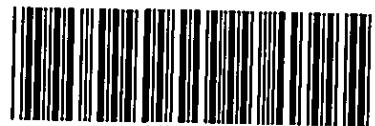


BRITISH AIRWAYS PLC

Unaudited Condensed Interim Company Financial Statements
1 January 2015 – 30 June 2015
Pursuant to section 836 and 838 of the Companies Act 2006

Company registration number 1777777

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COMPANIES HOUSE

Income statement

For the six months ended 30 June

£ million	2015	2014
Passenger revenue	4,645	4,736
Cargo revenue	281	301
Traffic revenue	4,926	5,037
Other revenue	158	163
Total revenue	5,084	5,200
Employee costs	1,176	1,148
Depreciation, amortisation and impairment	369	386
Aircraft operating lease costs	40	23
Fuel oil and emission costs	1,590	1,735
Engineering and other aircraft costs	302	269
Landing fees and en route charges	376	374
Handling charges, catering and other operating costs	467	534
Selling costs	198	223
Currency differences	10	(8)
Accommodation, ground equipment and IT costs	219	265
Total expenditure on operations	4,747	4,949
Operating profit	337	251
Gains on fuel derivatives not qualifying for hedge accounting	11	12
Finance costs	(83)	(80)
Finance income	11	7
Net financing expense relating to pensions	(4)	
Net currency retranslation credits	3	4
Gain on sale of property, plant and equipment and investments	1,509	4
Loss relating to available-for-sale financial assets	(3)	(4)
Profit before tax	1,781	194
Tax	(67)	(45)
Profit after tax	1,714	149

Statement of other comprehensive income

For the six months ended 30 June

£ million	2015	2014
Profit for the period	1,714	149
Other comprehensive income		
Items that will not be re-classified to the income statement		
Pension remeasurements	(113)	
	(113)	
Items that may be re-classified to the income statement		
Net gains on cash flow hedges	477	63
Net movement on available for sale financial assets		37
	477	100
Total other comprehensive income	364	100
Total comprehensive income for the period (net of tax)	2,078	249

Balance sheet

€ million	30 June 2015	31 December 2014
Non-current assets		
Property, plant and equipment	7,536	7,646
Intangibles	892	885
Investments in subsidiaries	1,312	1,326
Investments in associates	1,563	
Available-for-sale financial assets	46	48
Employee benefit assets	595	673
Derivative financial instruments	10	18
Other non-current assets	185	195
Total non-current assets	12,139	10,791
Non-current assets held for sale	4	5
Current assets and receivables		
Inventories	128	129
Trade receivables	748	516
Other current assets	487	470
Derivative financial instruments	58	72
Loan to related party	285	
Other current interest-bearing deposits	2,346	1,849
Cash and cash equivalents	270	619
Total current assets and receivables	4,322	3,655
Total assets	16,465	14,451
Shareholders' equity		
Issued share capital	290	290
Share premium	1,512	1,512
Other reserves	2,069	(7)
Total equity	3,871	1,795
Non-current liabilities		
Interest-bearing long-term borrowings	4,042	4,354
Employee benefit obligations	831	1,019
Provisions for deferred tax	227	120
Non-current provisions	144	133
Derivative financial instruments	46	139
Other non-current liabilities	67	60
Total non-current liabilities	5,357	5,825
Current liabilities		
Current portion of long-term borrowings	542	421
Trade and other payables	6,292	5,595
Derivative financial instruments	349	693
Current tax payable	8	26
Current provisions	46	96
Total current liabilities	7,237	6,831
Total equity and liabilities	16,465	14,451

Approved by the Board and signed on its behalf by



Keith Williams
Executive Chairman
20 October 2015



Nick Swift
Chief Financial Officer
20 October 2015

Cash flow statement

For the six months ended 30 June

£ million	2015	2014
Cash flow from operating activities		
Operating profit	337	251
Depreciation, amortisation and impairment	369	386
Cash payments to pension schemes (net of service costs)	(252)	(10)
Movement in working capital and other non-cash movements	413	542
Interest paid	(57)	(44)
Taxation	(26)	
Net cash generated from operating activities	784	1,125
Cash flow used in investing activities		
Purchase of property, plant and equipment and intangible assets	(301)	(879)
Purchase of available-for-sale investments		(5)
Sale of property, plant and equipment		5
Loans made to related parties	(285)	
Repayment of loan notes		4
Interest received	12	9
Other investing movements	(2)	
Increase in other current interest-bearing deposits	(497)	(563)
Net cash used in investing activities	(1,073)	(1,429)
Cash flow from financing activities		
Proceeds from long-term borrowings	147	599
Repayments of borrowings	(31)	(119)
Payment of finance lease liabilities	(182)	(123)
Net cash flow from financing activities	(66)	357
Net change in cash and cash equivalents	(355)	53
Net foreign exchange differences	6	23
Cash and cash equivalents at 1 January	619	562
Cash and cash equivalents as at 30 June	270	638

Statement of changes in equity

For the six months ended 30 June 2015

£ million	Issued capital	Share premium	Other reserves	Total equity
Balance at 1 January 2015	290	1,512	(7)	1,795
Profit for the period			1,714	1,714
Other comprehensive income for the period			364	364
Total comprehensive income for the period (net of tax)			2,078	2,078
Cost of share-based payment (net of tax)			(2)	(2)
At 30 June 2015	290	1,512	2,069	3,871

For the six months ended 30 June 2014

£ million	Issued capital	Share premium	Other reserves	Total equity
Balance at 1 January 2014	290	1,512	463	2,265
Profit for the period			149	149
Other comprehensive income for the period			100	100
Total comprehensive income for the period (net of tax)			249	249
Cost of share-based payment (net of tax)			(4)	(4)
At 30 June 2014	290	1,512	708	2,510

Notes to the accounts

For the six months ended 30 June 2015

1 Corporate information and basis of preparation

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

The financial information shown in this publication, which was approved by the Board of Directors on 20 October 2015, is unaudited and does not constitute statutory financial statements. BA's Annual Report and Accounts 2014 have been filed with the Registrar of Companies in England and Wales, the report of the auditors on those accounts was unqualified and did not contain a statement under section 498(2) or section 498(3) of the Companies Act 2006.

The interim financial statements of the Company for the six month period ended 30 June 2015 have been prepared for the purpose of justifying a distribution of a dividend in accordance with sections 836 and 838 of the Companies Act 2006.

The basis of preparation and accounting policies set out in the Annual Report and Accounts for the year ended 31 December 2014 have been applied in the preparation of these condensed interim financial statements, except as disclosed in note 2. These are in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU), with those of the Standing Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB), in accordance with IAS 34 'Interim Financial Reporting' and in accordance with the provisions of the Companies Act 2006, subject to matters that are not material for determining whether the distribution would contravene Companies Act 2006 section 838. References to 'IFRS' hereafter should be construed as references to IFRSs as adopted by the EU.

The summary condensed financial statements have been prepared on the going concern basis. The Directors consider this appropriate given that the Company has adequate resources to continue in operational existence for the foreseeable future.

2 Accounting policies

The Company has adopted IFRIC 21 Levies from 1 January 2015. The adoption of this interpretation did not have a significant impact on the Company's net result or net assets.

3 Finance costs and income

For the six months ended 30 June

£ million	2015	2014
Finance costs		
Interest payable on bank and other loans, finance charges payable under finance leases	(84)	(81)
Unwinding of discounting on provisions (note 10)	(1)	(1)
Capitalised interest	1	1
Change in fair value of cross currency swaps	1	1
Total finance costs	(83)	(80)
Finance income		
Bank interest receivable	11	7
Total finance income	11	7

4 Tax

The total tax charge through the income statement for the six month period ended 30 June 2015 was £67 million (2014: £45 million) on a profit before tax of £1,781 million (2014: £194 million). After removing non-taxable items arising from the transfer of the British Airways Executive Club business to Avios Group Ltd the effective tax rate for the period was 24.6 per cent (2014: 23.2 per cent) being higher (2014: lower) than the tax charge at the standard UK corporation tax rate of 20.25 per cent (2014: 23.25 per cent).

Following announcements in the recent UK budget, legislation is due to be enacted in the second half of the year reducing the UK rate of corporation tax to 19 per cent effective from 1st April 2017, and 18 per cent effective from 1st April 2020. The effect of the corporation tax rate reduction is expected to be a deferred tax credit of £55 million through the income statement and a deferred tax charge of £4 million through reserves.

Notes to the accounts (continued)

For the six months ended 30 June 2015

5 Property, plant, equipment and intangibles

a Property plant and equipment

	30 June	31 December
£ million	2015	2014
Net book value at 1 January	7,646	7,135
Additions	258	1,396
Disposals	(7)	(105)
Depreciation	(361)	(783)
Reclassifications		3
Net book value at period end	7,536	7,646

b Intangibles

	30 June	31 December
£ million	2015	2014
Net book value at 1 January	885	815
Additions	36	82
Disposals	(21)	
Amortisation	(8)	(12)
Net book value at period end	892	885

6 Capital expenditure commitments

Capital expenditure authorised and contracted for but not provided for in the accounts amounts to £6,386 million (31 December 2014: £6,651 million). The majority of capital expenditure commitments are denominated in US dollars, as such the commitments are subject to exchange movements.

7 Impairment review

Goodwill and intangible assets with indefinite lives are tested for impairment annually (in the fourth quarter) and when circumstances indicate the carrying value may be impaired. The key assumptions used to determine the recoverable amount for the different cash generating units are disclosed in the Annual Report and Accounts 2014. For the six months to 30 June 2015 there are no indicators that the carrying value may exceed the recoverable amount.

8 Investments

On 28 January 2015, BA entered into a business transfer agreement with its wholly-owned subsidiary Avios Group (AGL) Limited ("AGL"). This transferred certain parts of the BA Executive Club business, relating to the frequent flyer programme, to AGL in return for additional shares in the amount of 16 billion fully paid up Class A Shares in AGL.

Following the restructure, BA's shareholding has reduced from 100% of the existing AGL business to 86% of the combined customer loyalty business. As a result BA no longer has the power to affect the returns of AGL as it now falls within the governance structure of IAG.

From 28 January 2015, AGL was derecognised as a subsidiary of BA and recognised as an associate at the fair value of the retained interest. On initial recognition the investment in AGL was measured at £16 billion with a gain measured on loss of control of a subsidiary of £15 billion.

Notes to the accounts (continued)

For the six months ended 30 June 2015

9 Long-term borrowings

£ million	30 June 2015	31 December 2014
a Current		
Bank and other loans	88	71
Finance leases	434	335
Loans from subsidiaries	20	15
	542	421
b Non-current		
Bank and other loans	446	352
Finance leases	3,257	3,632
Loans from subsidiaries	339	370
	4,042	4,354

10 Provisions for liabilities and charges

£ million	Restoration and handback	Restructuring	Legal claims	Other	Total
Balance at 1 January 2015					
Current	6	42	3	45	96
Non-current	121		1	11	133
	127	42	4	56	229
Arising during the year	15	20		24	59
Utilised	(1)	(27)		(33)	(61)
Release of unused amounts	(1)	(6)	(1)	(27)	(35)
Exchange differences	(2)			(1)	(3)
Unwinding of discount	1				1
As at 30 June 2015	139	29	3	19	190
Analysis					
Current	5	29	2	10	46
Non-current	134		1	9	144
	139	29	3	19	190

Notes to the accounts (continued)

For the six months ended 30 June 2015

11 Employee benefits

The Company operates two principal funded defined benefit pension schemes in the UK, the Airways Pension Scheme ('APS') and the New Airways Pension Scheme ('NAPS'), both of which are closed to new members

£ million	As at 30 June 2015			
	APS	NAPS	Other	Total
Scheme assets at fair value	7,300	13,250	313	20,863
Present value of scheme liabilities	(6,350)	(13,800)	(580)	(20,730)
Net pension asset/(liability)	950	(550)	(267)	133
Effect of the asset ceiling	(360)			(360)
Other employee benefit obligations			(9)	(9)
	590	(550)	(276)	(236)
Represented by				
Employee benefit assets				595
Employee benefit obligations				(831)
				(236)

£ million	As at 31 December 2014			
	APS	NAPS	Other	Total
Scheme assets at fair value	7,509	12,750	302	20,561
Present value of scheme liabilities	(6,446)	(13,484)	(571)	(20,501)
Net pension asset / (liability)	1,063	(734)	(269)	60
Effect of the asset ceiling	(395)			(395)
Other employee benefit obligations			(11)	(11)
	668	(734)	(280)	(346)
Represented by				
Employee benefit assets				673
Employee benefit obligations				(1,019)
				(346)

The principal assumptions used for the purposes of the actuarial valuations were as follows

Per cent per annum	At 30 June 2015			At 31 December 2014		
	APS	NAPS	Other schemes	APS	NAPS	Other schemes
Discount rate	3.65	3.90	3.7 – 4.1	3.45	3.8	3.7 – 4.1
Rate of increase in pensionable pay ¹	3.00	3.10	3.5 – 4.0	2.85	2.95	3.5 – 4.0
Rate of increase of pensions in payment	2.00	2.10	1.5 – 3.5	1.85	1.95	1.5 – 3.5
RPI rate of inflation ²	3.00	3.10	3.0	2.85	2.95	3.0
CPI rate of inflation ²	2.00	2.10	2.5 – 3.0	1.85	1.95	2.5 – 3.0

¹ Rate of increase in salaries is assumed to be in line with the RPI rate of inflation

² The inflation rate assumptions for NAPS and APS are based on the difference between the yields on index-linked and fixed-interest long-term government bonds. The inflation assumptions are used to determine the rate of increase for pensions in payment and the rate of increase in deferred pensions where there is such an increase

Notes to the accounts (continued)

For the six months ended 30 June 2015

12 Contingent liabilities

There were contingent liabilities at 30 June 2015 in respect of tax returns, guarantees and indemnities entered into as part of the ordinary course of the Company's business. At 30 June 2015 these contingent liabilities amounted to £123 million (31 December 2014: £99 million). No material losses are likely to arise from such contingent liabilities.

The Company is party to a number of legal proceedings in the English courts relating to a decision by the European Commission in 2010 which fined BA and ten other airline groups for participating in a cartel in respect of air cargo prices. The European Commission's decision is currently the subject of appeal, but has led to a large number of claimants seeking, in proceedings brought in the English courts and elsewhere, to recover damages from BA and the other airlines which they claim arise from the alleged cartel activity. It is not possible at this stage to predict the outcome of the proceedings, which BA will vigorously defend. BA has, or will, join in to the proceedings the other airlines alleged to have participated in cartel activity to obtain a contribution to such damages, if any, awarded.

The Company is also party to similar litigation in a number of other jurisdictions, including Germany, the Netherlands, Israel and Canada, together with a number of other airlines. At present, the outcome of the proceedings is unknown. In each case, the precise effect, if any, of the alleged cartelising activity on the claimants will need to be assessed.

On the basis of latest information obtained and advice from legal counsel, we are currently unable to determine whether the Company has an existing obligation as a result of the past event.

13 Related party transactions

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

£ million	2015	2014 ¹
Parent		
Sales to/purchases on behalf of IAG	17	13
Purchases from IAG	22	16
Amounts owed by IAG	11	17
Amounts owed to IAG	12	13
Significant shareholder of the parent		
Sales to/purchases on behalf of the significant shareholder of the parent	2	
Purchases from the significant shareholder of the parent	2	
Amounts owed by significant shareholder of the parent	1	
Subsidiary undertakings of the parent		
Sales to subsidiary undertakings of the parent	53	16
Purchases on behalf of subsidiary undertakings of the parent	321	14
Amounts owed by subsidiary undertakings of the parent	22	8
Amounts owed to subsidiary undertakings of the parent	307	9
Associates		
Sales to associates	128	34
Purchases from associates	165	79
Amounts owed by associates	81	11
Amounts owed to associates	1,120	31
Subsidiaries²		
Sales to subsidiaries	145	145
Purchases from subsidiaries	86	108
Amounts owed by subsidiaries	243	228
Amounts owed to subsidiaries	1,806	1,929

¹ Values for amounts owed represent balances at 31 December 2014.

² Outstanding trading balances are placed on inter-company accounts with no specified credit period. Long-term loans owed to and from the Company by subsidiary undertakings bear market rates of interest.

In addition, costs borne by the Company on behalf of the Company's retirement benefit plans amounted to £3 million in relation to the Pension Protection Fund levy (2014: £2 million).

The Company has not provided or benefited from any guarantees for any related party receivables or payables. During the period ended 30 June 2015 the Company has not made any provision for doubtful debts relating to amounts owed by related parties (year ended 31 December 2014: £nil).

Directors' and officers' loans and transactions

There were no loans or credit transactions with Directors or officers of the Company at 30 June 2015 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.