NINE MONTHS RESULTS ANNOUNCEMENT

International Consolidated Airlines Group (IAG) today (October 30, 2020) presented Group consolidated results for the nine months to September 30, 2020.

The results for the nine months were significantly impacted by the outbreak of COVID-19, which has had a material impact on the global airline and travel sectors, particularly from late February 2020 onwards and with no immediate signs of recovery.

COVID-19 situation and management actions:

- Increased flying programme in quarter 3 versus quarter 2, partly driven by summer leisure demand, with additional operating procedures implemented to protect customers and staff, including facemask use and additional cleaning. Demand continues to be adversely affected by volatile government restrictions and quarantine requirements
- 1,115 additional cargo flights operated in quarter 3 to transport critical equipment and essential supplies
- In response to the high uncertainty of the current environment IAG now plans for capacity in quarter 4 to be no more than 30 per cent compared to 2019. As a result, the Group no longer expects to reach breakeven in terms of Net cash flows from operating activities during quarter 4
- Cost reduction actions implemented across the Group, including employee cost reductions in Spain through the use of ERTE arrangements and wage support schemes in Ireland and the UK, together with supplier cost reductions, leading to cash operating costs for quarter 3 reducing by 54 per cent from original plans to €205 million per week
- Agreements reached with most employee groups at British Airways. Exceptional cost of €275 million in quarter 3 related to British Airways and Aer Lingus, corresponding to a reduction in employee numbers of approximately 10,000
- Liquidity in quarter 3 was boosted by renewal of the multi-year agreement with American Express, including an €830 million payment, a significant part of which is for Avios pre-purchase
- Capital increase successfully completed, with gross proceeds of €2.7 billion received in October

IAG period highlights on results:

- Passenger capacity operated in quarter 3 down 78.6 per cent on 2019 and for the period of nine months down 64.3 per cent on 2019
- Third quarter operating loss €1,300 million before exceptional items (2019 operating profit: €1,425 million)
- Operating loss before exceptional items for the nine months €3,200 million (2019 operating profit: €2,520 million)
- Exceptional charge in the period of nine months of €2,755 million on derecognition of fuel and foreign exchange hedges, impairment of fleet and restructuring costs; exceptional charge for quarter 3 €618 million
- Loss after tax before exceptional items for the period of nine months €3,176 million, and nine months statutory loss after tax and exceptional items: €5,567 million (2019 profit: €1,814 million)
- Cash of €5,011 million at September 30, 2020 down €1,672 million on December 31, 2019. Committed and undrawn general and aircraft facilities were €1.6 billion, bringing total liquidity to €6.6 billion. Including €2.7 billion gross proceeds from the capital increase (received in early October) gives total pro-forma liquidity of €9.3 billion

Performance summary:

	Nine months to September 30		
Highlights € million	**2020**	2019[1]	Higher / (lower)
Passenger revenue	**4,888**	17,078	(71.4)%
Total revenue	**6,565**	19,292	(66.0)%
Operating (loss)/profit before exceptional items	**(3,200)**	2,520	nm
Exceptional items	**(2,755)**	-	-
Operating (loss)/profit after exceptional items	**(5,955)**	2,520	nm
Available seat kilometres (ASK million)	**91,394**	255,749	(64.3)%
Passenger revenue per ASK (€ cents)	**5.35**	6.68	(19.9)%
Non-fuel costs per ASK (€ cents)	**8.84**	4.77	85.3 %

Alternative performance measures	**2020**	2019	Higher / (lower)
(Loss)/profit after tax before exceptional items (€ million)	**(3,176)**	1,814	nm
Adjusted (loss)/earnings per share (€ cents)	**(159.9)**	88.7	nm
Net debt (€ million)[2]	**11,096**	7,571	46.6 %
Net debt to EBITDA[2]	**nm**	1.4	nm

Statutory results € million	**2020**	2019	Higher / (lower)
(Loss)/profit after tax and exceptional items	**(5,567)**	1,814	nm
Basic (loss)/earnings per share (€ cents)	**(280.3)**	91.4	nm
Cash and interest-bearing deposits[2]	**5,011**	6,683	(25.0)%
Interest-bearing long-term borrowings[2]	**16,107**	14,254	13.0 %

For definitions refer to the IAG Annual report and accounts 2019.

[1] The 2019 results include a reclassification of the costs the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit. The amount reclassified for the nine months to September 30, 2019 was €107 million. Further information is given in the IAG Annual report and accounts 2019.

[2] The prior year comparative is December 31, 2019.

Luis Gallego, IAG's Chief Executive Officer, said:

"In quarter 3 we're reporting an operating loss of €1,300 million before exceptional items compared to an operating profit of €1,425 million last year. The total operating loss was €1,918 million, including exceptional items relating to fuel hedges plus restructuring costs at British Airways and Aer Lingus.

"These results demonstrate the negative impact of COVID 19 on our business but they're exacerbated by constantly changing government restrictions. This creates uncertainty for customers and makes it harder to plan our business effectively.

"We are calling on governments to adopt pre-departure testing using reliable and affordable tests with the option of post flight testing to release people from quarantine where they are arriving from countries with high infection rates. This would open routes, stimulate economies and get people travelling with confidence. When we open routes, there is pent up demand for travel. However, we continue to expect that it will take until at least 2023 for passenger demand to recover to 2019 levels.

"The Group has made significant progress on restructuring and we continue to reduce our cost base and increase the proportion of our variable costs.

"We have also successfully completed a €2.74 billion capital increase in the quarter. It strengthens our financial and strategic position and makes IAG better placed to take advantage of a recovery in air travel demand."

Trading outlook

As announced on February 28, 2020, given the uncertainty on the impact and duration of COVID-19, IAG is not providing profit guidance for 2020.

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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 often use words such as "expects", "may", "will", "could", "should", "intends", "plans", "predicts", "envisages" or "anticipates" or other words of similar meaning. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the 'Group'), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure 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.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, the effects of the COVID-19 pandemic and uncertainties about its impact and duration, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group's risk management process is set out in the Risk management and principal risk factors section in the Annual Report and Accounts 2019; these documents are available on www.iairgroup.com. All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section. Many of these risks are, and will be, exacerbated by the COVID-19 pandemic and any further disruption to the global airline industry and economic environment as a result.

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CONSOLIDATED INCOME STATEMENT

	Nine months to September 30				
€ million	**Before exceptional items 2020**	**Exceptional items**	**Total 2020**	Total 2019[1]	Higher/ (lower)
Passenger revenue	**4,888**	**(60)**	**4,828**	17,078	(71.4)%
Cargo revenue	**917**		**917**	825	11.2 %
Other revenue	**760**		**760**	1,389	(45.3)%
Total revenue	**6,565**	**(60)**	**6,505**	19,292	(66.0)%
Employee costs	**2,598**	**269**	**2,867**	3,713	(30.0)%
Fuel, oil costs and emissions charges	**1,683**	**1,599**	**3,282**	4,569	(63.2)%
Handling, catering and other operating costs	**1,080**		**1,080**	2,236	(51.7)%
Landing fees and en-route charges	**737**		**737**	1,699	(56.6)%
Engineering and other aircraft costs	**1,052**	**83**	**1,135**	1,587	(33.7)%
Property, IT and other costs	**569**	**28**	**597**	582	(2.2)%
Selling costs	**340**		**340**	813	(58.2)%
Depreciation, amortisation and impairment	**1,619**	**716**	**2,335**	1,554	4.2 %
Currency differences	**87**		**87**	19	nm
Total expenditure on operations	**9,765**	**2,695**	**12,460**	16,772	(41.8)%
Operating (loss)/profit	**(3,200)**	**(2,755)**	**(5,955)**	2,520	nm
Finance costs	**(503)**		**(503)**	(446)	12.8 %
Finance income	**27**		**27**	33	(18.2)%
Net financing credit relating to pensions	**4**		**4**	19	(78.9)%
Net currency retranslation credits	**183**		**183**	93	96.8 %
Other non-operating credits	**43**		**43**	50	(14.0)%
Total net non-operating costs	**(246)**		**(246)**	(251)	(2.0)%
(Loss)/profit before tax	**(3,446)**	**(2,755)**	**(6,201)**	2,269	nm
Tax	**270**	**364**	**634**	(455)	nm
(Loss)/profit after tax for the period	**(3,176)**	**(2,391)**	**(5,567)**	1,814	nm

Operating figures	**2020**	2019	Higher/ (lower)
Available seat kilometres (ASK million)	**91,394**	255,749	(64.3)%
Revenue passenger kilometres (RPK million)	**62,445**	216,607	(71.2)%
Seat factor (per cent)	**68.3**	84.7	(16.4)pts
Passenger numbers (thousands)	**26,977**	90,448	(70.2)%
Cargo tonne kilometres (CTK million)	**2,471**	4,148	(40.4)%
Sold cargo tonnes (thousands)	**326**	508	(35.8)%
Sectors	**219,553**	591,954	(62.9)%
Block hours (hours)	**678,196**	1,730,731	(60.8)%
Average manpower equivalent[2]	**61,639**	65,808	(6.3)%
Aircraft in service	**542**	601	(9.8)%
Passenger revenue per RPK (€ cents)	**7.83**	7.88	(0.7)%
Passenger revenue per ASK (€ cents)	**5.35**	6.68	(19.9)%
Cargo revenue per CTK (€ cents)	**37.11**	19.89	86.6 %
Fuel cost per ASK (€ cents)	**1.84**	1.79	3.1 %
Non-fuel costs per ASK (€ cents)	**8.84**	4.77	85.3 %
Total cost per ASK (€ cents)	**10.68**	6.56	62.9 %

[1] The 2019 results include a reclassification of the costs the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit. The amount reclassified for the nine months to September 30, 2019 was €107 million. Further information is given in the IAG Annual report and accounts 2019.
[2] Included in the average manpower equivalent are staff on furlough, wage support and equivalent schemes, including the Temporary Redundancy Plan arrangements in Spain.

CONSOLIDATED INCOME STATEMENT

€ million	Three months to September 30 Before exceptional items 2020	Exceptional items	Total 2020	Total 2019[1]	Higher/ (lower)
Passenger revenue	**737**	**(22)**	**715**	6,492	(88.6)%
Cargo revenue	**302**		**302**	269	12.3 %
Other revenue	**200**		**200**	505	(60.4)%
Total revenue	**1,239**	**(22)**	**1,217**	7,266	(82.9)%
Employee costs	**708**	**269**	**977**	1,221	(42.0)%
Fuel, oil costs and emissions charges	**370**	**330**	**700**	1,633	(77.3)%
Handling, catering and other operating costs	**227**		**227**	823	(72.4)%
Landing fees and en-route charges	**198**		**198**	618	(68.0)%
Engineering and other aircraft costs	**286**	**6**	**292**	556	(48.6)%
Property, IT and other costs	**163**	**6**	**169**	202	(19.3)%
Selling costs	**72**		**72**	262	(72.5)%
Depreciation, amortisation and impairment	**505**	**(15)**	**490**	519	(2.7)%
Currency differences	**10**		**10**	7	42.9 %
Total expenditure on operations	**2,539**	**596**	**3,135**	5,841	(56.5)%
Operating (loss)/profit	**(1,300)**	**(618)**	**(1,918)**	1,425	nm
Finance costs	**(161)**		**(161)**	(165)	(2.4)%
Finance income	**4**		**4**	11	(63.6)%
Net financing credit relating to pensions	**1**		**1**	6	(83.3)%
Net currency retranslation credits/(charges)	**86**		**86**	(45)	nm
Other non-operating (charges)/credits	**(7)**		**(7)**	30	nm
Total net non-operating costs	**(77)**		**(77)**	(163)	(52.8)%
(Loss)/profit before tax	**(1,377)**	**(618)**	**(1,995)**	1,262	nm
Tax	**166**	**68**	**234**	(254)	nm
(Loss)/profit after tax for the period	**(1,211)**	**(550)**	**(1,761)**	1,008	nm

Operating figures	**2020**	2019[1]	Higher/ (lower)
Available seat kilometres (ASK million)	**19,769**	92,318	(78.6)%
Revenue passenger kilometres (RPK million)	**9,673**	80,923	(88.0)%
Seat factor (per cent)	**48.9**	87.7	(38.8)pts
Passenger numbers (thousands)	**6,592**	34,562	(80.9)%
Cargo tonne kilometres (CTK million)	**720**	1,346	(46.5)%
Sold cargo tonnes (thousands)	**94**	162	(42.0)%
Sectors	**64,288**	215,920	(70.2)%
Block hours (hours)	**185,681**	628,707	(70.5)%
Average manpower equivalent[2]	**58,905**	67,407	(12.6)%
Passenger revenue per RPK (€ cents)	**7.62**	8.02	(5.0)%
Passenger revenue per ASK (€ cents)	**3.73**	7.03	(47.0)%
Cargo revenue per CTK (€ cents)	**41.94**	19.99	nm
Fuel cost per ASK (€ cents)	**1.87**	1.77	5.8 %
Non-fuel costs per ASK (€ cents)	**10.97**	4.56	nm
Total cost per ASK (€ cents)	**12.84**	6.33	nm

[1] The 2019 results include a reclassification of the costs the Group incurs in relation to compensation for flight delays and cancellations as a deduction from revenue as opposed to an operating expense. There is no change in operating profit. The amount reclassified for the three months to September 30, 2019 was €44 million. Further information is given in the IAG Annual report and accounts 2019.

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

FINANCIAL REVIEW

COVID-19 Summary – nine months to September 30

The results for the nine months to September 30, 2020, were significantly impacted by the outbreak and escalation of COVID-19. In January and most of February the direct impact was mainly in the Asia and Pacific region, with suspension of services to China at the end of January and other capacity reductions in the Asia and Pacific region. From late February, as the virus spread across the globe, many governments placed significant restrictions on the movement of people and on travel across international borders. This led to the cancellation of all flights to, from and within Italy and extensive reductions across the whole network, with capacity in the first quarter down 10.5 per cent on 2019.

In the second quarter, due to the impact of the virus worldwide and the associated travel and border restrictions applying in most countries, the Group was only able to operate a skeleton passenger schedule, with capacity operated only 5 per cent of that operated in the same quarter last year. The Group was able to operate additional cargo flights to assist in moving medical items and essential supplies, leading to record cargo revenue for the quarter. In the third quarter additional capacity was introduced, mainly driven by leisure demand and for those visiting friends and relatives, however, capacity was down 79 per cent on the previous year.

The Group has taken action to preserve cash and boost liquidity. Cost savings have included the impact of employee furlough and equivalent schemes following measures taken by national governments, which were applied from April and these, together with other employee cost reductions and supplier cost reductions, have partially offset the impact of the significant fall in passenger revenue. The Group has also entered into additional borrowing facilities. Additional non-aircraft debt of €1,010 million was drawn down in Spain as part of the *Instituto de Crédito Oficial* ('ICO') facility and British Airways issued commercial paper worth €325 million (£298 million) using the UK's Coronavirus Corporate Finance Facility (CCFF). The main British Airways Revolving Credit Facility was extended by one year to June 2021 and other credit facilities have also been added within the Group. The Group also agreed additional one-year aircraft financing facilities for old and new aircraft, with a total value of €870 million. In quarter 3 a multi-year renewal was signed with American Express, including an upfront payment of €830 million. During quarter 3 the Group launched a capital increase, which successfully completed at the start of quarter 4, raising gross proceeds of €2.7 billion, which were received in early October. The Group has agreed to defer 68 aircraft scheduled for delivery over the period 2020 to 2022, and, together with reductions in non-aircraft capital expenditure, has reduced its total capital expenditure for 2020 by €1.5 billion from the level planned at the start of the year.

Commodity fuel prices have fallen sharply since the start of the year. The fall in fuel prices has led to significant losses on fuel hedging derivatives, which would normally be offset against lower costs for purchasing jet fuel. The impact of COVID-19 has led to a significant reduction in the requirement to purchase jet fuel, with a significantly reduced flying programme. As a consequence the Group has recognised an exceptional charge for the nine months to September 30, 2020 of €1,599 million relating to overhedging, being the losses on fuel hedging derivatives for which there will be no matching volume of fuel purchased, together with related foreign currency gains, calculated using the forward fuel curve and exchange rates at September 30, 2020.

The Group expects that it will take until at least 2023 for passenger demand to reach the levels of 2019. As a result the Group is actively involved in restructuring its cost base to adjust to significantly lower levels of demand, including actions to reduce fixed costs and to increase the variable proportion of the cost structure. British Airways has reached agreements with trade unions representing most of its employee groups. An exceptional cost of €275 million has been recognised in quarter 3, relating to employee restructuring in British Airways and Aer Lingus, corresponding to a reduction in employee numbers of approximately 10,000, of whom over 9,000 had left by September 30. The Group has retired legacy aircraft early and has stood down additional aircraft in advance of the end of lease contracts, with the two main fleet retirements being the Boeing 747 fleet of British Airways and the Airbus A340-600 fleet of Iberia.

Basis of preparation

In light of the COVID-19 pandemic the Group has undertaken scenario modelling and the Directors have a reasonable expectation that the Group has sufficient liquidity for the foreseeable future and accordingly the Directors have adopted the going concern basis in preparing the consolidated results for the nine months to September 30, 2020. While the Group has successfully completed the capital increase of €2.7 billion and received an upfront payment of €0.8 billion in relation to the renewal of the multi-year agreement with American Express, there remains uncertainty created by COVID-19 and the potential for future waves of the pandemic and the impact on travel restrictions and/or demand. As such the Group is not able to provide certainty that there could not be more severe downside scenarios than those it has considered, including the stresses it has considered in relation to factors such as the impact on yield, capacity operated, cost mitigations achieved and fuel price variations. In the event that such a scenario were to occur the Group will likely need to secure additional funding over and above that which is contractually committed at October 30, 2020.

FINANCIAL REVIEW continued

Principal risks and uncertainties

The Group has continued to maintain its framework and processes to identify, assess and manage risks. The principal risks and uncertainties affecting the Group, detailed on pages 62 to 69 of the 2019 Annual Report and Accounts, remain relevant and included the risk of pandemic within "Event causing significant network disruption".

As the pandemic continues to impact the aviation industry worldwide, the risk landscape has evolved and the Group continues to assess how the principal risks have changed in impact and likelihood and how best to respond. As a result, where additional mitigating actions have been identified they have been implemented and embedded to minimise the continued impact to the Group and protect its businesses and people. These actions have been discussed with the Board through regular updates and include consideration of potential scenarios, outlining the impact of further stress on the Group driven by the wider political and economic environment.

From the risks identified in the 2019 Annual Report and Accounts, the main risks impacted by the COVID-19 pandemic are highlighted below, with business responses implemented by management and reflected in the Group's latest business plan and scenarios. No new principal risks were identified through the risk management assessment discussions across the business.

- Airports, infrastructure and critical third parties. Restrictions at hubs and airports have required capacity adjustments, including fleet adjustments and new operating procedures to recommence flying. The Group has pro-actively worked with suppliers to ensure operations are maintained and the impact to their businesses understood, with mitigations implemented where necessary.
- Competition, consolidation and government regulation. The scale of governmental support and aviation specific state-aid measures have varied in different countries and the potential impact to the competitive landscape is under continuous assessment. Governmental restrictions have been fragmented and volatile and have required significant agility within our networks to manage the impact on our customers and business.
- Cyber attack and data security. The Group has continued with its planned investment in cyber security, and taken steps to mitigate IT and other risks as a result of remote working.
- People, culture and employee relations. Additional safety procedures have been introduced to protect the Group's staff and customers, in line with industry recommendations. Where possible, the Group's staff worked from home and in line with governments' recommendations. Employee consultations have been undertaken as required and appropriate in relation to restructuring necessitated by COVID-19.
- Political and economic environment. National governments are imposing a range of travel and quarantine restrictions, which will continue to impact Group operations. These are being actively monitored and near-term capacity plans are refreshed dynamically, according to the latest status. If the economic impact of COVID-19 continues, the Group will adjust its future capacity plans accordingly, retaining flexibility to adapt as required.
- Debt funding and financial risk. Despite disruption in the financial markets since the spread of COVID-19, the Group has focused on protecting liquidity by renewing and extending credit facilities and agreeing new aircraft leases, together with agreeing additional one-year funding facilities in advance of an improvement in market conditions and the anticipated availability of regular aircraft financing arrangements. The Group raised additional equity, with gross proceeds of €2.7 billion received in early October. The Group has an established process to monitor financial and counterparty risk on an ongoing basis.

The Board and its sub committees have been appraised of regulatory, competitor and governmental responses on an ongoing basis. The Group also continues to evaluate and monitor the arrangements over Brexit as the UK prepares to end the transition period with the European Union on December 31, 2020.

Operating and market environment

Average commodity fuel prices for the nine months to September 30, 2020 were significantly lower than the equivalent period of 2019 as prices fell during March and remain well below last year's levels. Due to the level of fuel hedging in place reflecting previously anticipated fuel consumption, the Group has not benefited from this reduction during the period, with the overall impact of lower prices in the short-term adverse. Foreign exchange rates for the euro and pound sterling against the US dollar were both approximately one per cent weaker than the same period last year.

IAG's results are impacted by exchange rates used for the translation of British Airways' and IAG Loyalty's financial results from pound sterling to the Group's reporting currency of euro. For the nine months to September 30, 2020, the net impact of translation on the operating result was €19 million favourable.

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 normally generates a surplus in most currencies in which it does business, except for the US dollar, as capital expenditure, debt repayments and fuel purchases typically create a deficit. The Group hedges a portion of its transaction exposures. The net transaction impact on the operating result was adverse by €53 million for the period, increasing revenues by €49 million and costs by €102 million.

The net impact of translation and transaction exchange on the operating result for the Group was €34 million adverse.

Capacity
In the nine months to September 30, 2020 IAG capacity, measured in available seat kilometres (ASKs), was lower by 64.3 per cent with the impact of the COVID-19 pandemic felt across all regions. Capacity was significantly affected by travel restrictions put in place by national governments, the severest of which have been in Ireland, although restrictions by the UK government and in Spain have also had a significant negative impact.

Aer Lingus capacity was broadly flat for January and February with increases in North Atlantic routes, from the route to Minneapolis launched in July 2019, and increased frequencies to Boston and San Francisco, offset by reductions in shorthaul capacity. Since the main impact of COVID-19 from late February onwards, Aer Lingus' capacity has been mainly driven by cargo needs, with flights operating regularly to New York, Chicago and Boston, together with additional flights to Seoul and China carrying back Personal Protective Equipment (PPE).

British Airways capacity was flat for January and February, with increases from new destinations including Dammam, Islamabad and Pittsburgh, offset by COVID-19 related cancellations to destinations in Asia Pacific. In quarter 2 daily flights were operated to a number of US cities including New York, Boston and Washington, mainly for cargo purposes, together with regular flights to Hong Kong and limited flights to Beijing and Singapore. Towards the end of the quarter some charter flights were operated to Barbados and Antigua; British Airways' shorthaul programme was very limited in quarter 2. In quarter 3 British Airways reopened a number of longhaul routes including flights to Islamabad, Tokyo, Dubai and a number of Caribbean destinations. Daily flights continued to operate to several US cities for predominately cargo purposes. Shorthaul routes benefitted from demand from UK holidaymakers travelling to leisure destinations not subject to government quarantine restrictions. The airline returned to routes across the UK and Europe including routes to Belfast, Inverness, Newquay, France, Germany, Greece, Italy and Turkey.

Iberia increased its capacity in January and February primarily on its Latin American routes with a new route to Guayaquil, Ecuador and additional frequencies on routes to Colombia, Peru and Brazil. In quarter 2 Iberia's longhaul operations were mainly for repatriation and cargo purposes to South America, including Argentina, Chile and Peru. In shorthaul Iberia maintained minimum operations for domestic routes and to keep main European cities connected, including Paris, Brussels and London. In quarter 3 Iberia resumed some additional longhaul operations to destinations including Chicago, Panama City, Santo Domingo and Quito. Iberia's shorthaul network expanded to meet summer leisure demand with flights to Rome, Berlin, Amsterdam, and Prague added to the schedule.

At the start of the year LEVEL longhaul capacity growth reflected the annualisation of new routes launched in 2019 to Santiago de Chile and New York JFK and additional frequencies on routes to the French Caribbean. LEVEL longhaul operations were cancelled in quarter 2, with just one repatriation flight operated from Buenos Aires. On June 19, 2020 the operations of LEVEL Europe operating out of Vienna and Amsterdam were ceased. On July 8, 2020, LEVEL France announced its intention to commence consultations with the unions of its employees regarding the proposed cessation of its operations out of Paris Orly. LEVEL Spain continues to operate out of Barcelona and resumed limited operations to Buenos Aires and New York, JFK in September.

Vueling reduced its capacity in January and February primarily in Italy as it continued to focus on its core markets, prior to the spread of COVID-19. Vueling operations in quarter 2 and quarter 3 were mainly focused on domestic flights, connecting the Spanish peninsula with the Canary and Balearic Islands.

Unit measures have been rendered less meaningful than usual by the significant reduction in capacity operated, particularly in the second and third quarters of 2020, however the unit measures for the nine months are included in the commentary below for completeness.

Revenue
Passenger revenue for the nine months to September 30, 2020 fell 71.4 per cent from the previous year, with quarter 3 down 88.6 per cent. Passenger unit revenue (passenger revenue per ASK) for the nine months decreased 22.6 per cent at constant currency ('ccy'), due primarily to lower passenger seat factors from March onwards, together with lower passenger yields (passenger revenue per revenue passenger kilometre), associated with the impact of COVID-19.

Cargo revenue was 11.2 per cent higher than in 2019 and was up 12.0 per cent at constant currency, with cargo revenue boosted significantly by the additional flights operated for moving medical equipment and supplies, with an additional 1,875 cargo flights operated in quarter 2 and 1,115 in quarter 3. Cargo revenue for quarter 3 was €302 million, a record for quarter 3 and up from €269 million in quarter 3 2019. Cargo carried for the nine months to September 30, 2020, measured in cargo tonne kilometres (CTKs), fell by 40.4 per cent, due to the reduction in passenger schedules, but yields were significantly higher, as cargo-only flights have no passenger revenue and so the cost of operating cargo-only flights is entirely funded by the cargo revenue.

Other revenue fell by 45.3 per cent and by 46.3 per cent at ccy, as the Group's non-airline businesses were also impacted by COVID-19 from March.

Costs
Employee costs before exceptional items for the nine months to September 30 decreased by €1,115 million compared with 2019. Almost half of this reduction was as a result of furlough and equivalent temporary cost reduction schemes, together with reductions to either hours worked or pay in quarters 2 and 3. Reductions were made at all levels and in all functions within the Group. Despite all these measures, the reduction in employee costs of 30.0 per cent was less than the 64.3 per cent reduction in passenger capacity and as a consequence employee unit costs at ccy rose 94.4 per cent.

Fuel costs (excluding the exceptional charge for overhedging) reduced by 63.2 per cent, reflecting the reduced capacity operated. Fuel unit costs at ccy were unchanged on 2019.

Supplier costs decreased by 44.3 per cent, linked to volume-related savings due to the lower capacity operated, together with a reduction in non-essential expenditure as a result of COVID-19. The savings were lower than the reduction in volume, reflecting fixed costs and the rapid escalation of the virus in March, which led to capacity falling at a greater level than it was possible to reduce costs. Supplier unit costs for the nine months to September 30, 2020, were up 50.7 per cent at ccy.

Ownership costs before exceptional items increased 4.2 per cent on the previous year, in line with the fleet replacement programme. The number of aircraft in service, which includes those aircraft temporarily grounded due to COVID-19, decreased from 598 in December 2019 to 542 at the end of September 2020, mainly reflecting the early retirement of Boeing 747s in British Airways and Airbus A340-600s in Iberia. Ownership costs before exceptional items on a unit basis and at ccy were up 190.5 per cent on 2019, as the grounded aircraft continue to have depreciation charged.

Overall airline non-fuel unit costs at ccy were up 85.2 per cent versus a year ago, linked to the significant capacity reduction.

Operating loss before exceptional items
The Group's operating loss before exceptional items for the nine months to September 30, 2020, was €3,200 million (2019: operating profit of €2,520 million).

Exceptional items
Exceptional items have been recognised as a result of the COVID-19 related capacity reductions. The principal exceptional items relate to the following: the overhedging of fuel and foreign currency derivatives (a loss of €1,599 million) and passenger revenue derivatives (a loss of €60 million); the impairment expense of €716 million, €71 million and €12 million, related to fleet and other assets, associated inventory and contractual end of lease payments in respect of surplus aircraft, respectively; and employee restructuring of €275 million in relation to British Airways and Aer Lingus. A provision of €22 million has been made in relation to the fine on the theft of customer data at British Airways in 2018; this amount was confirmed on October 16, 2020 by the UK Information Commissioner's Office (ICO). The impairment relating to fleet and other assets is slightly lower than reported at June 30, 2020 as impairments on nine additional aircraft have been offset by a reversal of engine impairments resulting from disposal proceeds being higher than anticipated.

There were no exceptional items in the nine months to September 30, 2019.

Net non-operating costs, taxation and loss after tax
The Group's net non-operating costs for the nine months to September 30, 2020, were €246 million compared with €251 million in 2019, mainly relating to arrangement fees and interest for new debt and facilities and costs associated with restructuring certain derivative contracts, offset by higher net currency retranslation credits.

The tax credit for the period was €270 million before exceptional items (2019: tax charge of €455 million), with an effective tax rate for the Group of 8 per cent (2019: 20 per cent). The effective tax rate in the period was different to the expected rate of 21 per cent. The difference was due to not recognising tax credits in respect of certain current and prior period losses and deductible temporary differences, and the cancellation of the UK rate reduction.

The loss after tax and exceptional items for the nine months to September 30, 2020 was €5,567 million (2019: profit after tax €1,814 million), driven by the impact of COVID-19 on operating profit, together with the exceptional items relating to the overhedged position on fuel, the impairment of fleet assets and employee restructuring costs, which were also the result of COVID-19.

Cash and leverage
The Group's cash position of €5,011 million was €1,672 million lower than December 31, 2019, although cash was increased significantly on October 2, 2020 with the receipt of €2,741 million of gross proceeds from the capital increase. Net debt at the end of the period, including the debt associated with lease liabilities, was €11,096 million compared with €7,571 million at December 31, 2019. Net debt to EBITDA is (42.8) based on the rolling 4 quarters; EBITDA was significantly reduced by the impact of COVID-19.

Other recent developments

On October 2, 2020 the Group announced the successful conclusion of its capital increase. The capital increase resulted in the issue of 2,979,443,376 additional shares, bringing the total issued share capital to 4,971,476,010 ordinary shares of €0.10 each. Gross proceeds of the capital increase were €2,741 million.

On October 12, 2020 the Group announced changes to its senior management team with immediate effect. Alex Cruz, British Airways chairman and chief executive, stepped down as chief executive and remains the airline's non-executive chairman. Sean Doyle, previously Aer Lingus chairman and chief executive, was appointed the new chief executive of British Airways and will take over as chairman after a transition period. Donal Moriarty, Aer Lingus' chief corporate affairs officer, will become interim chief executive and a permanent appointment will be announced in due course. Fernando Candela, LEVEL chief executive, has joined the Group's management committee in a new role of chief transformation officer.