


IBERIA Presentation

January 2002

Competitive Advantages in the Crisis

Although the crisis is affecting all the sector, Iberia is well positioned to minimize the impact because of its:

- Lower exposure to the most affected markets
- Strong and flexible balance-sheet
- Production flexibility
- Labour Agreements already signed

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Focusing Growth 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

Europe

"Strengthening market presence"

- Feed the Europe to Latin American routes
- Increase in frequencies and direct flights rather than from new markets

Spain

"Focusing on yield reinforcement"

- Selective increase in frequencies
- Increase in aircraft capacity
- Continue leveraging on regional flights with Air Nostrum

Evolution of Iberia until August

- According to its strategy Iberia maintained important growth through its network
- In spite of the traffic deterioration due to the slowdown of economic conditions and pilots strike Iberia had been able to:
 - Increase yields in the domestic market
 - Grow in the European Market
 - Consolidate its position in the Latin American Market

	Domestic	European	Intercontinental	Total
ASK	+3.7%	+16.6%	+7.9%	+8.8%
RPK	+0.9%	+9.1%	+6.5%	+5.6%
Yield	+7.2%	+2.0%	+7.7%	+5.3%

Pasenger Revenues



+11.2%

Revenues / ASK



+2.2%

Accumulated Figures: August 01 compared to Aug 00

Evolution until September 2001

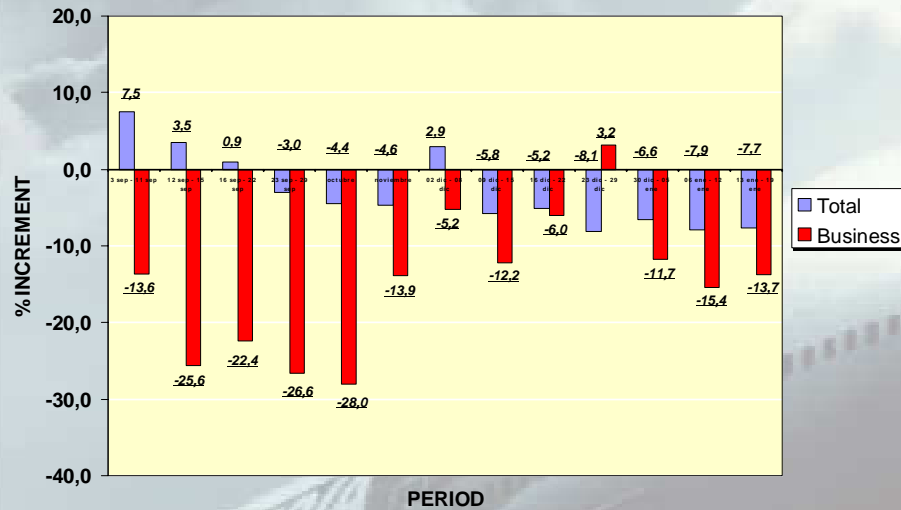
July-Sept 2001	%01/00	Jan-Sept 2001	%01/00
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ASK (mill)	15,941	+10.9%	44,736	+9%
RPK (mill)	11,951	+3.3%	32,110	+5.2%
Yield (euro cents)	8.39	+1.2%	8.76	+4.2%
Passenger Revenues	1,002	+4.5%	2,811	+9.6%

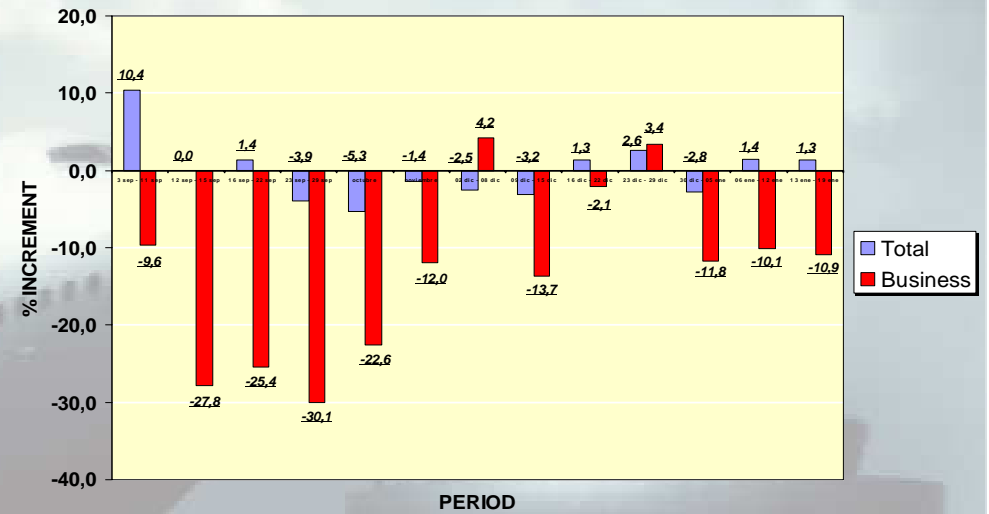
Operating Revenues	1,287	+4.8%	3,645	+9.6%
EBITDAR	227	+4.1%	542	+ 21.1%
Ebitdar margin	17.6%		14.9%	
Adjusted EBIT	107	-15.1%	193	+17.5%
Adjusted Ebit margin	4.1%		5.3%	
Net Income	135	-9.1%	141	-11%

Weekly Traffic Variations

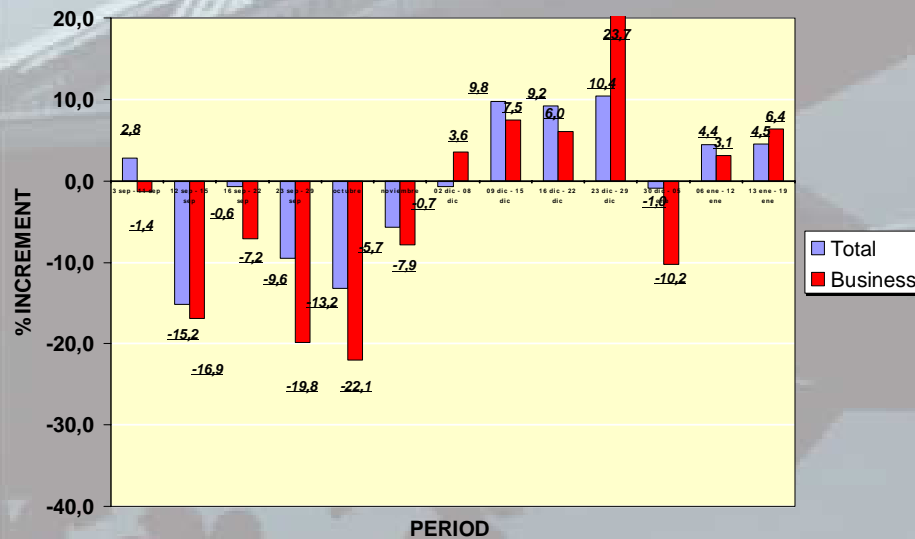
DOMESTIC



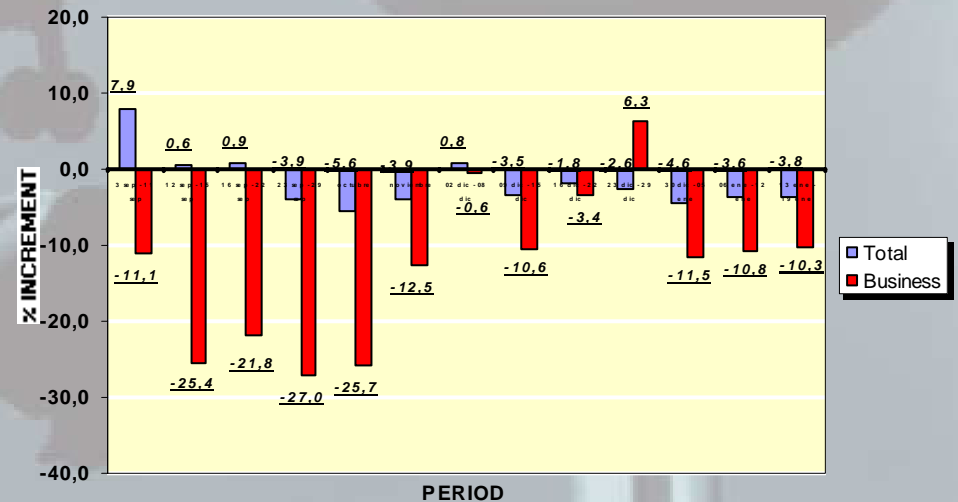
EUROPE + AFRICA + MIDDLE EAST



INTERCONTINENTAL

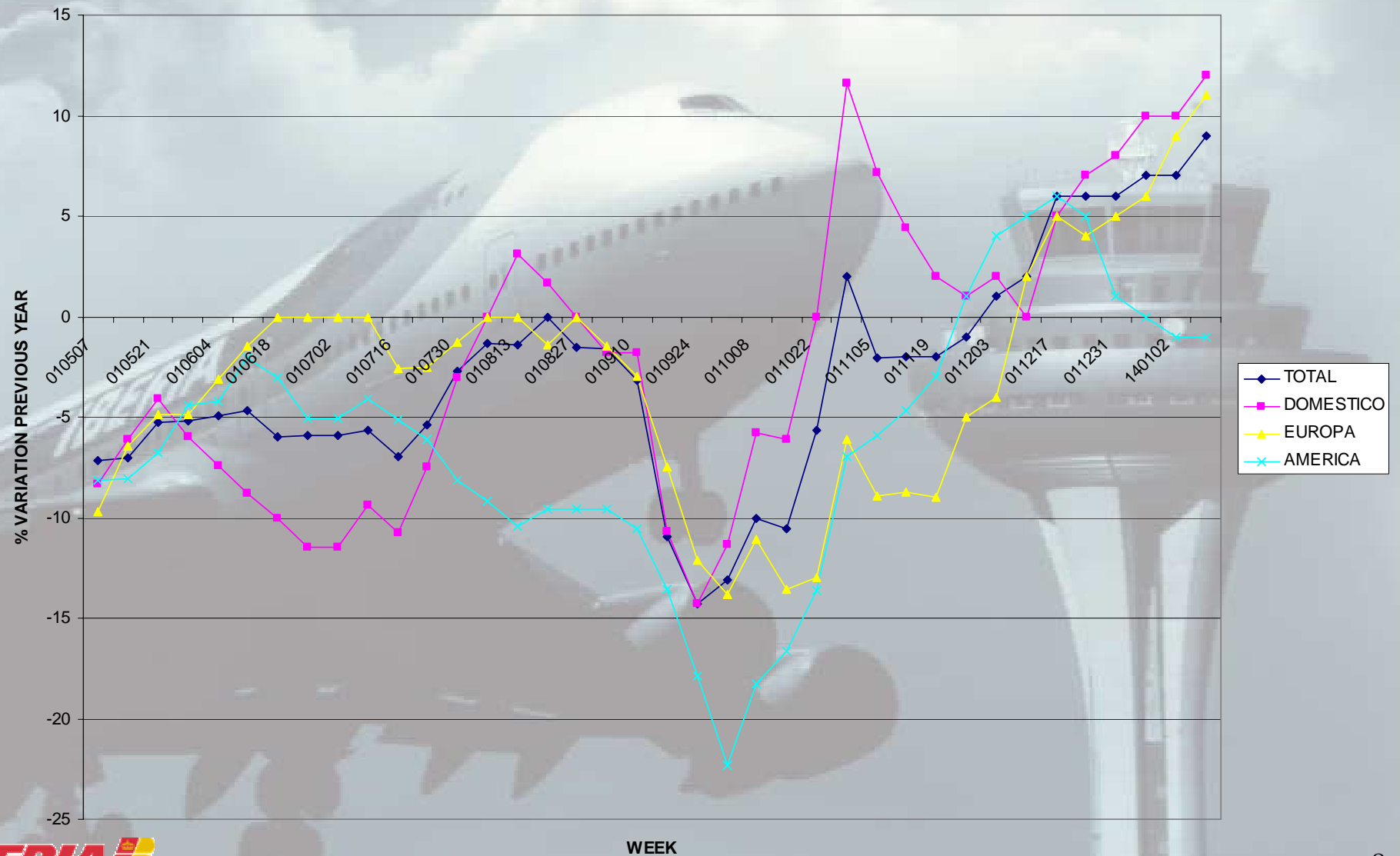


TOTAL IBERIA



Load Factor Evolution

LOAD FACTOR EVOLUTION (BOOKINGS FOR NEXT FOUR WEEKS)



Competitive Advantages in the Crisis

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Lower Exposure to the Most Affected Markets

Iberia's exposure to the North Atlantic and Middle East routes is one of the lowest of the major European Carriers

<u>RPK</u>	<u>North Atlantic</u>	<u>Middle East</u>	<u>Asia</u>
British Airways	30%	14%	12%
Lufthansa	20%	9%	15%
Air France	20%	12%	16%
KLM	19%	18%	19%
Iberia	9%	1%	0%
Alitalia	17%	15%	14%
SAS	10%	0%	5%
Finnair	10%	0%	14%
Austrian Airlines	11%	8%	14%

(1)

5% of the revenues generated in USA

RPK	Iberia	Air France	British Airways	KLM	Lufthansa	SAS
September 2001/00	+2,0%	-7,0%	-22,0%	-7,9%	-9,4%	-4,2%
October 2001/00	-7,7%	-10,1%	-24,7%	-17,7%	-15,8%	-9,3%
November 2001/00	-2,8%	-7,2%	-17,8%	-18,0%	-16,1	-8,4%
December 2001/00	+2,4%	-2,2%	-10,4%	-9,8%	-11,8%	-3,1%

(1) Source: UBS Warburg October 2001

Iberia figures Sept.01

Traffic Statistics December 01 vs. December 00 (%)

	ASK	RPK	LF	Yield
Domestic	-8,96	-7,84	+1,22	+2,26
Europe	-1,38	-0,72	+1,40	-4,15
Intercontinental	+4,96	+8,53	+3,40	-7,96
Total	-0,19	+2,36	+2,55	-5,81

BSP in Main European Markets

	BSP (1) %2001 / 2000					
	Accum. August		Accum. October		November	
	Total	IBERIA	Total	IBERIA	Total	IBERIA
Spain	13.0	9.0	9.0	7.0	- 80	- 50
Germany	6.0	26.9	0.4	24.6	- 14.4	23.0
Italy	7.8	24.8	1.9	22.0	- 20.0	18.1
United Kingdom	7.0	20.0	0.0	16.0	- 20.0	10.0
France	6.9	20.3	3.2	18.0	- 10.0	- 03
Portugal	5.4	31.8	0.4	26.0	- 14.7	- 54
Holland	5.2	29.1	- 07	21.8	- 120	- 122

BSP: Total Travel Agencies sales for all airlines

Latin America Outperforms North Atlantic

	Crecimiento Mercado 2001 / 2000				
	Jan-Aug	Sept	Oct	Nov	Dec
Europe- Latin America	+6,1	+0,5	-12,0	-10,3	-5,3
Europe- North Atlantic	-3,2	-17,1	-34,1	-34,0	-26,2

Source: MIDT bookings

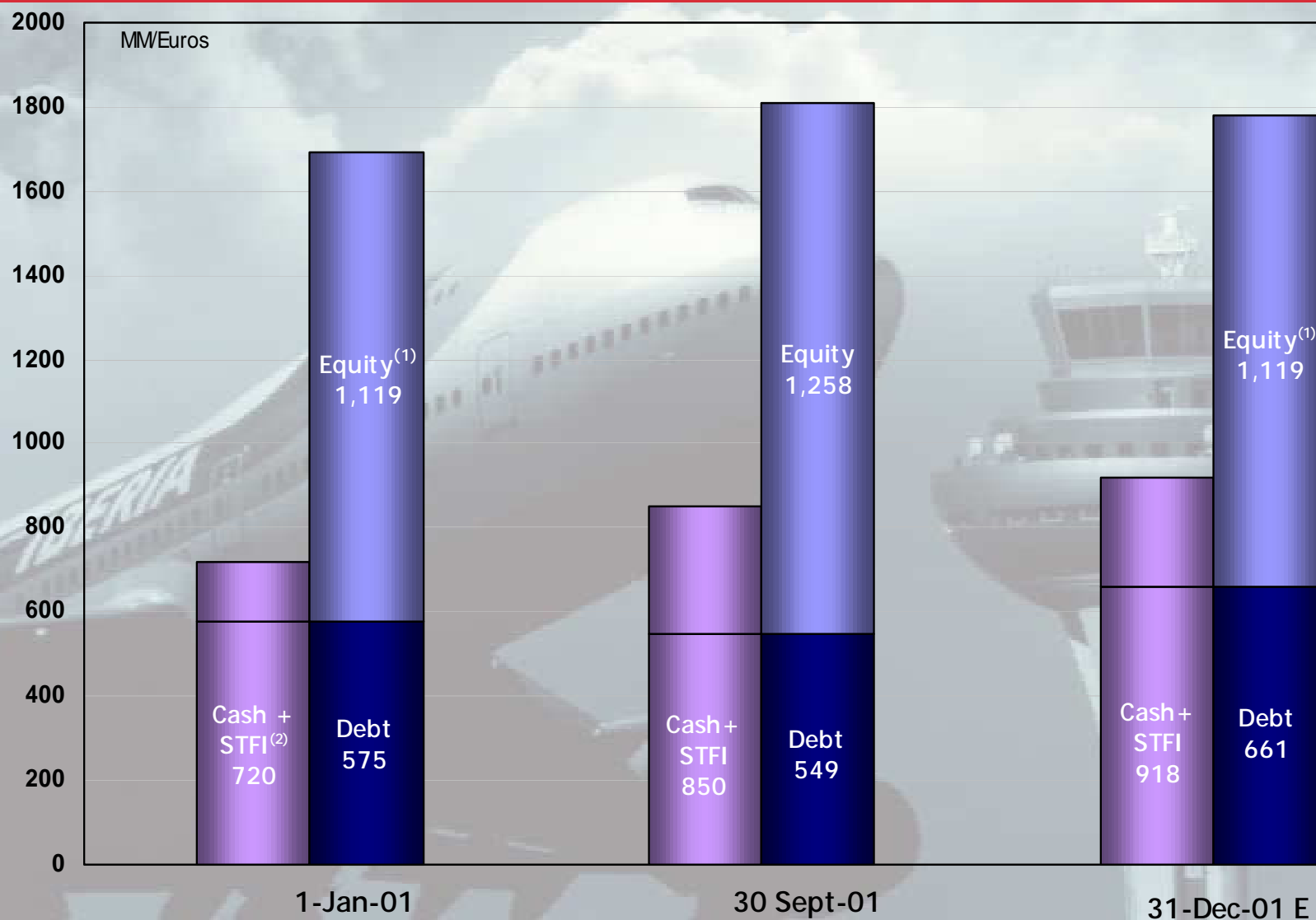
Iberia shows less exposure to both the September 11 crisis and the U.S. economic downturn due to its long haul network structure.

Europe - Latin America Market Share Evolution

	Jan/Dec'01
Iberia	15.9
Air France	10.9
British Airways	9.6
KLM	9.2
Lufthansa	8.3
Rest Companies	46.2

- Iberia continues to improve its leadership as the preferred carrier between Europe and Latin America(+0.7 p.p in Jan-Dec over the same period 00)
- Our Market Share in premium traffic has increased 1.7 p.p.

Strong and Flexible Balance-Sheet



(1) Assuming the same Equity as 31-Dec-00 less dividend payment (44.6 MM /Euro)

(2) STFI: Short Term Financial Investments

Strong and Flexible Financing Position

- Iberia's balance sheet and cash position are amongst the strongest in the sector

October 2001

- Cash position 1,000 MM/Euro
 - Unutilised Credit Lines 200.4 MM/Euro
 - Days of Cash including unutilised credit lines 76 days (1)
- The high number of "off balance sheet" type operations permits a relatively easy and quick de-leverage in situation of downturn.
 - The bulk of the fleet renewal program has already been implemented and the savings from the modernisation and commonality are being generated.
 - There is a flexible margin for the completion of the growth program depending on the evolution of the markets.

(1) Cash + Deposits/Daily Operating Revenues

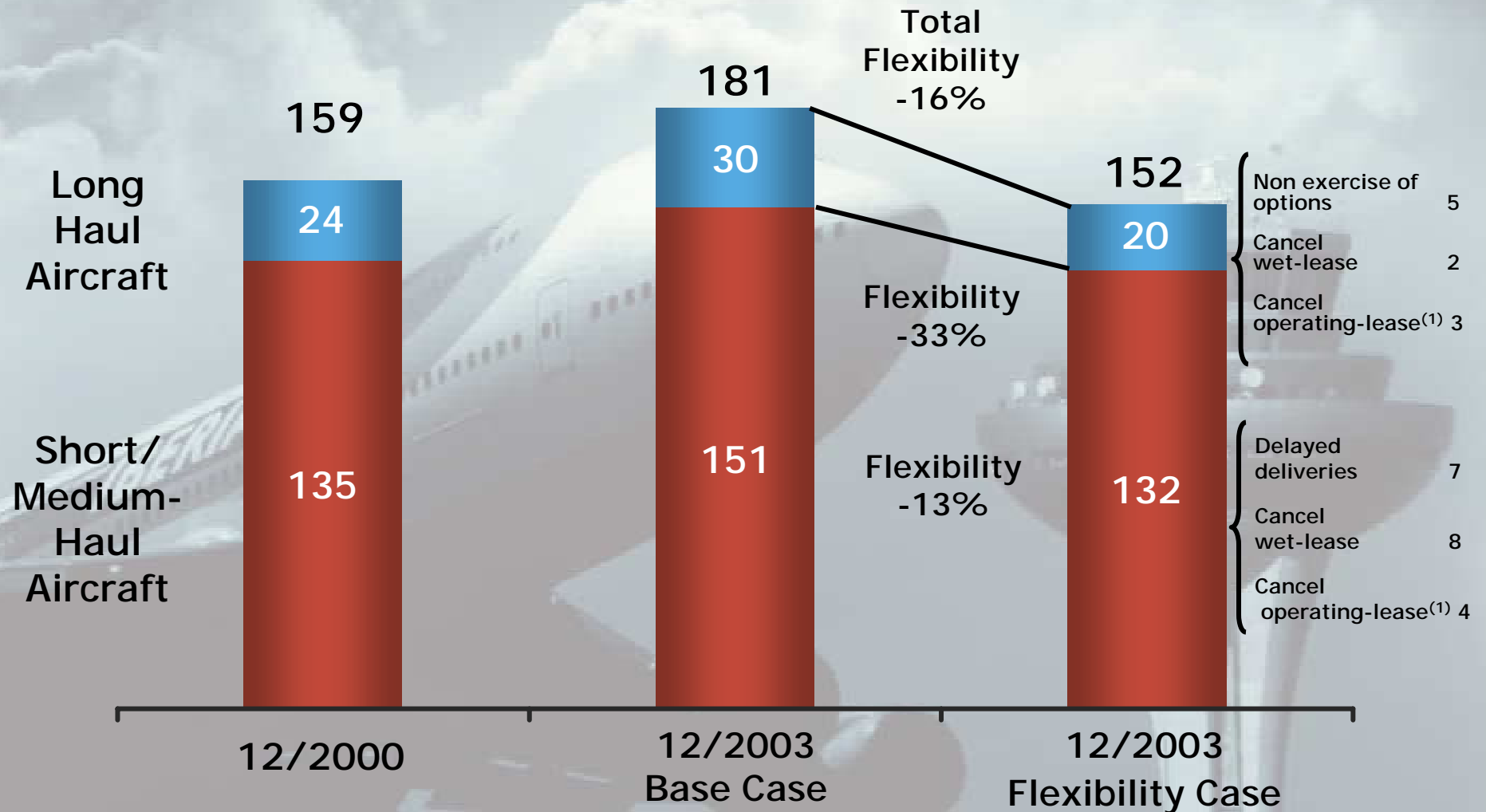
An Additional Cash Cushion in Reserve

- Iberia still has an 18.3% interest in Amadeus, which represents a significant value reserve despite the decrease in the stock price.

AMADEUS RESERVE VALUE

Iberia's stake in Amadeus	Nº of A Shares	Book value (MM/Euro)	Market value (MM/Euro)
closing of 21/01/2002	107,836,173	10	754.8

Flexibility to Adapt Market Conditions



(1) Excluding wet lease
Data for Iberia LAE

Fleet Renewal Programme

Labour Agreements already Signed

	Term	Expiry Date
Ground Personnel (1)	2 years	31/12/02
Pilots	4 years	31/12/04
Flight Attendants	4 years	31/12/04
Flight Engineers	4 years	31/12/04

2001
Actual CPI + 0,5%
One off payment 2,54%

2002 - 2004
Actual CPI

Additional payments linked to results and productivity

Results of the arbitration ruling

- Pay increase linked to results
- New productivity measures
- Commission for interpretation resolution

(1) It is being negotiated to extend the Agreement until 2004

Adjustment Plan

- Reduction in Capacity
- Headcount Reduction
- Cost Reduction Programme
- Cash Flow Improvement Plan
- Other Liquidity Sources
- Investment Plan Revaluation

Expected Performance on Demand

The reduction is in place since November 01 -2.2% capacity reduction in 01 and -12% in 2002 versus our Director Plan

Targets 2002			
	ASK	RPK	YIELD
Domestic	-11.8%	-8.5%	+5.3%
Europe	-7.7%	-6.3%	-0.9%
Intercontinental	-0.2%	+0.6%	-2.2%
Total	-5.0%	-3.2%	-0.9%

Objectives:

- Reduce capacity in less profitable domestic routes as a priority (mainly to the Islands)
- Delay our capacity growth in European network
- Maintain the capacity in Latin America, our main strategic market

Reduction in Capacity

Planes in units

		TYPE	OCT 01	D.P. 02	E 02
FLEET OPERATED BY IBERIA	LONG HAUL	B747	7	7	8
		B767	2	2	0
		A340	15	18	17
	MEDIUM HAUL	A300	6	6	0
		B757	18	16	18
		B727	0	0	0
		A319	4	4	4
		A320	52	64	50
		A321	4	9	4
		MD87	24	24	24
		MD88	13	13	13
DC9	0	0	0		
TOTAL			145	163	138
WET-LEASE	LONG HAUL	B747 CC	2	2	0
	MEDIUM HAUL	B757 UX	6	8	0
		B737 UX	0	0	0
TOTAL			8	10	0
TOTAL FLEET			153	173	138

- Cancellation of wet leases
- Cancellation of 2 B-767 on operating lease
- Grounding of 6 A-300 and 2 A-320
- Delay deliveries of 1 A-340, 11 A-320 and 5 A-321

Year end 02	Vs Director Plan	Number of aircraft
138	173	-20,2%

Headcount Reduction

Iberia Social Plan approved by Labour Authorities: 2.800 employees

- | | |
|---------------------|--------------------------------|
| • Estimated savings | 100 MM/Euro |
| • Cost of the plan | 240 MM/Euro (Already provided) |

The Plan will be implemented through:

- Early retirements
- Voluntary Redundancies
- Temporary Measures

Cost Reduction Plan

Drastic cost reduction plan

- General Costs Cutting Programme
- Revision of all purchase contracts of goods and services
- Reduction in prices and improvement of terms
- Simplification of procedures

Target

5% 2002

54 MM/Euro

10% 2003

108 MM/Euro

Working Capital Improvement Plan

Iberia's actual cash position reaches 1,000 MM/Euro and will be maintained

A number of measures will be implemented to improve the working capital:

- Room for manoeuvre to renegotiate terms with suppliers
- Improvement in the stock management
- Special Financing Strategies (Sale & Lease Back and securitizations)

The implementation of such plan would allow to raise over 450 MM/Euro of additional cash throughout the next 12 months

Recent Transactions post 11th September

Financing of 2 A-320-200 under Japanese Operating Lease Structures

- On October 30th, Iberia completed the Financing of 2 A320-200 amounting 85MM/Euro approx.
- Structure: combination of Japanese equity investments with long term secured bank debt.

Sale & Lease Back of 6 A-320

- MOU already signed and fully committed.
- Amount of the transaction 138 MM/Euro approx.

Investment Plan Revaluation

MM/Euro	2001E	2002 DP	2002E
•Fleet Predelivery Payments	136.2	323.5	0
•Fleet Payments	138.4	357.8	0
•Recoveries on Predelivery Payments	(142.3)	(285.7)	0
Fleet Acquisitions (net payments)	132.3	395.6	0
Other Investments	160.4	159.1	69
TOTAL INVESTMENTS	292.7	554.7	69
Divestitures:			
•Fleet & Others	(93)	(96.9)	0
•Sale & Lease Back Transactions	(304.8)	0	0
TOTAL NET INVESTMENTS	(105.1)	457.8	69

Impact of the Plan

Impact of the Plan over 2002 Director Plan -15% capacity reduction

Savings in costs due to lower traffic and capacity reduction



-580 MM/Euro ⁽¹⁾

Headcount Reduction



-100 MM/Euro

General Costs



-54 MM/Euro

Increase in Cost

Insurance Costs

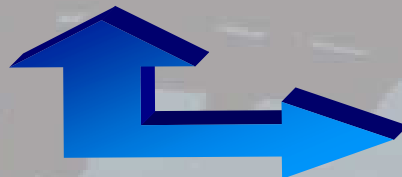


+87 MM/Euro

Airport Fees



+17 MM/Euro



TARGET: Positive EBIT in 2002