INTERNATIONAL AIRLINES GROUP

IAG third quarter results 2024

Growing revenue, operating profit and operating margin; announcing a €350 million share buyback

Highlights

- Executing our strategy has driven very strong financial performance in the quarter:
  - Increase in total revenue by 7.9%
  - Increase in operating profit by 15.4% to €2,013 million
  - Increase in operating margin by 1.4 percentage points to 21.6%
- Demand remains strong in all our core markets, supporting a 1.2% increase in passenger unit revenue
- Ongoing focus on improving our customer propositions and operational resilience
- Increased profitability supports significant free cash flow generation, investment and an increasingly strong balance sheet
- We are pleased to announce a €350 million share buyback
- We expect our strong financial performance to continue for the rest of the year

Luis Gallego, IAG Chief Executive Officer, said:

"We achieved a very strong financial performance in Q3 2024, with a 15.4% increase in operating profit compared to the same period last year and improving our margin to 21.6%. This is due to the effectiveness of our strategy and Group-wide transformation.

"We are also delivering on our commitment to provide sustainable returns for shareholders.

"Demand remains strong across our airlines and we expect a good final quarter of 2024 financially."

Financial summary:

	Nine months to 30 September		Three months to 30 September	
Reported results (€ million)	**2024**	2023	**2024**	2023
Total revenue	**24,053**	22,229	**9,329**	8,646
Operating profit	**3,322**	3,005	**2,013**	1,745
Profit after tax	**2,340**	2,151	**1,435**	1,230
Basic earnings per share (€ cents)	**47.6**	43.6		
Cash, cash equivalents and interest-bearing deposits[1]	**9,837**	6,837		
Borrowings[1]	**16,026**	16,082		

Alternative performance measures (€ million)	**2024**	2023	**2024**	2023
Total revenue before exceptional items	**24,053**	22,229	**9,329**	8,646
Operating profit before exceptional items	**3,322**	3,005	**2,013**	1,745
Operating margin before exceptional items	**13.8%**	13.5%	**21.6%**	20.2%
Profit after tax before exceptional items[2]	**2,250**	2,151	**1,435**	1,230
Adjusted earnings per share (€ cents)	**43.7**	40.7		
Net debt[1]	**6,189**	9,245		
Net debt to EBITDA before exceptional items (times)[1]	**1.0**	1.7		
Total liquidity[1, 3]	**13,306**	11,624		

For definitions of Alternative performance measures, refer to the Alternative performance measures section from page 14.

1 The prior period comparative is 31 December 2023.
2 Exceptional items in 2024 (2023: nil) relate to the withdrawal from the Air Europa transaction and tax, as explained in the Financial review and Alternative performance measures section.
3 Total liquidity includes Cash, cash equivalents and interest-bearing deposits, plus committed and undrawn general and aircraft-specific financing facilities.

Financial highlights for the third quarter of 2024

- Total revenue growth of 7.9% mainly due to to higher passenger revenue, with an improvement in Cargo revenue and Maintenance, Repair and Overhaul (MRO) revenue at Iberia
- Passenger revenue per available seat kilometre ('ASK') for the third quarter was 1.2% higher than in the third quarter of 2023, despite an exceptionally strong comparative quarter in 2023. For the nine months to 30 September it has increased by 2.2%
- Non-fuel unit costs increased by 2.2%, as the benefits of transformation and capacity growth partially offset wage settlements and supplier inflation
- Fuel unit cost was down by 4.2% compared to the third quarter of 2023, reflecting the lower effective fuel prices net of hedging and the benefit of IAG's ongoing deliveries of more efficient aircraft
- Operating margin for the third quarter was 21.6%, a 1.4 percentage point increase compared with the third quarter in 2023, with a 5.4 percentage point improvement in the British Airways margin
- Profit after tax of €1,435 million for the third quarter, an increase of 17% compared to €1,230 million in Q3 2023
- Net debt at 30 September reduced to €6,189 million (31 December 2023: €9,245 million; 30 September 2023: €8,009 million) and net debt to EBITDA before exceptional items reduced to 1.0 times

Delivering our strategy

Trading and network

IAG's strategy is based on growing its global leadership positions, with a particular focus on its core markets of the North Atlantic, Latin America and intra-Europe.

Three months to 30 September 2024	Proportion of total ASKs 2024	ASKs higher/(lower) v2023	Passenger load factor (%)	Passenger load factor higher/(lower) v2023	Passenger revenue per ASK higher/(lower) v2023[1]
North Atlantic	31.7 %	3.9 %	89.1	2.2pts	3.5 %
Latin America and Caribbean	17.7 %	10.7 %	91.1	0.6pts	(2.8)%
Europe	28.1 %	5.3 %	89.7	0.2pts	1.4 %
Domestic (Spain and UK)	7.7 %	4.1 %	93.4	0.2pts	(0.4)%
Africa, Middle East and South Asia	10.7 %	1.4 %	87.3	(0.2)pts	(2.3)%
Asia Pacific	4.1 %	17.6 %	92.3	1.6pts	(15.0)%
Total network	**100.0 %**	**5.7 %**	**89.9**	**1.0pts**	**1.2 %**

1 Passenger revenue per ASK for total network is based on total passenger revenue divided by ASKs. For the analysis by region, passenger revenue excludes certain items that are not directly assigned at a route level, including joint business payments or receipts, foreign exchange hedging gains or losses, EC261 compensation and adjustments to assumptions for unused tickets.

The North Atlantic region continues to be a major area of strength for IAG. IAG increased its capacity for the North Atlantic region by 3.9% in the quarter and passenger unit revenue increased by 3.5%. Within this, unit revenue at British Airways was particularly strong whilst Aer Lingus saw a negative impact from the pilots' strike as well as increased competitor capacity to Dublin.

IAG is also investing in the structurally growing Latin America market, in particular through Iberia and LEVEL. Capacity growth in the quarter continues to be elevated, at 10.7%, as Iberia in particular continues to add frequencies into its core cities. Passenger unit revenue decreased by 2.8%, as strong underlying demand mitigated the impact of the capacity growth.

We continue to see strong customer demand in our intra-European network, where capacity increased by 5.3% in the quarter and passenger unit revenue increased by 1.4%. All of our short-haul airlines saw good demand and revenue performance across Europe in the quarter.

Our capacity growth in the Domestic region (Spain and UK) was 4.1% in the third quarter, with good performance in particular from our short-haul airlines Vueling and Iberia Express. Passenger unit revenue reduced slightly by 0.4%.

The rest of the world continues to be more challenging, albeit as a smaller part of IAG's total capacity (c.15%). Whilst IAG has grown capacity by 17.6% in Asia Pacific, this reflects the restoration of pre-COVID-19 network points and frequencies, which our airlines will continue to review to ensure disciplined capital allocation. Passenger unit revenue decreased by 15.0% in the third quarter.

Our Loyalty business has continued to grow both revenue and profit as it increases ways for customers to earn and spend Avios.

Capital allocation

We have announced a share buyback programme of €350 million, reflecting our confidence in the strategy and business model, as well as the long-term prospects of the business.

As we execute our transformation programme, this is delivering good progress towards the world-class margins, significant free cash flow and increasingly strong balance sheet that we have targeted.

Based on our capital allocation framework we are now demonstrating our commitment to our shareholders. We reinstated a dividend at our half year results and have now started to return excess cash to shareholders.

Outlook for 2024

- Planned capacity growth for the fourth quarter is around 5% and for the full year it is now around 6%
- Non-fuel cost is expected to be up around 2% for the year, reflecting the lower capacity growth due mainly to the impact of disruption and aircraft availability across the Group
- Taking into consideration the 76% of hedging we have in place for the fourth quarter, total fuel cost for the full year is expected to be around €7.7 billion, based on jet fuel forward prices at 7 November 2024
- We expect capital expenditure in 2024 to be around €3.1 billion, with 20 aircraft to be delivered in the year, including four in the fourth quarter
- Leverage to increase modestly by 31 December 2024
- We expect our strong financial performance to continue for the rest of the year

Summary

- Longer term we see positive, sustainable demand for travel
- We remain focused on executing our strategy to deliver world-class margins and returns
- We take a disciplined approach to capital allocation. We expect to generate significant free cash flow, invest in the business and maintain a strong balance sheet
- We are pleased to announce a €350 million share buyback
- For our shareholders we are committed to sustainable value creation and cash returns

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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”, “believes”, “may”, “will”, “could”, “should”, “continues”, “intends”, “plans”, “targets”, “predicts”, “estimates”, “envisages” or “anticipates” or other words of similar meaning or their negatives. 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, and its assumptions, expectations, objectives and resilience with respect to climate scenarios. 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, economic and geo-political, market, regulatory, climate, supply chain or other significant external events, 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 Annual report and accounts 2023; 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.

Alternative Performance Measures:

This announcement contains, in addition to the financial information prepared in accordance with International Financial Reporting Standards (‘IFRS’) and derived from the Group’s financial statements, alternative performance measures (‘APMs’) as defined in the Guidelines on alternative performance measures issued by the European Securities and Markets Authority (ESMA) on 5 October 2015. The performance of the Group is assessed using a number of APMs. These measures are not defined under IFRS, should be considered in addition to IFRS measurements, may differ to definitions given by regulatory bodies relevant to the Group and may differ to similarly titled measures presented by other companies. They are used to measure the outcome of the Group’s strategy based on ‘Unrivalled customer proposition’, ‘Value accretive and sustainable growth’ and ‘Efficiency and innovation’.

For definitions and explanations of APMs, refer to the APMs section in the most recent published financial report and in the IAG Annual report and accounts 2023. These documents are available on www.iairgroup.com.

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CONSOLIDATED INCOME STATEMENT

€ million	Nine months to 30 September 2024	2023	Higher/ (lower)	Three months to 30 September 2024	2023	Higher/ (lower)
Passenger revenue	**21,313**	19,517	9.2 %	**8,270**	7,733	6.9 %
Cargo revenue	**870**	866	0.5 %	**304**	263	15.6 %
Other revenue	**1,870**	1,846	1.3 %	**755**	650	16.2 %
Total revenue	**24,053**	22,229	8.2 %	**9,329**	8,646	7.9 %
Employee costs	**4,515**	3,985	13.3 %	**1,574**	1,375	14.5 %
Fuel costs and emissions charges	**5,868**	5,579	5.2 %	**2,054**	2,029	1.2 %
Handling, catering and other operating costs	**3,101**	2,891	7.3 %	**1,183**	1,095	8.0 %
Landing fees and en-route charges	**1,842**	1,762	4.5 %	**672**	658	2.1 %
Engineering and other aircraft costs	**2,004**	1,862	7.6 %	**715**	654	9.3 %
Property, IT and other costs	**820**	788	4.1 %	**272**	273	(0.4)%
Selling costs	**841**	851	(1.2)%	**264**	273	(3.3)%
Depreciation, amortisation and impairment	**1,737**	1,508	15.2 %	**597**	525	13.7 %
Net gain on sale of property, plant and equipment	**(1)**	(15)	(93.3)%	**(1)**	2	nm
Currency differences	**4**	13	(69.2)%	**(14)**	17	nm
Total expenditure on operations	**20,731**	19,224	7.8 %	**7,316**	6,901	6.0 %
Operating profit	**3,322**	3,005	10.5 %	**2,013**	1,745	15.4 %
Finance costs	**(677)**	(867)	(21.9)%	**(206)**	(302)	(31.8)%
Finance income	**299**	285	4.9 %	**112**	118	(5.1)%
Net change in fair value of financial instruments	**(63)**	–	nm	**(58)**	13	nm
Net financing credit relating to pensions	**46**	77	(40.3)%	**16**	26	(38.5)%
Net currency retranslation credits	**56**	64	(12.5)%	**80**	(85)	nm
Other non-operating (charges)/credits	**(28)**	51	nm	**(48)**	63	nm
Total net non-operating costs	**(367)**	(390)	(5.9)%	**(104)**	(167)	(37.7)%
Profit before tax	**2,955**	2,615	13.0 %	**1,909**	1,578	21.0 %
Tax	**(615)**	(464)	32.5 %	**(474)**	(348)	36.2 %
Profit after tax for the period	**2,340**	2,151	8.8 %	**1,435**	1,230	16.7 %

ALTERNATIVE PERFORMANCE MEASURES

All figures in the tables below are before exceptional items. Refer to Alternative performance measures section for more detail.

	Nine months to 30 September			Three months to 30 September		
	Before exceptional items			Before exceptional items		
€ million	**2024**	2023	Higher/ (lower)	**2024**	2023	Higher/ (lower)
Passenger revenue	**21,313**	19,517	9.2 %	**8,270**	7,733	6.9 %
Cargo revenue	**870**	866	0.5 %	**304**	263	15.6 %
Other revenue	**1,870**	1,846	1.3 %	**755**	650	16.2 %
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Engineering and other aircraft costs	**2,004**	1,862	7.6 %	**715**	654	9.3 %
Property, IT and other costs	**820**	788	4.1 %	**272**	273	(0.4)%
Selling costs	**841**	851	(1.2)%	**264**	273	(3.3)%
Depreciation, amortisation and impairment	**1,737**	1,508	15.2 %	**597**	525	13.7 %
Net gain on sale of property, plant and equipment	**(1)**	(15)	(93.3)%	**(1)**	2	nm
Currency differences	**4**	13	(69.2)%	**(14)**	17	nm
Total expenditure on operations	**20,731**	19,224	7.8 %	**7,316**	6,901	6.0 %
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Finance costs	**(677)**	(867)	(21.9)%	**(206)**	(302)	(31.8)%
Finance income	**299**	285	4.9 %	**112**	118	(5.1)%
Net change in fair value of financial instruments	**(63)**	–	nm	**(58)**	13	nm
Net financing credit relating to pensions	**46**	77	(40.3)%	**16**	26	(38.5)%
Net currency retranslation credits	**56**	64	(12.5)%	**80**	(85)	nm
Other non-operating credits	**22**	51	(56.9)%	**(48)**	63	nm
Total net non-operating costs	**(317)**	(390)	(18.7)%	**(104)**	(167)	(37.7)%
Profit before tax	**3,005**	2,615	14.9 %	**1,909**	1,578	21.0 %
Tax	**(755)**	(464)	62.7 %	**(474)**	(348)	36.2 %
Profit after tax for the period	**2,250**	2,151	4.6 %	**1,435**	1,230	16.7 %

Operating figures	**2024**	2023	Higher/ (lower)	**2024**	2023	Higher/ (lower)
Available seat kilometres (ASK million)	**258,933**	242,293	6.9 %	**93,280**	88,259	5.7 %
Revenue passenger kilometres (RPK million)	**224,696**	208,079	8.0 %	**83,834**	78,494	6.8 %
Passenger load factor (per cent)	**86.8**	85.9	0.9pts	**89.9**	88.9	1.0pts
Passenger numbers (thousands)	**92,975**	87,548	6.2 %	**34,745**	33,241	4.5 %
Cargo tonne kilometres (CTK million)	**3,809**	3,362	13.3 %	**1,324**	1,138	16.3 %
Sold cargo tonnes (thousands)	**475**	439	8.2 %	**157**	145	8.3 %
Sectors	**562,308**	538,413	4.4 %	**202,135**	196,377	2.9 %
Block hours (hours)	**1,721,953**	1,605,694	7.2 %	**624,018**	587,584	6.2 %
Aircraft in service	**599**	573	4.5 %	**n/a**	n/a	n/a
Passenger revenue per RPK (€ cents)	**9.49**	9.38	1.1 %	**9.86**	9.85	0.1 %
Passenger revenue per ASK (€ cents)	**8.23**	8.06	2.2 %	**8.87**	8.76	1.2 %
Cargo revenue per CTK (€ cents)	**22.84**	25.76	(11.3)%	**22.96**	23.11	(0.6)%
Fuel cost per ASK (€ cents)	**2.27**	2.30	(1.6)%	**2.20**	2.30	(4.2)%
Non-fuel costs per ASK (€ cents)	**5.74**	5.63	1.9 %	**5.64**	5.52	2.2 %
Total cost per ASK (€ cents)	**8.01**	7.93	0.9 %	**7.84**	7.82	0.3 %

FINANCIAL REVIEW for the nine months to 30 September 2024

IAG capacity

In the first nine months of 2024, passenger capacity operated, measured in available seat kilometres (ASKs), rose by 6.9% versus the same period in 2023.

Capacity operated by airline

	ASKs higher/(lower) v2023	Passenger load factor (%)	Higher/ (lower) v2023
Aer Lingus	3.1 %	81.6	(1.1)pts
British Airways	4.6 %	85.3	1.4pts
Iberia	15.5 %	87.9	0.3pts
LEVEL	24.0 %	95.3	0.4pts
Vueling	0.8 %	92.8	1.0pts
Group	**6.9 %**	**86.8**	**0.9pts**

Iberia's growth of 15.5% versus the first nine months of 2023 is principally driven by the increase in its number of Airbus A350-900 aircraft flying to North and South America, with an average of 22 A350-900 aircraft in service for the first nine months, compared with an average of 17 in the first nine months of 2023.

Basis of preparation

The Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence for a period of at least 12 months from the date of approval of this report, and hence continue to adopt the going concern basis.

Unless stated otherwise, all figures and variances quoted below relate to the first nine months of 2024 compared with the first nine months of 2023 on a reported basis (including exceptional items).

Summary

Reported results € million	**2024**	2023	Higher/(lower) vly
Operating profit	**3,322**	3,005	317
Profit before tax	**2,955**	2,615	340
Profit after tax	**2,340**	2,151	189

The Group's operating profit for the first nine months increased by €317 million versus the first nine months of 2023, driven by higher passenger unit revenues and lower fuel unit costs, partially offset by an increase in non-fuel unit costs, as discussed further below. The increase in operating profit was despite adverse foreign exchange impacts of €96 million.

Summary of exceptional items

Termination of the agreement with Globalia to purchase Air Europa Holdings

Due to the Group's assessment that its intended acquisition of the remaining 80% of the share capital of Air Europa Holdings that it does not currently own was no longer probable, with a subsequent decision on 1 August 2024 to withdraw from the acquisition, a contractual €50 million break-fee became payable before the Group announced its results for the first six months of 2024 on 2 August 2024. Accordingly, the Group recognised an exceptional charge to Other non-operating (charges)/credits within the Income statement in quarter 2. The related tax credit was €5 million. See Alternative performance measures section for further information.

Revocation of Royal Decree-Law 2/2016 in Spain

On 18 January 2024, the *Tribunal Constitucional* (Constitutional Court) in Spain ruled that the Royal Decree-Law 3/2016, introducing a number of amendments to the corporate income tax law, was unconstitutional. The amendments were accordingly revoked, leading to the recognition of an exceptional tax credit of €135 million in the first half of 2024. See Alternative performance measures section for further information.

There were no exceptional items in the first nine months of 2023.

Alternative performance measures (before exceptional items) € million	**2024**	2023	Higher/(lower) vly
Operating profit	**3,322**	3,005	317
Profit before tax	**3,005**	2,615	390
Profit after tax	**2,250**	2,151	99

Revenue

€ million	**2024**	Higher/(lower) vly (%)	Higher/(lower) vly
Passenger revenue	**21,313**	9.2 %	1,796
Cargo revenue	**870**	0.5 %	4
Other revenue	**1,870**	1.3 %	24
Total revenue	**24,053**	8.2 %	1,824

Passenger revenue

The increase in passenger revenue of €1,796 million, or 9.2%, was ahead of the increase in passenger capacity of 6.9%, driven by higher yields, measured as passenger revenue per revenue passenger kilometre, up 1.1%, together with higher passenger load factors, with the Group passenger load factor 0.9 points higher. These improvements led to an increase in passenger unit revenue, measured as passenger revenue per ASK of 2.2%. The growth in passenger revenue was linked to the increase in capacity and continued strong leisure demand.

Passenger revenue by region

Nine months to 30 September 2024	Proportion of total ASKs 2024	ASKs higher/(lower) v2023	Passenger load factor (%)	Passenger load factor higher/(lower) v2023	Passenger revenue per ASK higher/(lower) v2023
North Atlantic	30.9 %	3.7 %	85.1	1.5pts	3.9 %
Latin America and Caribbean	19.1 %	14.0 %	88.4	0.2pts	(3.1)%
Europe	26.3 %	6.5 %	87.3	0.8pts	2.0 %
Domestic (Spain and UK)	7.9 %	5.3 %	90.6	0.8pts	0.6 %
Africa, Middle East and South Asia	11.7 %	0.4 %	83.8	0.2pts	(2.1)%
Asia Pacific	4.1 %	28.9 %	89.4	0.1pts	(14.3)%
Total network	**100.0 %**	**6.9 %**	**86.8**	**0.9pts**	**2.2 %**

Cargo revenue

Cargo revenue, at €870 million, was €4 million higher than in 2023. Cargo volumes, measured in cargo tonne kilometres (CTKs), were 13.3% higher than the previous year. Red Sea disruption in 2024 drove elevated sea-to-air freight conversion, which increased demand from South Asia and the Middle East, particularly in the second and third quarters. Cargo yields, measured as cargo revenue per cargo tonne kilometre, were 11.3% below those of 2023 as a result of the increase in global passenger airline capacity across the industry. Also, prices were elevated in the first nine months of 2023, due to the residual effects of supply chain disruptions in late 2022.

Other revenue

Other revenue, at €1,870 million was up €24 million versus 2023, with an increase in revenues from Iberia's Maintenance, Repair and Overhaul (MRO) business and ground handling services, offset by the cessation of a contract relating to travel for retired Spanish citizens.

Operating costs

Total operating expenditure rose from €19,224 million in 2023 to €20,731 million in 2024, an increase of 7.8%, linked to the higher volume of flights and an increase in non-fuel unit costs, which increased by 1.9% versus the first nine months of 2023. The increase in non-fuel unit costs was in line with investments in the airlines' operations and customer experience, the impact of wage increases in the second half of 2023 and supplier cost increases, partially mitigated by the impact of the Group's transformation initiatives.

Employee costs

	2024	Higher/(lower) vly (%)	Higher/(lower) vly
Employee costs, € million	**4,515**	13.3 %	530
Employee costs per ASK, € cents	**1.74**	6.0 %	

The rise in employee costs of €530 million or 13.3% versus 2023 reflected the timing of wage settlements, a number of which occurred in the second half of 2023. Employee numbers also rose as the airlines increased their flying schedules versus the first nine months of 2023.

Fuel costs and emission charges

	2024	Higher/(lower) vly (%)	Higher/(lower) vly
Fuel costs and emissions charges, € million	**5,868**	5.2 %	289
Fuel costs and emissions charges per ASK, € cents	**2.27**	(1.6)%	

Fuel costs and emissions charges were up €289 million, or 5.2% versus 2023, reflecting increased flying volumes, with the Group's effective fuel price net of fuel hedging and related foreign currency hedging down approximately 4% versus 2023, offset by increased provisions for the cost of complying with emissions trading schemes, which rose to €251 million, versus €180 million in the first nine months of 2023. Fuel consumption and costs benefited from the Group's continued investment in new aircraft.

Supplier costs

€ million	**2024**	Higher/(lower) vly (%)	Higher/(lower) vly
Handling, catering and other operating costs	**3,101**	7.3 %	210
Landing fees and en-route charges	**1,842**	4.5 %	80
Engineering and other aircraft costs	**2,004**	7.6 %	142
Property, IT and other costs	**820**	4.1 %	32
Selling costs	**841**	(1.2)%	(10)
Currency differences	**4**	(69.2)%	(9)
Total Supplier costs	**8,612**	5.4 %	445
Supplier costs per ASK, € cents	**3.33**	(1.3)%	

Total Supplier costs rose by €445 million, or 5.4%, to €8,612 million, with the impact of the Group's cost transformation initiatives partially mitigating the impacts of inflation and the additional operating cost arising from the Group's investment in customer experience and IT. Supplier unit costs were down by 1.3% versus 2023.

Ownership costs

Ownership costs include depreciation, amortisation and impairment of tangible and intangible assets, including right of use assets, and the net gain on sale of property, plant and equipment.

	2024	Higher/(lower) vly (%)	Higher/(lower) vly
Depreciation, amortisation and impairment	**1,737**	15.2 %	229
Net gain on sale of property, plant and equipment	**(1)**	(93.3)%	(14)
Ownership costs, € million	**1,736**	16.3 %	243
Ownership costs per ASK, € cents	**0.67**	8.8 %	

The increase in ownership costs versus 2023 is mainly driven by the increase in the Group's fleet of aircraft, which is linked to the airlines' growth in capacity and their investments in new, more fuel-efficient aircraft, together with customer-focused investments, such as new and improved seats in business cabins. The net gain on sale of property, plant and equipment in 2023 of €15 million reflected the disposal of aircraft withdrawn from service and related spare parts.

Exchange rate impact

Exchange rate impacts are calculated by retranslating current year results at prior year exchange rates. The reported revenues and expenditures are impacted by the translation of currencies other than euro, primarily pound sterling related to British Airways and IAG Loyalty, to the Group's reporting currency of euro. From a transaction perspective, the Group's performance is impacted by the fluctuation of exchange rates, primarily exposure to the pound sterling, euro and US dollar. The Group typically generates a surplus in most currencies in which it does business, except the US dollar, for which capital expenditure, debt repayments and fuel purchases typically create a deficit which is managed and partially hedged. The Group hedges its economic exposure from transacting in foreign currencies but does not hedge the translation impact of reporting in euro.

Overall, in the first nine months of 2024 the Group's operating profit before exceptional items was reduced by €96 million due to adverse exchange rate impacts.

Exchange rate impact before exceptional items

	2024		
€ million Favourable/(adverse)	**Translation impact**	**Transaction impact**	**Total exchange impact**
Total exchange impact on revenue	296	(193)	**103**
Total exchange impact on operating expenditures	(258)	59	**(199)**
Total exchange impact on operating profit	38	(134)	**(96)**

Operating profit before exceptional items by operating company

	2024	2023	Higher/(lower)
British Airways (£ million)[1]	**1,385**	1,075	310
Aer Lingus (€ million)	**148**	236	(88)
Iberia (€ million)	**816**	821	(5)
Vueling (€ million)	**389**	378	11
IAG Loyalty (£ million)[1]	**318**	285	33

1 2023 comparatives restated for the transfer of BA Holidays from British Airways to IAG Loyalty.

The improvement of £310 million for British Airways related to its 4.6% increase in capacity, together with higher load factors and improved unit passenger revenue. The €88 million reduction in operating profit for Aer Lingus was partly due to an industrial dispute with its pilots' union, which impacted the Aer Lingus operation in late June and July, together with weaker trading. Iberia and Vueling continued to deliver strong operating profits, following record operating profits in the first nine months of 2023. IAG Loyalty's operating profit grew by 11.6%.

Total net non-operating costs

Total net non-operating costs for the nine months were €367 million, versus €390 million in 2023. Finance costs of €677 million were €190 million lower than in 2023, mainly reflecting the voluntary early repayment in the second half of 2023 of debt drawn as a result of the impact of the COVID-19 pandemic in 2020 and 2021. Net currency retranslation resulted in a credit of €56 million in 2024, principally reflecting US dollar foreign exchange movements, versus a credit of €64 million in 2023. Other non-operating charges of €28 million (2023: credits of €51 million) include net gains on derivative contracts for which hedge accounting is not applied, and a charge of €50 million (2023: €nil) in relation to the termination of the agreement to purchase Air Europa Holdings.

Tax

The tax charge on the profit for the nine months was €615 million (2023: tax charge of €464 million), with an effective tax rate of 21% (2023: 18%). Excluding the exceptional items outlined above, the tax charge on the profit for the nine months was €755 million, with an effective tax rate of 25%.

The substantial majority of the Group's activities are taxed where the main operations are based: in Spain, the UK and Ireland, which have statutory corporation tax rates of 25%, 25% and 12.5% respectively for 2024. The expected 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 results in the expected tax rate being 25% for the nine months to 30 September 2024.

The difference between the actual effective tax rate of 21% and the expected tax rate of 25% is principally due to the Group having recorded an adjustment to current and deferred tax in respect of prior periods which arose as a result of the revocation of Royal Decree-Law 3/2016 in Spain. See Alternative performance measures section for further information.

IAG Loyalty VAT

Since 2022, HMRC in the UK has been considering the appropriate VAT accounting to be applied by IAG Loyalty. As a result, HMRC has issued IAG Loyalty with VAT assessments to protect its position in respect of historical periods for the 32 months ended October 2020 that amount to €263 million. The Group expects HMRC to issue further VAT assessments, and applying the same methodology as those already issued, up to and as at 30 September 2024, the Group estimates the VAT due would amount to €697 million. Of these amounts up to and as at 30 September 2024, the Group expects €261 million to be recoverable as input VAT for certain subsidiaries of the Group, predominantly by British Airways. During the course of 2024, in addition to the aforementioned exposure and in order to avoid incurring potential interest and penalties, the Group commenced paying to HMRC, without admission of liability, VAT on the issuance of Avios, which has resulted in payments of €103 million being made and a corresponding receivable recognised in the Balance sheet.

On 29 October 2024 HMRC issued a decision stating that VAT is payable at the standard rate of 20% on payments received by IAG Loyalty from UK based partners and in respect of all direct purchases of Avios by individuals.

The Group's current accounting, which is based on a historical ruling issued by HMRC, recognises VAT on the redemption of Avios depending on the associated redemption product, for which the vast majority are flights that are zero-rated. The Group has reviewed HMRC's decision with its legal and tax advisors and considers that accounting for VAT depending on the nature of the redemption remains appropriate.

In the event that the Group needs to advance the matter to the First-tier Tribunal (Tax), the Group will need to pay to HMRC, without admission of liability, the total amount of assessments issued to the Group at that date, which will be recoverable, in part or in full, should the Group be successful through litigation in the case.

The Directors are satisfied that it is not probable that an adverse outcome will eventuate and accordingly, the Group does not consider it appropriate to record any provision for this matter at 30 September 2024.

Aircraft deliveries and financing

Number of aircraft	**Delivered in the nine months to 30 September 2024**	Of which financed in the nine months to 30 September 2024	Aircraft delivered in 2023 and financed in the nine months to 30 September 2024
Airbus A320neo (Aer Lingus)	**2**	1	–
Airbus A320neo (British Airways)	**6**	2	–
Airbus A321neo (British Airways)	**2**	1	1
Airbus A350-1000 (British Airways)	**1**	1	1
Boeing 787-10 (British Airways)	**3**	2	–
Airbus A350-900 (Iberia)	**1**	1	3
Airbus A330-200 (LEVEL direct lease)	**1**	1	–
Airbus A320ceo (Vueling direct lease)	**8**	8	–
Total	**24**	17	5

During the nine months, the Group took delivery of 24 aircraft, including eight Airbus A320ceo aircraft for Vueling to provide backfill for additional aircraft maintenance requirements linked to the Pratt & Whitney 'GTF' engines issue. The Group anticipates financing the substantial majority of its aircraft delivered in 2024, with financing to be drawn either in the remainder of the year, or in early 2025. During the nine months to 30 September 2024, the Group financed five aircraft delivered in 2023. In June 2024, Iberia exercised an option with Airbus to purchase one additional A350-900 for delivery in 2026.

Net debt and leverage

€ million	**30 September 2024**	31 December 2023
Total borrowings	**16,026**	16,082
Cash, cash equivalents and current interest-bearing deposits	**9,837**	6,837
Net debt	**6,189**	9,245
Rolling four quarters EBITDA before exceptional items	**6,116**	5,570
Net debt to EBITDA before exceptional items	**1.0**	1.7

The main driver of the reduction in Net debt to EBITDA before exceptional items (leverage) versus 31 December 2023 was the increase in cash during the nine months, which increased due to the Group's profits generated in the period, together with the normal seasonal inflow of bookings for future travel periods during the first nine months of the year; the normal seasonal unwind of forward bookings is expected in quarter 4 and hence leverage is expected to rise by 31 December 2024.

During the first half of 2024, Moody's upgraded its credit rating of IAG and British Airways to investment grade (Baa3) and S&P affirmed its investment grade (BBB-) rating of IAG, revising its outlook to positive.

Liquidity

€ million	30 September 2024	31 December 2023
Cash, cash equivalents and current interest-bearing deposits	**9,837**	6,837
Committed and undrawn general and overdraft facilities	**3,219**	4,412
Committed and undrawn aircraft facilities	**250**	375
Total	**13,306**	11,624

In June 2024, the Group entered into a new five-year $3.0 billion (€2.8 billion), sustainability-linked, secured Revolving Credit Facility (RCF), accessible by British Airways, Iberia and Aer Lingus, each of which has separate limits. As a consequence, the Group extinguished its $1.755 billion (€1.6 billion) secured Revolving Credit Facility and British Airways extinguished its two £1.0 billion Export Development Guarantee Facilities that were partially guaranteed by the UK Export Finance (total value: €2.4 billion). The three extinguished facilities were not drawn in the period prior to cancellation and the new $3.0 billion RCF was not drawn at 30 September 2024.

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 are detailed in the Risk management and principal risk factors section of the 2023 Annual report and accounts and these remain relevant at the date of this report. The Board has continued to monitor and assess risks in the light of changes that influence or impact the Group's performance and transformation agenda or the aviation industry and the Group's supply chain, and closely reviews how risks combine to create increased or emerging threats. Through its risk reviews, the Group has been considering further how to assess the combining effect of groups of risks on the business to help develop mitigations that address risk and opportunity more holistically or identify themes or emerging risks earlier. 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.

In assessing its principal risks, the Group has considered its risk environment including: geopolitical tensions and potential impact to demand and market confidence; operational resilience, particularly air traffic control (ATC) restrictions and impacts on flight schedules and customers; technical resilience, engines availability and reliability, maintenance capacity and fleet availability; regulator or government reviews that could disrupt airlines' revenue models; the Group's industrial relations landscape and securing collective agreements, particularly with pilot groups; third party resilience for services at airports; transformation, including new IT capabilities, Artificial Intelligence (AI) adoption and future skillsets; and managing the cost base. No new principal risks were identified through the risk management discussions and assessments in the year to date. From the risks identified in the 2023 Annual report and accounts, given the current environment, the main risks that continue to be a key area of focus, due to their potential implications for the Group, are outlined below.

• *Brand and customer trust*. Operational resilience and customer satisfaction underpin customer trust. Reliability, including on-time performance, and customer support through disruption are key to our brands' values and how our customers experience flying with our airlines. The Group continues to improve its disruption management capabilities and customer communications through their travel journeys as well as to assess schedules against operational capability. The Group's airlines have built operational buffers that help to minimise the impacts of disruption, which may remain outside of the airline's control and to ensure that our customers choose to fly with us.

• *Critical third parties in the supply chain*. The aviation sector continues to be affected by its reliance on the global supply chain and the impacts of delays in aircraft deliveries, scarcity of components and engines on aircraft turnarounds, aircraft on the ground and aircraft utilisation, airports' resilience weaknesses, particularly London airports and their ability to adapt to a high demand environment with increasing airport congestion, and with weather and skillset shortages driving increased ATC restrictions delaying flights, with impact to customers, operations and on time performance. The Group airlines proactively assess schedules for operability and the Group continues to work with all critical suppliers to understand any potential disruption which could impact the availability of new fleet, engines or critical goods or reliability of critical services, particularly third party application and network services.

• *Economic, political and regulatory environment*. Geopolitical risk and uncertainty remains high and wider macroeconomic events may continue to drive market volatility, impacting demand. The Group continues to monitor the implications for trade and the threat of the introduction of changes to tariff regimes that may disrupt the markets or economic confidence. Increased regulation and political intervention drive increased levels of cost and impact the ability of airlines to set capacity and pricing, which may impact on the Group's revenue streams and business model. The rise of populist governments and government policy globally sees increased protectionism which could result in market or competitive distortion and a trend for increased scrutiny from regulators and tax authorities which could see changes that increase costs to airlines.

• *Operational resilience*. Shortages in the supply chain, airspace and ATC restrictions, availability of experienced licensed resource, including engineers and pilots, industrial unrest or strike action, can all impact the operational environment of the Group's airlines as well as the operations of the businesses on which the Group relies. The Group continues with its ambitious IT infrastructure transformation agenda to modernise and digitalise its IT estates to optimise performance and enable business growth. The Group is focused on minimising any unplanned outages or disruption to customers with additional resilience built into the airlines' networks.

• *People, culture and employee relations*. Our people, their engagement and cultural appetite and mindset for change are critical to the Group's current performance and future success. Shortages in engineers across the aviation sector and in the Group's airlines may impact maintenance delivery timelines unless experienced engineers can be secured. Additionally, pilot entry into the Group's airlines is critical to keep the operations resilient and meet future growth plans. Across the Group, collective bargaining is in place with various unions. Where agreements are open, and there is a threat of industrial unrest, our airlines continue to engage with unions, as well as governments and labour courts where relevant, to address concerns arising within the negotiations, manage customer disruption and to allow the airlines to secure sustainable collective agreements and growth.

• *Sustainable aviation*. The plan to decarbonise aviation has resulted in fragmentation of policy measures and support offered by governments for green initiatives across the different regions in which the Group airlines operate. As Sustainable Aviation Fuel (SAF) infrastructure and availability still lags demand for SAF, mandates and other tax-based measures may disproportionately impact the Group's airlines versus their competitors.

• *Transformation, innovation and AI*. The Group continues to focus on its cost base to offset price increases in the supply chain, particularly costs from the fleet and engine manufacturers and the additional costs of resilience to ensure that the Group is well prepared for any further external headwinds that may impact the aviation industry. Opportunities for AI adoption to drive efficiencies and better insights have been identified across the Group's businesses with adoption subject to guardrails to help protect against unexpected outcomes. The people impacts of change and the talent and skillsets needed for the future size and shape of the Group's businesses are considered as part of the Group's transformation and innovation programmes.

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

Traffic and capacity statistics - Group

	Nine months to 30 September			Three months to 30 September		
	2024	2023	Higher/(lower) vly	**2024**	2023	Higher/(lower) vly
Passengers carried ('000s)	**92,975**	**87,548**	**6.2 %**	**34,745**	**33,241**	**4.5 %**
North Atlantic	10,219	9,734	5.0 %	3,937	3,737	5.4 %
Latin America and Caribbean	5,372	4,700	14.3 %	1,840	1,645	11.9 %
Europe	48,815	45,587	7.1 %	18,583	17,722	4.9 %
Domestic (Spain and UK)	22,759	22,027	3.3 %	8,317	8,192	1.5 %
Africa, Middle East and South Asia	4,807	4,718	1.9 %	1,695	1,629	4.1 %
Asia Pacific	1,003	782	28.3 %	373	316	18.0 %
Revenue passenger kilometres (million)	**224,696**	**208,079**	**8.0 %**	**83,834**	**78,494**	**6.8 %**
North Atlantic	68,219	64,574	5.6 %	26,366	24,756	6.5 %
Latin America and Caribbean	43,685	38,217	14.3 %	15,005	13,473	11.4 %
Europe	59,488	55,360	7.5 %	23,506	22,285	5.5 %
Domestic (Spain and UK)	18,480	17,398	6.2 %	6,694	6,413	4.4 %
Africa, Middle East and South Asia	25,277	25,130	0.6 %	8,690	8,582	1.3 %
Asia Pacific	9,547	7,400	29.0 %	3,573	2,985	19.7 %
Available seat kilometres (million)	**258,933**	**242,293**	**6.9 %**	**93,280**	**88,259**	**5.7 %**
North Atlantic	80,128	77,264	3.7 %	29,603	28,498	3.9 %
Latin America and Caribbean	49,409	43,324	14.0 %	16,477	14,886	10.7 %
Europe	68,145	64,008	6.5 %	26,214	24,892	5.3 %
Domestic (Spain and UK)	20,391	19,366	5.3 %	7,165	6,880	4.1 %
Africa, Middle East and South Asia	30,176	30,045	0.4 %	9,951	9,813	1.4 %
Asia Pacific	10,684	8,286	28.9 %	3,870	3,290	17.6 %
			Pts Var			Pts Var
Passenger load factor (%)	**86.8**	**85.9**	**0.9**	**89.9**	**88.9**	**1.0**
North Atlantic	85.1	83.6	1.5	89.1	86.9	2.2
Latin America and Caribbean	88.4	88.2	0.2	91.1	90.5	0.6
Europe	87.3	86.5	0.8	89.7	89.5	0.2
Domestic (Spain and UK)	90.6	89.8	0.8	93.4	93.2	0.2
Africa, Middle East and South Asia	83.8	83.6	0.2	87.3	87.5	(0.2)
Asia Pacific	89.4	89.3	0.1	92.3	90.7	1.6
Cargo tonne kilometres (million)	**3,809**	**3,362**	**13.3 %**	**1,324**	**1,138**	**16.3 %**

Traffic and capacity statistics – by airline

	Nine months to 30 September			Three months to 30 September		
	2024	2023	Higher/(lower) vly	**2024**	2023	Higher/(lower) vly
Aer Lingus						
Passengers carried ('000s)	**8,497**	8,336	1.9 %	**3,353**	3,282	2.2 %
Revenue passenger kilometres (million)	**20,112**	19,755	1.8 %	**8,161**	7,875	3.6 %
Available seat kilometres (million)	**24,642**	23,900	3.1 %	**9,595**	9,206	4.2 %
Passenger load factor (%)/Pts variance	**81.6**	82.7	(1.1)pts	**85.1**	85.5	(0.4)pts
Cargo tonne kilometres (million)	**132**	109	21.1 %	**45**	38	18.4 %
British Airways						
Passengers carried ('000s)	**34,962**	32,638	7.1 %	**12,852**	12,127	6.0 %
Revenue passenger kilometres (million)	**112,487**	105,685	6.4 %	**41,316**	39,248	5.3 %
Available seat kilometres (million)	**131,827**	125,997	4.6 %	**46,373**	44,784	3.5 %
Passenger load factor (%)/Pts variance	**85.3**	83.9	1.4pts	**89.1**	87.6	1.5pts
Cargo tonne kilometres (million)	**2,779**	2,494	11.4 %	**964**	842	14.5 %
Iberia						
Passengers carried ('000s)	**19,578**	17,969	9.0 %	**6,930**	6,497	6.7 %
Revenue passenger kilometres (million)	**56,727**	48,955	15.9 %	**20,582**	18,189	13.2 %
Available seat kilometres (million)	**64,524**	55,866	15.5 %	**22,801**	20,340	12.1 %
Passenger load factor (%)/Pts variance	**87.9**	87.6	0.3pts	**90.3**	89.4	0.9pts
Cargo tonne kilometres (million)	**863**	733	17.7 %	**299**	250	19.6 %
LEVEL						
Passengers carried ('000s)	**675**	539	25.2 %	**296**	221	33.9 %
Revenue passenger kilometres (million)	**5,702**	4,578	24.6 %	**2,448**	1,853	32.1 %
Available seat kilometres (million)	**5,981**	4,825	24.0 %	**2,547**	1,942	31.2 %
Passenger load factor (%)/Pts variance	**95.3**	94.9	0.4pts	**96.1**	95.4	0.7pts
Cargo tonne kilometres (million)	**35**	26	34.6 %	**16**	8	100.0 %
Vueling						
Passengers carried ('000s)	**29,263**	28,066	4.3 %	**11,314**	11,114	1.8 %
Revenue passenger kilometres (million)	**29,668**	29,106	1.9 %	**11,327**	11,329	– %
Available seat kilometres (million)	**31,959**	31,705	0.8 %	**11,964**	11,987	(0.2)%
Passenger load factor (%)/Pts variance	**92.8**	91.8	1.0pts	**94.7**	94.5	0.2pts
Cargo tonne kilometres (million)	**n/a**	n/a	n/a	**n/a**	n/a	n/a

ALTERNATIVE PERFORMANCE MEASURES

The performance of the Group is assessed using a number of alternative performance measures (APMs), some of which have been identified as key performance indicators of the Group. These measures are not defined under International Financial Reporting Standards (IFRS), should be considered in addition to IFRS measurements, may differ to definitions given by regulatory bodies applicable to the Group and may differ to similarly titled measures presented by other companies. They are used to measure the outcome of the Group's strategy based on the Group's strategic imperatives of: strengthening our core; driving earnings growth through asset-light businesses; and operating under a strengthened financial and sustainability framework.

During the nine months to 30 September 2024, the Group has made no changes to its pre-existing disclosures and treatments of APMs compared to those disclosed in the Annual report and accounts for the year to 31 December 2023.

The definition of each APM, together with a reconciliation to the nearest measure prepared in accordance with IFRS is presented below.

a Profit after tax before exceptional items

Exceptional items are those that in the Board's and management's view need to be separately disclosed by virtue of their size or incidence to supplement the understanding of the entity's financial performance. The Management Committee of the Group uses financial performance on a pre-exceptional basis to evaluate operating performance and to make strategic, financial and operational decisions, and externally because it is widely used by security analysts and investors in evaluating the performance of the Group between reporting periods and against other companies.

While there have been two exceptional items recorded in the nine months to 30 September 2024 (both already recognised in the six months to 30 June 2024), no exceptional items were recorded in the nine months to 30 September 2023.

The table below reconciles the statutory Income statement to the Income statement before exceptional items of the Group:

	Nine months to 30 September					
€ million	**Statutory 2024**	**Exceptional items**	**Before exceptional items 2024**	Statutory 2023	Exceptional items	Before exceptional items 2023
Passenger revenue	**21,313**	**–**	**21,313**	19,517	–	19,517
Cargo revenue	**870**	**–**	**870**	866	–	866
Other revenue	**1,870**	**–**	**1,870**	1,846	–	1,846
Total revenue	**24,053**	**–**	**24,053**	22,229	–	22,229
Employee costs	**4,515**	**–**	**4,515**	3,985	–	3,985
Fuel costs and emissions charges	**5,868**	**–**	**5,868**	5,579	–	5,579
Handling, catering and other operating costs	**3,101**	**–**	**3,101**	2,891	–	2,891
Landing fees and en-route charges	**1,842**	**–**	**1,842**	1,762	–	1,762
Engineering and other aircraft costs	**2,004**	**–**	**2,004**	1,862	–	1,862
Property, IT and other costs	**820**	**–**	**820**	788	–	788
Selling costs	**841**	**–**	**841**	851	–	851
Depreciation, amortisation and impairment	**1,737**	**–**	**1,737**	1,508	–	1,508
Net gain on sale of property, plant and equipment	**(1)**	**–**	**(1)**	(15)	–	(15)
Currency differences	**4**	**–**	**4**	13	–	13
Total expenditure on operations	**20,731**	**–**	**20,731**	19,224	–	19,224
Operating profit	**3,322**	**–**	**3,322**	3,005	–	3,005
Finance costs	**(677)**	**–**	**(677)**	(867)	–	(867)
Finance income	**299**	**–**	**299**	285	–	285
Net change in fair value of financial instruments	**(63)**	**–**	**(63)**	–	–	–
Net financing credit relating to pensions	**46**	**–**	**46**	77	–	77
Net currency retranslation credits	**56**	**–**	**56**	64	–	64
Other non-operating (charges)/credits[1]	**(28)**	**(50)**	**22**	51	–	51
Total net non-operating costs	**(367)**	**(50)**	**(317)**	(390)	–	(390)
Profit before tax	**2,955**	**(50)**	**3,005**	2,615	–	2,615
Tax[2]	**(615)**	**140**	**(755)**	(464)	–	(464)
Profit after tax for the period	**2,340**	**90**	**2,250**	2,151	–	2,151

€ million	Three months to 30 September Statutory 2024	Exceptional items	Before exceptional items 2024	Statutory 2023	Exceptional items	Before exceptional items 2023
Passenger revenue	**8,270**	**–**	**8,270**	7,733	–	7,733
Cargo revenue	**304**	**–**	**304**	263	–	263
Other revenue	**755**	**–**	**755**	650	–	650
Total revenue	**9,329**	**–**	**9,329**	8,646	–	8,646
Employee costs	**1,574**	**–**	**1,574**	1,375	–	1,375
Fuel costs and emissions charges	**2,054**	**–**	**2,054**	2,029	–	2,029
Handling, catering and other operating costs	**1,183**	**–**	**1,183**	1,095	–	1,095
Landing fees and en-route charges	**672**	**–**	**672**	658	–	658
Engineering and other aircraft costs	**715**	**–**	**715**	654	–	654
Property, IT and other costs	**272**	**–**	**272**	273	–	273
Selling costs	**264**	**–**	**264**	273	–	273
Depreciation, amortisation and impairment	**597**	**–**	**597**	525	–	525
Net (gain)/loss on sale of property, plant and equipment	**(1)**	**–**	**(1)**	2	–	2
Currency differences	**(14)**	**–**	**(14)**	17	–	17
Total expenditure on operations	**7,316**	**–**	**7,316**	6,901	–	6,901
Operating profit	**2,013**	**–**	**2,013**	1,745	–	1,745
Finance costs	**(206)**	**–**	**(206)**	(302)	–	(302)
Finance income	**112**	**–**	**112**	118	–	118
Net change in fair value of financial instruments	**(58)**	**–**	**(58)**	13	–	13
Net financing credit relating to pensions	**16**	**–**	**16**	26	–	26
Net currency retranslation credits/(charges)	**80**	**–**	**80**	(85)	–	(85)
Other non-operating (charges)/credits	**(48)**	**–**	**(48)**	63	–	63
Total net non-operating costs	**(104)**	**–**	**(104)**	(167)	–	(167)
Profit before tax	**1,909**	**–**	**1,909**	1,578	–	1,578
Tax	**(474)**	**–**	**(474)**	(348)	–	(348)
Profit after tax for the period	**1,435**	**–**	**1,435**	1,230	–	1,230

1 Termination of the agreement with Globalia to purchase Air Europa Holdings

The exceptional charge of €50 million represents the amount agreed with Globalia to terminate the agreement, signed on 23 February 2023, to purchase the remaining 80% of the share capital of Air Europa Holdings that the Group had not previously owned. On 1 August 2024, the Group exercised its right to withdraw from the acquisition and as such the agreement was terminated. The exceptional charge has been recorded within Other non-operating (charges)/credits in the Income statement and was settled prior to 30 September 2024. The related tax credit was €5 million.

2 Revocation of Royal Decree-Law 3/2016 in Spain

The exceptional tax credit of €135 million, recorded in the nine months to 30 September 2024 relates to the revocation of Royal Decree-Law 3/2016 (RDL 3/2016), for fiscal years 2016 to 2023, by the *Tribunal Constitucional* (Constitutional Court) in Spain on 18 January 2024.

Prior to the introduction of RDL 3/2016, the Spanish subsidiaries of the Group were permitted to offset up to 70% of their taxable profits with historical accumulated tax losses (to the extent there were sufficient tax losses to do so) and the impairment of subsidiaries was treated as deductible for tax purposes.

With the introduction of the RDL 3/2016, this limitation of tax losses applied to taxable profits was reduced to 25% and the deductibility for tax purposes of historical impairments of subsidiaries that had occurred prior to 2013 was reversed. The revocation by the *Tribunal Constitucional* in January 2024 principally means that the loss limitation reverts to 70% and historical impairments in subsidiaries revert to being deductible for tax purposes, giving rise to the aforementioned exceptional tax credit.

During the nine months to 30 September 2024, the Group received €25 million from the Spanish tax authorities relating to fiscal years 2016 to 2022. By the end of 2024 at the earliest, the Group expects to receive a further €57 million of the claims relating to fiscal years 2016 to 2022, and refunds of €108 million relating to fiscal year 2023.

b Adjusted earnings per share (KPI)

Adjusted earnings are based on results before exceptional items after tax and adjusted for earnings attributable to equity holders and interest on convertible bonds, divided by the weighted average number of ordinary shares, adjusted for the dilutive impact, when applicable, of the assumed conversion of the bonds and employee share schemes outstanding.

	Nine months to 30 September	
€ million	**2024**	2023
Profit after tax attributable to equity holders of the parent	**2,340**	2,151
Exceptional items	**90**	–
Profit after tax attributable to equity holders of the parent before exceptional items	**2,250**	2,151
Income statement impact of convertible bonds	**51**	3
Adjusted profit	**2,301**	2,154
Weighted average number of ordinary shares in issue used for basic earnings per share	**4,912**	4,938
Weighted average number of ordinary shares used for diluted earnings per share	**5,268**	5,289
Basic earnings per share (€ cents)	**47.6**	43.6
Basic earnings per share before exceptional items (€ cents)	**45.8**	43.6
Adjusted earnings per share before exceptional items (€ cents)	**43.7**	40.7

c Ownership costs

Ownership costs represent the income statement impact of the historical purchase of capital assets and is defined as depreciation, amortisation and impairment, arising on both property, plant and equipment and intangible assets, and the Net gain on sale of property, plant and equipment. The Group believes that this measure is useful to the users of the financial statements in understanding the impact of capital assets in deriving the operating result of the Group.

	Nine months to 30 September	
€ million	**2024**	2023
Depreciation, amortisation and impairment	**1,737**	1,508
Net gain on sale of property, plant and equipment	**(1)**	(15)
Ownership costs	**1,736**	1,493

d Airline non-fuel costs per ASK

The Group monitors airline unit costs (per available seat kilometre (ASK), a standard airline measure of capacity) as a means of tracking operating efficiency of the core airline business. As fuel costs can vary with commodity prices, the Group monitors fuel and non-fuel costs individually. Within non-fuel costs are the costs associated with generating Other revenue, which typically do not represent the costs of transporting passengers or cargo and instead represent the costs of handling and maintenance for other airlines, non-flight products in BA Holidays and costs associated with other miscellaneous non-flight revenue streams. Airline non-fuel costs per ASK is defined as total operating expenditure before exceptional items, less fuel costs and emission charges and less non-flight specific costs divided by total available seat kilometres (ASKs), and is shown on a constant currency basis (abbreviated to 'ccy').

€ million	**Nine months to 30 September 2024 Reported**	**Constant currency adjustment[1]**	**Nine months to 30 September 2024 ccy**	Nine months to 30 September 2023
Total expenditure on operations	20,731	(199)	20,532	19,224
Less: exceptional items in operating expenditure	–	–	–	–
Less: fuel costs and emission charges	5,868	(70)	5,798	5,579
Non-fuel costs	14,863	(129)	14,734	13,645
Less: non-flight specific costs	1,610	(24)	1,586	1,589
Airline non-fuel costs	13,253	(105)	13,148	12,056
ASKs (millions)	258,933		258,933	242,293
Airline non-fuel unit costs per ASK (€ cents)	**5.12**		**5.08**	4.98

1 Refer to note f for the definition of the constant currency adjustment.

e Net debt to EBITDA before exceptional items (KPI)

To supplement total borrowings as presented in accordance with IFRS, the Group reviews net debt to EBITDA before exceptional items to assess its level of net debt in comparison to the underlying earnings generated by the Group in order to evaluate the underlying business performance of the Group. This measure is used to monitor the Group's leverage and to assess financial headroom against internal and external security analyst and investor benchmarks.

Net debt is defined as long-term borrowings (both current and non-current), less cash, cash equivalents and current interest-bearing deposits.

EBITDA before exceptional items is defined as the rolling four quarters operating result before exceptional items, interest, taxation, depreciation, amortisation and impairment.

The Group believes that this additional measure, which is used internally to assess the Group's financial capacity, is useful to the users of the financial statements in helping them to see how the Group's financial capacity has changed over the year. It is a measure of the profitability of the Group and of the core operating cash flows generated by the business model.

€ million	**30 September 2024**	31 December 2023
Interest-bearing long-term borrowings	**16,026**	16,082
Less: Cash and cash equivalents	**8,133**	5,441
Less: Other current interest-bearing deposits	**1,704**	1,396
Net debt	**6,189**	9,245
Operating profit	**3,824**	3,507
Add: Depreciation, amortisation and impairment	**2,292**	2,063
EBITDA	**6,116**	5,570
Add: Exceptional items	**-**	-
EBITDA before exceptional items	**6,116**	5,570
Net debt to EBITDA before exceptional items (times)	**1.0**	1.7

f Results on a constant currency basis

Movements in foreign exchange rates impact the Group's financial results. The IAG Board and Management Committee review the results, including revenue and operating costs at constant rates of exchange. These financial measures are calculated at constant rates of exchange based on a retranslation, at prior year exchange rates, of the current year's results of the Group. Although the Board and Management Committee do not believe that these measures are a substitute for IFRS measures, the Board and Management Committee do believe that such results excluding the impact of currency fluctuations year-on-year provide additional useful information to investors regarding the Group's operating performance on a constant currency basis. Accordingly, the financial measures at constant currency within the discussion of the Group Financial review should be read in conjunction with the information provided in the Group financial statements.

The following table represents the main average and closing exchange rates for the reporting periods. Where 2024 figures are stated at a constant currency basis, they have applied the 2023 rates stated below:

Foreign exchange rates

	Nine months average to 30 September		Closing at 30 September	Closing at 31 December
	2024	2023	**2024**	2023
Pound sterling to euro	**1.18**	1.15	**1.19**	1.16
Euro to US dollar	**1.09**	1.09	**1.11**	1.09
Pound sterling to US dollar	**1.28**	1.26	**1.33**	1.27

g Liquidity

The Board and the Management Committee monitor liquidity in order to assess the resilience of the Group to adverse events and uncertainty and develop funding initiatives to maintain this resilience.

Liquidity is used by analysts, investors and other users of the financial statements as a measure to the financial health and resilience of the Group.

Liquidity is defined as Cash and cash equivalents plus Current interest-bearing deposits, plus Committed and undrawn general, plus aircraft financing facilities and overdraft facilities.

€ million	**30 September 2024**	31 December 2023
Cash and cash equivalents	**8,133**	5,441
Current interest-bearing deposits	**1,704**	1,396
Committed and undrawn general facilities	**3,163**	4,359
Committed and undrawn aircraft facilities	**250**	375
Overdrafts and other facilities	**56**	53
Total liquidity	**13,306**	11,624