BRITISH AIRWAYS

INTERIM RESULTS 2005-2006 (unaudited)

OPERATING AND FINANCIAL STATISTICS (unaudited)

		Three months ended September 30		Better/	Six months ended September 30		Better/
		2005	*2004*	(Worse)	**2005**	*2004*	(Worse)
Revenue	£m	**2,205**	*2,038*	8.2%	**4,264**	*3,940*	8.2%
Operating profit	£m	**261**	*245*	6.5%	**437**	*374*	16.8%
Profit before tax	£m	**241**	*293*	(17.7)%	**365**	*368*	(0.8)%
Profit after tax	£m	**171**	*225*	(24.0)%	**261**	*268*	(2.6)%
Net assets	£m	**2,030**	*1,287*	57.7%	**2,030**	*1,287*	57.7%
Basic earnings per share	p	**15.3**	*20.6*	(25.7)%	**23.7**	*24.4*	(2.9)%

	Three months ended September 30		Better/	Six months ended September 30		Better/
	2005	*2004*	(Worse)	**2005**	*2004*	(Worse)
TOTAL GROUP OPERATIONS						
TRAFFIC AND CAPACITY						
RPK (m)	**29,812**	*28,749*	3.7%	**57,580**	*55,832*	3.1%
ASK (m)	**37,452**	*36,639*	2.2%	**74,158**	*72,789*	1.9%
Passenger load factor (%)	**79.6**	*78.5*	1.1pts	**77.6**	*76.7*	0.9pts
CTK (m)	**1,183**	*1,202*	(1.6)%	**2,368**	*2,419*	(2.1)%
RTK (m)	**4,162**	*4,080*	2.0%	**8,111**	*7,989*	1.5%
ATK (m)	**5,847**	*5,709*	2.4%	**11,569**	*11,361*	1.8%
Overall load factor (%)	**71.2**	*71.5*	(0.3)pts	**70.1**	*70.3*	(0.2)pts
Passengers carried (000)	**9,767**	*9,822*	(0.6)%	**18,944**	*19,110*	(0.9)%
Tonnes of cargo carried (000)	**189**	*213*	(11.3)%	**382**	*429*	(11.0)%
FINANCIAL						
Operating margin (%)	**11.8**	*12.0*	(0.2)pts	**10.2**	*9.5*	0.7pts
Passenger revenue per RPK (p)	**6.01**	*5.93*	1.3%	**6.05**	*5.96*	1.5%
Passenger revenue per ASK (p)	**4.78**	*4.65*	2.8%	**4.70**	*4.57*	2.8%
Cargo revenue per CTK (p)	**10.23**	*9.82*	4.2%	**10.09**	*9.76*	3.4%
Total traffic revenue per RTK (p)	**45.96**	*44.68*	2.9%	**45.88**	*44.64*	2.8%
Total traffic revenue per ATK (p)	**32.72**	*31.93*	2.5%	**32.16**	*31.39*	2.5%
Net operating expenditure per RTK (p)	**39.69**	*38.68*	(2.6)%	**40.49**	*39.95*	(1.4)%
Net operating expenditure per ATK (p)	**28.25**	*27.64*	(2.2)%	**28.39**	*28.10*	(1.0)%
Average fuel price before hedging (US cents/US gallon)	**175.69**	*129.92*	(35.2)%	**168.75**	*122.32*	(38.0)%
TOTAL AIRLINE OPERATIONS (Note 1)						
OPERATIONS						
Average Manpower Equivalent (MPE)	**46,144**	*46,179*	0.1%	**46,112**	*46,230*	0.3%
ATKs per MPE (000)	**126.7**	*123.6*	2.5%	**250.9**	*245.7*	2.1%
Aircraft in service at period end	**288**	*287*	1	**288**	*287*	1

Note 1: Excludes non airline activity companies, principally, Airmiles Travel Promotions Ltd, BA Holidays Ltd, BA Travel Shops Ltd, Speedbird Insurance Company Ltd and The London Eye Company Ltd.

CHAIRMAN'S STATEMENT

Group Performance

Group profit before tax for the three months to September 30 was £241 million; this compares with a profit of £293 million last year. The reduction primarily reflects the non-recurrence of the £86 million profit on sale of our investment in Qantas last year.

Operating profit - - at £261 million - - was £16 million higher than last year. The operating margin was 11.8%, 0.2 points lower than last year. The improvement in operating profit primarily reflects improvements in traffic revenue, partially offset by the increase in the cost of fuel net of surcharges.

Group profit before tax for the six months to September 30 was £365 million, £3 million worse than last year; operating profit - - at £437 million - - was £63 million better than last year.

Operating margin for the half year - - traditionally the stronger of the two halves - - was 10.2%, 0.7 points higher than last year.

Cash inflow from operating activities was £530 million for the six months, with the closing cash, cash equivalents and short term deposits at £1,925 million representing a £243 million increase versus March 31, 2005. Net debt fell by £505 million from March 31, 2005 to £2,417 million.

Turnover

For the three month period, group turnover - - at £2,205 million - - was up 8.2% on a flying programme 2.4% larger in ATKs. This reflected the impact of fuel surcharges and an increase in both passenger revenue (up 5.1%) and cargo revenue (up 2.5%). Passenger yields were up 1.3% per RPK (excluding fuel surcharges), largely driven by cabin mix; seat factor was up 1.1 point at 79.6% on capacity 2.2% higher in ASKs.

For the six month period, turnover improved by 8.2% to £4,264 million on a flying programme 1.8% larger in ATKs. Passenger yields were up 1.5% per RPK (excluding fuel surcharges) with seat factor up 0.9 points at 77.6% on capacity 1.9% higher in ASKs.

Cargo volumes for the three month period (CTKs) were down 1.6% compared with last year, with yields (revenue/CTK) up 4.2%. For the six month period, cargo volumes were down 2.1%, with yields up 3.4%.

Overall load factor for the quarter was down 0.3 points at 71.2%, and for the half year down 0.2 points at 70.1%.

Costs

For the three month period, unit costs (pence/ATK) worsened by 2.2% on the same period last year. This reflects a net cost increase of 4.7% on capacity 2.4% higher in ATKs.

Total expenditure from operations was up 8.4% primarily reflecting fuel costs, up by 51.3% due to the increase in fuel price net of hedging and employee costs, up 3.3%. These increases were partially offset by continued reductions in selling costs.

For the six month period, unit costs (pence/ATK) increased by 1.0% on the same period last year. This reflects a net cost increase of 2.9% on capacity 1.8% higher in ATKs.

Non Operating Items

Interest expense for the three month period reduced by £14 million from last year to £54 million reflecting the impact of lower debt. Interest income at £22 million was in line with last year.

Profit on sale of fixed assets and investments was £1 million, £83 million lower than last year, reflecting the non-recurrence of the £86 million profit on disposal of our investment in Qantas last year.

The share of profits in associates at £4 million was £17 million lower than last year due to our share of Qantas' profit being included last year prior to the disposal of our investment.

For the six month period, interest expense was £113 million, £21 million lower than last year. The retranslation of currency borrowings generated a charge of £10 million, compared with a credit of £11 million last year. Loss on sale of fixed assets and investments was £2 million. This compares with a profit on disposal last year of £81 million, due mainly to the sale of our investment in Qantas.

Tax

The tax rate for the quarter, excluding associates, was 29%. The company expects to return to a UK taxpaying position this year, and accordingly we anticipate paying £50 million in taxes in the current year.

Earnings Per Share

The earnings attributable to shareholders for the three months was equivalent to 15.3 pence per share, compared with last year's profit per share of 20.6 pence.

For the six month period, the profit attributable to shareholders was £261 million, equivalent to 23.7 pence per share, compared with earnings of 24.4 pence per share last year.

The Board has decided that no interim dividend should be paid.

Net Debt / Total Capital Ratio

Borrowings, net of cash and short term loans and deposits, were £2,417 million at September 30, down £505 million since the start of the year, partly due to the conversion of the £112 million of bonds from debt to equity. The net debt/total capital ratio reduced by 13.3 points from March 31 to 54.4%. The net debt/total capital ratio including operating leases was down 11.3 points from March 31 to 61.1%.

During the quarter we signed two long term secured finance facilities, totalling $1 billion. One is a committed secured credit facility and the other is a facility to extend Yen obligations falling due between 2009 and 2011 for a further five years.

Cash Flow

During the six months we generated a positive cash flow from operating activities of £530 million, £46 million higher than last year. Including current interest bearing deposits, the cash position at September 30, 2005 was £1,925 million, an increase of £243 million compared with March 31, 2005.

Aircraft Fleet

During the quarter the group fleet in service increased by 1 to 288 aircraft. The increase is due to the delivery of an Airbus A321 in the quarter. The next aircraft delivery is scheduled for November 2007.

Alliance Development

We continue to support the development of the **one**world alliance, both in terms of customer benefits and membership expansion. The alliance is the first to offer e-tickets to customers travelling across the networks of the members, thus providing an enhanced customer experience. In addition, the recent announcement of Royal Jordanian accepting their invitation to join the alliance is welcomed and BA is proud to be the lead sponsor for Royal Jordanian in the alliance.

On October 25, Japan Airlines announced their intention to seek **one**world membership. BA has a long-standing relationship with JAL and we look forward to welcoming them to the alliance.

Pensions

Like most FTSE 100 companies with defined benefit pension schemes, British Airways has, as we have previously reported, a significant deficit. As a consequence, we have launched a major internal communication campaign to inform staff about the issues. This will continue for several months. In 2006, we will discuss options to address the issue with the Trustees and unions.

Industrial Relations

As a result of unlawful industrial action by some 1,000 ground support services staff, we suspended all flights into and out of London Heathrow from 6pm on August 11, 2005 to 8pm on August 12, 2005. The unlawful action was taken in support of employees dismissed from the airline's Heathrow catering supplier, Gate Gourmet. As a consequence of the action, we opened an investigation into the circumstances of the action taken. The inquiry continues and will establish the facts of what happened in order to take appropriate action.

The financial consequence of the disruption is estimated at between £35 - £45 million. This doesn't have a material impact on the comparators for the quarter as the company also suffered operational disruption in the same period last year.

Outlook

Continued capacity restraint by the industry is resulting in a more stable price environment. This coupled with good demand for premium traffic (in particular the growth in leisure premium) has delivered a small yield improvement. Assuming continued stable economies and a rational capacity environment, some yield improvement is now expected for this financial year. Consequently, revenue is now expected to grow by between 6% - 7% (up 0.5 points from our previous guidance).

Despite the improved revenue outlook, market conditions remain broadly unchanged as significant promotional activity is required to maintain seat factors.

Fuel costs continue to be a challenge for the industry, but our guidance is unchanged with total fuel costs expected to be up by £525 million this year.

As announced in our latest Business Plan, our focus remains on preparing for the move to Terminal 5 in 2008, investing in products for our customers and continuing to drive simplification to deliver a competitive cost base.

Note:
Copies of the summary Interim Statement will be issued to all shareholders through the medium of the British Airways Investor newspaper. Copies of the full Interim report are available from the company's registered office and on the Internet at 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 programs, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemize all of the many factors and specific events that could cause the Company's forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Information on some factors which could result in material difference to the results is available in the Company's SEC filings, including, without limitation the Company's Report on Form 20-F for the year ended March 2005.

The estimated disruption cost reflects the direct cost of the disruption and the estimated revenue impacts, both direct and indirect. The estimate of £35 - £45 million is based on assumptions the company considers reasonable, but are judgemental.

CONSOLIDATED INCOME STATEMENT (unaudited)

	Three months ended September 30		Better/	Six months ended September 30		Better/
	2005 £m	*2004 £m*	(Worse)	**2005 £m**	*2004 £m*	(Worse)
Traffic Revenue						
Passenger	**1,792**	*1,705*	5.1%	**3,482**	*3,330*	4.6%
Cargo	**121**	*118*	2.5%	**239**	*236*	1.3%
	1,913	*1,823*	4.9%	**3,721**	*3,566*	4.3%
Other revenue	**292**	*215*	35.8%	**543**	*374*	45.2%
TOTAL REVENUE	**2,205**	*2,038*	8.2%	**4,264**	*3,940*	8.2%
Employee costs	**568**	*550*	(3.3)%	**1,138**	*1,091*	(4.3)%
Depreciation and amortisation	**171**	*181*	5.5%	**349**	*359*	2.8%
Aircraft operating lease costs	**31**	*27*	(14.8)%	**56**	*53*	(5.7)%
Fuel and oil costs	**410**	*271*	(51.3)%	**765**	*529*	(44.6)%
Engineering and other aircraft costs	**118**	*115*	(2.6)%	**235**	*211*	(11.4)%
Landing fees and en route charges	**145**	*145*		**287**	*286*	(0.3)%
Handling charges, catering and other operating costs	**248**	*237*	(4.6)%	**482**	*470*	(2.6)%
Selling costs	**106**	*135*	21.5%	**214**	*273*	21.6%
Currency differences	**2**	*(8)*	nm	**(3)**	*(12)*	(75.0)%
Accommodation, ground equipment and IT costs	**145**	*140*	(3.6)%	**304**	*306*	0.7%
TOTAL EXPENDITURE FROM OPERATIONS	**1,944**	*1,793*	(8.4)%	**3,827**	*3,566*	(7.3)%
OPERATING PROFIT	**261**	*245*	6.5%	**437**	*374*	16.8%
*Fuel derivative gains**	**12**		nm	**13**		nm
Interest expense	**(54)**	*(68)*	20.6%	**(113)**	*(134)*	15.7%
Interest income	**22**	*22*		**43**	*40*	7.5%
Financing income and expense relating to pensions	**(4)**	*(11)*	63.6%	**(8)**	*(22)*	63.6%
Retranslation (charges)/credits on currency borrowings	**(1)**	*(1)*		**(10)**	*11*	nm
Profit/(loss) on sale of fixed assets and investments	**1**	*84*	(98.8)%	**(2)**	*81*	nm
Share of profits in associates	**4**	*21*	(81.0)%	**3**	*17*	(82.4)%
Income relating to fixed asset investments		*1*	nm	**2**	*1*	100.0%
PROFIT BEFORE TAX	**241**	*293*	(17.7)%	**365**	*368*	(0.8)%
Tax	**(70)**	*(68)*	(2.9)%	**(104)**	*(100)*	(4.0)%
PROFIT AFTER TAX	**171**	*225*	(24.0)%	**261**	*268*	(2.6)%
Attributable to:						
Equity holders of the parent	**171**	*225*	(24.0)%	**261**	*268*	(2.6)%
Minority interest						
	171	*225*	(24.0)%	**261**	*268*	(2.6)%
Earnings per share:						
Basic	**15.3**	*20.6*	(25.7)%	**23.7**	*24.4*	(2.9)%
Fully diluted	**15.2**	*19.9*	(23.6)%	**23.1**	*23.7*	(2.5)%

nm: Not meaningful

* Fuel derivative gains reflect the ineffective portion of unrealised gains and losses on fuel derivative hedges required to be recognised through the income statement under IAS 39.

CONSOLIDATED BALANCE SHEET (unaudited)

	September 30 2005 £m	September 30 *2004 £m*	March 31 2005 £m
NON-CURRENT ASSETS			
Property, plant and equipment			
Fleet	**6,783**	*7,026*	6,944
Property	**970**	*1,034*	1,000
Equipment	**372**	*421*	385
	8,125	*8,481*	8,329
Goodwill	**72**	*72*	72
Landing rights	**119**	*93*	122
Other intangible assets	**51**	*50*	60
Investments in associates	**115**	*118*	126
Long term investments	**29**	*29*	30
Available-for-sale financial assets	**4**		
Employee benefit assets	**138**	*128*	137
Other financial assets	**117**	*39*	38
TOTAL NON-CURRENT ASSETS	**8,770**	*9,010*	8,914
NON-CURRENT ASSETS HELD FOR SALE	**1**	*1*	5
CURRENT ASSETS AND RECEIVABLES			
Expendable spares and other inventories	**92**	*77*	84
Trade receivables	**785**	*729*	685
Other current assets	**690**	*330*	301
Other current interest bearing deposits	**947**	*1,120*	1,134
Cash and cash equivalents	**978**	*790*	548
	1,925	*1,910*	1,682
TOTAL CURRENT ASSETS AND RECEIVABLES	**3,492**	*3,046*	2,752
TOTAL ASSETS	**12,263**	*12,057*	11,671
SHAREHOLDERS' EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY			
Issued share capital	**283**	*271*	271
Treasury shares	**(11)**	*(30)*	(26)
Other reserves	**1,747**	*835*	940
TOTAL SHAREHOLDERS' EQUITY	**2,019**	*1,076*	1,185
MINORITY INTEREST	**11**		
TOTAL EQUITY	**2,030**		
Equity minority interest		*11*	12
Non-equity minority interest		*200*	200
MINORITY INTERESTS		*211*	212
PROVISIONS			
Employee benefit obligations	**1,813**	*1,839*	1,820
Provisions for deferred tax	**987**	*794*	816
Other provisions	**36**	*54*	34
TOTAL PROVISIONS	**2,836**	*2,687*	2,670
NON-CURRENT LIABILITIES			
Interest bearing long-term borrowings	**3,902**	*4,544*	4,045
Other long term liabilities	**334**	*308*	306
TOTAL LONG-TERM LIABILITIES	**4,236**	*4,852*	4,351
CURRENT LIABILITIES			
Current portion of long-term borrowings	**440**	*540*	447
Convertible long-term borrowings		*112*	112
Trade and other payables	**2,659**	*2,555*	2,658
Current tax payable	**62**	*24*	36
TOTAL CURRENT LIABILITIES	**3,161**	*3,231*	3,253
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	**12,263**	*12,057*	11,671

CONSOLIDATED CASHFLOW STATEMENT (unaudited)

	Six months ended September 30 2005 £m	Six months ended September 30 2004 £m	Better/ (Worse)
CASHFLOWS FROM OPERATING ACTIVITIES			
Operating profit	**437**	*374*	63
Depreciation and amortisation	**349**	*359*	(10)
Operating cashflow before working capital changes	**786**	*733*	53
(Increase)/decrease in inventories and other receivables	**(97)**	*(106)*	9
(Decrease)/increase in trade and other payables and provisions	**(31)**	*(14)*	(17)
Other non-cash movements	**5**	*4*	1
Cash generated from operations	**663**	*617*	46
Interest paid	**(110)**	*(134)*	24
Taxation	**(23)**	*1*	(24)
NET CASHFLOW FROM OPERATING ACTIVITIES	**530**	**484**	46
CASHFLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(125)**	*(121)*	(4)
Purchase of intangible assets	**(1)**		(1)
Purchase of interest in associated undertakings	**(5)**		(5)
Proceeds from sale of associated undertaking		*427*	(427)
Proceeds from sale of trade investment	**1**		1
Proceeds from sale of property, plant and equipment	**4**	*54*	(50)
Costs of disposal of subsidiary undertakings	**(6)**	*(8)*	2
Interest received	**35**	*19*	16
Dividends received	**20**	*20*	
Decrease/(increase) in interest bearing deposits	**189**	*(491)*	680
NET CASHFLOW FROM INVESTING ACTIVITIES	**112**	**(100)**	212
CASHFLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings	**(28)**	*(65)*	37
Payment of finance lease liabilities	**(190)**	*(549)*	359
Exercise of share options	**11**		11
Distributions made to holders of perpetual securities	**(7)**	*(7)*	
NET CASH USED IN FINANCING ACTIVITIES	**(214)**	**(621)**	407
Net increase/(decrease) in cash and cash equivalents	**428**	*(237)*	665
Net foreign exchange difference	**2**		2
Cash and cash equivalents at March 31	**548**	*1,027*	(479)
CASH AND CASH EQUIVALENTS AT SEPTEMBER 30	**978**	*790*	188

These summary financial statements were approved by the Directors on November 3, 2005.

NOTES TO THE ACCOUNTS (unaudited)
For the period ended September 30, 2005

1 BASIS OF PREPARATION

These summary financial statements have been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRS)* issued by the International Accounting Standards Board (IASB) and with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB with the exception of the disclosure requirements of IAS 34 - 'Interim Reporting'. The accounting policies and basis of preparation differ from those set out in the Report and Accounts for the year ended March 31, 2005 which were prepared in accordance with United Kingdom accounting standards and the Companies Act 1985 (UK GAAP).

A summary of the significant accounting policies used in the preparation of these financial statements under IFRS and a summary of the impact of the change from UK GAAP to IFRS on comparative periods as required by IFRS 1 - 'First-time adoption of International Financial Reporting Standards' were included in the group's 'Release of financial information for 2004/05 under International Financial Reporting Standards' published on July 4, 2005. The release included the quarterly results for quarters ended June 30, 2004, September 30, 2004, December 31, 2004 and March 31, 2005 restated under the recognition and measurement rules of IFRS and a summary of the significant differences to UK GAAP. The release also included restated balance sheets at those dates in addition to the restated balance sheet at April 1, 2004, the group's transition date to IFRS.

As permitted under IFRS 1, the group elected to apply the requirements of IAS 32 - 'Financial Instruments - Disclosure and Presentation' and IAS 39 - 'Financial Instruments - Recognition and Measurement' from April 1, 2005. As a consequence certain assets and liabilities are required to be recognised and measured at fair value. As a result of the application of IAS 39 the opening net assets of the group increased by £183 million at April 1, 2005. The increase represents the fair value of financial instruments and available for sale financial assets (£193 million, net of deferred tax), partially offset by the impact of the group's share of the opening reserves adjustments of associated undertakings (£10 million). The adoption of IAS 32 had no impact on the reserves or net assets of the group except for minor presentational differences between minority interests and shareholders' equity.

Under IAS 39, financial instruments are recorded initially at fair value. Subsequent measurement of those instruments at the balance sheet date reflects the designation of the financial instrument.

Listed investments (other than interests in associates) are designated as available-for-sale assets and are recorded at fair value. Any change in the fair value is reported in reserves until the investment is sold when the cumulative reserves movement is recognised in income. Any provisions for impairment of the carrying value are reflected in income when they arise. Exchange gains and losses on monetary items are taken to income unless the item has been designated as a hedging instrument. Exchange gains and losses on non-monetary investments are reflected in reserves until the investment is sold when the balance is recognised in income.

Derivative financial instruments, comprising interest rate swap agreements, foreign exchange derivatives and fuel hedging derivatives (including options, swaps and collars) are measured at fair value on the group balance sheet. Changes in the fair value are reported through operating income or financing according to the nature of the derivative financial instrument unless the derivative financial instrument has been designated as a hedge of a highly probable expected future cashflow. Gains and losses on forward exchange contracts to hedge capital expenditure commitments are recognised as part of the total sterling carrying cost of the relevant tangible asset as the contracts mature or are closed out. Gains and losses on derivative financial instruments designated as hedging instruments that are expected to be highly effective at inception and were highly effective for the period are taken to reserves and reflected in the income statement when the cashflow either occurs or ceases to be highly probable.

Certain loan repayment instalments denominated in US dollars and Japanese yen are designated as hedges of highly probable future foreign currency revenues. Exchange differences arising from the translation of these loan repayment instalments are taken to reserves until the future revenue occurs when the cumulative exchange difference is recognised in income.

The hedging relationships are tested for effectiveness in accordance with IAS 39 - 'Financial Instruments'.

Long term borrowings, finance leases and hire purchase agreements are recorded at amortised cost. Certain leases contain interest rate swaps that are closely related to the underlying financing and, as such, are not accounted for as an embedded derivative. The carrying value of the interest rate swap is reflected within the carrying value of the long term borrowing.

The financial information presented has been prepared on the basis of those Standards and Interpretations of the International Financial Reporting Interpretations Committee (IFRIC).

BASIS OF PREPARATION (continued)
and Standard Interpretations Committee (SIC) that are expected to be applicable to 2005/06 financial reporting. These are subject to ongoing review and endorsement by the European Commission, whilst the application of the Standards continues to be subject to interpretation by IFRIC as well as emerging industry consensus. As a consequence, further adjustments to the accounting policies and treatments may need to be made in the first complete set of IFRS financial statements for 2005/06 for the year ending March 31, 2006.

These financial statements have been prepared on a historical cost convention except for certain financial assets and liabilities, including derivative financial instruments and available-for-sale financial assets, that are measured at fair value. The carrying value of recognised assets and liabilities that are hedged are adjusted to record changes in thefair values attributable to the risks that are being hedged.

* For the purposes of these statements IFRS also include International Accounting Standards (IAS).

2 FINANCE COSTS / INCOME

	Three months ended September 30		Six months ended September 30	
	2005 £m	*2004 £m*	**2005 £m**	*2004 £m*
FINANCE COSTS				
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	**54**	*68*	**113**	*134*
Interest capitalised				
Total finance costs	**54**	*68*	**113**	*134*
FINANCE INCOME				
Bank interest receivable	**22**	*22*	**43**	*40*
Total finance income	**22**	*22*	**43**	*40*
FINANCING INCOME AND EXPENSE RELATING TO PENSIONS				
Net financing expense/(income) relating to pensions	**4**	*11*	**8**	*22*
Amortisation of actuarial (gains)/losses on pensions				
Total financing income and expense relating to pensions	**4**	*11*	**8**	*22*
Retranslation (charges)/credits on currency borrowings	**(1)**	*(1)*	**(10)**	*11*

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

	Three months ended September 30		Six months ended September 30	
	2005 £m	*2004 £m*	**2005 £m**	*2004 £m*
Net profit on disposal of investment in Qantas		*86*		*86*
Net profit/(loss) on the disposal of property, plant and equipment	**1**	*(2)*	**(2)**	*(5)*
	1	*84*	**(2)**	*81*

4 TAX
The tax charge for the quarter is £70 million of which £42 million represents deferred tax in the UK, £25 million current UK tax and £3 million overseas tax.

5 EARNINGS/(LOSS) PER SHARE
Basic earnings per share for the quarter ended September 30, 2005 are calculated on a weighted average of 1,123,454,000 ordinary shares (September 2004: 1,070,471,000; March 2005: 1,071,126,000) 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, 2005 are calculated on a weighted average of 1,131,566,000 ordinary shares (September 2004: 1,118,470,000; March 2005: 1,126,485,000).

The number of shares in issue at September 30, 2005 was 1,130,882,000 (September 30, 2004: 1,082,903,000; March 31, 2005: 1,082,903,000) ordinary shares of 25 pence each.

NOTES TO THE ACCOUNTS (unaudited) (Continued)
For the period ended September 30, 2005

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

	Six months ended September 30	
	2005 £m	*2004 £m*
Increase/(decrease) in cash and cash equivalents during the period	**428**	*(237)*
Net cash used in repayment of long-term borrowings	**218**	*614*
(Reduction)/increase in interest bearing deposits	**(189)**	*491*
Change in net debt resulting from cash flows	**457**	*868*
New finance leases taken out and hire purchase arrangements made	**(5)**	*(7)*
Conversion of Convertible Capital Bonds 2005	**112**	
Exchange movements	**(59)**	*11*
Movement in net debt during the period	**505**	*872*
Net debt at April 1	**(2,922)**	*(4,158)*
Net debt at period end	**(2,417)**	*(3,286)*

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.

7 ANALYSIS OF LONG-TERM BORROWINGS

	September 30	September 30	March 31
	2005 £m	*2004 £m*	2005 £m
Interest bearing long-term borrowings comprise:			
Loans	**1,090**	*1,037*	1,105
Finance Leases	**1,471**	*1,892*	1,493
Hire purchase arrangements	**1,341**	*1,615*	1,447
	3,902	*4,544*	4,045
Current portion of long-term borrowings comprise:			
Loans	**61**	*125*	63
Finance Leases	**103**	*118*	96
Hire purchase arrangements	**276**	*297*	288
	440	*540*	447

8 RESERVES

	September 30	September 30	March 31
	2005 £m	*2004 £m*	2005 £m
Balance at April 1	**940**	*557*	557
Transitional effects from the adoption of IAS 39 and IAS 32	**383**		
Profit for the period	**261**	*268*	392
Distributions to perpetual preferred security holders	**(7)**	*(7)*	(14)
Conversion of Convertible Capital Bonds 2005	**100**		
Exchange and other movements	**70**	*17*	5
	1,747	*835*	940

9 The figures for the three months and six months ended September 30, 2005 and 2004 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, 2005 have been delivered to the Registrar of Companies and on which the auditors have issued an unqualified audit report and did not contain a statement under Section 237 of the Companies Act 1985.

INDEPENDENT REVIEW REPORT TO BRITISH AIRWAYS Plc

Introduction

We have been instructed by the Company to review the financial information for the three months and six months ended September 30, 2005, which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement and Notes to the Accounts. We have read the other information contained in the interim results and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the Company in accordance with guidance contained in Bulletin 1999/4 'Review of Interim Financial Information' 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 Company, for our work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim results, including the financial information contained therein, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with those IFRSs adopted for use by the European Union.

The accounting policies are consistent with those that the directors intend to use in the next financial statements. There is, however, a possibility that the directors may determine that some changes to these policies are necessary when preparing the full annual financial statements for the first time in accordance with those IFRS adopted for use by the European Union.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit.

Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the three months and six months ended September 30, 2005.

Ernst & Young LLP

London

November 3, 2005

UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (US GAAP) INFORMATION
(unaudited and for information only)

The accounts have been prepared in accordance with the measurement and recognition requirements of International Financial Reporting Standards (IFRS) which differ in certain respects from those generally accepted in the United States.
The comparatives have been restated to recognise the adoption of IFRS by the group.

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

	Three months ended September 30		Six months ended September 30	
	2005 £m	*2004 £m*	**2005 £m**	*2004 £m*
Profit for the period as reported in the Group profit and loss account	**171**	*225*	**261**	*268*
US GAAP adjustments	**(68)**	*(40)*	**(127)**	*(25)*
Net income as so adjusted to accord with US GAAP	**103**	*185*	**134**	*243*
Net income per Ordinary Share as so adjusted				
Basic	**9.2p**	*17.3p*	**12.1p**	*22.7p*
Diluted	**9.1p**	*16.7p*	**11.8p**	*21.1p*
Net income per American Depositary Share as so adjusted				
Basic	**92p**	*173p*	**121p**	*227p*
Diluted	**91p**	*167p*	**118p**	*221p*

	September 30		March 31
	2005 £m	*2004 £m*	2005 £m
Shareholders' equity and minority interests as reported in the Group balance sheet	**2,030**	*1,287*	1,397
US GAAP adjustments	**478**	*975*	766
Shareholders' equity and minority interests as so adjusted to accord with US GAAP	**2,508**	*2,262*	2,163

AIRCRAFT FLEET
(unaudited and for information only)

Number in service with Group companies at September 30, 2005

	On Balance Sheet aircraft	Off Balance Sheet Aircraft	Total September 2005	Changes Since June 2005	Future deliveries	Options
AIRLINE OPERATIONS (Note 1)						
Boeing 747-400	57		**57**			
Boeing 777	40	3	**43**			
Boeing 767-300	21		**21**			
Boeing 757-200	13		**13**			
Airbus A319 (Note 2)	21	12	**33**		3	40
Airbus A320 (Note 3)	9	17	**26**		3	
Airbus A321	7		**7**	1		
Boeing 737-300		5	**5**			
Boeing 737-400 (Note 4)	18		**18**			
Boeing 737-500		9	**9**			
Turboprops (Note 5)		8	**8**			
Embraer RJ145	16	12	**28**			
Avro RJ100		16	**16**			
British Aerospace 146	4		**4**			
GROUP TOTAL	**206**	**82**	**288**	**1**	**6**	**40**

Notes:
1. Includes those operated by British Airways Plc and British Airways CitiExpress Ltd.
2. Certain future deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
3. Excludes 1 Airbus A320 sub-leased to GB Airways.
4. Excludes 2 Boeing 737-400s sub-leased to Air One.
5. Comprises 8 de Havilland Canada DHC-8s. Excludes 2 British Aerospace ATPs stood down pending return to lessor and 12 Jetstream 41s sub-leased to Eastern Airways.