INTERIM RESULTS 1997-98

		Three months ended September 30			Six months ended September 30		
		1997	*1996*	Change	**1997**	*1996*	Change
Turnover	£m	**2,244**	*2,291*	(2.1)%	**4,460**	*4,394*	1.5%
Operating profit	£m	**201**	*317*	(36.6)%	**341**	*512*	(33.4)%
Profit before tax	£m	**210**	*320*	(34.4)%	**430**	*470*	(8.5)%
Attributable profit (after Minority Interest) for the period	£m	**153**	*275*	(44.4)%	**317**	*390*	(18.7)%
Capital and reserves at period end	£m	**3,329**	*2,961*	12.4%	**3,329**	*2,961*	12.4%
Earnings per share *Basic*	p	**14.7**	*27.8*	(47.1)%	**31.0**	*39.7*	(21.9)%
Fully diluted	p	**13.9**	*24.8*	(44.0)%	**28.8**	*35.5*	(18.9)%
Dividends per share	p	**4.70**	*4.25*	10.6%	**4.70**	*4.25*	10.6%

GROUP HIGHLIGHTS

- **Profits on disposal in the half year was £157 million, principally reflecting the Group's disposal of its investment in US Airways and part sale of its investment in Galileo International.**
- **The results reflect the £125 million impact of the industrial dispute in the six months to September 30**
- **The strength of the pound reduced pre tax profits by £128 million.**
- **Operating margin down 4.1 points for the half year to 7.6%, excluding the impact of the industrial dispute and the strength of sterling the operating margin would have remained the same as last year.**
- **Dividend up 10.6% to 4.70p per share**

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	Three months ended September 30			Six months ended September 30		
	1997 £m	*1996 £m*	Change	**1997 £m**	*1996 £m*	Change
Traffic Revenue						
Scheduled passenger	**1,895**	*1,924*	(1.5)%	**3,757**	*3,684*	2.0%
Scheduled cargo	**147**	*142*	3.5%	**297**	*286*	3.8%
Non-scheduled services	**17**	*23*	(26.1)%	**33**	*40*	(17.5)%
	2,059	*2,089*	(1.4)%	**4,087**	*4,010*	1.9%
Other revenue	**185**	*202*	(8.4)%	**373**	*384*	(2.9)%
TOTAL TURNOVER	**2,244**	*2,291*	(2.1)%	**4,460**	*4,394*	1.5%
Employee costs	**556**	*587*	(5.3)%	**1,128**	*1,138*	(0.9)%
Depreciation	**138**	*125*	10.4%	**271**	*250*	8.4%
Aircraft operating lease costs	**28**	*28*		**61**	*58*	5.2%
Fuel and oil costs	**201**	*204*	(1.5)%	**405**	*405*	
Engineering and other aircraft costs	**153**	*128*	19.5%	**293**	*249*	17.7%
Landing fees and en route charges	**198**	*174*	13.8%	**382**	*367*	4.1%
Handling charges, catering and other operating costs	**286**	*274*	4.4%	**582**	*531*	9.6%
Selling costs	**309**	*300*	3.0%	**630**	*591*	6.6%
Accommodation, ground equipment costs and currency differences	**174**	*154*	13.0%	**367**	*293*	25.3%
TOTAL OPERATING EXPENDITURE	**2,043**	*1,974*	3.5%	**4,119**	*3,882*	6.1%
OPERATING PROFIT	**201**	*317*	(36.6)%	**341**	*512*	(33.4)%
Income from interests in associated undertakings	**24**	*42*	(42.9)%	**29**	*45*	(35.6)%
Other income	**1**	*1*	nm	**11**		nm
Profit on sale of fixed assets & investments	**27**	*8*	nm	**157**	*11*	nm
Net interest payable	**(43)**	*(48)*	(10.4)%	**(108)**	*(98)*	10.2%
PROFIT BEFORE TAX	**210**	*320*	(34.4)%	**430**	*470*	(8.5)%
Taxation	**(60)**	*(45)*	33.3%	**(121)**	*(80)*	51.3%
PROFIT AFTER TAX	**150**	*275*	(45.5)%	**309**	*390*	(20.8)%
Minority share of losses after tax	**3**		nm	**8**		nm
PROFIT FOR THE PERIOD	**153**	*275*	(44.4)%	**317**	*390*	(18.7)%
Dividends paid and proposed	**(52)**	*(46)*	13.0%	**(52)**	*(46)*	13.0%
RETAINED PROFIT FOR THE PERIOD	**101**	*229*	(55.9)%	**265**	*344*	(23.0)%

nm: Not meaningful

OPERATING AND FINANCIAL STATISTICS (unaudited)

MAINLINE SCHEDULED SERVICES	Three months ended September 30			Six months ended September 30		
	1997	*1996*	Change	**1997**	*1996*	Change
TRAFFIC AND CAPACITY						
RPK (m)	**29,040**	*28,322*	2.5%	**56,282**	*53,583*	5.0%
ASK (m)	**38,007**	*36,262*	4.8%	**75,305**	*71,211*	5.7%
Passenger load factor (%)	**76.4**	*78.1*	(1.7)pts	**74.7**	*75.2*	(0.5)pts
CTK (m)	**1,032**	*935*	10.4%	**2,064**	*1,879*	9.8%
RTK (m)	**3,934**	*3,773*	4.3%	**7,676**	*7,236*	6.1%
ATK (m)	**5,430**	*5,150*	5.4%	**10,788**	*10,139*	6.4%
Overall load factor (%)	**72.4**	*73.3*	(0.9)pts	**71.2**	*71.4*	(0.2)pts
Passengers carried (000)	**9,369**	*9,264*	1.1%	**18,317**	*17,758*	3.1%
Tonnes of cargo carried (000)	**199**	*176*	13.1%	**396**	*357*	10.9%
FINANCIAL						
Passenger revenue per RPK (p)	**6.14**	*6.49*	(5.4)%	**6.28**	*6.54*	(4.0)%
Cargo revenue per CTK (p)	**14.15**	*15.08*	(6.2)%	**14.24**	*15.11*	(5.8)%
Average fuel price (US cents/US gallon)	**65.34**	*70.34*	(7.1)%	**66.13**	*70.02*	(5.6)%

TOTAL GROUP OPERATIONS *(including Deutsche BA and Air Liberté)*

TRAFFIC AND CAPACITY						
RPK (m)	**30,884**	*29,179*	5.8%	**59,640**	*55,226*	8.0%
ASK (m)	**40,909**	*37,693*	8.5%	**80,606**	*73,995*	8.9%
RTK (m)	**4,098**	*3,851*	6.4%	**7,973**	*7,386*	7.9%
ATK (m)	**5,711**	*5,299*	7.8%	**11,300**	*10,429*	8.4%
Passengers carried (000)	**11,194**	*10,432*	7.3%	**21,807**	*20,035*	8.8%
FINANCIAL						
Total traffic revenue per RTK (p)	**50.24**	*54.25*	(7.4)%	**51.26**	*54.29*	(5.6)%
Total traffic revenue per ATK (p)	**36.05**	*39.42*	(8.5)%	**36.17**	*38.45*	(5.9)%
Net operating expenditure per RTK (p)	**45.34**	*46.01*	(1.5)%	**46.98**	*47.36*	(0.8)%
Net operating expenditure per ATK (p)	**32.53**	*33.44*	(2.7)%	**33.15**	*33.54*	(1.2)%
OPERATIONS						
Average Manpower Equivalent (MPE)	**61,321**	*59,160*	3.7%	**60,702**	*58,864*	3.1%
ATKs per MPE (000)	**93.1**	*89.6*	3.9%	**186.2**	*177.2*	5.1%
Aircraft in service at period end	**324**	*295*	29	**324**	*295*	29

GROUP RESULTS

Profit Before Tax

Group profit before tax for the six months to September 30, 1997 was £430 million, down £40 million (8.5%) compared with the same period last year. The result was adversely affected by the industrial dispute £125 million and the strong pound £128 million, but benefited from net profits on disposal of £157 million including the disposal of the Group’s investment in US Airways and part sale of the investment in Galileo International.

Second quarter profit before tax was £210 million, down £110 million (34.4%) on last year. The impact of the industrial dispute cost £110 million and the continuing strength of sterling cost £51 million. Offsetting these was £27 million net profit on disposals and write downs, including a £47 million profit from the sale of shares in Galileo International.

Operating Profit

Operating profit for the six month period was £341 million, £171 million below last year. Operating margin was 7.6%, 4.1 points down from a year ago. Excluding the impact of the industrial dispute and exchange rate changes, operating margin would have remained the same as last year at 11.7%.

For the second quarter, operating profit was £201 million, down £116 million (36.6%). Operating margin was 9% or 4.8 points lower than last year.

Taxation

The effective tax rate for the half year was 28% comprising tax on the US Airways and Galileo International disposals profit and a projected 17% on trading profits.

Earnings Per Share

Profit after tax and minority interest in the six months was £317 million, equivalent to earnings of 31.0 pence per share, down 21.9% from last year’s 39.7 pence per share.

Dividends

The Board has declared an interim dividend of 4.70 pence per share, up 10.6% on last year’s 4.25 pence, payable on January 30, 1998 to shareholders on the register at November 21, 1997.

BUSINESS PERFORMANCE

The second quarter results were adversely affected by July’s cabin crew industrial action and the continuing strength of sterling. These two factors fully explain the deterioration in operating margin since last year -- down 4.8 points at 9%. Benefits from growth and cost efficiencies were offset by a relative weakness in premium cabin mix.

Unit yields (passenger revenue per revenue passenger kilometre) fell by 5.4% year-over-year -- more than explained by the increase in the value of sterling.

Unit costs have been reduced by 2.7% year-over-year with benefits from exchange rate changes, higher volumes and cost efficiencies more than offsetting wage awards, and price increases charged by our suppliers.

GROUP TURNOVER

Group turnover for the six months to September 30 was £4,460 million, up £66 million or 1.5% over last year reflecting traffic growth (revenue tonne kilometres) of 7.9% (which included the addition of Air Liberté over last year), partly offset by lower yields caused by the strength of sterling.

Because of sterling’s strength, Group turnover in the second quarter decreased by 2.1% to £2,244 million despite traffic growth of 6.4%. Scheduled passenger revenue declined by 1.5% to £1,895 million, despite an increase in mainline traffic of 2.5% on capacity growth of 4.8%. Passenger load factor for the quarter was 76.4%, 1.7 points below last year. Cargo revenue increased by 3.5% to £147 million with growth in cargo tonne kilometres of 10.4% partially offset by yield declines caused by the strength of sterling.

GROUP OPERATING EXPENDITURE

Group operating expenditure for the six months to September 30 was £4,119 million, up £237 million or 6.1% on the same period last year on a flying schedule (available tonne kilometres) 8.4% above last year.

Expenditure for the quarter increased by £69 million, 3.5%, to £2,043 million, reflecting a flying schedule 7.8% larger than last year; price increases; and the inclusion of Air Liberté in the Group. These increases were partially offset by exchange rates benefits and productivity improvements. Productivity (ATKs per manpower equivalent) increased by 3.9% with average manpower equivalent at 61,321, an increase of 2,161 (mainly customer services staff) over that of last year. Unit operating costs decreased by 2.7% in the quarter.

BUSINESS EFFICIENCY PROGRAMME

In September the industrial dispute with the British Airways Stewards and Stewardesses Association (BASSA) was settled securing £42 million of annual savings and providing for growth and new jobs for Cabin Crew.

In April, we announced our intention to sell the Heathrow In-flight catering production operations. Subsequently the proposed sale to Gate Gourmet, part of the SAir Group, was announced on October 8. The airline has awarded Gate Gourmet a long-term supply contract to provide in-flight catering for its Heathrow shorthaul and longhaul flights. The transactions are subject to agreement on final details and completion is expected by the end of December. On completion, British Airways will achieve a modest profit on disposal but, more importantly, will benefit from ongoing unit cost reductions.

In September we announced the sale of the Engineering Wheels and Brakes business to Allied Signal of the United States and the Landing Gear overhaul units to Hawker Pacific also of the United States. At the same time we awarded a £20 million a year contract to EDS for the supply of information systems and services to Engineering. Engineering is also strengthening its focus on maintaining and servicing British Airways’ own aircraft, although it will continue to service a number of third parties. This will mean a reduction of 450 management and support jobs in the department, through voluntary severance or early retirement.

NET INTEREST PAYABLE

Net interest payable in the six months to September 30 increased by £10 million to £108 million, largely as a result of losses on retranslation of loans, mainly denominated in Japanese Yen, which arose in the first quarter, following the strength of the Yen against sterling since March 31.

RATIO OF NET DEBT TO TOTAL CAPITAL

At September 30, borrowings net of cash, short-term loans and deposits amounted to £3,896 million, a reduction of £62 million since March 31 reflecting cash receipts from disposals partially offset by increased investment in new aircraft.

With capital and reserves at £3,329 million, the net debt:total capital ratio at September 30 was 53.9% -- a reduction of 3.1 points since March 31.

GLOBAL ALLIANCES

American Airlines

Progress with the regulatory approvals for our alliance with American Airlines has not been as quick as we had expected. However, discussions are progressing with the Commission in Brussels and the Office of Fair Trading in London and they look set to produce a decision in early 1998. Progress in Washington is somewhat slower but we anticipate that the Department of Transportation will reach a decision in much the same timescale.

Qantas

In the September quarter we have included our share of Qantas results for the half year ended June 30, which was £22 million before tax compared with £26 million last year. The reduction principally reflects the impact of exchange rates.

On October 26, Qantas moved its services from Terminal 3 to Terminal 4 at London Heathrow, alongside British Airways. During the period Qantas and British Airways introduced a number of codeshare routes connecting into London and into Sydney, Melbourne and Perth, providing our passengers with benefits including through check-in facilities and reduced transfer times. However, codeshare services between Australia and London via Singapore and Bangkok have been delayed pending Australian and Thai regulatory approvals.

AIRCRAFT FLEET CHANGES

The number of aircraft in service in the Group increased by 5 during the quarter to 324. Mainline fleet increased by 4 including the delivery of 3 aircraft: one Boeing 777-200, one Boeing 747-400 and one Boeing 757-200. In addition to the new deliveries, one Boeing 757-200 delivered last quarter entered service.

Two Boeing 737-300s were acquired by Deutsche BA and one F28 of Air Liberté was taken out of service.

A contract has been signed for the disposal of 14 Boeing 747-100s, which will be taken out of service starting in late 1998.

FINANCING

In the second quarter, three aircraft, comprising one Boeing 747-400, one Boeing 777-200 and one Boeing 757-200, were financed by Japanese leveraged leases, the debt portions of the Boeing 747-400 and Boeing 777-200 financings being funded from the US$2.5 billion secured facility arranged by the Company in 1996. At September 30, 1997 the undrawn balance of the facility stood at US$1.7 billion. In addition a fixed rate sterling denominated mortgage loan secured on a Boeing 747-400 delivered in February 1997 was drawn down in August 1997.

OUTLOOK

The economies of our major markets are strong; international air traffic continues to grow. Against this favourable background, and with the summer’s industrial dispute behind us, our efforts over the coming months will concentrate on customers and employees. Motivated employees are the surest way to provide the high levels of service our customers expect. The Business Efficiency Programme – designed to achieve improvements worth £1 billion annually by 1999-2000 – will help to ensure we remain competitive.

Note:
Copies of the summary Interim Statement will be issued to all shareholders through the medium of the British Airways Investor newspaper. Copies of the full Interim Report are available from the Company’s registered office.

GROUP BALANCE SHEET

	September 30 (unaudited)		March 31 (audited)
	1997 £m	*1996 £m*	1997 £m
FIXED ASSETS			
Tangible assets	**8,092**	*7,010*	7,588
Investments	**399**	*548*	684
	8,491	*7,558*	8,272
CURRENT ASSETS			
Stocks	**73**	*70*	78
Debtors	**1,548**	*1,353*	1,412
Cash, short-term loans and deposits	**1,168**	*1,211*	674
	2,789	*2,634*	2,164
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	**(3,113)**	*(2,730)*	(3,160)
NET CURRENT LIABILITIES	**(324)**	*(96)*	(996)
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,167**	*7,462*	7,276
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings and other creditors	**(4,652)**	*(4,214)*	(4,034)
Convertible Capital Bonds 2005	**(150)**	*(226)*	(226)
	(4,802)	*(4,440)*	(4,260)
PROVISIONS FOR LIABILITIES AND CHARGES	**(60)**	*(61)*	(58)
MINORITY INTERESTS	**24**		26
	3,329	*2,961*	2,984
CAPITAL AND RESERVES			
Called up share capital	**259**	*250*	251
Reserves	**3,070**	*2,711*	2,733
	3,329	*2,961*	2,984

GROUP CASH FLOW STATEMENT

	Six months ended September 30 (unaudited)		Year ended March 31 (audited)
	1997 £m	*1996 £m*	1997 £m
CASH INFLOW FROM OPERATING ACTIVITIES	**483**	*665*	1,212
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(97)**	*(101)*	(177)
TAXATION	**(54)**	*(10)*	(83)
CAPTIAL EXPENDITURE AND FINANCIAL INVESTMENT	**257**	*(291)*	(944)
ACQUISITIONS AND DISPOSALS	**80**	*(5)*	(16)
EQUITY DIVIDENDS PAID	**(104)**	*(91)*	(131)
Cash inflow/(outflow) before management of liquid resources and financing	**565**	*167*	(139)
MANAGEMENT OF LIQUID RESOURCES	**(513)**	*(6)*	560
FINANCING	**(75)**	*(167)*	(392)
(Decrease)/increase in cash in the period	**(23)**	*(6)*	29

GROUP FINANCING SURPLUS/(REQUIREMENT)			
Cash inflow/(outflow) before management of liquid resources and financing	**565**	*167*	(139)
Acquisitions under loans, finance leases and hire purchase arrangements	**(560)**	*(235)*	(495)
Aircraft returned to lessor on early termination of finance lease		*12*	62
Total financing surplus/(requirement) for the period	**5**	*(56)*	(572)

Total tangible fixed asset expenditure, net of progress payment refunds	**713**	*545*	1,485

NOTES TO THE ACCOUNTS
For the period ended September 30, 1997

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, 1997 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year. Changes in the presentation of the Group cash flow statement have been made consequent upon the adoption of the revised Financial Reporting Standard No. 1 'Cash Flow Statements'. Comparative figures have been restated accordingly.

2

	Six months ended September 30		Year ended March 31
	1997 £m	*1996 £m*	1997 £m
RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES			
Group operating profit	**341**	*512*	546
Depreciation charges	**271**	*250*	506
Other items not involving the movement of cash	**18**	*(17)*	(46)
(Increase)/decrease in stocks and debtors	**(138)**	*33*	19
(Decrease)/increase in creditors	**(9)**	*(113)*	187
Cash inflow from operating activities	**483**	*665*	1,212

3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

(Decrease)/increase in cash during the period	**(23)**	*(6)*	29
Cash outflow from decrease in debt and lease financing	**87**	*170*	411
Cash outflow/(inflow) from liquid resources	**513**	*6*	(560)
Change in net debt resulting from cash flows	**577**	*170*	(120)
New loans and finance leases taken out and hire purchase arrangements made	**(560)**	*(235)*	(495)
Assumed from subsidiary undertaking acquired during the year			(32)
Early termination of finance leases		*12*	62
Conversion of Convertible Capital Bonds	**76**	*88*	88
Exchange movements	**(31)**	*91*	244
Movement in net debt during the period	**62**	*126*	(253)
Net debt at April 1	**(3,958)**	*(3,705)*	(3,705)
Net debt at period end	**(3,896)**	*(3,579)*	(3,958)

NOTES TO THE ACCOUNTS (continued)
For the period ended September 30, 1997

		Three months ended September 30		Six months ended September 30	
		1997 £m	*1996 £m*	**1997 £m**	*1996 £m*
4	OTHER INCOME AND CHARGES				
	Income from trade investments	**1**	*1*	**1**	*1*
	US Airways preferred stock dividend received			**4**	
	Other			**6**	*(1)*
		1	*1*	**11**	
5	NET INTEREST PAYABLE				
	Interest payable less amount capitalised	**67**	*71*	**133**	*145*
	Interest receivable	**(21)**	*(21)*	**(36)**	*(43)*
	Currency (profits)/losses on retranslation of general purpose loans	**(3)**	*(2)*	**11**	*(4)*
		43	*48*	**108**	*98*

6 TAXATION

Due to the tax charged on the profit on disposal of investments held in the United States, the effective tax rate for the half year was 28%. Excluding this, the effective rate was 17%.

7 DIVIDENDS PAID AND PROPOSED

The amount charged to the profit and loss account includes £3 million in relation to 1996-97 final dividends paid to Convertible Capital Bond holders, who converted their bonds in June 1997, in accordance with the terms of the Bonds.

8 EARNINGS PER SHARE

Basic earnings per share are calculated on a weighted average of 1,022,276,000 ordinary shares (September 1996: 983,485,000; March 1997: 992,538,000). Fully diluted earnings per share are calculated on a weighted average of 1,130,520,000 ordinary shares (September 1996: 1,129,171,000; March 1997: 1,129,578,000) after allowing for the conversion rights attaching to the adjustments to income to eliminate interest payable on the Convertible Capital Bonds and to include notional interest receivable on the subscription cash for shares.

The number of shares in issue at September 30, 1997 was 1,036,970,000 (September 1996: 1,000,697,000; March 1997: 1,002,586,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS (continued)
For the period ended September 30, 1997

		September 30		March 31
		1997 £m	*1996 £m*	1997 £m
9	TANGIBLE ASSETS			
	Fleet	**6,753**	*5,857*	6,337
	Property	**1,089**	*909*	988
	Equipment	**250**	*244*	263
		8,092	*7,010*	7,588
10	INVESTMENTS			
	Associated undertakings	**329**	*514*	396
	Trade investments	**70**	*34*	288
		399	*548*	684
11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
	Loans	**234**	*213*	329
	Finance leases	**100**	*110*	104
	Hire purchase arrangements	**151**	*112*	122
		485	*435*	555
	Overdrafts - unsecured	**18**	*20*	14
	Corporate taxation	**108**	*126*	105
	Other creditors and accruals	**2,502**	*2,149*	2,486
		3,113	*2,730*	3,160
12	BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR			
	Loans	**1,013**	*1,146*	886
	Finance leases	**1,131**	*1,257*	1,173
	Hire purchase arrangements	**2,267**	*1,706*	1,778
		4,411	*4,109*	3,837
	Corporate taxation	**50**	*37*	7
	Other creditors and accruals	**191**	*68*	190
		4,652	*4,214*	4,034
13	RESERVES			
	Balance at April 1	**2,733**	*2,254*	2,254
	Retained profit for the period	**265**	*344*	399
	Exchange adjustments	**(12)**	*25*	61
	Movement in goodwill	**7**		(75)
	Share premium arising from issue of ordinary share capital	**77**	*88*	94
		3,070	*2,711*	2,733

14 The figures for the six months ended September 30, 1996 and 1997 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, 1997 have been extracted from the full accounts for that year which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report.

REPORT OF THE AUDITORS TO BRITISH AIRWAYS Plc

We have examined the interim financial information set out on page 2 and pages 9 to 13 in respect of the six months ended September 30, 1997, which is the responsibility of, and has been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin, 'Review of interim financial information', issued by the Auditing Practices Board. This review consisted principally of obtaining an understanding of the process for the preparation of the interim financial information, applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of the Group's management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- we are not aware of any material modifications that should be made to the interim financial information as presented; and

- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by British Airways Plc in its accounts for the year ended March 31, 1997.

Ernst & Young
Chartered Accountants
London

November 5, 1997

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, 1997.

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

	Three months ended September 30		Six months ended September 30	
	1997 £m	*1996 £m*	**1997 £m**	*1996 £m*
Profit for the period as reported in the Group profit and loss account	**153**	*275*	**317**	*390*
US GAAP adjustments	**(6)**	*(51)*	**72**	*(36)*
Net income as so adjusted to accord with US GAAP	**147**	*224*	**389**	*354*
Net income per Ordinary Share as so adjusted				
Primary	**14.1p**	*22.6p*	**38.1p**	*36.0p*
Fully diluted	**13.2p**	*20.3p*	**35.1p**	*32.3p*
Net income per American Depositary Share as so adjusted				
Primary	**141p**	*226p*	**381p**	*360p*
Fully diluted	**132p**	*203p*	**351p**	*323p*

	September 30		March 31
	1997 £m	*1996 £m*	1997 £m
Shareholders' equity as reported in the Group balance sheet	**3,329**	*2,961*	2,984
US GAAP adjustments	**(657)**	*(761)*	(584)
Shareholders' equity as so adjusted to accord with US GAAP	**2,672**	*2,200*	2,400

AIRCRAFT FLEET

MAINLINE (see Note 1 below)	On balance sheet Aircraft	Operating leases off balance sheet: Extendible	Operating leases off balance sheet: Other	Total (see Note 2 below)	Future deliveries	Options
	Number in service with Group companies at September 30, 1997					
Concorde	7			**7**		
Boeing 747-100	14		1	**15**		
Boeing 747-200	13	3		**16**		
Boeing 747-400	39			**39**	27	7
Boeing 777	14			**14**	9	12
McDonnell Douglas DC-10-30	5	2		**7**		
Boeing 767-300	25			**25**	3	3
Boeing 757-200	44	3	1	**48**	3	3
Airbus A320	10			**10**		
Boeing 737-200	15		18	**33**		
Boeing 737-400	27		7	**34**		
Turbo Props (see Note 3 below)	2	10	9	**21**		
Sub total	215	18	36	**269**	42	25
DEUTSCHE BA and AIR LIBERTÉ						
McDonnell Douglas DC-10-30			3	**3**		
McDonnell Douglas MD83	3		5	**8**		
Boeing 737-200			3	**3**		
Boeing 737-300		2	13	**15**	7	4
Fokker 100	4	7		**11**		
Fokker F28	6			**6**		
Turbo Props (see Note 4 below)	2	5	2	**9**		
Sub total	15	14	26	**55**	7	4
GROUP TOTAL	**230**	**32**	**62**	**324**	**49**	**29**

Notes:
1. Includes those operated by British Airways and all of its wholly-owned subsidiary undertakings.
2. Excludes 1 McDonnell Douglas DC-10-30s, 2 Boeing 737-200s, 1 Fokker F28, 4 ATR 72s, 3 ATR 42s, 2 Embraer and 5 Saab 2000s subleased to other carriers.
3. Includes 10 BAe ATPs, 2 de Havilland Canada DHC-7-100s and 9 de Havilland Canada DHC-8s.
4. Includes 2 ATR 72s, 5 ATR 42s, and 2 Saab 340s.