FINAL TRANSCRIPT

Thomson StreetEvents℠

BAY.L - British Airways Preliminary Full Year Results 2009/10 Earnings Presentation

Event Date/Time: May. 21. 2010 / 7:45AM GMT

THOMSON REUTERS

CORPORATE PARTICIPANTS

Martin Broughton
British Airways - Chairman

Keith Williams
British Airways - CFO

PRESENTATION

Martin Broughton - *British Airways - Chairman*

Good morning, ladies and gentlemen. And welcome. I'd like to be able to stand here before you and say that the last 12 months has been a quiet and uneventful period, but this is after all the British Airways Investor Day so you know that's pretty unlikely.

At Investor Day, as well as the results, the whole of our non-Executive team are here if anybody wants to set up any arrangements to meet any Board member.

We're still in the midst of the worst economic crisis since the Second World War, and our financial focus has been on permanent cost reduction as we saw revenue fall by GBP1 billion. That would have kept us busy enough without the natural world conspiring against us.

The heaviest snowfall in the UK for four decades caused considerable operational disruption. But while we are fairly well prepared for snow and we do all we can to minimize disruption, the impact of the volcanic eruption in Iceland and the unprecedented, and totally unnecessary, six day closure of UK airspace was harder to foresee.

Despite these financial and natural challenges, I'm proud to say that the people of British Airways have pulled together in the face of adversity. We've delivered cost savings of almost GBP400 million. And combined with fuel cost reductions of around GBP600 million, have countered the GBP1 billion drop in revenue. I think to reduce unit cost in such a market downturn is really quite something.

So, our year-on-year operating loss is virtually identical. It's still a loss, but it's a considerable achievement in the current economic environment.

Significant restructuring has played a key role in that cost reduction. Our staff have been, I think, magnificent in the way they've been backing BA. We've seen permanent changes to the way people work. In some areas, nearly 7,000 staff volunteered to take unpaid leave, work part time, or for short-time working without pay.

Thousands of our cabin crew have backed BA by ignoring the union and coming to work during the recent strike. The vast majority of our people understand the challenges we face, are prepared to help us through the current crisis, and want to make changes to ensure that we return to long-term profitability. And that is hugely heartening.

But equally, it's very frustrating that our cabin crew union seem determined to hold the Company, and our customers, to ransom, trapped in a 1970s industrial relations time warp.

Looking forward to the year ahead and today's presentations, consolidation is going to play a major role. As you'll hear later on, we're making very good progress with the merger with Iberia and the establishment of International Airlines Group and aim to have that merger complete by the end of the year.

Also, we're in the final throes of the regulatory approval process for the transatlantic joint business venture with American Airlines and with Iberia that started over two summers ago. Early indications from the US Department of Transport and the EU are constructive, and we're confident the final approval will be granted this summer.

And finally, we're into the second week of a new government, and there have already been two policy announcements that directly affect our business. Firstly, the new government will not build a third runway at Heathrow. While we are convinced that that is a mistake and that substantial economic benefits would arise for the whole of the UK if they had, we're going to let the matter rest there.

Secondly, the government wants to introduce a per-plane tax in place of a per-passenger air tax. Air travel from the UK is already the most heavily taxed in the world and existing air passenger duty is not used for environmental improvements, and there's no guarantee that a flight tax would be either.

The most effective way, as we've long said, to address aviation's impact on the climate is not via taxation at all, but by inclusion in the EU emissions trading scheme, which will happen from 2012.

So, this year brings us huge opportunities, and I'm sure many challenges, as we seek to break-even at the profit before tax level. One thing is for certain, it won't be dull. Keith?

Keith Williams - *British Airways - CFO*

Good morning, everybody. I didn't know that George was going to give a history lesson this morning, but I am a historian so I just wanted to add one fact to what George said, is that he was talking about AT&T and its flight to Paris. The flight cost in those days was London to Paris, 36 guineas. If you look on the web at the moment, I think you'll find BA flying to Paris at GBP57. So, it tells you what's happened to yields in the industry in the intervening 90 years.

My role this morning I think is to play the role of Christmas past and then the role of Christmas present. There'll be a break in the middle for BlackBerry time to allow you to cascade the results to wherever you want to cascade them to.

So, the first presentation is going to be on the results; we'll then have a break to allow you some time to communicate to wherever you want to communicate; and then I'll do the outlook for British Airways for 2010/'11; and we'll take questions after that.

If I look at the results -- if I start with the past, where I take you back to is March 5, 2009. Why March 5, 2009? We actually held our last Investor Day on that day. And at that time, we said in this room that we were targeting a similar operating result for 2009/'10 to that which we'd achieved the previous year. And that is exactly what we've delivered.

Now, Willie, George, and I spent a lot of time trawling the City in those days, really with the outlook and spelling out an outlook that looked pretty bleak. In fact, one of the analysts referred to us as being the doomed three, which I subsequently discovered was a play game on the Internet, which was a destruction game.

But we were painting a pretty bleak picture, particularly on the revenue outlook. And I have to say that even that outlook that we were predicting back in March 2009 was somewhat worse in the first half of the year.

In the first half of the year, the revenue declined by some GBP652 million. And over the year as a whole, the revenue was down GBP997 million. In the summer that year, we were predicting revenue being down GBP1 billion so we were more or less exactly on line.

And what we were saying to people is that we needed significant cost action within the Company, and that cost action needed to be on structural change to bring us back to a position level year-on-year.

And on the cost side, two elements of the cost; the fuel bill was down GBP597 million, GBP600 million, and then our non-fuel costs were down GBP390 million, rounded to GBP400 million there. So, it was a significant achievement on the cost side that made the achievement of break-even -- level at the operating result level.

Now, I'd like to play tribute to all the staff within British Airways for the delivery of those cost results. That is a significant achievement. At Investor Day 2009 we were talking about GBP220 million; we delivered nearly GBP400 million. And that was despite currency being significantly adverse within that number. So, that was a significant achievement.

That left us at the operating result, at a base operating level, more or less pretty even year-on-year; GBP142 million in 2008/'09, GBP146 million in 2009/'10.

On top of that, we've continued the permanent change program within the business and restructuring costs with GBP85 million. That principally relates to changes in staff numbers. The staff numbers in the year were down 3,800 and now stand at about 36,800.

There are other costs in there. There are some property closures, structural costs that stand us in good stead for the coming year.

And at the operating result level as a consequence, the operating result the year before GBP220 million, an operating result of GBP231 million. Now, that is slightly better than most of the analysts were predicting. Why is that? Quarter four turned out to be better than we were predicting at the end of quarter three. At the end of quarter three, our quarter three result had improved by GBP76 million, and we were signaling to the market that we expected something similar in quarter four.

In the end, the quarter four performance was better by GBP164 million. And that was a result of a slightly stronger revenue environment and a slightly better cost environment.

So, both revenue and costs gave us a better underlying performance in quarter four. The result for quarter four was an operating loss of GBP145 million against GBP309 million the year before. So, a good trend in quarter four, and we'll come back to that in a moment.

So, that's the story of the year. If you look at it in terms of what was happening quarter-on-quarter, the red bars here are showing you what happened to the revenue throughout the year, and then the green is looking at non-fuel operating costs, non-fuel costs, and the yellow looking at fuel costs.

And as I say, the story of the first half was a very rapid revenue decline; GBP652 million of revenue disappeared in the first half of the year. And what we saw in the second half of the year was improvement to that; GBP254 million revenue decline in the third quarter, and then by the fourth quarter the revenue was only down GBP92 million. So, an improving revenue trend.

The achievement of the year, as I said earlier, was on the cost side. And if you look at what happened to the costs, the costs were down consistently throughout the year. Our fuel costs, the yellow there, was down between GBP110 million and GBP165 million quarter-on-quarter, and down GBP597 million in total.

And we achieved significant savings in non-fuel costs throughout the year, peaking at GBP165 million in quarter three. In quarter four, we start to cycle against cost reduction from the previous year. Nevertheless, the costs in quarter four, non-fuel costs, were still down GBP90 million. And that was better than we were predicting, and it's that that achieved the better performance in quarter four and the overall performance of the Company.

So I said earlier, if you look at the operating result, the first half of the year was very much down and we saw improvement in the second half.

Now, if you look at the revenue, and the revenue -- actually, you need to look at exchange as well because in the first half of the year, in particular, exchange was helpful towards the revenue. And what we saw in the first half was a reported revenue fall of 13.8%; 12.2% in the first quarter, 15.1% in the second quarter.

If we take account of exchange, however, you'll see that the revenue dip in that first half was down more than 20%. Now, in part that was driving -- we were driving against the strongest ever performance in the year before. I'll show you a slide in a moment, which was looking at what was happening the year before.

So, last year was against the stronger first-half performance in the previous year. But, nevertheless, we did see significant revenue decline; down 13.8%, and more than 20% if we take account of exchange. And that has improved in the second half. And you can see in quarter four, in quarter four the revenue was down GBP92 million and exchange has gone the other way.

If we strip out exchange, the exchange impact in there is GBP52 million. So, on an underlying basis, the revenue quarter four was down GBP40 million. And if we strip out the effects of weather and strikes, which the Chairman was talking about earlier, we actually can see for the first time the underlying revenue in quarter four had turned positive year-on-year. And that's the first time in six quarters.

Now, this chart is just showing you the rolling 12 months. It's giving you a flavor of what's been happening in the business and what the business trends are. So, it looks 12 months-on-12 months the performance of the business. And the first thing I'd like to point out is quarter four '07/'08.

It seems a long time ago, but at the end of that quarter we actually hit our 10% operating margin target. Remember that? And the operating result was GBP882 million of profit. However, at that point in time, as a business, we started to recognize that we were going into a very steep downturn. And if you recall, around this period we had the financial crisis coming in.

We started to take actions within British Airways. We first made significant changes in the number of managers that we had and we brought in the structural change programme. But, nevertheless, we have seen six quarters, up until quarter three this year, of decline. Six continuous quarters of decline, which finally changed in quarter three, where the position was better by GBP76 million and, as you saw earlier, GBP164 million better in quarter four.

So, the trend of the business has been arrested. That downward trend has been arrested and we're now on an upward trend, driven partly by revenue but initially by costs.

Now, looking at the actual numbers themselves, you can probably see those from the packs you've got, the revenue, down GBP998 million, as you saw earlier, 11.1%; fuel, around GBP600 million better, GBP597 million, down 20%, just under GBP2.4 billion; and excellent performance on the non-fuel costs, GBP5,853 million, down 6.2%.

As I mentioned earlier, exchange was adverse within there. If we strip out exchange impact, the underlying cost performance was down more than 8%; 8.2%. So, significant progress on structural change there.

That left us with an operating result, as you saw, flat year-on-year; GBP231 million down. And at the EBITDAR level, GBP642 million, for those of you who follow EBITDAR; basically, flat year-on-year.

And at the pre-tax level, the year before we had a pre-tax loss of GBP401 million; this year GBP531 million. And that was principally additional pension costs, which is something I'll come to later.

That is better than the market was expecting. I think the market was expecting nearer GBP280 million at the operating loss level and GBP600 million, or thereabouts, at the pre-tax level. So, worst ever losses but on an improving trend.

And if we look at the quarter, you can see that the revenue in the fourth quarter improving, down less than 5% despite exchange being adverse. And at the fuel cost line, continuing to trend down, at GBP560 million, or thereabouts. Non-fuel costs, again, good performance there, although helped by exchange; we'll come back to that later.

And then operating results, as I said, down GBP145 million versus GBP309 million the year before. So, some significant progress in quarter four in terms of operating result, and that flows through to the pre-tax line.

Pre-tax quarter four, down GBP189 million versus GBP331 million the year before. So, some signs of progress.

Looking at the individual revenue lines for the year and for the quarter, passenger revenue, here again almost 11% on the year; 3% in quarter four. And as I said earlier, if you strip out the one-off effects, I'd say the underlying revenue was starting to trend positive for the first time.

That's even more so of cargo, I'll show you the slide on cargo in a moment, is a really good recovery in cargo. Cargo tends to lead the recovery. And the quarter four performance in cargo for the first time was showing revenue improvement, up 8.8%, and that has continued into quarter one.

And the other revenue, I'd like to show you another slide beyond this one because there are some anomalies in the GBP83 million there. Although it looks down 38%, there's a reclassification of GBP12 million, which, on such a small number, impacts the result and so there is nothing to worry about in that number.

And what I wanted to show you is what is happening with ancillary revenues. If you recall, we initiated a project, which we called Sprint, internally which was all about bringing in more ancillary revenues, and what I thought I'd give you was an update on where we are on some of those ancillary revenue streams.

The left-hand chart here in the blue looks at what has gone through passenger revenue. And in the yellow there, you can see what goes through that other revenue line.

And we have made significant progress since we introduced Sprint at the end of last summer. As you know, we changed the baggage charges, and that has brought in some revenue there. The first bag is still free for everybody. We do have excess baggage rules and that is bringing in more revenue.

We introduced pay for seating, where people can go on the web and book a particular seat if they want to, and that is extremely popular. It is very, very popular and has raised more than GBP10 million of revenue since its introduction.

Mileage; we've done a lot of work on mileage sales and you can see the result there.

And finally, to the right there, what we've called holidays is actually dynamic packaging. We introduced something called dynamic packaging, where you can go on the web and you can bring together your own package of flights, car hire, hotels, and that has brought in additional revenue there since its introduction early last year. And that will bring in more revenue again during the coming year.

So, some significant progress on ancillary revenues. It's an early start, but there is significant progress to be made in each of those areas, and that will continue in the coming year.

Now, looking at the yields, this chart is looking at what's happened to passenger yields. And you can see, by the fourth quarter for the first time we were seeing yield increases.

If you look at the business overall for the year, if you recall, our plan was to try and match capacity and demand, and over the course of the year in terms of ASK, available seat kilometers, we took out 4.9% of capacity.

Against that, the RPK, the revenue passenger kilometers, was down 3.1%. And that left us with a seat factor of 78.5%; a seat factor that was up 1.5 percentage points from a year earlier.

So, the strategy of taking out capacity, filling the airplanes, and then improving the yield has started to become a success throughout the year. And you can see the strong performance in quarter four where the yields were up on a reported basis of 3.2%. I said earlier, exchange impacted that. And if you look on an underlying basis, the yield performance in quarter four was actually up 5.8%. So, a significant improvement in yield.

We don't split out for you what's happened between price, mix, and exchange. What I would say for quarter four is that the price was up 4.1%, the mix was up as well, and the exchange was impacted 2.6% adverse, as I said. So, what you're seeing is both price and mix being positive and exchange negative in quarter four. But a strong performance.

And I'll show you some slides in the next presentation as to what's happening in inter-cabin mix as people trade up within our premium cabins. So, solid performance there.

In terms of volumes and yield, it is important we make reference to what happened in the industrial action. As you know, we had seven days of industrial action and that did impact both the premium and non-premium volumes in quarter four. But yield trend stayed positive. It was more a volume impact than a yield impact.

And if you look at the trend for the year as a whole, you can see that both volume and yield have steadily improved in the premium cabin, whereas in non-premium cabins it's been necessary to stimulate volumes through lower yields. And you can see what happened in quarter two there; as the volume increased, the yields declined. And that's reversed for the rest of the year.

Now, just going back to the premium for a moment, one of the things we've been stressing is the structural change in our short haul premium cabin. And just to give you an indication of that, if you look at quarter one, in quarter one long haul premium volumes were down 16%; short haul premium was down 23%. That has reversed, so the long haul premium is positive in quarter four. But if you look at the short haul premium business, it's still down 8% in that fourth quarter.

We are continuing to see some structural decline in short haul premium, albeit that it's a slower rate than it was last year, and going at the beginning of this year. But we are seeing that structural change.

I mentioned cargo; very strong cargo performance at the back end of the year, a very weak performance at the start of the year, yields being down more than 30% and volumes down almost 5%. By the time we get to quarter four, both yield and volumes, measured in CTKs, had increased.

And we are seeing strong cargo performance at the beginning of this year. That is driven primarily out of Asia and out of India, with Europe and the UK still continuing to be weak. But strong cargo performance at the back-end of the year.

If you look at the year overall, and the yields were down 16.5% and the volumes were down just over 2%, 2.2%. But reversing trend in cargo. And cargo's traditionally led the way to recovery, and that's what we've been seeing at the back-end of the year.

Now, looking at costs, as I said earlier, fantastic costs performance and a lot of people within the airline have contributed to that. The total costs excluding fuel down 6.2%; 8.2% if we strip out exchange impact. And the exchange impact, particularly landing and en route charges, which are in euro, and, as you know, the euro was strong last year, weakening a little bit at the moment but strong last year.

So, great performance on costs, particularly on employment costs. And what you see within the employment costs in the fourth quarter, I'll show you a slide in a moment, the impact of the cabin crew changes that we made in November.

THOMSON REUTERS

As the year as a whole, the cabin crew changes that we've put through are worth about GBP40 million; GBP40 million - GBP42 million. And that's contributing to the employment cost reduction and the reduction in employment numbers. As we've gone to greater productivity, the employment numbers down 3,800 in the course of the year.

Selling costs down yet again as we make changes in our distribution agreements.

And engineering, down a little bit; that's just the timing of engine maintenance. And if you look at the next slide, you'll see that the engineering costs were actually up in the fourth quarter. Nothing to worry about there; that's just timing. It's nothing to do with volcanic ash or anything; it's just the timing of normal engine maintenance and provisioning.

And if you look at the employment costs there, you can see that trend of reduction as the cabin crew changes have taken full effect and the other changes that we've made come through; down more than 10%.

And reported total costs down more than 11% (sic - see press release). So, great performance there.

And if you look at what's been happening to unit costs as a consequence, we have been taking out capacity during the year. And in terms of ATKs, available tonne kilometers, if you look out to the right there you'll see that ATKs were down in total 4.6%. And against that, we managed to achieve a unit cost reduction. The unit cost reduction, including exchange, down 3.8%.

So, it's a significant achievement. It's one of the things that this industry strives for, is as you take out capacity, can you take down your unit costs. And we've managed to do that for the first three quarters of the year. There's a slight reversal in the fourth quarter, but the fourth quarter was impacted by all the events that hit the fourth quarter.

In terms of ATKs, in the fourth quarter, the ATKs were down more than 6%; 6.1%. So, to achieve an underlying unit cost flat, or more or less flat, against that I think is still a good achievement.

And what you should expect to see going forward, as we bring in a little bit more capacity, that the unit costs will continue to trend downwards. But in the future, it will be driven more by capacity change than the significant changes you've seen in the first part of the year.

Now, manpower, I've mentioned. In the course of the year, the manpower was down 3,800. And I'll show you some slides later in terms of operational performance, is the operational performance has actually got better year-on-year against manpower that has been declining. So, what you're seeing is greater productivity and a better operational performance at the same time.

And if you look from the peak back in the summer of '08 when we were transitioning into Terminal Five, the manpower is down by more than 6,000 and currently stands at about 36,800.

Now, we did set out last year at the half-year that our target is still to bring the manpower down a little bit further, and we're expecting that over time to trend down towards about 35,000. So, it's not a completed picture on manpower, but we've made significant progress in the course of the year and continue to do so.

Fuel; the fuel cost with hedging swerved actually down quarter-on-quarter, and as we saw earlier, over the course of the year was down GBP597 million. And that was pretty evenly spread throughout the year.

In terms of going forward, if you look at the position that we have hedged, we have -- and we've added more hedging in the last couple of days, you can see that the cover we have in place for the first half of the year is about 75%. Now, that is higher than the corresponding period a year earlier.

If you remember, a year earlier the fuel price was low and trending lower, and we deliberately went to the bottom of our hedge policy, which is to be about 50% hedged. We've brought that back to a more normal level, 75% hedged, in the first half of the year with some hedge thereafter. About two-thirds of that is in collars so that we benefit if the fuel price declines. Clearly, there's some impact if the fuel price increases. But we have a pretty good hedging position I think for this year.

The bigger exposure I think on the fuel price is going to be what happens to currency, and I'll cover that off in the next presentation. But we've got a strong dollar at the moment, and that is obviously impacting our fuel bill. And if you look at what we expect for this year, given where currency is at the moment, we'd expect our fuel bill to be slightly up. We'll come back to that later on.

So, that's the fuel position.

Now, moving to cash flow and then the balance sheet, in terms of cash flow, still a solid generation of cash for the last 12 months despite the operating result.

And the operating cash flow was up more than GBP150 million. That is principally, as the business started to recover, the sales in advance of carriage, the customers who were booking on BA and paying for their tickets, is reflected in that GBP461 million. So, as this business strengthened, the cash flow is improved; the GBP461 million there.

Now, the capital expenditure, when we went into the year we were expecting a CapEx spend of about GBP725 million. As you can see from the slide there, it actually came in at just over GBP500 million. And that is because we took a decision to postpone some projects that would benefit from the merger with Iberia. For instance, at BA, we'd been looking at an ERP replacement system and we thought that that would be best left until we'd had the benefit of the Iberian merger.

So, in areas like that we've reduced the capital expenditure. The capital expenditure for the year, just over GBP500 million.

In terms of borrowings, as you know, we raised the convertible last summer; GBP350 million. And if you look at the year as a whole, we repaid about GBP700 million of debt -- we raised about GBP1 million of debt in the course of the year. And so the new money in excess of that giving the rise to the excess borrowings there.

However, if you look at the net debt, down to the bottom there, you will see that the net debt actually improved; it's GBP94 million lower. That is in part because part of our debt is denominated in dollars, in euro, and in yen, and it reflects the exchange movements in the course of the year. But net debt improved.

And cash, still a strong cash balance. At the end of the year the cash was GBP1.7 billion; GBP1,714 million. And then sitting on top of that we have some general facilities, about GBP450 million. So, significant liquidity as we ended the year; that continues through quarter one.

And then, sitting on top of that you've got the various aircraft facilities which effectively fund our fleet through to 2013. So, still the benefit of those significant facilities so a strong liquidity position as we go into this year.

And if we look at the balance sheet, just a couple of things to point out on the balance sheet. You'll see that the property, plant, and equipment has come down; the depreciation charge in the year was about GBP730 million. But we have added a significant number of new aircraft. We've added 16 new aircraft during the course of the last year, principally the Embraer fleet that's gone into CityFlyer. But we've also added some 777s and some A320 aircraft. So, significant aircraft additions reflected in the property.

Employee benefit assets and employee benefit obligations of pensions, I'll show you that in a second.

Cash, you've seen.

And the only other one I'd bring out is reserves. You will see that despite the fact we have a loss for the year, a pre-tax loss and a post-tax loss, the reserves have actually increased. And that's the reflection of the mark-to-market on all the cash flow hedges and fuel hedges that we have, which were negative at March 2009 and have reversed to become positive at March 2010.

Pensions; I did want to touch on pensions because I think pensions is ever confusing I think, particularly when you look at what's happening to actuarial valuations and accounting valuations. So, what I thought I'd give you is what's happened to the actuarial valuation. So this is, if you like, the picture which is look at by the actuaries to the scheme for the trustees and agreed by the Company.

If you recall, we have an agreement with the trustees, provisional agreement with the trustees, of a deficit of GBP3.7 billion at March 2009, March 31, 2009. That has actually improved by March 31, 2010.

Why is that? At March 2009, the FTSE, if I recall, was about 3,900, whereas by March 31, 2010 the FTSE was 5,500/5,600. And NAPS, in particular, has a majority of its funds in equities so what you see is an improvement in the actuarial position driven primarily by asset values. The liabilities were slightly increased, but the asset values increased more.

And, obviously, with what's happened in the last few days, that GBP2.7 billion has started to trend back towards the GBP3.7 billion. But it's a volatile movement in share prices at the moment, and that would reflect in the actuarial valuation.

The valuation at March 2009, as you know, is part of the agreement for the funding plan with the trustees and we issued the valuation at December, December 9, last year. That is yet to be agreed by the pension regulator and that will happen. We're in discussions with pension regulator ongoing at the moment, and I'll come back to that in a moment.

So, that's what happened on the actuarial valuation. Ironically enough, the accounting valuation has gone the other way, and that primarily reflects discount factors, which were very high at March '09. Discount factors on the liability was high in '09 and has come down by March 2010.

And then, to add to that is what we actually recognize in the accounts because of the pension corridor. And that's the position you can see there that is recognized in the accounts, a movement of between GBP0.5 billion asset and GBP0.6 billion.

We do have some schemes overseas, particularly in the US and Far East, and that just gives you the total picture at the bottom there as to what the picture is in the accounts overall.

In terms of where we are in discussions, there are three elements to the pension discussions, as you probably know. The first is with the members through consultation with our trade unions. That completed in the early part of this year.

The trade unions, all three trade unions, the GNB, Unite and BALPA, the pilots' union, have been recommending acceptance of a change program to pensions. And where we are on that at the moment is that both the BALPA and the GNB have completed their ballots and voted in favor. Unite are recommending the vote but the vote isn't yet complete.

In terms of the trustees, we're in ongoing discussion with the trustees at the moment on the recovery plan from that GBP3.7 billion as to what the recovery plan should be to fund the pension deficit over time. That is ongoing. It was always due for completion by June 30, which is the statutory deadline, and we're still working to that statutory deadline. We're working diligently to put in place a recovery plan by that date.

Now, the regulator has no formal position within that. It's incumbent on the Company and the trustees to try and reach agreement on the pension fund recovery plan; as I say, that's what we're working to. We are, however, involving the pension regulator on an informal basis in terms of moving to a conclusion by the end of June, very much with the Iberia merger in mind. So, that is a continuing process.

So, just to summarize, if you look at the year overall, the revenue down GBP1 billion; starting to recover, some signs of recovery. Really, a cost driven result for the year; that GBP1 billion of cost savings offsetting the GBP1 billion revenue decline. Quarter four; a good performance in quarter four despite the issues around weather and despite the issues around strikes. So, there's progress in the business. And we do have a strong cash and liquidity program to complete that change.

And that's really the end of the Christmas past; I'll move on to Christmas present and future after the break. Thank you.