INTERIM MANAGEMENT REPORT
JANUARY-JUNE 2009

1. Main figures (not audited)

IBERIA GROUP	2nd Quarter			Accumulated		
	2009	2008	%	2009	2008	%
Financial Data (€ million)						
Operating revenues (a)	1,068.3	1,369.9	-22.0	2,166.4	2,670.4	-18.9
Operating costs (a)	1,197.9	1,373.9	-12.8	2,443.3	2,702.7	-9.6
EBITDAR (a)	2.4	135.4	n.m.	-4.8	259.4	n.m.
Recurring EBIT (a)	-129.6	-4.0	n.m.	-276.9	-32.3	n.m.
Adjusted EBIT (b)	-101.9	24.0	n.m.	-219.5	27.6	n.m.
Profit/loss from operations (c)(i)	-126.4	15.6	n.m.	-273.6	9.0	n.m.
Consolidated income before taxes	-122.3	29.2	n.m.	-250.7	28.1	n.m.
Consolidated income after taxes	-72.8	21.2	n.m.	-165.4	20.7	n.m.
Non-current assets (d)	---	---	---	2,316.4	2,450.2	-5.5
Current financial investments, cash & cash equivalents (d)(e)	---	---	---	2,240.7	2,271.6	-1.4
Equity (d)	---	---	---	1,473.7	1,563.9	-5.8
In-balance sheet net debt (d) (f)	---	---	---	-1,703.0	-1,803.3	-5.6
Adjusted net debt x 8 (d) (g)	---	---	---	1,040.7	1,012.4	2.8
Cash flow from operating activities (j)	---	---	---	-110.9	183.3	n.m.
EBITDAR margin (%) (a)	0.2%	9.9%	-9.7 p.	-0.2%	9.7%	-9.9 p.
EBIT margin (%) (a)	-12.1%	-0.3%	-11.8 p.	-12.8%	-1.2%	-11.6 p.
Operating revenue/ASK (€ cent) (a)	6.82	8.17	-16.5	6.98	8.06	-13.4
Operating expense/ASK (€ cent) (a)	7.65	8.19	-6.7	7.87	8.16	-3.5
Operating Figures						
ASK (million)	15,668	16,771	-6.6	31,037	33,130	-6.3
RPK (million)	12,733	13,372	-4.8	24,485	26,362	-7.1
Load factor (%)	81.3	79.7	1.5 p.	78.9	79.6	-0.7 p.
Yield (h)	6.07	7.32	-17.1	6.24	7.19	-13.2
Passenger revenue / ASK (€ cent) (h)	4.93	5.84	-15.5	4.93	5.72	-14.0
Annual average headcount	20,760	21,793	-4.7	20,738	21,684	-4.4
ASK / Employee (thousand)	755	770	-1.9	1,497	1,528	-2.0
No. of aircraft end of period	113	128	-11.7	113	128	-11.7
Average fleet utilization (block hours/aircraft/day)	10.5	10.0	4.4	10.2	9.9	3.9

n.m.: not meaningful.
(a) Only recurring items.
(b) Excluding 33% of operating leases (100% of dry leases + 50% of wet lease) equivalent to the implicit financial interest of the aircraft rentals.
(c) Includes non-recurring items.
(d) June 2009 vs. December 2008.
(e) Current financial investments (excluding the value of hedging instruments) plus cash and other cash equivalents.
(f) In balance sheet net debt: (Bank borrowings and obligations under finance leases) – (Current financial investments + cash and cash equivalents).
(g) Adjusted net debt: In balance sheet net debt + Aircraft rentals (dry lease at 100% and the rest at 50%) annualised and capitalised (x8) (€2,751.6 million in 2009 and €2,841.6 million in 2008) – Interests (at 4% since 2009, at 6% previously) of Iberbus laons capitalised (7.9 millions in 2009 and 25.9 millions in 2008).
(h) Calculated with passenger revenues generated during the period, excluding revenues from the cancellation of customer advances as well as other minor accounting regularizations.
(i) A provision for the amount of €2.7 million which was recorded at 30 June 2008 as "Impairment losses", was reclasified as "Share of results of associates".
(j) Calculated following the criteria of year end 2008.

2. Highlights

- The Iberia Group recorded a consolidated loss of €165.4 million in 1H09. The considerable impact of the global economic crisis in the airline industry continued in the second quarter, in which the company posted a €72.8 million loss.

- Operating revenues dropped by 18.9% in 1H09, due partly to capacity reductions implemented in a bid to offset the widespread decline in air traffic, and in particular on account of the slump in business traffic, which pushed unit revenue further down (-13.4% year-on-year). The decline in revenues generated by Iberia's business passengers accounted for around 30% of the overall dip in operating revenues in the first half.

- In the second half, the decline in tourist class passenger traffic slowed, but the business segment and cargo traffic remained very sluggish.

- With an efficient capacity strategy, the company halted the negative trend of the load factor, which had been posting increasingly larger declines since the first quarter of 2008, managing a 1.5 point improvement in 2Q09. The load factor was 78.9% in 1H09, the highest of all the main European network airlines.

- Operating costs narrowed 9.6% on 1H08, with most headings (especially fuel costs) posting year-on-year declines, highlighting the drop in fuel expenses which cushioned the impact from falling revenues. Unit costs fell by 3.5% in the half, and by 6.7% in 2Q09.

- The Group headcount decreased by 4.4% year-on-year.

- Following the trend of gradual improvement in the last few years, average fleet utilization was up 3.9% vs. 1H08, to 10.2 block hours/aircraft/day.

- To mitigate the considerable impact of the economic crisis on its financial statements, Iberia has launched a Contingency Plan, which includes measures to adjust capacity, cut costs and selectively reduce planned investments. The plan will lower cash requirements by some €200 million. The Plan is exceeding the established targets.

- The airline's financial and liquidity situation is still robust, with an adjusted liquid balance of €2,240.7 million, just 1.4% less than at close of 2008 and with a slight 2.8% increase in adjusted net debt.

- On 20 April, Iberia signed the VII Collective Bargaining Agreement for Technical Crew which, running from 2005 to 2009, focuses on wage restraint (increases of 0.62% for this year) and envisages a number of measures to improve flexibility and boost productivity, as well as offering pilots aged 60-65 the chance to continue flying at 50% of their current activity.

- On 5 May 2009, the Annual General Meetings of Vueling and Clickair approved the merger between the two airlines, and Vueling absorbed Clickair. As a result of the merger-registered in the Mercantile Register on 16 July- and in accordance with the approved exchange ratio, Iberia is now the majority shareholder of Vueling, with a 45.85% stake in its share capital (see Chapter 6 "Significant events after 30 June 2009").

3. Businesses' evolution

3.1. Transport

OPERATING STATISTICS (a)	2nd Quarter			Accumulated		
	2009	2008	%	2009	2008	%
Passenger operations						
ASK (million)	15,668	16,771	-6.6	31,037	33,130	-6.3
Domestic	2,154	2,382	-9.6	4,225	5,000	-15.5
Medium Haul	4,050	4,403	-8.0	7,925	8,635	-8.2
Europe	3,524	3,895	-9.5	6,912	7,646	-9.6
Africa and Middle East (b)	526	509	3.3	1,013	989	2.5
Long Haul	9,465	9,985	-5.2	18,887	19,496	-3.1
RPK (million)	12,733	13,372	-4.8	24,485	26,362	-7.1
Domestic	1,643	1,750	-6.2	3,008	3,562	-15.5
Medium Haul	3,221	3,299	-2.4	5,792	6,177	-6.2
Europe	2,843	2,919	-2.6	5,077	5,438	-6.6
Africa and Middle East (b)	378	379	-0.5	715	739	-3.3
Long Haul	7,869	8,323	-5.5	15,684	16,623	-5.6
Load factor (%)	81.3	79.7	1.5 p.	78.9	79.6	-0.7 p.
Domestic	76.3	73.5	2.8 p.	71.2	71.2	0.0 p.
Medium Haul	79.5	74.9	4.6 p.	73.1	71.5	1.5 p.
Europe	80.7	75.0	5.7 p.	73.5	71.1	2.3 p.
Africa and Middle East (b)	71.8	74.6	-2.7 p.	70.5	74.7	-4.2 p.
Long Haul	83.1	83.4	-0.2 p.	83.0	85.3	-2.2 p.
Cargo						
ATK (million)	421	437	-3.7	821	855	-4.0
RTK (million)	216	293	-26.3	437	579	-24.4
Load factor (%)	51.3	67.0	-15.7 p.	53.2	67.7	-14.4 p.
Passenger revenues (c)						
Passenger revenues (€ million)	773.1	978.8	-21.0	1,528.8	1,896.5	-19.4
Passenger revenues/ ASK (€ cent)	4.93	5.84	-15.5	4.93	5.72	-14.0
Passenger revenues/ RPK (€ cent)	6.07	7.32	-17.1	6.24	7.19	-13.2

(a) Iberia L.A.E. traffic
(b) Except South Africa, that is included in Long Haul
(c) 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.

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.

Due to the impact of the economic crisis, global demand in the **airline industry** weakened throughout 2008, with year-on-year declines in the last few months of the year, which gathered pace in the first half of 2009. Traffic, measured in revenue passenger kilometres (RPK), at companies belonging to the Association of European Airlines (AEA) dipped 7.2% through June 2009; and the load factor worsened by 2.1 percentage points vs. 1H08, despite the gradual reduction in capacity (-4.6%). Moreover, the downturn in business traffic was sharper, especially in 2Q09. According to International Air Transport Association (IATA) data through May 2009, the total of passengers travelling in first/business classes on international flights fell by 20.6% in comparison to last year, while tourist-class passenger numbers dipped by 5.6%.

The **airline industry in Spain** has seen an unprecedented slump in demand. According to data from the Spanish airports authority (*Aeropuertos Españoles y Navegación Aérea* - AENA), until June 2009 passenger numbers in commercial flights at all airlines fell by 13% year-on-year, although in June the decline was only 8.7%. The unfavourable global economic environment has reduced the significant inflow of tourists to **Spain**, which was down by 11.4% in the first half. Furthermore, Spain is one of the European economies worst affected by the recession (its GDP fell by 4.0% year-on-year in the second quarter). Airlines operating in Spain have also felt the impact of tougher competition from high-speed rail links on core domestic routes: Madrid-Malaga since December 2007 and Barcelona-Madrid from 20 February 2008. Consequently, the number of passengers carried by airlines in all domestic flights fell by 15.3% vs. 1H08, and on the Barcelona-Madrid shuttle, passenger numbers slumped by 27.5%.

In this challenging environment, **Iberia's overall** load factor was 78.9% in the first half of 2009, slipping by just 0.7 points year-on-year and consolidating the company's lead over other European network carriers in terms of load factor. Iberia's total capacity, measured in available seat-kilometres (ASK), fell by 6.3% in 1H09, with a slightly bigger decline in the second quarter (-6.6%). Total traffic shrank by 7.1% in 1H year-on-year, although the decline in the second quarter (-4.8%) was half that of the first (-9.5%). This positive evolution in year-on-year changes in demand and load factor, with a 1.5 point improvement in the second quarter of 2009 (-2.9 points in 1Q09), was partly hampered by the operating difficulties in the first three weeks of January, due to poor weather conditions at Madrid-Barajas Airport and labour conflicts, as well as the different calendar of Easter holidays (in March in 2008 and in April in 2009).

In the first half, Iberia's yield narrowed by 13.2% year-on-year, with a 17.1% decline in the second quarter, due mainly to the slump in business traffic in all markets, price pressure amid surplus capacity and the increase in average stage length (7.2%) throughout the network. Revenue per ASK shrank by 14.0% in the first half and by 15.5% in the second quarter, year-on-year.

Long-haul RPK accounted for 64.1% of the total in the first half of 2009 (up 1.0 percentage point from the previous year). To adapt capacity to ongoing weak demand in the sector (-5.6% decline vs. 1H08) the company made additional adjustments to the flight programme, reducing capacity by 5.2% in the second quarter, 3.1% decline in 1H09. Consequently, the load factor was 83.0% in 1H09, down 2.2 points year-on-year, after achieving near-stability in the second quarter (-0.2 points).

In transatlantic flights, the biggest declines in activity in the first half came in Central America, with a 5.2% fall in ASK and a 6.9% reduction in RPK; the load factor was 85.1% (-1.6 points). Since the end of April demand in this segment has been partially impacted by swine flu; in particular, in May and June Iberia had to almost halve the capacity offered in routes to Mexico, due to the slump in traffic. In North America, capacity volume was adjusted by 2.9% year-on-year, traffic was down by 4.7% and the load factor was 81.1% (-1.5 points). In South America, ASK increased by 0.5% through June, while traffic fell by 4.0%, bringing the load factor to 81.6% (-3.8 points vs. 2008).

In the first half of 2009, yields in the long-haul sector fell by 10.2% year-on-year, and revenue per ASK fell by 12.5%, due mainly to the slump in business traffic in the airline industry as a whole. Through June, the Business market for flights between Europe and Latin America shrank by 26.7% vs. 1H08, while Iberia's Business Plus passengers fell by 20.4% in the same period. The load factor in Business Plus dropped 11.1 points in the first half, triggering a significant decline in the class mix.

The load factor in international **medium haul** rose 1.5 points on 1H08 to 73.1%. RPK fell by 6.2%, with capacity volume down 8.2%. Looking only at the second quarter, the dip in demand was smaller (-2.4%) and the load factor improved by 4.6 points. In the case of international medium haul flights with origin and destination Madrid, in 1H09 capacity and demand fell by 3.9% and 2.4%, respectively, and the load factor climbed 1.2 points.

Revenue per ASK in international medium haul flights fell by 14.3% year-on-year in the first half of 2009, due to tough price pressure from competitors and the impact of the severe decline in the class mix. In the Spain-Europe market, Business passengers slumped by 40.8% across all airlines.

In the **domestic sector,** the load factor was 71.2% in 1H09, remaining stable vs. the previous year, since the decline in the first quarter (-3.3 points) was offset by the improvement recorded in the second quarter (+2.8 points). According to the planned strategy, ASK in domestic flights operated by Iberia fell by 15.5% vs. 1H08, with a similar reduction in demand. The capacity adjustment was bigger in the first quarter (20.9%) than in the second (9.6%), due partly to the restructuring of capacity in the routes between Barcelona and Madrid which began in April 2008, as a response of the launch of the new high-speed railway service. The biggest declines in capacity and traffic came in flights between Madrid and Barcelona, 28.4% and 37.6%, respectively, with respect to the first half of 2008.

On all domestic routes, yields fell by 11.0% vs. 1H08, and revenue per ASK saw a similar decline, hampered by an increase in the average stage length in the sector (5.4%).

Cargo has been one of the worst-punished areas due to the tough economic environment, hurt by the slump in global trade. According to AEA data, RTK at all its member airlines fell by 22.1% in 1H09. At Iberia, RTK dropped 24.4% year-on-year, and the cargo load factor was 53.2%, down 14.4 points. 94.3% of all RTK was transported in the bellies of passenger aircraft (compared to 93.3% last year), 84% on transatlantic flights.

3.2. Maintenance

The economic crisis also took its toll on Iberia Maintenance. It performed a total of 82 major inspections (C and D) in the first half of 2009, 2.7% fewer than in the same period one year previously, and approximately half of these inspections were for third-parties. As for engine inspections, total output through June 2009, measured in equivalent engines, was 111.6 units, down 14.6% from the previous year. 71.3% of these inspections were for third-party engines, a seven-point increase vs. the same period in 2008.

New agreements were signed with clients in the first half of 2009, most notably the two signed by Iberia to repair and maintain Rolls-Royce engines. The first with the Russian airline Yakutia Airlines for three years, and the second with India's Blue Dart Aviation Ltd., for which Iberia will perform the maintenance and repair of three engines this summer. Iberia also signed components inspection agreements with Spanair and Finnair.

In June 2009, Iberia and ST Aerospace launched the facilities of MAeS (Madrid Aerospace Services), the company 50%-owned by Iberia and in charge of the maintenance of landing gear for Airbus aircraft. Since its operations began in September 2008, MAeS has already repaired 10 sets of landing gear, and it has received the first order from an external client.

3.3. Iberia Airport Services

The activity of Iberia Airport Services (the new name for the company's handling business) was hampered by the more sluggish activity at all airline operators and the reduction of passengers at Spanish airports. Accordingly, total weighted average aircraft handled by Iberia (not including those handled by the JVs) amounted to 166,068 in 1H09, 11.4% less than in 1H08. Handling services provided to Iberia aircraft were down 10.7%, while handling for third parties, which accounted for 54.6% of the total in terms of weighted average aircraft handled, shrank 11.9% on 1H08. Iberia handled a total of 33.9 million passengers in the first six months, a year-on-year drop of 13.9% (these figures exclude passengers handled by the JVs).

The average headcount at Iberia Airports Services was 7,041 equivalent employees in 1H09 (including 524 transferred to the Barcelona JV), 10.2% less than the previous year. Personnel productivity, measured in total man-hours per average-weighted aircraft handled and excluding employees transferred and JV production, worsened slightly (1.2%) compared to 1H08, due partly to the reinforcements called in January to mitigate the effects of the operational difficulties.

In May, at Madrid Barajas Airport's Terminal 4, the new Hub Control Centre of Iberia Airport Services was opened. This project entails integrating in a single area all parties involved in providing, managing and monitoring all handling processes in real time. In October, this control hub is scheduled to be operating at full capacity, with all the areas fully integrated. The Hub Control Centre and using the GAUDI system (Unified Integrated Development Airport Management) boosts productivity and saves resources.

4. Financial evolution

4.1. Basis of presentation of the interim consolidated financial statements

The condensed consolidated financial statements for the first half of 2009 were prepared in line with International Financial Reporting Standards (IFRS) adopted by the European Union. Iberia has maintained the same accounting rules, interpretations and principles used in preparing the annual financial statements for 2008, and for the first time applied **IFRIC 13** regarding the accounting for customer loyalty programmes. The contents of IFRIC 13 concern accounting for the obligations undertaken by the airline with respect to its customers under these programmes and establishes a standard accounting criterion. This new interpretation means the company must recognise part of the disbursement from sales as a loan linked to the value of the points from the loyalty programme, so that this part of the disbursement is only recognised as revenue once the company has fulfilled its obligations under the programme. The implementation of this new interpretation, which is compulsory for financial years beginning after 1 January 2009, had a negative impact of €25.2 million on the consolidated balance sheet's reserves, as a result of the adjustment in liabilities due to the valuation of the points prior to 2009. Furthermore, the income statement for 1H09 shows an increase of almost €5 million in passenger revenues, and in June the points earned by customers in the first half (valued at almost €11 million) were reclassified from commercial costs to lower revenues.

The **merger between Vueling Airlines, S.A.** ("Vueling") and **Clickair, S.A.** ("Clickair") was performed after 30 June and, consequently, was not included in the first-half financial statements of the Iberia group, although the valuation of the shareholding in Clickair at 30 June took into account the impact of the merger.

The merger consisted in the terminating absorption of Clickair (the merged company) by Vueling (the merging company), through the former's dissolution without settlement, and the full transfer of all its assets to the merging company which acquired, through universal succession, all the rights and obligations of the merged company. The balance sheets of Vueling and Clickair at 31 December 2008 are considered to be the merger balance sheets, and the exchange ratio of the shares of both companies (one-for-one) was based on the real value of their respective assets. The merger changes the Iberia group's consolidation scope as from July, following the liquidation of the hitherto associate Clickair, and the addition of Vueling, also as an equity-accounted affiliate.

4.2. Consolidated statements of income (not audited)

IBERIA GROUP	2nd Quarter (Apr – Jun)			1st Half (Jan – Jun)		
€ million	2009	2008	%	2009	2008	%
Profit/loss from operations (a) (c)	**-126.4**	**15.6**	**n.m.**	**-273.6**	**9.0**	**n.m.**
Revenues from operations	**1,071.4**	**1,385.7**	**-22.7**	**2,170.3**	**2,690.2**	**-19.3**
Net sales	**1,024.2**	**1,317.6**	**-22.3**	**2,073.7**	**2,567.6**	**-19.2**
Passenger revenue (b) (d)	803.7	1,061.5	-24.3	1,633.5	2,064.7	-20.9
Cargo revenue	55.5	84.8	-34.6	119.3	171.2	-30.3
Handling	67.3	71.9	-6.4	121.5	131.9	-7.9
Technical assistance to airlines	77.9	78.6	-0.9	157.5	153.4	2.6
Other revenues	19.9	20.8	-4.3	42.1	46.4	-9.3
Other operating revenues	**47.2**	**68.1**	**-30.6**	**96.6**	**122.6**	**-21.2**
Recurring	44.1	52.3	-15.7	92.6	102.8	-9.9
Non-recurring	3.1	15.8	-80.2	3.9	19.8	-80.2
Costs from operations	**1,198.3**	**1,371.2**	**-12.6**	**2,444.0**	**2,704.1**	**-9.6**
Procurements	**344.9**	**455.9**	**-24.3**	**690.8**	**834.7**	**-17.2**
Aircraft fuel	291.1	404.6	-28.1	580.1	732.1	-20.8
Aircraft spare parts	45.5	42.7	6.6	93.7	84.9	10.4
Catering materials	4.9	4.7	5.3	9.3	9.5	-1.8
Other purchases	3.4	4.0	-14.1	7.8	8.3	-6.3
Personnel expenses	**323.7**	**336.0**	**-3.6**	**650.4**	**675.6**	**-3.7**
Depreciation and amortization	**43.9**	**48.0**	**-8.5**	**88.7**	**97.3**	**-8.8**
Other operating costs	**485.8**	**531.4**	**-8.6**	**1,014.0**	**1,096.5**	**-7.5**
Aircraft leases	88.2	91.4	-3.5	183.4	194.4	-5.7
Other rentals	18.1	18.3	-1.1	36.3	38.0	-4.6
Fleet maintenance (subcontracts)	53.3	59.3	-10.1	111.0	115.3	-3.7
Commercial costs (d)	26.3	56.2	-53.3	71.1	110.9	-35.9
Traffic services	100.9	100.4	0.5	200.5	205.5	-2.4
Navigation charges	64.2	64.0	0.2	125.7	130.7	-3.9
In-flight services	14.2	17.6	-19.4	30.5	34.7	-12.2
Booking systems	34.8	35.5	-2.0	75.7	77.5	-2.4
Other costs	85.9	88.6	-3.1	180.1	189.6	-5.0
of which: Non-recurring	0.4	-2.6	115.3	0.7	1.4	-48.3
Net gains on disposals of non-current assets	**0.5**	**1.2**	**-55.9**	**0.1**	**22.9**	**-99.8**
Impairment losses (c)	**-**	**-**	**n.a.**	**-**	**-**	**n.a.**

n.a.: not applicable; n.m.: not meaningful

(a) Profit/loss from operations includes operating income, non recurring revenues and costs, as well as net gains on disposals of non-current assets and impairment losses.
(b) Passenger revenues include issued but unused tickets, previously accounted in current liabilities as customer advances, together with other minor adjustments.
(c) Following the criteria of 2008, a provision for the amount of €2.7 million which was recorded at 30 June 2008 as "Impairment losses", was reclassified as "Share of results of associates".
(d) In 2Q2009 nearly €11 million are reclassified from commercial costs to lower revenues, as a consequence of the application of IFRIC 13.

IBERIA GFROUP	2nd Quarter (Apr – Jun)			1st Half (Jan – Jun)		
€ million	**2009**	**2008**	**%**	**2009**	**2008**	**%**
Financial results (c)	**4.6**	**17.6**	**-74.1**	**23.4**	**30.6**	**-23.8**
Financial revenues	21.0	32.6	-35.5	45.7	65.1	-29.8
Financial expenses	9.2	11.4	-19.0	20.7	24.3	-15.1
Exchange gains/losses	-9.9	-0.6	n.s.	-5.7	-3.1	-82.6
Other revenues and expenses (c)	2.7	-3.1	186.7	4.0	-7.0	157.1
Share of results of associates	**-0.5**	**-4.0**	**87.2**	**-0.4**	**-11.5**	**96.2**
Profit before taxes	**-122.3**	**29.2**	**n.m.**	**-250.7**	**28.1**	**n.m.**
Taxes	49.6	-8.0	n.m.	85.3	-7.4	n.m.
Profit after taxes	**-72.8**	**21.2**	**n.m.**	**-165.4**	**20.7**	**n.m.**
Atributable to shareholders of the parent company	-72.8	21.1	n.m.	-165.4	20.6	n.m.
Atributable to minority interests	0.0	0.1	-110.5	0.0	0.1	-133.5
Basic earnings per share (euros)	-0.079	0.023	n.m.	-0.179	0.022	n.m.
Diluted earnings per share (euros)	-0.079	0.023	n.m.	-0.179	0.022	n.m.

n.m.: not meaningful.

Average weighted nº of shares in the second quarter: 925,204,737 in 2009 and 931,550,211 in 2008. In the first half: 925,204,737 in 2009 and 933,491,413 in 2008.

4.3. Revenues from operations

Revenues from operations totalled €2,170.3 million in the first half of 2009, down 19.3% year-on-year. Operating revenues (excluding non-recurring items) fell by 18.9% due mainly to the lower air traffic revenues (-21.6%), very affected by the economic recession.

Passenger revenues declined by 20.9% (€431.3 million) vs. 1H08, to €1,633.5 million. Of this figure, €1,528.8 million were revenues from flight tickets used in the period which fell by 19.4% (€367.7 million) year-on-year, due mainly to the downturn in unit revenues, the year-on-year impact of which was €212.7 million, and lower traffic volume, which accounted for a €155 million drop. Exchange rate fluctuations had a small favourable impact (€31.4 million) on passenger revenues in the first half. The three segments saw significantly lower revenues year-on-year:

Passenger revenues (a)	1st Half (Jan-Jun)		
€ million	**2009**	**2008**	**%**
Long haul	742.2	875.5	-15.2
International medium haul	431.9	548.9	-21.3
Domestic	354.7	472.0	-24.9
Total	**1,528.8**	**1,896.5**	**-19.4**

(a) Corresponding to revenues generated during the period.

The rest of passenger revenues (from unused tickets, loyalty programmes and accounting adjustments, among others) fell by €63.6 million vs. 1H08, due partly to the application of the aforementioned IFRIC 13, whose half-yearly impact was recorded in the second quarter of 2009.

Cargo revenues shrank by €51.9 million, or 30.3%, year-on-year, hit by the sharp reduction in cargo traffic (down 24.4%), a 10.9% drop in revenue per RTK and lower revenues from the subsidiary CACESA, although excess baggage revenues jumped 30.8%.

Handling revenues dropped 7.9% on the back of an 11.9% decline in activity for third parties (measured by aircraft handled), partly offset by the positive impact of the increase in average unit revenues (3.9%).

Technical assistance to airlines revenues from third-parties increased by 2.6% in the first half, due mainly to higher turnover in engine and spare parts inspections.

Other revenues narrowed 9.3%, due to lower revenue from bookings and from cargo terminals, the latter being highly correlated to freight traffic volume. **Other operating revenues- recurring** (commissions, deferred income, revenues from the provision of staff to the JVs and other sundry revenue items) declined 9.9% on 1H08, due mainly to the drop in passenger commissions on ticket sales for other carriers. Lastly, **Non-recurring revenues** totalled €3.9 million in 1H09, vs. €19.8 million one year previously (mainly from an aircraft insurance indemnity payment).

4.4. Costs from operations

In the **first half** of 2009 **costs from operations** totalled €2,444 million, down 9.6% year-on-year; **operating expenses** (recurring) fell by an equal percentage to €2,443.3 million. Thanks to the adjustment to business volume (6.3% in ASK terms) and overall actions implemented by the company, almost all expense items decreased on the previous year, most notably fuel costs (down 20.8%). The group's unit operating cost fell by 3.5% to 7.87 euro cents per ASK.

Fuel costs, which now account for 23.7% of total operating costs, came to €580.1 million in the first half of 2009, €152 million lower than in the same period of 2008. This reduction was due to: (i) the significant dip in market fuel prices; (ii) lower consumption (-8.3% measured in litres), deriving from lower activity and higher fleet efficiency, which pushed expenses down by €59.7 million; and (iii) the favourable impact of euro/dollar exchange hedges.

The market price of kerosene remained volatile in the first half of 2009: it fell during the first two months to around $400 per tonne in mid-March 2009, only to resume its upward trend, moving above $600 per tonne in June. However, its average price in dollars in the first half was still 54% lower than in the same period one year previously. The company benefited only partially from lower prices due to hedges arranged mid-2008, which covered 55% of consumption in 1H09. The impact of fuel price hedges had a negative impact of €232.8 in the fuel bill of the first six months.

Personnel expenses totalled €650.4 million in the first half (accounting for 26.6% of total operating costs), down 3.7% on the previous year, due mainly to the 4.4% reduction in the headcount, in equivalent employee terms, and to wage restraint measures. The average ground staff headcount fell by 4.7%, with reductions across the board, in particular at Iberia Airport Services (803 fewer equivalent employees vs. the average in 1H08). The average in-flight staff headcount fell by 3.4%.

IBERIA GROUP	1st Half (Jan-Jun)		
Equivalent headcount (a)	**2009**	**2008**	**%**
Ground	15,293	16,045	-4.7
Flight	5,445	5,639	-3.4
Total	**20,738**	**21,684**	**-4.4**

(a) Sum of the average headcounts at Iberia, L.A.E. (including employees transferred to the JVs) and its subsidiaries: CACESA, ALAER and Binter Finance

Iberia continues to develop its **redundancy plan** in a bid to adapt resources to the complex situation in the industry. In the first half of 2009, a total of 245 Iberia ground staff opted for one of the alternatives provided for in collective redundancy plan 72/01 (ERE for its initials in Spanish), which is voluntary for both employees and the company; most were early retirements and deferred relocations (106 in each case). Furthermore, another 26 ground staff left the company (six in Spain, under the National Employment Agreement, and the rest abroad).

In April 2009, representatives from the company's management and the trade union SEPLA-Iberia agreed to request the pilots' inclusion in the extension of the validity of ERE 72/01, in this case extending its validity until 31 December 2013. Following approval, a total of 214 technical staff aged over 60, hitherto in the reserve, left the company in the second quarter of 2009.

All of these terminations came in addition to those that occurred in 2008, 462 for all groups of employees of Iberia, of which 338 took place in the second half of the year, most being early retirements under redundancy programmes.

The table below breaks down the composition of Iberia's **operating fleet**:

OPERATING FLEET (a)	Jun - 2009	Dec - 2008	Jun – 2008
Long Haul	**32**	**33**	**33**
Owned	6	6	7
Financial lease	1	1	0
Operating lease	24	23	23
Wet lease	1	3	3
Short and Medium Haul	**81**	**86**	**95**
Owned	5	10	17
Financial lease	10	10	10
Operating lease	66	66	67
Wet lease	0	0	1
Total	**113**	**119**	**128**
Owned	11	16	24
Financial lease	11	11	10
Operating lease	90	89	90
Wet lease	1	3	4

(a) End of period, excluding inactive aircraft or in the process of redesign for its sale.
Additionally, as at 30-June-2009 Iberia, L.A.E. has a Boeing B-757 leased to other airline.

At 30 June 2009, Iberia's **operating fleet** comprised 113 Airbus aircraft, of which 32 (12 A340-600 and 20 A340-300) were operated on long-haul routes and the rest (19 A321, 40 A320 and 22 A319) covered short and medium-haul routes.

One of the measures included in the Contingency Plan is to adjust capacity to the slump in demand. As a result, the company temporarily grounded five of its Airbus A320 aircraft: four in May and another one in June. It currently operates just one A340 under wet lease, having started operating the other two with its own crew.

The company made further progress in boosting its fleet's productivity. In the second quarter of 2009, average **utilisation** of the short and medium-haul operating fleet increased by 6% year-on-year and 4.3% in 1H09. For the fleet as a whole, average utilisation/aircraft/day improved by 3.9% on 1H08.

Depreciation and amortisation charges fell by 8.8% in 1H09 to €88.7 million. Of this figure, 60.4% corresponded to fleet depreciation charges, down 13.2% due to the smaller number of aircraft on the balance sheet (phasing-out of the MD fleet concluded in October 2008).

Aircraft leases fell by 5.7% to €183.4 million through June 2009. All items under this heading contributed to this €11 million reduction on the 1H08 figure: operating leases of passenger aircraft (-€1.7 million); leasing of seats to other companies (-2.8 million); wet lease (-€4.0 million), due to fewer aircraft and block hours operated, which were down by 43.7% on 1H08; and cargo aircraft leases (-€2.6 million), with a 29.4% decline in block hours leased as a result of adapting capacity to the very weak demand. In unit terms, the aggregate cost of aircraft leasing and amortisation/depreciation fell by 0.4% to €0.88 per ASK.

Total **fleet maintenance** costs were €204.6 million, up 2.3% on 1H08, due to a 10.4% increase in spare parts consumption, mainly because of the dollar's appreciation against the euro and a higher volume of work performed in-house, which was partly offset by a 3.7% cut in the cost of external services. There was a 10.1% reduction in this last item in the second quarter, pushing overall maintenance costs down by 3.1% vs. 2Q08.

In the first half of 2009 **commercial costs** shrank significantly by €39.8 million year-on-year (down 35.9%). Almost €30 million of this decrease came in the second quarter, due partly to application of IFRIC 13 (see above) concerning the valuation of loyalty programme points, the half-yearly impact of which was accounted for in the second quarter. Commissions, promotional expenses and development expenditure fell by €33.9 million on aggregate vs. 2008 (down 35.3%), while advertising expenses were €5.9 million lower (down 40.2%). The ratio of net commercial expenses to traffic revenue narrowed 0.9 percentage points to 2.1% in 1H09.

Traffic services dipped 2.4% vs. 1H08, with year-on-year reductions in the cost of most items under this chapter: landing fees, use of jet bridges and other airport services (-€2.7 million); aircraft dispatch, levies and other traffic services (-€2.7 million); aircraft cleaning and catering equipment (-€2.8 million); and cabin crew accommodation costs and other crew stopover expenses (-€1.7 million). In contrast, expenses for discontinued flights, missed connections and baggage deliveries increased by €4.9 million year-on-year, due mainly to the operating difficulties in the first few weeks of January.

Navigation charges fell by 3.9% vs. 2008, benefiting from a reduction in both in-route navigation assistance expenses (-2.2%) and airport approach navigation fees (-11.0%), due partly to the smaller number of flights operated, but hampered by the dollar's appreciation and by higher prices.

Other rentals fell by 4.6% on 2008 (-€1.7 million), due most notably to the €1 million reduction in simulator rental costs. **Booking system expenses** also decreased in 1H09 year-on-year (-2.4%), as did **catering material expenses** (-1.8%) and **in-flight services costs** (-12.2%), the latter because of the decline of Business passengers.

Other recurring expenses totalled €179.3 million in the first half of 2009, down 4.7% year-on-year, continuing the positive trend on the back of actions devised in the Contingency Plan, and shrinking by 3.2% in the first quarter and by 6.3% in the second. Among the items under this caption are crew transportation (-€10.4 million vs. 1H08), severance (-€2.0 million), maintenance of ground equipment (-€1.8 million) and levies (-€1.6 million), among others.

4.5. Other results

"Net gain on disposals of non-current assets" amounted to €0.1 million in 1H09 vs. €22.9 million in 1H08, stemming mainly from gains on the sale of two Airbus A-320s and five MD-87s.

The **financial result** totalled €23.4 million in the first half of 2009, down €7.3 million (-23.8%) on 2008. Financial revenues fell by €19.4 million (-29.8%) on the previous year, due to the lower balance of short-term investments and lower interest rates. Financial expenses fell by €3.6 million (-15.1%) on 1H08, due mainly to lower interest on loans. Net exchange differences deteriorated by €2.6 million vs. 2008.

The valuation of financial hedging instruments at fair value under IAS 39, with changes recognised under **"Other revenues and expenses"** in the income statement, boosted net financial revenue by €4 million in 1H09, vs. a negative effect of €7 million in the same period in 2008. Following the criterion adopted at year-end 2008, a provision in the amount of €2.7 million which had been recorded at 30 June 2008 as "Impairment losses" was reclassified as "Other financial revenues and expenses".

Share of results of associated resulted in a €0.4 million loss in the first half of 2009, an improvement of €11.1 million on the 2008 loss, thanks to the good performance of Clickair and the effects of the merger with Vueling, to be recognised in July.

4.6. Contingency Plan

Iberia is executing the Contingency Plan it drew up in April to cut operating costs by around €120 million, partly offsetting the slump in revenues and reducing cash requirements by €200 million. The objectives of the Plan are threefold: to protect the income statement, defend Iberia's competitive position in its strategic markets and maintain its financial strength. To achieve this, a set of measures and actions have been devised around four main guidelines:

● Review of the short-term commercial programme, with the necessary **capacity adjustment** in line with the market situation. Thanks to its flexibility, Iberia has managed to reduce its capacity more quickly and to a greater extent than its peers. The measures include the following: using smaller aircraft on certain routes and/or at certain times; temporarily landing five A320 aircraft from the short- and medium-haul fleet and delaying the planned delivery of new aircraft, including an A340-600 which was scheduled to be added in October, to reduce capacity by more than 4%; restructuring long-haul operations, using its own crew to operate three aircraft previously operated under wet lease (one since the end of June, another in July and the last from September onwards). The company will continue to adapt its capacity to market evolution.

● **Cutting labour costs**, an indispensable step in order to adapt to the economic situation. The following measures are in place: wage freezes for management and personnel not subject to collective bargaining agreements; reduction in certain variable remuneration items; wage restraint and additional productivity measures agreed with technical crew, also a pivotal part of the negotiations on ground staff and cabin crew agreements; a hiring freeze and non-renewal of temporary contracts. Additionally, the measures contemplated in the redundancy procedure approved in 2001, have been extended.

● Radical actions to **reduce the rest of the company's expenses**, without undermining the quality of its services. All contracts with suppliers of goods and services are being reviewed, and there are plans to renegotiate prices, rationalise consumption and review procedures. All the company's businesses and areas have launched plans to cut overhead by 6%-8%.

● An in-depth **review of the investment plan** budgeted by the company. A significant number of the planned investment projects have been postponed, but all those investments aimed at enhancing customer service, such as refurbishment of VIP lounges at the main airports and improvements to long-haul cabins, have been maintained.

5. Financial position

Current financial investments, cash and cash equivalents amounted to €2,284.1 million at 30 June 2009. Excluding the fair value of hedging instruments recognised within current financial investments, which stood at €43.4 million in June 2009 and €78.9 million at the end of 2008, the liquidity is equivalent to €2,240.7 million, just 1.4% lower than the year-end 2008 figure.

The Iberia Group's **in-balance sheet net debt** remained negative, i.e. the balance of current financial assets (excluding the valuation of hedges) exceeded the total balance of interest-bearing debt in the amount of €1,703 million at 30 June 2009, vs. €1,803.3 million at 2008 year-end. At the end of 1H09, bank borrowings and finance leases totalled €537.7 million.

Adjusted net debt, including the capitalisation of operating leases (by annualising lease payments and capitalising them over 8 years and adjusting for interest capitalised on the loans to the Iberbus companies), amounted to €1,040.7 million, €28.4 million (2.8%) more than the 2008 year-end balance.

The Iberia Group's **equity** stood at €1,473.7 million at 30 June 2009, €90.2 million less than the 2008 year-end balance, due mainly to the losses of the first half of 2009.

At 30 June 2009, the consolidated balance sheet of the parent company included a €64 million reserve relating to 27,898,271 **treasury shares** (equivalent to 2.93% of share capital), with an overall nominal value of €22 million, purchased at an average price of €2.31 per share. There have been no changes with respect to 2008 year-end.

The balance of "**non-current financial assets**" fell by €133.8 million (-5.5%) compared to 2008 year-end, due to: updating the value of the shareholding in British Airways, in accordance with its fair value at 30 June (it is booked against reserves, as at year-end 2008); updating the value of derivative financial instruments; refund of fleet predelivery payments; and transfer of Iberbus loans to current.

6. Relevant events after 30 June 2009

- Iberia's Board of Directors met on 9 July 2009 accepted the voluntary resignation of its chairman, Fernando Conte, and agreed to appoint Antonio Vázquez Romero, a member of the Board between 2005 and 2007, as the new company's Chairman of the Board & Chief Executive Officer. During the same meeting, the Board of Directors appointed Rafael Sánchez-Lozano, a member of the Board of Directors since 2007, as Chief Operating Officer.

- On 9 July Clickair's operations were integrated into Vueling, which now has a fleet of 35 Airbus A320 aircraft operating 92 routes to 45 leading airports in 17 countries in Europe and North Africa.

- On 16 July, the deed of merger by absorption of Clickair (the merged company) by Vueling (the merging company) was registered at the Barcelona Mercantile Register. Registration of the merger signalled the formal termination of Clickair and the block transfer of all its assets to Vueling, which acquired the rights and obligations of the merged company through universal succession.

- Continuing with the merger process, and following the exception authorised by the CNMV allowing Iberia to not launch a takeover, Clickair converted the existing preference shares into ordinary shares, grouping them together into a single series, each with a par value of 10 euros. Clickair later performed a capital increase in the amount of €25 million, and Iberia acquired the stakes of the rest of Clickair's shareholders, except for Nefinsa, at the updated acquisition price. Vueling performed a capital increase in the amount necessary to swap the shares, which only Clickair shareholders could accept. Now that Clickair shares have been exchanged for new Vueling shares (22 July), Iberia owns 45.85% of Vueling's share capital; the other core shareholders are Inversiones Hemisferio (14.3%) and Nefinsa (4.15%).

7. Main risks and uncertainties for the second half 2009

According to the latest IMF World Economic Outlook, the global economy is beginning to stabilise, due to unprecedented levels of support from governments via financial and macroeconomic policies. However, the recession is not over yet and the recovery will be slow and uneven. The IMF expects global activity to shrink by 1.4% in FY09, and forecasts that advanced economies will not post sustained growth in activity until the second half of 2010. Various bodies agree that the Spanish economy will emerge from the crisis later, and the latest projections point to 3.6%-4.2% GDP contraction in 2009. In particular, GDP in the Spanish tourist industry will shrink by 5.6% in 2009 (according to Exceltur), and the decline will ease off somewhat in the second half of the year. Consequently, the economic recession, which has had a dramatic impact on global air transport since the end of 2008, will continue to hamper the development of demand and the quality of revenues due to lower business traffic, and as a result the industry's profitability in the second half of 2009 will continue to be eroded.

The International Air Transport Association (IATA) sees growing signs that the decline in global air traffic is stabilising, having seen the biggest setbacks in the first quarter of 2009, but the recovery in the next few months will still encounter difficulties. Passenger traffic will have to overcome high levels of consumer debt and austerity policies at companies, which will continue to hamper business traffic. IATA forecasts an 8% drop in passenger volume in 2009. As for cargo, the outlook in the next few months has improved, in line with an incipient recovery in global trade, and a modest improvement is expected in the next few months. Despite this positive projection, IATA estimates a 17% fall in air cargo traffic for FY09.

IATA forecasts that revenues will continue to be weaker than traffic volume and that this situation will persist into 2010. Despite companies' efforts to adjust capacity to the rapidly slumping demand, there have been widespread declines in load factors, which have pushed fares significantly downwards. For the industry as a whole, passenger yield is expected to slide by 7% in 2009, and cargo yield by 11%. Consequently, airlines' revenues are expected to decline by more than 15%. Losses at airlines were bigger than expected in the first half of the year, and oil prices have also started to climb, probably because markets are pricing in an economic recovery. As a result, IATA's latest forecast (in June) points to major losses for the industry in 2009, which could amount to as much as $9 billion.

Another element of uncertainty is the possible impact of the swine flue on global air traffic in the next few months. This impact has so far been limited. However, should the disease spread more quickly or the mortality rate start to rise, the virus could become a major factor in preventing air travel.

Against this challenging operating backdrop, the Iberia Group has implemented a **Contingency Plan** designed to mitigate the negative effects of these adverse factors. Among other measures, Iberia plans to continue adjusting its capacity during the second half, as traffic is expected to stay weak. Reviewing the flight programme will bring a reduction of more than 5% in total ASK vs. 2H08; capacity volume will be reduced by more than 4% on long-haul, 8.4% on international medium-haul and 4.6% on domestic routes. These adjustments will adapt to market evolution. Once the capacity review has ensured load factor stability, the company will focus its efforts on trying to halt the sharp decline in yield, and on continuing to cut all costs.

Iberia's Maintenance and Engineering and Iberia Airport Services businesses will continue to implement cost-cutting measures, while at the same time ensuring that service quality is not compromised. Although its markets are expected to continue to suffer from sluggish demand, in the second half of 2009 both of these businesses will provide services to Vueling. This company, a new Iberia investee, has good prospects for the second half of 2009, when it will be able to develop the potential revenue and cost synergies from its merger with Clickair. Furthermore, Vueling and Iberia are scheduled to begin operating from the new Terminal T1 at Barcelona-El Prat Airport in September, which will enable the use of facilities and processes that will boost quality for customers.

Iberia undertakes risk's control and management initiatives, establishing systems that enable it to identify, evaluate, manage and mitigate the main risks affecting its various businesses. Specifically, Iberia operates a global non-operating risk management programme designed to control and diminish the potential impact of swings in fuel prices, exchange rates and interest rates on its income statement. The company has kerosene hedges on 70% of planned consumption in the second half of 2009, most of which were set up in mid-2008.

Following the signing of the VII Collective Bargaining Agreement for technical crew, the company's management is now holding talks with representatives of ground staff and cabin crew to negociate the terms of the new agreements. The management's main aim in these talks is to increase productivity and implement wage restraint, which is indispensable.

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Iberia Group

Condensed interim consolidated financial statements and management report for the six months ended 30 June 2009

IBERIA GROUP

CONDENSED CONSOLIDATED BALANCE SHEET AT 30 JUNE 2009 AND 31 DECEMBER 2008

(Millions of euros)

ASSETS	Notes	(*) 30/06/2009	31/12/2008	EQUITY AND LIABILITIES	Notes	(*) 30/06/2009	31/12/2008
NON-CURRENT ASSETS:				**EQUITY:**			
Intangible assets		**47**	**52**	**Share capital**	**7**	**743**	**743**
Property, plant and equipment		**1,098**	**1,118**	**Share premium**		**120**	**120**
Aircraft fleet		755	779	**Reserves of the Parent**		**807**	**694**
Other items of property, plant and equipment		343	339	**Reserves at fully consolidated companies**		**1**	**(5)**
Investments in associates		**17**	**17**	**Reserves at companies accounted for using the equity method**		**(35)**	**(21)**
Non-current financial assets	**5**	**523**	**672**	**Profit attributable to the Parent**		**(165)**	**32**
Deferred tax assets		**632**	**591**	Consolidated profit for the period		(165)	32
Total non-current assets		**2,317**	**2,450**				
				Equity attributable to shareholders of the Parent		**1,471**	**1,563**
				Minority interests		**3**	**1**
				Total equity		**1,474**	**1,564**
				NON-CURRENT LIABILITIES:			
				Long-term provisions	**8**	**1,246**	**1,283**
				Non-current payables	**6**	**326**	**403**
				Deferred tax liabilities		**1**	**1**
				Non-current accrued expenses and deferred income	**1.b**	**230**	**78**
				Total non-current liabilities		**1,803**	**1,765**
				CURRENT LIABILITIES:			
CURRENT ASSETS:				**Current payables**	**6**	**494**	**640**
Non-currents assets classified as held for sale		**10**	**11**	**Customer advances**		**551**	**394**
Inventories		**201**	**224**	**Trade and other payables**		**1,150**	**1,254**
Account receivable		**651**	**586**	Suppliers and sundry accounts payable		785	970
Financial assets	**5**	**644**	**1,751**	Remuneration payable		164	159
Other assets		**16**	**12**	Tax payables		201	125
Cash and cash equivalents		**1,640**	**600**	**Current accrued expenses and deferred income**		**7**	**17**
Total current assets		**3,162**	**3,184**	**Total current liabilities**		**2,202**	**2,305**
TOTAL ASSETS		**5,479**	**5,634**	**TOTAL EQUITY AND LIABILITIES**		**5,479**	**5,634**

(*) Not audited

The accompanying explanatory notes 1 to 12 are an integral part of the interim condensed consolidated balance sheet

IBERIA GROUP

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 2008
(Millions of Euros)

	Notes	(*) 30/06/2009	(*) 30/06/2008
Revenue	**11**	**2,074**	**2,568**
Other operating income-		**97**	**123**
Recurring	**11**	93	103
Non-recurring		4	20
Procurements-		**(691)**	**(835)**
Recurring		(691)	(835)
Satff costs		**(651)**	**(676)**
Recurring		(651)	(676)
Depreciation and amortisation charge		**(89)**	**(97)**
Other operating expenses-		**(1,014)**	**(1,097)**
Recurring		(1,013)	(1,095)
Non-recurring		(1)	(2)
Net gains on disposal of non-current assets	**4**	**-**	**23**
Impairment losses		**-**	**(3)**
RECURRING ORDINARY PROFIT		**(277)**	**(32)**
PROFIT FROM OPERATIONS		**(274)**	**6**
Finance income		46	65
Finance costs		(20)	(24)
Exchange differences (gains and losses)		(6)	(3)
Share of results for the year of associates		-	(12)
Other income and expenses		4	(4)
PROFIT BEFORE TAX		**(250)**	**28**
Income tax		85	(7)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		**(165)**	**21**
Attributable to:			
Shareholders of the parent		(165)	21
BASIC EARNINGS PER SHARE (euros)		**(0.179)**	**0.022**
DILUTED EARNINGS PER SHARE (euros)		**(0.179)**	**0.022**

(*) Not audited

The accompanying explanatory notes 1 to 12 are an integral part of the interim condensed consolidated balance sheet

IBERIA GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 2008

(Millions of Euros)

	(*) 30/06/2009	(*) 30/06/2008
CONSOLIDATED PROFIT FOR THE YEAR	**(165)**	**21**
INCOME AND EXPENSES RECOGNISED DIRECTLY IN EQUITY		
Measurement of financial instruments:	**(49)**	**(5)**
Available-for-sale financial assets	(49)	(5)
Cash flow hedges	**(39)**	**(52)**
Tax effect	**26**	**17**
	(62)	**(40)**
TRANSFERS TO THE CONSOLIDATED INCOME STATEMENT		
Cash flow hedges	**229**	**32**
Tax effect	**(69)**	**(10)**
	160	**22**
TOTAL RECOGNISED INCOME/(EXPENSES)	**(67)**	**3**

(*) Not audited

The accompanying explanatory notes 1 to 12 are an integral part of the interim condensed consolidated balance sheet

IBERIA GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 2008

(Mililons of Euros)

			Reserves of the Parent					Reserves at						
	Share Capital	Share Premium	Adjustment of Share Capital to Euros	Legal Reserve	Treasury Shares	Voluntary Reserves	Valuation Adjustments	Fully Consolidated Companies	Companies Accounted for Using the Equity	Conversion Differences	Profit	Total	Minority Interests	Total Equity
Balances at 31 December 2007	**743**	**120**	**1**	**148**	**(19)**	**776**	**(89)**	**(12)**	**10**	**(1)**	**327**	**2,004**	**1**	**2,005**
Total recognised income and expenses	-	-	-	-	-	-	(18)	-	-	-	21	3	-	**3**
Transactions with owners														
Distribution of profit:														
To reserves	-	-	-	1	-	192	-	7	(31)	-	(169)	-	-	-
To dividends	-	-	-	-	-	-	-	-	-	-	(158)	(158)	-	**(158)**
Changes in treasury shares	-	-	-	-	(43)	-	-	-	-	-	-	(43)	-	**(43)**
Other changes	-	-	-	-	-	1	-	-	-	-	-	1	-	**1**
Balances at 30 June 2008 (*)	**743**	**120**	**1**	**149**	**(62)**	**969**	**(107)**	**(5)**	**(21)**	**(1)**	**21**	**1,807**	**1**	**1,808**
Balances at 31 December 2008	**743**	**120**	**1**	**149**	**(64)**	**965**	**(357)**	**(5)**	**(21)**	**-**	**32**	**1,563**	**1**	**1,564**
Adjustments for first application of IFRIC 13 (Note 1)	-	-	-	-	-	(25)	-	-	-	-	-	(25)	-	**(25)**
Adjusted balances at 1 January 2009	**743**	**120**	**1**	**149**	**(64)**	**940**	**(357)**	**(5)**	**(21)**	**-**	**32**	**1,538**	**1**	**1,539**
Total recognised income and expenses	-	-	-	-	-	-	**98**	-	-	-	**(165)**	(67)	-	**(67)**
Transactions with owners														
Distribution of profit:														
To reserves	-	-	-	-	-	40	-	6	(14)	-	(32)	-	-	-
Other changes	-	-	-	-	-	-	-	-	-	-	-	-	2	**2**
Balance at 30 June 2009 (*)	**743**	**120**	**1**	**149**	**(64)**	**980**	**(259)**	**1**	**(35)**	**-**	**(165)**	**1,471**	**3**	**1,474**

(*) Not audited

The accompanying explanatory notes 1 to 12 are an integral part of the interim condensed consolidated balance sheet

IBERIA GROUP

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2009 AND 2008

(Millions of Euros)

	(*) 30/06/2009	(*) 30/06/2008
OPERATING ACTIVITIES (I)	**(111)**	**183**
Consolidated profit before tax	**(250)**	**28**
Adjustments for-	**70**	**92**
- Depreciation and amortisation	89	97
- Impairment losses	-	3
- Changes in provisions	36	40
- Gains/losses on recognition and disposal of non-current assets	-	(22)
- Financial income	(46)	(65)
- Financial costs	20	24
- Exchange differences	-	1
- Change in fair value of financial instruments	(4)	4
- Other income and expenses	(25)	10
Changes in working capital	**107**	**57**
- Inventories	22	(38)
- Trade and other receivables	(67)	(161)
- Other current assets	(34)	(7)
- Trade and other payables	53	260
- Other current liabilities	(27)	-
- Other non-current assets and liabilities	160	3
Other cash flows from operating activities	**(38)**	**6**
- Interest paid	(10)	(10)
- Dividends received	-	1
- Interest received	45	83
- Other amounts received (paid)	(73)	(68)
CASH FLOWS FROM INVESTING ACTIVITIES (II)	**(72)**	**(71)**
Payments due to investment	**(108)**	**(232)**
- Group companies and associates	-	(37)
- Intangible assets	(5)	(3)
- Property, plant and equipment	(52)	(63)
- Other financial assets	(51)	(129)
Proceeds from disposal	**36**	**161**
- Property, plant and equipment	4	67
- Other financial assets	13	39
- Other assets	19	55
CASH FLOWS FROM FINANCING ACTIVITIES (III)	**75**	**(242)**
Proceeds and payments relating to equity instruments	**2**	**(42)**
- Proceeds from issue of equity instruments	2	-
- Purchase of treasury shares	-	(43)
- Disposal of treasury shares	-	1
Proceeds and payments relating to financial liability instruments	**73**	**(63)**
- Proceeds from issue of bank borrowings	193	30
- Repayment of bank borrowings	(120)	(93)
Dividends and returns on other equity instruments paid	**-**	**(137)**
- Dividends	-	(137)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES (IV)	-	-
NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III+IV)	**(108)**	**(130)**
Cash and cash equivalents at beginning of year	2,182	2,834
Cash and cash equivalents at end of year	2,074	2,704

(*) Not audited

The accompanying explanatory notes 1 to 12 are an integral part of the interim condensed consolidated balance sheet

Iberia Group

Explanatory notes to the condensed interim consolidated financial statements for the six months ended 30 June 2009

1. Corporation information, basis of presentation of the condensed interim consolidated financial statements and other information

a) Corporate information

Iberia, Líneas Aéreas de España, S.A. engages mainly in the air transport of passengers and freight. It also performs other complementary activities, the most noteworthy of which include passenger and aircraft handling at airports and aircraft maintenance.

As a carrier of passengers and cargo, Iberia, Líneas Aéreas de España, S.A. operates through a large network serving three main markets: Spain, Europe and the Americas.

Iberia, Líneas Aéreas de España, S.A. is a fully-fledged member of the Oneworld alliance, one of the world's largest airline groups, which facilitates the globalisation of its air transport business.

In addition to the activities carried out directly by Iberia, Líneas Aéreas de España, S.A. and for the purpose of complementing them or developing transport-related business activities, various companies have been incorporated which compose the Iberia Group of which Iberia, Líneas Aéreas de España, S.A. is the Parent.

The registered office of Iberia, Líneas Aéreas de España, S.A. is located in Madrid and since April 2001, its shares have been listed on the Spanish stock market.

The Group's consolidated annual financial statements for 2008 were approved by shareholders at the Annual General Meeting held on 3 June, 2009.

b) Basis of presentation of the condensed interim consolidated financial statements

In accordance with Regulation (EC) no. 1606/2002 of the European Parliament and of the Council, dated 19 July 2002, all companies governed by the law of an EU Member State whose securities are listed on a regulated market of any Member State, must present their consolidated financial statements for the financial years beginning on or after 1 January 2005 in conformity with the International Financial Reporting Standards (IFRSs) adopted previously by the European Union.

The consolidated financial statements for 2008 were prepared by the Company's directors in accordance with IFRSs as adopted by the European Union, taking into account the consolidation principles, accounting policies and measurement bases described in Notes 3 and 5 of the notes to those consolidated financial statements, so that they present fairly the Group's consolidated equity and financial position at 31 December, 2008 and the results of its operations, the changes in its consolidated equity and its consolidated cash flows in the year then ended.

The accompanying condensed interim consolidated financial statements are presented in accordance with IAS 34 *Interim Financial Reporting* and have been prepared by the directors of the Parent on 27 August 2009 in accordance with Article 12 of Royal Decree 1362/2007.

In accordance with IAS 34, the interim financial report is intended to provide an update on the Group's latest complete set of annual financial statements, focusing on new activities, events, and circumstances and does not duplicate information previously reported in the Annual Report 2008. Therefore, for a better understanding of the information included in these condensed interim consolidated financial statements, they should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2008.

The same accounting policies and methods of computation were followed in the preparation of these condensed interim consolidated financial statements as those followed in the preparation of the Group's consolidated annual financial statements for the year ended 31 December 2008, except for the following standards and interpretations that came into effect the first half of 2009:

New effective accounting standards

In the first half of 2009 the following standards, amendments and interpretations, which, where applicable, were used by the Group to prepare the condensed interim consolidated financial statements.

1. IFRIC 13 *Customer Loyalty Programmes*. This interpretation addresses accounting by entities that grant loyalty award credits (such as "points" or travel miles) to customers who buy other goods or services. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services ("awards" to customers who redeem award credits).

   In accordance with this interpretation, Iberia, Líneas Aéreas de España, S.A. recognises points from its IBERIA PLUS programme separately, as an identifiable component of its airline ticket sales. The points are measured at fair value and initially shown as deferred revenue under "Non-current Accruals and Deferred Income" on the liability side of the balance sheet. Until the annual period ended 31 December 2008, the amount of proceeds allocated to the award credits was recognised as an expense under "Other Operating Expenses - Recurring" in the income statement. When customers participating in the programme redeem their points, the Group recognises revenue in the income statement. When recognising revenue from the redeemed points, both the amount of points effectively redeemed and the estimated percentage of unused points by participants in the IBERIA PLUS programme are taken into account. Currently, it is estimated that 18 percent of the points issued will not be redeemed, based on the Group's historical experience since the programme's inception.

   To determine the fair value of the points, Iberia Líneas Aéreas de España, S.A. has taken into account both the fares of its own flights and the agreements with other entities participating in the IBERIA PLUS programme. These agreements set the prices at which these entities will charge Iberia, Líneas Aéreas de España, S.A. for the points redeemed by users of the IBERIA PLUS programme for use of the services provided by these entities.

   Iberia, Líneas Aéreas de España, S.A. has applied the interpretation contained in IFRIC 13 in prospectively from 1 January 2009, since it was not possible to assess all the effects of applying it retroactively. The impact at that date entailed a charge of approximately EUR 36 million to "Reserves of the Parent" in the condensed consolidated balance sheet. The related tax effect was recognised as a credit to this same line item of approximately EUR 11 million.

   At 30 June 2009, the amount payable related to the fair value of the unused points by beneficiaries of the IBERIA PLUS programme of EUR 156 million was recognised in "Non-current Accruals and Deferred Income" on the accompanying condensed consolidated balance sheet.

2. IFRS 8 *Operating segments*. This standard has replaced IAS 14. The main change is that IFRS 8 requires entities to adopt a "management perspective" in reporting on the financial performance of their business segments. In general terms, the information to be disclosed will be the same as that used internally by management to assess the performance of the segments and allocate resources to it.

   The application of IFRS 8 has resulted in more segment information being reported than in the condensed interim consolidated financial statements for the six months ended 30 June 2008 (see note 11), but did not have any impact with respect to the information presented in the consolidated annual financial statements for 2008 or on the results of the Group's operations or its financial position.

3. In addition, since 1 January 2009, the following new standards, amendments, or interpretations are being applied: Revised IAS 23 - *Borrowing Costs,* Revised IAS 1 - *Presentation* of Financial Statements, Amended IFRS 2 - *Share-based Payment*, Amended IAS 32 and IAS 1 - *Financial*

instruments puttable at fair value and obligations arising on liquidation, IFRIC 14 and IAS 19 *The limit on a defined benefit asset, minimum funding requirements and their interaction*, and IFRIC 16 *Hedges of a net investment in a foreign operation*. The content of these standards and interpretations is included in Note 3 of the notes to the Group's consolidated financial statements for 2008 and their entry into force has had no impact on the group.

c) Use of estimates

The consolidated results and determination of consolidated equity depend on the accounting principles and policies, measurement bases and estimates made by the directors of the Parent in the preparation of the condensed interim consolidated financial statements. The main accounting policies and measurement bases are indicated in Note 5 of the notes of the consolidated annual financial statements for 2008.

In the condensed interim consolidated financial statements, estimates were occasionally made by the senior managers of the Parent and of the consolidated companies in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates, based on the best information available, relate basically to the following:

1. Income tax expense which, in accordance with IAS 34, should be recognised based on the best estimate of the weighted average annual income tax rate the Group expects for the full financial year.

2. The assessment of potential impairment losses on certain assets.

3. The assumptions used in the actuarial calculation of the liabilities for obligations to employees.

4. The useful life of property, plant and equipment and intangible assets.

5. The methods used to measure certain assets.

6. The amount of tickets and traffic documents sold that will not finally be used.

7. The calculation of the accrued liability at the reporting date in relation to the value of the unused points granted to holders of "Iberia Plus" loyalty cards.

8. The calculation of provisions.

9. The market value of certain financial instruments.

Although these estimates were made on the basis of the best information available at 30 June 2008 on the events analysed, events that take place in the future might make it necessary to change these estimates (upwards or downwards) at year-end 2009 or subsequent years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8, with the effects of the change in estimates recognised in the related consolidated income statement.

d) Provisions and contingent liabilities

Note 11 in the notes to the Group's consolidated financial statements for the year ended 31 December 2008 provides information on provisions and contingent liabilities at that date.

e) Comparative information

The information contained in the accompanying condensed interim consolidated financial statements for the six month periods ended 30 June 2008 and 31 December 2008 are presented exclusively for comparison purposes with the six-month period ended 30 June 2009.

As noted in the consolidated annual financial statements of 2008, in preparing the consolidated cash flow statement the Group considered “Cash and Cash Equivalents” to be the balances included under “Cash and Cash Equivalents” and under “Other Financial Assets - Held-To-Maturity Investments” which differs from the criteria used in the condensed interim consolidated financial statements for the six months ended 30 June 2008, in which only the amounts included in the “Cash and Cash Equivalents” was considered. Therefore, the format of the aforementioned cash-flow statement has been adapted to the format of the consolidated annual financial statements for 2008. As a result, the condensed consolidated cash flow statement for the six months ended 30 June 2008 included in these half-yearly financial statements has been modified in order to facilitate comparisons.

f) Seasonality of Group operations

Given the businesses of the companies comprising the Group, its transactions are seasonal in nature. This seasonality is decreasing due to the growth of the Parent as a global carrier, with leisure travel accounting for an increasingly smaller and business and other travel an increasingly larger percentage of the total.

g) Relative significance

To determine the disclosures in the explanatory notes of the various income statement items or other issues, the Group, in accordance with IAS 34, has considered the significance in relation to the condensed interim consolidated financial statements for the six-month period.

h) Events after the balance sheet date

Since 30 June 2009 to the date these interim consolidated financial statements were prepared, the Parent has increased its stake in Clickair, S.A. and now holds 95% of this company’s share capital. This increased stake was the result of new contributions to the share capital of Clickair, S.A., to the conversion of preference shares in Clickair, S.A. held by Iberia, Líneas Aéreas de España, S.A. into ordinary shares, and to the acquisition of the stakes held by three of the remaining four shareholders in Clickair, S.A. The total paid out by Iberia, Líneas Aéreas de España, S.A. as a result of these transactions amounted to approximately EUR 59 million.

In July 2009, Iberia, Líneas Aéreas de España, S.A. contributed all the shares it held in Clickair, S.A. to subscribe to the rights issue carried out by Vueling Airlines, S.A., acquiring a 45.85% stake in that company.

i) Condensed consolidated cash flow statement

The following terms, with the meanings specified, are used in the consolidated cash flow statements, which were prepared using the indirect method:

1. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

2. Operating activities: the principal revenue-producing activities of the Group and other activities that are not investing or financing activities.

3. Investing activities: the acquisition and disposal of long-term assets and other investments that are not considered to be cash equivalents.

4. Financing activities: activities that result in changes in the size and composition of the consolidated net equity and borrowings of the Group companies that are not operating activities.

2. Changes in Group structure

Note 2 in the notes to the Group’s consolidated financial statements for the year ended 31 December 2008 provides information on the Group companies that were consolidated at that date and on companies accounted for using the equity method.

During the first six months of 2009 there were no changes to the consolidation scope except the increase in the stake held in Air Miles Group, following the purchase of 90 new shares in the company for approximately EUR 1 million. The Parent's stake in the Air Miles group has increased to 33%.

3. Dividends paid by the Parent

a) Dividends paid by the Parent

In the first six months of 2009, the Parent did not pay out or agree to pay out any dividends.

b) Earnings per share from ordinary activities

Basic earnings per share

Basic earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of ordinary shares outstanding during the period, excluding the average number of treasury shares held, during the period.

Accordingly, the basic earnings per share for the six months ended 30 June 2009 and 2008 are as follows:

	30/06/09	30/06/08
Profit attributable to the Parent (millions of euros)	(165)	21
Weighted average number of shares outstanding (shares)	925,204,737	933,491,413
Basic earnings per share (euros)	**(0.179)**	**0.022**

Diluted earnings per share

Diluted earnings per share are calculated by dividing net profit attributable to the Parent by the weighted average number of shares that would have been outstanding during the year if at the beginning of the year all the convertible financial instruments issued by the Parent and outstanding at the end of the year had been converted into ordinary shares of the Parent.

Accordingly, diluted earnings per share were determined as follows:

	30/06/09	30/06/08
Profit attributable to the Parent (millions of euros)	(165)	21
Average number of shares outstanding (shares)	925,204,737	933,491,413
Dilutive effect of:		
Adjusted profit for the calculation of diluted earnings per share (millions of euros)	-	21
Adjusted average number of shares for the calculation of Diluted earnings per share (euros)	925,204,737	933,588,509
Diluted earnings per share (euros)	**(0.179)**	**0.022**

4. Property, plant and equipment

a) Acquisitions and disposals - Aircraft

In the first six months of 2009, the Parent acquired an engine for an A-319 aircraft at a cost of EUR 3 million and an engine for A-340-600 aircraft at a cost of EUR 11 million.
In addition, it derecognised the damaged engine of an A-320 aircraft, for which the Parent recognised a gain of EUR 1 million from the related insurance policy, under "Net Gains on Disposal of Non-Current Assets" in the accompanying consolidated income statement.

Furthermore, it has derecognised two B-747 aircraft, which were grounded at 31 December 2008, and whose carrying amounts were zero.

b) Aircraft allowances

In order to provide for possible impairment losses for planned aircraft disposals, the Group records allowances to adjust the carrying amount of the aircraft to be derecognised to their net realisable value. The main allowances recorded are as follows:

Aircraft	Millions of euros	
	Balance at 30/06/09	Balance at 31/12/08
B-747	11	35
Other	4	4
	15	**39**

The net carrying amount of the B-747 aircraft is zero.

c) Obligations and other guarantees on aircraft

The Parent uses four aircraft under operating leases, the payments under which secure, together with the aircraft, the repayment of a bond issue launched by the lessor in the European market in 2000. At 30 June 2009, EUR 47 million of the bonds had not yet been repaid.

In addition, the Parent guarantees the use of 20 aircraft under operating or finance leases for periods of between 9 and 14 years vis-à-vis the subscribers of a bond issue, with outstanding amounts at 30 June December 2009 of USD 94 million and EUR 120 million.

The Group has signed various agreements with Airbus for the acquisition of A-320 and A 340 aircraft. The aircraft not yet delivered at 30 June 2009 and the year in which they are scheduled to be added to the fleet are as follows:

Type of aircraft	2009	2010	2011	2013	Total
A-320	-	3	3	4	10
A-340-600	2	2	-	-	4
	2	**5**	**3**	**4**	**14**

Based on the basic prices established in the agreements, the total cost of the aircraft subject to firm purchase commitments not yet delivered at 30 June 2009 amounted to approximately EUR 1,059 million. In addition, the Parent has options on 19 A-320 aircraft. Commitments acquired by the Parent to add these aircraft entailed EUR 188 million of prepayments recognised under “Other Non-Current Financial Assets” in the condensed consolidated balance sheet (see Note 5).

d) Aircraft in service

Following is a summary of the Group's aircraft in service at 30 June 2009:

Type of Aircraft	Owned	Under Finance Lease	Under Operating Lease	Under Wet Lease (a)	Total
A-319	-	-	22	-	22
A-320	5	6	29	-	40
A-321	-	4	15	-	19
A-340-300	6	1	13	1	21
A-340-600	-	-	12	-	12
	11	**11**	**91**	**1**	**114**

(a) Lease type which includes the aircraft, maintenance, technical crews and insurance.

The foregoing table excludes a B-747 aircraft owned by the Parent which was grounded at 30 June 2009, because it was to be sold or scrapped. It has a carrying amount of zero. It also excludes the MD aircraft discussed in the paragraph on “Non-Current Assets Classified as Held for Sale" at the end of this Note.

Similarly, the table excludes two A-319 aircraft, two A-320 aircraft and one A-340-600 aircraft, which at 30 June 2009 were grounded and pending their formal reception. In addition, it excludes the five A-320 aircraft owned by the Parent which were temporarily grounded in the first six months of 2009 as a result of the drop in air traffic.

e) Aircraft operated under operating lease and wet leases

In the first six months of 2009, the Parent cancelled the wet leases for two A-340-300 aircraft, which are now operated under operating leases.

In addition, as a result of the expiry of the lease, an A-320 aircraft was returned to the lessor. At 31 December 2008, this aircraft was grounded, awaiting its return to the lessor. Another aircraft in this fleet, which at the end of the previous year had been subleased to another carrier, was also returned.

Following are the expiry dates of the aircraft operating leases:

Aircraft	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	Number of Aircraft
A-319	-	-	-	6	10	3	-	-	-	-	3	22
A-320	1	1	1	2	6	2	2	5	-	-	9	29
A-321	-	-	-	-	1	-	2	3	2	1	6	15
A-340-300	1	3	1	3	1	3	1	-	-	-	-	13
A-340-600	-	-	-	-	-	-	3	2	3	4	-	12
Total	**2**	**4**	**2**	**11**	**18**	**8**	**8**	**10**	**5**	**5**	**18**	**91**

In addition to the foregoing aircraft, the Parent has arranged an operating lease for a B-757 aircraft, which at 30 June 2009 was subleased to another airline.

The estimated total amount of the future payments on the operating leases of these aircraft is EUR 1,636 million.

Certain of the operating lease contracts include a purchase option on the aircraft that can be exercised during the lease term, and the possibility of extending the lease for periods ranging from one to nine years. At the date of preparation of these condensed interim consolidated financial statements, the Parent's directors did not intend to exercise the purchase options or to request or avail of the extensions considered in the aforementioned contracts that would involve the use of the aircraft concerned for periods exceeding 16 years.

f) Assets held under finance lease

At 30 June 2009, there were items of property, plant and equipment acquired under finance lease, mainly aircraft, for a total cost of EUR 407 million and accumulated depreciation of EUR 115 million (at 31 December 2008: cost of EUR 408 million and accumulated depreciation of EUR 104 million).

g) Non-current assets not in service

The Group maintains certain assets in the condensed consolidated balance sheet, mainly aircraft and engines, which are not in service. The cost of these assets, EUR 78 million, is fully covered by the related depreciation and the impairment losses and provisions recognised.

h) Non current assets classified as held for sale

All balance recognised under this heading in the accompanying condensed consolidated balance sheet relates to the Parent's MD aircraft and engines to be sold foreseeably in 2009, 2010 and 2011 under the sales contracts for this fleet in force at 30 June 2009. At 30 June 2009, these planes were not in service.

In the first six months of 2009, the Parent sold five engines from this fleet, recognising a gain of EUR 1 million under "Net Gains on Disposal of Non-Current Assets" in the accompanying condensed consolidated income statement.

5. Financial assets

The detail of the Group's financial assets at 30 June 2009 and 31 December 2008, by nature and classification for measurement purposes, is as follows:

Financial assets:	Millions of euros				
	30/06/09				
Nature / Classification	Equity instruments	Loans and receivables	Derivatives	Other Financial Assets	Total
Long-term financial instruments					
Loans and receivables	12	95	-	207	315
Available-for-sale financial assets					
- At fair value	170	-	-	-	170
- At cost	16	-	-	-	15
Derivatives	-	-	23	-	23
Long-term / non-current	**198**	**95**	**23**	**207**	**523**
Short-term financial instruments					
Held-to-maturity investments	-	-	-	434	434
Loans and receivables	-	59	-	108	167
Derivatives	-	-	43	-	43
Short-term / current	**-**	**59**	**43**	**542**	**644**

Financial assets: Nature / Classification	Millions of euros 31/12/08				
	Equity instruments	Loans and receivables	Derivatives	Other Financial Assets	Total
Long-term financial instruments					
Loans and receivables	12	123	-	238	373
Available-for-sale financial assets					
- At fair value	219	-	-	-	219
- At cost	16	-	-	-	16
Derivatives	-	-	70	(6)	64
Long-term / non-current	**247**	**123**	**70**	**232**	**672**
Short-term financial instruments					
Held-to-maturity investments	-	-	-	1,582	1,582
Loans and receivables	-	34	-	56	90
Derivatives	-	-	79	-	79
Short-term / current	**-**	**34**	**79**	**1,638**	**1,751**

Non-current available-for-sale assets - At fair value

In the first six months of 2009, the company recorded a provision of EUR 49 million to recognise the investment in British Airways Plc at fair value, calculated based on its share price at 30 June 2009, before tax, charged to "Equity - Reserves of the Parent" in the accompanying condensed consolidated balance sheet. At 30 June 2009 the net carrying amount of the investment was EUR 168 million.

Current held-to-maturity investments

The decrease in the balance of the "Current Financial Assets - Held-to-Maturity Assets" between 31 December 2008 and 30 June 2009 is due mainly to the expiry of assets in a period of less than three months and their subsequent classification under "Cash and Cash Equivalents" on the condensed consolidated balance sheet at 30 June 2009.

6. Financial liabilities

The detail of the Group's financial liabilities at 30 June 2009 and 31 December 2008, by nature and classification for measurement purposes, is as follows:

Financial liabilities: Nature / Classification	Millions of euros 30/06/09				
	Bank Borrowings	Finance lease	Derivatives	Other Financial Liabilities	Total
Long term debt	24	236	64	2	326
Short term debt	248	29	211	6	494
Total	**272**	**265**	**275**	**8**	**820**

Financial liabilities: Nature / Classification	Millions of euros				
	31/12/08				
	Bank Borrowings	Finance lease	Derivatives	Other Financial Liabilities	Total
Long term debt	76	223	103	1	403
Short term debt	115	55	448	22	640
Total	**191**	**278**	**551**	**23**	**1,043**

7. Equity

The number of shares and aggregate par value of the share capital at 30 June 2009 and 2008 were 953,103,008 shares and EUR 743 million, respectively.

At 30 June 2009, the shareholders of Iberia, Líneas Aéreas de España, S.A. were as follows:

	30/06/09	
	Number of Shares	Percentage of Ownership
Caja de Ahorros y Monte de Piedad de Madrid	219,098,519	22.99
British Airways Holdings B.V.	125,321,425	13.15
Sociedad Estatal de Participaciones Industriales	49,212,526	5.16
El Corte Inglés, S.A.	32,151,759	3.37
B. Metzler seel. Sohn & Co	28,458,106	2.99
Other	498,860,673	52.34
	953,103,008	**100.00**

The treasury shares held by Iberia, Líneas Aéreas de España, S.A. at 30 June 2009 represented 2.93% of the share capital (28 million shares), the same as at 31 December 2008, with an aggregate par value of EUR 64 million.

At 30 June 2009, the treasury shares of the Parent held by the Group were intended for trading on the market.

8. Provisions and contingent liabilities

a) Detail

The detail of "Long-Term Provisions" is as follows:

	Millions of euros	
	30/06/09	31/12/08
Provisions for contingencies and expenses		
Provisions for restructuring costs	*377*	*433*
Litigation and other	*105*	*107*
Provisions for obligations to employees	679	669
Provisions for major repairs	85	74
Provisions	**1,246**	**1,283**

b) ***Provisions for restructuring costs***

The balance of "Provisions for Restructuring Costs" relates to the present value of the liabilities arising from the collective redundancy procedure 72/01 (3,854 employees). In the first half of 2008, 107 employees signed up for the voluntary collective redundancy procedure.

The payments related to this provision will continue over the next seven years in accordance with the age of the employees who have availed themselves of the procedure.

At 20 April 2009, the Parent approved the extension of the subscription and application period for the aforementioned collective redundancy procedure to 31 December 2013, for flight crews under the same terms and conditions. In first six months of 2009, 214 employees took advantage of this extension period and availed themselves of the procedure. The Group's directors believe that the provision registered under "Provisions for Obligations to Employees" is sufficient to cover the liabilities which are expected to arise when flight crews finally subscribe to this procedure.

c) ***Litigation***

In the first half of 2009, there were no significant changes in litigation nor have any new lawsuits considered significant been brought against the Group.

The total amount of payments derived from litigation made by the Group in the first six months of 2009 is not significant.

9. Related parties

In addition to associates, the Group considers as related parties the Parent's key management personnel (members of its Board of Directors and Management Board and close members of their families), and entities over which its key management personnel have the ability to control or exercise significant influence.

The table below presents the related-party transactions carried out by the Group in the first six months of 2009 and 2008, distinguishing between significant shareholders, members of the Board of Directors and managers of the Parent and other related parties. Transactions with related parties are carried out on an arm's length basis and include the related compensation in kind.

	Millions of euros					
	30/06/09			30/06/08		
Expense and revenue	Significant Shareholders	People, Companies or Group Companies	Total	Significant Shareholders	People, Companies or Group Companies	Total
Expenses:						
Finance costs	3	-	**3**	3	-	**3**
Leases	14	-	**14**	-	-	-
Receipt of services	16	20	**36**	22	20	**42**
Purchase of goods (finished or in progress)	1	-	**1**	1	-	**1**
	34	**20**	**54**	**26**	**20**	**46**
Revenue:						
Services rendered	14	34	**48**	20	60	**80**
	14	**34**	**48**	**20**	**60**	**80**

Other transactions	Millions of euros					
	30/06/09			30/06/08		
	Significant Shareholders	Directors and Senior Managers	Total	Significant Shareholders	Directors and Senior Managers	Total
Purchases of items of property, plant and equipment, intangible assets or other assets	-	-	-	2	-	**2**
Financing arrangements: loans and capital contributions (loanee)	128	-	**128**	81	-	**81**
Deposits and guarantees received	48	-	**48**	46	-	**46**
Other transactions	-	3	**3**	-	4	**4**

10. Remuneration of Directors and Senior Executives of the Parent

Note 19 in the notes to the Group's consolidated financial statements for the year ended 31 December 2008 details the existing agreements regarding remuneration and other benefits paid to members of the Parent's Board of Directors and senior executives.

The highlights of this remuneration and benefits corresponding to the six-month period ended 30 June 2009 and 2008 are as follows:

	Thousands of euros	
	30/06/09	30/06/08
Members of the Board of Directors:		
Item-		
Fixed remuneration	736	736
Variable remuneration	251	503
Attendance fees	400	434
Other	46	37
	1,433	**1,710**
Other benefits-		
Advances	-	-
Loans granted	-	-
Pension plans and funds: contributions	-	-
Pension plans and funds: obligations assumed	-	-
Life insurance premiums	-	-
Guarantees given in respect of directors	-	-
Senior executives:		
Total remuneration paid to senior executives	1,824	2,190
	1,824	**2,190**

The table above includes the remuneration and other benefits received by directors which hold executive positions in the Parent in their capacity as directors, for which they received the following remuneration:

Executive Directors	Thousands of euros	
	30/06/09	30/06/08
Fixed remuneration	346	346
Variable remuneration (a)	251	503
Compensation in kind	9	6
	606	**855**

(a) Relates to payments for achieving objectives for the year prior to that indicated in the column.

11. Segment information

Note 17 in the notes to the Group's consolidated financial statements for the year ended 31 December 2008 details the criteria followed by the Group in determining its operating segments. There have been no changes in its segmentation criteria.

Revenue and other recurring operating income by geographical segment in the six months ended 30 June 2009 and 2008 are as follows:

	Millions of euros	
	30/06/09	30/06/08
Domestic	847	1,038
Medium-Haul	458	480
Long-Haul	862	1,153
	2,167	**2,671**

The reconciliation of ordinary segment income, profit and total assets with the condensed consolidated income statements and balance sheets for the six months ended 30 June 2009 and 2008 is as follows:

	Millions of euros									
	Transport		Airports		Maintenance		Corporate Unit and other businesses		Total revenue	
	30/06/09	30/06/08	30/06/09	30/06/08	30/06/09	30/06/08	30/06/09	30/06/08	30/06/09	30/06/08
Operating income										
External	1,861	2,356	131	139	163	159	12	17	2,167	2,671
Inter-segment	2	2	98	102	202	194	187	186		
Operating expenses										
External	1,796	2,053	223	242	329	316	96	92	2,444	2,703
Inter-segment	359	351	14	15	16	15	100	103		
Operating profit	**(292)**	**(46)**	**(8)**	**(16)**	**20**	**22**	**3**	**8**	**(277)**	**(32)**
E.B.I.T.D.A.R.	(48)	220	-	(8)	32	34	12	13	(4)	259
Aircraft lease payments	(184)	(194)	-	-	-	-	-	-	(184)	(194)
E.B.I.T.D.A.	(232)	26	-	(8)	32	34	12	13	(188)	65
Depreciation and amortisation charge	(60)	(72)	(8)	(8)	(12)	(12)	(9)	(5)	(89)	(97)
Non-recurring profit							3	38	3	38
Financial profit							24	34	24	34
Investments in companies accounted for using the equity method							-	(12)	-	(12)
Profit before tax							(250)	28	(250)	28
Income tax							85	(7)	85	(7)
Net profit									**(165)**	**21**
Equivalent headcount	8,562	8,870	7,041	7,844	3,838	3,717	1,297	1,253	20,738	21,684
Investments	42	68	1	2	20	13	6	5	69	88

	Millions of euros									
	Transport		Airports		Maintenance		Corporate Unit and other businesses		Total revenue	
	30/06/09	31/12/08	30/06/09	31/12/08	30/06/09	31/12/08	30/06/09	31/12/08	30/06/09	31/12/08
Property, plant and equipment	805	829	67	74	180	172	46	43	1,098	1,118
Inventories	18	39	-	-	179	179	4	6	201	224
Other assets:	-	-	-	-	-	-	4,180	4,292	4,180	4,292
Total assets									**5,479**	**5,634**
Customer advances	551	394	-	-	-	-	-	-	551	394
Remuneration payable	95	91	35	37	23	21	11	10	164	159
Other liabilities (*)	-	-	-	-	-	-	3,275	3,517	3,275	3,517

(*) Does not include equity.

12. Average headcount

The average number of employees at the Group companies, measured in terms of equivalent average headcount, by professional category for the six months ending 30 June 2009 and 2008 was as follows:

	Number of employees	
	30/06/09	30/06/08
Senior executives:	**10**	**10**
Ground personnel:		
Senior managers and other line personnel	1,142	1,103
Clerical staff	5,374	5,717
Ancillary services	4,658	5,157
Aircraft maintenance technicians	2,929	2,846
Other	1,180	1,212
	15,283	**16,035**
Flight personnel:		
Pilots	1,618	1,668
Cabin crew	3,827	3,971
	5,445	**5,639**
	20,738	**21,684**