BRITISH AIRWAYS

INTERIM MANAGEMENT STATEMENT

Period April 1, 2007 – December 31, 2007 (Unaudited)

GOOD RESULTS DESPITE SOARING FUEL COSTS

British Airways today (February 1) presented its interim management statement for the nine months ended December 31, 2007.

Period highlights:

- Operating profit of £734 million (2006: £571 million) up 28.5 per cent
- Operating margin 11.1 per cent (2006: 8.7 per cent)
- Profit before tax of £788 million (2006: £584 million) up 34.9 per cent
- Fuel costs up £72 million in third quarter
- OpenSkies EU US airline launched
- Terminal 5 – less than eight weeks to opening
- New London City New York services to be launched

British Airways' chief executive Willie Walsh, said:

"This is another good set of results despite soaring fuel costs and difficulties in the market. Revenue up some one per cent and a strong cost performance has led to an operating profit up 28.5 per cent. While fuel costs in the first six months were down £36 million, they have soared £72 million in the third quarter.

The opening of Terminal 5 is now less than two months away and the public trials and previews for our Executive Club members have been very successful. When it opens in March our passengers will be able to enjoy a calm and effortless experience. The suite of lounges will be the largest and most luxurious in the world and will allow our passengers to work or relax in comfort.

We have also launched our new airline OpenSkies as a result of the new transatlantic air treaty. It will operate initially with one Boeing 757 non-stop between New York and Europe and offer business, premium economy and economy class. It will complement our business not compete with it.

We will also launch a new all business class niche service in 2009, linking the two largest financial centres of the world with flights from London City to New York on Airbus A318 aircraft. We are confident it will be a success as London City airport is only a short distance from the heart of London's financial district."

Financial review

Revenue was up by 0.9 per cent. Excluding exchange, revenue was up 3.2 per cent.

Passenger revenue at £5.7 billion was up 1.7 per cent on capacity up 0.8 per cent. Seat factor was down 0.6 points to 77 per cent. Yields were up 1.5 per cent mainly due to more premium passengers travelling, although the gains were partially neutralised by exchange rates, mainly the US dollar.

Club World and First performed strongly, driving our overall 4.2 per cent increase in premium traffic. Shorthaul premium traffic has weakened and non-premium traffic on the North Atlantic remains soft.

Cargo performance is improving. Strong volumes from the Americas, UK and Middle East South Asia, resulted in a 1.6 per cent improvement in cargo tonne kilometres (CTKs). Revenue fell £20 million to £453 million primarily due to exchange rate movements.

Our cost performance continues to be strong, helped by the weak US dollar. Total costs were down £101 million with unit costs down 1.5 per cent. Employee costs fell by 6.9 per cent to almost £1.6 billion because of reduced pensions costs and lower severance costs. Fuel was up 2.4 per cent due to the higher oil prices, only partially offset by hedging and the weak US dollar. Aircraft lease costs were down 16.4 per cent as a result of fewer aircraft on operating leases and renegotiation of existing leases. Engineering costs were up 11 per cent because of higher freighter costs, price rises in maintenance and higher volumes. Handling charges, and other operating costs have risen by 3.4 per cent because of the cost of dealing with baggage issues earlier this year.

The financial position of the company remains strong. In quarter three we raised a 15 year $1.7 billion aircraft financing facility and other financing facilities totalling $1.6 billion. Cash at the end of December was £1.7 billion, £631 million lower than at March 2007 but within our target range. Our net debt was £1.4 billion, up £457 million since the year end. Cash and net debt were affected by payments into the New Airways Pension Scheme (NAPS) and to the US Department of Justice (DoJ) for anti-competitive activity.

Capital expenditure at £519 million was higher than last year because we took delivery of four new Airbus A321 aircraft and two new Airbus A320 aircraft. We also continue to invest in the new Club World cabin and Terminal 5.

The tax rate for the nine months was 21 per cent. It benefited from a one-off credit because of the reduction in the UK corporation tax from 30 per cent to 28 per cent, effective from April 1, 2008. Excluding the one-off credit, the tax rate for the period would have been 30 per cent.

Business review

The airline continues to win awards including the World's Leading Airline at the World Traveller Awards, first prize for the new Club World seat at the International Design Awards in the US, Best Airline, Best Shorthaul, Best Economy Class and Best Frequent Flyer Programme at the Business Traveller Awards and Conde Naste Traveller magazine Best Leisure Shorthaul Airline.

Following the incident at Heathrow in January involving one of our Boeing 777s, the aircraft has been written off by underwriters and the insurance claim agreed in full. There will be no material effect in the results. The flight and cabin crew and all staff involved were praised for their outstanding performance in the incident.

Bringing Terminal 5 Alive

Our key business objectives focus on four themes, the first of which is Bringing Terminal 5 Alive. T5 will open on time and on budget. Trials of all the new processes and equipment continue to ensure T5 will be a flagship for the UK.

Basics and Brilliance

Our second theme redefines our customer promise under the banner of BA Basics and Brilliance – ensuring consistent high quality service 24 /7 and brilliance where it counts. Punctuality and baggage performance remain a challenge at Heathrow where facilities are old and overstretched. Heathrow was designed to handle 45 million passengers but today looks after 67 million passengers per year. Both these key areas will be improved significantly when we move to our new home in T5 but, in the meantime, we remain focused on improving our current performance.

In the air we have completed the new Club World fit of our fleet of 57 Boeing 747s.

Investing in Growth

Our longhaul fleet order is fundamental to our third theme of Investing in Growth. We have now formally signed the contracts for 12 Airbus A380 aircraft and 24 Boeing 787 aircraft and options for a further seven A380s and 18 B787s. The order allows for replacement of older aircraft and sustainable, profitable growth. A key factor in our choice of these aircraft was their environmental performance and they score highly on every measure. They are cleaner, quieter and more fuel efficient.

We have ordered two Airbus A318 aircraft to operate our planned business only services from London City airport to New York in 2009.

We are always looking for opportunities to increase our slot portfolio at Heathrow and we have acquired seven daily slot pairs during the nine months. Our share of slots at Heathrow is 41 per cent.

During 2007 we formed a consortium with TPG to explore a bid for Iberia. As a consequence of the recent decision taken by Iberia's core shareholders to sell their shares to Caja Madrid, the consortium withdrew its indication of interest for the company. We have retained our 10 per cent stake in Iberia.

By March our franchise agreement in the UK with GB Airways will end but we will be launching services on some of the routes previously served by GB Airways. Our agreement with Loganair ends in October. Although historically successful, the franchise model has outlived its purpose in the UK. This decision does not affect our overseas franchisees who continue to provide valuable feed traffic and brand exposure in areas we cannot serve.

Achieving a Competitive Cost Base

Our final and most enduring theme in recent years has been achieving a competitive cost base. Improving cost efficiency and eliminating waste in our business is key to delivering our target of a ten per cent operating margin, which we are on track to achieve by March 2008.

The CAA published its draft final consultation on the BAA Quinquennial (Q5) review of airport charges. The final decision on the price cap will be before the end of March with the new charges to be implemented on April 1, 2008. The CAA has proposed that, at Heathrow, there is a 15.6 per cent increase in year one of Q5. In the other four years of the charging period, the CAA proposes a rise of inflation (RPI) + 7.5 per cent each year.

The CAA has said that the increases reflect the increased costs of security operations, cost of recent capital projects and allowances for significant additional expenditure. However, we believe investment should be in the interests of the customer and the right controls should be in place to ensure greatly improved levels of service, following the Competition Commission's public interest finding against BAA's performance.

We are sure this could be achieved without the excessive price hike that the CAA is proposing compared with the detailed recommendations from the Competition Commission.

Corporate Responsibility

The Government launched its three-month consultation on a third runway and mixed-mode for Heathrow in November last year. We are very strongly in favour of increasing runway capacity at Heathrow which we believe would generate £7 billion a year in national economic benefits. Mixed mode would generate an additional £2.5 billion a year.

By the time a third runway could open, aviation’s carbon emissions will be capped under the EU Emissions Trading Scheme (ETS). This means that any growth in aviation emissions resulting from extra flights at Heathrow or any other European airport must be matched by equivalent emissions reductions elsewhere. So there will be no increase in overall emissions as a result of a third runway.

The EU Environment Council endorsed the Commission's plan to impose the ETS on foreign airlines flying into and out of the EU from 2012. This means a one-year delay to the start of the scheme and the loss of the opportunity to begin emissions trading on an intra-EU basis only.

We are concerned that the revised approach may provoke significant international opposition and so lead to further delays in implementation. Nonetheless the Council's agreement does preserve a number of the features of the Commission's original proposal, and is a more balanced and reasonable position than that recently adopted by the European Parliament.

We have taken climate change very seriously for a long time. More than a decade ago we were the first airline to set a target for improving fuel efficiency and we led the way in advocating carbon trading.

We have set a new target to improve our aircraft fuel efficiency by 25 per cent by 2025 and we have relaunched our online passenger carbon offset scheme on ba.com to make it simpler and easier to use. On waste minimisation we aim to recycle half of our waste and phase out use of landfill by 2010.

In readiness for the move to Terminal 5, we have taken delivery of 38 new airport buses, which comply with the latest Euro 5 exhaust emission standards.

Trading Outlook

Our revenue guidance for the full year continues at 3 to 3.5 per cent in spite of weakness in shorthaul premium and some non-premium markets.

Longhaul premium traffic continues to be strong, supporting our decision to make more premium capacity available. We have seen some fall in non-premium bookings in the January booking period compared to last year.

Our fuel costs will continue to rise and are now expected to be up more than £100 million on last year. This year’s increase will be offset by reductions in other operating costs but our ability to mitigate rising fuel costs next year will be challenging.

We continue to focus our efforts on achieving a 10 per cent operating margin for this financial year.

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, 2007

Continuing Operations (Unaudited)

		Nine months ended December 31		
		2007	2006 *Restated*	Change
Revenue	£m	**6,622**	*6,560*	0.9%
Operating profit	£m	**734**	*571*	28.5%
Profit before tax	£m	**788**	*584*	34.9%
Loss from discontinued operations	£m	**(4)**	*(81)*	95.1%
Profit after tax	£m	**623**	*509*	22.4%
EBITDAR	£m	**1,428**	*1,278*	11.7%
Net assets	£m	**3,147**	*2,490*	26.4%
Net debt	£m	**1,448**	*866*	(582)
Cash & cash equivalents	£m	**1,724**	*2,643*	(34.8)%
Basic earnings per share	P	**53.3**	*43.8*	21.7%
Cash (out)/in from operating activities	£m	**(12)**	*608*	(620)
Passenger revenue per RPK	P	**6.59**	*6.49*	1.5%*

*Increase VLY includes 2.4% due price, 1.9% due mix, (2.8)% due exchange

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 programs, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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

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