INTERIM MANAGEMENT REPORT

Period April 1, 2008 – September 30, 2008 (Unaudited)

GOOD PERFORMANCE IN DIFFICULT CONDITIONS

British Airways today (November 7) presented its interim management report for the six months ended September 30, 2008.

Period highlights:

- Operating profit of £140 million (2007: £567 million - restated)
- Profit before tax of £52 million (2007: £616 million - restated)
- Revenue £4,754 million (2007: £4,470 million – restated)
- Full year fuel costs still expected to be about £3 billion
- On track and focused on achieving a small profit in the financial year
- Significantly better operational performance, particularly punctuality

British Airways' chief executive Willie Walsh, said:

"This is a good performance given the incredibly difficult trading conditions. The six month period will be remembered as one of the bleakest on record. The period was hit by a crisis in the banking sector, record fuel prices and several airlines going out of business.

"Against this very tough economic backdrop we have delivered profits of £140 million resulting from a 6.4 per cent revenue increase.

"Costs are up £711 million and remain a key challenge. Fuel costs for the period were up £511 million at £1,494 million. Our annual fuel bill is still expected to be up some 50 per cent at about £3 billion. Employee costs, including a £40 million severance provision, were up 8.6 per cent.

"We have made good progress with our plans to offset the difficult conditions. We have reviewed the summer 2009 schedule and plan to reduce capacity by some 1 per cent compared with summer 2008. We have revised capital expenditure plans and remain focused on cost control and our strong cash position.

"In these difficult times it is more important than ever to deliver excellent customer service.

"Terminal 5 is performing extremely well. Transfer passenger connections are faster with 90 per cent of our Heathrow flights now under one roof. We have now moved to full operations at Terminal 5 and it is delivering real customer benefits. The terminal is proving to be the genuine asset that we always expected it to be. More than 12 million customers have now travelled through the terminal and customer feedback has been excellent.

"Our punctuality performance has improved significantly. Our passengers are departing more promptly than in recent years and we are improving every month. Heathrow punctuality levels in July, August and September were more than 20 percentage points better than the same period last year. Last month saw an improvement of 23 percentage points on October 2007. We also had our best ever day at Heathrow on October 14, with 95 per cent of flights departing on time as measured by the industry standard.

"We have signed the joint business agreement with American Airlines and Iberia. The agreement will improve customer service levels with better connections, network, frequency and frequent flyer benefits. We expect our application to receive approval from the US Department of Transport next year."

Financial review

Total revenue in the period was up 6.4 per cent.

Passenger revenue was up 6.5 per cent on capacity up 1.3 per cent. Yields were up 10.5 per cent as a result of both price increases and the impact of a stronger US dollar. Traffic volumes have reduced on last year and seat factor was down 3.8 points to 74.6 per cent. Trading conditions continue to be challenging, with longhaul premium traffic in particular having weakened after the summer.

Our cargo business continued to perform well with volumes measured in cargo tonne kilometres (CTKs) up 2 per cent on last year. Revenue rose 25.2 per cent to £363 million, underpinned by fuel surcharge recoveries and strong volumes. Overall, yields improved by 22.7 per cent.

Total Group operating costs were up 18.2 per cent, due primarily to the dramatic increase in fuel costs, with unit costs up 19.2 per cent.

Fuel costs were up 52 per cent on last year, despite a fuel hedging profit of £329 million during the period. The market price of fuel was up 73 per cent over the same period last year.

Other costs were also up £200 million, with currency effects contributing almost half of the increase. Employee costs rose by 8.6 per cent mainly due to the inclusion of a £40 million severance provision, annual pay awards and increasing manpower to support our transition to Terminal 5. Engineering costs were up 9.9 per cent due to increased freighter costs, volume increases due to our subsidiary operations of CityFlyer and OpenSkies, and exchange.

Landing fees and en-route charges were up 13.4 per cent mainly due to the effects of exchange on non-UK costs, and airport charges in the UK. BAA implemented significant price increases for Heathrow and Gatwick, with an overall effect of increasing Heathrow prices by 38 per cent and Gatwick by 36 per cent for the remainder of the year.

Handling charges and other operating costs were up 3.7 per cent due to volume related cargo charges, costs associated with the delayed moves to Terminal 5 and adverse exchange impacts partially offset by lower baggage compensation costs.

Our financial position remains strong with our cash level at the end of September unchanged from March at £1.8 billion. Net debt was £1.4 billion, in line with this time last year. Committed facilities of £2.0 billion have been secured for aircraft purchases out to December 2012. We also have general purpose committed facilities of £0.6 billion. The Group performed an interim valuation update for the UK defined benefit pension schemes on an IAS 19 basis, as at September 30, 2008, which showed a net increase of £201 million to the pension deficit. This resulted in no change to the amounts recorded in the Group’s financial statements, due to its application of the corridor.

As previously announced, during the six month period we have taken a charge of £79 million for the abolition of industrial building allowances, which contributed to the post-tax loss of £42 million. Excluding the one-off cost, the tax rate for the period would have been 29 per cent.

The Group adopted both IFRIC 13 (‘Customer Loyalty Programmes’) and IFRIC 14 (‘Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction’) on April 1, 2008. The results for the year ended March 31, 2008 have been restated accordingly and the impact is included in Note 3.

The Directors recommend that no dividend be paid for the period ended September 30, 2008.

Business review

We remain committed to our key business priorities.

Upgraded customer experience

We have won a raft of awards including Best Transatlantic Airline in this year's Skytrax survey and best business airline at the Conde Nast Traveller awards. The airline also won best business class, best shorthaul carrier and best frequent flyer programme at the Business Traveller Awards.

All 57 of our Boeing 747s and ten of our 42 Boeing 777s have been fitted with our multi-award winning Club World cabin. The embodiment schedule for the remainder of the fleet is on track for completion by the end of next year.

We have begun a new premium service training course for our 10,000 longhaul cabin crew to ensure consistent, world-class levels of inflight service for our customers in the First and Club cabins.

Our new, double daily, business class only flights start from London City airport to New York next year and the first Airbus A318 aircraft to operate the service is now in production at Toulouse. The aircraft will feature fully flat business class beds for up to 32 passengers.

British Airways launched a social media platform called Metrotwin.com linking London and New York. We are the first airline to launch an online site of this kind offering information on the best of what to do and where to go in both cities with recommendations from trend setters, our own frequent flyers and bloggers.

We launched a new global press, poster, online and radio leisure advertising campaign to inspire customers to explore new cultures and local experiences when they travel. It comes after research by Mintel shows that consumers won't sacrifice their main holidays despite the economic downturn, and our own research that shows customers want holidays that capture the imagination through original experiences.

Our customers can now check-in for their British Airways’ flight using mobile phones with wireless connectivity. The service is quick, free and available in 11 languages. Customers can access the BA timetable in real time, select seats and check-in individuals, groups and families.

Capacity

We continue to review capacity plans across the network. We plan to reduce capacity by around 1 per cent in the 2009 summer schedule without compromising the network.

As part of the planned 2009 summer schedule we have suspended four services. These are the Heathrow services to Dhaka and Kolkata and the Gatwick shorthaul services to Dublin and Zurich.

Competitive cost base

We remain committed to maintaining a competitive cost base and continue to review all areas of the business.

We have invested in our future. Terminal 5 will deliver increased efficiencies to the business. Most transitional costs, including additional manpower resource, have been accounted for as we begin to move towards mid and long term benefits.

As part of our continuing restructuring process around a third of the 1,350 eligible managers chose to take voluntary severance. This was in line with our expectations and most will leave the company by December 31, 2008.

We are conducting a major review to simplify the business, reduce costs and remain competitive. This includes the cancellation and deferral of significant projects and the closure of our Glasgow cabin crew base.

The company’s continuing programme to achieve greater efficiency from its property is making good progress. We completed our move out of the Compass Centre at Heathrow Airport during the summer. All Heathrow based cabin and flight crew now report for duty at Terminal 5.

Corporate responsibility

Britain’s Olympic and Paralympic teams flew home from Beijing to a heroes’ welcome with British Airways. We flew the athletes and support teams home on a dedicated Boeing 747 with a specially painted gold nose and winglets following their exceptional performances at the Beijing games.

We have invited 30 fuel supply companies to take part in a combined British Airways and Rolls-Royce in-depth study into the viability of alternative fuels. We have already had a good response from suppliers who will offer alternative fuel samples for testing on a Rolls-Royce RB211 engine from a British Airways Boeing 747. The tender process closes in mid-November.

Principal risks and uncertainties

During the period the Group has continued to maintain and operate its structure and processes to identify, assess and manage risks. In addition to the principal risks and uncertainties affecting the Group, detailed on pages 36 and 37 of the March 31, 2008 Annual Report and Accounts, recent turmoil in the financial markets has increased the risks inherent in the Group's pension position and its exposures to counterparties in its financial dealings.

Related parties

Related party disclosures are given in Note 19 to the condensed consolidated financial information.

Trading Outlook

The industry continues to face very difficult trading conditions on the back of a weak economic environment. Yield improvements, due mainly to price and exchange, are expected to more than offset volume reductions. Overall we now expect revenue to grow by at least 4 per cent, an increase on our previous guidance of a 3 per cent increase. Including the impact of restructuring costs and exchange, our non-fuel costs are now targeted to rise 5 per cent (3 per cent last guidance). The fuel bill for the year is still expected to be some £3 billion as exchange and hedging have offset lower fuel prices. Our fuel hedge position remains largely unchanged from our last guidance and therefore we are well placed to benefit from falling fuel prices going into next year.

We have taken a number of actions to reduce capital expenditure and focus on cost control. Along with the management restructuring we have reviewed projects both underway and planned and have revised our capital expenditure forecast to £550 million (previously £650 million) for the year.

We remain focused on delivering a small operating profit in the current financial year and sustainable profitability in the medium and long term.

ends

November 7, 2008

Note to Editors:

There will be a webcast of the analyst slide presentation at 9am (GMT) and the analyst conference call 2pm (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 expenditure 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 2007-08, 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 2008-2009 (unaudited)

OPERATING AND FINANCIAL STATISTICS (Note 1)

		Six months ended September 30		Better/
		2008	*2007* Restated (Note 3)	(Worse)
Revenue	£m	**4,754**	*4,470*	6.4 %
Operating profit	£m	**140**	*567*	(75.3)%
Profit before tax	£m	**52**	*616*	(91.6)%
(Loss)/Profit after tax	£m	**(42)**	*500*	nm
Loss from discontinued operations (after tax)	£m	**-**	*(2)*	nm
Basic earnings/(loss) per share on continuing operations	p	**(4.3)**	*43.0*	nm

	Six months ended September 30		Better/
	2008	*2007* Restated	(Worse)
TOTAL GROUP OPERATIONS			
TRAFFIC AND CAPACITY			
RPK (m)	**57,237**	*59,336*	(3.5)%
ASK (m)	**76,726**	*75,705*	1.3 %
Passenger load factor (%)	**74.6**	*78.4*	(3.8)pts
CTK (m)	**2,437**	*2,389*	2.0 %
RTK (m)	**8,136**	*8,361*	(2.7)%
ATK (m)	**11,513**	*11,610*	(0.8)%
Overall load factor (%)	**70.7**	*72.1*	(1.4)pts
Passengers carried (000)	**17,158**	*17,854*	(3.9)%
Tonnes of cargo carried (000)	**404**	*392*	3.1 %
FINANCIAL			
Operating margin (%)	**2.9**	*12.7*	(9.8)pts
Passenger revenue per RPK (p)	**7.27**	*6.58*	10.5 %
Passenger revenue per ASK (p)	**5.42**	*5.16*	5.0 %
Cargo revenue per CTK (p)	**14.90**	*12.14*	22.7 %
Total traffic revenue per RTK (p)	**55.58**	*50.17*	10.8 %
Total traffic revenue per ATK (p)	**39.28**	*36.13*	8.7 %
Total expenditure on operations per RTK (p)	**56.71**	*46.68*	(21.5)%
Total expenditure on operations per ATK (p)	**40.08**	*33.62*	(19.2)%
Average fuel price before hedging (US cents/US gallon)	**375.42**	*216.96*	(73.0)%
TOTAL AIRLINE OPERATIONS (Note 2)			
OPERATIONS			
Average Manpower Equivalent (MPE)	**42,330**	*42,024*	(0.7)%
ATKs per MPE (000)	**272.0**	*276.3*	(1.6)%
Aircraft in service at period end	**250**	*245*	5

nm: Not meaningful

Note 1: 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: Restatement due to the adoption of IFRIC 13 and 14.

CONSOLIDATED INCOME STATEMENT (unaudited)

£ million	Six months ended September 30 **2008**	*2007* Restated	Better/ (Worse)
Traffic revenue			
Passenger	**4,159**	*3,905*	6.5 %
Cargo	**363**	*290*	25.2 %
	4,522	*4,195*	7.8 %
Other revenue	**232**	*275*	(15.6)%
REVENUE	**4,754**	*4,470*	6.4 %
Employee costs	**1,161**	*1,069*	(8.6)%
Depreciation, amortisation and impairment	**347**	*351*	1.1 %
Aircraft operating lease costs	**36**	*33*	(9.1)%
Fuel and oil costs	**1,494**	*983*	(52.0)%
Engineering and other aircraft costs	**244**	*222*	(9.9)%
Landing fees and en-route charges	**305**	*269*	(13.4)%
Handling charges, catering and other operating costs	**510**	*492*	(3.7)%
Selling costs	**188**	*186*	(1.1)%
Currency differences	**28**	*(2)*	nm
Accommodation, ground equipment and IT costs	**301**	*300*	(0.3)%
TOTAL EXPENDITURE ON OPERATIONS	**4,614**	*3,903*	(18.2)%
OPERATING PROFIT	**140**	*567*	(75.3)%
Fuel derivative (losses)/gains	**(31)**	*15*	nm
Finance costs	**(91)**	*(81)*	(12.3)%
Finance income	**58**	*56*	3.6 %
Net financing (expense)/income relating to pensions	**(13)**	*38*	nm
Retranslation (charges)/credits on currency borrowings	**(12)**	*1*	nm
Profit on sale of property, plant and equipment and investments	**2**	*13*	(84.6)%
Share of post-tax profits in associates accounted for using the equity method	**2**	*5*	(60.0)%
(Charge)/income relating to financial assets	**(3)**	*2*	nm
PROFIT BEFORE TAX	**52**	*616*	(91.6)%
Tax	**(94)**	*(114)*	17.5 %
(LOSS)/PROFIT AFTER TAX FROM CONTINUING OPERATIONS	**(42)**	*502*	nm
Loss from discontinued operations (after tax)	**-**	*(2)*	nm
(LOSS)/PROFIT AFTER TAX	**(42)**	*500*	nm
Attributable to:			
Equity holders of the parent	**(49)**	*493*	nm
Minority interest	**7**	*7*	-
	(42)	*500*	nm
EARNINGS/(LOSS) PER SHARE			
Continuing operations:			
Basic	**(4.3)p**	*43.0p*	nm
Diluted	**(4.3)p**	*42.6p*	nm
Discontinued operations:			
Basic	**0.0p**	*(0.1)p*	nm
Diluted	**0.0p**	*(0.1)p*	nm
Total:			
Basic	**(4.3)p**	*42.9p*	nm
Diluted	**(4.3)p**	*42.5p*	nm

nm: Not meaningful

CONSOLIDATED BALANCE SHEET (unaudited)

£ million	**September 30 2008**	*March 31 2008 Restated*
NON-CURRENT ASSETS		
Property, plant and equipment		
Fleet	**5,988**	*5,976*
Property	**964**	*977*
Equipment	**291**	*310*
	7,243	*7,263*
Goodwill	**44**	*40*
Landing rights	**198**	*159*
Software	**21**	*22*
	263	*221*
Investments in associates	**203**	*227*
Available-for-sale financial assets	**75**	*80*
Employee benefit assets	**315**	*320*
Derivative financial instruments	**129**	*80*
Prepayments and accrued income	**28**	*19*
TOTAL NON-CURRENT ASSETS	**8,256**	*8,210*
CURRENT ASSETS AND RECEIVABLES		
Inventories	**115**	*112*
Trade receivables	**616**	*586*
Other current assets	**272**	*308*
Derivative financial instruments	**273**	*278*
Other current interest-bearing deposits	**1,094**	*1,181*
Cash and cash equivalents	**739**	*683*
	1,833	*1,864*
TOTAL CURRENT ASSETS AND RECEIVABLES	**3,109**	*3,148*
TOTAL ASSETS	**11,365**	*11,358*
SHAREHOLDERS' EQUITY		
Issued share capital	**288**	*288*
Share premium	**937**	*937*
Investment in own shares	**(9)**	*(10)*
Other reserves	**1,596**	*1,847*
TOTAL SHAREHOLDERS' EQUITY	**2,812**	*3,062*
MINORITY INTEREST	**200**	*200*
TOTAL EQUITY	**3,012**	*3,262*
NON-CURRENT LIABILITIES		
Interest-bearing long-term borrowings	**2,708**	*2,751*
Employee benefit obligations	**247**	*330*
Provisions for deferred tax	**1,094**	*1,075*
Other provisions	**223**	*210*
Derivative financial instruments	**70**	*33*
Other long-term liabilities	**165**	*168*
TOTAL NON-CURRENT LIABILITIES	**4,507**	*4,567*
CURRENT LIABILITIES		
Current portion of long-term borrowings	**568**	*423*
Trade and other payables	**2,853**	*2,875*
Derivative financial instruments	**172**	*57*
Current tax payable	**22**	*4*
Short-term provisions	**231**	*170*
TOTAL CURRENT LIABILITIES	**3,846**	*3,529*
TOTAL EQUITY AND LIABILITIES	**11,365**	*11,358*

CONSOLIDATED CASH FLOW STATEMENT (unaudited)

£ million	Six months ended September 30 2008	2007 Restated	Better/ (Worse)
CASH FLOWS FROM OPERATING ACTIVITIES			
Group operating profit	**140**	*567*	(427)
Depreciation, amortisation and impairment	**347**	*351*	(4)
Movement in inventories, trade and other receivables	**(105)**	*(25)*	(80)
Movement in trade and other payables and provisions	**(50)**	*(260)*	210
Payment to DOJ in settlement of competition investigation	**-**	*(149)*	149
Cash payment to NAPS pension scheme	**-**	*(560)*	560
Other non-cash movement	**1**	*3*	(2)
Cash generated from operations	**333**	*(73)*	406
Interest paid	**(84)**	*(91)*	7
Taxation	**(4)**	*(51)*	47
NET CASH FLOW FROM OPERATING ACTIVITIES	**245**	*(215)*	460
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	**(217)**	*(280)*	63
Purchase of intangible assets	**(15)**	*(17)*	2
Proceeds from sale of property, plant and equipment	**-**	*10*	(10)
Insurance recoveries for write-off of Boeing 777 aircraft	**13**	-	13
Purchase of subsidiary (net of cash acquired)	**(33)**	-	(33)
Proceeds from sale of other investments	**3**	-	3
Interest received	**67**	*60*	7
Dividends received	**16**	*2*	14
Decrease in interest-bearing deposits	**87**	*148*	(61)
NET CASH USED IN INVESTING ACTIVITIES	**(79)**	*(77)*	(2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from long-term borrowings	**91**	*79*	12
Repayments of borrowings	**(86)**	*(23)*	(63)
Payment of finance lease liabilities	**(134)**	*(206)*	72
Dividends paid	**(58)**	-	(58)
Exercise of share options	**-**	*2*	(2)
Distributions made to holders of perpetual securities	**(7)**	*(7)*	-
NET CASH USED IN FINANCING ACTIVITIES	**(194)**	*(155)*	(39)
Net decrease in cash and cash equivalents	**(28)**	*(447)*	419
Net foreign exchange differences	**84**	-	84
Cash and cash equivalents at 1 April	**683**	*713*	(30)
CASH AND CASH EQUIVALENTS AT PERIOD END	**739**	*266*	473
INTEREST-BEARING DEPOSITS MATURING AFTER MORE THAN 3 MONTHS	**1,094**	*1,490*	(396)
CASH, CASH EQUIVALENTS AND SHORT-TERM DEPOSITS	**1,833**	*1,756*	77

STATEMENT OF CHANGES IN EQUITY (unaudited)

For the period ended September 30, 2008

£ million	Issued capital	Share premium	Invest-ment in own shares	Other reserves	**Total share-holders' equity**	Minority 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 Restated	288	937	(10)	1,847	3,062	200	3,262
Loss for the period				(49)	(49)	7	(42)
Exchange differences and other movements				4	4		4
Net movement on cash flow hedges				(131)	(131)		(131)
Exercise of share options			1		1		1
Cost of share based payment				1	1		1
Share of other movements in reserves of associates				(14)	(14)		(14)
Net loss on available-for-sale financial assets				(2)	(2)		(2)
Available-for-sale financial assets - gains recycled to the income statement				(4)	(4)		(4)
Total income and expense for the period			1	(195)	(194)	7	(187)
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

For the period ended September 30, 2007 Restated

£ million	*Issued capital*	*Share premium*	*Invest-ment in own shares*	*Other reserves*	*Total share-holders' equity*	*Minority interest*	*Total equity*
At April 1, 2007	*288*	*933*	*(10)*	*1,000*	*2,211*	*200*	*2,411*
Opening Balance Adjustments:							
Adoption of IFRIC 13				*(202)*	*(202)*		*(202)*
Adoption of IFRIC 14				*199*	*199*		*199*
At April 1, 2007 Restated	*288*	*933*	*(10)*	*997*	*2,208*	*200*	*2,408*
Profit for the period				*493*	*493*	*7*	*500*
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)*
Net losses on available-for-sale financial assets				*(1)*	*(1)*		*(1)*
Total income and expense for the period				*536*	*536*	*7*	*543*
Exercise of share options			*1*	*(1)*			
Issue of shares		*2*			*2*		*2*
Distributions made to holders of perpetual securities						*(7)*	*(7)*
At September 30, 2007	*288*	*935*	*(9)*	*1,532*	*2,746*	*200*	*2,946*

NOTES TO THE ACCOUNTS
For the period ended September 30, 2008

1. CORPORATE INFORMATION

The Group's interim condensed consolidated financial statements for the six months ended September 30, 2008 were authorised for issue by the Board of Directors on November 6, 2008. 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, 2008 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'.

Changes in composition of the Group
In July 2008, the Group acquired the entire issued share capital of the French business class airline L'Avion, see note 21.

* 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, 2008, as described in those annual financial statements, except as discussed below.

The Group adopted IFRIC 13, 'Customer Loyalty Programmes', on April 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 recognises credits that it awards to customers as a separately identifiable component of revenue, which would be deferred at the date of the initial sale.

The results for the year ended March 31, 2008 have been restated accordingly. The net impact on the income statement for the six months ended September 30, 2007 is a £3 million increase to profit after tax. The net impact on the balance sheet as at March 31, 2008 is a £206 million decrease to shareholders equity, and a £206 million increase to total liabilities.

The Group adopted IFRIC 14, 'Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction', on April 1, 2008. IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. The results for the year ended March 31, 2008 have been restated accordingly. The net impact on the income statement for the six months ended September 30, 2007 is a £12 million increase to profit after tax. The net impact on the balance sheet as at March 31, 2008 is a £235 million increase to total assets and a £235 million increase to shareholders equity.

IFRIC 12, 'Service Concession Arrangements', issued by the International Financial Reporting Interpretations Committee, is effective for annual periods beginning on or after January 1, 2008,and has been adopted by the Group with no significant impact on its consolidated results or financial position.

See the Annual Report and Accounts for the year ended March 31, 2008 for disclosure of new standards, amendments and interpretations not yet effective.

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.

NOTES TO THE ACCOUNTS continued
For the period ended September 30, 2008

5. SEGMENT INFORMATION
a. Business segments

For the period ended September 30, 2008

£ million	Continuing operations Airline business	Non-airline business	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**
Income tax expense			(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	316	1		**317**
Intangible assets - additions	21			**21**
Purchase of subsidiary (net of cash acquired)	33			**33**
Depreciation, amortisation and impairment	346	1		**347**
Exceptional items (note 6)	40			**40**

* Sales to external customers within the 'Non-airline business' segment include certain elements of other revenue related to the airline business segment.

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

5. SEGMENT INFORMATION continued
a. Business segments continued

For the period ended September 30, 2007
Restated

£ million	Continuing operations: Airline business	Non-airline business	Unallocated	Total	Discontinued operations*	**Total**
Revenue						
Sales to external customers **	*4,372*	*98*		*4,470*		*4,470*
Inter-segment sales	*17*			*17*		*17*
Segment revenue	*4,389*	*98*		*4,487*		*4,487*
Segment result	*560*	*7*		*567*		*567*
Other non-operating income	*17*			*17*		*17*
Profit before tax and finance costs	*577*	*7*		*584*		*584*
Net finance costs	*94*	*1*	*(81)*	*14*		*14*
Profit/(loss) on sale of assets	*13*			*13*	*(2)*	*11*
Share of associates' profit	*5*			*5*		*5*
Income tax expense			*(114)*	*(114)*		*(114)*
Profit/(loss) after tax	*689*	*8*	*(195)*	*502*	*(2)*	*500*
Assets and liabilities						
Segment assets	*10,772*	*123*		*10,895*		*10,895*
Investment in associates	*130*			*130*		*130*
Total assets	*10,902*	*123*		*11,025*		*11,025*
Segment liabilities	*3,599*	*336*		*3,935*		*3,935*
Unallocated liabilities ***			*4,144*	*4,144*		*4,144*
Total liabilities	*3,599*	*336*	*4,144*	*8,079*		*8,079*
Other segment information						
Property, plant and equipment - additions	*276*			*276*		*276*
Intangible assets - additions	*24*			*24*		*24*
Depreciation, amortisation and impairment	*350*	*1*		*351*		*351*

* As disclosed in note 22, BA Connect, which previously comprised the majority of the 'Regional airline business' segment, was disposed of in March 2007.

** Sales to external customers within the 'Non-airline business' segment include certain elements of other revenue related to the airline business segment.

*** Unallocated liabilities primarily include deferred taxes of £954 million; and borrowings of £3,169 million, which are managed on a Group basis.

NOTES TO THE ACCOUNTS continued
For the period ended September 30, 2008

5. SEGMENT INFORMATION continued
b. Geographical segments – by area of original sale

£ million	Six months ended September 30 2008	*2007 Restated*
Europe:	**2,954**	*2,740*
United Kingdom	**2,205**	*2,110*
Continental Europe	**749**	*630*
The Americas	**912**	*934*
Africa, Middle East and Indian sub-continent	**471**	*433*
Far East and Australasia	**417**	*363*
Revenue	**4,754**	*4,470*

6. OPERATING PROFIT

The exceptional item included in operating profit is a severance charge of £40 million (2007: nil), see note 17.

7. FINANCE COSTS / INCOME

£ million	Six months ended September 30 2008	*2007 Restated*
Finance costs		
Interest payable on bank and other loans and finance charges payable under finance leases and hire purchase contracts	**79**	*85*
Unwinding of discounting on provisions*	**14**	*2*
Interest capitalised	**(2)**	*(6)*
Total finance costs	**91**	*81*
Finance income		
Bank interest receivable	**58**	*56*
Total finance income	**58**	*56*
Financing expense and (income) relating to pensions	**13**	*(38)*
Total financing expense and (income) relating to pensions	**13**	*(38)*
Retranslation charges/(credits) on currency borrowings	**12**	*(1)*

* Current year unwinding of discount on the competition investigation provision, restoration and handback provisions and deferred income contracts.

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

£ million	Six months ended September 30 2008	*2007*
Net profit on the disposal of property, plant and equipment	-	*13*
Net profit on the disposal of investments	2	-
	2	13

9. TAX

The tax charge for the six months ended September 30, 2008 was £94 million. The current tax charge for the period was £22 million and deferred tax was £72 million. The deferred tax charge includes a one-off charge of £79 million arising from the abolition of industrial buildings allowances, which was substantively enacted in July 2008. Excluding the cost of the industrial buildings allowances abolition, the tax rate for the period would have been 29 per cent.

10. EARNINGS PER SHARE

Basic earnings per share for the period ended September 30, 2008 are calculated on a weighted average of 1,151,122,000 ordinary shares (September 30, 2007: 1,150,012,000; March 31, 2008: 1,150,537,000) 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, 2008 are calculated on a weighted average of 1,156,090,000 ordinary shares (September 30, 2007: 1,160,048,000; March 31, 2008: 1,158,630,000).

The number of shares in issue at September 30, 2008 was 1,153,628,000 (September 30, 2007: 1,152,593,000; March 31, 2008: 1,153,105,000) ordinary shares of 25 pence each.

11. DIVIDENDS

The net dividends of £56 million comprises the following:

In July 2008, the Group paid a dividend of 5 pence per share for the year ended March 31, 2008, a distribution of £58 million. The dividend was accounted for as a reduction in shareholders' equity in the period ended September 30, 2008. The Directors recommend that no dividend be paid for the period ended September 30, 2008.

The Group reversed £2 million of previously declared dividends, relating to prior period dividends that are no longer expected to be collected.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended September 30, 2008, the Group acquired assets with a cost of £317 million (September 30, 2007: £276 million). Included in the acquisition of assets is £122 million relating to the conversion of ten A319 aircraft from operating leases to finance leases.

Assets with a net book value of £2 million were disposed of by the Group during the six months ended September 30, 2008 (September 30, 2007: £11 million) resulting in a net gain on disposal of £nil (September 30, 2007: £13 million).

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

	Six months ended September 30	
£ million	**2008**	*2007*
Decrease in cash and cash equivalents during the period	**(28)**	*(447)*
Net cash outflow from decrease in debt and lease financing	**220**	*229*
Decrease in interest-bearing deposits	**(87)**	*(148)*
New loans and finance leases taken out and hire purchase arrangements made	**(91)**	*(79)*
Decrease/(increase) in net debt resulting from cash flows	**14**	*(445)*
Exchange movements and other non cash movements	**(147)**	*23*
Increase in net debt during the period	**(133)**	*(422)*
Net debt at April 1	**(1,310)**	*(991)*
Net debt at September 30	**(1,443)**	*(1,413)*

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

14. LONG-TERM BORROWINGS

£ million	**September 30 2008**	*March 31 2008*
a Non-current		
Loans, finance leases and hire purchase arrangements:		
Bank loans	**747**	*764*
Finance leases	**1,609**	*1,376*
Hire purchase arrangements	**352**	*611*
	2,708	*2,751*
b Current		
Loans, finance leases and hire purchase arrangements:		
Bank loans	**55**	*113*
Finance leases	**78**	*64*
Hire purchase arrangements	**435**	*246*
	568	*423*

15. SHARE OPTIONS

During the period, the Group awarded a new performance share plan for its senior executives, under which 2,464,789 options over shares were awarded. No payment is due upon exercise of the options. The fair value of equity-settled share options granted is estimated as at the date of grant using the Monte-Carlo model, taking into account the terms and conditions upon which the options were granted. The following are the inputs to the model for the options granted during the period:

Expected volatility 35%
Expected life 3 years
Weighted average share price £2.56

16. 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 update on an IAS 19 basis as at September 30, 2008, which showed a net increase in the employee benefit obligations of £201 million. This resulted in no change to the amounts recorded in the Group’s financial statements, due to the application of the corridor. Under the corridor, the accumulated effect of changes in actuarial estimates that are less than 10 per cent of the higher of pension benefit obligations and pension plan assets at the beginning of the year are not recorded.

17. PROVISIONS FOR LIABILITIES AND CHARGES

Severance
The Company recognised a severance provision of £40 million at September 30, 2008 relating to the management voluntary severance scheme and the closure of the regional crew base at Glasgow, both announced in September 2008. This provision is expected to be paid during the remainder of the current financial year.

Litigation
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. CONTINGENT LIABILITIES

There were contingent liabilities at September 30, 2008 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, 2008 amounted to £178 million (March 31, 2008: £173 million).

19. RELATED PARTIES

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

£ million	Six months ended September 30 2008	Six months ended September 30 2007
Associates:		
Sales to associates	**23**	*25*
Purchases from associates	**30**	*26*

£ million	September 30 2008	*March 31 2008*
Amounts owed by associates	**4**	*3*

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, 2008 the net trading balance owed by Iberia to the Group amounted to £3.8 million (March 31, 2008: £3.1 million owed by Iberia).

Other associates
The remaining net trading balances are due to transactions between the Group and Dunwoody Airline Services (Holdings) Ltd.

Directors' and officers' loans and transactions
No loans or credit transactions were outstanding with directors or officers of the Company at September 30, 2008 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 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, 2008 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (March 31, 2008: £nil).

20. CAPITAL COMMITMENTS

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £3,759 million (March 31, 2008: £3,306 million).

The outstanding commitments include £3,730 million for the acquisition of six Boeing 777 aircraft (scheduled for delivery from 2009 to 2012), 15 Airbus A320 family (from 2008 to 2012), 12 Airbus A380 aircraft (from 2012 to 2014), two Airbus A318 aircraft (for 2009) and 24 Boeing 787 aircraft (from 2012 to 2016).

21. BUSINESS COMBINATIONS

Acquisition of L'Avion

In July 2008, the Group acquired the entire issued share capital of the French airline L'Avion, for a cash consideration of €68 million (£54 million). Additional contingent consideration of up to €10 million (£8 million) is payable subject to the future price of oil. L'Avion was a privately owned business class airline that operated two Boeing 757 aircraft between Paris (Orly) and New York (Newark) airports.

Details of the provisional fair value of the net assets acquired and goodwill arising on the acquisition of L'Avion are as follows:

Purchase consideration:

£ million	
Cash consideration	54
Transaction costs directly related to the acquisition	1
Contingent consideration	8
Total purchase consideration	63
Provisional fair value of net assets acquired	59
Goodwill arising on acquisition	4

The goodwill is attributable to the workforce of the acquired business and synergies expected to arise after the Group's acquisition of L'Avion.

The assets and liabilities arising from the acquisition are as follows:

£ million	Carrying Amount	Provisional Fair Value
Property, plant and equipment	6	6
Landing rights	-	35
Prepayments and accrued income	3	3
Other current assets	4	4
Cash and cash equivalents	22	22
Other long-term liabilities	-	-
Trade and other payables	(11)	(11)
Net assets acquired	24	59

Net cash flow in respect of the acquisition comprises:

£ million	
Cash consideration	54
Transaction costs directly associated with the acquisition	1
Cash and cash equivalents in subsidiary acquired	(22)
Cash outflow on acquisition included in cash flow statement	33

Contribution to Group results

The acquired airline contributed revenues of £6 million and a net loss of £2 million to the Group for the period from the date of acquisition to September 30, 2008. Had the acquisition occurred on April 1, 2008, Group revenues would have been £4,774 million and loss after tax would have been £47 million. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the airline to reflect the additional amortisation that would have been charged assuming the fair value adjustment to intangible assets had been applied from April 1, 2008, together with the consequential tax effects.

22. DISCONTINUED OPERATIONS

The £2 million loss from discontinued operations for the six months ended September 30, 2007 is attributed to the resolution of certain uncertainties that arose from the terms of the disposal transaction of the regional operation of the Group's subsidiary airline BA Connect, primarily purchase price adjustments and adjustments to the restructuring provision previously reported within discontinued operations.

23. 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.

Management anticipates that the talks with Iberia will take several months to conclude.

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 involves applying for anti-trust immunity from the United States Department of Transportation and the European Commission.

24. OTHER INFORMATION

The figures for the six months ended September 30, 2008 and 2007 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, 2008 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, 2008.

By order of the Board

Willie Walsh
Chief Executive

Keith Williams
Chief Financial Officer

November 6, 2008

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, 2008 which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and the related notes 1 to 24. 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, 2008 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 6, 2008

AIRCRAFT FLEET

Number in service at September 30, 2008

	On Balance Sheet fixed assets	Off Balance Sheet operating leases	Total September 2008	Total March 2008	Changes Since March 2008	Future deliveries (note 8)	Options (note 9)
AIRLINE OPERATIONS (note 1)							
Boeing 747-400	57		57	57			
Boeing 777-200	39	3	42	42		4	
Boeing 777-300						6	4
Boeing 787						24	28
Boeing 767-300	21		21	21			
Boeing 757-200 (note 2)	13	2	15	13	2		
Airbus A318 (note 3)						2	
Airbus A319	31	2	33	33			
Airbus A320 (note 4)	14	15	29	25	4	15	31
Airbus A321	11		11	11			
Airbus A380						12	7
Boeing 737-300		5	5	5			
Boeing 737-400	19		19	19			
Boeing 737-500 (note 5)		6	6	9	(3)		
Avro RJ85		2	2		2		
Avro RJ100 (note 6)		10	10	10			
Hired aircraft							
GROUP TOTAL (note 7)	205	45	250	245	5	63	70

Notes:

1. Includes those operated by British Airways Plc, BA CityFlyer and OpenSkies.
2. Includes two Boeing 757 operating leased aircraft as part of the acquisition of L’Avion by OpenSkies.
3. Two future Airbus A318 deliveries reserved for the new London City to New York service to be launched during 2009.
4. Certain future Airbus deliveries and options include reserved delivery positions, and may be taken as any A320 family aircraft.
5. Excludes three Boeing 737-500 aircraft stood down pending return to lessors.
6. Excludes six Avro RJ100 aircraft sub-leased to Swiss.
7. Excludes two Jetstream 41s sub-leased to Eastern Airways.
8. Future year deliveries have increased by six Boeing 777-300ER aircraft.
9. Future year options have increased by four Boeing 777-300ER aircraft.