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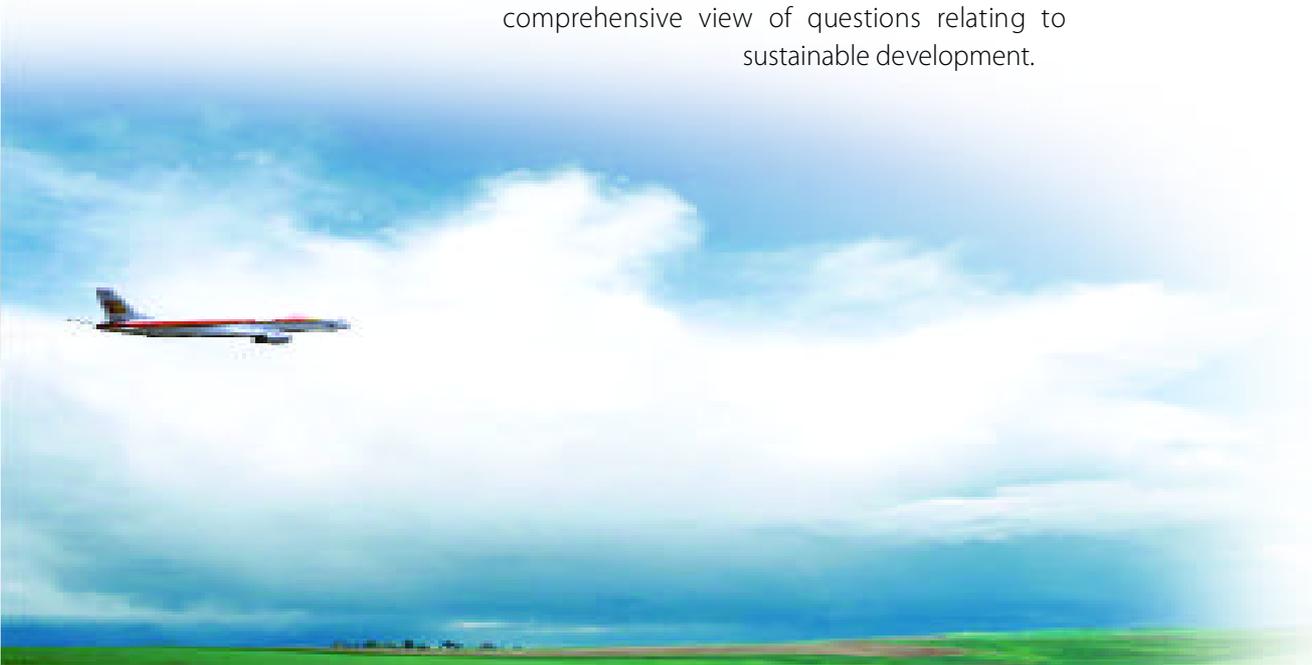
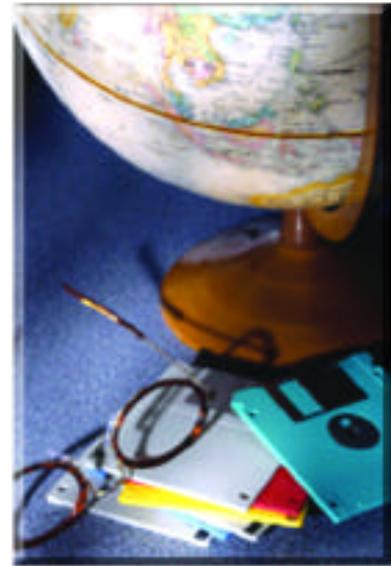
## FOREWORD.

In recent decades, the commercial aviation industry has grown in size in order to meet burgeoning demand. At the same time, the industry itself has become a major engine of economic development.

In 2002, IBERIA faced and surmounted an industry-wide crisis, remaining one of Europe's most profitable airlines. The 2003-2005 Strategic Plan is intended to transform the remaining threats and uncertainties into opportunities for our company. The new Strategic Plan is strongly focused on improving punctuality and customer service, within the framework of ongoing quality improvement plans in every production area. In these respects, IBERIA intends to become a model for all European airlines.

IBERIA is addressing this challenge with the conviction that economic growth is compatible with attention to environmental and social concerns, so that present needs may be met without compromising the future. Thus we hope to contribute to sustainable development, and to return to the community a part of benefits we derive from it.

In past years this report dealt only with environmental problems and policies, while the 2002 edition includes coverage of social and community issues as well, for a more comprehensive view of questions relating to sustainable development.



Our aim in preparing the report is to inform our shareholders, customers, investors, employees and the public at large about IBERIA's social and environmental policies and achievements, as an integral part of our strategy.

In doing so we are meeting our commitments to shareholders and employees made at the General shareholders Meeting on 6th June, 2002, and in the most recent labour agreement signed with ground personnel.

The methodology employed in its preparation was based chiefly on the Global Reporting Initiative (GRI) drawn up by the Coalition for Environmentally Responsible Economies (CERES), as well as national and international standards and the good practices in social areas of a number of institutions.

IBERIA's social and environmental objectives in 2002 were the following:

- To integrate the concept of sustainability, including environmental and social considerations, into the overall management of the company, to ensure behaviour in keeping with the standards marked by the United Nations and the working committees of the World Business Council for Sustainable Development (WBCSD).



- To respond to the principal concerns of the groups with which we have dealings: our socially-committed employees, customers with new values, and shareholders who seek not only return on their investments, but also exemplary practices by the companies in which they invest their capital.

- To gradually add more environmental and social information to our annual Report, adapting our accounting system and supporting the external appraisal of our company, monitoring medium - and long - term risks.

- To incorporate environmental management systems into the company's existing quality control systems, while establishing new environmental procedures in each operational unit.

- To ensure that our aircraft fleet has the latest technological advances to minimise noise and atmospheric pollution.
- To offer our staff all necessary training in social and environmental issues, while furthering the use of new technologies, and strengthening all activities that reflect IBERIA's commitment to the society it serves.

IBERIA's principal initiatives and achievements in environmental and social areas in 2002 were the following:

- Introduction of an integrated quality and environmental management system in our airport passenger handling and aircraft handling operations, while improving the environmental procedures in the Aircraft Maintenance and Cargo divisions.
- Continued fleet renewal. In addition, new technical analysis protocols were developed for IBERIA's oldest long-haul aircraft, the B-747-200s.



- A series of environmental accounts was added to the company's accounting system in order to improve the monitoring of environmental expenditures and investments.
- Thanks to the Mano a Mano organization, more than 200,000 kg. of humanitarian aid was shipped in IBERIA aircraft without charge to several needy countries.
- The Mano a Mano organization distributed humanitarian aid worth 62,000 euros.

- An agreement was reached with the Spanish government to supply 50,000 free air seats to volunteers en route to the Galicia region to help clean the fuel-oil spill from the tanker Prestige.
- We handed over holiday apartments in Motril, Granada, to the Iberia Association of Parent of Disabled Children, and paid 4.6 million euros for services rendered at the association's job centre.
- We helped launch the Imhotep Project, for a full-care work centre for disabled people, for which Iberia donated both the building lot and 300,000 euros.
- IBERIA supplied more than 3 million euros in sponsorships relating to socio-economic development, education and sport.



