



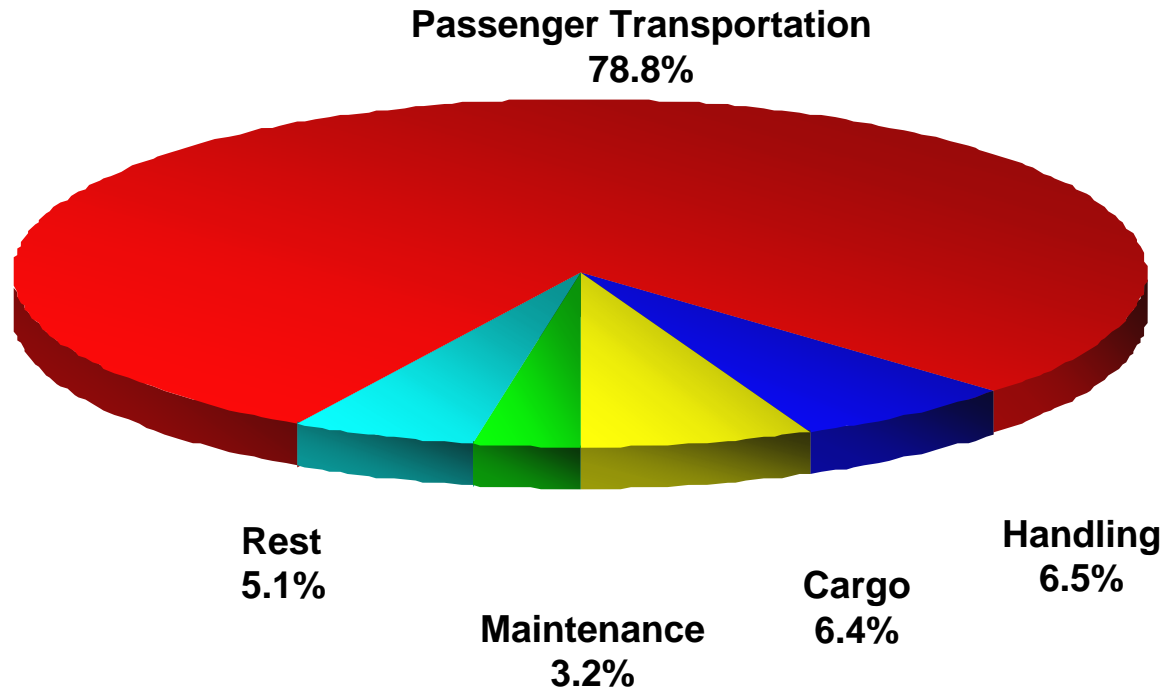
# IBERIA

## Roadshow April 2006



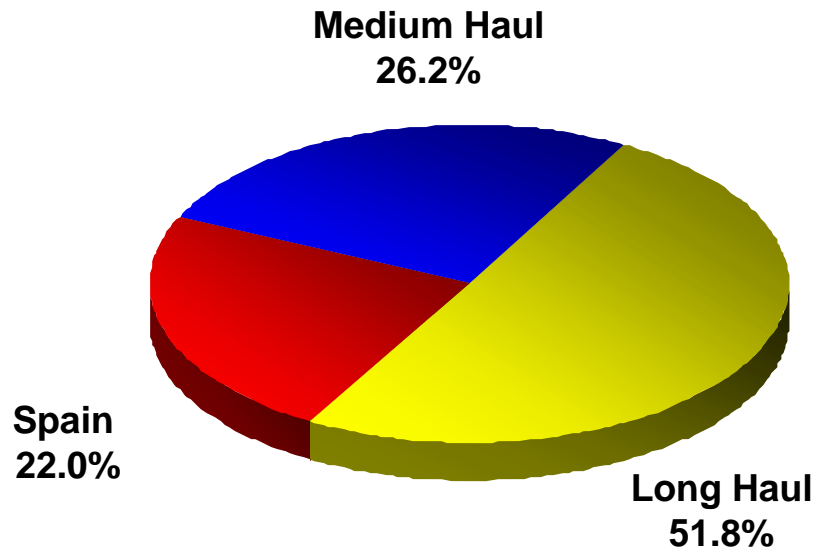
# Contribution to Revenues by Activity

Revenue Distribution 2005

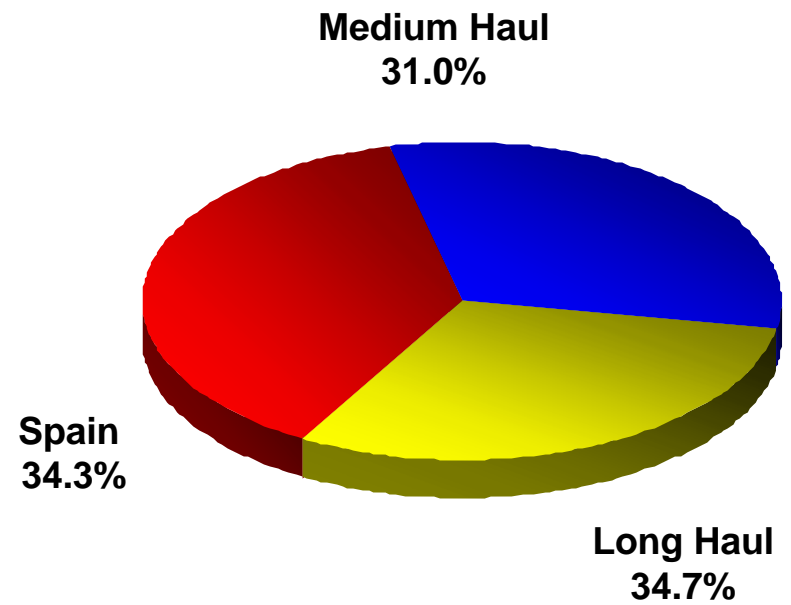


# Passenger Transportation: Three Main Markets

ASK Distribution



Contribution to Revenues



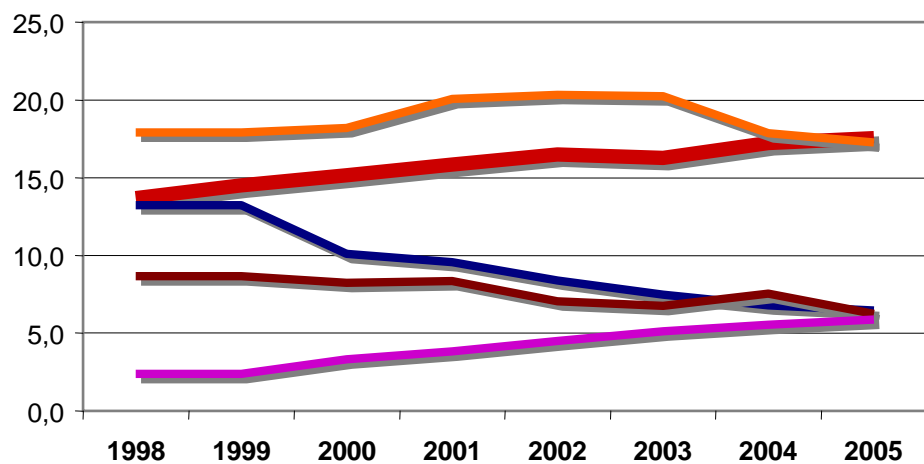


## COMPETITIVE STRENGTHS



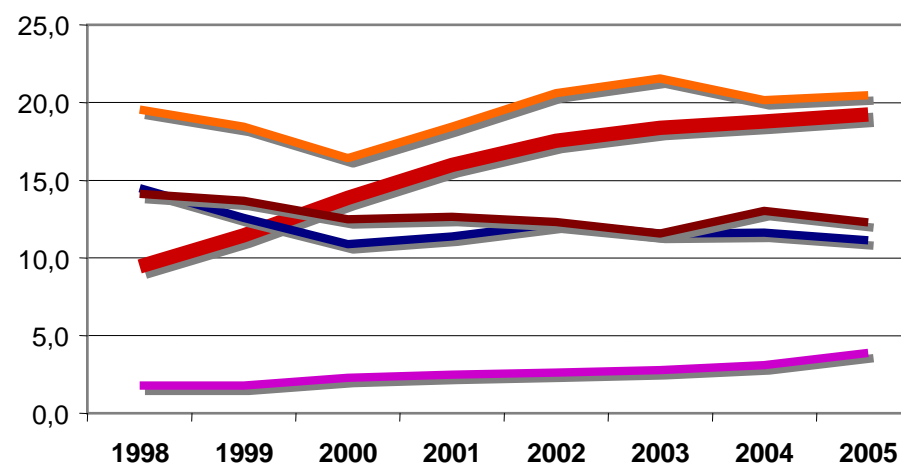
# Market share Europe-Latin America

Europe – Latin America



IB BA LH TP AF+KL

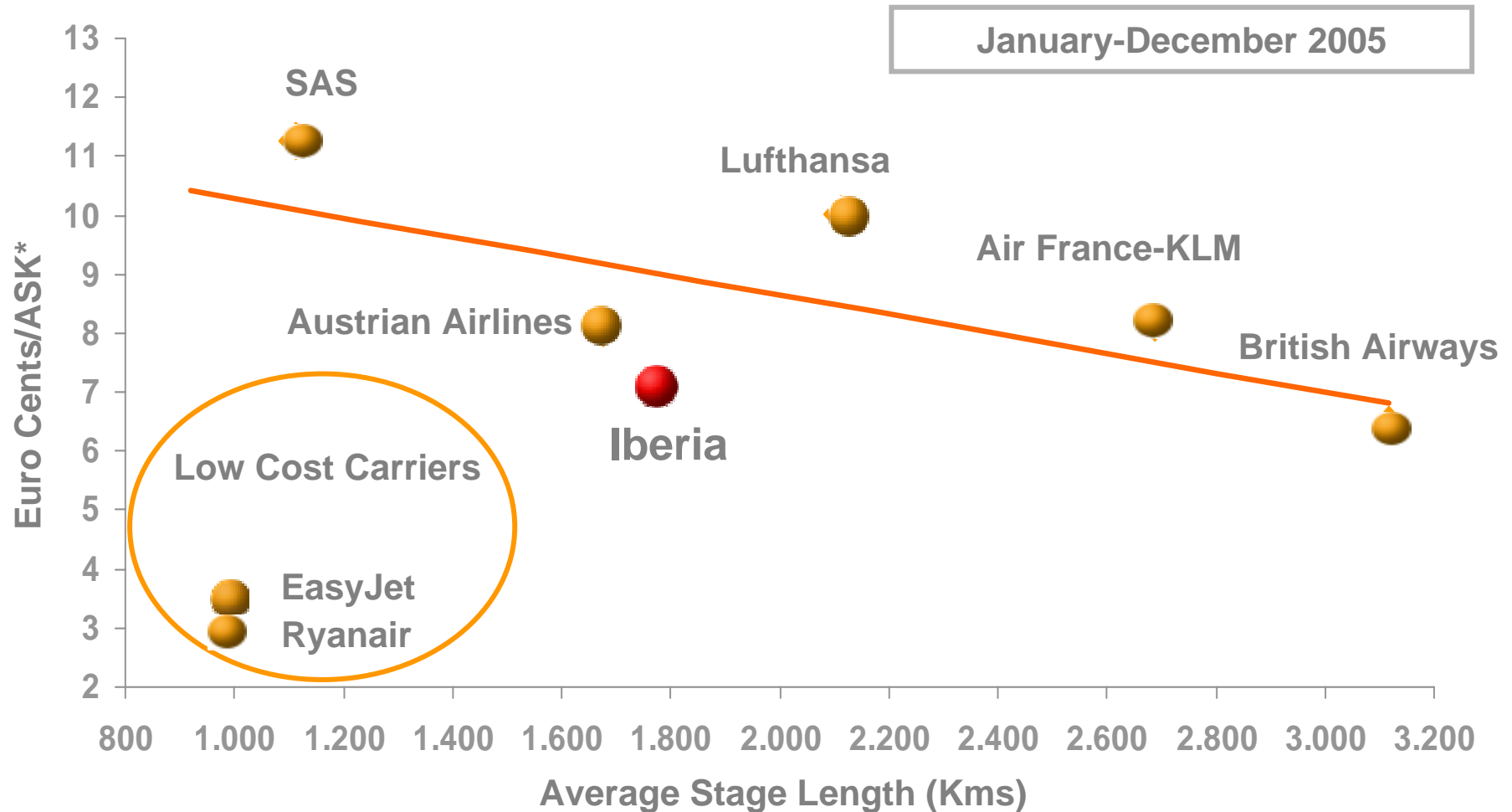
Europe – Latin America Business



IB BA LH TP AF+KL

**Mix improvement:**

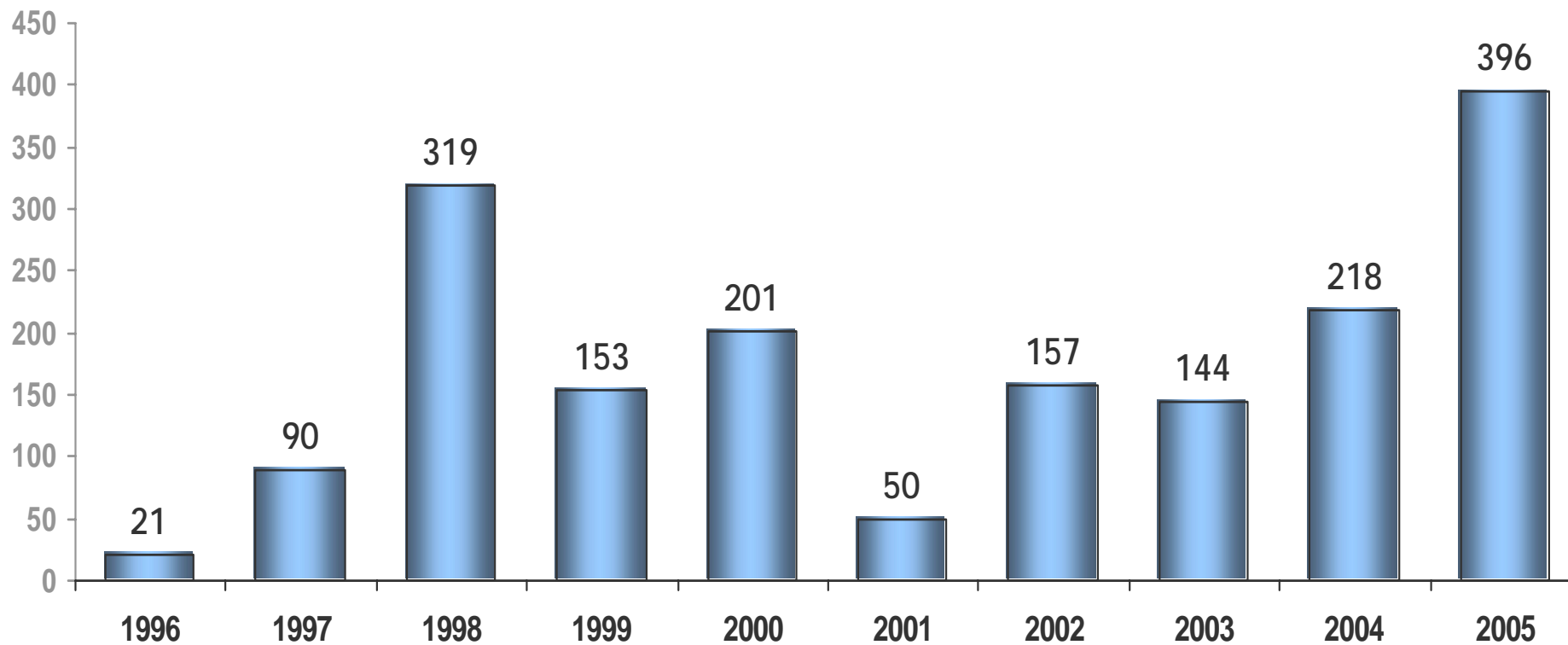
- Premium traffic +13.9%
- Rest +5.2%

**Unit Costs Significantly Below Industry Average**

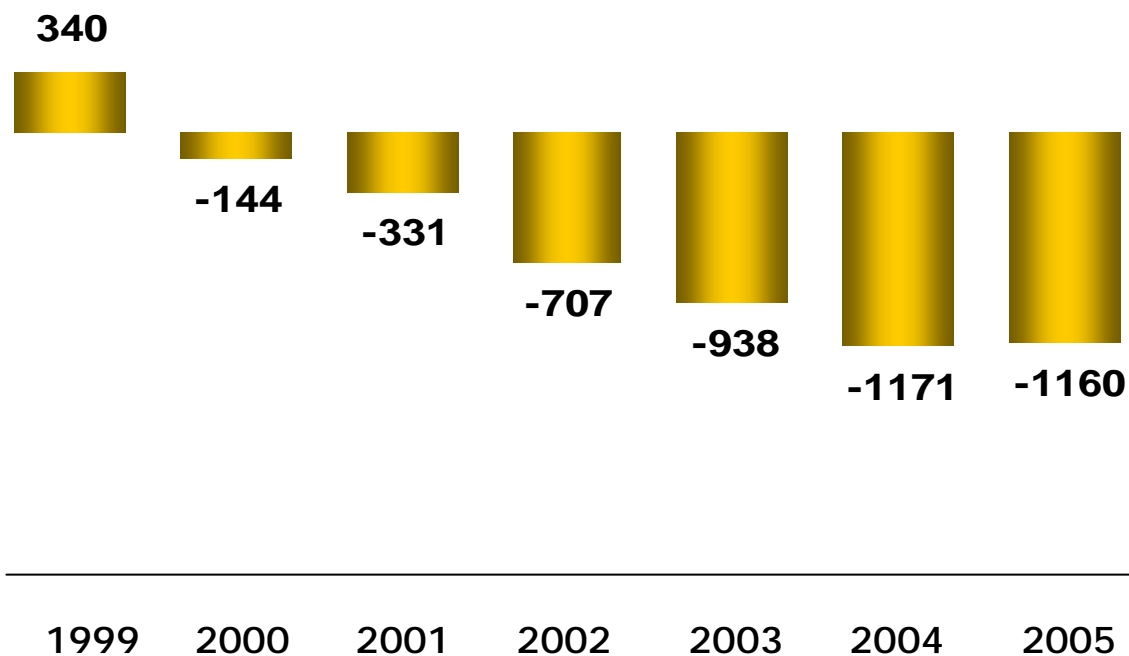
Date for period January - December 2005, except EasyJet fiscal year 2005 (ended September)

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

Ten Consecutive Years of Profits



Net Profit (€ M)

**Strong Balance Sheet****Net Financial Debt (€ M)**

**Gross Cash Position  
December 2005  
2,029.3 € M**

**50% of leverage if we  
include the off balance  
sheet debt**

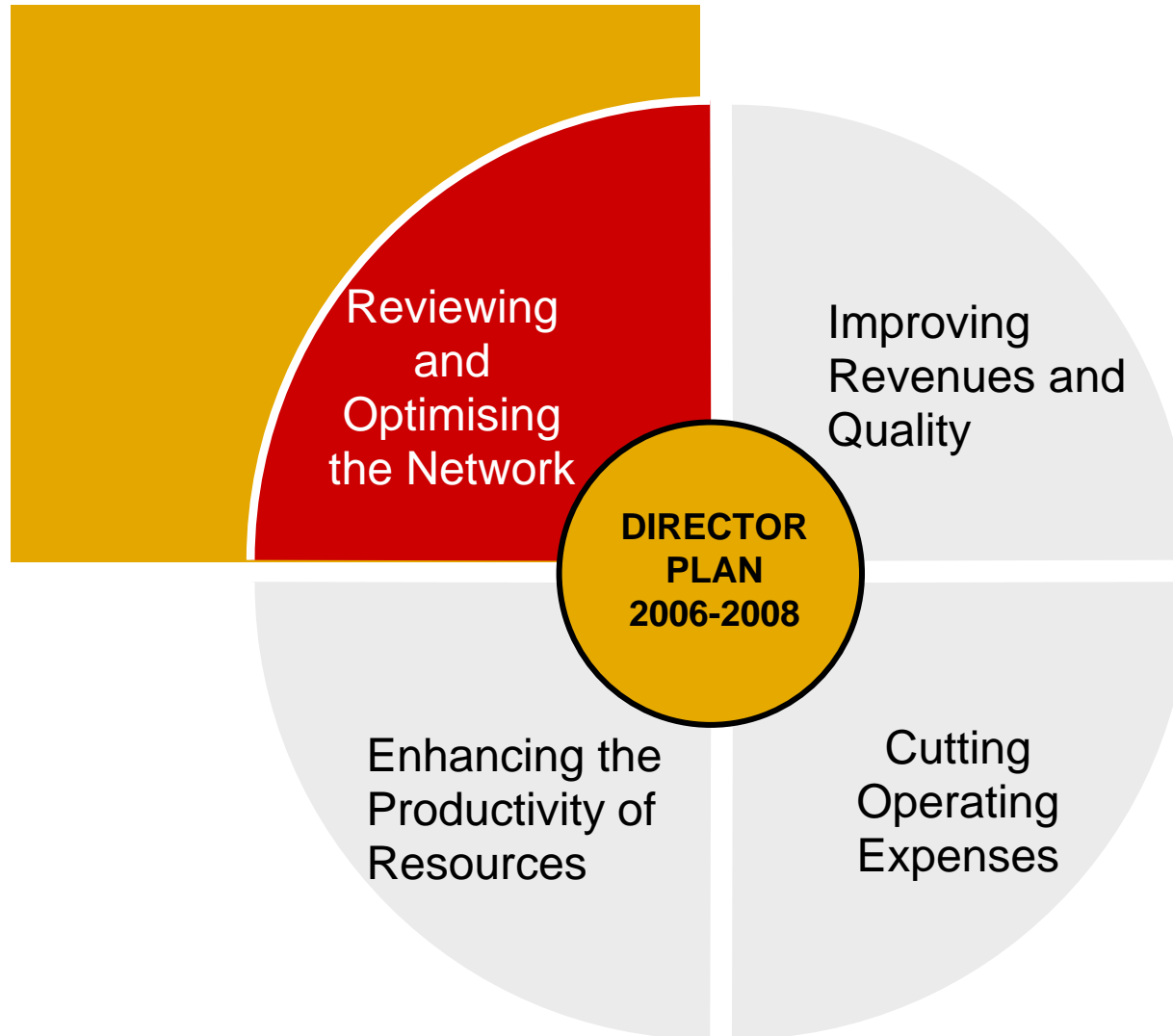




# **DIRECTOR PLAN 2006 - 2008**

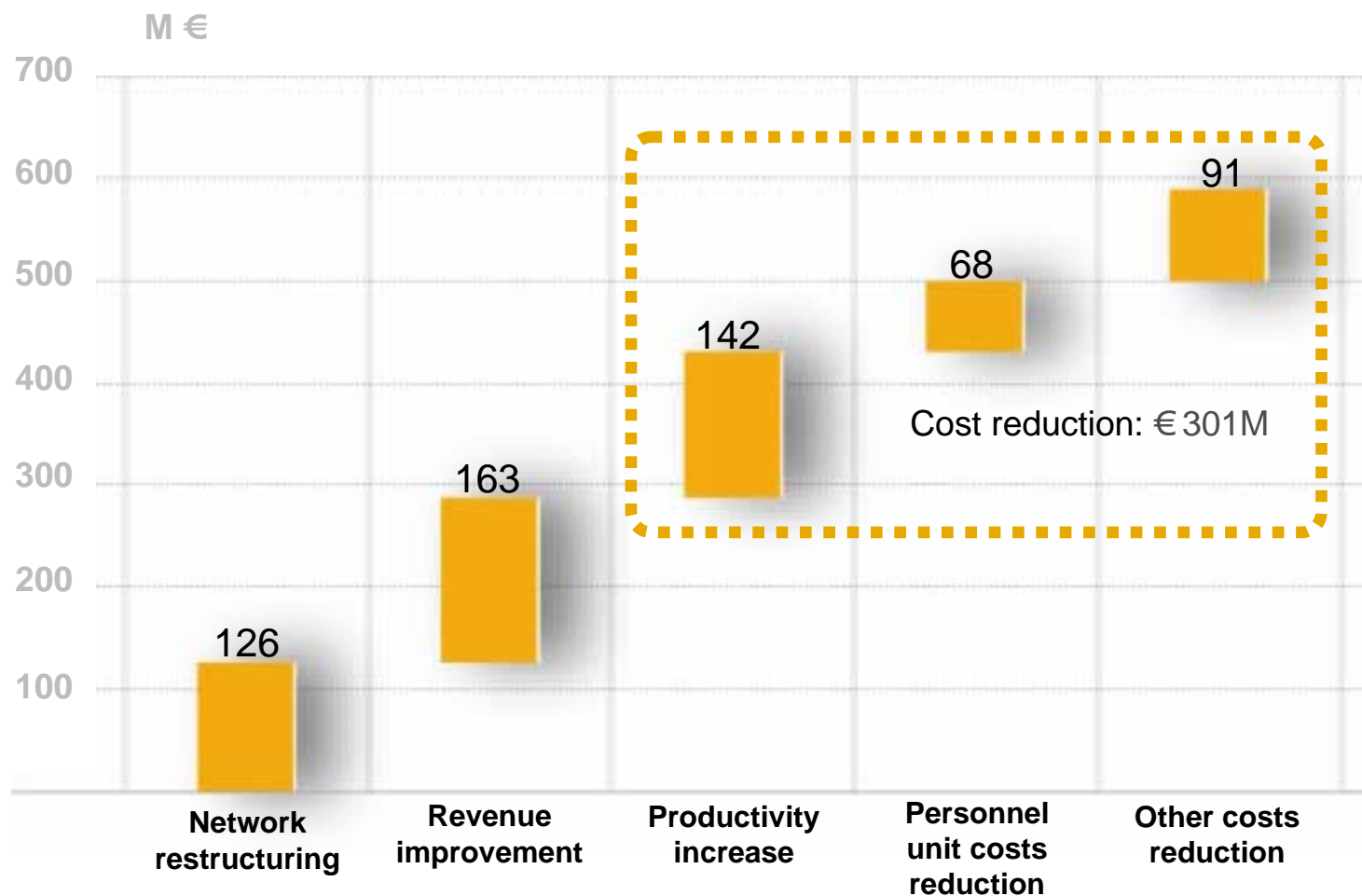


**Pillars of the new Director Plan**



**Director Plan initiatives will maintain profitability**

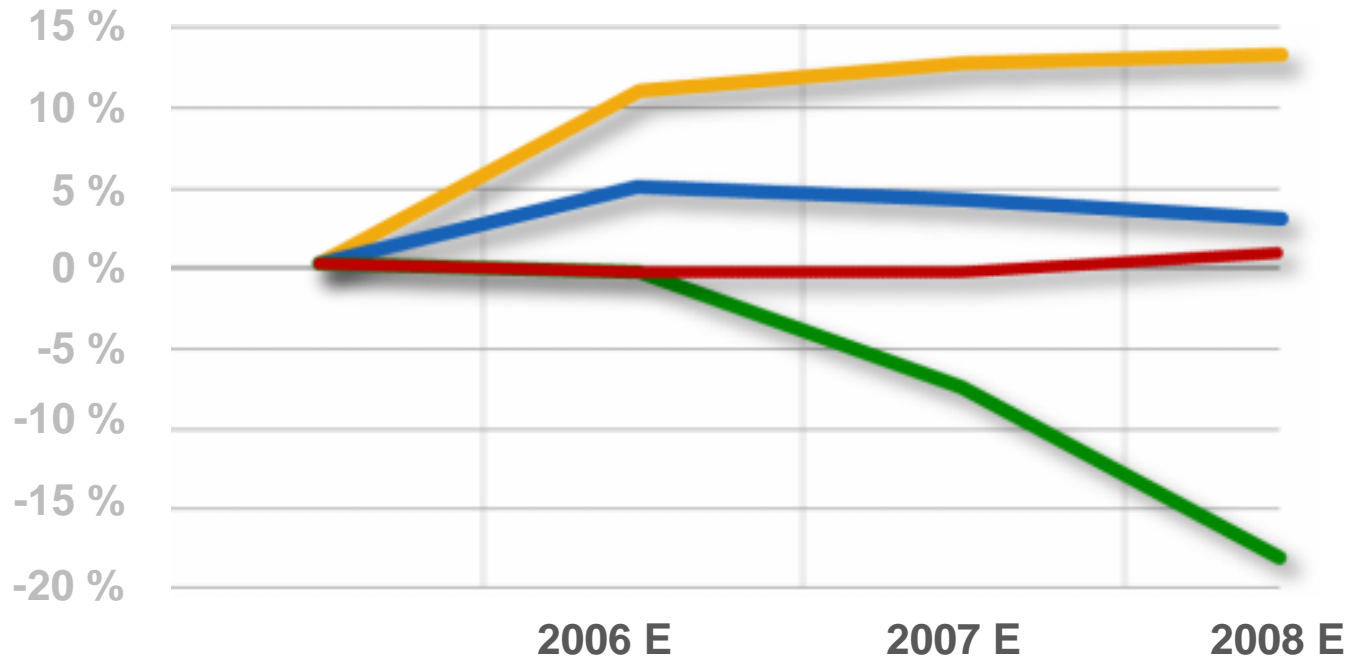
€ 600 M of additional margin in 2008 <sup>(1)</sup>



# Capacity forecast

Accumulated

**% 08/05**

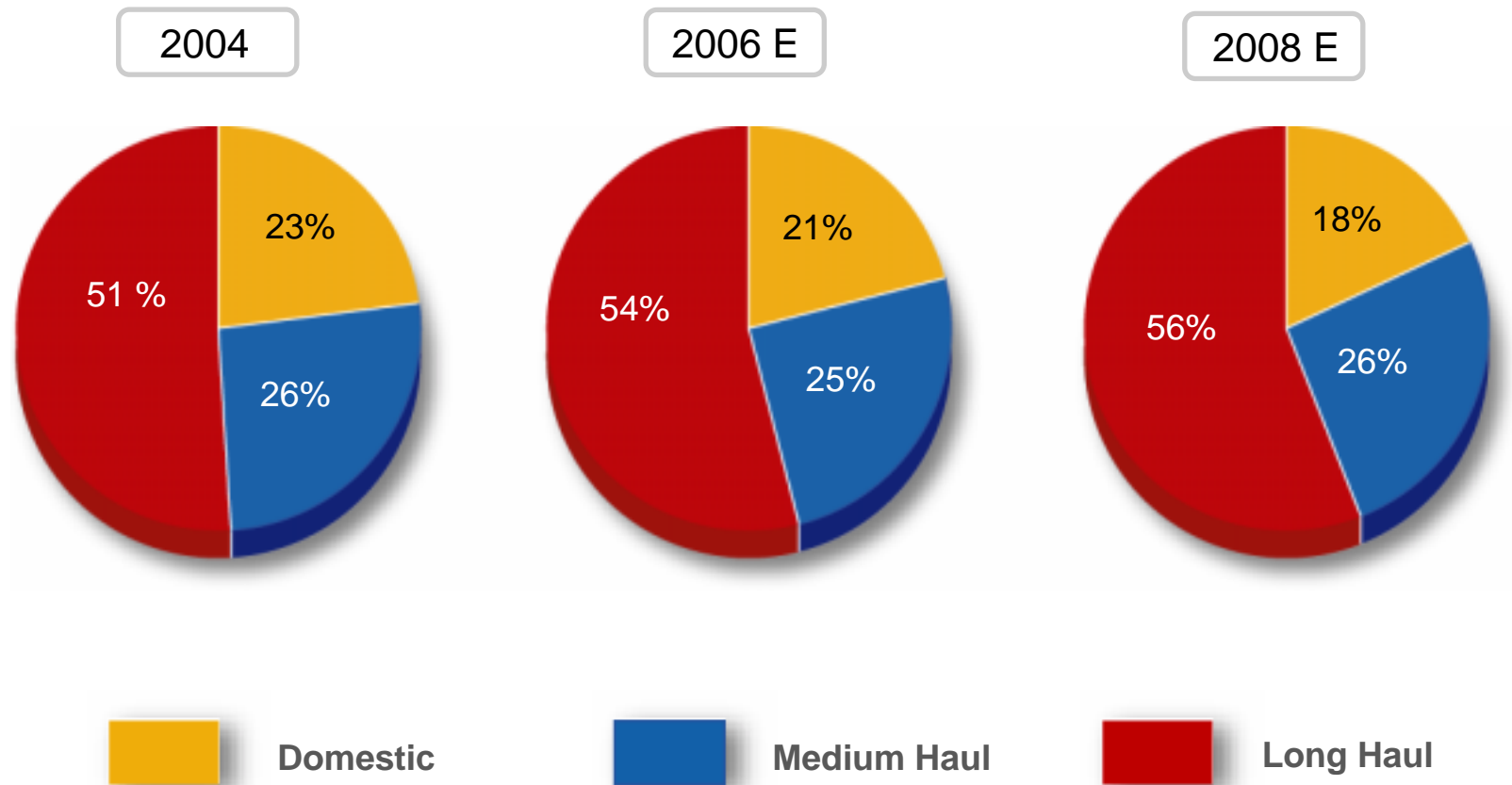


Domestic -17.6%  
Medium Haul +0.7%  
Long Haul +13.0%  
Total +2.8%

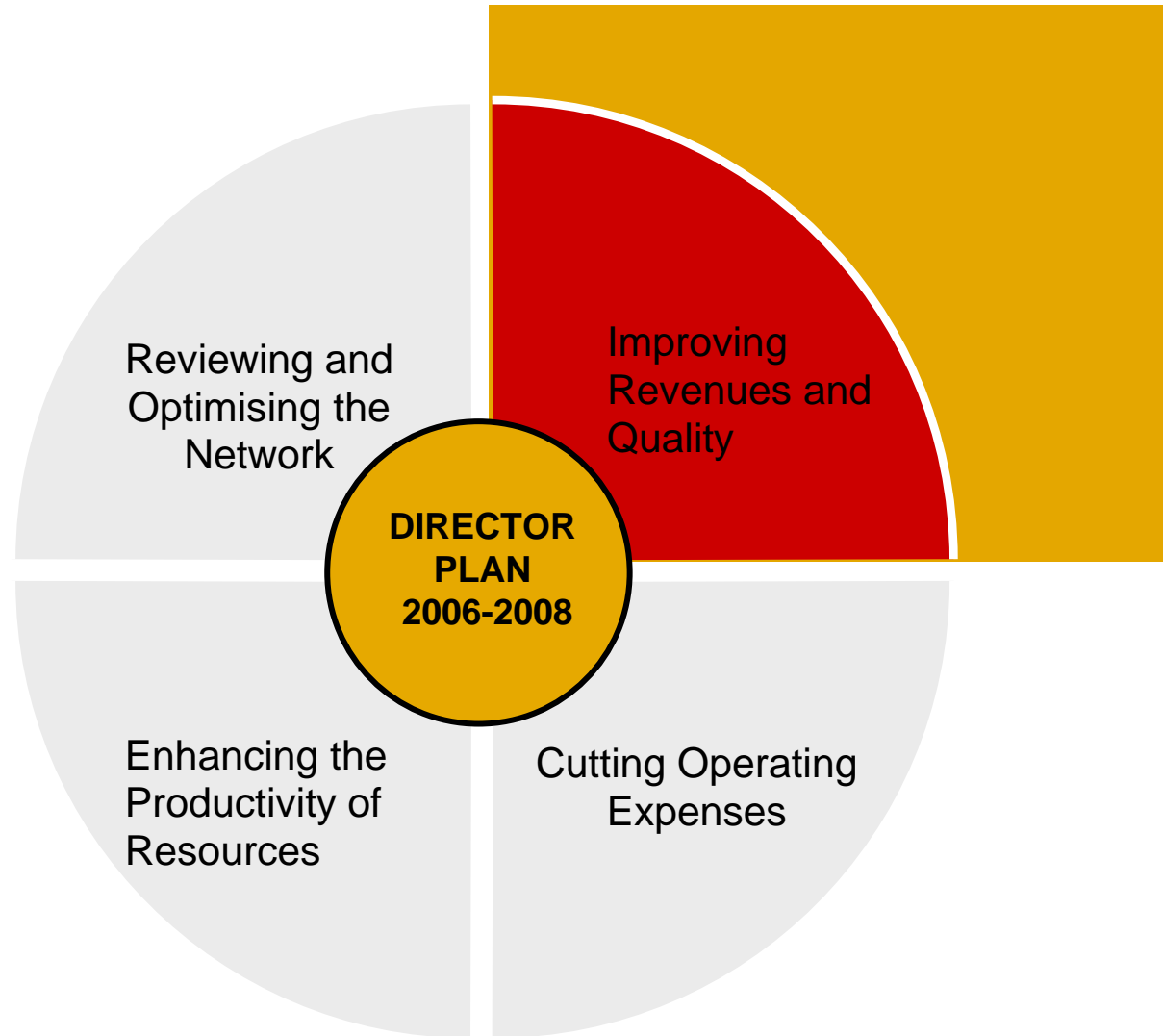


## Long Haul will gradually increase its weight

Strengthening the competitive advantage that the presence in these markets represents for Iberia



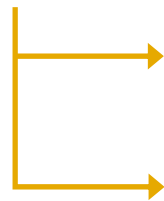
**Pillars of the new Director Plan**



## Improvement of the long haul mix: Business Plus

- Fully implemented in spring 2006, 80% by the end of 2005

- Opportunity to improve:



Long haul mix

Business market share in Latin America

**Targets 2008** + 2.5 pp in business class market share <sup>(1)</sup>

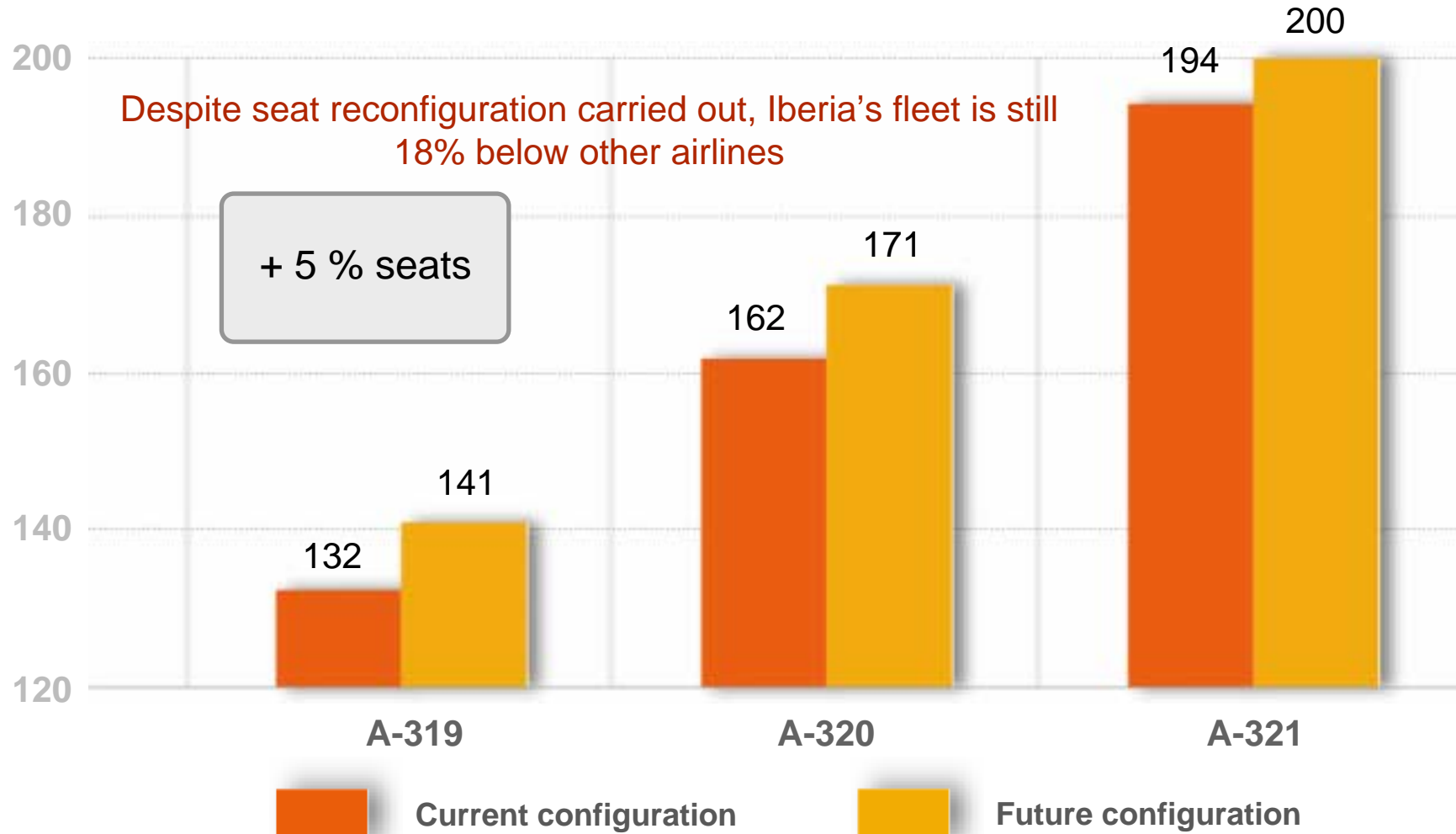
+ 5 p.p. of load factor <sup>(1)</sup>

€ 19 M of additional passenger revenues



(1) Over 2005 E

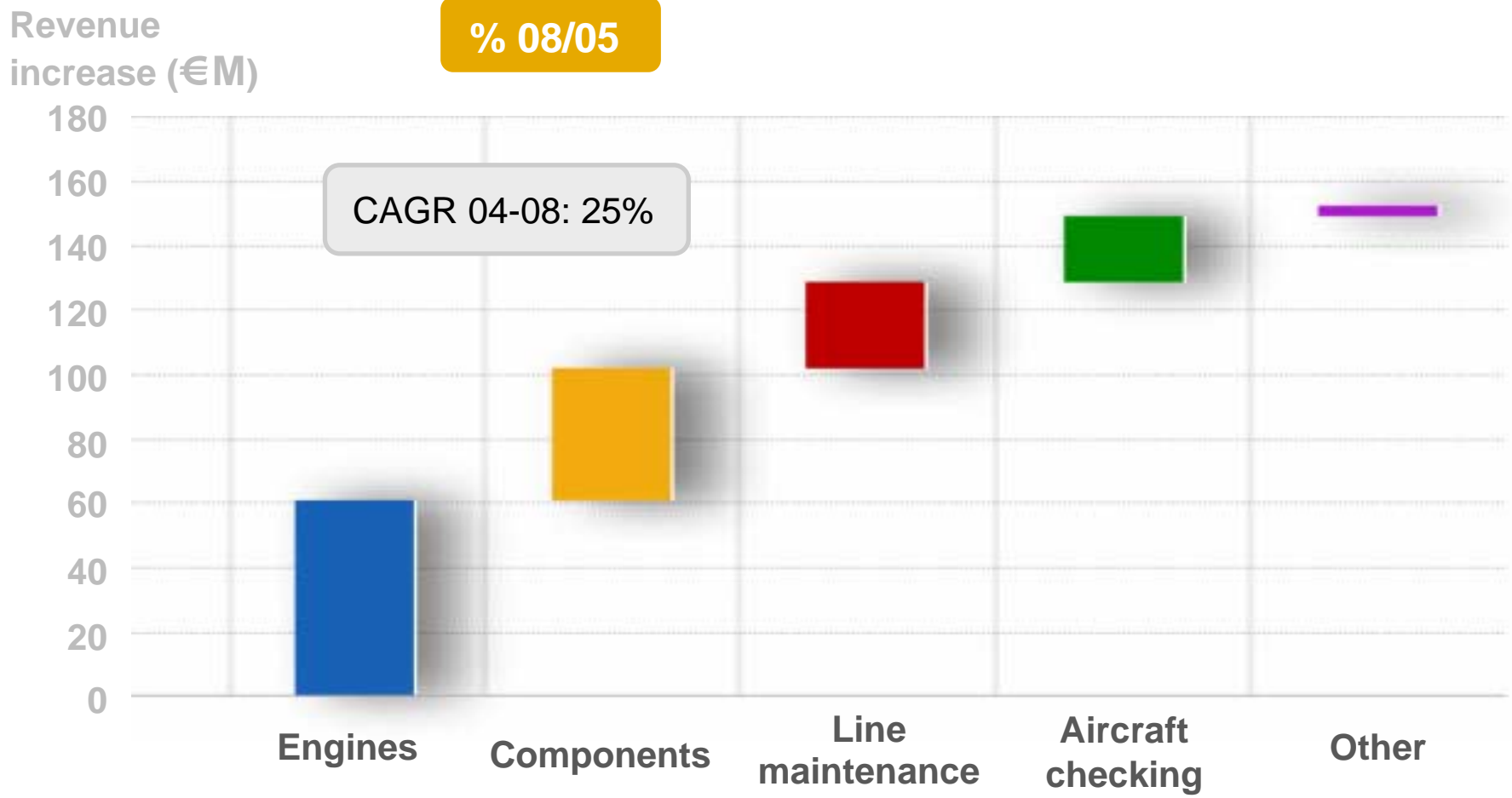
## Short and medium haul cabin optimization



**€20 M of additional passenger revenues in 2008**



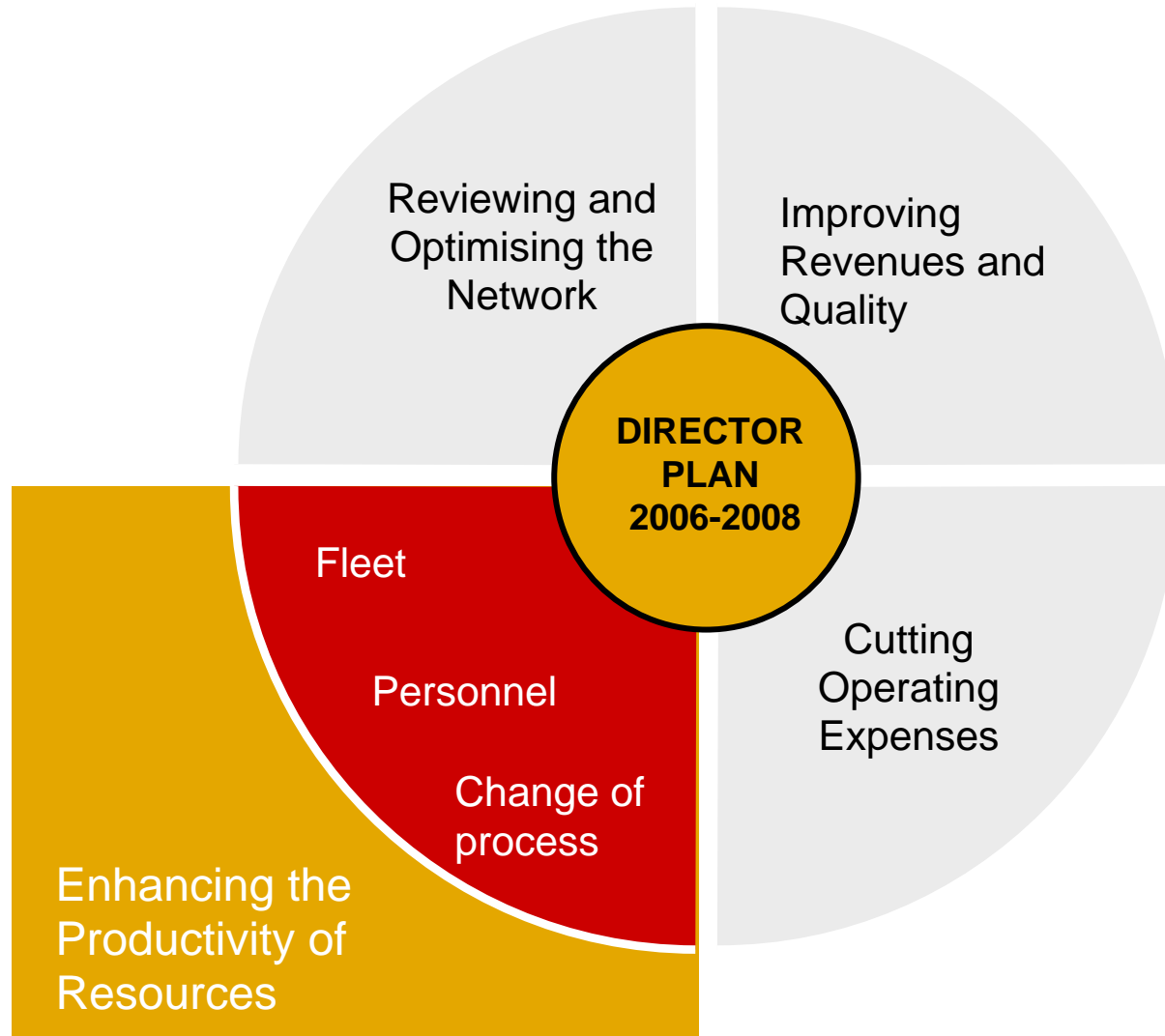
**Maintenance: More activity for third parties**



**Increase of maintenance for third parties in highest added value segments:**

- New licences for engine maintenance
- New component line

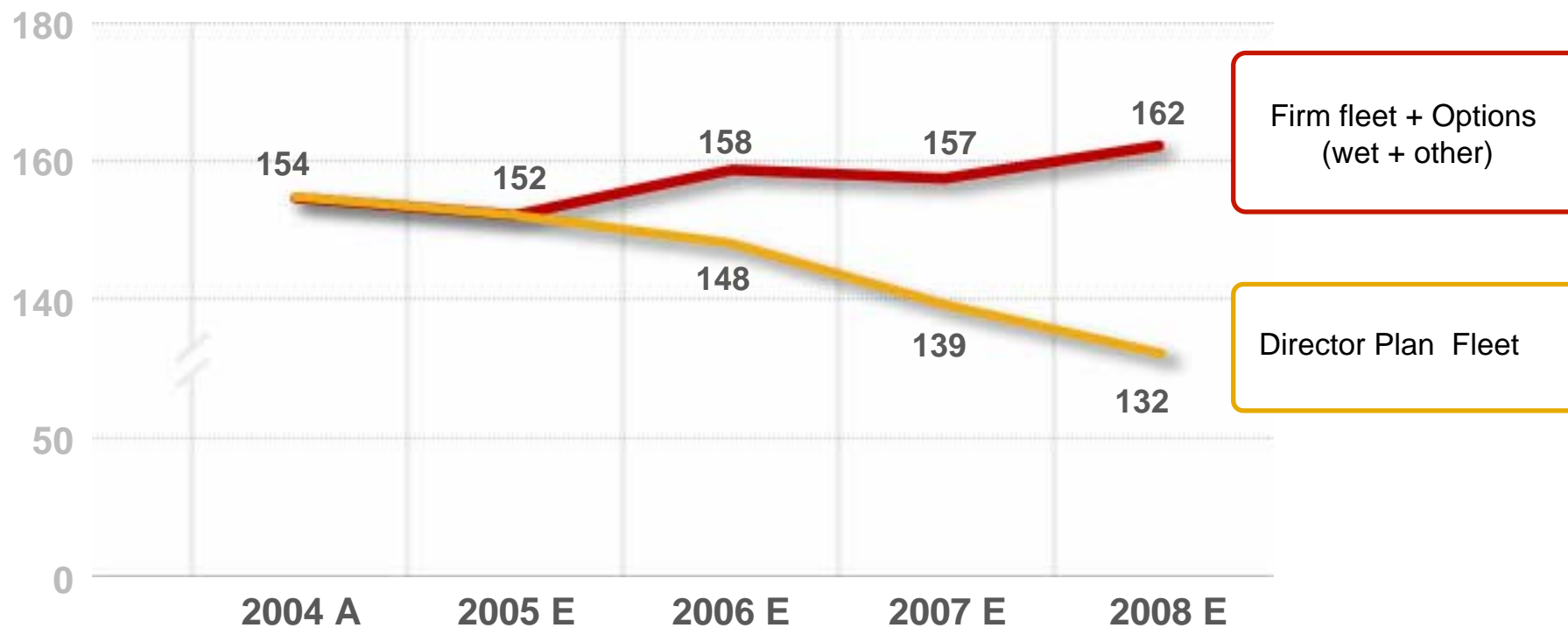
# Pillars of the new Director Plan



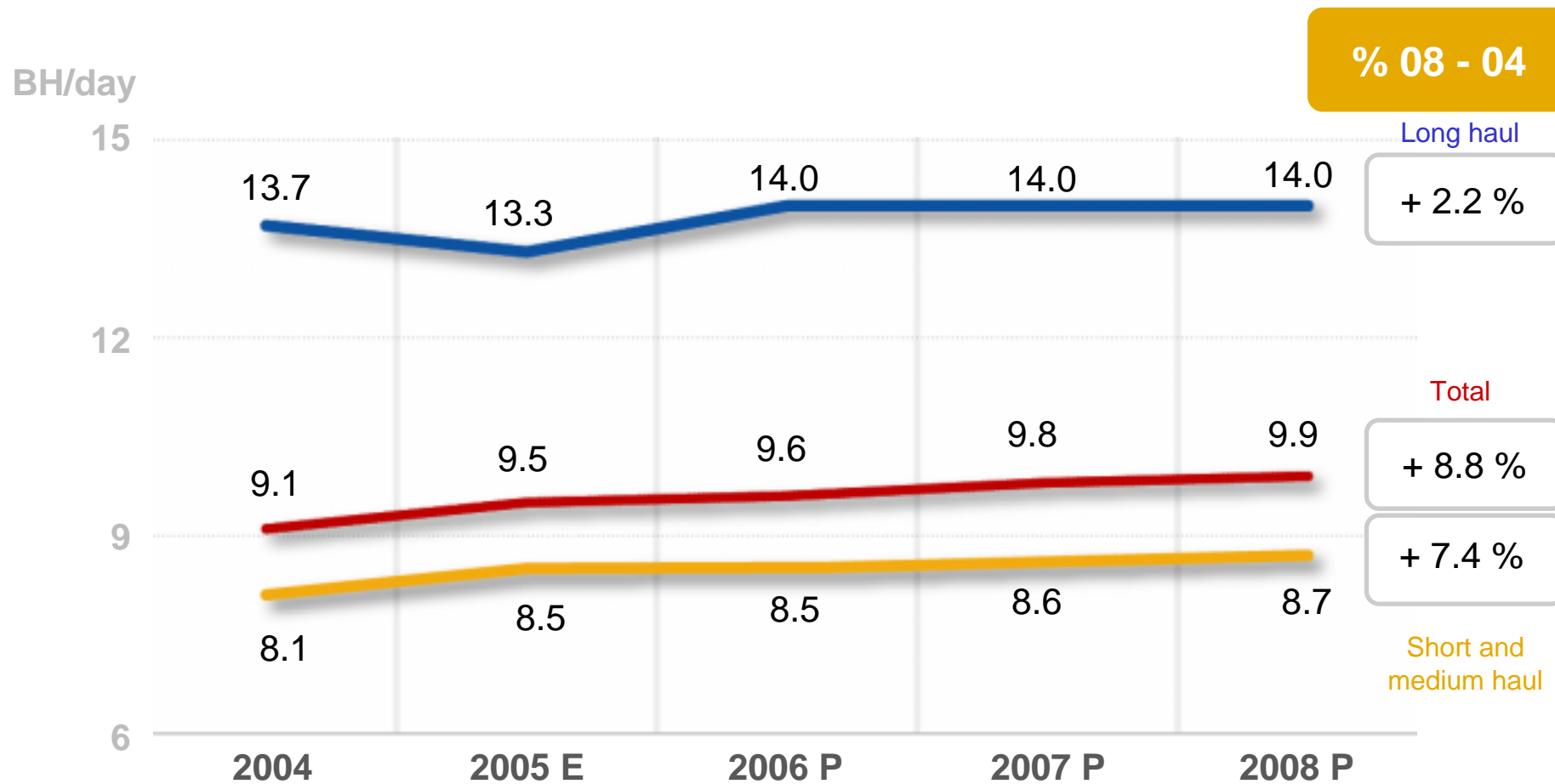
# Fleet Plan

The Director Plan takes advantage of Iberia's fleet flexibility to deal with the forecasted capacity

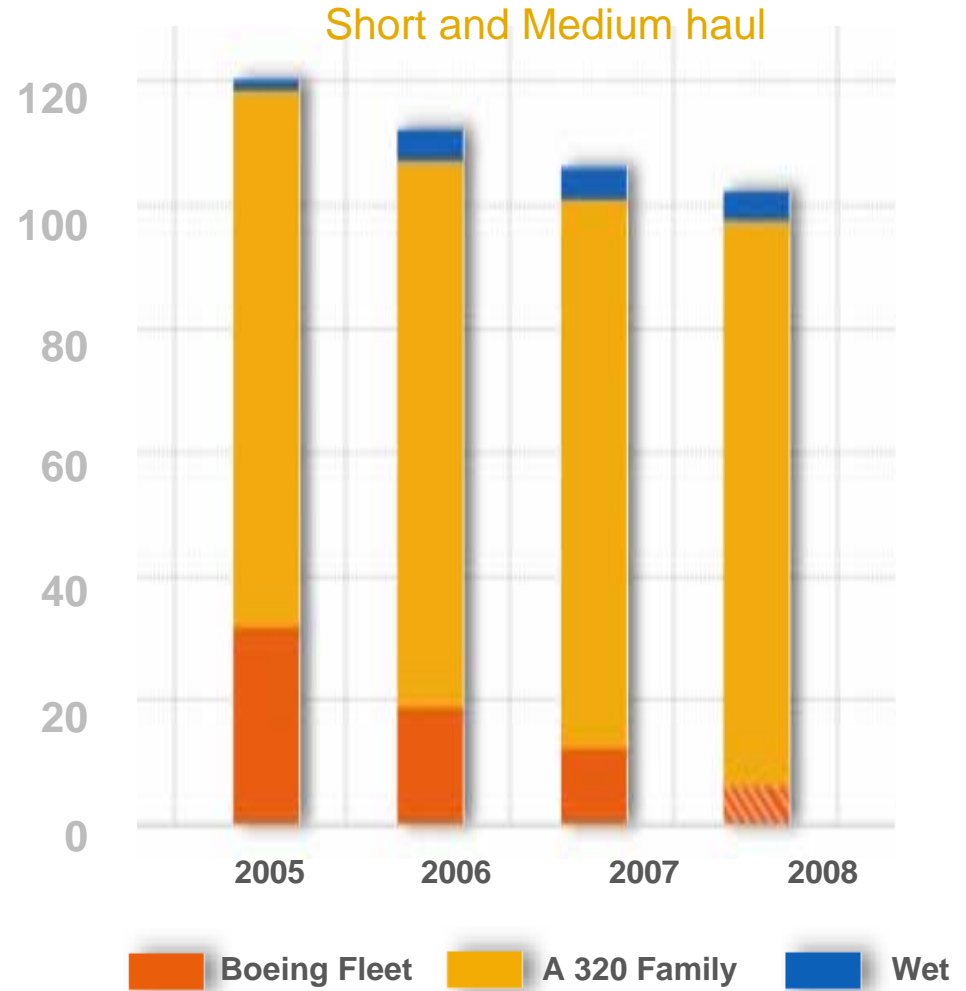
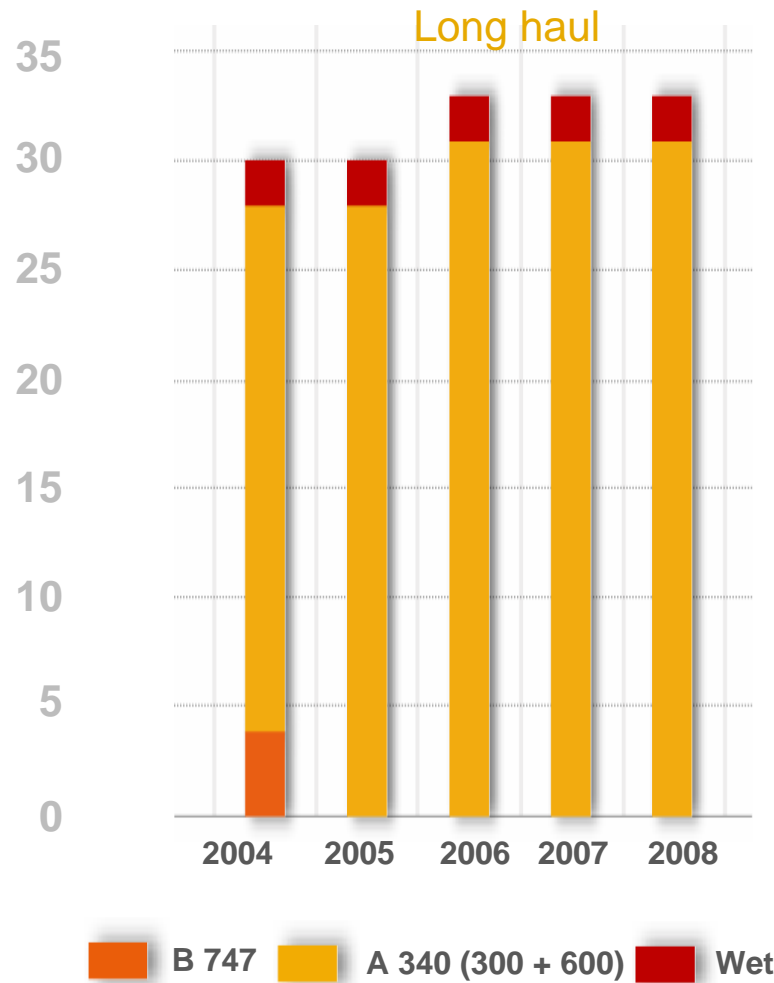
Nº of aircrafts



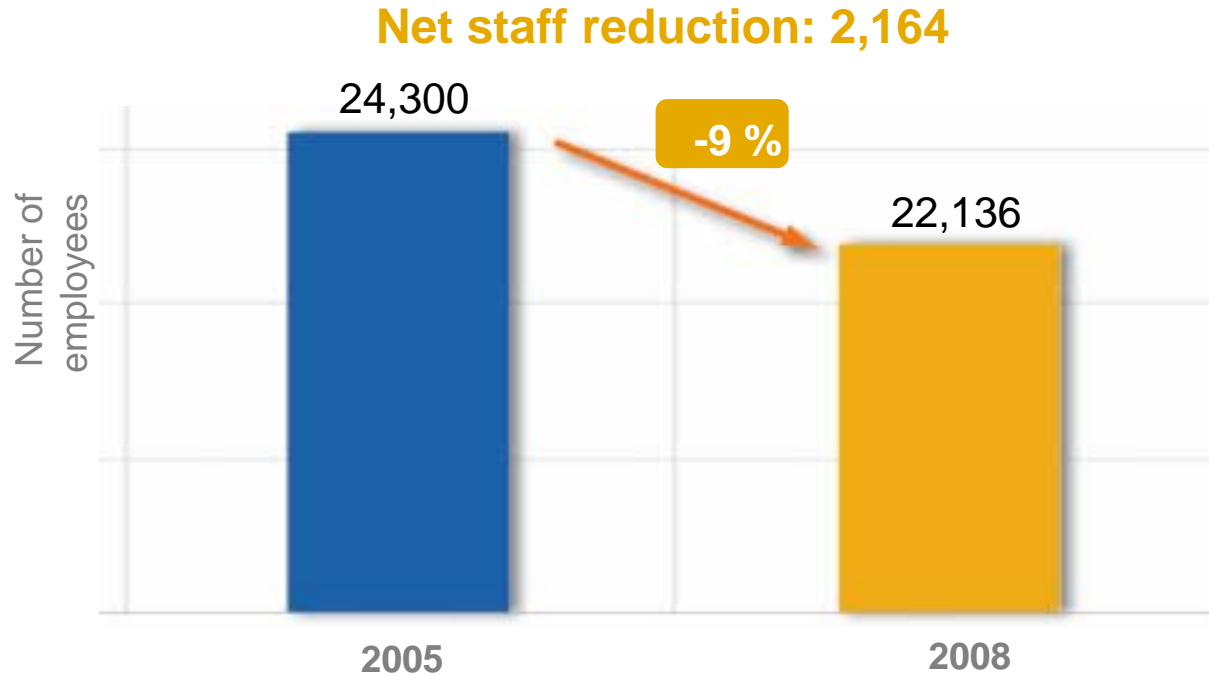
# Increased Utilization of Aircraft



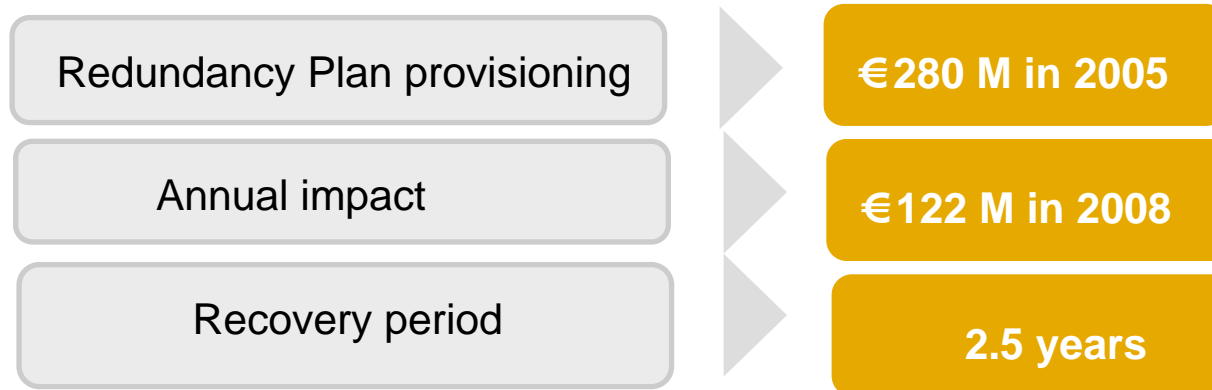
# Fleet Homogenization



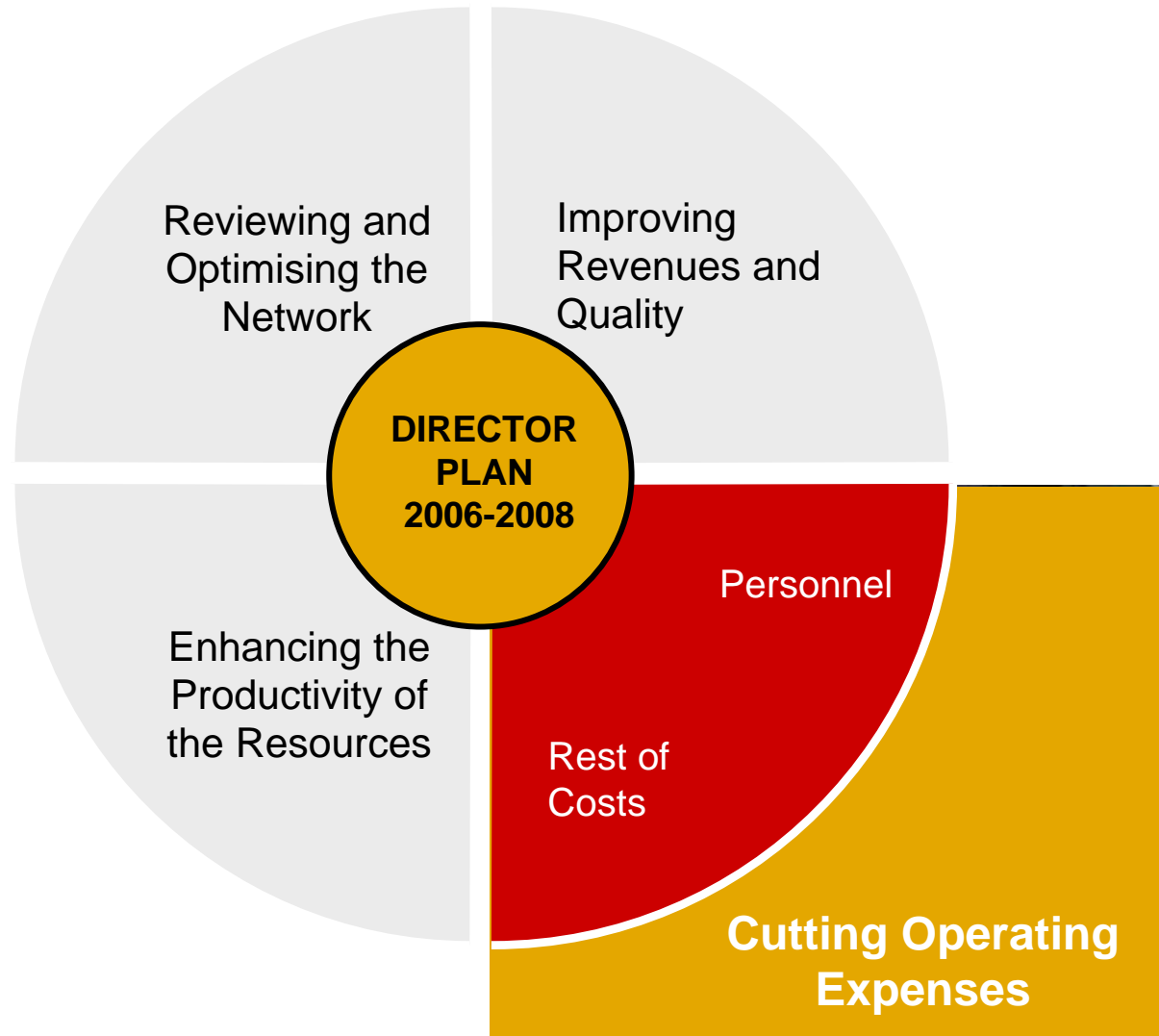
# Increased staff productivity



The greatest cost savings due to headcount reduction will be carried out in 2008



# Pillars of the new Director Plan



**Reduction of Personnel Costs: € 68 M savings****Salary freezes****Change from fixed to variable wages linked to target performance****New seniority system****New progression and promotion system****New conditions for new recruits****Other employee benefits**



## XVI Ground Staff Collective Agreement

**Signed on the 8th of February 2006**

**Validity: 2005-2006**

### **Main economic issues:**

- **Salary freezing for 2005 and 2006**
- **One off payment of 18 million euros in 2005**
- **Withdrawal of the current cumulative profit-sharing system with effect 01/01/2005 and new profit-sharing scheme from 2006**

### **Director Plan initiatives**

- **Outsourcing and subcontracting**
  - **Closing, centralization, decrease of functions**
  - **Improvement of processes**
- 2.274 employees**

**Almost all measures already accepted**

**Other Costs: € 91 M savings****Reduction of commercial costs in Spain and abroad**

- Implementation of a zero commission model in Spain and Europe
- Extension to other international markets

**Estimated savings of €22 M**

## Other Costs: € 91 M savings

### Reduction of aircraft leasing costs

- Better prices for the extension of current operating leases
- Better prices and interest rates for fleet incorporations

**Estimated savings of €18 M**

### Reduction of cargo costs

- Reduction of bellies costs in Europe
- Reduction of cargo aircraft costs
- Selective closing of cargo terminals

**Estimated savings of €15 M**

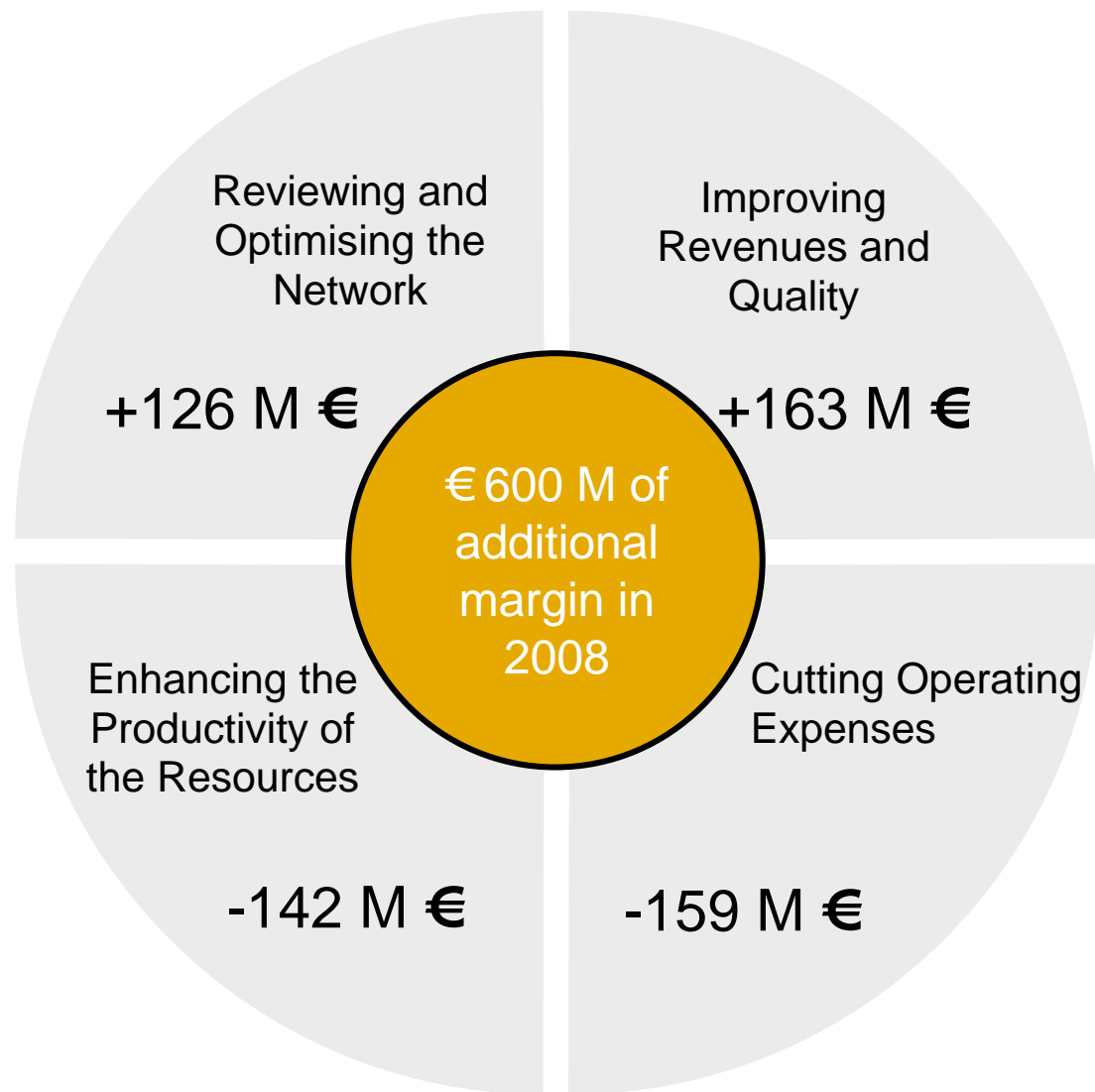


## Director Plan initiatives require additional funds of ~€ 341 M

	Additional funds required 2006-2008 (€ M)
Redundancy Plan	280 <sup>(1)</sup>
Short and medium haul fleet reconfiguration and cabin optimization	33
Implementation of new revenue management tools	11
Other initiatives	17
<b>Total</b>	<b>341</b>

(1) Provisioned in 2005

# Director Plan initiatives will maintain profitability



# Director Plan 2006-08 Targets

	2008 E	
	50 US\$/barrel	40 US\$/barrel
Ebitdar margin	≥16%	≥18%
ROE	~10%	~12%
Reduction of unit costs (ex fuel)	- 8%-10% nominal	
Rate 1.25 \$/€		



**YEAR 2005**

**Selective Growth: Traffic Statistics 2005**

<b>January-December</b>	<b>ASK</b>	<b>RPK</b>	<b>L.F.</b>
<b>Domestic</b>	+ 1.4%	+3.4%	+1.4 p.p
<b>Europe</b>	+ 1.5%	+6.0%	+2.9 p.p
<b>Other Int. Medium Haul</b>	+ 27.1%	+30.7%	+1.8 p.p
<b>Long Haul</b>	+ 5.7%	+7.6%	+1.5 p.p
<b>Total</b>	+ 4.2%	+6.8%	+ 1.9 p.p

**Seat reconfiguration:**

- Short and medium haul +3.7%
- Long haul +1.3%



**Operating Revenues**

<i>(million €)</i>	2005	% s/04
<b>Passenger</b>	<b>3,884</b>	<b>+ 3.4</b>
<b>Cargo</b>	<b>313</b>	<b>+ 19.7</b>
<b>Handling</b>	<b>322</b>	<b>+ 6.5</b>
<b>Maintenance</b>	<b>156</b>	<b>+ 38.5</b>
<b>Rest</b>	<b>254</b>	<b>- 29.1</b>

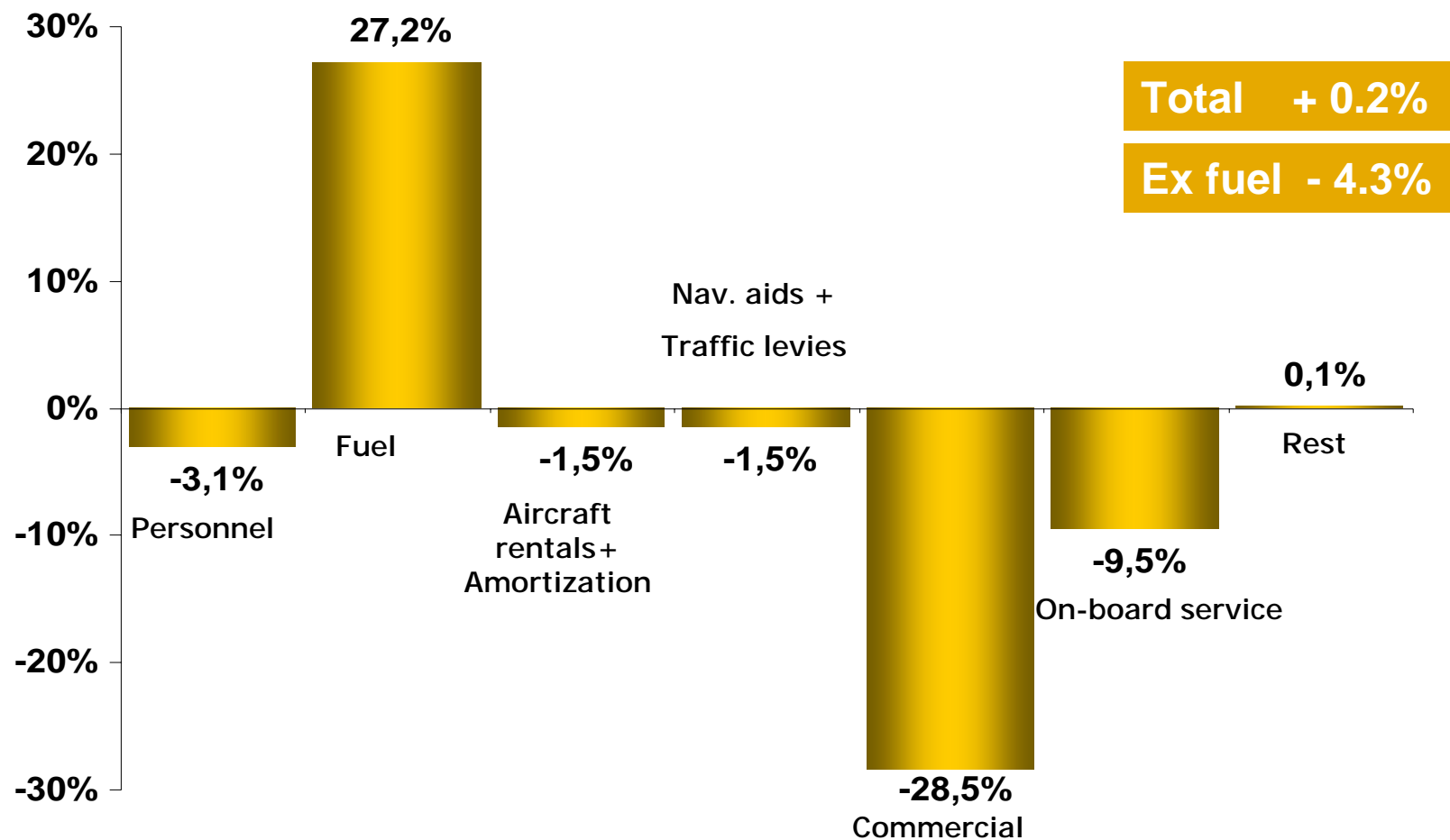
• **Total Operating Revenues** **+ 2.8%**

• **Revenue / ASK** **- 1.3%**

- Slight growth in passenger revenues
- Good performance in other businesses' revenues, especially maintenance

**Unit Costs Evolution**

2005/2004



## FY 2005 Results

	2005	05/04
<b>Operating Revenues</b>	<b>4,929.1</b>	<b>+4.2%</b>
<b>Ebitdar</b>	<b>699.7</b>	<b>-6.6%</b>
<b><i>Ebitdar margin</i></b>	<b>14.2 %</b>	<b>-1.4 p.p</b>
<b>EBIT</b>	<b>116.4</b>	<b>-35.7%</b>
<b>Net Income</b>	<b>395.6</b>	<b>+99.5%</b>

*MM/€*