

## NINE MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (October 31, 2019) presented Group consolidated results for the nine months to September 30, 2019.

### IAG period highlights on results:

- Third quarter operating profit €1,425 million before exceptional items (2018 pro forma<sup>1</sup>: €1,530 million, 2018 statutory: €1,460 million)
- The quarter was heavily impacted by industrial action by BALPA pilots, which together with other disruption resulted in an adverse operating profit impact of €155 million
- Passenger unit revenue for the quarter down 0.5 per cent, down 1.1 per cent at constant currency
- Non-fuel unit costs before exceptional items for the quarter up 0.5 per cent, up 1.1 per cent at constant currency on a pro forma<sup>1</sup> basis.
- Fuel unit costs for the quarter up 6.1 per cent, up 4.2 per cent at constant currency
- Net foreign exchange operating profit impact for the quarter favourable €41 million
- Operating profit before exceptional items for the period of nine months €2,520 million (2018 pro forma<sup>1</sup>: €2,770 million, 2018 statutory: €2,575 million), down 9.0 per cent
- Cash of €7,838 million at September 30, 2019 was up €1,564 million on December 31, 2018 and net debt to EBITDA of 1.2 times in line with 2018
- Profit after tax before exceptional items for the period of nine months €1,814 million down 6.0 per cent (down 27.8 per cent on a statutory basis), and adjusted earnings per share down 1.4 per cent on a pro forma<sup>1</sup> basis
- Interim dividend of 14.5 € cents per share

### Performance summary:

|   | Nine months to September 30 |                   |                  | Statutory     |                   |
|---|-----------------------------|-------------------|------------------|---------------|-------------------|
|   | Statutory                   | Pro forma         | Higher / (lower) | 2019          | 2018 <sup>2</sup> |
| <b>Highlights € million</b>               | <b>2019</b>                 | 2018 <sup>1</sup> | Higher / (lower) | <b>2019</b>   | 2018 <sup>2</sup> |
| Passenger revenue                         | <b>17,185</b>               | 16,326            | 5.3 %            | <b>17,185</b> | 16,326            |
| Total revenue                             | <b>19,399</b>               | 18,346            | 5.7 %            | <b>19,399</b> | 18,346            |
| Operating profit before exceptional items | <b>2,520</b>                | 2,770             | (9.0)%           | <b>2,520</b>  | 2,575             |
| Exceptional items                         | -                           | 584               | (100.0)%         | -             | 584               |
| Operating profit after exceptional items  | <b>2,520</b>                | 3,354             | (24.9)%          | <b>2,520</b>  | 3,159             |
| Available seat kilometres (ASK million)   | <b>255,749</b>              | 244,344           | 4.7 %            |               |                   |
| Passenger revenue per ASK (€ cents)       | <b>6.72</b>                 | 6.68              | 0.6 %            |               |                   |
| Non-fuel costs per ASK (€ cents)          | <b>4.81</b>                 | 4.76              | 1.0 %            |               |                   |

|   | 2019         | 2018 <sup>1</sup> | Higher / (lower) |
|---|--------------|-------------------|------------------|
| <b>Alternative performance measures</b>               | <b>2019</b>  | 2018 <sup>1</sup> | Higher / (lower) |
| Profit after tax before exceptional items (€ million) | <b>1,814</b> | 1,930             | (6.0)%           |
| Adjusted earnings per share (€ cents)                 | <b>88.7</b>  | 90.0              | (1.4)%           |
| Net debt (€ million) <sup>3</sup>                     | <b>6,179</b> | 6,430             | (3.9)%           |
| Net debt to EBITDA <sup>3</sup>                       | <b>1.2</b>   | 1.2               | 0.0x             |

|  | 2019          | 2018  | Higher / (lower) |
|--|---------------|-------|------------------|
| <b>Statutory results € million</b>     | <b>2019</b>   | 2018  | Higher / (lower) |
| Profit after tax and exceptional items | <b>1,814</b>  | 2,514 | (27.8)%          |
| Basic earnings per share (€ cents)     | <b>91.4</b>   | 121.9 | (25.0)%          |
| Cash and interest-bearing deposits     | <b>7,838</b>  | 6,923 | 13.2 %           |
| Interest-bearing long-term borrowings  | <b>14,017</b> | 7,342 | 90.9 %           |

For definitions refer to the IAG Annual report and accounts 2018.

<sup>1</sup> Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 'Leases' from January 1, 2018. A reconciliation of the pro forma financial information to the Group's statutory results is available on the Company's website.

<sup>2</sup> September 30, 2018 comparatives are the Group's statutory results as reported.

<sup>3</sup> The prior year comparative is pro forma December 31, 2018. The December 31, 2018 as reported was adjusted net debt of €8,355 million, and adjusted net debt to EBITDAR of 1.6 times.

**Willie Walsh, IAG Chief Executive Officer, said:**

“In quarter 3 we’re reporting an operating profit of €1,425 million before exceptional items, down from €1,530 million last year.

“These are good underlying results. As we said in September, our performance has been affected by industrial action by pilots’ union BALPA and other disruption including threatened strikes by Heathrow airport employees.

“In addition, our fuel bill increased by €136 million during the quarter with fuel unit costs up 4.2 per cent at constant currency.

“At constant currency, passenger unit revenue decreased by 1.1 per cent while non-fuel unit costs were up 1.1 per cent”.

**Trading outlook**

At current fuel prices and exchange rates, IAG expects its 2019 operating profit before exceptional items to be €215 million lower than 2018 pro forma (€3,485 million). Passenger unit revenue is expected to be slightly down at constant currency and non-fuel unit costs are expected to improve at constant currency.

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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.

*Steve Gunning, Chief Financial Officer*

**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.iairgroup.com](http://www.iairgroup.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.

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## CONSOLIDATED INCOME STATEMENT

| € million                                    | Nine months to September 30 |   |                      |                            |                    | Statutory     |                   |
|--|-----------------------------|---|----------------------|----------------------------|--------------------|---------------|-------------------|
|  | Statutory                   | Pro forma   |                      |                            | Higher/<br>(lower) | 2019          | 2018 <sup>2</sup> |
|  | Total<br>2019               | Before<br>exceptional<br>items<br>2018 <sup>1</sup> | Exceptional<br>items | Total<br>2018 <sup>1</sup> |                    |               |                   |
| Passenger revenue                            | 17,185                      | 16,326  |                      | 16,326                     | 5.3 %              | 17,185        | 16,326            |
| Cargo revenue                                | 825                         | 847   |                      | 847                        | (2.6)%             | 825           | 847               |
| Other revenue                                | 1,389                       | 1,173   |                      | 1,173                      | 18.4 %             | 1,389         | 1,173             |
| <b>Total revenue</b>                         | <b>19,399</b>               | <b>18,346</b>                                       |                      | <b>18,346</b>              | <b>5.7 %</b>       | <b>19,399</b> | <b>18,346</b>     |
| Employee costs                               | 3,713                       | 3,589   | (594)                | 2,995                      | 3.5 %              | 3,713         | 2,995             |
| Fuel, oil costs and emissions charges        | 4,569                       | 3,934   |                      | 3,934                      | 16.1 %             | 4,569         | 3,934             |
| Handling, catering and other operating costs | 2,343                       | 2,148   |                      | 2,148                      | 9.1 %              | 2,343         | 2,154             |
| Landing fees and en-route charges            | 1,699                       | 1,669   |                      | 1,669                      | 1.8 %              | 1,699         | 1,669             |
| Engineering and other aircraft costs         | 1,587                       | 1,306   |                      | 1,306                      | 21.5 %             | 1,587         | 1,285             |
| Property, IT and other costs                 | 582                         | 580   | 10                   | 590                        | 0.3 %              | 582           | 688               |
| Selling costs                                | 813                         | 806   |                      | 806                        | 0.9 %              | 813           | 806               |
| Depreciation, amortisation and impairment    | 1,554                       | 1,479   |                      | 1,479                      | 5.1 %              | 1,554         | 928               |
| Aircraft operating lease costs               | -                           | -   |                      | -                          | -                  | -             | 663               |
| Currency differences                         | 19                          | 65  |                      | 65                         | (70.8)%            | 19            | 65                |
| Total expenditure on operations              | 16,879                      | 15,576  | (584)                | 14,992                     | 8.4 %              | 16,879        | 15,187            |
| <b>Operating profit</b>                      | <b>2,520</b>                | <b>2,770</b>  | <b>584</b>           | <b>3,354</b>               | <b>(9.0)%</b>      | <b>2,520</b>  | <b>3,159</b>      |
| Finance costs                                | (446)                       | (414)   |                      | (414)                      | 7.7 %              | (446)         | (166)             |
| Finance income                               | 33                          | 30  |                      | 30                         | 10.0 %             | 33            | 30                |
| Net financing credit relating to pensions    | 19                          | 20  |                      | 20                         | (5.0)%             | 19            | 20                |
| Net currency retranslation credits/(charges) | 93                          | (6)   |                      | (6)                        | nm                 | 93            | (6)               |
| Other non-operating credits                  | 50                          | 1   |                      | 1                          | nm                 | 50            | 1                 |
| Total net non-operating costs                | (251)                       | (369)   |                      | (369)                      | (32.0)%            | (251)         | (121)             |
| <b>Profit before tax</b>                     | <b>2,269</b>                | <b>2,401</b>  | <b>584</b>           | <b>2,985</b>               | <b>(5.5)%</b>      | <b>2,269</b>  | <b>3,038</b>      |
| Tax  | (455)                       | (471)   | (40)                 | (511)                      | (3.4)%             | (455)         | (524)             |
| <b>Profit after tax for the period</b>       | <b>1,814</b>                | <b>1,930</b>  | <b>544</b>           | <b>2,474</b>               | <b>(6.0)%</b>      | <b>1,814</b>  | <b>2,514</b>      |

| Operating figures                          | 2019      | 2018 <sup>1</sup> | Higher/<br>(lower) |
|--|-----------|-------------------|--------------------|
| Available seat kilometres (ASK million)    | 255,749   | 244,344           | 4.7 %              |
| Revenue passenger kilometres (RPK million) | 216,607   | 205,044           | 5.6 %              |
| Seat factor (per cent)                     | 84.7      | 83.9              | 0.8pts             |
| Cargo tonne kilometres (CTK million)       | 4,150     | 4,190             | (1.0)%             |
| Passenger numbers (thousands)              | 90,448    | 86,241            | 4.9 %              |
| Sold cargo tonnes (thousands)              | 508       | 515               | (1.3)%             |
| Sectors                                    | 591,954   | 572,314           | 3.4 %              |
| Block hours (hours)                        | 1,730,731 | 1,666,386         | 3.9 %              |
| Average manpower equivalent                | 65,808    | 64,324            | 2.3 %              |
| Aircraft in service                        | 601       | 575               | 4.5 %              |
| Passenger revenue per RPK (€ cents)        | 7.93      | 7.96              | (0.4)%             |
| Passenger revenue per ASK (€ cents)        | 6.72      | 6.68              | 0.6 %              |
| Cargo revenue per CTK (€ cents)            | 19.88     | 20.21             | (1.7)%             |
| Fuel cost per ASK (€ cents)                | 1.79      | 1.61              | 11.0 %             |
| Non-fuel costs per ASK (€ cents)           | 4.81      | 4.76              | 1.0 %              |
| Total cost per ASK (€ cents)               | 6.60      | 6.37              | 3.5 %              |

<sup>1</sup> Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 'Leases' from January 1, 2018. A reconciliation of the pro forma financial information to the Group's statutory results is available on the Company's website.

<sup>2</sup> The 2018 statutory results for the Group are the consolidated results including the impact of the exceptional items. There are no exceptional items in the nine months to September 30, 2019.

## CONSOLIDATED INCOME STATEMENT

| € million                                    | Three months to September 30 |   |                      |                            |                    | Statutory    |                   |
|--|------------------------------|---|----------------------|----------------------------|--------------------|--------------|-------------------|
|  | Statutory                    | Pro forma   |                      |                            | Higher/<br>(lower) | 2019         | 2018 <sup>2</sup> |
|  | Total<br>2019                | Before<br>exceptional<br>items<br>2018 <sup>1</sup> | Exceptional<br>items | Total<br>2018 <sup>1</sup> |                    |              |                   |
| Passenger revenue                            | 6,536                        | 6,388   |                      | 6,388                      | 2.3 %              | 6,536        | 6,388             |
| Cargo revenue                                | 269                          | 290   |                      | 290                        | (7.2)%             | 269          | 290               |
| Other revenue                                | 505                          | 462   |                      | 462                        | 9.3 %              | 505          | 462               |
| <b>Total revenue</b>                         | <b>7,310</b>                 | <b>7,140</b>  |                      | <b>7,140</b>               | <b>2.4 %</b>       | <b>7,310</b> | <b>7,140</b>      |
| Employee costs                               | 1,221                        | 1,216   | 34                   | 1,250                      | 0.4 %              | 1,221        | 1,250             |
| Fuel, oil costs and emissions charges        | 1,633                        | 1,497   |                      | 1,497                      | 9.1 %              | 1,633        | 1,497             |
| Handling, catering and other operating costs | 867                          | 787   |                      | 787                        | 10.2 %             | 867          | 790               |
| Landing fees and en-route charges            | 618                          | 618   |                      | 618                        | -                  | 618          | 618               |
| Engineering and other aircraft costs         | 556                          | 480   |                      | 480                        | 15.8 %             | 556          | 463               |
| Property, IT and other costs                 | 202                          | 199   | 2                    | 201                        | 1.5 %              | 202          | 234               |
| Selling costs                                | 262                          | 272   |                      | 272                        | (3.7)%             | 262          | 272               |
| Depreciation, amortisation and impairment    | 519                          | 500   |                      | 500                        | 3.8 %              | 519          | 310               |
| Aircraft operating lease costs               | -                            | -   |                      | -                          | -                  | -            | 241               |
| Currency differences                         | 7                            | 41  |                      | 41                         | (82.9)%            | 7            | 41                |
| Total expenditure on operations              | 5,885                        | 5,610   | 36                   | 5,646                      | 4.9 %              | 5,885        | 5,716             |
| <b>Operating profit</b>                      | <b>1,425</b>                 | <b>1,530</b>  | <b>(36)</b>          | <b>1,494</b>               | <b>(6.9)%</b>      | <b>1,425</b> | <b>1,424</b>      |
| Finance costs                                | (165)                        | (135)   |                      | (135)                      | 22.2 %             | (165)        | (55)              |
| Finance income                               | 11                           | 9   |                      | 9                          | 22.2 %             | 11           | 9                 |
| Net financing credit relating to pensions    | 6                            | 9   |                      | 9                          | (33.3)%            | 6            | 9                 |
| Net currency retranslation charges           | (45)                         | (2)   |                      | (2)                        | nm                 | (45)         | (2)               |
| Other non-operating credits/(charges)        | 30                           | (2)   |                      | (2)                        | nm                 | 30           | (2)               |
| Total net non-operating costs                | (163)                        | (121)   |                      | (121)                      | 34.7 %             | (163)        | (41)              |
| <b>Profit before tax</b>                     | <b>1,262</b>                 | <b>1,409</b>  | <b>(36)</b>          | <b>1,373</b>               | <b>(10.4)%</b>     | <b>1,262</b> | <b>1,383</b>      |
| Tax  | (254)                        | (282)   | 7                    | (275)                      | (9.9)%             | (254)        | (277)             |
| <b>Profit after tax for the period</b>       | <b>1,008</b>                 | <b>1,127</b>  | <b>(29)</b>          | <b>1,098</b>               | <b>(10.6)%</b>     | <b>1,008</b> | <b>1,106</b>      |

| Operating figures                          | 2019    | 2018 <sup>1</sup> | Higher/<br>(lower) |
|--|---------|-------------------|--------------------|
| Available seat kilometres (ASK million)    | 92,318  | 89,773            | 2.8 %              |
| Revenue passenger kilometres (RPK million) | 80,929  | 77,674            | 4.2 %              |
| Seat factor (per cent)                     | 87.7    | 86.5              | 1.2pts             |
| Cargo tonne kilometres (CTK million)       | 1,349   | 1,419             | (4.9)%             |
| Passenger numbers (thousands)              | 34,563  | 33,510            | 3.1 %              |
| Sold cargo tonnes (thousands)              | 162     | 172               | (5.7)%             |
| Sectors                                    | 215,920 | 213,087           | 1.3 %              |
| Block hours (hours)                        | 628,707 | 614,837           | 2.3 %              |
| Average manpower equivalent                | 67,407  | 65,975            | 2.2 %              |
| Passenger revenue per RPK (€ cents)        | 8.08    | 8.22              | (1.8)%             |
| Passenger revenue per ASK (€ cents)        | 7.08    | 7.12              | (0.5)%             |
| Cargo revenue per CTK (€ cents)            | 19.94   | 20.44             | (2.4)%             |
| Fuel cost per ASK (€ cents)                | 1.77    | 1.67              | 6.1 %              |
| Non-fuel costs per ASK (€ cents)           | 4.61    | 4.58              | 0.5 %              |
| Total cost per ASK (€ cents)               | 6.37    | 6.25              | 2.0 %              |

<sup>1</sup> Pro forma financial information is based on the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 'Leases' from January 1, 2018. A reconciliation of the pro forma financial information to the Group's statutory results is available on the Company's website.

<sup>2</sup> The 2018 statutory results for the Group are the consolidated results including the impact of the exceptional items. There are no exceptional items in the three months to September 30, 2019.

## FINANCIAL REVIEW

### **Strategic overview**

On July 26, Aer Lingus took delivery of its first Airbus A321neo LR aircraft which operated its inaugural flight from Dublin to Hartford, Connecticut on 2 August. The A321neo LR is the most cost efficient long-range narrow body aircraft and is fitted with a total of 184 seats in business and economy cabins.

On July 27, British Airways received its first Airbus A350-1000 aircraft, which features the airline's new business class seat. The Club Suite offers direct-aisle access, a suite door for greater privacy and flatbed seats in a 1-2-1 configuration. In total, British Airways will take delivery of 18 Airbus A350s, with four of the new aircraft joining the fleet before the end of 2019.

On October 10, IAG announced its commitment to achieving net zero carbon emissions by 2050 becoming the first airline group worldwide to back this ambitious goal. In addition, British Airways will offset carbon emissions for all its UK domestic flights from 2020 by investing in verified carbon reduction projects equivalent to the carbon emissions it creates for domestic flights. These include solar energy projects, forestation programmes and tree planting in South America, Africa and Asia. IAG will also invest \$400 million in sustainable aviation fuel in the next 20 years. British Airways is partnering with specialised company Velocys to build Europe's first plant that will turn household waste destined for landfill into sustainable fuel which produces 70 per cent less CO<sub>2</sub> emissions than fossil fuel.

### **Basis of preparation**

The Group has adopted the new accounting standard IFRS 16 'Leases' from January 1, 2019 and has used the modified retrospective transition approach. IFRS 16 eliminates the classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. On the Balance sheet, obligations to make future payments under leases, previously classified as operating leases, are recognised as debt with the associated right of use assets (ROU). In the Income statement, the operating lease costs are replaced with depreciation (within operating expenditure) and lease interest expense (within non-operating expenditure). For further information see pages 170 to 171 of the 2018 Annual Report and Accounts.

The following review is against a pro forma basis for 2018, which provides a consistent basis for comparison with 2019 results. Pro forma results for 2018 are the Group's statutory results with an adjustment to reflect the estimated impact of IFRS 16 from January 1, 2018, and have been prepared using the same assumptions used for the IFRS 16 transition adjustment at January 1, 2019 (set out in note 33 of IAG's 2018 Annual Report and Accounts) adjusted for any new aircraft leases entered into during 2018 and using the incremental borrowing rates at January 1, 2019. The IFRS 16 adjustments for aircraft lease liabilities are based on US dollar exchange rates at the transition date.

### **Principal risks and uncertainties**

The Group has continued to maintain and operate its structure and processes to identify, assess and manage risks. The principal risks and uncertainties affecting the Group, detailed on pages 30 to 36 of the 2018 Annual Report and Accounts, remain relevant.

### **Operating and market environment**

Average commodity fuel prices for the nine months were slightly lower than in the same period last year, although effective fuel prices were higher than in 2018, principally due to hedging profits in 2018 not repeated in 2019 and the strengthening of the US dollar.

The US dollar was stronger against both the euro and pound sterling, whilst the average euro to pound sterling exchange rate for the nine months was at similar levels to the previous year.

IAG's results are impacted by exchange rates used for the translation of British Airways' and Avios' financial results from sterling to the Group's reporting currency of euro. For the nine months, the net impact of translation was €4 million adverse.

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 operating profit was adverse by €8 million for the period, increasing revenues by €255 million and costs by €263 million.

The net impact of translation and transaction exchange for the Group was €12 million adverse.

### **Capacity**

In the first nine months of 2019, IAG capacity, measured in available seat kilometres (ASKs), was higher by 4.7 per cent, with increases across all regions. Iberia increased its capacity primarily through additional frequencies on its Latin and North American routes, in particular Mexico, Chile and New York and in Asia Pacific with additional frequencies to Tokyo. Vueling increased its capacity primarily through additional frequencies across its domestic market, with Balearic and Canary Islands performing well throughout 2019. Aer Lingus growth is driven primarily by the North Atlantic with a new route to Minneapolis added in July 2019 and deployment of the A321neo LR to Connecticut. British Airways increased capacity through additional frequencies, primarily in Latin America and the Caribbean, together with new destinations including flights to Charleston, Pittsburgh, Islamabad and Osaka from London Heathrow. LEVEL longhaul capacity growth reflected the impact of the launch of LEVEL France in July 2018 and a new route from Barcelona to JFK in July 2019. In addition, LEVEL launched shorthaul bases in Vienna in July 2018 and in Amsterdam in April 2019.

## FINANCIAL REVIEW

### **Revenue**

Passenger revenue increased 5.3 per cent versus last year. Passenger unit revenue (passenger revenue per ASK) was down 0.5 per cent at constant currency ('ccy') from lower yields (passenger revenue/revenue passenger kilometre), with passenger load factor higher by 0.8 points at 84.7 per cent. Passenger unit revenues rose in the Domestic, AMESA (Africa Middle East and South Asia) and North America regions, and fell in Europe, Asia Pacific and LACAR (Latin America and the Caribbean). In the nine months to September 30, 2019 the Group carried over 90 million passengers, up 4.9 per cent versus last year.

Cargo revenue decreased 2.6 per cent, which represented a decrease of 5.0 per cent at constant currency, reflecting the weak market conditions seen in air freight and global trade.

Other revenue was up 18.4 per cent, excluding currency impacts up 15.6 per cent. Other revenue rose from higher BA Holidays revenue and from Iberia's third-party maintenance business.

### **Costs**

Employee costs increased 3.5 per cent compared to last year. On a unit basis and at ccy, employee unit costs improved 1.4 per cent with salary awards, primarily inflation-linked, more than offset by efficiency initiatives achieved across the Group, the closure of the British Airways NAPS pension scheme to future accrual on March 31, 2018 and the impact of the BALPA industrial action on employee bonuses. The average number of employees was 2.3 per cent higher than 2018, reflecting the growth in capacity, with productivity, measured as ASKs per average manpower equivalent, up 2.3 per cent for the Group.

Fuel costs increased 16.1 per cent, with fuel unit costs up 6.9 per cent at ccy from higher average fuel prices net of hedging, mainly due to hedging profits in 2018 not repeated in 2019. The introduction of new fleet continued to drive efficiencies.

Supplier costs increased by 7.1 per cent and on a unit basis at ccy were up 1.3 per cent on the previous year, including the additional costs incurred to drive higher other revenue in British Airways and Iberia.

Ownership costs increased 5.1 per cent on the previous year, with the number of aircraft in service growing from 575 to 601. Ownership costs on a unit basis and at ccy were 0.5 per cent higher than in 2018.

Overall non-fuel unit costs at ccy were up 0.4 per cent versus a year ago, impacted by disruption and strike action in quarter 3, together with the additional costs incurred to grow Iberia's MRO and BA Holidays' revenues.

### **Operating profit**

Operating profit for the nine months was €2,520 million before exceptional items, a decrease of €250 million from last year. Results in the third quarter were impacted by cancellations relating to industrial action by BALPA pilots and by other disruption, with an adverse impact of €155 million.

### **Exceptional items**

There were no exceptional items in the nine months. In 2018, the Group recognised an exceptional gain of €678 million, due to the closure of British Airways' NAPS and BARP pension schemes, and an exceptional charge of €94 million related to the continuation of British Airways' transformation initiatives.

### **Net non-operating costs, taxation and profit after tax**

The Group's net non-operating costs for the period were €251 million in 2019, compared with €369 million (2018 statutory: €121 million) in 2018. The change was primarily from the net retranslation of debt and hedging instruments, resulting in a credit of €93 million in 2019, compared with a charge of €6 million in the previous year.

The tax charge for the period was €455 million before exceptional items, with an effective tax rate for the Group of 20.0 per cent (2018: 17.2 per cent).

The profit after tax for the nine months was €1,814 million (2018 pro forma: €2,474 million after exceptional items, 2018 statutory: €2,514 million after exceptional items), a decrease of €660 million versus last year, principally driven by the net impact in 2018 of the reduction in pension liabilities associated with the closure of the British Airways NAPS pension scheme to future accrual and restructuring costs.

### **Cash and leverage**

The Group's cash position of €7,838 million was €915 million higher than September 30, 2018. Net debt at the end of the period, including the debt associated with right of use assets, was €6.2 billion and net debt to EBITDA was 1.2 times.