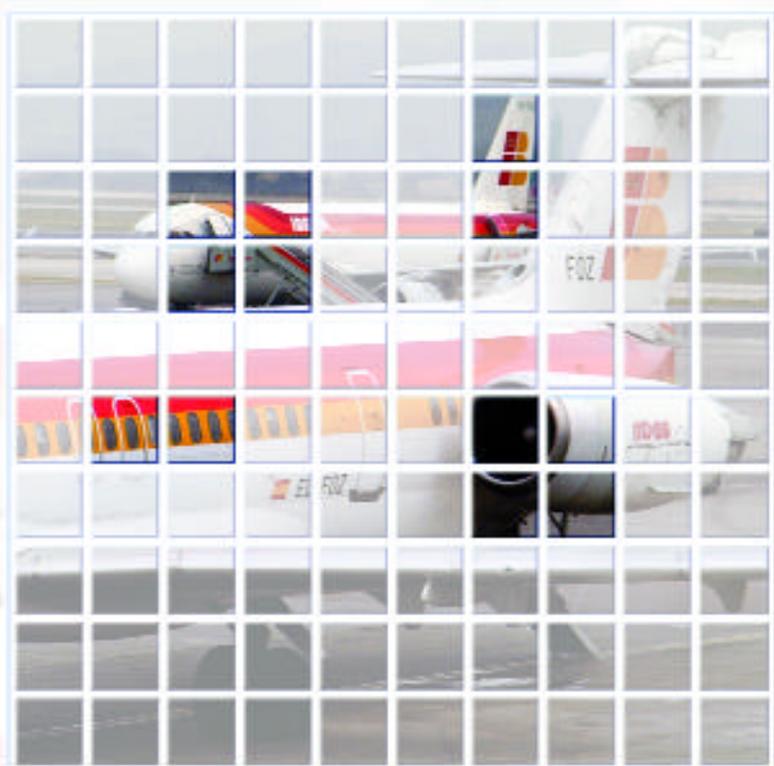




REPORT
ON SOCIAL
RESPONSIBILITY:
Community and Environment.

ANNUAL REPORT 2002

IBERIA 



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This Report on Social Responsibility 2002, which describes the Company's social and environmental activities during the year, marks a change in the contents included in the reports of previous years, but not in Iberia's efforts and activities in these areas, to which we have been deeply committed for many years.

This report is the product of my personal conviction that transparency in management should apply not only to accounts and financial statements but also to other company areas in which there have been significant, though less well-known, achievements. I do not deny that our emphasis on social and environmental concerns is partly in response to the increasing demands of those people and groups with whom we are in daily contact shareholders, investors, customers, suppliers, and our own employees. Our society as a whole wants to know how companies return to the community a part of the profits obtained, and how they help generate wealth by earning these profits on a more sustainable basis. Given the commitment of the abovementioned groups to such values in their own spheres of action, we are confident that they will appreciate what it means to be associated with a socially responsible enterprise.

The objective that underlies the concept of corporate social responsibility is none other than the search for ways to organise and manage companies to attain their economic aims with due consideration to human and environmental welfare. This overall and comprehensive vision of all aspects of human relations and environmental interactions is certain to determine the future operations of all organizations.

And that future is ours. Iberia has surmounted the most serious crisis to strike the airline industry in recent memory, by adapting quickly to the new circumstances –the slump in demand, new security requirements on the ground and in the air, new competitive challenges such as alternative means of passenger transport, and the low-cost carriers– while not neglecting new social and environmental issues and concerns, thanks to a management approach that is increasingly comprehensive, sustainable, and dynamic. We possess both the capacity and the flexibility necessary for us to continue to grow while adapting to these changes.

Accordingly, our commitment extends well beyond that of obtaining good business results. We are equally committed to achieving excellence in social and environmental terms. In this regard, our employees have set a wonderful example of solidarity, with initiatives to aid the needy not only in Spain but throughout the world. Availing itself of this human potential, Iberia has supplied resources to develop an aid programme of an impressive scope, as is reflected in these pages. Such employee initiatives as the Iberia Association of Parents with Disabled Children and the Mano a Mano ("Hand to Hand") NGO have become large-scale activities that are strongly backed by the Company.

As regards the airline's principal environmental concerns –aircraft noise pollution and atmospheric emissions– our fleet renewal programme continued apace in 2002, and at the same time we undertook painstaking technical analyses of the older aircraft remaining in our fleet, the long-haul B-747-200s. The renewal programme is making Iberia's fleet one of the world's most modern and efficient, and also one of the quietest.

However, the road to sustainability calls for the solution of a number of outstanding problems. New and improved aviation infrastructures and the single European airspace will bring substantial environmental benefits, thanks in part to fuel savings.

Lastly, the aims and measures specified in the 2003-2005 Strategic Plan will enable Iberia to meet the challenges and seize to opportunities of the next three years. Iberia will remain in the vanguard of environmental protection and commitment to the welfare of all the communities we serve.

Thank you,

A handwritten signature in blue ink, consisting of stylized, overlapping loops and lines, representing the name Xabier de Irala.

Xabier de Irala
Chairman of Iberia

