BRITISH AIRWAYS SIX MONTH RESULTS (unaudited)

1 January 2020 – 30 June 2020

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the six month period ended 30 June 2020.

The results for the six month period were significantly impacted by the outbreak of COVID-19, which has had a devastating impact on the global airline and travel sectors, particularly from late February 2020 onwards, with only a skeleton flying programme operated for the second quarter.

COVID-19 situation and management actions

- Most aircraft have been grounded from late March, aircraft retained were for operating cargo only flights and limited passenger repatriation.
- From April, capacity, measured by ASKs, has reduced by 95 per cent compared to the same period in 2019.
- Going into the crisis, BA had a strong balance sheet. Cash and deposits at 30 June 2020 was £2.1 billion. Committed and undrawn general and aircraft facilities at 30 June 2020 were £1.4 billion.
- Over £1 billion of cash has been raised through management actions to boost liquidity, including accessing the UK's CCFF with £300 million allocated, extending the Revolving Credit Facility and a syndicated mortgage loan of $750 million secured on aircraft- see note 15 for details.
- Despite very limited flying, British Airways continues to incur significant operating costs, resulting in a negative operating cash flow of £927 million compared to a positive operating cash inflow of £1,527 million in the similar period last year. Capital expenditure in the first six months has been reduced from initial plans through management actions to £583 million.
- British Airways does not expect passenger demand to recover to 2019 levels before 2023, hence the Group is restructuring its cost-base to adapt to being a smaller airline. British Airways formally notified trade unions about a proposed restructuring and redundancy programme which is subject to ongoing consultation. As of July circa 1,600 colleagues had taken the personal decision to leave on a voluntary basis.
- In July 2020, British Airways' pilots' union, BALPA, announced a consultative ballot in relation to the proposed restructuring and redundancy agreement reached between the union and the airline. BALPA has recommended to its members that they approve the proposals. The ballot closes on 30 July 2020.
- British Airways continues to engage in collective consultation with Unite and GMB, the Trade Unions representing non-pilot colleagues. In parallel, BA is consulting individually with colleagues on their preferences. The company wishes to engage in meaningful discussions about the proposals and explore collectively options to mitigate the potential job losses.

Period results summary

- Total revenue of £2,773 million (before exceptional items of £34 million) (2019: £6,424 million[1]) down 56.8 per cent from last year.
- Operating loss (before exceptional items) of £966 million (2019: profit of £761 million).
- Loss before tax of £2,299 million (2019: profit before tax of £817 million)
- Exceptional charge of £722 million on derecognition of fuel and foreign exchange hedges.
- Exceptional charge of £434 million from impairment of fleet and inventory due to early retirement of certain fleet.
- Non fuel unit costs per ASK adverse 64.2 per cent compared to last year.
- Non-operating items adverse by £213 million to a loss of £157 million (2019: net credit of £56 million) primarily due to adverse share of losses in associates. British Airways equity accounts for the 13.55 per cent investment in Iberia.
- Cash and interest-bearing deposits down £470 million from £2,588 million at 31 December 2019.

Performance summary

For the six months ended 30 June

Financial data £ million	2020	*2019* [1]	Better/(Worse)
Passenger revenue	**2,235**	*5,763*	(61.2)%
Total revenue	**2,773**	*6,424*	(56.8)%
Total expenditure on operations[2]	**(3,739)**	*(5,663)*	34.0%
Operating (loss)/profit before exceptional items	**(966)**	*761*	nm
Exceptional items	**(1,176)**	-	nm
Non-operating items	**(157)**	*56*	nm
(Loss)/profit before tax	**(2,299)**	*817*	nm

nm = not meaningful

Operating figures	2020	*2019*	Better/(Worse)
Available seat kilometres (ASK[3]) (m)	**41,655**	*92,170*	(54.8)%
Revenue passenger kilometres (RPK[3]) (m)	**29,784**	*75,643*	(60.6)%
Cargo tonne kilometres (CTK[3]) (m)	**1,371**	*2,146*	(36.1)%
Passenger load factor[3] (%)	**71.5%**	*82.1%*	(10.6)%
Passengers carried (000)	**8,728**	*23,114*	(62.2)%
Passenger revenue per ASK (p)[1]	**5.37**	*6.25*	(14.1)%
Passenger revenue per RPK (p)[1]	**7.50**	*7.62*	(1.6)%
Non-fuel costs per ASK (p)[1]	**7.24**	*4.41*	(64.2)%

[1] The 2019 results include a reclassification of costs that the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit. The amount reclassified for the six months to 30 June 2019 was £22 million. Further information is given in note 1.

[2] Total operating expenditure before exceptional items excluding fuel, oil costs and emission charges was £3,017 million (2019: £4,067 million).

[3] Defined in the Annual Report and Accounts for the year ended 31 December 2019 and should be read in conjunction with this document.

Management review and outlook
British Airways has made a loss before tax of £2,299 million for the first six months of the year (2019: profit of £817 million). The operating result up to the end of February was in line with the similar period last year. However, from March, performance was severely affected by worldwide government travel restrictions following the rapid spread of COVID-19, which significantly affected demand.

In light of the severe effects of the COVID-19 pandemic on the aviation industry, British Airways has had to act decisively to weather the storm and ensure it can compete in the future. To improve and maintain liquidity the airline has taken on new debt as detailed in note 15, a significant proportion of which must be repaid or renewed in the short term (less than 12 months). Further opportunities to improve the cash position have been implemented including management pay cuts, pilots unpaid leave, agreeing with HMRC to defer certain tax payments and robust financial controls to ensure only business critical spend is made.

In response to the long-term impact and outlook of the COVID-19 pandemic on global aviation, British Airways is redesigning the destination network and fleet composition. With leisure demand expected to recover faster than corporate travel, capacity is being deployed on those routes expected to generate the best return. The airline is retiring older, less fuel efficient aircraft including early retirement of the B747 fleet in 2020. The early retirement of older aircraft, including the B747 fleet has resulted in a non-cash exceptional impairment charge of £416 million in the period. British Airways has taken delivery of new generation aircraft in 2020, including two B787-10s that were ordered before the pandemic. These new aircraft will help with meeting the Flightpath Net Zero carbon reduction commitment. As part of the initiatives to maintain liquidity, the Group has worked with suppliers to defer aircraft deliveries.

In April 2020, British Airways formally notified trade unions about a proposed restructuring and redundancy programme, subject to consultation. Every option to save as many jobs as possible is being explored. In line with UK law, the Group is required to file Section 188 notices that set out redundancy proposals and inform unions jobs are at risk, providing all the information to make the consultation meaningful. Section 188 notices are not "notice of dismissals" rather they outline items to be consulted on. In accordance with UK law, the Group will continue making the necessary administrative filings that disclose all possible outcomes of the proposals which include worst-case scenarios.

The airline is preparing for return to service, depending on the easing of lockdowns and travel restrictions around the world. Operating procedures are being adapted to ensure customers and employees are properly protected in this new environment. The Government's decision in early June to introduce 14-days quarantine for visitors arriving into the UK, significantly hindered British Airways' restart plans. British Airways mounted a legal challenge in partnership with other airlines to force a policy change. On 3 July the UK Government announced that people arriving in England from more than 50 countries will no longer need to quarantine from 10 July. The expected lag in the return of corporate travel demand, flare up of second waves and new outbreaks of the COVID-19 virus in key markets like the United States and Europe, will affect the recovery of the aviation industry. The reintroduction of quarantines and travel advisories will affect the Group's financial recovery.

Financial Review
Consolidated income statement

£ million	Before exceptional items 2020	Exceptional items	Total 2020	*2019* [2]	Better/(Worse)
Passenger revenue	2,235	(34)	2,201	*5,763*	(61.2)%
Cargo revenue	394		394	*355*	11.0%
Other revenue	144		144	*306*	(52.9)%
Total revenue	**2,773**	**(34)**	**2,739**	*6,424*	(56.8)%
Employee costs	970		970	*1,293*	25.0%
Depreciation, amortisation and impairment	585	416	1,001	*544*	(7.5)%
Fuel, oil costs and emission charges	722	688	1,410	*1,596*	54.8%
Engineering and other aircraft costs	266	18	284	*363*	26.7%
Landing fees and en route charges	257		257	*459*	44.0%
Handling, catering and other operating costs	533		533	*894*	40.4%
Selling costs	101		101	*278*	63.7%
Currency differences	52		52	*13*	nm
Property, IT and other costs	253	20	273	*223*	(13.5)%
Total expenditure on operations[1]	**3,739**	**1,142**	**4,881**	*5,663*	**34.0%**
Operating (loss)/profit	**(966)**	**(1,176)**	**(2,142)**	*761*	**nm**
Non-operating items	(157)		(157)	*56*	nm
(Loss)/profit before tax	(1,123)	(1,176)	(2,299)	*817*	nm
Tax	136	220	356	*(145)*	nm
(Loss)/profit after tax	**(987)**	**(956)**	**(1,943)**	*672*	nm

[1] Total operating expenditure before exceptional items excluding fuel, oil costs and emission charges was £3,017 million (2019: £4,067 million).

[2] The 2019 results include a reclassification of costs that the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit. The amount reclassified for the six months to 30 June 2019 was £22 million. Further information is given in note 1.

Total revenue
Overall capacity, measured by ASKs, was down by 54.8 per cent in the first six months of the year and the number of passengers carried decreased by 62.2 per cent to just below 9 million. The significant fall in demand was experienced across all regions due to the rapid spread of COVID-19. The spread of the virus worldwide, has resulted in ongoing lockdowns, travel restrictions and advisories, particularly from late February 2020 onwards. Capacity reductions were first seen in the Asia Pacific region in January and February, with extensive reductions from late February, as the pandemic spread to Italy, the rest of Europe and then to many countries across the globe. This translated to total revenue for the first six months of the year of £2,773 million (2019: £6,424 million). Cargo carried, measured in cargo tonne kilometres (CTKs), fell by 36.1 per cent, due to the significant reduction in passenger schedules. The Group has adapted the Cargo business to ensure that cargo only flights have a positive cash contribution. Cargo revenue increased by 11.0 per cent to £394 million.

Expenditure on operations
The COVID-19 pandemic has resulted in a severe reduction in the Group's operations leading to an overall reduction in operating expenses in the six month period to 30 June. Total operating costs excluding exceptional items have decreased 34.0 per cent to £3,739 million (2019: £5,663 million) in the first six months of the year. Fuel costs (excluding the exceptional charge for overhedging) decreased by £874 million, or 54.8 per cent, to £722 million reflecting the reduced capacity due to the effects of the COVID-19 pandemic on operations, and a reduction in fuel prices across the globe. During the six month period to 30 June 2020 British Airways took delivery of two A350, two A320 neo, two A321 neo and two B787-10 aircraft. These are next generation aircraft which benefit from improved fuel performance and reduced emissions. The Group is retiring the entire Boeing 747 fleet in 2020.

Group expenditure before exceptional items excluding fuel decreased by 25.8 per cent to £3,017 million (2019: £4,067 million). Employee costs decreased 25.0 per cent compared to last year, largely because of management actions in response to COVID-19 which included pay cuts, a freeze on management pay awards and a recruitment freeze. The Group has recorded a credit of £122 million relating to amounts received from the UK Government under the COVID Job Retention Scheme (CJRS) from the start of April to 30 June 2020. British Airways continues to take part in the CJRS.

Depreciation costs increased by 7.5 per cent to £585 million following a re-assessment of fleet residual values and useful economic lives in response to the COVID-19 pandemic and expected industry recovery timeframes. Depreciation continues to be charged on grounded aircraft, in line with the requirements of International Financial Reporting Standards (IFRS).

Exceptional items
Exceptional items are detailed in note 3. Exceptional items have been recognised in respect of the impact of overhedging relating to the COVID-19 related capacity reductions, being the aggregate of fuel and foreign currency overhedging in fuel costs (a loss of £688 million), and passenger revenue (a loss of £34 million). At 30 June 2020, £395 million has been paid in cash in respect of these items. In addition there is an exceptional impairment expense of £416 million related to fleet and other assets, together with an associated inventory impairment expense of £18 million. An exceptional expense of £20 million has been recorded in respect of a provision in relation to the theft of customer data at British Airways in 2018.

There were no exceptional items in the first six months of 2019.

Non-operating items
The Group's net non-operating losses for the six month period were £157 million in 2020, compared with a credit of £56 million in 2019. Non-operating items in 2020 include net gains of £47 million (2019: £62 million) relating to revaluation of foreign currency denominated debts and related derivatives and a loss of £89 million (2019: profit of £59 million) relating to the share of post-tax results in associates.

Tax
The tax credit for the period (2019: charge) was £136 million before exceptional items (2019: £145 million). After removing non-taxable items the effective rate for the period was 16.0 per cent (2019: 19.1 per cent).

Loss after tax
The loss after tax and exceptional items for the period was £1,943 million (2019: profit after tax £672 million), driven by the impact of COVID-19 on operating profit and the exceptional items relating to the fuel and foreign currency overhedged position and the impairment of non-current assets and inventory.

Capital expenditure
Total capital expenditure in the period amounted to £583 million (2019: £493 million) which included £530 million (2019: £411 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications and refurbishments) and £53 million (2019: £82 million) on property, equipment and software. In response to the COVID-19 pandemic, the Group is reducing capital expenditure, but has ringfenced amounts related to mandatory engineering work and essential cyber defence. Fleet related spend relates to orders that were made before the COVID-19 pandemic.

Liquidity
The Group's liquidity position is £2.1 billion of cash and cash equivalents and other interest bearing deposits (31 December 2019: £2.6 billion). Net debt stood at £5.7 billion at 30 June 2020 (31 December 2019: £3.7 billion including IFRS 16 lease liabilities).

Principal risks and uncertainties
The Group has continued to maintain and operate its structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting BA, detailed on pages 10 to 14 of the 2019 Annual Report and Accounts, remain relevant and included the risk of pandemic within "Event causing significant network disruption".

As the pandemic outbreak has persisted, some of the principal risks have evolved in impact and likelihood. As a result, additional mitigating actions have been identified and implemented to respond and to minimise the effect on British Airways and protect its business and people. These actions have been discussed with the Board through regular updates. From the risks identified in the 2019 Annual Report and Accounts, the main risks impacted by the COVID-19 pandemic are highlighted below, with business responses implemented by management and reflected in the latest business plan. No new principal risks were identified through the risk management assessment discussions.

- Airports, infrastructure and critical third parties: Restrictions at hubs and airports have required capacity adjustments, including fleet adjustments and new operating procedures to recommence flying. The Group has pro-actively worked with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary.
- Competition, consolidation and government regulation: The scale of governmental support and aviation specific state-aid measures have varied in different countries and the potential impact to the competitive landscape is under continuous assessment.
- Data and cyber security: British Airways has maintained its planned investment in cyber security, and taken steps to mitigate IT and other risks as a result of remote working.
- People, culture and employee relations: Additional safety procedures have been introduced to protect employees and customers, in line with industry recommendations. Where possible, employees worked from home and in line with the UK government's recommendation. Employee consultations are being undertaken as required and appropriate in relation to restructuring necessitated by COVID-19.
- Political and economic environment: National governments are imposing a range of travel and quarantine restrictions, which will continue to impact the airline's operations. These are being actively monitored and near-term capacity plans are refreshed dynamically, according to the latest status. The economic impact of COVID-19 is expected to be significant and if longer in duration, the Group will adjust its future capacity plans accordingly, retaining flexibility to adapt as required.
- Debt funding and financial risk: Financial markets have not operated normally since the spread of COVID-19, although British Airways has been able to renew and extend credit facilities and agree new aircraft leases, in advance of an improvement in market conditions and the anticipated availability of regular aircraft financing arrangements. The Group has an established process to monitor financial risk on an ongoing basis.

The Board has been appraised of regulatory, competitor and governmental responses on an ongoing basis. British Airways also continues to evaluate and monitor the arrangements over Brexit as the UK prepares to end the transition period with the European Union on 31 December 2020.

Directors' responsibility statement

The Directors confirm that, to the best of each person's knowledge:

- The condensed consolidated interim financial statements in this report, which have been prepared in accordance with IAS 34 as adopted by the European Union, IFRIC interpretation and those parts of the Companies Act 2006 applicable to companies reporting under IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- The management report contained in this report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

By order of the Board

Alex Cruz
Chairman and Chief Executive Officer
30 July 2020

Rebecca Napier
Chief Financial Officer
30 July 2020

Ends

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Forward-looking statements:

Certain statements included in this announcement are forward-looking. These statements can be identified by the fact that they do not relate only to historical or current facts. By their nature, they involve risk and uncertainties because they relate to events and depend on circumstances that will occur in the future. Actual results could differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements often use words such as “expects”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages” or “anticipates” or other words of similar meaning. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the ‘Group’), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and divestments relating to the Group and discussions of the Group’s business plan. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, the effects of the COVID-19 pandemic and uncertainties about its impact and duration, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group’s risk management process is set out in the Risk management and principal risk factors section in the Annual Report and Accounts 2019; these documents are available on www.iairgroup.com. All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section. Many of these risks are, and will be, exacerbated by the COVID-19 pandemic and any further disruption to the global airline industry and economic environment as a result.

IAG Investor Relations – Waterside (HAA2), PO Box 365, Harmondsworth, Middlesex, UB7 0GB
Tel: +44 (0)208 564 2900
Investor.relations@iairgroup.com

BRITISH AIRWAYS PLC

Unaudited Condensed Consolidated Interim Financial Statements
1 January 2020 – 30 June 2020

Consolidated income statement (unaudited)

£ million	Note	Before exceptional items 2020	Exceptional items	Total 2020	*Total 2019*[1]
		For the six months ended 30 June			
Passenger revenue		**2,235**	**(34)**	**2,201**	*5,763*
Cargo revenue		**394**		**394**	*355*
Traffic revenue		**2,629**		**2,595**	*6,118*
Other revenue		**144**		**144**	*306*
Total revenue		**2,773**	**(34)**	**2,739**	*6,424*
Employee costs		**970**		**970**	*1,293*
Depreciation, amortisation and impairment		**585**	**416**	**1,001**	*544*
Fuel, oil costs and emission charges		**722**	**688**	**1,410**	*1,596*
Engineering and other aircraft costs		**266**	**18**	**284**	*363*
Landing fees and en route charges		**257**		**257**	*459*
Handling, catering and other operating costs		**533**		**533**	*894*
Selling costs		**101**		**101**	*278*
Currency differences		**52**		**52**	*13*
Property, IT and other costs		**253**	**20**	**273**	*223*
Total expenditure on operations		**3,739**	**1,142**	**4,881**	*5,663*
Operating (loss) / profit		**(966)**	**(1,176)**	**(2,142)**	*761*
Finance costs	6	**(135)**		**(135)**	*(103)*
Finance income	6	**12**		**12**	*18*
Share of post-tax (losses)/profits in associates accounted for using the equity method	12	**(89)**		**(89)**	*59*
Net financing credit relating to pensions		**2**		**2**	*11*
Net currency retranslation credits		**47**		**47**	*62*
Other non operating credits		**6**		**6**	*9*
Total net non-operating items		**(157)**		**(157)**	*56*
(Loss) / profit before tax		**(1,123)**	**(1,176)**	**(2,299)**	*817*
Tax	7	**136**	**220**	**356**	*(145)*
(Loss) / profit after tax		**(987)**	**(956)**	**(1,943)**	*672*

[1] The 2019 results include a reclassification of costs that the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense before exceptional iems. There is no change in operating profit. The amount reclassified for the six months to 30 June 2019 was £22 million. Further information is given in note 1.

Consolidated statement of other comprehensive income (unaudited)

£ million	Note	For the six months ended 30 June 2020	2019
(Loss)/profit after tax for the period		**(1,943)**	*672*
Other comprehensive income:			
Items that will not be reclassified to net (loss)/profit			
Remeasurement of post-employment benefit obligations		**(865)**	*(59)*
Fair value movements on cash flow hedges that will subsequently be transferred to the balance sheet		**153**	*24*
Equity investments - fair value movements in equity		**(9)**	*(4)*
		(721)	*(39)*
Items that may be reclassified to net (loss)/profit			
Currency translation differences		**16**	*(4)*
Fair value movements on cash flow hedges		**(1,289)**	*308*
Fair value of cash flow hedges reclassified to net (loss)/profit		**668**	*40*
Other movements in comprehensive income of associates	12	**(27)**	*19*
		(632)	*363*
Total other comprehensive (loss)/income		**(1,353)**	*324*
Total comprehensive (loss)/income for the period, net of tax		**(3,296)**	*996*

Items in the consolidated Statement of other comprehensive income above are disclosed net of tax. The 2019 Statement of other comprehensive income includes a reclassification to conform to the current period presentation of items disclosed net of tax as opposed to the tax shown separately. There is no change in total comprehensive income.

Consolidated balance sheet (unaudited)

£ million	Note	30 June 2020	*31 December 2019[1]*
Non-current assets			
Property, plant and equipment:	9	**10,089**	*10,488*
Intangibles	9	**1,088**	*1,094*
Investments in associates	12	**1,731**	*1,838*
Equity investments	13	**40**	*49*
Employee benefit assets	16	**299**	*266*
Derivative financial instruments	13	**318**	*59*
Other non-current assets	13	**310**	*191*
Total non-current assets		**13,875**	*13,985*
Current assets and receivables			
Inventories		**95**	*156*
Trade receivables	13	**447**	*1,202*
Other current assets	13	**611**	*683*
Derivative financial instruments	13	**249**	*91*
Other current interest-bearing deposits		**830**	*1,330*
Cash and cash equivalents		**1,288**	*1,258*
Total current assets and receivables		**3,520**	*4,720*
Total assets		**17,395**	*18,705*
Shareholders' equity			
Issued share capital		**290**	*290*
Share premium		**1,512**	*1,512*
Other reserves		**696**	*4,005*
Total shareholders' equity		**2,498**	*5,807*
Total equity		**2,498**	*5,807*
Non-current liabilities			
Interest-bearing long-term borrowings	15	**5,999**	*5,378*
Employee benefit obligations	16	**1,105**	*338*
Deferred tax liabilities		**-**	*184*
Provisions	17	**389**	*423*
Derivative financial instruments	13	**340**	*156*
Other non-current liabilities	13	**49**	*29*
Total non-current liabilities		**7,882**	*6,508*
Current liabilities			
Current portion of long-term borrowings	15	**927**	*932*
Current portion of short-term borrowings	15	**904**	*-*
Trade and other payables	13	**1,599**	*2,104*
Deferred revenue on ticket sales		**2,505**	*2,934*
Derivative financial instruments	13	**862**	*105*
Current tax payable		**22**	*142*
Provisions	17	**196**	*173*
Total current liabilities		**7,015**	*6,390*
Total equity and liabilities		**17,395**	*18,705*

[1] The 2019 Balance sheet includes a reclassification in the presentation of assets and liabilities for employee benefits and deferred tax – refer to note 1 for further information.

Consolidated cash flow statement (unaudited)

For the six months ended 30 June		Group	
£ million	Note	**2020**	*2019*
Cash flow from operating activities			
Operating (loss)/profit from continuing operations after exceptional items		**(2,142)**	*761*
Exceptional items		**1,176**	*-*
Operating (loss)/profit before exceptional items from continuing operations		**(966)**	*761*
Depreciation, amortisation and impairment		**585**	*544*
Employer contributions to defined benefit pension schemes net of service cost		**(157)**	*(318)*
Movement in working capital		**120**	*713*
Decrease/(increase) in trade and other receivables, prepayments, inventories and current assets		*1,016*	*(395)*
(Decrease)/increase in trade and other payables, deferred revenue on ticket sales and current liabilities		*(896)*	*1,108*
Provisions and other non-cash movements		**55**	*12*
Payments related to restructuring		**(18)**	*(32)*
Realised loss on derecognition of fuel and foreign exchange hedges		**(395)**	*-*
Interest paid		**(111)**	*(71)*
Interest received		**11**	*15*
Tax paid		**(51)**	*(97)*
Net cash (used in)/generated from operating activities		**(927)**	*1,527*
Cash flow from investing activities			
Purchase of property, plant and equipment and intangible assets		**(583)**	*(493)*
Sale of property, plant and equipment and intangible assets		**126**	*375*
Loan repaid by parent company		**5**	*4*
Other investing movements		**2**	*2*
Decrease/(increase) in other current interest-bearing deposits		**500**	*(715)*
Net cash generated/(used in) investing activities		**50**	*(827)*
Cash flow from financing activities			
Proceeds from long-term borrowings		**441**	*-*
Proceeds from short-term borrowings		**904**	*-*
Repayments of borrowings		**(21)**	*(24)*
Repayment of asset financed liabilities		**(13)**	*-*
Repayment of lease liabilities		**(409)**	*(350)*
Dividends paid	8	**-**	*(260)*
Net cash flow generated/(used in) financing activities		**902**	*(634)*
Increase in cash and cash equivalents		**25**	*66*
Net foreign exchange differences		**6**	*1*
Cash and cash equivalents at 1 January		**1,257**	*1,327*
Cash and cash equivalents as at 30 June		**1,288**	*1,394*
Interest-bearing deposits maturing after more than three months		**830**	*1,890*
Cash, cash equivalents and other interest-bearing deposits at 30 June		**2,118**	*3,284*

Consolidated statement of changes in equity (unaudited)

For the six months ended 30 June 2020				**Group**
£ million	Issued share capital	Share premium	Other reserves[1]	**Total equity**
Balance at 1 January 2020	290	1,512	4,005	**5,807**
Loss for the period	-	-	(1,943)	**(1,943)**
Other comprehensive loss for the period	-	-	(1,353)	**(1,353)**
Total comprehensive loss for the period	-	-	(3,296)	**(3,296)**
Cash flow hedges transferred to the balance sheet, net of tax	-	-	(13)	**(13)**
As at 30 June 2020	**290**	**1,512**	**696**	**2,498**

For the six months ended 30 June 2019				*Group*
£ million	*Issued share capital*	*Share premium*	*Other reserves*[1]	*Total equity*
Balance at 1 January 2019	*290*	*1,512*	*3,741*	*5,543*
Profit for the period	-	-	*672*	*672*
Other comprehensive income for the period	-	-	*324*	*324*
Total comprehensive income for the period	-	-	*996*	*996*
Dividends	-	-	*(260)*	*(260)*
As at 30 June 2019	*290*	*1,512*	*4,477*	*6,279*

[1]The retained earnings for the Group at 30 June 2020 were £1,530 million (2019: £4,478 million).

Notes to the accounts (unaudited)
For the six months ended 30 June 2020

1 Corporate information and basis of preparation

British Airways Plc (hereinafter 'British Airways', 'BA' or the 'Group') is a public limited company incorporated and domiciled in England.

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 and authorised for issue by the Board of Directors on 30 July 2020. The condensed consolidated interim financial statements herein are not the Company's statutory accounts and are unaudited.

The same basis of preparation and accounting policies set out in the BA Annual Report and Accounts for the year ended 31 December 2019 have been applied in the preparation of these condensed consolidated interim financial statements. BA's Annual Report and Accounts 2019 have been filed with the Registrar of Companies in England and Wales, and are in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and with those of the Standing Interpretations issued by the IFRS Interpretations Committee of the International Accounting Standards Board (IASB). The report of the auditors on those financial statements was unqualified.

The prior year consolidated Income statement and Balance sheet include reclassifications that was made to conform to the current period presentation as follows:

- In September 2019, the IFRS Interpretations Committee ('IFRIC') clarified that under IFRS 15 compensation payments for flight delays and cancellations form compensation for passenger losses and accordingly should be recognised as variable compensation and deducted from revenue. This clarification had led the Group to change its accounting policy during the fourth quarter of 2019, which previously classified this compensation as an operating expense. Accordingly, the Group has reclassified the comparative six months to 30 June 2019 to reflect £22 million of compensation costs as a deduction from Passenger revenue and a corresponding reduction within Handling, catering and other operating costs; and
- Deferred tax assets arising on the restriction of surpluses to reflect minimum funding requirements of the British Airways APS and NAPS defined benefit schemes, as detailed in note 16, previously recognised within Employee benefit assets in the Balance sheet at 31 December 2019, have been reclassified to be presented net within Deferred tax liabilities at both 31 December 2019 and 1 January 2019 to conform to the current period presentation. At 31 December 2019, the reclassification had the effect of reducing Deferred tax liabilities by £239 million, reducing the Employee benefit assets by £177 million and increasing the Employee benefit obligations by £62 million. At 1 January 2019, the reclassification had the effect of reducing Deferred tax liabilities by £335 million, increasing Deferred tax assets by £118 million, reducing the Employee benefit assets by £329 million and increasing the Employee benefit obligations by £124 million. There is no impact to the Profit after tax, total Other comprehensive income, Net assets or the Statement of changes in equity in any period presented.

Going concern

As detailed in the Financial Review; at 30 June 2020, the Group had cash of £2.1 billion. As disclosed in note 15, the Group has access to a further liquidity. The Group also has a large and valuable portfolio of airport landing rights. Nevertheless, given the economic uncertainty of the COVID-19 pandemic, the Group has modelled a number of scenarios since February 2020 to assess the impact on the Group's financial strength. These scenarios have continued to be refined as the impact of COVID-19 has developed. The latest scenario has been used in the Group's assessment of going concern over the period to 31 December 2021, referred to below as the Base Case.

The Base Case takes into account the anticipated impact and recovery from the COVID-19 pandemic across the going concern period. The key inputs and assumptions included in the Base Case include:

- capacity recovery modelled regionally, with capacity (measured versus 2019) gradually increasing from the reduction of 95 per cent realised in Q2 to 35 per cent lower for Q4 2020 and down 54 per cent on average for 2020.
- passenger unit revenue per ASK, while recovering is expected to remain at levels below those of 2019 over the going concern period, which is dependent on, amongst others, the weighting of short haul versus long haul flying, business versus leisure and premium versus economy revenue; and
- the Group has forecast securing 80 per cent of the financing required that is currently uncommitted to align with the timing and payments for aircraft deliveries. This is a conservative assumption against the level of financing British Airways has been able to achieve recently, including over the existing course of the COVID-19 pandemic.

The Base Case assumes that there is a gradual re-opening of economies and easing of travel restrictions throughout the remainder of 2020. In reviewing the Base Case the Directors have also considered further sensitivities for adverse experience and external factors.

The Group has modelled the impact of mitigating actions to offset further deteriorations in demand and capacity, including reductions in operating expenditure and capital expenditure. The Group expects to be able to continue to secure financing for future aircraft deliveries and in addition has further potential mitigating actions it would pursue in the event of adverse liquidity experience.

Having reviewed the Base Case and additional sensitivities, the Directors have a reasonable expectation that British Airways has sufficient liquidity to continue in operational existence for the foreseeable future and hence continue to adopt the going concern basis in preparing the interim financial statements.

Due to the uncertainty created by COVID-19 and potential for future waves of the pandemic and the impact of travel restrictions on demand, the Group is not able to provide certainty that there could not be more severe scenarios than those it has considered, including the stresses it has considered in relation to factors such as the impact of yield, capacity operated, cost mitigations achieved and fuel price variations. Whilst such a scenario is not considered likely, in the event that such a scenario were to occur the Group may need to secure additional funding over and above that which is contractually committed at 30 July 2020. Sources of additional funding are expected to include regular financing arrangements for aircraft and an extension of the CCFF commercial paper until March 2022.

However, if such funding were not secured against aircraft or the UK government withdrew its CCFF programme, the occurrence of a more severe downside scenario and the Group's ability to obtain additional funding represents a material uncertainty at 30 July 2020 that could cast significant doubt upon the Group's ability to continue as a going concern.

The financial statements do not include the adjustments that would result if the Group were unable to continue as a going concern.

2 Accounting policies

New standards, interpretations and amendments adopted by the Group

The following amendments and interpretations apply for the first time in the six months to 30 June 2020, but do not have an impact on the condensed consolidated interim financial statements of the Group:

- Amendments to references to conceptual framework in IFRS standards;
- Definition of a business (amendments to IFRS 3 'Business combinations');
- Definition of material (amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'); and
- amendments to IFRS 9 'Financial instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures', which conclude on phase one of the IASB's work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

New and changes in accounting policies

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. Those loans provided and/or guaranteed by governments that represent below market rates of interest are measured at inception at their fair value and recognised within Borrowings, with the differential to the proceeds received recorded within Deferred income and released to the relevant financial statement caption in the Income statement on a systematic basis. Grants that compensate the Group for expenses incurred are recognised in the Income statement in the relevant financial statement caption on a systematic basis in the periods in which the expenses are recognised.

Critical accounting estimates, assumptions and judgements

Judgement and estimates in the determination of the impact of COVID-19 on the interim financial statements

The Group has applied judgement in evaluating the impact of COVID-19 on the estimation uncertainty of determining cash flow forecasts as part of approved business plans. These cash flow forecasts underpin the following areas of these interim financial statements:

- The going concern basis of preparation (refer to note 1);
- Hedged forecast transactions, predominantly of fuel and foreign currency, are no longer expected to occur and accordingly the associated hedges de-recognised (refer to note 3 and note 20);
- The long-term fleet plans for each operating company and accordingly number of aircraft permanently stood down and impaired at the balance sheet date (refer to note 3 and note 9);
- The value-in-use calculations used in the cash generating unit (CGU) impairment assessment (refer to note 11); and
- The recoverability of deferred tax assets (refer to note 7).

Notes to the accounts (unaudited) (continued)
For the six months ended 30 June 2020

3 Exceptional items

Exceptional items are those that in management's view need to be disclosed by virtue of their size or incidence. The following items are deemed to be exceptional:

For the six months ended 30 June

£ million	Group 2020	*2019*
Loss on derecognition of foreign currency passenger revenue hedges[1]	**(34)**	-
Recongnised in traffic revenue	**(34)**	-
Loss on derecognition of fuel and foreign exchange hedges[2]	**688**	-
Impairment of fleet and associated assets[3]	**434**	-
Litigation expense[4]	**20**	-
Recognised in expenditure on operations	**1,142**	-
Total exceptional charge before tax	**1,176**	-
Tax on exceptional items	**(220)**	-
Total exceptional charge after tax	**956**	-

[1]The Group employs a strategy of hedging foreign currency risk on non-GBP denominated revenue receipts. Following the decline in aviation travel as a result of the COVID-19 pandemic, the Group has derecognised hedge accounting on derivatives that were designated in these foreign exchange risk hedge relationships. This has resulted in an exceptional loss of £34 million in the passenger revenue line of the Income statement. The associated tax credit is £6 million.

[2]The exceptional expense of £688 million in Fuel, oil costs and emission charges (represented by an expense of £749 million relating to fuel derivatives and a credit of £61 million relating to the associated fuel foreign currency derivatives) relates to the derecognition of hedges on forecast fuel consumption. The expense has arisen from the exceptional deterioration in demand for air travel caused by the COVID-19 outbreak, which has caused a significant level of hedged fuel purchases in US dollars to no longer be expected to occur based on the Group's operating forecasts prevailing at the balance sheet date. The Group's risk management strategy has been to build up these hedges gradually over a three year period when the level of forecast fuel consumption was higher than current expectations. Accordingly, the hedges for these transactions have been derecognised and the losses recognised within the Income statement. The related tax credit was £128 million. Further details on the Group's financial risk management strategy are given in note 20 'Financial risk management'.

[3]The total impairment charge of £434 million is presented as a charge of £416 million in Depreciation, amortisation and impairment and £18m in Engineering and other aircraft costs. The amounts in Depreciation, amortisation and impairment relate to impairment of fleet and rotable inventory spares relating to the entire B747 fleet, spare engines and four Embraer E170 aircraft. The amounts in Engineering and other aircraft costs relate to expendable engineering inventories. Subsequent to these impairments, all assets are held at their recoverable amounts. The impairment expense has arisen from the exceptional deterioration in current and forecast demand for air travel caused by the COVID-19 outbreak, which has led the Group to reassess the medium and long-term capacity and utilisation of the fleet. The related tax credit was £82 million.

[4]The exceptional charge of £20 million represents management's best estimate of the amount of any penalty issued by the Information Commissioner's Office (ICO) in the United Kingdom, relating to the theft of customer data at British Airways in 2018. The process is ongoing and no final penalty notice has been issued. The exceptional charge has been recorded within Property, IT and other costs in the Income statement, with a corresponding amount recorded in Provisions. There is no tax impact on the recognition of this charge.

4 Seasonality

The results for the Group were significantly affected by the outbreak of COVID-19, which has had a significant impact on the global airline and travel sectors, with the spread of the virus worldwide, resulting in lockdowns and travel restrictions, particularly from late February 2020 onwards. This has had a significant effect on the seasonality of the Group's business.

5 Segment information

a Business segments

The Group's network passenger and cargo operations are managed as a single business unit. The Management Committee makes resource allocation decisions based on route profitability, which consider aircraft type and route economics, based primarily by reference to passenger economics with limited reference to cargo demand. The objective in making resource allocation decisions is to optimise the consolidated financial results. While the operations of certain subsidiaries are considered to be separate operating businesses, their activities are considered to be sufficiently similar in nature to aggregate all segments. The primary financial information reviewed by the Management Committee is based on the consolidated results of the Group. Based on the way the Group manages its operating business, and the manner in which resource allocation decisions are made, the Group has only one reportable segment for financial reporting purposes, being the consolidated results of the Group's airline operations.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2020

5 Segment information (continued)

b Geographical analysis - by area of original sale

For the six months ended 30 June		*Group*
£ million	**2020**	*2019*
UK	**1,353**	*3,183*
USA	**500**	*1,348*
Rest of the world	**920**	*1,893*
Revenue (excluding exceptional items)	**2,773**	*6,424*

The total of non-current assets excluding equity investments, employee benefit assets, other non-current assets and derivative financial instruments located in the UK is £12,657 million (30 June 2019: £12,166 million), USA is £150 million (30 June 2019: £230 million) and the total of these non-current assets located in other countries is £102 million (30 June 2019: £241 million).

6 Finance costs and income

For the six months ended 30 June		
£ million	**2020**	*2019*
Finance costs		
Interest payable on bank and other loans, asset financed liabilities and lease liabilities	**(132)**	(110)
Unwinding of discounts on provisions	**(1)**	(1)
Other finance costs	**(8)**	-
Capitalised interest on progress payments	**6**	*8*
Total finance costs	**(135)**	*(103)*
Finance income		
Interest on interest-bearing deposits	**12**	*18*
Total finance income	**12**	*18*
Net credit relating to pensions		
Net financing credit relating to pensions	**2**	11
Other non-operating credits		
Profit on sale of property, plant and equipment and investments	**3**	*2*
Net credit relating to equity investments	**3**	*2*
Realised gains on derivatives not qualifying for hedge accounting	**-**	*3*
Unrealised gains on derivatives not qualifying for hedge accounting	**-**	*2*
Total other non-operating credits	**6**	**9**

7 Tax

The total tax credit through the Income statement for the six month period ended 30 June 2020 was £356 million (2019: £145 million charge) on a loss before tax of £2,299 million (2019: profit before tax of £817 million). After removing non-taxable items, the effective rate for the period was 16.0 per cent (2019: 19.1 per cent) being lower (2019: higher) than the tax credit at the standard UK corporation tax rate of 19.0 per cent (2019: 19.0 per cent).

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2020

8 Dividends

For the six months ended 30 June £ million	**2020**	*2019*
A1 Ordinary shares: £nil per share (2019: £227.28)	-	*204*
A2 Ordinary shares: £nil per share (2019: £227.28)	-	*22*
C Ordinary shares: £nil per share (2019: £227.28)	-	*34*
	-	*260*

The Directors propose that no dividend be paid for the six months to 30 June 2020.

9 Property, plant, equipment and intangibles

£ million	Property, plant and equipment	Right of use assets	**Total property, plant and equipment**	**Intangible assets**
Net book value at 1 January 2020	4,955	5,533	**10,488**	**1,093**
Additions	539	118	**657**	**33**
Modification of leases	-	47	**47**	**-**
Disposals	(128)	(1)	**(129)**	**(12)**
Depreciation, amortisation and impairment	(721)	(253)	**(974)**	**(27)**
Reclassifications	136	(136)	**-**	**-**
Net book value at 30 June 2020	4,781	5,308	**10,089**	**1,088**

£ million	Property, plant and equipment	Right of use assets	**Total property, plant and equipment**	**Intangible assets**
Net book value at 1 January 2019	*4,480*	*5,455*	*9,935*	*1,067*
Additions	*469*	*279*	*748*	*43*
Disposals	*(354)*	-	*(354)*	*(35)*
Depreciation, amortisation and impairment	*(373)*	*(149)*	*(522)*	*(22)*
Reclassifications	*80*	*(80)*	-	-
Net book value at 30 June 2019	*4,302*	*5,505*	*9,807*	*1,053*

At 30 June 2020, bank and other loans of the Group are secured on fleet assets with a net book value of £1,047 million.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2020

10 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £6,203 million (31 December 2019: £7,452 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to changes in foreign exchange rates.

11 Impairment review

Goodwill and intangible assets with indefinite lives are tested for impairment annually (in the fourth quarter) and when circumstances indicate the carrying value may be impaired. The key assumptions used to determine the recoverable amount of the cash generating unit are disclosed in the Annual Report and Accounts for the year ended 31 December 2019. At each other reporting date, the Group considers the existence of indicators of potential impairment. At 30 June 2020, the disruption caused by COVID-19 has led to a decrease in demand for aviation travel and economic uncertainty over the short and medium term. As a result, a full impairment test at 30 June 2020 has been conducted.

The impairment review is carried out at the level of a 'cash-generating unit' (CGU), defined as the smallest identifiable group of assets, liabilities and associated intangible assets that generate cash inflows that are largely independent of the cash flows from other assets or groups of assets. On this basis, an impairment review has been conducted on one (2019: one) CGU. An impairment review was performed on the network airline operations CGU, including passenger and cargo operations out of all operated airports, as well as all related ancillary operations.

An impairment review involves the comparison of the carrying value of the CGU to the recoverable amount. The recoverable of the CGU is measured based on the value-in-use, which at 30 June 2020, utilises a weighted average multi-scenario discounted cash flow model.

Network airline operations

				2020				*2019*
£ million	Emissions allowances	Landing rights	Goodwill	**Total**	*Emissions allowances*	*Landing rights*	*Goodwill*	*Total*
Network airline operations	33	693	40	**766**	36	693	40	*769*

The value-in-use calculations for the CGU at 30 June 2020 reflected the updated projected cash flows for the decreased activity for the remaining six months of 2020 through to the end of 2024, an increase in the pre-tax discount rates to incorporate increased forecasting uncertainty and the decrease in long-term growth rates. Cash flow projections are based on the business plan approved by the Board covering a three-year period. Cash flow projections are then prepared for a five year period for the purposes of impairment review. The long-term growth rate is calculated for the CGU based on the forecasted weighted average exposure in each primary market using gross domestic product (GDP) (source: Oxford Economics).

Pre-tax discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and underlying risks of its primary market. The discount rate calculation is based on the circumstances of the airline industry, the Group and the CGU. It is derived from the weighted average cost of capital (WACC). The WACC takes into consideration both debt and equity available to airlines. The cost of equity is derived from the expected return on investment by investors and the cost of debt is broadly based on the Group's interest-bearing borrowings. CGU specific risk is incorporated by applying individual beta factors which are evaluated annually based on available market data. The pre-tax discount rate reflects the timing of future tax flows.

At 30 June 2020, Management reviewed the recoverable amount of the CGU and concluded the recoverable amount exceeded the carrying value. Reasonable possible changes in key assumptions have been considered, which include reducing operating margin by 2 per cent, ASKs by 5 per cent, long-term growth rates to zero, increasing pre-tax discount rates by 2.5 percentage points, and increasing the fuel price by 40 per cent. For the remaining possible changes in key assumptions applied to the CGU, no impairment arises.

Key assumptions

	2020	*2019*
Pre-tax discount rate (derived from the long-term weighted average cost of capital)	**10.3%**	*8.0%*
Long-term growth rate	**1.6%**	*2.2%*

The operating margins are based on the estimated effects of planned business efficiency and business change programmes, approved and enacted at the balance sheet date. The trading environment is subject to regulatory, competitive and COVID-19 response pressures that can have a material effect on the operating performance of the business.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2020

12 Investment in associates

£ million	Group 2020	Group *2019*
Balance at 1 January	**1,838**	*1,701*
Exchange differences	**9**	*(2)*
Share of attributable results	**(89)**	*59*
Share of movements in comprehensive income of associates	**(27)**	*19*
As at 30 June	**1,731**	*1,777*

13 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 30 June 2020 and 31 December 2019 by nature and classification for measurement purposes is as follows:

At 30 June 2020	Financial assets				
£ million	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Equity investments	-	40	-	-	**40**
Derivative financial instruments[1]	-	-	318	-	**318**
Other non-current assets	97	-	-	213	**310**
Current financial assets					
Trade receivables	447	-	-	-	**447**
Other current assets	226	-	-	385	**611**
Derivative financial instruments[1]	-	-	249	-	**249**
Other current interest-bearing deposits	830	-	-	-	**830**
Cash and cash equivalents	1,288	-	-	-	**1,288**

	Financial liabilities				
£ million	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial liabilities	**Total carrying amount**
Non-current financial liabilities					
Lease liabilities	4,928	-	-	-	**4,928**
Interest-bearing long-term borrowings	1,071	-	-	-	**1,071**
Derivative financial instruments[1]	-	-	340	-	**340**
Other long-term liabilities	-	-	-	49	**49**
Current financial liabilities					
Lease liabilities	829	-	-	-	**829**
Current portion of long-term borrowings	1,002	-	-	-	**1,002**
Trade and other payables	1,475	-	-	124	**1,599**
Derivative financial instruments[1]	-	-	862	-	**862**

[1] For further information regarding derivative financial instruments, refer to note 20 'Financial risk management'.

Notes to the accounts (unaudited) (continued)
For the six months ended 30 June 2020

13 Financial instruments (continued)

a Financial assets and liabilities by category (continued)

At 31 December 2019

£ million	Financial assets: Amortised cost	Financial assets: Fair value through OCI	Financial assets: Fair value through income statement	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Equity investments	-	*49*	-	-	*49*
Derivative financial instruments	-	-	*59*	-	*59*
Other non-current assets	*95*	-	-	*96*	*191*
Current financial assets					
Trade receivables	*1,202*	-	-	-	*1,202*
Other current assets	*201*	-	-	*483*	*683*
Derivative financial instruments	-	-	*91*	-	*91*
Other current interest-bearing deposits	*1,330*	-	-	-	*1,330*
Cash and cash equivalents	*1,258*	-	-	-	*1,258*

£ million	Financial liabilities: Amortised cost	Financial liabilities: Fair value through OCI	Financial liabilities: Fair value through income statement	Non-financial liabilities	**Total carrying amount**
Non-current financial liabilities					
Lease liabilities	*4,778*	-	-	-	*4,778*
Interest-bearing long-term borrowings	*600*	-	-	-	*600*
Derivative financial instruments	-	-	*156*	-	*156*
Other long-term liabilities	*5*	-	-	*24*	*29*
Current financial liabilities					
Lease liabilities	*869*	-	-	-	*869*
Current portion of long-term borrowings	*63*	-	-	-	*63*
Trade and other payables	*2,057*	-	-	*47*	*2,104*
Derivative financial instruments	-	-	*105*	-	*105*

b Fair values of financial assets and financial liabilities

The fair values of the Group's financial instruments are disclosed in hierarchy levels depending on the nature of the inputs used in determining the fair values and using methods and assumptions as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices present actual and regularly occurring market transactions on an arm's length basis;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The fair value of financial instruments that are not traded in an active market is determined by valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates; and

Level 3: Inputs for the asset or liability that are not based on observable market data.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2020

13 Financial instruments (continued)

b Fair values of financial assets and financial liabilities (continued)

The carrying amounts and fair values of the Group's financial assets and liabilities as at 30 June 2020 are set out below:

				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets:					
Equity investments	-	-	40	**40**	**40**
Amounts owed by associated group undertakings	-	115	-	**115**	**107**
Derivative financial assets[1]	-	567	-	**567**	**567**
Financial liabilities:					
Interest-bearing loans and borrowings	-	2,232	-	**2,232**	**2,073**
Derivative financial liabilities[2]	-	1,202	-	**1,202**	**1,202**

[1] Current portion of derivative financial assets is £249 million.

[2] Current portion of derivative financial liabilities is £862 million.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2019 are set out below:

				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets:					
Equity investments	*9*	-	*40*	***49***	***49***
Amounts owed by associated group undertakings	-	*112*	-	***112***	***104***
Derivative financial assets[1]	-	*150*	-	***150***	***150***
Financial liabilities:					
Interest-bearing loans and borrowings	-	*691*	-	***691***	***663***
Derivative financial liabilities[2]	-	*261*	-	***261***	***261***

[1] Current portion of derivative financial assets is £91 million.

[2] Current portion of derivative financial liabilities is £105 million.

The fair value of financial assets and liabilities is included at the amount at which the Group would expect to receive upon selling an asset or pay to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of cash and cash equivalents, other current interest-bearing deposits, trade receivables, other current assets and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments.

There have been no transfers between levels of the fair value hierarchy during the period. Out of the financial instruments listed in the table above, only the interest-bearing loans and borrowings are not measured at fair value on a recurring basis.

c Level 3 financial assets reconciliation

The following table summarises key movements in Level 3 financial assets:

	Group	
£ million	**Six months ended 30 June 2020**	*Year ended 31 December 2019*
Balance at 1 January	**40**	*40*
As at period end	**40**	*40*

14 Share capital

The number of shares in issue at 30 June 2020 was 996,000 ordinary A shares (31 December 2019: 996,000) with a par value of £289.70 each and 1,148,000 ordinary B and C shares with a par value of £1 each (31 December 2019: 1,148,000).

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2020

15 Borrowings

£ million	Group 2020	2019
Current		
Bank and other loans[1]	**960**	*46*
Asset financed liabilities	**42**	*17*
Lease liabilities	**829**	*869*
As at 30 June	**1,831**	*932*
Non-current		
Bank and other loans[1]	**268**	*239*
Asset financed liabilities	**803**	*361*
Lease liabilities	**4,928**	*4,778*
As at 30 June	**5,999**	*5,378*

[1]Bank and other loans are repayable up to 2027. Bank and other loans of the Group amounting to £828 million (31 December 2019: £225 million) are secured on fleet assets with a net book value of £1,047 million (31 December 2019: £275 million). Asset financing liabilities are all secured on aircraft.

On 30 March 2020, the secured US dollar Revolving Credit Facility was extended for one year from 23 June 2020 to 23 June 2021. The amount available under the extended facility was £474 million ($588 million) as at 30 June 2020.

In April 2020 British Airways issued commercial paper to the government of the United Kingdom under the Coronavirus Corporate Finance Facility (CCFF) of which £300 million is repayable in April 2021.

On 19 May 2020, British Airways entered into a syndicated mortgage loan of £606 million ($750 million), secured on specific aircraft. The loan is repayable twelve months from the date of signing.

16 Employee benefits

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS'). Both are closed to new members. NAPS was closed to future accrual from 31 March 2018. Members' deferred pensions will now be increased annually by inflation up to five per cent per annum (measured using CPI). APS has been closed to new members since 1984. Further details on the schemes are provided in note 30 of the BA Group Annual Report and Accounts for the year ended 31 December 2019.

				As at 30 June 2020
£ million	APS	NAPS	Other	**Total**
Scheme assets at fair value	**7,802**	**19,621**	**369**	**27,792**
Present value of scheme liabilities	**(7,392)**	**(20,225)**	**(620)**	**(28,237)**
Net pension asset/(liability)	**410**	**(604)**	**(251)**	**(445)**
Effect of the asset ceiling[1]	**(123)**	**(227)**	**-**	**(350)**
Other employee benefit obligations	**-**	**-**	**(11)**	**(11)**
	287	**(831)**	**(262)**	**(806)**
Represented by:				
Employee benefit assets				**299**
Employee benefit obligations				**(1,105)**
				(806)

[1] APS has an IAS 19 accounting surplus and NAPS has future minimum funding requirements, which would be available to the Company as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee.

				As at 31 December 2019[2]
£ million	*APS*	*NAPS*	*Other*	***Total***
Scheme assets at fair value	*7,475*	*18,982*	*361*	*26,818*
Present value of scheme liabilities	*(7,112)*	*(18,327)*	*(617)*	*(26,056)*
Net pension asset / (liability)	*363*	*655*	*(256)*	*762*
Effect of the asset ceiling[1]	*(108)*	*(717)*	*-*	*(825)*
Other employee benefit obligations	*-*	*-*	*(9)*	*(9)*
	255	*(62)*	*(265)*	*(72)*
Represented by				
Employee benefit assets				*266*
Employee benefit obligations				*(338)*
				(72)

[1] Both APS and NAPS were in an IAS 19 accounting surplus, in addition NAPS has future minimum funding requirements, which would be available to the Company as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee.

[2] Refer to note 1 for information relating to the re-presentation of the Employee benefit obligations at 31 December 2019.

At 30 June 2020, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect market conditions at that date. The key assumptions were as follows:

			At 30 June 2020			*At 31 December 2019*
Per cent per annum	**APS**	**NAPS**	**Other schemes**	*APS*	*NAPS*	*Other schemes*
Discount rate	**1.35%**	**1.55%**	**2.0% - 3.2%**	*1.85%*	*2.05%*	*2.0% - 3.2%*
Rate of increase in pensionable pay	**2.85%**	**n/a**	**2.50%**	*2.90%*	*n/a*	*2.5%*
Rate of increase of pensions in payment	**2.85%**	**2.20%**	**2.0% - 3.5%**	*2.90%*	*2.15%*	*2.0% - 3.5%*
RPI rate of inflation	**2.85%**	**n/a**	**2.5% - 2.8%**	*2.90%*	*n/a*	*2.5% - 2.8%*
CPI rate of inflation	**n/a**	**2.20%**	**2.1% - 3.0%**	*n/a*	*2.15%*	*2.1% - 3.0%*

Further information on the basis of the assumptions is included in note 30 of the BA Group Annual Report and Accounts for the year ended 31 December 2019.

Pension contributions for APS and NAPS were determined by actuarial valuations made as at 31 March 2018, using assumptions and methodologies agreed between the Company and Trustees of each scheme.

17 Provisions for liabilities and charges

£ million	Restoration and handback	Restructuring	Legal claims	Other	Group **Total**
Current	*43*	*62*	*32*	*36*	*173*
Non-current	*402*	*-*	*5*	*16*	*423*
Balance at 1 January 2020	*445*	*62*	*37*	*52*	*596*
Provisions recorded during the period	71	2	20	9	102
Utilised during the period	(2)	(17)	(3)	(9)	(31)
Release of unused amounts	(94)	-	-	(3)	(97)
Exchange differences	15	-	-	-	15
As at 30 June 2020	**435**	**47**	**54**	**49**	**585**
Analysis:					
Current	69	47	49	31	**196**
Non-current	366	-	5	18	**389**
	435	**47**	**54**	**49**	**585**

Included within Restoration and handback provisions are amounts that the Group provides for on leased aircraft for the cost of returning fleet assets to pre-defined contractual conditions. During the six months to 30 June 2020, as part of certain lease modifications, these pre-conditions have been removed and the associated provision released. The provision also includes amounts relating to leased land and buildings where restoration costs are contractually required at the end of the lease. Where such costs arise as a result of capital expenditure on the leased asset, the restoration costs are capitalised. The provisions relate to leases up to 2034.

Restructuring provisions represents the estimated costs of settling employee obligations under the Group's restructuring plans. The costs associated with this programme were incurred from 2016 to 2018 and the payments will be made over the next 12 months.

Legal claims provisions include amounts for multi-party claims from groups or employees on a number of matters related to the Group's operations, including claims for theft of customer data, additional holiday pay and the Cargo claims concluded in 2019 and referred to in note 31 of the 31 December 2019 annual report and accounts.

Other provisions include a provision for the EU Emissions Trading Scheme that represents the excess of BA's CO_2 emitted on a flight within the EU in excess of the EU Emission Allowances granted. The provision also consists of staff leaving indemnities that were set up based on Collective Labour Agreements or local jurisdiction regulations.

18 Contingent liabilities & guarantees

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions which at 30 June 2020 amounted to £12 million (31 December 2019: £11 million).

The Group has guarantees and indemnities entered into as part of the normal course of business, which at 30 June 2020 are not expected to result in material losses for the Group.

19 Government grants

In response to the economic and financial effects of the COVID-19 pandemic, the HM Treasury and Bank of England have put in place the Covid Corporate Financing Facility. The facility is designed to support liquidity among firms, helping bridge coronavirus disruption to cash flows through the purchase of short-term debt in the form of commercial paper. Please refer to note 15.

To mitigate the impact of the COVID-19 pandemic on employment, the UK Government introduced the Coronavirus Job Retention Scheme (JRS). This is a temporary scheme open to employers from 1 March until the end of October 2020. Employers receive a grant from HMRC to cover the lower of 80% of an employee's regular wage, or £2,500 per month. British Airways received £122 million from the JRS in the period to 30 June 2020. This amount is recorded in Employee costs in the Income statement.

20 Financial risk management

The Group is exposed to a variety of financial risks: market risk (including fuel price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The principal impact of these on the condensed consolidated interim financial statements are discussed below:

Fuel price risk
The Group is exposed to fuel price risk. In order to mitigate such risk, under the Group's fuel price risk management strategy a variety of over-the-counter derivative instruments are entered into. The Group strategy is to hedge a proportion of fuel consumption up to three years within the approved hedging profile.

20 Financial risk management (continued)

Fuel price risk (continued)
During the six months to 30 June 2020, following a substantial fall in the global price of crude oil, the fair value of such fuel derivative instruments was £1,072 million net liability at 30 June 2020, representing an adverse movement from 1 January 2020 of £1,019 million. In addition, with the substantial decline in demand for air travel and the grounding of the majority of the fleet during the second quarter of 2020, a significant proportion of the associated hedge relationships were no longer expected to occur and subsequently fuel hedge relationships were de-designated. As a result of this de-designation, £749 million of the losses were reclassified to the Income statement and recognised within Fuel, oil costs and emission costs.

The loss arising from the de-designation of fuel hedge relationships has been recorded as an exceptional item. Refer to note 3 for further details.

The determination of the number of hedge relationships to de-designate is a critical judgemental and is highly dependent on assumptions regarding the duration of the grounding of the majority of the fleet as well as the period over which the recovery of demand will occur.

Foreign currency risk
The Group is exposed to foreign currency risk on revenue, purchases and borrowings that are denominated in a currency other than the functional currency of the Group. The currencies in which these transactions are denominated are primarily US dollar and euro. The Group has a number of strategies to hedge foreign currency risk. The Group strategy is to hedge a proportion of its foreign currency sales and purchases for up to three years, a proportion of the committed US dollar capital expenditure and the translation risk on US dollar denominated debt, within certain defined limits.

At 30 June 2020, the fair value of foreign currency derivatives instruments was £494 million net asset, representing a favourable movement of £522 million, since 1 January 2020. As per the fuel price risk above, a significant proportion of the hedge relationships associated with foreign currency derivatives designated against fuel and revenue were no longer expected to occur and subsequently de-designated. As a result, £61 million of the gains associated with the fuel foreign currency derivatives and £34 million of the losses associated with the revenue foreign currency derivatives were reclassified to the Income statement and recognised within Fuel, oil costs and emission costs and within Passenger revenue, respectively.

Interest rate risk
The Group is exposed to changes in interest rates on debt, lease commitments and on cash deposits. Interest rate risk on floating rate debt is managed through floating to fixed interest rate swaps.

Credit risk
Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has policies and procedures to monitor the risk by assigning limits to each counterparty by underlying exposure and by operating company and by only entering into transactions with counterparties with a very low credit risk.

At each period end, the Group assesses the effect of counterparties' and the Group's own credit risk on the fair value of derivatives and any ineffectiveness arising is immediately recycled from Other comprehensive income to the Income statement with Other non-operating expenses.

21 Post balance sheet events

No significant events have taken place post the balance sheet date that require disclosing in this report.

Notes to the accounts (unaudited) (continued)

For the six months ended 30 June 2020

22 Related party transactions

The Group had transactions in the ordinary course of business during the six months ended 30 June with related parties.

£ million	**2020**	*2019[3]*
Parent[1]:		
Sales to/purchases on behalf of IAG	**3**	*46*
Purchases from IAG	**17**	*24*
Amounts owed by IAG	**141**	*182*
Amounts owed to IAG	**16**	*24*
Subsidiary undertakings of the parent:		
Sales to subsidiary undertakings of the parent	**50**	*88*
Purchases on behalf of subsidiary undertakings of the parent	**105**	*73*
Amounts owed by subsidiary undertakings of the parent	**97**	*303*
Amounts owed to subsidiary undertakings of the parent	**29**	*92*
Associates[2]:		
Sales to associates	**77**	*290*
Purchases from associates	**48**	*207*
Amounts owed by associates	**7**	*157*
Amounts owed to associates	**1,110**	*1,048*

[1] The transactions between the Group and International Consolidated Airlines Group S.A. ('IAG') principally comprise a management fee in respect of services provided by IAG and recharges between the entities in respect of invoices settled on behalf of the other party. Transactions with IAG are carried out on an arm's length basis.

[2] Sales and purchases with associates are on an arms length basis and outstanding balances are unsecured and interest free. Cash settlement is expected within the standard settlement terms.

[3] Comparatives in the above table are 30 June 2019 for income statement items and 31 December 2019 for balance sheet items.

The Group has not benefitted from any guarantees for any related party receivables or payables. During the period ended 30 June 2020 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2019: £nil).

Directors' and Officers' loans and transactions

There were no loans or credit transactions with Directors or Officers of the Group at 30 June 2020 or that arose during the period that need to be disclosed in accordance with the requirements of Sections 412 and 413 of the Companies Act 2006.

Fleet table

Number in service with Group companies at 30 June 2020

	Owned	Asset financed	Right of Use	Off Balance sheet	Total June 2020	Total December 2019	Changes since December 2019 (Note 2)	Future deliveries	Options
AIRLINE OPERATIONS (NOTE 1)									
Airbus A318	1				**1**	*1*			
Airbus A319	13		22		**35**	*39*	**(4)**		
Airbus A320	28	1	50		**79**	*77*	**2**	10	10
Airbus A321	13		15		**28**	*27*	**1**	3	
Airbus A330						*1*	**(1)**		
Airbus A350		6			**6**	*3*	**3**	12	36
Airbus A380	2		10		**12**	*12*			
Boeing 747-400						*32*	**(32)**		
Boeing 777-200	35		8		**43**	*46*	**(3)**		
Boeing 777-300	2		10		**12**	*12*		4	
Boeing 777-900								18	24
Boeing 787-8			12		**12**	*12*			
Boeing 787-9	1		17		**18**	*18*			
Boeing 787-10 (Note 3)						-		10	
SAAB 2000				1	**1**	*1*			
Embraer E170	2				**2**	*6*	**(4)**		
Embraer E190	9		9		**18**	*18*			
TOTAL OPERATIONS	**106**	**7**	**153**	**1**	**267**	**305**	**(38)**	**57**	**70**

Notes:

1. Includes aircraft operated by British Airways Plc and BA Cityflyer Limited.
2. The Group holds an additional 44 aircraft that are not in service, which includes 37 impaired aircraft and four aircraft grounded but not disposed of pre COVID-19
3. Two Boeing 787-10 were delivered but had not yet entered service at 30 June 2020.