

British Airways financing update

International Airlines Group (IAG) confirms two financing agreements that British Airways has reached that will increase total liquidity by £2.45 billion. In addition to these arrangements, IAG continues to explore other debt initiatives to improve further its liquidity.

Update on £2.0 billion UKEF guaranteed 5-year loan facility

First, on 31 December 2020, IAG announced that British Airways had received commitments for a 5-year Export Development Guarantee term-loan of £2.0 billion underwritten by a syndicate of banks, partially guaranteed by UK Export Finance (UKEF). British Airways has now reached final agreement with UKEF and the lenders and expects to drawdown the facility before the end of February 2021.

British Airways' agreement with NAPS on deferral of £450 million pension deficit contributions

Second, British Airways has reached agreement with the Trustee of New Airways Pension Scheme (NAPS) to defer £450 million of pension deficit contributions due between October 2020 and September 2021.

The agreement includes the following:

- The deferral of monthly contributions of £37.5 million from October 2020 to September 2021 for a total value of £450 million.
- During negotiations, the NAPS Trustee agreed to temporary deferrals of the contributions due in October, November, December and January.
- Repayment of £450 million accumulated contributions plus interest will be added to the end of the existing Recovery Plan as monthly payments under a revised Recovery Plan, which is currently March 2023
- British Airways has agreed to provide property assets as security, which will remain in place until the airline has repaid the deferred contributions.
- No dividends will be paid by British Airways to IAG before the end of 2023. From 2024, any dividends paid will be matched by contributions to NAPS of 50 per cent of the value of dividends paid. Any such payments to NAPS will reduce the outstanding repayment balance and are capped at that level. The requirement to make such payments to NAPS ceases after deferred contributions have been repaid.

A new Recovery Plan will be based on the triennial valuation as at 31 March 2021. If a new Recovery Plan has not been agreed by 30 September 2021, the default position is that British Airways will return to making payments of £37.5 million per month from October 2021

Notes to editors

NAPS opened on 1 April 1984 and was closed to new joiners on 31 March 2003 and to future accrual on 31 March 2018. The current Recovery Plan is based on the triennial valuation as of 31 March 2018, which resulted in a technical deficit of £2.4 billion. The current Recovery Plan is for British Airways to make fixed deficit contributions of £450m million per year until March 2023. British Airways has paid £1.34 billion in contributions to NAPS since 31 March 2018, including £263 million in 2020.

Stephen Gunning
Chief Financial Officer

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