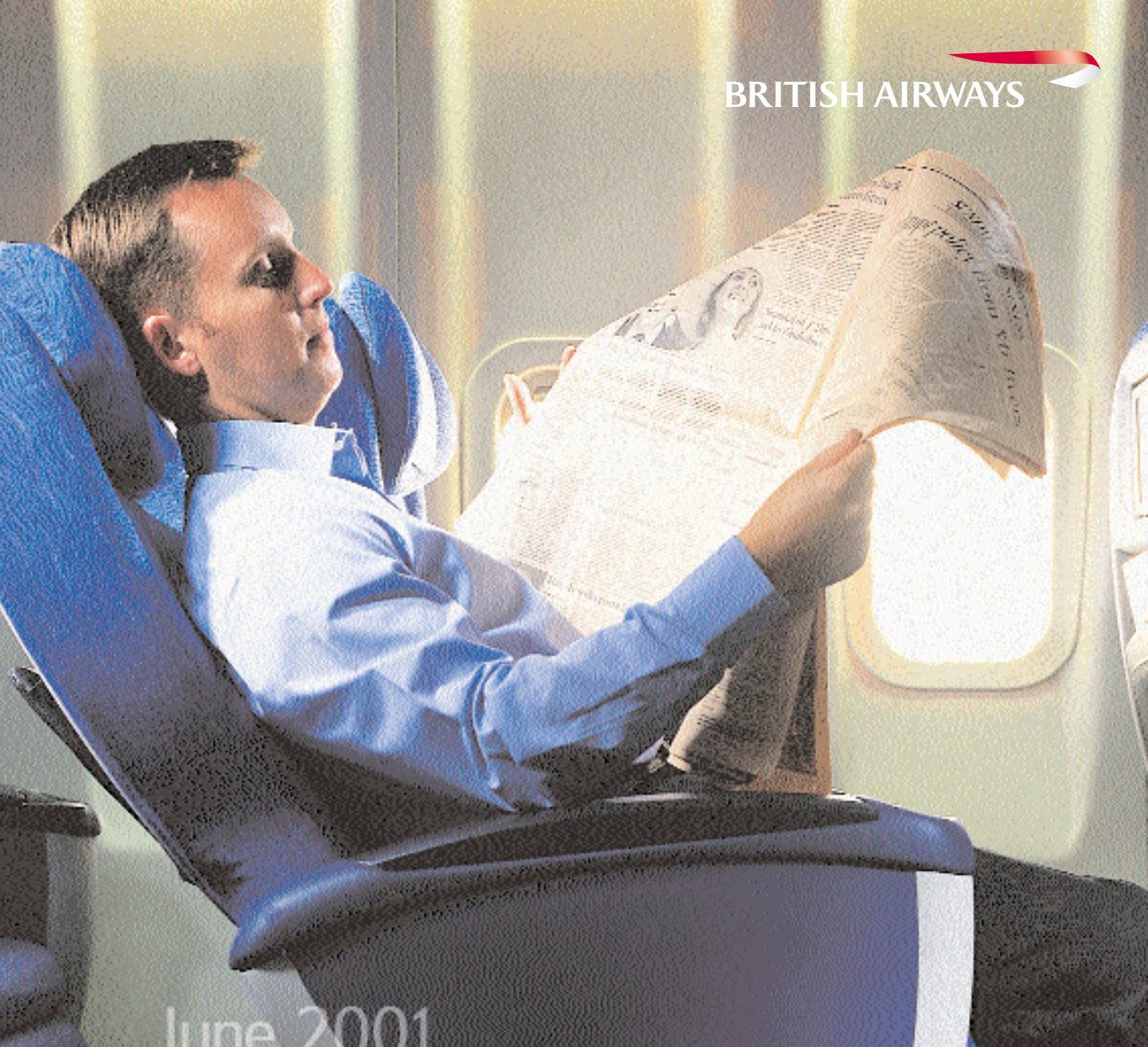


BRITISH AIRWAYS



June 2001

Incorporating the 2000-2001 summary financial statements

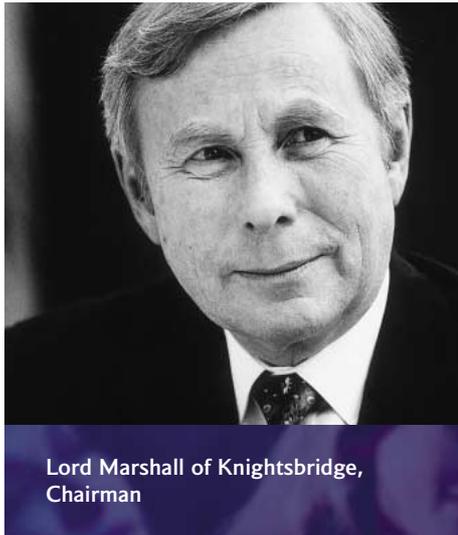
Investor

Final dividend announced
Upcoming AGM news
New World Traveller Plus service

Issue number 26 www.britishairways.com

Your company's performance

Lord Marshall shares his thoughts on the airline's performance during the past year



Lord Marshall of Knightsbridge,
Chairman

Group pre-tax profit for the year was £150 million, an improvement of £145 million over the 1999/00 result. The profit attributable to shareholders amounted to £114 million. The Board has recommended a final dividend of 12.8 pence per share which, when added to the interim dividend, produces a total of 17.9 pence, the same as last year.

Year in review

The result represents a welcome turnaround in your company's fortunes, which came as a consequence of our well-defined business strategy and the commitment of our people to deliver it.

Our objective remains to cut back on activity which has little or no chance of contributing to profit, in order to concentrate on business which does, through careful adjustment to fleet, network and group structure, together with continuous investment in customer service innovation.

"The result represents a welcome turnaround in your company's fortunes."

This was Rod Eddington's first year as Chief Executive, resulting in a robust approach to problem areas and improvement in morale. Morale is crucial in a service business and this became evident as we faced disruptions at various times during the year: severe bad weather in the UK; the grounding of Concorde; and a serious computer systems failure. Furthermore, we had to contend with economic slowdown in some markets, notably the USA; the effects on travel and tourism to Britain of foot and mouth disease; and the rise in the price of oil which increased our fuel costs, net of hedging, by £264 million.

Operational statistics reflect the way that British Airways is being restructured. While capacity and overall carryings reduced, premium traffic and passenger yield showed improvement. At the same time (excluding oil), costs have continued to decline and productivity to improve. Total revenue increased by 3.8 per cent to £9.3 billion. This performance, achieved against intense competition in every network sector, indicates the strength of the British Airways brand.

Customer service

Last year saw the range of products and services presented under the label 'Air Travel For The 21st Century' becoming available to critical acclaim on many more routes across the network. It includes the refurbished First Class, the Club World 'flat bed,' the improved Club Europe and World Traveller services and the completely new class, World Traveller Plus.

Disposals and investments

Disposal and investment decisions resulted in the sale of the French subsidiary, Air Liberté; of our interest in Hogg Robinson; and of the low-fare carrier, go, expected to be completed shortly. Principally because of the Air Liberté sale, losses on disposals amounted to £69 million, compared with profits of £249 million in the previous year. We invested in Online Travel Portal and decided that our UK outbound holiday businesses would be merged

with Thomas Cook. After the end of the year, our offer for British Regional Air Lines Group became unconditional, paving the way for it to merge with Brymon Airways. An investment rebate of more than £90 million on our 9 per cent stake in Iberia was received following the Spanish airline's privatisation in April, 2001.

Alliance development

The oneworld™ alliance, of which British Airways is a founding partner, was boosted during the year with the inclusion of Aer Lingus and LanChile. The world-wide reach and critical customer mass provided by oneworld remains important to our global development. High-level discussions continue with American Airlines on ways to build the relationship between us; and code-share agreements with Aer Lingus, Iberia and Qantas were extended. Zambian Air Services became our 12th franchise partner.

Our people

I have mentioned the year's difficulties elsewhere, but do wish to emphasise how much the efforts of our people are appreciated, not just at times of stress, but also in the normal operation of your company. The financial recovery is testimony to their commitment and appetite for success. Our employees can take great pride in their achievements.

I also want to thank the executive management team for its dedicated leadership; and my fellow Board members for their continued support.

Board changes

Mike Street, 53, the airline's Director of Customer Service and Operations, joined the Board in December, 2000. Shareholders will be asked to elect him formally at the forthcoming annual general meeting. Mike Street has made an immense contribution over his 37-year career with the company.

Derek Stevens, Chief Financial Officer since February, 1989, retires from the company

Key facts for the year ended March 31, 2001

- Final dividend held at 12.8p per share
- Profit before tax £150m
- Operating profit more than quadrupled to £380m
- Mainline yield up 7.7%
- Group unit costs up 3.1%

and the Board at the end of August, 2001. John Rishton, 43, will succeed him on 1 September, 2001, when it is intended he will also join the Board. Currently Financial Controller, Commercial, he has been with the airline since 1994, prior to which he held senior financial positions with the Ford Motor Company.

Captain Colin Barnes, Board member and Chairman of the Safety Review Committee since 1991, steps down in September. It is intended that Captain Mike Jeffery, 56, who retires as Director of Flight Operations at the end of June, will succeed him.

Sustainable business

The Community Relations and Environment departments have been combined to create the new Sustainable Business Unit. This move further emphasises our long-held recognition of the need to take into account the environmental and social implications of business activity alongside the economic impact.

National Air Traffic Services

In March, the Government selected The Airline Group, a consortium of seven British airlines which includes British Airways, to be the private sector partner for National Air Traffic Services. The Airline Group will hold 46 per cent of the shareholding in NATS and has pledged to manage the organisation on the basis of no commercial return. It has committed to invest £1 billion in the UK's air traffic control infrastructure over the next ten years.

Concorde

Following the tragic accident in Paris, we have been working with authorities in Britain and France, as well as the manufacturers to understand the cause and ensure that there are no ongoing safety implications for Concorde. A number of 'super safety' modifications were subsequently recommended and are being implemented. At the time of writing, final assessment and approval for Concorde to return to service was awaited.

Outlook

Your company is evolving as a leaner, more agile and more profitable business. Our strategic positioning is designed to serve us well in the long term, but it should also help lessen the full impact of immediate adversities such as the US economic downturn; the residual effects on UK travel and tourism of the foot and mouth outbreak; and historically high fuel prices.

Our principal objectives in the current year, however, will be to achieve increased levels of value and quality for our customers around the world; and an improved level of return for shareholders.



**Lord Marshall of Knightsbridge,
Chairman**

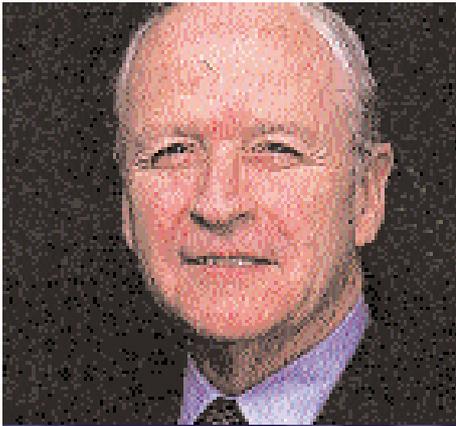
**“Your company is evolving as a leaner,
more agile and more profitable business.”**



Company news

Everything you need to know about your airline

Profiles of two of the board members standing for re-election



The Hon Raymond Seitz,
Non-Executive Director

The Hon Raymond Seitz Non-Executive Director

Raymond Seitz's vast diplomatic experience, coupled with his knowledge of British Airways' most important market, has made a major contribution to the Board since his appointment six years ago.

"A tremendous amount of our business comes from our North Atlantic routes. I guess it was felt that it would be helpful to the Board to have an American with a Government background," he says.

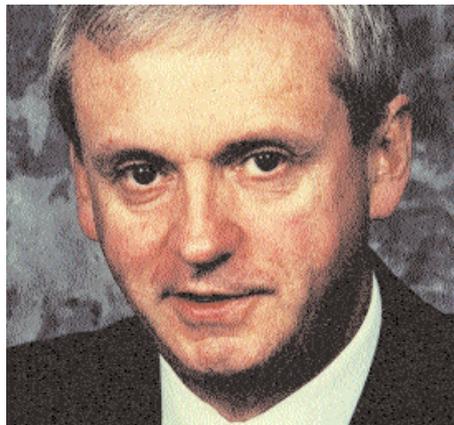
Mr Seitz is vice-chairman of Lehman Brothers International, an American investment bank, but his career as a diplomat, which started in 1966, has taken him all over the world, from Montreal and Nairobi to the Seychelles, Zaire, Washington and London – an itinerary in which he had no say. "When you join the diplomatic service, you go where they tell you to go."

Aviation, he believes, is an industry that encounters challenges like no other. "I can't think of a tougher business to be in. You are

operating in a very competitive market, and like all public companies, are expected to produce results for shareholders. Yet it continues to be operated within severe regulatory strictures, and suffers from an excessive amount of over-capacity."

"There has to be a solution eventually, because the pressures of the market will require one – but there will be a lot of pain between now and then."

Outside his business life, Mr Seitz's interests include art and architecture. He also writes book reviews, and his reflections on Britain and the United States are contained in a book he wrote called *Over Here*.



Mike Street,
Director, Customer Service
and Operations

Mike Street

Director of Customer Service and Operations

Anyone can get to the top if they have the will to succeed – just ask Mike Street.

When Mike left school in 1963 after "failing everything, at the lowest possible level", he joined BOAC as a filing clerk on his 16th birthday. Determined not to spend the rest of his life there, he studied at night school, went on numerous British Airways training courses, and set out on a career which took him to the pinnacle of Customer Service and Operations.

On the way he gained experience in a wide range of departments which led to Customer

Service and Operations – and ultimately to Mike being invited to join the British Airways Board as a third Executive Director last year.

"I am particularly pleased to be on the Board given that customer service is my mantle," says Mike, "this is a customer driven company, but I intend to take a full part in Board activities. My contribution to the Board will not be limited to a customer service perspective."

Mike's appointment to the Board was set in motion four months after Rod Eddington took over as Chief Executive last Spring, formally announced on 8 December last year.

Mike still keeps the mountain of e-mails and letters he received. "To say I was pleased doesn't begin to describe my emotions," he said. "Serving the company in this way is a huge privilege and honour."

Outside work – when he's finally able to forget about the responsibilities involved in heading 25,000 staff (almost half the workforce) – Mike still finds time to support the airline's charities and sits on the Council of Buckinghamshire Chiltern University College. He also enjoys opera, ballet and horse racing, and is an Arsenal season ticket-holder.

In addition Derek Stevens is also standing for re-election at the Annual General Meeting.

Board Members

Chairman

Lord Marshall of Knightsbridge

Executive Directors

Roderick Eddington

Derek Stevens

Michael Street

Non-Executive Directors

Captain Colin Barnes

Martin Broughton

Michael Davies

Dr Ashok Ganguly

Baroness O'Cathain

Dr Martin Read

Lord Renwick of Clifton

The Hon Raymond Seitz



Fresh approach for next AGM

The eighteenth Annual General Meeting will be held on Tuesday, July 17, 2001 at a new venue, Le Méridien Grosvenor House, Park Lane, London. In another departure from tradition, all resolutions are to be put to a poll. There will be ten resolutions, as set out in the Notice of Annual General Meeting.

For the first time, shareholders are being asked to approve the company's Remuneration Policy, set out in the table, right. The policy itself is unchanged and has been included in the Directors' Report in previous years but as this is an area of increasing concern for shareholders, their approval for the policy is being sought.

Resolution 9 deals with the consequences of the Political Parties, Elections and Referendums Act 2000 which requires companies to seek shareholder approval for a wide range of activities which could be caught by the provisions of the Act. It remains British Airways' policy not to make donations to political parties and there is no intention to change this. The resolution seeks permission to fund what the Act classes as EU political donations or expenditure. The drafting of the Act is less than clear, however, the activities envisaged include, for example, seminars and other functions to which politicians are invited as well as sponsorship of certain lobbying groups and industry forums.

Resolution 10 proposes changes to the Articles of Association. The new Articles proposed are a rewritten version of the current Articles amended to include various miscellaneous changes as detailed in the Notice.

The changes to Article 44 will enable the company to respond more appropriately in the event that high levels of non-UK or non-EU shareholders threaten the company's ability to retain its route licences. The changes are made in response to the increasing importance of the European Union in relation to route rights. Currently the company can only force non-UK shareholders to sell shares and the new provisions enable the company to avoid forcing EU shareholders to dispose of shares where this is not necessary.

The other main group of changes formally permit the use of electronic communications between the company and its shareholders in the future, however, shareholders will be able to choose how the company communicates with them.

Remuneration Policy

The company's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate senior executives. The remuneration packages offered by the company are comparable with other international businesses of similar size and nature to British Airways.

The Remuneration Committee determines the remuneration packages for the Chairman, executive directors and the Chief Executive's direct reports.

The Remuneration Package for Executive Directors

The remuneration package, which is determined by the Remuneration Committee, consists of a basic salary, an annual bonus and participation in a long term incentive plan and share option plan. The company also provides private health care, a car and fuel.

Basic salary and benefits

The basic salary reflects the level of responsibility of the executive director, his or her market value and individual performance. In reviewing basic salary, independent external advice is taken on salaries for comparable jobs in companies similar to British Airways.

Annual bonus

Executive directors participate in an annual bonus scheme which is designed to reward achievement of financial and non-financial targets agreed by the Remuneration Committee and linked to the business plan approved by the Board. Maximum bonus is capped at 50 per cent of salary payable only if stretching targets are achieved.

Long Term Incentive Plan

The British Airways Long Term Incentive Plan 1996 was first approved by the shareholders at the annual general meeting in July 1996 but more stringent performance criteria were adopted at the annual general meeting on July 13, 1999.

The Plan permits the Remuneration Committee to make awards of options over shares to the most senior group of executives conditional upon the company's performance relative to other companies in the FTSE-100 index. Awards become unconditional as to one third on the third, fourth and fifth anniversaries of the start of the financial year in which the award was made if the company's ranking by total shareholder return (TSR) places it at the median percentile or above. No award will be made for below median performance and maximum awards will only be achieved at the 90th percentile. All awards are subject to the Remuneration Committee being satisfied that the company's overall financial performance justifies the grant of the option.

British Airways Share Option Plan 1999

The Plan enables the Remuneration Committee to grant options to acquire ordinary shares in the company or British Airways' American Depository Shares (ADS) at an option price in sterling or (in the case of ADSs) in US dollars which is not less than the market value of the shares on the date of grant and, where shares are to be subscribed, their nominal value (if greater). An individual's participation is limited so that the option prices payable for options granted in any one year will not exceed basic salary.

It is not, however, subject to any limit on the value of options outstanding, in order to discourage early exercise of options and sale of shares. Exercise of options is subject to a performance condition, the aim of which is to link the exercise of options to sustain improvements in the underlying financial performance of the company. The performance condition currently in use requires the Remuneration Committee to be satisfied that there has been an increase in the earnings per share of the company which is at least 4 per cent per annum more than the increase in the retail prices index during any period of three consecutive financial years within the life of the grant.

Service contracts

Derek Stevens will retire on August 31, 2001. As from May 1, 2001, Rod Eddington's contract period reduced to one year. Mike Street's contract has a one year notice period. In the event of new appointments, the length of service contract would be determined by the Committee in the light of the then prevailing market practice and the Committee acknowledges that the trend is towards contract periods which reduce to one year after an initial period.

Non-executive directorship

The board encourages executive directors to broaden their experience outside the company. Accordingly they are permitted to take up a limited number of non-executive appointments from which they may keep any fee.

Pension schemes

Executive directors participate in the New Airways Pension Scheme which is the main contributory pension scheme open to employees of the company. Under Derek Stevens's service contract, pensionable remuneration included any annual bonus paid, as this was the prevailing practice for senior executives in the company when he joined. The committee does not propose to change these arrangements for Derek Stevens since these are contractual rights. Annual bonuses are not part of Rod Eddington's or Mike Street's pensionable pay and future appointments of executive directors will not include the annual bonus for pensionable purposes. Provisions for payment of a widow's pension on death and life insurance providing payment of a lump sum for death in service is also made.

Non-executive directors' fees

The Chairman's fee is determined by the Remuneration Committee. Fees for the non-executive directors (other than the Chairman) are determined by the executive directors on the recommendation of the Chairman and were reviewed in April 2001 having remained unchanged for the last three years. They will be reviewed again in two years time. Neither the Chairman nor the non-executive directors participate in the long term incentive plan nor the British Airways Share Option Plan 1999. Their fees are not pensionable. Lord Marshall and Captain Barnes, being former executives of the company, are in receipt of pensions under the New Airways Pension Scheme and the Airways Pension Scheme respectively.

Company news

Everything you need to know about your airline

Premium travel at a great price

World Traveller Plus, British Airways' recently launched (October 29, 2000) premier economy service, is now available on more routes than ever.

The quieter, more spacious cabin offers a wider seat with more leg room, an adjustable headrest, leg-rest and lumbar support. There are also facilities to work on board, including an in-seat power point for laptops and a personal telephone. When you want to be entertained, there are personal seat-back videos with 12 channels of continuous entertainment. The service also provides a generous 2-piece hand-baggage allowance.

World Traveller Plus is currently available on routes to New York JFK, Hong Kong, Narita, Manila, Newark, Taipei, Chicago, San Francisco, Melbourne, Beijing and most flights to Washington DC.



Investor: your feedback

In the November edition of Investor we ran a survey which was designed to help us to get to know you a little better and, importantly, to determine your views on Investor. We are pleased to report that we had an excellent response. The first question on the list was designed to discover whether the new-look Investor was hitting the spot in terms of its tone. Was it too business-like, just right, or perhaps not business-like enough? We're delighted to report that the vast majority of readers, almost 87 per cent, felt that we had struck the right balance.

The next question on the list related to the popularity of the various sections, and was designed to help us ensure that the content reflects your requirements. Your overall favourite was Company News, with almost 84 per cent of the vote, and this was closely followed by Shareholder news, with 70 per cent. BA Product News collected 60 per cent and results were evenly split between

Industry News and Accounts/Financial sections, with almost half of readers giving them the thumbs up.

It was obviously important for us to discover whether you found Investor an interesting and stimulating read, or whether most of you just flicked through it. Encouragingly, we discovered that over two thirds of you who returned the survey read the magazine from cover to cover, while almost a third were interested in a number of the articles. We must be doing something right!



Half price entry to the UK's largest private investor event

This September, British Airways will attend Index, the largest private investor event in the UK, following the success of last year's event. This year, the event takes place on 28 and 29 September 2001, at London's Olympia, and British Airways' shareholders have the opportunity to get in for half price!

Index centres around core themes of education and information for private investors, and includes investment workshops, seminars and talks by investment authors, product demonstrations and opportunities to talk to experts in the industry.

As a company with over 250,000 private shareholders, British Airways attended last year's event (then called Sharex), and displayed the new Club World and World Traveller Plus seats. Shareholders and potential investors had the opportunity to see how their money was being invested. It also gave shareholders the chance to ask their questions directly to the company. Topics included the company's financial performance, shareholder benefits, the potential merger with KLM (a hot topic at the time) and – the most commonly asked question of the two days – when will Concorde be flying again.

We very much enjoyed meeting the shareholders who attended last year's event – so much so that we will be back again this year! This is your opportunity to come and meet representatives of the company face to face, including our manager of Shareholder Services, Sarah Billington, and ask anything you ever wanted to know about your company.

As a shareholder, you might want to know how the lack of long term planning in aviation infrastructure is costing your company an

estimated £600 million a year. The lack of infrastructure development in the UK has meant that Britain has slipped down the aviation hierarchy, and Heathrow now ranks below Frankfurt, Paris and Amsterdam for pre-eminence in Europe. The national strategic asset of Heathrow Airport that made the UK a pre-eminent nation for aviation is in decline.

Why does this matter? It matters, because it means even more crowding, congestion and queuing in terminals; it means higher fares and worse services; it gives a poor impression to overseas tourists and business people who might choose to fly elsewhere in future to avoid Heathrow altogether. The lack of the necessary network of infrastructure discourages overseas companies from investing in the UK. It also means a heavier environmental impact, with more aircraft circling over London for longer than is necessary. This all has serious knock-on effects for the environment, jobs, inward investment in the UK and productivity growth.

The development of infrastructure to support the UK as a whole is of key interest to your company, and your support is needed. You can find more information about these issues on the British Airways website at www.bashareholders.com. If you want to support both your company and the UK as a whole more actively, why not write to your MP, expressing your support for further sensible, well planned infrastructure development to help the UK's competitive position against its European counterparts?

And why not come along to Index and discuss this, and any other issue of interest, with us directly? To encourage you to come along, British Airways' shareholders will be able to attend Index for half the official entry price. To take advantage of this offer, call the event organisers, Training for Profit, on: 0131 466 4242. There are also further details on the British Airways website, at www.bashareholders.com.

We look forward to seeing you there!

Dividend timetable. The June 2001 Dividend timetable is as follows:

22 May, 2001	Announcement date
30 May, 2001	Shares ex-dividend
1 June, 2001	Record date for the dividend
10 July, 2001	Final election date for shareholders wishing to take shares instead of cash dividend for those who have not already elected to do so under the Dividend Share Plan
31 July, 2001	Cash dividend payment date
21 August, 2001	Last date to post Dividend Share Plan certificates

UK Directory

Registered Office
Waterside, PO Box 365
Harmondsworth UB7 0GB
Registered Number 1777777

Shareholder Information

For queries in relation to your shareholding:

Company Registrars:
Computershare Services PLC
PO Box 82, The Pavilions,
Bridgwater Road, Bristol BS99 7NH
Tel: 0870 702 0110

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

For requests for British Airways Shareholder Benefits:

www.bashareholders.com
British Airways Shareholder Services
Waterside HBA3, PO Box 365
Harmondsworth UB7 0GB
Tel: 020 8738 7104
email: cosec.1.cosec@britishairways.com

The Shareholder Reservations Line:
0845 76 007 10

For your flight bookings

How to Contact Us:
www.britishairways.com
If calling from the UK (24 hours a day):
Fares, Availability and New Bookings,
Flights, Hotels, Insurance, Car Hire:
0845 77 333 77

Flight Arrival and Departure Information:
0870 55 111 55

All other Enquiries: 0845 77 999 77
Or in the US: 1 800 247 9297

Holiday Reservations

Worldwide, Australia & Tours of the World:
0870 242 4245
America & Canada, Florida, and Cities
& Shortbreaks: 0870 242 4243

British Airways Travel Shops:
0845 606 0747

Travel Clinics: 0845 77 999 77

Summary financial statements

For the year ended March 31, 2001

Summary group profit and loss account

Audited – for the twelve months to March 31, 2001

£ million	2001	2000	Difference on a year ago
Most of our revenue was earned from our main business, airline operations.			
<i>Income from passengers flying on our scheduled services, plus excess baggage, was</i>	7,803	7,465	+4.5%
<i>Freight and mail carried on scheduled services brought in another</i>	579	556	+4.1%
<i>Revenue from operating charter flights added</i>	50	71	-29.6%
Added together, that gave us a total traffic revenue of	8,432	8,092	+4.2%
<i>Income from other activities, largely aircraft maintenance and other airline services provided to third parties, earned</i>	846	848	-0.2%
This gave us a total group TURNOVER of	9,278	8,940	+3.8%
Our expenses comprised:			
<i>Pay, pension contributions and other employee costs</i>	2,376	2,481	-4.2%
<i>Depreciation and amortisation of fixed assets</i>	715	648	+10.3%
<i>Charges for hiring the aircraft we fly on operating leases</i>	221	190	+16.3%
<i>Fuel and oil costs (net of hedging)</i>	1,102	804	+37.1%
<i>Engineering and other aircraft costs</i>	662	661	+0.2%
<i>Airport landing fees and air traffic control charges</i>	645	682	-5.4%
<i>Handling charges, catering and other operational costs</i>	1,303	1,328	-1.9%
<i>Selling costs</i>	1,135	1,188	-4.5%
<i>Accommodation, ground equipment costs and currency differences</i>	739	874	-15.4%
In total, therefore, our overall group operating costs were	8,898	8,856	+0.5%
Deducting this from our group turnover left a group OPERATING PROFIT of	380	84	+352.4%
<i>We took into account our share of the operating profit of our associated undertakings, a sum of</i>	64	75	-14.7%
<i>Other income and charges amounted to</i>	1	5	-80.0%
<i>The net (loss)/profit on disposal of fixed assets and investments during the year was</i>	(69)	249	nm
<i>Net interest payable amounted to</i>	(226)	(408)	-44.6%
This produced a group PROFIT BEFORE TAX of	150	5	nm
<i>Then we provided for tax totalling</i>	(22)	(15)	+46.7%
This produced a group PROFIT AFTER TAX of	128	(10)	nm
<i>Part of our profits are owed to a minority shareholder in one of our subsidiaries</i>	(2)	-	nm
<i>In the year, 6.75 per cent interest was paid to holders of euro 300 million preferred securities</i>	(12)	(11)	+9.1%
This left a group profit attributable to shareholders of	114	(21)	nm
<i>From this, we deduct dividends – an interim dividend of 5.1p per share paid in January and the final proposed dividend of 12.8p per share payable in July, representing a total of</i>	(193)	(195)	-1.0%
Finally, this left a loss retained in the business of	(79)	(216)	-63.4%
EARNINGS PER SHARE			
<i>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</i>	10.6p	(2.0)p	nm

nm = not meaningful

Auditors statement to the shareholders of British Airways Plc

We have examined the summary financial statements set out on pages 8, 9 and 10.

Respective Responsibilities of Directors

The directors are responsible for preparing the Investor. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Investor with the full accounts and directors' 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.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts and directors' report of British Airways Plc for the year ended March 31, 2001, and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations thereunder.

Ernst & Young, Registered Auditor, London, May 22, 2001.

Summary group balance sheet

Audited – as at March 31, 2001

£ million	2001	2000
The group's intangible assets comprised:		
<i>Goodwill</i>	60	62
The group's tangible assets comprised:		
<i>Our fleet</i>	8,865	8,437
<i>Property</i>	1,418	1,488
<i>Computers, ground and other equipment</i>	483	369
Together, these represented our intangible and tangible assets, of	10,826	10,356
In addition, we had invested in other businesses	426	567
So our intangible assets, tangible assets and investments together equalled	11,252	10,923
Our current assets, mainly money we are owed, our "cash in hand" and stock, represented	2,446	2,592
Most passengers book, and pay for, tickets in advance. This money, and amounts owing to creditors that are payable within one year, totalled	(3,308)	(3,366)
Deducting this gave our net current liabilities	(862)	(774)
Adding this to the sum of our intangible assets, tangible assets and investments left us with total assets less current liabilities of	10,390	10,149
In addition, we owed to creditors amounts due after more than a year including:		
<i>Long-term borrowings and other creditors of</i>	(6,788)	(6,615)
<i>The nominal value of our Convertible Capital Bonds 2005, at £1 each</i>	(113)	(113)
<i>We have also made provision for other liabilities and charges</i>	(70)	(81)
Thus, our assets less liabilities represented	3,419	3,340
The money invested in the British Airways group comprised:		
<i>Our called-up share capital, some 1,082.5 million 25p shares</i>	271	270
<i>Our reserves</i>	2,944	2,877
	3,215	3,147
<i>Amount due to a minority shareholder in one of our subsidiaries</i>	18	16
<i>Euro 300 million Preferred Securities which entitle holders to a return of 6.75 per cent</i>	186	177
	3,419	3,340

Key performance indicators

	For the twelve months to March 31, 2001	Difference on a year ago
Mainline scheduled services		
Passengers carried	36,221,000	-0.3%
Revenue passenger kilometres (RPKs, billion)	116.7	-0.7%
<i>The number of passengers carried, multiplied by the distance they flew in kilometres</i>		
Available seat kilometres (ASKs, billion)	162.8	-3.3%
<i>The number of seats available for sale, multiplied by the distance they flew</i>		
Passenger load factor	71.7%	+1.9pts
<i>The percentage of seats available that were actually purchased</i>		
Revenue per RPK	6.29p	+7.7%
<i>How much we received on average from each passenger for every kilometre flown</i>		
Tonnes of cargo carried	907,000	+1.1%
Total group operations		
<i>(including Deutsche BA, 'go' and CityFlyer Express; previous year included Air Liberté)</i>		
Passengers carried	44,462,000	-4.5%
Aircraft in service (as at March 31, 2001)	338	-28
Average manpower equivalent (MPE)	62,844	-4.3%
<i>The number of employees adjusted for part time workers and overtime</i>		
Productivity (in terms of available tonne kilometres per MPE)	400,900	+1.8%

Summary financial statements

For the year ended March 31, 2001 *continued*

Remuneration of the Executive Directors

	2001 £'000	2000 £'000
Rod Eddington (note 1)		
Basic salary	458	n/a
Bonus (Reviewed annually by the Remuneration Committee) (note 5)	185	n/a
Taxable benefits (including relocation allowance, company car, fuel and private health insurance)	108	n/a
Total	751	n/a
Executive Share Option Scheme:		
Share options held at March 31		
Number	138,888	n/a
Option price range	360p	n/a
Conditional awards of options granted		
Number	103,022	n/a
Derek Stevens		
Basic salary	292	282
Bonus (Reviewed annually by the Remuneration Committee) (note 5)	108	n/a
Taxable benefits (including company car, fuel and private health insurance)	10	10
Total	410	292
Executive Share Option Scheme:		
Share options held at March 31		
Number	144,545	287,728
Option price range	261p-405p	196p-405p
Conditional awards of options granted		
Number	106,762	126,937
Mike Street (note 2)		
Basic salary	89	n/a
Bonus (Reviewed annually by the Remuneration Committee) (note 5)	33	n/a
Taxable benefits (including company car, fuel and private health insurance)	5	n/a
Total	127	n/a
Executive Share Option Scheme:		
Share options held at March 31		
Number	155,122	n/a
Option price range	380p-394p	n/a
Conditional awards of options granted		
Number	156,755	n/a

n/a = not applicable

On April 1, 2001 a third of each of the conditional awards made on August 2, 1996, June 13, 1997 and June 12, 1998 lapsed as the performance condition was not met in the respective financial years 1997-2001.

- Notes:
1. Rod Eddington appointed May 12, 2000.
 2. Mike Street appointed on December 8, 2000. Figures shown are pro ration of annual amounts.
 3. Fees, salaries, performance bonuses and benefits payable to Board members during the year totalled £1,795,000 (2000:£3,289,000).
 4. In the year ending March 31, 2000 Robert Ayling received a basic salary of £500,000; taxable benefits of £11,000 and compensation for loss of office of £1,980,000.
 5. A further amount not exceeding 5 per cent of salary could be earned if the outstanding element of the bonus criteria is satisfied.

Chief Executive's view

Rod Eddington takes us through the past year and reviews how the airline has progressed



My first year as Chief Executive of your company has been an extremely encouraging one. With the help of all our staff, I believe that we have begun to return the

company to sustainable, long-term profitability. The hard work we have done in these 12 months stands us in good stead for the challenges ahead. Let me remind you of just a few of the 'highlights.'

Much of my time when I first arrived was taken up with the talks with KLM. Of course, these came to nothing in the end, but I do not feel it was time or effort wasted. Consolidation in the European airline industry is a long-term process (it took 30 years to achieve in the United States), but it is both inevitable and necessary. And I intend that British Airways will be in the vanguard of that process.

Consolidating the industry or not, providing excellent customer service to our passengers is a priority for British Airways. I have been at pains to stress that British Airways is not just about business class passengers. Some 85 per cent of our passengers travel economy. They are vital to us. No business can ignore 85 per cent of its customers!

One of the strategic actions taken to fundamentally improve profitability is the change in what we do at Gatwick. The review of operations at Gatwick, announced in December, has led to a shift from previous attempts to build Gatwick as a second airline hub and a refocusing of the operation over the next two years.

Heathrow – our major international aviation hub – is a strategic national asset. It must be developed for the good of everyone. British Airways continues to argue the case for improvements in infrastructure that will support the growth of the UK economy and a successful aviation industry. The proposed Air Transport White Paper will provide a policy framework for the future of aviation and airports in the UK for the next 30 years. We must make sure we get it right. British Airways is the UK's major airline and a world renowned business. As an Australian, I can see clearly that it is in Britain's interest for it to stay that way.

"I believe we are making real progress on our journey to sustainable profitability."



Concorde, the flagship of our fleet, is very important to British Airways. Last year's Air France accident was a terrible tragedy. We continue to work on the issues raised by the incident, and are confident that the aircraft will be back in service once these have been addressed.

Finally, let me address a few other matters of importance. During the year we confirmed our intention to sell the no frills airline, **go** – it does not fit with our full service brand – and we announced plans to buy the British Regional Air Lines Group. We have also marked the first anniversary of the London Eye – the 'smile high club' – which has allowed your company to make such a huge contribution to London's skyline.

So there you have it. I believe we are making real progress on our journey to sustainable profitability. In ending, I would just like to say some 'thank you's': to our customers, our employees and our shareholders. I said a year ago that we had to work hard to put a smile back on people's faces. I think we have done that. Now, we will work doubly hard to keep it there.

Rod Eddington, Chief Executive

Behind the scenes

An inside view of British Airways' pioneering flight training facilities



When converting from one aircraft type to another, new pilots joining British Airways on sponsored courses at Oxford in England or West Michigan in the USA spend 12 days in Cranebank's Flight Technical Training Unit. This is followed by a gruelling 40 hours of full flight simulation before going to complete their training in the real aircraft. Having qualified "on type" does not mean the end of a pilot's training. Every six months he or she must return to BAFT for a further two days refresher training and proficiency check and, like cabin crew members, they are required to demonstrate their knowledge and proficiency with the safety equipment carried on the aircraft.

BAFT's Safety and Equipment Procedures (SEP) training hall is home to giant aircraft mock-ups that are capable of recreating emergencies in fine detail whether it be fire on board or ditching in the sea. Pilots and cabin crews return to these every year where they are coached in the drills and actions required to evacuate an aircraft in an emergency using evacuation slides, life jackets, rafts and survival equipment carried on board.

If you are visiting England and would like to test your skills as a Boeing 747 or 777 pilot, you can contact BAFT to book a fun flight. Just call: (+44) 20 8562 8787 and ask to book a simulator hotline flight quoting your credit card details. Hourly flights, starting from 23:00 hours, are £200 for up to two people. If you need hotel accommodation BAFT can also arrange a hotel room at a discounted price.

BAFT also run Management Training Courses for non-aviation managers, as well as corporate events and conferences. If you are interested in any of these opportunities please contact BAFT on: (+44) 20 8562 8787 for details.

Take off

in our flight simulator

On course for excellence, completely confident in the air and ready to act quickly and decisively in any situation. British Airways believes there can be no compromise when it comes to training – because in real life there are no trial runs.

Fifty years ago British Airways pioneered flight training and British Airways Flight Training (BAFT) continues to set the standards today. Approved by the Civil Aviation Authority (CAA) as a Joint Aviation Authority Training Organisation, BAFT offers courses and facilities to over fifty other airlines world-wide. Investment in high-quality flight simulators and cabin mock-ups has made BAFT one of the world's biggest and most respected training organisations.

At their Cranebank training school near Heathrow, BAFT houses 16 of the highest quality full flight simulators used by experienced and trainee pilots to practice the skills needed to fly aircraft in emergency situations, as required both by the airline and the CAA.

The technology that has gone into recreating an aircraft cockpit has evolved rapidly over recent years. With each simulator, whether it be a Boeing 747 - 400, 777 or an Airbus, the "virtual reality" experience is so close to the way the aircraft performs, that the simulators have been given the highest classification of "zero flight time." Therefore, training can be completed in the simulator removing the need to take an aircraft out of service and disrupting the flying schedule.



Key performance indicators

	For the twelve months to March 31, 2001	Difference on a year ago
Mainline scheduled services		
Passengers carried	36,221,000	-0.3%
Revenue passenger kilometers (RPKs, billion) <i>The number of passengers carried, multiplied by the distance they flew in kilometers</i>	116.7	-0.7%
Available seat kilometers (ASKs, billion) <i>The number of seats available for sale, multiplied by the distance they flew</i>	162.8	-3.3%
Passenger load factor <i>The percentage of seats available that were actually purchased</i>	71.7%	+1.9pts
Revenue per RPK <i>How much we received on average from each passenger for every kilometer flown</i>	6.29p	+7.7%
Tonnes of cargo carried	907,000	+1.1%
Total group operations (including Deutsche BA, 'go' and CityFlyer Express; previous year included Air Liberté)		
Passengers carried	44,462,000	-4.5%
Aircraft in service (as at March 31, 2001)	338	-28
Average manpower equivalent (MPE) <i>The number of employees adjusted for part time workers and overtime</i>	62,844	-4.3%
Productivity (in terms of available tonne kilometers per MPE)	400,900	+1.8%

Dividend timetable

The June 2001 Dividend timetable is as follows:

May 22, 2001	Announcement date
May 30, 2001	Shares ex-dividend
June 1, 2001	Record date for the dividend
August 7, 2001	Cash dividend payment date

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Tel +1 781 575 4328

Hand Delivery Only:

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Summary financial statements

For the year ended March 31, 2001

Summary consolidated statements of income

Audited – for the twelve months to March 31, 2001

£ million	2001	2000	Difference on a year ago
Most of our revenue was earned from our main business, airline operations.			
<i>Income from passengers flying on our scheduled services, plus excess baggage, was</i>	7,803	7,465	+4.5%
<i>Freight and mail carried on scheduled services brought in another</i>	579	556	+4.1%
<i>Revenue from operating charter flights added</i>	50	71	-29.6%
Added together, that gave us a total traffic revenue of	8,432	8,092	+4.2%
<i>Income from other activities, largely aircraft maintenance and other airline services provided to third parties, earned</i>	846	848	-0.2%
This gave us a total group operating revenue of	9,278	8,940	+3.8%
Our expenses comprised:			
<i>Pay, pension contributions and other employee costs</i>	2,376	2,481	-4.2%
<i>Amortization of fixed assets</i>	715	648	+10.3%
<i>Charges for hiring the aircraft we fly on operating leases</i>	221	190	+16.3%
<i>Fuel and oil costs (net of hedging)</i>	1,102	804	+37.1%
<i>Engineering and other aircraft costs</i>	662	661	+0.2%
<i>Airport landing fees and air traffic control charges</i>	645	682	-5.4%
<i>Handling charges, catering and other operational costs</i>	1,303	1,328	-1.9%
<i>Selling costs</i>	1,135	1,188	-4.5%
<i>Accommodation, ground equipment costs and currency differences</i>	739	874	-15.4%
In total, therefore, our overall group operating expenses were	8,898	8,856	+0.5%
Deducting this from our group operating revenue left a group operating income of	380	84	+352.4%
<i>We took into account our share of the operating income of our associated undertakings, a sum of</i>	64	75	-14.7%
<i>Other income and charges amounted to</i>	1	5	-80.0%
<i>The net (loss)/profit on sale of fixed assets and investments during the year was</i>	(69)	249	nm
<i>Net interest expense amounted to</i>	(226)	(408)	-44.6%
This produced a group income before tax of	150	5	nm
<i>Then we provided for tax totalling</i>	(22)	(15)	+46.7%
This produced a group net income for the period of	128	(10)	nm
<i>Part of our profits are owed to a minority shareholder in one of our subsidiaries</i>	(2)	-	nm
<i>In the year, 6.75 per cent interest was paid to holders of euro 300 million preferred securities</i>	(12)	(11)	-9.1%
This left a group net income attributable to shareholders of	114	(21)	nm
<i>From this, we deduct dividends – interim dividend of 5.1p per share paid in January and the final proposed dividend of 12.8p per share payable in July, representing a total of</i>	(193)	(195)	-1.0%
Finally, this left income retained in the business of	(79)	(216)	-63.4%
INCOME PER ORDINARY SHARE			
<i>The standard measure of a company's profitability is calculated by dividing net income attributable to shareholders for the period by the average number of Ordinary Shares in issue during the period.</i>			
On this basis, our income per Ordinary Share was	10.6p	(2.0)p	nm

nm = not meaningful

Auditors statement to the shareholders of British Airways Plc

We have examined the summary financial statements set out on pages 8, 9 and 10.

Respective Responsibilities of Directors

The directors are responsible for preparing the Investor. Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Investor with the full accounts and directors' 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.

Opinion

In our opinion, the summary financial statement is consistent with the full annual accounts and directors' report of British Airways Plc for the year ended March 31, 2001, and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations thereunder.

Ernst & Young, Registered Auditor, London, May 22, 2001.

Summary consolidated balance sheet

Audited – as at March 31, 2001

£ million	2001	2000
The group's current assets, mainly money we are owed, our "cash in hand" and inventories, represented	2,446	2,592
Our intangible assets comprised:		
<i>Goodwill</i>	60	62
Our tangible assets comprised:		
<i>Our fleet</i>	8,865	8,437
<i>Property</i>	1,418	1,488
<i>Computers, ground and other equipment</i>	483	369
Together, these represented our intangible and tangible assets, of	10,826	10,356
<i>In addition, we had invested in other businesses</i>	426	567
So our intangible assets, tangible assets and investments together equalled	11,252	10,923
Adding this to the sum of our current assets give us total assets of	13,698	13,515
<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>	3,308	3,366
<i>In addition, we owed to creditors amounts due after more than a year including:</i>		
<i>Long-term borrowings and other creditors of</i>	6,788	6,615
<i>The nominal value of our Convertible Capital Bonds 2005, at £1 each</i>	113	113
<i>We have also made provision for other liabilities and charges</i>	70	81
Thus, our liabilities totalled	10,279	10,175
The money invested in the British Airways group comprised:		
<i>Our called-up share capital, some 1082.5 million 25p shares</i>	271	270
<i>Our reserves</i>	2,944	2,877
Shareholders' equity	3,215	3,147
<i>Amount owed to a minority shareholder in one of our subsidiaries</i>	18	16
<i>Euro 300 million Preferred Securities which entitle holders to a return of 6.75 per cent</i>	186	177
Together, these totalled	3,419	3,340
Adding this to the sum of our liabilities give us total liabilities and shareholders' equity of	13,698	13,515

Reconciliation of results under UK GAAP to results under US GAAP

Unaudited – for the twelve months to March 31, 2001

£ million	2001	2000
Net income for the year as reported in the consolidated statements of income	114	(21)
US GAAP adjustments before cumulative effect of change in accounting principle	112	(350)
Cumulative effect on prior years of adopting a new accounting standard on deferring a proportion of frequent flyer revenue		(80)
Net income as adjusted to accord with US GAAP	226	(451)
Net income per American Depositary Share as so adjusted:	Pence	Pence
Basic and Diluted:		
Income/(loss) before cumulative effect of change in accounting principle as adjusted to accord with US GAAP	210	(345)
Cumulative effect on prior years of adopting a new accounting standard on deferring a proportion of frequent flyer revenue		(74)
	210	(419)

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

Unaudited – as at March 31, 2001

£ million	2001	2000
Shareholders' equity as reported in the consolidated balance sheet	3,215	3,147
US GAAP adjustments	(881)	(758)
Shareholders' equity as adjusted to accord with US GAAP	2,334	2,389