

## **IAG preliminary first quarter results and update**

International Airlines Group (IAG) announces its preliminary results for the first quarter of 2020 and continues to assess further cost reduction and cash flow initiatives across the entire Group. British Airways is to consult over redundancy and restructuring proposals with its trade unions.

### **First quarter results**

Total revenue declined by 13 per cent to €4.6 billion compared to €5.3 billion in the prior year period. Operating result before exceptional items was a loss of €535 million compared to a profit of €135 million last year. In addition, IAG's pre-tax profit was impacted by an exceptional charge of €1.3 billion resulting from the ineffectiveness of its fuel and foreign currency hedges for the rest of 2020 due to over-hedging. This exceptional charge is measured as at the quarter end date. Detailed results for the first quarter will be released as planned on 7 May, accompanied by a presentation and conference call for analysts and investors.

The operating result in the first two months of 2020 was similar to that of last year, despite the suspension of flights to China due to COVID-19 from the end of January. All of the reduction in the operating result in the quarter compared to last year came in March. The majority of the reduction in IAG's operating result was incurred by British Airways, followed by Iberia and Aer Lingus, while Vueling experienced a modest increase in operating loss.

### **Capacity**

Passenger capacity, expressed in terms of available seat kilometres, declined by 10.5 per cent in the quarter. Passenger traffic in terms of revenue passenger kilometres declined by 15.2 per cent in the quarter. Seat load factor for the quarter declined by 4.3 points to 76.4 per cent.

IAG has reduced passenger capacity in April and May by 94 per cent compared to last year, only operating flights for essential travel and repatriation. Between 22 March and 26 April IAG Cargo undertook around 350 additional cargo only return flights, primarily on long-haul routes with passenger widebody aircraft. Passenger capacity from June will depend on the timing of the easing of lockdowns and travel restrictions by governments around the world.

### **British Airways redundancy consultation**

In light of the impact of COVID-19 on current operations and the expectation that the recovery of passenger demand to 2019 levels will take several years, British Airways is formally notifying its trade unions about a proposed restructuring and redundancy programme. The proposals remain subject to consultation but it is likely that they will affect most of British Airways' employees and may result in the redundancy of up to 12,000 of them.

As previously announced, British Airways has availed itself of the UK's COVID-19 Job Retention Scheme and furloughed 22,626 employees in April.

## **Outlook**

As announced on 28 February 2020, given the uncertainty on the impact and duration of COVID-19, IAG is not currently providing profit guidance for 2020. However, the Group expects its operating loss in the second quarter to be significantly worse than in the first quarter, given the substantial decline in passenger capacity and traffic and despite some relief on employee costs from government job retention and wage support schemes.

Total cash and undrawn general and committed aircraft finance facilities amounted to €9.5 billion at the end of March, including €6.95 billion of cash, cash equivalents and interest-bearing deposits.

Recovery to the level of passenger demand in 2019 is expected to take several years, necessitating Group-wide restructuring measures.

Stephen Gunning  
Chief Financial Officer

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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.