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**INTERNATIONAL CONSOLIDATED
AIRLINES GROUP, S.A.**

Special Report on the issue of bonds that are convertible
and/or swappable in shares in the cases established by
articles 414, 417 and 511 of the Spanish Companies Act

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**SPECIAL REPORT ON THE ISSUE OF BONDS THAT ARE
CONVERTIBLE AND/OR SWAPPABLE IN SHARES IN THE CASES
ESTABLISHED BY ARTICLES 414, 417 AND 511 OF THE SPANISH
COMPANIES ACT**

To the Shareholders of International Consolidated Airlines Group, S.A

For the purposes of Articles 414, 417 and 511 of the Spanish Companies Act, and in accordance with the mandate received from International Consolidated Airlines Group, S.A. (hereinafter "IAG" or "the Company"), due to the designation by the Madrid Mercantile Registrar, Mr. José María Méndez-Castrillón under case file number 309/13, we hereby issue this Special Report on the directors' proposal to issue bonds that may be convertible into new shares and/or swappable for existing shares in IAG, excluding any preferential subscription right, under the authorisation of and, therefore, the delegation by, of IAG Ordinary General Shareholders' Meeting held on 21 June 2012.

1. Background and purpose of our work

IAG is a Spanish company, registered in Madrid and incorporated on 8 April 2010. IAG's shares are traded on the main stock market in London as well as in Madrid, Barcelona, Bilbao and Valencia in the Spanish Continuous Market (SIBE).

In accordance with the information and documentation received, IAG's Board of Directors, based on authorization conferred by shareholders at a General Meeting held on 21 June 2012, on 9 May 2013 has adopted a resolution to issue bonds that may be converted into new shares or swapped for existing shares in IAG. This action was simultaneous to the approval of the Directors' Report attached hereto. The maximum nominal amount of the issue is four hundred and ten million (410.000.000), and an incomplete subscription process is expected, excluding preferential subscription rights and the bonds will mature in five years (hereinafter the "Bonds").

By virtue of this delegation of authority, the Directors of IAG have prepared the Directors' Report, attached hereto as an Annex, accompanied by a certificate of resolutions adopted by the Board of Directors dated 9 May 2013 (hereinafter, "Directors' Report") that provides justification for the proposal and the rate of conversion into shares of the bonds to be issued. In accordance with the information provided to us, the issue will take place under the terms and conditions established in the Directors' Report that was previously approved by the Board of Directors.

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The purpose of our work is not the certification of the price of the issue or the conversion of the Bonds. The objectives of our work are exclusively the following:

- Determine, through the application of the procedures established by the Technical Rule governing Special Reports on the issue of convertible bonds in the cases covered by Article 414 of the Spanish Companies Act, whether the Report prepared by the Directors of IAG attached hereto contains the information required by the aforementioned Rule that includes an explanation of the bases and types of conversion relating to the Bonds.
- Issue a technical opinion, as independent experts, on the reasonableness of the information set out in the IAG Directors' Report relating to the issue of the Bonds, excluding any preferential subscription right and on the adequacy of the conversion rate of the Bonds and, if appropriate, the adjustment formulas to offset any potential dilution of the stake held by shareholders, all in accordance with the provisions of Article 417 of the Spanish Companies Act.

The accounting information used in this report has been taken from the consolidated annual accounts of International Consolidated Airlines Group, S.A. and subsidiaries for the year ended 31 December 2012, audited by Ernst & Young, S.L., which issued a favorable audit opinion on 27 February 2013.

2. Procedures applied during the course of our work

Our work has consisted of the application of the following procedures, as applicable in accordance with the Technical Rule on the Preparation of the Special Report on the issue of convertible bonds in cases covered by Article 414 of the Spanish Companies Act and any supplementary procedures that we considered necessary to comply with the provisions of Articles 417 and 511 of the Spanish Companies Act:

- a) Obtain the notification, and the relevant appointment, of the Madrid Mercantile Registrar Mr. Jose María Méndez-Castrillón on 16 April 2013 of our designation as Auditor for the purposes of Articles 414, 417 and 511 of the Spanish Companies Act with respect to case file 309/13 concerning International Consolidated Airlines Group, S.A.
- b) Obtain the resolution adopted on 9 May 2013 by IAG's Board of Directors relating to the issue of bonds convertible into new shares and/or swappable for existing shares in the Company.
- c) Obtain the resolution adopted by shareholders of IAG at a General Meeting held on 21 June 2012 regarding the delegation of the authority to IAG's

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Board of Directors to issue convertible bonds and to exclude the preferential subscription right.

- d) Obtain the report dated 9 May 2013 prepared by IAG's Directors explaining the bases and types of conversion, attached hereto as an Annex.
- e) Obtain the above-mentioned audit report on the consolidated annual accounts for IAG and subsidiaries (hereinafter "The Group" or "IAG Group" for the year ended 31 December 2012.
- f) Verify that the report prepared by the Directors relating to the proposal to issue bonds convertible into new shares and/or swappable for existing shares contains the information considered necessary and sufficient, in accordance with provisions of Articles 401 - 413 of the Spanish Companies Act, for an adequate interpretation and understanding on the part of the recipients of the report, including any significant subsequent events that could affect the proposed bond issue.
- g) Obtain and analyse the financial information used by the Directors of IAG to determine the bases and types of the conversion of the bonds and compare them with other alternative valuation methods (Discounted cash flows, comparable listed company multiples and analysis of recent analysts' reports on IAG's shares).
- h) Verify, based on the Directors' Report, that the price of the issue of the convertible bonds is not lower than their nominal value and that the price of the bonds convertible into shares (conversion price) is not lower than the nominal value of the shares into which they will be converted, or lower than the net equity value reflected in the latest audited annual accounts for IAG Group.
- i) Evaluate the reasonableness of the information set out in the Directors' Report to justify the proposal regarding the issue of the Bonds and the reasons and documentation that justify the suppression of the Preferential Subscription Right resulting from the application of the conversion.
- j) Verify that the accounting information set out in the Directors' Report matches the information in IAG's consolidated annual accounts for 2012.
- k) Obtain information from the Company's auditor regarding any significant events or factors concerning the financial situation of the Company and IAG

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Group that became known after the issue of the latest audit report provided to us.

l) Analyse significant subsequent events that occurred after the preparation of the 2012 consolidated annual accounts for IAG Group, including any Relevant Events reported to the National Stock Market Commission (CNMV) up to the date of this report.

m) Meet with IAG management to obtain information regarding financial developments during the first quarter of 2013 and to the date of our report which could significantly affect the equity value of the IAG Group and evaluation thereof, as well as to obtain management's financial projections for coming years and discussion of the main hypotheses and their impact on our work.

n) Analysis of the available minutes of the Board of Directors' meetings held during 2013 and up to the date of this report.

o) Request previous agreements between shareholders or other third parties that could be related to the IAG share valuation.

p) Meet with executives of IAG for the purpose of obtaining information relating to matters raised during the course of our work, and any other issues that could significantly affect the value of the Group or which could be of interest for the purpose of our work and the verification of any such information.

q) Analysis of the evolution of the listed price of the Company's shares and determination of the average listed price of those shares over the course of the latest representative period prior to the date of the special report (the last quarter) and the latest listed price prior to that date, taking into account the frequency and volume of trading in the periods being analyzed.

r) Determination of the theoretical value of the preferential subscription rights to be suppressed, calculated with reference to the Company's average share price for the latest representative period and the latest listed value for the Company prior to the date of the Special Report and to the Group's theoretical equity value.

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- s) Analysis of adequacy of the conversion rate and the adjustment formulas to offset any potential dilution of the stake held by shareholders.
- t) Obtain a letter of representation from IAG confirming, among other things, that we have been provided with all the information necessary to prepare our Special Report, that they have made available to us all hypotheses, data and relevant information, and that there have been no subsequent events up until the date of said Special Report that have not been reported to us and which could have a significant effect on the conclusions of our work.

3. Evaluation of the conversion ratio and the adjustment formulas

The report prepared by the Directors proposes that the conversion rate for the bonds convertible into new ordinary shares and/or swappable for existing shares in IAG is fixed over the entire life of the issue.

This conversion price or share reference price for the purposes of the conversion of will be determined based on the market conditions at the time the bond issue is launched and using habitual demand prospecting procedures. For these purposes, the conversion price will be set based on the listed price for IAG shares at the date the issue is carried out with a premium of not less than 25% of that value (which will be EUR 3.31 at minimum). In any event, in no case will the result of dividing the amount of the issue by the conversion price exceed the amount of 92,768,477 shares.

In the case of a listed company, the fair value is understood as the market value and this is assumed, unless otherwise evidenced, to be linked to their listed share price. The share price at 8 May 2013 was EUR 3.31 and the average share price for the three-month period ended 8 May 2013 was EUR 2.93.

The minimum conversion price proposed by the Directors exceeds the consolidated net equity value of IAG's shares currently outstanding, which amounts to 2.56 euro per share at 31 December 2012 according to the IAG Group's audited annual accounts for 2012.

The minimum conversion price agreed in the Directors' Report does not give rise to any theoretical dilution effect on the listed price of the shares in the three month period ending 8 May 2013 and 8 May 2013, or on the audited theoretical book value at 31 December 2012.

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4. Relevant issues and special difficulties to consider with respect to the interpretation of our work

Both the interpretation of the requirements of Articles 414, 417 and 511 of the Spanish Companies Act and the opinions expressed in this report include, in addition to objective factors, subjective factors that involve judgments and, therefore, it is not possible to ensure that third parties would necessarily agree with the interpretations and judgments expressed in this report.

The information necessary to carry out work has been provided by the management of IAG or has been obtained from public sources.

Our work has not included the verification of such information using external evidence, notwithstanding the fact that to the extent possible we have verified that the information presented is consistent with other information obtained during the course of our work.

Our report does not include an analysis of any change that could arise with respect to the conversion price between the date of this Special Report and the subscription date, or the possible theoretical dilution that could differ from the items being reviewed in this report.

We do not have the obligation to update our report due to events that may take place after the date it is issued. The content of this report should be understood to refer to all of the information received regarding the events taking place prior to the date it was prepared.

We assume that all the authorizations and filing obligations that may be necessary to effectively carry out the transaction, and which would affect our work, will be obtained without any adverse effect on the aim of the transaction being analyzed by us.

Finally, it is important to emphasize that our work is independent in nature and therefore does not constitute any recommendation to the management of IAG, Company shareholders or third parties with respect to the position they should take in the bond issue operation.

5. Conclusion

In accordance with the work performed, with the scope described in the preceding paragraphs, and subject to relevant aspects to be taken into consideration when interpreting the results of our work, and with the sole objective of complying with the requirements established in Articles 414, 417 and 511 of the Spanish Companies Act, in our professional opinion:

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- The accompanying Report of the Directors of IAG regarding the issue of bonds that are convertible into new shares and/or swappable for existing shares in IAG, with no preferential subscription right, contains the information required by the Technical Rule governing the preparation of special reports on the issue of Convertible Bonds stipulated by Article 414 of the Spanish Companies Act and the information set out in that Directors' Report is reasonable as it is adequately documented and presented, and
- the conversion ratio for the bonds to IAG shares excluding the preferential subscription right and the proposed adjustment formulas to offset any possible dilution of the financial interest of shareholders are appropriate.

This Special Report has been prepared solely for the purposes established by Article 414, 417 and 511 of the Spanish Companies Act and should not be used for any other purpose.

PricewaterhouseCoopers Auditores, S.L.

Raúl Llorente Adrián
Partner - Audit Account

May 9, 2013

I, FERNANDO VIVES RUIZ, in my capacity as Secretary of the Board of Directors of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.,

HEREBY CERTIFY

The Report of the directors of International Consolidated Airlines Group, S.A. of 9 May 2013 regarding the resolution on the issue of convertible and/or exchangeable bonds with disapplication of pre-emption rights of the shareholders that is adopted on that same date under the delegation from the General Meeting of Shareholders of the Company held on 21 June 2012, which is attached as an Annex to this certificate, fully matches the report approved by the Board of Directors at its meeting on 9 May 2013.

And in witness whereof, I issued this certificate in Madrid, on 9 May 2013.

**Countersigned
The Chairman**

The Secretary

Mr Antonio Vázquez Romero

Mr Fernando Vives Ruiz

ANNEX

**REPORT OF THE ADMINISTRATORS OF INTERNATIONAL
CONSOLIDATED AIRLINES GROUP, S.A. REGARDING ISSUE OF
CONVERTIBLE AND EXCHANGEABLE BONDS WITH
DISAPPLICATION OF PREEMPTION RIGHTS OF SHAREHOLDERS
ADOPTED ON THIS DATE UNDER THE DELEGATION FROM THE
GENERAL MEETING OF SHAREHOLDERS OF 21 JUNE 2012**

**REPORT OF THE ADMINISTRATORS OF INTERNATIONAL
CONSOLIDATED AIRLINES GROUP, S.A. REGARDING ISSUE OF
CONVERTIBLE AND EXCHANGEABLE BONDS WITH DISAPPLICATION
OF PREEMPTION RIGHTS OF SHAREHOLDERS ADOPTED ON THIS DATE
UNDER THE DELEGATION FROM THE GENERAL MEETING OF
SHAREHOLDERS OF 21 JUNE 2012**

Madrid, 9 May 2013

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This report (the "**Report**") has been prepared by the administrators of International Consolidated Airlines Group, S.A. ("**IAG**" or the "**Company**") in compliance with the provisions of article 511 of the Capital Companies Act together with articles 414(2) (regarding the bases for and forms of conversion of the bonds) and 417(2) (regarding disapplication of pre-emption rights) of that Act.

In accordance with the foregoing, this Report is issued regarding the resolution to issue bonds convertible to newly-issued or exchangeable for outstanding shares of the Company (the "**Issuance**") in a face amount of 398,000,000.00 euros, maturing in five (5) years (the "**Bonds**"). The Bonds will be issued by the Company with disapplication of subscription rights of shareholders. The resolution to issue the Bonds will be adopted using the delegation from the General Meeting of shareholders of the Company held on 21 June 2012 under point eighth of the agenda therefor.

The share capital of the Company at the date of this Report (being the same at 21 June 2012 amounts to 927,684,778.50 euros, divided into 1,855,369,557 ordinary shares of the same class and series and with a nominal value of 0.50 euros each, fully subscribed and paid.

The total amount of the Issuance will not be, in any event, above the amount of the share capital of the Company plus reserves and balance sheet regularisation and adjustment accounts, when they have been legally accepted, according to audited financial information of the Company at 31 December 2012. Notwithstanding the above, such limit it is not applicable to the Company according to article 510 of the Capital Companies Act.

The Company has not treasury stock.

To facilitate understanding of the Issuance, we first offer an explanation thereof, and the reasons justifying the Issue. Set forth below on a combined basis, although stated in various sections, are the reports contemplated in the rules of the Capital Companies Act referred to above, and the related provisions of that act.

1. DESCRIPTION OF TRANSACTION

The Board of Directors of the Company, using the delegation from the General Meeting of shareholders of held on 21 June 2012 under point eighth of the agenda therefor, on this date has adopted the resolution to issue the Bonds, authorising Mr. Willie Walsh, Managing Director, Mr. Enrique Dupuy de Lôme Chávarri and Mr. Jorge Otero Rodríguez to set the date when the Issue resolution is to be implemented, within a maximum term of two (2) months from this date. The powers granted by the Board of Directors to the above-mentioned persons include (i) the power to determine within the limits established by the Board of Directors of the Company, the terms and conditions the Issuance based on market conditions, the status of the Company itself or any fact or event of such corporate or economic importance that that decision is advisable and (ii) the possibility to

refrain from implementing the Issuance in the light of the above-mentioned circumstances.

The Bonds will be placed with qualified investors (in the sense of article 39 of Royal Decree 1310/2005 of 4 November 2005) with the cooperation of Barclays Bank PLC, Deutsche Bank AG, London Branch, Morgan Stanley & Co International plc, Banco Santander, S.A. and UBS Limited (the "**Joint Lead Managers**"), which will undertake the bookbuilding and placement of the Bonds, proceeding, once the bookbuilding process has concluded, to approval of the final terms and conditions of the Issue, within the parameters established by the resolution of the Board of Directors.

The face amount of the issue is 398,000,000.00 euros, with the result of dividing the amount of the Issue by the Conversion Price (as defined below) in no case being greater than 92,768,477.

In this regard, it is noted that, by virtue of article 510 of the Capital Companies Act (Ley de Sociedades de Capital), the limit on the issue of debentures established in article 405 of the Capital Companies Act does not apply to the Issue because the Company is a listed public limited company.

The Issue will be made in accordance with the provisions of the terms and conditions summarised in section 2 below.

Attached as **Annex 1** to this report the draft of the resolutions approved by the Board of Directors passing the Issuance.

For its part, the Company will sign an agreement for subscription of the Bonds with the Joint Lead Managers (the "**Subscription Agreement**"), subject to English law and covering placement and subscription of the Bonds.

Once the conditions precedent set forth in the aforesaid Subscription Agreement, the subscription of and payment for the Bonds will occur on the closing date for the Issue (the "**Closing Date**") and it will include completion of the processing for admission to trading of the Bonds on the unregulated organised secondary market of the London Exchange, Professional Securities Market (PSM).

The Subscription Agreement, the terms and conditions, and the form of representation of the Bonds will be governed by and interpreted in accordance with English law, since it is the most customary applicable law for this kind of instrument, based on the kind of qualified investors and the markets to which it is addressed. The capacity of the Company, the corresponding corporate resolutions, the provisions related to the rank of the Bonds, the appointment of the Commissioner and the constitution and functioning of the bondholders syndicate will be governed by Spanish law.

The amount deriving from subscription of the Bonds, once the expenses and fees of the Issue are paid, will be used for:

- (A) prepayment of the financing agreements signed, inter alia, by (i) Veloz Holdco, S.L.U. (a subsidiary 100% of the Company) as borrower, the Company as guarantor and British Airways plc. as lender and (ii) the Company as borrower and Banco Santander, S.A. as lender. Both agreements were signed with the purpose to provide Veloz Holdco, S.L.U with the financing necessary to pay the price of the public tender offer made by Veloz Holdco, S.L.U over Vueling Airlines, S.A. and
- (B) to cover the general financing needs of the Company, strengthening its financial structure, extending the average term of corporate debt and reinforcing its liquidity position.

2. Principal terms and conditions of the Bonds and bases for and forms of conversion or exchange

The main terms and conditions of the Bonds and the bases for and forms of exchange or conversion thereof for or into outstanding or new shares of the Company, according to the By-Laws of the Company and the applicable law, are as follows:

- Issuer:** International Consolidated Airlines Group, S.A.
- Nature of the Bonds:** Bonds convertible into and exchangeable for newly-issued or outstanding common shares of the Issuer, denominated in euros.
- The Bonds will be unsecured and unsubordinated ordinary obligations of the Issuer and will enjoy the same rank (*pari passu*) as among themselves and as regards the other existing or future unsecured and unsubordinated ordinary obligations of the Issuer, except as regards such obligations as may have priority as provided in mandatory laws of general application.
- Amount of the Issue:** Up to a maximum of 410,000,000 euros, with the result of dividing the amount of the Issue by the Conversion Price (as defined below) in no case being greater than 92,768,477.

The possibility of incomplete subscription of the Issue is expressly contemplated.

Face value of the Bonds:	Each Bond will have a minimum unit face value of 100,000 euros.
Issue price:	At par, that is, one hundred percent of face value. Payment for the Bonds will be in cash. Subscription and settle of the Bonds for the investors will be free of any fees and expenses.
Subscription period and date	The Bonds will be subscribed at the date determinate at the launch date base in market conditions. In any event such date will fall within two month from the date of the resolution of the Board approving this Report.
Interest rate:	The Bonds will accrue interest at a fixed maximum nominal interest rate of 3.50% per annum payable at the dates and periods determinate at the launch date base in market conditions. The interest periods will be semiannual or annual to be determined on the launch date.
Maturity date:	The Bonds will have a maximum term of five years from the closing date of the Issue.
Acceleration:	In the final terms and conditions of the Issue events of acceleration of the Bonds at the option of the Issuer or the bondholders may be established. In particular they will include (i) an even of acceleration at the option of the Issuer which, essentially, will establish that from, approximately, the date falling three years and 21 days from issue date if on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than seven dealing days prior to the giving of the relevant optional redemption notice, the volume weighted average price of an ordinary share shall have been at least 130 per cent. of the conversion price and (ii) an event of acceleration at the option of the Issuer, if, at any time, conversion rights shall have been exercised and/or purchases (and corresponding cancellations) and/or redemptions effected in respect of 85 per cent. or more in principal amount of the Bonds.
Conversion or exchange:	The Bonds will be voluntarily convertible and exchangeable at the option of the bondholders at any time from 41 days after the issue date until the date falling seven calendar days prior to the final maturity date. The decision as to whether to deliver new and/or outstanding shares will correspond exclusively to the Issuer.

Conversion or exchange ratio:

For purposes of their conversion or exchange, the Bonds will be valued at their face value. As established in the final terms and conditions of the Issue, interest accrued on the Bonds and not paid up to the date of conversion or exchange will be paid in cash.

The reference price of the shares for purposes of conversion or exchange of the Bonds will be fixed (the "**Conversion Price**").

The Conversion Price will be determined based on market conditions at the time of launching the Issue, as a reference using the customary book building procedures. For these purposes, the Conversion Price will be based on the stock market price of the shares of the Company on the date of launch of the Issue, with a premium of not less than 25% over that price.

In any event, a minimum Conversion Price of 3.31 euros is established, with the result of dividing the amount of the Issue by the Conversion Price never being greater than 92,768,477. It is expressly stated that the minimum Conversion Price established herein is equal to the average of the quoted price at the London Stock Exchange on 8 May 2013.

Thus, the number of common shares that will be delivered to the Bondholders exercising their right of exchange or conversion will be determined by dividing the face amount of the corresponding Bond or Bonds by the Conversion Price in effect at that time. If the result of this operation is fractional shares, the provisions of the final terms and conditions of the Issue will apply.

Anti-dilution mechanisms:

Anti-dilution mechanisms will be established regarding the Conversion Price in accordance with customary practice for this kind operation, mainly in the terms established in the **Annex 2** attached to this Report attached in English and Spanish language, as determined in the final terms and conditions of the Issue, to ensure that, if corporate transactions are implemented or resolutions are adopted that may result in dilution for the holders of the Bonds, those transactions or resolutions will equally affect the shareholders and the holders of the Bonds or, if appropriate, the holders of the Bonds will be compensated for the loss of expectation of conversion and/or exchange of the Bonds to

shares due to such supervening circumstances as may affect the Issuer. The anti-dilution mechanisms must take account of the fact that the Conversion Price in no case may be less than the par value of the shares of the Issuer at the time of the conversion.

Syndicate of bondholders:

A syndicate of bondholders will be constituted in accordance with the provisions of the Capital Companies Act and other applicable legislation. The public deed of issuance of the Bonds will include the syndicate regulations which will have the basic rules which are to govern the legal relationship between the Company and the syndicate. Draft of the syndicate of bondholders' regulations is attached hereto as **Annex 3**.

Admission to trading:

Admission to trading of the Bonds will be applied for on an unregulated organised secondary market, the Professional Securities Market (PSM) of the London Exchange.

Governing law:

The terms and conditions of the Bonds will be governed by English law, with the exception of provisions regarding the rank of the Bonds, the appointment of the commissioner and the constitution and functioning of the bondholders syndicate, which will be governed by Spanish law.

3. Capital increase to cover conversion of Bonds

Under the authorisation granted by the General Meeting of shareholders of the Company held on 21 June 2012, under point ninth of the agenda, the Board of Directors has passed a resolution to disapply preemption rights of the shareholders of the Company regarding the Issue approved above, in accordance with article 511 of the Capital Companies Act.

The Board of Directors of the Company on this date also has resolved under the resolution adopted by the General Meeting of shareholders of the Company held on 21 June 2012 under point eighth of the agenda therefor, to increase the capital of the Company by the amount necessary to cover conversion of the Bonds, up to a maximum face amount of 46,384,238.50 euros, equivalent to the 5 per cent. of the share capital at 21 June 2012. The possibility of incomplete subscription is expressly contemplated.

The aforesaid capital increase May be implemented in whole or in part on one or more occasions, by issue of new common shares of the same par value and the

same rights as the common shares outstanding on the date or dates of implementation of the increase resolution, with or without issue premium.

Each time the this capital increase resolution is implemented, the article of the Articles of Association related to capital will be redrafted.

The number of new common shares that will be issued upon exercise of the conversion right will be determined by dividing the face amount of the corresponding Bond or Bonds by the Conversion Price in effect on the conversion date.

In accordance with the provisions of article 304(2) of the Capital Companies Act, the shareholders of the Company will have no pre-emption right as regards the capital increases resulting from conversion of the Bonds into shares.

Admission to trading will be sought for the new shares on the Madrid, Barcelona, Valencia and Bilbao Exchanges through the Exchange Interconnection System (Continuous Market) and on the regulated market of the London Stock Exchange through the issue and delivery of dematerialised depository interest representing the new shares into the dematerialised securities system operated by Euroclear UK and Ireland Limited known as CREST, and on the other securities exchanges on which the shares of the Company are traded from time to time.

Furthermore, it expressly states that the Sole Shareholder of the Company passed a resolution on 26 October 2010 for the issuance of a warrant in favour of British Airways plc. The warrant gives the right to British Airways plc. to demand the Company the issuance of new ordinary shares and to designate its subscribers. The Sole Shareholders waives its preemptive right in relation to the issue of the warrant. According to article 414 of the Capital Companies Act the Sole Shareholder passed a resolution to increase the share capital of the Company by the issuance of new ordinary shares to attend the execution of the warrant, up to an initial maximum amount of 118,506,118.5 euros, corresponding to 237,012,237 Ordinary shares of 0.50 euros each.

4. Justification for disapplication of preemption rights

Under the delegation from the General Meeting of shareholders of the Company held on 21 June 2012, under point nine of the agenda therefor, the Board of Directors has resolved to disapply the pre-emption rights that would correspond to the shareholders of the Company regarding the issue of Bonds, in accordance with article 511 of the Capital Companies Act together with article 417 of that act.

To comply with the provisions of the aforesaid articles and, ultimately, demonstrate compliance with the legal requirements in the adoption of the resolution to disapply pre-emption rights for the issue of the Bonds, the following are noted:

4.1 Advantages of disapplication of pre-emption rights

The Board of Directors of the Company believes that disapplication of pre-emption rights in the issue of the Bonds is fully justified in the corporate interest:

- (a) Qualified investors: Targeting the investment to qualified investors will give the Company the opportunity to attract a significant level of financial resources from a limited number of investors active in the international financial markets, taking advantage of the great capacity for transactions in those markets.

In addition, the investor to which the issues of convertible and exchangeable instruments are targeted is a kind of investor different from those operating in the bank financing market and in the equities market. Both are well known to the Company, since it has accessed those markets to attract resources for the financing of its business. What is involved, therefore, is an opportunity to open a new source of financing for the Company deriving from the ability to resort to investors operating in the market for instruments convertible to or exchangeable for shares of listed companies which, in exchange for lower yield on their debt instruments, are given the opportunity, if appropriate, to participate in the Company's capital.

- (b) Flexibility in placement: Disapplication of pre-emption rights of shareholders is necessary to allow placement of the Issue using bookbuilding techniques, which allow undertaking the transaction on the best terms for the Company.
- (c) Speed of implementation. Less exposure to market volatility: Also, the structure of the transaction allows placement of the Bonds within a very brief period of time, taking advantage of the status of the international markets (what is known as the "market window"), without being subject to market volatility.

Any strategy other than the one here proposed could delay the process of attracting funds. For example, in the case of an issue of convertible bonds with no disapplication of pre-emption rights, it is required that the term for issue thereof be not less than fifteen days after publication of the notice of the issue in the Commercial Registry Official Gazette.

- (d) Cost savings: Disapplication of pre-emption rights decreases the coupon payable on the Bonds, improving conversion and interest ratios.

In this regard it can be stated, in general, that the coupon on convertible and/or exchangeable bonds is reduced by comparison with the cost of bank debt and issues of non-convertible debt, because the coupon on a

convertible or exchangeable security reflects the value of the conversion or exchange option (as applicable) held by the investors.

4.2 Setting conversion or exchange price

The conversion price of the shares of the Company for the purposes of conversion or exchange will be determined on the launch date of the Issue based on the then-existing market conditions and using as a reference the customary book-building procedures applied for comparable transactions. It is expected that, the Conversion Price will be calculated by adding to the stock price of the shares of the Company during the Launch Date a conversion or exchange premium calculated as a percentage of that stock price, which will be at least 25% of that stock price based on the bookbuilding process undertaken by the Joint Lead Managers, unless there are exceptional circumstances in the market during that process.

For the purposes of the immediately preceding paragraph, the stock price of the shares of the Company during the Launch Date shall be determined as the weighted average of the quoted price of the shares of the Company on the London Stock Exchange during the book-building period determined by the Joint Lead Managers on the Launch Date and comprising the period between the Issue announcement date ("launch") and time on which the price of conversion or exchange has been fixed ("pricing") converted into euros at the official exchange rate of such date.

In any event, the initial minimum Conversion Price is 3.31 euros per share, with the result of dividing the amount of the Issue by the Conversion Price in no case being greater than 92,768,477. It is expressly stated that the minimum Conversion Price established herein is equal to the average of the quoted price at the London Stock Exchange on 8 May 2013.

Due to the benefits deriving for the Company from the structure of the proposed transaction and the established conversion or exchange price, the transaction is not only suitable to accomplishment of the desired end, but appropriate from the point of view of the corporate interest. Also, the disapplication measure is in accordance of the due proportionality that must exist between the advantages obtained by the Company and such inconvenience as may be caused to the shareholders that have their expectations diminished by reason of such dilution as may be involved (based on how the share price evolves) in any issue of convertible bonds with disapplication of pre-emption rights.

PricewaterhouseCoopers Auditores, S.L., as the auditor of accounts other than the Company's auditor appointed for that purpose by the Madrid Commercial Registry, will issue a report on the bases for and forms of conversion or exchange of the Bonds, containing a technical judgment regarding the reasonableness of the information included in this Report and the suitability of the conversion or exchange ratio and, if applicable, the adjustment formulas to compensate for possible dilution of the

economic interest of the shareholders, in accordance the provisions of article 511 of the Capital Companies Act together with articles 414(2) and 417(2) of that act.

It expressly states that the audit report of the individual and consolidated annual accounts for the year ended 31 December 2012 can be found at the Company web site www.iagshareholders.com.

To the appropriate effect, it is expressly states that there are no any significant post balance sheet event to the annual accounts for the year ended 31 December 2012 which may have an impact in the assets or the value of the Company other than those published by the Company according to the legislation in force.

* * *

Annex 1

RESOLUTIONS PROPOSED TO THE BOARD OF DIRECTORS OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. REGARDING ISSUE OF CONVERTIBLE AND EXCHANGEABLE BONDS WITH DISAPPLICATION OF PREEMPTION RIGHTS OF SHAREHOLDERS

“ISSUE OF CONVERTIBLE AND EXCHANGEABLE BONDS WITH DISAPPLICATION OF PREEMPTION RIGHTS”

1.- ISSUE OF CONVERTIBLE AND EXCHANGEABLE BONDS

In use of the authority granted by the General Meeting of shareholders of the Company held on 21 June 2012, under point eight of the agenda therefor, to approve an issue (the "Issue") of bonds convertible to and exchangeable for newly-issued or outstanding common shares of the Company (the "Bonds"), in accordance with the terms and conditions and subject to the bases of and forms for conversion indicated below:

Issuer: *International Consolidated Airlines Group, S.A.*

Nature of the Bonds: *Bonds convertible into and exchangeable for newly-issued or outstanding common shares of the Issuer, denominated in euros.*

The Bonds will be unsecured and unsubordinated ordinary obligations of the Issuer and will rank pari passu among themselves and as regards the other existing or future unsecured and unsubordinated ordinary obligations of the Issuer, except as regards such obligations as may have priority as provided in mandatory laws of general application.

Amount of the Issue: *Up to a maximum of 410,000,000 euros, with the result of dividing the amount of the Issue by the Conversion Price (as defined below) in no case being greater than 92,768,477.*

The possibility of incomplete subscription of the Issue is expressly contemplated.

Face value of the Bonds: *Each Bond will have a minimum unit face value of 100,000 euros.*

Issue price: *At par, that is, one hundred percent of face value. Payment for the Bonds will be in cash.*

Interest rate: *The Bonds will accrue interest at a maximum fixed nominal interest rate of 3.50% per annum, payable at the dates and*

periods determinate at the launch date base in market conditions. The interest periods will be monthly, quarterly, semiannual or annual to be determined on the launch date.

Maturity date: *The Bonds will have a maximum term of five years from the closing date of the Issue.*

Acceleration: *In the final terms and conditions of the Issue events of acceleration of the Bonds at the option of the Issuer or the bondholders are be established.*

Conversion or exchange: *The Bonds will be voluntarily convertible and exchangeable into ordinary share of the Company at the option of the bondholders. The decision as to whether to deliver new and/or outstanding shares will correspond exclusively to the Issuer.*

Conversion or exchange ratio: *For purposes of their conversion or exchange, the Bonds will be valued at their face value. As established in the final terms and conditions of the Issue, interest accrued on the Bonds and not paid up to the date of conversion or exchange will be paid in cash.*

*The reference price of the shares for purposes of conversion or exchange of the Bonds will be fixed (the "**Conversion Price**").*

The Conversion Price will be determined based on market conditions at the time of launching the Issue, as a reference using the customary book building procedures. For these purposes, the Conversion Price will be based on the stock market price of the shares of the Company on the date of launch of the Issue, with a premium of not less than 25% over that price.

In any event, a minimum Conversion Price of 3.31 euros is established, with the result of dividing the amount of the Issue by the Conversion Price never being greater than 92,768,477.

Thus, the number of common shares that will be delivered to the Bondholders exercising their right of exchange or conversion will be determined by dividing the face amount of the corresponding Bond or Bonds by the Conversion Price in effect at that time. If the result of this operation is fractional shares, the provisions of the final terms and conditions of the

Issue will apply.

Anti-dilution mechanisms:

Anti-dilution mechanisms will be established regarding the Conversion Price in accordance with customary practice for this kind of transaction, as determined in the final terms and conditions of the Issue, to ensure that, if corporate transactions are implemented or resolutions are adopted that may result in dilution for the holders of the Bonds, those transactions or resolutions will equally affect the shareholders and the holders of the Bonds or, if appropriate, the holders of the Bonds will be compensated for the loss of expectation of conversion and/or exchange of the Bonds to shares due to such supervening circumstances as may affect the Issuer. The anti-dilution mechanisms must take account of the fact that the Conversion Price in no case may be less than the par value of the shares of the Issuer at the time of the conversion.

Syndicate of bondholders:

A syndicate of bondholders will be constituted in accordance with the provisions of the Capital Companies Act and other applicable legislation.

Admission to trading:

Admission to trading of the Bonds will be applied for on an unregulated market (the Professional Securities Market (PSM)) of the London Stock Exchange.

Governing law:

The terms and conditions of the Bonds will be governed by English law, with the exception of provisions regarding the ranking of the Bonds, the appointment of the commissioner and the constitution and functioning of the bondholders syndicate, which will be governed by Spanish law.

2.- DISAPPLICATION OF PREEMPTION RIGHTS

Under the authorisation granted by the General Meeting of shareholders of the Company held on 21 June 2012, under point nine of the agenda, to disapply preemption rights of the shareholders of the Company regarding the Issue approved above, in accordance with article 511 of the Capital Companies Act.

3.- CAPITAL INCREASE TO COVER THE CONVERSION.

Under the authorisation granted by the General Meeting of shareholders of the Company held on 21 June 2012, under point eighth of the agenda, to increase the capital of the Company by the amount necessary to cover the conversion of the Bonds, up to a maximum nominal amount of 46,384,238.50 euros, equivalent to 5% of capital at 21 June 2012. The possibility of incomplete subscription is expressly contemplated.

This capital increase may be implemented in whole or in part on one or more occasions, by issue of new common shares of the same par value and the same rights as the common shares outstanding on the date or dates of implementation of the increase resolution, with or without issue premium. Each time this capital increase resolution is implemented, the article of the Articles of Association related to capital will be revised accordingly.

In accordance with the provisions of article 304(2) of the Capital Companies Act, the shareholders of the Company will have no preemption right as regards the capital increases resulting from conversion of the Bonds into shares.

It is resolved to seek admission to trading of the new shares on the Madrid, Barcelona, Valencia and Bilbao Exchanges through the Exchange Interconnection System (Continuous Market) and on the regulated market of the London Stock Exchange through the issue and delivery of dematerialised depository interest representing the new shares into the dematerialised securities system operated by Euroclear UK and Ireland Limited known as CREST and on the other securities exchanges on which the shares of the Company are traded from time to time.

It is expressly noted, for the appropriate legal purposes, that if delisting of the shares of the Company is later requested, it will be adopted with the formalities required by the applicable regulations and, in that case, the interests of the shareholders opposing or not voting on the resolution will be guaranteed, in compliance with the requirements established by law.

FOURTH.- REPORT OF THE DIRECTORS

In fulfillment of the provisions of articles 414, 417 and 511 of the Capital Companies Act, to approve the report of the directors on the Issue that is attached to the minutes of this meeting as an Annex.

FOURTH.- DELEGATION OF AUTHORITY

To authorise and grant powers of attorney to Mr. William Walsh, Managing Director, Mr. Enrique Dupuy de Lôme Chávarri, of legal age, Spaniard, with D.N.I. number 50414232-A and Jorge Otero Rodríguez, of legal age, Spaniard, with D.N.I. number 2550130-M, as broad as required by law and with express authority to delegate, so that any of them, without distinction and on a joint and several basis, may implement the foregoing resolutions and effectuate the Issue and, specifically by way of illustration and not limitation:

- a) *To resolve to launch the Issue and specify the date on which it is to be implemented, within a maximum term of two months after the date of this resolution, being authorised to refrain from and/or withdraw from carrying out the Issue based on market conditions, the status of the Company itself or any fact or event of such corporate or economic importance that that decision is advisable,*

reporting thereon to the Board of Directors of the Company when the term fixed for implementation has passed.

- b) To determine the final characteristics of the Issue and the Bonds to be issued in all respects not contemplated above, and approve the final terms and conditions of the Issue, by way of illustration and not limitation including, fixing the amount of the Issue, the interest rate on the Bonds, the interest periods, the Conversion Price, the inclusion or adaptation of the bases for and forms of conversion, the terms and conditions of the anti-dilution mechanisms, the events of acceleration and consequences thereof, and any such matter not covered by this resolution as may be necessary or appropriate to the successful outcome of the operation, and to state the amount used by the Board as against the maximum of the delegation made by the General Meeting of shareholders, and the amount remaining to be used.*
- c) To determine the other matters not established by the Board of Directors related to the Issue and the Bonds and to determine any other matter regarding the Issue that may be necessary or convenient for its successful outcome.*
- d) To determine the date or dates of issue and the procedure for distribution and subscription.*
- e) To proceed with establishment of the bondholders syndicate, determine the characteristics and operating rules thereof, approve its regulation and appoint the temporary commissioner thereof.*
- f) To apply for admission of the Bonds to the official list maintained by the UK Listing Authority and to trading on the unregulated organised secondary market (Professional Securities Market (PSM)) of the London Exchange or on any other market that becomes necessary or appropriate.*
- g) Over the term of the Issue to make and implement such decisions as are to be made by the Company under the final terms and conditions of the Issue.*
- h) To implement the resolution to increase the Company's capital, in whole or in part, on one or more occasions, by issuing and placing in circulation, on one or more occasions, the shares that are necessary to carry out the conversion of the Bonds, and to revise the article of the Articles of Association related to capital, leaving the part of that capital increase that is not necessary for the conversion of the corresponding Bonds into shares with no effect, and to apply for admission to trading of the shares so issued on the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges, through the Exchange Interconnection System (Continuous Market), and on the other securities exchanges on which the shares of the Company are traded from time to time.*

- i) *If applicable, to apply the anti-dilution mechanisms, as determined in the final terms and conditions of the Issue.*
- j) *To arrange for attestation of the Issue as a public document and the closing thereof, making any statement required by applicable law or regulation (in particular articles 310 and 319 of the Commercial Registry Regulation); to request registration thereof in the Commercial Registry and other public registries, if necessary; to execute such deeds of rectification, ratification, correction or clarification as may be necessary to adapt them to comments made, verbally and/or in writing, by the Commercial Registrar and, in general, to take such actions as may be necessary for due effectiveness of these resolutions, including, if necessary, correction or cure of errors therein, with express authority to execute such public or private documents as may be necessary for the aforesaid purposes.*
- k) *To negotiate, sign, grant, cure and modify public or private documents for implementation of the Issue and distribution of the Bonds, by way of illustration and not limitation including the public deed of issue, closing certificate, liquidity contracts, subscription, distribution and/or underwriting agreements, agency agreements, as well as any such other documents or contracts as may be necessary or appropriate for the issue, distribution and subscription of the Bonds, on the conditions they deem to be most appropriate, expressly including the appointment of process agents in any jurisdiction.*
- l) *To publish any such notice as may be necessary or appropriate.*
- m) *To adopt any measure and make any declaration, send any communication or take any action before the competent regulatory authorities, whether public or private, domestic or international, regarding the Bonds.*
- n) *To take such actions as may be necessary or appropriate in any jurisdiction where the Bonds are traded or admission to trading thereof is requested, in particular:*
 - (i) *To draft, formulate, sign, subscribe and assume responsibility for such prospectuses, registration documents, securities notes, summaries, documents, applications, communications or notices as may be required by applicable legislation in each competent jurisdiction, and to agree subsequent modifications thereof as deemed to be appropriate.*
 - (ii) *To appear and take such actions as may be necessary before any competent authorities in any jurisdiction and to approve and formalise such public or private documents as may be necessary or appropriate for the full effectiveness of the Issue in any respect, as regards any element thereof.*

- o) To declare the Issue to be closed, once the term for subscription has elapsed and payment for the Bonds has been made, executing such public and private documents as may be appropriate for full or partial implementation of the Issue.*
- p) To correct, clarify, interpret, specify or supplement the resolutions adopted for purposes of the Issue, in such deeds or documents as may be executed in implementation thereof and, in particular, such defects, omissions or errors, substantive or formal, as may prevent entry of the resolutions and the consequences thereof in the Commercial Registry, Official Registries of the National Securities Market Commission, or any others.*
- q) And, in general, to take such actions and sign such documents as may be necessary or appropriate for the validity, effectiveness, development and implementation of the Issue, the issue and circulation of the Bonds and the implementation of the capital increase to cover conversion of the Bonds, including interpretation, application, implementation and development of the approved resolutions, including correction thereof and compliance therewith.”*

Annex 2

Anti-dilution mechanisms (English version)

“Adjustment of Conversion Price

Upon the happening of any of the events described below, the Conversion Price shall be adjusted as follows:

- (i) *If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such consolidation, reclassification or subdivision by the following fraction:*

$$\frac{A}{B}$$

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and*
- B is the aggregate number of Ordinary Shares in issue immediately after, and as a result of, such consolidation, reclassification or subdivision, as the case may be.*

Such adjustment shall become effective on the date the consolidation, reclassification or subdivision, as the case may be, takes effect.

- (ii) *If and whenever the Issuer shall issue any Ordinary Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (1) where any such Ordinary Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive, (2) where the Shareholders may elect to receive a Dividend in cash in lieu of such Ordinary Shares or (3) where any such Ordinary Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to such issue by the following fraction:*

$$\frac{A}{B}$$

where:

A is the aggregate number of Ordinary Shares in issue immediately before such issue; and

B is the aggregate number of Ordinary Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Ordinary Shares.

(iii) If and whenever the Issuer shall pay or make any Dividend to Shareholders, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Ordinary Share on the Effective Date; and

B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buyback of Ordinary Shares or any depository or other receipts or certificates representing Ordinary Shares by or on behalf of the Issuer or any Subsidiary of the Issuer, by the number of Ordinary Shares in issue immediately following such purchase, redemption or buyback, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depository or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein.

For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) to the definition of "Dividend" and the definition of "Fair Market Value") be determined as at the Effective Date.

"Effective Date" means, in respect of this paragraph (iii), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buyback of Ordinary Shares or any depository or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buyback is made or, in

the case of a Spin-Off, on the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

- (iv) *If and whenever the Issuer shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase Ordinary Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, any Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued), in each case, at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the Effective Date, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:*

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue on the Effective Date;*
- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the Ordinary Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued by way of rights and for the total number of Ordinary Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Ordinary Share; and*
- C is the number of Ordinary Shares to be issued or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase in respect thereof at the initial conversion, exchange, subscription or purchase price or rate.*

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (v) *If and whenever the Issuer shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights*

to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A* is the Current Market Price of one Ordinary Share on the Effective Date; and
- B* is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Ordinary Share. Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or exrights, ex-options or ex-warrants on the Relevant Stock Exchange.

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in paragraph (iv) above) wholly for cash or for no consideration any Ordinary Shares (other than Ordinary Shares issued on conversion of the Bonds or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, Ordinary Shares) or issue or grant (otherwise than as mentioned in paragraph (iv) above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase any Ordinary Shares (other than the Bonds, which term shall for this purpose include any Further Bonds), in each case, at a price per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of such issue or grant, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A* is the number of Ordinary Shares in issue immediately before the issue of such Ordinary Shares or the grant of such options, warrants or rights;

- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Ordinary Shares or, as the case may be, for the issue or grant of such options, warrants or rights and for the Ordinary Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Ordinary Share; and*
- C is the number of Ordinary Shares to be issued pursuant to such issue of such Ordinary Shares or, as the case may be, the maximum number of Ordinary Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights.*

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

- (vii) If and whenever the Issuer or any other member of the Group or (at the direction or request of or pursuant to any arrangements with the Issuer or any other member of the Group) any other company, person or entity (otherwise than as mentioned in paragraph (iv), (v) or (vi) above) shall issue wholly for cash or for no consideration any Securities (other than the Bonds, which term for this purpose shall exclude any Further Bonds) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, Ordinary Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be redesignated as Ordinary Shares, and the consideration per Ordinary Share receivable upon conversion, exchange, subscription or redesignation is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:*

$$\frac{A + B}{A + C}$$

where:

- A is the number of Ordinary Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for Ordinary Shares which have been issued, purchased or acquired by the Issuer or any other member of the Group (or at the direction or request or pursuant to any arrangements with the Issuer or any other member of the Group) for the purposes of or in*

connection with such issue, less the number of such Ordinary Shares so issued, purchased or acquired);

- B is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Securities (or, as the case may be, the grant of any such rights) and for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription attached to such Securities or, as the case may be, for the Ordinary Shares to be issued or to arise from any such redesignation would purchase at such Current Market Price per Ordinary Share; and*
- C is the maximum number of Ordinary Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange or subscription price or rate or, as the case may be, the maximum number of Ordinary Shares which may be issued or arise from any such redesignation,*

*provided that if at the time of issue of the relevant Securities or date of grant of such rights (as used in this paragraph (vii), the “**Specified Date**”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription are exercised or, as the case may be, such Securities are redesignated or at such other time as may be provided), then for the purposes of this paragraph (vii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, redesignation had taken place on the Specified Date.*

Such adjustment shall become effective on the Effective Date.

*“**Effective Date**” means, in respect of this paragraph (vii), the date of issue of such Securities or, as the case may be, the grant of such rights.*

- (viii) If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Bonds, which term shall for this purpose include any Further Bonds) as are mentioned in paragraph (vii) above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Ordinary Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Ordinary Share on the date of the first public announcement of the proposals for such modification, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:*

$$\frac{A + B}{A + C}$$

where:

- A* is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Issuer or any other member of the Group (or at the direction or request or pursuant to any arrangements with the Issuer or any other member of the Group) for the purposes of or in connection with such Securities, less the number of such Ordinary Shares so issued, purchased or acquired);
- B* is the number of Ordinary Shares which the aggregate consideration (if any) receivable for the issue of such Securities (or, as the case may be, the grant of any such rights) and for the Ordinary Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Ordinary Share or, if lower, the existing conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and
- C* is the maximum number of Ordinary Shares which may be issued or otherwise made available upon conversion or exchange of such Securities, as so modified, or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Adviser shall consider appropriate for any previous adjustment under this paragraph (viii) or paragraph (vii) above,

provided that if at the time of such modification (as used in this paragraph (viii), the “Specified Date”) such number of Ordinary Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided), then for the purposes of this paragraph (viii), “C” shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Specified Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Specified Date.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (viii), the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

- (ix) If and whenever the Issuer or any other member of the Group or (at the direction or request of or pursuant to any arrangements with the Issuer or any other member of the Group) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraph (ii), (iii), (iv), (vi) or (vii) above or (x) below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Ordinary Share on the relevant dealing day) or under paragraph (v) above), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A* is the Current Market Price of one Ordinary Share on the Effective Date; and
- B* is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Ordinary Share.

Such adjustment shall become effective on the Effective Date.

“Effective Date” means, in respect of this paragraph (ix), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

- (x) If a Change of Control shall occur, then, upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Conversion Price shall be as set out below, but in each case adjusted, if appropriate, under the foregoing provisions of this section:

Conversion Date	Conversion Price (€)
On or before [✱] May 2014	[✱]
Thereafter, but on or before [✱] May 2015	[✱]
Thereafter, but on or before [✱] May 2016	[✱]

Conversion Date	Conversion Price (€)
<i>Thereafter, but on or before [✱] May 2017</i>	<i>[✱]</i>
<i>Thereafter, and until the Final Maturity Date</i>	<i>[✱]</i>

(xi) If the Issuer determines in its absolute discretion that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this section (even if the relevant circumstance is specifically excluded from the operation of paragraphs(i) to (x) above), the Issuer may, at its own expense and acting reasonably, request an Independent Adviser to determine as soon as practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph (xi) if such Independent Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions:

- (a) where the events or circumstances giving rise to any adjustment pursuant to this section have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result;*
- (b) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once;*

- (c) *in circumstances where an adjustment would fall to be made pursuant to paragraph (viii) where the initial issue of the relevant Securities or grant of rights in respect of existing Securities shall have given rise to an adjustment to the Conversion Price pursuant to paragraph (vii) or where there has previously been an adjustment to the Conversion Price pursuant to paragraph (viii) in respect of the relevant Securities, such modification shall be made to the operation of paragraph (viii) for such purposes as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result; and*
- (d) *for the purposes of paragraphs (v) and (ix), there shall be taken into account in determining the Fair Market Value of the portion of the rights attributable to one Ordinary Share or, as the case may be, the Fair Market Value of the portion of the relevant offer attributable to one Ordinary Share, any consideration paid or payable for the relevant Securities, options, warrants or other rights and for the Securities to be issued or otherwise made available upon the exercise of any such options, warrants or other rights.*

For the purpose of any calculation of the consideration receivable or price pursuant to paragraphs (iv), (vi), (vii) and (viii), the following provisions shall apply:

- (a) *the aggregate consideration receivable or price for Ordinary Shares issued for cash shall be the amount of such cash;*
- (b) *(x) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities and (y) the aggregate consideration receivable or price for Ordinary Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Issuer to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant date of first public announcement as referred to in paragraph (vi), (vii) or (viii), as the case may be, plus in the case of each of (x) and (y) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights and (z) the consideration receivable or price per Ordinary Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to,*

such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (x) or (y) above (as the case may be) divided by the number of Ordinary Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;

- (c) if the consideration or price determined pursuant to (a) or (b) above (or any component thereof) shall be expressed in a currency other than the Relevant Currency, it shall be converted into the Relevant Currency at the Prevailing Rate on the relevant Effective Date (in the case of (a) above) or the relevant date of first public announcement (in the case of (b) above);*
- (d) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Ordinary Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and*
- (e) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable regardless of whether all or part thereof is received, receivable, paid or payable by or to the Issuer or another entity.”*

Anti-dilution mechanisms (Spanish version)

“Ajuste del Precio de Conversión

A raíz del acaecimiento de cualquiera de los eventos que se describen a continuación, el Precio de Conversión se ajustará del siguiente modo:

- (i) *Siempre que tenga lugar una agrupación, reclasificación o fraccionamiento de Acciones Ordinarias, el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de dicha agrupación, reclasificación o fraccionamiento por la siguiente fracción:*

$$\frac{A}{B}$$

En donde:

A es el número total de Acciones Ordinarias inmediatamente antes de dicha agrupación, reclasificación o fraccionamiento, según los casos; y

B es el número total de Acciones Ordinarias en circulación inmediatamente después, a resultas de dicha agrupación, reclasificación o fraccionamiento, según los casos.

Dicho ajuste surtirá efectos en la fecha en la que la agrupación, reclasificación o fraccionamiento, según los casos, tome efecto.

- (ii) *Siempre que el Emisor emita Acciones Ordinarias íntegramente desembolsadas a favor de los Accionistas mediante capitalización de beneficios o reservas (incluyendo cualquier cuenta de prima de emisión de acciones o reserva de capital o amortización) excepto (1) cuando dichas Acciones Ordinarias se emitan o vayan a emitirse en lugar de la totalidad o parte de un Dividendo en efectivo que los Accionistas podrían haber optado por percibir en otro caso, (2) cuando los Accionistas puedan optar por percibir un Dividendo en efectivo en lugar de dichas Acciones Ordinarias o (3) cuando dichas Acciones Ordinarias se emitan o se indique que se emiten en lugar de un Dividendo (con independencia de si se declara un Dividendo en efectivo o un importe equivalente o sea pagadero de otro modo a los Accionistas, a opción de éstos o de otra forma), el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de dicha emisión por la fracción siguiente:*

$$\frac{A}{B}$$

En donde:

A es el número total de Acciones Ordinarias inmediatamente antes de dicha emisión; y

B es el número total de Acciones Ordinarias en circulación inmediatamente después de dicha emisión.

Dicho ajuste surtirá efectos en la fecha de emisión de tales Acciones Ordinarias.

(iii) Siempre que el Emisor abone o reparta un Dividendo a los Accionistas, el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de la Fecha de Eficacia por la siguiente fracción:

$$\frac{A - B}{A}$$

En donde:

A es el Precio de Mercado Actual de una Acción Ordinaria en la Fecha de Eficacia; y

B es la parte del Valor de Mercado Razonable del Dividendo atribuible a una Acción Ordinaria, parte que será determinada dividiendo el Valor de Mercado Razonable del Dividendo total por el número de Acciones Ordinarias con derecho a recibir el correspondiente Dividendo (o, en caso de compra, amortización o recompra de Acciones Ordinarias o de resguardos de depósito u otros resguardos o certificados representativos de Acciones Ordinarias por parte del Emisor o una de sus Filiales, o en su nombre, por el número de Acciones Ordinarias en circulación inmediatamente después de dicha compra, amortización o recompra, y considerándose que no están en circulación las Acciones Ordinarias, o cualesquiera Acciones Ordinarias representadas por resguardos o certificados de depósito, compradas, amortizadas o recompradas).

Dicho ajuste surtirá efecto en la Fecha de Eficacia o, si fuera posterior, en la primera fecha en la que el Valor de Mercado Razonable del Dividendo pudiera ser determinado según lo aquí previsto.

A efectos de lo anterior, el Valor de Mercado Razonable será determinado en la Fecha de Eficacia (sin perjuicio de lo previsto en la letra (a) de la definición de "Dividendo" y en la definición de "Valor de Mercado Razonable").

Por "Fecha de Eficacia" se entenderá, en el caso de este apartado (iii), la primera fecha en la que las Acciones Ordinarias coticen ex-Dividendo en la Bolsa Correspondiente o, en el caso de una compra, amortización o recompra de Acciones Ordinarias o de resguardos o certificados representativos de

Acciones Ordinarias, la fecha en la que dicha compra, amortización o recompra se efectúe, o en el caso de una Distribución Secundaria, la primera fecha en la que las Acciones Ordinarias coticen ex-Distribución Secundaria en la Bolsa Correspondiente.

- (iv) *Siempre que el Emisor emita Acciones Ordinarias a los Accionistas considerados como una clase, a través de derechos, o emita o conceda a los Accionistas como una clase mediante derechos, cualesquiera opciones warrants u otros derechos de suscribir o adquirir Acciones Ordinarias, o cualesquiera Valores que por sus condiciones incorporen (directa o indirectamente) derechos de conversión, canje o suscripción de Acciones Ordinarias (o conceda tales derechos para Valores existentes emitidos de esa forma), a un precio por Acción Ordinaria inferior al 95 por ciento del Precio Actual de Mercado por Acción Ordinaria en la Fecha de Eficacia, el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de la Fecha de Eficacia por la siguiente fracción:*

$$\frac{A+B}{A+C}$$

En donde:

- A es el número de Acciones Ordinarias en circulación en la Fecha de Eficacia;*
- B es el número de Acciones Ordinarias que podrían comprarse a dicho Precio Actual de Mercado por Acción Ordinaria con la contraprestación total (en su caso) a recibir por las Acciones Ordinarias emitidas mediante derechos, o por los Valores emitidos mediante derechos, o por las opciones o warrants emitidos mediante derechos y por el número total de Acciones Ordinarias a entregar a raíz del ejercicio de tales derechos; y*
- C es el número de Acciones Ordinarias a emitir o, según los casos, el número máximo de Acciones Ordinarias que pueden emitirse por el ejercicio de tales opciones, warrants o derechos, calculado en la fecha de emisión de tales opciones, warrants o derechos o como consecuencia de la conversión, canje o ejercicio de derechos de suscripción o compra, al precio o tipo inicial de conversión, canje, suscripción o compra.*

Dicho ajuste surtirá efecto en la Fecha de Eficacia.

Por “Fecha de Eficacia” se entenderá, en este apartado (iv), la primera fecha en la que las Acciones Ordinarias coticen ex-derechos, ex-opciones o ex-warrants en la Bolsa Correspondiente.

- (v) Siempre que el Emisor emita Valores (distintos de Acciones Ordinarias u opciones, warrants u otros derechos de suscribir o adquirir Acciones Ordinarias) a Los Accionistas considerados como una clase, mediante derechos o conceda a los Accionistas considerados como una clase, mediante derechos, cualesquiera opciones, warrants u otros derechos de suscribir o adquirir Valores (distintos de Acciones Ordinarias u opciones, warrants u otros derechos de suscribir o adquirir Acciones Ordinarias), el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de la Fecha de Eficacia por la siguiente fracción:

$$\frac{A - B}{A}$$

En donde:

- A* es el Precio de Mercado Actual de una Acción Ordinaria en la Fecha de Eficacia; y
- B* es el Valor de Mercado Razonable en la Fecha de Eficacia de la parte de derechos atribuible a una Acción Ordinaria.

Dicho ajuste surtirá efecto en la Fecha de Eficacia.

Por “**Fecha de Eficacia**” se entenderá, en este apartado (v), la primera fecha en la que las Acciones Ordinarias cotizan excluidos los Valores pertinentes o ex-derechos, ex-opciones o ex-warrants en la Bolsa Correspondiente.

- (vi) Siempre que el Emisor emita (salvo según se indica en el apartado (iv) anterior) totalmente a cambio de efectivo o sin ninguna contraprestación cualesquiera Acciones Ordinarias (distintas de las Acciones Ordinarias emitidas con ocasión de la conversión de los Bonos o con ocasión del ejercicio de derechos de conversión, canje, suscripción o adquisición de Acciones Ordinarias) o emita o conceda (salvo según se indica en el apartado (iv) anterior) totalmente a cambio de efectivo o sin ninguna contraprestación cualesquiera opciones, warrants u otros derechos de suscribir o adquirir Acciones Ordinarias (distintas de los Bonos, que a estos efectos incluirán cualesquiera Bonos Adicionales), en todo caso a un precio por Acción Ordinaria inferior al 95 por ciento del Precio Actual de Mercado por Acción Ordinaria en la fecha del primer anuncio público de las condiciones de dicha emisión o concesión, el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de la Fecha de Eficacia por la siguiente fracción:

$$\frac{A + B}{A + C}$$

En donde:

- A es el número de Acciones Ordinarias en circulación inmediatamente antes de la emisión de dichas Acciones Ordinarias o de la concesión de dichas opciones, warrants o derechos;*
- B es el número de Acciones Ordinarias que podrían comprarse a dicho Precio Actual de Mercado por Acción Ordinaria con la contraprestación total (en su caso) a recibir por la emisión de dichas Acciones Ordinarias o, según los casos, por la emisión o concesión de las opciones, warrants o derechos y por las Acciones Ordinarias a emitir o entregar a raíz del ejercicio de tales opciones, warrants o derechos; y*
- C es el número de Acciones Ordinarias a emitir en el marco de dicha emisión de Acciones Ordinarias o, según los casos, el número máximo de Acciones Ordinarias que pueden emitirse como consecuencia del ejercicio de tales opciones, warrants o derechos, calculado en la fecha de emisión de tales opciones, warrants o derechos.*

Dicho ajuste surtirá efecto en la Fecha de Eficacia.

Por “Fecha de Eficacia” se entenderá, en este apartado (vi), la fecha de emisión de dichas Acciones Ordinarias o, según los casos, la concesión de tales opciones, warrants o derechos.

- (vii) Siempre que el Emisor o cualquier otro miembro del Grupo o (a indicación o solicitud del Emisor o de cualquier otro miembro del Grupo, o en virtud de cualquier acuerdo con éstos) cualquiera otra sociedad, persona o entidad (salvo según lo previsto en los apartados (iv), (v) o (vi) anteriores) emita totalmente a cambio de efectivo o sin ninguna contraprestación cualesquiera Valores (distintos de los Bonos, que excluirán a estos efectos los Bonos Adicionales) que por sus condiciones incorporen (directa o indirectamente) derechos de conversión, canje o suscripción de Acciones Ordinarias (o concedan esos derechos respecto a Valores existentes emitidos de ese modo) o Valores que por sus condiciones puedan ser reclasificados como Acciones Ordinarias, y la contraprestación por Acción Ordinaria a recibir con ocasión de la conversión, canje, suscripción o reclasificación fuera inferior al 95 por ciento del Precio Actual de Mercado por Acción Ordinaria en fecha del primer anuncio público de las condiciones de emisión de tales Valores (o las condiciones de dicha concesión), el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de la Fecha de Eficacia por la siguiente fracción:*

$$\frac{A+B}{A+C}$$

En donde:

- A es el número de Acciones Ordinarias en circulación inmediatamente antes de dicha emisión o concesión (si bien cuando los Valores pertinentes incorporen derechos de conversión, canje o suscripción de Acciones Ordinarias que hayan sido emitidas, compradas o adquiridas por el Emisor o por cualquier otro miembro del Grupo (o a indicación o solicitud del Emisor o de cualquier otro miembro del Grupo, o en virtud de cualquier acuerdo con éstos) a efectos o en relación con dicha emisión, restando el número de esas Acciones Ordinarias de ese modo emitidas, compradas o adquiridas);*
- B es el número de Acciones Ordinarias que podrían comprarse a dicho Precio Actual de Mercado por Acción Ordinaria con la contraprestación total (en su caso) a recibir por la emisión de dichos Valores (o, según los casos, la concesión de dichos derechos) y por las Acciones Ordinarias a emitir o entregar a raíz de la conversión o el canje o a raíz del ejercicio del derecho de suscripción incorporado a tales Valores o, según los casos, por las Acciones Ordinarias a emitir o que se deriven de esa reclasificación; y*
- C es el número máximo de Acciones Ordinarias a emitir o entregar con ocasión de la conversión o el canje de dichos Valores o con ocasión del ejercicio de los derechos de suscripción incorporados a los mismos al precio o tipo inicial de conversión, canje o suscripción o, según los casos, el número máximo de Acciones Ordinarias que pueden emitirse o proceder de tal reclasificación,*

*bien entendido que si en el momento de la emisión de los Valores pertinentes o en la fecha de concesión de dichos derechos (en este apartado (vii), la “**Fecha Especificada**”) ese número de Acciones Ordinarias ha de determinarse mediante la aplicación de una fórmula u otro elemento variable o el acaecimiento de un evento en una fecha posterior (que podría ser cuando dichos Valores son convertidos o canjeados o cuando los derechos de suscripción son ejercidos o, según los casos, cuando dichos Valores sean reclasificados u otro momento que se prevea), a efectos de este apartado (vii), “C” será determinado mediante la aplicación de dicha fórmula o elemento variable o como si el evento pertinente ocurriera en la Fecha Especificada y como si dicha conversión, canje, suscripción, compra o adquisición o, según los casos, reclasificación hubiera tenido lugar en la Fecha Especificada.*

Dicho ajuste surtirá efectos en la Fecha de Eficacia.

*Por “**Fecha de Eficacia**” se entenderá, en este apartado (vii), la fecha de emisión de dichos Valores o, según los casos, de la concesión de dichos derechos.*

- (viii) Siempre que tenga lugar una modificación de los derechos de conversión, canje, suscripción, compra o adquisición inherentes a dichos Valores (distintos de los Bonos, que a estos efectos incluirán cualesquiera Bonos*

Adicionales) que se mencionan en el apartado (vii) anterior (salvo conforme a las condiciones, incluidas las condiciones sobre ajuste, aplicables a dichos Valores con ocasión de la emisión) de modo que después de dicha modificación la contraprestación por Acción Ordinaria a recibir se haya reducido y sea inferior al 95 por ciento del Precio Actual de Mercado por Acción Ordinaria en la fecha del primer anuncio público de las propuestas de modificación, el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de la Fecha de Eficacia por la siguiente fracción:

$$\frac{A+B}{A+C}$$

En donde:

- A es el número de Acciones Ordinarias en circulación inmediatamente antes de dicha modificación (si bien cuando los Valores pertinentes incorporen derechos de conversión, canje, suscripción, compra o adquisición de Acciones Ordinarias que hayan sido emitidas, compradas o adquiridas por el Emisor o por cualquier otro miembro del Grupo (o a indicación o solicitud del Emisor o de cualquier otro miembro del Grupo, o en virtud de cualquier acuerdo con éstos) a efectos o en relación con dichos Valores, restando el número de esas Acciones Ordinarias de ese modo emitidas, compradas o adquiridas);*
- B es el número de Acciones Ordinarias que podrían comprarse a dicho Precio Actual de Mercado por Acción Ordinaria con la contraprestación total (en su caso) a recibir por la emisión de dichos Valores (o, según los casos, la concesión de dichos derechos) y por las Acciones Ordinarias a emitir o entregar a raíz de la conversión, el canje o el ejercicio del derecho de suscripción, compra o adquisición incorporado a tales Valores modificados o, si fuera inferior, el precio o tipo existente de conversión, canje, suscripción, compra o adquisición de dichos Valores; y*
- C es el número máximo de Acciones Ordinarias que pueden emitirse o entregarse a raíz de la conversión o canje de dichos Valores modificados o por el ejercicio de los derechos de suscripción, compra o adquisición incorporado, al precio o tipo modificado de conversión, canje, suscripción, compra o adquisición, pero teniendo en cuenta, tal como un Asesor Independiente considere oportuno, cualquier ajuste previo conforme a este apartado (viii) o al apartado (vii) anterior;*

bien entendido que si en el momento de dicha modificación (en este apartado (viii), la “Fecha Especificada”), ese número de Acciones Ordinarias ha de determinarse mediante la aplicación de una fórmula u otro elemento variable o el acaecimiento de un evento en una fecha posterior (que podría ser cuando dichos Valores son convertidos o canjeados o cuando los derechos de

suscripción, compra o adquisición son ejercidos o, según los casos, cuando dichos Valores sean reclasificados u otro momento que se prevea), a efectos de este apartado (viii), "C" será determinado mediante la aplicación de dicha fórmula o elemento variable o como si el evento pertinente ocurriera en la Fecha Especificada y como si dicha conversión, canje, suscripción, compra o adquisición hubiera tenido lugar en la Fecha Especificada.

Dicho ajuste surtirá efecto en la Fecha de Eficacia.

Por "**Fecha de Eficacia**" se entenderá, en este apartado (viii), la fecha de modificación de los derechos de conversión, canje, suscripción, compra o adquisición incorporados a dichos Valores.

- (ix) Siempre que el Emisor o cualquier otro miembro del Grupo o (a indicación o solicitud del Emisor o de cualquier otro miembro del Grupo, o en virtud de cualquier acuerdo con éstos) cualquier otra sociedad, persona o entidad ofrezca Valores por los cuales los Accionistas, considerados como una clase, tengan derecho a participar en sistemas para adquirir dichos Valores (salvo cuando el Precio de Conversión haya de ajustarse conforme a los apartados (ii), (iii), (iv), (vi), (vii) o (x), o debería ajustarse si la emisión o concesión fuera menos de un 95 por ciento del Precio Actual de Mercado por Acción Ordinaria en el día de negociación pertinente, o conforme al apartado (v)), el Precio de Conversión se ajustará multiplicando el Precio de Conversión vigente inmediatamente antes de la Fecha de Eficacia por la siguiente fracción:

$$\frac{A-B}{A}$$

En donde:

- A es el Precio de Mercado Actual de una Acción Ordinaria en la Fecha de Eficacia; y
- B es el Valor de Mercado Razonable en la Fecha de Eficacia de la parte de la oferta atribuible a una Acción Ordinaria.

Dicho ajuste surtirá efecto en la Fecha de Eficacia.

Por "Fecha de Eficacia" se entenderá, en el caso de este apartado (v), la primera fecha en la que las Acciones Ordinarias coticen ex-derechos en la Bolsa Correspondiente.

- (x) Si tuviera lugar un Cambio de Control, a raíz de cualquier ejercicio de Derechos de Conversión cuya Fecha de Conversión esté comprendida en el Período de Cambio de Control, el Precio de Conversión será el que se indica a continuación, si bien ajustado en cada caso, si procede, conforme a lo dispuesto en esta sección:

<i>Fecha de Conversión</i>	<i>Precio de Conversión (€)</i>
<i>El [✱] de mayo de 2014 o con anterioridad</i>	<i>[✱]</i>
<i>Posteriormente, pero el [✱] de mayo de 2015 o antes</i>	<i>[✱]</i>
<i>Posteriormente, pero el [✱] de mayo de 2016 o antes</i>	<i>[✱]</i>
<i>Posteriormente, pero el [✱] de mayo de 2017 o antes</i>	<i>[✱]</i>
<i>Posteriormente y hasta la Fecha de Vencimiento Final</i>	<i>[✱]</i>

- (xi) *Si el Emisor determina, a su absoluta discreción, que debe practicarse un ajuste del Precio de Conversión como consecuencia de una o varias circunstancias no mencionadas en esta sección (incluso si la circunstancia de que se trata está excluida expresamente de la aplicación de los apartados (i) a (x) anteriores), el Emisor podrá, a sus expensas y actuando razonablemente, solicitar a un Asesor Independiente que determine tan pronto como sea posible qué ajuste (en su caso) del Precio de Conversión es equitativo y razonable para tener en cuenta tales circunstancias y la fecha en la que el ajuste (en su caso) debe surtir efectos, y una vez realizada esa determinación, el ajuste (en su caso) se practicará y surtirá efectos en consecuencia, bien entendido que sólo se practicará un ajuste conforme a este apartado (xi) si se solicita al Asesor Independiente que realice la determinación a más tardar 21 días después de la fecha en la que se produzca la circunstancia de que se trate y si el ajuste da lugar a una reducción del Precio de Conversión.*

No obstante las disposiciones anteriores:

- (A) *Cuando los eventos o circunstancias que dan lugar a un ajuste conforme a esta sección ya hubieran ocasionado u ocasionarán un ajuste del Precio de Conversión o cuando los eventos o circunstancias que dan lugar al ajuste surgen en virtud de otros eventos o circunstancias que ya han ocasionado u ocasionarán un ajuste del Precio de Conversión o cuando varios eventos que generan un ajuste del Precio de Conversión tienen lugar en un período tan breve que, a juicio del Emisor, se requiere una modificación de la aplicación de las disposiciones sobre ajuste para obtener el resultado pretendido, se introducirá las modificaciones de la aplicación de las disposiciones sobre ajuste que un Asesor Independiente determine de buena fe que son adecuadas para obtener el resultado pretendido;*
- (B) *se introducirán las modificaciones de la aplicación de estas Condiciones que un Asesor Independiente determine de buena fe que son adecuadas (i) para garantizar que un ajuste del Precio de Conversión o sus efectos económicos no sean tomados en consideración en más de una ocasión y (ii) para*

garantizar que el efecto económico de un Dividendo no sea tomado en consideración en más de una ocasión;

- (C) en los casos en que deba efectuarse un ajuste conforme al apartado (viii) cuando la emisión inicial de los Valores pertinentes o la concesión de derechos respecto a Valores existentes han dado lugar a un ajuste del Precio de Conversión conforme al apartado (vii) o cuando se haya producido previamente un ajuste del Precio de Conversión con arreglo al apartado (viii) respecto a los Valores pertinentes, se introducirán las modificaciones de la aplicación del apartado (viii) a los efectos que un Asesor Independiente determine de buena fe que son adecuados para obtener el resultado pretendido; y*
- (D) A efectos de los apartados (v) y (ix), se tendrá en cuenta para determinar el Valor de Mercado Razonable de la parte de los derechos atribuible a una Acción Ordinaria o, según los casos, el Valor de Mercado Razonable de la parte de la oferta atribuible a una Acción Ordinaria, cualquier contraprestación pagada o a pagar por los correspondientes Valores, opciones, warrants u otros derechos y por los Valores a emitir o entregar con ocasión del ejercicio de dichas opciones, warrants u otros derechos.*

A efectos de calcular la contraprestación a recibir o el precio conforme a los apartados (iv), (vi), (vii) y (viii), se aplicarán las siguientes disposiciones:

- (a) la contraprestación total a recibir o el precio por las Acciones Ordinarias emitidas a cambio de efectivo será ese importe en efectivo;*
- (b) (x) la contraprestación total a recibir o el precio de las Acciones Ordinarias a emitir o entregar con ocasión de la conversión o el canje de Valores se considerará que es la contraprestación o el precio recibido o a recibir por dichos Valores, y (y) la contraprestación total a recibir o el precio de las Acciones Ordinarias a emitir o entregar con ocasión del ejercicio de derechos de suscripción incorporados a cualesquiera Valores o a raíz del ejercicio de cualesquiera opciones, warrants o derechos se considerará que es la parte (que podría ser la totalidad) de la contraprestación o precio recibido o a recibir por dichos Valores o, según los casos, por las opciones, warrants o derechos que el Emisor atribuye a dichos derechos de suscripción o, según los casos, las opciones, warrants o derechos o, si no se atribuye parte alguna de la contraprestación o el precio, el Valor de Mercado Razonable de dichos derechos de suscripción o, según los casos, de tales opciones, warrants o derechos en la fecha del primer anuncio público que se menciona en los apartados (vi), (vii) o (viii), más en los supuestos de los incisos (x) e (y) el precio o la contraprestación mínima adicional a recibir (en su caso) con ocasión de la conversión o el canje de dichos Valores, o con ocasión del ejercicio de tales derechos de suscripción incorporados o, según los casos, con ocasión del ejercicio de tales opciones, warrants o derechos y (z) el precio o la contraprestación a recibir por Acción Ordinaria a raíz de la conversión o el canje de tales Valores, o del ejercicio de los derechos de suscripción incorporados a los mismos o, según los casos, a raíz del ejercicio de dichas opciones, warrants o derechos, será*

la contraprestación total o el precio mencionado en los incisos (x) o (y) (según los casos) dividido por el número de Acciones Ordinarias a emitir por esa conversión, canje o ejercicio, al precio o tipo inicial de conversión, canje o ejercicio;

- (c) si la contraprestación o el precio determinado con arreglo a las letras (a) o (b) anteriores (o cualquier elemento de los mismos) se expresaran en una moneda distinta de la Moneda Correspondiente, se convertirán a la Moneda Correspondiente al Tipo Vigente en la Fecha de Eficacia pertinente (en el supuesto de la letra (a) anterior) o en la fecha del primer anuncio público (en el supuesto de la letra (b) anterior);*
- (d) para determinar la contraprestación o el precio conforme a lo anterior, no se practicará ninguna deducción por comisiones u honorarios (de cualquier tipo) o por gastos abonados o soportados por el aseguramiento, colocación o gestión de la emisión de Acciones Ordinarias, Valores u opciones, warrants o derechos, o por otros conceptos a este respecto; y*
- (e) la contraprestación o el precio se determinarán según lo antes previsto sobre la base de la contraprestación o el precio recibido, a recibir, pagado o a pagar, al margen de que la totalidad o parte del mismo sea recibido, pagado, a recibir o a pagar por el Emisor o a éste o cualquier otra entidad.”*

Annex 3

REGULATIONS
<p>The regulations that follow correspond to the Syndicate of noteholders (the “Noteholders”) of the issue of convertible and exchangeable notes of International Consolidated Airlines Group, S.A. May 2013 (the “Notes”). The use of the word “conversion” (and its related terms) in these regulations shall be construed as encompassing the exchange of Notes for existing shares and the conversion of Notes for new shares. In case of discrepancy, the Spanish version shall prevail.</p>
<p>TITLE I</p> <p>INCORPORATION, NAME, PURPOSE, ADDRESS AND DURATION FOR THE SYNDICATE OF NOTEHOLDERS</p>
<p><u>ARTICLE 1º.- INCORPORATION</u></p> <p>In accordance with the provisions of Chapter IV of Section XI of the Spanish Companies Act, there shall be incorporated, once the Public Deed of the Issue has been filed with the Commercial Registry, the syndicate of the owners of the Notes (the “Syndicate”).</p> <p>The Syndicate shall be governed by these regulations and by the Spanish Companies Act and other applicable legislation.</p>
<p><u>ARTICLE 2º.- NAME</u></p> <p>The Syndicate shall be named “SYNDICATE OF NOTEHOLDERS OF THE ISSUE OF CONVERTIBLE AND EXCHANGEABLE NOTES OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. MAY 2013”.</p>
<p><u>ARTICLE 3º.- PURPOSE</u></p> <p>This Syndicate is formed for the purpose of representing and protecting the lawful interest of the Noteholders before the issuer, by means of the exercise of the rights granted by the applicable laws and the present Regulations, to exercise and preserve them in a collective way and under the representation determined by these regulations.</p>
<p><u>ARTICLE 4º.- ADDRESS</u></p> <p>The address of the Syndicate shall be located at calle Velázquez, 130, Madrid.</p> <p>However, the Noteholders general assembly is also authorized to hold a meeting, when considered convenient, in any other place in Madrid, that is specified in the notice convening the meeting.</p>
<p><u>ARTICLE 5º.- DURATION</u></p> <p>This Syndicate shall be in force until the Noteholders have been reimbursed for any rights they may hold for the principal, interest or any other concept, or until all of the Notes have been converted into shares as set forth in the terms and conditions of issue.</p>
<p>TITLE II</p> <p>SYNDICATE’S REGIME</p>

ARTICLE 6°.- SYNDICATE MANAGEMENT BODIES

The Management bodies of the Syndicate are:

- a) The general assembly of Noteholders (the “General Assembly”).
- b) The commissioner of the General Assembly of Noteholders (the “Commissioner”).

ARTICLE 7°.- LEGAL NATURE

The General Assembly, duly called and constituted, is the body of expression of the Noteholders’ will, subject to the provisions of these Regulations, and its resolutions are binding for all the Noteholders in the way established by the Law.

ARTICLE 8°.- CALLING

The General Assembly shall be convened by the Board of Directors of the Issuer or by the Commissioner, whenever they may deem it convenient.

Nevertheless, the Commissioner shall convene a General Assembly when Noteholders holding at least the twentieth of the non-amortized entire nominal amount of the Issue, request it by writing. In such case, the General Assembly shall be held in the following forty-five days of receipt by the Commissioner of a valid notice for this purposes.

ARTICLE 9°.- PROCEDURE FOR CONVENING MEETINGS

The General Assembly shall be convened at least fifteen days before the date set for the meeting, by (i) notice published in the Official Gazette of the Commercial Registry and, if considered convenient, in one or more newspapers of significant national or international circulation or (ii) notice to the Noteholders in accordance with the terms and conditions of the Notes.

When the General Assembly is convened to consider or resolve matters relating to the amendment of the terms and conditions of issue of the Notes or any others matters considered to be of similar relevance by the Commissioner, it should be convened in the manner set out in the Spanish Companies Act without prejudice to the fact that, in any event, the notice shall be published, at least, one month before the date set for the meeting, on: (i) the Official Gazette of the Commercial Registry and in (ii) the website of the company or, in case the company does not have a website, in one of the newspapers of major circulation in the province where the company has its registered address. In any case, the notice shall state the place and the date for the meeting, the agenda for the meeting and the way in which the ownership of the Notes shall be proved in order to have the right to attend the meeting.

ARTICLE 10°.- RIGHT TO ATTEND MEETINGS

Noteholders who have been so at least five days prior to the date on which the meeting is scheduled, shall have the right to attend the meeting.

The members of the board of directors of the issuer shall have the right to attend the meeting even if they have not been requested to attend.

ARTICLE 11°.- RIGHT TO BE REPRESENTED

All Noteholders having the right to attend the meetings also have the right to be represented by another person. Appointment of a proxy must be in writing and only for each particular meeting.

ARTICLE 12°.- QUORUM FOR MEETINGS AND TO PASS RESOLUTIONS

The General Assembly shall be entitled to pass resolutions if Noteholders representing at least two thirds of the outstanding Notes are present or duly represented at the meeting, and these resolutions shall be approved by an absolute majority of the Noteholders present or duly represented at the meeting.

Where two thirds of the outstanding Notes are not present or duly represented at the first meeting of the General Assembly, then the General Assembly may be reconvened to meet a month after the first meeting of the General Assembly, and will be validly constituted regardless of the number of Noteholders present or duly represented, and the resolutions may be passed by an absolute majority of the Noteholders present or duly represented at the meeting.

Nevertheless, the General Assembly shall be deemed validly constituted to transact any business within the remit of the Syndicate if Noteholders representing all the outstanding Notes are present or duly represented and provided that they unanimously approve the holding of such meeting.

ARTICLE 13°.- VOTING RIGHTS

In the meetings of the General Assembly, each Note, present or represented, shall have the right to one vote.

Likewise, each time a meeting is convened, remote and/or electronic means may be enabled so that the Noteholders may exercise their voting rights. Such means shall sufficiently give evidence of the identification of the Noteholders, and if the case may be, of its representation. In the case of remote and/or electronic means being used, the notice for convening the meeting shall include precise instructions for exercising the voting rights by the Noteholders, or, alternatively, reference to a website and/or and e-mail address including these instructions, as well as the relevant forms or any documentation or other means that may be required to be completed.

ARTICLE 14°.- PRESIDENT OF THE GENERAL ASSEMBLY

The Commissioner shall be the president of the General Assembly and shall chair the discussions and shall have the right to bring the discussions to an end when he considered it convenient and shall arrange for matters to be put to the vote.

ARTICLE 15°.- ATTENDANCE LIST

Before discussing the agenda for the meeting, the Commissioner shall form the attendance list, stating the nature and representation of each of the Noteholders present and the number of Notes at the meeting, both directly owned and/or represented.

ARTICLE 16°.- POWER OF THE GENERAL ASSEMBLY

The General Assembly may pass resolutions necessary for the best protection of Noteholders' lawful interest before the issuer; to modify, in accordance with it, the terms and conditions of the issue of the Notes; dismiss or appoint the Commissioner; to exercise, when appropriate, the corresponding legal claims and to approve the expenses caused by the defense of the Noteholder's interest.

ARTICLE 17°.- CHALLENGE OF RESOLUTIONS

The resolutions of the General Assembly may be challenged by the Noteholders in accordance with Chapter IX of Title V of the Spanish Law on Capital Companies ("Ley de Sociedades de Capital") .

ARTICLE 18°.- MINUTES

The minutes of the meeting may be approved by the General Assembly, after the meeting has been held, or, if not, and within a fifteen days term, by the Commissioner and, at least one Noteholder appointed for such purpose by the General Assembly.

ARTICLE 19°.- CERTIFICATES

The certificates of the minutes of the resolutions of the General Assembly shall be issued by the Commissioner.

ARTICLE 20°.- INDIVIDUAL EXERCISE OF ACTIONS

The Noteholders will only be entitled to individually exercise judicial or extra judicial claims in case such claims do not contradict the resolutions previously adopted by the Syndicate, within its powers, and are compatible with the faculties conferred upon the Syndicate.

**TITLE III
THE COMMISSIONER**

ARTICLE 21°.- NATURE OF THE COMMISSIONER

The Commissioner shall bear the legal representation of the Syndicate and shall be the body for liaison between the Syndicate and the issuer.

ARTICLE 22°.- APPOINTMENT AND DURATION OF THE OFFICE

Notwithstanding the initial appointment of the provisional Commissioner, which will require the ratification of the General Assembly, this latter shall have the faculty to appoint the Commissioner and he shall exercise his office while he is not dismissed by the General Assembly.

ARTICLE 23°.- POWERS

The Commissioner shall have the following powers:

- 1° To protect the common interest of the Noteholders.
- 2° To call and act as president of the General Assembly.
- 3° To inform the issuer of the resolutions passed by the Syndicate.
- 4° To control the payment of the principal and the interest.
- 5° To carry out all those actions provided for in the terms and conditions of the Notes to be carried out or that may be carried out by the Commissioner.
- 6° To execute the resolutions of the General Assembly.
- 7° To exercise the actions corresponding to the Syndicate.
- 8° In general, the ones granted to him in the Law and the present Regulations.

**TITLE IV
SPECIAL DISPOSITIONS**

ARTICLE 24°.- JURISDICTION

For any dispute arising from these Regulations, the Noteholders, by the own fact of being so, shall submit to the exclusive jurisdiction of the courts and tribunals of the city of Madrid.