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IAG.L - Half Year 2012 International Consolidated Airlines Group SA Earnings Conference Call

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PRESENTATION

Operator

Good day and welcome to the IAG half-year results conference call. Today's conference is being recorded. At this time I would like to turn the conference over to Mr. Willie Walsh, CEO. Please go ahead sir.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Thank you very much. Good morning everyone and welcome to our second-quarter results. Enrique and I will give you a short presentation and then we'll take your questions at the end. Over to you, Enrique.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Thank you Willie. Good morning ladies and gentlemen. Second quarter, IAG made an operating profit pre-bmi of EUR46m, which turned into a loss of EUR4m after including EUR50m losses of the integrated company. Both revenues and cost figures for this quarter are heavily inflated when we come to euro terms by the strength of the US dollar and the sterling. And we will be making constant references to the constant currency comparisons and also to the like-for-like analysis of the figures when we refer to bmi acquisition.

So our unit passenger revenues have been up 9.3% and on a like-for-like basis this is 3.6%, figures that have been driven by both the growth of the premium and non-premium segments of our business. Reported non-fuel costs are also impacted by the currency and when compared at a constant exchange rate and ex bmi, the like-for-like rise has been limited to 0.6%. Strong rise of fuel and dollar against last year references, together with a growing deterioration of the Spanish trading environment have been the major headwinds for this quarter.

So we go to the next page. The mentioned current economic conditions together with deeper signs and evidences of a loss of competitiveness of the business model reinforce the need for deep and permanent structural changes in Iberia. In this chart we show the significant asymmetry in the performance of both companies to the first half of the year.

So the British Airways performance for the period shows a significant improvement in traffic figures and load factors, and a growth in capacity, including bmi in this figure, of 5.9%. So a positive operating result of GBP12m, including bmi, with unit revenue improvement of 3.8%, and very especially load factor increases of 3 percentage points.

For Iberia the picture is different. The first half of the year has seen operating losses climbing to EUR263m, which is EUR147m above last year figures. Unit revenues improving only 2.1% on a capacity reduction of 5.2%. Willie will talk afterwards, later on, about the issues facing Iberia and our approach to turning around this business.

Getting to the next slide, as already highlighted, this quarter we achieved an operating result of around breakeven. Although taking into account exceptional items, mainly related to bmi integration, the all-in operating results reached EUR42m of losses. Pre bmi, operating result would be positive for EUR46m on the background of a fuel bill increase of 22.1%. When we get to the like-for-like comparisons, so this is basically constant currency and ex bmi, we get into the more relevant figures for the quarter. So unit passenger revenues up 3.6%; cargo unit revenues, and this is relevant for the quarter, down 5%; ex-fuel unit costs approximately flat, so up 0.6%.

On the revenue developments, in the chart we show the different components of the revenue increase for the quarter. So total revenue increase was 11.5% or EUR476m. We have to say approximately half of the difference is due to currency impacts. Volume and price/mix have been worth EUR190m, and bmi represented EUR106m (sic - see presentation "EUR114m") or 2.5% of the quarter revenues for the Group. Finally, cargo and other revenues had a negative impact of EUR58m on the quarter.

So when we look at the passenger unit revenues, which, as you know, we follow quarterly on a very type of detailed way, so on a 12-month rolling basis we acknowledge this quarter we have been able to achieve again a record figure. And this is on a like-for-like pre-bmi and constant currency basis. This shows again the strong leadership position of IAG in the main strategic markets in which we operate, especially the Atlantic, despite the weakness of the Iberian points of sale.

As IAG reported very recently, cargo is a different story. Stripping off the positive current effect, cargo yields are falling due to demand weakness and overcapacity, and reaching a 5% decline for the quarter. The different behavior in both segments is still showing the lack of synchrony of the two business cycles.

So now when we analyze the unit revenue developments on our long-haul network we recognize some still positive trends. So North America, with unit revenue growth of 4.9% on top of capacity growth of 4.6%. Again Latin America with a substantial unit revenue improvement of 7.5% on a capacity adjustment, I have to say mainly on the Iberia side, of 2.2%. Middle East and South Asia with 6.8% improvement on a flat capacity stance. Finally, Asia Pacific on the long haul, with positive unit revenue performance on 5.5% capacity growth.

On the short and medium, the picture is different. Domestic network reducing unit revenues, and I have to say affected basically by Iberia Express launching, but this on the basis of an improvement cost basis, specifically due to Iberia Express much better cost structure. Other European networks, flat in capacity and unit revenues and affected by weakness in the business traffic segments.

So looking at the premium segment evolution, we still acknowledge the strong pattern in unit revenue figures, although below the exceptional performance of the first quarter that was helped by easy comparables with last year. Q2 '11 figures, as you see, have represented a tougher challenge for Q2 comparables on this year.

On the non-premium segment, we're still seeing significant growth in unit revenues, together with material improvement on the traffic figures RPKs, which together saw unit revenues and RPK growth, are creating a positive steady revenue performance, which appears to be maintaining a positive trend for the rest of the year.

In terms of capacity, we have tried this quarter to simplify the capacity chart as we are no longer cycling over mass disruptions. From this slide you can see that bmi is to add approximately 2.5% to our capacity this year, with underlying capacity, ex bmi, growing at 1.5% net of strike impact. This plan reflects the new winter program announced by British Airways, to include bmi operations, together with the prevailing Iberia plan. Of course these plans are closely monitored and subject to adjustments that may result of the Iberian restructuring, which will be finalized by the end of September, and by possible British Airways adjustments on the back of the winter booking patterns.

So through this chart we're showing regularly the continuation of the underlying basic revenue trends on our different markets and segments that we have been acknowledging through the recent quarters. Recent bookings show similar premium firmness, especially in the long-haul networks, although recognizing the anticipated temporary break due to the Olympics on July and maybe August. Non-premium traffic remains competitive but, as we have shown on previous charts, still showing a solid performance, especially on the long haul. We have changed the arrow corresponding to cargo trends to show a weaker outlook for the coming months.

So on operating costs, we have tried to summarize in this chart the main trends and developments we are seeing in the different cost lines, showing together with the currency-inflated reported figures the more relevant underlying like-for-like trends.

So of course fuel unit costs show 19.7% increase, out of which approximately 10% is due to the US dollar strength. Labor unit costs have been flat, although showing a reported 4.9% increase due mainly to sterling strength and bmi. Supplier costs have been growing at 2.3%, affected by marketing campaigns, Olympics and the new Avios project. But including bmi and sterling, the increase reaches 12.1%. Ownership costs show a significant reduction after deflating sterling and bmi. So like-for-like non-fuel costs have remained flat are adjusting currency, bmi and the April strikes in Iberia.

Talking about fuel, this quarter we had some respite in the dollar cost of fuel. However, it was largely countered by the weakening of the euro. In fact, the euro cost of jet fuel was at an all-time high in quarter one and only been reduced marginally through quarter two. With the inclusion of bmi operations, our hedge position in Q2 was 76% at an average price paid of $1,031 per metric tonne. Based on a spot of $980 per metric tonne, we would be expecting a blended price for year 2012 to be around $996 per metric tonne. But we are adjusting the figures of the chart to a dollar/euro rate of EUR1.25 against a previous chart in which we were showing the prevailing EUR1.30 per dollar.

The blue band in the left-hand side of the chart shows the sensitivity of final fuel bill expressed in euros to both market price and the euro/dollar rate. So for a 10% movement we will be reaching the extreme sides of the range. So this would represent that about $0.05 in the dollar/euro exchange rate would represent plus or minus EUR30m of deviation for the full year.

Finally this chart shows the operating result bridge comparison between last year and this year so again very evident to identify the drivers of the change in profitability. So first a very significant currency impact related to US dollar and sterling strength on both revenues and costs, with a net negative impact of EUR54m on the quarter. Secondly, a significant negative fuel cost impact, but that has been offset on a great extent through additional passenger revenues, both price and volume. And this shows a recovery of the basic balances of -- economic balances of the operation. It represents, I would say, a very good news.

An increase in non-fuel cost that is mainly related to volume and some already explained one-offs, again marketing, Avios and partially strikes. Finally, a negative impact of the integration of bmi mainline, although in line or even slightly better than our planned figures for the quarter.

So finally the balance sheet summary page shows a relatively stable evolution since December year 2011, of course affected by some seasonable type of issues, where the main differences through the first half have to do with a deterioration of equity due to first-half losses which we have mentioned, a cash improvement attached to raising of new debt that has been partially used to finance fleet deliveries, basically British Airways 777 fleet, and a modest 2% increase in adjusted gearing associated with the adjusted net debt increase.

And now I will pass the word to our CEO, Willie Walsh, who will go through the recent developments in bmi, Iberia Express and the basics of our new Iberia business plan. Thank you.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Thank you, Enrique. In our statement today we talked about the stark difference in performance between the two subsidiary companies so I'd just like to touch on some of those issues.

So turning first to British Airways, the highlight of the British Airways performance and the highlight of their -- the focus of British Airways at the moment is the integration of bmi into BA. And I'm pleased to say that's going very well. We're making very good progress and this chart identifies some of the steps that have already been taken.

We have started the transfer of bmi employees into BA. And so far we have transferred eight of the 25 aircraft in the bmi fleet into British Airways colors and on to the BA AOC, and transferred 87 pilots and 127 -- 125 cabin crew to facilitate those extra aircraft in the BA fleet. As you know, the two A330s in the bmi fleet will not be transferred into British Airways and will leave the fleet in due course.

We're on track to identify and remove costs associated with duplication and we're pleased with the progress there. And as you know, we have sold the bmi regional business. We took early steps to reduce the flying program in bmibaby. And we've now completed the employee consultation process and have decided to close the bmi business with -- bmibaby business with effect from September 9 this year.

So all in all a good performance by British Airways on the bmi integration and we're confident that the business plan that we've identified for bmi will be met.

The story in Iberia is not as positive and I thought we would be helpful to you if we reminded you what we had said about the plan for turning around Iberia when we presented this in our Investor Day presentation last year. A new figure for you is just to identify the synergy benefits. We continue to do well in delivering cost and revenue synergies. As we said in our statement today, we're on track for our 2012 figures and confident about the 2015 targets that we've set. But the synergy benefits accruing to Iberia shown there, in excess of EUR200m, and that is on track.

Iberia Express is on track, and actually I'll cover some of the detail on that in a moment. It's performing very well. But it is potentially compromised, our longer-term target potentially compromised by the arbitration result which we will be challenging, and I'll touch on that in a moment.

Now the baseline assumption for the plan that we developed for Iberia was the operating loss in 2011. We had assumed an increased operating loss in 2012 for Iberia, but clearly that is not on track and the losses that we're encountering in Iberia exceed the target that we had planned for.

The competition is clearly changing. We expected to see a relatively static or continuing strong competitive environment for Iberia. But we believe that that's going to intensify. The low-cost carriers remain very strong in Spain, despite their capacity reduction. Our legacy competitors are restructuring, and you're well aware of what both Air France and Lufthansa are doing and the capacity that Lufthansa and Air France have put into the Latin American market. And clearly we're seeing the development of strong competitors at the other end of the route.

The environment in Spain has deteriorated significantly. The macroeconomic conditions are worse than expected and expected to be significantly worse through the period of the plan. And the environment has been further damaged by action by the Spanish government to increase charges at the airports in Spain.

And as Enrique said, despite the recent reduction in the price of oil, the benefit of that has not been seen in Iberia as a result of the weakening euro versus the dollar. So some of the tailwind that you would have expected to see from the lower oil price has been offset by the weakness of the euro.

Now we're very pleased with the performance of Iberia Express. We've had a great start to its operating since it started flying the end of March, beginning of April. The crew productivity is better than some of our low-cost competitors. We've seen fantastic punctuality at the Madrid hub, in excess of 95% punctuality. So it clearly demonstrates that it can be done at Madrid. We have 10 aircraft operational at the moment; that's slightly ahead of where we had planned to be at this stage. And we have crew contracted for the growth aircraft in 2013 for a further four aircraft.

Operating cost performance has exceeded our plan. We're getting a 30% better cost performance than Iberia on a like-for-like basis. We've got a very strong management team in place with a good background in low-cost operations and they're performing extremely well on the cost side of the business.

And significantly and very pleasing for us, the business was profitable in June, in spite of the difficult economic environment in Spain. So it clearly demonstrates that it can be done. I think both the performance of Vueling and Iberia Express show it is possible to make money in the Spanish market, despite all of the challenges there. But it's essential to have the right cost base and productivity and working conditions to do that.

Now the labor arbitration in its current form is very unclear and quite honestly we struggle to see how it can be implemented. And it potentially puts a cap on the cost competitiveness of the airline beyond the 14 aircraft that we will have crewed. Our plan for 2013 was to have just over 14 aircraft on average through the year. So we will meet our, in fact we'll probably exceed our 2013 financial targets for the business given the improvement in the operating cost of the business. But the original plan called for 40 aircraft by the end of 2015 and the arbitration makes that unclear at the moment. So we have launched a legal appeal and there will be a court hearing on October 11. So we're waiting to see the outcome of that legal process.

Iberia is performing substantially worse than we had planned. Despite the strong demand and continuing strong demand from the Latin American point of sale, consensus GDP both for Spain and the eurozone has deteriorated sharply. And you can see there that we're looking at about a 4.5% exposure versus what we had originally planned. And that creates a significant revenue gap. That revenue gap is not going to be helped by the increased airport charges. So we're looking at a deteriorating revenue environment for Iberia through the period of the plan.

As we said earlier, jet fuel in euro prices remains close to all-time highs. The Iberia business is chronically uncompetitive against the low-cost carriers. And we're seeing the prospect of increased competition from Latin American carriers as they develop their brands and develop their business model. So it's clear that we need to accelerate some of the plans we had to address Iberia.

And as a result of these factors, the labor arbitration and the identification of structural challenges in the cost base, we're now going to carry out a complete restructuring of Iberia that will be much broader and deeper than we had originally planned. And this is a fundamental review of every aspect of the business. So we're working on that plan at the moment. We expect to complete the plan by the end of September, but we will keep you advised in relation to the development of that. And it's likely at this stage that we'll bring forward our Investor Day to coincide with the approval of that business plan.

The plan won't surprise you. It's likely to involve some short-term downsizing to reflect the weakening economic environment. We're looking at reshaping the network because we believe there's an opportunity to deliver higher unit revenues, particularly building on Iberia's leadership position on the Europe to Latin American routes. And we're going to undertake a re-evaluation of every part of the business to ensure that we can deliver both cost competitiveness and service competitiveness right across the board. And all of this is designed to enable the airline to pursue long-term profitable growth.

Now the aims of this plan are to contribute fully to the Group target that we gave you in November of last year of an operating profit of EUR1.6b. So we have not changed that 2015 target for the business. And clearly we will get back to you and give you full details of the plan once it has been finalized.

Now turning to the outlook, there have been a number of factors that have improved over the past three months. The underlying British Airways trading conditions remain firm and the bmi integration is on track. But any benefit from the easing of fuel prices has been more than offset by the deterioration in the Spanish economic conditions. As you recall, we were previously targeting a breakeven operating result this year after the impact of restructuring costs and the short-term earnings drag from bmi acquisition. However, in light of the Spanish macro headwind, we now expect to make a small operating loss in 2012.

The Iberia restructuring plan could lead to further restructuring cost in the latter part of this year. It is too early for us to say for definite that it will lead to further restructuring cost in the latter part of this year. It clearly will lead to some restructuring cost, but we will have further information in relation to that once we've finalized the plan at the end of September.

That's the presentation. We're now ready to take your questions, and I'll hand back to the operator to manage that.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions). And we will take our first question from Neil Glynn of Credit Suisse. Please go ahead.

Neil Glynn - *Credit Suisse - Analyst*

Good morning. If I could start with a question on capacity, it seems, if I'm reading it correctly, that your like-for-like growth in the fourth quarter may even be narrowly ahead of what you'd highlighted as 1.6% growth in the first, when you reported back in May. I was just wondering why you aren't cutting capacity at this earlier stage. Are you waiting to finalize plans for Iberia or is there something else at play?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

It's mainly to reflect the fact that most of the capacity growth that we're seeing relates to British Airways. Even the underlying growth, stripping out the bmi effect, the underlying growth is mainly in British Airways. And it reflects what we believe to be continuing good demand out of London. London, as we've said several times before, is not like the rest of the UK. So despite the fact that we're seeing weak economic conditions for the UK in general, the performance of the business in London remains good. So we will continue to look at the network.

It is inevitable that there will be capacity reductions in Iberia. It's too early for us to say at this stage what that will be and when that will take effect. So whether it comes through in the fourth quarter of this year or after that, but there will be capacity reductions in Iberia in the short term. But we don't have that plan finalized at this stage. And we are looking at those figures and clearly we'll communicate that to you when we've completed our plan at the end of September.

Neil Glynn - *Credit Suisse - Analyst*

Great. Maybe one for Enrique.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Yes, sure. Go ahead.

Neil Glynn - *Credit Suisse - Analyst*

Sorry. Maybe one for Enrique on the balance sheet. I'm just interested in terms of how you think net debt may go and what your tolerance levels are. And considering obviously the Iberia challenges, you mentioned further restructuring cost potential as well as obviously some meaty CapEx commitments over the next few years.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes. We recognize that still obviously the level of gearing that we are holding is very comfortable. So it's about 46%. On top of that you know and you can recognize that the level of cash in our balance sheet is at comfortable level as well, even increasing through the first half. So we still don't have the figures because we still don't have the plan, the Iberia plan, totally defined. The starting point makes us comfortable about our ability to see and reach and achieve our financial targets through the next years.

Neil Glynn - *Credit Suisse - Analyst*

Great. And very finally, one for you, Willie, in terms of a comment on Emirates/Qantas talks and ramifications for your JSA with Qantas and indeed Oneworld.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Yes. No, I don't see any problems. I've been kept fully appraised of the talks from the very beginning. So Alan has been in touch with me on a regular basis. And we're completely relaxed, both from a BA point of view and from a Oneworld point of view about the discussions that have taken place and completely relaxed about what it might lead to.

Neil Glynn - *Credit Suisse - Analyst*

Great. Thanks for your help.

Operator

And we will take our next question from Andrew Light of Citi. Please go ahead.

Andrew Light - *Citigroup - Analyst*

Good morning. I've got three questions. First of all regarding premium traffic, there's a 4% or so increase in the second quarter. Could you just split the rate of change British Airways versus Iberia to give us an idea?

Secondly, can you give us an update on the planned deliveries for the A380s and 787s because I think you were originally expecting several of each next year and I think they may have been delayed.

And then thirdly, you recently tried to raise a bond issue at British Airways, GBP250m. I'm just wondering, given that that's not happening, what alternative financing arrangements you'll be seeking.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Okay. On premium, as you know, we don't give a split, but the growth was stronger in BA. So it's continuing the trends that we had previously reported, seeing good long-haul premium growth in British Airways. We're seeing the short-haul premium to continue the structural decline that we had talked about. So absolutely no change on the BA side in relation to premium. So the bulk of the growth in the quarter and in the half came on the British Airways side of the business.

In relation to the A380, we're in discussions with Airbus about deliveries. The A380 deliveries will be pushed back, but it's likely that we will continue to take delivery of the A380s in 2013. But it will be towards the, probably the third quarter of the year before we take delivery of those aircraft. And the 787s remain relatively on track in terms of delivery. A little bit of slippage, but nothing of any great significance. So we remain probably on target to take delivery of the A380s and the 787s.

And on the bonds, Enrique?

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes. We are actually finalizing agreements on a, what we'll be calling a jumbo revolving credit facility that probably adapts better to, I would say, our cash requirements in terms of it allows a buffer, a cushion on top of the very high level of cash that we are holding on our balance sheet for the time being. So we are very comfortable on this area.

On top of this revolving credit facility, we'll be working very deeply now into the EETC market. Iberia has made in the past some exercises in something with very deep and reliable sources of funds. And I guess we are going to be doing the same for the case of British Airways in the following months. So we are basically having our financial, I would say, deadlines and requirements on a, as I said before, on a quite comfortable position.

Andrew Light - *Citigroup - Analyst*

And would you say the funding costs and terms are similar to what you'd intended under the original bond?

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

It's curious. No, in terms of the revolving credit facility, this is going to be basically floating funds when we draw them and basically, as you know, floating rates are now at an historically low level. On the EETC they are going to be in the very low end of the market range so probably at the lowest or even below the best, I would say, American credit.

We've been finalizing, by the way, a big facility, operating lease facility for Iberia on their A330 deliveries, and we have been acknowledging that the all-in financial costs and also monthly rates rental payments are very much in line with what we have been paying, both British Airways and Iberia, in the very recent past.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

So our decision not to proceed with the bond was based on the fact that we have several alternative sources of financing and the alternatives were clearly cheaper than the bond. So the bond I believe was clearly innovative, the first of its kind, certainly worth testing, but it showed us that the appetite is not sufficiently robust at this stage. And we had several other sources at significantly cheaper rates and that's why we decided not to proceed.

Andrew Light - *Citigroup - Analyst*

Very clear. Thank you very much.

Operator

And we will take our next question from Jarrod Castle of UBS. Please go ahead.

Jarrod Castle - *UBS - Analyst*

Good morning, gentlemen. Three questions, if I may please. In light of the Iberia situation, any changes in terms of the next three years in terms of CapEx plan. And I guess also -- for the Group as a whole.

I guess related to that, could we see any cash injections either into JAL or potentially American Airlines?

Secondly, just clarifying on your guidance, is that pre or post restructuring cost now in terms of the slight loss?

And then lastly, just on Iberia, the EUR263m of losses, I take it that is all short to medium haul and the long haul was profitable, if you can comment on that. Thank you.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Okay. We've no plans to change the CapEx profile or quantities that we've shown you. We keep that under review obviously. But at this stage we haven't seen anything to change the profile that we'd previously given you. We had said we were open to looking at investments in JAL and American. These would be small, not of any major or significant scale. We remain open to that if we believe there's a strong strategic argument for doing so and we're not looking at proceeding with anything at this stage, but we remain open to considering both JAL and American.

The restructuring, that's post restructuring costs so it's exactly the same basis as we had previously given you.

And the EUR263m, we don't break it down. But yes, the short and medium haul is a big drain on the performance of the business. The long-haul cost base is unacceptable. That's something we had previously flagged. We're going to tackle that. And we don't believe that the historical levels of profitability on the Iberia long haul are sufficient. It's clearly suffering from the high oil prices that we're seeing at the moment. But the restructuring of the business is going to be much more fundamental than what Iberia has done previously.

We had always recognized that there needed to be restructuring. I think the scale of the restructuring has changed, but also the timescale for that restructuring has clearly accelerated as a result of the weakening financial positions and the weakening economic environment. But if you look at Iberia, historically their short and medium haul did not make money. But they had a profitable long haul. We don't think the profits in the long haul were sufficient to justify the long-term plans for growth there, so that needs to improve.

And the main problem we have in Iberia is a legacy cost base and legacy operating conditions that are completely out of line with the market. And that's a statement that I think holds both on the short haul and on the long haul, and that's what leads us to conclude that we need a much more fundamental structural change to the conditions in Iberia.

Jarrod Castle - *UBS - Analyst*

Thank you very much.

Operator

And we will take our next question from Andrew Lobbenberg of HSBC. Please go ahead.

Andrew Lobbenberg - *HSBC - Analyst*

Morning guys. On Iberia and Iberia Express, I'm curious as to how you can define your future plan, which you're talking about doing in September, when we've only got the court case on the arbitration and the outlining your ability to do things with Iberia Express in October. So what does that tell us you're thinking about this whole arbitration process?

My second question, not entirely unrelated, I guess, is why does Iberia Express need to be a Spanish domiciled business? Why couldn't it be set up elsewhere in Europe and take full advantage of the EU single market?

And then the third question on the Bankia stake, what's the latest thinking? Obviously we had representatives come off the Board. But we saw yesterday that they'd appointed a new one on to the Board and I'd have thought it makes it harder to potentially sell down if you're an insider on the Board, doesn't it?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Thank you Andrew. You've answered your first question with your second question because there are clearly lots of opportunities available to us, and we've always said that. We're not and never did put our eggs in one basket in relation to Iberia Express. It was our preferred way forward with the creation of a wholly-owned subsidiary within Iberia and it's demonstrated by its performance that it can deliver.

But there are clearly other structures that are available to us and other ways of doing this, and we're going to look at any and every way. What we're determined to do, however, is to address the unacceptable financial performance of the business. And that's why we're going to do a much more detailed review of every aspect of Iberia's business to ensure that whatever we finish up with will have the ability to grow in a profitable way in the long-term.

On the Bankia issue, I personally expressed a view that it's only a question of when they sell rather than if they sell, given that Bankia will be in receipt of significant state aid and the normal rules that the Commission applies for the companies in receipt of state aid to look to dispose of all non-core assets. I don't think Bankia can make any argument that its investment in IAG is a core activity. It clearly isn't.

We don't see any strategic value to having Bankia as a shareholder, but the decision to sell and when to sell is a decision for the Bankia Board. They're fully aware of their responsibilities as a shareholder. They're also fully aware of the responsibilities of their nominated director on the IAG Board. He's fully aware of his responsibilities.

I think it reflects the normal practice in Spain where you have the proprietary shareholder who has representation on the Board. So I think it's more a reflection of just doing things the way its traditionally done in Spain and I wouldn't read anything into it in relation to the ultimate disposal of the Bankia share, which I believe is only a question of when.

Andrew Lobbenberg - *HSBC - Analyst*

Okay. Thanks.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Thank you.

Operator

And we will get our next question from Douglas McNeill of Charles Stanley. Please go ahead.

Douglas McNeill - *Charles Stanley Securities - Analyst*

Good morning. I wonder if I could ask about the Spain euro exit roadmap project, which is mentioned in the statement, and I wonder if you could say who heads up that project and who that person reports to.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes, we're working on a very specific roadmap on the Spain euro exit type of eventuality. We're working with some external advisors. It is basically related to Spain and Iberia in the first stage. It's been driven basically by an IAG risk manager, head of risk management, and has basically been developed of course with the help of Iberia financing team.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

But he --- it ultimately reports to Enrique, but we then report into the --- the activities report into the audit committee and we update the Board on a regular basis. So we have a small team internally working with external advisors. And clearly this is what you would expect any company to do in terms of risk management. The plan is quite detailed and I believe probably more advanced than most other companies operating in the environment. And we will continue to update our audit committee on a regular basis and update the Board on a regular basis.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes. First -- next time in September.

Douglas McNeill - *Charles Stanley Securities - Analyst*

Thank you. That's very clear.

Operator

And we will take our next question from Geoffrey Collyer of Deutsche Bank. Please go ahead.

Geoffrey Collyer - *Deutsche Bank - Analyst*

Yes, hi. Morning guys. Most of my questions have been answered so I've just got a couple. Can you just explain on the positive side what's led you to become more upbeat about the bmi acquisition and get a sense that maybe the savings might come through sooner rather than later?

And secondly, given that we're not that far away from 2015, when do you think that you are actually going to turn the corner on the Iberia front?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

The bmi integration is a complex task, much more complex than I think people may have realized. We're making good progress on it. We're confident that we'll meet our targets. I wouldn't say that we're in any way trying to say we're going to significantly exceed the target that we've set, but I think there is scope for certainly improving on the targets that we had set.

But it's very good early progress. There hasn't been any problems that have not been able to be overcome. We're slightly ahead of where we expected to be at this stage. And if you want to put it in terms of risk versus action, I think we're through about 85% to 90% of the risk issues, which is a really positive development at this stage in the plan. And therefore the risk associated with the rest of the integration and delivery is quite small. And that's why I think we're very confident in terms of delivering to the plan and clearly always seeking to exceed that.

In terms of the restructuring in Iberia, the work, there has been some work done already. We had tasked the Iberia management team with coming up with their idea of what needed to be done. We've reviewed that. We actually believe there's some very good work done in relation to that, but it doesn't go as far as we believe it should go. And therefore we're going to do a more detailed dive into all aspects of the Iberia cost base and all aspects of the Iberia activity. And we're confident that while it will take us a bit of time to implement whatever plan we do finalize on, it will at this stage anyway lead us to delivering on that 2015 goal of EUR1.6b.

I suppose some of you might say, given that we're going to do a more detailed one, why are we not ready to increase that? I think that would be very ambitious at this stage, but we're certainly going to keep very focused on that 2015 target. We don't see any reason at this point why we should change that as a target for the business. It's clearly going to be more difficult in the early years, given the starting position of Iberia now.

But we think there's a great opportunity within that business. We're encouraged by the performance on the synergy side. We're encouraged by the performance of Iberia Express. We're encouraged by the way the management team in Iberia Express have been able to deliver a better cost base than we had targeted them. And everything that we've seen so far tells us that this can be done. It's clearly going to be a tough job to do it, but we're absolutely determined to turn this company around. And we think there's great potential in the Iberia business and we believe it's going to be an important part of delivering the long-term financial goals of IAG.

Geoffrey Collyer - *Deutsche Bank - Analyst*

Okay. Thanks very much.

Operator

And we will take our next question from Peter Hyde of Liberum Capital. Please go ahead.

Peter Hyde - *Liberum Capital - Analyst*

Hi. I just wonder if you could give us a bit more help on the losses at Iberia for 2012. I suppose two ways I'm thinking about it. One is what was Q1 losses and what were Q2 losses, because I think at the moment you just quantified the half one losses at the EUR263m.

And then maybe you could tie that in with the fact that given the figures you've given, you're struggling to recoup the ongoing increase in unit cost, let alone the fuel costs which are obviously adding quite a high percentage as well. So would you expect losses at Iberia to be more than double the losses you reported in the first half? I suppose that's question number one.

And then the second question is I just wondered whether you could give us your view on what the strategic rationale might be for taking a small stake in American Airlines? What would you get more than you haven't got at the current time? Thanks.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Yes. In relation to the losses, no, the losses in the full year will not be double or more than double. It will be certainly less than double what we've reported so far. The Q2 loss was less than the Q1 loss. We're not going to -- we don't want to break it down completely, but the Q2 loss was about half, just slightly over half of what we lost in the first quarter. And we're not expecting the full year to be double, as you asked, but it will be more than the EUR263m that we've reported in the first half.

In relation to investment in American, you're absolutely right. We have to make a case for an investment and we have to see whether there is a good strategic case. I'm not saying that there is. What we're saying is that we're prepared to look at it. If, and if there is a strategic case for investment, well then we will.

Some of the things that have happened recently have led us to consider these issues a bit more than we've previously considered. If you look at what Delta did with Gol, I think they've succeeded by taking a very small stake in Gol and achieving a good, strategic position because it's effectively locked Gol out of the alliances. They're not going to go into the SkyTeam alliance but they've effectively locked Gol out of the other alliances and have secured an almost exclusive deal with Delta for what I would consider to have been a very small investment in the airline.

So there are times when a small investment can give you more than just the value of that investment. And what we're saying is if we can see strategic value, if we can see additional benefit accruing from that in terms of the way we do business, well then we would consider it. But I'm not saying that that exists today, but we have seen cases where we've been able to do that in the past and we believe it's appropriate that we consider these issues. I'd say it's unlikely, but we remain, we have to remain open to looking at it.

Peter Hyde - *Liberum Capital - Analyst*

Okay. Thanks. And could I just ask two quick follow ups? One is Iberia, you talk about delivering high unit revenues; I'd just be interested in a quick comment on that.

And secondly, to wrap both of those questions up together, when do you think the LatAm decision on alliance membership will take place? Thanks.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Yes. Our view on Iberia is that their unit revenue performance, particularly on the Latin American routes, can be improved. We think there's commercial action that they can take, revenue management action that they can take. We're looking at best practice in terms of revenue management, demonstrating some of the advantages and learnings within British Airways. I think the -- our assessment of the performance there is they've probably been distracted, overly distracted focusing on short and medium haul, and have to some degree not had sufficient focus on the performance of their Latin American business.

So we believe that there's opportunity there that can be accessed pretty easily, to be honest with you. Won't require major action, but that we can also then restructure the network which will even give us a stronger performance again. So there's a combination of factors that lead us to believe quite strongly that we can improve the revenue performance, particularly on the Latin American routes.

And, sorry, I forgot. Your other question was --

Peter Hyde - *Liberum Capital - Analyst*

LatAm decision.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

LatAm, what's happened in LatAm is, as you know, so AviancaTaca have joined Star. That effectively precludes TAM from joining the Star Alliance. So the Star option we don't believe, to be honest, is the right one for LAN or TAM. And the competition regulator imposed quite strict conditions on the merger. So they can't have TAM in one alliance and LAN in the other. They either have to be in the same alliance or none. And I think they've interpreted that as LAN could be in one alliance and TAM unaligned, and that's one of the things they've been looking at.

But we've got a very good relationship with LAN. I think we can develop a very strong relationship with TAM. Particularly with British Airways at Heathrow we've seen a very strong performance on Brazilian routes so far this year and we believe there's a lot of opportunity for both TAM and BA in Heathrow.

So again I'm quite comfortable about the position. I think the Cuetos, Enrique and Ignacio, are excellent business people and clearly looking to extract maximum value and leverage the strong position they have at the moment. But we're very comfortable with the relationship at this stage and we believe it's going to be a long-term positive relationship for us.

Peter Hyde - *Liberum Capital - Analyst*

Okay. Thanks a lot.

Operator

And we will take our next question from Gerald Khoo of Espirito Santo. Please go ahead.

Gerald Khoo - *Espirito Santo - Analyst*

Good morning. Gerald Khoo from Espirito Santo here. A couple of questions. You talked about the growing threats from Latin American carriers basically getting their act together. I was just wondering if there was a specific catalyst there or is there any one in particular that you feel is causing you problems?

And also can you give a slight clarification on slide seven, whether that's Q2 or H1 data?

And also perhaps could you talk about on the BAA side what you're seeing at Gatwick and City airports in terms of those units, how they're performing and what your plans are, and especially with regard to replacements at Gatwick?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

In relation to the Latin American carriers what we've seen is a very strong development in recent years. If you look at the development of LAN in the last 10 years it's effectively grown from what most people would have considered a small regional carrier into, now with the merger with TAM, into a truly global or potentially global carrier. They've invested a lot in product. They're taking delivery of new aircraft like the 787. Their brands are clearly getting stronger.

So what we're saying is we haven't seen any big change, but we're anticipating, looking to the future. What Iberia has today they cannot guarantee will continue to be the case going forward unless they take action to improve the quality of their product. The brand of Iberia I think needs to be updated. So there's investment required in Iberia I think, a lot of things that they need to do to ensure that they remain competitive in the long term against a changed Latin American airline environment.

So I've got great admiration for the carriers there in Latin America. They've done an extremely good job. I think they're going to benefit given the change in point of sale. The growth is in Latin America and therefore the traditional mix between Europe point of sale and Latin American point of sale is going to change. That normally benefits the home carrier. So what we're saying here is we see the landscape changing and that justifies Iberia taking much more radical action today to ensure that they remain in a leadership position long term.

Slide seven, Enrique?

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes. Slide seven is Q2 basically.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

It's Q2, yes.

And Gatwick and London, London City, the introduction of the Embraers into the London, the CityFlyer fleet has been really positive. It's going very well. We're pleased with the performance of London City. It's ahead of its financial targets, well ahead of previous performance under the old London City environment. The competitive environment is changing. So we've seen the main competitor reduce their presence in London City and clearly the future of CityJet is very much uncertain at this stage given the review of Air France.

So we're pleased with the performance of London City. As you would expect, the premium side of the business, as I said earlier short-haul premium continues to structurally decline. That's something that we had always expected. So premium performance of London City has been impacted by that as well.

In relation to Gatwick, we're continuing to restructure the business there. We believe Gatwick has an important part to play, both in terms of its position within British Airways, but also potentially the position within the IAG group. And that's something that we'd be looking at in the future.

The fleet replacement will be reviewed probably early next year. So the management team there have been tasked with producing a business case that would justify the sort of fleet replacement that they would like to pursue. And we've got several options available to us at the moment. So we're not -- we don't need to make a decision on that I'd say until probably not even the first half of next year, second half of next year.

Gerald Khoo - *Espirito Santo - Analyst*

Okay. If I could have a quick follow up on City airport. You obviously referred to CityJet. Hypothetically would you be keen to have greater exposure to City airport depending on what happens to your main competitor there?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Yes. We have absolutely no interest in acquiring CityJet, in case anybody wants to think that we do. But clearly their retreat from City has given us opportunities and has made slots available and peak slots available. So if you think back a few years ago, we did bid against Air France for the acquisition of VLM. That was very much with the view to getting slots at London City. Those slots have now become available effectively free. And we've benefited as a result of their retreat and likely to benefit going forward as well.

So there is certainly some scope for us to increase our presence at London City. I wouldn't say we're going to do that very significantly, but we do have options on aircraft. The Embraer is working extremely well for us, very pleased with it, and we'll continue to look at some opportunities there. But not on any significant scale.

Gerald Khoo - *Espirito Santo - Analyst*

Okay. Thanks very much.

Operator

And we will take our next question from Sam Dobson of Macquarie Securities. Please go ahead.

Sam Dobson - *Macquarie Securities - Analyst*

Hi guys. Just a couple of questions if I may. The first is a follow on from an earlier question. I think you've said that the full-year guidance is post restructuring. I assume that's post a restructuring charge at Iberia. I'm just wondering if you're able to comment on the quantum there.

Secondly, in terms of capacity plans, are you able to give us an indication of the split by region for the balance of 2012? And then also if you can what we should expect for 2013?

And then finally the pre-FX passenger yield if you can, if you've got that.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

No, I was very clear that we may encounter a restructuring charge in the latter part of this year as a result of Iberia, but the guidance we've given you does not include that because that is not, it's not definite that we will see some restructuring costs in the current financial year. We will see restructuring costs in Iberia, but that's not necessarily going to fall in the current financial year. But we will update that after we've completed the business plan.

And the yields?

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes, the yield, what we call like-for-like, remember, so it's pre-currency and pre-bmi impact, passenger yield has been going up 3.6% in this second quarter.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

And on capacity, we don't give the split or we're not going to give the split on 2013 yet because clearly 2013 capacity is going to be very much driven by a couple of key features. One will be what we do in Iberia. A second will be bmi.

And don't forget, we have the slot remedies which will only come into play probably in the second quarter of next year. So we continue to operate the 14 slots that have been identified for remedies as they're being made available under the terms of the merger approval. But if you exclude the two Transaero slots on Moscow, the 12 slots that have been ring-fenced for short-haul European flying, mainly domestic, seven on the Scottish domestic routes, we don't know who's going to take them up. But what's clear at this stage is they're unlikely to be taken up before the first --- sorry, before the beginning of the summer season, which is the end of March of next year.

That will impact on capacity. It will have potentially some impact on what we decide to do with the remaining capacity. So all of that will be reviewed over the coming months and we should have a view if not a definitive position in relation to the remedy slots by the end of this year. But I think it's unlikely to be before probably early to mid December before we get a definitive view in relation to where those slots are going, who's taking them up and where the capacity is likely to go to.

Sam Dobson - *Macquarie Securities - Analyst*

Okay. No, that's all clear. And, sorry, just in terms of the split by region in terms of capacity for the balance of 2012, are you able to provide that or not?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

No. We're not going to do that, no.

Sam Dobson - *Macquarie Securities - Analyst*

Okay. Thanks.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Especially the Iberia side is still undefined so we would be risking to make significant deviations.

Sam Dobson - *Macquarie Securities - Analyst*

Sure. Okay. Thank you.

Operator

And we will take our next question from Robin Byde of Cantor Fitzgerald. Please go ahead.

Robin Byde - *Cantor Fitzgerald - Analyst*

Yes, morning guys. Just two from me please. Firstly, fees at Spanish airports, can you quantify however broadly the cost headwind of the AENA price rises perhaps on an annualized basis?

And then secondly just on Group headcount, I just see that numbers are up nearly 7% year on year. Can you give us a breakdown between the bmi inflows to any outflows in the rest of the Group?

And, perhaps cheekily, where do you expect headcount to be in the next, say, 24 months? Thank you.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

That's an excellent question. The AENA cost in the second half will be about EUR20m so clearly the issue there is we will seek to recover that from customers. We had to bear the costs because the tickets had been sold and then the tax introduced so we couldn't retrospectively collect the money from the customers. So we had to bear a cost. That's in the first -- sorry, will be in the second half because it came in from July 1.

On headcount to be honest I can't give you an answer as definitively as you would probably like. But what we're doing with bmi, just to give you a rough idea, is that we'll see about -- I think in total there were 2,700 bmi employees and about 1,200 of those will ultimately go. We're also looking at headcount reduction in Gatwick because I think you've probably heard we're outsourcing below the wing, the ramp activities in Gatwick. And there's altogether about 500 people to leave at Gatwick. And then clearly there will be a headcount reduction in Iberia that we've not yet quantified.

But I think the addition of bmi has been done on a very efficient basis. It really relates to the frontline activity so it's largely pilots and cabin crew that are necessary to operate the 25 aircraft that BMI have that will be included in the BA fleet. And we're going through consultations in relation to all of these. Some of them are complete, as I said; some of them are ongoing.

But we'll continue to be very much focused on not just the headcount and the employee costs, but all aspects of the cost base. I think there's still some opportunity for us, particularly in the Iberia context. But it's too early for me to give you an idea at this stage as to what the headcount is going to be next year or the year after. I'd like to think it's going to be lower.

Robin Byde - *Cantor Fitzgerald - Analyst*

Yes.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

The degree to which it's going to be lower I'm not sure at this stage.

Robin Byde - *Cantor Fitzgerald - Analyst*

Great. Thanks.

Operator

And we will take our next question from Tim Marshall of Redburn. Please go ahead.

Tim Marshall - *Redburn Partners - Analyst*

Hi Willie. Hi Enrique.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Hi.

Tim Marshall - *Redburn Partners - Analyst*

Enrique, going back to this slide number seven, I was wondering if you could give us the domestic and the Europe impact excluding Iberia Express because, tell me if I'm wrong, but the first quarter Europe and domestic revenues were actually fairly healthy, up 11% and 8%. So just to try and get an idea about the degree to which the second quarter unit revenues are down on a like-for-like basis.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Yes. The impact of Iberia Express is basically related in this quarter to the domestic Spanish network. So first thing we have to say is that the balance is very positive. So there is of course a mix effect, which in some way dampens down the average unit revenues, but there is a greater impact in average unit cost. So it represents a significant improvement from this point of view and the basic evidence of that is that bmi is making slight profits in the month of June.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Iberia Express.

Enrique Dupuy - *International Consolidated Airlines Group SA - CFO*

Sorry, Iberia Express, slight profits in the month of June on operations that were making heavy losses when being operated by Iberia. So that's basically about the domestic.

The European is more of a pan-European-related weakness in the short and medium haul. And I guess that in some way it reflects what other companies are doing on that battlefront, both low-cost and legacy carriers, and it has to do with adjusting capacity and lowering their cost basis. So that's basically what we can say at this stage about these two networks.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Just on that, I think we've debated this. We were looking at this ourselves and it is important to understand the full impact of Iberia Express, because if you just look at the unit revenue it clearly looks disappointing in the domestic. But what we're seeing there is a business that has hugely lower, significantly lower cost and as a result the ability to compete more effectively with that is important for us.

We're also seeing some, not very significant, but the transfer traffic and particularly BA transfer over Heathrow has been strong. So getting Europe transfer into the BA long haul at Heathrow has been a feature of that quarter as well, which clearly has an impact on the unit revenue in euros because if you just look at the impact of that on Europe it's depresses the unit revenue, but it has a strong benefit on the long-haul revenues. So again the right thing for us to do. And as you know, Tim, we can adjust that very easily over time, but that's also been a feature of the quarter in terms of the European operation.

Tim Marshall - *Redburn Partners - Analyst*

So would you say that the second quarter deterioration in Spain has continued into the third quarter or has it just remained stable, albeit at a very low level, in terms of just the general demand?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

I think one of the things that we're looking at is the commercial activity within Iberia Express. I think applying the traditional Iberia rules to Iberia Express is not the appropriate thing to do. And we're looking at giving Iberia Express more freedom and autonomy in terms of its commercial activities.

Its primary purpose, as we said, is to feed traffic into the long-haul hub. But we believe that the revenue management, the traditional application of revenue-management rules that have applied in Iberia to Iberia Express is not the right thing to do. So I think there's more opportunity for us with Iberia Express. But clearly the environment in Spain is weak and we believe will deteriorate in Q3 and Q4, and that will have an impact on the overall performance of the Iberia performance.

We think Iberia Express can actually continue to develop more strongly than we have seen. As you know, we're targeting operating breakeven for Iberia Express this year and it's certainly on track to do that, and there might be some potential upside. But that's certainly one of the things we're going to look at for Iberia Express. I think a little bit more freedom in pricing for them may well benefit the overall Group performance.

Tim Marshall - *Redburn Partners - Analyst*

Thank you for that. Can I just ask two more quick questions? Firstly, have you delayed the Iberia brand launch?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Yes.

Tim Marshall - *Redburn Partners - Analyst*

Okay.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Yes we have.

Tim Marshall - *Redburn Partners - Analyst*

Okay.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

So we'll wait until we've determined what it is we're going to do. I think there does need to be some brand activity for Iberia. The brand is certainly old and I think a little bit tired at this stage, but we have delayed that, yes.

Tim Marshall - *Redburn Partners - Analyst*

Okay. Great. And then just finally in terms of the experience with the Olympics, do you think overall it's going to be something you'll look on as a positive in this current year? I would expect it to be a positive over a longer period of time given the benefit it does for the UK generally, but is it going to be a positive in this current year?

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

It's playing out pretty much exactly as we thought it would. It is having an effect on the mix for BA. But you saw our traffic stats; we released traffic stats this morning as well. Clearly in traffic was up 1.5% compared to the previous year overall. If you look at it on a like-for-like basis traffic was up 2.1% against capacity of 1.8%. That's very much in line with what we had expected. We think that trend continues into August. It probably has more of a hit on the premium traffic in August than it did in July. But we haven't seen anything that changes our view in relation to the short-term effect. So I don't see anything coming through in the current year, Tim.

I think it's much more positive than the British press is portraying at the moment. The feedback that we've received has been very positive. So we think longer term it will have a very beneficial effect for the BA business at London. But in the short term it's playing out almost exactly as where we felt it would. There might be some short-term halo effect that will come through in the fourth quarter, but we're not seeing anything that would lead us to take a strong view on that.

Tim Marshall - *Redburn Partners - Analyst*

That's great. Thank you very much both of you. Thank you.

Operator

That will conclude today's questions and answers session. I would now like to turn the call back to Mr. Walsh for any additional or closing remarks.

Willie Walsh - *International Consolidated Airlines Group SA - CEO*

Okay, thank you very much everyone. I'm clear that the task facing us in Iberia, while difficult, is one that we're absolutely determined to address. We believe there's still very strong opportunity for us there and the development of the business plan will continue over the next few weeks. Our aim is to have it finished by the end of September and, as I said, we're likely to bring forward our Investor Day to coincide with the approval of that plan so that we can communicate it to you directly once we have had Board approval to proceed. So we look forward to talking to you at some stage I suspect in early, mid October at the latest. Thank you very much.

Operator

That will conclude today's conference call. Thank you for your participation ladies and gentlemen. You may now disconnect.

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