BRITISH AIRWAYS SIX MONTH RESULTS

1 January 2022 – 30 June 2022

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the six month period ended 30 June 2022.

Period results summary

- Total revenue of £4,443 million (2021: £924 million) up 381 per cent from last year.
- Operating loss before exceptional items of £376 million (2021: £1,264 million).
- Operating loss after exceptional items of £357 million (2021: £1,158 million).
- Cash and cash equivalents increased by £558 million to £2,245 million (31 December 2021: £1,687 million).
- Borrowings increased by £396 million to £10,146 million (31 December 2021: £9,750 million). Net debt decreased by £162 million to £7,901 million (31 December: £8,063 million).
- The Group's liquidity position increased by £0.5 billion to £5.0 billion (31 December 2021: £4.5 billion).

Performance summary
For the six months ended 30 June

Financial data £ million	2022	*2021*	Higher/(lower)
Passenger revenue	**3,560**	*375*	*nm*
Total revenue	**4,443**	*924*	*nm*
Total expenditure on operations before exceptional items	**4,819**	*2,188*	*nm*
Operating loss before exceptional items	**(376)**	*(1,264)*	*(70.3%)*
Exceptional items	**19**	*106*	*nm*
Operating loss after exceptional items	**(357)**	*(1,158)*	*(69.2%)*
Non-operating items	**(167)**	*(153)*	*nm*
Loss before tax	**(524)**	*(1,311)*	*(60.0%)*

nm = not meaningful

Operating figures	2022	*2021*	Higher/(lower)
Available seat kilometres (ASK[1]) (m)	**58,591**	*13,270*	*341.5%*
Revenue passenger kilometres (RPK[1]) (m)	**44,791**	*5,227*	*756.9%*
Cargo tonne kilometres (CTK[1]) (m)	**1,417**	*1,409*	*0.6%*
Passenger load factor[1] (%)	**76.4%**	*39.4%*	*94.0%*
Passengers carried (000)	**14,244**	*1,597*	*791.9%*
Passenger revenue per ASK (p)	**6.08**	*2.83*	*114.8%*
Passenger revenue per RPK (p)	**7.95**	*7.17*	*10.9%*
Non-fuel costs per ASK (p)	**6.12**	*13.90*	*(56.0%)*

[1]Defined in the Annual Report and Accounts for the year ended 31 December 2021 and should be read in conjunction with this document.

Management review
For the six month period to 30 June 2022, the Group made a loss before tax of £524 million (2021: £1,311 million).

After a devastating two years for the industry, which severely impacted flying, we are now focused on our recovery. The rebuild phase was always going to be a challenging period as we sought to bring our grounded aircraft back into operation, re-train colleagues, welcome new joiners and ramp up our schedule.

As demand for travel and customer confidence returned, we were able to increase capacity, measured by ASKs, by 342 per cent compared with the same period in 2021, despite the continuation of complex challenges that face the entire aviation industry. The ongoing effect of Omicron in January and February, UK travel restrictions remaining in place until March and disruption caused by weather, systems issues, resourcing, and airport capacity restrictions significantly impacted our operations. In addition, fuel prices significantly increased, especially following Russia's invasion of Ukraine. Although we have mitigated some of this through the fuel price risk management strategy, the record high fuel prices drove an increase in our operating cost base during the first six months of the year.

To manage some of the ongoing headwinds facing the industry, we clearly set out three key priorities for the business: increasing our operational resilience, supporting the biggest recruitment drive in our history and reconnecting with our customers.

Operational resilience
As the difficulties of recruiting staff became clear, we took action in May to reduce our summer schedule, giving customers as much notice as possible, whilst protecting our slot portfolio. In June, the Government launched a slot amnesty consultation, giving us additional flexibility to further review our schedule and enabling us to consolidate some of our quieter daily flights to multi-frequency destinations well in advance, and to protect more of our holiday flights. Customers impacted by cancellations have been offered rebooking options including new flights with BA, another airline or a full refund.

Recruitment
We began a significant recruitment campaign in October 2021, and offered new joiner sign-on fees of £1,000 per individual with campaigns across print, billboards, digital platforms, social media and radio. Despite the tight labour market which led to competition recruiting for frontline roles from the aviation, retail and hospitality industries, we received over 60,000 applications and more than 4,000 new colleagues have joined the business since October 2021. We will continue recruitment during the remainder of the year. The referencing processes required by HMRC to get clearance to work airside at airports have come under significant pressure as the industry has re-opened and despite changes both we and HMRC have made to our processes it has continued to take much longer for applicants to get clearance to work at airports than we had expected.

Our customers
We have continued to invest for our customers during the first six months of the year. We took delivery of four new A350 aircraft, continued to fit our Club Suite, with 42 aircraft now flying with the new business class product. We launched two new routes from Heathrow to Nuremberg and Portland, Oregon and BA Cityflyer launched four new routes from London City to Milan Malpensa, Luxembourg, Barcelona and Thessaloniki.

We put more resource into our Global Engagement Centres across the world, with 500 new call handlers joining the business to enable us to respond more quickly to customers and solve their problems faster.

We reintroduced popular routes, such as Sydney, as restrictions relaxed and in June, we relaunched our Heathrow to Pittsburgh, Pennsylvania and San Jose, California routes and added a new daytime flight from Newark, New Jersey. We also announced an expansion of our codeshare agreement with Loganair, offering more choice and connectivity for customers travelling across the UK.

We launched our new short-haul Gatwick subsidiary in March, serving 35 destinations which is operating under the BA Air Operators Certificate (AOC), before transitioning to BA Euroflyer later in the year. The new airline operates in a similar manner to the Group's existing subsidiary BA Cityflyer, flying under the BA brand and delivering the premium BA product.

Sustainability update
We took delivery of the first batch of sustainable aviation fuel ('SAF') produced by Phillips 66 Limited at their refinery near Immingham in March, making us the first airline to start using SAF produced on a commercial scale in the UK. The SAF is produced from sustainable waste feedstock and we are adding it into the existing pipeline infrastructure that directly feeds several UK airports, including London Heathrow. The SAF delivered under the agreement will be enough to reduce lifecycle CO_2 emissions by almost 100,000 tonnes, enough to power 700 net zero CO_2 emissions flights between London and New York on a Boeing 787 aircraft. The delivery of SAF is another significant milestone for us as we deliver a range of initiatives to decarbonise and achieve net zero emissions by 2050.

In April, we launched our new community-based initiative, the BA Better World Community Fund, to further support organisations and projects that have a positive impact within the UK. More information can be found in BA's 2021 Sustainability Report which is available at www.britishairways.com/babetterworld.

Financial review
Consolidated income statement for the six months ended 30 June

£ million	**2022**	*2021*	Higher/(lower)
Passenger revenue	**3,560**	*375*	*nm*
Cargo revenue	**552**	*509*	*8.4%*
Other revenue	**331**	*40*	*nm*
Total revenue	**4,443**	*924*	*nm*
Employee costs	**983**	*637*	*54.3%*
Fuel, oil costs and emission charges	**1,234**	*344*	*nm*
Handling, catering and other operating costs	**796**	*230*	*nm*
Landing fees and en route charges	**379**	*127*	*nm*
Engineering and other aircraft costs	**347**	*158*	*nm*
Property, IT and other costs	**295**	*240*	*22.9%*
Selling costs	**183**	*41*	*nm*
Depreciation and amortisation	**541**	*450*	*20.2%*
Currency differences	**61**	*(39)*	*nm*
Total expenditure on operations before exceptional items	**4,819**	*2,188*	*nm*
Operating loss before exceptional items	**(376)**	*(1,264)*	*nm*
Exceptional items	**19**	*106*	*nm*
Operating loss after exceptional items	**(357)**	*(1,158)*	*nm*
Non-operating items	**(167)**	*(153)*	*nm*
Loss before tax	**(524)**	*(1,311)*	*nm*
Tax	**163**	*280*	*nm*
Loss after tax	**(361)**	*(1,031)*	*nm*

Financial review (continued)

Revenue
Overall capacity reached 63.6 per cent of that operated in the first six months of 2019, a significant increase on the 14.4 per cent of 2019 operated in the first six months of 2021. This is driven by increased travel arising from greater demand and consumer confidence, with the loosening of COVID-19 travel restrictions in the UK and across key travel destinations. Load factors reached 76.4 per cent, only 6.9 percentage points lower versus the corresponding period in 2019. This, together with increased yields, translated to total passenger revenue for the first six months of the year of £3,560 million (2021: £375 million), an increase of 849 per cent. Passenger unit revenue (passenger revenue per ASK) was 114.8 per cent higher than the first six months of 2021, and up to 96.8 per cent of the corresponding period in 2019.

Cargo carried, measured in cargo tonne kilometres (CTKs), increased by 0.6 per cent, and with increased yields, Cargo revenue increased by 8.4 per cent to £552 million (2021: £509 million) . Other revenue increased by £291 million to £331 million (2021: £40 million), the majority of which is driven by BA Holidays.

Expenditure on operations
Total operating costs excluding exceptional items increased by 120 per cent to £4,819 million (2021: £2,188 million) in the first six months of the year. Fuel costs increased by £890 million, or 259 per cent, to £1,234 million reflecting the increased flying and higher fuel prices. The increase in fuel costs was partially mitigated by BA's fuel price hedging strategy. Group expenditure excluding fuel, before exceptional items, increased by 94.4 per cent to £3,585 million (2021: £1,844 million), largely reflecting the increased flying.

Exceptional items
The exceptional credit of £19 million relates to the partial reversal of the fine, plus accrued interest, initially issued by the European Commission in 2010 to British Airways regarding its involvement in cartel activity in the air cargo sector which had been recognised as an exceptional charge. There is no resultant tax charge arising. Exceptional items are detailed in note 3.

Non-operating items
The Group's net non-operating costs for the six month period were £167 million in 2022, compared with £153 million in 2021. Non-operating items in 2022 include finance costs of £230 million (2021: £206 million), net losses of £29 million (2021: net gains of £32 million) relating to the revaluation of foreign currency denominated debts and related derivatives, a net gain of £73 million (2021: loss of £6 million) relating to the share of post-tax results of associates, net financing credits of £11 million (2021: credit of £1 million) relating to pensions and a gain of £9 million (2021: gain of £25 million) on the sale of assets.

Tax
The tax credit for the period was £163 million (2021: £280 million credit). The effective rate for the period was 31.1 per cent (2021: 21.4 per cent) being higher (2021: higher) than the tax credit (2021: tax credit) at the standard UK corporation tax rate of 19.0 per cent (2021: 19.0 per cent) mainly due to the share of associates profits and the impact of the UK tax rate change announced in the second quarter of 2021 (2021: share of associates losses, non-deductible expenses and tax rate change). Refer to note 6 for further detail on the UK tax rate change.

Capital expenditure
Total capital expenditure paid in the period amounted to £695 million (2021: £171 million) which included £644 million (2021: £144 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications, heavy maintenance costs and refurbishments) and £51 million (2021: £27 million) on property, equipment and software. During the period the Group took delivery of four Airbus A350s, all of which had entered service by 30 June 2022.

Liquidity
The Group's liquidity position at 30 June 2022 was £5.0 billion (31 December 2021: £4.5 billion), including £2.2 billion of cash and cash equivalents (31 December 2021: £1.7 billion), £2.1 billion of undrawn committed general facilities (31 December 2021: £2.0 billion) and £0.7 billion of undrawn committed aircraft facilities (31 December 2021: £0.8 billion). Net debt decreased to £7.9 billion at 30 June 2022 (31 December 2021: £8.1 billion).

Principal risks and uncertainties
The International Consolidated Airlines Group S.A ('IAG') has continued to maintain its framework and processes to identify, assess and manage risks. The principal risks and uncertainties affecting BA, detailed on pages 7 to 15 of the 2021 Annual Report and Accounts, remain relevant. The BA Board has continued to monitor and assess risks across BA in the light of changes that influence BA and the aviation industry.

As the sector and markets more widely come out of pandemic restrictions, BA continues to carefully assess how its principal risks have evolved and how the severity or likelihood of occurrence of certain risks has changed, as well as identifying emerging risks related to competitive and market risk changes, particularly those that could impact operational resilience. Where further action has been required, the BA Board has assessed potential mitigations and, where appropriate or feasible, BA has implemented or confirmed plans that would address those risks.

From the risks identified in the 2021 Annual Report and Accounts, the main risks that continue to be a key area of focus are outlined below. Business responses implemented by management and that effectively mitigate or reduce the risks are reflected in the BA's latest business plan and scenarios. No new principal risks were identified through the risk management assessment discussions across the business in the six months to 30 June 2022.

- Brand and customer trust: The challenging operational environment for BA including its reliance on the resilience of third parties has significantly impacted on our customers and their customer journeys. BA is pro-actively addressing its customer service processes and systems to help build customer trust in our brands and to help ensure that our customers choose to fly with us.

- Critical third parties in the supply chain: Operational staffing shortages at hubs and airports have required capacity adjustments, including managing the impact on customers and operations of the decision by Heathrow airport to cap passenger numbers from mid-July until the end of October. BA has pro-actively assessed its schedules to ensure that customers have sufficient notice of any changes to their flight plans wherever possible and within our control. Operational bottlenecks such as immigration and security resource at airports remain outside of BA's control although management continue to liaise with the relevant providers to identify potential solutions. BA and IAG

Principal risks and uncertainties (continued)

Group's Business Services function continue to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource or production delays which could delay the availability of new fleet, engines or critical goods or services.

- Cyber attack and data security: The threat of ransomware attacks on critical infrastructure and services has increased as a result of the war in Ukraine and the potential for state sponsored cyber attacks. BA continues to focus its efforts on appropriate monitoring to mitigate the risk.

- Economic, political and regulatory environment: The economic impact of the cost of the pandemic combined with energy shortages and increases in commodity and wage costs has driven significant inflation and uncertainty over the economic outlook. This uncertainty in the economic outlook could have an impact on BA's cost base and the demand for travel. BA will continue to adjust its future capacity plans accordingly, retaining flexibility to adapt as required and where possible.

- Event causing significant network disruption: Ongoing labour shortages, threat of strike action and staff sickness from COVID-19 infections have impacted BA's operational environment as well as the operations of the businesses on which BA relies. Many of these events can occur within a close timeframe and challenge operational resilience. In addition, BA has significant IT infrastructure changes to complete which could impact operations. BA is focussed on minimising any unplanned outages or disruption to customers with additional resilience built into the airline's networks.

- Financial and treasury-related risk: A significant increase in fuel costs has been partly mitigated by BA's fuel hedging policy. The access to fuel hedging instruments or the ability to pass increased fuel costs on to consumers could impact BA's profits. BA continues to assess the strengthening of the US dollar against pound sterling and the potential impacts on BA's operating results.

- IT systems and IT infrastructure: BA is reliant upon the resilience of its systems for key customers and business processes and is exposed to risks that relate to poor performance, obsolescence or failure of these systems. BA is currently engaged in a number of major programmes to modernise its IT systems, upgrade its digital capability, customer propositions and core IT infrastructure and network where required. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans.

- People, culture and employee relations: BA recognises the efforts of our staff and their resilience and commitment supporting the ramp up of operations and continues to prioritise engagement, morale and staff wellbeing initiatives. Additional resource has been allocated to address the recruitment need for flight crew and operations staff. BA engages in collective bargaining with various unions. BA is exposed to the risk of industrial relations action and continues to engage in discussions with unions to address and resolve disputes arising within the negotiations.

The BA Board and BA Management Committee have been apprised of regulatory, competitor and governmental developments on an ongoing basis.

By order of the Board

Sean Doyle
Chairman and Chief Executive Officer
29 July 2022

Rebecca Napier
Chief Financial Officer
29 July 2022

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 British Airways Plc and its subsidiary undertakings (the 'Group') from time to time, as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and divestments relating to the Group, discussions of the Group's business plan and our assumptions, expectations, objectives and resilience with respect to climate scenarios. 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 statements 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 section in the Annual Report and Accounts 2021; these documents are available on www.iairgroup.com. All forward-looking statements made on or after the date of this announcement and attributable to BA are expressly qualified in their entirety by the primary risks set out in that section.

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BRITISH AIRWAYS PLC

Condensed Consolidated Interim Financial Statements
1 January 2022 – 30 June 2022

Consolidated income statement

For the six months ended 30 June

£ million	Note	2022	2021
Passenger revenue		**3,560**	*375*
Cargo revenue		**552**	*509*
Other revenue		**331**	*40*
Total revenue		**4,443**	*924*
Employee costs		**983**	*637*
Fuel, oil costs and emission charges		**1,234**	*344*
Handling, catering and other operating costs		**796**	*230*
Landing fees and en route charges		**379**	*127*
Engineering and other aircraft costs		**347**	*158*
Property, IT and other costs		**295**	*240*
Selling costs		**183**	*41*
Depreciation and amortisation	8	**541**	*450*
Currency differences		**61**	*(39)*
Total expenditure on operations before exceptional items		**4,819**	*2,188*
Operating loss before exceptional items		**(376)**	*(1,264)*
Exceptional items	3	**19**	*106*
Operating loss after exceptional items		**(357)**	*(1,158)*
Finance costs	5	**(230)**	*(206)*
Finance income	5	**1**	*1*
Share of post-tax profits/(losses) in investments accounted for using the equity method	10	**73**	*(6)*
Net financing credits relating to pensions		**11**	*1*
Net currency retranslation (charge)/credit		**(29)**	*32*
Other non-operating credits	5	**7**	*25*
Total net non-operating costs		**(167)**	*(153)*
Loss before tax		**(524)**	*(1,311)*
Tax	6	**163**	*280*
Loss after tax		**(361)**	*(1,031)*

Consolidated statement of other comprehensive income

For the six months ended 30 June

£ million	Note	**2022**	*2021*
Loss after tax for the period		**(361)**	*(1,031)*
Other comprehensive income:			
Items that may be reclassified to net loss			
Cash flow hedges:			
Fair value movements in equity		**704**	*336*
Reclassified and reported in net loss		**(222)**	*3*
Fair value movements on cost of hedging		**(41)**	*24*
Cost of hedging reclassified and reported in net loss		**(1)**	*(2)*
Currency translation differences		**2**	*(7)*
Other movements in comprehensive income of associates	10	**11**	*1*
		453	*355*
Items that will not be reclassified to net loss			
Fair value movements on cash flow hedges		**113**	*(34)*
Fair value movements on cost of hedging		**(10)**	*3*
Remeasurements of post-employment benefit obligations		**459**	*638*
		562	*607*
Total other comprehensive income, net of tax		**1,015**	*962*
Total comprehensive income/(loss) for the period, net of tax		**654**	*(69)*

Consolidated balance sheet

£ million	Note	30 June 2022	*31 December 2021*
Non-current assets			
Property, plant and equipment	8	**10,215**	*9,861*
Intangible assets	8	**1,037**	*1,032*
Investments accounted for using the equity method	10	**1,820**	*1,737*
Other equity investments		**2**	*2*
Employee benefit assets	14	**1,975**	*1,508*
Derivative financial instruments		**179**	*35*
Deferred tax assets		**572**	*574*
Other non-current assets		**184**	*168*
		15,984	*14,917*
Current assets			
Inventories		**69**	*74*
Trade receivables		**834**	*454*
Other current assets		**538**	*414*
Derivative financial instruments		**933**	*218*
Cash and cash equivalents		**2,245**	*1,687*
		4,619	*2,847*
Total assets		**20,603**	*17,764*
Shareholders' equity			
Issued share capital		**290**	*290*
Share premium		**1,512**	*1,512*
Other reserves		**650**	*(10)*
Total shareholders' equity		**2,452**	*1,792*
Total equity		**2,452**	*1,792*
Non-current liabilities			
Borrowings	13	**9,189**	*8,918*
Employee benefit obligations	14	**237**	*241*
Provisions	15	**440**	*354*
Derivative financial instruments		**5**	*26*
Other non-current liabilities		**109**	*91*
		9,980	*9,630*
Current liabilities			
Borrowings	13	**957**	*832*
Trade and other payables		**2,287**	*1,665*
Deferred revenue on ticket sales		**4,621**	*3,512*
Derivative financial instruments		**13**	*69*
Current tax payable		**11**	*5*
Provisions	15	**282**	*259*
		8,171	*6,342*
Total liabilities		**18,151**	*15,972*
Total equity and liabilities		**20,603**	*17,764*

Consolidated cash flow statement

For the six months ended 30 June

£ million	2022	2021
Cash flow from operating activities		
Operating loss from continuing operations after exceptional items	**(357)**	*(1,158)*
Exceptional items	**(19)**	*(106)*
Operating loss from continuing operations before exceptional items	**(376)**	*(1,264)*
Depreciation and amortisation	**541**	*450*
Movement in working capital	**1,247**	*611*
Increase in trade receivables, inventories and other current assets	*(507)*	*(25)*
Increase in trade and other payables, deferred revenue on ticket sales and other current liabilities	*1,754*	*636*
Payments related to restructuring	**(11)**	*(11)*
Employer contributions to defined benefit pension schemes net of service and administration costs	**(2)**	*(18)*
Provisions and other non-cash movements	**105**	*94*
Realised loss on de-designated fuel and foreign exchange hedges	**-**	*(108)*
Interest paid	**(199)**	*(150)*
Interest received	**-**	*1*
Tax paid	**(1)**	*(27)*
Tax refunded	**5**	*-*
Net cash flows generated from/(used in) operating activities	**1,309**	*(422)*
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	**(695)**	*(171)*
Sale of property, plant and equipment and intangible assets	**20**	*24*
Loan repaid by parent company	**5**	*5*
Other investing movements	**-**	*(7)*
Net cash flows used in investing activities	**(670)**	*(149)*
Cash flow from financing activities		
Proceeds from borrowings	**125**	*2,006*
Repayments of borrowings	**(84)**	*(395)*
Repayment of lease liabilities	**(303)**	*(341)*
Settlement of derivative financial instruments	**130**	*(242)*
Other financing movements	**-**	*(11)*
Net cash flows (used in)/generated from financing activities	**(132)**	*1,017*
Increase in cash and cash equivalents	**507**	*446*
Net foreign exchange differences	**51**	*(38)*
Cash and cash equivalents at 1 January	**1,687**	*1,261*
Cash and cash equivalents at 30 June	**2,245**	*1,669*

Consolidated statement of changes in equity

For the six months ended 30 June 2022

£ million	Issued share capital	Share premium	Other reserves	**Total equity**
As at 1 January 2022	290	1,512	(10)	**1,792**
Loss for the period	-	-	(361)	**(361)**
Other comprehensive income for the period	-	-	1,015	**1,015**
Total comprehensive income for the period, net of tax	-	-	654	**654**
Hedges reclassified to the balance sheet, net of tax	-	-	6	**6**
As at 30 June 2022	**290**	**1,512**	**650**	**2,452**

For the six months ended 30 June 2021

£ million	*Issued share capital*	*Share premium*	*Other reserves*	*Total Equity*
As at 1 January 2021	*290*	*1,512*	*32*	*1,834*
Loss for the period	-	-	*(1,031)*	*(1,031)*
Other comprehensive income for the period	-	-	*962*	*962*
Total comprehensive loss for the period, net of tax	-	-	*(69)*	*(69)*
Hedges reclassified to the balance sheet, net of tax	-	-	*1*	*1*
As at 30 June 2021	*290*	*1,512*	*(36)*	*1,766*

Notes to the accounts
For the six months ended 30 June 2022

1 Corporate information and basis of preparation

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

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 and authorised for issue by the Board of Directors on 29 July 2022. The condensed consolidated interim financial statements herein are not the Company's statutory accounts.

The same basis of preparation and accounting policies set out in the BA Annual Report and Accounts for the year to 31 December 2021 have been applied in the preparation of these condensed consolidated interim financial statements. BA's Annual Report and Accounts for the year ended 2021 have been filed with the Registrar of Companies in England and Wales and are prepared in accordance with UK-adopted international accounting standards. The report of the auditors on those financial statements was unqualified.

Going concern
At 30 June 2022, the Group had total liquidity of £5.0 billion (31 December 2021: total liquidity of £4.5 billion), comprising cash and cash equivalents of £2.2 billion (31 December 2021: £1.7 billion), £2.1 billion of committed and undrawn general facilities (31 December 2021: £2.0 billion) and a further £0.7 billion of committed and undrawn aircraft specific facilities (31 December 2021: £0.8 billion). At 30 June 2022, the Group has no financial covenants associated with its loans and borrowings.

In its assessment of going concern over the period to 31 December 2023 (the 'going concern period'), the Group, along with IAG, have modelled two scenarios referred to below as the Base Case and the Downside Case. The Group's three-year business plan, prepared and approved by the Board in December 2021, was subsequently refreshed with the latest available internal and external information in mid-July 2022. This refreshed business plan supports the Base Case, which takes into account the Board's and management's views on the anticipated recovery from the COVID-19 pandemic on the Group's businesses across the going concern period. The key inputs and assumptions underlying the Base Case include:

- Capacity recovery modelled by geographical region (and in certain regions, by key destinations) with capacity gradually increasing from 74 per cent in quarter 3 2022 (compared to the equivalent period in 2019) to pre-pandemic levels by the end of the going concern period with the average over the going concern period being 90 per cent of 2019 levels;
- Passenger unit revenue per ASK is forecast to continue to exceed the levels of 2019 throughout the going concern period, which is based on, amongst other assumptions, a greater weighting of leisure versus business compared to 2019;
- The Group has assumed that the committed and undrawn general facilities of £2.1 billion will not be drawn over the going concern period, but are available to be drawn throughout the going concern period;
- The Group has assumed that of the committed and undrawn aircraft specific facilities of £0.7 billion, £0.4 billion will be drawn to fund specific aircraft scheduled for delivery during the remainder of 2022 and the remaining £0.3 billion, which is available throughout the going concern period, is not expected to be drawn; and
- Of the capital commitments detailed in note 8, £2.1 billion is due to be paid over the going concern period of which the Group has committed aircraft financing of £0.4 billion, under the EETC financing structure, and the Group has further forecast securing approximately 100 per cent, or £1.5 billion, of the aircraft financing required that is currently uncommitted, to align with the timing and payments for these aircraft deliveries. This loan to value assumption is consistent with the level of financing the Group has been able to achieve recently, including over the course of the COVID-19 pandemic.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts as the Group's capacity recovers over the going concern period, represented by: reduced levels of capacity operated in each month, including reductions of at least 25 per cent in August 2022, September 2022 and February 2023 to reflect more severe operational disruption; reduced passenger unit revenue per ASK reflective of general pricing pressure due to the current economic backdrop, and; increased operational costs reflective of inflationary pressures. In the Downside Case, over the going concern period capacity would be 20 per cent down on 2019. The Downside Case assumes that all available general credit facilities are drawn. The Directors consider the Downside Case to be a severe but plausible scenario.

The Group has modelled the impact of further deteriorations in capacity operated and yield, as well as increases in the price of jet fuel, but also considered further mitigating actions, such as reducing operating 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, such as asset disposals, which it would pursue in the event of adverse liquidity experience.

Having reviewed the Base Case, the Downside Case and additional sensitivities, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern period and hence continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the six months ended 30 June 2022. In adopting the going concern basis of accounting, the condensed consolidated interim financial statements have been prepared without the inclusion of a material uncertainty, which has been removed since the Annual Report and Accounts for 2021. The removal of the material uncertainty arises from the reduction in uncertainty over the going concern period due to both the continued recovery subsequent to the COVID-19 pandemic and the strength of the Group's liquidity at 30 June 2022.

The condensed consolidated interim financial statements for the six month period ended 30 June 2022 do not include the adjustments that would result if the Group was unable to continue as a going concern.

2 Accounting policies

Except as described below, the accounting policies adopted in the presentation of the condensed consolidated interim financial statements for the six months ended 30 June 2022 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year to 31 December 2021.

New standards, interpretations and amendments adopted by the Group

The following amendments and interpretations apply for the first time in the six months ended 30 June 2022, but do not have an impact on the condensed consolidated interim financial statements of the Group:

- Property, plant and equipment: proceeds before intended use – amendments to IAS 16 effective for periods beginning on or after 1 January 2022;
- Reference to the Conceptual Framework – amendments to IFRS 3 effective for periods beginning on or after 1 January 2022;
- Onerous contracts – costs of fulfilling a contract – amendments to IAS 37 effective for periods beginning on or after 1 January 2022; and
- Annual improvements to IFRS standards 2018-2020 effective for periods beginning on or after 1 January 2022.

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

Critical accounting judgements and key sources of estimation uncertainty

There are no changes to the critical accounting judgements or key sources of estimation uncertainty set out in note 2 of the Annual Report and Accounts for the year ended 31 December 2021.

3 Exceptional items

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

For the six months ended 30 June 2022

£ million	**2022**	*2021*
Profit on de-designated foreign currency passenger revenue hedges	**-**	*6*
Related to revenue	**-**	*6*
Profit on de-designated fuel and foreign exchange hedges	**-**	*100*
Partial refund of EU cargo fine	**19**	*-*
Related to expenditure on operations	**19**	*100*
Total exceptional credit before tax	**19**	*106*
Tax on exceptional items	**-**	*(20)*
Total exceptional credit after tax	**19**	*86*

The exceptional credit of £19 million relates to the partial reversal of the fine, plus accrued interest, initially issued by the European Commission in 2010 to British Airways regarding its involvement in cartel activity in the air cargo sector which had been recognised as an exceptional charge. There is no related tax charge.

The exceptional credit to Fuel, oil costs and emissions of £100 million for the six months ended 30 June 2021 arose from a combination of the discontinuance of hedge accounting and the fair value movement on those relationships where hedge accounting was discontinued. The exceptional credit to Passenger revenue of £6 million for the six months ended 30 June 2021 relates to the discontinuation of hedge accounting of the associated foreign currency derivatives on forecast revenue. The Group's risk management strategy was to build up these hedges gradually over a three-year period when the level of forecast passenger revenue and fuel consumption were higher than expected at the time. Accordingly, the hedge accounting for these transactions was discontinued. The related tax charge was £20 million.

4 Seasonality

Except for the impact of COVID-19, the Group's business is highly seasonal with demand strongest during the European summer months. Accordingly, higher revenues and operating profits are usually expected in the latter six months of the financial year than in the first six months.

Notes to the accounts (continued)

For the six months ended 30 June 2022

5 Finance costs and income

For the six months ended 30 June

a Finance costs

£ million	**2022**	*2021*
Interest expenses on:		
Bank borrowings	**(59)**	*(37)*
Asset financed liabilities	**(29)**	*(29)*
Lease liabilities	**(91)**	*(88)*
Provisions unwinding of discount	**(1)**	-
Other borrowings	**(52)**	*(50)*
Other finance costs	**-**	*(3)*
Capitalised interest on progress payments	**2**	*1*
Total finance costs	**(230)**	*(206)*

b Finance income

£ million	**2022**	*2021*
Interest on other investments	**1**	*1*
Total finance income	**1**	*1*

c Other non-operating credits

£ million	**2022**	*2021*
Gain on sale of property, plant and equipment and investments	**9**	*25*
Realised losses on derivatives not qualifying for hedge accounting	**(2)**	-
Total other non-operating credits	**7**	*25*

Notes to the accounts (continued)

For the six months ended 30 June 2022

6 Tax

The tax credit in the Income statement was as follows:

£ million	**2022**	*2021*
Current tax	**19**	*2*
Deferred tax	**144**	*278*
Total tax	**163**	*280*

The effective rate for the period was 31.1 per cent (2021: 21.4 per cent) being higher (2021: higher) than the tax credit (2021: tax credit) at the standard UK corporation tax rate of 19.0 per cent (2021: 19.0 per cent). Finance Act 2021 set the main rate of corporation tax at 25 per cent from April 2023, which has led to the remeasurement of deferred tax balances at 30 June 2022 and will increase the Group's future current tax charge accordingly. As a result of the remeasurement of deferred tax balances, a credit of £55 million is recorded in the Income statement and a charge of £14 million is recorded in Other comprehensive income.

Reconciliation of the Total Tax Credit £ million	**2022**	*2021*
Accounting loss before tax:	**524**	*1,311*
Corporation tax rate	**19%**	*19%*
Tax at standard corporation tax rate	**(100)**	*(249)*
Non-deductible expenses	**11**	*7*
Intra-group associates' profits	**(14)**	*2*
Effect of pension fund accounting	**(9)**	*(1)*
Adjustments in respect of prior periods	**4**	-
Effect of tax rate changes	**(55)**	*(39)*
Tax credit in the income statement	**(163)**	*(280)*

Tax-related contingent liabilities

The Group has certain contingent liabilities, across all taxes, which at 30 June 2022 amounted to £8 million (31 December 2021: £10 million). No material losses are likely to arise from such contingent liabilities. As such the Group does not consider it appropriate to recognise a provision for these amounts.

Recoverability of deferred tax assets

In determining the recoverable amounts of the Group's deferred tax assets, the Group applies the future cash flow projections from the approved business plan. Given the inherent uncertainty of the timing and duration of the recovery from COVID-19, the Group exercises judgement in the determination of cash flows during this recovery and subsequent periods.

As at 30 June 2022, the Group has unrecognised temporary differences of £307 million (31 December 2021: £307 million) relating to UK capital losses the Group does not reasonably expect to utilise.

7 Dividends

No dividends were paid during the six months to 30 June 2022 (twelve months to 31 December 2021: £nil). Certain debt obligations, including the Export Development Guarantee Facility, place restrictions and/or conditions on the payments of dividends to the parent company, IAG. These loans can be repaid early without penalty at the election of British Airways. In addition, under the contribution deferral agreement between British Airways and the Trustee of the New Airways Pension Scheme (NAPS), in the period up to 31 December 2023, no dividend payment is permitted from British Airways to IAG, and any dividends paid to IAG from 2024 will trigger a pension contribution of 50 per cent of the amount of the dividend, until the deferred pension contributions have been paid.

Notes to the accounts (continued)

For the six months ended 30 June 2022

8 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 2022	4,938	4,923	**9,861**	**1,032**
Additions	702	4	**706**	**40**
Modification of leases	-	155	**155**	**-**
Disposals	(1)	-	**(1)**	**-**
Depreciation and amortisation	(278)	(228)	**(506)**	**(35)**
Reclassifications[1]	117	(117)	**-**	**-**
Net book value as at 30 June 2022	**5,478**	**4,737**	**10,215**	**1,037**

£ million	Property, plant and equipment	Right of use assets	Total property, plant and equipment	Intangible assets
Net book value at 1 January 2021	*4,933*	*5,448*	*10,381*	*1,062*
Additions	*126*	*4*	*130*	*18*
Modification of leases	-	*37*	*37*	-
Disposals	*(11)*	-	*(11)*	*(21)*
Depreciation and amortisation	*(200)*	*(217)*	*(417)*	*(33)*
Reclassifications	*23*	*(55)*	*(32)*	-
Net book value as at 30 June 2021	*4,871*	*5,217*	*10,088*	*1,026*

[1] Amounts with a net book value of £117 million (2021: £23 million) were reclassified from Right of use assets to Owned Property, plant and equipment at the cessation of the respective leases. The assets reclassified relate to leases with purchase options that were grandfathered as Right of use assets upon transition to IFRS 16, for which the Group had been depreciating over the expected useful life of the aircraft, incorporating the purchase option.

At 30 June 2022, long-term borrowings of the Group are secured on fleet assets with a net book value of £1,909 million (31 December 2021: £1,861 million), and property is pledged as security with a net book value of £568 million (31 December 2021: £574 million).

Capital expenditure authorised and contracted for but not provided for at 30 June 2022 amounts to £5,289 million (31 December 2021: £5,382 million). The majority of capital expenditure commitments are denominated in US dollars and as such the commitments are subject to changes in foreign exchange rates.

9 Impairment review

Basis for calculating recoverable amount

At each reporting date, the Group considers the existence of indicators of potential impairment. At each reporting date, the Group considers the existence of indicators of potential impairment. At 30 June 2022, which the Group continues to recover from the COVID-19 pandemic, there remains uncertainty regarding both the economic and geopolitical environments over the short and medium term. As a result, a full impairment test at 30 June 2022 has been conducted.

The recoverable amounts have been measured based on their value-in-use, which utilises a weighted average multi-scenario discounted cash flow model. The details of these scenarios are given in the going concern section of note 1, with a weighting of 70 per cent to the Base Case and 30 per cent to the Downside Case. Cash flow projections are based on the approved business plan covering a three-year period which were prepared and approved by the Board in December 2021, subsequently refreshed with the latest available internal and external information in mid-July 2022. Cash flows extrapolated beyond the three-year period are projected to increase based on long-term growth rates. Cash flow projections are discounted using the pre-tax discount rate.

Annually the Group prepares and approves a three-year business plan and the Board approves the plan in the fourth quarter of the year. The Group adjusts the final year of the three-year business plan to incorporate the impacts of climate change that the Group can reliably estimate at the reporting date. However, given the long-term nature of the Group's sustainability commitments, there are other aspects of these commitments that cannot be reliably estimated at the reporting date and have been excluded from these adjustments. These adjustments incorporate the increased utilisation of sustainable aviation fuel as well as price assumptions relating to sustainable aviation fuels and the price of carbon for both Emissions Trading System ('ETS') and Carbon Offsetting and Reduction Scheme for International Aviation ('CORSIA'), which are derived from externally sourced market data. Where the Group considers such costs will be recovered through increased passenger ticket fares, then a corresponding adjustment is made to increase passenger revenue.

9 Impairment review (continued)

Further, in preparing the impairment models, the Group cash flow projections are prepared on the basis of using the current fleet in its current condition. The Group excludes the estimated cash flows expected to arise from future restructuring, assets not currently in use by the Group and expected technological advancements in aircraft and other technologies not available at the reporting date. The Group excludes potential future legislation/regulation regarding carbon pricing and/or alternative schemes not currently enacted, such as the implementation of kerosene taxes.

The business plan cash flows used in the value-in-use calculations reflect all restructuring of the business, where relevant, that has been approved by the Board and which can be executed by Management under existing agreements.

Key assumptions

The key assumptions, derived from the weighting of the Base and Downsides Cases, utilised over the forecast period in the value-in-use calculations are as follows:

Per cent	**30 June 2022**	31 December 2021
Operating margin[1]	**4 to 10**	3 to 13
ASKs as a proportion of 2019[12]	**69 to 101**	75 to 103
Long-term growth rate	**1.9**	1.9
Pre-tax discount rate	**9.7**	11.8

Jet fuel price ($ per MT)	To 31 December 2022	To 31 December 2023	To 31 December 2024	2025 and thereafter
30 June 2022	**1,229**	**1,014**	**917**	**917**
31 December 2021	690	673	659	659

[1]Operating margin and ASKs as a proportion of 2019 are the weighted average of the Base Case and Downside Case.

[2]In prior periods the Group has applied the average ASK growth per annum as a key assumption. Given the impact of COVID-19, the Group has presented ASKs as a proportion of the level of ASKs in 2019, prior to the application of the terminal value calculation.

Forecast ASKs reflect the range of ASKs as a percentage of the 2019 actual ASKs over the forecast period, based on planned network growth and taking into account management's expectation of the market.

The long-term growth rate is calculated based on the forecast weighted average exposure in the primary market using gross domestic product (GDP) (source: Oxford Economics). The terminal value cash flows and long term growth rate incorporate the impacts of climate change, insofar as they can be determined, by including a specific adjustment to reduce the rate to reflect the Group's assumptions regarding the reduced demand impact arising from climate change. This demand impact is derived with reference to external market data. The Group's network plans are reviewed annually as part of the Business plan and reflect management's plans in response to specific market risk or opportunity.

Pre-tax discount rates represent the current market assessment of the risks, 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 and the Group. 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 airline investors and the cost of debt is derived from market data and the Group's existing debt structure. The Group's 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.

Jet fuel price assumptions are derived from forward price curves as at the balance sheet date and sourced externally. The cash flow forecasts reflect these price increases after taking into consideration the level of fuel derivatives and their associated prices that the Group has in place.

Summary of results

At 30 June 2022, management reviewed the recoverable amount of the business and concluded the recoverable amounts exceeded the carrying values by £4,828 million (31 December 2021: £2,891 million).

Reasonable possible changes in key assumptions, both individually and in combination, have been considered which include reducing operating margin by two per cent in each year, ASKs by five per cent in each year, long-term growth rates in the terminal value calculation to zero, increasing pre-tax discount rates by 2.5 percentage points, changing the weighting of the downside case to 100 per cent, and increasing the fuel price by 40 per cent with no assumed cost recovery. Given the inherent uncertainty associated with the impact of climate change, these sensitivities represent a reasonably possible greater impact of climate change than those included in the impairment model.

The recoverable amount would be below the carrying amount when applying the following reasonable possible change in assumptions of the following scenario:

- operating margin had been two per cent lower combined with a reduction of the long-term growth rate of 0.8 per cent;
- if ASKs had been five per cent lower combined with a reduction in the long-term growth rate of 1.8 per cent;
- if ASKs had been five per cent lower combined with a fuel price increase without cost recovery of 5 per cent; or
- if the fuel price had been 10 per cent higher with no assumed cost recovery.

Notes to the accounts (continued)

For the six months ended 30 June 2022

9 Impairment review (continued)

For the remainder of the reasonable possible changes in key assumptions applied, no impairment arises.

In addition, at 30 June 2022, the Directors have considered the existence of indicators of impairment for individual assets, including but not limited to, landing rights and fleet assets, and concluded no impairment charge is necessary.

10 Investments accounted for using the equity method

For the six months ended 30 June

£ million	**2022**	2021
Balance at 1 January	**1,737**	*1,688*
Additions	**-**	*7*
Share of attributable results	**73**	*(6)*
Share of movements in other comprehensive income of investments	**11**	*1*
Dividends received	**(1)**	*-*
As at 30 June	**1,820**	*1,690*

11 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 30 June 2022 and 31 December 2021 by nature and classification for measurement purposes is as follows:

As at 30 June 2022

	Financial assets				
£ million	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Other equity investments	-	2	-	-	**2**
Derivative financial instruments	-	-	179	-	**179**
Other non-current assets	44	-	-	140	**184**
Current financial assets					
Trade receivables	834	-	-	-	**834**
Derivative financial instruments	-	-	933	-	**933**
Other current assets	58	-	-	480	**538**
Cash and cash equivalents	2,245	-	-	-	**2,245**

	Financial liabilities				
£ million	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial liabilities	**Total carrying amount**
Non-current financial liabilities					
Interest bearing long-term borrowings	4,952	-	-	-	**4,952**
Lease liabilities	4,237	-	-	-	**4,237**
Derivative financial instruments	-	-	5	-	**5**
Other long-term liabilities	97	-	-	12	**109**
Current financial liabilities					
Current portion of long-term borrowings	179	-	-	-	**179**
Lease liabilities	778	-	-	-	**778**
Trade and other payables	2,258	-	-	29	**2,287**
Derivative financial instruments	-	-	13	-	**13**

Notes to the accounts (continued)

For the six months ended 30 June 2022

11 Financial instruments (continued)

a Financial assets and liabilities by category (continued)

As at 31 December 2021

£ million	Financial assets				
	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial assets	Total carrying amount
Non-current financial assets					
Other equity investments	-	*2*	-	-	*2*
Derivative financial instruments	-	-	*35*	-	*35*
Other non-current assets	*76*	-	-	*92*	*168*
Current financial assets					
Trade receivables	*454*	-	-	-	*454*
Derivative financial instruments	-	-	*218*	-	*218*
Other current assets	*148*	-	-	*266*	*414*
Cash and cash equivalents	*1,687*	-	-	-	*1,687*

£ million	Financial liabilities				
	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial liabilities	Total carrying amount
Non-current financial liabilities					
Interest bearing long-term borrowings	*4,721*	-	-	-	*4,721*
Lease liabilities	*4,197*	-	-	-	*4,197*
Derivative financial instruments	-	-	*26*	-	*26*
Other long-term liabilities	*76*	-	-	*15*	*91*
Current financial liabilities					
Current portion of long-term borrowings	*180*	-	-	-	*180*
Lease liabilities	*652*	-	-	-	*652*
Trade and other payables	*1,622*	-	-	*43*	*1,665*
Derivative financial instruments	-	-	*69*	-	*69*

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 the following methods and assumptions:

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 represent 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.

Derivative instruments are measured based on the market value of instruments with similar terms and conditions at the balance sheet date using forward pricing models, which include forward exchange rates, forward interest rates and forward fuel curves at the reporting date. The fair value of derivative financial liabilities and derivative financial assets are adjusted for own credit risk and counterparty credit risk, respectively.

The fair value of the Group's interest-bearing borrowings is determined by discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date. The fair value of the Group's interest-bearing borrowings are adjusted for own credit risk.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal methods of such valuations are performed using option pricing models and valuation models that considers the present value of the dividend cash flows expected to be generated by the associated assets.

The fair value of cash and cash equivalents, other interest-bearing deposits, trade receivables, other current assets and trade and other payables approximate their carrying value largely due to the short-term maturities of these instruments.

Notes to the accounts (continued)

For the six months ended 30 June 2022

11 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 2022 are set out below:

				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets:					
Other equity investments	-	-	2	**2**	**2**
Amounts owed by associated group undertakings	-	89	-	**89**	**86**
Derivative financial assets[1]	-	1,112	-	**1,112**	**1,112**
Financial liabilities:					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	1,521	-	**1,521**	**1,502**
Fixed rate borrowings	-	70	-	**70**	**71**
Floating rate borrowings	-	3,558	-	**3,558**	**3,558**
Derivative financial liabilities[2]	-	18	-	**18**	**18**

[1]Current portion of derivative financial assets is £933 million.

[2]Current portion of derivative financial liabilities is £13 million.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2021 are set out below:

				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	Total	Total
Financial assets:					
Other equity investments	-	-	*2*	*2*	*2*
Amounts owed by associated group undertakings	-	*88*	-	*88*	*85*
Derivative financial assets[1]	-	*253*	-	*253*	*253*
Financial liabilities:					
Interest-bearing loans and borrowings:					
Asset financed liabilities	-	*1,419*	-	*1,419*	*1,265*
Fixed rate borrowings	-	*84*	-	*84*	*83*
Floating rate borrowings	-	*3,539*	-	*3,539*	*3,539*
Other financing liabilities	-	*14*	-	*14*	*14*
Derivative financial liabilities[2]	-	*95*	-	*95*	*95*

[1]Current portion of derivative financial assets is £218 million.

[2]Current portion of derivative financial liabilities is £69 million.

There has been no transfer between levels of fair value hierarchy during the period.

c Level 3 financial assets reconciliation

The carrying value of Level 3 financial assets at 30 June 2022 was £2 million (31 December 2021: £2 million). There were no changes in fair value or other movements for the period ended 30 June 2022 (year ended 31 December 2021: no changes).

12 Share capital

The number of shares in issue at 30 June 2022 was 896,700 A1 shares (31 December 2021: 896,700) and 99,308 A2 shares (31 December 2021: 99,308) with a par value of £289.70 each and 1,000,000 B shares (31 December 2021: 1,000,000) and 147,963 C shares (31 December 2021: 147,963) with a par value of £1.00 each.

Notes to the accounts (continued)

For the six months ended 30 June 2022

13 Borrowings

£ million	Current	Non-current	30 June 2022 Total	*Current*	*Non-current*	*31 December 2021 Total*
Bank and other loans	**81**	**3,548**	**3,629**	*83*	*3,539*	*3,622*
Asset financed liabilities	**98**	**1,404**	**1,502**	*83*	*1,182*	*1,265*
Lease liabilities	**778**	**4,237**	**5,015**	*652*	*4,197*	*4,849*
Other financing liabilities	**-**	**-**	**-**	*14*	*-*	*14*
Interest bearing borrowings	**957**	**9,189**	**10,146**	*832*	*8,918*	*9,750*

Bank and other loans are repayable up to 2027. Long-term borrowings of the Group amounting to £1,642 million (31 December 2021: £1,420 million) are secured on fleet assets with a net book value of £1,909 million (31 December 2021: £1,861 million). Asset financed liabilities are all secured on the associated aircraft.

14 Employee benefits

The Group operates a variety of post-employment benefit arrangements, covering both defined contribution and defined benefit schemes.

Defined contribution schemes

The main defined contribution scheme is the British Airways Pension Plan ('BAPP'). It offers a choice of contribution rates and the ability to opt for cash instead of a pension.

Defined benefit schemes

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS').

APS has been closed to new members since 1984, but remains open to future accrual. The benefits provided under APS are based on final average pensionable pay and, for the majority of members, are subject to inflationary increases in payment.

NAPS has been closed to new members since 2003 and closed to future accrual since 2018, resulting in a reduction of the defined benefit obligation. Following closure, members' deferred pensions are increased annually by inflation up to five per cent per annum (measured using the Government's annual Pension Increase (Review) Orders, which since 2011 have been based on CPI).

Triennially, the Trustees of APS and NAPS undertake actuarial valuations, which are subsequently agreed with British Airways to determine the cash contributions and any deficit payment plans through to the next valuation date, as well as ensuring that the schemes have sufficient funds available to meet future benefit payments to members. These actuarial valuations are prepared using the principles set out in UK Pension legislation. This differs from the IAS 19 'Employee benefits' valuation, which is used for deriving the Income statement and Balance sheet positions, and uses a best-estimate approach overall. The different purpose and principles lead to different assumptions being used, and therefore a different estimate for the liabilities and funding level.

In June 2022, the triennial valuation, as at 31 March 2021, was finalised for APS which resulted in a surplus of £295 million. At 30 June 2022, the triennial valuation as at 31 March 2021 for NAPS had not been finalised and accordingly the latest actuarial valuation of NAPS was performed as at 31 March 2018, which resulted in a deficit of £2,399 million.

Cash payments and funding arrangements

Cash payments in respect of pension obligations comprise normal employer contributions made by the Group and deficit contributions based on agreed deficit payment plans. Total payments for the six-month period ended 30 June 2022 net of service costs made by the Group were £7 million (six-month period ended 30 June 2021: £27 million).

Total remaining cash payments forecast by the Group for the financial year ended 31 December 2022 is £8 million (2021 equivalent period: £7 million).

Deficit contributions and deferred deficit contributions

At the date of the actuarial valuation, the actuarial deficit of NAPS amounted to £2,399 million. In order to address the deficit in the scheme, the Group has committed to deficit contribution payments through to the end of the first quarter of 2023 amounting to approximately £112.5 million per quarter. The deficit contribution plan includes an over-funding protection mechanism, based on the triennial valuation methodology for measuring the deficit, whereby deficit contributions are paid into an escrow account if the scheme funding position reaches 97 per cent, and are suspended if the funding position reaches 100 per cent, with a mechanism for contributions to resume if the contribution level subsequently falls below 100 per cent, which includes additional contributions equivalent to those months where contributions had been suspended, or until such point as the scheme funding level reaches 97 per cent.

14 Employee benefits (continued)

During the six months to 30 June 2022, the NAPS funding position exceeded 100 per cent and accordingly deficit contributions were suspended. At 30 June 2022, the valuation of the funding level incorporates significant forward-looking assumptions, such that the Group currently does not expect to make further deficit contributions. Given the long-term nature of the NAPS scheme, these assumptions are subject to uncertainty and there can be no guarantee that deficit contributions will not resume in the future or that additional deficit contributions will be incorporated into future triennial actuarial valuations.

On 18 December 2020 BA reached an agreement with the Trustee of NAPS to defer deficit contributions on an interim basis for the period between 1 September 2020 and 31 January 2021. On 19 February 2021 BA reached further agreement with the Trustee of NAPS to defer deficit contributions previously agreed in October 2019 on the 31 March 2018 valuation, through to 31 August 2021. Under this deferral agreement, the deferred payments, which total £450 million, excluding interest, will be incorporated into the future deficit payment plan and associated deficit contributions arising from the triennial valuation of the NAPS scheme as at 31 March 2021. The deferred deficit contribution payments do not include an over-funding mechanism.

				As at 30 June 2022
£ million	**APS**	**NAPS**	**Other**	**Total**
Scheme assets at fair value[1]	**6,131**	**17,312**	**385**	**23,828**
Present value of scheme liabilities	**(5,869)**	**(14,298)**	**(600)**	**(20,767)**
Net pension asset/(liability)	**262**	**3,014**	**(215)**	**3,061**
Effect of the asset ceiling[2]	**(91)**	**(1,222)**	**-**	**(1,313)**
Other employee benefit obligations	**-**	**-**	**(10)**	**(10)**
	171	**1,792**	**(225)**	**1,738**
Represented by:				
Employee benefit assets[3]				**1,975**
Employee benefit obligations				**(237)**
Net employee benefit assets				**1,738**

				As at 31 December 2021
£ million	APS	NAPS	Other	Total
Scheme assets at fair value[1]	*7,536*	*21,291*	*378*	*29,205*
Present value of scheme liabilities	*(7,081)*	*(19,190)*	*(598)*	*(26,869)*
Net pension asset/(liability)	*455*	*2,101*	*(220)*	*2,336*
Effect of the asset ceiling[2]	*(159)*	*(901)*	-	*(1,060)*
Other employee benefit obligations	-	-	*(9)*	*(9)*
	296	*1,200*	*(229)*	*1,267*
Represented by:				
Employee benefit assets[3]				*1,508*
Employee benefit obligations				*(241)*
Net employee benefit assets				*1,267*

[1]Included within the fair value of scheme assets are £1.5 billion of private equities and £0.8 billion of alternatives at 30 June 2022, where the fair value has been determined based on the most recent third-party valuations. The dates of these valuations typically precede the reporting date and have been adjusted for any cash movements between the date of the valuation and the reporting date. Typically, the valuation approach and inputs for these investments are not updated through to the reporting date unless there are indications of significant market movements.
[2]APS and NAPS have an accounting surplus under IAS 19, which would be available to the Group as a refund upon wind up of the scheme. This refund is restricted due to withholding taxes that would be payable by the Trustee arising on both the net pension asset and the future contractual minimum funding requirements.
[3]Includes Additional Voluntary Contributions (AVCs), which the Trustees hold as assets to secure additional benefits on a defined contribution basis for those members who elect to make such AVCs. At 30 June 2022, such assets were £295 million (2021: £332 million) with a corresponding amount recorded in the scheme liabilities.

At 30 June 2022, the assumptions used to determine the obligations under APS and NAPS were reviewed and updated to reflect market conditions at that date. The principal assumptions were as follows:

Notes to the accounts (continued)
For the six months ended 30 June 2022

14 Employee benefits (continued)

	At 30 June 2022		At 31 December 2021	
Per cent per annum	**APS**	**NAPS**	APS	NAPS
Discount rate	**3.70**	**3.75**	*1.80*	*1.90*
Rate of increase in pensionable pay	**3.45**	**N/A**	*3.55*	*N/A*
Rate of increase of pensions in payment	**3.45**	**2.80**	*3.55*	*2.85*
RPI rate inflation	**3.45**	**3.20**	*3.55*	*3.25*
CPI rate of inflation	**2.85**	**2.80**	*2.95*	*2.85*

Further information on the basis of the assumptions is included in note 27 of the Annual Report and Accounts for the year ended 31 December 2021.

15 Provisions for liabilities and charges

£ million	Restoration and handback	Restructuring	Legal claims and contractual disputes	Other	**Total**
Balance at 1 January 2022	*473*	*31*	*57*	*52*	*613*
Provisions recorded during the period	89	7	1	52	149
Utilised during the period	(8)	(11)	-	(15)	(34)
Release of unused amounts	(21)	-	(2)	(1)	(24)
Reclassifications	(12)	-	-	-	(12)
Exchange differences	26	1	2	-	29
Unwinding of discount	1	-	-	-	1
As at 30 June 2022	**548**	**28**	**58**	**88**	**722**
Analysis:					
Current	134	28	52	68	**282**
Non-current	414	-	6	20	**440**
	548	**28**	**58**	**88**	**722**

16 Contingent liabilities & guarantees

Details of contingent liabilities are set out below. The Group does not consider it probable that there will be an outflow of economic resources with regard to these proceedings and accordingly no provision for these proceedings has been recognised.

Legal and regulatory proceedings
There are a number of other legal and regulatory proceedings against the Group in a number of jurisdictions which at 30 June 2022 amounted to £10 million (31 December 2021: £19 million) for items that can be reliably measured.

Guarantees and indemnities
The Group has guarantees and indemnities entered into as part of the normal course of business, which at 30 June 2022 are not expected to result in material losses for the Group.

17 Government grants and assistance

a The UK Export Finance ('UKEF')

In February 2021, British Airways entered into a 5 year term loan Export Development Guarantee Facility of £2.0 billion underwritten by a syndicate of banks, with 80 per cent of the principal guaranteed by UK Export Finance (UKEF facility). The loan is unsecured.

In November 2021, British Airways reached agreement with UKEF and a syndicate of banks for a 5 year Export Development Guarantee committed Credit Facility (UKEF facility) of £1.0 billion. This is additional to the £2.0 billion UKEF guaranteed facility above. The facility is unsecured. At 30 June 2022 the facility remains undrawn.

Notes to the accounts (continued)
For the six months ended 30 June 2022

17 Government grants and assistance (continued)

b The Coronavirus Job Retention Scheme ('CJRS')

To mitigate the impact of the COVID-19 pandemic on employment, the UK Government introduced the Coronavirus Job Retention Scheme ("CJRS") from 1 March 2020 to 30 August 2020, where those employees designated as being 'furloughed workers' were eligible to have 80 per cent of their wage costs paid up to a maximum of £2,500 per month.

From 1 September 2020 to 30 September 2020, the level of eligibility reduced to 70 per cent of wage costs and up to a maximum of £2,197.50 per month. From 1 October 2020 to 31 October 2020, the level of eligibility reduced to 60 per cent of wage costs and up to a maximum of £1,875 per month. Following the introduction of further lockdown restrictions in the United Kingdom in November 2020, the CJRS was extended from 1 November 2020 to 30 November 2020 and then further to 31 March 2021 and then further again to 30 September 2021 with the level of eligibility increased to 80 per cent of wage costs and a maximum of £2,500 per month through to the end of June 2021. From 1 July 2021 the eligibility decreased down each month to 60 per cent of wage costs and a maximum of £1,875 per month by 30 September 2021.

The CJRS ended on 30 September 2021. The total amount of the relief received under the CJRS by the Group during the six month period ended 30 June 2022 was £nil (30 June 2021: £144 million) and is recognised net within employee costs.

Such costs were paid by the government to the Group in arrears. The Group was obliged to continue to pay the associated social security costs and employer pension contributions.

18 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 two years within the approved hedging profile.

During the six months ended 30 June 2022, following a rise in the price of crude oil, the fair value of the fuel derivative instruments was a £568 million net asset at 30 June 2022, representing a favourable movement from 1 January 2022 of £412 million.

Foreign currency risk
The Group is exposed to currency risk on revenue, purchases and borrowings that are denominated in a currency other than sterling. The currencies in which these transactions are primarily denominated are 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.

At 30 June 2022, the fair value of foreign currency derivatives instruments was a £516 million net asset, representing a favourable movement of £504 million since 1 January 2022.

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

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 within Other non-operating expenses.

19 Post balance sheet events

No significant events have taken place post the balance sheet date.

Notes to the accounts (continued)

For the six months ended 30 June 2022

20 Related party transactions

The Group had transactions in the ordinary course of business during the six months ended 30 June 2022 with related parties.

	Six months to 30 June	
£ million	**2022**	*2021*
Sales of goods and services:		
Sales to/purchases on behalf of IAG[1]	**1**	*6*
Sales to/purchases on behalf of subsidiary undertakings of the parent[2]	**43**	*19*
Sales to/purchases on behalf of significant shareholders of the parent[3]	**23**	*6*
Sales to associates[4]	**150**	*29*
Purchases of goods and services:		
Purchases from IAG[1]	**21**	*16*
Purchases from subsidiary undertakings of the parent[2]	**134**	*95*
Purchases from significant shareholders of the parent[3]	**60**	*26*
Purchases from associates[4]	**82**	*47*

Period end balances arising from sales and purchases of goods and services:

	30 June	31 December
£ million	**2022**	*2021*
Receivables from related parties:		
Amounts owed by IAG[1]	**98**	*100*
Amounts owed by subsidiary undertakings of the parent[2]	**62**	*55*
Amounts owed by significant shareholders of the parent[3]	**-**	-
Amounts owed by associates[4]	**102**	*58*
Payables to related parties:		
Amounts owed to IAG[1]	**1,476**	*1,416*
Amounts owed to subsidiary undertakings of the parent[2]	**58**	*28*
Amounts owed to significant shareholders of the parent[3]	**2**	-
Amounts owed to associates[4]	**1,417**	*1,374*

[1]The transactions between the Group and IAG principally comprise mainly of a long-term loan, 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. The long-term loans owed to and from the Group bear market rates of interest.
[2]Amounts owed by and to subsidiary undertakings of the parent related to other subsidiaries of the IAG Group.
[3]Amounts owed by and to significant shareholders of the parent related to Qatar Airways.
[4]Sales and purchases with associates are made at normal market prices and outstanding balances are unsecured and interest free. Cash settlement is expected within the standard settlement terms.

The Group has not benefited from any guarantees for any related party receivables or payables. During the period ended 30 June 2022 the Group has not made any allowance for expected credit losses relating to amounts owed by related parties (31 December 2021: £nil).

Directors' and Officers' loans and transactions

There were no loans or credit transactions with Directors or Officers of the Group at 30 June 2022 or that arose during the year that need to be disclosed in accordance with the requirements of sections 412 and 413 to the Companies Act 2006.

Notes to the accounts (continued)

For the six months ended 30 June 2022

Fleet table

Number in service with Group companies at 30 June 2022

	Owned	Finance lease	Operating lease	Total June 2022	Total December 2021	Changes since Dec-2021	Future deliveries	Options
Airbus A319	8		22	**30**	*30*			
Airbus A320	29	27	28	**84**	*84*		3	
Airbus A321	13		10	**23**	*28*	**(5)**	3	
Airbus A350	3	9		**12**	*8*	**4**	6	36
Airbus A380	2	10		**12**	*12*			
Boeing 777-200	38	2	3	**43**	*43*			
Boeing 777-300	5	4	7	**16**	*16*			
Boeing 777-900							18	24
Boeing 787-8		10	2	**12**	*12*			
Boeing 787-9	1	8	9	**18**	*18*			
Boeing 787-10		2		**2**	*2*		10	6
Embraer E190	9		13	**22**	*23*	**(1)**		
TOTAL OPERATIONS	**108**	**72**	**94**	**274**	**276**	**(2)**	**40**	**66**

Notes:

1. During the six-month period ended 30 June 2022, the Group has changed the basis in which it presents the aircraft fleet table. The categorisation of leases for accounting purposes differs to that presented above. For accounting purposes, while all operating leases are presented as lease liabilities, finance leases are presented as either lease liabilities or asset financed liabilities, depending on the nature of the individual arrangement. Refer to note 2 of the 2021 Annual Report and Accounts for further information.
2. As well as those aircraft in service, the Group also holds 6 aircraft (31 December 2021: 1) not in service.