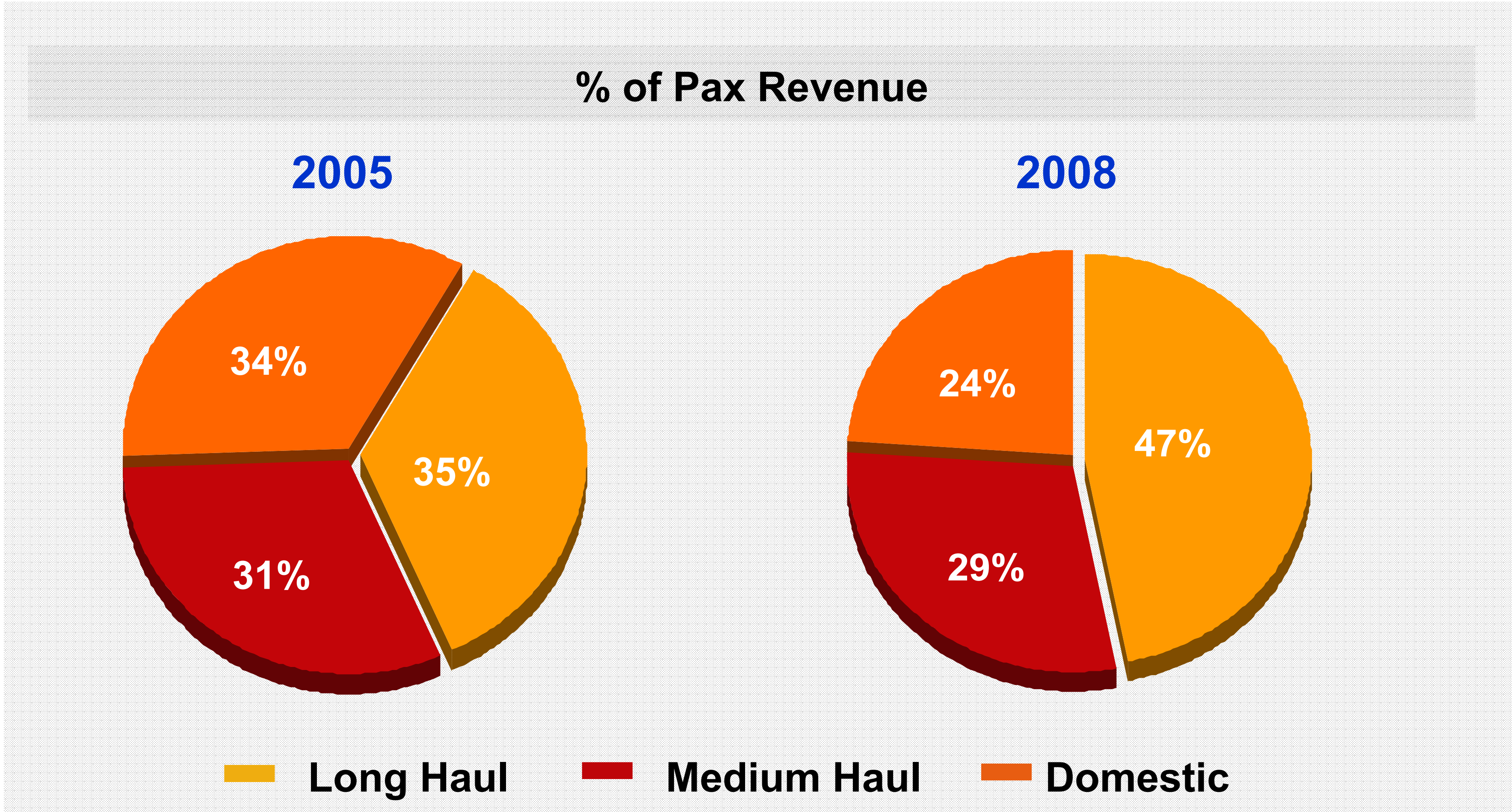
IBERIA

Davy International Aviation Day
Dublin, 26th March 2009

Main Strengths

- High quality network
- Leadership in Europe-Latin America
- Young and efficient fleet
- Focus on productivity and cost cutting
- Financial strength

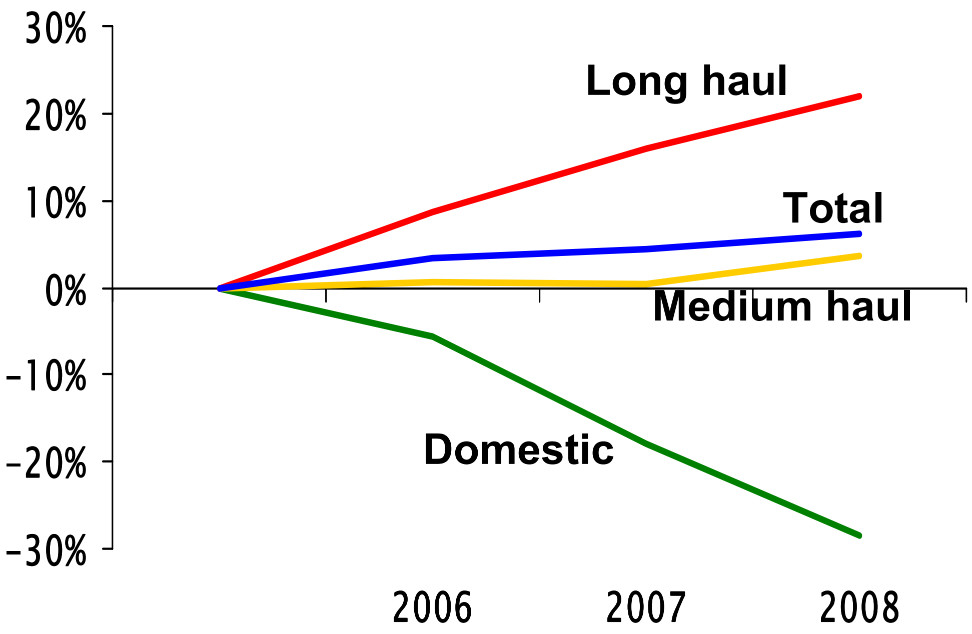
A High Quality Network



Long Haul gradually increasing its weight strengthening the competitive advantage in the Latin American market

Restructuring and optimising the Network

Cumulative % Growth in ASK



Capacity Evolution

	08/05
Domestic	-31.5%
Medium Haul	+3.7%
Madrid-Europe	+45.4%
Long Haul	+19.3%
Total	+4.0%

Strengthening the network: Growth in the Hub

Madrid Hub optimisation

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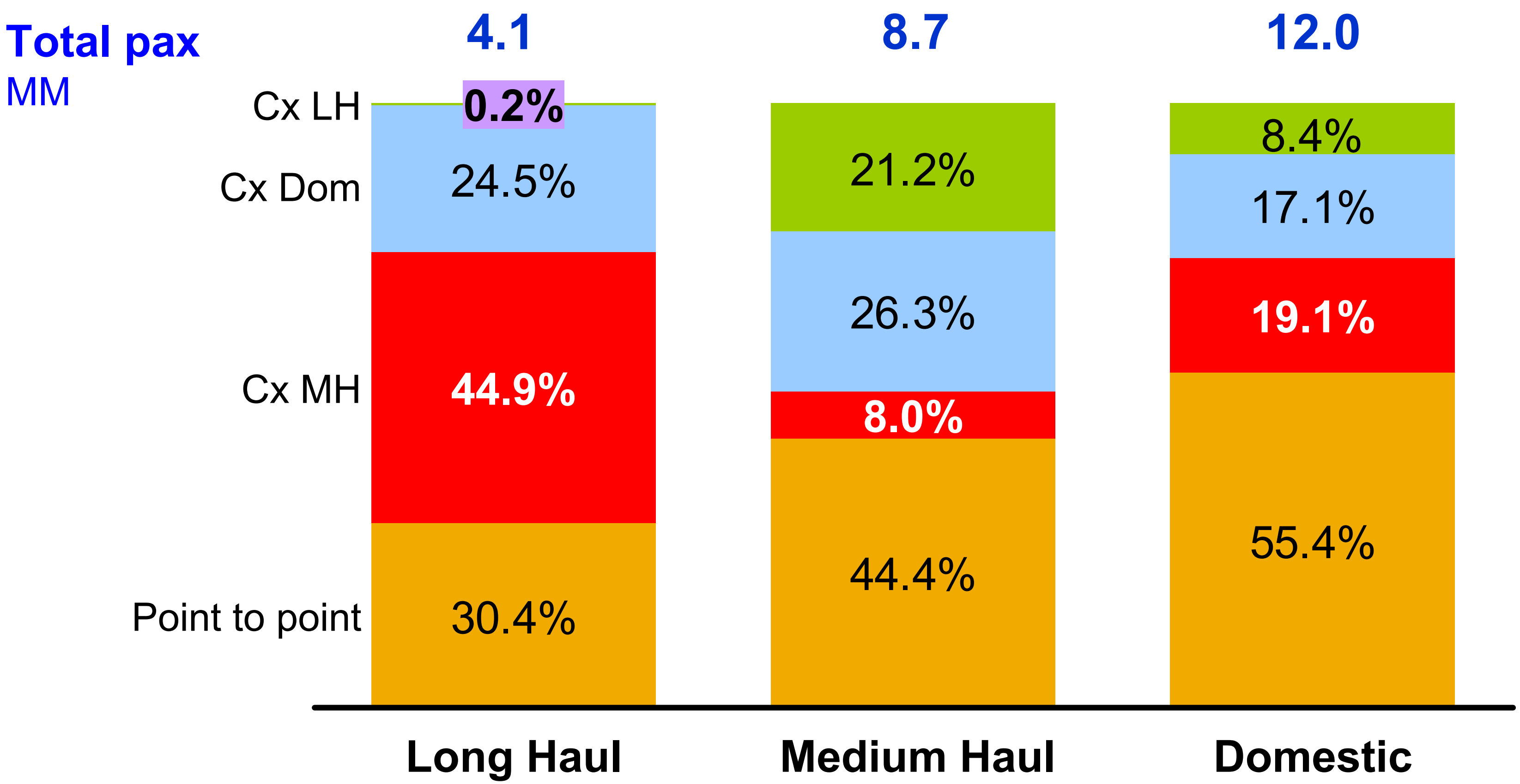
53% of our passengers are connections (+2 pp vs 07)

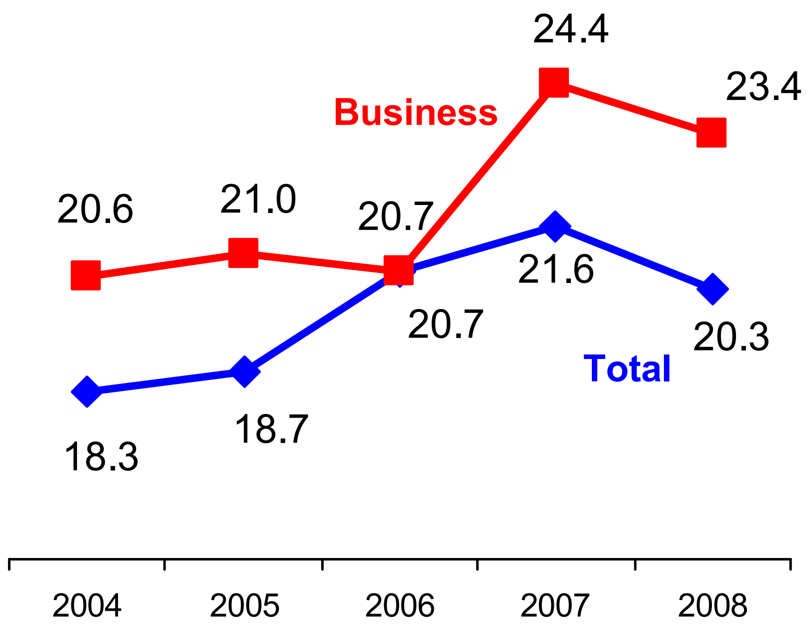


Improve connecting banks in Madrid target 2011: From 7.500 to 8.370 weekly hits

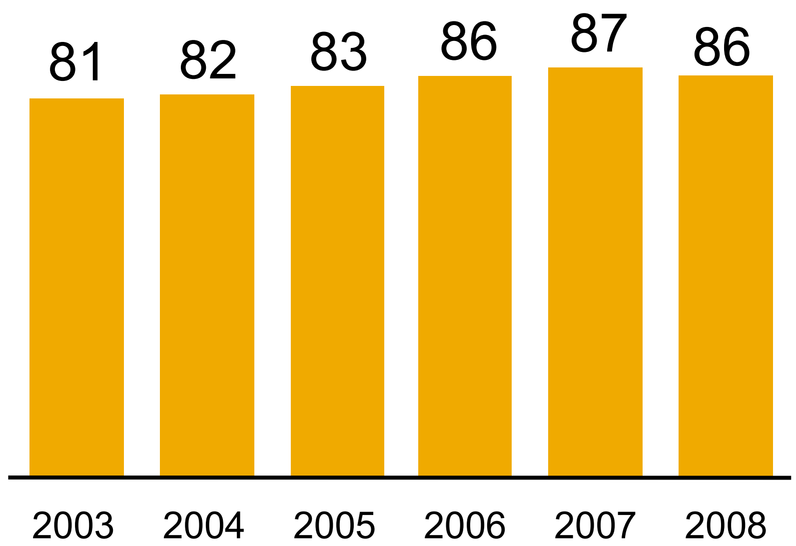
Reinforce the seasonality of the yearly schedule to improve the results

Iberia has improved its market share and load factor in Europe-Latin America

Europe-Latin America market



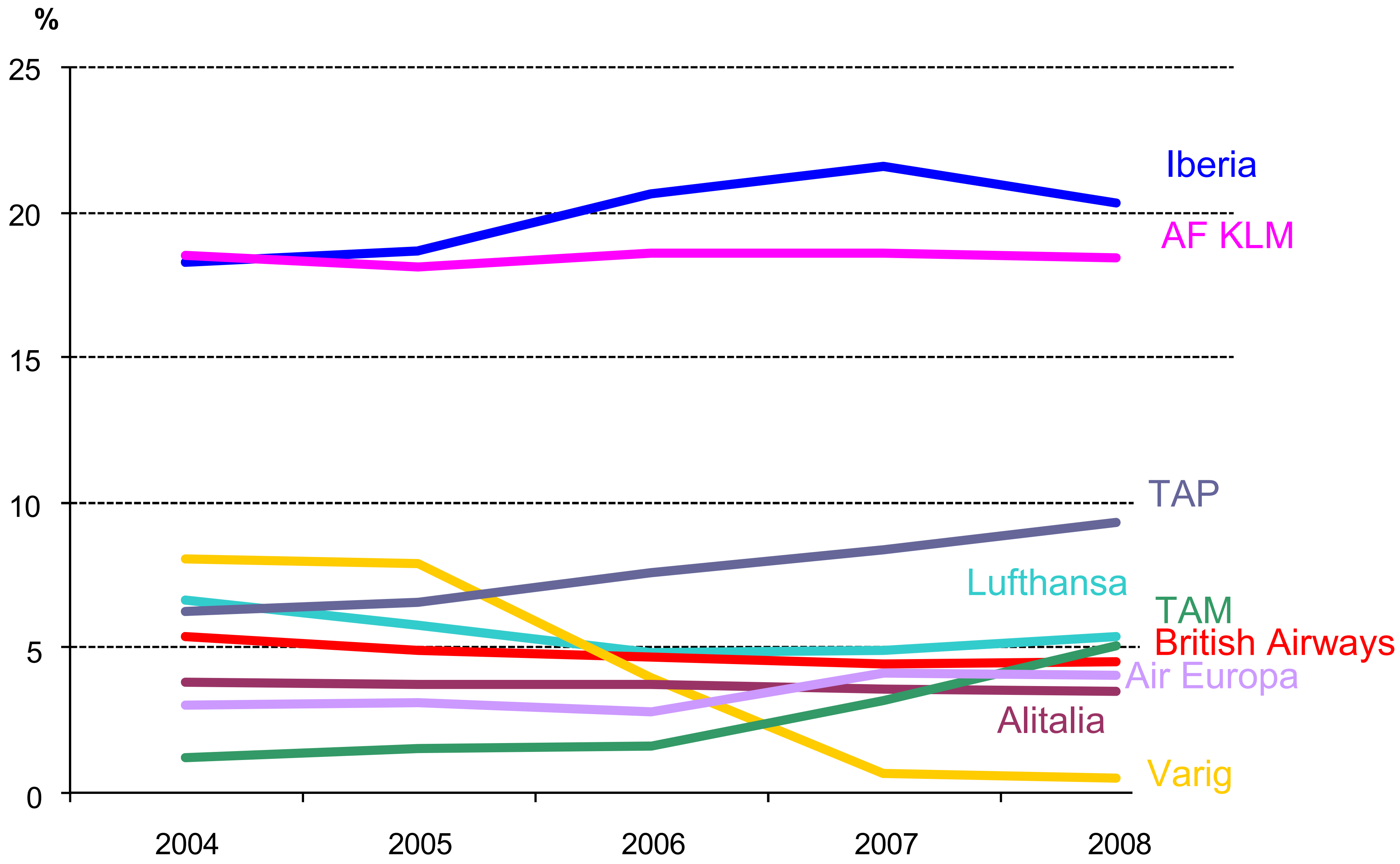
Load Factor



Business passengers (*)	+42 %
Unit revenue (*)	+23 %

(*) Over 2005

Main strategic market:
Evolution of Europe - Latin America market shares



Fleet Management: Main objectives

Fleet homogenization
moving to 2/3 aircraft families

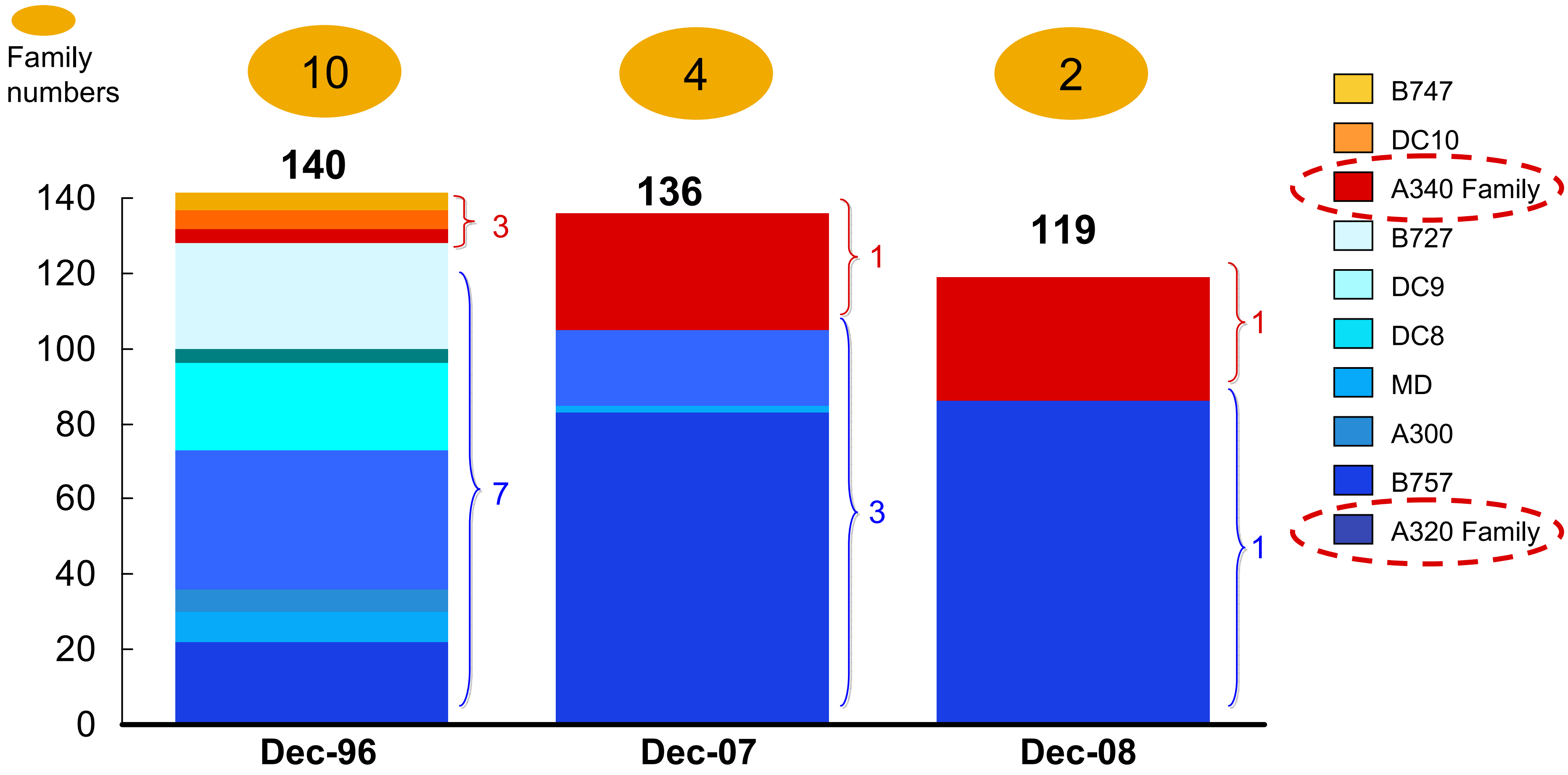
Rejuvenating the fleet:
Average age of 7-8 years

Create enough flexibility to adjust to market conditions, maintain negotiating power with manufacturers and avoid fleet obsolescence

Control assets exposure,
transferring risks to specialists

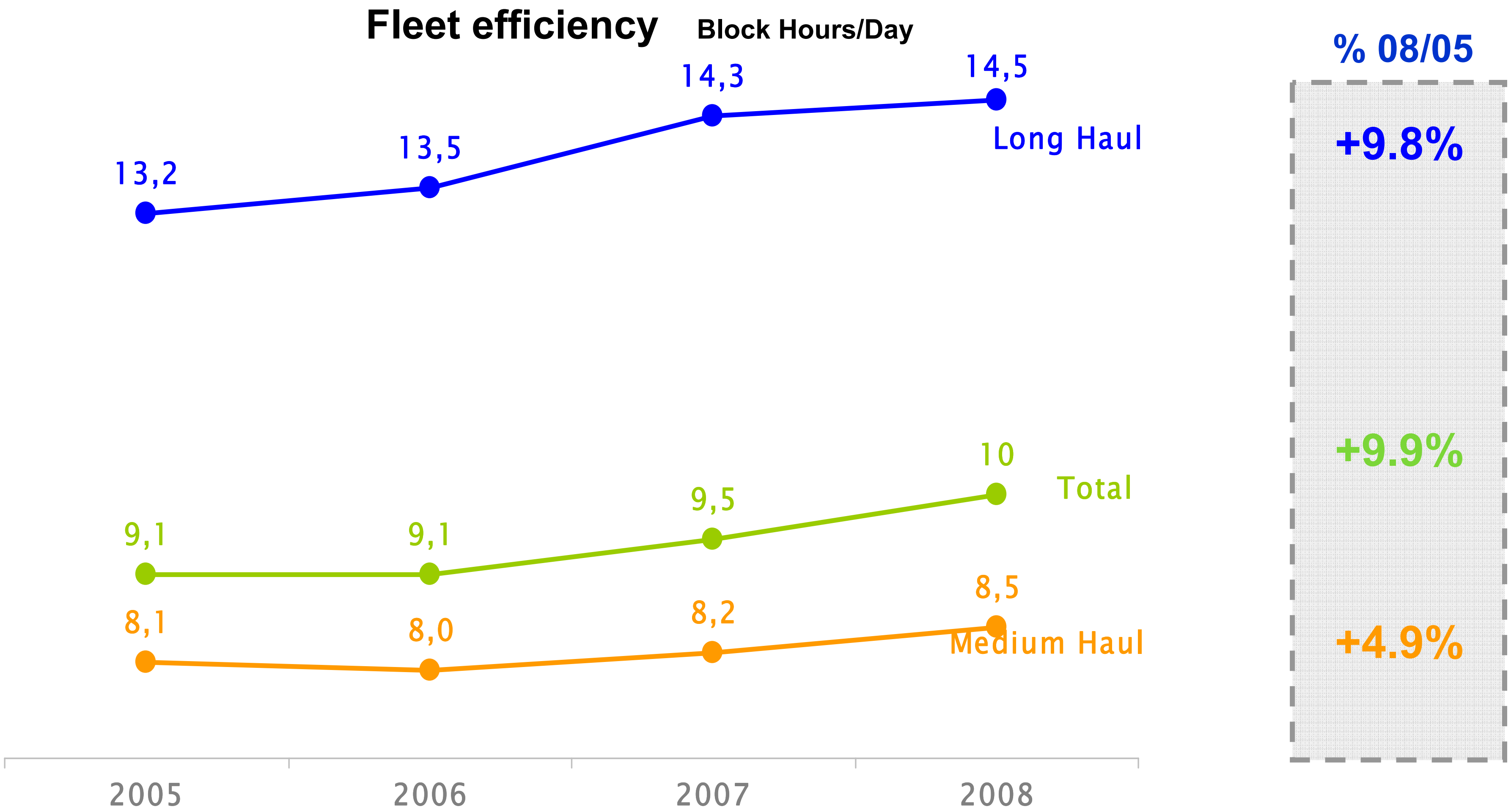
Reduce operational costs & maintain ownership costs at the lower end of the industry range

Young and Efficient Fleet



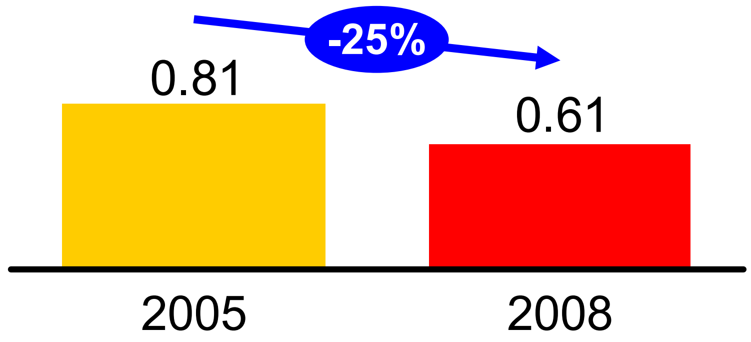
Average age	13.3	7.9	7.1

Focus on efficiency and cost cutting

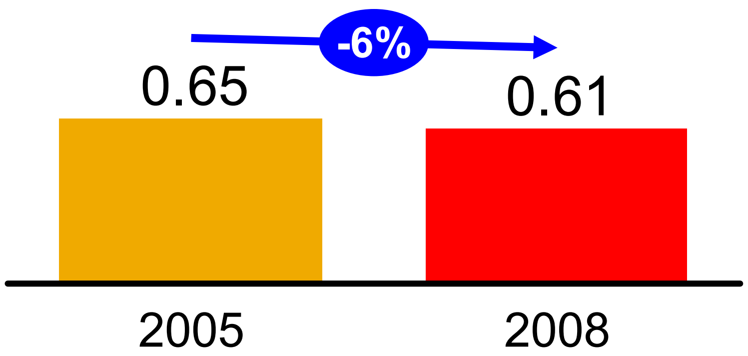


Fleet Management: costs reduction

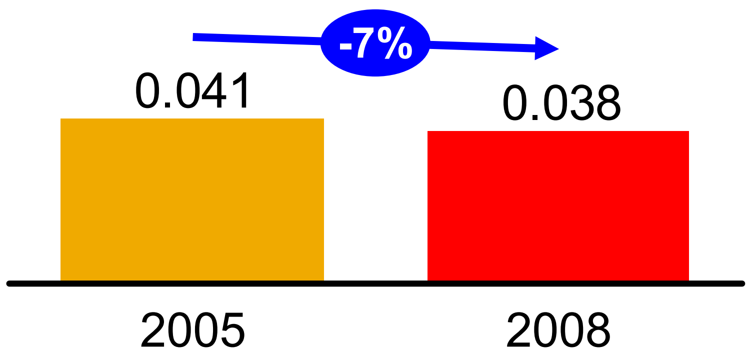
Fleet Ownership Costs (€ cent/ASK)



Maintenance Costs (€ cent/ASK)

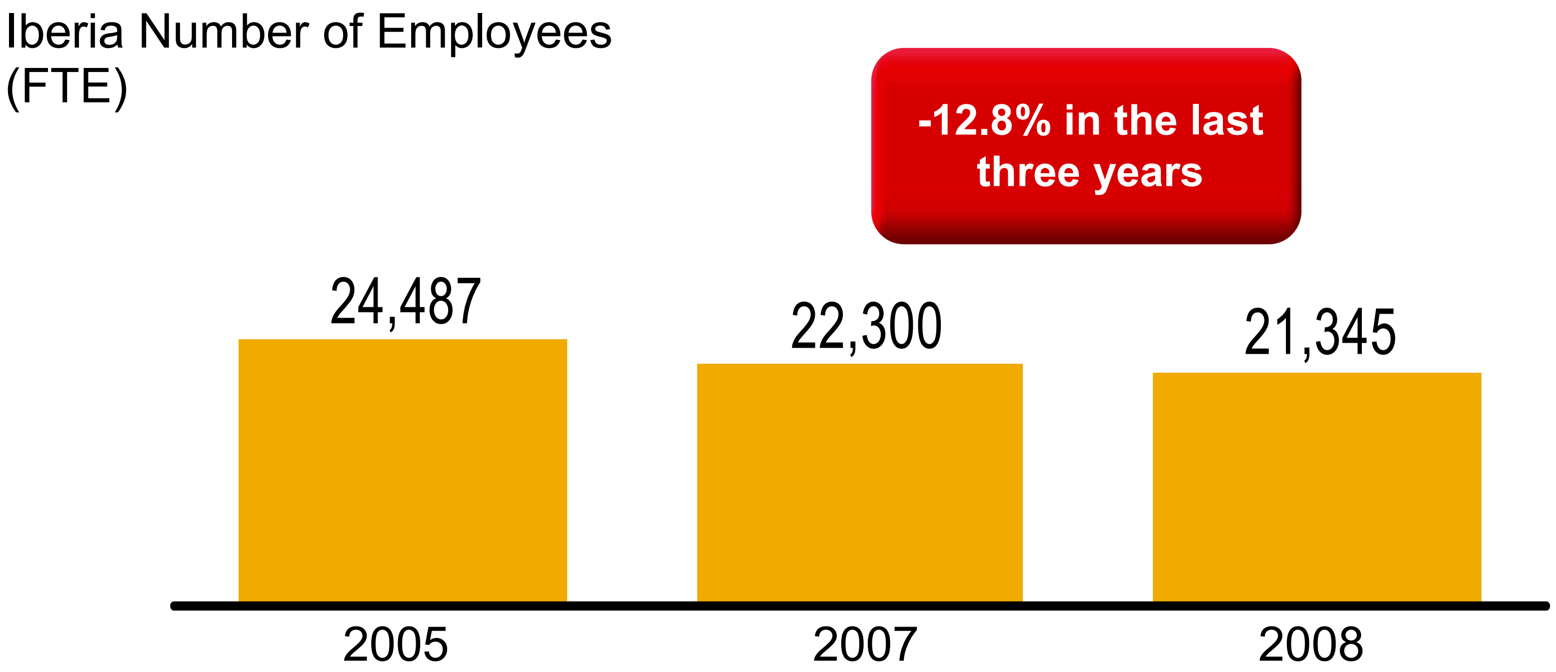


Fuel Consumption (liters/ASK)



The renewal of the fleet has been compatible with the stability of ownership costs

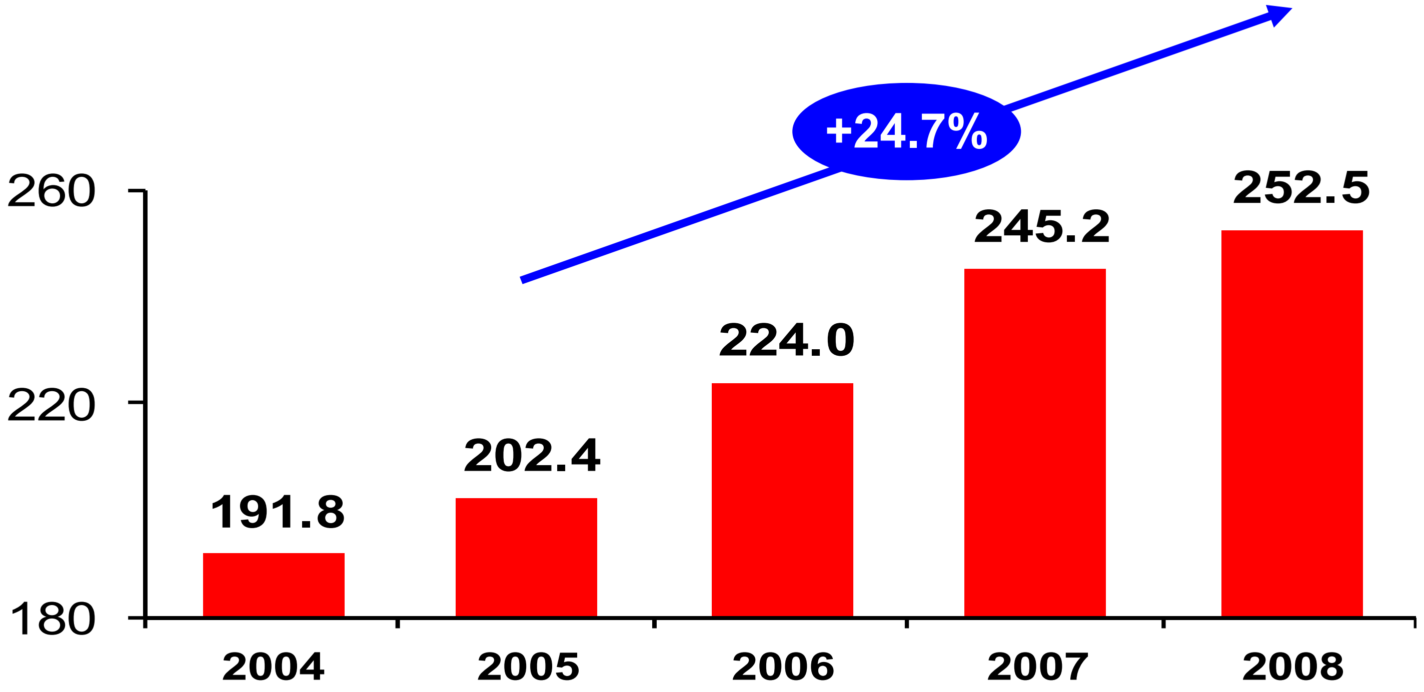
Increased staff productivity



- The greatest cost savings due to headcount reduction have been carried out in 2008

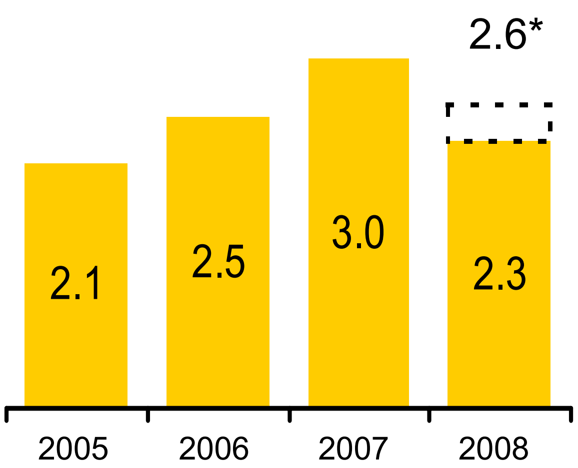
Increased staff productivity

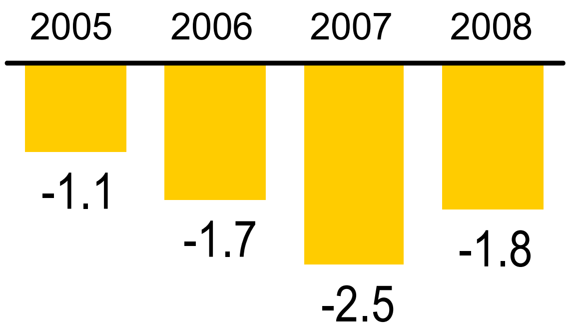
Operating Revenue/Employee
Thousand €

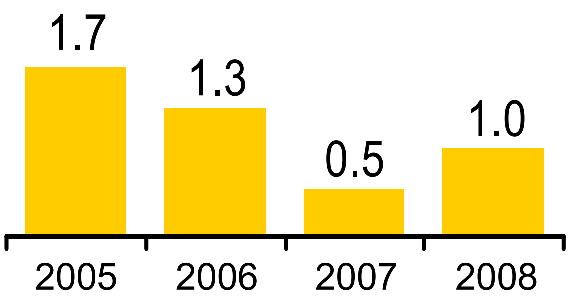


Financial Strength

MM/€







* Including BA investment

Financial Strength

One of the best financial profiles amongst comparable airlines

Strong gross cash position [1]:	2,3 bn €. 41% of revenues
Low leverage:	Net Adjusted debt to capital: 39% [2] Net Adjusted debt to EBITDAR: 2 [3]

Modest capex and pension contributions requirements

Flexible asset base (fleet structure & financing) with low ownership costs

[1] Cash invested + Other Investments (Iberbus) + Cash Balances

[2] Net Adjusted Debt / Net Adjusted Debt + Capital

[3] Net Adjusted Debt / EBITDAR

Drivers of Iberia Financial strength

Long and consistent period of positive results and cash flow (managing through the cycle)

Lean asset base

Fleet management, strategic divestments, control on investments and acquisitions

Financial policies

- Financing fleet acquisitions off balance sheet
- Tax lease equity
- Efficient cash management

Low leverage

High cash

Fleet Flexibility and Asset Risk

In Balance Sheet vs Off Balance Sheet

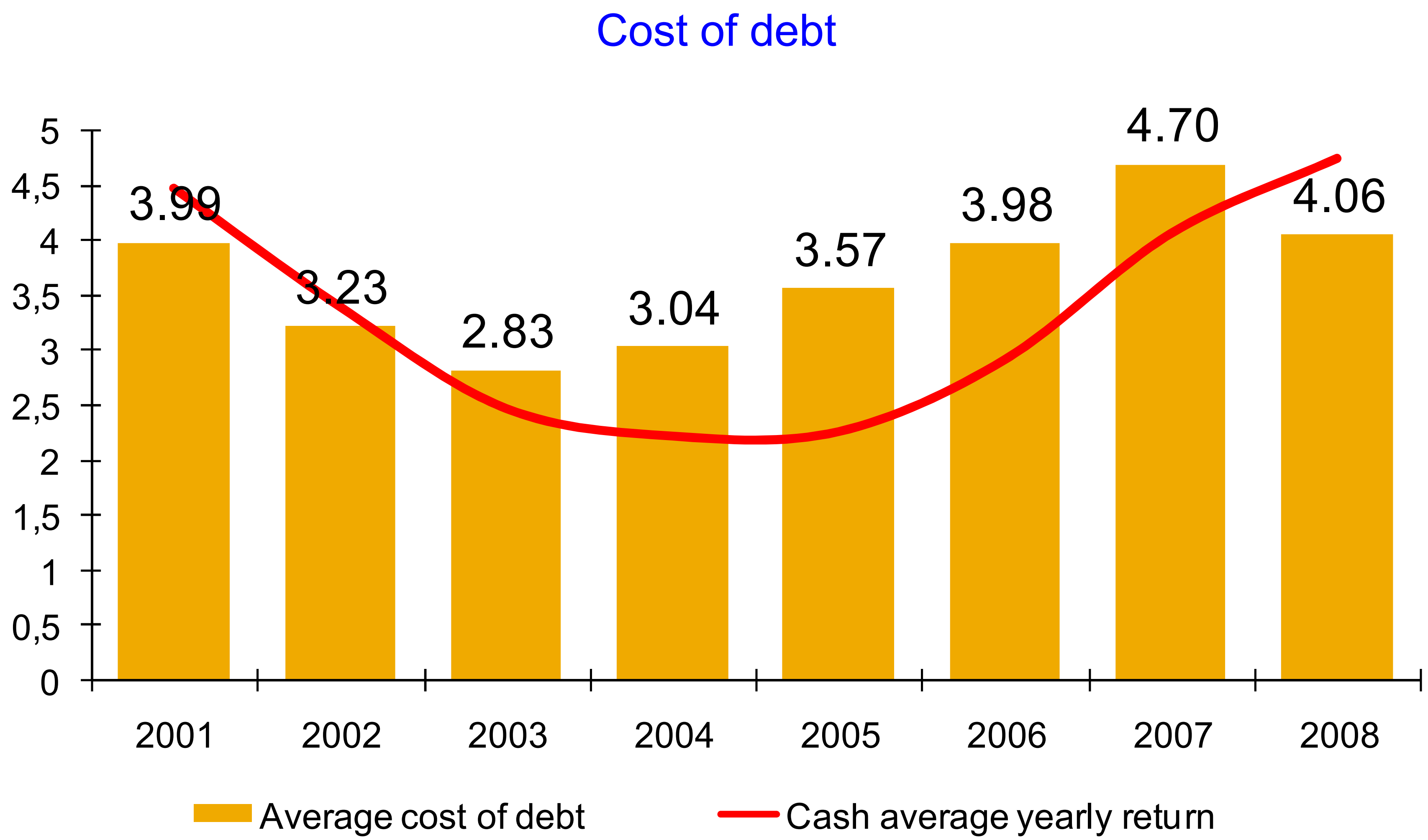
Value (€m)	Ownership Structure	
546 (16%)	Ownership	On Balance Sheet €795m (24%)
249 (8%)	Finance Leases	
1, 723 (51%)	Synthetic Op. Leases	Off Balance Sheet €2,560m (76%)
837 (25%)	Pure Operating Leases	

Total Assets

Minimizing Asset Risk by having only 24% of our fleet on balance sheet

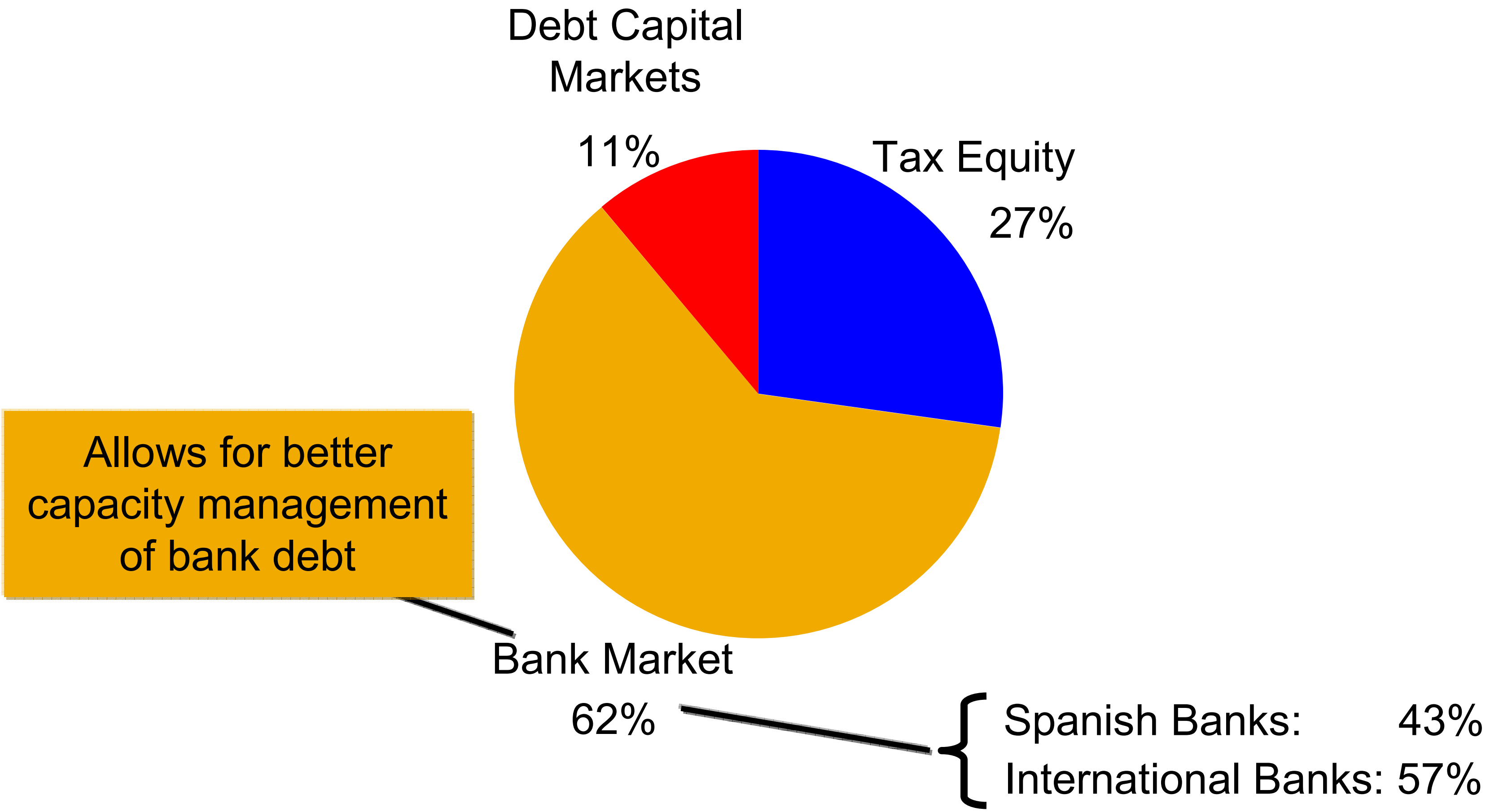
Note:
(1) Data as of 31st of December 08
(2) Value of OFF Balance Sheet has been calculated capitalizing annual aircrafts rentals by:8

Low and Stable Cost of Debt



Note:
(1) Gross cost of debt (On and off balance sheet debt and benefit of tax equity included)

Funding Diversification



Iberia's debt is not subject to financial covenants

Note:
(1) Data as of 31st of December 08

Coming years require modest capex

- Capex

2009	79
2010	31
2011	154
TOTAL	264

+ 100-120 € M/year of maintenance capex

- Other non recurring costs

Additionally an extraordinary provision of 140 € M for a redundancy plan

Fleet Management: Future Deliveries

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Modest amount of new deliveries

Aircraft model	2009	2010	2011	2012
A 340 - 600	0	3	2	1
A 320 family	0	5	5	2
Total	0	8	7	3

Iberia is in a very good position to withstand financial & economic crisis

- Cash situation and bank availability will be preserved and even improved through the new three year Strategic Plan
- Good access to relationship banks and financial markets will permit to finance capex requirements in the next few years
- New fleet acquisitions will be timed on the optimal conditions in terms of price and flexibility

Outlook

- Uncertainty on demand
    - Load factor decline
    - Weaker premium traffic
    - Unit revenue deterioration

- Unit costs will be further reduced

Jet Fuel 2009 E

Around 50% hedged : Position that allows opportunities for fuel reductions

Total Fuel Costs
Bn €

Price sensitivity 2009 vs 2008 (1.30 USD/€)	Fuel Costs/ASK 2009 (€ cents)
1.51 bn € (-6%) 80USD/barrel	2.32
1.34 bn € (-17%) 60USD/barrel	2.05
1.13 bn € (-30%) 40USD/barrel	1.73

Unit Fuel Costs
€ cents

Actions 2009

- Stronger reductions in capacity (-4% vs -1.7%) especially in the short and medium haul
- Contingency plan

Main targets

Transport

Face up a turbulent environment and recover profitability

Maintenance

Accelerate profitable growth

Handling

Return to profitability ensuring long term business sustainability

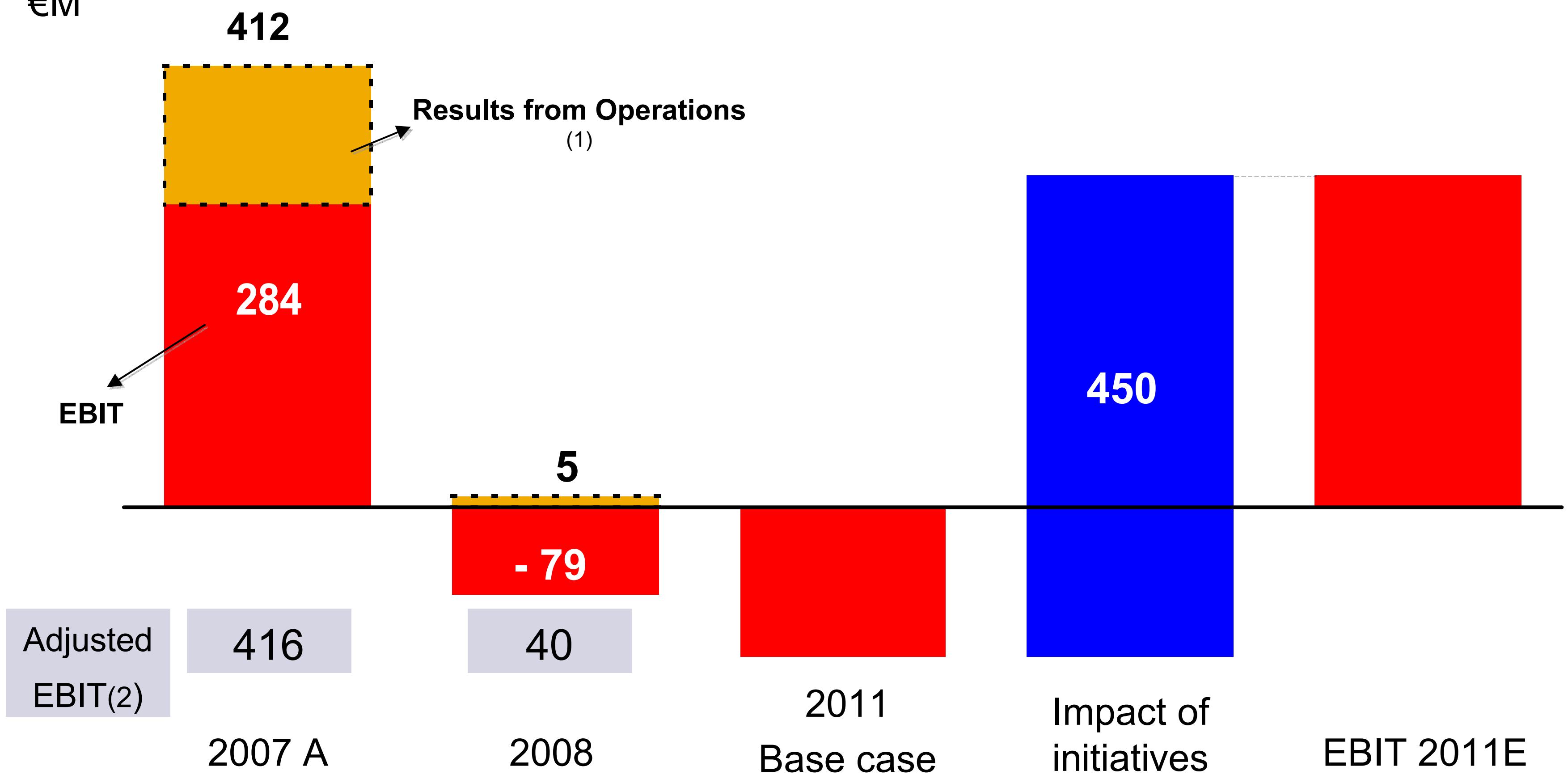
Strategic Plan 2009-2011

Manage the consolidation environment strengthening strategic relevance

Profitability will be recovered with the Strategic Plan initiatives

450 €M EBIT improvement over the base case

Iberia Group
€M



Timing will depend on the speed of the recovery

(1) Including non recurring items
(2) EBIT + 33% operating leases