

BRITISH AIRWAYS SIX MONTH RESULTS

1 January 2023 – 30 June 2023

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the six month period ended 30 June 2023.

Period results summary

- Total revenue of £6,716 million (2022: £4,443 million) up 51 per cent from last year.
- Operating profit before exceptional items of £528 million (2022: loss of £367 million¹).
- Operating profit after exceptional items of £528 million (2022: loss of £348 million¹).
- Cash, cash equivalents and other interest-bearing deposits increased by £1,397 million to £3,913 million (31 December 2022: £2,516 million).
- Borrowings decreased by £190 million to £10,247 million (31 December 2022: £10,437 million). Net debt decreased by £1,587 million to £6,334 million (31 December 2022: £7,921 million).
- The Group's liquidity position increased by £0.6 billion to £6.1 billion (31 December 2022: £5.5 billion).

Performance summary

For the six months ended 30 June

Financial data £ million	2023	2022 ¹	Higher/(lower)
Passenger revenue	5,939	3,560	66.8%
Total revenue	6,716	4,443	51.2%
Total expenditure on operations before exceptional items	(6,188)	(4,810)	28.6%
Operating profit/(loss) before exceptional items	528	(367)	nm
Exceptional items	-	19	nm
Operating profit/(loss) after exceptional items	528	(348)	nm
Non-operating items	(1)	(176)	nm
Profit/(loss) before tax	527	(524)	nm

nm = not meaningful

Operating figures	2023	2022 ¹	Higher/(lower)
Available seat kilometres (ASK ²) (m)	81,212	58,591	38.6%
Revenue passenger kilometres (RPK ²) (m)	66,436	44,791	48.3%
Cargo tonne kilometres (CTK ²) (m)	1,653	1,417	16.7%
Passenger load factor ² (%)	81.8%	76.4%	5.4 pts
Passengers carried (000)	20,339	14,244	42.8%
Passenger revenue per ASK (p)	7.31	6.08	20.4%
Passenger revenue per RPK (p)	8.94	7.95	12.5%
Non-fuel costs per ASK (p)	5.35	6.10	(12.3%)

¹The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment. Accordingly, for the six months to 30 June 2022, the Group has reclassified £9 million of gains from Other non-operating credits to Net gain on sale of property, plant and equipment within Total expenditure on operations. There is no impact on the loss after tax. Further information is given in note 1.

²Defined in the Annual Report and Accounts for the year ended 31 December 2022 and should be read in conjunction with this document.

Management review

For the six month period ended 30 June 2023, the Group recognised a profit before tax of £527 million (2022: loss of £524 million).

Overall capacity, measured in available seat kilometres (ASKs), increased by 38.6 per cent and passenger load factor increased by 5.4 percentage points. This was driven by increased leisure and business volumes as greater demand returned. The increase in passenger load factor, together with a rise in average passenger yields of 9.0 per cent, led to an increase in passenger revenue by 66.8 per cent compared to the same period in 2022 which was impacted by the Omicron variant of COVID-19.

Our Operation

Throughout the first half of the year, British Airways continued to work closely with stakeholders across the business and its partners to rebuild and transform the airline, with an increased focus and investment on driving improvements in operational performance, resilience and customer satisfaction.

British Airways continued to expand its global network by launching new services from Gatwick to Aruba, Guyana and Vancouver and new routes from Heathrow to Cincinnati, Florence and Istanbul's Sabiha Gokcen International Airport. The airline also restarted operations to Beijing and Shanghai following a three-year period of suspended operations due to the pandemic.

The carrier continued to work with **oneworld** and its joint business and codeshare partners and launched a new codeshare partnership with South African airline, Airlink, offering more choice and connectivity for customers travelling across the Southern Africa region. Following domestic carrier Flybe's entry into administration and the withdrawal of its application for a temporary operating license, Heathrow slots were returned to British Airways through the independent slot coordinator, ACL. The slots were originally leased to Flybe by British Airways.

Management review (continued)

BA Euroflyer, the British Airways subsidiary based at Gatwick Airport operated its first flight under its own Air Operator Certificate (AOC) in January 2023 and continues the process of transitioning aircraft across from British Airways mainline. BA Euroflyer operates in a similar manner to the company's existing subsidiary, BA Cityflyer, flying under the British Airways brand and offering the same premium product that customers know and enjoy on British Airways mainline services. During the first half of the year, BA Euroflyer launched routes to Montpellier, Corfu, Mykonos and Salzburg and announced new services to Sharm El Sheikh, Fuerteventura and Innsbruck for the winter.

At times during the period, British Airways experienced disruption to flights due to a combination of factors, some of which were outside of the airline's control. These included periods of industrial action across the UK and Europe, airport capacity constraints, aircraft serviceability, global supply chain issues and significant adverse weather events across the network restricting the number of aircraft able to safely take off and land per hour. As a result, when required, the airline took action to adjust its schedule by consolidating a small number of flights to high frequency destinations. Affected customers were notified as soon as adjustments were made and offered options including rebooking onto alternative flights or a full refund. To mitigate supply chain delays, the airline worked hard with suppliers to ensure robust contingency measures were put in place.

Our People

British Airways continued to focus on investing in its people and putting its colleagues at the heart of its business. In January, the airline unveiled its new uniform, designed by Savile Row tailoring expert Oswald Boateng. More than 1,500 colleagues were involved in the design process to create the new uniform, which is now being worn by ground operations and engineering colleagues. The uniform will be rolled out to flight, cabin crew and customer service colleagues later in the year.

During the six months, British Airways expanded its social media presence by launching on TikTok, a platform where it continues to showcase colleagues from across the business. In the first six months following launch, the airline's TikTok channel achieved more than one million likes and gained more than 200,000 followers.

In April, British Airways unveiled its new safety video which showcases colleagues alongside the best British talent and is shown on all long-haul flights. Titled "An Original Safety Video", the five-minute film builds on the success of the "A British Original" brand campaign by celebrating Britain's unique culture and the original reasons behind every journey.

As British Airways rebuilds its business, it has embarked on the biggest recruitment campaign in the airline's history. This year, British Airways continued to bring new colleagues into the business as it prepared to operate its busiest summer season post-pandemic. Approximately 3,000 colleagues joined the airline during the first half of the year, bringing the total number of individuals to join the business since the start of 2022 to more than 10,000.

In recognition of the airline's commitment to emerging talent and career development, British Airways was named as one of 'The Times' Top 100 Graduate Employers for 2023, as voted for by more than 12,000 graduates who recently left university. In addition, the airline's Finance Graduate Scheme won 'Graduate Programme of the Year' at the 20th PQ Magazine Awards, an award-winning magazine for part-qualified accountants.

British Airways continues to create a colleague-centric culture by recognising the outstanding contributions colleagues make to the business through its Above & Beyond recognition programme. In the first six months of the year alone, more than 20,000 colleagues were recognised through the platform. The airline held an awards event in London to celebrate the achievements of its people around the world, made further enhancements to its Staff Travel benefits and began refurbishment work of crew rest areas at Heathrow.

In early June, British Airways was informed it was one of the companies impacted by Zellis' cybersecurity incident which occurred via Zellis' third-party supplier called MOVEit. Zellis provides payroll support services to hundreds of companies in the UK. The incident occurred due to a new and previously unknown vulnerability in a widely used MOVEit file transfer tool. British Airways took immediate action to report the incident to the Information Commissioner's Office (ICO), notify colleagues whose personal information had been compromised and continues to provide support and advice to colleagues, including access to a specialist service that helps detect possible misuse of personal information and provides identity monitoring support.

Our Customers

During the pandemic, British Airways was the first UK airline to offer customers the unprecedented flexibility to change their travel plans by providing them with vouchers for future travel. In order to give customers greater flexibility to use their vouchers, the book and travel by date has been extended to 30 September 2024.

British Airways continued to invest in its customer experience, with more of its long-haul aircraft being fitted with its award-winning business class seat, the Club Suite. Approximately 55 per cent of Heathrow-based aircraft are currently flying with the next generation business class product. The airline also took delivery of four new, more fuel-efficient aircraft during the first half of the year, comprising of an Airbus A320neo, an Airbus A350-1000 and two Boeing 787-10's which are now flying across the airline's global network.

On board, British Airways launched a new enhanced First training course, providing cabin crew with specialist training and knowledge and an enhanced skillset to deliver the seamless and personalised service customers travelling in First would expect. It also introduced a selection of award-winning English sparkling wines into its Club World cabin for the first time, showcasing British provenance.

On the ground, the airline continued to invest in and enhance its global lounge proposition by completing the transition to a new catering supplier across its owned and operated US lounges and refreshing its lounges at Heathrow Terminal 3. The lounge investment also includes a recent collaboration with premium drinks brands Betty Buzz and Aviation Gin at the co-branded American Airlines and British Airways lounges at New York –JFK Terminal 8 and the announcement of an exclusive Whispering Angel lounge bar in Heathrow Terminal 5.

Management review (continued)

Elsewhere, as part of the airline's continued investment into the digital customer experience, British Airways rolled out digital baggage notifications to notify customers when their bag reaches the carousel at Heathrow and enabled customers to access their digital baggage receipts through the British Airways mobile app.

British Airways opened a new contact centre at its Call BA operation in Delhi, which formed part of a wider investment into the airline's Global Engagement Centres which also included rolling out a new telephone system and customer platform, providing colleagues with the latest technology to better assist customers.

In a first for the airline, British Airways in conjunction with IAG Loyalty launched a series of Avios Only Flights, where every seat is available to purchase using Avios, the currency used for the British Airways Executive Club loyalty programme. Initially, seats were made available on BA Euroflyer's inaugural service from Gatwick to Sharm El Sheikh in November 2023 and a selection of flights from Heathrow to Geneva in early 2024. Following a successful launch which saw the first two destinations sell out within 24-hours, a further five services were added to destinations including Las Palmas, Lanzarote, Barcelona, Nice and Tenerife for travel later this year and in early 2024.

Furthermore, British Airways Holidays in conjunction with IAG Loyalty gave customers the option to pay for holiday packages with Avios, providing Executive Club members with more ways to spend Avios earned through the loyalty scheme.

Our Planet

British Airways continued to put sustainability at the heart of its business and remains committed to reducing the impact flying has on the planet. The airline has a clear road map of initiatives to reach net zero emissions by 2050 and continues to work closely with Government and industry partners to get there as part of its BA Better World sustainability programme.

The airline's focus in the first half of the year has been to continue to embed BA Better World in every part of the business and to mobilise, energise and support colleagues in creating a culture of sustainability that's visible to customers. As part of this, all new business plan submissions are required to include a section on sustainability.

The airline celebrated the first anniversary of its BA Better World Community Fund in April, an initiative which supports projects in communities across the breadth of the UK. Since its launch in April 2022, the scheme has raised over £3.4 million and now supports more than 170 charities across the UK.

In response to the devastating earthquake which affected Turkey and Syria in February, British Airways temporarily redirected all onboard donations to the Disasters Emergency Committee's Turkey-Syria Earthquake appeal (DEC), raising £143,000 and operated relief flights carrying more than four tonnes of vital aid and medical supplies to the region. In addition, customers and colleagues had the opportunity to donate via the BA Better World Community Fund, raising a further £43,000 to provide support for those who need it most.

Furthermore, as part of the airline's continued focus on supporting communities in the UK and around the world, all UK-based colleagues were gifted a £20 voucher to donate to a charity of their choice from the BA Better World Community Fund. This follows on from a similar successful scheme in December 2022, which saw £100,000 of additional funding given to more than 120 charities registered at the time.

Through Flying Start, British Airways' charity partnership with Comic Relief, customers and colleagues raised more than £1 million for Red Nose Day 2023, helping thousands of people in communities around the world. Since the partnership launched in 2010, British Airways customers and colleagues have raised more than £27 million.

Group business travel specialists Travel Places launched a new Sustainable Aviation Fuel (SAF) fund in partnership with British Airways, providing a unique opportunity for customers to address the carbon footprint from their business travel. The SAF is provided through the airline's multi-year partnership with Philips 66 Limited. The refinery, located near Immingham in Humberside, uses waste cooking oil as the feedstock, and the SAF produced provides lifecycle emissions reductions of more than 80 per cent compared to traditional fossil-based jet fuel.

British Airways attended the Sustainable Skies Summit at Farnborough Airport and supported a RAF fly-past, where a RAF Voyager aircraft was refuelled using a 43 per cent blend of SAF, supplied by British Airways and IAG.

The airline also published the next episode of its BA Better World docuseries, shining a light on operational efficiency and the small operational changes the airline is making in the air and on the ground on its journey to a more sustainable future.

British Airways' 2022 Sustainability Report is available at www.britishairways.com/babetterworld.

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

£ million	2023	2022¹	Higher/(lower)
Passenger revenue	5,939	3,560	66.8%
Cargo revenue	397	552	(28.0%)
Other revenue	380	331	14.8%
Total revenue	6,716	4,443	51.2%
Employee costs	1,227	983	24.8%
Fuel, oil costs and emission charges	1,840	1,234	49.1%
Handling, catering and other operating costs	1,097	796	37.8%
Landing fees and en route charges	554	379	46.2%
Engineering and other aircraft costs	434	347	25.1%
Property, IT and other costs	333	295	12.9%
Selling costs	252	183	37.7%
Depreciation and amortisation	482	541	(10.9%)
Net gain on sale of property, plant and equipment	(11)	(9)	22.2%
Currency differences	(20)	61	nm
Total expenditure on operations before exceptional items	6,188	4,810	28.6%
Operating profit/(loss) before exceptional items	528	(367)	nm
Exceptional items	-	19	nm
Operating profit/(loss) after exceptional items	528	(348)	nm
Non-operating items	(1)	(176)	nm
Profit/(loss) before tax	527	(524)	nm
Tax	(69)	163	nm
Profit/(loss) after tax	458	(361)	nm

¹The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment. Accordingly, for the six months to 30 June 2022, the Group has reclassified £9 million of gains from Other non-operating credits to Net gain on sale of property, plant and equipment within Total expenditure on operations. There is no impact on the loss after tax. Further information is given in note 1.

Revenue

Overall capacity for the six month period reached 88.1 per cent of that operated in the same period during 2019. This is significantly higher than the 63.6 per cent of 2019 capacity operated during the same period in 2022. This is driven by increased travel arising from greater demand and consumer confidence following the impact of Omicron during the six month period in 2022. Passenger load factors reached 81.8 per cent, only 0.3 percentage points lower versus 2019. This, together with increased yields, translated to total passenger revenue for the first six months of the year of £5,939 million (2022: £3,560 million), an increase of 66.8 per cent. Passenger unit revenue (passenger revenue per ASK) was 20.4 per cent higher than the first six months of 2022, and 17.0 per cent higher than the corresponding period in 2019.

Cargo carried, measured in cargo tonne kilometres (CTKs), increased by 16.7 per cent, however Cargo revenue decreased by 28.0 per cent to £397 million due to lower yields. Other revenue increased by £49 million to £380 million, the majority of which is driven by BA Holidays.

Expenditure on operations

Total operating costs before exceptional items increased by 28.6 per cent to £6,188 million (2022: £4,810 million). Fuel costs increased by £606 million, or 49.1 per cent, to £1,840 million reflecting the increased flying in conjunction with the weakening of the pound against US dollar denominated purchases. The increase in fuel costs was partially mitigated by British Airways' fuel price hedging strategy. Operating expenditure excluding fuel, before exceptional items, increased by 21.6 per cent to £4,348 million (2022: £3,576 million), largely reflecting the increased flying.

Exceptional items

There were no exceptional items for the six month period ended 30 June 2023 (2022: £19 million). Refer to note 3 for further detail.

Non-operating items

The Group's net non-operating costs for the six month period were £1 million in 2023 (2022: £176 million). Non-operating items during the period include finance costs of £309 million (2022: £230 million), a net gain of £135 million (2022: net gain of £73 million) relating to the share of post-tax results of associates, net gains of £65 million (2022: net losses of £29 million) relating to the revaluation of foreign currency denominated debts and related derivatives, finance income of £62 million (2022: £1 million) and net financing credits of £45 million (2022: credits of £11 million) relating to pensions.

Tax

The tax charge for the period was £69 million (2022: £163 million credit). The effective rate for the period was 13.1 per cent (2022: 31.1 per cent) being lower (2022: higher) than the tax charge (2022: tax credit) at the applicable UK corporation tax rate for the year of 23.5 per cent (2022: 19.0 per cent). Refer to note 6 for further detail.

Financial review (continued)*Capital expenditure*

Total capital expenditure paid in the period amounted to £700 million (2022: £695 million) which included £573 million (2022: £644 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications, heavy maintenance costs and refurbishments) and £127 million (2022: £51 million) on property, equipment and software. During the period the Group took delivery of four aircraft comprising an Airbus A320neo, an Airbus A350-1000 and two Boeing 787-10's (2022: four Airbus A350-1000s).

Liquidity

The Group's liquidity position at 30 June 2023 was £6.1 billion (31 December 2022: £5.5 billion), comprising cash, cash equivalents and interest-bearing deposits of £3.9 billion (2022: £2.5 billion), £2.1 billion of undrawn committed general facilities (31 December 2022: £2.1 billion) and £0.1 billion of undrawn committed aircraft facilities (31 December 2022: £0.9 billion). Net debt decreased to £6.3 billion at 30 June 2023 (31 December 2022: £7.9 billion) largely due to the increase in cash, cash equivalents and interest-bearing deposits driven by the increase in forward bookings.

Principal risks and uncertainties

BA has continued to maintain its framework and processes to identify, assess and manage risks. The principal risks and uncertainties affecting the Group, detailed on pages 8 to 16 of the 2022 Annual Report and Accounts, remain relevant at the date of this report. BA continues to monitor risks as the risk landscape evolves, particularly considering how risks combine to create increased threats and how to re-assess the potential severity and likelihood accordingly. BA's exposure and ability to directly manage the external risk environment remains a challenge, given the fundamental weaknesses in the resilience of the aviation sector's supply chain, inflationary impacts in both supplier costs and salaries and policy measures taken by governments to address economic threats. Management remains focused on mitigating risks at all levels in the business and investing to increase resilience.

The BA Board reviews and challenges management on the risk landscape in the light of changes that influence BA and the aviation industry. Where further action has been required, the BA Board has considered potential mitigations and, where appropriate or feasible, BA has implemented or confirmed plans that would address those risks.

In assessing its principal risks, BA has considered operational resilience, supply chain risk, the industrial relations landscape and people engagement and cultural change across BA. No new principal risks were identified through the risk management discussions and assessments across the business in the year to date. From the risks identified in the 2022 Annual Report and Accounts, given the current environment, the main risks that continue to be a key area of focus, due to their potential implications for the Group, are outlined below.

- **Brand and customer trust.** Operational resilience and customer satisfaction underpin customer trust. Reliability, including on-time performance, service and product delivery, are key elements of the BA brand value and of each customer's experience. BA continues to improve its disruption management capabilities to support customers through disruption and improve its service propositions to help ensure that our customers choose to fly BA.
- **Critical third parties in the supply chain.** The aviation sector continues to be affected by global supply chain disruption which has impacted aircraft deliveries, component availability, resource availability and/or threat of employee industrial action in critical third parties and airport services, airport's resilience weaknesses, particularly Heathrow and air traffic control (ATC) restrictions and strikes. BA pro-actively assesses its schedules for operability and continues to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource, strike action or production delays which could impact the availability of new fleet, engines or critical goods or services.
- **Cyber attack and data security.** The threat of sophisticated ransomware attacks on critical infrastructure and services remains high with BA exposed to threat actors targeting both BA and its suppliers. In the half year, BA was impacted by a breach of employee data as a result of an attack on a third party services provider holding employee data. BA is focussed on improving its cyber security posture and better understanding the risk presented by its suppliers.
- **Economic, political and regulatory environment.** The economic impact of increases in commodity and wage costs has driven significant inflation and impacted on interest rates as governments seek to moderate inflation, which may result in demand softening. If interest rate increases have not yet materially passed through to customers for their personal debt, they may need to reduce their spend on travel to accommodate the increase in their cost of borrowing.
- **IT systems and IT infrastructure.** BA is reliant upon the resilience of its systems for key customer and business processes and is exposed to risks that relate to poor performance, obsolescence or failure of these systems. BA continues with major programmes and upgrades to modernise, including new commercial capabilities and customer centric enhancements using agile based models as well as replacing core IT infrastructure and improving network connectivity. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans for go live of IT systems related changes.
- **Operational resilience.** Ongoing labour shortages, industrial unrest and strike action in the aviation sector, shortages in the supply chain and airspace and ATC restrictions can all impact BA's operational environment as well as the operations of the businesses on which BA relies. BA continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estate. BA is focussed on minimising any unplanned outages or disruption to customers with additional resilience built into the network.

Principal risks and uncertainties (continued)

- **People, culture and employee relations.** Our people, their engagement and cultural appetite and mindset for change are critical to BA's current performance and future success. Our leadership recognises the efforts of our staff and their commitment through the continued operational challenges facing our airlines. Resource shortages in crew have been addressed and BA are building the knowledge and experience of their new starters and managing the cultural impacts of onboarding at scale to ensure they have the right capabilities to operate. Shortages in engineers across the aviation sector and in BA may impact maintenance delivery timelines unless resource levels can be secured. Across BA, collective bargaining is in place with various unions. Where agreements are open, BA continues to engage in discussions with unions to secure sustainable agreements and address concerns arising within the negotiations.
- **Sustainable aviation.** The plan to decarbonise aviation has resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which BA operates. As Sustainable Aviation Fuel (SAF) infrastructure and availability still lags, demand for SAF, mandates and other tax based measures may disproportionately impact BA versus their competitors.


The BA Board has been apprised of regulatory, competitor and governmental responses on an ongoing basis.

By order of the Board

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Sean Doyle
Chairman and Chief Executive Officer
28 July 2023

DocuSigned by:

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Rebecca Napier
Chief Financial Officer
28 July 2023

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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 from time to time (the 'Group'), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure, acquisitions and divestments relating to the Group and discussions of the Group's business plans. 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 current economic and geopolitical environment and ongoing recovery from the COVID-19 pandemic and uncertainties about its future 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 2022; this document is 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. Many of these risks are, and will be, exacerbated by the ongoing recovery from the COVID-19 pandemic and uncertainties about its future impact and duration and any further disruption to the global airline industry as well as the current economic and geopolitical environment.

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BRITISH AIRWAYS PLC

Unaudited Condensed Consolidated Interim Financial Statements
1 January 2023 – 30 June 2023

Consolidated income statement

For the six months ended 30 June

£ million	Note	2023	2022 ¹
Passenger revenue		5,939	3,560
Cargo revenue		397	552
Other revenue		380	331
Total revenue		6,716	4,443
Employee costs		1,227	983
Fuel, oil costs and emission charges		1,840	1,234
Handling, catering and other operating costs		1,097	796
Landing fees and en route charges		554	379
Engineering and other aircraft costs		434	347
Property, IT and other costs		333	295
Selling costs		252	183
Depreciation and amortisation	8	482	541
Net gain on sale of property, plant and equipment		(11)	(9)
Currency differences		(20)	61
Total expenditure on operations before exceptional items		6,188	4,810
Operating profit/(loss) before exceptional items		528	(367)
Exceptional items	3	-	19
Operating profit/(loss) after exceptional items		528	(348)
Finance costs	5	(309)	(230)
Finance income	5	62	1
Net financing credit relating to pensions	5	45	11
Net currency retranslation credits/(charges)		65	(29)
Share of profits in investments accounted for using the equity method		135	73
Other non-operating credits/(charges)	5	1	(2)
Total net non-operating costs		(1)	(176)
Profit/(loss) before tax		527	(524)
Tax (charge)/credit	6	(69)	163
Profit/(loss) after tax		458	(361)

¹The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment. Accordingly, for the six months to 30 June 2022, the Group has reclassified £9 million of gains from Other non-operating credits/(charges) to Net gain on sale of property, plant and equipment within Total expenditure on operations. There is no impact on the loss after tax. Further information is given in note 1.

Consolidated statement of other comprehensive income

For the six months ended 30 June

£ million	Note	2023	2022 ¹
Items that may be reclassified subsequently to net profit/(loss)			
Cash flow hedges:			
Fair value movements in equity ¹		(170)	817
Reclassified and reported in net profit/(loss)		(22)	(222)
Fair value movements on cost of hedging ¹		(53)	(51)
Cost of hedging reclassified and reported in net profit/(loss)		30	(1)
Currency translation differences		(2)	2
Other movements in comprehensive (loss)/income of associates	11	(7)	11
		(224)	556
Items that will not be reclassified to net profit/(loss)			
Remeasurements of post-employment benefit obligations		(417)	459
		(417)	459
Total other comprehensive (loss)/income, net of tax		(641)	1,015
Profit/(loss) after tax for the period		458	(361)
Total comprehensive (loss)/income for the period		(183)	654

¹The 2022 results include a reclassification of gains and losses associated with the fair value movements on cash flow hedge and fair value movements on cost of hedging respectively. There is no impact on Total other comprehensive (loss)/income, net of tax. Further information is given in note 1.

Consolidated balance sheet

£ million	Note	30 June 2023	31 December 2022
Non-current assets			
Property, plant and equipment	8	10,683	10,446
Intangible assets	8	1,261	1,197
Investments accounted for using the equity method	11	2,078	1,951
Other equity investments		2	2
Employee benefit assets	15	1,669	2,041
Derivative financial instruments		20	47
Deferred tax assets		499	513
Other non-current assets		184	174
		16,396	16,371
Current assets			
Non-current assets held for sale	10	-	16
Inventories		78	70
Trade receivables		894	811
Other current assets		728	685
Derivative financial instruments		85	340
Other current interest-bearing deposits		340	140
Cash and cash equivalents		3,573	2,376
		5,698	4,438
Total assets		22,094	20,809
Shareholders' equity			
Issued share capital		290	290
Share premium		1,512	1,512
Other reserves		521	681
Total shareholders' equity		2,323	2,483
Total equity		2,323	2,483
Non-current liabilities			
Borrowings	14	8,785	9,226
Employee benefit obligations	15	179	188
Provisions	16	547	581
Derivative financial instruments		61	39
Other non-current liabilities		65	84
		9,637	10,118
Current liabilities			
Borrowings	14	1,462	1,211
Trade and other payables		2,753	2,436
Deferred revenue		5,291	4,171
Derivative financial instruments		348	141
Current tax payable		2	3
Provisions	16	278	246
		10,134	8,208
Total liabilities		19,771	18,326
Total equity and liabilities		22,094	20,809

Consolidated cash flow statement

For the six months ended 30 June

£ million	2023	2022 ¹
Cash flow from operating activities		
Operating profit/(loss) after exceptional items	528	(348)
Exceptional items	-	(19)
Operating profit/(loss) before exceptional items	528	(367)
Depreciation and amortisation	482	541
Net gain on sale of property, plant and equipment	(11)	(9)
Employer contributions to defined benefit pension schemes net of service and administration costs	(9)	(2)
Increase in provisions	22	80
Unrealised currency differences	(3)	32
Other movements	24	14
Interest paid	(265)	(199)
Interest received	60	-
Tax paid	(15)	(1)
Tax refunded	-	5
Net cash flows generated from operating activities before movements in working capital	813	94
Increase in trade receivables	(85)	(377)
(Increase)/decrease in inventories	(8)	5
Increase in other receivables and current assets	(79)	(135)
Increase in trade payables	74	419
Increase in deferred revenue	1,123	1,110
Increase in other payables and current liabilities	201	225
Net cash flows generated from operating activities	2,039	1,341
Cash flow from investing activities		
Acquisition of property, plant and equipment and intangible assets	(700)	(695)
Proceeds from sale of property, plant and equipment and intangible assets	30	20
Loan repaid by parent company	39	5
Loan to associate	(3)	-
Dividends received	1	-
Increase in interest bearing deposits	(200)	-
Other investing movements	4	-
Net cash flows used in investing activities	(829)	(670)
Cash flow from financing activities		
Proceeds from borrowings	539	125
Repayments of borrowings	(91)	(84)
Repayment of lease liabilities	(464)	(303)
Settlement of derivative financial instruments	(15)	130
Net cash flows used in financing activities	(31)	(132)
Net increase in cash and cash equivalents	1,179	539
Net foreign exchange differences	18	19
Cash and cash equivalents at 1 January	2,376	1,687
Cash and cash equivalents at 30 June	3,573	2,245
Interest-bearing deposits with maturity periods of more than three months	340	-
Cash, cash equivalents and interest-bearing deposits	3,913	2,245

¹The 2022 results have been represented. Further information is given in note 1.

Consolidated statement of changes in equity

For the six months ended 30 June 2023

£ million	Issued share capital	Share premium	Other reserves	Total equity
As at 1 January 2023	290	1,512	681	2,483
Profit for the period	-	-	458	458
Other comprehensive loss for the period	-	-	(641)	(641)
Total comprehensive loss for the period, net of tax	-	-	(183)	(183)
Hedges transferred to the balance sheet, net of tax	-	-	23	23
As at 30 June 2023	290	1,512	521	2,323

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 transferred to the balance sheet, net of tax	-	-	6	6
As at 30 June 2022	290	1,512	650	2,452

Notes to the accounts

For the six months ended 30 June 2023

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 28 July 2023. 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 to 31 December 2022 have been applied in the preparation of these condensed consolidated interim financial statements. BA's Annual Report and Accounts for the year ended 2022 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.

Change in presentation of results

Consolidated statement of other comprehensive income

The prior period Consolidated statement of other comprehensive income includes a reclassification of £113 million of gains associated with the Fair value movements on cash flow hedges and £10 million of losses associated with the Fair value movements on cost of hedging, which had been previously presented under the sub-heading "Items that will not be reclassified to net profit/(loss)", to the sub-heading "Items that may be reclassified subsequently to net profit/(loss)" as these may recycle in future periods. There is no impact on Total other comprehensive (loss)/income, net of tax.

Consolidated income statement – net gain on sale of property, plant and equipment

The prior period Consolidated income statement includes a reclassification to conform with the current period of presentation for the Net gain on the sale of property, plant and equipment. Accordingly, for the six months to 30 June 2022, the Group has reclassified £9 million of gains from Other non-operating credits/(charges) to Net gain on sale of property, plant and equipment within Total expenditure on operations. There is no impact on the loss after tax.

Consolidated cash flow statement

During the course of 2023, the Group has made a number of changes to its Consolidated cash flow statement. These changes have been applied retrospectively to the Consolidated cash flow statement and are detailed below.

- *Net gain on sale of property, plant and equipment*

Previously, gains/losses on the sale of property, plant and equipment were recorded in the Consolidated income statement within Other non-operating charges. Under the updated presentation, gains/losses on the sale of property, plant and equipment are presented separately in the Consolidated income statement and included within Operating profit. Accordingly, Operating profit included within Net cash flows from operating activities has been updated.

- *Unrealised currency differences*

Previously, all unrealised foreign currency gains/losses arising in the Consolidated cash flow statement were recorded within Net foreign exchange differences. Under the updated presentation, Net foreign exchange differences has been amended to only include those unrealised currency differences arising from the retranslation of opening cash and cash equivalent balances, while unrealised currency differences arising from working capital used in operating activities are presented within Net cash flows from operating activities.

- *Other cash flows from operating activities*

Previously, movements in working capital balances were presented aggregated between working capital assets and working capital liabilities. Under the updated presentation working capital balances have been disaggregated by their nature to allow greater visibility as to the cash flow impacts associated with these balances. There has been no change in the overall total movement in working capital.

In addition, previously the Group presented the non-cash movements in provisions combined with other non-cash movements. Under the updated presentation these items have been separated into individual row items within the Consolidated cash flow statement.

Notes to the accounts (continued)

For the six months ended 30 June 2023

1 Corporate information and basis of preparation (continued)

Change in presentation of results (continued)

The impact of these changes on the Consolidated income statement for the six and three months ended 30 June 2022 and the Consolidated cash flow statement for the six months ended 30 June 2022 are shown below:

Consolidated Income statement (extract for the six months ended 30 June 2022)

£ million	As reported	Adjustment - net gain on sale of PPE	Restated
Total revenue	4,443	-	4,443
Net gain on sale of property, plant and equipment	-	(9)	(9)
Total expenditure on operations before exceptional items	4,819	(9)	4,810
Operating loss before exceptional items	(376)	9	(367)
Operating loss after exceptional items	(357)	9	(348)
Total net non-operating costs	(167)	(9)	(176)
Loss before tax	(524)	-	(524)
Tax	163	-	163
Loss after tax	(361)	-	(361)

Notes to the accounts (continued)

For the six months ended 30 June 2023

1 Corporate information and basis of preparation (continued)

Change in presentation of results (continued)

Consolidated cash flow statement (extract for the six months ended 30 June 2022)

£ million	As reported	Adjustment – net gain on sale of PPE	Adjustment – unrealised currency differences	Adjustment – operating cash flow items	Restated
Cash flow from operating activities					
Operating loss after exceptional items	(357)	9	-	-	(348)
Exceptional items	(19)	-	-	-	(19)
Operating loss before exceptional items	(376)	9	-	-	(367)
Depreciation and amortisation	541	-	-	-	541
Net gain on sale of property, plant and equipment	-	(9)	-	-	(9)
Movement in working capital	1,247	-	-	(1,247)	-
<i>Increase in trade receivables, inventories and other current assets</i>	(507)	-	-	507	-
<i>Increase in trade and other payables, deferred revenue and other current liabilities</i>	1,754	-	-	(1,754)	-
Payments related to restructuring	(11)	-	-	11	-
Employer contributions to defined benefit pension schemes net of service and administration costs	(2)	-	-	-	(2)
Provisions and other non-cash movements	105	-	-	(105)	-
Increase in provisions	-	-	-	80	80
Unrealised currency differences	-	-	32	-	32
Other movements	-	-	-	14	14
Interest paid	(199)	-	-	-	(199)
Tax paid	(1)	-	-	-	(1)
Tax refunded	5	-	-	-	5
Net cash flows generated from operating activities before movements in working capital	1,309	-	32	(1,247)	94
Increase in trade receivables	-	-	-	(377)	(377)
Increase in inventories	-	-	-	5	5
Increase in other receivables and current assets	-	-	-	(135)	(135)
Increase in trade payables	-	-	-	419	419
Increase in deferred revenue	-	-	-	1,110	1,110
Increase in other payables and current liabilities	-	-	-	225	225
Net cash flows generated from operating activities	1,309	-	32	-	1,341
Net cash flows used in investing activities	(670)	-	-	-	(670)
Net cash flows used in financing activities	(132)	-	-	-	(132)
Net increase in cash and cash equivalents	507	-	32	-	539
Net foreign exchange differences	51	-	(32)	-	19
Cash and cash equivalents at 1 January	1,687	-	-	-	1,687
Cash and cash equivalents at 30 June	2,245	-	-	-	2,245
Interest-bearing deposits maturing after more than three months	-	-	-	-	-
Cash, cash equivalents and interest-bearing deposits	2,245	-	-	-	2,245

Notes to the accounts (continued)

For the six months ended 30 June 2023

1 Corporate information and basis of preparation (continued)

Going concern

At 30 June 2023, the Group had total liquidity of £6.1 billion (31 December 2022: total liquidity of £5.5 billion), comprising cash and cash equivalents and interest-bearing deposits of £3.9 billion (31 December 2022: £2.5 billion), £2.1 billion of committed and undrawn general facilities (31 December 2022: £2.1 billion) and a further £0.1 billion of committed and undrawn aircraft specific facilities (31 December 2022: £0.9 billion). The Group has no financial covenants associated with its loans and borrowings.

In its assessment of going concern, the Group has modelled two scenarios referred to below as the Base Case and the Downside Case over a period of at least twelve months from the date of the approval of these condensed consolidated interim financial statements (the 'going concern period'). The Group's three-year business plan was used in the creation of the Base Case, which was prepared for and approved by the Board in December 2022. The forecast for 2023 was subsequently refreshed with the latest available internal and external information in June and July 2023. The refreshed forecast takes into account the Board's and management's views on the anticipated continued capacity recovery and the wider economic and geopolitical environments on the Group across the going concern period to 31 July 2024. 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 95 per cent in quarter 3 2023 (compared to the equivalent period in 2019) to exceed 2019 levels by the end of the going concern period;
- Passenger unit revenue per ASK is forecast to continue to remain above the levels obtained in 2019 throughout the going concern period;
- The Group has assumed that the committed and undrawn general and aircraft facilities of £2.2 billion will not be drawn over the going concern period. The availability of certain of these facilities reduces over time, with £2.1 billion being available to the Group at 31 July 2024; and
- Of the capital commitments stated in note 8, £1.4 billion is due to be paid over the going concern period, and the Group has forecast securing 100 per cent of the aircraft financing required that is currently uncommitted, to align with the timing and payments for these aircraft deliveries.

The Downside Case applies stress to the Base Case to model adverse commercial and operational impacts over the going concern period, represented by: reduced levels of capacity operated in each month, including reductions of 25 per cent for three months in 2023 and 2024; reduced passenger unit revenue per ASK; increases in the price of jet fuel by 20 per cent; and increased operational costs. In the Downside Case, over the going concern period capacity would be 12 per cent down when compared to the Base Case. The Downside Case assumes that committed general and aircraft facilities are not required to be drawn. The Directors consider the Downside Case to be a severe but plausible scenario.

Having reviewed the Base Case and the Downside Case, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for a period of at least twelve months from the date of approval of these condensed consolidated interim financial statements and hence continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the six months to 30 June 2023.

Notes to the accounts (continued)

For the six months ended 30 June 2023

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 2023 are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year to 31 December 2022.

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 2023, but do not have a material impact on the condensed consolidated interim financial statements of the Group:

- IFRS 17 Insurance contracts – effective for periods beginning on or after 1 January 2023;
- Definition of accounting estimate – amendments to IAS 8 effective for periods beginning on or after 1 January 2023;
- Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice statement 2 effective for periods beginning on or after 1 January 2023; and
- Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 effective for periods beginning on or after 1 January 2023.

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

Pillar Two minimum effective tax rate reform

In 2021 the Organisation for Economic Co-operation and Development (OECD) released the Two Pillar solution to address the tax challenges arising from the digitalisation of the economy. This reform to the international tax system addresses the geographical allocation of profits for the purposes of taxation, and is designed to ensure that multinational enterprises will be subject to a minimum 15 per cent effective tax rate.

Legislation that implements the OECD Pillar Two reforms was substantively enacted on 20 June 2023 and received Royal Assent on 11 July 2023.

On 23 May 2023, the IASB issued the amendments to IAS 12 – International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12), effective for periods beginning on or after 1 January 2023. The amendments to IAS 12 provide temporary mandatory relief from the recognition of deferred tax balances arising from the implementation of the Pillar Two legislation. On 20 July 2023, the amendments to IAS 12 – International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12), were adopted by the UK Endorsement Board.

The Group has adopted the amendments to IAS 12, whereby, the Group does not recognise adjustments to deferred tax assets and liabilities that arise from the introduction of the minimum 15 per cent effective tax rate. In developing this accounting policy, the Group has also adopted the relief given in paragraph 98M of the amendments of IAS 12 not to provide the disclosure requirements of the amendments for interim periods beginning on or after 1 January 2023.

At 30 June 2023, the Group is continuing to assess the implications of these Two Pillar reforms, including quantification of the impact on current tax.

Critical accounting judgements and key sources of estimation uncertainty

There are no changes to the critical accounting judgements or key sources of estimation uncertainty as set out in note 2 of the Annual Report and Accounts for the year ended 31 December 2022.

Notes to the accounts (continued)

For the six months ended 30 June 2023

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 amounts recognised are for items deemed to be exceptional:

For the six months ended 30 June 2023

£ million	2023	2022
Total exceptional credit after tax	-	19

There were no exceptional items for the six months ended 30 June 2023.

The exceptional credit of £19 million in 2022 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.

4 Seasonality

Except for the impact of COVID-19, the Group's business is highly seasonal with demand strongest during the 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.

5 Finance costs, income and other non-operating credits/(charges)

For the six months ended 30 June 2023

a Finance costs

£ million	2023	2022
Interest expenses on:		
Bank borrowings	(95)	(59)
Asset financed liabilities	(46)	(29)
Lease liabilities	(93)	(91)
Provisions unwinding of discount	(10)	(1)
Other borrowings ¹	-	-
Capitalised interest on progress payments	12	2
Other finance costs ¹	(77)	(52)
Total finance costs	(309)	(230)

¹The 2022 total finance costs include a reclassification of results to conform with the current basis of presentation. An amount of £52 million has been reclassified from Other borrowings to Other finance costs. There is no change to total finance costs.

b Finance income

£ million	2023	2022
Interest on other interest-bearing deposits	62	1
Total finance income	62	1

c Net financing credit relating to pensions

£ million	2023	2022
Net financing credit relating to pensions	45	11
Total net financing credit relating to pensions	45	11

Notes to the accounts (continued)

For the six months ended 30 June 2023

5 Finance costs, income and other non-operating credits/(charges) (continued)

d Other non-operating credits/(charges)

£ million	2023	2022 ¹
Realised gains/(losses) on derivatives not qualifying for hedge accounting	1	(2)
Total other non-operating credits/(charges)	1	(2)

¹The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment. Accordingly, for the six months to 30 June 2022, the Group has reclassified £9 million of gains from Other non-operating credits/(charges) to Net gain on sale of property, plant and equipment within Total expenditure on operations. Further information is given in note 1.

6 Tax

The tax (charge)/credit in the Income statement was as follows:

£ million	2023	2022
Current tax	1	19
Deferred tax	(70)	144
Total tax	(69)	163

The effective rate for the period was 13.1 per cent (2022: 31.1 per cent) being lower (2022: higher) than the tax charge (2022: tax credit) at the applicable UK corporation tax rate for the year of 23.5 per cent (2022: 19.0 per cent). On 24 May 2021 the Finance Bill was substantively enacted, which has led to the remeasurement of deferred tax balances at 30 June 2023 and increases the Group's future current tax charge accordingly. As a result of the remeasurement of deferred tax balances, a debit of £5 million is recorded in the Income statement.

Reconciliation of the Total Tax Charge/(Credit)

£ million	2023	2022
Accounting (profit)/loss before tax:	(527)	524
Corporation tax rate	23.5%	19.0%
Tax at standard corporation tax rate	124	(100)
Non-deductible expenses	1	11
Intra-group associates' profits	(32)	(14)
Effect of pension fund accounting	(6)	(9)
Adjustments in respect of prior periods ¹	(23)	4
Effect of tax rate changes	5	(55)
Tax charge/(credit) in the income statement	69	(163)

¹As at 30 June 2023 the Group recorded an adjustment in respect of prior periods resulting from changes made to the tax base of certain property, plant and equipment and an adjustment for overseas current tax.

Tax-related contingent liabilities

The Group has certain contingent liabilities that could be reliably estimated, across all taxes, at 30 June 2023 amounting to £8 million (31 December 2022: £8 million). While the Group does not consider it more likely than not that there will be material losses on these matters, given the inherent uncertainty associated with tax litigation and tax audits, there can be no guarantee that material losses will not eventuate. As the Group considers that it is more probable than not of success in each of these matters, it is not appropriate to make a provision for these amounts.

Unrecognised temporary differences

As at 30 June 2023, the Group has unrecognised temporary differences of £306 million (31 December 2022: £306 million) relating mainly 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 2023 (30 June 2022: £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 scheme funding 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. From 2025 British Airways may pay dividends of up to 50 per cent of pre-exceptional profit after tax for that financial year without being required to mitigate the scheme. Refer to note 15 for further information.

Notes to the accounts (continued)

For the six months ended 30 June 2023

8 Property, plant, equipment and intangibles

£ million	Owned property, plant and equipment	Right of use assets	Total property, plant and equipment	Intangible assets
Net book value at 1 January 2023	5,908	4,538	10,446	1,197
Additions	614	6	620	99
Modification of leases	-	74	74	-
Disposals	(2)	-	(2)	(8)
Depreciation and amortisation	(243)	(212)	(455)	(27)
Reclassifications ¹	131	(131)	-	-
Net book value as at 30 June 2023	6,408	4,275	10,683	1,261

£ million	Owned 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

¹ Amounts with a net book value of £131 million (2022: £117 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 2023, long-term borrowings of the Group are secured on fleet assets with a net book value of £2,760 million (31 December 2022: £2,183 million). There is also property pledged as security with a net book value of £554 million (31 December 2022: £561 million).

Capital expenditure recognised and contracted for but not provided for at 30 June 2023 amounts to £4,708 million (31 December 2022: £4,930 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

Goodwill and intangible assets with indefinite lives are tested for impairment annually and when circumstances indicate the carrying value may be impaired. As of 30 June 2023, there are no indicators that the carrying value may exceed the recoverable amount and accordingly, no impairment test has been performed.

10 Non-current assets held for sale

As at 30 June 2023, there were no non-current assets held for sale (31 December 2022: two Airbus A321 XLR aircraft).

11 Investments accounted for using the equity method

For the six months ended 30 June 2023

£ million	2023	2022
Balance at 1 January	1,951	1,737
Share of attributable results	135	73
Share of movements in other comprehensive (loss)/income of investments	(7)	11
Dividends received	(1)	(1)
As at 30 June	2,078	1,820

Notes to the accounts (continued)

For the six months ended 30 June 2023

12 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 30 June 2023 and 31 December 2022 by nature and classification for measurement purposes is as follows:

As at 30 June 2023

£ million	Financial assets			Non-financial assets	Total carrying amount
	Amortised cost	Fair value through OCI	Fair value through income statement		
Non-current financial assets					
Other equity investments	-	2	-	-	2
Derivative financial instruments	-	-	20	-	20
Other non-current assets	14	-	-	170	184
Current financial assets					
Trade receivables	894	-	-	-	894
Derivative financial instruments	-	-	85	-	85
Other current assets	88	-	-	640	728
Other current interest-bearing deposits	340	-	-	-	340
Cash and cash equivalents	3,573	-	-	-	3,573

£ million	Financial liabilities			Non-financial liabilities	Total carrying amount
	Amortised cost	Fair value through OCI	Fair value through income statement		
Non-current financial liabilities					
Interest bearing long-term borrowings	5,694	-	-	-	5,694
Lease liabilities	3,091	-	-	-	3,091
Derivative financial instruments	-	-	61	-	61
Other long-term liabilities	52	-	-	13	65
Current financial liabilities					
Current portion of long-term borrowings	242	-	-	-	242
Lease liabilities	1,220	-	-	-	1,220
Trade and other payables	2,697	-	-	56	2,753
Derivative financial instruments	-	-	348	-	348

Notes to the accounts (continued)

For the six months ended 30 June 2023

12 Financial instruments (continued)

a Financial assets and liabilities by category (continued)

As at 31 December 2022

£ million	Financial assets			Non-financial assets	Total carrying amount
	Amortised cost	Fair value through OCI	Fair value through income statement		
Non-current financial assets					
Other equity investments	-	2	-	-	2
Derivative financial instruments	-	-	47	-	47
Other non-current assets	18	-	-	156	174
Current financial assets					
Trade receivables	811	-	-	-	811
Derivative financial instruments	-	-	340	-	340
Other current assets	116	-	-	569	685
Other current interest-bearing deposits	140	-	-	-	140
Cash and cash equivalents	2,376	-	-	-	2,376

£ million	Financial liabilities			Non-financial liabilities	Total carrying amount
	Amortised cost	Fair value through OCI	Fair value through income statement		
Non-current financial liabilities					
Interest bearing long-term borrowings	5,411	-	-	-	5,411
Lease liabilities	3,815	-	-	-	3,815
Derivative financial instruments	-	-	39	-	39
Other long-term liabilities	72	-	-	12	84
Current financial liabilities					
Current portion of long-term borrowings	215	-	-	-	215
Lease liabilities	996	-	-	-	996
Trade and other payables	2,372	-	-	64	2,436
Derivative financial instruments	-	-	141	-	141

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 using forward pricing models, which include forward exchange rates, forward interest rates, forward fuel curves and corresponding volatility surface data at the reporting date. The fair value of derivative financial assets and liabilities are determined as follows, incorporating adjustments for own credit risk and counterparty credit risk:

- Commodity reference contracts including swaps and options transactions, referenced to (i) CIF new cargoes jet fuel; (ii) ICE Gasoil; (iii) ICE Brent; (iv) ICE Gasoil Brent crack; (v) Jet Differential and (vi) Jet fuel Brent crack - the mark-to-market valuation prices are determined by reference to current forward curve and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate;
- Currency forward and option contracts – by reference to current forward prices and standard option pricing valuation models, values are discounted to the reporting date based on the corresponding interest rate; and

Notes to the accounts (continued)

For the six months ended 30 June 2023

12 Financial instruments (continued)

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

- Interest rate swap contracts – by discounting the future cash flows of the swap contracts at market interest rate valued with the current forward curve.

The fair value of the Group's interest-bearing borrowings including leases 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 is adjusted for own credit risk.

Level 3: Inputs for the asset or liability that are not based on observable market data. The principal method of such valuation is performed using a valuation model 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 current 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.

The carrying amounts and fair values of the Group's financial assets and liabilities as at 30 June 2023 are set out below:

£ million				Fair value		Carrying value	
	Level 1	Level 2	Level 3	Total		Total	
Financial assets:							
Other equity investments	-	-	2	2		2	
Amounts owed by associated group undertakings	-	46	-	46		45	
Other assets	-	15	-	15		26	
Derivative financial assets ¹	-	105	-	105		105	
Financial liabilities:							
Interest-bearing loans and borrowings	-	5,692	-	5,692		5,936	
Derivative financial liabilities ²	-	409	-	409		409	

¹Current portion of derivative financial assets is £85 million.

²Current portion of derivative financial liabilities is £348 million.

Notes to the accounts (continued)

For the six months ended 30 June 2023

12 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 31 December 2022 are set out below:

£ million				Fair value	Carrying value
	Level 1	Level 2	Level 3	Total	Total
Financial assets:					
Other equity investments	-	-	2	2	2
Amounts owed by associated group undertakings	-	85	-	85	84
Other assets	-	18	-	18	27
Derivative financial assets ¹	-	387	-	387	387
Financial liabilities:					
Interest-bearing loans and borrowings	-	4,932	-	4,932	5,626
Derivative financial liabilities ²	-	180	-	180	180

¹Current portion of derivative financial assets is £340 million.

²Current portion of derivative financial liabilities is £141 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 2023 was £2 million (31 December 2022: £2 million). There were no changes in fair value or other movements for the period ended 30 June 2023 (31 December 2022: no changes).

13 Share capital

The number of shares in issue at 30 June 2023 was 896,700 A1 shares (31 December 2022: 896,700) and 99,308 A2 shares (31 December 2022: 99,308) with a par value of £289.70 each and 1,000,000 B shares (31 December 2022: 1,000,000) and 147,963 C shares (31 December 2022: 147,963) with a par value of £1.00 each.

14 Borrowings

£ million	30 June 2023			31 December 2022		
	Current	Non-current	Total	Current	Non-current	Total
Bank and other loans	99	3,512	3,611	91	3,560	3,651
Asset financed liabilities	143	2,182	2,325	124	1,851	1,975
Lease liabilities	1,220	3,091	4,311	996	3,815	4,811
Interest bearing borrowings	1,462	8,785	10,247	1,211	9,226	10,437

Bank and other loans are repayable up to 2027. Long-term borrowings of the Group amounting to £2,437 million (31 December 2022: £2,099 million) are secured on fleet assets with a net book value of £2,760 million (31 December 2022: £2,183 million). Asset financed liabilities are all secured on the associated aircraft.

Notes to the accounts (continued)

For the six months ended 30 June 2023

15 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. 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.

During 2022, the triennial valuations, as at 31 March 2021, were finalised for APS and NAPS which resulted in a technical surplus of £295 million for APS and a technical deficit of £1,650 million for NAPS.

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 the agreed deficit payment plan with the respective Trustees. Total payments for the six-month period ended 30 June 2023 net of service costs made by the Group were £18 million (six-month period ended 30 June 2022: £7 million).

Deficit contributions

At the date of the actuarial valuation, the actuarial deficit of NAPS amounted to £1,650 million. In order to address the deficit in the scheme, the Group has also committed to deficit contribution payments through to 31 May 2032. The deficit contribution plan includes an over-funding protection mechanism, based on the triennial valuation methodology for measuring the deficit, whereby deficit contributions 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, or until such point as the scheme funding level reaches 100 per cent.

During the six-month period ended 30 June 2023, given the funding level of the scheme, the NAPS funding position exceeded 100 per cent and accordingly deficit contributions were suspended. At 30 June 2023, 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 not need to be incorporated into future triennial actuarial valuations.

Notes to the accounts (continued)

For the six months ended 30 June 2023

15 Employee benefits (continued)

£ million	As at 30 June 2023			
	APS	NAPS	Other	Total
Scheme assets at fair value ²	5,164	14,098	335	19,597
Present value of scheme liabilities	(5,076)	(11,636)	(487)	(17,199)
Net pension asset/(liability)	88	2,462	(152)	2,398
Effect of the asset ceiling ¹	(31)	(862)	(6)	(899)
Other employee benefit obligations	-	-	(9)	(9)
	57	1,600	(167)	1,490
Represented by:				
Employee benefit assets ³				1,669
Employee benefit obligations				(179)
Net employee benefit assets				1,490

£ million	As at 31 December 2022			
	APS	NAPS	Other	Total
Scheme assets at fair value ²	5,495	14,893	310	20,698
Present value of scheme liabilities	(5,293)	(11,975)	(477)	(17,745)
Net pension asset/(liability)	202	2,918	(167)	2,953
Effect of the asset ceiling ¹	(70)	(1,021)	-	(1,091)
Other employee benefit obligations	-	-	(9)	(9)
	132	1,897	(176)	1,853
Represented by:				
Employee benefit assets ³				2,041
Employee benefit obligations				(188)
Net employee benefit assets				1,853

¹APS 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.

²Included within the fair value of scheme assets are £0.7 billion of private equities and £0.6 billion of alternative funds at 30 June 2023, 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 and foreign exchange 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.

³Includes 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 2023, such assets were £276 million (31 December 2022: £280 million) with a corresponding amount recorded in the scheme liabilities.

At 30 June 2023, 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:

Per cent per annum	At 30 June 2023		At 31 December 2022	
	APS	NAPS	APS	NAPS
Discount rate	5.40	5.25	4.85	4.80
Rate of increase in pensionable pay	3.45	N/A	3.40	N/A
Rate of increase of pensions in payment	3.45	2.85	3.40	2.80
RPI rate inflation	3.45	N/A	3.40	N/A
CPI rate of inflation	N/A	2.85	N/A	2.80

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 2022.

Notes to the accounts (continued)

For the six months ended 30 June 2023

16 Provisions for liabilities and charges

£ million	Restoration and handback	Restructuring	Legal claims and contractual disputes	ETS provisions	Other	Total
Balance at 1 January 2023	681	32	51	32	31	827
Provisions recorded during the period	42	-	3	41	13	99
Utilised during the period	(27)	(2)	(6)	-	(17)	(52)
Extinguished during the period	-	-	-	(7)	-	(7)
Release of unused amounts	-	(2)	(6)	(19)	-	(27)
Unwinding of discount	10	-	-	-	-	10
Remeasurements	(5)	-	-	-	-	(5)
Exchange differences	(20)	-	-	-	-	(20)
As at 30 June 2023	681	28	42	47	27	825
Analysis:						
Current	154	28	41	47	8	278
Non-current	527	-	1	-	19	547
	681	28	42	47	28	825

17 Contingent liabilities

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 2023 amounted to £3 million (31 December 2022: £7 million) for items that can be reliably measured.

Contingent liabilities associated with income taxes and indirect taxes are presented in note 6.

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.

At 30 June 2023, the fair value of the fuel derivative instruments was a £127 million net liability (2022: £35 million net asset).

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 2023, the fair value of foreign currency derivative instruments was a £203 million net liability (2022: £145 million net asset).

Interest rate risk

The Group is exposed to changes in interest rates on certain debt, lease commitments and cash deposits. In order to mitigate the interest rate risk, the Group's policies allow a variety of over the counter derivative instruments to be entered into.

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.

Notes to the accounts (continued)

For the six months ended 30 June 2023

19 Related party transactions

The Group had transactions in the ordinary course of business during the six months ended 30 June 2023 with related parties.

£ million	Six months ended 30 June	
	2023	2022
Sales of goods and services:		
Sales to/purchases on behalf of IAG ¹	-	1
Sales to/purchases on behalf of subsidiary undertakings of the parent ²	58	43
Sales to/purchases on behalf of significant shareholders of the parent ³	66	23
Sales to associates ⁴	207	150
Purchases of goods and services:		
Purchases from IAG ¹	63	21
Purchases from subsidiary undertakings of the parent ²	165	134
Purchases from significant shareholders of the parent ³	32	60
Purchases from associates ⁴	130	82

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

£ million	30 June	31 December
	2023	2022
Receivables from related parties:		
Amounts owed by IAG ¹	46	85
Amounts owed by subsidiary undertakings of the parent ²	97	92
Amounts owed by significant shareholders of the parent ³	43	16
Amounts owed by associates ⁴	135	117
Payables to related parties:		
Amounts owed to IAG ¹	1,426	1,472
Amounts owed to subsidiary undertakings of the parent ²	74	70
Amounts owed to significant shareholders of the parent ³	3	6
Amounts owed to associates ⁴	1,480	1,430

¹The 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.

²Amounts owed by and to subsidiary undertakings of the parent related to other subsidiaries of the IAG Group.

³Amounts owed by and to significant shareholders of the parent related to Qatar Airways.

⁴Sales 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 2023 the Group has not made any allowance for expected credit losses relating to amounts owed by related parties (31 December 2022: £nil).

In November 2020, British Airways entered into a floating rate fixed term loan agreement with IAG, the ultimate parent undertaking, for £1,453 million (€1,645 million). The maturity of the loan has been extended and is now repayable in November 2026.

During the course of 2022, the Group provided the first tranche of a long-term shareholder loan of £11 million to LanzaJet, a company which specialises in the generation of Sustainable Aviation Fuels of which the Group has a 16.7 per cent equity interest, classified as an associate and presented within Investments accounted for using the equity method in the Balance sheet. The second tranche of £3 million was provided in April 2023. The loan is repayable in June 2044.

Directors' and Officers' loans and transactions

There were no loans or credit transactions with Directors or Officers of the Group at 30 June 2023 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.

20 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 2023

Fleet table

Number in service with Group companies at 30 June 2023

	Owned	Finance lease	Operating lease	Total June 2023	Total December 2022	Changes since Dec-2022	Future deliveries	Options
Airbus A319	8		22	30	30			
Airbus A320	30	28	28	86	86		11	10
Airbus A321	11		10	21	21		8	
Airbus A350-1000	1	13		14	13	1	4	36
Airbus A380	2	10		12	12			
Boeing 777-200	38	2	3	43	43			
Boeing 777-300	7	2	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	5		7	4	3	5	6
Embraer E190	9		11	20	21	(1)		
TOTAL OPERATIONS	109	78	92	279	276	3	46	76

Notes:

- Aircraft are reported based on their contractual definitions as opposed to their accounting determination. 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 and timing of the individual arrangement.
- Includes aircraft operated by British Airways Plc, BA Cityflyer Limited and BA Euroflyer Limited.
- Aircraft movements during the period were:
 - 1x A320 delivered in Q2 2023 offset by 1x A320 stood down
 - 1x A350-1000 delivered in Q2 2023
 - 1x 787-10 delivered in Q4 2022 entered into service in Q1 2023
 - 2x 787-10 delivered in Q2 2023
 - 1x Embraer E190 stood down in Q1 2023
 - 3x A350-1000 and 2x A320 financed in 2023, hence reclassified from Owned to Finance lease
 - 1x A320 and 2x 777-300 bought out their leases in 2023, hence reclassified from Finance lease to Owned
- Excluded from the table above are 7x A320 wet lease aircraft off Balance Sheet (31 December 2022: none).
- As well as those aircraft in service, the Group also holds five aircraft (31 December 2022: nine) not in service.