



February 2004

Competitive Strengths



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

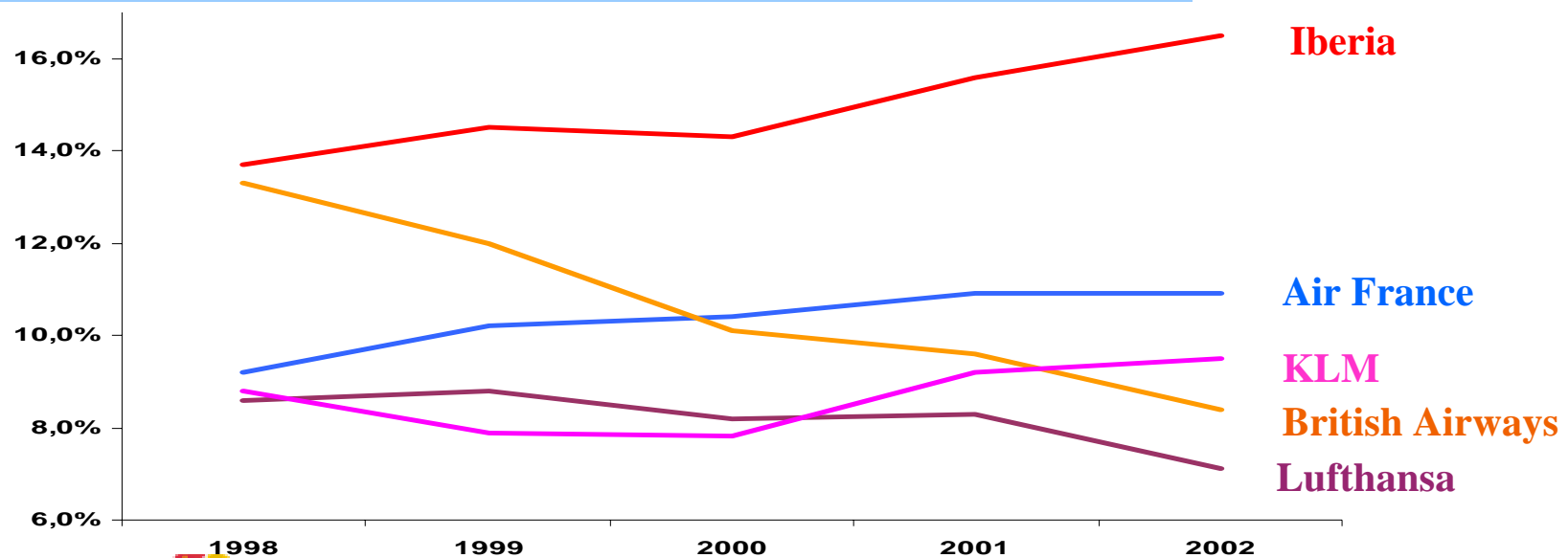
Leadership in the Europe-Latin America Market

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

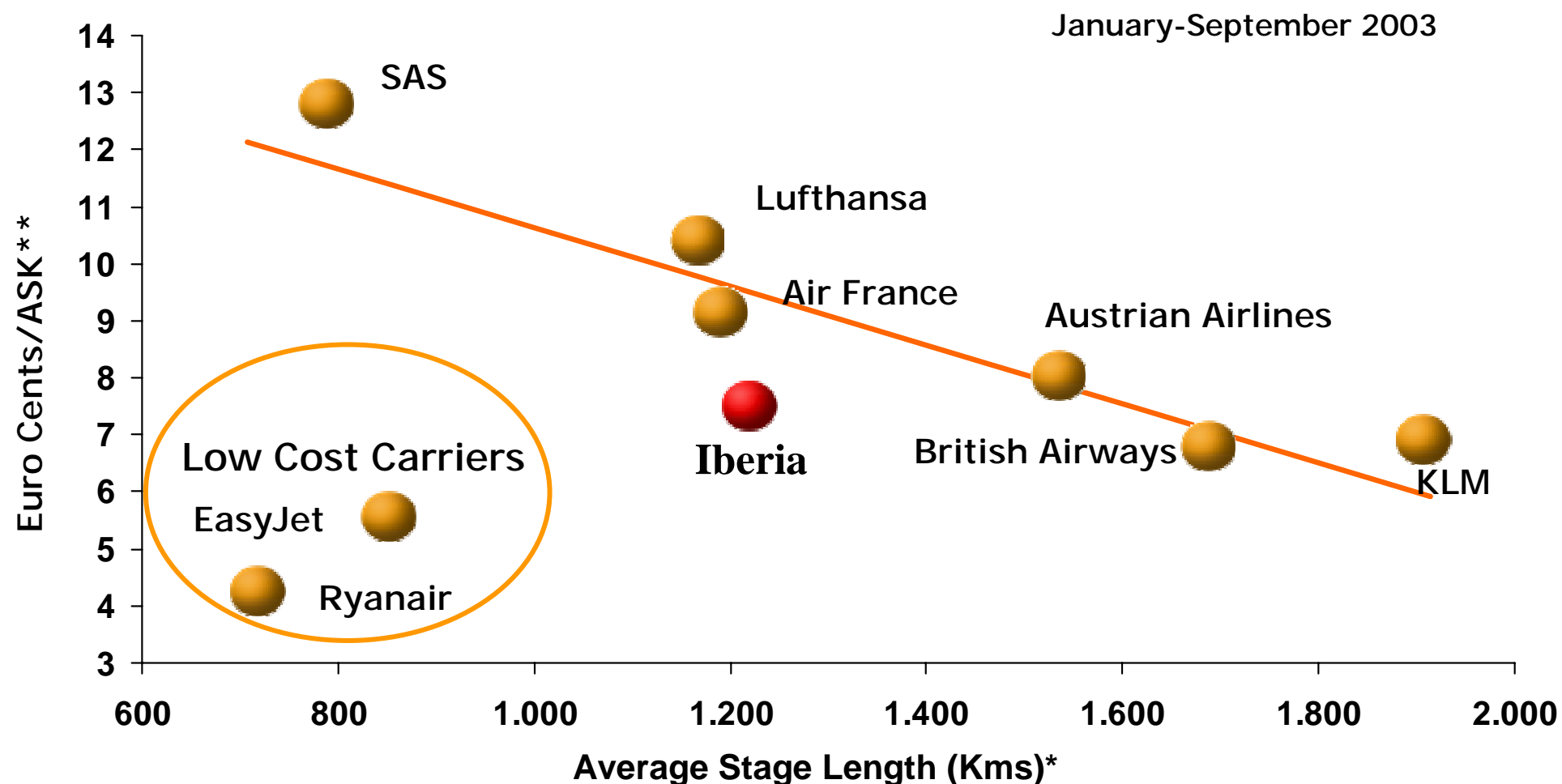
Iberia has a superior product in:

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

Market share evolution Europe-Latin America



Unit Costs Significantly Below Industry Average

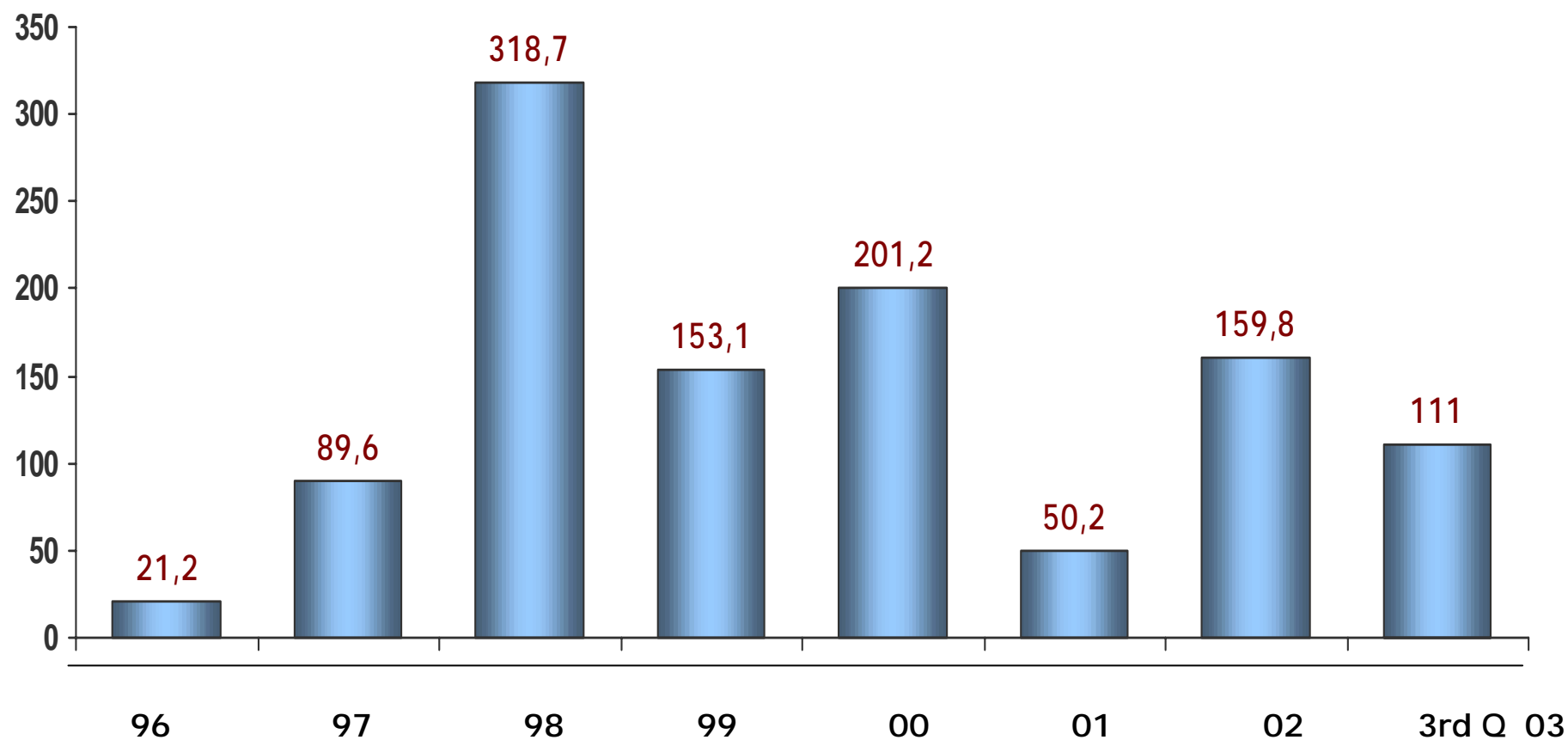


Date for period January - September 2003, except Ryanair and Easyjet fiscal year 2003.

* Source: AEA

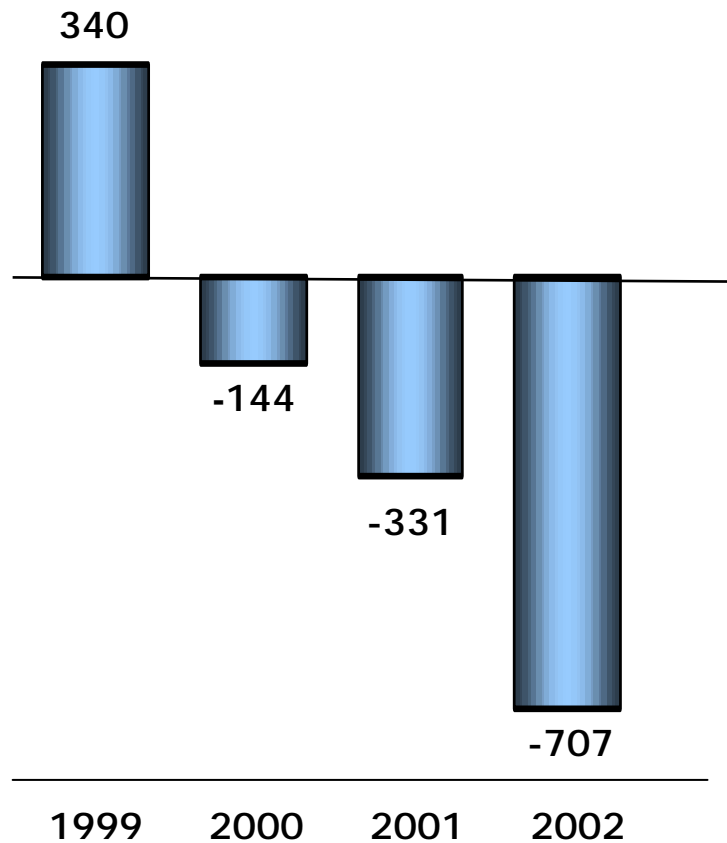
**Operating costs less 33% of Operating Leases less other non-airline revenues

Iberia Net Results (Million €)



Strong Balance Sheet

Net Financial Debt (Euro Mill.)



Strong Cash Position
September 2003
1,170 MM/ Euro



Year 2003



Capacity Adjustment

January-December 03	ASK	RPK	L.F.
Domestic	1.0%	3.6%	1.9 p.p.
Europe	1.5%	1.3%	-0.1 p.p.
Long Haul	1.4%	5.4%	3.0 p.p.
Total	1.3%	4.0%	1.9 p.p.

Capacity Adjustment

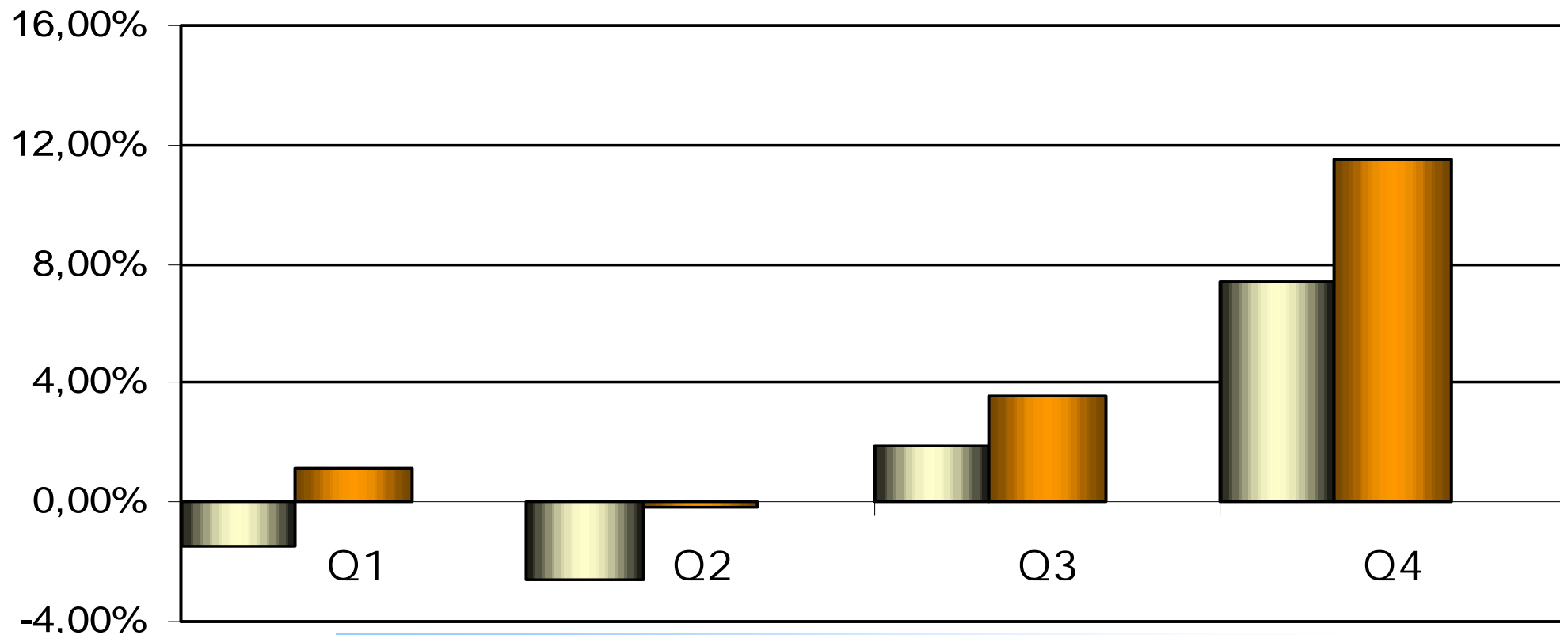
Load factor

+1,9

+1,8

+1,4

+2,7



Load Factor 2003: 75% Historical Record

Unit Cost Evolution 2003/02

Cost / ASK

Q1

+4.4%

Q2

+0.4%

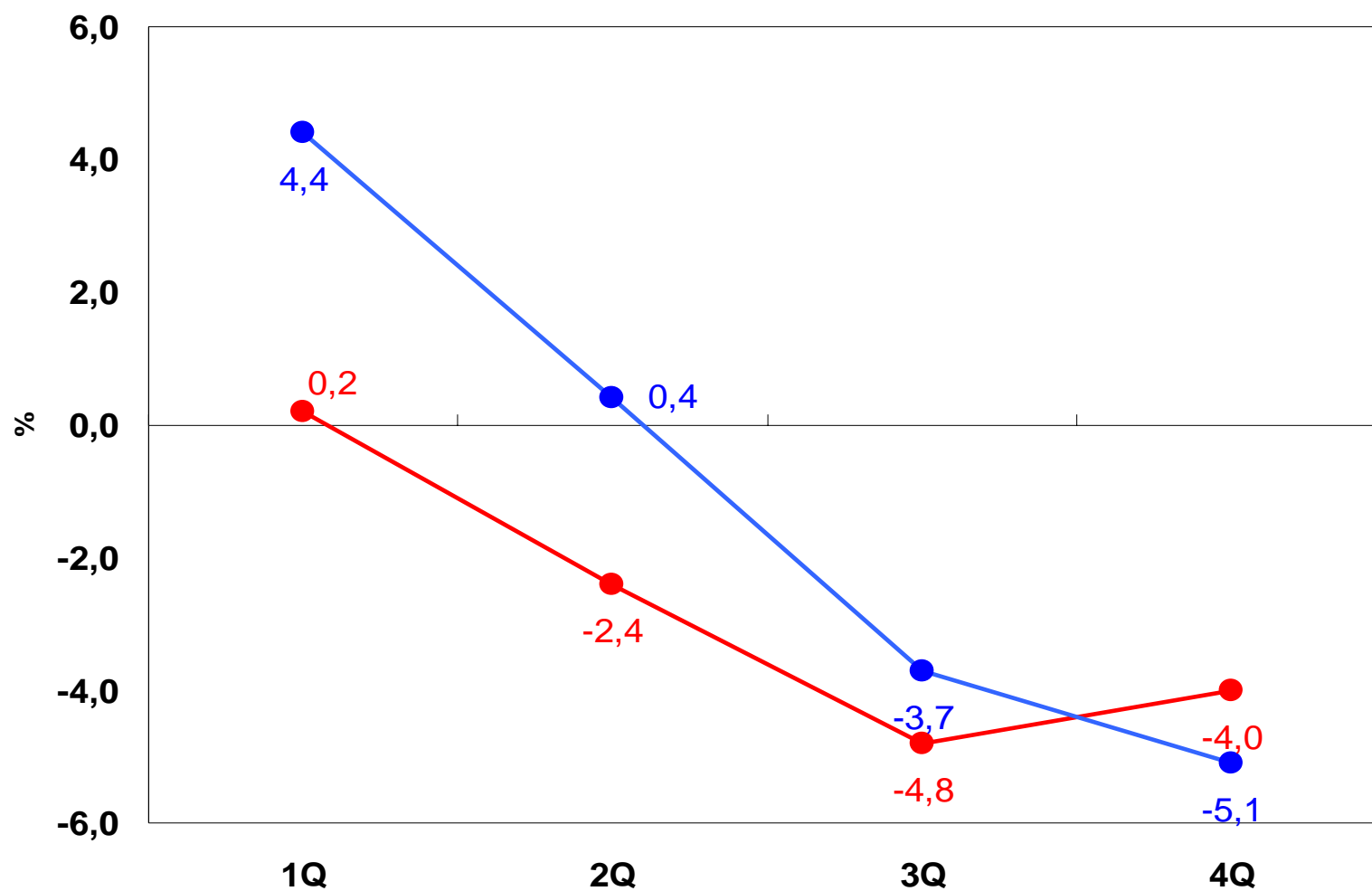
Q3

-3.7%

Q4

-5,1%

Unit Cost and Revenue Evolution 03/02



- % 03/02 Unit Revenue
- % 03/02 Unit Cost

Positive Results

January-September 2003

Revenues	3,443
Ebitdar	533.5
Ebitdar Margin	15.5%
EBIT	135.2
Ordinary Results	146.7
Net Income	111.0

Data in million €



Other Goals Achieved in 2003

- Implementation of a new revenue management model
- Agreement with travel agencies
- Sale of Viva Tours
- Sale of Iberswiss
- Aviation training joint venture with CAE
- Agreement with Maintenance staff, allowing more flexibility and productivity

Full year 2003

EBITDAR Margin above 14%

Results from Ordinary Activities above 150 MM/Euro

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

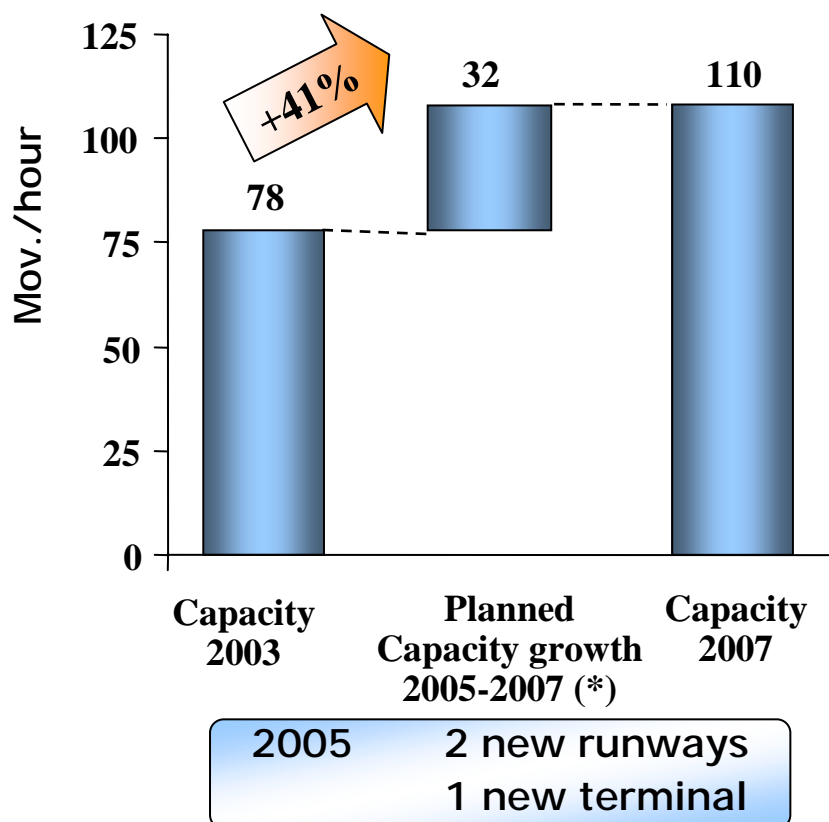


Shareholder Value Creation

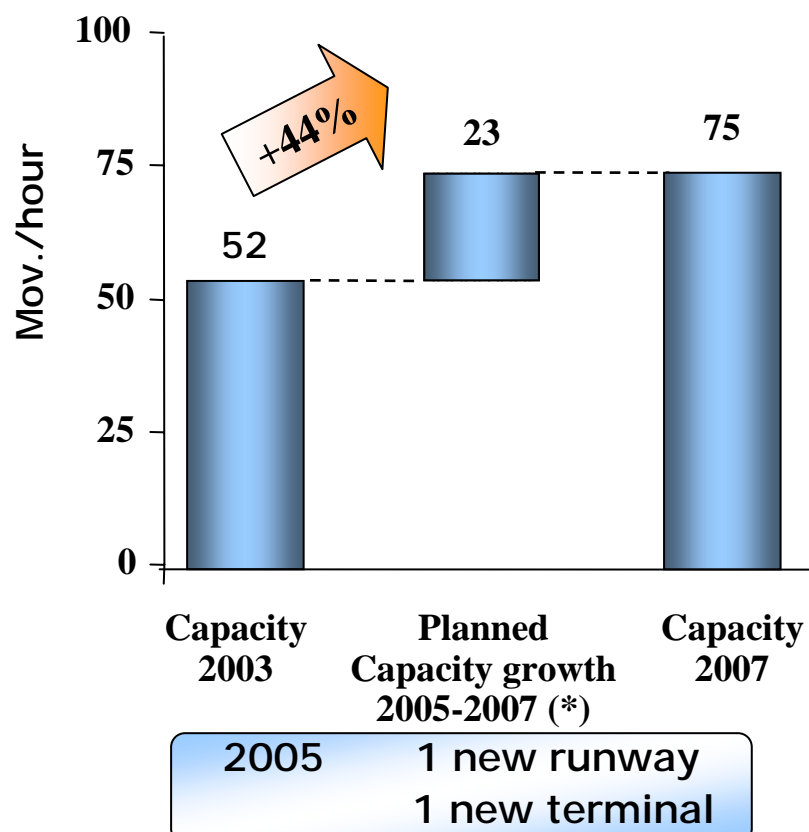
The Expansion in Madrid and Barcelona Will Allow Iberia's Growth

Madrid and Barcelona are among the fastest growing airports in Europe

Madrid expansion to 2007



Barcelona expansion to 2007



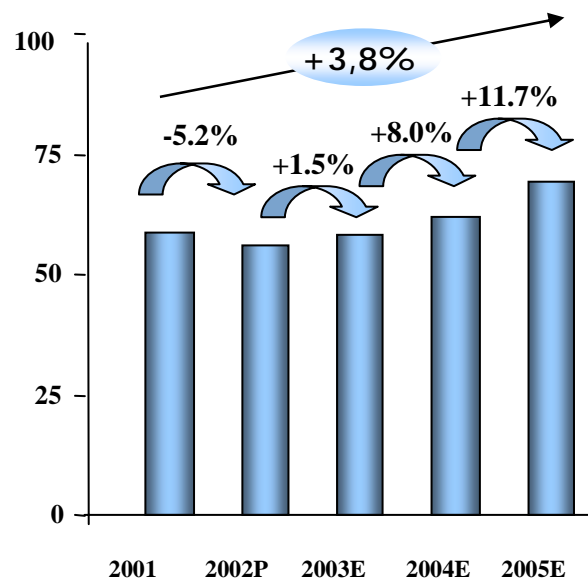
(*) IB forecast



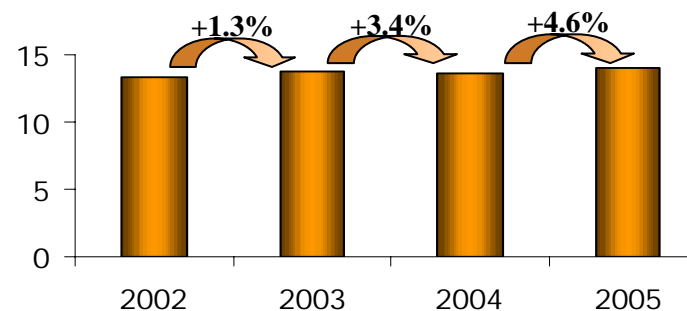
Iberia Will Grow Taking Advantage of the Expansion Capacity of Madrid Hub

Capacity

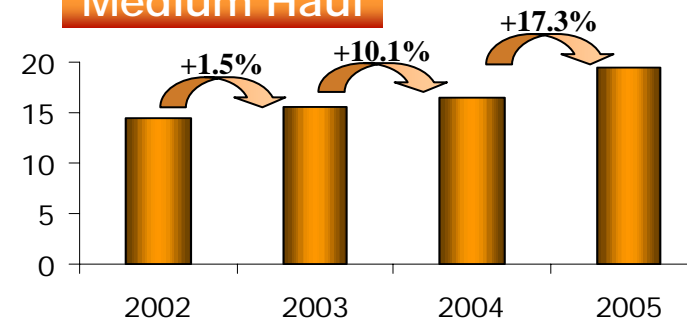
MM ASK's



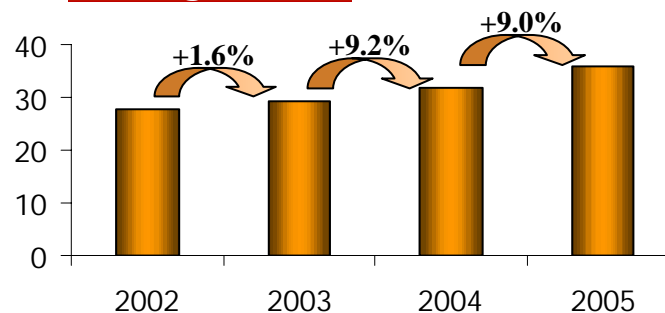
Domestic



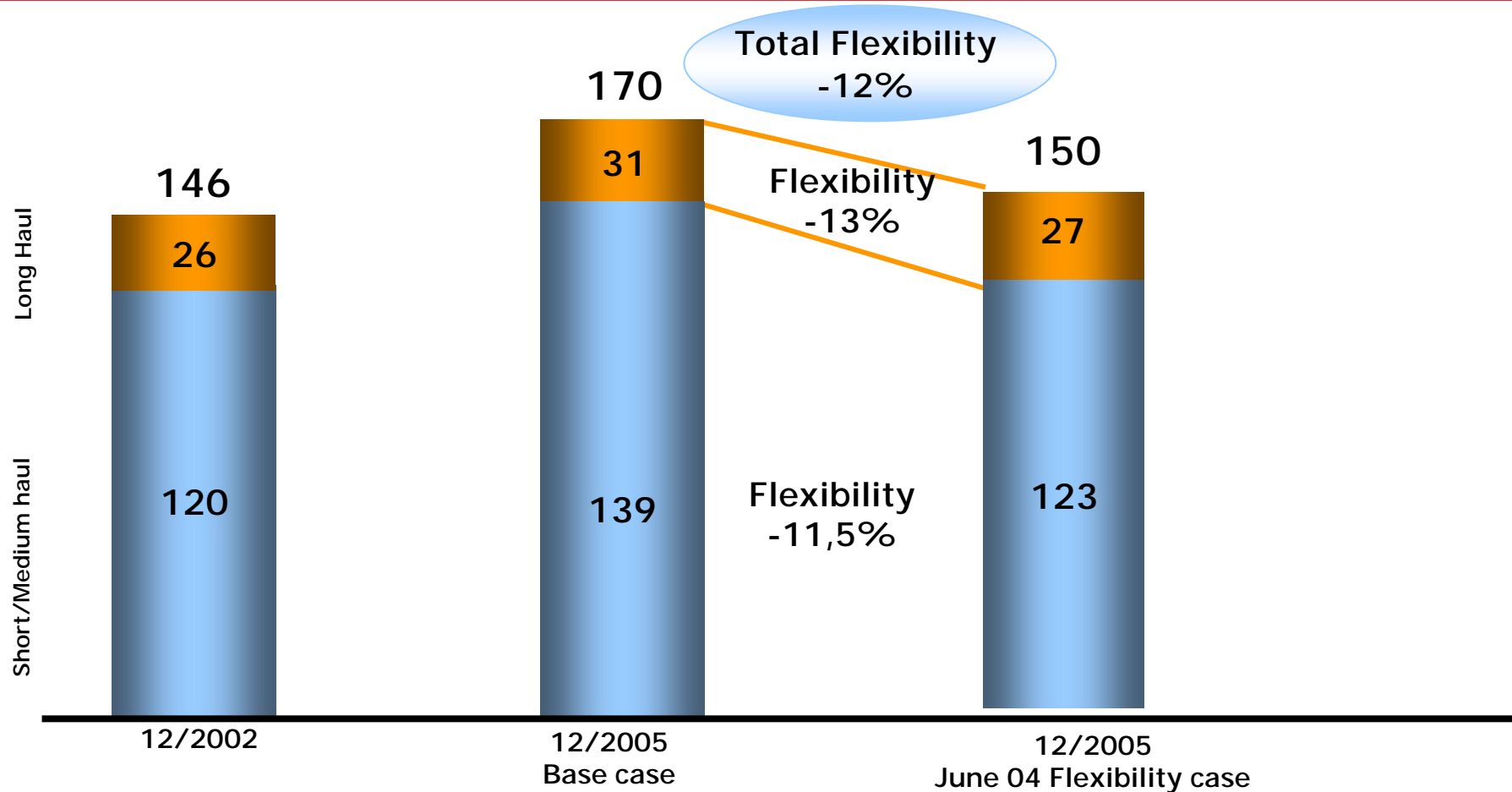
Medium Haul



Long Haul



Flexibility - Remains a Key Tool

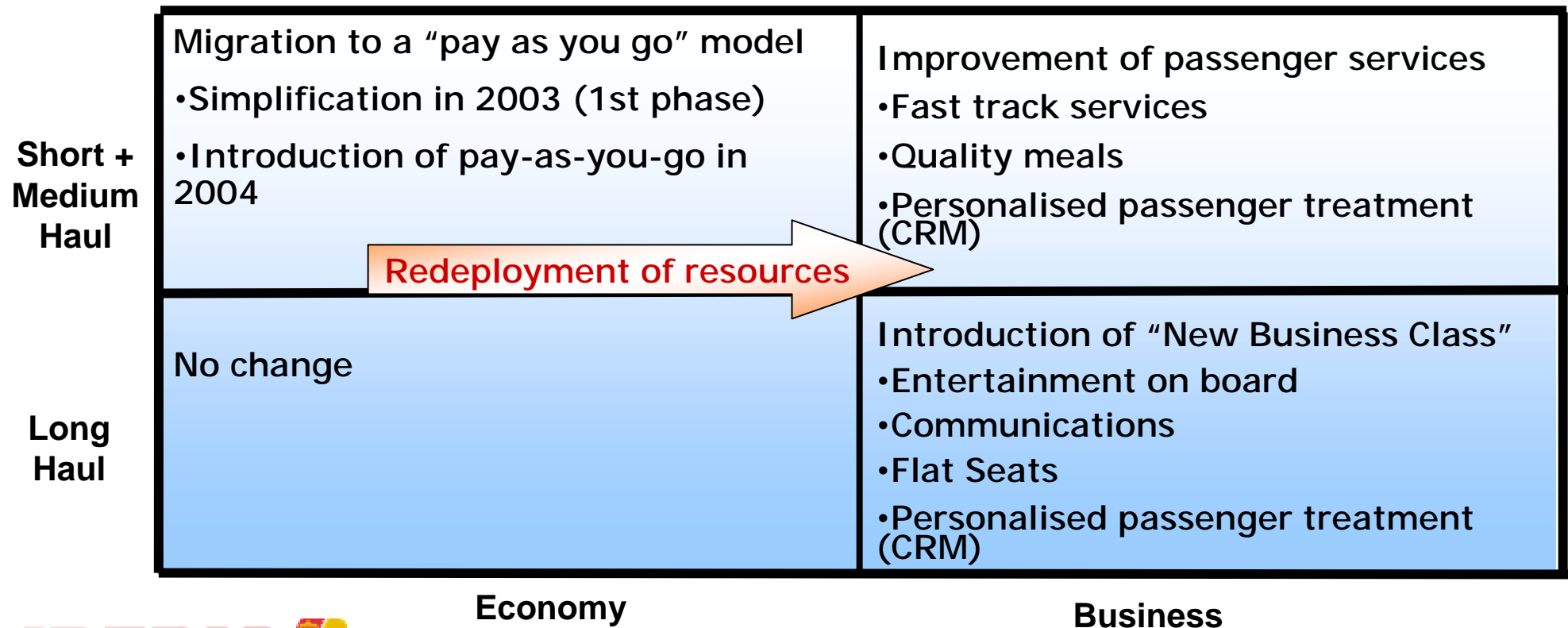


- Non renewal of Operating Leases or non exercise of options
- Cancel new hiring of Wet Leases (starting in 2004)

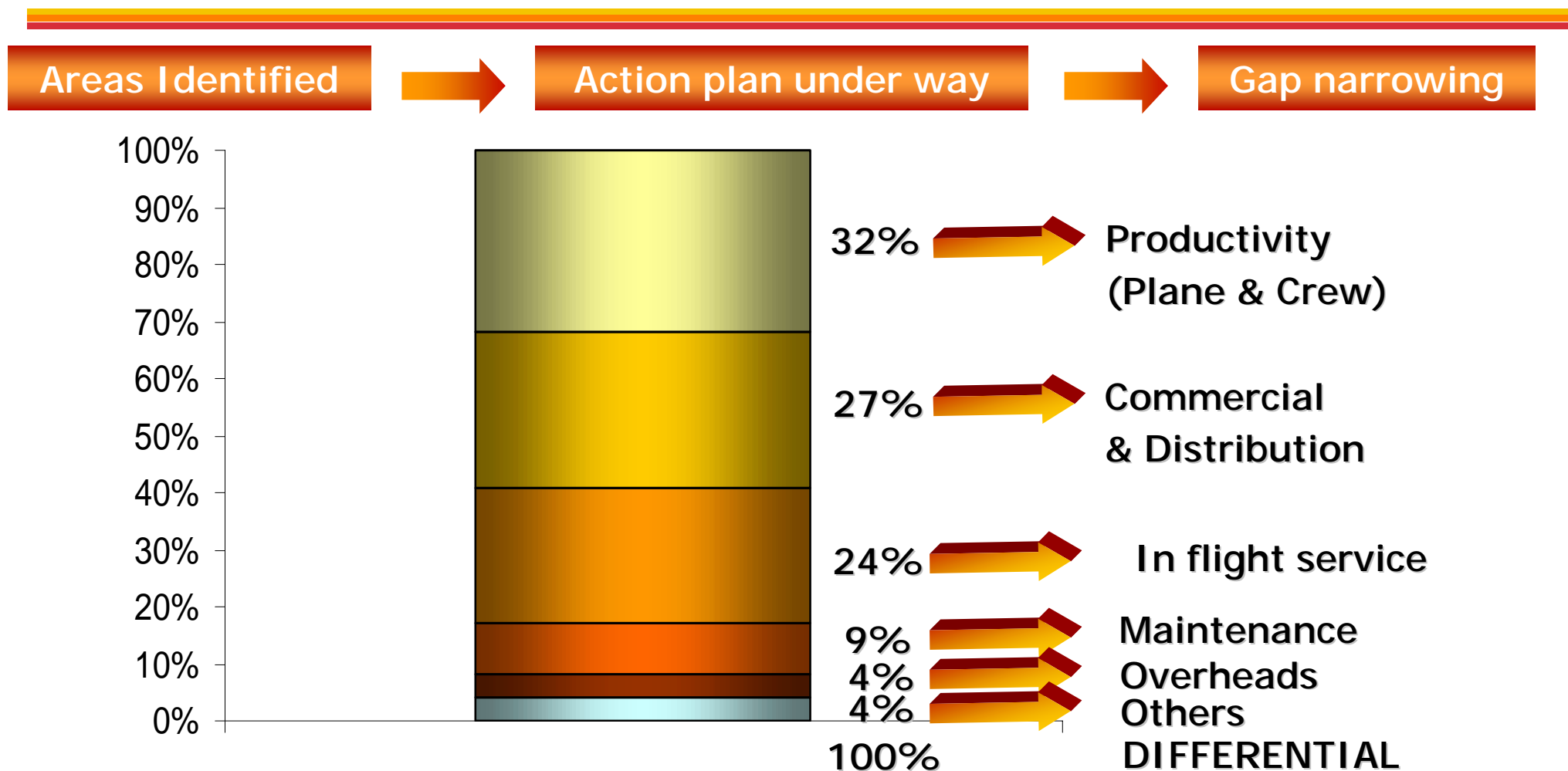
Adapting the Business Model of Iberia. New Products

- 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



New Remuneration Scheme for Travel Agencies

OUR TARGET

- Reduce commercial costs.
- Improve our relation with distribution channel.

ACTION PLAN

- Gradual reduction of Basic Commission.
- Establishment of the Service Fee.
- Variable Incentive without modification.
- Development of unique and fully automatic procedures.

New Remuneration Scheme for Travel Agencies

KEY POINTS OF THE AGREEMENT

I.- BASIC COMMISSION

- 3% Jan-Jun 04.
- 2% Jul-Dec 04.
- 1,5% Jan-Jun 05.
- 1% Jul 05- Dec 06.

II.- VARIABLE INCENTIVE



REMAINS UNCHANGED

- Promotion and Sales
- International Growth
- Electronic Ticket

III.- SERVICE FEE / TICKETING ISSUANCE (Client) and other services (Client) as Reimbursement, re-issues, home-delivery....



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%