

June 2006 Issue number 36

BRITISH AIRWAYS

investor

www.bashareholders.com

Incorporating the 2005-2006 Summary Financial Statement



The Summary Financial Statement does not contain sufficient information to allow as full an understanding of the results of the group and state of affairs of the company or of the group and of their policies and arrangements concerning directors' remuneration as would be provided by the full annual report and accounts. Shareholders who would like more detailed information may obtain, free of charge, a copy by writing to British Airways Shareholder Services at the address given on page 15 of this magazine.

YOUR COMPANY'S PERFORMANCE

Martin Broughton explains the airline's performance during the year



This has been a year of transition and renewal during which the airline has made steady progress towards its key financial goals and in developing new customer products to provide service that matters.

Willie Walsh took over as Chief Executive and quickly made his mark, building on our core strategies – tackling unprofitable parts of our business, re-setting the dial on controlling costs with a management restructure and preparing for the vital move to Terminal 5 – less than 700 days away.

The line up on the Board changed too with an all new executive team who together, with three new non-executives will bring fresh ideas and thinking to our business.

In the unique world of aviation the International Air Transport Association's narrowing of its red ink forecast for airline losses in 2006, from \$4.3 billion to \$2.2 billion, has led to talk of cautious optimism emerging in the industry.

Our operating profit for the year of £705 million and £620 million pre-tax, is a good result and compares favourably with our principal competitors. But soaring fuel costs – Brent crude reached an all time high of \$72 a barrel in May - continue to threaten the industry and there is no sign this will change.

I am encouraged that we achieved an operating margin of 8.3 per cent, which triggered a well deserved bonus for our staff. However, we remain committed to achieving our ten per cent goal by 2008. Another highlight is that our shorthaul business is back in the black for the first time in ten years but there is still much to be done.

The other challenge is our pension deficit. The stark reality is that your Company has the biggest deficit of any

company in the FTSE 100 relative to its size and it is growing, despite equities at a five year high. Not surprisingly, commentators have described British Airways as a 'pension fund with wings'.

We have shared our proposal for tackling the deficit in the New Airways Pension Scheme (NAPS) with our staff, trustees and trade unions and once it is agreed we hope to implement it next year. It is an issue that must be tackled if we are to grow our business, invest in new aircraft and restore the dividend.

Investments that will come to fruition this year for our customers include the rollout of an upgraded in-flight entertainment system and our new Club World and First class offering which I am confident will set a new industry benchmark in the air. We are now truly an Internet age airline with online systems and features that make the travel experience simple and hassle free. More of these will be introduced ahead of our move to Terminal 5. Providing superb customer service and products our customers want is at the heart of our business.

As you know, aviation is a highly regulated business – with governments controlling where we fly and when we fly so our ability to grow and expand like other global industries is prevented. Our frustration at this is well documented.

We have been ardent supporters of the European Union's own Open Aviation Area and support the extension of that into a new aviation treaty with the United States. Such a deal could break the current mould of restrictive bilateral agreements, and set a template for the rest of the world to follow. Recent protectionist tendencies on both sides of the Atlantic however seem likely to delay any prospect of a good deal being reached in the near future. We will be on our guard against any attempt to settle for

a less ambitious arrangement that fails to deliver the benefits we seek.

Over the next 12-18 months, the CAA and the Competition Commission will decide the level of airport charges that will apply after 2008, when we are occupying Terminal 5.

We believe there is a settlement option which delivers much better value for Heathrow users than the current price cap, which has allowed charges to rise at 6.5 per cent above inflation.

This should not be achieved by cutting back on necessary investment, but by setting a much more realistic cost of capital and pressing the airport operator to deliver much greater cost efficiencies, in line with the efforts British Airways and other airlines have had to make.

The bid frenzy around BAA suggests there is a lot of value to be unlocked in the BAA business. We expect the regulator to ensure that it is the airport users - ultimately the passengers - who see the benefits of cost efficiencies and lower financing costs, rather than delivering a windfall to BAA shareholders.

Another key issue for us all is the environment. British Airways' environmental progress is reported in detail on pages 10 and 11. We continue to support the inclusion of aviation in emissions trading, and allowing the market - rather than regulators - to decide the right balance between cuts in emissions from aircraft and reductions on the ground.

In recent months, airlines have been targeted as the largest contributors to climate change.

While it is crucial that the whole industry faces up to its environmental responsibilities more energetically, the issue must be seen in context. The contribution of UK aviation to global emissions is around 0.1 per cent.

While this does not absolve us of our responsibility to the environment, it clearly shows that we are not - as many commentators would like to suggest - the biggest polluters, and it ignores the other side of the equation, the great benefit to lifestyle, globalisation and gross domestic product contributed by the sector.

Another vital issue is local air quality which was described in the Government's White Paper in 2003 as the "most difficult issue" in relation to potential expansion of runway capacity at Heathrow.

Air quality monitoring by the National Environmental Technology Centre, supported by British Airways, shows that levels of nitrogen dioxide around Heathrow are coming down to levels within the proposed new EU legal limits. This is encouraging evidence as the Government prepares to issue its own technical analysis based on the Project for Sustainable Development of Heathrow.

The data also shows that it is London's air quality that has a detrimental effect on Heathrow - not the other way round, as many people think.

It remains for me to thank all our staff for their contribution to these results. We depend on all our people to put the customers first and are grateful for their commitment and dedication to British Airways.



Martin Broughton, Chairman

CHIEF EXECUTIVE'S VIEW



It has been a good year for British Airways and it is a pleasure to deliver an upbeat report after the low point of August last year. Our people have turned in a performance to be proud of with a record result in the fourth quarter in particular – traditionally the weakest quarter of the year.

We achieved an operating margin of 8.3 per cent for the full year and are on track to deliver our ten per cent target by March, 2008.

For the first time in five years traffic volumes and yields are going in the right direction – up. And we have a much better revenue balance geographically across our business.

But as the Chairman says in his statement, total costs are up, especially fuel and employee costs. The rise in employee costs is driven mainly by pension funding issues. However, I am confident that the proposal we have put forward to staff, trustees and trade unions on this matter will address the problem.

I would like to take this opportunity to focus on the successes of the year and look at some of the great aspects of our service on the ground and

in the air that deliver on our customer promise.

The comeback of our shorthaul operation – now in profit for the first time in ten years – is a shining example although there is still much to be done.

Shorthaul represents an important part of our business and accounts for roughly two thirds of our passengers. It has played Cinderella to the relentless and aggressive competition from the no frills carriers for some years, but no longer.

We have improved all aspects of the business by exploiting ba.com as a selling and distribution tool, rationalising the aircraft fleet and our route network as well as stripping out costs and improving efficiencies.

Our Heathrow home base has delivered a strong performance where our focus continues to be on network and flight frequency, both critical to our business customers. This has masked that of its weaker cousins at Gatwick and the regions, but we have plans in place to reverse this. We relaunched our regional business as BA Connect in January with a single cabin, buy on board catering and a simple new fare structure with only two fare types and no restrictions.

Gatwick has a £40 million profit improvement target. To achieve this we have adopted a very simple approach – to reduce costs and increase revenue. We have launched six new services to destinations like Grenoble, Reykjavik and Kiev and we will continue to look for profitable new destinations. The focus is on the breadth of the network, which suits the needs of our leisure customers rather than depth as at Heathrow which reflects the demands of our customers there.

Giving our customers the service they want and value for money is one of our core principles. So we focus on market research and listen to what our customers tell us they need. We have

worked hard to develop ba.com in response to market research and it is now the perfect shop window for everything from our new low one-way fares of £29 to trading up to Club Class at the time of booking, making hotel reservations, car hire or buying insurance.

It enables us to service our customers' needs more effectively. Customers can change their travel plans online, select their seats and get pre-departure check-lists, provide contact details either by email or SMS text so that we can contact them in the event of disruption. On an ever increasing number of routes, customers can now print their boarding cards at home or in their office and check in online. In 2005/06, nearly a third of British Airways customers worldwide bought their seats directly from the airline. The vast majority of these booked on ba.com and our business plan aims to raise this still further. It is a real success and we will not stop there. Look out for further developments this year on ba.com.

The airline has always been renowned for its creative and innovative marketing. Our new fares are backed by an advertising campaign – the first created by our newly appointed advertising agency Bartle, Bogle and Hegarty. The 'Cutting prices not corners' copyline, in a few well chosen words, speaks volumes about our commitment to deliver on both price and service.

We will continue to offer excellent value products onboard our aircraft, a route network that is unparalleled, flight frequency that nobody can match and fly to airports in city centres, not miles outside them.

During June we begin the rollout of our upgraded in-flight digital entertainment system offering up to 100 film and TV programmes and 70 audio programmes which you can stop, start and rewind just as you would at home. Our new Club World flat bed will be introduced this summer

and we plan to refresh First class. The demand for premium travel this year justifies the investment we will make to enhance these products.

By the time you receive this, the World Cup will be about to start. British Airways is proud to be the official airline of the England World Cup squad flying the team to Portugal for pre-tournament training and then to Germany for the competition. A micro-site on ba.com gives our customers and staff the opportunity to register their messages of support for the England team who we hope will bring home the World Cup.

Turning to the basics of our business we know that a key factor in driving customer satisfaction is punctuality. We have launched a punctuality charter to improve our performance and this is beginning to pay off and we will not be complacent on such a fundamental aspect of our performance.

We are equally committed and aware of our responsibility to the environment. There are many myths about the impact of aviation on the

environment. The report on pages 10 and 11 goes some way to set the record straight on the true contribution of aviation in this critical area.

Terminal 5 at Heathrow is on track and on budget – less than 700 days away until we move in. Since April last year more than 5,000 British Airways' staff have attended two separate day long 'Fit for 5' training and information events in preparation for the move.

We have made progress with our unions on agreeing changes to working practices to replace the different processes currently in place at Terminals 1, 3 and 4.

Around 800 staff who work in Ground Transport Services, Aircraft Movements and Equipment Services have agreed changes and the customer service teams of Terminals 1, 3 and 4 have also been brought together under one person, in preparation for the one team approach. We continue to talk constructively with the trade unions in customer services, baggage and loading about how we can improve the way we work.

All flight and cabin crew will check-in at Terminal 5 and make their way straight to their aircraft. Currently crews report for work at The Compass Centre and are then bussed to and from the terminals.

Terminal 5 has two-way taxiways, no cul-de-sacs or runway crossings. British Airways will also have sole use of the aircraft stands rather than having to share them as in Terminal 1 and Terminal 4. The main terminal (T5A) and first satellite (T5B) will be handed over to British Airways in September, 2007 to enable the airline to carry out six months of rigorous testing of the building and its systems.

I make no apologies for talking up Terminal 5. It will be the most modern, advanced terminal in the world that will give us a real competitive advantage over our rivals and enable us to improve the way we manage our operations.



Willie Walsh, Chief Executive

Operating and Financial Statistics

Airline Scheduled Services	For the twelve months to March 31, 2006	Difference on a year ago
Passengers carried ('000)	35,634	-0.2%
Revenue passenger kilometres (RPKs) (m) <i>The number of passengers carried, multiplied by the distance they flew in kilometres</i>	111,859	3.7%
Available seat kilometres (ASKs) (m) <i>The number of seats available for sale, multiplied by the distance they flew in kilometres</i>	147,934	2.6%
Passenger load factor (%) <i>The percentage of seats available that were actually purchased</i>	75.6	0.8pts
Revenue per RPK (p) <i>How much we received on average from each passenger for every kilometre flown</i>	6.10	1.3%
Tonnes of cargo carried ('000)	795	-9.4%
Aircraft in service (as at March 31, 2006)	284	-6
Average manpower equivalent (MPE) <i>The number of employees adjusted for part time workers and overtime</i>	45,755	-0.7%
Productivity (in terms of available tonne kilometres per MPE) ('000)	505.0	3.1%

SUMMARY FINANCIAL STATEMENT

For the year ended March 31, 2006

Summary consolidated income statement

For the twelve months to March 31, 2006

£ million	2006	2005	Better/ (worse)
Most of our revenue was earned from our main business, airline operations			
<i>Income from passengers flying on our services, plus excess baggage, was</i>	6,820	6,500	4.9%
<i>Freight and mail carried on scheduled services brought in another</i>	498	482	3.3%
Added together, that gave us a total traffic revenue of	7,318	6,982	4.8%
<i>Income from other airline related activities and fuel surcharges earned</i>	1,197	790	51.5%
This gave us a total Consolidated TURNOVER of	8,515	7,772	9.6%
Our expenses comprised:			
<i>Pay, pension contributions and other employee costs</i>	2,346	2,235	(5.0)%
<i>Depreciation, amortisation and impairment of fixed assets</i>	717	739	3.0%
<i>Charges for hiring the aircraft we fly on operating leases</i>	112	106	(5.7)%
<i>Fuel and oil costs (net of hedging)</i>	1,632	1,128	(44.7)%
<i>Engineering and other aircraft costs</i>	473	432	(9.5)%
<i>Airport landing fees and air traffic control charges</i>	559	556	(0.5)%
<i>Handling charges, catering and other operational costs</i>	955	918	(4.0)%
<i>Selling costs</i>	449	490	8.4%
<i>Currency differences</i>	(18)	15	nm
<i>Accommodation, ground equipment and IT costs</i>	585	597	2.0%
In total, therefore, our overall Consolidated operating costs were	7,810	7,216	(8.2)%
Deducting this from our Consolidated turnover left a Consolidated OPERATING PROFIT of	705	556	26.8%
<i>We took into account our fuel derivative gains*</i>	19		nm
<i>Finance costs amounted to</i>	(221)	(265)	16.6%
<i>Finance income amounted to</i>	93	97	(4.1)%
<i>Financing income and expense relating to pensions amounted to</i>	(18)	(29)	37.9%
<i>Retranslation (charges)/credits on our currency borrowing amounted to</i>	(13)	56	nm
<i>The net profit on disposal of fixed assets and investments during the year was</i>	27	71	(62.0)%
<i>Our share of the profits in our associated companies was</i>	28	24	16.7%
<i>Income and charges relating to fixed asset investments were</i>		3	nm
This produced a Consolidated PROFIT BEFORE TAX of	620	513	20.9%
<i>Then we adjusted for tax totalling</i>	(153)	(121)	(26.4)%
This produced a Consolidated PROFIT AFTER TAX of	467	392	19.1%
The Consolidated PROFIT attributable to shareholders was	451	377	19.6%
Part of our profits are owed to minority shareholders in our subsidiaries	16	15	6.7%
	467	392	19.1%

EARNINGS PER SHARE

The standard measure of a company's profitability is calculated by dividing profit attributable to shareholders by the average number of shares in issue during the period

On this basis, our earnings per share were:

Basic	40.4p	35.2p	14.8%
Diluted	39.8p	34.1p	16.7%

nm = not meaningful

* Fuel derivative gains reflect the ineffective portion of unrealised gains and losses on fuel derivative hedges

Summary consolidated balance sheet

As at March 31, 2006

£ million	2006	2005
The Consolidated tangible assets comprised:		
<i>Our fleet</i>	6,606	6,944
<i>Property</i>	974	1,000
<i>Computers, ground and other equipment</i>	302	385
The Consolidated intangible assets comprised:		
<i>Goodwill</i>	72	72
<i>Landing rights</i>	115	122
<i>Other intangible assets</i>	46	60
Together, these represented our intangible and tangible assets, of	8,115	8,583
In addition, we had invested in other businesses	131	126
The market value of financial assets that are available for sale was	33	30
We had pension benefit assets of	137	137
Amounts receivable by us after more than one year were	89	38
Assets held for sale were	3	5
Our current assets, mainly money we are owed, our "cash in hand" and stock, represented	3,666	2,752
Therefore our total assets equalled	12,174	11,671
The money invested in the British Airways Group comprised:		
<i>Our called-up share capital, some 1,130.9 million 25p shares</i>	283	271
<i>Investment in own shares</i>		(26)
<i>Our reserves</i>	1,578	940
	1,861	1,185
<i>Amount due to minority shareholders in our subsidiaries was</i>	213	
<i>Amount due to equity minority interests was</i>		12
<i>Amount due to non-equity minority interests was</i>		200
Together our total shareholders' equity and minority interest were	2,074	1,397
We owed to creditors amounts due after more than a year which included:		
<i>Interest bearing long-term borrowings of</i>	3,602	4,045
<i>Our pension liabilities</i>	1,803	1,820
<i>Provision for deferred tax</i>	896	816
<i>Other provisions and long-term liabilities of</i>	367	324
So the amounts we owe after more than one year are	6,668	7,005
We also owe creditors amounts due within one year which included:		
<i>The nominal value of our Convertible Capital Bonds 2005, at £1 each</i>		112
<i>Most passengers book, and pay for, tickets in advance. This money, and amounts owing to creditors that are payable within one year, totalled</i>	3,357	3,121
<i>Current tax payable</i>	75	36
Therefore our total shareholders' funds and liabilities equalled	12,174	11,671

The summary financial statement on pages 6 to 8 was approved by the Directors on May 18, 2006.

Willie Walsh Keith Williams
Chief Executive Officer Chief Financial Officer

SUMMARY FINANCIAL STATEMENT

For the year ended March 31, 2006

Reconciliation of results under IFRS to results under US GAAP

Unaudited – for the twelve months to March 31, 2006

£ million	2006	2005
Net income attributable to shareholders of the Group as reported in the Consolidated Statement of Income	451	377
US GAAP adjustments	(303)	(19)
NET INCOME AS ADJUSTED TO ACCORD WITH US GAAP	148	358
Net income per American Depositary Share as adjusted to accord with US GAAP:	Pence	Pence
Basic	133.0	334.0
Diluted	131.0	325.0

Reconciliation of shareholders' equity under IFRS to shareholders' equity under US GAAP

Unaudited – as at March 31, 2006

£ million	2006	2005
Shareholders' equity as reported in the Consolidated Balance Sheet	1,861	1,185
US GAAP adjustments	445	759
SHAREHOLDERS' EQUITY AS ADJUSTED TO ACCORD WITH US GAAP	2,306	1,944

Independent auditors' statement to the members of British Airways Plc

We have examined the summary financial statement for the year ended March 31, 2006, which comprise the Summary Consolidated Statement of Income and Summary Consolidated Balance Sheet.

This report is made solely to the company's members, as a body, in accordance with Section 251 of the Companies Act 1985. To the fullest extent required by the law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the Investor in accordance with applicable law. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Investor with the full annual accounts, directors' report and business review and directors' remuneration report and its

compliance with the relevant requirements of section 251 of the Companies Act 1985 and the regulations made thereunder. We also read the other information contained in the Investor and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

Basis of Opinion

We conducted our examination in accordance with bulletin 1999/6 'The Auditors' statement on the summary financial statement' issued by the Auditing Practices Board for use in the United Kingdom.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts, directors' report and business review and directors' remuneration report of British Airways Plc for the year ended

March 31, 2006, and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations made thereunder.

Ernst & Young LLP,
Registered Auditor,
London, May 18, 2006.

The maintenance and integrity of the British Airways Plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

NEW BOARD MEMBERS

Keith Williams



Keith Williams took over as Chief Financial Officer at British Airways in January this year and at the same time was appointed an executive member of the Board. He has more than 25 years experience of finance in industry in the UK and abroad.

He has clear views on what he will bring to the role:

"Post September 11 we had a clear goal to lead the Company to financial strength. We have improved our position significantly but need to build on it so we can grow the airline for the future."

One of his top priorities is tackling the pension issues, both past and future, in the airline's New Airways Pension Scheme:

"As ever in this industry we have some challenges ahead. Fuel prices are now at record highs and we have seen our fuel bill rise by over £0.5 billion last year and is set to rise by a further £600 million this year," he said.

He joined British Airways in 1998 as Head of Taxation and was also appointed as Group Treasurer in 2000. He was one of the architects of the airline's Future Size and Shape recovery programme following the tragic events of September 11 and played a key role in strengthening the airline's balance sheet and improving the Company's profitability.

He has also been responsible for handling the group's disposal programme including the disposal of BA's shares in Qantas for £427 million.

Before joining British Airways, Keith was Head of Tax with Reckitt & Coleman for two years and Treasurer for Apple Computer Europe, based in Paris between 1991 and 1996. Prior to that he was Head of Tax at Boots PLC. He graduated from Liverpool University with first class honours in history and archaeology and qualified as a chartered accountant in 1980. Keith, 50, is married with two children and enjoys football, a lifelong West Ham supporter, running and archaeology.

Chumpol NaLamlieng



Before he was appointed to the British Airways Board, Chumpol NaLamlieng's experience of the airline industry was as a frequent flyer.

He is a member of the Board of Directors and Chairman of the Management Advisory Committee of the Siam Cement Group

and Chairman of Singapore Telecommunications Ltd. He is also an Executive Committee Member of the World Business Council for Sustainable Development.

He believes the role of the non-executive director is to give advice and consent on strategic business issues.

"The BA Board is made up of individuals drawn from a wide and varied background. They bring with them a rich understanding and knowledge of business," he said.

Although he is new to the airline business, he feels his vast experience running a conglomerate and other businesses in Asia will add strength to the Board.

"British Airways has done remarkably well, given the problems of the industry in recent years", he said. "But rising fuel costs are currently one of the biggest challenges. Airlines may be able to hedge but sooner or later everyone will have to learn to live with and adjust to the reality of high fuel costs."

As a frequent flyer he is well placed to assess our customer service. "There are many factors where BA can achieve competitive advantage and service is one of them. BA offers outstanding customer service in the European environment but Asian airlines offer very good customer service too so whatever lead we may have today is under threat."

In his leisure time Chumpol, 59, likes to play golf and ski. He is a great fan of electrical gadgets and still enjoys being the 'first kid on the block' with the latest technological gizmo. He is also a Knight Grand Commander (Second Class, Higher Order) of the Most Illustrious Order of Chula Chom Klao, Thailand and an Officier de l'Ordre National du Merite, France.

BRITISH AIRWAYS' ENVIRONMENTAL ACHIEVEMENTS AND OBJECTIVES

British Airways is committed to environmentally responsible aviation. Managing environmental impacts is a key business priority for us. We operate one of the most modern, quiet and fuel-efficient aircraft fleets in the world and strive to minimise our environmental impacts both in the local community and globally.

Investing in quieter aircraft with lower emissions

- British Airways has halved the noise impact of its aircraft since the late 1990s by investing in new, quieter aircraft.
- The airline has improved the fuel efficiency of its fleet by 27 per cent since 1990, cutting carbon dioxide emissions by more than 50 million tonnes during this period.
- British Airways has spent £7 billion on new aircraft in the last decade to deliver these improvements. As the airline's finances improve, it is preparing for a new era of fleet renewal.
- The airline is urging aircraft and engine manufacturers to make further environmental improvements in new generations of aircraft and engines. It is pressing them to deliver on their industry research targets, which aim for a further halving in noise and fuel consumption over 20 years, and an 80 per cent cut in



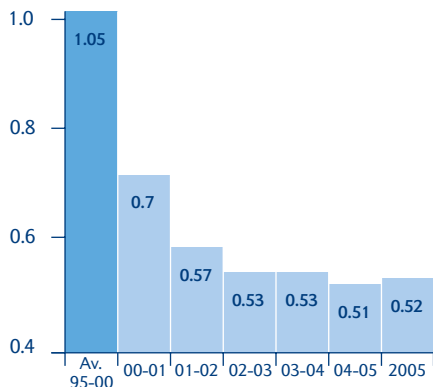
nitrogen oxide emissions which add to local air quality problems around airports.

Respecting the environment where the airline operates

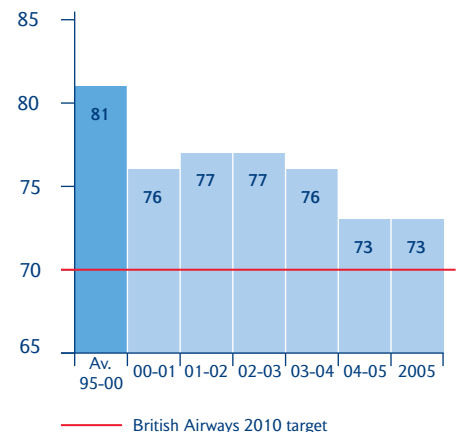
- The airline is committed to using environmentally friendly and efficient operating procedures at the airports where it operates. It plays the leading role in the airline community at Heathrow in promoting quieter, more fuel efficient operating procedures such as continuous descent approaches.
- British Airways is committed to reducing waste from its operations with a target to reduce waste per passenger by two per cent each year and recycle 40 per cent of waste by 2010.

- The airline has reduced the energy consumption of its UK properties by more than a fifth since 2000. Also, it is re-equipping its vehicle fleet at Heathrow and supports investment in rail facilities at airports to reduce vehicle emissions and local road congestion.

Total noise energy from British Airways aircraft (million "Quota Count" equivalents)

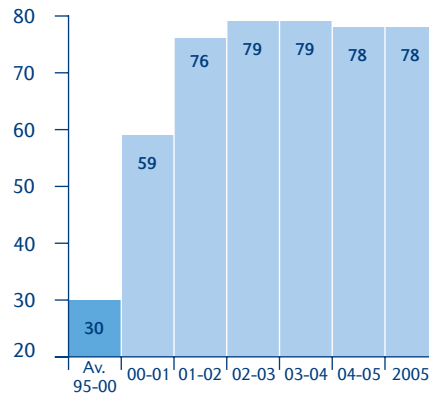


Aircraft fuel efficiency (index of fuel use per Revenue Tonne Kilometre, 1990=100)





Air quality indicator: Aircraft meeting current engine emissions design standard (%)



- The airline supports research into the upper atmosphere effects of aviation which may have an additional impact on climate change. It is a member of a European Union programme that is working with universities and aircraft manufacturers to improve understanding of this issue.

Britain generates two per cent of global CO₂ emissions. Aviation, including international flights, is responsible for just over five per cent of UK emissions. Therefore, the contribution of UK aviation to global emissions is around 0.1 per cent.*

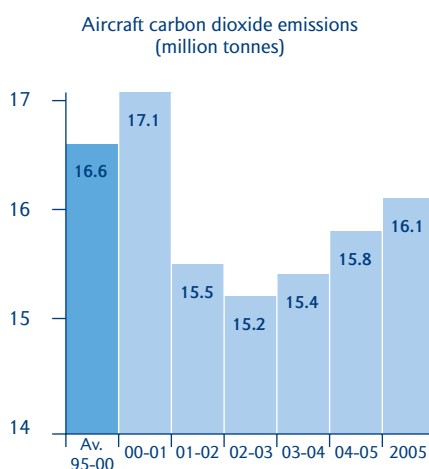
member of the voluntary UK Emissions Trading Scheme – the only airline to participate in such a scheme anywhere in the world. It openly supports the development of emissions trading in Europe and globally.

* Domestic and international civil aviation was responsible for 5.17 per cent of all UK CO₂ emissions in 2003. For comparison, power stations generated 28.4 per cent (National Atmospheric Emissions Inventory). Total UK CO₂ emissions represented two per cent of the global total (UN Statistics Division).

- Heathrow Terminal 5 will enable British Airways to improve significantly its waste and water management. Better aircraft parking facilities will reduce ground emissions from vehicles and aircraft and improved public transport access to the terminal should reduce the need for car travel to and from the airport.
- The airline reports openly and transparently on its environmental performance and has produced an annual environmental report since 1992. It engages with government and local communities in areas where it creates a significant environmental impact.

Innovating to address climate change

- British Airways leads the global airline industry in promoting emissions trading as the most efficient and effective way of limiting aviation's contribution to carbon dioxide emissions. It is a



THE BOARD

As at May 18, 2006



Chairman

1 Martin Broughton (59)

Executive Directors

- 2 Willie Walsh (44)
Chief Executive
- 3 Keith Williams (50)
Chief Financial Officer

Leadership Team

- Willie Walsh (44)
Chief Executive
- Keith Williams (50)
Chief Financial Officer
- Martin George (44)
Commercial Director
- Robert Boyle (40)
Director of Planning

4 Martin George (44)
Commercial Director

Non-Executive Directors

- 5 Maarten van den Bergh (64)
- 6 Denise Kingsmill, CBE (59)
- 7 Chumpol NaLamlieng (59)
- 8 Dr Martin Read (56)

- Paul Coby (49)
Chief Information Officer
- Lloyd Cromwell Griffiths (61)
Director of Flight Operations
- Alan McDonald (55)
Director of Engineering
- Roger Maynard (62)
Director of Investments and Alliances

9 Alison Reed (49)

10 Ken Smart (60)

11 Baroness Symons (55)

Company Secretary

Alan Buchanan (47)

- Neil Robertson (52)
Director for People
- Geoff Want (53)
Director of Ground Operations
- Robert Webb QC (56)
General Counsel

SUMMARY REMUNERATION REPORT

This section summarises the Directors' Remuneration Report which complies with the Companies Act and the Listing Rules of the Financial Services Authority. The full text can be found on pages 45 to 54 of the Annual Report and Accounts, which you can access through www.bashares.com.

EXECUTIVE DIRECTORS

Policy

The Company's remuneration policy was first approved by shareholders at the annual general meeting in 2001 and remains unchanged both in relation to the year under review and the financial year 2006/07 as well as for the foreseeable future. The Company's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate managers. The remuneration packages offered by the Company are comparable with other UK based international businesses of similar size and nature to the Company.

NON-EXECUTIVE DIRECTORS

Policy

In relation to the Chairman, the Company's policy is that the Chairman should be remunerated in line with the market rate reflecting his time commitment to the Group. In relation to non-executive directors, the Company's policy is that their remuneration should be sufficient to attract and retain world-class non-executive directors. The Chairman and the non-executive directors do not receive performance related pay.

DIRECTORS REMUNERATION

The aggregate amount of directors' remuneration for the financial year 2006 was £3,073,000 (2005: £2,325,000).

LONG TERM INCENTIVE ARRANGEMENTS

In relation to the exercise of share options under the British Airways Share Option Plan by the executive directors who served during the financial year 2006 the aggregate gains made were £1,832,360.

The aggregate value of the shares awarded under the Performance Share Plan and the options granted under the Share Option Plan, to the executive directors who served during the financial year 2006 were £1,625,000 and £821,500 respectively.

British Airways Share Option Plan 1999

The performance condition of the options granted in 2003 was tested at the end of 2005/06. In 2003/04, the Company's earnings per share (EPS) using the IIMR definition was below the threshold of 17.3p set by the Remuneration Committee which was therefore the applicable base. EPS for 2005/06 using the IIMR definition were 34.9p. The Remuneration Committee therefore determined that the performance condition had been satisfied in relation to the grants made in 2003. These options will become exercisable on the third anniversary of the original grant, June 25, 2006.

Long Term Incentive Plan 1996

On April 1, 2006 the final third of the conditional award made on June 8, 2001 lapsed as the performance condition was not met in the financial years 2001 to 2006. In relation to the conditional award made on June 9, 2003, the Company was the 13th highest performing company out of the 93 FTSE 100 companies remaining for the performance period April 1, 2003 to March 31, 2006. This placed the Company on the 86th percentile meaning that 90.67 per cent of the shares originally awarded vested.

For full details of the options held by the directors to purchase ordinary shares of the Company granted under the British Airways Executive Share Option Scheme 1987 and the British Airways Share Option Plan 1999, and details of the conditional awards of options over ordinary share of the Company, granted to directors under the British Airways Long Term Incentive Plan 1996 and the Performance Share Plan, please refer to the full text of the Annual Report and Accounts.

PENSIONS

The aggregate value of the Company's pension contributions to the executive directors serving during the year was £203,800.

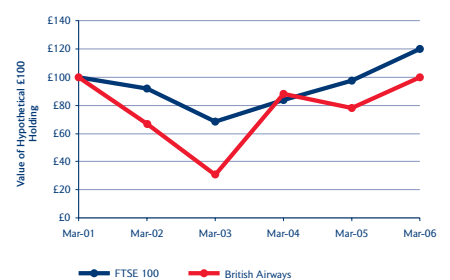
Willie Walsh is a member of the British Airways Retirement Plan, a defined contribution scheme.

PERFORMANCE GRAPH

The graph shows the total shareholder return (with dividends reinvested where applicable) for each of the last five financial years of a holding of the company's shares against a hypothetical holding of shares in the FTSE 100.

The FTSE 100 was selected because it is a broad equity index of which the company is a constituent.

Five-year Historical TSR Performance
Growth in the Value of a Hypothetical £100 Holding over Five-years
FTSE 100 Comparison Based on 30 Trading Day Average Values



SUMMARY DIRECTORS' REPORT AND BUSINESS REVIEW

Principal activities

The main activities of British Airways Plc and its subsidiaries are the operation of international and domestic scheduled and charter air services for the carriage of passengers, freight and mail and the provision of ancillary services.

Results for the year

Profit for the year attributable to members of British Airways Plc amounted to £451 million, against a profit on the same basis of £377 million in the previous year. No interim dividend was paid during the year. Consistent with the priorities agreed with major investors, in order to continue to strengthen the Company's balance sheet, the Board has again decided not to recommend payment of a dividend.

Directors

The names and details of the directors can be found on page 12 of this edition of Investor. During the year to March 31, 2006 there were a number of changes to the membership of the Board. Willie Walsh was appointed in May, 2005 becoming Chief Executive on October 1, 2005. At the conclusion of the annual general meeting in July, 2005, Ashok Ganguly, Captain Mike Jeffery and Lord Renwick retired from the Board. At the same meeting Martin George, Commercial Director, was elected as an executive director and Ken Smart and Baroness Symons were elected as non-executive directors. In November, 2005 Chumpol NaLamlieng was appointed to the Board and Keith Williams was appointed Chief Financial Officer on January 1, 2006. Both will seek election by shareholders at the annual general meeting to be held on July 18, 2006. Membership of Board Committees can be found on pages 4 and 5 of the Annual Report and Accounts.

Health, Safety, Welfare and the Environment

The Group has detailed policies on Health, Safety, Welfare and the Environment and publishes information on these in the Corporate Responsibility Report. The 2006 report will be available online in June, 2006 at www.ba.com/responsibility. Compliance with Group policies on Health and Safety is monitored by the Board's Safety Review Committee.

Charitable Donations

British Airways is a member of both the London Benchmarking Group (LBG) and Business in the Community's Percent Club. We use the benchmarking model to assess our contributions to the community. Business in the Community reported our total

contribution for the year ending March, 31, 2006 as £5.4 million (2005: £6 million). British Airways' direct charitable donations (cash donations to charity) for the year to March, 31 2006 were £898,081 (2005: £830,000).

Political donations

Shareholders passed a resolution in 2002 to approve donations to EU political organisations and EU political expenditure (as such terms are defined in section 347A of the Companies Act, 1985 (as amended)) not exceeding £250,000 per annum for the following four years. The Board has repeatedly stressed that it does not make donations to political parties in the ordinary meaning of those words and that it has no intention of doing so. The Company monitors expenditure which could reasonably be expected to fall within the intention of the legislation. The amount expended in the period from April 1, 2005 to March 31, 2006 was £ nil (2005: £10,000). As the scope of legislation remains unclear, Shareholders are being asked to pass a further resolution at the annual general meeting to be held on July 18, 2006 to extend this approval on a precautionary basis at the rate of £100,000 per annum for a further four years.

Corporate governance

The corporate governance section of the Directors' Report explains how the Company has complied throughout the year with the code of best practice set out in Section 1 of the Combined Code. The Board is led by the Chairman, Martin Broughton, and the executive management of the Company is led by Willie Walsh, the Chief Executive. Of the eleven Board members serving at the year end, excluding the Chairman, three were executive directors and seven were fully independent non-executive directors drawn from a diversity of business and other backgrounds, bringing a broad range of views and experiences to Board deliberations. Maarten van den Bergh is the senior independent non-executive director on the Board.

The Board has four standing Board Committees which meet regularly under terms of reference set by the Board – the Audit Committee, the Nominations Committee, the Remuneration Committee and the Safety Review Committee. These are described in more detail on page 6 in the Annual Report and Accounts. Copies of the terms of reference are available on the Company's website www.bashares.com by clicking on the heading Corporate Governance. Each of the Committees has authority to take external advice as required.

Internal control

The directors are responsible for the Company's system of internal control, including internal financial control, which is designed to provide reasonable, but not absolute, assurance regarding:

- (a) the safeguarding of assets against unauthorised use or disposition, and
- (b) the maintenance of proper accounting records and the reliability of financial information used within the business or for publication.

The directors have reviewed the effectiveness of the Company's internal control system considering the processes set out above and make this statement pursuant to the revised guidance for directors issued in October, 2005.

Going concern

After making enquiries, the directors consider that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the accounts.

Payment policy

British Airways is a signatory to the Confederation of British Industry (CBI) code of practice on supplier payment and is committed to the payment of its suppliers to agreed terms. Further information in respect of this code can be obtained from the CBI at Centre Point, 103 New Oxford Street, London WC1A 1DU. The number of days' purchases in creditors as at March 31, 2006 in respect of the Company is calculated in accordance with the provisions of the Companies Act 1985 and was 39 days (2005: 55 days).

Outlook

The airline market in the United Kingdom remains fiercely competitive. No frills carriers continue to consolidate their presence in European markets, and now account for more than a third of all shorthaul flights from London's airports. As a result, the Company has seen its share of passengers in the United Kingdom shorthaul market fall from more than 30 per cent in 1998 to below 20 per cent in calendar year 2005. Even among business travellers, corporate cost consciousness has allowed no frills airlines to carry an increasing share of the market, and the proportion of business travellers flying in the premium cabins of the network carriers, such as British Airways' Club Europe, has continued to decline. Longhaul services also face vigorous competition. As the market recovers, competitor airlines are beginning to order

new aircraft and start new intercontinental services. In particular, Middle East carriers are undertaking rapid expansion of their hubs. Ailing American carriers have been able to offload costs under the protection of the United States Chapter 11 bankruptcy laws.

Despite the challenging market conditions, the Company's total revenue is expected to increase in 2006/07. But there are also major cost headwinds – particularly in terms of fuel costs. The Company's business plan for the two years ending March, 2008 identifies four priority areas. First, the Company needs to continue to reduce its cost base to ensure it is competitive in the global airline market. Second, the Company is making targeted investment in products and in training for employees. This includes investment in the air and on the ground, where the Company is applying new technology (such as online check-in) to ease the travel experience and speed passengers through the airport. It also includes a renewed focus on training and employee engagement. Third, is 'Fit for 5' – being ready to move to Terminal 5. Fourth, the Company needs to prepare for future growth, as long as it remains on track to meet its target return of ten per cent operating margin.

The Company's growth plans, however, hinge on infrastructure development at our Heathrow base. The Company is working to support the plans for future development laid out in the 2003 White Paper, "The Future of Air Transport". This recommended the building of a third runway at Heathrow, and consideration of better use of the existing runways at Heathrow by 'mixed mode operations'. Mixed mode – enabling airlines to use each runway for both take off and landing – would add to runway capacity over the longer term and in the short term it could

This document is the summary financial statement for the year ended March 31, 2006 of British Airways Plc, whose details are above. Certain statements included in this edition of Investor may be forward-looking and may involve 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 and financing plans, expected future revenues and 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. Fuller information on some of the factors which could result in a material difference is available in the Company's Annual Report and Accounts for the year ended March 31, 2006, which is available on www.bashares.com.

British Airways Plc discloses on its website www.bashares.com significant ways in which its corporate governance practices differ from those mandated for US companies under NYSE listing standards.

You can elect to receive a full copy of the Annual Report and Accounts by writing to the Registrars, Computershare Investor Services PLC, at the address shown in the Directory.

also reduce congestion and delays. The government is working with key stakeholders to establish the environmental implications of this expansion, through its Project for the Sustainable Development of Heathrow. The Company is actively contributing to this work, particularly through the monitoring and modeling of the impact of aircraft on local air quality.

Some of the risks which could affect the business operations and results of the Group are detailed in the full version of the Directors' Report and Business Review. This outlook statement should also be read in conjunction with the cautionary statement regarding forward-looking statements below.

Business Review

The Report gives some information on the Company's corporate responsibility activities. Under the heading the BA Way in the Marketplace, the first section relates to the Group's commercial activities in relation to its customers and its suppliers. The second section called the BA Way in the Workplace details progress in relation to matters relating to the workforce such as diversity amongst our employees, industrial relations, management reductions and the proposal to deal with the deficit in the New Airways Pension Scheme. BA Way in the Community summarises the support the Group and its employees have given to the community, further details of which can be found on www.ba.com/communityrelations. The final section of the report, the BA Way in the Environment, details the Company's leading role in the aviation industry in facing up to environmental issues. Fuller details are given on pages 10 and 11 and more information can be found at www.ba.com/responsibility.

Directory

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Registered Number 1777777

Shareholder Information UK

For queries in relation to your shareholding or shareholder benefits:

Company Registrars

Computershare Investor Services PLC
PO Box 82, The Pavilions,
Bridgwater Road, Bristol BS99 7NH
Tel: 0870 702 0110
E-mail: web.queries@computershare.co.uk

With your shareholder reference number you can check your shareholding online at: www-uk.computershare.com/investor

British Airways Shareholder Services can be contacted at: company.secretary@ba.com

Shareholder Reservations Line

For flight bookings using your shareholder discount: 0870 850 8505
or online at: www.bashareholders.com

For fares, availability and new bookings including flights, hotels, insurance and car hire: www.ba.com

All other enquiries

0870 850 9 850
Open 0600-2145hrs, 7 days per week.

For callers outside the UK, please dial:
+44 191 490 7901
Or in the US: 1 800 247 9297

For flight arrival and departure information:
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Open 24 hours, 7 days per week.

Travel Clinics:
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Montreal

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French-speaking 514 287 9133

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WHAT DOES £29 BUY YOU THESE DAYS? TAKE A SEAT.

Would you be surprised to learn that a British Airways seat to Europe costs from as little as £29 one-way? We hope so, especially when you consider what's included.

Firstly, our service. You are our guest and you should expect to be treated as such.

You should also expect the option to check-in online and to print your own boarding pass on all routes from the UK to Europe¹. Some think the British are keen on queuing. We'd beg to differ.

There's also our network, which currently covers over 300 destinations. And when we say we fly to a destination, we don't mean a small town fifty miles from it.

All of which brings us back to the seat itself. With British Airways you're still allocated one.

Essentially, we believe your holiday should start long before you arrive at your destination. With British Airways, it does.

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