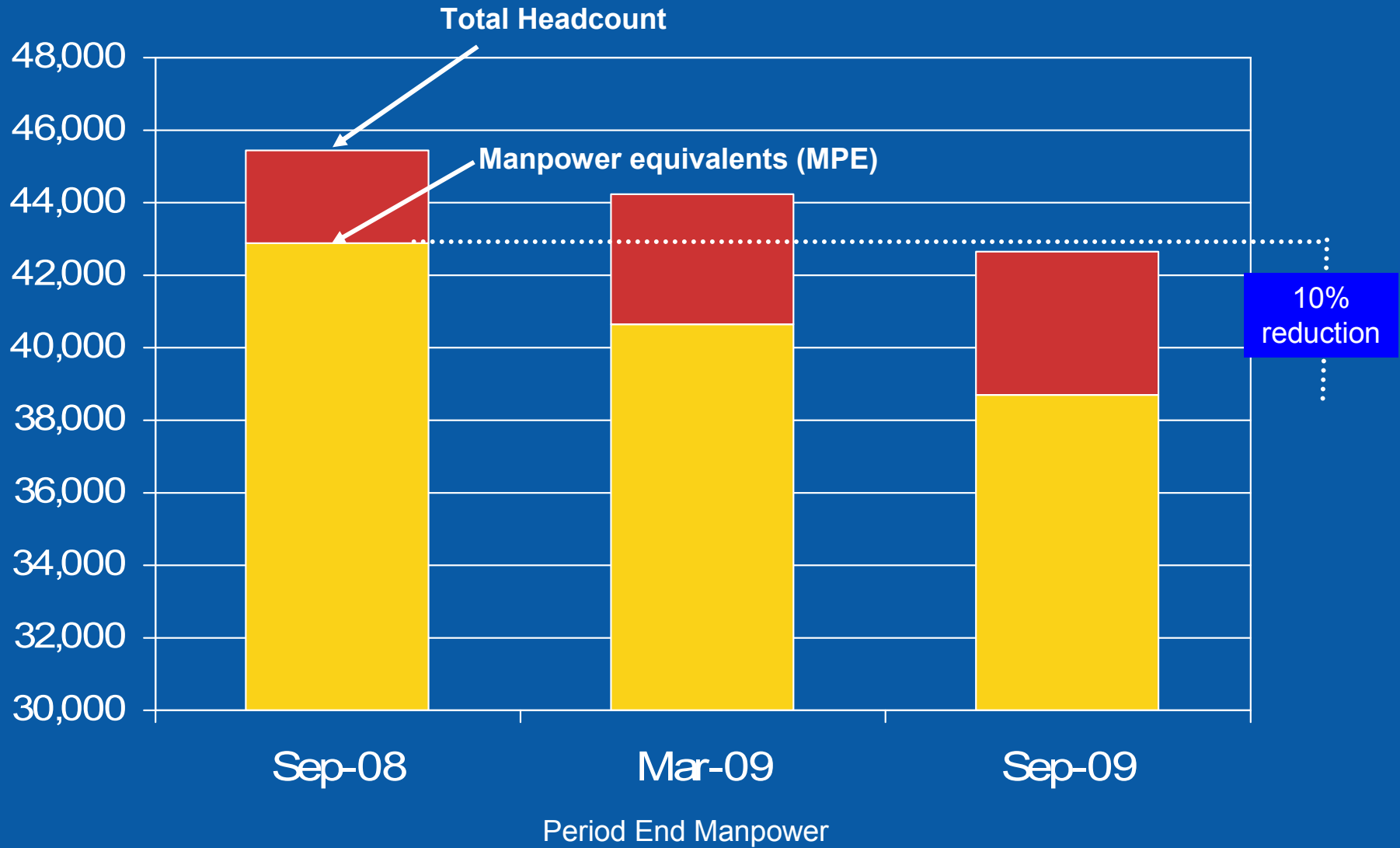
# At constant exchange all costs down in H1

6 months April to September 2009	£m	% vly	
Employee costs	1,052	9.4	down
Engineering & other aircraft	219	10.2	down
Landing & en route charges	295	3.3	down
Handling, catering etc	493	3.3	down
Selling costs	128	31.9	down
Other costs	660	7.3	down
TOTAL COSTS (excl. fuel)	2,847	8.8	down
Fuel & oil	987	33.9	down
<b>REPORTED TOTAL COSTS</b>	<b>3,834</b>	<b>16.9</b>	<b>down</b>

Period ended September 30, 2009

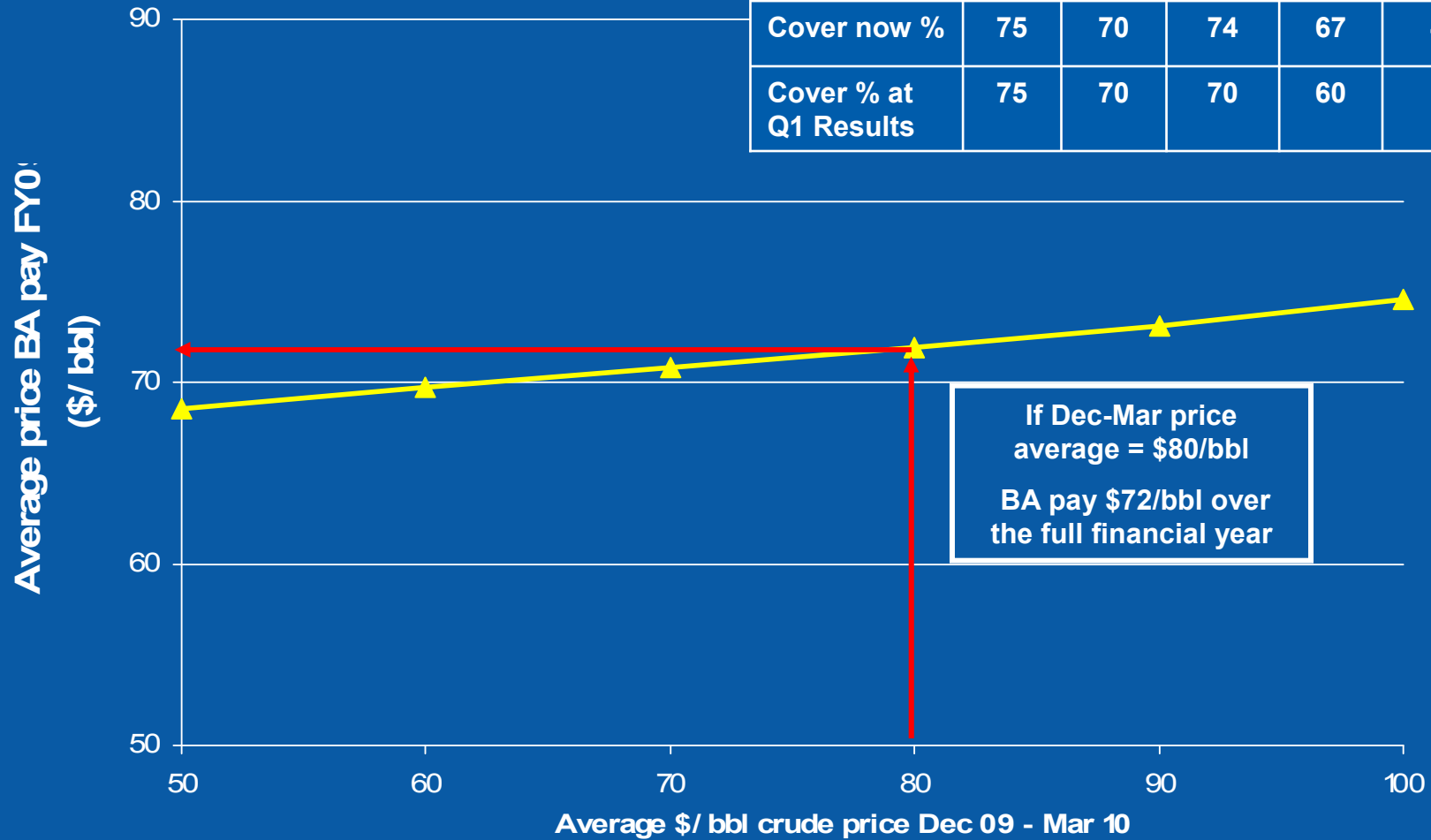


# Manpower reducing from efficiency and capacity

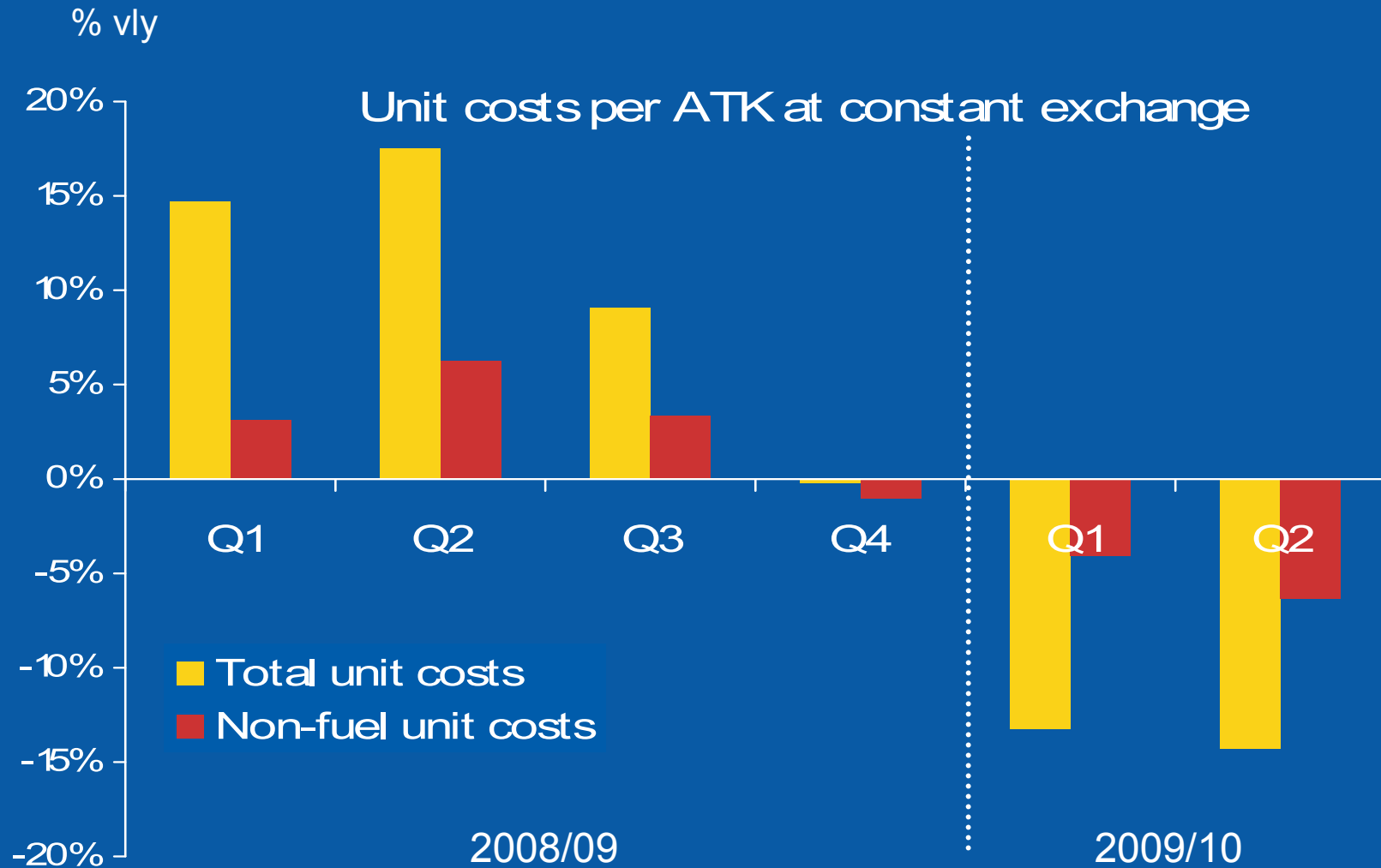


# FY09/10 Average price per barrel

Hedging 2009/10	Q1	Q2	Q3	Q4	FY 10/11
Cover now %	75	70	74	67	40
Cover % at Q1 Results	75	70	70	60	



# Non-fuel unit costs improving



# Cost summary

- Investor day target was £220m reduction in underlying non-fuel costs (excluding restructuring)
- At half-year point:
  - Underlying non-fuel costs down around £275m
  - Underlying non-fuel unit costs down 5.5%

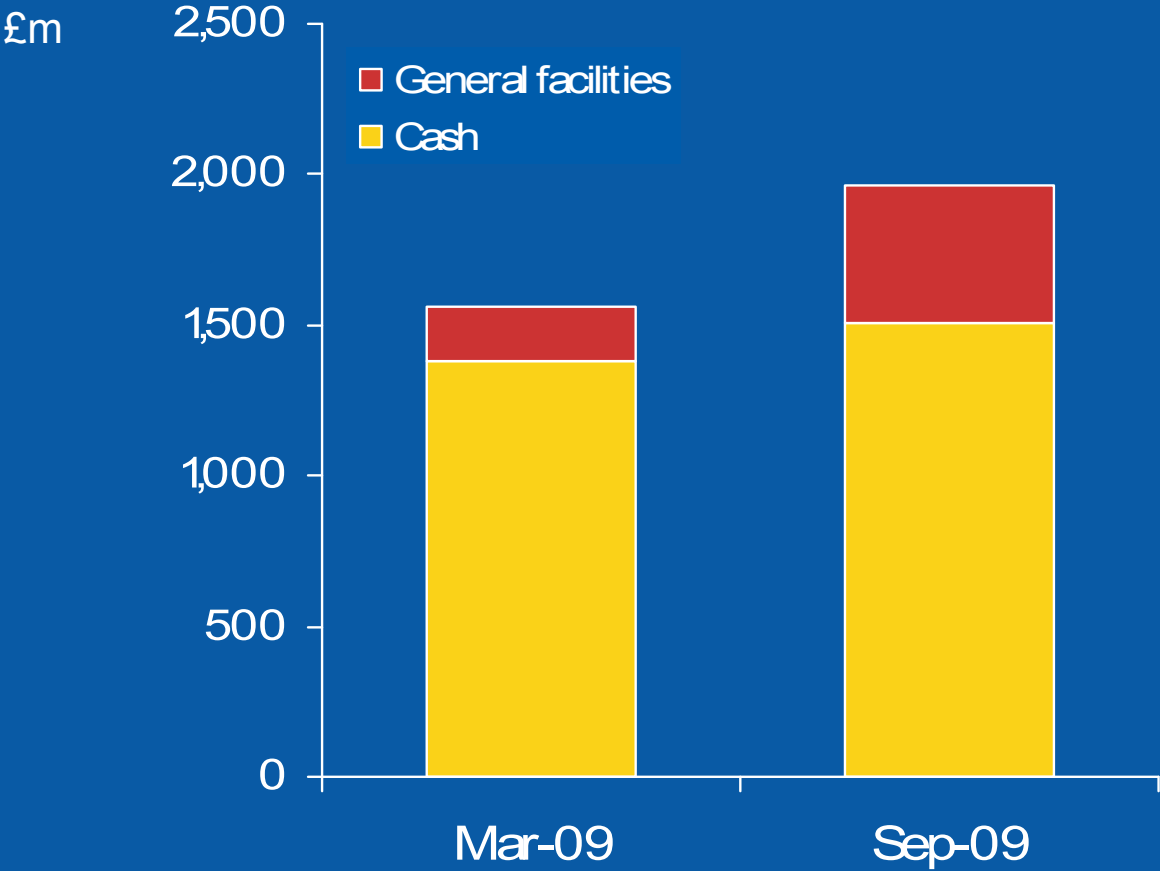


# Summary balance sheet

£m	Sep 2009	March 2009	Change
Property, plant and equipment	7,127	7,233	(106)
Employee benefit assets	393	340	53
Cash	1,507	1,381	126
Other assets	1,417	1,534	(117)
<b>Total assets</b>	<b>10,444</b>	<b>10,488</b>	<b>(44)</b>
Gross debt	3,869	3,763	106
Employee benefit obligations	199	191	8
Other liabilities	4,215	4,688	(473)
Share capital & minority interest	1,419	1,416	3
Reserves	742	430	312
<b>Total equity and liabilities</b>	<b>10,444</b>	<b>10,488</b>	<b>(44)</b>



# General purpose liquidity now £2 billion





# Committed facilities of £2.6 billion take total liquidity to £4 billion

Facility	Amount	Available To
Multi Option Facility	\$1,174m	June 2013
Airbus A380 Backstop	\$940m	March 2014
Boeing 787 Backstop	\$508m	September 2016
Airbus A320 Backstop	\$190m	June 2010
Embraer Facility	\$220m	December 2012
General Purpose	\$750m	June 2012
Yen Facility	\$380m	January 2011

As at September 30, 2009



# Summary

- Stabilisation
- Unit costs down again, despite capacity reduction
- Structural cost change
- Important six months ahead: pay, productivity, pensions and profitability



**BRITISH AIRWAYS**



# Willie Walsh

Chief Executive Officer



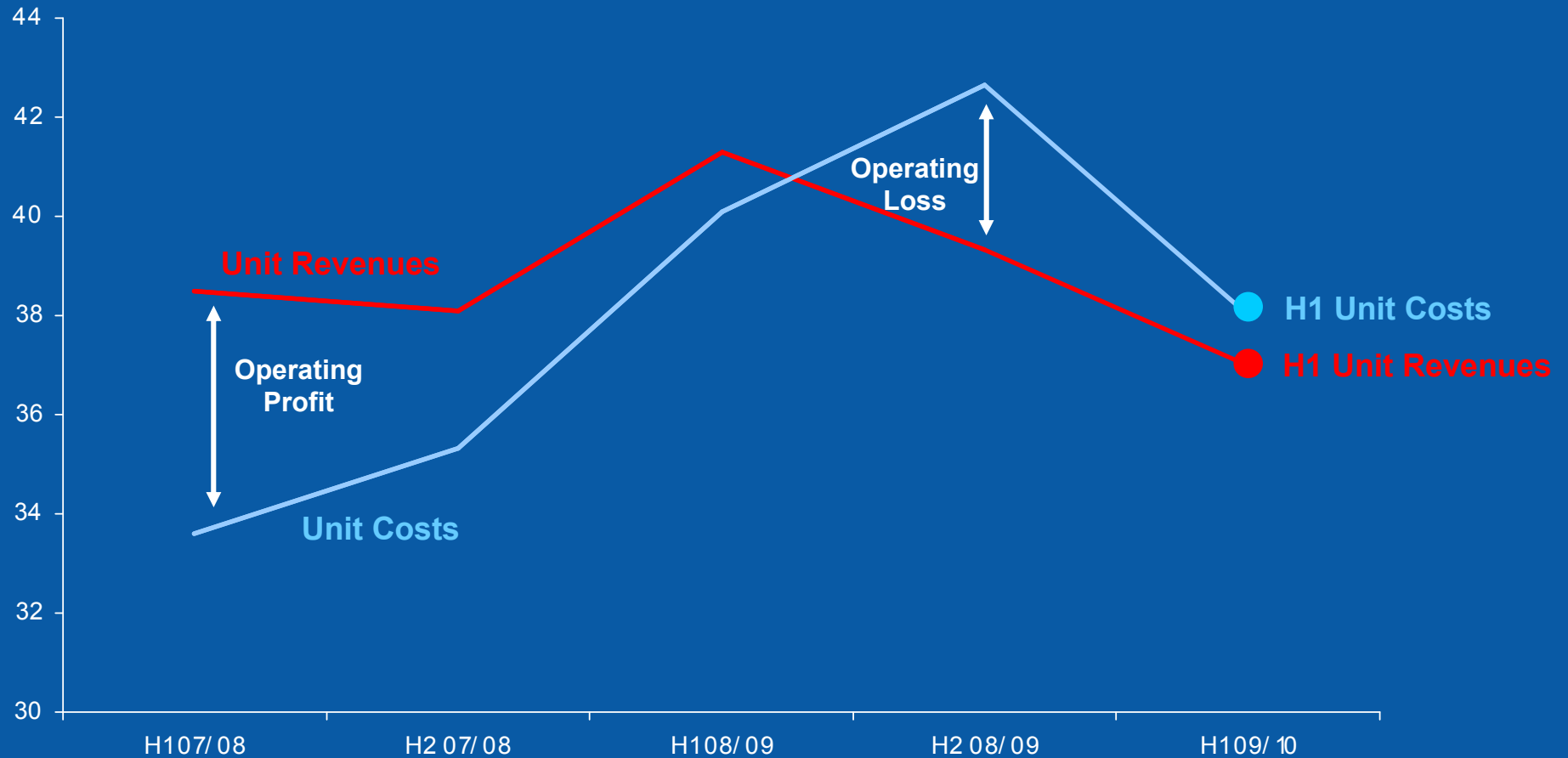
# We have taken action in the following areas

- Costs
- Capacity
- Fleet & Capital expenditure
- Liquidity
- Customer
- Consolidation



# Costs and revenues still need to be brought back in line

Revenue and Cost/ATK (p)

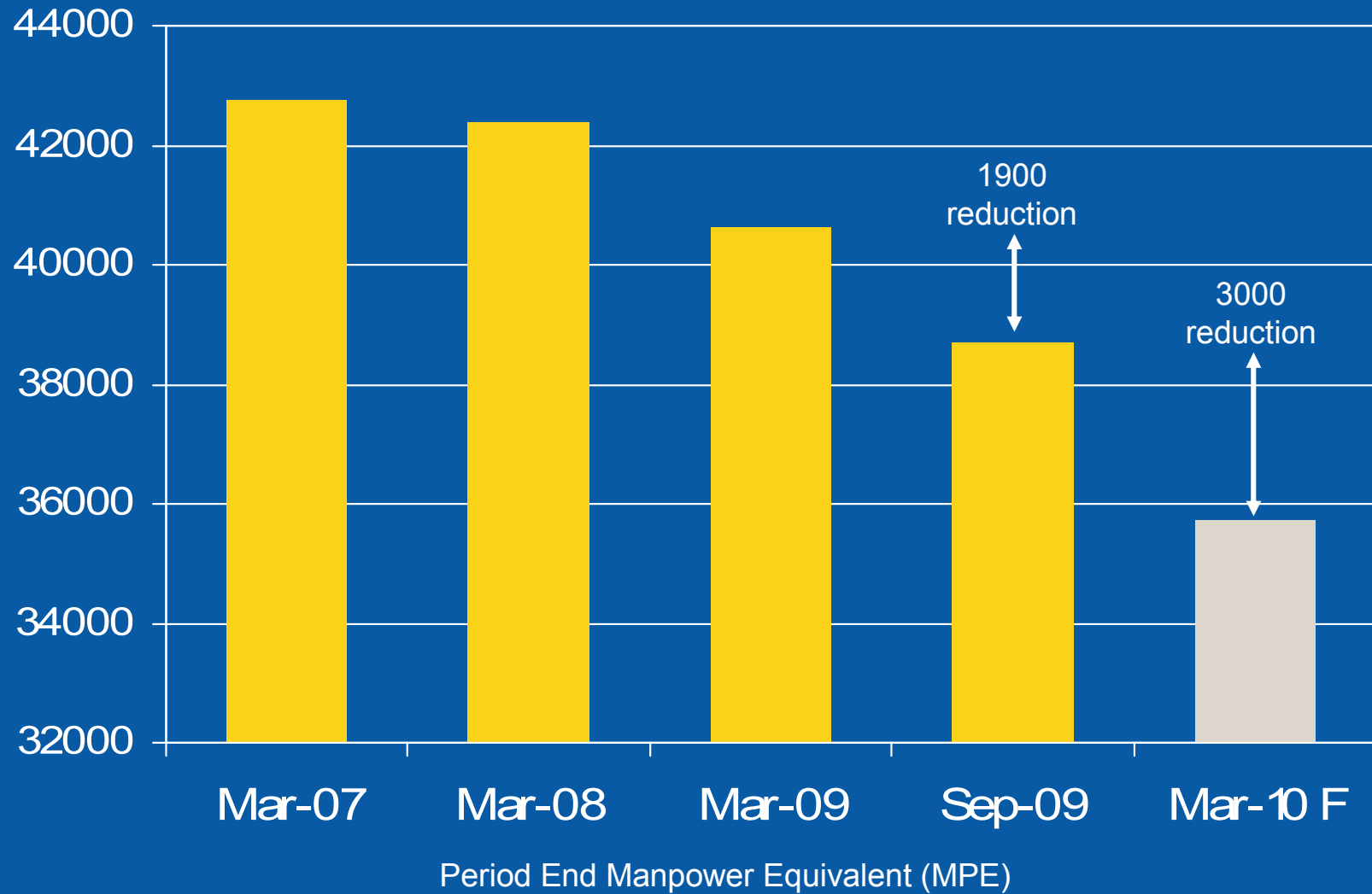


# Focus on cost

- Productivity
- Supplier costs



# Manpower reducing from efficiency and capacity





# Pay and productivity Update

- Engineering
- Pilots
- Ground Services
- Administrative and Customer Service
- Cabin Crew



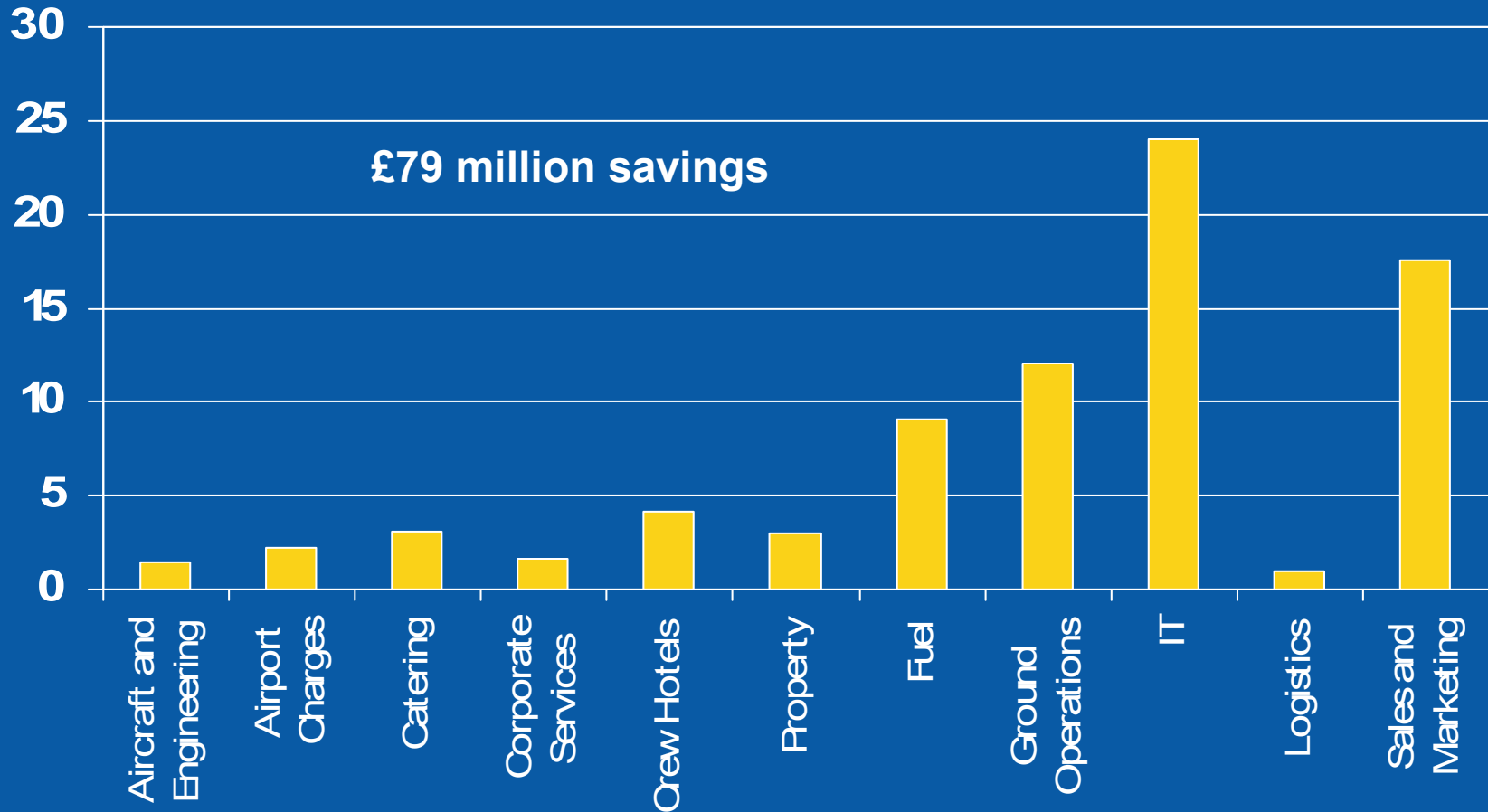
# Cut supplier spend

- Over £5 billion supplier spend
- Top 250 supplier review

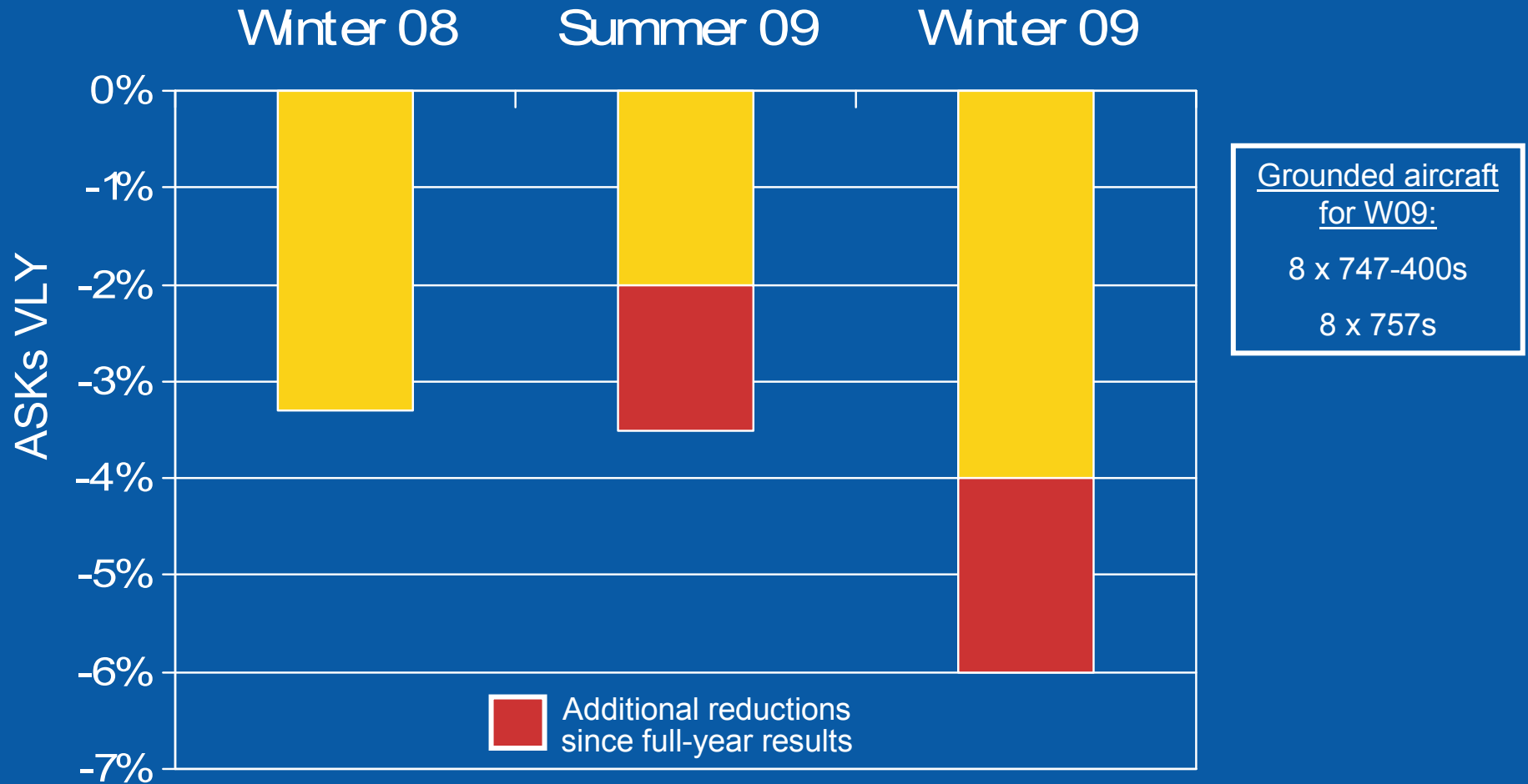


# Top 250 Supplier Savings

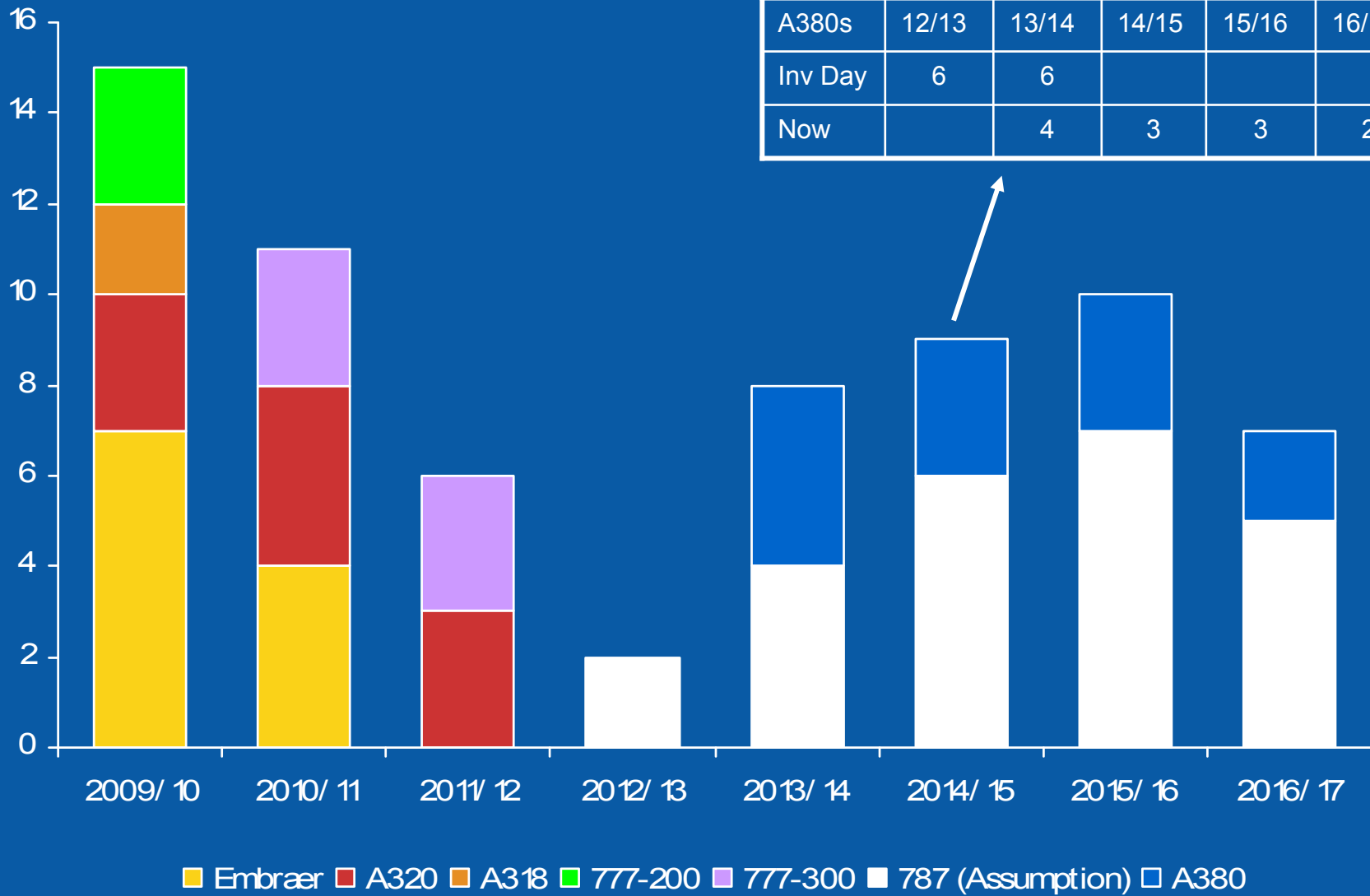
£m Savings



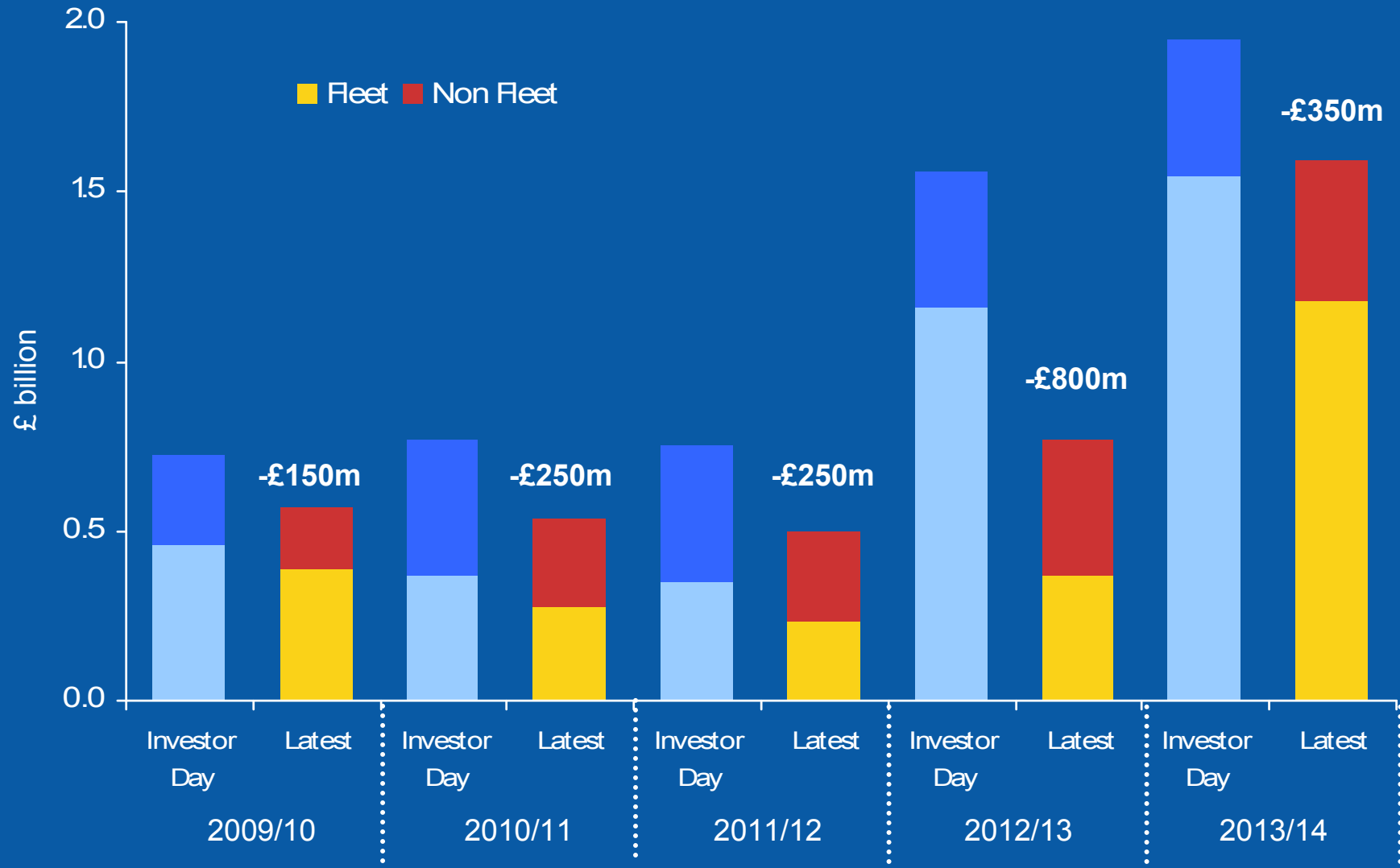
# Winter capacity reduction now 6%



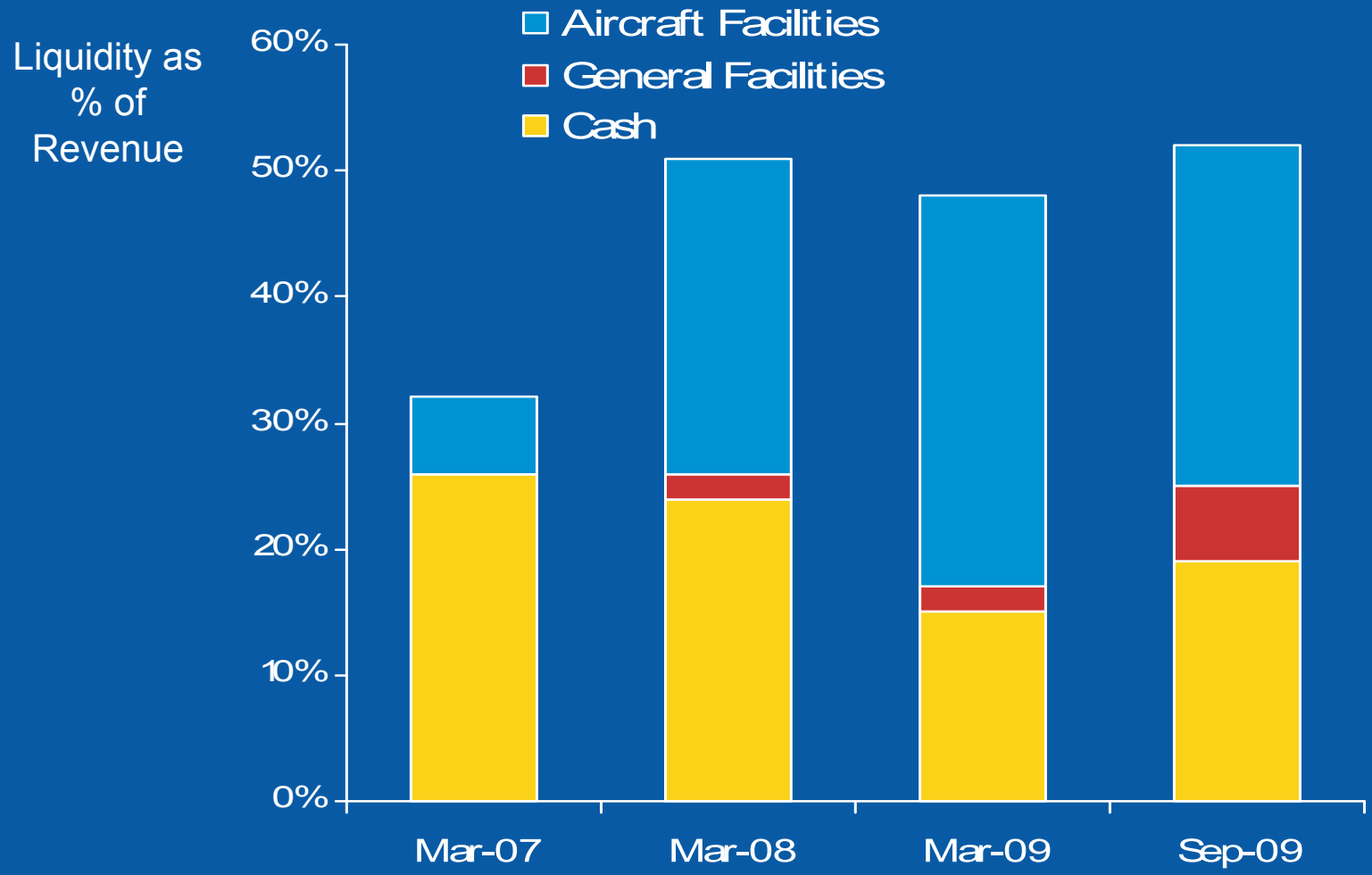
# Fleet orders have been delayed



# Capital expenditure down £1.8 billion

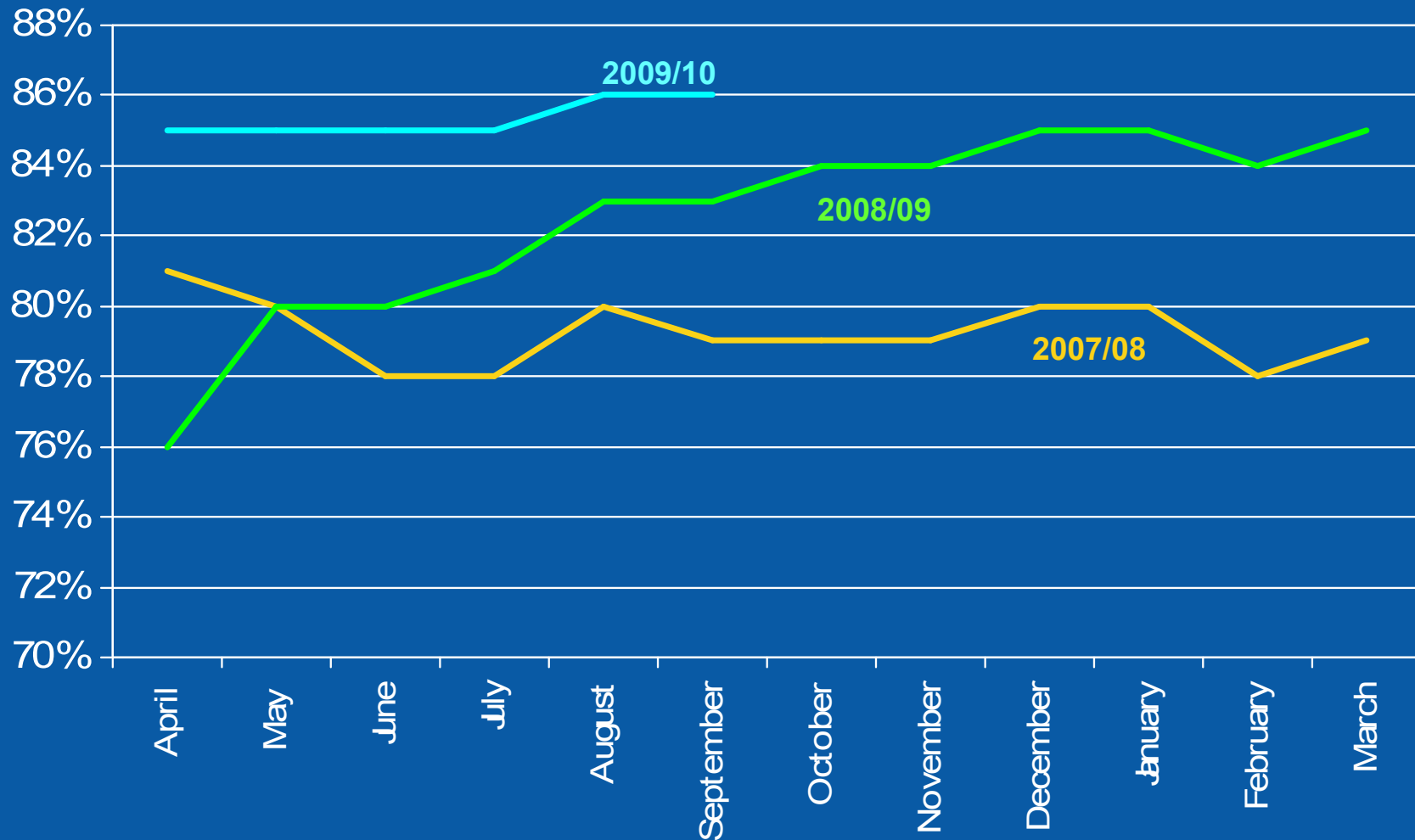


# We have boosted liquidity



# Customer satisfaction at record highs

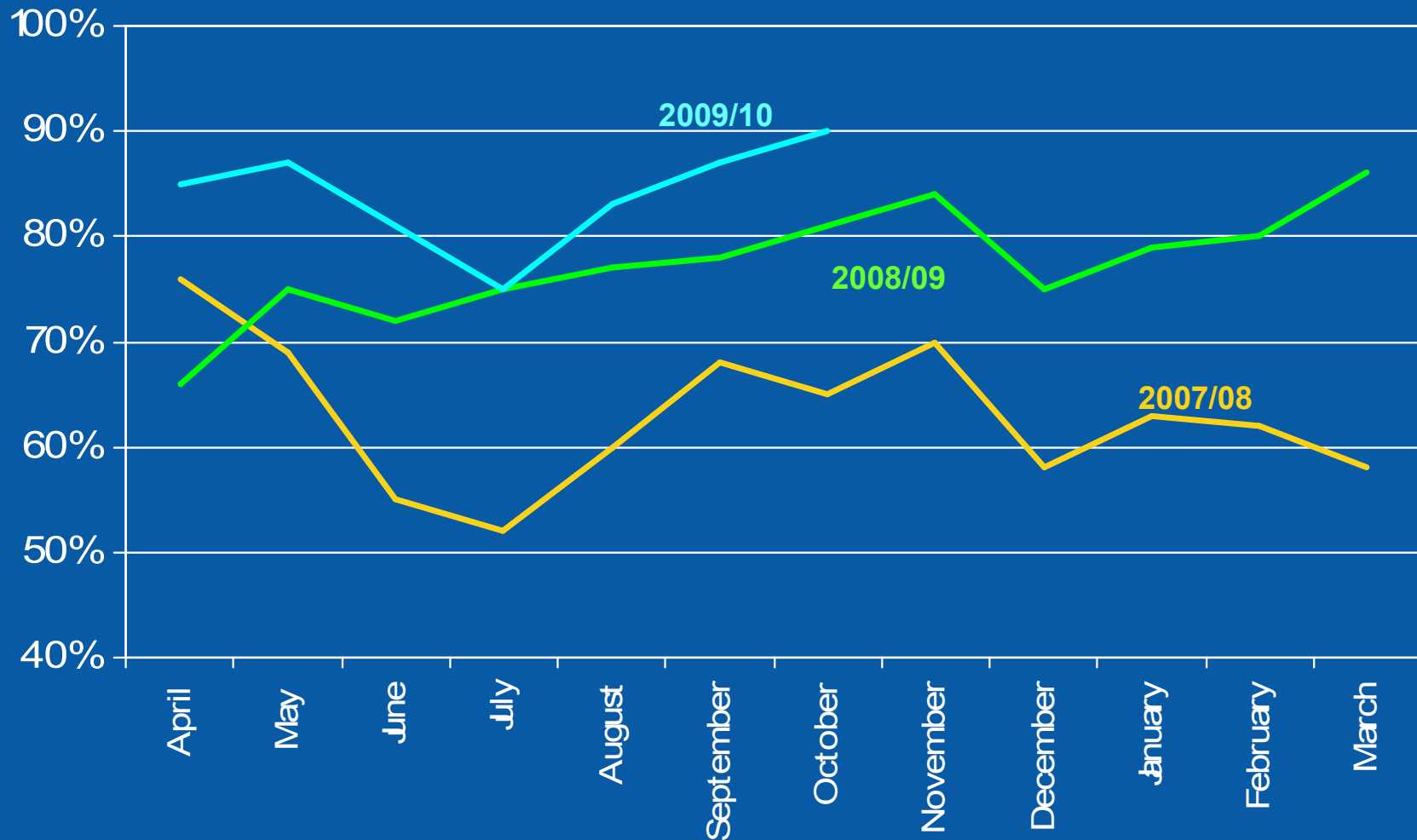
## Overall satisfaction with BA (longhaul)





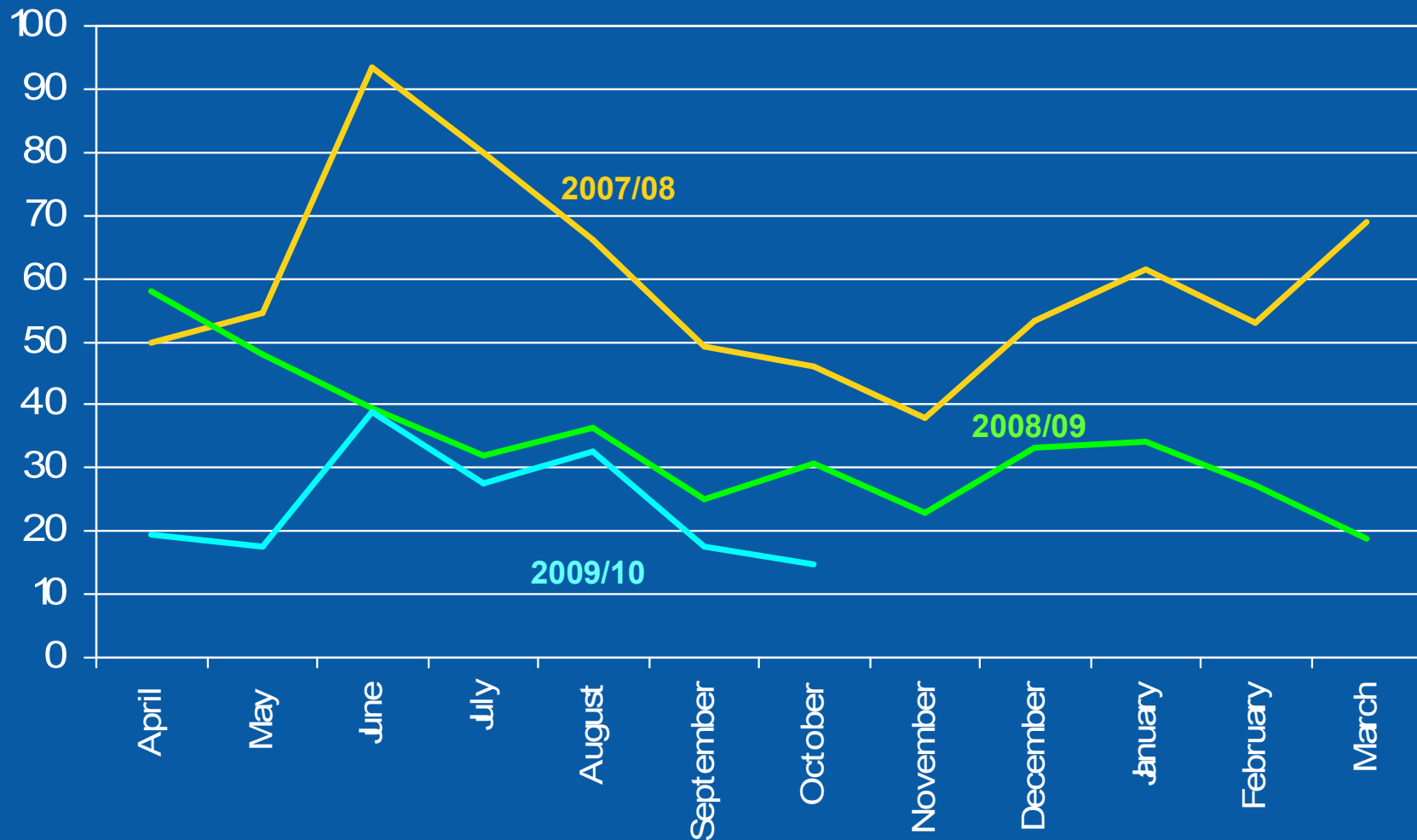
# Punctuality reaching new records

## Mainline Punctuality (within 15 minutes)



# Step change in baggage performance

## LHR short landed bags (per 1000)



# Co-ordination and Consolidation

- ATI application
- Iberia
- Other (BMI)



# What do investors ask us?

- AA/BA/IB
- Iberia
- BMI
- Profitability
- Cabin Crew
- Pensions



**BRITISH AIRWAYS**



# Questions



**BRITISH AIRWAYS**

2009/10 First Half Results November 6, 2009

**BRITISH AIRWAYS**

