BRITISH AIRWAYS

Investor

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Incorporating the 2001-2002 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 as would be provided by the full annual report and accounts. Shareholders who would like more detailed information may obtain a copy by writing to British Airways Shareholder Services at the address given on page 8 of this magazine.

Your company's performance

Lord Marshall explains the airline's performance during the year

The Group incurred a pre-tax loss of £200 million, compared to a profit of £150 million in the previous year. No interim dividend was paid and the Board has not recommended that any final dividend be paid.

Year in review

While the financial result is disappointing, it will come as no great surprise to shareholders. Any saving grace stems from the fact that the actual deficit is significantly lower than many expectations; also from the encouraging financial improvement seen in the last quarter.

This was not the first difficult year encountered in recent times, but it has been the worst. With widespread economic downturn, the lingering effects on UK tourism of foot and mouth disease and the relatively high value of Sterling, plus the grounding of Concorde, the situation was already tough. Then came the events of September 11th.

The effects on the industry as a whole, but principally the major intercontinental carriers, have been dire, with the International Air Transport Association confirming its earlier prediction of a US $12 billion collective industry loss.

Your company experienced a profit decline of some 70 per cent over the first six months of the year and broke even in the usually lucrative second quarter. During the week of the terrorist attacks, we saw a 60 per cent fall in passenger numbers and a revenue loss of £48 million (although we subsequently received £22 million in Government compensation). The unprecedented situation caused an insurance crisis and we are grateful to HM Government for its prompt action to provide necessary guarantees. We took steps to secure liquidity and put in place extra business protection schemes.

In the months after September, the decline in business travel, particularly across the North Atlantic, together with increased competition from the European no-frills carriers, who remained largely untouched by world affairs, affected financial performance.

With a strategy of tight capacity management and strict cost control already in place, it was clear that, after September 11th, more drastic measures were necessary. A root and branch review of our business and its cost structure resulted in the 'Future Size and Shape' strategy. Approved unanimously by your Board, it redefines the business of British Airways and the way in which the company will deliver necessary economic and competitive reform.

Response to the post-September crisis also included moves to resuscitate the market with an innovative range of special offers and incentives. They were successful but caused dilution of yield.

Total revenue for the year amounted to £8.3 billion, a reduction of 10 per cent. The 40 million passengers carried also represented a fall of 10 per cent over the previous year, virtually in line with the 9 per cent capacity reduction. Cargo volume dropped by 17 per cent to 755,000 tonnes.

There have been positive aspects to the year, most notably the resumption in November of supersonic travel across the Atlantic. Our recent investments in product and customer service innovation have continued to set us apart from the competition, with the new flat beds in Club World receiving much approval in the market place. A major development was the Government's welcome approval to build Terminal 5 at Heathrow, now expected to be open for business in 2007. The creation of adequate operating infrastructure in the UK is an absolute priority.

Alliance development

The bid to establish a fully-collaborative partnership with American Airlines was abandoned as it became apparent that there was little chance of an open skies agreement being reached between the British and US governments, or of an acceptable set of conditions being agreed. The price of the partnership would have been too high. Nevertheless, British Airways and American Airlines remain committed to building our marketing relationship and cooperating in ways permitted under the terms of the air services agreement between our two countries. We are also developing our relationship within the **one**world alliance which is increasing its scope and impetus.

Investments and disposals

Following the acquisition of British Regional Air Lines Group (BRAL) in May 2001, the airline was integrated with Brymon Airways under the name of British Airways CitiExpress. British Airways Regional and Manx Airlines will be consolidated into this organisation during the current year.

We have agreed to sell a 70 per cent shareholding in World Network Services, our India-based data management company, to Warburg Pincus. A 50/50 partnership was established with Thomas Cook Holdings in Accoladia Ltd and the UK outbound business of BA Holidays transferred to this new company.

By May, 2002, we were more than half way towards the target of realising £500 million from property and aircraft disposals. Recently, we signed a binding agreement to grant easyJet an option of buying Deutsche BA by March 31, 2003.

Our people

The year's events have been exceptionally difficult for our people. Nevertheless, they have been stoic and utterly professional in their response to corporate and personal adversity. Following September 11th, many thousands of anxious passengers were stranded on both sides of the Atlantic and I pay tribute to all our employees who worked tirelessly - many voluntarily - to provide care, comfort and an eventual flight home. We saw the people of British Airways at their very best during those critical days. The performance of everyone has continued at a high level and I am grateful to all of our team throughout the world. We are dependent on them for our recovery and future success.

Company restructure involves a 20 per cent manpower reduction. It is being achieved on a voluntary basis (including elected severance or early retirement) and we thank all those who have left, or are leaving, for their service to your company.

I want to make special mention of the cuts in pay which were accepted by so many of our people during the difficult, latter part of the year. We are grateful to each of them for putting their company and commitment to each other before personal self interest.

Pensions

Shortly after the end of the year under review, we announced the decision to change the pension provision for any new future employees, by moving from a defined benefit final salary basis to a defined contribution basis, from autumn 2002. It followed a thorough review of pension arrangements, taking into account a changing competitive environment, the new FRS17 accounting rules, market volatility and rising life expectancy. The move provides greater certainty over long-term employment costs. Members of Airways Pension Scheme (APS) and New Airways Pension Scheme (NAPS), both serving staff and pensioners, are unaffected.

Corporate social responsibility

We remain committed to high standards of corporate social responsibility and believe that companies will be judged more and more on their records of sustainable development and corporate governance. During the year, British Airways became one of 34 companies accepted into the UK Emissions Trading Scheme and expects to receive more than £6.5 million from Government over the next five years, in return for meeting greenhouse gas reduction targets.

Board changes

John Rishton and Captain Michael Jeffery joined the Board during the year. Derek Stevens and Captain Colin Barnes retired.

Michael Davies (our longest serving non-executive director) and the Hon Raymond Seitz retire at the Annual General Meeting in July and will not be seeking re-election.

Dr. Ashok Ganguly, Lord Renwick and I will be standing for re-election at the AGM. I will seek re-election for two years.

At the AGM, you will be asked to elect Maarten van den Bergh, Chairman of Lloyds-TSB, as a new non-executive director, for a term of three years.

Outlook

Reform and restructuring against a substantially changed competitive background are well under way. The concentration is on providing customers with the services they want at prices which are of value and at costs which make a satisfactory return for shareholders.

The current year is one of transition and still subject to global economic and political uncertainty. The market is expected to remain soft; but further capacity cuts should help to underpin yields and to support increases in seat factors. In a weak revenue environment, costs remain the focus.

Chief Executive's view

This year has been the toughest in our history. The impact of the tragic terrorist attacks on America in September reverberated throughout our industry. British Airways adapted swiftly to the changing circumstances.

Even before the terrorist attacks market conditions were tough and we were taking appropriate action.

We were progressing our plans at Gatwick - transforming it into a base for point-to-point shorthaul flights with a reduced number of longhaul routes.

Our strategy to reduce fragmentation in our UK regional operations was also advancing with the merger of British Regional Air Lines Group and Brymon Airways to create British Airways CitiExpress. Later this year, Manx Airlines and British Airways Regional will join this new entity, giving us a single business unit for all UK regional operations.

We had filed for anti-trust immunity with our alliance partner American Airlines and were making huge efforts to return Concorde to the skies.

The US terrorist attacks irrevocably changed the landscape of our industry. We acted fast to conserve cash and control costs. We reduced capacity by grounding aircraft, pulled off some routes and reduced frequencies on others. We worked hard to restore confidence in air travel by implementing additional security measures - reinforcing cockpit doors, introducing extra searches of passengers and hand baggage, and banning flight deck visits.

We targeted 7,200 voluntary manpower reductions. We put a stop to new capital spend, advertising, sales promotion and recruitment. We also raised finance against existing aircraft.

We worked with our trade unions and staff to deliver savings and I would like to thank them for their supportive and sensible approach, while still endeavouring to deliver high levels of customer service. They have done an excellent job and continue to do so in the face of adversity.

'Future Size and Shape'

In our efforts to return the airline to profitability, we also launched a further wide-ranging internal review of the business, called 'Future Size and Shape'.

While this work was in progress, the US Department of Transportation ruled on our alliance with American Airlines. Both airlines found the regulatory price too high and opted to reject the offer. It was the right decision for the business, for our shareholders and for our staff.

We continue to pursue ways to deepen our alliance with American Airlines under the current regulatory framework and **one**world, now the most international global alliance, remains a priority for us. We are as determined as ever to develop relationships with our **one**world partners.

The outcome of the 'Future Size and Shape' review, announced in February, signalled a real change for us as we took further steps to remove unprofitable capacity, reduce costs and strip complexity out of the business.

We set about simplifying our fleet, our fares and our business systems. The introduction of the Amadeus computer reservations system across the airline will realise significant cost benefits and will help us deliver better customer service.

Cost efficiencies

The company has its sights set on a 10 per cent operating margin. This will be supported by a £650 million cost saving each year from March 2004, of which £450 million will be secured by the end of this financial year.

In addition to the 7,200 voluntary manpower reductions announced on September 20, 2001 we pledged to remove a further 5,800 manpower reductions from our business. In a further move to control long term costs, we have announced a change in pension arrangements for future UK staff. This does not affect existing members of our two main UK pension schemes.

Business strategy

Our shorthaul business must adapt to provide a strong competitive response to the no-frills carriers. We are marrying what they do well with what we do best. We have started to change our shorthaul pricing structure and schedules and are now giving business travellers and holiday makers lower fares, greater flexibility and more choice.

As part of our eBusiness strategy, we have launched a new on-line booking service, called Fare Explorer, which is making significant gains for us. It is a hit with our customers.

Whilst fixing the core business is our key priority, I am only too aware of the continuing constraints around airport space and capacity.

Heathrow - now the only European hub that serves fewer destinations than it did a decade ago - is being overtaken by Paris, Amsterdam and Frankfurt. It is vital that we restore Heathrow's pre-eminence. The positive decision on Terminal 5 is a step in the right direction. We have also joined Freedom to Fly which is a coalition of airports, airlines, trade unions, business and tourism groups who have come together to promote sustainable growth in air transport.

The events of September 11th have already led to the collapse of two European national carriers. Given the large number of airlines in Europe, I believe further consolidation is inevitable. However, for this to take place in a way that benefits the industry as a whole, we need to extend deregulation beyond national borders.

Concorde's celebrated return to the skies and the positive decision on Terminal 5 are two of the highlights in what has been a challenging and difficult year.

The overall market outlook remains soft but the swift and decisive actions we have taken show we are determined to return the business to acceptable levels of profitability. Throughout the year ahead, our drive on costs will continue with tight capacity management and cost control. These are key to our 'Future Size and Shape' recovery strategy.

Summary financial statement for the

Summary group profit and loss account

Audited – For the twelve months to March 31, 2002

£ million	2002	*Restated* 2001*	Difference on a year ago
Most of our revenue was earned from our main business, airline operations.			
Income from passengers flying on our scheduled services, plus excess baggage, was	7,036	*7,803*	-9.8%
Freight and mail carried on scheduled services brought in another	483	*579*	-16.6%
Revenue from operating charter flights added	52	*50*	+4.0%
Added together, that gave us a total traffic revenue of	7,571	*8,432*	-10.2%
Income from other activities, largely aircraft maintenance and other airline services provided to third parties, earned	769	*846*	-9.1%
This gave us a total Group TURNOVER of	8,340	*9,278*	-10.1%
Our expenses comprised:			
Pay, pension contributions and other employee costs	2,329	*2,376*	-2.0%
Depreciation and amortisation of fixed assets	770	*715*	+7.7%
Charges for hiring the aircraft we fly on operating leases	199	*221*	-10.0%
Fuel and oil costs (net of hedging)	1,028	*1,102*	-6.7%
Engineering and other aircraft costs	673	*662*	+1.7%
Airport landing fees and air traffic control charges	615	*645*	-4.7%
Handling charges, catering and other operational costs	1,110	*1,303*	-14.8%
Selling costs	824	*1,135*	-27.4%
Accommodation, ground equipment costs and currency differences	822	*739*	+11.2%
Exceptional operating charge for restructuring costs relating to 'Future Size and Shape' programme	80		nm
In total, therefore, our overall Group operating costs were	8,450	8,898	-5.0%
Deducting this from our Group turnover left a Group OPERATING (LOSS)/PROFIT of	(110)	*380*	nm
We took into account our share of the operating profit of our associated undertakings, a sum of	22	*64*	-65.6%
Other income and charges amounted to	21	*1*	nm
The net profit/(loss) on disposal of fixed assets and investments during the year was	145	*(69)*	nm
Net interest payable amounted to	(278)	*(226)*	+23.0%
This produced a Group (LOSS)/PROFIT BEFORE TAX of	(200)	*150*	nm
Then we adjusted for tax totalling	71	*(69)*	nm
This produced a Group (LOSS)/PROFIT AFTER TAX of	(129)	*81*	nm
Part of our profits are owed to a minority shareholder in one of our subsidiaries	(1)	*(2)*	-50.0%
In the year, 6.75% interest was paid to holders of 300 million euro preferred securities	(12)	*(12)*	
This left a Group (loss)/profit attributable to shareholders of	(142)	*67*	nm
From this, we deduct dividends paid and proposed last year of 17.9p per share		*(193)*	nm
Finally, this left a loss retained in the business of	(142)	*(126)*	+12.7%
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 (loss)/earnings per share were	(13.2)p	*6.2p*	nm

nm = not meaningful * *The prior period results have been restated to reflect changes arising from the adoption of a new accounting standard on deferred tax*

Auditors' statement to shareholders of British Airways Plc

We have examined the summary financial statement for the year ended March 31, 2002, which comprise the Summary Group Profit & Loss Account, Summary Group Balance Sheet and Remuneration of the Executive Directors.

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 Audit 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, 2002, and complies with the applicable requirements of section 251 of the Companies Act 1985, and the regulations thereunder.

Ernst & Young LLP, London, May 20, 2002.

year ended March 31, 2002

Summary group balance sheet

Audited – For the twelve months to March 31, 2002

£ million	2002	*Restated* 2001*
The Group's intangible assets comprised:		
Goodwill	105	*60*
The Group's tangible assets comprised:		
Our fleet	8,672	*8,761*
Property	1,335	*1,418*
Computers, ground and other equipment	502	*483*
Together, these represented our intangible and tangible assets, of	10,614	*10,722*
In addition, we had invested in other businesses	489	*426*
So our intangible assets, tangible assets and investments together equalled	11,103	*11,148*
Our current assets, mainly money we are owed, our "cash in hand" and stock, represented	2,559	*2,550*
Most passengers book, and pay for, tickets in advance. This money, and amounts owing to creditors that are payable within one year, totalled	(3,201)	*(3,308)*
Deducting this gave our net current liabilities	(642)	*(758)*
Adding this to the sum of our intangible assets, tangible assets and investments left us with total assets less current liabilities of	10,461	*10,390*
In addition, we owed to creditors amounts due after more than a year including:		
Long-term borrowings and other creditors of	(6,985)	*(6,788)*
The nominal value of our Convertible Capital Bonds 2005, at £1 each	(112)	*(113)*
We have provided for deferred tax	(1,031)	*(1,094)*
We have also made provision for other liabilities and charges	(126)	*(70)*
Thus, our assets less liabilities represented	2,207	*2,325*
The money invested in the British Airways Group comprised:		
Our called-up share capital, some 1,082.5 million 25p shares	271	*271*
Our reserves	1,745	*1,850*
	2,016	*2,121*
Amount due to a minority shareholder in one of our subsidiaries	9	*18*
Issue of 300 million Euro Preferred Securities which entitle holders to a return of 6.75%	182	*186*
	2,207	*2,325*

** The prior period results have been restated to reflect changes arising from the adoption of a new accounting standard on deferred tax and a reclassification of certain engineering expendable parts from fixed assets to stock.*

The summary financial statement on pages 4 to 6 was approved by the Directors on May 20, 2002.

Rod Eddington Chief Executive Officer   John Rishton Chief Financial Officer

Key performance indicators

Airline scheduled services	For the twelve months to March 31, 2002	*Difference on a year ago*
Passengers carried (000)	40,004	*-10.0%*
Revenue passenger kilometres (RPKs) (m) *The number of passengers carried, multiplied by the distance they flew in kilometres*	106,270	-13.7%
Available seat kilometres (ASKs) (m) *The number of seats available for sale, multiplied by the distance they flew*	151,046	-12.4%
Passenger load factor (%) *The percentage of seats available that were actually purchased*	70.4%	-1.0pts
Revenue per RPK (p) *How much we received on average from each passenger for every kilometre flown*	6.67	+4.7%
Tonnes of cargo carried (000)	755	-17.4%
Aircraft in service (as at March 31, 2002)	360	+22
Average manpower equivalent (MPE) *The number of employees adjusted for part time workers and overtime*	57,227	-2.8%
Productivity (in terms of available tonne kilometres per MPE) (000)	399.3	-6.7%

Summary financial statement for the

Summary Remuneration Report

This page summarises the Remuneration Report, full details of which can be found on pages 17 to 19 in the Annual Report and Accounts. The Remuneration Policy is set out in full opposite.

Remuneration of the Executive Directors

	2002 £'000	2001 £'000
Rod Eddington		
Basic salary	**486**	458
Bonus		185
(Reviewed annually by the Remuneration Committee)		
Taxable benefits	**11**	108
(including company car, fuel and private health insurance)		
Total	**497**	751
Total deferred annual pension at March 31	**33**	15
Executive Share Option Scheme:		
Share options held at March 31		
Number	**302,439**	138,888
Option price range	**321p-360p**	360p
Conditional awards of options granted		
Number	**208,022**	103,022
Mike Street		
Basic salary	**282**	89
Bonus		33
(Reviewed annually by the Remuneration Committee)		
Taxable benefits	**15**	5
(including company car, fuel and private health insurance)		
Total	**297**	127
Total deferred annual pension at March 31	**196**	180
Executive Share Option Scheme:		
Share options held at March 31		
Number	**250,137**	155,122
Option price range	**321p-394p**	380p-394p
Conditional awards of options granted		
Number	**193,851**	156,755
John Rishton (Note 1)		
Basic salary	**114**	
Bonus		
(Reviewed annually by the Remuneration Committee)		
Taxable benefits	**7**	
(including company car, fuel and private health insurance)		
Total	**121**	n/a
Total deferred annual pension at March 31	36	n/a
Executive Share Option Scheme:		
Share options held at March 31		
Number	**123,523**	n/a
Option price range	**321p-394p**	n/a
Conditional awards of options granted		
Number	**50,088**	n/a
Derek Stevens (Note 2)		
Basic salary	**203**	292
Bonus		108
(Reviewed annually by the Remuneration Committee)		
Taxable benefits	**4**	10
(including company car, fuel and private health insurance)		
Total	**207**	410
Total deferred annual pension at August 31, 2001 and March 31, 2001	**243**	235

n/a = not applicable

On April 1, 2002 a third of each of the conditional awards made on June 13, 1997, June 12, 1998 and July 2, 1999 lapsed as the performance condition was not met in the respective financial years 1998 to 2002.

Notes:

1. John Rishton appointed on September 1, 2001
2. Derek Stevens retired on August 31, 2001
3. Fees, salaries, performance bonuses and benefits payable to Board members during the year totalled £1,529,000 (2001:£1,795,000).
4. No share options under the Executive Share Option Scheme were exercised during the year by any of the above and none of the awards under the Long Term Incentive Plan became unconditional.

year ended March 31, 2002

Remuneration Policy

The company's remuneration policy is to provide compensation packages at market rate which reward successful performance and attract, retain and motivate managers. 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.

Remuneration package for executive directors

The remuneration package, which is determined by the Remuneration Committee, consists of a basic salary, pension, an annual bonus, 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 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 achievement of a stretching performance condition, which requires the company's ranking by total shareholder return (TSR) to be placed at the median percentile or above relative to other companies in the FTSE-100 index before any options are granted and which produces the maximum option grant only if the company attains the 90th percentile or above. In relation to the awards made in 1999, 2000 and 2001, achievement against the performance condition is tested for a one third tranche of each award on the third, fourth and fifth anniversary of the start of the financial year in which the award was made. In relation to awards made in the 2002/2003 financial year, achievement against the performance condition will be tested in relation to the whole award at the start of the 2005/2006 financial year.

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 Depositary 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 sustained 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. In relation to options granted in 2000, 2001 and 2002, the Remuneration Committee imposed a threshold of 20.8 pence as the minimum base year earnings per share before any such increase could qualify towards meeting the performance condition.

Service contracts

Each of the three executive directors has a rolling contract with a one year notice period. In the event of new external 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 contracts where the notice period reduces to one year after an initial period in accordance with paragraph B.1.8 of the Combined Code.

Non-executive directorships

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

Rod Eddington and John Rishton are members of both the New Airways Pension Scheme (NAPS) and an Unfunded Unapproved Retirement Scheme which, under the terms of their service contracts will provide a total retirement benefit equivalent to 1/30th and 1/56th respectively of basic salary for each year of service. Mike Street is a member of NAPS. Annual bonuses are not part of the executive directors' pensionable pay and nor will any annual bonus be included for pensionable purposes in relation to any future appointments of executive directors. Provision 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.

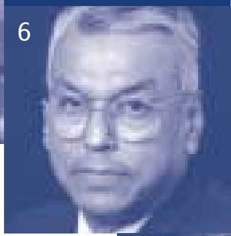
Non-executive directors' fees

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 previous three years. They will be reviewed again in April 2003. Neither the Chairman nor the non-executive directors participate in the long term incentive plan nor the share option plan. Their fees are not pensionable. Lord Marshall, Captain Barnes and Captain Jeffery, being former executives of the company, are in receipt of pensions, in the case of Lord Marshall, under the New Airways Pension Scheme and, in the case of Captain Barnes and Captain Jeffery, under the Airways Pension Scheme.

The Board










Chairman

1 Lord Marshall of Knightsbridge (68)

Executive Directors

2 Roderick Eddington (52)
Chief Executive

3 John Rishton (44)
Chief Financial Officer

4 Mike Street (54)
Director of Customer Service and Operations

Non-Executive Directors

5 Martin Broughton (55)

6 Dr Ashok Ganguly (66)

7 Captain Michael Jeffery (57)

8 Baroness O'Cathain (64)

9 Dr Martin Read (52)

10 Lord Renwick of Clifton (64)

11 Michael Davies (67)

12 The Hon Raymond Seitz (67)

13 Maarten van den Bergh (62)

Derek Stevens and Captain Colin Barnes retired from the Board on August 31, and September 30, 2001, respectively.

Summary directors' report

Principal activities

The main activities of British Airways Plc and its subsidiary undertakings 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

Loss for the year attributable to members of British Airways Plc amounted to £142 million. No interim dividend was paid during the year. The Board has not recommended that any final dividend be paid.

Post balance sheet events

On May 8, 2002, the company entered into a binding agreement with easyJet, which grants easyJet the option to buy 100 per cent of Deutsche BA, the group's German airline subsidiary, by March 31, 2003. The amount payable by easyJet is potentially between £18 million (Euro 30 million) and £28 million (Euro 46 million) dependent on when the option is exercised.

On March 7, 2002, the company reached a conditional agreement to sell a 70 per cent shareholding in its subsidiary undertaking, World Network Services, the data management company based in India plus certain UK based assets, to Warburg Pincus, the private equity investor, for sale proceeds of £10 million. The transaction became unconditional on May 20, 2002.

The Chairman's statement concludes with an outlook statement on page 2.

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 Investor Services PLC
PO Box 82, The Pavilions,
Bridgwater Road, Bristol BS99 7NH
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
020 8738 7104

The Shareholder Reservations Line:
0845 76 007 10

For your flight bookings:
How to Contact Us:
www.ba.com
If calling from the UK
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:
0870 442 3854

British Airways Travel Shops:
0845 606 0747

British Airways Travel Clinics:
0845 77 999 77