

Chairman



Madrid, 30th November 2012

Dear client,

In the past few weeks Iberia has been in the news because of the future viability plan it submitted to its shareholders and employees, a plan intended to extricate the company from a particularly critical situation in the midst of a very serious economic crisis.

I am writing to tell you personally about what is happening in Iberia, the problems that must be solved, and how we are approaching them, but also about our company's many strengths, which make us confident that we can successfully implement the changes that are needed, on condition that we have the support of all our stakeholders. One the key strengths lies in our client base—customers like yourself, who have been loyal to the Iberia brand and have appreciated our efforts to improve, even under less-than-ideal circumstances. We hope to continue to receive your support in the difficult days and weeks ahead.

Iberia is a world-renowned Spanish brand, associated with solidity, reliability, and strength, and will remain so in the future, now as a member of the International Airlines Group, over which it is also my honour to preside. Like many other airlines around the world, and particularly those known as "traditional network carriers", Iberia has operating costs that place it outside the market, and this competitive disadvantage is now being aggravated by the Spanish economic slump and the global rise in aviation fuel prices. In the past four years Iberia has racked up losses of nearly 900 million euros and is now posting losses of more than one million Euros every day. No company in any industry can endure such a situation indefinitely. Iberia has a glorious past that we should keep in mind as we prepare to celebrate our 85th anniversary. But now we must fight to ensure that we have a future, as well as a past.

Under these circumstances, Iberia is doing what must be done, which is to come up with the appropriate corrective measures and to put them into practise without delay in order to restore profitability. Many other Spanish companies, large and small, and in every industry, are taking similar measures, and for the same reasons, as you are no doubt aware, and may even be experiencing in your own industry.

Iberia's management has drawn up a "Transformation Plan" to lay the foundation for a much stronger and more competitive airline. It does involve some hardships, including a substantial staff reduction and pay cuts, but also multimillion euro investments in new aircraft, new installations, and improvements to services and to our customers' experience when you travel with us. The plans calls for eliminating some routes and reducing capacity on others, but for also growth in some routes, which will be announced shortly. We want to implement the plan backed by the largest possible consensus of stakeholders, and most particularly of our admired and respected workforce.

From certain quarters malicious falsehoods have been spread, blaming British Airways, Iberia's partner in IAG, for its problems. The fact is that among many other benefits, the synergies arising from the merger have already amounted to about 100 million euros for Iberia, an amount that is certain to increase in the future. Our membership in IAG has also given us access to financing that otherwise would have been closed to us, and our customers have benefited from a larger range of destinations. British Airways have also benefited from its association with Iberia and our highly qualified professional staff. Economies of scale make both airlines more efficient and better able to serve their customers and the shareholders of the IAG group.

The trade unions' reaction to this plan for future viability has so far been a resounding "no" and a flat refusal to negotiate. We regard this as simply outrageous, since we have made it perfectly clear that we are open to negotiate every point of the plan with employees' union representatives. We want a negotiated solution that secures our company's future and that of our employees, and to save the largest possible number of jobs. Our only condition is that the resulting agreement can solve our long-standing and chronic structural problems once and for all, for otherwise there is a serious risk that Iberia will have to close, and that is something we are not willing to contemplate. The first decision taken by the unions in response to the plan was to call a strike, not as the last resort, which is quite legitimate when negotiations fail, but without negotiating at all.

In any case, in the event that the strike threats are carried out, please be assured that we will do everything in our power to minimize the inconveniences to our customers that may be occasioned by such an unjustifiable action.

I would like to close on a note of hope, for it is my hope that I will soon be in a position to inform you that the current conflict is behind us, and that we may all now focus on the future plans and ambitions of this great company.

Your faithfully,



Antonio Vázquez



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