

BRITISH AIRWAYS



Investor

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Incorporating the 2002-2003
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 12 of this magazine.

YOUR COMPANY'S PERFORMANCE

Lord Marshall explains the airline's performance during the year



Lord Marshall of Knightsbridge
Chairman

Group pre-tax profit for the year was £135 million, compared to a loss of £200 million in the previous year. At the operating level, a surplus of £295 million, including an exceptional cost item of £84 million, was achieved. Profit attributable to shareholders was £72 million. No interim dividend was paid and the Board has recommended that no final dividend be paid.

Year in review

For your company and the air transport industry as a whole, this has been the most difficult period in living memory. In the first part of the year, we were still suffering from the aftershock of September 11th, 2001, together with accelerating world-wide economic downturn. As the year progressed, the threat of war in the Middle East began to loom large, creating uncertainty and severely depressing demand. Towards the end of the financial year, hostilities broke out with their inevitable, adverse consequences for international travel in general, and services to the Middle East, in particular. It seemed that the situation could not get any worse. Then, in the last month of the year, news broke of a new, unknown, contagious disease, SARS, Severe Acute Respiratory Syndrome, with devastating effect.

It is reliably estimated that over the three year period 2001/2003, the air transport industry will have accumulated a collective loss of around £26 billion. Some major airlines have gone out of business entirely, others are struggling to remain viable. In the US, carriers have been propped up by government handouts and loan guarantees,

a competitive advantage not available to - nor desired by - your company. The industry is in a state of disarray, if not despair.

Against this sombre background, our result stands out as a welcome, creditable performance. The fact that the profit is derived from reducing costs, rather than improving revenue and yield, tells the story of the year.

Revenue earned was £7.7 billion, a reduction of £650 million from the previous year, with yield down by 1.3 per cent. Passenger numbers reduced by 5 per cent to 38 million. Cargo volume increased by 4.4 per cent, however, freight yield fell by 4 per cent.

Capacity deployed in the market decreased by almost 8 per cent and performance, in terms of revenue passenger kilometres achieved, declined by less than 6 per cent. This drove the load factor up by 1.5 percentage points to 71.9 per cent.

The well-established drive to cut costs and improve efficiency continued relentlessly under the Future Size and Shape programme. A total of £1 billion of costs was taken out of the business, resulting in unit costs reducing by 5.5 per cent. Manpower has been reduced by the equivalent of 10,000 people since August, 2001 and by September, 2003, a reduction of a further 3,000 is targeted. The Chief Executive reports on these strategic matters in more detail elsewhere.

To withstand an inevitable loss of business through war in the Middle East, it was obvious that financial reserves would be needed. Consequently, your company built up cash funds and available credit lines of more than £2 billion. The closing cash balance of £1.65 billion is our largest ever for year end.

Concorde

One of the year's most significant and difficult decisions concerned the much-anticipated retirement of the Concorde fleet. In April, we announced that Concorde would be withdrawn from service at the end of October, 2003.

Our decision was made in the light of compelling economic and technical evidence. The sharp decline in demand for premium class travel, because of factors already described, had a particularly heavy effect on Concorde. Supersonic service across the North Atlantic was reduced by 50 per cent, as traditional Concorde customers stayed away or traded down, and there was faint hope of services returning to profitability or

breaking even. At the same time, with Concorde now well into its third decade of commercial service, maintenance needs were becoming more intensive and, consequently, more uneconomic. An in-depth technical review of Concorde operations was carried out with Airbus Industrie, the descendant manufacturer. This concluded that there was no realistic prospect for the operation of Concorde beyond October, 2003. Retiring Concorde resulted in a write off of £84 million in the year under review.

Concorde has a unique place in air transport history and we have been extremely proud to have the world's only supersonic transport as the British Airways flagship for almost 30 years. As the embodiment of far-sighted vision, technological supremacy and sheer human endeavour, Concorde has won a special place in the hearts of people across the globe, but especially in Britain, where the aircraft has become a national icon. Over its last months of service, Concorde is being celebrated with a programme of special promotions and commemorative activities. After retirement, the Concorde fleet will not be scrapped, but kept for posterity in places of honour at some of the world's great aviation museums and at other locations.

Investments and disposals

During the year, it was agreed by British Airways and Thomas Cook UK, to dissolve the 50/50 joint venture company, Accoladia Ltd., as the partnership no longer fitted the strategies of either company. It was, therefore, announced in November that Thomas Cook UK would acquire the stake held by your company and that Accoladia would become a wholly owned subsidiary of Thomas Cook UK. The British Airways Holidays brand would revert to British Airways' control. Shortly after the end of the year, British Airways Holidays launched its first programmes since its re-integration with British Airways. The programmes, Florida and Tropical Beaches, are for holidays in 2004. Three more programmes are to be launched during 2003.

In March, easyJet advised that it did not intend to exercise the option, secured through agreement in May, 2002, to acquire our German subsidiary, dba (formerly Deutsche BA). Under the terms of the agreement, easyJet paid your company £6.1 million for the purchase option.

Industry Development

The crises of the past two years have highlighted the urgent need for reform and re-structure within the European airline

YOUR COMPANY'S PERFORMANCE

Lord Marshall explains the airline's performance during the year

industry. The existing international regime covering airline ownership and airspace sovereignty has prohibited the industry from responding in a normal, commercial way. There are too many inter-continental airline network bases, or hubs, in Europe and consolidation through cross-border merger and acquisition is badly needed, but so far the regulatory rules have made this impossible. We welcomed, therefore, the second stage of an initiative for progressive change put forward at the end of February by the European Transport Commissioner, Loyola de Palacio. If ratified by the European Parliament and the European Council of Ministers, it would allow the Commission to negotiate an 'open skies' agreement with the US to create a transatlantic free market in air transport and co-ordinate air services agreements with other countries. This would effectively give European airlines an EU 'nationality' status, so allowing mergers to take place, with no adverse impact on international route rights.

Alliances

All members of the **oneworld** alliance have been affected by the unstable economic and political environment, but the alliance continues to deliver a good deal of benefit to the airlines and their customers. Closer productive ties continued to be established with our **oneworld** partners. New codeshare arrangements were agreed with Finnair, Iberia and Cathay Pacific.

In April, the US Department of Transportation tentatively approved the application for British Airways and American Airlines to codeshare on a wide number of flights beyond our respective gateways in the UK and in the USA.

Aviation Policy

After being stalled over the issue of whether or not Gatwick should be considered for runway expansion, consultation on the Government's proposed new 30-year aviation policy resumed in early 2003. Needless to say, British Airways is playing an energetic role in this process. In due course, growth will return to the industry and the global air transport market remains on track to double, in terms of passenger numbers, over the next 10-15 years. In the Southeast of England, passenger journeys are expected to rise three-fold - to 300 million a year - by 2030. If Britain is to remain at the forefront of world commercial aviation and therefore international economic development, it is clearly vital that the operating infrastructure is enhanced and expanded. We welcome the

Government's commitment to draw up a progressive, long-term aviation policy and look forward to publication of the much-awaited White Paper before the end of 2003. Development is necessary throughout the UK, but the key issue is additional runway capacity for London and the Southeast. We believe firmly that the only logical answer is to build on established strengths and continue to press for the construction, on a sustainable basis, of a short third runway at Britain's only global hub, Heathrow.

Corporate Social Responsibility

The very difficult business climate has not diminished your company's commitment to high standards of corporate social responsibility. We have continued to work hard to improve performance in this increasingly important area. Apart from the fact that British Airways believes in social responsibility, including environmental care and concern for the communities we serve and in which we work, there are sound business reasons for this. Consumers will more and more judge a company on its integrity and ethics, as well as the value of its commercial products and services.

Details of the corporate social responsibility programme are provided in the Directors' Report, but last year British Airways became a founder member of the Business In The Community CSR Index. In the interests of recognising best practice and raising standards, we also take part in the Dow Jones Sustainability Index and the FTSE for Good scheme. Our Social and Environmental Report for 2002-03 will be available to shareholders in July. The publication gives a critical assessment of performance in these areas and provides an annual yardstick.

Our People

The people of British Airways have become accustomed to working in an uncertain environment of competitive and economic pressure, but they are hardly likely to have experienced a year as tough as the one under review. Nevertheless, employees everywhere, at every level, have stuck unflinchingly to their jobs, maintaining standards of service to our customers and to each other, in a collective commitment to business recovery. Necessary manpower reductions are never easy to implement, but we are thankful that they have been achieved on a voluntary basis. As always, I am grateful for the professionalism and dedication of our people. They are, in my considered view, the best in this ever-challenging business.

The Board

I am also grateful for the support of my fellow Board members. Their commitment to your company and wise counsel over its affairs is always appreciated, but never more so than at times of crisis.

The Board takes its responsibilities for ensuring high standards of corporate governance throughout your company very seriously, as confirmed in the Directors' Report. We comply fully with the Combined Code laid down by the UK Listing Authority and await the final outcome of the Higgs review of the role and effectiveness of non-executive directors, which was published in January.

At the annual general meeting, Martin Broughton, Rod Eddington, and Martin Read will be standing for re-election for further three year terms. Having already served for ten years, Baroness O'Cathain will stand for re-election on an annual basis.

Outlook

We expect the business environment will continue to be challenging in 2003/04 ahead of an economic recovery.

Forecasting revenue against a backdrop of continuing global economic weakness, SARS, and Middle East developments is very difficult, however, the outlook is that revenue in Quarter 1 will be lower than last year. Visibility beyond the first quarter is not clear.

The implementation of our Future Size and Shape programme and other cost cutting initiatives is on track and delivering more than the expected cost savings.

Lord Marshall of Knightsbridge
Chairman

CHIEF EXECUTIVE'S VIEW



Rod Eddington
Chief Executive

There should be no doubt about the challenges that face our industry and this company. A press article summed it up when it suggested that the aviation industry must feel it has been assailed by the Four Horsemen of the Apocalypse in recent years.

They came in the guise of foot and mouth, September 11th, the threat of war and the reality of war in Iraq and, more recently, SARS, Severe Acute Respiratory Syndrome. All against a backdrop of continuing economic downturn.

Perhaps the toughest and certainly the saddest decision we had to make this year was to retire Concorde. The Concorde story has been one of the most compelling in the history of commercial flight and our pride in the aircraft will never wane.

Our supersonic flagship has served Britain and British Airways well in the past 27 years, and I am determined that we will make its final six months in the sky a time for celebration.

Our year end results, however, are proof of our management resolve and determination to remain focused, despite world events, on delivering sustained profitability through the Future Size and Shape programme, announced in February last year.

Future Size and Shape

At the heart of the Future Size and Shape programme are three simple tenets; to reduce costs, restructure the shorthaul operations and remove complexity from the business.

We have made significant progress towards these goals and seized further opportunities during the year to drive down costs and build on these principles.

Our target remains to deliver £650 million in annualised cost savings by March 2004. Of this, we aimed to achieve £450 million annualised cost savings and a manpower reduction equivalent to 10,000 by March 2003. We have exceeded both which is no mean feat given the hostile environment.

In a difficult climate, cash is always king. We maintained both record cash and committed facilities totalling £2,058 million which gave us confidence to combat the uncertainty in the months leading up to and during the war in the Middle East.

A new shorthaul low fares initiative spearheaded our competitive response to the no frills carriers. In April, we began the phased roll out of the new year-round low fares, scrapping traditional restrictions on tickets, beginning with the UK domestic market. By September, the new fares were extended across Europe to a total of almost 180 routes.

Underpinning the success of the new shorthaul model was the introduction of the new on-line booking engine called Fare Explorer, supported by a massive advertising campaign using the broadest mix of media ever. I am happy to say our aircraft on these routes are flying fuller, much to the chagrin of our no frills rivals.

We also reduced travel agency commissions in the UK and the US and the use of e-ticket continues to grow.

The changes we made utilising different distribution channels have resulted in a saving of £100 million on distribution costs.

We completed the planned-for reshaping of Gatwick which began early in 2001 and was accelerated as part of the Future Size and Shape programme. By summer this year we will have nearly halved the number of destinations served from Gatwick and moved 30 of them around the M25 to Heathrow.

We have also reduced the aircraft types operating from Gatwick from six to three and the unprofitable transfer traffic to around 20 per cent. Gatwick continues to be essential as a point-to-point airport.

Manpower

Turning to manpower reductions, we set a target of 10,000 by March 2003 and we have achieved 10,182. We will not be complacent in this respect. Our target of an overall headcount reduction, under the Future Size and Shape programme, of 13,000 by March 2004 has been accelerated to September this year.

Headcount reductions have been achieved with the support and understanding of our trade union representatives whom I commend for their sensible approach on this.

We managed to achieve these headcount reductions largely through natural wastage. The Business Response schemes that allow staff to take voluntary unpaid leave for as little as a month to two years have made an important contribution. Early retirement and voluntary severance were only used in a very targeted way.

It became clear, however, in the build up to the Iraq war, that the revenue outlook was going to be tougher than we had anticipated. Further steps were required if we were to achieve our stated aim of a 10 per cent operating margin.

Building on the principles of the Future Size and Shape programme, we implemented a two year Business Plan setting targets for 2005. This business planning process happens every year as you would expect.

The Plan identified the need for additional cost savings of a further £450 million most of which will be achieved by cutting our annual £3 billion external spend, excluding fuel, by 10 per cent. Greater use of e-technology for customers, staff and agents will deliver the remainder.

Franchisees and Alliances

At the beginning of the year, British Airways CitiExpress - a wholly owned subsidiary of British Airways - carried out its own Future Size and Shape review which identified the need for a further cost saving of £20 million to ensure the profitability of its services throughout the UK.

British Airways signed a 'heads of terms agreement' with easyJet for the sale of dba granting easyJet the option to buy 100 per cent of the company by the end of the year. Whilst easyJet eventually decided not to go ahead, they paid British Airways £6.1 million for the option.

As the Chairman has noted, our efforts to pursue our relationship with American Airlines continue and I am delighted that we have received tentative approval from the US regulatory authorities for codesharing on destinations beyond British Airways' UK gateways and American Airlines' US gateways.

We have consolidated our relationship with oneworld partner, Iberia. We sought regulatory approval for an immunised alliance. In the meantime we expanded our codesharing agreement to cover a total of 45 routes. We will continue to find ways to deepen the relationship.

I am pleased that the European Commission approved our alliance relationship with SN Brussels enabling us to codeshare on six routes in Europe.

CHIEF EXECUTIVE'S VIEW

Products and Services

Cost reduction has been our priority, but we have balanced it against the need to continually re-invest in products and services to ensure we offer the very best to our customers.

The award winning Club World flat beds and the World Traveller Plus product is now flying on all longhaul services out of Heathrow. Embodiment is due to start soon on aircraft operating from Gatwick. The Executive Club is being re-launched to make the scheme simpler and deliver better benefits and incentives to our most loyal customers.

Modern technology is allowing us to place more and more control in the hands of our customers, when it comes to on-line booking, fare selection, electronic ticketing and self-service check-in. 41 per cent of our shorthaul leisure point-to-point traffic at the lowest fare level is sold on-line exceeding our target of 33 per cent by March 2003. We are aiming to achieve 50 per cent by March 2004.

Pensions

In April, the web-based British Airways Retirement Plan, which is a defined contribution pension scheme, was introduced. This followed a thorough review of pension arrangements, taking into account the changing competitive environment, new accounting standard (FRS17), market volatility and rising life expectancy.

The new arrangements do not affect the pension benefits of members of the company's existing schemes, APS and NAPS.

Other developments

We lobbied hard against the CAA's proposed 6.5 per cent increase in airport charges from April 2003-2008, which mean airlines pay £300 million in advance for services that airlines and passengers won't benefit from for many years. These extra costs are an additional burden we do not need at this time.

Despite the year's difficulties there have been a number of highlights. British Airways is the official carrier for the England football squad until 2004, for both the World Cup qualifiers and the European Championships in Portugal. We are joint sponsors with Qantas of the 2003 Rugby World Cup in Australia. British designer, Julien Macdonald, unveiled new uniform ideas for customer contact staff which have been undergoing wearer trials. The British Airways London Eye has attracted more than eleven million visitors since it opened in 2000, confirming its place as Britain's top paid-for visitor attraction.

Clearly the outbreak of SARS has had an impact on our business and will continue to do so. Our priority has been the health and safety of both our passengers and our staff and we have taken particular care with our crew flying into affected areas. This enabled us to maintain services with the minimum of

exposure and inconvenience to passengers and staff.

It is, of course, another brake on world economic growth which is required to kick-start business travel again.

However, I am hopeful we will see an upturn in consumer confidence both here and in the US. There are signs of it already in America.

It is vital that we are in position to encourage and exploit any upturn in the market. In anticipation of this, we have launched a powerful worldwide TV, print and poster advertising campaign to kick-start travel. Called "It's Time", it reminds leisure and business customers, as its title suggests, that it's time to take to the air again.



Rod Eddington
Chief Executive

Key performance indicators

	For the twelve months to March 31, 2003	Difference on a year ago
Airline scheduled services		
Passengers carried (000)	38,019	-5.0%
Revenue passenger kilometres (RPKs) (m) <i>The number of passengers carried, multiplied by the distance they flew in kilometres</i>	100,112	-5.8%
Available seat kilometres (ASKs) (m) <i>The number of seats available for sale, multiplied by the distance they flew</i>	139,172	-7.9%
Passenger load factor (%) <i>The percentage of seats available that were actually purchased</i>	71.9	1.5pts
Revenue per RPK (p) <i>How much we received on average from each passenger for every kilometre flown</i>	6.58	-1.3%
Tonnes of cargo carried (000)	764	+1.2%
Aircraft in service (as at March 31, 2003)	330	(30)
Average manpower equivalent (MPE) <i>The number of employees adjusted for part time workers and overtime</i>	51,630	-9.8%
Productivity (in terms of available tonne kilometres per MPE) (000)	413.1	+3.5%

SUMMARY FINANCIAL STATEMENT

For the year ended March 31, 2003

Summary group profit and loss account

For the twelve months to March 31, 2003

£ million	2003	2002	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>	6,545	7,036	-7.0%
<i>Freight and mail carried on scheduled services brought in another</i>	484	483	+0.2%
<i>Revenue from operating charter flights added</i>	45	52	-13.5%
Added together, that gave us a total traffic revenue of	7,074	7,571	-6.6%
<i>Income from other activities, largely aircraft maintenance and other airline services provided to third parties, earned</i>	614	769	-20.2%
This gave us a total Group TURNOVER of	7,688	8,340	-7.8%
Our expenses comprised:			
<i>Pay, pension contributions and other employee costs</i>	2,107	2,329	-9.5%
<i>Depreciation and amortisation of fixed assets</i>	676	770	-12.2%
<i>Charges for hiring the aircraft we fly on operating leases</i>	189	199	-5.0%
<i>Fuel and oil costs (net of hedging)</i>	842	1,028	-18.1%
<i>Engineering and other aircraft costs</i>	566	673	-15.9%
<i>Airport landing fees and air traffic control charges</i>	576	615	-6.3%
<i>Handling charges, catering and other operational costs</i>	961	1,110	-13.4%
<i>Selling costs</i>	706	824	-14.3%
<i>Accommodation, ground equipment costs and currency differences</i>	686	822	-16.5%
Exceptional operating costs:			
<i>Costs of retiring Concorde*</i>	84		nm
<i>Future Size and Shape severance costs</i>		80	nm
In total, therefore, our overall Group operating costs were	7,393	8,450	-12.5%
Deducting this from our Group turnover left a Group OPERATING PROFIT/(LOSS) of	295	(110)	nm
<i>We took into account our share of the operating profit of our associated undertakings, a sum of</i>	39	22	+77.3%
<i>Other income and charges amounted to</i>	(4)	21	nm
<i>The net profit on disposal of fixed assets and investments during the year was</i>	60	145	-58.6%
<i>Net interest payable amounted to</i>	(255)	(278)	-8.3%
This produced a Group PROFIT/(LOSS) BEFORE TAX of	135	(200)	nm
<i>Then we adjusted for tax totalling</i>	(50)	71	nm
This produced a Group PROFIT/(LOSS) AFTER TAX of	85	(129)	nm
<i>Part of our profits are owed to a minority shareholder in one of our subsidiaries</i>		(1)	nm
<i>In the year, 6.75% interest was paid to holders of 300 million euro preferred securities</i>	(13)	(12)	+8.3%
This left a Group profit/(loss) attributable to shareholders of	72	(142)	nm
Finally, this left a profit/(loss) retained in the business of	72	(142)	-150.7%
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.			
<i>On this basis, our earnings/(loss) per share were</i>	6.7p	(13.2)p	nm

* Relates to the write down of Concorde tangible assets and stock.

nm = not meaningful

SUMMARY FINANCIAL STATEMENT

For the year ended March 31, 2003

Summary group balance sheet

As at March 31, 2003

£ million	2003	2002
The Group's intangible assets comprised:		
<i>Goodwill</i>	99	105
<i>Landing rights</i>	65	35
The Group's tangible assets comprised:		
<i>Our fleet</i>	7,828	8,672
<i>Property</i>	1,219	1,300
<i>Computers, ground and other equipment</i>	440	502
Together, these represented our intangible and tangible assets, of	9,651	10,614
<i>In addition, we had invested in other businesses</i>	524	489
So our intangible assets, tangible assets and investments together equalled	10,175	11,103
Our current assets, mainly money we are owed, our "cash in hand" and stock, represented	2,725	2,559
<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>	(2,904)	(3,201)
Deducting this gave our net current liabilities	(179)	(642)
Adding this to the sum of our intangible assets, tangible assets and investments left us with total assets less current liabilities of	9,996	10,461
<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>	(6,441)	(6,985)
<i>The nominal value of our Convertible Capital Bonds 2005, at £1 each</i>	(112)	(112)
<i>We have provided for deferred tax</i>	(1,062)	(1,031)
<i>We have also made provision for other liabilities and charges</i>	(107)	(126)
Thus, our assets less liabilities represented	2,274	2,207
The money invested in the British Airways Group comprised:		
<i>Our called-up share capital, some 1,082.8 million 25p shares</i>	271	271
<i>Our reserves</i>	1,787	1,745
	2,058	2,016
<i>Amount due to a minority shareholder in one of our subsidiaries</i>	10	9
<i>Issue of 300 million Euro Preferred Securities which entitle holders to a return of 6.75%</i>	206	182
	2,274	2,207

The summary financial statement on pages 6 to 7 was approved by the directors on May 19, 2003.

Rod Eddington Chief Executive Officer John Rishton Chief Financial Officer

Auditors' statement to shareholders of British Airways Plc

We have examined the summary financial statement for the year ended March 31, 2003, which comprises the Summary Group Profit & Loss Account and Summary Group 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 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.

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.

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 directors' remuneration report of British Airways Plc for the year ended March 31, 2003, 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 19, 2003.

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. It can be found on pages 17 to 23 of the Annual Report and Accounts. You can access the full text through the website www.bashareholders.com.

COMMITTEE

The company's Remuneration Committee determines on behalf of the Board the overall remuneration packages for the executive directors, certain other senior executives and the Chairman. Its members are all independent non-executive directors of the company, none of whom has any personal financial interest, other than as a shareholder, in the matters to be decided. Throughout the financial year 2002/03, the company's Remuneration Committee was chaired by Dr Martin Read and its other members with effect from April 1, 2003 are Martin Broughton and Lord Renwick. Prior to this date the committee consisted of Dr Martin Read and Baroness O'Cathain, with Martin Broughton replacing Michael Davies from July 16, 2002.

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 2003/04 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 international businesses of similar size and nature to British Airways.

EXECUTIVE DIRECTORS

The remuneration package for executive directors consists of a basic salary, pension, an annual bonus, participation in a long-term incentive plan and a share option plan. The company also provides private health care, a car, fuel, and travel concessions. The annual bonus scheme is designed to reward achievement of financial targets established 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. The British Airways Long Term Incentive Plan 1996 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 the 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. The British Airways Share Option Plan 1999 enables the Remuneration Committee to grant options to acquire ordinary shares in the company or British Airways' American Depositary Shares at an option price which is not less than the market value of the shares on the date of grant. The performance condition currently in use requires the Remuneration Committee to be satisfied that there has been an increase in the earnings per share (EPS) 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. Option exercise is also subject to a minimum EPS threshold.

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 which will provide 1/56th of pensionable pay for each year of service. Annual bonuses and awards under the two long term incentive plans are not part of the executive directors' pensionable pay and nor will they 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.

Service contracts

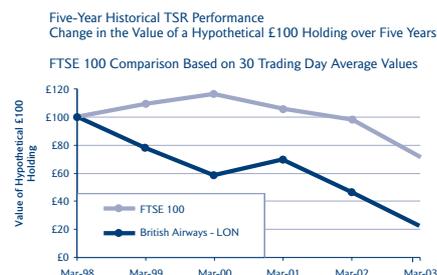
Each of the three executive directors has a rolling contract with a one year notice period. There are no express provisions for compensation payable upon early termination of an executive director's contract as at the date of termination other than payments due during the notice period. In the event of early termination, the company's policy is to act fairly in all circumstances and the duty to mitigate would be taken into account. None of the contracts provides for compensation to be paid in the event of a change of control of the company.

NON-EXECUTIVE DIRECTORS

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. For the year in question, these were set in April 2001 and were £27,500 per annum plus £600 for each Board Committee separately attended. The Chairman of the Safety Review Committee receives £15,000 in addition to these fees and is provided with a company car and fuel. The review of these fees scheduled for April 2003 has been deferred for six months. The Chairman and the non-executive directors are not eligible to participate in the long-term incentive plan nor in the share option plan. Their fees are not pensionable.

PERFORMANCE GRAPH

The graph below 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 used as the comparator group for the long term incentive plan and provides an appropriate indication of market movements against which to benchmark the company's performance.



SUMMARY REMUNERATION REPORT

Directors' remuneration

The remuneration of the directors was:

	Basic salary and fees	Taxable Benefits ¹	Performance related bonuses	Compensation for loss of office	Total 2003	Excluding the voluntary reduction the total for 2002 would have been	Actual Total 2002 ²
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors							
Rod Eddington	531	22			553	536	497
Mike Street	309	19			328	320	297
John Rishton	244	12			256	138 ³	121 ³
Derek Stevens						207	207
Non-executive Directors							
Lord Marshall	250	1			251	266 ⁴	204 ⁴
Captain Colin Barnes ⁵						30	30
Maarten van den Bergh ⁶	21				21	n/a	n/a
Martin Broughton	35 ⁷				35 ⁷	34 ⁷	27 ⁷
Michael Davies ⁸	9				9	32	25
Dr Ashok Ganguly	33				33	35	28
Captain Michael Jeffery	47	16			63	21 ⁶	14 ⁶
Baroness O'Cathain	36				36	37	30
Dr Martin Read	29	1			30	29	22
Lord Renwick	30				30	31	24
The Hon Raymond Seitz ⁸	8				8	32	25
Aggregate emoluments	1,582	71			1,653	1,748	1,551

¹ Taxable benefits include a company car or cash equivalent, fuel, private health insurance and personal travel.

² Following the events of September 11th, 2001, the executive directors took a voluntary pay reduction of 15% for the period October 1, 2001 to March 31, 2002. For the same period the Chairman and the non-executive directors took a voluntary reduction in their basic fees of 50%.

³ Figures shown from date of appointment and are pro-ration of annual amount.

⁴ Includes taxable benefits of £16,406.

⁵ Retired from the Board on September 30, 2001, figure includes taxable benefits of £6,268.

⁶ Figures shown from date of appointment.

⁷ The fees in respect of Martin Broughton's services as a non-executive director of British Airways Plc were paid to his employer.

⁸ Retired from the Board on July 16, 2002.

SUMMARY REMUNERATION REPORT

The pension entitlements of the executive directors were:

	Accumulated accrued benefits March 31, 2003	Increase in accrued benefits during the year	Increase, before inflation, in accrued benefits during the year	Transfer value* of increase before inflation, less directors' contributions	Transfer value* as at March 31, 2003	Transfer value* as at March 31, 2002	Movement in transfer value*, less directors' contributions
	£	£	£	£	£	£	£
Rod Eddington	51,580	18,417	17,854	149,211	511,650	411,271	72,488
Mike Street	203,782	7,828	4,497	39,903	2,523,476	2,679,172	-171,608
John Rishton	46,116	9,861	9,244	39,529	263,747	312,007	-61,626

* Transfer value represents a liability of the company, not a sum paid or due to the individual. It is calculated in accordance with "Retirement Benefit Schemes – Transfer Value (GN11)".

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 which will provide 1/56th of pensionable pay for each year of service.

Directors' share interests at March 31, 2003

	British Airways Ordinary Shares	British Airways Capital Limited Convertible Capital Bonds	British Airways Executive Share Option Scheme 1987*	British Airways Share Option Plan 1999*	British Airways Long Term Incentive Plan 1996
Lord Marshall	69,225	11,304	190,279		
Rod Eddington				592,494	393,753
Mike Street	6,678			411,031	269,805
John Rishton	2,039			247,832	126,373
Maarten van den Bergh	2,000				
Martin Broughton	24,090				
Dr Ashok Ganguly	104				
Capt Michael Jeffery	2,624				56,471
Baroness O'Cathain	10,000				
Dr Martin Read	8,000				
Lord Renwick	32,014				

* Option price range 181p-419p

No director has any beneficial interest in any subsidiary undertaking of the company other than those shown above in the 9.75 per cent Convertible Capital Bonds 2005 of British Airways Capital Limited.

No gains were made on the exercise of share options by any director neither did any award vest under the long term incentive plan for the year ended March 31, 2003 or in the year ended March 31, 2002.

For full details of the options held by directors to purchase ordinary shares of British Airways Plc 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 shares of British Airways Plc granted to directors under the British Airways Long Term Incentive Plan 1996 please refer to the full text of the Report and Accounts.

SUMMARY DIRECTORS' REPORT

This section includes the information required to the extent not covered in the Chairman's and Chief Executive's Statements.

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

Profit for the year attributable to members to British Airways Plc amounted to £72 million, against a loss on the same basis of £142 million in the previous year. No interim dividend was paid during the year. The Board has not recommended that any final dividend be paid.

Directors

The names of the directors can be found on page 12 of this edition of Investor. Membership of the Board Committees can be found on page 12 of the Report and Accounts. During the year to March 31, 2003 there were a number of changes to the membership of the Board. Maarten van den Bergh was elected to the Board by shareholders at the annual general meeting on July 16, 2002 and at the conclusion of that meeting Michael Davies and the Honorable Raymond Seitz retired from the Board.

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 Social and Environmental Report. The 2003 report will be available on-line in July, 2003 at www.britishairways.com/responsibility. Compliance with Group policies on Health and Safety is monitored by the Board's Safety Review Committee.

Political donations

Responding to a change in the law made in 2000, shareholders passed a resolution at the annual general meeting 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 year for 4 years to July 2006. 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 scope of the provisions of the 2000 Act are unclear. After taking legal advice, the company has set up a procedure to monitor certain types of expenditure which could reasonably be expected to fall within the intention of the 2000 Act (arguably a much narrower category than falls within the letter of the law). The amount expended in the period from April 1, 2002 to March 31, 2003 was £nil (2002: £10,283).

Charitable donations

British Airways is a member of the London Benchmarking Group and uses their model to value contributions. The company is also a member of Business in the Community's Percent Club which reported our total contributions for the year end March 31, 2003 as £1.6m (2002: £5.3m). British Airways' direct charitable donations (cash donations to charity) for the year to March 31, 2003 were £237,804 (2002: £515,802).

Corporate governance

The company has complied throughout the year with the code of best practice set out in Section 1 of the Combined Code appended to the Listing Rules of the Financial Services Authority. The Board of British Airways Plc meets ten times a year and additionally when necessary to consider all matters relating to the overall control, business performance and strategy of the company and for these purposes the Board has drawn up a schedule of matters reserved for Board decision.

The Board is led by the Chairman and the executive management of the company is led by Rod Eddington, the Chief Executive. During the financial year under review, the Board reduced in number from twelve to eleven members. Of the eleven members serving at the year end, three were executive directors and eight were non-executive directors. Two of the non-executive directors, the Chairman and Captain Jeffery, were formerly executives of the company and are in receipt of pensions from NAPS and APS respectively. The other six non-executive directors are fully independent drawn from a variety of backgrounds.

Martin Broughton is the senior independent non-executive director on the Board. All directors are required to

submit themselves for re-election every three years. New directors are appointed to the Board on the recommendation of the Nominations Committee whose terms of reference are described in the Annual Report and Accounts.

The Board has four standing Board Committees which meet regularly under terms of reference set by the Board – the Audit Committee, the Safety Review Committee, the Nominations Committee and the Remuneration Committee. These are described in more detail on page 15 of the Report and Accounts.

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 in the Report and Accounts and make this statement pursuant to the (Turnbull) guidance for directors issued in September, 1999.

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. The number of days' purchases in creditors as at March 31, 2003 in respect of the company is calculated in accordance with the provisions of the Companies Act 1985 and was 57 days (2002: 52 days).

Outlook

The Chairman's statement concludes with an outlook statement on page 3.

THE BOARD

As at May 19, 2003

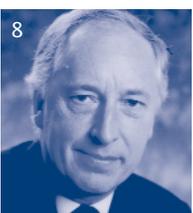


Chairman

- 1 Lord Marshall of Knightsbridge (69)

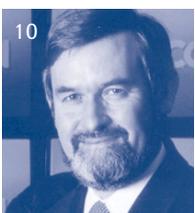
Executive Directors

- 2 Rod Eddington (53)
Chief Executive
- 3 John Rishton (45)
Chief Financial Officer
- 4 Mike Street (55)
Director of Customer Service and Operations



Non-Executive Directors

- 5 Maarten van den Bergh (61)
- 6 Martin Broughton (56)
Senior Independent Non-Executive Director
- 7 Dr Ashok Ganguly (67)
- 8 Captain Michael Jeffery (58)
- 9 Baroness O'Cathain (65)
- 10 Dr Martin Read (53)
- 11 Lord Renwick of Clifton (65)



UK Directory

Registered Office:

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

Shareholder Information:

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

British Airways Shareholder Services can be contacted at:
company.secretary@britishairways.com
www.bashareholders.com

For your flight bookings using your shareholder discount:

Shareholder Reservations Line:
0845 76 007 10 – changing to
0870 850 850 5 from July 1, 2003
or on-line at www.bashareholders.com

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

All other enquiries:

0845 77 999 77 – changing to
0870 850 9 850 from July 1, 2003
Opening hours 0600-2145 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:
0870 55 111 55
Opening hours - 24 hours, 7 days per week.

Holiday Reservations:

0870 44 238 54

British Airways Travel Shops:

0845 606 0747

Travel Clinics:

0845 77 999 77

Executive Club UK customer service

centre: 0845 77 222 77

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 Future Size and Shape programme, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the company on the date of this report. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the company's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Fuller information on some of the factors which could result in a material difference from the results is available in the company's Annual Report and Accounts for the year ended March, 2003 which are available at www.bashareholders.com.