BRITISH AIRWAYS

PRELIMINARY FINANCIAL RESULTS 1997-98

		Three months ended March 31			Twelve months ended March 31		
		1998	*1997*	Change	**1998**	*1997*	Change
Turnover	£m	**2,026**	*1,949*	4.0%	**8,642**	*8,359*	3.4%
Operating profit/(loss)	£m	**76**	*(97)*	nm	**504**	*546*	(7.7)%
Profit before tax	£m	**70**	*57*	22.8%	**580**	*640*	(9.4)%
Attributable profit (after Minority Interest) for the period	£m	**72**	*69*	4.3%	**460**	*553*	(16.8)%
Capital and reserves at period end	£m	**3,321**	*2,984*	11.3%	**3,321**	*2,984*	11.3%
Earnings per share							
Basic	p	**6.9**	*6.8*	1.5%	**44.7**	*55.7*	(19.7)%
Fully diluted	p	**6.7**	*6.5*	3.1%	**42.0**	*50.8*	(17.3)%
Dividends per share	p	**11.90**	*10.80*	10.2%	**16.60**	*15.05*	10.3%

nm: not meaningful

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	Three months ended March 31			Twelve months ended March 31		
	1998 £m	*1997 £m*	Change	**1998 £m**	*1997 £m*	Change
Traffic Revenue						
Scheduled passenger	**1,685**	*1,623*	3.8%	**7,233**	*6,986*	3.5%
Scheduled cargo	**139**	*133*	4.5%	**595**	*565*	5.3%
Non-scheduled services	**10**	*9*	11.1%	**53**	*57*	(7.0)%
	1,834	*1,765*	3.9%	**7,881**	*7,608*	3.6%
Other Revenue	**192**	*184*	4.3%	**761**	*751*	1.3%
TOTAL TURNOVER	**2,026**	*1,949*	4.0%	**8,642**	*8,359*	3.4%
Employee costs	**524**	*566*	(7.4)%	**2,211**	*2,248*	(1.6)%
Depreciation	**142**	*135*	5.2%	**551**	*506*	8.9%
Aircraft operating lease costs	**37**	*34*	8.8%	**127**	*119*	6.7%
Fuel and oil costs	**183**	*215*	(14.9)%	**790**	*842*	(6.2)%
Engineering and other aircraft costs	**140**	*109*	28.4%	**614**	*469*	30.9%
Landing fees and en route charges	**151**	*150*	0.7%	**703**	*673*	4.5%
Handling charges, catering and other operating costs	**289**	*255*	13.3%	**1,152**	*1,048*	9.9%
Selling costs	**287**	*300*	(4.3)%	**1,217**	*1,187*	2.5%
Accommodation, ground equipment costs and currency differences	**197**	*155*	27.1%	**773**	*594*	30.1%
Exceptional operating charge		*127*	nm		*127*	nm
TOTAL OPERATING EXPENDITURE	**1,950**	*2,046*	(4.7)%	**8,138**	*7,813*	4.2%
OPERATING PROFIT	**76**	*(97)*	nm	**504**	*546*	(7.7)%
Income from interests in associated undertakings	**30**	*55*	(45.5)%	**61**	*114*	(46.5)%
Other income	**8**	*14*	nm	**19**	*17*	nm
Write back of exceptional provision against investment in US Airways Group, Inc.		*125*	nm		*125*	nm
Profit on sale of fixed assets & investments	**(7)**	*8*	nm	**164**	*20*	nm
Net interest payable	**(37)**	*(48)*	(22.9)%	**(168)**	*(182)*	(7.7)%
PROFIT BEFORE TAX	**70**	*57*	22.8%	**580**	*640*	(9.4)%
Taxation	**2**	*9*	(77.8)%	**(133)**	*(90)*	47.8%
PROFIT AFTER TAX	**72**	*66*	9.1%	**447**	*550*	(18.7)%
Minority share of losses after tax		*3*	nm	**13**	*3*	nm
PROFIT FOR THE PERIOD	**72**	*69*	4.3%	**460**	*553*	(16.8)%
Dividends paid and proposed	**(124)**	*(108)*	14.8%	**(176)**	*(154)*	14.3%
RETAINED PROFIT FOR THE PERIOD	**(52)**	*(39)*	33.3%	**284**	*399*	(28.8)%

nm: Not meaningful

OPERATING AND FINANCIAL STATISTICS (unaudited)

MAINLINE SCHEDULED SERVICES	Three months ended March 31			Twelve months ended March 31		
	1998	*1997*	Change	**1998**	*1997*	Change
TRAFFIC AND CAPACITY						
RPK (m)	**24,996**	*23,960*	4.3%	**106,739**	*102,304*	4.3%
ASK (m)	**36,769**	*33,783*	8.8%	**149,659**	*139,789*	7.1%
Passenger load factor (%)	**68.0**	*70.9*	(2.9)pts	**71.3**	*73.2*	(1.9)pts
CTK (m)	**1,006**	*948*	6.1%	**4,181**	*3,790*	10.3%
RTK (m)	**3,493**	*3,333*	4.8%	**14,818**	*14,004*	5.8%
ATK (m)	**5,245**	*4,837*	8.4%	**21,410**	*19,907*	7.6%
Overall load factor (%)	**66.6**	*68.9*	(2.3)pts	**69.2**	*70.3*	(1.1)pts
Passengers carried (000)	**7,831**	*7,648*	2.4%	**34,377**	*33,440*	2.8%
Tonnes of cargo carried (000)	**200**	*181*	10.5%	**816**	*721*	13.2%
FINANCIAL						
Passenger revenue per RPK (p)	**6.35**	*6.34*	0.2%	**6.38**	*6.47*	(1.4)%
Cargo revenue per CTK (p)	**13.62**	*13.82*	(1.4)%	**14.02**	*14.78*	(5.1)%
Average fuel price (US cents/US gallon)	**58.84**	*80.02*	(26.5)%	**64.70**	*75.90*	(14.8)%

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

TRAFFIC AND CAPACITY						
RPK (m)	**26,476**	*25,416*	4.2%	**113,045**	*106,059*	6.6%
ASK (m)	**39,256**	*36,211*	8.4%	**159,921**	*146,182*	9.4%
RTK (m)	**3,642**	*3,456*	5.4%	**15,406**	*14,336*	7.5%
ATK (m)	**5,485**	*5,057*	8.5%	**22,403**	*20,542*	9.1%
Passengers carried (000)	**9,311**	*9,070*	2.7%	**40,955**	*38,180*	7.3%
FINANCIAL						
Total traffic revenue per RTK (p)	**50.36**	*51.07*	(1.4)%	**51.16**	*53.07*	(3.6)%
Total traffic revenue per ATK (p)	**33.44**	*34.90*	(4.2)%	**35.18**	*37.04*	(5.0)%
Net operating expenditure per RTK (p)	**48.27**	*50.20*	(3.8)%	**47.88**	*48.37*	(1.0)%
Net operating expenditure per ATK (p)	**32.05**	*34.31*	(6.6)%	**32.93**	*33.76*	(2.5)%
OPERATIONS						
Average Manpower Equivalent (MPE)	**60,770**	*60,188*	1.0%	**60,770**	*59,218*	2.6%
ATKs per MPE (000)	**90.3**	*84.0*	7.5%	**368.7**	*346.9*	6.3%
Aircraft in service at period end	**330**	*308*	22	**330**	*308*	22

PRELIMINARY STATEMENT

Group results

Cost savings of £250 million through the company’s Business Efficiency Programme (BEP) underpinned profit before tax of £580 million - exceeding market expectations and just 9.4 per cent (£60 million) down on last year.

Operating profit remained strong at £504 million, slipping £42 million compared with the previous twelve months.

Pre-tax profit for the three months to March 31,1998 was £70 million, up from £57 million for the same period last year. Operating profit for the fourth quarter was £76 million, £46 million better than last year (excluding last year's exceptional charge of £127million). This was more than explained by the fuel price savings of £55 million in the quarter.

Significant factors which impacted on the full year results included the strength of sterling, which reduced operating profit by £200 million and last summer’s industrial dispute, which cost £125 million while securing annual savings of £42 million. Fuel price reductions saved £115 million. Excluding these factors - and last year’s one-off restructuring charge of £127 million - the Business Efficiency Programme lifted operating profit by 6.1 per cent. This is particularly impressive as the cessation of flights to Nigeria from May 1997, the terrorist attack on Luxor and the security stand-off over Air Algerie in Paris cost the company a significant sum.

BEP has delivered these significant cost savings enabling more staff to be recruited to improve service to customers. Savings have been made through pay standstills and improved working practices.

Notwithstanding last summer’s industrial dispute, employees and trade unions worked in partnership with the airline to achieve these cost savings, while employee productivity also improved strongly, up 6.3 per cent over last year.

Overall employee costs fell by 1.6 per cent to £2,211 million. The average manpower equivalent (MPE) in the Group for the year rose 2.6 per cent to 60,770.

Dividends

Shareholders will be asked to approve a final dividend of 11.9 pence per share, giving a total dividend for the year of 16.6 pence per share, up 10.3 per cent over the previous year (15.05 per share).

More than 80 per cent of employees who are shareholders will receive the dividend and all eligible employees will be entitled to a profit-share bonus equal to half a week’s pay based on the established formula (profit-share cost to the company is £16 million).

The final dividend will be paid on July 31, 1998 to shareholders registered on June 12,1998. The ex-dividend date will be June 8, 1998.

Earnings Per Share

The profit attributable to the members of British Airways is £460 million, after a higher tax charge this year as a result of the disposals in the US. Earnings per share for the year are 44.7 pence per share, compared with 55.7 pence last year.

Turnover

Group turnover increased by 3.4 per cent to £8,642 million with mainline scheduled passenger business (revenue passenger kilometres - RPKs) up 4.3 per cent while capacity (available seat kilometres - ASKs) rose by 7.1 per cent with passenger load factor at 71.3 per cent, down 1.9 points on last year.

The quality of the airline's premium products allowed price increases to offset partly the impact of sterling. Yields (mainline scheduled passenger revenue per RPK) increased by 3.5 per cent year-on-year, excluding the strong pound. When sterling is taken into account, yields decreased by1.4 per cent.

The company continues to invest in its cargo business, recognising the importance of global trade. Revenue from cargo rose by £30 million to £595 million, up 5.3 per cent.

The volume of cargo (measured in cargo tonne kilometres - CTKs) was strong, with a 10.3 per cent increase. The strength of sterling was felt on cargo yields (cargo revenue per CTK) which decreased by 5.1 per cent.

Total traffic (revenue tonne kilometres - RTKs) increased 7.5 per cent with total capacity (available tonne kilometres - ATKs) up by 9.1 per cent.

In the fourth quarter, Group RTKs increased by 5.4 per cent with ATKs up by 8.5 per cent. Turnover increased 4 per cent to £2,026 million. Mainline RPKs increased 4.3 per cent while ASKs rose 8.8 per cent resulting in a load factor reduction of 2.9 points to 68 per cent. Passenger yield increased by 0.2 per cent.

Business Efficiency Programme

Two years ago, British Airways introduced its Business Efficiency Programme to deliver £1 billion of annual savings by the Year 2000. The programme continues on track and has delivered £250 million already.

Successful BEP achievements over the last year include:

- Agreements with Cabin Crew 89 and British Airlines Stewards and Stewardess Association (BASSA);
- The outsourcing of in-flight catering at Heathrow to Gate Gourmet, part of the SAir Group;
- Changes within the Engineering operation with the sale of the Wheels and Brakes business and the Landing Gear overhaul unit. A long-term contract was awarded to EDS to supply information technology to Engineering;
- New travel agents' commission schemes have been introduced in the UK and US.

Continuation of these cost improvements, both in mainline and subsidiaries, together with improved asset utilisation will assure achievement of the £l billion target.

Disposals

During the year the sale of the investment in US Airways and the part sale of the investment in Galileo International generated profits of £129 million and £45 million respectively. Together with non-recurrence of last year's write-back provision on US Airways (£125 million) and the loss in dividends from US Airways (£41 million), non-operating items cost pre-tax profit just £18 million year-on-year.

Expenditure

Group operating expenditure (excluding last year's exceptional charge) increased by 5.9 per cent in the year to £8,138 million, on a flying schedule (ATKs) 9.1 per cent above last year. This had a positive impact on unit costs per ATK which fell by 2.5 per cent on a year ago.

Continuing investment in new, quieter and more fuel-efficient modern aircraft helped to drive down operating and maintenance costs and offered further improved customer appeal.

Fuel and oil costs fell by £52 million, down 6.2 per cent on a year ago.

Depreciation costs increased by 8.9 per cent reflecting the increase in fleet size while aircraft operating lease costs rose by 6.7 per cent.

Sub-contract maintenance costs, overhaul activity, and the inclusion of Air Liberté for the full year, saw engineering and other aircraft costs increase from £469 million to £614 million. £16 million of the cost charged this year was due to engine maintenance charges relating to the previous year.

Costs for landing fee and en-route charges rose by 4.5 per cent to £703 million, with volume-related increases partly offset by savings from exchange rates and reductions negotiated on specific routes.

Handling charges, catering and other operating costs increased 9.9 per cent in line with increased volumes. Selling costs increased by 2.5 per cent with volume-related increases largely offset by exchange rates savings.

Accommodation, ground equipment costs and currency differences were 30.1 per cent higher than last year reflecting exchange losses on translation of assets held in foreign currencies, higher level of expenditure on computer software and networks and other sub-contracted services.

Fourth quarter expenditure rose 1.6 per cent from £1,919 million (excluding the exceptional charge of £127 million) to £1,950 million with ATK increase year-over-year of 8.5 per cent. Favourable exchange rates, cost efficiencies and fuel cost savings, drove down unit costs per ATK by 6.6 per cent.

Aircraft fleet changes and financing

During the year, the fleet grew by 22 aircraft to 330.

Seven Boeing 747-400s, nine Boeing 777s and four Boeing 757-200s, were included, all financed on cost-effective hire purchase arrangements through Japanese leveraged leases.

One further Boeing 747-400 was purchased outright. One Boeing 757-200, two Boeing 737-300s and two de Havilland Canada DHC8s were acquired on operating leases.

In addition to these new deliveries, one Boeing 777 and one Boeing 757-200 delivered last year entered service during 1997/98. Two McDonnell Douglas DC-10-30s were subleased and three Boeing 737-200s and one Boeing 737-400 were returned to the lessor.

Alliance Benefits

British Airways' ambition to create a global airline alliance will bring benefits to both consumers and shareholders. The year saw the signing of Memorandums of Understanding with Finnair, Iberia of Spain and LOT Polish Airlines.

Beyond Europe, British Airways developed its codesharing partnerships with Canadian Airlines and America West, and the now well-established relationship with Qantas was further strengthened by developments in the Joint Services Agreement.

Opportunities to build relationships with other airlines in the Asia-Pacific region continue to be explored.

Discussions continue with the Office of Fair Trading and the European Commission on the proposed alliance with American Airlines. Decisions are expected during the summer.

By the early autumn, it is expected that the US Department of Transportation will complete its examination of the alliance and the related negotiation between the UK and the US Governments for a new bilateral air service agreement.

It is hoped that the outcome will allow British Airways to deliver the wide range of consumer benefits that would stem from such a world-wide alliance and would also ensure that the airline competes on equal terms with other existing alliances and groupings.

Qantas

Our share of profits from Qantas for the half year ended December 31, 1997, was £29 million before tax compared with £35 million last year. The reduction principally reflects the impact of the strength of sterling against the Australian dollar.

Deutsche BA (DBA)

Operating losses reduced by a quarter during the year, even though DBA faced increasingly fierce competition in both its domestic and international markets.

From January 1998, an all-Boeing 737-300 fleet has helped to rationalise operating costs. Further improvements are expected as older aircraft are handed back to lessors and new aircraft join the fleet by Spring 1999.

Air Liberté

This year saw the merging of the operations of Air Liberté (acquired in January 1997) with TAT European Airlines.

The combined results of Air Liberté and TAT show a significant improvement on the airlines' performances. Consolidation of the route network, improved yields and lower unit costs were partially offset by restructuring costs leading to full year losses less than half of the two airline's (separate) losses the previous year.

Year 2000

British Airways has taken a leading role in the work being undertaken by IATA and with suppliers and governments worldwide to protect against the "Millennium Bug".

Within the airline a comprehensive and detailed programme is in place to identify risks to our systems, equipment and supply chains and to take action where necessary.

Economic and Monetary Union (EMU)

British Airways has been preparing for the introduction of the single European currency since early 1997.

Extensive work has been going on to identify potential benefits and to prepare for trading in the single currency across the airline's global network.

Net Debt/Total Capital Ratio

Borrowings net of cash and short term loans and deposits amount to £4,603 million at the year end, an increase of £645 million on last year.

Capital and reserves rose £337 million, giving a net debt / total capital ratio of 58.1 per cent, a 1.1 point increase over last year.

Outlook

The overall outlook for British Airways is favourable.

The airline remains well positioned in a world industry that continues to offer substantial passenger and cargo growth.

British Airways has an innovative, skilled and dedicated workforce. The company recognises the need for cost efficiencies and is focusing renewed energy on further improving products and customer service.

There is good growth in European markets. Fuel prices have fallen and sterling is dropping back from its recent peaks. This economic outlook will help offset the impact of any slowdown in the US and UK domestic economies and the current difficulties in the Far East.

Last week's UK government White Paper "Fairness at Work" describes the need for Britain to aim high - high quality, high performance, high skills, high productivity, high value - if it is to succeed in the world market place. Nowhere is this more apparent that in the global airline industry.

As the White Paper says, for some companies, market pressures, hierarchical management attitudes and short-term approaches to profit and costs can be obstacles to success. That is emphatically <u>not</u> the case at British Airways. We believe fairness at work and competitiveness can - and *must* - go hand in hand.

Annual General Meeting

The Annual General Meeting will be held at the Barbican Centre in London at 1100 hours on July 14, 1998. The full Report and Accounts or Summary Financial Statement will be distributed as appropriate to shareholders in the week beginning June 15 and from that time copies will be available to members of the public at the Company's registered office.

GROUP BALANCE SHEET (unaudited)

	March 31	
	1998 £m	*1997 £m*
FIXED ASSETS		
Tangible assets	**8,667**	*7,588*
Investments	**388**	*684*
	9,055	*8,272*
CURRENT ASSETS		
Stocks	**75**	*78*
Debtors	**1,432**	*1,412*
Cash, short-term loans and deposits	**738**	*674*
	2,245	*2,164*
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	**(2,821)**	*(3,160)*
NET CURRENT LIABILITIES	**(576)**	*(996)*
TOTAL ASSETS LESS CURRENT LIABILITIES	**8,479**	*7,276*
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Borrowings and other creditors	**(4,978)**	*(4,034)*
Convertible Capital Bonds 2005	**(150)**	*(226)*
	(5,128)	*(4,260)*
PROVISIONS FOR LIABILITIES AND CHARGES	**(30)**	*(58)*
MINORITY INTERESTS		*26*
	3,321	*2,984*
CAPITAL AND RESERVES		
Called up share capital	**260**	*251*
Reserves	**3,061**	*2,733*
	3,321	*2,984*

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (unaudited)

	March 31	
	1998 £m	*1997 £m*
Profit for the year	**460**	*553*
Other recognised gains and losses relating to the year		
Exchange movements	**(18)**	*61*
Total gains and losses recognised since the last year end	**442**	*614*

These summary financial statements were approved by the Directors on May 27, 1998.

GROUP CASH FLOW STATEMENT (unaudited)

	Twelve months ended March 31	
	1998 £m	*1997 £m*
CASH INFLOW FROM OPERATING ACTIVITIES	**736**	*1,212*
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	**(257)**	*(177)*
TAXATION	**(134)**	*(83)*
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	**161**	*(944)*
ACQUISITIONS AND DISPOSALS	**75**	*(16)*
EQUITY DIVIDENDS PAID	**(148)**	*(131)*
Cash inflow/(outflow) before management of liquid resources and financing	**433**	*(139)*
MANAGEMENT OF LIQUID RESOURCES	**(90)**	*560*
FINANCING	**(372)**	*(392)*
(Decrease)/increase in cash in the year	**(29)**	*29*

GROUP FINANCING REQUIREMENT (unaudited)		
Cash inflow/(outflow) before management of liquid resources and financing	**433**	*(139)*
Acquisitions under loans, finance leases and hire purchase arrangements	**(1,302)**	*(495)*
Aircraft returned to lessor on early termination of finance lease		*62*
Total financing requirement for the year	**(869)**	*(572)*

Total tangible fixed asset expenditure, net of progress payment refunds	**1,638**	1,485

NOTES TO THE ACCOUNTS
For the year ended March 31, 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.

		Twelve months ended March 31	
		1998 £m	*1997 £m*
2	RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES		
	Group operating profit	**504**	*546*
	Depreciation charges	**551**	*506*
	Other items not involving the movement of cash	**(27)**	*(46)*
	(Increase)/decrease in stocks and debtors	**(34)**	*19*
	(Decrease)/increase in creditors	**(258)**	*187*
	Cash inflow from operating activities	**736**	*1,212*

		1998 £m	1997 £m
3	RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
	(Decrease)/increase in cash during the year	**(29)**	*29*
	Cash outflow from decrease in debt and lease financing	**394**	*411*
	Cash outflow/(inflow) from liquid resources	**90**	*(560)*
	Change in net debt resulting from cash flows	**455**	*(120)*
	New loans and finance leases taken out and hire purchase arrangements made	**(1,302)**	*(495)*
	Assumed from subsidiary undertaking acquired during the year		(32)
	Early termination of finance leases		*62*
	Conversion of Convertible Capital Bonds 2005	**76**	*88*
	Exchange movements	**126**	*244*
	Movement in net debt during the year	**(645)**	*(253)*
	Net debt at April 1	**(3,958)**	*(3,705)*
	Net debt at March 31	**(4,603)**	*(3,958)*

NOTES TO THE ACCOUNTS (continued)
For the year ended March 31, 1998

		Three months ended March 31		Twelve months ended March 31	
		1998 £m	*1997 £m*	**1998 £m**	*1997 £m*
4	INCOME FROM INTERESTS IN ASSOCIATED UNDERTAKINGS				
	Attributable profits less losses	**30**	*43*	**61**	*80*
	US Airways Group, Inc. preferred stock dividend		*12*		*34*
		30	*55*	**61**	*114*
5	OTHER INCOME AND CHARGES				
	Income from trade investments	**1**	*1*	**2**	*2*
	US Airways Group, Inc. preferred stock dividend received		*11*	**4**	*11*
	Other	**7**	*2*	**13**	*4*
		8	*14*	**19**	*17*
6	PROFIT ON SALES OF FIXED ASSETS AND INVESTMENTS				
	Net profit on disposal of investment in US Airways Group Inc.			**129**	
	Net profit on disposal of investment in Galileo International Inc.			**45**	
	Net(loss)/profit on disposal of other fixed assets and investments	**(7)**	*8*	**(10)**	20
		(7)	*8*	**164**	*20*
7	NET INTEREST PAYABLE				
	Interest payable less amount capitalised	**73**	*64*	**270**	*270*
	Interest receivable	**(17)**	*(14)*	**(71)**	*(76)*
	Currency profits on retranslation of general purpose loans	**(19)**	*(2)*	**(31)**	*(12)*
		37	*48*	**168**	*182*

8 TAXATION

Due to the tax charged on the profit on disposal of investments held in the United States, the effective tax rate for the year was 23%. Excluding this, the effective rate was 17%.

9 DIVIDENDS PAID AND PROPOSED

The Board recommends a final dividend of 11.90p per share, giving a total dividend for the year of 16.60p, compared with 15.05p per share in the previous year, an increase of 10.3 per cent.

The amount charged to the profit and loss account includes £3 million in relation to 1996-97 final dividends paid to Convertible Capital Bond 2005 holders (1995-96: £4 million), who converted their bonds in June 1997, in accordance with the terms of the bonds.

10 EARNINGS PER SHARE

Basic earnings per share are calculated on a weighted average of 1,030,021,000 ordinary shares (March 1997: 992,538,000). Fully diluted earnings per share are calculated on a weighted average of 1,132,032,000 ordinary shares (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 2005 and to include notional interest receivable on the subscription cash for shares.

The number of shares in issue at March 31, 1998 was 1,038,905,000 (March 1997: 1,002,586,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS (continued)
For the year ended March 31,1998

		1998 £m	March 31 *1997 £m*
11	TANGIBLE ASSETS		
	Fleet	**7,227**	*6,337*
	Property	**1,181**	*988*
	Equipment	**259**	*263*
		8,667	*7,588*
12	INVESTMENTS		
	Associated undertakings	**321**	*396*
	Trade investments	**67**	*288*
		388	*684*
13	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
	Loans	**74**	*329*
	Finance leases	**97**	*104*
	Hire purchase arrangements	**185**	*122*
		356	*555*
	Overdrafts - unsecured	**17**	*14*
	Corporate taxation	**65**	*105*
	Other creditors and accruals	**2,383**	*2,486*
		2,821	*3,160*
14	BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR		
	Loans	**996**	*886*
	Finance leases	**1,049**	*1,173*
	Hire purchase arrangements	**2,773**	*1,778*
		4,818	*3,837*
	Corporate taxation		*7*
	Other creditors and accruals	**160**	*190*
		4,978	*4,034*
15	RESERVES		
	Balance at April 1	**2,733**	*2,254*
	Retained profit for the year	**284**	*399*
	Exchange adjustments	**(18)**	*61*
	Goodwill movement	**(23)**	*(75)*
	Share premium arising from issue of ordinary share capital	**85**	*94*
		3,061	*2,733*

16 The figures for the three months and year ended March 31, 1998 and three months ended 1997 are unaudited and do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The Annual Report and Accounts for the year ended March 31, 1998 was approved by the Board of Directors today but has not yet been delivered to the Registrar of Companies; the report of the auditors on the accounts is unqualified. 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.

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 March 31		Twelve months ended March 31	
	1998 £m	*1997 £m*	**1998 £m**	*1997 £m*
Profit for the period as reported in the Group profit and loss account	**72**	*69*	**460**	553
US GAAP adjustments	**113**	*(51)*	**194**	*(5)*
Net income as so adjusted to accord with US GAAP	**185**	*18*	**654**	548
Net income per Ordinary Share as so adjusted				
Basic	**17.8p**	*1.6p*	**63.5p**	*55.2p*
Fully diluted	**16.6p**	*2.1p*	**59.1p**	*50.4p*
Net income per American Depositary Share as so adjusted				
Basic	**178p**	*16p*	**635p**	*552p*
Fully diluted	**166p**	*21p*	**591p**	*504p*

	March 31	
	1998 £m	*1997 £m*
Shareholders' equity as reported in the Group balance sheet	**3,321**	*2,984*
US GAAP adjustments	**(277)**	*(584)*
Shareholders' equity as so adjusted to accord with US GAAP	**3,044**	*2,400*

AIRCRAFT FLEET

Number in service with Group companies at March 31 1998

MAINLINE (Note 1)	On balance sheet Aircraft	Operating leases off balance sheet Extendible	Other	Total (Note 2)	Future deliveries	Options
Concorde	7			**7**		
Boeing 747-100	14		1	**15**		
Boeing 747-200	13	3		**16**		
Boeing 747-400	44			**44**	18	7
Boeing 777	18			**18**	11	11
McDonnell Douglas DC-10-30	3	2		**5**		
Boeing 767-300	25			**25**	3	3
Boeing 757-200	46	3	1	**50**	7	
Airbus A320	10			**10**		
Boeing 737-200	15		15	**30**		
Boeing 737-300			2	**2**	5	
Boeing 737-400	27		7	**34**		
Turbo Props (Note 3)	2	10	10	**22**		
Sub Total	224	18	36	**278**	44	21
DEUTSCHE BA and AIR LIBERTÉ						
McDonnell Douglas DC-10-30			3	**3**		
McDonnell Douglas MD83	3		6	**9**		
Boeing 737-300			20	**20**		
Fokker 100	4	7		**11**		
Fokker F28	4			**4**		
Turbo Props (Note 4)		3	2	**5**		
Sub total	11	10	31	**52**		
GROUP TOTAL	**235**	**28**	**67**	**330**	**44**	**21**

Notes:
1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd, and Brymon Airways Ltd.
2 Excludes 3 McDonnell Douglas DC-10-30, 1 Fokker F28,4 ATR 72s, 3 ATR 42s, 2 Embraer and 4 Saab 2000s subleased to other carriers.
3 Includes 10 BAe ATPs, 2 de Havilland Canada DHC-7-100s and 10 de Havilland Canada DHC-8s.
4 Includes 2 ATR 72s, 3 ATR 42s.