

2009 2nd Quarter Results

Antonio Vázquez

Chairman & Chief Executive Officer

Highlights Q2 2009

- Decrease in revenues due to the deterioration in the mix and yield pressures in line with the rest of the industry
- Best load factor among peers
- Despite capacity reductions market shares maintained in our main strategic markets
- Containment of unit costs
- Solid balance sheet
- Contingency Plan will be adjusted and completed with additional measures

Main Figures

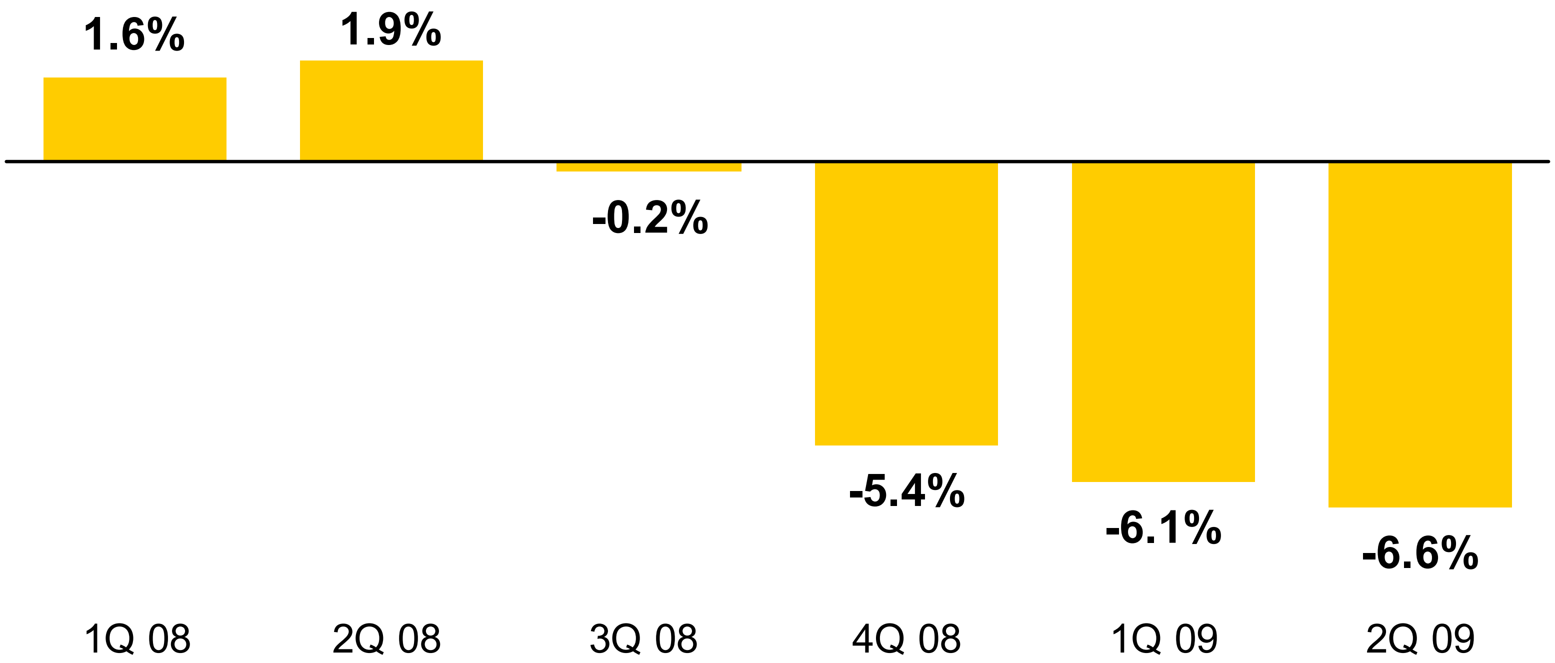
€ million	Q2 2009	Q2 2008
Operating Revenues	1,068.3	1,369.9
EBITDAR	2.4	135.4
EBIT	-129.6	-4.0
Adjusted EBIT	*-101.9*	*24.0*
Profit from operations	-126.4	-15.6
EBT	-122.3	29.2
Net Income	-72.8	21.2

Passenger revenues: Traffic Statistics

% Q2 09/08	ASK	RPK	LF
Domestic	-9.6	-6.2	2.8 pp
Europe	-9.5	-2.6	5.7 pp
Other Int. Medium haul	3.3	-0.5	-2.7pp
Long Haul	-5.2	-5.5	-0.2 pp
Total	**-6.6**	**-4.8**	**1.5 pp**

Capacity reductions in accordance with market conditions and traffic

% Capacity YoY



Best load factor among peers

	ASK % Q2 09/08	Q2 09 Load factor (%)	YoY var
IBERIA	- 6.6%	81.3	1.5 p.p
Lufthansa	- 1.6%	76.2	-3.1 p.p
AIR FRANCE KLM	- 4.7%	79.4	-0.9 p.p
BRITISH AIRWAYS	- 3.1%	77.6	-0.1 p.p
SAS Scandinavian Airlines	- 17.1%	74.2	0.3 p.p

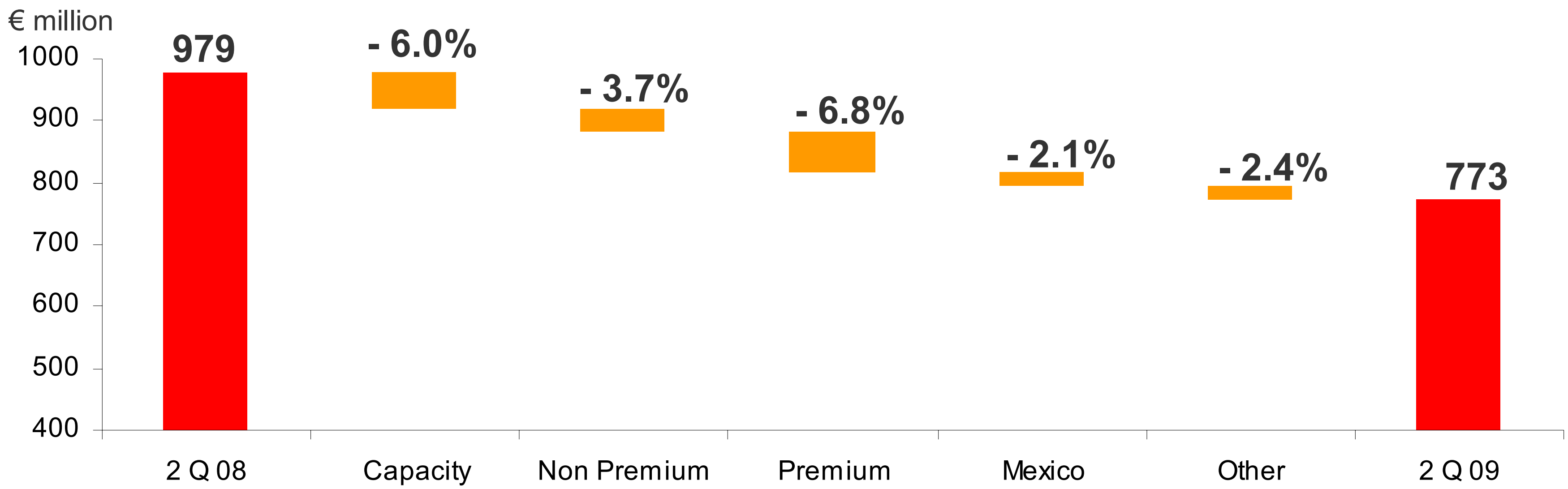
Iberia has improved market share in its main strategic markets

June accumulated

Total traffic	Market growth	IB Market share	Var. 09/08
Domestic	-14.9%	35.9%	-1.3p.p.
Spain – Europe	-11.9%	9.6%	+0.4p.p.
Madrid – Europe	-6.1%	43.4%	+1.9p.p.
Europe – Latin America	-11.3%	20.8%	+0.1p.p.

Business traffic	Market growth	IB Market share	Var. 09/08
Europe – Latin America	-26.7%	23.8%	+0.5%

Revenue reductions driven by volume and mix, and in line with our competitors



Deterioration of Operating Revenue

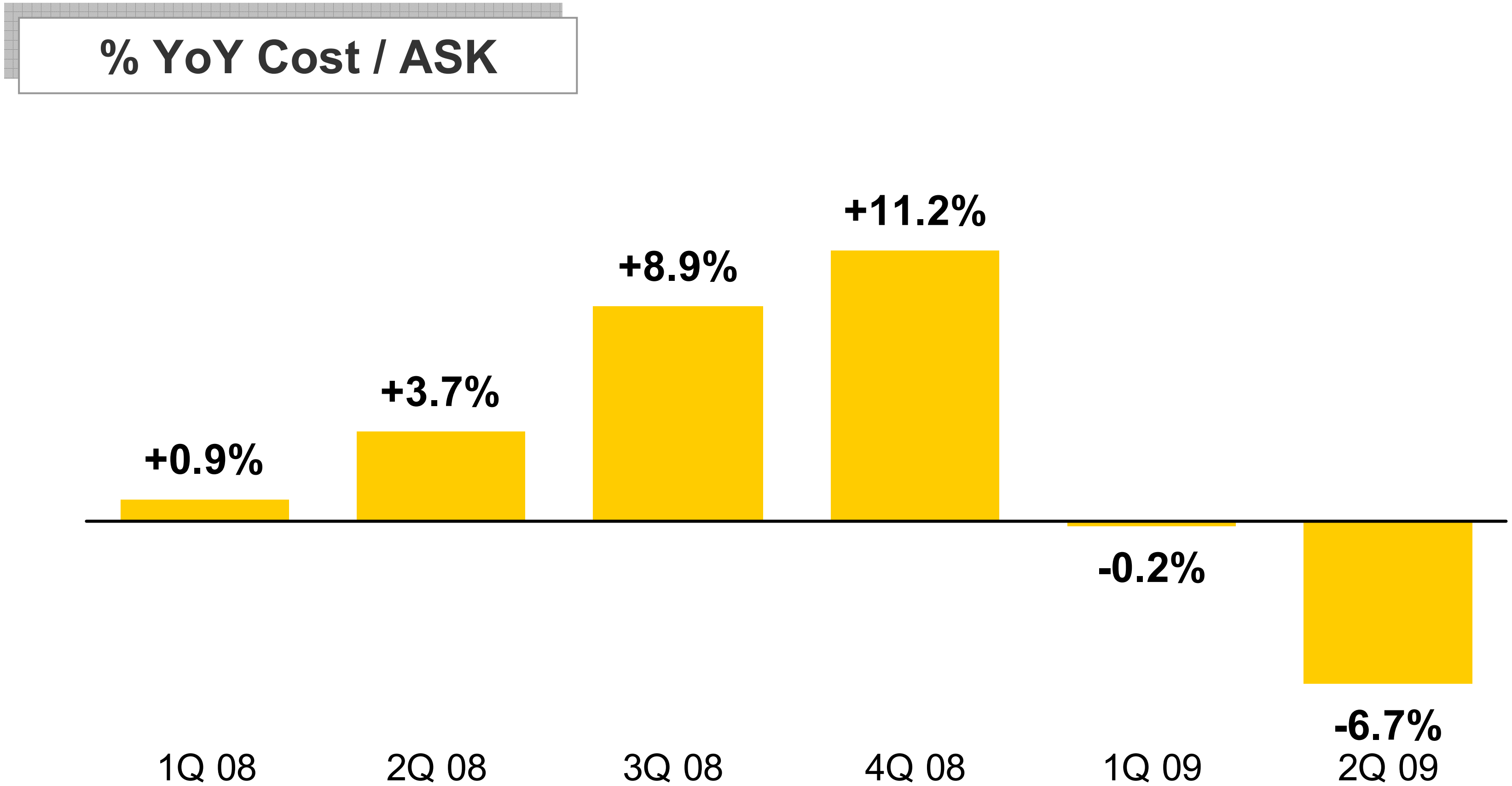
€ million	Q2 2009	% YoY
Passenger	803.7	- 24.3
Cargo	55.5	- 34.6
Handling	67.3	- 6.4
Maintenance	77.9	- 0.9
Rest	64.0	- 12.4
Total	**1,068.3**	**- 22.0**

Good performance of Operating Costs

€ million	Q2 2009	% YoY
Personnel	323.7	- 3.6
Fuel	291.1	-28.1
Aircraft rentals + Depreciation	132.1	- 5.2
Nav.aids + Traffic levies	165.1	0.4
Commercial	26.3	- 53.3
Total costs	**1,197.9**	**- 12.8**

Total unit costs	**- 6.7%**

Unit costs evolution



Resources adjusted in line with capacity

	Q2 2009	% YoY
Average headcount	20,760	- 4.7%
Fleet	113	- 15 aircraft
Aircraft utilisation (Block Hours/Day)	10.5	+ 4.4%

Strong Balance Sheet

€ million	June 2009	Over December 08
In Balance-sheet net debt	-1,703	-5.6%
Adjusted net debt	1,041	2.8%
Gross cash	2,241	-1.4%

Iberia has maintained a strong financial position



Rafael Sánchez-Lozano

Managing Director & Chief Operating Officer

4 Main guidelines and revised targets

Contingency Plan

- **Maintain financial strength**
- **Improve P&L**
- **Defend our main strategic markets**

1. **Capacity adjustment**
2. **Labour cost reduction**
3. **General cost reduction**
4. **Revision of investment plan**

Further capacity adjustment

ASK	Var 09/08	
	Old	New
Domestic	-10.4%	-10.4%
Medium Haul	-8.6%	-8.9%
Long Haul	-1.0%	-3.6%
Total	-4.3%	-6.0%

Further capacity adjustment

Initial fleet measures

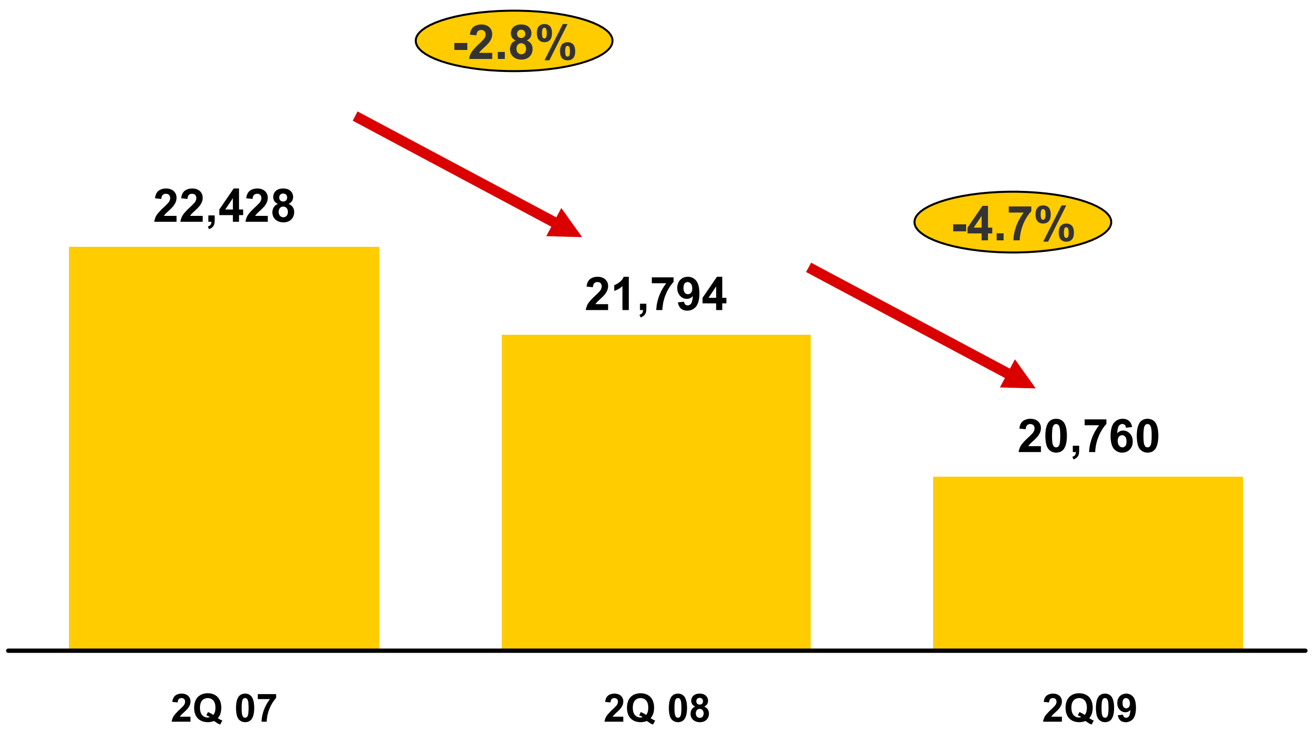
- Grounding of 5 A 320 from May 09
- Cancellation of 2 wet leases that will be operated through dry
- Delay of 1 A340-600 from October 2009 to September 2010

Additional measures

- Delay of an additional A340-600
- Grounding of 3 A 320

Personnel costs reduction

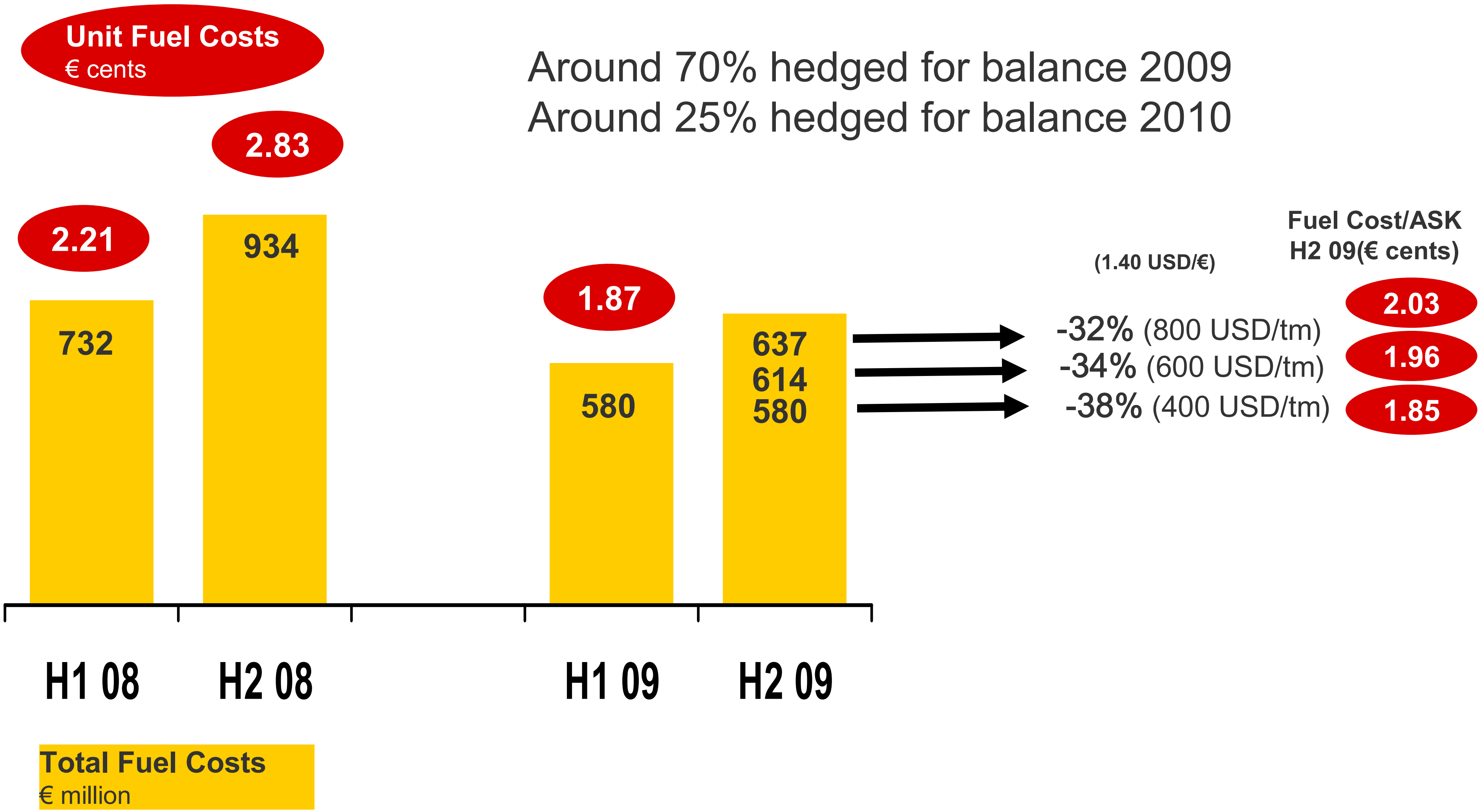
Average headcount evolution 2007-2009



We will continue reducing the number of employees

Jet Fuel 2009 E

Around 70% hedged for balance 2009
Around 25% hedged for balance 2010



Investment plan revision

- All projected investments have been revised ✓
- Reduction of 50% of total investments ✓
- Investments linked to customer service have been maintained ✓
- Capex in 2009 will be around €100 mill. ✓
- Aircraft Delivery Program adjustment 2009 ✓

Outlook

- The trend of passenger unit revenue deterioration has probably bottomed through Q2
- Iberia will continue to adjust capacity aiming to optimize unit revenues
- Unit costs will be further reduced through Q3 and Q4 due to lower fuel costs and containment/reduction in the rest of main unit costs.
- We expect Q3 and Q4 to show a change of the recent negative trend in margins
- The Contingency Plan will be completed and improved