

**IBERIA**



# Roadshow Paris

15<sup>th</sup> November 2007



# Main Challenges and Opportunities for Iberia in 2006-2008



## Transport

### Short and Medium Haul

- ✚ Impact of Low Cost Carriers (LCC)
- ✚ New infrastructure developments: Airports and high-speed trains

### Long Haul

- ✚ Positioning Madrid as the European hub to Latin America
- ✚ Traffic growth in Europe-Latin America

## Other Businesses

- ✚ New tenders for handling concessions
- ✚ Growth opportunities in Maintenance

Iberia's strategy is represented by its Director Plan

# The Director Plan is Based in Four Pillars



Reviewing and  
Optimising  
the Network

Improving Revenues  
and Quality



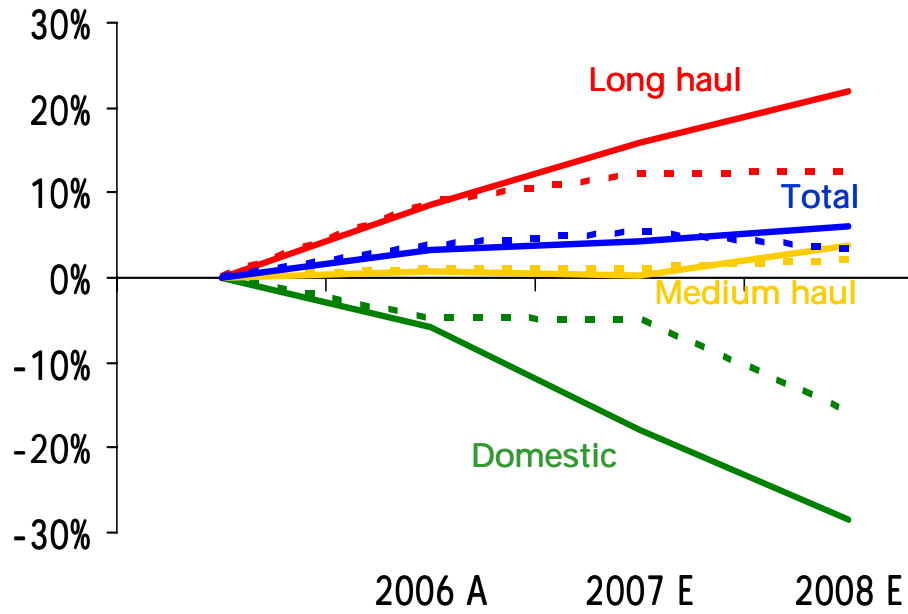
Enhancing the Productivity  
of Resources

Cutting Operating  
Expenses

# Reviewing & Optimizing the Network



Cumulative % Growth in ASK



..... DP initial capacity forecasts

Capacity Evolution

	DP 08/05	07E/05	08E/05
Domestic	-16.0%	-17.8%	-28.4%
Medium Haul	+1.9%	+0.3%	+3.7%
Madrid-Europe	+31.6%	+26.0%	+45.8%
Long Haul	+12.4%	+16.0%	+22.0%
<b>Total</b>	<b>+3.4%</b>	<b>+4.4%</b>	<b>+6.1%</b>

Strengthening the network: Growth in the Hub

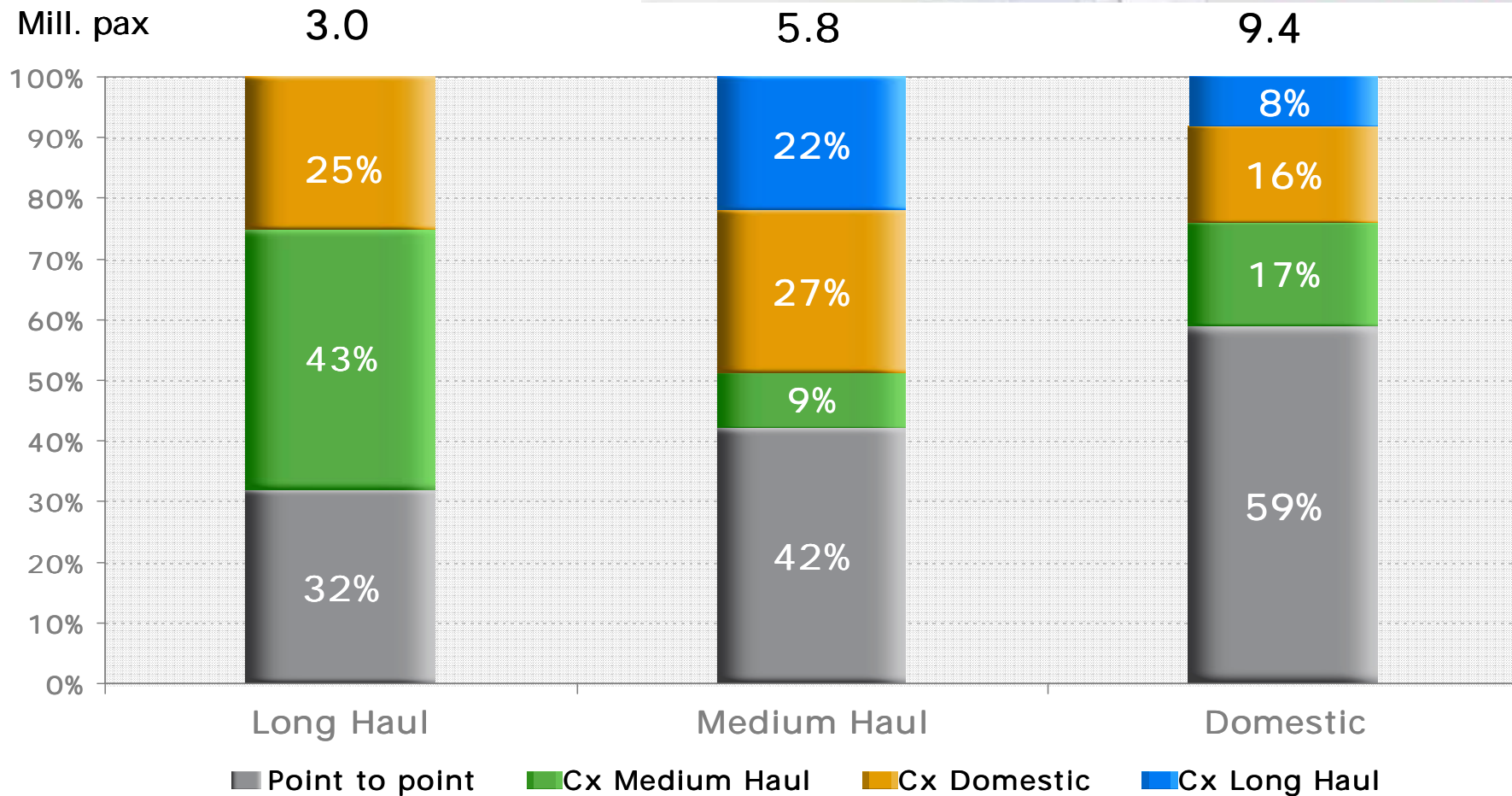
# Reviewing & Optimizing the Network



## Achievements in line with the Director Plan

<i>ASK Growth (%)</i>	2007 E	2008 E
Total Iberia	1.0	1.6
Long Haul	6.8	5.1
Europe	0.3	3.4
Domestic	-12.9	-12.9

# Madrid Hub: Traffic Breakdown Jan-Sep 2007

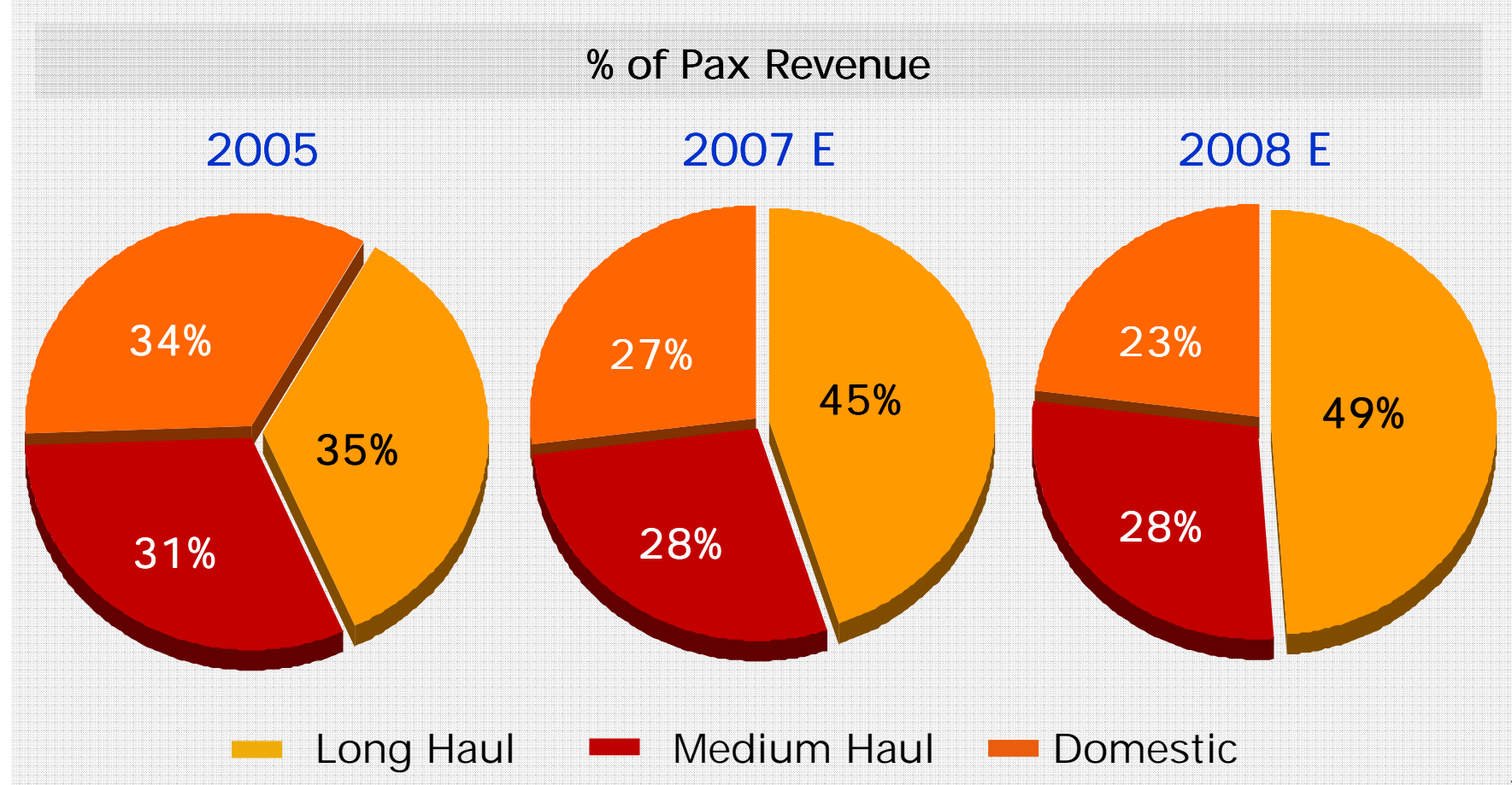


Significant growth of connections through MAD Hub:  
 In Long Haul Routes, connecting passengers represent 68% of total traffic

# Long-Haul is Gradually Increasing its Weight



Strengthening the competitive advantage that the presence in the Latin American market represents for Iberia



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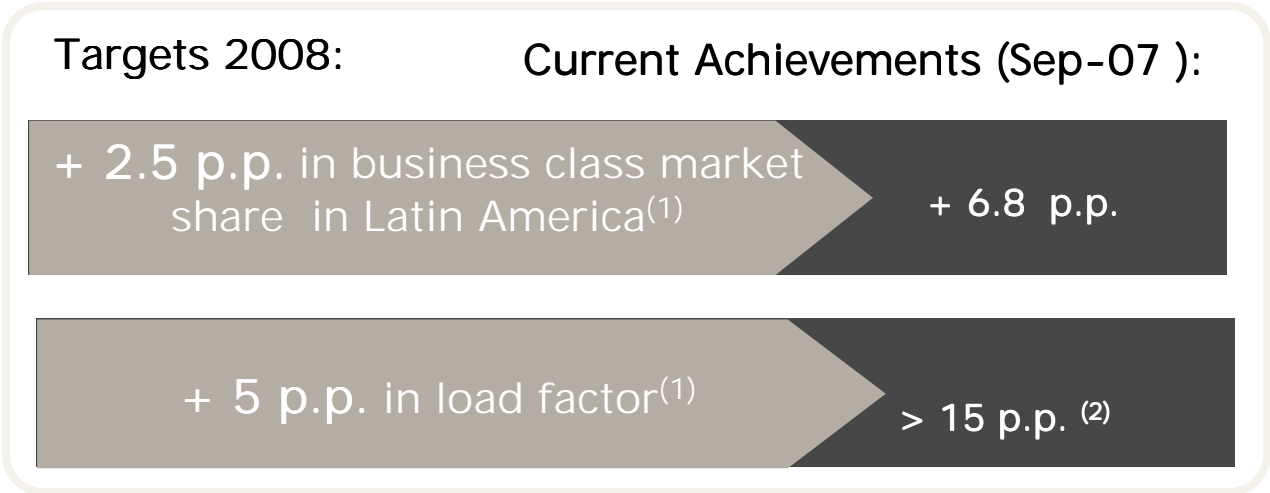
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# Great success of the Long Haul Business Class



Director Plan targets of the new Business Plus in the Long Haul



Note  
(1) Over 2005  
(2) Jan-Sep 07 over Jan-Sep 05.

# Improving Revenues and Quality

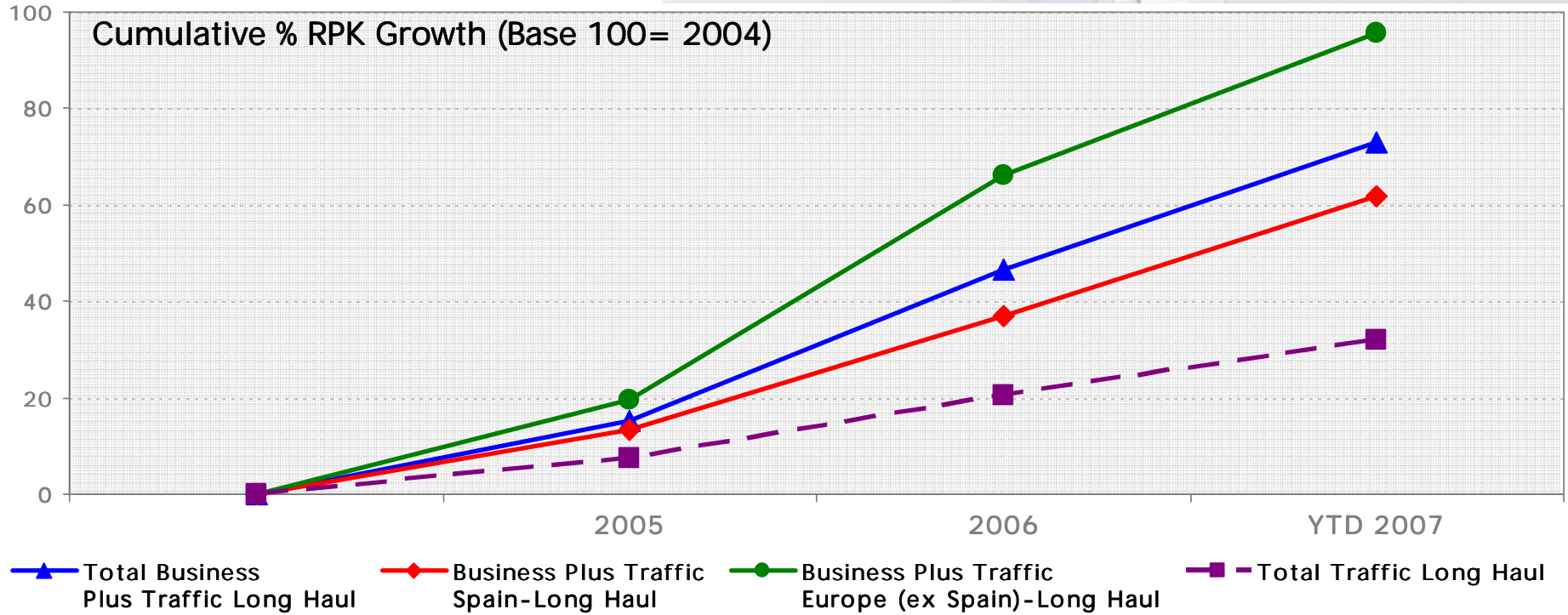


## Good Performance in Long Haul, Sep 07 <sup>(1)</sup>

Business passengers	 +49.5%
Total passengers	 +18.8%
Yield	 +20.8%
Unit revenue	 +27.2%

<sup>(1)</sup> Over 2005

# Business Traffic Evolution in Long Haul



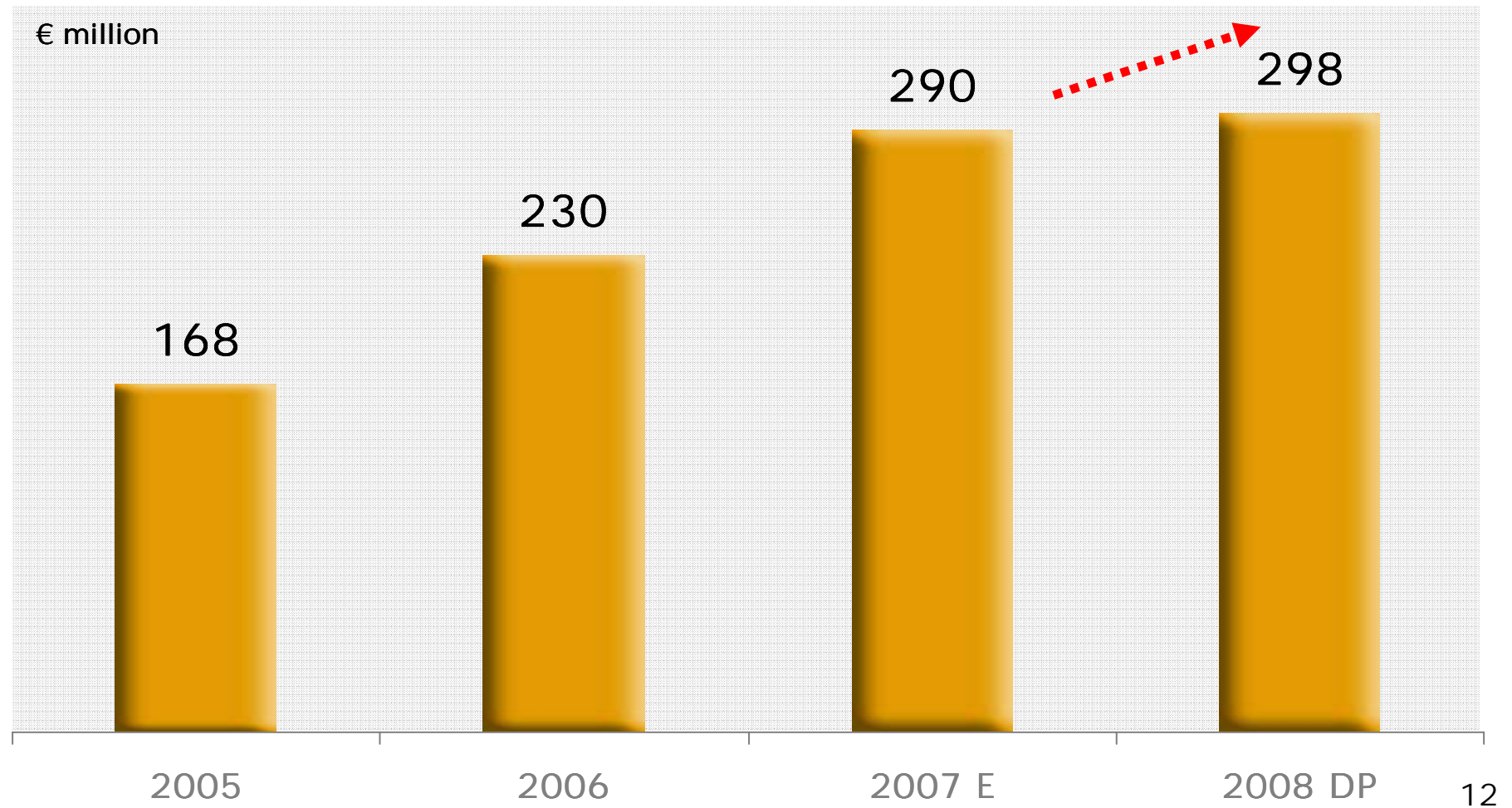
	05/04	06/05	Ytd 07/06
Rev./ASK (% var)	6.8	16.8	8.6
LF (pp dif.)	4.5	10.6	5.4

Impressive increase in Business Plus Class: 3 years doubling growth rate of total traffic.  
 Higher increase in Europe (ex-Spain) through MAD Hub.

# Outstanding performance in Maintenance



External customer revenue evolution



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# Fleet Management: Main objectives



Support the growth of the business

**Fleet homogenization**  
moving towards 2/3 aircraft families

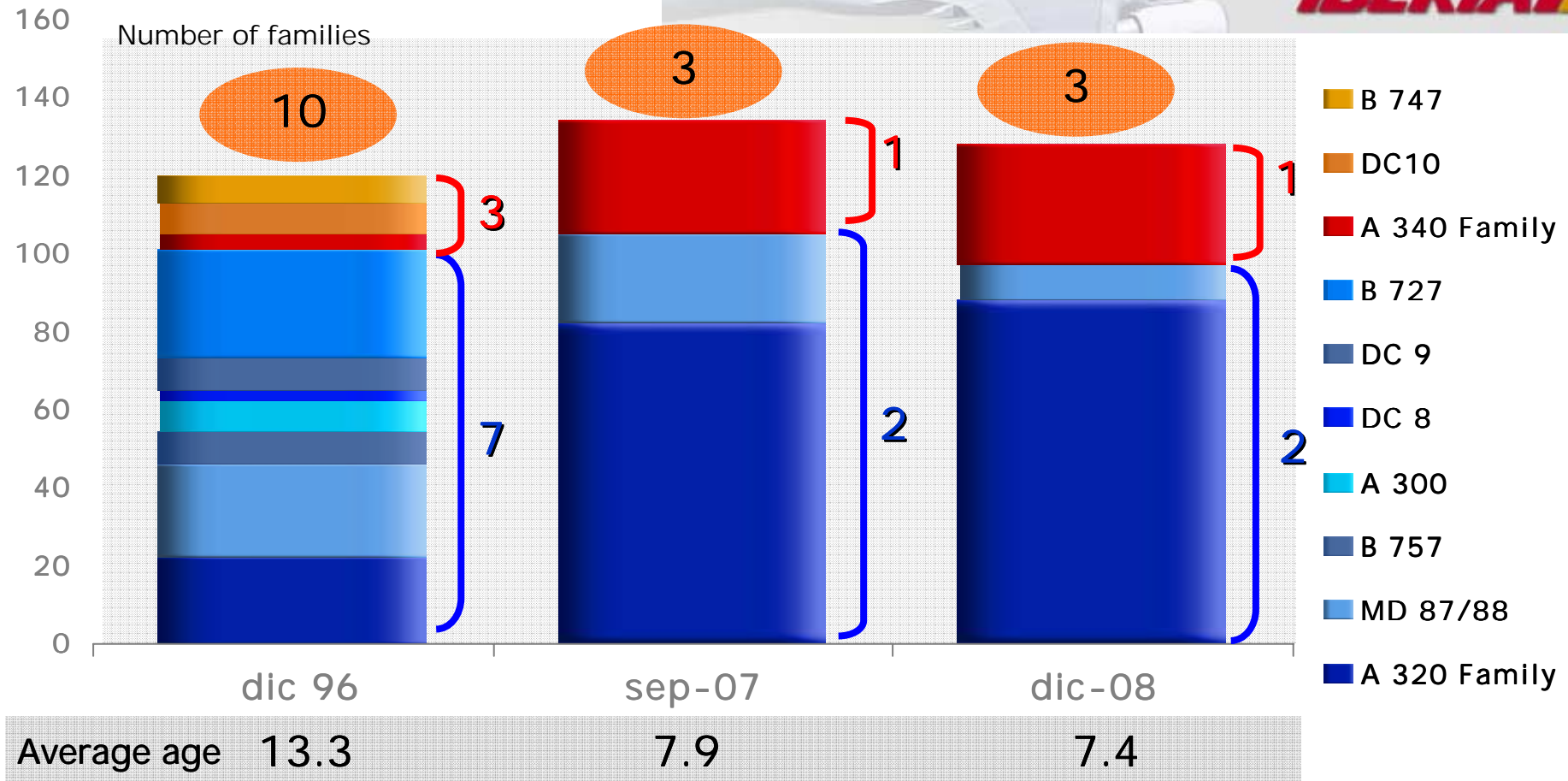
**Rejuvenating the fleet:**  
Average age of 7-8 years

**Create enough flexibility** to adjust to market conditions,  
maintain negotiating power with manufacturers and avoid  
fleet obsolescence

**Control assets exposure,**  
transferring risks to specialists

**Reduce operational costs & maintain ownership costs**  
at the lower end of the industry range

# Fleet Rejuvenation and Homogenization

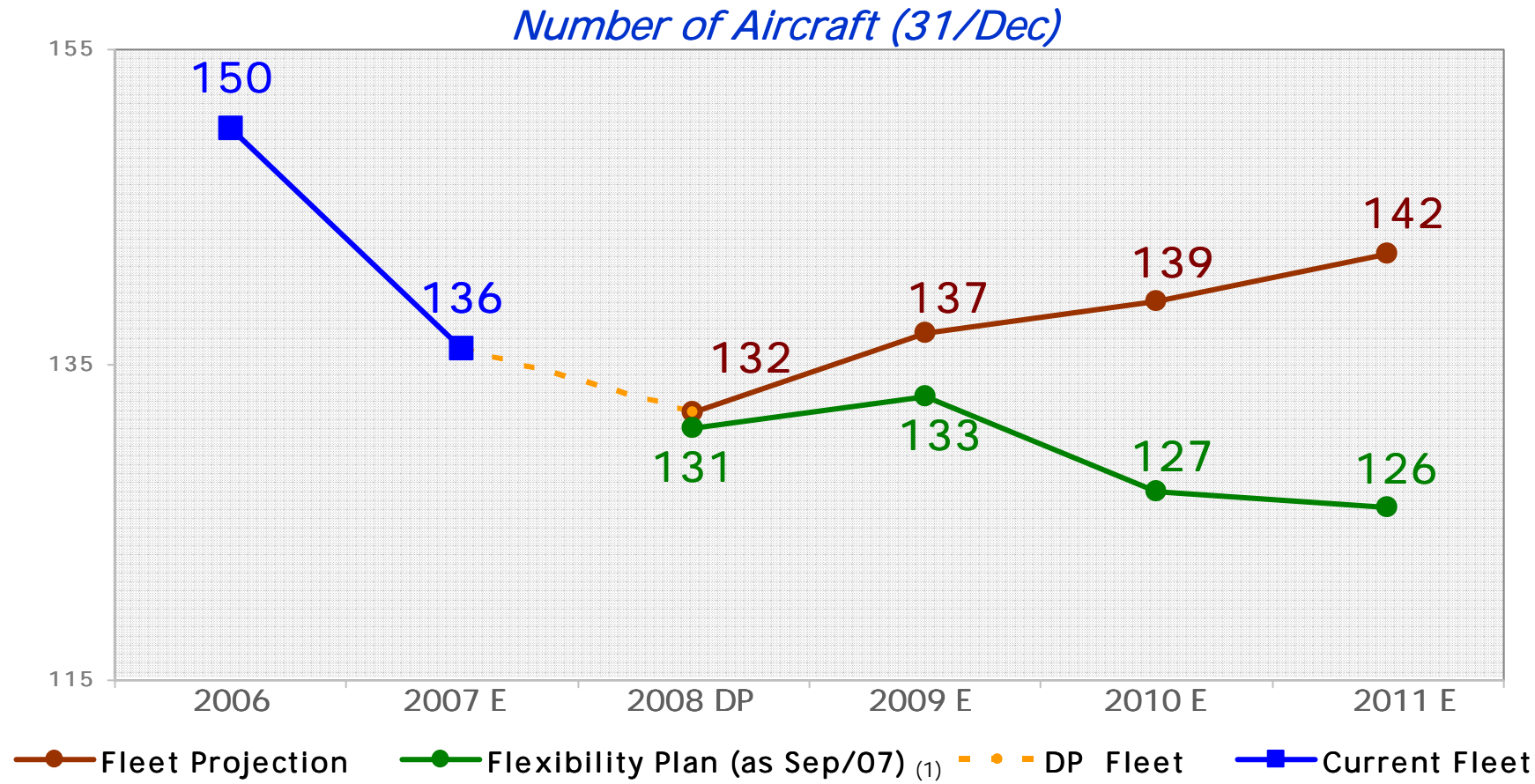


Iberia has currently one of the youngest fleet in the sector and by 2009 will be the only network airline with one single type of fleet in the short and medium haul and one in the long haul

# Fleet Plan

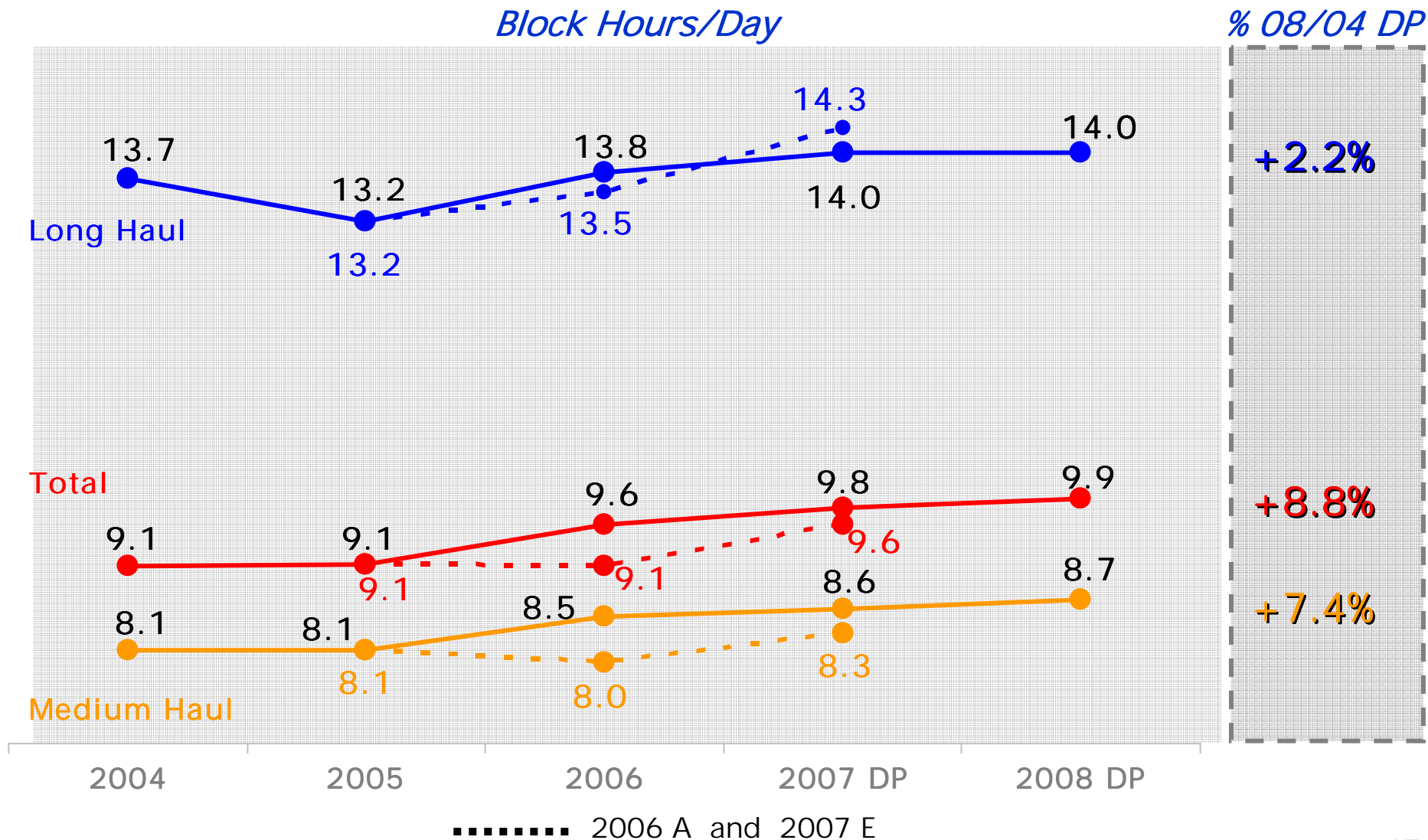


The Director Plan takes advantage of Iberia's fleet flexibility to deal with the forecasted capacity



Note:  
 (1) In the future the Minimum Fleet will be affected by Management decisions

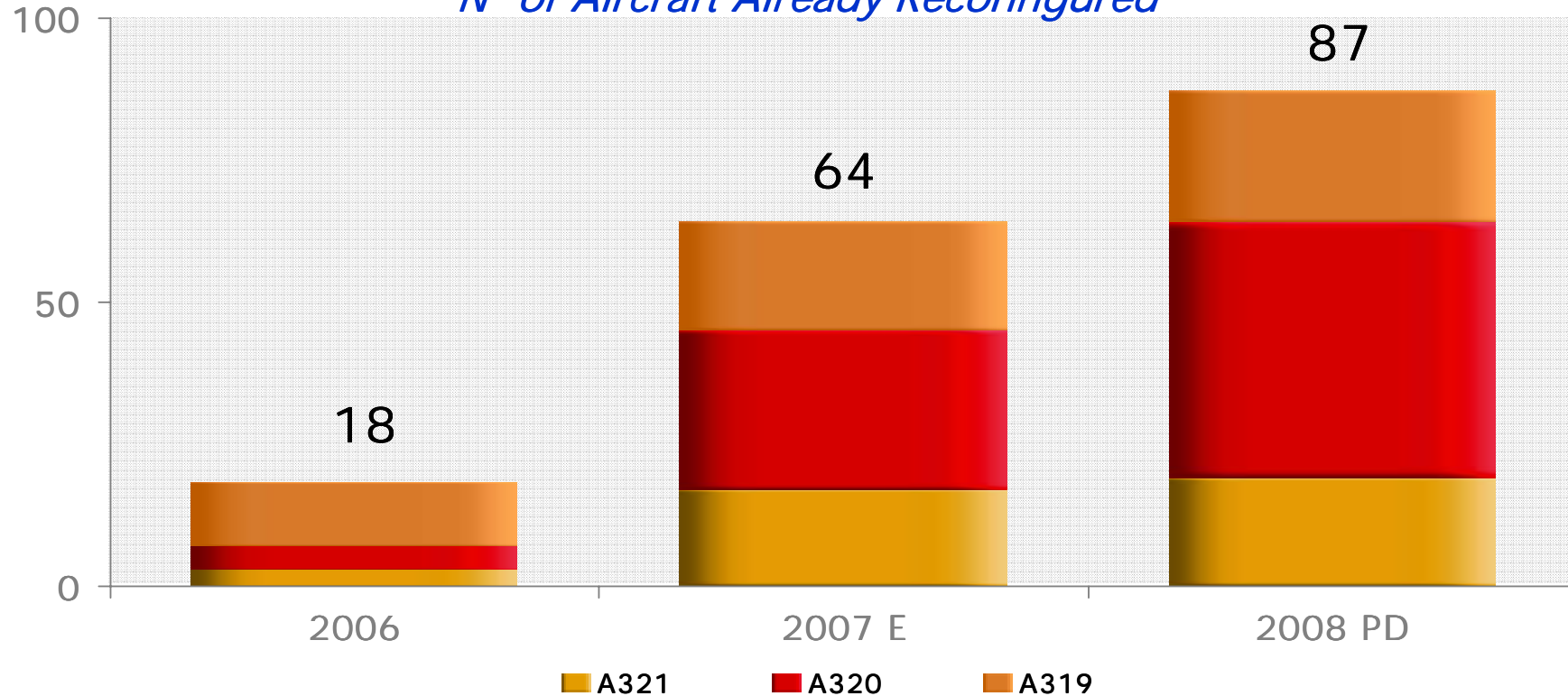
# Increased Utilization of Aircraft



# Short and Medium-Haul Cabin Optimization



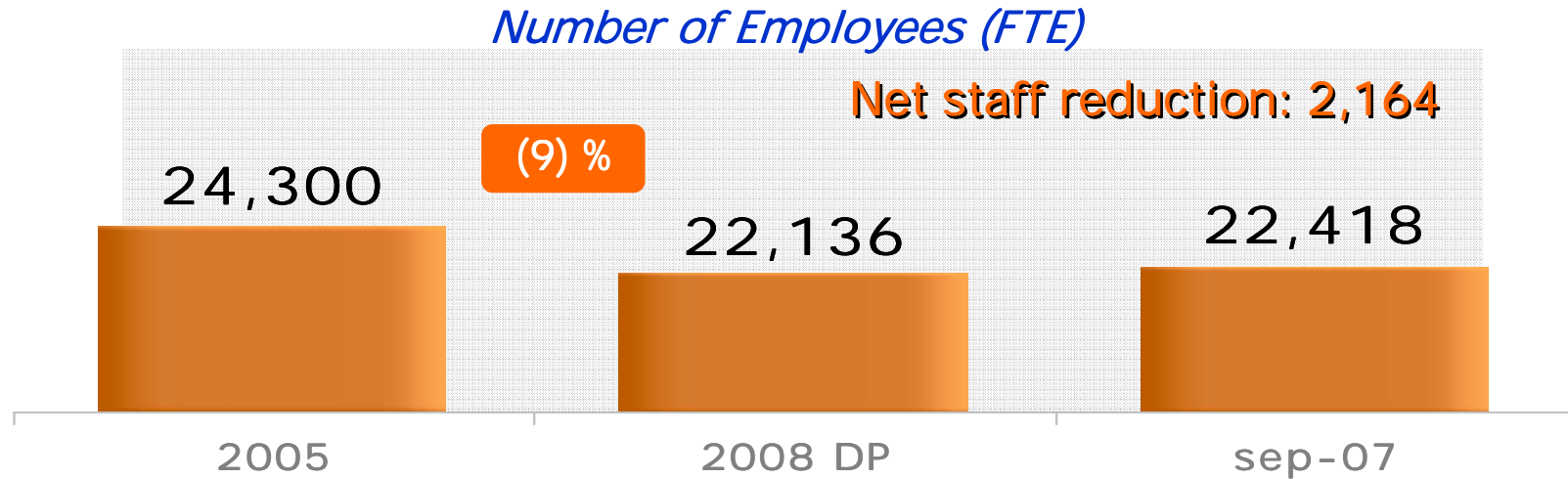
*N° of Aircraft Already Reconfigured*



-  Target 2008: +5 % seats
-  Estimated investment of €33m for 2006 and 2007

€20m of additional passenger revenues from increased cabin capacity and upgrade of cabin facilities

# Increased Staff Productivity



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

Redundancy Plan provisioning	€280m in 2005 + €26m in 2006
Annual impact	€120 m in 2008
Recovery period	2 / 3 years

As of Sep-07, 94% of the Plan already achieved for Ground Staff (1,946 employees)

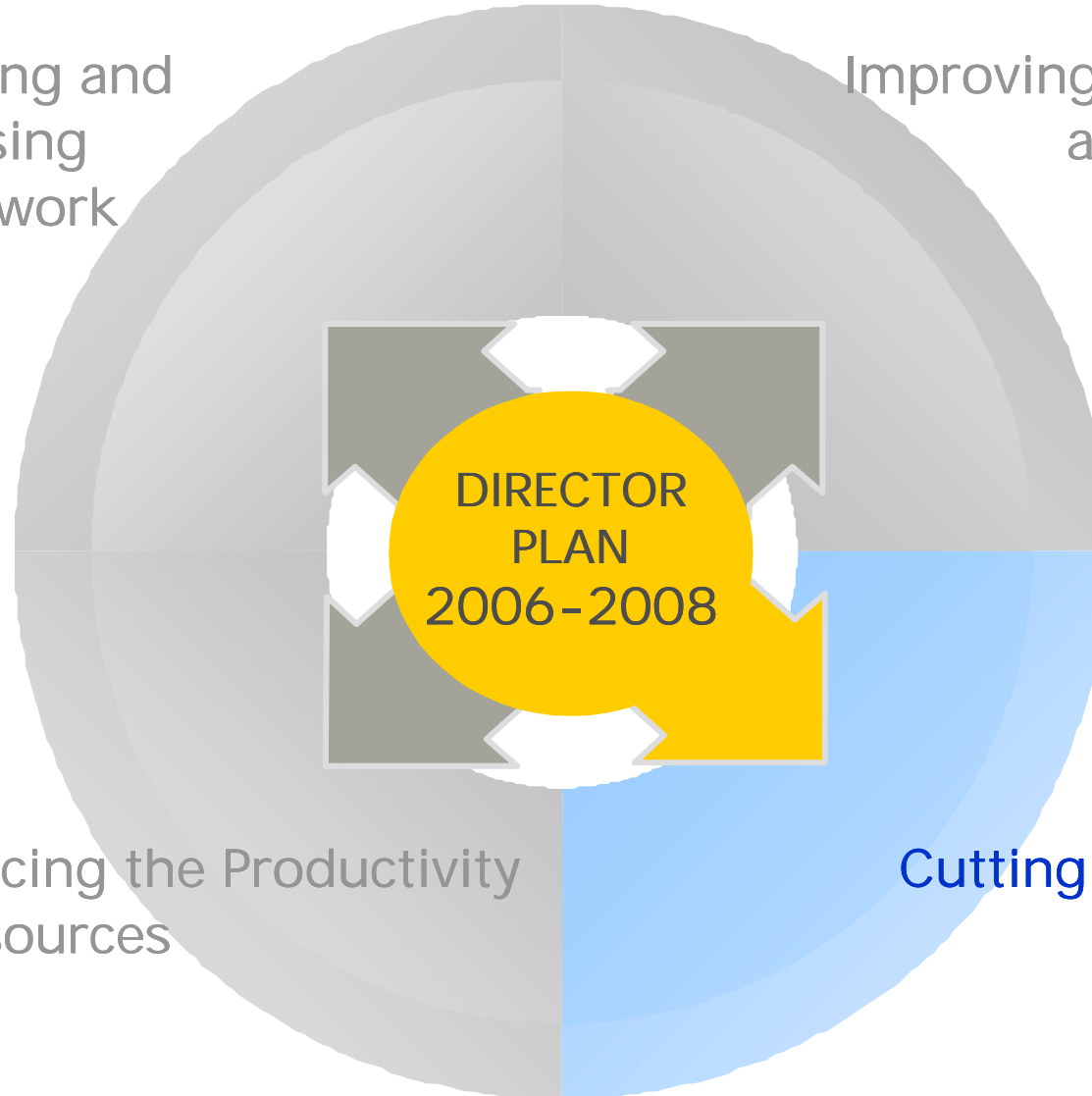
Additionally, 258 cabin crew have been retired (versus 200 budgeted in the Director Plan) with annual cost savings of €15m

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# Reduction of Personnel Costs



	Ground 50% of Total Cost	Cabin Crew 25% of Total Cost	Pilots 25% of Total Cost
Salary freezes	✓	✓	pending
Change from fixed to variable wages linked to target performance	✓	✓	pending
New seniority	pending	pending	pending
Productivity measures	✓	•••	pending

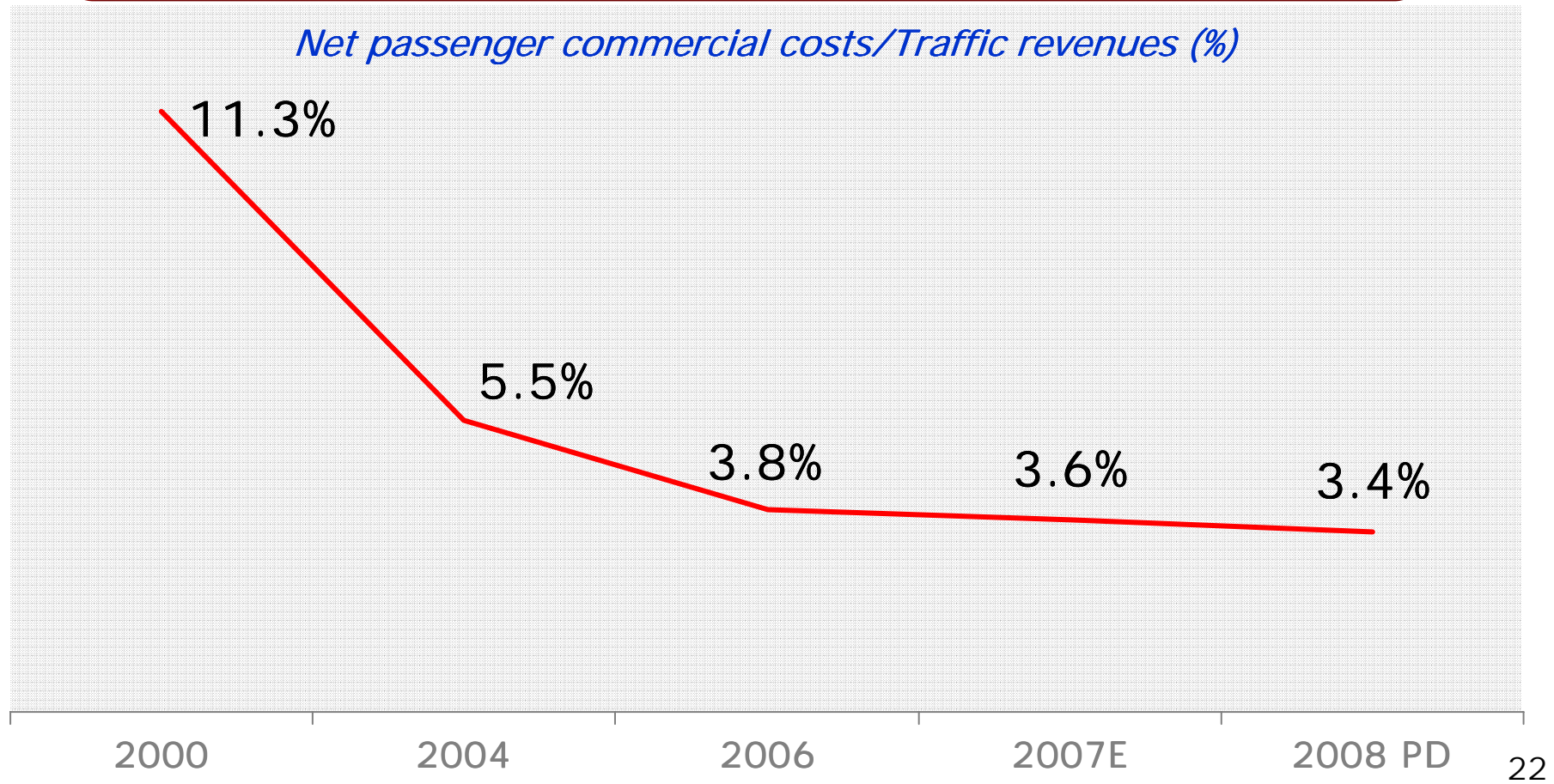
About 65% of the Plan already achieved in September 2007 <sup>(1)</sup>

Note  
 (1) Director Plan projected savings estimated at €68mm

# Other Costs Evolution



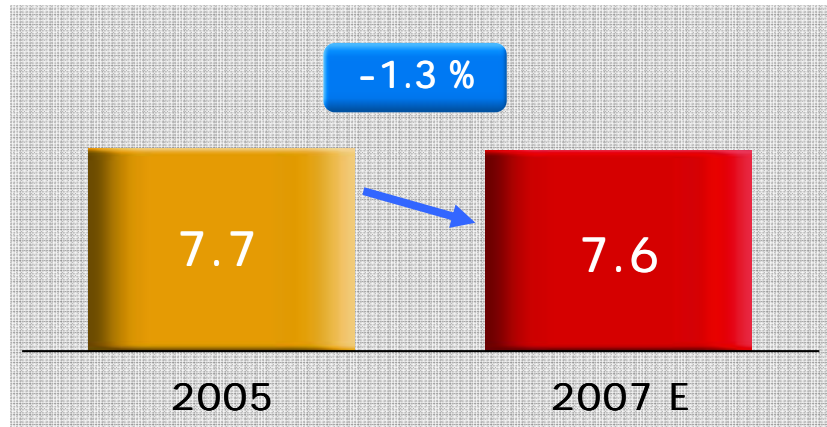
**Commercial cost reduction**  
Estimated savings of €22m



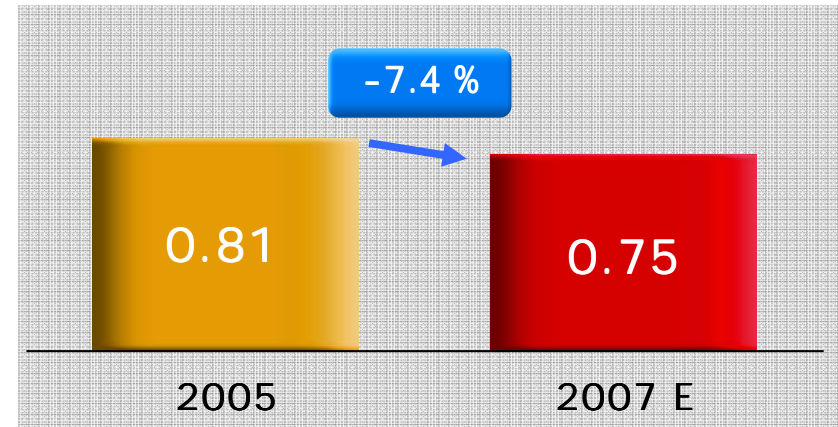
# Fleet Management: Costs Reduction



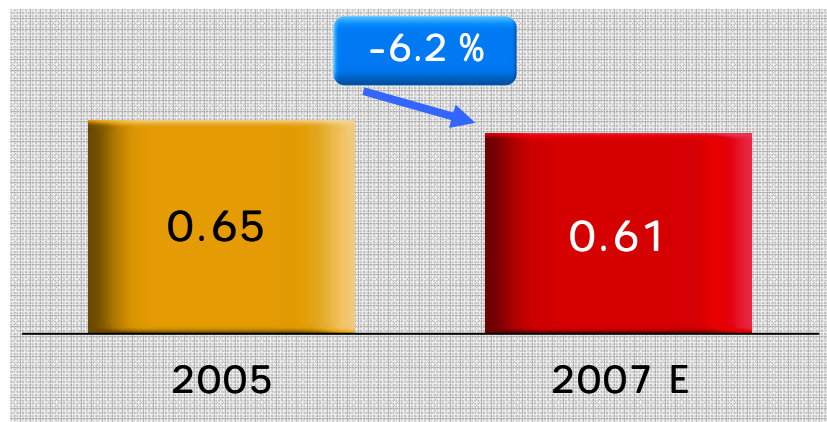
*Average Age (Years)*



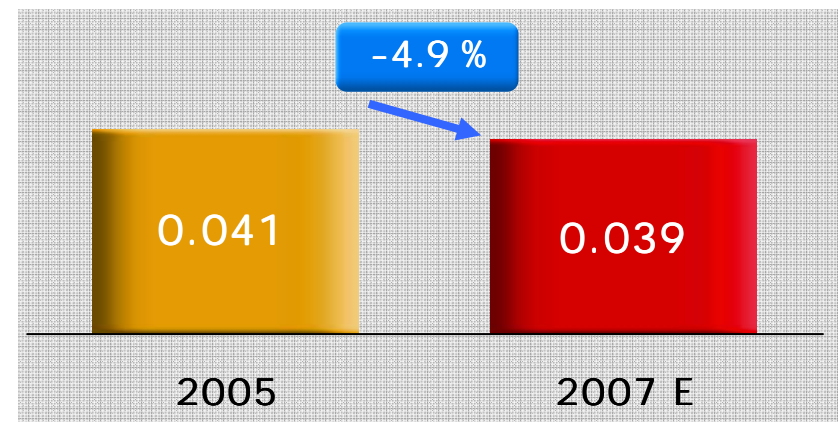
*Fleet Ownership Cost (€ cents/ASK) <sup>(1)</sup>*



*Maintenance Cost (€ cents/ASK)*



*Fuel Consumption (liters/ASK)*



The renewal of the fleet has been compatible with the stability of ownership costs

(1) Including net interest

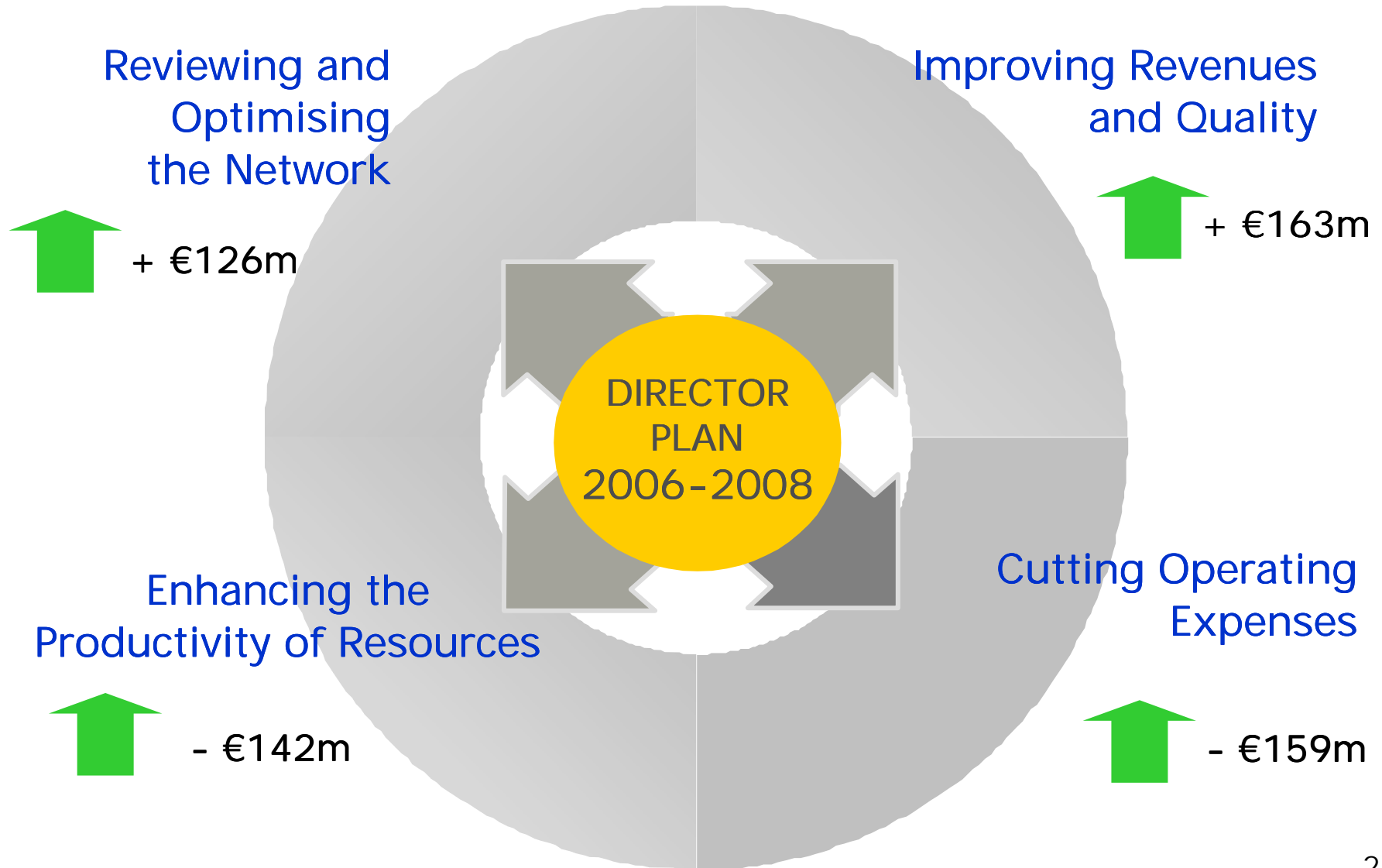
# Other Costs Evolution



Reduction of cargo costs  
Estimated savings of €15m

Reduction of bellies costs in Europe	In process
Reduction of cargo aircraft costs	✓
Selective closing of cargo terminals	✓

# We have outperformed the Director Plan



# What is left for 2008?



Completion of our short and medium haul network and fleet restructuring

Maintaining the growth trend in long haul

Full impact of the rest of the productivity plan and labour agreements

Improvement of Handling and Maintenance

Further reduction of unit costs

# Director Plan Targets and Outlook 2007 E



## DP 2008

Ebitdar Margin > 16%

ROE ~10%

Already achieved  
in 2007

## 2007 E

Operating Result > 260 € m

# Selective Growth: 9 Months Traffic Statistics



Jan-Sep 2007/06	ASK (%)	RPK (%)	L.F.(p.p.)
Domestic	-13.5	-9.6	+3.2
Europe	-2.1	-3.0	-0.7
Other Int. Medium Haul	+9.1	+13.0	+2.7
Long Haul	+6.9	+9.8	+2.4
<i>Total</i>	<i>+0.7</i>	<i>+3.5</i>	<i>+2.3</i>

# 9 Months Positive Results



Million €

	January-September 2007	% 07/06
Operating Revenues	4,125.4	+2.6
EBITDAR	699.9	+21.5
Operating EBITDAR margin	17.0%	+2.7 p.p.
EBIT	209.3	+135.7 m€
Profit Before Taxes	326.3	+234.7m€
Net Income	222.8	+156.7m€