

RELEVANT FACT

BRITISH AIRWAYS NAPS PENSION SCHEME TRIENNIAL VALUATION

International Airlines Group's subsidiary British Airways has signed an agreement in principle with the trustees 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 March 31, 2015 and reflects British Airways' improved financial position since the March 2012 valuation.

The main terms of the agreement are:

- A technical deficit of £2.8 billion (compared to £2.7 billion at March 31, 2012, which was the basis for the last deficit recovery plan).
- British Airways will make fixed deficit contributions of £300 million per year until 2027.
- The agreement provides British Airways with the flexibility to make dividend payments to IAG. It also caps the level of additional contributions the airline makes, based on its March 31 cash balance in any year, at £150 million per annum.

The slight increase in NAPS deficit between March 2012 and March 2015 is due to a reduction in the interest rates used to discount the scheme's liabilities, partly offset by contributions and investment returns.

Discussions on the actuarial valuation of the airline's Airways Pension Scheme (APS) will resume once its current legal case has concluded.

October 26, 2016

Enrique Dupuy de Lome
Chief Financial Officer

NOTES TO EDITORS

As at March 31, 2015 the assets have increased by £3.7 billion to £13.3 billion compared to March 31, 2012. The liabilities have risen by £3.8 billion to £16.1 billion over the same period. This leads to an improvement in the funding ratio of assets relative to liabilities from 78.3 per cent to 82.7 per cent.

There are two ways that British Airways can make additional cash contributions above the fixed £300 million per year, both of which will serve to shorten the recovery plan.

- If at March 31 each year, subject to certain agreed adjustments, British Airways' cash exceeds £2.2 billion, the airline will make additional contributions to NAPS, based on 90 per cent of the 25 per cent of the excess over £2.2 billion, up to a maximum of £150 million per year.
- For the next three years, if British Airways pays a dividend to IAG higher than 35 per cent of its profits it will either provide the scheme with a guarantee for 100 per cent of the amount above 35 per cent or 50 per cent of that amount as an additional cash contribution.

In either case, 50 per cent of any additional cash contribution will automatically count as a pre-payment of the fixed deficit contributions due at the end of the plan. The other 50 per cent will be subject to a long term funding test and may also be counted as pre-payment, if the plan is on track with its long term funding target.

This recovery plan is based on an assumed steady switch of three per cent of the assets each year from return seeking assets such as equities to liability matching assets such as bonds.

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

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 report are forward-looking and involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Forward-looking statements can typically be identified by the use of forward-looking terminology, such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" and include, without limitation, any projections relating to 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 expenditures and divestments relating to the Group and discussions of the Group's Business plan. All forward-looking statements in this report are based upon information known to the Group on the date of this report. The Group undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the forward-looking statements in this report to be incorrect or that 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 risk management process of the Group is given in the Annual Report and Accounts 2015; these documents are available on www.iagshares.com.