

PRELIMINARY RESULTS ANNOUNCEMENT

Period April 1, 2010 - September 30, 2010 (Unaudited)

STEADY RECOVERY CONTINUES

British Airways today (October 29) presented its interim management report for the six months ended September 30, 2010.

Period highlights:

- Profit before tax of £158 million (2009: loss of £292 million)
- Revenue up £345 million due to improved yields
- Costs down 1.5 per cent
- Operating profit of £298 million (2009: loss of £111 million)
- Quarter 2 operating profit of £370 million (2009: loss of £17 million)

British Airways' chief executive Willie Walsh, said:

"Our concerted efforts to introduce permanent structural change across the airline has led to a reduction in non-fuel costs and a return to profitability. Revenue has increased, driven primarily by yield improvements and, while fuel costs have risen, they are in line with our expectations.

Our focus on permanent structural change will continue. This summer we agreed a new productivity deal with our Heathrow terminal-based staff that will provide a more flexible, cost-efficient and customer focused ground operation. In addition, the first of the cabin crew recruited on new terms and conditions have completed training and start flying on Monday.

"At a strategic level, we launched our transatlantic joint business with American Airlines and Iberia earlier this month, having received regulatory approval in the summer. Also, we expect to complete our merger with Iberia in January 2011. Regulatory information about the merger has been sent to shareholders in advance of shareholder meetings on November 29 to seek approval for the merger.

"Our customers remain our main focus. Our first two Boeing 777-300ER aircraft - with new cabins and in-flight entertainment throughout - are now in operation with the third scheduled to enter service next month. Customer reaction to the new aircraft has been fantastic. We announced new routes from Heathrow to Tokyo Haneda and San Diego, Gatwick to San Juan in Puerto Rico and London City to Stockholm that will start next year. A new winter ski route from London City to Chambéry will launch in December.

"Despite disruption caused by numerous air traffic control strikes across Europe this summer, 74 per cent of our Heathrow flights and 84 per cent of our Gatwick flights departed on time, significantly outperforming our major competitors."

Financial review:

Total revenue for the period was up 8.4 per cent.

Passenger revenue was up 7.9 per cent, on capacity down 6.2 per cent. Yields improved by 17.2 per cent, 14.4 per cent excluding the impact of exchange, driven by price and mix across all cabins.

Our cargo business continues to see strong performance, with revenue increasing by 39.4 per cent, driven by yields recovering from the market low point of last year, as well as strong premium product performance and higher fuel surcharges. Cargo volumes, measured in cargo tonne kilometres, increased by 2.4 per cent.

Operating costs were down 1.5 per cent. Fuel costs were up 2.4 per cent, and other non fuel costs reduced by 3.1 per cent, 4.0 per cent excluding the impact of exchange.

Non operating costs include net finance costs of £78 million and £41 million of pension costs.

The result for the period along with our share of movements in associates reserves have increased reserves by £173 million to £865 million. The marked to market movement on fuel and cash flow hedges was not significant during the period.

Profit before tax for the period was £158 million.

The effective tax rate for the period was 27 per cent.

Our cash position remains strong, at £1,857 million as at the end of September, up £143 million from the end of March 2010. Our net debt position reduced by £241 million to £2,047 million from £2,288 million at the end of March 2010.

The Directors declare that no dividend be paid for the period ended September 30, 2010.

For quarter two, we recorded an operating profit of £370 million, 14.7 per cent operating margin and a profit before tax of £322 million.

Business review:

We remain committed to our key business priorities.

Upgraded customer experience

Our new First cabin has been installed on 12 aircraft and will be fitted across the longhaul fleet by the end of next year.

Capacity and fleet

We have more direct Caribbean services than any other European airline with 64 weekly flights to 15 destinations. Next summer we are increasing flights from Gatwick to Barbados and Antigua and between St Lucia and Port of Spain, as well as to Tampa and Cancun. Flights from Heathrow to Buenos Aires will go direct rather than via Sao Paulo.

With increased capacity planned for next summer, we are bringing back into service a second temporarily parked Boeing 747 aircraft.

Our subsidiary BA CityFlyer is to increase its fleet size by almost 20 per cent by converting options for two Embraer 190SR aircraft.

Competitive cost base

Our achievement to date in introducing structural change, leading to a more competitive cost base, has enabled us to grow our business in a way that would not have been profitable previously.

Corporate responsibility

We have launched an engineering apprenticeship scheme in conjunction with Brooklands, Farnborough and Kingston colleges. 90 students started the scheme this autumn, and having successfully completing their year at college, they become full time employees of the airline, based at Heathrow. They will then gain experience working across various engineering departments and qualify for a City and Guilds Certificate in Aeronautical Engineering.

Our graduate programme is being extended to include overseas graduates with the first candidate coming from the University of the West Indies next year. The scheme will be rolled out across Africa, and in Brazil, India, China and other countries served by the airline.

We are participating in Cranfield University's Sea Green project to solve how to harvest algae to produce jet fuel in commercial quantities.

Principal risks and uncertainties

During the period we have continued to maintain and operate our structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting us, detailed on pages 33 and 34 of the March 31, 2010 Annual Report and Accounts, remain relevant for the remaining six months of the year.

The risks include brand reputation, competition, consolidation/deregulation, debt funding, economic conditions, employee relations, events causing long-term network disruption, failure of a critical IT system, fuel price and currency fluctuation, fuel supply, government intervention, Heathrow operational constraints, key supplier risk, pandemic, pensions and safety/security incident.

Air Passenger Duty (APD)

Next week there are further increases in APD of up to 55 per cent on some longhaul flights. We already meet our carbon costs twice over even before these increases. Aviation supports more than 500,000 jobs in the UK and provides the transport links that are vital to the success of UK businesses in a globalised economy. Excessive taxation puts aviation's social and economic benefits at risk.

Related parties

Related party disclosures are given in Note 20 to the condensed consolidated financial information.

Trading Outlook

While positive, the economic environment continues to be subject to uncertainty, to which the increase in APD is unhelpful. We continue to focus on managing our costs.

ends

October 29, 2010

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Note to Editors:

There will be a webcast of the analyst slide presentation at 9am (GMT) available through our website www.bashares.com.

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 2009-10, 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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HALF YEAR RESULTS 2010-2011 (unaudited)

OPERATING AND FINANCIAL STATISTICS

		Six months ended		Better/ (Worse)
		30 September		
		2010	2009	
Revenue	£m	4,447	4,102	8.4 %
Operating profit /(loss)	£m	298	(111)	nm
Profit / (loss) before tax	£m	158	(292)	nm
Profit / (loss) after tax	£m	116	(208)	nm
Basic earnings/(loss) per share	p	9.3	(18.8)	nm

		Six months ended		Better/ (Worse)
		30 September		
		2010	2009	

TOTAL GROUP OPERATIONS

TRAFFIC AND CAPACITY

Revenue passenger kilometres (RPK) (m)		55,251	59,998	(7.9)%
Available seat kilometres (ASK) (m)		69,792	74,412	(6.2)%
Passenger load factor (%)		79.2	80.6	(1.4)pts
Cargo tonne kilometres (CTK) (m)		2,294	2,240	2.4 %
Revenue tonne kilometres (RTK) (m)		7,856	8,208	(4.3)%
Available tonne kilometres (ATK) (m)		10,670	11,091	(3.8)%
Overall load factor (%)		73.6	74.0	(0.4)pts
Passengers carried (000)		16,452	17,743	(7.3)%
Tonnes of cargo carried (000)		375	377	(0.5)%

FINANCIAL

Operating margin (%)		6.7	(2.7)	9.4 pts
Passenger revenue per RPK (p)		7.02	5.99	17.2 %
Passenger revenue per ASK (p)		5.56	4.83	15.1 %
Cargo revenue per CTK (p)		15.26	11.21	36.1 %
Total traffic revenue per RTK (p)		53.82	46.83	14.9 %
Total traffic revenue per ATK (p)		39.62	34.66	14.3 %
Total expenditure on operations per RTK (p)		52.81	51.33	(2.9)%
Total expenditure on operations per ATK (p)		38.88	37.98	(2.4)%
Average fuel price before fuel hedging (US cents/US gallon)		216.72	172.46	(25.7)%

TOTAL AIRLINE OPERATIONS (Note 1)

OPERATIONS

Average Manpower Equivalent (MPE)		35,867	38,704	7.3 %
ATKs per MPE (000)		297.5	286.6	3.8 %
Aircraft in service at period end		239	246	(7)

nm: Not meaningful

Note 1: Excludes non-airline activity companies, principally The Mileage Company Limited, BA Holidays Limited and Speedbird Insurance Company Limited.

CONSOLIDATED INCOME STATEMENT (unaudited)

£ million	Six months ended 30 September		Better/ (Worse)
	2010	2009	
Traffic revenue			
Passenger	3,878	3,593	7.9 %
Cargo	350	251	39.4 %
	4,228	3,844	10.0 %
Other revenue	219	258	(15.1)%
REVENUE	4,447	4,102	8.4 %
Employee costs	1,003	1,031	2.7 %
Restructuring		48	nm
Depreciation, amortisation and impairment	350	360	2.8 %
Aircraft operating lease costs	34	33	(3.0)%
Fuel and oil costs	1,257	1,228	(2.4)%
Engineering and other aircraft costs	278	247	(12.6)%
Landing fees and en route charges	313	322	2.8 %
Handling charges, catering and other operating costs	506	529	4.3 %
Selling costs	145	144	(0.7)%
Currency differences	(3)		nm
Accommodation, ground equipment and IT costs	266	271	1.8 %
TOTAL EXPENDITURE ON OPERATIONS	4,149	4,213	1.5 %
OPERATING PROFIT / (LOSS)	298	(111)	nm
Fuel derivative (losses)/gains	(4)	5	nm
Finance costs	(85)	(76)	(11.8)%
Finance income	7	11	(36.4)%
Net financing expense relating to pensions	(41)	(100)	59.0 %
Retranslation (charges)/credits on currency borrowings	(8)	6	nm
Loss on sale of property, plant and equipment and investments	(3)	(9)	66.7 %
Share of post-tax losses in associates accounted for using the equity method	(2)	(19)	89.5 %
Net(charge)/credit relating to available-for-sale financial assets	(4)	1	nm
PROFIT / (LOSS) BEFORE TAX	158	(292)	nm
Tax	(42)	84	nm
PROFIT / (LOSS) AFTER TAX	116	(208)	nm
Attributable to:			
Equity holders of the parent	107	(217)	nm
Non-controlling interest	9	9	0.0 %
	116	(208)	nm
EARNINGS/(LOSS) PER SHARE			
Basic	9.3p	(18.8)p	nm
Diluted	7.9p	(18.8)p	nm

nm: Not meaningful

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

£ million	Six months ended 30 September		Better/ (Worse)
	2010	2009	
Net profit / (loss) for the period	116	(208)	nm
Other comprehensive income:			
Exchange losses	(4)	(21)	81.0 %
Net gains on cash flow hedges	16	454	(96.5)%
Share of other movements in reserves of associates	54	13	nm
Movement in fair value of available-for-sale financial assets	(4)		nm
Held-to-maturity investments marked-to-market	1		nm
Total comprehensive income for the period (net of tax)	179	238	(24.8)%
Attributable to:			
Equity holders of the parent	170	229	(25.8)%
Non-controlling interest	9	9	0.0 %
	179	238	(24.8)%

CONSOLIDATED BALANCE SHEET (unaudited)

£ million	<u>30 September</u>	<u>31 March</u>
	2010	2010
NON-CURRENT ASSETS		
Property, plant and equipment		
<i>Fleet</i>	5,726	5,739
<i>Property</i>	894	920
<i>Equipment</i>	230	245
	6,850	6,904
Intangibles		
<i>Goodwill</i>	40	40
<i>Landing rights</i>	202	202
<i>Software</i>	30	27
	272	269
Investments in associates	243	197
Available-for-sale financial assets	72	76
Employee benefit assets	535	483
Derivative financial instruments	13	27
Prepayments and accrued income	47	17
TOTAL NON-CURRENT ASSETS	8,032	7,973
NON-CURRENT ASSETS HELD FOR SALE	53	30
CURRENT ASSETS AND RECEIVABLES		
Inventories	98	98
Trade receivables	579	499
Other current assets	252	289
Derivative financial instruments	45	74
Other current interest-bearing deposits	1,307	928
Cash and cash equivalents	550	786
	1,857	1,714
TOTAL CURRENT ASSETS AND RECEIVABLES	2,831	2,674
TOTAL ASSETS	10,916	10,677
SHAREHOLDERS' EQUITY		
Issued share capital	288	288
Share premium	937	937
Investment in own shares	(4)	(4)
Other reserves	865	692
TOTAL SHAREHOLDERS' EQUITY	2,086	1,913
NON-CONTROLLING INTEREST	200	200
TOTAL EQUITY	2,286	2,113
NON-CURRENT LIABILITIES		
Interest-bearing long-term borrowings	3,430	3,446
Employee benefit obligations	216	208
Provisions for deferred tax	823	774
Other provisions	156	159
Derivative financial instruments	6	5
Other long-term liabilities	305	232
TOTAL NON-CURRENT LIABILITIES	4,936	4,824
CURRENT LIABILITIES		
Current portion of long-term borrowings	474	556
Trade and other payables	2,934	2,910
Derivative financial instruments	19	12
Current tax payable	3	2
Short-term provisions	264	260
TOTAL CURRENT LIABILITIES	3,694	3,740
TOTAL EQUITY AND LIABILITIES	10,916	10,677

CONSOLIDATED CASH FLOW STATEMENT (unaudited)

£ million	Six months ended		Better/ (Worse)
	2010	30 September 2009	
CASH FLOW FROM OPERATING ACTIVITIES			
Operating profit / (loss)	298	(111)	409
Depreciation, amortisation and impairment	350	360	(10)
Operating cash flow before working capital changes	648	249	399
Movement in inventories, trade and other receivables	(159)	(31)	(128)
Movement in trade and other payables and provisions	55	(80)	135
Payments in respect of restructuring	(9)	(34)	25
Payments in settlement of competition investigation	(2)	(17)	15
Other non-cash movement	21	(1)	22
Cash generated from operations	554	86	468
Interest paid	(71)	(61)	(10)
Taxation		7	(7)
NET CASH GENERATED FROM OPERATING ACTIVITIES	483	32	451
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(293)	(307)	14
Purchase of intangible assets	(8)	(4)	(4)
Proceeds from sale of property, plant and equipment	15	50	(35)
Proceeds received from loan notes	2	7	(5)
Interest received	7	12	(5)
Increase in other current interest-bearing deposits	(379)	(109)	(270)
NET CASH USED IN INVESTING ACTIVITIES	(656)	(351)	(305)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	268	693	(425)
Proceeds from equity portion of convertible bond		84	(84)
Repayments of borrowings	(69)	(35)	(34)
Payment of finance lease liabilities	(276)	(394)	118
Exercise of share options		3	(3)
Distributions made to holders of perpetual securities	(9)	(9)	
NET CASH FLOW USED IN FINANCING ACTIVITIES	(86)	342	(428)
Net (decrease)/increase in cash and cash equivalents	(259)	23	(282)
Net foreign exchange differences	23	(6)	29
Cash and cash equivalents at 1 April	786	402	384
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	550	419	131

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

For the six months ended 30 September 2010

£ million	Issued capital	Share premium	Investment in own shares	Other * reserves	Total shareholders' equity	Non-controlling interest	Total equity
At 1 April 2010	288	937	(4)	692	1,913	200	2,113
Total comprehensive income for the period (net of tax)				170	170	9	179
Cost of share-based payment				3	3		3
Distributions made to holders of perpetual securities						(9)	(9)
At 30 September 2010	288	937	(4)	865	2,086	200	2,286

* Closing balance includes retained earnings of £905 million.

For the six months ended 30 September 2009

£ million	Issued capital	Share premium	Investment in own shares	Other * reserves	Total shareholders' equity	Non-controlling interest	Total equity
At 1 April 2009	288	937	(9)	430	1,646	200	1,846
Total comprehensive income for the period (net of tax)				229	229	9	238
Equity component of convertible bond**				84	84		84
Cost of share-based payment				2	2		2
Exercise of share options			3	(3)			
Distributions made to holders of perpetual securities						(9)	(9)
At 30 September 2009	288	937	(6)	742	1,961	200	2,161

* Closing balance includes retained earnings of £720 million.

** After deduction of transaction costs of £2 million.

NOTES TO THE ACCOUNTS

For the six months ended 30 September 2010

1. CORPORATE INFORMATION

The Group's interim condensed financial statements for the six months ended 30 September 2010 were authorised for issue by the Board of Directors on 28 October 2010. British Airways Plc (the Company) is a public limited company incorporated and domiciled in England and Wales. The interim condensed financial statements herein are not the Company's statutory accounts and are unaudited. The Group's auditors issued an unqualified audit report, containing no statements under Section 498(2) or Section 498(3) of the Companies Act 2006, on the Group's annual financial statements for the year ended 31 March 2010. The Group and Company's annual financial statements have been filed with the Registrar of Companies in England and Wales. The Company's ordinary shares are traded on the London Stock Exchange.

2. BASIS OF PREPARATION

The basis of preparation and accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2010 have been applied in the preparation of these summary consolidated financial statements, with any exceptions disclosed in note 3. These are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs)* as adopted by the European Union (EU) and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB). References to 'IFRS' hereafter should be construed as references to IFRSs as adopted by the EU.

These interim financial statements have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Services Authority and with International Accounting Standard (IAS) 34 'Interim Reporting'.

* For the purposes of these statements IFRS also includes International Accounting Standards.

3. ACCOUNTING POLICIES

The accounting policies and methods of calculation adopted are consistent with those of the annual financial statements for the year ended 31 March 2010, as described in those annual financial statements.

See the Annual Report and Accounts for the year ended 31 March 2010 for disclosures of new standards, amendments and interpretations which have been adopted, none of which have had a significant effect on the reported results or financial position of the Group for the six months ended 30 September 2010.

4. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the airline industry, higher revenues and operating profits are usually expected in the first six months of the financial year than in the latter six months. Higher revenues during the first six months are mainly attributed to the increased demand for travel during the summer holiday season.

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

5. SEGMENT INFORMATION

a. Business segments

The Group's network passenger and cargo operations are managed as a single business unit. The Management Team makes resource allocation decisions based on route profitability, which considers aircraft type and route economics, based primarily by reference to passenger economics with limited reference to cargo demand. The objective in making resource allocation decisions is to optimise consolidated financial results. While the operations of OpenSkies SASU and BA Cityflyer Limited are considered to be separate operating segments, their activities are considered to be sufficiently similar in nature to aggregate the two segments and report them together with the network passenger and cargo operations. Therefore, based on the way the Group treats the network passenger and cargo operations, and the manner in which resource allocation decisions are made, the Group has only one reportable operating segment for financial reporting purposes, reported as the 'airline business'.

Financial results from other operating segments are below the quantitative threshold for determining reportable operating segments and consist primarily of The Mileage Company Limited, British Airways Holidays Limited and Speedbird Insurance Company Limited.

For the six months ended 30 September 2010

£ million	Airline business	All other segments	Unallocated	Total
Revenue				
Sales to external customers	4,343	104		4,447
Inter-segment sales	35			35
Segment revenue	4,378	104		4,482
Segment result	291	7		298
Other non-operating expense	(8)			(8)
Profit before tax and finance costs	283	7		290
Net finance costs	(34)		(93)	(127)
Loss on sale of assets	(3)			(3)
Share of associates' losses	(2)			(2)
Tax			(42)	(42)
Profit/(loss) after tax	244	7	(135)	116
Assets and liabilities				
Segment assets	10,538	135		10,673
Investment in associates	243			243
Total assets	10,781	135		10,916
Segment liabilities	3,509	391		3,900
Unallocated liabilities *			4,730	4,730
Total liabilities	3,509	391	4,730	8,630
Other segment information				
Property, plant and equipment - additions (note 13)	332	1		333
Non-current assets held for sale (note 9)	53			53
Intangible assets - additions (note 13)	8			8
Depreciation, amortisation and impairment	349	1		350

* Unallocated liabilities consist of current taxes of £3 million, deferred taxes of £823 million and borrowings of £3,904 million which are managed on a Group basis.

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

5. SEGMENT INFORMATION continued

a. Business segments continued

For the six months ended 30 September 2009

£ million	Airline business	All other segments	Unallocated	Total
Revenue				
Sales to external customers	4,008	94		4,102
Inter-segment sales	19			19
Segment revenue	4,027	94		4,121
Segment result				
Other non-operating income	6			6
(Loss)/profit before tax and finance costs	(119)	14		(105)
Net finance costs	(89)		(70)	(159)
Loss on sale of assets	(9)			(9)
Share of associates' losses	(19)			(19)
Tax			84	84
(Loss)/profit after tax	(236)	14	14	(208)
Assets and liabilities				
Segment assets	10,126	124		10,250
Investment in associates	194			194
Total assets	10,320	124		10,444
Segment liabilities	3,283	379		3,662
Unallocated liabilities *			4,621	4,621
Total liabilities	3,283	379	4,621	8,283
Other segment information				
Property, plant and equipment - additions (note 13)	328			328
Intangible assets - additions (note 13)	4			4
Depreciation, amortisation and impairment	360			360
Exceptional items:				
Restructuring (note 6)	48			48

* Unallocated liabilities consist of current taxes of £6 million, deferred taxes of £746 million and borrowings of £3,869 million which are managed on a Group basis.

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

5. SEGMENT INFORMATION continued

b. Geographical segments - by area of original sale

£ million	Six months ended 30 September	
	2010	2009
Europe:	2,598	2,411
UK	1,906	1,764
Continental Europe	692	647
The Americas:	956	910
USA	853	811
The rest of the Americas	103	99
Africa, Middle East and Indian sub-continent	464	402
Far East and Australasia	429	379
Revenue	4,447	4,102

Total of non-current assets excluding available-for-sale financial assets, employee benefit assets, derivative financial instruments, prepayments and accrued income located in the United Kingdom is £7,042 million (31 March 2010: £7,060 million) and the total of these non-current assets located in other countries is £376 million (31 March 2010: £340 million).

6. OPERATING PROFIT / (LOSS)

The operating result for the six months ended 30 September 2010 includes fnil restructuring charge (2009: £48 million restructuring charge primarily relating to severance).

7. FINANCE COSTS AND INCOME

£ million	Six months ended 30 September	
	2010	2009
Finance costs:		
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	(75)	(66)
Unwinding of discounting on provisions*	(11)	(11)
Capitalised interest		1
Change in fair value of cross currency swaps	1	
Total finance costs	(85)	(76)
Finance income:		
Bank interest receivable	7	11
Total finance income	7	11
Pensions financing:		
Net financing income/(expense) relating to pensions	1	(81)
Net amortisation of actuarial losses on pensions	(42)	(19)
Total financing expense relating to pensions	(41)	(100)
Retranslation (charges)/credits on currency borrowings	(8)	6

* Unwinding of discount on the competition investigation provision and restoration and handback provisions.

8. LOSS ON SALE OF PROPERTY, PLANT AND EQUIPMENT

£ million	Six months ended 30 September	
	2010	2009
Net loss on sale of property, plant and equipment	(3)	(9)
Loss on sale of property, plant and equipment	(3)	(9)

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

9. NON-CURRENT ASSETS HELD FOR SALE

In April 2009, the Group agreed to the sale of 11 Boeing 757 aircraft, these aircraft will exit the business between June 2010 and April 2012. The economic lives and residual values of the aircraft were adjusted in April 2009 to reflect the terms of the sale agreement. Aircraft and engines which are due to exit the business within 12 months are classified as non-current assets held for sale.

10. TAX

The tax charge for the six months ended 30 September 2010 was £42 million (2009: £84 million credit). The current tax charge for the period was £1 million and the deferred tax charge was £41 million.

The effective tax rate for the period was 27 per cent. The Finance (No 2) Act 2010 was enacted in July 2010 and reduced the main rate of corporation tax from 28 per cent to 27 per cent from 1 April 2011. The effective tax rate excluding the one-off adjustment for the reduction in the corporation tax rate, from 28 per cent to 27 per cent, was 48 per cent.

The reduction in the corporation tax rate reduces the deferred tax liability provided at 30 September 2010 by £31 million. Proposals to reduce the rate by 1 per cent per annum to 24 per cent by 1 April 2014 have not been substantively enacted and therefore the effects of these proposed reductions are not included in these summary financial statements.

11. EARNINGS / (LOSS) PER SHARE

Basic earnings per share for the six months ended 30 September 2010 were calculated on a weighted average of 1,152,614,000 ordinary shares (30 September 2009: 1,151,888,000; 31 March 2010: 1,152,088,000) and adjusted for investment in own shares held for the purposes of distribution to holders of conditional shares granted under long term incentive plans. Diluted earnings per share for the period ended 30 September 2010 were calculated on a weighted average of 1,356,414,000 ordinary shares (30 September 2009: 1,230,442,000; 31 March 2010: 1,274,083,000).

The number of shares in issue at 30 September 2010 was 1,153,689,000 (30 September 2009: 1,153,642,000; 31 March 2010: 1,153,674,000) ordinary shares of 25 pence each.

12. DIVIDENDS

The Directors declare that no dividend be paid for the six months ended 30 September 2010 (2009: £nil).

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLES

During the six months ended 30 September 2010, the Group acquired property, plant and equipment assets with a cost of £333 million (2009: £328 million). Included in the acquisitions are the delivery of two Airbus A320 aircraft, one Boeing B777-300 aircraft and three Embraer E-jets aircraft. The Group also acquired intangible assets with a cost of £8 million (2009: £4 million).

Assets with a net book value of £40 million were transferred to non-current assets held for sale during the six months ended 30 September 2010 (2009: £16 million).

Property, plant and equipment with a net book value of £18 million was disposed of by the Group during the six months ended 30 September 2010 (2009: £59 million) resulting in a net loss on disposal of £3 million (2009: £9 million).

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

14. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

£ million	Six months ended	
	30 September	
	2010	2009
(Decrease)/increase in cash and cash equivalents during the period	(259)	23
Net cash outflow from decrease in debt and lease financing	345	429
Increase in other current interest-bearing deposits	379	109
New loans and finance leases taken out and hire purchase arrangements made	(268)	(693)
Decrease/(increase) in net debt resulting from cash flow	197	(132)
Exchange movements and other non-cash movements	44	152
Decrease in net debt during the period	241	20
Net debt at 1 April	(2,288)	(2,382)
Net debt at 30 September	(2,047)	(2,362)

Net debt comprises the current and non-current portions of long-term borrowings less cash and cash equivalents and other current interest-bearing deposits.

15. LONG-TERM BORROWINGS

£ million	30 September	31 March
	2010	2010
a Current		
Bank and other loans	163	139
Finance leases	211	129
Hire purchase arrangements	100	288
	474	556
b Non-current		
Bank and other loans*	1,390	1,345
Finance leases	2,023	2,077
Hire purchase arrangements	17	24
	3,430	3,446

* Includes £278 million relating to the liability portion of the convertible bond (31 March 2010: £269 million).

The Group issued a £350 million fixed rate convertible bond in August 2009, raising cash of £341 million (net of issue costs), which holds a coupon rate of 5.8 per cent and is convertible into ordinary shares at the option of the holder before or upon maturity in August 2014. Conversion into ordinary shares will occur at a premium of 38 per cent on the Group's share price on the date of issuance. The Group hold an option to redeem the convertible bond at its principal amount, together with accrued interest, upon fulfilment of certain pre-determined criteria. The equity portion of the convertible bond issue is included in other reserves.

16. SHARE OPTIONS

During the period, the Group made awards under the Performance Share Plan (PSP) to key senior executives and selected members of the wider management team, under which 6,757,537 conditional shares were awarded. No payment is due upon the shares vesting. The fair value of equity-settled share options granted is estimated as at the date of the award using the Monte-Carlo model, taking into account the terms and conditions upon which the options were awarded. The following are inputs to the model:

Expected share price volatility: 56%
 Historical volatility: 56%
 Expected life of options: three years
 Weighted average share price: £2.35

The Group also made awards under the Deferred Share Plan (DSP) during the period, under which 4,962,195 conditional shares were awarded.

No share options were granted during the period ended 30 September 2009.

For further details of the plans, refer to the Annual Report and Accounts for the year ended 31 March 2010.

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

17. PENSION COSTS

The Company operates two funded principal defined benefit pension schemes in the UK, the Airways Pension Scheme (APS) and the New Airways Pension Scheme (NAPS) both of which are closed to new members. The Group did not perform an interim valuation on an IAS 19 basis as at 30 September 2010 as there had been no significant movement in key assumptions.

The Group did perform an interim valuation on an IAS 19 basis as at 30 September 2009, the results of which were disclosed in the summary consolidated financial statements for the six months ended 30 September 2009.

18. PROVISIONS FOR LIABILITIES AND CHARGES

Litigation

There are ongoing investigations into the Group's passenger and cargo surcharges by the European Commission and other jurisdictions. The provision included in this condensed set of consolidated financial statements for the six months ended 30 September 2010 reflects the broad estimate of potential liability in relation to these regulatory investigations, litigation and potential litigation. However our view may change as a result of future developments.

Restructuring

The Group held a restructuring provision of £18 million at 30 September 2010 (31 March 2010: £28 million) in respect of items including targeted voluntary severance schemes previously announced.

19. CONTINGENT LIABILITIES

There were contingent liabilities at 30 September 2010 in respect of guarantees and indemnities entered into as part of the ordinary course of the Group's business. No material losses are likely to arise from such contingent liabilities. A number of other lawsuits and regulatory proceedings are pending, the outcome of which in the aggregate is not expected to have a material effect on the Group's financial position or results of operations.

The Group has guaranteed certain borrowings, liabilities and commitments, which at 30 September 2010 amounted to £112 million (31 March 2010: £119 million).

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

20. RELATED PARTY TRANSACTIONS

The Group has had transactions in the ordinary course of business during the period under review with related parties.

£ million	Six months ended	
	30 September	
	2010	2009
Associates:		
Sales to associates	22	17
Purchases from associates	22	24

£ million	30 September	31 March
	2010	2010
Amounts owed by associates	2	1
Amounts owed to associates	2	2

Associates

Iberia, Lineas Aéreas de España, S.A. (Iberia)

The Group has a 13.15 per cent investment in Iberia. Areas of opportunity for cooperation have been identified and work continues to pursue and implement these. Sales and purchases between related parties are made at normal market prices and outstanding balances are unsecured and interest free. Cash settlement is expected within the standard settlement terms specified by the IATA Clearing House.

As at 30 September 2010 the net trading balance owed to Iberia by the Group amounted to less than £1 million (31 March 2010: £1 million).

Other associates

There was a remaining net trading balance, also under £1 million, as at 30 September 2010 due to transactions between the Group and Dunwoody Airline Services (Holdings) Limited (31 March 2010: under £1 million).

Directors' and officers' loans and transactions

No loans or credit transactions were outstanding with Directors or officers of the Company at 30 September 2010 or arose during the period that need to be disclosed in accordance with the requirements of Sections 412 and 413 to the Companies Act 2006.

In addition to the above, the Group also has transactions with related parties that are conducted in the normal course of airline business. These include the provision of airline and related services.

The Group has not provided or benefited from any guarantees for any related party receivables or payables. During the six months ended 30 September 2010 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (31 March 2010: £nil).

21. CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £3,961 million for the Group commitments (31 March 2010: £4,267 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to exchange movements.

The outstanding commitments include £3,923 million for the acquisition of one Boeing 777 (in 2012), 24 Boeing 787s (from 2012 to 2016), 10 Airbus A320s (from 2010 to 2014), 12 Airbus A380s (from 2013 to 2016) and three Embraer E-jets (from 2010 to 2011).

NOTES TO THE ACCOUNTS continued

For the six months ended 30 September 2010

22. OTHER EVENTS

Merger with Iberia

In April 2010, British Airways and Iberia signed a merger agreement to create a new leading airline group and are on track to complete the merger early in 2011. The terms of the merger agreement are consistent with the binding memorandum of understanding signed between the two airlines in November 2009. The merger will create a new holding company called International Consolidated Airlines Group SA, which will be known as International Airlines Group. Both airlines will retain their separate operations and individual brands.

The British Airways and Iberia Boards believe that the principal benefits of the merger will include significant customer benefits from a larger combined network with better frequencies and connections, more competitive prices, access to more VIP lounges and enhanced frequent flyer benefits. In addition, the combined business will improve the strategic positioning of both British Airways and Iberia combining British Airways' strong presence in North America, Asia-Pacific and Africa with Iberia's strong Latin American presence.

The Company issued regulatory shareholder documents on 26 October 2010, and has announced that it will hold a shareholder meeting on 29 November 2010 to put the merger agreement forward for shareholder approval.

Joint Business Agreement with American Airlines and Iberia

In August 2010 the Company received regulatory approval for a joint business alliance with American Airlines and Iberia, facilitating commercial cooperation for air services between North America (USA, Mexico and Canada) and Europe (European Union, Switzerland and Norway). The Joint Business Agreement was signed by the participating carriers in September 2010 and commenced operations in October 2010.

The joint business will provide customers with greater access to discounted fares, more convenient connections and better access to the airline's global network. The alliance enables oneworld to compete more effectively against the Star and Sky team alliances who already enjoy anti trust approval for their respective transatlantic alliances. The alliance will expand the Company's codeshare arrangements on flights within and beyond the European Union and the United States, significantly increasing the number of destinations the Company will offer to customers.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this condensed set of consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future. For this reason we continue to use the going concern basis in preparing this condensed set of financial statements.

The Directors of British Airways Plc are listed in the Group's Annual Report and Accounts for the year ended 31 March 2010.

By order of the Board

Willie Walsh
Chief Executive

Keith Williams
Chief Financial Officer

28 October 2010

INDEPENDENT REVIEW REPORT TO BRITISH AIRWAYS PLC

Introduction

We have been engaged by the Group to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 which comprises the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 to 22. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Group in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our work, for this report, or for the conclusions we have formed.

Directors' Responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Ernst & Young LLP, London

28 October 2010

The maintenance and integrity of the British Airways Plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AIRCRAFT FLEET
Number in service with Group companies at 30 September 2010

	On Balance Sheet Fixed Assets	Off Balance Sheet Operating Leases	Total September 2010	Total March 2010	Changes Since March 2010	Future deliveries (Note 9)	Options
AIRLINE OPERATIONS (note 1)							
Airbus A318	2		2	2			
Airbus A319	31	2	33	33			
Airbus A320 (Note 2)	24	15	39	38	1	10	31
Airbus A321	11		11	11			
Airbus A380						12	7
Avro RJ85 (Note 3)				2	(2)		
Avro RJ100 (Note 4)				1	(1)		
Boeing 737-400	19		19	19			
Boeing 747-400 (Note 5)	49		49	49			
Boeing 757-200 (Note 6)	5	2	7	9	(2)		
Boeing 767-300	21		21	21			
Boeing 777-200	41	5	46	46			
Boeing 777-300 (Note 7)	1	1	2		2	4	4
Boeing 787						24	28
Embraer E170	6		6	6			
Embraer E190 (Note 8)	4		4	1	3	3	16
GROUP TOTAL	214	25	239	238	1	53	86

Note:

1. Includes those operated by British Airways Plc, BA Cityflyer Limited and OpenSkies SASU.
2. Includes two Airbus A320 aircraft deliveries and one returned to Lessor. Certain future Airbus deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
3. Two RJ85 aircraft stood down pending return to lessor.
4. One Avro RJ100 aircraft stood down pending return to lessor. Excludes six Avro RJ100 aircraft sub-leased to Swiss.
5. Excludes eight Boeing 747-400 aircraft temporarily stood down out of service.
6. Excludes five Boeing 757-200 aircraft stood down in advance of sale to a cargo carrier. Three Boeing 757-200 aircraft were sold during the period.
7. Two Boeing 777-300 aircraft delivered and entered into service.
8. Three Embraer E190 aircraft delivered and entered into service at London City Airport.
9. Future deliveries have decreased by five as two Airbus A320 aircraft, two Boeing 777, three Embraer E190 aircraft were delivered during the half year, and two options for Embraer E190 aircraft were taken up.