



April 2004

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# Competitive Strengths

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# Focused Strategy in Key Growing 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

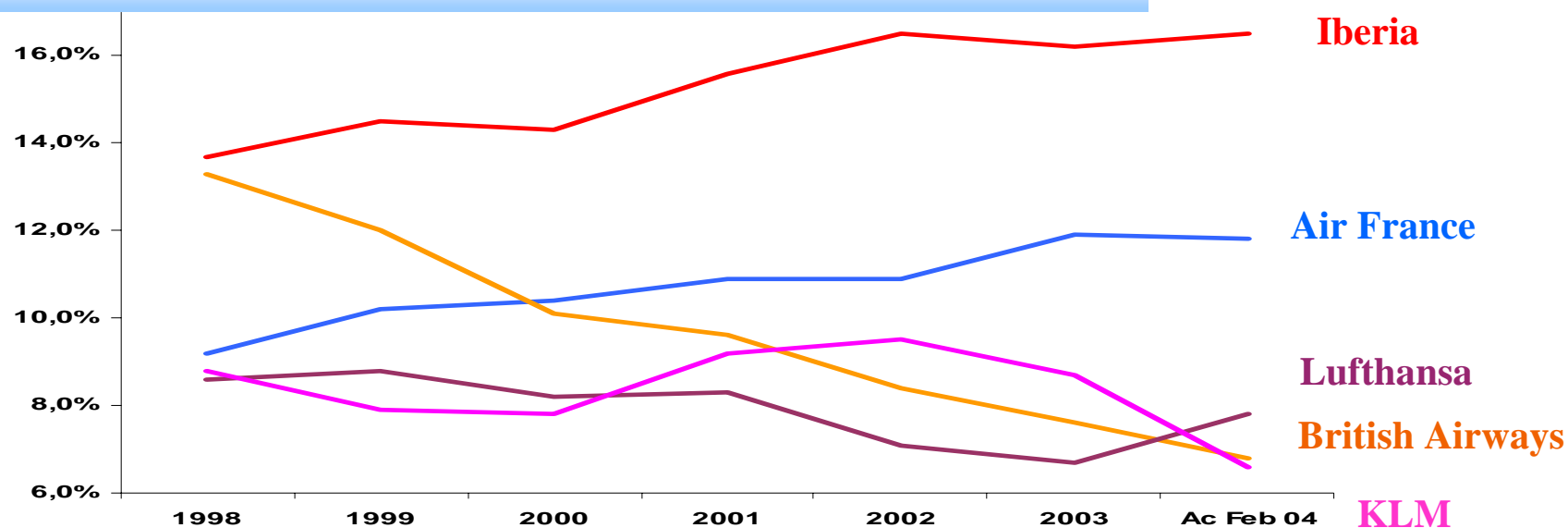
# Leadership in the Europe-Latin America Market

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

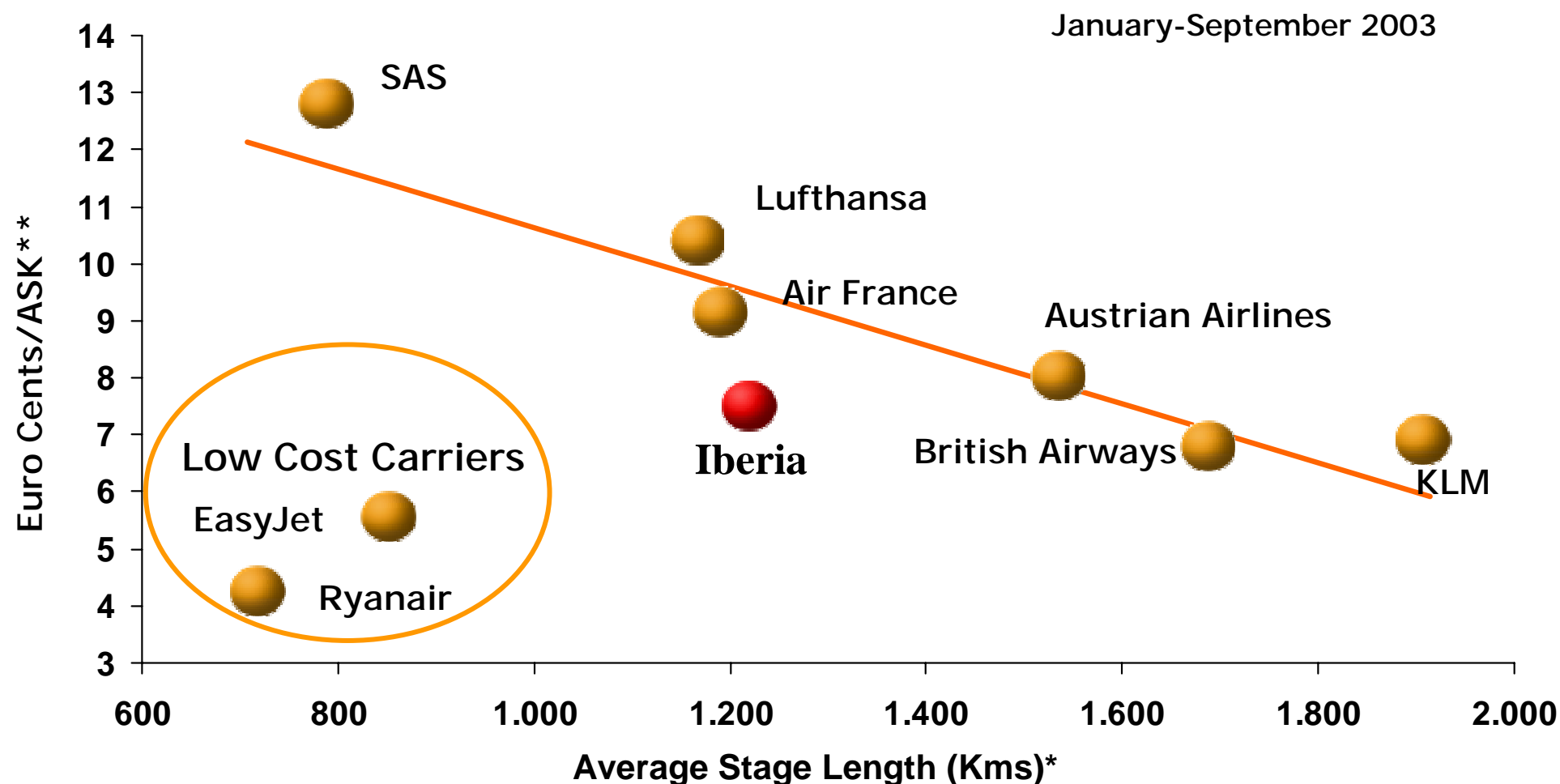
Iberia has a superior product in:

- ✦ 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 - September 2003, except Ryanair and Easyjet fiscal year 2003.

\* Source: AEA

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

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## Director Plan 2003-2005

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# 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



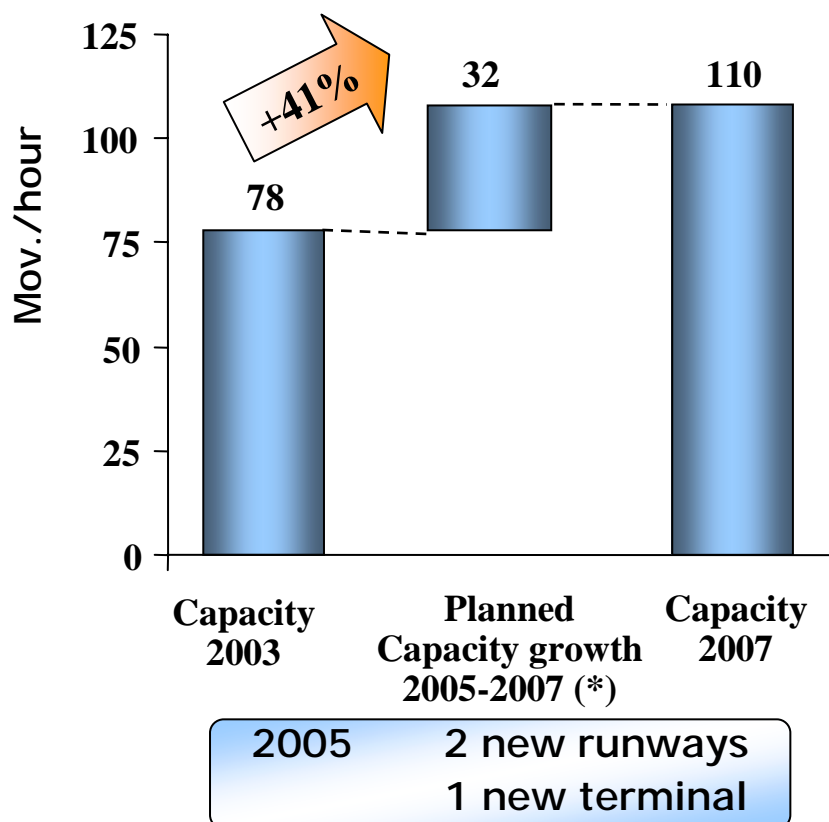
Shareholder Value Creation



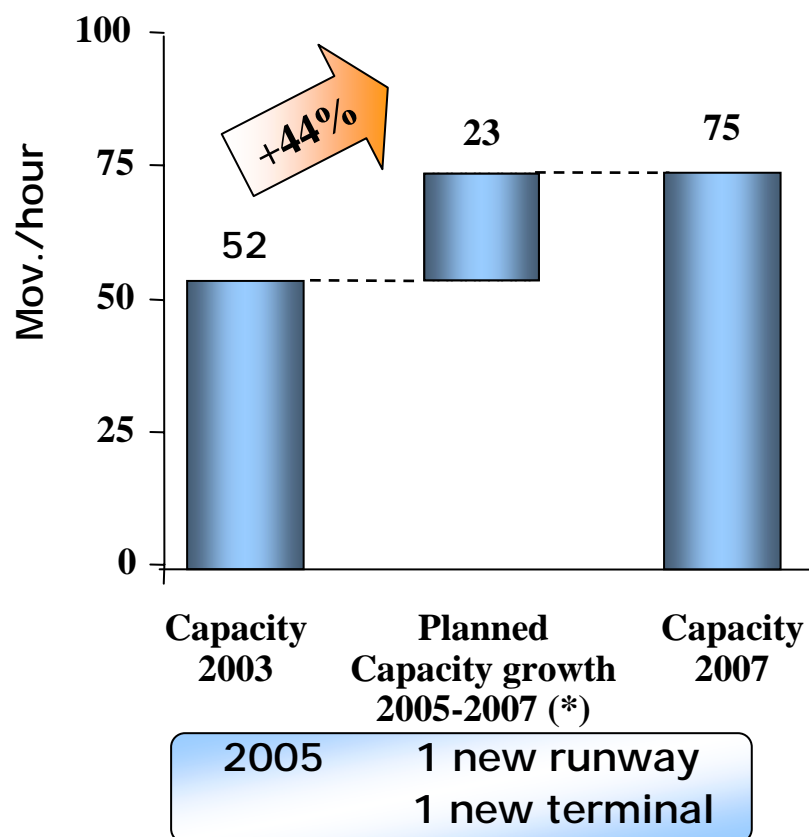
# The Expansion in Madrid and Barcelona Will Allow Iberia's Growth

Madrid and Barcelona are among the fastest growing airports in Europe

Madrid expansion to 2007



Barcelona expansion to 2007



(\*) IB forecast

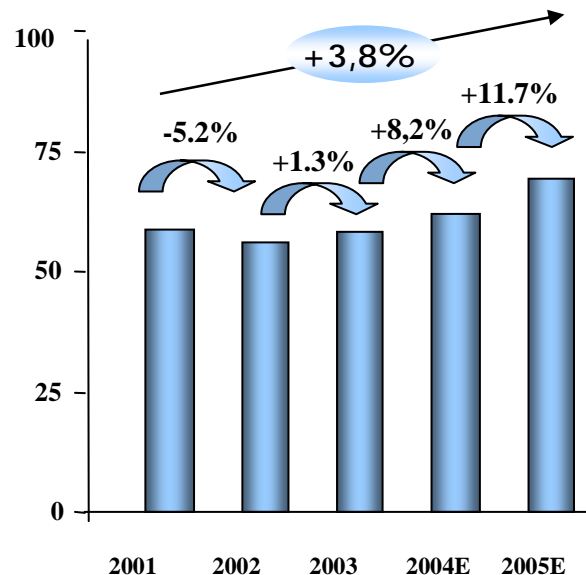




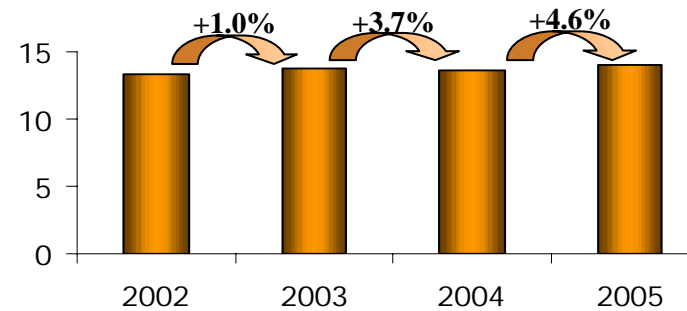
# Iberia Will Grow Taking Advantage of the Expansion Capacity of Madrid Hub

## Capacity

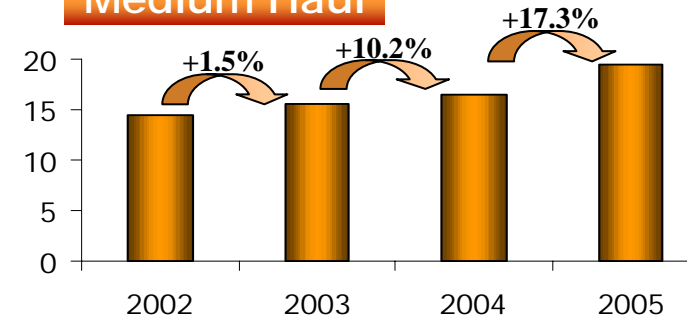
MM ASK's



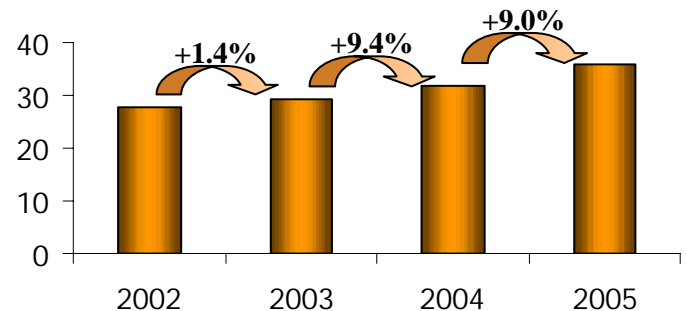
## Domestic



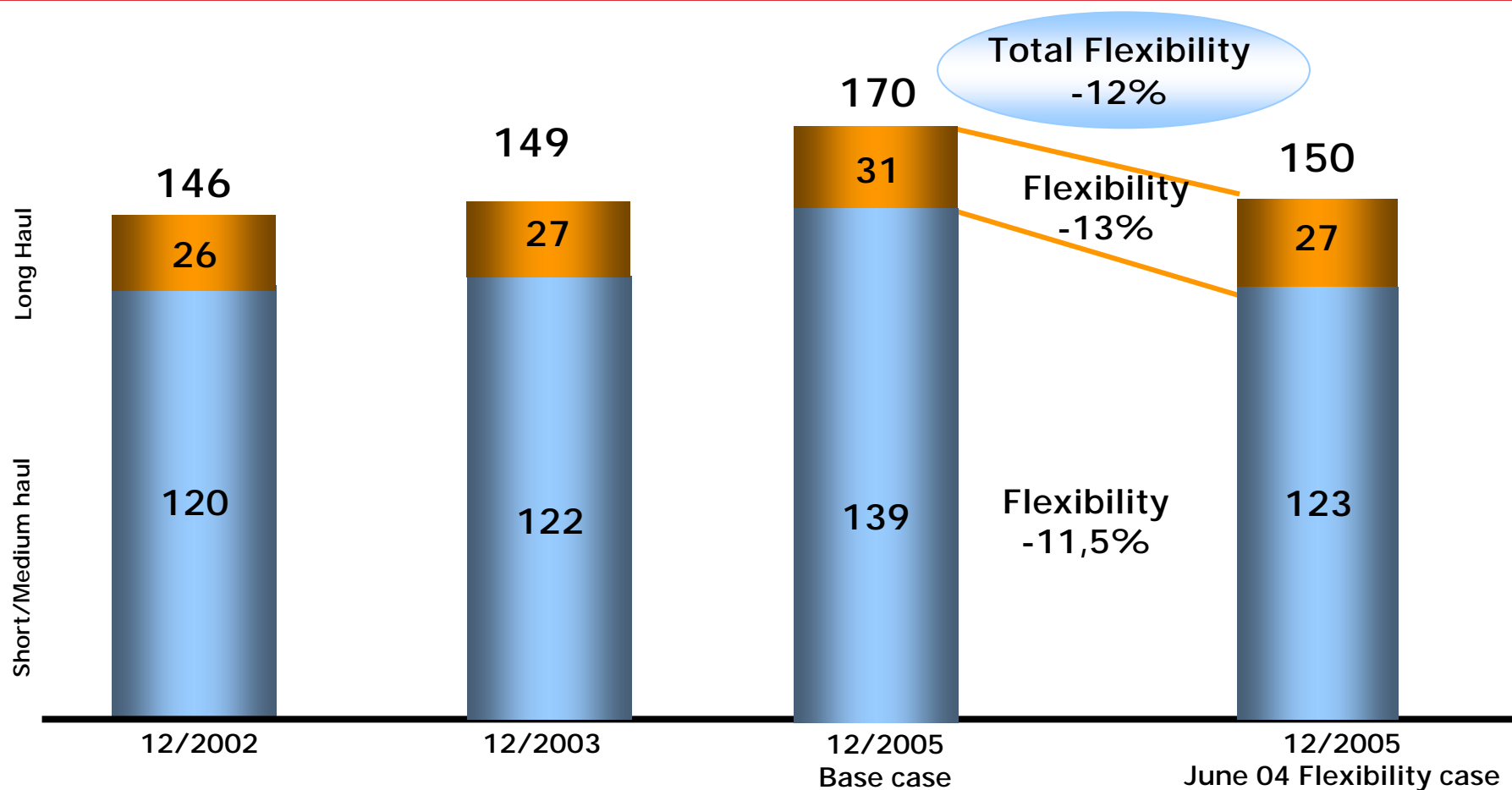
## Medium Haul



## Long Haul



# Flexibility - Remains a Key Tool

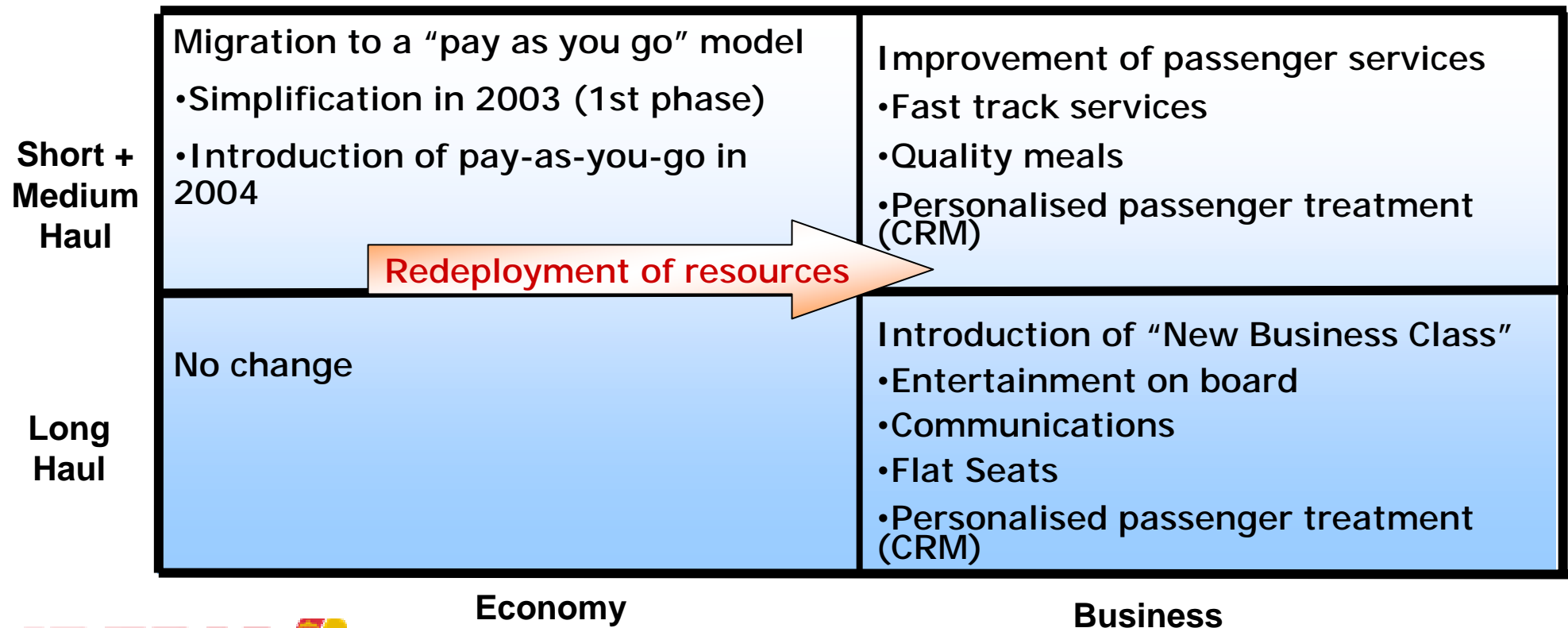


- Non renewal of Operating Leases or non exercise of options
- Cancel new hiring of Wet Leases (starting in 2004)

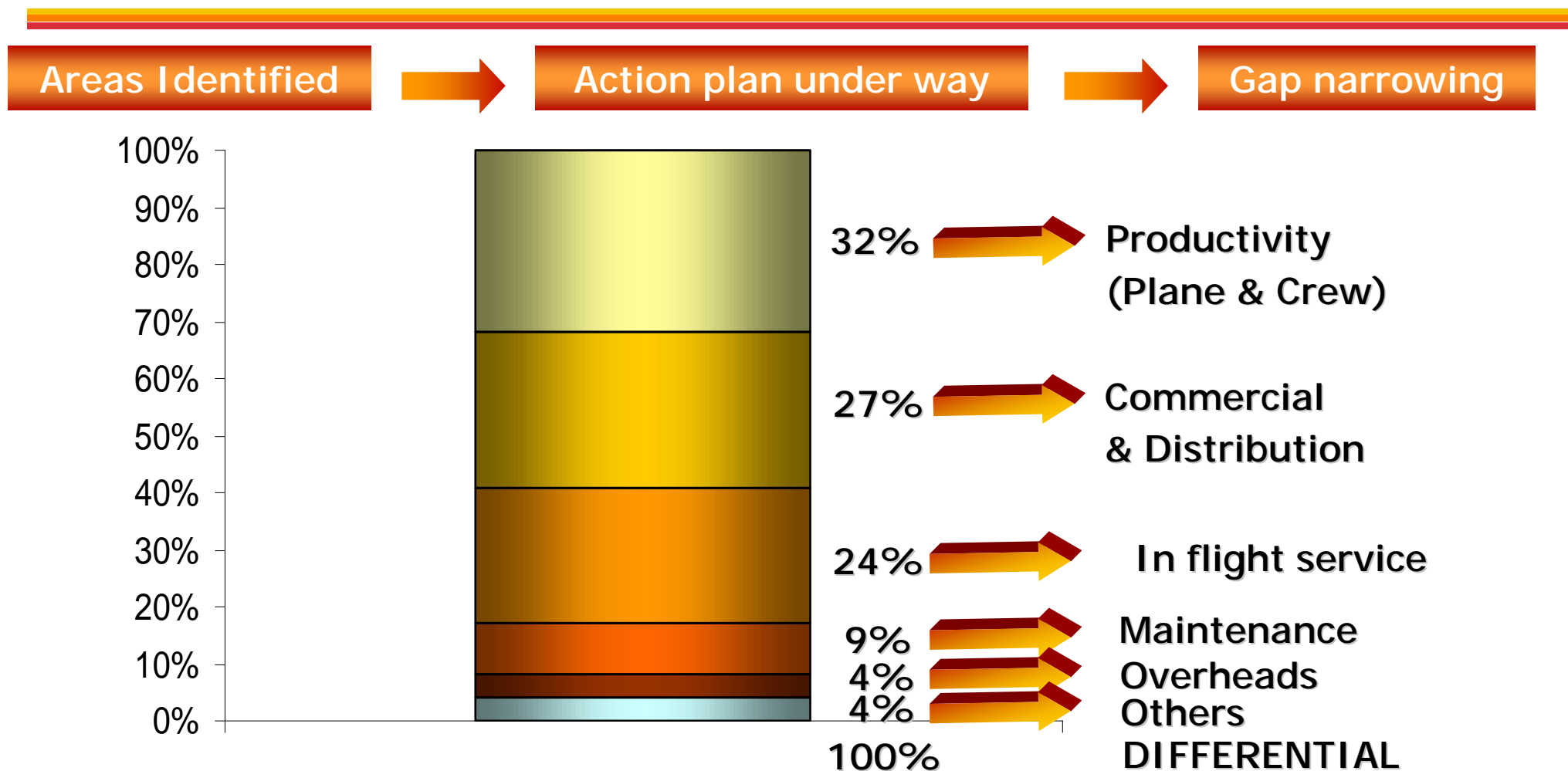
# Adapting the Business Model of Iberia. New Products

- 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

# Commercial and Distribution Costs

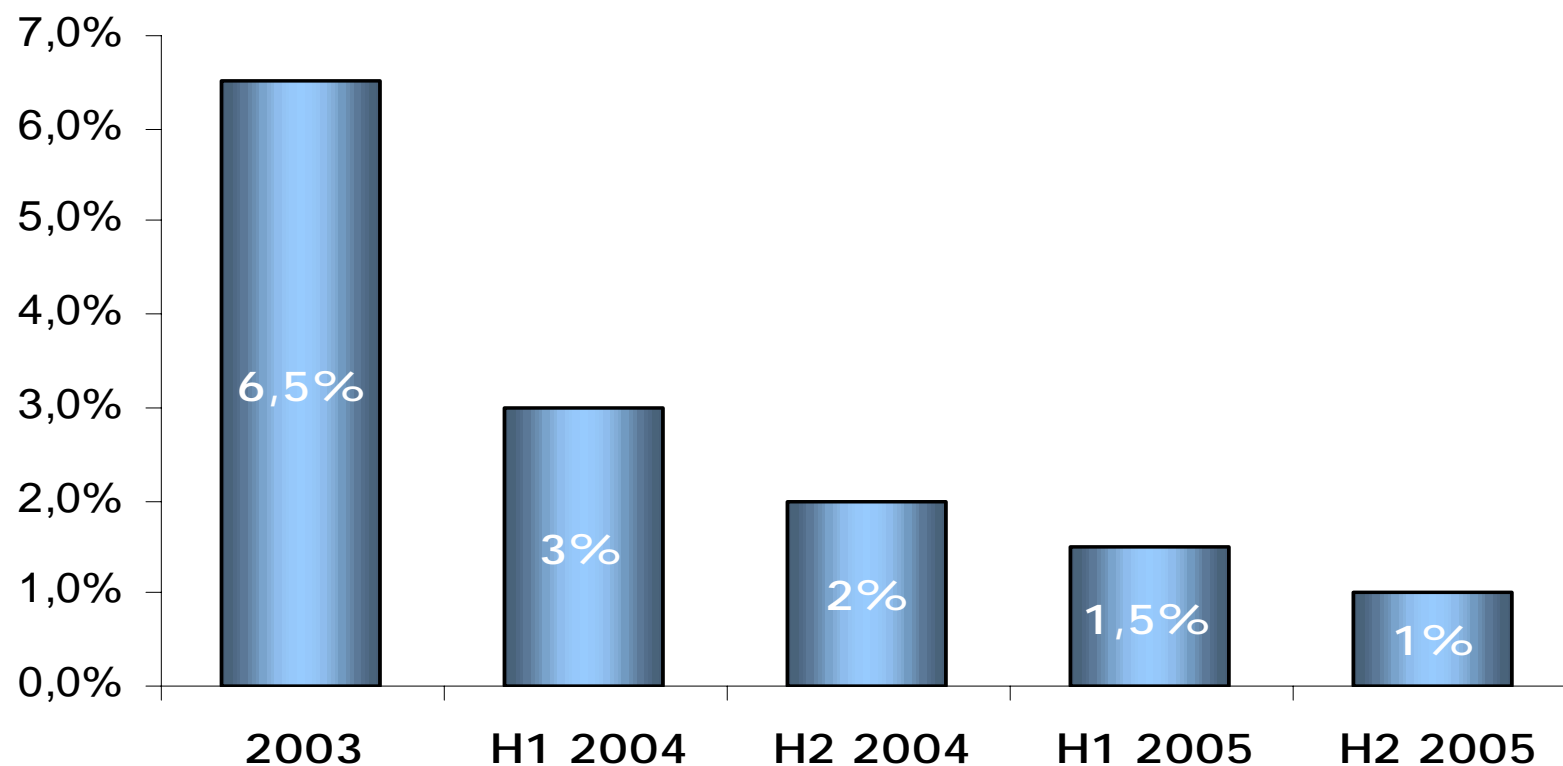
100-110  
MM/€



## Reduction in distribution costs

- New role of Travel Agencies
- New role of direct channels
- Increase corporate agreements under management fee
- Implement program for small companies

# Reduction of Basic Travel Agencies' Commissions in Spain





# 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

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Unit Cost

↓ 2005/02  
10-12%

EBITDAR margin

≈ 19%

ROE

≈ 15%

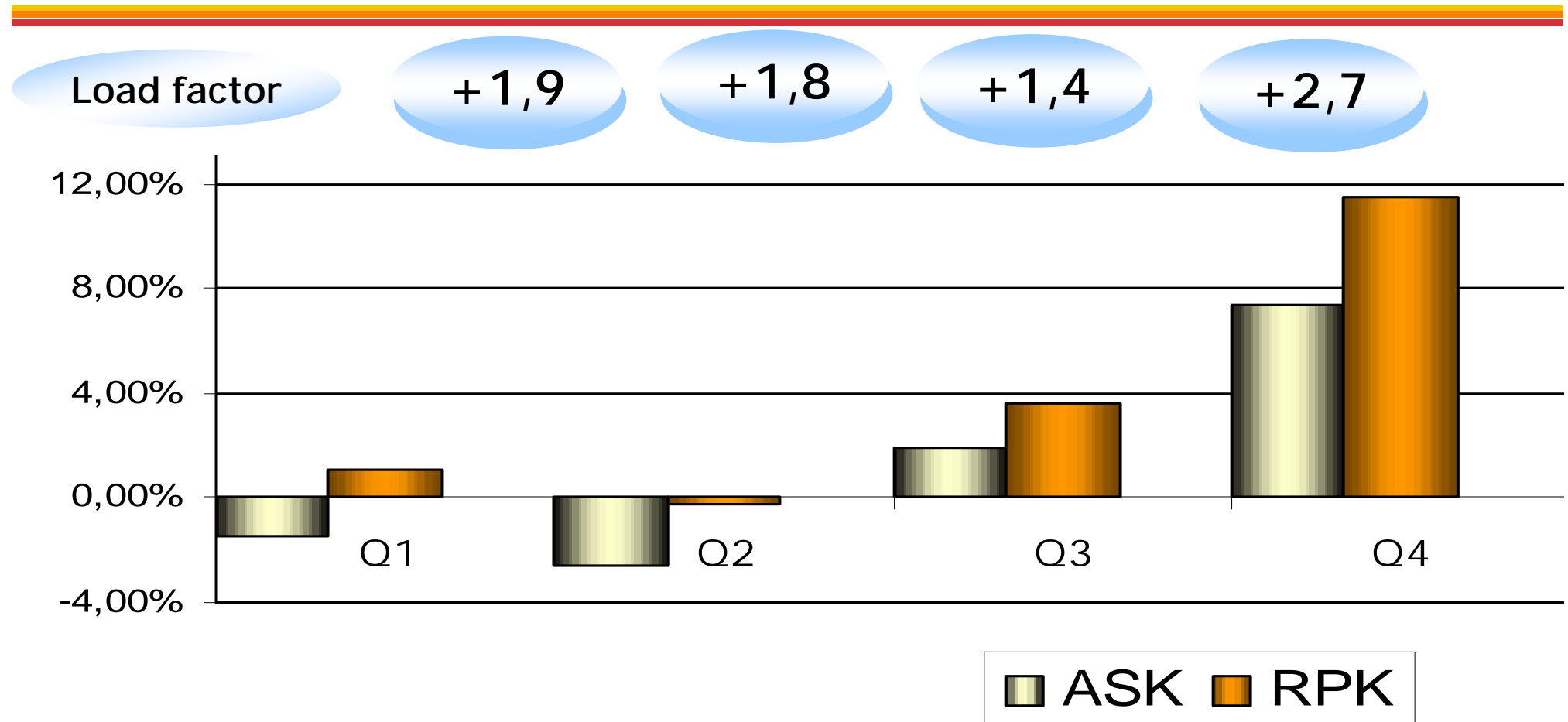
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Year 2003

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## Capacity Adjustment



Load Factor 2003: 75% Historical Record

# Positive Results

2003

Revenues	4,619.3
Ebitdar	700.7
Ebitdar Margin	15.2%
EBIT	160.7
Ordinary Results	183.6
Net Income	143.6

*Data in million €*



## Traffic Statistics March 04

	ASK	RPK	L.F.
Domestic	5.0%	7.1%	1.4 p.p.
Europe	9.3%	6.5%	-1.6 p.p.
Long Haul	16.1%	18.9%	1.9 p.p.
Total	11.6%	13.2%	1.1 p.p.

## Traffic Statistics January - March 04

	ASK	RPK	L.F.
Domestic	4.2%	7.3%	2.1 p.p.
Europe	6.8%	9.8%	1.6 p.p.
Long Haul	15.5%	17.3%	1.3 p.p.
Total	10.4%	13.4%	1.9 p.p.