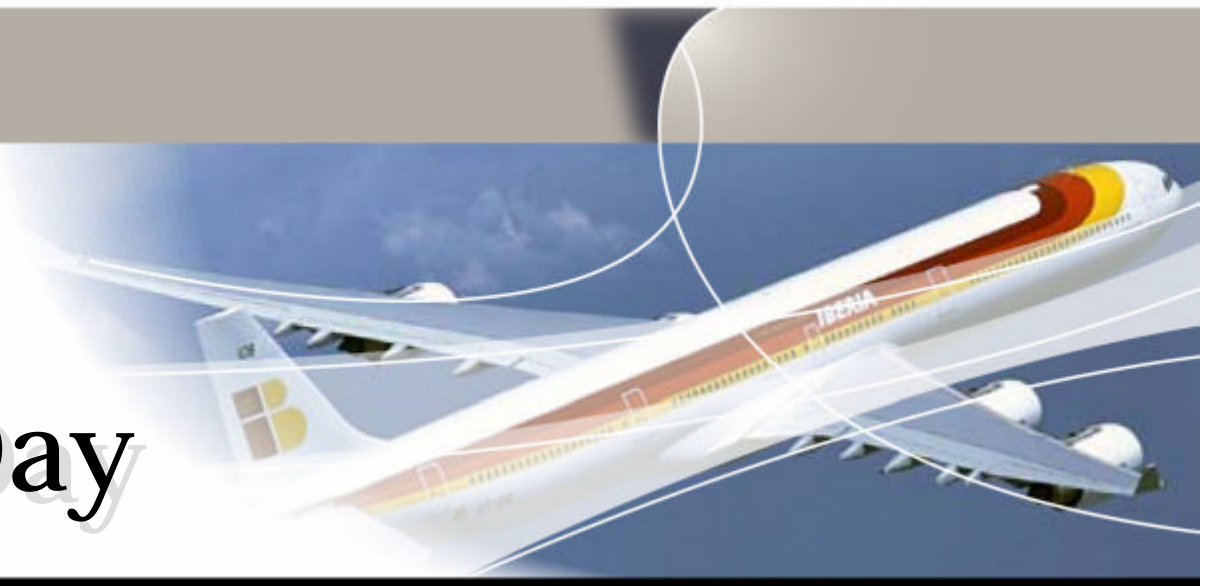




Analyst and Investor Day



30th-October-2006

Year 2006: Nine Months Results

- Mr. Fernando Conte García (Chairman & CEO)

Director Plan 2006-08: Evolution and Progress

- Mr. Manuel López Colmenarejo (Commercial Director)
- Mr. Enrique Dupuy de Lôme (CFO & Head of Corporate Strategy)

Maintenance Business

- Mr. Manuel López Aguilar (Maintenance Director)

Summary & Outlook

- Mr. Fernando Conte García (Chairman & CEO)

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Such statements reflect the current view of Iberia or its management with respect to future events. They are not guarantees of future performance and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of Iberia to be materially different from any future results, performance or achievements of Iberia that may be expressed or implied by such forward-looking statements.

Analysts are cautioned not to place undue reliance on those forward-looking statements, which speak only as of the date of this presentation.

Iberia does not intend, and does not assume any obligation, to update forward-looking statements set out in this document.

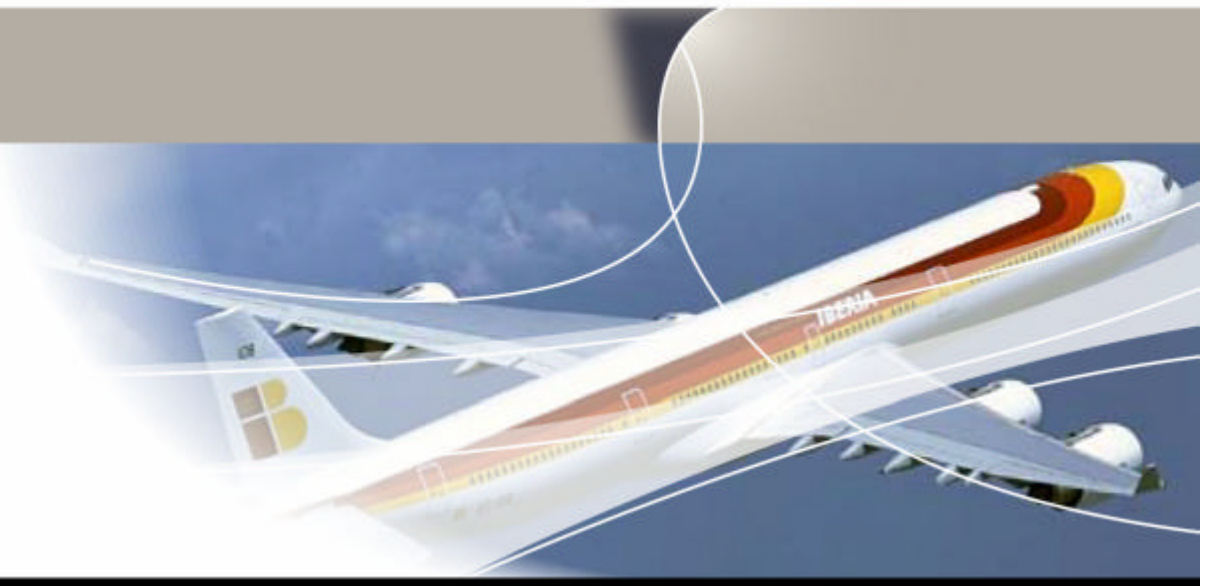
Analyst and Investor Day



Year
2006

Nine Months Results

30th-October-2006



Selective Growth Development

| January-September 2006 | ASK | RPK | LF |
|------------------------|---------------|---------------|-------------------|
| Domestic | - 4.4% | - 5.8% | - 1.1 p.p. |
| Europe | + 0.5% | + 7.3% | + 4.7 p.p. |
| Other Int. Medium Haul | + 1.1% | + 8.1% | + 4.7 p.p. |
| Long Haul | + 8.0% | +10.7% | + 2.1 p.p. |
| Total | + 3.3% | + 6.4% | + 2.3 p.p. |



Capacity and Load-Factor Evolution 2004-2006

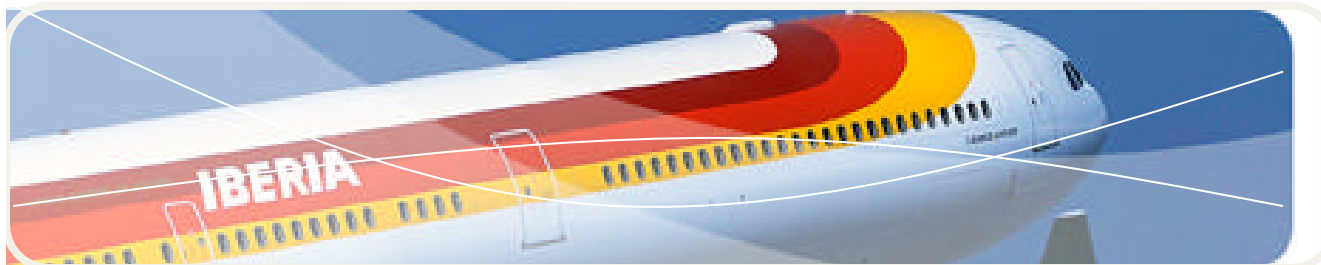
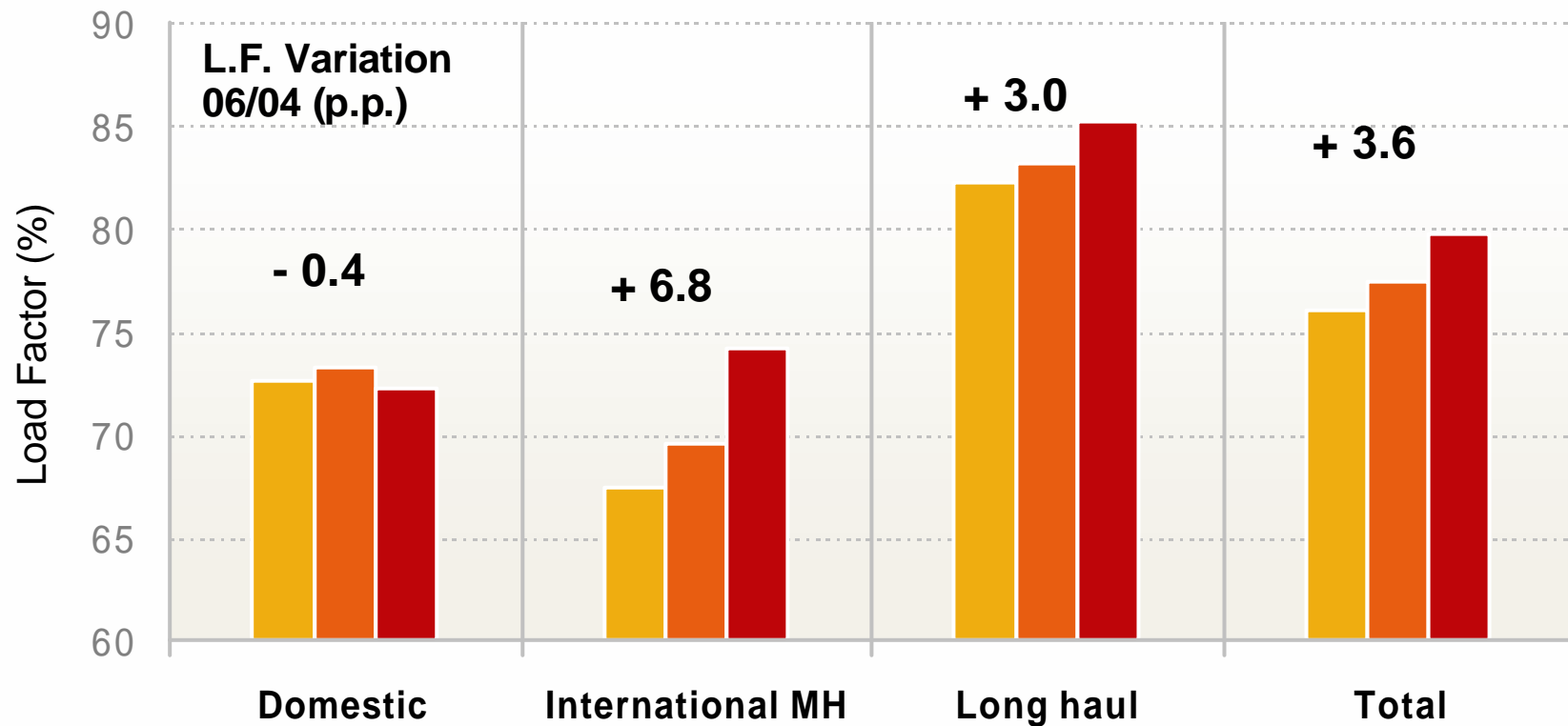
Capacity Jan-Sep
Var. 2006/2004

- 2.7 %

+ 5.3 %

+ 15.8 %

+ 8.8 %

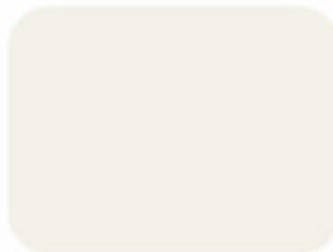
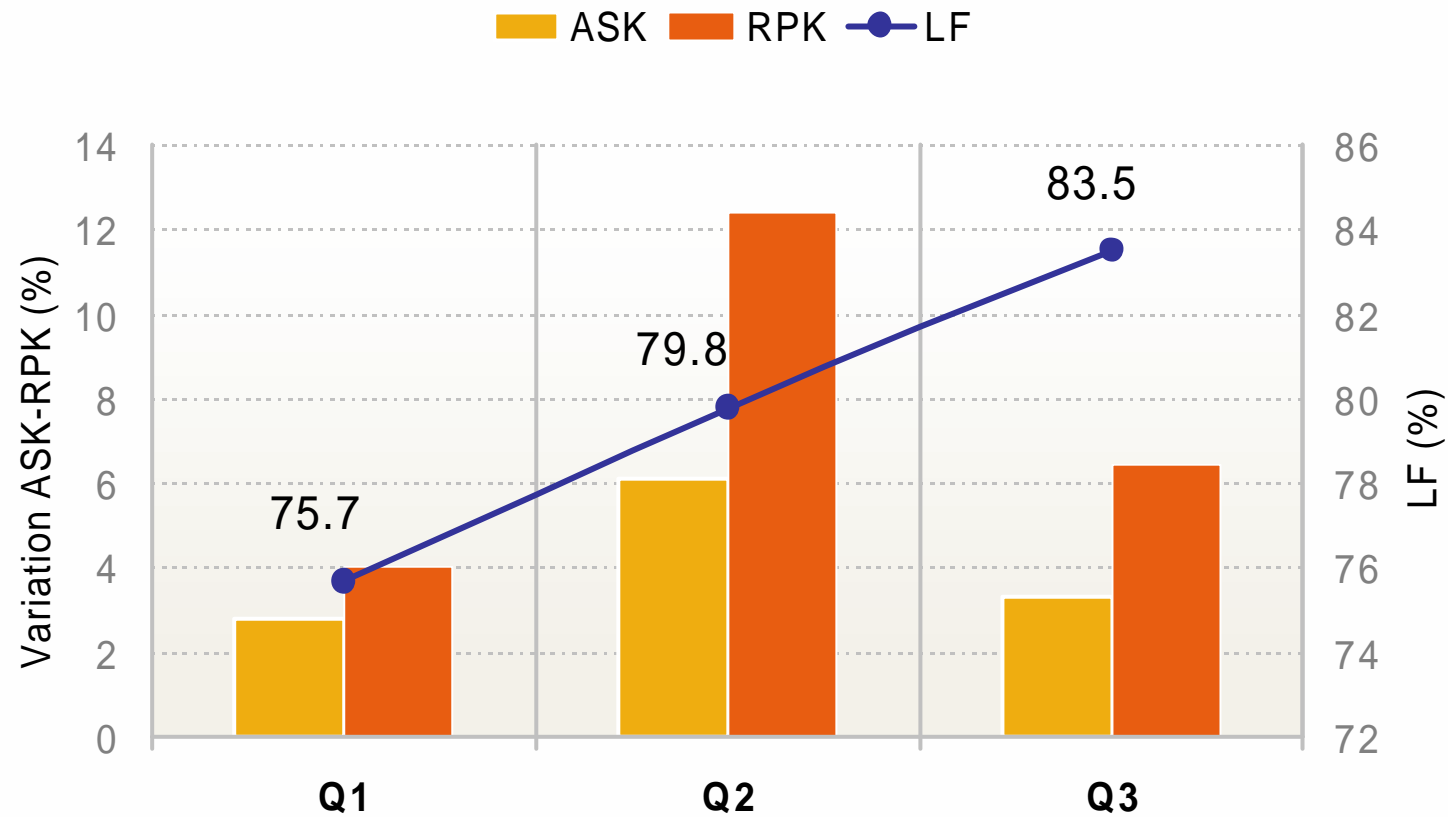


■ Jan-Sep 2004

■ Jan-Sep 2005

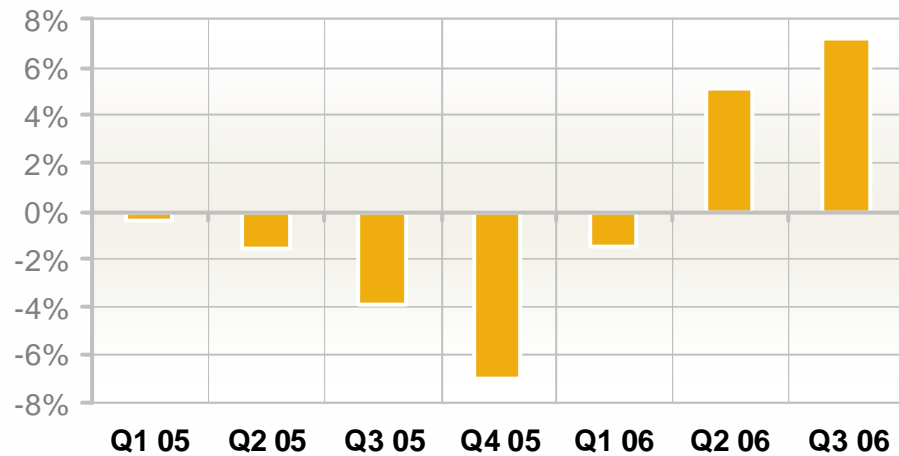
■ Jan-Sep 2006

Significant Improvement of Load Factor 2006/2005

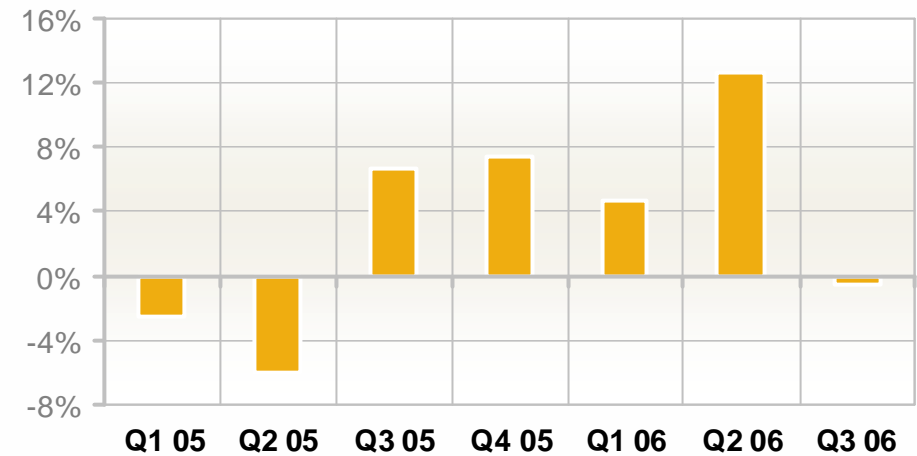


Quarterly Unit Revenue Evolution (Revenue/ASK)

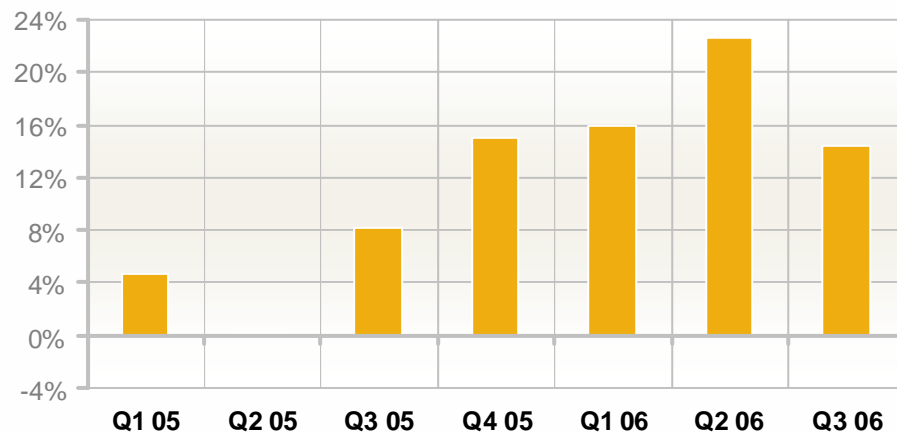
Domestic



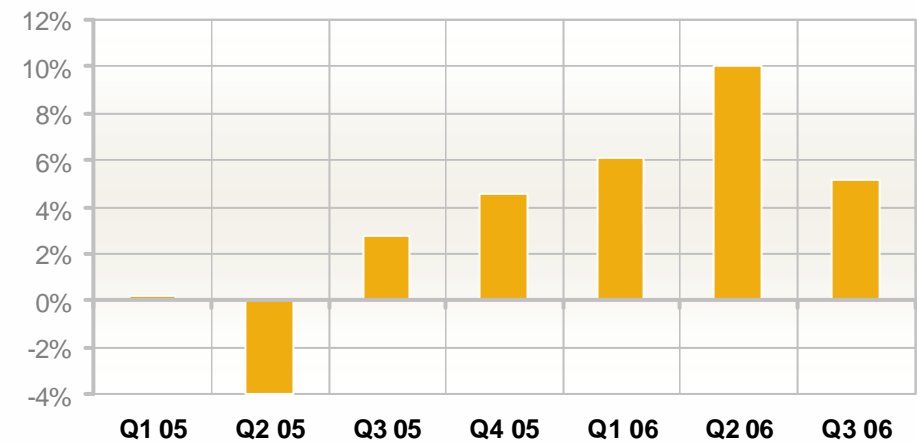
Medium Haul



Long Haul



Total



Operating Revenues

January-September 2006/2005

| | |
|---------------------------------|-----------------|
| Passenger Revenues | ↑ + 9.4 % |
| Cargo | ↑ + 6.7 % |
| Handling | ↑ + 0.7 % |
| Maintenance | ↑ + 45.6 % |
| Other Operating Revenues | ↑ + 11.1 % |
| Total Operating Revenues | ↑ + 9.8% |

**Total Revenue / ASK****+ 6.3%**

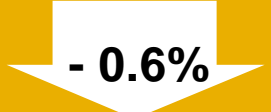
Operating Costs

January-September 2006/2005

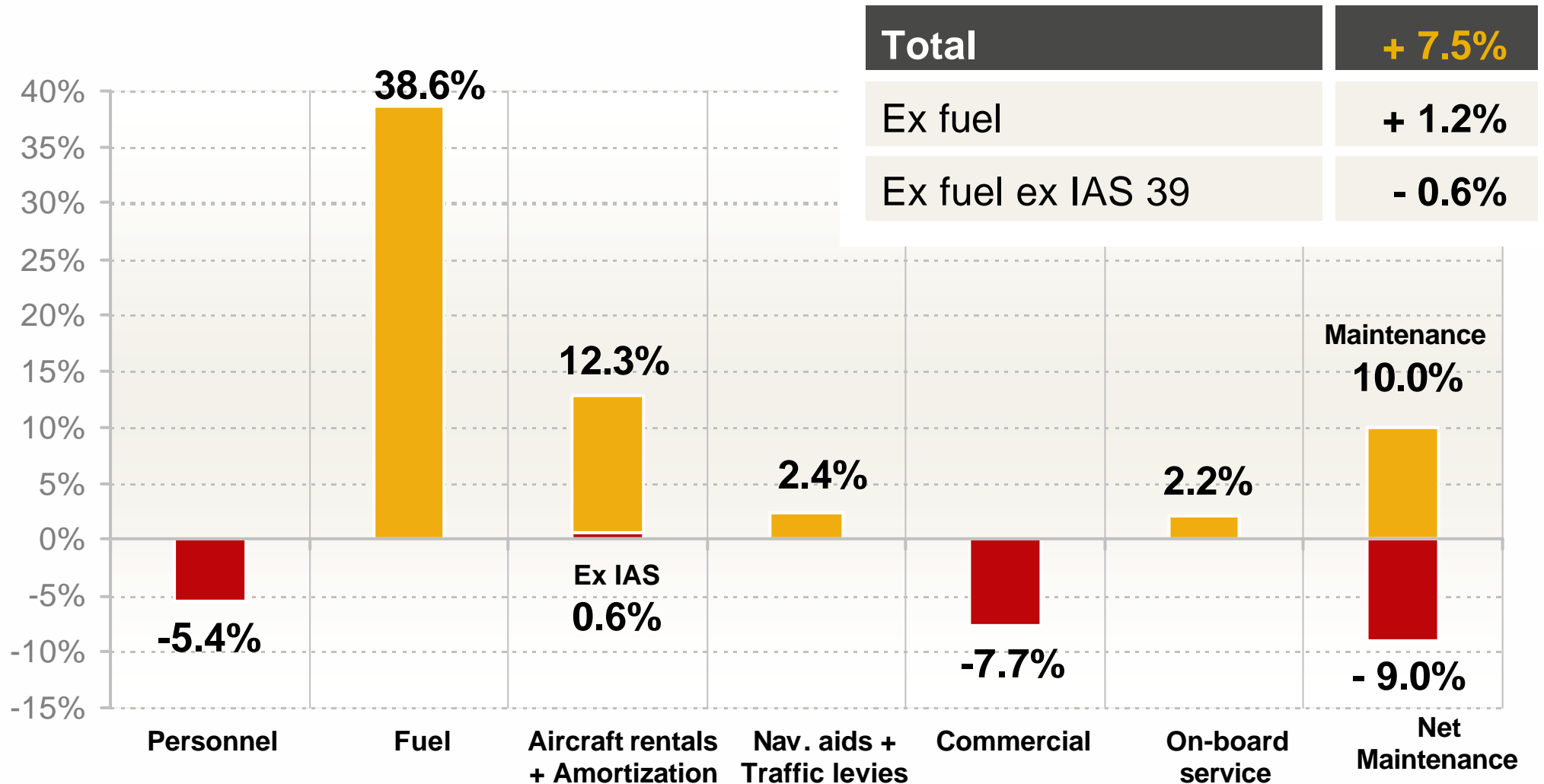
| | |
|--|---|
| Personnel costs |  - 2.2% |
| Commercial |  - 4.7% |
| Fuel |  + 43.2% |
| Aircraft rentals + Depreciation |  + 16.0% |
| Aircraft rentals + Depreciation ex IAS |  + 4.0% |
| On-board service |  + 5.6% |
| Navigation aids + Air traffic levies |  + 5.8% |
| Total Operating Costs |  + 11.1% |

Total Cost / ASK  + 7.5%

Total Cost / ASK
ex-fuel  + 1.2%

Total Cost / ASK
ex-fuel and ex IAS  - 0.6%

Unit Costs Evolution Jan-Sep 2006 vs. 2005



Positive Results Q3 2006

MM/€

July-September 2006

Var. 06/05

| | | |
|--------------------------|---------|------------|
| Operating Revenues | 1,422.8 | + 6.7 % |
| Ebitdar | 257.4 | + 7.4 % |
| Operating Ebitdar margin | 18.1% | + 0.1 p.p. |
| EBIT | 87.7 | + 8.6 % |
| EBIT ex IAS 39 | 97.6 | + 24.5% |
| Profit Before Taxes | 106.8 | NM |
| Net Income | 75.5 | NM |



Positive Results 9 months 2006

MM/€

January-September 2006

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 %

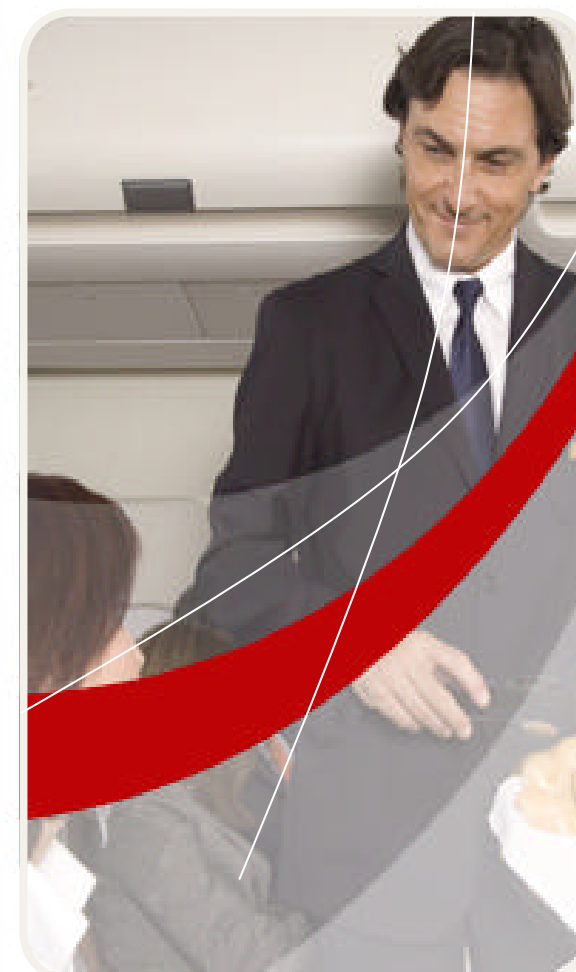
EBIT ex IAS 39

96.6
+ 25.4%

Profit Before Taxes

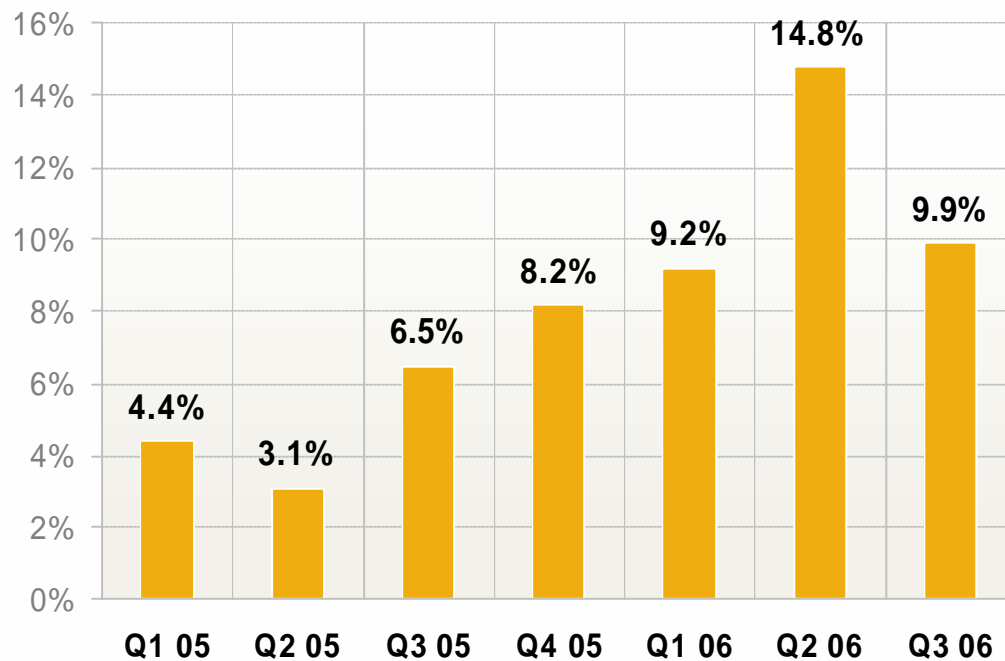
91.6
NM

Net Income

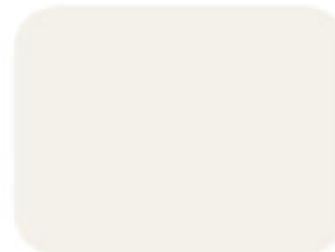
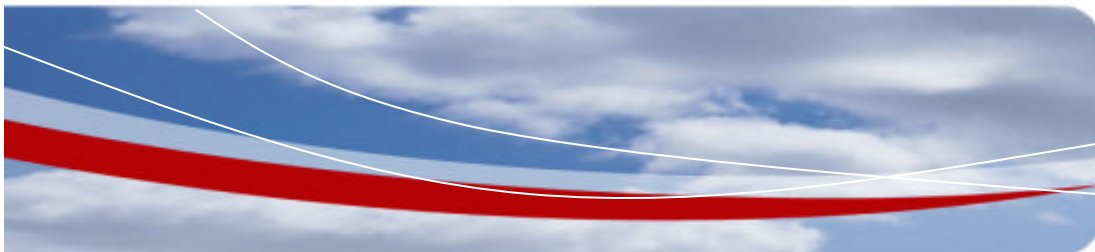
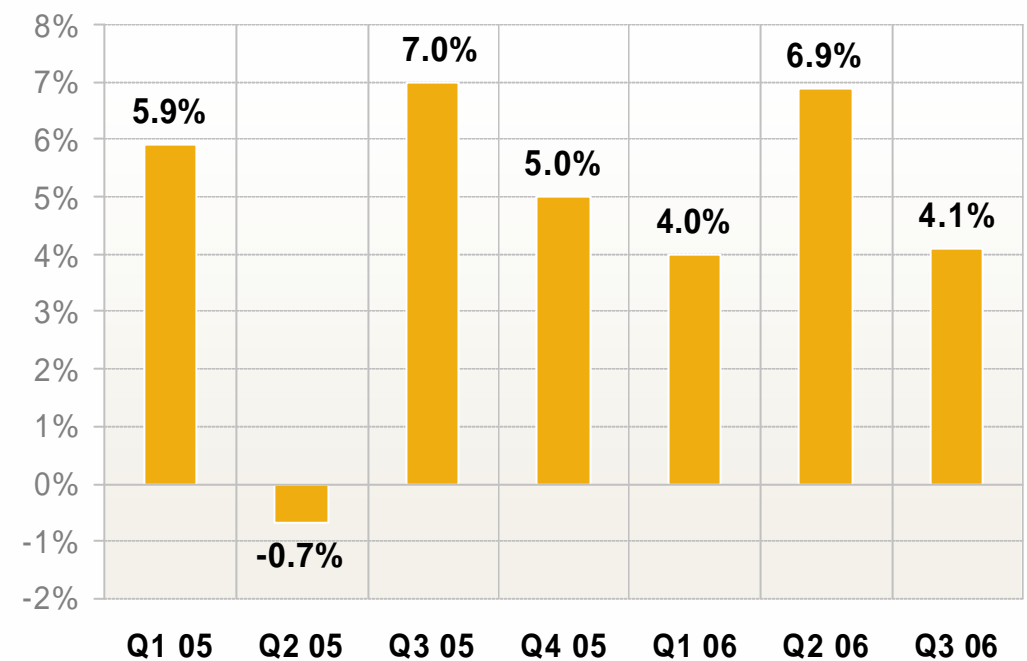
66.2
NM


Productivity Evolution

Revenue / employee



ASK / employee



Strong Balance Sheet

MM/€

| | September 06 | Over December 05 |
|--|--------------|---------------------|
| In Balance-sheet net debt | -1,441 | - 20.7% |
| Adjusted net debt | 1,625 | - 3.7% |
| Gross cash | 2,169 | + 7.8% |
| Leverage (Total adjusted debt/Equity +Total adjusted debt) | 49 % | |



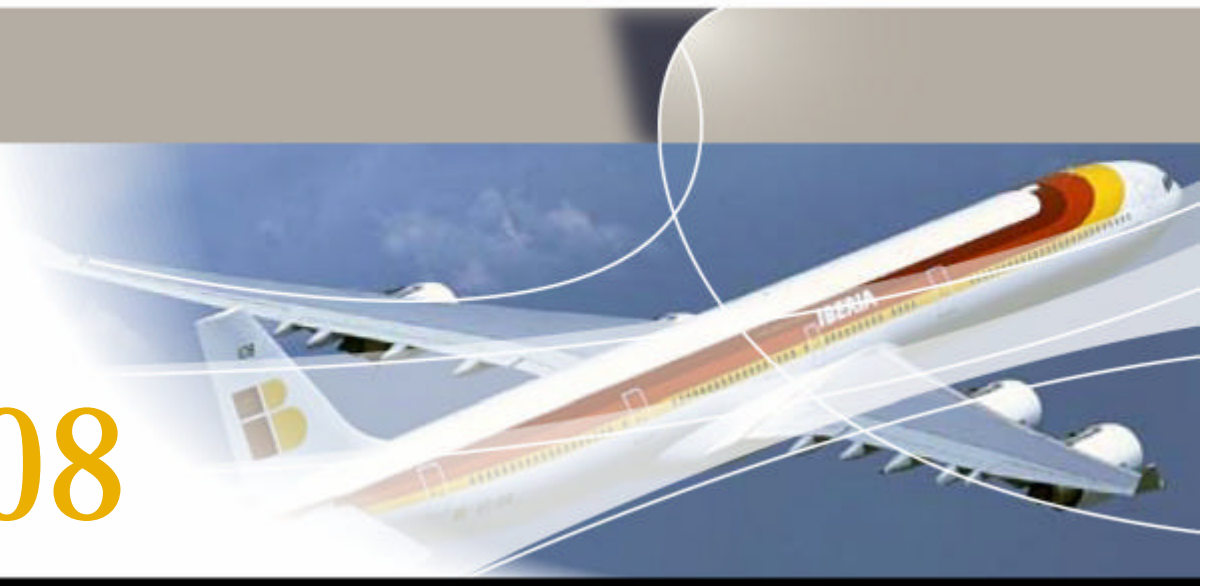
Analyst and Investor Day



Director Plan 2006-08

Evolution and Progress

30th-October-2006



Main Challenges and Opportunities for Iberia in 2006-08

Airline

Short and Medium Haul

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

Long Haul

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

Other businesses

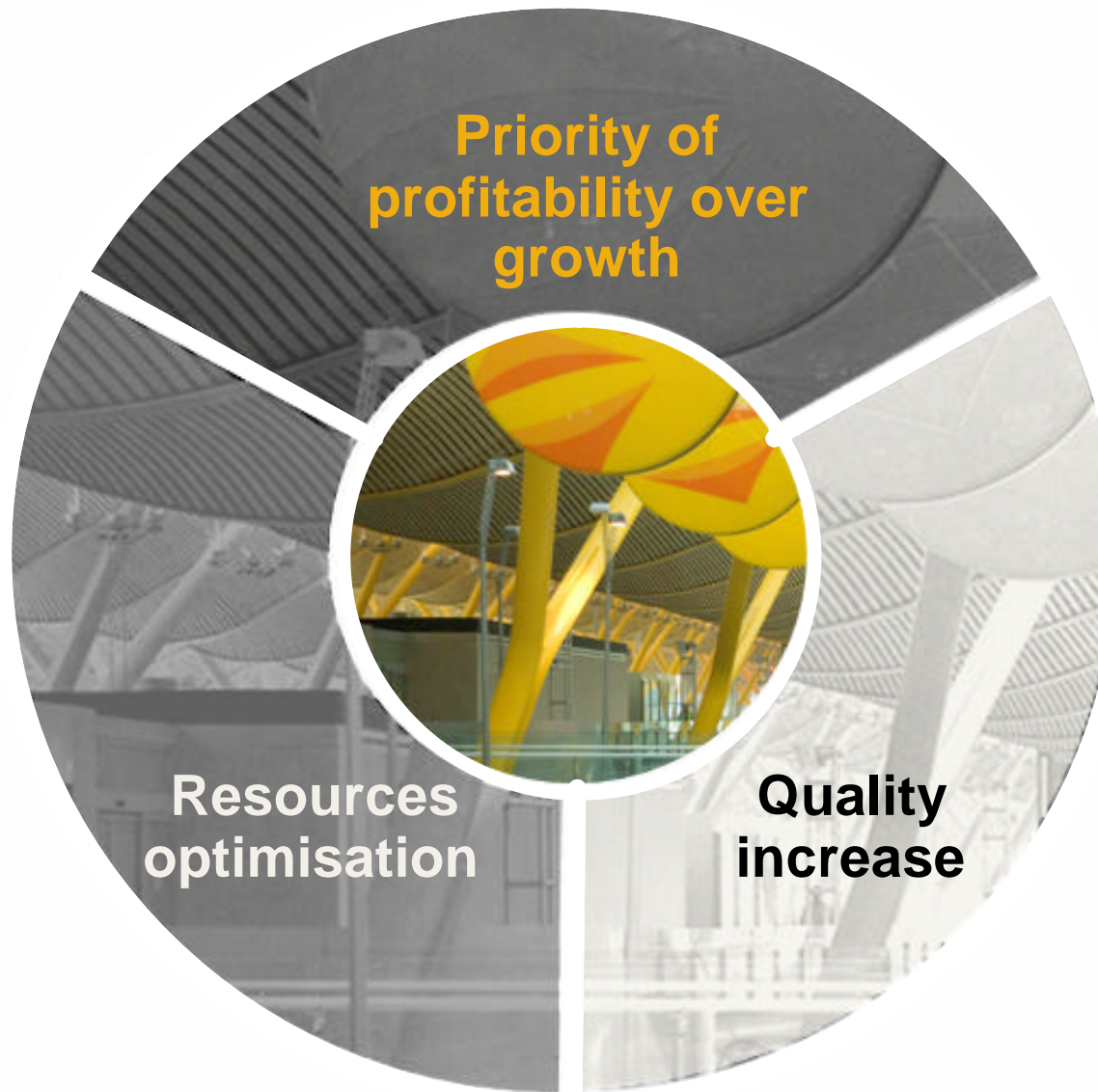
- New tenders for handling concessions
- Growth opportunities in Maintenance





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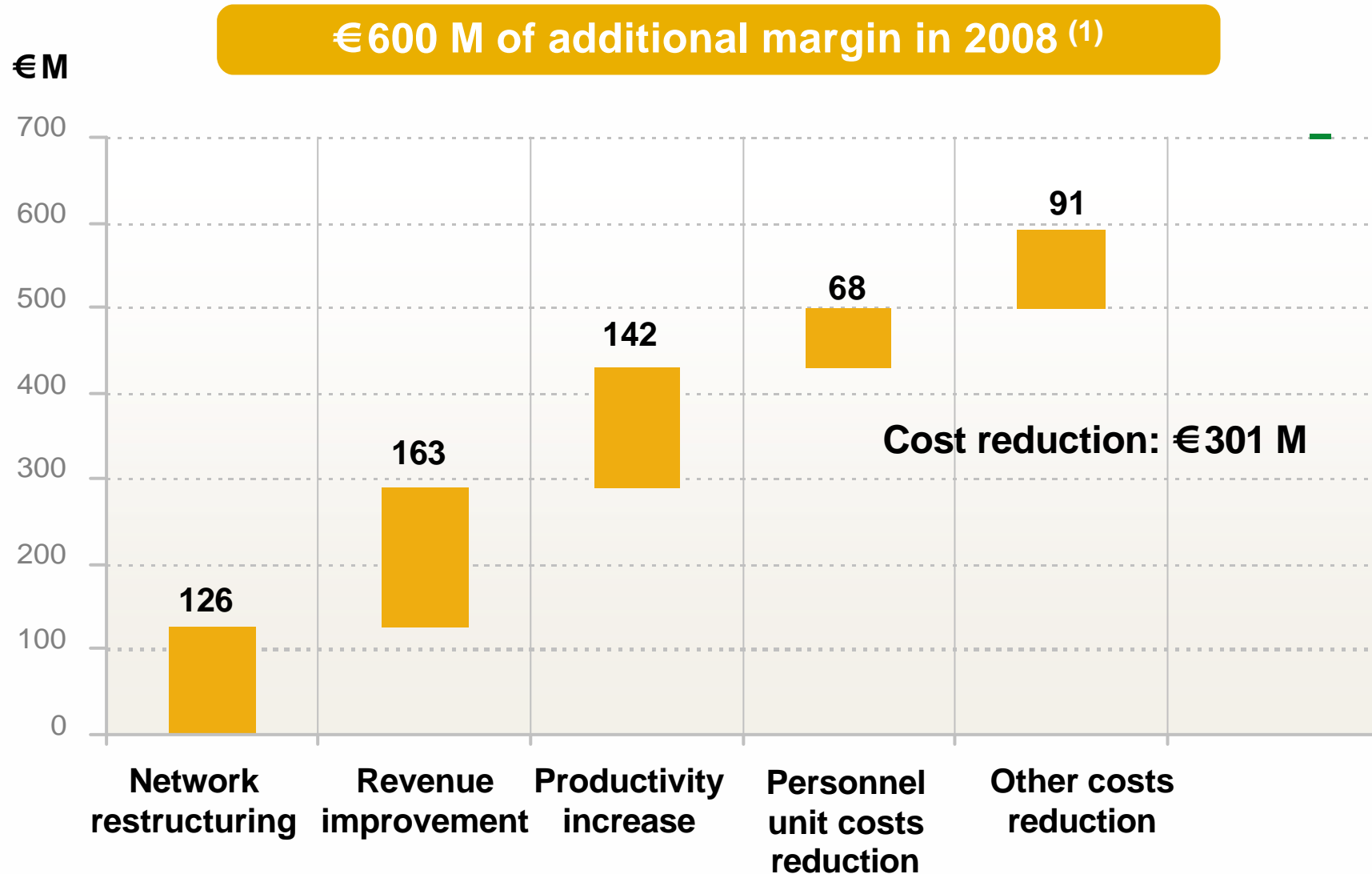
Targets



The Director Plan is Based in Four Pillars



Director Plan Initiatives will Maintain Profitability



(1) Over base case 2008

Current Scenario

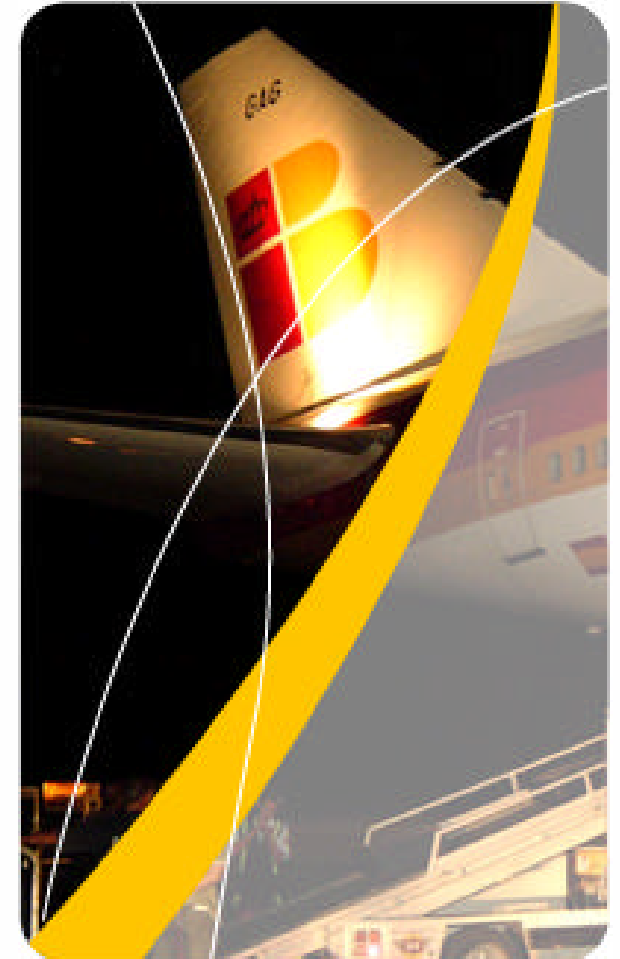
No major changes in competitive environment in Europe: LCC's expansion as forecasted.

Strong demand in all markets specially in Long Haul.

Unit revenue increase in all markets: Iberia above its peers.

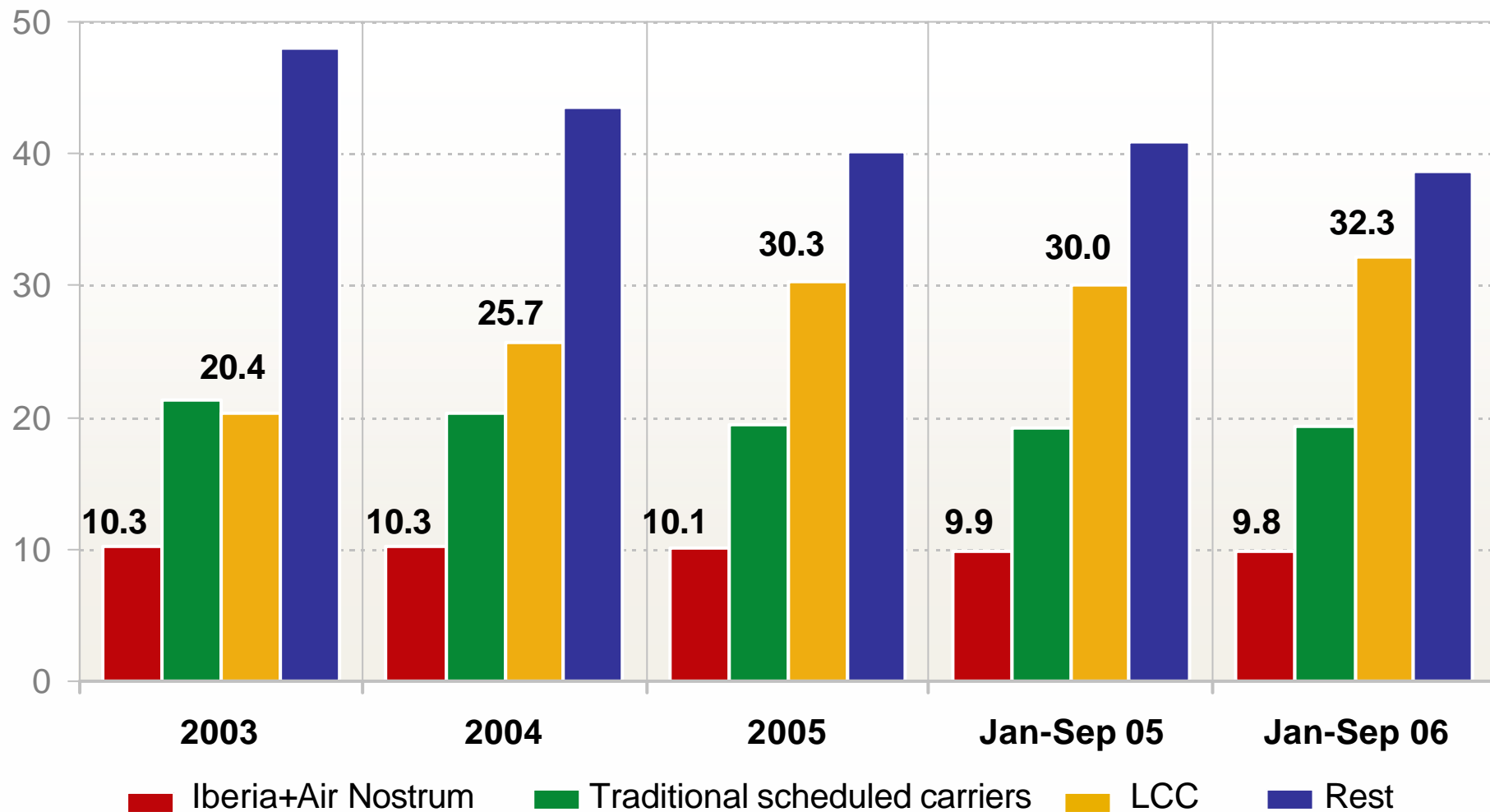
Network review and optimization in 2006 according to the Director Plan.

Iberia focus on profitability versus growth and market share.



Spain-Europe Market Share Evolution

Iberia has kept its share in the overall Spain-Europe market



Spain-Europe: Maintaining Market Share

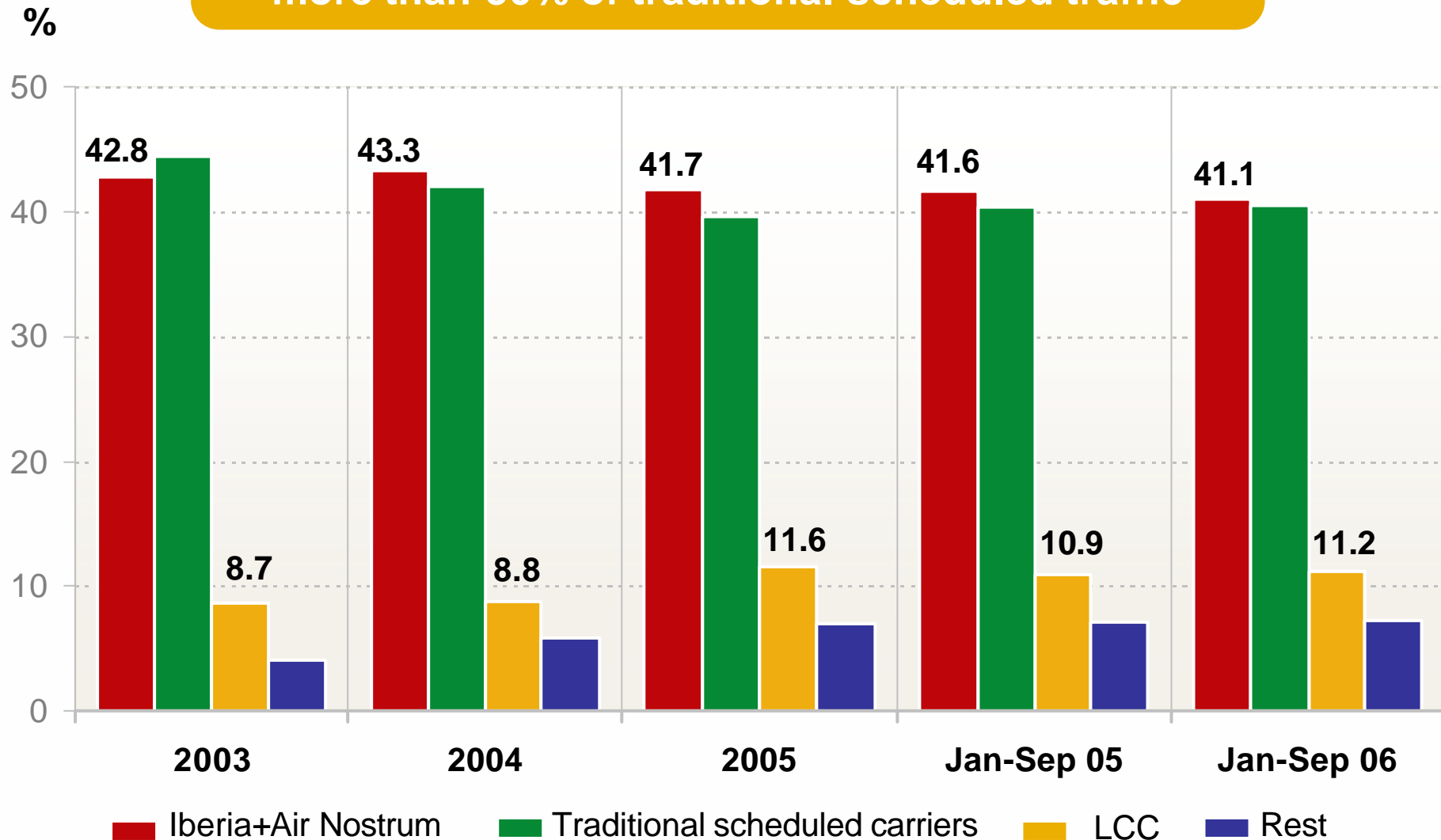
| Total Spain-Europe | Jan-Sep (%) | Change vs 2005 (p.p.) |
|----------------------|-------------|-----------------------|
| Market growth pax | 6.8 | -0.2 |
| Market shares | | |
| Iberia | 9.8 | -0.1 |
| Low Cost Carriers | 32.3 | 2.2 |
| Charter | 38.6 | -2.3 |

Source: AENA



Madrid-Europe Market Share Evolution

Iberia has maintained market share and holds more than 50% of traditional scheduled traffic



Madrid – Europe: Maintaining Leadership

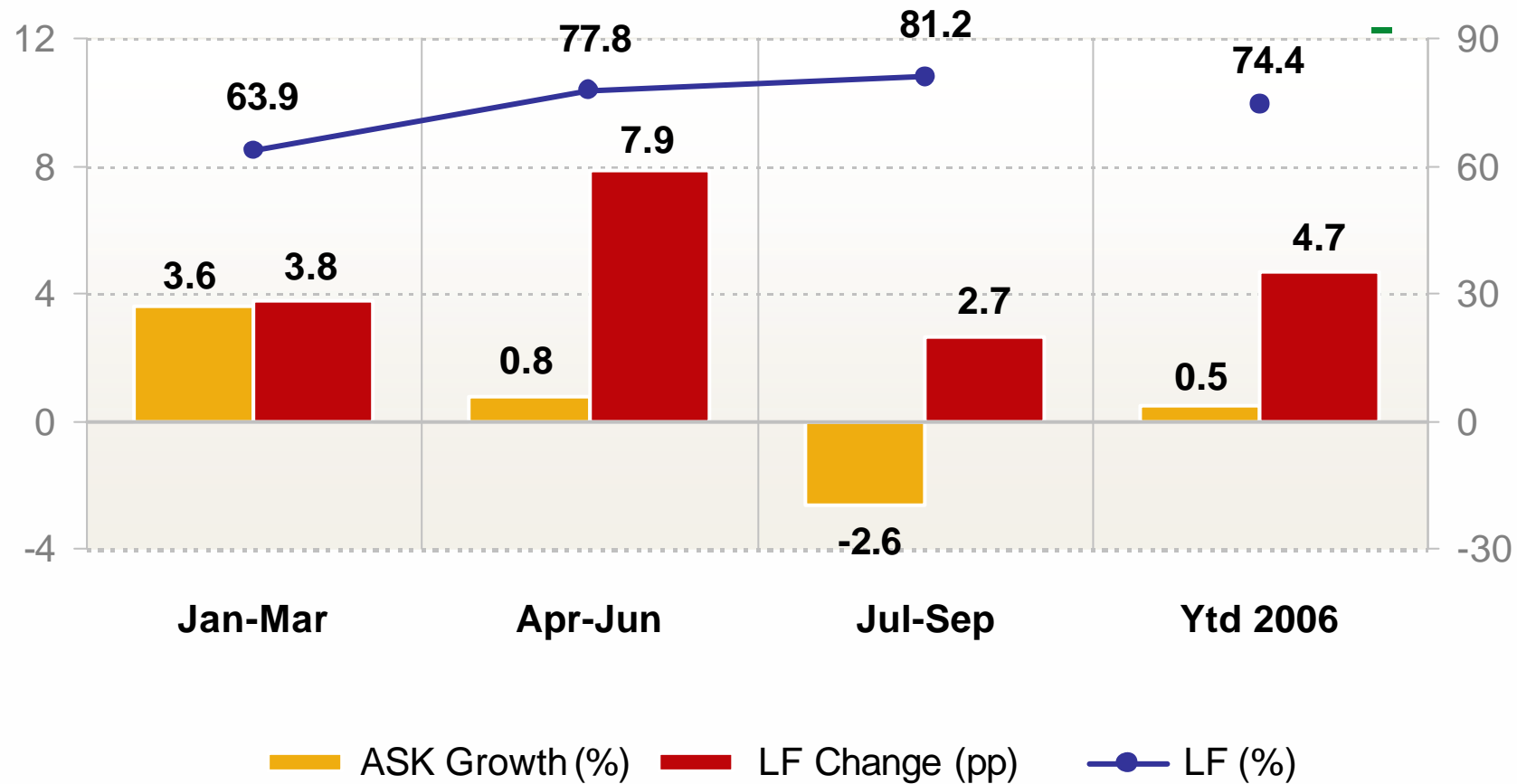
Market growth above the overall Spain – Europe

| Madrid-Europe | Jan-Sep (%) | Change vs 2005 (p.p.) |
|----------------------|-------------|-----------------------|
| Market growth pax | 12.2 | 0.7 |
| Market shares | | |
| Iberia | 41.1 | -0.5 |
| Low Cost Carriers | 11.2 | 0.3 |
| Charter | 7.2 | 0.1 |

Source: AENA



Iberia Operating Performance in Europe

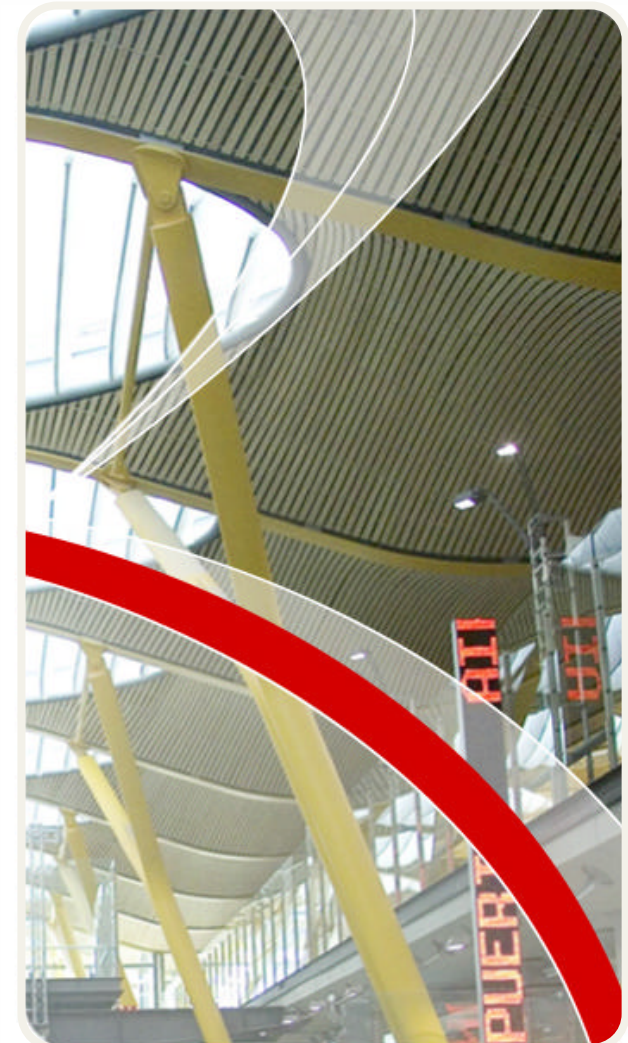
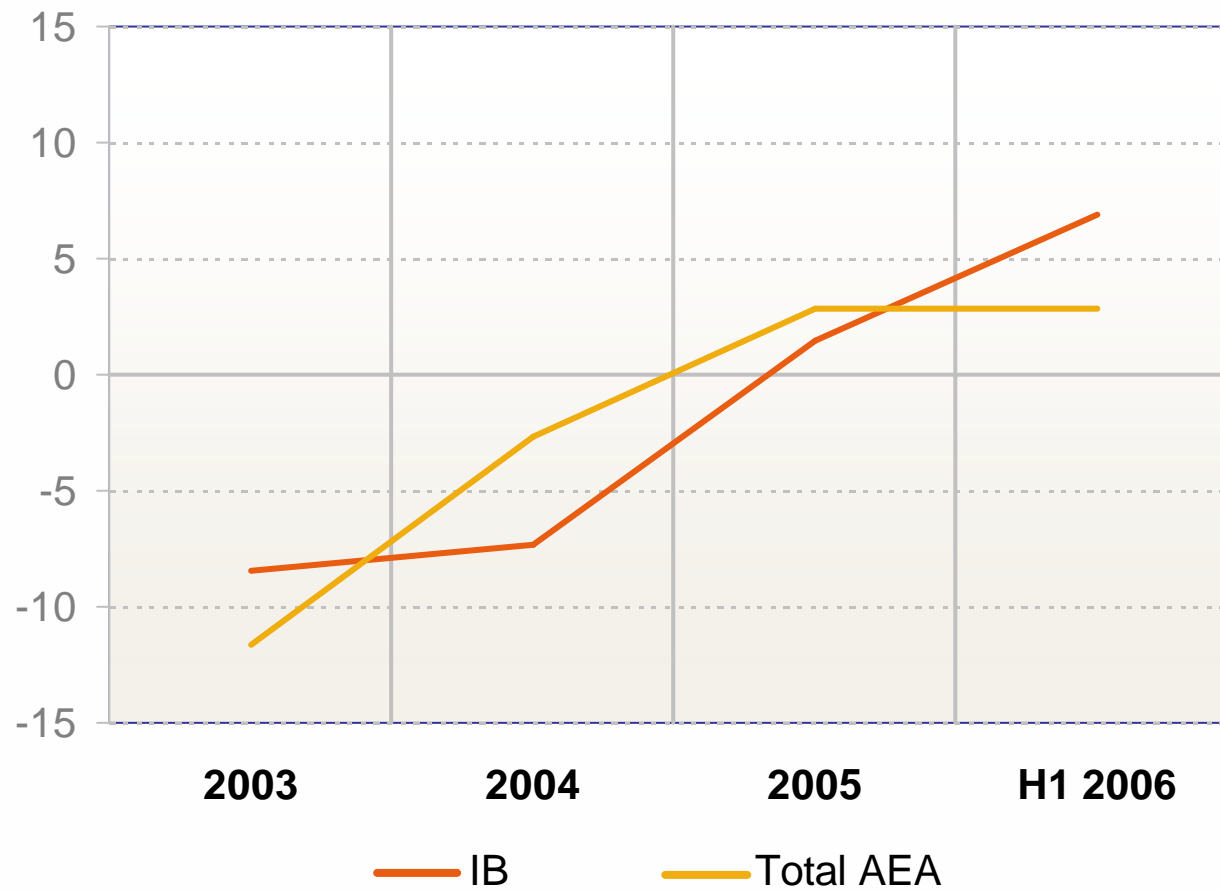


Consolidated Unit Revenue Increase

Ytd: 4.9%

Unit Revenue Evolution in Europe

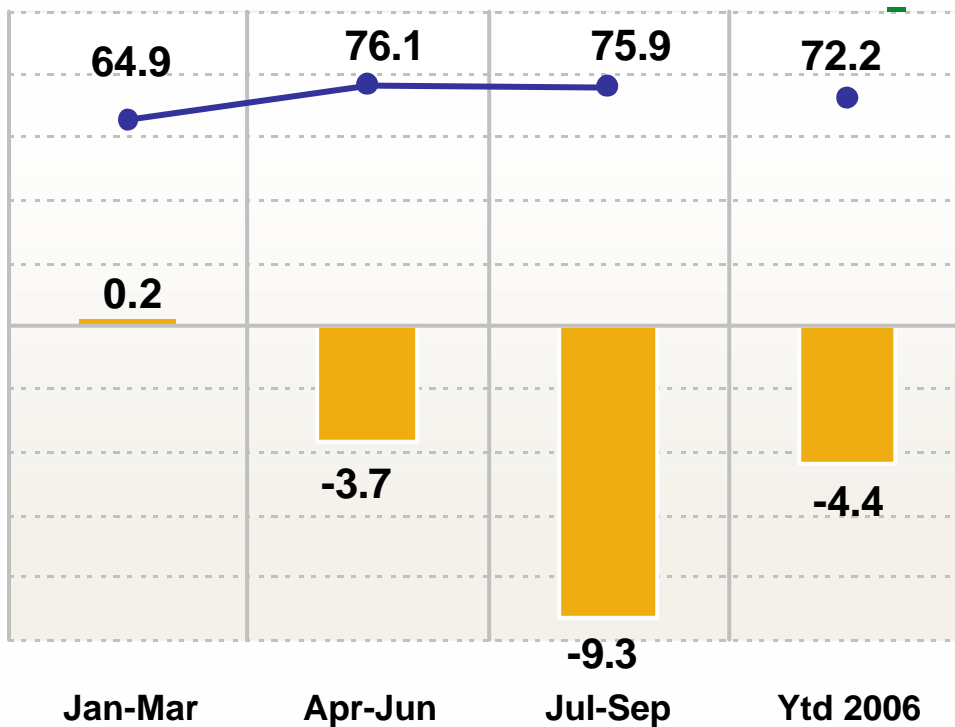
Revenue/ASK (Var. %)



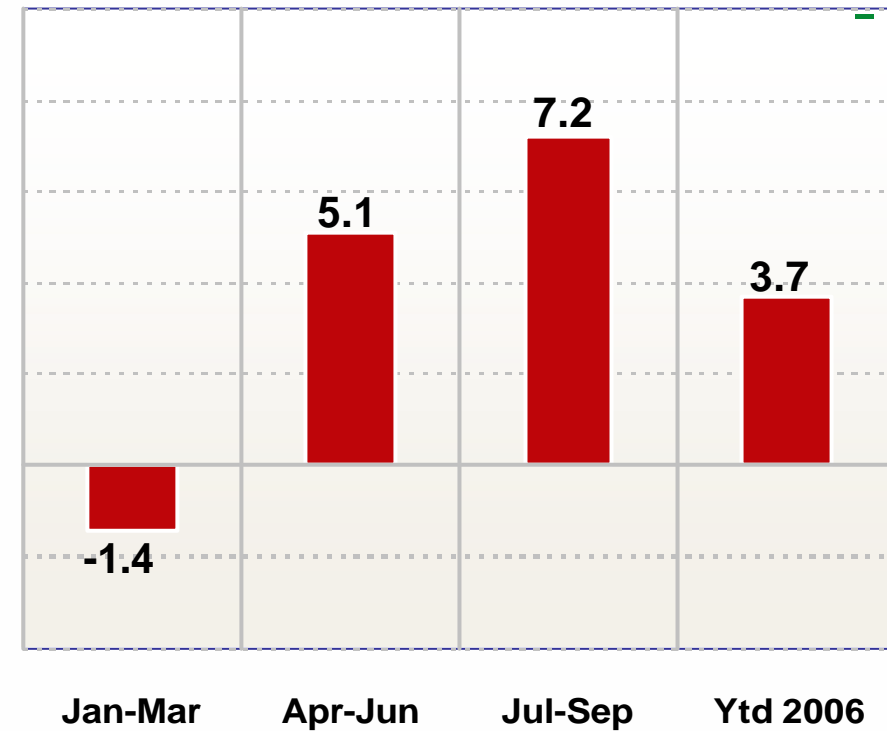
Domestic Market Growth

Jan-Sep 2006 vs 2005

| | | |
|---------------------|--------|-----------|
| Market growth | 6.8 % | -5.0 p.p. |
| Iberia market share | 47.6 % | -4.2 p.p. |



ASK Growth (%) LF (%)



Revenue/ASK Growth (%)

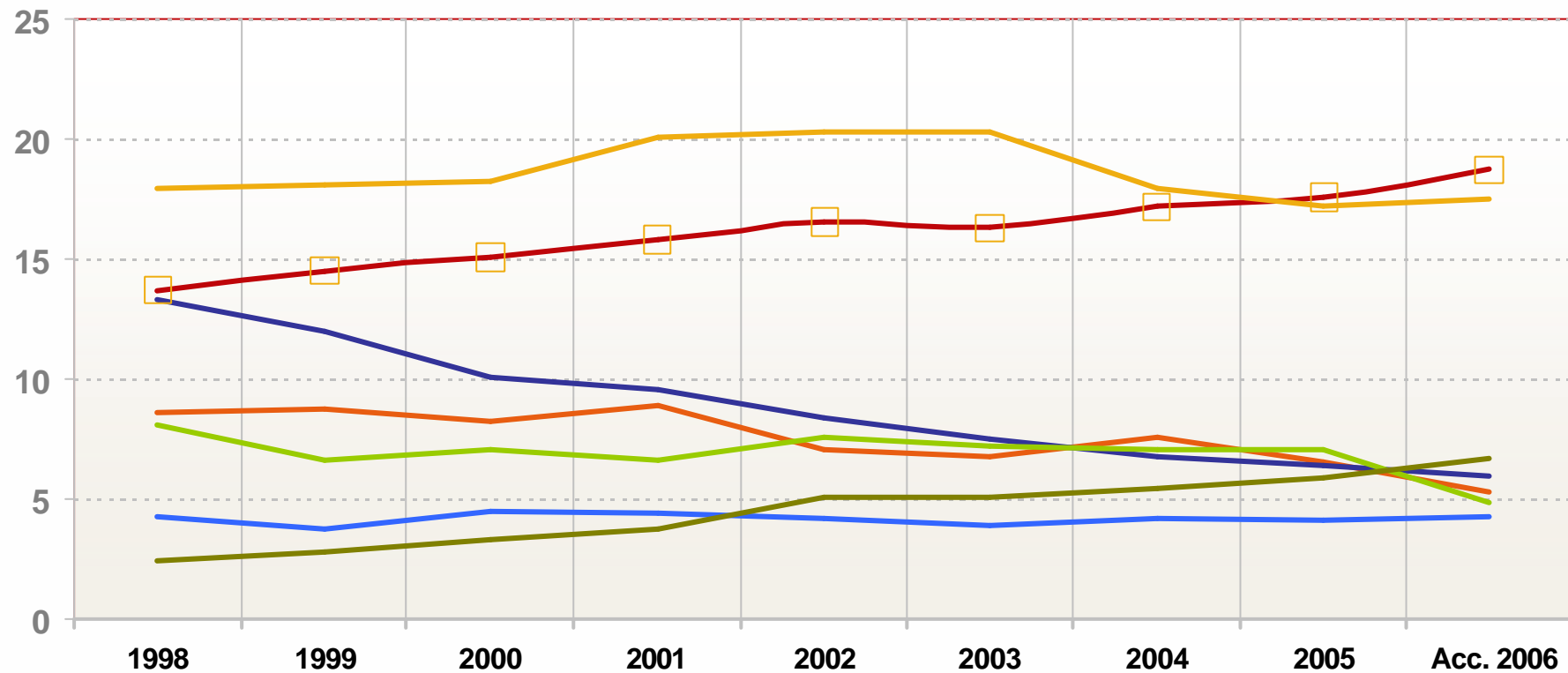
Better unit revenue trend along the year

Latin America: Gap with Main Competitors Continues to Widen

Market growth Ytd 2006 : 4.5%

Iberia market share : 18.7% (+1.1 p.p.)

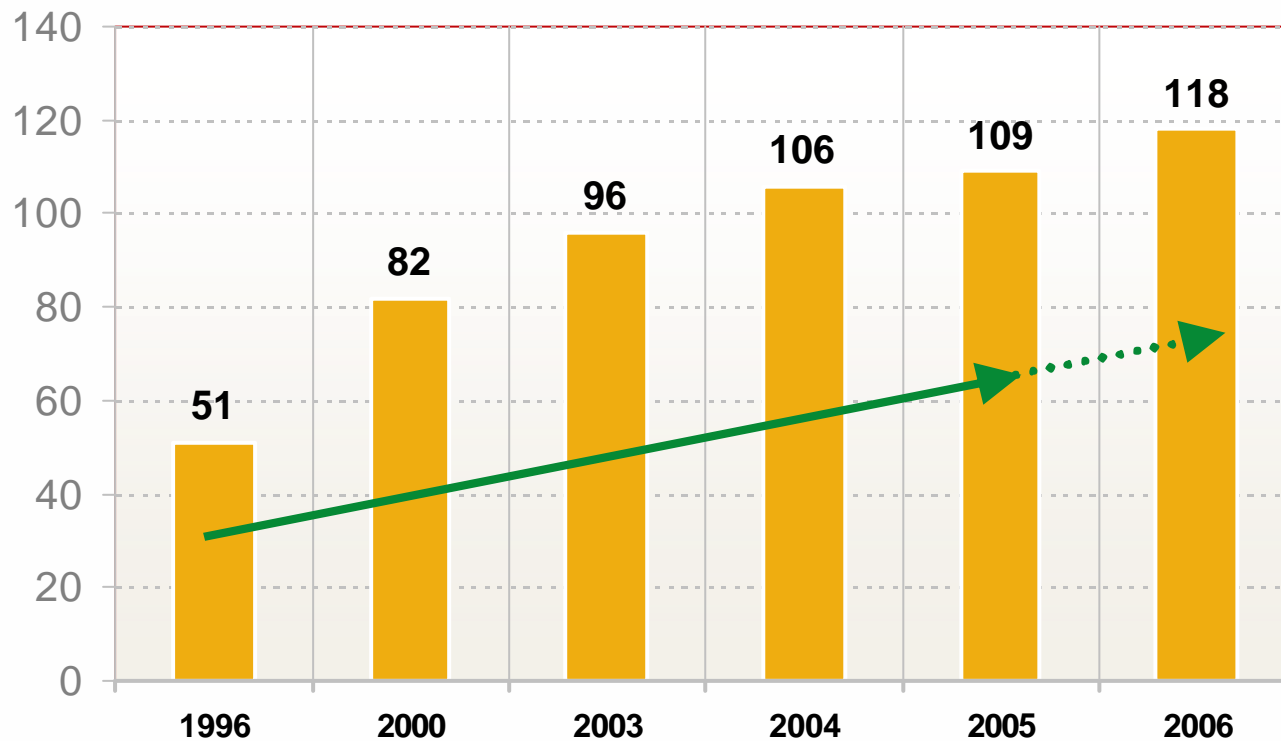
Europe – Latin America market share



— Iberia
 — Lufthansa
 — British Airways
 — Varig
 — Alitalia
 — TAP
 — Air France+KLM

Capacity Evolution in Latin America

Frequency leadership has improved Iberia's customer proposition

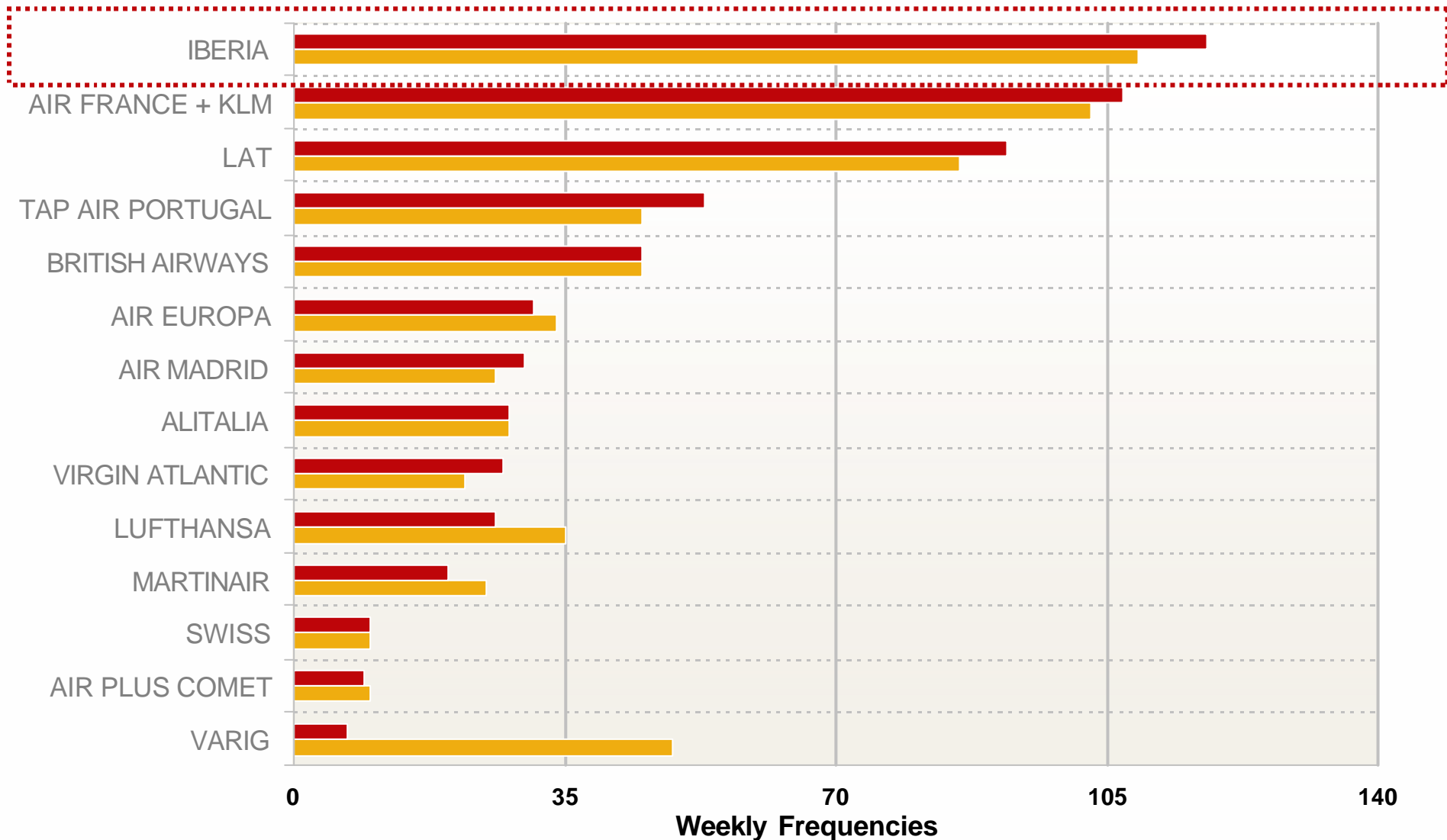


Weekly frequency evolution Europe/Latin America





Main Carriers Capacity Evolution in Latin America

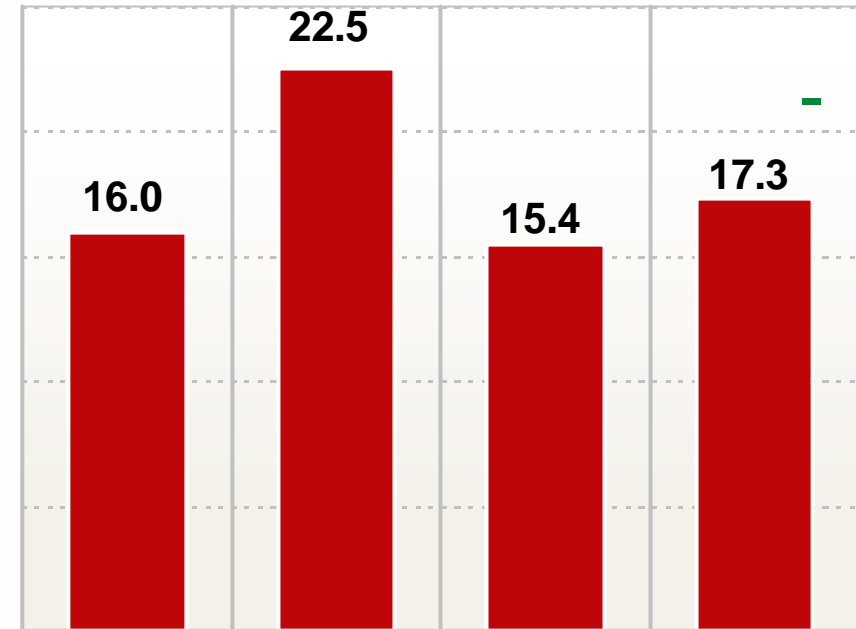
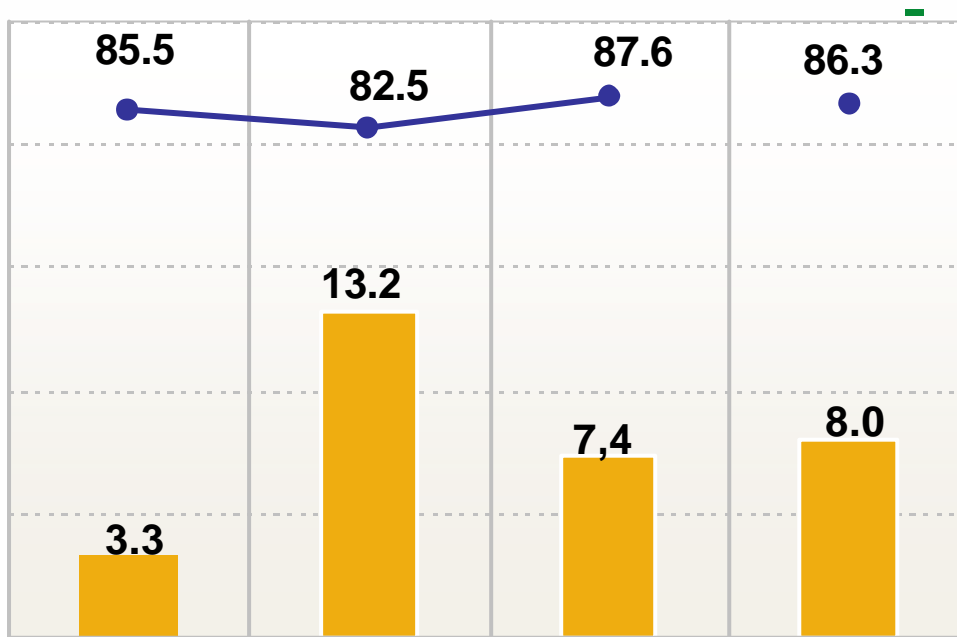


LAT: Total Latin American Carriers (except Varig)

■ Summer 06

■ Summer 05

Long Haul Operating Performance



ASK Growth (%) LF (%)

Revenue/ASK Growth (%)

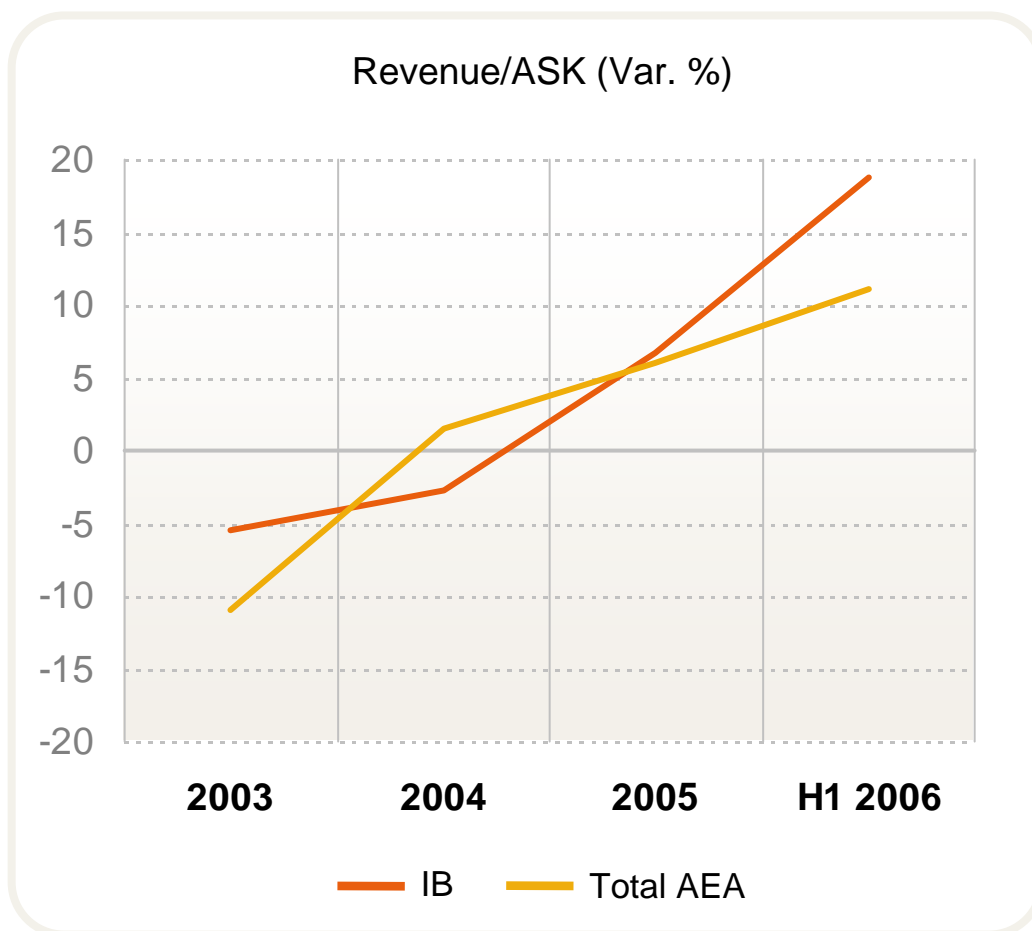
**Important mix improvement.
Ytd 2006 unit revenues: + 17.3%**



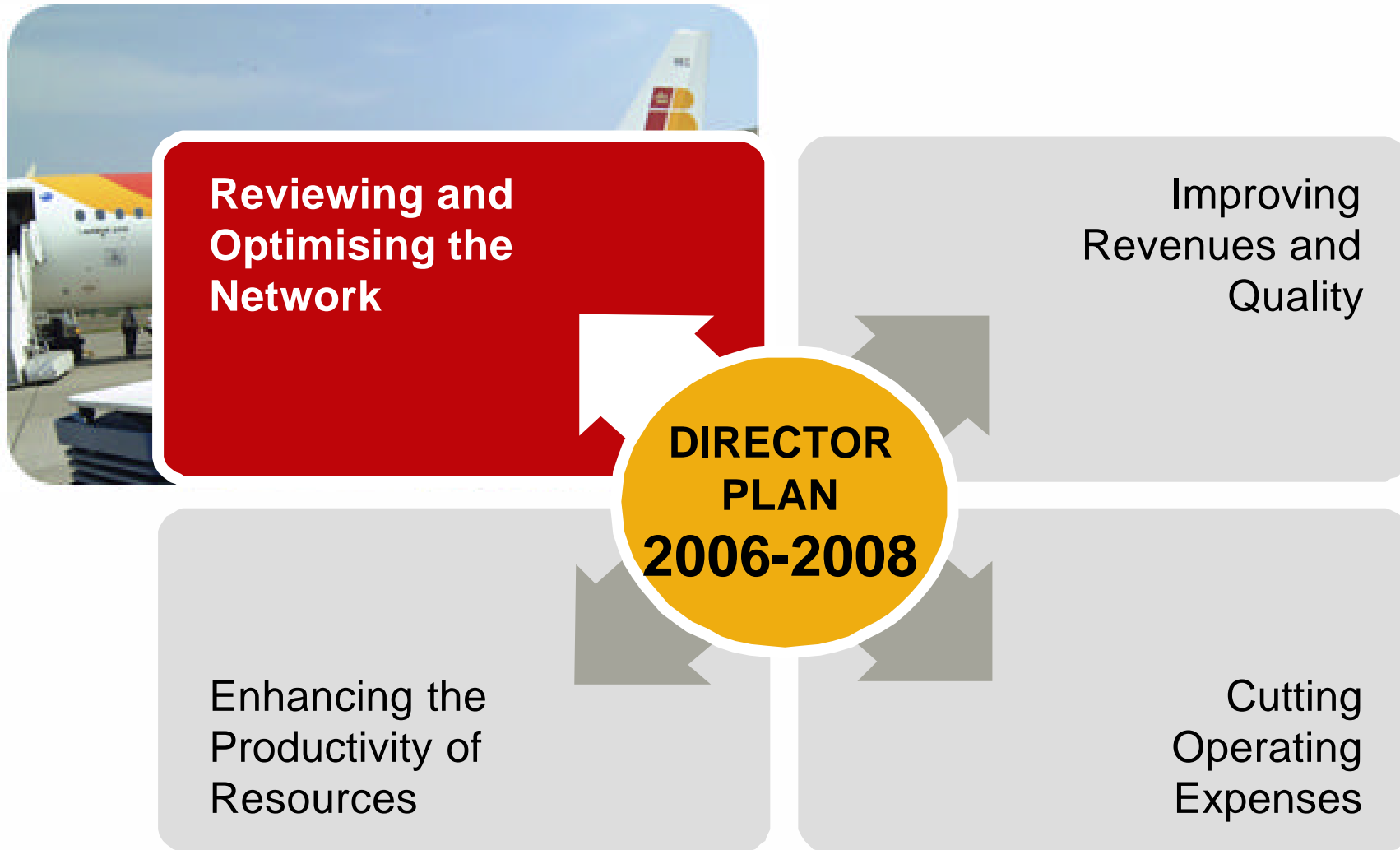
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DIRECTOR PLAN 2006-08: Evolution and Progress

Unit Revenue Evolution in Long Haul

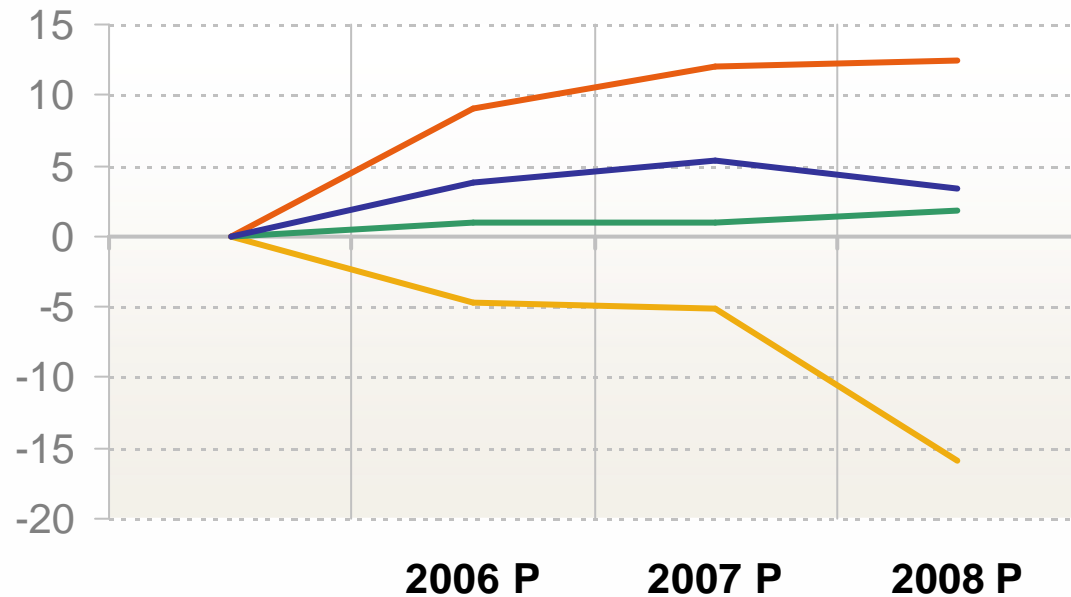


The Director Plan is Based in Four Pillars



Capacity Forecast Director Plan 2006-2008

Accumulated %



— Domestic — Medium Haul — Long Haul — Total

% 08/05

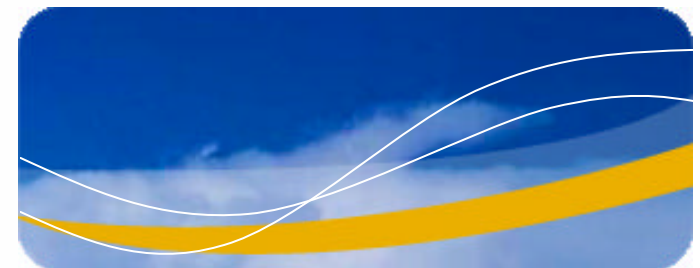
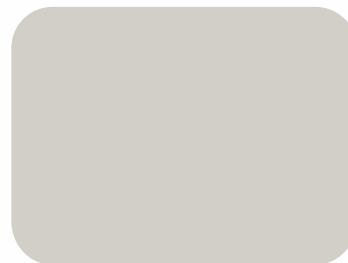
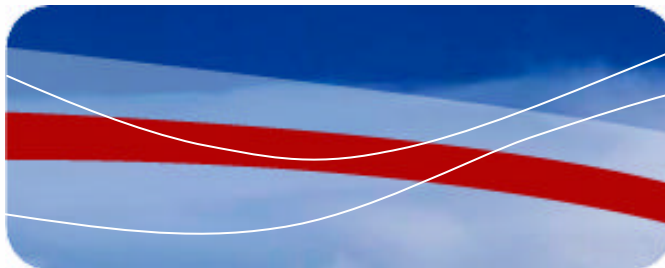
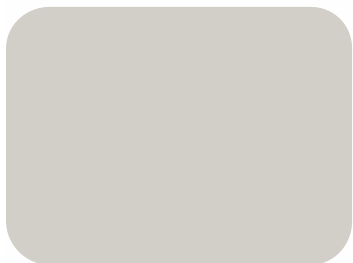
Domestic ↓ -16.0%

Medium Haul ↑ +1.9%

Madrid-Europe ↑ +31.6%

Long Haul ↑ +12.4%

Total ↑ +3.4%





Reviewing & Optimizing the Network 2006

Achievements in line with the Director Plan

| ASK Growth (%) | 2006 E |
|---------------------|------------|
| Total Iberia | 3.3 |
| Long Haul | 8.2 |
| Europe | 0.8 |
| Domestic | -5.5 |



Reviewing & Optimizing the Network 2007

Developments in 2007:

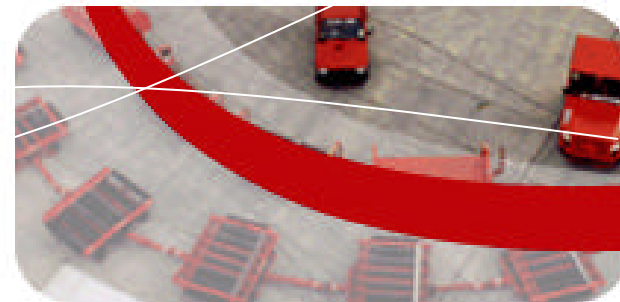
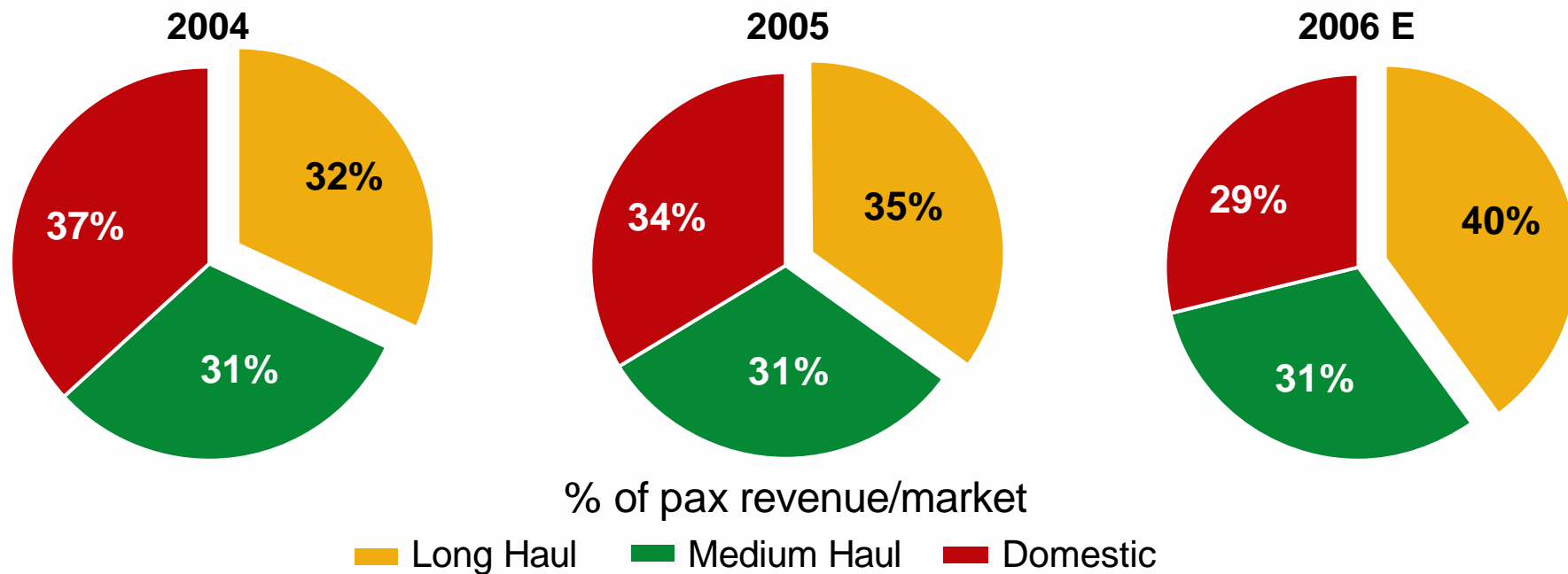
| ASK Growth (%) | 2007 E |
|---------------------|------------|
| Total Iberia | 0.5 |
| Long Haul | 2.9 |
| Europe | 0.6 |
| Domestic | -7.7 |

Strengthening the network: Growth in Madrid

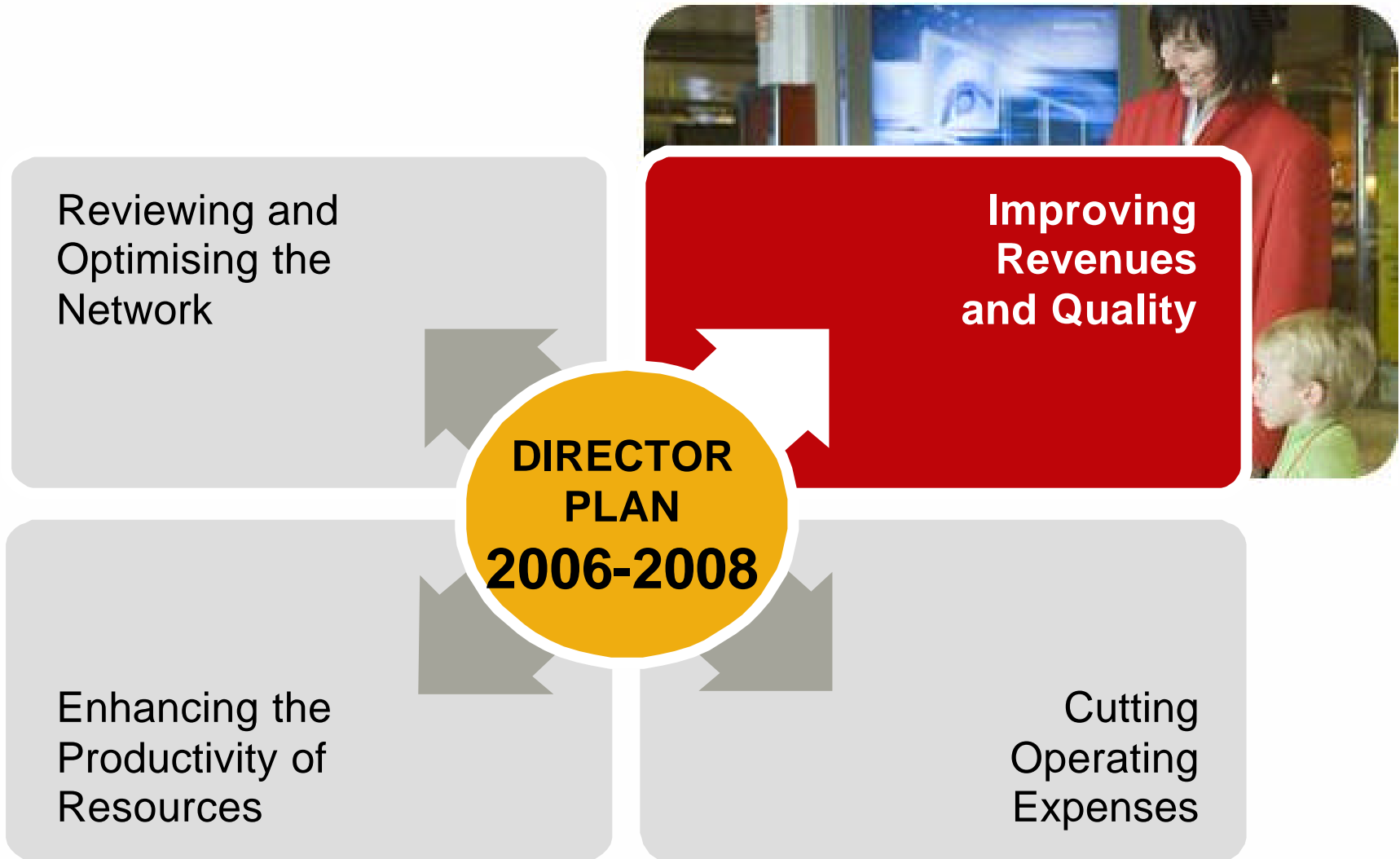


Long Haul is Gradually Increasing its Weight

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



The Director Plan is Based in Four Pillars



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



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BUSINESS PLUS



Highly valued by customer base

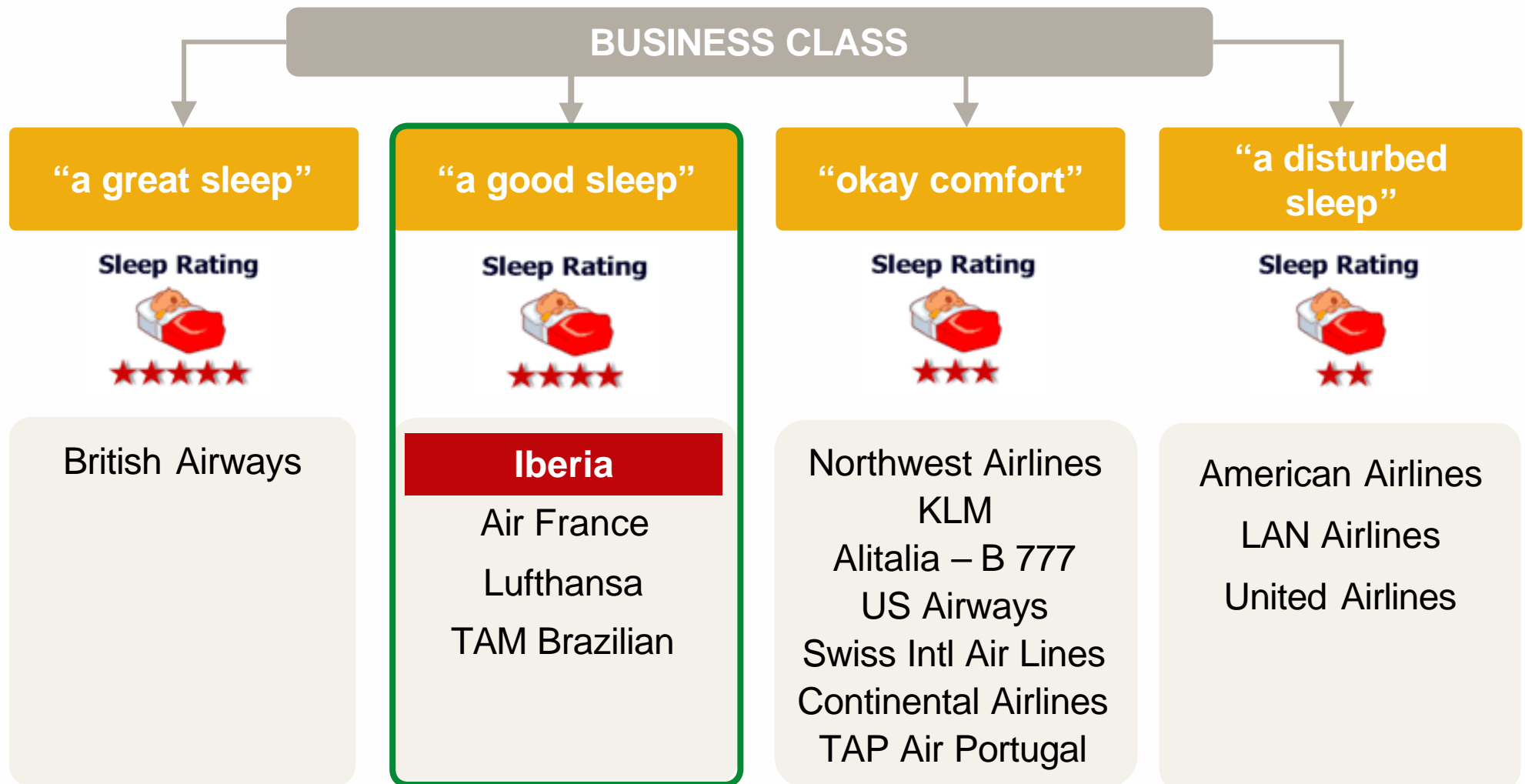
Improving Revenues and Quality

Independent Benchmark

Source:



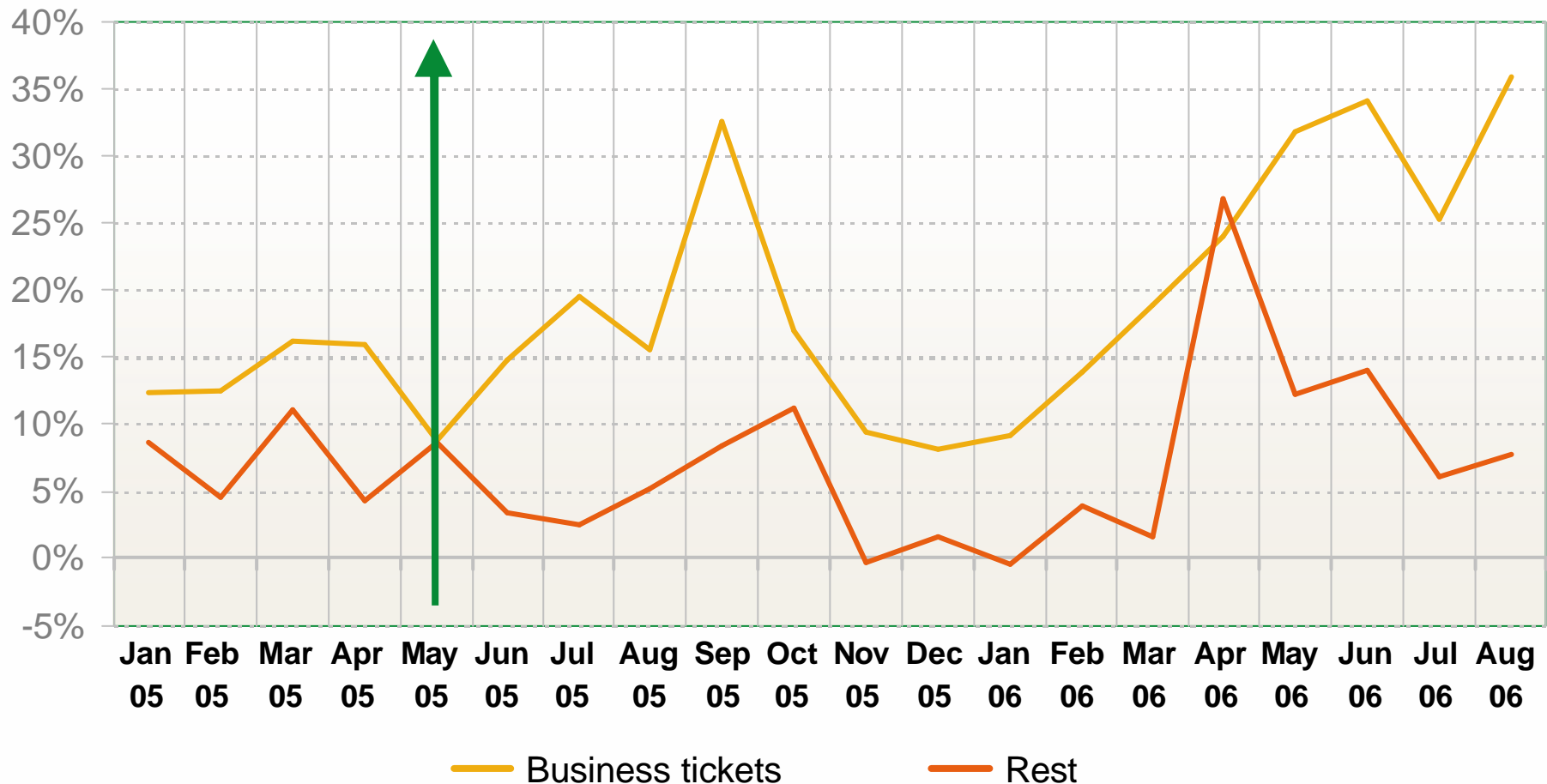
Airlines Carriers in Europe – Latin America:





Improving Revenues and Quality

Launching of new
Business Plus in
Long Haul



Improving Revenues and Quality

Good performance in Long Haul, Ytd 2006:

Business Passengers Growth

↑ + 24.7%

Total Passengers Growth

↑ + 9.7%

Yield Revenue Growth

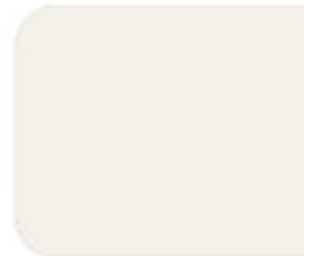
↑ + 14.4%

Unit Revenue Growth

↑ + 17.3%

Pricing (incl. fuel surcharge)

6.9%



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⁾ | + 2.6 p.p. |
| + 5 p.p. in load factor ⁽¹⁾ | + 10.0 p.p. |

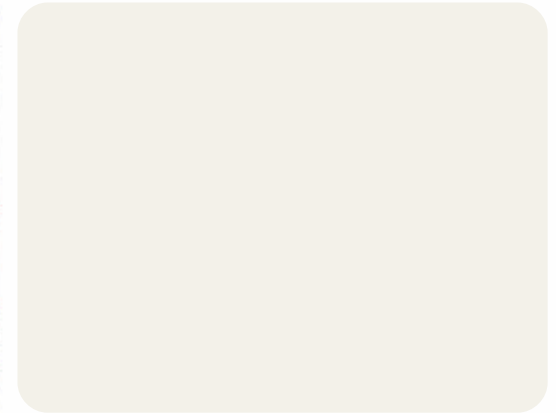
(1) Over 2005



Improving Revenues and Quality

Slim seats in Short/Medium Haul Fleet

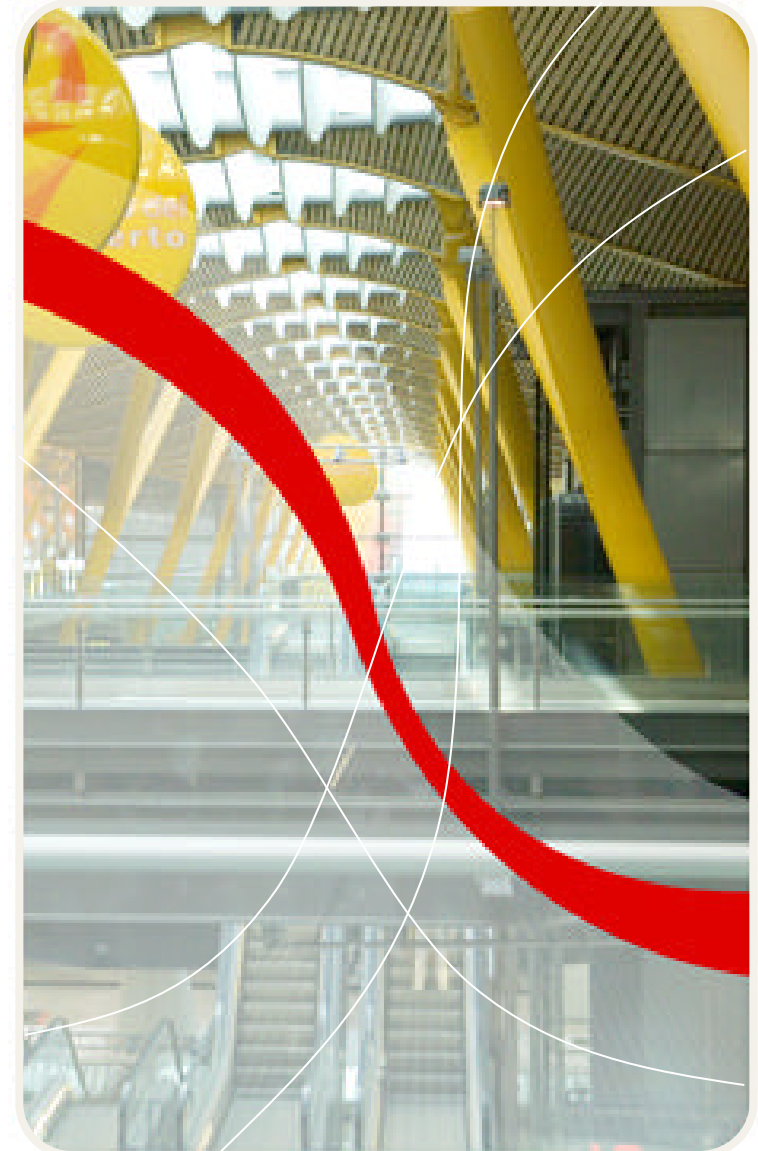
- Leather seats.
- Comfort level improvement.
- Central seat spared in international medium haul business class.



Improving Revenues and Quality

T4 Improvements:

- Fingers in **93%** of flights.
- Baggage delay and lost ratios of Iberia about **50%** lower than other major European Airlines in their hub's.
- **3** Iberia VIP lounges with 4.500 m2
 - Dinner available in the lounge for late international flights.
- Self Check-in Growth:
 - **19%** of Passengers use self check-in
 - Out of them **50%** checked-in online and **50%** in kiosks.



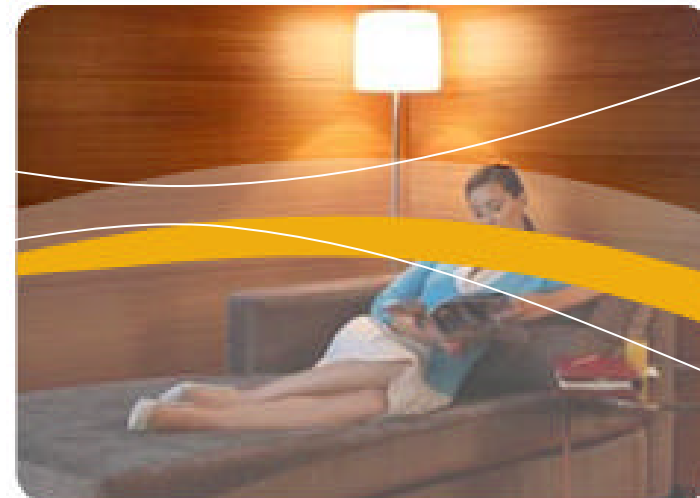


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DIRECTOR PLAN 2006-08: Evolution and Progress

Improving Revenues and Quality

Iberia VIP Lounges:



New Revenue Management Model

Passenger

- New revenue management system by origin/destination
- New model to optimize point-to-point

Status October 2006:

To be implemented at the end of 2007

Update of current system adding “bid price” functionality: December 2006

Cargo

- Implementation of a 'yield management' system

Status October 2006:

First phase functionality: February 2007

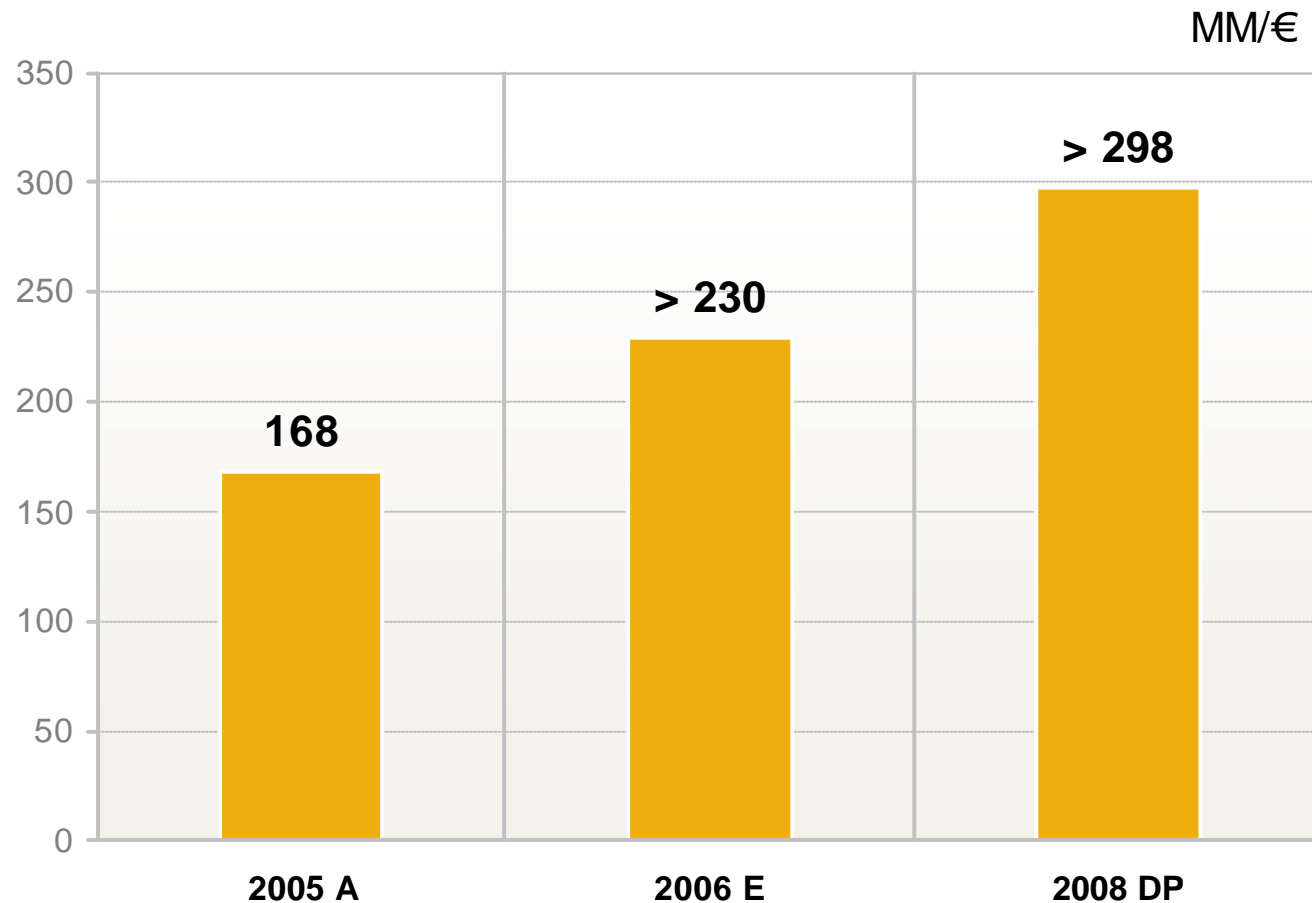
Full system implementation: End 2007



Increasing Maintenance Revenue

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

We maintain our target for 2008



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**

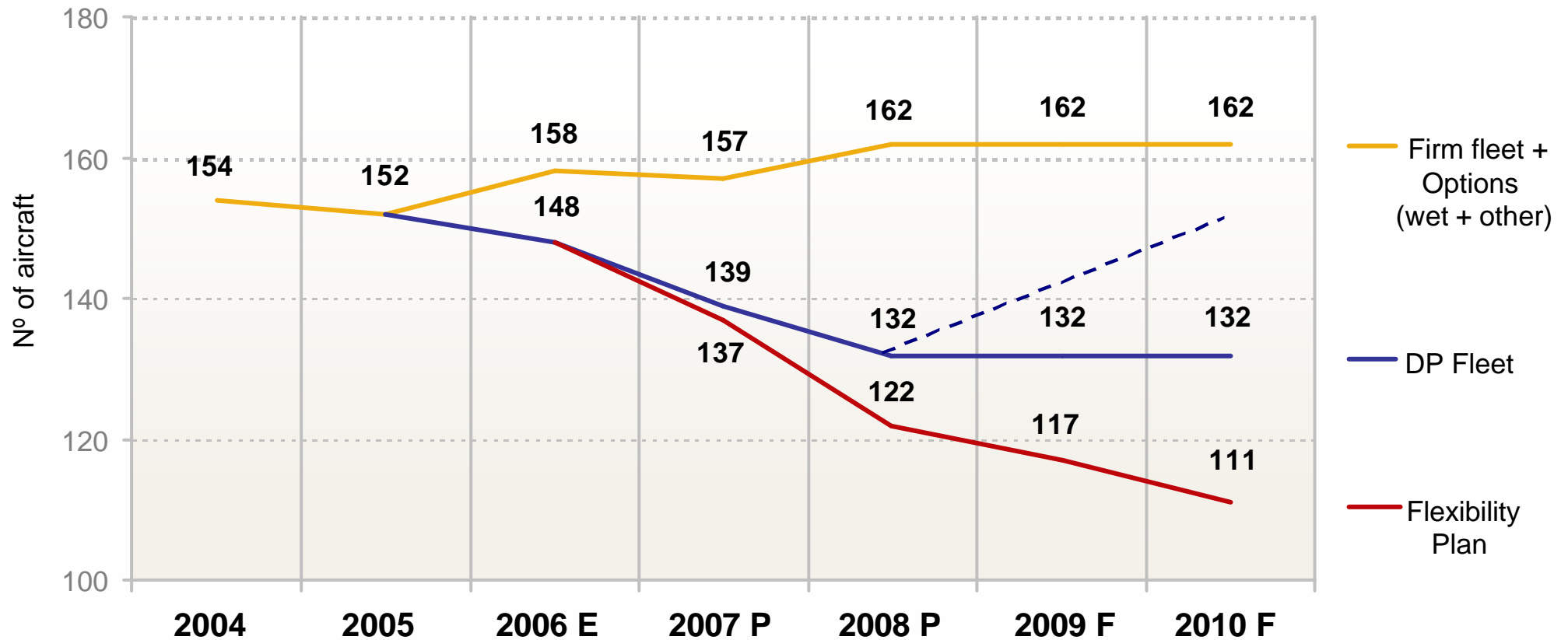
■ **Fleet**

Cutting
Operating
Expenses



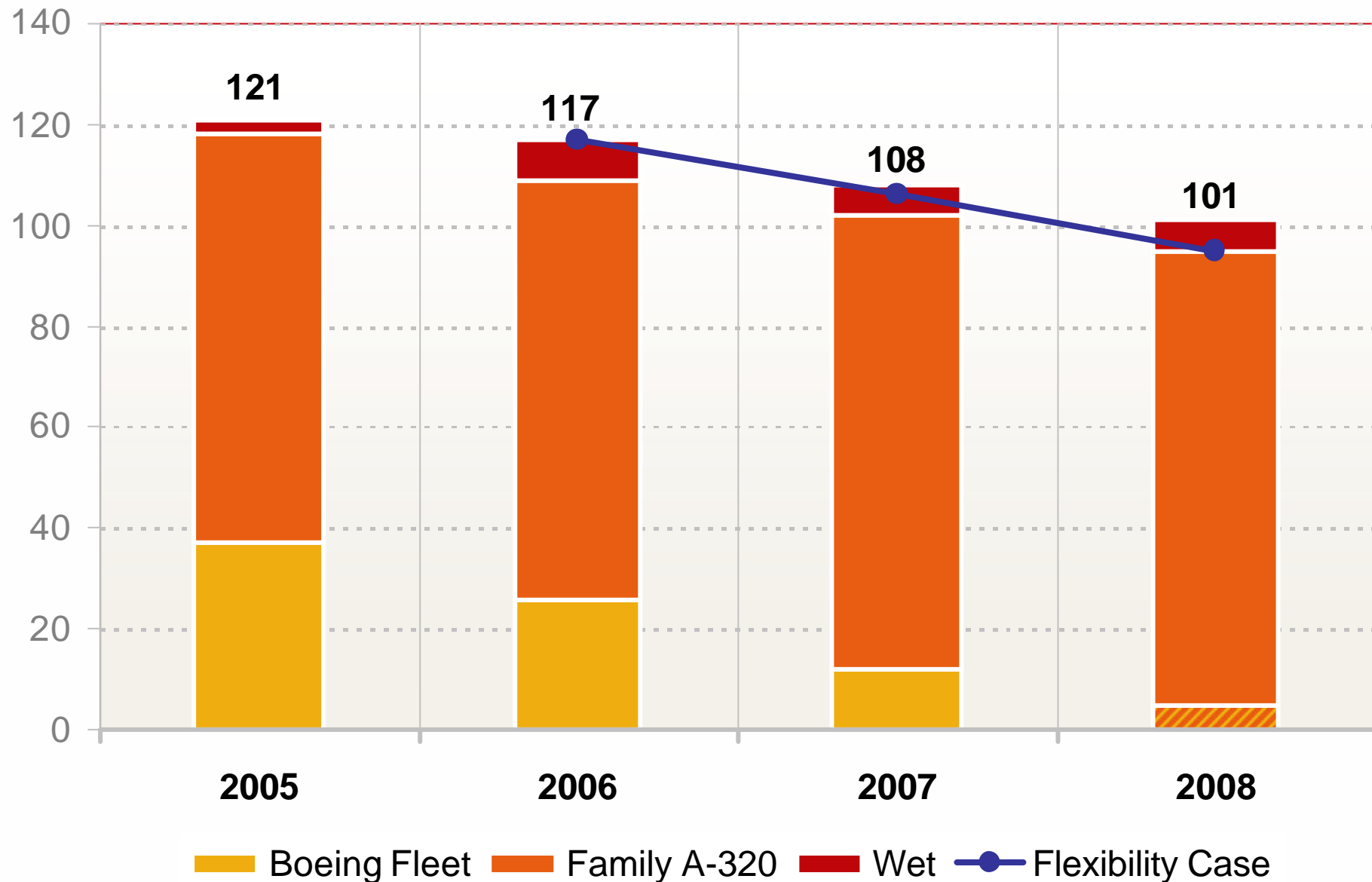
Fleet Plan

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

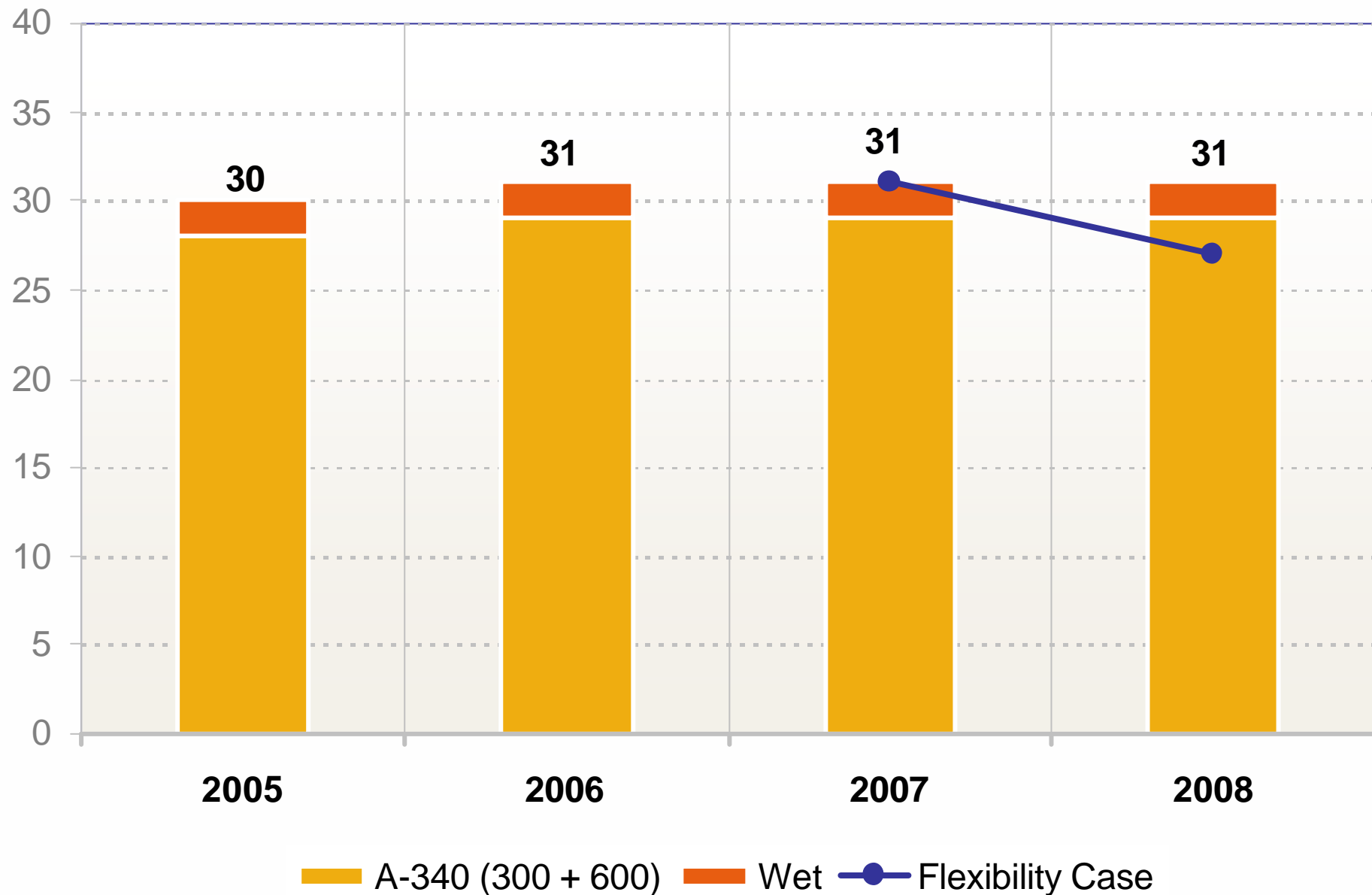




Homogenization of Short and Medium Haul Fleet



Homogenization of Long Haul Fleet



Positive Impact of Fleet Renewal and Homogenization

Cost reductions: short and medium haul fleet

Fuel:

-19%

Maintenance:

-23%

Technical crew:

€19 M of annual savings
due to commonality

Savings in rentals compared
to the previous contract



Reduction of cost /seat by 7.3%

Fleet Costs: Impact in 2006

January-September 2006 vs 2005

% of savings

Less fuel costs due to more efficiency

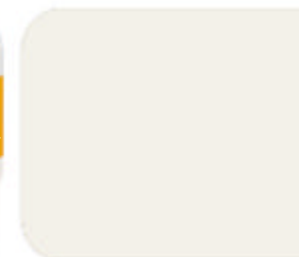
- 22.1 MM/€

2.5%

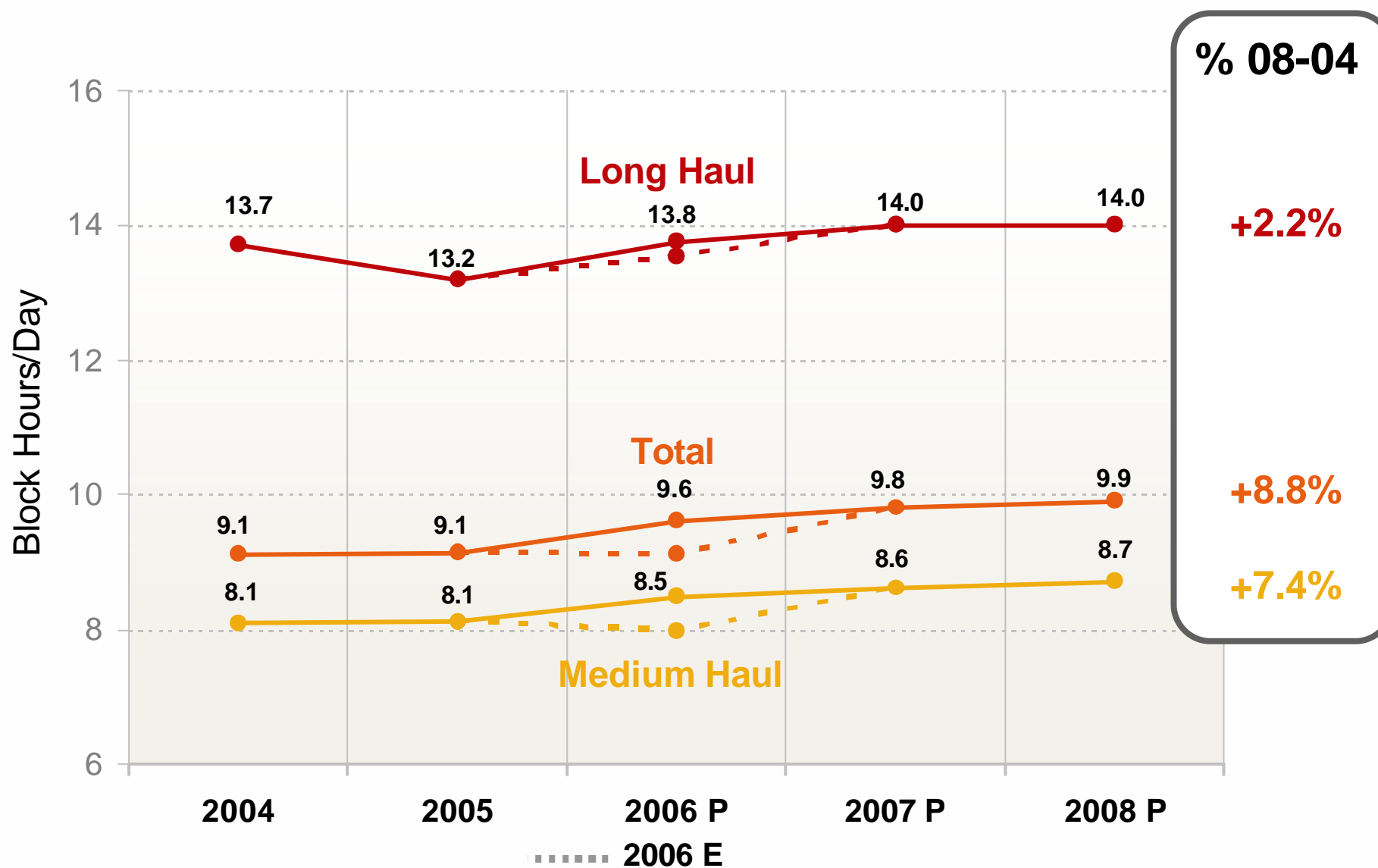
Less maintenance costs

- 24.3 MM/€

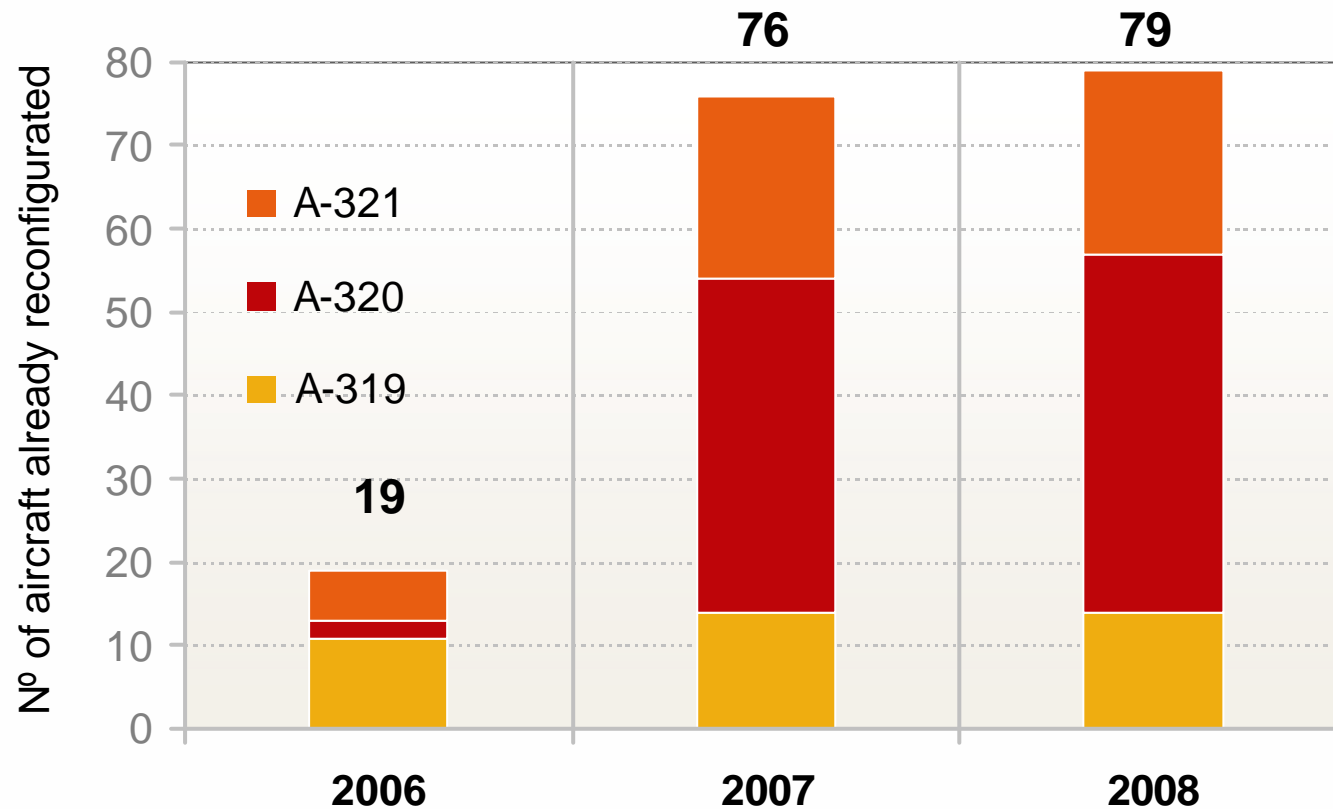
10.4%



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

The Director Plan is Based in Four Pillars

Reviewing and
Optimising the
Network

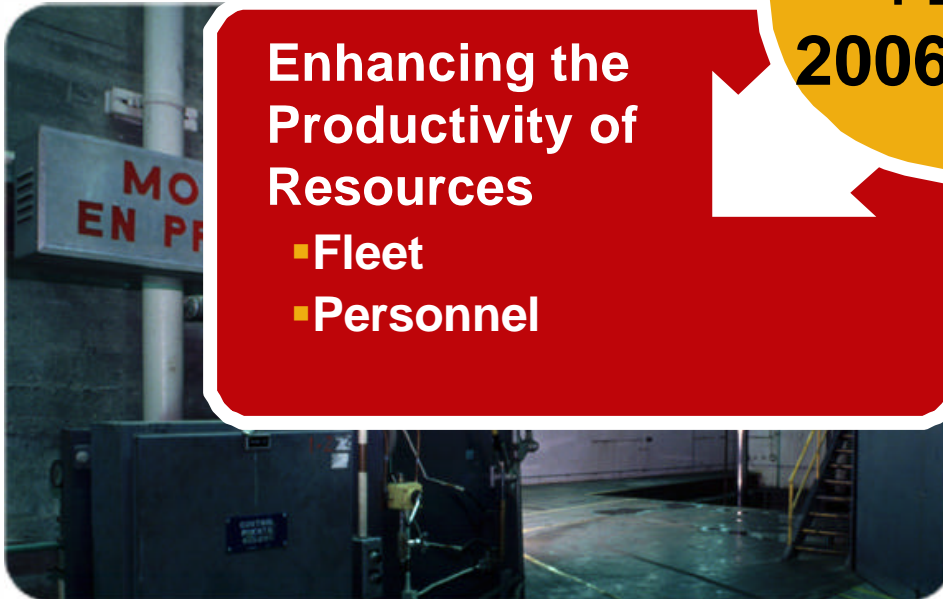
Improving
Revenues and
Quality

**DIRECTOR
PLAN
2006-2008**

**Enhancing the
Productivity of
Resources**

- Fleet
- Personnel

Cutting
Operating
Expenses

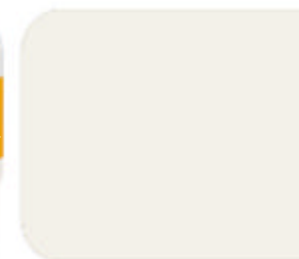
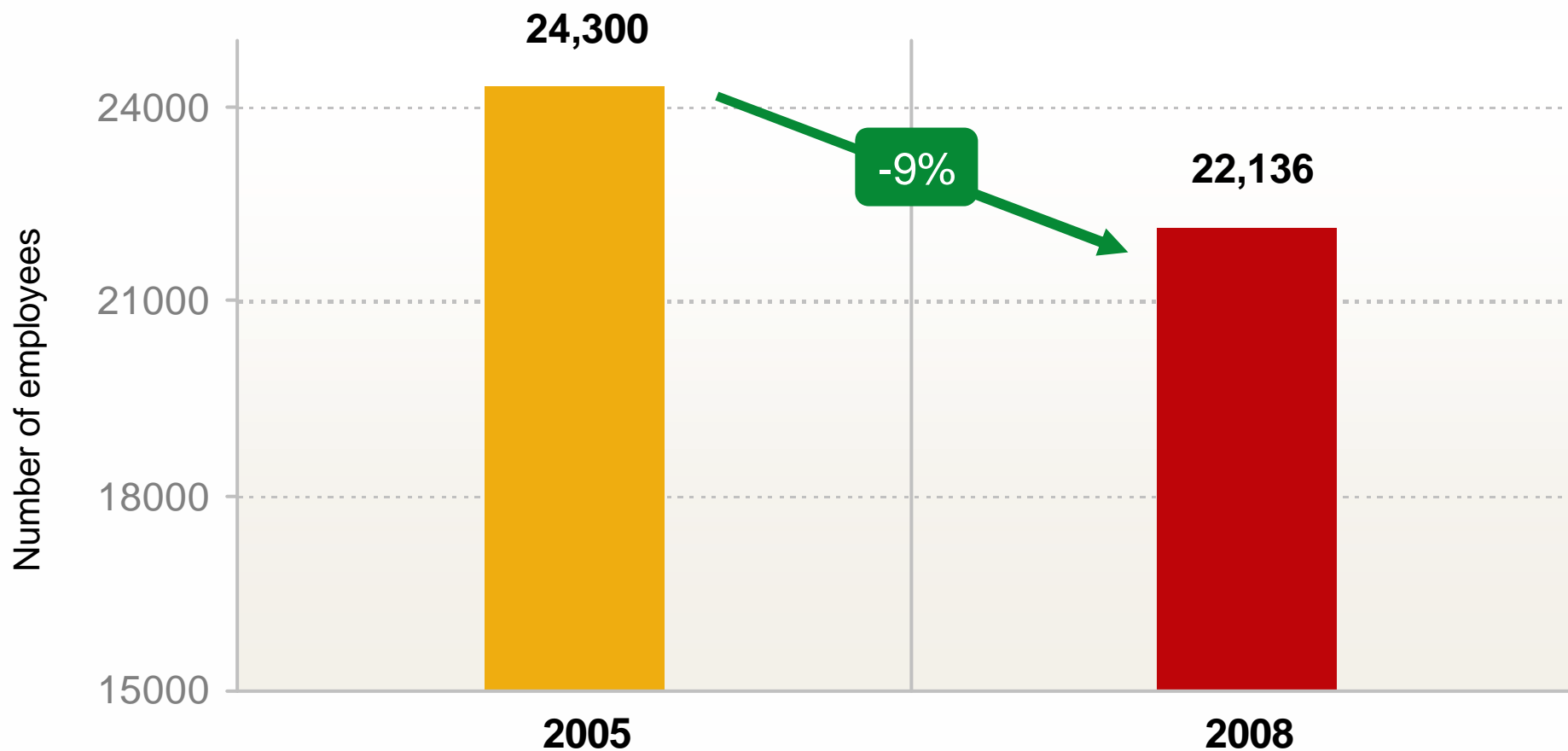




IBERIA

Increased Staff Productivity

Net staff reduction: 2,164



Evolution 2006

The redundancy plan has been accelerated

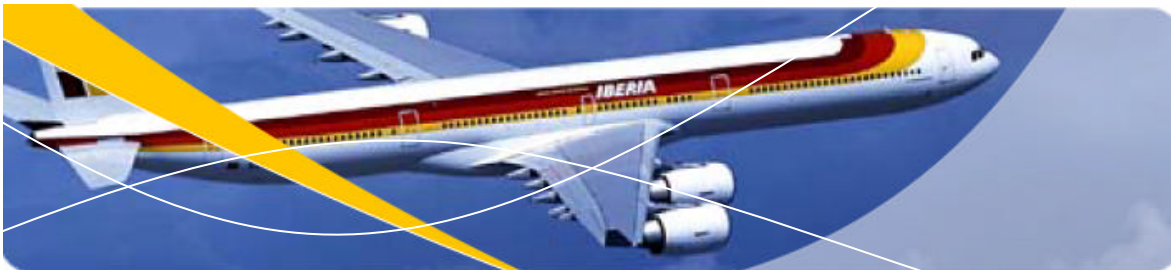
Staff reduction 2006

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



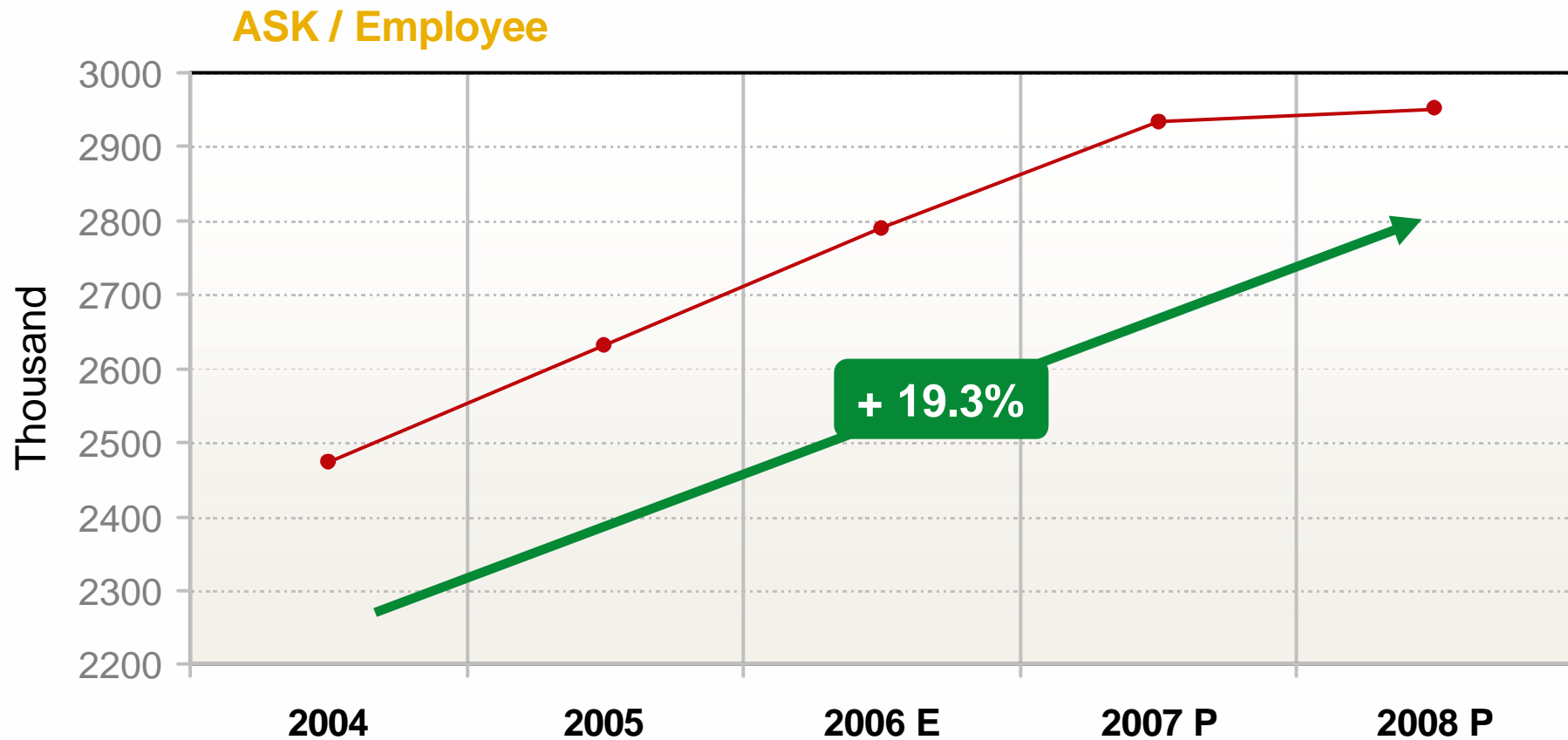
23% more than forecasted

60% of the Plan already achieved





Productivity Increase



Cost / ASK

- 10% for 2008

- 6% achieved in 2006

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**

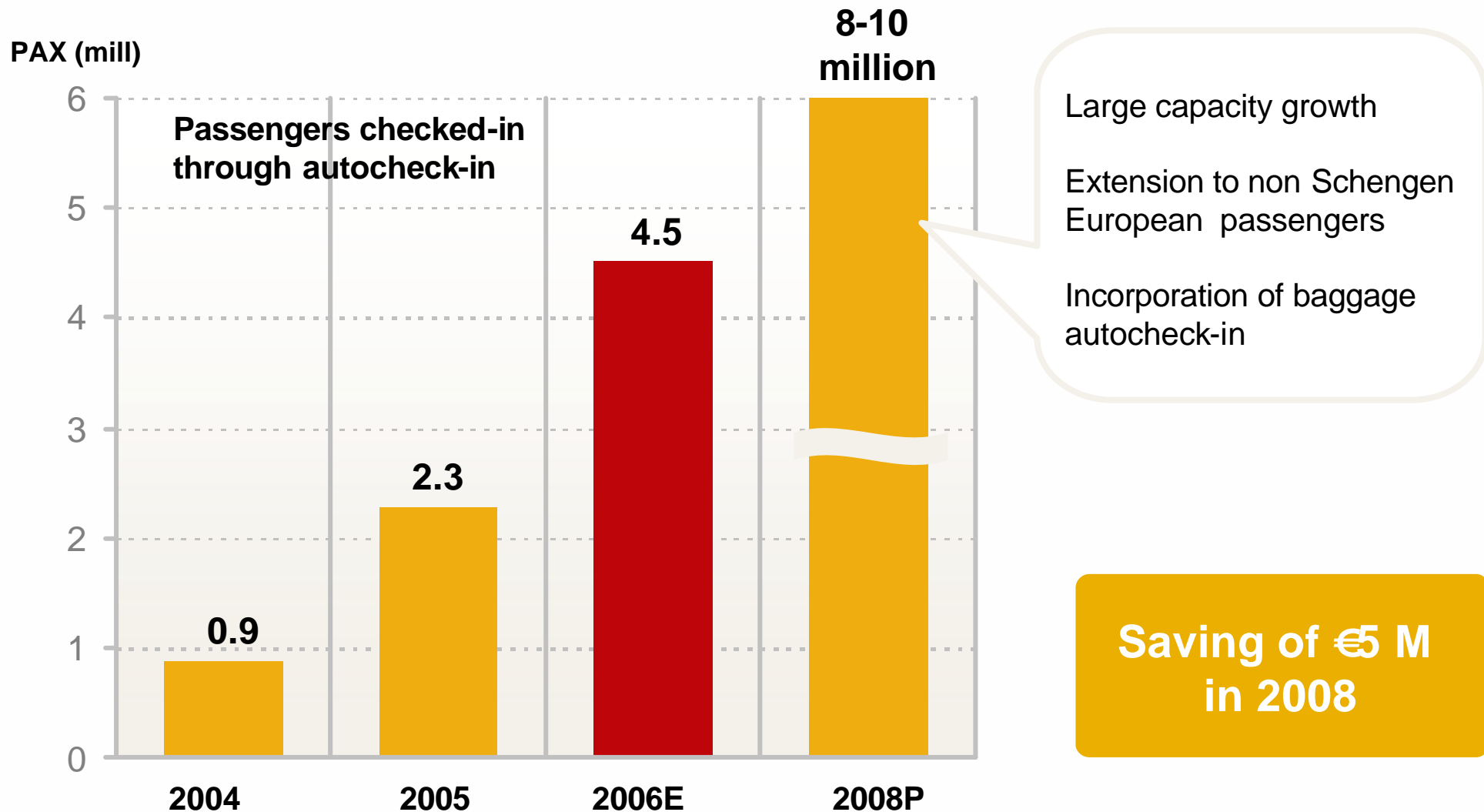
- Fleet
- Personnel
- Change of processes

Cutting
Operating
Expenses



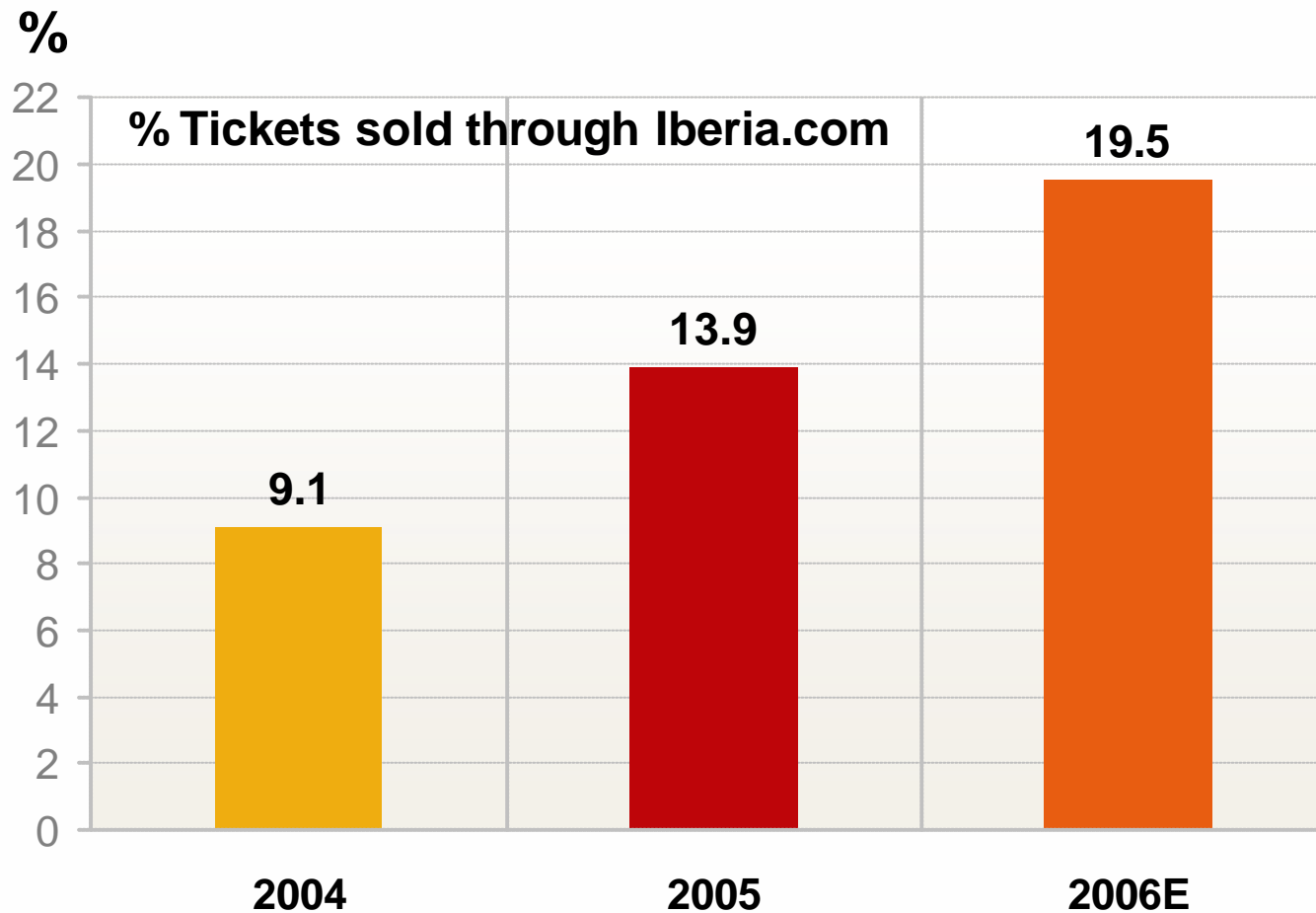
Change of Processes and New Tools

The use of autocheck-in will increase significantly





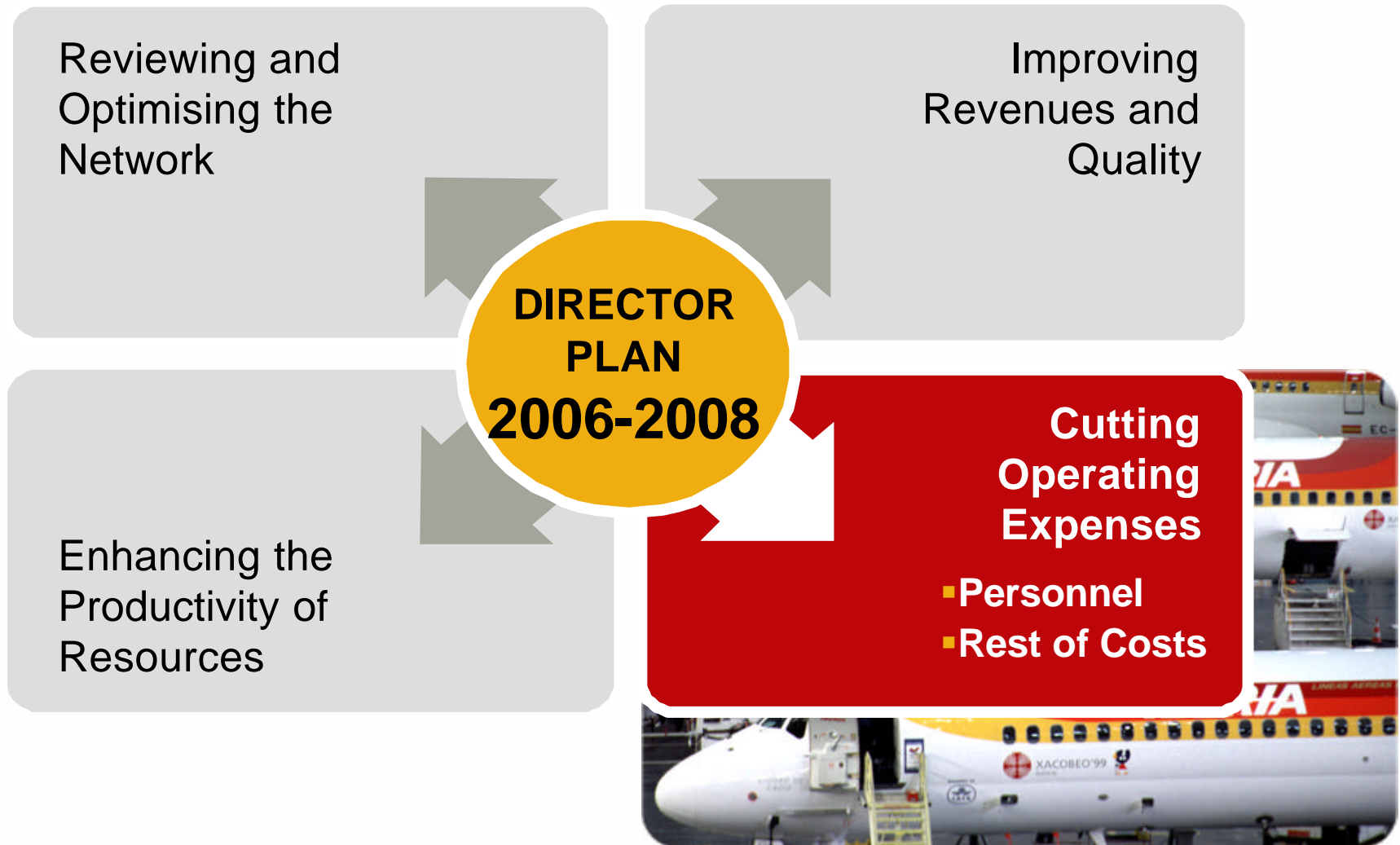
Change of Processes and New Tools



We have doubled Iberia.com sales in Spain



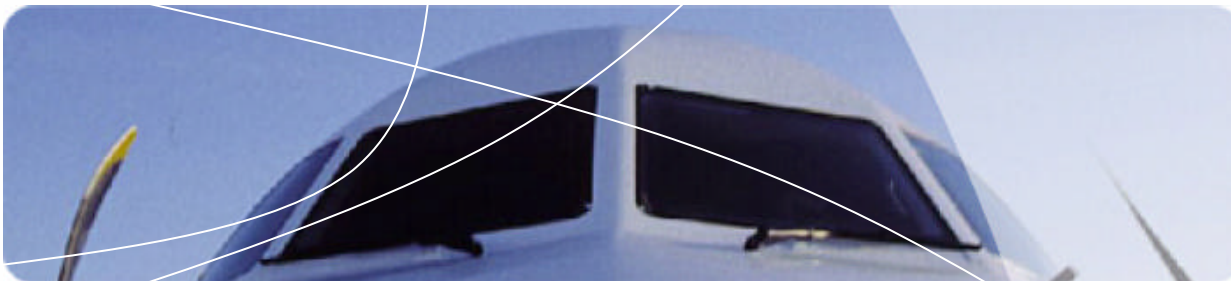
The Director Plan is Based in Four Pillars



Reduction of Personnel Cost 2006

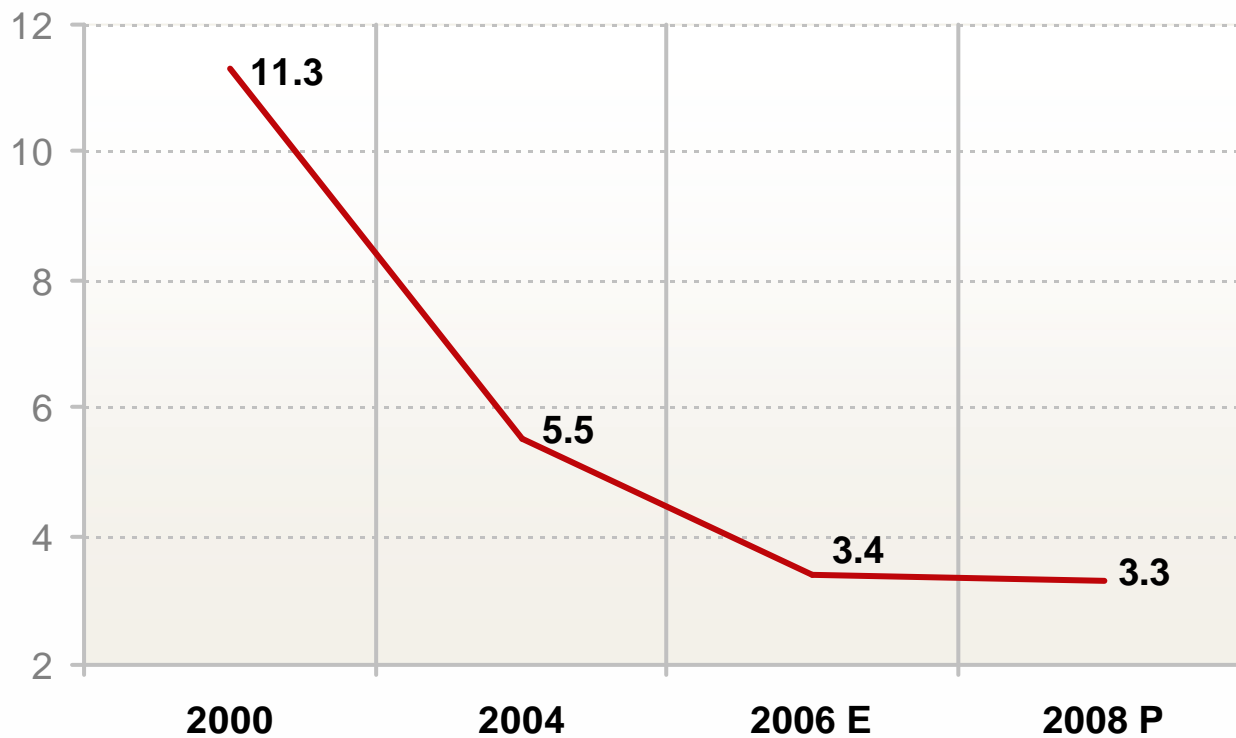
| | Ground 50% of total cost | Crew 50% of total cost |
|--|--------------------------------|------------------------------|
| Salary freezes | ✓ | pending |
| Change from fixed to variable wages linked to target performance | ✓ | pending |
| New seniority | pending | pending |
| Productivity improvements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

About 40% of the plan already achieved in 2006



Commercial Cost Evolution

- Implementation of a zero commission model in Spain and Europe
- Extension to other international markets



Reduction of Aircraft Leasing Cost

- 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





IBERIA

DIRECTOR PLAN 2006-08: Evolution and Progress

Reduction of Cargo Cost

Reduction of bellies costs in Europe

In process

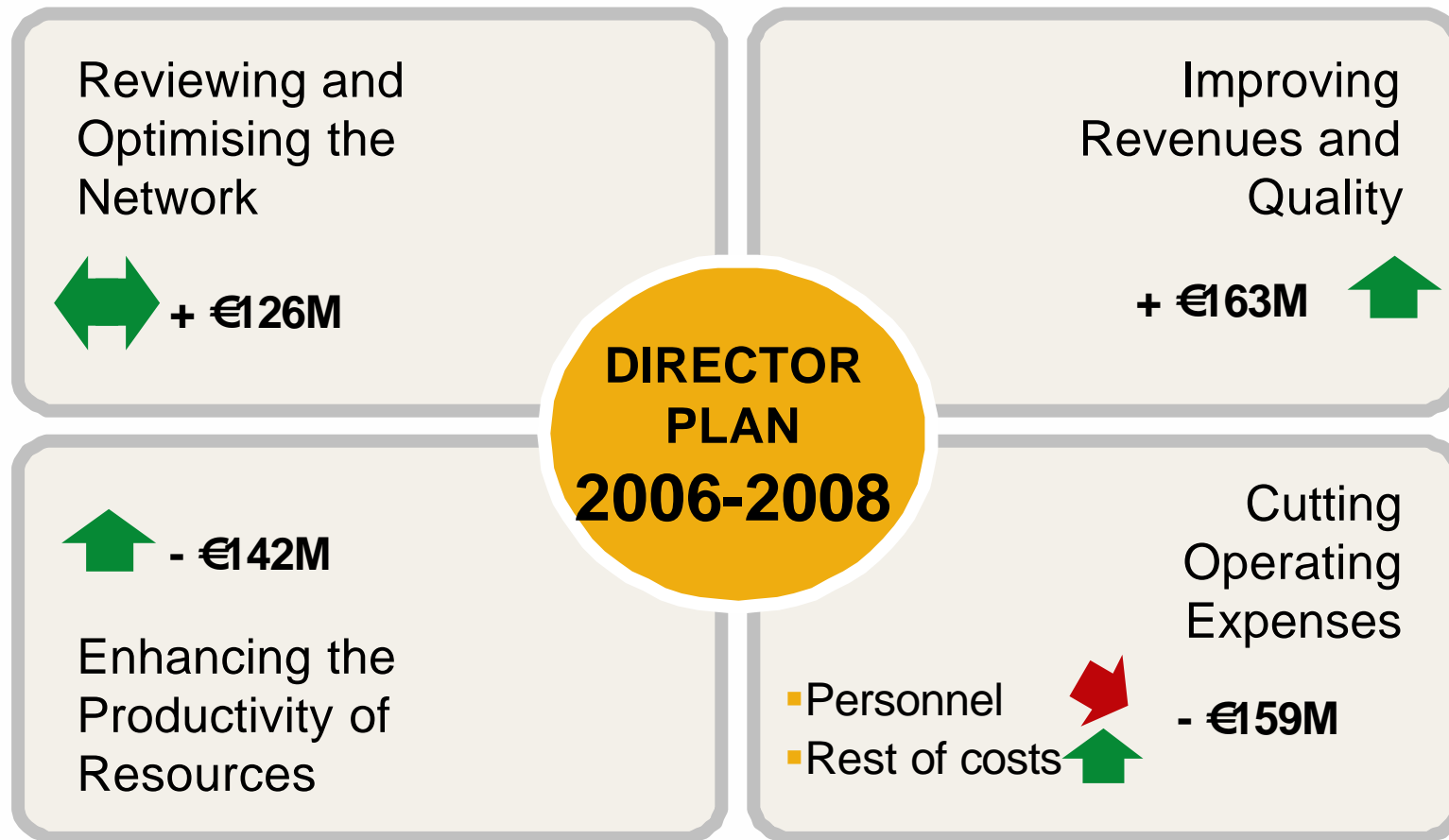
Reduction of cargo aircraft costs



Selective closing of cargo terminals



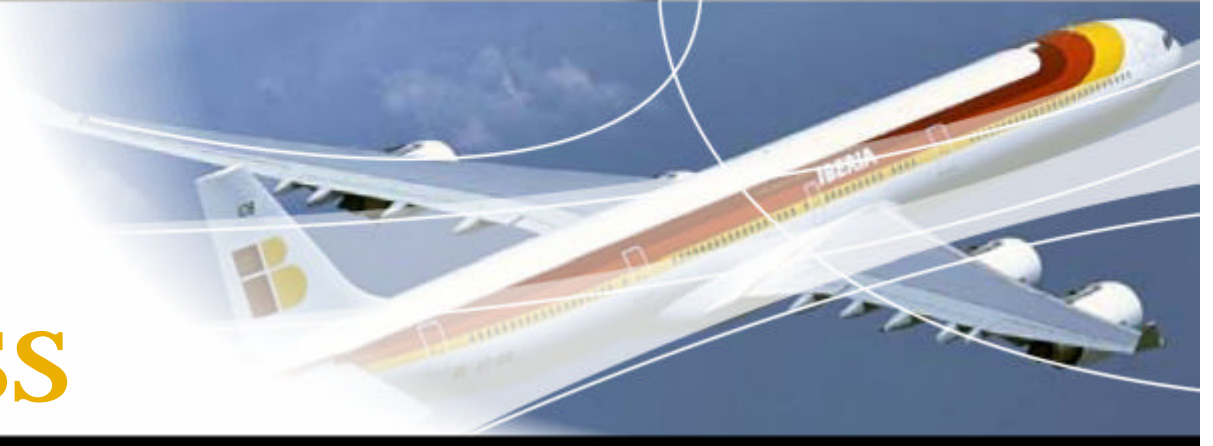
Director Plan initiatives are on Track



Analyst and Investor Day



Maintenance Business



30th-October-2006

Iberia Maintenance Mission

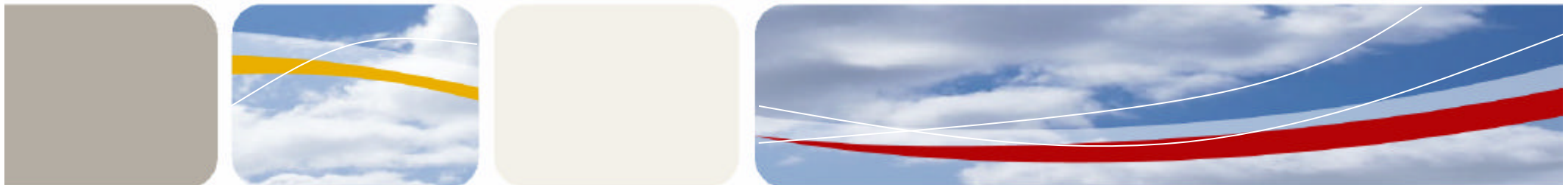
Facts and Figures. Positioning in the MRO Industry

Main Targets for Business Plan 2006-08

Status of Business Development Programs

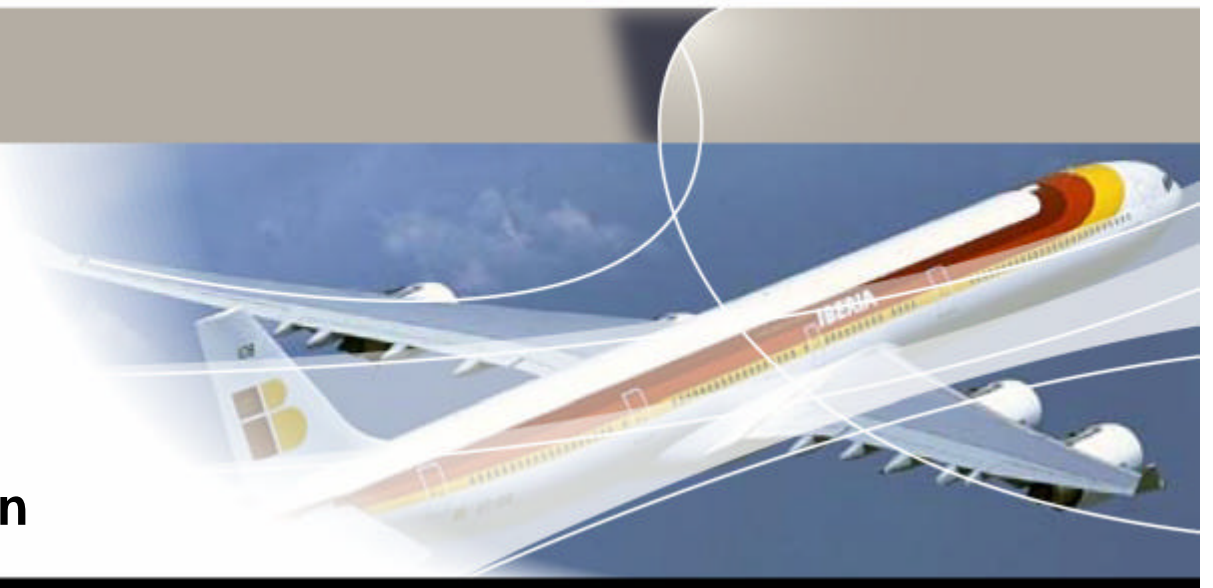
Status of Efficiency Improvement Programs

Summary and Conclusions





Iberia Maintenance Mission



Iberia Maintenance Mission

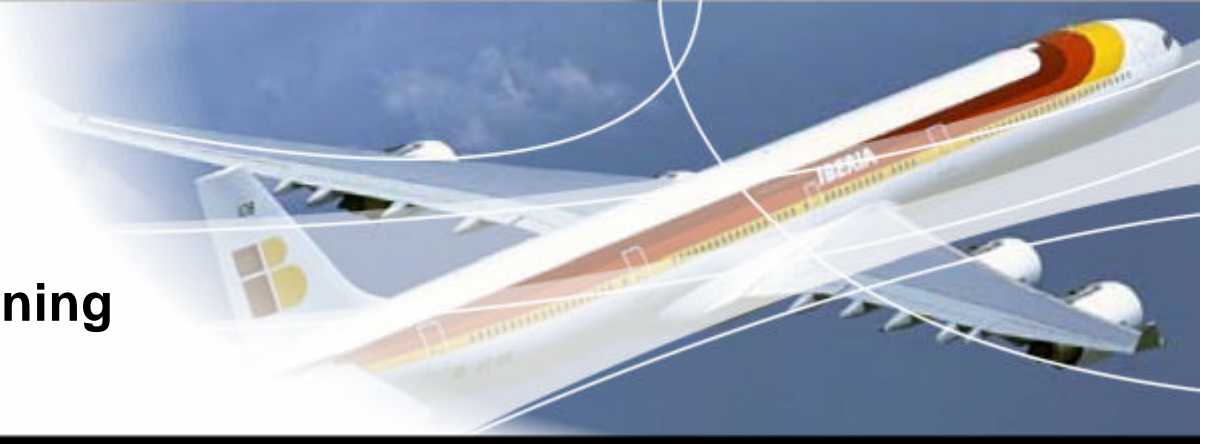
The mission of Iberia Maintenance is to offer a full service of maintenance to Iberia Airlines, optimizing value for the shareholder through third party MRO activities.

- High quality service
- Good penetration and share in the MRO market
- Competitive price based on market conditions





Facts and Figures. Positioning in the MRO Industry



Facts and Figures: Position in the MRO Industry

Iberia Maintenance is one of the leading companies in the MRO Industry:

- High reputation of quality and efficiency
- Extensive know-how in maintenance activities
- Qualified and skilled manpower
- State of the art facilities and equipment



Iberia Maintenance: Facts and Figures



Total maintenance care of Iberia and third party fleets
Full support in engineering and logistics

Iberia Maintenance: Facts and Figures

Iberia Maintenance Products

| Aircraft | Engines | Components |
|------------|-----------|------------|
| A320/19/21 | CFM56-5/7 | A320 |
| A340 | RB211-535 | A340 |
| A310 | JT8D | MD80 |
| B757 | CF34 | B757 |
| B747 | | CRJ |
| B707 | | B747 |
| MD80 | | A310 |
| FALCON | | |
| C-130 | | |
| P3 ORION | | |



Iberia Maintenance: Facts and Figures

Production Centers

Madrid

Main Operational Base
Heavy Maintenance and Painting Hangars
Engine and Components Shops
Test Cells
Training Center

3,450 employees

Barcelona

2nd Maintenance Base

150 employees

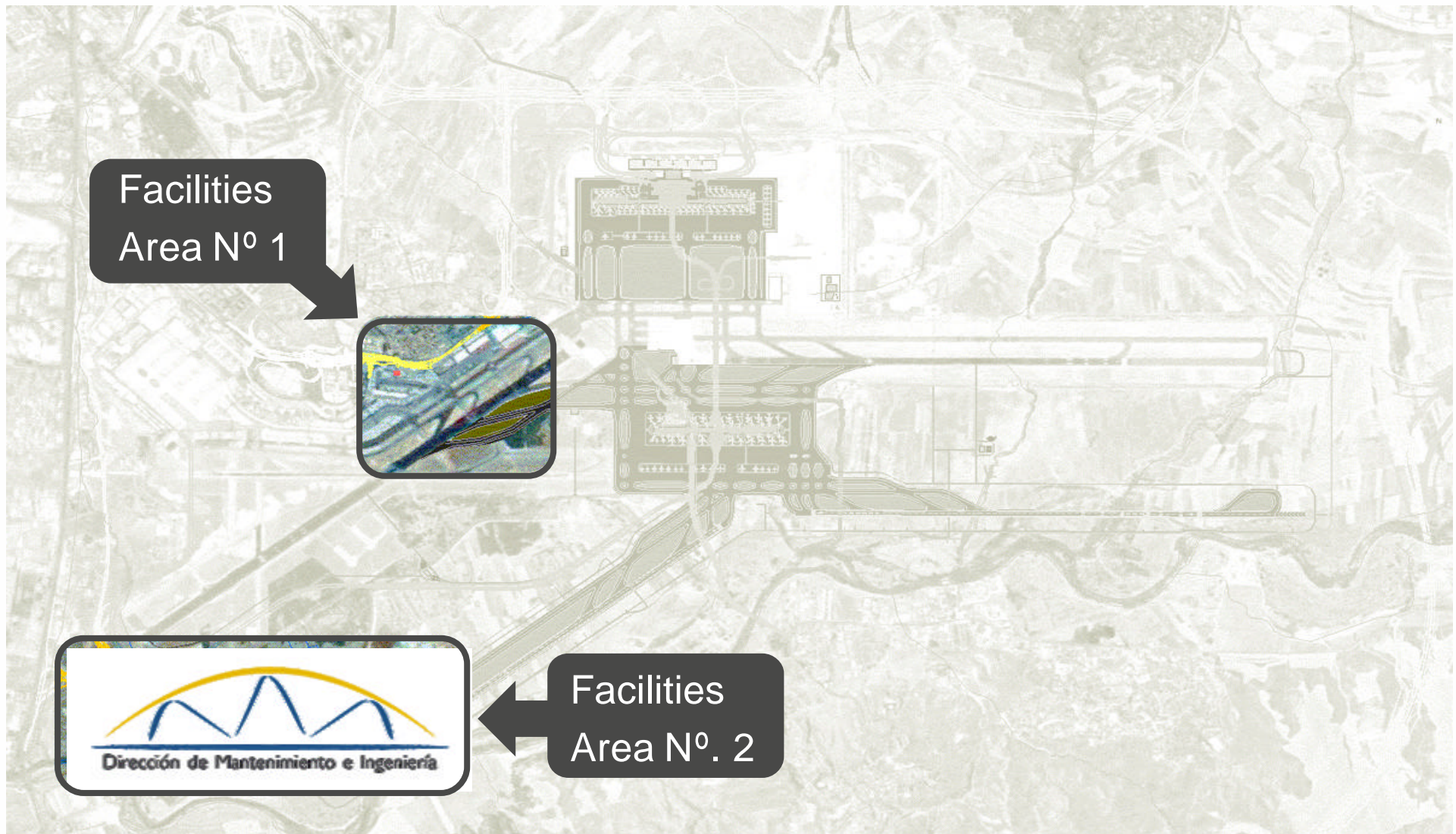
Rest of Iberia Network

320 employees



Iberia Maintenance: Facts and Figures

MRO: Industry Facilities in Madrid



Iberia Maintenance: Facts and Figures

Iberia Maintenance facilities in Madrid



Iberia Maintenance: Facts and Figures

Iberia Maintenance facilities in Madrid

Aircraft Maintenance

7 Hangars, 120,000 m²

- 25 Aircraft bays
- 2 Painting hangar

Engine Shop

- Engine and APU shops, 50,000 m²
- Test cell: 100,000 Lb.

Components Shop

- 20,000 m²



Iberia Maintenance: Facts and Figures

Quality Certifications

1

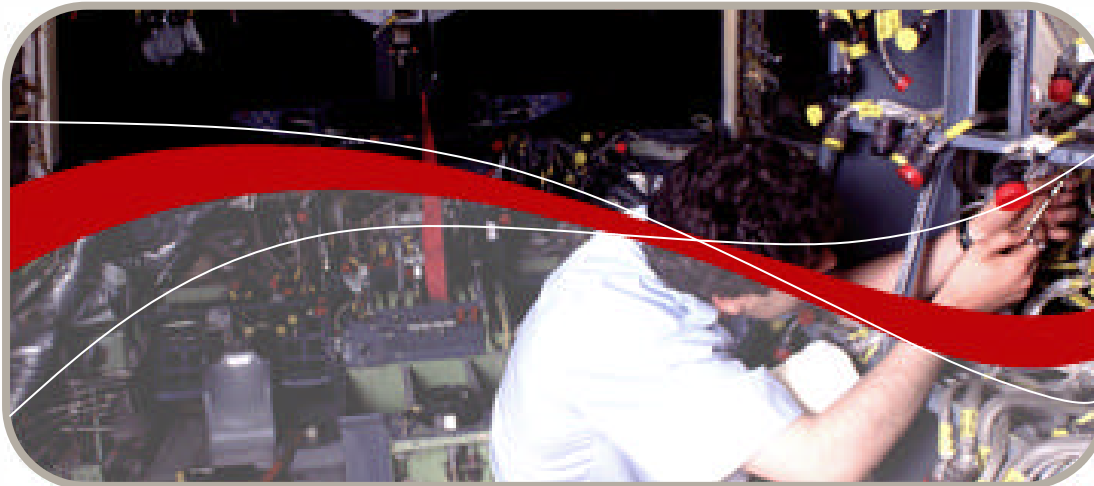
Manufacturers Certifications

**Rolls Royce
General Electric
Honeywell...**

2

Certifications:

**ISO 9001:2000
ISO 17025
ISO 14001**



3

Military Certifications:

**Dirección General de
Armamento y Material (DGAM)
del Ministerio de Defensa**

PECAL/AQAP 2120: NATO

Iberia Maintenance: Facts and Figures

Customers in Europe

Fix Customers

| | |
|-----------------------|--------------------|
| Air Atlanta Icelandic | Hola Airlines |
| Air Europa | Iberworld |
| A J Walter | LTE International |
| Air Madrid | Meridiana |
| Air Nostrum | Olympic Airlines |
| Atlas International | Onur Air |
| Air Pullmantur | Rolls Royce |
| Axis Airways | SNECMA |
| Binter Canarias | Spanair |
| British Airways | Titan Airways |
| Channel Express | AirBus MRO Network |
| Cygnus/Audeli | |
| FF. AA. | |
| Free Bird | |

Other Customers

| | |
|-----------------------|--------------------|
| Adriatic | ILFC |
| Air France Industries | Lufthansa Technik |
| Air Luxor | LTU |
| Air Mediterranee | Air Plus |
| Alitalia | Malev Hungarian |
| Bouilloun Aviation | MNG Airlines Cargo |
| Cyprus Airways | TAP |
| Finnair | TNT Airways |
| General Electric | Turkish Airlines |
| Monarch | |



Iberia Maintenance: Facts and Figures

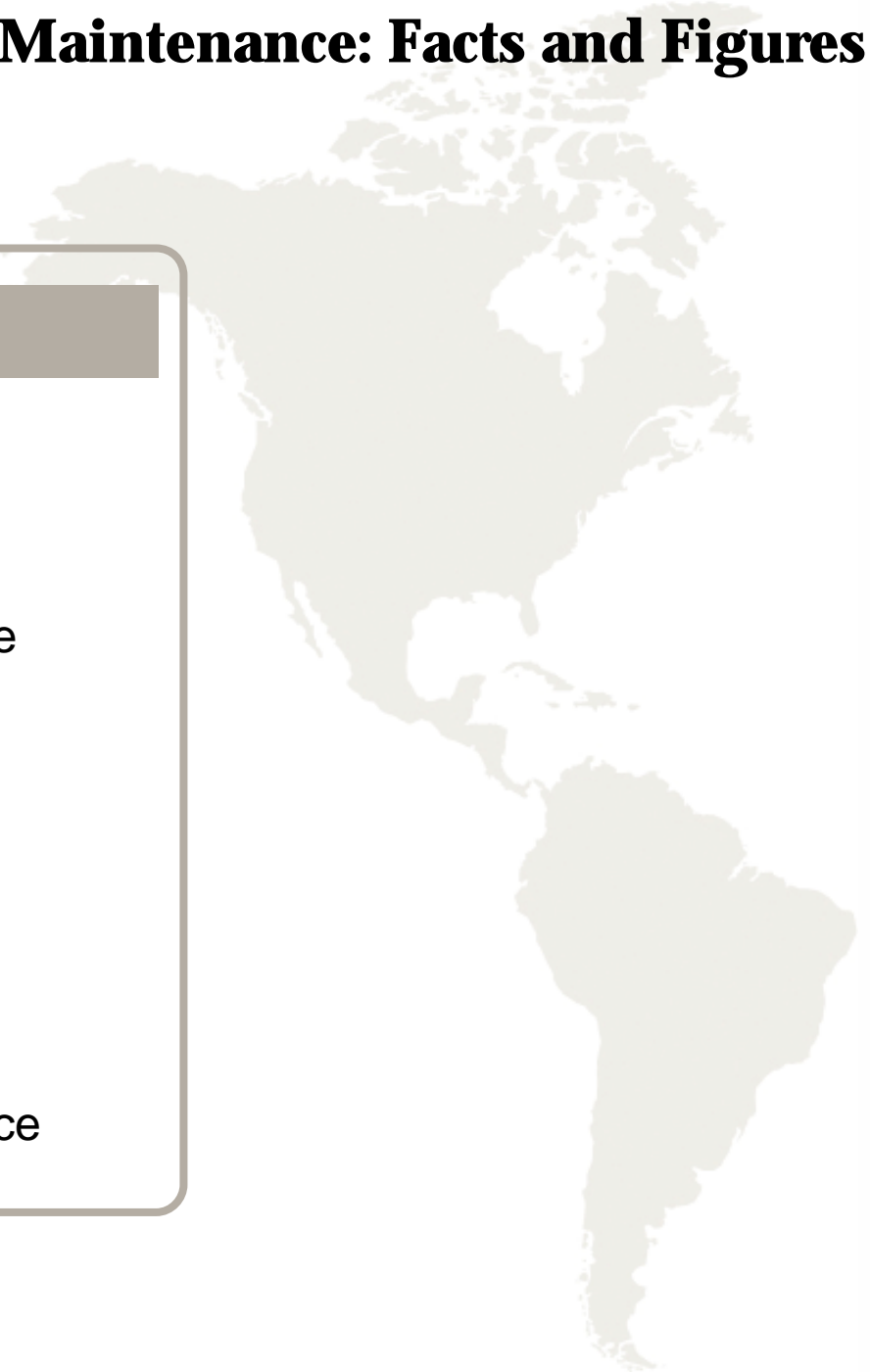
Customers in America

Fix Customers

Aeropostal
Ansett/AWS
Avianca
Aviation Capital Group
Mexicana
Pegasus Aviation
Polar Air Cargo
Santa Bárbara
Transmeridian Airlines
Triton Aviation
Varig

Other Customers

Aerorepública
Air Greenland
Air Jamaica
Argentine Air Force
CIT Group
General Electric
HMY Airways
Jet Scape
Lan Chile
Northwest
Pluna
Willis Lease Finance





Iberia Maintenance: Facts and Figures

Customers in Africa/Asia

Fix Customers

Armenian Airlines
Azerbaijan Air
Cameroon Airlines
China Southern
China Southwest
China Xinjiang
GAMCO
IAI
Iran Air
Luxor Air
Royal Air Nepal
Syrian Air
Turkmenistan Airways

Other Customers

Air Astana
Arkia Airlines
Cebu Pacific
China Northwest
Kuwait Airways
Philippine Airlines
Gulf Air
Royal Air Maroc
Royal Jordanian
Sosoliso

Iberia Position in the MRO Industry

MRO Industry is one of the most emerging sectors in the worldwide industry.

- **3.6 billion USD revenues.**
- **140 main suppliers.**
- **215,000 employees.**

Business forecast establish that MRO revenues will grow in the next 10 years at a significant annual rate of 7%:

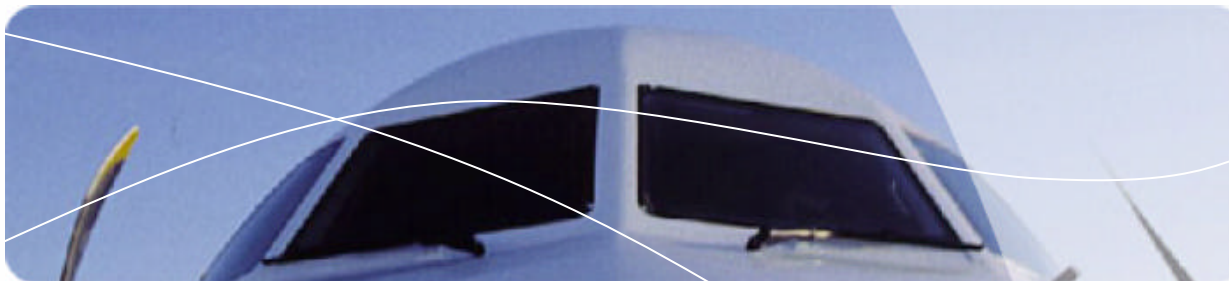
- Engine market: **10%** annual growth.
- Component market: **7%** annual growth.



Iberia Position in the MRO Industry

MRO Industry is in a phase of change

- Maintenance centers are increasing their value, switching from cost center to profit centers.
- Manufactures are entering in the maintenance industry, mainly through acquisitions.
- Investors are considering MRO as a profitable business.
- The sale of SR-Techniques has been an important milestone in the industry.



Iberia Position in the MRO Industry

Ranking of Iberia Maintenance

Iberia Maintenance is well ranked in the MRO industry (2005 figures).

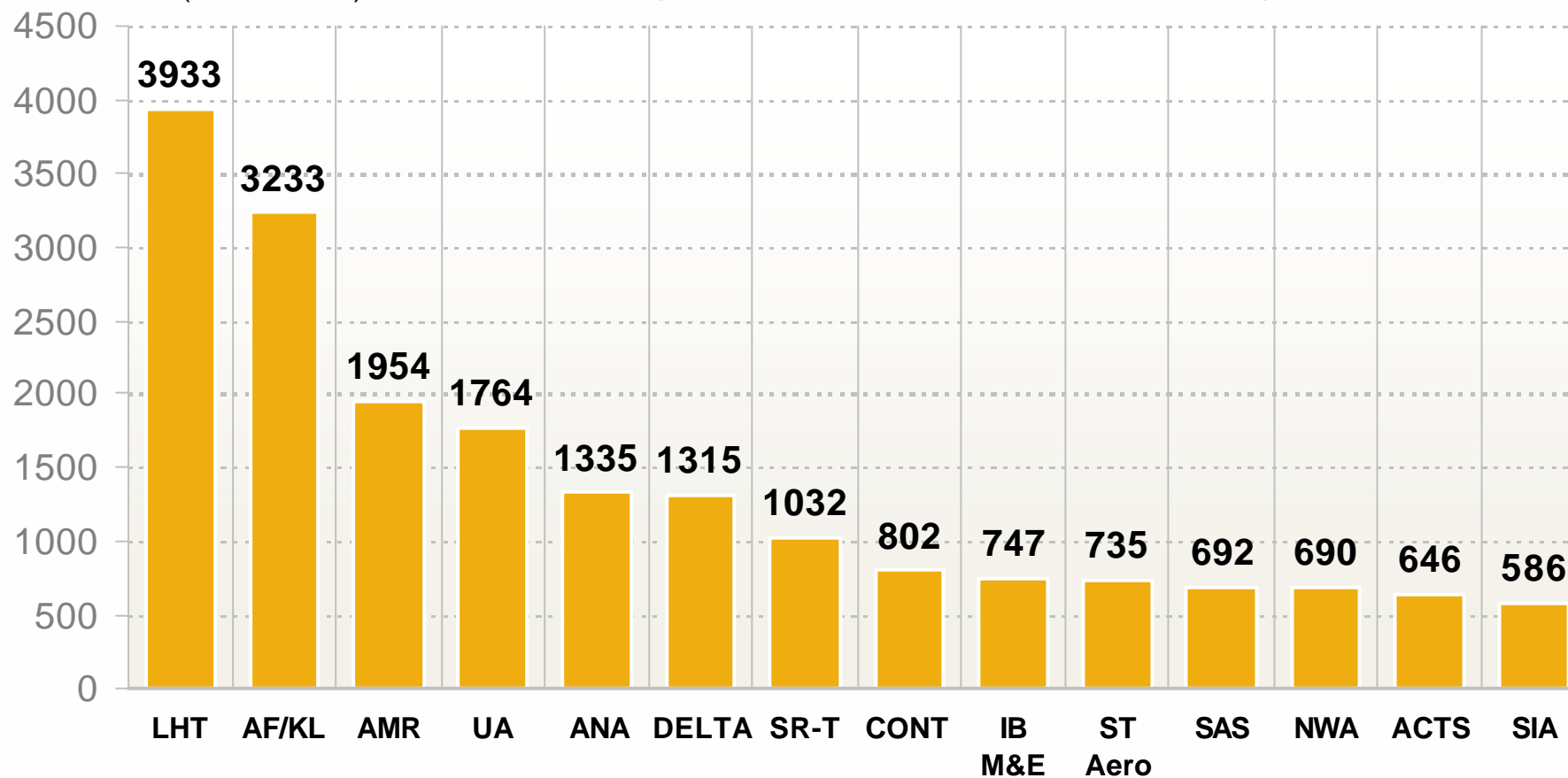
- 9th position excluding Original Equipment Manufacturers (OEM).
- Significant contribution of third party customer (38%) and high potential of business growth.



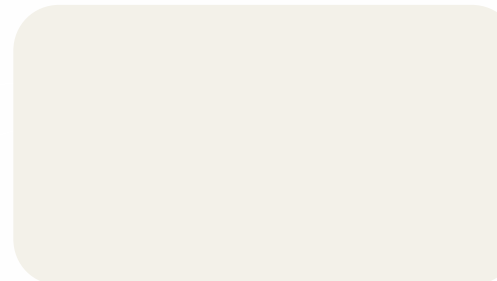
Iberia Position in the MRO Industry

Revenues 2005 (million USD)

Ranking of top MRO Companies (excluding OEM)



Source: Airline Business. Oct. 06

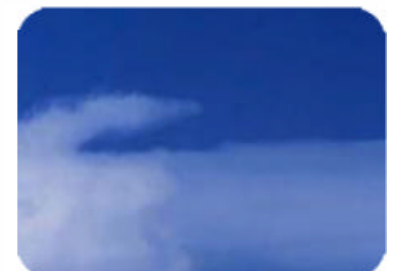


Iberia Position in the MRO Industry

Ranking of Iberia Maintenance

Iberia Maintenance is the second largest Spanish aeronautical company behind EADS-CASA/AIRBUS group, and the first one in terms of high technology repair and aircraft modifications:

- High potential of business in Spanish booming airline market.
- Possibility of business development on Spanish military and research projects.



Iberia Maintenance Strengths

Iberia Maintenance has a great potential in the MRO industry

➔ **Wide portfolio of long life products**

Owner of exclusive engine part repair licences

Capability to offer a full and integrated service

Adequate facilities and equipment with expansion capacity



Iberia Maintenance Strengths

Product Portfolio

Iberia Maintenance product portfolio has high potential and covers a wide range of products offering a long term projection and profitability.

- Latest technology components based on Airbus fleet.
- Most demanded and highest growth rate CFM56 and CF34 engines.
- Successful extended life RB 535 E4 engine.
- High capacity for airframe works, included high value and profitable modifications and military products.

Iberia Maintenance Strengths

Iberia maintenance has a great potential in the MRO Industry

Wide portfolio of long life products

➔ **Owner of exclusive engine part repair licences**

Capability to offer a full and integrated service

Adequate facilities and equipment with expansion capacity



Iberia Maintenance Strengths

Exclusive engine part repair licenses

Iberia Maintenance has got following exclusive licenses:

- CFM56-5/7 series parts repair (available only to other four centers worldwide).
- CF34 overhaul and repair licenses (available only to five other centers worldwide).
- RB211 535-E4 overhaul and repair licenses (available only to 1 other center worldwide outside RR companies).



Iberia Maintenance Strengths

Iberia Maintenance has a great potential in the MRO Industry

Wide portfolio of long life products

Owner of exclusive engine part repair licences

➔ **Capability to offer a full and integrated service**

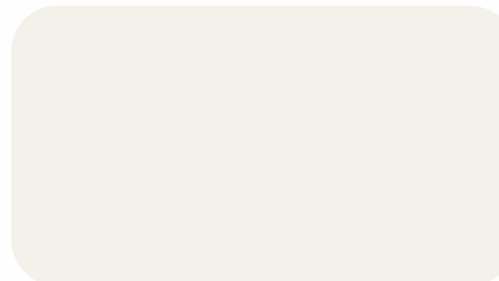
Adequate facilities and equipment with expansion capacity



Iberia Maintenance Strengths

Full service

- A complete and integral maintenance service including engineering, planning and logistic
- Highly demanded by new comers and LCC in particular



Iberia Maintenance Strengths

Iberia Maintenance has a great potential in the MRO Industry

Wide portfolio of long life products

Owner of exclusive engine part repair licences

Capability to offer a full and integrated service

➔ **Adequate facilities and equipment with expansion capacity**

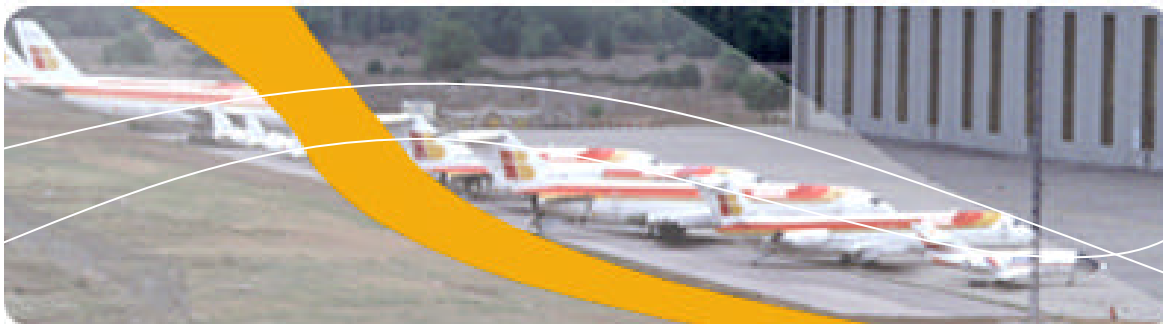




Iberia Maintenance Strengths

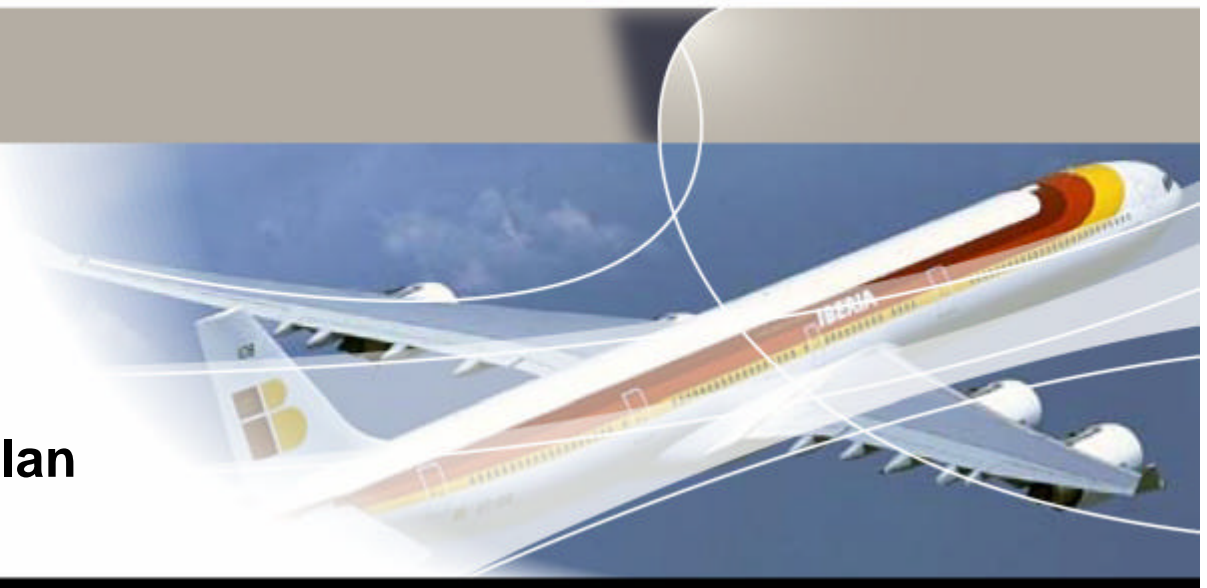
Facilities

Iberia facilities can hold a minimum of 50% production increase without any infrastructure investment, providing lower cost in the foreseen expansion





Main Targets of Director Plan 2006-2008



Main Targets of the Director Plan 2006 - 2008

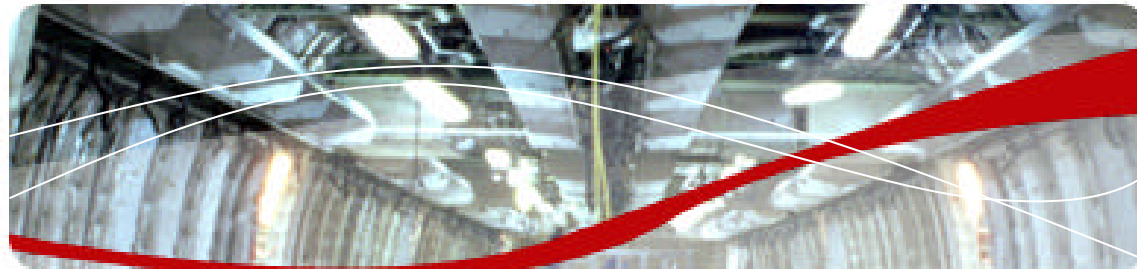
Targets Director Plan 2006 - 2008

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

Improvement of competitiveness and efficiency

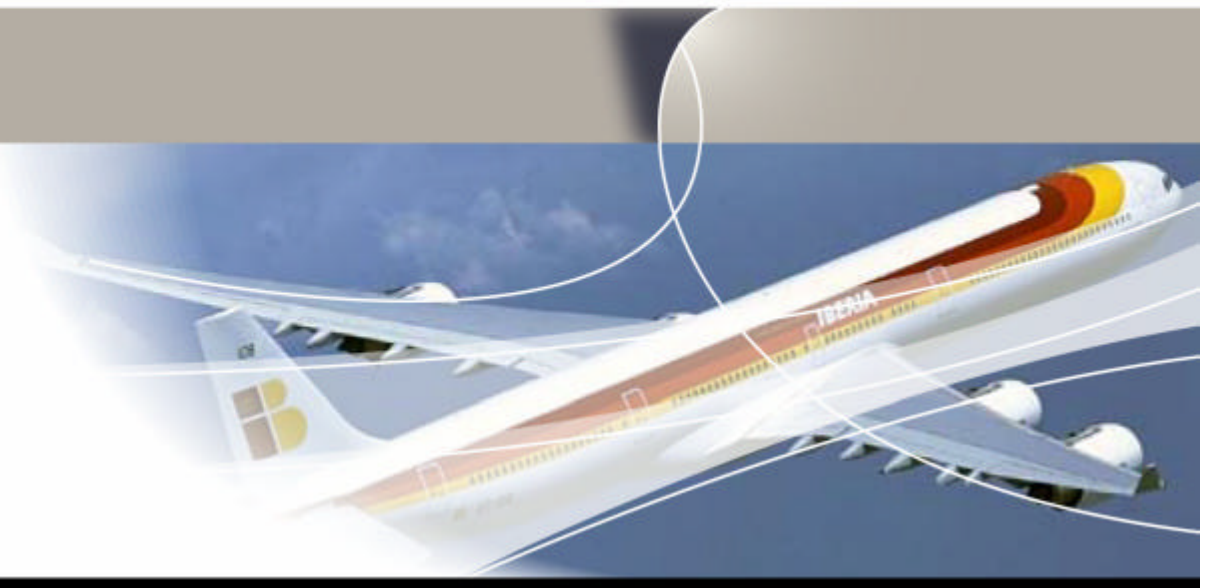
Higher value for Iberia Group:

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



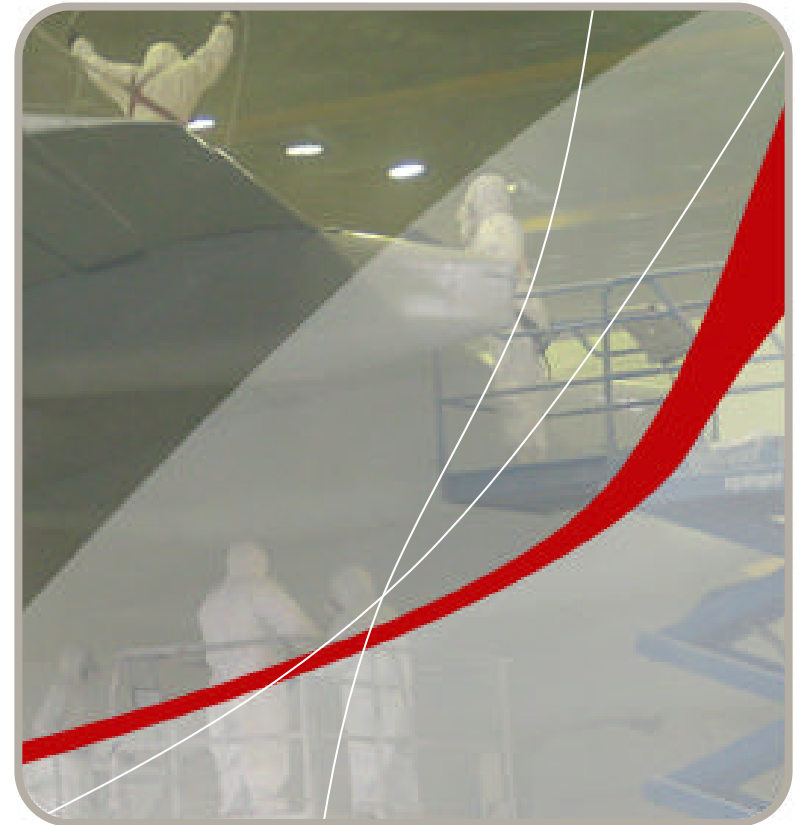


Status of Business Development Programs



Main Targets of the Director Plan 2006 - 2008

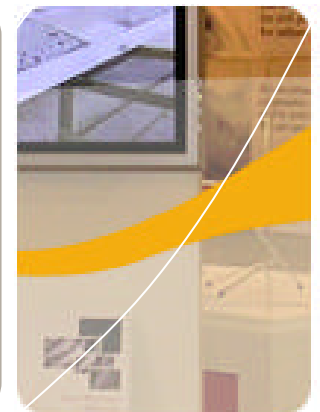
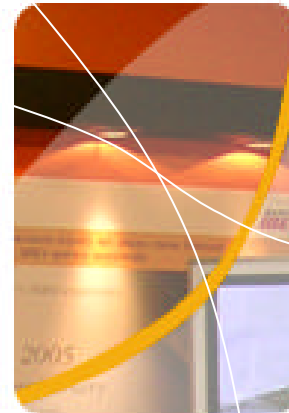
- Increase third party activities and revenues
- Improve position and market share in MRO
- Achieve an important customer backlog



Status of Business Development Programs

In order to achieve those goals a detailed action plan was designed to be implemented during 2006-2008 period

- Commercial and Marketing Plan to increase number of customers
- Special focus on key potential customer and bidders
- Use of the advantage of improvements in production efficiency and productivity



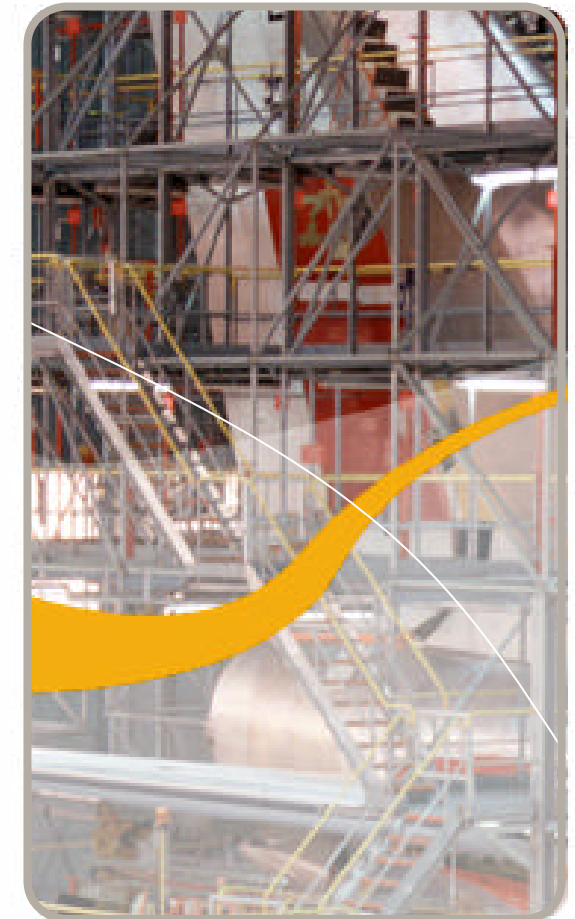
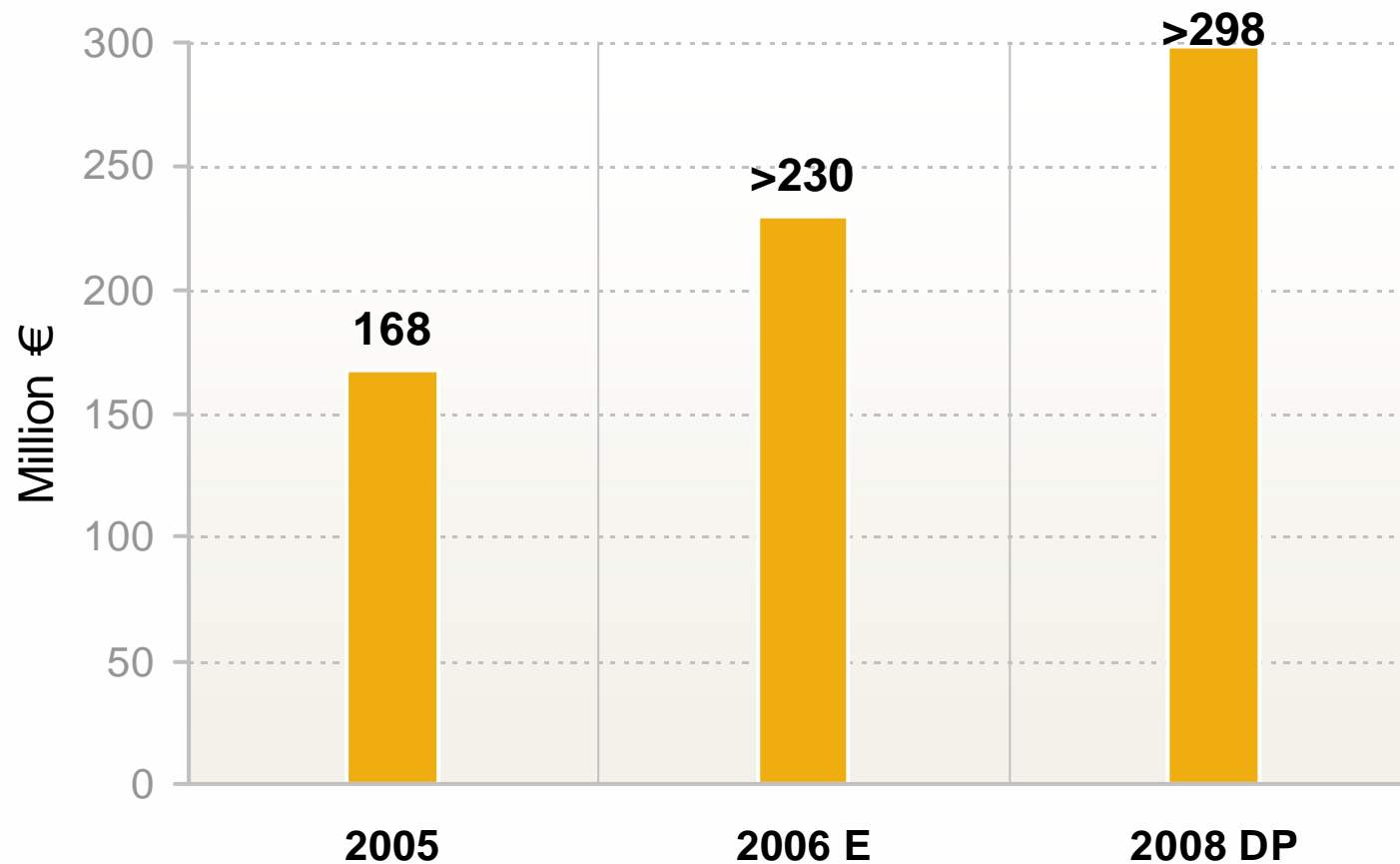
Status of Business Development Programs

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



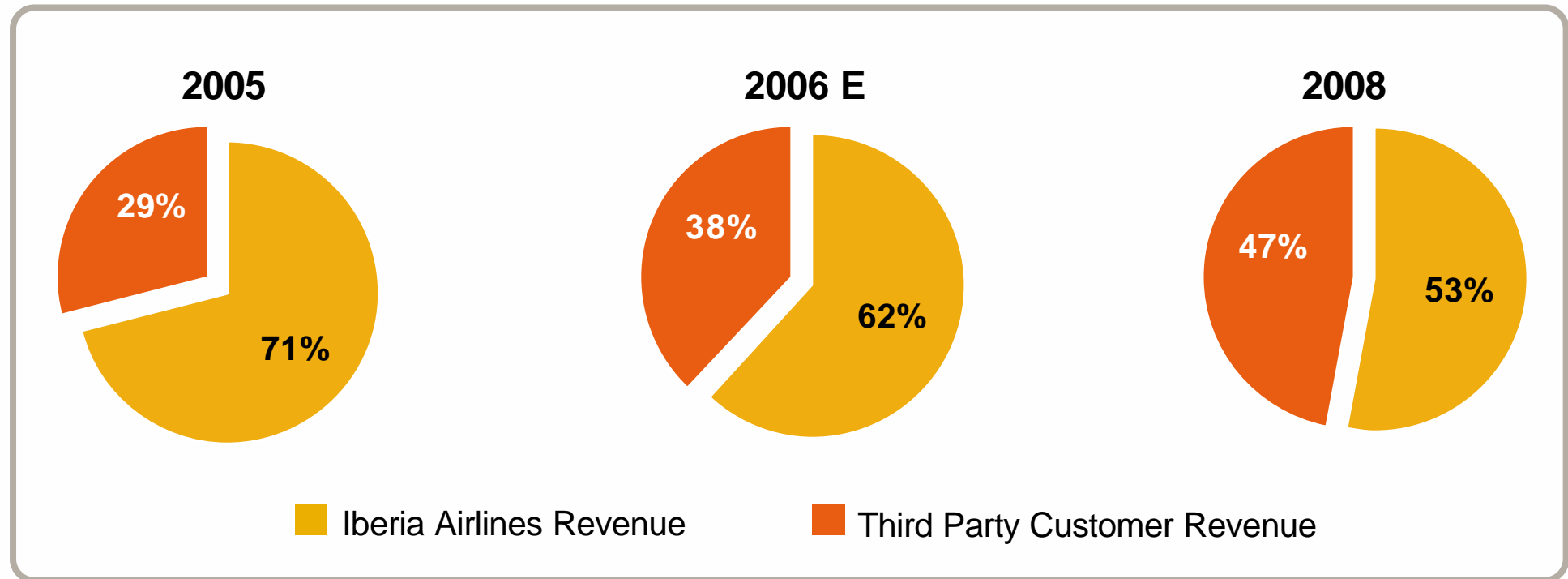
Status of Business Development Programs

External customer revenue evolution



Status of Business Development Programs

Share of third party in total revenues



Status of Business Development Programs

Significant contracts in 2006

Continental Airlines

Maintenance Engines RB211. Fleet B757

British Airways

Maintenance Engines RB211. Fleet B757

Pegasus Group

Maintenance Engines RB211/JT8D

Air Madrid

Maintenance Engines CFM56 54C/Fleet A340

Spanair

“C” check and “D” check for MD-80 fleet

Iberworld/LTE

“C” check for A320 and APU’s

Spanish Air Force

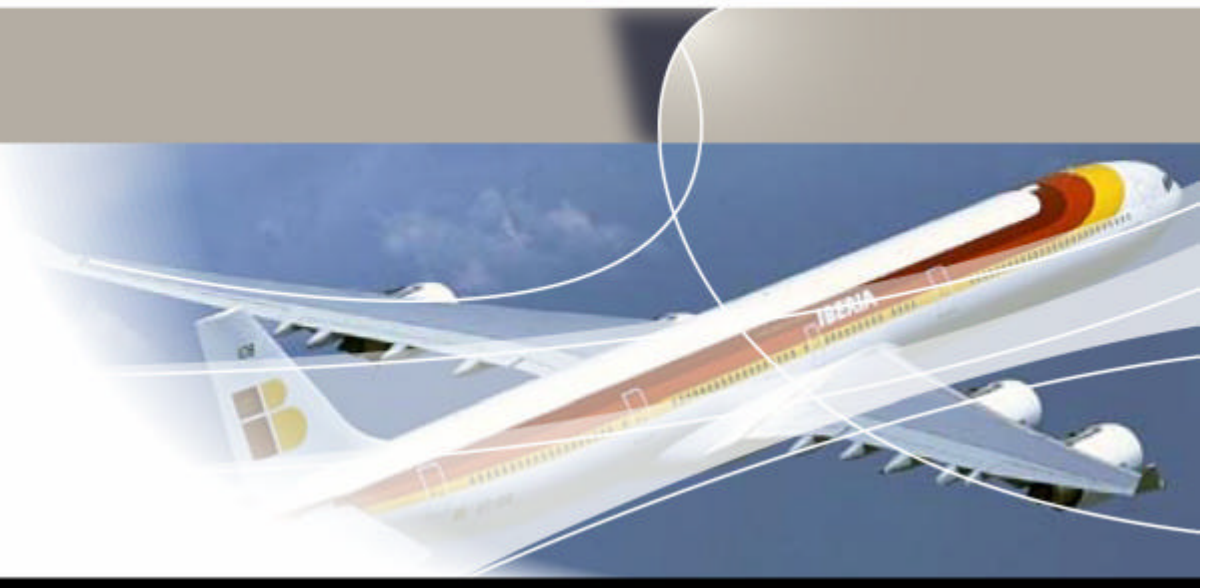
707/A310 Modification Program

Olympic Airways

A340 components overhaul



Status of Efficiency Improvement Programs



Status of Efficiency Improvement Programs

Efficiency improvement measures

➔ Product and Services Specialization

Reengineering of the Production System

Reduction of Suppliers Costs

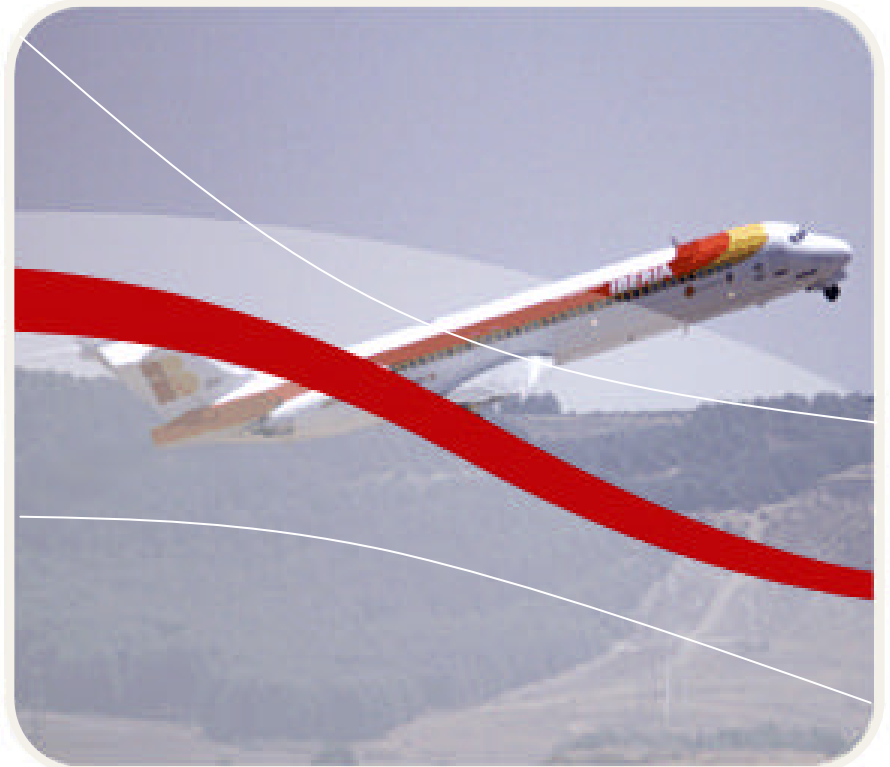
Development of Selective Investments



Status of Efficiency Improvement Programs

Product specialization

- Airbus A320/330/340 Airframe
- CFM56-5/7 Engine
- CF34 Engine
- RB211 Engine
- Airbus/CRJ/757 components
- Aircraft retrofit and modification
- Excellence Center products



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 Efficiency Improvement Programs

Reengineering of production system

- Outsourcing of low added value activities
- Concentration of skilled personnel in high value tasks
- Productivity improvement program
- Key-cost driven processes review



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 Efficiency Improvement Programs

Reduction of cost suppliers

- Renegotiation of long term contract
- Increase of cost guarantees and protections
- Spare part rationalization related to fleet homogenization



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 Efficiency Improvement Programs

Selective investment

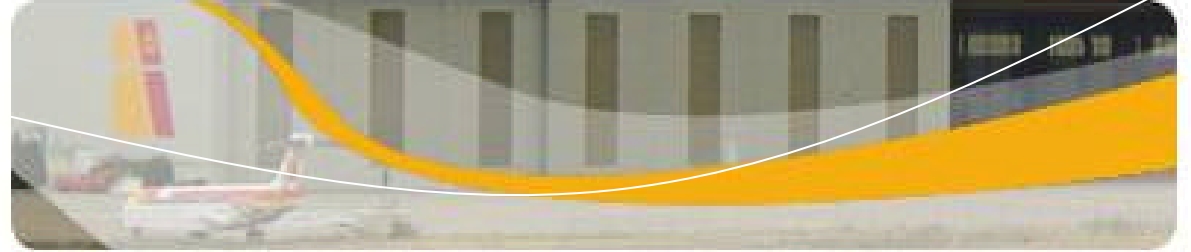
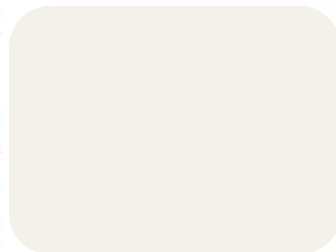
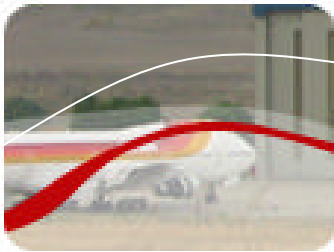
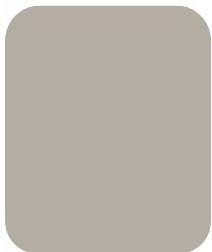
- Equipment for new engine repair licenses
- New component shop
- Hangar in Barcelona
- New IT System





Status of Productivity Improvement Programs

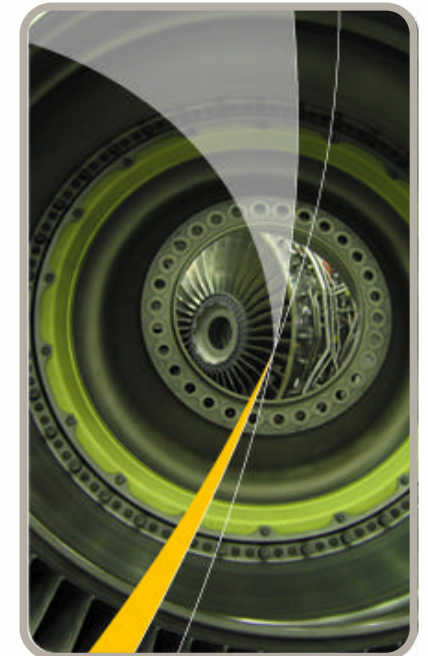
By the end of October all actions defined in the Director Plan are according or better than the forecast in terms of schedule and cost reductions



Status of Productivity Improvement Programs

Development of initiatives

| | Status as October 30 th |
|--------------------------------------|------------------------------------|
| ■ Products Specialization | ✓ |
| ■ Reengineering of Production System | ✓ |
| ■ Reduction of Cost Supplies | ✓ |
| ■ Selective Investment | ✓ |

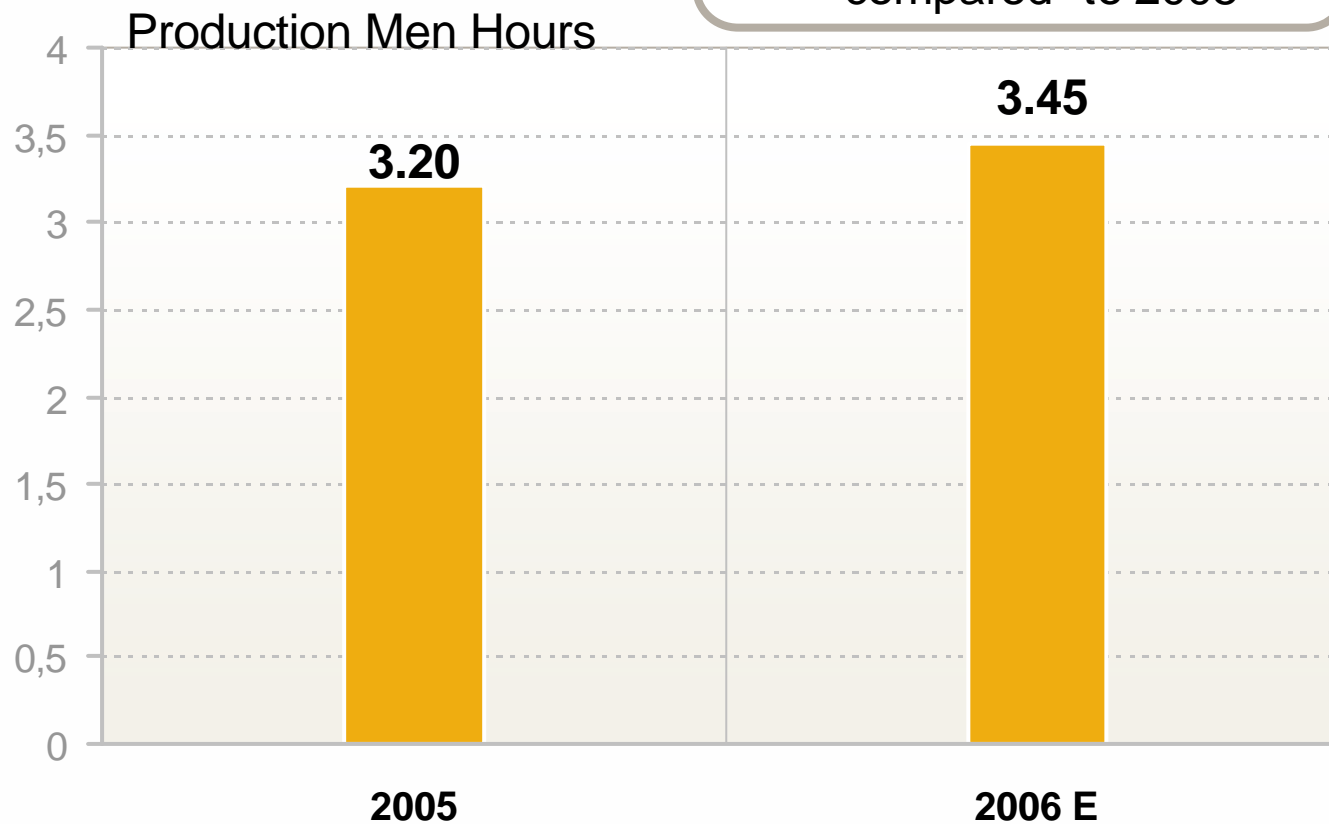


By the end of 2006 **70%** of all Director Plan initiatives will be in place, ahead on schedule

Status of Productivity Improvement Programs

Productivity improvement

Million Men Hours



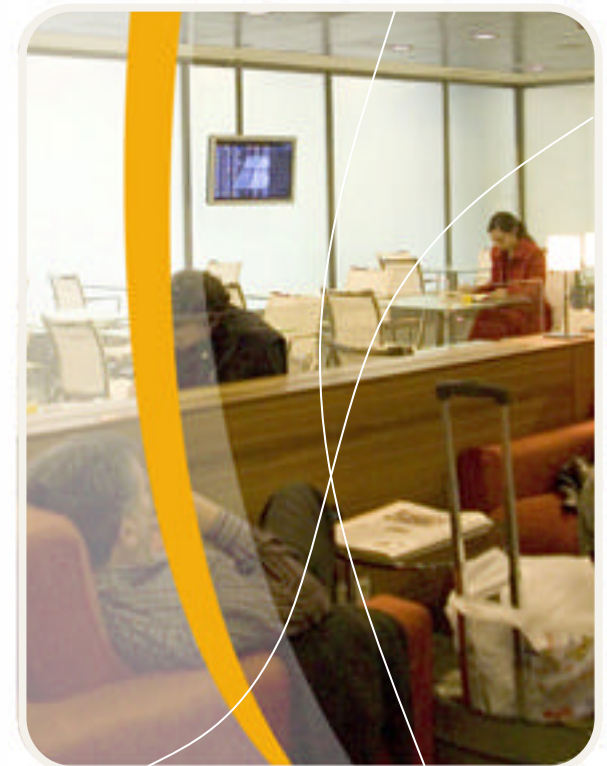
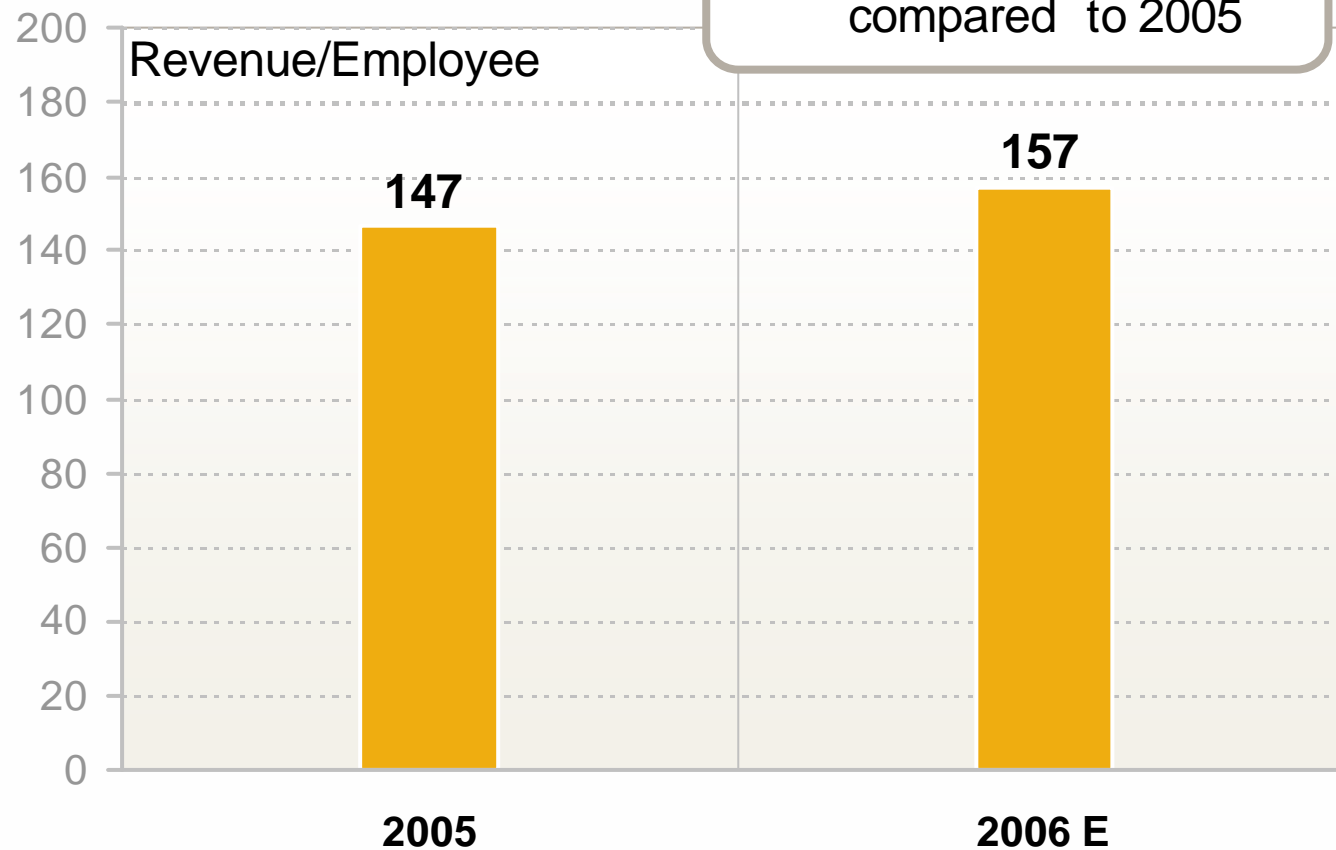
↑ **+8.1%** Production with
↓ **-0.7%** workforce
compared to 2005



Status of Productivity Improvement Programs

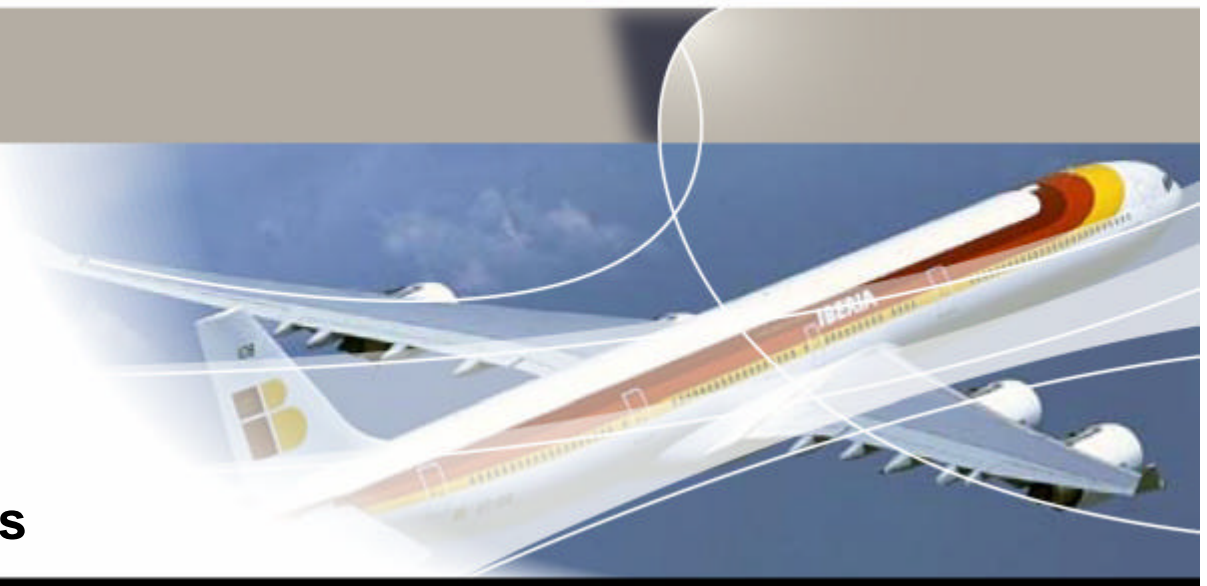
Productivity improvement

Thousand
euros/employee





Summary and Conclusions



Summary and Conclusions

The expansion of Iberia Maintenance in the MRO business is being a success with a significant improvement in market share and revenues

- New important long term contracts
- Significant increase in third party revenues, above Plan
- Clear success of Commercial Plan implementation

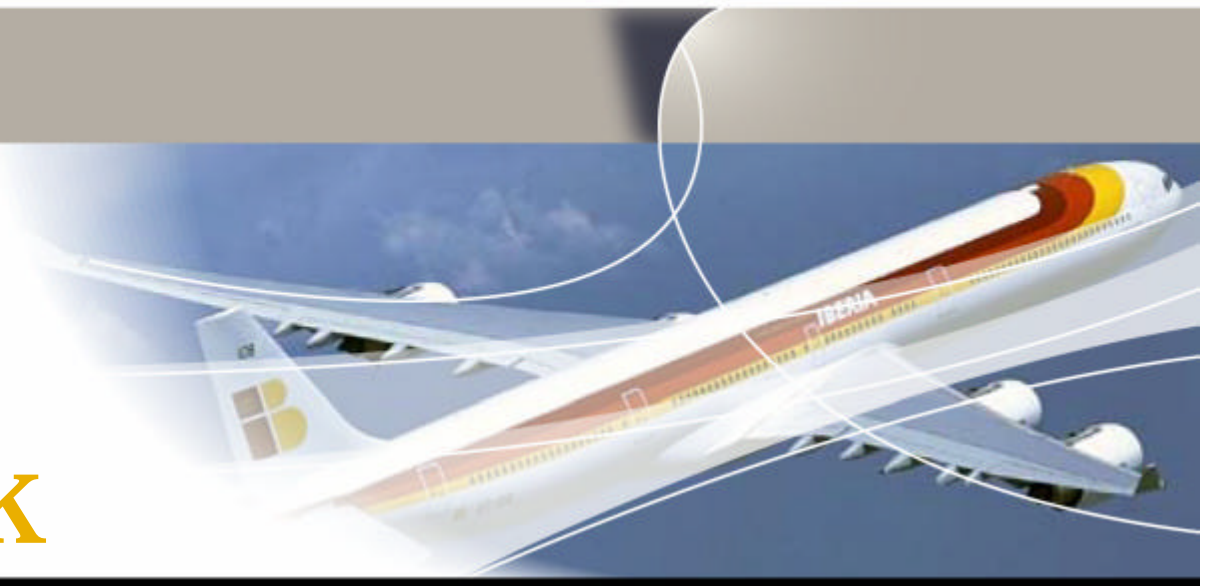
Iberia Maintenance can achieve an important position in the industry due to its product portfolio, efficiency quality and commercial development approach as proven by customer response and satisfaction



Analyst and Investor Day



Summary & Outlook



30th-October-2006

Outlook 2006

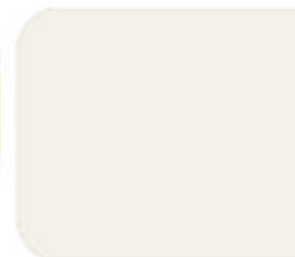
We will improve our operating performance in 2006

EBITDAR

+ 10%

EBIT before non
recurrent items and IAS

+ 35%



Progress of the Director Plan 2006-08

| | | 2006 E | 2008 E |
|-----------------|-----------------------|---------|--------|
| Revenues | Network Restructuring | + | + |
| | Business Plus | ++ | ++ |
| | Passenger Revenues | + | + |
| | Maintenance | ++ | ++ |
| Costs | Personnel | | |
| | ▪ Ground salaries | + | + |
| | ▪ Crew Salaries | Pending | + |
| | ▪ Redundancy Program | ++ | + |
| | Maintenance | + | + |
| | Commercial | + | + |
| | Fleet | + | ++ |



The bulk of the improvements are still to arrive

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 | |

