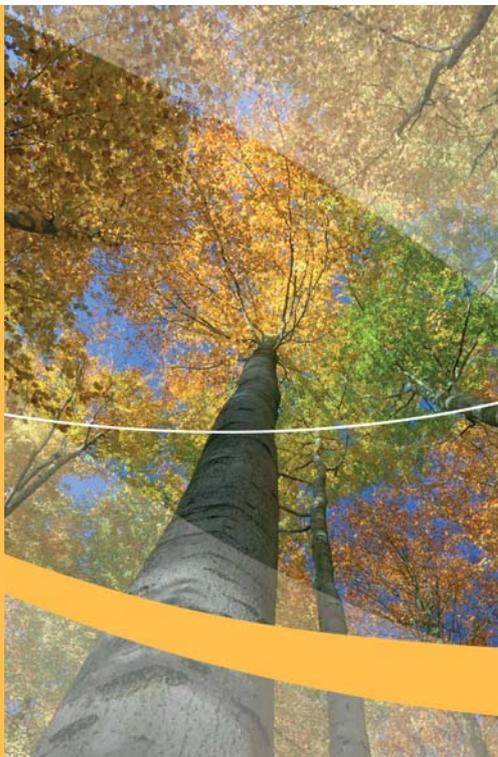




IBERIA Annual Report on Corporate Responsibility 2006





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Annual Report on Corporate Responsibility

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Interpretation of the Report

1. Interpretation of the Report

This report contains all the information that may be of interest to the company's different interest groups: customers, shareholders, employees, communities in airport environments, non-government organisations, politicians, public authorities, media and investors, among others.

The information supplied is intended to be easy to understand, providing an insight into our company's activities during 2006. The Corporate Responsibility Report is published annually and includes information on IBERIA L.A.E. S.A.

To assist comprehension, we set out on this page certain key points and the commitments undertaken by IBERIA in respect of the three aspects of sustainable development: economic, social and environmental performance, in application of the Corporate Responsibility Policy adopted by the company. This report supplements the financial and corporate governance information laid before the Annual General Shareholders' Meeting. This information and the entire annual report can be downloaded from IBERIA's web site (<http://grupo.iberia.es>).

This report has been prepared in accordance with the initiatives established in the Global Reporting Initiative (GRI) guidelines and principles, this being the most widely-accepted standard worldwide. To be more precise, we followed the new version 3.0 (G3), published during 2006, the report *Making the Switch* to make the transition from the indicators used in the previous version, used up to now, to those of the new version 3.0, and the draft report *Making the Connection* to link those new standards with the principles of the UN Global Compact on human rights, labour and the environment, signed by IBERIA in 2004. The Annual Report on Corporate Responsibility is thus combined with the Communications on Progress required to prove compliance with the Global Compact, taking advantage of their complementary nature. The progress made by IBERIA in compliance with the principles of the Global Compact can be seen throughout the report.

IBERIA also takes into account other international standards such as the Greenhouse Gas Protocol¹ or the ISO² standards, etc., participating actively in fulfilment of the UN Millennium Development Goals.

The information set out in this report has been checked and validated by the senior management of the company and externally by AENOR, recognised certification body (see validation report in the Annex hereto).



Self-declaration of A+ application level* of the GRI3 (G3) guidelines

Both the external checking of this report and the contents and indicators set out herein correspond to the highest degree of compliance with the recommendations made in the Global Reporting Initiative (A+).

* The new GRI guidelines (G3) establish application levels ranging from C to A+ (C, C+, B, B+, A and A+). Recognition of application level A+ is subject to the largest number and most demanding requirements.

1 World Business Council for Sustainable Development /World Resources Institute

2 International Standardization Organization



IBERIA's contribution to sustainability

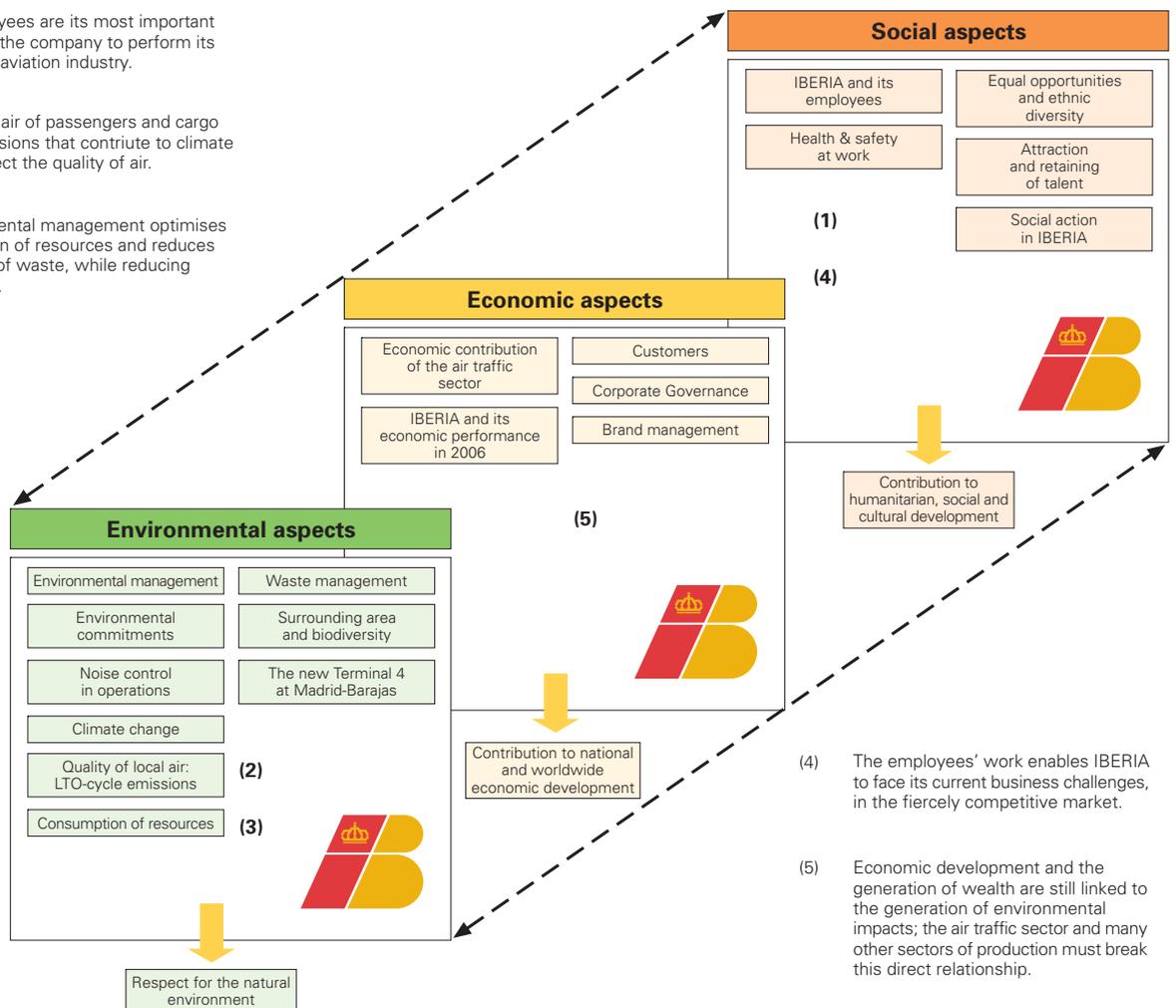
2. IBERIA's contribution to sustainability

2.1 Iberia Group. Highlights

- IBERIA, leasing Spanish airline, operating mainly on four markets: Spain, Europe, America and Africa. It is the principal airline operating between Europe and Latin America.
- It is engaged mainly in: air carriage, airport services and aircraft and engine maintenance; its operations headquarters are at the Madrid-Barajas airport.
- It has a headcount of 25,029 employees in different professional categories, with one of the lowest staff turnover rates among all Spanish large caps.
- IBERIA is included on the selective Ibex 35 index. In 2006, it was once again included on the selective *Dow Jones Sustainability World Index*.
- The company has invested 6 billion euro in fleet renewal over the past six years.
- The number of passengers increased by 10.3% on long-haul flights in general over 2006, with a particularly strong growth in December, up 16.4%.
- The average load factor during the year was 79.8%, 2.7 points higher than last year, an all-time high for IBERIA.

2.2 Sustainability in IBERIA

- (1) IBERIA's employees are its most important asset, enabling the company to perform its business in the aviation industry.
- (2) The carriage by air of passengers and cargo generates emissions that contribute to climate change and affect the quality of air.
- (3) Good environmental management optimises the consumption of resources and reduces the generation of waste, while reducing operating costs.



2.3 IBERIA and the *Dow Jones Sustainability Index*

IBERIA has been included once again in the *Dow Jones Sustainability World Index* together with another two airlines, Air France – KLM and Lufthansa.

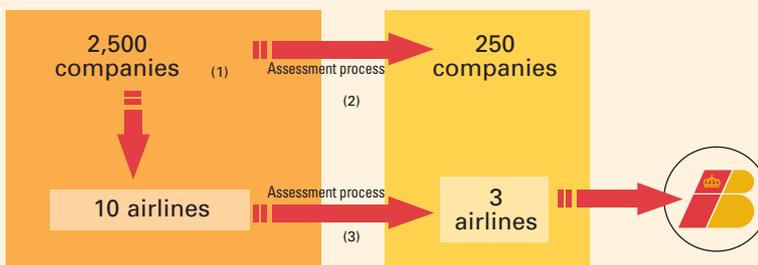
Of a total of 22 criteria, IBERIA scores the highest points in the “airlines” sector in the following aspects: risk and crisis management, environmental report, average age of fleet, climate change, quality of local air and supplier procedures.

IBERIA was awarded maximum points in two of these criteria: environmental report and quality of local air.

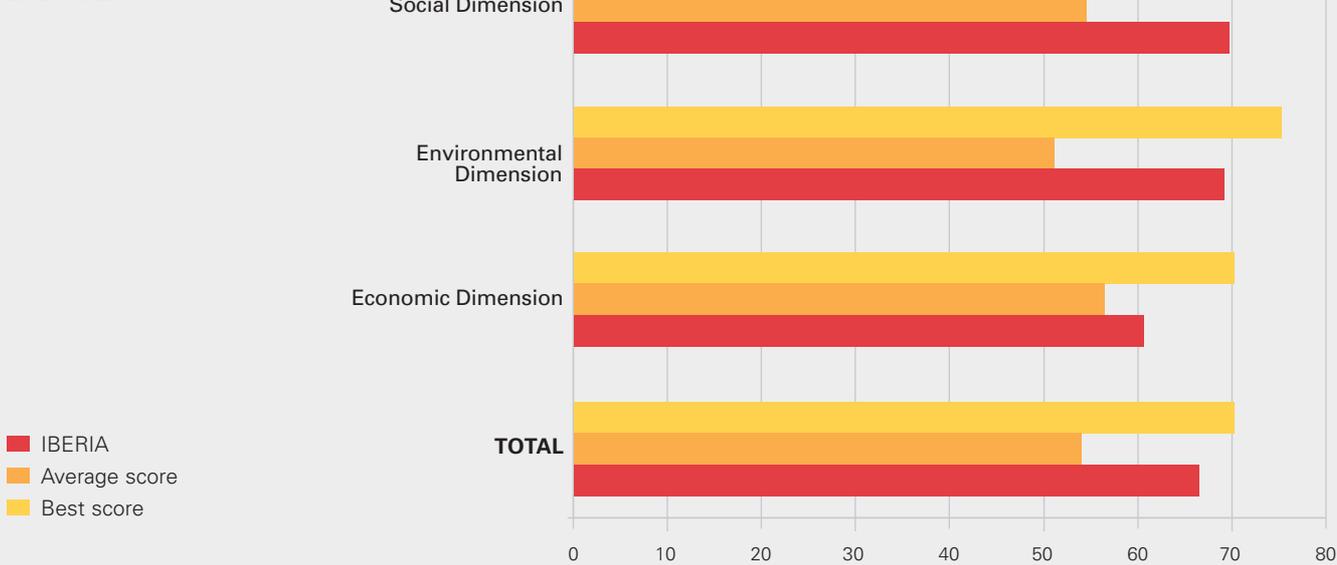
Inclusion in this index is an important external recognition of the efforts made by IBERIA to promote and manage sustainability. It is also an excellent instrument for internal measurement of the evolution of management and is the basis for preparing the company’s sustainability plan.

The continuous improvement obtained thus guarantees adequate implementation of the Corporate Responsibility Policy, which can be consulted on the company’s web site.

- (1) Selection of 2,500 companies with the largest floating capital capitalisation + companies with largest market capitalisation included on the index last year - companies listed in two different countries
- (2) Inclusion of 10% of companies, according to their corporate responsibility performance
- (3) Analysis of the different economic, environmental and social parameters



IBERIA Results in DJSI 2006



2.4 Vision and strategy: management of corporate responsibility

Our mission: IBERIA’s mission is to offer air carriage, airport and aircraft maintenance services that meet our customers’ expectations and create sustainable economic and social value.

Our vision: IBERIA aims to be leader in customer satisfaction, innovation and economic and social yield:

- a) Perceived as leader on the domestic, European and Latin American markets
- b) Preferred by customers for the best possible value for money
- c) Distinguished by shareholders for its sustained returns
- d) Recognised for its transparency, social and environmental commitment
- e) Desired by people for its professional development

Our values: focus on customers, creation of value, search for excellence in management, social commitment, importance of people, leadership, team work, constant improvement, adaptation to change and innovation.

2.5 Risk management

Although IBERIA began informing on risk management in its annual report in pursuance of its regulations, it is an area of management on which the company has always worked, because owing to the essence of its business, passenger and cargo carriage, its operating procedures are all geared towards operating safety and quality. Emergency plans and hedging programmes have been developed to soften the impact should any risks of this nature actually occur.

The management procedures consider risk an important variable and, as such, it is contemplated in different cycles in the company management. One of the standing objectives of the internal audit department is to guarantee risk control levels.

This process was systematised when the company was privatised and floated, giving rise to the Risk Management System, comprising the risk management policy, procedures, managers and responsibilities, review and regular reporting to the Audit and Compliance Committee of the Board of Directors and through Section D of the Annual Report on Corporate Governance (see the corresponding section).

We could say, therefore, that we have changed from having risks under control to having their management systematised, consisting of:

- Risk map revised every six months, including the identification of new risks.
- Defined procedures for approval, management and reporting.
- Active participation at highest executive level of the organisation.

The following figure shows the relationships between the company's objectives and the risk control established to ensure that they are achieved:

All the risks are monitored: financial risks are monitored directly and non-financial risks are correlated through the strategic objectives.

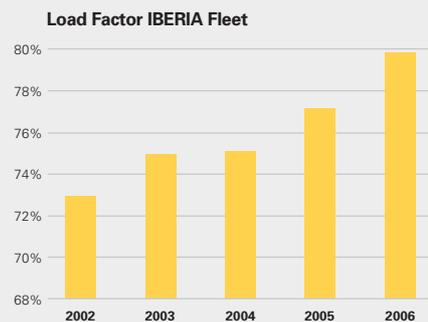
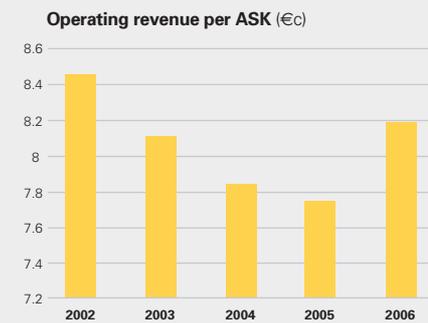
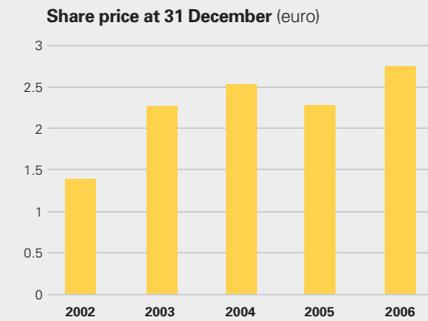
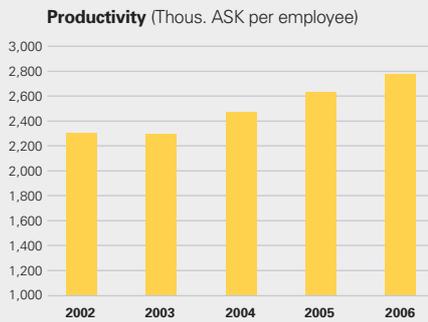
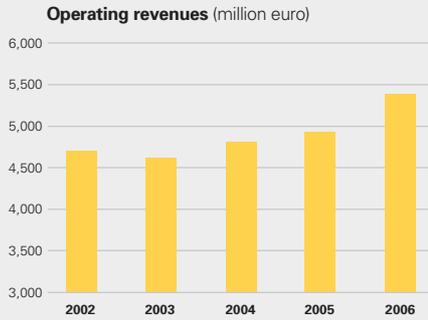


In general, the achievement of the different objectives is contemplated within the control of the corresponding risks. Moreover, within its "assurance of controls", the Internal Audit Department bases its actions on risk control.

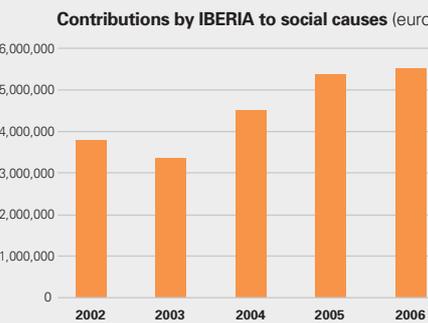
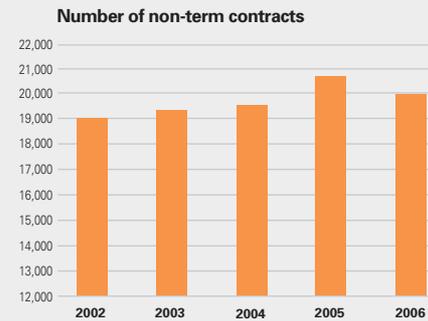
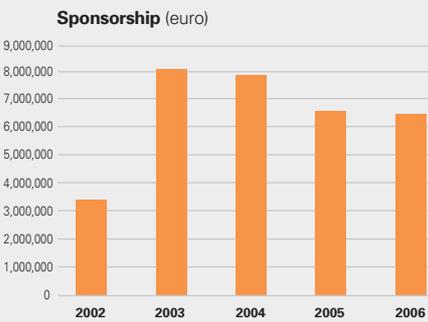
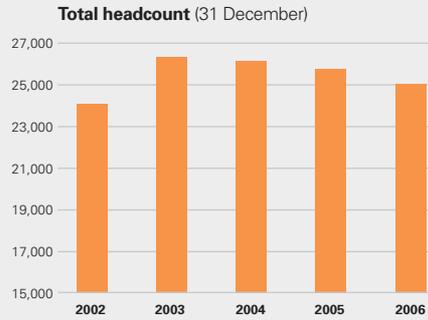
Full information on the risk control management system implemented in IBERIA can be consulted in our Corporate Governance Report or on our web site <http://grupo.iberia.es/>

2.6 Principal indicators of corporate responsibility in IBERIA

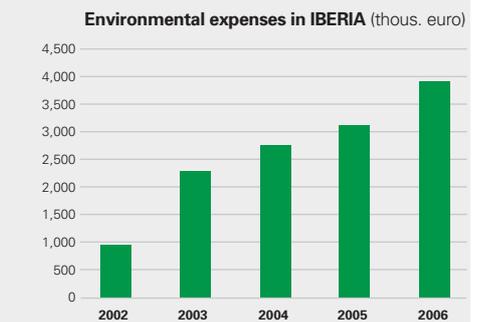
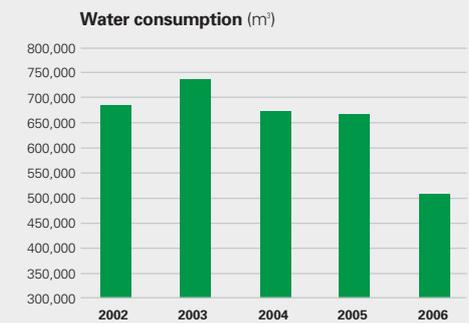
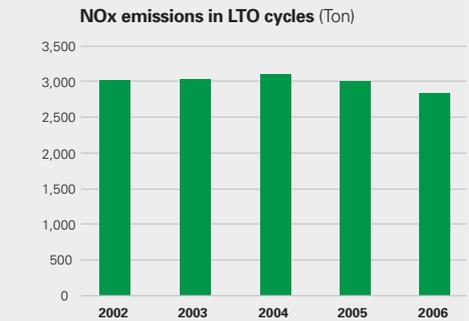
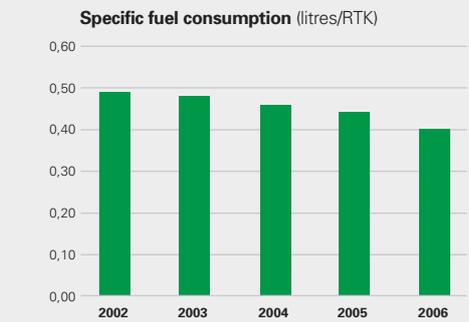
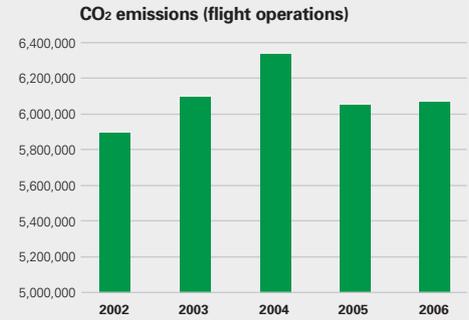
Economic



Social



Environmental



2.7 Relations with interest groups

Owing to its size and activity, IBERIA establishes relationships with numerous interest groups, both internal and external. The company identifies its different interest groups and has a procedure for compiling information on their expectations and opinions, expressed through established communication channels and continuous interaction with such groups.

The principal novelties in 2006 and the principal goals established by IBERIA for 2007 in respect of the different interest groups are set out below. A fuller description of each interest group is available on our web site.

Interest Group / Contact - E-mail	Principal novelties 2006	Principal goals 2007
Internal interest groups		
<p>Shareholders Finance Department (Investor Relations) Elena Baillo <i>invesrel@iberia.es</i></p>	<ul style="list-style-type: none"> • Creation of Shareholders' Bulletin, published quarterly, explaining IBERIA's results, evolution of the stock market, the most important news in the period and other matters of interest regarding the company. Available on IBERIA's web site. 	<ul style="list-style-type: none"> • Creation of a mechanism based on a web application, to provide a personalised information service on IBERIA for investors and shareholders who so require. • Start-up of an internal electronic system to back the existing Code of Market Conduct and avoid conflicts of interest in dealings in shares or other securities. • Organisation of events to maintain regular relations with investors. • Enhance and increase the functionality of the shareholders' web page.
<p>Employees Human Resources Department Pedro Sobrino / Juan Potrero <i>psobrino@iberia.es;</i> <i>jpotrero@iberia.es</i></p>	<ul style="list-style-type: none"> • Construction of an ERP (Enterprise Resource Planning) Human Resources Management including the payroll, personnel management and presence control processes. This system increases the personnel management information available, enhancing and making more efficient the decision-making process. Progress during the period: <ul style="list-style-type: none"> — Completion of the analysis and design of all modules. — Commencement of training of end users for all modules — Start-up and putting into use of four modules. • Continuation with the integration strategy for IBERIA employee and single employee data base systems. 	<ul style="list-style-type: none"> • Definitive implementation and start-up of the ERP Human Resources Management. • The Occupational Hazard Prevention Section intends to run a new management awareness programme on occupational hazard prevention.

External interest groups

Customers

Customer Relations Department
José Gómez Pérez
jgomezp@iberia.es

- Maintaining growth of the Iberia Plus frequent-flyer programme, with over 2.9 million customers in 2006.
- The *flex-pricer* tool has been made available on the web site iberia.com, giving users of the portal greater transparency when buying tickets, offering them dates prior and subsequent to their requested date to obtain a more favourable price. This tool boosted ticket sales considerably during 2006.
- Adaptation of the entire fleet to the new *Business Plus* class during the first half of 2006.
- Consolidation of the *autocheck-in on-line*. This initiative has been used by 20% of passengers on domestic flights and flights to/from Schengen countries.

- During 2005 IBERIA adjusted its internal process to the European legislation on compensation for denied boarding and flight delays and cancellations. The company started up the electronic bond, through which affected customers obtain a voucher at the time of the incident, accompanied by an electronic record, to exchange their tickets for money, or for IBERIA money, in which case they receive 25% more than the normal compensation, which is still way above the legal minimum. A system is being developed to exchange the electronic bond for a new ticket or to directly request reimbursement on line.
- Development of a centralised claims web site to expedite claim response.

Society

Communications Department
Customer Relations Dept. &
Investor Relations Department
Luis Díaz-Güell
dcomunicacion@iberia.es
invesrel@iberia.es
jgomezp@iberia.es

- IBERIA offers information regularly on its web site www.iberia.com
- World Compact: the Progress Report 2006 was delivered in December, describing the improvements made by IBERIA to guarantee compliance with the 10 principles established by the Global Compact regarding human rights, environmental protection and respect of the fundamental ethical principles.
- Move to Terminal 4: owing to the move to terminal T4, exhaustive communication and publicity campaigns have been run, informing on accesses to the airport and the new installations:
 - Distribution of fliers and brochures in travel agencies, hotels and taxis, among others.
 - Specific internet portals have been created for customers and employees.
 - IBERIA's workforce was increased for some months when the new terminal was first put into operation.
 - Specific courses have been given for employees.
 - A total of 58 visits were made to the new installations, with employees, media, travel agencies, investors and customers, among others.
- Improvement of service quality: changing the seats on short and medium-haul flights (more comfortable leather seats).
- Sustainable Tourism Campaign informing on environmental issues.

- Promote continued application of the Global Compact principles.
- Develop communications campaigns on Corporate Social Responsibility in IBERIA.

**Interest Group /
Contact - E-mail**

Principal novelties 2006

Principal goals 2007

Media

Communications Department
Margarita Blanco Gutiérrez
Jaime Pérez Guerra.
mblanco@iberia.es;
jpguerra@iberia.es;
prensa@iberia.es;
presnaintl@iberia.es

- Massive communication effort relating to the move to Terminal 4, with all the company's interest groups, particularly the media.
- Participation of media in humanitarian aid campaigns to Guatemala.
- Widespread publication of reasons for and consequences of IBERIA's inclusion in the *DJSIndexx*.

- Offer more information on the company's environment and social action projects.
- Updating of APMIB (IBERIA Employees Parents of Disabled Children Association) web site and its corporate prospectus.
- Informing on the new services offered by the company.

**Built-up areas near airports and
affected society**

Operations Department
Francisco Javier González Alcalde
fjgonzalez@iberia.es

- P-RNAV operating approval for entire fleet of Airbus (the P-RNAV manoeuvre consists of applying new area navigation operating procedures to enable aircraft to follow more precise courses, thereby avoiding noise pollution).
- Reduction of thrust on take-off.
- Reduction of gas emissions in LTO cycle through fleet renewal and reduction of cycles.
- Coming into operation of A321 aircraft, which comply with ICAO Chapter 4 regulation on noise.

- Continue collaborating with the authorities to define and monitor new measures to reduce air pollution.
- Reduce number of take-offs and landings to improve the quality of local air and noise exposure time in built-up areas near airports.

Climate change

Operations Department
Francisco Javier González Alcalde
fjgonzalez@iberia.es

- Change of cruising speed in A340-300 aircraft.
- New policy of choosing alternative airports closest to destination airport in the flight plan.
- Contingency fuel to be loaded set at 3% of flight fuel in all legs. The contingency fuel was previously 5% for routes of less than 1000 nm.
- 75% reduction of drinking water carried.

- Continue collaborating with the different international organisations (governments, airline associations, consortiums, etc.) to reduce the impact of aviation on climate change.
- Research of new measures, through Fuel Control and Monitoring Committee, to increase fuel consumption efficiency.
- Continue Fleet Renewal Plan to further reduce specific fuel consumption of aircraft in the IBERIA fleet.

Suppliers and contractors

Purchases Department
Carlos Gros Aymerich
Belinda Collado
cgros@iberia.es
bcollado@iberia.es

- The Purchases Department and other affected Departments were reorganised in 2006 to enable compliance with the new goods and services contracting guidelines passed in 2005.
- Reporting by Electronic Supplies Unit on degree of development of the projects contemplated in the goals set for 2006.

- Completion of the Director Plan 2006 - 2008, cost-cutting on definitive assumption of powers attributed to the Purchases Department in the 2005 purchasing guidelines.
- Implementation of ISO 9001 quality system.

**Grupo de interés /
Contacto - e-mail**

Principal novelties 2006

Principal goals 2007

**International Relations:
alliances and aeropolitical
issues**

International Relations
Department
Elvira Herrero
eherrero@iberia.es

- Collaboration with authorities and lobby to develop specific legislation on the air traffic sector, such as proposed legislation on airport taxes and airport capacity, inclusion of aviation in an emissions trading scheme, initiatives related with the Single European Sky.
- Continued coordination of IBERIA's participation in the SESAR (Single European Sky ATM Research) Project, which will define the concept of the future European ATM system.
- IBERIA's participation in the initiative led by IATA to simplify some aviation processes that could generate major savings. The possibility is being studied of commencing other projects within the framework of this initiative, such as automation of slot distribution procedures.

- Bilateral code-sharing agreements or agreements for collaboration of frequent flyer programmes with LAN Perú, LAN Ecuador, LAN Argentina, Bulgaria Air, Air Algerie, Royal Air Maroc and Binter Canarias.
- Inclusion of Malev, Royal Jordanian and Japan Airlines in the *oneworld* alliance.

Travel agencies

Commercial Department-DVE-
Agency & Tour Operator Unit
V́ctor Moneo
vmoneo@iberia.es

- Promotion of contact and direct presence of IBERIA at sales points, to 70% of the agencies visited, and promotion of IBERIA's image at those locations.
- Increase of market share among tour operators.
- The number of travel agencies with which IBERIA works has also increased, from 7,850 to 8,300, within a clearly rising trend. The number of purely on-line agencies with which IBERIA works has also increased, up 35% in 2006.

- Maintain IBERIA's continuous growth on the on-line market.
- Increase share on strategic tour operation markets and streamlining of operations.
- Increase IBERIA POP in retail agencies
- Start up and consolidate new routes in business and holiday sectors.

**Non-Government
Organisations**

Communications Department
Berta Valverde
bvalverde@iberia.es
Quality and Internal Audit
Department (Environment and
Innovation Unit)
Marta Ćzar
mcozar@iberia.es

- Close collaboration with numerous NGOs, in both social and environmental sectors.

- Maintain collaboration agreements with all NGOs, promoting dialogue and social participation.
- Establish new collaboration agreements with NGOs that contribute directly to improving the environment or social causes in countries in which IBERIA operates.



Over the period 2004-2006 more than 50 projects developed in IBERIA have received R+D or Innovation certification.

2.8 IBERIA: an innovating enterprise

Innovation is an activity producing technological progress for obtaining new products or production processes or substantially improving existing products or processes. Any products or processes whose properties or applications differ substantially, from a technological point of view, from those previously existing are considered new.

In IBERIA's case, innovation embraces all business concepts: strategy, processes, products & services. Owing to the complex nature of the aviation service and the large number of processes involved, R + D + I projects need to be planned with a multidisciplinary and inter-departmental approach, involving and coordinating activities and personnel from several different areas of the company.

IBERIA continues innovating to adjust to the new demands on the market. In this regard, the principal projects undertaken in 2006 were:

Principal R+D projects certified in 2006

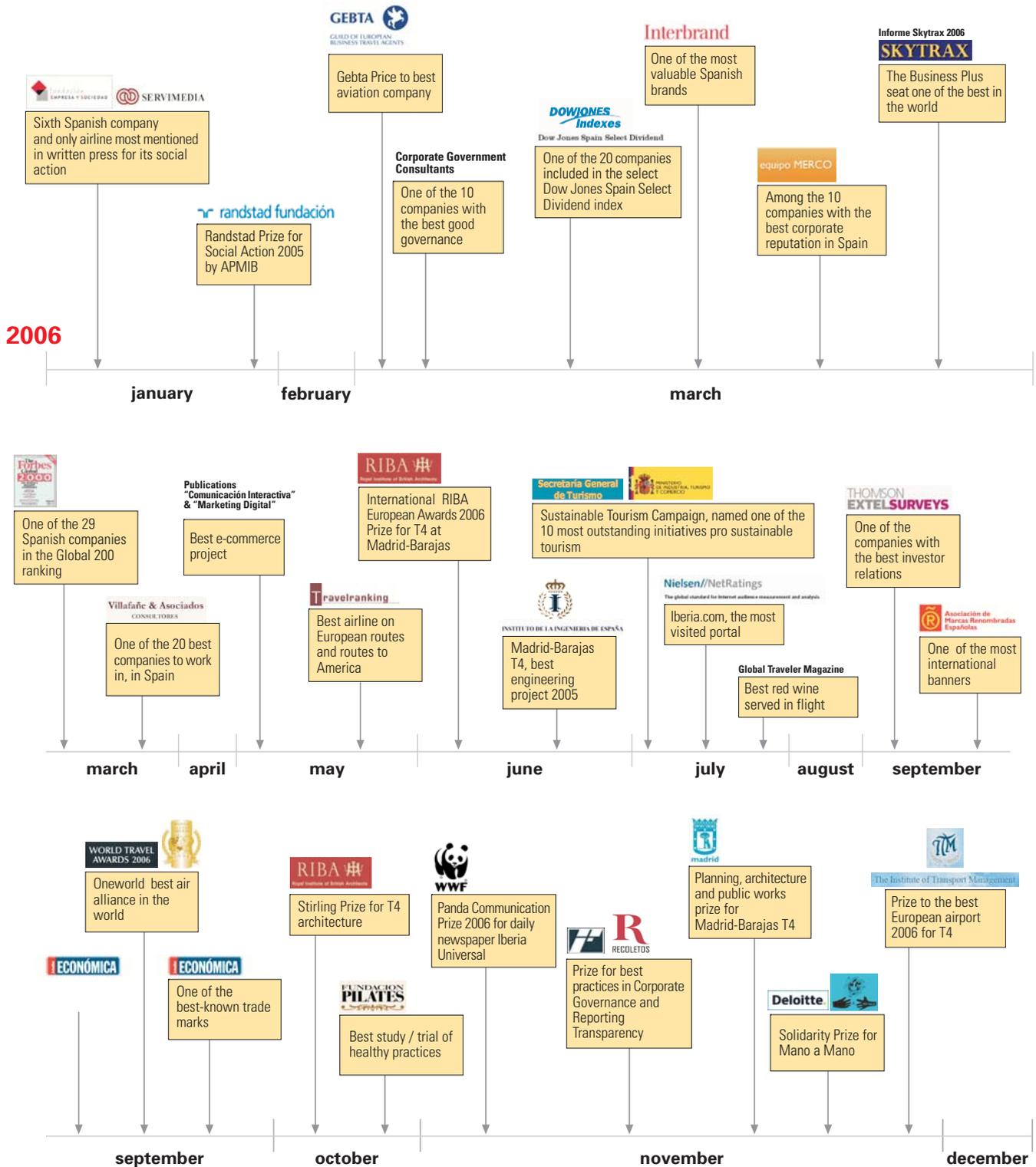
Department/Area	Projects
AIRPORTS	Design and building of a prototype electric vehicle powered by hydrogen fuel cell for movement within airport.
CARGO	Development of a new management system to optimise air tariffs by improving processes.
COMMERCIAL	Price management process optimisation system in IBERIA, L.A.E. Technological development of a customer behaviour modelling system. Design and development of a web site for travel agencies to obtain major advantages from the communication and reporting systems currently being developed in the companies.
CONTROL & ADMINISTRATION	Design of a new human resources, accounting and administration management system for IBERIA.
FINANCE	Electronic system to expedite supplier invoicing processes and activate a channel of communication with them.
MAINTENANCE & ENGINEERING	Development and transformation of equipment, tools and software required to be able to do the maintenance of the CFM56-7B engines. Technological development of a process management and information integration system in the aircraft maintenance area. Creation of an entirely automated workshop for the phases of prior inspection, measuring, facing by addition of material, mechanisation of finishing and inspection of material integrity. Efficient rotor maintenance system, to enhance engine performance.
OPERATIONS	Real time flight control management system for the IBERIA Operations Department, to back decision-making processes.
CUSTOMER RELATIONS	Automation of claims handling in IBERIA for passenger and baggage claims. Tool for ServIberia service and operators, allowing independence of the Amadeus programme, included in the functions of <i>Iberia.com</i>
HR	Development of an integrated human resources management system.
SYSTEMS	Model for service quality measurement and tool applications and infrastructures management. Methods for management of computer systems for recording, monitoring, control and management of components and related activities.



Example of an IBERIA innovation project: airport vehicle powered by hydrogen fuel cell.

One of the most ingenious projects this year was the research conducted into use of a hydrogen fuel cell powered vehicle. This new concept offers substantial advantages over the classic fuel technology, not only because of the increased autonomy, over 100% more than existing vehicles, but also because the only emission produced is steam.

2.9 Prizes and recognitions 2006





The economic dimension

3. The economic dimension

3.1 Economic contribution by the air traffic sector

Economic contribution: aviation contributes 8% of the World GDP, with an economic impact of over 2.95 trillion euro.

It is calculated that 25% of companies' sales worldwide depend on aviation services, and for 70% this service has a major impact on their businesses. In other words, efficient air transport, with an adequate connectivity network, considerably increases productivity and employment, attracting investments and fostering innovation.

It has been recognised by the European Union as an essential instrument for the growth of Europe, not only at present but also in the coming years.

Employment: at present more than 7.5 million jobs in Europe depend on the aviation business (and more than 29 million worldwide among direct, indirect and induced jobs).

Regional development and integration: air transport enables access to isolated areas or areas with poor access, giving rise to new business and employment opportunities.

Aviation is essential for the integration of an ever-growing Europe, where the connection between regions and an easy, fast link between European political decision-making centres is becoming more and more important. It is also important for relations with the rest of the world, favouring cohesion, prosperity and growth of European political weight.

Tourism and business trips: in tourism, such an important sector in Spain, air transport brings more than 70% of the foreign tourists who visit our country.

Every year more than 2 billion passengers worldwide are carried on commercial aviation.

Infrastructures: aviation is the only form of transport that covers the total cost of its infrastructures; it is also occupies the least surface area.

During 2006, IBERIA carried 10.3% more passengers on long-haul routes than in 2005, his growth reaffirms the validity of IBERIA's commitment to these routes, especially those linking Europe to Latin America.

IBERIA's load factor grew 2.8% year on year in 2006, to 79.8%, with significant increases on medium and long-haul flights, while remaining constant on domestic routes. The revenue passenger kilometres (PKT) were up 7% in 2006, against a 3.8% growth in available seat kilometres (ASK).

3.2 IBERIA's economic performance in 2006

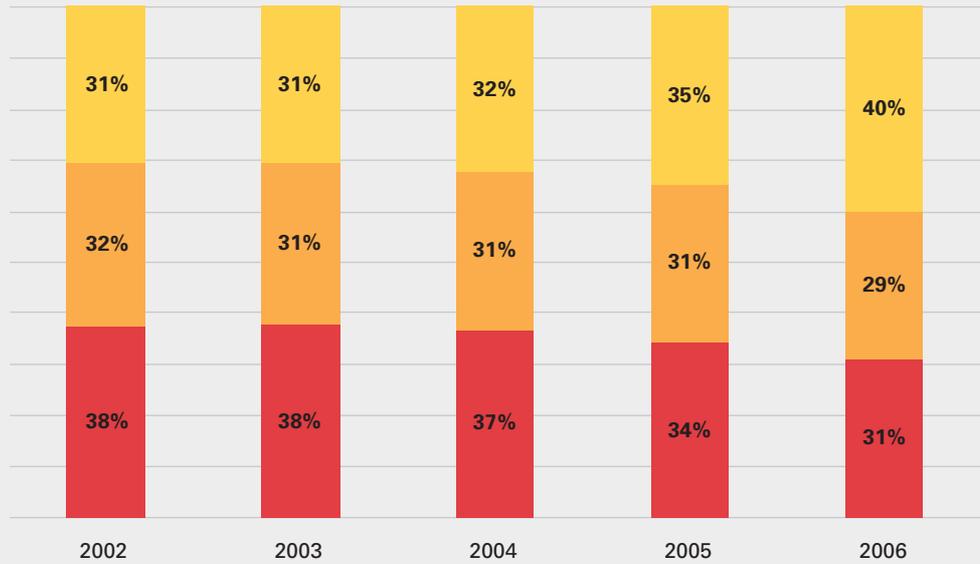
2006 is the eleventh year in succession that IBERIA has posted solid results, achieved especially through an improved employee productivity and record load factor. These eleven years include the worst years in the history of commercial aviation.

The progressive increase in capacity, together with increases in load factor and passengers carried, makes the IBERIA strategy viable for the future. The company must be present on the largest possible number of routes to facilitate this connection, from its position as a network airline.

The evolution of revenues since 2002 will favour long-haul routes, while the share of medium-haul flights will remain almost constant and the proportion of revenue from domestic routes will diminish. This is in keeping with the Director Plan 2006-2008, strengthening IBERIA's competitive edge on the Latin American market.

Evolution of revenues by markets
(2002-2006)

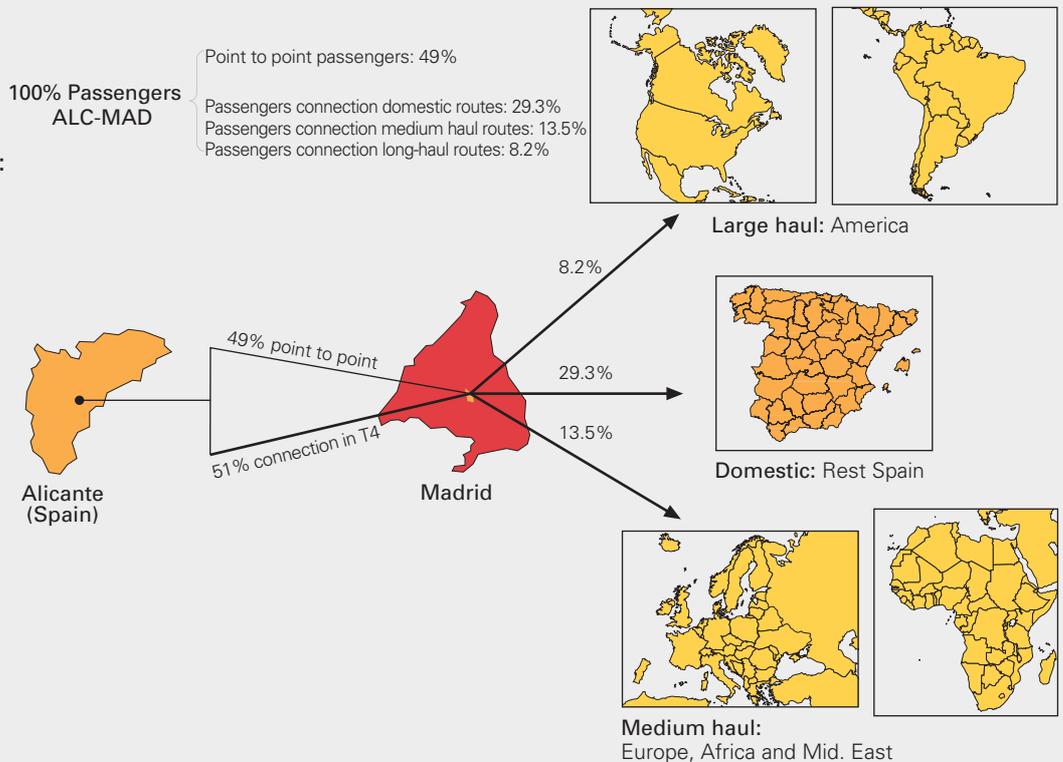
- Long haul
- Medium haul
- Domestic



The ratio of revenues from very short routes (less than 400 km) to the total was of the order of 2% in 2006. Bearing in mind that approximately half of the passengers on this type of route make connections to go elsewhere (for some domestic destinations, such as Seville-Madrid, the proportion is as high as 70%), the percentage of revenues from this type of routes is less than 1% of the total revenues of the company.

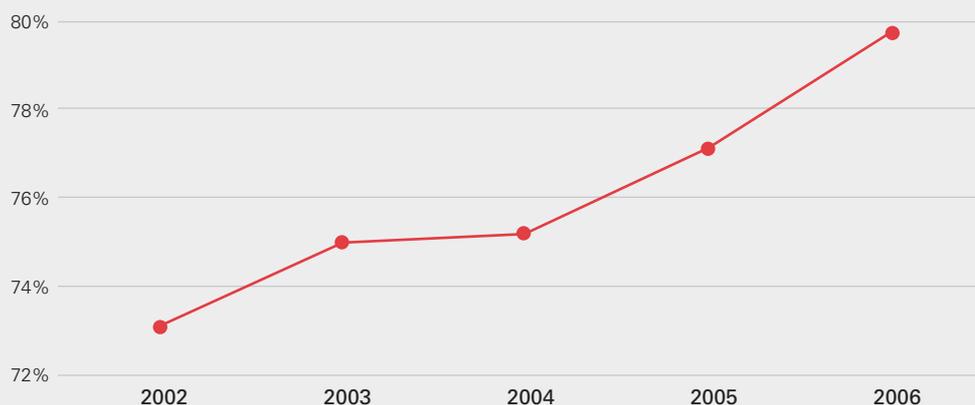
IBERIA, a network company

Example of route <400km:
Alicante – Madrid
(November 2006)



Evolution of load factor in IBERIA (2002-2006)

The evolution of the load factor is an important indicator of both the economic and environmental efficiency of the company. In IBERIA, the load factor has risen from 61% in 1991 to 79.8% in 2006. According to the AEA ranking, IBERIA has the second highest load factor out of a total of 30 airlines.



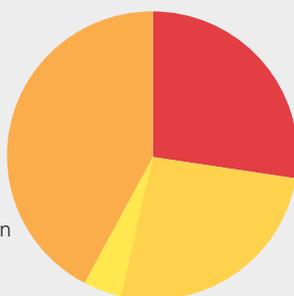
The value of the IBERIA share rose 20.5% in 2006, bringing its cumulative increase since it was floated in April 2001 to 131.2% due to a variety of circumstances, including the performance of oil prices and present and estimated operating and economic results (see IBERIA's annual report).

The company paid its shareholders a dividend of 0.02 euro per share in July.

Revenues and costs from operating activities 2006

Breakdown of costs by type and percentage (2006)

- Supplies*
- Personnel
- Depreciation & amortisation
- Other costs from operating activities**

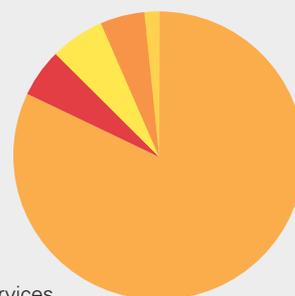


* Aircraft fuel, spare parts, etc.

** Fleet leasing, commercial costs, traffic services and navigation aids, etc.

Breakdown of revenues by type and percentage 2006

- Passenger
- Cargo
- Handling
- Aircraft maintenance
- Other revenues from services and sales



For further information please contact our Customer Services centre at:

IBERIA, Líneas Aéreas de España
Centro de Atención al Cliente
Apdo. Correos 548 F.D.
28080 MADRID (Spain)

Telephone numbers:
In Spain: 902 400 433
Fax: +34 915 508 829
E-mail:

relacionesclientes@iberia.com
customerrelations@iberia.com

3.3 Our customers

3.3.1 Customers, IBERIA's first commitment

IBERIA applies the terms of the Customer Services Commitment Document, signed on 2 July 2002, one of the principal goals of which is to improve the service offered to customers by airlines by providing detailed information on the basic terms of the service offered. This voluntary commitment can be consulted on our web site.

IBERIA also established a new price communication policy in 2006, aiming to offer its customers a better service and clearly favouring transparency. This is the greatest breakthrough in the sector for transparent ticket prices.

Since 23 September 2006, the prices published by IBERIA for its tickets have been final, that is, they include the different items previously stated separately, such as fuel surcharges, issuing charges or airport taxes, so the announced price now coincides with the purchase price.

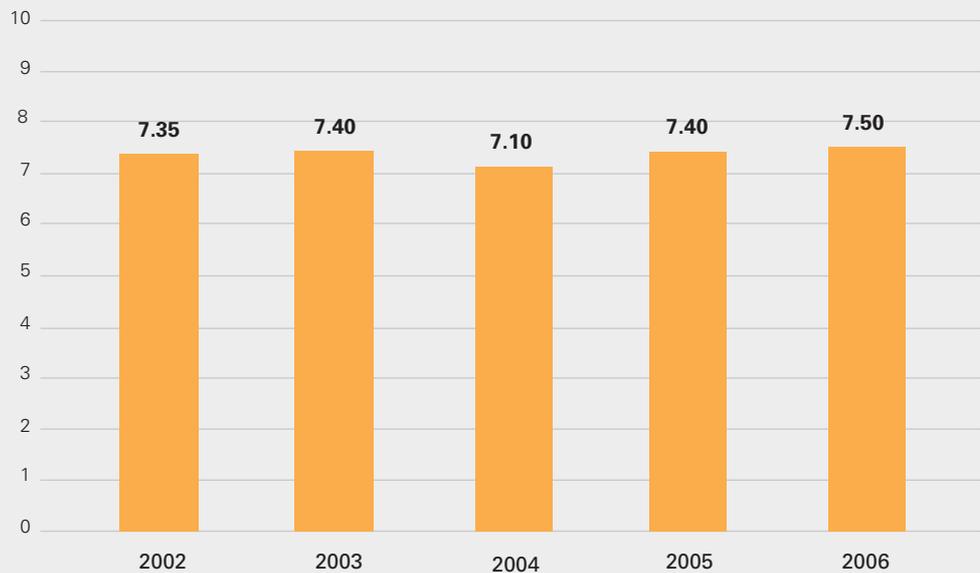
Since 1991 IBERIA has followed a procedure aimed to prevent fraud in transport documents. This procedure has been monitored through a Committee which, among other actions, investigates possible irregularities and proposes changes in practices and procedures that could facilitate fraudulent activities.

3.3.2 Customers opinions: perceived quality level

We regularly check and analyse our customers' opinions and their assessment of our services in comparison with our closest rivals.

- **Customer satisfaction:** we monitor the satisfaction of our customers through Perceived Quality Surveys (PQL, Perceived Quality Level), which measure their assessment of 30 attributes of our service. The customer satisfaction studies are fully integrated with the other management indicators and the surveys we make are analysed to see what specific actions are necessary to improve our service quality. In 2006 we polled almost 10,000 customers, obtaining a global assessment of 7.5 out of 10.

**Evolution PQL-
Valuation of
attribute "Global
Quality"
(2002-2006)**



- **Average response time:** the average response time was 5.55 days over the past 12 months, compared to 6.66 in 2005. One of the objectives set by IBERIA for year-end 2007 is the development of a single claims web page to expedite response.
- **Claims and customers' rights:** we consider statements by unsatisfied customers a valuable source of information for correcting faults and adapting our service to suit their needs. They give us another opportunity to come up to their expectations. IBERIA is below the AEA average in claims for lost baggage, with one of the best results among European network airlines.

The average response time to claims was cut by 16% in 2006, while the number of claims for damage to baggage was down 23%.

Claims in 2006

Claims regarding flight	101,386
Baggage claims	459,980
Losses + Delays	388,521
Damage	71,459

Baggage losses / 1000 Passengers

IBERIA
15.5

AEA
15.7

Source: AEA



3.3.3 Quality of processes and services

Apart from customer satisfaction, IBERIA has several quality control and monitoring mechanisms in the processes and services it offers.

Compliance with the service quality standards established by the company are supervised by measuring the quality level obtained indexes. The global ground and in-flight customer service process is reviewed, from requests for information and booking of ticket to the handling of complaints and claims. During 2006 the company started up the new application SIMCA (Integrated Quality Measurement System), through which agents have web access to the information regarding service quality obtained from over 2000 inspections made on ground and in flight, and the data bases and systems existing in the company, enabling them to define more efficient actions for improvement.

Most of the company's business divisions have now been certified according to the requirements established by Standard ISO 9001:2000, including specific quality indicators related with the processes of the different activities checked internally with adequate frequency.

Areas certified for quality

Cargo Department
Purchases Department (certified in 2007)
Operations Department
In-flight Service Department
Systems Department
General Management Airports
General Management Maintenance & Engineering
Infrastructure Department

IBERIA is the only company in Europe certified for maintenance and repair of Rolls Royce RB211 engines.

Among the quality achievements during 2006, IBERIA obtained renewal of the ISO 9001:2000 certificate from the Spanish Standardization Association (AENOR), including new maintenance and engineering services for Rolls Royce RB211 engines, for which IBERIA has a large number of customers, such as Continental and British Airways.

Last year IBERIA did 40 overhauls on these engines. More than half the work of the Engine Shop, on this and other models, was for third parties. IBERIA Maintenance has experience in the maintenance of cells, engines and parts and provides services for more than 100 customers worldwide, apart from IBERIA itself.

During 2006, IBERIA also became the first airline to have its In-Flight Service specifically certified under ISO 9001:2000. With this certificate, IBERIA can prove its correct quality management in the provision of in-flight service, and the selection and training of top management and flight attendants.

Quality audits made in 2006

Area audited	No. of audits
Airports	22
Cargo	5
Infrastructure	1
Maintenance & Engineering	3
In-flight Service	1
Systems	1
Total	33

Specific quality training given in 2006

Course	Total Hours
Intensive ISO-9001	126
Fast improvement Lean 6 Sigma	126
Documentary Management System for Quality	175
Integral Management	132
Implementation of UNE-EN ISO/IEC 17025 standard in laboratories	38
Environmental Audits for Quality auditors	14
EFQM Model	8
EFQM Appraisers	16
Training of Quality System Auditors	40
Implementation of indicator system for quality assessment	16
Claims management	32
Total	723



IBERIA has taken a further step forward in the issuance of 'non-paper' tickets, incorporating the interline electronic format for tickets combining IBERIA flights with those of Royal Air Maroc, Copa Air, Northwest Airlines, Taca Internacional Airlines or Lacsá, in addition to the companies with which this option was already possible.

3.3.4 Strengthening passengers' rights

IBERIA handles the different claims received from passengers in accordance with the European legislation on compensation and assistance to passengers in the event of denied boarding and of cancellation or long delay of flights (Regulation (EC) No 261/2004 of the European Parliament and of the Council of 11 February 2004).

With respect to data protection, IBERIA has a department called Data Processing Security, whose duties include the pre-release checking of any information to be provided for customer by e-mail or through the web site *iberia.com*.

3.3.5 Punctuality

The opening of the new Terminal T4 at the Madrid-Barajas Airport on 5 February 2006 brought a major change in the company's operations. The centralisation of all IBERIA flights from that terminal and the possibility of operating from an infrastructure offering a large number of installations and services will enable the company to gradually improve its punctuality.

However, no improvement was achieved over 2005 levels due to the increase in air traffic at Madrid-Barajas Airport, together with the adjustments required to start operating at a new installation of this nature and the improvements being made to infrastructures at Barcelona-El Prat Airport to increase its capacity.

3.3.6 *iberia.com*: improving our e-service

The *autocheck-in on-line* service has been consolidated, through which IBERIA customers can obtain their boarding cards directly on line 24 hours in advance. At present, 95% of all IBERIA tickets are electronic.

The installation of auto check-in machines continued throughout 2006, not only at the main airports, but also at certain hotels in large cities.

With a turnover of €447 million in 2006, *iberia.com* is leader of e-commerce in Spain. It is also the preferred communication channel for members of the Iberia Plus programme and offers updated information on the company. IBERIA's web site receives around 350,000 visits a day and is now available in 41 different versions to serve the different markets on which it operates. IBERIA also offers a 24-hour telephone service for ticket purchases and consultations, for those who have no internet access.

3.3.7 Iberia Plus: success in customer loyalty

Since 1991, when the Iberia Plus programme was started up, more than 2,900,000 people from 60 countries have joined it (year-on-year growth of 25% since 2002). The number of associated companies reached 50 in 2006.

The new incorporations include companies offering a wide array of services, such as Prosegur, in the security systems sector; El Placer de Regalar, an on-line shop where Iberia Plus customers can obtain points when purchasing a large variety of products; the chain High-Tech Hoteles, which currently has 25 hotels distributed among the major cities in Spain; or one of the latest incorporations, in December, the airline TACA (Transportes Aéreos del Continente Americano), which has been operating for 75 years in 19 countries in North, Central and South America.

The airline Taca has a fleet of over 30 aircraft and almost 6,500 employees, offering 34 destinations in 19 countries in North, Central and South America.

3.3.8 Advertising

IBERIA belongs to the **Commercial Communication Self-Regulation Association** (Auto-control). IBERIA applies the voluntary controls made by this association. Demonstrating the scrupulous respect of these issues by IBERIA, in the past 5 years the company has only received two claims relating to default of the regulations on marketing communications. Both those claims were accepted.

3.4 Corporate governance

In accordance with current legislation and the different corporate governance codes and recommendations, IBERIA continues to improve in some cases on the existing obligations and recommendations by establishing greater restrictions. For example, it has established a maximum term of office on the board of 8 years for independent directors (equivalent, in the case of vice-chairmen, of a maximum of 2 terms of 4 years each). The company bylaws also stipulate that directors must hold at least 400 shares (Article 36).

The Annual Report on Corporate Governance can be consulted through the web site <http://grupo.iberia.es/>.

3.5 Brand management

One of the fundamental aspects for correct brand management is **determination of its value**. This is essential to decide how much to invest in marketing and enables those managing the brands to plan and measure the impact of their strategies. In this regard, IBERIA considers that external assessment offers more guarantees of an unbiased, realistic valuation. Consequently, a process was set underway in 2006 to determine the value of the brand and is expected to be completed during 2007.

Moreover, since 2003 IBERIA has been an active member of the Association of Well-Known Spanish Brands, AMRE, which has more than 70 well-known leading Spanish brands from different sectors, firmly established on an international scale with a vocation of permanence on foreign markets, which have joined forces to work on the development, defence and promotion of Well-Known Spanish Brands.



According to the "Well-Known Spanish Brands Forum" at its "VI Debate on Brand Strategy and Management", IBERIA is one of the 6 Spanish companies most identified as Spanish and is also within the select group of the 6 most international Spanish banners.



The social dimension

4. The social dimension

IBERIA incorporates and contemplates respect for human rights in its operations, guided by the standards established in the **Universal Declaration on Human Rights**, the **eight Core Conventions of the International Labour Organization** and the **Global Compact of the United Nations**.

4.1 IBERIA and its employees

Novelties Director Plan 2006 - 2008

Director Plan 2006 - 2008: continued improvement of the company's productivity

Among the objectives met in application of the Director Plan 2006-2008, the following are worth mentioning:

- **Agreement of the XVI Collective Agreement for Ground Staff:** establishing, among others, a new profit-sharing system, not consolidatable, and new measures designed to reconcile family and work, plus a modification to the Disciplinary Regime to include as very serious faults the feigning of sickness or accidents and sexual or moral harassment. An agreement was reached to convert 676 jobs to full-time jobs.
- **Absenteeism control:** developing a procedure for the monitoring and support of long-term illnesses and repetitive sick leave. The average absenteeism in 2006 was approximately 10 hours per employee.

4.1.1 Workforce

Our workforce consists of ground staff, pilots and flight attendants. The IBERIA Group currently has a headcount of 25,029 employees, 72.3% of whom are domestic ground staff. This figure is slightly down on 2005, due mainly to the application of the lay-off proceedings, which have been extended to 31 December 2007.

IBERIA has personnel in practically all the countries to which its commercial network extends. These employees account for 4% of the company's total headcount. There are also foreign personnel contracted in Spain, so the total percentage of foreign employees in IBERIA is higher than 4%.

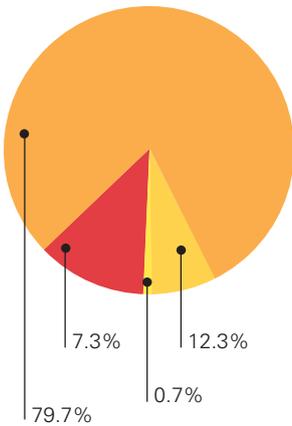
IBERIA headcount at 31 December 2006

Employee group	No. of employees	Average age (years)
Domestic Ground	18,098	14.17
Flight Assistants	4,171	14.70
Pilots	1,790	15.05
Local employees abroad	952	13.05
Spanish employees abroad	18	24.17
TOTAL	25,029	14.29

During 2006, the minimum salary paid within IBERIA was almost double the minimum wage established by law in Spain.

Minimum wage (euro)	7,572.60
Minimum salary IBERIA (euro)	13,930.11

IBERIA employees by type of contract



- Non-term
- Part-time non-term
- Discontinuous
- Temporary

According to the different collective agreements signed, there is equal salary between men and women in IBERIA. These salaries are established according to professional category, seniority and rank, with no distinction on grounds of sex, race or any other discriminating factor.

Employee satisfaction is channelled through the unions and committees. There is also a suggestion box in the company. During 2006 some 1,638 suggestions collected from the intranet suggestion box were dealt with on different matters, including: changes in working procedures, new customer services, improvements to the new uniform, form of purchasing tickets under the collective agreement, or requests for information on the company’s commercial policy, among others. 90% of these suggestions are answered in less than 24 hours.

The union structure and participation structure in IBERIA guarantee that any complaints can reach Management. This structure corresponds to a participative culture of the company and includes paying due attention to complaints and their solution, as far as possible.

The open door policy implemented by management and executives also favours the internal communication of any suggestions, complaints or claims by employees.

Intranet has been more functional in 2006, facilitating a greater and improved management of daily work by the company’s employees and access to the different internal services needed in day-to-day affairs.

4.1.2 Training

IBERIA has continued applying the training guidelines established in the company’s Director Plan 2006-2008.

IBERIA considers that training does not consist exclusively of courses, but entail processes of change in organisations. Training is the best tool to change attitudes, increase awareness among different groups and provide employees with the necessary knowledge (technical know-how, skills, attitudes) to enhance their work performance, increasing their productivity and their job capacity.

IBERIA’s training model is based on the need to provide training in specific qualifications for the sector that are not readily available on the market and for which there are often no specific training centres, and when they do exist they are insufficient.

The training is designed not only to develop job-related skills and knowledge, but also to establish a connection between the contents of the training and the company’s strategic objectives.

IBERIA training pursues the goal of continuous professional furtherance for all employees, placing special emphasis on training for the following:

- Incorporation of new technologies
- Development of linguistic skills
- Occupational hazard prevention
- Customer service
- Commitment to quality
- Protection of the environment

Training given in IBERIA in 2006

Number of courses	10,777
Number of participants	68,625
Hours of training	127,972
Hours/student	641,338

Integration of the academic world in the business world

IBERIA continues with its collaboration agreements signed with different Spanish and international universities and training institutions, increasing their number and offering its collaboration with academic institutions to implement the educational system, both by adapting vocational training modules for the air-traffic sector and by offering undergraduates, graduates and vocational training students an opportunity to acquire work experience.

Practical training programme 2006

Hiring of scholarship holders	Work-experience contracts in first year	14
No. scholars subsequently given non-term contracts	Work-experience contracts continued in second year	17
Post-graduate scholarships	Education Cooperation Students	116
	Vocational Training Students	26
	Graduate Scholars	87
Novation of employee contracts	New contract novations in the Graduates Programme	9

During 2006, 934 temporary contracts were converted into part-time non-term contracts.

The main objective of the Graduate Work-Experience Programme is to adjust incorporations into the management and engineers group to the demand of the different areas of the company, respecting the objectives set in the Director Plan. In turn, it also helps to detect graduates with potential, candidates for Qualified Staff Development Plans.

The Graduate Work Experience Programme involves:

- Offering Work-Experience Contracts for one year, extendable for a second year, for scholarship holders with potential.
- Offering one-year scholarships for graduates under agreements signed with different institutions: universities, foundations, etc.
- Offering work experience for students, under educational cooperation agreements with different educational establishments, in pursuance of the Royal Decree.
- Offering contract novations for one year, extendable for a second year, to employees of the company with non-term contracts who hold the qualifications required by the company.

The Graduate Work Experience Programme was started up in 1996 and over 500 people have joined the management and engineers group so far, both from outside, through postgraduate scholarships, and through internal promotion.

4.1.3 Industrial Relations and union representation

Union representation: organisation, representatives and affiliation

One of IBERIA's strong points in labour issues comes from the strength of its unions and the high degree of membership among its employees.

IBERIA has two committees (Ground Staff Inter-Workplace Committee and Flight Committee) to maintain continuous relations with the unions. It also has a Health and Safety Inter-Workplace Committee, consisting of 6 members of the Inter-Workplace Committee, and a Flight Health and Safety Committee, consisting of 8 representatives from the Flight Committee, which deal with aspects such as occupational hazard prevention. The company guarantees and improves through collective bargaining on the terms stipulated in applicable national union legislation.

The different committees collect suggestions, complaints and claims from employees, acting as a sort of "employee ombudsman" and channelling these issued to be handled by the different unions involved. By virtue of all these mechanisms, IBERIA employees have one of the best union representations among Spanish companies.

IBERIA also has a Social and Economic Monitoring Committee, on which there are representatives of the unions that were on the board previously when IBERIA was a state-owned enterprise: UGT, CC.OO., SEPLA and SITCPLA.

The ground staff union representatives sit on 22 Workplace Committees (works councils) nationwide, and a further 16 workplaces have workers' delegates (2 more than in 2005).

During 2006 the most significant change was among ground staff, with an increase of almost 10 percentage points to practically a 70% affiliation.

Percentage of annual union affiliation. 2006 figures

Employee Group	Percentage affiliation through salary deduction
Ground	68.33%
Pilots*	100%
Flight Assistants	31.51%

* Although the Technical Crew's union fees of are not deducted from the salary and, therefore, there are no figures on the degree of affiliation, practically 100% of the Pilots are members of the Spanish Airline Pilots Union (SEPLA).

The Anti-Smoking Act entered into force in January 2006, totally prohibiting smoking in all workplaces and any areas used directly for serving the public, in aircraft leaving or arriving in Spain and all flights of Spanish airlines, among others.

IBERIA has forbidden smoking on all its flights since 1 September 1999.

Collective agreements and Redundancy proceedings

In 2006, more specifically on 8 February 2006, the Bargaining Committee signed the XVI Collective Agreement for Ground Staff, establishing a new, non-consolidatable profit-sharing system and a bonus for part-time permanent continuous employees.

Among the Productivity, Flexibility and Streamlining measures and with a view to favouring the **reconciliation of family and work**, in 2006 the period of reduced working hours is extended and the possibility is introduced of accumulating the breastfeeding permission in days' leave.

The Disciplinary Regime has been modified to include as very serious faults the feigning of sickness or accidents and sexual or moral harassment. To enhance job stability and reduce the rotation of temporary staff, the fixed-term contract for Handling employees was modified and may now be made for up to 12 months worked within a period of 18 months. This new collective agreement continues to recognise flexi-hours for most of the ground staff.

In addition to the above-mentioned national collective agreement, IBERIA has signed and improved collective agreements in most of the countries in which it operates, for example in Argentina, where pay rises of approximately 10% have been granted for change of category; in Mexico, where a 4% pay rise and payment of a single equivalent bonus have been agreed; and in Greece, establishing a 2.5% pay rise and a 5% transport aid, among others.

4.1.4 Social benefits for employees

IBERIA has a specific department that defends the employee safety and assistance. This department, the Occupational Hazard Prevention Department, has numerous duties concerning assistance to employees. Some of its most important tasks in 2006 were:

- Addictions programme, treating employees who join the programme and making treatment compatible with their employment.
- Support in extraordinary situations of flight crew, such as loss of licence, special leaves, transfer to reserve staff and similar.
- Support for employees eligible for early-retirement.
- Support in cases of disabilities due to common or professional contingencies.
- Handling of cases of reconciling family and work.
- Protection of affected person and his/her family in cases of sickness or accident occurring during flights or while working away from home.

The social benefits offered by IBERIA to its employees include especially the following:

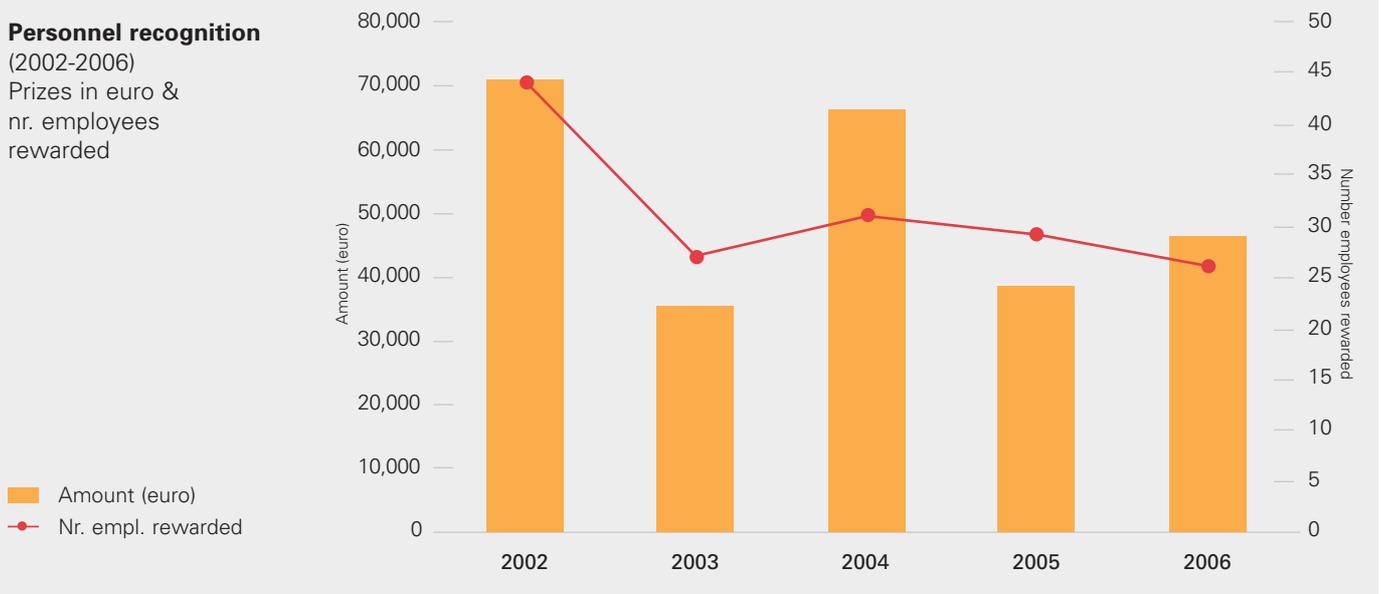
Social benefit	Principal terms
APMIB	<ul style="list-style-type: none"> • The IBERIA Employees Parents of Disabled Children Association receives economic aid which the Ground crew supports with funds from the Solidarity Fund and in the Flight crew with direct contributions by workers, as established in the Collective Agreement.
Solidarity Fund	<ul style="list-style-type: none"> • The funds are used to meet social needs, such as aids for education, camps, aids for disabled children and those chronically ill, welfare loans, expenses incurred through sickness, among others. This fund is jointly financed in equal proportions by the company and employees, except in the case of cabin crew, who contribute 0.40% of their basic wage and the company contributes a fixed sum. In 2006, the balance of the Solidarity Fund stood at 1,226,956 euro (ground staff) and 601,514 euro (flight crew).
Social Funds for Ground and Flight crew	<ul style="list-style-type: none"> • 50% financed by the company and the employee. This fund covers disability and retirement benefits. In the case of flight crew, it also covers long-term temporary disability and death benefits.
Group Life Assurance Policy	<ul style="list-style-type: none"> • This assurance covers death and permanent disability. In the case of flight crew, it also covers the contingency of definitive loss of licence. It is 60% financed by the company and 40% by the employee.
Housing loans	<ul style="list-style-type: none"> • Loans may be granted each year in a number up to 4% of the ground staff and flight attendants on the payroll at 31 December of the preceding year.
Medical cover	<ul style="list-style-type: none"> • IBERIA takes and manages all activities and actions required to secure recovery of workers who suffer accidents.

4.1.5 Suggestions programme

IBERIA has established a personnel recognition system for all its employees based on individual or group suggestions and recognition of exceptional actions. To stimulate creativeness and individual and group efforts, and as a basic factor in continuous improvement, rewards are granted in relation to the yield obtained as a result of the proposal for improvement. Recognition ranges include being congratulated by the Acknowledgements Committee and economic rewards, granted in a sum total of 46,350 euro in 2006.

Rewards given for suggestions

Personnel recognition
(2002-2006)
Prizes in euro &
nr. employees
rewarded



Through "Iberia próxima", the company is in permanent contact with all its employees. At present some 23,795 users access this web site at least once a month, consulting on average 644,000 pages a week on working days.

4.1.6 Associations

IBERIA's social activity, which complements its solidarity and labour responsibility activities, also extends into other areas such as leisure and culture. In this regard, the work of Club Iberia and the Veterans Association is worthy of mention.

Club Iberia is a non-profit association that aims to promote leisure activities among company employees. It currently has 10,500 members and 12 delegations nationwide.

The Club Iberia budget is provided mainly from membership fees and an annual contribution from IBERIA, which amounted to 77,230 euro in 2006. The company also provides the premises for the Club's offices and facilitates internal communication for all employees through Intranet.

The Veterans Association has 8 delegations in Spain and finances all its activities with the membership fees of its 8,120 members. The services provided and activities organised by this Association are aimed primarily at members on pensions for retirement, disability or widowhood. The activities organised are mainly cultural, touristic and recreational.

In 2006, three IBERIA teams participated once again in the XV Raider's Trophy: two of them were champions for the third year in succession in the Expertise and Senior categories. The Raider's Trophy is a sports competition, in which 6-member teams participate, representing their companies. The skills put into practice and developed during the competition are also essential in the business world, such as teamwork, strategic planning, decision-making and good communication and coordination among the participants. A total of 29 teams from 15 different companies participated in the 2006 edition.



4.2 Health and safety at work

4.2.1 Occupational Hazard Prevention

IBERIA has a Prevention Service to boost Industrial Hazard Prevention and provide counselling on this subject for the entire company. This Service is part of the Industrial Hazard Prevention Department, a corporate body whose actions affect the entire company, which is in turn part of the Human Resources Department.

The different Departments of the company have appointed "Industrial Prevention Coordinators" within their organisations, to promote and monitor the practical implementation of Prevention measures within their areas of competence. Contacts between these coordinators and the Prevention Service are continuous and very close.

The Occupational Hazard Prevention Management System currently meets the requirements of a certifiable system, in view of which the necessary formalities were begun in late 2006 to have it certified under the OHSAS 18001 standard. This certification is due to take place during 2007.

Organisation and principal occupational hazard prevention measures

In IBERIA there are 24 Health & Safety Committees, with 108 Prevention Delegates distributed among the different workplaces.

The prevention activities performed during 2006 include especially the following:

- **Coordination of business activities.** This has particularly affected the General Management Maintenance and Engineering, with a considerable level of outsourcing of "own work" requiring greater effort to control and coordinate with the sub-contracted firm in order to avoid own and third-party accidents. The Prevention Service prepared the 4th version of rule SH-203, compliance with which has been actively supervised by the Prevention Service, attending and counselling at joint meetings between IBERIA and representatives from the sub-contracted firms.
- **Treatment of especially sensitive workers.** The treatment of workers who, due to permanent or temporary personal circumstances, are especially sensitive to working conditions is given priority by the company. IBERIA has established Rule SH-205, which indicates what is to be done in cases of especially sensitive workers.
- **Start-up of the new Terminal T4 of Madrid-Barajas Airport.** All the jobs affected by the move to the new installations were studied, providing constant monitoring and support in order to achieve total normality in the operation from the point of view of hazards to employee health.
- **Treatment of skeletal muscle hazard.** The largest number of industrial accidents in IBERIA involve skeletal muscle injuries, particularly in baggage loading and unloading operations. IBERIA is on the Ad Hoc Committee together with the Ministry of Labour through the Labour and Social Security Authority and the National Institute for Security and Health at Work (INSS) AENA and the unions CC.OO. and UGT. Hoists and other means have been installed at Madrid-Barajas Airport for handling baggage from the conveyor belts, making the work easier and reducing the risk.
- **Control of work** in industrial areas during maintenance work, especially where there is a significant risk of falling from a height, work with chemical, inflammable, carcinogenic products, etc.
- **Work at cargo terminals,** owing to the variety of products handled, animals, perishables, radioactive products, etc.
- **New installations projects,** such as the purchase of new equipment or occupation of new premises.
- **PPE usage campaign.** A campaign has been developed to encourage the use of Personal Protection Equipment. Six different posters have been designed for working areas and 4 leaflets addressed to workers in the specialities using this equipment. One of the prominent slogans is "you're sure you've got a job, but is your job safe?".

The IBERIA Prevention Service has Senior Occupational Hazard Prevention Officers specialising in the four aspects of prevention: Safety at Work, Industrial Hygiene, Ergonomics and Psychosociology and Industrial Medicine.

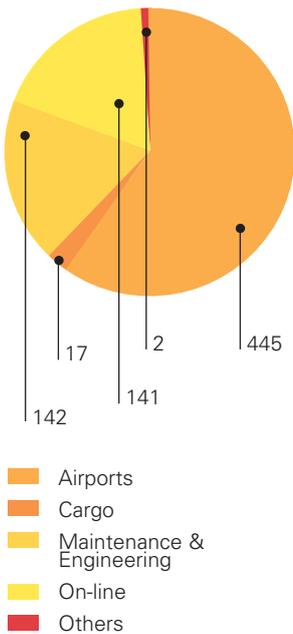
Apart from the costs of resources for the Prevention Service, in 2006 IBERIA spent over 350,000 euro on specific measures to solve problems affecting its employees' health, which were not contemplated in the ordinary budgets of the different Departments.

During 2006 IBERIA started up a specific programme to study the effect of the level of ionizing radiation to which flight crew are exposed. This study was made in collaboration with the Hospital Gregorio Marañón, in Madrid, and consists of analysing possible chromosomal anomalies in the blood of volunteer crew members meeting a given profile. IBERIA is, thus, at the vanguard with companies worldwide that are examining this issue.

To prevent disease and damage, caused by the job or otherwise, within the company's ordinary operations, the following measures were taken during 2006, among others:

- More than 7,500 medical check-ups linked to the risks present in the jobs
- More than 18,000 blood & urine tests
- More than 20,000 treatments of illness at work
- More than 5,000 flight aptitude tests

Occupational Hazard Prevention training courses by departments



The number of accidents improved considerably in 2006, down 8.7%, with a 3.6% reduction in the number of employees on sick leave for skeletal muscle injuries.

IBERIA also participates in the public vaccination programmes established by the Health Authorities, although at employees' request. During 2006 more than 1,000 vaccinations were given. In this regard, the company particularly offers information to employees who are to work on flights to destinations where there is a health risk.

Occupational Hazard Prevention Training Course

Within the area of occupational hazard prevention, IBERIA has improved the content of its Occupational Hazard Prevention courses, giving more of these courses (55.3% more) and cutting their length (by 18.2%), with a view to giving this training to a larger number of participants, including those that do not require any technical training.

Risk assessment

A total of 996 risk assessments were made during 2006, 306 of which were made at the request of the different Departments, 14 were requested by Prevention Delegates and 21 by the Health and Safety Committees. The rest were made at the initiative of the Prevention Service, in fulfilment of its prevention duties.

Of these assessments, 94 were initial risk assessments or updates, while 870 were "studies of working conditions" and 32 were inspections prior to occupation of premises.

Recording and notification of occupational accidents

The entire process concerning occupational accidents is conducted in accordance with a specific rule, called SH-203, which specifies the participation of each agent (management, affected employees, prevention delegates, prevention service, personnel units, among others), the documents to be completed and how they are to be kept.

The Prevention Service has a computerised system for global management, connected to the company's data bases, to which the different parties involved have access according to their authorisation level, in turn complying with the applicable data protection legislation.

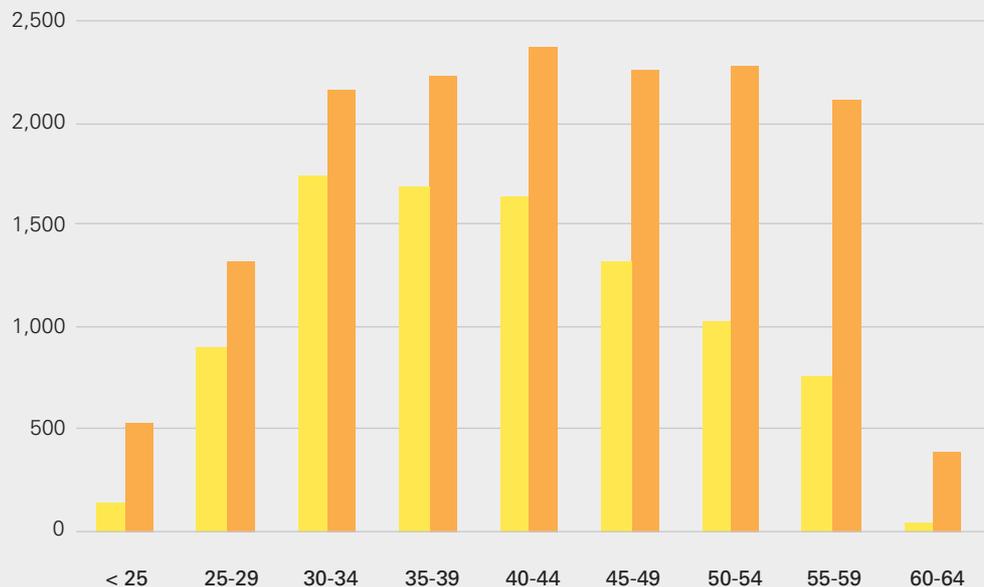
4.3 Equal opportunities and ethnical diversity

Employee pyramid by sex (2006)

- Women
- Men

In 2006, the number of women employees represented 37.2% of the total IBERIA employees, up from 36.8% in 2005.

In 2006, 490 people held key management positions, 139 of whom were women.



Salaries are the same for men and women in the company for the same level and seniority. This equality is established in the different company-level collective agreements, with no discrimination for reasons of sex, race or other discriminating criteria.

4.3.1 Other social policies

Promoting birthrate: workers taking a reduction in working hours for legal custody

The applicable legal provisions are applied regarding maternity, paternity and care of the elderly benefits (Act 39/99 Reconciliation of work and family and Act 1/1995 Workers' Statute).

In 2006 the numbers of workers in the different groups taking reduced working hours for legal custody were as follows:

Aspects relating to maternity benefits	2004	2005	2006	% Change 2006-2005
Ground	373	505	481	-4.75%
Flight	733	904	1207	33.52%
Pilots	174	259	375	44.79%
Flight attendants	559	645	832	28.99%

Work and family reconciliation policies

IBERIA has continued in 2006 to seek an enhanced reconciliation between work and the family, promoting the following initiatives:

- **Ground staff:** the initiatives introduced in the new XVI Collective Agreement for Ground Staff signed by IBERIA, which improves on the provisions of Spanish law, including:
 1. *Lengthening of the period of reduced working hours for legal custody:* any employee who, for reasons of legal custody, has a child of under 8 years old in his/her care, may extend the period of reduced working hours until the child reaches that age.
 2. *Possibility of accumulating breastfeeding permission:* the reduction of the working day by half an hour for breastfeeding a child under 9 months old, established in law, may at the discretion of the employee be substituted with a period of 10 calendar days' paid leave, following on directly from the maternity leave.
- **Pilots:** after 15 years' flight service in the company, pilots may opt to reduce the number of flight hours by virtue of a provision of the collective agreement. A total of 181 pilots availed themselves of this option in 2006.
- **Flight attendants:** in addition to the reduced working hours established by law, the Collective Agreement for Cabin Cre contemplates the possibility for flight attendants of cutting their working hours by 25-50%, subject to conditions of age and seniority. A total of 723 flight attendants availed themselves of these reductions in 2006.

4.3.2 Employment of disabled workers

IBERIA's human resources policy includes a number of measures designed to favour the integration in employment of disabled persons, by directly employing handicapped workers and through alternative measures such as signing commercial contracts with Special Employment Centres for the provision of services in the company or making donations to public enterprises that favour the global integration of the handicapped and disabled.

In pursuance of the Disabled Integration Act 13/82, IBERIA has acted in the following three areas:

- **Employment of handicapped workers:** the newest aspect in 2006 are more than 30 disabled workers of the APMIB working at the IBERIA installations in jobs involving data recording, filing, classification and scanning of documents.
- **Commercial contracts with Special Employment Centres:** IBERIA has signed numerous contracts with the Special Employment Centre "IBERIA Employees Parents of Disabled Children Association" (APMIB) for the provision of outside services complementing its business activities. A sum of 3,788,795 euro was invoiced under these contracts in 2006.

- **Donations and Sponsorship:** IBERIA makes cash donations to the aforesaid association, which has received recognition as a Public Utility Association for the social integration of the disabled. The monetary donations made to said association in 2006 totalled 598,854 euro, equivalent to 44 workers.

The company also hires any employees who, although not handicapped or disabled, suffer a reduction in capacity owing to sickness or age, in positions suited to their conditions. This undertaking is set out in the Ground Staff Collective Agreement. The company has also undertaken, as specified in the Flight Crew Collective Agreement, to employ as Ground Staff any pilots who lose their flying licence and are, thus, unable to fly.

4.4 Attraction and retaining of talent

IBERIA upholds that talent is one of the vital resources for sustainable competitiveness, so pays constant attention to seeking talent, both internally and externally, and retaining it.

Although talented professionals are required in all positions throughout the organisation, the greatest efforts, due to the risks of external rotation, are focused on specialists, graduates and top management.

IBERIA has established different selection protocols and competence profiles to detect the professionals with the greatest potential, both in and outside the company, since talent as such is developed in the company and must be backed up with the corresponding Personal Training Programmes, Continuous Assessment and Vocational Development and Succession Plans, through which talent is channelled towards the required field of technology or management, in the latter case within specialised leadership development programmes designed to guarantee take-over of all key management and executive positions at all time, having professionals capable of applying their talent to the circumstances required from time to time for the company's business.

4.5 Social action in IBERIA

At present, IBERIA bases its social action strategy on supporting entities of social interest by providing its ordinary services. Its main programmes are related with access to employment of the disabled, volunteer work by its employees, transport of passengers requiring some kind of aid and assigning of space in the bellies of aircraft for transporting humanitarian aid. IBERIA has developed social strategy guidelines. During 2006 it began a process to develop an indicator system to measure and assess the impact generated by the company's contributions. This process is expected to be completed during 2007.

The company's social action is currently structured around four basic interest groups:

Interest Group	Organisation	Activities carried out
Employees	Mano a Mano	<ul style="list-style-type: none"> • Created in 1994 at the initiative of IBERIA employees, it uses its resources to send humanitarian aid to countries hit by natural disasters or wars and deliver that aid without middlemen. • It brings children, together with their families, to Spain to be operated on. Once in Spain, Mano a Mano provides them with accommodation and anything else they may need. 16 children were operated on in 2006. • Aid to development projects in certain countries IBERIA flies to. • Carried 231 tonnes of aid in 2006: 584,430 euro • 29 tickets donated by IBERIA in 2006: 55,020 euro • Financial backing for activities performed by other organisations: 156,984 euro.

Interest Group	Organisation	Activities carried out
	IBERIA Employees Parents of Disabled Children Association (APMIB)	<ul style="list-style-type: none"> • The APMIB, an association set up in 1977, focuses its activities on the protection, assistance, education and social integration of any physically, mentally or sensorially handicapped children or wards of IBERIA. • It has more than 2200 people in its 6 specialised centres. • The Special Employment Centre provides employment for more than 440 disabled workers.
	APMIB Foundation	<ul style="list-style-type: none"> • Created in 1997 for the protection, social and educational assistance of the physically, mentally and sensorially handicapped.
Institutions	Women Together	<ul style="list-style-type: none"> • In collaboration with UNICEF, its activities are geared towards promoting micro-credits. • Cooperation to achieve the Millennium Development Goals. • The Women Together prizes were created in 2000 to acknowledge the work and efforts of young generations of women capable of successfully combining success at work with their personal lives and social commitment.
	National Transplant Organisation	<ul style="list-style-type: none"> • IBERIA collaborates with the National Transplant Organisation providing free carriage of organs on its scheduled flights. • Some 158 organs were carried for transplants in 2006.
	'Crecer Jugando' (Grow Playing) Foundation	<ul style="list-style-type: none"> • Solidarity campaign "One Toy, One Joy", organised jointly by Radio Nacional de España and the Crecer Jugando Foundation, with the main aim of raising funds to send toys to children in third-world or developing countries, and to start up toy libraries at schools in developing countries. • IBERIA participates by supplying plane tickets, thereby facilitating and partially financing the delivery of toys at some of the destinations to which the airline flies. In exchange for this cooperation, the Foundation gives IBERIA toy libraries for the centres that Mano a Mano, the company's NGO, has in Peru, Ecuador, Guatemala, Cuba, Argentina and Ecuatorial Guinea.
	Aid Against Drug Addiction Foundation	<ul style="list-style-type: none"> • IBERIA collaborated in 2006 with a contribution of 30,500 euro.
	Carlos III National Oncological Research Centre	<ul style="list-style-type: none"> • IBERIA collaborated in 2006 with a contribution of 36,000 euro.
	Spanish International Cooperation Agency (AECI), Ministry of Social Affairs, Ilusiones Foundation and Miguel Angel Blanco Foundation, inter alia	<ul style="list-style-type: none"> • IBERIA cooperates with these institutions, offering them special discounts for passenger or cargo tickets on its flights. • IBERIA made a contribution of 540,900 euro to AECI.
Customers	Special Olympics	<ul style="list-style-type: none"> • Organisation set up in 1968 to improve the quality of life of the mentally handicapped through sport. • IBERIA participates in the project with a coin collection scheme on its international flights. Collection 2006: 16,328.81 euro. • IBERIA employees also collaborate in this project.
	Spanish Red Cross	<ul style="list-style-type: none"> • Members of the Iberia Plus frequent flyer programme can assign their points to IBERIA to be used for collaboration in the Red Cross Family Regrouping project. • IBERIA collaborated in 2006 with a contribution of 61,000 euro. Iberia Plus customers contributed points valued at 8,232 euro.
Suppliers	Christmas Campaign	<ul style="list-style-type: none"> • The basic aim is to raise funds to help finance projects organised throughout the year by APMIB and the NGO Mano a Mano. • This initiative consists of a solidarity auction, a charity tombola and a solidarity flea market, with the participation of both IBERIA employees and suppliers. • Collection 2006: 103,141 euro.



The activities of Mano a Mano and IBERIA in Guatemala in 2006 were not limited just to the Los Macizos school, but also included other projects, such as the children's home in the city of Guatemala, which takes in abandoned and battered children, and children from poverty-stricken homes, aged 0-6 years, or the refuge-school on the banks of the River Dulce, which undertakes the education, maintenance, health and accommodation of around 250 minors.

Although increasingly less necessary, IBERIA also collaborates in obtaining special medicines that cannot be obtained in Spain.

Millennium Development Goals

It has been considered convenient in this Corporate Responsibility Report 2006 to mention the Millennium Development Goals (more information at <http://www.un.org/spanish/millenniumgoals/>), classifying the social projects run by IBERIA having a direct or indirect connection with them, through monetary contributions to social action projects or contributions of resources in kind.

The Millennium Development Goals, ranging from the eradication of extreme poverty and hunger in the world to combatting HIV/AIDS and achieving universal primary education by 2015, are a challenge proposed in 2000 by the 190 member countries of the United Nations Organization (UNO). The aim of this initiative is to improve the quality of life of people worldwide through eight goals seeking fulfilment of the fundamental human rights.

Within the framework of this initiative, IBERIA has participated together with another ten undertakings on Ibex-35 forming part of the Corporate Reputation Forum (fRC) in the preparation of an ambitious project: "2015: A better world for Joana", the largest communication campaign run by an intersectoral group of companies, for the UNO and Governments, citizens, employees and companies, with repercussions in all the countries in which fRC companies operate, more than 100 on all the continents. This project is designed to promote and publicise the 8 Millennium Development Goals (MDG) throughout the world.

<http://www.2015unmundomejorparajoana.com/es/>

The Millennium Development Goals of the United Nations Organization: IBERIA's contribution

IBERIA's contribution to these goals is made within the available business possibilities. Although the monetary contributions and contributions in kind made over recent years have been considerable, there is still a long way to go. The projects undertaken by IBERIA, classified according to the goal to which they contribute, are as follows:

Millennium Development Goal	Target	Major projects and contributions
Goal 1: eradicate extreme poverty and hunger	Reduce by half the proportion of people living on less than a dollar a day	<ul style="list-style-type: none"> • Sending to Guatemala of food, water, blankets, medicines and sanitary material for the victims of Hurricane Stan: 62,000 kg of humanitarian aid. • Cooperation in the building of a bakery in Peru securing a staple diet for more than 520 minors. The bakery produces 1,500 loaves of bread a day for internal consumption and earns 2,000 \$/month from different products.
	Reduce by half the proportion of people who suffer from hunger	<ul style="list-style-type: none"> • Sending of humanitarian aid in the form of food, clothing, footwear, sanitary material, educational material and toys, among other things, for different development projects coordinated by Mano a Mano in Spain, Argentina, Cuba, Ecuador, Guatemala, Equatorial Guinea, Peru and Asian countries. • Cooperation in the building of 105 homes for families hit by Hurricane Match.
Goal 2: achieve universal primary education	Ensure that, by 2015, all boys and girls complete a full course of primary schooling	<ul style="list-style-type: none"> • Building of several schools in Guatemala, Peru (2) and Ecuador, backed by Mano a Mano. • Permanent Cooperation with schools and workshop in Quilmes, Argentina; and with schools Hola-Hola, Español de Malabo, Santa Teresita, Luba and Batete, among others, in Guinea Ecuatorial. • Financing of nursery "Mi pequeño mundo" in Chambo, Ecuador. Project managed by the Association "Mujeres Chambeñas".

The Millennium Development Goals of the United Nations Organization: IBERIA's contribution

Goal 3: promote gender equality and empower women	Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels of education by the end of 2015	<ul style="list-style-type: none"> • El Ahumado project: building of three classrooms, a sports court, changing room and showers for 150 children in Guatemala. These installations will also be used for health and social purposes for the local inhabitants (4,500 people). This school is vital for the girls of this population, who often have to give up their education due to rape and death, caused by having to go to distant schools. • Children's Home Virgen del Perpetuo Socorro, in Lima (Peru), for abandoned girls, many of whom have been raped and battered. Takes in over 170 girls aged 4-18. • In IBERIA, promotion of childbirth through specific measures, such as the possibility of reducing working hours while breastfeeding and extension of the period of leave for legal custody. • Equal opportunities and diversity. Percentage of women hired.... Percentage in management positions...
Goal 4: reduce child mortality	Reduce by two thirds, between 1990 and 2015, the under-five mortality rate	<ul style="list-style-type: none"> • "Niños de Cuba" project aiming to meet the needs of sick children in Cuba, requiring continuous medical treatment. They are regularly sent medicine. • San Vicente de Pau children's hom, in Quito (Ecuador). Refuge for children without means or with no family. Offers protection and integral education for 140 children, some physically, mentally or psychomotor handicapped.
Goal 5: improve maternal health	Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio	<ul style="list-style-type: none"> • During 2007, IBERIA will promote the development of projects and Cooperation with entities that directly promote measures to achieve this goal
Goal 6: combat HIV/AIDS, malaria and other diseases	Have halted by 2015 and begun to reverse the spread of HIV/AIDS	<ul style="list-style-type: none"> • Transport to Spain of children with major diseases to be treated at Spanish hospitals. 27 tickets donated for this cause (Value: 47,500 euro).
	Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases	<ul style="list-style-type: none"> • Cooperation with NGO Mensajeros por la Paz to build a school in Guatemala for children with AIDS. • Cooperation with the organisations Basida, Remal and Sucael to help people with AIDS or drug addicts in the district of Vallecas, Madrid. • Donation of hospital equipment, clothing and toys for the Cayetano Heredia Hospital in Lima. • Cooperation of IBERIA's Medical Service in campaigns such as flu vaccination or prevention of glaucoma.
Goal 7: ensure environmental sustainability	Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources	<ul style="list-style-type: none"> • Financing of a traditional fishing cooperative project in Equatorial Guinea. 20 families benefit from this project. • Agreement with Entorno Foundation. • Renewal of fleet. • ISO certificates.
	Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation	<ul style="list-style-type: none"> • La Muñoza sewage treatment plant. • Waste recycling plant. • In-flight service.
	Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020	<ul style="list-style-type: none"> • Cooperation with Entorno Foundation: 36,000 euro in tickets issued and cargo carriage.

The Millennium Development Goals of the United Nations Organization: IBERIA's contribution

<p>Goal 8: develop a global partnership for development</p>	<p>Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory</p> <hr/> <p>Address the least developed countries' special needs</p> <hr/> <p>Address the special needs of landlocked and small island developing States (through the Action Programme for sustainable development of small island developing States and the decisions adopted at the twenty-second extraordinary period of sessions of the General Meeting)</p> <hr/> <p>Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term</p>	<ul style="list-style-type: none"> • Cooperation Agreement with the Spanish International Cooperation Agency: 540,900 euro in passenger tickets issued and cargo carriage. • Cooperation with more than 1,500 NGOs through agreement with the Ministry for Labour and Social Affairs: 54,000 euro in tickets issued and cargo. • Agreement with Women Together to develop and promote micro-credits: 60,000 euro in tickets issued and cargo carriage.
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IBERIA's contribution to the social interest groups during 2006, including both monetary contributions and contributions in kind, increased by more than 2% year on year in 2006, totalling 5,509,834 euro (see table).

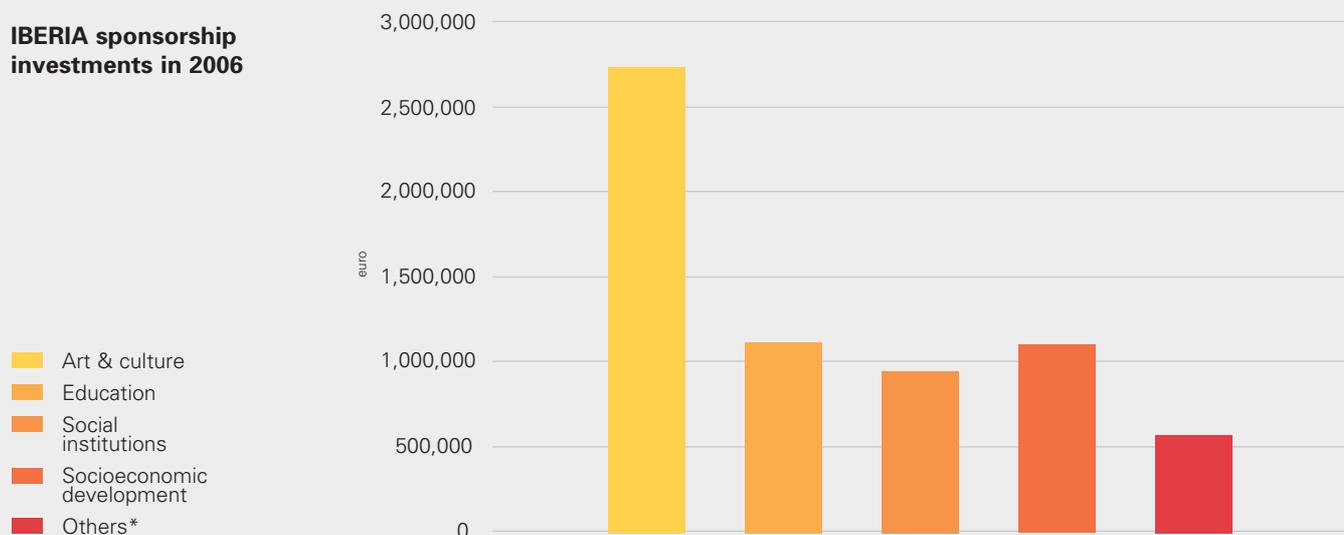
Social contributions made by IBERIA in 2006

Entity	Collaboration	Euro	Value in kind (€)
Mano a Mano	Remittance of 231 tonnes of assistance		584,430
	Medical assistance for foreign children in Spain (27 tickets)		47,500
	Management and supervision of projects overseas (2 tickets)		7,520
	Donation IBERIA employees	2,186	
	Contribution Management Committee and prizes awarded by chairman	810	
	Christmas Campaign 2006 "bid for them"	51,571	
APMIB	Carriage of goods (187,557 kg)		207,840
	Annual non-repayable aid	72,121	
	Christmas Campaign 2006 "bid for them"	51,571	
	Contribution Management Committee and prizes awarded by chairman	750,000	
	Invoicing IB contracts	3,202,501	
Special Olympics	Donation	12,000	
A.E.C.I.	Collaboration in all activities and projects		540,900
Ministry of Labour and Social Affairs	Cooperation with more than 1,500 NGOs and other welfare entities accredited by the Ministry		54,000
Red Cross	Donation	600	
	Family Regrouping Project		61,000
Business & Society Foundation	Cooperation in its activities	18,000	

Entity	Collaboration	Euro	Value in kind (€)
Cáritas	Donation	600	
Crecer Jugando Foundation	"One toy, one joy" campaign		45,000
Ilusiones Foundation	Cooperation in its projects with sick children		20,000
Miguel Ángel Blanco Foundation	Cooperation in the activities of the Foundation		6,010
Xunta de Galicia	Cooperation with the Immigration Department		24,000
Firemen in Action / without Frontiers	Cooperation in its projects and sending cargo of special material		42,000
Toledo International Centre for Peace	Cooperation in its activities		50,000
Women Together	Sponsorship of Women Together Prizes		60,000
Madrid Football Federation	The Immigration Mini World Championship		12,000
Christmas Campaign 2006	Plane tickets for the Solidarity Tombola (6 tickets)		15,654
Entorno Foundation	Cooperation in its activities		36,000
Business & Society Foundation	Cooperation in its activities	18,000	
TOTAL		3.430.710	1.813.854

The total investment under sponsorship agreements (cooperation agreements, etc.) in 2006 was 6,432,989 euro.

IBERIA sponsorship investments in 2006



* include sport, health, press and tourism



IBERIA belongs to **Exceltur**, a non-profit association currently consisting of 25 of the most influential Spanish tourist business groups in the sub-sectors of carriage by air, road, rail and sea, accommodation, travel agencies and tour operators, means of payment, car hire, leisure, theme parks, tourist hospitals, major reservation centres and time-sharing, among others. This association endeavours to anticipate and adapt to processes of change required by the increasingly more global and demanding markets, while publishing recommendations and surveys related to tourism.

IBERIA also sponsors the **Carolina Foundation**, an institution set up in 2000 to promote cultural relations and cooperation in science and education between Spain and the countries of the South American Community of Nations, and with other countries with special historic, cultural or geographical ties. This foundation gives priority to the areas of culture, education, science and technology, considering these to be essential for promoting international cooperation, development, combatting poverty and ensuring peace and freedom in the future.

Other major sponsorships in 2006 include: Firemen in Action, Women Together, European-Arabic Foundation, Fundibeq (Latin American Foundation for Quality Management), Anti-drug addiction Aid Foundation (FAD).



The environmental dimension

5. The environmental dimension

5.1 Environmental management

5.1.1 The environment in IBERIA

- To develop the best environmental practices, IBERIA has defined a set of principles based on the company's Corporate Responsibility Policy. These principles especially include its commitment to minimise effects that may be damaging to the environment, by adopting measures to guarantee compliance with current legislation, training, motivation and awareness of its employees, regular audits and stimulation of dialogue with the public at large on environmental issues.
- At present, the most significant environmental issues for IBERIA focus on reducing greenhouse gas emissions and aspects affecting built-up areas near airports. Considerable efforts are also being made to minimise the noise impact of aircraft and ensure that waste management is optimised and water and energy consumption are reduced in ground operations.
- With a view to securing correct application of the principle of precaution, IBERIA has Environmental Management Systems ISO 14001 in the areas with greatest environmental impact. There are also internal environmental control systems in other areas, such that all activities and personnel of the company are covered by Environmental Management Systems.

IBERIA also has an active participation in different working groups to manage and reduce the impact of its operations and the risks deriving therefrom:

IBERIA's participation in working groups

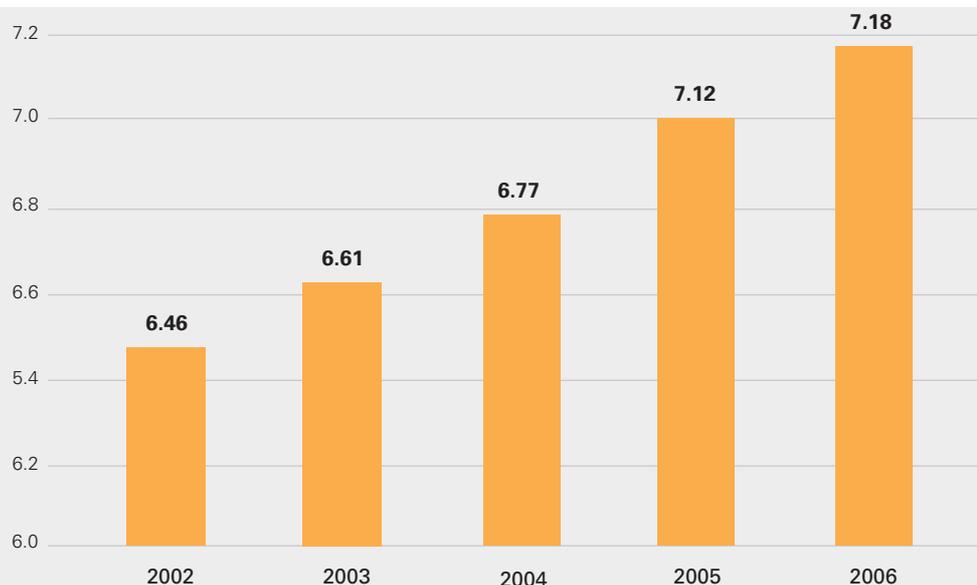
ICAO	CAEP (Working group for environmental protection)
IATA	ENCOM (Environment Committee)
AEA	IEC (Infrastructure and Environment Committee).
Ministry of Development (Directorate General for Civil Engineering) and Ministry of the Environment (Spanish Office of Climate Change)	Working group for reduction of aviation emissions in.

5.1.2 Environmental Behaviour Index (EBI)

IBERIA monitored the Environmental Behaviour Index (EBI) during 2006. This index covers several highly representative aspects deriving from the company's activities, including the impacts of both flight and ground operations to make a global assessment. The assessment ranges from 0 to 10, in order of importance.

Environmental behaviour index (2002-2006)

The EBI has improved over 2005, mainly thanks to the improved specific consumption of aircraft and the ground operation indicators (consumption and waste).



Covers more than 30 indicators

for example:

- Specific consumption
- Relative NOx emissions per flight
- Average age of fleet
- Generation of urban & hazardous waste
- Consumption of water, paper, gasoil, natural gas or electricity

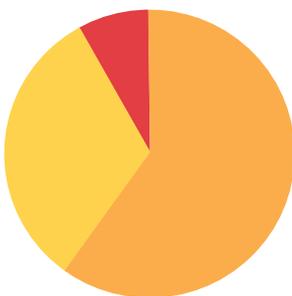


Updated regularly and published through several communication channels for IBERIA's environmental management:

- Intranet
- Internet

The Environmental Behaviour Index (EBI) is created on the basis of data from more than 30 indicators of results in global environmental management. Some of the indicators included in ground operations are the generation of urban and hazardous waste and the consumption of resources such as water, paper, gasoil, natural gas or electricity.

Distribution in IBERIA of the ratio of internal environmental audits to the total audits in 2006



- Handling
- Aircraft maintenance
- Cargo

Los gastos en materia ambiental han aumentado un 25% respecto a 2005 y, tomando como referencia el año 2003, prácticamente se han duplicado.

5.1.3 Environmental management control (training, awareness and environmental audits)

In the area of environmental training, courses are continually run to inform on the different internal environmental procedures established within the company, in both handling and aircraft maintenance, and internal and external workshops are organised to study and subsequently apply in IBERIA any new requirements in this area.

Moreover, in 2006 some 30 internal auditors of the company received a total of 60 hours environmental training, examining the principal new legislation and any environmental aspects that require greater attention during these checks. The 35 environmental officers from the handling area nationwide attended a total of 280 hours' training in 2006 on new aspects in the ISO 14001 Environmental Management System.

As in previous years, internal audits have been made to check adequate environmental management in the areas of IBERIA with significant environmental aspects. These audits were made in the areas of Handling, Aircraft Maintenance and Cargo. A total of 49 internal audits were made during the year, representing 108 days/auditor.

In addition, to check IBERIA's environmental management through an external agency, the sites with ISO 14001 certificates for Environmental Management Systems were audited in 2006. These external audits were made in the areas of handling and aircraft management, representing a total of 62 days/auditor.

IBERIA's Annual Audit Plan indicates the sites requiring audit and the most important environmental aspects that the audits will focus on. Any non-conformities detected are resolved in the shortest possible time through the corresponding Action Plans.

5.1.4 Environmental accounting

The expenses contemplated as environmental include all those relating to waste management, emissions and effluent (in the item environmental repairs and conservations), certificates and environmental measurements, environmental consultants and audits, costs of analysis, rates, dues, royalties and others.

Environmental expenses 2006 (Thous. euro)

Environmental Repair & Upkeep	1,675.71
Technical services	919.28
Sponsorship & publications	2.06
Personnel expenses*	992.70
Environmental taxes & duties	335.80
TOTAL	3,925.55

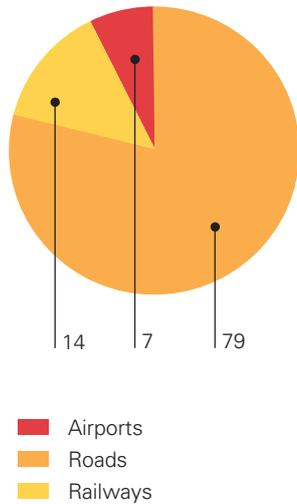
* Associated with personnel-related tasks

5.2 Environmental commitments

Environment-related goals and specific measures

Goals	Activities
General aspects	
IBERIA's environmental behaviour	Incorporation of improvements in IBERIA's Environmental Behaviour Index (EBI).
Flight operations	
Reduction of greenhouse gas emissions	<p>Continuous application of fleet renewal plans (MD87/88).</p> <p>Participation in ICAO, IATA & AEA working groups on the future European directive on the inclusion of aviation in the emission trading scheme.</p> <p>Adoption of ICAO and IATA recommendations on this matter.</p> <p>Raising number of hours of training in simulators instead of real flight hours.</p> <p>Change of cruising speed in A340-300 aircraft.</p> <p>Application of new policy of choosing the alternative airports closest to the destination airport in flight plan.</p> <p>In pursuance of ACJ JAR OPS 1295 and whenever there is an alternative airport on route, the contingency fuel loaded is reduced.</p> <p>Reduction of drinking water carried by 75%.</p>
Reduction of impact on local air quality in airport areas	<p>Continuous application of fleet renewal plans (MD87/88).</p> <p>Adoption of ICAO and IATA recommendations on this matter.</p>
Reduction of noise impact of operations	<p>Continuous application of fleet renewal plans (MD87/88).</p> <p>Cooperation with local authorities of airports to define and monitor new anti-noise operating procedures, especially with the new layout of runways at Madrid (Barajas) airport.</p>
Research & development of intermodal solutions with rail transport	Promotion of intermodal transport AVE (high-speed train)-Plane at the major airports and underground-airport in travel to airports.
Ground operations	
Improvement of environmental communication	Design of a new environmental communication plan in production centres (posters designed by employees).
Promotion of R+D+I to progress towards cleaner ground vehicle park	Development of an airport handling vehicle powered by fuel cells.
Implementation of Environmental Management Systems in different areas	<p>Extension of scope of the standard UNE-EN ISO 14001:2001 in the Maintenance & Engineering Department from Industrial Area 2 to Industrial Area 1.</p> <p>Development of "Biosanitary waste management in medical service" procedure in Industrial Area 1.</p>
ISO environmental objectives for Airports, Aircraft Maintenance and Infrastructure	Development of ISO environmental objectives in the areas Airports, Aircraft Maintenance and Infrastructure.

Population affected by noise of transport



Source: ATAG

5.3 Noise control in operations

Noise is one of the environmental impacts generated by the aviation industry. Noise limits applicable to commercial aircraft were defined for the first time by the ICAO in Annex 16 of the International Civil Aviation Convention. These limits were first introduced in 1969.

Aviation is responsible for 7% of the noise produced by the different forms of transport affecting the population.

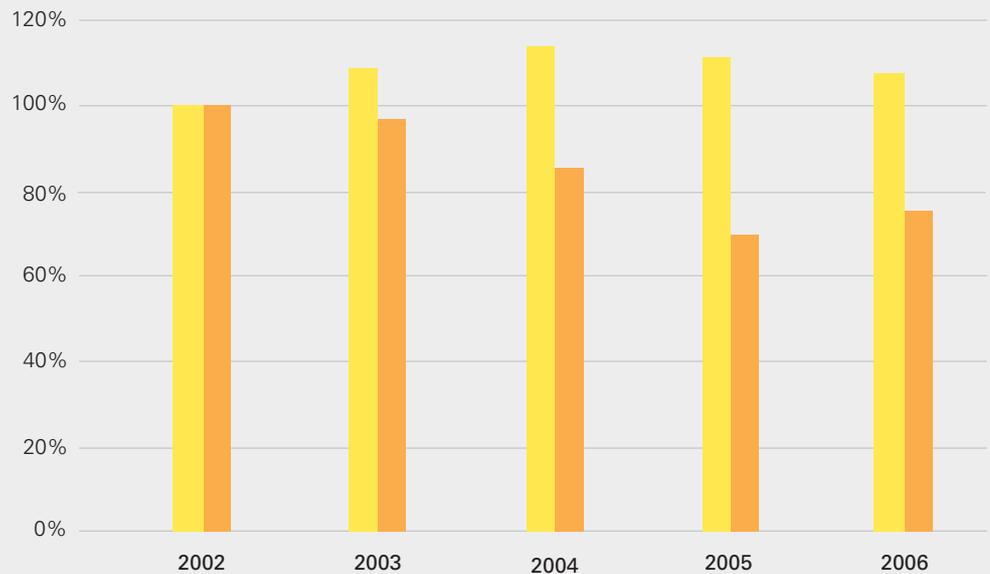
IBERIA follows the different noise reduction procedures established by the competent authorities at each of the airports at which it operates. At the Madrid and Barcelona airports, in accordance with the recommendations established by the Directorate General for Civil Aviation (DGAC), IBERIA applied for and obtained in 2006 Precision Area Navigation (PRNAV) operating approval for its fleet that is not to be withdrawn in the short and medium term. The new manoeuvre called PRNAV consists of applying new air navigation operating procedures enabling aircraft to take more precise routes, thereby reducing noise pollution.

One way of measuring the noise emitted in the area around an airport is to use the Noise Quota (NQ), based on the level of noise certified for each of the aircraft. This method is currently used at the Madrid-Barajas airport. There is a classification of different NQ for different levels of decibels, ranging from 0 to 16 (the closer to 0 the lower the noise level). IBERIA's NQ (applicable to takeoffs and landings at Madrid-Barajas airport) was slightly higher in 2006, due to a larger proportion of takeoffs and landings of A340 aircraft (which have a higher NQ than short and medium-haul fleets). However, since the number of movements at Madrid-Barajas airport was smaller than in 2005, the noise exposure time was reduced.

Noise quota at Madrid-Barajas airport (2002-2006)

- Number of takeoffs and landings
- IBERIA's NQ

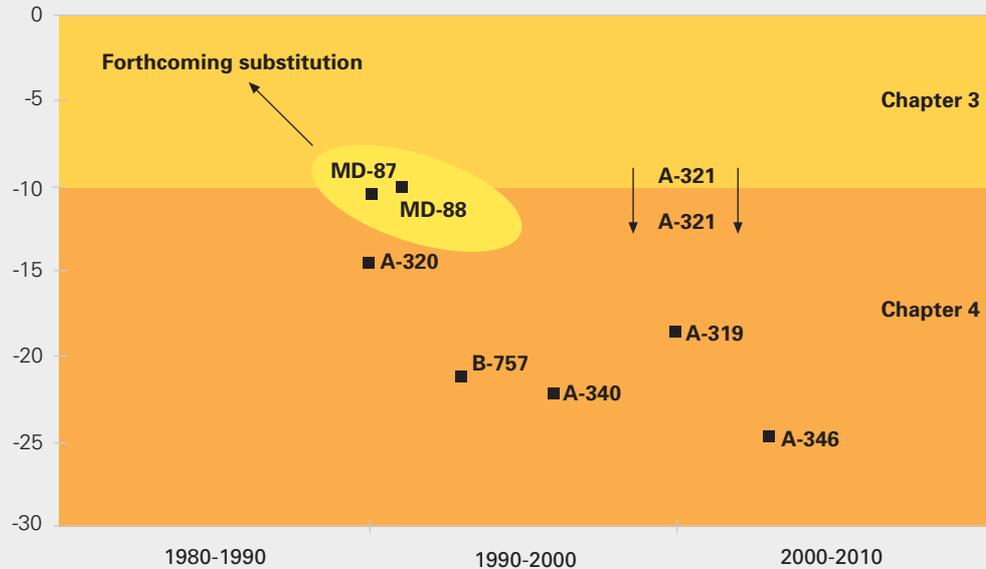
IBERIA's NQ (applicable to takeoffs and landings at Madrid-Barajas airport) has improved by 28% since 2002. This graph also shows the gradual reduction since 2004 of the number of takeoffs and landings, reflecting the reduction in noise exposure time of the surrounding area.



A decision published by the Directorate General of Civil Aviation in September 2006 introduces operating constraints at Madrid-Barajas Airport, following the "balanced focus" procedure established in said legal provision. IBERIA complies with the constraints imposed by that decision, since none of the aircraft operated by the company conforms only marginally.

Cumulative margin over chapter 3 annex 16 ICAO (EPNdb) vs Year included in IBERIA fleet

Practically all the aircraft in IBERIA's fleet comply with the ICAO (International Civil Aviation Organisation) Chapter 4 noise standards. ICAO Chapter 4 regulates commercial aviation noise levels. The percentage compliance is 89.3%, although 100% comply with the applicable standards. The only fleet that does not comply with the Chapter 4 margins (A321) does comply with the legislation applicable to it, since it was certified under Chapter 3. Moreover, the new A321 aircraft put into operation in 2006 do comply with Chapter 4 and the MD fleet, which is borderline between Chapters 3 and 4, is being withdrawn from operation, hence IBERIA's average noise level in decibels will be significantly reduced.



5.4 Climate change

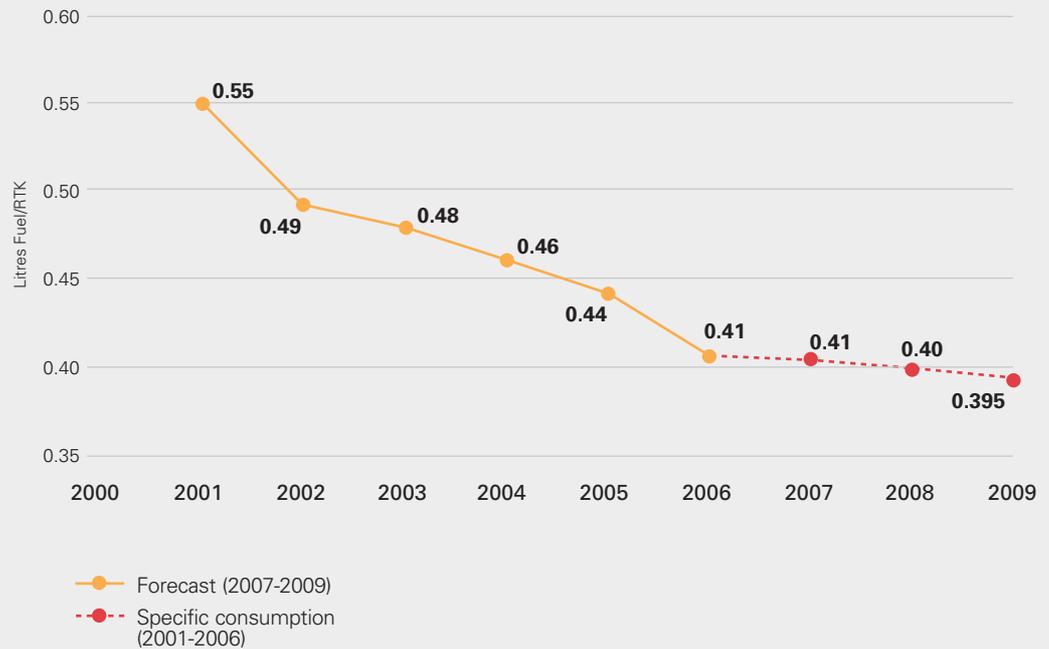
5.4.1 Emissions and energy efficiency

Aviation contributes to climate change through CO₂ emissions, which account for around 3.5% of the total CO₂ emitted into the air according to the Intergovernmental Panel on Climate Change (IPCC). The generation of these emissions is directly proportionate to fuel consumption.

This indicator is a quantitative indication of the degree of environmental impact management in flight operations.

Specific consumption (2001-2009) IBERIA passenger fleet

The specific consumption, i.e. the consumption of fuel in accordance with the total revenue/tonne/kilometer (RTK) carried, improved in 2006, down 7.9% on 2005, from 0.442 l/RTK to 0.407 l/RTK. As shown in the graph, IBERIA has gradually lowered its specific consumption and it is now 26% lower than in 2001. IBERIA does not publish its cargo specific consumption because it is one of the elements included in the total fleet RKT. In 2006 IBERIA carried 208,762 tonnes of cargo. Moreover, the company does not have a specific fleet for cargo.



The emissions produced by flight operations account for more than 98% of all the company's CO₂ emissions, so any improvement in the management of this aspect in flight operations will produce an overall improvement in CO₂ management.

5.4.2 Measures to reduce emissions

Four principal measures have been taken to reduce emissions:

i. Fleet renewal, as a technological measure to reduce emissions

IBERIA constantly invests in the most modern aircraft available on the market. It currently has one of the most modern fleet compositions in the sector. The following table shows some of the benefits of fleet renewal:

Fleet renewal

Contribution to Sustainability

Economic dimension	<ul style="list-style-type: none"> • Reduction of fuel costs. • Reduction of maintenance costs. • Increase in fleet productivity.
Social dimension	<ul style="list-style-type: none"> • Reduction of noise levels in areas near to airports.
Environmental dimension	<ul style="list-style-type: none"> • Reduction of local gas emissions (HC, CO and NO_x). • Reduction of CO₂ emissions.

Improvement of customer service

Greater passenger comfort

The different efforts made in this respect are reflected in the average age of the fleet:

Average age of IBERIA fleet

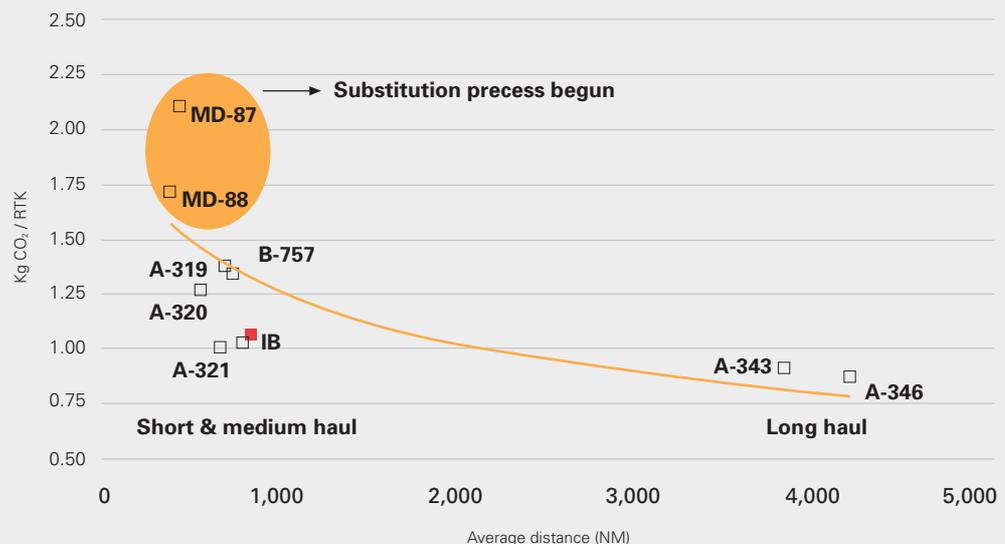
	Year	Fleet	Average age
	2001	144	7.40
	2002	147	7.30
	2003	149	7.86
	2004	154	7.70
	2005	153	7.95
	2006	150	7.92
Estimated	2007	135	7.50
Estimated	2008	129	7.20

The average age of the IBERIA fleet in 2006 is 7.92 years, which is lower than in 2005. In 2007 this figure will most certainly be reduced again due to the scheduled retirement of the oldest aircraft of the company (MD 87 & MD 88), which are to be substituted over the coming 3 years with A-320 aircraft. Hence the estimated future reduction.

The average age of a traditional network company is of the order of 10-12 years (source: IATA), so 7.92 is a considerable improvement on this. Moreover, around 30% of the fleet has an average age of less than 4 years.

Specific CO₂ emissions by average distance covered (IBERIA fleet 2006)

The MD-87 and MD-88 aircraft (which are above the IBERIA average) are to be replaced with A320 aircraft over the next 3 years.



ii. Operating measures, including:

- Lowering of cruising speed in A340-300.
- Optimisation of flight levels.
- New policy of choosing alternative airports closest to the destination airports in the flight plan.
- The contingency fuel to be loaded is set at 3% of the flight fuel for all legs whenever there is an alternative airport on route.
- 75% reduction of drinking water carried.

iii. Participation in different programmes such as SESAR:

The purpose of the consortium *Single European Sky ATM Research*, SESAR, is to establish different targets to define the future European air traffic management system, which will lead to fuel savings of between 6% and 12%, thanks to the enhanced efficiency on routes and cut in flying times.

iv. **Business management:**

IBERIA improves its energy efficiency and reduces CO₂ emissions through its flight scheduling, assigning specific fleets for different routes and its load factor. It is also constantly lengthening its average route, which enhances fuel consumption efficiency.

Another type of measures applied include fleet densification and increase in the number of pilot training hours in a flight simulator. In the latter respect, not only do simulator hours account for 99% of pilot training flights, but moreover, the proportion of instruction flights has been halved since 2005, with the consequent fuel saving.

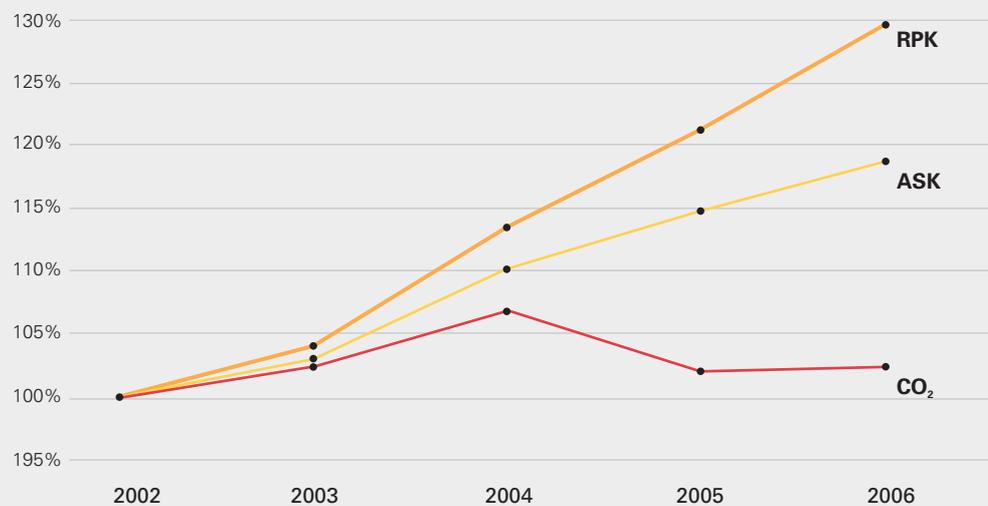
Through all these measures, IBERIA is achieving an efficient management of capacity while controlling the environmental impact of its operations, with the following results:

Evolution of ASK, RPK and CO₂ over the period 2002-2006

(Base year 2002, 100%)

Capacity has increased significantly year on year over the past 5 years, while CO₂ levels have remained more or less constant.

This improvement is not only reflected in the specific consumption, but also in the smaller impact produced by total CO₂ emissions, indicating a good environmental management in this aspect (CO₂ emissions in 2006 were 4% smaller than in 2004, despite the increase in capacity).



5.4.3 Inclusion of aviation in the European emissions trading scheme

In recent years the society has been demanding effective solutions to its mobility requirements, which are essential for any economic and social development. Aviation plays a fundamental role in meeting these needs and has become a key instrument for achieving the aforesaid development.

Although aviation makes a limited contribution to greenhouse gas emissions, IBERIA adopted measures in 2006 to reduce its CO₂ emissions, considered responsible to a greater or lesser degree for climate change. It should be borne in mind that no viable alternative technology have been found for the short and medium term to replace the aviation fuel used at present. So far this issue has been researched in several different studies, but no definitive results have been obtained.

Although these measures are effective, improvements must be made in airport installations and air traffic control to avoid unnecessarily waiting in flight or on ground, or the use of inefficient air routes. In this regard, the Single European Sky Initiative is vital and must be promoted tirelessly by the authorities.

In December 2006, the European Commission approved a proposal for a directive to include aviation activities in the scheme for greenhouse gas emission allowance trading within the Community. In keeping with the stand adopted by ICAO, IBERIA considers that emissions trading

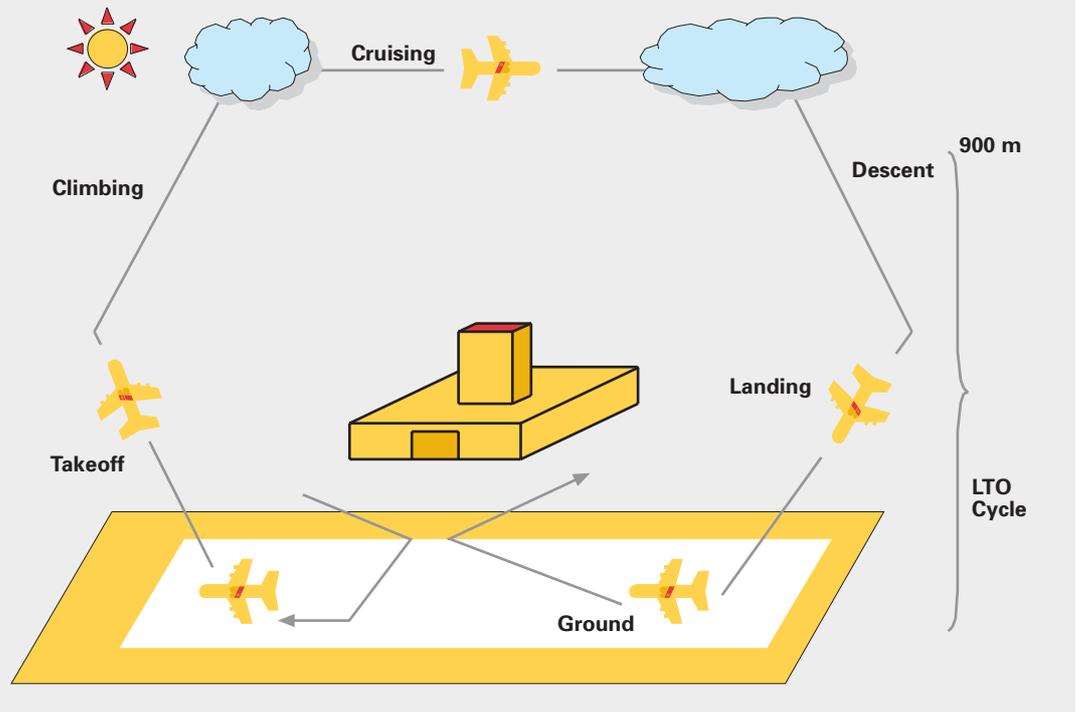
applied worldwide could be a valid instrument for reducing CO₂ emissions. However, if it is applied only in Europe, the legislation eventually passed to regulate it should guarantee reduction limits similar to those applied in other sectors, equal conditions for the different business models, recognition of the special situation of ultra-peripheral territories and a rigorous economic analysis of the effects that its implementation would produce, both in the aviation sector and its consequences in other areas, social and economic, particularly on tourism and the competitiveness of European companies.

5.5 Local air quality: emissions in LTO cycle

LTO-cycle emissions are those produced during the take-off and landing cycle (takeoff, climbing, approach and taxiing). During 2006, local gas emissions were reduced by 6.5% on average, through fleet renewal, different operating measures and reduction of the number of takeoffs and landings.

Quantifying landing and takeoff cycle emissions is important for determining the emission of pollutants in the surrounding areas of airports, which directly affects the quality of local air. The main pollutants emitted during this phase are unburned hydrocarbons (UHC), carbon monoxide (CO) and nitrogen oxides (NO_x).

LTO cycle of an air route

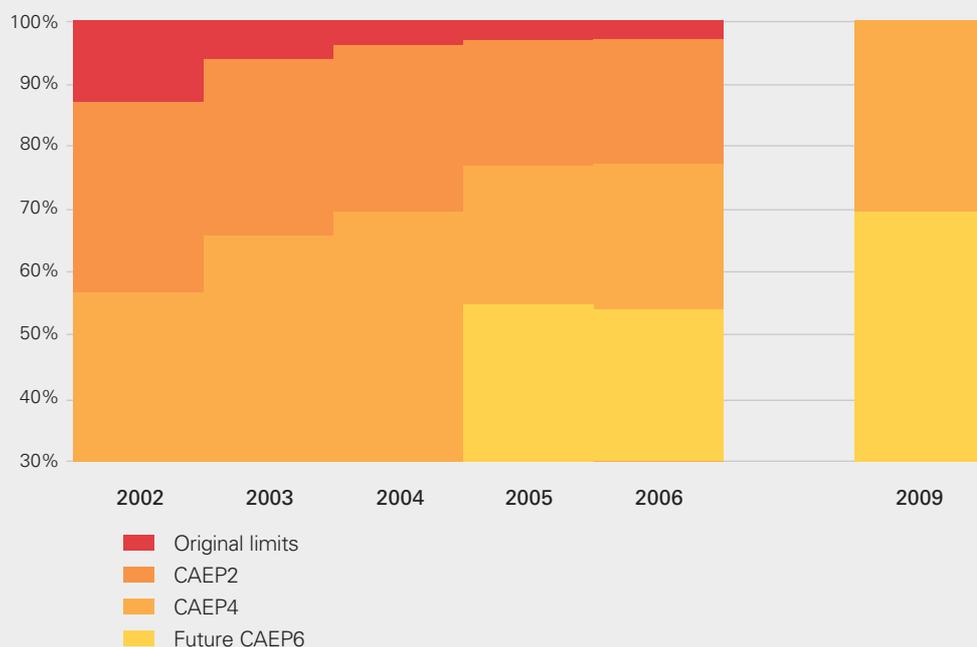


Over the past 40 years, local emissions have been reduced by around 90% in the case of UHC and 70% in CO, through technological developments applied to the engines. However, this improvement has been less spectacular in the case of NO_x because the technology capable of achieving drastic reductions in NO_x produce greater levels of CO₂ emissions and vice versa. Consequently, the industry is forced to seek alternatives to maintain a balance between the CO₂ and NO_x rates.

The last review of the ICAO CAEP/6 limits NO_x emissions to 12% for engines certified on or after 1 January 2006. If these regulations were applicable at present to our fleet, more than 77% of the fleet would meet the requirements.

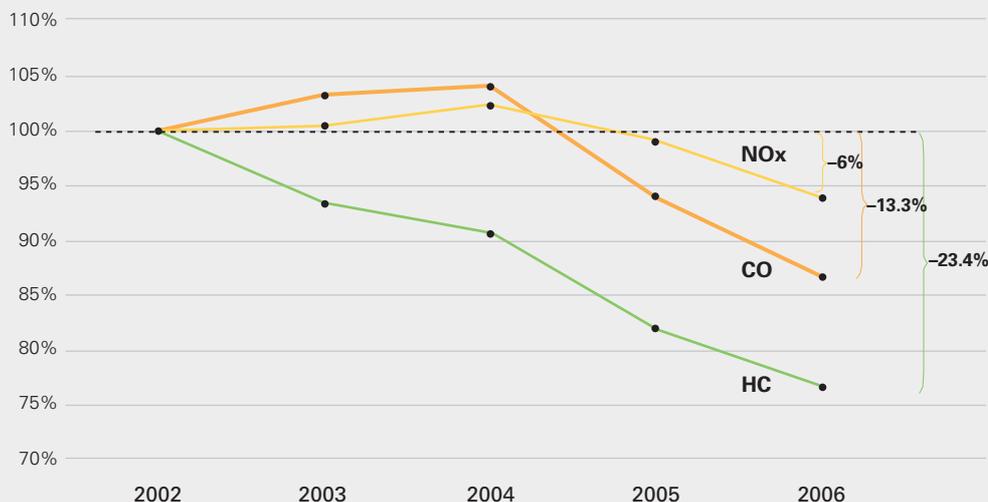
% of IBERIA fleet meeting the ICAO NOx standards
(2002-2006, 2009 estimated)

The IBERIA fleet has made considerable progress over the past 5 years regarding compliance with different international standards limiting NOx emissions as imposed by ICAO. The entire IBERIA fleet complies with the applicable standards in this regard, and the revised standards of CAEP 2, 4 and 6 do not affect the company, although it complies and will comply with them to a large extent in forthcoming years thanks to the plan in place for substituting MD87/88 aircraft.



Total UHC, CO and NOx emissions in LTO cycles have been reduced considerably in recent years, as shown in the following graph:

Evolution of UHC, CO and NOx emitted by IBERIA
(2002-2006, base 100%)



Madrid-Barajas Airport accounts for 37% of all the NOx emitted by IBERIA. However, although the number of cycles at Barajas has increased by 5.3% since 2002, the NOx emitted has been reduced by 3.7%.

5.6 Consumption of resources

By optimising its use of raw materials and energy, IBERIA has managed to reduce their polluting effects, especially in aircraft and engine maintenance, handling and cargo.

Through technological innovation and adequate technical maintenance of power-generating installations in IBERIA, their performance has been optimised, leading to a significant reduction of greenhouse gas emissions.

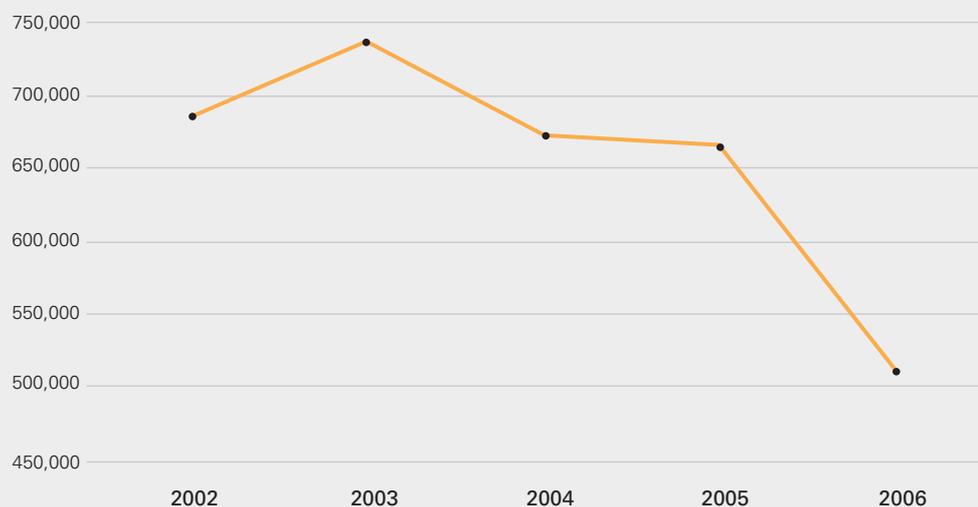
These emission levels are regularly checked by an independent certified firm. The ISO Quality and Environment Management Systems installed in industrial areas also include the necessary procedures to monitor and control these maintenance activities.

Consumption of energy resources in 2006 in the IBERIA industrial areas in Madrid

Natural gas (MWh)	144,358
Diesel (litres)	244,900,000
Electricity (MWh)	68,661

Total water consumption 2002-2006 (m³)

IBERIA has reduced its water consumption by 25% since 2005.

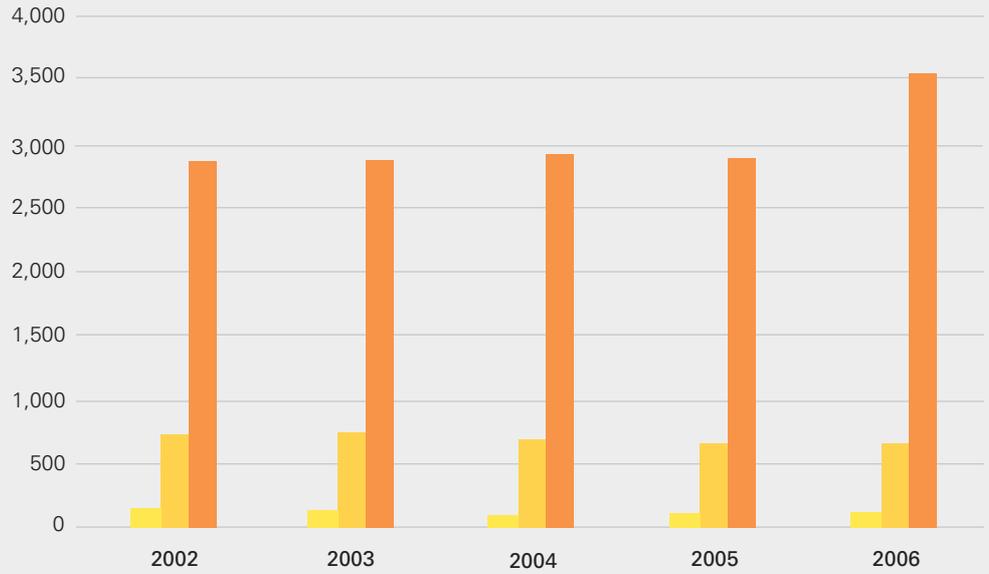


Practically half the energy generated in the cogeneration plants is consumed in the company's own activities, which produces economic savings and at the same time its emissions are controlled through the emission allowance allocated under the National Emissions Allowance Allocation Plan.

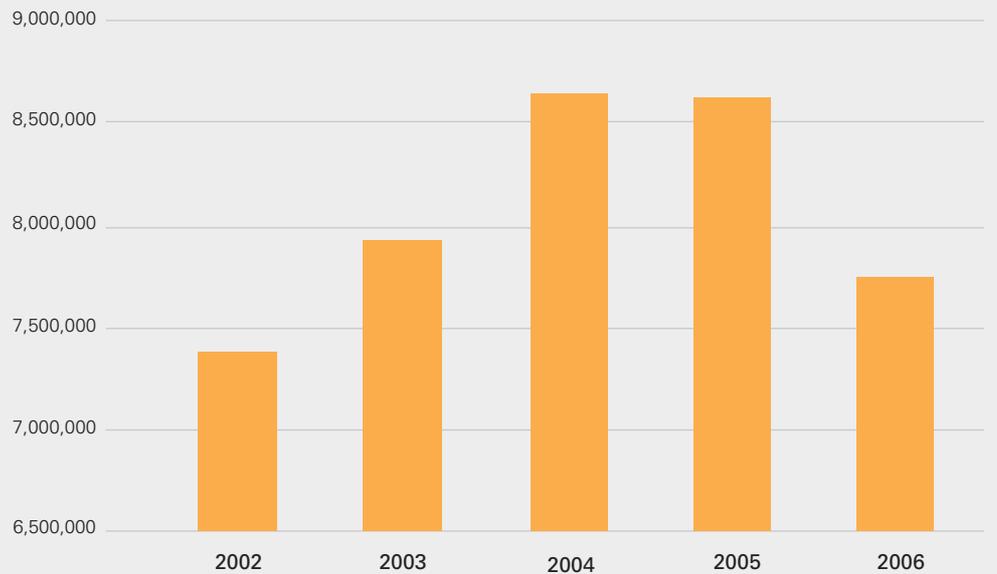
The consumption and emissions of IBERIA vehicles in airport and cargo areas are directly related with their age and preventive maintenance. The average age of these vehicles is reduced from year to year.

Composition of IBERIA vehicle fleet
(airports and cargo)

■ Petrol
■ Electric
■ Diesel



Consumption of diesel (litres) by IBERIA ground vehicles
(airports and cargo 2002-2006)



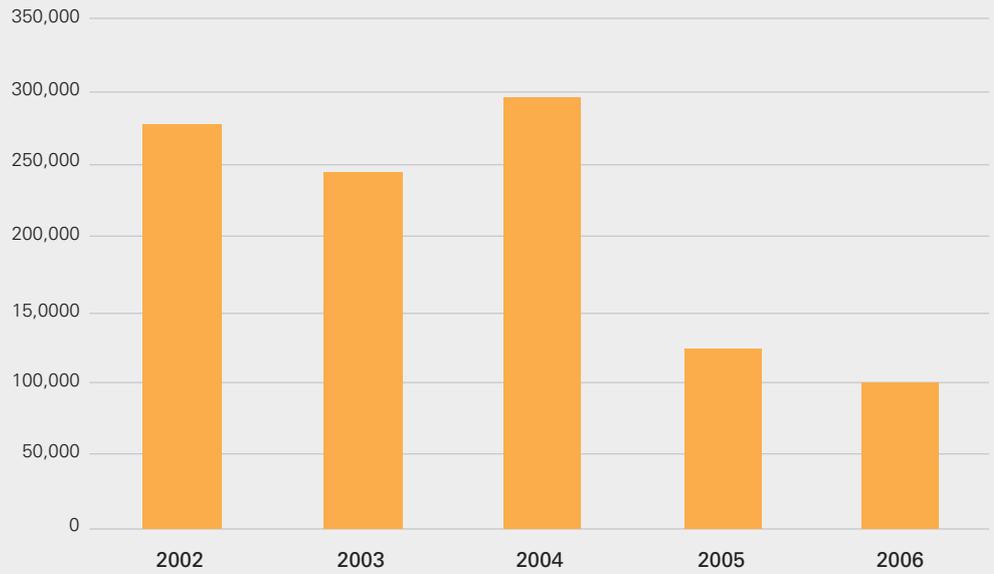
The increase in diesel vehicles contrasts with the reduction in fuel consumption, owing to the fact that many of these new vehicles were only put into operation towards the end of the year.

IBERIA works closely with natural gas-powered vehicle manufacturers with a view to possibly including them in the IBERIA fleet in the future, which will reduce even further the consumption of other fossil fuels that are less respectful of the environment.

IBERIA requires a wide variety of raw materials for its aircraft and engine maintenance activities. The following aspects can be highlighted in the handling of products containing volatile organic compounds (VOC):

- The IBERIA installations at which this activity is performed are designed to limit the outlet of these compounds into the environment (for example, the new automatic electrolytic bath line).
- The company has continued using products with low VOC concentrations in 2006.
- An up-to-date inventory has been drawn up, indicating the hazard levels of each product.

Evolution of the quantity of products consumed that contain VOCs (litres)
(2002-2006)



5.7 Waste management

Total paper consumption has been reduced by just over 15% over the period 2004-2006.

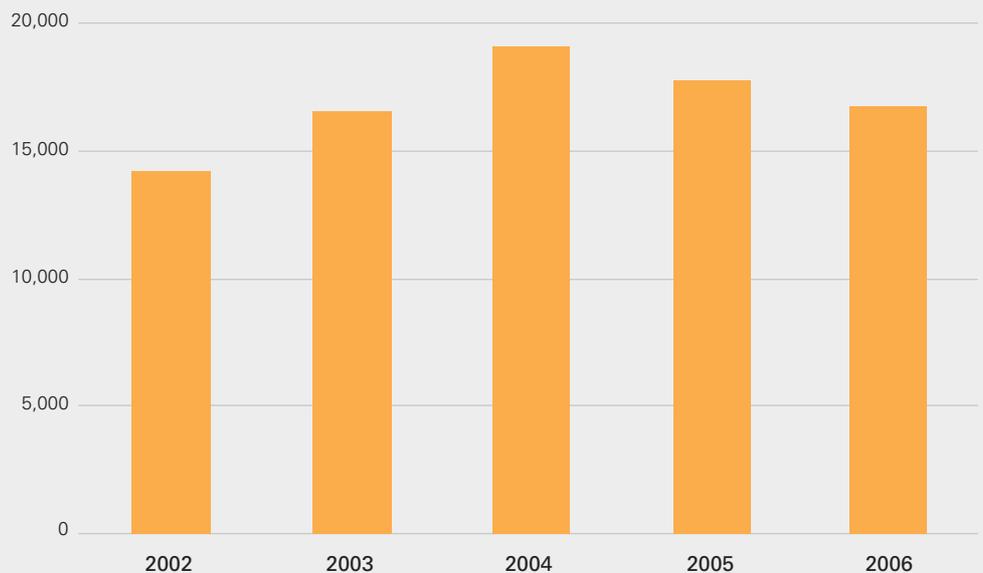
One of the measures implemented in respect of paper management in 2006 was to enable flight attendants to consult their pay slips through the IBERIA Persons portal, eliminating printed pay slips.

The bulk of the waste from IBERIA operations are generated in aircraft maintenance and ground equipment maintenance. It is hazardous waste and non-hazardous waste requiring adequate management to minimise its impact on the environment.

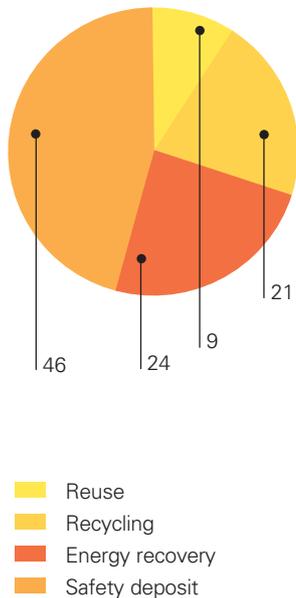
The objectives pursued in waste management are:

- Reduce generation.
- Optimise separation.
- Maximise reuse and recycling.
- Reduce hazard levels.
- Establish continuous improvement programmes.
- Reduce risks of environmental damage caused by storage, transport, treatment and ultimate disposal of the waste.

Generation of hazardous waste (Tonnes)
(2002-2006)



Final destination of hazardous waste generated in IBERIA industrial areas in 2006



The figures published by IBERIA on hazardous waste include industrial washing waters, which account for over 90% of the hazardous waste generated in IBERIA.

A number of measures have been implemented during 2006 to minimise the quantities of hazardous waste generated in handling. These measures include: replacement of hazardous products with non-hazardous products, lengthening the useful life of the oils used, establishing specific guidelines for washing vehicles in order to reduce the sludge produced in cleaning, and the use of sepiolites with greater absorption capacity.

5.8 Environment and biodiversity

Conservation of the natural environment and biological diversity and their connection with socioeconomic development is undoubtedly an issue of growing social interest. IBERIA shares this interest, including initiatives seeking protection and conservation of the environment and biodiversity within its strategy, as one of the principal challenges of sustainable development.

IBERIA has always promoted use of the airline's different means to distribute messages of environmental commitment. During 2006, in cooperation with the Biodiversity Foundation and the Environmental Ministry, it developed a number of graphic designs for a Sustainable Tourism campaign, placing these designs on all its aircraft and on all routes.

During the summer months, travellers have found brochures on each IBERIA aircraft containing ten tips and good practices to take into account on any trip:



Fundación Biodiversidad

- 1- When planning your trip, choose suppliers that offer guarantees of quality and respect of human rights and the environment.
- 2- Use natural resources, such as water and energy, in moderation. Remember they are scarce resources.
- 3- Try to minimise waste generation. It is a source of pollution.
- 4- When you have to throw something away, do so in the cleanest way possible at your place of destination.
- 5- When visiting a natural space, try to ensure that all you leave behind are your footprints.
- 6- If you visit sensitive ecosystems, such as coral reefs or jungles, find out in advance how to go about it in order to cause the least possible impact and not damage them.
- 7- When buying gifts and souvenirs, look for products corresponding to the local culture. Favour the economy of the villages you visit and cultural diversity.
- 8- Do not purchase flora and fauna protected by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES), or any products manufactured from those species. It is a criminal offence and contributes to their extinction.
- 9- At your destination get to know the culture, customs, gastronomy and traditions of the local populations. Respect them and approach them, they have a lot to tell you.
- 10- Try to contribute with your presence to the development of responsible, sustainable tourism, building with your trip a healthier planet with more solidarity.

By following these ten recommendations, tourists will help preserve the biological wealth of the Earth and improve the development opportunities of many people.



IBERIA is also determined to minimise the harmful effects on the environment caused by aviation, for example, within its fleet renewal plan, it is replacing about a hundred aircraft for new ones. This is the case of the MD aircraft, which will be retired from use next year. 2006 marked the creation of "ecological christenings", by virtue of which the new aircraft to be put into operation during 2007 and 2008 will bear the names of some of the Spanish protected animal species in danger of extinction on the fuselage. The first of the new Airbus A321 purchased by the company was named the "Spanish Imperial Eagle". *The purpose of this campaign is to inform on the rich biodiversity existing in Spain, the largest in Europe, and the threats hanging over some of the most emblematic species, some of them unique in the world, to make the society aware of the importance of protecting and preserving them.*

In addition, each aircraft will be launched by someone distinguished for his/her support for nature and defence of the environment. This first christening was made by Joaquín Araujo, National Environment Prize-winner and UN Global 500 Prize-winner. In the same line of information, the company will insert in the pocket of each seat on its christened aircraft an information sheet prepared by the naturalist who christened it, describing the characteristics of each species. Information will be included in the airline's flight magazines Ronda, Excelente and the daily newspaper Universal, distributed among approx. 2.3 million passengers-readers a month, and an informative video will be produced for each species and shown in flight during the next few years.



5.9 The new Terminal 4 at Madrid-Barajas Airport: an infraestructura committed to the environment

The new Terminal T4 at Madrid-Barajas Airport was opened on 5 February. After 72 years operating at terminals 1, 2 and 3, IBERIA now concentrates all its flights at a single terminal, enabling it to offer its customers better services and facilitate connections between different flights. The new installations are ultramodern, spacious and light. With a total area of almost 760,000 square metres, distributed between two buildings, the main building (T4) and the satellite (T4S), the design of the new terminal is sensitive to problems such as climate change and environmental impact. This new terminal will foreseeably link up to the city centre in 2007 by means of the underground line currently connecting the other terminals of Barajas airport to the centre of Madrid. With the extension of the underground to T4, a large number of travellers who currently go to the airport in private transport will change to a more efficient public transport, i.e. the underground.

The new Terminal 4 at Madrid-Barajas Airport: an infrastruttura committed to the environment



Bamboo: Used to line the false ceiling of Terminal 4 (212,00 m²). This bamboo, grown expressly for this building, is used for ecological reasons, being a very fast-growing (13 cm/day) tropical plant, which justifies the use of wood over such a large area. It should be noted that the bamboo is obtained from sustainable farming.



Four new runways: The new T4 has considerably extended the flight field, meaning there are more slots for airlines to establish new services with greater operating regularity. As from 5 February 2005, the Madrid airport has 4 parallel, two-by-two, operating runways, enabling the simultaneous takeoff and landing of different aircraft. This enlargement eases congestion of air traffic, which in turn brings fuel savings, since the waiting time for landing and takeoff of aircraft is considerably reduced.



Light: Natural light is predominant, with the consequent energy saving, thanks to the use of light shafts in the ceiling and the use of transparent elements such as panoramic lifts, glass floors between the bridges joining the check-in area to the boarding area, or the glass walls of the building. Similarly, the design of its structures favours the absence of noise pollution, so user comfort is enhanced.



Automatic baggage treatment system (SATE): Able to process 16,500 bags/hour, with 92 km of conveyor belts, thus avoiding the use of baggage transport vehicles and the corresponding emissions deriving from the use of fuel.



The carpark: The Terminal 4 carpark has been developed with the largest ecological roof in Europe. It is a 56,000 m² structure, which, apart from its aesthetic properties, provides heat insulation with the consequent energy saving. Sound insulation is also achieved, since the plants block the passage of vibrations and noise. Highly resistant plant varieties are used for this purpose, requiring little water and permitting beneficial effects by harnessing water and keeping maintenance to a minimum.



Automatic Intra-Terminal Passenger Transport System: The connection between the T4 building and the satellite T4S is not on the surface. A 2,874 metre tunnel has been built to link them, running below the aircraft parking platforms and crossing the entire flight field. This tunnel contains the Intra-Terminal Passenger Transport System. This efficiently designed train moves between the two terminal buildings at a speed of up to 60 km/h and can carry up to 13,000 passengers in an hour, thus avoiding the use of passenger buses, with the consequent saving on CO₂ emissions.

T4

Floor: Unlike other airports, where the floors are granite or marble, at T4 a Spanish limestone flooring has been used, reinforcing the light effect with the consequent energy saving.



Annexes

6.1 Index of contents and indicators according to Global Reporting Initiative version 3.0

6.1.1 Contents

This section sets out the references of the contents required by the new Global Reporting Initiative guidelines, version 3.0, for the Corporate Responsibility Report. The contents are set out in relation to the contents specifically contemplated by the DJSI.

STRATEGY AND ANALYSIS

GRI Section	Contents	Location in Report or explanation (Page)	DJSI
1.1	Chairman's statement	2–5	NO
1.2	Description of principal impacts, risks and opportunities	212–214, 216–219	NO

PROFILE OF THE ORGANISATION

GRI Section	Contents	Location in Report or explanation (Page)	DJSI
2.1	Name of reporting organisation	210	NO
2.2	Principal goods and/or services	212	NO
2.3	Operational structure of organisation	82–83	NO
2.4	Location of headquarters of organisation	2–5, 263	NO
2.5	Countries in which the organisation operates	Algeria, Argentina, Austria, Belgium, Brazil, Chile, Colombia, Costa Rica, Cuba, Denmark, Dominican Republic, Ecuador, Equatorial Guinea, Egypt, France, Germany, Greece, Guatemala, Ireland, Israel, Italy, Mexico, Morocco, Netherlands, Nigeria, Panama, Paraguay, Peru, Portugal, Puerto Rico, Russia, Senegal, South Africa, Spain, Sweden, Switzerland, Turkey, UK, Uruguay, USA, Venezuela.	NO
2.6	Nature of ownership and legal form	18	NO
2.7	Markets served	Spain, Europe, America, Africa y Middle East	NO
2.8	Size of reporting organisation	56–212, 266–277	NO
2.9	Significant changes in the organisation	2–5, 270	NO
2.10	Prizes & awards received during the period	221	NO

PARAMETERS OF THE REPORT — PROFILE OF THE REPORT

GRI Section	Contents	Location in Report or explanation (Page)	DJSI
3.1	Period covered by the Report	210	YES
3.2	Date of most recent previous report	210, 269	NO
3.3	Report filing cycle	210, 269	NO
3.4	Contact for issues relating to the report	278	YES

PARAMETERS OF THE REPORT — SCOPE AND COVER OF REPORT

GRI Section	Contents	Location in Report or explanation (Page)	DJSI
3.5	Process of defining contents of the report	210, 269	NO
3.6	Cover of report	210, 269	YES
3.7	Existence of limits on scope or cover of report	210, 269	NO
3.8	Basis for including information in cases of joint businesses, subsidiaries, etc.	The information on indicators of this report belongs to IBERIA L.A.E., although the Annual Report contains a section on the Iberia Group, which sets out consolidated group data	NO
3.9	Techniques for measuring data and bases to make calculations	The indicators are calculated using internationally accepted methods. See page 269	NO
3.10	Possible effect of reformulation of information from earlier reports	There have been no changes of data or methods in respect of last year. See page 269	NO
3.11	Significant changes in calculation of indicators	210, 269	NO

PARAMETERS OF THE REPORT — INDEX OF GRI CONTENTS

GRI Section	Contents	Location in Report or explanation (Page)	DJSI
3.12	Location of basic contents of report	207, 266–277	NO

PARAMETERS OF THE REPORT — VERIFICATION

GRI Section	Contents	Location in Report or explanation (Page)	DJSI
3.13	Current policy & practice on request for external auditing of report	210	NO

GOVERNANCE, COMMITMENTS AND PARTICIPATION OF INTEREST GROUPS

GRI Section	Contents	Location in Report or explanation (Page)	DJSI
4.1	Governance structure of the organisation	82–83	YES
4.2	State whether the chairman of the maximum governing body also holds an executive position	316	YES
4.3	Number of members of maximum governing body who are independent or non-executive	309 and 310	YES
4.4	Mechanisms available for shareholders and employees to submit recommendations or indications to the maximum governing body	There are several ways for shareholders to submit recommendations or consult information (telephone, e-mail, physical office) See page 216	YES
4.5	Relationship between remuneration of members of maximum governing body, senior executives & executives and the performance of the organisation	Relationship between remuneration of members Directors' emoluments have a fixed and a variable component. The concepts comprising the variable remuneration include, among others, attendance of board meetings. The remuneration of top management is linked to the achievement of objectives.	NO
4.6	Procedures for avoiding conflicts of interest in max. governing body	323, 329	NO
4.7	Procedure for determining capacity & experience required of members of maximum governing body to be able to guide strategy in social, environmental & economic aspects	309, 318	NO
4.8	Statements of mission and values developed internally, codes of conduct and significant principles for economic, environmental and social performance	212–214	YES
4.9	Procedures for maximum governing body to supervise identification & management by the organisation of economic, environmental & social performance	305, 309, 318	NO
4.10	Procedures for assessing performance of max. governing body	304	NO
4.11	Description of how the organisation has adopted an approach or principle of precaution	248, 253	NO
4.12	Social, environmental & economic principles or programmes developed externally and any other initiative approved by the organisation	240–246	NO
4.13	Principal associations to which organisation belongs or supports	240–246, 283	NO
4.14	List of interest groups that the organisation has included	216–219	NO
4.15	Basis for identification and selection of interest groups to which the organisation is committed	The company has gradually identified different interest groups since it started up, by developing its operations and direct observation of the interest shown by those groups. See pages 216–219	NO
4.16	Focuses adopted for inclusion of the interest groups	See contents 4.15	YES
4.17	Principal concerns and aspects of interest that have arisen through the participation of interest groups and how the organisation has responded to them when preparing the report	IBERIA considers its interest groups to be a major pillar for development of the company's activity. All information published in this report corresponds to all aspects of interest deriving from the participation of interest groups. See pages 216–219	NO

6.1.2 Indicators

In this section we set out the indicators used by IBERIA according to the *Global Reporting Initiative* guidelines, in its recently published version 3.0, making a number of qualifications:

- a) The G3 indicators are classified into core and additional indicators. The former are those of interest for our organisation and most of the interest groups. The latter represent a prominent, although not widely used, practice in measuring social, economic or environmental aspects, offer significant information for the interested parties and may be changed in the future to core indicators.
- b) New indicators have been included in 2006, while maintaining those included in 2005. The inclusion of new indicators is due, on the one hand, to the availability of greater information and, on the other, to their identification with the new G3, even though they were already included in previous years.
- c) In order to prepare IBERIA's Corporate Responsibility Report in accordance with the standards established in the GRI, all the core indicators must be included, or their omission explained. The core indicators not included in this Report are indicated in each table, stating the reasons for their exclusion.
- d) IBERIA has also included some indicators complementing those listed in the GRI guidelines, version 3, in view of their importance in its activities and compliance with the principle of transparency expressed in said guidelines.
- e) As mentioned earlier, a classification of indicators has been included this year, which shows approximately how they are considered within the criteria for including a company in the Dow Jones Sustainability Index (see last columns of the following tables). This was also done in the 2005 Corporate Responsibility Report. A number of qualifications should be made in this regard:
 - a. As is well-known, the questionnaire, completed in-house or sent to companies, is the main tool for those responsible for the social and environmental analysis required to build up the index considered, the Dow Jones Sustainability Group Index. SAM Group is the agency responsible for making the analysis for Dow Jones.
 - b. The identification made for the indicators, according to their inclusion in those questionnaires, is not univocal, so they are not always defined in the same way. It has in any case been considered interesting to make such classification to identify qualitatively which aspects are considered by this benchmark sustainability index. It should also be mentioned that the criteria established by DJSI require certain specific information not required by G3. This is the case, for example, of the information on strategic planning methods used, which DJSI requires in its questionnaire for inclusion or renewal.
- f) There have been no material changes in respect of previous years regarding either organisation or methods of calculation. Nor has there been any change in the figures published in earlier years. All this guarantees adequate comparison of the 2006 indicators with those of previous years.
- g) The indicators published in this report cover all the areas and activities performed by the company, with no limitation on the scope or cover of the report on this subject.

Indicators not applicable to the Corporate Responsibility Report 2006

INDICATORS NOT INCLUDED

GRI Code	Type of indicator	Name indicator	Reason for exclusion in Corporate Responsibility Report 2006
EN9	Additional	Sources of water that have been materially affected by the harnessing of water	There are no significant impact in IBERIA. The water used by IBERIA is obtained exclusively from the local mains; no wells or own harnessing points are used
EN11	Core	Description of adjacent land or land in protected natural spaces or unprotected areas with a high biodiversity. State location and size of owned, leased or managed land with high value in biodiversity	No significant impact in IBERIA
EN12	Core	Description of most significant impacts on biodiversity in protected natural spaces or unprotected areas with a high biodiversity, deriving from the activities, goods and services in protected areas and areas with a high value in biodiversity	No significant impact in IBERIA
EN13	Additional	Protected or restored habitats	No significant impact in IBERIA
EN15	Additional	Number of species, grouped according to danger of extinction, included on the IUCN Red List and on national lists, whose habitats are in areas affected by operations, according to the degree to which the species is threatened	No significant impact in IBERIA
EN25	Additional	Identification, size, state of protection and value of biodiversity of water resources and related habitats significantly affected by effluent and runoff from the reporting organisation	No significant impact in IBERIA
EN27	Core	Percentage of products sold and their packaging material that are recycled at the end of their useful life, by types of product	IBERIA is a services enterprise and, as such, this indicator is not applicable in respect of the activities performed by IBERIA
HR3	Additional	Total hours training of employees on policies and procedures related with aspects of human rights that are important for its activities, including percentage of employees trained	IBERIA complies with international recommendations, such as the Universal Human Rights Declaration or the ILO conventions on fundamental human rights. IBERIA has no activities in which human rights may be violated
HR6	Additional	Identifying activities with a potential risk of child labour incidents and measures adopted to contribute towards its elimination	IBERIA complies with international recommendations, such as the Universal Human Rights Declaration or the ILO conventions on fundamental human rights. IBERIA has no activities in which human rights may be violated
HR7	Core	Operations in which there is a serious risk of being the source of forced or unconsented labour and the measures adopted to contribute towards its elimination	IBERIA complies with international recommendations, such as the Universal Human Rights Declaration or the ILO conventions on fundamental human rights. IBERIA has no activities in which human rights could be violated. IBERIA signed the UN Global Compact in 2004.
HR8	Additional	Proportion of security staff trained in the organisation's policies or procedures in human rights aspects that are significant for activities	Not significant in respect of the activities performed by IBERIA
HR9	Additional	Total number of incidents connected with violation of natives' rights and measures adopted	No impacts in this sense deriving from IBERIA's activities
SO6	Additional	Total value of financial contributions and contributions in kind made to political parties or related institutions, by countries	IBERIA does not make financial contributions to any political parties in any of the countries in which it operates

Economic indicators

ECONOMIC ASPECTS (GRI 2006 Indicators)

GRI Code	Type of indicator	Name of indicator	Location in Report	2004			2005			2006			Variation 2005-2006 (%)	DJSI 2006
EC1	Core	Direct economic value generated & distributed, including revenues, operating expenses, wages & salaries, donations and other investments in the community, unappropriated earnings and payments to suppliers of capital and governments (operating revenues in million euro)	271	4,805	4,929	5,388						9.3	NO	
EC2	Core	Financial consequences and other risks and opportunities for organisation's activities due to climate change	214, 248	Qualitative & Quantitative									YES	
EC3	Core	Hedging of organisation's obligations due to welfare benefit programmes	271, 272-273	100% (See also indicator LA3)									NO	
EC4	Core	Significant financial aid received from governments	271	0	0	0					0.00	NO		
EC5	Additional	Minimum wage (euro)	271	6,447	7,182	7,572.60					5.44	NO		
		Minimum salary IBERIA (euro)	271	14,331	14,684	13,930.11					-5.13	NO		
		Ratios between standard starting salary and local minimum wage in places where significant operations are performed	271	122.3%	104.4%	84.0%					-19.6	NO		
EC6	Core	Policy, practices & proportion of expense corresponding to local suppliers in places where significant operations are performed	271	Most of Iberia's suppliers are from the Spanish territory (approximately 100% are local suppliers) and in every single contract that is signed, there exist some clauses that comply with the United Nations Global Gompact according to economic, social, environmental and human rights aspects									NO	
EC7	Core	Procedures for local recruitment and proportion of top management recruited from local community in places where significant operations are performed	271	See indicator EC6									NO	
EC8	Core	Development and impact of investments in infrastructures and services provided essentially for public benefit through commercial commitments, pro bond or in kind	240-246	Qualitative									NO	
EC9	Additional	Understanding and description of material indirect economic impacts, including the extent of those impacts	224	Qualitative									NO	
(*)		IRatio of revenues from flights of less than 400 km to total revenues	271	1.93%	1.96%	1.53%					-21.83	YES		
(*)		RTK cargo ⁽¹⁾	271	218,222	209,684	208,762					-0.44	YES		

(*) IBERIA indicators

(1) The RTK produced on cargo carried represented less than 20% of total RTK in 2006

SOCIAL ASPECTS (GRI 2006 indicators)

GRI Code	Type of indicator	Name of indicator	Location in Report		2004			2005			2006			Variation 2005-2006 (%)	DJSI 2006
			Section	Page											
LA1	Core	Workforce												NO	
		Ground	Employees	232		19,695	19,503	19,068	-2.23	NO					
		Flight	Employees	232		6,421	6,247	5,961	-4.58	NO					
		TOTAL workforce	Employees	232		26,116	25,750	25,029	-2.80	NO					
		Average seniority (years)	Employees	232		13.97	14.72	14.29	-2.92	NO					
		Average age of workforce (years)	Employees	272		41.15	41.97	41.90	-0.17	NO					
LA1	Core	Type of contract											NO		
		Number of permanent contracts	Employees	233		19,495	20,651	19,948	-3.40	NO					
		Promotion of non-term contracts	Employees	272		1,727	1,519	1,827	20.28	NO					
		Permanent discontinuous	Employees	233		247	180	175	-2.91	NO					
		Number of temporary contracts	Employees	233		3,208	3,373	3,079	-8.72	NO					
LA2	Core	Total nr. employees & average staff turnover, by age group, sex and region	Employees	233, 272				See indicator LA1				NO			
LA3	Additional	Welfare benefits for full-time workers, not offered to temporary or part-time workers, by principal activity	Employees	272				Temporary employees enjoy many of the welfare benefits to which permanent employees are entitled, including medical assistance, suggestion box prizes, special payslips, meal vouchers and free tickets				NO			
LA4	Core	Percentage union affiliation (%)											YES		
		Ground	Employees	234		67.8	57.48	68.33	18.88	YES					
		Pilots	Employees	234		100	100	100	0	YES					
		Technical crew	Employees	272		100	100	100	0	YES					
		Flight attendants	Employees	234		31.07	31.3	31.51	0.67	YES					
(*)		Sponsorship	Social action	245, 272		7,895,584	6,546,050	6,432,989	-1.73	NO					
(*)		Social action	Social act.	244-245, 272		4,542,316	5,394,480	5,509,834	2.14	NO					
LA5	Core	Minimum notice for organisational changes, even when such notice is specified in collective agreements	Employees	272				Spanish law contemplates cases in which minimum notice is required when the company makes a substantial modification of its employees' working conditions (or in cases of reassignment). None of this has taken place in IBERIA in 2006.				NO			
LA6	Additional	% of total workers represented on mixed management/employee health & safety committees set up to help control and counsel on health & safety at work programmes	Health & safety at work	237-238		100%	100%	100% ((24 health & safety at work committees, with 108 prevention delegates)	0			YES			
LA7	Core	Number of occupational accidents	Health & safety at work	238, 272		2,608	2,724*	2,591	-4.88			NO			
LA8	Core	Education, training, counselling, risk prevention & control programmes applied to employees, their families or members of the community in relation to serious disease	Health & safety at work	237-238, 272		-	481	747	55.30			NO			
LA9	Additional	Health & safety matters covered in formal agreements with unions	Health & safety at work	234, 237-238			Cualitativo					NO			
LA10	Core	Training and furtherance											YES		
		Number of courses	Employees	234		10,659	11,079	10,777	-2.73	YES					
		Number of participants	Employees	234		67,343	80,355	68,625	-14.60	YES					
		Hours * participants	Employees	234		866,754	884,986	641,338	-27.53	YES					
		Work experience programmes											YES		
		Number of graduate scholars	Employees	234		81	50	87	74.00	YES					
		Work experience contracts	Employees	234		61	69	31	-55.07	YES					
LA11	Additional	Continuous training and skill management programmes furthering workers' employability and backing them in the management of the end of their professional careers	Employees	240, 272				IBERIA's professional development plans are intended to identify and develop the talent within the organisation with a view to having people who can face challenges & opportunities now and in the future. Professional careers such as purchases officer, internal auditor, legal advisor, commercial agent, are supported with training programmes to develop the general and specific skills corresponding to the career. Attendance and participation in masters, monographic courses, congresses and conventions dealing with different aspects of the business and environment is also encouraged.				YES			

SOCIAL ASPECTS (GRI 2006 indicators)

GRI Code	Type of indicator	Name of indicator	Location in Report		2004			2005			2006			Variation 2005-2006 (%)	DJSI 2006
			Section	Page											
LA12	Additional	% employees receiving regular performance and professional development assessments	Employees/Attraction and retaining of talent	273	100%	100%	100%					0	YES		
LA13	Core	Equal opportunities											YES		
		Women	Equal opportunities & ethnic diversity	238, 273	9,611	9,466	9,317				-1.57	YES			
		Men	Equal opportunities & ethnic diversity	238, 273	16,655	16,284	15,712				-3.51	YES			
LA14	Core	Ratio of basic salary of men to that of women, by professional category	Employees	232, 273	Salary is the same for men and women at the different professional levels							YES			
HR1	Core	Percentage & total number of significant investment agreements that include human rights clauses or have been inspected in respect of human rights	General	273	100% (IBERIA requires the inclusion of a number of clauses in its contracts with suppliers, whereby the supplier undertakes "not to infringe any of the principles established							NO			
HR2	Core	Percentage of principal distributors & contractors that have been inspected in respect of human rights, and measures adopted in consequence	General	273	in the UN Global Compact, of which IBERIA is a member, and to offer in the performance of its duties effective compliance with all obligations deriving therefrom")							YES			
HR4	Core	Total number of discrimination incidents & measures adopted	Employees	273	0	0	0				0	NO			
HR5	Core	Company's activities in which the right to freedom of association and to have recourse to collective agreements may be seriously jeopardised and measures adopted to support these rights	Employees	273	None. See indicator LA4							NO			
SO1	Core	Nature, scope and effectiveness of programmes & practices to assess and manage the impacts of operations in communities, including entry, operation and exit of the company	Social action	273	As a result of fleet renewal, operating measures and Environmental Management Systems implemented in the company, the impact of both noise and emissions is reduced. There are also Committees and other working groups, including the Noise Control Committee.							NO			
SO2	Core	% and total number of business units inspected for corruption-related risks	Risk management	273			100% (3*)					YES			
SO3	Core	% employees trained in anti-corruption policies and procedures in the organisation	General	273			100%					YES			
SO4	Core	Measures adopted in response to corruption incidents	General	273	The laws governing IBERIA are set out in different documents, including executives bylaws, among others. For remaining employees, collective agreements include codes of conduct. The obligations and measures to be taken in case of default are set out in these documents.							YES			
SO5	Core	Stand on public policies and participation in their development and in lobbying activities	Associations	245	Qualitative							NO			
SO7	Additional	Total no. actions for causes related with monopolistic and restrictive practices practices, and the results	General	273	0	0	0				0	NO			
SO8	Core	Monetary value of penalties and significant fines and total no. non-monetary penalties deriving from breach of laws and regulations	Customers	70	Found in section "Other recurring expenses". Include, among others, compensations to passengers and for baggage in 2006						63,880 passengers (19,627,628 euro)	NO			

SOCIAL ASPECTS (GRI 2006 indicators)

GRI Code	Type of indicator	Name of indicator	Location in Report		2004			2005			2006			Variation 2005-2006 (%)	DJSI 2006
			Section	Page											
PR1	Core	Phases of the life cycle of goods & services in which their effects on customers' health & safety are assessed in case they can be improved, and percentage of significant groups of goods & services subject to these assessment procedures	Customers	227				Qualitative							NO
PR2	Additional	Total no. incidents deriving from default of legal regulation or voluntary codes concerning effects of goods & services on health & safety during their life cycle, distributed according to outcome of incidents.	Health & safety at work	274	4 (28,517 euro)	6 (37,037 euro)	6 (23,000 euro)						-37,9		NO
PR3	Core	Type of information on goods & services required for proceedings under way and legislation and % goods & services subject to such reporting requirements	Customers	227-288				Qualitative							YES
PR4	Additional	Total no. infringements of regulations and voluntary codes on information and labelling of goods & services, distributed according to outcome	Customers	70, 229				See Indicator SO8							NO
PR5	Additional	Practices concerning customer satisfaction, including results of customer satisfaction polls	Customers	227				Qualitative							YES
PR6	Core	Programmes for compliance with laws or accession to standards and voluntary codes mentioned in marketing communications, including advertising, other promotional activities and sponsorship	Customers/ Social action	230, 245				Qualitative							NO
PR7	Additional	Total no. incidents caused by infringement of regulations on marketing communications, including advertising, promotion and sponsorship, distributed according to outcome	Customers	230, 274	0	1 (0 euro)	0						-100		NO
PR8	Additional	Total no. claims duly based on respect for privacy and the leakage of customer particulars	Customers	229, 274	0	0	0						0		NO
PR9	Core	Cost of significant fines for breach of laws & regulations concerning the supply and use of goods & services within the organisation	General	274, 275	PR 2, PR7, SO8 y EN28	PR 2, PR7, SO8 y EN28	PR 2, PR7, SO8 y EN28						-		NO

Environmental indicators

ENVIRONMENTAL ASPECTS (GRI 2006 indicators)

FLIGHT OPERATIONS

GRI Code	Type of indicator	Name of indicator	Location in Report		2004			2005			2006			Variation 2005-2006 (%)	DJSI 2006
			Section	Page											
EN3	Core	Fuel consumption (tonnes/year)	Climate change	275	2,010,728	1,920,245	1,927,472					0.38	YES		
		Specific fuel consumption (litres/RTK)	Climate change	253	0.459	0.442	0.407					-7.92	YES		
EN16	Core	CO ₂ emissions (tonnes) for all IBERIA flights	Climate change	275	6,333,794	6,049,793	6,071,538					0.36	YES		
(*)		NOx emissions in cruising (tonnes)	Climate change	275	There are no internationally accepted methods for calculating this figure, since the contribution of this gas to climate change is not clear									YES	
EN20	Core	NOx emissions in LTO cycles (tonnes)	Local air quality	275	3,096	2,995	2,841					-5.14	YES		
		UHC emissions in LTO cycles (tonnes)	Local air quality	275	259	233	219					-6.18	YES		
		CO emissions in LTO cycles (tonnes)	Local air quality	275	1,350	1,211	1,125					-7.13	YES		
(*)		Average age of fleet (no. years)	Noise control	254	7.70	7.95	7.92					-0.38	YES		
EN28	Core	Episodes & fines relating to default of conventions, treaties, declarations and standards on environmental issues	Noise control	70	In the section "Other recurring expenses"									NO	

GROUND OPERATIONS — CARGO

GRI Code	Type of indicator	Name of indicator	Location in Report		2004			2005			2006			Variation 2005-2006 (%)	DJSI 2006
			Section	Page											
(*)		Classification ground equipment													
		Diesel vehicles	Res. cons.	259, 275	62	44	49						11.36	NO	
		Petrol vehicles	Res. cons.	259, 275	0	0	0						0.00	NO	
		Electric vehicles	Res. cons.	259, 275	194	159	145						-8.81	NO	
EN3	Core	Diesel consumption (litres)	Res. cons.	259, 275	126,425	102,135	91,387						-10.52	YES	
EN4	Core	Electricity consumption (J*10 ⁹)	Resourc. consump.	275	26,983	23,671	7,888						-66.68	YES	
EN8	Core	Water consumption (m ³)	Resourc. consump.	275	21,005	8,647	5,210						-39.75	YES	
EN1	Core	Paper consumption (tonnes)	Environm. manag.	275	73	66	60						-10.24	YES	
EN3	Core	Boiler consumption												YES	
		Gasoil C consumption (litres)	Resourc. consump.	275	589,641	626,133	560,000						-10.56	YES	
EN24	Additional	Hazardous waste management												YES	
		Generation (tonnes)	Waste management	275	2.93	2.15	3.89						81.03	YES	
EN22	Core	Urban waste management												YES	
		Generation (tonnes)	Waste management	275	245	270.17	206.7						-23.49	YES	

ENVIRONMENTAL ASPECTS (GRI 2006 indicators)

RAMP AND PASSENGER HANDLING

GRI Code	Type of indicator	Name of indicator	Location in Report				2004	2005	2006	Variation 2005-2006 (%)	DJSI 2006
			Section	Page							
(*)		Classification ground equipment									
		Diesel vehicles	Resourc. cons.	260, 276	2,839.00	3,325.00	3,484.00	4.78	NO		
		Petrol vehicles	Resourc. cons.	260, 276	97.00	88.00	93.00	5.68	NO		
		Electric vehicles	Resourc. cons.	260, 276	486.00	495.00	494.00	-0.20	NO		
EN3	Core	Diesel consumption (litres)	Resourc. cons.	260, 276	8,507,585.00	8,551,947.00	7,659,755.00	-10.43	YES		
EN4	Core	Electricity consumption (J*10 ⁹)	Resources cons.	276	33,686.63	41,811.00	30,471.08	-27.12	YES		
EN8	Core	Water consumption (m ³)	Resources cons.	276	88,038.00	100,796.00	88,072.97	-12.62	YES		
EN1	Core	Paper consumption (tonnes)	Resources cons.	276	124.92	122.70	108.90	-11.25	NO		
EN24	Additional	Hazardous waste management									
		Generation (tonnes)	Waste managem.	276	280	264	249	-5.61	YES		
EN22	Core	Urban waste management									
		Generation (tonnes)	Waste managem.	276	573	892	1,098.2	23.12	YES		

INDUSTRIAL AREAS (MADRID)

GRI Code	Type of indicator	Name of indicator	Location in Report				2004	2005	2006	Variation 2005-2006 (%)	DJSI 2006
			Section	Page							
EN3	Core	Fuel consumption in boilers									
		Natural gas consumption (kWh)	Resourc. consump.	258	187,580,680	181,808,413	144,358,672	-20.60	YES		
		Gasoil C consumption (litres)	Resourc. consump.	258	259,397	257,632	244,900.00	-4.94	YES		
EN3	Core	Electricity generation in cogeneration plant									
		Net total (J*10 ⁹)	Resourc. consump.	276	148,422	142,035	101,369	-28.63	YES		
		% consumed in IBERIA	Resourc. consump.	276	34	33	26.8	-18.79	YES		
		% sold to grid	Resourc. consump.	276	66	67	73.2	9.25	YES		
		Natural gas consumption (kWh)	Resourc. consump.	276	124,253,598	118,742,426	85,309,139	-28.16	YES		
EN4	Core	Total electricity consumption (J*10 ⁹)	Resourc. consump.	276	228,127	217,993	247,180	13.39	YES		
EN8	Core	Total water consumption (m ³)	Resourc. consump.	276	562,695	557,003	414,898	-25.51	YES		
		Boiler emissions in industrial areas									
EN16	Core	CO ₂ (tonnes)	Resourc. consump.	276	35,749	33,967	27,276	-19.70	YES		
EN20	Core	SO ₂ (tonnes)	Resourc. consump.	276	1.02	1.01	0.39	-61.08	YES		
		NOx (tonnes)	Resourc. consump.	276	33.49	32.47	25.86	-20.37	YES		
EN19	Core	Critical use of halon									
		kg installed in equipment	Resourc. consump.	276	7,620	7,645	7,270	-4.91	NO		
		kg used	Resourc. consump.	276	150	120	71.15	-40.71	NO		
		kg stored for this use	Resourc. consump.	276	0.00	0	0	0.00	NO		
EN19	Core	Use of products with VOCs in industrial areas (litres)	Resourc. cons.	260, 276	298,719	122,729	101,101	-17.62	NO		
EN22	Core	Urban waste generation (tonnes) (paper & cardboard, timber, not separated)	Waste managem.	276	1,181	1,250	1,487	18.95	YES		
EN22	Core	Urban waste management (%)									
		Re-use	Waste managem.	276	0	0	0	0.00	YES		
		Recycling	Waste managem.	276	43	29	28	-3.45	YES		
		Recovery	Waste managem.	276	0	0	1.9	0.00	YES		
		Elimination	Waste managem.	276	57	71	70.1	-1.27	YES		
EN24	Additional	Hazardous waste generation (tonnes)	Waste manag.	260-261, 276	18,672	17,496	16,362**	-6.48	YES		
EN24	Additional	Hazardous waste management (%)									
		Re-use	Waste managem.	261	9	9	9	0.00	YES		
		Recycling	Waste managem.s	261	21	21	21	0.00	YES		
		Recovery for energy purposes	Waste managem.	261	24	24	24	0.00	YES		
		Safe deposit	Waste managem.	261	46	46	46	0.00	YES		

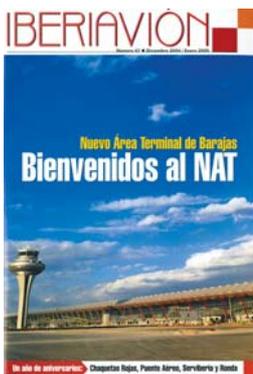
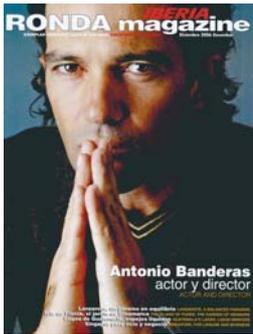
ENVIRONMENTAL ASPECTS (GRI 2006 indicators)

GENERAL ENVIRONMENTAL ASPECTS

CGRI Code	Type of indicator	Name of indicator	Location in Report		2005-2006			Variation 2005-2006 (%)	DJSI 2006
			Section	Page	2004	2005	2006		
	ICA	Environmental Behaviour Index	Environ. manag.	248	6.77	7.12	7.18	0.84	NO
EN2	Core	% materials used that are recovered materials	Resourc. consump.	277	According to the special characteristics of air transport and due to the actual legislation and the security parameters that are in force, recovered materials are not used but exclusively original materials				NO
EN5	Additional	Energy saved due to conservation and efficiency improvements	Operations control	277	-4,3%	-3,7%	-7,9%	115,39	YES
EN6	Additional	Initiatives to provide goods & services with an efficient energy consumption or based on renewable energies, and reductions in energy consumption achieved through those initiatives	IBERIA, an innovating enterprise	220	Qualitative				NO
EN7	Additional	Initiatives to reduce indirect energy consumption and the reductions achieved with those initiatives	Climate change/ Resourc. consump.	277	See indicators EN6, EN18, and EN26.				YES
EN10	Additional	% and total volume of recycled, re-used water	Resources consump.	277	0	0	0	0	NO
EN14	Additional	Environmental impacts on the main goods and services	Environmental & biodiversity	262	Qualitative				NO
EN17	Core	Other relevant indirect greenhouse gas emissions by weight	Climate change	277	The indirect emissions produced by IBERIA are included in both EN16 and EN20 indicators				NO
EN18	Additional	Initiatives to reduce greenhouse gas emissions and reductions achieved	Climate change	248-263	Qualitative (to check reduction of the environmental indicators, check variation 2004-2006 on environmental aspects)				YES
EN21	Core	Total effluent of residual water, according to nature and destination (m ³)	Resources consump.	277	292,923	168,832	142,048	-16	NO
EN23	Core	Total number & volume of very large accidental spillage incidents	Waste management	277	There has been no accidental spillage, in 2006 or earlier				NO
EN26	Core	Initiatives to mitigate environmental impact of goods and services and degree of reduction of impact	Environmental manag.	277	The specific consumption of aircraft is down 8% year on year and CO ₂ emissions have been reduced by more than 4% since 2004. See indicator EN14				YES
EN29	Additional	Material environmental impacts of the carriage of goods and other goods and materials used for the organisation's activities and carriage of employees	Operations contr.	263, 277	The start-up of T4 and centralisation of operations brought a reduction in 2006 of environmental impacts deriving from transport and the moving of personnel and products				YES
EN30	Additional	Total environmental protection expenditures and investments by type (thousand euro)	Environ. manag.	250, 277	2.771	3.139	3.926	25,06	YES

(*) IBERIA's indicator

(**) Includes industrial waters as hazardous waste (95% of hazardous waste)



IBERIA informs on all its social actions through different channels, such as: the Corporate Responsibility Report, published annually; the magazines Ronda Iberia, Iberiaviación and Iberia Plus, the newspaper Universal and the In-flight Video; on Internet through the company's web site <http://grupo.iberia.es/>; and on Intranet, which is available to all employees.



Further information on corporate responsibility

IBERIA supplies its social and environmental information through different channels, each with a different focus, to offer a choice of the type of information best suited to the interests of the person requesting it.

- **Social and environmental information:** in the Corporate Responsibility Report, intended mainly for those who might be interested in social development and conservation of the environment promoted from within the company, such as corporate customers, persons responsible for adopting policy decisions with responsibilities in the field of transport and the environment, environmental journalists and others whose work is related to the aviation industry, such as IBERIA employees.
- **Financial information:** in the Economic and Financial Report, environmental information is significant, since IBERIA has, since 2002, included new environmental accounts, such as royalties for effluent, transport deriving from waste management, publications, certifications and environmental audits, membership fees of environmental institutions, organisations and forums, costs of environmental permissions and licences, and others. This information is focused on shareholders, financial analysts and potential investors.
- **Magazines Ronda Iberia, Iberiaviación and Iberia Plus:** The Iberia Group reports to its customers on its social and environmental actions in the magazine *Ronda Iberia*, offered on its flights, and in the *Iberia Plus* magazine, sent to customers belonging to the Iberia Plus frequent flyer programme. For employees, IBERIA publishes *Iberiaviación* every two months, including a fixed section on the company's social action initiatives.
- **Universal:** free daily newspaper offered to passengers on all the company's flights. This publication offers not only political, economic, social and environmental news, but also special reports on important aspects for the company, especially any relating to the environment and sustainable development. This publication was awarded the Panda Communication prize in 2006 by WWF/Adena.
- **In-flight video:** videos are shown on some IBERIA flights describing the company's social actions.
- **Internet:** the environmental section of IBERIA's web site (www.iberia.com) offers full information on the environmental commitment acquired by the company, previous environmental reports, the Eco-efficiency initiative adopted by IBERIA and experiences of the Iberia Group regarding environmental conservation and protection; available for anyone particularly interested in the environment.
- **Intranet (IBpróxima):** finally, Intranet, available for all IBERIA employees, includes a chapter called Iberia Solidaria, in which it describes its social action, within the general information on company facts and figures. In the environmental area, Intranet adds to the information offered on the web site the possibility of receiving on-line training courses in environmental matters, outlines of the Environmental Unit organisation within the Iberia Group and a suggestion box for issues concerning the environment.

The validation report on this Report is also at the disposal of the public.

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6.2 Glossaries and abbreviations

6.2.1 Sustainability glossary

- **Additional GRI indicators:** indicators meeting one or several of the following conditions: represent an outstanding practice in economic, environmental and social measuring, although their use is not currently very common among reporting organisations; offer important information to interested parties that are especially important for the reporting entity; their investigation is considered advisable to move them into the category of core indicators in the future.
- **Atmosphere:** volume of gas surrounding the earth, consisting of several layers (troposphere <15km; stratosphere 15-50 km; mesosphere >50km). The ozone layer is in the stratosphere.
- **Balanced approach:** consists of adopting measures to reduce noise in four areas of action: reduction of noise at source, operating measures (operating procedures, routes), land use planning (zoning around airports) and when these three measures have been exhausted, imposing operating constraints.
- **Carbon dioxide (CO₂):** colourless, dense gas, not very reactive, formed from the combustion of fossil fuels. CO₂ emissions in air carriers are being reduced through the use of a more effective fuel for each of their aircraft, which is economically profitable since maintenance costs are reduced.
- **Carbon monoxide (CO):** toxic gas formed from the incomplete combustion of fossil fuels.
- **Chapters of ICAO Annex 16:** depending on the requirements for certification, aircraft must meet the noise standards established in Chapters 2, 3 and 4 of Annex 16; the strictest limits are established in Chapter 4. Noise certification includes measuring of noise levels at three points: two during takeoff and the third during flight. International regulation required all aircraft to be certified at least under Chapter 2 of Annex 16 by 1 April 2003.
- **Climate change:** Climate change consists of the set of alterations produced as a result of the emission of greenhouse gases into the atmosphere. These are the components of the atmosphere that absorb and reemit infrared radiation, produced through both natural and anthropogenic (man-made) processes. The greenhouse gases contemplated in the Kyoto Protocol are: carbon dioxide (CO₂), methane (CH₄), dinitrogen oxide (N₂O), perfluorocarbons (PFC), hydrofluorocarbons (HFC) and sulphur hexafluoride (SF₆). However, it should be noted that there are other gases which, although not contemplated in Kyoto, have a potential greenhouse effect. This is the case, for example, of the CFC.
- **Core GRI indicators:** those of interest for most reporting organisations and of interest for most of the interested parties.
- **Corporate Responsibility:** in its green paper the EU defines the corporate social responsibility (CSR) of businesses, or Corporate Responsibility, as “the voluntary integration of social and environmental concerns into business operations and in companies’ interaction with their stakeholders”. For further information we recommend consulting the following web site:
http://psicondec.rediris.es/responsabilidad_social.htm
- **CRM (Customer Relationship Management):** a management process and strategic focus to pinpoint, attract and increase the bond and loyalty of customers through relations with them, using integrated business processes and technology.
- **Decibel:** unit expressing the ratio between two sound intensities. It is a dimensionless unit.
- **Eco-efficiency:** tool available for businesses to achieve economic efficiency by adapting their production systems to the needs of the environment. The aim of eco-efficiency is to generate qualitative growth by making the most of the available materials and energy.
- **Emission:** dispersion of a substance in the air, soil or water.

- **Environmental Management System:** the part of the general management system comprising: the organisational structure, responsibilities, practices, procedures, processes and resources to define and implement an environmental policy. The most widely accepted standard worldwide is ISO 14001 of the International Standardisation Organisation.
- **EPNdb (Equivalent Perceived Noise):** unit commonly used in aviation to express the average noise perceived.
- **Global Compact:** an initiative launched by the UNO in 1999 to bring together businesses, organisations, workers and representatives of civil society, to back nine universal principles on human rights, labour and the environment.
- **Global Reporting Initiative (GRI):** organisation set up in 1997 by Coalition for Environmentally Responsible Economic (CERES) and the United Nations Environment Programme (UNEP), to design a framework, applicable globally, integrating business reporting on economic, social and environmental aspects.
- **Handling:** services provided to a user at the departure and destination airport: administrative assistance and supervision for air carriers, passenger assistance, ramp handling and other aircraft services, cargo and post handling, flight operation assistance, crew administration and catering services.
- **Kyoto Protocol:** International Protocol drawn up in Kyoto in 1997 whereby the countries signing it undertook to reduce their greenhouse gas (GHG) emissions over the period 2008-2012, in respect of the 1990 emissions. Spain, together with all the EU countries, formally joined the Kyoto Protocol in 2002.
- **LTO Cycle (Landing and Takeoff):** : reference landing and takeoff cycle. LTO cycles affect environmental factors such as emissions, noise, etc.
- **Nitrogen oxides (NOx):** gases produced from the reaction of nitrogen and oxygen, due to the high pressures and temperatures generated in the aircraft engines, mainly during takeoff and climbing.
- **Sustainability indexes:** Stock exchange indexes that make a quantitative valuation of sustainable business performance, incorporating environmental, social and economic criteria. Some of the benchmark indexes are those included within the family of the Dow Jones Sustainability Index.
- **Sustainable Development:** meeting the needs of present generations without jeopardising the needs of future generations
- **Unburned hydrocarbons (UHC):** gases produced by the incomplete combustion of fossil fuels.
- **Volatile Organic Compounds (VOC):** gases emitted during incomplete combustion of fossil fuels and evaporation after the use of certain compounds, especially solvents.

6.2.2 Abbreviations

AEA: Association of European Airlines

APU: Auxiliary Power Unit

ASK: Available Seat Kilometres

ATAG: Aviation Action Group

ATC: Air Traffic Control

ATM: Air Traffic Management

CAEP: Committee on Aviation Environmental Protection

ENTAF: Environmental Task Force

ERP: Enterprise Resource Planning systems

EU-ETS: European Union Greenhouse Gas Emission Trading Scheme

IATA: International Air Transport Association

ICAO: International Civil Aviation Organization

IPCC: Intergovernmental Panel on Climate Change

ISO: International Standards Organization

LTO: Landing-Take-off Cycle

PRNAV: Precision Area Navigation

RTK: Revenue Tonne Kilometres

SESAR: Single European Sky ATM Research

TKT: Tonelada por kilómetro transportado

AENOR Asociación Española de
Normalización y Certificación

SUSTAINABLE REPORT VALIDATION



Entitled: ***IBERIA, CORPORATE RESPONSIBILITY REPORT 2005***

Legal deposit number: B-19452-2006

This Report is in accordance with the requirements of the 2002 edition guide for the elaboration of Sustainable Reports, developed by the Global Reporting Initiative (GRI). The validation has been fulfilled on 4th April, 2006 and no subsequent performances can be considered.

The present validation will be in force, unless it is cancelled or withdrawn upon AENOR's written notification and according to specific terms of the contract – application n° GRI – 007/2006 of 1st March 2006 and to the General Regulation of January 2003, which require, amongst other commitments, the permission to visit the installations by the technical services of AENOR to verify the veracity of stated data.

This declaration does not condition the decision that Global Reporting Initiative can adopt to incorporate to IBERIA L.A.E, S.A, in the "In accordance reporters list", and that GRI publishes in its Web http://www.globalreporting.org/guidelines/reporters_IA.asp.

Issued on: 4th April 2006

AENOR

El Director General de AENOR

6.4 We are interested in Your OPINION on this report

To submit your opinion on this Report or any aspect contemplated herein, fill in the form available on our web page:

<http://iberia.com/grupoiberia/compromisosocial>



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Edition & Design

Gosban

Tel.: 902 431 766

www.gosban.com

Technical Design of Corporate Responsibility

Garrigues Medio Ambiente

Print

Volum-7, sl

Legal Deposit

B-15886-2007