IAG first quarter results 2023

First quarter profit for the first time since quarter 1, 2019, demonstrating strong performance across our diversified Group

Highlights

- Operating profit before exceptional items of €9 million, up €750 million versus quarter 1, 2022 and a positive outcome for quarter 1 for the first time since quarter 1, 2019, representing ongoing strong customer demand across all our airlines
- Better than expected[1] due to strong yield performance across the Group and the benefit of a lower fuel price
- We continue to focus our capacity deployment on our core Latin America and North Atlantic markets, which are now back at pre-pandemic levels of capacity, as well as growing Vueling's year-round leisure network
- Encouraging outlook for the summer with around 80% of expected quarter 2 revenue now booked
- We currently expect our full year 2023 operating profit before exceptional items to be higher than the top end of our previous guidance of €1.8 billion to €2.3 billion

Luis Gallego, IAG Chief Executive Officer, said:

"IAG has delivered a strong first quarter financial performance, as Group airlines recovered capacity to close to pre-pandemic levels. Iberia contributed a record first quarter profit and all our airlines performed above expectations, benefiting from robust demand and a lower fuel price in the quarter. We are seeing healthy forward bookings with leisure demand particularly strong while business travel continues to recover more slowly.

"As we return to more normal operations, we continue to invest in sustainability, including more fuel-efficient aircraft, and in customer experience, updating the business cabins for British Airways and Iberia. Over the past year we have recruited thousands of new employees across the Group and strengthened our operations so that we are ready to deliver for our customers during the summer peak.

"We have the right model to succeed with synergies and efficiencies across the Group and I want to thank all our employees for the role they have played in our continued recovery."

Financial summary:

	Three months to March 31		
Reported results (€ million)	**2023**	2022[1]	Higher / (lower)
Total revenue	**5,889**	3,435	71.4 %
Operating profit/(loss)	**9**	(718)	nm
Loss after tax	**(87)**	(787)	(88.9)%
Basic loss per share (€ cents)	**(1.8)**	(15.9)	(88.7)%
Cash, cash equivalents and interest-bearing deposits[2]	**11,369**	9,599	18.4 %
Borrowings[2]	**19,767**	19,984	(1.1)%

Alternative performance measures (€ million)	**2023**	2022[1]	Higher / (lower)
Total revenue before exceptional items	**5,889**	3,435	71.4 %
Operating profit/(loss) before exceptional items	**9**	(741)	nm
Loss after tax before exceptional items	**(87)**	(810)	(89.3)%
Adjusted loss per share (€ cents)	**(1.8)**	(16.3)	(89.0)%
Net debt[2]	**8,398**	10,385	(19.1)%
Net debt to EBITDA before exceptional items (times)[2]	**2.1**	3.1	(1.0)x
Total liquidity[2,3]	**15,081**	13,999	7.7 %

For definitions of Alternative performance measures, refer to the IAG Annual report and accounts 2022.
[1]The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment. There is no impact on the Loss after tax.
[2]The prior period comparative is December 31, 2022.
[3]Total liquidity includes Cash, cash equivalents and interest-bearing deposits, plus committed and undrawn general and overdraft facilities, and aircraft-specific financing facilities.

[1] IAG expected a quarter 1 operating loss before exceptional items of around €200 million, as stated at the 2022 results release on February 24, 2023.

Strategic highlights

Trading and network

- Stronger performance than expected at every airline, supported by more good progress at IAG Loyalty.
- Outperformance mainly driven by leisure demand in both longhaul and shorthaul:
  - Aer Lingus is more seasonally exposed than the other airlines, but is seeing good demand to European leisure destinations as well as to the USA and the Caribbean. Shorthaul business seeing some softness, as are technology industry-related routes.
  - British Airways returned to profit in quarter 1 for the first time since quarter 1, 2019. We are seeing strong demand from leisure travel to most parts of the network. Corporate travel is recovering slowly. The change in the non-premium mix of seats in the longhaul fleet also has a negative impact on unit revenue.
  - Particularly strong demand in Spain and Latin America, as well as on routes to the USA, has delivered Iberia's best-ever quarter 1 performance and made it one of the world's most profitable airlines in quarter 1, 2023. Business demand is recovering slightly faster than in other airlines.
  - Vueling's strategy to build winter season capacity to leisure destinations has driven high unit revenue and load factors, which also supports improving, sustainable ancillary revenue.
- IAG Loyalty added 1.2 million newly enrolled customers during the quarter, which is 50% more than in quarter 1, 2019. IAG Loyalty drove good cash flow and operating profit during the quarter of €81 million. During the quarter IAG Loyalty launched new products designed to increase engagement, such as Avios-Only Flights.
- The IAG Cargo business continues to focus on maximising its contribution to the Group. As shipping capacity normalises we are seeing pressure on yields, although they remain above 2019 levels.

Other developments

- Three narrow-bodied aircraft (one Airbus A320neo and two A321neo) were delivered in the quarter, with 29 aircraft still expected in total in 2023. These modern, more fuel-efficient aircraft are a key part of our cost and sustainability initiatives. We continue to manage our fleet deliveries and do not expect supplier challenges to have a material impact on our plans.

Trading outlook

Customer demand currently remains strong in all IAG's airlines and in all regions, particularly for leisure customers.

We expect capacity to be around 97 per cent of 2019 levels for the full year, as we focus on our core markets.

We are mindful of a number of uncertainties that currently face the sector:

- ongoing volatility in the geopolitical and macroeconomic environment can have a significant impact on the price of fuel, our biggest cost, and consumer confidence;
- this early in the year, we have limited visibility of customer bookings for the second half of the year; and
- our business is directly impacted by issues in the external operating environment, such as the strikes currently ongoing at French ATC and Heathrow Airport.

Taking the above into account, together with the quarter 1 performance, we currently expect our full year 2023 operating profit before exceptional items to be higher than the top end of our previous guidance of €1.8 billion to €2.3 billion. We also expect our net debt at December 31, 2023 to be better than previous guidance of materially flat year on year, and to be down in line with our profit outperformance.

Further update

Effective July, Fernando Candela Perez is appointed Chairman and Chief Executive Officer of Iberia until the end of the year. This follows the decision of Javier Sánchez-Prieto to leave the Group to pursue a new professional project outside of aviation. Fernando has more than 30 years' experience in the aviation industry and has been with IAG for 10 years, including his roles as Chief Transformation Officer, Chief Executive Officer of LEVEL and Chief Executive Officer of Iberia Express.

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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”, “may”, “will”, “could”, “should”, “intends”, “plans”, “predicts”, “envisages” or “anticipates” or other words of similar meaning. They include, without limitation, any and all projections relating to the results of operations and financial conditions of International Consolidated Airlines Group, S.A. and its subsidiary undertakings from time to time (the ‘Group’), as well as plans and objectives for future operations, expected future revenues, financing plans, expected expenditure, acquisitions and divestments relating to the Group and discussions of the Group’s business plans. All forward-looking statements in this announcement are based upon information known to the Group on the date of this announcement and speak as of the date of this announcement. Other than in accordance with its legal or regulatory obligations, the Group does not undertake to update or revise any forward-looking statement to reflect any changes in events, conditions or circumstances on which any such statement is based.

Actual results may differ from those expressed or implied in the forward-looking statements in this announcement as a result of any number of known and unknown risks, uncertainties and other factors, including, but not limited to, the current economic and geopolitical environment and ongoing recovery from the COVID-19 pandemic and uncertainties about its future impact and duration, many of which are difficult to predict and are generally beyond the control of the Group, and it is not reasonably possible to itemise each item. Accordingly, readers of this announcement are cautioned against relying on forward-looking statements. Further information on the primary risks of the business and the Group’s risk management process is set out in the Risk management and principal risk factors section in the Annual report and accounts 2022; this document is available on www.iairgroup.com. All forward-looking statements made on or after the date of this announcement and attributable to IAG are expressly qualified in their entirety by the primary risks set out in that section. Many of these risks are, and will be, exacerbated by the ongoing recovery from the COVID-19 pandemic and uncertainties about its future impact and duration and any further disruption to the global airline industry as well as the current economic and geopolitical environment.

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 October 5, 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; these documents are available on www.iairgroup.com.

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CONSOLIDATED INCOME STATEMENT

	Three months to March 31		
€ million	**2023**	2022[1]	Higher/ (lower)
Passenger revenue	**5,041**	2,655	89.9 %
Cargo revenue	**323**	432	(25.2)%
Other revenue	**525**	348	50.9 %
Total revenue	**5,889**	3,435	71.4 %
Employee costs	**1,257**	1,045	20.3 %
Fuel, oil costs and emissions charges	**1,758**	918	91.5 %
Handling, catering and other operating costs	**776**	542	43.2 %
Landing fees and en-route charges	**484**	358	35.2 %
Engineering and other aircraft costs	**587**	375	56.5 %
Property, IT and other costs	**249**	204	22.1 %
Selling costs	**280**	201	39.3 %
Depreciation, amortisation and impairment	**486**	531	(8.5)%
Net gain on sale of property, plant and equipment	**(10)**	(13)	(23.1)%
Currency differences	**13**	(8)	nm
Total expenditure on operations	**5,880**	4,153	41.6 %
Operating profit/(loss)	**9**	(718)	nm
Finance costs	**(274)**	(233)	17.6 %
Finance income	**68**	1	nm
Net change in fair value of financial instruments	**(1)**	60	nm
Net financing credit relating to pensions	**25**	7	nm
Net currency retranslation credits/(charges)	**60**	(61)	nm
Other non-operating (charges)/credits	**(8)**	28	nm
Total net non-operating costs	**(130)**	(198)	(34.3)%
Loss before tax	**(121)**	(916)	(86.8)%
Tax	**34**	129	(73.6)%
Loss after tax for the period	**(87)**	(787)	(88.9)%

[1]The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment within Operating profit/(loss). Accordingly, for the three months to March 31, 2022, the Group has reclassified €13 million of gains from Other non-operating (charges)/credits to Expenditure on operations. There is no impact on the Loss after tax.

ALTERNATIVE PERFORMANCE MEASURES

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

	Three months to March 31		
	Before exceptional items		
€ million	**2023**	2022[1]	Higher/ (lower)
Passenger revenue	**5,041**	2,655	89.9 %
Cargo revenue	**323**	432	(25.2)%
Other revenue	**525**	348	50.9 %
Total revenue	**5,889**	3,435	71.4 %
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Selling costs	**280**	201	39.3 %
Depreciation, amortisation and impairment	**486**	531	(8.5)%
Net gain on sale of property, plant and equipment	**(10)**	(13)	(23.1)%
Currency differences	**13**	(8)	nm
Total expenditure on operations	**5,880**	4,176	40.8 %
Operating profit/(loss)	**9**	(741)	nm
Finance costs	**(274)**	(233)	17.6 %
Finance income	**68**	1	nm
Net change in fair value of financial instruments	**(1)**	60	nm
Net financing credit relating to pensions	**25**	7	nm
Net currency retranslation credits/(charges)	**60**	(61)	nm
Other non-operating (charges)/credits	**(8)**	28	nm
Total net non-operating costs	**(130)**	(198)	(34.3)%
Loss before tax	**(121)**	(939)	(87.1)%
Tax	**34**	129	(73.6)%
Loss after tax for the period	**(87)**	(810)	(89.3)%

Operating figures	**2023**	2022	Higher/ (lower)
Available seat kilometres (ASK million)	**71,663**	49,080	46.0 %
Revenue passenger kilometres (RPK million)	**58,423**	35,432	64.9 %
Seat factor (per cent)	**81.5**	72.2	9.3 pts
Passenger numbers (thousands)	**24,279**	14,377	68.9 %
Cargo tonne kilometres (CTK million)	**1,125**	990	13.6 %
Sold cargo tonnes (thousands)	**151**	139	8.6 %
Sectors	**157,500**	107,700	46.2 %
Block hours (hours)	**468,625**	322,084	45.5 %
Aircraft in service	**561**	536	4.7 %
Passenger revenue per RPK (€ cents)	**8.63**	7.49	15.2 %
Passenger revenue per ASK (€ cents)	**7.03**	5.41	30.0 %
Cargo revenue per CTK (€ cents)	**28.71**	43.64	(34.2)%
Fuel cost per ASK (€ cents)	**2.45**	1.87	31.2 %
Non-fuel costs per ASK (€ cents)	**5.75**	6.64	(13.4)%
Total cost per ASK (€ cents)	**8.21**	8.51	(3.6)%

[1]The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment within Operating profit/(loss). Accordingly, for the three months to March 31, 2022, the Group has reclassified €13 million of gains from Other non-operating (charges)/credits to Expenditure on operations. There is no impact on the Loss after tax.

FINANCIAL REVIEW FOR THE THREE MONTHS TO MARCH 31, 2023

Developments since the last report (February 24, 2023)

There have been no significant developments for the purposes of this financial review since the Group reported its full year 2022 results.

Basis of preparation

At March 31, 2023, the Group had total liquidity of €15,081 million, comprising cash and interest-bearing deposits of €11,369 million, €3,302 million of committed and undrawn general and overdraft facilities and a further €410 million of committed and undrawn aircraft specific facilities.

Based on the extensive modelling the Group has undertaken, including considering a plausible but severe downside scenario and further sensitivities to the downside scenario, the Directors have a reasonable expectation that the Group has sufficient liquidity to continue in operational existence over the going concern assessment period to June 30, 2024, and hence continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the three months to March 31, 2023.

Principal risks and uncertainties

The Group has continued to maintain its framework and processes to identify, assess and manage risk and prioritise investment to address the risks it faces. The principal risks and uncertainties affecting the Group are detailed in the Risk management and principal risk factors section of the 2022 Annual report and accounts and these remain relevant. The Board has continued to monitor and assess risks in the light of changes that influence the Group and the aviation industry. The combination of weaknesses in the resilience of the aviation sector's supply chain, operational disruption and customer impacts from the threat of/or employee industrial action in critical third parties and airport services, further market uncertainty driven by increased global tensions, volatility in the banking sector, the inflationary environment and pressure on interest rates, are receiving significant management focus. Mitigating actions have been identified where possible to enable the Group to continue to respond to its exposure to the external risk environment whilst continuing to deliver its ambitious transformation and change agenda.

Operating and market environment

Commodity fuel prices have continued to be volatile in 2023, with no signs of the volatility easing in the near-term. The average jet fuel spot price in quarter 1, 2023 was $910 per metric tonne, approximately five per cent lower than the average spot price in quarter 1, 2022 of $955 per metric tonne. The shape of price movements within the first quarter was markedly different in 2023 than in 2022. In 2022, there was a significant rise in fuel prices from late February, following the outbreak of the war in Ukraine, with the commodity price of jet fuel at the end of quarter 1, 2022 rising to $1,135 per metric tonne. By contrast, in 2023 the fuel price fell towards the end of the quarter, from a peak of $1,140 per metric tonne in late January to $805 per metric tonne at the end of March. Jet fuel supply contracts are typically based on pricing up to one month in arrears, which results in the average price paid for jet fuel supply being higher in quarter 1, 2023 than in the same period in 2022.

The average foreign exchange rates for the first three months of 2023 resulted in the US dollar strengthening 5 per cent against the euro and 10 per cent stronger against the pound sterling, compared with the average of the first three months of 2022. The closing exchange rates, applied for balance sheet translations, represented a weakening of the US dollar of 1 per cent against both the euro and pound sterling since December 31, 2022.

The net impact of transaction and translation exchange for the Group for the first quarter was €54 million adverse versus quarter 1, 2022.

From a transactional perspective, the Group's financial performance is impacted by fluctuations in exchange rates, primarily from the US dollar, euro and pound sterling. The Group generates a surplus in most currencies in which it does business, except for the US dollar, as capital expenditure, debt repayments and fuel purchases typically create a deficit. The Group hedges a portion of its transaction exposures. The net transaction impact on the operating result was adverse by €48 million for the quarter, increasing revenues by €148 million and costs by €196 million.

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 first quarter, the net impact of translation was €6 million adverse versus quarter 1, 2022.

Unless stated otherwise, all variances quoted below compare the first three months of 2023 with the first three months of 2022 on a reported basis (including exceptional items). Results for 2022 include a reclassification to conform with the 2023 presentation for Net gain on sale of property, plant and equipment within Operating profit/(loss), with €13 million of gains in 2022 reclassified from Other non-operating (charges)/credits to Expenditure on operations.

Capacity and passenger traffic

The Group continued to restore its passenger capacity, following the significant reductions due to COVID-19, with passenger capacity now close to pre-pandemic levels. In the first three months of 2023, IAG capacity, measured in available seat kilometres (ASKs), was 46.0 per cent higher than in quarter 1, 2022, which was impacted by the Omicron variant of COVID-19. Passenger capacity was only 5.0 per cent lower than in quarter 1, 2019. Passenger load factor for the quarter was 81.5 per cent, up 9.3 points on the previous year and 0.8 points higher than in 2019.

Summary of passenger capacity and load factor by region

Three months to March 31, 2023	ASKs higher/(lower) v2022	ASKs higher/(lower) v2019	Passenger load factor (%)	Higher/(lower) v2022	Higher/(lower) v2019
Domestic	28.4%	15.6%	85.2	7.8 pts	1.3 pts
Europe	53.7%	(2.8%)	82.6	12.2 pts	3.2 pts
North America	62.9%	1.9%	74.8	10.4 pts	(2.4) pts
Latin America and Caribbean	12.1%	1.0%	86.9	8.6 pts	2.1 pts
Africa, Middle East and South Asia	56.2%	0.5%	82.9	6.7 pts	1.4 pts
Asia Pacific	406.1%	(70.1%)	88.8	32.5 pts	6.1 pts
Total network	**46.0%**	**(5.0%)**	**81.5**	**9.3 pts**	**0.8 pts**

As can be seen in the table above, the remaining capacity shortfall to 2019 is principally attributable to the pace of capacity restoration in the Asia Pacific region, linked to the late lifting of COVID-19 restrictions. British Airways' schedule to the region is planned to increase during 2023, with services resuming to Shanghai and Beijing from the summer travel season and increased frequencies to Hong Kong and Tokyo Haneda.

Revenue

Passenger revenue rose €2,386 million from quarter 1, 2022 to €5,041 million, reflecting the 46.0 per cent increase in capacity operated, together with the positive impact of the 9.3 percentage point increase in the passenger load factor and passenger yields per revenue passenger kilometre (RPK) up 15.2 per cent. The resulting passenger unit revenue (passenger revenue per ASK) was 30.0 per cent higher than the previous year and 14.8 per cent higher than quarter 1, 2019. Leisure traffic performed particularly strongly, with corporate traffic recovering more slowly.

Cargo revenue was down €109 million versus the previous year to €323 million. Cargo carried, measured in cargo tonne kilometres (CTKs), rose by 13.6 per cent. Yields were 34.2 per cent lower than in the previous year, reflecting the increase in global passenger airline capacity across the industry and the normalisation of the global supply chain disruption seen in quarter 1, 2022. Cargo revenue was up €48 million, or 17.5 per cent, versus the same period in 2019, with cargo yields up 45.4 per cent versus 2019.

Other revenue increased by €177 million to €525 million, reflecting the recovery in the Group's non-airline businesses, including Iberia's third party maintenance business, BA Holidays, and the growth of IAG Loyalty. Other revenue was 32 per cent higher than in quarter 1, 2019.

Costs

Costs were impacted by the increase in capacity versus 2022, with Total expenditure on operations 40.8 per cent higher than the previous year and Non-fuel costs per ASK down 13.4 per cent.

Employee costs increased by €212 million versus quarter 1, 2022 to €1,257 million, reflecting the increase in airline operations since quarter 1, 2022 and the related increase in employee numbers, together with pay increases.

Fuel costs increased by €840 million to €1,758 million, principally reflecting the impact of the higher capacity operated, the increase in the average price of physical fuel purchased in the quarter, lower hedging gains and the impact of a stronger US dollar. Fuel costs are hedged up to two years in advance and hence the impact of the significant price rises in quarter 1, 2022 was mitigated by hedging gains, whereas in quarter 1, 2023 the hedging gains were significantly lower. Fuel costs continue to benefit from the Group's investment in new, more fuel-efficient aircraft.

Supplier costs increased by €694 million to €2,389 million, mainly linked to the increase in capacity operated, together with inflationary increases, partly offset by the Group's procurement initiatives.

Depreciation, amortisation and impairment costs in the quarter were €486 million and the Net gain from the sale of property, plant and equipment was €10 million, representing the disposal of assets, mainly connected with the disposal of aircraft and related parts.

Operating result
The Group's operating profit for the period was €9 million, an improvement of €727 million versus the operating loss of €718 million for quarter 1, 2022. Excluding exceptional items the operating result improved €750 million versus the previous year.

Exceptional items
There were no exceptional items in the quarter. In 2022, quarter 1 included an exceptional credit of €23 million relating to the partial reversal of a fine previously issued by the European Commission, in 2010, to British Airways. See Reconciliation of Alternative performance measures for further information.

Net non-operating costs, taxation and loss after tax
The Group's net non-operating costs for the quarter were €130 million in 2023, compared with €198 million in 2022, mainly reflecting €60 million of Net currency retranslation credits in 2023, versus charges of €61 million in 2022.

The tax credit on the loss for the period was €34 million (2022: tax credit of €129 million), and the effective tax rate was 28.1 per cent (2022: 14.1 per cent).

The substantial majority of the Group's activities are taxed where the main operations are based: in the UK, Spain and Ireland, which have corporation tax rates during 2023 of 23.5 per cent, 25 per cent and 12.5 per cent, respectively. 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 14 per cent for the three months to March 31, 2023. The difference between the actual effective tax rate of 28.1 per cent and the expected tax rate of 14 per cent is due to the Group having recorded an adjustment to deferred tax in respect of prior periods resulting from changes made to the tax base of certain property, plant and equipment.

The loss after tax for the quarter was €87 million (2022: €787 million).

Cash, debt and liquidity
The Group's cash balance (defined as cash, cash equivalents and current interest-bearing deposits) of €11,369 million at March 31, 2023 was up €1,770 million on December 31, 2022, in line with the normal seasonal pattern of working capital movements. The Group's airlines typically experience a rise in deferred revenue in the first half of the year, linked to bookings for future travel, particularly leisure bookings for summer travel; deferred revenue then usually falls in the second half of the year. Cash was also increased by the drawing of debt during the quarter for five aircraft that were delivered in 2022; this financing had been agreed at December 31, 2022 and was reported in undrawn aircraft facilities.

During the quarter, the Group took delivery of three shorthaul aircraft: one Airbus A320neo for Iberia and two Airbus A321neos for Vueling; financing for these aircraft will be drawn later in 2023.

The Group's total borrowings at March 31, 2023 were €19,767 million, down €217 million from December 31, 2022, principally due to foreign exchange movements, with the net impact of new debt drawn in the quarter and repayments of existing debt broadly neutral. Debt maturities in 2023, aside from regular lease payments, include the repayment of a €500 million IAG bond in July.

Net debt (total borrowings less cash, cash equivalents and current interest-bearing deposits) was €8,398 million at March 31, 2023, a reduction of €1,987 million since December 31, 2022, mainly due to the increase in cash outlined above.

The Group's EBITDA before exceptional items for the rolling four quarters to March 31, 2023 was €4,030 million. Net debt to EBITDA before exceptional items was 2.1 times at March 31, 2023. See Reconciliation of Alternative performance measures and Alternative performance measures section of IAG's 2022 Annual report and accounts for further information.

Total liquidity at March 31, 2023 was €15,081 million, up €1,082 million from €13,999 million at December 31, 2022. Committed and undrawn general and overdraft facilities were €3,302 million (December 31, 2022: €3,284 million) and committed and undrawn aircraft facilities were €410 million (December 31, 2022: €1,116 million).

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

a Loss after tax before exceptional items

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

The table below reconciles the reported income statement to the alternative performance measures statement:

	Three months to March 31					
€ million	**Reported 2023**	**Exceptional items**	**Before exceptional items 2023**	Reported 2022	Exceptional items	Before exceptional items 2022[1]
Passenger revenue	**5,041**	**-**	**5,041**	2,655	-	2,655
Cargo revenue	**323**	**-**	**323**	432	-	432
Other revenue	**525**	**-**	**525**	348	-	348
Total revenue	**5,889**	**-**	**5,889**	3,435	-	3,435
Fuel, oil costs and emissions charges	**1,758**	**-**	**1,758**	918	-	918
Property, IT and other costs[2]	**249**	**-**	**249**	204	23	227
Other operating charges	**3,873**	**-**	**3,873**	3,031	-	3,031
Total expenditure on operations	**5,880**	**-**	**5,880**	4,153	23	4,176
Operating profit/(loss)	**9**	**-**	**9**	(718)	(23)	(741)
Total net non-operating costs	**(130)**	**-**	**(130)**	(198)	-	(198)
Loss before tax	**(121)**	**-**	**(121)**	(916)	(23)	(939)
Tax	**34**	**-**	**34**	129	-	129
Loss after tax for the period	**(87)**	**-**	**(87)**	(787)	(23)	(810)

[1]The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment within Operating profit/(loss). Accordingly, for the three months to March 31, 2022, the Group has reclassified €13 million of gains from Other non-operating (charges)/credits to Expenditure on operations. There is no impact on the loss after tax.
[2]The exceptional credit of €23 million recorded in the three months to March 31, 2022, relates to the partial reversal of the fine, plus accrued interest, initially issued by the European Commission, in 2010, to British Airways regarding its involvement in cartel activity in the air cargo sector and that had been recognised as an exceptional charge. The exceptional credit has been recorded within Property, IT and other costs in the Income statement with no resultant tax charge arising.

b Net debt to EBITDA before exceptional items

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. Net debt is defined as long-term borrowings (both current and non-current), less cash, cash equivalents and other current interest-bearing deposits. EBITDA before exceptional items is calculated as the rolling four quarter operating result before exceptional items, interest, taxation, depreciation, amortisation and impairment.

€ million	**March 31, 2023**	December 31, 2022[1]
Interest-bearing long-term borrowings	**19,767**	19,984
Less: Cash and cash equivalents	**(10,374)**	(9,196)
Less: Other current interest-bearing deposits	**(995)**	(403)
Net debt	**8,398**	10,385
Operating profit	**2,005**	1,278
Add: Depreciation, amortisation and impairment	**2,025**	2,070
EBITDA	**4,030**	3,348
Add: Exceptional items (excluding those reported within Depreciation, amortisation and impairment)	**-**	(23)
EBITDA before exceptional items	**4,030**	3,325
Net debt to EBITDA before exceptional items	**2.1**	3.1

[1]The 2022 results include a reclassification to conform with the current period presentation for the Net gain on sale of property, plant and equipment.