



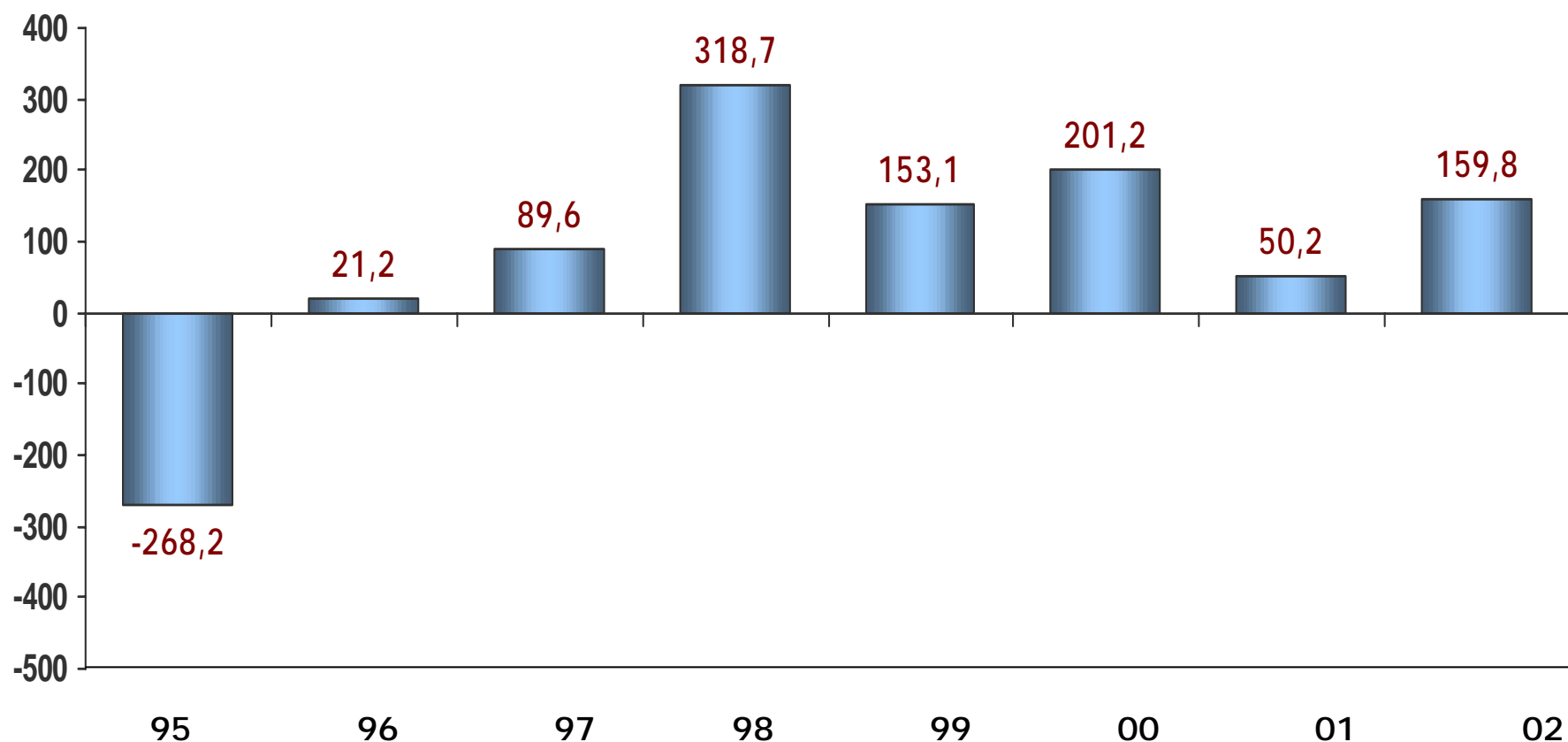
Presentation

November 2003

Competitive Strengths

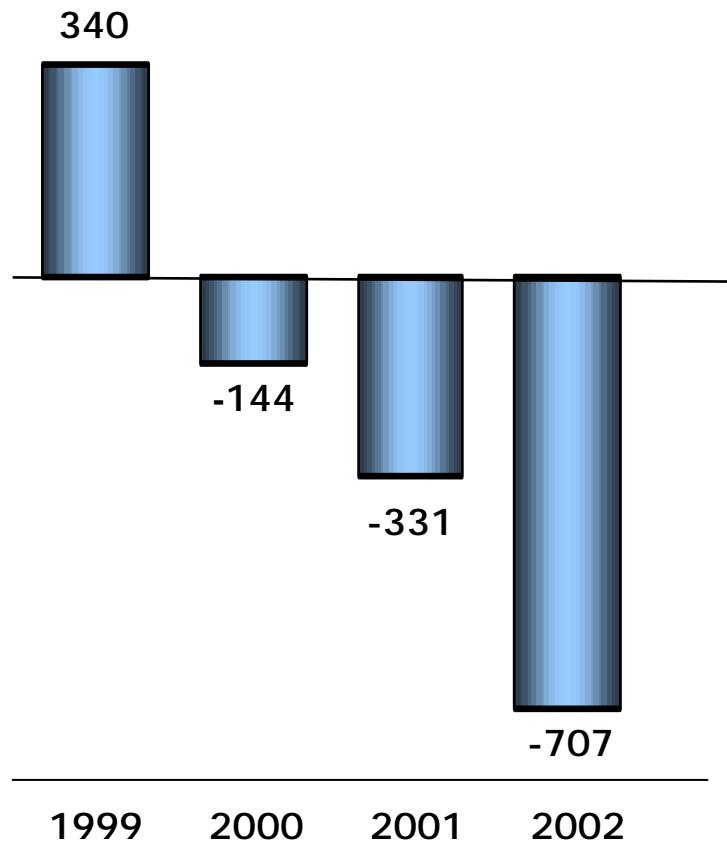


Iberia Net Results (Million €)



Strong Balance Sheet

Net Financial Debt (Euro Mill.)



Strong Cash Position
September 2003
1,170 MM/ Euro



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

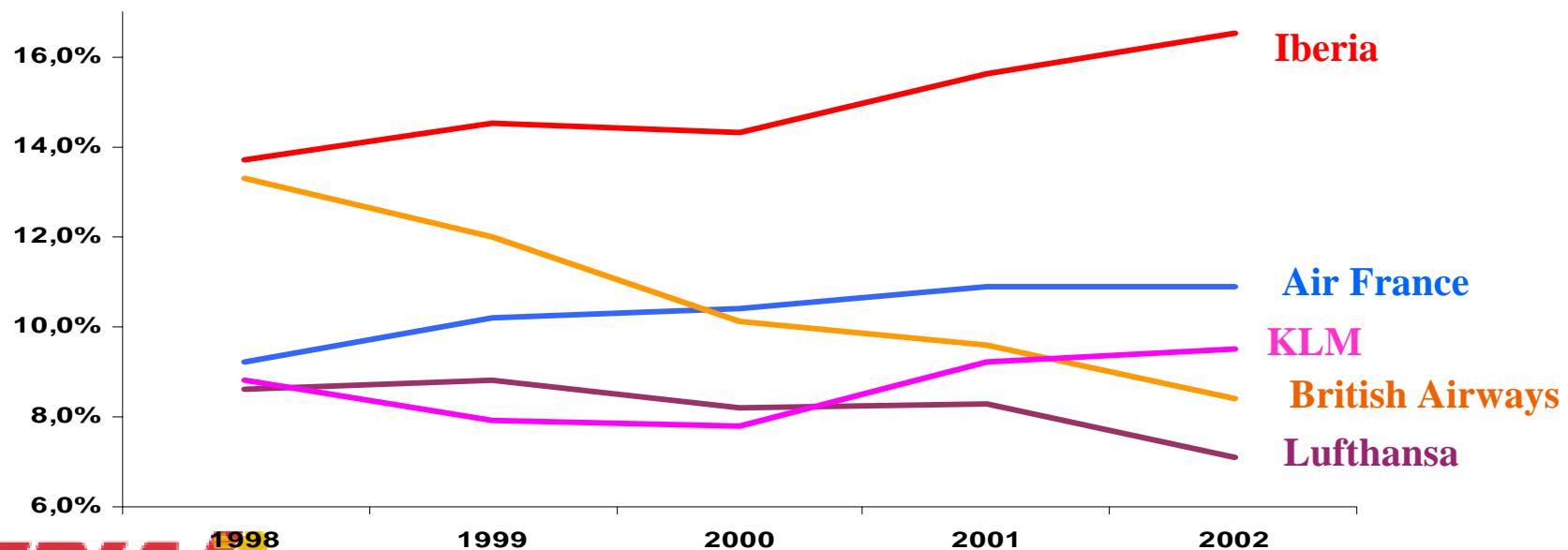
Leadership in the Europe-Latin America Market

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



January-September 2003



Iberia´s Reaction

Strategic

- First year of execution of the Director Plan 03-05

Tactical

- Capacity adjustment
- Cost control
- Implementation of new revenue management model



Capacity Adjustment

January-September	ASK	RPK	L.F.
Domestic	0.4%	3.0%	1.8 p.p.
Europe	0.6%	-1.2%	-1.2 p.p.
Long Haul	-1.9%	2.4%	3.4 p.p.
Total	-0.7%	1.6%	1.7 p.p.

- Implementing additional operational flexibility in the long range fleet
- Delaying deliveries of new planes
- Linking lease rents to utilisation

Operating Revenues

January-September 2003/2002

Total Operating Revenues	-3.2%
Passenger revenues	-6.2%
Cargo revenues	-4.5%
Handling	+16.6%
Maintenance	+22.0%
Commercial	+14.3%
Others	+11.7%

Revenue / ASK -2.5%



Operating Costs

January-September 2003/2002

Total Operating Costs	-0.5%
Personnel Costs	+3.0%
Commercial Costs	-12.6%
Fuel Costs	+4.0%
Aircraft Rentals + Amortisations	-3.9%
On-board Service	-22.3%
Insurance	-40.5%
Navigation Aids + Traffic Charges	+4.0%

Cost / ASK 0.2%



Unit Cost Evolution 03/02

Cost / ASK

Q1

+4.4%

Q2

-0.4%

Q3

-3.7%

Positive Results

January-September 2003

Revenues	3,443
Ebitdar	533.5
Ebitdar Margin	15.5%
EBIT	135.2
Ordinary Results	146.7
Net Income	108.7

Data in million €



Outlook

- We expect a slight improvement in the revenue trend in the last quarter
- The actions already implemented will produce a cost reduction in the last quarter of the year that will allow unit costs to be lower with respect to last year
- Our Cash Flow and Balance Sheet position will remain strong for the rest of the year

EBITDAR Margin will be above 14%

Results from Ordinary Activities will be around 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

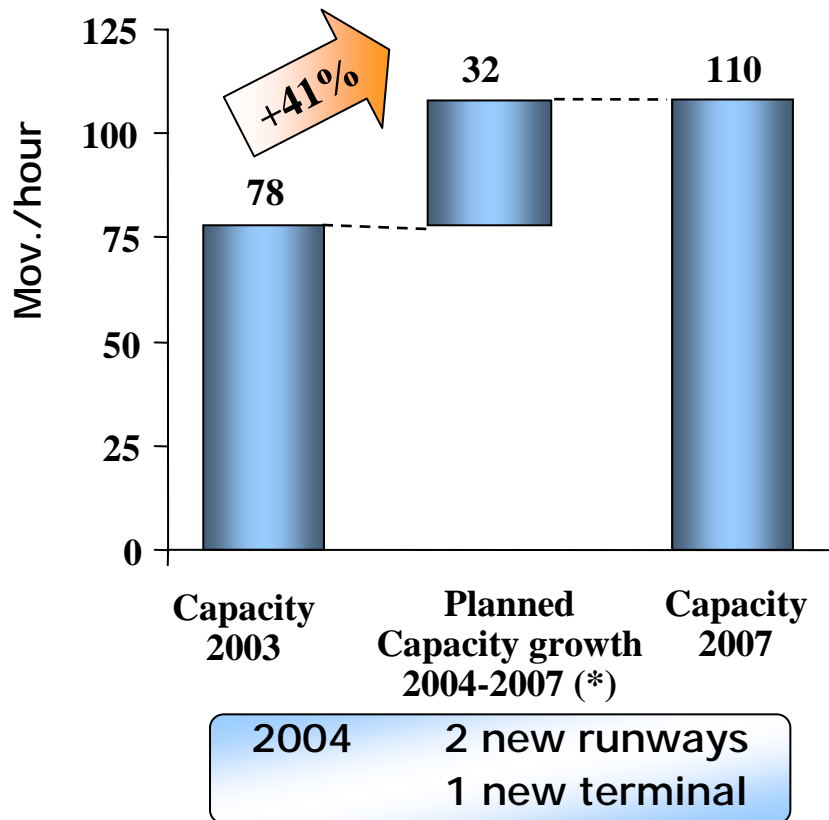


Shareholder Value Creation

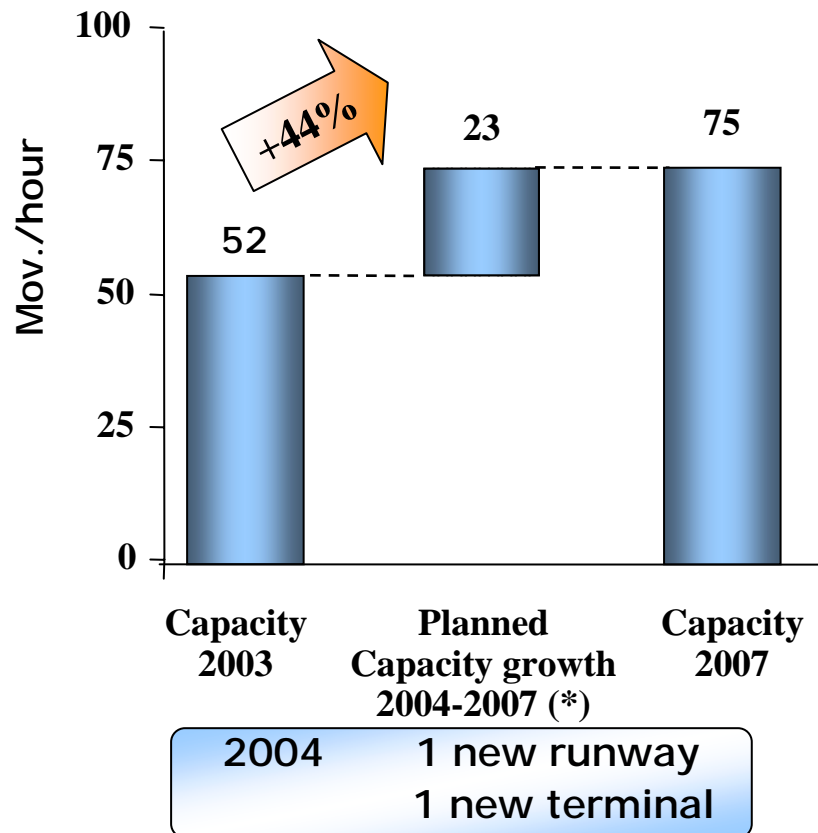
The Expansion in Madrid and Barcelona Will Allow Iberia's Growth

Madrid and Barcelona are among the fastest growing airports in Europe

Madrid expansion to 2007



Barcelona expansion to 2007



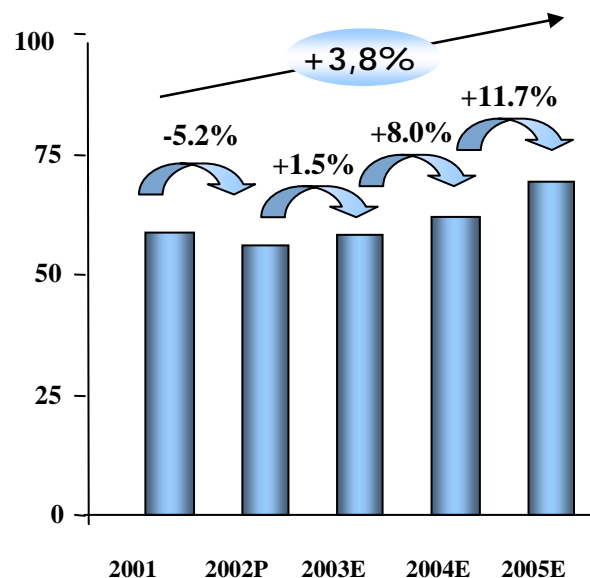
(*) IB forecast



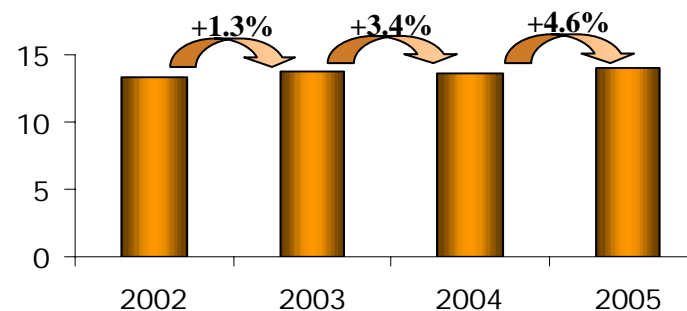
Iberia Will Grow Taking Advantage of the Expansion Capacity of Madrid Hub

Capacity

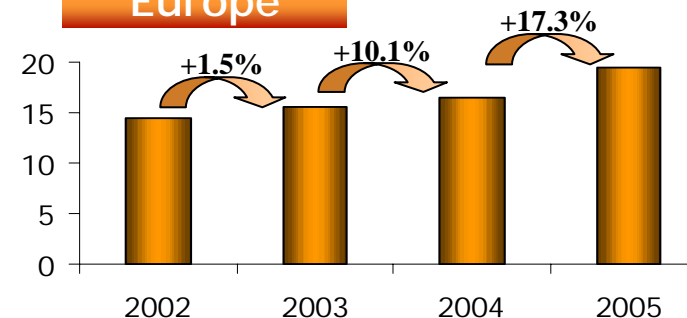
MM ASK's



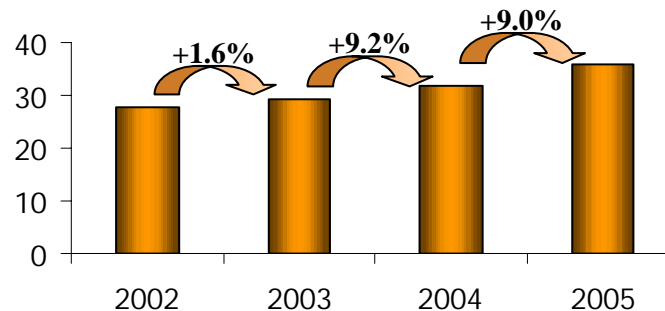
Domestic



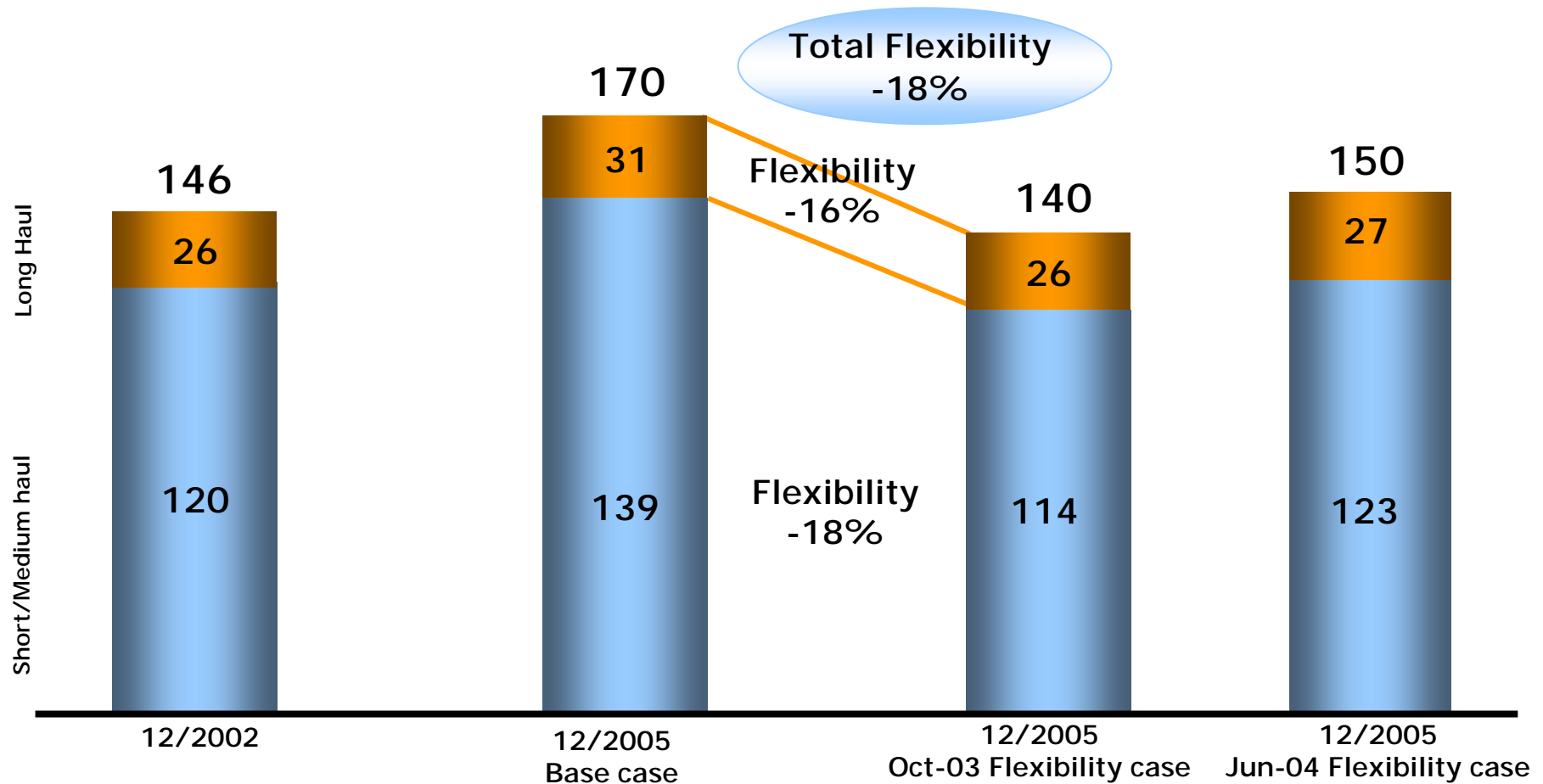
Europe



Long Haul



Flexibility - Remains a Key Tool

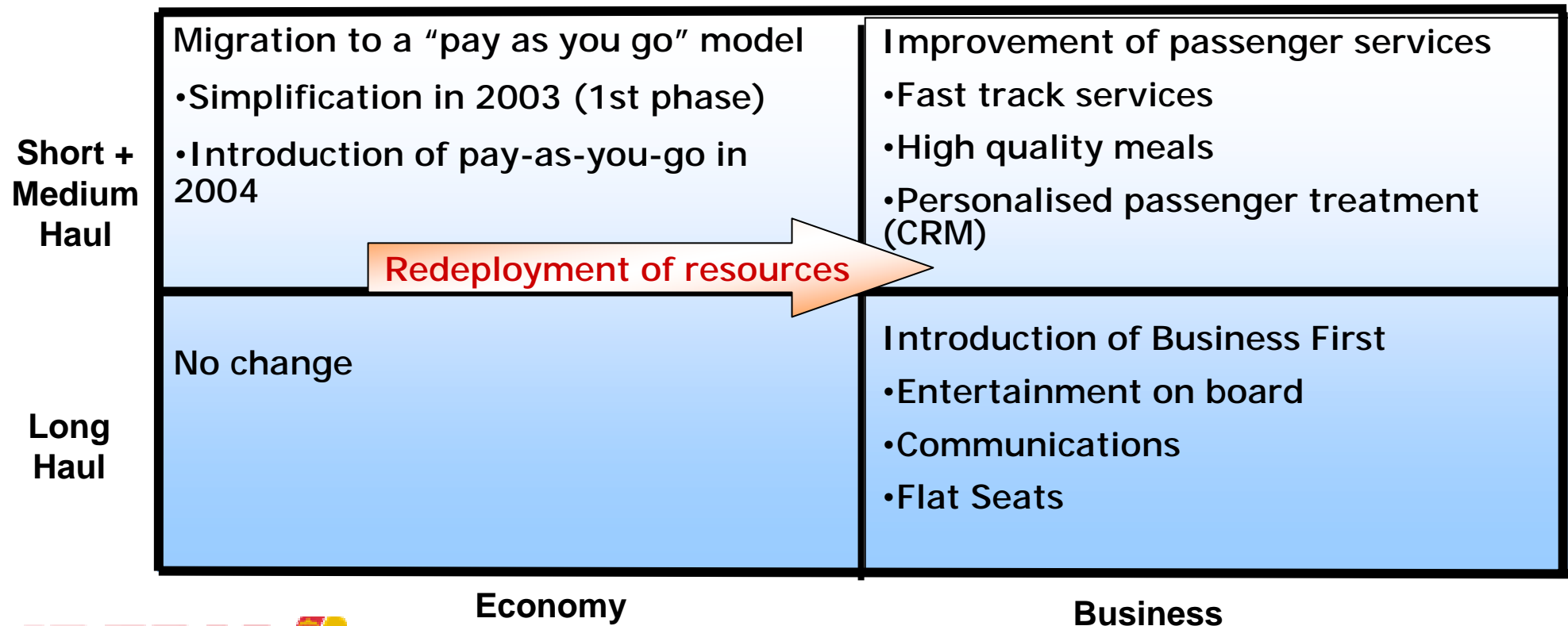


- Non renewal of Operating Leases or non exercise of options
- Cancel new hiring of Wet Leases (starting in 2004)

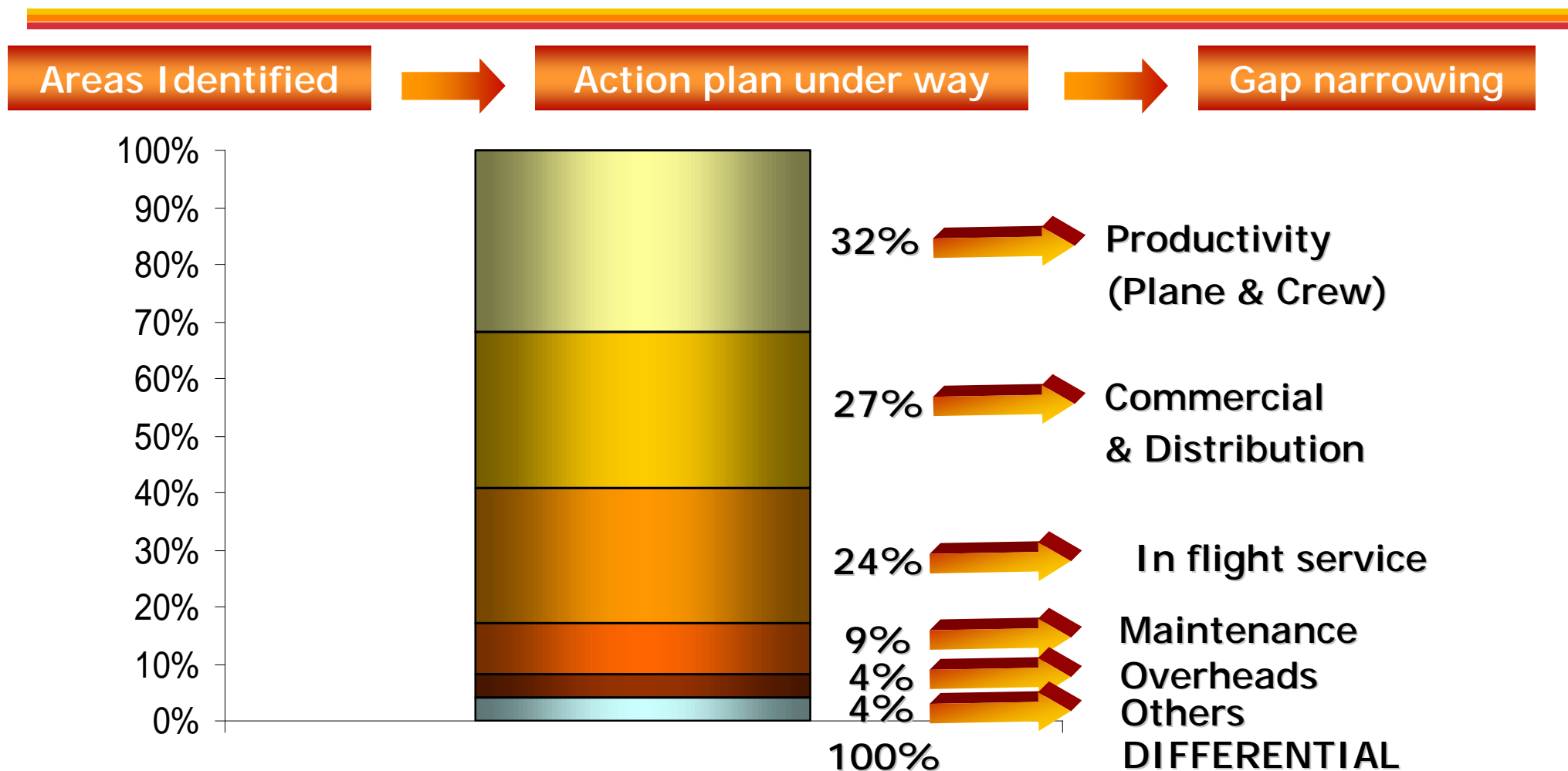
Adapting the Business Model of Iberia. New Products

- 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

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

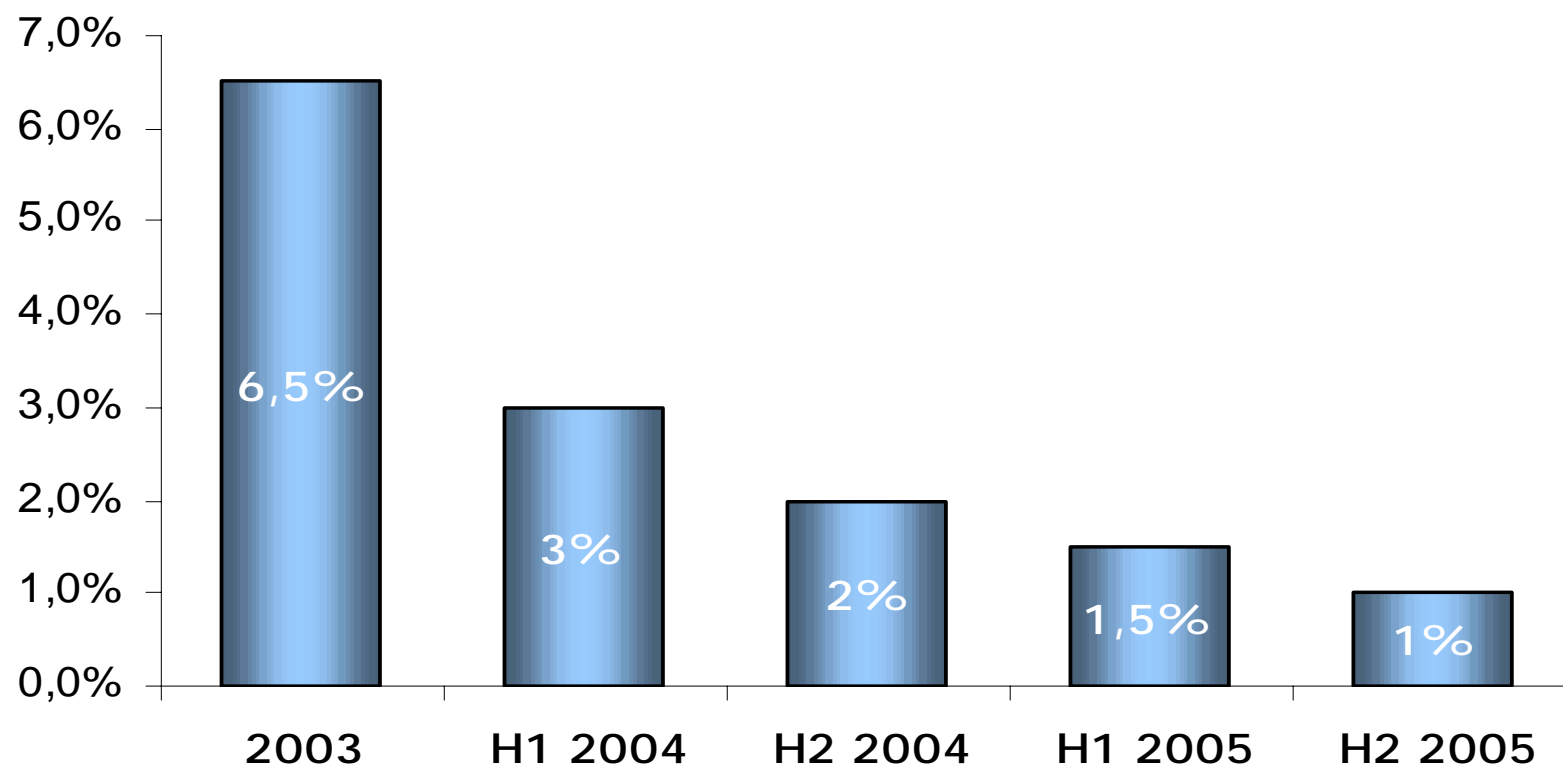
100-110
MM/€



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



New Customer Service

40-50
MM/€



- CRM implementation
- Improved on-board service in business class
- Pay for meal service in medium/short haul tourist class

Other Costs

110-120
MM/€



Improvement in maintenance

- Improve productivity
- New Fleet
- Purchasing policy
- Increase third party revenues

Reduction in other costs

- Reduction in global purchasing costs
- Overhead reduction

Reducing Costs

Impact in 2005 MM/ Euro

Director Plan

Asset utilisation	35-45
-------------------	-------

Personnel costs	65-75
-----------------	-------

Commercial costs	100-110
------------------	---------

Service on board	40-50
------------------	-------

Other costs	110-120
-------------	---------

350-400



Note: Targets of cost reductions over base case 2005

Our Objectives Remain Unchanged

