INTERIM MANAGEMENT REPORT

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

STRUCTURAL CHANGE NECESSARY TO SECURE LONG TERM PROFITABILITY

British Airways today (November 6) presented its interim management report for the six months ended September 30, 2009.

Period highlights:

- Operating loss of £111 million (2008: profit of £140 million)
- Loss before tax of £292 million (£244 million before restructuring costs)
- Revenue down 13.7 per cent (revenue before exchange down 20.2 per cent)
- Total operating costs down 8.7 per cent
- Unit costs down 5.2 per cent

British Airways' chief executive Willie Walsh, said:

"Aviation remains in recession with IATA predicting that the industry will lose $11 billion this year. We were quick to respond to the crisis by taking out excess capacity and, at the same time, driving down unit costs by 5.2 per cent. This demonstrates how well our costs have been managed in the first half and it's imperative we continue to deliver on our plans to reduce costs further in the second half. With revenue likely to be £1 billion lower this year, we can't stand still and further cost reduction is essential.

"We reduced summer schedule capacity by 3.5 per cent, our costs are some £400 million lower and manpower has been cut by 1900 through reduced overtime, increased part time working and targeted voluntary redundancy. Total liquidity of some £4 billion puts us in a strong position.

"The global airline industry is facing continued pressure on yields highlighting a significant shift within the industry. We will introduce further structural change in the second half to secure the long term future for our business. We are cutting winter capacity by 6 per cent and making further manpower reductions of 3000 by March 2010 and permanent changes to the way we run our business.

"We're continuing to innovate with new services for customers to strengthen our position as the leading global premium airline. We launched our London City to JFK all-business flights and they're proving popular with customers with booking levels ahead of expectations. More widely, we're offering customers the option to pay to reserve seats more than 24 hours in advance and have seen an excellent response to this new initiative. Upgrading our cabins continues and, with our Club World refurbishment nearly complete, we will introduce a new First cabin in the New Year.

"Premium leisure demand has been strong during the last six months and we're investing in new leisure destinations with six new routes starting this winter.

"We continue to reap the benefits of Terminal 5 following our first full summer in the terminal. We've had record punctuality throughout the summer and this continued last month with our best ever October. Our baggage performance has hit record levels too and we continue to see high customer satisfaction ratings".

Financial review:

Total revenue in the period was down 13.7 per cent.

Passenger revenue was down 13.6 per cent, on capacity down 3.0 per cent. Yields were down 12.2 per cent, 18.2 per cent excluding exchange, largely as a result of lower year on year surcharges and sales mix within cabin class.

Our cargo business continues to be impacted by the worldwide decline in demand for airfreight although its performance compares favourably with market trends which saw volume declines of some 13 per cent during the period. Cargo revenue declined by 30.9 per cent, with cargo volumes, measured in cargo tonne kilometres, decreasing by 8.1 per cent, reflecting some stabilisation in declining volumes. Cargo yields declined by 24.8 per cent driven by significantly lower levels of fuel surcharges, in line with lower fuel prices and significant market price declines.

Operating costs were down 8.7 per cent, despite the weakening of sterling compared to the same period last year. Fuel costs for the period were down 17.8 per cent on last year. Other operating costs decreased by 4.3 per cent due to the continued delivery of the cost reduction initiatives launched last October. Operating costs include a charge of £48 million for restructuring. Unit costs are down 5.2 per cent. Excluding fuel, the impact of exchange and restructuring costs, our unit costs are down 5.5 per cent.

Non operating costs include £100 million of pension costs and net finance costs of £65 million.

Loss before tax for the period was £292 million.

The tax rate for the period was 29 per cent.

Our financial position is strong. Our liquidity position at the end of September was £2 billion, including £1,507 million of cash and some £460 million of general facilities. In addition we have £2 billion of committed aircraft facilities.

The increase in reserves is primarily driven by the retranslation of foreign debt and the marked to market movement on fuel and currency hedges of £454 million. The equity component of the convertible bond raised in August 2009 adds a further £84 million to reserves. Net debt at the end of September was £2,362 million, a decrease of £20 million from the end of March 2009.

The Directors declare that no dividend be paid for the period ended September 30, 2009.

Business review:

We remain committed to our key business priorities.

Upgraded customer experience

We launched our first ever longhaul flights from London City airport onboard an all-business class, 32-seater Airbus A318. Customers on the new service are the first to be able to send emails, texts and use the internet on transatlantic flights via an in-flight mobile communications service.

All of our Boeing 747s and 43 of our 46 Boeing 777s are fitted with our multi-award winning Club World cabin. The embodiment schedule for the remaining three aircraft is on track for completion by April 2010.

We received three top accolades at the Business Traveller Awards 2009 winning Best Airline, Best Shorthaul Carrier and Best Frequent Flyer Programme and were also named Best Business Class airline by readers of Conde Nast Traveller magazine.

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

Our flights to Sydney, Singapore and Bangkok moved from Heathrow Terminal 4 into new facilities at Terminal 3 where we opened our new First lounge. At the same time, Qantas also moved its flights into Terminal 3. This means that all our **one**world alliance partners are based in the same terminal, helping to ensure smoother connections for customers travelling on the oneworld network through Heathrow.

We continue to receive consistently high customer satisfaction and recommendation ratings with more than 70 per cent of customers highly satisfied with the airline.

Capacity and fleet

We have successfully reduced capacity in line with demand and seen our seat factor improve by 1.1 percentage points to 80.6 per cent in the first half.

We completed discussions with Airbus on rescheduled A380 deliveries. The first A380 will arrive in 2013 with the last aircraft arriving in 2016.

The first two aircraft in our subsidiary BA CityFlyer's new fleet of Embraer efficiency jets went into service from London City airport.

Competitive cost base

Following yesterday's court outcome, we will go ahead with changes to cabin crew working on November 16. The changes for existing cabin crew involve no alteration to any part of their contract of employment. There are no reductions in base salary and payment of incremental increases, worth between two and seven per cent for more than 10,000 crew, are going ahead. Overall, 75 per cent of existing crew benefit from these incremental increases. We urge Unite to withdraw its plans for an industrial action ballot and resume discussions with us on other ways of ensuring that we get into the right shape to secure long-term profitability in the interests of our customers and all our staff.

We continue to review costs and our cost reduction initiatives in all business areas are in line with our plans. This will provide us with some permanent reductions that we will see next year.

Corporate responsibility

Willie Walsh attended a United Nations leadership forum on climate change in New York. He called on world leaders to support an unprecedented agreement between airlines, aircraft manufacturers, airports and air navigation providers that IATA will present to the Copenhagen climate change summit in December.

Earlier this year we launched the Backing Britain campaign to help British businesses fight the recession. We've now launched the US version, "Face to Face", a long term campaign to boost economic growth in the United States by offering 1000 American business people the opportunity to travel overseas on BA flights to conduct face-to-face meetings with their business partners.

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 32 and 33 of the March 31, 2009 Annual Report and Accounts, remain relevant for the remaining six months of the year. The risks include brand reputation, competition, consolidation/deregulation, debt funding, employee and industrial relations, environment, fuel price and currency fluctuation, fuel supply, global extended economic slowdown/credit crunch, government intervention, Heathrow operational constraints, key supplier risk, pensions and safety/security incident.

Related parties

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

Trading Outlook

IATA has forecast a 15% decline in revenue for the industry this year. Although this will be partially offset by the fall in oil price, IATA has recently revised their global airline loss forecast by $2 billion to $11 billion for this year. Our traffic volumes and yields have stabilised compared to a very low base. We are continuing with our cost reduction initiatives to help offset the declines in revenue.

We continue to focus on excellent customer service to ensure we are the leading global premium airline.

ends

November 6, 2009 *XX/LG/09*

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 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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HALF YEAR RESULTS 2009-2010 (unaudited)

OPERATING AND FINANCIAL STATISTICS (Note 1)

		Six months ended September 30		Better/
		2009	*2008*	(Worse)
Revenue	£m	**4,102**	*4,754*	(13.7)%
Operating (loss)/profit before restructuring	£m	**(63)**	*185*	nm
Operating (loss)/profit	£m	**(111)**	*140*	nm
(Loss)/profit before tax	£m	**(292)**	*52*	nm
Loss after tax	£m	**(208)**	*(42)*	nm
Basic earnings/(loss) per share	p	**(18.8)**	*(4.3)*	nm

	Six months ended September 30		Better/
	2009	*2008* Restated (Note 2)	(Worse)
TOTAL GROUP OPERATIONS			
TRAFFIC AND CAPACITY			
Revenue passenger kilometres (RPK) (m)	**59,998**	*60,974*	(1.6)%
Available seat kilometres (ASK) (m)	**74,412**	*76,726*	(3.0)%
Passenger load factor (%)	**80.6**	*79.5*	1.1 pts
Cargo tonne kilometres (CTK) (m)	**2,240**	*2,437*	(8.1)%
Revenue tonne kilometres (RTK) (m)	**8,208**	*8,136*	0.9 %
Actual tonne kilometres (ATK) (m)	**11,091**	*11,513*	(3.7)%
Overall load factor (%)	**74.0**	*70.7*	3.3 pts
Passengers carried (000)	**17,743**	*18,212*	(2.6)%
Tonnes of cargo carried (000)	**377**	*404*	(6.7)%
FINANCIAL			
Operating margin (%)	**(2.7)**	*2.9*	(5.6)pts
Passenger revenue per RPK (p)	**5.99**	*6.82*	(12.2)%
Passenger revenue per ASK (p)	**4.83**	*5.42*	(10.9)%
Cargo revenue per CTK (p)	**11.21**	*14.90*	(24.8)%
Total traffic revenue per RTK (p)	**46.83**	*55.58*	(15.7)%
Total traffic revenue per ATK (p)	**34.66**	*39.28*	(11.8)%
Total expenditure on operations per RTK (p)	**51.33**	*56.71*	9.5 %
Total expenditure on operations per ATK (p)	**37.98**	*40.08*	5.2 %
Average fuel price before fuel hedging (US cents/US gallon)	**172.46**	*375.42*	54.1 %
TOTAL AIRLINE OPERATIONS (Note 3)			
OPERATIONS			
Average Manpower Equivalent (MPE)	**38,704**	*42,330*	8.6 %
ATKs per MPE (000)	**286.6**	*272.0*	5.4 %
Aircraft in service at period end	**246**	*250*	(4)

nm: Not meaningful

Note 1: Statistics relate to continuing operations unless otherwise stated.
Note 2: Restated to include frequent flyer passenger numbers.
Note 3: Excludes non-airline activity companies, principally Airmiles Travel Promotions Limited, BA Holidays Limited and Speedbird Insurance Company Limited.

CONSOLIDATED INCOME STATEMENT (unaudited)

£ million	Six months ended September 30 **2009**	*2008*	Better/ (Worse)
Traffic revenue			
Passenger	**3,593**	*4,159*	(13.6)%
Cargo	**251**	*363*	(30.9)%
	3,844	*4,522*	(15.0)%
Other revenue	**258**	*232*	11.2 %
REVENUE	**4,102**	*4,754*	(13.7)%
Employee costs (excluding restructuring)	**1,031**	*1,116*	7.6 %
Restructuring	**48**	*45*	(6.7)%
Depreciation, amortisation and impairment	**360**	*347*	(3.7)%
Aircraft operating lease costs	**33**	*36*	8.3 %
Fuel and oil costs	**1,228**	*1,494*	17.8 %
Engineering and other aircraft costs	**247**	*244*	(1.2)%
Landing fees and en route charges	**322**	*305*	(5.6)%
Handling charges, catering and other operating costs	**529**	*510*	(3.7)%
Selling costs	**144**	*188*	23.4 %
Currency differences	**-**	*28*	nm
Accommodation, ground equipment and IT costs	**271**	*301*	10.0 %
TOTAL EXPENDITURE ON OPERATIONS	**4,213**	*4,614*	8.7 %
OPERATING (LOSS)/PROFIT	**(111)**	*140*	nm
Fuel derivative gains/(losses)	**5**	*(31)*	nm
Finance costs	**(76)**	*(91)*	16.5 %
Finance income	**11**	*58*	(81.0)%
Net financing expense relating to pensions	**(100)**	*(13)*	nm
Retranslation income/(charges) on currency borrowings	**6**	*(12)*	nm
(Loss)/profit on sale of property, plant and equipment and investments	**(9)**	*2*	nm
Share of post-tax (losses)/profits in associates accounted for using the equity method	**(19)**	*2*	nm
Net income/(charge) relating to available-for-sale financial assets	**1**	*(3)*	nm
(LOSS)/PROFIT BEFORE TAX	**(292)**	*52*	nm
Tax	**84**	*(94)*	nm
LOSS AFTER TAX	**(208)**	*(42)*	nm
Attributable to:			
Equity holders of the parent	**(217)**	*(49)*	nm
Non-controlling interest	**9**	*7*	28.6 %
	(208)	*(42)*	nm
EARNINGS/(LOSS) PER SHARE			
Basic	**(18.8)p**	*(4.3)p*	nm
Diluted	**(18.8)p**	*(4.3)p*	nm

nm: Not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

£ million	Six months ended September 30 **2009**	*2008*
Net loss for the period	**(208)**	*(42)*
Other comprehensive income:		
Exchange and other (losses)/gains	**(21)**	*4*
Net gains/(losses) on cash flow hedges	**454**	*(131)*
Share of other movements in reserves of associates	**13**	*(14)*
Net loss on available-for-sale financial assets		*(2)*
Available-for-sale assets - gains recycled to the income statement		*(4)*
Total comprehensive income/(loss) for the period (net of tax)	**238**	*(189)*
Attributable to:		
Equity holders of the parent	**229**	*(196)*
Non-controlling interest	**9**	*7*
	238	*(189)*

CONSOLIDATED BALANCE SHEET (unaudited)

£ million	**September 30 2009**	*March 31 2009*
NON-CURRENT ASSETS		
Property, plant and equipment		
Fleet	**5,932**	*5,996*
Property	**948**	*971*
Equipment	**247**	*266*
	7,127	*7,233*
Intangible assets		
Goodwill	**40**	*40*
Landing rights	**203**	*205*
Software	**23**	*22*
	266	*267*
Investments in associates	**194**	*209*
Available-for-sale financial assets	**60**	*65*
Employee benefit assets	**393**	*340*
Derivative financial instruments	**8**	*3*
Prepayments and accrued income	**26**	*25*
TOTAL NON-CURRENT ASSETS	**8,074**	*8,142*
NON-CURRENT ASSETS HELD FOR SALE	**16**	*-*
CURRENT ASSETS AND RECEIVABLES		
Inventories	**89**	*127*
Trade receivables	**508**	*530*
Other current assets	**229**	*268*
Derivative financial instruments	**21**	*40*
Other current interest-bearing deposits	**1,088**	*979*
Cash and cash equivalents	**419**	*402*
	1,507	*1,381*
TOTAL CURRENT ASSETS AND RECEIVABLES	**2,354**	*2,346*
TOTAL ASSETS	**10,444**	*10,488*
SHAREHOLDERS' EQUITY		
Issued share capital	**288**	*288*
Share premium	**937**	*937*
Investment in own shares	**(6)**	*(9)*
Other reserves	**742**	*430*
TOTAL SHAREHOLDERS' EQUITY	**1,961**	*1,646*
NON-CONTROLLING INTEREST	**200**	*200*
TOTAL EQUITY	**2,161**	*1,846*
NON-CURRENT LIABILITIES		
Interest-bearing long-term borrowings	**3,240**	*3,074*
Employee benefit obligations	**199**	*191*
Provisions for deferred tax	**746**	*652*
Other provisions	**242**	*256*
Derivative financial instruments	**23**	*123*
Other long-term liabilities	**202**	*204*
TOTAL NON-CURRENT LIABILITIES	**4,652**	*4,500*
CURRENT LIABILITIES		
Current portion of long-term borrowings	**629**	*689*
Trade and other payables	**2,676**	*2,796*
Derivative financial instruments	**143**	*471*
Current tax payable	**6**	*4*
Short-term provisions	**177**	*182*
TOTAL CURRENT LIABILITIES	**3,631**	*4,142*
TOTAL EQUITY AND LIABILITIES	**10,444**	*10,488*

CONSOLIDATED CASH FLOW STATEMENT(unaudited)

£ million	Six months ended September 30 **2009**	*2008*	Better/ (Worse)
CASH FLOW FROM OPERATING ACTIVITIES			
Operating (loss)/profit	**(111)**	*140*	(251)
Depreciation, amortisation and impairment	**360**	*347*	13
Operating cash flow before working capital changes	**249**	*487*	(238)
Movement in inventories, trade and other receivables	**(31)**	*(105)*	74
Movement in trade and other payables and provisions	**(80)**	*(45)*	(35)
Payments in respect of restructuring	**(34)**	*(5)*	(29)
Payment of legal fees and civil claims in settlement of competition investigation	**(17)**		(17)
Other non-cash movement	**(1)**	*1*	(2)
Cash generated from operations	**86**	*333*	(247)
Interest paid	**(61)**	*(84)*	23
Taxation	**7**	*(4)*	11
NET CASH FLOW FROM OPERATING ACTIVITIES	**32**	*245*	(213)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(307)**	*(217)*	(90)
Purchase of intangible assets	**(4)**	*(15)*	11
Proceeds from sale of other investments		*3*	(3)
Interest received	**12**	*67*	(55)
Insurance recoveries for write-off of Boeing 777 aircraft		*13*	(13)
Purchase of subsidiary (net of cash acquired)		*(33)*	33
Proceeds from sale of property, plant and equipment	**50**		50
Repayment of loan notes	**7**		7
Dividends received		*16*	(16)
(Decrease)/ Increase in other current interest-bearing deposits	**(109)**	*87*	(196)
NET CASH USED IN INVESTING ACTIVITIES	**(351)**	*(79)*	(272)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**693**	*91*	602
Proceeds from equity portion of convertible debt	**84**		84
Repayments of borrowings	**(35)**	*(86)*	51
Payment of finance lease liabilities	**(394)**	*(134)*	(260)
Exercise of share options	**3**		3
Dividends paid		*(58)*	58
Distributions made to holders of perpetual securities	**(9)**	*(7)*	(2)
NET CASH FROM FINANCING ACTIVITIES	**342**	*(194)*	536
Net decrease in cash and cash equivalents	**23**	*(28)*	51
Net foreign exchange differences	**(6)**	*84*	(90)
Cash and cash equivalents at April 1	**402**	*683*	(281)
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	**419**	*739*	(320)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (unaudited)

For the six months ended September 30, 2009

£ million	Issued capital	Share premium	Invest-ment in own shares	Other reserves *	**Total share-holders' equity**	Non-controlling interest	**Total equity**
At April 1, 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 September 30, 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.

For the six months ended September 30, 2008

£ million	*Issued capital*	*Share premium*	*Invest-ment in own shares*	*Other reserves **	*Total share-holders' equity*	*Non-controlling interest*	*Total equity*
At March 31, 2008	*288*	*937*	*(10)*	*1,818*	*3,033*	*200*	*3,233*
Opening Balance Adjustments:							
Adoption of IFRIC 13				*(206)*	*(206)*		*(206)*
Adoption of IFRIC 14				*235*	*235*		*235*
At April 1, 2008	*288*	*937*	*(10)*	*1,847*	*3,062*	*200*	*3,262*
Total comprehensive loss for the period (net of tax)				*(196)*	*(196)*	*7*	*(189)*
Cost of share-based payment				*1*	*1*		*1*
Exercise of share options			*1*		*1*		*1*
Net dividends				*(56)*	*(56)*		*(56)*
Distributions made to holders of perpetual securities						*(7)*	*(7)*
At September 30, 2008	*288*	*937*	*(9)*	*1,596*	*2,812*	*200*	*3,012*

* Closing balance includes retained earnings of £1,262 million.

1. CORPORATE INFORMATION

The Group's interim condensed consolidated financial statements for the six months ended September 30, 2009 were authorised for issue by the Board of Directors on November 5, 2009. British Airways Plc (the Company) is a public limited company incorporated and domiciled 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 March 31, 2009 have been applied in the preparation of these interim condensed consolidated financial statements, with the 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 March 31, 2009, as described in those annual financial statements, except as discussed below.

The Group adopted IFRS 7 (Amended) ‘Financial instruments: Disclosure’ on April 1, 2009. The amendment is effective for financial years beginning on or after January 1, 2009 and requires enhanced disclosures about fair value measurements and liquidity risk. Adoption of the amendment does not require the restatement of comparative information and the enhanced disclosures will be presented in the annual financial statements for the year ended March 31, 2010.

The Group adopted IAS 1 (Revised) ‘Presentation of financial statements’ on April 1, 2009. The amendment is effective for financial years beginning on or after January 1, 2009 and requires separate presentation of owner and non-owner transactions. As a result, a statement of comprehensive income has been included in the primary statements which includes details of non-owner transactions. Non-owner transactions are recognised as a single line in the statement of changes in equity.

See the Annual Report and Accounts for the year ended March 31, 2009 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 period ended September 30, 2009.

4. SEASONALITY OF OPERATIONS

Due to the seasonal nature of the airline industry, higher revenues and operating profits are usually expected in the first half 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. The six months to September 30, 2009 have been severely impacted by the economic downturn.

5. SEGMENT INFORMATION

a. Business segments

The Group's network passenger and cargo operations are managed as a single business unit. The Management Board makes resource allocation decisions based on route profitability, which considers aircraft type and route economics, with only limited reference to the strength of the cargo business. The objective in making resource allocation decisions is to optimise consolidated financial results. While the operations of BA European Limited (OpenSkies) and BA Cityflyer Limited (CityFlyer) 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 September 30, 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	(125)	14		**(111)**
Other non-operating income	6			**6**
Loss 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 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	4			**4**
Depreciation, amortisation and impairment	360			**360**
Exceptional items (note 6):				
Restructuring	48			**48**

* Unallocated liabilities primarily include 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 September 30, 2009

5. SEGMENT INFORMATION continued

a. Business segments continued

For the six months ended September 30, 2008

£ million	Airline business	All other segments	Unallocated	Total
Revenue:				
Sales to external customers	*4,681*	*73*		*4,754*
Inter-segment sales	*10*			*10*
Segment revenue	*4,691*	*73*		*4,764*
Segment result	*135*	*5*		*140*
Other non-operating expense	*(34)*			*(34)*
Profit before tax and finance costs	*101*	*5*		*106*
Net finance costs	*45*		*(103)*	*(58)*
Profit on sale of assets	*2*			*2*
Share of associates' profit	*2*			*2*
Tax			*(94)*	*(94)*
Profit/(loss) after tax	*150*	*5*	*(197)*	*(42)*
Assets and liabilities:				
Segment assets	*11,039*	*123*		*11,162*
Investment in associates	*203*			*203*
Total assets	*11,242*	*123*		*11,365*
Segment liabilities	*3,557*	*404*		*3,961*
Unallocated liabilities *			*4,392*	*4,392*
Total liabilities	*3,557*	*404*	*4,392*	*8,353*
Other segment information				
Property, plant and equipment - additions (note 13)	*316*	*1*		*317*
Intangible assets - additions (excluding L'Avion)	*21*			*21*
Purchase of subsidiary (net of cash acquired)	*33*			*33*
Depreciation, amortisation and impairment	*346*	*1*		*347*
Exceptional items (note 6):				
Restructuring	*45*			*45*

* Unallocated liabilities primarily include deferred taxes of £1,094 million and borrowings of £3,276 million which are managed on a Group basis.

NOTES TO THE ACCOUNTS continued
For the six months ended September 30, 2009

5. SEGMENT INFORMATION continued

b. Geographical segments – by area of original sale

£ million	Six months ended September 30 2009	2008
Europe:	**2,411**	*2,954*
United Kingdom	**1,764**	*2,205*
Continental Europe	**647**	*749*
The Americas	**910**	*912*
Africa, Middle East and Indian sub-continent	**402**	*471*
Far East and Australasia	**379**	*417*
Revenue	**4,102**	*4,754*

Total of non-current assets excluding available-for-sale financial assets, employee benefit assets, prepayments and accrued income, derivative financial instruments and non-current assets held for sale located in the United Kingdom is £7,235 million (March 2009: £7,337 million) and the total of these non-current assets located in other countries is £352 million (March 2009: £372 million)

6. OPERATING (LOSS)/PROFIT

Included in the operating loss is a restructuring charge primarily relating to severance of £48 million (2008: £45 million, of which £40 million related to the management voluntary severance scheme and the closure of the regional crew base at Glasgow).

7. FINANCE COSTS AND INCOME

£ million	Six months ended September 30 2009	2008
Finance costs:		
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	**(66)**	*(79)*
Unwinding of discounting on provisions*	**(11)**	*(14)*
Interest capitalised	**1**	*2*
Total finance costs	**(76)**	*(91)*
Finance income:		
Bank interest receivable	**11**	*58*
Total finance income	**11**	*58*
Pensions financing:		
Financing expense relating to pensions	**(81)**	*(17)*
Net amortisation of actuarial (losses)/gains on pensions	**(19)**	*4*
Total financing expense relating to pensions	**(100)**	*(13)*
Retranslation credits/(charges) on currency borrowings	**6**	*(12)*

* Current year unwinding of discount on the competition investigation provision and restoration provision.

8. PROFIT ON SALE OF PROPERTY, PLANT, EQUIPMENT AND INVESTMENTS

£ million	Six months ended September 30 2009	2008
Net loss on sale of property, plant and equipment	(9)	
Net profit on the disposal of investments		*2*
(Loss)/profit on sale of property, plant and equipment and investments	(9)	*2*

NOTES TO THE ACCOUNTS continued
For the six months ended September 30, 2009

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 over a two-year period beginning June 2010. The economic lives and residual values of the aircraft were adjusted in April 2009 to reflect the terms of the sale agreement. Aircraft which are due to exit the business within 12 months are classified as non-current assets held for sale.

10. TAX

The tax credit for the six months ended September 30, 2009 was £84 million. The current tax charge for the period was £1 million and the deferred tax credit was £85 million. Excluding one-off adjustments arising from changes in tax legislation and adjustments to prior years the tax rate for the period would have been 26 per cent.

11. EARNINGS PER SHARE

Basic earnings per share for the period ended September 30, 2009 are calculated on a weighted average of 1,151,888,000 ordinary shares (September 30, 2008: 1,151,122,000; March 31, 2009: 1,151,230,000) and adjusted for shares held for the purposes of employee share ownership plans including the Long Term Incentive Plan. Diluted earnings per share for the period ended September 30, 2009 are calculated on a weighted average of 1,230,442,000 ordinary shares (September 30, 2008: 1,156,090,000; March 31, 2009:1,153,932,000).

The number of shares in issue at September 30, 2009 was 1,153,642,000 (September 30, 2008: 1,153,628,000; March 31, 2009: 1,153,628,000) ordinary shares of 25 pence each.

12. DIVIDENDS

The directors declare that no dividend will be paid for the period ended September 30, 2009.

13. PROPERTY, PLANT, EQUIPMENT AND INVESTMENTS

During the six months ended September 30, 2009, the Group acquired assets with a cost of £328 million (September 30, 2008: £317 million). Included in the acquisition of assets are the delivery of two Airbus A318 aircraft, one Airbus A320 aircraft, three Boeing 777-200 aircraft and two Embraer E-jets aircraft.

Property, plant and equipment with a net book value of £59 million was disposed of by the Group during the six months ended September 30, 2009 (September 30, 2008: £2 million) resulting in a net loss on disposal of £9 million (September 30, 2008: £nil).

Assets with a net book value of £16 million were transferred to assets held for sale during the six months ended September 30, 2009 (September 30, 2008: £nil).

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

	September 30	
£ million	**2009**	*2008*
Increase/(decrease) in cash and cash equivalents during the period	**23**	*(28)*
Net cash outflow from decrease in debt and lease financing	**429**	*220*
Increase/(decrease) in other current interest-bearing deposits	**109**	*(87)*
New loans and finance leases taken out and hire purchase arrangements made	**(693)**	*(91)*
(Increase)/decrease in net debt resulting from cash flow	**(132)**	*14*
Exchange movements and other non-cash movements	**152**	*(147)*
Decrease/(increase) in net debt during the period	**20**	*(133)*
Net debt at April 1	**(2,382)**	*(1,310)*
Net debt at September 30	**(2,362)**	*(1,443)*

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

NOTES TO THE ACCOUNTS continued
For the six months ended September 30, 2009

15. LONG-TERM BORROWINGS

£ million	**September 30 2009**	*March 31 2009*
a Current		
Loans, finance leases and hire purchase arrangements:		
Bank and other loans	**175**	*69*
Finance leases	**109**	*103*
Hire purchase arrangements	**345**	*517*
	629	*689*
b Non-current		
Loans, finance leases and hire purchase arrangements:		
Bank and other loans*	**1,207**	*779*
Finance leases	**1,923**	*1,979*
Hire purchase arrangements	**110**	*316*
	3,240	*3,074*

* Includes £261 million relating to the liability portion of the convertible bond (March 31, 2009: £ nil).

The Group issued a £350 million 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 balance of the proceeds of the convertible bond issue is included in equity.

16. SHARE OPTIONS

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

During the period ended September 30, 2008, the Group awarded a new performance share plan for its senior executives, under which 2,464,789 options over shares were awarded. For further details of the plan, refer to the Annual Report and Accounts for the year ended March 31, 2009.

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 performed an interim valuation on an IAS 19 basis as at September 30, 2009. The results of the interim valuation are summarised below:

	APS		NAPS	
	September 30	*March 31*	**September 30**	*March 31*
	2009	*2009*	**2009**	*2009*
Fair value of scheme assets	**6,239**	*5,925*	**7,338**	*6,049*
Present value of scheme liabilities	**(6,212)**	*(5,065)*	**(9,998)**	*(7,216)*
Net pension asset/(liability)	**27**	*860*	**(2,660)**	*(1,167)*
Net pension asset/(liability) represented by:				
Net pension asset recognised	**269**	*304*	**116**	*26*
Tax effect of APS surplus recognised		*135*		
Cumulative actuarial (losses)/gains not recognised	**(242)**	*421*	**(2,776)**	*(1,193)*
Net pension asset/(liability)	**27**	*860*	**(2,660)**	*(1,167)*

At September 30, 2009 both APS and NAPS were recognised on the balance sheet as employee benefit assets, representing £385 million of the £393 million disclosed (March 31, 2009: £330 million of the £340 million). The £199 million employee benefit obligations at September 30, 2009 relates to other schemes (March 31, 2009: £191 million).

The amounts recognised on the balance sheet at September 30, 2009 were not impacted by the results of the interim valuation, however the unrecognised net actuarial loss increased by £2.2 billion.

The interim valuation was performed after updating key assumptions at September 30, 2009 as follows:

	APS		NAPS	
	September 30	*March 31*	**September 30**	March 31
Per cent per annum	**2009**	*2009*	**2009**	*2009*
Inflation (RPI)	**3.0**	*2.7*	**3.2**	*3.0*
Salary increases (as RPI)	**3.0**	*2.7*	**3.2**	*3.0*
Discount rate	**5.5**	*7.1*	**5.4**	*6.9*

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. These investigations are likely to continue for some time. The Company is also subject to related class action claims. The final amount required to pay the remaining claims and fines is subject to uncertainty. A detailed breakdown of the remaining provision is not presented as it may seriously prejudice the position of the Company in these regulatory investigations and potential litigation.

Restructuring
The Company recognised a restructuring provision of £37 million at September 30, 2009 relating to targeted voluntary severance schemes announced during the first six months of this financial year. This provision is expected to be paid during the remainder of the current financial year.

19. CONTINGENT LIABILITIES

There were contingent liabilities at September 30, 2009 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 September 30, 2009 amounted to £195 million (March 31, 2009: £185 million).

20. RELATED PARTIES

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

	Six months ended September 30	
£ million	**2009**	*2008*
Associates:		
Sales to associates	**17**	*23*
Purchases from associates	**24**	*30*

	September 30	March 31
£ million	**2009**	*2009*
Amounts owed by associates	**1**	*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 September 30, 2009 the net trading balance owed to Iberia by the Group amounted to £1 million (March 31, 2009: £1 million).

Other associates
The remaining net trading as at September 30, 2009 was due to transactions between the Group and Dunwoody Airline Services (Holdings) Limited.

Directors' and officers' loans and transactions
No loans or credit transactions were outstanding with directors or officers of the Company at September 30, 2009 or arose during the period that need to be disclosed in accordance with the requirements of Section 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 period ended September 30, 2009 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (March 31, 2009: £nil).

NOTES TO THE ACCOUNTS continued
For the six months ended September 30, 2009

21. CAPITAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £4,099 million for the Group commitments (March 31, 2009: £4,805 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 £4,053 million for the acquisition of two Boeing 777s (from 2010 to 2012), 24 Boeing 787s (from 2012 to 2016), nine Airbus A320s (from 2010 to 2012), 12 Airbus A380s (from 2012 to 2014) and nine Embraer E-jets (from 2009 to 2010).

22. OTHER EVENTS

Merger with Iberia
In July 2008, the Group announced that the Company and Iberia were in talks with a view to an all-share merger between the two companies.

Both airlines would keep their own brands and identities, each with day-to-day responsibility for the running of their own operations. It is anticipated that a new Company would be formed to hold the shares in both airlines.

The Group remains focused on the talks and has developed a good relationship with the new Iberia management team.

Joint Business Agreement with American Airlines and Iberia
In August 2008, the Company agreed to seek regulatory approval for a new venture to join forces with American Airlines and Iberia on flights between North America and Europe. The joint business agreement will cover flights between the United States, Mexico and Canada, and the European Union, Switzerland and Norway. It will also 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.

The Company is seeking regulatory approval for the agreement, which has involved applying for anti-trust immunity from the United States Department of Transportation and the European Commission.

23. OTHER INFORMATION

The figures for the six months ended September 30, 2009 and 2008 are unaudited and do not constitute full accounts within the meaning of Section 435 of the Companies Act 2006. The financial statements for the year ended March 31, 2009 which have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report, did not contain a statement under Schedule 6 of the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that this condensed set of financial statements has 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.

The Directors of British Airways Plc are listed in the Group’s Annual Report and Accounts for the year ended March 31, 2009.

By order of the Board

Willie Walsh
Chief Executive

Keith Williams
Chief Financial Officer

November 5, 2009

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 September 30, 2009 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 23. 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 ISRE 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 September 30, 2009 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

November 5, 2009

AIRCRAFT FLEET

Number in service with Group companies at September 30, 2009

	On Balance Sheet Fixed Assets	Off Balance Sheet Operating Leases	Total September 2009	Total March 2009	Changes Since March 2009	Future deliveries (Note 12)	Options
AIRLINE OPERATIONS (note 1)							
Airbus A318 (Note 2)	1		1		1		
Airbus A319	31	2	33	33			
Airbus A320 (Note 3)	20	17	37	35	2	9	31
Airbus A321	11		11	11			
Airbus A380						12	7
Avro RJ85		2	2	2			
Avro RJ100 (Note 4)		7	7	9	(2)		
Boeing 737-300 (Note 5)				1	(1)		
Boeing 737-400	19		19	19			
Boeing 737-500 (Note 6)		1	1	2	(1)		
Boeing 747-400 (Note 7)	54		54	55	(1)		
Boeing 757-200 (Note 8)	10	2	12	15	(3)		
Boeing 767-300	21		21	21			
Boeing 777-200 (Note 9)	42	4	46	42	4		
Boeing 777-300						6	4
Boeing 787						24	28
Embraer E170 (Note 10)	2		2		2	4	
Embraer E190						5	18
GROUP TOTAL (Note 11)	211	35	246	245	1	60	88

Note:

1. Includes those operated by British Airways Plc, CityFlyer and OpenSkies.
2. Excludes one Airbus A318 aircraft delivered but not entered into service.
3. Includes one additional Airbus A320 aircraft operating leased in during the period. Certain future Airbus deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
4. One Avro RJ100 returned to lessor and one stood down pending return to lessor. Excludes six Avro RJ100 aircraft sub-leased to Swiss.
5. Boeing 737-300 aircraft returned to lessor.
6. Excludes one Boeing 737-500 aircraft stood down pending return to lessor.
7. Excludes three Boeing 747-400 aircraft temporarily stood down out of service.
8. Excludes three Boeing 757-200 aircraft stood down for sale.
9. Includes three Boeing 777-200 aircraft deliveries during the half year and one Boeing 777-200 delivered March 2009 now entered into service.
10. Two Embraer E170 aircraft deliveries entered into service at London City Airport.
11. Excludes one Jetstream 41 sub-leased to Eastern Airways.
12. Two Airbus A318 aircraft, one Airbus A320 aircraft, three Boeing 777-200 aircraft and two Embraer E170 aircraft delivered during the half year.