

NINE MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (October 28, 2022) presents Group consolidated results for the nine months to September 30, 2022.

IAG achieves a significant step up in profitability for all its airlines in quarter three

IAG financial results highlights for the period:

- Operating profit for the third quarter €1,208 million (2021: operating loss €452 million), and operating profit before exceptional items €1,206 million (2021: operating loss before exceptional items €485 million)
- Operating profit for the nine months €770 million (2021: operating loss €2,487 million), and operating profit before exceptional items €739 million (2021: operating loss before exceptional items €2,665 million)
- Profit after tax and exceptional items for the third quarter €853 million (2021: loss €574 million) and profit after tax before exceptional items €853 million (2021: loss €606 million)
- Profit after tax and exceptional items for the nine months €199 million (2021: loss €2,622 million) and profit after tax before exceptional items €170 million (2021: loss €2,775 million)
- Strong liquidity at September 30, 2022:
 - Total liquidity increased to €13,488 million (December 31, 2021: €11,986 million)
 - Cash¹ of €9,260 million, up €1,317 million on December 31, 2021
 - Committed and undrawn general and aircraft financing facilities of €4,228 million (December 31, 2021: €4,043 million); availability of \$1,755 million revolving credit facility extended by one year to March 2025
- Net debt at September 30, 2022 was down €609 million since December 31, 2021 to €11,058 million

Total revenue fully recovered despite lower capacity than in 2019

- Total revenue for quarter 3 of €7,329 million, 0.9 per cent higher than in 2019, despite the restrictions imposed at London Heathrow airport and the Asia Pacific network remaining substantially closed
 - Passenger unit revenue increased in quarter 3 by 21.9% vs 2019 (quarter 2 up 6.4%)
 - Passenger capacity in quarter 3 was 81.1% of 2019 up from 78.0% in quarter 2, driven primarily by IAG's key regions of European shorthaul (91% of 2019), North America (92%) and Latin America & Caribbean (75%)
 - Passenger yield for quarter 3 was 22.9% higher than in 2019 and load factor of 87.0% was only 0.7pts lower
- By the end of quarter 3, premium leisure revenue had fully recovered to 2019's level, despite capacity being significantly lower. Business channel revenue had recovered to c.75% of 2019's level
- Non-fuel unit costs were 25.5% higher than 2019 in quarter 3, driven by the lower capacity operated, adverse foreign exchange and inflation
- British Airways' capacity for the quarter was in line with previous guidance and operational performance significantly improved during the quarter, with further improvements planned in order to achieve the levels we expect
- IAG's overall passenger capacity plans are for c.87% of 2019 capacity for quarter 4 and c.78% for the full year 2022
- British Airways' main pension scheme (NAPS) - heads of terms for 2021 valuation agreed with Trustees, with no deficit reduction contributions expected under the existing overfunding protection mechanism

Performance summary:

Reported results (€ million)	Nine months to September 30		
	2022	2021	Higher / (lower)
Passenger revenue	14,020	3,140	nm
Total revenue	16,680	4,921	nm
Operating profit/(loss)	770	(2,487)	nm
Profit/(loss) after tax	199	(2,622)	nm
Basic earnings/(loss) per share (€ cents)	4.0	(52.8)	nm
Cash, cash equivalents and interest-bearing deposits ²	9,260	7,943	16.6 %
Borrowings ²	20,318	19,610	3.6 %

Alternative performance measures ³ (€ million)	Nine months to September 30		
	2022	2021	Higher / (lower)
Passenger revenue before exceptional items	14,020	3,135	nm
Total revenue before exceptional items	16,680	4,916	nm
Operating profit/(loss) before exceptional items	739	(2,665)	nm
Profit/(loss) after tax before exceptional items	170	(2,775)	nm
Adjusted earnings/(loss) per share (€ cents)	0.4	(55.9)	nm
Net debt ²	11,058	11,667	(5.2)%
Available seat kilometres (ASK million)	192,544	74,123	nm
Passenger revenue per ASK (€ cents)	7.28	4.23	72.2 %
Non-fuel costs per ASK (€ cents)	5.99	8.61	(30.4)%

¹Cash comprises cash, cash equivalents and interest-bearing deposits.

²The prior year comparative is December 31, 2021.

³For definitions refer to the IAG 2021 Annual Report and Accounts.

Luis Gallego, IAG Chief Executive Officer, said:

“We achieved another strong performance in the third quarter, with an operating profit of €1.2 billion and liquidity of over €13 billion. All our airlines were significantly profitable and we are continuing to see strong passenger demand, while capacity and load factors recover.

“Leisure demand is particularly healthy and leisure revenue has recovered to pre-pandemic levels. Business travel continues to recover steadily.

“I would like to thank our employees across the Group for their hard work which has been key to our recovery. This strong trading performance allows us to continue to invest in our customers, our people and our industry-leading sustainability agenda.

“We’re pleased that our shareholders have recently approved the acquisition of 87 new shorthaul aircraft that will bring us long-term cost savings, lower carbon emissions as well as an improved customer experience.

“While demand remains strong, we are conscious of the uncertainties in the economic outlook and the ongoing pressures on households. Against this backdrop, we are focused on adapting our operations to meet demand, strengthening our balance sheet by re-building our profitability and cashflows and capitalising on our high level of liquidity. This will allow us to allocate capital while investing in a disciplined way in our service and our people, to build capacity and enable future growth.

“As we build back our operational resilience, we are confident in our strengths as a Group: first, a portfolio of leading airline brands; second, leading positions in our key markets and hubs; and third, the flexibility afforded by IAG to drive operational efficiency and innovation. These will enable us to return to pre-COVID levels of profit and generate long-term value for all our stakeholders.”

Trading outlook

At current fuel prices and exchange rates, IAG expects its 2022 pre-exceptional operating profit to be approximately €1.1 billion. Net cash flow from operating activities is expected to be significantly positive for the year. This assumes no further setbacks related to COVID-19 and material impacts from geopolitical developments. Net debt is expected to increase by year end, linked to seasonal booking patterns and capital expenditure associated with aircraft deliveries in quarter 4.

Quarter 4 2022 capacity, measured in ASKs, is expected to be approximately 87% of 2019, resulting in full year 2022 capacity of c.78% of the 2019 level. Capacity in the first quarter of 2023 is expected to be approximately 95% of 2019.

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 often use 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, acquisitions and divestments relating to the Group and discussions of the Group’s business plans. 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.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, the current economic and geopolitical environment and ongoing recovery from the COVID-19 pandemic and uncertainties about its future impact and duration, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. 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 2021 Annual Report and Accounts; this document is available on www.iairgroup.com. All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section. Many of these risks are, and will be, exacerbated by the ongoing recovery from the COVID-19 pandemic and uncertainties about its future impact and duration of any further disruption to the global airline industry as well as the current economic and geopolitical environment.

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CONSOLIDATED INCOME STATEMENT

€ million	Nine months to September 30			Three months to September 30		
	2022	2021 ¹	Higher/ (lower)	2022	2021 ¹	Higher/ (lower)
Passenger revenue	14,020	3,140	nm	6,416	1,999	nm
Cargo revenue	1,216	1,174	3.6 %	373	405	(7.9)%
Other revenue	1,444	607	nm	540	305	77.0 %
Total revenue	16,680	4,921	nm	7,329	2,709	nm
Employee costs	3,417	2,099	62.8 %	1,250	811	54.1 %
Fuel, oil costs and emissions charges	4,400	1,049	nm	1,834	552	nm
Handling, catering and other operating costs	2,143	788	nm	821	421	95.0 %
Landing fees and en-route charges	1,391	598	nm	544	311	74.9 %
Engineering and other aircraft costs	1,507	702	nm	579	283	nm
Property, IT and other costs	670	540	24.1 %	235	187	25.7 %
Selling costs	671	280	nm	229	121	89.3 %
Depreciation, amortisation and impairment	1,531	1,384	10.6 %	516	464	11.2 %
Currency differences	180	(32)	nm	113	11	nm
Total expenditure on operations	15,910	7,408	nm	6,121	3,161	93.6 %
Operating profit/(loss)	770	(2,487)	nm	1,208	(452)	nm
Finance costs	(723)	(612)	18.1 %	(243)	(211)	15.2 %
Finance income	11	5	nm	8	1	nm
Net change in fair value of financial instruments	132	4	nm	2	(34)	nm
Net financing credit relating to pensions	19	2	nm	6	1	nm
Net currency retranslation charges	(305)	(63)	nm	(108)	(50)	nm
Other non-operating credits	262	101	nm	136	31	nm
Total net non-operating costs	(604)	(563)	7.3 %	(199)	(262)	(24.0)%
Profit/(loss) before tax	166	(3,050)	nm	1,009	(714)	nm
Tax	33	428	(92.3)%	(156)	140	nm
Profit/(loss) after tax for the period	199	(2,622)	nm	853	(574)	nm

¹The 2021 results include a reclassification to conform with the presentation adopted in the 2021 Annual Report and Accounts regarding the fair value movements of the convertible bond, which increased total finance costs by €4 million for the nine months to September 30, 2021, with a corresponding impact in Net change in the fair value of financial instruments. There is no net impact on the result after tax.

ALTERNATIVE PERFORMANCE MEASURES

All figures in the tables below are before exceptional items.

€ million	Nine months to September 30			Three months to September 30		
	Before exceptional items			Before exceptional items		
	2022	2021 ¹	Higher/ (lower)	2022	2021 ¹	Higher/ (lower)
Passenger revenue	14,020	3,135	nm	6,416	1,999	nm
Cargo revenue	1,216	1,174	3.6 %	373	405	(7.9)%
Other revenue	1,444	607	nm	540	305	77.0 %
Total revenue	16,680	4,916	nm	7,329	2,709	nm
Employee costs	3,417	2,099	62.8 %	1,250	811	54.1 %
Fuel, oil costs and emissions charges	4,400	1,202	nm	1,834	565	nm
Handling, catering and other operating costs	2,143	788	nm	821	421	95.0 %
Landing fees and en-route charges	1,391	598	nm	544	311	74.9 %
Engineering and other aircraft costs	1,507	709	nm	579	290	99.7 %
Property, IT and other costs	693	540	28.3 %	235	187	25.7 %
Selling costs	671	280	nm	229	121	89.3 %
Depreciation, amortisation and impairment	1,539	1,397	10.2 %	518	477	8.6 %
Currency differences	180	(32)	nm	113	11	nm
Total expenditure on operations	15,941	7,581	nm	6,123	3,194	91.7 %
Operating profit/(loss)	739	(2,665)	nm	1,206	(485)	nm
Finance costs	(723)	(612)	18.1 %	(243)	(211)	15.2 %
Finance income	11	5	nm	8	1	nm
Net change in fair value of financial instruments	132	4	nm	2	(34)	nm
Net financing credit relating to pensions	19	2	nm	6	1	nm
Net currency retranslation charges	(305)	(63)	nm	(108)	(50)	nm
Other non-operating credits	262	101	nm	136	31	nm
Total net non-operating costs	(604)	(563)	7.3 %	(199)	(262)	(24.0)%
Profit/(loss) before tax	135	(3,228)	nm	1,007	(747)	nm
Tax	35	453	(92.3)%	(154)	141	nm
Profit/(loss) after tax for the period	170	(2,775)	nm	853	(606)	nm
Operating figures²	2022	2021¹	Higher/ (lower)	2022	2021¹	Higher/ (lower)
Available seat kilometres (ASK million)	192,544	74,123	nm	74,834	40,082	86.7 %
Revenue passenger kilometres (RPK million)	156,624	44,464	nm	65,078	27,716	nm
Seat factor (per cent)	81.3	60.0	21.3pts	87.0	69.1	17.9pts
Passenger numbers (thousands)	69,504	23,555	nm	29,535	15,475	90.9 %
Cargo tonne kilometres (CTK million)	2,890	2,841	1.7 %	951	988	(3.7)%
Sold cargo tonnes (thousands)	407	382	6.5 %	132	134	(1.5)%
Sectors	456,837	192,833	nm	179,469	114,877	56.2 %
Block hours (hours)	1,308,318	563,716	nm	511,599	303,622	68.5 %
Average manpower equivalent ³	58,077	50,601	14.8 %	62,916	50,202	25.3 %
Aircraft in service	552	533	3.6 %	n/a	n/a	-
Passenger revenue per RPK (€ cents)	8.95	7.05	27.0 %	9.86	7.21	36.7 %
Passenger revenue per ASK (€ cents)	7.28	4.23	72.2 %	8.57	4.99	71.9 %
Cargo revenue per CTK (€ cents)	42.08	41.32	1.8 %	39.22	40.99	(4.3)%
Fuel cost per ASK (€ cents)	2.29	1.62	40.9 %	2.45	1.41	73.9 %
Non-fuel costs per ASK (€ cents)	5.99	8.61	(30.4)%	5.73	6.56	(12.6)%
Total cost per ASK (€ cents)	8.28	10.23	(19.1)%	8.18	7.97	2.7 %

¹The 2021 results include a reclassification to conform with the presentation adopted in the 2021 Annual Report and Accounts regarding the fair value movements of the convertible bond, which increased total finance costs by €4 million for the nine months to September 30, 2021, with a corresponding impact in Net change in the fair value of financial instruments. There is no net impact on the result after tax.

²Financial ratios are before exceptional items. Refer to Alternative performance measures section for detail.

³Included in the average manpower equivalent are staff on furlough, wage support and equivalent schemes, including the Temporary Redundancy Plan arrangements in Spain.

FINANCIAL REVIEW

Developments since last report (July 29, 2022)

On August 16, the Group announced that it had exercised its option to exchange the Group's €100 million seven-year unsecured convertible loan to Globalia for a 20 per cent equity stake in Air Europa.

On October 26, IAG's shareholders approved the purchase of 50 Boeing 737 aircraft and 37 Airbus A320neo aircraft. These aircraft, for delivery between 2023 and 2028, will replace existing Airbus A320ceo family aircraft and will contribute to the Group's climate commitments, as well as bringing long-term cost benefits.

Basis of preparation

At September 30, 2022, the Group had total liquidity of €13,488 million, comprising cash and interest-bearing deposits of €9,260 million, €3,259 million of committed and undrawn general facilities and a further €969 million of committed and undrawn aircraft specific facilities. The Group has been successful in raising financing since the outbreak of COVID-19, having financed all aircraft deliveries in 2020 and 2021 and has continued to successfully finance aircraft in the nine months to September 30, 2022; the Group continues to secure aircraft financing on long-term arrangements.

In its assessment of going concern over the period to December 31, 2023 (the 'going concern period'), prepared in the third quarter of 2022, the Group has prepared extensive modelling, including considering a plausible but severe downside scenario and further sensitivities to the downside scenario. Having reviewed these scenarios and sensitivities, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern period and hence continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the nine months to September 30, 2022.

Principal risks and uncertainties

The Group has continued to maintain its framework and processes to identify, assess and manage risks. The principal risks and uncertainties affecting the Group, detailed on pages 100 to 121 of the 2021 Annual Report and Accounts, remain relevant. The Board reviews and challenges management on the risk landscape in the light of changes that influence the Group and the aviation industry.

The Group continually assesses how its principal risks are evolving and how the severity or likelihood of occurrence of risks change with the return to operations as markets have re-opened. It reviews macro-economic and geopolitical events to identify emerging risks and implications for existing principal risks as well as competition and market risk changes, particularly those that could impact operational resilience. Where further action has been required the Board has considered potential mitigations and, where appropriate or feasible, the Group has implemented or confirmed plans that would address those risks or retain them within the Board's determined Group risk appetite.

From the risks identified in the 2021 Annual Report and Accounts, the main risks that continue to be a key area of focus, due to their potential implications for the Group's resilience, are outlined below. Business responses implemented by management and that effectively mitigate or reduce the risk are reflected in the Group's latest business plan and related downside scenarios. No new principal risks were identified through the risk management assessment discussions across the business in the nine months to September 30, 2022.

- ***Brand and customer trust.*** Operational resilience and customer satisfaction build brand value and customer trust. The Group is pro-actively addressing its customer service processes and systems to deliver excellent customer service and support customers through disruption, which will help ensure that our customers choose to fly with the Group's airlines.
- ***Critical third parties in the supply chain.*** Operational staffing shortages at hubs and airports have required capacity adjustments, including managing the impact on British Airways' customers and operations of the decision by Heathrow airport to cap passenger numbers. The Group has pro-actively assessed its schedules to ensure that our customers have sufficient notice of any changes to their flight plans wherever possible and within our control. Learnings from the summer disruptions have been identified and actions to improve resilience have been implemented. The Group continues to work with all critical suppliers to understand any potential disruption within their supply chains from either a shortage of available resource or production delays which could delay the availability of new fleet, engines or critical goods or services.
- ***Cyber attack and data security.*** The threat of ransomware attacks on critical infrastructure and services has increased as a result of the war in Ukraine and the potential for state sponsored cyber attacks. The Group continues to focus its efforts on appropriate monitoring to mitigate the risk.
- ***Debt funding.*** Access to the unsecured debt markets could be restricted for some sub investment grade organisations, which could reduce the external funding options available to the Group. Rising interest rates will also increase the cost for the Group where it chooses to re-finance upcoming maturities due in the next year. The Group continues to successfully secure aircraft financing.
- ***Economic, political and regulatory environment.*** The economic impact of energy shortages and increases in commodity and wage costs has driven significant inflation and uncertainty over the economic outlook. The Group is closely reviewing the impacts of wage and supplier inflation on margins and customer demand. The Group will continue to adjust its future capacity plans accordingly, retaining flexibility to adapt as required and where possible.
- ***Event causing significant network disruption.*** Ongoing labour shortages, threat of strike action and staff sickness from COVID-19 infections have impacted the operational environment of the Group's airlines as well as the operations of the businesses on which the Group relies. Many of these events can occur within a close timeframe and challenge operational resilience. In addition, the Group has significant IT infrastructure changes to complete which could impact operations. The Group is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airline's' networks.

FINANCIAL REVIEW continued

- *Financial and treasury related risk.* Fuel cost increases have been partly mitigated by the Group's fuel hedging policy. Access to fuel hedging instruments or the ability to pass increased fuel costs on to consumers could impact the Group's profitability. The Group continues to assess the strengthening of the US dollar against the euro and pound sterling and the potential impacts on the Group's operating results. All airlines hedge in line with the Group hedging policy.
- *IT systems and IT infrastructure.* The Group is reliant upon the resilience of IT systems for key customer and business processes and is exposed to risks that relate to poor performance, obsolescence or failure of these systems. The Group is currently engaged in a number of major programmes to modernise and upgrade its IT systems, digital capability, customer propositions and core IT infrastructure and network, where required. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans.
- *People, culture and employee relations.* The Group recognises the efforts of our staff and their resilience and commitment supporting the ramp up of operations. Resource shortages and the timelines to secure resource, particularly in UK and Ireland, can impact operational readiness and resilience. The Group is focused on measures to attract and secure flight and ground staff into its airlines to enable them to fulfil their schedules and maintain competitiveness. Across the Group, collective bargaining is in place with various unions. The Group is exposed to the risk of the industrial relations action and the operating companies continue to engage in discussions with unions to address and resolve disputes arising within the negotiations.

The Board and its sub committees have been apprised of regulatory, competitor and governmental responses on an ongoing basis.

Impact of commodity prices and foreign exchange movements

Average commodity fuel prices for the nine months to September 30, 2022 were significantly higher than in the previous period, with average spot prices of jet fuel almost double the level of the previous year. Jet fuel spot prices reduced from \$1,235 per metric tonne on June 30, 2022 to \$965 per metric tonne on September 30, 2022, although prices fluctuated within the quarter and remain volatile.

The average foreign exchange rates for the first nine months of 2022 resulted in the US dollar strengthening 10 per cent against the euro and 7 per cent stronger against the pound sterling, compared with the average of the first nine months of 2021.

The net impact of transaction and translation exchange for the Group for the nine months was €316 million adverse (€90 million adverse in quarter 1, €106 million adverse in quarter 2 and €120 million adverse in quarter 3).

From a transactional perspective, the Group's financial performance is impacted by fluctuations in exchange rates, primarily from the US dollar, euro and pound sterling. The Group generates a surplus in most currencies in which it does business, except for the US dollar, as capital expenditure, debt repayments and fuel purchases typically create a deficit. The Group hedges a portion of its transaction exposures. The net transaction impact on the operating result was adverse by €296 million for the nine months, increasing revenues by €394 million and costs by €690 million.

IAG's results are impacted by exchange rates used for the translation of British Airways' and IAG Loyalty's financial results from sterling to the Group's reporting currency of euro. For the nine months, the net impact of translation was €20 million adverse (€26 million adverse in quarter one, €2 million favourable in quarter two and €4 million favourable in quarter three).

Unless stated otherwise, all variances quoted below compare the first nine months of 2022 with the first nine months of 2021 on a statutory basis (including exceptional items).

Capacity

In the first nine months of 2022, IAG capacity, measured in available seat kilometres (ASKs) reached 75.3 per cent of that operated in the first nine months of 2019. Capacity was steadily increased through the period, with quarter 1 at 65.1 per cent of 2019, quarter 2 at 78.0 per cent of 2019 and quarter 3 at 81.1 per cent of 2019.

The impact of COVID-19 and related travel restrictions was significantly less than in the first nine months of 2021, when many countries were in lockdown or had severe travel restrictions in place. The passenger load factor reached 81.3 per cent in the first nine months of 2022, again increasing across the period, with the passenger load factor in quarter 1 at 72.2 per cent, in quarter 2 at 81.8 per cent and in quarter 3 at 87.0 per cent, which was just 0.7 points lower than in quarter 3 of 2019. There was some impact from the Omicron variant of COVID-19 early in the year, mainly in January and February. Capacity operated out of London Heathrow airport was lower than originally planned at the start of the year and British Airways' capacity was limited to 74.2 per cent of 2019 in quarter 3, up from 57.4 per cent in quarter 1 and 69.1 per cent in quarter 2.

Revenue

Passenger revenue rose €10,880 million to €14,020 million, reflecting the significant increase in capacity operated, together with the positive impact of a 21.3 percentage point increase in the passenger load factor and passenger yields per revenue passenger kilometre (RPK) up 27.0 per cent. The resulting passenger unit revenue (passenger revenue per ASK) was 72.2 per cent higher than the previous year and was up to 91.0 per cent of that seen in the first nine months of 2019. Passenger unit revenue was 11.7 per cent lower than 2019 in the first quarter, 6.4 per cent higher than 2019 in the second quarter and 21.9 per cent higher in the third quarter.

FINANCIAL REVIEW continued

Cargo revenue was up €42 million to €1,216 million, 3.6 per cent higher than in the first nine months of 2021, despite only 480 cargo flights operated in the period, down from 3,334 in the first nine months of 2021, due to the significant increase in the passenger capacity operated. Yields increased 1.8 per cent on 2021, supported by continued global supply chain disruption, particularly in the first half of the year. Cargo carried, measured in cargo tonne kilometres (CTKs), rose by 1.7 per cent. Compared with 2019, Cargo revenue increased by €391 million, or 47.4 per cent.

Other revenue increased by €837 million to €1,444 million, reflecting the recovery in the Group's non-airline businesses, including BA Holidays, Iberia's maintenance and third party handling businesses and IAG Loyalty. Other revenue was 4.0 per cent higher than in the first nine months of 2019.

Costs

Costs were impacted by the significant increase in capacity versus 2021, together with costs in the first half of the year reflecting the need to complete training and maintenance activities ahead of the Group airlines' Summer flying programmes.

Employee costs increased by €1,318 million to €3,417 million, with only minimal use of government wage support and related schemes in the period, as staff were required to resource the significantly increased flying programme, as well as for training and preparation ahead of the Summer flying season.

Fuel costs increased by €3,351 million to €4,400 million. The impact of the increase in commodity fuel price was mainly seen from March and the impact was reduced by the Group's hedging programme. Fuel costs also benefitted from the reduced volume of cargo flights versus the previous year.

Supplier costs increased by €3,686 million to €6,562 million, mainly linked to the significant increase in capacity operated, together with inflationary increases, which were partly offset by the Group's procurement initiatives.

Depreciation, amortisation and impairment costs increased to €1,531 million, partly driven by aircraft deliveries during 2021 and the first nine months of 2022.

Operating costs include a €180 million currency differences charge in 2022 (classified within Supplier costs), versus a €32 million currency differences credit in 2021; currency differences mainly reflect the retranslation of current financial assets and liabilities at the closing foreign exchange rate for the period, which in 2022 reflects the strengthening of the US dollar against both the euro and the pound sterling.

Operating result

The Group's operating profit for the period was €770 million, an improvement of €3,257 million versus 2021. Excluding exceptional items, the operating profit for the period improved €3,404 million versus the previous year, to €739 million.

Exceptional items

In the nine month period, the Group recorded an exceptional credit of €23 million relating to the partial reversal of the fine previously issued by the European Commission, in 2010, to British Airways. There was also an exceptional credit of €8 million, reflecting the partial reversal of aircraft impairments made in 2020, as six Airbus A320 aircraft previously assumed permanently stood down have now been added back to the Group's fleet plans. In the first nine months of 2021, exceptional items included: gains on those fuel and foreign exchange hedges de-recognised in 2020, totalling €158 million; an exceptional credit of €7 million relating to the reversal of lease provisions made in 2020; and an exceptional credit of €13 million relating to the partial reversal of impairments relating to four Airbus A320 aircraft in 2020. See Reconciliation of Alternative performance measures for further information.

Net non-operating costs, taxation and loss after tax

The Group's net non-operating costs for the nine months were €604 million in 2022, compared with €563 million in 2021. The net change in the fair value of financial instruments of €132 million reflects fair value adjustments as at September 30, 2022 of IAG's convertible bond maturing in 2028 and its convertible loan to Globalia, which was made during quarter 2 and converted into a 20 per cent equity stake in Air Europa in quarter 3. Net currency retranslation charges of €305 million reflected the weakening of the euro and pound sterling against the US dollar since the start of the year. Other non-operating credits of €262 million principally reflect gains on derivatives not qualifying for hedge accounting.

The substantial majority of the Group's activities are taxed where the main operations are based: in the UK, Spain and Ireland which have statutory corporation tax rates of 19 per cent, 25 per cent and 12.5 per cent respectively for 2022. The expected effective tax rate for the Group is determined by applying the relevant corporation tax rate to the profits or losses of each jurisdiction. The geographical distribution of profits and losses in the Group, with the average corporation tax rate for entities with losses being lower than the average corporation tax rate for entities with profits, results in the expected effective tax rate being 32 per cent for the nine months to September 30, 2022. The difference between the actual effective tax rate of negative 20 per cent and the expected effective tax rate of 32 per cent is primarily due to the partial utilisation of previously unrecognised tax losses in the Group's Spanish companies, and the impact of the increase in the UK rate from 19 to 25 per cent from April 2023.

The profit after tax for the nine months was €199 million (2021: loss of €2,622 million).

FINANCIAL REVIEW continued

Cash, liquidity and leverage

The Group's cash balance of €9,260 million at September 30, 2022 was up €1,317 million on December 31, 2021. During the nine months 20 Airbus aircraft were delivered (five A350-1000s, five A350-900s, nine A320 Neos and one A321 Neo), together with one Boeing 787-10. Of the aircraft delivered in the period, 13 were financed by the end of September (one A350-1000, three A350-900s, seven A320 Neos, one A321 Neo and one Boeing 787-10).

Total liquidity at September 30, 2022 was €13,488 million, up from €11,986 million at December 31, 2021. Committed and undrawn general facilities were €3,259 million (December 31, 2021: €2,917 million) and committed and undrawn aircraft facilities €969 million (December 31, 2021: €1,126 million). During quarter 3 the Group extended the availability of its \$1,755 million revolving credit facility by one year to March 2025.

Net debt at September 30, 2022 was €11,058 million, down €609 million from December 31, 2021. The Group has seen a return to the normal seasonality experience before the COVID-19 pandemic; this seasonality typically results in deferred revenues rising strongly in the first half of the year in advance of peak summer travel, with deferred revenues then falling in the second half of the year and reaching a natural trough in December. This pattern of seasonality would normally result in lower cash and cash equivalents at the end of December and an increase in Net debt.

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Profit after tax before exceptional items

Exceptional items are those that in management's view need to be separately disclosed by virtue of their size or incidence in understanding the entity's financial performance.

The tables below reconcile the reported income statement to the income statement to the alternative performance measures statement above:

€ million	Nine months to September 30					
	Reported 2022	Exceptional items	Before exceptional items 2022	Reported 2021	Exceptional items	Before exceptional items 2021
Passenger revenue	14,020	-	14,020	3,140	5	3,135
Cargo revenue	1,216	-	1,216	1,174	-	1,174
Other revenue	1,444	-	1,444	607	-	607
Total revenue	16,680	-	16,680	4,921	5	4,916
Fuel, oil costs and emissions charges ¹	4,400	-	4,400	1,049	(153)	1,202
Engineering and other aircraft costs ²	1,507	-	1,507	702	(7)	709
Property, IT and other costs ³	670	(23)	693	540	-	540
Depreciation, amortisation and impairment ⁴	1,531	(8)	1,539	1,384	(13)	1,397
Other operating charges	7,802	-	7,802	3,733	-	3,733
Total expenditure on operations	15,910	(31)	15,941	7,408	(173)	7,581
Operating profit/(loss)	770	31	739	(2,487)	178	(2,665)
Total net non-operating costs	(604)	-	(604)	(563)	-	(563)
Profit/(loss) before tax	166	31	135	(3,050)	178	(3,228)
Tax	33	(2)	35	428	(25)	453
Profit/(loss) after tax for the period	199	29	170	(2,622)	153	(2,775)

€ million	Three months to September 30					
	Reported 2022	Exceptional items	Before exceptional items 2022	Reported 2021	Exceptional items	Before exceptional items 2021
Passenger revenue	6,416	-	6,416	1,999	-	1,999
Cargo revenue	373	-	373	405	-	405
Other revenue	540	-	540	305	-	305
Total revenue	7,329	-	7,329	2,709	-	2,709
Fuel, oil costs and emissions charges ¹	1,834	-	1,834	552	(13)	565
Engineering and other aircraft costs ²	579	-	579	283	(7)	290
Property, IT and other costs ³	235	-	235	187	-	187
Depreciation, amortisation and impairment ⁴	516	(2)	518	464	(13)	477
Other operating charges	2,957	-	2,957	1,675	-	1,675
Total expenditure on operations	6,121	(2)	6,123	3,161	(33)	3,194
Operating profit/(loss)	1,208	2	1,206	(452)	33	(485)
Total net non-operating costs	(199)	-	(199)	(262)	-	(262)
Profit/(loss) before tax	1,009	2	1,007	(714)	33	(747)
Tax	(156)	(2)	(154)	140	(1)	141
Profit/(loss) after tax for the period	853	-	853	(574)	32	(606)

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES continued

¹ The exceptional credit to Fuel, oil costs and emissions charges of €153 million recorded in the nine months to September 30, 2021 and the exceptional credit to Passenger revenue of €5 million related to the derecognition of hedge accounting of the associated fuel derivatives and the foreign currency derivatives on forecast revenue and fuel consumption. These amounts arose from the substantial deterioration in demand for air travel caused by the COVID-19 outbreak, which caused a significant level of hedged fuel purchases in US dollars and hedged passenger revenue transactions in a variety of foreign currencies to no longer be expected to occur based on the Group's operating forecasts prevailing at the balance sheet date. The credit related to revenue derivatives and fuel derivatives was recorded in the Income statement within Passenger revenue and Fuel, oil and emission charges, respectively.

The related tax charge was €25 million.

² The exceptional credit recorded of €7 million recorded in the nine months to September 30, 2021 related to the reversal of contractual lease provisions for those aircraft in Vueling that have been stood up during quarter 3 of 2021, where the estimated costs to fulfil the hand back conditions will be recognised over the remaining operating activity of the aircraft. The exceptional credit was recorded within Engineering and other aircraft costs and there was no tax impact on the recognition of this credit.

³ The exceptional credit of €23 million recorded in the nine months to September 30, 2022 relates to the partial reversal of the fine, plus accrued interest, initially issued by the European Commission, in 2010, to British Airways regarding its involvement in cartel activity in the air cargo sector and that had been recognised as an exceptional charge. The exceptional credit has been recorded within Property, IT and other costs in the Income statement with no resultant tax charge arising.

⁴ The exceptional impairment reversal of €8 million recorded in the nine months to September 30, 2022 (nine months to September 30, 2021: credit of €13 million) related to six Airbus A320s in Vueling (nine months to September 30, 2021: four Airbus A320 in Vueling), previously stood down in the fourth quarter of 2020 and subsequently stood up during 2022 (nine months to September 30, 2021: previously stood down in the fourth quarter of 2020 and subsequently stood up during 2021). The exceptional impairment reversal was recorded within Right of use assets on the Balance sheet and within Depreciation, amortisation and impairment in the Income statement. The related tax charge was €2 million.