

RELEVANT FACT

BRITISH AIRWAYS NAPS PENSION SCHEME TRIENNIAL VALUATION

International Airlines Group (IAG)'s subsidiary British Airways has signed an agreement with the Trustee of its New Airways Pension Scheme (NAPS) on the scheme's regular triennial valuation.

The valuation is based on the scheme's funding position as at 31 March 2018 and reflects the closure of the scheme to future accrual on that date.

The main terms of the agreement are:

- A technical deficit of £2.4 billion (compared to £2.8 billion at 31 March 2015, which was the basis for the previous deficit recovery plan).
- British Airways will make fixed deficit contributions of £450 million per year until March 2023 (compared to the previous arrangement of £300 million per year fixed deficit contributions and up to £150 million per year variable contributions ('cash sweep') based on British Airways' cash position).
- The fixed deficit contributions will be made until March 2023 (compared to March 2027 under the previous recovery plan).
- Consistent with the previous arrangements, British Airways will pay a one-off contingency payment of £250 million in 2019, as detailed in IAG's 2018 annual report.
- A new overpayment protection mechanism has been agreed, whereby deficit contributions would be suspended if the technical deficit is removed.
- British Airways has increased its flexibility to make dividend payments to IAG of up to 50 per cent of pre-exceptional profit after tax (compared to 35 per cent of post-exceptional profit after tax previously). British Airways can pay a higher dividend than 50 per cent of pre-exceptional profit after tax in return for an agreed mechanism to either accelerate contributions or provide a guarantee.

Steve Gunning
Chief Financial Officer

25 October 2019

NOTES TO EDITORS

As at 31 March 2018 the funding ratio of assets relative to liabilities on a technical provisions basis had improved to 87.3 per cent from 82.7 per cent at 31 March 2015.

The agreed £250 million one-off payment relates to a contingent payment mechanism agreed with Airways Pension Scheme (APS) and NAPS in 2010. As part of the settlement in April 2019 between British Airways and APS (which is awaiting court approval, expected in Quarter 4, 2019), the payment of these funds will be made to NAPS.

British Airways' fixed deficit payments of £450 million per annum will be paid as equal monthly amounts from April 2020.

Under the overpayment protection mechanism, these contributions will be paid into escrow if the funding ratio on a technical provisions basis reaches 97% and will be suspended if the scheme reaches 100% funded. Contributions would restart if funding subsequently falls below 100% and, if required, catch-up payments would be payable commensurate with the contributions forgone during the period of suspension.

For the next three years, if British Airways pays a dividend to IAG higher than 50 per cent of its pre-exceptional profit after tax, it will either provide the scheme with a guarantee for 100 per cent of the amount above 50 per cent or 50 per cent of that amount as an additional cash contribution to which the above overfunding mechanism applies. Mitigation payments will automatically count as a pre-payment of the fixed deficit contributions due at the end of the plan.

The agreement is based on an assumed de-risking path, with a steady switch of three percent of the schemes assets each year from return seeking assets such as equities to liability matching assets such as bonds. In the event that funding progress is better than expected, half of this excess performance will be used to reduce the deficit with the other half used to reduce volatility by accelerating de-risking.

The UK Pensions Regulator has been informed about the terms of the agreement.

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This announcement contains inside information and is disclosed in accordance with the company's obligations under the Market Abuse Regulation (EU) No 596/2014.

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

It is not reasonably possible to itemise all of the many factors and specific events that could the forward-looking statements in this announcement to be incorrect or could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. 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 2018; these documents are available on www.iagroup.com. All forward-looking statements made on or after the date of this document and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section.