

Incorporating the 2003-2004 Summary Financial Statement

Investor

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June 2004 Issue number 32



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 £230 million, compared to £135 million in the previous year. Profit attributable to shareholders was £130 million, up from £72 million. The operating profit, at £405 million, was an improvement of £110 million. No interim dividend was paid and the Board has decided not to recommend a final dividend.

Review of the year

This has been an intense period of reorganisation and recovery following the economic ravages of recent years. They were caused by a sequence of deeply damaging external events inflicted on your company and the international industry as a whole. The year started with the immediate aftermath of war in Iraq, the continued threat of terrorism and the Severe Acute Respiratory Syndrome (SARS) epidemic in full flow, all of which combined into a major impact on performance.

Although we have seen recent signs of improvement in demand – notably in the markets for intercontinental premium travel and air cargo – the year's achievement comes primarily from cost reduction in the face of considerable downward pressure on revenues and yields.

The remedial Future Size and Shape strategy continued to deliver significant

savings and at the end of the financial year, your company had achieved its manpower reduction target of 13,000, since August, 2001. The Chief Executive reports in more detail but the key cost reduction targets for people, procurement and distribution were exceeded. Crucially, the savings have allowed your company to invest further in product innovation and to retain cash reserves at record levels.

Under the circumstances, your company's results for the year represent a very good performance by all of our people. Revenue totalled £7.6 billion, a slight reduction on the previous year. Production, in terms of available tonne kilometres, increased by 2.5 per cent. Passenger load factor improved marginally, while yields, measured year on year, decreased by 4.3 per cent.

British Airways World Cargo (BAWC) increased freight carryings by six per cent in extremely competitive market conditions which forced yield down by almost ten per cent. I am pleased to report that, shortly after the financial year end, BAWC won three trophies for customer service excellence in the annual Air Cargo News Awards.

Investments and disposals

During the year, the sale of our German subsidiary, dba (formerly Deutsche BA) to Intro Verwaltungsgesellschaft mbH was completed. dba no longer fitted British Airways' evolving business strategy and the opportunity to end long-term exposure to losses in Germany was taken. The actual loss on disposal for the year, as a result of certain conditions of sale, was £83 million.

Concorde

As planned, the supersonic Concorde fleet retired from commercial service on October 24, 2003, with much dignity and to universal acclaim. Concorde's last flight took place on November 26, 2003 when aircraft G-BOAF was delivered to its final destination, Airbus UK at Filton, near Bristol.

All seven British Airways Concorde aircraft have now been delivered to their final homes, in this country and overseas, where they will go on public display. We are immensely proud that

Concorde served as our flagship for almost 28 years. We have been privileged to play a leading role in this historic phase of supersonic flight and look forward eventually to the next era of commercial supersonic – or even hypersonic – air transport.

Alliances

Towards the end of the year under review, all initial phases of the comprehensive code-share programme with American Airlines were completed. With joint codes now carried on a total of 172 flights, our important trans-Atlantic partnership with American has never been stronger.

The relationship with Qantas continues to be strong and productive in its three key areas: our 18.25 per cent stake in the company; the Joint Services Agreement between the two airlines; and the wider oneworld alliance.

Under an agreement concluded with Iberia at the end of 2003, co-operative development will take place in a wide range of commercial activities. All British Airways and Iberia flights between London and Spain are now code-shared.

A commercial agreement with Swiss International Air Lines was concluded in September, 2003.

British Airways remains an active member of the oneworld global alliance whose eight airline members collectively serve more than 570 destinations in 135 territories.

Aviation policy

We welcomed the long awaited White Paper, 'The Future of Air Transport,' published in December, as an effective, long-term aviation policy. During the consultative process we emphasised the vital strategic importance, now and for the future, of Heathrow as the UK's only global gateway. We were pleased that the Government recommended a third runway and sixth terminal at Heathrow within 15 years, subject to meeting certain environmental concerns. The airline has pledged to work with the Government, the BAA and local authorities in addressing the Heathrow environment issue so that this country's leading position in world air transport is

YOUR COMPANY'S PERFORMANCE

Lord Marshall explains the airline's performance during the year

assured. We also support the Government's plans for new runways at Birmingham, Edinburgh and Stansted, so long as the cost of development is not subsidised from operations at other airports.

A thriving Heathrow will be essential if the United Kingdom is to take full advantage of the proposed open aviation area covering the European Union and the US. We support this visionary, free-market concept which could bring important competitive advances for airlines and their customers and would enable much-needed European airline consolidation to take place. EU/US talks are continuing. We accept that progress will not be easy, but we encourage negotiators on both sides to be bold in order to reach a comprehensive agreement.

Corporate governance

Corporate governance remains very important, especially since the Financial Reporting Council issued its revised Combined Code in July, 2003. Further details can be found elsewhere in this report, but I can confirm that British Airways intends to be fully compliant, in all material respects, with the revised Combined Code.

As your company is listed on the New York Stock Exchange, we comply with the provisions of the US Sarbanes-Oxley Act of 2002. Extensive work is well underway to ensure compliance with the provisions of Section 404 of the Act, which will apply to your company from April 1, 2005.

Corporate social responsibility

Your company was honoured, shortly after the year end, on May 7, 2004, with a visit to Heathrow by Her Majesty The Queen to mark the tenth anniversary of the Change For Good programme operated in conjunction with UNICEF. Under this scheme, cabin crew volunteers invite passengers to donate unwanted currency, or loose change, to UNICEF projects helping deprived and disadvantaged children around the world. They are supported in the counting and remittance of this money by colleagues and partner companies on the ground. Over ten years, some £17

million has been collected. During her visit to Heathrow, The Queen unveiled a commemorative plaque as well as the logo on a Boeing 747 aircraft which now carries the Change For Good message across the world. Her Majesty also met and gave great encouragement to many of our staff volunteers. Change For Good has clearly been an outstanding venture which brings employees, customers and business partners together in a global programme of charitable giving. We can be proud of its achievements.

In the UK, special note should be made of the Community Learning Centre at our Waterside headquarters which continues to build valuable community relationships through its innovative - and in many cases unique - educational programmes.

Our overall commitment to corporate social responsibility (CSR), including environmental best practice and constructive community relations, remains strong and is now an integral part of the British Airways business proposition. Details of the CSR programme are included in the Directors' Report. The annual Social and Environmental Report will be available to shareholders in July.

The Board

As always I am grateful for the support and wise guidance of my fellow Board members. The most significant Board change will be my retirement as Chairman at the end of the Annual General Meeting on July 20, 2004. As shareholders know, I will be succeeded by Martin Broughton, Deputy Chairman, who has been a member of the British Airways Board since 2000. Baroness O'Cathain, having already served for more than ten years, stands for re-election on an annual basis. During the year we were delighted to welcome Alison Reed as a non-executive director.

Outlook

Additional security expenditure is expected to continue and our fuel costs for the year ahead are, as I write, projected to be £150 million higher. At the same time, intercontinental premium travel volumes are recovering

steadily, while shorthaul premium traffic remains at lower levels. Demand for non-premium travel is meeting expectations with the help of competitive offers in most major markets. We continue to forecast a small revenue improvement in the current year. We expect that small yield declines in the year will be more than offset by volume.

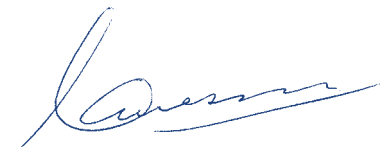
Although Future Size and Shape is now a reality and that particular strategy phase is complete, competitive pressures emphasise the need to continue simplifying the business and reduce costs further. The ultimate objective is a sustainable annual average operating margin of ten per cent, in order to achieve long-term stability and acceptable rewards for shareholders, employees and customers.

Finally

As I prepare to step down as your Chairman, I reflect on a remarkable total team effort of business transformation, customer-driven development, brand leadership and operational integrity that has been the hallmark of the modern British Airways. So, too, has our financial performance in an industry noted for regulatory constraint, tight margins and susceptibility to adverse world affairs.

My abiding memory will be of our people. Working with some of the most talented and dedicated professionals to be found in any industry, anywhere in the world, has been both an inspiring and humbling experience. It has been a great privilege to serve British Airways, its shareholders, its people and its customers for the past 21 years.

I know that, with Martin Broughton as your Chairman and Rod Eddington as Chief Executive, your company will continue in good hands.



Lord Marshall of Knightsbridge
Chairman

CHIEF EXECUTIVE'S VIEW



Rod Eddington
Chief Executive

A difficult year

A year which began with the Iraq War was never going to be an easy one and subsequent security issues have served to remind us how vulnerable our business is.

Nevertheless, we have delivered a good set of results and exceeded all our Future Size and Shape cost targets thanks to the dedication and commitment of staff.

Let me remind you that the two year Future Size and Shape programme focused on reducing cost, restructuring to compete better with the no frills carriers and simplifying our business.

Future Size and Shape achievements

Maintaining our focus on costs across the business has been paramount and, as the Chairman has already indicated in his statement, that will continue for the foreseeable future.

Through Future Size and Shape we delivered £869 million cost savings against a £650 million target, and achieved a manpower reduction of 13,082, ahead of our 13,000 target.

Through ba.com, other technology and travel agents' commission restructuring, we delivered £257 million savings on sales and distribution costs against a £100 million target. We also saved £130 million on procurement and IT against a £100

million target. On disposals we achieved £939 million to date against a £900 million target.

We are, however, only half way towards achieving a ten per cent operating margin – which is vital for our secure, prosperous future. When we first launched Future Size and Shape we factored in an element of market recovery, but this never materialised. Nonetheless, we have achieved a 1.6 points improvement on last year's operating margin to 5.4 per cent.

The new low fares strategy on 180 shorthaul routes allowed us to compete more effectively with the no-frills carriers, backed by a simpler business model. A couple of years ago the cynics said we couldn't do it but we have proved them wrong. We have made significant progress in improving the performance of our European routes in a tough market.

We have reduced aircraft sub-types as a result of Future Size and Shape and during the year reduced the fleet by 39 aircraft to 291 as a result of returns to lessors, retirements and sub-lease opportunities.

The completion of Future Size and Shape does not mean we have reached the end of our journey. Far from it. Last year we built on that strategy with our annual business plan targeting £450 million cost savings through a reduction in external spend (£300 million) and greater use of technology through customer enabled BA (ceBA) and more employee self service capability.

Operations

Unofficial industrial action last summer was a stark reminder of just how vulnerable an airline is to disruption of any kind. The Operational Performance Improvement Programme has begun to tackle some of the issues, in particular fine-tuning our contingency planning procedures.

We know that we can't control the weather, for example – but we can control the way we react to it, and limit the impact accordingly. In a competitive service industry such as ours, where the customer invariably has a choice, this is

absolutely critical in winning their confidence and retaining their business.

Customer benefits

The pace of change in the IT industry worldwide, and the new products and services which seem to come on to the market almost daily, presents us with opportunities to cut costs while improving the services we can offer our customers.

We can now send flight information direct to our customers on their mobile phones, and give them the option of choosing their seats, and even print boarding passes, from the comfort of their homes.

Two out of every three customers travel with an e ticket and 10,000 customers a day manage their booking online. A quarter of passengers travelling through our newly refurbished Heathrow Terminal 1 use self-service check-in kiosks. We introduced 191 self-service kiosks around the network throughout the year.

Our innovative products continue to set benchmarks for the industry in customer comfort. The Club World flat bed continues to win awards and praise from our customers. The Club World experience has been further enhanced with a new sleeper service to ensure customers get even more sleep time when they bed down with us.

The image and brand values of British Airways are reflected in the stylish new uniform designed by Julien Macdonald. Initial feedback shows staff are proud to wear the fashionable new look. We have also launched a new TV commercial in the UK showcasing our product and illustrating our commitment to customer service.

Employee costs

Employee costs continue to rise reflecting pay and pension increases. The latest three year actuarial valuation of our two UK pension schemes revealed a deficit of almost £1 billion which requires an extra £133 million contributions a year for some years to come.

In January we announced an initiative targeting £300 million in employee cost

CHIEF EXECUTIVE'S VIEW

savings which we are progressing with our unions. To help a better understanding of business issues amongst our people we have also launched an Employee Involvement Programme.

Alliances

As the Chairman has said, we continue to develop commercial relationships with our oneworld partners. In particular, our relationship with American Airlines has never been stronger as more codeshare flights are added to the network. Of course, we continue to run our joint business with Qantas over the Kangaroo Routes.

Now that we have been cleared by the regulators to progress our relationship with Iberia, we are working closely with them to develop co-ordinated network, capacity and pricing along with the use of profit-sharing where appropriate.

Network

The strength of our Heathrow base is important to our success, and the last 12 months have seen significant developments on two fronts.

Firstly, a new runway for Heathrow, which was finally given Parliamentary go-ahead at the end of the year. A third, short runway is expected to be built some time between 2015 and 2020. Although Stansted was given priority, at least we know that Heathrow will get the capacity boost it so desperately needs.

Secondly, at Terminal 5, work has been progressing at a cracking pace. Following an agreement signed with airport owners BAA, it will be our new home from the spring of 2008.

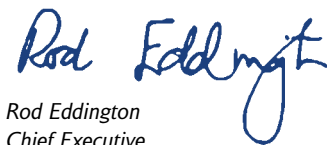
We have re-shaped the network at Gatwick and reduced duplication. Gatwick now focuses on point to point shorthaul markets with fewer longhaul services mainly targeting the leisure customer. We have added eight new destinations on shorthaul and simplified the fleet to a single aircraft type for shorthaul – Boeing 737s and Boeing 777s for longhaul. British Airways CitiExpress has concluded its restructuring and continues to make good progress with its programme to reduce costs. It has stopped serving loss making routes and started a total of

14 new routes over the last 18 months from three of its five core bases.

The way ahead

It has become almost de rigueur to talk about another challenging year ahead, but that is exactly what British Airways, and the global aviation industry as a whole, can expect. The recent hike in the price of oil to \$40 a barrel is a reminder that cost-cutting achievements can be negated very quickly by factors outside our control.

But our results for 2003-04 show, that we have risen to all the challenges that have come our way and have emerged a stronger, fitter company. They give us every cause for confidence, and provide a sound foundation for investing in the new products we will need if we are to remain competitive and lead the way, rather than follow it.



Rod Eddington
Chief Executive

Key performance indicators

Airline operations	For the twelve months to March 31, 2004	Difference on a year ago
Passengers carried (000)	36,103	-5.0%
Revenue passenger kilometres (RPKs) (m) <i>The number of passengers carried, multiplied by the distance they flew in kilometres</i>	103,092	+3.0%
Available seat kilometres (ASKs) (m) <i>The number of seats available for sale, multiplied by the distance they flew in kilometres</i>	141,273	+1.5%
Passenger load factor (%) <i>The percentage of seats available that were actually purchased</i>	73.0%	1.1pts
Revenue per RPK (p) <i>How much we received on average from each passenger for every kilometre flown</i>	6.3	-4.3%
Tonnes of cargo carried (000)	796	+4.2%
Aircraft in service (as at March 31, 2004)	291	-39
Average manpower equivalent (MPE) <i>The number of employees adjusted for part time workers and overtime</i>	47,605	-7.8%
Productivity (in terms of available tonne kilometres per MPE) (000)	459.2	+11.2%

SUMMARY FINANCIAL STATEMENT

For the year ended March 31, 2004

Summary group profit and loss account

Audited – for the twelve months to March 31, 2004

£ million	2004	2003	Difference on a year ago
Most of our revenue was earned from our main business, airline operations.			
<i>Income from passengers flying on our services, plus excess baggage, was</i>	6,490	6,590	-1.5%
<i>Freight and mail carried on scheduled services brought in another</i>	463	484	-4.3%
Added together, that gave us a total traffic revenue of	6,953	7,074	-1.7%
<i>Income from other activities, largely aircraft maintenance and other airline services provided to third parties, earned</i>	607	614	-1.1%
This gave us a total Group TURNOVER of	7,560	7,688	-1.7%
Our expenses comprised:			
<i>Pay, pension contributions and other employee costs</i>	2,180	2,107	+3.5%
<i>Depreciation and amortisation of fixed assets</i>	679	676	+0.4%
<i>Charges for hiring the aircraft we fly on operating leases</i>	135	189	-28.6%
<i>Fuel and oil costs (net of hedging)</i>	922	842	+9.5%
<i>Engineering and other aircraft costs</i>	511	566	-9.7%
<i>Airport landing fees and air traffic control charges</i>	549	576	-4.7%
<i>Handling charges, catering and other operational costs</i>	934	961	-2.8%
<i>Selling costs</i>	554	706	-21.5%
<i>Accommodation, ground equipment costs and currency differences</i>	691	686	+0.7%
<i>Costs of retiring Concorde</i>		84	-100%
In total, therefore, our overall Group operating costs were	7,155	7,393	-3.2%
Deducting this from our Group turnover left a Group OPERATING PROFIT of	405	295	+37.3%
<i>We took into account our share of the operating profit of our associated undertakings, a sum of</i>	58	39	+48.7%
<i>Other income and charges amounted to</i>	13	(4)	nm
<i>The net (loss)/profit on disposal of fixed assets and investments during the year was</i>	(46)	60	nm
<i>Net interest payable amounted to</i>	(200)	(255)	-21.6%
This produced a Group PROFIT BEFORE TAX of	230	135	+70.4%
<i>Then we adjusted for tax totalling</i>	(85)	(50)	+70.0%
This produced a Group PROFIT AFTER TAX of	145	85	+70.6%
<i>Part of our profits are owed to a minority shareholder in one of our subsidiaries</i>	(1)		+100%
<i>In the year, 6.75% interest was paid to holders of 300 million euro preferred securities</i>	(14)	(13)	+7.7%
This left a Group profit attributable to shareholders of	130	72	+80.6%
Finally, this left a profit retained in the business of	130	72	+80.6%
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 per share were</i>	12.1p	6.7p	+80.6%

nm = not meaningful

SUMMARY FINANCIAL STATEMENT

For the year ended March 31, 2004

Summary group balance sheet

Audited – as at March 31, 2004

£ million	2004	2003
The Group's intangible assets comprised:		
<i>Goodwill from acquisitions</i>	93	99
<i>Landing Rights acquired from other airlines</i>	75	65
The Group's tangible assets comprised:		
<i>Our fleet</i>	7,104	7,828
<i>Property</i>	1,042	1,219
<i>Computers, ground and other equipment</i>	491	440
Together, these represented our intangible and tangible assets, of	8,805	9,651
In addition, we had invested in other businesses	562	524
So our intangible assets, tangible assets and investments together equalled	9,367	10,175
Our current assets, mainly money we are owed, our "cash in hand" and stock, represented	2,765	2,725
Most passengers book, and pay for, tickets in advance. This money, and amounts owing to creditors that are payable within one year, totalled	(2,996)	(2,904)
Deducting this gave our net current liabilities	(231)	(179)
Adding this to the sum of our intangible assets, tangible assets and investments left us with total assets less current liabilities of	9,136	9,996
In addition, we owed to creditors amounts due after more than a year including:		
<i>Long-term borrowings and other creditors of</i>	(5,374)	(6,441)
<i>The nominal value of our Convertible Capital Bonds 2005, at £1 each</i>	(112)	(112)
<i>We have provided for deferred tax</i>	(1,137)	(1,062)
<i>We have also made provision for other liabilities and charges</i>	(85)	(107)
Thus, our assets less liabilities represented	2,428	2,274
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>	1,947	1,787
	2,218	2,058
<i>Amount due to a minority shareholder in one of our subsidiaries</i>	10	10
<i>Issue of 300 million Euro Preferred Securities which entitle holders to a return of 6.75%</i>	200	206
	2,428	2,274

The summary financial statement on pages 6 to 7 was approved by the Directors on May 17, 2004.

Rod Eddington *Chief Executive Officer* John Rishton *Chief Financial Officer*

Independent auditors' statement to the members of British Airways Plc

We have examined the summary financial statement for the year ended March 31, 2004, 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 website 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 website.

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, 2004, 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 17, 2004.*

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 and can be found on pages 19 to 26 of the Annual Report and Accounts. You can access the full text through the website www.bashares.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, the Chairman and, with effect from April 1, 2004, the Company Secretary. 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 2003/04, the company's Remuneration Committee was chaired by Dr Martin Read and its other members were Martin Broughton and Lord Renwick. Prior to taking up his appointment as Chairman of the Company on July 20, 2004, Martin Broughton will cease to be a member of the Committee.

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 2004/05 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 scheme, participation in a long term incentive plan and a share option plan. The company also provides private health care, a car or cash equivalent, fuel and non-contractual travel concessions. The annual bonus scheme is designed to reward achievement of financial targets established by the Remuneration Committee linked to the business plan approved by the Board. In relation to the year under review, the bonus entitlement was capped at 50 per cent of salary, payable only if stretching targets were achieved. The British Airways Long Term Incentive Plan 1996 permits the Remuneration Committee to make awards of options over shares up to a maximum of

75 per cent of basic salary to senior 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 FTSE100 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 used in 2003 and prior years required the earnings per share (EPS) of the company to have increased at least four per cent per annum more than the increase in the retail price 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.

After consultation with major shareholders, to recognise the cyclical nature of the company's EPS and the challenging minimum EPS threshold, options granted in 2004 will retain one retest. The performance condition is otherwise unchanged.

A full scale review of long term incentive arrangements is underway and may also result in changes to the annual bonus scheme. A review of the Group's UK pension arrangements is also likely to be undertaken in due course.

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 normal 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 provide for compensation to be paid in the event of a change of control of the company.

Pension schemes

The pension entitlements of the executive directors are shown on page 10. 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

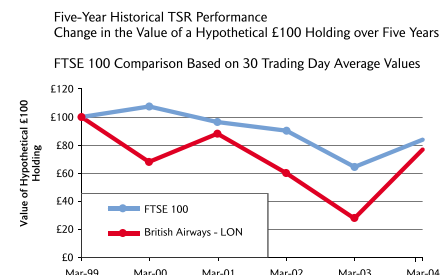
executive directors. Provision for payment of a widow's pension on death and life insurance providing payment of a lump sum for death in service is also made.

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 was deferred for six months and an increase in line with the rise in base pay for the workforce was declined by all of the non-executive directors when offered in October, 2003. 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 FTSE100 (selected because it is used as the comparator group for the long term incentive plan).



SUMMARY REMUNERATION REPORT

Directors' remuneration

The remuneration of the directors was:

	Basic salary and fees	Taxable Benefits ¹	Total 2004	Total 2003
	£'000	£'000	£'000	£'000
Executive Directors²				
Rod Eddington	558	26	584	553
Mike Street	325	21	346	328
John Rishton ³	305	15	320	256
Non-executive Directors				
Lord Marshall	250	13	263	251
Maarten van den Bergh	30		30	21 ⁵
Martin Broughton ⁴	36	1	37	35
Michael Davies ⁶				9
Captain Michael Jeffery	46	15	61	63
Dr Martin Read	29	1	30	30
Dr Ashok Ganguly	34		34	33
Baroness O'Cathain	34	1	35	36
Alison Reed ⁵	10		10	
Lord Renwick	31	1	32	30
The Hon Raymond Seitz ⁶				8
Aggregate emoluments	1,688	94	1,782	1,653

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

² The annual bonuses earned by the three executive directors in relation to the year under review were voluntarily waived.

³ John Rishton was promoted to Chief Financial Officer in September 2001. The increases in his basic salary are intended to bring him towards the market median for the position of Chief Financial Officer of a FTSE100 company.

⁴ The fees in respect of Martin Broughton's services as a non-executive director of British Airways Plc were paid to his employer.

⁵ Figures shown from date of appointment.

⁶ Retired from the Board on July 16, 2002.

SUMMARY REMUNERATION REPORT

The pension entitlements of the executive directors were:

	Accumulated accrued benefits March 31, 2004	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, 2004	Transfer value* as at March 31, 2003	Movement in transfer value*, less directors' contributions
	£	£	£	£	£	£	£
Rod Eddington	72,809	21,229	19,785	234,845	948,761	511,650	407,803
Mike Street	220,097	16,315	10,609	145,836	3,285,696	2,523,476	745,479
John Rishton	63,166	17,050	15,579	120,214	531,620	263,747	252,198

* 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, 2004

	British Airways Ordinary Shares subject to no restrictions	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	108,368		
Rod Eddington				942,812	654,399
Mike Street	6,678			614,852	395,869
John Rishton	2,039			438,914	285,313
Maarten van den Bergh	2,000				
Martin Broughton	24,090				
Dr Ashok Ganguly	104				
Capt Michael Jeffery	2,624				31,359
Baroness O'Cathain	10,000				
Dr Martin Read	8,000				
Alison Reed					
Lord Renwick	32,014				

* Option price range 157p-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, 2004 or in the year ended March 31, 2003.

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 of British Airways Plc amounted to £130 million, against a profit on the same basis of £72 million in the previous year. No interim dividend was paid during the year. The Board has decided not to recommend payment of a final dividend.

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, 2004 there was one change to the membership of the Board. Alison Reed was appointed to the Board in December, 2003 and will seek election by shareholders at the annual general meeting on July 20, 2004.

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 2004 report will be available online in July, 2004 at www.ba.com/responsibility. Compliance with Group policies on Health and Safety is monitored by the Board's Safety Review Committee.

Political donations

Shareholders passed a resolution in 2002 to approve donations to EU political organisations and EU political expenditure (as such terms are defined in section 347A of the Companies Act, 1985 (as amended)) not exceeding £250,000 per annum for the next four years. The Board has repeatedly stressed that it does not make donations to political parties in the ordinary meaning of those words and that it has no intention of doing so. The scope of the legislation remains unclear. The company monitors

expenditure which could reasonably be expected to fall within the intention of the legislation (arguably a much narrower category than falls within the letter of the law). The amount expended in the period from April 1, 2003 to March 31, 2004 was £nil (2003: £nil).

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 contribution for the year end March 31, 2004 as £4.0 million (2003 £1.6 million). British Airways direct charitable donations (cash donations to charity) for the year to March 31, 2004 were £396,398 (2003: £237,804).

Corporate governance

The company has complied throughout the year with the code of best practice set out in Section 1 of the Current Code. A revised version of the Combined Code will apply to the company from April 1, 2004 with which the Board intends to achieve compliance in all material respects. The Board of British Airways Plc routinely 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 increased in number from eleven to twelve members. Of the twelve members serving at the year end, three were executive directors and nine were non-executive directors. Two of the non-executive directors, the Chairman and Captain Michael Jeffery, were formerly executives of the company. The other seven non-executive directors are drawn from a diversity of business and diplomatic backgrounds. In relation to Baroness O'Cathain, who has served on the Board for more than ten years, the Board has determined that she is no longer "independent" for the purposes of the revised Code and accordingly her appointment is subject to annual re-election by shareholders. The remaining six non-executive directors are fully independent.

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 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 pages 15 & 16 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 above and make this statement pursuant to the 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, 2004 in respect of the company is calculated in accordance with the provisions of the Companies Act 1985 and was 49 days (2003: 57 days).

Outlook

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

THE BOARD

As at May 17, 2004



Chairman

- 1 Lord Marshall of Knightsbridge (70)

Deputy Chairman

- 2 Martin Broughton (57)
Senior Independent Non-Executive

Executive Directors

- 3 Rod Eddington (54)
Chief Executive
- 4 John Rishton (46)
Chief Financial Officer
- 5 Mike Street (56)
Director of Customer Service and Operations

Non-Executive Directors

- 6 Maarten van den Bergh (62)
- 7 Dr Ashok Ganguly (68)
- 8 Captain Michael Jeffery (59)
- 9 Baroness O'Cathain (66)
- 10 Dr Martin Read (54)
- 11 Alison Reed (47)
- 12 Lord Renwick of Clifton (66)



UK Directory

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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:
0870 850 850 5 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:
0870 850 9850
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.

British Airways Travel Shops:
0845 606 0747

Travel Clinics:
0845 600 2236

**Executive Club UK customer service
centre:** 0870 850 4850

This document is the summary financial statement for the year ended March 31, 2004 of British Airways Plc, whose details are above. Certain statements included in this edition of Investor may be forward-looking and may involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward-looking statements. Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the company's plans and objectives for future operations, including, without limitation, discussions of the company's business and financing plans, expected future revenues and expenditures and divestments. All forward-looking statements in this report are based upon information known to the company on the date of this report. The company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. It is not reasonably possible to itemise all of the many factors and specific events that could cause the company's forward-looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Fuller information on some of the factors which could result in a material difference is available in the company's Annual Report and Accounts for the year ended March 31, 2004 which is available on www.bashareholders.com.

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