

FIRST QUARTER RESULTS 2000-2001 (unaudited)

		Three months ended		Increase/	Year ended
		June 30		(Decrease)	March 31
		2000	<i>1999</i>		2000
Turnover	£m	2,310	2,222	4.0%	8,940
Operating profit	£m	97	94	3.2%	84
(Loss)/profit before tax	£m	(50)	200		5
Retained (loss)/profit for the period	£m	(59)	188		(216)
Capital and reserves at period end	£m	3,474	3,788	(8.3)%	3,340
Earnings per share					
<i>Basic</i>	p	(5.5)	17.5		(2.0)
<i>Diluted:</i>	p	(5.5)	16.8		(2.0)

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GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	Three months ended		Increase/ (Decrease)	Year ended
	2000 £m	June 30 1999 £m		March 31 2000 £m
Traffic Revenue				
<i>Scheduled passenger</i>	1,943	1,868	4.0%	7,465
<i>Scheduled Cargo</i>	140	124	12.9%	556
<i>Non-scheduled services</i>	16	21	(23.8)%	71
	2,099	2,013	4.3%	8,092
<i>Other revenue</i>	211	209	1.0%	848
TOTAL TURNOVER	2,310	2,222	4.0%	8,940
<i>Employee costs</i>	593	602	(1.5)%	2,481
<i>Depreciation</i>	170	154	10.4%	648
<i>Aircraft operating lease costs</i>	56	44	27.3%	190
<i>Fuel and oil costs</i>	249	173	43.9%	804
<i>Engineering and other aircraft costs</i>	165	175	(5.7)%	661
<i>Landing fees and en route charges</i>	171	183	(6.6)%	682
<i>Handling charges, catering and other operating costs</i>	331	313	5.8%	1,328
<i>Selling costs</i>	293	290	1.0%	1,188
<i>Accommodation, ground equipment costs and currency differences</i>	185	194	(4.6)%	874
TOTAL OPERATING EXPENDITURE	2,213	2,128	4.0%	8,856
OPERATING PROFIT	97	94	3.2%	84
<i>Share of operating profits in associates</i>		1	nm	75
TOTAL OPERATING PROFIT INCLUDING ASSOCIATES	97	95	2.1%	159
<i>Other income</i>		1	nm	5
<i>(Loss)/profit on sale of fixed assets and investments</i>	(58)	177	(132.8)%	249
Interest				
<i>Net payable</i>	(70)	(65)	7.7%	(272)
<i>Retranslation charges on currency borrowings</i>	(19)	(8)	137.5%	(136)
(LOSS)/PROFIT BEFORE TAX	(50)	200	(125.0)%	5
<i>Taxation</i>	(6)	(10)	(40.0)%	(15)
(LOSS)/PROFIT AFTER TAX	(56)	190	(129.5)%	(10)
<i>Non equity minority interest</i>	(3)	(2)	50.0%	(11)
(LOSS)/PROFIT FOR THE PERIOD	(59)	188	(131.4)%	(21)
<i>Dividends paid and proposed</i>				(195)
RETAINED (LOSS)/ PROFIT FOR THE PERIOD	(59)	188	(131.4)%	(216)

nm: not meaningful

OPERATING AND FINANCIAL STATISTICS (unaudited)

MAINLINE SCHEDULED SERVICES	Three months ended		Increase/ (Decrease)	Year ended
	June 30			March 31
	2000	<i>1999</i>		2000
<i>TRAFFIC AND CAPACITY</i>				
RPK (m)	30,618	29,779	2.8%	117,463
ASK (m)	42,353	42,382	(0.1)%	168,361
Passenger load factor (%)	72.3	70.3	2.0pts	69.8
CTK (m)	1,197	1,033	15.9%	4,536
RTK (m)	4,253	3,996	6.4%	16,256
ATK (m)	6,221	6,103	1.9%	24,400
Overall load factor (%)	68.4	65.5	2.9pts	66.6
Passengers carried (000)	9,546	9,435	1.2%	36,346
Tonnes of cargo carried (000)	232	204	13.7%	897
<i>FINANCIAL</i>				
Passenger revenue per RPK (p)	5.97	5.80	2.9%	5.84
Cargo revenue per CTK (p)	11.61	11.72	(0.9)%	11.99
Average fuel price (US cents/US gallon)	88.92	52.28	70.1%	71.46
TOTAL GROUP OPERATIONS <i>(including Deutsche BA, 'go', CityFlyer Express and Air Liberte to March 31, 2000 only)</i>				
<i>TRAFFIC AND CAPACITY</i>				
RPK (m)	32,295	32,032	0.8%	127,425
ASK (m)	44,826	45,813	(2.2)%	183,158
RTK (m)	4,407	4,215	4.6%	17,215
ATK (m)	6,475	6,437	0.6%	25,840
Passengers carried (000)	11,633	11,733	(0.9)%	46,578
<i>FINANCIAL</i>				
Total traffic revenue per RTK (p)	47.63	47.76	(0.3)%	47.01
Total traffic revenue per ATK (p)	32.42	31.27	3.7%	31.32
Net operating expenditure per RTK (p)	45.43	45.53	(0.2)%	46.52
Net operating expenditure per ATK (p)	30.92	29.81	3.7%	30.99
<i>OPERATIONS</i>				
Average Manpower Equivalent (MPE)	61,411	65,179	(5.8)%	65,640
ATKs per MPE (000)	105.4	98.8	6.7%	393.7
Aircraft in service at period end	337	337		366

CHAIRMAN'S STATEMENT

Group Performance

Group profit before tax for the three months ended June 30, 2000 was £8 million, before losses on disposals of £58 million relating primarily to the sale of our French subsidiary Air Liberte. A pre-tax loss of £50 million resulted. Excluding the impact of disposals, book charges relating to the revaluation of yen debts and restructuring costs, the underlying result was a profit of £52 million, up £17 million on last year -- the first improvement in underlying profits since the second quarter of 1997.

Operating profits -- at £97 million -- were £3 million higher than a year ago despite fuel prices 70% higher, worth £74 million net of hedging actions. The underlying improvement reflected benefits from an improved mix of premium passengers and higher average fares, combined with continued cost efficiencies. Operating margin was held at 4.2% despite higher fuel prices. Mainline yields were up on a year ago for the third successive quarter. Unit costs fell, excluding the impact of fuel price changes, and productivity improved 6.7%.

Turnover

Group turnover for the three months was up 4% -- at £2,310 million -- on a flying programme 2.2% smaller. Mainline passenger yields were up 2.9%. In line with our strategy, point-to-point business grew faster than transfer, premium traffic grew faster than non-premium, and longhaul grew faster than shorthaul. Premium traffic grew 8.2%; non premium traffic 1.9%.

In the three month period, Cargo revenue increased by 12.9% compared with last year, on tonnage 13.7% higher.

Unit Costs

Unit costs for the three months were 3.7% higher than the same quarter last year. Excluding increases in fuel prices, however, unit costs fell year over year by 0.1%. Cost efficiencies fully offset cost increases in respect of wage and supplier prices, increased restructuring costs, adverse exchange rate changes and added product costs.

Productivity (as measured by Available Tonne Kilometres per manpower equivalent) rose by 6.7% year over year.

Non Operating Items

Losses on disposals of fixed assets and investments included a £56 million book loss on the disposal of Air Liberte, but this was after crediting shareholders' reserves with £173 million of goodwill written off in earlier years. A small profit on the disposal of our 14% trade investment in Hogg Robinson was also made. Last year's profit included £149 million from the disposal of our remaining shares in Galileo International.

Net interest expense for the quarter was £89 million. This was up £16 million on last year, mainly explained by book charges of £19 million relating to the revaluation of yen debts used to fund aircraft acquisitions. The revaluation results from the strengthening of the yen since March 31, 2000. (This charge is a non cash item required by standard accounting practice.) Last year the first quarter charge was £5 million.

Earnings Per Share

For the three month period, the loss attributable to shareholders was £59 million, equivalent to 5.5 pence per share, compared with earnings of 17.5 pence last year.

Net Debt / Total Capital Ratio

Borrowings, net of cash and short term loans and deposits, amounted to £5,699 million at June 30, 2000 -- a decrease of £217 million since March 31 2000 -- due primarily to the normal seasonal increase in cash balances. Shareholders' funds increased because of the write back of goodwill on the Air Liberte disposal.

The net debt/total capital ratio now stands at 62.1%.

Aircraft Fleet

The Group fleet decreased by 29 aircraft during the quarter from 366 to 337 aircraft, including 32 relating to the disposal of Air Liberte.

Additions to the mainline fleet included 2 Boeing 777s, 5 Airbus A319s, 3 Boeing 737-500s and 1 Embraer RJ145; in the subsidiaries 2 Avro RJ100s were acquired by CityFlyer Express.

Retired from the mainline fleet were 2 Boeing 767s, 1 Boeing 757, 3 Boeing 737-200s, 2 de Havilland Canada DHC-7s and 1 de Havilland Canada DHC-8. Within the subsidiaries, 1 ATR 42 of CityFlyer was retired from service, as well as the 32 aircraft of Air Liberte.

Subsidiaries and Associates

Effective April 1, 2000 Air Liberte was sold to Taitbout Antibes for net proceeds of £30 million.

Alliance Development

The oneworld alliance continued to grow with the addition of Aer Lingus and LAN Chile in June 2000. Following its purchase by Air Canada, Canadian Airlines, a founder member of oneworld, left the alliance in June 2000.

Outlook

The outlook for summer trading is better than last year. Lower capacity growth in our main markets and stable economic conditions are positive factors.

Benefits from the new fleet and network strategy and from the sustained drive for cost efficiency are now showing up in our financial results, although high fuel prices will continue to impact future earnings. Further improvements are anticipated from the phased introduction of new products, the renewed attention to customer service and the increased focus on employee morale.

Teams from KLM and BA continue to work together to determine the feasibility of a combination of the two airlines.

GROUP BALANCE SHEET (unaudited)

	June 30	March 31
	2000 £m	1999 £m
		2000 £m
FIXED ASSETS		
Intangible Assets	61	62
Tangible Assets	10,273	10,035
Investments	550	392
	10,884	10,427
		10,923
CURRENT ASSETS		
Stocks	69	91
Debtors	1,420	1,690
Cash, short-term loans and deposits	1,433	1,494
	2,922	3,275
		2,592
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	(3,463)	(3,308)
		(3,366)
NET CURRENT LIABILITIES		
	(541)	(33)
		(774)
TOTAL ASSETS LESS CURRENT LIABILITIES		
	10,343	10,394
		10,149
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Borrowings and other creditors	(6,680)	(6,441)
Convertible Capital Bonds 2005	(113)	(113)
	(6,793)	(6,554)
		(6,728)
PROVISIONS FOR LIABILITIES AND CHARGES		
	(76)	(52)
		(81)
	3,474	3,788
		3,340
CAPITAL AND RESERVES		
Called up share capital	271	270
Reserves	2,998	3,323
	3,269	3,593
		3,147
Minority interest	17	16
Non equity minority interest	188	195
	3,474	3,788
		3,340

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (unaudited)

	Three months ended	Year ended
	June 30	March 31
	2000 £m	1999 £m
		2000 £m
(Loss)/profit for the period	(59)	188
Other recognised gains and losses relating to the period		
<i>Exchange and other movements</i>	6	23
	(53)	211
		(41)

These summary financial statements were approved by the Directors on August 7, 2000.

GROUP CASH FLOW STATEMENT (unaudited)

	Three months ended		Year ended
	June 30		March 31
	<u>2000 £m</u>	<u>1999 £m</u>	<u>2000 £m</u>
CASH INFLOW FROM OPERATING ACTIVITIES	424	373	1,186
DIVIDENDS RECEIVED FROM ASSOCIATES			44
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(65)	(67)	(315)
TAXATION		(8)	(2)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(21)	(109)	(146)
ACQUISITIONS AND DISPOSALS	41		(218)
EQUITY DIVIDENDS PAID		(48)	(242)
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Cash inflow before management of liquid resources and financing	379	141	307
MANAGEMENT OF LIQUID RESOURCES	(295)	(359)	9
FINANCING	(87)	191	(319)
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Decrease in cash in the period	(3)	(27)	(3)
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GROUP FINANCING REQUIREMENT			
Cash inflow before management of liquid resources and financing	379	141	307
Acquisitions under loans, finance leases and hire purchase arrangements	(134)	(194)	(659)
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Total financing surplus/(requirement) for the period	245	(53)	(352)
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Total tangible fixed asset expenditure, net of progress payment refunds	255	439	1,291

NOTES TO THE ACCOUNTS

For the period ended June 30, 2000

1 ACCOUNTING CONVENTION

The accounts have been prepared on the basis of the accounting policies set out in the Report and Accounts for the year ended March 31, 2000 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year.

	Three months ended		Year ended
	2000 £m	1999 £m	2000 £m
2 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES			
Group operating profit	97	94	84
Depreciation charges	170	154	648
Other items not involving the movement of cash	(6)	7	39
(Increase)/decrease in stocks and debtors	(126)	(169)	4
Increase in creditors	289	287	411
Cash inflow from operating activities	424	373	1,186
3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Decrease in cash during the period	(3)	(27)	(3)
Cash outflow from decrease in debt and lease financing	88	7	516
Cash outflow/(inflow) from liquid resources	295	359	(9)
Change in net debt resulting from cash flows	380	339	504
New loans and finance leases taken out and hire purchase arrangements made	(134)	(194)	(659)
Divested from subsidiary undertakings sold during the period	59		
Assumed from subsidiary undertakings acquired during the year			(42)
Conversion of Convertible Capital Bonds		13	13
Exchange movements	(88)	(40)	(206)
Movement in net debt during the period	217	118	(390)
Net debt at April 1	(5,916)	(5,526)	(5,526)
Net debt at period end	(5,699)	(5,408)	(5,916)

	Three months ended		Year ended
	2000 £m	1999 £m	2000 £m
4 OTHER INCOME AND CHARGES			
Income from trade investments		1	3
Other			2
		1	5
Other income and charges represented by:			
Group		1	5
Associates			
		1	5

NOTES TO THE ACCOUNTS (Continued)

For the period ended June 30, 2000

	Three months ended		Year ended
	June 30		March 31
	2000 £m	1999 £m	2000 £m
5 PROFIT ON SALE OF FIXED ASSETS AND INVESTMENTS			
Net profit on sale of investment in Galileo International Inc.		149	149
Net profit on part disposal of investment in Equant			70
Net loss on disposal of Air Liberte (Note 1 below)	(56)		
Net (loss)/profit on the disposal of other fixed assets and investments	(2)	28	30
	(58)	177	249
Represented by:			
Group	(58)	177	237
Associates			12
	(58)	177	249
<p>Note 1 - The loss on disposal of Air Liberte is subject to, inter alia, any price adjustment based on the audited net liabilities of Participations Aeronautiques at March 31, 2000</p>			
6 INTEREST			
Net payable:			
Interest payable less amount capitalised	90	85	357
Interest receivable	(20)	(20)	(85)
	70	65	272
Retranslation charges on currency borrowings	19	8	136
	89	73	408
Net interest payable represented by:			
Group	89	73	396
Associates			12
	89	73	408

7 TAXATION

Tax on the loss on ordinary activities has been provided for on the basis of the estimated rate of charge for the year ending March 31, 2001.

8 EARNINGS PER SHARE

Basic earnings per share are calculated on a weighted average of 1,075,079,000 ordinary shares (June 1999: 1,072,547,000; March 2000: 1,074,823,000) as adjusted for shares held for the purposes of employee share ownership plans including the Long Term Incentive Plan. Fully diluted earnings per share are calculated on a weighted average of 1,123,335,000 ordinary shares (June 1999: 1,128,555,000; March 2000: 1,124,287,000) after allowing for the conversion rights attaching to the Convertible Capital Bonds and for adjustments to income to eliminate interest payable on the Convertible Capital Bonds.

The number of shares in issue at June 30, 2000 was 1,082,025,000 (June 30, 1999: 1,081,089,000; March 31, 2000: 1,081,515,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS (Continued)

For the period ended June 30, 2000

9 TANGIBLE ASSETS	June 30		March 31
	2000 £m	1999 £m	2000 £m
Fleet	8,417	8,367	8,437
Property	1,483	1,375	1,488
Equipment	373	293	369
	10,273	10,035	10,294
10 INVESTMENTS			
Associated undertakings	517	349	507
Trade investments	8	32	35
Investment in own shares	25	11	25
	550	392	567
11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Loans	134	207	140
Finance Leases	88	92	120
Hire Purchase Arrangements	302	269	288
	524	568	548
Overdrafts - unsecured		10	5
Corporate taxation	24	25	18
Other creditors and accruals	2,915	2,705	2,795
	3,463	3,308	3,366
12 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR			
Loans	894	996	903
Finance Leases	1,865	1,425	1,768
Hire Purchase Arrangements	3,736	3,790	3,725
	6,495	6,211	6,396
Other creditors and accruals	185	230	219
	6,680	6,441	6,615
13 RESERVES			
Balance at April 1	2,877	3,087	3,087
Retained(loss)/profit for the period	(59)	188	(216)
Exchange and other adjustments	6	23	(20)
Reduction in reserves resulting from shares issued to a Qualifying Employee Share Ownership Trust in relation to the 1993 Share Save Scheme		(2)	(2)
Net movement on goodwill	173	7	7
Premium arising from issue of ordinary share capital	1	20	21
	2,998	3,323	2,877

14 The figures for the three months ended June 30, 1999 and 2000 are unaudited and do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year ended March 31, 2000 have been extracted from the full accounts with certain minor presentational changes for that year, which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report.

INDEPENDENT REVIEW REPORT TO BRITISH AIRWAYS Plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 2 and 6 to 10 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the three months ended June 30, 2000.

Ernst & Young
London

August 7, 2000

UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) INFORMATION

The accounts have been prepared in accordance with accounting principles accepted in the United Kingdom which differ in certain respects from those generally accepted in the United States. The significant differences are the same as those set out in the Report and Accounts for the year ended March 31, 2000.

The adjusted net income and shareholders' equity applying US GAAP are set out below:

	Three months ended		Year ended
	2000 £m	June 30 1999 £m	March 31 2000 £m
(Loss)/profit for the period as reported in the Group profit and loss account	(59)	188	(21)
US GAAP adjustments	(5)	(81)	(430)
Net (loss)/income as so adjusted to accord with US GAAP	(64)	107	(451)
Net (loss)/income per Ordinary Share as so adjusted			
Basic	(6.0)p	10.0p	(41.9)p
Diluted	(6.0)p	9.7p	(41.9)p
Net(loss)/income per American Depositary Share as so adjusted			
Basic	(60)p	100p	(419)p
Diluted	(60)p	97p	(419)p
		June 30	March 31
	2000 £m	1999 £m	2000 £m
Shareholders' equity as reported in the Group balance sheet	3,269	3,593	3,147
US GAAP adjustments	(1,136)	(551)	(758)
Shareholders' equity as so adjusted to accord with US GAAP	2,133	3,042	2,389

AIRCRAFT FLEET

MAINLINE (Note 1 & 5)	Number in service with Group companies at June 30, 2000					Future deliveries	Options
	On balance sheet Aircraft	Operating leases off balance sheet		Total			
		Extendible	Other				
Concorde	7			7			
Boeing 747-100							
Boeing 747-200	12	3		15			
Boeing 747-400	57			57			
Boeing 777	35			35	10	16	
Boeing 767-300	25			25			
Boeing 757-200	46	3	3	52			
Airbus A318					12	12	
Airbus A319 (Note 4)		11		11	27	124	
Airbus A320	10			10	20		
Boeing 737-200			10	10			
Boeing 737-300			7	7			
Boeing 737-400	22		12	34			
Boeing 737-500			3	3			
Embraer RJ145			3	3	4	14	
Turbo Props (Note 2)			16	16			
Sub total	214	17	54	285	73	166	
DEUTSCHE BA, 'go' and CITYFLYER EXPRESS (Note 6)							
Boeing 737-300			31	31			
Avro RJ100		10		10	6	6	
Turbo Props (Note 3)		11		11			
Sub total		21	31	52	6	6	
GROUP TOTAL	214	38	85	337	79	172	

Notes:

- 1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd and Brymon Airways Ltd.
- 2 de Havilland Canada DHC-8s.
- 3 7 ATR 72s and 4 ATR 42s for CityFlyer Express.
- 4 Options include reserved delivery positions and, if taken, may be A319, A320, or A321.
- 5 Excludes 2 McDonnell Douglas DC-10-30s and 1 Boeing 737-200, 2 Boeing 767-300s and 1 Boeing 757-200 stood down pending disposal or return to lessor, 2 Boeing 737-500s and 1 A319 delivered but not yet in service.
- 6 Net reduction since March 31, 2000 includes 14 McDonnell Douglas aircraft, 15 Fokker aircraft and 3 ATR aircraft, totalling 32 aircraft disposed of with Air Liberte.