

**INTERIM RESULTS 1998-99 (unaudited)**

		Three months ended September 30		Change	Six months ended September 30		Change
		<b>1998</b>	<i>1997</i>		<b>1998</b>	<i>1997</i>	
Turnover	£m	<b>2,440</b>	<i>2,244</i>	8.7%	<b>4,728</b>	<i>4,460</i>	6.0%
Operating profit	£m	<b>262</b>	<i>201</i>	30.3%	<b>435</b>	<i>341</i>	27.6%
Profit before tax	£m	<b>240</b>	<i>210</i>	14.3%	<b>385</b>	<i>430</i>	(10.5)%
Retained profit for the period	£m	<b>162</b>	<i>101</i>	60.4%	<b>293</b>	<i>265</i>	10.6%
Capital and reserves at period end	£m	<b>3,615</b>	<i>3,329</i>	8.6%	<b>3,615</b>	<i>3,329</i>	8.6%
Earnings per share							
<i>Basic</i>	p	<b>20.6</b>	<i>14.7</i>	40.1%	<b>33.2</b>	<i>31.0</i>	7.1%
<i>Fully diluted</i>	p	<b>19.1</b>	<i>13.9</i>	37.4%	<b>30.9</b>	<i>28.8</i>	7.3%
Dividends per share	p	<b>5.10</b>	<i>4.7</i>	8.5%	<b>5.10</b>	<i>4.7</i>	8.5%

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

	Three months ended September 30			Six months ended September 30		
	1998 £m	1997 £m	Change	1998 £m	1997 £m	Change
Traffic Revenue						
<i>Scheduled passenger</i>	2,091	1,895	10.3%	4,011	3,757	6.8%
<i>Scheduled cargo</i>	137	147	(6.8)%	279	297	(6.1)%
<i>Non-scheduled services</i>	22	17	29.4%	39	33	18.2%
	<b>2,250</b>	<b>2,059</b>	<b>9.3%</b>	<b>4,329</b>	<b>4,087</b>	<b>5.9%</b>
<i>Other revenue</i>	190	185	2.7%	399	373	7.0%
<b>TOTAL TURNOVER</b>	<b>2,440</b>	<b>2,244</b>	<b>8.7%</b>	<b>4,728</b>	<b>4,460</b>	<b>6.0%</b>
<i>Employee costs</i>	622	556	11.9%	1,215	1,128	7.7%
<i>Depreciation</i>	158	138	14.5%	307	271	13.3%
<i>Aircraft operating lease costs</i>	36	28	28.6%	70	61	14.8%
<i>Fuel and oil costs</i>	183	201	(9.0)%	363	405	(10.4)%
<i>Engineering and other aircraft costs</i>	170	153	11.1%	327	293	11.6%
<i>Landing fees and en route charges</i>	194	198	(2.0)%	373	382	(2.4)%
<i>Handling charges, catering and other operating costs</i>	323	296	9.1%	651	602	8.1%
<i>Selling costs</i>	319	309	3.2%	628	630	(0.3)%
<i>Accommodation, ground equipment costs and currency differences</i>	173	164	5.5%	359	347	3.5%
<b>TOTAL OPERATING EXPENDITURE</b>	<b>2,178</b>	<b>2,043</b>	<b>6.6%</b>	<b>4,293</b>	<b>4,119</b>	<b>4.2%</b>
<b>OPERATING PROFIT</b>	<b>262</b>	<b>201</b>	<b>30.3%</b>	<b>435</b>	<b>341</b>	<b>27.6%</b>
Income from interests in associated undertakings	21	24	(12.5)%	22	29	(24.1)%
Other income	18	1	nm	19	11	72.7%
Profit on sale of fixed assets and investments	3	27	nm	9	157	nm
Net interest payable	(64)	(43)	48.8%	(100)	(108)	(7.4)%
<b>PROFIT BEFORE TAX</b>	<b>240</b>	<b>210</b>	<b>14.3%</b>	<b>385</b>	<b>430</b>	<b>(10.5)%</b>
Taxation	(24)	(60)	(60.0)%	(38)	(121)	(68.6)%
<b>PROFIT AFTER TAX</b>	<b>216</b>	<b>150</b>	<b>44.0%</b>	<b>347</b>	<b>309</b>	<b>12.3%</b>
Minority share of losses after tax		3	nm		8	nm
<b>PROFIT FOR THE PERIOD</b>	<b>216</b>	<b>153</b>	<b>41.2%</b>	<b>347</b>	<b>317</b>	<b>9.5%</b>
Dividends paid and proposed	(54)	(52)	3.8%	(54)	(52)	3.8%
<b>RETAINED PROFIT FOR THE PERIOD</b>	<b>162</b>	<b>101</b>	<b>60.4%</b>	<b>293</b>	<b>265</b>	<b>10.6%</b>

nm: Not meaningful

**OPERATING AND FINANCIAL STATISTICS (unaudited)**

MAINLINE SCHEDULED SERVICES	Three months ended			Six months ended		
	September 30		Change	September 30		Change
	1998	1997		1998	1997	
<i>TRAFFIC AND CAPACITY</i>						
RPK (m)	33,429	29,040	15.1%	62,746	56,282	11.5%
ASK (m)	43,672	38,007	14.9%	85,029	75,305	12.9%
Passenger load factor(%)	76.5	76.4	0.1pts	73.8	74.7	(0.9)pts
CTK (m)	1,077	1,032	4.4%	2,141	2,064	3.7%
RTK (m)	4,416	3,934	12.3%	8,397	7,676	9.4%
ATK (m)	6,222	5,430	14.6%	12,142	10,788	12.6%
Overall load factor (%)	71.0	72.4	(1.4)pts	69.2	71.2	(2.0)pts
Passengers carried (000)	10,508	9,369	12.2%	19,965	18,317	9.0%
Tonnes of cargo carried (000)	213	199	7.0%	423	396	6.8%
<i>FINANCIAL</i>						
Passenger revenue per RPK (p)	5.89	6.14	(4.1)%	6.01	6.28	(4.3)%
Cargo revenue per CTK(p)	12.44	14.15	(12.1)%	12.75	14.24	(10.5)%
Average fuel price (US cents/US gallon)	48.00	65.34	(26.5)%	50.12	66.13	(24.2)%
<b>TOTAL GROUP OPERATIONS (including Deutsche BA and Air Liberte and 'go')</b>						
<i>TRAFFIC AND CAPACITY</i>						
RPK (m)	35,543	30,884	15.1%	66,678	59,640	11.8%
ASK (m)	46,792	40,909	14.4%	90,822	80,606	12.7%
RTK (m)	4,630	4,098	13.0%	8,787	7,973	10.2%
ATK (m)	6,533	5,711	14.4%	12,707	11,300	12.5%
Passengers carried (000)	12,608	11,194	12.6%	24,017	21,807	10.1%
<i>FINANCIAL</i>						
Total traffic revenue per RTK (p)	48.62	50.24	(3.2)%	49.28	51.26	(3.9)%
Total traffic revenue per ATK (p)	34.46	36.05	(4.4)%	34.08	36.17	(5.8)%
Net operating expenditure per RTK (p)	42.96	45.34	(5.2)%	44.33	46.98	(5.6)%
Net operating expenditure per ATK (p)	30.45	32.53	(6.4)%	30.65	33.15	(7.5)%
<i>OPERATIONS</i>						
Average Manpower Equivalent (MPE)	64,106	61,321	4.5%	63,522	60,702	4.6%
ATKs per MPE (000)	101.9	93.1	9.5%	200.0	186.2	7.4%
Aircraft in service at period end	344	324	20	344	324	20

## **CHAIRMAN'S STATEMENT**

### **Group Results**

Operating profits for the three months ended September 30, 1998 were £262 million -- up £61 million or 30.3%, on turnover 8.7% higher. Profits before tax were £240 million -- up £30 million or 14.3% on the same period last year.

Operating profits for the first half were up 27.6% at £435 million. Profits before tax for the first half were £385 million compared with £430 million last year. Last year's results were distorted by the Cabin Crew industrial dispute and profits from the disposal of US Airways shares.

An increased dividend of 5.1 pence per share has been declared.

### **Business Performance**

The Business Efficiency Programme (BEP) continues to drive down costs; in the second quarter unit costs were 4.8% lower than a year ago at constant exchange rates. Savings from the Programme are now targeted to exceed £600 million this year. Savings achieved to date have been taken to profit and in part reinvested in product improvements and actions to improve baggage handling and punctuality. So far this year the benefits from cost efficiencies have largely offset the reduction in unit yields caused by weak premium cabin mix and high levels of discounting.

### **Turnover**

The 8.7% increase in Group turnover in the quarter was generated on a flying programme 14.4% bigger in available tonne kilometres (ATK). Mainline passenger load factor was marginally up on a year ago at 76.5%. However, largely due to the increased strength of sterling, a weaker mix of premium-cabin passengers and intense competition for non premium passengers, mainline passenger yields (revenue per passenger kilometre - RPK) fell by 4.1% year-over-year. We believe our overall market share has strengthened.

Cargo tonnes carried were up 7% on a year ago though yields fell. We are holding our own in this market, and expect significant improvement in yields with the opening of the new World Cargo Centre.

First half turnover was up 6% on a flying programme 12.5% bigger in ATKs. Mainline passenger yields were down 4.3%, with passenger load factor down 0.9 points.

### **Unit Costs**

Unit costs (per ATK) were reduced in the quarter by 6.4% year-over-year, primarily as a result of very satisfactory cost efficiencies and improved productivity from the BEP and higher volumes. Despite capacity growth of 14.4%, total operating costs increased by just 6.6%.

For the six month period, unit costs fell by 7.5% with total operating costs rising by only 4.2%.

### **Group Operating Margin**

At 10.7%, Group operating margin for the quarter improved by a valuable 1.7 points over the same period last year. Cost efficiencies and lower fuel prices were the main reasons for the improvement; these benefits largely offset the yield decline. Last year's operating margin was adversely affected by the Cabin Crew industrial dispute.

A similar improvement was seen in the operating margin for the first half -- up 1.6 points on last year at 9.2%.

## **CHAIRMAN'S STATEMENT (continued)**

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

The quarter to September 30, 1998 includes our share of Qantas profits before tax for the half year ended June 30, 1998 of £19 million, down from £22 million last year because of the strength of sterling.

Interest expense for the quarter was up year-over-year mainly because of new aircraft, our investment in the future.

The effective tax rate for the quarter was low at 10%, reflecting the level of capital expenditure on aircraft.

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

Profits attributable to shareholders for the quarter increased by 41.2% to £216 million, equivalent to earnings of 20.6p per share compared with 14.7p last year.

For the six month period, profits attributable to shareholders were up by 9.5% to £347 million, equivalent to earnings of 33.2p per share compared with 31p last year.

### ***Dividend***

The Board has decided to delay the payment of the interim dividend to 7 April 1999. This will save the Company over £14 million in irrecoverable Advance Corporation Tax which otherwise would have been payable. The Board has declared an interim dividend of 5.1 pence per share, up 8.5% on last year. The dividend will be payable to shareholders on the register at November 20, 1998.

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

Borrowings, net of cash and short term loans and deposits, amounted to £4,950 million at September 30, 1998, an increase of £347 million since March 31, 1998. Capital and reserves have risen by £294 million, giving a net debt / total capital ratio of 57.8%, down slightly from March 31, 1998.

### ***Aircraft Fleet***

During the quarter we have revised our fleet strategy to radically tailor our fleet plans which will reduce future capital expenditure. The changes made take account of lower projected growth rates, the continuing impact of stronger Sterling on transfer traffic, decreasing non-premium yields, constrained infrastructure and alliance networks. The changes will increase our flexibility to meet changing market conditions.

The regional jet purchases announced on August 25 are part of these changes. Our 59 firm orders for Airbus A319s and A320s together with options for a further 129 Airbus, A319s, A320s and A321s provide us with aircraft that will combine passenger appeal with new levels of cost efficiency and flexibility. At the same time we also announced firm orders for a further 16 Boeing 777s which improve our premium/non premium passenger mix and reduce fleet replacement costs.

In the quarter the number of aircraft in service in the Group increased by 4 to 344. This increase included one Boeing 747-400, one Boeing 777, one Boeing 767, four 737-300s and three DC-10s were returned to mainline service. One Boeing 747-100 was sold, two ATR42 were sub-leased out and two 737-200s and one BAe ATPs were stood down pending disposal.

### ***New World Traveller***

On November 3 we launched our new World Traveller product. The enhancements include seat back videos, new seats to provide better back and head support, new food trays and help yourself refreshment bars. Executive club members will be able to use telephone check-in and there will also be new treasure chest packs for children. We believe these enhancements will continue to appeal to the wide diversity of travellers in this cabin.

## **CHAIRMAN'S STATEMENT (continued)**

### ***Alliance Development***

#### **oneworld**

On September 21 we announced the launch of the new global alliance **oneworld** which links American Airlines, British Airways, Canadian Airlines, Cathay Pacific and Qantas Airways into a globe-spanning airline network. The emphasis of the **oneworld** alliance is on quality, service and, above all, people. Announcements will be made from February about our plans for the future.

#### **American Airlines**

We continue to develop our strategic alliance with American Airlines in various ways. Our customers now think and act globally. The alliance will benefit them and smooth their journeys around the world; competition will be increased.

We have no doubt that global alliances will be one of the driving forces of the airline industry in the years ahead, but they have to be constructed on the right terms. It would not be in our shareholders interests for British Airways to surrender large numbers of slots (without compensation) and support unrestrained open skies as the price for approval.

While we continue to seek regulatory clearance for our alliance with American Airlines, we intend to build our **oneworld** Alliance which already includes Cathay, Qantas and Canadian Airlines, as well as American.

We aim to secure the right deal over the right period of time - in the best interests of the Airline and of British industry as a whole.

#### **LOT Polish Airlines**

In October we announced that from the winter British Airways and LOT Polish Airlines will be offering six weekly code-share flights between Krakow and Gatwick, three by each airline. In addition LOT will move its offices to Gatwick's North Terminal and our frequent flyer awards programmes will be linked. The two airlines will continue to improve and expand UK/Poland services.

### ***Outlook***

Air travel continues to grow despite an increase in economic uncertainty over the past three months. Recent reductions in UK inflation levels and falling interest rates both in the UK and around the world should help to restore business confidence. We are endeavouring to offset current weak premium demand and falling overall yields with a variety of sales initiatives and improved products such as our new World Traveller service. The strategic rationalisation of our fleet will in the medium-term improve our returns and ensure we are in a flexible position to respond to future market changes. At the same time we continue to drive our cost base lower through our three year Business Efficiency Programme (BEP) which is on track to deliver £1 billion of annual efficiencies.

#### **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)
	1998 £m	1997 £m
<b>FIXED ASSETS</b>		
Tangible assets	9,180	8,092
Investments	367	399
	<b>9,547</b>	<b>8,491</b>
<b>CURRENT ASSETS</b>		
Stocks	89	73
Debtors	1,605	1,548
Cash, short-term loans and deposits	764	1,168
	<b>2,458</b>	<b>2,789</b>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	<b>(2,815)</b>	<b>(3,113)</b>
<b>NET CURRENT LIABILITIES</b>	<b>(357)</b>	<b>(324)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>9,190</b>	<b>8,167</b>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>		
Borrowings and other creditors	(5,416)	(4,652)
Convertible Capital Bonds 2005	(126)	(150)
	<b>(5,542)</b>	<b>(4,802)</b>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	<b>(33)</b>	<b>(60)</b>
<b>MINORITY INTERESTS</b>		<b>24</b>
	<b>3,615</b>	<b>3,329</b>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	263	259
Reserves	3,352	3,070
	<b>3,615</b>	<b>3,329</b>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES	Six months ended	Year ended
	September 30 (unaudited)	March 31 (audited)
	1998 £m	1998 £m
Profit for the period	293	460
Other recognised gains and losses relating to the period		
Exchange movements	(42)	(18)
<b>Total recognised gains and losses</b>	<b>251</b>	<b>442</b>

These summary financial statements were approved by the Directors on November 9, 1998.

**GROUP CASH FLOW STATEMENT**

	Six months ended September 30 (unaudited)		Year ended March 31 (audited)
	1998 £m	1997 £m	1998 £m
CASH INFLOW FROM OPERATING ACTIVITIES	605	483	736
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(137)	(97)	(257)
TAXATION	(12)	(54)	(134)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(128)	257	161
ACQUISITIONS AND DISPOSALS	(1)	80	75
EQUITY DIVIDENDS PAID	(113)	(104)	(148)
Cash inflow before management of liquid resources and financing	214	565	433
MANAGEMENT OF LIQUID RESOURCES	(14)	(513)	(90)
FINANCING	(190)	(75)	(372)
Increase/(decrease) in cash in the period	10	(23)	(29)
<b>GROUP FINANCING (REQUIREMENT)/SURPLUS</b>			
Cash inflow before management of liquid resources and financing	214	565	433
Acquisitions under loans, finance leases and hire purchase arrangements	(629)	(560)	(1,302)
Total financing (requirement)/surplus for the period	(415)	5	(869)
Total tangible fixed asset expenditure, net of progress payment refunds	814	713	1,638



**NOTES TO THE ACCOUNTS**

For the period ended September 30, 1998

## 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, 1998 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year.

	Six months ended September 30		Year ended March 31
	<u>1998 £m</u>	<u>1997 £m</u>	<u>1998 £m</u>
2 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES			
Group operating profit	435	341	504
Depreciation charges	307	271	551
Other items not involving the movement of cash	(21)	18	(27)
Increase in stocks and debtors	(205)	(138)	(34)
Increase/(decrease) in creditors	89	(9)	(258)
Cash inflow from operating activities	<u>605</u>	<u>483</u>	<u>736</u>
3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash during the period	10	(23)	(29)
Cash outflow from decrease in debt and lease financing	197	87	394
Cash outflow from liquid resources	14	513	90
Change in net debt resulting from cash flows	<u>221</u>	<u>577</u>	<u>455</u>
New loans and finance leases taken out and hire purchase arrangements made	(629)	(560)	(1,302)
Conversion of Convertible Capital Bonds	24	76	76
Exchange movements	37	(31)	126
Movement in net debt during the period	<u>(347)</u>	<u>62</u>	<u>(645)</u>
Net debt at April 1	<u>(4,603)</u>	<u>(3,958)</u>	<u>(3,958)</u>
Net debt at period end	<u>(4,950)</u>	<u>(3,896)</u>	<u>(4,603)</u>

**NOTES TO THE ACCOUNTS (continued)**

For the period ended September 30, 1998

	Three months ended		Six months ended	
	September 30		September 30	
	1998 £m	1997 £m	1998 £m	1997 £m
4 OTHER INCOME AND CHARGES				
Income from trade investments	2	1	2	1
US Airways preferred stock dividend received				4
Other	16		17	6
	<b>18</b>	<b>1</b>	<b>19</b>	<b>11</b>
5 NET INTEREST PAYABLE				
Interest payable less amount capitalised	82	67	157	133
Interest receivable	(18)	(21)	(38)	(36)
Currency (profits)/losses on retranslation of general purpose loans		(3)	(19)	11
	<b>64</b>	<b>43</b>	<b>100</b>	<b>108</b>

6 TAXATION

Tax on the profit on ordinary activities has been provided for on the basis of the estimated rate of charge for the period ending September 30, 1998.

7 DIVIDENDS PAID AND PROPOSED

The amount charged to the profit and loss account includes £1 million in relation to 1997-98 final dividends paid to Convertible Capital Bond holders, (1996-97: £3 million), who converted their bonds in June 1998, in accordance with the terms of the Bonds.

8 EARNINGS PER SHARE

Basic earnings per share are calculated on a weighted average of 1,046,245,000 ordinary shares (September 1997: 1,022,276,000; March 1998: 1,030,021,000). Fully diluted earnings per share are calculated on a weighted average of 1,149,028,000 ordinary shares (September 1997: 1,130,520,000; March 1998: 1,132,032,000) 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, 1998 was 1,053,165,000 (September 1997: 1,036,970,000; March 1998: 1,038,905,000) ordinary shares of 25 pence each.

**NOTES TO THE ACCOUNTS (continued)**  
For the period ended September 30, 1998

	September 30		March 31
	1998 £m	1997 £m	1998 £m
<b>9 TANGIBLE ASSETS</b>			
Fleet	7,655	6,753	7,227
Property	1,261	1,089	1,181
Equipment	264	250	259
	<b>9,180</b>	<b>8,092</b>	<b>8,667</b>
<b>10 INVESTMENTS</b>			
Associated undertakings	300	329	321
Trade investments	67	70	67
	<b>367</b>	<b>399</b>	<b>388</b>
<b>11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>			
Loans	31	234	74
Finance leases	93	100	97
Hire purchase arrangements	222	151	185
	<b>346</b>	<b>485</b>	<b>356</b>
Overdrafts - unsecured	19	18	17
Corporate taxation	59	108	65
Other creditors and accruals	2,391	2,502	2,383
	<b>2,815</b>	<b>3,113</b>	<b>2,821</b>
<b>12 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR</b>			
Loans	981	1,013	996
Finance leases	1,008	1,131	1,049
Hire purchase arrangements	3,234	2,267	2,773
	<b>5,223</b>	<b>4,411</b>	<b>4,818</b>
Corporate taxation	25	50	
Other creditors and accruals	168	191	160
	<b>5,416</b>	<b>4,652</b>	<b>4,978</b>
<b>13 RESERVES</b>			
Balance at April 1	3,061	2,733	2,733
Retained profit for the period	293	265	284
Exchange adjustments	(42)	(12)	(18)
Net Movement on goodwill		7	(23)
Share premium arising from issue of ordinary share capital	40	77	85
	<b>3,352</b>	<b>3,070</b>	<b>3,061</b>

14 The figures for the three months and six months ended September 30, 1998 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, 1998 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 7 to 11 in respect of the six months ended September 30, 1998, 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, 1998.

*Ernst & Young*  
London

November 9, 1998

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, 1998.

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

	Three months ended September 30		Six months ended September 30	
	1998 £m	1997 £m	1998 £m	1997 £m
Profit for the period as reported in the Group profit and loss account	216	153	347	317
US GAAP adjustments	(28)	(6)	(42)	72
Net income as so adjusted to accord with US GAAP	188	147	305	389
Net income per Ordinary Share as so adjusted				
Basic	18.0p	14.1p	29.2p	38.1p
Diluted	17.0p	13.4p	27.6p	35.4p
Net income per American Depositary Share as so adjusted				
Basic	180p	141p	292p	381p
Diluted	170p	134p	276p	354p

	September 30		March 31
	1998 £m	1997 £m	1998 £m
Shareholders' equity as reported in the Group balance sheet	3,615	3,329	3,321
US GAAP adjustments	(492)	(657)	(277)
Shareholders' equity as so adjusted to accord with US GAAP	3,123	2,672	3,044

**AIRCRAFT FLEET**

Number in service with Group  
companies at September 30, 1998

MAINLINE (see Note 1 below)	On balance sheet Aircraft	Operating leases off balance sheet		Total (see Note 2 below)	Future deli- veries	Options
		Exten- dible	Other			
Concorde	7			7		
Boeing 747-100	13		1	14		
Boeing 747-200	13	3		16		
Boeing 747-400	48			48	8	
Boeing 777	19			19	26	16
McDonnell Douglas DC-10-30	6	2		8		
Boeing 767-300	28			28		
Boeing 757-200	47	3	1	51	6	
Airbus A319 (see Note 5 below)					39	129
Airbus A320	10			10	20	
Boeing 737-200	11		13	24		
Boeing 737-300			9	9		
Boeing 737-400	27		7	34		
Turbo Props (see Note 3 below)	2	7	13	22		
Sub total	231	15	44	290	99	145
<b>DEUTSCHE BA, AIR LIBERTE and 'go'</b>						
McDonnell Douglas DC-10-30			3	3		
McDonnell Douglas MD83	3		6	9		
Boeing 737-300			23	23		
Fokker 100	4	7		11		
Fokker F28	4			4		
Turbo Props (see Note 4 below)		2	2	4		
Sub total	11	9	34	54		
<b>GROUP TOTAL</b>	<b>242</b>	<b>24</b>	<b>78</b>	<b>344</b>	<b>99</b>	<b>145</b>

**Notes:**

- 1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd and Brymon Airways Ltd.
- 2 Excludes 1 Fokker F28, 4 ATR 72s, 5 ATR 42s, 2 Embraer and 4 Saab 2000s subleased to other carriers and 1 B747-400 delivered but not yet in service.
- 3 Includes 7 BAe ATPs, 2 de Havilland Canada DHC-7-100s and 13 de Havilland Canada DHC-8s.
- 4 Includes 2 ATR 72s and 2 ATR 42s.
- 5 Options include reserved delivery positions and, if taken, may be A319, A320 or A321.