

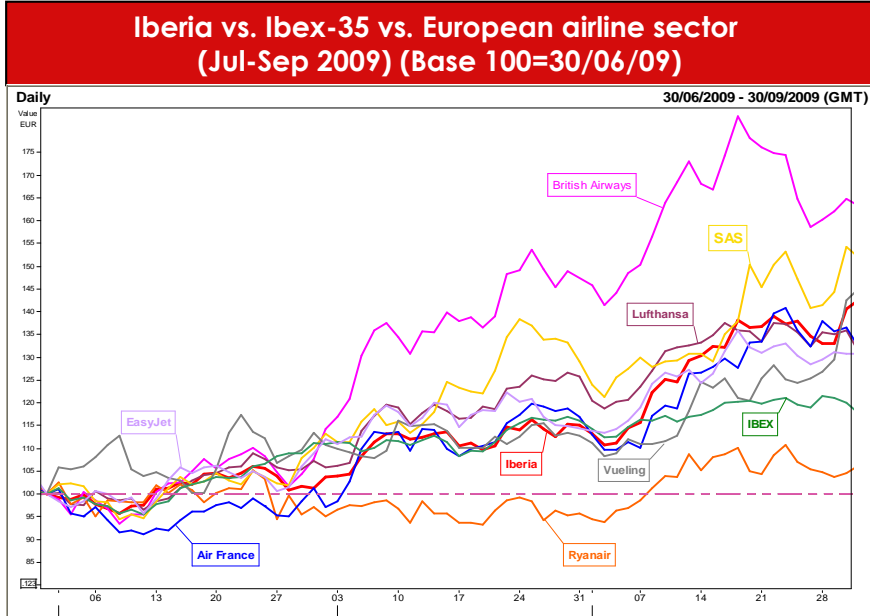
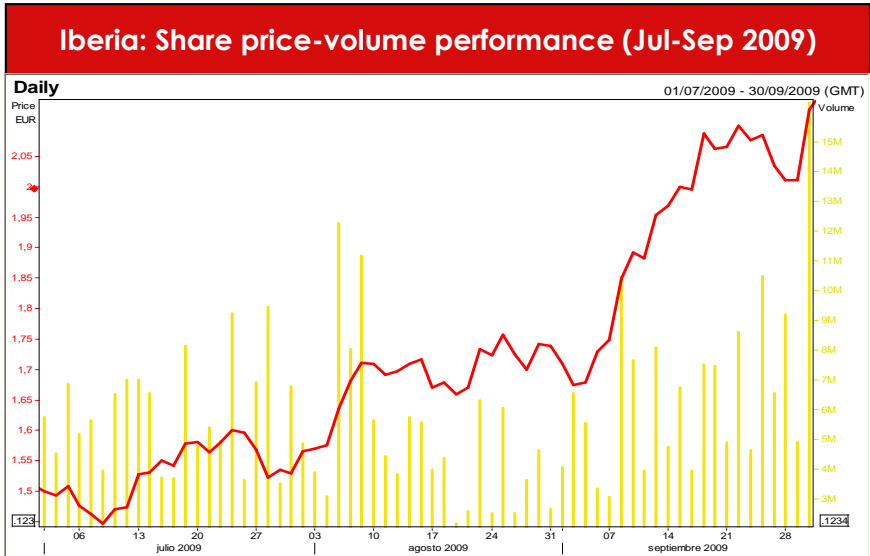
Shareholder Newsletter

July-September 2009

Share price performance

July-September 2009	IBEX 35	20.1%
Iberia	Iberia	40.7 %
Quarterly performance:	Air France	36.5%
Performance YTD:	Austrian	1.6%
Price at 30 September:	British Airways	76.8%
High:	Lufthansa	35.8%
Low:	SAS	45.2%
Average trading volume:	easyJet	40.3%
5,880,927 shares	Ryanair	4.6%
	Vueling	42.5%

In the third quarter 2009 Iberia's shares climbed 40.7%. The highest increase came in September when various analysts changed their recommendations and target prices. Another catalyst was rumours regarding the sale of Iberia's stake in WAM Acquisition, which is fully-owned by Amadeus. The average trading volume stood at 5.9 million shares.



IBERIA GROUP	Third Quarter (Jul-Sep)		
	2009	2008	%
Operating revenues	1,166.6	1,450.5	-19.6
Operating costs	1,220.6	1,434.3	-14.9
EBITDAR	74.5	159.6	-53.3
Recurring EBIT	-54.0	16.2	N/M
Adjusted EBIT	-26.9	45.3	N/M
Profit/loss from operations (c)	-56.0	21.3	N/M
Consolidated income before taxes	-30.4	36.3	N/M
Consolidated income after taxes	-16.4	30.4	N/M
ASK (million)	16,275	17,093	-4.8
RPK (million)	13,369	14,220	-6.0
Load factor (%)	82.1	83.2	-1.1 p.
Yield (€ cent)	6.41	7.43	-13.8
Passenger revenue / ASK (€ cent)	5.26	6.18	-14.8
Operating revenue / ASK (€ cent)	7.17	8.49	-15.5
Operating expense / ASK (€ cent)	7.50	8.39	-10.6
Operating expense (ex fuel) / ASK (€ cent)	5.60	5.65	-0.8

• Iberia reported a consolidated loss of €16.4 million in the third quarter, €47 million lower than the loss obtained in the previous quarter. This is an improvement on the results recorded in the previous two quarters.

• Operating revenues narrowed 19.6%, in line with the performance seen in the first nine months of the year and a result of the generalised decline in air traffic which had a stronger impact on the business traveller segment.

• The load factor stood at 82.1%, down 1.1 points year-on-year. The sharpest decline was observed in the intercontinental sector with the load factor in the European and domestic businesses rising significantly.

• Yields fell by 13.8%, an improvement on the second quarter (-17.1%), although figures still reflect the weakness of air traffic. While the reduction in traffic appears to have bottomed out, demand is extremely price sensitive, especially in the long-haul segment.

• Iberia continued to implement its capacity adjustment programme, with a reduction of 4.8%. At the same time, adjusting its staff and fleet to this new scenario has allowed the company to maintain its levels of productivity per employee (-0.8%) and significantly improve its fleet utilisation (+4.7%).

• Along these lines, unit costs (ex-fuel) have been slightly reduced (-0.8%) and fuel costs have fallen substantially, both in terms of total costs (-34.1%) and unit costs (-30.8%). Overall, unit cost per ASK declined 10.6%, the sharpest fall so far this year.

• In July 2009 the merger of the two airlines, Vueling and Clickair, was completed. Iberia retains a 45.85% stake in the merged company. The merger has created a capital gain of around €20 million for the company.

• The Iberia Group's financial position remains sound, with equity increasing by 1.2% since year-end 2008, putting the gearing ratio, measured in terms of net debt to total capital employed, at 42.5%.

Antonio Vázquez, new Chairman of Iberia

On 9 July Iberia's Board of Directors accepted the resignation of Chairman, Fernando Conte, and unanimously resolved to appoint Antonio Vázquez, former director between 2005 and 2007, as its new Chairman.



Iberia moves Barcelona operations to T1

On 9 September Iberia moved its Barcelona operations to T1 along with Iberia Regional/Air Nostrum, Vueling, oneworld alliance airlines (American Airlines, British Airways, Finnair, Royal Jordanian) and other airlines with whom Iberia code shares.

Iberia included in the Dow Jones Sustainability Index for the fourth consecutive year

Iberia has been selected, for the fourth consecutive year, for inclusion in the Dow Jones Sustainability Index (DJSI), the prestigious index which tracks the financial, social and environmental best practices of the world's leading companies. Only three airlines belong to this prestigious group (Iberia, Air France-KLM and Lufthansa). Iberia earned maximum points for environmental protection, and was rated above average in business and social policies.

Iberia participates in the SESAR project

Iberia now participates in the Single European Sky Air Traffic Management Research Programme (SESAR), the European air traffic control infrastructure modernisation programme aimed at developing a user-driven, modernised and affordable Air Traffic Management system for Europe. This will help prevent congestion in European airspace and reduce the environmental impact of air transport.

Iberia to be responsible for maintenance of SAS's fleet of MD-80, Airbus A-320 and A-340 aircraft

Iberia has signed a maintenance contract with SAS Scandinavian Airlines under which the Spanish carrier will be in charge of the most important checks (C and D) of SAS's fleet of MD-88, Airbus A-330 and A-340 aircraft. Iberia Mantenimiento will be the exclusive provider of this service for a two-year period which could be extended to five.



The company announces it is to invest €150 million in improving customer service. This is a bold yet risky proposition in the current global crisis. The main reason for reinforcing this service is none other than to keep those who drive our business satisfied. Without our customers we have nothing. One of the projects recently announced is the redesign of the VIP lounges. The lounges will be decorated according to the precepts of Feng Shui and will offer an innovative range of food and snacks as well as larger portions adapted to the type of traveller and time of day.

Knowing our customers

The best way to get to know your customers is to ask them. This is why the Service Design Subdivision surveyed nearly 5,000 people by email. With a response rate of 23%, the VIP lounges were rated very highly. For example the Dalí Lounge was awarded 4.1 points out of 5 while the Velázquez Lounge was rated 4.4 out of 5. The cleanliness and order of the lounges were the highest rated values. Customers also felt there should be a Business Centre while others suggested a children's area.



The appearance of T4

Iberia's VIP lounges in Madrid are not the only places to have undergone a facelift. Even though they are smaller, the lounges in Bilbao, Valencia and Seville have also been redesigned along the lines of T4. Elsewhere in the world, the lounge in Caracas is also new, Frankfurt has just been refurbished, improvement works are underway in Brussels and Paris is next on the list.