Event Name: Full Year 2011 International Consolidated Airlines Group SA Earnings Presentation and Conference Call transcript

Event Date: 29 February 2011

Attendees:

Enrique Dupuy; IAG Group SA; CFO
Willie Walsh; IAG Group SA; CEO
Keith Williams; IAG Group SA; CEO British Airways
Rafael Sanchez-Lozano; IAG Group SA; CEO Iberia
Andrew Barker, Group Head of Investor Relations

*****NOTE*****

Due to technical difficulties the first 10 minutes (approximately) of the presentation were not recorded. The following is the script provided by the Company.

PART 1: from Company script
Good morning Ladies and Gentlemen. I am Enrique Dupuy CFO of IAG and I would like to bring to you some highlights of what has been our performance through 2011 and especially on the last quarter of the year. Main message is about a strong year doubling the results of 2010 and based upon:
Capacity growth of 7.1% (underlying 4.5% due to disruptions of 2010); unit revenue up 3.1% (premium unit revenue up 5.7%); non fuel costs down 5.6%; fuel costs up nearly 30% (22% in unit terms); weak dollar versus € and sterling reducing costs and revenues denominated in $.

So, as a whole, an important recovery year for IAG, preparing us to face new challenges through 2012.
The rest of my presentation is going to focus more on Q4 and also on trying to indicate some underlying trends that we are foreseeing for the closer future.

We have been benefitting from similar trends as prior quarters for revenue, especially passenger revenue and the premium segment; though improment againsta strong Q4 2010 has been milder.
Still a very positive performance on the non fuel cost side, although we have to admit on the background of disruption in December 2010 or weaker USD than last year, and some one off costs by the end of 2010.

The fuel cost increase has been especially significant in this last part of the year, due to unwinding of "attractively priced hedges" and high market prices. As a whole a profitable quarter on a more difficult trading and fuel cost environment.

To highlight some figures of the year and Q4:

The 10.4% increase in revenues, coming down to 6.9% in Q4 due to lower capacity growth and unit revenue improvement

Fuel costs increasing by approximately 30% through the year and above the average in Q4
Significant improvement in non fuel costs through the year and especially in Q4 where they have been below 2010 in absolute terms against a growth of more than 5%

Operating profit of €485 million for the full year and €34 million positive in Q4

Net profit of €527 million for the full year and 200 million in Q4 positively affected by some "one offs" that I will explain later through the presentation

Just to remind you again of the accounting treatment that under IFRS3 Iberia's pre acquisition fuel and FX hedges, whilst cash impact is recognised, cannot flow through to the P&L of the group.

If we concentrate on Q4 Group Revenues now, we can see in the chart, growth of 5.3% in ASKs (4.1% before Dec 10 disruption) and a similar increase of RPKs, leaving Load Factor at 77.7 for the Quarter .
Passenger yields have improved by 3.3% in constant FX terms and 2.1% in actual currency terms.

Cargo yields have improved in similar terms, but capacity growth has been smaller than in the passenger segment, due to increased weakness in some of the markets

Other revenue has been affected by new accounting model applied to FFPs, but underlying improvement for Q4 is in the range of 5%.

Looking at the longer historical perspective to unit revenues, we figure out that on a 12 month rolling basis, we achieved an additional, though modest improvement in Q4 surpassing now the previous 'high water mark' that was reached in Q year 2009

The average fuel price in those two periods were very different $86/bbl versus $110/bbl

This implied significant pressures for reducing non fuel costs (as you have seen) and squeezing of EBITDAR and EBIT margins

2012 will again be challenging, having to deal at least in the first part of the year, with additional fuel cost pressures and a weak European economic environment.

Looking at regions underlying regional performance varies when looking at each airline
Domestic and short haul performance in Madrid remains a challenge with heavy no-frills competition and high-speed rail vying for increasing share of the market – (WW will talk about Iberia Express later)
Weak market and economic conditions in Madrid have seen Iberia experience a double digit decline in short haul premium
In London overall unit revenue growth is supported by continuing outperformance of premium over non-premium.
London long haul remains positive particularly on the North Atlantic, and note we have increased capacity at a double digit rate (+12.8%). It is worth noting that the filing for bankruptcy protection by AMR has had no impact on the performance of the Joint Business to date

….actual transcript continues.

PART 2: transcript
Enrique Dupuy: (audio in progress) Middle East and South Asia been improving significantly this year in revenues on a similar capacity level to last year and then this is also an encouraging performance.

And finally, significant growth in Asia Pacific, 7%. This has a lot to do probably with opening and maintaining Haneda as the second airport in Japan, but at the expense, this time of a modest reduction in unit revenues. So this is becoming a much more competitive environment, as you know. And we are basically counting on the new hub operations in Singapore as a way to improve our profitability in this region.

And about premium. So, a quick overview to premium growth profiles show how the different, I would say, quarters of the year have been achieving different performances on unit revenue improvements because of, on one side, underlying growth and on the other side disruptions on the respective year 2010 comparable.

So for example, the first half of the year was supported by strong underlying growth on one side and heavy disruption, especially the second quarter on similar periods of last year. You remember the ash cloud and strikes.

And then Q3 showed a significant improvement against a very strong Q3 quarter in year 2010. So this has special relevance and merit but as you see in the chart, weak US dollar in a comparative, I would say, measuring has been dampening down the comparables when we are talking in actual terms. Q4 clearly showing a significant growth against year 2010, although moderating the improvement, which we have to say are being maintained in the first month of year 2012.

So, on a slightly different pattern from the one that we have shown for passenger unit revenues and also on a 12-month rolling basis, the previous high water mark in the case of cargo, which was again the first quarter year 2011, has not been surpassed. So, in this case, overcapacity and a weaker European demand, the weaker cargo inbound traffic into Europe are the main reasons behind what we would label as a plateauing in terms of short-term overview.

A reduction of freighter capacity and we have been hearing some signals in this issue, especially in Asia, will help to improve the balance of supply and demand. But we see some weakening in the unit revenues -- in net unit revenues although fuel surcharges are still being applied -- are still being increased, following the fuel cost upward pressures on our, I would say, cost base. So, synergy benefits coming from our joint IAG Cargo business will help us to cope with this weakness until markets recover, maybe happening later on in the year.

This is the capacity chart, which is a little bit complex and that's why we bring it, because we want to make it clear how the quarters have been moving and the different underlying reasons about these movements. So, last year comparative growth on a quarter-by-quarter comparative shows how disruption in the year 2010 has impacted year 2011 figures.

So, whilst actual growth for the year has reach 7.1%, the underlying figure has stayed at 4.5%, which is below I would say a [powerful] growth pattern. In line with the one for the last quarter, for Q4, which has been around 4.1% underlying capacity increases.

Our client capacity growth for year 2012 has been recently adjusted down from a previous 2.5% positive figure to just 1.7% positive in line with a cautious approach to market uncertainties and some perceived weakness from our main markets. So, British Airways network will grow by around 2.5% and Iberia networks will be reducing its capacity by around 0.9% reflecting adjustments indicative of being in all three main markets. So it's both domestic, Europe and LatAm.

The first quarter has been negatively affected by Iberia pilot strikes. So, which up to February, taking into account I think it's 10 days of strikes up to the end of February, have reduced the real capacity of the Group, which was intended to be 1.4% positive -- 1.6% positive to a negative of 0.2%.

So, about fleet. What are the novelties of the year against similar periods in last year? So, winter season big changes will include three more 777-300ERs on British Airways fleet, which have already been delivered through year 2011. And one less A340-300 reducing the size of Iberia long fleet. So, we have these doubts about one additional 747. Initially thought to be operated but will be maintained grounded for the foreseeable future. And one A319 that will be returned to its lessor later on in the year.

So on the summer season, the additional changes will include nothing, I will say, substantial, in the case of British Airways. And two additional A340-300s to be returned by Iberia to its lessors.

This is a chart that we are using recurrently. I think that it's useful. Of course, it has a subjective type of element but I think that it is in some way useful for you and again for us. So in terms of trading environment, we have seen for Q4 a similar trading environment as the later part of the year 2011 with a strong premium market still, especially in long haul out of London. So non-premium remains competitive, especially in short haul, although we are signs of a more rational and (inaudible) cross-driven pricing policy in the low cost carrier side, which is helping pricing in a more constrained capacity environment. I'm talking about the short and medium haul Europe.

Strikes in Iberia are also driving down real capacity out of Madrid improving unit revenues performance in Iberia networks but in this case, creating a parallel negative impact on its unit cost base, because of disruptions.

We have already mentioned weakening cargo price environment, which will be influenced in the near future by the speed of retiring of capacity --I'm talking specifically on freighters -- and the European economic recovery.

So, let's expand a little bit more about costs and especially on Q4. Q4 has seen similar cost performance as the rest of the year, with even higher fuel unit cost and a steeper reduction in non-fuel unit cost. So, the reported figures show a lower increase than the underlying ones due to the positive effect of the weaker US dollar through the year lowering the cost growth by in the range of 2% to 3% through the year.

This impact would be reversed probably, and turn negative through the year 2012 due to the relative strength of the US dollar against euro and sterling, that we are acknowledging at least in the first part of this year with a positive effect in unit revenues, especially the ones that are translated out of dollars and into euro terms. So it is a parallel effect that will be impacting in terms of higher cost and then higher revenues.

On a two-year comparison, the combined effects of higher fuel prices and cost cutting efforts has consolidated a step up in total unit cost in the range of [7% average] in this two-year period, which has and is challenging the unit revenue improvements and targets that we have to produce.

So, fuel. For the fourth quarter, the fuel bill has increased by EUR329m, or up 33.3% in actual terms, which means on unit cost terms, a 27% negative impact. The bulk of increase is related to the market price increases and the final average price paid, was $995 per ton of kerosene, or 2% below market. This is due to a gradual unwinding as I told you before, of the older efficiently priced hedges.

How we see this year. So, this year, again, is especially complex because we are seeing not only volatility and very recent volatility in market fuel prices but also volatility and recent volatility, high volatility on the price of the euro and the dollar.

So, if we try to make an estimate of year 2012 fuel bill, our basic central case, taking into account recent market levels in both kerosene so $1,080 and US dollar $1.30 -- these may become up -- out of date just because of comparing with today's prices but we have to work with something -- will show an increase slightly above EUR1b for the whole of the year. So, 5.1% to maybe 6.2%.

The sensitivity matrix shows the potential impact of both kerosene prices. So, 10% increase in kerosene prices will mean EUR240m increase in our fuel bill. So that cause a negative and a positive, depending on the trend of fuel prices. And the US dollar, again, 2.3% volatility - appreciation in this case, of the euro, could reduce the fuel bill in EUR140m.

So, we're using here $1.30, today is $1.34, so these figures may be wrong by EUR140m, EUR150m. But this is the life that we have to be able to live and we'll have to deal with it. We are going to have to still be coping with huge volatility in our fuel bill through the year.

The average increase we are foreseeing for the full year will be significantly different for the first and second half with a greater impact on the first two quarters, which we are forecasting in the range -- unit cost in the range of 25%. In relation with the second half, which if prices stay where they are, will be around 16%. So that shows how the fuel bill will be evolving through the year.

A little bit more about I would say sensitivities. So in year 2012 the breakeven market rate for our hedging portfolio is at the level of $1000 per ton of kerosene. And the percentage of our planned consumption being hedged is 65% for the full year with higher levels of hedging in the first two quarters. So it's 85% first quarter, 80% second quarter. So, the first quarter will show a fuel bill of around EUR1.4b, or 27% above last year figures. That is, again, I would say, absolute terms. So unit terms will be coming down to around 25.

ETS so, nothing really very original to say here. I mentioned trading impact will be felt since the beginning of January and will be part of our supplier cost. The expected additional cost per year would be around EUR70m. This is a lower figure than the one we originally forecast I would say some months ago. It's because of the market prices of emissions units have been lowered up to EUR9 per unit. And they represent for EU companies, a competitive disadvantage against other world carriers that have announced, already, not being participating in this scheme.

Now a little bit more on other non-fuel costs. Employee cost improvement, which has been I would say very significant through the year. Employee unit costs have been reduced by 5.9% in the quarter and 4.4% through the whole year. So a very significant improvement due to basically productivity increases.

If we consider the positive currency translation impact and this is in this time turning into euros, the effect of disruptions last year base, and real capacity and the balance of one-offs that we have had at the end of the year and restructuring one-off costs and the differences in bonuses, we conclude that the underlying trend now has been about flat for the fourth quarter consolidating in some way, a two-year pattern of flattish or slightly reduction performance on unit revenue -- unit employee costs.

Trends for year 2012 look now more challenging on the basis of low capacity growth this year, so, less chances for productivity improvement, and recent inflationary pressures, especially in the UK. Although we know that lately they are in some way receding.

Other non-fuel supplier costs. In this slide we show our performance in other non-fuel supplier cost. Again, Q4 performance is positive on a quarter and rolling 12-month basis over year 2010 figures. Although having to deal with some significant headwind as, for example, London Heathrow charges, you remember about RPA plus 7.5% increases, incredible, and expenditure in the new marketing campaign, British Airways brand that has in some way pushed our sales costs upwards.

On the other side, the tailwinds have to with, again, the weak US dollar environment and some non-recurrent merger-related expenses on the last part of the year, that we had to account in year 2010 and not in year 2011. The two-year comparator shows underlying trends below inflation for the period, although mounting price pressures will make this target challenging again, getting through year 2012.

Underlying ownership costs. So, ownership costs have been performing very positively through the fourth quarter and the year and also on a two-year perspective. The reasons behind are based on increasing in aircraft utilization, coming out of last year's disruptions, together with a weaker US dollar and the impairment charges that have reduced the depreciating type of pattern through year 2011.

Capacity and fleet restrictions, in terms of fleet size, will help these costs on a flat growth pattern on a constant currency basis. With maybe some other potential negative impact coming on the operating lease rent that are basically denominated in US dollar terms if the US maintains its recent strength.

So, how do we explain the profit bridge I would say in a very synthetic way, on the last quarter of year 2009/10? The profit and loss comparatives with the same period in last year are significantly affected by the balance between additional revenues being achieved, obtained and fuel costs.

The price element of both additional revenues and cost on this quarter means that the revenue improvements have been offsetting just 40% of the negative unit fuel cost impact. And the rest has been compensated through profitable type of same price, same fuel cost growth exercise in relation of the disrupted first quarter of year 2010.

Although at the EBITDAR level, the referred offsetting is not complete and we have a modest reduction in terms of EBITDAR margin, the reduction in ownership cost has enabled us to reach a net operating profit increase for this quarter against last year.

So if fuel prices stay at actual levels Q4 year 2010 and H1 year 2011 may represent the peak in terms of negative impact of fuel on the year-on-year comparisons, which may become less challenging through the second half of year 2012.

The below the operating profit line, which is -- has been moving out intensively through this year, has been moving basically on a quite erratic way through the year. And that's why we're bringing this slide to try to clarify some of the underlying issues. So, the non-operating net cost for year 2010 represented EUR141m for the Group. And the differences for year 2011 performance on these recurrent manageable costs have been positive. And related mainly to our cash and debt position, to basically a low, I would say, interest rate environment at least at the own margins that we're still benefiting from. And currency translation cost or, in this case, benefits.

So the special items this year are referred to a significant reduction on the British Airways pension scheme accounting costs due to a revaluation of assets and the positive accounting impact of the corridor accounting rules.

So this EUR220m a year improvement is split basically on EUR142m, which has to do with asset ceilings, and EUR78m that has to do with a lower liability base that has brought in lower interest charges attached to these lower liabilities. The RPI CPI type change has probably quite to do with this lowering on the liability -- of the liability base.

So in terms of the balance sheet, the comparison that we are bringing in terms of balance sheet with year 2010 is a bit of a paradox because we are talking of December year 2010 on a combined basis, not consolidated basis still. And we are comparing this combined basis with December 2011 consolidated accounts. So the impact of the consolidation itself exercise is very apparent on how we have constructed the equity changes for the Group because of the Iberia acquisition accounting, it has to do with the PPA exercise, recognition of goodwill, etc., etc.

So we are still, big message behind this, we are maintaining a strong and solid financial position with a 44% leverage ratio. So that's total adjusted debt to total adjusted debt plus equity. The comparisons in relation with cash, gross and net debt are more relevant because those figures are basically compared on a homogeneous basis. So and there is modest increase of around EUR250m for the year in net debt terms. And if you go through the cash flow statement account, you will see that it's basically related to two movements, which in some way have the consideration of one-offs.

One of these movements, payment is relative to competition fines being settled and it's in the range of EUR150m. And the other one is also it is related to pensions scheme sweep mechanism that has been triggered because of the cash at the end of the first quarter year 2011 being above this EUR1.8b figure that was established. We have been talking about this subject before. And that's created the requirement of producing an additional contribution to the pension fund scheme. So those two movements, one-offs, are basically behind the increase in debt.

The increase in cash has an additional explanation which has to do with two 777 deliveries which have been paid in cash. While we organize and structure efficient financing facilities through the following months based on Japanese leverage lease type of structures, which would be basically finalized by the beginning of April next month. So, this is how I am ending my part of the presentation and I'm handing now the microphone and the rest of the presentation to Willie.

Willie Walsh: Thank you, Enrique. Good morning, everyone. It's good to see you all again. Now, you should not be surprised to hear me say that our focus on 2012 will continue pretty much as it has been through 2011.

We're going to continue to drive profitability in the operating companies. We're seeing the benefit of the structural changes that we've made in British Airways and it's clear from everything we have seen and charted, I will show you now in a moment, that structural reform in Iberia is the immediate challenge and the immediate opportunity actually that we face.

We're going to continue to deliver the merger benefits. We've beaten the year one target significantly and we're going to work hard on delivering the full benefits of the [communication] to you. And clearly the good start that we've had has given everyone in the business a great appetite for further synergy identification.

And we're operating in an industry that, I think, is transforming itself in a positive direction. We're seeing more M&A activity. We've seen consolidation through airline failure, always the cheapest form of consolidation. And we're seeing very good capacity discipline continue within the industry. And although we saw some headline figures last year in terms of capacity increases for this year, pretty much everybody has scaled back the capacity plans that they had announced. And I believe there's a much greater discipline being demonstrated within the industry than we've seen previously.

We will focus on the integration of BMI, and I'll talk about that in a moment on the development of the joint ventures that we have in place, while remaining open to any opportunity for further benefit will affect as consolidation but I need to be clear, there is nothing on our agenda at this stage. So you can ignore anything you read in the press in relation to further consolidation activity on our part.

Now, you've asked previously for greater visibility on the performance of the two operating companies. So we've given you some additional disclosure today so that you can understand where both of the companies find themselves. And it's clear that they're in very different positions.

If you look at British Airways, we've seen very strong revenue growth in the year, benefiting from the disruption that existed in 2010. Cost increases driven off a lot of that additional capacity, capacity growth of 9.8%. Good seat factor. Pretty stable in terms of network. Very little change in terms of the stage length, just a slight reduction. Good unit revenue performance, 6.6% unit revenue increase in the year.

Costs increases, clearly driven largely off the back of fuel prices, so a good non-fuel unit cost performance in BA, down 4.2%. So I think real benefit from structural cost changes that the company has implemented plus recovery in the business. Good premium traffic out of London. So the premium, particularly the long-haul premium business continues to perform well and BA has seen the benefit of that through 2011.

If you turn to Iberia, quite a different picture. Very limited revenue growth, 1.4%. Costs continuing to escalate. Again, largely on the back of fuel cost increases and in fact the company has done a very good job in relation to the non-fuel costs. Capacity, only marginally up and quite a change in the Iberia network there, which is demonstrated in the significant increase in the stage length, 14% increase in stage length.

So, you will have seen us report at an IAG level, I think we reported domestic capacity, domestic ASK down about 13%. In Iberia it was down about 21%. So we've actually had some domestic growth in the BA network. So you can see Iberia is changing its network and that's reflected in the increased stage length.

Significant reduction in short and medium-haul capacity and I'll touch on the reasons behind that in a moment. And therefore that stage length increase clearly having an impact on the unit revenue, but still a unit revenue challenge within the business. And good non-fuel unit cost performance, down 4.5%.

So, the management team have done a good job in controlling costs where they can. Fuel has had a big impact on the business but behind that, clearly the business is suffering from a weak environment in the Spanish economy and is challenged by cost -- structural costs within the business that really are out of line with market and need to be tackled. And that's something that we've started to address.

Now, if you want to know why we're launching Iberia Express as part of the solution to our challenges, I think this chart shows you. Enrique has shown you unit revenue performance for the Group. This is the Iberia short-haul unit revenue and you can see there, it's not got anywhere close to recovering the position of the rolling 12-months to fourth quarter of 2008.

As we went through 2009 and the general economic recovery through that year, particularly the latter part, we did see some improvement in unit revenue. But you can see there as we went through 2010 and then back into 2011, the unit revenue in the short haul has continued to decline. So, we've got a structural cost issue in the short and medium-haul operation in Iberia and the unit revenue is unable to offset the significant cost increases that we've seen in fuel.

So this requires major surgery and the major surgery comes in the form of the creation of Iberia Express. You've seen this chart previously. We're launching the new airline, the -- at the end of next month. Actually within about four weeks' time. As you've seen before, we would expect to have at the end of year about 500 employees in the business. It will average about 220, 230 employees through the year, 13 aircraft at year end with an average of about eight aircraft through the year.

It's 100% owned by Iberia but with a dedicated management team given clear accountability for managing Iberia Express in a profitable way. And it's our intention to drive this business into a profit. We'll operate with an all A320 fleet, initially aircraft that we'll transfer from Iberia into Iberia Express.

The maintenance and handling activities of the subsidiary will be undertaken by Iberia at market conditions and rates. So, this will give us an opportunity to reverse the trend that we've witnessed on the short- and medium-haul within Iberia.

The impact is more than EUR100m when we get up and running with the airline in its full form in year four, year five. And you can see a large part of the difference comes from a cost reduction in crew costs, which are just far too high, not just within Spain, but clearly within the industry. And we'll get significant reductions in overheads and efficiency and some improvement in asset turn.

So, this is a really positive development. It will allow Iberia to create an efficient short- and medium-haul feeder airline into the long-haul at Madrid. It's not the only challenge that Iberia faces. We do continue to have a unit revenue challenge in the face of rapidly increasing oil prices. But, this is part of the structural change that we're embarking on within Iberia.

Now, in the face of that, we're seeing some resistance from pilots. Enrique has mentioned the impact on capacity of the strikes that we have seen so far. We've had 12 in total. And the dates are highlighted there for you. As Enrique said, it's had about a 1.4% capacity impact on our business or an expected 1.4% capacity ASK impact in the first quarter of this year.

You can see the ASK impact on Iberia in December, January, and February. Iberia continues to operate almost two-thirds of the flight schedules on the days of the strikes and has been able to accommodate all of the customers that have been impacted by the strike.

The strike is having a financial impact, which we estimate to be somewhere in the order of EUR3m per day of strike. And that takes into account the impact in the pre- and post-strike dates. So, there is some impact in the days before and days after. But, the total effect is about EUR3m per strike day.

But, as you can see, the benefits of restructuring Iberia and creating Iberia Express significantly outweigh the costs of this disruption. We're absolutely determined to do this. There is no other option available for Iberia other than to significantly restructure its short- and medium-haul business.

Now, synergy performance has been very good. We're really pleased. You can see here the synergy targets that we had set, EUR72m in the first year. We've significantly exceeded that target and even exceeded the forecast that we gave you back in November. So, the revenue synergy target in year one has been exceeded by EUR59m, the cost by EUR3m. And we've also had a EUR2m reduction in the P&L cost of the synergies. So, the bottom part of this is the P&L impact, the cost impact of the synergies.

So, we're very pleased with the synergy performance. Clearly, the revenue performance has been stunning. We're satisfied these are all real synergies. We've shown you the model at our Investor Day as to how we measure it. And it's been fully audited. And we're very optimistic now going into year two and year three, where we've got robust plans in place to deliver the targets that we've set for ourselves. And clearly, we'll keep this under review as we go through the year. But, a very strong performance and very optimistic now about the targets that we've set for ourselves.

Turning to bmi, we're going through the competition process. It's in the hands of the EU. We formally notified them on the February 10. The earliest date for a decision would be the March 16. We remain optimistic. We believe we've got a very strong case to allow the acquisition of BMI to proceed. We have had some political resistance in Scotland which we've been addressing. But, it's important to point out this is not an issue that will be determined by the politicians. It's an issue that will be determined by the competition regulators.

We have taken a decision since we spoke to you last to integrate bmi into British Airways, follows agreements reached with the pilots in BA represented by Balpa to provide BA productivity benefits to facilitate the integration of bmi mainline into the British Airways.

We've developed integration plans. We hope to actually sign off on those integration plans tomorrow morning. Our intention is to move fast with the integration. It's going to be challenging. But, we're clear that the quicker we do it, the better for everybody involved.

We've previously indicated to you that the restructuring cost would be less than the annual losses of the Company. We felt we should give you a bit more accurate guidance in related to that. So, we're identifying there GBP100m of restructuring costs, which will be spread over three years, although the majority of that restructuring clearly will take place in the first year. It is our intention, as I said, to move forward with integration and restructuring as quickly as possible.

The deal, as you know, involves us acquiring all of bmi with Lufthansa looking to dispose of the regional business before completion and also with an incentive, financial incentive to dispose of bmi Baby before deal completion.

And so, our objective is to acquire the bmi mainline business. But, we do have plans in place if we end up acquiring the mainline and the bmi Baby business as well. That will form part of the restructuring plans that we have identified.

Now, the joint ventures that we've embarked on have proven to be very successful for us. And we thought we should remind you of those, a lot of focus on the trans-Atlantic joint business between BA, Iberia, and American Airlines, not so much focus on the joint business that we have between Iberia and LAN to Ecuador and Peru, LAN Ecuador, LAN Peru, which is also working very well.

We've got a longstanding joint business with Qantas. And that's performed well. And Enrique mentioned some of the restructuring that we're doing to our network as a result of that, so very sensible capacity sharing in relation to how the UK and the Kangaroo route will operate, so very good network planning between the two airlines, so clearly seeing a benefit of having the ability to organize that business on a joint basis.

And we're embarking on a potential joint venture with JAL between Europe and Japan. And we're hoping to get approval from the Japanese regulators within the next few months in relation to that.

I should say while I look at the trans-Atlantic joint business, we're not seeing any impact to the business as a result of American filing for Chapter 11. We've not noticed any impact whatsoever. And we remain committed to that joint business. American have shared their restructuring plans with us. They're keeping us fully appraised of developments as they go through that. But, in terms of business impact, we've not seen anything, no customer reaction, no negative impact evident from the Chapter 11 filing by American.

So, we believe that these joint ventures make sense. We've seen the benefit of the Qantas joint venture over the years and previously the Iberia joint venture. So, we believe it's a sensible form of consolidation shy of full consolidation with the airlines and is working very well for us.

Now, turning to the outlook, we've given you probably a more detailed outlook than we traditionally do. But, we felt that, given the various moving parts, you would benefit from a more detailed outlook from us.

It's clear that there are a number of uncertainties. And Enrique has touched on those in his presentation. But, demand in London remains strong. We've seen good trends through 2011. And those trends, particularly in the long-haul premium cabins, are continuing.

So, we witnessed very strong premium traffic growth across the business in 2011, way in excess of what IATA has published. I think IATA reported 5.5% increase in premium travel through the year. Ours was almost 15%. And I think it comes as no surprise that most of that came within the British Airways network and particularly on the long-haul premium end of the British Airways network.

So, London demand remains strong. And we're not seeing any change to the trends there when we look forwards with the limited visibility that we have.

Clearly, the ongoing developments in the Eurozone are a major factor not just in the demand within the Eurozone but it clearly impacts on demand in the UK as well. But, it's having a particularly significant impact on our Spanish network.

And Enrique has taken you through the situation with regard to fuel. We face a big challenge in 2011 and equally big challenge in 2012 but geared more in the first half as you've seen about 25% increase in first half, 16% increase in the second half. But fuel will be a feature of the industry in 2012.

It will help to drive further discipline. We're already seeing that, certainly in the cargo side of the business. As Enrique said, cargo's suffering from overcapacity. But, we've seen a number of major cargo operators announce big capacity reduction in their freighter capacity. So, I think the current high price of oil will be a factor in imposing ongoing discipline on the industry in 2012.

We remain focused on maximizing the profits through improving efficiency. Iberia Express is part of that. And it's a significant, an important step for Iberia. We are facing continuing industrial action. And that is having a negative impact, as I said. But, we're absolutely determined and committed to this initiative because the benefits of this new initiative will far outweigh any cost that we incur.

We've put a note here because I think all of you fully understand that the Olympics is not a big bonus for the airline in the short term. History shows that the Olympics tends to have a dampening effect on some business travel through the period. So, you get a change in the mix of your customers through this. And therefore, in case anybody thought that this was going to have a big positive effect, we thought we should remind you that at best it will be neutral, possibly a slight negative impact.

In the long term, we still believe that it's a really positive development for London and the UK. And we're pleased to be associated with the 2012 Olympic and Paralympic Games.

So, to summarize it all, we're going to see higher fuel costs, weaker European markets, and labor unrest in Spain. And all of this will imply certainly in the first half of this year a reduction in the operating results when compared to the first half of last year. But, we expect the year-over-year cost pressures to reduce as we go into the second half of the year.

So, I think a good performance in 2011 against a challenging background, some new and some old challenges facing us in 2012. But, we're confident that we have a good plan in place to tackle all of the issues that we see during the year. Thank you.

+++ q-and-a
Unidentified Company Representative: All right. (technical difficulty) take now just under 30 minutes Q&A. We know there's another UK transport company that is going to try and have their results meeting in a few minutes just up the road.

Also, a word of apology. We have I think about 63 people on the conference call. Apparently, there was a technical problem connecting the call. It didn't come in until the slide on the regional unit revenue split. So, we'll have a full transcript up on our Website as soon as we can in the next couple of days.

And also, feel free, we'll reserve some time at the end of this session for your questions on the conference call if you want a recap on any of the first three or four slides that you may have missed. But, over to questions in the room first. Jarrod?

Jarrod Castle: Good morning, gentlemen. Jarrod Castle from UBS. Three questions if I may. Just on American Airlines, you said that there's been no impact on your North Atlantic business. How would it work if American Airlines was bid for by Delta or US Airways? Obviously, there has been interest expressed there. What would that mean for your ATI? Would it have to be dissolved?

Secondly, can you also just talk briefly about the pension deficit? It has gone down by about EUR500m. Obviously, you've got an actuarial review. Could we kind of plan for a reduction of that kind of magnitude at least? And then secondly, can you just clarify the dollar hedge percent, please? Thanks.

Willie Walsh: Thank you. The position of American is that they're determined to manage the Chapter 11 process and exit Chapter 11 as an independent carrier. I think everybody recognizes that there is room for further consolidation in the US. And I'd be amazed if we don't see further consolidation in the US industry.

So, their determination is to manage it through the management restructuring plan, exit as an independent carrier, and then consider whether there's a sensible opportunity for consolidation.

There has been speculation around a central bid by Delta and US Airways. And I think there have been other names being mentioned. Our view is that this is always a possibility. Delta/American Airlines would be a phenomenal entity but would face I think very significant antitrust issues in the US. Whether that would be possible or not, it's really difficult to call. So, it's an interesting one to look at.

US Airways and American, that's potentially a positive development. I'm sure American would want to control that. And they're not very enthusiastic about the sounds that have come from Doug Parker at US Airways.

So, we're watching it very closely. We're very familiar with all of the players. We've got good advisors keeping an eye on the situation. We're staying very close to American.

So, my view is that the American restructuring plan is very credible. I think it's a plan that can be implemented. I think it is a plan that addresses the major challenges that they face, and we will provide them with full support as they go through that.

There's so many possibilities outside of that really. We are looking at all of them. But, it's impossible to identify an A solution and a B solution because, quite honestly, we've identified so many different potential end games here that we've got them all in mind. Many of them are very positive to us. Some of them may have some negative impacts. But, we remain committed to the relationship that we have with American Airlines.

We'll provide them with any support that we can through the process. We're not looking to invest in American and they're not looking for an investment. But, we are working closing with them to assist them where we can. And we'll certainly provide support for American, let's say, management.

But, it's -- I think this is an exciting time. I've always argued that the US industry needs to consolidate further. And when that happens, it will help drive the change in the regulatory environment in the US and I think open up new opportunities that aren't available to us today. And so, I look at all of this in a positive light at this stage. And we're -- as I said, we're going to remain very close to it. And if there's anything that we see, we'll certainly let you know. But, at this stage, we don't see anything that's causing us concern.

In relation to pension, we have Keith Williams here. And Keith is probably best position to answer that question.

Keith Williams: Pensions, I think Enrique showed you a slide which gave you the accounting movement for the year, the EUR220m. Now, that movement, that credit was essentially attributable to the asset values being higher than expected as at December 31. Now, the valuation for actuarial purposes starts at the March 31. And obviously, it will depend on the valuations as at March 31.

The fact that the asset values were higher at the end of December is helpful in terms of that actuarial valuation, if it flows through to the end of March.

If you look at it in the round, it's the March valuation will obviously include a whole host of things. It will include an update on life expectancy. It will include changes that have happened over the period over the last three years. Now, we're already locked into a repayment plan which covers the two pension deficits, APS and NAPS, which lock in payments over a period of threading between 10 years now for APS and longer for NAPS.

So, as a starting point, you should assume that the payments that are there, that the payment schedule that we're locked into is a good starting point for the negotiations that will start at the end of March. And clearly, the valuation itself needs to be completed within 15 months after that. So, the outcome of the valuation will be in 2013. Enrique?

Enrique Dupuy: In terms of dollar exposure, the gross short position of the Group is in rough numbers in the range of $2b. So, approximately then it's $1b Iberia and $1b British Airways.

We have hedged around 70%. So, the unhedged part is 30%. So, in terms of absolute figure would be $600m. In euro terms, it would be around EUR400m, so plus/minus 10% deviation in the euro-dollar rate would have a net effect in the profit and loss account of the Group of minus/plus EUR40m. That's rough numbers if you need -- because that's changing every day. So, with the fuel bill, it's changing. With restructuring in the network of Iberia, more long haul, less short haul, it's changing. So, it's changing every day, rough numbers $2b before hedging.

Geoff van Klaveren: It's Geoff van Klaveren from Deutsche Bank. First question on the American JBA, are you able to quantify the benefit that you got from it in 2011, maybe what benefit you might get in 2012?

Second question, talking about the Iberia -- challenges of Iberia unit revenue, I think we understand the challenges for short haul. On the long haul, can you talk about whether you'd expect that to improve because there seems to have been less capacity discipline? I know that Iberia put a lot of capacity in. Could we see that improve in 2012?

Willie Walsh: We're not splitting up the benefit of the JV on an annual basis. But, the first year benefit has exceeded our expectations. So, as Enrique said, this is very much a learning exercise. We've had experience of bilateral joint ventures. But, trilateral joint ventures, it's quite a bit more complex. And it has involved learning on the part of all three. But, in short, our first year experience has been more positive than we had expected. And we're expecting a more positive outcome in year two as well.

But, I think what I'd like to do is -- it's only -- it's a year old. We're going to give you some more detailed information on us when we do our investor presentation later on during the year. I think we'll have a better flavor of not just how the first year went and how the second year is developing. But, it is a positive one. And we're encouraged by what we've seen so far. And we believe that the overall benefits that we've previously identified can be achieved, easily achieved, and hopefully exceeded.

In relation to the long haul, yes, you're right. I think capacity on the South Atlantic has been greater than elsewhere, largely because everybody thought it was a very attractive market. So we did see a lot of capacity go into that market in 2010 and 2011. And we've seen some airlines where they've seen poor performance in other parts of their long-haul network try and shift capacity into the South Atlantic. So, capacity growth has exceeded the demand.

The opportunity for Iberia is in a number of changes that they're making on the revenue side. It's clear that the Iberia project is in need of some updating. And that's in process. We are updating the -- the product both on the premium side of the business and the non-premium. And we believe that we'll have a positive benefit.

And on the core side of the business, just to mention it, we're clearly currently operating with an A340 fleet, not very efficient from the fuel point of view, but we've plans to replace some of those A340s with A330s. So, we get a cost benefit as a result of that which will be quite significant.

So, I think the challenge for Iberia on the long haul is to translate the growth that has been seen and there has been good growth for -- into unit revenue growth as well to offset the increase in the unit fuel that we've seen. And that's not happened on the South Atlantic as well as it has happened in other parts of the business.

I think some of that is because of capacity. Some of it is because of product. Some of it is because of revenue management. And so, we're refining all of that. We've refined our capacity. We've refined our revenue management. We're investing in the project.

So, we're more optimistic about the ability for Iberia to improve their unit revenue on the long haul, where clearly we're not optimistic about Iberia improving unit revenue on the short haul in its current form. And that's why we're launching Iberia Express. I don't know, Rafael - Rafael is here - if you want to add anything to that.

Rafael Sanchez-Lozano: I think you summarized it very well. Clearly, the only thing I can say just there's a lot of capacity shift from other areas to Latin America. But, honestly, I must say that most of our competitors there remain quite reasonable and sensible in terms of putting capacity where you make money.

So, eventually, discipline has been high. We partner with LAN in Ecuador and Peru and are experienced with the major players down there. Actually, we have code shares and relationships with all big players in Latin America. That relationship is eventually the go to market discipline. I think that most companies these days try to make money out of this business, not just fly for the sake of flying. I think that is an improvement. That is a benefit for the industry, not just for ourselves in the long run.

Now, in the first quarter, I'm not sure about.

Andrew Light: Andrew Light from Citi. Yes, three questions. First of all on premium traffic, to what extent is your outperformance just a function of being in London and the routes you serve? And to what extent is it actually taking market share from your competitors?

Secondly, just briefly on the bmi, you mentioned a restructuring cost of GBP100m. Does that also include any restructuring of bmi Baby, or would that be additional?

And then third, Enrique, you referred to a hub in Singapore. Can you elaborate a bit on that and talk generally about the Kangaroo joint venture because it seems like both you and Qantas have generally been downsizing over the years and will continue to do so?

Willie Walsh: I think it's any number of factors, Andrew. I think, as you said, London is outperforming the rest of Europe clearly and I think remains a strong premium market. And even though there have been questions about the UK economy, what we've seen is that the London economy has remained very strong. So, everything we've seen through 2010, 2011 supports our view that it's always been right for British Airways to invest in premium products in London because of the very strong and continuing growth markets.

In addition to that, it's clear that we have taken some market share. One of the benefits and positives of the JBA has been some market share benefit on the trans-Atlantic. And I think we're performing very well. The BA operational performance is very good. We're seeing the benefit of the investment we have made in our products, the investment in training, the improvement in T5 as a hub.

So, there are a number of factors which support the strong premium performance of BA. But, all of them I believe are sustainable. It's not that we've had a big spike because we built off somebody else's problem. These are benefits that have come to us because the London premium market is strong and will continue to be strong. And the changes that we've made to our product and the improvement that our customers have witnessed in T5 are definitely sustainable. So, we remain optimistic about the premium performance at London.

The other question you asked in relation to bmi. bmi Baby, as you know, if we acquire bmi Baby, well, then there's a reduction in the price that we pay to Lufthansa. And so, the cost of restructuring is dealt with through the reduction in the price that we pay. So, that does not -- that figure that I quoted is on the basis that we pay the EUR172.5m to Lufthansa and we solely acquire the bmi Heathrow business. But, as you know, if we acquire the Baby and regional, well, then there's adjustments to the price, which will cover any restructuring cost that we face there.

And in relation to Singapore, I think this is one of the benefits of doing business where Qantas and BA are now doing more sensible flying, where BA's flying into Singapore, Qantas flying into Singapore. And rather than us flying onwards where (multiple speakers) where there's clearly inefficiencies from a crew cost point of view and BA continuing beyond that point or Qantas continuing beyond that point, we're getting good cost synergy as a result of the restructuring of the network and focusing on Singapore as a hub.

So, sorry, Keith?

Keith Williams: Yes, what we've done is to stop in Bangkok, which frees up capacity, which we can put onto the North Atlantic, which is stronger.

Willie Walsh: And I think I've answered your questions.

Tim Marshall: Thanks. It's Tim Marshall from Redburn. I've just got a couple of questions, maybe one more for Rafael. But, the conversation perhaps that you're having with the pilots in Spain is difficult for us here in the UK to have as much a sense as we perhaps did through the cabin crew strike. So, could you perhaps characterize for us whether the conversation is improving or if there is a conversation or how that's all progressing?

And then, Willie, maybe one for you. It's interesting that Qantas's strategy now seems to be very much leaning on its One World partners. And you displayed similar movements and strategies. So, I'm just wondering how important the One World Alliance is now and perhaps a comment on Cathay Pacific, which is the key major airline within the One World, which doesn't appear in your joint venture.

Willie Walsh: Yes, I think in relation to pilots in Spain and dealing with SEPLA, I'll let Rafael comment, but, I think conversation is an exaggeration. It is clearly difficult. We're facing stubborn resistance to reality. And that's what's happening there. There is no way Iberia can continue to operate as it has operated in the past. And anybody in Iberia who believes that that option is open to them is, quite honestly, deluded.

So, that's why the -- our focus has always been, not just within British Airways but within Iberia, to try and move forward together in restructuring the business. But, where we face that stubborn opposition, well, then we're just going to work around it. And this is something that we have to do. And it's something that we're determined to do.

Rafael is managing it exceptionally well. And it's something that he has my full support. But, we're going to launch this new Company. And we're going to grow this new Company. And we're going to grow it in a way that supports the Madrid hub and supports the long-haul network that Iberia has.

And it's critical not just to have this efficient short-haul piece of the business. But, it's absolutely critical to our ambition in relation to Madrid as a long-haul hub to Latin America.

And then separately, Rafael has business to do with relation to improving the performance of the hub and improving the performance of the long-haul business. So, we've got many different initiatives. But, the biggest one that we're dealing with at the moment is the short and medium haul.

But, you should not believe that launching Iberia Express is the solution to all of the challenges that Iberia faces. And, Rafael, do you want to add anything to that, or -- ?

Rafael Sanchez-Lozano: I think Willie can have the benefit of having seen in the cabin crew and now seeing it with pilots and in different countries. So, probably what he's told you is a very good summary of what we have.

We have a problem on pilots accepting reality. And really, if you don't, over time, reality walks over you. And that is the situation we are going through. We tried to get a negotiated agreement with them for [two] years. I'd say we had enough patience. In the meantime, we've managed to get six collective labor agreements with all the other unions around it. So, we've proven we can talk. We've proven we are imaginative in terms of trying to find solutions to the problems. And here we were absolutely unable.

The reason why we don't make any progress with the pilots just want Iberia Express to stop and halt. And for us, it's absolutely determined to go ahead because of the survival of our short haul and the model, if we cannot have a short haul efficient, there's no way that we're going to be able to sustain this operation in the long term.

So, for us, it's a must. And there's no way we're going to stop it. You've heard Willie. But, I can tell you that we're absolutely determined to get it through. The benefit is over EUR100m a year. So, there's no way we're not going to do it.

At some stage, and that's what we're trying to do, we need to sit down and talk about what are labor conditions -- our collective labor agreement expired over two years ago. And we've been unable to make progress from there. So, that is really what we want to talk on the table, what are going to be the pay conditions, the salary conditions. That is what we need to fix.

And eventually, we'll need to sit down and fix. So far, they're asking for the project not to go ahead. We are four or five weeks ahead, and this will fly. Eventually, they'll need to sit down and think. That is my view on this thing. But, the only thing I can tell you, we're absolutely firmly committed.

We think it's a disgrace, if I may say it, (inaudible) that we are under strike. I'm still unable to understand why when someone's got labor problems, takes hostages on the clients of the Company and tries to kill the business because that is what they're doing. As I tell the pilots, this is like a hunger strike. If you are very successful, you die. So, I don't understand the process. I don't understand [what you're doing]. But, eventually, we've been unable to convince them. I think reality eventually will get them to sit on the table and talk about real things.

I understand there could be concern and they could be affected by this, which is probably true. So, let's talk about it. That is really what we're trying to do.

Willie Walsh: One World remains an important part of our business. It's important from a revenue point of view, and I've said this before. What we've done in joint ventures within the alliance, you get very little cost benefits, but you do get very important revenue feeds from one another.

And what we've seen within One World and probably we'll see within other alliances is the emergence of joint ventures within the alliance, which I think is a very sensible development. Cathay's an important member. I think realistically from a competition point of view, we can't see how we could develop a joint business with Cathay. That's one of the problems.

So, we would love to. But, we don't see how we would be able, at this stage, anyway, to get regulatory approval for them. That's why we've not embarked on it. But, the relationship with Cathay is very good and continues to be so. And the new CEO there John Slosar is -- I think is an excellent guy. And we've got a good working relationship.

So, One World's important, developing well. I'm pleased with this. Don't get distracted by the unfortunate collapse at Malev. But, to be honest, we knew that was going to happen. Kingfisher not coming into One World, absolutely the right thing for both Kingfisher and for One World at this stage. So, One World is performing well and I think has got opportunities ahead.

Unidentified Company Representative: There are questions in the room, but we have 56 people still on line. So, operator, if you can hear me, if you could throw it open for any questions from the conference call.

Operator: Thank you. We will now begin the question-and-answer session. (Operator Instructions).

Unidentified Company Representative: While we're waiting, let's take another question from the floor if anyone has it. Dave at the back.

Dave Fintzen: Thanks. Dave Fintzen from Barclays Capital. Just a question on unit cost, Enrique, you kind of walked through the different buckets and mentioned the Heathrow cost inflation, etc. Do you think there's enough in terms of merger synergies and [BA] standalone cost efforts kind of hold overall non-fuel unit cost flat, both this year, but also, how do you think about that over the next few years?

And the second question, just on the changing capacity guidance from 2.5% to 1.7%, kind of where is that? Is that predominantly Iberia? Is there anything on BA that's being adjusted in terms of network? And how should we think about the geographies there?

Enrique Dupuy: Yes, in terms of unit cost, it's our target. It's our challenge for next year to maintain non-fuel unit cost flat is going to be difficult target to accomplish. We are going to be suffering some unit cost increases that will have their offsetting to revenues. And that's something that I will explain you and that probably they will have a net or positive net impact.

I would say inflationary pressures are going to be still there pushing up, I would say, the base. But, we are not forgetting that target. And we are going to try to reach it, probably not only, I would say, this year, but also through the rest of the plan.

The difficulty also is going to have to do with the capacity plan. Achieving this type of target on a flat or even on a type of reduction of capacity environment is extremely difficult because you don't have, I will say, the help, the tailwind of being able to dilute, I would say, the fixed costs.

But, we are not forgetting that target, and we'll try to achieve it. After adjusting for some issues that we'll have to explain to you in detail, but that will mean we are going to have more costs and more revenues through the year.

Willie Walsh: The capacity reduction is marginal capacity reduction in BA, so against the original plan. It's nothing major in terms of the network. But, we have pruned it back a bit. Keith?

Keith Williams: Yes, if you look at the major changes is Bangkok I mentioned, so there's seven flights left to Bangkok. The other area that's affected is the Caribbean, which is partly down to the changes in APD, which make the Caribbean less attractive. And we're adding a little bit of capacity to the US.

Willie Walsh: Yes, so, it's sensible capacity adjustments across the network in BA and in Iberia.

Unidentified Company Representative: Looking to Neil Glynn then.

Neil Glynn: Hi, Neil Glynn from Credit Suisse. If I could maybe split the one question into two parts, both Spain related or Iberia related, clearly, there's a bit of a hole in Madrid with Spanair's demise, obviously bigger in Barcelona. But, how do you think about the risk of a more competitive competitor in-filling there? Obviously, Ryanair perhaps may be one potential. Is that a meaningful risk?

And then also, yesterday, Vueling had touched on the possibility of organizing some partnerships to help them with Eastern traffic flows. Is that something they can realistically do without your effective seal of approval, given your 46% holding there?

Willie Walsh: I'll just comment on this. Ryanair's in Madrid. So, they're a big presence in Madrid and part of the challenge that Iberia has faced. So, there's nothing to stop Iberia -- sorry, Ryanair growing in Madrid. There's excess capacity available. So, the demise of Spanair really doesn't change it.

Spanair as a competitor has been waning. It is a small positive for Iberia. The main capacity reduction was in Barcelona, where Iberia didn't have a strong presence. And it has benefited Vueling.

Rafael Sanchez-Lozano: Willie said Madrid is not a congested airport. So, anybody can go on and view -- and if there are not more people, it's because they cannot make a simple profitable flight because there's room, and there's capacity available. It doesn't change much.

It is different, a little different in Barcelona, which there is -- it's also an open airport. Do you have capacity out there? But, the presence of Spanair in the market was higher. And it probably affects Vueling and more -- and Ryanair actually. But, the growth is in Barcelona much more than in Madrid, but which honestly there was excess capacity. So, really, we're taking this excess capacity out, more than putting a lot more flights into the operation.

In terms of Vueling, we have a presence in the Board. We appoint some Board members. We have a presence in the general shareholders' meeting. And we let Vueling know what our views are in different positions. But, really Vueling is managed independently. It's a publicly audit company, have its own management considerations. And they have to take the decisions and propose whatever makes sense for Company as a whole, not just for our share but any shareholder, what is makes sense.

For us, Vueling growing, Vueling making money is the only airline making money in Spain this year is good news. So, we're very happy about being there.

Willie Walsh: We don't believe in interfering with Vueling if they want to make commercial arrangements that make sense to them, we think that's the right thing to do. So, we're supportive with a good relationship there. And Alex Cruz, who manages it, is an excellent guy. So, I think they've done very well, as Rafael has said. The fact that they've been profitable and have been able to perform well is testament to the management skills, the capability there. So, we let them get on with it.

Unidentified Company Representative: Okay. I think we'd like to bring a halt to the meeting there. Thank you very much. And for any follow-up questions, you know where we are. Thank you.

Operator: Thank you for participating in today's conference call. You may now disconnect. Thank you.