



July 2004

Competitive Strengths



Focused Strategy in Key Markets

Long Haul

“Maintaining current leadership in Europe to Latin America routes”

Improve product offering

- frequencies
- connectivity

Daily flights to all Latin American capitals, even 2 in most relevant destinations



Medium Haul

“Strengthening market presence”

Feed the Europe to Latin American routes

Increase in frequencies and direct flights rather than from new markets

Spain

“Focusing on unit revenue reinforcement”

Selective increase in frequencies

Increase in aircraft capacity

Continue leveraging on regional flights with Air Nostrum

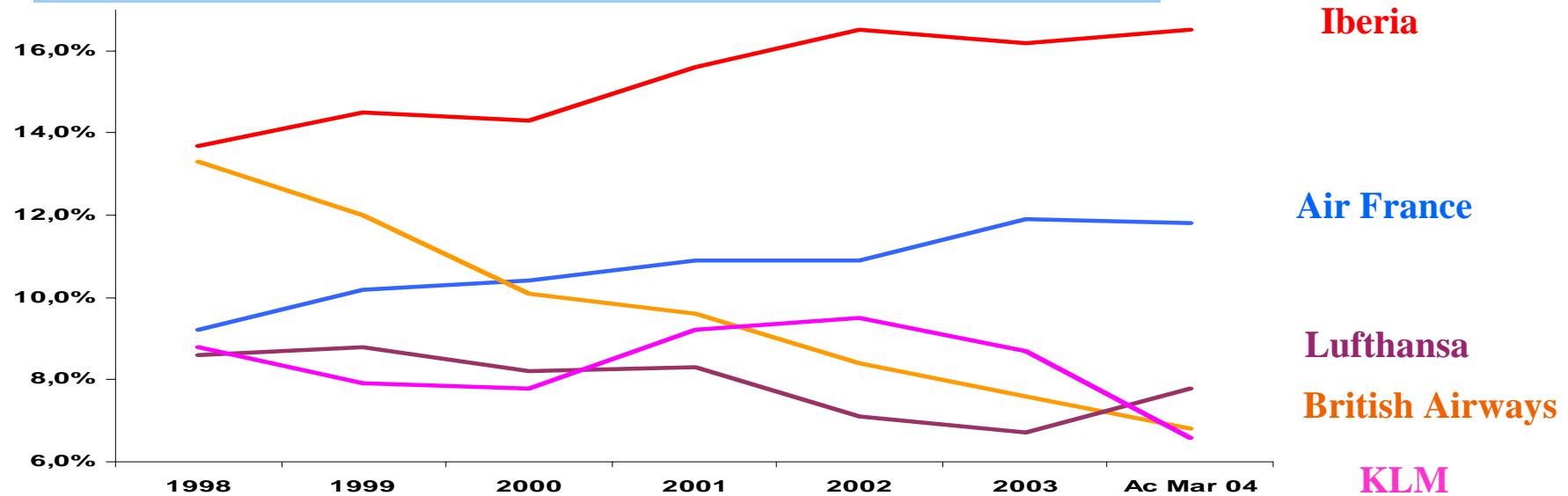
Leadership in the Europe-Latin America Market

Iberia's leadership will allow to benefit from the potencial growth of this region

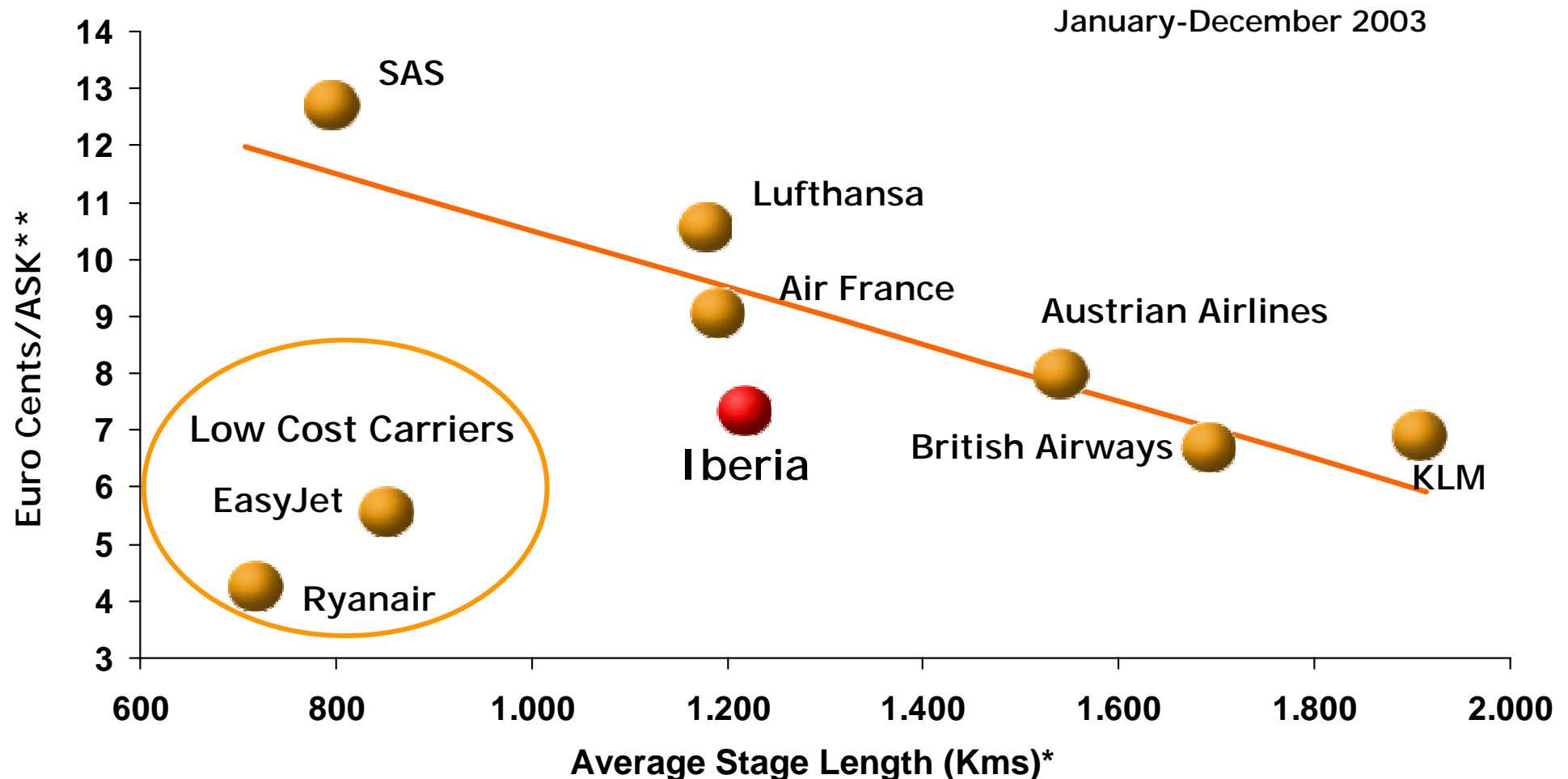
Iberia has a superior product in:

- ✦ Number of destinations
- ✦ Number of non-stop flights
- ✦ Daily frequencies

Market share evolution Europe-Latin America



Unit Costs Significantly Below Industry Average



Date for period January - December 2003, except Ryanair and Easyjet fiscal year 2003.

* Source: AEA

**Operating costs less 33% of Operating Leases less other non-airline revenues

Director Plan 2003-2005



Vision of the Director Plan

- Maintain our leadership position in the domestic and Europe-Latin America market

Enhancing business class and maintaining connecting traffic

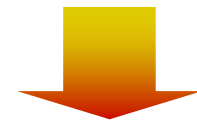
- Develop competitive service and prices in Domestic and European point-to-point routes

Redefining the service model in tourist class

- Maintain a competitive cost base even with Low Cost Carriers

- Maximise the value of the different airline related businesses

Maintain the leadership in profitability among the European airlines

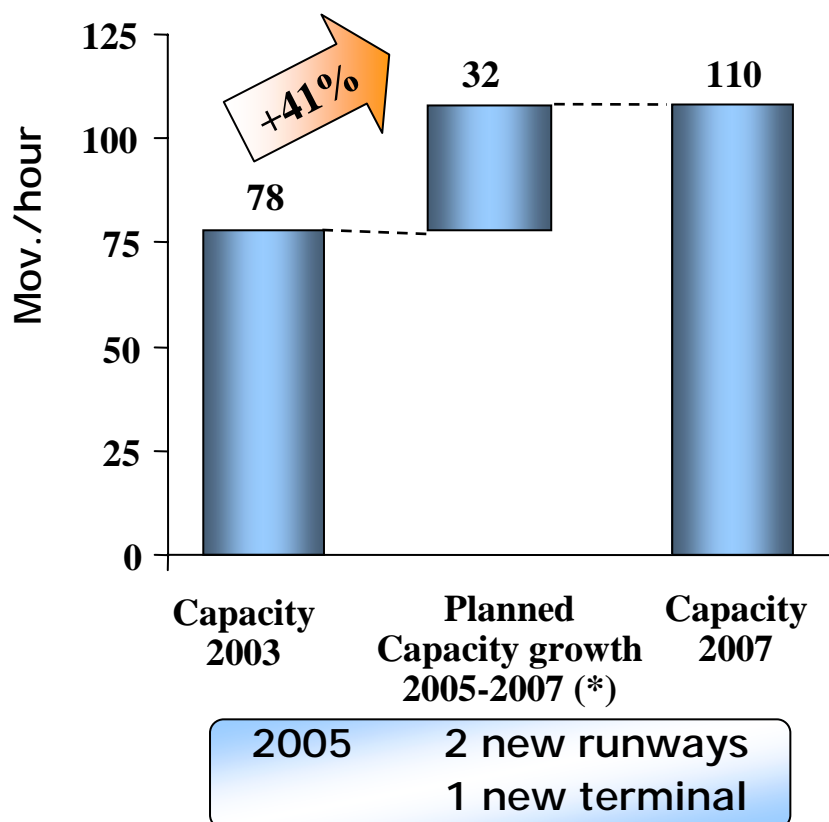


Shareholder Value Creation

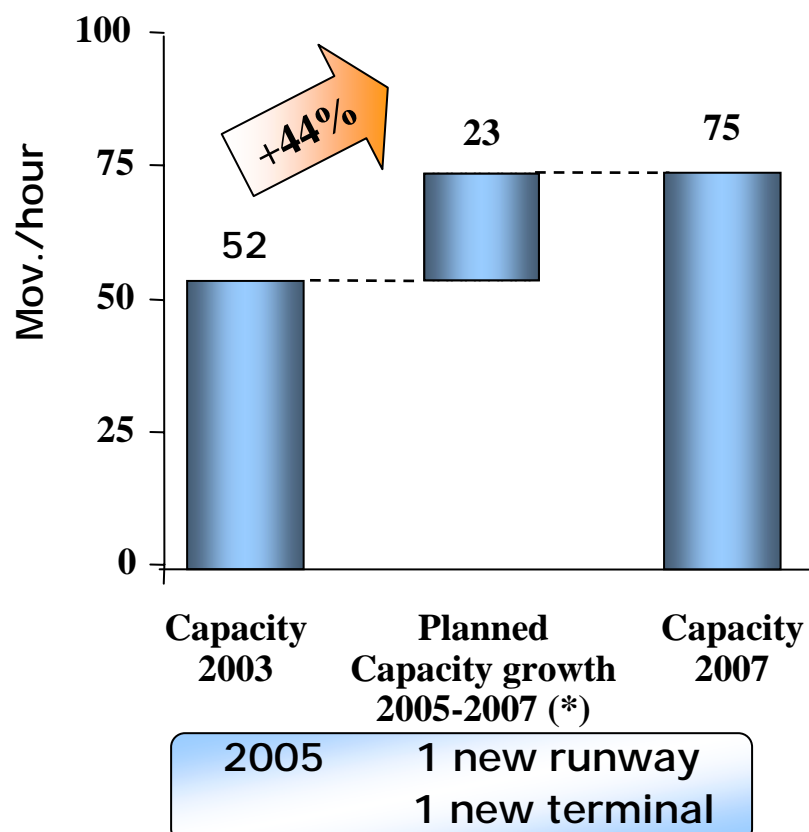
The Expansion in Madrid and Barcelona Will Allow Iberia's Growth

Madrid and Barcelona are among the fastest growing airports in Europe

Madrid expansion to 2007



Barcelona expansion to 2007

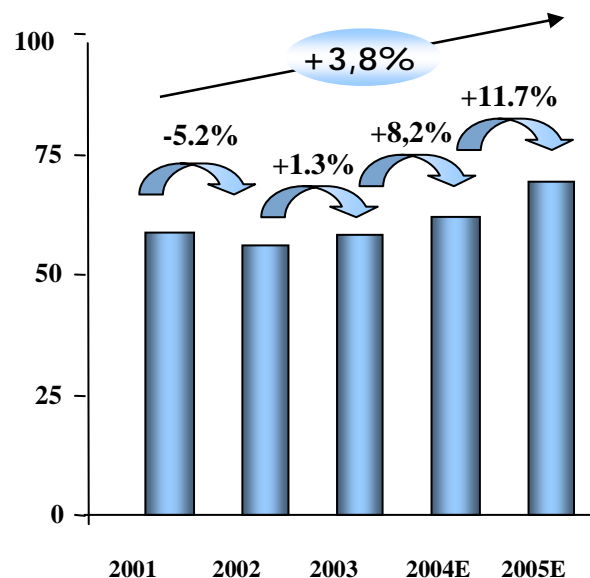


(*) IB forecast

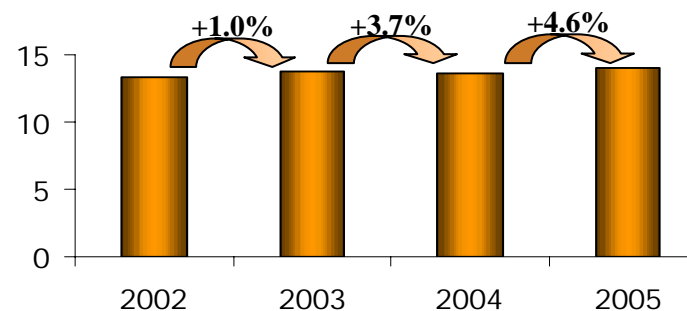
Iberia Will Grow Taking Advantage of the Expansion Capacity of Madrid Hub

Capacity

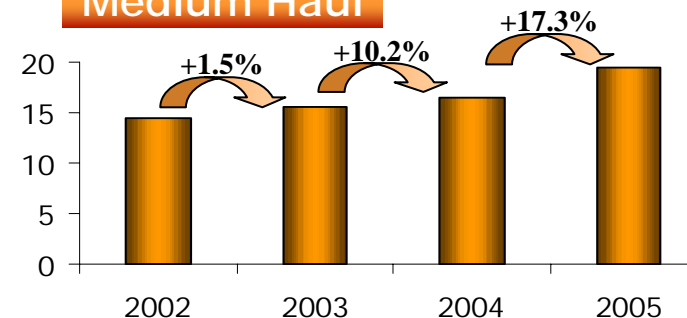
MM ASK's



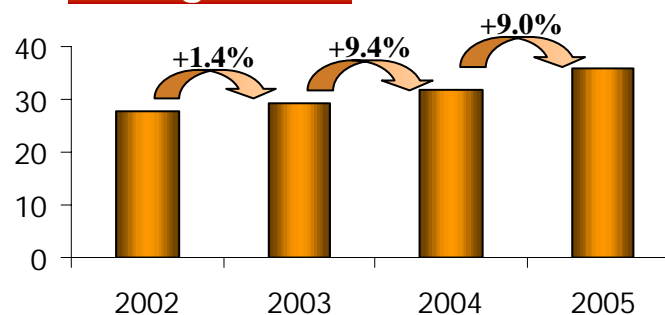
Domestic



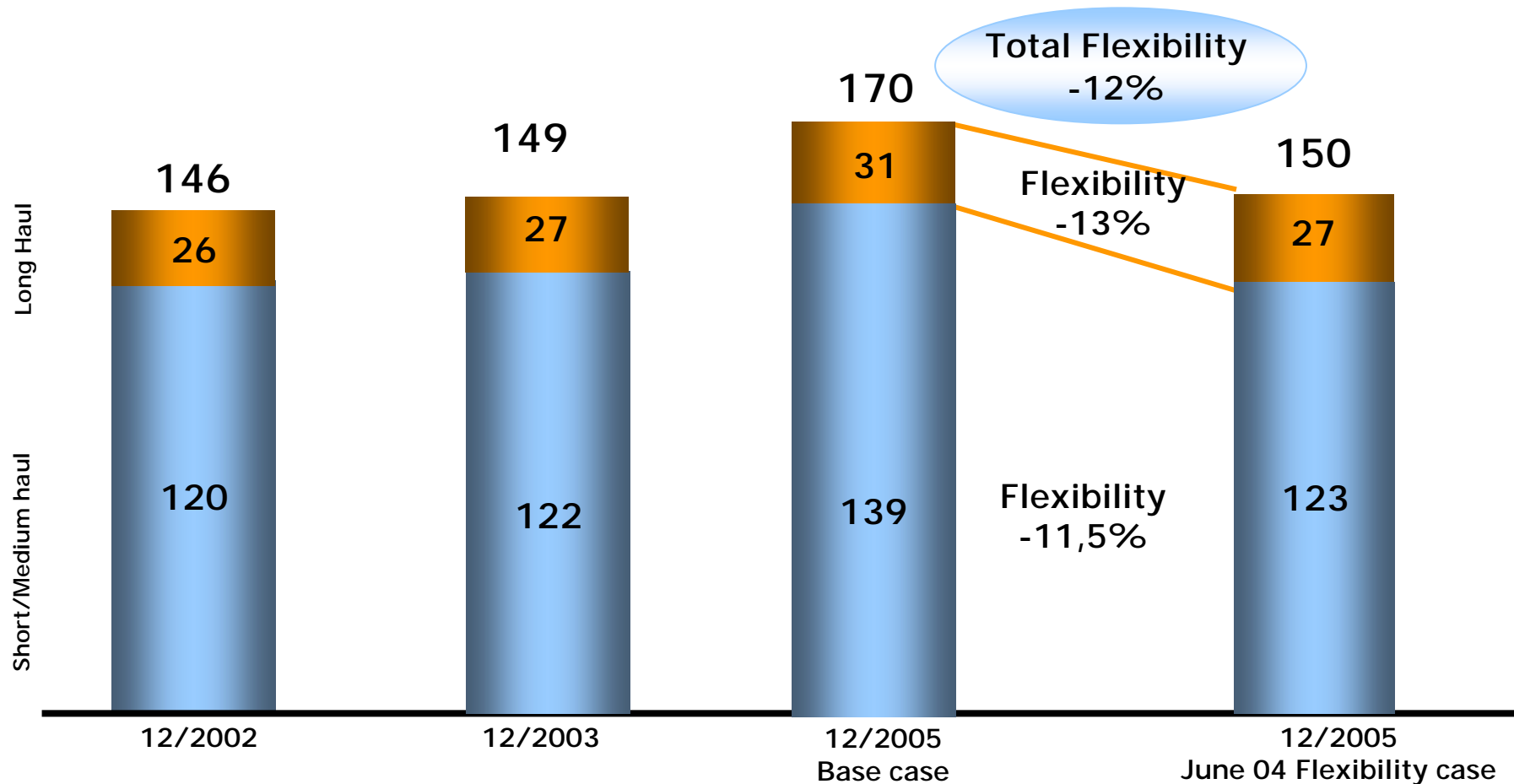
Medium Haul



Long Haul



Flexibility - Remains a Key Tool

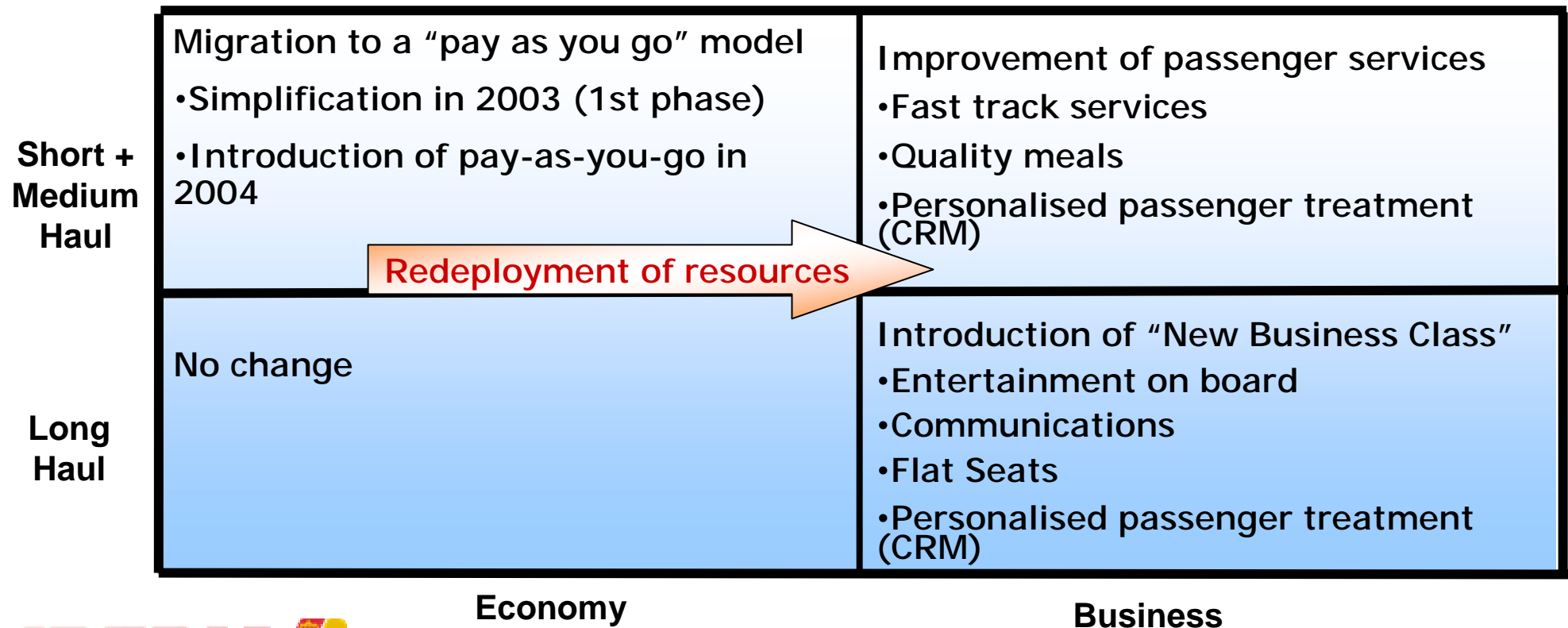


- Non renewal of Operating Leases or non exercise of options
- Cancel new hiring of Wet Leases (starting in 2004)

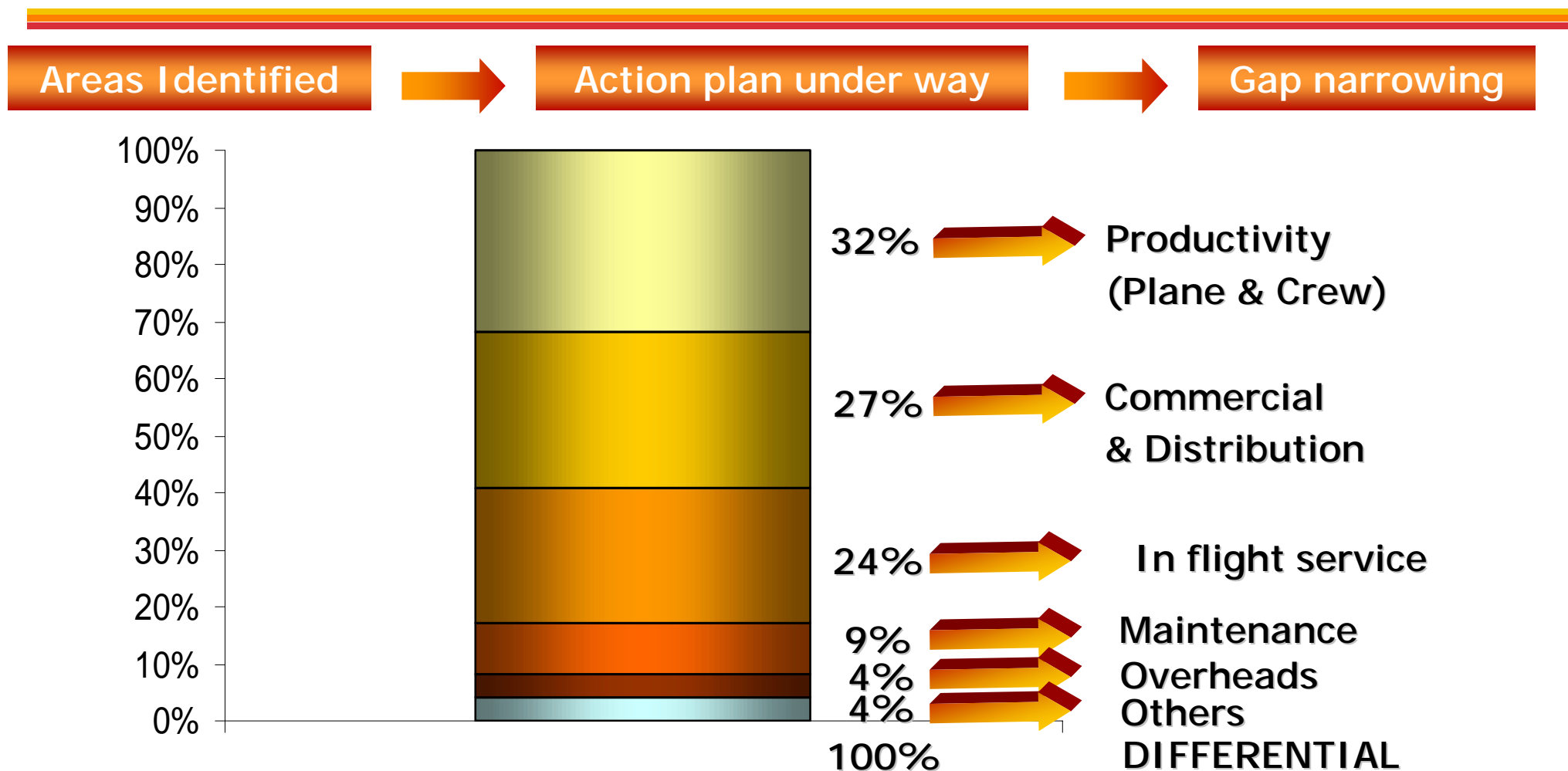
Adapting the Business Model of Iberia. New Products

- The short / medium haul economy product will be transformed: Unbundling the product
- The proposal offered to business traveller will continue to be enhanced

Modifications to Service Model



Cost Differential Iberia-Low Cost Carriers



The Director Plan will narrow this differential by 60% in 3 years



Asset Utilisation

35-45
MM/€

- Improvement of 0.8 Block Hours/ Day in medium haul aircraft through optimisation of slots and night aircraft utilisation
- Optimisation of short/medium haul fleet : Increase number of seats per aircraft by 5%

Additional measures

- Accelerate the phase out of B747-200
- Utilise financial tools will add flexibility in fleet incorporation
- Optimisation of A 340-300. Change of crew rest zone adding more seats

Personnel Productivity

65-75
MM/€

Productivity improvement and reduction of unit costs

Director Plan targets:

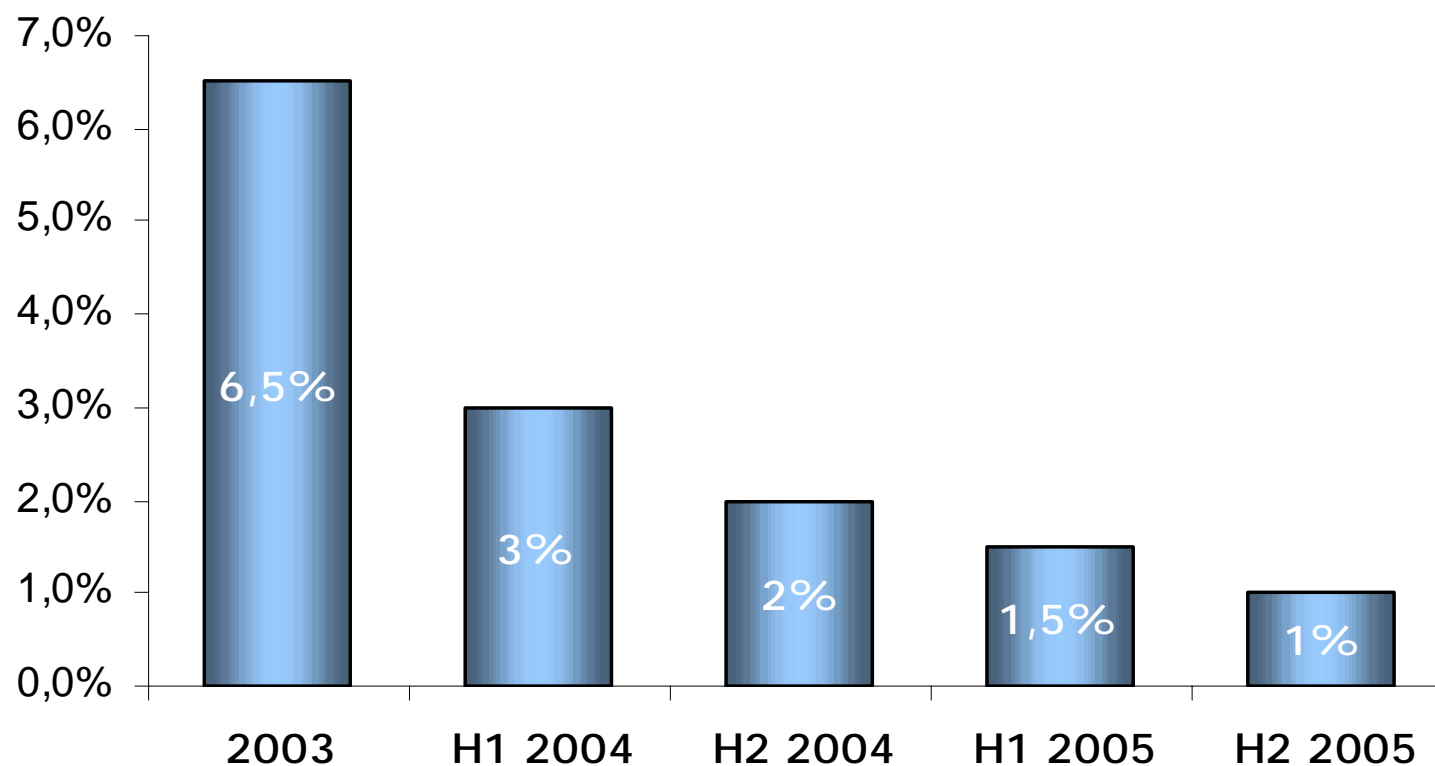
- Ground Staff Cost/ASK: ↓ 10-13%
- Pilots Cost/Block Hour: ↓ 4-8%
- Flight attendants Cost/Block Hour : ↓ 10-15%

Some measures:

- Reduction of flight attendants for short and medium flights
- Reorganisation of regional offices
- Crew multilicences

Reduction of Basic Travel Agencies' Commissions in Spain

100-110
MM/€



Reducing Costs

Impact in 2005 MM/ Euro

Director Plan

Asset utilisation	35-45
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Personnel costs	65-75
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Commercial costs	100-110
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Service on board	40-50
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Other costs	110-120
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350-400



Note: Targets of cost reductions over base case 2005

Our Objectives

Unit Cost

↓ 2005/02
10-12%

EBITDAR margin

≈ 19%

ROE

≈ 15%

1st Quarter 2004



Improving Results

1st Quarter 2004

Revenues	1,087.7	+4.3%
Ebitdar	111.8	+31.4%
Ebitdar Margin	10.3%	+2 p.p.
EBIT	-26	+48.7%
Net Income	-1	+95.5%

million €



Traffic Statistics Jan-June 2004

	ASK	RPK	L.F
Domestic	4,6%	5,3%	0,5 p.p.
Europe	10,6%	11,4%	0,5 p.p.
Long Haul	11,8%	15,8%	2,8 p.p.
Total	9,7%	12,3%	1,7 p.p.