

SECTION 2 - BRITISH AIRWAYS PROFILE

OVERVIEW

British Airways is the world's second biggest international airline, carrying more than 28 million passengers from one country to another. Also, one of the world's longest established airlines, it has always been regarded as an industry-leader.

The airline's two main operating bases are London's two main airports, Heathrow (the world's biggest international airport) and Gatwick.

Last year, more than 34 million people chose to fly on flights operated by British Airways.

While British Airways is the world's second largest international airline, because its US competitors carry so many passengers on domestic flights, it is the fifth biggest in overall passenger carryings (in terms of revenue passenger kilometres).

During 2001/02 revenue passenger kilometres for the Group fell by 13.7 per cent, against a capacity decrease of 9.3 per cent (measured in available tonne kilometres). This resulted in Group passenger load factor of 70.4 per cent, down from 71.4 per cent the previous year.

The airline also carried more than 750 tonnes of cargo last year (down 17.4 per cent on the previous year).

The significant drop in both passengers and cargo carried was a reflection of the difficult trading conditions resulting from the weakening of the global economy, the impact of the foot and mouth epidemic in the UK and effects of the September 11th US terrorist attacks.

An average of 61,460 staff were employed by the Group world-wide in 2001-2002, 81.0 per cent of them based in the UK. Unlike some of the world's other airlines, British Airways is owned entirely by private investors - with around 260,000 shareholders, including around 50 per cent of the Company's own employees.

British Airways Group fleet as at 31 December 2002 comprised 348 aircraft - one of the largest fleets in Europe. It is one of only two airlines in the world with Concorde (seven in total), the world's only supersonic passenger aircraft. Subsequent to September 11th there have been further changes to the fleet which currently includes 56 Boeing 747s, 43 Boeing 777s, 21 Boeing 767s, 16 Boeing 757s, 56 Airbus A319/320s, and 60 Boeing 737s.

ALLIANCES

A further element in the airline's future profitability has been the formation of its global alliance. The launch of the oneworld alliance in February 1999 was an important step forward in introducing benefits to our customers around the world. British Airways joined with American Airlines, Qantas, Canadian Airlines and Cathay Pacific in offering a range of co-operative measures designed to provide a seamless world network. Iberia and Finnair joined in September 1999 and Aer Lingus and LanChile joined in June 2000. Canadian Airlines withdrew from the alliance in June 2000 following a merger with Air Canada.

On a bi-lateral basis, British Airways has co-operation agreements with all the oneworld airlines. British Airways and Qantas operate together, under a Joint Service Agreement, sharing costs and revenues on services between Europe and Australia over Singapore and Bangkok. The airline also has code sharing agreements outside of oneworld with America West, Swiss, Emirates, SN Brussels Airlines and LOT Polish Airlines. British Airways has also franchised smaller carriers, including GB Airways and British Mediterranean, to feed passengers on to the wider British Airways network. Taken together with its own extensive route network, these partnerships give British Airways a presence in all major world markets. The oneworld network as at January 2003 serves 552 scheduled destinations in 135 countries.

The airline's strategy for the future is focused on development of the American Airlines relationship, leading to deeper bilateral relationships within the oneworld alliance.

LONDON HEATHROW AIR TRANSPORT MOVEMENTS

For the year ended March 2002

Airline	Capacity share (% scheduled air transport movements)
British Airways	37.3
British Midland	13.5
Lufthansa	4.0
Aer Lingus	3.3
SAS	3.3
Virgin Atlantic Airways	2.4
United Airlines	2.3
Iberia	2.3
American Airlines	2.2
Air Canada	1.7

Source: BAA

LONDON GATWICK AIR TRANSPORT MOVEMENTS

For the year ended March 2002

Airline	Capacity share (% scheduled air transport movements)
British Airways	27.0
CityFlyer Express	15.0
	<u>42.0</u>
JMC Airlines	4.6
Air 2000	4.6
GB Airways	4.1
Monarch Airlines	3.4
Britannia Airways	2.9
Airtours International	2.5
Virgin Atlantic Airways	1.9
Excel Airways	1.6

Source: BAA

BRITISH AIRWAYS AWARDS 2002

During 2002 British Airways has received numerous awards, including:

AWARD	PRESENTED BY
<i>Best Airline Worldwide</i>	Northern Ireland Travel and Tourism Awards
<i>Grand Prix Award for International Design Effectiveness</i>	Design Business Association
<i>Finalist certificate for in-flight 'Well Being' video</i>	New York Film and Video Festival
<i>Best Airline for Passenger Service</i>	Air Transport World Magazine
<i>Best Foreign Airline</i>	Israeli Civil Aviation Administration
<i>Best Transatlantic Airline</i>	Skytrax Research of London survey
<i>Best Longhaul Business Class</i>	Skytrax Research of London survey
<i>Best Transatlantic Airline</i>	OAG Airline of the Year Awards
<i>Best International First Class</i>	OAG Airline of the Year Awards
<i>Best Western Europe-based Airline</i>	OAG Airline of the Year Awards
<i>Best European Airline serving the Middle East</i>	Business Traveller Middle East Awards
<i>Preferred Carrier to the Middle East and Africa</i>	Canadian Freight Forwarders Choice Awards
<i>Best Business Class</i>	Business Traveller Magazine
<i>Best Airline</i>	Business Traveller Magazine
<i>Best First Class</i>	Business Traveller Magazine
<i>Best Shorthaul Flights</i>	Business Traveller Magazine
<i>Best Frequent Flyer Programme</i>	Business Traveller Magazine
<i>Best Cabin Crew</i>	Business Traveller Magazine
<i>Most Innovative Airline</i>	Business Traveller Magazine
<i>Gold Award - Best Creative Media Plan</i>	Chartered Institute of Marketing Travel Industry Group (CIMTIG)
<i>Gold Award - Best TV Advertisement, Business category</i>	Chartered Institute of Marketing Travel Industry Group (CIMTIG)
<i>Gold Award - Best Outdoor Advertisement</i>	Chartered Institute of Marketing Travel Industry Group (CIMTIG)
<i>Gold Award - Best Business Press Campaign</i>	Chartered Institute of Marketing Travel Industry Group (CIMTIG)
<i>Silver Award for the 'Be there' trade promotion</i>	Chartered Institute of Marketing Travel Industry Group (CIMTIG)

HISTORY

British Airways can trace its origins back to the birth of civil aviation, the pioneering days following World War I. On 25 August 1919, its forerunner company, Aircraft Transport and Travel Limited (AT&T), launched the world's first daily international scheduled air service between London and Paris. That initial flight, operated by a single-engined de Havilland DH4A biplane taking off from Hounslow Heath, near its successor company's current Heathrow base, carried a single passenger and cargo that included newspapers, Devonshire cream and grouse. It took two and a half hours to reach Le Bourget. Shortly afterwards, two more British companies started services to Paris, and to Brussels - Instone, the shipping group, and Handley Page, the aircraft manufacturer. These pioneer companies struggled against severe difficulties. Passengers were few, fares high, and air travel seldom less than an adventure. One pilot took two days for the two-hour flight to Paris, making 33 forced landings along the way. One by one, the fledgling companies ceased operations, undercut by heavily subsidised French and Dutch competitors.

In 1924, Britain's four main fledgling airlines, which had by then evolved into Instone, Handley Page, Daimler Airways (a successor to AT&T), and British Air Marine Navigation Company Limited, merged to form Imperial Airways Limited. By 1925, Imperial Airways was providing services to Paris, Brussels, Basle, Cologne and Zurich. Operating from the new London airport at Croydon, services were introduced during the 1920s and 1930s to Egypt, the Arabian Gulf, India, South Africa, Singapore and West Africa. In co-operation with Qantas Empire Airways Limited, which operated between Singapore and Australia, a service between the UK and Australia was established in 1935. Meanwhile, a number of smaller UK air transport companies had started flights. In 1935, they merged to form the original privately-owned British Airways Limited, which became Imperial Airways' principal UK competitor on European routes, operating out of another new airport, Gatwick. Following a Government review, Imperial Airways and British Airways were nationalised in 1939 to form British Overseas Airways Corporation (BOAC).

Post-war, BOAC continued to operate longhaul services, other than routes to South America. These were flown by British South American Airways (BSAA), which was merged back into BOAC in 1949. Continental European and domestic flights were flown by a new airline, British European Airways (BEA). BOAC introduced services to New York in 1946, Japan in 1948, Chicago in 1954 and the west coast of the United States in 1957. BEA developed a domestic network to various points in the United Kingdom, including Belfast, Edinburgh, Glasgow and Manchester. From 1946 until 1960, BOAC and BEA were the principal British operators of scheduled international passenger and cargo services - and they preserved Britain's pioneering role in the industry. The 1950s saw the world enter the passenger jet era - led by BOAC, with the Comet flying to Johannesburg in 1952, halving the previous flight time. Despite grounding the Comet fleet after two crashes in 1954, BOAC was still able to claim the distinction of operating the first jet transatlantic service in October 1958, with two Comets flying simultaneously from London and New York, days ahead of their American rivals. The next decade saw another world beater, when BEA's Trident aircraft made the first automatic landing on a scheduled service, heralding the era of all-weather operations. The birth of the mass package holiday business meant changes in the airline industry. BEA met this by establishing its own charter airline, BEA Airtours, which took off in 1970. This mantle was carried for the Group by Caledonian Airways until March 1995, when the company was sold.

Following the formation of the Air Transport Licensing Board in 1960, other British airlines began to operate competing scheduled services. Indeed, several of the smaller domestic airlines - including Cambrian Airways and BKS (later Northeast Airlines) - eventually passed into BEA's ownership. In 1967, the Government set up another study into the industry. It recommended a holding board to be responsible for the two main airlines, BOAC and BEA, with the establishment of a second force airline, brought about by unifying various independents. As a result, British Caledonian was born in 1970, when the original Caledonian Airways took over British United Airways. Two years later, the businesses of BOAC and BEA were combined under the newly formed British Airways Board, with the separate airlines coming together as British Airways in 1974. Although this merger was to lead initially to substantial financial losses and industrial strife, the new airline inherited its predecessors' pioneering path, launching the world's first supersonic passenger service, simultaneously with Air France, with Concorde in January 1976.

In July 1979, the Government announced its intention to sell shares in British Airways. The Civil Aviation Act 1980 was passed to enable this to happen. Lord King was appointed Chairman in 1981 and charged by the Secretary of State for Trade to take all necessary steps to restore the Group to profitability and prepare it for privatisation. With an overall deficit of £544 million declared for 1981-82, including special provisions to pay for an extensive "survival plan", which included staff cuts, suspension of unprofitable routes and disposal of surplus assets, the task of re-establishing the company as the world's leading airline began in April 1983 with the repositioning of the carrier as the World's Favourite Airline. In February 1987 British Airways was privatised. Over one million applications were received for shares in the airline, offered at 125 pence, making the flotation 11 times oversubscribed. Freed from the constraints of Government ownership, British Airways announced a merger with British Caledonian in July. The merger went ahead following approval by the Monopolies and Mergers Commission later that year.

The key events in the company's history after privatisation are documented on the following pages.

KEY EVENTS

Post-Privatisation (February 1987- December 2002)

1987

- February Trading in British Airways shares begins on 11 February.
- December British Airways and United Airlines announce a worldwide marketing partnership.

1988

- January New Club World and Club Europe brands introduced.
- March British Airways services at Gatwick transfer to the new North Terminal.
- April British Airways and British Caledonian (Bcal) merge.
- British Airtours Ltd renamed Caledonian Airways Ltd.

1989

- January BAe Advanced Turbo-Prop (ATP) enters service.
- March New First Class service introduced.
- July Boeing 747-400 enters service.
- September Super Shuttle relaunched.
- October Shareholders approve a 15 per cent investment in United Airlines. The bid was withdrawn when other partners in the planned buy-out failed to raise financing.
- December Agreement is reached to acquire a 20 per cent shareholding in Sabena World Airlines. Other partners in the joint venture are Sabena and KLM. The proposal is approved by the UK Monopolies and Mergers Commission in July 1990, but the European Commission issues a statement of objection, requesting further information, in June 1990. The three partners eventually decide not to proceed with the plan in December 1990.

1990

- February Boeing 767 enters service.

1991

- January World Traveller and Euro Traveller brands are introduced.
- February Losses of 4,600 jobs, through early retirement and severance, and the standing down on half pay for up to a year of a further 2,000 employees are announced because of the significant downturn in traffic following the outbreak of the Gulf War.
- March A campaign designed to bring back traffic after the Gulf War is spearheaded by "The World's Biggest Offer" to give away free every seat on international services on 23 April.
- July An agreement is signed to begin work on setting up a new international airline based in Moscow to be known as Air Russia. British Airways would have a 31 per cent stake.
- August The airline orders 15 Boeing 777 aircraft powered by General Electric GE90 engines with a further 15 options. The aircraft form part of a £4.3 billion package, including orders and options for 24 Boeing 747-400s and 11 British Aerospace ATPs.
- British Airways agrees in principle to sell the business previously carried on by British Airways Engine Overhaul Limited to General Electric of the US for around £272 million.
- October Boeing 737-400 enters service

1992

- January A three-year plan to restore the airline's Gatwick operation to an acceptable level of profitability is announced.
- February The airline agrees the sale of its property maintenance branch to Drake and Scull.
- March British Airways Regional, a new business to run and improve the profitability of services from Birmingham, Manchester and Scotland, is announced.
- Deutsche BA, the company formed by a consortium of German Banks and British Airways, announces the acquisition of the German regional airline, Delta Air.
- July British Airways and USAir Group Inc announce an agreement to forge links through an investment by British Airways of US\$750 million in convertible preferred shares in USAir. The transaction is conditional upon obtaining the necessary regulatory and legal consents and the approval of USAir

shareholders. The agreement was terminated in December after the US Government indicated the transaction would not be approved without unwarranted and unilateral concessions by the UK Government under the two countries' bilateral air services agreement.

Lord King announces he is to step down as Chairman in July 1993 after 12 years.

September British Airways announces it will acquire a 49.9 per cent share in TAT European Airlines (TAT) for £17.25 million, subject to adjustment at the time of completion (January 1993).

November British Airways acquires for £1 the assets of the holding company for Dan-Air.

1993

January British Airways announces a new alliance with USAir, including an immediate investment of US\$300 million (£198 million) by British Airways in new convertible preferred shares in USAir for an initial 19.9 per cent voting interest. The agreement gives British Airways options over the next five years to invest up to a further US\$450 million in preferred shares in USAir in two tranches if financial and regulatory conditions permit. Commercial arrangements announced simultaneously cover codesharing on USAir flights in the USA, and the launch by British Airways of three new transatlantic services using USAir crews and aircraft leased from USAir. Both parties intend to explore other areas in which they will be able to work together to their mutual benefit.

British Airways pays £610,000 in settlement of a libel action brought by Mr Richard Branson and Virgin Atlantic Airways Limited.

February Lord King retires as Chairman and becomes the first President of British Airways. The Board appoints Sir Colin Marshall as Chairman and Robert Ayling as Group Managing Director.

March British Airways purchases a 25 per cent stake in Qantas.

The US Government approves British Airways' alliance with USAir, with clearance for the normal period of one year for codesharing and wet-lease operations. The two airlines commence in May a phased programme of codeshare flights to 38 cities.

British Asia Airways, a wholly owned subsidiary, inaugurates direct services between the UK and Taiwan.

April In conjunction with USAir's sale of 10 million shares of common stock, British Airways exercises its right under the investment agreement of January 1993 to invest US\$101 million additional preferred stock to maintain its 24.6 per cent holding in USAir.

Fast Track, a dedicated channel for premium passengers opens at Heathrow Terminal 4, providing a fast service from check-in to the departure lounge.

TAT European Airlines commences operations from Gatwick's North Terminal.

May British Airways raises approximately £442 million, net of expenses, by way of a Rights Issue on the basis of one New Ordinary Share for every four Ordinary Shares. Acceptances are received in respect of 92 per cent of the shares offered.

British Airways and Maersk Air of Denmark announce a conditional agreement to each inject £6 million into The Plimsoll Line to enable it to meet its outstanding debts and restructure. Brymon Aviation and Plymouth City Airport will become wholly-owned British Airways subsidiaries and Maersk Air Ltd (formerly Birmingham European Airways) will become a wholly-owned subsidiary of Maersk Air. Following approval to the restructuring by Office of Fair Trading, British Airways announces in August that flights operated by Brymon and Maersk Air Ltd are to fly in the colours of British Airways.

June British Airways launches daily flights between Gatwick and Pittsburgh using a USAir B767 in British Airways livery and staffed by USAir crews in British Airways uniforms. Similar services are launched to Baltimore in October and Charlotte in January 1994.

British Airways Maintenance Cardiff (BAMC), the new £70 million aircraft maintenance base at Cardiff-Wales Airport, is formally opened.

July British Airways announces a new marketing agreement with CityFlyer Express. From August the airline operates all scheduled services under the name British Airways Express, with British Airways' livery, uniforms and service standards. The agreement, for an initial five years, is designed to increase feeder traffic at Gatwick to the benefit of both airlines.

August As a result of redeployment of aircraft in the fleet and the airline's drive to improve utilisation, the last four Boeing 737-400 aircraft due for delivery (in the period September - December 1993) will be placed into storage pending disposal.

December The airline opens a new £23 million avionics facility in South Wales, which will create some 375 jobs by October 1994. The new workshop will be capable of handling over 130,000 avionic components a year, more than double the workload at Heathrow, with a three day turnaround compared with the industry norm of up to 28 days.

1994

- January The US Department of Transportation (DoT) approves British Airways and USAir codesharing to 65 destinations across the USA until March 17, 1994. In March the DOT renews approval for one year and says it will not act on British Airways' application to extend these arrangements to further destinations.
- March British Airways launches "World Offers" fares to more than 50 destinations, cutting prices by an average of a third, to sell seats that would otherwise probably be unsold.
- April British Airways and Loganair announce plans to protect loss-making Scottish routes with British Airways redeploying resources on strengthening cross-border routes. Loganair will enter into a franchise arrangement to provide services on several Scottish routes in British Airways Express livery from July.
- June British Airways announces changes on services to the Caribbean from Gatwick, including discontinuing the under-utilised First Class to provide more Club World seats.
- August British Airways and Qantas announce a much greater level of co-operation on services between Europe and Australasia. The airlines will co-ordinate scheduling, sales and marketing on their 35 weekly Boeing 747-400 Kangaroo route services and the Qantas network of Boeing 767 services between Australia, Singapore and Bangkok.
- September British Airways launches its new Club Europe brand, with a £70 million package of improvements including new seats, lounges at key business destinations throughout Europe, telephone check-in, Fast Track through passport and security checks at Heathrow's Terminal 1, better food and a choice between a snack and a full meal.
- December GB Airways, 49 per cent owned by British Airways, announces that from February 1995 it will operate scheduled services as a franchisee in British Airways livery.

1995

- January Eight additional destinations are added to the British Airways route network as Manx Airlines Europe becomes a franchise operator.
- March British Airways sells its charter airline subsidiary Caledonian Airways, including its fleet of five Lockheed TriStar aircraft, to Inspirations plc.
- British Airways and BAA plc restructure leases covering 224 acres at Heathrow, giving the airline security of tenure on its core maintenance base for 150 years.
- June HM Government reaches agreement with the US Government on a new "mini-deal" annex to the Bermuda 2 air service agreement which secures US approval for British Airways' outstanding codeshare requests, and confirms that the airline may operate a double-daily service from Heathrow to Philadelphia. Under the agreement, the US DoT approves applications to add 57 codeshare points to the 65 previously approved.
- British Airways announces the transfer of eleven weekly Central and East African services to Gatwick in Spring 1996. The transfer will release slots and terminal capacity at Heathrow for the launch of additional intercontinental services.
- July Trading in Qantas shares commences on the Australian Stock Market.
- September British Airways announces a £500 million three-year plan to revolutionise air travel. The programme kicks off with the relaunch of Club World and Executive Club frequent flyer programme. A completely new First Class service, renamed First, will lift off in the winter, with every other cabin then following suit.
- USAir reports preliminary conversations with both American Airlines and United Airlines concerning possible strategic relationships up to and including the acquisition of USAir. British Airways says it will evaluate a number of options in relation to its investment in USAir and the airline's future alliance strategy in North America.
- October British Airways and Qantas commence services on the "kangaroo route" between Europe and Australia under the joint services agreement between the two airlines.
- November United Airlines announces it will not pursue talks on the possibility of acquiring USAir.
- British Airways takes delivery of its first Boeing 777.

1996

- January Bob Ayling becomes Chief Executive of British Airways Plc. Sir Colin Marshall continues as Chairman, but on a non-executive, part-time basis.
- British Airways confirms that it would not be exercising its rights to subscribe for additional preference shares in USAir.

April	The airline announces a code-sharing agreement with America West, enabling British Airways Gatwick-Phoenix passengers to fly on to some America West destinations.
May	<p>The airline announces the Business Efficiency Programme for the three years from 1997/8 worth £1 billion.</p> <p>Canadian Airlines International and British Airways announce code-sharing on selected routes and reciprocal frequent flyer programmes.</p> <p>British Airways announces its first franchise agreement with a company based outside the UK. Sun-Air, the Danish regional airline will fly as British Airways Express from August on a network linking with British Airways at Copenhagen, Oslo and Stockholm.</p>
June	<p>British Airways and American Airlines announce plans for a broad alliance. From April 1997, the two airlines plan to co-ordinate their passenger and cargo activities between Europe and the USA, introduce extensive code-sharing across each other's networks and establish full reciprocity between their frequent flyer programmes.</p> <p>The airline signs a franchise agreement with the South African regional airline Comair, starting from October.</p>
July	<p>British Airways announces it is to switch its Latin American services from Heathrow to Gatwick from March 1997.</p> <p>A threatened strike by members of the pilots union, BALPA, is averted.</p>
August	<p>The European Commission approves British Airways' purchase of the remaining 50.1% of the share capital of its French partner TAT European Airlines.</p> <p>British Airways announces that from March 1997, British Airways' services to Faro, Malaga and Oporto will be operated by GB Airways as a British Airways franchise.</p>
September	British Airways announces the closure of its Contract Handling unit which carries out ground handling for other airlines at Heathrow. All 750 staff are offered the choice of voluntary redundancy and severance payments, or redeployment and retraining.
October	<p>British Airways submits a bid, in conjunction with Paris-based Groupe Rivaud, to offer to invest FFr 630 million of share capital in Air Liberté.</p> <p>Deutsche BA (DBA) and Regional Airlines of France the sale of DBA's turboprop activities to the French company, freeing DBA to concentrate on its core jet operations.</p> <p>British Airways announces a £10 million a programme of improvements to its UK domestic services. The programme includes more frequencies, more capacity, more lounge space and new electronic ticketing and self-service machines for speedier check-in.</p> <p>USAir serves notice to end its code-share and frequent flyer relationship with British Airways with effect from 29 March 1997.</p> <p>Under a franchise arrangement with British Airways, the Airlines of Britain Group will take over six loss making routes serving Orkney, Shetland and the Western Isles.</p>
November	The airline announces a restructuring of its Passenger Revenue Accounting Department which will result in a reduction of 600 UK jobs through automation and work to be contracted to World Network Services, a new development based in India.
December	<p>British Airways gives notice of its intention to sell all of its shares in USAir and in January announces the resignation from the Board of USAir of its three nominated directors.</p> <p>The President of the Board of Trade announces that the alliance between British Airways and American Airlines should be approved without referral to the Monopolies and Mergers Commission if suitable undertakings are given. The undertakings include the two airlines making available up to 168 weekly slots (equivalent to 12 slot pairs a day) at Heathrow for use exclusively on UK-US services. These slots would be made available over a phased period with some of the slots being leased to other carriers until competitors obtained slots of their own through normal channels.</p>
<u>1997</u> January	<p>British Airways and American Airlines submit a joint application to the US Department of Transportation, requesting formal approval of their alliance. The application requests anti-trust immunity which would permit the two carriers to co-ordinate their activities between the US and Europe, and introduce extensive code-sharing across each other's networks.</p> <p>Deutsche BA introduces major changes on its domestic routes including an expanded network, simplified pricing and a standard on-board service with a single class product.</p>

February	<p>British Airways and British Mediterranean Airways announce a new franchise partnership on routes between Britain and the Levant.</p> <p>British Airways announces a £250 million investment in a new World Cargo centre at Heathrow.</p> <p>The airline announces that it is to combine its general accounting activities at a new Global Accounting Centre at Ruislip which will result in a reduction of 290 jobs over three years.</p>
March	<p>British Airways and American Airlines link their frequent flyer programmes enabling members to “earn and burn” on each other’s networks excluding transatlantic services.</p> <p>The airline transfers its Ground Fleet Services vehicle maintenance business at Heathrow and Gatwick to Ryder plc on a five year contract.</p> <p>British Airways announces a US\$100 million investment to improve facilities for passengers travelling to and from New York. The project includes expanding the airline’s terminal at JFK, major new road access to the building and new premium passenger facilities at Newark.</p>
April	<p>The airline announces a streamlining of its Engineering department. Plans include disposal of the Wheels & Brakes and Landing Gear overhaul units, outsourcing the management of the department’s IT systems, establishing the parts supply organisation as a profit centre, and a new £20 million Pneumatics and Hydraulics workshop.</p> <p>British Airways and Canadian Airlines International announce an expansion of their code-sharing to all flights from London to Toronto and Vancouver.</p>
May	<p>British Airways sells its investment in USAirways, realising total proceeds of US\$625 million.</p> <p>Members of the Cabin Crew 89 union at British Airways vote overwhelmingly in favour of proposals which include pay restructuring and lower starter rates.</p>
June	<p>British Airways unveils its new corporate identity.</p>
July	<p>British Airways extends its network in Australia with code-shares on certain Qantas domestic flights, and Qantas extends its network in the UK and Europe by code-sharing on certain British Airways flights from Heathrow.</p> <p>Some of the cabin crew workforce at the airline hold a three-day strike. Talks between British Airways, the Transport and General Workers Union, and the British Airlines Stewards and Stewardesses Association aimed at resolving the dispute progressed.</p> <p>British Airways sells 45.7 per cent of its holding in Galileo International for net proceeds of US\$136.8 million.</p> <p>British Airways announces that it has agreed a memorandum of understanding with Iberia which commits the two airlines to discussing a co-operation agreement.</p>
August	<p>British Airways Engineering announces a strengthened focus on maintaining British Airways’ own aircraft. It will continue to sell services to other operators, but on a more selective basis. This results in a streamlined organisation and a reduction of 450 managerial and support jobs.</p>
September	<p>British Airways and the Transport and General Workers Union announce the settlement of the cabin crew dispute. The agreement secures the £42 million annual savings targeted from cabin crew as part of the Business Efficiency Programme. It also paves the way for a new relationship between the airline and the unions representing its cabin crew.</p> <p>British Airways announces the sales of its Landing Gear business to Hawker Pacific Inc. and its Wheels and Brakes business to AlliedSignal Aerospace.</p> <p>British Airways announces extensions of the relationships with Qantas and with Canadian Airlines with further codeshares added.</p>
November	<p>British Airways announces that it is to introduce a new reward scheme in the UK and US for travel agents. The airline is also modifying its commission structure in other markets.</p> <p>British Airways confirms that it is to launch a new low-fare, no-frills airline which will start flying in Europe in early 1998. The new airline will operate as a separate business with its own name, identity, management and employees.</p>
December	<p>British Airways sells its Heathrow catering production units to Gate Gourmet, part of the SAir Group. The 1200 staff transfer to Gate Gourmet.</p> <p>A US Court throws out most of the claims in a lawsuit against the airline by US Airways.</p>

1998

January	<p>British Airways opens a new business centre at the Club Europe lounge in Terminal 1. It is equipped with personal computers, modem connections for laptop computers, faxes, phones and printers, photocopying and scanning facilities.</p> <p>British Airways introduces electronic ticketing on international routes. It is available on all routes between the UK and Germany and on all internal German routes with Deutsche BA.</p>
February	<p>British Airways announces its link up with Finnair, with code-sharing on 15 return flights a day between London and Helsinki as well as Stockholm, effective from March. Deutsche BA will also code-share with Finnair from March on seven routes. As well as codesharing, the agreement will enable frequent flyers to earn and redeem miles on each other's networks.</p>
April	<p>British Airways and Qantas announces an expansion of their co-operation on the "kangaroo route", with the launch of code-sharing services via Bangkok.</p> <p>Manchester Airport's new £75 million terminal - named <i>Terminal 1 British Airways</i> - is officially opened. The new terminal, funded largely by Manchester Airport Plc, is capable of handling up to six million passengers a year and enables all British Airways domestic and international flights - and those of its partners - to be brought together under one roof, offering a minimum connection time of just 30 minutes for transfer passengers.</p>
May	<p>The High Court refuses easyJet's request for an injunction against 'go', British Airways' new low-cost airline. 'Go' operates its first flight from London Stansted to Rome as planned.</p> <p>The US Department of Justice (DoJ) issues its advice to the US Department of Transportation (DOT) on the suggested remedies for anti-trust immunity for the proposed alliance between British Airways and American Airlines. The DoJ suggests that sufficient slots be made available at Heathrow for 14 new daily services to the US to remedy the competition aspects of the alliance. In a separate matter not directly related to the proposed alliance, the DoJ also suggests that a further 10 weekly slot pairs be made available to US carriers to remedy what it sees as a disadvantageous position as a result of the existing bilateral air services agreement between the UK and the USA.</p>
June	<p>British Airways and Canadian Airlines expand their codesharing to include new flights between London and Ottawa and an additional daily service between London and Toronto.</p>
July	<p>The European Commission (EC) publishes its draft remedies on the proposed alliance between British Airways and American Airlines. The draft opinion says that the Commission intends to approve the alliance provided that certain conditions are fulfilled.</p> <p>British Airways announces a code-share agreement with LOT Polish Airlines covering eight weekly flights between the UK and Poland from August. Frequent flyers will be able to earn and redeem miles on the code-share flights.</p> <p>British Airways resumes services to Nigeria after a break of 14 months. The move follows the Nigerian Government lifting a ban on all UK-registered aircraft from operating to Nigeria.</p> <p>British Airways announces a further realignment of capacity in the Asia-Pacific region. From October, flights between Jakarta and London decrease from six to two a week. A new route connecting the UK and Australia via Kuala Lumpur will be opened up, with Qantas coming off the Kuala Lumpur to Sydney leg. British Airways also announces a 14th weekly flight between London and Tokyo.</p>
August	<p>The Secretary of State for Trade and Industry publishes the advice of the Director General for Fair Trading which sets out the basis on which he would recommend approval of the alliance with American Airlines. His advice includes the making available of 250 slots at Heathrow and Gatwick and the suggestion that slots might be sold.</p> <p>British Airways orders 59 aircraft in the Airbus A320 family with options on a further 129. The airline also orders 16 Boeing 777s, with options on a further 16, whilst cancelling 5 firm orders and 7 options for Boeing 747-400s. The airline announces in September that Rolls-Royce has won the contract to supply the engines to power the new Boeing 777s.</p> <p>British Airways announces that it will suspend services to Osaka as a result of worsening passenger demand and the continued fall in the value of the Japanese yen.</p> <p>British Airways and Malév Hungarian Airlines begin code-sharing on Malév's services between Gatwick and Budapest. Members of both airlines' mileage programmes are also able to earn and redeem miles on the code-share flights.</p>
September	<p>American Airlines, British Airways, Canadian Airlines, Cathay Pacific Airways and Qantas Airways announce new the oneworld global alliance. From early 1999, the five airlines will together phase in a wide range of initiatives designed to provide greater customer benefits, including more information and support, greater value and increased opportunities for rewards and recognition.</p> <p>British Airways and Nigeria Airways announce an agreement over services between London and</p>

Lagos which has the approval of the UK and Nigerian authorities. A three times a week B747-400 service will be operated by British Airways in co-operation with Nigeria Airways.

October On the third day of open skies discussions between the UK and US, the US negotiators call an end to the discussions. The US DoT also postpone evidentiary hearings. British Airways and American Airlines continue to press for approval of their proposed alliance on commercially acceptable terms, but reiterate that the terms of the EC proposal are too harsh.

British Airways and Emirates sign a code-share agreement covering selected flights between Britain and the United Arab Emirates. Subject to Government approval, from December British Airways' flights between Heathrow and Abu Dhabi will carry Emirates' EK code, and Emirates services between Manchester and Dubai will bear the BA prefix.

British Airways and LOT further extend their code-sharing to their six weekly flights between Krakow and Gatwick. At the same time, LOT moves its operations from Gatwick's South Terminal to the North Terminal. The agreement is supported by a link-up of mileage award programmes, enabling frequent flyers to earn and redeem miles on the code-shared flights.

November The New York City Industrial Development Authority launch a \$115 million 34 year tax exempt bond to assist in financing improvements to the British Airways terminal at JFK.

The first jumbo jet to join a British airline retires from British Airways service as part of the sale of the airline's fleet of 15 747-100s.

British Airways announces that it will not resume regional transatlantic services to New York from Glasgow and Birmingham for Summer 1999. Neither of the services operate in the winter season due to poor demand and financial performance.

British Airways launches a comprehensive range of new services and benefits for "World Traveller" passengers. New features include new seats with adjustable headrests and footrests and more knee room; and personal video screens for every passenger.

British Airways and Qantas announce six new code-share routes with flights to Australia from Gatwick, Birmingham and Manchester connecting over Paris or Frankfurt.

British Airways and Finnair announce code-sharing on two daily British Airways flights from Heathrow to Glasgow and Edinburgh. The airlines also join their codes on four daily services between Birmingham and Helsinki, operated via European hubs, offering the most convenient connecting times. British Airways also adds its code to Finnair flights from Helsinki and Stockholm to Turku in Finland.

British Airways and Malev announce code-sharing on services between Budapest and Birmingham and Manchester. The code-share flights operate via Frankfurt, which Malev serves from Budapest twice daily, where passengers can connect to British Airways' three daily flights each to Manchester and Birmingham.

December Finnair becomes the first new recruit to oneworld.

British Airways opens its new Concorde Room at New York's JFK airport.

1999

January British Airways and Japan Airlines (JAL) announce a deepening of their relationship. Members of the British Airways Executive Club and JAL's Mileage Bank will be able to earn and redeem miles on both international networks from June. The airlines also plan, subject to approvals, to code-share on JAL's daily service between Heathrow and Osaka from late summer.

February British Airways confirms that it is to take a 9 per cent stake in Iberia Lineas Aereas de Espana SA as part of the Spanish airline's privatisation programme. The expected price will be in the region of £200 million with a maximum of £215 million. The final price will depend on a number of adjustments, such as the eventual value of Amadeus in which Iberia has a 29 per cent stake and which is planning an Initial Public Offering. American Airlines confirms that it will take a 1 per cent holding in Iberia. British Airways and American Airlines will have the right to appoint two directors to Iberia's 12 person board as well representation on all Board sub-committees. Iberia announces that it has accepted an invitation to join oneworld.

British Airways and Iberia sign a commercial agreement under which they plan to co-operate in a wide area of activities, including code-sharing on flights beyond the UK and Spain, reciprocal frequent flyer programmes, and common ground handling and cargo.

British Airways sells just under 30 per cent of its holding in Equant the telecommunications company for a profit of £49 million.

March Base Airlines of Holland becomes the airline's 10th franchise partner and will offer services between Eindhoven and Heathrow, Gatwick, Birmingham, Manchester, and Zurich.

British Airways and LOT announce additional code-sharing and deeper frequent flyer integration. Combined Heathrow to Warsaw services will increase to 35 per week.

A High Court judgement confirms the right of airlines to freely exchange slots and that an exchange may be accompanied by financial consideration. The decision was made in the course of a Judicial Review that considered slot exchanges between British Airways and Air UK in 1997.

April The airline's last McDonnell Douglas DC10 aircraft leaves service as part of the new fleet strategy. The DC10 fleet has been sold and will be converted to cargo freighters.

British Airways launches an issue of Euro 300 million (approximately £200 million) fixed interest perpetual preferred securities. This is the first Euro dominated issue of its type by a non-financial UK business. The non-voting, cumulative preferred securities have no fixed maturity but may be redeemed by the issuer at any time after five years.

May British Airways announces that it is developing radical new products which redefine longhaul business travel and set new benchmarks in comfort and design. The plans include improved Club World featuring completely flat beds, a new state-of-the-art entertainment system with bigger screens, in-seat power for lap top computers, e-mail, phones and fax.

Linea Aerea Nacional de Chile (LanChile) becomes the eighth member of oneworld.

British Airways and Royal Bank of Canada (RBC) announce the launch of British Airways Global Financial Services. The first in a range of innovative products is the Offshore Deposit Account available from June 1 and provided by RBC's international private banking arm.

British Airways officially opens its New World Cargo Centre fitted with state-of-the-art technology. Business is scheduled to transfer to the new facility progressively over the next 18 months, enabling an increased focus on higher-yielding loose freight and significant improvements to the customer offering. This should raise average yields and the new technology and working practices are expected to improve productivity by 30 per cent.

June In line with its strategy of reducing the rate of capacity growth, the airline announces that it is to terminate the lease on one Boeing 767-300 as permitted under the lease agreement.

British Airways sells to Galileo International Inc its subsidiary that indirectly held 7,000,400 shares of Galileo International Inc. The disposal realised a profit before tax of £149 million.

British Airways sells its in-flight catering facility at Gatwick to ALPHA Catering Services for £14 million. In addition, ALPHA and British Airways enter into a new ten year agreement for the supply of in-flight catering service at Gatwick and eight UK regional airports.

British Airways receives the Investor award for Best Investor Relations Website at the annual Investor Relations Magazine Awards ceremony.

July British Airways and American Airlines re-affirm their commitment to developing their alliance, despite US DoT rejection of their application for anti-trust immunity for joint venture operations on North Atlantic routes. Both airlines envisage many opportunities to broaden the alliance in ways which do not require anti-trust immunity, both jointly and through the oneworld alliance.

The Irish Government endorse plans for the British Airways alliance with Aer Lingus. The two airlines plan to code-share extensively and offer reciprocal benefits to frequent flyers. In the longer term both companies intend to deepen the alliance, co-operating in many areas.

The European Commission rule against some of the airline's UK sales arrangements.

British Airways announces its intention to save a further £225 million (excluding one-off severance costs) in the current financial year to support profitability in a challenging trading environment. The main focus of the actions is on improving efficiency in support areas of the plans include a reduction of around 1000 staff in total by March 2000. A reduction of 300 managers (a 10 per cent cut) is targeted. Staff reductions are expected to be managed by voluntary means, the cost of which is expected to be in the region of £40 million.

The airline announces that it would suspend its own services between Heathrow and Basle, and codeshare with Crossair on that route.

British Airways announces plans for a £14 million upgrade to Concorde. The plans include new seats, new toilets, interiors, tableware and a new lounge at Heathrow.

September British Airways announces the disposal of 34 of its 53 Boeing 757s. The aircraft will be converted by Boeing into freighters for DHL. Deliveries will begin in July 2000. The airline also welcomes a new generation of aircraft with the arrival in Britain of its first Airbus A319.

The airline announces a £50 million programme of improvements to British Airways Club Europe, including faster check-in, and re-designed seats and interiors.

October British Airways orders 12 new 100 seat Airbus 318s, with options to purchase 12 more.

British Airways and LanChile announce an agreement to co-operate further on air travel between the UK and Chile. Frequent flyer miles will be redeemable on each other's services, with further exploration into codeshare opportunities. The new benefits will begin in June, shortly after which LanChile will join the **oneworld** alliance.

British Airways announces that it is to increase services between Heathrow and Lagos, Nigeria, in conjunction with Nigeria Airways from three to six services a week.

November British Airways and Aer Lingus sign a co-operative agreement to codeshare on 14 routes across the Irish Sea and to eight continental European destinations from March. Both airlines' frequent flyers will be able to earn and redeem miles on each other's networks. In December Aer Lingus is confirmed as the ninth member of the **oneworld** alliance.

British Airways and American Airlines file an application with the US DoT to codeshare on flights serving some 75 destinations in the UK, USA, Europe and Africa.

British Airways complete its purchase of CityFlyer Express. This follows approval from the Secretary of State for Trade and Industry, subject to undertakings which were offered by British Airways during the Competition Commission's investigation of the transaction.

British Airways launches a new £25 million transfer baggage sorting system at Gatwick.

The first operation into London City Airport by an aircraft in British Airways' livery begins, when British Regional Airlines begin their 3 per day weekday operation from Sheffield.

December British Airways sells a second tranche of 1.1 million shares in Equant for £58 million profit. British Airways remains the beneficial owner of 2.1 million shares in Equant.

British Airways doubles hand baggage allowances on Club World to 18kg.

The British Airways London Eye was opened by the Prime Minister on 31 December.

2000
January

British Airways announces plans for fundamental change to the way the airline works with UK travel agents following extensive consultation with agents and customers. The standard seven per cent commission payment will be replaced by a fee based structure, with charges paid for the basic service of making a booking, issuing travel documents and collecting the fare. Agents will be free to charge additional fees for any other services which customers require such as dedicated service desks and travel policy advice. Some fares will be adjusted to take this new scheme into account.

British Airways announces the introduction of a new cabin class, World Traveller Plus. This cabin will offer more space and facilities than World Traveller for a premium to the full World Traveller fare. Services between London and New York JFK will be fully embodied with both the Club World 'Lounge in the Sky', the world's first fully flat bed in business class, and World Traveller Plus by Summer 2000.

British Airways takes delivery of its first two Boeing 777 Extended Range aircraft.

British Airways completes the £17 million (R168 million) purchase of an 18.3 per cent shareholding in Comair, its franchise partner in Southern Africa.

British Airways agrees to sell Galileo UK to Galileo International Inc.

British Airways launches the world's first commercial interactive TV service offered by an airline. The service will appear within the interactive TV travel sections of the UK cable companies Cable & Wireless Communications, ntl and Telewest.

February British Airways announces its e-business strategy, comprising e-Commerce, e-Working, e-Procurement and e-Ventures. E-procurement is targeted to increase on-line purchasing in the UK from 25 per cent to 80 per cent by March 2002, saving more than £175 million on the airline's £3.7 billion a year purchasing spend. E-Working will transform the way the company carries out its business internally. e-Ventures includes three new on-line ventures, in which up to £100 million of investment is planned over the next two years. These are an on-line travel agency; a lifestyle portal; and a significant expansion of the on-line activities of Air Miles.

British Airways and Qantas announce the introduction of new services between the UK and Australia. Together, the airlines' will offer four daily services between London and Sydney. Qantas will also add a second daily service between Melbourne and London. Frequencies between Singapore and Perth will rise to 18 per week, with Singapore-Brisbane frequencies rising to 11 per week. These legs will be operated by Qantas 767s and will offer more connections to London via Singapore. To support the new schedules, Qantas will lease seven Boeing 767s, released as a result of the new British Airways fleet strategy.

The **oneworld** alliance announces the formation of a central management team to drive future growth and the launch of new customer services and benefits. It will be led by Peter Buecking, who will step down from his role as Sales and Marketing Director with Cathay Pacific Airways. As

oneworld Managing Partner, he will report to the alliance's Governing Board, comprising the Chief Executives of the member airlines.

- March Bob Ayling resigns as Chief Executive. Chairman Lord Marshall takes on the role temporarily.
- British Airways completes its acquisition of 9 per cent of the shares in Iberia, at a total of Ptas41 billion (£155 million). If the price of the shares in Iberia offered through its public flotation is less, the sum paid by British Airways will be reduced accordingly.
- British Airways and Cathay Pacific sign a code-share agreement, adding Cathay's CX code on British Airways' flights linking Heathrow with Belfast, Edinburgh, Glasgow and Manchester.
- April Six major world airlines, including British Airways, announce the formation of a company to create and operate an internet marketplace, linking airlines worldwide with sellers of airline-related goods and services. The company will handle approximately \$32 billion of the six airlines' supply chain business annually. The other founding member airlines are American Airlines, Air France, Continental Airlines, Delta Air Lines, and United Airlines.
- British Airways announces it will transfer management of British Airways' flight booking, departure control, inventory and related information systems to Amadeus.
- British Airways teams up with GetThere.com, the leading supplier of internet-based business-to-business travel systems in the US, to launch a new on-line business travel management system. The private access website will be available to travel agents for their medium to small sized corporate clients and also to corporate customers who wish to book directly.
- Following extensive consultation with trade bodies and UK travel agents, British Airways announces the payment levels for the agents' remuneration scheme, which in 2001 will replace the standard seven per cent commission payment. Payments are higher for longhaul than for shorthaul, and for full fare flexible tickets than restricted tickets to reflect the increased workload.
- May Three new Directors are appointed to the British Airways Board. Rod Eddington joins as Chief Executive. Martin Broughton, Chairman of British American Tobacco p.l.c. and Dr Martin Read, Managing Director and Chief Executive of Logica plc, are appointed Non-Executive Directors. Sir Michael Angus, Non-Executive Deputy Chairman, will step down from the Board at the Annual General Meeting in July.
- British Airways sells its 86 per cent shareholding in the parent company of Air Liberté to Taitbout Antibes BV. British Airways' net cash proceeds FF457 million (£40 million). Accounting rules require goodwill previously written off to be reinstated, leading to a loss on disposal of approximately £56 million. The net effect of the disposal is to increase reserves by £117 million, and eliminate the continuing trading losses of Air Liberté.
- In conjunction with ten other major airlines, British Airways announces the creation of the first European, multi-airline, on-line travel agency. The new site will offer the public access to the most up-to-date fare information, including the airlines' lowest branded fares. Passengers will also be able to book hotels, car hire, insurance and other travel services through the site.
- British Airways sells its 14.1 per cent stake in Hogg Robinson to the management buy-out consortium, leading to a £4.9 million profit on disposal.
- British Airways rolls out a free on-line information service for leisure and business travel agencies. This will give the UK travel trade extranet capability, allowing the agent to view product and service information, special promotions, training information and an on-line service to enable agents to talk to the trade query centre.
- June British Airways and KLM commence talks on a possible combination of their businesses. In September the two companies announce they will not be proceeding any further.
- With the entry into service of the ninth Airbus A319 at Birmingham, the last Boeing 737-200 was retired from the Eurohub terminal.
- British Airways and LanChile reach a code-sharing agreement. From August, LanChile operate connections between Buenos Aires and Santiago, replacing British Airways' London-Buenos Aires-Santiago service, which struggled to make a profit since introduction in 1993.
- Canadian Airlines International withdraws from the oneworld alliance. The oneworld airlines continue to provide services to seven Canadian cities with 64 daily flights.
- British Airways consolidates its leisure activities into one division, to offer an integrated range of leisure products sold through all distribution channels, including travel agents, tour operators, British Airways Telesales, Travel Shops and Britishairways.com.
- British Airways renews its franchise agreement with GB Airways for a further eight years. The Gatwick-based carrier has been a franchise carrier since 1995.
- July Embodiment of Club World flat beds is complete for the Heathrow-JFK route.

British Airways launches a trial offering on-line check-in for its top corporate customers via the British Airways extranet. The system allows customers to check in and select seats from home or the office up to 24 hours before departure. If the trial is successful, the service will be offered to the top 200 corporate customers by the end of March 2001.

The British Airways Executive Club is relaunched with an enhanced range of benefits. In October, BA Miles replaces AirMiles as the mileage currency for UK Executive Club members. Members will be able to earn miles on discount economy fares for the first time and mid and longhaul destinations will be easier to reach. BA Miles will focus on rewarding anyone who flies with British Airways, while AirMiles continues as the UK's leading frequent shopping reward scheme.

CityFlyer Express orders six new Avro RJ100 jets, together with options for six more. The aircraft will be used to upgrade selected routes currently operated by ATR aircraft, as well as introduce some new routes on to the CityFlyer network. Delivery of the aircraft is scheduled from November 2000 through to April 2001.

National Jet Italia, a start-up carrier, becomes the 11th member of the British Airways franchise family, flying from Rome to Palermo four times daily.

August

New Club World flying beds are available on the Hong Kong route. The seats have been well-received by customers on the Heathrow - New York JFK route, with significant rises in customer satisfaction ratings for cabin crew, catering, sleep, privacy, comfort and space.

World Traveller Plus opened for sale for travel from October 29 for services between London Heathrow and New York JFK, Hong Kong and San Francisco.

British Airways announced changes for its Winter 2000 schedule. Shorthaul frequencies are improved from Heathrow to Paris, Prague, Bologna, Rome and Munich; and from Gatwick to Venice and Barcelona. All Tel Aviv services will operate from Heathrow and increase in frequency from 10 to 17 per week. Services to Jersey, Venice and Bilbao transfer from Heathrow to Gatwick. Service reductions include Heathrow - Paris Orly (reduced from six to three per day), Gatwick - Verona and Gatwick - Genoa. Operations from London to Ljubljana and Salzburg will cease. Longhaul changes include London - Johannesburg becoming a double daily operation, with the addition of an extra weekly flight. A fourth weekly service to Nassau is added, and services to Kuala Lumpur reduce by one frequency to five per week.

British Airways cancelled all Concorde operations after the Air France Concorde accident. British Airways remains optimistic that services will resume at some point.

As a result of the suspension of Concorde operations, an extra 32 new Club World seats will be available on two daily Heathrow - New York JFK services from mid-September.

September

British Airways and internet agency DoubleClick signed an on-line advertising deal, spanning 14 countries on four continents with a potential audience of over 33 million people.

October

British Airways announces significant changes to its flying programme for Summer 2001, which will reduce capacity, measured in Available Seat Kilometres, by 2 per cent on top of the previously planned 8 per cent reduction. However, in terms of flying hours, the changes will mean a 1 per cent increase versus Summer 2000. The changes include the transfer of two longhaul routes from Gatwick to Heathrow, the suspension of one loss-making longhaul route and increased frequencies on some core routes.

Following the completion of the Club Europe embodiment on its aircraft, British Airways increases the baggage allowance for that cabin. Passengers now can take two pieces of hand baggage, weighing up to 18kgs on board, doubling the previous allowance.

AirNewco, an airline-led B2B initiative which includes British Airways, and MyAircraft, a B2B exchange led by aerospace manufacturers, announce their intent to combine their efforts into one venture.

British Airways launches a new corporate rewards program for small to medium sized businesses, called On Business, following a successful nine months trial period. Each time an employee books an eligible fare with British Airways, the company earns points, which can be exchanged for a range of business travel rewards, such as free flights, chauffeur drives to or from UK airports, Heathrow and Gatwick Express train tickets and hotel vouchers.

British Airways and Iberia announce further code-sharing agreements. BA codes will be added to Iberia services between Gatwick and Oviedo, Palma and Ibiza and between Palma and Mahon. The IB code will be added to BA flights between Gatwick and Faro, Oporto, Palma, Tenerife and Bermuda and between Heathrow and Faro.

November

British Airways announces that it will restructure its operations at Gatwick into a largely point to point business. British Airways also announces its intention to sell GO, its no frills subsidiary, and to better integrate its various shorthaul operations.

British Airways unveiled its new-look First cabin. The investment includes new interiors,

improvements to seat cushioning and bedding, and in-seat telephones and lap-top power.

British Airways selects internet consulting firm, iXL, to work with it to develop and implement its future e-Commerce services. The agreement will begin with the redesign of British Airways' global website and the implementation of a new content management system, which are both due to be complete by Spring 2001.

British Airways and Finnair extend their code-sharing agreement to include a longhaul route. Finnair's AY flight code is added to one of British Airways' two daily services between Heathrow and Toronto.

December

British Airways announces the results of its review of Gatwick operations, marking a shift from previous attempts to build Gatwick as a transfer hub. The plan, which will be implemented over two years, includes reducing longhaul destinations served from Gatwick from 43 to around 25, through cutting some destinations and relocating other services to Heathrow. Gatwick's shorthaul business will be refocused on serving the needs of London and South East England, and the consolidation of City Flyer operations in the North Terminal.

Thomas Cook and British Airways announce that they plan to merge their existing UK scheduled businesses, Thomas Cook Holidays and British Airways Holidays outbound business, to create a 50/50 joint venture company.

British Airways appoints Mike Street, the airline's Director for Customer Service and Operations, to the company's Board.

Zambian Air Services (ZAS) becomes a British Airways franchisee. ZAS will begin flying from Johannesburg to N'dola twice a week and from Johannesburg to Lusaka three times a week.

2001

January

British Airways begins modifying its Concorde, with the hope of resuming services later in the year. £17 million will be spent on safety-related modifications and £14 million on upgrading the onboard product.

British Airways announces large cuts in many of its fares, effective from April 1. The adjustments to fares reflects the changes in payments to agents, following the introduction of its new agents' remuneration scheme.

British Airways announces the launch of its new Value Pass, enabling passengers to buy full fare domestic and Club Europe e-tickets in bulk at a 10-18 per cent discount.

British Airways introduces a facility to check-in and select seats for flights out of the UK via WAP phone. The service is available to Gold and Silver Card Executive Club members, and will be available to Blue Card holders in the summer.

British Airways unveils the Journey Baggage Service which uses information from computer systems around the world to pinpoint the whereabouts of baggage. This will be the single source of information from which Customer Service staff can trace missing baggage.

British Airways and Iberia announce the expansion of their code-sharing agreement to cover four destinations in Spain served by Iberia subsidiary Air Nostrum. From February, the BA code will be added to Air Nostrum/Iberia flights between Madrid and the regional cities of Almeria, Murcia, Pamplona and Zaragoza.

February

British Airways send an emergency relief flight to transport aid workers and more than 36 tons of vital supplies to victims of the Gurjurat earthquake disaster.

British Airways re-opens its First class lounge at London Heathrow's Terminal 4 for premium passengers ensuring unrivalled comfort and luxury on the ground and in the air. A new Concorde Room designed by Sir Terence Conran also opens in the airline's Lounge Pavillion at Terminal 4, in anticipation of a resumption of supersonic services later in the year.

As part of its continued commitment to its home market British Airways announces a new range of benefits for passengers flying within the UK. British Airways will offer its full fare passengers the opportunity to choose their seat at the time of booking and lounge access at selected destinations around the UK.

A worldwide Passion Day is held by British Airways to recognise the airline's "Passion for Service" campaign.

British Airways takes part in a survey into air quality on board commercial passenger jets.

March

British Airways revises its menu plans following the outbreak of foot and mouth disease in the UK

British Airways confirms it intends to make a recommended offer for all of the issued shares in British Regional Air Lines Plc (BRAL). The offer is subject to formal approval by the Office of Fair Trading. The purchase is a further step in British Airways' previously announced plans to co-

ordinate better its various shorthaul businesses and reduce fragmentation among subsidiary and franchise partners.

A computer outage on British Airways computer systems causes disruption for passengers around the world.

The Airline Group, including British Airways, is named by the UK Government as strategic partner for National Air Traffic Services' public-private partnership. The group announced plans for £1 billion worth of investment.

April British Airways announces its new summer schedule from London Gatwick which focuses on the Airline's strategy to develop viable, point-to-point services at the airport. The highlights include a new daily non-stop service to San Diego, the first scheduled service to the Turks and Caicos Islands and increased flights to Houston and Buenos Aires.

British Airways co-hosts a visit of travel chiefs to help dispel misconceptions about foot and mouth disease.

British Airways and Iberia announce that they are to extend their code-sharing arrangements to long-distance routes. British Airways' code will be added to Iberia's six weekly flights between Madrid and Lima. Iberia's code will be placed on five weekly British Airways' flights between London Heathrow and Bangkok.

Australia is the latest country to get the Next Generation products. Aircraft flying to Melbourne and Sydney are embodied with the new 21st century products.

May "Air rage" incidents are targeted by British Airways with the release of its new Conditions of Carriage.

British Airways announce customers can save money each time they buy a ticket from the airline's website - www.britishairways.co.uk. Passengers will benefit from a £3 discount for domestic and shorthaul flights and £5 for longhaul journeys. The discount will apply to all bookings to and from the UK.

Mike Jeffery, Director of flight Operations, retires after 35 years with the company.

June UK and US officials meet to discuss prospects for an "open skies" agreement. The atmosphere surrounding the discussions is described as "positive and constructive".

British Airways sells its no-frills subsidiary "Go" for £100m to 3i.

British Airways launches its Pets Travel Scheme trial operating from Barcelona, Rome and Bermuda to London Gatwick.

British Airways opens a new US telephone sales centre in Jacksonville, Florida. It is run by a wholly-owned subsidiary Flytele.

British Airways celebrates 10 years of operations at Birmingham's Eurohub.

July A British Airways Concorde flies for the first time since modifications were made as part of the programme to return to the supersonic airliner safely to service.

August British Airways pledges to take part in DVT research, alongside the World Health organisation (WHO)

British Airways launches a new website to promote its Travel Clinics. The new website (www.britishairways.com/travelclinics) has a link to the airline's dedicated health website and contains details of all the services offered by the Travel Clinics.

September Possibly the worst day in aviation history - on September 11 terrorists hijack two United Airlines and two American Airlines flights, crashing two of the aircraft into the World Trade Centre's twin towers in New York, and a third into the Pentagon in Washington. The fourth aircraft crashes in woodland in Pennsylvania. No British Airways aircraft were directly involved, although 22 aircraft were diverted. More than 4,000 people were killed. Staff all over British Airways volunteer to ease disruption in the terminals as chaos reigns following many cancellations and aircraft diversions.

Following the attacks British Airways draws up a plan of action. A Business Response Scheme to achieve 7,000 workforce reductions is approved. A reduction in flying of 10 per cent is also announced. Other measures include a review of spending on new projects, aircraft modifications, investment in products and a moratorium on IT expenditure.

Concorde's Certificate of Airworthiness is returned by the Civil Aviation Authority and its French equivalent, DGAC. It marks the end of an intensive programme of work by the manufacturers, regulatory authorities, British Airways and Air France to ensure Concorde returns safely back into service.

October	<p>British Airways combines its two UK regional subsidiaries, British Airways Regional (BAR) and CitiExpress, creating the second largest regional airline in Europe. The combined regional business will have a turnover in excess of £600 million and a fleet of 92 aircraft serving more than 120 routes. The new entity will employ around 3,200 people and carry some five million passengers each year.</p> <p>Concorde tickets go on sale and are snapped up in preparation for the flagship's return to commercial service.</p> <p>British Airways launches a new twice daily service between Manchester and Zurich. The flight, operated by British Airways CitiExpress, the wholly owned British Airways regional subsidiary, will provide Club Europe and EuroTraveller service.</p> <p>British Airways launches a promotion to get people flying again, with 50,000 Club class tickets up for grabs for Executive Club members, enabling them to take a companion free. Five million cut-price tickets also go on sale to destinations all over Europe with children able to fly for free.</p> <p>British Airways wins the prestigious Grand Prix Award for International Design Effectiveness for the new Club World seat which turns into a six foot fully flat bed. The award was given in recognition of how the product had revolutionised business travel. The seat also won the best consumer product award.</p>
November	<p>Armour-plated cockpit doors are fixed on all British Airways aircraft as an extra security measure.</p> <p>Concorde returns to commercial service and lands in New York for the first time since July last year. The atmosphere on board is described as "electric".</p> <p>Heathrow Terminal 5 is given the go-ahead by the UK Government. It is due to open in 2007.</p> <p>A team of 5 senior managers are appointed to lead the airline's study into the future size and shape of the company.</p>
December	<p>Concorde services return to Barbados. British Airways will operate a once a week scheduled service to the island from London Heathrow. The average flight time between London Heathrow and Barbados is three hours and fifty minutes. A subsonic aircraft such as a Boeing 747, flying the same distance, averages a flight time of eight hours fifty minutes.</p> <p>British Airways announces its best punctuality results for seven years.</p> <p>British Airways suspends services from Hong Kong to Taipei and Manila. British Airways and its oneworld alliance partner, Cathay Pacific Airways, announce an expansion to their code-sharing agreement to cover Kuala Lumpur, Auckland and eleven destinations in Europe.</p> <p>The first rehearsal of the migration to Amadeus ticketing is successfully completed. The initial cutover to the new system is expected in February.</p>
<p><u>2002</u> January :</p>	<p>British Airways increases services to Nassau and Grand Cayman for the summer to cope with increased demand. The extra weekly service means an additional 767 is put on the route to operate to the Caribbean islands.</p> <p>US Department of Transportation announces the regulatory conditions for the proposed alliance between British Airways and American Airlines which involves giving up 224 Heathrow slots. Rod Eddington, British Airways' chief executive and Don Carty, chairman and chief executive, American Airlines say the regulatory price is too high.</p>
February	<p>British Airways reports lower than expected pre-tax losses for the third quarter to December 31, 2001 of £160 million against a pre-tax profit of £65 million for the same period last year. The three month pre-tax figures takes the results for the nine months to a loss of £115 million, (2001: £215 million profit).</p> <p>The chief executives of the eight oneworld member airlines – Aer Lingus, American Airlines, British Airways, Cathay Pacific, Finnair, Iberia, LanChile and Qantas – underline their commitment to the alliance by accelerating plans to deepen working relationships between the partners. The new developments include a major expansion of code-sharing agreements between the airlines.</p> <p>British Airways unveils a major package of measures designed to return the airline to profitability, following a wide-ranging analysis of its business led by chief executive Rod Eddington. The review – known as Future Size and Shape – showed measures need to be introduced to meet £650 million of annualised cost savings. They include 5,800 further job losses in addition to 7,200 announced previously, total head office and support staff to be reduced by more than a third and a significant restructuring of short haul business to compete with no frills carriers.</p>

British Airways launches the new 'Skyflyers' activity pack designed and developed with Disney. The new packs are designed to amuse and entertain young flyers of all age groups.

March British Airways introduce a new selling engine to its internet site to make it easier for customers to get the best possible deal when booking flights online.

The wholly owned BA subsidiary, CitiExpress, is officially launched operating to 48 destinations from 26 airports. Passengers will benefit from travelling with a full service regional airline that can offer high frequency schedules to some of Europe's top cities. BA CitiExpress was created from the integration of two wholly owned subsidiaries, Brymon Airways and British Regional Airlines.

April British Airways receives more than £6 million from the UK Government after becoming the world's first airline to take part in a new scheme to reduce greenhouse gas emissions. The airline commits to reducing its carbon dioxide emissions in the UK by 125,000 tonnes over the five years of the scheme to 2006. The scheme will begin operating on 2 April 2002.

British Airways signs a deal with Warburg Pincus for the private equity investor to acquire a majority shareholding in World Network Services (WNS), the airline's India-based data management company. The sale of WNS is put forward to enhance the future growth prospects and development of the company and allowed British Airways to maintain a meaningful stake, whilst pursuing its ongoing strategy to focus on core business.

Mr Michael Davies and Raymond Seitz announce their retirement from the BA board of directors, taking effect from 16 July, 2002 the day of the AGM. The board numbers reduce to 11 members.

British Airways announces that it will be the official airline of the England football team for the 2002 World Cup. The Football Association charter a 777 for the duration of the World Cup trip flying them to Dubai and on to the Far East. The deal means that British Airways will be the official carrier of the squad up until 2004 encompassing not only the World Cup but also the European Championships in Portugal.

The outcome of the Future Size and Shape in the regions is unveiled. British Airways CitiExpress undertake a review to ensure the profitability of its services at airports throughout the UK. They announce withdrawal of 12 loss making routes, launch two new routes and increase frequency on nine and reduce staffing by the equivalent of 500 full time positions. The changes are to bring £20 million cost savings each year by 2004.

May BA launch a summer promotion for Concorde return fares to New York. The special Concorde tickets went on sale for £3,999, representing savings of up to £3,867. The tickets are on sale throughout May.

British Airways makes sure that its customers get to watch the World Cup, as daily highlights from England matches are played inflight via the seat back videos during May and June.

British Airways posts a pre-tax loss of £200 million for the full year to March 31, 2002, well ahead of market expectations. There was a pre-tax loss for the fourth quarter of £85 million. Total overall costs for the full year fell by 5.9 per cent which reflect the actions taken by British Airways in response to the global economic slowdown earlier in the year and decisions immediately after September 11.

Travel agents are given a new improved web-based booking tool to make it easier to book British Airways flights. The new system, Trade Fare Explorer, replaces British Airways Reservations Online (BAROL). The move is part of the package of measures to reduce costs and improve profitability and is based on the new selling engine on ba.com.

British Airways signs a deal with easyJet for the sale of Deutsche BA (DBA), a subsidiary which flies exclusively in Germany. Under the terms of the deal BA is granting easyJet the option to buy 100% of DBA by March 31, 2003. The deal is potentially worth between £18.3 million (30 million euros) and £28 million (46 million euros), dependent on when easyJet exercises the option.

June British Airways and Finnair expand their current codesharing arrangements by adding destinations in South Africa, Canada, and the UK regions. The Finnair code is added to BA operated flights from London to Johannesburg, Cape Town, Montreal, Vancouver and Toronto. British Airways also adds its code to selected flights operated by Finnair.

British Airways takes a further step into the next generation of air travel by offering on-board e-mail and internet access for its passengers. BA installs the system in its First, Club World and World Traveller Plus cabins for a trial period of three months.

British Airways reaches the finals in the UK's most prestigious national awards for corporate community working. It was among a handful of companies to be selected as a finalist for the Investing in Potential award in *Business in the Community's Awards for Excellence 2002*. The award marked the company's achievements and confirmed its position as an 'Example of Best Practice' in the field of corporate responsibility.

British Airways cuts European air fares by up to 80 per cent on 42 routes. Saturday night stay and advance purchase restrictions are scrapped and prices slashed to from £59 return on domestic routes and £69 return to Europe. More than 50,000 air tickets at the lowest fare will be available every month on the 71 domestic and European routes which also have lower flexible fares and fewer booking restrictions.

July A World Traveller Plus promotion launches on 11 US destinations for passengers to travel for an extra £150 for a one-way upgrade in the airline's premier economy cabin. A return ticket to New York, Boston and Washington with a one-way upgrade to World Traveller Plus starts from £399 including taxes (saving up to £74).

British Airways and its oneworld partner, Iberia, expand their codesharing arrangements, resulting in new international destinations for each carrier. From July 12, the Iberia code is added to connecting flights operated by British Airways from London Heathrow to Budapest, Nairobi and Singapore. At the same time, British Airways added its code to connecting flights operated by Iberia from its main hub in Madrid for travel on to Havana in Cuba and Santo Domingo in the Dominican Republic.

British Airways and SN Brussels Airlines announce that they are entering into a commercial relationship, subject to regulatory approvals. The agreement between the two carriers is to enable the SN Brussels flight code to be placed on all British Airways services between Brussels and London from October 27, 2002. In addition to the code-share, new ticketing arrangements have been put in place to allow customers to benefit from improved access to each airline's network.

Lambeth councillors vote unanimously to grant the British Airways London Eye permanent planning permission on its South Bank site, opposite the Houses of Parliament.

British Airways welcomes the government announcement about the options for improving airport infrastructure across the UK. Rod Eddington, British Airways' chief executive, said: "Heathrow is a unique national asset and by including it in the options, the Government is recognising the key contribution that it makes to the British economy. The priority must be to build on that contribution."

British Airways announces changes to its winter schedule for 2002 which include increased services to profitable destinations and further route transfers from London Gatwick to London Heathrow. These transfers are in line with the airline's Future Size and Shape strategy, unveiled in February 2002. Services to San Diego, Denver and Phoenix in the USA and Harare in Zimbabwe and Lusaka in Zambia moved from Gatwick to Heathrow's Terminal Four, a move which will concentrate British Airways' African network at Heathrow. Flights to New York's JFK airport from Heathrow increased from six to seven daily sub-sonic services.

August British Airways posts a pre-tax profit of £65 million for the first quarter to June 30th, 2002. The operating profit for the first quarter was £158 million. Net costs were down 14.6 per cent for the quarter, and unit costs fell by 2.6 per cent in the same period. Revenue in the quarter, at £2,052 million, was down 10.7 per cent. Passenger yields were up 5.0 per cent primarily due to improved cabin mix.

The launch of British Airways' winter long haul sale sees thousands of discounted flight tickets to 49 far flung destinations, offering savings of up to £204. Prices started from just £239 for a return ticket to New York, Boston and Atlanta including taxes.

Prices are slashed by to 80 per cent on British Airways' flights to Spain, Turkey, Greece, Cyprus, Belgium, Czech Republic, Hungary and Luxembourg completing the launch of year-round low fares on 170 key routes to Europe by the airline.

September Inflight entertainment is revamped when British Airways launches a repackaged on-board product - High Life Entertainment. Six new television channels are launched including Film Four and MGM.

Free upgrades to First are offered on one sector of customer's journeys when they book their British Airways' long haul business class tickets. In addition, passengers flying in the airline's Club World (business class) cabin to New York JFK, are offered a free upgrade to Concorde on one leg of that journey.

British Airways emerges as the most successful airline at the prestigious 2002 Business Traveller Awards, winning a total of seven categories. As well as winning the blue riband Best Airline award, British Airways also regains top spot in the Best Business Class category by ousting Virgin Atlantic.

October The annual charity flight for Dreamflight flies to Disneyworld with 192 sick, disabled and incurably ill children. The special British Airways' has been an annual event for some years and was the inspiration of British Airways cabin crew member Patricia Pearce and retired flight engineer Derek Pereira.

Five tourism projects, including two UK entries, clinch top honours in the travel industry's leading environmental British Airways Tourism for Tomorrow awards. The awards receive entries from 32 countries around the world and recognise best practice in the field of sustainable tourism. The

winning project is chosen from five environmental award categories.

November Good second quarter results are delivered as British Airways cost drive posts a pre tax profit of £245 million. The three-month pre-tax figures took the result for the half-year to £310 million. Yields in the second quarter were up 1.2 per cent. Debt was down by £1 billion.

Changes to British Airways' longhaul flying programme for the summer 2003 season reflect the airline's drive to maximise revenue on profitable routes, reduce its cost base and work its assets harder. Flights increase to four North American destinations and capacity is reduced to Brazil and Argentina.

British Airways and American Airlines file an application with the US Department of Transportation seeking US regulatory approval to offer certain codeshare services permitted under the current provisions of the US-UK air services agreement. The arrangement would enable British Airways to place its code on American's flights beyond British Airways' US gateway cities to points in the US, Mexico, the Caribbean and Latin America. The application submitted by the two carriers excluded codesharing on each other's transatlantic services between the US and London.

British Airways chief executive Rod Eddington calls on European nations to strike a new air deal with the USA. Speaking at the Institute of Economic Affairs annual conference in London he urged the European nations to join together to break down America's protectionist aviation policies. He said it was the only way Europe could rebalance a one-sided air treaty the USA had pursued and he appealed to the British government to throw its weight behind the cause.

British Airways announces it is the official travel partner of the Rugby World Cup in Australia. Rugby fans are able to buy a complete travel package to the tournament on official partners websites.

December British Airways announces it is winning back traffic from the no-frills airlines as forward bookings on flights show year on year increases of over 41 per cent from some of its major UK regional bases. The strongest bookings were over the Christmas and New Year period, with Edinburgh and Glasgow proving to be the top performers.

Vineet Bhatia, the Michelin-starred and innovative head chef of Indian restaurant Zaika in Kensington, is recruited to the British Airways Culinary Council. Set up to advise, inspire and develop signature dishes for British Airways, the council already includes the prestigious Michel Roux, chef and proprietor of The Waterside Inn and Mark Edwards, head chef of Nobu.

British Airways switches its aircraft order with Airbus to receive 10 A321 aircraft instead of 12 A318 aircraft and three A319 aircraft. The airline's capital spend with Airbus for the orders placed in 1998 and 1999 remains unchanged. The move comes as part of BA's fleet simplification strategy to base its Airbus fleet at London's Heathrow and Gatwick airports and re-deploy its fleet of 16 110 seater RJ100 aircraft from Gatwick to British Airways CitiExpress fleet at regional airports.

British Airways announces it will be simplifying and strengthening its UK regional operation. British Airways CitiExpress is to operate for the first time from London City in April 2003 with the launch of three new routes. In addition British Airways is giving its key Manchester network a major boost with the introduction of three new routes and extra capacity. British Airways CitiExpress also signs a heads of terms with Eastern Airways with the intention of transferring its 12 strong fleet of 29-seater Jetstream 41s and its associated engineering hangar at Glasgow to the Humberside-based airline. This is first part of an accelerated strategy to move to an all jet regional operation. CitiExpress is to withdraw from 21 regional routes and will no longer fly from Cardiff and Leeds-Bradford airports.

Rod Eddington, chief executive of British Airways, is the new chairman of the Association of European Airlines for 2003. His leadership will build on the foundations laid during the chairmanship of Leo van Wijk of KLM, who held the position in 2002.

BOARD MEMBERS

As at 1st January 2003

Lord Marshall of Knightsbridge (69)

Chairman and Chairman of the Nominations Committee

Joined the Board in 1983 as Chief Executive. Appointed Chairman in 1993, became non-executive in 1996. Chairman Invensys plc, Director HSBC Holdings plc; Chairman Royal Institute of International Affairs (Chatham House); (D)

Rod Eddington (53)

Chief Executive

Executive Board member since May 2000.

Rod Eddington joined the airline as Chief Executive in May 2000. Previously Managing Director of Cathay Pacific and Executive Chairman of Ansett, he is a non-executive director of News Corporation and John Swire & Sons Pty Ltd.

John Rishton (44)

Chief Financial Officer

Joined the Board in September 2001. John Rishton joined British Airways as Senior Vice President Finance in New York in 1994. He came to British Airways from Ford where he was Finance Director in both Portugal and Spain. John graduated in economics at Nottingham University.

Mike Street (55)

Director Customer Service and Operations

Executive Board member since December 2000. Mike Street has been Director of Customer Service and Operations since 1997. He is a Director of the Airways Charitable Trust, Director of The Air League, an Honorary Fellow of the Lancaster University Management School, Fellow of the Royal Aeronautical Society and Member of the Governing Body of Buckinghamshire Chilterns University College.

Maarten van den Bergh (50)

Non-Executive Director

Joined the Board in July 2002. Chairman Lloyds TSB Group Plc. Director BT Group plc and Royal Dutch Petroleum Company. Member The President of the Philippines Special Board of Advisers and Member Advisory Council of Amsterdam Institute of Finance. Adviser to the Chief Executive of the Hong Kong SAR. (A,D)

Martin Broughton (55)

Senior Independent Non-Executive Director and Chairman of the Audit Committee

Joined the Board in May 2000. Chairman of British American Tobacco plc. Director of the British Horseracing Board. (A,B,D)

Dr Ashok S Ganguly (67)

Non-Executive Director

Joined the Board in April 1996. Chairman ICI India Ltd, Director ICICI Ltd, ICICI Knowledge Park Ltd, Mahindra & Mahindra Ltd, Wipro Corporation and Director Reserve Bank of India. Fellow of the Royal Society of Chemistry. (A,B)

Captain Mike Jeffery (57)

Non-Executive Director and Chairman of the Safety Review Committee

Joined the Board in October 2001. Captain Mike Jeffery joined the airline in 1966 as a Trident co-pilot rising to Captain flying Viscounts by 1974. He went into flight management in 1976 and by 1986 had been appointed General Manager Flight Operations. Following a period in Engineering where he ran the airline's major maintenance division, Mike was appointed Director of Flight Operations in 1995. He is a member of the West Michigan University College of Aviation Advisory Board. (B)

Baroness O'Cathain (64)

Non-Executive Director

Joined the Board in May 1993. Director Thistle Hotels Plc, BNP Paribas UK plc, South East Water plc and Allders Plc. (A,B,C,D)

Dr Martin Read (52)

Non-Executive Director and Chairman of the Remuneration Committee

Joined the Board in May 2000. Group Chief Executive of LogicaCMG plc and a Non-Executive Director of the Boots Company plc, Non-Executive Director of Southampton Innovations Ltd, Member of Council of Southampton University, Member of the Board of Portsmouth Housing Association and Trustee of Hampshire Technology Centre. (C)

Lord Renwick of Clifton (65)

Non-Executive Director

Joined the Board in March 1996. Previously British Ambassador to the United States and to South Africa. Vice Chairman Investment Banking, J P Morgan, Chairman Fluor Ltd, Director BHP Billiton, Harmony Gold, South African Breweries plc, Compagnie Financiere Richemont AG and Trustee of The Economist. (B)

The Rt. Hon, Lord King of Wartnaby (85)

President Emeritus

Chairman 1981-1993

President 1993-1997

The letters in brackets indicate membership of the following standing committees of the Board:

(A) Audit Committee, (B) Safety Review Committee, (C) Remuneration Committee, (D) Nominations Committee.

LEADERSHIP TEAM

As at 1st February 2003

Rod Eddington (53)

Chief Executive

Mike Street (55)

Director of Customer Service & Operations

Neil Robertson (50)

Director for People

Roger Maynard (60)

Director of Investments & Alliances

Robert Webb QC (54)

General Counsel

Dale Moss (54)

Director of Sales Worldwide

Martin George (40)

Director of Marketing & Commercial Development

John Rishton (44)

Chief Financial Officer

Alan McDonald (52)

Director of Engineering

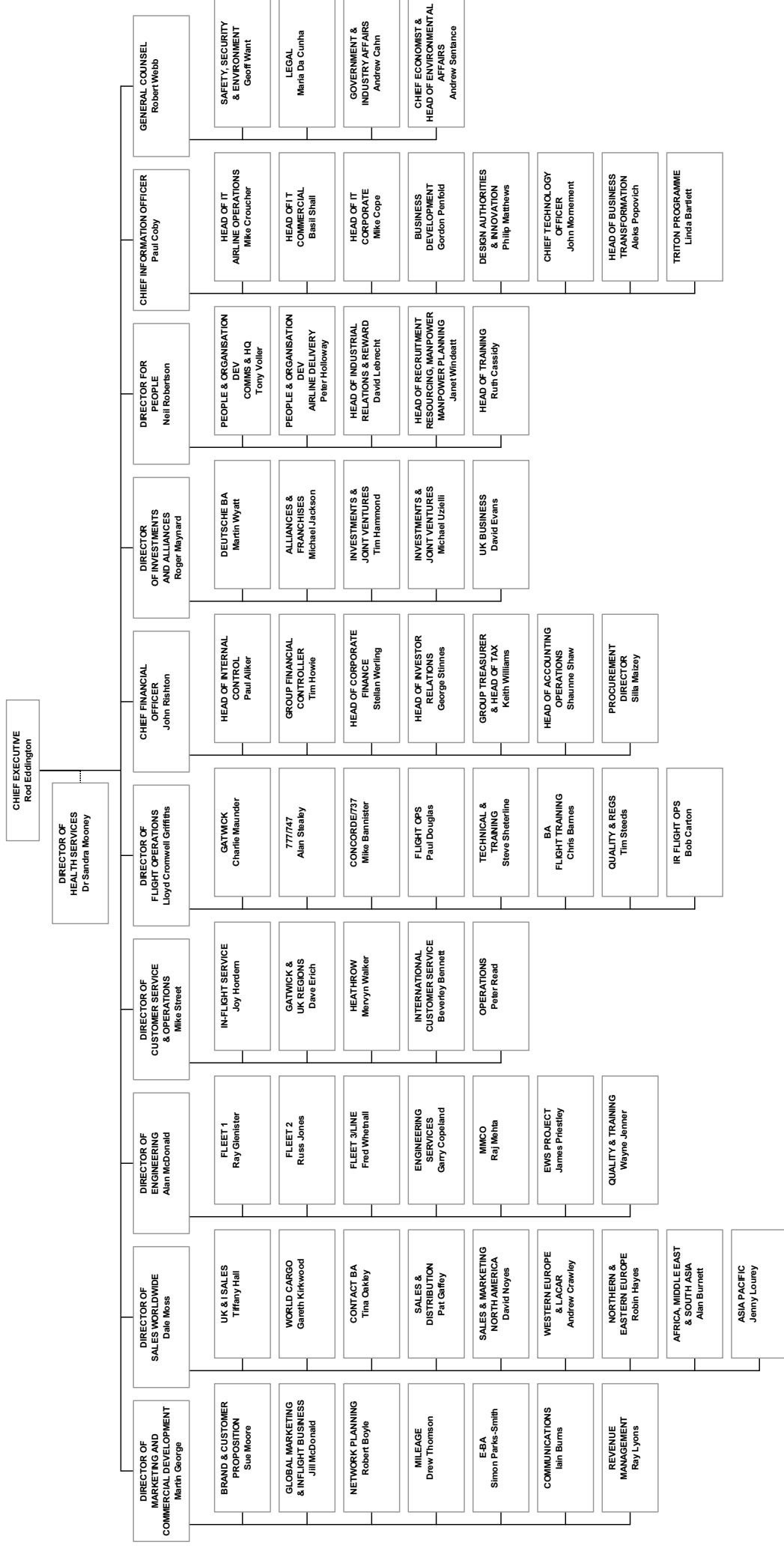
Lloyd Cromwell Griffiths (57)

Director of Flight Operations

Paul Coby (47)

Chief Information Officer

BRITISH AIRWAYS MANAGEMENT TEAM



EMPLOYEES

The motivation and commitment of employees remain key to the success of British Airways.

Employee ownership in the company is encouraged. As at January 2003, some 50 per cent of employees owned 2.45 per cent of the company's shares. The Sharesave 2000 plan that attracted over 36,000 applications from employees in 73 countries matures in 2003. Participants save with Abbey National and will have the opportunity to acquire shares at the predetermined option price of £2.38, or alternatively not to exercise their option and keep their savings.

The company gained shareholder approval at the AGM held in July 2000 to operate any aspect of the new all employee Share Incentive Plan (SIP). The Company has appointed Computershare Investor Services to administer the SIP but there is currently no time-scale for the launch.

British Airways promotes equal opportunity and diversity in all areas of employment across the Company. During recent downsizing the airline has ensured that there has been no disproportionate representation of any one group and has increased top level monitoring and data provision.

Training, raising awareness and improving communication around diversity issues remains a key priority. BA's current mandatory diversity course has been updated and over 3500 managers and supervisors have attended. All induction and promotion courses are now being reviewed to ensure that an element of diversity is included. Dignity at work briefings have been rolled out in some line areas examining acceptable behaviour in the workplace and this has had a positive impact on employees.

Corporate action plans on racial equality, gender equality and disability are published on the Intranet and senior departmental champions ensure that information is communicated effectively to each line area.

Getting feedback from employees is important to BA and during 2002 a Disabled Users group and a Race Resource Group were established. At these groups the company shares its plans and listens to issues that employees feel are important to them, enabling BA and its employees to work together on solutions. This has also helped in the formation of a plan to do more to assist disabled customers.

BA has been preparing for new employment legislation and considering the effect on different areas of the Company. The airline is promoting a number of work life balance initiatives which will support the right to request flexible working, and has started work on the impact of legislation on both religion and age discrimination.

British Airways places great emphasis on the training and development of its employees. It ensures that all staff are trained and competent to deliver a safe and secure service which fulfils the airline's customer proposition. Mandatory training includes safety and operational programmes for air and ground staff to meet Joint Aviation Requirements, including refresher training to ensure that competencies are kept up to date. In addition to the equal opportunities and diversity courses described above, health and safety courses are mandatory for all managers, and British Airways also focuses on training in good people management including effective performance management and personal capabilities.

The airline updates its training programmes to meet changing regulations and also to reflect more effective and efficient learning methods. It has recently invested in 400 training courses available over the company's intranet and at QUEST open learning centres, including a wide range of management and personal effectiveness skills, technical training particularly for IT staff and mandatory training for operational staff. The airline's Cranbank centre, near Heathrow, is one of the largest airline training establishments in the world. Its flight crew unit houses 15 full flight simulators plus further sophisticated flight training devices.

The company has a comprehensive internal communications programme to ensure employees are well informed about the business and the airline industry in general. The company's chief executive, Rod Eddington, hosts regular briefings for managers from across the business to share information on company strategy and business issues. This information is then communicated through departmental forums thereby ensuring that each part of the business understands the company's goals and objectives and the part they play in delivering these.

To keep everyone in the airline updated on a regular basis, a staff newspaper, 'BANews', is issued free each week to staff across the globe. In addition there is also a series of publications which address the local departmental issues within the company. Company email is also used to communicate corporate announcements and urgent operational or business news.

To complement existing communications channels, BANews*interactive*, an online news and communication service was launched in 2001. Available through the staff intranet it delivers a more immediate source of breaking news and in depth briefings giving instant access to employees worldwide. A unique interactive element enables staff to express their views through opinion polls and a weekly talking point.

Details of the airline's financial results are communicated to staff at the same time as briefings for the City analysts. Staff have the opportunity to attend face to face forums to discuss the results and the information is also made available via the intranet and BA News.

Communication with the many trade unions representing employees is also important and the Executive Management meet monthly with the British Airways Trade Union Council to provide a business update.

British Airways is committed to building on current good employee relations and creating an even more effective industrial relations environment. BA's relationship with the Trade Unions is managed through a network of negotiating and consultation forums, to support the effective management and communication of change. This approach was evident in the way the company worked together with the Trade Unions following the tragic events of September 11 2001 to ensure an effective and rapid response.

The company's recruitment website, britishairwaysjobs.com, has been instrumental in maintaining a strong on-line recruitment presence. This year has seen 40 per cent of all applications being made on-line, and there have been three million visits to the website since it was launched in October 2000. As well as being a convenient way for candidates to find out about career opportunities with British Airways, it has also proved a cost efficient and speedy method of assessing and maintaining relationships with the employment market.

Careerlink has been in operation for six years and has a dedicated facility based at The Rivers. Careerlink offers a range of products and services for individuals and line managers who are facing change and need to consider career transition within or outside British Airways. Individuals who are seeking internal redeployment, outplacement support after taking early retirement/ voluntary severance or considering alternative employment for health reasons may attend a variety of job search related workshops and have access to professional one to one career counselling.

The British Airways staff intranet facility provides valuable jobsearch tools to employees throughout the company as well as access to all current internal vacancies

In 2001/02 the average number of employees decreased by a little over 1.15 per cent to 61,460. Of these, 49,793 were employed in the United Kingdom and 11,667 overseas. Productivity was 371,700 ATKs per employee.

EMPLOYEE NUMBERS AND COSTS

For the year ended 31 March 2002

	UK	Overseas	Group number 2002 Total	2001 Total
Average number of employees in the Group worldwide during the year:	49,793	11,667	61,460	62,175
<i>£ million</i>				
The aggregate payroll costs of these employees were as follows:				
Wages/salaries			1,661	1,682
Social security costs			169	167
Contributions to pension schemes			147	124
			1,977	1,973

Note: The aggregate payroll cost figure differs from the employee cost figure in Section 4 due to the exclusion of crew costs on service and other costs

GROUP EMPLOYEE NUMBERS AND PRODUCTIVITY

For the eight years ended 31 March 2002

	1995	1996	1997	1998	1999	2000	2001	2002
Manpower Equivalent (MPE)	54,958	56,71	59,21	60,77	64,05	65,64	62,84	60,468
Ave. No. of employees	53,060	55,29	58,21	60,67	63,77	65,15	62,17	61,460
Total ATKs (m)	18,224	18,98	20,54	22,40	25,11	25,84	25,19	22,848
ATKs per MPE (000)	331.6	334.7	346.9	368.7	392.1	393.7	400.9	377.9
ATKs per employee (000)	343.5	343.3	352.9	369.2	393.8	396.6	405.2	371.7

FUNCTIONAL ANALYSIS

As at 31 March 2002

Mainline Operations	Headcount Equivalent
Pilots and Co-pilots	3,140.3
Flight Engineers	58
Cabin Crew	12,219.2
Maintenance and overhaul staff	7,240.5
Ticketing, Sales and Promotions staff	5,281.3
All other personnel	21,577.0
	49,415.3

A large number of UK employees are trade union members. In the United Kingdom the following unions are recognised by British Airways:

Amicus AEEU	Cabin Crew '89
Amicus MSF	GMB
BALPA (British Airline Pilots Association)	TGWU (Transport & General Workers Union)
Cabin Crew '89	

BRANDS

British Airways is our Brand and it creates a certain expectation about the products and services that people will experience when travelling with the airline. The brand promise is a combination of both emotional and functional benefits, which manifest themselves through our core customer propositions. These propositions are managed by the Brand and Customer Proposition Team, who liaise closely with our customers and other parts of British Airways to ensure the consistency and competitiveness of the BA offering, whilst also leading new product development initiatives.

The core British Airways propositions are summarised below:

Concorde

Concorde is the world's only supersonic passenger aircraft, cruising at more than twice the speed of sound at around 1,350 mph, and at an altitude of up to 60,000 feet (11 miles) high. British Airways' Concorde holds the record for the fastest ever Atlantic crossing at a time of 2 hours 52 minutes and 59 seconds.

On board there are new seats in ink-blue Connolly leather and fabric with a cradle mechanism, footrest and contoured headrest for more comfort and support. The menus on Concorde have been refreshed and revived. The freshest, seasonal ingredients are used when creating meal dishes with the emphasis on taste and simplicity.

The new Concorde Room at New York's JFK airport was opened in 1999, with the London Heathrow Concorde Room opened in February 2001. Leading designer Terence Conran created the environment to be a space as timeless and as classic as Concorde; like the aircraft it epitomises the very best of 20th Century design.

Concorde is the flagship of the British Airways fleet and her passengers receive priority service. The ground service includes a dedicated check-in area, featuring the Express Suiter service which is designed to deliver overnight bags within eight minutes of arrival. Concorde passengers may use Fast Track to speed their journey through immigration and security on departure which boards directly from the Concorde Room.

British Airways operates a single daily return service to New York six times a week, Sunday to Friday. On Saturdays Concorde operates between London and Barbados, December to April.

First

The ultimate in privacy and control. First was originally launched in its re-branded format in 1989 with a further range of enhancements in 1991. These included personal video systems with a choice of over 30 video titles as well as continuous programme channels, and a more flexible style of catering. Since then, improvements have included Sleeper services and, at Heathrow and Gatwick, a lounge pavilion, Fast Track departures, and Arrival lounges.

In 1996, the airline launched the most significant change to its premium longhaul product yet, introducing individual cabins within First. The electronically-controlled seats convert to a bed, allowing passengers to choose whether to sleep, dine, work or relax at any time during their journey in complete privacy. This is complemented by an a la carte dining service, where any menu item can be ordered at any time during the flight. Arrivals Fast Track is also available for non-European Union passengers to reduce waiting time at passport control. The entertainment system offers greater choice with up to 18 video channels on a larger screen and 12 audio channels.

In 2000 First Class underwent an interior refresh. New FIRST has been inspired by the interior designer Kelly Hoppen using the highest quality fabrics and materials. Connolly leather as used in the interior of Rolls Royce cars, a lighter cabin interior with photography from Hulton Getty, Wedgewood white bone china, Irish linens and luxurious blankets and cushions all combine together to provide a modern, stylish feel. The 6'6" flat bed is now more comfortable with ergonomically designed headrest and four way lumbar support. Duvets, exclusive First sleeper suits and large pillows are provided for passengers on overnight flights to sleep soundly. New stylish washrooms create a lighter, contemporary feel. To work more effectively on board there is power for laptops, with power cables available on loan for the duration of the flight, and telephones at every seat. On the ground is the refurbished First lounge at London Heathrow including a Molton Brown Travel Spa offering massages. These new enhancements to First are being introduced across the British Airways longhaul fleet.

Club World

British Airways' long haul business class was the first brand developed by the airline in 1988 with the promise that it would deliver the intercontinental business traveller to their destination relaxed, refreshed and ready to do business. In 1995 Club World underwent a major enhancement programme with the introduction of the unique 'Cradle Seat,' with its distinctive tilting mechanism, and a number of other notable innovations, including 'Raid the Larder', which gave customers the opportunity to help themselves to snacks and refreshments throughout the flight. 1999 heralded a range of improvements on the ground, with the refurbished Arrivals Lounges at Heathrow including a Molton Brown Travel Spa, power showers, a suit pressing service and hot breakfasts. Pre-flight dining was also introduced on overnight services from selected US East coast airports, allowing customers to maximise sleeping time in the air.

The new millennium has seen Club World undergo the largest programme of investment in its thirteen year history, with the introduction of a radical new product and service which aims to redefine business travel in the 21st Century. This total package of improvements represents an investment of over £200 million in the Club World brand and is being introduced across the British Airways long haul fleet of Boeing 777 and 747 aircraft. The new product is built around providing the customer with their own 'cocooned' environment, delivering unrivalled levels of comfort, privacy and personal space.

A new armchair-like seat, complete with footstool, transforms into a six-foot fully flat bed at the touch of a button - the world's first for any business class. Even three years on from its launch, at the time of going to press it still represents the only truly horizontal business class bed in the market.

A contemporary and more personalised meal service offering greater choice and flexibility has also been introduced as well as improved in-flight entertainment and working facilities. Further enhancements to the ground experience have also been delivered with the refurbishment of the Boston, Cape Town and Johannesburg (due for completion in April 03) lounges. Plans are also in place for other lounge refurbishment's, including an all new Terraces Lounges at Heathrow's Terminal 1.

World Traveller Plus

After listening to our customers, we've focused on what really matters to cost-conscious travellers - extra space and comfort at value for money prices, with the opportunity to work or relax in an informal environment. As a result we've created an additional class of premier economy travel called World Traveller Plus.

This smaller, separate economy cabin offers wider seats at 8 abreast compared to our standard economy class, World Traveller, which offers 10 abreast on Boeing 747 and 9 abreast on Boeing 777. The ergonomically designed seat gives more leg room to stretch out than World Traveller, with a seat pitch of 38" compared to the industry economy standard of 31". It has a fully adjustable headrest, lumbar support, leg rest and a personal entertainment system in the seat back offering a wide choice of film & TV entertainment and on most of our aircraft 10 interactive games. There are also in-seat business amenities such as a laptop power point and individual phones.

Extra benefits include double the normal economy hand baggage allowance, 2 pieces of 12kg total (any one piece up to 9kg max.) and for Executive Club members, additional BA Mileage awards.

All these improvements have been made available at an affordable premium to Economy, giving our travellers the space to stretch out in a smaller, separate, cabin environment. World Traveller Plus is available on all our fleet of 747-400's and is currently being fitted to our 777's at both Heathrow and Gatwick. Availability varies on route and aircraft type, so please check with us for embodiment details.

World Traveller

Our long haul economy class was re-launched in November 1998. World Traveller comprises a wide range of product enhancements to serve our diverse customer base, offering excellent value for money. World Traveller now offers the most comprehensive package of changes to economy travel ever. Over the last five years, we have invested more than £150 million in this service, key elements of which include ergonomically designed seats with lumbar support, whose features include an adjustable headrest with "ears" and footrests.

World Traveller also offers passengers a personal video screen with 12 channels of TV which includes a family channel and a flight tracking information channel, CD quality audio entertainment. The modern and stylish catering concept has menus designed by the British Airways Culinary Council, a complimentary bar service, and a "Feed kids first" option.

Club Europe

British Airways premium short haul product, is centred around making the best use of the customer's travel time. Originally launched in 1988, Club Europe has undergone a number of re-launches to ensure it successfully meets the needs of customers.

Club Europe offers customers an unrivalled schedule to centrally located European airports at convenient times throughout the day. With a focus on same day returns, Club Europe gives customers the option to return home to family and friends at the end of the working day on many of its services.

Assisting customers through the airport quickly is vital. Club Europe customers have a choice of check-in options including online check-in and self-service check in. With self-service check-in, customers can select their own seat and check-in in under one minute. A dedicated fast track channel ensures that customers minimise queues through security to take advantage of the British Airways lounges. These offer customers the choice of whether to use their time to catch up on work or to relax in comfort until the time of departure. Club Europe features lighter, brighter cabin interiors with contoured leather seats. Our healthy menu options are designed to suit the time of day and length of flight. Upon arrival the generous hand baggage allowance of 18kgs means customers can now speed through the airport without having to stop at the baggage carousel.

Euro Traveller

British Airways Euro Traveller offers you a package of products and services which represent true value for money. British Airways flies to a wide range of European destinations and offers a schedule that ensures that you have the flexibility to choose flight times which are convenient for you. A selection of check-in options is available to suit your needs, including online check-in before you reach the airport, dedicated Euro Traveller check-in desks, and access to self-service check-in kiosks which allow you to check in in under a minute.

The British Airways Euro Traveller experience has a contemporary feel, reflected in the deli-style menu on short flights and extending through to hot meals on longer flights. A full complementary bar service is available, and newspapers are also offered before 1000 and after 1600.

The last year has also seen the launch of our every-day low fares, which have further enhanced the total Euro-Traveller product through the increased availability and accessibility of our lowest fares. The combination of everyday low prices

with the convenience of primary airports, an extensive network and flexible schedule, as well as the operational reassurance of travelling on British Airways, provide a competitive package of benefits.

Domestic

We offer an unrivalled network and schedule to key destinations across the United Kingdom, Channel Islands and the Republic of Ireland.* We fly more people, more often, to more UK destinations than any other airline.

An enhanced package of benefits for our full fare customers travelling within the UK was launched in March 2001. With an investment to date of over £3 million, customers travelling on a full fare can now enjoy the benefits of lounge access at selected UK Airports. Pre-seat selection also enables our customers travelling on a full fare to choose their seat at the time of booking.

British Airways makes travelling within the UK easier, with a service that is designed to fit with both our customers plans and their budget. Our extensive UK network and frequent schedule means there's a schedule to suit. We offer a complete range of fares to our customers, whether they are looking for the option of changing their ticket at the last minute, or simply an affordable flight to see friends and family. e-tickets are available on all flights within the UK, enable customers to make changes to their travel plans quickly and effortlessly (subject to the usual fare restrictions). Our customers can be sure of a smooth and comfortable journey. And of course, our customers will always have the reassurance of British Airways for reliability and service that gets them where they need to be efficiently and on time - there really is no better choice. As we only fly to and from centrally located airports, our customers will also reach their destination as quickly as possible. With a range of options on the ground that help speed customers through the airport, complimentary newspapers & refreshments inflight.

* including franchises and subsidiaries

Executive Club

Operating throughout the world with approximately 1.5 million active members, the British Airways Executive Club is one of the most successful frequent flyer programmes in the world.

On July 1st 2003, based on customer feedback, we are simplifying the programme and introducing some new benefits for members. From March 2003 all active members will receive four months notification through a tailored communication explaining the how the changes effect them.

The new programme will reduce complexity by delivering one single, global and consistent Executive Club world-wide, drawing from the strengths of each of our current regional Executive Club programmes.

The Executive Club is British Airways' world wide customer loyalty programme for recognising, retaining and communicating with our most valuable customers. For people who travel frequently, the Executive Club seeks to provide priority service with personalised rewards e.g. travel benefits such as lounge access and earning BA Miles for free* flights in return for continued loyalty and spend.

In a highly competitive market, the Executive Club helps build repeat business from our most important customers by rewarding them for regularly travelling with British Airways. Members have identified that above and beyond the excellent products we offer, it is British Airways' ability to be sensitive to their individual needs and to build a relationship which goes beyond the journey experience, which are critical factors to winning their custom.

There are three levels of membership: Blue, the entry level, with benefits including the collection of BA Miles; Silver, offering further benefits including access to airport lounges regardless of your class of travel and Gold, offering all of the benefits of Silver and Blue membership plus enhanced service benefits. Access to Silver and Gold membership comes from collecting Executive Club Tier Points, awarded when flying on eligible fares on British Airways and oneworld™ partner airline flights (excluding American Airlines' direct transatlantic flights between Europe and the Americas). The Executive Club has a worldwide network of partnerships with car hire, hotel, financial services and business partners. Through these, members are offered service benefits and further opportunities to earn BA Miles. There are also Service Centres world wide who can respond to member queries as well as a dedicated Executive Club Helpline for staff.

To find out more about the Executive Club just visit www.ba.com.

* Subject to applicable taxes, fees, charges and surcharges.

DEPARTMENTAL ANALYSIS

GLOBAL MARKETING & INFLIGHT BUSINESS

The remit of this department falls into 4 key areas.

Firstly we are responsible for developing the British Airways brand promise and for ensuring that everyone in the company understands what our customer promise is and what we stand for in the minds of our customer. We then monitor whether or not we deliver against this brand promise.

Secondly we provide the company with insights into customer needs, expectations, perceptions and behaviour. We do this through a programme of market research and data analysis.

Thirdly we bring the British Airways brand promise alive through design and marketing communications. This includes the British Airways corporate identity, uniform, product design, global advertising and sponsorships.

Fourthly we manage British Airways' inflight businesses. These fall into two areas, inflight entertainment and inflight retail. We use these businesses to both entertain customers to drive on the day customer satisfaction and to generate revenue and profit.

eCOMMERCE

eCommerce plays an increasingly important role within British Airways as more and more customers choose to deal with BA via self-service channels like ba.com. More tickets are now booked on our website than via our call centres, most Executive Club members manage their accounts on line and the vast majority of our communication to our customers is via email.

From this base BA has a vision that in two years customers will be able to choose to serve themselves for any interaction - right from booking to checking in. This vision will be delivered by a programme called Customer Enabled BA, and this is the next step for eCommerce in British Airways.

COMMUNICATIONS

Corporate Communications enhances, protects and manages the global reputation of British Airways and ensures that a wide range of audiences including staff, customers, shareholders, media and governments, as well as competitors, know about developments and news within the airline.

The department's external communications team operates on a 24 hour 7 day a week basis and responds to tens of thousands of media and staff enquiries which come in every year.

The department's internal communications team produces a weekly newspaper British Airways News which is available to more than 50,000 staff. The team also manages the airline's Intranet which can be used to communicate to the thousands of flight crew, cabin crew and staff who are working overseas to keep them up to date with the latest news and policies.

The department is based at the airline's Waterside headquarters near Heathrow airport, with a dedicated team in New York covering North America. A number of specialist communications agencies are employed to deliver the airline's key messages to customers and media in more than 80 other countries which the airline flies to across the world.

REVENUE MANAGEMENT

The need to sell the right seats at the right price is common to all airlines. Those which do it best usually have a sophisticated inventory control system, have a higher yield per seat sold, and carry more passengers. British Airways' Revenue Management department monitors, controls and forecasts the sale of millions of seats daily to improve the airline's overall profitability. The reward of managing yield effectively — the amount airlines receive on average from each passenger for every kilometre flown — is greater profitability. Improving this amount by just one percentage point is worth an estimated £70 million a year to British Airways, with the majority going straight to the bottom line.

Yield experts in Revenue Management control around 650,000 British Airways flight sectors a year, with each flight typically split into at least 17 selling classes or yield bands. Revenue Management thus controls at least 11.5 million products on a daily basis. Using sophisticated systems, the department also monitors booking trends, adjusts fares and capacity across the world, and forecasts global booking requirements on every flight for up to a year before departure.

About half of British Airways' premium passengers, travellers choosing Concorde, First or Club, book in the last three weeks before travel, while low yield passengers book early — around three quarters of them at least a month before departure. Revenue Management's role is to predict how many bookings will be late bookings. If they predict too few, an opportunity to earn extra profit is lost. Predict too many, and there are likely to be empty seats on departure, as it may be too late to fill them. Even when a booking is made, it is frequently cancelled afterwards - so much so that, on a typical mid-summer Boeing 777 North Atlantic flight, the airline can sell every seat between three and four times over by the time the aircraft takes off. The risk of selling seats only once, when cancellation is a probability, is empty flights.

A complication is that an average of 10 per cent of passengers are 'no-shows' — they do not turn up for the flight they have booked. To counter this, airlines overbook flights in certain markets in the expectation that a number of passengers will fail to honour their bookings. Should an airline get its overbooking profile wrong, it is required to pay passengers 'denied boarding compensation'. Fortunately, records show that involuntary off-loading is the exception rather than the rule thanks to the department's expertise in this area, assisted by additional financial inducements to passengers should the need arise.

In addition to a sophisticated inventory system it is important to have a pricing structure that effectively segments the market to ensure we are offering the right mix of price and flexibility for each of our products. It is the role of Revenue Management to ensure that such a structure exists for all points on our network in every country worldwide, and that the fares are distributed effectively worldwide. These functions are co-ordinated through a revenue planning model jointly used by Revenue Management and Sales in planning flight set up, pricing and promotional activities for the next 12 months to ensure flights depart as full as possible with the best possible mix of passengers on board.

Following an intensive review of our short haul business at the end of 2001, Revenue Management initiated significant changes to short haul pricing structures and the management of seat availability. In order to compete more effectively with no frills carriers, lead in prices were reduced and fare rules and conditions were simplified or removed completely. This was supported by changes in how we manage seat availability. The cheapest fares are not usually available relatively close to departure with prices increasing as allocations sell out and as the departure date gets closer. The whole of the short haul network was cut over to this new business model during Summer 2002. This initiative was part of a re-launch of our

Shorthaul product which included a new on-board product, new Marketing and Distribution activity and improvements to aircraft utilisation, as well as new pricing and inventory management.

FLEET & NETWORK PLANNING

The schedule is at the core of any airline. The role of Fleet and Network Planning is to ensure we have the right aircraft, operating to the right destinations at the right times. The planning horizon spans next season's schedule to aircraft requirements 10 years hence. This involves operating within financial and operational constraints, and liaising with internal and external stakeholders to balance the trade-offs inherent in planning the network. The department uses complex decision support and scheduling tools to optimise the deployment of our aircraft assets for maximum commercial benefit. Statistics regarding the British Airways fleet and network are contained in this Fact Book (Section 3).

AIR MILES

AIR MILES was originally launched in 1988 as a customer loyalty programme. Collectors are offered the chance to collect miles when shopping with partners such as NatWest and Shell and can spend them on free flights.

In 1991, British Airways introduced AIR MILES awards as the reward currency for its frequent flyer programme, the British Airways Executive Club, on eligible business flights. In 1994 AIR MILES Travel Promotions Limited became a fully owned British Airways subsidiary. In October 2000 British Airways introduced a new currency, BA Miles, to replace AIR MILES as the currency for its Executive Club members.

In its 15-year history, AIR MILES has seen considerable success in developing customer, staff and business to business loyalty programmes using AIR MILES currency as the reward mechanism. Today more than six million people collect AIR MILES and more than 1 million people use their miles for a free flight every year.

AIR MILES awards can be collected through around 50 high street names such as Tesco, NatWest/RBS, Shell, BT, The Scottish & Southern Energy Group and The National Lottery, as well as through on-line shopping. A full list is available on www.airmiles.co.uk. These companies buy AIR MILES and distribute them to customers and/or staff as a currency that the collector can collect as a holiday and travel savings account. The fastest way to collect is by shopping with more than one collection partner, for example by shopping at Tesco with a NatWest credit card provides two opportunities to collect AIR MILES. This is called double-dipping.

Once the collector has enough AIR MILES, he can spend them on a huge range of free and discounted travel and leisure products. These range from free flights worldwide on six airlines including British Airways, discounts on package holidays, cruises and ferry travel. AIR MILES can also be used for free admission to participating UCI cinemas, free entry to the UK's leading leisure attractions such as The London Eye, Legoland Windsor, Alton Towers, Chessington World of Adventure and Madame Tussauds.

Over the past few years AIR MILES has also introduced flights on American Airlines, bmi british midland, flybe british european, Aer Lingus and Monarch scheduled.

AIR MILES Travel Promotions Limited, which employs around 700 staff, is based on two sites. The head office is in Crawley near Gatwick and the Call Centre is based in Birchwood, near Warrington.

For further information, call 0870 55 777 11, or visit the AIR MILES web site at www.airmiles.co.uk.

SALES AND DISTRIBUTION

British Airways has a worldwide sales team whose role is to sell and promote the British Airways product and its services, creating and maintaining revenue flows in all markets. The sales team consists of:

The "on the road" team of sales people who build relationships and sell to both travel agents and to companies. GALAXY, an innovative computerised sales information system, supports this sales force.

More than 100 travel shops and offices in cities and airport locations world-wide (including countries the airline does not fly to). These provide a service direct to British Airways' customers.

A central team providing strategic direction and co-ordination on a range of cross-departmental issues. The team provides the rest of the sales organisation with the tools, information and support for it to achieve sales targets.

A global distribution team, which is tasked with achieving the most cost-effective distribution of our products worldwide. The main areas of focus are: Global Distribution Systems, which give travel agents ready access to the airline's flight and reservations systems in real time; credit cards, including the airline's own card product, the British Airways AirPlus Company Account; the further roll-out of our E Ticketing capability worldwide; maximising the use of online sales channels and developing new methods of distribution with the adoption of new technologies and, finally, optimising BA's sales in global specialist markets, such as marine and student.

In areas where the airline does not have its own sales outlets and where local knowledge and identity are important in the generation of sales, British Airways is represented by General Sales Agents. Their duties and responsibilities include sales promotion, advertising and the administration of sales in these areas.

CONTACT BA

contactBA is the departmental name given to the airline's contact centres. With locations throughout the UK and a simple telephone number strategy, contactBA makes it easier for customers to contact the airline. With a strategy focused on automation, on-line and person to person telephone delivery it strives to offer customer choice, generate revenue whilst putting the customer at the heart of its delivery. Through its automated Flight Information line (0870 551155) it offers customers 24/7 access to real-time flight arrival and departure information. Its reservation service (0845 77 33 77) offers customers a choice of products and ways to book. As more customers choose to book shorthaul services over the web, the role of contactBA is increasingly focused on Premium customers and those travelling long-haul. By supporting new channels of communication, such 'askBA' - where customers can ask the airline a range of questions online at www.BA.com, contactBA supports the airline by reducing costs and increasing profitability. contactBA remains committed to customer service, constantly setting new standards throughout the airline.

Direct Sales - The airline's direct sales force. By offering customers flights, hotels, car hire and travel insurance it provides customers with a 'one stop' travel solution.

Customer Care & Information(CC&I) - The voice of the airline. Answering a range of enquiries from seat requests to arranging special meals or assistance for passengers. This unit plays a pivotal role in the pursuit of excellence and their high levels of service helping retain customers.

Customer Relations - Driving customer loyalty and repurchase intention, the department is responsible for the service recovery of customers who have experienced issues during their travel experience. Their proactive approach handles customer's concerns the moment they happen, aiming to resolve them at the first point of contact while learning from these experiences, channelling feedback into future service and product development.

Executive Club - Supports members of British Airways frequent flyer and loyalty programme with a single travel solution both in the UK and in its service centres around the world. With a dedicated telephone number for each level of the programme (Blue, Silver, Gold), Executive Club members can make bookings, redeem miles and check their account all in a single call.

Trade Support - The department is committed to supporting the travel industry by providing technical advice and help to travel agents. As well as supporting other key areas such as Groups and Marine, Trade Support are also focused on self service, growing the industry's understanding of Travel Trade Online - British Airways travel trade website.

Staff Travel support the airline's staff travel rebate scheme by providing advice when it's needed. The majority of the airline's staff now book their personal and duty travel via the internal Intranet or through its new 'book from home', Internet service.

THE TRITON PROGRAMME

In August 2000, British Airways signed a 10 year contract with Amadeus, a leading provider of systems in the travel industry. The scope of this relationship will be far reaching and has resulted in the transfer to Amadeus of key British Airways systems for reservations, airport check-in, inventory control, flight planning, cargo and operations support.

Through this partnership, British Airways will gain access to industry leading systems, as well as significant functional and cost benefits. For example, for the reservations system which is operated and developed for the benefit of a broad community of carriers, this includes capabilities to support our emerging airline alliance requirements with facilities to service customer bookings and issue electronic tickets.

The first major milestone was to switch in July 2001 to using the Amadeus Fare Quotation system. This was followed by the successful transfer of the systems previously operated by British Airways for the services listed above from Heathrow to the Amadeus data centre near Munich in November 2001.

In February 2002, one of the largest programmes of system change ever undertaken by British Airways was completed with the simultaneous global switchover by all British Airways sales locations to the Amadeus system for reservations.

Significant work is now underway involving joint teams of Amadeus and British Airways personnel on the development and implementation of new community systems for the control of seat inventory and airport check-in which will be introduced in 2004 and 2005 respectively.

BRITISH AIRWAYS HOLIDAYS

British Airways Holidays is a wholly owned subsidiary of the airline. The business sells holidays to around 200,000 customers a year in over 75 countries around the world via British Airways' offices, the British Airways website, and travel agents. Annual turnover is £40m.

The business is a global leader for inbound holidays to the UK and offers one of the largest global stop-over programmes, selling a range of ground arrangements serving the British Airways and Alliance partner destination network worldwide.

The accoladia joint venture was dissolved in November 2002 in response to a strategic objective to create a more integrated approach to selling leisure travel for British Airways in the UK. Throughout 2003 there will be a period of transition with accoladia continuing to manage the 2003 British Airways Holidays programmes ex UK. A new British Airways Holidays' programme for travel in 2004 will launch in Spring 2003, ensuring a growing presence in the long-haul and City Breaks sectors.

BRITISH AIRWAYS TRAVEL SHOPS

British Airways Travel Shops represent British Airways on the high street. The shops offer a unique "one-stop-travel-shop" service for the discerning traveller, and are in most cases equipped with attractive lounges where holiday arrangements can be made in privacy and comfort.

A full range of flights are available, from World Offers through to Concorde and First. At the same time, hotel rooms, car hire and insurance can be arranged along with airport transfers, pre-booked airport parking, passports and visas. Customers who buy inclusive holidays based on British Airways flights, may also receive loyalty "miles" which can be used for future purchases. All of the products offered are endorsed by British Airways.

There are 20 shops across the UK, 6 of which are in London (Piccadilly, Canary Wharf, Harrods Knightsbridge, Cheapside, Baker Street and in Selfridges in Oxford Street). Other branches are located in Kingston, Aberdeen, Belfast, Birmingham, Bromley, Bristol, Croydon, Cambridge, Edinburgh, Glasgow, Manchester, Windsor, Norwich and Tunbridge Wells.

British Airways Travel Shops also provide a full travel management service through Worldlink Business Travel. Worldlink provide a specialist business travel service to small and medium sized enterprises. The team provide a full portfolio of products for the business traveller and deliver this to a wide and varied client base across the UK. The Worldlink team compliment a quality service with account management, detailed management information and on-line booking facilities. For more information please contact our Worldlink Sales Support team on 0208 738 5453.

Travel Shops employ just under 325 staff - who served over 550,000 customers last year. For more information about the shops or to find the nearest branch, call 0845 6060 747.

BRITISH AIRWAYS TRAVEL CLINICS

British Airways has two Travel Clinics located in central London which offer expert travel health advice and a comprehensive vaccination service. The clinics are run by a highly experienced team of professional travel nurses who give tailored advice to travellers depending on their destination and the type of trip they are planning. The clinics have access to the latest health information from around the world and work in partnership with doctors at the Academic Centre for Travel Medicine at the Royal Free Hospital. The clinics also offer a wide range of practical products for travellers such as insect repellents, mosquito nets and travellers' first aid kits, which are all essential items for many destinations.

For further information and details about how to make an appointment or how to find the BA Travel Clinics, visit www.ba.com/travelclinics or call 0845 77 999 77

CUSTOMER SERVICE AND OPERATIONS

Customer Service & Operations is made up of five key departments. Together they are responsible for delivering a cost effective and punctual operation that ensures superior operational performance and customer service.

Heathrow Customer Service - Management of BA Airport customer service staff and terminal operations at London (Heathrow) Airport.

Gatwick & UK Regional Airport Customer Service - Management of BA Airport customer service staff and terminal operations at all other UK Airports including London (Gatwick). Co-ordination of all BA functions at London (Gatwick).

Inflight Service - Management of 13,500 UK and International cabin crew, worldwide catering and inflight service development.

Worldwide Customer Service - Management of British Airways Worldwide Customer Service airport operations.

Operations - Operational schedule planning, manpower planning of crew and London Airport ground staff, airport planning, airport infrastructure. World-wide operational control of the "day to day" BA operation and Emergency Planning functions. Management of BA's worldwide property portfolio. Planning of the Terminal 5 development programme. Customer Service Development, Global Service Standards, Product Development and Customer Service & Operations Systems Development.

Everything Customer Service and Operations does is geared towards delivering excellent customer service. You cannot have good customer service if your operation is poor and you cannot have an excellent operation if your customer service is not up to standard. The main focus is looking after our customers.

BRITISH AIRWAYS ENGINEERING

British Airways Engineering is a world leading aviation maintenance organisation providing full support for the aircraft fleets of British Airways and for the aircraft of a number of other customer airlines. It currently employs over 7000 staff both in the UK and at stations overseas supporting the British Airways' global network.

The organisation has a world-wide reputation for engineering excellence and its technical and logistics expertise supports airline operations on every continent, 365 days of the year, 24 hours a day. British Airways Engineering's core capabilities are centred on Boeing 747, 777, 767 and Concorde for longhaul operations, and Boeing 737, 757, 767 and the Airbus single aisle family for the shorthaul network. Fully equipped hangar facilities at the main operating hubs of London Heathrow and London Gatwick, are supported by workshops, technical and design services, and a comprehensive warehousing and logistics network. The organisation has also invested in three world class operations, based in South Wales, dedicated to delivering Boeing 747 and 777 heavy maintenance and repair and overhaul of avionics and interiors equipment. In addition, British Airways Engineering utilises a large network of top quality suppliers based around the world to complement the internal capabilities of the organisation.

The extensive maintenance network extends overseas with some 160 British Airways Engineering 'line maintenance' stations established at airports around the globe. Again, these support British Airways and its subsidiaries together with a number of customer airlines.

In addition to its everyday task of ensuring the safety and operating reliability of aircraft through excellence in maintenance, British Airways Engineering continues to focus on the growing technical capability within the passenger cabin. World class design, delivery and in-service support of new cabin products demonstrates that British Airways Engineering has a major role to play in helping to deliver on-board customer satisfaction.

INFORMATION MANAGEMENT (Im)

Information Management (Im) is responsible for all IT across the British Airways Group and so plays a fundamental role in shaping the future of the airline. As a full service, network carrier committed to providing the right service to our customers, British Airways will succeed through the cost-effective deployment and operation of technology to enhance our proposition, enable our customers and generate productivity.

Im's objectives for IT in British Airways are to:

- deliver efficient and effective IT operations to support the airline's 24x7 operation.
- generate continuous productivity improvements by absolute reduction in the costs of running IT.
- develop and integrate the technology that underpins the business transformations embodied in the company's Business Plan and assisting the business in effecting those changes.

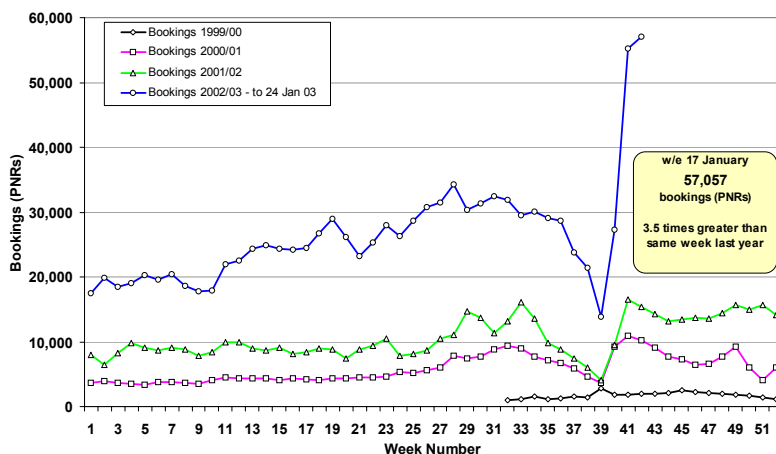
FSAS deliveries during 2002/3

Most initiatives embodied within Future Size and Shape are critically dependent on technology for their success and to support this the FSAS plan requires focused investment in new IT capability.

Im maintains a core IT Delivery capability organised into a number of competency centres exploiting industry standard methods and practice, and deploying high value component build, development and integration skills.

A major element of FSAS is the large scale channel shift from higher to lower cost channels which together with a new approach to marketing our fares enables us to compete more effectively with the no frills carriers. In support of these objectives Im dramatically improved the capability of its eCommerce platform. This included a 15 fold increase in capacity, a new look and feel to the web site and a new style calendar based booking interface that allows customers to search and book the lowest fares. By early 2003, ba.com was taking over 55,000 bookings per week. This is more than 3.5 times the activity of the previous year and means that online selling is now British Airways' main direct channel in the UK.

Figure i: Growth of online bookings on ba.com



Other highlights include:

- **Cirrus** - A flight planning application that replaces its 25year old predecessor. The system brings savings on fuel and over-flying charges, and allows improved strategic route planning.
- **Crew allocation and preference bidding** - Introduction of a trip bidding and rostering system for all London based shorthaul Cabin Crew and some Flight Crew. The system allows crew to bid for their preferred work and days off, instead of being allocated their duties. This provides crew with more flexibility in their work-style whilst producing more efficient rosters.
- **Interactive Voice Response** - Speech recognition technology that responds to customer's requests for flight information and reconfirmation. The system handles 2.3m calls p.a. thus freeing contact centre staff for higher value activities.
- **Mission** - A system that supports the efficient planning, integration and optimisation of the British Airways route network, the schedule and the deployment of aircraft.

FSAS developments planned for 2003/4

For 2003/4 the primary focus of the airline's IT investment will be on supporting two key initiatives of Customer Enabled BA (ceBA), Employee Self Service (ESS), and in delivering the infrastructure necessary for their deployment.

CUSTOMER ENABLED BA (CEBA)

We have established a customer proposition that will drive simplification and cost reduction while improving the value delivered to customers. The programme will deliver transformational change in the service we provide customers across all channels - contact centres, ba.com, self service kiosks and voice automation. By designing our processes for use by end customers it will simplify our processes and make them easier for staff to use too. The scope is heavily IT dependant and includes all customer interactions around the buying, servicing, check-in and account management processes. Key objectives are driving 100% eTicket and the integration of price and product.

EMPLOYEE SELF SERVICE

This is a programme of investments aimed at removing overhead by equipping every employee with the tools to manage their working life. This requires the exploitation of existing "tools", including the expansion of Flight and Cabin crew to bid for their preferred trips from home, on-line.

Electronic working provides access for British Airways employees to information resources and functions which will help them serve customers, work together as teams, improve their knowledge and skills, and maintain their own personal information such as location, telephone number and other details which empowers our employees whilst minimising administrations cost.

The key to the new way of working will be easy but secure access from a number of channels, including internet/intranet and self service kiosks. New applications include a people management system, online education, electronic supplier management and electronic requisitioning which allows employees to order goods for the business.

MANPOWER PRODUCTIVITY

This initiative is supported by projects that are essential prerequisites for departments to deliver significant manpower savings; these include extension of Cabin Crew Preferential Bidding to Worldwide Fleet and Integrated Airport Resource Management (iARM).

EXTERNAL EXPENDITURE

2003/4 will see further investment in eSourcing tools extension of the BA2Buy system introduced in 2002/3.

Other Major IT investments

- **Aviation Security** - Aviation Security legislation has grown dramatically since the terrorist attacks of September 11th 2001. The objective of this programme is to provide British Airways with an Aviation Security IT capability, both to comply with mandatory legislation and as to augment the brand values of "safe and secure". The aim is to meet mandatory requirements and improve British Airways' capability rather than to deliver financial benefits.
- **New Generation Inventory (NGI)** - within the broader context of the Triton Programme and it's related benefits - is to enhance British Airways' inventory management in a more flexible IT environment, at reduced cost and with the options to improve inventory control capabilities in the future. NGI aims to deliver improved technology from the current legacy system and will provide added flexibility and room for future growth
- **New Generation DCS** - This constitutes part of the Triton Programme with Amadeus to develop a New Generation Departure Control System (DCS) replacing the existing DCS system. It forms the basis of a new generation of airline community Customer Service systems, exploiting customer rather than flight based customer management and multi-channel check-in.
- **Integrated Commercial Warehouse (ICW)** - to improve and simplify decision-making processes. This programme of work will reduce the IT running cost for decision support and improve speed of information for decision making by consolidating all commercial sources of information. As British Airway's commercial environment changes, rapid response to new questions to support decision around changes in business direction is critical to success.
- **Boeing Connexion Trial** - We are currently market testing the technology that will enable our customers to connect to the internet and to their email whilst flying at 35,000ft.

WORLD CARGO

British Airways is one of the top ten leading cargo airlines in the world. It carries over 740 million kilos of freight, mail and courier traffic to nearly 200 destinations in over 80 countries.

British Airways World Cargo is a separate profit centre and generated around £500 million in revenues in 2001/02.

The airline plays an important role in global trade because it ships a wide variety of products all over the world – every single day. Fresh fruits, vegetables, flowers, pharmaceuticals, hi-tech products, spares for aircraft, ships and cars, textiles, fashion goods and even pets relocating with their owners.

At the core of its global network is Ascentis, British Airways' freight-handling centre at London's Heathrow Airport. The 83,000 square metre, technologically advanced structure symbolises British Airways World Cargo's commitment to its global freight customers. The carrier also handles freight at London's Gatwick and Stansted airports and all are connected by scheduled trucking services.

The consistent levels of service delivered by the airline through its London freight-handling centre have enabled it to introduce a new product portfolio including Perform Loose, Perform Unitised, Express, Courier, and Secure. This range provides cargo customers with products that are clear, simple and easy to use and which work with the carrier's extensive line-haul and freighter network. All products have clearly defined, globally consistent standards and specifications, supported by a unique recovery promise.

British Airways World Cargo has a dedicated Special Handling Centre at London Heathrow for Courier, Express, livestock, mail and other cargo that needs that extra bit of attention.

The airline also has a unique Perishable Handling Centre that handles over 80,000 tonnes of fresh produce, flowers, fish and seafood products every year. At the Centre British Airways World Cargo offers a number of value-added services including packing, labelling and quality assurance to meet the demands of importers and major supermarket chains. 2002 also saw the airline create further value for its flower importers by offering a "conditioning and trimming" service that extends the shelf life of flowers by up to 25%. The airline's investment includes a Border Inspection Post within the centre for all animal products entering the EU at the first port which require health inspection clearance before their onward journey.

GF-X, a neutral internet based trading platform for the air cargo industry, is British Airways World Cargo's preferred e-channel. GF-X displays both available airline capacity and rates, thus allowing freight forwarders to make better purchasing decisions and to book on-line 24 hours a day. Through GF-X, British Airways World Cargo accepts on-line bookings for its Perform and Express products and in certain markets, eOffers are made available to customers for last minute capacity at extremely competitive rates. GF-X is linked to the airline's track and trace functionality, allowing customers to complete the essential processes of reservation and tracking with just a couple of clicks.

British Airways World Cargo is a founding member of Cargo 2000, the IATA industry standards body. This means the carrier is committed to developing clearly defined service measures in line with Cargo 2000 standards to ensure global consistency and service quality for its customers.

The air freight industry is becoming more technologically advanced and British Airways World Cargo is able to meet the challenges this presents. Every piece of cargo and every air waybill the airline handles carry a bar-code label. This means that its customers around the world can track and trace their shipments 24 hours a day, 7 days a week, via the www.baworldcargo.com web site.

Customers demand a global network from its air freight suppliers and British Airways World Cargo is able to meet this requirement. The airline has a number of agreements with other airlines, including oneworld members, to provide customers with a truly global network – from almost anywhere, to almost everywhere. In addition to the opportunities offered by the British Airways schedule, the airline has a scheduled freighter service to a number of global destinations including Hong Kong, Johannesburg, Nairobi, New York, Atlanta, Mumbai, Chennai, Delhi, Frankfurt, Cologne, Vittoria and Stansted. It has agreements with Japan Airlines, Korean Air and Eva Air to provide space to Tokyo, Seoul and Taipei respectively. The carrier also has the ability to charter freighters to meet customer demand for project moves such as Beaujolais Nouveau.

The airline is now in a position to build on its leading role in the global air freight industry by developing its range of clear and simple products and by delivering world class customer service.