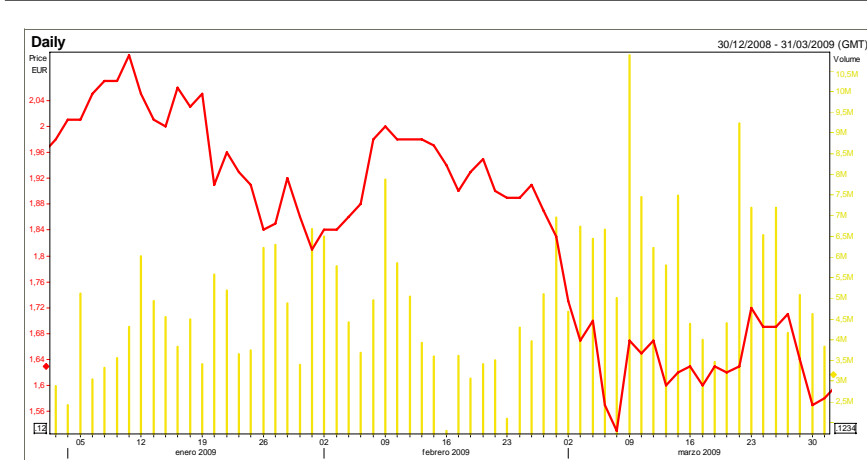


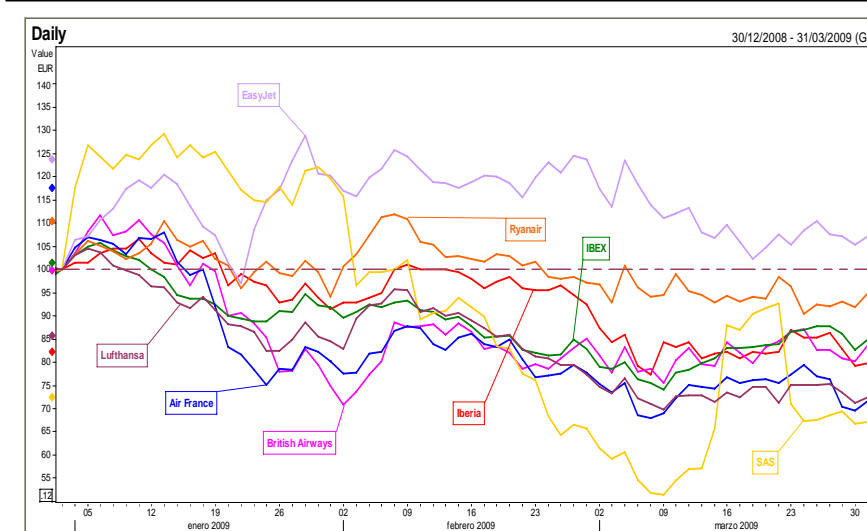
Jan-Mar 2009	IBEX 35	-15.0%
Iberia	Iberia	-20.2 %
Quarterly performance: -20.2%	Air France	-26.9%
Performance YTD: -20.2%	Austrian	-8.5%
Price at 31 March: €1.58	British Airways	-21.6%
High: €2.11	Lufthansa	-27.5%
Low: €1.53	SAS	-33.0%
Average trading volume: 5,029,907 shares	EasyJet	-0.3%
	Ryanair	-2.5%
	Vueling	36.4%

In 1Q09 Iberia's shares corrected by 20.2%. Having started the year at \$35/bbl, oil prices climbed steadily to end the quarter around \$10 higher, at \$46.50/bbl. The share price ended the quarter at €1.58 while the average trading volume slumped to 5.0 million shares, almost three times lower than the 4Q08 reading.

Iberia: Share price/volume performance (Jan-Mar 2009)



Iberia vs. Ibex-35 vs. European airline sector (1Q09) (Base 100=31/12/08)



Shareholder Newsletter

January-March 2009

Earnings performance

IBERIA GROUP	First quarter (Jan-Mar)		
	2009	2008	%
€, thousands			
Operating revenues	1,098.1	1,300.5	-15.6
Operating expenses	1,245.3	1,328.8	-6.3
EBITDAR	-7.2	124.0	N/M
Recurring EBIT	-147.3	-28.3	N/M
Non-recurring revenue and costs, net	0.01	21.7	N/M
Impairment losses and net gains on asset disposals	-0.5	21.7	N/M
Profit/loss from operations	-147.3	-6.6	N/M
Consolidated profit/loss after tax	-92.6	-0.4	N/M
ASK (million)	15,369	16,360	-6.1
RPK (million)	11,752	12,990	-9.5
Load factor (%)	76.5	79.4	-2.9 p.
Passenger revenue	829.8	1,003.2	-17.3
Passenger revenue / ASK (€ cent)	6.43	7.06	-9.0
Passenger revenue / ASK (€ cent)	4.92	5.61	-12.3
Operating revenue / ASK (€ cent)	8.37	8.33	0.5
Operating expense / ASK (€ cent)	8.10	8.12	-0.2
Operating expense (ex fuel) / ASK (€ cent)	6.22	6.12	+1.7

- In the first three months of 2009 the Iberia Group recorded a consolidated loss of €92.6 million, driven primarily by the devastating impact that the global economic crisis is having on the airline sector.

- Operating revenues narrowed 15.6% due to: weak air traffic in most international markets, most notably in Spain, the collapse in business travel and intense pressure on air fares.

- One-off events such as the flight interruptions triggered by the pilots' work-to-rule action and the heavy snowfalls of January also undermined revenues in the quarter.

- The slump in demand (-9.5%) outpaced the reduction in capacity (-6.1%). The load factor narrowed 2.9 points year-on-year to 76.5%, albeit the highest reading for the quarter among comparable European carriers.

- The company's balance sheet remains solid, with liquidity (current financial investments, cash and cash equivalents) of €2,252.3 million at 31 March 2009.

- To cushion the impact of an extraordinarily difficult operating environment, the company has launched a contingency plan comprising a raft of initiatives taking in: capacity reduction, fleet downsizing, cost cutting and scaled back capex.

- The crisis afflicting the airline sector reduces visibility for the coming quarters. However, if the current conditions persist for the full year, it is unlikely that the company will post a profit in 2009.

Shareholder Newsletter

January-March 2009

In the news

Iberia moves to Terminal 3 at London's Heathrow airport

On 25 February, Iberia moved to the refurbished Terminal 3 at London's Heathrow airport, where all its flights will now take off and land, including those operated by British Airways to and from Madrid and Barcelona and Clickair flights to and from other Spanish airports.

In this way, Terminal 3 will house eight oneworld alliance members (American Airlines, Cathay, Iberia, Finnair, Japan Airlines, Royal Jordanian, Quantas and British Airways).



Iberia transported over 120 transplant organs in 2008

In 2008, Iberia transported a total of 121 transplant organs on its regular scheduled flights, under the framework of a collaboration agreement with the ONT (Spain's National Transplant Organisation).

This altruistic initiative on the part of Iberia is of particular value when donor and recipient are located in different cities. Once removed, organs have a limited shelf life and must be transported swiftly: here is where Iberia's broad spectrum of destinations and flight times comes into play.

Iberia has been collaborating with the ONT on an altruistic basis for over 15 years, transporting an average of 120 organs a year on its regular flights.

Iberia relaunches its airport service business

The company has taken a new name for this business, Iberia Airport Services, which better reflects the underlying activity and is more readily identifiable as a brand and easier to understand for potential customers.

Iberia is the largest airport handler in Spain. In 2008, it handled close to 80 million passengers and over 418,000 aircraft for 220 third party airlines.



Iberia to fly to Croatian capital, Zagreb

Iberia will add Zagreb, Croatia's capital, to its flight network this July, with two flights a week throughout the summer season, during which time Iberia expects to carry an estimated 5,000 passengers.

Iberia also plans to restart flights between Madrid and Dubrovnik, a route operated for the first time between June and September 2008. Last summer almost 13,000 passengers were carried on this route.

Iberia.com generates over €532 million in ticket sales

In 2008 Iberia.com's air ticket sales exceeded €532 million, up 7.45% on 2007.

The greatest growth came from Iberia's international websites, where sales climbed 17%.

Iberia's website receives an average of 335,000 hits daily.

Shareholder Newsletter

January-March 2009

Iberia's 2009-2011 Strategic Plan

New 2009-2011 Strategic Plan

With the advent of the new year, the company has put in motion a new Strategic Plan effective through 2011. The key targets, necessary to tackle the ramifications of the economic crisis and to reinforce Iberia's leadership position in its core markets, are to generate additional revenue and raise customer service levels across all its businesses.

There is no point having the most efficient fleet of any of our European competitors, one of the best hubs in Europe, a flight network with over 100 destinations or a business plan designed to deliver growth if we do not win over the customer. Iberia's chairman, Fernando Conte, believes that the airline needs to boost revenues, and that it must do so above all by raising the standards of service offered to all our customers. **In conjunction with the planned launch of a new Strategic Plan covering the next three years (2009-2011),**

How does this business plan differ from earlier plans?

According to Iberia's chairman, Fernando Conte, "the main difference compared to earlier plans is that the key focus this time is to boost revenues. Although cost cutting also features prominently, revenues are the key."

"Revenue growth will be closely tied to raising customer service standards. And here I am not only referring to spending on new products and services but also, and above all, the emphasis that we are going to place on our passengers' perception of the customer service they receive. One thing is clear: we only have a future if we are our customers' favourite airline."



This plan has been launched in a year marked by the gloomiest economic forecasts of recent times. Does the business plan factor in the uncertain environment?

In Fernando Conte's mind, "Unquestionably so". "The macroeconomic variables contemplated in the business plan include a recession in Spain and Europe in 2009, with some improvement in 2010. It is true there is an element of uncertainty - as there is in all business plans - probably more so than ever in relation to certain exogenous inputs. The economic factor, specifically the trend in demand, will be one of the most important drivers throughout the plan".

"Nonetheless, we are assuming that revenue for the 3-year period covered by the newly unveiled Strategic Plan will be 8% higher than for the 3-year period covered by the business plan just concluded. We are planning to capture market share and hope that the macroeconomic environment will prove more benign than we have assumed."