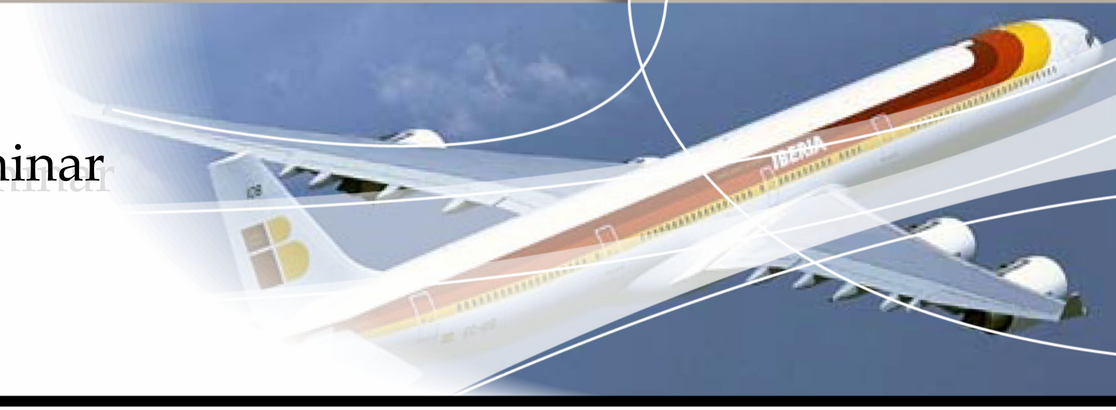
BSCH Small & Mid Caps Seminar

Madrid, 7 February 2007

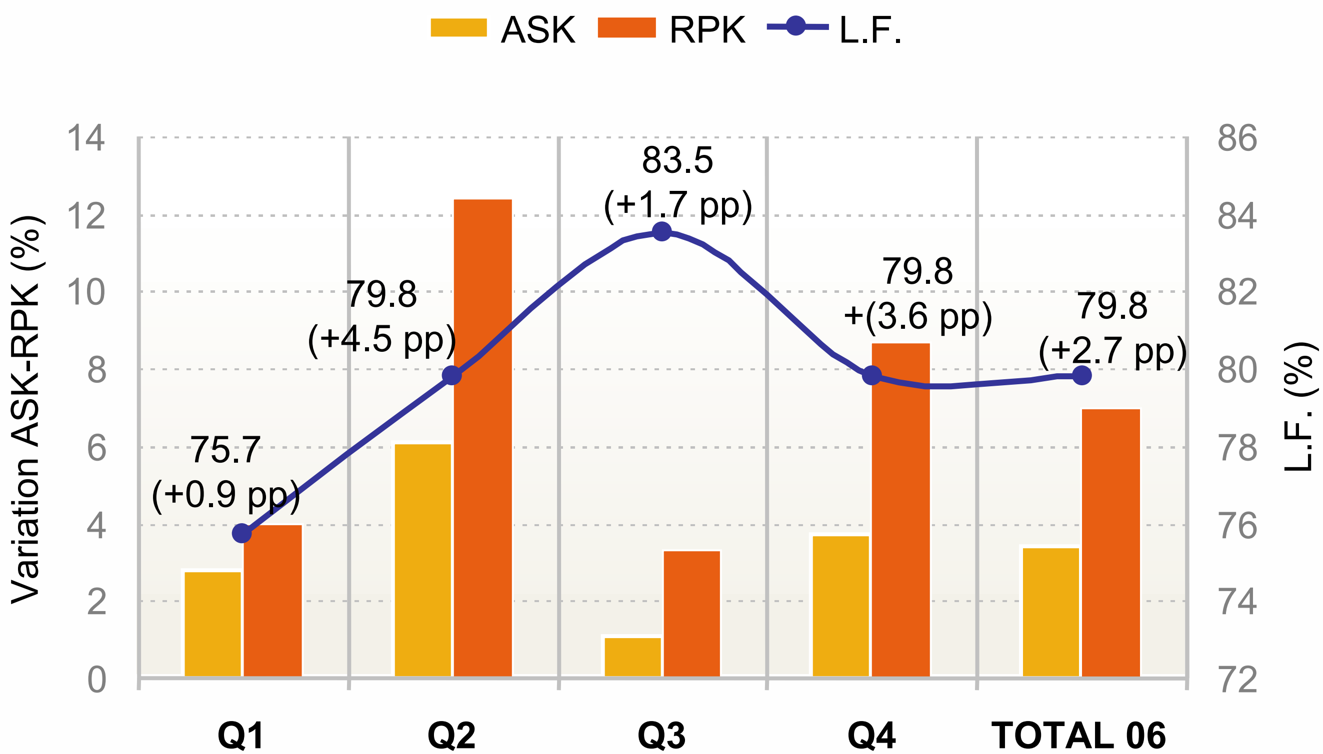


Positive Results 9 months 2006

MM/€

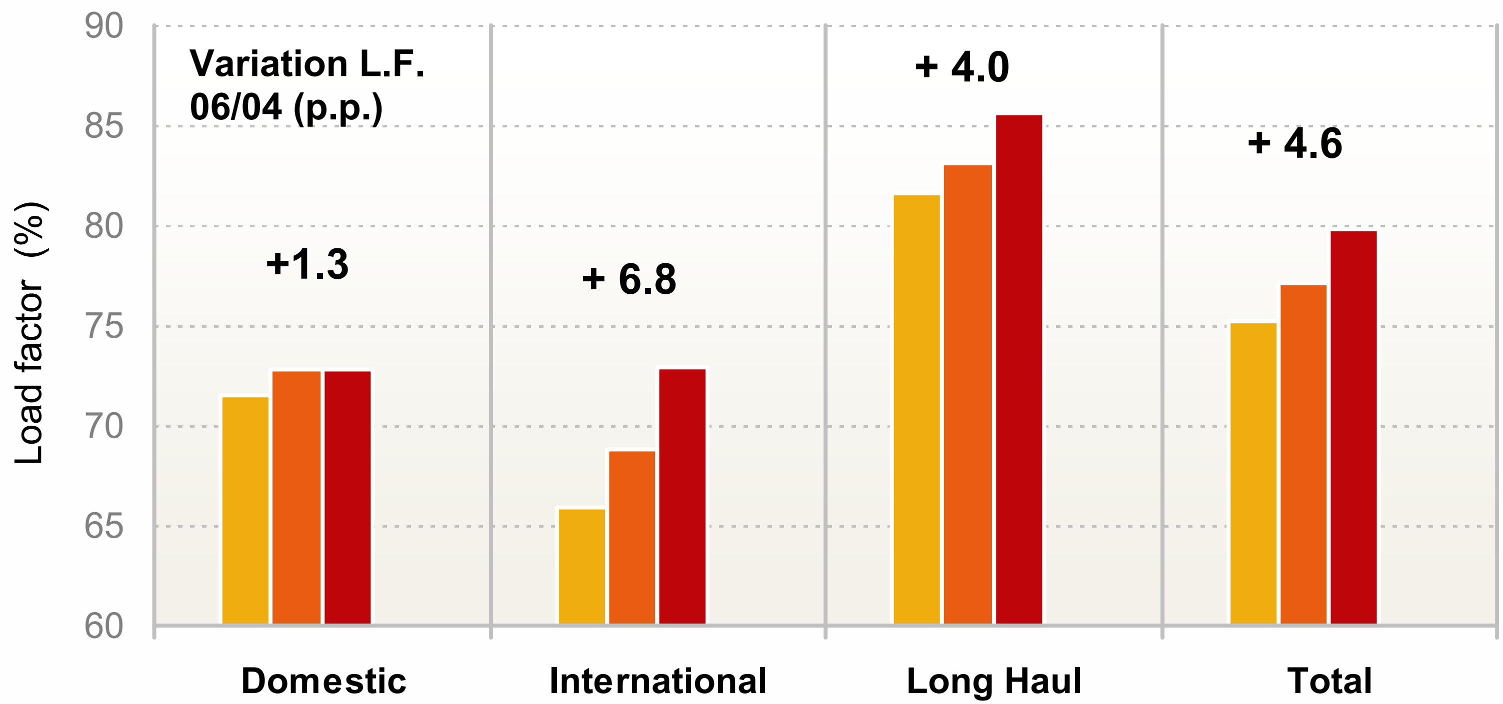
January-September 2006/2005		Var. 06/05
Operating Revenues	4,022.4	+ 9.8 %
Ebitdar	575.9	+ 6.2 %
Operating Ebitdar margin	14.3%	- 0.5 p.p
EBIT	73.5	- 32.7 %
EBIT ex IAS 39	96.6	+ 25.4%
Profit Before Taxes	91.6	NM
Net Income	66.2	NM

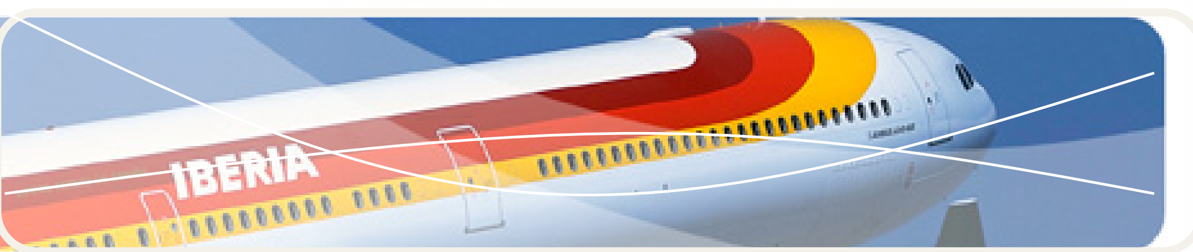
Significant Improvement of Load Factor 2006/2005



Capacity and Load Factor Evolution 2004 - 2006

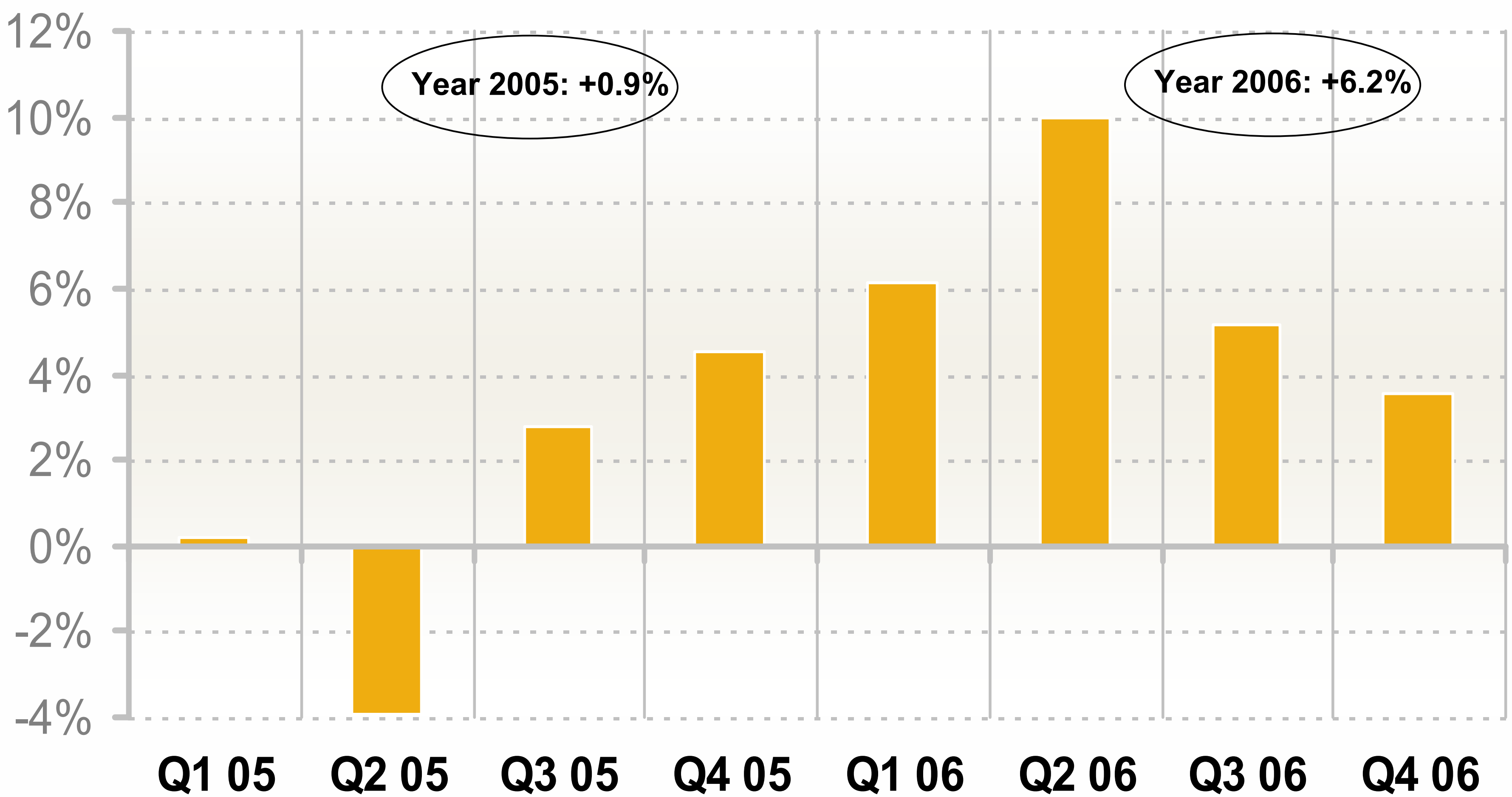
Capacity Jan-Dec Var. 2006/2004	Domestic	International	Long Haul	Total
	- 4.3 %	+ 4.5 %	+ 14.8 %	+ 7.8 %





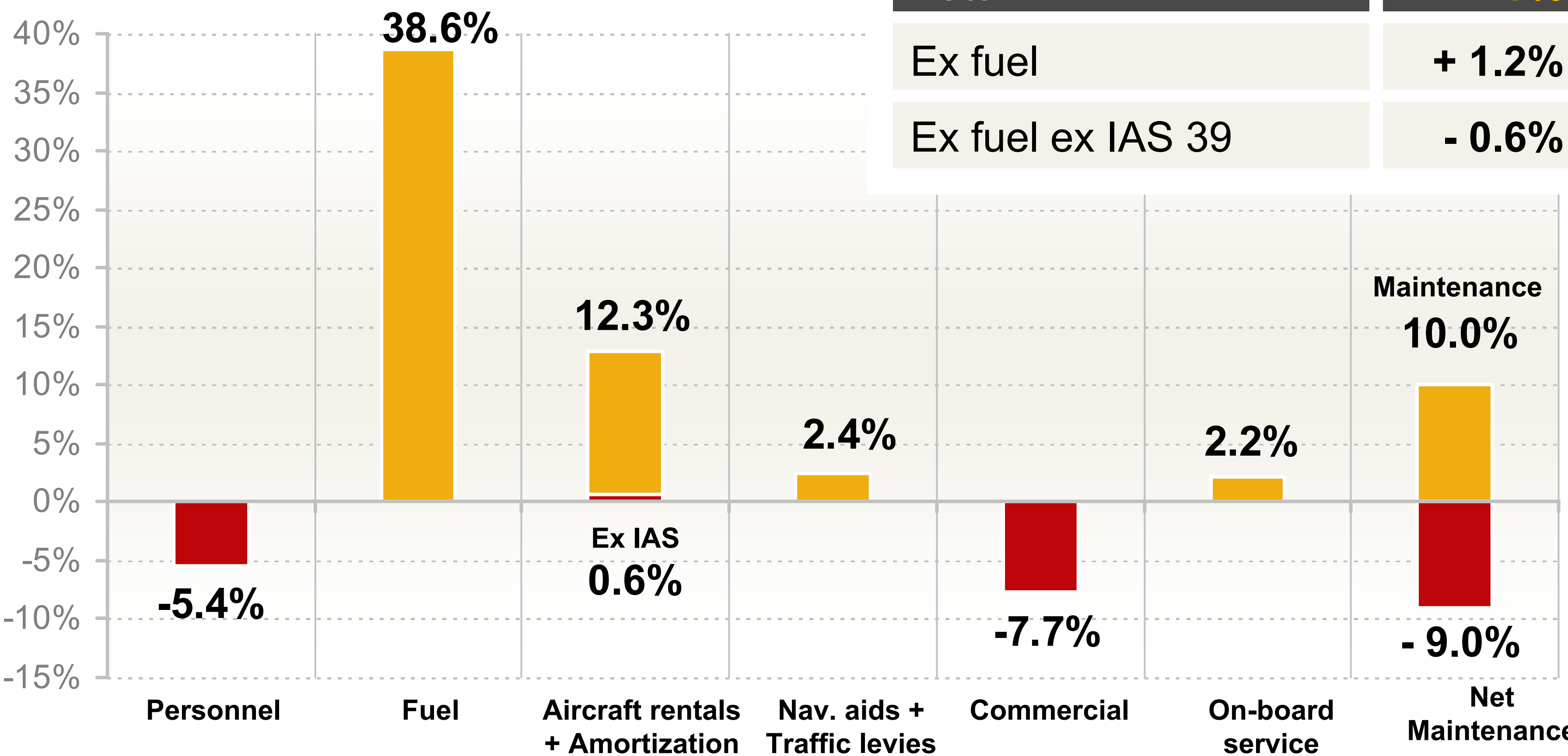
Quarterly Unit Passenger Revenue Evolution (Revenue/ASK)

Total



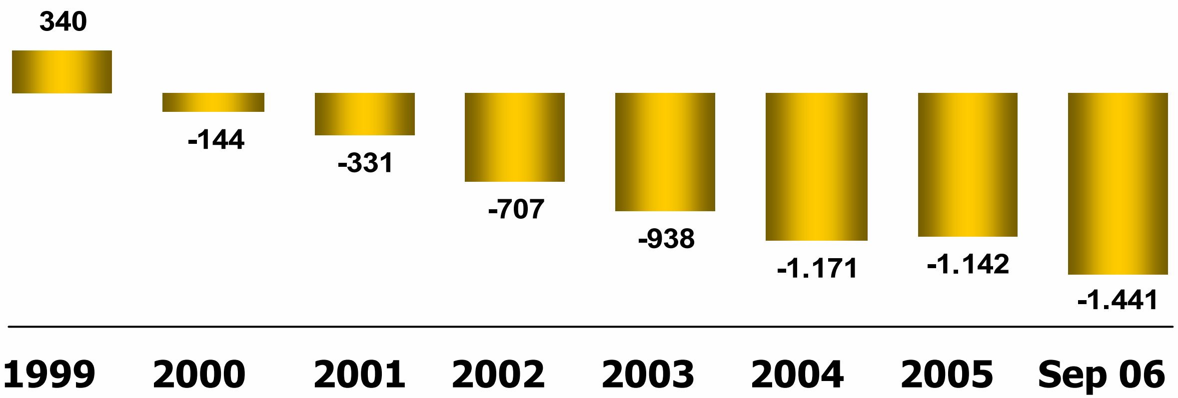
Unit Costs Evolution Jan-Sep 2006 vs. 2005

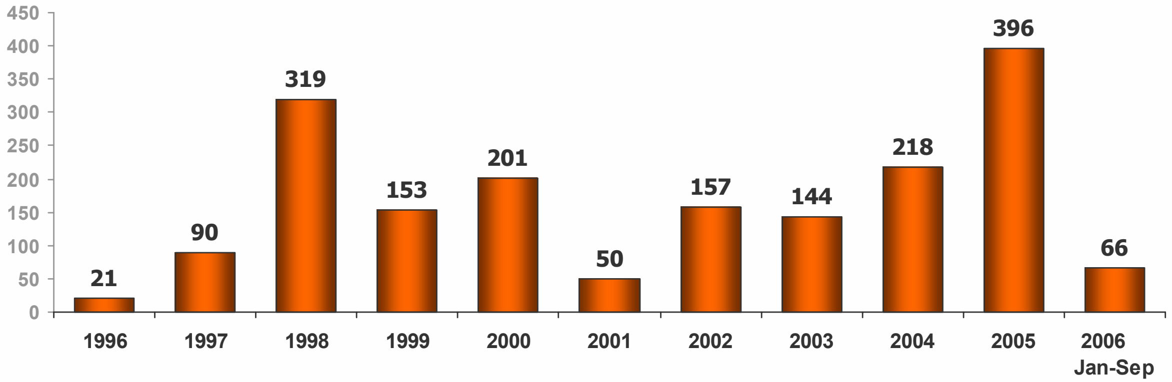
Total	+ 7.5%
Ex fuel	+ 1.2%
Ex fuel ex IAS 39	- 0.6%



Strong Balance Sheet

Net Financial Debt (€ M)





Gross Cash Position September 2006

2,169 € M

49% of leverage if we include the off balance sheet debt

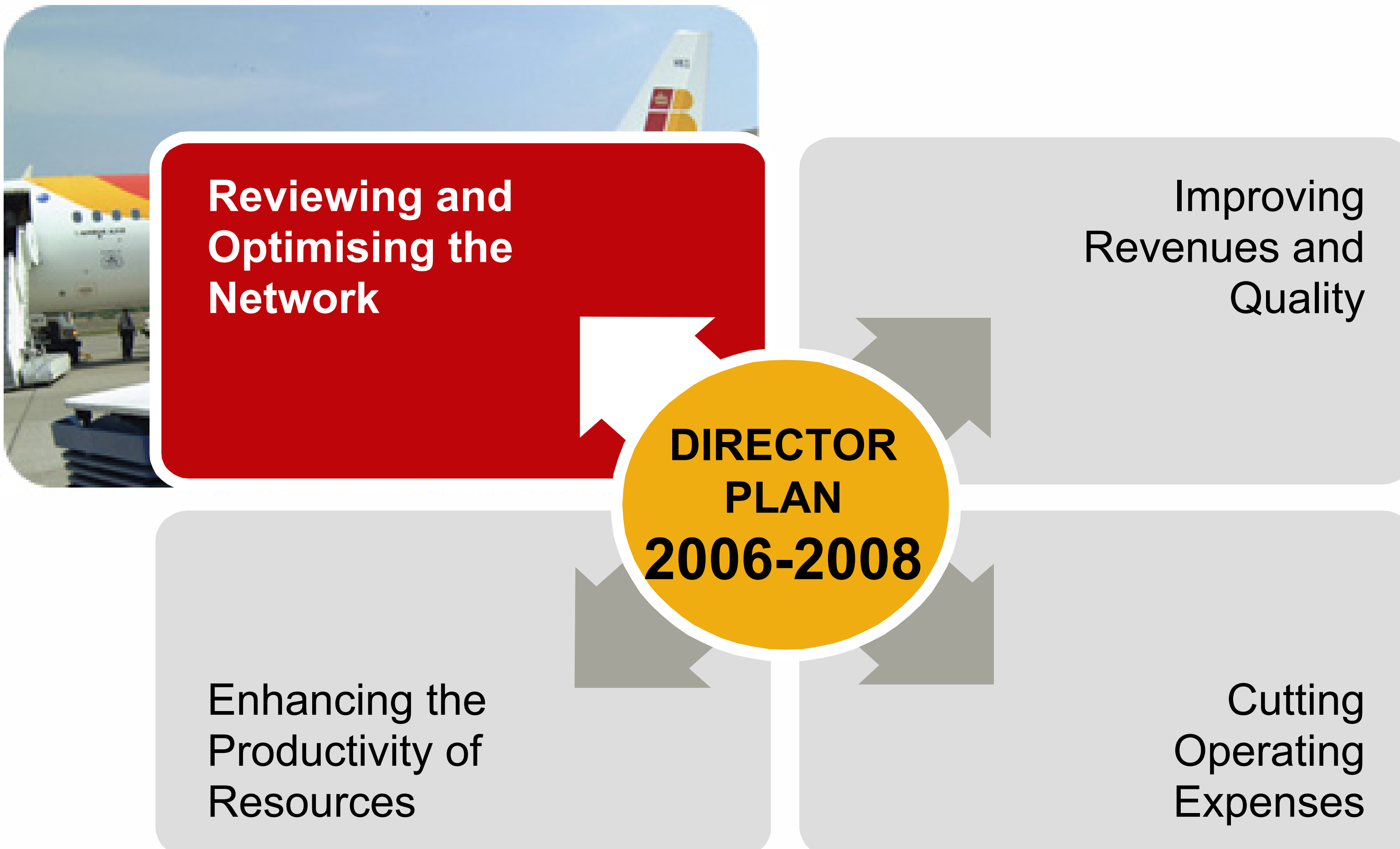
10 consecutive years of profits

Outlook 2006

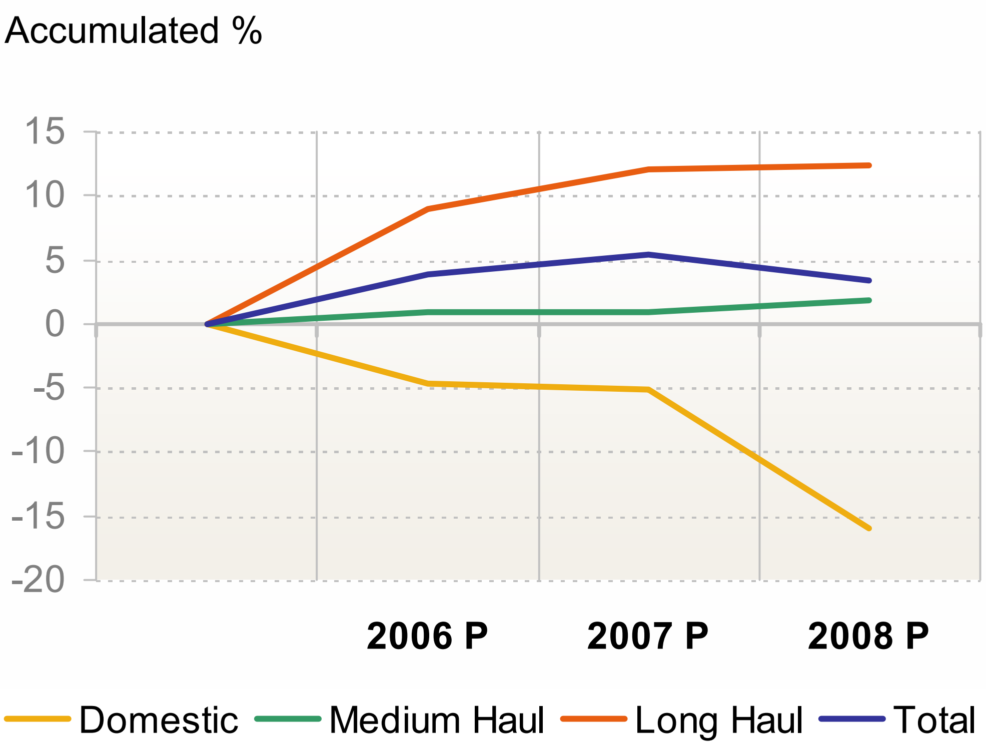
We will improve our operating performance in 2006

EBITDAR	+ 10%
EBIT before non recurrent items and IAS	+ 35%

The Director Plan is Based in Four Pillars



Capacity Forecast Director Plan 2006-2008

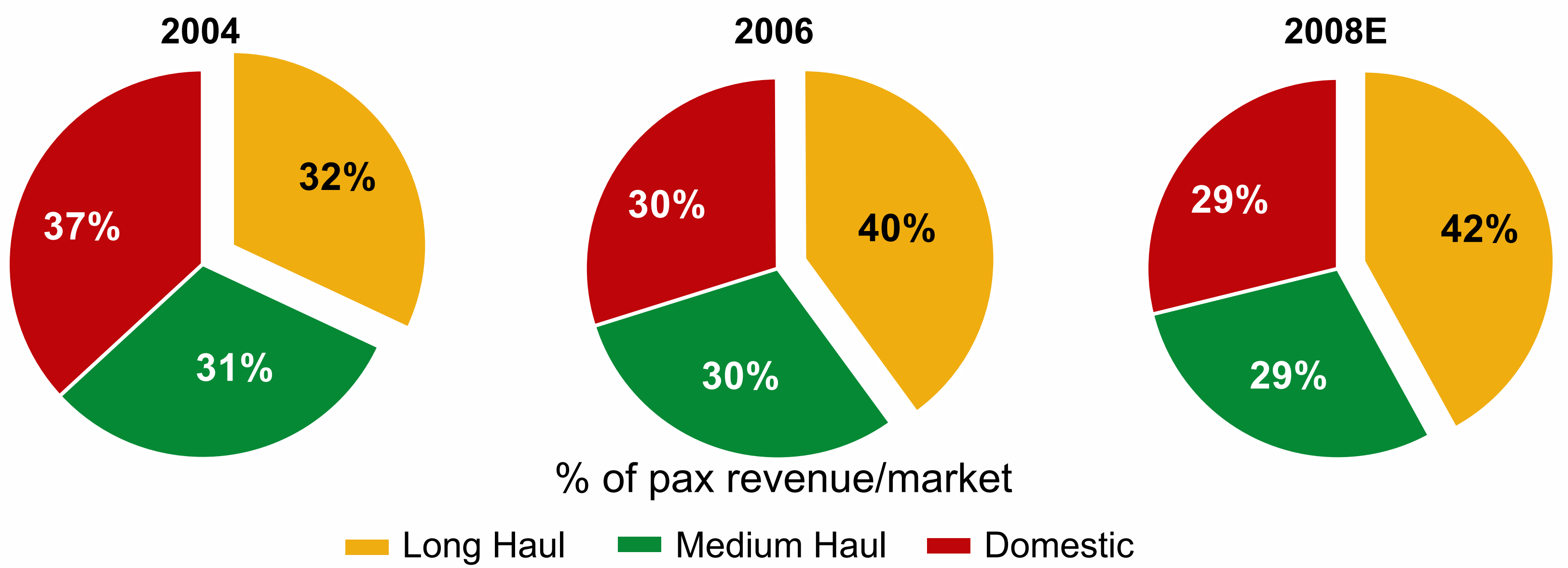


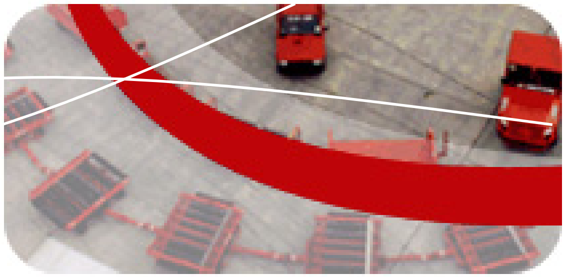
	% 08/05
Domestic	-16.0%
Medium Haul	+1.9%
Madrid-Europe	+31.6%
Long Haul	+12.4%
Total	+3.4%

Priority of profitability over growth

Long Haul is gradually increasing its weight

Strengthening the competitive advantage that the presence in these markets represents for Iberia





The Director Plan is based in Four Pillars

Reviewing and Optimising the Network

Improving Revenues and Quality

DIRECTOR PLAN 2006-2008

Enhancing the Productivity of Resources

Cutting Operating Expenses

Improving Revenues and Quality

New Business Class Product in Long Haul

- Flat Seats
- Personal communications: Phone, e-mail, sms.
- Video/Audio on demand
- Fully implemented in July 2006

IBERIA BUSINESS PLUS

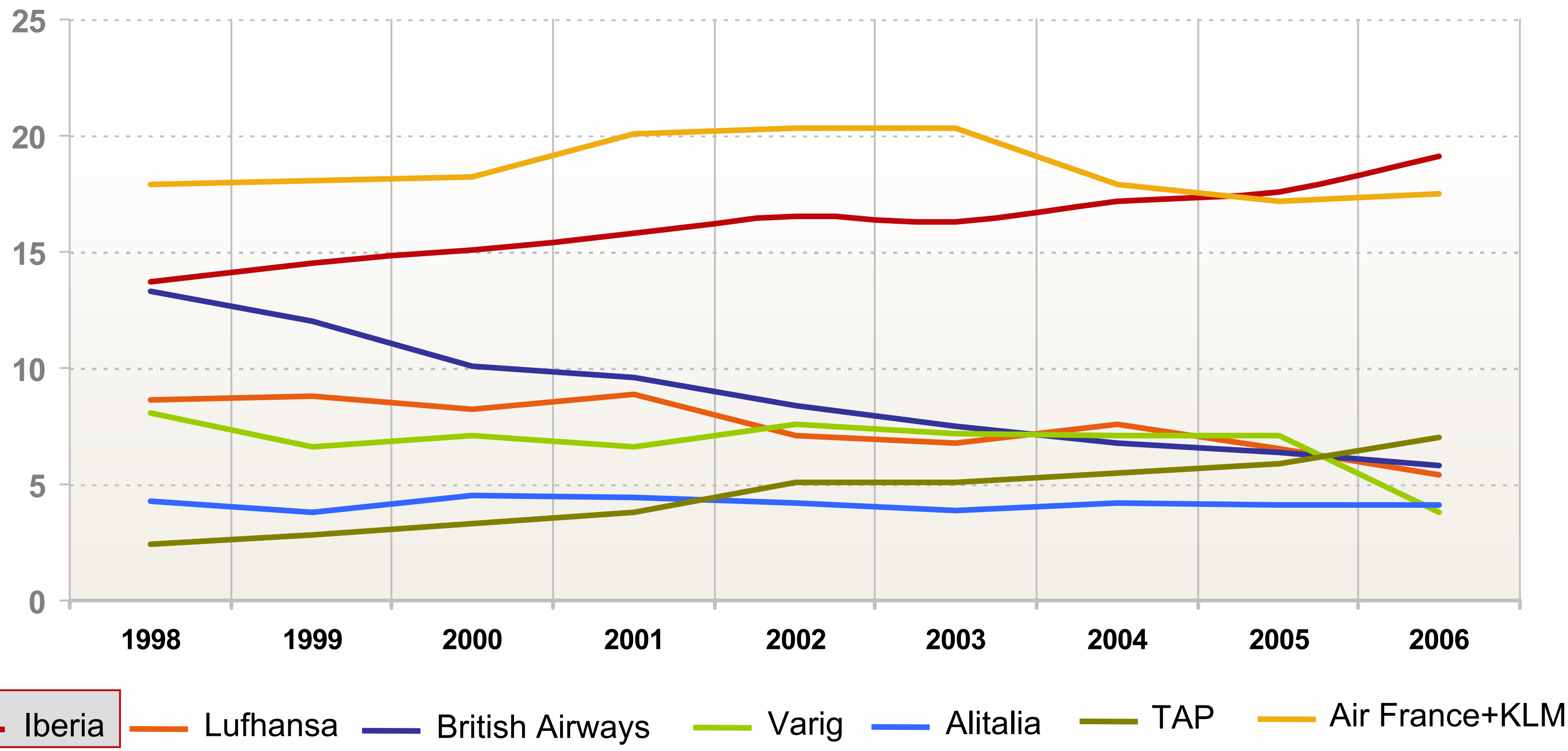
Highly valued by customer base

Latin America: Gap with Main Competitors Continues to Widen

Market growth Ytd 2006 : 4.0%

Iberia market share : 19.0% (+1.4 p.p.)

Europe – Latin America market share



Improving Revenues and Quality

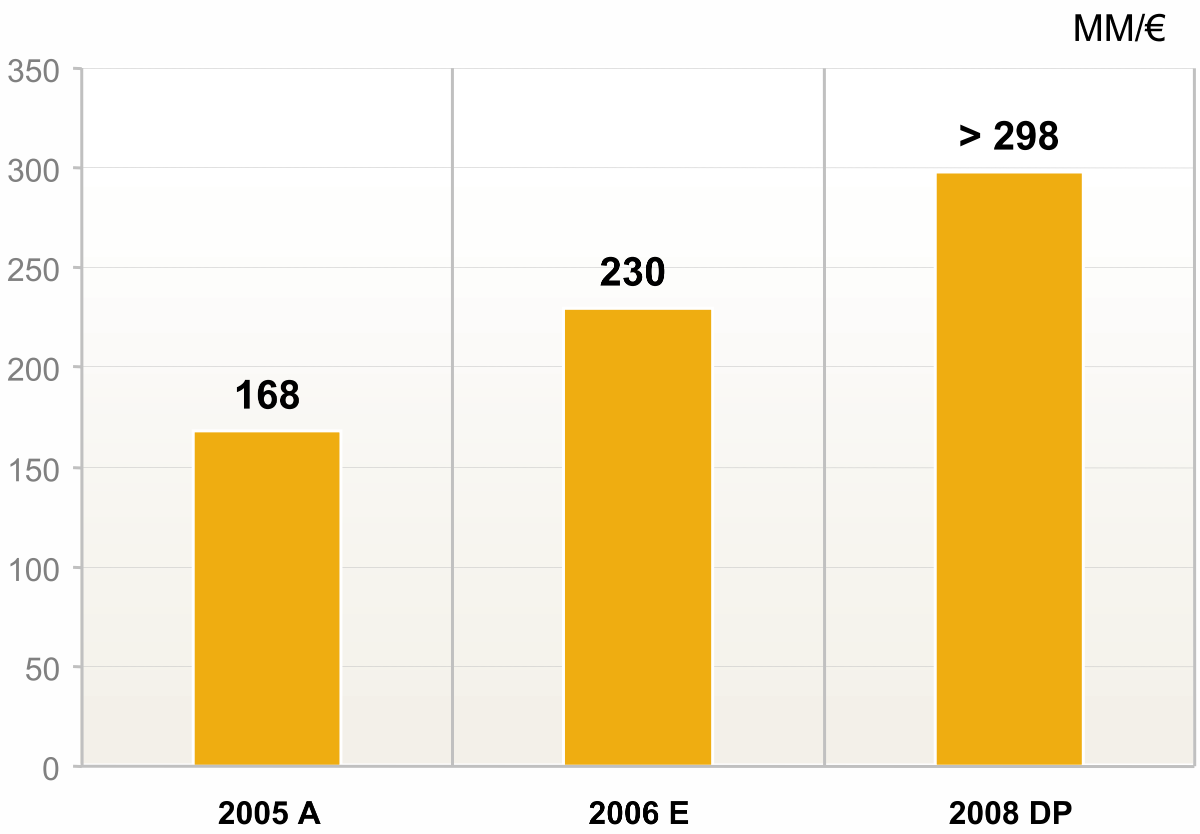
Director Plan targets of the new Business Plus in the Long Haul:

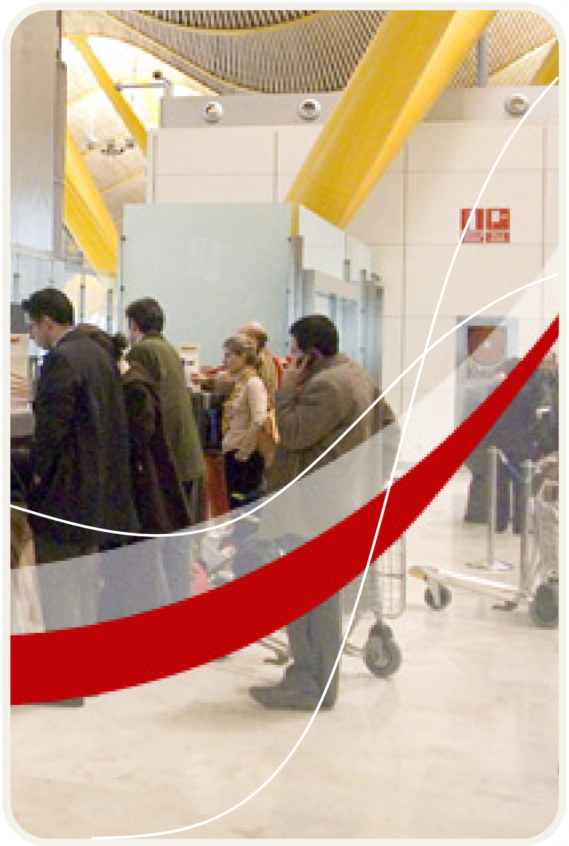
Targets 2008:	Achievements Ytd 2006:
+ 2.5 p.p. in business class market share in LATAM (1)	**+ 2.9 p.p.**
+ 5 p.p. in load factor (1)	**+ 10.3 p.p.**

(1) Over 2005

Increasing Maintenance Revenue

Third party revenues in 2006 **18%** above the Director Plan target





The Director Plan is Based in Four Pillars

Reviewing and Optimising the Network

Improving Revenues and Quality

DIRECTOR PLAN 2006-2008

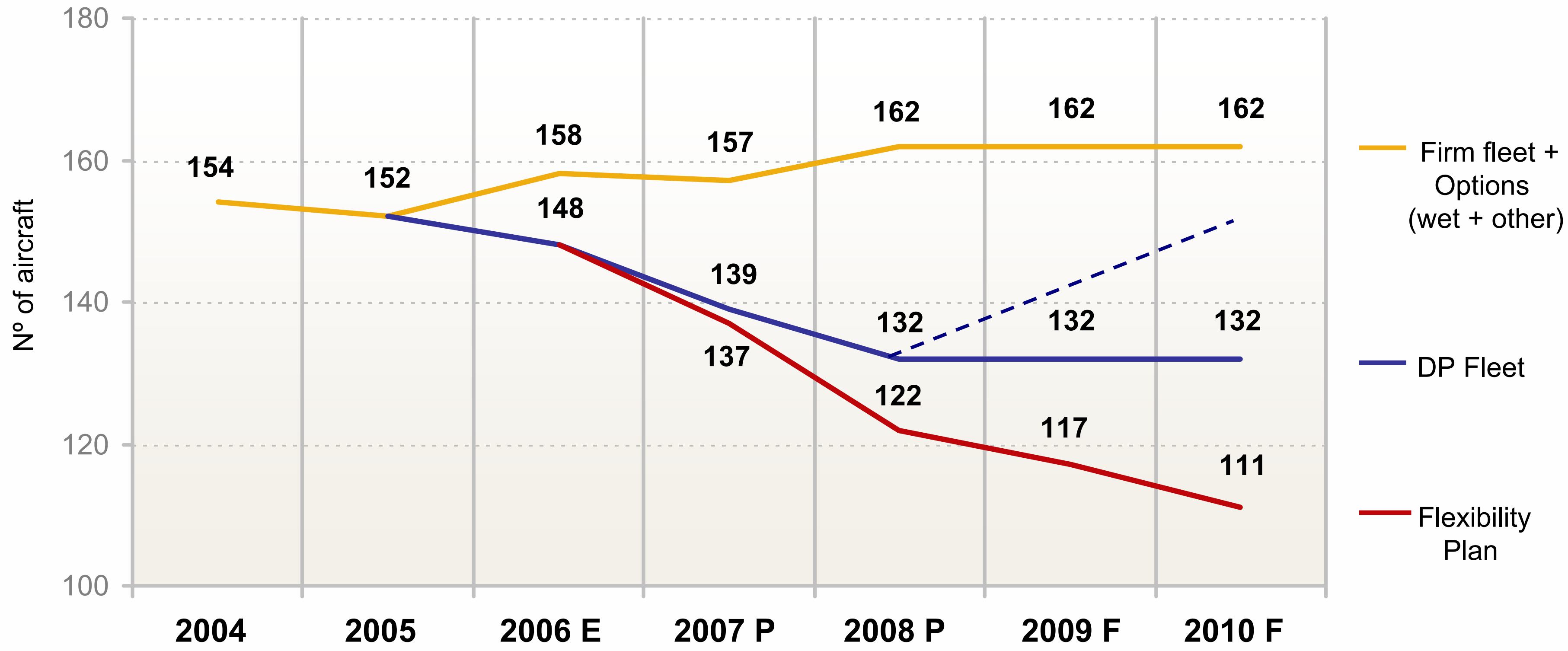
Enhancing the Productivity of Resources

- **Fleet**

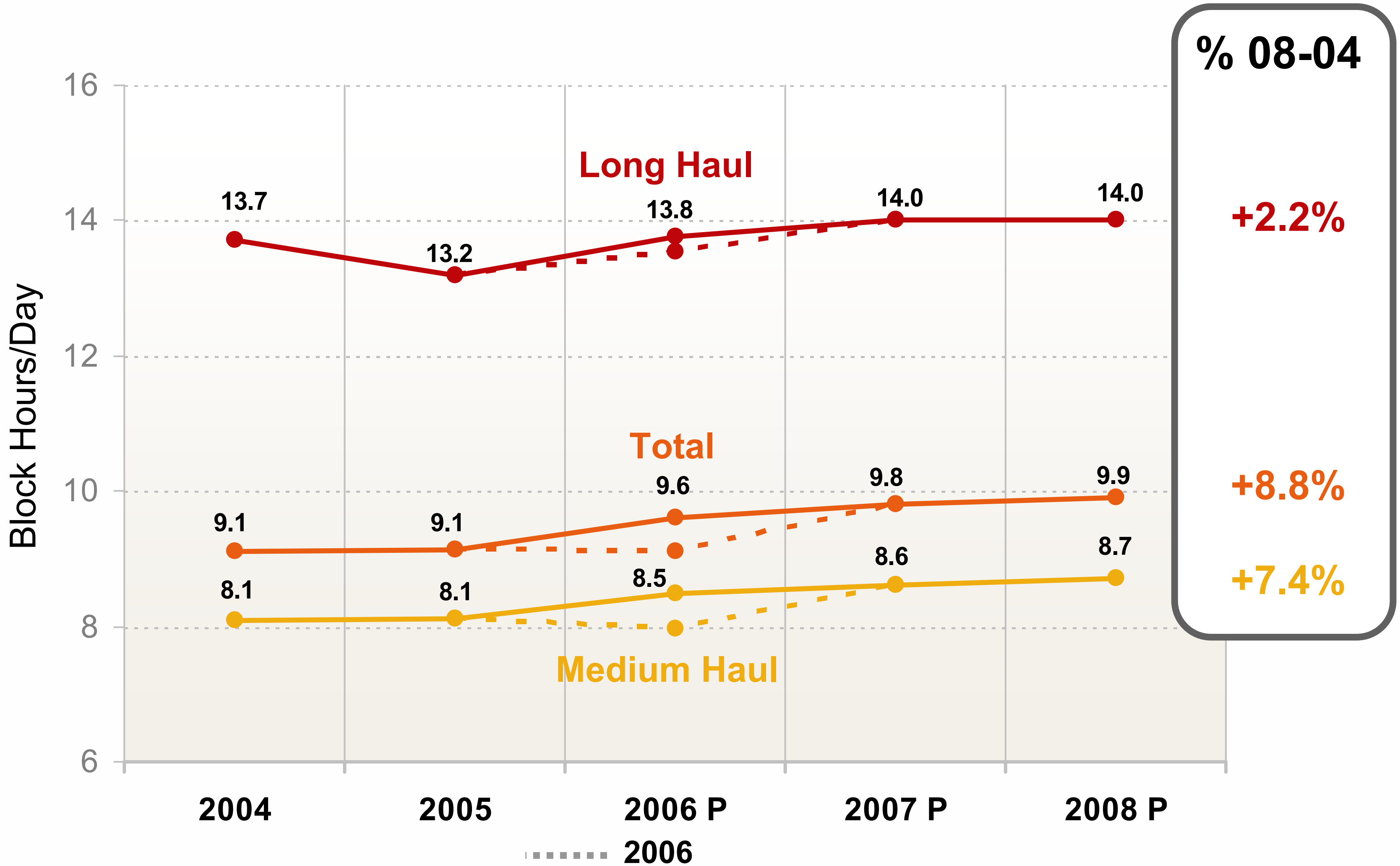
Cutting Operating Expenses

Fleet Plan

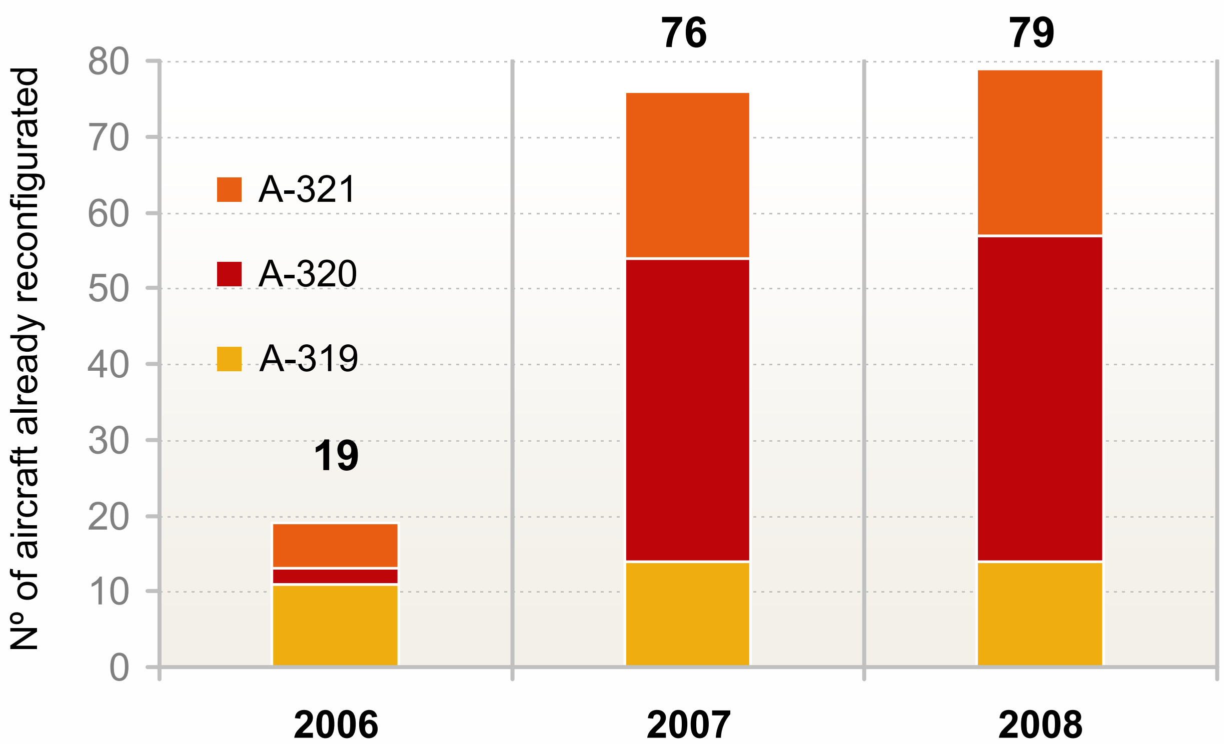
The Director Plan takes advantage of Iberia's fleet flexibility to deal with the forecasted capacity



Increased Utilization of Aircraft



Short and Medium Haul Cabin Optimization

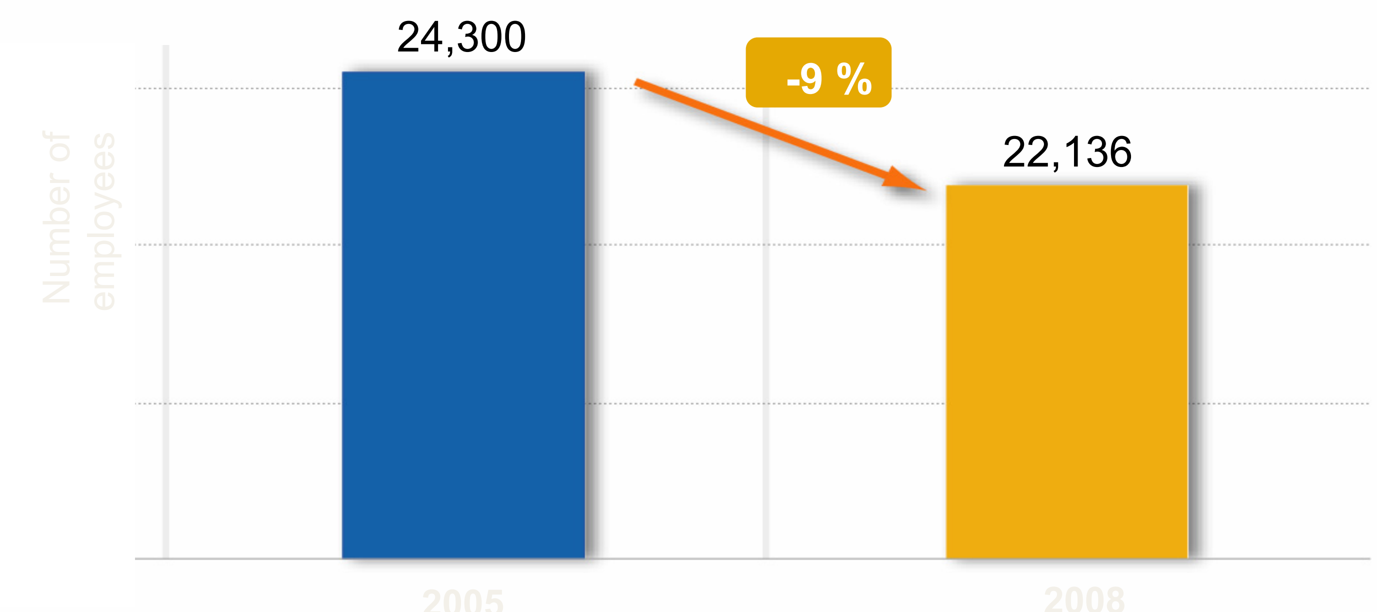


- Target 2008: +5 % seats
- Estimated investment of € 33 M

20 M Euro of additional passenger revenues

Increased staff productivity

Net staff reduction: 2,164



The greatest cost savings due to headcount reduction will be carried out in 2008

Redundancy Plan provisioning	€ 280 M in 2005
Annual impact	€ 122 M in 2008
Recovery period	2.5 years

Evolution 2006

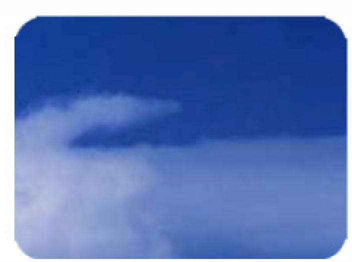
The redundancy plan has been accelerated

Staff reduction 2006

Director Plan:	1,052
Updated:	1,298
Total:	+ 246

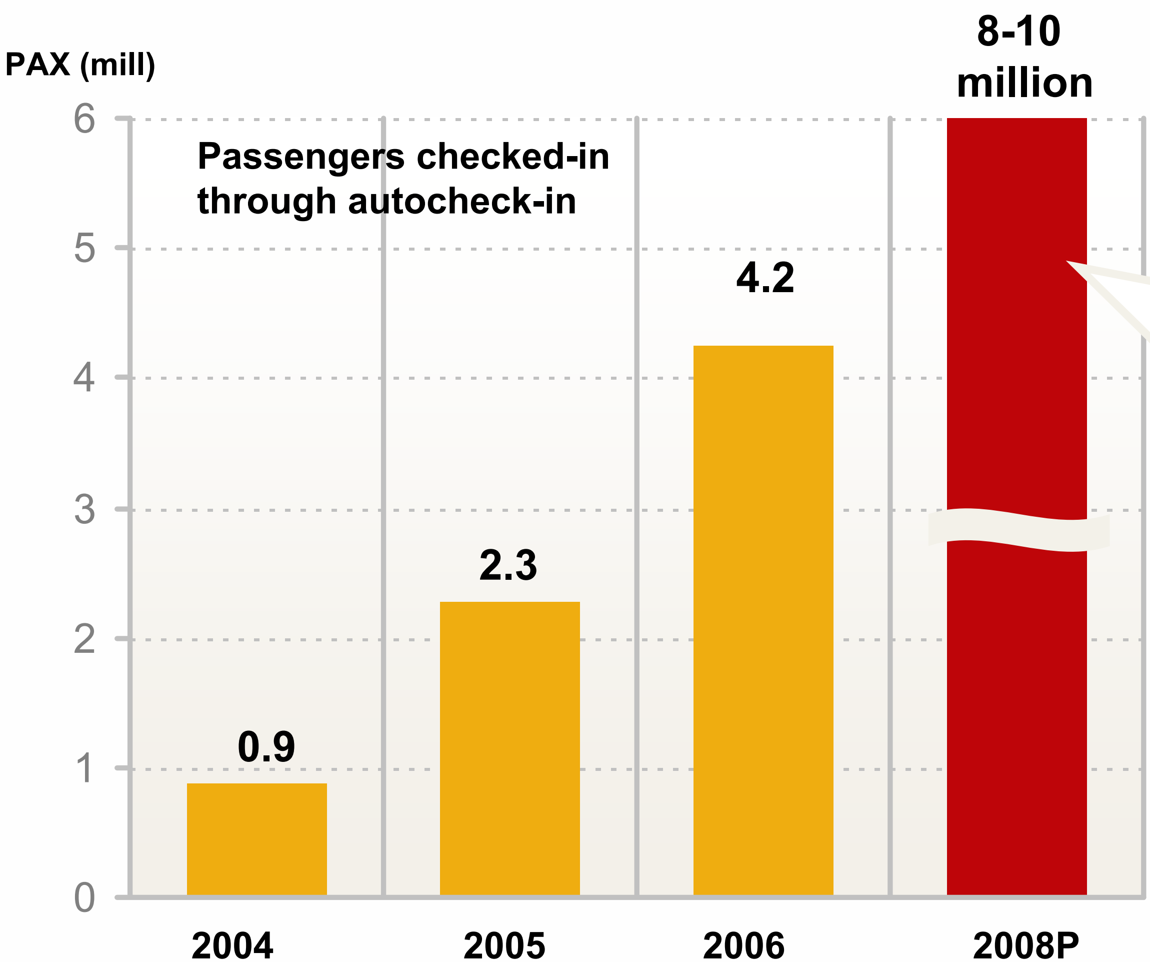
23% more than forecasted

60% of the Plan already achieved



Change of Processes and New Tools

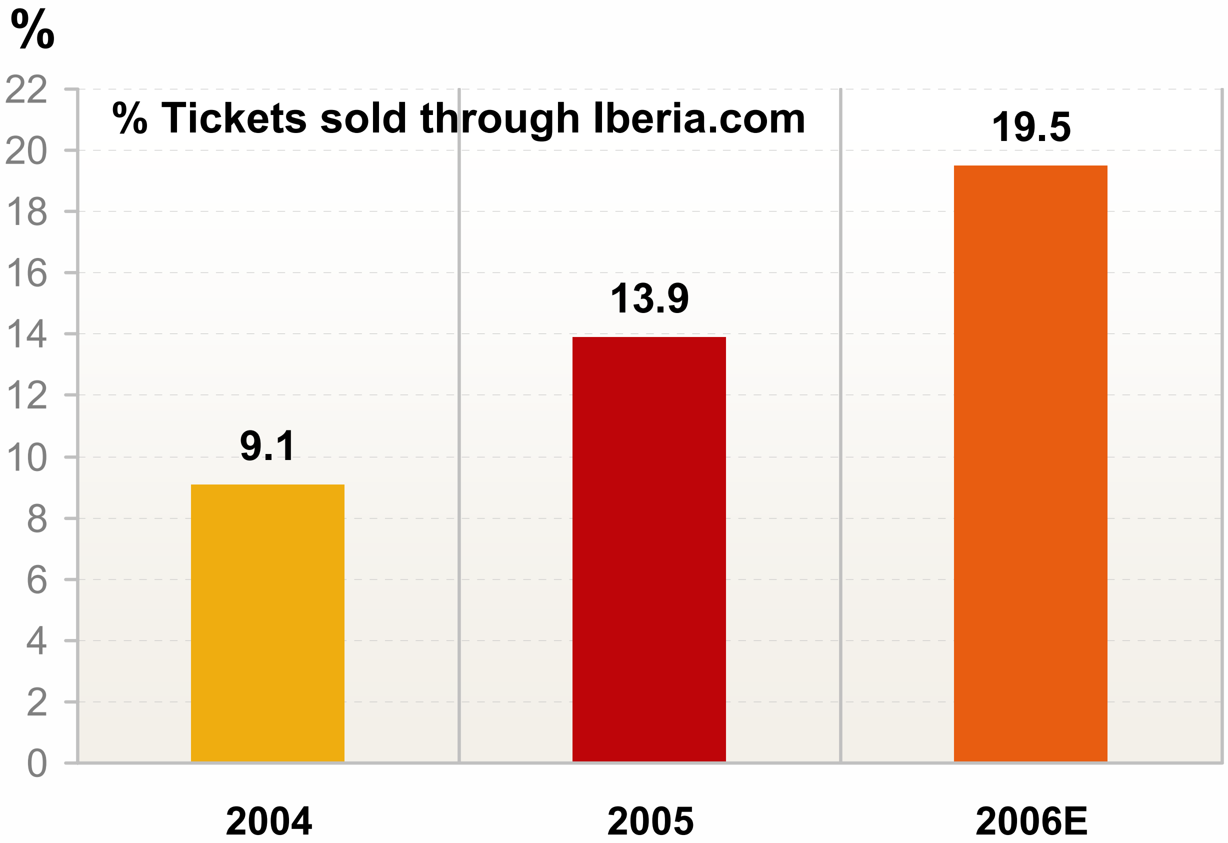
The use of autocheck-in will increase significantly



- Large capacity growth
- Extension to non Schengen European passengers
- Incorporation of baggage autocheck-in

Saving of €5 M in 2008

Change of Processes and New Tools



We have doubled Iberia.com sales in Spain

Electronic tickets: more than 90% of total tickets in 2006

The Director Plan is Based in Four Pillars

DIRECTOR PLAN 2006-2008

Reviewing and Optimising the Network

Improving Revenues and Quality

Enhancing the Productivity of Resources

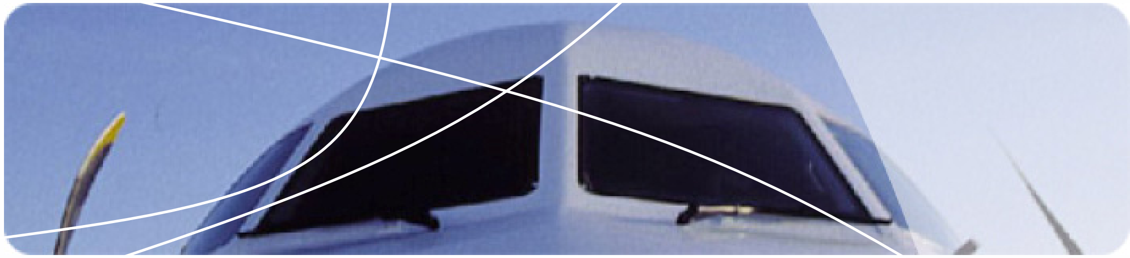
Cutting Operating Expenses

- **Personnel**
- **Rest of Costs**

Reduction of Personnel Cost 2006

	Ground 50% of total cost	Crew 50% of total cost
Salary freezes	✓	pending
Change from fixed to variable wages linked to target performance	✓	pending
New seniority	pending	pending
Productivity improvements	✓	pending

About 40% of the plan already achieved in 2006



Other Cost Evolution

- Reduction of commercial cost in Spain and abroad

Estimated savings of € 22 M

- Reduction of aircraft leasing costs

Estimated savings of € 18 M

- Reduction of cargo costs

Estimated savings of € 15 M

Director Plan initiatives are on Track

DIRECTOR PLAN 2006-2008

Reviewing and Optimising the Network

+ €126M

Improving Revenues and Quality

+ €163M

- €142M

Enhancing the Productivity of Resources

Cutting Operating Expenses

- Personnel
- Rest of costs

- €159M

Director Plan 2008 Targets

	2008 E	
	50 US $/ Barrel	60 US $/ Barrel
Ebitdar Margin	>16%	>16%
ROE	~10%	~10%
Reduction of unit costs ex fuel	- 8 -10% nominal	