

**INTERIM RESULTS 2003-2004 (unaudited)**

|                                |    | Three months ended |       |                    | Six months ended |       |                    |
|--------------------------------|----|--------------------|-------|--------------------|------------------|-------|--------------------|
|                                |    | September 30       |       | Better/<br>(Worse) | September 30     |       | Better/<br>(Worse) |
|                                |    | 2003               | 2002  |                    | 2003             | 2002  |                    |
| Turnover                       | £m | <b>1,983</b>       | 2,104 | (5.8)%             | <b>3,815</b>     | 4,156 | (8.2)%             |
| Operating profit               | £m | <b>195</b>         | 248   | (21.4)%            | <b>235</b>       | 406   | (42.1)%            |
| Operating margin               | %  | <b>9.8</b>         | 11.8  | (2.0)pts           | <b>6.2</b>       | 9.8   | (3.6)pts           |
| Profit before tax              | £m | <b>105</b>         | 245   | (57.1)%            | <b>60</b>        | 310   | (80.6)%            |
| Retained profit for the period | £m | <b>98</b>          | 152   | (35.5)%            | <b>35</b>        | 192   | (81.8)%            |
| Net assets at period end       | £m | <b>2,343</b>       | 2,383 | (1.7)%             | <b>2,343</b>     | 2,383 | (1.7)%             |
| Earnings per share             |    |                    |       |                    |                  |       |                    |
| <i>Basic</i>                   | p  | <b>9.2</b>         | 14.1  | (34.8)%            | <b>3.3</b>       | 17.8  | (81.5)%            |
| <i>Diluted</i>                 | p  | <b>8.9</b>         | 13.7  | (35.0)%            | <b>3.3</b>       | 17.4  | (81.0)%            |

nm: Not meaningful

**Investor Relations**

Waterside (HCB3)

PO Box 365

Harmondsworth

Middlesex UB7 0GB

Tel: +44 (0) 20 8738 6947

Fax: +44 (0) 20 8738 9602

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

|  | Three months ended |              |                    | Six months ended |              |                    |
|--|--------------------|--------------|--------------------|------------------|--------------|--------------------|
|  | September 30       |              | Better/<br>(Worse) | September 30     |              | Better/<br>(Worse) |
|  | 2003               | 2002         |                    | 2003             | 2002         |                    |
|  | £m                 | £m           |                    | £m               | £m           |                    |
| Traffic Revenue  |                    |              |                    |                  |              |                    |
| Passenger  | 1,720              | 1,812        | (5.1)%             | 3,296            | 3,587        | (8.1)%             |
| Cargo  | 111                | 119          | (6.7)%             | 224              | 245          | (8.6)%             |
|  | 1,831              | 1,931        | (5.2)%             | 3,520            | 3,832        | (8.1)%             |
| Other revenue  | 152                | 173          | (12.1)%            | 295              | 324          | (9.0)%             |
| <b>TOTAL TURNOVER</b>  | <b>1,983</b>       | <b>2,104</b> | <b>(5.8)%</b>      | <b>3,815</b>     | <b>4,156</b> | <b>(8.2)%</b>      |
| Employee costs   | 521                | 516          | (1.0)%             | 1,049            | 1,043        | (0.6)%             |
| Depreciation and amortisation                                  | 173                | 164          | (5.5)%             | 337              | 330          | (2.1)%             |
| Aircraft operating lease costs                                 | 29                 | 41           | 29.3%              | 64               | 83           | 22.9%              |
| Fuel and oil costs   | 241                | 199          | (21.1)%            | 470              | 413          | (13.8)%            |
| Engineering and other aircraft costs                           | 126                | 142          | 11.3%              | 258              | 282          | 8.5%               |
| Landing fees and en route charges                              | 147                | 153          | 3.9%               | 288              | 309          | 6.8%               |
| Handling charges, catering and other operating costs           | 250                | 259          | 3.5%               | 493              | 502          | 1.8%               |
| Selling costs  | 153                | 197          | 22.3%              | 308              | 412          | 25.2%              |
| Accommodation, ground equipment costs and currency differences | 148                | 185          | 20.0%              | 313              | 376          | 16.8%              |
| <b>TOTAL OPERATING EXPENDITURE</b>                             | <b>1,788</b>       | <b>1,856</b> | <b>3.7%</b>        | <b>3,580</b>     | <b>3,750</b> | <b>4.5%</b>        |
| <b>OPERATING PROFIT</b>  | <b>195</b>         | <b>248</b>   | <b>(21.4)%</b>     | <b>235</b>       | <b>406</b>   | <b>(42.1)%</b>     |
| Share of operating profits in associates                       | 5                  | 9            | (44.4)%            | 1                | 6            | (83.3)%            |
| <b>TOTAL OPERATING PROFIT INCLUDING ASSOCIATES</b>             | <b>200</b>         | <b>257</b>   | <b>(22.2)%</b>     | <b>236</b>       | <b>412</b>   | <b>(42.7)%</b>     |
| Other income and charges                                       | 4                  |              | nm                 | 4                |              | nm                 |
| Profit/(loss) on sale of fixed assets and investments          | 15                 | 9            | 66.7%              | (57)             | 28           | nm                 |
| Interest   |                    |              |                    |                  |              |                    |
| Net payable  | (56)               | (64)         | 12.5%              | (111)            | (137)        | 19.0%              |
| Retranslation (charges)/credits on currency borrowings         | (58)               | 43           | nm                 | (12)             | 7            | nm                 |
| <b>PROFIT BEFORE TAX</b>                                       | <b>105</b>         | <b>245</b>   | <b>(57.1)%</b>     | <b>60</b>        | <b>310</b>   | <b>(80.6)%</b>     |
| Tax  | (4)                | (90)         | 95.6%              | (18)             | (112)        | 83.9%              |
| <b>PROFIT AFTER TAX</b>  | <b>101</b>         | <b>155</b>   | <b>(34.8)%</b>     | <b>42</b>        | <b>198</b>   | <b>(78.8)%</b>     |
| Non equity minority interest*                                  | (3)                | (3)          |                    | (7)              | (6)          | (16.7)%            |
| <b>PROFIT FOR THE PERIOD</b>                                   | <b>98</b>          | <b>152</b>   | <b>(35.5)%</b>     | <b>35</b>        | <b>192</b>   | <b>(81.8)%</b>     |
| <b>RETAINED PROFIT FOR THE PERIOD</b>                          | <b>98</b>          | <b>152</b>   | <b>(35.5)%</b>     | <b>35</b>        | <b>192</b>   | <b>(81.8)%</b>     |

nm: Not meaningful

\* Cumulative Preferred Securities

**OPERATING AND FINANCIAL STATISTICS**  
(unaudited)

| Three months ended |      |            | Six months ended |      |            |
|--------------------|------|------------|------------------|------|------------|
| September 30       |      | Increase/  | September 30     |      | Increase/  |
| 2003               | 2002 | (Decrease) | 2003             | 2002 | (Decrease) |

**TOTAL AIRLINE OPERATIONS**  
(Note 1)

*TRAFFIC AND CAPACITY*

|                               |               |        |          |               |        |        |
|-------------------------------|---------------|--------|----------|---------------|--------|--------|
| RPK (m)                       | <b>27,540</b> | 27,301 | 0.9%     | <b>52,642</b> | 51,980 | 1.3%   |
| ASK (m)                       | <b>35,981</b> | 35,608 | 1.0%     | <b>70,943</b> | 70,628 | 0.4%   |
| Passenger load factor (%)     | <b>76.5</b>   | 76.7   | (0.2)pts | <b>74.2</b>   | 73.6   | 0.6pts |
| CTK (m)                       | <b>1,034</b>  | 1,058  | (2.3)%   | <b>2,091</b>  | 2,105  | (0.7)% |
| RTK (m)                       | <b>3,796</b>  | 3,788  | 0.2%     | <b>7,352</b>  | 7,293  | 0.8%   |
| ATK (m)                       | <b>5,539</b>  | 5,449  | 1.7%     | <b>10,856</b> | 10,815 | 0.4%   |
| Overall load factor (%)       | <b>68.5</b>   | 69.5   | (1.0)pts | <b>67.7</b>   | 67.4   | 0.3pts |
| Passengers carried (000)      | <b>9,739</b>  | 10,607 | (8.2)%   | <b>19,508</b> | 20,272 | (3.8)% |
| Tonnes of cargo carried (000) | <b>183</b>    | 189    | (3.2)%   | <b>373</b>    | 381    | (2.1)% |

*FINANCIAL*

|  |              |       |        |              |       |        |
|--|--------------|-------|--------|--------------|-------|--------|
| Passenger revenue per RPK (p)                          | <b>6.25</b>  | 6.64  | (5.9)% | <b>6.26</b>  | 6.90  | (9.3)% |
| Passenger revenue per ASK (p)                          | <b>4.78</b>  | 5.09  | (6.1)% | <b>4.65</b>  | 5.08  | (8.5)% |
| Cargo revenue per CTK (p)                              | <b>10.74</b> | 11.25 | (4.5)% | <b>10.71</b> | 11.64 | (8.0)% |
| Total traffic revenue per RTK (p)                      | <b>48.23</b> | 50.98 | (5.4)% | <b>47.88</b> | 52.54 | (8.9)% |
| Total traffic revenue per ATK (p)                      | <b>33.06</b> | 35.44 | (6.7)% | <b>32.42</b> | 35.43 | (8.5)% |
| Average fuel price before hedging (US cents/US gallon) | <b>87.83</b> | 80.16 | 9.6%   | <b>90.00</b> | 78.50 | 14.6%  |

*OPERATIONS*

|                                   |               |        |        |               |        |        |
|-----------------------------------|---------------|--------|--------|---------------|--------|--------|
| Average Manpower Equivalent (MPE) | <b>47,702</b> | 52,116 | (8.5)% | <b>48,459</b> | 52,521 | (7.7)% |
| ATKs per MPE (000)                | <b>116.1</b>  | 104.6  | 11.0%  | <b>224.0</b>  | 205.9  | 8.8%   |
| Aircraft in service at period end | <b>312</b>    | 349    | (37)   | <b>312</b>    | 349    | (37)   |

**TOTAL GROUP OPERATIONS**

*FINANCIAL*

|                                       |              |       |        |              |       |        |
|---------------------------------------|--------------|-------|--------|--------------|-------|--------|
| Net operating expenditure per RTK (p) | <b>43.10</b> | 44.43 | (3.0)% | <b>44.68</b> | 46.98 | (4.9)% |
| Net operating expenditure per ATK (p) | <b>29.54</b> | 30.89 | (4.4)% | <b>30.26</b> | 31.68 | (4.5)% |

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

## CHAIRMAN'S STATEMENT

### Group Performance

Group profit before tax for the three months to September 30 was £105 million; this compares with a profit of £245 million last year. The Board has again decided that no interim dividend will be paid.

Operating profit - - at £195 million - - was £53 million lower than last year. The operating margin was 9.8%, 2.0 points lower than last year. The deterioration in operating profit reflects deterioration in revenue as continuing economic weakness impacted yield. The quarter included the impact (approximately £40 million) of the unofficial industrial action in July. This was partially offset by cost savings delivered by the continuing implementation of our Future Size and Shape Programme and other initiatives.

Group profit before tax for the six months to September 30 was £60 million, £250 million lower than last year; operating profit - - at £235 million - - was £171 million lower than last year.

Cash inflow before financing was £367 million for the six months, with the closing cash balance of £1,786 million representing a £134 million increase versus March 31. Net debt fell by £342 million to £4,807 million, its lowest level since June 1998.

### Turnover

For the three month period, group turnover - - at £1,983 million - - was down 5.8% on a flying programme 1.7% larger in ATKs. Passenger yields were down 5.9% per RPK; seat factor was down 0.2 points at 76.5% on capacity 1.0% higher in ASKs.

For the six month period, turnover declined by 8.2% to £3,815 million on a flying programme 0.4% larger in ATKs. Passenger yields were down 9.3% per RPK with seat factor up 0.6 points at 74.2% on capacity 0.4% higher in ASKs.

Cargo volumes for the quarter (CTKs) were down 2.3% compared with last year, with yields (revenue/CTK) down 4.5%. For the six month period, cargo volumes were down 0.7%, with yields down 8.0%.

Overall load factor for the quarter was down 1.0 point at 68.5%, and for the half year up 0.3 points at 67.7%.

### Costs

For the quarter, unit costs (pence/ATK) improved by 4.4% on the same period last year. This reflects a net cost reduction of 2.8% on capacity 1.7% higher in ATKs.

Reductions were achieved in most categories of operating costs, including aircraft operating lease costs (down 29.3%), engineering and other aircraft costs (down 11.3%), other operating costs (down 3.5%), selling costs (down 22.3%) and accommodation and other costs (down 20.0%). Fuel costs increased by 21.1% due to the increase in fuel price net of hedging partially offset by exchange effects, and employee costs increased by 1.0% as manpower reductions and other efficiencies only partially offset wage and National Insurance increases.

For the half year, unit costs (pence/ATK) improved by 4.5% on the same period last year. This reflects a net cost reduction of 4.1% on capacity 0.4% higher in ATKs.

### Non Operating Items

Net interest expense for the quarter reduced by £8 million from last year to £56 million reflecting the impact of lower interest rates, higher cash balances and reduced debt.

Retranslation of currency borrowings generated a charge of £58 million, primarily due to the retranslation of yen debt, compared to a credit the previous year of £43 million. The retranslation - - a non-cash item required by standard accounting practice - - results from the strengthening of the yen against sterling.

Profit on disposals of fixed assets and investments was £15 million, up £6 million from last year.

For the six month period interest expense, including the retranslation of currency borrowings, was £123 million, down £7 million on last year. Loss on disposals of fixed assets and investments was £57 million, reflecting primarily the sale of dba at a loss in the period of £83 million. This compares with a profit on disposal last year of £28 million.

## **Earnings Per Share**

The profit attributable to shareholders for the three months was equivalent to 9.2 pence per share, compared with last year's profit per share of 14.1 pence.

For the six month period, the profit attributable to shareholders was £35 million, equivalent to 3.3 pence per share, compared with earnings of 17.8 pence per share last year.

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

Borrowings, net of cash and short term loans and deposits, were £4,807 million at September 30 - - the lowest since June 1998 and down £342 million since the start of the year. This reflects cash inflow more than offsetting movements in gross debt, together with exchange gains of £62 million. The net debt/total capital ratio reduced by 2.3 points from March 31 to 58.4%. The net debt/total capital ratio including operating leases was down 2.4 points from March 31 to 61.8%.

## **Cash Flow**

During the six months we generated a positive cash flow from operations of £520 million. After disposal proceeds, capital expenditure and interest payments on our existing debt, cash inflow was £367 million. This represents a £371 million deterioration on last year, primarily due to the deterioration in operating cash flow (£236 million), and a reduction in disposal proceeds (£178 million), partially offset by reductions in interest payments (£31 million) and capital expenditure (£6 million).

## **Aircraft Fleet**

During the quarter the Group fleet in service reduced by 2 to 312 aircraft. This reduction comprised 3 ATR72 aircraft stood down pending return to lessor, partially offset by the delivery of an Airbus A320 aircraft.

With the retirement of the Concorde fleet on October 24, the five aircraft remaining in service were stood down.

## **Future Size and Shape**

The implementation of our Future Size and Shape programme including the Business Plan initiatives of Customer Enabled BA and the £300 million reduction targeted in external spend, remains on track.

Forecast capital spend for the year remains on target. FSAS disposal proceeds at September 30 were £694 million (including £611 million to March 31, 2003) and the remaining £206 million to achieve the £900 million target will be delivered before year end.

The Group manpower reduction since August 2001 totals 14,623 including 1,397 relating to the disposal of World Network Services and 750 relating to the disposal of dba. Against the FSAS target of 13,000, this is a reduction of 12,087.

## **Associates**

Qantas announced full year profits before tax of A\$502 million, with the second-half loss of A\$11 million their first loss since privatisation. Our non-participation in their dividend reinvestment plan resulted in the reduction of our holding from 18.93% to 18.75%.

## **Alliance Development**

On September 22 British Airways signed a legally binding Memorandum of Understanding with Swiss International Air Lines.

The agreement involves joint operations between the UK and Switzerland with code-sharing on London Heathrow Swiss routes. The London Heathrow to Zurich, Geneva and Basle code-share opened for sale on October 20. British Airways will enter into a slot exchange agreement for eight Heathrow daily slot pairs from Swiss. Swiss will enter the oneworld alliance, and the Swiss frequent flyer scheme will be gradually integrated into the British Airways Executive Club.

## Outlook

Trading patterns seen over the last few months point to a more stable outlook for revenue. The recent positive economic news from the United States is a welcome development, but is not yet showing in forward bookings. In the soft revenue environment continued delivery of business efficiency and cost improvement is core to improving profitability.

### 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 and on the Internet at [www.british-airways.com/investor](http://www.british-airways.com/investor).

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of the Company's 'Future Size and Shape' programme, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemize all of the many factors and specific events that could cause the Company's forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Information on some factors which could result in material difference to the results is available in the Company's SEC filings, including, without limitation the Company's Report on Form 20-F for the year ended March 2003.

**GROUP BALANCE SHEET**  
(unaudited)

|  | September 30   |                | March 31       |
|--|----------------|----------------|----------------|
|  | 2003 £m        | 2002 £m        | 2003 £m        |
| <b>FIXED ASSETS</b>  |                |                |                |
| Intangible assets  | 159            | 150            | 164            |
| Tangible assets  | 9,156          | 9,940          | 9,487          |
| Investments  | 531            | 500            | 524            |
|  | <b>9,846</b>   | <b>10,590</b>  | <b>10,175</b>  |
| <b>CURRENT ASSETS</b>  |                |                |                |
| Stocks   | 75             | 95             | 87             |
| Debtors  | 1,126          | 1,171          | 986            |
| Cash, short-term loans and deposits                            | 1,786          | 1,538          | 1,652          |
|  | <b>2,987</b>   | <b>2,804</b>   | <b>2,725</b>   |
| <b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>          | <b>(2,954)</b> | <b>(2,947)</b> | <b>(2,904)</b> |
| <b>NET CURRENT ASSETS/(LIABILITIES)</b>                        | <b>33</b>      | <b>(143)</b>   | <b>(179)</b>   |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   | <b>9,879</b>   | <b>10,447</b>  | <b>9,996</b>   |
| <b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b> |                |                |                |
| Borrowings and other creditors                                 | (6,254)        | (6,719)        | (6,441)        |
| Convertible Capital Bonds 2005                                 | (112)          | (112)          | (112)          |
|  | <b>(6,366)</b> | <b>(6,831)</b> | <b>(6,553)</b> |
| PROVISION FOR DEFERRED TAX                                     | (1,077)        | (1,128)        | (1,062)        |
| PROVISIONS FOR LIABILITIES AND CHARGES                         | (93)           | (105)          | (107)          |
|  | <b>2,343</b>   | <b>2,383</b>   | <b>2,274</b>   |
| <b>CAPITAL AND RESERVES</b>                                    |                |                |                |
| Called up share capital  | 271            | 271            | 271            |
| Reserves   | 1,853          | 1,915          | 1,787          |
|  | <b>2,124</b>   | <b>2,186</b>   | <b>2,058</b>   |
| <b>MINORITY INTEREST</b>                                       |                |                |                |
| Equity minority interest                                       | 10             | 9              | 10             |
| Non equity minority interest                                   | 209            | 188            | 206            |
|  | <b>219</b>     | <b>197</b>     | <b>216</b>     |
|  | <b>2,343</b>   | <b>2,383</b>   | <b>2,274</b>   |

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

|   | Six months ended |              | Year Ended |
|---|------------------|--------------|------------|
|   | September 30     | September 30 | March 31   |
|   | 2003 £m          | 2002 £m      | 2003 £m    |
| Profit for the period                                     | 35               | 192          | 72         |
| Other recognised gains and losses relating to the period: |                  |              |            |
| <i>Exchange and other movements</i>                       | 19               | (22)         | (38)       |
| <b>Total recognised gains and losses</b>                  | <b>54</b>        | <b>170</b>   | <b>34</b>  |

These summary financial statements were approved by the Directors on November 7, 2003.

GROUP CASH FLOW STATEMENT (unaudited)

|   | Six months ended |       | Year     |
|---|------------------|-------|----------|
|   | September 30     |       | Ended    |
|   | 2003             | 2002  | March 31 |
|   | £m               | £m    | £m       |
| CASH INFLOW FROM OPERATING ACTIVITIES                           | 520              | 756   | 1,185    |
| DIVIDENDS RECEIVED FROM ASSOCIATES                              | 12               | 10    | 23       |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE                 | (121)            | (152) | (249)    |
| TAX   | (2)              | (6)   | (7)      |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT                    | 4                | 104   | 250      |
| ACQUISITIONS AND DISPOSALS                                      | (46)             | 26    | 29       |
| Cash inflow before management of liquid resources and financing | 367              | 738   | 1,231    |
| MANAGEMENT OF LIQUID RESOURCES                                  | (153)            | (334) | (289)    |
| FINANCING   | (237)            | (412) | (784)    |
| (Decrease)/increase in cash in the period                       | (23)             | (8)   | 158      |



**NOTES TO THE ACCOUNTS**

For the period ended September 30, 2003

**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, 2003 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985.

|  | Six months ended |            | Year                |
|--|------------------|------------|---------------------|
|  | September 30     |            | Ended               |
|  | 2003 £m          | 2002 £m    | March 31<br>2003 £m |
| <b>2 RECONCILIATION OF OPERATING PROFIT TO</b>     |                  |            |                     |
| <b>CASH INFLOW FROM OPERATING ACTIVITIES</b>       |                  |            |                     |
| Group operating profit                             | 235              | 406        | 295                 |
| Depreciation and amortisation                      | 337              | 330        | 734                 |
| (Increase)/decrease in stocks and debtors          | (129)            | 49         | 238                 |
| Increase/(decrease) in creditors                   | 92               | (8)        | (62)                |
| Decrease in provisions for liabilities and charges | (15)             | (21)       | (20)                |
| <b>Cash inflow from operating activities</b>       | <b>520</b>       | <b>756</b> | <b>1,185</b>        |

|  |                |                |                |
|--|----------------|----------------|----------------|
| <b>3 RECONCILIATION OF NET CASH FLOW TO</b>                      |                |                |                |
| <b>MOVEMENT IN NET DEBT</b>                                      |                |                |                |
| (Decrease)/increase in cash during the period                    | (23)           | (8)            | 158            |
| Net cash outflow from decrease in debt and lease financing       | 237            | 412            | 784            |
| Cash outflow from liquid resources                               | 153            | 334            | 289            |
| Change in net debt resulting from cash flows                     | 367            | 738            | 1,231          |
| New finance leases taken out and hire purchase arrangements made | (87)           | (113)          | (221)          |
| Exchange movements   | 62             | 145            | 135            |
| Movement in net debt during the period                           | 342            | 770            | 1,145          |
| Net debt at April 1  | (5,149)        | (6,294)        | (6,294)        |
| <b>Net debt at period end</b>                                    | <b>(4,807)</b> | <b>(5,524)</b> | <b>(5,149)</b> |

|  | Three months ended |         | Six months ended |         |
|--|--------------------|---------|------------------|---------|
|  | September 30       |         | September 30     |         |
|  | 2003 £m            | 2002 £m | 2003 £m          | 2002 £m |
| <b>4 OTHER INCOME</b>                    |                    |         |                  |         |
| Other                                    | 4                  |         | 4                |         |
|  | 4                  |         | 4                |         |
| Other income and charges represented by: |                    |         |                  |         |
| Group                                    | 4                  |         | 4                |         |
|  | 4                  |         | 4                |         |

**NOTES TO THE ACCOUNTS** (Continued)

For the period ended September 30, 2003

|  | Three months ended |          | Six months ended |           |
|--|--------------------|----------|------------------|-----------|
|  | September 30       |          | September 30     |           |
|  | 2003               | 2002     | 2003             | 2002      |
| <b>5 PROFIT/(LOSS) ON SALE OF FIXED ASSETS AND INVESTMENTS</b> |                    |          |                  |           |
| Net loss on disposal of dba (note 1)                           | (4)                |          | (83)             |           |
| Net additional profit from onward disposal of go               |                    | 10       |                  | 10        |
| Net profit on disposal of other fixed assets and investments   | 19                 | (1)      | 26               | 18        |
|  | <b>15</b>          | <b>9</b> | <b>(57)</b>      | <b>28</b> |
| Represented by:  |                    |          |                  |           |
| Group  | 14                 | 9        | (58)             | 28        |
| Associates   | 1                  |          | 1                |           |
|  | <b>15</b>          | <b>9</b> | <b>(57)</b>      | <b>28</b> |

**Note 1:**

On June 30, 2003 British Airways completed the sale of 100% of its interest in Deutsche BA Luftfahrtgesellschaft GmbH (dba) to Intro GmbH. The loss on disposal under the terms of the sale agreement will be finalised after the completion accounts have been agreed.

**6 INTEREST**

Net payable:

|  |            |           |            |            |
|--|------------|-----------|------------|------------|
| Interest payable less amount capitalised               | 70         | 81        | 139        | 168        |
| Interest receivable                                    | (14)       | (17)      | (28)       | (31)       |
|  | <b>56</b>  | <b>64</b> | <b>111</b> | <b>137</b> |
| Retranslation charges/(credits) on currency borrowings | 58         | (43)      | 12         | (7)        |
|  | <b>114</b> | <b>21</b> | <b>123</b> | <b>130</b> |

Net interest payable represented by:

|            |            |           |            |            |
|------------|------------|-----------|------------|------------|
| Group      | 111        | 19        | 120        | 128        |
| Associates | 3          | 2         | 3          | 2          |
|            | <b>114</b> | <b>21</b> | <b>123</b> | <b>130</b> |

**7 TAX**

The tax charge for the quarter is £4 million. This represents current tax of £3 million payable overseas on the Group's share of income from associates and £1 million by way of deferred taxes in the UK. The deferred tax provision on the balance sheet of £1,077 million at September 30, 2003 (September 30, 2002: £1,128 million, March 31, 2003: £1,062 million) is not expected to become payable in the foreseeable future.

**8 EARNINGS PER SHARE**

Basic earnings per share for the quarter ended September 30, 2003 are calculated on a weighted average of 1,069,895,000 ordinary shares (September 30, 2002: 1,076,134,000) and for the six months ended September 30, 2003, on a weighted average of 1,069,891,000 ordinary shares (September 30, 2002: 1,076,124,000) as adjusted for shares held for the purposes of employee share ownership plans including the Long Term Incentive Plan. Diluted earnings per share for the quarter ended September 30, 2003 are calculated on a weighted average of 1,117,939,000 ordinary shares (September 30, 2002: 1,124,260,000) and for the six months ended September 30, 2003 on a weighted average of 1,069,891,000 ordinary shares (September 30, 2002: 1,124,224,000).

The number of shares in issue at September 30, 2003 was 1,082,795,000 (September 30, 2002: 1,082,784,000; March 31, 2003: 1,082,784,000) ordinary shares of 25 pence each.

**NOTES TO THE ACCOUNTS (Continued)**

For the period ended September 30, 2003

|   | September 30 |              | March 31     |
|---|--------------|--------------|--------------|
|   | 2003         | 2002         | 2003         |
|   | £m           | £m           | £m           |
| <b>9 INTANGIBLE ASSETS</b>  |              |              |              |
| Goodwill  | 96           | 99           | 99           |
| Landing rights  | 63           | 51           | 65           |
|   | <b>159</b>   | <b>150</b>   | <b>164</b>   |
| <b>10 TANGIBLE ASSETS</b>   |              |              |              |
| Fleet   | 7,549        | 8,250        | 7,828        |
| Property  | 1,191        | 1,224        | 1,219        |
| Equipment   | 416          | 466          | 440          |
|   | <b>9,156</b> | <b>9,940</b> | <b>9,487</b> |
| <b>11 INVESTMENTS</b>   |              |              |              |
| Associated undertakings   | 469          | 431          | 461          |
| Trade investments   | 31           | 44           | 32           |
| Investment in own shares  | 31           | 25           | 31           |
|   | <b>531</b>   | <b>500</b>   | <b>524</b>   |
| <b>12 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>                      |              |              |              |
| Loans   | 63           | 64           | 57           |
| Finance Leases  | 126          | 133          | 124          |
| Hire Purchase Arrangements  | 369          | 330          | 362          |
|   | <b>558</b>   | <b>527</b>   | <b>543</b>   |
| Corporate tax   | 18           | 39           | 19           |
| Other creditors and accruals  | 2,378        | 2,381        | 2,342        |
|   | <b>2,954</b> | <b>2,947</b> | <b>2,904</b> |
| <b>13 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR</b> |              |              |              |
| Loans   | 1,295        | 1,323        | 1,275        |
| Finance Leases  | 2,338        | 2,454        | 2,430        |
| Hire Purchase Arrangements  | 2,290        | 2,646        | 2,441        |
|   | <b>5,923</b> | <b>6,423</b> | <b>6,146</b> |
| Other creditors and accruals  | 331          | 296          | 295          |
|   | <b>6,254</b> | <b>6,719</b> | <b>6,441</b> |
| <b>14 RESERVES</b>  |              |              |              |
| Balance at April 1  | 1,787        | 1,745        | 1,745        |
| Retained profit for the period  | 35           | 192          | 72           |
| Exchange and other adjustments  | 19           | (22)         | (38)         |
| Goodwill written back on disposals  | 12           |              | 8            |
|   | <b>1,853</b> | <b>1,915</b> | <b>1,787</b> |

15 The figures for the three months and six months ended September 30, 2003 and 2002 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, 2003 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.

## **INDEPENDENT REVIEW REPORT TO BRITISH AIRWAYS Plc**

### **Introduction**

We have been instructed by the Company to review the financial information for the three months and six months ended September 30, 2003, which comprises the Group Profit and Loss Account, Group Balance Sheet, Group Cash Flow Statement, Group Statement of Recognised Gains and Losses and Notes to the Accounts and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquires of Group management and applying analytical procedures to the financial information and underlying financial data and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the three months and six months ended September 30, 2003.

*Ernst & Young LLP*  
London

November 7, 2003

**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, 2003.

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

|  | Three months ended |              | Six months ended |            |
|--|--------------------|--------------|------------------|------------|
|  | September 30       |              | September 30     |            |
|  | 2003               | 2002         | 2003             | 2002       |
|  | £m                 | £m           | £m               | £m         |
| Profit for the period as reported in the Group profit and loss account | 98                 | 152          | 35               | 192        |
| US GAAP adjustments  | 44                 | 79           | 108              | 175        |
| <b>Net income as so adjusted to accord with US GAAP</b>                | <b>142</b>         | <b>231</b>   | <b>143</b>       | <b>367</b> |
| Net income per Ordinary Share as so adjusted                           |                    |              |                  |            |
| Basic  | 13.3p              | 21.5p        | 13.4p            | 34.1p      |
| Diluted  | 12.9p              | 20.7p        | 13.1p            | 33.0p      |
| Net income per American Depositary Share as so adjusted                |                    |              |                  |            |
| Basic  | 133p               | 215p         | 134p             | 341p       |
| Diluted  | 129p               | 207p         | 131p             | 330p       |
| Shareholders' equity as reported in the Group balance sheet            | 2,124              | 2,186        | 2,058            |            |
| US GAAP adjustments  | (56)               | 246          | (126)            |            |
| <b>Shareholders' equity as so adjusted to accord with US GAAP</b>      | <b>2,068</b>       | <b>2,432</b> | <b>1,932</b>     |            |

**AIRCRAFT FLEET**

Number in service with Group companies at September 30, 2003

|  | On balance<br>sheet<br>Aircraft | Operating leases<br>off balance sheet | Total<br>Sep 2003 | Changes<br>Since<br>Jun 2003 | Future<br>deliveries | Options   |
|--|---------------------------------|---------------------------------------|-------------------|------------------------------|----------------------|-----------|
| <b>AIRLINE OPERATIONS (Note 1 &amp; 2)</b> |                                 |                                       |                   |                              |                      |           |
| Concorde (Note 3)                          | 5                               |                                       | 5                 |                              |                      |           |
| Boeing 747-400                             | 57                              |                                       | 57                |                              |                      |           |
| Boeing 777                                 | 43                              |                                       | 43                |                              |                      |           |
| Boeing 767-300 (Note 4)                    | 21                              |                                       | 21                |                              |                      |           |
| Boeing 757-200                             | 13                              |                                       | 13                |                              |                      |           |
| Airbus A319 (Note 5)                       | 21                              | 12                                    | 33                |                              | 3                    | 66        |
| Airbus A320                                | 11                              | 16                                    | 27                | 1                            | 3                    |           |
| Airbus A321                                |                                 |                                       |                   |                              |                      | 10        |
| Boeing 737-300                             |                                 | 5                                     | 5                 |                              |                      |           |
| Boeing 737-400                             | 19                              | 8                                     | 27                |                              |                      |           |
| Boeing 737-500                             |                                 | 10                                    | 10                |                              |                      |           |
| Turbo Props (Note 6)                       |                                 | 22                                    | 22                | (3)                          |                      |           |
| Embraer RJ145                              | 16                              | 12                                    | 28                |                              |                      | 17        |
| Avro RJ100                                 |                                 | 16                                    | 16                |                              |                      |           |
| British Aerospace 146                      | 5                               |                                       | 5                 |                              |                      |           |
| <b>GROUP TOTAL</b>                         | <b>211</b>                      | <b>101</b>                            | <b>312</b>        | <b>(2)</b>                   | <b>16</b>            | <b>83</b> |

## Notes:

1. Includes those operated by British Airways Plc, CityFlyer Express and British Airways CitiExpress.
2. Excludes 2 British Aerospace ATPs and 3 ATR72s stood down pending return to lessor and 12 Jetstream 41s sub-leased to Eastern Airways.
3. Excludes 2 Concordes stood down pending retirement of the fleet on October 24, 2003.
4. Includes 1 Boeing 767 - 300 temporarily out of service.
5. Certain future deliveries and options include reserved delivery positions, and may be taken as any A320 family of aircraft.
6. Includes 10 British Aerospace ATPs, 2 ATR72s and 10 de Havilland Canada DHC-8s.