Rising fuel costs crimp profits at IAG airline group

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Shares in IAG rose after the airline group reported results that showed it is holding up well despite intense competition in the industry

Rising effective fuel costs helped push operating profits lower at British Airways parent company IAG in the first half of the year, although the group managed to increase revenue from passengers despite intense competition in the industry.

While net profits fell to 806 million euros ($894 million), that was entirely due to a massive exceptional gain that the operator of airlines including Aer Lingus, Iberia and Veuling had booked last year.

However operating profits also slid, dropping 145 million euros from the same period last year to 1.1 billion, not in least part due to a 20.5 percent jump in IAG's fuel costs, failing to profit from hedging operations as much as it did last year.

In the second quarter IAG managed to increase operating profit by 60 million euros.

Despite the rising competition in the airline industry IAG managed to increase passenger numbers by six percent, and managed to take in slightly more revenue from them per kilometres flown.

Overall revenue rose by 7.9 percent to 12.1 billion euros for the period.

IAG said that at current fuel prices and exchange rates it expects 2019 annual operating profits to be similar to the 3.2 billion euros generated in 2018.

IAG's shares shot 3.4 percent higher in London in morning trading while the FTSE 100 index was down 1.7 percent.

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