

BRITISH AIRWAYS PLC
Form 6-K
August 09, 2004

FORM 6-K

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

Report of Foreign Issuer

Furnished Pursuant to Rule 13a - 16 or 15d - 16 of the

Securities Exchange Act of 1934

For the period ending 9 August 2004

BRITISH AIRWAYS Plc

Waterside HBA3, PO Box 365, Harmondsworth UB7 0GB

CONTENTS

1. First Quarter Results 2004-2005 9 August 2004

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

BRITISH AIRWAYS Plc

Date: 9 August 2004

Alan Buchanan

Company Secretary

**FIRST QUARTER
RESULTS 2004-2005
(unaudited)**

		2004	Three months ended June 30 2003	Better/ (Worse)	Year ended March 31 2004
Turnover	£m	1,925	1,832	5.1%	7,560
Operating profit	£m	150	40	nm	405
Operating margin	%	7.8	2.2	5.6pts	5.4

Edgar Filing: BRITISH AIRWAYS PLC - Form 6-K

Profit/(loss) before tax	£m	115	(45)	nm	230
Retained profit/(loss) for the period	£m	70	(63)	nm	130
Net assets	£m	2,430	2,206	10.2%	2,397
Earnings/(loss) per share					
<i>Basic</i>	p	6.5	(5.9)	nm	12.1
<i>Diluted</i>	p	6.4	(5.9)	nm	12.1

nm: Not meaningful

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	2004 £m	Three months ended June 30 2003 £m	Better/ (Worse)	Year ended March 31 2004 £m
Traffic Revenue				
<i>Passenger</i>	1,625	1,576	3.1%	6,490
<i>Cargo</i>	118	113	4.4%	463
	1,743	1,689	3.2%	6,953
<i>Other revenue</i>	182	143	27.3%	607
TOTAL TURNOVER	1,925	1,832	5.1%	7,560
<i>Employee costs</i>	551	528	(4.4)%	2,180
<i>Depreciation and amortisation</i>	165	164	(0.6)%	679
<i>Aircraft operating lease costs</i>	26	35	25.7%	135
<i>Fuel and oil costs</i>	258	229	(12.7)%	922
<i>Engineering and other aircraft costs</i>	112	132	15.2%	511
<i>Landing fees and en route charges</i>	141	141		549
<i>Handling charges, catering and other operating costs</i>	233	243	4.1%	934
<i>Selling costs</i>	133	155	14.2%	554
<i>Accommodation, ground equipment costs and currency differences</i>	156	165	5.5%	691
TOTAL OPERATING EXPENDITURE	1,775	1,792	0.9%	7,155
OPERATING PROFIT	150	40	nm	405
Share of operating (losses)/profits in associates	(4)	(4)		58
TOTAL OPERATING PROFIT	146	36	nm	463

INCLUDING ASSOCIATES				
Other income				13
(Loss) on sale of fixed assets and investments	(6)	(72)	91.7%	(46)
Interest				
<i>Net payable</i>	(48)	(55)	12.7%	(216)
<i>Retranslation credits on currency borrowings</i>	23	46	(50.0)%	16
PROFIT/(LOSS) BEFORE TAX	115	(45)	nm	230
Tax	(42)	(14)	nm	(85)
PROFIT/(LOSS) AFTER TAX	73	(59)	nm	145
Equity minority interest				(1)
Non equity minority interest **	(3)	(4)	25.0%	(14)
PROFIT/(LOSS) FOR THE PERIOD	70	(63)	nm	130
RETAINED PROFIT/(LOSS) FOR THE PERIOD	70	(63)	nm	130
nm: Not meaningful				
** Cumulative Preferred Securities				

OPERATING AND FINANCIAL STATISTICS (unaudited)

	2004	Three months ended June 30 2003	Increase/ (Decrease)	Year ended March 31 2004
TOTAL AIRLINE OPERATIONS (Note 1)				
<i>TRAFFIC AND CAPACITY</i>				
RPK (m)	27,083	25,102	7.9%	103,092
ASK (m)	36,150	34,962	3.4%	141,273
Passenger load factor (%)	74.9	71.8	3.1pts	73.0
CTK (m)	1,217	1,057	15.1%	4,461
RTK (m)	3,909	3,556	9.9%	14,771
ATK (m)	5,652	5,317	6.3%	21,859
Overall load factor (%)	69.2	66.9	2.3pts	67.6

Edgar Filing: BRITISH AIRWAYS PLC - Form 6-K

Passengers carried (000)	9,288	9,769	(4.9)%	36,103
Tonnes of cargo carried (000)	216	190	13.7%	796
<i>FINANCIAL</i>				
Passenger revenue per RPK (p)	6.00	6.28	(4.5)%	6.30
Passenger revenue per ASK (p)	4.50	4.51	(0.2)%	4.59
Cargo revenue per CTK (p)	9.70	10.69	(9.3)%	10.38
Total traffic revenue per RTK (p)	44.59	47.50	(6.1)%	47.07
Total traffic revenue per ATK (p)	30.84	31.77	(2.9)%	31.81
Average fuel price before hedging (US cents/US gallon)	115.52	92.17	25.3%	94.49
<i>OPERATIONS</i>				
Average Manpower Equivalent (MPE)	46,280	49,215	(6.0)%	47,605
ATKs per MPE (000)	122.1	108.0	13.1%	459.2
Aircraft in service at period end	290	314	(24)	291
TOTAL GROUP OPERATIONS				
<i>FINANCIAL</i>				
Net operating expenditure per RTK (p)	40.75	46.37	(12.1)%	44.33
Net operating expenditure per ATK (p)	28.18	31.01	(9.1)%	29.96

Note 1: Excludes non airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd, BA Travel Shops Ltd, Speedbird Insurance Company Ltd and The London Eye Company Ltd.

CHAIRMAN'S STATEMENT

Group Performance

Group profit before tax for the three months to June 30 was £115 million; this compares with a loss of £45 million last year.

Operating profit - - at £150 million - - was £110 million better than last year. The improvement in operating profit primarily reflects an increase in revenue. Volumes in the quarter were up significantly on the previous year, which was depressed due to the impact of SARS and the after-effects of the war in Iraq.

Group unit costs (pence/ATK) improved by 9.1% on capacity (ATKs) 6.3% higher. Airline operations passenger yield (pence/RPK) for the three months deteriorated by 4.5% compared with last year. The operating margin was 7.8%, 5.6 points better than last year.

Cash inflow before financing was £326 million for the quarter, with the closing cash balance of £1,735 million representing a £65 million increase versus March 31. Net debt fell by £334 million from March 31 to £3,824 million - - its lowest level since June 1997 and reflecting the impact of £141 million of early repayment in the quarter.

Turnover

For the three month period, Group turnover - - at £1,925 million - - was up 5.1% on a flying programme 6.3% larger in ATKs. Passenger yields were down 4.5% per RPK; seat factor was up 3.1 points at 74.9% on capacity 3.4% higher in ASKs.

Cargo volumes (CTKs) for the quarter were up 15.1% compared with last year, with yields (pence/CTK) down 9.3%.

Overall load factor was up 2.3 points at 69.2%.

Costs

For the quarter, unit costs (pence/ATK) improved 9.1% on the same period last year. This reflects the net cost reduction of 3.4% on capacity 6.3% higher in ATKs.

Total costs were down by 0.9%. Fuel costs increased by 12.7% due to increases in fuel price net of hedging partially offset by exchange, and employee costs increased by 4.4% as wage awards and increased pension contributions were only partially offset by manpower reductions. These cost increases were offset by reductions in selling costs, down 14.2% due to last year's agents' commission restructuring and renegotiations in distribution contracts, and engineering and other aircraft costs, down 15.2% as a result of engine input phasing and the impact of exchange.

Non Operating Items

Net interest expense reduced by £7 million from last year to £48 million reflecting the impact on interest payable of lower debt and on interest receivable of higher cash balances.

Retranslation of currency borrowings generated a credit of £23 million, (prior year: £46 million), primarily reflecting £24 million which was due to the retranslation of yen debts. The retranslation - - a non-cash item required by standard accounting practice - - results from the weakening of the yen against sterling.

Loss on disposals of fixed assets and investments was £6 million, compared with £72 million in the prior year when we disposed of dba.

Earnings Per Share

The earnings attributable to shareholders for the three months was equivalent to 6.5 pence per share, compared with last year's loss per share of 5.9 pence.

Net Debt / Total Capital Ratio

Borrowings, net of cash and short term loans and deposits, were £3,824 million at June 30 - - down £334 million since the start of the year and £2.8 billion from the December 2001 peak. This reflects cash inflow more than offsetting movements in gross debt, partially offset by exchange movements of £11 million. The net debt/total capital ratio reduced by 2.6 points from March 31 to 51.5%. The net debt/total capital ratio including operating leases was 56.2%, a 2.2 point reduction from March 31.

Cash Flow

During the quarter we generated a positive cash flow from operations of £356 million. After disposal proceeds, capital expenditure and interest payments on our existing debt, but before financing, cash inflow was £326 million. This represents a £164 million improvement on last year, primarily due to the increase in operating cash flow (£128 million) and in disposal proceeds, together with savings in capital expenditure.

Performance Improvement Programmes

Work continues to ensure delivery of the 2004/06 Business Plan programmes including the target of £300 million saving in employment costs, together with the continuing delivery of last year's Business Plan programmes. Delivery of the £300 million employment cost saving as planned remains a challenge, in particular given the current Industrial Relations environment.

Aircraft Fleet

During the quarter the Group fleet in service reduced by one to 290 aircraft, as one Boeing 737-400 aircraft was returned to lessor.

Alliances and Franchises

An agreement has been signed to terminate the Alliance Agreement with Swiss International Air Lines following Swiss's decision not to proceed with the integration of the airlines' frequent flyer programmes. British Airways and Swiss will continue to code-share on the London Heathrow-Geneva route for three years, but all other code-sharing will cease at the end of this summer season and Swiss will not join **oneworld**. The slots exchange agreement with Swiss remains in place.

British Airways has agreed to benefit sharing with Iberia on the London routes to Madrid, Barcelona and Bilbao. Implementation is anticipated by this winter.

British Mediterranean added London-Khartoum to the network in April and London-Ekaterinburg in May. GB Airways introduced new services in April between London Gatwick and Ibiza and Bastia. Regional Air has added Nairobi-Lilongwe to their network, bringing Malawi back on to the British Airways network.

Industrial Relations

Notice of industrial action ballots on pay has been received from the TGWU covering ground support services staff and from the TGWU and GMB covering administration and terminal staff. This follows the Company's offer of a rise in pensionable pay over three years of some 8.5% or some 10.5% increase in non-pensionable pay. The conciliation service ACAS are facilitating talks with the trades unions aimed at finding a solution acceptable to both sides. British Airways has proposed to the unions that the issue be settled by formal binding arbitration.

Outlook

Market conditions remain unchanged since our last report. Long-haul premium volumes are recovering steadily, while short-haul premium travel remains at lower levels. The non-premium markets are very price sensitive. We continue to forecast a revenue improvement of 2-3 per cent in the current year. Yield declines over the full year are expected to be more than offset by increased volume. Fuel costs are now expected to be £225 million higher than last year, an increase of £75 million on previous estimates. Strategies to curb controllable costs remain the key to achieving long-term, sustainable profitability.

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 itemize 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. Information on some factors which could result in material difference to the results is available in the Company's SEC filings, including, without limitation the Company's Report on Form 20-F for the year ended March 2004.

GROUP BALANCE SHEET (unaudited)

	2004 £m	June 30 2003 £m <i>Restated</i>	March 31 2004 £m <i>Restated</i>
FIXED ASSETS			
Intangible assets	165	161	