INTERIM MANAGEMENT STATEMENT

Period April 1, 2009 – June 30, 2009 (Unaudited)

FOCUS ON COSTS AS TOUGH MARKET CONDITIONS CONTINUE

British Airways today (July 31) presented its interim management statement for the three months ended June 30, 2009.

Highlights:

- Operating loss of £94 million (2008: £35 million profit)
- Revenue down 12.2 per cent (underlying revenue before exchange down 16.8 per cent)
- Total operating costs down 6.6 per cent
- Underlying non fuel costs down 7.6 per cent
- £680 million recently announced cash raising through convertible bonds and bank facilities

British Airways' chief executive Willie Walsh, said: "Trading conditions continue to be very challenging with underlying revenue down 16.8 per cent and no visible signs of improvement. While traffic volumes are down considerably compared to last year, they have stabilised during the quarter and show some signs of improvement for the peak summer months. However, yields remain volatile. Our work to reduce costs, which started last October, is beginning to bear fruit as they are down 6.6 per cent but with revenue still weak, there is much more to be done.

"In light of that, we have revised our business plan to address the current situation. Further capacity has been taken out of our flying schedule and, during winter 2010, a total of 22 aircraft will be parked. The delivery schedule for our first six A380 aircraft has been extended by an average of five months with the second six aircraft delayed by an average of two years. We continue to work towards a permanent structural change to our employee cost base, which is essential to our short term survival and long term viability. Manpower has reduced by 1,450 since March 31, 2009 through reduced overtime, increased part time working and targeted voluntary redundancy. The airline is confident of achieving previously indicated targeted reductions by March 2010. Our engineers and pilots have voted for permanent change. This is a great step forward. Talks with other union groups continue. We're cutting forecast capital expenditure by 20 per cent this year, from £725 million to £580 million, and it's likely to remain at the same level next year.

"Subject to shareholder approval, our recent convertible issue allied with banking facilities will provide us with liquidity of £2 billion, which considerably strengthens our financial position.

"We will continue to invest in our future to maintain our position as a leading global premium airline. We have upgraded ba.com to improve the sale of non-flight items such as hotels and car hire and to offer packages of flights and these items at specially discounted prices. This provides customers with more choice and better value and has led to bookings of ancillary products and packages more than doubling compared to last year.

"Our punctuality continues to improve with our best ever first quarter performance. This is not only at Terminal 5, but also at Gatwick where no other major European carrier at any major European airport can match our team's record. The strong operational performance is reflected in our customer satisfaction ratings which remain at record levels with more than 75 per cent of customers saying they are extremely or very satisfied with the airline".

Financial review:

Total revenue in the period was down 12.2 per cent.

Passenger revenue was down 12.5 per cent, on capacity down 3.1 per cent. Yields were down 9.7 per cent, 13.3 per cent excluding exchange, as a result of price declines and a shift in the sales mix within cabin class.

Our cargo business continues to be impacted by the worldwide decline in demand for airfreight coupled with significant excess capacity driving lower prices. Cargo revenue decreased by 28.1 per cent, with cargo volumes, measured in cargo tonne kilometres, declining by 11.5 per cent. Cargo yields declined by 18.8 per cent driven by lower levels of fuel surcharges as the oil price fell and significant price declines.

Operating costs were down 6.6 per cent with unit costs down 3.0 per cent. Fuel costs for the period were down 15.6 per cent. Other operating costs, excluding fuel, were down 2.4 per cent, down 7.6 excluding exchange. This decrease sees the continuation of the cost savings that were launched last October.

Our financial position remains strong. Our cash position at the end of June 2009 was £1,258 million, down £123 million on March 2009. The recently announced cash raising through the convertible bonds and bank facilities will increase our liquidity to approximately £2 billion. Net debt improved to £2,268 million, down £114 million from March 2009, primarily as a result of foreign exchange movements.

The retranslation of foreign debt and the marked-to-market movement on fuel and currency hedges have increased reserves by £467 million since March 31, 2009. This reflects a strengthening of sterling and increased fuel prices since the end of the year.

The tax rate for the quarter was 28 per cent.

Business review:

Our four key business priorities remain unchanged.

Upgraded customer experience

Our new lounge for premium passengers opened at Heathrow Terminal 3. The 300-seat Galleries Club Lounge is for eligible customers travelling on British Airways flights from T3.
We are launching flights this winter from Heathrow to Las Vegas and Gatwick to the Maldives, Montego Bay, Punta Cana in the Dominican Republic, Sharm El Sheikh and Innsbruck. Gibraltar, Malaga and Pisa flights will move from Gatwick to Heathrow and flights from Gatwick to New York JFK, Alicante, Barcelona, Krakow, Madrid, Malta and Palma will be suspended.

Capacity

Capacity for this summer will reduce by 3.5 per cent compared to last year with capacity for this winter down 5 per cent versus last year. In addition to the 16 aircraft that will be parked this winter, the remaining three Boeing 757s will be grounded in summer 2010 and a further three Boeing 747s will be grounded during winter 2010.

Competitive cost base

Our permanent change programme which we started last year and is driven by pay and productivity is progressing well. Manpower has reduced by 4,000 in the last 12 months. Around 7,000 employees have volunteered for schemes in support of the airline’s cost reduction programme. In addition, we have reduced our external costs by working closely with our top 250 suppliers.

Corporate responsibility

The Aviation Global Deal Group, which British Airways co-founded, last month presented its proposal for a worldwide carbon trading framework to UN negotiators preparing for the UN climate change summit in Copenhagen in December. Carbon allowances would be allocated partly by auctioning, generating up to $5bn a year to fund environmental projects in developing countries. (See website www.agdgroup.org)

Trading Outlook

The industry continues to face very difficult trading conditions, with considerable uncertainty over the likely timeframe of the recovery from the global economic downturn.

Underlying volumes and seat factors have stabilised during the quarter and are expected to improve in the peak summer months. Yields will be under pressure from the year on year impact of lower fuel surcharges, exchange movements and mix. Yield uncertainty continues to make revenue forecasting difficult. Based on current fuel prices and exchange rates the full year fuel bill is expected to be between £450 million and £500 million lower than last year.

We continue to focus on excellent customer service and cost reduction initiatives to offset the declines in revenue.

ends

July 31, 2009

Note to Editors:

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

Appendix

Financial Position and Performance for the three months ended June 30, 2009 (unaudited)

		Three months ended June 30		
		2009	2008	Change
Revenue	£m	1,983	2,259	(12.2)%
Operating (loss)/profit	£m	(94)	35	nm
(Loss)/profit before tax	£m	(148)	37	nm
(Loss)/profit after tax	£m	(106)	27	nm
EBITDAR	£m	118	253	(135)
Net debt	£m	2,268	1,104	(1,164)
Cash & cash equivalents	£m	1,258	1,955	(697)
Basic earnings/(loss) per share	P	(9.6)	2.0	nm
Cash (out)/in from operating activities	£m	(29)	285	(314)
Passenger revenue per RPK*	P	6.06	6.71	(9.7)%

* prior year restated for inclusion of frequent flyer passengers
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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