

PRELIMINARY FINANCIAL RESULTS 1998-99

		Three months ended March 31		Change	Twelve months ended March 31		Change
		1999	1998		1999	1998	
Turnover	£m	2,047	2,026	1.0%	8,915	8,642	3.2%
Operating (loss)/ profit	£m	(85)	76	nm	442	504	(12.3)%
(Loss)/Profit before tax	£m	(85)	70	nm	225	580	(61.2)%
Attributable (loss)/profit (after Minority Interest) for the period	£m	(73)	72	nm	206	460	(55.2)%
Capital and reserves at period end	£m	3,355	3,321	1.0%	3,355	3,321	1.0%
Earnings per share							
<i>Basic</i>	p	(7.1)	6.8	nm	19.5	44.7	(56.4)%
<i>Diluted</i>	p	(6.4)	6.5	nm	19.2	42.2	(54.5)%
Dividends per share	p	12.8	11.9	7.6%	17.9	16.6	7.8%

nm: not meaningful

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	Three months ended March 31			Twelve months ended March 31		
	1999 £m	1998 £m	Change	1999 £m	1998 £m	Change
Traffic Revenue						
<i>Scheduled Passenger</i>	1,687	1,685	0.1%	7,485	7,233	3.5%
<i>Scheduled Cargo</i>	133	139	(4.3)%	562	595	(5.5)%
<i>Non-scheduled Services</i>	14	10	40.0%	62	53	17.0%
	1,834	1,834		8,109	7,881	2.9%
<i>Other Revenue</i>	213	192	10.9%	806	761	5.9%
TOTAL TURNOVER	2,047	2,026	1.0%	8,915	8,642	3.2%
<i>Employee costs</i>	621	524	18.5%	2,356	2,211	6.6%
<i>Depreciation</i>	152	142	7.0%	619	551	12.3%
<i>Aircraft operating lease costs</i>	41	37	10.8%	150	127	18.1%
<i>Fuel and oil costs</i>	171	183	(6.6)%	705	790	(10.8)%
<i>Engineering and other aircraft costs</i>	164	140	17.1%	644	614	4.9%
<i>Landing fees and en route charges</i>	181	151	19.9%	736	703	4.7%
<i>Handling charges, catering and other operating costs</i>	295	289	2.1%	1,278	1,179	8.4%
<i>Selling costs</i>	301	287	4.9%	1,234	1,217	1.4%
<i>Accommodation, ground equipment costs and currency differences</i>	206	197	4.6%	751	746	0.7%
TOTAL OPERATING EXPENDITURE	2,132	1,950	9.3%	8,473	8,138	4.1%
OPERATING (LOSS)/PROFIT	(85)	76	nm	442	504	(12.3)%
Share of operating profit in associates	34	38	(10.5)%	62	69	(10.1)%
	(51)	114	nm	504	573	(12.0)%
Other income	7	8	(12.5)%	27	19	42.1%
Profit on sale of fixed assets and investments	33	(7)	nm	51	169	nm
Interest						
<i>Net payable</i>	(79)	(64)	23.4%	(265)	(212)	25.0%
<i>Retranslation credits/(charges) on currency borrowings</i>	5	19	(73.7)%	(92)	31	nm
(LOSS)/PROFIT BEFORE TAX	(85)	70	nm	225	580	(61.2)%
Taxation	12	2	nm	(19)	(133)	(85.7)%
(LOSS)/PROFIT AFTER TAX	(73)	72	nm	206	447	(53.9)%
Minority share of losses after tax					13	nm
(LOSS)/PROFIT FOR THE PERIOD	(73)	72	nm	206	460	(55.2)%
Dividends paid and proposed	(137)	(124)	10.5%	(191)	(176)	8.5%
RETAINED (LOSS)/PROFIT FOR THE PERIOD	(210)	(52)	nm	15	284	(94.7)%

nm: not meaningful

OPERATING AND FINANCIAL STATISTICS (unaudited)

MAINLINE SCHEDULED SERVICES

	Three months ended			Twelve months ended		
	March 31			March 31		
	1999	1998	Change	1999	1998	Change
<i>TRAFFIC AND CAPACITY</i>						
RPK (m)	27,312	24,996	9.3%	118,310	106,739	10.8%
ASK (m)	40,578	36,769	10.4%	167,265	149,659	11.8%
Passenger load factor (%)	67.3	68.0	(0.7)pts	70.7	71.3	(0.6)pts
CTK (m)	1,021	1,006	1.5%	4,277	4,181	2.3%
RTK (m)	3,741	3,493	7.1%	16,075	14,818	8.5%
ATK (m)	5,839	5,245	11.3%	23,982	21,410	12.0%
Overall load factor (%)	64.1	66.6	(2.5)pts	67.0	69.2	(2.2)pts
Passengers carried (000)	8,338	7,831	6.5%	37,090	34,377	7.9%
Tonnes of cargo carried (000)	206	200	3.0%	855	816	4.8%

FINANCIAL

Passenger revenue per RPK (p)	5.72	6.35	(9.9)%	5.91	6.38	(7.4)%
Cargo revenue per CTK (p)	12.83	13.62	(5.8)%	12.86	14.02	(8.3)%
Average fuel price (US cents/US gallon)	44.09	58.84	(25.1)%	48.66	64.70	(24.8)%

TOTAL GROUP OPERATIONS (including Deutsche BA, Air Liberte and go)

TRAFFIC AND CAPACITY

RPK (m)	29,537	26,476	11.6%	125,951	113,045	11.4%
ASK (m)	43,544	39,256	10.9%	178,820	159,921	11.8%
RTK (m)	3,933	3,642	8.0%	16,831	15,406	9.2%
ATK (m)	6,130	5,485	11.8%	25,114	22,403	12.1%
Passengers carried (000)	10,285	9,311	10.5%	45,049	40,955	10.0%

FINANCIAL

Total traffic revenue per RTK (p)	46.63	50.36	(7.4)%	48.18	51.16	(5.8)%
Total traffic revenue per ATK (p)	29.92	33.44	(10.5)%	32.29	35.18	(8.2)%
Net operating expenditure per RTK (p)	48.79	48.27	1.1%	45.55	47.88	(4.9)%
Net operating expenditure per ATK (p)	31.31	32.05	(2.3)%	30.53	32.93	(7.3)%

OPERATIONS

Average Manpower Equivalent (MPE)	64,366	60,770	5.9%	64,051	60,770	5.4%
ATKs per MPE (000)	95.2	90.3	5.4%	392.1	368.7	6.3%
Aircraft in service at period end	335	330	5	335	330	5

PRELIMINARY STATEMENT

Group Performance

Group profit before tax for the year was £225 million; operating profit was £442 million, in line with expectations.

Operating profits were adversely affected by a lower mix of premium passengers and industry-wide price discounting; the latter caused primarily by industry capacity growth exceeding growth in global demand. At 5%, operating margin was down 8/10 of a point.

The underlying strength of the business has been reflected in a number of areas. Labour relations and punctuality improved substantially. Unit costs fell 7.3%, benefiting from continued good progress on the Business Efficiency Programme (BEP); productivity improved 6.3%.

Looking forward, the groundwork for future improvements in margins was laid with the implementation of a revised fleet and network strategy which will concentrate future growth, product development, and customer service improvements on the most profitable sectors of the market. Exposure to low margin connecting traffic will be reduced, simplifying operations, reducing capital requirements and easing pressure on capacity constraints in London. Overall mainline capacity will not grow over the next five years.

In the short term actions focus on people and products. All 64,000 employees will go through training to strengthen customer service. Plans to relaunch the airline's premium products -- including a new "flying bed" for business passengers -- have been pulled ahead. These measures should improve the mix of premium passengers, margins and sales.

For the three months ended March 31, 1999, pre-tax losses were £85 million.

Turnover

For the twelve month period, Group turnover -- at £8,915 million -- was up 3.2% on a flying programme 12.1% larger in available tonne kilometres (ATKs).

Turnover for the three months was up 1% -- at £2,047 million -- on a flying programme 11.8% bigger. Mainline passenger seat factor was down slightly at 67.3%. Yields (pence per revenue passenger kilometre - RPK) were down 9.9%. This was caused by reduced demand in the premium passenger market and the consequent dilution of our passenger mix, heavy competitor discounting in the economy passenger market and the continued strength of sterling.

In Cargo, volumes were up compared with last year but yields were down; overall sales fell 5.5%.

Unit Costs

For the twelve month period, unit costs (pence per ATK) were 7.3% lower than a year ago, driven down by BEP cost efficiency actions as well as higher volumes, lower fuel prices, exchange rate benefits and negotiated supplier price reductions.

Unit cost reductions were achieved despite substantial investments in customer services and products (which have improved punctuality and baggage performance), and one-off spending in preparation for Year 2000. Costs in total rose 4.1%.

Unit costs for the three months were 2.3% lower than the same quarter last year.

PRELIMINARY STATEMENT (continued)

Non Operating Items

Net interest expense for the year was £357 million. This was up on last year because of additional aircraft acquisitions and book charges of £94 million relating to the revaluation of yen debt used to fund aircraft acquisitions. This charge does not represent cash lost to the business, but is required by standard accounting practice. The revaluation results from the strengthening of the yen by 14% over the year. Last year the downward revaluation of yen debts improved profits.

Part of our interest in Equant was sold at a profit of £48 million.

Earnings Per Share

For the twelve month period, profits attributable to shareholders were £206 million, equivalent to earnings of 19.5 pence per share compared with 44.7 pence last year. The loss attributable to shareholders for the three months was equivalent to 7.1 pence per share, compared with last year's earnings of 6.8 pence.

Dividends

Shareholders will be asked to approve a final dividend of 12.8 pence per share, giving a total for the year of 17.9 pence, up 7.8% over last year.

The final dividend will be paid on July 30, 1999 to shareholders registered on June 7, 1999. The ex-dividend date will be June 1, 1999.

Net Debt / Total Capital Ratio

Borrowings, net of cash and short term loans and deposits, amounted to £5,526 million at March 31, 1999 -- an increase of £923 million since March 31, 1998 due primarily to the funding of aircraft acquisitions. The net debt/total capital ratio now stands at 62%.

Aircraft Fleet

The Group fleet increased during the year from 330 to 335 aircraft.

New deliveries in the longhaul fleet comprised 12 Boeing 747-400 and 4 Boeing 777 with the GE90 engine. Phased disposal of the Boeing 747-100 fleet (15 aircraft) and the 8 DC10 aircraft was begun and will be completed by September 2000.

The mainline shorthaul fleet has also been modernised with the delivery of 3 Boeing 767-300, 1 Boeing 757-200, 5 Boeing 737-300 and 8 DHC-8 aircraft. Compensating disposals of 9 Boeing 737-200, 10 BAe ATP and 1 DHC-8 occurred.

Within the subsidiaries, "go" built up its fleet to 8 Boeing 737-300 on operating leases. Deutsche BA acquired 4 Boeing 737-300 and disposed of 4 older versions and 4 Saab 2000 aircraft. Air Liberte obtained 1 additional MD83 and disposed of 2 Fokker 28.

Alliance Development

Work continues on the implementation of the **oneworld** alliance including training of customer services staff, co-ordination of business systems and processes and rationalisation of flying schedules. On February 1, the first wave of customer benefits was announced: through check-in, better flight connections and amalgamation of frequent flyer schemes. Further opportunities being pursued relate to joint customer facilities and common systems development.

Finnair, Iberia and LanChile plan to join the **oneworld** alliance.

PRELIMINARY STATEMENT (continued)

Outlook

Economic conditions and increased competition have resulted in excess industry capacity, particularly on the North Atlantic, which has forced yields down. The situation is not likely to improve materially in the short-term.

British Airways' Business Plan, including the new fleet and network strategy, will deliver important structural improvements to the business, all designed to improve customer service, raise margins and deliver higher returns from the assets employed. The aircraft fleet is being rationalised and, as a result, overall capacity will not grow over the next five years; operational and commercial flexibility will also be enhanced.

The BEP will deliver the full £1 billion of cost efficiencies by the end of the new financial year enabling us to reinvest in the basics of good customer service: customer care, punctuality and baggage handling. A key employee training programme "Putting People First Again" has been launched to reinforce commitment to customers. A major programme of product improvements is under preparation and we continue to implement the **oneworld** alliance.

As a result, investors can look beyond the short-term with confidence, provided no new global economic shocks occur. British Airways should emerge from the current difficult market conditions with competitive cost levels, greater flexibility and with an aircraft fleet, network and alliance grouping focused on the most profitable segments of the market.

Annual General Meeting

The Annual General Meeting will be held at the Barbican Centre in London at 1100 hours on July 13, 1999. The full Report and Accounts or Summary Financial Statement will be distributed as appropriate to shareholders in the week beginning June 7, 1999 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	
	1999 £m	1998 £m
FIXED ASSETS		
Tangible Assets	9,839	8,667
Investments	402	388
	10,241	9,055
CURRENT ASSETS		
Stocks	84	75
Debtors	1,336	1,432
Cash, short-term loans and deposits	1,163	738
	2,583	2,245
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(3,081)	(2,821)
NET CURRENT LIABILITIES	(498)	(576)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,743	8,479
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		
Borrowings and other creditors	(6,230)	(4,978)
Convertible Capital Bonds 2005	(126)	(150)
	(6,356)	(5,128)
PROVISIONS FOR LIABILITIES AND CHARGES	(32)	(30)
	3,355	3,321
CAPITAL AND RESERVES		
Called up share capital	268	260
Reserves	3,087	3,061
	3,355	3,321

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (unaudited)

	March 31	
	1999 £m	1998 £m
Profit for the year	206	460
Other recognised gains and losses relating to the year		
<i>Other movements</i>	(82)	(18)
Total gains and losses recognised since the last annual report	124	442

These summary financial statements were approved by the Directors on May 25, 1999

GROUP CASH FLOW STATEMENT (unaudited)

	Twelve months ended	
	1999 £m	1998 £m
CASH INFLOW FROM OPERATING ACTIVITIES	1,241	736
DIVIDENDS RECEIVED FROM ASSOCIATES	11	12
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(309)	(269)
TAXATION	(40)	(134)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(118)	161
ACQUISITIONS AND DISPOSALS	(6)	75
EQUITY DIVIDENDS PAID	(113)	(148)
Cash inflow before management of liquid resources and financing	666	433
MANAGEMENT OF LIQUID RESOURCES	(363)	(90)
FINANCING	(235)	(372)
Increase/(decrease) in cash in the period	68	(29)
GROUP FINANCING REQUIREMENT		
Cash inflow before management of liquid resources and financing	666	433
Acquisitions under loans, finance leases and hire purchase arrangements	(1,470)	(1,302)
Total financing requirement for the period	(804)	(869)
Total tangible fixed asset expenditure, net of progress payment refunds	1,807	1,638

NOTES TO THE ACCOUNTS

For the period ended March 31, 1999

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, 1999 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year.

The presentation of the Group's share of the results of associates in the profit and loss account has been revised in accordance with FRS9 - Associates and Joint Ventures.

The diluted earnings per share figures have been recalculated following the revisions to the calculation in FRS14 - Earnings per Share.

	Twelve months ended	
	March 31	
	1999 £m	1998 £m
2 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES		
Group operating profit	442	504
Depreciation charges	619	551
Other items not involving the movement of cash	21	(27)
Decrease/(increase) in stocks and debtors	60	(34)
Increase/(decrease) in creditors	99	(258)
Cash inflow from operating activities	1,241	736
3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT		
Increase/(decrease) in cash during the year	68	(29)
Cash outflow from decrease in debt and lease financing	300	394
Cash outflow from liquid resources	363	90
Change in net debt resulting from cash flows	731	455
New loans and finance leases taken out and hire purchase arrangements made	(1,470)	(1,302)
Conversion of Convertible Capital Bonds	24	76
Exchange movements	(208)	126
Movement in net debt during the year	(923)	(645)
Net debt at April 1	(4,603)	(3,958)
Net debt at March 31	(5,526)	(4,603)

	Three months ended		Twelve months ended	
	March 31		March 31	
	1999 £m	1998 £m	1999 £m	1998 £m
4 OTHER INCOME AND CHARGES				
Income from trade investments	1	1	4	2
US Airways preferred stock dividend received				4
Other	6	7	23	13
	7	8	27	19
Other income and charges represented by:				
Group	6	8	26	19
Associates	1		1	
	7	8	27	19

NOTES TO THE ACCOUNTS (continued)
For the period ended March 31, 1999

	Three months ended		Twelve months ended	
	March 31		March 31	
	1999 £m	1998 £m	1999 £m	1998 £m
5 PROFIT ON SALES OF FIXED ASSETS AND INVESTMENTS				
Net profit on part disposal of investment in Equant	48		48	
Net profit on disposal of investment in US Airways Group Inc				129
Net profit on part disposal of investment in Galileo International Inc				45
Net (loss)/profit on disposal of other fixed assets and investments	(15)	(7)	3	(5)
	33	(7)	51	169
Profit on sale of fixed assets represented by:				
Group	33	(7)	51	164
Associates				5
	33	(7)	51	169
6 NET INTEREST PAYABLE				
Interest payable less amount capitalised	93	81	336	283
Interest receivable	(14)	(17)	(71)	(71)
Retranslation (credits)/charges) on currency borrowings	(5)	(19)	92	(31)
	74	45	357	181
Net interest payable represented by:				
Group	67	37	345	168
Associates	7	8	12	13
	74	45	357	181

7 TAXATION

The effective tax rate for the year was 8.4%.

8 DIVIDENDS PAID AND PROPOSED

The Board recommends a final dividend of 12.8p per share, giving a total dividend for the year of 17.9p, compared with 16.6p per share in the previous year, an increase of 7.8 per cent.

The amount charged to the profit and loss account includes £1 million in relation to the 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.

9 EARNINGS PER SHARE

Basic earnings per share are calculated on a weighted average of 1,054,543,000 ordinary shares (March 1998: 1,030,021,000) as adjusted for shares held for the purposes of employee share ownership plans including the Long Term Incentive Plan. Diluted earnings per share are calculated on a weighted average of 1,120,800,000 ordinary shares (March 1998: 1,117,131,000) after allowing for the conversion rights attaching to the Convertible Capital Bonds and for adjustments to income to eliminate interest payable on the Convertible Capital Bonds.

The number of shares in issue at March 31, 1999 was 1,073,167,000 (March 1998: 1,038,905,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS (continued)
For the period ended March 31, 1999

	March 31	
	1999 £m	1998 £m
10 TANGIBLE ASSETS		
Fleet	8,207	7,227
Property	1,331	1,181
Equipment	301	259
	9,839	8,667
11 INVESTMENTS		
Associated undertakings	323	321
Trade investments	68	67
Investment in own shares	11	
	402	388
12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		
Loans	202	74
Finance Leases	91	97
Hire Purchase Arrangements	264	185
	557	356
Overdrafts - unsecured	11	17
Corporate taxation	25	65
Other creditors and accruals	2,488	2,383
	3,081	2,821
13 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR		
Loans	940	996
Finance Leases	1,244	1,049
Hire Purchase Arrangements	3,811	2,773
	5,995	4,818
Other creditors and accruals	235	160
	6,230	4,978
14 RESERVES		
Balance at April 1	3,061	2,733
Retained profit for the year	15	284
Other adjustments	(82)	(18)
Goodwill movements		(23)
Reduction in reserves resulting from shares issued to a Qualifying Employee Share Ownership Trust in relation to the 1993 Share Save Scheme	(21)	
Share premium arising from issue of ordinary share capital	114	85
	3,087	3,061

15 The figures for the three months and year end March 31, 1999 and three months ended March 31, 1998 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, 1999 were approved by the Board of Directors today but have 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, 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.

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, 1999.

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

	Three months ended March 31		Twelve months ended March 31	
	1999 £m	1998 £m	1999 £m	1998 £m
(Loss)/Profit for the period as reported in the Group profit and loss account	(73)	72	206	460
US GAAP adjustments	(29)	113	(102)	194
Net income as so adjusted to accord with US GAAP	(102)	185	104	654
Net income per Ordinary Share as so adjusted				
Basic	(9.7)p	17.8p	9.9p	63.5p
Diluted	(9.1)p	16.6p	10.1p	59.5p
Net income per American Depositary Share as so adjusted				
Basic	(97)p	178p	99p	635p
Diluted	(91)p	166p	101p	595p

	March 31	
	1999 £m	1998 £m
Shareholders' equity as reported in the Group balance sheet	3,355	3,321
US GAAP adjustments	(157)	(277)
Shareholders' equity as so adjusted to accord with US GAAP	3,198	3,044

AIRCRAFT FLEET

Number in service with Group companies at
March 31, 1999

MAINLINE (Notes 1 and 7)	On balance	Operating leases		Total	Future	
	sheet	off balance	sheet		(Note 2) deliveries	Options
	Aircraft	Extendible	Other			
Concorde	7			7		
Boeing 747-100	8		1	9		
Boeing 747-200	13	3		16		
Boeing 747-400 (Note 6)	53			53	1	
Boeing 777	22			22	23	16
Boeing 767-300	28			28		
Boeing 757-200	47	3	1	51	2	
Airbus A319 (note 5)					39	129
Airbus A320	10			10	20	
Boeing 737-200	9		12	21		
Boeing 737-300			8	8		
Boeing 737-400	22		12	34		
Turbo Props (Note 3)	2		17	19		
Sub Total	221	6	51	278	85	145
DEUTSCHE BA, AIR LIBERTE and go						
McDonnell Douglas DC-10-30			3	3		
McDonnell Douglas MD83	3		7	10		
Boeing 737-300			25	25	5	
Fokker 100	4	7		11		
Fokker F28	4			4		
Turbo Props (Note 4)	2		2	4		
Sub total	13	7	37	57	5	
GROUP TOTAL	234	13	88	335	90	145

Notes:

- 1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd and Brymon Airways Ltd.
- 2 Excludes 4 ATR 72s, 6 ATR 42s and 2 Embraer, subleased to other carriers.
- 3 Includes 2 de Havilland Canada DHC-7-100s and 17 de Havilland Canada DHC - 8s.
- 4 Includes 2 ATR 72s, 2 ATR 42s.
- 5 Options include reserved delivery positions and, if taken, may be A319, A320 or A321.
- 6 Excludes 3 aircraft delivered but not yet in service.
- 7 Excludes 7 McDonnell Douglas DC-10-30s, 2 Boeing 737-200s and 1 BAe ATP stood down pending disposal or return to lessor.