BRITISH AIRWAYS THREE MONTH RESULTS (unaudited)

1 January 2021 – 31 March 2021

British Airways Plc ('BA' or the 'Group') presents its consolidated results for the three month period ended 31 March 2021.

COVID-19 situation and management actions

- Passenger capacity in quarter 1 was 15 per cent of 2019 and continues to be severely impacted by the COVID-19 pandemic, together with government restrictions and quarantine requirements.
- Strong liquidity, increasing to £3.8 billion at the end of the quarter (from total liquidity of £2.7 billion at 31 December 2020), driven by the successful conclusion of financing initiatives in the quarter, together with cost actions and pension contribution deferral. These included:
  - Drawdown of previously committed borrowing of £2.0 billion through UK Export Finance.
  - New 3-year $1.3 billion (£973 million) committed, secured Revolving Credit Facility which remains undrawn; and cancellation of British Airways' previous revolving credit facility scheduled to mature in June 2021 (value at 31 December 2020: $0.8 billion (£599 million)).
  - Agreement to defer monthly pension deficit contributions totalling £450 million between October 2020 and September 2021.

Period results summary

- Total revenue of £419 million (2020: £2,411 million) down 82.6 per cent from last year.
- Operating loss (before exceptional items) of £628 million (2020: £255 million).
- Loss before tax of £648 million (2020: £936 million).
- Loss after tax of £532 million (2020: £816 million).
- Exceptional credit of £49 million on de-designated fuel and foreign exchange hedges (2020: £711 million cost)
- Non-operating losses of £69 million (2020: net credit of £30 million) primarily due to increased financing costs and the adverse share of losses in associates.
- Cash and cash equivalents increased by £992 million to £2,253 million (31 December 2020: £1,261 million) as a result of financing initiatives.

Performance summary

For the three months ended 31 March

Financial data £ million	**2021**	*2020*	**Better/(worse)**
Passenger revenue	**172**	*2,134*	(91.9)%
Total revenue	**419**	*2,411*	(82.6)%
Total expenditure on operations[1]	**(1,047)**	*(2,666)*	60.7%
Operating loss before exceptional items	**(628)**	*(255)*	nm
Exceptional items	**49**	*(711)*	nm
Non-operating items	**(69)**	*30*	nm
Loss before tax	**(648)**	*(936)*	30.8%

nm = not meaningful

Operating figures	**2021**	*2020*	**Better/(worse)**
Available seat kilometres (ASK[2]) (m)	**6,468**	*39,249*	(83.5)%
Revenue passenger kilometres (RPK[2]) (m)	**2,482**	*29,119*	(91.5)%
Cargo tonne kilometres (CTK[2]) (m)	**653**	*881*	(25.9)%
Passenger load factor[2] (%)	**38.4%**	*74.2%*	(35.8)%
Passengers carried (000)	**630**	*8,548*	(92.6)%
Passenger revenue per ASK (p)	**2.66**	*5.44*	(51.1)%
Passenger revenue per RPK (p)	**6.93**	*7.33*	(5.5)%
Non-fuel costs per ASK (p)	**13.76**	*5.12*	(168.8)%

[1] Total operating expenditure before exceptional items excluding fuel, oil costs and emission charges was £890 million (2020: £2,009 million).

[2] Defined in the Annual Report and Accounts for the year ended 31 December 2020 and should be read in conjunction with this document.

Management review

British Airways made a loss before tax of £648 million for the first three months of the year (2020: £936 million). Capacity fell by 83.5 per cent compared to the equivalent period in 2020 where the first two months' operations were largely unaffected by the COVID-19 pandemic.

In 2020 and through the first quarter of 2021, British Airways made tough and decisive actions to rapidly reduce costs to protect the long term future of the business, which included a restructuring and redundancy programme and the early exit of the entire B747 fleet. If these actions hadn't been taken, BA would be facing a much tougher situation today. To ensure survival and the long term future of the business, a number of liquidity actions have been made to strengthen the balance sheet. In February 2021, BA entered into a five year term loan of £2.0 billion, underwritten by a syndicate of banks, partially guaranteed by UK Export Finance. In March 2021, International Airlines Group ('IAG') agreed a $1.8 billion multi-borrower secured three year Revolving Credit Facility, of which BA's share is $1.3 billion (£973 million) and cancelled the previously held revolving credit facility scheduled to mature in June 2021 (31 December 2020: $0.8 billion (£599 million)).

Management review (continued)

On 27 January 2021 the UK government announced new rules for travel, where unless there was a legally permitted reason to do so, it was illegal to travel abroad for holidays and other leisure purposes. On 17 May 2021 these restrictions were replaced with the traffic light system. Travel to the United States, one of BA's key markets, from the UK has remained suspended since March 2020 to most travellers following a presidential proclamation in March 2020. BA was a leader in the US market, flying to more airports directly out of Heathrow than any other carrier in Europe before the pandemic, serving 26 cities in the US and over 30 North American destinations. Should the US administration look to repeal the current restrictions and the UK government put USA on the green list, thanks to the successful vaccination programs in both countries, the UK and US are in a strong position to lead the way in opening air travel, subject to the rise in COVID-19 variants in either country.

Sustainability update

IAG became the first European airline group to commit to powering 10 per cent of its flights with sustainable aviation fuel ('SAF') by 2030. The IAG Group will purchase one million tonnes of SAF each year, equating to removing one million cars from Europe's roads each year. BA partnered with LanzaJet, a SAF technology provider and SAF producer, with plans to build a commercial SAF facility in the UK. Along with SAF targets and partnerships, BA has also partnered with ZeroAvia, a leading innovator in decarbonising commercial aviation, in a project to explore the future of hydrogen-powered aircraft. These partnerships are all part of BA's and IAG's commitment to net zero carbon emissions by 2050.

Financial review

Consolidated income statement for the three months ended 31 March

£ million	2021	*2020*	Better/(worse)[1]
Passenger revenue	**172**	*2,134*	(91.9)%
Cargo revenue	**231**	*147*	57.1%
Other revenue	**16**	*130*	(87.7)%
Total revenue	**419**	*2,411*	(82.6)%
Employee costs	**315**	*621*	49.3%
Depreciation, amortisation and impairment	**216**	*283*	23.7%
Fuel, oil costs and emission charges	**157**	*657*	76.1%
Engineering and other aircraft costs	**76**	*190*	60.0%
Landing fees and en route charges	**62**	*210*	70.5%
Handling, catering and other operating costs	**110**	*412*	73.3%
Selling costs	**19**	*101*	81.2%
Currency differences	**(37)**	*54*	nm
Property, IT and other costs	**129**	*138*	6.5%
Total expenditure on operations[2]	**1,047**	*2,666*	**60.7%**
Operating loss before exceptional items	**(628)**	*(255)*	**nm**
Exceptional items	**49**	*(711)*	nm
Operating loss after exceptional items	**(579)**	*(966)*	**nm**
Non-operating items	**(69)**	*30*	nm
Loss before tax	**(648)**	*(936)*	nm
Tax	**116**	*120*	nm
Loss after tax	**(532)**	*(816)*	nm

[1] Before exceptional items

[2] Total operating expenditure before exceptional items excluding fuel, oil costs and emission charges was £890 million (2020: £2,009 million).

Total revenue

Overall capacity, measured by ASKs, was down by 83.5 per cent in the first three months of the year compared to the corresponding period in 2020 and the number of passengers carried decreased by 92.6 per cent to 630 thousand. Capacity and load factors were significantly reduced across all regions in the first three months of 2021 while the equivalent period in 2020 saw capacity reductions limited only to the Asia Pacific region in January and February, with extensive reductions across the network from late February of that year. This translated to total revenue for the first three months of the year of £419 million (2020: £2,411 million). Cargo carried, measured in cargo tonne kilometres (CTKs), fell by 25.9 per cent, however in 2020 the Group adapted the Cargo business to ensure that cargo only flights have a positive cash contribution and, as a result, Cargo revenue increased by 57.1 per cent to £231 million.

Expenditure on operations

Total operating costs excluding exceptional items decreased 60.7 per cent to £1,047 million (2020: £2,666 million) in the first three months of the year. Fuel costs (excluding the exceptional charge for overhedging) decreased by £500 million, or 76.1 per cent, to £157 million reflecting the reduced capacity.

Group expenditure excluding fuel, before exceptional items, decreased by 55.7 per cent to £890 million (2020: £2,009 million). Employee costs decreased 49.3 per cent compared to last year, largely due to the restructuring and redundancy programme undertaken in 2020. The reduction in employee costs also included a credit of £72 million relating to amounts received from the UK Government under the COVID Job Retention Scheme (CJRS) for the three months ended 31 March 2021 (2020: £nil).

Financial review (continued)

Exceptional items

Exceptional items have been recognised in respect of the impact of overhedging due to the COVID-19 related capacity reductions. This included fuel and foreign currency overhedging included in fuel costs of a credit of £45 million (2020: a loss of £702 million) and foreign currency passenger revenue overhedging of a credit of £4 million (2020: a loss of £9 million). In the first three months of 2021, the Group incurred cash outflows of £69 million (2020: £9 million) to settle those derivatives previously recognised as exceptional items during 2020. Exceptional items are detailed in note 3.

Non-operating items

The Group's net non-operating losses for the three month period were £69 million in 2021, compared with a credit of £30 million in 2020. Non-operating items in 2021 include finance costs of £94 million (2020: £55 million), net gains of £16 million (2020: £43 million) relating to the revaluation of foreign currency denominated debts and related derivatives, a loss of £15 million (2020: profit of £31 million) relating to the share of post-tax results of associates and a gain of £25 million (2020: £1 million) on the sale of assets.

Tax

The tax credit for the period was £116 million (2020: £120 million credit). The effective rate for the period was 17.9 per cent (2020: 12.8 per cent) being lower (2020: lower) than the tax credit (2020: tax credit) at the standard UK corporation tax rate of 19.0 per cent (2020: 19.0 per cent) mainly due to the share of associates losses (2020: profits) and non-deductible expenses (2020: tax rate change).

Capital expenditure

Total capital expenditure in the period amounted to £70 million (2020: £340 million) which included £58 million (2020: £292 million) of fleet related spend (aircraft, aircraft progress payments, spares, modifications and refurbishments) and £12 million (2020: £48 million) on property, equipment and software. In response to the COVID-19 pandemic, the Group is constantly reviewing its capital expenditure programme to identify expenditure that can be deferred or cancelled but has ringfenced amounts related to mandatory engineering work and essential cyber defence. Fleet related spend relates to orders that were made before the COVID-19 pandemic.

Liquidity

The Group's liquidity position is £3.8 billion (31 December 2020: £2.7 billion), including £2.3 billion of cash and cash equivalents (31 December 2020: £1.3 billion) and £1.5 billion of undrawn general and committed aircraft facilities (31 December 2020: £1.4 billion). Liquidity increased during the quarter due to the aforementioned drawdown of the UK Export Finance Facility partially offset by continued losses from operations as a result of COVID-19. Net debt increased to £8.2 billion at 31 March 2021 (31 December 2020: £7.5 billion) with the utilisation of available deposits and an increase in borrowings. In February 2021, British Airways entered into a five 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. In March 2021, IAG announced that it has signed a Revolving Credit Facility with a syndicate of banks. The total amount available under the facility for British Airways is $1,346 million (£973 million) and will be available for a period of three years plus two one-year extension periods at the discretion of the lenders. The facility remains undrawn at 31 March 2021 and through to the date of this report.

On 18 December 2020 British Airways reached agreement with the Trustee of NAPS to defer deficit contributions on an interim basis for the period between 1 October 2020 and 31 January 2021. On 19 February 2021 British Airways reached further agreement with the Trustee of NAPS to extend the deferral of deficit contributions previously agreed in October 2019 on the 31 March 2018 valuation, through to 30 September 2021, resulting in a total of £450 million of deficit contributions being deferred.

Principal risks and uncertainties

The Group has continued to maintain and operate its framework and processes to identify, assess and manage risks. The principal risks and uncertainties affecting BA, detailed on pages 8 to 14 of the 2020 Annual Report and Accounts, remain relevant. The BA Board has continued to monitor and assess risks to the British Airways' plans in the light of changes that influence the Group and its operations and the related ongoing regulatory and governmental responses. Mitigating actions have been identified to enable BA to continue to respond quickly as needed to the uncertain risk environment. No new principal risks were identified.

By order of the Board

Sean Doyle
Chairman and Chief Executive Officer
19 July 2021

Rebecca Napier
Chief Financial Officer
19 July 2021

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 from time to time (the 'Group'), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure and divestments relating to the Group and discussions of the Group's business plan. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, the effects of the COVID-19 pandemic and uncertainties about its impact and duration, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group's risk management process is set out in the Risk management and principal risk factors section in the Annual Report and Accounts 2020; 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. Many of these risks are, and will be, exacerbated by the COVID-19 pandemic and any further disruption to the global airline industry and economic environment as a result.

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BRITISH AIRWAYS PLC

Unaudited Condensed Consolidated Interim Financial Statements
1 January 2021 – 31 March 2021

Consolidated income statement (unaudited)

For the three months ended 31 March 2021

£ million	Note	2021	2020
Passenger revenue		**172**	*2,134*
Cargo revenue		**231**	*147*
Other revenue		**16**	*130*
Total revenue	5	**419**	*2,411*
Employee costs		**315**	*621*
Depreciation, amortisation and impairment	9	**216**	*283*
Fuel, oil costs and emission charges		**157**	*657*
Engineering and other aircraft costs		**76**	*190*
Landing fees and en route charges		**62**	*210*
Handling, catering and other operating costs		**110**	*412*
Selling costs		**19**	*101*
Currency differences		**(37)**	*54*
Property, IT and other costs		**129**	*138*
Total expenditure on operations before exceptional items		**1,047**	*2,666*
Operating loss before exceptional items		**(628)**	*(255)*
Exceptional items	3	**49**	*(711)*
Operating loss after exceptional items		**(579)**	*(966)*
Finance costs	6	**(94)**	*(55)*
Finance income	6	**-**	*7*
Share of post-tax (losses)/profits in associates accounted for using the equity method	12	**(15)**	*31*
Net financing (charge)/credit relating to pensions		**(1)**	*1*
Net currency retranslation credits		**16**	*43*
Other non-operating credits	6	**25**	*3*
Total net non-operating (costs)/income		**(69)**	*30*
Loss before tax		**(648)**	*(936)*
Tax	7	**116**	*120*
Loss after tax		**(532)**	*(816)*

Consolidated statement of other comprehensive income (unaudited)

£ million	Note	For the three months ended 31 March 2021	2020
Loss after tax for the period		**(532)**	*(816)*
Other comprehensive income:			
Items that will not be reclassified to net profit/(loss)			
Remeasurement of post-employment benefit obligations		**646**	*412*
Fair value movements on cash flow hedges that will subsequently be transferred to the balance sheet		**(6)**	*108*
Equity investments - fair value movements in equity		**-**	*(5)*
		640	*515*
Items that may be reclassified to net profit/(loss)			
Currency translation differences		**(7)**	*29*
Fair value movements on cash flow hedges		**208**	*(756)*
Fair value of cash flow hedges reclassified to net loss		**23**	*47*
Movements in other comprehensive income of associates	12	**18**	*(26)*
		242	*(706)*
Total other comprehensive income/(loss)		**882**	*(191)*
Total comprehensive income/(loss) for the period, net of tax		**350**	*(1,007)*

Consolidated balance sheet (unaudited)

£ million	Note	**31 March 2021**	*31 December 2020*
Non-current assets			
Property, plant and equipment	9	**10,273**	*10,381*
Intangibles	9	**1,052**	*1,062*
Investments accounted for using the equity method	12	**1,698**	*1,688*
Other equity investments		**2**	*2*
Employee benefit assets	16	**549**	*256*
Deferred tax asset		**462**	*401*
Derivative financial instruments		**21**	*20*
Other non-current assets		**185**	*174*
Total non-current assets		**14,242**	*13,984*
Current assets and receivables			
Inventories		**71**	*73*
Trade receivables		**349**	*356*
Other current assets		**365**	*351*
Derivative financial instruments		**92**	*52*
Cash and cash equivalents		**2,253**	*1,261*
Total current assets and receivables		**3,130**	*2,093*
Total assets		**17,372**	*16,077*
Shareholders' equity			
Issued share capital		**290**	*290*
Share premium		**1,512**	*1,512*
Other reserves		**116**	*(235)*
Total shareholders' equity		**1,918**	*1,567*
Total equity		**1,918**	*1,567*
Non-current liabilities			
Borrowings	15	**9,130**	*7,477*
Employee benefit obligations	16	**273**	*651*
Provisions	17	**353**	*344*
Derivative financial instruments		**102**	*168*
Other long-term liabilities		**68**	*69*
Total non-current liabilities		**9,926**	*8,709*
Current liabilities			
Borrowings	15	**1,282**	*1,310*
Trade and other payables		**1,200**	*1,243*
Deferred revenue on ticket sales		**2,487**	*2,429*
Derivative financial instruments		**310**	*552*
Current tax payable		**15**	*37*
Provisions	17	**234**	*230*
Total current liabilities		**5,528**	*5,801*
Total equity and liabilities		**17,372**	*16,077*

Consolidated cash flow statement (unaudited)

For the three months ended 31 March 2021

£ million	**2021**	*2020*
Cash flow from operating activities		
Operating loss from continuing operations after exceptional items	**(579)**	*(966)*
Exceptional items	**(49)**	*711*
Operating loss from continuing operations before exceptional items	**(628)**	*(255)*
Depreciation, amortisation and impairment	**216**	*283*
Movement in working capital	**(130)**	*814*
(Increase)/decrease in trade receivables, inventories and other current assets	(146)	*864*
Increase/(decrease) in trade and other payables, deferred revenue on ticket sales and other current liabilities	16	*(50)*
Payments related to restructuring	**(7)**	*(7)*
Employer contributions to defined benefit pension schemes net of service cost	**(26)**	*(56)*
Provisions and other non-cash movements	**41**	*58*
Realised loss on discontinuance of fuel and foreign exchange hedge accounting	**(69)**	*(9)*
Interest paid	**(75)**	*(48)*
Interest received	-	*6*
Tax paid	**(27)**	*(51)*
Net cash (used in)/generated from operating activities	**(705)**	*735*
Cash flow from investing activities		
Acquisition of PPE and intangible assets	**(70)**	*(340)*
Sale of property, plant and equipment and intangible assets	**17**	*82*
Increase in current interest-bearing deposits	-	*(65)*
Other investing movements	**(5)**	*4*
Net cash used in investing activities	**(58)**	*(319)*
Cash flow from financing activities		
Proceeds from borrowings	**1,992**	*274*
Repayments of borrowings	**(35)**	*(11)*
Repayment of lease liabilities	**(159)**	*(184)*
Other financing movements	**(10)**	-
Net cash flow generated from financing activities	**1,788**	*79*
Increase in cash and cash equivalents	**1,023**	*495*
Net foreign exchange differences	**(31)**	*4*
Cash and cash equivalents at 1 January	**1,261**	*1,257*
Cash and cash equivalents as at 31 March	**2,253**	*1,756*
Interest-bearing deposits maturing after more than three months	**-**	*1,395*
Cash, cash equivalents and other interest-bearing deposits at 31 March	**2,253**	*3,151*

Consolidated statement of changes in equity (unaudited)

For the three months ended 31 March 2021

£ million	Issued share capital	Share premium	Other reserves	**Total equity**
Balance at 1 January 2021	290	1,512	(235)	**1,567**
Loss for the period	-	-	(532)	**(532)**
Other comprehensive income for the period	-	-	882	**882**
Total comprehensive income for the period	-	-	350	**350**
Cash flow hedges transferred to the balance sheet, net of tax	-	-	1	**1**
As at 31 March 2021	**290**	**1,512**	**116**	**1,918**

For the three months ended 31 March 2020

£ million	*Issued share capital*	*Share premium*	*Other reserves*	*Total equity*
Balance at 1 January 2020	*290*	*1,512*	*4,005*	*5,807*
Loss for the period	-	-	*(816)*	*(816)*
Other comprehensive loss for the period	-	-	*(191)*	*(191)*
Total comprehensive loss for the period	-	-	*(1,007)*	*(1,007)*
Cash flow hedges transferred to the balance sheet, net of tax	-	-	*(1)*	*(1)*
As at 31 March 2020	*290*	*1,512*	*2,997*	*4,799*

Notes to the accounts (unaudited)

For the three months ended 31 March 2021

1 Corporate information and basis of preparation

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

The condensed consolidated interim financial statements were prepared in accordance with IAS 34 and authorised for issue by the Board of Directors on 19 July 2021. The condensed consolidated interim financial statements herein are not the Company's statutory accounts and are unaudited.

BA's Annual Report and Accounts for the year ended 2020 have been filed with the Registrar of Companies in England and Wales and are prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006. As a result of the UK's withdrawal from the European Union on 31 December 2020, the financial statements of the Group for the year ending 31 December 2021 will be prepared under UK-adopted International Accounting Standards. Accordingly, BA has applied UK-adopted International Accounting Standards in these condensed consolidated interim statements. There are no changes in accounting policies except for those changes disclosed in note 2. The report of the auditors on those financial statements was unqualified, drew attention by way of emphasis of matter to the material uncertainty related to going concern without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Going concern

The economic uncertainty of the COVID-19 pandemic and the fragmented and varied responses from governments have had a significant impact on the Group's results and cash flows. At 31 March 2021, the Group had cash and cash equivalents of £2.3 billion, £1.0 billion of undrawn general facilities and a further £0.5 billion of committed and undrawn aircraft specific facilities.

The increase in liquidity of £1.3 billion during the three months ended 31 March 2021 was attributable to, amongst other actions, accessing a five year term loan of £2.0 billion from the UK Export Credit Facility and as a participant in the IAG Group's new three year Revolving Credit Facility, the Group also secured further undrawn general facilities of £1.0 billion ($1.3 billion) as referenced above. Through to the date of this report, liquidity has been reduced by the scheduled £300 million repayment of the UK's Coronavirus Corporate Finance Facility ('CCFF') in April 2021. The Group's facilities do not contain financial covenants, but there are a number of non-financial covenants to protect the position of the banks, including restrictions on the upstreaming of cash to the IAG Group or lending to other Group companies.

In its assessment of going concern over the period to 31 December 2022 (the 'going concern period'), the Group has 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 2020, was subsequently refreshed with the latest available internal and external information in July 2021. This refreshed business plan forms the Base Case, which takes into account the Board's and management's views on the anticipated impact and recovery from the COVID-19 pandemic on the Group across the going concern period. The key inputs and assumptions underlying the Base Case include:

- As part of the recovery, the Group has assumed a gradual easing of travel restrictions, by geographical region, based on deployment of vaccines during the year. Travel corridors between countries are assumed to be introduced from quarter 3 2021, first in Europe, then North America, with other regions following in the first half of 2022;
- Capacity (forecast by geographical region (and in certain regions, by key destinations)) gradually increasing from a reduction of 59 per cent in the third quarter of 2021 (compared to the equivalent period in 2019) to a reduction of 11 per cent in the fourth quarter of 2022 (again compared to the equivalent period in 2019), with the average over the going concern period being 26 per cent down;
- Passenger unit revenue per ASK, although forecast to continue recovering, is expected to still remain below 2019 levels by the end of the going concern period, which is based on, amongst other assumptions, a greater weighting of shorthaul versus longhaul, leisure versus business and economy versus premium compared to 2019. Specifically, the Group's expectation is that traffic related to shorthaul will recover faster than longhaul and business;
- The Group has agreed with the Trustees of the NAPS pension scheme to defer contributions to 30 September 2021. The Group is in discussions with the Trustees to defer contributions further and whilst this has not been agreed, the Base Case cash flows assume a further reduction in deficit contributions of £338 million over the remainder of the going concern period;
- The Group has assumed that its committed and undrawn general facilities of £1.0 billion will not be drawn over the going concern period;
- The Group has assumed that of the committed and undrawn aircraft specific facilities of £0.5 billion, £0.3 billion would be available to be drawn over the going concern period if required, but is not expected to be drawn; and
- Of the capital commitments detailed in note 10, £1.4 billion is due to be paid over the going concern period and the Group has forecast securing 80 per cent, or £1.2 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 below the level of financing the Group has been able to achieve recently, including over the course of the COVID-19 pandemic to date.

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

1 Corporate information and basis of preparation (continued)

Going concern (continued)

The Downside Case applies stress to the Base Case to model a more prolonged downturn, with a more gradual recovery relative to the Base Case. The Downside Case is representative of a slower roll out of the vaccination programme on a regional basis, with travel restrictions remaining in place and the gradual recovery of capacity being delayed longer than in the Base Case. The Downside Case models a more acute impact on the longhaul sector, with the domestic sector and European shorthaul sectors recovering faster than longhaul. The result of which is that the levels of capacity assumed under the Base Case for the fourth quarter of 2021 are not achieved under the Downside Case until the second quarter of 2022. In the Downside Case, over the going concern period capacity would be 48 per cent down on 2019. The Group has assumed it will draw down its committed undrawn general facilities of £1.0 billion over the going concern period.

The Group has also modelled the impact of further deteriorations in capacity operated and yield, including mitigating actions to reduce 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, including asset disposals, it would pursue in the event of adverse liquidity experience, although these are not yet committed.

Furthermore, to add resilience to the liquidity position of the Group, the Directors are actively pursuing a range of financing options, including securing additional long term financial facilities, but these have not been included in the Base or Downside Cases.

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

However, due to the uncertainty created by COVID-19, there are a number of significant factors that are outside of the control of the Group, including: the status and impact of the pandemic worldwide; the emergence of new variants of the virus and potential resurgence of existing strains of the virus; the availability of vaccines worldwide, together with the speed at which they are deployed; the efficacy of those vaccines; and the restrictions imposed by national governments in respect of the freedom of movement and travel. The Group, therefore, is not able to provide certainty that there could not be a more severe downside scenario than those it has considered, including the sensitivities in relation to the timing of recovery from the COVID-19 pandemic, capacity operated, impact on yield, cost mitigations achieved and the availability of aircraft financing to offset capital expenditure. In the event that a more severe scenario were to occur, the Group will need to secure sufficient additional funding. As set out above, sources of additional funding are expected to include securing additional long term financial facilities or asset disposals. However, the Group's ability to obtain additional funding in the event of a more severe downside scenario represents a material uncertainty at 19 July 2021 that could cast significant doubt upon the Group's ability to continue as a going concern.

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

2 Accounting policies

New standards, interpretations and amendments adopted by the Group

The following amendments and interpretations apply for the first time in the three months ended 31 March 2021, but do not have an impact on the condensed consolidated interim financial statements of the Group:

- Interest rate benchmark reform (Phase 2 – amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16).

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

Critical accounting estimates, assumptions and judgements

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

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

- The going concern basis of preparation (refer to note 1);
- Hedged forecast transactions, predominantly of fuel and foreign currency, which are no longer expected to occur and accordingly the associated hedges de-designated (refer to note 3 and note 20);
- The value-in-use calculations used in the cash generating unit (CGU) impairment assessment (refer to note 11); and
- The recoverability of deferred tax assets (refer to note 7).

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

3 Exceptional items

Exceptional items are those that in management's view need to be separately disclosed by virtue of their size or incidence in understanding the entity's financial performance. The exceptional items relate to discontinuance of hedge accounting. The following items are deemed to be exceptional:

For the three months ended 31 March 2021

£ million	**2021**	*2020*
Credit/(charge) on derecognition of foreign currency passenger revenue hedges	**4**	*(9)*
Credit/(charge) on derecognition of fuel and foreign exchange hedges	**45**	*(702)*
Recognised in expenditure on operations	**49**	*(711)*
Total exceptional credit/(charge) before tax	**49**	*(711)*
Tax (charge)/credit on exceptional items	**(9)**	*135*
Total exceptional credit/(charge) after tax	**40**	*(576)*

The exceptional credit to Fuel, oil costs and emissions charges of £45 million (three months ended 31 March 2020: charge of £702 million) is represented by a credit of £50 million (three months ended 31 March 2020: charge of £709 million) relating to fuel derivatives and a charge of £5 million (three months ended 31 March 2020: credit of £7 million) related to the associated fuel foreign currency derivatives. The exceptional credit for foreign currency passenger revenue overhedging of £4 million (three months ended 31 March 2020: £9 million) relates to the discontinuance of hedge accounting of the associated foreign currency derivatives on forecast revenue. These amounts have arisen from the substantial deterioration in demand for air travel caused by COVID-19, which has caused a significant level of hedged fuel purchases in US dollars and hedged passenger revenue transactions in a variety of foreign currencies to no longer be expected to occur, based on the Group's operating forecasts prevailing at the balance sheet date. The Group's risk management strategy had been to build up these hedges gradually over a three-year period when the level of forecast fuel consumption and passenger revenues were higher than current expectations. Accordingly, the hedge accounting for these transactions has been discontinued and the associated credits recognised in the Income statement. The related tax charge was £9 million (three months ended 31 March 2020: credit of £135 million).

4 Seasonality

The results for the Group in the three months ended 31 March 2021 continued to be significantly affected by the COVID-19 pandemic, which has had a significant impact on the global airline and travel sectors, with the spread of the virus worldwide, resulting in the continuation of lockdowns and travel restrictions. This has had a significant effect on the seasonality of the Group's business.

5 Segment information

a Business segments

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

b Geographical analysis - by area of original sale

For the three months ended 31 March

£ million	**2021**	*2020*
UK	**137**	*1,260*
USA	**58**	*437*
Rest of the world	**224**	*714*
Revenue	**419**	*2,411*

The total of non-current assets excluding other equity investments, employee benefit assets, other non-current assets, deferred tax assets and derivative financial instruments located in the UK is £12,865 million (31 December 2020: £12,984 million), USA is £102 million (31 December 2020: £124 million) and the total of these non-current assets located in other countries is £17 million (31 December 2020: £23 million).

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

6 Finance costs and income

For the three months ended 31 March

a Finance costs

£ million	2021	2020
Interest expenses on:		
Bank borrowings	**(9)**	*(1)*
Asset financed liabilities	**(17)**	*(4)*
Lease liabilities	**(47)**	*(53)*
Other borrowings	**(22)**	*(1)*
Capitalised interest on progress payments	**1**	*4*
Total finance costs	**(94)**	*(55)*

b Finance income

£ million	2021	2020
Interest on other investments and interest-bearing deposits	**-**	*7*
Total finance income	**-**	*7*

c Other non-operating credits

£ million	2021	2020
Gain on sale of property, plant and equipment and investments	**25**	*1*
Credit relating to equity investments	**-**	*2*
Total other non-operating credits	**25**	*3*

7 Tax

The total tax credit through the Consolidated income statement after exceptional items for the three months ended 31 March 2021 was £116 million (2020: £120 million credit) on a loss before tax of £648 million (2020: loss before tax of £936 million). The effective rate for the period was 17.9 per cent (2020: 12.8 per cent) being lower (2020: lower) than the tax credit (2020: tax credit) at the standard UK corporation tax rate of 19.0 per cent (2020: 19.0 per cent) mainly due to the share of associates losses (2020: profits) and non-deductible expenses (2020: tax rate change). On 3 March 2021 the UK Chancellor announced that legislation would be introduced in the Finance Bill 2021 to set the main rate of corporation tax at 25 per cent from April 2023. On 24 May 2021 the increase in the rate of corporation tax in the UK was substantively enacted, which will increase the Group's future current tax charge accordingly. The deferred tax asset calculated at a rate of 25% would have been approximately £146 million higher than the amount included in the Consolidated balance sheet at 31 March 2021.

In determining the recoverable amounts of the Group's deferred tax assets, the Group applies the future cash flow projections from the approved business plans. Given the estimation 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.

8 Dividends

No dividends were paid during the three months ended 31 March 2021 (31 December 2020: £nil). Under the contribution deferral agreement between BA and the Trustee of the New Airways Pension Scheme (NAPS), in the period up to 31 December 2023, no dividend payment is permitted from BA to its parent company, IAG.

9 Property, plant, equipment and intangibles

£ million	Property, plant and equipment	Right of use assets	**Total property, plant and equipment**	**Intangible assets**
Net book value at 1 January 2021	4,933	5,448	**10,381**	**1,062**
Additions	62	-	**62**	**7**
Modification of leases	-	35	**35**	**-**
Disposals	(6)	-	**(6)**	**-**
Depreciation, amortisation and impairment	(78)	(121)	**(199)**	**(17)**
Net book value at 31 March 2021	4,911	5,362	**10,273**	**1,052**

£ million	Property, plant and equipment	Right of use assets	**Total property, plant and equipment**	**Intangible assets**
Net book value at 1 January 2020	*4,954*	*5,534*	*10,488*	*1,094*
Additions	*301*	*46*	*347*	*21*
Modification of leases	-	*6*	*6*	-
Disposals	*(81)*	-	*(81)*	-
Depreciation, amortisation and impairment	*(145)*	*(124)*	*(269)*	*(14)*
Reclassifications	*70*	*(70)*	-	-
Net book value at 31 March 2020	*5,099*	*5,392*	*10,491*	*1,101*

At 31 March 2021, bank and other loans of the Group are secured on fleet assets with a net book value of £1,786 million (31 December 2020: £1,774 million), and property is pledged as security with a net book value of £580 million (31 December 2020: £nil).

10 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £5,703 million (31 December 2020: £5,937 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to changes in foreign exchange rates.

11 Impairment review

Basis for calculating recoverable amount
At each reporting date, the Group considers the existence of indicators of potential impairment. At 31 March 2021, the continued disruption caused by COVID-19 has led to a decrease in demand across the Group and economic uncertainty over the short and medium term.

As a result, a full impairment test at 31 March 2021 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 plans covering a three-year period. 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.

BA annually prepares and approves the three-year business plan in the fourth quarter of the year. 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 value-in-use calculations reflected the increased risks arising from COVID-19, including updated projected cash flows for the decreased activity for the remaining nine months of 2021 through to the end of 2023, an increase in the pre-tax discount rates to incorporate increased equity market volatility and a decrease in long-term growth rates. The key assumptions used in the value-in-use calculations are as follows:

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

11 Impairment review (continued)

Per cent	**31 March 2021**	31 December 2020
Operating margin	**(31)-12**	(20)-16
ASKs as a proportion of 2019	**29-91**	45-95
Long-term growth rate	**2.1**	2.1
Pre-tax discount rate	**11.9**	11.2

Jet fuel price ($ per MT)	To 31 December 2021	To 31 December 2022	To 31 December 2023	2024 and thereafter
30 June 2021	526	537	537	537
31 December 2020	373	420	449	449

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 forecasted weighted average exposure in the primary market using gross domestic product (GDP) (source: Oxford Economics). The airline'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 in the fourth quarter of each year 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 31 March 2021, management reviewed the recoverable amount of the business and concluded the recoverable amounts exceeded the carrying values by £3,790 million.

Reasonable possible changes in key assumptions, both individually and in combination, have been considered, where applicable, which include reducing operating margin by 2 per cent in each year, ASKs by 5 per cent in each year, long-term growth rates to zero, increasing pre-tax discount rates by 2.5 percentage points, changing the weighting of the base case and the downside case to 50 per cent each, and increasing the fuel price by 40 per cent.

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

- if ASKs had been five per cent lower combined with a reduction in the long-term growth rate to 1.7 per cent;
- if operating margin had been two per cent lower combined with a reduction in the long-term growth rate to 1.2 per cent;
- if ASKs had been five per cent lower combined with a fuel price increase of 3 per cent; or
- if the fuel price had been 20 per cent higher

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

In addition, at 31 March 2021, 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.

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

12 Investments accounted for using the equity method

£ million	**2021**	*2020*
Balance at 1 January	**1,688**	*1,838*
Additions	**7**	*-*
Share of attributable results	**(15)**	*31*
Share of movements in other comprehensive income of investments	**18**	*(26)*
Exchange differences	**-**	*20*
As at 31 March	**1,698**	*1,863*

13 Financial instruments

a Financial assets and liabilities by category

The detail of the Group's financial instruments as at 31 March 2021 and 31 December 2020 by nature and classification for measurement purposes is as follows:

At 31 March 2021

	Financial assets				
£ million	Amortised cost	Fair value through OCI	Fair value through income statement	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Equity investments	-	2	-	-	**2**
Derivative financial instruments[1]	-	-	21	-	**21**
Other non-current assets	87	-	-	98	**185**
Current financial assets					
Trade receivables	349	-	-	-	**349**
Other current assets	103	-	-	262	**365**
Derivative financial instruments[1]	-	-	92	-	**92**
Cash and cash equivalents	2,253	-	-	-	**2,253**

	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 loans	4,691	-	-	-	**4,691**
Lease liabilities	4,439	-	-	-	**4,439**
Derivative financial instruments[1]	-	-	102	-	**102**
Other long-term liabilities	52	-	-	16	**68**
Current financial liabilities					
Interest-bearing loans	475	-	-	-	**475**
Lease liabilities	807	-	-	-	**807**
Trade and other payables	1,193	-	-	7	**1,200**
Derivative financial instruments[1]	-	-	310	-	**310**

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

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

13 Financial instruments (continued)

a Financial assets and liabilities by category (continued)

At 31 December 2020 £ million	Financial assets Amortised cost	 Fair value through OCI	 Fair value through income statement	Non-financial assets	**Total carrying amount**
Non-current financial assets					
Equity investments	-	2	-	-	2
Derivative financial instruments	-	-	20	-	20
Other non-current assets	94	-	-	80	174
Current financial assets					
Trade receivables	356	-	-	-	356
Other current assets	86	-	-	265	351
Derivative financial instruments		-	52	-	52
Cash and cash equivalents	1,261	-	-	-	1,261

£ 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 loans	2,831	-	-	-	2,831
Lease liabilities	4,646	-	-	-	4,646
Derivative financial instruments	-	-	168	-	168
Other long-term liabilities	54	-	-	15	69
Current financial liabilities					
Interest-bearing loans	465	-	-	-	465
Lease liabilities	845	-	-	-	845
Trade and other payables	1,206	-	-	37	1,243
Derivative financial instruments	-	-	552	-	552

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 present actual and regularly occurring market transactions on an arm's length basis. Level 1 methodologies (market values at balance sheet date) were used to determine the fair value of listed asset investments classified as equity investments and listed interest-bearing borrowings.

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 market value of instruments with similar terms and conditions at the balance sheet date using forward pricing models. The fair value of the Group's interest-bearing borrowings including leases is determined in discounting the remaining contractual cash flows at the relevant market interest rates at the balance sheet date; and

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 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 (unaudited) (continued)

For the three months ended 31 March 2021

13 Financial instruments (continued)

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

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

				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets:					
Amounts owed by associated group undertakings	-	101	-	**101**	**96**
Derivative financial assets	-	113	-	**113**	**113**
Equity investments	-	-	2	**2**	**2**
Financial liabilities:					
Interest-bearing loans and borrowings	-	5,331	-	**5,331**	**5,166**
Derivative financial liabilities	-	412	-	**412**	**412**

The carrying amounts and fair values of the Group's financial assets and liabilities as at 31 December 2020 are set out below:

				Fair value	Carrying value
£ million	Level 1	Level 2	Level 3	**Total**	**Total**
Financial assets:					
Amounts owed by associated group undertakings	-	*109*	-	***109***	***104***
Derivative financial assets	-	*72*	-	***72***	***72***
Equity investments	-	-	*2*	***2***	***2***
Financial liabilities:					
Interest-bearing loans and borrowings	-	*3,510*	-	***3,510***	***3,296***
Derivative financial liabilities	-	*720*	-	***720***	***720***

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

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

c Level 3 financial assets reconciliation

The following table summarises key movements in the carrying value of Level 3 financial assets:

£ million	**Three months ended 31 March 2021**	*Year ended 31 December 2020*
Balance at 1 January	**2**	*40*
Fair value adjustment[1]	-	*(38)*
As at period end	**2**	*2*

[1]During 2020, evidence of a decline in the fair value of shares held in The Airline Group Limited became available. The Company's most recent Annual Report and Accounts indicated an expected dividend distribution of nil for the foreseeable future, as such a valuation based on the future cash flows resulted in a fair value reduction of this asset of £38 million recognised in the Consolidated statement of other comprehensive income.

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

14 Share capital

The number of shares in issue at 31 March 2021 was 896,700 A1 shares (31 December 2020: 896,700) and 99,308 A2 shares (31 December 2020: 99,308) with a par value of £289.70 each and 1,000,000 B shares (31 December 2020: 1,000,000) and 147,963 C shares (31 December 2020: 147,963) with a par value of £1.00 each.

15 Borrowings

£ million	**31 March 2021**	*31 December 2020*
Current		
Bank and other loans	**366**	*358*
Other financing liabilities[1]	**32**	*33*
Asset financed liabilities	**77**	*74*
Lease liabilities	**807**	*845*
	1,282	*1,310*
Non-current		
Bank and other loans	**3,575**	*1,714*
Asset financed liabilities	**1,116**	*1,117*
Lease liabilities	**4,439**	*4,646*
	9,130	*7,477*

[1]Other financing liabilities include sale and repurchase agreements entered into during the course of 2020 with regard to emission allowances and represents the amount the Group is expected to repurchase during the course of 2021.

Bank and other loans are repayable up to 2027. Long-term borrowings of the Group amounting to £1,377 million (2020: £1,394 million) are secured on fleet assets with a net book value of £1,786 million (2020: £1,774 million). Asset financed liabilities are all secured on the associated aircraft.

In February 2021, British Airways entered into a five 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 UKEF.

In March 2021, British Airways entered into a Revolving Credit Facility with a syndicate of banks. The total amount available under the facility for British Airways is £973 million ($1,346 million) and will be available for a period of three years plus two one-year extension periods at the discretion of the lenders. The facility is undrawn at the date of this report.

In April 2020, British Airways availed itself of the £298 million Coronavirus Corporate Finance Facility ("CCFF"). This is recognised within borrowings as at 31 March 2021 and was subsequently fully repaid in April 2021.

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

16 Employee benefits

The principal funded defined benefit pension schemes within the Group are the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS'). The Company provides certain additional post-retirement healthcare benefits to eligible employees in the US through the US Post-Retirement Medical Benefit plan ('US PRMB').

NAPS has been closed to new members since 2004 and was closed to future accrual from 31 March 2018. 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). As part of the closure of NAPS to future accrual in 2018, British Airways agreed to make certain additional transition payments to NAPS members if the deficit had reduced more than expected at either the 2018 or 2021 valuations. No payment was triggered by the 2018 valuation and no allowance for such payments following the 2021 valuation has been made in the valuation of the defined benefit obligation.

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.

APS and NAPS are governed by separate Trustee Boards. As some of the business of the two schemes is common, some main Board and Committee meetings are held in tandem, although each Trustee Board reaches its decisions independently. There are three sub committees which are separately responsible for the governance, operation and investments of each scheme. British Airways Pension Trustees Limited holds the assets of both schemes on behalf of their respective Trustees.

Deficit payment plans (where required) are agreed with the Trustee of each scheme every three years based on the actuarial valuation rather than the IAS 19 accounting valuation. In October 2019, the latest deficit recovery plan was agreed as at 31 March 2018 with respect to NAPS.

The actuarial valuations performed as at 31 March 2018 for APS and NAPS are different to the valuation performed as at 31 March 2021 under 'IAS 19: Employee Benefits' mainly due to timing differences of the measurement dates and to the specific scheme assumptions in the actuarial valuation compared with IAS 19 guidance used in the accounting valuation assumptions. For example, IAS 19 requires the discount rate to be based on corporate bond yields regardless of how the assets are actually invested, which may not result in the calculations in this report being a best estimate of the cost to the Company of providing benefits under either Scheme. The investment strategy of each Scheme is likely to change over its life, so the relationship between the discount rate and the expected rate of return on each Scheme's assets may also change.

The defined benefit plans expose the Company to actuarial risks, such as longevity risk, interest rate risk, inflation risk and market (investment) risk, including currency risk.

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.

				As at 31 March 2021
£ million	APS	NAPS	Other	**Total**
Scheme assets at fair value	**7,227**	**19,274**	**395**	**26,896**
Present value of scheme liabilities	**(6,906)**	**(18,162)**	**(647)**	**(25,715)**
Net pension asset/(liability)	**321**	**1,112**	**(252)**	**1,181**
Effect of the asset / (liability) ceiling[1]	**(100)**	**(795)**	**-**	**(895)**
Other employee benefit obligations	**-**	**-**	**(10)**	**(10)**
	221	**317**	**(262)**	**276**
Represented by:				
Employee benefit assets				**549**
Employee benefit obligations				**(273)**
				276

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

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

16 Employee benefits (continued)

				As at 31 December 2020
£ million	*APS*	*NAPS*	*Other*	*Total*
Scheme assets at fair value	*7,752*	*20,196*	*369*	*28,317*
Present value of scheme liabilities	*(7,395)*	*(20,115)*	*(646)*	*(28,156)*
Net pension asset / (liability)	*357*	*81*	*(277)*	*161*
Effect of the asset ceiling[1]	*(113)*	*(434)*	*-*	*(547)*
Other employee benefit obligations	*-*	*-*	*(9)*	*(9)*
	244	*(353)*	*(286)*	*(395)*
Represented by				
Employee benefit assets				*256*
Employee benefit obligations				*(651)*
				(395)

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

At 31 March 2021, the assumptions used to determine the obligations under the APS and NAPS were reviewed and updated to reflect market conditions at that date. The principal assumptions were as follows:

	At 31 March 2021		*At 31 December 2020*	
Per cent per annum	**APS**	**NAPS**	*APS*	*NAPS*
Discount rate	**1.90%**	**2.10%**	*1.20%*	*1.40%*
Rate of increase in pensionable pay	**3.25%**	**n/a**	*2.95%*	*n/a*
Rate of increase of pensions in payment	**3.25%**	**2.55%**	*2.95%*	*2.25%*
RPI rate of inflation	**3.25%**	**n/a**	*2.95%*	*n/a*
CPI rate of inflation	**n/a**	**2.55%**	*n/a*	*2.25%*

Further information on the basis of the assumptions is included in note 29 of the Annual Report and Accounts for the year ended 31 December 2020.

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

On 18 December 2020 British Airways reached agreement with the Trustee of NAPS to defer deficit contributions on an interim basis for the period between 1 October 2020 and 31 January 2021. On 19 February 2021 British Airways reached further agreement with the Trustee of NAPS to extend the deferral of deficit contributions previously agreed in October 2019 on the 31 March 2018 valuation, through to 30 September 2021. Under this deferral agreement, the deferred payments 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. If the future deficit payment plan has not been agreed by 30 September 2021, British Airways will return to making payments of £38 million per month from October 2021. At 31 March 2021 and through to the date of authorisation of these condensed consolidated interim financial statements, the 31 March 2021 triennial valuation has not been finalised.

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

17 Provisions for liabilities and charges

£ million	Restoration and handback	Restructuring	Legal claims	Other	**Total**
Current	*119*	*52*	*27*	*32*	*230*
Non-current	*323*	-	*5*	*16*	*344*
Balance at 1 January 2021	*442*	*52*	*32*	*48*	*574*
Provisions recorded during the period	33	3	19	7	62
Utilised during the period	(7)	(6)	(1)	(3)	(17)
Release of unused amounts	(8)	-	(5)	(1)	(14)
Exchange differences	(17)	-	-	(1)	(18)
As at 31 March 2021	**443**	**49**	**45**	**50**	**587**
Analysis:					
Current	114	49	39	32	**234**
Non-current	329	-	6	18	**353**
	443	**49**	**45**	**50**	**587**

The provision for restorations and handback costs is maintained to meet the contractual maintenance and return conditions on aircraft, including those of right of use. The provision also includes amounts relating to leased land and buildings where restoration costs are contractually required at the end of the lease. The provisions relate to leases up to 2032.

Restructuring provisions represents the estimated costs of settling employee obligations under the Group's restructuring plans. The payments will be made within the next 12 months.

Legal claims provisions include amounts for multi-party claims from groups or employees on a number of matters related to the Group's operations, including claims for additional holiday pay and the Cargo claims concluded in 2019.

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

18 Contingent liabilities & guarantees

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 has been recognised.

There are a number of legal and regulatory proceedings against the Group in a number of jurisdictions which at 31 March 2021 amounted to £13 million (31 December 2020: £15 million).

There are also a number of tax claims against the Group in a number of jurisdictions which at 31 March 2021 amounted to £85 million (31 December 2020: £84 million).

The Group has guarantees and indemnities entered into as part of the normal course of business, which at 31 March 2021 are not expected to result in material losses for the Group.

19 Government grants and assistance

In April 2020, British Airways availed itself of the Coronavirus Corporate Finance Facility ("CCFF") implemented by the UK Government. Under the CCFF, British Airways received £298 million, with interest incurred at the prevailing market rate. £300 million is recognised within borrowings as at 31 March 2021 and was subsequently fully repaid in April 2021.

To mitigate the impact of the COVID-19 pandemic on employment, the UK Government introduced the Coronavirus Job Retention Scheme ("CJRS"). This is a temporary scheme open to employers from 1 March 2020 and is currently due to run until the end of September 2021. Employers receive a grant from HMRC to cover the lower of a percentage of an employee's regular wage, or £2,500 per month as at the date of this report. British Airways received £72 million from the CJRS in the three months ended 31 March 2021 (three months ended 31 March 2020: £nil). This amount is recorded in Employee costs in the Consolidated income statement.

In February 2021, British Airways entered into a five 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 the UK Export Finance.

20 Financial risk management

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

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

During the three months ended 31 March 2021, following a rise in the global price of crude oil, the fair value of such fuel derivative instruments was a £78 million net liability at 31 March 2021, representing a favourable movement from 1 January 2021 of £303 million.

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

At 31 March 2021, the fair value of foreign currency derivatives instruments was a £203 million net liability, representing a favourable movement of £42 million since 1 January 2021.

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

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

21 Post balance sheet events

As disclosed in note 19, the CCFF was fully repaid on 14 April 2021.

Notes to the accounts (unaudited) (continued)

For the three months ended 31 March 2021

22 Related party transactions

The Group had transactions in the ordinary course of business during the three months ended 31 March 2021 with related parties.

Sales and purchases of goods and services:

	Three months to 31 March	
£ million	**2021**	*2020*
Sales of goods and services		
Sales to/purchases on behalf of IAG[1]	**1**	*2*
Sales to/purchases on behalf of subsidiary undertakings of the parent	**9**	*91*
Sales to associates[2]	**13**	*68*
Purchases of goods and services		
Purchases from IAG[1]	**8**	*6*
Purchases from subsidiary undertakings of the parent	**43**	*68*
Purchases from associates[2]	**24**	*37*

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

	31 March	31 December
£ million	**2021**	*2020*
Receivables from related parties		
Amounts owed by IAG[1]	**98**	*105*
Amounts owed by subsidiary undertakings of the parent	**78**	*64*
Amounts owed by associates[2]	**13**	*19*
Payables to related parties		
Amounts owed to IAG[1]	**1,412**	*1,483*
Amounts owed to subsidiary undertakings of the parent	**28**	*21*
Amounts owed to associates[2]	**1,112**	*1,082*

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

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

The Group has not benefitted from any guarantees for any related party receivables or payables. During the period ended 31 March 2021 the Group has not made any provision for doubtful debts relating to amounts owed by related parties (2020: £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 loan is repayable in January 2024.

Directors' and Officers' loans and transactions

There were no loans or credit transactions with Directors or Officers of the Group at 31 March 2021 or that arose during the period that need to be disclosed in accordance with the requirements of Sections 412 and 413 of the Companies Act 2006.

Fleet table

Number in service with Group companies at 31 March 2021

	Number in service with Group companies at 31 March 2021						
	On balance sheet fixed assets	Right of use IFRS16 operating leases	Total March 2021	Total December 2020	Changes since Dec-2020 (Note 2)	Future deliveries	Options
AIRLINE OPERATIONS (NOTE 1)							
Airbus A319	13	22	**35**	*35*			
Airbus A320	33	48	**81**	*80*	**1**	8	10
Airbus A321	13	15	**28**	*28*		3	
Airbus A350	8		**8**	*8*		10	36
Airbus A380	2	10	**12**	*12*			
Boeing 777-200	36	7	**43**	*43*			
Boeing 777-300	2	14	**16**	*16*			
Boeing 777-900						18	24
Boeing 787-8		12	**12**	*12*			
Boeing 787-9	1	17	**18**	*18*			
Boeing 787-10	2		**2**	*2*		10	
Embraer E170				*1*	**(1)**		
Embraer E190	9	13	**22**	*22*			
TOTAL OPERATIONS	**119**	**158**	**277**	**277**		**49**	**70**

Notes:
1. Includes aircraft operated by British Airways Plc and BA Cityflyer Limited.
2. One Airbus A320neo entered service during the period