BRITISH AIRWAYS

INTERIM MANAGEMENT REPORT

Period April 1, 2007 – September 30, 2007 (Unaudited)

PROFITS UP ON GOOD RESULTS

British Airways today (November 2) presented its interim management report for the six months ended September 30, 2007.

Period highlights:

- Operating profit of £556 million (2006: £442 million)
- Operating margin 12.5 per cent (2006: 9.8 per cent)
- Profit before tax of £593 million (2006: £471 million)
- Longhaul fleet order announced
- T5 customer trials started September 17, 2007
- Full year fuel costs expected to top £2 billion
- 10 per cent operating margin on track

British Airways' chief executive Willie Walsh, said:

"These are record results which are driven by all the hard work our people put in last year to tackle the cost base of our business. Profits are up some 26 per cent and costs are down nearly 4 per cent. Fuel costs remain a major challenge and our fuel bill for the year is expected to top £2 billion for the first time. We see every possibility of achieving our 10 per cent operating margin by March 2008.

"Our business plans for the future are gaining real momentum. We announced an order for 36 new longhaul aircraft that are greener, quieter and technically more advanced. Both the Airbus A380 and the Boeing 787 are truly 21st century aircraft with huge potential. The Airbus A380 will work well on high density routes and the Boeing 787 gives us the flexibility to open new routes and grow existing ones. These aircraft set the gold standard when it comes to environmental performance in CO_2 emission, local air quality and noise. They will contribute significantly to our target of improving fuel efficiency by 25 per cent between 2005 and 2025.

"Further good news was our welcome return to investment grade which helped us negotiate the finance for aircraft deliveries until 2011, despite the current difficulties in the markets.

"Terminal 5 is now only 145 days away. Before its opening on March 27, 2008 our new home will have undergone trials involving thousands of volunteers. The first major public trials begin this weekend to ensure customers can speed through check-in and chill out for the ultimate experience. Our people are determined to ensure it will be a national success story Britain can be proud of.

"More good news for our customers will be the removal of restrictions on hand-baggage which we expect soon. This will go a long way to relieving the hassle factor of the one bag limit. At the same time we continue to staff up to record levels in the terminals and have improved our direct baggage performance in recent weeks. This is despite the 15 per cent increase in hold baggage."

Financial review

Revenue was marginally down by 0.8 per cent. Excluding exchange, revenue was up 2 per cent.

Passenger revenue fell slightly to some £3.9 billion on capacity up half a per cent. Seat factor was down almost 1 point to 78.4 per cent. Yields rose half a per cent due to more premium passengers travelling, although our gains were largely neutralised by exchange rates, particularly the US dollar.

Club World performed strongly, contributing to our overall 2.5 per cent increase in premium traffic. Non-premium traffic has been soft on the North Atlantic and Europe.

Lower cargo volumes driven by tougher competition, and lower yields in Asia Pacific, Europe and the UK – plus exchange effects – have led to a disappointing result in our cargo business. Revenue fell to £290 million.

Our cost performance was excellent, helped by the weak US dollar. Total costs were down £150 million with unit costs down 2.6 per cent. Employee costs fell by 7.1 per cent to almost £1.1 billion because of reduced pensions costs and lower severance costs. Fuel was down 3.5 per cent in the half year helped by the weak US dollar. We have fewer aircraft on operating leases and have renegotiated some existing leases, so costs were down 21.4 per cent. Engineering costs were up 6.7 per cent because of price rises in maintenance and higher volumes. Handling charges, and other operating costs have risen by 3.4 per cent because of the cost of dealing with baggage issues.

The financial position of the company remains strong and this has given us the confidence to order 12 Airbus A380 aircraft, with options for a further 7 aircraft, and 24 Boeing 787s with options for a further 18 aircraft.

Our cash and net debt were affected by payments into the New Airways Pension Scheme (NAPS) and to the US Department of Justice for anti competitive activity. Cash at the end of September was £1.8 billion, £599 million lower than at March 2007. Our net debt was £1.4 billion, up £422 million since the year end.

Capital expenditure at £297 million was higher than last year because we took delivery of three new Airbus A321 aircraft and continue to invest in the new Club World cabin and Terminal 5.

The tax rate was 18 per cent and benefited from a one-off credit because of the reduction in the UK corporation tax from 30 per cent to 28 per cent, effective from April 1, 2008. Excluding the one-off credit, the tax rate for the period would have been 30 per cent.

Business review

Our key business objectives focus on four themes, the first of which is Bringing Terminal 5 Alive. T5 will open on March 27, on time and on budget. An exhaustive six month trial of all the new processes and equipment is underway to ensure T5 will be a flagship for the UK and a showcase to welcome the 2012 Olympics.

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

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

We have announced we are ending our franchise agreements in the UK with GB Airways and Loganair. The franchise model has outlived its purpose in the UK, although this decision does not affect our overseas franchisees which continue to provide valuable feed traffic and brand exposure in areas we cannot serve.

Our environmental credentials are being scrutinised as never before. We have taken climate change very seriously for a long time. More than a decade ago we were the first airline to set a target for improving fuel efficiency and we led the way in advocating carbon trading.

We have set a new target to improve our aircraft fuel efficiency by 25 per cent by 2025. We have also made improvements to the accessibility of our online passenger carbon offset scheme on ba.com and will announce further improvements in the coming weeks. On waste minimisation we aim to recycle half of our waste and phase out use of landfill by 2010.

To cut emissions and save fuel, nearly half our aircraft now taxi to the terminal with one engine shut down. In readiness for the move to Terminal 5, we have taken delivery of 38 new airport buses, which comply with the latest Euro 5 exhaust emission standards.

We are committed to ensuring our people and our processes reflect our responsibility to the environment. To support our commitment we have appointed Silla Maizey, former Head of Procurement, as our new Head of Corporate Social Responsibility.

Our final and most enduring theme in recent years has been achieving a competitive cost base. Improving cost efficiency and eliminating waste in our business is key to delivering our target of a 10 per cent operating margin, which we are on track to achieve by March 2008.

Principal risks and uncertainties

The principal risks and uncertainties affecting the Group remain those detailed on page 27 of the March 31, 2007 Annual Report & Accounts, with the exception of the following additional item:

Heathrow Operational Constraints

Heathrow has no spare runway capacity and operates on the same two runways it had when it opened 60 years ago. As a result the company is vulnerable to short-term operational disruption and there is little it can do to mitigate against this. The UK government is expected to announce shortly a public consultation on full utilisation of the two runways and on the construction of a short third runway.

This would create extra capacity and reduce delays. Ending stacking before landing and queuing on taxiways would cut Heathrow's CO_2 emissions by 500,000 tonnes a year. An increase in runway capacity would create more take-off and landing slots and enable Heathrow to rival European hubs like Paris, Amsterdam and Frankfurt.

Related parties

Related party disclosures are given in Note 18 to the condensed consolidated financial information.

Trading Outlook

We have revised our revenue guidance to around 3 to 3.5 per cent because of the continued weakness of the US dollar.

Premium traffic continues to be strong, supporting our earlier decision to make more premium capacity available. The North Atlantic non-premium market is still soft but other non-premium markets are more encouraging.

We have also revised our guidance for costs, excluding fuel, which previously was flat. We now expect costs to be down by £100 million because of the weak dollar.

Our fuel costs are expected to be up by £100 million on last year, £20 million lower than our previous guidance.

ends

Note to Editors:

This is the first Interim Management Report that British Airways has released under the European Union Transparency Directive. The new rules apply for all accounting periods beginning on or after January 20, 2007.

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

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INTERIM RESULTS 2007-2008 (unaudited)

OPERATING AND FINANCIAL STATISTICS (Note 1)

		Six months ended September 30 **2007**	*2006 Restated (Note 1)*	Better/ (Worse)
Revenue	£m	**4,456**	*4,492*	(0.8)%
Operating profit	£m	**556**	*442*	25.8%
Profit before tax	£m	**593**	*471*	25.9%
Profit after tax	£m	**487**	*402*	21.1%
Loss from discontinued operations	£m	**(2)**	*(80)*	97.5%
Basic earnings per share	p	**41.7**	*34.8*	19.8%

TOTAL GROUP OPERATIONS	Six months ended September 30 **2007**	*2006 Restated*	Better/ (Worse)
TRAFFIC AND CAPACITY			
RPK (m)	**59,336**	*59,775*	(0.7)%
ASK (m)	**75,705**	*75,353*	0.5%
Passenger load factor (%)	**78.4**	*79.3*	(0.9)pts
CTK (m)	**2,366**	*2,403*	(1.5)%
RTK (m)	**8,340**	*8,427*	(1.0)%
ATK (m)	**11,573**	*11,703*	(1.1)%
Overall load factor (%)	**72.1**	*72.0*	0.1pts
Passengers carried (000)	**17,854**	*17,921*	(0.4)%
Tonnes of cargo carried (000)	**380**	*387*	(1.8)%
FINANCIAL			
Operating margin (%)	**12.5**	*9.8*	2.7pts
Passenger revenue per RPK (p)	**6.52**	*6.49*	0.5%
Passenger revenue per ASK (p)	**5.11**	*5.15*	(0.8)%
Cargo revenue per CTK (p)	**12.26**	*13.23*	(7.3)%
Total traffic revenue per RTK (p)	**49.89**	*49.78*	0.2%
Total traffic revenue per ATK (p)	**35.95**	*35.85*	0.3%
Total expenditure on operations per RTK (p)	**46.76**	*48.06*	2.7%
Total expenditure on operations per ATK (p)	**33.70**	*34.61*	2.6%
Average fuel price before hedging (US cents/US gallon)	**216.96**	*221.36*	2.0%
TOTAL AIRLINE OPERATIONS (Note 2)			
OPERATIONS			
Average Manpower Equivalent (MPE)	**42,024**	*43,224*	2.8%
ATKs per MPE (000)	**275.4**	*270.8*	1.7%
Aircraft in service at period end (Note 3)	**245**	*283*	(38)

Note 1: The financial information for the comparative period has been restated to disclose discontinued operations separate from continuing operations. Operating and financial statistics relate to continuing operations unless otherwise stated.

Note 2: Excludes non-airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd and Speedbird Insurance Company Ltd.

Note 3: Aircraft numbers for last year include the BA Connect aircraft.

CONSOLIDATED INCOME STATEMENT (unaudited)

	Six months ended September 30		Better/
	2007 £m	*2006 £m*	(Worse)
		Restated	
Traffic Revenue			
Passenger	**3,871**	*3,877*	(0.2)%
Cargo	**290**	*318*	(8.8)%
	4,161	*4,195*	(0.8)%
Other revenue	**295**	*297*	(0.7)%
REVENUE	**4,456**	*4,492*	(0.8)%
Employee costs	**1,069**	*1,151*	7.1 %
Depreciation, amortisation and impairment	**351**	*356*	1.4 %
Aircraft operating lease costs	**33**	*42*	21.4 %
Fuel and oil costs	**983**	*1,019*	3.5 %
Engineering and other aircraft costs	**222**	*208*	(6.7)%
Landing fees and en route charges	**269**	*274*	1.8 %
Handling charges, catering and other operating costs	**492**	*476*	(3.4)%
Selling costs	**183**	*199*	8.0 %
Currency differences	**(2)**	*23*	nm
Accommodation, ground equipment and IT costs	**300**	*302*	0.7 %
TOTAL EXPENDITURE ON OPERATIONS	**3,900**	*4,050*	3.7 %
OPERATING PROFIT	**556**	*442*	25.8 %
Fuel derivative gains/(losses)	**15**	*(25)*	nm
Finance costs	**(81)**	*(71)*	(14.1)%
Finance income	**56**	*63*	(11.1)%
Financing income and expense relating to pensions	**26**	*(8)*	nm
Retranslation credits on currency borrowings	**1**	*9*	(88.9)%
Profit on sale of property, plant and equipment and investments	**13**	*49*	(73.5)%
Share of post-tax profits in associates accounted for using the equity method	**5**		nm
Income relating to fixed asset investments	**2**	*12*	(83.3)%
PROFIT BEFORE TAX	**593**	*471*	25.9 %
Tax	**(106)**	*(69)*	(53.6)%
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**487**	*402*	21.1 %
Loss from discontinued operations (after tax)	**(2)**	*(80)*	97.5 %
PROFIT AFTER TAX	**485**	*322*	50.6 %
Attributable to:			
Equity holders of the parent	**478**	*315*	51.7 %
Minority interest	**7**	*7*	
	485	*322*	50.6 %
EARNINGS PER SHARE			
Continuing operations:			
Basic	**41.7p**	*34.8p*	19.8 %
Fully diluted	**41.3p**	*34.4p*	20.1 %
Discontinued operations:			
Basic	**(0.1)p**	*(7.0)p*	(98.6)%
Fully diluted	**(0.1)p**	*(7.0)p*	(98.6)%
Total:			
Basic	**41.6p**	*27.8p*	49.6 %
Fully diluted	**41.2p**	*27.4p*	50.4 %

nm: Not meaningful

CONSOLIDATED BALANCE SHEET (unaudited)

	September 30 2007 £m	*March 31 2007 £m*
NON-CURRENT ASSETS		
Property, plant and equipment		
Fleet	**6,067**	*6,153*
Property	**959**	*932*
Equipment	**277**	*272*
	7,303	*7,357*
Goodwill	**40**	*40*
Landing rights	**152**	*139*
Software	**29**	*33*
	221	*212*
Investments in associates	**130**	*125*
Other investments	**95**	*107*
Employee benefit assets	**109**	*116*
Other financial assets	**40**	*28*
TOTAL NON-CURRENT ASSETS	**7,898**	*7,945*
NON-CURRENT ASSETS HELD FOR SALE		*8*
CURRENT ASSETS AND RECEIVABLES		
Inventories	**86**	*76*
Trade receivables	**647**	*654*
Other current assets	**427**	*346*
Other current interest bearing deposits	**1,490**	*1,642*
Cash and cash equivalents	**266**	*713*
	1,756	*2,355*
TOTAL CURRENT ASSETS AND RECEIVABLES	**2,916**	*3,431*
TOTAL ASSETS	**10,814**	*11,384*
SHAREHOLDERS' EQUITY AND LIABILITIES		
SHAREHOLDERS' EQUITY		
Issued share capital	**288**	*288*
Share Premium	**935**	*933*
Investment in own shares	**(9)**	*(10)*
Other reserves	**1,520**	*1,000*
TOTAL SHAREHOLDERS' EQUITY	**2,734**	*2,211*
MINORITY INTEREST	**200**	*200*
TOTAL EQUITY	**2,934**	*2,411*
NON-CURRENT LIABILITIES		
Interest bearing long-term borrowings	**2,767**	*2,929*
Employee benefit obligations	**478**	*1,142*
Provisions for deferred tax	**1,032**	*930*
Other provisions	**243**	*153*
Other long-term liabilities	**188**	*194*
TOTAL NON-CURRENT LIABILITIES	**4,708**	*5,348*
CURRENT LIABILITIES		
Current portion of long-term borrowings	**402**	*417*
Trade and other payables	**2,588**	*2,744*
Current tax payable	**21**	*54*
Short-term provisions	**161**	*410*
TOTAL CURRENT LIABILITIES	**3,172**	*3,625*
TOTAL EQUITY AND LIABILITIES	**10,814**	*11,384*

CONSOLIDATED CASHFLOW STATEMENT (unaudited)

	Six months ended September 30		
	2007 £m	*2006 £m Restated*	Better/ (Worse)
CASH FLOWS FROM OPERATING ACTIVITIES			
Operating profit	**556**	*442*	114
Operating loss from discontinued operations		*(97)*	97
Depreciation, amortisation and impairment	**351**	*470*	(119)
Operating cash flow before working capital changes	**907**	*815*	92
Increase in inventories, trade and other receivables	**(25)**	*(12)*	(13)
Decrease in trade and other payables and provisions	**(249)**	*(220)*	(29)
Payment to the DOJ for part settlement of competition investigation	**(149)**		(149)
Cash payment to NAPS pension scheme	**(560)**		(560)
Other non-cash movements	**3**	*3*	
Cash generated from operations	**(73)**	*586*	(659)
Interest paid	**(91)**	*(91)*	
Taxation	**(51)**	*(56)*	5
NET CASH FLOW FROM OPERATING ACTIVITIES	**(215)**	*439*	(654)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(280)**	*(139)*	(141)
Purchase of intangible assets	**(17)**	*(7)*	(10)
Proceeds from sale of other investments		*52*	(52)
Proceeds from sale of property, plant and equipment	**10**	*4*	6
Proceeds from sale of associated companies		*3*	(3)
Interest received	**60**	*41*	19
Interest income from other investments		*4*	(4)
Dividends received	**2**	*2*	
Decrease in interest bearing deposits	**148**	*10*	138
NET CASH FLOW FROM INVESTING ACTIVITIES	**(77)**	*(30)*	(47)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**79**		79
Repayment of borrowings	**(23)**	*(41)*	18
Payment of finance lease liabilities	**(206)**	*(174)*	(32)
Exercise of share options	**2**	*30*	(28)
Distributions made to holders of perpetual securities	**(7)**	*(7)*	
NET CASH FLOW FROM FINANCING ACTIVITIES	**(155)**	*(192)*	37
Net (decrease)/increase in cash and cash equivalents	**(447)**	*217*	(664)
Net foreign exchange difference		*(6)*	6
Cash and cash equivalents at April 1	**713**	*398*	315
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	**266**	*609*	(343)

STATEMENT OF CHANGES IN EQUITY (unaudited)
For the period ended September 30, 2007

£ million	Share capital	Share premium	Investment in own shares	Other reserves	Total Shareholders' equity	Minority interest	Total equity
At April 1, 2007	288	933	(10)	1,000	2,211	200	2,411
Profit for the period				478	478		478
Exchange differences and other movements				5	5		5
Net movement on cash flow hedges				40	40		40
Cost of share based payment				3	3		3
Tax effect of share options				(4)	(4)		(4)
Total income and expense for the period				522	522		522
Exercise of share options			1	(1)			
Issue of shares		2			2		2
Net losses on available-for-sale financial assets				(1)	(1)		(1)
At September 30, 2007	**288**	**935**	**(9)**	**1,520**	**2,734**	**200**	**2,934**

For the period ended September 30, 2006

£ million	*Share capital*	*Share premium*	*Investment in own shares*	*Other reserves*	*Total Shareholders' equity*	*Minority interest*	*Total equity*
At April 1, 2006	*283*	*888*		*690*	*1,861*	*213*	*2,074*
Profit for the period				*315*	*315*		*315*
Exchange differences and other movements				*(4)*	*(4)*	*(2)*	*(6)*
Net movement on cash flow hedges				*(31)*	*(31)*		*(31)*
Cost of share based payment				*5*	*5*		*5*
Tax effect of share options				*8*	*8*		*8*
Share of other movements in reserves of associates				*(7)*	*(7)*		*(7)*
Total income and expense for the period				*286*	*286*	*(2)*	*284*
Exercise of share options				*(1)*	*(1)*		*(1)*
Issue of shares	*3*	*22*			*25*		*25*
Net losses on available-for-sale financial assets				*(4)*	*(4)*		*(4)*
At September 30, 2006	*286*	*910*		*971*	*2,167*	*211*	*2,378*

NOTES TO THE ACCOUNTS (unaudited)
For the period ended September 30, 2007

1 CORPORATE INFORMATION

The Group's interim condensed consolidated financial statements for the six months ended September 30, 2007 were authorised for issue by the Board of Directors on November 1, 2007. 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, 2007 have been applied in the preparation of these summary financial statements. 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 include 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, 2007, as described in those annual financial statements.

The income statement for the comparative period has been restated to disclose discontinued operations separate from continuing operations. The comparative information on the consolidated cash flow statement for the half year ended September 30, 2006 has been restated to reflect a reduction of £499 million in cash and cash equivalents, with an offset to other current interest bearing deposits, due to a change in accounting policies. Prior to the year ended March 31, 2007 accounts, the Group classified deposits with a qualifying financial institution maturing within three months of the balance sheet date as cash and cash equivalents.
The Group now only classifies deposits maturing within three months of the acquisition date as cash and cash equivalents. Additionally, our financial statements for the prior period include reclassifications that were made to conform to the current period presentation. Those reclassifications did not impact our reported profit after tax or shareholders' equity.

The following new standards, amendments to standards, or interpretations are mandatory for the first time for the financial year ending March 31, 2008:

* IAS 1 Amendment, 'Presentation of Financial Statements', effective for annual periods beginning on or after January 1, 2007, which requires additional disclosures on the Company's objectives, policies and processes for managing capital. As this interim report contains only condensed financial statements, disclosures required by IAS 1 will be given in the annual financial statements.

* IFRIC 8, 'Scope of IFRS 2 - Group and treasury share transactions', effective for annual periods beginning on or after May 1, 2006. Management does not expect this interpretation to impact the Group.

3 ACCOUNTING POLICIES continued

* IFRIC 9, 'Reassessment of embedded derivatives', effective for annual periods beginning on or after January 1, 2007, which states that the date to assess the existence of an embedded derivative is the date that an entity first becomes party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. Management does not expect this interpretation to impact the Group.

* IFRIC 10, ' Interims and impairment', effective for annual periods beginning on or after November 1, 2006. This interpretation has not had any impact on the timing or recognition of impairment losses as the Group already accounted for such amounts using principles consistent with IFRIC 10.

* IFRIC 11, ' IFRS 2 - Group and treasury share transactions', effective for annual periods beginning on or after March 1, 2007. Management does not expect this interpretation to impact the Group.

* IFRS 7, 'Financial instruments: Disclosures', effective for annual periods beginning on or after January 1, 2007. As this interim report contains only condensed financial statements, full IFRS 7 disclosures are not required at this stage. The full IFRS 7 disclosures, including the sensitivity analysis to market risk and capital disclosures required by IFRS 7, will be given in the March 31, 2008 financial statements.

The following new standards, amendments to standards and interpretations have been issued, but are not effective for the financial year ending March 31, 2008:

* IFRIC 12, 'Service concession arrangements', effective for annual periods beginning on or after January 1, 2008. Management does not expect this interpretation to impact the Group.

* IFRIC 13, 'Customer Loyalty Programmes', effective for annual periods beginning on or after July 1, 2008. IFRIC 13 addresses accounting by entities that operate or otherwise participate in customer loyalty programmes for their customers. IFRIC 13 applies to sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in the future for free or discounted goods or services. The interpretation requires that an entity recognise credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of the initial sale. IFRIC 13 will become mandatory for the Group's consolidated financial statements beginning April 1, 2009, with earlier application permitted. Management has not yet determined the potential effect of this interpretation.

* IFRIC 14, 'IAS 19 The limit on a defined benefit asset, minimum funding requirement and their interaction', effective for annual periods beginning on or after July 1, 2008. Management has not yet determined the potential effect of this interpretation.

* IFRS 8, 'Operating segments', effective for annual periods beginning on or after January 1, 2009, subject to EU endorsement. Management does not currently foresee any significant changes to the Group's business segments.

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 holiday season.

NOTES TO THE ACCOUNTS (unaudited) continued
For the period ended September 30, 2007

5 SEGMENT INFORMATION

a Business segments

For the period ended September 30, 2007

£ million	Continuing Operations Airline business	Non-airline business	Un-allocated	Total	Disc Ops *	Total
Revenue						
Sales to external customers	4,360	96		4,456		4,456
Inter-segment sales	17			17		17
Segment revenue	4,377	96		4,473		4,473
Segment result	551	5		556		556
Unallocated and other non-operating income/(expense)			17	17		17
Profit before tax and finance costs	551	5	17	573		573
Net finance costs			2	2		2
Profit/(loss) on sale of assets			13	13	(2)	11
Share of associates' profit			5	5		5
Income tax expense			(106)	(106)		(106)
Profit/(loss) after tax				487	(2)	485
Assets and liabilities						
Segment assets	10,561	123		10,684		10,684
Investment in associates			130	130		130
Total assets	10,561	123	130	10,814		10,814
Segment liabilities	3,322	336		3,658		3,658
Unallocated liabilities			4,222	4,222		4,222
Total liabilities	3,322	336	4,222	7,880		7,880
Other segment information						
Tangible assets - additions	276			276		276
Intangible assets - additions	24			24		24
Depreciation, amortisation and impairment	350	1		351		351

* Discontinued Operations

NOTES TO THE ACCOUNTS (unaudited) continued
For the period ended September 30, 2007

5 SEGMENT INFORMATION continued

a Business segments - continued

For the period ended September 30, 2006

£ million	*Continuing Operations Airline business*	*Non-airline business*	*Un-allocated*	*Total*	*Disc Ops **	*Total*
Revenue						
Sales to external customers	*4,386*	*106*		*4,492*	*138*	*4,630*
Inter-segment sales	*20*	*1*		*21*	*1*	*22*
Segment revenue	*4,406*	*107*		*4,513*	*139*	*4,652*
Segment result	*410*		*32*	*442*	*(97)*	*345*
Unallocated and other non-operating income/(expense)			*(13)*	*(13)*		*(13)*
Profit/(loss) before tax and finance costs	*410*		*19*	*429*	*(97)*	*332*
Net finance costs			*(7)*	*(7)*	*(3)*	*(10)*
Profit on sale of assets			*49*	*49*		*49*
Income tax (expense)/credit			*(69)*	*(69)*	*20*	*(49)*
Profit/(loss) after tax				*402*	*(80)*	*322*
Assets and liabilities						
Segment assets	*11,717*	*111*		*11,828*		*11,828*
Investment in associates			*103*	*103*		*103*
Total assets	*11,717*	*111*	*103*	*11,931*		*11,931*
Segment liabilities	*4,520*	*333*		*4,853*		*4,853*
Unallocated liabilities			*4,700*	*4,700*		*4,700*
Total liabilities	*4,520*	*333*	*4,700*	*9,553*		*9,553*
Other segment information						
Tangible assets - additions	*128*	*1*		*129*		*129*
Intangible assets - additions	*13*			*13*		*13*
Depreciation, amortisation and impairment	*355*	*1*		*356*	*114*	*470*
Exceptional items	*32*			*32*		*32*

** Discontinued Operations*

b Geographical segments - by area of original sale

£ million	Continuing Operations 2007 £m	Continuing Operations 2006 £m	Discontinued Operations 2007 £m	Discontinued Operations 2006 £m	Total 2007 £m	Total 2006 £m
Europe	**2,747**	*2,666*		*133*	**2,747**	*2,799*
United Kingdom	**2,139**	*2,050*		*109*	**2,139**	*2,159*
Continental Europe	**608**	*616*		*24*	**608**	*640*
The Americas	**942**	*992*		*4*	**942**	*996*
Africa, Middle East and Indian sub-continent	**419**	*457*		*1*	**419**	*458*
Far East and Australasia	**348**	*377*			**348**	*377*
Revenue	**4,456**	*4,492*		*138*	**4,456**	*4,630*

6 OPERATING PROFIT
There were no items of an unusual nature that have been charged to operating profit during the six month period (2006: restructuring provision £32 million).

7 FINANCE COSTS / INCOME

	Six months ended September 30 2007 £m	Six months ended September 30 2006 £m
FINANCE COSTS		
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	**87**	88
Release of prior year provisions		*(15)*
Interest capitalised	**(6)**	*(2)*
Total finance costs	**81**	*71*
FINANCE INCOME		
Bank interest receivable	**56**	*63*
Total finance income	**56**	*63*
FINANCING INCOME AND EXPENSE RELATING TO PENSIONS		
Financing income and expense relating to pensions	**26**	*(8)*
Total financing income and expense relating to pensions	**26**	*(8)*
Retranslation credits on currency borrowings	**1**	*9*

8 PROFIT/(LOSS) ON SALE OF FIXED ASSETS AND INVESTMENTS

	Six months ended September 30 2007 £m	Six months ended September 30 2006 £m
Net profit on the disposal of WNS		*48*
Net profit on the disposal of property, plant and equipment	**13**	*2*
Net loss on disposal of interest in associates		*(1)*
	13	*49*

Included in the net profit on the disposal of property, plant and equipment is a £12 million gain resulting from the release of certain guarantees that were provided for relating to the previous sale of 6 Boeing 767 aircraft.

9 TAX

The tax charge for the half year is £106 million, which is a rate of 18% on the profit before tax. The current tax payable on the half year profits is £18 million and deferred tax is £88 million. The deferred tax charge has benefited from a one-off credit of £72 million arising from the reduction in the UK corporation tax from 30% to 28% which is effective from April 1, 2008. Excluding the one-off credit, the tax rate for the period would have been 30%.

10 EARNINGS PER SHARE

Basic earnings per share for the six months ended September 30, 2007 are calculated on a weighted average of 1,150,012,000 ordinary shares (September 30, 2006: 1,135,788,000; March 31, 2007: 1,141,133,000) as adjusted for shares held for the purposes of employee share ownership plans including the Long-Term Incentive Plan. Diluted earnings per share for the quarter ended September 30, 2007 are calculated on a weighted average of 1,160,048,000 ordinary shares (September 30, 2006: 1,148,626,000; March 31, 2007: 1,151,943,000).

The number of shares in issue at September 30, 2007 was 1,152,593,000 (September 30, 2006: 1,141,379,000; March 31, 2007: 1,151,575,000) ordinary shares of 25 pence each.

11 PROPERTY, PLANT AND EQUIPMENT

During the six months ended September 30, 2007, the Group acquired assets with a cost of £276 million (September 30, 2006: £129 million).

Assets with a net book value of £9 million were disposed of by the Group during the six months ended September 30, 2007 (September 30, 2006: £2 million) resulting in a net gain on disposal of £1 million (September 30, 2006: £2 million).

12 RECONCILIATION OF MOVEMENT IN NET DEBT TO CHANGES IN CASH FLOWS

	Six months ended September 30	
	2007 £m	*2006 £m*
(Decrease)/increase in cash and cash equivalents during the period	**(447)**	*217*
Net cash used in repayment of long-term borrowings	**229**	*215*
Decrease in interest bearing deposits	**(148)**	*(10)*
Change in net debt resulting from cash flows	**(366)**	*422*
New finance leases taken out and hire purchase arrangements made	**(79)**	
Exchange and other non cash movements	**23**	*94*
Movement in net debt during the period	**(422)**	*516*
Net debt at April 1	**(991)**	*(1,641)*
Net debt at September 30	**(1,413)**	*(1,125)*

Net debt comprises the current and non-current portions of long-term borrowings, convertible long-term borrowings and overdrafts, less cash and cash equivalents plus interest-bearing short-term deposits.

13 SHARE OPTIONS

During the period, the Group awarded a new performance share plan for its senior executives. 1,443,888 options over shares were awarded. No payment is due upon exercise of the options. The fair value of options granted during the six months ended September 30, 2007 was estimated on the date of grant using the following assumptions:

Expected volatility (%)	24
Expected life (years)	3
Weighted average share price (£)	4.025

14 ANALYSIS OF LONG-TERM BORROWINGS

	September 30 2007 £m	*March 31 2007 £m*
Interest bearing long-term borrowings comprise:		
Loans	**789**	*878*
Finance Leases	**1,307**	*1,275*
Hire purchase arrangements	**671**	*776*
	2,767	*2,929*
Current portion of long-term borrowings comprise:		
Loans	**131**	*68*
Finance Leases	**61**	*80*
Hire purchase arrangements	**210**	*269*
	402	*417*
Total borrowings	**3,169**	*3,346*

15 DISCONTINUED OPERATIONS

The £2 million loss from discontinued operations is attributed to the resolution of certain uncertainties that arose from the terms of the disposal transaction, primarily purchase price adjustments and adjustments to the restructuring provision previously reported within discontinued operations.

16 CONTINGENT LIABILITIES

There were contingent liabilities at September 30, 2007 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of business, upon which no material losses are likely to arise. 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, 2007 amounted to £166 million (March 31, 2007: £168 million).

17 COMPETITION INVESTIGATION

The Company has settled US$300 million (£149 million) in respect of all investigations into its cargo and passenger business in the US with the Department of Justice. It has agreed a settlement of £121.5 million with the Office of Fair Trading in respect of longhaul passenger surcharges.

There are on-going investigations into the Company's 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.

18 RELATED PARTY TRANSACTIONS

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

	Six months ended September 30	
	2007 £m	*2006 £m*
Associates:		
Sales to associates	**23**	*26*
Purchases from associates	**24**	*78*

	September 30	*March 31*
	2007 £m	*2007 £m*
Associates:		
Amounts owed to associates	**1**	*1*
Amounts owed by associates	**2**	

As is common practice in the airline industry, the Company and Iberia from time to time carry each other's passengers travelling on the other airlines' tickets. The settlement between related carriers is actioned through the IATA Clearing House, of which the airlines are members. These transactions have not been disclosed as sales or purchases between related parties above.

* Associates
Iberia, Lineas Aéreas de España, S.A. ('Iberia')
A wholly owned subsidiary in the Group has a 9.95% investment in Iberia. Areas of opportunity for co-operation 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, interest free and cash settlement is expected within the standard settlement terms specified by the IATA Clearing House.

As at September 30, 2007, the net trading balance owed from Iberia to the Group amounted to £1.6 million (March 31, 2007 amounts owed to Iberia: £0.4 million).

* Directors' and officers' loans and transactions
No loans or credit transactions were outstanding with directors or officers of the Group at the end of September 2007 or arose during the period that need to be disclosed in accordance with the requirements of Schedule 6 to the Companies Act 1985.

In addition to the above, the Group also has transactions with related parties which 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, 2007 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (September 30, 2006: £nil).

19 CAPITAL EXPENDITURE COMMITMENTS

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £635 million (March 31, 2007: £554 million).

The outstanding commitments include £565 million for the acquisition of four Boeing 777 aircraft scheduled for delivery in 2009 and 21 Airbus A320 and A321 family aircraft scheduled for delivery over the next three years, but exclude the recent announcement of the selection of 12 Airbus A380 and 24 Boeing 787 aircraft, which have been authorised but not yet contracted for.

20 EVENTS AFTER THE BALANCE SHEET DATE

On October 25, 2007, the Group announced that it will end its franchise agreements with both GB Airways and Loganair. The Group will end its relationship with GB Airways in March 2008 and with Loganair from October 2008. After October 2008, the Group will begin a codeshare arrangement with Loganair.

On October 26, 2007, the Group signed a US$1.7 billion secured aircraft financing facility with a 15 year term. The facility will serve as financing for the Gatwick and Heathrow fleet replacement programmes.

21 OTHER INFORMATION

The figures for the six months ended September 30, 2007 and 2006 are unaudited and do not constitute full accounts within the meaning of Section 240 of the Companies Act 1985. The financial statements for the year ended March 31, 2007 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 Section 237 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 for the year ended March 31, 2007.

By order of the Board

Willie Walsh
Chief Executive

Keith Williams
Chief Financial Officer

November 1, 2007

INDEPENDENT REVIEW REPORT TO BRITISH AIRWAYS PLC

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, 2007 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Change in Shareholders' Equity and the related notes 1 to 21. 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, 2007 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 1, 2007

AIRCRAFT FLEET
(unaudited and outwith the scope of the Independent Review)

Number in service with Group companies at September 30, 2007

	On balance sheet fixed assets	Off balance sheet operating leases	Total Sept 2007	Changes since March 2007	Future deliveries (Note 5)	Options (Note 6)
Airline Operations (Note 1)						
Boeing 747-400	57		**57**			
Boeing 787					24	18
Boeing 777	40	3	**43**		4	
Boeing 767-300	21		**21**			
Boeing 757-200	13		**13**			
Airbus A319	21	12	**33**			
Airbus A320 (Note 2)	7	18	**25**	**(1)**	20	32
Airbus A321	10		**10**	**3**	1	
Airbus A380					12	7
Boeing 737-300		5	**5**			
Boeing 737-400	19		**19**			
Boeing 737-500		9	**9**			
Avro RJ100 (Note 3)		10	**10**	**1**		
Group Total (Note 4)	**188**	**57**	**245**	**3**	**61**	**57**

Notes:

1. Includes those operated by British Airways Plc and BA Cityflyer.
2. Certain future deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
3. Excludes six Avro RJ100 aircraft sub-leased to Swiss International Airlines.
4. Excludes two British Aerospace ATP's stood down pending sale, and 10 Jetstream 41s sub-leased to Eastern Airways.
5. Future year deliveries of aircraft have increased by 12 Airbus A380 and 24 Boeing 787 as part of the longhaul replacement programme and capacity growth.
6. Future year options have increased by seven Airbus A380 and 18 Boeing 787 aircraft.