

**REPORT BY THE BOARD OF DIRECTORS OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. IN RELATION TO ITEMS SEVEN, EIGHT AND NINE ON THE AGENDA FOR THE SHAREHOLDERS' MEETING CALLED FOR JUNE 20, 2012, ON FIRST CALL, AND FOR JUNE 21, 2012, ON SECOND CALL**

---

The Board of Directors of International Consolidated Airlines Group, S.A. (the “**Company**”) issues this report in relation to items seven, eight and nine on the agenda for the Shareholders’ Meeting of the Company called for June 20, 2012, on first call, and for June, 21 2012, on second call, regarding:

- a) the proposed authorization to the Board of Directors, pursuant to the provisions of article 297.1.b) of the Companies Law (*Ley de Sociedades de Capital*) (the “**Companies Law**”), to resolve to increase the share capital and issue new ordinary shares (item seven);
- b) the proposed authorization to the Board of Directors to issue convertible and/or exchangeable securities (item eight); and
- c) the proposed authorization to the Board of Directors, pursuant to the provisions of articles 506 and 511 of the Companies Law, to exclude pre-emptive rights in connection with certain capital increases and issuances of convertible and/or exchangeable securities referred to, respectively, under paragraphs a) and b) above (item nine).

Given that the limits to which such authorizations are subject to are linked among them, the Board of Directors has considered more appropriate to issue one single report covering the three items on the agenda, making it more easier to follow the explanations and justifications provided by the directors according to applicable law.

**1. PROPOSED AUTHORIZATION TO THE BOARD OF DIRECTORS, PURSUANT TO THE PROVISIONS OF ARTICLE 297.1.B) OF THE COMPANIES LAW, OF THE POWER TO RESOLVE TO INCREASE SHARE CAPITAL**

**1.1 Introduction**

Under this section and in accordance with the provisions of articles 285, 296.1, and 297.1.b) of the Companies Law, the Board of Directors of the Company explains and justify in detail, for the purposes required by the legislation in force, the proposed authorization to the Board of Directors of the Company, in accordance with the provisions

of article 297.1.b) of the Companies Law, of the power to resolve, on one or more occasions and for a term ending at the end of next year's ordinary Shareholders' Meeting (or, if earlier, fifteen months from the date of passing the resolution), to increase share capital at such time.

The proposed authorization to increase the share capital is for an amount (a) up to one-third of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing the resolution (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased on the conversion or exchange of any securities issued under paragraph (a) of number 3 of Resolution 8); and (b) up to a further one-sixth of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing the resolution (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased on the conversion or exchange of any securities issued under (b) of number 3 of Resolution 8).

Article 297.1.b) of the Companies Law authorizes the Shareholders' Meeting so that, in line with the requirements provided for the amendment of the corporate bylaws, it may delegate to the Board of Directors the power to resolve to increase the share capital on one or more occasions up to a set figure (not higher than 50% of the share capital at the date of passing the relevant resolution), at such time and in the amount it decides, without consulting the Shareholders' Meeting beforehand.

## **1.2 Justification of the proposal**

The Board of Directors considers that the proposed resolution submitted to the Shareholders' Meeting is justified by the advisability of the Board of Directors having a mechanism, provided for in the corporate legislation in force, that allows it to resolve to increase capital on one or more occasions, without having to subsequently call and hold a new shareholders' meeting, albeit within the limits, terms and conditions decided by the shareholders' meeting.

Under the requirements imposed by the market on companies and, in particular, listed companies, their governing and managing bodies must be in a position to make use of the opportunities afforded to them in the legislation in order to provide rapid and efficient responses to the needs that arise in the course of the business operations carried on by large companies. These needs undoubtedly include the need to provide the Company with fresh funds, which is often structured in the form of new capital contributions.

However, it is often impossible to determine the Company's capital requirements in advance and to anticipate the delays and increased cost that might naturally lead to the call of a Shareholders' Meeting in order to increase capital, making it difficult for the Company to provide a quick and efficient response to the needs of the market. This makes it recommendable for the Board to be in a position to use the authorized capital mechanism provided in Spanish legislation.

Indeed, the use of the delegation provided for in 297.1.b) of the Companies Law allows the Company to provide the Board of Directors with a quick and flexible mechanism to better cater to the needs of the Company, according to the circumstances of the market.

With all of the above in mind, a proposal is submitted to the Shareholders' Meeting to delegate to the Board of Directors the power to increase the share capital of the Company, on one or more occasions, up to the maximum aggregate nominal amounts referred to above.

Capital increases under the proposed delegation shall be carried out by issuing and placing into circulation new ordinary shares, the consideration for which shall be cash contributions.

The power thus delegated will also extend to the establishment of the various specific terms and conditions of each capital increase and the conditions of shares to be issued, including the power to resolve that if the capital increase is not fully subscribed, the share capital will be increased only by the amount of the shares subscribed, in accordance with the provisions of article 311.1 of the Companies Law, to amend the bylaw article relating to share capital and to apply for the listing of the new shares.

The authorization proposed to the Shareholders' Meeting shall expire at the earlier of fifteen months from the date of passing the resolution and the conclusion of the ordinary Shareholders' Meeting of the Company to be held in 2013.

## **2. PROPOSAL TO GRANT AUTHORIZATION TO THE BOARD OF DIRECTORS TO ISSUE CONVERTIBLE AND/OR EXCHANGEABLE SECURITIES**

### **2.1 Introduction**

Under this section, the Board of Director of the Company justifies the proposal to grant authorization to the Board of Directors, with powers of substitution, to issue securities (including, in particular, warrants, debentures and bonds) exchangeable for or giving the right to acquire shares of the Company and/or convertible into or giving the right to subscribe new shares of the Company, pursuant to the general provisions governing the issuance of debentures and the provisions of articles 286, 297 and 511 of the Companies Law, Article 319 of the Mercantile Registry Regulations (*Reglamento del Registro Mercantil*), up to a maximum limit of 1,000,000,000 euros or the equivalent thereof in another currency, provided that the aggregate share capital that may need to be increased on the conversion or exchange of all such securities may not be higher than: (a) one-third of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing the resolution (such amount to be reduced by the amount that the share capital has been increased under paragraph (a) of number 2 of Resolution 7); and (b) a further one-sixth of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing the resolution (such amount to be reduced by the amount

that the share capital has been increased under paragraph (b) of number 2 of Resolution 7), the approval of which is submitted for approval to the Shareholders' Meeting under item eight on the agenda.

## **2.2 Justification of the proposal**

The Board of Directors deems it highly advisable to hold the powers allowed to be delegated under the legislation in force in order to be in a position at all times to raise the necessary funds on primary securities markets to adequately manage the corporate interests.

The purpose of the delegation is to provide the Company's managing body with the room for manoeuvre and capacity to respond required by the competitive environment in which the Company operates, in which the success of a strategic initiative or financial transaction or the ability to raise funds often depends on the capacity to act quickly, without the inevitable delays and costs entailed in calling and holding a shareholders' meeting. Thus the Board of Directors of the Company will be authorized, where necessary, to raise a significant volume of funds in a short period of time.

The issuance of securities convertible into and/or exchangeable for shares is a means of raising corporate finance from outside funds. These securities, on the one hand, have the advantage of offering investors the opportunity to convert the debt owed to them by the Company into Company shares, obtaining a potentially higher return than that offered by other debt instruments and, on the other hand, enable the Company to increase its equity. These characteristics mean that the coupon of convertible and/or exchangeable debentures is usually lower than the cost of simple fixed-income securities and of bank debt, since the debenture interest rates reflect the value of the option conferred on investors to convert the debentures into Company shares.

With this in mind, in accordance with the provisions of the legislation in force, the proposed resolution put forward under item eight on the agenda is submitted to the Shareholders' Meeting for consideration. In the case of warrants, it is specifically provided that the legal and contractual rules governing convertible and/or exchangeable debentures will apply, to the extent that they are compatible with their specific nature.

The proposal specifically confers on the Board of Directors the power to issue, on one or more occasions, convertible and/or exchangeable securities (including debentures and bonds) and warrants granting options to subscribe for new shares of the Company or to acquire existing shares of the Company and to resolve, where appropriate, on the capital increase necessary to carry out the conversion or to exercise the right to subscribe for shares, provided that this capital increase does not exceed the unused limit authorised from time to time by the Shareholders' Meeting in accordance with the provisions of Article 297.1.b) of the Companies Law.

In this respect, article 510 of the Companies Law provides that the limit on the issuance of debentures established in article 405 of the Companies Law does not apply to listed

companies. For this reason, the proposed resolution establishes the maximum amounts for which authorization is requested at 1,000,000,000 euros (or the equivalent thereof in another currency) provided that the aggregate share capital that may need to be increased on the conversion or exchange of all such securities may not be higher than the limit stated above.

The proposed resolution to be submitted to the Shareholders' Meeting for approval also establishes the criteria for determining the basis for and terms and conditions applicable to the conversion and/or exchange, although it entrusts the Board of Directors, in the event the Board resolves to make use of the authorisation granted, with the establishment of some of the basis for and terms and conditions of each issuance, within the limits and in accordance with the criteria established by the Shareholders' Meeting. Thus the Board of Directors will be responsible for determining the specific conversion ratio and for such purpose it will issue, on approving an issue of convertible and/or exchangeable securities delegated under the authorization conferred by the Shareholders' Meeting, a report detailing the specific basis for and terms and conditions of the conversion applicable to such issue, which will also be the subject of the correlative report by the auditors referred to in articles 414 and 511 of the Companies Law.

Specifically, the proposed resolution submitted for approval to the Shareholders' Meeting by the Board of Directors provides that the securities issued under the resolution will be valued at their nominal amount and the shares at the fixed exchange ratio (determined or to be determined) or at a variable ratio to be determined in the relevant Board resolution.

Accordingly, for the purposes of the conversion and/or exchange, the securities will be valued at their nominal amount. The shares will be valued at the fixed exchange ratio established in the Board resolution whereby this authorization is exercised or at a variable ratio to be determined on the date or dates specified in such Board resolution, based on the listing price of the Company's shares on the date(s) or during the period(s) used as a reference in such resolution.

Accordingly, the Board of Directors deems that it is given a sufficient margin of flexibility in order to set the value of the shares for the purposes of the conversion according to market terms and other applicable considerations.

In the case of warrants to subscribe new shares, the rules governing convertible debentures contained in the proposal will apply, to the extent that they are compatible with their specific nature.

Moreover, pursuant to article 415.2 of the Companies Law, the resolution to delegate to the Board of Directors the power to issue convertible securities provides that, for the purposes of their conversion, the nominal value of the debentures may not be lower than the par value of the shares, neither may convertible debentures be issued for an amount less than their nominal value.

It is also provided that the securities issued under this delegation may be listed on the appropriate secondary markets, whether Spanish or foreign, official or unofficial, organized or otherwise.

It may be advisable on occasion to issue the securities under this authorization through a subsidiary with the guarantee of the Company. As a result, it is deemed to be of interest that the Shareholders' Meeting authorise the Board of Directors to guarantee, on behalf of the Company and within the limits set forth above, issues of convertible and/or exchangeable securities and/or warrants by subsidiaries during the effective period of the resolution, in order to grant maximum flexibility to the Board of Directors to structure security issues in the manner most appropriate, according to the circumstances.

All powers conferred on the Board of Directors if the resolution is adopted shall be conferred with the express power of substitution, in order to further contribute to the pursued aim of expediting transactions as much as possible.

**3. PROPOSED AUTHORIZATION TO THE BOARD OF DIRECTORS TO EXCLUDE PRE-EMPTIVE RIGHTS IN CONNECTION WITH THE CAPITAL INCREASES AND THE ISSUANCES OF CONVERTIBLE OR EXCHANGEABLE SECURITIES**

**3.1 Introduction**

Under this section and in accordance with the provisions of articles 506 and 511 of the Companies Law, the Board of Directors of the Company explains and justify in detail, for the purposes required by the legislation in force, the proposed authorization to the Board of Directors of the Company, with the express power of substitution, to totally or partially exclude pre-emptive rights in connection with the capital increases and the issuances of convertible or exchangeable securities that the Board of Directors may approve under the authority given under Resolutions 7 and 8, for the purposes of allotting ordinary shares or convertible or exchangeable securities in connection with a rights issue or in any other circumstances for the purposes of allotting ordinary shares or convertible or exchangeable securities subject to an aggregate maximum nominal amount of the ordinary shares so allotted and allotted or that may be allotted on conversion or exchange of such securities of five per cent. of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing the resolution.

In any case, in accordance with the provisions of articles 506 and 511 of the Companies Law, should the Board of Directors decide to exclude the shareholders' pre-emptive subscription right in any or all issues of ordinary shares or convertible and/or exchangeable securities it decides to make under the delegations, it must issue, on adopting the relevant issuance resolution, a report detailing the specific reasons in the corporate interests that justify such measure and such other content as required by articles 308 (for the issuance of ordinary shares) and 417 (for issuance of convertible and/or exchangeable securities) of the Companies Law, which will also be the subject of the

correlative report by an auditor appointed by the Mercantile Registry other than the Company's auditor, as referred to the Companies Law. These reports must be made available to shareholders and communicated to the first Shareholders' Meeting held following the issuance resolution.

In addition, in the case of issues of ordinary shares excluding the pre-emption subscription right of the shareholders, the issue price of the new ordinary shares (nominal value of the shares to be issued plus any share premium) must match the fair value resulting from the auditors' report.

### **3.2 Justification of the proposal**

The Board of Directors considers that this power to exclude pre-emptive rights, supplemental to the power to issue ordinary shares and convertible and/or exchangeable securities, is justified for various reasons.

First of all, the elimination of the pre-emptive rights usually allows for a relative reduction in the costs associated with the transaction (including, in particular, the fees of the financial institutions participating in the issue) compared to an issue including the pre-emptive rights and, at the same time, has a less distortive effect on the trading of the Company's shares during the issue period.

Secondly, by having the authority to eliminate the pre-emptive rights, the directors are able to notably shorten the response time often required by the current financial markets, enabling the Company to take advantage of periods in which the market conditions are most favourable.

Furthermore, the elimination of the pre-emptive rights has a less distortive effect on the trading of the Company's shares during the issue period, which tends to be shorter than an issue with rights.

In short, the globalization of financial markets and the speed and flexibility with which operations take place on those markets make it necessary for the Board of Directors to have flexible and suitable instruments in order to provide an appropriate response to the needs, from time to time, of the corporate interest, and the above-mentioned delegation to the Board of Directors of the power to exclude, in its case, the pre-emptive rights should form an integral part of this strategy.

## **4. PROPOSED RESOLUTIONS**

Set out below is a literal transcription of Resolutions 7, 8 and 9 proposed to the Shareholders' Meeting in relation to item seven, eight and nine on the agenda.

**7.- AUTHORIZATION TO THE BOARD OF DIRECTORS, WITH THE EXPRESS POWER OF SUBSTITUTION, FOR A TERM ENDING AT THE END OF NEXT YEAR'S ORDINARY**

SHAREHOLDERS' MEETING (OR, IF EARLIER, FIFTEEN MONTHS FROM THE DATE OF PASSING OF THIS RESOLUTION), TO INCREASE THE SHARE CAPITAL PURSUANT TO THE PROVISIONS OF ARTICLE 297.1.B) OF THE COMPANIES LAW, BY: (A) UP TO ONE-THIRD OF THE AGGREGATE NOMINAL AMOUNT OF THE COMPANY'S ISSUED ORDINARY SHARE CAPITAL AS AT THE DATE OF PASSING THIS RESOLUTION (SUCH AMOUNT TO BE REDUCED BY THE AMOUNT THAT THE SHARE CAPITAL HAS BEEN INCREASED BY AND THE MAXIMUM AMOUNT THAT THE SHARE CAPITAL MAY NEED TO BE INCREASED ON THE CONVERSION OR EXCHANGE OF ANY SECURITIES ISSUED UNDER PARAGRAPH (A) OF RESOLUTION 8); AND (B) UP TO A FURTHER ONE-SIXTH OF THE AGGREGATE NOMINAL AMOUNT OF THE COMPANY'S ISSUED ORDINARY SHARE CAPITAL AS AT THE DATE OF PASSING THIS RESOLUTION IN CONNECTION WITH AN OFFER BY WAY OF RIGHTS ISSUE (SUCH AMOUNT TO BE REDUCED BY THE AMOUNT THAT THE SHARE CAPITAL HAS BEEN INCREASED BY AND THE MAXIMUM AMOUNT THAT THE SHARE CAPITAL MAY NEED TO BE INCREASED ON THE CONVERSION OR EXCHANGE OF ANY SECURITIES ISSUED UNDER PARAGRAPH (B) OF RESOLUTION 8).

#### RESOLUTION 7

*“Authorise the Board of Directors, to the fullest extent required under applicable law, with express power of substitution, and in accordance with article 297.1.b) of the Companies Law (Ley de Sociedades de Capital), to increase the share capital of the Company on one or more occasions and when required, through the issuance and placement into circulation of new ordinary shares (with or without a premium) the consideration for which shall be cash contributions, under the following terms:*

- 1. Term of the authorization.- The capital increases subject to this authorisation may be done within a term ending at the end of next year's ordinary Shareholders' Meeting (or, if earlier, fifteen months from the date of passing of this resolution).*
- 2. Maximum amount authorised.- The aggregate maximum amount of the issuance or issuances of ordinary shares shall be: (a) one-third of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing this resolution (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased on the conversion or exchange of any securities issued under paragraph (a) of number 3 of Resolution 8); and (b) a further one-sixth of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing this resolution in connection with an offer by way of rights issue (such amount to be reduced by the amount that the share capital has been increased by and the maximum amount that the share capital may need to be increased on the conversion or exchange of any securities issued under paragraph (b) of number 3 of Resolution 8).*

*The Board of Directors may establish, as to all matters not otherwise contemplated, the terms and conditions of the share capital increase and may also freely offer the new shares that are not subscribed for within the period or periods for the exercise of preemptive rights. The Board of Directors may also resolve that, in the event of incomplete*

*subscription, the share capital shall be increased only by the amount of the subscriptions made and amend the article of the By-Laws relating to share capital and number of share.*

*The Company shall, when appropriate, make application for listing of the shares issued under this authorization on Spanish or foreign, official or unofficial, organized or other secondary markets, and the Board of Directors shall be authorized to carry out all acts and formalities that may be required for admission to listing with the appropriate authorities of the various Spanish or foreign securities markets.*

*The Board of Directors is expressly authorized to delegate the powers delegated thereto under this resolution, as permitted by Article 249.2 of the Companies Law.*

*For the purposes of this resolution, “rights issue” means an offer by way of a rights issue to ordinary shareholders in proportion (as near as may be practicable) to their existing holdings, but subject to such exclusions or other arrangements as the Board of Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.”*

**8.- AUTHORIZATION TO THE BOARD OF DIRECTORS, WITH THE EXPRESS POWER OF SUBSTITUTION, FOR A TERM ENDING AT THE END OF NEXT YEAR’S ORDINARY SHAREHOLDERS’ MEETING (OR, IF EARLIER, FIFTEEN MONTHS FROM THE DATE OF PASSING OF THIS RESOLUTION), TO ISSUE SECURITIES (INCLUDING WARRANTS) CONVERTIBLE INTO AND/OR EXCHANGEABLE FOR SHARES OF THE COMPANY, UP TO A MAXIMUM LIMIT OF 1,000,000,000 EUROS OR THE EQUIVALENT THEREOF IN ANOTHER CURRENCY, PROVIDED THAT THE AGGREGATE SHARE CAPITAL THAT MAY NEED TO BE INCREASED ON THE CONVERSION OR EXCHANGE OF ALL SUCH SECURITIES MAY NOT BE HIGHER THAN: (A) ONE-THIRD OF THE AGGREGATE NOMINAL AMOUNT OF THE COMPANY’S ISSUED ORDINARY SHARE CAPITAL AS AT THE DATE OF PASSING THIS RESOLUTION (SUCH AMOUNT TO BE REDUCED BY THE AMOUNT THAT THE SHARE CAPITAL HAS BEEN INCREASED UNDER PARAGRAPH (A) OF RESOLUTION 7); AND (B) A FURTHER ONE-SIXTH OF THE AGGREGATE NOMINAL AMOUNT OF THE COMPANY’S ISSUED ORDINARY SHARE CAPITAL AS AT THE DATE OF PASSING THIS RESOLUTION IN CONNECTION WITH AN OFFER BY WAY OF RIGHTS ISSUE (SUCH AMOUNT TO BE REDUCED BY THE AMOUNT THAT THE SHARE CAPITAL HAS BEEN INCREASED UNDER PARAGRAPH (B) OF RESOLUTION 7). ESTABLISHMENT OF THE CRITERIA FOR DETERMINING THE BASIS FOR AND TERMS AND CONDITIONS APPLICABLE TO THE CONVERSION OR EXCHANGE. DELEGATION TO THE BOARD OF DIRECTORS, WITH THE EXPRESS POWER OF SUBSTITUTION, OF THE POWERS REQUIRED TO ESTABLISH THE BASIS FOR AND TERMS AND CONDITIONS APPLICABLE TO THE CONVERSION OR EXCHANGE, AS WELL AS OF THE POWER TO INCREASE THE SHARE CAPITAL BY THE REQUIRED AMOUNT ON THE CONVERSION.**

#### **RESOLUTION 8**

*“To authorize the Board of Directors, with the express power of substitution, pursuant to the general provisions governing the issuance of debentures and the provisions of Articles*

286, 297 and 511 of the Companies Law (*Ley de Sociedades de Capital*) and Article 319 of the Regulations of the Mercantile Registry (*Reglamento del Registro Mercantil*), to issue securities under the following terms:

1. Securities to be issued.- The securities contemplated in this authorization may be debentures and bonds that are exchangeable for shares of the Company and/or convertible into shares of the Company, as well as warrants (options to subscribe for new shares of the Company or to acquire existing shares of the Company).

2. Term of the authorization.- The securities subject to this authorisation may be issued on one or more occasions and when required, within the term ending at the end of next year's ordinary Shareholders' Meeting (or, if earlier, fifteen months from the date of passing of this resolution).

3. Maximum amount authorised.- The aggregate maximum amount of the issuance or issuances of securities approved under this delegation shall be 1,000,000,000 euros or the equivalent thereof in another currency, provided that the aggregate share capital that may need to be increased on the conversion or exchange of all such securities may not be higher than: (a) one-third of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing this resolution (such amount to be reduced by the amount that the share capital has been increased under paragraph (a) of number 2 of Resolution 7); and (b) a further one-sixth of the aggregate nominal amount of the Company's issued ordinary share capital as at the date of passing this resolution in connection with an offer by way of rights issue (such amount to be reduced by the amount that the share capital has been increased under paragraph (b) of number 2 of Resolution 7).

For the purposes of this resolution, "rights issue" means an offer by way of a rights issue to ordinary shareholders in proportion (as near as may be practicable) to their existing holdings, but subject to such exclusions or other arrangements as the Board of Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.

4. Scope of authorisation.- This authorisation extends as broadly as is required under law, to the establishment of the various terms and conditions of each issuance. By way of example and not of limitation, the Board of Directors shall be authorized to do the following with respect to each issuance: determine the amount thereof, always within the aforementioned overall quantitative limit; the place of issuance (in Spain or abroad); the domestic or foreign currency, and in the case of a foreign currency, its equivalence in euros; the name or form of the securities, whether they be bonds or debentures, including subordinated debentures, warrants (which may in turn be settled by means of the physical delivery of the shares or, if applicable, through the payment of differences in price), or any other name or form permitted by law; the date or dates of issuance; the number of securities and the par value thereof, which, in the case of convertible and/or exchangeable bonds or debentures, shall not be less than the par value of the shares; in the case of warrants and similar securities, the issue price and/or premium, the exercise price (which

may be fixed or variable) and the procedure, period and other terms and conditions applicable to the exercise of the right to subscribe for the underlying shares or, if applicable, the exclusion of such right; the interest rate (whether fixed or variable), and the dates and procedures for payment of the coupon; whether the issuance is perpetual or subject to repayment and, in the latter case, the repayment period and the maturity date or dates; guarantees, reimbursement rate, premiums and lots; the form of representation, as securities or book entries; anti-dilution provisions; the rules applicable to subscription; the rank of the securities and the subordination clauses, if any; the law applicable to the issuance; the power to make application, where appropriate, for the listing of the securities to be issued on Spanish or foreign, official or unofficial, organized or other secondary markets, subject to the requirements established by applicable regulations in each case; and, in general, any other terms of the issuance as well as, if applicable, the appointment of the security-holders' syndicate representative (comisario) and the approval of the basic rules that are to govern the legal relationships between the Company and the syndicate of holders of the securities to be issued, in the event that such syndicate must or is decided to be created.

5. Basis for and terms and conditions applicable to the conversion and/or exchange. - In the case of issuance of convertible and/or exchangeable debentures or bonds, and for purposes of determining the basis for and terms and conditions applicable to the conversion and/or exchange, it is resolved to establish the following criteria:

a) The securities issued pursuant to this resolution shall be convertible into shares of the Company or and/or exchangeable into shares of the Company, in accordance with a fixed or variable conversion and/or exchange ratio determined or to be determined, with the Board of Directors being authorized to decide whether they are convertible and/or exchangeable, as well as to determine whether they are mandatorily or voluntarily convertible and/or exchangeable, and if voluntarily, at the option of the holder thereof or of the Company, at the intervals and during the period established in the resolution providing for the issuance.

b) In the event that the issuance is convertible and exchangeable, the Board may also provide that the issuer reserves the right at any time to elect between conversion into new shares or the exchange thereof for outstanding shares of the Company, with the nature of the shares to be delivered being determined at the time of conversion or exchange, and may also elect to deliver a combination of newly-issued shares and existing shares of the Company and even to settle the difference in cash.

c) For purposes of the conversion and/or exchange, the securities shall be valued at the nominal amount thereof, and the shares at the fixed exchange ratio established in the resolution of the Board of Directors whereby this authorization is exercised, or at a variable ratio to be determined on the date or dates specified in such resolution of the Board, based on the listing price of the Company's shares on the date(s) or during the period(s) used as a reference in such resolution, at a premium or at a discount, provided, however, that if a discount is established on the price per share, it shall not be greater than 25% of the value of the shares used as a reference value as set forth above.

*f) In no event may the value of the share for purposes of the ratio for conversion of debentures into shares be less than the par value thereof. In addition, pursuant to the provisions of Section 415 of the Companies Law, debentures may not be converted into shares when the nominal value of the former is less than the par value of the latter.*

*6. Basis for and terms and conditions for the exercise of warrants.-*

*In the case of issuances of warrants, to which the provisions of the Companies Law on convertible debentures shall apply by analogy, the Board of Directors is authorized to determine, in the broadest terms, in connection with the basis for and terms and conditions applicable to the exercise of such warrants, the criteria applicable to the exercise of rights to subscribe for or of rights to acquire shares of the Company arising from the securities of this kind issued under the delegation granted hereby. The criteria set forth in section 5 above shall apply to such issuances, with such adjustments as may be necessary in order to bring them into compliance with the legal and financial rules governing these kinds of securities.*

*7. Other powers delegated.- This authorization to the Board of Directors also includes, without limitation, the delegation thereto of the following powers:*

*a) The power to increase the share capital to the extent required to attend requests for conversion and/or for exercise of the right to subscribe for new shares. These power may only be exercised so long as the capital increase the Board of Directors approves for the issue of convertible securities or warrants does not exceed the unused limit authorised in each moment by the General Shareholders' Meeting in accordance with article 297.1.b) of the Companies Law. This authorization to increase the share capital includes the authorization to issue and float, on one or more occasions, the shares representing such capital that are necessary to carry out the conversion and/or to exercise the right to subscribe for new shares, as well as the power to amend the article of the By-Laws relating to the amount of the share capital and the number of shares and, if appropriate, to cancel the portion of such capital increase that was not required for the conversion of shares and/or the exercise of the right to subscribe for new shares.*

*b) The power to elaborate on and specify the basis for and terms and conditions applicable to the conversion, exchange and/or exercise of the rights to subscribe for and/or acquire shares arising from the securities to be issued, taking into account the criteria set out in sections 5 and 6 above.*

*c) The delegation to the Board of Directors includes the broadest powers that may be required by law in order to interpret, apply, implement and develop the resolutions providing for the issuance of securities that are convertible into or exchangeable for shares of the Company, on one or more occasions, and to carry out the corresponding capital increase, as well as the power to correct and supplement such resolutions as to all matters that may be necessary and to comply with all legal requirements for the successful implementation thereof. To such end, the Board of Directors may correct any omissions or defects in the aforementioned resolutions that may be identified by any Spanish or foreign authorities, officers or bodies, and may also adopt all such resolutions and execute all*

*such public or private documents as it may deem necessary or appropriate in order to adjust the preceding resolutions for the issuance of convertible or exchangeable securities and the corresponding capital increase to the oral or written assessment of the commercial registrar or, in general, of any other Spanish or foreign competent authorities, officers or entities.*

*8. Admission to trading.- Whenever appropriate, the Company shall make application for listing on Spanish or foreign, official or unofficial, organized or other secondary markets of the convertible and/or exchangeable debentures and/or bonds or of the warrants issued by the Company exercising the powers delegated hereby, and the Board of Directors is authorized, as fully as is required by law, to conduct all acts and formalities that may be necessary for admission to listing before the appropriate authorities of the various Spanish or foreign securities markets.*

*It is expressly stated for the record that if application is subsequently made for delisting of the securities, it shall be made in compliance with the same formalities as the application for listing, to the extent applicable, and, in such case, the interests of the shareholders or debenture holders opposing or not voting on the resolution shall be safeguarded in compliance with the requirements established by applicable law. In addition, it is expressly stated that the Company undertakes to abide by Stock Market regulations, whether now existing or as may hereafter be issued, particularly as regards trading, continued listing and delisting of securities.*

*9. Guarantee of issues of convertible and/or exchangeable securities or warrants by subsidiaries.- The Board of Directors is also authorized to guarantee on behalf of the Company, within the limits set forth above, new issuances of convertible and/or exchangeable securities or warrants by subsidiaries during the effective period of this resolution.*

*10. Power to delegate.- The Board of Directors is expressly authorized to delegate the powers delegated thereto under this resolution, as permitted by Article 249.2 of the Companies Law.”*

**9.- AUTHORIZATION TO THE BOARD OF DIRECTORS, WITH THE EXPRESS POWER OF SUBSTITUTION, TO EXCLUDE PRE-EMPTIVE RIGHTS IN CONNECTION WITH THE CAPITAL INCREASES AND THE ISSUANCES OF CONVERTIBLE OR EXCHANGEABLE SECURITIES THAT THE BOARD OF DIRECTORS MAY APPROVE UNDER THE AUTHORITY GIVEN UNDER RESOLUTION 7 OR RESOLUTION 8 FOR THE PURPOSES OF ALLOTING ORDINARY SHARES OR CONVERTIBLE OR EXCHANGEABLE SECURITIES IN CONNECTION WITH A RIGHTS ISSUE OR IN ANY OTHER CIRCUMSTANCES FOR THE PURPOSES OF ALLOTING ORDINARY SHARES OR CONVERTIBLE OR EXCHANGEABLE SECURITIES SUBJECT TO AN AGGREGATE MAXIMUM NOMINAL AMOUNT OF THE ORDINARY SHARES SO ALLOTTED AND ALLOTTED OR THAT MAY BE ALLOTTED ON CONVERSION OR EXCHANGE OF SUCH SECURITIES OF FIVE PER CENT. OF THE AGGREGATE NOMINAL AMOUNT OF THE COMPANY’S ISSUED ORDINARY SHARE CAPITAL AS AT THE DATE OF PASSING THIS RESOLUTION.**

## RESOLUTION 9

*“To authorize the Board of Directors, with the express power of substitution, to totally or partially exclude legal pre-emptive rights as permitted by Article 506 and Article 511 of the Companies Law (Ley de Sociedades de Capital) in connection with the capital increases and the issuances of convertible or exchangeable securities that the Board of Directors may approve under the authority given under Resolution 7 or Resolution 8 provided that the such capital increases and issuances of convertible or exchangeable securities are (a) for the purposes of allotting ordinary shares or convertible or exchangeable securities in connection with a rights issue; or (b) in any other circumstances, for the purposes of allotting ordinary shares or convertible or exchangeable securities subject to an aggregate maximum nominal amount of the ordinary shares so allotted and allotted or that may be allotted on conversion or exchange of such securities of five per cent. of the aggregate nominal amount of the Company’s issued ordinary share capital as at the date of passing this Resolution.*

*The Board of Directors is expressly authorized to delegate the powers delegated thereto under this resolution, as permitted by Article 249.2 of the Companies Law*

*For the purposes of this resolution, “rights issue” means an offer by way of a rights issue to ordinary shareholders in proportion (as near as may be practicable) to their existing holdings, but subject to such exclusions or other arrangements as the Board of Directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or legal, regulatory or practical problems in, or under the laws of, any territory or any other matter.”*

\* \* \*

Madrid, May 10, 2012.