

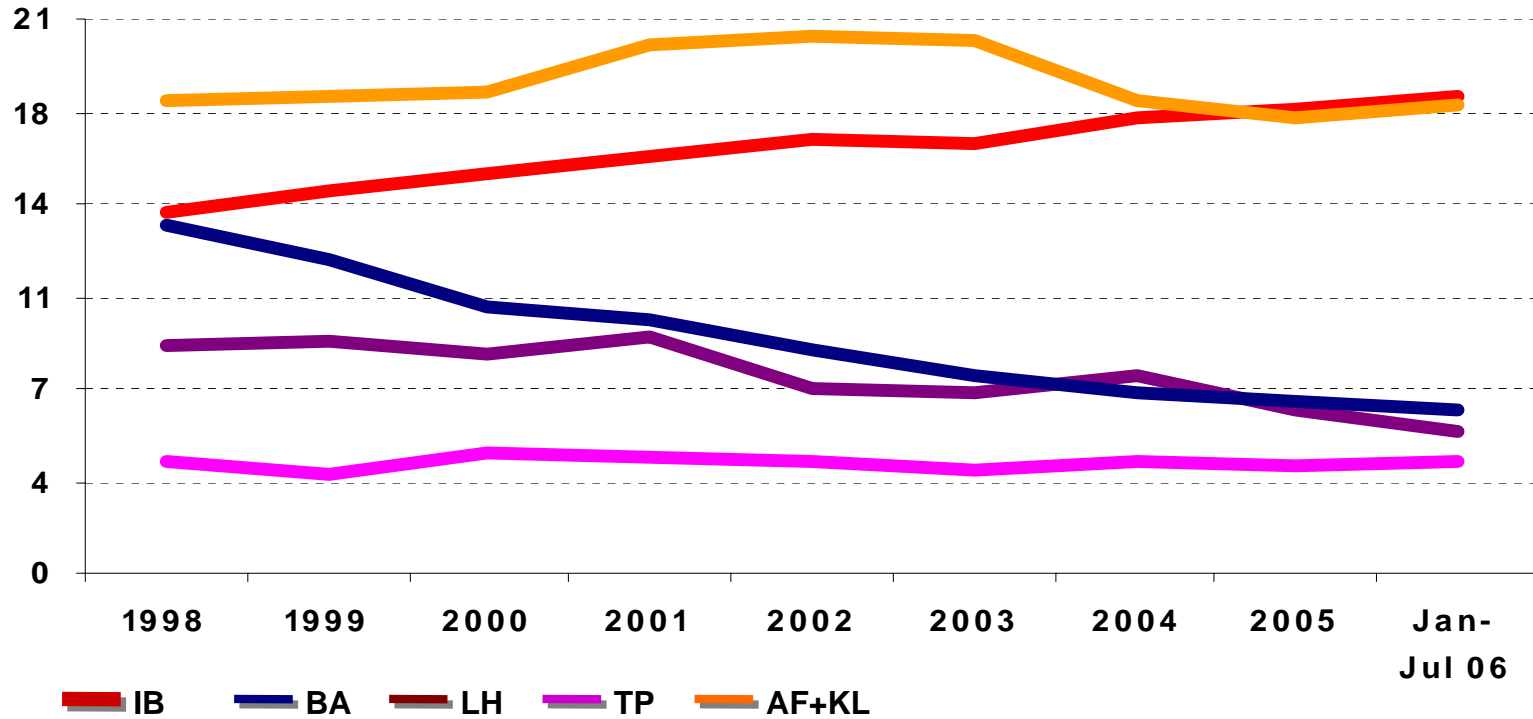


IBERIA

**UBS Conference
September 2006**



Leaders in Europe-Latin America



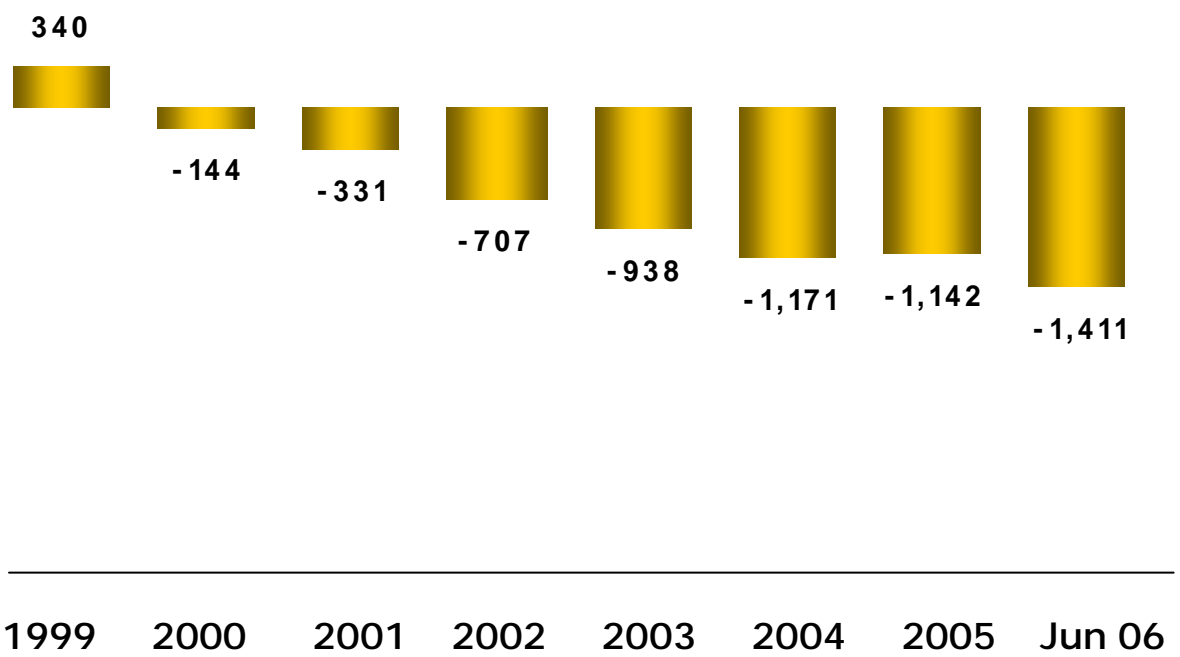
Mix improvement accumulated July 06:

- Premium traffic +23.2%
- Total +9.9%

Strong Balance Sheet

Net Financial Debt (€ M)

Gross Cash Position
June 2006
2,288 € M



51% of leverage if we include the off balance sheet debt

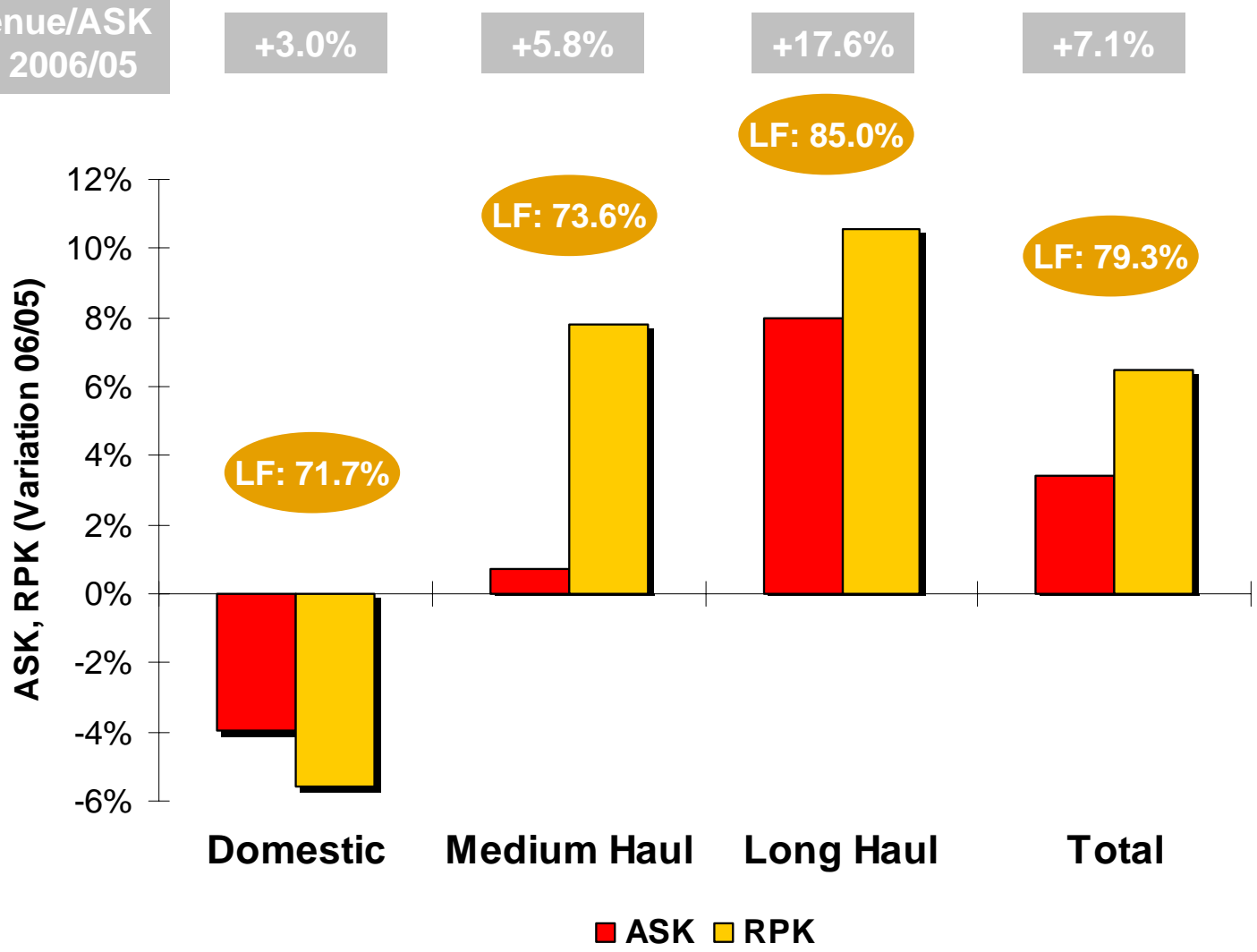
Key Figures 2006

| | 1st Q | 2nd Q |
|--------------------------|----------------|---------------|
| Operating Revenue | +7.9% | +14.8% |
| Ebitdar | -7.1% | +12.1% |
| EBIT | -104.1% | -17.3% |
| EBIT (ex IAS 39) | -37.7% | +39.7% |

2006 will be a transition year, in Q2 margins improved and this trend will consolidate

Strong Traffic January-August 2006

Revenue/ASK
Var. 2006/05



+3.0%

+5.8%

+17.6%

+7.1%

LF: 71.7%

LF: 73.6%

LF: 85.0%

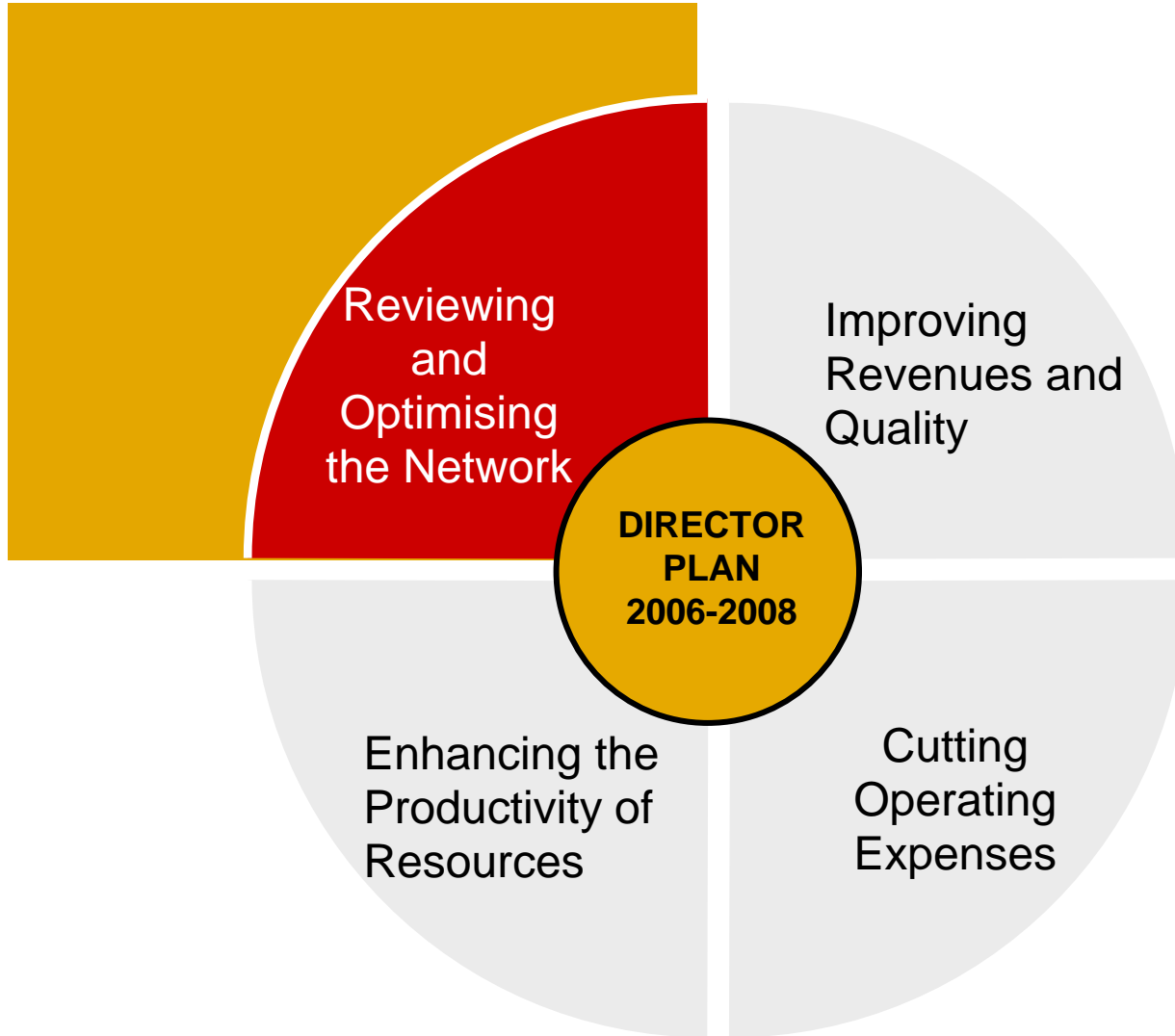
LF: 79.3%



DIRECTOR PLAN 2006 - 2008



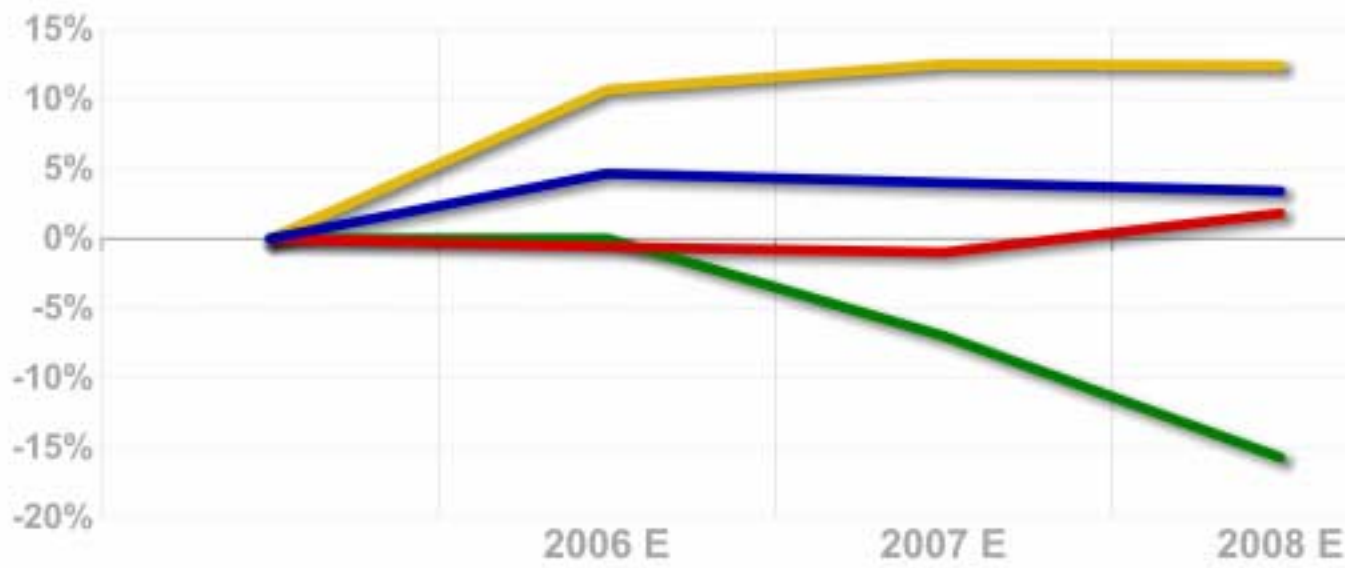
Pillars of the new Director Plan



Capacity forecast

Accumulated

% 08/05



Domestic -15.7%
Medium Haul +1.8%
Long Haul +12.4%
Total +3.4%

Domestic Medium Haul Long Haul Total

Clickair, the new LCC will start operations in October

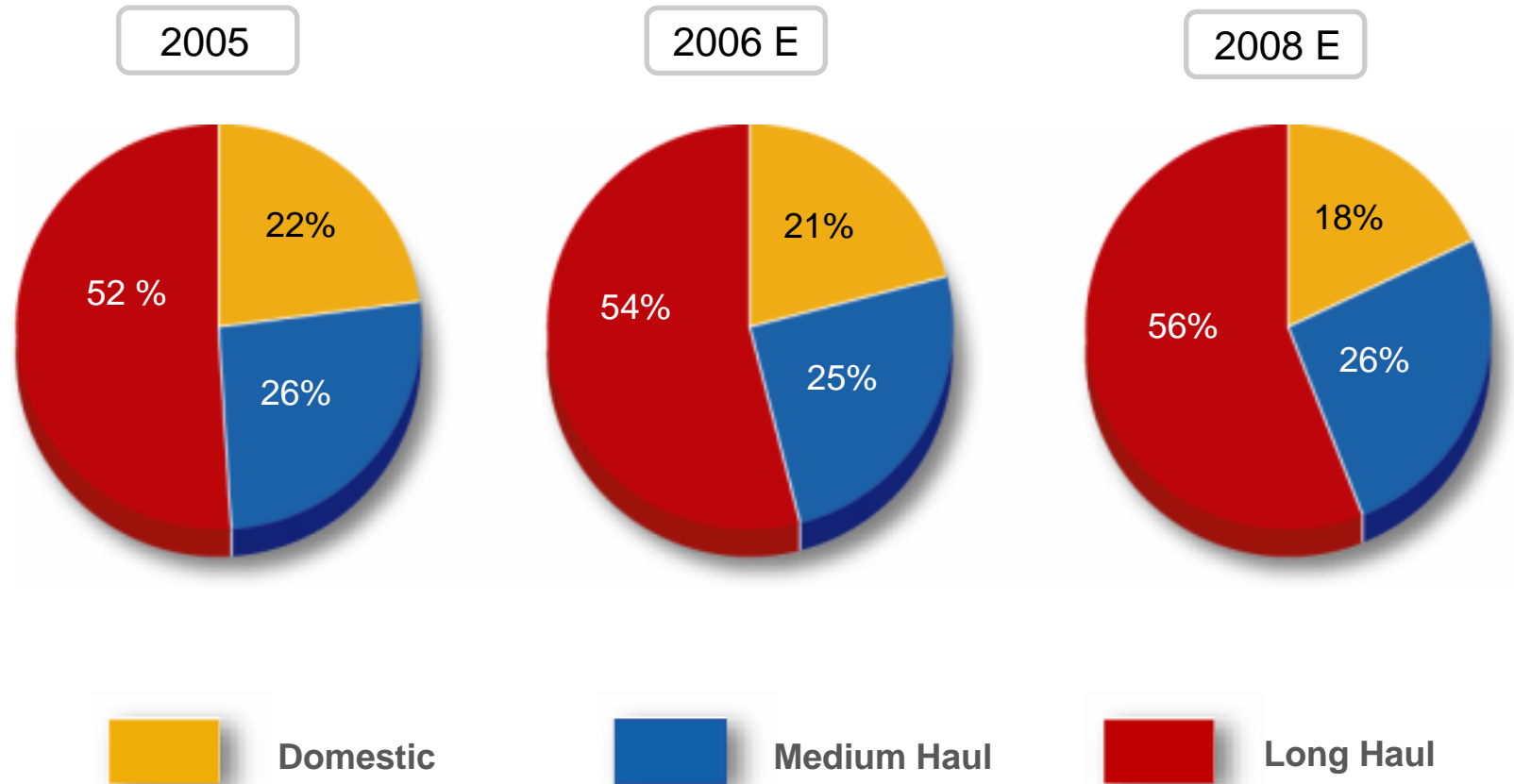
Clickair, new tool to compete

LCC model based in Barcelona

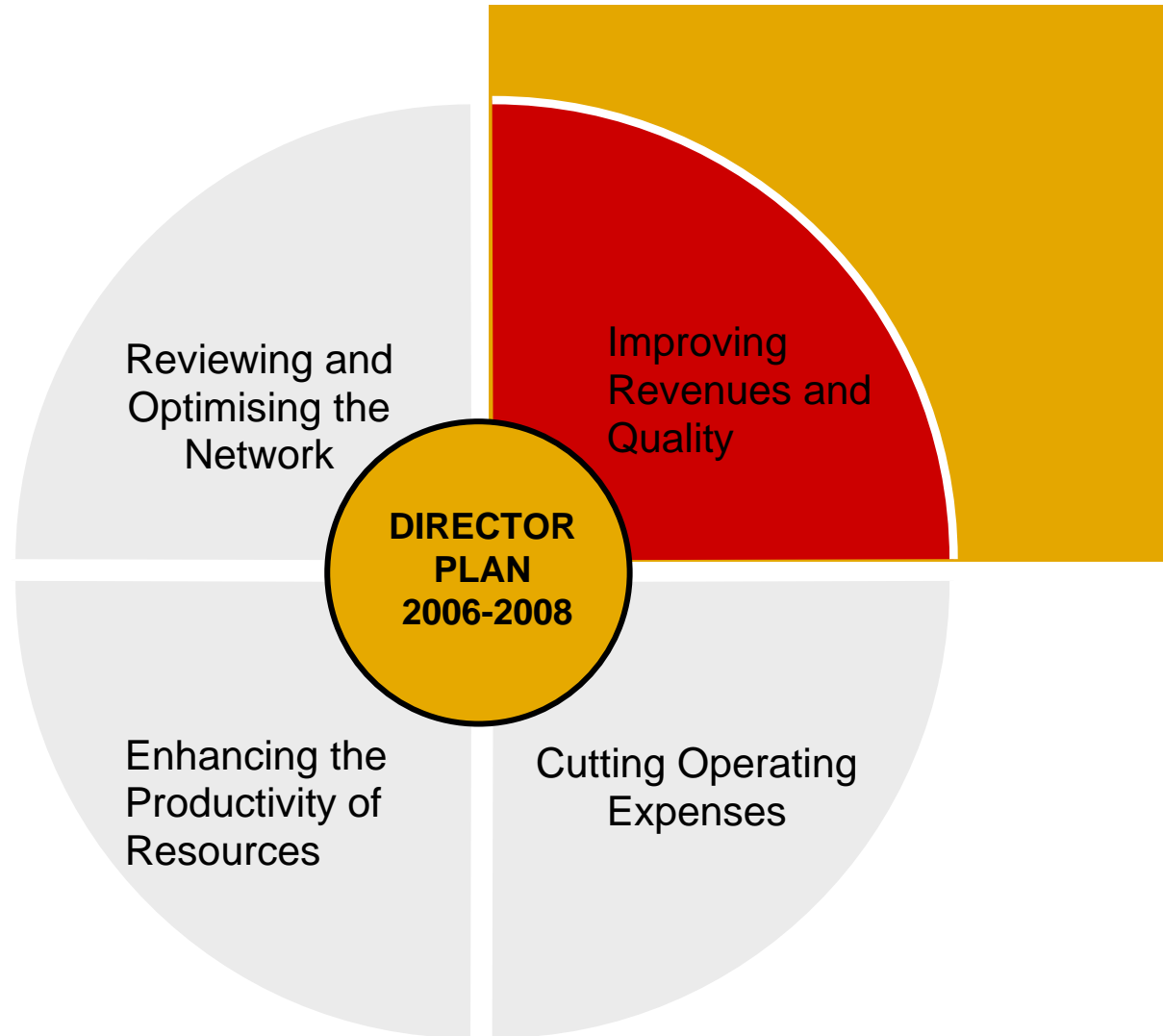
| | <u>2006</u> | <u>2008</u> |
|--------------------|-------------|-------------|
| Fleet | 3 | 30 |
| Routes | 7 | 70 |
| Pax | 400,000 | 10 Million |
| Revenue | | 560 M € |
| Net Results | | 37 M € |

Long Haul will gradually increase its weight

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



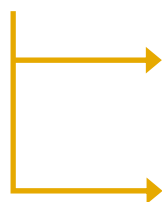
Pillars of the new Director Plan



Improvement of the long haul mix: Business Plus

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

- Opportunity to improve:



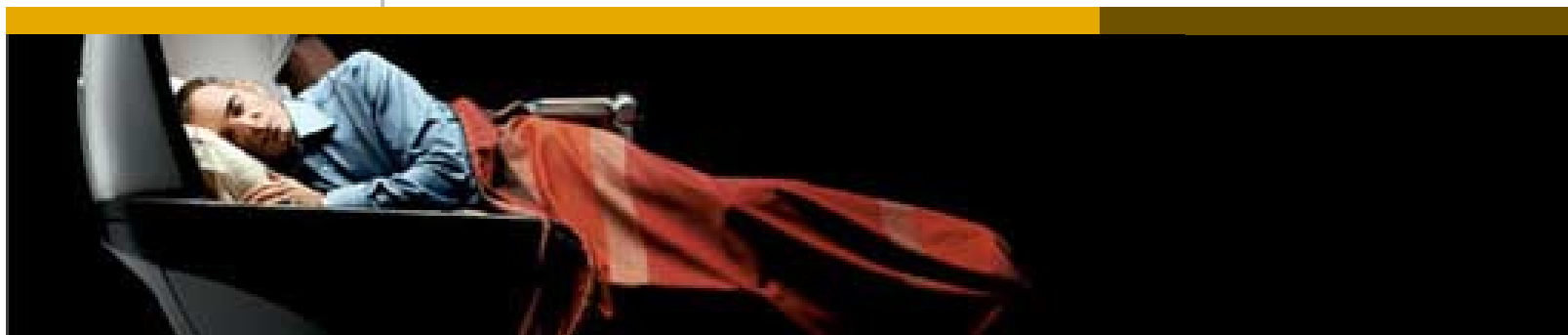
Long haul mix

Business market share in Latin America

Targets 2008 + 2.5 pp in business class market share ⁽¹⁾

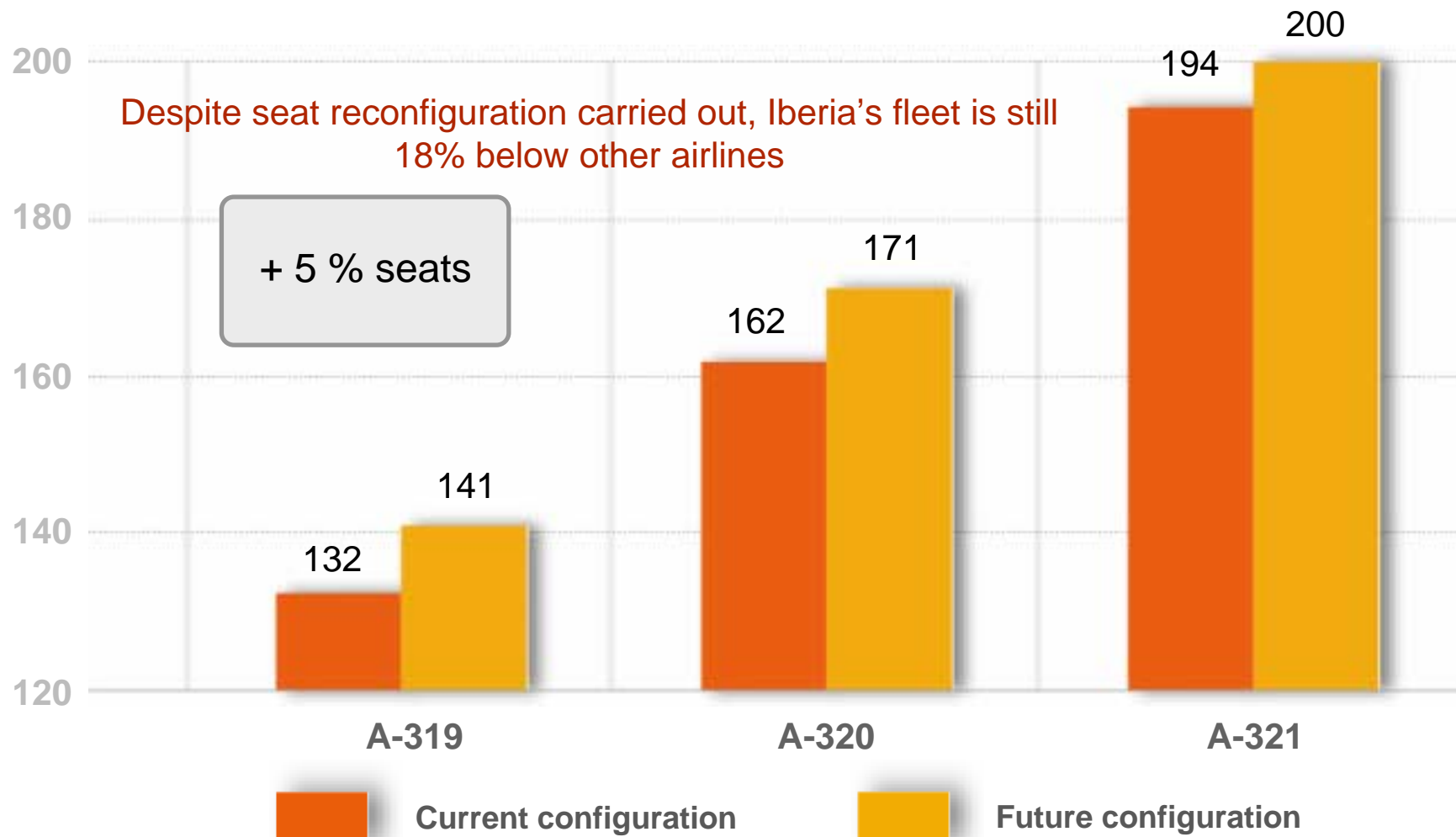
+ 5 p.p. of load factor ⁽¹⁾

€ 19 M of additional passenger revenues



(1) Over 2005

Short and medium haul cabin optimization

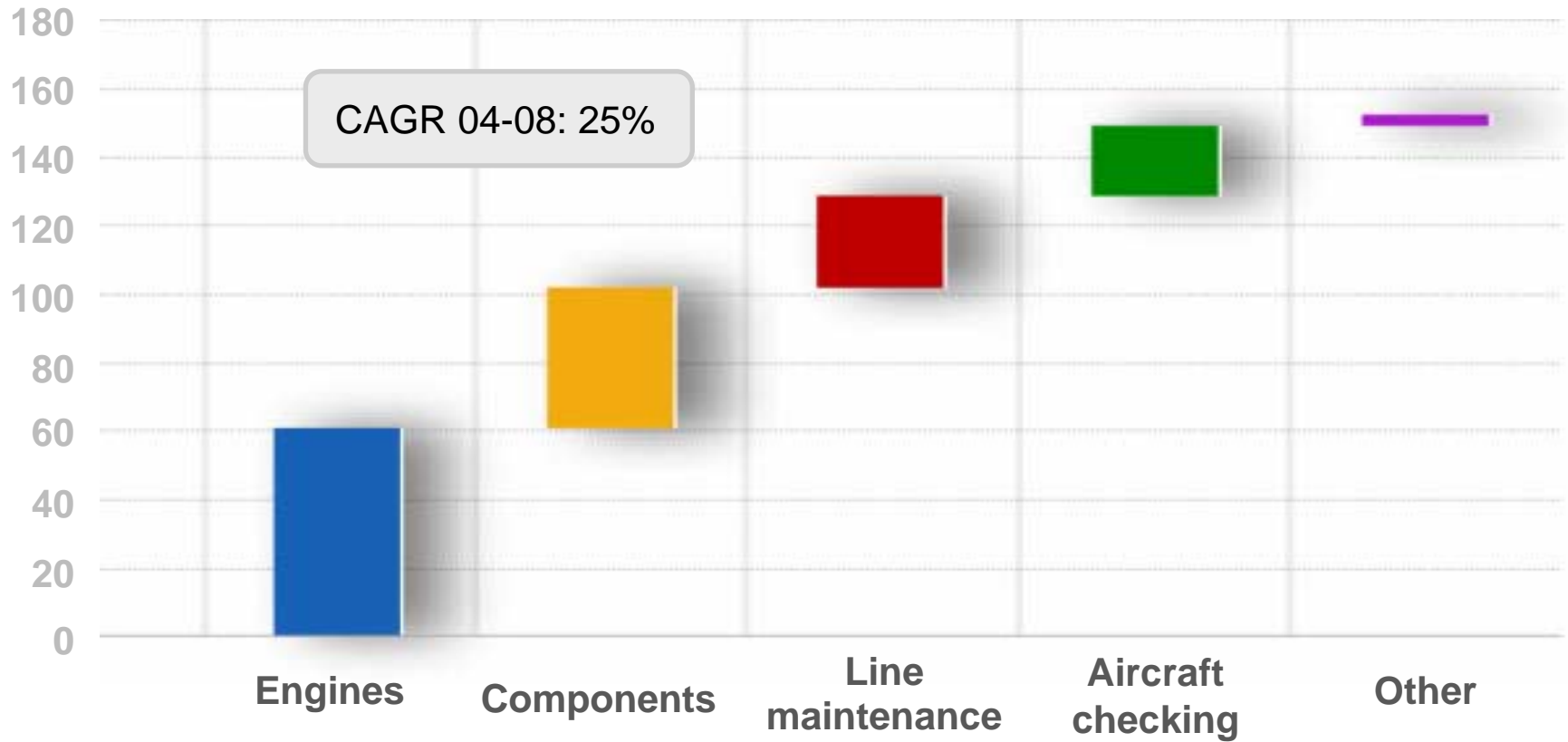


€20 M of additional passenger revenues in 2008

Maintenance: More activity for third parties

Revenue increase (€M)

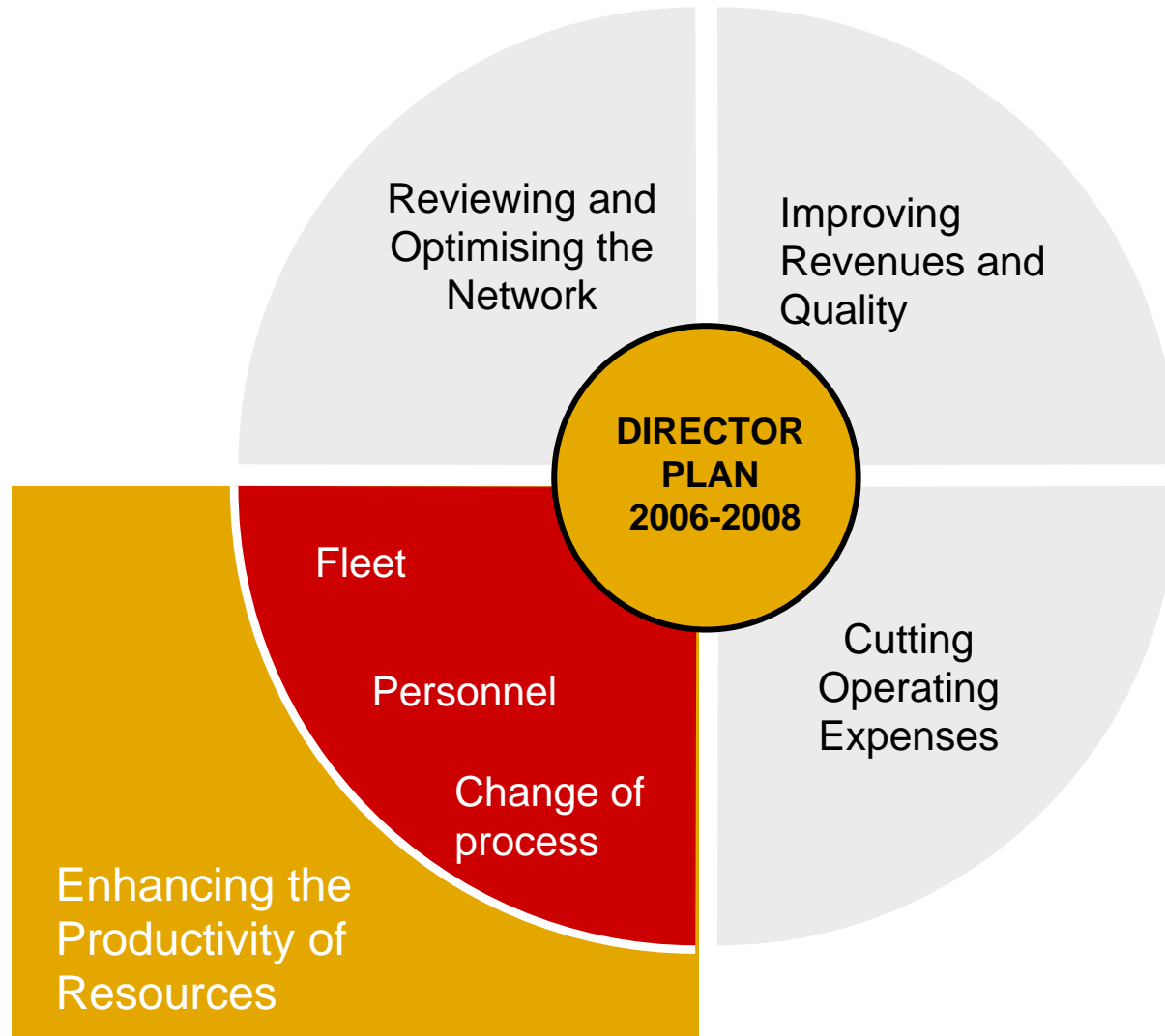
% 08/05



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

- New licences for engine maintenance
- New component line

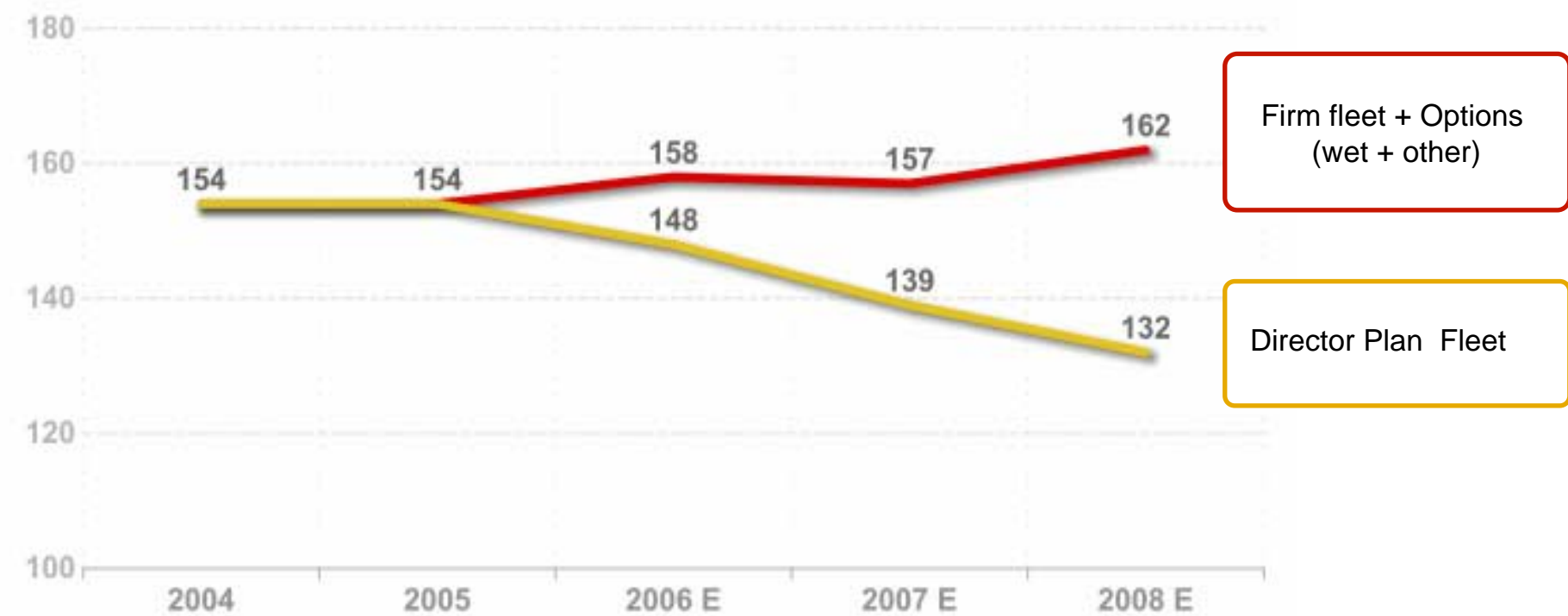
Pillars of the new Director Plan



Fleet Plan

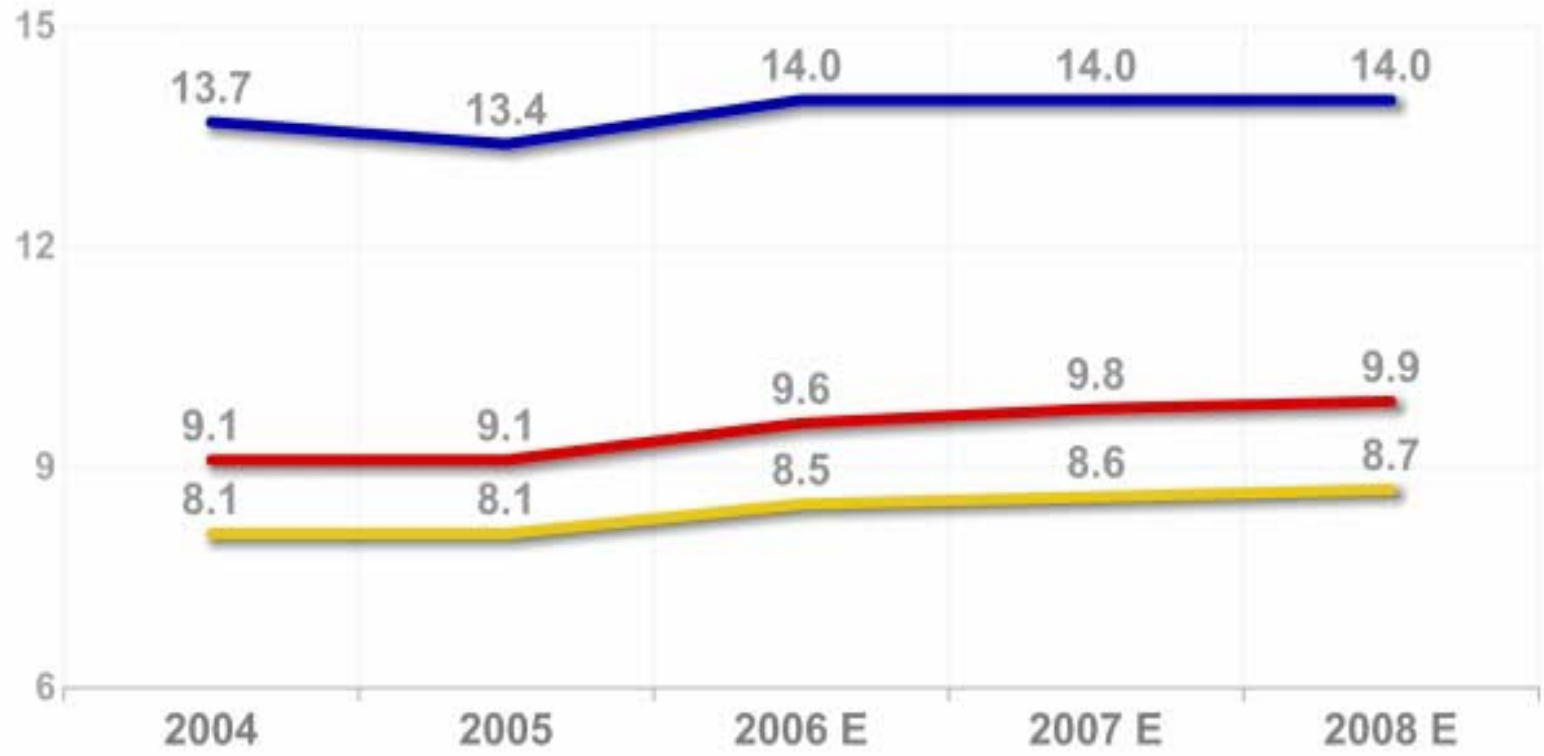
The Director Plan takes advantage of Iberia's fleet flexibility to deal with the forecasted capacity

Nº of aircraft



Increased Utilization of Aircraft

% 08 - 04

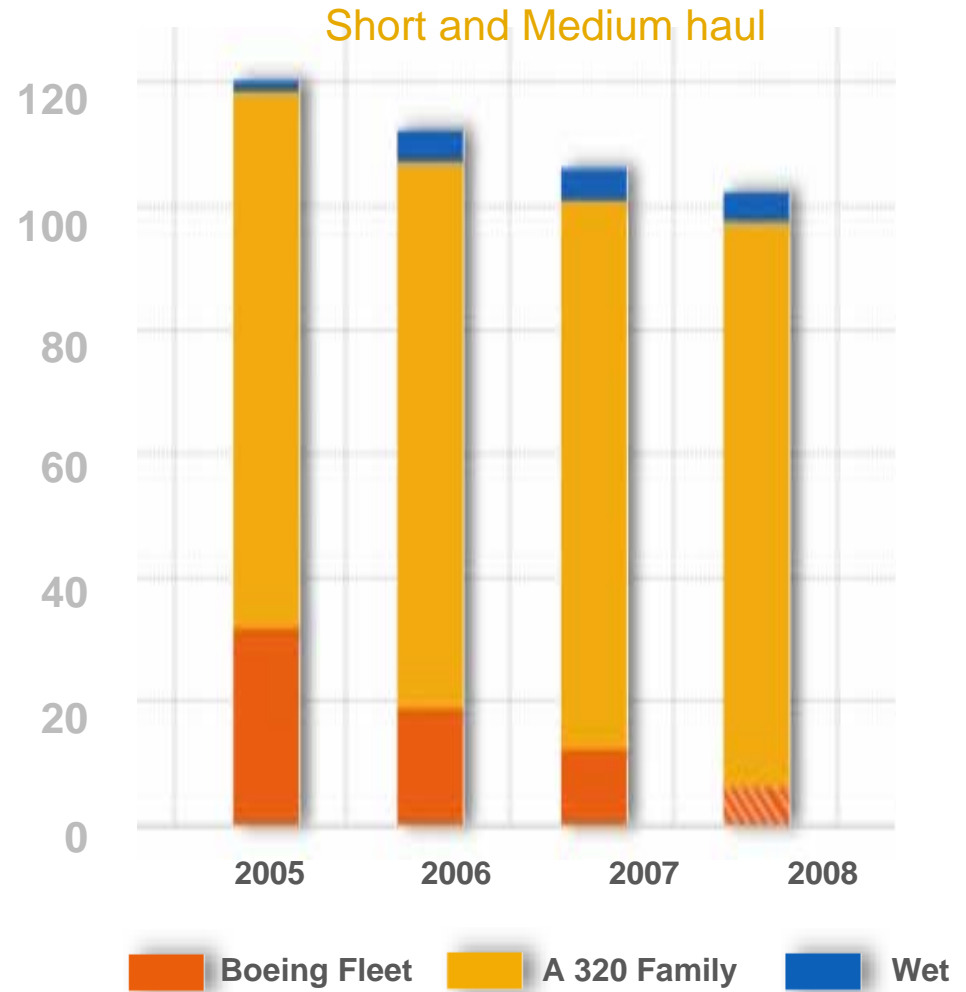
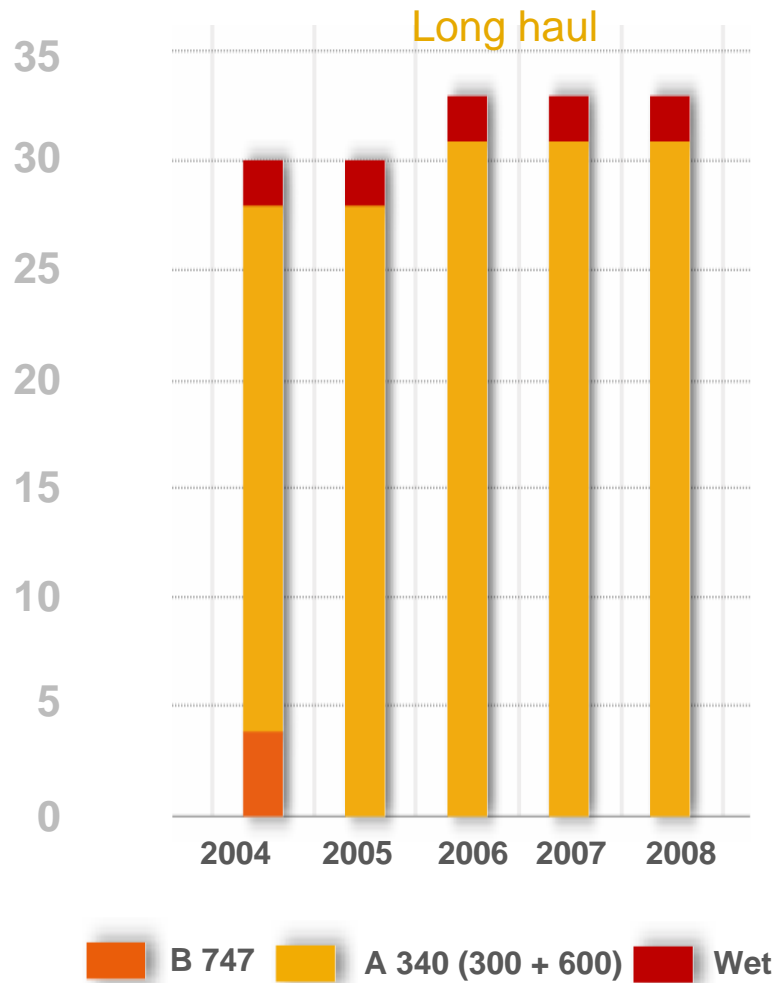


Long haul
+ 2.2 %

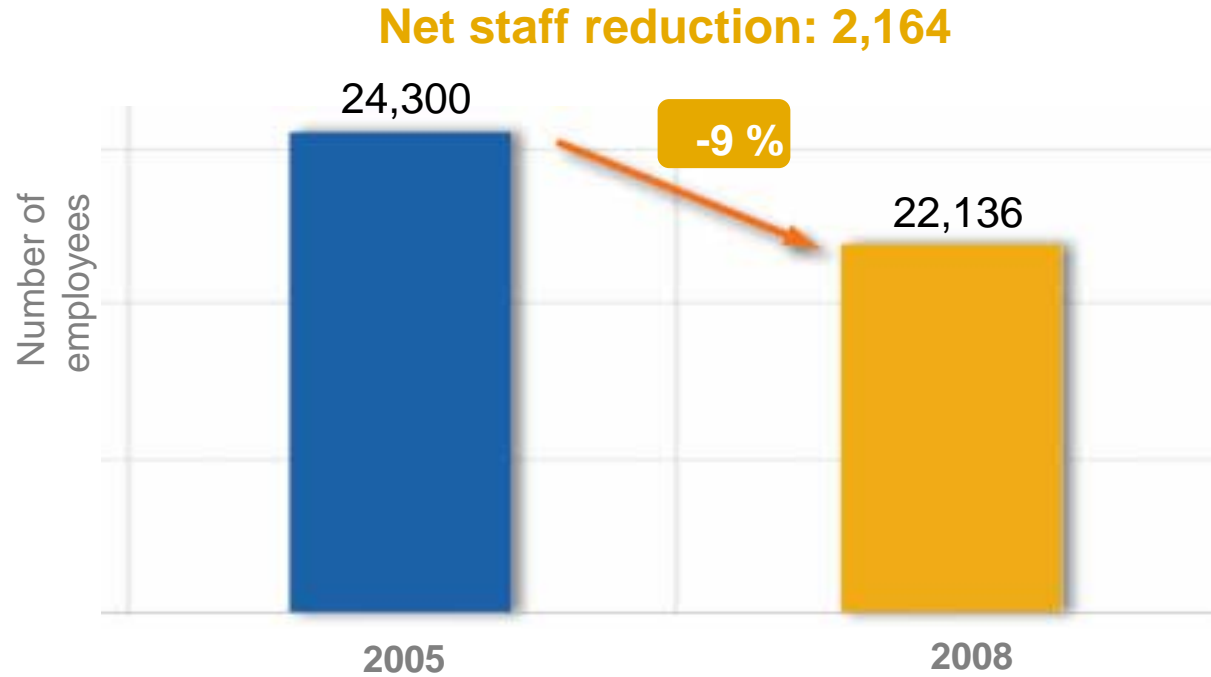
Total
+ 8.8 %

Short and medium haul
+ 7.4 %

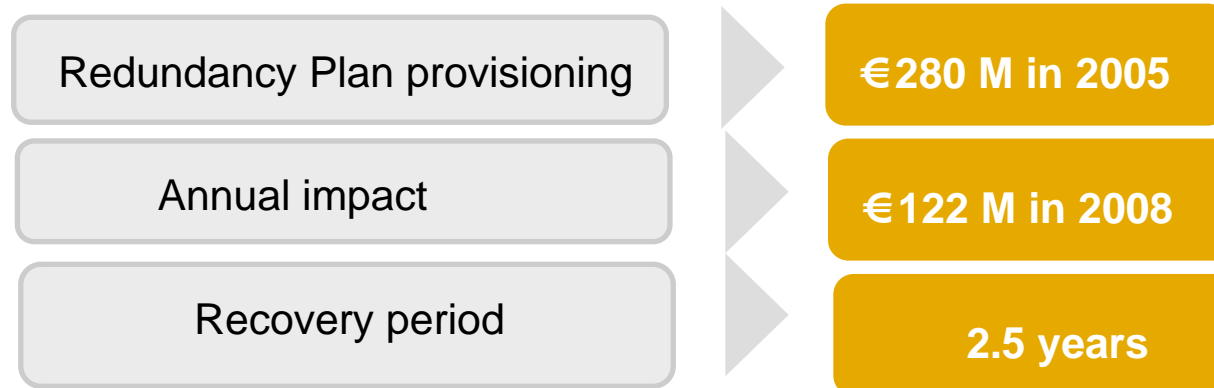
Fleet Homogenization



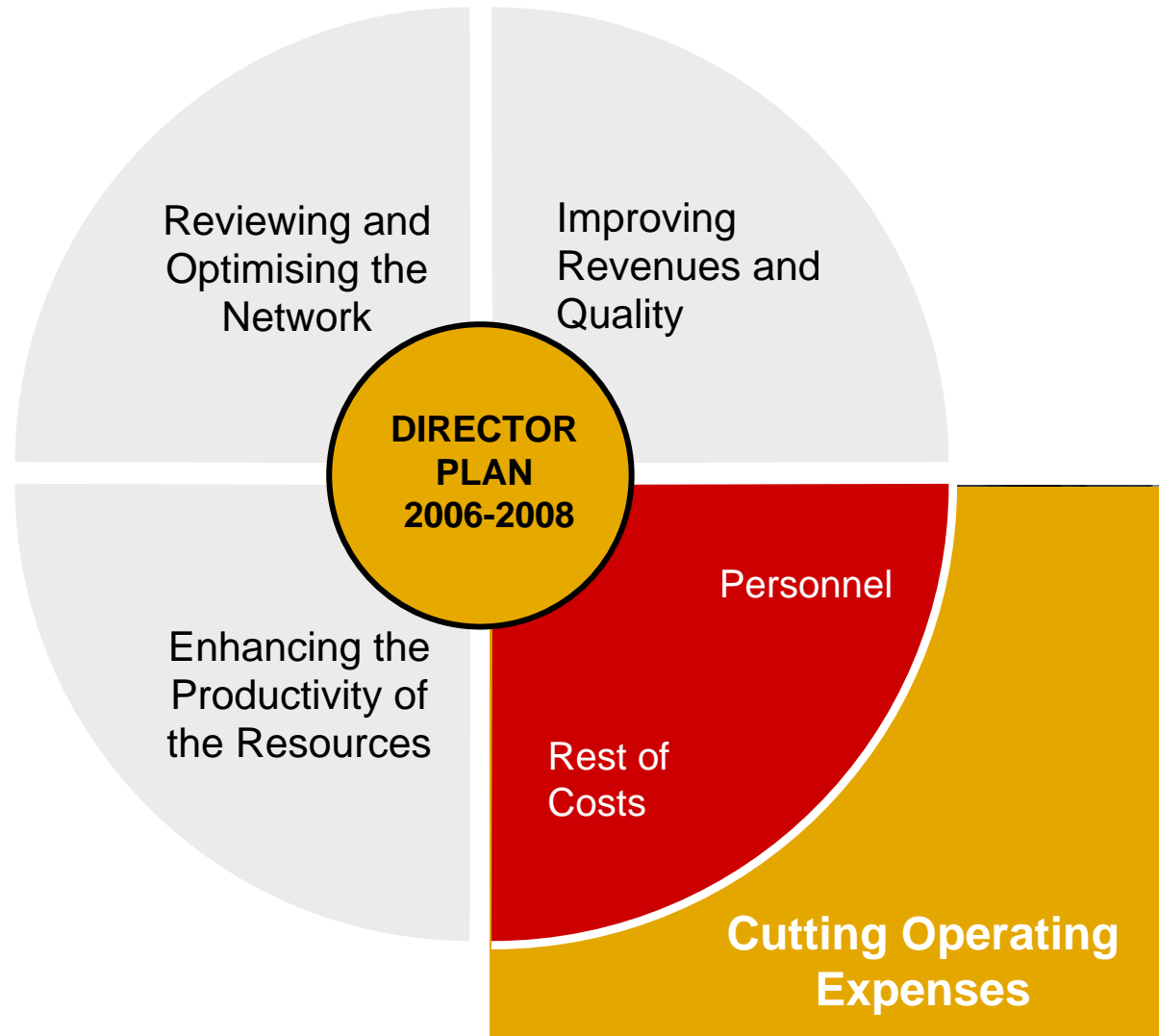
Increased staff productivity



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



Pillars of the new Director Plan

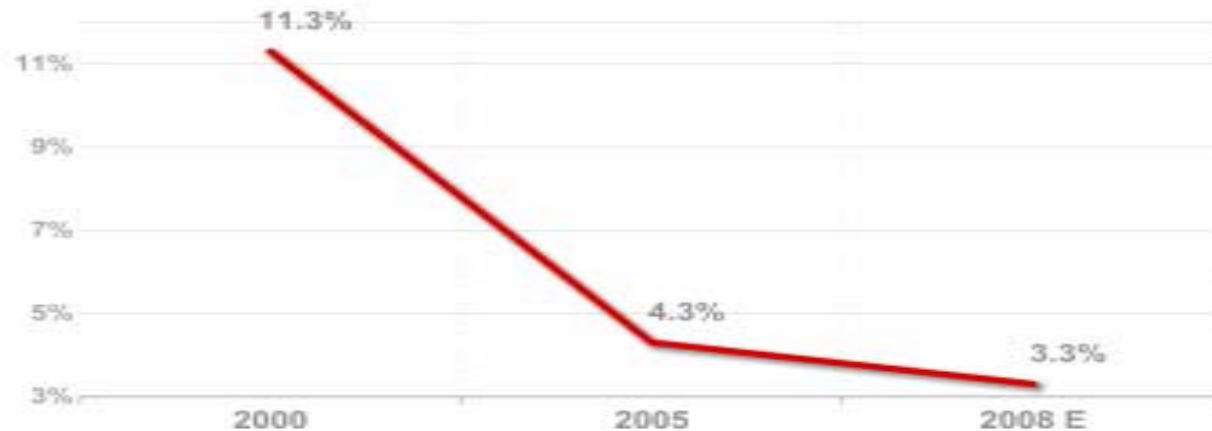


Reduction of Personnel Costs: € 68 M savings**Salary freezes****Change from fixed to variable wages linked to target performance****New seniority system****New progression and promotion system****New conditions for new recruits****Other employee benefits****Agreement with ground staff (50% of staff costs)
already signed**

Other Costs: € 91 M savings

- Reduction of commercial costs in Spain and abroad

Estimated savings of €22 M



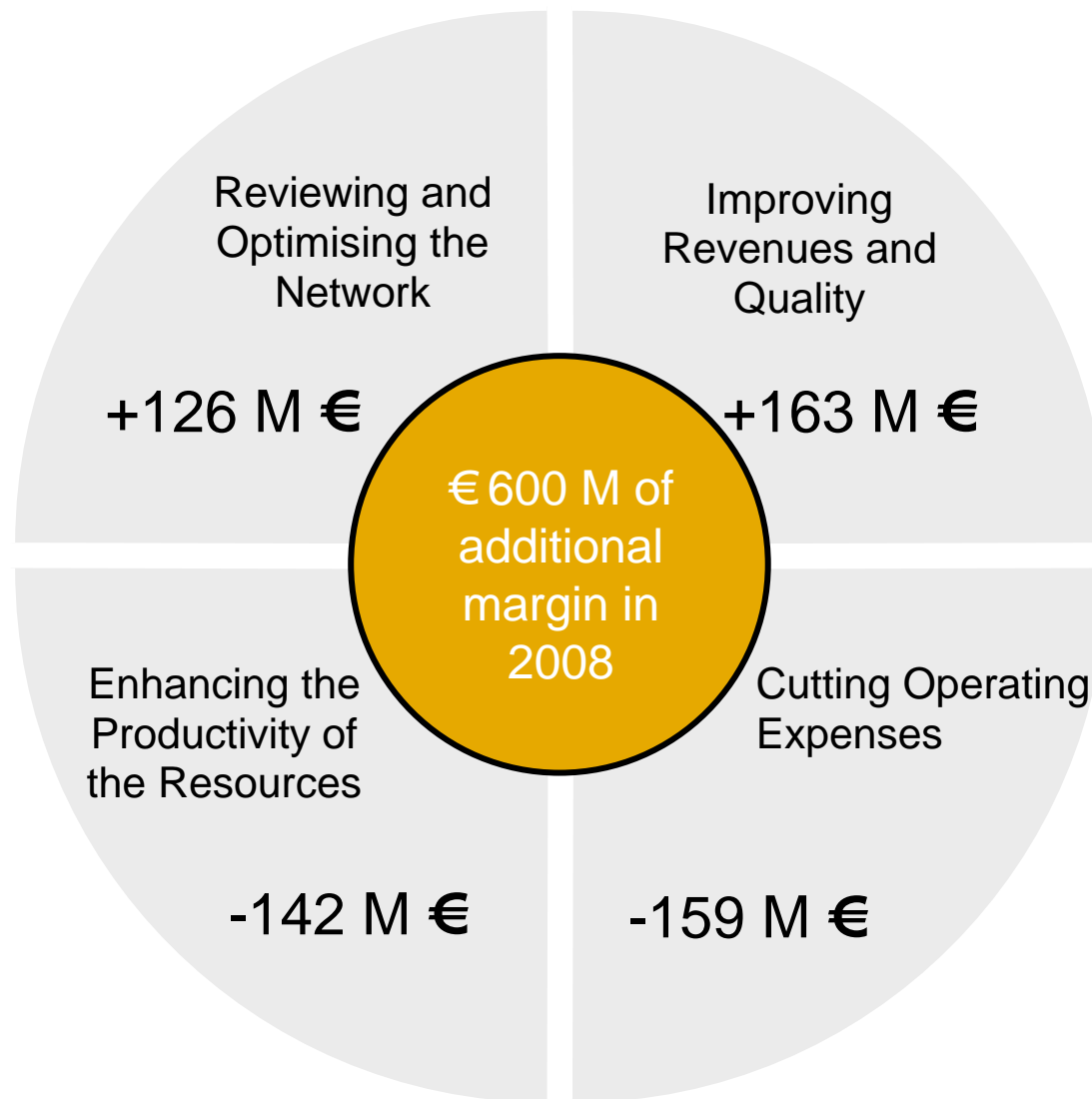
- Reduction of aircraft leasing costs

Estimated savings of €18 M

- Reduction of cargo costs

Estimated savings of €15 M

Director Plan initiatives will maintain profitability



Director Plan 2006-08 Targets

2008 E

50 US\$/barrel

Ebitdar margin

≥16%

ROE

~10%

Reduction of unit costs
(ex fuel)

- 8%-10% nominal

Rate 1.25 \$/€

Progress of the Director Plan 2006-08

| | <u>E 2006</u> | <u>E 2008</u> |
|-------------------------------------|---------------|---------------|
| Revenues | | |
| ▪ Network Restructuring | ↑ | ↑ |
| ▪ Business Plus | ↑ ↑ | ↑ ↑ |
| ▪ Maintenance | ↑ ↑ | ↑ ↑ |
| Costs | | |
| ▪ Personnel | | |
| - Salaries | Pending | ↑ |
| - Productivity (Retirement Program) | ↑ ↑ | ↑ |
| ▪ Maintenance | ↑ | ↑ |
| ▪ Commercial | ↑ | ↑ |
| ▪ Fleet | ↑ | ↑ ↑ |

The bulk of the improvements are still to arrive