FIRST QUARTER RESULTS
JANUARY-MARCH 2007

Main figures (not audited) (a)

IBERIA GROUP	1st Quarter (Jan – Mar)		
€ thousand	2007	2006	%
Revenues from operating activities	1.309.539	1.206.816	8,5
Costs from operating activities	1.301.436	1.271.519	2,4
Net gains on disposals of non-current assets and impairment losses	4.111	-726	n.m.
Profit/loss from operating activities	12.215	-65.429	n.m.
EBITDAR (b)	174.614	100.212	74,2
Operating Income EBIT (b)	13.099	-63.513	n.m.
Operating Income EBIT (ex IAS 39) (c)	13.469	-59.495	n.m.
Profit after taxes	12.233	-44.965	n.m.
Total shareholders' equity (d)	1.773.173	1.738.596	2,0
In-balance sheet net debt (d)	-1.863.356	-1.722.181	8,2
Adjusted net debt x 8 (d)	1.204.153	1.346.628	-10,6
ASK (million)	16.104	15.689	2,6
RPK (million)	12.798	11.876	7,8
Load factor (%)	79,5	75,7	3,8 p.
Passenger revenues	947.084	884.567	7,1
Yield (€ cent)	7,40	7,45	-0,7
Passenger Revenue / ASK (€ cent)	5,88	5,64	4,3
Operating revenue/ASK (€ cent)	8,13	7,69	5,7
Operating expense/ASK (€ cent)	8,05	8,10	-0,6
Operating expense (ex fuel)/ASK (€ cent)	6,43	6,45	-0,4

n.m.: not meaningful.
(a) Report prepared in accordance with the International Financial Reporting Standards (IFRS),
(b) Non recurrent revenues and expenses are not included.
(c) Excluding the effect of IAS 39 in every period
(d) March 2007 v December 2006 (See notes page 10).
Number of shares as at 31-Mar-2007: 952,836,247; 31-Dec-2006: 948,066,632

Highlights

- In the first quarter of 2007, the Iberia Group posted a profit after taxes of €12.2 million, an improvement of €57.2 million on the loss recorded in the previous year. Operating profit amounted to € 13.1million, 76.6 million more than in 2006.
- The EBITDAR margin was 13.3%, up five percentage points year on year. The key elements in the improved profitability were the network restructuring and the cost-cutting initiatives implemented under the Director Plan.
- Operating revenues rose 8.5%, pushed up mainly by passenger and cargo transport and maintenance. Unit revenue per ASK grew by 5.7%, while operating costs were reduced by 0.6% in unit terms.
- Passenger revenues increased 7.1%, boosted especially by the growth in traffic on long-haul flights. The performance of the Business Plus class has been particularly outstanding, with a 28% growth in the number of passengers. Load factor rose 3.8 points across the board, reaching an impressive 79.5%, with improvements in all sectors.
- Employee productivity increased 15.1% and fleet utilisation (measured in block hours per aircraft) was 3.4% up.
- Adjusted net debt was down 10.6% on year-end 2006.
- The XV Collective Agreement for Flight Attendants was signed in March 2007, contemplating, along with several productivity measures, the freezing of wages for 2005, 2006 and 2007, as well as a mechanism of variable remuneration

Operating Statistics

IBERIA GROUP (a)	1st Quarter (Jan – Mar)		
	2007	**2006**	**%**
SCHEDULED TRAFFIC			
Passengers (thousand)	**6.318**	**6.300**	**0,3**
Domestic	3.303	3.408	-3,1
Medium Haul	2.029	2.012	0,8
Europe	1.870	1.885	-0,8
Africa & Middle East	159	127	25,5
Long Haul	986	880	12,0
ASK (million)	**16.104**	**15.689**	**2,6**
Domestic	3.007	3.416	-12,0
Medium Haul	4.113	4.105	0,2
Europe	3.604	3.680	-2,1
Africa & Middle East	509	425	19,7
Long Haul	8.984	8.168	10,0
RPK (million)	**12.798**	**11.876**	**7,8**
Domestic	2.097	2.215	-5,4
Medium Haul	2.722	2.649	2,7
Europe	2.348	2.351	-0,1
Africa & Middle East	373	298	25,4
Long Haul	7.980	7.011	13,8
Load factor (%)	**79,5**	**75,7**	**3,8 p.**
Domestic	69,7	64,8	4,9 p.
Medium Haul	66,2	64,5	1,6 p.
Europe	65,2	63,9	1,3 p.
Africa & Middle East	73,3	70,0	3,3 p.
Long Haul	88,8	85,8	3,0 p.
CARGO (b)			
Cargo Tones	62.718	57.858	8,4
ATK (million)	402	379	6,3
RTK (million)	292	250	16,8
Load factor (%)	72,5	66,0	6,5 p.
PASSENGER REVENUES			
Revenues (€ thousand)	947.084	884.567	7,1
Revenue / ASK (€ cent)	5,88	5,64	4,3
Revenue / RPK (€ cent)	7,40	7,45	-0,7

(a) Iberia L.A.E. traffic
(b) Since January 2007, cargo statistics have been grouped according to sector criteria (corresponding to the geographical grouping of individual legs), instead of by network (grouping traffic lines, consisting of one or several legs linked by the flight code). To enable comparison on homogenous terms, the 2006 data have been restated according to this new criterion.

ASK: Available Seat Kilometre; RPK: Revenue Passenger Kilometre; ATK: Available Ton Kilometre; RTK: Revenue Ton Kilometre.
Year on year variation in Load factor expressed in percentage points.
Passenger revenues include only those revenues generated during the period. Therefore, revenues from the cancellation of customer advances as well as other minor accounting regularizations are excluded

Traffic and Passenger Revenues

According to the network optimization strategy defined in the Director Plan 2006/08, Iberia's capacity grew considerably on intercontinental flights (up 10.5% year on year on the aggregate of America, Africa and the Middle East) in the first quarter of 2007 while adjustments continued in Europe and, to a larger extent, in the domestic sector, stopping certain point-to-point routes and strengthening connecting flights. The number of available seat kilometres (ASK) rose by 2.7% on the overall network, with a growing weight of long-haul capacity, which accounted for 55.8% of the total volume - 3.7 points more than last year - leading to a 7.5% increase in the average stage length.

Through its efficient restructuring process, the hands-on approach in commercial operations and the growth of traffic on the markets, the company improved its load factor by 3.8 percentage points year on year to 79.5%, a record first-quarter level for the company, while the revenue passenger kilometre (RPK) rose 7.8%. In both parameters, the growth recorded in Iberia outstripped the average growth recorded by European network airlines (according to figures published by the Association of European Airlines, load factor improved by 1.3 points and traffic increased by 6.3%).

Passenger revenues on tickets actually flown in the first three months of 2007 grew by 7.1% year on year, due to the improved load factor in all sectors and the rise capacity and yield in the long-haul sector. Average revenues per ASK increased by 4.3% for the entire network, despite being hampered by the aforementioned growth in the average stage length (up 7.5%) and the depreciation of the dollar.

In the **long haul** sector the load factor reached an impressive 88.8%, 3.0 points up on the first quarter 2006, with a year-on-year growth of 13.8% in RPK, 3.8 percentage points more than the increase in capacity. The number of weekly flights to Buenos Aires, Sao Paulo and Montevideo went up, and the capacity to other destinations (such as Santiago de Chile, Guatemala and Costa Rica) also increased through the replacement of A340/300 aircraft, with 260 seats, used last year on these routes, with A340/600, offering 352 seats. The number of passengers rose by 12%, with a particularly strong growth in the number of passengers in the Business Plus class (up 28%).

The largest growth was recorded on South American flights, where RPK rose by 32.6% and the load factor improved by 2.7 points year on year to 92.1%. On Central American and Caribbean routes total traffic grew by 1.9% and the load factor rose 3.0 points to 88.9%;. In North America, capacity and traffic increased by 5.6% and 8.0%, respectively, raising the load factor 1.8 points to 80.5%.

Passenger revenues on the long haul network grew by 23.7% year on year, owing to the increased volume of traffic and the improved yield (up 8.7%), boosted strongly by the sustained improvement of the class mix on all American networks. The unit revenue per ASK increased by 12.5% year on year, or 15.6% after eliminating the adverse effect produced by the depreciation of the dollar.

The load factor in the international **medium haul** sector improved by 1.6 points to 66.2%. RPK grew by 2.7% with a capacity more or less on a par with last year and unit revenue per ASK rose 0.8%, partly affected by the longer average stage length in this sector (1.9%) and the depreciation of the dollar. In geographical Europe, the company further strengthened its network operations and adjusted its capacity on certain point-to-point routes on which there is more competition, which led to a 1.3 point improvement in the load factor. The volume of traffic was similar to that of 1Q2006 for Europe overall, although significant growth was recorded in some countries (Turkey, Greece, Portugal or Belgium) and a new route was started up between Madrid and Bucharest. The company continued strengthening connections with Africa and the Middle East, increasing capacity by 19.7% and achieving an excellent response from traffic that improved by 3.3 percentage points. The greatest increases in traffic were recorded in Egypt and Israel; the company also started up a Madrid-Algeria route in January 2007.

In the **domestic** sector the load factor improved by 4.9 points year on year to 69.7%. Under the planned strategy, capacity was reduced by 12.% while traffic fell 5.4%. Unit revenue per ASK increased by 5.3%, pushed up by the load factor improvement.

Capacity on routes to and from Madrid in the short and medium haul network increased by 9.7% year on year, with structural improvements in the network following the designed Plan.

In **cargo**, the figures reveal a strong advance over the first quarter of the previous year, continuing the trend observed in the second half of 2006. RTKs increased by 16.8% and the load factor improved by 6.5 points. The company reduced its capacity on cargo aircraft, carrying 95% of the RTKs in the bellies of passenger aircraft. Routes to and from America accounted for 83% of the cargo traffic.

KPI (not audited) (a)

IBERIA GROUP	1st Quarter (Jan – Mar)		
	2007	2006	%
Unit Ratios (€ cent/ASK) (Recurring)			
OPERATING REVENUE	8,13	7,69	5,7
OPERATING COST	8,05	8,10	-0,6
OPERATING COST (excluding IAS 39)	8,05	8,07	-0,3
Fuel	1,62	1,64	-1,4
Fleet maintenance	0,70	0,52	36,0
Spare parts	0,28	0,29	-2,9
Maintenance (subcontracts)	0,42	0,23	84,1
Personnel	2,13	2,22	-4,0
Aircraft lease	0,67	0,71	-6,2
Commercial	0,35	0,38	-8,9
Traffic services	0,70	0,70	0,8
Navigation charges	0,44	0,45	-2,4
In-flight services and catering materials	0,14	0,13	7,1
Rest (b)	1,31	1,35	-3,5
Iberia fleet maintenance (c)	0,74	0,64	16,6
Net commercial cost / traffic passenger and cargo revenue (%) (d)	3,5	4,0	-0,5 p.
Productivity			
Average fleet utilization (block hours/aircraft/ day)	9,4	9,1	3,4
Annual average headcount (e)	22.661	24.030	-5,7
ASK / Employee	711	653	8,8
Ground	949	871	8,9
Ground (without handling)	1.896	1.717	10,4
Block hours / Technical crew (f)	67,9	66,4	2,1
Block hours / Flight attendant (f)	29,8	29,7	0,3
Operating revenue per employee (€ thousand) (f)	57,8	50,2	15,1

(a) Report prepared in accordance with the International Financial Reporting Standards (IFRS)
(b) Includes bookings system, other rentals, insurance, depreciation and other recurrent cost.
(c)Unit fleet maintenance cost of Iberia (excluding costs for third party services)(€ cents per ASK) includes labour, spare parts, subcontracts, etc.
(d) Commercial expenses lowered by commission revenues (variation in percentage points).
(e) Certain criteria used for calculating the annual average headcount were changed as from January 2007 to obtain more adjusted data. The 2006 headcounts have been recalculated according ot the new criteria.
(f) Productivity data calculated according to the annual average headcounts obtained with the new criteria (see note (e)). The 2006 figures have been recalculated to facilitate comparison.

Consolidated Statements of Income (not audited) (a)

€ thousand	1st Quarter (Jan – Mar) 2007	2006	%
Profit/loss from operations (b)	**12.215**	**-65.429**	**118,7**
Revenues from operating activities	**1.309.539**	**1.206.816**	**8,5**
Net sales	**1.261.859**	**1.162.466**	**8,6**
Passenger revenue (c)	1.026.764	949.840	8,1
Cargo revenue	82.322	75.936	8,4
Handling	62.932	64.704	-2,7
Technical assistance to airlines	68.474	48.591	40,9
Other revenues	21.367	23.395	-8,7
Other operating revenues	**47.680**	**44.351**	**7,5**
Recurring	47.445	44.269	7,2
Non-recurring	235	82	186,0
Costs from operating activities	**1.301.436**	**1.271.519**	**2,4**
Procurements	**315.801**	**312.679**	**1,0**
Aircraft fuel	260.644	257.554	1,2
Aircraft spare parts	44.610	44.736	-0,3
Catering materials	5.842	5.223	11,9
Other purchases	4.705	5.167	-8,9
Personnel expenses	**344.833**	**348.024**	**-0,9**
of which: Non recurring	2.000	-	n.a.
Depreciation and amortization	**54.177**	**52.202**	**3,8**
Other operating costs	**586.624**	**558.613**	**5,0**
Aircraft leases	107.338	111.523	-3,8
Dry lease	90.047	96.046	-6,2
Wet lease	13.847	11.688	18,5
Cargo lease	3.444	3.789	-9,1
Other rentals	18.146	18.559	-2,2
Fleet maintenance (subcontracts)	71.411	36.162	97,5
of which: Non recurring	3.058	-	n.a.
Commercial expenses	55.672	59.552	-6,5
Traffic services	113.261	109.459	3,5
Navigation charges	70.604	70.471	0,2
In flight services	16.858	15.429	9,3
Booking systems	45.301	45.155	0,3
Insurance	4.829	7.939	-39,2
Other expenses	83.205	84.364	-1,4
of which: Non recurring	172	1.271	-86,4
Net gains on disposals of non-current assets	5.871	-726	n.m.
Impairment losses	1.760	-	n.a.

n.a.: not applicable; n.m.: not meaningful
(a) Report prepared in accordance with the International Financial Reporting Standards (IFRS).
(b) Profit/loss from operations includes operating income as well as non recurring revenues and costs.
(c) Passenger revenues include issued but unused tickets, previously accounted in current liabilities as customer advances, together with other minor adjustments.

€ thousand	1st Quarter (Jan – Mar) 2007	2006	%
Financial results	**6.043**	**-2.821**	**n.m.**
Financial revenues	22.900	13.314	72,0
Financial expenses	16.188	15.346	5,5
Exchange gains/losses	-379	-357	-6,2
Other revenues and expenses	-290	-432	32,9
Share of results of associates	**430**	**1.290**	**-66,7**
Profit before taxes	**18.688**	**-66.959**	**127,9**
Taxes	-6.455	21.994	-129,4
Profit after taxes	**12.233**	**-44.965**	**127,2**
Attributable to shareholders of the parent company	12.185	-44.999	127,1
Attributable to minority interests	48	34	38,8
Basic earnings per share (euros)	0,0129	-0,0485	126,6
Diluted earnings per share (euros)	0,0129	-0,0482	126,7

n.a.: not applicable; n.m.: not meaningful
Average weighted nº of shares 1st quarter: 943,723,170 in 2007 and 927,175,571 in 2006

Revenues from operating activities

Operating revenues rose by 8.5% year on year in the **first quarter** of 2007, to €1,309.5 million. Almost 85% of this figure (€1,109.1 million) corresponded to revenues from passenger and cargo, which increased by up 8.1%. The strong growth of revenues from fleet maintenance for third parties continued, rising 40.9%.

Passenger revenues totalled €1,026.8 million, representing an 8.1% growth. Revenues from tickets flown during the period increased by €62.5 million to €947.1 million, while the aggregate amount of other passenger revenues (including, among others, cancellation of advance payments in issued but unused tickets, revenues from frequent flyer programmes, leasing and other agreements with third parties) rose by €14.4 million to €79.7 million.

Cargo revenues grew by 8.4% year on year, boosted by a significant increase in traffic (up 16.8%) and despite the drop in unit revenue/RTK (-7.7%), caused by the longer average stage length (7.7%) and the depreciation of the dollar.

Handling revenues dropped 2.7% year on year to €62.9 million. The process of incorporating the new ramp handling operators following the awards of licences made in the corresponding tenders was completed in February 2007. Iberia has maintained its presence at the airports where its licence was not renewed by joining the winning joint ventures in Barcelona, Lanzarote and Fuerteventura, with a 32% participation in the first case and 30% in the joint ventures at the two Canary airports.

Overall, Iberia achieved a slight increase in the volume of handling for third parties (measured in weighted aircraft handled), on the first three months of 2006, as the growth in handling for Air Nostrum and Clickair offset the loss of other clients. However, unit revenue was curbed by the increased competition, dropping 4.2%.

Technical assistance revenues totalled €68.5 million in the first quarter of 2007, 40.9% more than in the same period of last year, thanks to the increase in the number and price of engine overhauls.

"**Other revenues**" fell by 8.7%, partly due to the smaller revenues from the sale of materials, together with the drop in revenues for services at cargo terminals, following the shutdown of the unprofitable small and medium-sized national terminals during 2006.

Costs from operating activities

In the **first quarter of 2007**, **costs from operating activities** increased 2.4% year on year. (Recurring) **operating costs** rose just 2.0%, bringing the unit operating cost to 8.05 euro cents per ASK, 0.6% less than last year.

The **fuel** cost, which accounted for 20.1% of the operating costs, amounted to €260.6 million in 1Q2007, 1.2% more than the cost recorded in 1Q2006. This small increase was due to the growth in capacity (up 2.6% in terms of ASK) and was largely offset by the improvement in the fleet's fuel consumption efficiency. Thus, the fleet renewal reduced the cost by €3.9 million in respect of the first three months of 2006. The impact of the rise in aircraft fuel after hedging (6.3%) was offset by the positive effect of the dollar depreciation. All in all, the unit fuel cost was brought down by 1.4% to 1.62 euro cents/ASK. Iberia has hedged 50% of its expected consumption for 2007 at an average price of 61.5 $/barrel.

Recurring **personnel expenses** were down 1.5%, mainly as a result of the 5.7% cut in the Group's annual average headcount. The reduction achieved in fixed salary costs and welfare charges was partly offset by increases in the variable pay items of all groups of employees (share in the increase in profits). The unit personnel cost (per ASK) was 4.0% lower than that recorded in the first quarter of 2006, thus meeting one of the main targets established in the Director Plan.

The ground staff headcount was cut by 5.8%, with reductions across the board. Productivity (measured in terms of ASK/employee) increased by 8.9%. The average headcount of Technical Crew was brought down 4.0%, and its productivity (measured in block hours per manpower equivalent) rose 2.1%. Meanwhile, the productivity of Flight Attendants was 0.3% up with a headcount 6.2% smaller than last year. Considerable improvements are expected in the productivity of this last group under the collective agreement signed in March.

Aircraft leasing costs were reduced by 3.8%. The lowering of the dry lease cost (€6.0 million) was due mainly to the reduction of the number of aircraft and the effect of the valuation of hedges at 31 March of each year (IAS 39), which increased leasing costs by €0.8 million in 2007 and €6.1 million in 2006. The number of block hours operated under wet leases went up 23.5% year on year. The unit cost of aircraft leasing ex IAS 39 was 0.66 euro cents/ASK, 1.6% down on the previous year.

Fleet maintenance costs (excluding non-recurrent) went up 39.6%, due mainly to more activity for third parties, the invoicing for which increased by 40.9%. Own fleet maintenance costs also increased, as the large number of aircraft and engine overhauls made in the first three months of 2007 (requiring the hiring of more subcontracted services) coincided with the impact of other costs produced by aircraft returns. The hired number of overhauls was exceptional and we do not forecast such increases in the coming months. Subcontracted fleet repair and maintenance services grew €30.8 million and the provisions for major repairs were up €1.4 million, while the consumption of spare parts was slightly reduced.

Commercial costs (commissions, advertising and promotion & development expenses) were reduced by 6.5%, The basic commission paid to travel agencies in Spain was 0.4% from January 2007 (from 1% last year) and the zero commission model was extended to most international markets. The ratio of net commercial cost to traffic revenues was down 0.6 percentage points to 3.5%.

Air traffic levies and **navigation and other communication aids** rose in line with the increase in capacity.

The aggregate cost of **"In-flight services"** and **"Catering materials"** grew by 9.9% year on year, due to the increase in the number of passengers on long-haul flights (up 12%) especially in the Business Plus class (up more than 28%).

The annual **insurance** cost was brought down 39.2% to €4.8 million in 2007. The improvements in costs and coverage of the Iberia aviation policies respond to the positive evolution of the variables determining the company's risk, the market trend in premiums and capacity and the company's risk placement strategy.

Within the item "**Other expenses**", the cost of passenger and baggage compensations was reduced by 30.6% to €8.4 million. These compensations were higher in the first quarter of 2006 due to the teething troubles following the opening of Terminal T4 at the Madrid-Barajas airport.

Non-recuring expenses totalled €6.0 million in the first quarter of 2007, including an additional provision of €2.0 million to cover the adjustment of future payments under the redundancy plan and €3.1 million for extraordinary maintenance costs linked to aircraft returns.

Financial and Other Non-Operating Results

The **"Net gains on disposals of non-current assets"** amounted to €5.9 million in the first quarter of 2007, mainly corresponding to the revenues obtained on the final settlement of the sale of the SAVIA trademark (€5.5 million) under the agreement signed in 2005.

The item "**impairment losses**" included an extraordinary provision of €1.8 million in 1Q2007 for shares held in group companies.

Financial results amounted to €6.0 million, €8.9 million more than the net income recorded one year earlier, due mainly to the increase in the average balance of short-term deposits which led to a 72% growth in financial revenues. Other reasons for this improvement were the rise in interest rates and the recording in the quarter of the proportional part of interest accruing on the loan granted to Wam Acquisition, S.A.

The valuation of hedging instruments in accordance with IAS 39 reduced financial income by €0.3 million in the first quarter of 2007, compared to a negative effect last year, too, of €0.4 million.

Iberia's **share of results of associates** recorded a positive net balance of €0.4 million, down €0.9 million on last year, due mainly to the smaller income recorded for the stake in the *Air Miles Group* and the losses sustained in *International Supply Management, S.L.*, a new participated company consolidated as from end-2006.

Operating Fleet

IBERIA GROUP (a)	March 2007	December 2006	March 2006
Long Haul	**31**	**31**	**32**
Owned	5	5	5
Financial lease	0	0	0
Operating lease	24	24	25
Wet lease	2	2	2
Short and Medium Haul	**113**	**119**	**122**
Owned	40	40	40
Financial lease	14	14	14
Operating lease	54	58	63
Wet lease	5	7	5
Total	**144**	**150**	**154**
Owned	45	45	45
Financial lease	14	14	14
Operating lease	78	82	88
Wet lease	7	9	7

(a) End of period, excluding inactive aircraft
Additionally, as at 31-March-2007 Iberia has three Airbus A-320 leased to other airline.

Operating Fleet and Variations

At 31 March 2007, Iberia had an operating fleet of 144 aircraft, 78 of which were held on operating leases and 7 on wet leases. The long haul fleet consisted of 31 Airbus A-340, while the short and medium haul fleet had a total of 113 aircraft, 78 of which were A-320.

During the first quarter of 2007 Iberia added one A-321(January) and one A-319 (March) to its short and medium haul fleet, both under operating lease. At the same time, six A-320 under operating lease and two B-757 operated under wet lease were withdrawn.

Consolidated Balance Sheet (not audited) (a)

€ thousand	March 2007	December 2006
ASSETS	**5.955.592**	**5.751.250**
Non-current assets	**2.442.019**	**2.491.336**
Intangible assets	45.990	48.853
Property, plant and equipment	1.342.980	1.350.909
Investments in associates	25.562	16.750
Non-current financial assets	576.466	623.394
Iberbus loans	*133.951*	*150.380*
Other	*442.515*	*473.014*
Deferred tax assets	445.309	445.355
Other non-current assets	5.712	6.075
Non-current assets held for sale	**-**	**-**
Current assets	**3.513.573**	**3.259.914**
Inventories	161.982	187.594
Accounts receivable	727.647	607.292
Current financial investments	1.905.072	1.489.334
Cash and cash equivalents	701.884	963.731
Other current assets	16.988	11.963
EQUITY AND LIABILITIES	**5.955.592**	**5.751.250**
Equity	**1.773.173**	**1.738.596**
Share capital	743.212	739.492
Share premium	119.411	115.405
Reserves	896.309	824.955
Translation differences and differences due to adjustment of capital to euros	830	840
Profit attributable to the parent company	12.185	56.725
Minority interests	1.226	1.179
Non-current liabilities	**1.813.154**	**1.893.950**
Bank borrowings and non-current obligations under finance leases	413.920	481.269
Long term provisions	1.341.440	1.359.057
Other liabilities	57.794	53.624
Current liabilities	**2.369.265**	**2.118.704**
Convertible debenture issue	2.635	10.362
Bank borrowings and current obligations under finance leases	299.448	227.982
Deferred income	68.865	62.468
Other liabilities	1.998.317	1.817.892

(a) Report prepared in accordance with the International Financial Reporting Standards (IFRS).

Adjusted Net Debt: In Balance-Sheet Net Debt + Capitalised aircraft leases – capitalised interests of Iberbus loans.

In Balance-Sheet Net Debt: (Convertible debenture issues + Bank borrowings and obligations under finance leases) – (Current financial investments + Cash and cash equivalents**)**.
Does not include the value of financial instruments for hedging included in Current financial investments (IAS 39) which amounted to €27,597 thousand as of 31-Mar-2007 and €11,271 thousand as of 31-Dec-2006.

Capitalized leases: The concept aircraft leases is used to calculate capitalized leases. It includes the amount of operating leases (excluding the value of non efficient hedging) + 50% of wet leases + 50% cargo wet leases. Annual Leases expenses amounted to €392,624 thousand in 2006. To get an approximation of the annual value of aircraft rentals in 2007, leases expenses for the first quarter (€97,869 thousand) must be multiplied by 4, this is €391,476 thousand. The result is multiplied by 8 to get the capitalized operating leases.

The financial investments in lessor companies created by Iberia to acquire fleet under operating or financial leasing (Iberbus) must be deducted from the total adjusted debt in order to avoid duplicities, as they are already computed as debt.
Iberbus loans: Long-term loans to Iberbus companies. These loans bear 6% interest that Iberia receives and also pays as a part of aircraft rentals. The capitalised debt corresponding to this element of the aircraft rental must be deducted from the off-balance sheet debt (Aircraft rentals x 8).
For March 2007: 6% of €133,951 thousand x 8 = €64,296 thousand
For December 2006: 6% of €150,380 thousand x 8 = €72,182 thousand

Consolidated Cash Flow Statements (not audited) (a)

€ thousand	Jan-Mar 2007	Jan-Mar 2006
Consolidated profit before tax	**18.688**	**-66.958**
Depreciation and amortisation charge and impairment losses	55.937	52.202
Period provisions (net) (+/-)	23.335	21.332
Provisions used (-)	-40.954	-28.010
Gains/Losses on disposal of property, plant and equipment and intangible assets (+/-)	-5.869	726
Gains/Losses on disposal of investments (+/-)	-	-
Results of associates accounted for using the equity method (+/-)	-430	-1.290
Gains/Losses on hedging transactions (+/-)	660	4.450
Effect of exchange rate changes not giving rise to cash flows	-236	-452
Other adjustments of the cash-flow (+/-)	-3.055	13.095
Net change in assets/liabilities not giving rise to cash flows	101.174	67.764
Taxes paid	-33.948	-14.315
Cash flow from operating activities	**115.302**	**48.544**
Net investment in subsidiaries, jointly controlled entities and associates	-8.832	-
Net investment in property, plant and equipment, intangible assets and investment property	-20.120	-51.727
Net investment in non-current investments	-	-
Net investment in investments and other current financial assets (b)	-386.397	-26.876
Net investment in other assets	18.166	11.082
Dividends and interest received (+)	14.362	16.132
Cash flow from investing activities	**-382.821**	**-51.389**
Dividends paid (-)	-	-
Changes in bank borrowings and other financial liabilities (+/-)	8.042	-11.866
Interest paid on debt (-)	-11.734	-8.288
Other debt	-64	56
Capital increase	7.726	7.666
Net investment in treasury shares (+/-) (c)	1.702	-4.208
Cash flow from financing activities	**5.672**	**-16.640**
Cash flow from financing activities	**-261.847**	**-19.485**
Net cash flow	963.731	821.439
	701.884	801.954

(a) Report prepared in accordance with the International Financial Reporting Standards (IFRS).
(b) The net divestment is due to the placement at more than three months and less than one year of part of the company's cash, which is not considered cash under the IRFSs. Current financial investments amount to €1,905 million, €415.7 million more than in December 2006, as shown in the Balance Sheet.
(c) The classification criteria for "Net variation in treasury stocks" were changed at the end of 2006, including them in financing activities (formerly included in investing activities). The amount corresponding to the first quarter of 2006 has been restated according to the new criteria.

Net Debt to Equity / Cash Flow

The in-balance sheet net debt continues improving and is still negative, which means that the sum of short-term financial assets (after deducting the value of hedging) exceeds the aggregate balance of interest-paying debt. The net debt was -€1,863.4 million at 31 March 2007, compared to -€1,722.2 million at year-end 2006. The adjusted net debt, including the conversion of operating leases to equivalent debt (excluding the effect of valuation of hedges at the end of both years), was €1,204.2 million, down 10.6% year on year.

The balance of liquid assets (short-term financial investments plus cash and other cash equivalent) was up €137.6 million on year-end 2006, amounting to €2,579.4 million at the end of 1Q2007. This figure does not include the valuation of hedges (in accordance with IAS 39), which increases the balance of short-term financial investments by €27.6 million on the balance sheet at 31 March 2007 (compared to €11.3 million at year-end 2006).

At 31 March 2007, the Iberia Group had an equity of €1,773.2 million, €34.6 million more than at year-end 2006, mainly due to the increase in reserves.

Iberia increased its capital by €3.7 million in March, issuing 4.8 million ordinary shares, coinciding with the fifth date for exercise of the stock option plan approved at the AGM 2002. The total number of shares is, therefore, now 952.8 million. As a result, Iberia also increased its share premium by €4 million over year-end 2006.

The balance of “Non-current financial assets” dropped by €46.9 million from year-end 2006, due to the refund of advance payments on fleet and engines (included in long-term deposits) and the divestments corresponding to the Iberbus loans following adjustment of exchange gains/losses. Also in March 2007, Iberia made a disbursement of €8.8 million on its stake in Clickair Líneas Aéreas, according to the capital increases contemplated in the Business Plan approved for the launching of this company.

During the first quarter of 2007, Iberia generated a positive cash flow of €115.3 million from operating activities, €66.8 million more than the net cash flow generated in the same period of last year.

Principal effects of applying the IFRS

Iberia uses different derivatives for its risk hedging policy. In the hedging tools used for fleet operating leases, the derivatives cover currency (dollar) and interest rate risks. The company also hedges the price and exchange rate of fuel purchases. Under the International Financial Reporting Standards (IFRSs), the current value of these financial instruments should be recorded. Most of the derivatives used by the company are effective from the point of view of the IFRS and the differences in value over time do not affect income, being recorded within reserves on the balance sheet. The derivatives that are considered “non-effective” affect the items on the income statement.

The variation in the value of derivatives in the first quarter of 2007 had an insignificant effect -reduction of €0.7 million- on the profit before tax, mainly by increasing the dry lease cost. In the first quarter of 2006, the company recorded a negative effect of €4.4 million on the income. The valuation of hedges at 31 March 2007 raised the value of the reserves item stated on the balance sheet by 17.5 million euro since year-end 2006.

Contact details:
Subdirección Relaciones con los Accionistas
Velázquez, 130. Bloque IV. Planta 8
28006 Madrid (Spain)
Phone 34 91 5877334 Fax 34 91 5877043
invesrel@iberia.es