INTERIM MANAGEMENT STATEMENT

Period April 1, 2009 – December 31, 2009 (Unaudited)

PERMANENT CHANGE BRINGING RESULTS

British Airways today (February 5) presented its interim management statement for the nine months ended December 31, 2009.

Period highlights:

- Nine month operating loss of £86 million (2008:Operating profit £89 million)
- Nine month loss before tax of £342 million (2008:Loss before tax £70 million)
- Revenue down 12.9 per cent (Revenue before exchange down 18.0 per cent)
- Total operating costs down 10.5 per cent
- Unit costs down 6.7 per cent
- Cash and committed facilities of £4 billion, including £2 billion of committed aircraft facilities
- Q3 operating profit of £25 million (2008:Operating loss £51 million)
- Q3 loss before tax of £50 million (2008:Loss before tax £122 million)

British Airways' chief executive Willie Walsh, said: "These results highlight the impact of permanent changes across the company on our costs. Those changes, combined with capacity reductions and external spending cuts, mean operating costs are down by 10.5 percent and show that we've adapted quickly to the new business realities created by the global recession.

"While we are on the right track, we still expect to make record losses this year. Permanent structural change is being introduced in all areas and will return us to sustained profitability.

"We are working with our staff, their unions and the trustees about solutions to address our £3.7 billion pension funds' deficit and are discussing a range of changes to future pension benefits.

"In November, we signed a binding Memorandum of Understanding with Iberia for a proposed merger and are on track to finalise the merger agreement by the end of the year.

"We remain confident of receiving regulatory approval for our proposed transatlantic joint business with American Airline and Iberia.

"We continue to invest in new products for our customers. Next week, our new First class cabin takes to the skies onboard a Boeing 777 flying to New York JFK. The investment in First this spring strengthens our progress towards being the leading global premium airline."

Financial review

Quarter 3 saw our first operating profit since quarter 2 last year. This is largely as a result of the considerable progress we have made on reducing our costs.

Total revenue in the period was down 12.9 per cent.

Passenger revenue was down 13.0 per cent, on capacity down 3.9 per cent. Yields were down 11.1 per cent, 15.8 per cent excluding exchange, largely as a result of lower year on year surcharges and sales mix within cabin class. Our premium traffic volumes have declined by 9.7 per cent in the year to date, significantly better than industry figures as disclosed by IATA. Volumes are stable and yields are starting to show improvement.

There was a marked improvement in cargo volumes and yields during the three months from September to December 2009. Since April 2009, volume, measured in cargo tonne kilometres, decreased by 4.4 per cent compared to the prior year, more than 2 points better than market performance. Cargo revenue declined by 25.1 per cent with yield declines of 21.7 per cent driven by significantly lower fuel surcharges, in line with lower fuel prices and significant market price declines.

Other revenue is showing an improvement of 9.2 per cent from last year driven largely by the introduction of new web based ancillary sales and increased use of Airmiles for hotel and leisure activity bookings.

Total operating costs were down 10.5 per cent, despite the weakening of sterling compared to the same period last year. Fuel costs for the period were down 19.2 per cent on last year. Other operating costs decreased by 6.4 per cent due to the continued delivery of the cost reduction initiatives launched more than 12 months ago. Operating costs include a charge of £62 million for restructuring (£49 million for the same period last year). Excluding fuel, the impact of exchange and restructuring costs, our unit costs are down 6.8 per cent.

Non operating costs include £150 million of net financing expense relating to pensions and net finance costs of £94 million.

Loss before tax for the period was £342 million.

The tax rate for the period was 28 per cent.

Our financial position is strong. Our liquidity position at the end of December was £2 billion, including £1,587 million of cash and some £465 million of general facilities. In addition we have £2 billion of committed aircraft facilities.

The increase in reserves since March 2009, is primarily driven by the retranslation of foreign debt and the marked to market movement on fuel and currency hedges of £594 million. The equity component of the convertible bond raised in August 2009 adds a further £84 million to reserves. Net debt at the end of December was £2,310 million, a decrease of £72 million from the end of March 2009.

Business review

Capacity

Capacity this winter has been cut by six per cent and we continue to succeed in managing capacity in line with demand. Our seat factor rose by 1.3 percentage points to 79.2 per cent for the year to date.

Consolidation

Our proposed merger with Iberia would create a new leading European airline group flying to 205 destinations. In 2009, the airlines carried 59 million passengers between them and, in the last financial year, their joint revenues were approximately €15 billion. The merger is expected to generate annual synergies of approximately €400 million and is likely to be completed in late 2010.

Upgraded customer experience

We launched new flights from Heathrow to Las Vegas and Gatwick to Montego Bay, Punta Cana, Male, Sharm El Sheikh and Innsbruck and moved Gibraltar and Pisa services from Gatwick to Heathrow.

A second daily service started on our all business class flights between London City airport and New York JFK. After three months' operation, the load factor on this new service is 75 per cent.

Competitive cost base

We continue to focus on our cost reduction initiatives that we implemented more than 12 months ago. These initiatives are driving permanent change in our cost base which is necessary to ensure our return to long term profitability.

Across the airline, we have delivered some £300 million of cost savings in the year to December. The savings have come from management reductions, Terminal 5 changes, reduced supplier costs, improved engineering productivity, pilot pay changes and improved productivity, cabin crew complement changes and reduced overseas costs.

While cutting costs and improving efficiency, we continue to achieve high levels of customer satisfaction ratings and excellent operational performance.

Corporate responsibility

As part of the Haiti earthquake relief effort, we flew out two Boeing 747 aircraft loaded with emergency supplies from UK aid agencies. We also provided flights for emergency workers to get to Haiti via the Dominican Republic.

We have signed up Comic Relief as our new global charity partner in a move that will strengthen the airline's long tradition of support for disadvantaged people around the world. The new partnership will raise money to help people in acute need, both at home in the UK and across the world's poorest countries. Our 15 year partnership with UNICEF raised more than £27 million with the support of our customers and staff through the Change for Good programme.

As the official airline of Team GB and ParalympicsGB, we are proud to be flying the athletes, their management and supporters to the Vancouver Olympic Winter Games. As part of our commitment to helping British talent, we sponsor Ben Kilner and Zoe Gillings – two of the UK's best snowboarders competing at the Vancouver Olympic Winter Games.

We signed up to Sustainable Aviation's departures code of practice which is designed to help cut aircraft emissions by reducing fuel burn from aircraft at airports. This will also serve to improve noise and local air quality.

Trading Outlook

The year on year trading improvement seen in the third quarter is expected to be similar in the fourth quarter (excluding any impact of potential industrial action). Longhaul premium continues to show modest year on year improvement and other segments continue to be stable at current levels.

While the revenue trend has improved due to optimism about economic recovery in the premium sector, non-premium revenue will require a return to economic growth to deliver historic performance levels.

As a consequence, our focus on permanent cost reduction must continue if we are to return the business to profitability in the short term.

We remain focused on excellent customer service to ensure we are the leading global premium airline.

ends

February 5, 2010 *010/LG/10*

Note to Editors:

There will be a webcast of an analyst conference call and slide presentation at 2pm (GMT) available through our website www.bashares.com.

Appendix

Financial Position and Performance for the nine months ended December 31, 2009 (unaudited)

		Nine months ended December 31		
		2009	2008	Change
Revenue	£m	6,140	7,046	(12.9)%
Operating (loss)/profit	£m	(86)	89	nm
Loss before tax	£m	(342)	(70)	nm
Loss after tax	£m	(245)	(127)	(92.9)%
EBITDAR	£m	570	745	(175)
Net debt	£m	2,310	2,209	(101)
Cash & cash equivalents	£m	1,587	1,586	1
Basic earnings/(loss) per share	P	(22.4)	(12.0)	86.7 %
Cash in from operating activities	£m	94	283	(189)
Passenger revenue per RPK	P	6.18	6.95	(11.1)%

nm: not meaningful

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

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

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company's forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy.

The Annual Report and Accounts for the financial year 2008-09, which is available online at www.bashares.com, included a section discussing the principal risks and uncertainties which could cause such forward-looking statements to be incorrect.

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