

THIRD QUARTER RESULTS 1998-99 (unaudited)

		Three months ended December 31		Change	Nine months ended December 31		Change
		1998	1997		1998	1997	
Turnover	£m	2,140	2,156	(0.7)%	6,868	6,616	3.8%
Operating profit	£m	92	87	5.7%	527	428	23.1%
(Loss)/Profit before tax	£m	(75)	80	(194)%	310	510	(39.2)%
Retained (loss)/profit for the period	£m	(68)	71	(196)%	225	336	(33.0)%
Capital and reserves at period end	£m	3,565	3,383	5.4%	3,565	3,383	5.4%
Earnings per share							
<i>Basic</i>	p	(6.6)	6.8	(197)%	26.6	37.8	(29.6)%
<i>Fully diluted</i>	p	(5.9)	6.7	(188)%	25.6	35.6	(28.1)%

GROUP PROFIT AND LOSS ACCOUNT (unaudited)

	Three months ended December 31			Nine months ended December 31		
	1998 £m	1997 £m	Change	1998 £m	1997 £m	Change
Traffic Revenue						
<i>Scheduled Passenger</i>	1,787	1,791	(0.2)%	5,798	5,548	4.5%
<i>Scheduled Cargo</i>	150	159	(5.7)%	429	456	(5.9)%
<i>Non-scheduled Services</i>	9	10	(10.0)%	48	43	11.6%
	1,946	1,960	(0.7)%	6,275	6,047	3.8%
<i>Other Revenue</i>	194	196	(1.0)%	593	569	4.2%
TOTAL TURNOVER	2,140	2,156	(0.7)%	6,868	6,616	3.8%
<i>Employee costs</i>	520	559	(7.0)%	1,735	1,687	2.8%
<i>Depreciation</i>	160	138	15.9%	467	409	14.2%
<i>Aircraft operating lease costs</i>	39	29	34.5%	109	90	21.1%
<i>Fuel and oil costs</i>	171	202	(15.3)%	534	607	(12.0)%
<i>Engineering and other aircraft costs</i>	153	181	(15.5)%	480	474	1.3%
<i>Landing fees and en route charges</i>	182	170	7.1%	555	552	0.5%
<i>Handling charges, catering and other operating costs</i>	332	288	15.3%	983	890	10.4%
<i>Selling costs</i>	305	300	1.7%	933	930	0.3%
<i>Accommodation, ground equipment costs and currency differences</i>	186	202	(7.9)%	545	549	(0.7)%
TOTAL OPERATING EXPENDITURE	2,048	2,069	(1.0)%	6,341	6,188	2.5%
OPERATING PROFIT	92	87	5.7%	527	428	23.1%
<i>Share of operating profit in associates</i>	1	2	(50.0)%	28	31	(9.7)%
	93	89	4.5%	555	459	20.9%
<i>Other income</i>	1		nm	20	11	81.8%
<i>Profit on sale of fixed assets and investments</i>	9	14	nm	18	176	nm
<i>Interest</i>						
<i>Net payable</i>	(61)	(46)	32.6%	(185)	(148)	25.0%
<i>Retranslation (charges)/credits on currency borrowings</i>	(117)	23	nm	(98)	12	nm
(LOSS)/PROFIT BEFORE TAX	(75)	80	(194)%	310	510	(39.2)%
<i>Taxation</i>	7	(14)	(150)%	(31)	(135)	(77.0)%
(LOSS)/PROFIT AFTER TAX	(68)	66	(203)%	279	375	(25.6)%
<i>Minority share of losses after tax</i>		5	nm		13	nm
(LOSS)/PROFIT FOR THE PERIOD	(68)	71	(196)%	279	388	(28.1)%
<i>Dividends paid and proposed</i>				(54)	(52)	3.8%
RETAINED (LOSS)/PROFIT FOR THE PERIOD	(68)	71	(196)%	225	336	(33.0)%

nm: Not meaningful

OPERATING AND FINANCIAL STATISTICS (unaudited)
MAINLINE SCHEDULED SERVICES

	Three months ended December 31			Nine months ended December 31		
	1998	1997	Change	1998	1997	Change
<i>TRAFFIC AND CAPACITY</i>						
RPK (m)	28,252	25,471	10.9%	90,998	81,753	11.3%
ASK (m)	41,658	37,598	10.8%	126,687	112,903	12.2%
Passenger load factor (%)	67.8	67.7	0.1pts	71.8	72.4	(0.6)pts
CTK (m)	1,115	1,111	0.4%	3,256	3,175	2.6%
RTK (m)	3,937	3,649	7.9%	12,334	11,325	8.9%
ATK (m)	6,001	5,377	11.6%	18,143	16,165	12.2%
Overall load factor (%)	65.6	67.9	(2.3)pts	68.0	70.1	(2.1)pts
Passengers carried (000)	8,787	8,229	6.8%	28,752	26,546	8.3%
Tonnes of cargo carried (000)	226	220	2.7%	649	616	5.4%

FINANCIAL

Passenger revenue per RPK (p)	5.87	6.62	(11.3)%	5.97	6.39	(6.6)%
Cargo revenue per CTK (p)	13.09	14.13	(7.4)%	12.87	14.14	(9.0)%
Average fuel price (US cents/US gallon)	50.04	67.57	(25.9)%	50.09	66.61	(24.8)%

TOTAL GROUP OPERATIONS (including Deutsche BA and Air Liberte and 'go')
TRAFFIC AND CAPACITY

RPK (m)	29,736	26,929	10.4%	96,414	86,569	11.4%
ASK (m)	44,454	40,059	11.0%	135,276	120,665	12.1%
RTK (m)	4,111	3,791	8.4%	12,898	11,764	9.6%
ATK (m)	6,277	5,618	11.7%	18,984	16,918	12.2%
Passengers carried (000)	10,747	9,837	9.3%	34,764	31,644	9.9%

FINANCIAL

Total traffic revenue per RTK (p)	47.34	51.70	(8.4)%	48.65	51.40	(5.4)%
Total traffic revenue per ATK (p)	31.00	34.89	(11.1)%	33.05	35.74	(7.5)%
Net operating expenditure per RTK (p)	45.10	49.41	(8.7)%	44.57	47.76	(6.7)%
Net operating expenditure per ATK (p)	29.54	33.34	(11.4)%	30.28	33.21	(8.8)%

OPERATIONS

Average Manpower Equivalent (MPE)	64,608	61,144	5.7%	63,884	61,269	4.3%
ATKs per MPE (000)	97.2	91.9	5.8%	297.2	276.1	7.6%
Aircraft in service at period end	339	327	12	339	327	12

CHAIRMAN'S STATEMENT

Group Results

Group profits before tax for the nine months ended December 31, 1998 were £310 million - compared with £510 million for the same period last year. Operating profits were £527 million, up 23% from £428 million a year ago on turnover 3.8% higher. At 7.7%, operating margin was up 1.2 points. Productivity improved 7.6%.

For the three months ended December 31, 1998, operating profits were up 6% at £92 million on turnover slightly down. Disappointingly, this improvement was not reflected in the pre-tax result where a loss of £75 million was recorded, compared with an £80 million profit last year. The result included a one-off book charge of £117 million on yen debt used to fund aircraft acquisitions. The charge represents no cash lost to the business, but is required by standard accounting practice. The revaluation results from the strengthening of the yen by 18% between end September and end December. Last year revaluation of yen debt improved profits.

Business Performance

Operating margin has improved because cost efficiencies achieved by the £1 billion Business Efficiency Programme (BEP) have helped offset the effects of current trading conditions, which have witnessed a reduction in yields, caused by large discounts available in the market and a decline in business traffic.

The BEP will deliver cumulative annual savings of £600 million by the end of this financial year, £100 million ahead of target. British Airways is taking additional steps, including fleet rationalisation and reducing capacity growth to no more than 2% per annum for the next three years, to deliver improved returns and increase competitiveness.

Turnover

For the nine month period, turnover was up 3.8% -- at £6,868 million -- on a flying programme 12.2% larger in available tonne kilometres (ATKs).

Group turnover for the three months was down 7/10 of a point -- at £2,140 million -- on a flying programme 11.7% bigger. The additional capacity was filled to normal levels -- average seat factors were marginally up on last year -- but unit yields (pence per revenue passenger kilometre - RPK) were down 11.3%. The fall in yields was caused by weak demand in the premium passenger market and consequent dilution of our passenger mix, heavy competitor discounting in the economy passenger market and the continued strength of sterling.

In Cargo, similarly, volumes were up compared with last year but yields were down.

Unit Costs

For the nine month period, unit costs (pence per ATK) were 8.8% lower than a year ago; costs in total rose just 2.5%.

Unit costs for the three months were 11.4% lower than the same quarter last year despite increases in costs related to customer services and products (which have improved punctuality and baggage performance), and one-off spending in preparation for Year 2000.

Unit costs benefited from BEP cost efficiency actions as well as higher volumes, lower fuel prices, exchange rate benefits and negotiated supplier price reductions. There were also substantial savings on employee profit share costs.

Non Operating Items

Net interest expense for the quarter, excluding the revaluation of yen debt, was £61 million; up on last year because of additional aircraft acquisitions.

Earnings Per Share

For the nine month period, profits attributable to shareholders were £279 million, equivalent to earnings of 27 pence per share compared with 38 pence last year. The loss attributable to shareholders for the three months was equivalent to 6.6 pence per share, compared with last year's earnings of 6.8 pence.

Net Debt / Total Capital Ratio

Borrowings, net of cash and short term loans and deposits, amounted to £5,256 million at December 31, 1998 -- an increase of £653 million since March 31, 1998 due primarily to the funding of aircraft acquisitions. The net debt/total capital ratio now stands at 59.6% -- up 1.4 points from March 31, 1998.

Aircraft Fleet

This quarter has seen continued modernisation and rationalisation of the mainline fleet. This has included the disposal of five Boeing 747-100s, one DC-10 and the return of five ATPs to their lessors. An additional DC-10 and Boeing 737-200 were stood down awaiting disposal and a wet leased Boeing 737-200 returned to lessor. Replacing these aircraft we have acquired three Boeing 747-400s and five de Havilland Canada DHC-8s.

Within the subsidiary fleet, 'go' has leased two additional aircraft and Air Liberte have implemented a number of changes in the mix of aircraft (in service and leased out to others); overall their fleet is one smaller.

Alliance Development

Work continues on the implementation of the **oneworld** alliance including training of customer services staff, co-ordination of business systems and processes and rationalisation of flying schedules. On February 1, the first wave of customer benefits was announced: through check-in, better flight connections and amalgamation of frequent flyer schemes. More will follow.

Outlook

Economic conditions, particularly in South East Asia, and increased competition have resulted in excess capacity, which has forced yields down. The situation is not likely to improve materially in the short-term. British Airways' new fleet and network strategy is putting the company in good shape to respond effectively to future market conditions. The benefits of this strategy will become progressively more significant as the changes are implemented.

We are making important structural improvements to the business, all designed to improve customer service, improve margins and deliver higher returns from the assets employed. The aircraft fleet is being rationalised and, as a result, minimal capacity growth is planned in the near to mid-term. The BEP will deliver the full £1 billion of cost efficiencies by next year and we continue to work hard on the basics of good customer service: customer care, punctuality and baggage handling. Additionally, a major programme of product improvements is under preparation and we continue to implement the **oneworld** alliance.

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

GROUP BALANCE SHEET (unaudited)

	December 31		March 31
	1998 £m	1997 £m	1998 £m
FIXED ASSETS			
Tangible Assets	9,520	8,229	8,667
Investments	395	376	388
	9,915	8,605	9,055
CURRENT ASSETS			
Stocks	91	72	75
Debtors	1,405	1,424	1,432
Cash, short-term loans and deposits	810	1,018	738
	2,306	2,514	2,245
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	(2,718)	(2,925)	(2,821)
NET CURRENT LIABILITIES	(412)	(411)	(576)
TOTAL ASSETS LESS CURRENT LIABILITIES	9,503	8,194	8,479
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR			
Borrowings and other creditors	(5,781)	(4,625)	(4,978)
Convertible Capital Bonds 2005	(126)	(150)	(150)
	(5,907)	(4,775)	(5,128)
PROVISIONS FOR LIABILITIES AND CHARGES	(31)	(59)	(30)
MINORITY INTERESTS		23	
	3,565	3,383	3,321
CAPITAL AND RESERVES			
Called up share capital	268	259	260
Reserves	3,297	3,124	3,061
	3,565	3,383	3,321

STATEMENT OF TOTAL RECOGNISED GAINS & LOSSES (unaudited)

	Nine months ended		Year ended
	December 31	December 31	March 31
	1998 £m	1997 £m	1998 £m
Profit for the period	279	388	460
Other recognised gains and losses relating to the period			
Exchange movements	(75)	(31)	(18)
Total recognised gains and losses	204	357	442

These summary financial statements were approved by the Directors on February 9, 1999

GROUP CASH FLOW STATEMENT (unaudited)

	Nine months ended December 31		Year ended March 31
	1998 £m	1997 £m	1998 £m

CASH INFLOW FROM OPERATING ACTIVITIES	950	619	736
DIVIDENDS RECEIVED FROM ASSOCIATES	5	10	12
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(177)	(149)	(269)
TAXATION	(42)	(95)	(134)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(383)	214	161
ACQUISITIONS AND DISPOSALS	(3)	80	75
EQUITY DIVIDENDS PAID	(113)	(104)	(148)
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Cash inflow before management of liquid resources and financing	237	575	433
MANAGEMENT OF LIQUID RESOURCES	(14)	(354)	(90)
FINANCING	(166)	(231)	(372)
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Increase/(decrease) in cash in the period	57	(10)	(29)

GROUP FINANCING (REQUIREMENT)/SURPLUS

Cash inflow before management of liquid resources and financing	237	575	433
Acquisitions under loans, finance leases and hire purchase arrangements	(790)	(740)	(1,302)
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Total financing (requirement)/surplus for the period	(553)	(165)	(869)

Total tangible fixed asset expenditure, net of progress payment refunds	1,246	1,014	1,638
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NOTES TO THE ACCOUNTS

For the period ended December 31, 1998

1 ACCOUNTING CONVENTION

The accounts have been prepared on the basis of the accounting policies set out in the Report and Accounts for the year ended March 31, 1998 in accordance with all applicable United Kingdom accounting standards and the Companies Act 1985 and are consistent with those applied in the previous year.

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

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

	Nine months ended December 31		Year ended March 31
	1998 £m	1997 £m	1998 £m
2 RECONCILIATION OF OPERATING PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES			
Group operating profit	527	428	504
Depreciation charges	467	409	551
Other items not involving the movement of cash	14	(8)	(27)
Increase in stocks and debtors	(8)	(36)	(34)
Decrease in creditors	(50)	(174)	(258)
Cash inflow from operating activities	950	619	736
3 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT			
Increase/(decrease) in cash during the period	57	(10)	(29)
Cash outflow from decrease in debt and lease financing	224	251	394
Cash outflow from liquid resources	14	354	90
Change in net debt resulting from cash flows	295	595	455
New loans and finance leases taken out and hire purchase arrangements made	(790)	(740)	(1,302)
Conversion of Convertible Capital Bonds	24	76	76
Exchange movements	(182)	63	126
Movement in net debt during the period	(653)	(6)	(645)
Net debt at April 1	(4,603)	(3,958)	(3,958)
Net debt at period end	(5,256)	(3,964)	(4,603)

NOTES TO THE ACCOUNTS (continued)

For the period ended December 31, 1998

	Three months ended		Nine Months ended	
	December 31		December 31	
	1998 £m	1997 £m	1998 £m	1997 £m
4 OTHER INCOME AND CHARGES				
Income from trade investments	1		3	1
US Airways preferred stock dividend received				4
Other			17	6
	1		20	11
5 PROFIT ON SALES OF FIXED ASSETS AND INVESTMENTS				
Represented by:				
Group	9	14	18	171
Associates				5
	9	14	18	176
6 INTEREST				
Net Payable:				
Interest payable less amount capitalised	80	64	242	202
Interest receivable	(19)	(18)	(57)	(54)
	61	46	185	148
Retranslation charges/(credits) on currency borrowings	117	(23)	98	(12)
	178	23	283	136
Interest represented by:				
Group (including retranslation charges/(credits) on currency borrowings)	178	23	278	131
Associates			5	5
	178	23	283	136

7 TAXATION

Tax on the profit on ordinary activities has been provided for on the basis of the estimated rate of charge for the period ending December 31, 1998.

8 EARNINGS PER SHARE

Basic earnings per share are calculated on a weighted average of 1,050,470,000 ordinary shares (December 1997: 1,027,304,000). Fully diluted earnings per share are calculated on a weighted average of 1,149,443,000 ordinary shares (December 1997: 1,130,605,000) after allowing for the conversion rights attaching to the adjustments to income to eliminate interest payable on the Convertible Capital Bonds and to include notional interest receivable on the subscription cash for shares.

The number of shares in issue at December 31, 1998 was 1,071,045,000 (December 31, 1997: 1,037,472,000; March 31, 1998: 1,035,905,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS (continued)

For the period ended December 31, 1998

	December 31		March 31
	1998 £m	1997 £m	1998 £m
9 TANGIBLE ASSETS			
Fleet	7,924	6,830	7,227
Property	1,301	1,134	1,181
Equipment	295	265	259
	9,520	8,229	8,667
10 INVESTMENTS			
Associated undertakings	317	308	321
Trade and other investments	78	68	67
	395	376	388
11 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR			
Loans	35	171	74
Finance Leases	93	98	97
Hire Purchase Arrangements	235	158	185
	363	427	356
Overdrafts - unsecured	18	14	17
Corporate taxation		77	65
Other creditors and accruals	2,337	2,407	2,383
	2,718	2,925	2,821
12 BORROWINGS AND OTHER CREDITORS FALLING DUE AFTER MORE THAN ONE YEAR			
Loans	1,017	950	996
Finance Leases	997	1,107	1,049
Hire Purchase Arrangements	3,545	2,334	2,773
	5,559	4,391	4,818
Corporate taxation	55	41	
Other creditors and accruals	167	193	160
	5,781	4,625	4,978
13 RESERVES			
Balance at April 1	3,061	2,733	2,733
Retained profit for the period	225	336	284
Exchange adjustments	(75)	(31)	(18)
Net movement on goodwill		7	(23)
Premium arising from issue of ordinary share capital	86		
	3,297	3,124	3,061

14 The figures for the three months and nine months ended December 31, 1997 and 1998 are unaudited and do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The figures for the year ended March 31, 1998 have been extracted from the full accounts for that year which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report.

REPORT OF THE AUDITORS TO BRITISH AIRWAYS Plc

We have examined the interim financial information set out on page 2 and pages 6 to 10 in respect of the nine months ended December 31, 1998, which is the responsibility of, and has been approved by, the Directors. Our responsibility is to report on the results of our review.

Our review was carried out having regard to the Bulletin, 'Review of interim financial information', issued by the Auditing Practices Board. This review consisted principally of obtaining an understanding of the process for the preparation of the interim financial information, applying analytical procedures to the underlying financial data, assessing whether accounting policies have been consistently applied, and making enquiries of the Group's management responsible for financial and accounting matters. The review excluded audit procedures such as tests of controls and verification of assets and liabilities and was therefore substantially less in scope than an audit performed in accordance with Auditing Standards. Accordingly we do not express an audit opinion on the interim financial information.

On the basis of our review:

- we are not aware of any material modifications that should be made to the interim financial information as presented; and
- in our opinion the interim financial information has been prepared using accounting policies consistent with those adopted by British Airways Plc in its accounts for the year ended March 31, 1998.

Ernst & Young
London

February 9, 1999

UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) INFORMATION

The accounts have been prepared in accordance with accounting principles accepted in the United Kingdom which differ in certain respects from those generally accepted in the United States. The significant differences are the same as those set out in the Report and Accounts for the year ended March 31, 1998.

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

	Three months ended December 31		Nine months ended December 31	
	1998 £m	1997 £m	1998 £m	1997 £m
Profit for the period as reported in the Group profit and loss account	(68)	71	279	388
US GAAP adjustments	(31)	9	(73)	81
Net income as so adjusted to accord with US GAAP	(99)	80	206	469
Net income per Ordinary Share as so adjusted				
Basic	(9.6)p	6.7p	19.6p	44.8p
Diluted	(8.4)p	6.7p	19.2p	42.1p
Net income per American Depositary Share as so adjusted				
Basic	(96)p	67p	196p	448p
Diluted	(84)p	67p	192p	421p

	December 31		March 31
	1998 £m	1997 £m	1998 £m
Shareholders' equity as reported in the Group balance sheet	3,565	3,383	3,321
US GAAP adjustments	(464)	(633)	(277)
Shareholders' equity as so adjusted to accord with US GAAP	3,101	2,750	3,044

AIRCRAFT FLEET

Number in service with Group
companies at December 31, 1998

MAINLINE (Note 1)	On balance sheet Aircraft	Operating leases off balance sheet		Total (Note 2)	Future deli- veries	Options
		Exten- dible	Other			
Concorde	7			7		
Boeing 747-100	8		1	9		
Boeing 747-200	13	3		16		
Boeing 747-400	51			51	6	
Boeing 777	19			19	26	16
McDonnell Douglas DC-10-30	6			6		
Boeing 767-300	28			28		
Boeing 757-200	47	3	1	51	2	
Airbus A319 (note 5)					39	129
Airbus A320	10			10	20	
Boeing 737-200	11		12	23		
Boeing 737-300			8	8		
Boeing 737-400	27		7	34		
Turbo Props (Note 3)	2	2	18	22		
Sub Total	229	8	47	284	93	145
DEUTSCHE BA, and AIR LIBERTE and 'go'						
McDonnell Douglas DC-10-30			3	3		
McDonnell Douglas MD83	3		7	10		
Boeing 737-300 (Note 6)			24	24	5	
Fokker 100	4	7		11		
Fokker F28	4			4		
Turbo Props (Note 4)	1		2	3		
Sub total	12	7	36	55	5	
GROUP TOTAL	241	15	83	339	98	145

Notes:

- 1 Includes those operated by British Airways Plc, British Airways (European Operations at Gatwick) Ltd and Brymon Airways Ltd.
- 2 Excludes 4 ATR 72s, 6 ATR 42s, 2 Embraer, 4 Saab 2000s subleased to other carriers.
- 3 Includes 2 BAe ATPs, 2 de Havilland Canada DHC - 7 -100s and 18 de Havilland Canada DHC - 8s.
- 4 Includes 2 ATR 72s, 1 ATR 42.
- 5 Options include reserved delivery positions and, if taken, may be A319, A320 or A321.
- 6 Excludes 1 Boeing 737-300 on operating lease delivered, but not yet in service.