



**Presentation**

May 2002



- **Iberia Today**
- **Competitive Strengths**
- **2001**
- **11th September Aftermath- Anticrisis Plan**
- **Investment Highlights**

*Iberia Today*



**IBERIA** 



## *Where We Stand Today*

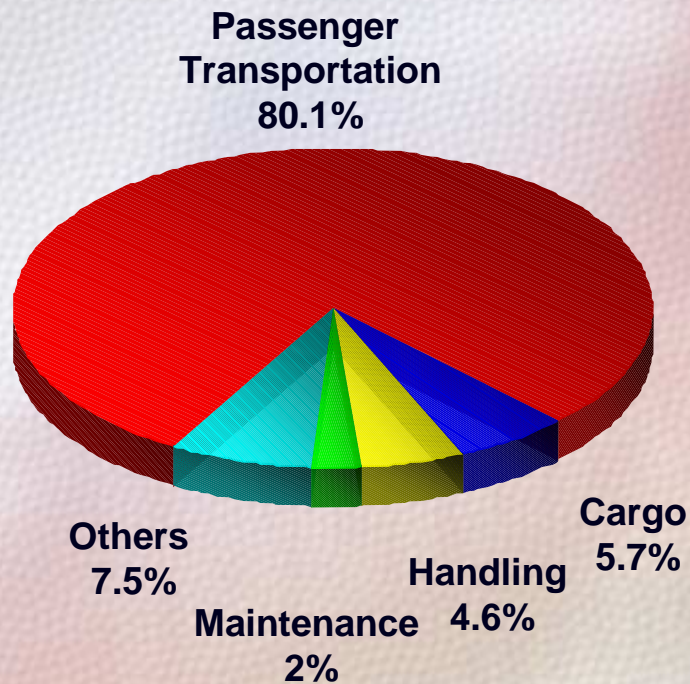


- The fourth major largest European Airlines by number of passenger
- Total revenues of Euro 4,738 Mill. in year 2001
- Leader in terms of passenger traffic between Europe and Latin America and in Europe's first largest domestic market
- EBITDAR margin of 13.8% in 2001
- Fleet renewal programme already finished (short and medium haul)
- Membership in global alliance and code sharing relationships
- One of the most profitable European Airlines in 2001

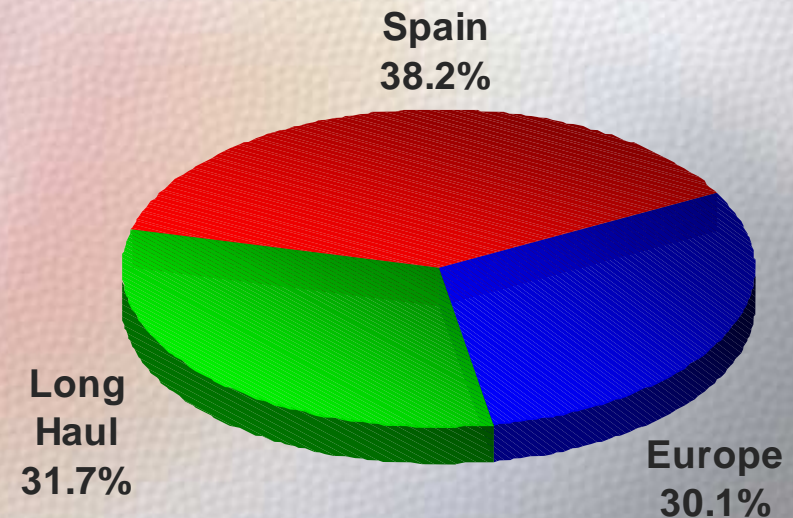
# *Iberia - A Focus on Passenger Transportation in Three Strategic Markets*



**Contribution to Revenues by Activity 2001**



**Contribution to Passenger Revenues by Region 2001**





## *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

## *Europe - Latin America Market Share Evolution*



	Jan / Dec 01
<b>Iberia</b>	<b>15.8</b>
<b>Air France</b>	<b>10.9</b>
<b>British Airways</b>	<b>9.6</b>
<b>KLM</b>	<b>9.2</b>
<b>Lufthansa</b>	<b>8.3</b>
<b>Rest Companies</b>	<b>46.2</b>

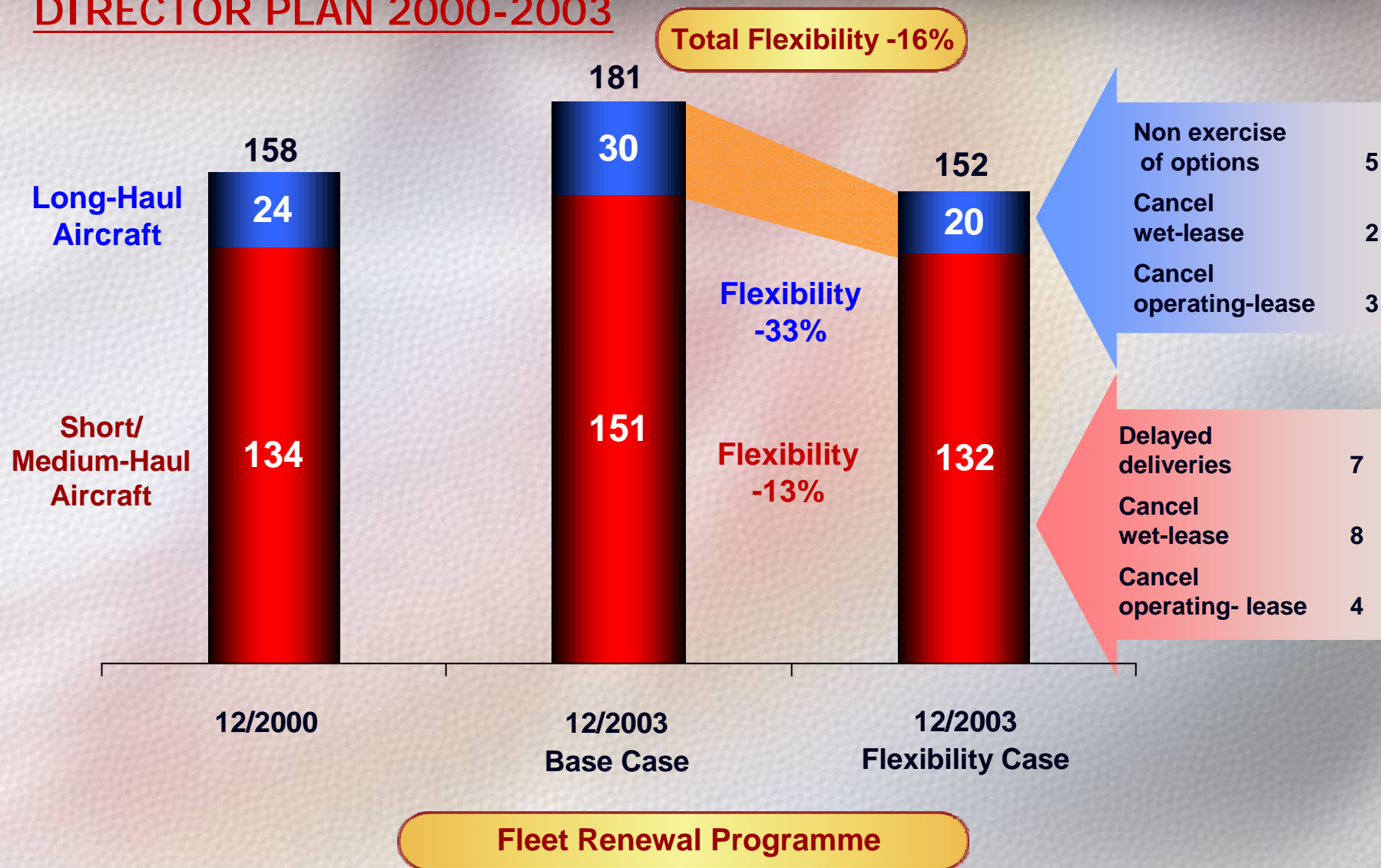
- Iberia continues to improve its leadership as the preferred carrier between Europe and Latin America (+0.7 p.p in Jan-Dec over the same period 00)
- Our Market Share in premium traffic has increased 1.7 p.p.



# Flexibility to Adapt Capacity to Market Conditions



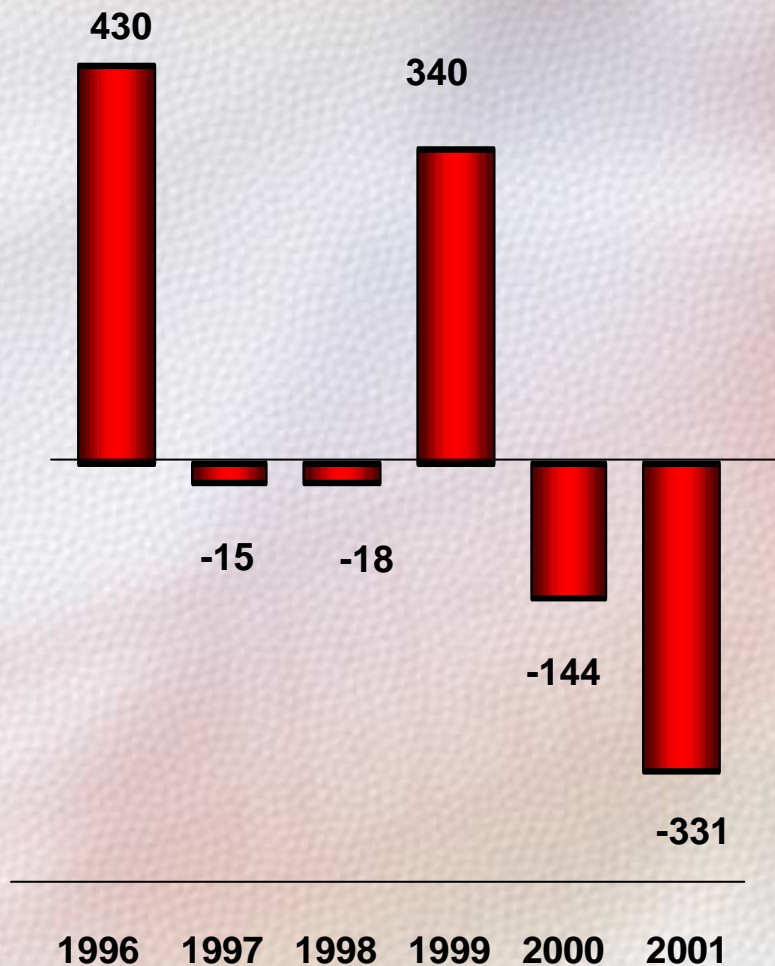
## DIRECTOR PLAN 2000-2003



## Strong Balance Sheet



### Net Financial Debt (Euro Mill.)

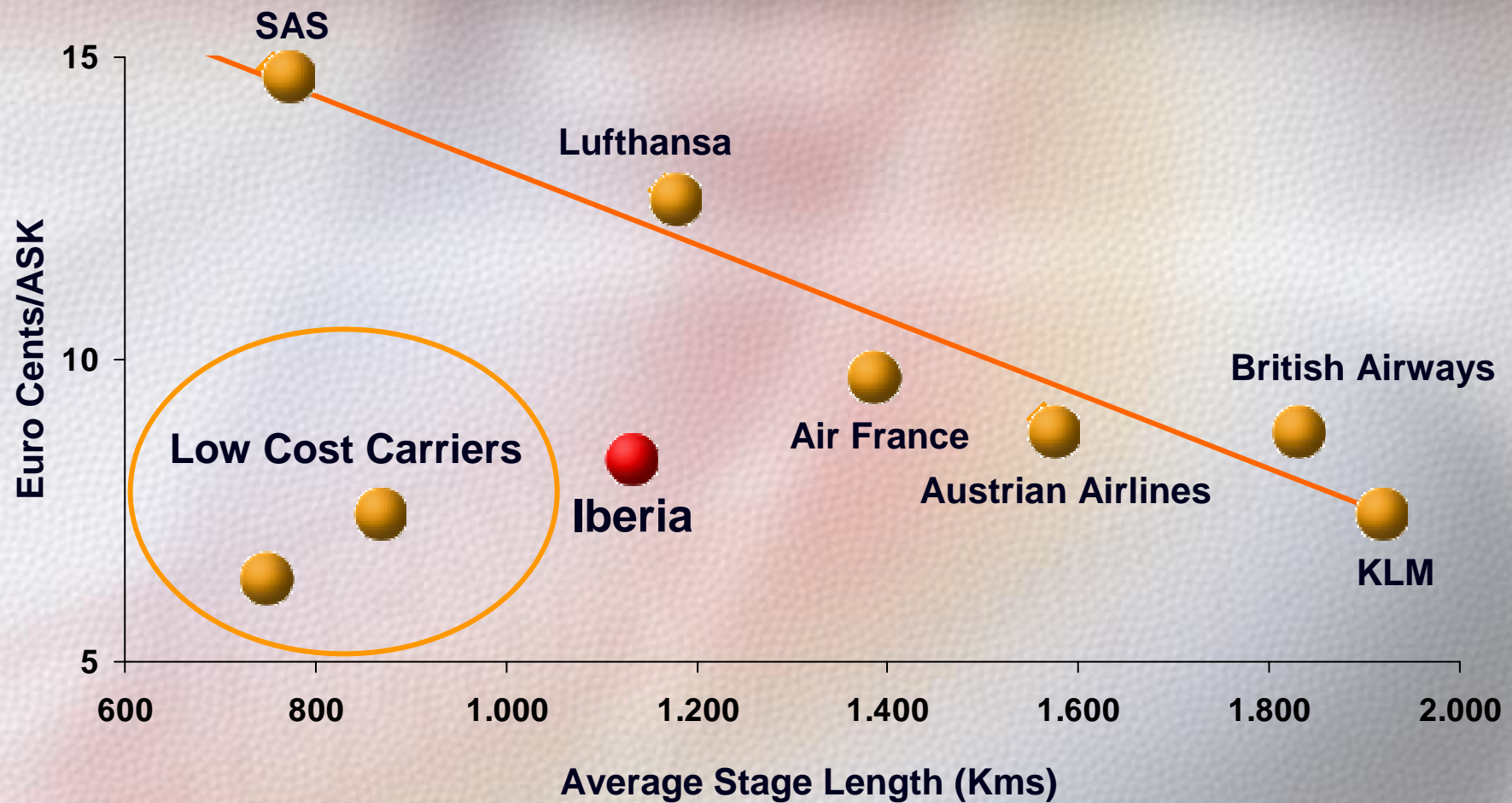


Cash position amongst  
the strongest in the  
sector

■ Cash position 960 MM/Euro

■ Days of Cash 89

## *Unit Costs Significantly Below Industry Average*



Date for period January - September 2001, except Ryanair and Easyjet fiscal year 2001.



## *Labour Agreements Already Signed*



	Term	Expiry Date
Ground Personnel	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 profitability

Results of the arbitration ruling

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

2001



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## *2001 Annus Horribilis*



Q1

- Privatisation when markets falling

Q2 July

- Pilots strike and arbitration

11th Sep.

- Drastic reduction in traffics
- Increase in costs: security, insurance

Q4

- Confirmation of economic recession in some countries

**And yet...Iberia closes 2001 with  
operating and net profits**



## *Highlights 2001*



■ Passenger Revenues increased by 5.6%

■ Positive EBIT, Ordinary Income and Net Income

■ Improvement of market shares in our strategic markets Spain/ Europe and Europe/Latin America

■ Unit costs down in spite of the increase in insurance and security costs

■ Completion of short and medium haul fleet renewal

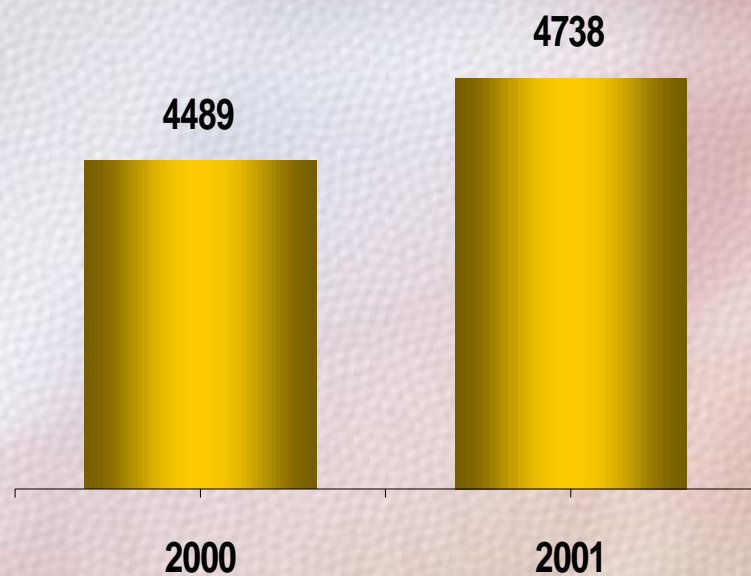
■ Quick implementation of the Anti Crisis Plan after September 11th

## *Positive Evolution of Revenues and EBITDAR Despite Difficult Environment*



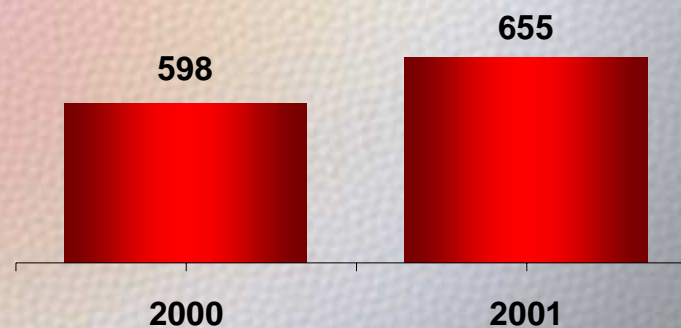
**Revenues (Euro Mill.)**

**+5.6%**



**EBITDAR (Euro Mill.)**

**+9.5%**



**EBITDAR Margin : 13.8%**  
**Ordinary Income : 31 Euro Mill.**  
**Net income: 50 Euro Mill**

## *Market Share Evolution*



	Total	pp 2000	Business	pp 2000
DOMESTIC	66.4	-4	80.1	-3.2
SPAIN EUROPE	35.3	+0.4	38.5	+1.1
EUROPE- LATINAMERICA	15.8	+0.7	15.6	+1.7



## *New Fleet and Improved Maintenance Will Drive Asset Productivity*

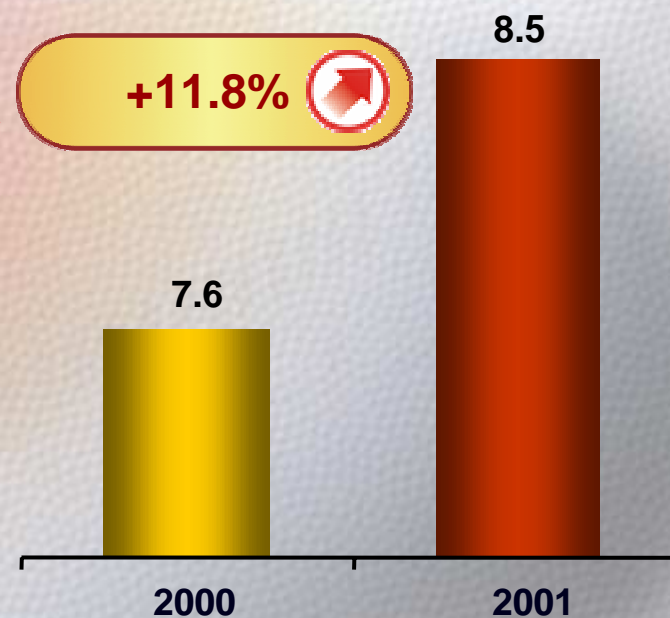


### Aircraft Families

	1997	2000	2001	LT Target
Operated by Iberia	10	9	6	4
Average Age	13.1	9.1	7	7

### Block Hours/Aircraft per day

+11.8%



Iberia L.A.E. data

# *Increasing Personnel Productivity*

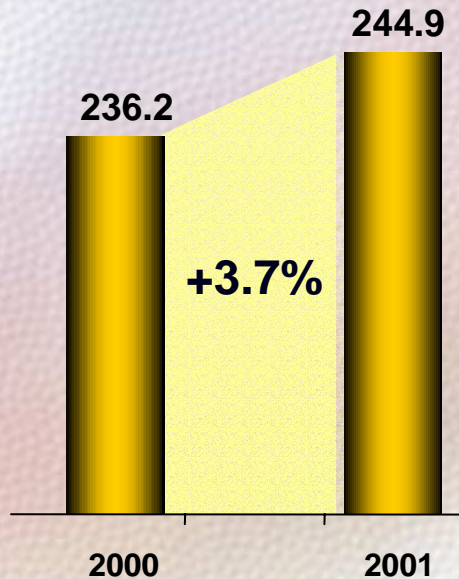


## Technical Crew

- Decrease training hours of pilots
- Improve scheduling for in-flight personnel

## Block Hours/Pilot

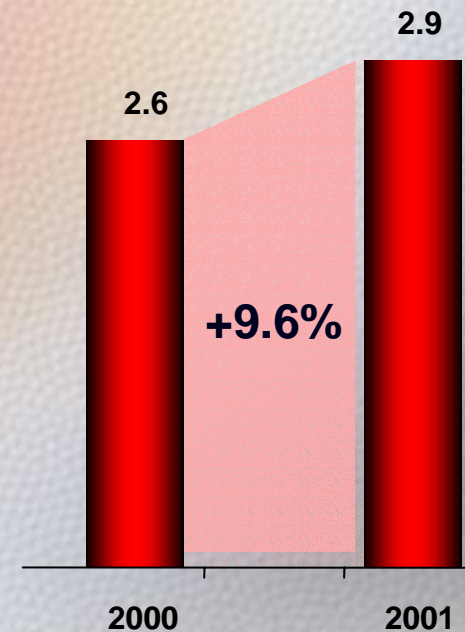
Block Hours  
per Pilot



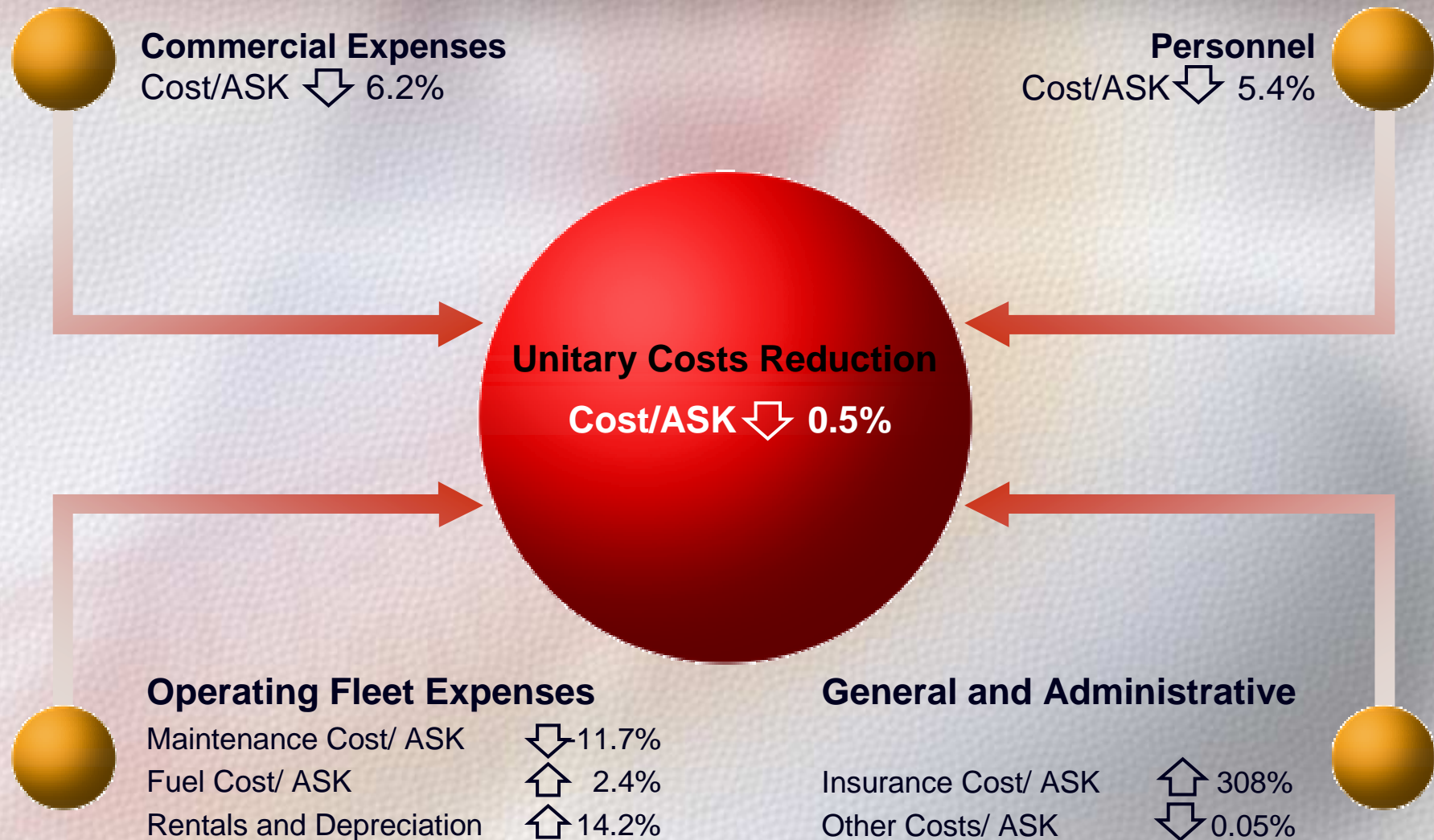
## Ground Personnel

- Headcount reduction (Social Plan)
- A more flexible labour framework

## ASKs/Ground Personnel



# Ambitious Unit Cost Reduction 2001 / 2000





# *11th September Aftermath- Anticrisis Plan*



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## *Latin America less affected by 11th September*



Market Growth 2001 / 2000					
	Jan-Aug	Sept	Oct	Nov	Dec
EUROPE- LATINAMERICA	+ 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

## Reduction in Capacity



### ASK

The reduction in capacity began in November 01:

- -12% in 2002 versus budgeted (Director Plan)

	Target 2002 ASK
Domestic	-11.8%
Europe	-7.7%
Intercontinental	-0.2%
Total	-5.0%

### Number of Aircraft

- Cancellation of wet leases
- Cancellation of 2 B-767 on operating lease
- Retirement of 6 A-300
- Delay deliveries of 1 A-340, 8 A-320 and 5 A-321



Year end 02	Vs Budget	Number of aircraft
143	173	-17%



# *Aggressive Cost Cutting Program*



## 10% Headcount Reduction

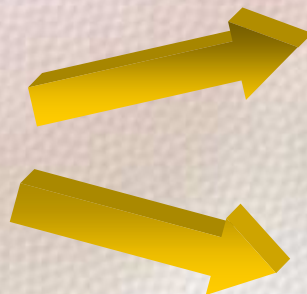
- Iberia Social Plan approved by Labour Authorities: 2.515 employees
- Total Staff reduction 2.800 employees

■ Estimated savings 100 - 150 MM/ Euro

■ Cost of the plan 240 MM/ Euro (Provided at Dec 01)

## General Costs Cutting Programme

Target



5% 2002

54 MM/ Euro

10% 2003

108 MM/ Euro

## *Working Capital Improvement Plan*



Iberia's cash position reaches 960 MM/Euro and will be maintained through 2002

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 others)

Investment Plan Revaluation: 69MM/Euro in 2002 compared to 458 MM/Euro initially budgeted

## *Impact of the Plan*



### **Impact of the Plan over 2002 previous growth scenario -12% capacity reduction**

**Savings in costs due to lower  
traffic and capacity reduction**



**-580 MM/Euro**

**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**



## *Flexibility in the Case of a Recovery*



■ **Planes: Up to 10 A320 immediately**

■ **Pilots: Available for additional medium haul planes.**

## *Investment Highlights*



- **Unique Strategic Position**
- **Unit cost significantly below industry average with further scope for reductions**
- **Flexibility and robust balance sheet**
- **Strong potential for EBITDAR growth**
- **Track record and commitment to delivering value/cultural change**