IBERIA

July 2003

1. Introduction

- **Seven consecutive years of profits**
- **Third Director Plan in place**
- **An experienced Management Team leading the company since 1996**

New CEO, but not a newcomer

- **Independent Director both in Iberia and Amadeus**

- **Deeply involved in Iberia´s projects**

- **Long track record and experience in international business (ABB)**

Keeping the drivers

- **Building on our strengths**

- **Benefiting of new opportunities**

- **Facing the challenges with determination**

2. Robust platform delivers results

- Summary 2002
- First Half 2003

IBERIA

2002.Selective adjustment to demand

ASK

The reduction in capacity began in November 01:

- **-11.3% in 2002 versus budgeted (Director Plan 00-03)**

	2002 vs. 2001 ASK	Load Factor
Domestic	-11.5%	+1.1 p.p.
Europe	-1.6%	+ 2.1 p.p.
Intercontinental	-3.9%	+2.9 p.p.
Total	-5.2%	+2.3 p.p.

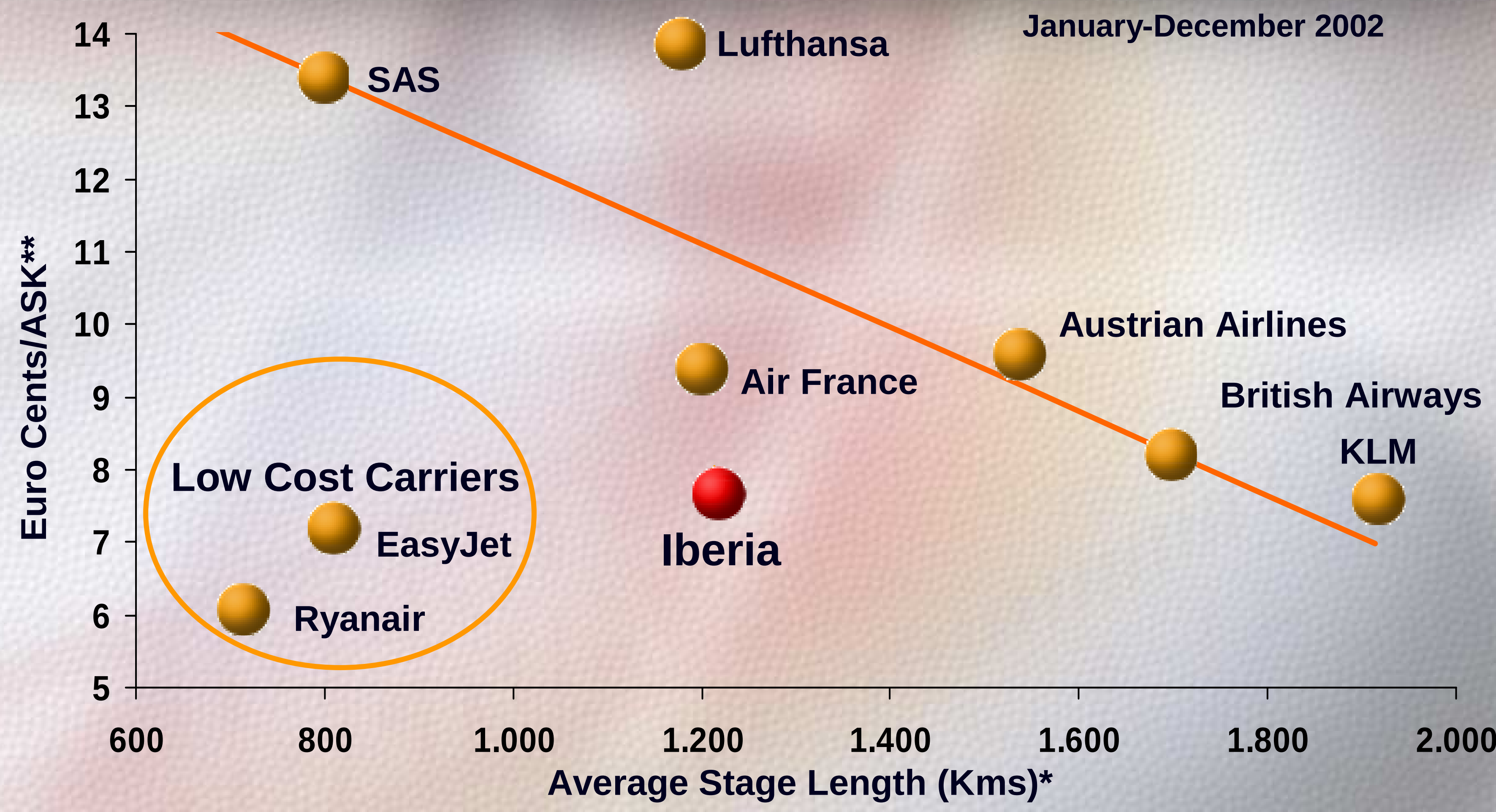
Number of Aircraft

- 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	Vs Budget	Number of aircraft
147	173	-15%

Iberia L.A.E data

2002. Keeping unit costs down



Date for period January - December 2002, except Ryanair and Easyjet fiscal year 2002.

* Source: AEA

**Operating costs less 33% of Operating Leases

2002. Increasing leadership in our strategic markets

	2002	
	Total bookings	pp vs 2001
DOMESTIC	**58.7**	**-1.0**
Balearic and Canary Islands	*44.0*	*-6.1*
Rest	*66.3*	*+1.8*
SPAIN-EUROPE	**36.0**	**+1.8**
EUROPE- LATIN AMERICA	**16.5**	**+0.7**

Source: Iberia, L.A.E

2002. Results: An excellent year for Iberia

Operating Revenues
-0.8%

Operating Expenses
-6.0%

Important improvement in margins

	2002	2001
EBITDAR	805	655
Ebitdar Margin	17.1%	13.8%
EBIT	249	5
Ordinary Results	241	31

First Half 2003. A very difficult period for the airline business

Causes	Impact in the sector	Impact in Iberia
•War in Iraq	•High fuel prices	•Relatively strong domestic market and LATAM position
•Economic crisis	•Fall in traffic	•Weakness on European yields
•SARS	•Fall in traffic	•No impact
•Depreciation of the dollar	•Exchange effect	•Net positive impact on cost and interest rates

First Half 2003. Iberia´s reply

Tactical

- **Adjustment of capacity**
- **Cost control**
- **New revenue management model. Implementation**

Strategic

- **Revision and update of the Director Plan 03-05**

First Half 2003. Capacity adjustment

January-June	ASK	RPK	L.F.
Domestic	-0.1%	3.0%	2.2p.p.
Europe	0.8%	-2.6%	-2.3p.p.
Long Haul	-4.6%	0.6%	4.0p.p.
Total	- 2.1%	0.4%	1.8p.p.

- **Changing average size in long range fleet.**
- **Delaying deliveries of new planes.**
- **Linking lease rents to utilization.**

First Half 2003. Keeping costs under control

- **Mantaining unit costs in nominal terms. (improvement in real terms) despite Fuel and Navigation Aids increases.**
  - **Reduction in Commercial Costs, Ownership Costs, In Flight Service Costs.**
  - **Increases in Fuel and Navigation Aids Costs.**

- **Improvement in Handling and Maintenance 3rd parties revenues and margins.**

First Half 2003. Positive Results

January-June 2003

Ebitdar Margin	12.9%
EBIT	Positive
Ordinary Results	Positive
Net Income	Positive

3. Updating our Director Plan

Accelerating of changes in the sector

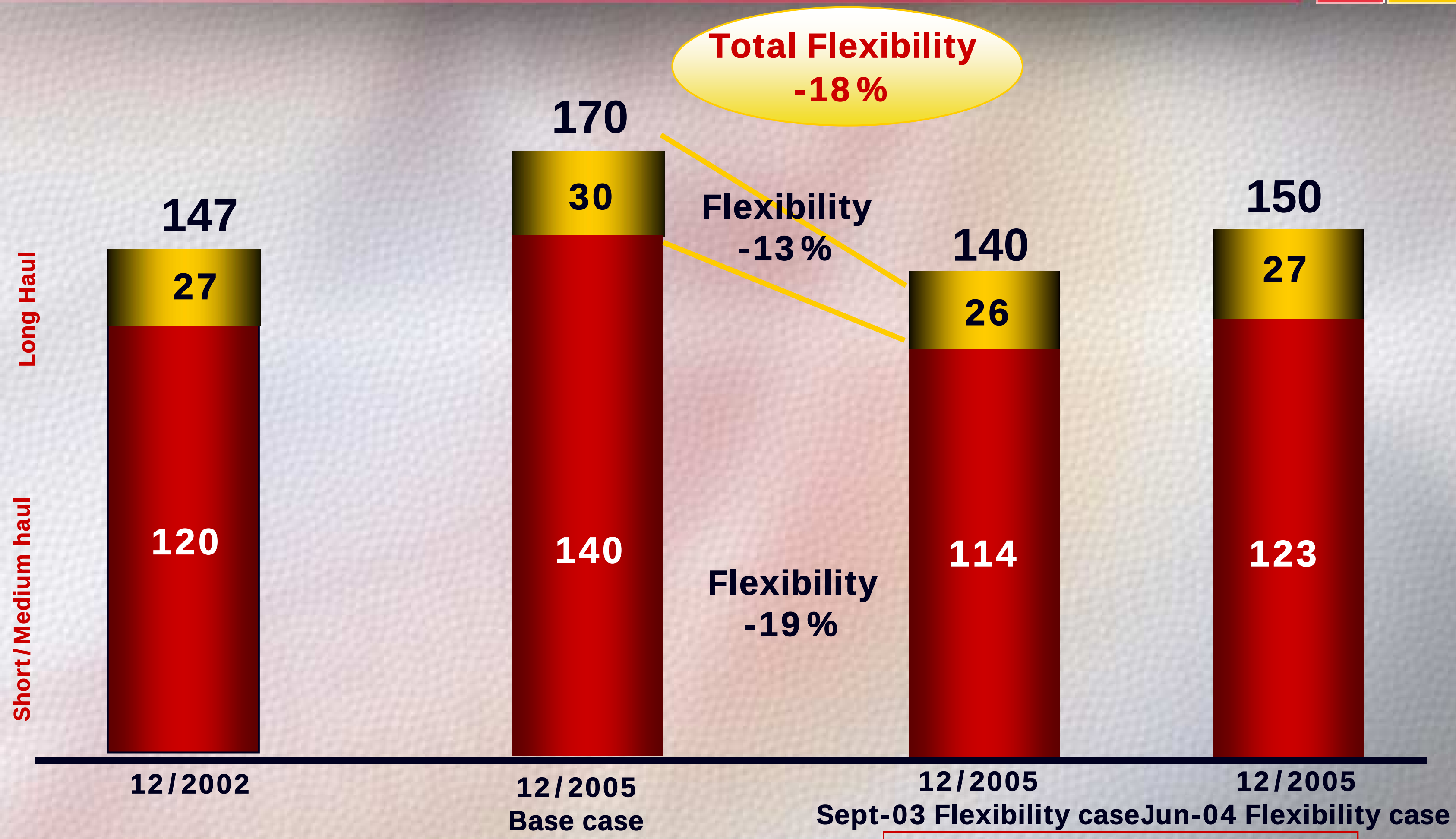
The competitive environment considered in the scenario of the Director Plan has changed substantially in the first months of 2003

•Socio-political factors: war in Iraq and impact of SARS	•Lower traffic and higher fuel prices. Temporary.
•New fare structure in the domestic market and growing competition of the Low Cost Carriers in Europe	•Anticipation of new revenue model. Structural.
•Delay of the high speed train and new airport facilities	•Delay of the impact until late 2005/2006

Updating our Plan - Accelerating Projects

	New implementation date
•Reduction of travel agencies´commissions	January 2004
•Revision of the new Maintenance program impact	2003
•New on board service model	July 2003
•Restructuring of foreign offices	2003-2005
•Improvement of ground and flight staff productivity	2004-2005

Flexibility - Remains a Key Tool



- Non renewal of Operating Leases or non exercise of Options

Cancel new hiring of Wet Leases

Our Objectives are Unchanged

Unit Cost	↓	2005/02 8-10%
EBITDAR margin		≃ 19%
ROE		≃ 15%