

**FIRST QUARTER RESULTS 2001-2002 (unaudited)**

|                                       |    | Three months ended |                 | Increase/<br>(Decrease) | Year ended       |
|---------------------------------------|----|--------------------|-----------------|-------------------------|------------------|
|                                       |    | 2001               | June 30<br>2000 |                         | March 31<br>2001 |
| Turnover                              | £m | <b>2,297</b>       | 2,310           | (0.6)%                  | 9,278            |
| Operating profit                      | £m | <b>50</b>          | 97              | (48.5)%                 | 380              |
| Operating margin                      | %  | <b>2.2</b>         | 4.2             | (2.0)pts                | 4.1              |
| Profit/(loss) before tax              | £m | <b>40</b>          | (50)            | nm                      | 150              |
| Retained profit/(loss) for the period | £m | <b>26</b>          | (42)            | nm                      | (129)            |
| Capital and reserves at period end    | £m | <b>2,402</b>       | 2,490           | (3.5)%                  | 2,368            |
| Earnings per share                    |    |                    |                 |                         |                  |
| <i>Basic:</i>                         | p  | <b>2.4</b>         | (3.9)           | nm                      | 6.0              |
| <i>Diluted:</i>                       | p  | <b>na</b>          | na              | nm                      | 5.9              |

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nm: Not meaningful

na: Not applicable

**GROUP PROFIT AND LOSS ACCOUNT (unaudited)**

|   | Three months ended |         |                         | Year ended |
|---|--------------------|---------|-------------------------|------------|
|   | June 30            |         | Increase/<br>(Decrease) | March 31   |
|   | 2001 £m            | 2000 £m |                         | Restated   |
|   |                    |         |                         | 2001 £m    |
| Traffic Revenue   |                    |         |                         |            |
| <i>Scheduled passenger</i>  | <b>1,947</b>       | 1,943   | 0.2%                    | 7,803      |
| <i>Scheduled Cargo</i>  | <b>130</b>         | 140     | (7.1)%                  | 579        |
| <i>Non-scheduled services</i>   | <b>15</b>          | 16      | (6.3)%                  | 50         |
|   | <b>2,092</b>       | 2,099   | (0.3)%                  | 8,432      |
| <i>Other revenue</i>  | <b>205</b>         | 211     | (2.8)%                  | 846        |
| <b>TOTAL TURNOVER</b>   | <b>2,297</b>       | 2,310   | (0.6)%                  | 9,278      |
| <i>Employee costs</i>   | <b>612</b>         | 593     | 3.2%                    | 2,376      |
| <i>Depreciation</i>   | <b>186</b>         | 170     | 9.4%                    | 715        |
| <i>Aircraft operating lease costs</i>                                 | <b>56</b>          | 56      |                         | 221        |
| <i>Fuel and oil costs</i>   | <b>283</b>         | 249     | 13.7%                   | 1,102      |
| <i>Engineering and other aircraft costs</i>                           | <b>161</b>         | 165     | (2.4)%                  | 662        |
| <i>Landing fees and en route charges</i>                              | <b>168</b>         | 171     | (1.8)%                  | 645        |
| <i>Handling charges, catering and other operating costs</i>           | <b>303</b>         | 331     | (8.5)%                  | 1,303      |
| <i>Selling costs</i>  | <b>253</b>         | 293     | (13.7)%                 | 1,135      |
| <i>Accommodation, ground equipment costs and currency differences</i> | <b>225</b>         | 185     | 21.6%                   | 739        |
| <b>TOTAL OPERATING EXPENDITURE</b>                                    | <b>2,247</b>       | 2,213   | 1.5%                    | 8,898      |
| OPERATING PROFIT  | <b>50</b>          | 97      | (48.5)%                 | 380        |
| Share of operating profits in associates                              | <b>1</b>           |         | nm                      | 64         |
| <b>TOTAL OPERATING PROFIT INCLUDING ASSOCIATES</b>                    | <b>51</b>          | 97      | (47.4)%                 | 444        |
| Other income  | <b>1</b>           |         | nm                      | 1          |
| Profit/(loss) on sale of fixed assets and investments                 | <b>92</b>          | (58)    | nm                      | (69)       |
| Interest  |                    |         |                         |            |
| <i>Net payable</i>  | <b>(81)</b>        | (70)    | 15.7%                   | (297)      |
| <i>Retranslation credits/(charges) on currency borrowings</i>         | <b>(23)</b>        | (19)    | 21.1%                   | 71         |
| <b>PROFIT/(LOSS) BEFORE TAX</b>                                       | <b>40</b>          | (50)    | nm                      | 150        |
| Taxation  | <b>(11)</b>        | 11      | nm                      | (72)       |
| <b>PROFIT/(LOSS) AFTER TAX</b>  | <b>29</b>          | (39)    | nm                      | 78         |
| Equity minority interest  |                    |         |                         | (2)        |
| Non equity minority interest*   | <b>(3)</b>         | (3)     |                         | (12)       |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                                   | <b>26</b>          | (42)    | nm                      | 64         |
| Dividends paid and proposed   |                    |         |                         | (193)      |
| <b>RETAINED PROFIT/(LOSS) FOR THE PERIOD</b>                          | <b>26</b>          | (42)    | nm                      | (129)      |

nm: not meaningful

\* Cumulative Preferred Securities

**OPERATING AND FINANCIAL STATISTICS (unaudited)**

|  | Three months ended |      | Increase/  | Year ended |
|--|--------------------|------|------------|------------|
|  | June 30            |      | (Decrease) | March 31   |
|  | 2001               | 2000 |            | 2001       |

**TOTAL AIRLINE OPERATIONS (Note 1)**  
*(including British Regional Air Lines from May 10<sup>th</sup>, 2001 and go until June 14<sup>th</sup> 2001)*

*TRAFFIC AND CAPACITY*

|                               |               |        |          |         |
|-------------------------------|---------------|--------|----------|---------|
| RPK (m)                       | <b>28,646</b> | 32,295 | (11.3)%  | 123,197 |
| ASK (m)                       | <b>40,980</b> | 44,826 | (8.6)%   | 172,524 |
| Passenger load factor (%)     | <b>69.9</b>   | 72.0   | (2.1)pts | 71.4    |
| CTK (m)                       | <b>1,093</b>  | 1,198  | (8.8)%   | 4,735   |
| RTK (m)                       | <b>3,915</b>  | 4,407  | (11.2)%  | 16,987  |
| ATK (m)                       | <b>6,124</b>  | 6,475  | (5.4)%   | 25,196  |
| Overall load factor (%)       | <b>63.9</b>   | 68.1   | (4.2)pts | 67.4    |
| Passengers carried (000)      | <b>11,293</b> | 11,633 | (2.9)%   | 44,462  |
| Tonnes of cargo carried (000) | <b>209</b>    | 234    | (10.7)%  | 914     |

*FINANCIAL*

|   |              |       |       |        |
|---|--------------|-------|-------|--------|
| Passenger revenue per RPK (p)                             | <b>6.85</b>  | 6.07  | 12.9% | 6.37   |
| Passenger revenue per ASK (p)                             | <b>4.79</b>  | 4.37  | 9.6%  | 4.55   |
| Cargo revenue per CTK (p)                                 | <b>11.89</b> | 11.69 | 1.7%  | 12.23  |
| Total traffic revenue per RTK (p)                         | <b>53.44</b> | 47.63 | 12.2% | 49.64  |
| Total traffic revenue per ATK (p)                         | <b>34.16</b> | 32.42 | 5.4%  | 33.47  |
| Average fuel price before hedging<br>(US cents/US gallon) | <b>89.23</b> | 88.92 | 0.3%  | 103.94 |

*OPERATIONS*

|                                   |               |        |        |        |
|-----------------------------------|---------------|--------|--------|--------|
| Average Manpower Equivalent (MPE) | <b>59,839</b> | 57,874 | 3.4%   | 58,989 |
| ATKs per MPE (000)                | <b>102.3</b>  | 111.9  | (8.5)% | 427.1  |
| Aircraft in service at period end | <b>374</b>    | 337    | 37     | 338    |

**TOTAL GROUP OPERATIONS**

*FINANCIAL*

|                                       |              |       |       |       |
|---------------------------------------|--------------|-------|-------|-------|
| Net operating expenditure per RTK (p) | <b>52.16</b> | 45.43 | 14.8% | 47.40 |
| Net operating expenditure per ATK (p) | <b>33.34</b> | 30.92 | 7.8%  | 31.96 |

Note 1 Excludes non airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd, BA Travel Shops Ltd, Speedwing International Group and The London Eye Company Ltd.

## **CHAIRMAN'S STATEMENT**

### ***Group Performance***

Group profit before tax for the three months to June 30, was £40 million; this compares with a loss of £50 million last year. The no-frills subsidiary *go* was sold for a profit of £100 million; in the same quarter last year a loss of £54 million was incurred on the disposal of Air Liberte.

Operating profit - - at £50 million - - almost halved from last year's level. This reflected weak market demand as world economic growth slowed, particularly in the United States. The impact of the UK foot and mouth outbreak and computer system problems in March also reduced sales. Partially offsetting the weaker demand were continued benefits from the new aircraft fleet and network strategy, successful new products (especially the Club World flat bed, which increased our share of the premium market), and further cost efficiency actions.

Current fleet strategy is based on smaller aircraft, flying higher frequencies and carrying a higher mix of premium traffic. Capacity reductions are targeted on unprofitable routes, transfer and other marginal business. Non-premium capacity was 11.5% down on a year ago; premium 1.6%.

Passenger yields increased 12.9%; costs per unit of capacity increased 7.8%. Operating margin - - at 2.2% - - was down 2 points on last year, primarily because of lower load factors. Excluding the impact of acquisitions and disposals, Group manpower fell year-over-year for the fifth successive quarter.

### ***Turnover***

For the three month period, Group turnover - - at £2,297 million - - was down 0.6% on a flying programme 8.6% smaller in available seat kilometres (ASK).

For the three months to June 30, Cargo sales were down 7.1%; reduced demand more than offset higher yields.

### ***Unit Costs***

For the quarter, Group unit costs (pence per ATK) were 7.8% higher than a year ago. This reflected the adverse impact of exchange rate changes, fuel price rises (net of hedging), supplier price and wage increases and capacity reductions. These were

partially offset by further cost efficiency actions, including lower cost of sales, e-procurement initiatives and productivity and process improvements.

#### ***Non Operating Items***

Net interest expense for the quarter was £104 million. This included a book charge for the revaluation of yen debt (used to fund aircraft acquisitions) of £23 million. The revaluation - - required by accounting standards - - results from the strengthening of the yen against sterling.

Profit on disposals of fixed assets and investments for the quarter was £92 million, reflecting primarily the disposal of *go* for £100 million. This compares with a loss on disposal last year of £58 million, mainly from the disposal of Air Liberte.

#### ***Taxation***

From April 1, 2001, we have accounted for deferred tax on a full liability basis in accordance with Financial Accounting Standard 19. A potential liability of £1,051 million has been recognised as at that date, with reserves reduced accordingly and prior periods restated to reflect its impact on retained earnings, taxation, earnings per share and provisions. This potential liability has previously been shown as a note to the accounts; it is not expected to be paid in the foreseeable future.

#### ***Earnings Per Share***

The profit attributable to shareholders for the three months was equivalent to 2.4 pence per share, compared with last year's loss of 3.9 pence (restated).

#### ***Net Debt / Total Capital Ratio***

Borrowings, net of cash and short term loans and deposits, were £6,478 million at June 30 - - up £255 million since the start of the year, due primarily to investment in new aircraft and the acquisition of British Regional Air Lines (BRAL). The net debt/total capital (including deferred tax) ratio increased by 0.6 points to 65.1%.

#### ***Aircraft Fleet***

During the quarter the Group fleet increased by 36 to 374 aircraft in service. Changes reflected the continued implementation of the revised fleet strategy, the sale of *go* and the acquisition of BRAL.

Additions included 1 Boeing 777, 3 Airbus A319, 3 Boeing 737-300, 1 Avro RJ100 for CityFlyer Express, and a mixture of 48 jets and turbo-props from BRAL. Disposals

included 1 Boeing 747-200, 4 Boeing 757-200, 1 Boeing 737-300 operated by DBA, 1 ATR 72 operated by CityFlyer Express and 13 Boeing 737-300 sold with **go**.

Concorde services remain suspended following the Air France incident in July 2000. Modifications to the fuel tanks are being made and, following test flights, we remain confident that the Civil Aviation Authority will re-issue the certificate of airworthiness. While the modifications are made, £14 million of product improvements, including new cabin interior and seats, are being installed. Services are expected to resume soon.

### ***Subsidiaries and Associates***

In May, we purchased British Regional Air Lines Group plc (BRAL); a further step in British Airways' plans to coordinate better its shorthaul businesses and reduce fragmentation among subsidiaries and franchise partners. Goodwill arising on the acquisition amounts to £52 million, subject to finalisation.

In June we sold our subsidiary **go** for a profit of £100 million.

### ***Alliance Development***

We and American Airlines have announced plans for a new alliance that includes profit sharing on nine transatlantic routes, codesharing, frequent flyer interchangeability and joint scheduling, pricing and marketing. If approved, it will result in many consumer benefits, including easier transfers, improved check-in and airport facilities, and access to more destinations. We will apply for anti-trust immunity and clearance with the UK and European authorities in the next few days. Rival airline alliances already operate similar commercial arrangements.

### ***Outlook***

While capacity reductions, yield improvements and product-led market share gains are helping our results, the outlook for the rest of the year remains challenging. Seat factors through the busy summer season should be strong; we expect the winter months to be more difficult, depending on the economic performance of our major markets.

Our continued focus on reducing less profitable capacity and taking out costs will improve the business structurally. We are well placed to take advantage of any upturn in global demand.

**GROUP BALANCE SHEET (unaudited)**

|  | June 30<br>Restated | March 31<br>Restated |
|--|---------------------|----------------------|
|  | 2001 £m             | 2000 £m              |
| <b>FIXED ASSETS</b>  |                     |                      |
| Intangible assets  | 110                 | 61                   |
| Tangible assets  | 10,969              | 10,191               |
| Investments  | 451                 | 550                  |
|  | <b>11,530</b>       | <b>10,802</b>        |
| <b>CURRENT ASSETS</b>  |                     |                      |
| Stocks   | 201                 | 151                  |
| Debtors  | 1,409               | 1,420                |
| Cash, short-term loans and deposits                            | 934                 | 1,433                |
|  | <b>2,544</b>        | <b>3,004</b>         |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          |                     |                      |
|  | <b>(3,450)</b>      | <b>(3,463)</b>       |
| <b>NET CURRENT LIABILITIES</b>                                 |                     |                      |
|  | <b>(906)</b>        | <b>(459)</b>         |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |                     |                      |
|  | <b>10,624</b>       | <b>10,343</b>        |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> |                     |                      |
| Borrowings and other creditors                                 | (6,970)             | (6,680)              |
| Convertible Capital Bonds 2005                                 | (112)               | (113)                |
|  | <b>(7,082)</b>      | <b>(6,793)</b>       |
| <b>PROVISIONS FOR DEFERRED TAX</b>                             |                     |                      |
|  | <b>(1,070)</b>      | <b>(984)</b>         |
| <b>PROVISIONS FOR LIABILITIES AND CHARGES</b>                  |                     |                      |
|  | <b>(70)</b>         | <b>(76)</b>          |
|  | <b>2,402</b>        | <b>2,490</b>         |
| <b>CAPITAL AND RESERVES</b>                                    |                     |                      |
| Called up share capital  | 271                 | 271                  |
| Reserves   | 1,947               | 2,014                |
|  | <b>2,218</b>        | <b>2,285</b>         |
| Minority interest  | 6                   | 17                   |
| Non equity minority interest                                   | 178                 | 188                  |
|  | <b>2,402</b>        | <b>2,490</b>         |

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES (unaudited)**

|  | Three months ended<br>June 30<br>Restated | Year ended<br>March 31<br>Restated |
|--|---|------------------------------------|
|  | 2001 £m                                   | 2000 £m                            |
| Profit/(loss) for the period                             | 26  | (42)                               |
| Other recognised gains and losses relating to the period |   |                                    |
| <i>Exchange and other movements</i>                      | 28  | 6                                  |
|  | <b>54</b>                                 | <b>(36)</b>                        |
| <b>Total recognised gains and losses</b>                 | <b>54</b>                                 | <b>(36)</b>                        |

These summary financial statements were approved by the directors on August 6, 2001.

**GROUP CASH FLOW STATEMENT (unaudited)**

|   | Three months ended |                           | Year ended                 |
|---|--------------------|---------------------------|----------------------------|
|   | 2001 <i>£m</i>     | June 30<br>2000 <i>£m</i> | March 31<br>2001 <i>£m</i> |
| CASH INFLOW FROM OPERATING ACTIVITIES                                     | 297                | 424                       | 1,251                      |
| DIVIDENDS RECEIVED FROM ASSOCIATES  | 7                  |                           | 33                         |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                           | (75)               | (65)                      | (342)                      |
| TAXATION  |                    |                           | 15                         |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT                              | (111)              | (21)                      | (457)                      |
| ACQUISITIONS AND DISPOSALS  | (10)               | 41                        | 26                         |
| EQUITY DIVIDENDS PAID   |                    |                           | (194)                      |
| <hr/> Net cash inflow before management of liquid resources and financing | <hr/> 108          | <hr/> 379                 | <hr/> 332                  |
| MANAGEMENT OF LIQUID RESOURCES  | (1)                | (295)                     | 159                        |
| FINANCING   | (111)              | (87)                      | (521)                      |
| <hr/> Decrease in cash in the period                                      | <hr/> (4)          | <hr/> (3)                 | <hr/> (30)                 |
| <br>  |                    |                           |                            |
| GROUP FINANCING REQUIREMENT   |                    |                           |                            |
| Net cash inflow before management of liquid resources and financing       | 108                | 379                       | 332                        |
| Acquisitions under finance leases and hire purchase arrangements          | (203)              | (134)                     | (663)                      |
| <hr/> Total financing (requirement)/surplus for the period                | <hr/> (95)         | <hr/> 245                 | <hr/> (331)                |
| <br>  |                    |                           |                            |
| Total tangible fixed asset expenditure, net of progress payment refunds   | 362                | 255                       | 1,405                      |



**NOTES TO THE ACCOUNTS**

For the period ended June 30, 2001

**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, 2001 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year, with the exception of the implementation of FRS 19 'Deferred Tax'. As described in Note 7, the comparative figures have been restated as a result of implementing this standard. In addition expendable stocks have been reclassified from fixed assets to stocks and comparative figures restated resulting in increased stock at June 30, 2000 of £82 million and at March 31, 2001 of £104 million.

|  | Three months ended<br>June 30 |         | Year ended<br>March 31 |
|--|-------------------------------|---------|------------------------|
|  | 2001 £m                       | 2000 £m | 2001 £m                |
| <b>2 RECONCILIATION OF OPERATING PROFIT</b>    |                               |         |                        |
| TO CASH INFLOW FROM OPERATING ACTIVITIES       |                               |         |                        |
| Group operating profit                         | 50                            | 97      | 380                    |
| Depreciation and amortisation                  | 186                           | 170     | 715                    |
| Other items not involving the movement of cash |                               | (6)     | (1)                    |
| Increase in stocks and debtors                 | (69)                          | (126)   | (38)                   |
| Increase in creditors                          | 130                           | 289     | 195                    |
| Cash inflow from operating activities          | 297                           | 424     | 1,251                  |

|  |         |         |         |
|--|---------|---------|---------|
| <b>3 RECONCILIATION OF NET CASH FLOW TO</b>                      |         |         |         |
| MOVEMENT IN NET DEBT   |         |         |         |
| Decrease in cash during the period                               | (4)     | (3)     | (30)    |
| Net cash outflow from decrease in debt and lease financing       | 111     | 88      | 524     |
| Cash outflow/(inflow) from liquid resources                      | 1       | 295     | (159)   |
| Change in net debt resulting from cash flows                     | 108     | 380     | 335     |
| New finance leases taken out and hire purchase arrangements made | (203)   | (134)   | (663)   |
| Divested from subsidiary undertakings sold during the period     |         | 59      | 69      |
| Assumed from subsidiary undertakings acquired during the year    | (117)   |         |         |
| Conversion of Convertible Capital Bonds                          | 1       |         |         |
| Exchange movements   | (44)    | (88)    | (48)    |
| Movement in net debt during the period                           | (255)   | 217     | (307)   |
| Net debt at April 1  | (6,223) | (5,916) | (5,916) |
| Net debt at period end   | (6,478) | (5,699) | (6,223) |

|  | Three months ended<br>June 30 |         | Year ended<br>March 31 |
|--|-------------------------------|---------|------------------------|
|  | 2001 £m                       | 2000 £m | 2001 £m                |
| <b>4 OTHER INCOME AND CHARGES</b>        |                               |         |                        |
| Income from trade investments            | 1                             |         | 1                      |
|  | 1                             |         | 1                      |
| Other income and charges represented by: |                               |         |                        |
| Group                                    | 1                             |         | 1                      |
| Associates                               |                               |         |                        |
|  | 1                             |         | 1                      |

**NOTES TO THE ACCOUNTS** (Continued)  
For the period ended June 30, 2001

|  | Three months ended |             | Year ended  |
|--|--------------------|-------------|-------------|
|  | June 30            |             | March 31    |
|  | 2001 £m            | 2000 £m     | 2001 £m     |
| <b>5 PROFIT ON SALE OF FIXED ASSETS AND INVESTMENTS</b>        |                    |             |             |
| Net profit on disposal of <b>go</b> (Note 1 below)             | 100                |             |             |
| Net loss on disposal of Air Liberte                            |                    | (54)        | (54)        |
| Share of net profit on disposal of Amadeus by Iberia           |                    |             | 22          |
| Net loss on the disposal of other fixed assets and investments | (8)                | (4)         | (37)        |
|  | <b>92</b>          | <b>(58)</b> | <b>(69)</b> |
| Represented by:  |                    |             |             |
| Group  | (92)               | (58)        | (96)        |
| Associates (including disposal of Amadeus)                     |                    |             | 27          |
|  | <b>(92)</b>        | <b>(58)</b> | <b>(69)</b> |

Note 1 - The loss on disposal of **go** is subject to final determination of the costs associated with the transaction.

|  |            |           |            |
|--|------------|-----------|------------|
| <b>6 INTEREST</b>                            |            |           |            |
| Net payable:                                 |            |           |            |
| Interest payable less amount capitalised     | 94         | 90        | 389        |
| Interest receivable                          | (13)       | (20)      | (92)       |
|  | <b>81</b>  | <b>70</b> | <b>297</b> |
| Retranslation charges on currency borrowings | 23         | 19        | (71)       |
|  | <b>104</b> | <b>89</b> | <b>226</b> |
| Net interest payable represented by:         |            |           |            |
| Group  | 104        | 89        | 215        |
| Associates                                   |            |           | 11         |
|  | <b>104</b> | <b>89</b> | <b>226</b> |

**7 TAXATION**

During the period the company has implemented FRS 19 'Deferred Tax', which requires full provision for deferred tax. Under the options allowed the company has chosen not to discount the resulting provision. The comparatives have been restated, resulting in a reduction to the tax charge of £17 million for the quarter ended June 30, 2000 and an increase to the tax charge of £50 million for the year ended March 31, 2001. The deferred tax provision is included on balance sheet within Provisions for Liabilities and Charges and amounts to £1,070 million at June 30, 2001 (March 31, 2001: £1,051 million; June 30, 2000 £984 million). None of the deferred tax is expected to become payable in the foreseeable future.

Included in the tax charge for the period ended June 30, 2001 is a charge of £23 million in relation to the sale of **go**.

**8 EARNINGS PER SHARE**

Basic earnings per share are calculated on a weighted average of 1,075,946,000 ordinary shares (June 2000: 1,075,079,000; March 2001: 1,075,496,000) 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 1,084,023,000 ordinary shares (June 2000: 1,075,079,000; March 2001: 1,084,761,000).

The number of shares in issue at June 30, 2001 was 1,082,691,000 (June 30, 2000: 1,081,025,000; March 31, 2001: 1,082,552,000) ordinary shares of 25 pence each.



**NOTES TO THE ACCOUNTS** (Continued)  
For the period ended June 30, 2001

|   | June 30       |               | March 31      |
|---|---------------|---------------|---------------|
|   | 2001          | 2000          | 2001          |
| <b>9 TANGIBLE ASSETS</b>  | <b>£m</b>     | <b>£m</b>     | <b>£m</b>     |
| Fleet   | 9,056         | 8,335         | 8,761         |
| Property  | 1,379         | 1,483         | 1,418         |
| Equipment   | 534           | 373           | 483           |
|   | <b>10,969</b> | <b>10,191</b> | <b>10,662</b> |
| <b>10 INVESTMENTS</b>   |               |               |               |
| Associated undertakings   | 405           | 517           | 381           |
| Trade investments   | 21            | 8             | 20            |
| Investment in own shares  | 25            | 25            | 25            |
|   | <b>451</b>    | <b>550</b>    | <b>426</b>    |
| <b>11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>                      |               |               |               |
| Loans   | 50            | 134           | 49            |
| Finance leases  | 106           | 88            | 106           |
| Hire purchase arrangements  | 395           | 302           | 329           |
|   | <b>551</b>    | <b>524</b>    | <b>484</b>    |
| Overdrafts - unsecured  |               |               | 3             |
| Corporate taxation  | 34            | 24            | 31            |
| Other creditors and accruals  | 2,865         | 2,915         | 2,790         |
|   | <b>3,450</b>  | <b>3,463</b>  | <b>3,308</b>  |
| <b>12 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR</b> |               |               |               |
| Loans   | 988           | 894           | 992           |
| Finance leases  | 2,382         | 1,865         | 2,240         |
| Hire purchase arrangements  | 3,379         | 3,736         | 3,327         |
|   | <b>6,749</b>  | <b>6,495</b>  | <b>6,559</b>  |
| Other creditors and accruals  | 221           | 185           | 229           |
|   | <b>6,970</b>  | <b>6,680</b>  | <b>6,788</b>  |
| <b>13 RESERVES</b>  |               |               |               |
| Balance at April 1  | 1,893         | 2,877         | 2,877         |
| Prior Year Adjustment*  |               | (1,001)       | (1,001)       |
| Balance at April 1 as restated (see Note 7)                                   | 1,893         | 1,876         | 1,876         |
| Retained profit/(loss) for the period   | 26            | (42)          | (129)         |
| Exchange and other adjustments  | 28            | 6             | (30)          |
| Net movement on goodwill re Air Liberte disposal                              |               | 173           | 173           |
| Premium arising from issue of ordinary share capital                          |               | 1             | 3             |
|   | <b>1,947</b>  | <b>2,014</b>  | <b>1,893</b>  |

\*Prior year adjustment relates to the adoption of FRS 19 'Deferred Tax'

14 The figures for the three months ended June 30, 2001 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, 2001 have been extracted from the full accounts with certain minor presentational changes and restatements (see Note 1) 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 within the Group Profit and Loss Account, Group Balance Sheet, Group Cash Flow Statement and Notes to the Accounts 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 for use in the United Kingdom. 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 United Kingdom 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, 2001.

*Ernst & Young LLP*  
London

August 6, 2001

**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, 2001, with the exception of the implementation of FRS 19 'Deferred Tax'. The comparatives have been adjusted to reflect this change. In addition the company has adopted FAS 133 effective from April 1, 2001.

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

|   | Three months ended |              | Year ended   |
|---|--------------------|--------------|--------------|
|   | June 30            |              | March 31     |
|   | Restated           |              | Restated     |
|   | 2001 £m            | 2000 £m      | 2001 £m      |
| Profit/(loss) for the period as reported in the Group profit and loss account | 26                 | (42)         | 64           |
| US GAAP adjustments   | 16                 | (22)         | 162          |
| <b>Net income/(loss) as so adjusted to accord with US GAAP</b>                | <b>42</b>          | <b>(64)</b>  | <b>226</b>   |
| Net income/(loss) per Ordinary Share as so adjusted                           |                    |              |              |
| Basic   | 3.9p               | (6.0)p       | 21.0p        |
| Diluted   | 3.9p               | (6.0)p       | 20.8p        |
| Net income/(loss) per American Depositary Share as so adjusted                |                    |              |              |
| Basic   | 39p                | (60)p        | 210p         |
| Diluted   | 39p                | (60)p        | 208p         |
| Shareholders' equity as reported in the Group balance sheet                   | 2,218              | 2,285        | 2,164        |
| US GAAP adjustments   | 40                 | (152)        | 170          |
| <b>Shareholders' equity as so adjusted to accord with US GAAP</b>             | <b>2,258</b>       | <b>2,133</b> | <b>2,334</b> |

**AIRCRAFT FLEET**

Number in service with Group companies at June 30, 2001

|  | On balance<br>sheet<br>Aircraft | Operating Leases<br>off balance sheet<br>Extendible | Leases<br>sheet<br>Other | Total<br>June<br>2001 | Changes<br>Since<br>March<br>2001 | Future<br>Deliveries | Options    |
|--|---------------------------------|---|--------------------------|-----------------------|-----------------------------------|----------------------|------------|
| <b>AIRLINE OPERATIONS (Note 1 &amp; 2)</b> |                                 |   |                          |                       |                                   |                      |            |
| Concorde (Note 3)                          | 7                               |   |                          | 7                     |                                   |                      |            |
| Boeing 747-200                             | 11                              | 1   |                          | 12                    | (1)                               |                      |            |
| Boeing 747-400                             | 56                              |   |                          | 56                    |                                   |                      |            |
| Boeing 777                                 | 41                              |   |                          | 41                    | 1                                 | 2                    | 16         |
| Boeing 767-300                             | 21                              |   |                          | 21                    |                                   |                      |            |
| Boeing 757-200                             | 38                              | 2   | 1                        | 41                    | (4)                               |                      |            |
| Airbus A318                                |                                 |   |                          |                       |                                   | 12                   | 12         |
| Airbus A319 (Note 4)                       | 14                              | 10  |                          | 24                    | 3                                 | 15                   | 117        |
| Airbus A320                                | 10                              |   |                          | 10                    |                                   | 20                   |            |
| Boeing 737-300                             |                                 |   | 27                       | 27                    | (11)                              |                      |            |
| Boeing 737-400                             | 22                              | 5   | 7                        | 34                    |                                   |                      |            |
| Boeing 737-500                             |                                 |   | 10                       | 10                    |                                   |                      |            |
| Turbo Props (Note 5)                       | 1                               | 5   | 40                       | 46                    | 25                                |                      |            |
| Embraer RJ145                              | 12                              | 5   | 9                        | 26                    | 19                                | 4                    | 17         |
| Avro RJ100                                 | 6                               | 10  |                          | 16                    | 1                                 |                      | 6          |
| British Aerospace 146                      | 3                               |   |                          | 3                     | 3                                 |                      |            |
| <b>GROUP TOTAL (Note 6)</b>                | <b>242</b>                      | <b>38</b>   | <b>94</b>                | <b>374</b>            | <b>36</b>                         | <b>53</b>            | <b>168</b> |

**Notes:**

- 1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd, Brymon Airways Ltd, CityFlyer Express, Deutsche BA and British Regional Air Lines.
- 2 Excludes 1 Boeing 737-200 and 3 Boeing 757-200s stood down pending disposal or return to lessor, 1 Boeing 747 - 400 sub-leased to Qantas and 1 Boeing 737-300 and 2 Boeing 777s delivered but not yet in service.
- 3 7 Concorde are currently stood down as a result of the investigation into the Air France incident of July 25, 2000.  
Additional safety modifications have been fitted on one aircraft which has been subject to tests both on the ground and in the air. An application for the reissue of a certificate of airworthiness by the Civil Aviation Authority will be made in the near future with a resumption of services planned soon after.
- 4 Options include reserved delivery positions and, if taken, may be A319, A320, or A321.
- 5 Includes 13 Jetstream 41 aircraft, 13 British Aerospace ATP aircraft, 5 ATR72 aircraft and 15 De Havilland Canada DHC-8 aircraft.
- 6 Includes 13 Jetstream 41 aircraft, 13 British Aerospace ATP aircraft, 19 Embraer 145 aircraft (including 4 future deliveries and 3 options) and 3 British Aerospace 146 aircraft acquired with the purchase of British Regional Air Lines.