

**IBERIA**



# Analyst **and** Investor Day

7<sup>th</sup> November 2007



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Mr. Fernando Conte García (Chairman & CEO)

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# Year 2007

## Nine Months Results

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# Highlights



- 🇪🇸 Important progress on the initiatives of the Director Plan
- 🇪🇸 Successful restructuring of the short and medium haul network and continuing growth in the long haul
- 🇪🇸 Strong success of the Business Plus class
- 🇪🇸 Madrid Hub reinforcement
- 🇪🇸 Impact of the newcomers on the Handling business

# Selective Growth: Q3 Traffic Statistics



Q3 2007/06	ASK (%)	RPK (%)	L.F.(p.p.)
Domestic	-12.8	-7.2	+4.9
Europe	-0.3	-0.9	-0.5
Other Int. Medium Haul	+3.3	+12.1	+6.4
Long Haul	+7.5	+9.3	+1.5
<i>Total</i>	<i>+1.6</i>	<i>+4.2</i>	<i>+2.1</i>

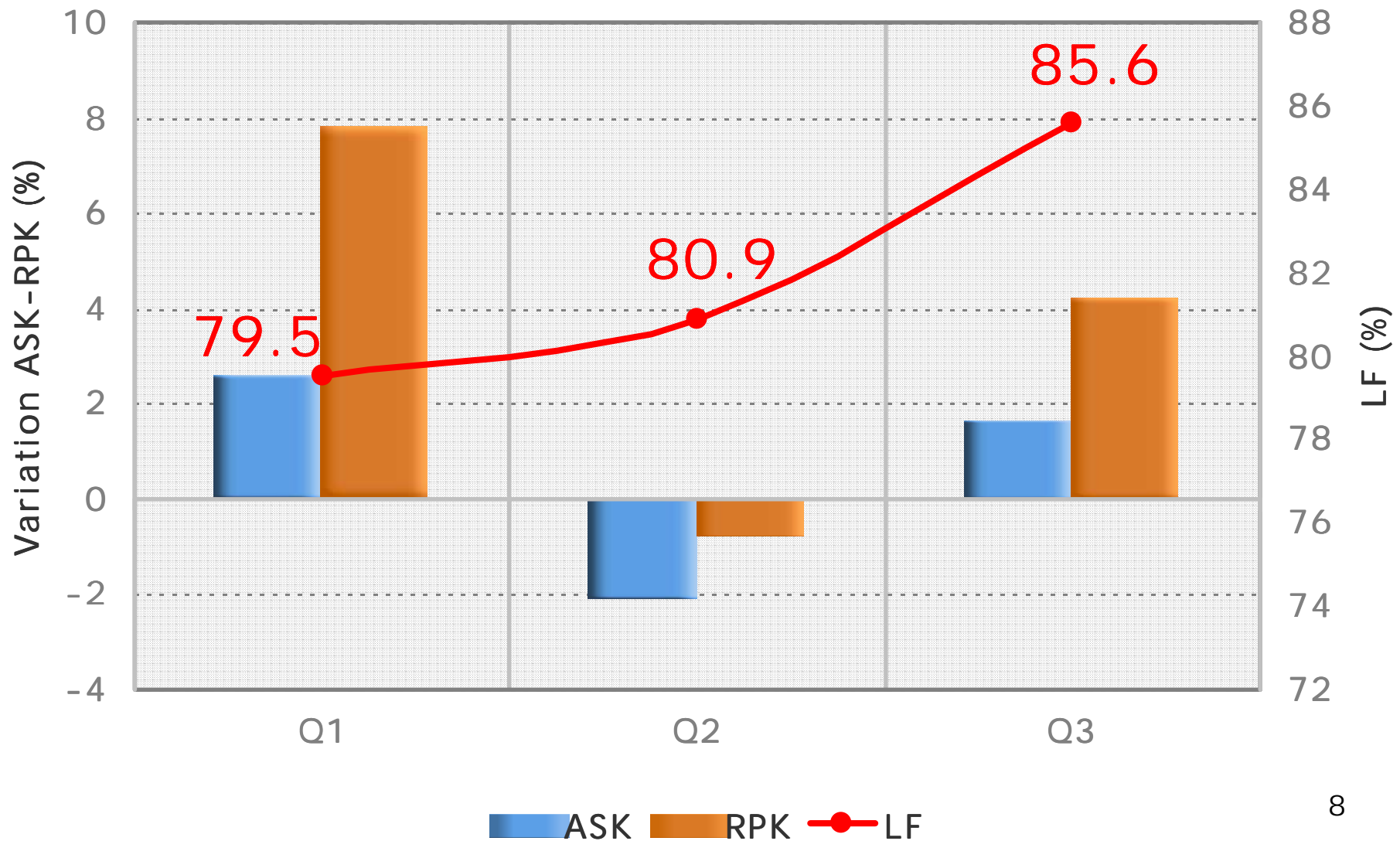
Long Haul RPK are 60.6% of total traffic

# Selective Growth: 9 Months Traffic Statistics

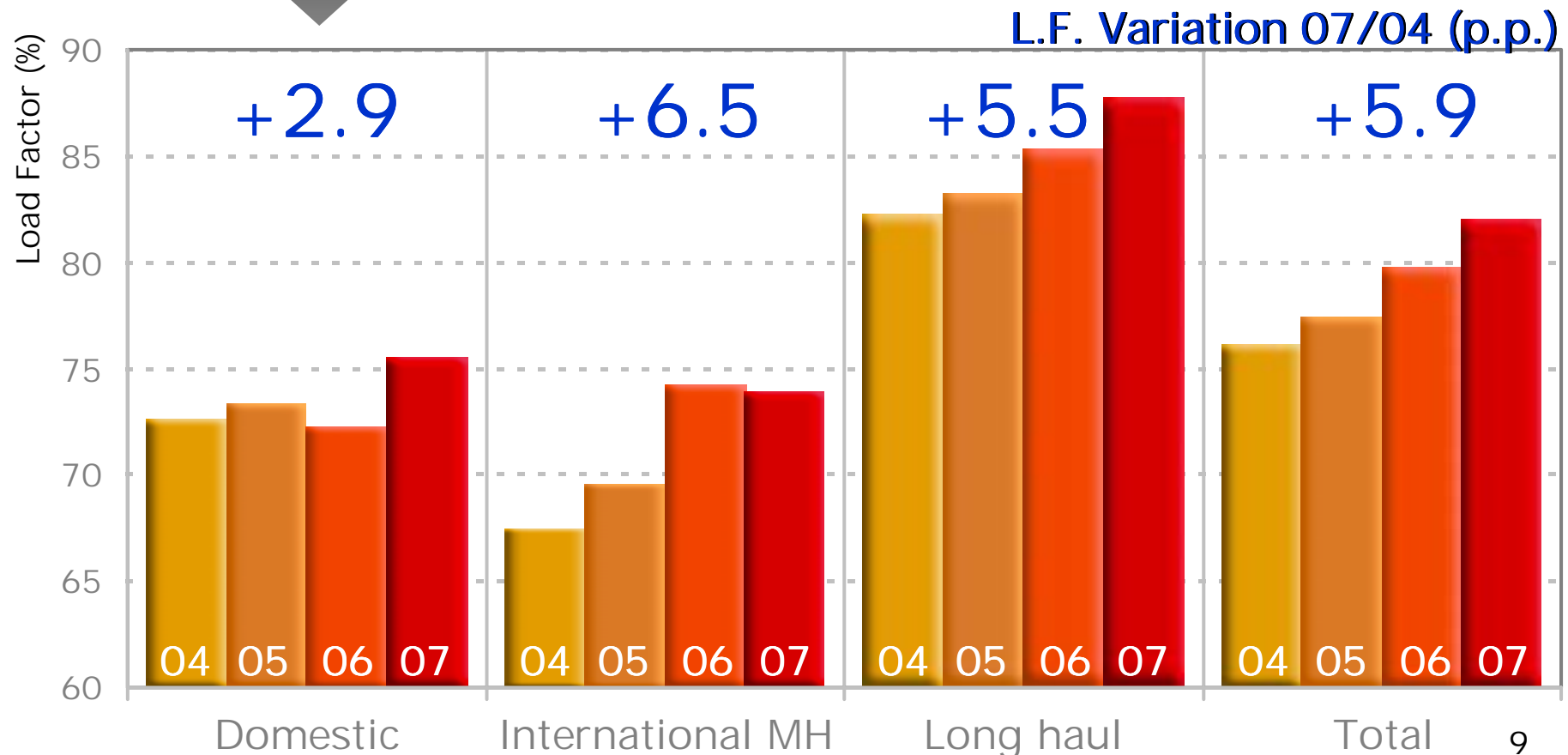
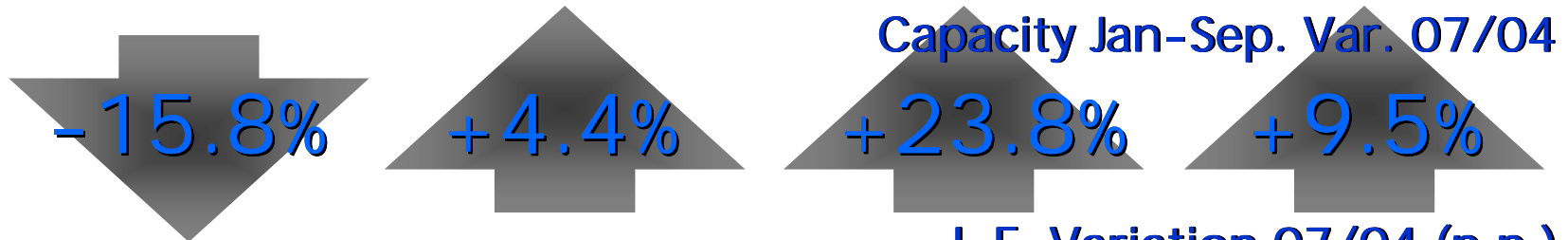


Jan-Sep 2007/06	ASK (%)	RPK (%)	L.F.(p.p.)
Domestic	-13.5	-9.6	+3.2
Europe	-2.1	-3.0	-0.7
Other Int. Medium Haul	+9.1	+13.0	+2.7
Long Haul	+6.9	+9.8	+2.4
<i>Total</i>	<i>+0.7</i>	<i>+3.5</i>	<i>+2.3</i>

# Significant Improvement of Load Factor 2007/2006



# Capacity and Load-Factor Evolution 2004-2007

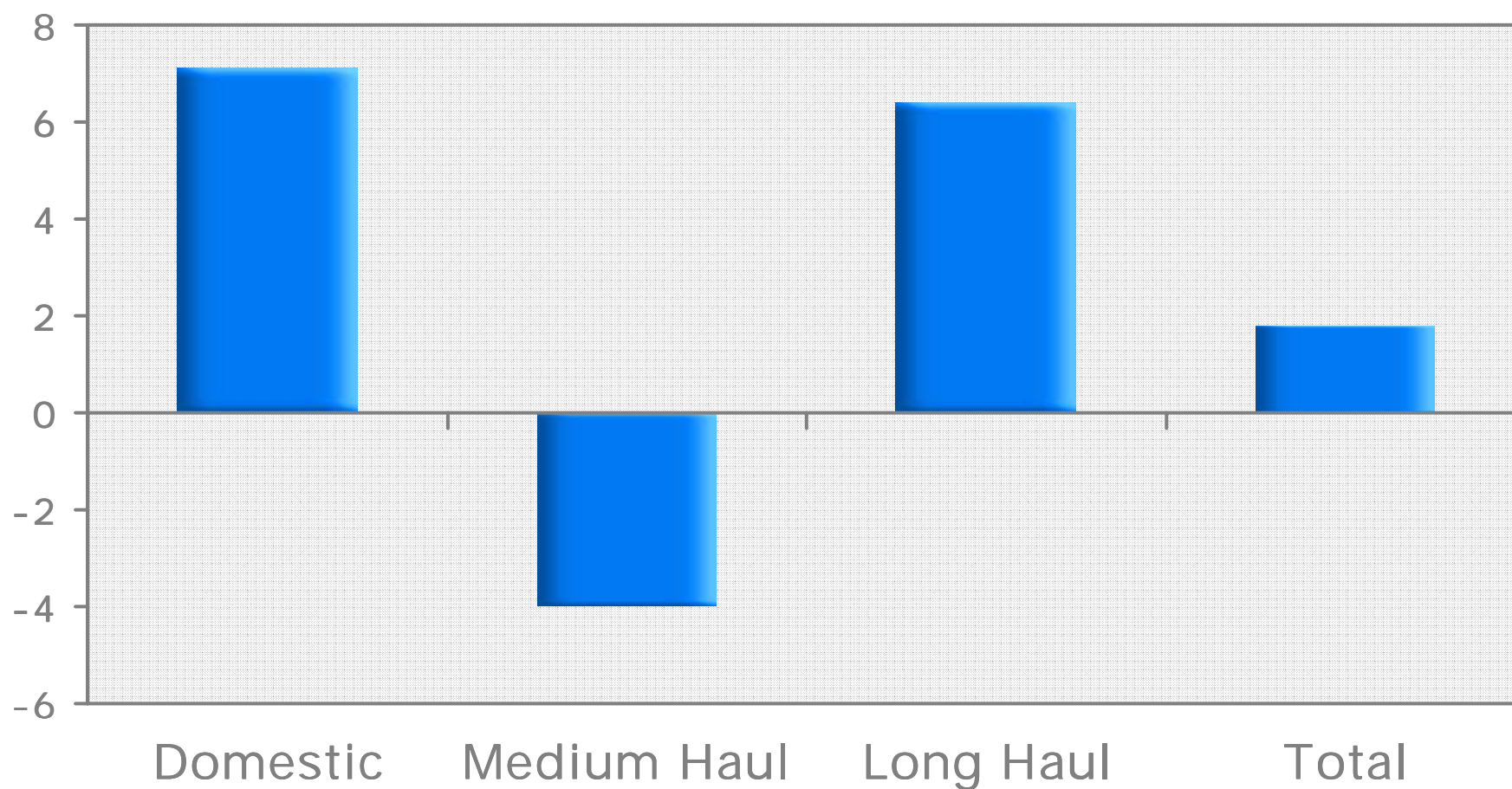




# Q3 Unit Revenue Evolution



% 07/06



*Total* +1.2%

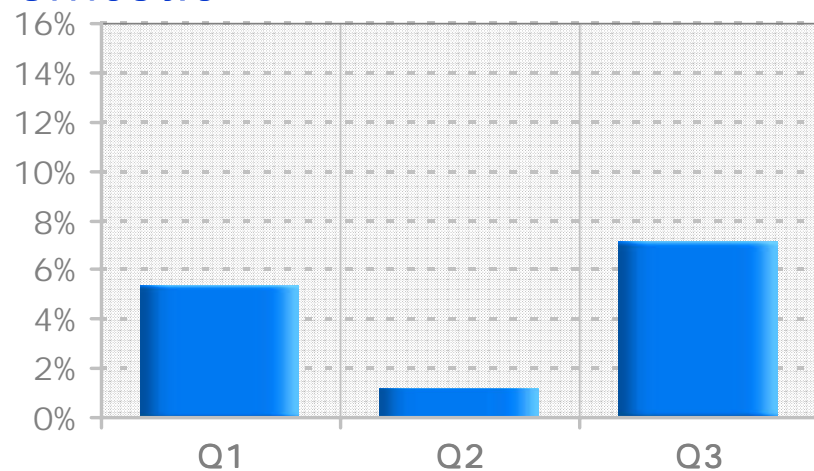
*Ex currency effects* +2.8%

# Quarterly Unit Revenue Evolution

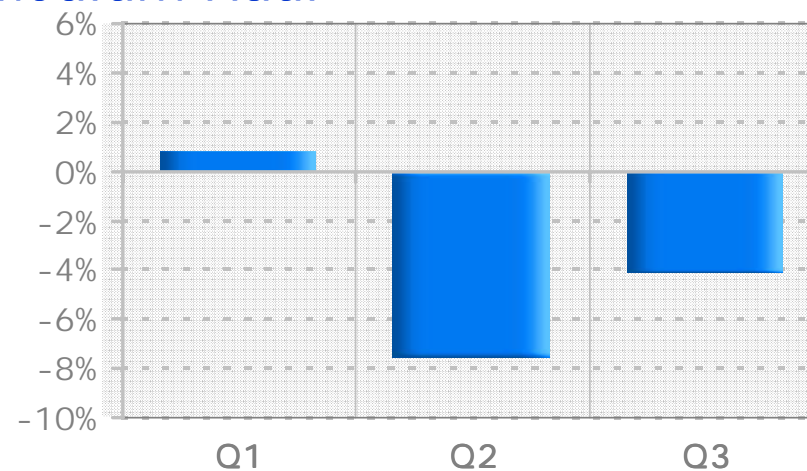


Revenue/ASK % 07/06

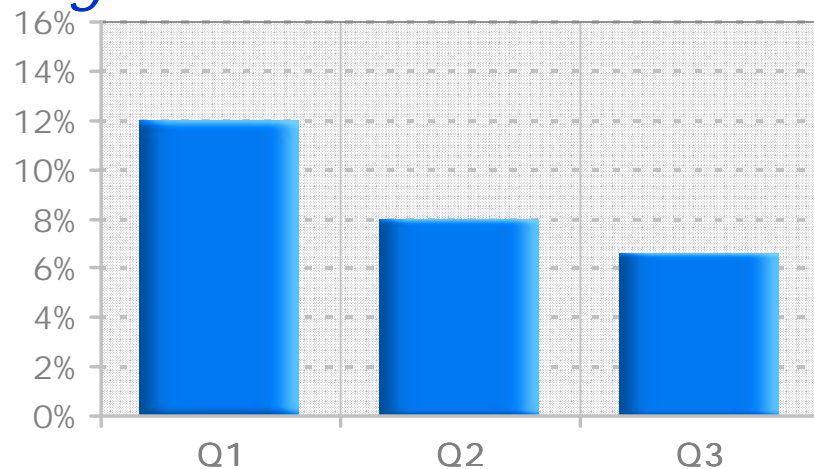
## *Domestic*



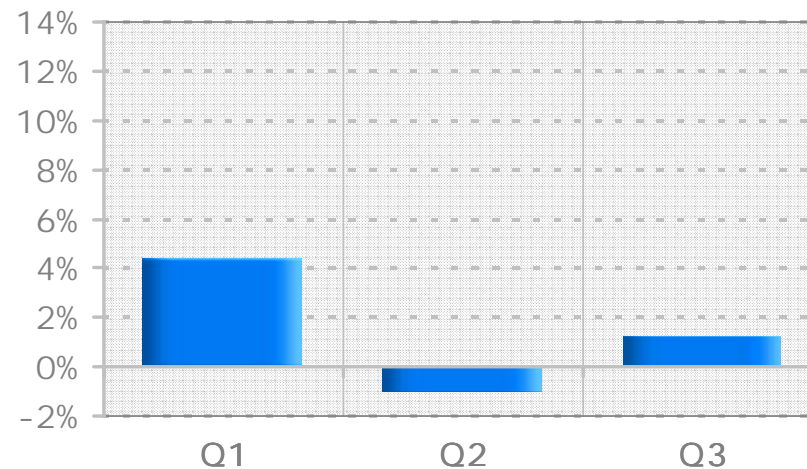
## *Medium Haul*



## *Long Haul*



## *Total*



# Q3 Operating Revenues



Million €

	Q3 2007	% 07/06
Passenger	1,153.6	+3.4
Cargo	82.1	+3.4
Handling	78.0	-25.8
Maintenance	65.0	+24.8
Rest	80.1	+14.0
<b>Total Operating Revenues</b>		<b>+2.5%</b>
<b>Operating Revenue / ASK</b>		<b>+0.9%</b>

# 9 Months Operating Revenues



Million €

January-September 2007

% 07/06

Passenger	3,250.0	+2.5
Cargo	246.8	+5.2
Handling	206.9	-18.1
Maintenance	196.1	+26.5
Rest	225.6	+7.1
Total Operating Revenues		+2.6%
Operating Revenue / ASK		+1.9%

# Q3 Operating Costs



Million €

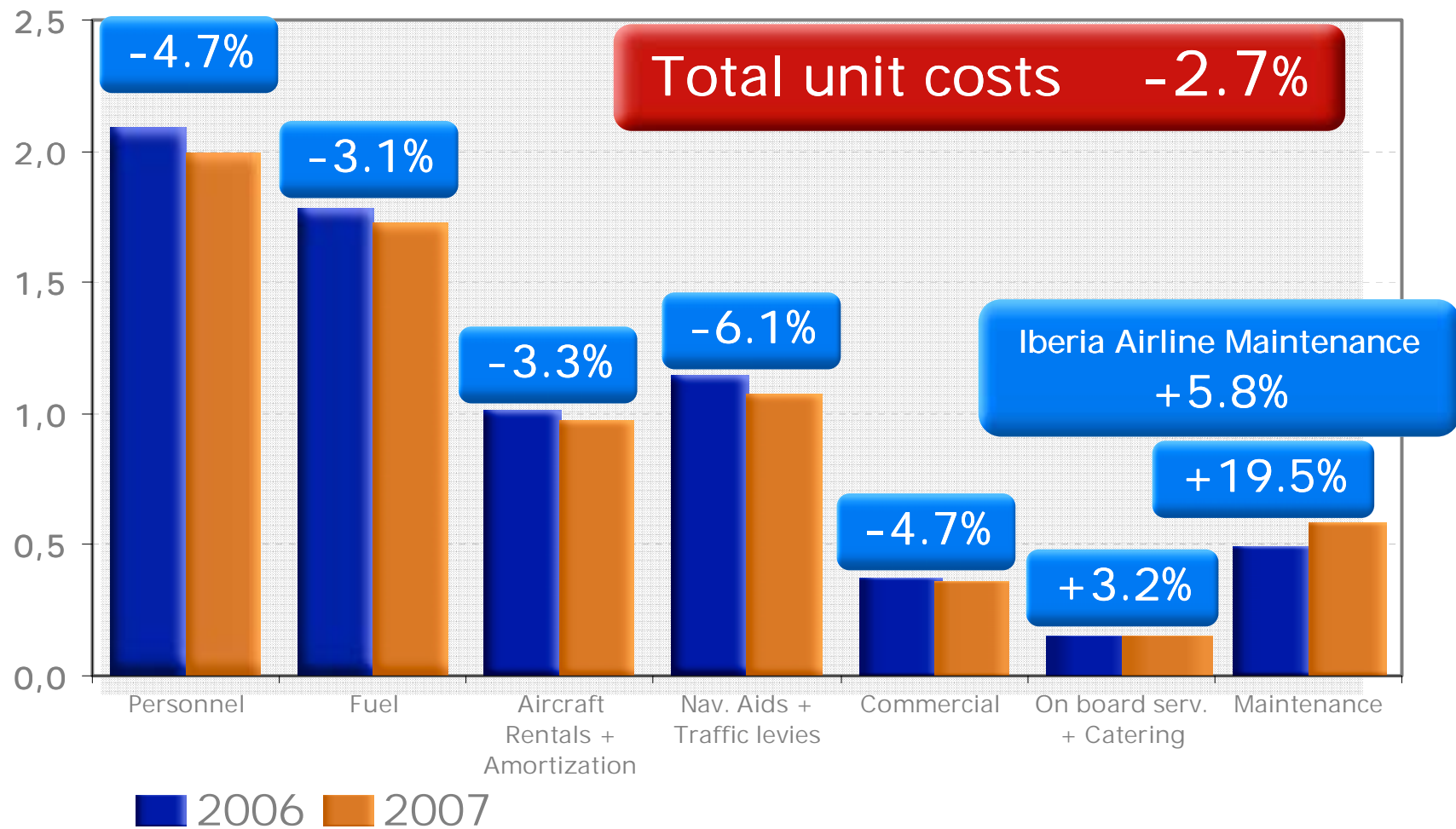
	Q3 2007	% 07/06
Personnel	340.4	-3.2
Commercial	60.8	-3.1
Fuel	294.7	-1.5
Aircraft rentals + Depreciation	166.7	-1.7
On board service + Catering	25.8	+4.9
Navigation charges + Traffic services	183.3	-4.6

**Total Operating Costs**

**-1.2%**



# Q3 Unit Cost Evolution



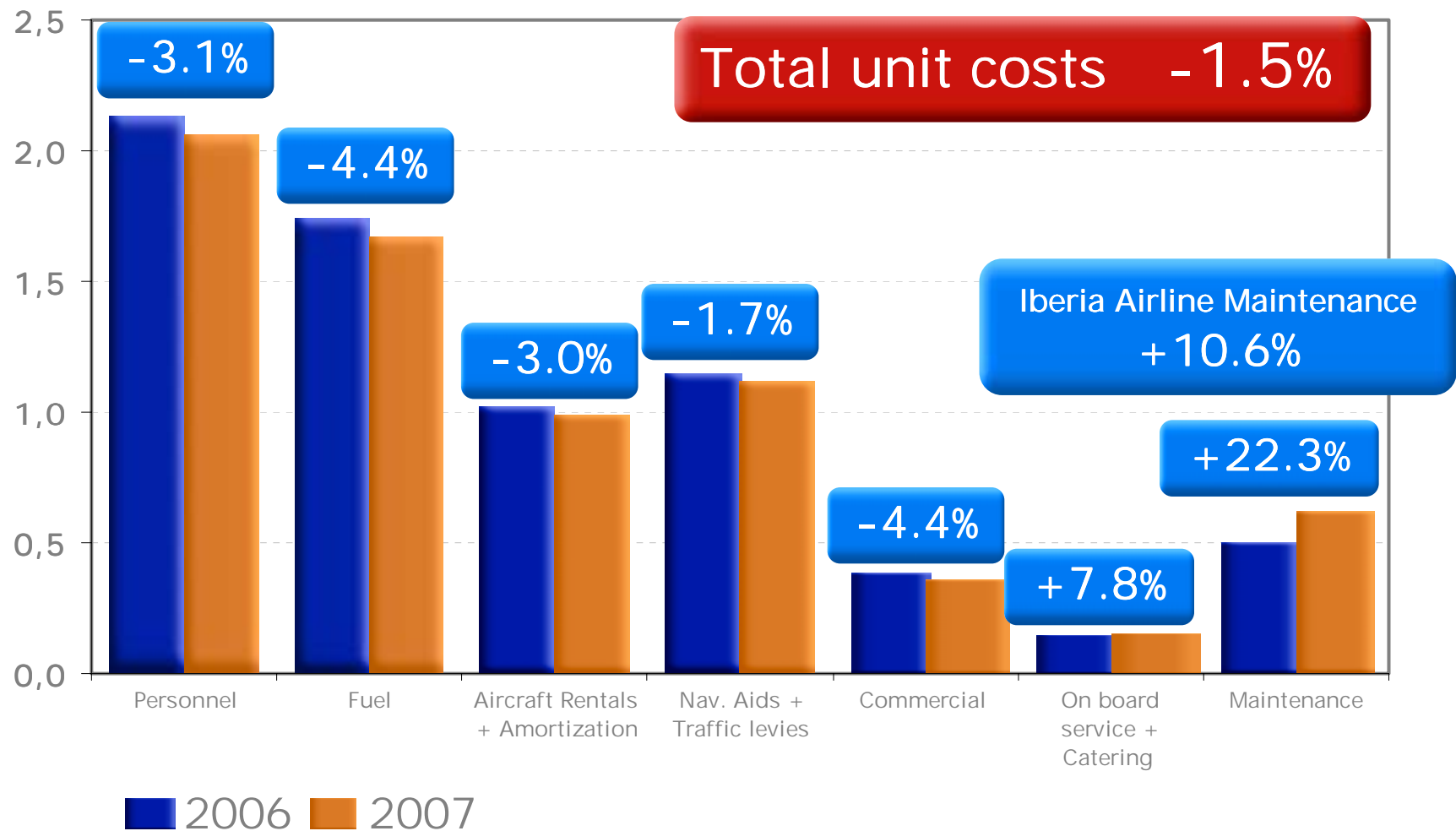
# 9 Months Operating Costs



Million €

	January-September 2007	% 07/06
Personnel	1,025.7	-2.4
Commercial	179.3	-3.8
Fuel	827.3	-3.8
Aircraft rentals + Depreciation	490.7	-2.3
On board service + Catering	74.1	+8.6
Navigation charges + Traffic services	558.1	-1.1
<b>Total Operating Costs</b>		<b>-0.8%</b>

# 9 Months Unit Cost Evolution



# Strong Q3 Results



Million €

	Q3 2007	% 07/06
Operating Revenues	1,458.8	+2.5
EBITDAR	306.0	+18.9
Operating EBITDAR Margin	21.0%	+2.9 p.p.
EBIT	139.3	+58.7
Profit Before Taxes	218.4	+104.5
Net Income	148.1	+96.1

# 9 Months Positive Results



Million €

January-September 2007

% 07/06

Operating Revenues	4,125.4	+2.6
EBITDAR	699.9	+21.5
Operating EBITDAR margin	17.0%	+2.7 p.p.
EBIT	209.3	+135.7 m€
Profit Before Taxes	326.3	+234.7m€
Net Income	222.8	+156.7m€



# 9 Months Non Recurrent Results



## Amadeus Debt Restructuring

Cash	143 M€
EBT	94 M€

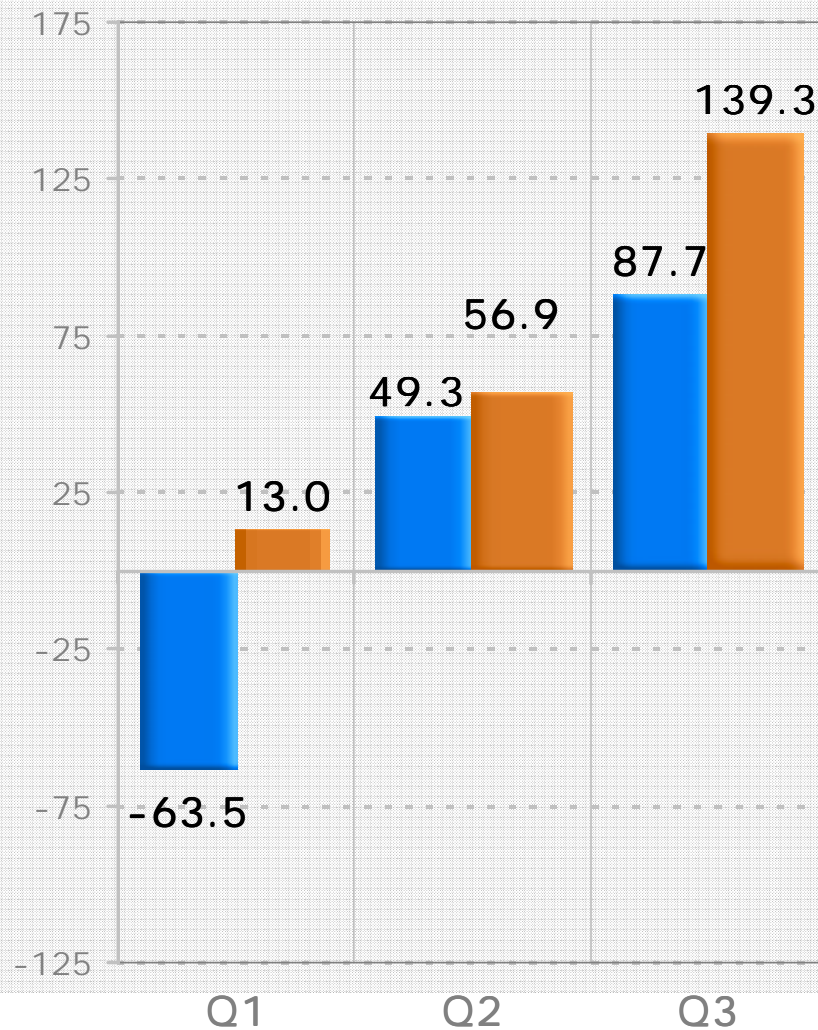
## Extension of the Redundancy Plan

Provision	55 M€
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# Profitability Evolution



*EBIT (M€)*

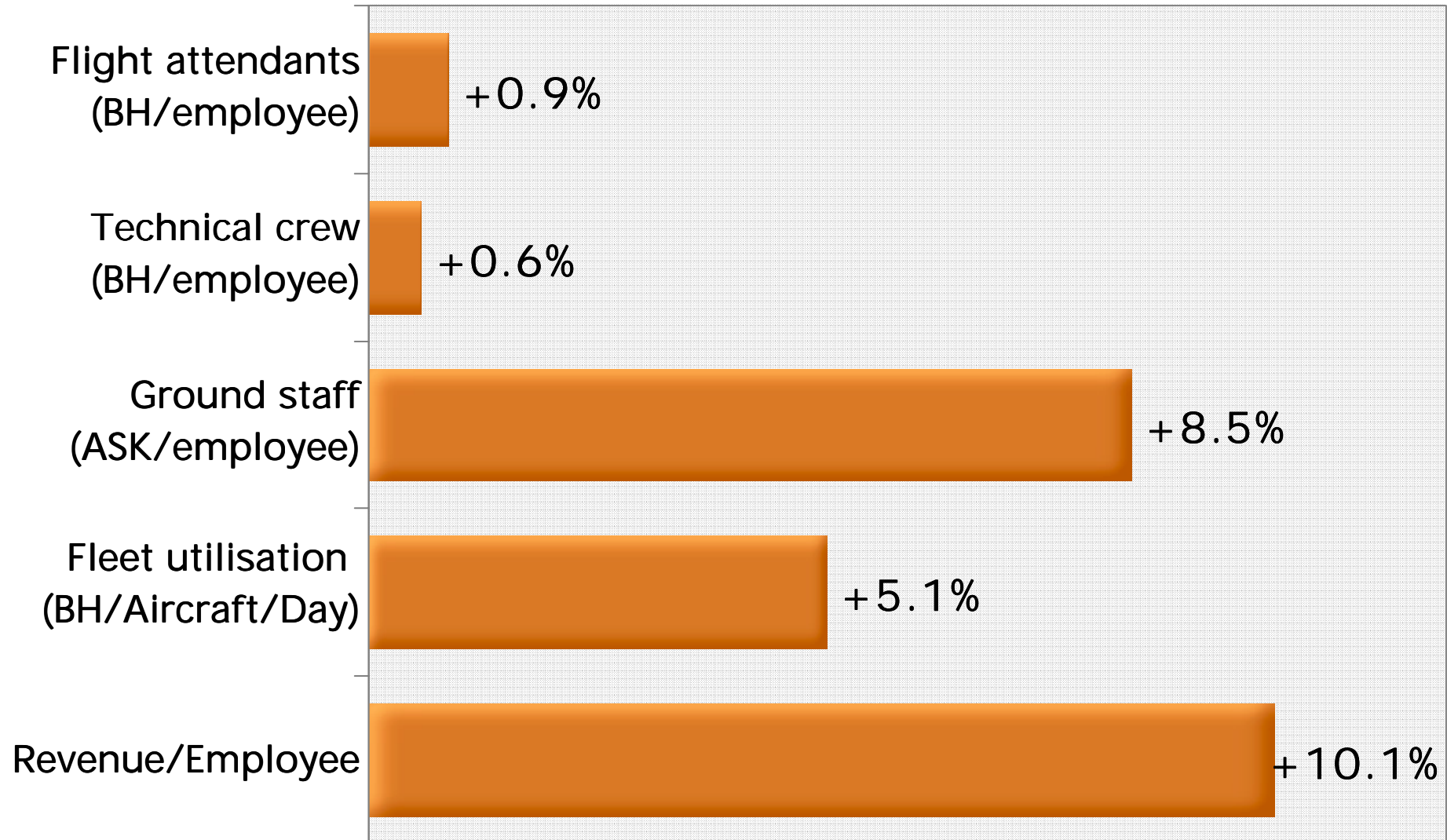


*EBITDAR MARGIN (%)*



# Productivity Increase

January-September 2007



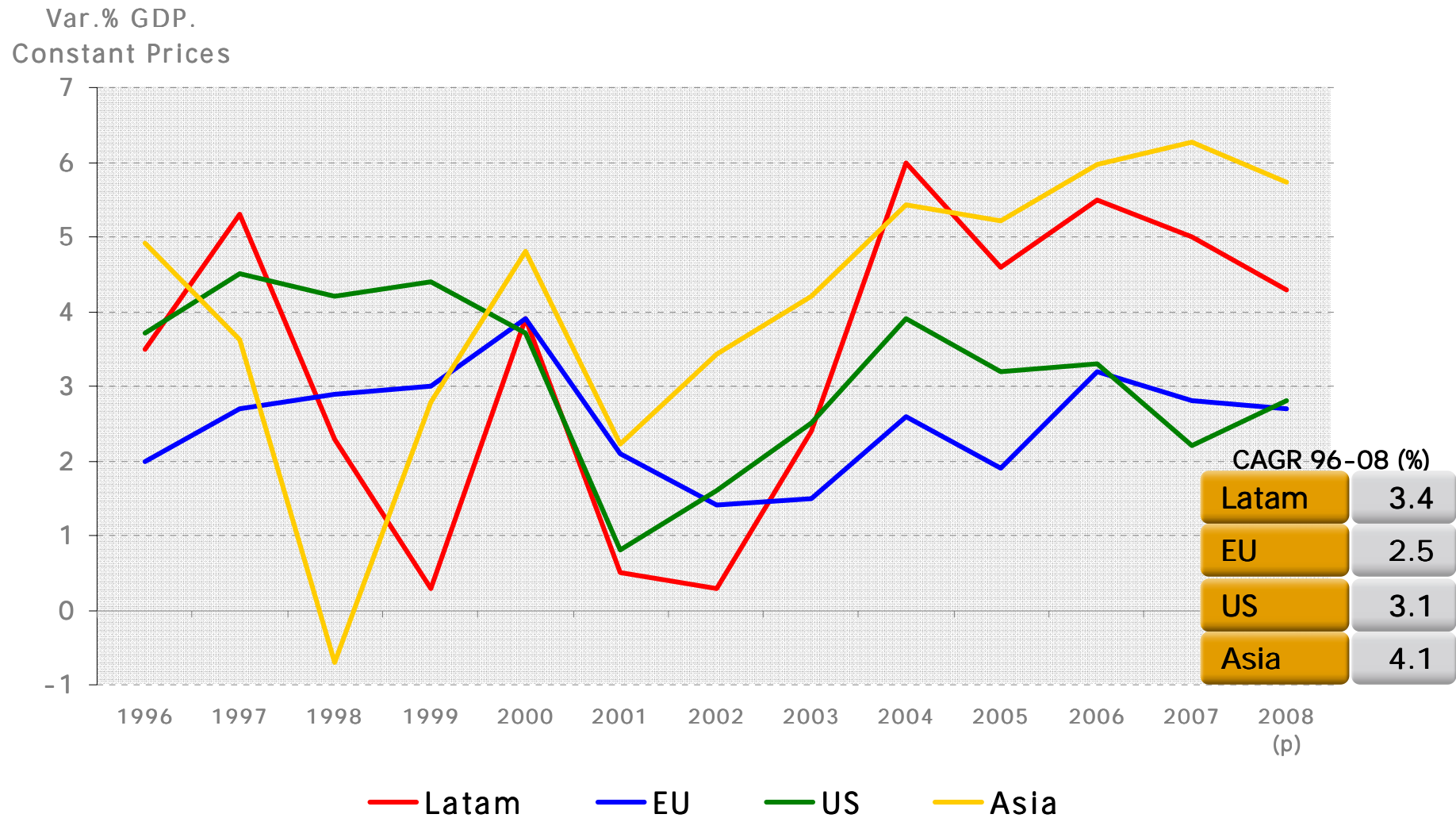


# Latin-America

## A growing market

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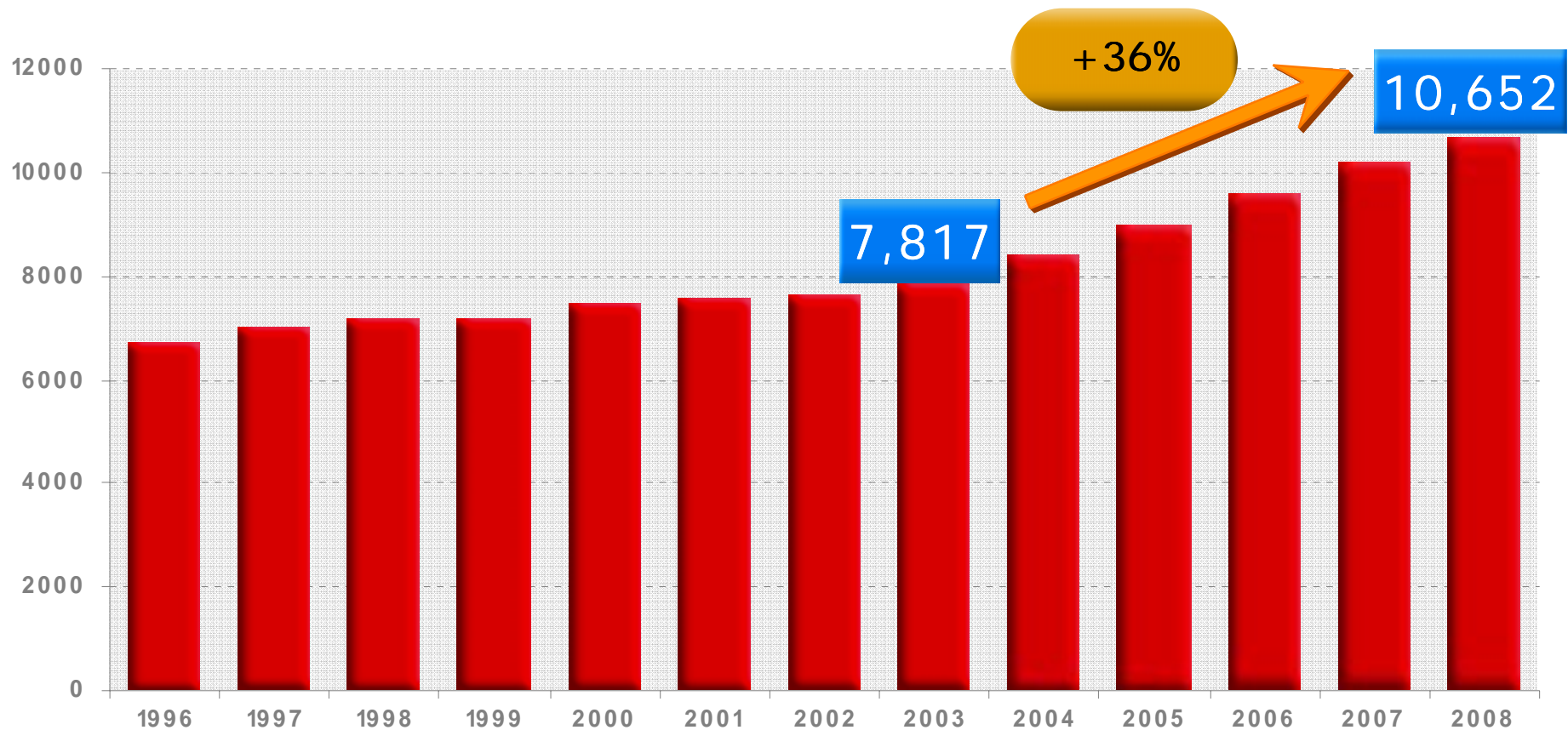
# GDP recovering from the early 2000's ...





.. increasing per capita power purchase

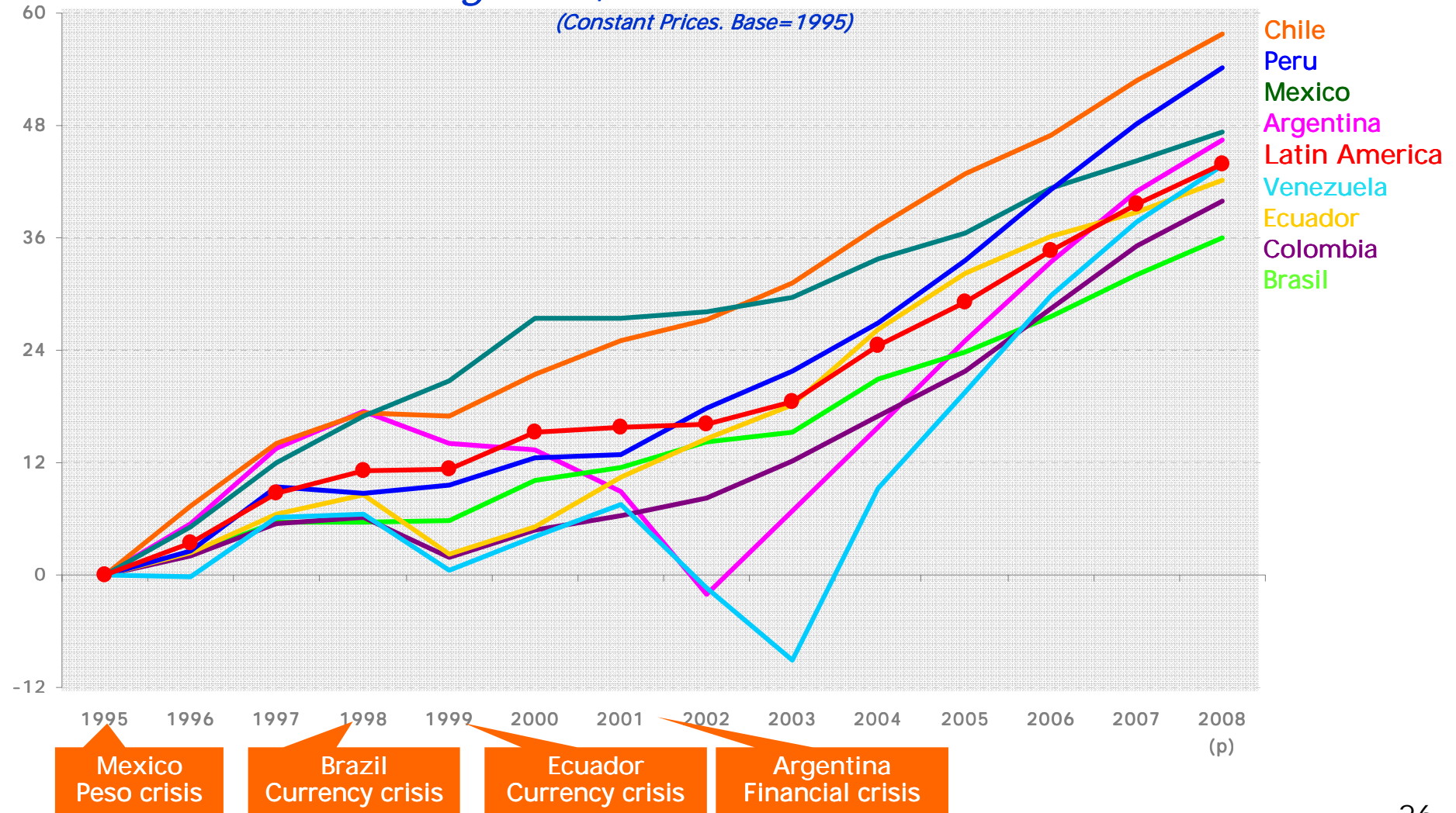
*Gross domestic product based on purchasing-power-parity  
(PPP) per capita (Current international dollar)*



# Latin America is not a single economical entity



## *Cumulative GDP growth, selected Latin American countries*

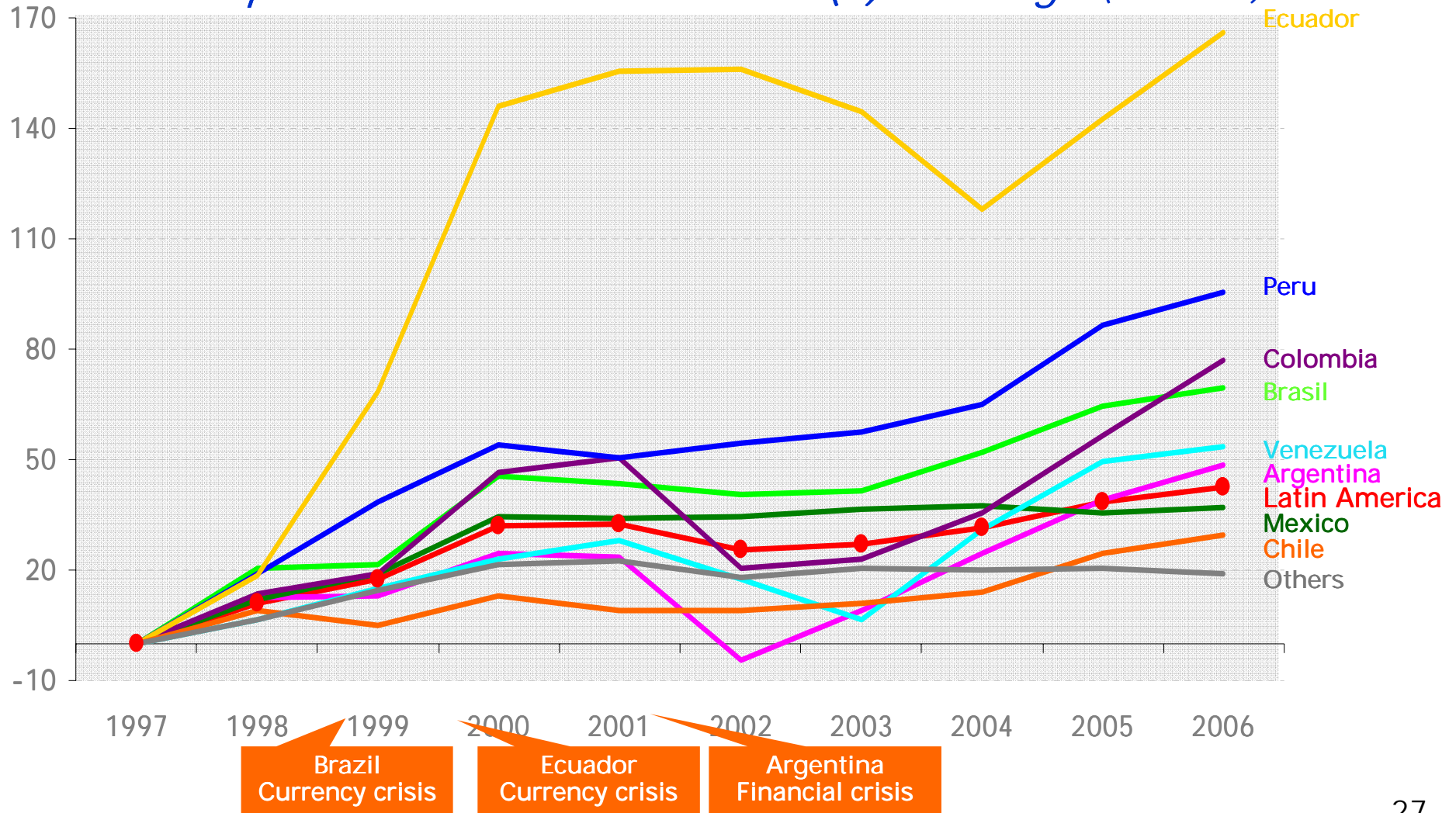


Source: IMF. World Economic Outlook Database, October 2007

# Different trends by country. Better risk management



*Europe Market Cumulative Growth (%). Bookings. (Base = 1997)*

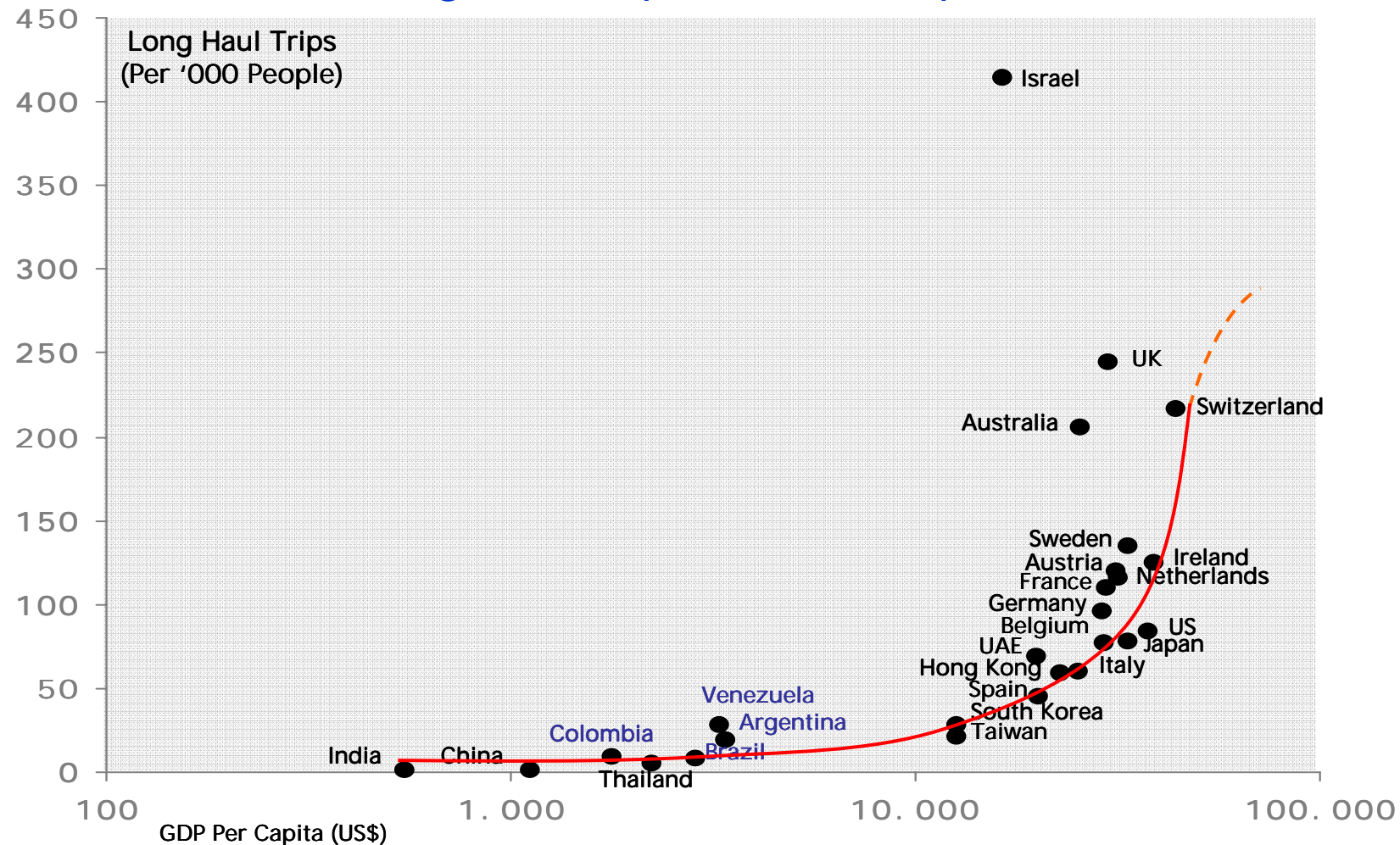


Source: MIDT bookings from major CRS

Underlying demand for long haul travel is closely related to GDP per capita: The 'S-curve'



### *Long Haul Trips vs. GDP/Capita*



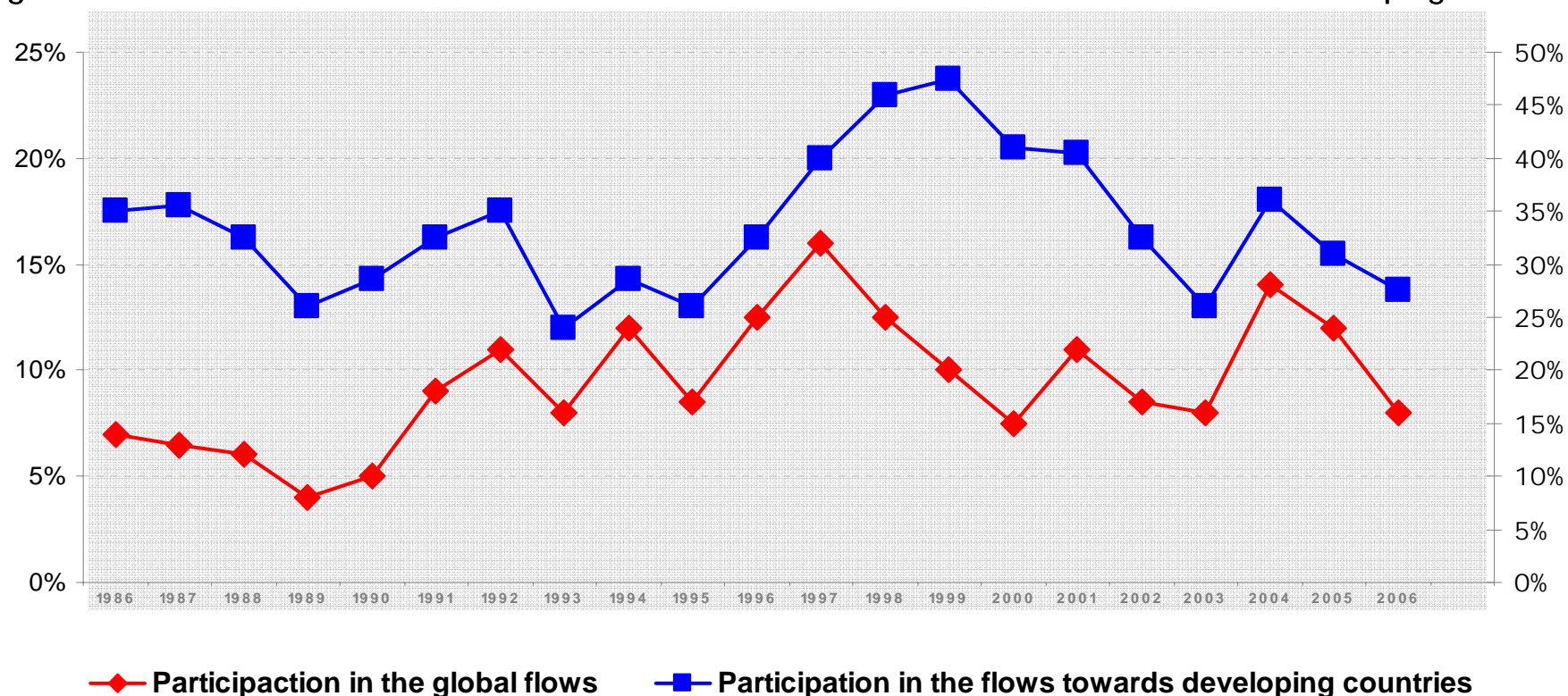
# Latin America is the final destination of 15% among worldwide investment



## *Latin America and the Caribbean: Participation in net income of foreign investment, 1970-2006*

Participation in the  
global flows

Participation in the flows towards  
developing countries




# Break-down of foreign investment in Latin America



## *Direct Foreign Investment (Net In-bounds, USD billion)*

	1992/1996 <sup>(a)</sup>	1997/2001 <sup>(a)</sup>	2002/2006 <sup>(a)</sup>	2005	2006
Mexico	8.7	17.1	19.1	19.6	18.9
Central America	0.8	2.5	3.0	3.2	5.2
Caribbean <sup>(b)</sup>	1.0	2.9	3.2	3.7	3.6
South America	17.0	54.4	35.8	44.8	44.7
Latin America	27.5	76.9	61.2	71.4	72.4

 After the recession period between 2000 & 2001, seriously affected by the Argentinean and Brazilian crises, investment amounts are recovering steadily

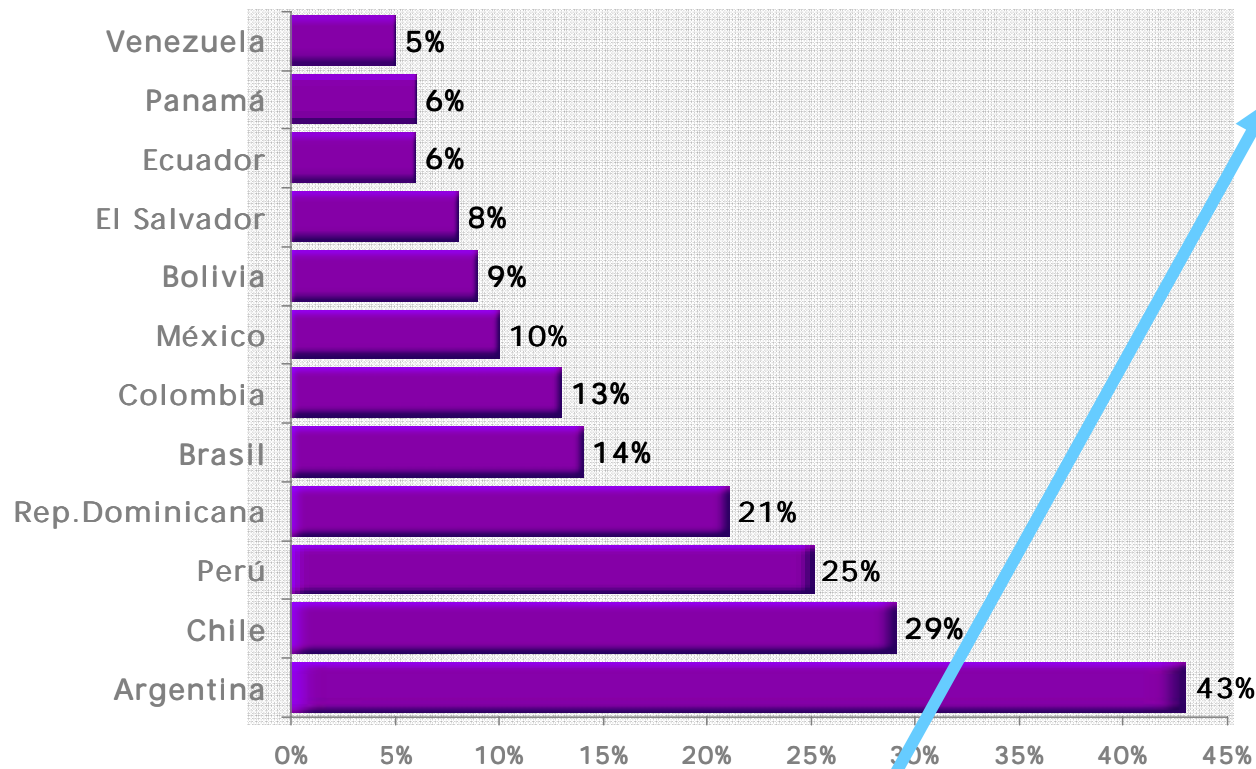


# What does Spain represent for Latin America?



*Spanish investment/Global investment  
(Average yearly investments 1997-2006)*

*Spain position among all investors*



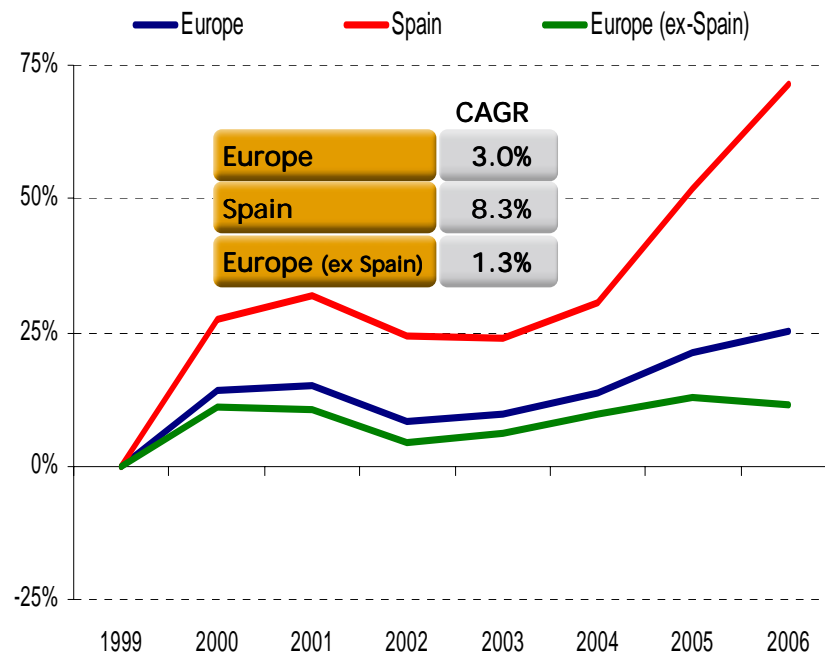
Argentina	1
Chile	1
Peru	1
Re., Dominicana	2
Brazil	2
Colombia	2
Mexico	2
Bolivia	3
El Salvador	3
Ecuador	4
Panama	3
Venezuela <sup>(b)</sup>	3
Honduras	>5
Paraguay	>5
Costa Rica	>5

 Spain is a core origin of investment for Latin America as a whole, and critical for some countries

# Spain clearly growing faster than average Europe ..

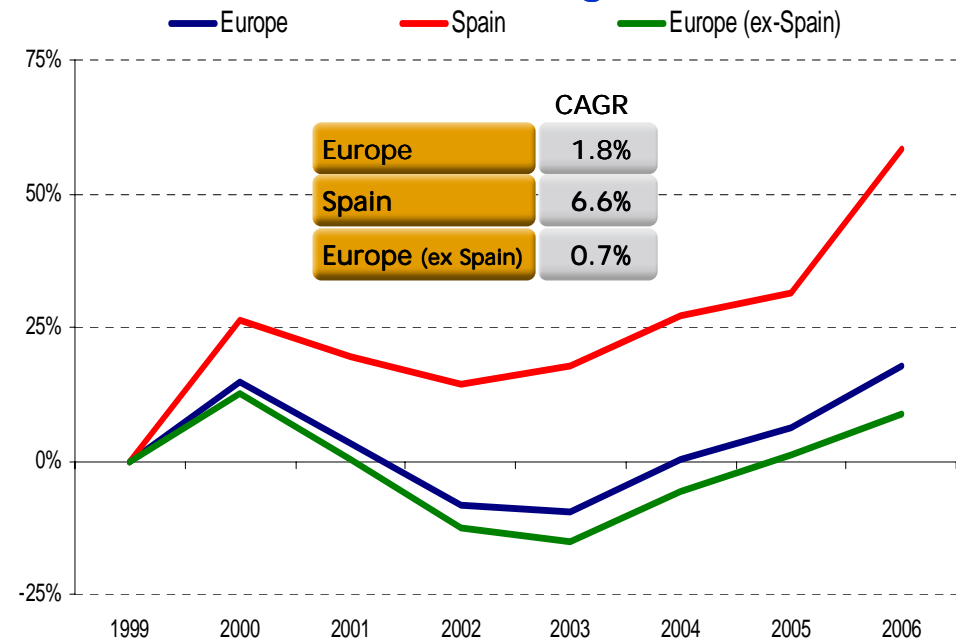


Cumulative growth (%). Latin America



Source: MIDT booking from major GDS

Cumulative growth(%). Latin America.  
Business segment



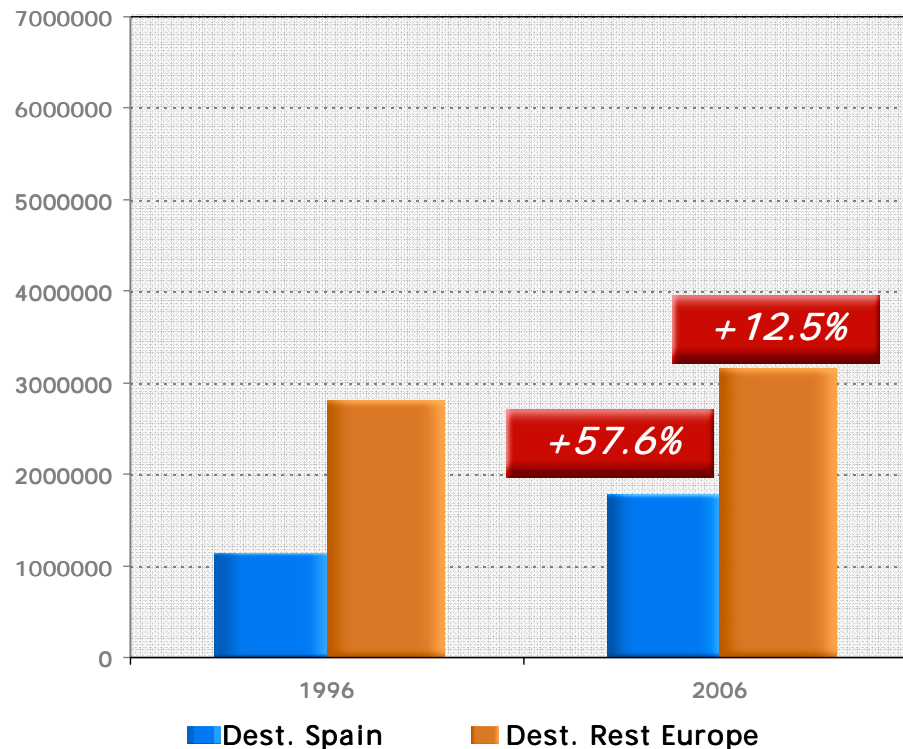
- ✚ In 2006 the global traffic between Europe and Latin America reached 16,6 million passengers
- ✚ Spain represented 4,8 million (30% of the global Europe)
- ✚ Business segment represented 10% of overall traffic



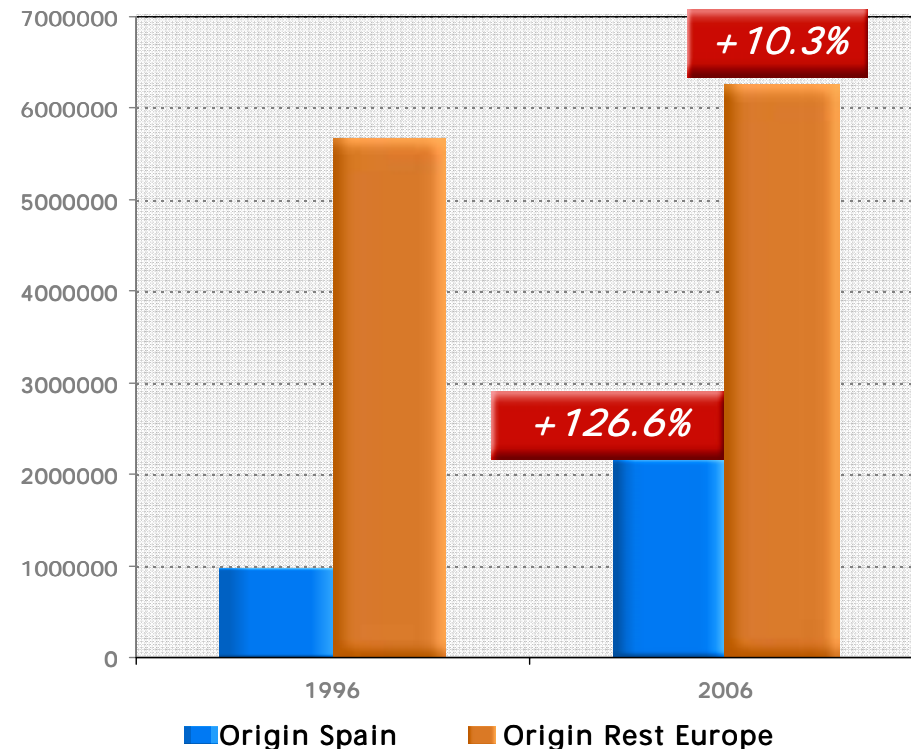
.. specially in the traffic originating  
in Spain to Latin America



*Traffic Originating in Latin America*



*Traffic Destination in Latin America*



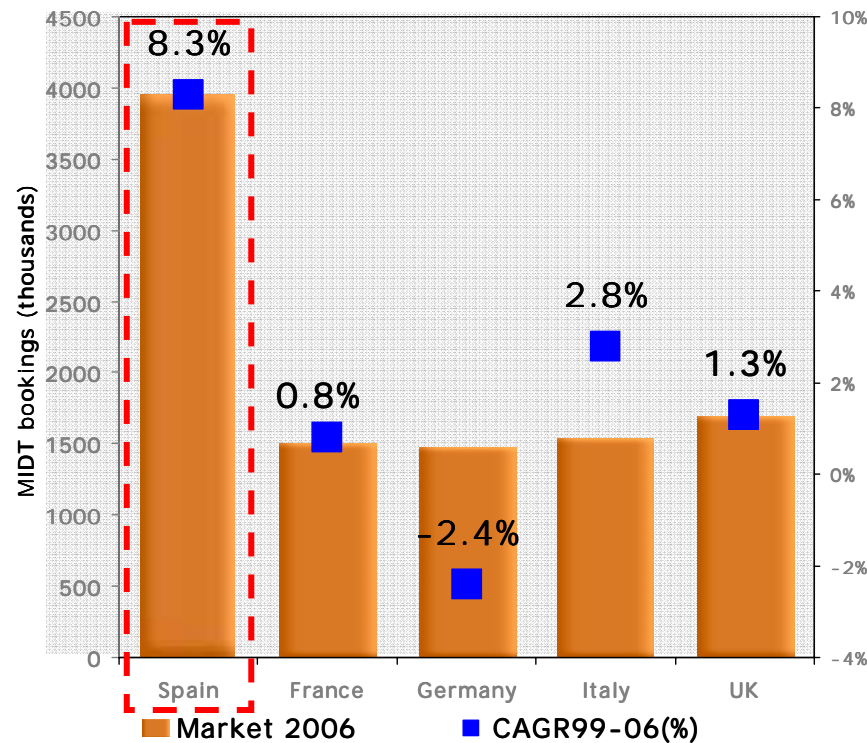
Source: MIDT booking from major GDS

 Strong and sustainable base of traffic mix: 64.9% of business and 65.1% of total traffic is originated in Europe

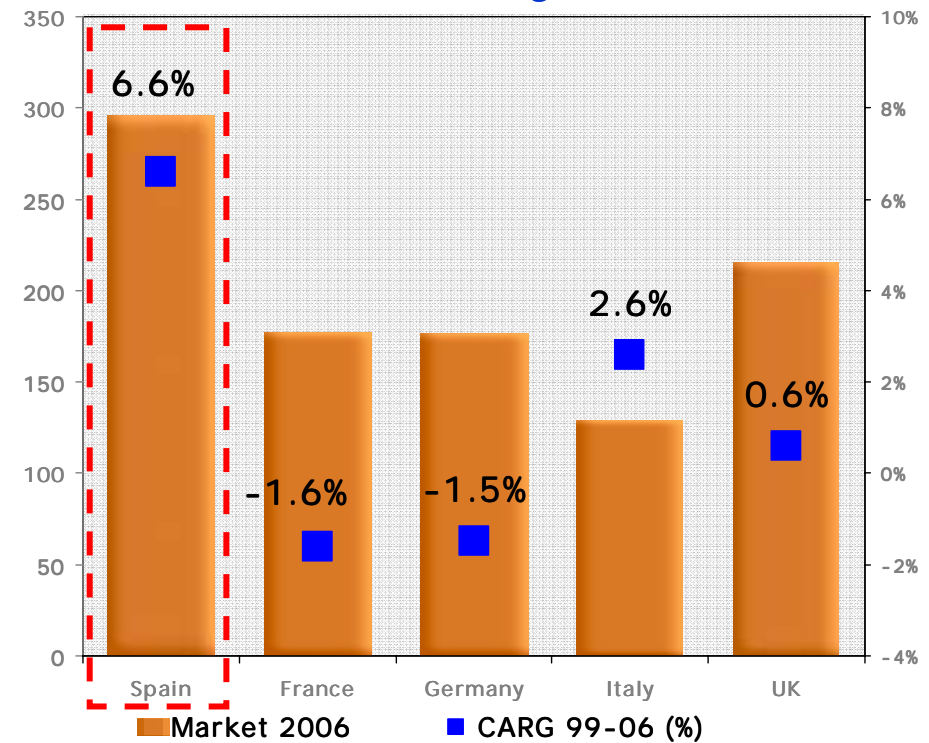
# Spain is the leading and faster growing market



*Traffic by country with Latin America*



*Traffic by country with Latin America.  
Business segment*



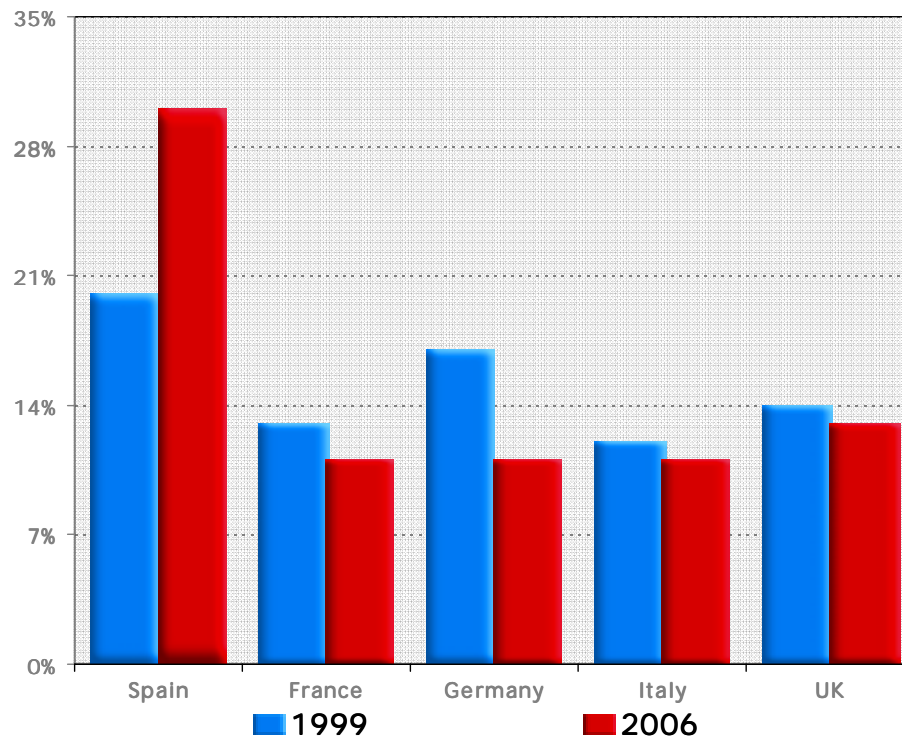
Source: MIDT booking from major GDS

 In 2006 Spain represented 30% of the total air traffic between Europe-Latin America and 23% of the business traffic

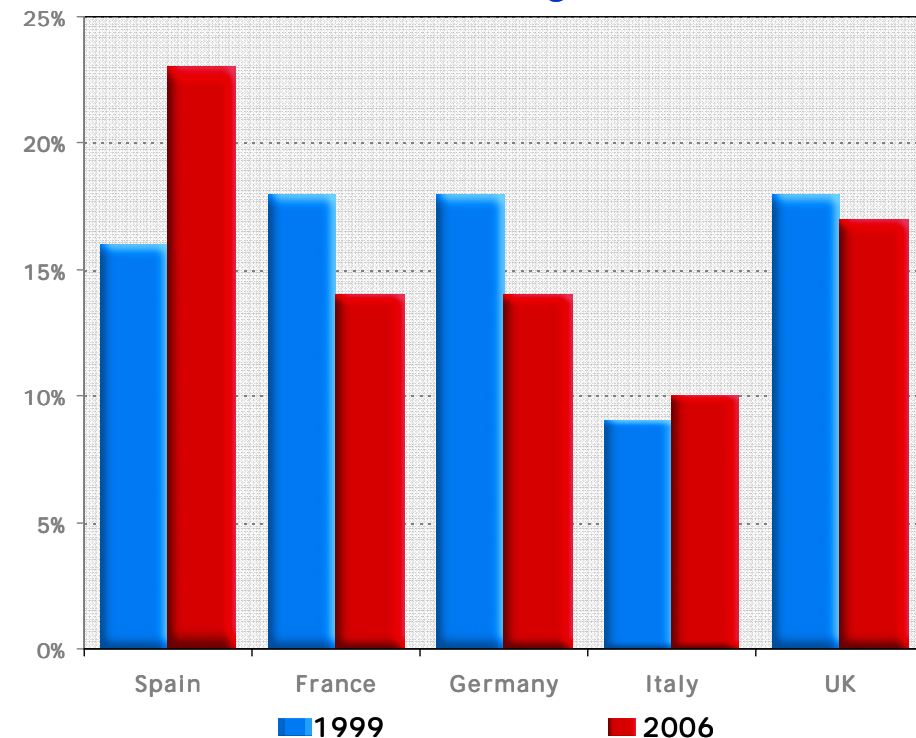
...resulting in a clear gain in share among other countries



*Country share %*




*Country share % .  
Business segment*

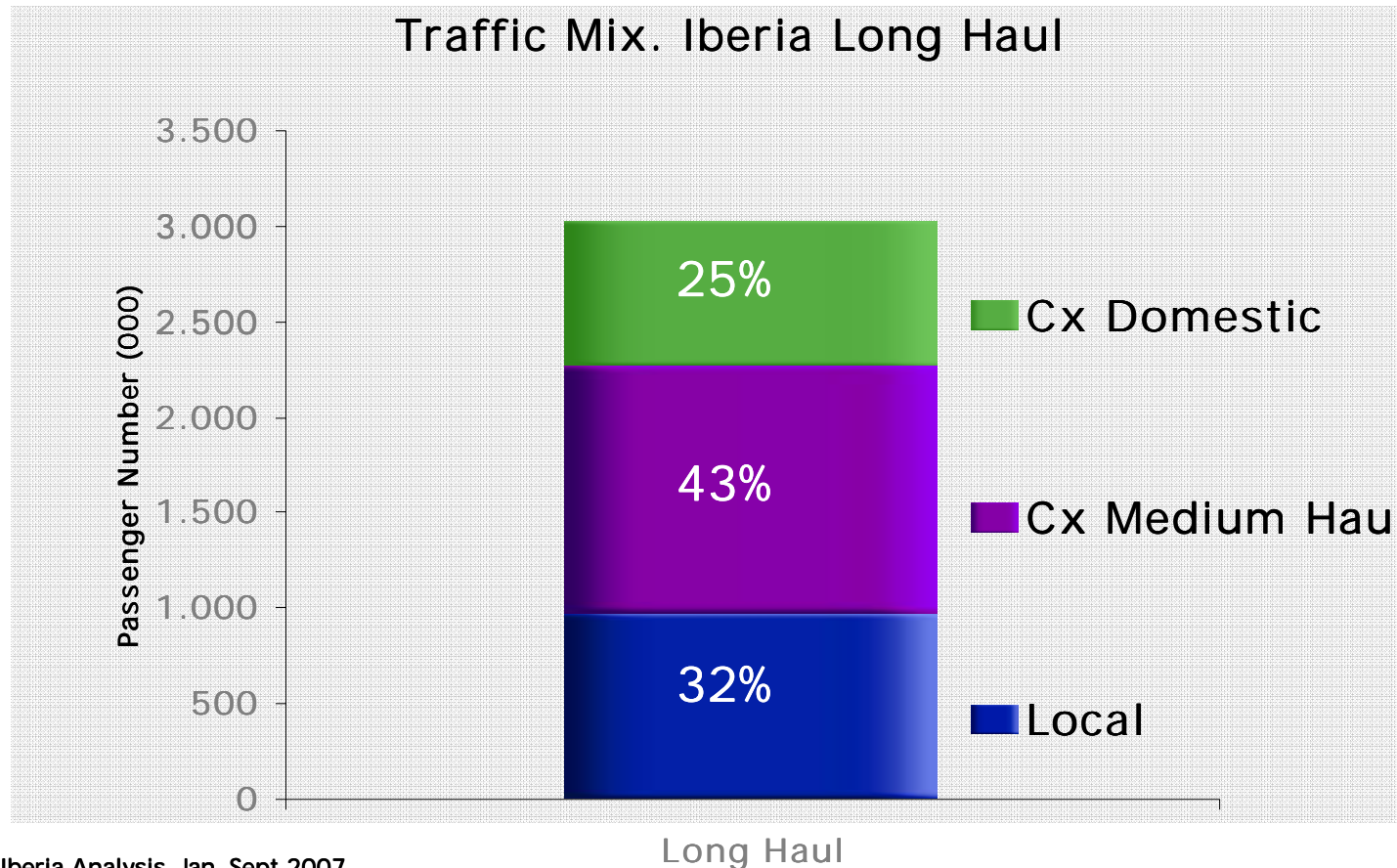


Source: MIDT booking from major GDS

 The growth of Spanish market represents a opportunity for both airlines, Latin-American and Spanish based on point-to-point traffic ...

 .. but they don't have the traffic feeder that Madrid hub provides to the long haul operations of Iberia

# Madrid Hub provides Iberia with a large diversification of traffic mix

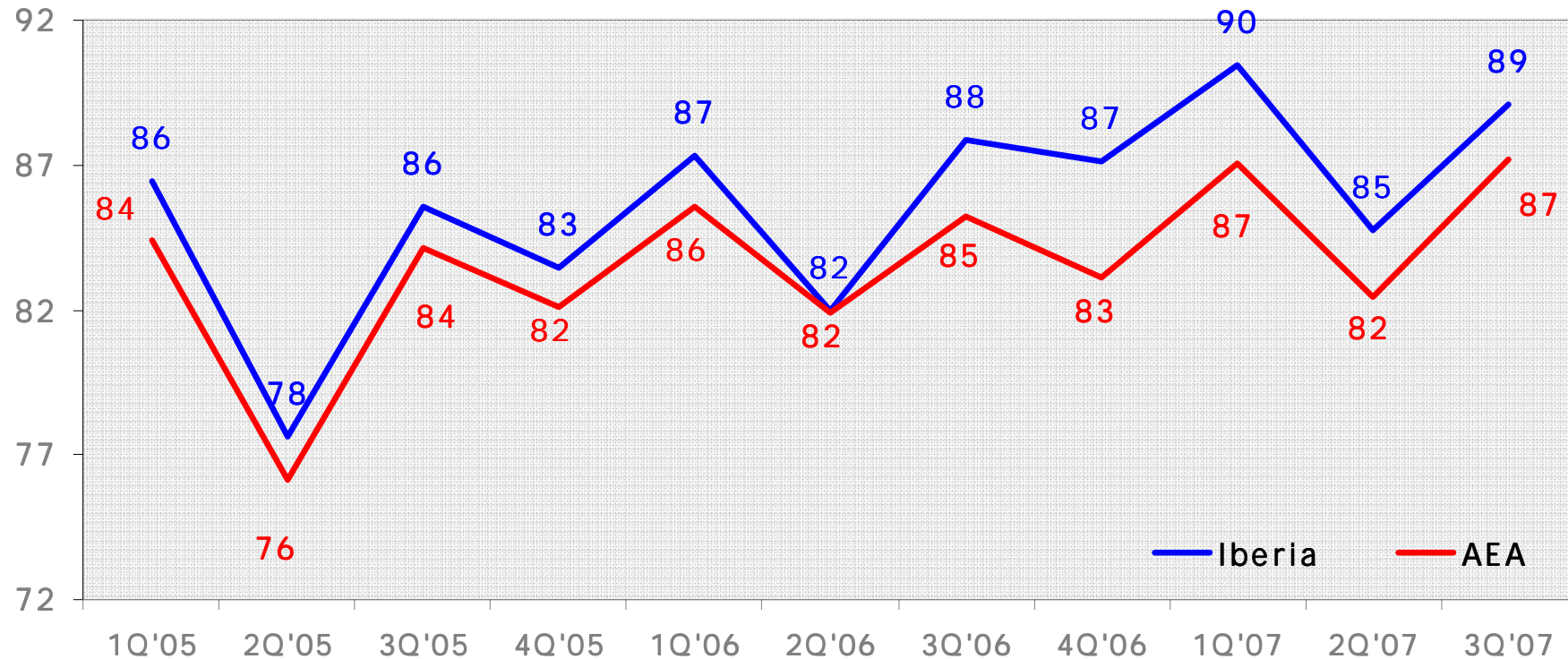


Source: Iberia Analysis, Jan-Sept 2007

- ✚ 68% of the global Iberia long haul Traffic connects from other networks
- ✚ This is a key factor to face local competition in the long term

# High Load Factors and low seasonality

*Load Factor achieved in Latin America. Iberia vs AEA*



 In the last 3 years, excluding 2Q 2005, average load factor among AEA airlines overcame 80% level despite of having increased quite a lot the supply in the market

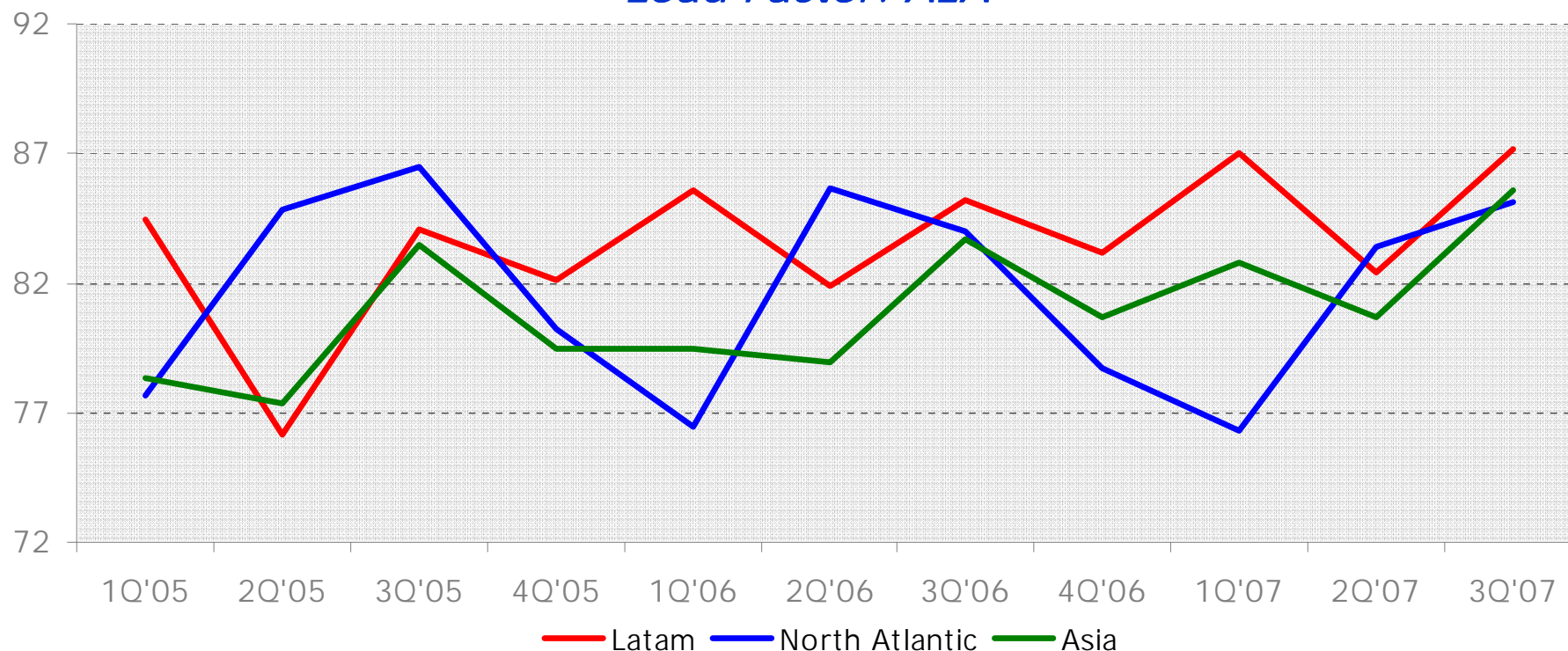
 Forecast for year-end 2007 shows a global 85% load factor for the AEA






... compared with other main geographic destinations



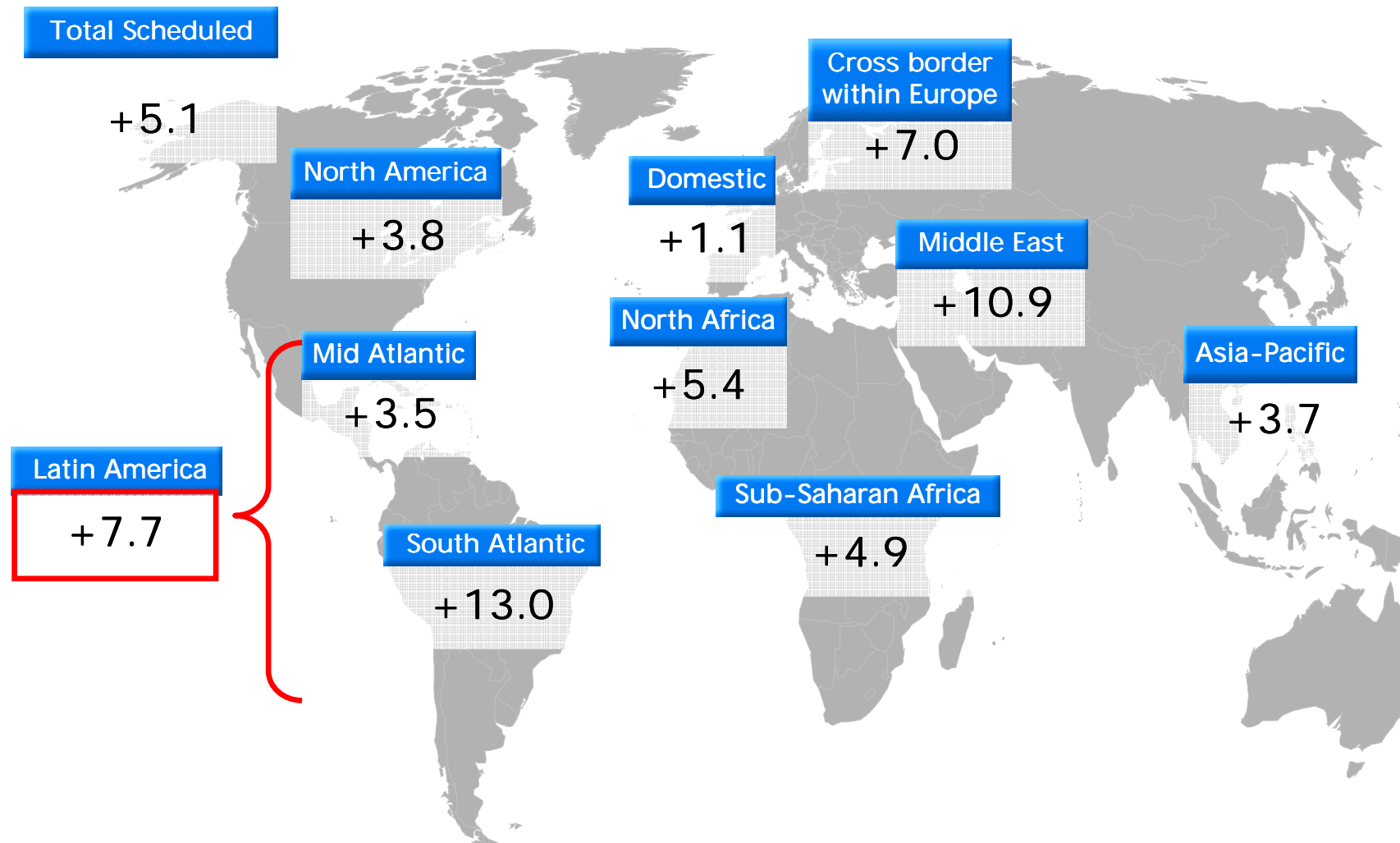
*Load Factor. AEA*



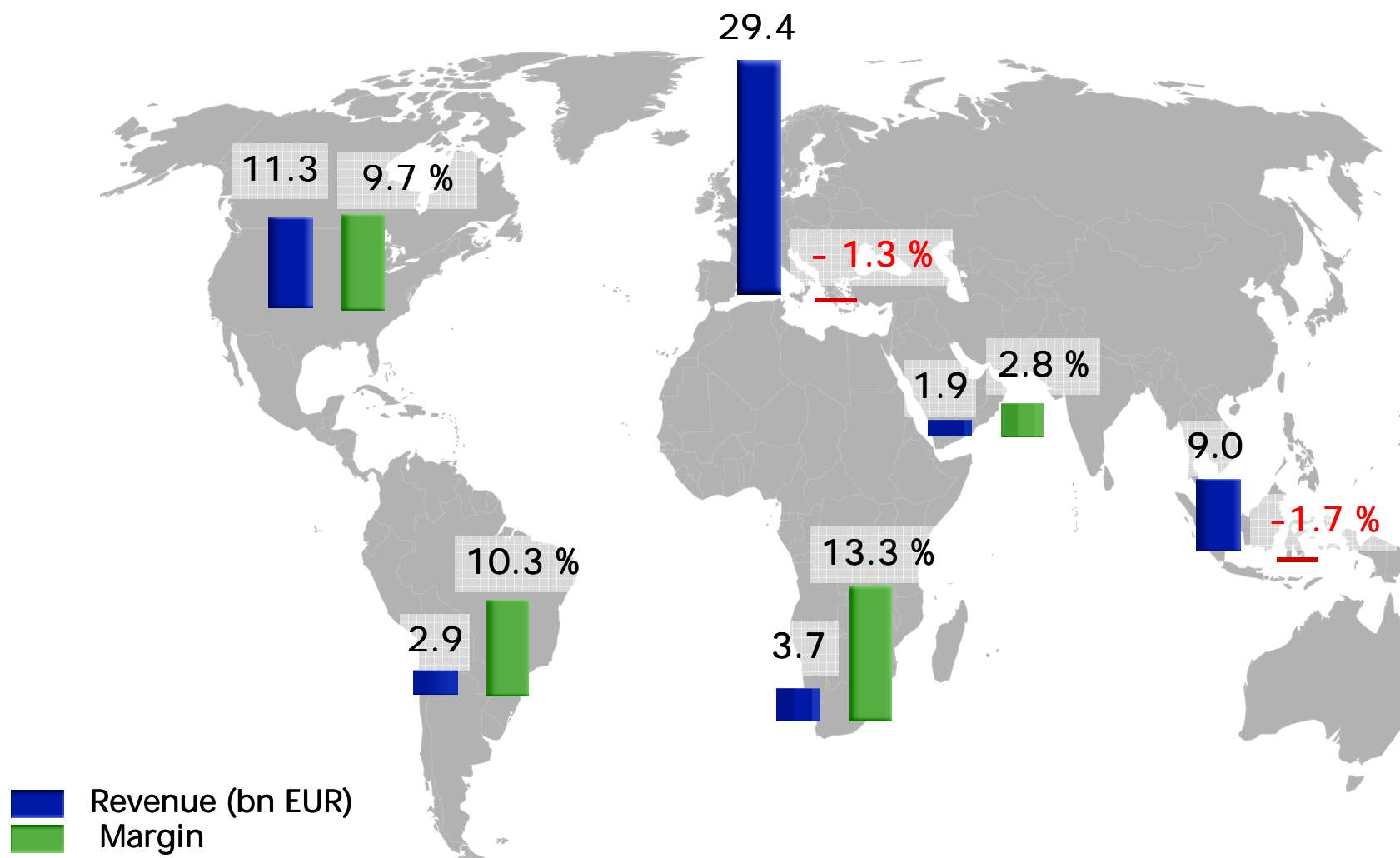
-  Load Factor level in Latin America, larger than in North Atlantic and Asia
-  Lower seasonality compared with the other two networks
-  Allow better supply –demand adjustment

# AEA traffic growth per Traffic region

## -Latin America ahead



# AEA Profitability split by Traffic Region

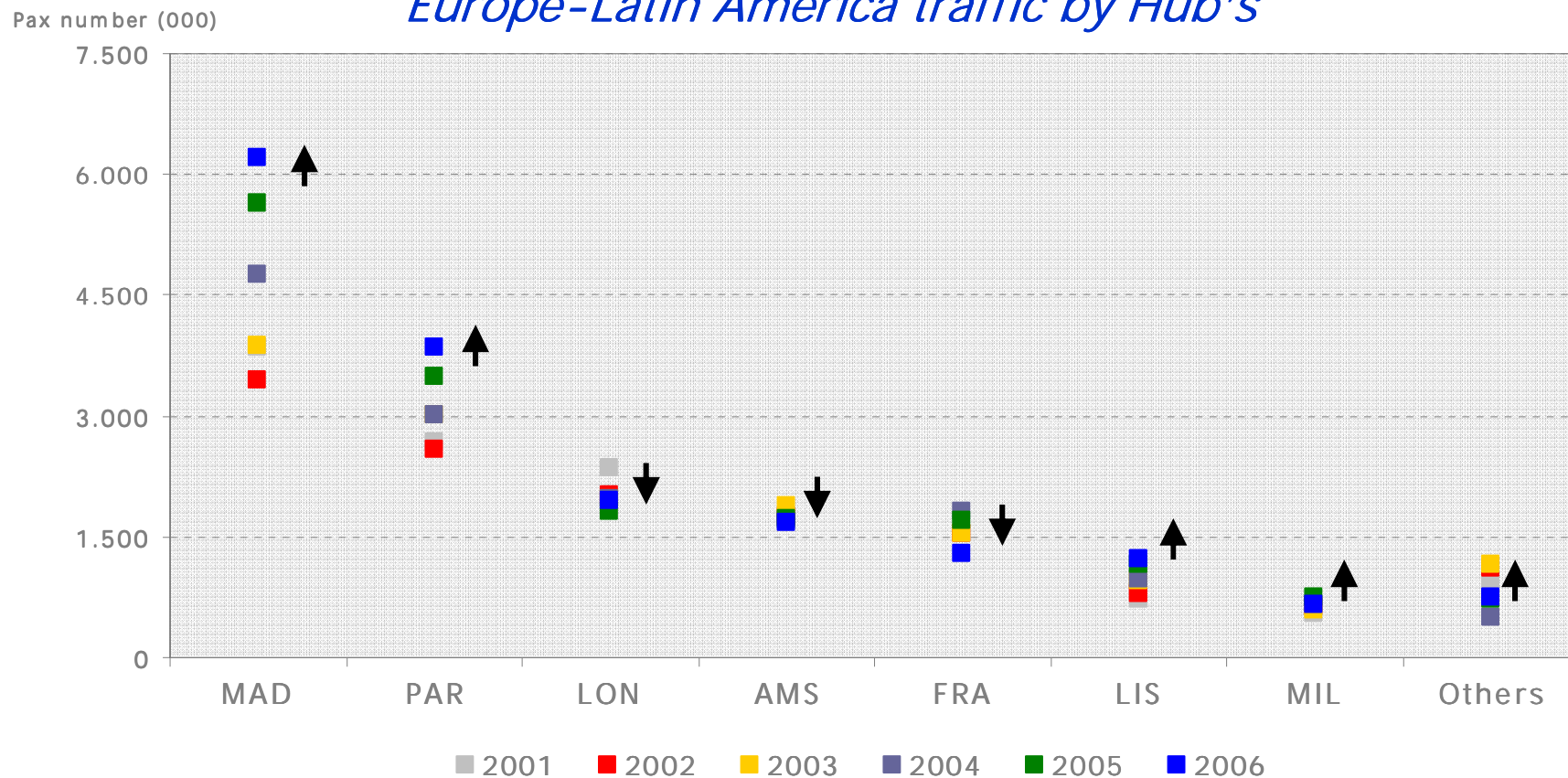




# ... Madrid, the largest gateway for the Europe-Latin America air traffic



*Europe-Latin America traffic by Hub's*

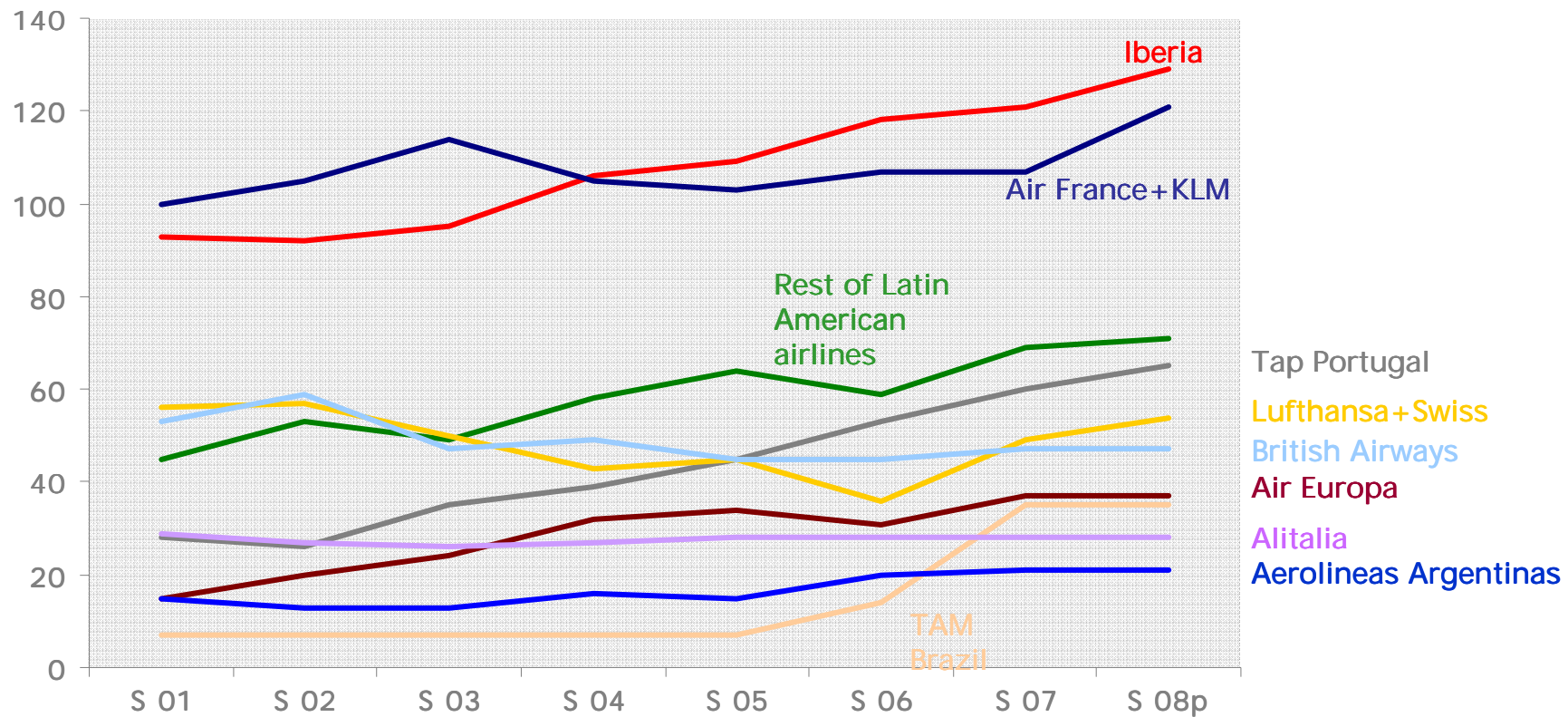


- More than 6 millions passenger traveled through Madrid in 2006
- 37% of total passenger traveling between Europe and Latin America included Madrid in their itineraries

# Large addition of air-services between Europe and Latin America



*Long Haul Europe-Latin America frequencies. Summer season*

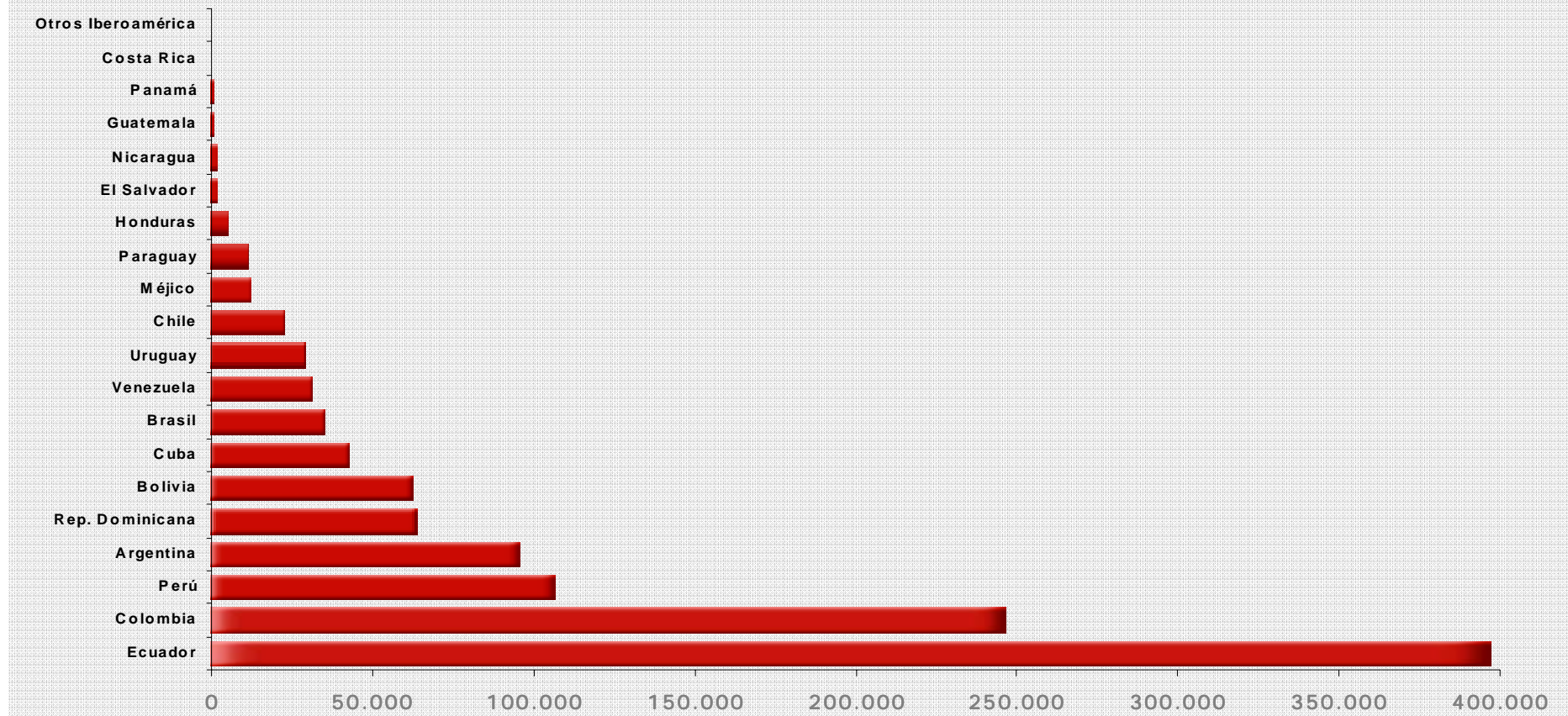


Despite the bankrupt of some airlines in the last years (Varig, Air Madrid, Southern Wings, .. etc), the number of non-stop services keeps growing year after year


# Immigration into Spain will favor the development of air-traffic



*Number of immigrants. Country of origin. Situation at 30 Jun. 2007*



 1,200.000 Latin-American immigrants in 2007. 80% increase over 2004

 Legal immigration process of Latin-American citizens in Spain will push up traffic and additional capacity



# Latin-America

## A growing market

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# Competitive Environment

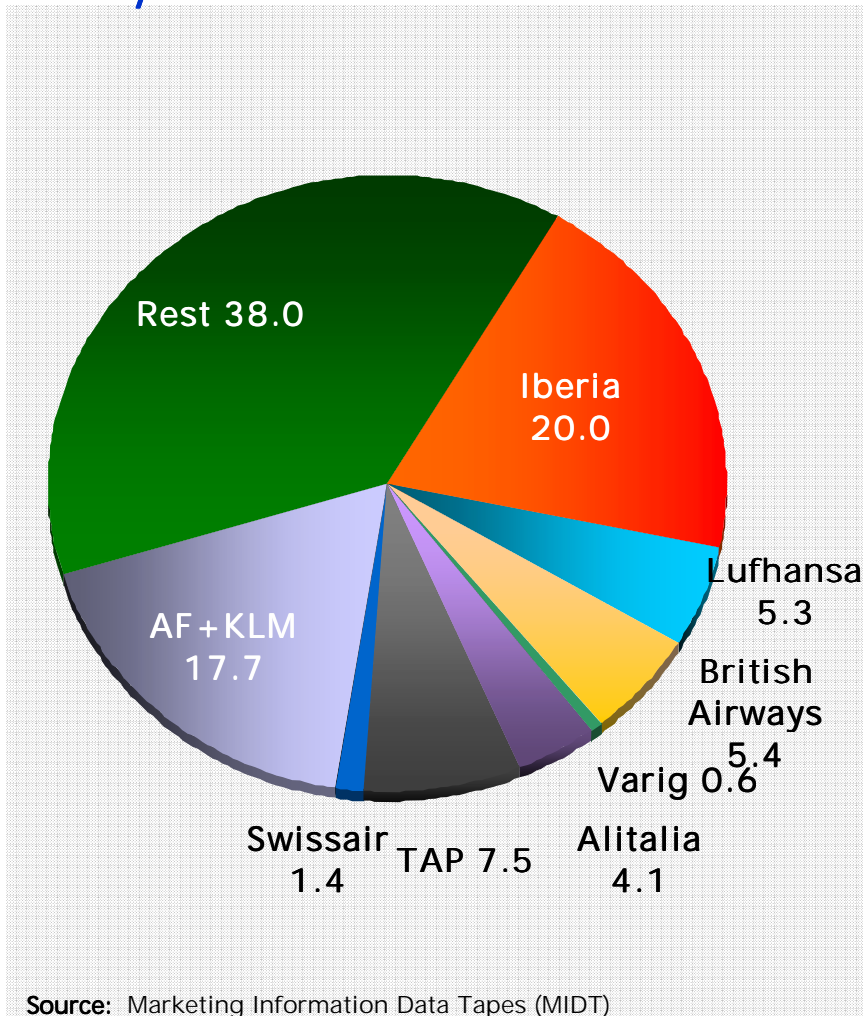
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# A Market Leader

January-September 2007



## Europe - Latin America

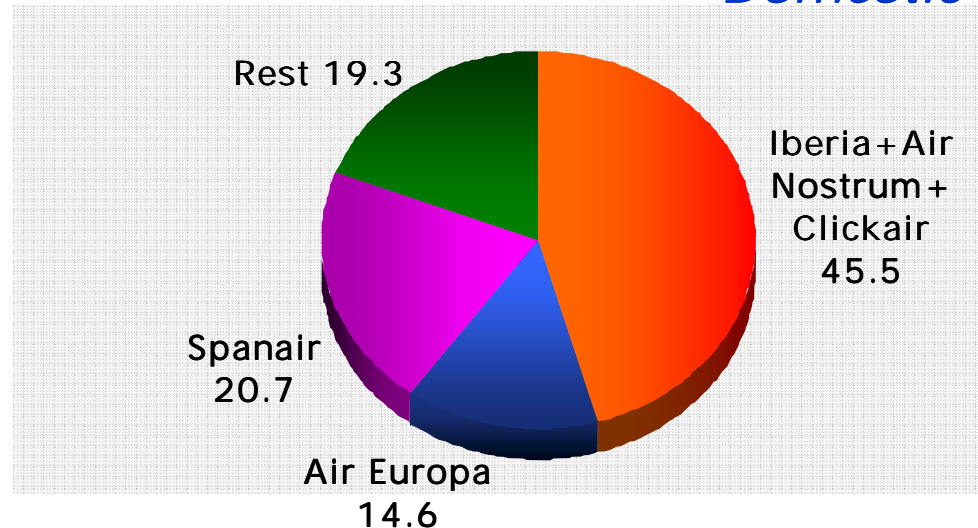


Source: Marketing Information Data Tapes (MIDT)

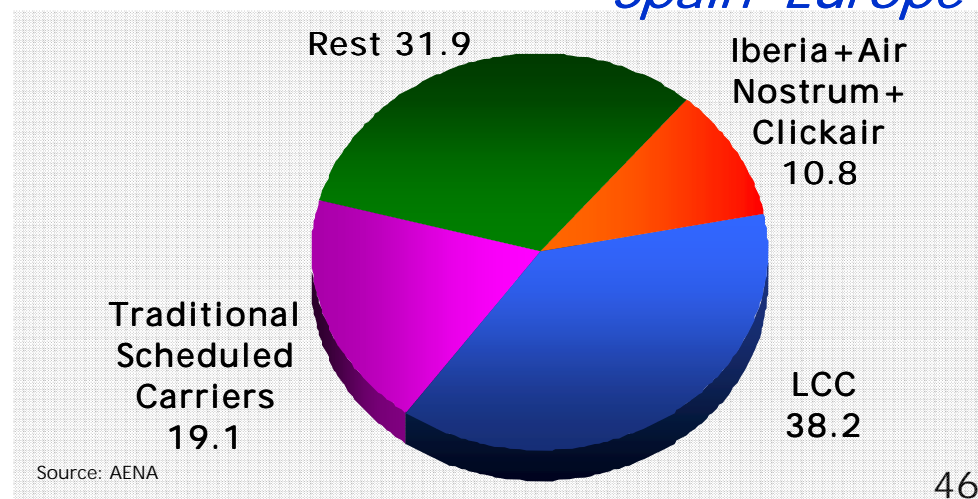
### Note

Air France + KLM data does not include French overseas territories

## Domestic



## Spain-Europe



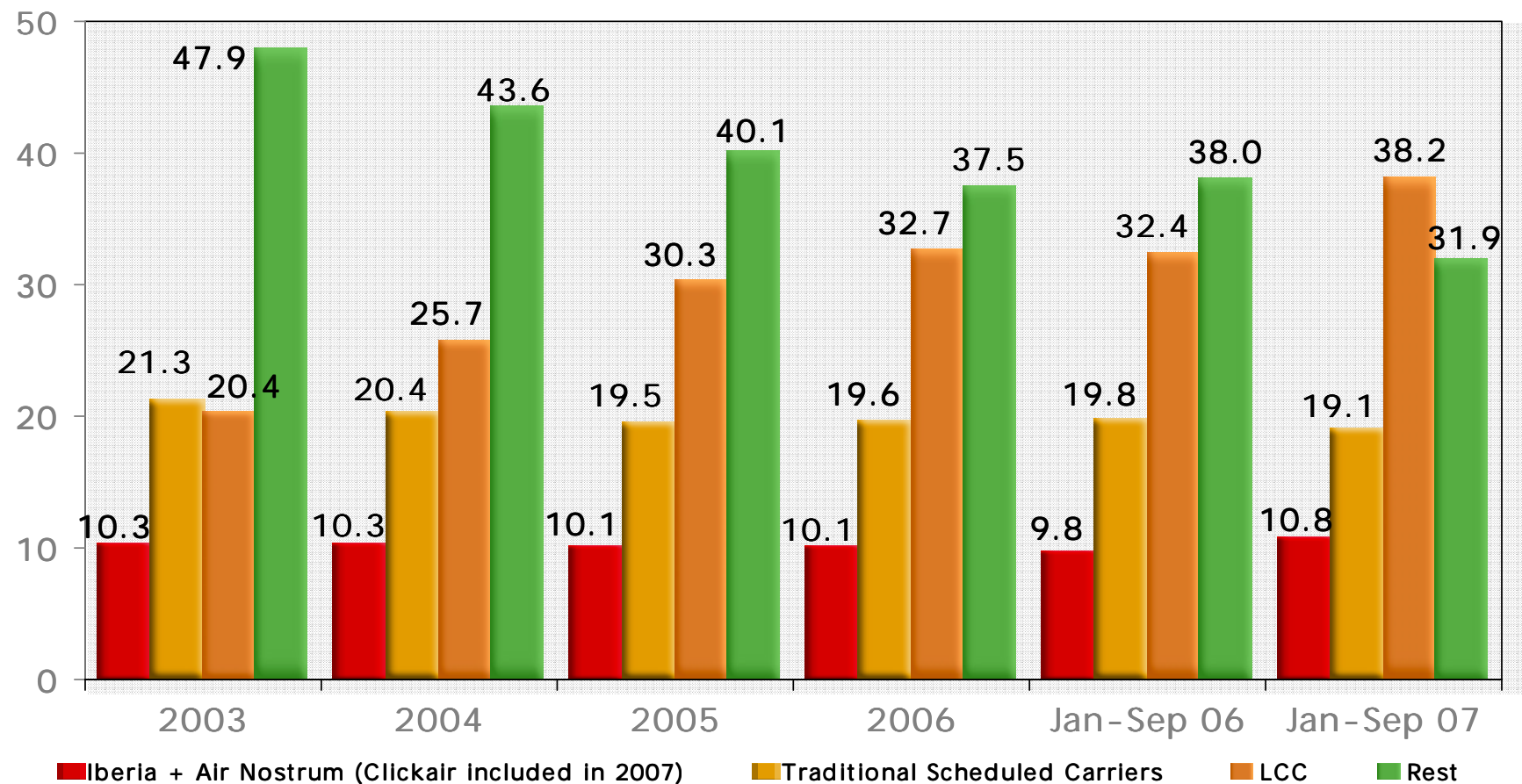
Source: AENA



# Spain-Europe Market Share Evolution



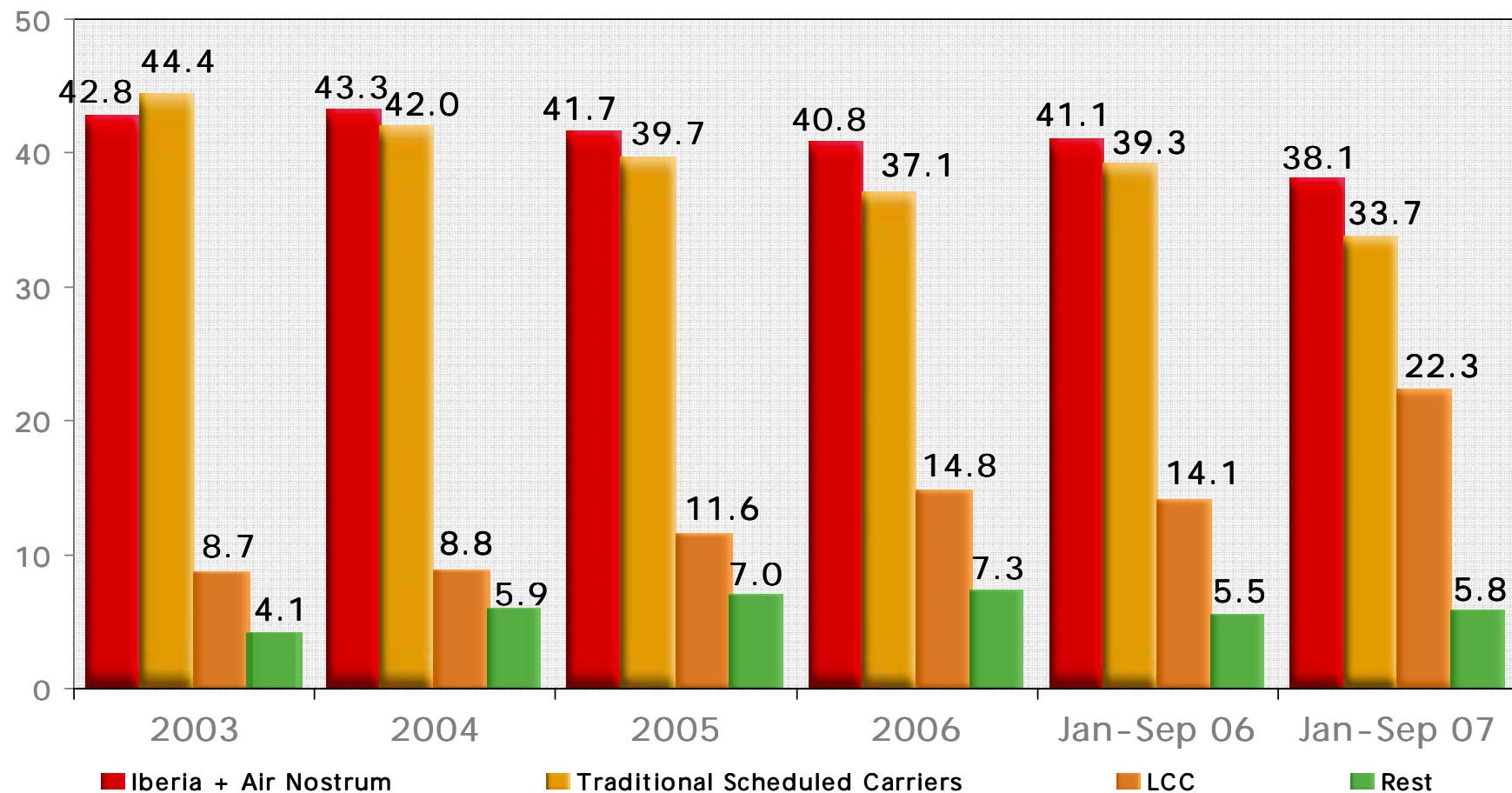
First time that Iberia and its associates have increased market share



# Madrid-Europe Market Share Evolution



Iberia holds more than 50% of traditional scheduled traffic





# Spain-Europe: Increasing Market Share



<i>Total Spain-Europe</i>	Jan-Sep 07 (%)	Change vs 2006 (p.p.)
Market growth pax	8.3	1.4
<i>Market shares</i>		
Iberia	10.8	1.0
Low cost carriers	38.2	5.8
Charter	31.9	-6.1
Other AEA Airlines	19.1	-0.7

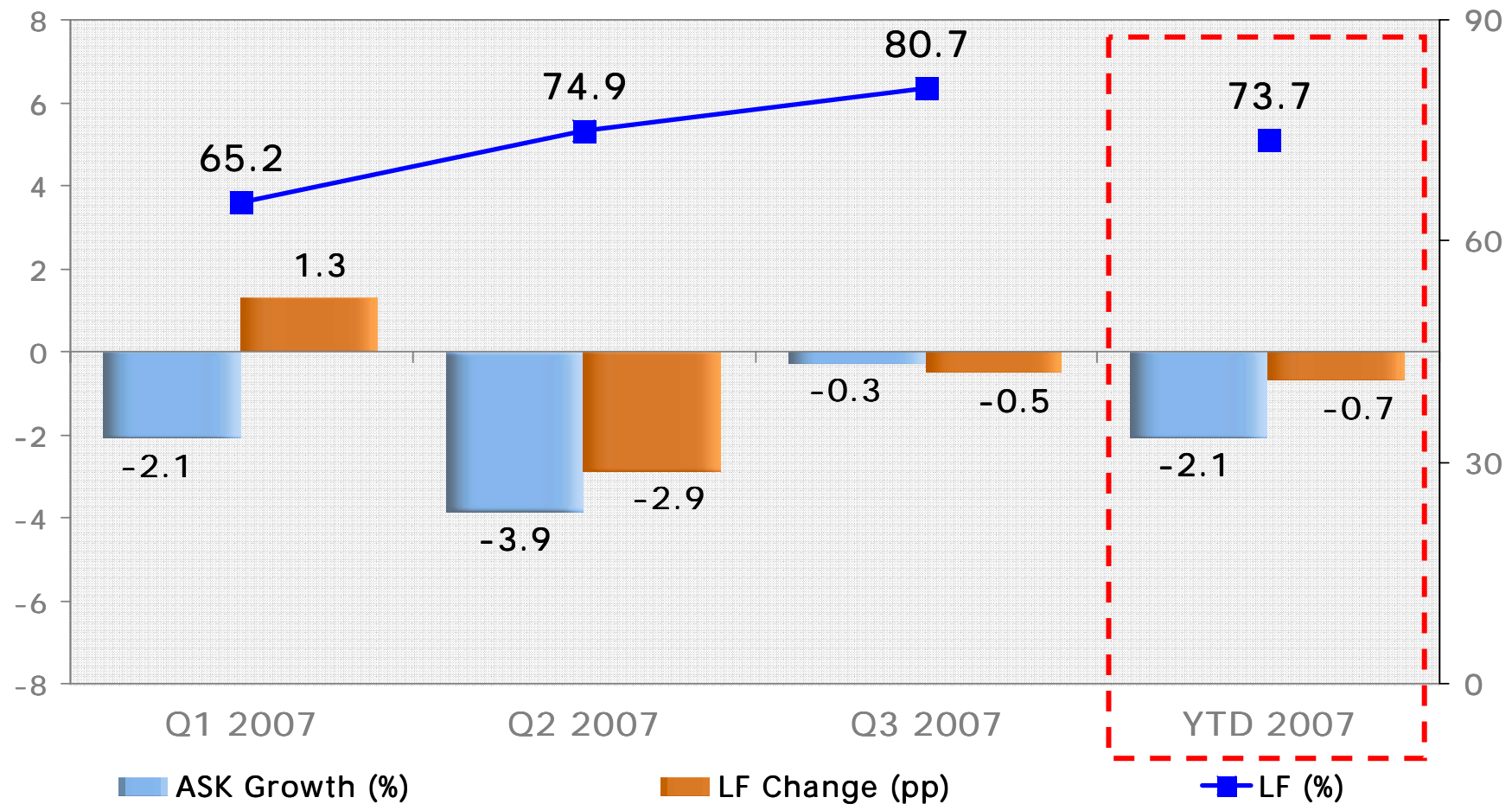
# Madrid-Europe: High Market Growth



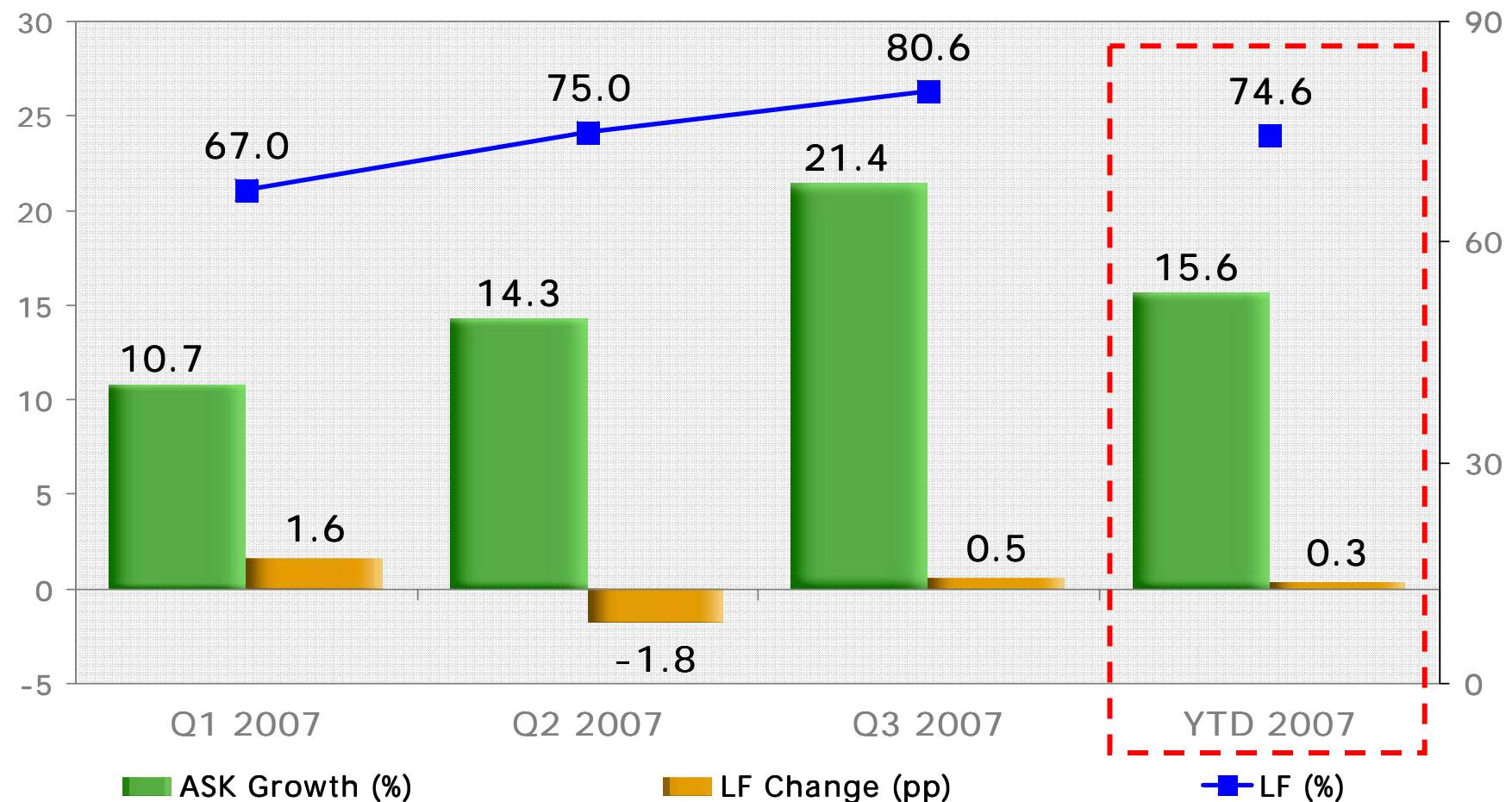
Market Growth above the overall Spain-Europe

<i>Total Madrid-Europe</i>	Jan-Sep 07 (%)	Change vs 2006 (p.p.)
Market growth pax	21.4	9.2
<i>Market shares</i>		
Iberia	38.1	-2.9
Low cost carriers	22.3	8.2
Charter	5.8	0.3
Other AEA Airlines	33.7	-5.5

# Iberia Operating Performance: Geographical Europe



# Iberia Operating Performance: Madrid-Geographical Europe

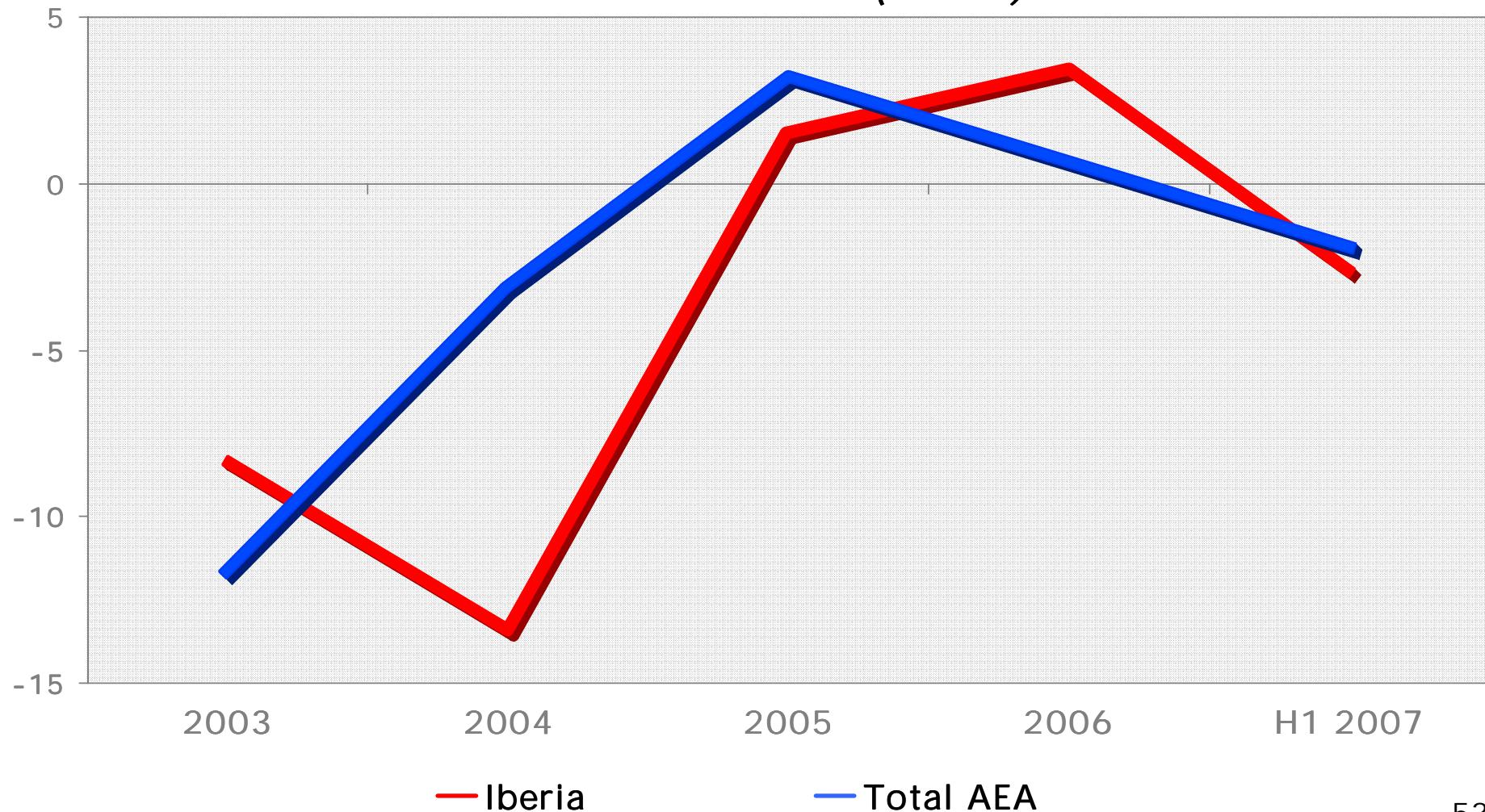


Important growth in MAD-Europe operation maintaining the LF

# Unit Revenue Evolution in Europe



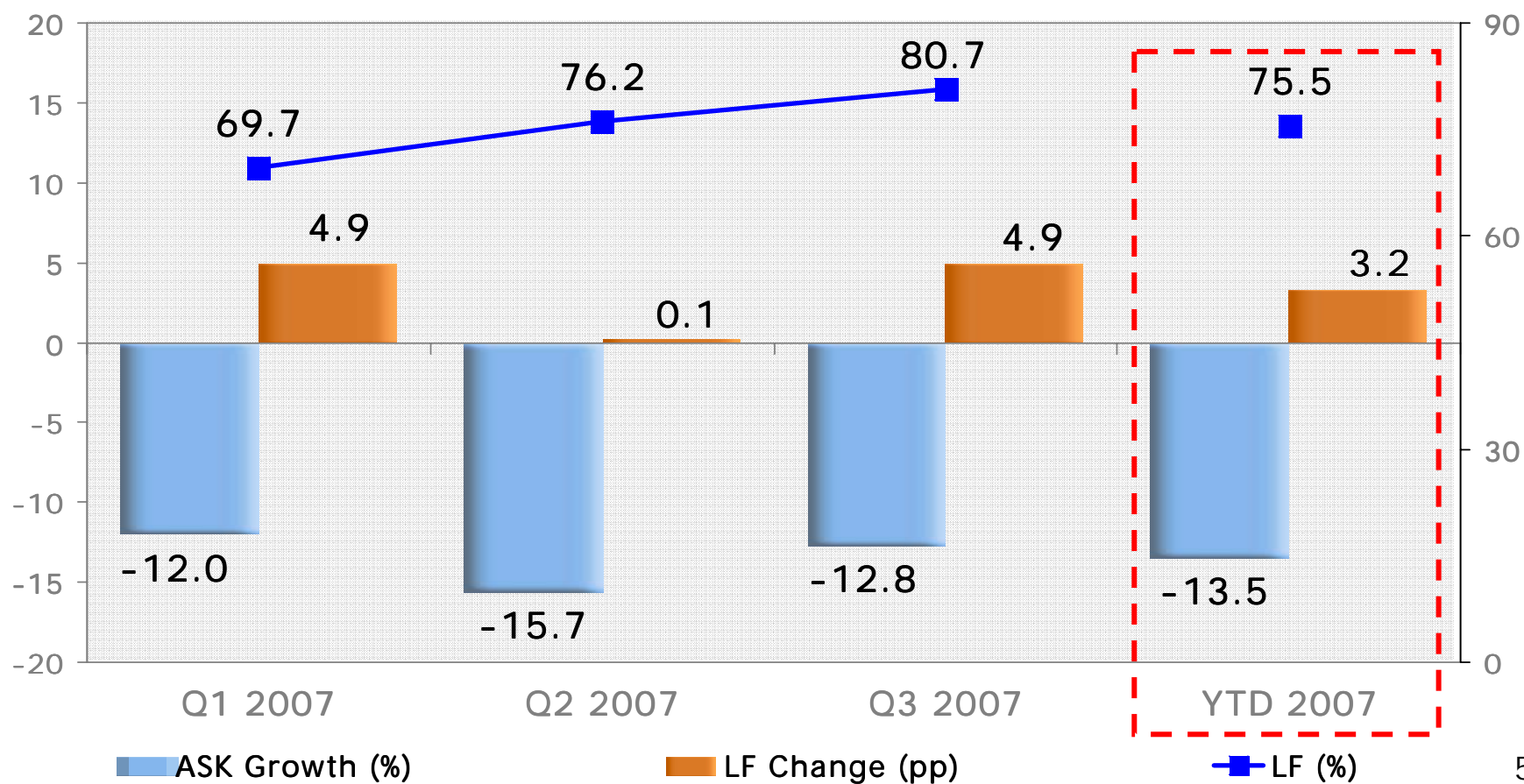
*Revenue / ASK (Var. %)*



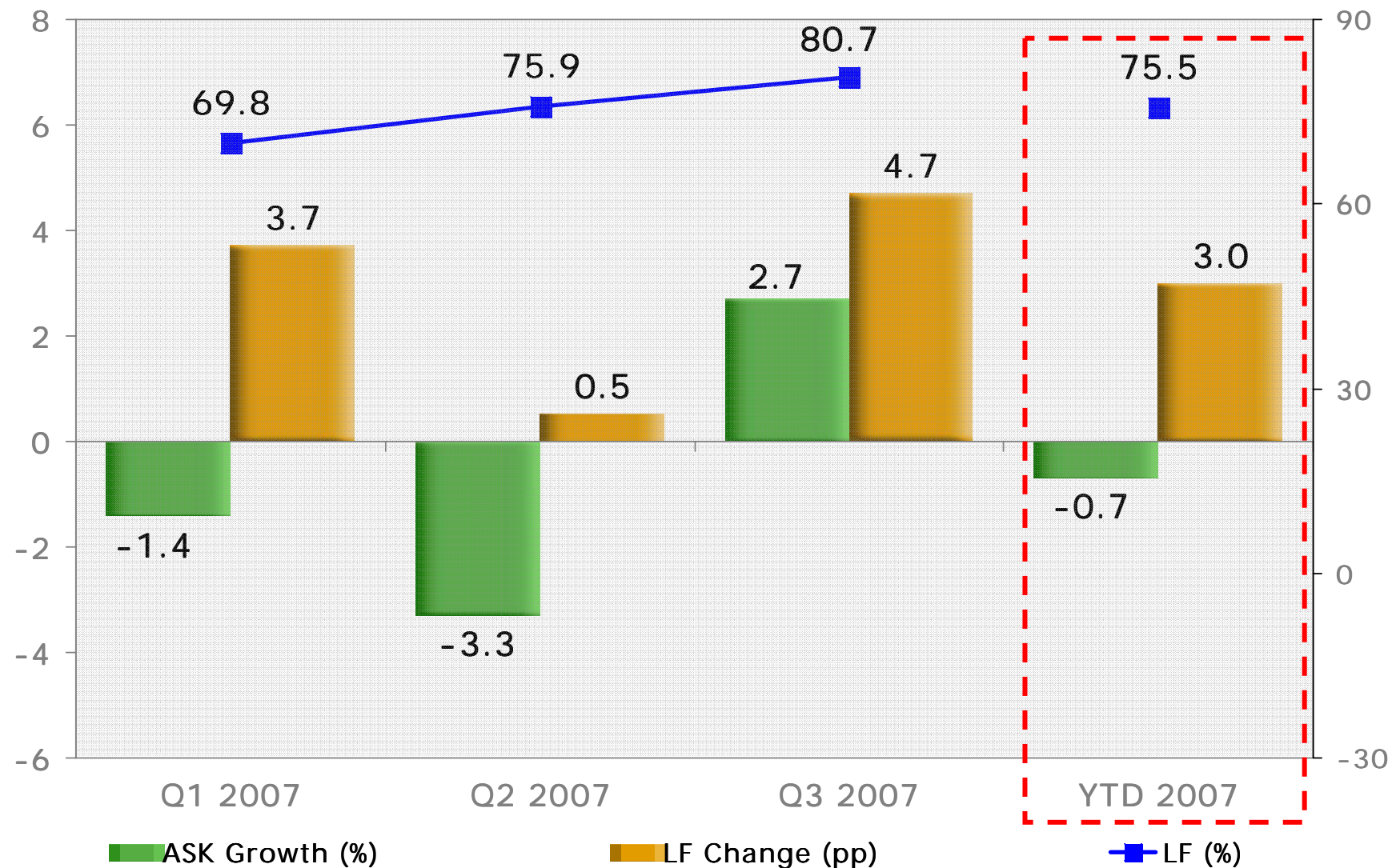
# Iberia Operating Performance: Domestic



	Jan-Sep 07	vs 2006
Market growth	10.0%	3.4 p.p.
Iberia market share	45.5%	-2.1 p.p.



# Iberia Operating Performance: Madrid-Domestic



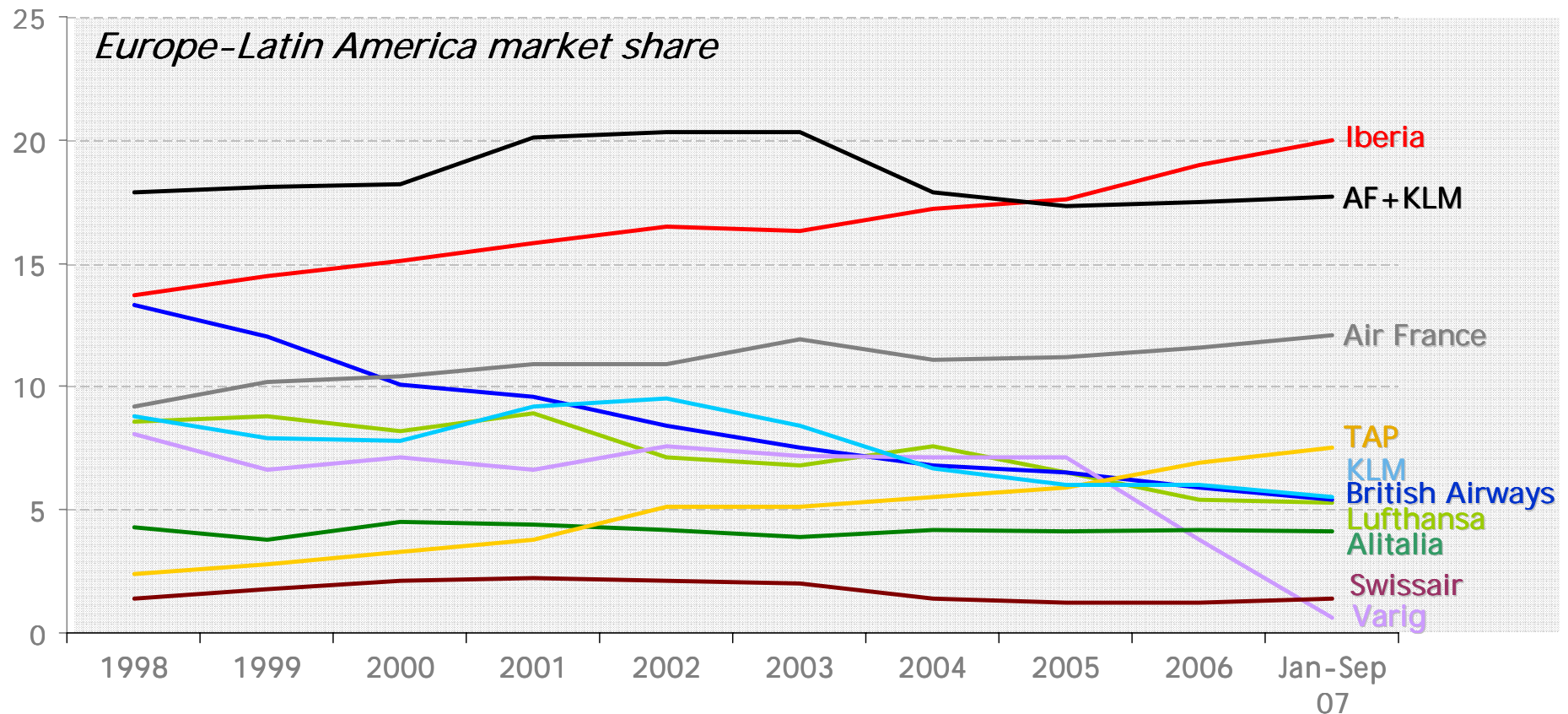


# Latin America: Gap with main competitors continues to widen



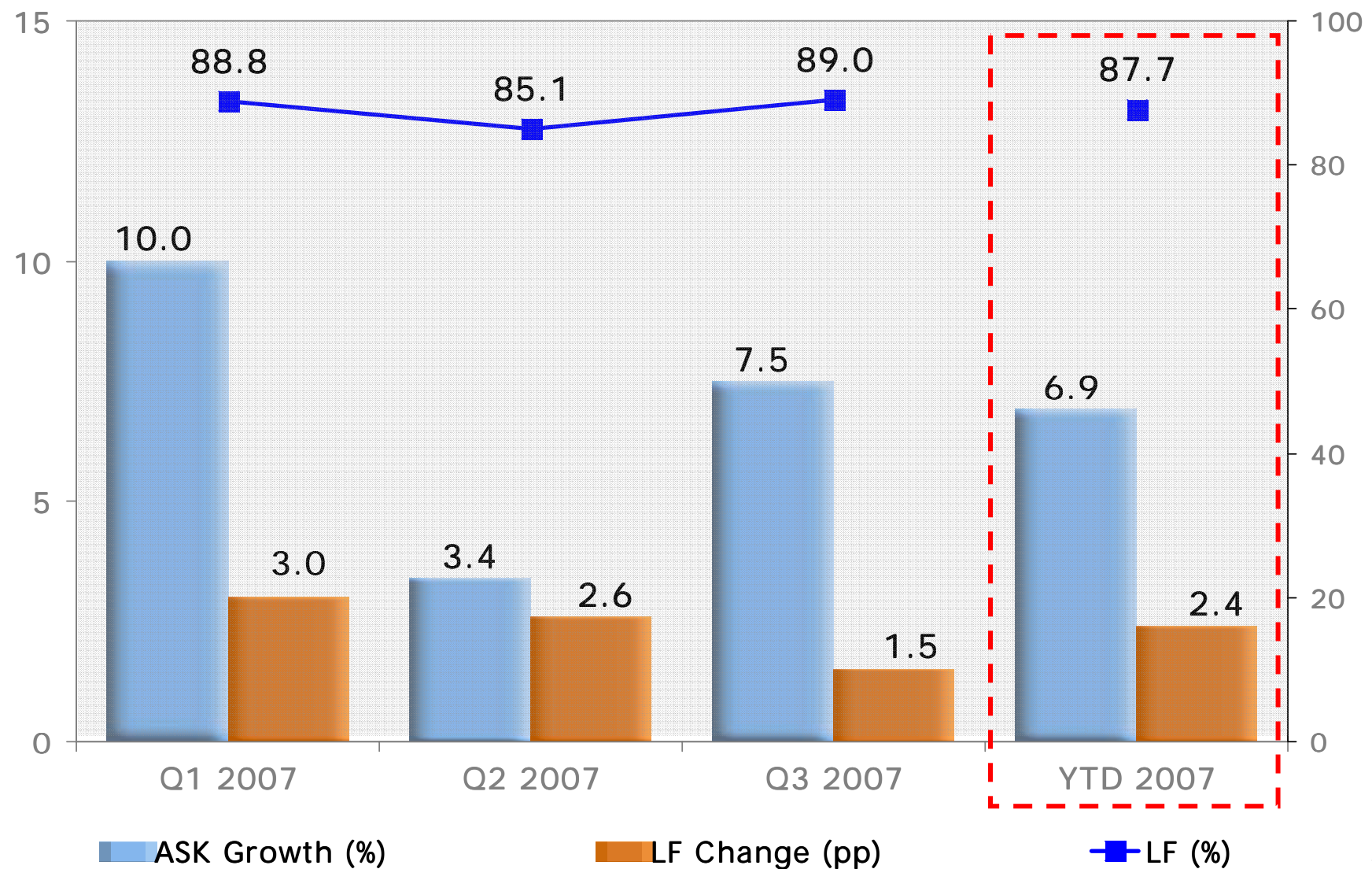
Market growth Ytd 2007: 5.9%

Iberia market share : 20.0% (+1.3 p.p.)





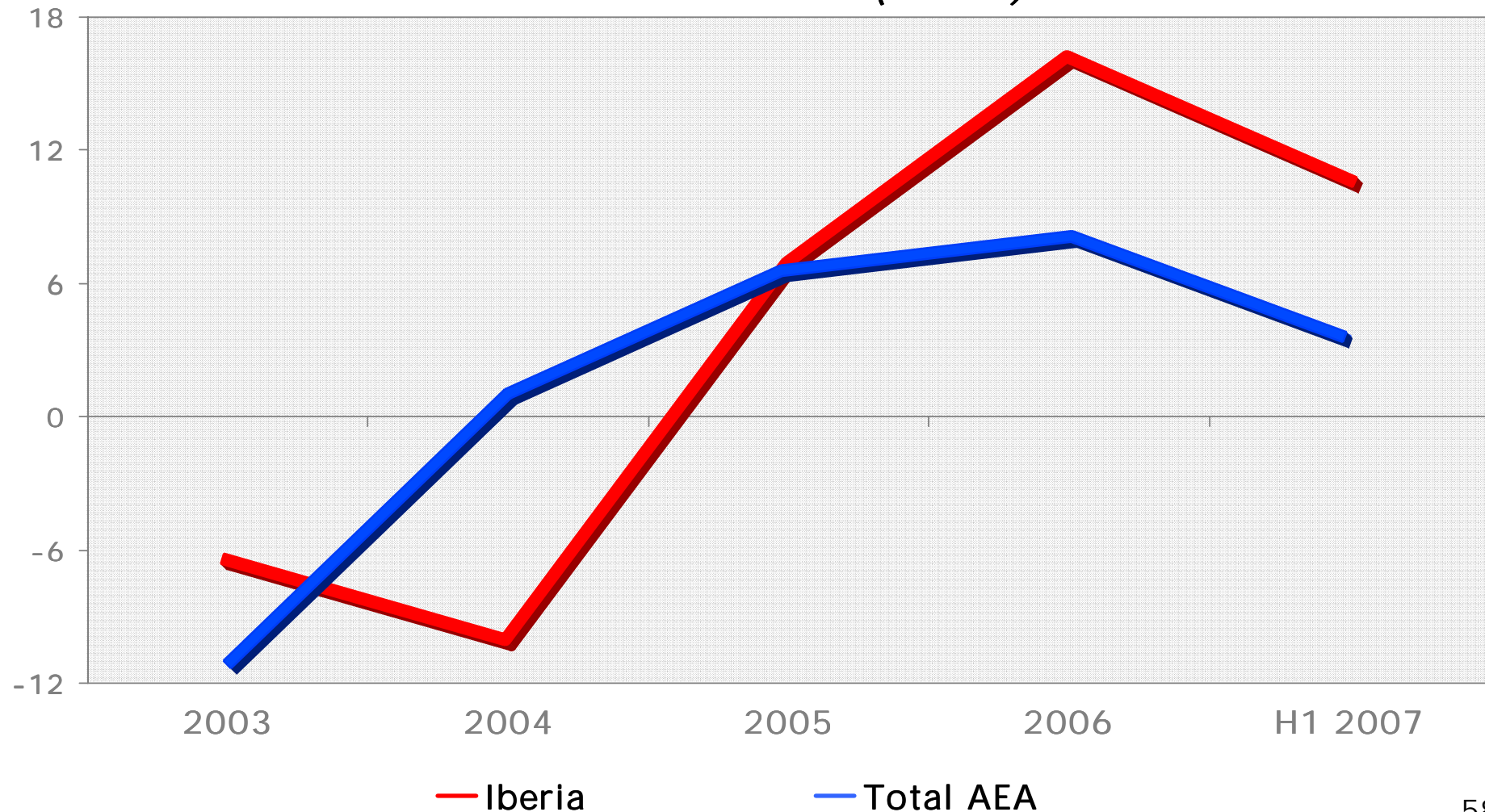
# Iberia Operating Performance: Long Haul



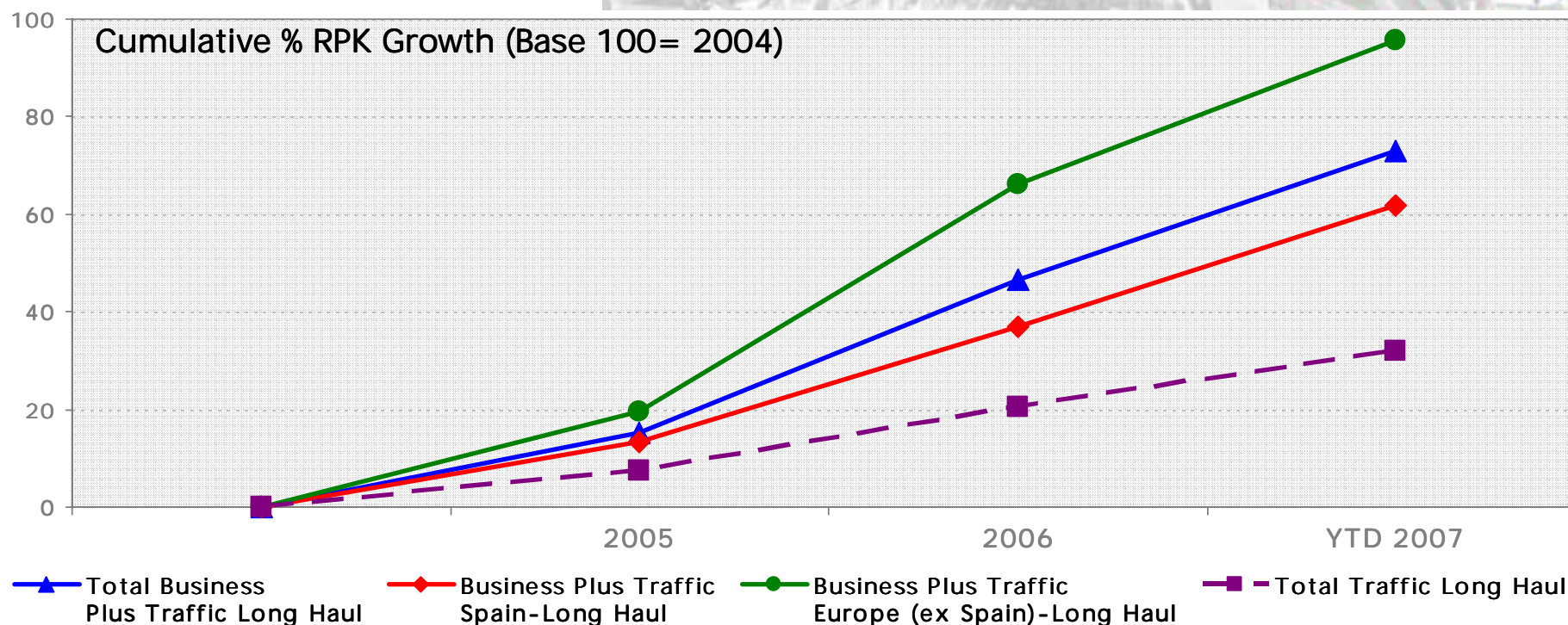
# Unit Revenue Evolution in Long Haul



*Revenue / ASK (Var. %)*



# Business Traffic Evolution in Long Haul



	05/04	06/05	Ytd 07/06
Rev./ASK (% var)	6.8	16.8	8.6
LF (pp dif.)	4.5	10.6	5.4

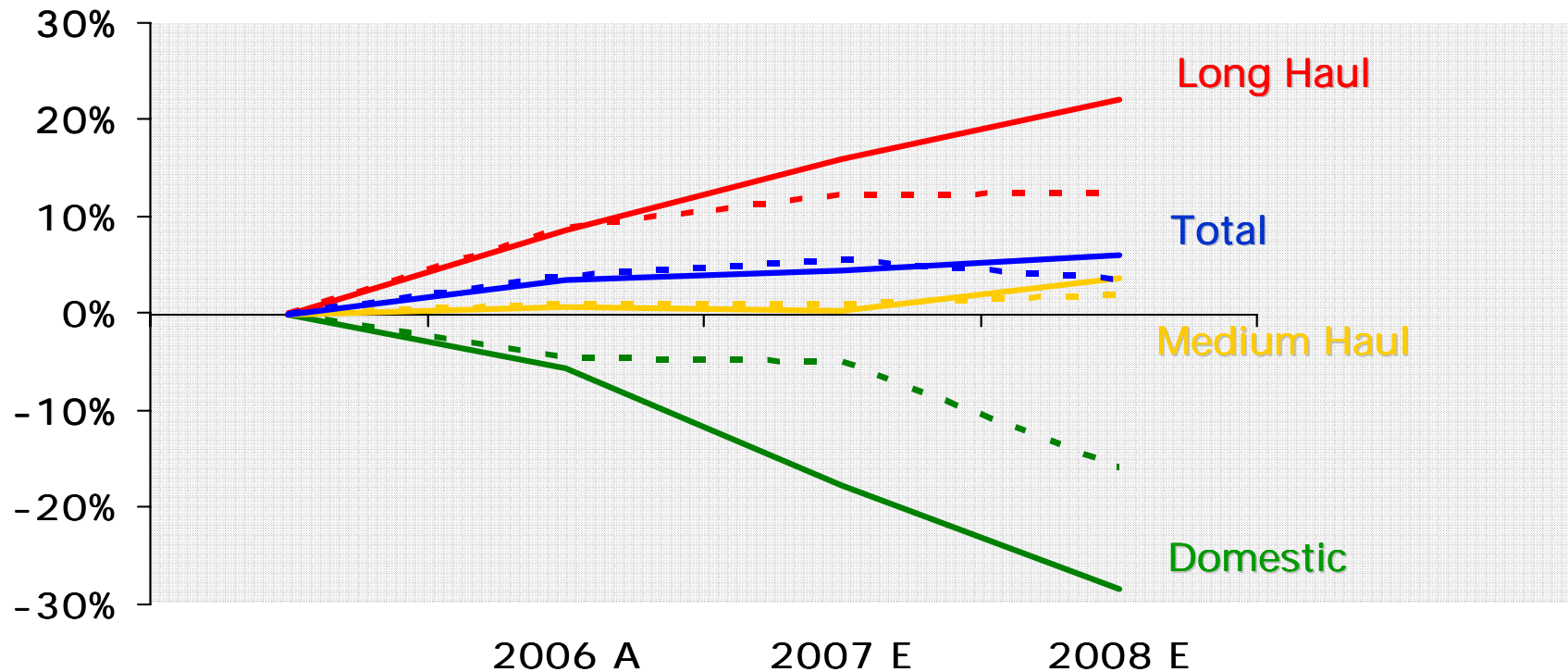
Impressive increase in Business Plus Class: 3 years doubling growth rate of total traffic.

Higher increase in Europe (ex-Spain) through MAD Hub.

# Capacity Forecast Director Plan 2006-2008



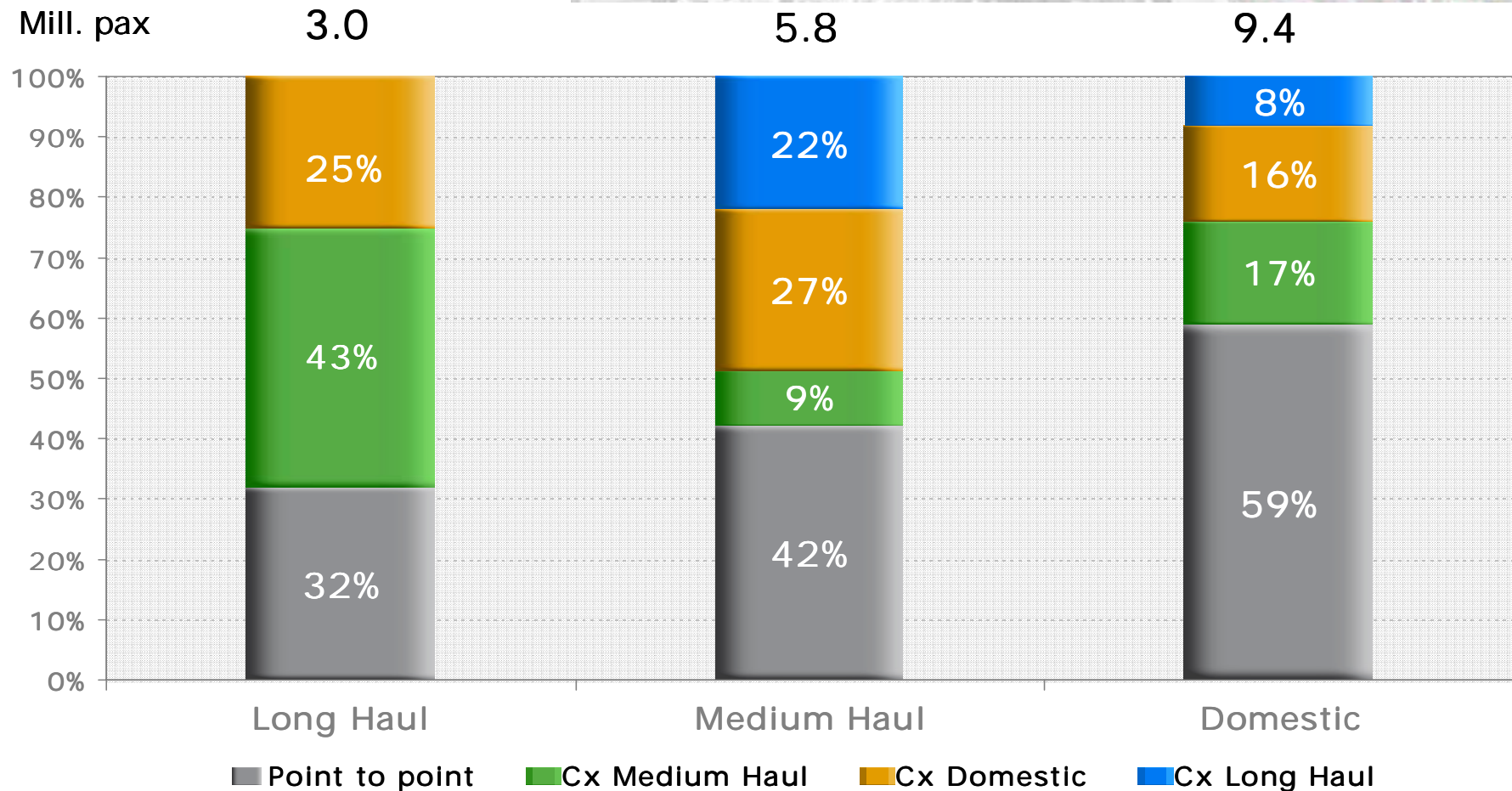
Cumulative % Growth in ASK



..... DP initial capacity forecasts

Exploding additional Long Haul opportunities.  
Flexible approach in the capacity mix through the network: Higher expansion in MAD-Europe

# Madrid Hub: Traffic Breakdown Jan-Sep 2007

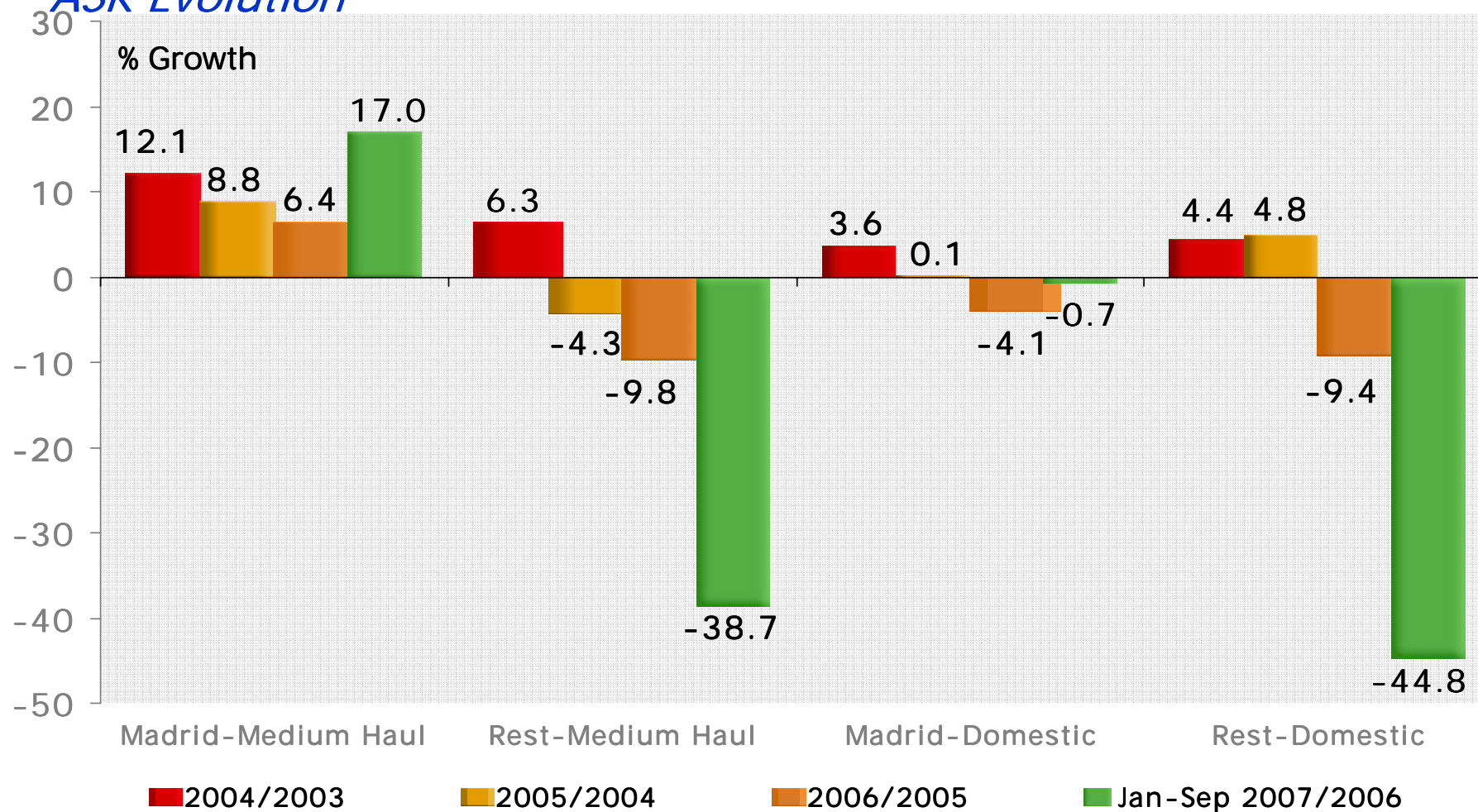


Significant growth of connections through MAD Hub:  
In Long Haul Routes, connecting passengers represent 68% of total traffic

# Network Restructuring 2007



## ASK Evolution



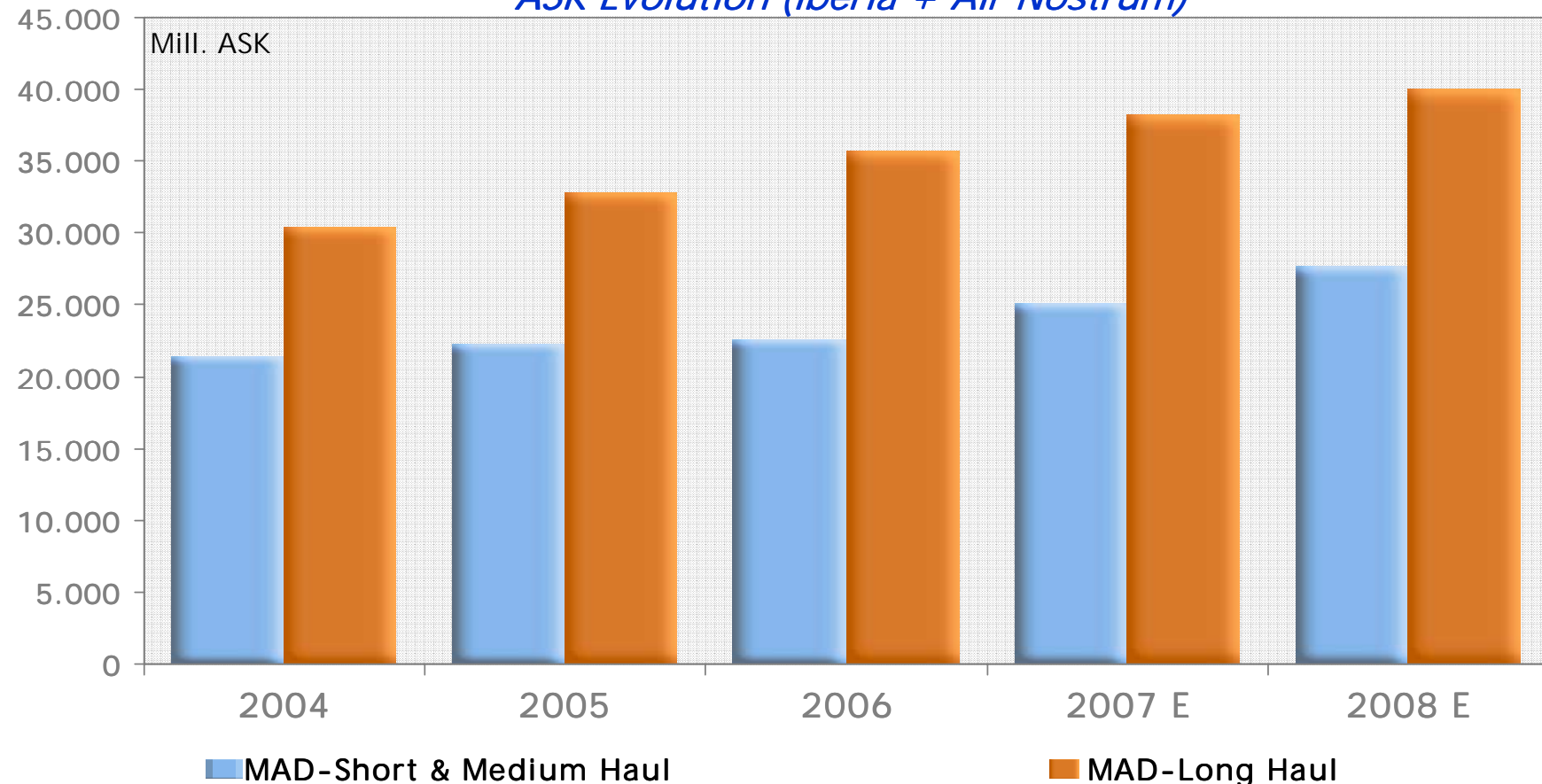
Capacity growth focused on Madrid-Medium Haul



# Madrid: Growth Evolution



*ASK Evolution (Iberia + Air Nostrum)*



CAGR RPK  
08F/04

MAD-Short and Medium Haul

8.7

MAD-Long Haul

9.0

Total Madrid

8.9



# Iberia Daily Connectivity Evolution in Madrid (2003-2007)



## Connectivity Rates in Madrid (Daily) - 2003 to 2007

	2003	2004	2005	2006	2007	% var. 07/03
Number of banks	5	5	5	5	5	
Nº of movements <sup>(1)</sup>	604	631	648	692	727	20.4%
Maximum movements in 1 hour	47	55	57	60	66	40.4%
Nº of real connections <sup>(2)</sup>	10,250	11,754	13,072	14,728	16,046	56.5%
Connectivity rate	18.7	20.5	22.0	22.9	24.2	29.2%

### NOTES:

(1) Air Nostrum Operation Included

(2) Real Connections mean Connections with geographic sense.



# Update on the Director Plan 2006 – 2008

Analyst **and** Investor Day  
7<sup>th</sup> November 2007

# Main Challenges and Opportunities for Iberia in 2006-2008



## Transport

### Short and Medium Haul

- ✚ Impact of Low Cost Carriers (LCC)
- ✚ New infrastructure developments: Airports and high-speed trains

### Long Haul

- ✚ Positioning Madrid as the European hub to Latin America
- ✚ Traffic growth in Europe-Latin America

## Other Businesses

- ✚ New tenders for handling concessions
- ✚ Growth opportunities in Maintenance

Iberia's strategy is represented by its Director Plan

# The Director Plan is Based in Four Pillars

Reviewing and  
Optimising  
the Network

Improving Revenues  
and Quality

DIRECTOR  
PLAN  
2006-2008

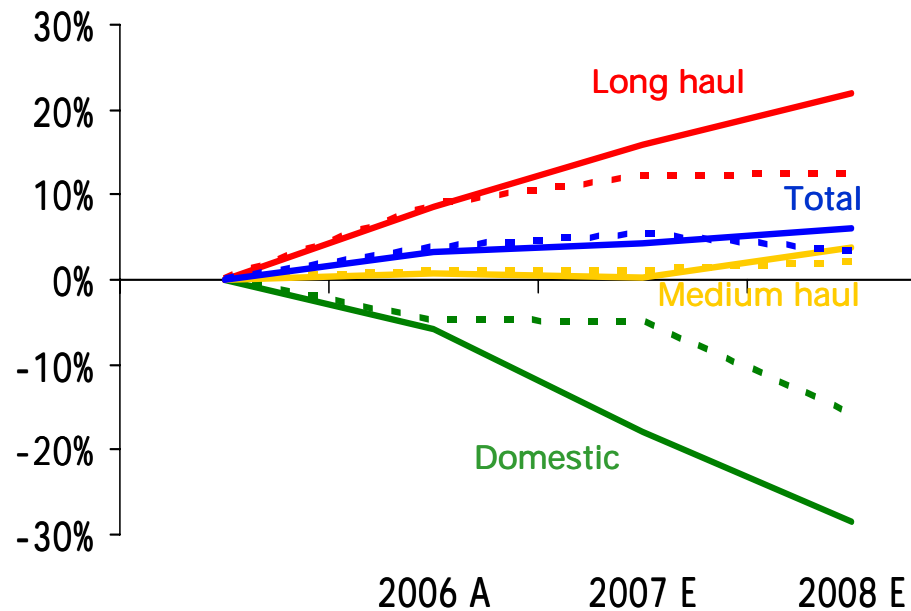
Enhancing the Productivity  
of Resources

Cutting Operating  
Expenses

# Reviewing & Optimizing the Network



*Cumulative % Growth in ASK*



..... DP initial capacity forecasts

*Capacity Evolution*

	DP 08/05	07E/05	08E/05
Domestic	-16.0%	-17.8%	-28.4%
Medium Haul	+1.9%	+0.3%	+3.7%
Madrid-Europe	+31.6%	+26.0%	+45.8%
Long Haul	+12.4%	+16.0%	+22.0%
Total	+3.4%	+4.4%	+6.1%

Strengthening the network: Growth in the Hub

# Reviewing & Optimizing the Network

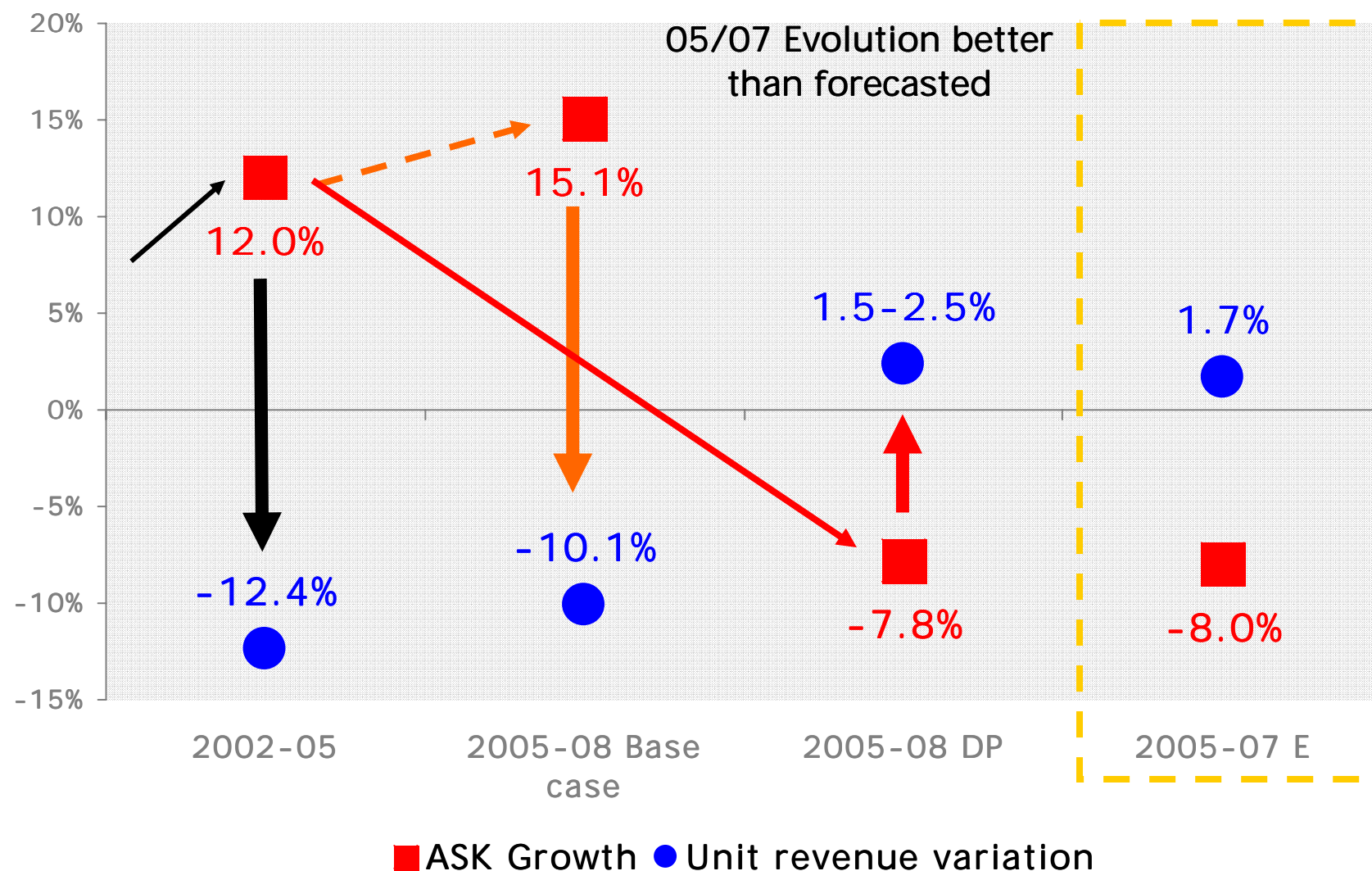


## Achievements in line with the Director Plan

<i>ASK Growth (%)</i>	2007 E	2008 E
Total Iberia	1.0	1.6
Long Haul	6.8	5.1
Europe	0.3	3.4
Domestic	-12.9	-12.9

# Restructuring of the Network

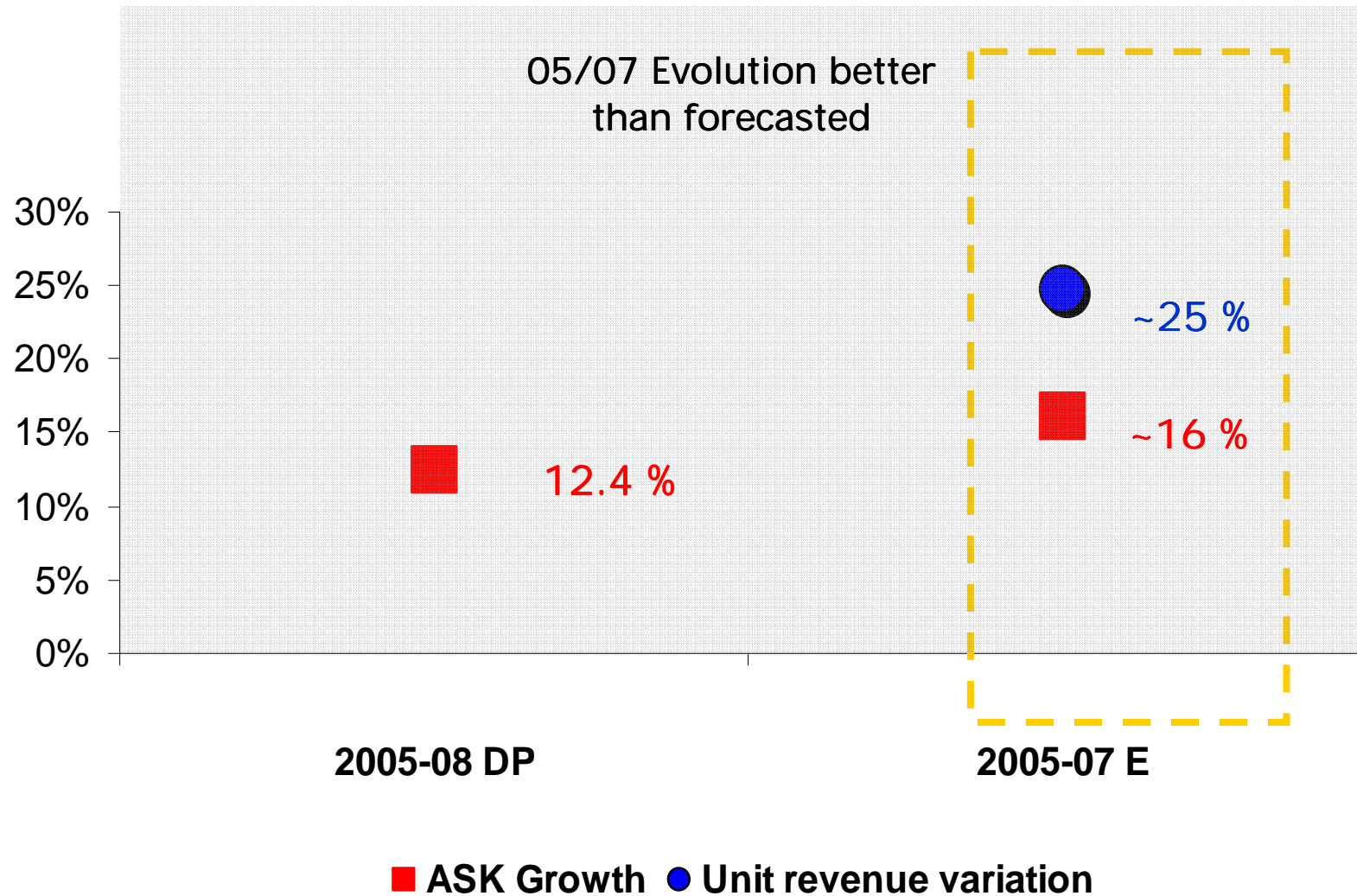
## (I) The Short and Medium Haul





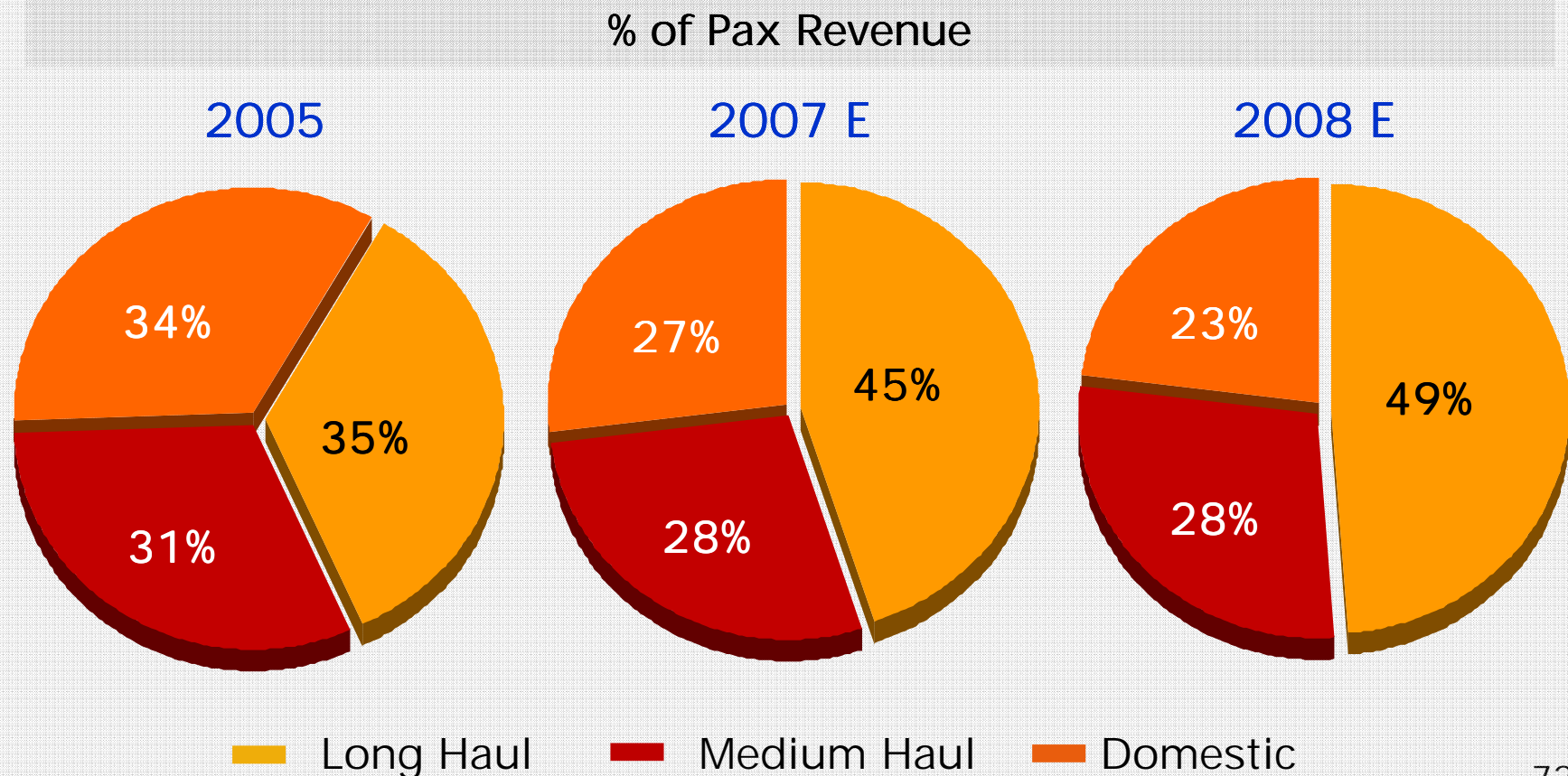
# Restructuring of the Network

## (II) The Long Haul



# Long-Haul is Gradually Increasing its Weight

Strengthening the competitive advantage that the presence in the Latin American market represents for Iberia



# The Director Plan is Based in Four Pillars

Reviewing and  
Optimising  
the Network

Improving Revenues  
and Quality

DIRECTOR  
PLAN  
2006-2008

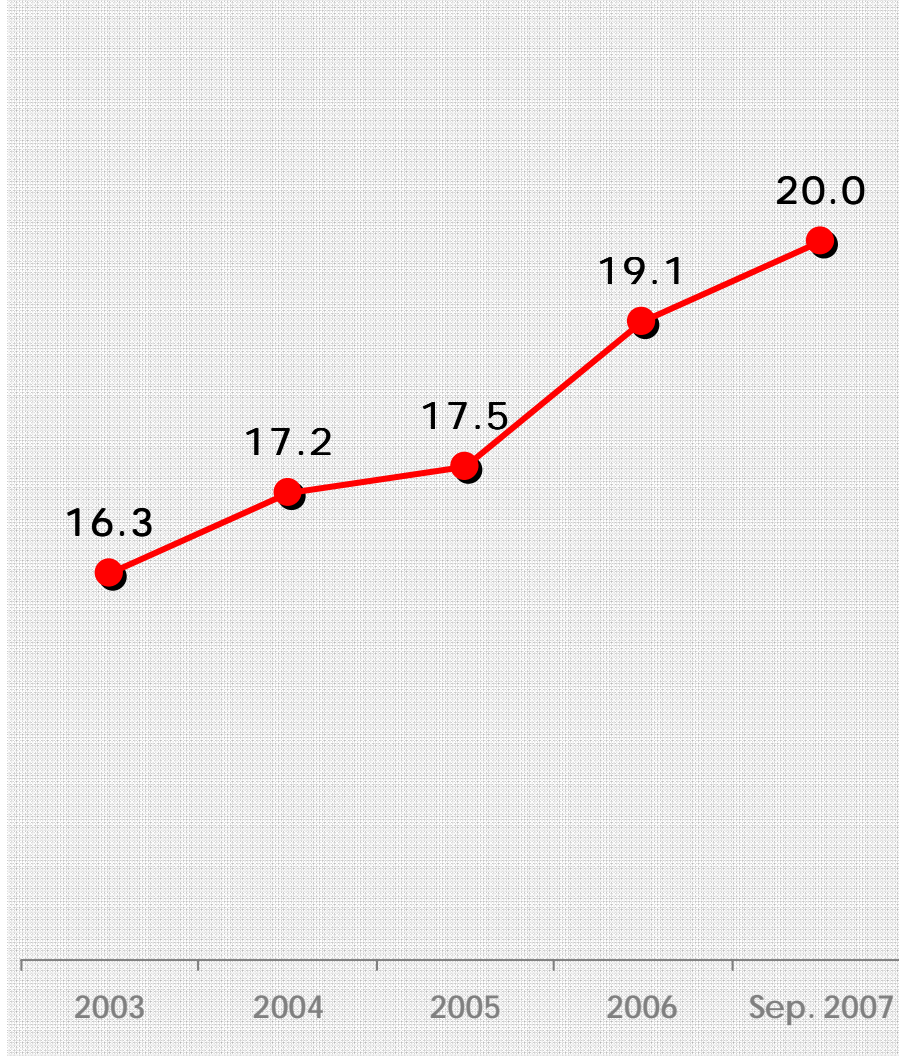
Enhancing the Productivity  
of Resources

Cutting Operating  
Expenses

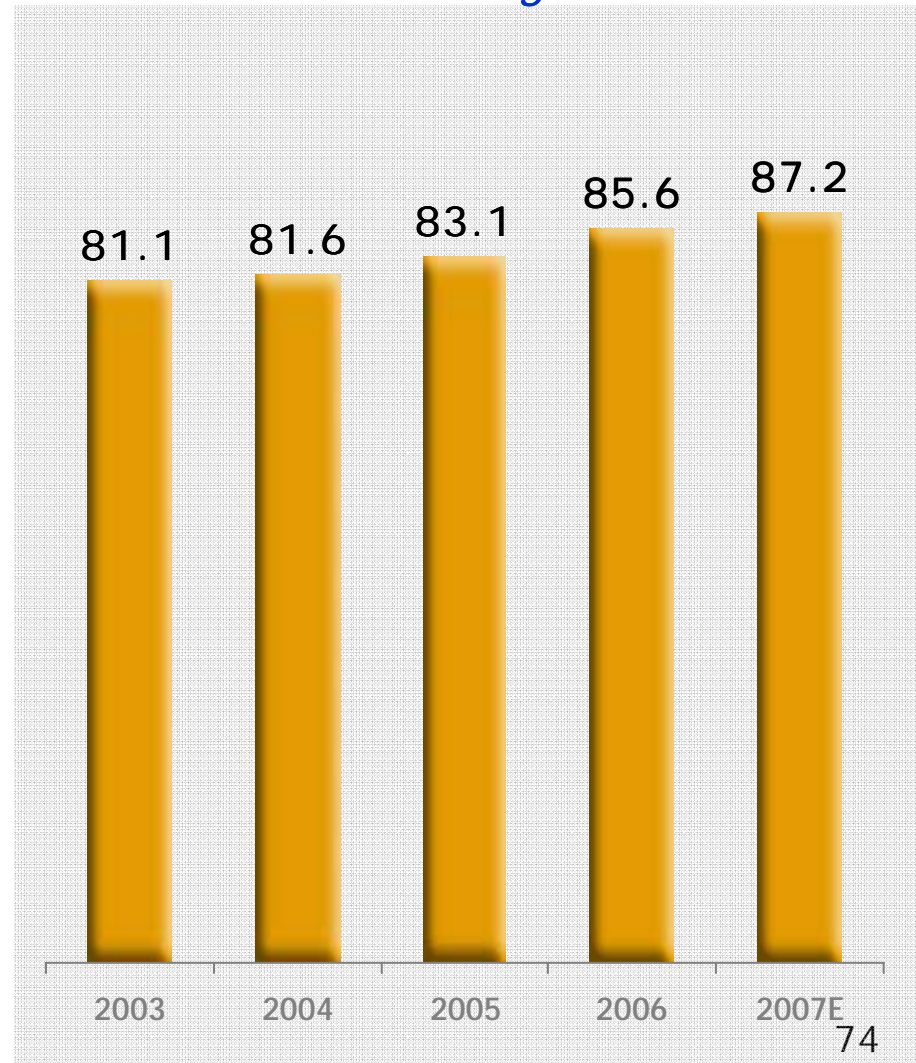
# Iberia has improved market share and load factor in Europe-Latin America



*Iberia's Market share in Europe-Latin America*



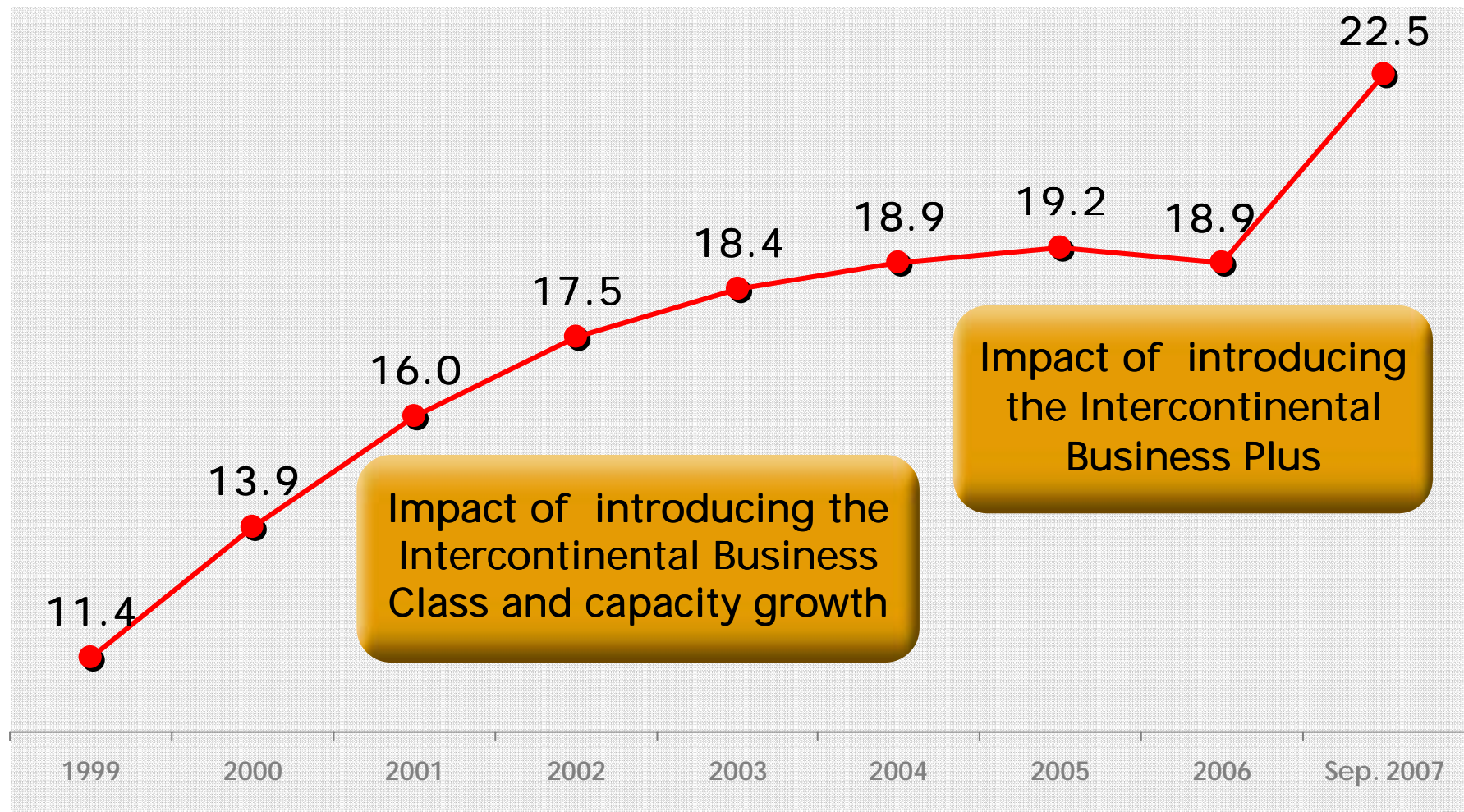
*Load Factor on long haul routes*



# Improvement of the long haul mix: Business Plus



*Increase of business market share in Europe-Latin America*



# Improving Revenues and Quality



Good Performance in Long Haul, Sep 07 <sup>(1)</sup>

Business passengers



+49.5%

Total passengers



+18.8%

Yield



+20.8%

Unit revenue



+27.2%

<sup>(1)</sup> Over 2005



# Madrid Airport: T4 impact



- ✚ Fingers in 93% of flights

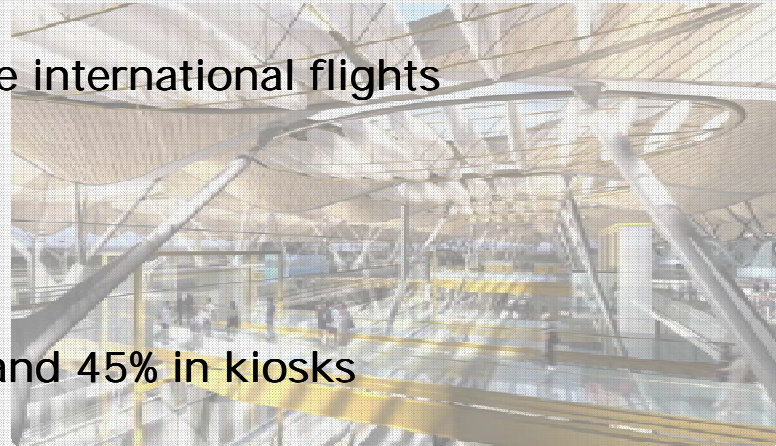
- ✚ 3 Iberia VIP lounges with 4.500 m<sup>2</sup>

  - ✚ Dinner available in the lounge for late international flights

- ✚ Self Check-in growth:

  - ✚ 20% of passengers use self check-in

  - ✚ Out of them 55% checked-in online and 45% in kiosks



- ✚ Improve overall customer experience

High functionality and important capacity growth



# Revenue Management



## Decision Support Systems

### *Present*

- ✚ PROS 5 segment version for inventory management
- ✚ SABRE AIRPRICE as pricing tool
- ✚ INFARE for price/availability web search and comparison against competition

### *Future*

- ✚ PROS Origin and Destination network optimization system (under implementation – launching by mid 2008)
- ✚ “Profit Line-Price” pricing system (launching end 2007)
- ✚ Internal research with the University

# The Director Plan is Based in Four Pillars

Reviewing and  
Optimising  
the Network

Improving Revenues  
and Quality

Enhancing the  
Productivity of  
Resources

Cutting Operating  
Expenses

DIRECTOR  
PLAN  
2006-2008

# Fleet Management: Main objectives



Support the growth of the business

**Fleet homogenization**  
moving towards 2/3 aircraft families

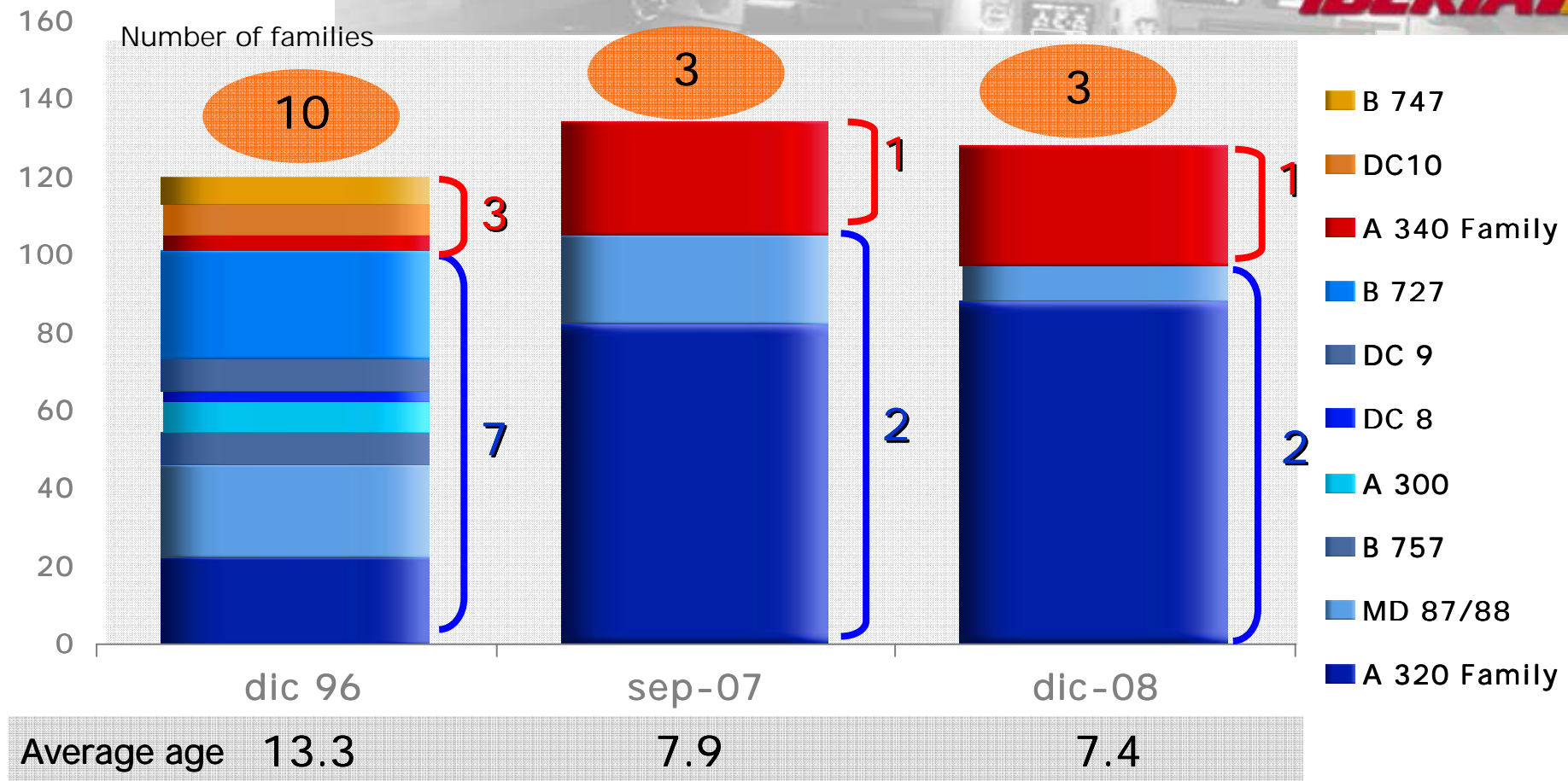
**Rejuvenating the fleet:**  
Average age of 7-8 years

**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

# Fleet Rejuvenation and Homogenization

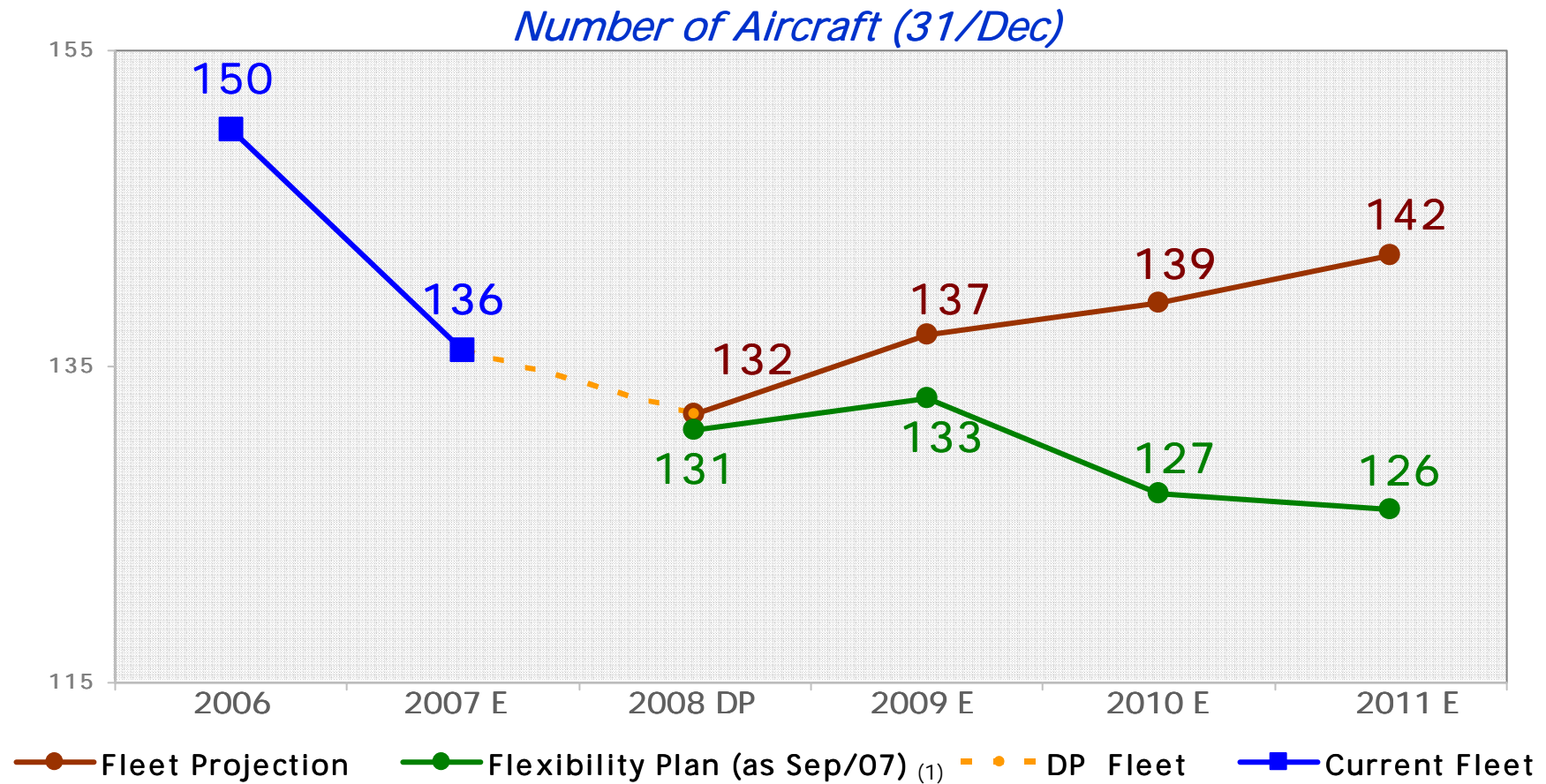


Iberia has currently one of the youngest fleet in the sector and by 2009 will be the only network airline with one single type of fleet in the short and medium haul and one in the long haul

# Fleet Plan



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

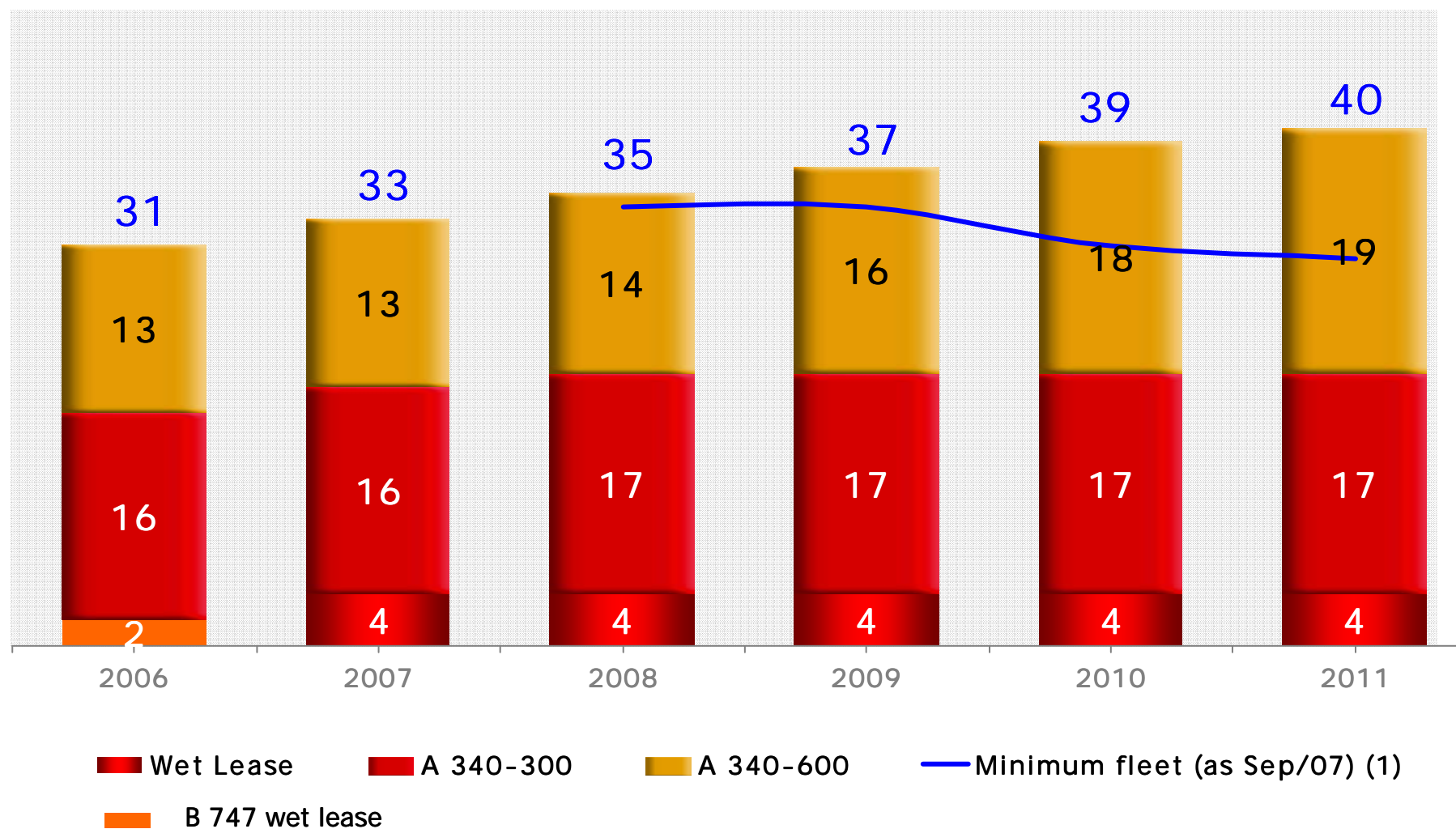


Note:

(1) In the future the Minimum Fleet will be affected by Management decisions

# Iberia's Long Haul Fleet

(31-December)

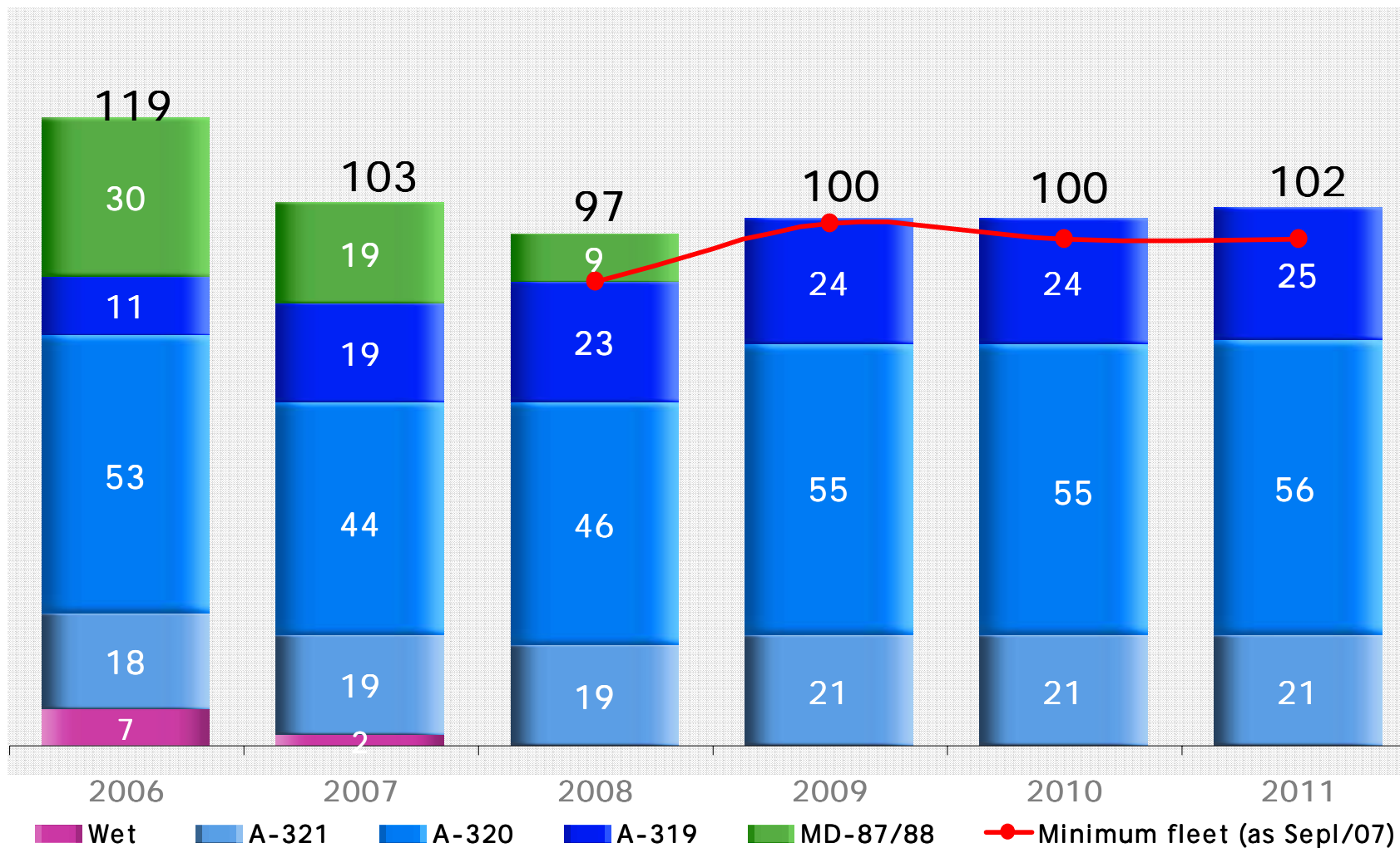


Note:

(1) In the future the Minimum Fleet will be affected by Management decisions

# Iberia's Short & Medium Fleet

(31-December)



(1)

Note:

(1) In the future the Minimum Fleet will be affected by Management decisions



# Airbus Contract for Short and Medium Haul Fleet



Year of delivery

A-320 Family

2006/2008

30

Original contract (17 A319, 10 A320, 3 A321)

2010/2011

10

Options exercised

Total 2006/2011

40

Firm aircraft

2012/2014

29

Remaining options and rolling options

Total

69

# Airbus New Contract For Long Haul Fleet



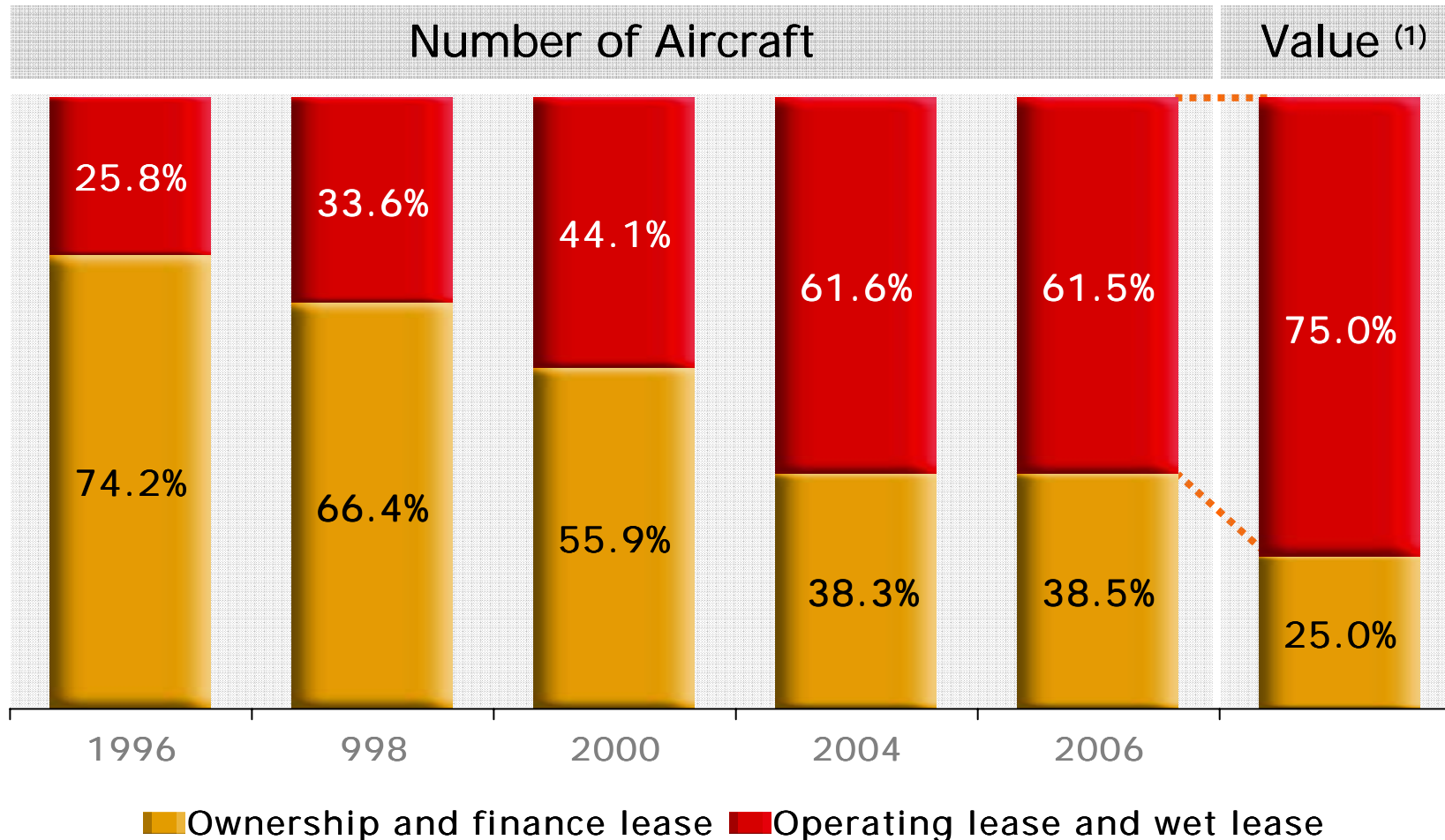
6 aircraft A340/600:  
3 firm and 3 options

## Delivery dates

	Firm	Options
2008	1	--
2009	2	--
2010	--	2
2011	--	1
Total	3	3

Financing: Asset value guarantee for 100% of the aircraft

# Fleet Ownership Structure

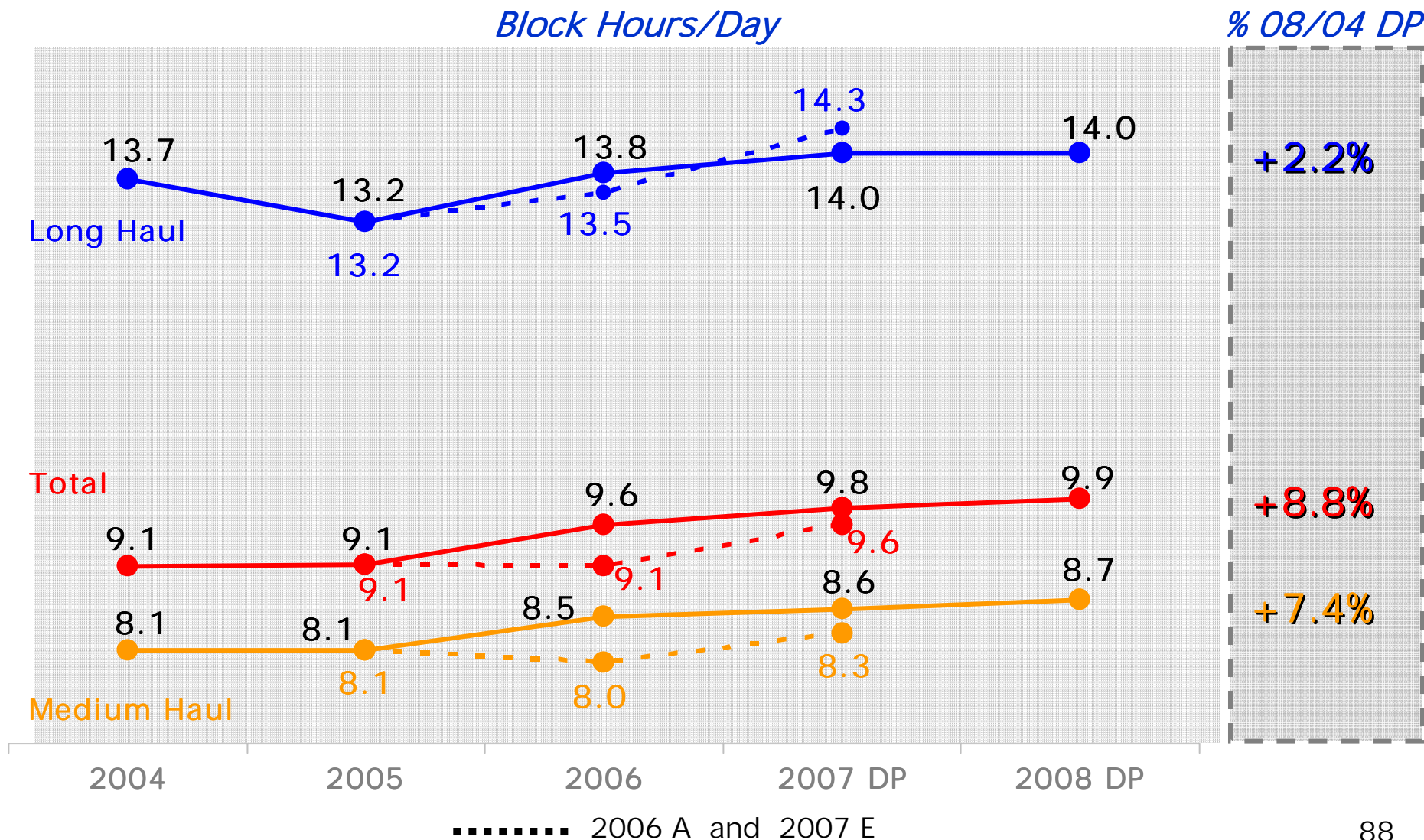


Residual value risk has been gradually transferred to market specialists

Note:

(1) Book value of on balance sheet aircraft and capitalization of leases (operating lease + 50% wet) x 8.

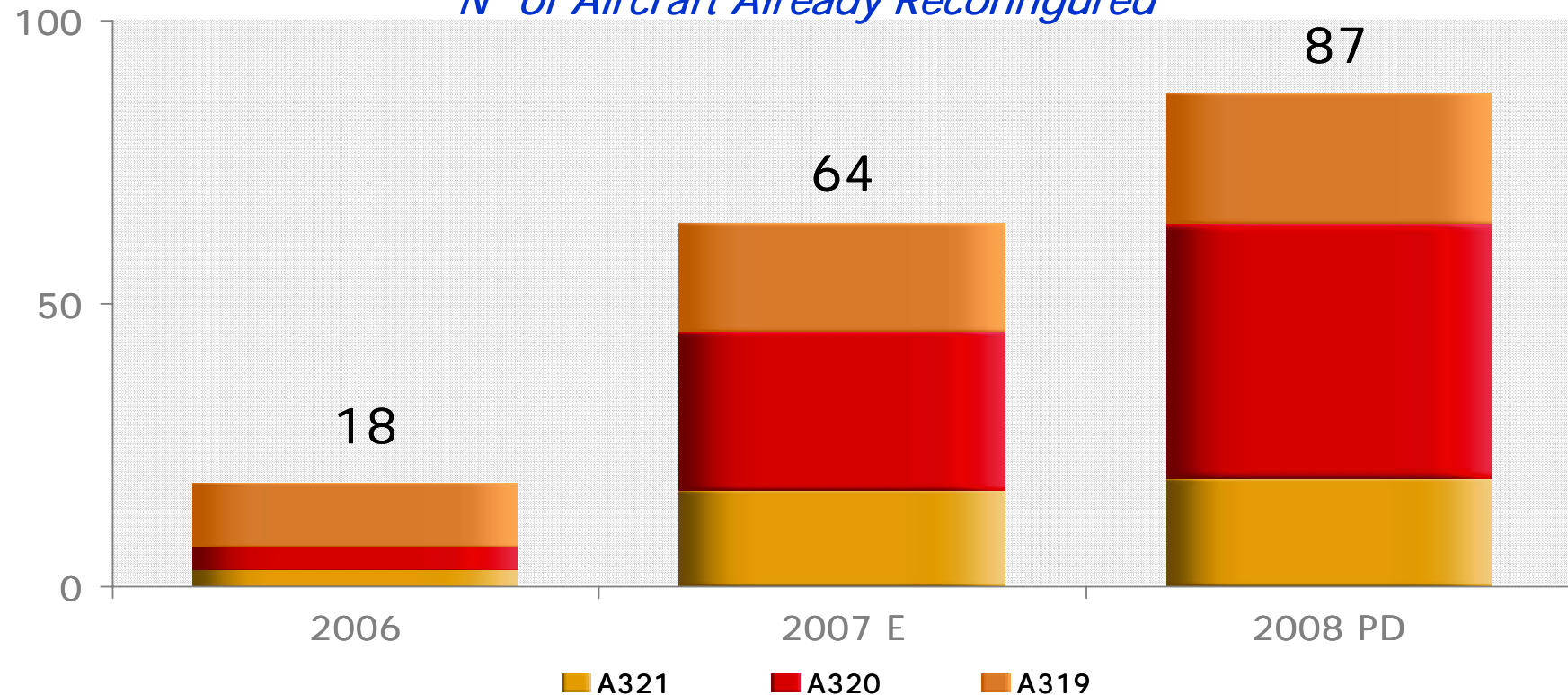
# Increased Utilization of Aircraft



# Short and Medium-Haul Cabin Optimization



*N° of Aircraft Already Reconfigured*

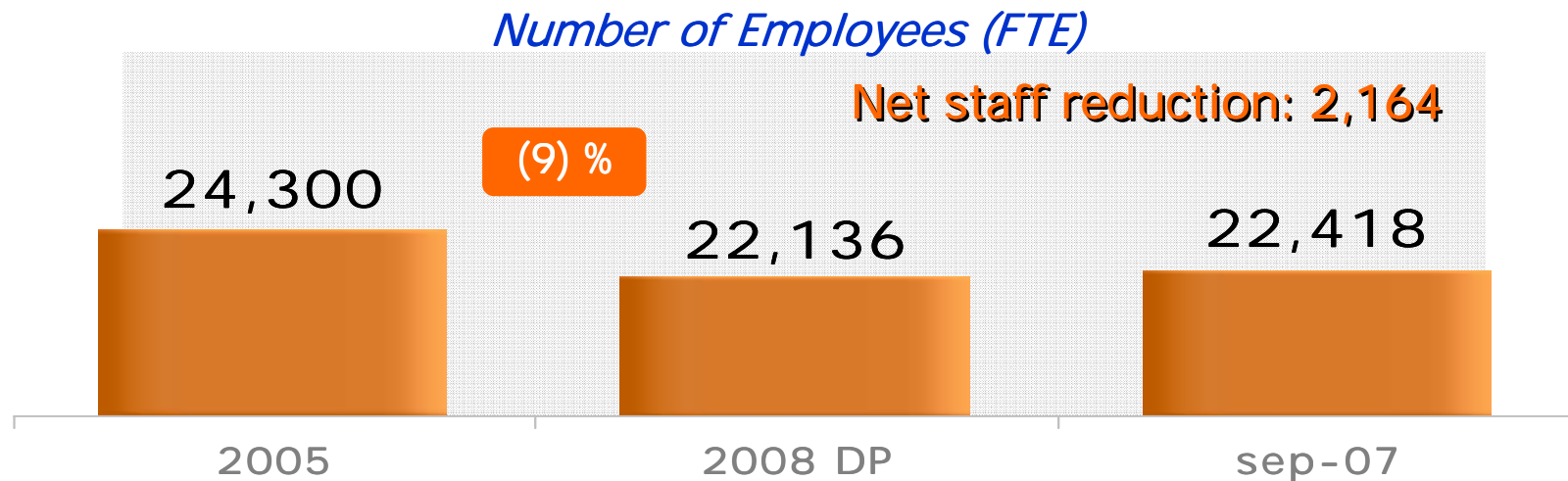


 Target 2008: +5 % seats

 Estimated investment of €33m for 2006 and 2007

€20m of additional passenger revenues from increased cabin capacity and upgrade of cabin facilities

# Increased Staff Productivity



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

Redundancy Plan provisioning	▶	€280m in 2005 + €26m in 2006
Annual impact	▶	€120 m in 2008
Recovery period	▶	2 / 3 years

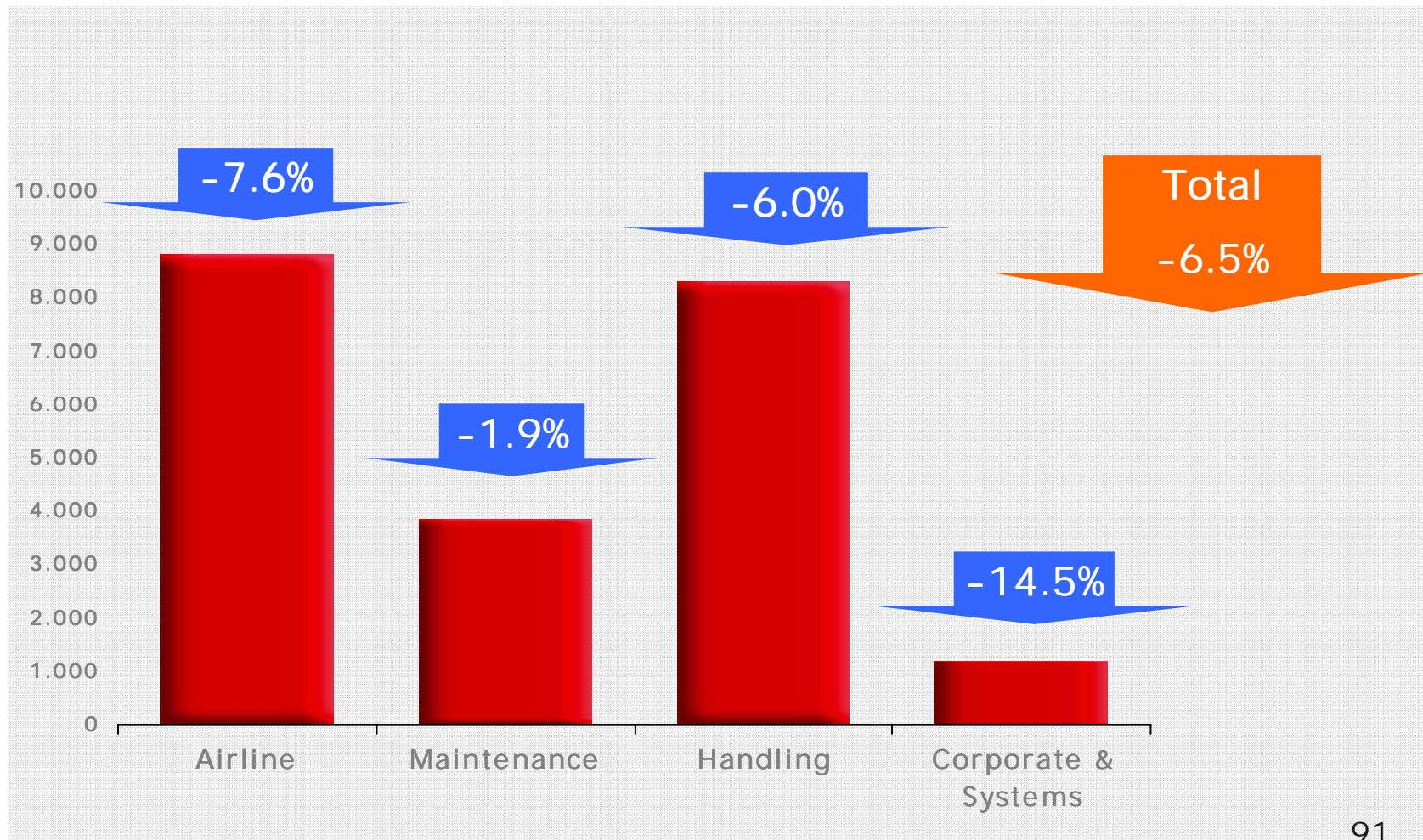
As of Sep-07, 94% of the Plan already achieved for Ground Staff (1,946 employees)

Additionally, 258 cabin crew have been retired (versus 200 budgeted in the Director Plan) with annual cost savings of €15m

# Employee Redundancy Plan: Overperforming targets



Average number of employees 05/07 E





# 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

# Reduction of Personnel Costs



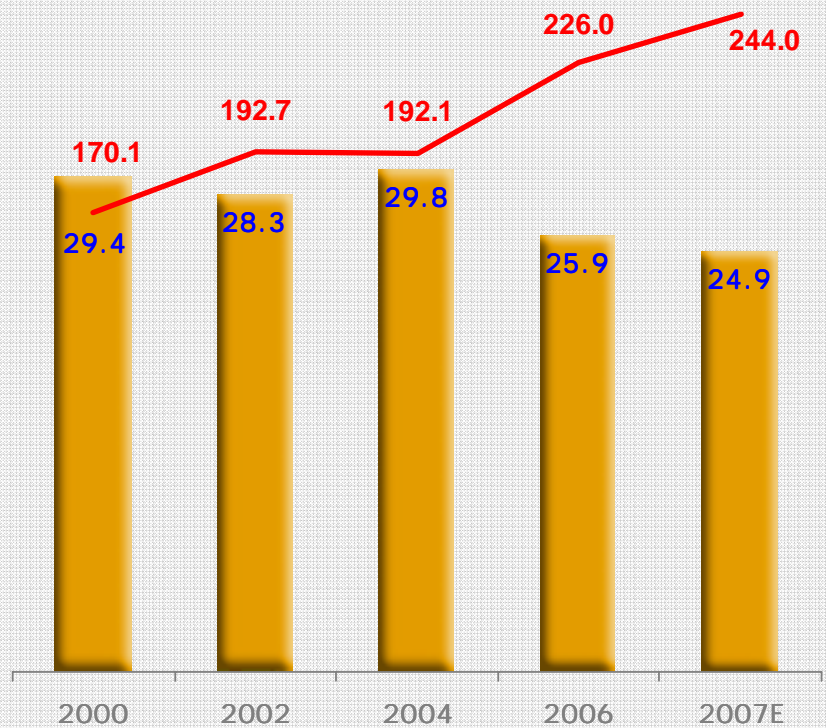
	Ground 50% of Total Cost	Cabin Crew 25% of Total Cost	Pilots 25% of Total Cost
Salary freezes	✓	✓	pending
Change from fixed to variable wages linked to target performance	✓	✓	pending
New seniority	pending	pending	pending
Productivity measures	✓	•••	pending

About 65% of the Plan already achieved in September 2007 <sup>(1)</sup>

# Evolution of Personnel Costs



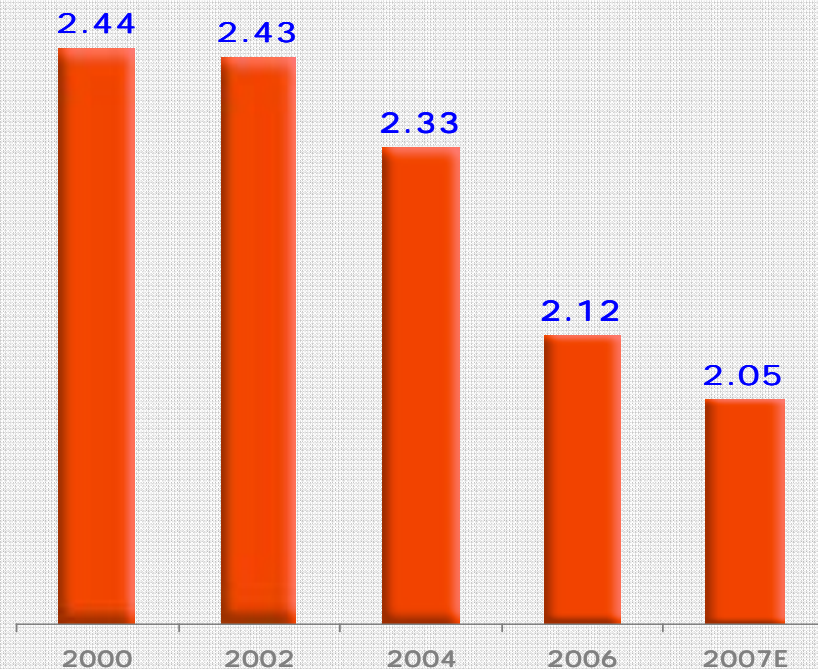
*% Personnel Costs/Operating Revenues*



— Operating Revenues per Employee (€ thousand)

43% increase of operating revenues per employee

*Personnel Costs/ASK (€cents)*



12% decrease of personnel unit costs in the last 3 years

# Director Plan 2006-2008 Personnel



## Measures

## Achievements

### Increase of Human Resources Productivity

- ✈ Flight personnel reduction
  - ✈ Increase of working days
  - ✈ Enlargement of flight hours limit
- ✈ Ground personnel reduction (domestic and international)
  - ✈ Outsourcing, process restructuring

€2m

€115m

### Labour Cost Reduction

- ✈ Labour Cost Reduction
  - ✈ Salary freezing
  - ✈ Conversion of fixed remuneration into variable remuneration linked to objectives
  - ✈ New terms for new hired staff

€44 m

Achieved Impact over 2008 estimate  
€ 161m (85% objective)

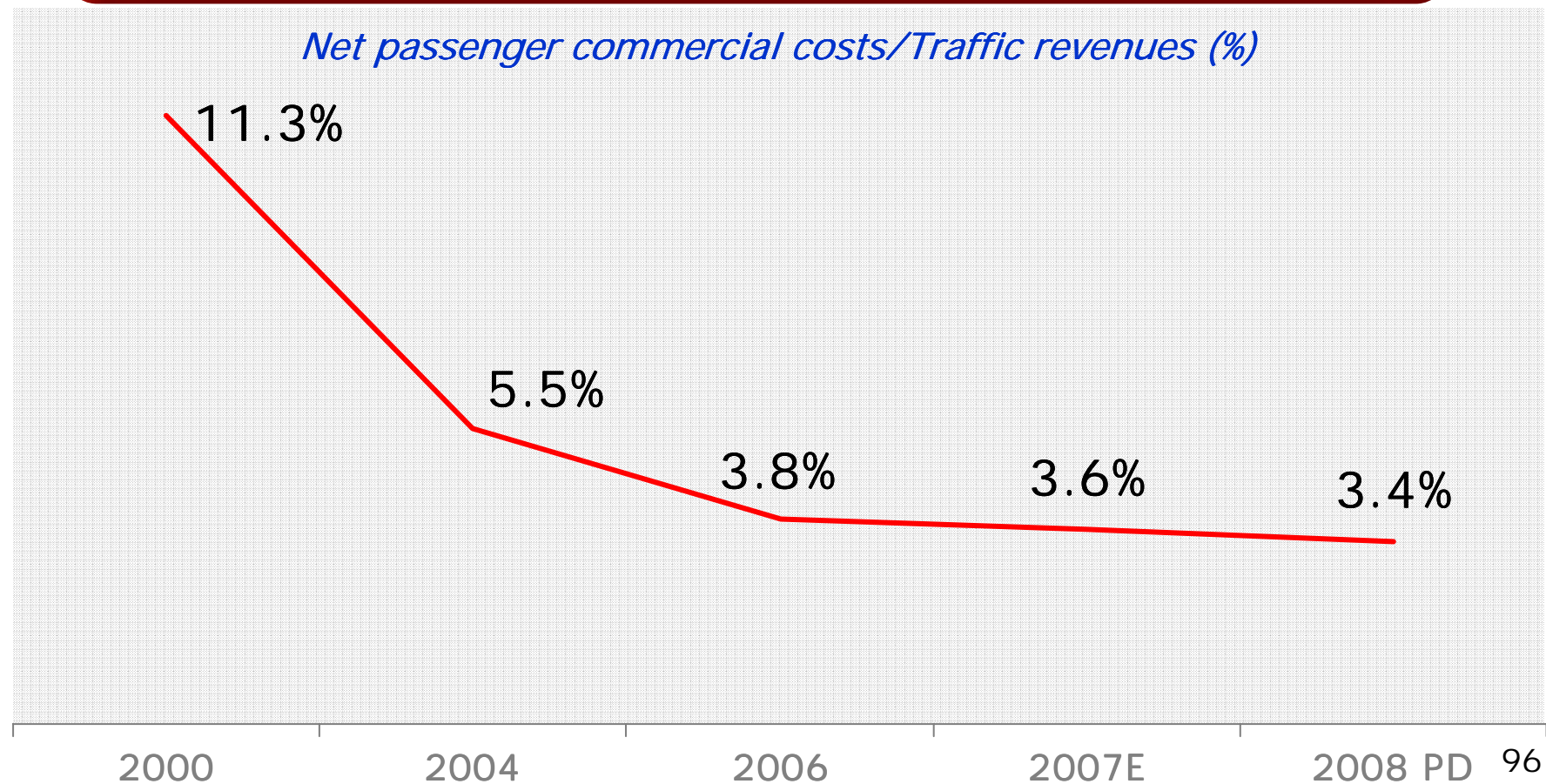
Pending Collective Agreement with Pilots

# Other Costs Evolution



## 1. Commercial cost reduction

Estimated savings of €22m



# Other Costs Evolution

## 2. Reduction of aircraft leasing costs

Estimated savings of €18m

Better prices for the extension of current operating leases

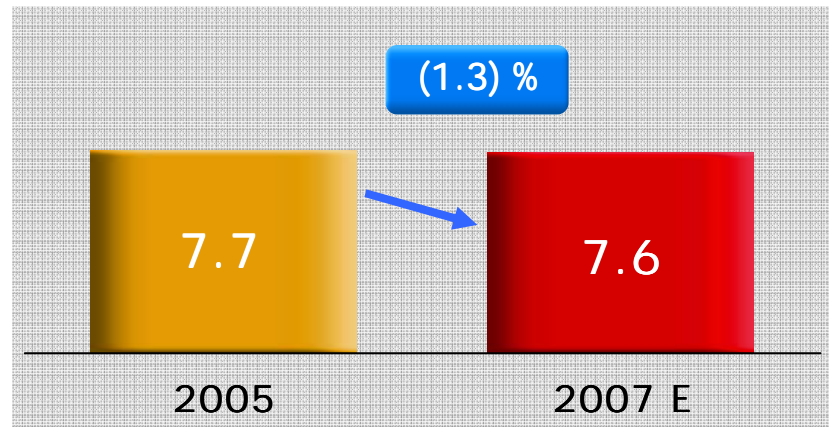
Better prices and interest rates for fleet incorporations

The extensive use of operating leases and sale and leaseback operations will be a useful tool to maintain low ownership costs, flexibility and manage the asset value risks

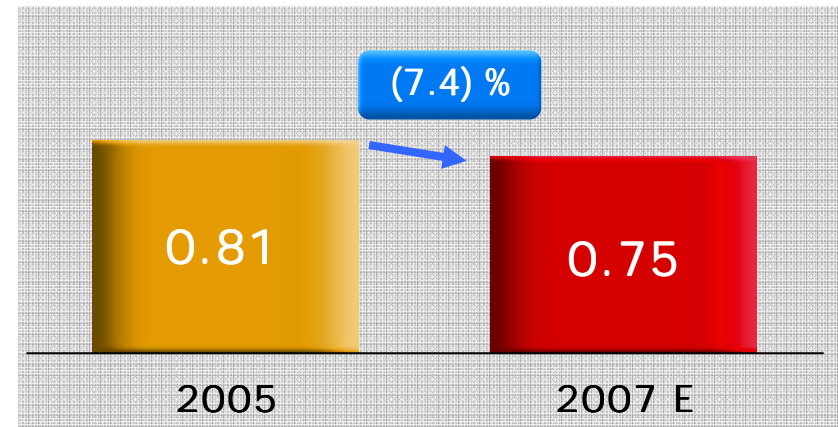
# Fleet Management: Costs Reduction



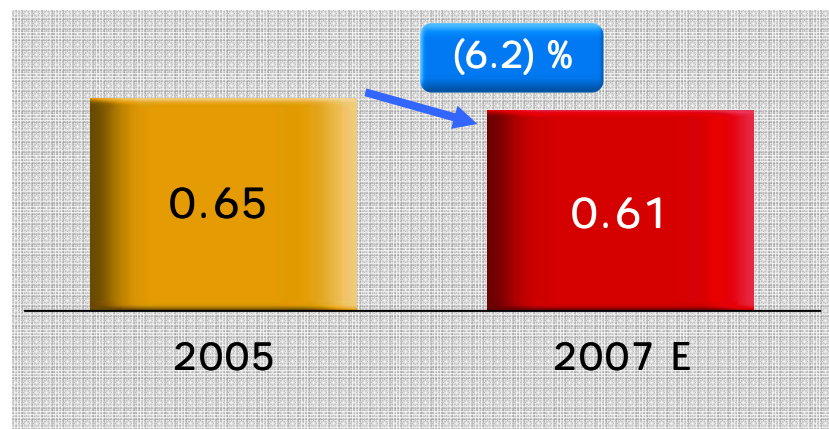
*Average Age (Years)*



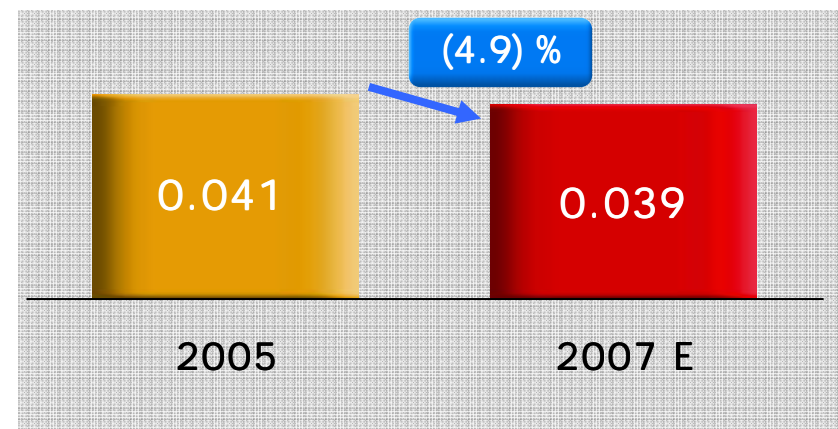
*Fleet Ownership Cost (€ cents/ASK)  
(1)*



*Maintenance Cost (€ cents/ASK)*



*Fuel Consumption (liters/ASK)*



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



# Other Costs Evolution



## 3. Reduction of cargo costs

Estimated savings of €15m

Reduction of bellies costs in Europe

In process

Reduction of cargo aircraft costs



Selective closing of cargo terminals



# What is left for 2008?



Completion of our short and medium haul network and fleet restructuring

Maintaining the growth trend in long haul

Full impact of the rest of the productivity plan and labour agreements

Improvement of Handling and Maintenance

Further reduction of unit costs

**IBERIA**






# Handling Business

Analyst **and** Investor Day  
7<sup>th</sup> November 2007

# Iberia Handling Mission



The mission of Iberia Handling is to manage and conduct the provision of passenger and ramp handling services at Spanish airports, both for third parties and for Iberia

-  Leading operator in Spain with 54% market share in 2007<sup>(1)</sup>
-  Over 50% of activity performed for third parties
-  More than 8,000 equivalent employees

(1) Average aircraft handled

# Handling Business



## Description of services

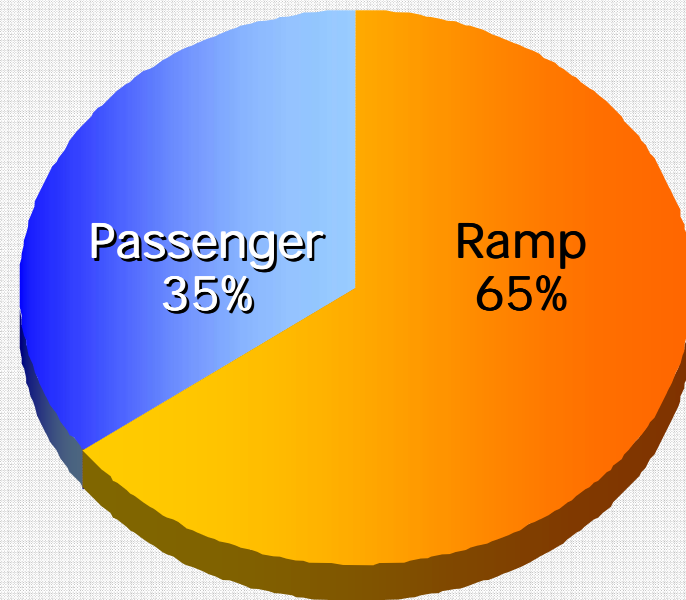
### Passenger

- ✚ Check-in, ticketing and boarding, lost and found and service to passengers with special needs
- ✚ Passenger handling is a non-regulated activity

### Ramp

- ✚ Aircraft loading, unloading, marshalling and pushback, cleaning, and baggage services
- ✚ Ramp handling is a regulated activity: licenses granted by AENA for a 7-year period

## Breakdown of Employees-2006



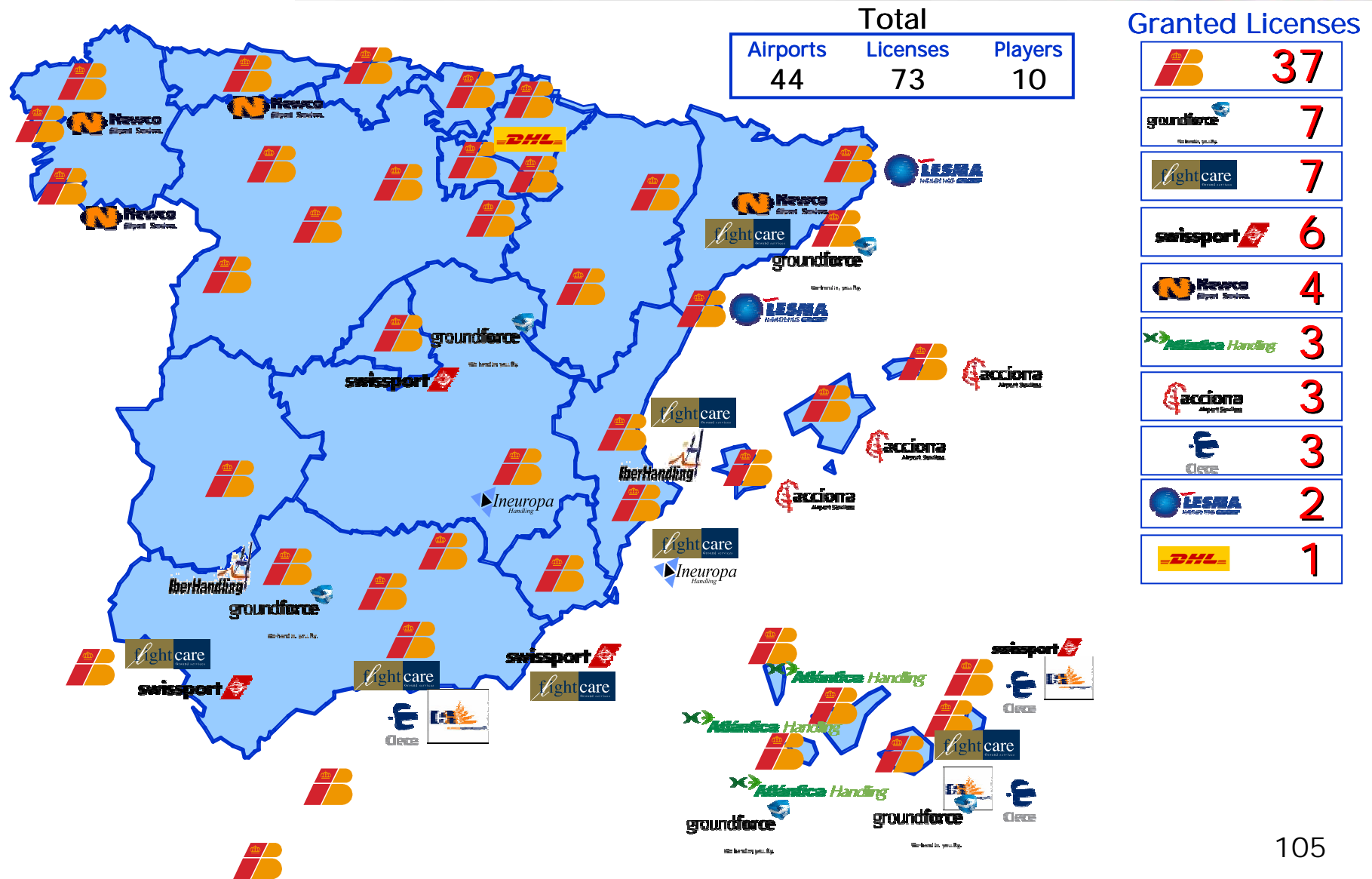
# Main figures



2007 E

Passengers	~ 100 Mill.
Check-in baggage	40 Mill.
Handled Aircrafts/flights	450,000
Ground support equipment	3,000
Ground support vehicles	650
Number of customers (Airlines)	200

# The Ramp Handling Market in Spain

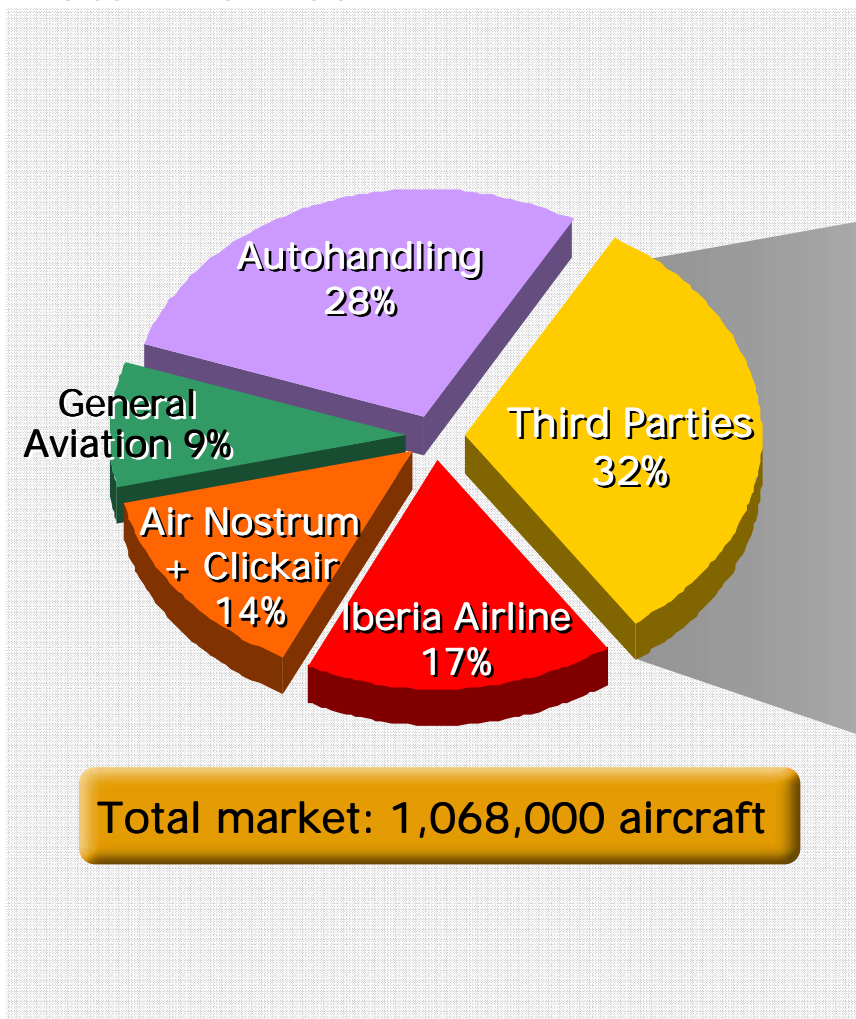




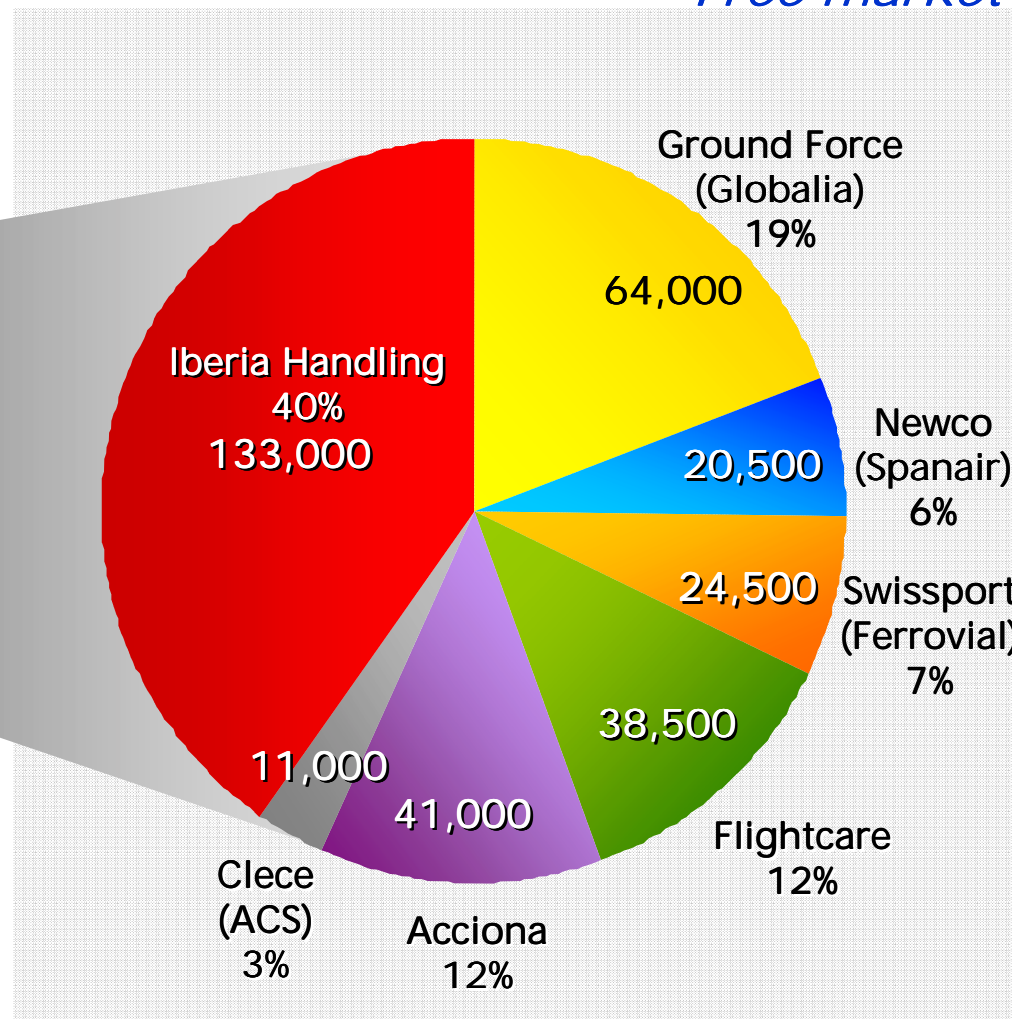
# Ramp Handling Market Shares in Spain 2007E



*Total market*



*Free market*



Source: AENA – (Real number of aircraft)  
All Airports

# 2006 Tender Consequences



- ▀ Successful bid for Handling Business. 37 Ramp Authorizations won out of 44 Airports
- ▀ In the remaining 7 we have designed different solutions to generate income despite not having won the authorization outright
  - ▀ Barcelona: JV with Groundforce for Ramp Handling. Perform Passenger Handling for Iberia, Air Nostrum and Clickair
  - ▀ Lanzarote and Fuerteventura: JV with Clever for Ramp & Passenger Handling
  - ▀ Jerez: Autohandling
  - ▀ Almeria, Hierro and Gomera Islands: No Iberia flights
- ▀ Application of Labor Agreement will support the adapting process

# Handling Regulatory Agreement



The first frame agreement between the Handling Companies Association and the Unions links people with activity.

- Single resolution at a national level to solve present and future structural redundancy
- A better position for Iberia in dealing with potential fluctuations in operations. Greater employment stability, continuity and quality of Staff
- Employees keep job and salary

To date application has resulted in more than 600 net subrogated personnel from Iberia

# Recovering profitability



- Reinforcing our market leadership despite a more competitive environment.

  - Director Plan

  - Cost-cutting Programs

- Innovating to remain ahead of the competition

  - 1st to implement in Spain an integrated IT platform for planning + operations

  - Quality improvements

Creating solutions to increase revenues and decrease costs, where appropriate

# Director Plan



Director Plan: to reinforce leadership in offering handling services in Spanish airports

- Renewing contracts: consolidation and long term contracts
- New business opportunities-identifying + capitalizing
- Meeting customer needs





**HANDLING**  
**IBERIA**  
You've chosen service

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Our  
Services...



Contact...



Customers...



Network...







# Restructuring Program

Prisma Project



## Cost-cutting programs:

-  Revision of operational procedures. Simplification where appropriate
-  Reducing Fixed Costs related to centralized services and supporting structure
-  Renegotiating and reducing outsourced services & suppliers
-  Labor flexibility/productivity. Negotiations with Unions starting this month.



# New I.T. Platform

## Gaudi Project



First Handling Provider in Spain to implement an integrated IT solution

State of the art platform and management system for handling operations

- Planning and rostering of human resources and equipment
- Real time operation management and automatic data recording
- Centralized Hub control of handling operation and information, flights schedule, cautions and warnings
- Contract conditions by airline. Customer access to the platform






The image shows the cover of the GroundStar Newsletter, Issue 03.2007. The header features the GroundStar logo and the text "Efficient Airport Operations". Below the header, there are four columns of content: "New Projects" (listing Iberia, Spain), "Success Stories" (listing London Passenger Services S.A.E., Rome Airport, and Madrid Airport), "New Development" (listing Hubs Planning), and "Company News" (listing Operations, Support, and FOCUS TIME). The main body of the newsletter features a large photograph of an Iberia aircraft on a tarmac with ground support equipment. Overlaid on the photograph is the text "IBERIA + GroundStar = GAUDI". Below the photograph, there is a section titled "INFORM selected by IBERIA Handling to implement GroundStar at Madrid-Barajas Airport." followed by a paragraph of text dated 30th March 2007, describing the agreement between Iberia and INFORM to implement GroundStar systems at the Madrid hub. The INFORM logo is visible in the bottom right corner.

# Quality Improvements

## Technological Advances



### Simplified processes based on new tools

-  Autocheck-in and Check-in on line. Close to 10 million passengers in 2008
-  Fast Bag Drop
-  Fast-track design, for Business Class Passengers
-  Baggage Reconciliation System
-  Automatic Baggage System improvements

# Handling Turnaround



Target :  
Reach a minimum EBIT margin of 5%



# Maintenance Business Update

Analyst **and** Investor Day  
7<sup>th</sup> November 2007

# Main Targets of the Director Plan 2006-2008

Business development: increase third party revenues and improve MRO market share

Improvement of competitiveness and efficiency

Bringing value to Iberia Group:

- Reduction of maintenance cost for Iberia
- Improvement of final net margin and results
- High value activity

# Main Targets of the Director Plan 2006-2008

A grayscale background image showing the tail section of an Iberia aircraft. The word "IBERIA" is visible on the tail fin, and the Iberia logo, which includes a stylized red and yellow flag, is positioned to the right of the tail.

Increase third party activities and revenues

Improve position and market share in MRO

Achieve an important customer backlog

# Status of Business Development Programs



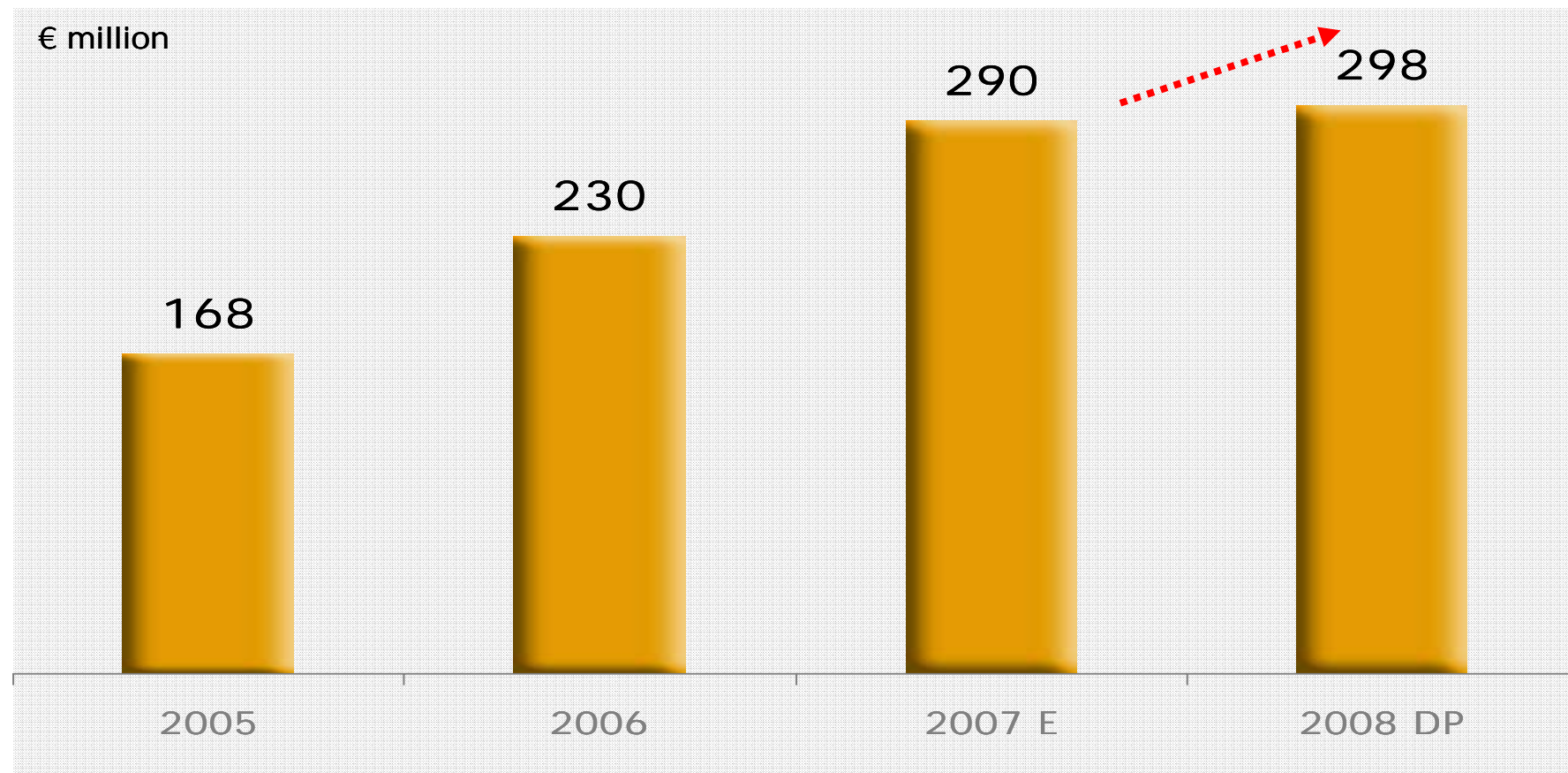
By the end of October 2007 all expected results have been improved in terms of revenues, contracts development and market penetration



# Status of Business Development Programs



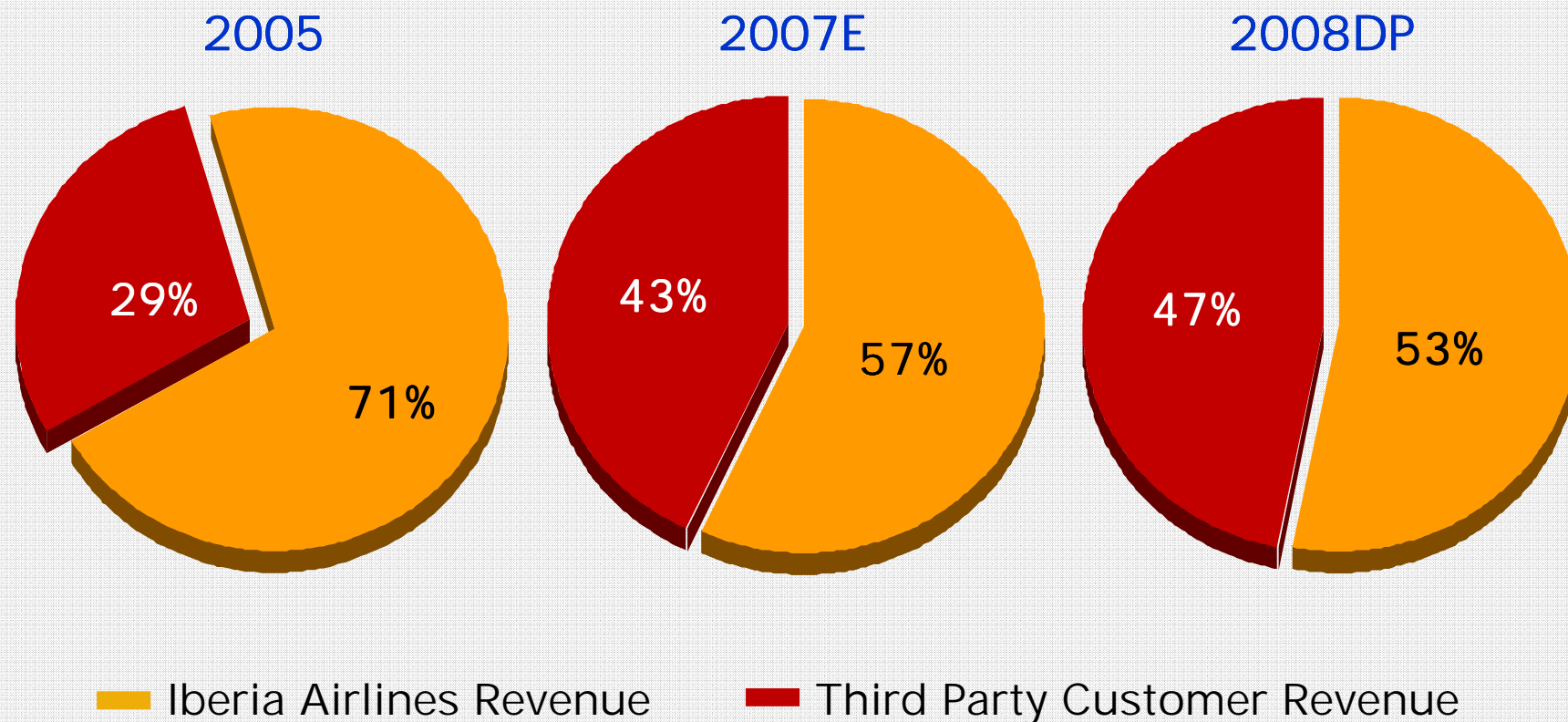
## External Customer Revenue Evolution



# Status of Business Development Programs



Share of third party on total revenues



# Status of Business Development Programs

Significant contracts in 2007



Continental Airlines	Extension Maintenance Engines RB211. Fleet B757
Air Comet	Full support A340/330/320 fleet
Eurofly	Maintenance Engines CFM56-5B. A320 Fleet
Atlas Jet	Full support B757/A320 fleet/CRJ
Spanair	C/D check A 320/MD 80 and components for MD 80
Iberworld	Maintenance Engines CFM56-5A. A 320 Fleet
Krasair	B757 Engines and components contract
Meridiana	MD87/A320 components overhaul
Air Europa	737 NG/ CFM56-7 engine contract

# Important Milestones



- ✚ Significant penetration in Spanish, Southern Europe markets and first contract in Russia
- ✚ Consolidation as preferred supplier of Spanish Air Force
- ✚ New long-term contracts for CFM56 Engines. A 320/340
- ✚ First 737 NG engine contract signed
- ✚ Specific agreement with GE and RR for business development

# Status of Efficiency Improvement Programs

Efficiency improvement measures

Product and Services Specialization

Reengineering of the Production System

Reduction of Suppliers Costs

Development of Selective Investments

# Status of Productivity Improvement Programs

Development of initiatives



Status as  
October 30<sup>th</sup>

Products Specialization



Reengineering of Production System



Reduction of Cost Supplies



Selective Investment

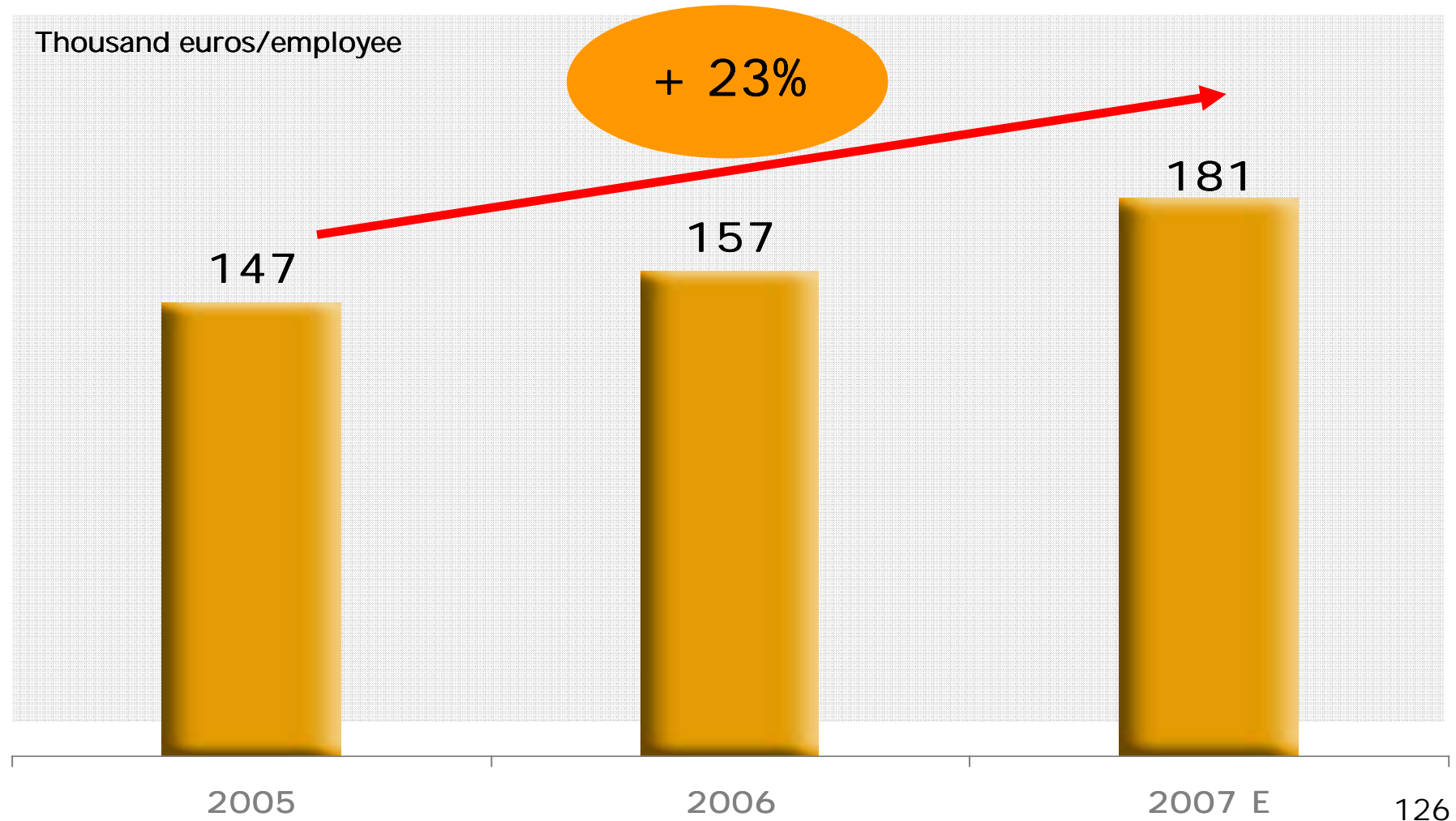


By the end of 2007 all Director Plan initiatives have been  
implemented one year ahead on schedule

# Status of Productivity Improvement Programs



Productivity improvement (Revenue/Employee)










# Strategic Development






## Future projects

-  New Maintenance center in Barcelona to start operation in 2009
-  New Landing Gear Maintenance Center in Madrid to start operation early 2008
-  Final discussions for JV of Corporate Jet Maintenance
-  Discussion for opening of a Maintenance Center in Latin America
-  New B757 cargo conversion line forecast for 2008

# Summary and conclusions



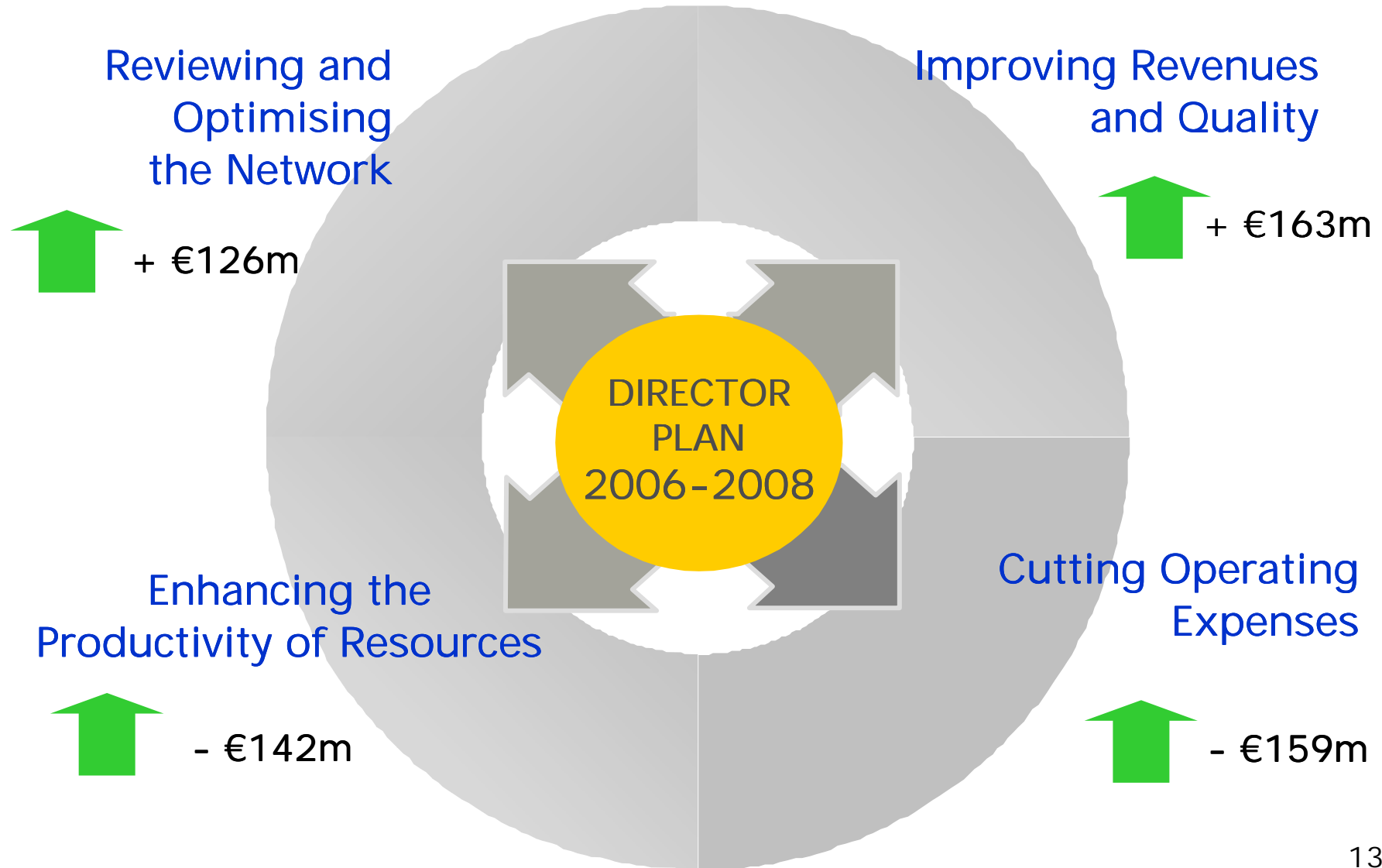
-  Iberia Maintenance is fulfilling all targets included in the Business Plan 2006-2008 in terms of revenues and market penetration
-  Productivity and cost efficiency targets in line with the Plan
-  Development of all strategy and investment projects are on schedule



# Summary and Outlook

Analyst **and** Investor Day  
7<sup>th</sup> November 2007

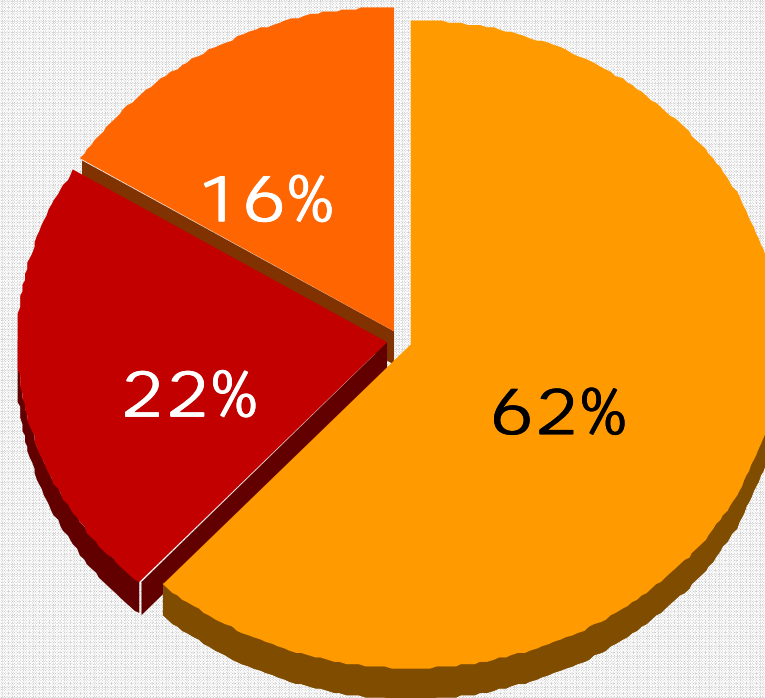
# We have outperformed the Director Plan



Long-Haul is already more than  
60% of the traffic



% RPK 2007E



Long Haul    Medium Haul    Domestic

# Great success of the Long Haul Business Class



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

Targets 2008:

Current Achievements (Sep-07 ):

+ 2.5 p.p. in business class market  
share in LATAM<sup>(1)</sup>

+ 6.8 p.p.

+ 5 p.p. in load factor<sup>(1)</sup>

> 15 p.p.<sup>(2)</sup>

Note

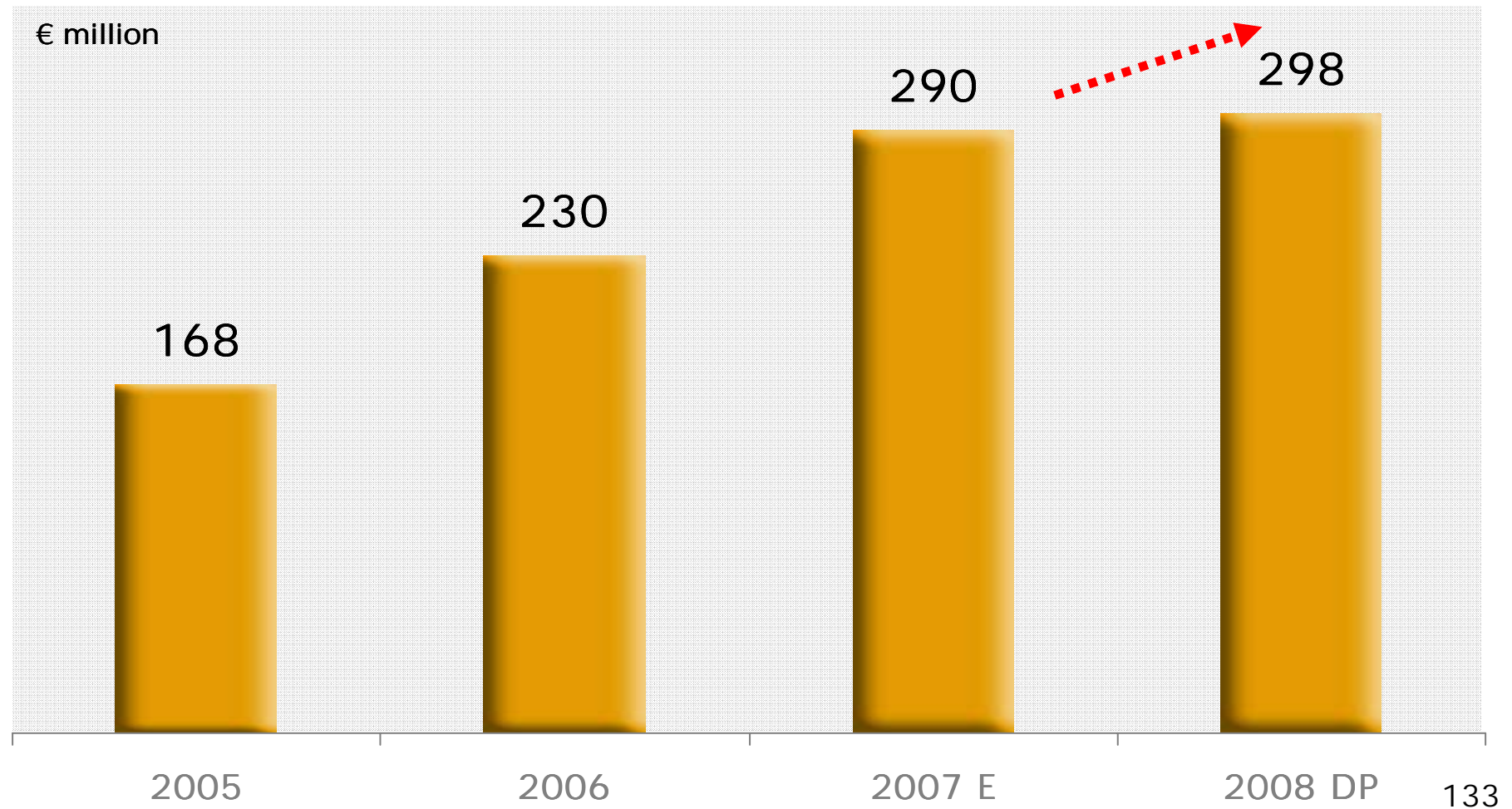
(1) Over 2005

(2) Jan-Sep 07 over Jan-Sep 05.

# Outstanding performance in Maintenance



External customer revenue evolution





# Director Plan Targets and Outlook 2007 E



DP 2008

Ebitdar Margin > 16%

ROE ~10%

Already achieved  
in 2007

2007 E

Operating Result > 260 € m