



Year 2002

**Enrique Dupuy de Lôme
Chief Financial Officer**

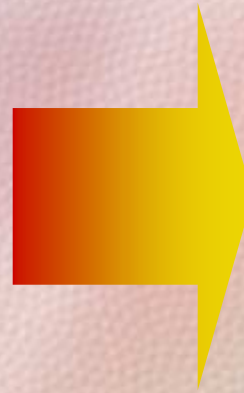
2002 - Priorities



**Quick and flexible adjustment
to demand evolution**

**Selective approach
to strategic markets**

Decrease unit costs



**Increase Operating
Results**

Quick and flexible adjustment to demand evolution



Reduction in Capacity



ASK

The reduction in capacity began in November 01:

- -11.3% in 2002 versus budgeted (Director Plan)

	2002E vs. 2001 ASK	Load Factor
Domestic	-10.6%	+1.2 p.p.
Europe	-1.3%	+ 2.1 p.p.
Intercontinental	-4.0%	+3.1 p.p.
Total	-5.0%	+2.3 p.p.

Number of Aircraft

- Cancellation of wet leases
- Cancellation of 2 B-767 on operating lease
- Retirement of 6 A-300
- Delay deliveries of 9 A-320 and 5 A-321



Year end 02

145

Vs Budget

173

Number
of aircraft

-16%

Selective approach to strategic markets



Market Share Evolution



January-September 2002

	Total	pp vs 2001
DOMESTIC	58.5	-0.8
<i>Balearic and Canary Islands</i>	43.9	-6.4
<i>Rest</i>	66.3	+2.3
SPAIN-EUROPE	36.4	+2.5
EUROPE- LATIN AMERICA	16.7	+1.2

Capacity Adjustment in the Long Haul



Iberia has been monitoring closely the long haul markets and reacting quickly to the traffic trends

Capacity increases in:

Madrid-New York
Madrid-Miami
Miami-Guatemala
Miami-San José
Madrid-Quito-Guayaquil
Madrid-Johannesburg

Capacity decreases in:

Madrid-Caracas
Tenerife-Caracas
Madrid-Sao Paulo
Madrid-Buenos Aires

Traffic Statistics January-September 2002



	ASK	RPK	L.F.
Domestic	-13.3%	-11.5%	1.5p.p.
Europe	-3.1%	1.6%	3.2p.p.
Long Haul	-2.9%	-1.3%	1.3p.p.
Total	- 5.6%	-3.2%	1.9p.p.

Pax Revenues/ASK



+ 6.4%

Good Performance of Revenues



Jan- Sept 02/01

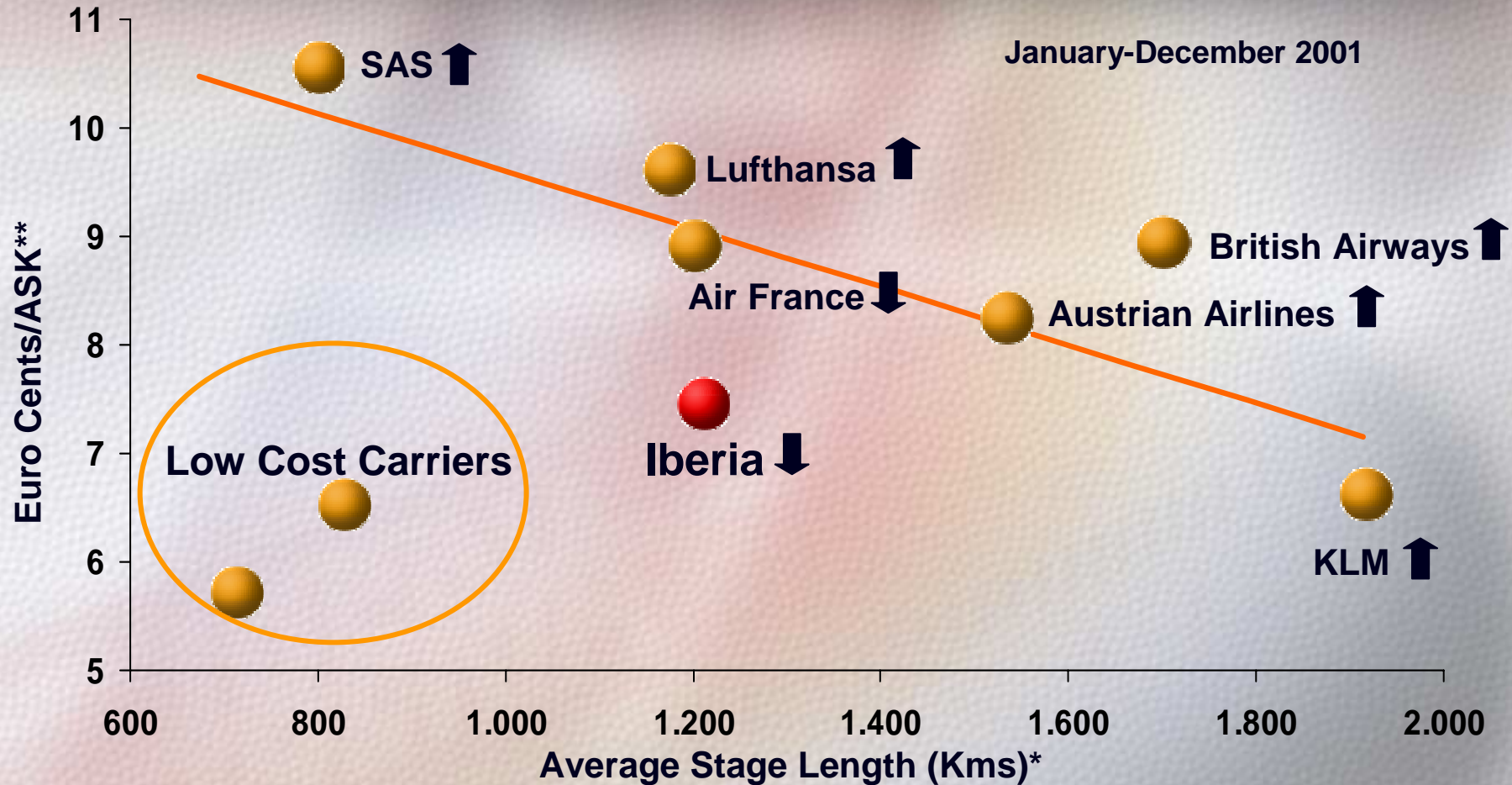
ASK	-5.6%
RPK	-3.2%
Load Factor	+1.9 p.p.
Yields	+3.7%
Unit Revenues	+6.4%
Passenger Revenues	+0.7%

Iberia L.A.E data

Decrease unit costs



Unit Costs Significantly Below Industry Average



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

Variations Jan-Dec 01 with respect to Jan-Dec 00

* Source: AEA

**Operating costs (less 33% of Operating Leases) less Other non-airline Revenues



Aggressive Cost Cutting Program



10% Headcount Reduction

- Iberia Social Plan approved by Labour Authorities: 2.515 employees
- Total Staff reduction 2.800 employees
 - By the end of September 2.343 people have already left the Company

■ Annual estimated savings	124 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

- 735 programs in place with identified savings of 54.6 MM/Euro

Commercial Cost Reduction

- Net Commercial Costs 9.3% of traffic revenues compared to 10.5% in 2001

Operating Expenses



Jan- Sept 02/01

Operating Expenses	-7.8%
Personnel Costs	-3.1%
Commercial Costs	-11.3%
Fuel Costs	-16.4%
Aircraft Rentals+ Amortisations	-13.4%
Maintenance + Spare Parts	-17.5%
Insurance	+816.1%

Cost/ASK



-1.8%

With a capacity reduction of 5% and inflation rate of 3.5%

Increase operating results



January-September Results



Operating Revenues
-2.4%

Operating Expenses
-7.8%

**Important improvement
in margins**

	2002	2001
EBITDAR	650	545
Ebitdar Margin	18.2%	14.9%
EBIT	233	37
Ordinary Results	223	48



- We expect positive evolution of load factors and yields for the rest of the year
- We see cost following similar evolution as first nine months
- Our Cash Flow and Balance Sheet position will remain strong for the rest of the year

EBITDAR Margin will be above 17% compared to 13.8% last year

Results from Ordinary Activities will be above 230 MM/Euro