

## **RELEVANT FACT**

### **BRITISH AIRWAYS FINALISES NEW PENSION SCHEME**

International Airlines Group's subsidiary British Airways has closed its New Airways Pension Scheme (NAPS) to future accrual and its British Airways Retirement Plan (BARP) to future contributions from March 31, 2018.

The schemes have been replaced by a flexible benefits scheme, incorporating a new defined contribution pension scheme, called the British Airways Pension Plan (BAPP). It offers a choice of contribution rates and the ability to opt for cash instead of a pension.

NAPS active members were offered a choice of transition arrangements. The financial impact of these arrangements is as follows:

- Cash transition costs, paid either directly to members or into their pension accounts, of £169 million.
- Some members chose a non-cash option to increase their NAPS pensions prior to closure which led to an increase in the scheme's liabilities.
- However, the net impact of these non-cash options and the reduction in liabilities brought about by closure, due to different pay and pension growth assumptions, will be a reduction in IAS19 liabilities of £770 million.
- In Q1 2018, the net impact of cash transition payments, the liability reduction and BARP closure costs will be treated as an exceptional gain of £598 million.
- The reduction of IAS19 pension liabilities does not change the current recovery plan payments to NAPS, which were agreed in 2016 as part of the full actuarial valuation of the scheme.

The annual costs for BAPP are expected to be approximately £80 million lower than the equivalent NAPS and BARP costs in 2017.

The next full NAPS actuarial valuation is due as at March 31, 2018. It will reflect the closure to future accrual, as well as the normal detailed review of the circumstances at the valuation date, including financial and demographic assumptions.

Steve Gunning, British Airways' chief financial officer said: "This is an important step in managing the risk in NAPS and ensuring the airline has an appropriate cost-base for the future. The new arrangements include a market-competitive defined contribution scheme and will stop the build-up of further liabilities and risk in NAPS. This will help to improve the security of existing benefits."

Enrique Dupuy de Lôme  
Chief Financial Officer

03 April 2018

## NOTES TO EDITORS

NAPS opened on April 01, 1984 and closed to new joiners on March 31, 2003, when it was replaced by BARP.

The reduction in NAPS pension liabilities is related to how members' pensions are assumed to increase up until the point of retirement. Following closure, members' deferred pensions will now be increased annually by inflation up to five per cent per annum (measured using CPI), which is generally lower than the previous assumption for pay growth, which includes pay rises and promotions.

British Airways currently makes deficit contributions to NAPS of £300 million per annum, plus up to an additional £150 million per annum, depending on its cash balance.

As part of the closure of NAPS 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 allowance for such payments has been made in assessing the impact of the closure to future actual detailed above.

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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 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 2017; these documents are available on [www.iagshares.com](http://www.iagshares.com).