



INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

TERMS AND CONDITIONS OF THE €500,000,000 0.25 PER CENT. CONVERTIBLE BONDS DUE 17 NOVEMBER 2020 AND THE €500,000,000 0.625 PER CENT. CONVERTIBLE BONDS DUE 17 NOVEMBER 2022

The issue of the €500,000,000 0.25 per cent. Convertible Bonds due 17 November 2020 (the “**2020 Bonds**”) and the €500,000,000 0.625 per cent. Convertible Bonds due 17 November 2022 (the “**2022 Bonds**”, and, together with the 2020 Bonds, the “**Bonds**”, which expression shall, unless otherwise indicated, include any Further Bonds) was (save in respect of any such Further Bonds) authorised by a resolution of the Board of Directors of International Consolidated Airlines Group, S.A. (the “**Issuer**”) passed on 29 October 2015, and resolutions of the Ordinary General Meeting of Shareholders of the Issuer on 18 June 2015. A fiscal, transfer and conversion agency agreement dated on or about 17 November 2015 (the “**Fiscal Agency Agreement**”) has been entered into in relation to Bonds between the Issuer, BNP Paribas Securities Services, Luxembourg Branch as fiscal agent (the “**Fiscal Agent**”, which expression shall include any successor as fiscal agent under the Fiscal Agency Agreement) and principal paying, transfer and conversion agent (the “**Principal Paying, Transfer and Conversion Agent**” and, together with the Fiscal Agent and any other paying, transfer and conversion agents for the time being, the “**Paying, Transfer and Conversion Agents**”, which expression shall include their successors as paying, transfer and conversion agents under the Fiscal Agency Agreement) and BNP Paribas Securities Services, Luxembourg Branch as registrar (the “**Registrar**”, which expression shall include any successor as registrar under the Fiscal Agency Agreement).

Copies of the Fiscal Agency Agreement and these terms and conditions (the “**Conditions**”) are available for inspection during normal business hours at the specified office of each of the Paying, Transfer and Conversion Agents and the Registrar. The statements in these Conditions are summaries of, and are subject to, the detailed provisions of the Fiscal Agency Agreement, which includes the forms of the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of those provisions applicable to them which are contained in the Fiscal Agency Agreement.

The Issuer, as required by Spanish law, has executed an *escritura pública* (the “**Public Deed**”) before a Spanish notary public in relation to the issue of the Bonds and has registered the Public Deed with Madrid’s Mercantile Registry. The Public Deed contains, among other information, these Conditions.

Capitalised terms used but not defined in these Conditions shall have the meanings provided in the Fiscal Agency Agreement unless, in any case, the context otherwise requires or unless otherwise stated.

1. **Form, Denomination, Title and Status of the Bonds**

(a) *Form and Denomination*

The Bonds are in registered form, serially numbered, in principal amounts of €100,000 each.

(b) *Title*

Title to the Bonds will pass by transfer and registration as provided in Condition 4. The holder (as defined below) of any Bond will (except as otherwise required by law or as ordered by a court of competent jurisdiction) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it, or its theft or loss) and no person will be liable for so treating the holder.

(c) *Status*

The Bonds constitute direct, unconditional, senior, unsubordinated and, subject to Condition 2, unsecured obligations of the Issuer ranking *pari passu*, without any preference among themselves, and equally with all other existing and future senior, unsecured and unsubordinated obligations of the Issuer, save for such exceptions as may be provided by applicable legislation and by provisions of law that are mandatory and of general application, and subject to Condition 2.

Interest on the Bonds accrued but unpaid as at the commencement of any insolvency proceedings relating to the Issuer under Spanish law shall thereupon constitute subordinated obligations of the Issuer ranking below its unsecured and unsubordinated obligations. Under Spanish law, no further interest on the Bonds shall be deemed to accrue from the date of the declaration of any insolvency proceeding relating to the Issuer.

2. **Negative Pledge**

So long as any of the Bonds remains outstanding (as defined in the Fiscal Agency Agreement), the Issuer will not create or have outstanding any mortgage, charge, pledge, lien (other than arising by operation of law) or other security interest ("**Relevant Security**") on the whole or any part of its assets, revenues or uncalled capital, present or future, to secure any present or future Relevant Indebtedness of the Issuer or to secure any guarantee or indemnity by the Issuer in respect of any Relevant Indebtedness or to secure any present or future Relevant Indebtedness of a third party, unless, simultaneously with, or prior to, the creation of such Relevant Security, there shall be taken any and all action necessary to procure that such Relevant Security is extended equally and rateably to all amounts payable by the Issuer under the Bonds or that such other security and/or guarantee is provided as the Bondholders may consider not materially less beneficial to their interests, as shall be approved by an Extraordinary Resolution of the Bondholders.

For the purposes of this Condition 2, "**Relevant Indebtedness**" means any present or future indebtedness for borrowed money which is in the form of or represented by any bonds, notes, debentures, loan stock or other securities which are, for the time being, or are intended by the Issuer to be or are capable of being with the consent of the Issuer, quoted or listed on or dealt in or traded on any recognised stock exchange or other centrally organised or regulated securities market.

3. Definitions

In these Conditions, unless otherwise provided:

“Additional Ordinary Shares” has the meaning provided in Condition 6(c).

“Bondholder” and **“holder”** mean the person in whose name a Bond is registered in the Register (as defined below).

“business day” means, in relation to any place, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets are open for business in that place.

“Cash Dividend” has the meaning provided in Condition 6(b)(iii)(B).

a **“Change of Control”** shall occur if, by any means, other than as a result of a Tender Offer, any person or persons acting together acquire Control of the Issuer.

“Change of Control Notice” has the meaning provided in Condition 6(k).

“Change of Control Period” means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 6(k).

“Closing Date” means 17 November 2015.

“CNMV” means Spain’s National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

“Code” means the US Internal Revenue Code of 1986, as amended.

“Control” means:

- (a) the right to cast more than 50 per cent. of the votes which may ordinarily be cast on a poll at a general meeting of the Issuer or, as the case may be, British Airways Plc; or
- (b) the right to appoint and/or remove all or the majority of the members of the Issuer’s or, as the case may be, British Airways Plc’s board of directors or other governing body, whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise.

“Conversion Date” has the meaning provided in Condition 6(g).

“Conversion Notice” has the meaning provided in Condition 6(g).

“Conversion Period” has the meaning provided in Condition 6(a).

“Conversion Price” has the meaning provided in Condition 6(a).

“Conversion Right” has the meaning provided in Condition 6(a).

“Current Market Price” means, in respect of an Ordinary Share at a particular date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each of the five consecutive dealing days ending on the dealing day immediately preceding such date (or if there have not yet been five dealing days in respect of the Ordinary Shares ending on the dealing day immediately preceding such date, the average of the daily Volume Weighted Average Price of an Ordinary Share on each dealing day that there has been and, if there has been only one dealing day immediately preceding such date, the daily Volume Weighted Average Price of an Ordinary Share on such date); provided that if at any time during the said five dealing-day (or other) period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex- any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement), then:

- (a) if the Ordinary Shares to be issued and/or delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price cum-Dividend (or cum- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (disregarding any associated tax credit and disregarding the tax (if any) falling to be withheld or deducted on payment thereof to any holder of Ordinary Shares); or
- (b) if the Ordinary Shares to be issued and/or delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Ordinary Shares shall have been based on a price ex-Dividend (or ex- any other entitlement) shall for the purpose of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement (disregarding any associated tax credit and disregarding the tax (if any) falling to be withheld or deducted on payment thereof to any holder of Ordinary Shares),

and provided further that if on each of the said five (or other) dealing day(s) the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum- any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Ordinary Shares to be issued and delivered do not rank for that Dividend (or other entitlement), the Volume Weighted Average Price on each of such date(s) shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date of first public announcement of such Dividend or entitlement, in any such case, disregarding any associated tax credit and disregarding the tax (if any) falling to be withheld or deducted on payment thereof to any holder of Ordinary Shares,

and provided further that, if the Volume Weighted Average Price of an Ordinary Share is not available on one or more of the said five (or other) dealing day(s) (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in that five dealing-day (or other) period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the relevant period, the Current Market Price shall be determined in good faith by an Independent Adviser.

“dealing day” means a day on which the Relevant Stock Exchange or relevant market is open for business and on which Ordinary Shares, Securities or Spin-Off Securities (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant market is scheduled to or does close prior to its regular weekday closing time).

“Depository Interests” has the meaning provided in Condition 6(g).

“Dividend” means any dividend or distribution to Shareholders (including a Spin-Off), whether of cash, assets or other property, and however described and whether payable out of the share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to holders upon or in connection with a reduction of capital (and for these purposes a distribution of assets includes without limitation an issue of Ordinary Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), provided that:

(a) where:

- (i) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Ordinary Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a Cash Dividend of an amount equal to the greater of (A) the Fair Market Value of such cash amount and (B) the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, as the case may be, the Fair Market Value of such other property or assets as at the date of first public announcement of such Dividend or capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares (or amount of such other property or assets, as the case may be) which may be issued or delivered is determined; or
- (ii) there shall be any issue of Ordinary Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a cash equivalent or amount is announced

or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a Cash Dividend of an amount equal to the Current Market Price of such Ordinary Shares as at the first date on which the Ordinary Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, in any such case, if later, the date on which the number of Ordinary Shares to be issued and delivered is determined;

- (b) any issue of Ordinary Shares falling within Condition 6(b)(ii) below shall be disregarded;
- (c) a purchase or redemption or buyback of share capital of the Issuer by or on behalf of the Issuer or any other member of the Group shall not constitute a Dividend unless, in the case of a purchase or redemption or buyback of Ordinary Shares by or on behalf of the Issuer or any other member of the Group, the weighted average price per Ordinary Share (before expenses) on any one day (a **"Specified Share Day"**) in respect of such purchases or redemptions or buybacks (translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the closing prices of the Ordinary Shares on the Relevant Stock Exchange (as published by or derived from the Relevant Stock Exchange) on the five dealing days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buybacks approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buyback Ordinary Shares at some future date at a specified price or where a tender offer is made, on the five dealing days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Ordinary Share, a minimum price per Ordinary Share or a price range or formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buyback shall be deemed to constitute a Non-Cash Dividend in the Relevant Currency to the extent that the aggregate price paid (before expenses) in respect of such Ordinary Shares purchased, redeemed or bought back by the Issuer or, as the case may be, any other member of the Group (translated where appropriate into the Relevant Currency as provided above) exceeds the product of (i) 105 per cent. of the average closing price of the Ordinary Shares determined as aforesaid and (ii) the number of Ordinary Shares so purchased, redeemed or bought back;
- (d) if the Issuer or any other member of the Group shall purchase, redeem or buy back any depository or other receipts or certificates representing Ordinary Shares, the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Adviser;

- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Issuer to enable Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Ordinary Shares held by them from another person or person other than (or in addition to) the Issuer, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Issuer, and the foregoing provisions of this definition, and the provisions of these Conditions shall be construed accordingly; and
- (f) where a dividend in cash is declared which provides for payment by the Issuer to Shareholders in euro, whether at the option of Shareholders or otherwise, it shall be treated as a Cash Dividend in the relevant euro amount and, in any other case, it shall be treated as a Cash Dividend in the amount and in the currency in which it is payable by the Issuer.

“Extraordinary Dividend” has the meaning provided in Condition 6(b)(iii)(B).

“Extraordinary Resolution” has the meaning provided in the Fiscal Agency Agreement.

“FATCA” means sections 1471 to 1474 of the Code (including any regulations or official interpretations issued, agreements (including, without limitation, intergovernmental agreements) entered into or non-US laws enacted with respect thereto).

“Fair Market Value” means, with respect to any property on any date, the fair market value of that property as determined in good faith by an Independent Adviser, provided that (a) the Fair Market Value of a Cash Dividend shall be the amount of such Cash Dividend; (b) the Fair Market Value of any other cash amount shall be the amount of such cash; (c) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded in a market of adequate liquidity (as determined in good faith by an Independent Adviser), the Fair Market Value (i) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (i) and (ii) during the period of five dealing days on the relevant market commencing on such date (or, if later, the first such dealing day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; (d) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded (as aforesaid), the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined in good faith by an Independent Adviser, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Ordinary Share, the dividend yield of an Ordinary Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. For the purposes of clarification, it is established that: (i) other than for the purposes of determining “Fair Market Value” for the purposes of Condition 6(b)(iii)(B), such amounts shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the

Prevailing Rate on that date and (ii) for the purposes of determining “Fair Market Value” for the purposes of Condition 6(b)(iii)(B), such amounts shall be translated into euro (if expressed in a currency other than euro) at the Prevailing Rate on that date. In addition, in the case of (a) and (b) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit.

“Final Maturity Date” means:

- (a) in respect of the 2020 Bonds, 17 November 2020; and
- (b) in respect of the 2022 Bonds, 17 November 2022.

“Further Bonds” means any further Bonds issued pursuant to Condition 17 and consolidated and forming a single series with the then outstanding Bonds.

“Group” means the Issuer and its Subsidiaries taken as a whole.

“Iberclear” means the Spanish clearing and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*).

“Independent Adviser” means an independent institution or adviser appointed by the Issuer at its own expense from time to time and whenever required by these Conditions.

“Interest Payment Date” has the meaning provided in Condition 5(a).

“London Stock Exchange” means the London Stock Exchange plc.

“Nationality Declaration” has the meaning provided in Condition 6(g).

“Non-Cash Dividend” has the meaning provided in Condition 6(b)(iii).

“Optional Redemption Date” has the meaning provided in Condition 7(b).

“Optional Redemption Notice” has the meaning provided in Condition 7(b).

“Ordinary Shares” means ordinary shares in the capital of the Issuer with a par value of €0.50 each as at the date hereof.

a **“person”** includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, unincorporated association, limited liability company, organisation, trust, state or agency of a state (in each case whether or not being a separate legal entity).

“Prevailing Rate” means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at or about 12 noon (London time) on that date as appearing on or derived from the Relevant Page or, if such a rate cannot be determined at such time, the rate prevailing as at or about 12 noon (London time) on the immediately preceding day on which such rate can be so determined, or if

such rate cannot be so determined by reference to the Relevant Page, the rate determined in such other manner as an Independent Adviser shall prescribe.

“Put Date” has the meaning provided in Condition 7(e).

“Put Exercise Notice” has the meaning provided in Condition 7(e).

“Put Period” has the meaning provided in Condition 7(e).

“Put Price” has the meaning provided in Condition 7(e).

“Reference Date” means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a dealing day, the next following dealing day.

“Register” has the meaning provided in Condition 4(a).

“Relevant Currency” means Sterling or, if at the relevant time or for the purposes of the relevant calculation or determination, the London Stock Exchange is not the Relevant Stock Exchange, the currency in which the Ordinary Shares are quoted or dealt in on the Relevant Stock Exchange at such time.

“Relevant Date” means, in respect of any Bond, whichever is the later of:

- (a) the date on which payment in respect of it first becomes due; and
- (b) if the full amount payable has not been received by the Principal Paying, Transfer and Conversion Agent on or prior to such due date, the date on which, the full amount having been so received, notice to that effect shall have been given to the Bondholders.

“Relevant Indebtedness” has the meaning provided in Condition 2.

“Relevant Page” means the relevant page on Bloomberg or such other information service provider that displays the relevant information.

“Relevant Security” has the meaning provided in Condition 2.

“Relevant Stock Exchange” means the London Stock Exchange or, if at the relevant time the Ordinary Shares are not at that time listed and admitted to trading on the London Stock Exchange, as the case may be, the principal stock exchange or securities market on which the Ordinary Shares are then listed, admitted to trading or quoted or accepted for dealing.

“Retroactive Adjustment” has the meaning provided in Condition 6(c).

“Securities” means any securities including, without limitation, shares in the capital of the Issuer, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Issuer.

“Share Record Date” has the meaning provided in Condition 6(g).

“Shareholders” means the holders of Ordinary Shares.

“Spanish Capital Companies Act” means the Stock Companies Act 2010 (*Real Decreto Legislativo 14/2010, de 2 de julio, por el que se aprueba el Texto Refundido de la Ley de Sociedades de Capital*) of the Kingdom of Spain.

“Spanish Stock Exchanges” means the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the automated quotation system thereof.

“Specified Date” has the meaning provided in Condition 6(b)(vii) and (viii).

“Spin-Off” means:

- (a) a distribution of Spin-Off Securities by the Issuer to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or Securities of or in or issued or allotted by any entity) by any entity (other than the Issuer) to Shareholders as a class, pursuant to any arrangements with the Issuer or any other member of the Group involving a transfer of assets to such entity or other person.

“Spin-Off Securities” means equity share capital of an entity other than the Issuer or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Issuer.

“Sterling” means the lawful currency for the time being of the United Kingdom.

“Subsidiary” means a company in respect of which another company:

- (a) holds or controls a majority of the voting rights;
- (b) is a member and has the right to appoint or remove a majority of its board of directors; or
- (c) is a member and controls alone, pursuant to an agreement with other members, a majority of the voting rights in it,

or which is a Subsidiary of a company that is itself a Subsidiary of that other company.

“TARGET Business Day” means a day on which the TARGET System is operating.

“TARGET System” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

“Tax Redemption Date” has the meaning provided in Condition 7(c).

“Tax Redemption Notice” has the meaning provided in Condition 7(c).

“Tender Offer” has the meaning provided in Condition 7(e).

“Tender Offer Triggering Event” has the meaning provided in Condition 7(e).

“Tender Offer Value” has the meaning provided in Condition 7(e).

“Triggering Event” has the meaning provided in Condition 7(e).

“UK Listing Authority” means the UK Listing Authority of the Financial Conduct Authority acting under Part VI of the Financial Services and Markets Act 2000.

“Volume Weighted Average Price” means, in respect of an Ordinary Share, Security or, as the case may be, Spin-Off Security on any dealing day, the order book volume weighted average price of an Ordinary Share, Security or, as the case may be, Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page IAG LN Equity HP (setting Weighted Average Line, or any other successor setting and using values not adjusted for any event occurring after such dealing day, and, for the avoidance of doubt, all values will be determined with all adjustment settings on the DPDF Page, or any successor or similar setting, switched off) or (in the case of a Security (other than Ordinary Shares) or Spin-Off Security) from the principal stock exchange or securities market on which such Securities or Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such dealing day, provided that if on any such dealing day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of an Ordinary Share, Security or Spin-Off Security, as the case may be, in respect of such dealing day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding dealing day on which the same can be so determined, or as an Independent Adviser might otherwise determine in good faith to be appropriate and, provided that, for the purposes of Condition 7(b)(i), if on any such dealing day the Ordinary Shares shall have been quoted cum-Dividend or cum-any other entitlement, the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share (as at the first date on which the Ordinary Shares trade ex- such Dividend or entitlement on the Relevant Stock Exchange) translated, if not in the Relevant Currency, into the Relevant Currency at the Prevailing Rate on such dealing day.

“€” and **“Euro”** means the single currency which was introduced at the start of the third stage of the European Economic and Monetary Union, pursuant to the Treaty establishing the European Community (as amended from time to time).

References to **“ordinary share capital”** shall mean, in relation to a company, all of the company’s issued share capital (however described), other than issued share capital the holders of which have a right to a dividend at a fixed rate but have no other right to share in the company’s profits and **“equity share capital”** shall mean, in relation to a company, all of the company’s issued share capital excluding any part of that issued share capital that, neither as respects dividends nor as respects capital, carries any right to participate beyond a specified amount in a distribution.

References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.

References to any issue or offer or grant to Shareholders or Existing Shareholders “**as a class**” or “**by way of rights**” shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.

In making any calculation or determination of Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Adviser determines in good faith appropriate to reflect any consolidation or sub-division of the Ordinary Shares or any issue of Ordinary Shares by way of capitalisation of profits or reserves, or any like or similar event.

For the purposes of Condition 6(b) and Condition 11 only, (a) references to the “**issue**” of Ordinary Shares or Ordinary Shares being “**issued**” shall include the transfer and/or delivery of Ordinary Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Issuer or any other member of the Group, and (b) Ordinary Shares held by or on behalf of the Issuer or any other member of the Group (and which, in the case of Conditions 5(b)(iv) and 5(b)(vi), do not rank for the relevant right or other entitlement) shall not be considered as or treated as “**in issue**” or “**issued**” or entitled to receive any Dividend, right or other entitlement.

References in these Conditions to listing on the London Stock Exchange (or like or similar references) shall be construed as admission to the Official List of the UK Listing Authority and admission to trading on the EEA Regulated Market of the London Stock Exchange and references to “**EEA Regulated Market**” means a market as defined by Article 4.1 (14) of Directive 2004/39/EC of the European Parliament and of the Council on markets in financial instruments.

References in these Conditions to listing on the Spanish Stock Exchanges (or like or similar references) shall be construed as admission to the Madrid, Barcelona, Valencia and Bilbao Stock Exchanges through the Spanish Automatic Quotation System (SIBE).

4. **Registration and Transfer of Bonds**

(a) *Registration*

The Issuer will cause a register (the “**Register**”) to be kept at the specified office of the Registrar outside the United Kingdom, on which will be entered the names and addresses of the holders of the Bonds and the particulars of the Bonds held by them and of all transfers, redemptions and conversions of Bonds.

(b) Transfer

Bonds may, subject to the terms of the Fiscal Agency Agreement and to Conditions 4(c) and 4(d), be transferred by lodging the relevant Bond (with the form of application for transfer in respect thereof duly executed and duly stamped where applicable) at the specified office of the Registrar or any Paying, Transfer and Conversion Agent.

No transfer of a Bond will be valid unless and until entered on the Register. A Bond may be registered only in the name of, and transferred only to, a named person (or persons, not exceeding four in number).

The Registrar will within seven business days (or such longer period as may be required for the Registrar to comply with any fiscal or other requirements, in the place of the specified office of the Registrar), of any duly made application for the transfer of a Bond deliver a new Bond to the transferee (and, in the case of a transfer of less than all the Bonds represented by any certificate, deliver a certificate for the untransferred balance of such Bonds to the transferor) at the specified office of the Registrar or (at the risk and, if mailed at the request of the transferee or, as the case may be, the transferor otherwise than by ordinary mail, at the expense of the transferee or, as the case may be, the transferor) mail the Bond by uninsured mail to such address as the transferee or, as the case may be, the transferor may request.

(c) Formalities Free of Charge

Such transfer will be effected without charge subject to: (i) the person making such application for transfer paying or procuring the payment of any taxes, duties and other governmental charges in connection therewith; (ii) the Registrar being satisfied with the documents of title and/or identity of the person making the application; and (iii) such reasonable regulations as the Issuer may from time to time agree with the Registrar.

(d) Closed Periods

Neither the Issuer nor the Registrar will be required to register the transfer of any Bond (or part thereof): (i) during the period of 15 days immediately prior to the relevant Final Maturity Date or any earlier date fixed for redemption of the Bonds pursuant to Condition 7(b); (ii) in respect of which a Conversion Notice has been delivered in accordance with Condition 6(g); (iii) in respect of which a holder has exercised its right to require redemption pursuant to Condition 7(e); or (iv) during the period of 15 days ending on (and including) any record date in respect of any payment of interest on the Bonds.

5. Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 0.25 per cent. per annum in respect of the 2020 Bonds and 0.625 per cent. per annum in respect of the 2022 Bonds, calculated in each case by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 17 May and 17 November in each year (each an “**Interest Payment Date**”), commencing with the Interest Payment Date falling on 17 May 2016.

The amount of interest payable in respect of a Bond in respect of any period which is shorter than an Interest Period shall be calculated on the basis of the number of days in the relevant period from (and including) the first day of such period to (but excluding) the last day of such period divided by the product of the number of days from (and including) the immediately preceding Interest Payment Date (or, if none, the Closing Date) to (but excluding) the next Interest Payment Date and the number of Interest Periods normally ending in any year.

“**Interest Period**” means the period beginning on (and including) the Closing Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

(b) *Accrual of Interest*

Each Bond will cease to bear interest: (i) where the Conversion Right shall have been exercised by a Bondholder, from the Interest Payment Date immediately preceding the relevant Conversion Date or, if the Conversion Date falls on or prior to the first Interest Payment Date, from the Closing Date (subject, in any such case, as provided in Condition 6(i)); or (ii) where such Bond is redeemed or repaid pursuant to Condition 7 or Condition 10, from the due date for redemption or repayment thereof unless, upon due presentation thereof, payment of the principal in respect of the Bond is improperly withheld or refused, in which event interest will continue to accrue at the rate specified in Condition 5(a) (both before and after judgment) until whichever is the earlier of: (A) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant holder; and (B) the day seven days after the Principal Paying, Transfer and Conversion Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant holders under these Conditions).

6. Conversion of Bonds

(a) *Conversion Right*

Each Bond shall entitle the holder to convert such Bond into new Ordinary Shares, credited as fully paid (a “**Conversion Right**”).

The number of Ordinary Shares to be issued or delivered on exercise of a Conversion Right shall be determined by dividing the principal amount of the Bonds to be converted by the relevant conversion price (the “**Conversion Price**”) in effect on the relevant Conversion Date.

The initial Conversion Price is €13.8088 per Ordinary Share in respect of the 2020 Bonds and the 2022 Bonds. The relevant Conversion Price in respect of the Bonds is subject to adjustment in the circumstances described in Condition 6(b).

A Bondholder may exercise the Conversion Right in respect of a Bond by delivering such Bond, together with a Conversion Notice and a Nationality Declaration, to the specified office of any Paying, Transfer and Conversion Agent in accordance with Condition 6(g) and making any payment required to be made as provided in Condition 6(g), whereupon the Issuer shall procure the delivery to or as directed by the relevant Bondholder of Ordinary Shares credited as paid-up in full as provided in this Condition 6.

Subject to and as provided in these Conditions, the Conversion Right in respect of a Bond may be exercised, at the option of the holder thereof, at any time (subject to any applicable fiscal or other laws or regulations and as hereinafter provided) from (and including) 29 December up to (and including) the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling seven calendar days prior to the relevant Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 7(b) prior to the relevant Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the seventh calendar day before the date fixed for redemption thereof pursuant to Condition 7(b), unless there shall be a default in making payment in respect of such Bond on such date fixed for redemption, in which event the Conversion Right shall extend up to (and including) the close of business (at the place aforesaid) on the date on which the full amount of such payment becomes available for payment and notice of such availability has been duly given in accordance with Condition 15 or, if earlier, the relevant Final Maturity Date or, if the relevant Final Maturity Date is not a London and Madrid business day, the immediately preceding London and Madrid business day; provided that, in each case, if such final date for the exercise of Conversion Rights is not a London and Madrid business day, then the period for exercise of Conversion Rights by Bondholders shall end on the immediately preceding London and Madrid business day.

Conversion Rights may not be exercised in respect of a Bond: (i) which has become due and payable pursuant to Condition 10; or (ii) in respect of which

the holder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 7(e).

The period during which Conversion Rights may (subject as provided below) be exercised by a Bondholder is referred to as the “**Conversion Period**”.

Conversion Rights may only be exercised in respect of the whole of the principal amount of a Bond.

Fractions of Ordinary Shares will not be issued or delivered on the exercise of Conversion Rights or pursuant to Condition 6(c) and no cash payment or other adjustment will be made in lieu thereof. However, if a Conversion Right in respect of more than one Bond is exercised at any one time such that Ordinary Shares to be issued or delivered on the exercise of Conversion Rights or pursuant to Condition 6(c) are to be registered in the same name, the number of Ordinary Shares to be issued or delivered in respect thereof shall be calculated on the basis of the aggregate principal amount of such Bonds, and rounded down to the nearest whole number of Ordinary Shares. The Issuer will procure that Ordinary Shares to be issued or delivered on exercise of Conversion Rights will be issued or delivered to the relevant person specified in the relevant Conversion Notice. Such Ordinary Shares will be deemed to be issued or delivered on or as of the relevant Share Record Date. Any Additional Ordinary Shares to be issued or delivered pursuant to Condition 6(c) will be deemed to be issued on or as of the relevant Reference Date.

(b) *Adjustment of Conversion Price*

Upon the happening of any of the events described below, the Conversion Price in respect of the 2020 Bonds and the 2022 Bonds shall be adjusted as follows:

Consolidation, reclassification or subdivision

- (i) If and whenever there shall be a consolidation, reclassification or subdivision in relation to the Ordinary Shares, each Conversion Price shall be adjusted by multiplying the relevant 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.

Bonus issues of Ordinary Shares

- (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), each Conversion Price shall be adjusted by multiplying the relevant 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.

Non-Cash Dividends and Extraordinary Dividends

- (iii)

(A)

If and whenever the Issuer shall make or pay any Non-Cash Dividend to the Shareholders, each 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 Non-Cash Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Non-Cash Dividend by the number of Ordinary Shares entitled to receive the relevant Non-Cash Dividend (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary 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 buy back, and treating as not being in issue any Ordinary Shares, or any Ordinary Shares represented by depositary 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 Non-Cash Dividend is capable of being determined as provided herein.

“Effective Date” means, in respect of this paragraph (b)(iii)(A), 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 buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares, the date on which such purchase, redemption or buy back is made or, in the case of a Spin-Off, the first date on which the Ordinary Shares are traded ex- the relevant Spin-Off on the Relevant Stock Exchange.

“Non-Cash Dividend” means any Dividend which is not a Cash Dividend, and shall include a Spin-Off.

(B)

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

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date (for the purposes of clarification, it is established that the Current Market Price of one Ordinary Share on the Effective Date shall be translated in euro at the average of the Prevailing Rate on each of the five consecutive dealing days ending on the dealing day immediately preceding the Effective Date);
- B is the portion of the Fair Market Value of the aggregate Extraordinary Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Extraordinary Dividend by the number of Ordinary Shares entitled to receive the Relevant Dividend; and
- C is the amount (if any) by which the Threshold Amount in respect of the Relevant Fiscal Year exceeds an amount equal to the aggregate of the Fair Market Values of any previous Cash Dividends per Ordinary Share paid or made in such Relevant Fiscal Year (where "C" shall be zero if such previous Cash Dividends per Ordinary Share are equal to, or exceed, the Threshold Amount in respect of such Relevant Fiscal Year). For the avoidance of doubt, "C" shall equal the Threshold Amount in respect of the Relevant Fiscal Year where no previous Cash Dividends per Ordinary Share have been paid or made in such Relevant Fiscal Year.

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

"Effective Date" means, in respect of this paragraph (b)(iii)(B), the first date on which the Ordinary Shares are traded ex-the Relevant Dividend on the Relevant Stock Exchange.

"Extraordinary Dividend" means any Cash Dividend (the **"Relevant Dividend"**) paid or made in a fiscal year of the Issuer (the **"Relevant Fiscal Year"**), if (a) the Fair Market Value of the Relevant Dividend per Ordinary Share or (b) the sum of (i) the Fair Market Value of the Relevant Dividend per Ordinary Share and (ii) an amount equal to the aggregate of the Fair Market Value or Values of any other Cash Dividend or Cash Dividends per Ordinary Share paid or made in the Relevant Fiscal Year, exceeds the Threshold Amount in respect of such

Relevant Fiscal Year, and in that case the Extraordinary Dividend shall be the Relevant Dividend.

“Threshold Amount” means, in respect of any Relevant Fiscal Year, €0.20 per Ordinary Share (adjusted pro rata for any adjustments to the Conversion Price made pursuant to the provisions of this Condition 6(b), including this sub-paragraph 6(b)(iii)).

On any adjustment to the Threshold Amount, the resultant Threshold Amount in respect of any Relevant Fiscal Year, if not an integral multiple of €0.005, shall be rounded down to the nearest whole multiple of €0.005. No adjustment shall be made to the Threshold Amount in respect of any Relevant Fiscal Year where such adjustment (rounded down if applicable) would be less than one per cent. of the Threshold Amount then in effect in respect of such Relevant Fiscal Year. Any adjustment not required to be made and/or any amount by which the Threshold Amount in respect of any Relevant Fiscal Year has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Threshold Amount shall be given by the Issuer to Bondholders in accordance with Condition 15 promptly after the determination thereof.

“Cash Dividend” means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than falling within paragraph (b) of the definition of “Spin-Off” and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) of the definition of “Dividend”, and for the avoidance of doubt, a Dividend falling within paragraph (c) or (d) of the definition of “Dividend” shall be treated as being a Non-Cash Dividend.

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

In making any calculations for the purposes of this Condition 6(b)(iii), such adjustments (if any) shall be made as an Independent Adviser may determine in good faith to be appropriate to reflect (i) any consolidation or sub-division of any Ordinary Shares or the issue of Ordinary Shares by way of capitalisation of profits or reserves (or any like or similar event) or any increase in the number of Ordinary Shares in issue in relation to the fiscal year of the Issuer in question, or (ii) any change in the fiscal year of the Issuer.

Rights issues etc.

- (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, each Conversion Price shall be adjusted by multiplying the relevant 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 (b)(iv), the first date on which the Ordinary Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

Issue of other Securities by way of rights etc.

- (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), each Conversion Price shall be adjusted by multiplying the relevant 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 (b)(v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

Issue of Ordinary Shares etc. at discount

- (vi) If and whenever the Issuer shall issue (otherwise than as mentioned in paragraph (b)(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 (b)(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, each Conversion Price shall be adjusted by multiplying the relevant 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 (b)(vi), the date of issue of such Ordinary Shares or, as the case may be, the grant of such options, warrants or rights.

Issue of convertible Securities

- (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 (b)(iv), (b)(v) or (b)(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), each Conversion Price shall be adjusted by multiplying the relevant 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 (b)(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 (b)(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 (b)(vii), the date of issue of such Securities or, as the case may be, the grant of such rights.

Modification

- (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 (b)(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, each Conversion Price shall be adjusted by multiplying the relevant 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 (b)(viii) or paragraph (b)(vii) above,

provided that if at the time of such modification (as used in this paragraph (b)(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 (b)(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 (b)(viii), the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

Offer of Securities to Shareholders

- (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 relevant Conversion Price falls to be adjusted under paragraph (b)(ii), (b)(iii), (b)(iv), (b)(vi) or (b)(vii) above or (b)(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 (b)(v) above), each Conversion Price shall be adjusted by multiplying the relevant 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 (b)(ix), the first date on which the Ordinary Shares are traded ex-rights on the Relevant Stock Exchange.

Change of Control

- (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 relevant Conversion Price shall be as set out below, but in each case adjusted, if appropriate, under the foregoing provisions of this Condition 6(b).

In respect of the 2020 Bonds:

Conversion Date	Conversion Price (€)
On or before 17 November 2016	8.4977
Thereafter, but on or before 17 November 2017	9.2071
Thereafter, but on or before 17 November 2018	10.0433
Thereafter, but on or before 17 November 2019	11.0464
Thereafter, and until the Final Maturity Date	12.2722

In respect of the 2022 Bonds:

Conversion Date	Conversion Price (€)
On or before 17 November 2016	8.4977
Thereafter, but on or before 17 November 2017	8.9928
Thereafter, but on or before 17 November 2018	9.5475
Thereafter, but on or before 17 November 2019	10.1752
Thereafter, but on or before 17 November 2020	10.8911
Thereafter, but on or before 17 November 2021	11.7179
Thereafter, and until the Final Maturity Date	12.6777

Issuer determination

- (xi) If the Issuer determines in its absolute discretion that an adjustment should be made to the relevant Conversion Price as a result of one or more circumstances not referred to above in this paragraph (b) (even if the relevant circumstance is specifically excluded from the operation of paragraphs (b)(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 relevant 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 (b)(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 relevant Conversion Price.

Notwithstanding the foregoing provisions of this Condition 6(b):

- (a) where the events or circumstances giving rise to any adjustment pursuant to this Condition 6(b) have already resulted or will result in an adjustment to the relevant 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 relevant Conversion Price or where more than one event which gives rise to an adjustment to the relevant 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 relevant 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 (b)(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 relevant Conversion Price pursuant to paragraph (b)(vii) or where there has previously been an adjustment to the relevant Conversion

Price pursuant to paragraph (b)(viii) in respect of the relevant Securities, such modification shall be made to the operation of paragraph (b)(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 (b)(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 (b)(iv), (b)(vi), (b)(vii) and (b)(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 (b)(vi), (b)(vii) or (b)(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.

(c) *Retroactive Adjustments*

If the Share Record Date in relation to the conversion of any Bond shall be after the record date in respect of any reclassification or sub-division as is mentioned in paragraph (b)(i) above, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in paragraph (b)(ii), (b)(iii), (b)(iv), (b)(v) or (b)(ix) above, or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in paragraph (b)(vi) and (b)(vii) above or of the terms of any such modification as is mentioned in paragraph (b)(viii) above, where the relevant Conversion Date falls before the relevant adjustment to the relevant Conversion Price becomes effective under paragraph (b) above (such adjustment, a **"Retroactive Adjustment"**), then the Issuer shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued to the converting Bondholder, in accordance with the instructions contained in the relevant Conversion Notice, such additional number of Ordinary Shares (if any) (the **"Additional Ordinary Shares"**) as, together with the Ordinary Shares issued on conversion of the relevant Bonds (together with any fraction of an Ordinary Share not so issued), is equal to the number of Ordinary Shares which would have been required to be issued on such conversion if the relevant adjustment to the relevant Conversion Price had

been made and become effective immediately prior to the relevant Conversion Date.

(d) *Decision of an Independent Adviser*

If any doubt shall arise whether an adjustment falls to be made to a Conversion Price or as to the appropriate adjustment to a Conversion Price, and following consultation between the Issuer and an Independent Adviser, a written determination of such Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.

(e) *Share or Option Schemes, Dividend Reinvestment Plans*

No adjustment will be made to a Conversion Price where Ordinary Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including Directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Issuer or any other member of the Group or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option scheme or pursuant to any dividend reinvestment plan or similar plan or scheme.

(f) *Rounding Down and Notice of Adjustment to the Conversion Prices*

On any adjustment, the resultant Conversion Price, if not an integral multiple of €0.0001, shall be rounded down to the nearest whole multiple of €0.0001. No adjustment shall be made to either Conversion Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the relevant Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the relevant Conversion Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to a Conversion Price shall be given by the Issuer to the relevant Bondholders in accordance with Condition 15 promptly after the determination thereof.

Neither Conversion Price shall in any event be reduced to an amount which is less than the nominal value of the Ordinary Shares or, where the nominal value of the Ordinary Shares is expressed in a currency other than Euro, an amount which, when converted into the currency in which the nominal value of the Ordinary Shares is expressed at the spot rate for exchanging Euro for such currency on the date on which the relevant Conversion Price would otherwise be reduced, is less than the nominal value of the Ordinary Shares. The Issuer undertakes that it shall not take any action, and shall procure that no action is

taken, which would otherwise result in an adjustment to either Conversion Price to below such amount or any minimum level permitted by applicable laws or regulations.

(g) *Procedure for Exercise of Conversion Rights*

Conversion Rights may be exercised by a Bondholder during the Conversion Period by delivering the relevant Bond to the specified office of any Paying, Transfer and Conversion Agent, during its usual business hours, accompanied by: (i) a duly completed and signed notice of conversion (a “**Conversion Notice**”) in the form (for the time being current) obtainable from any Paying, Transfer and Conversion Agent; and (ii) a duly completed and signed nationality declaration (a “**Nationality Declaration**”) in the form prescribed from time to time by the Issuer and obtainable from any Paying, Transfer and Conversion Agent. Conversion Rights shall be exercised subject, in each case, to any applicable fiscal or other laws or regulations applicable in the jurisdiction in which the specified office of the relevant Paying, Transfer and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If the delivery of the relevant Bond, Conversion Notice and Nationality Declaration as described in the foregoing paragraph is made after the end of normal business hours or on a day which is not a business day in the place of the specified office of the relevant Paying, Transfer and Conversion Agent, such delivery shall be deemed for all purposes of these Conditions to have been made on the next following such business day.

Each Bondholder exercising Conversion Rights will be required to provide such other information (if any) specified in the Nationality Declaration as is required by the Issuer to prove the title of the person exercising the Conversion Right or as to the matters referred to in the Nationality Declaration.

Any determination as to whether any Conversion Notice or any Nationality Declaration has been duly completed and properly delivered shall be made by the relevant Paying, Transfer and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Paying, Transfer and Conversion Agents and the relevant Bondholder.

A Conversion Notice, once delivered, shall be irrevocable.

The conversion date in respect of a Bond (the “**Conversion Date**”) shall be the London and Madrid business day immediately following the date of the delivery of the relevant Bond and the Conversion Notice as provided in this Condition 6(g) and payment of any other amount payable by the relevant Bondholder pursuant to the following paragraph of this Condition 6(g).

A Bondholder exercising Conversion Rights must pay directly to the relevant authorities any taxes and capital, stamp, issue, registration and transfer taxes and duties arising on conversion or in connection with the exercise of Conversion Rights by it (other than any capital, stamp, issue, registration and

transfer taxes and duties payable in the United Kingdom or the Kingdom of Spain in respect of the allotment or issue of any Ordinary Shares in respect of such exercise (including any Additional Ordinary Shares), which shall be paid by the Issuer). If the Issuer shall fail to pay any capital, stamp, issue, registration and transfer taxes and duties payable for which it is responsible as provided above, the relevant Bondholder shall be entitled to tender and pay the same and the Issuer, as a separate and independent stipulation, covenants to reimburse and indemnify such Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

The Paying, Transfer and Conversion Agents shall not be responsible for determining whether such taxes or capital, stamp, issue, registration and transfer taxes and duties are payable or the amount thereof and shall not be responsible or liable for any failure by the Issuer or any Bondholder to pay such taxes or capital, stamp, issue, registration and transfer taxes and duties.

Ordinary Shares to be issued on exercise of Conversion Rights (including any Additional Ordinary Shares) will be documented in a public deed granted by the Issuer before a Spanish notary public to be filed and registered by the Issuer with the Mercantile Registry of the Issuer's registered office from time to time and, following such registration, filed with Iberclear for the purpose of delivering the Ordinary Shares to either:

- (i) the Iberclear proprietary account of the relevant Bondholder (in circumstances where such Bondholder is a participant entity in Iberclear) or the securities account specified by the relevant Bondholder in the relevant Conversion Notice held with a participant entity in Iberclear (in circumstances where such Bondholder is not a participant entity in Iberclear), in either case, as specified by the relevant Bondholder in the relevant Conversion Notice; or
- (ii) the Iberclear account of a depository (or its nominated custodian) appointed by the Issuer who will (A) hold the Ordinary Shares for the benefit of the relevant Bondholder and (B) issue and deliver dematerialised depository interests representing the Ordinary Shares ("**Depository Interests**") into the dematerialised securities trading system operated by Euroclear UK & Ireland Limited, known as CREST, to be held in the CREST account specified by the relevant Bondholder in the relevant Conversion Notice,

as the relevant Bondholders may specify in the relevant Conversion Notice.

A Bondholder can either elect in the Conversion Notice to hold Ordinary Shares (including any Additional Ordinary Shares) directly in Iberclear (subject to such Bondholder (or its nominee) being a participant entity in Iberclear or, failing which, having a securities account with a participant entity in Iberclear) or elect in the Conversion Notice to hold Depository Interests through CREST. In the absence of any such explicit election in the Conversion Notice, a Bondholder shall be deemed to have elected to hold Depository Interests, which, as soon as

practicable following notification thereof by the relevant Bondholder, shall be credited to such CREST account as is notified by the Bondholder.

The date upon which the public deed documenting the issuance of new Ordinary Shares is granted before a Spanish notary or the date upon which the Issuer instructs the relevant depository entity to transfer the existing Ordinary Shares to be delivered to the relevant account of the relevant Bondholder will be the date upon which the Bonds are converted into Ordinary Shares (the “**Share Record Date**”). On and from the Share Record Date, subject to the next following sentence, the relevant Bondholder will become entitled to the economic rights of a holder of Ordinary Shares for the purposes of dividend entitlement and otherwise. However, the relevant Bondholder will not be able to transfer Ordinary Shares until they have been registered in Iberclear as provided below.

The Issuer may, at its own discretion, elect to perform its obligation in connection with any Conversion Notice, by the transfer of existing Ordinary Shares or the allotment and issue of new Ordinary Shares, subject to Condition 6(h) and provided that the Issuer shall treat all Bondholders converting their Bonds on the same Conversion Date equally.

The Issuer will procure that the Share Record Date occurs on the first day of each calendar month or, if such day is not a London and Madrid business day, the following London and Madrid business day, in relation to the Conversion Notices in respect of which the Conversion Dates occurred at least seven London and Madrid business days prior to such day. Where the Conversion Date falls after the seventh London and Madrid business day prior to the first day of a calendar month or if such day is not a London and Madrid business day, the following London and Madrid business day, the Issuer will procure that the Share Record Date occurs on the first day of the immediately following calendar month or, if such day is not a London and Madrid business day, the following Madrid business day.

Notwithstanding the provisions of the preceding paragraph, in the case of Conversion Notices delivered in respect of which the Conversion Date falls after the seventh London and Madrid business day prior to the month in which the relevant Final Maturity Date falls or the relevant Optional Redemption Date falls or the last day of the relevant Change of Control Period falls (as the case may be), the Issuer will procure that the Share Record Date occurs on the London and Madrid business day prior to the relevant Final Maturity Date or Optional Redemption Date or prior to the last day of the relevant Change of Control Period (as the case may be).

The Issuer will procure that the public deed documenting the issue of the Ordinary Shares is filed for registration with the Mercantile Registry of the Issuer’s registered office as soon as reasonably practicable and, in any event, no later than five London and Madrid business days after the Share Record Date.

The Issuer will use its reasonable endeavours to procure that, as soon as reasonably practicable after the public deed documenting the issue of the Ordinary Shares has been recorded with the Mercantile Registry of the Issuer's registered office but in any event no later than 15 Madrid business days after the relevant Share Record Date, the Ordinary Shares are:

- (iii) registered with Iberclear and either:
 - (A) credited to the Iberclear proprietary account of the relevant Bondholder (in circumstances where such Bondholder is a participant entity in Iberclear) or the securities account specified by the relevant Bondholder in the relevant Conversion Notice held with a participant entity in Iberclear (in circumstances where such Bondholder is not a participant entity in Iberclear), in either case, as specified by the relevant Bondholder in the relevant Conversion Notice; or
 - (B) credited to the Iberclear account of a depository (or its nominated custodian) appointed by the Issuer who will (i) hold the Ordinary Shares for the benefit of the relevant Bondholder and (ii) issue and deliver Depository Interests into CREST, to be held in the CREST account specified by the relevant Bondholder in the relevant Conversion Notice; and
- (iv) listed on the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange and on the Spanish Stock Exchanges (as the case may be) as soon as practicable thereafter.

On or as soon as reasonably practicable after the Share Record Date with respect to any Bonds in respect of which the Conversion Right has been exercised, the Issuer, through the relevant Paying, Transfer and Conversion Agent, will notify the relevant Bondholder of the Share Record Date and the number of Ordinary Shares to be issued and/or delivered upon such conversion. On or as soon as reasonably practicable after the date that the Ordinary Shares are registered with Iberclear (the "**Registry Date**"), the Issuer, through the relevant Paying, Transfer and Conversion Agent, will notify the relevant Bondholder of the Registry Date and of the date of listing of the new Ordinary Shares issued.

Notwithstanding delivery by a Bondholder of a Conversion Notice with respect to any Bonds, such Bondholder shall remain a Bondholder for the purposes of these Conditions until the relevant Conversion Date, provided that, subject to this Condition 6(g), once Conversion Rights with respect to a Bond have been exercised, such Bond will not be redeemable on the relevant Final Maturity Date or pursuant to Condition 7 or Condition 10.

(h) Ordinary Shares

- (i) Ordinary Shares (including any Additional Ordinary Shares) issued and/or delivered upon exercise of Conversion Rights will be fully paid and will in all respects rank *pari passu* with the fully paid Ordinary Shares in issue on the relevant Share Record Date or, in the case of Additional Ordinary Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Ordinary Shares or, as the case may be, Additional Ordinary Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the relevant Share Record Date or, as the case may be, the relevant Reference Date.
- (ii) Save as provided in Condition 6(i), no payment or adjustment shall be made on exercise of Conversion Rights for any interest which otherwise would have accrued on the relevant Bonds since the last Interest Payment Date preceding the Share Record Date relating to such Bonds or, if there has been no such Interest Payment Date, the Closing Date.

(i) Interest on Conversion

If any notice requiring the redemption of the Bonds is given pursuant to Condition 7(b) on or after the 15th London and Madrid business day prior to a record date which has occurred since the last Interest Payment Date in respect of any Dividend or distribution payable in respect of the Ordinary Shares where such notice specifies a date for redemption falling on or prior to the date which is 14 days after the Interest Payment Date next following such record date, interest shall accrue at the rate provided in Condition 4(a) on Bonds in respect of which Conversion Rights shall have been exercised and in respect of which the Conversion Date falls after such record date and on or prior to the Interest Payment Date next following such record date in respect of such Dividend or distribution, in each case from and including the preceding Interest Payment Date to but excluding such Conversion Date. The Issuer shall pay any such interest by not later than 14 days after the relevant Conversion Date by transfer to a Euro account with a bank in a city in which banks have access to the TARGET System in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(j) Purchase or Redemption of Ordinary Shares

The Issuer or any other member of the Group may exercise such rights as it may from time to time enjoy to purchase or redeem or buyback any shares of the Issuer (including Ordinary Shares) or any depository or other receipts or certificates representing the same without the consent of the Bondholders.

(k) Change of Control

Within 14 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 15 (a “**Change of Control Notice**”). The Change of Control Notice shall contain a statement informing Bondholders of their entitlement to exercise their Conversion Rights as provided in these Conditions and their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 7(e).

The Change of Control Notice shall also specify:

- (i) all information material to Bondholders concerning the Change of Control;
- (ii) the relevant Conversion Price immediately prior to the occurrence of the Change of Control and the relevant Conversion Price applicable pursuant to Condition 6(b)(x) during the Change of Control Period on the basis of the relevant Conversion Price in effect immediately prior to the occurrence of the Change of Control;
- (iii) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the Change of Control Notice;
- (iv) the last day of the Change of Control Period; and
- (v) the Put Date.

(l) Merger

Without prejudice to Condition 6(b)(x) or Condition 7(e), in the case of any merger according to Spanish Law 3/2009 of 3 April on structural changes, as amended from time to time, of the Issuer with any other corporation (other than a merger in which the Issuer is the continuing corporation), the Issuer shall forthwith notify the Bondholders of such event and take such steps as shall be required to ensure that each Bond then outstanding will (during the period in which Conversion Rights may be exercised) be converted into the class and amount of shares and other securities property and cash receivable upon such merger by a holder of the number of Ordinary Shares which would have become liable to be issued or delivered if the Conversion Rights had been exercised immediately prior to such merger. The above provisions of this Condition 6(m) will apply, *mutatis mutandis*, to any subsequent merger.

7. Redemption and Purchase

(a) *Final Redemption*

Unless previously purchased and cancelled, redeemed or converted as herein provided, the Bonds will be redeemed at their principal amount on the relevant Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the relevant Final Maturity Date in accordance with Condition 7(b).

(b) *Redemption at the Option of the Issuer*

On giving not less than 45 or more than 60 days' notice (an "**Optional Redemption Notice**") to the Bondholders in accordance with Condition 15, the Issuer may redeem all but not some only of the Bonds on the date (the "**Optional Redemption Date**") specified in the Optional Redemption Notice at their principal amount, together with accrued but unpaid interest to such date:

- (i) at any time on or after 8 December 2018 in respect of the 2020 Bonds and at any time on or after 8 December 2020 in respect of the 2022 Bonds, 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 (translated into Euro at the Prevailing Rate on such dealing day) shall have been at least 130 per cent. of the relevant Conversion Price in effect on each such dealing day; or
- (ii) at any time, if, prior to the date the relevant Optional Redemption Notice is given, 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 originally issued (which shall for this purpose include any Further Bonds).

For the purposes of Condition 7(b)(i), if on any dealing day in such 30 dealing day period the Volume Weighted Average Price of an Ordinary Share on such dealing day shall have been quoted cum-Dividend (or cum-any other entitlement), the Volume Weighted Average Price of an Ordinary Share on such dealing day shall be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Ordinary Share as at the date (or, if that is not a dealing day, the immediately preceding dealing day) of first public announcement of such Dividend (or entitlement).

(c) *Redemption for Tax Reasons*

The Issuer may, at any time, having given not less than 45 or more than 60 days' notice (a "**Tax Redemption Notice**") to the Bondholders in accordance with Condition 15, redeem all but not some only of the Bonds for the time being

outstanding on the date (the “**Tax Redemption Date**”) specified in the Tax Redemption Notice at their principal amount, together with accrued but unpaid interest up to (but excluding) the Tax Redemption Date, if:

- (i) the Issuer has or will become obliged to pay additional amounts pursuant to Condition 9 as a result of any change in, or amendment to, the laws or regulations of the Kingdom of Spain or any authority therein or thereof having the power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Closing Date; and
- (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it,

provided that no Tax Redemption Notice shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Bonds then due.

On the relevant Tax Redemption Date, the Issuer shall (subject to the next following paragraph) redeem the Bonds at their principal amount, together with accrued but unpaid interest up to (but excluding) such Tax Redemption Date.

If the Issuer gives a Tax Redemption Notice, each Bondholder will have the right to elect that its Bonds shall not be redeemed pursuant to the Tax Redemption Notice and that the provisions of Condition 9 shall not apply to any payment of principal or interest to be made on such Bonds by the Issuer falling due after the relevant Tax Redemption Date, whereupon no additional amounts shall be payable by the Issuer in respect thereof pursuant to Condition 9 and (without prejudice to Condition 8) payment in respect of all amounts of principal and interest on such Bonds shall be made subject to the deduction or withholding of Kingdom of Spain tax required to be withheld or deducted. To exercise such right, the holder of the relevant Bond must complete, sign and deposit at the specified office of any Paying, Transfer and Conversion Agent a duly completed and signed notice of election, in the form for the time being current (and obtainable from the specified office of any Paying, Transfer and Conversion Agent), together with the relevant Bonds, on or before the day falling 10 days prior to the Tax Redemption Date.

(d) *Optional Redemption and Tax Redemption Notices*

Any Optional Redemption Notice or Tax Redemption Notice shall be irrevocable. Any such notice shall specify: (i) the relevant Optional Redemption Date or, as the case may be, the relevant Tax Redemption Date, which shall be a London and Madrid business day; (ii) the relevant Conversion Price, the aggregate principal amount of the Bonds outstanding and the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange, in each case, as at the latest practicable date prior to the publication of the Optional Redemption Notice or, as the case may be, the Tax Redemption Notice; (iii) the

last day on which Conversion Rights may be exercised by Bondholders; and (iv) the amount of accrued interest payable in respect of each Bond on the relevant Optional Redemption Date or, as the case may be, the relevant Tax Redemption Date.

The Issuer shall not give an Optional Redemption Notice or Tax Redemption Notice at any time during a Change of Control Period or a Tender Offer Period or which specifies a date for redemption falling in a Change of Control Period or a Tender Offer Period or the period of 21 days following the end of a Change of Control Period or a Tender Offer Period (whether or not the relevant notice was given prior to or during such Change of Control Period or Tender Offer Period), and any such notice shall be invalid and of no effect (whether or not given prior to the relevant Change of Control Period or Tender Offer Period) and the relevant redemption shall not be made.

(e) *Redemption at the option of Bondholders following a Triggering Event*

If a Triggering Event occurs, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Put Date at the Put Price, together with accrued interest to (but excluding) the Put Date.

To exercise such right, the holder of the relevant Bond must present such Bond at the specified office of any Paying, Transfer and Conversion Agent, together with a duly completed and signed notice of exercise, in the form for the time being current and obtainable from the specified office of any Paying, Transfer and Conversion Agent (a “**Put Exercise Notice**”) at any time in the period (the “**Put Period**”) of 60 days commencing on the occurrence of the relevant Triggering Event (as defined below) and ending 60 days following the date upon which notice as required by Condition 7(f) is given to Bondholders by the Issuer. The “**Put Date**” shall be the 14th calendar day after the expiry of the Put Period.

Payment in respect of any such Bond shall be made by transfer to a bank in a city in which banks have access to the TARGET System specified by the relevant Bondholder in the applicable Put Exercise Notice.

In these Conditions:

“**Determination Date**” means the last day of the Tender Offer Period.

a “**Disposal Event**” shall occur if:

- (i) the Issuer shall cease to Control, either alone or together with the Trust UK, British Airways Plc; or
- (ii) British Airways Plc and its Subsidiaries as a whole (the “**BA Group**”) shall cease to carry on or shall transfer or dispose of all or substantially all the business and assets of the BA Group as at the Closing Date;

“**Put Price**” means, in respect of a Bond:

- (i) in the case of a Change of Control or a Disposal Event, the principal amount of such Bond; and
- (ii) in the case of a Tender Offer Triggering Event, the greater of:
 - (A) the principal amount of such Bond; and
 - (B) the Tender Offer Value in respect of such Bond.

“Tender Offer” means a tender offer (including a competing tender offer) made in accordance with applicable Spanish laws and regulations following approval from the CNMV.

“Tender Offer Consideration” means the consideration (on a per Ordinary Share basis) receivable by holders of Ordinary Shares in respect of the relevant Tender Offer, provided that:

- (i) if the consideration is comprised solely of cash or there is alternative consideration that is comprised solely of cash, the Tender Offer Consideration shall be the amount of such cash (on a per Ordinary Share basis);
- (ii) if the consideration is comprised solely of consideration other than cash, the Tender Offer Consideration shall be determined by an Independent Adviser as the Fair Market Value of such consideration as at the Determination Date (on a per Ordinary Share basis);
- (iii) if the consideration is comprised partly of cash and partly of consideration other than cash, the Tender Offer Consideration shall be determined by an Independent Adviser as the aggregate (on a per Ordinary Share basis) of (x) the relevant cash amount and (y) the Fair Market Value of such non-cash consideration as at the Determination Date;
- (iv) if there is alternative consideration that the shareholders may elect to receive, neither of which alternative consideration is comprised solely of cash, the Tender Offer Consideration shall be determined by an Independent Adviser as the consideration (on a per Ordinary Share basis) having the highest value, based on (x) any cash amount comprised in any alternative consideration and (y) the Fair Market Value of the non-cash consideration comprised in any alternative consideration as at the Determination Date; and
- (v) if the Tender Offer Consideration as determined as provided above is in a currency other than Euro, it shall be translated, if necessary, into Euro at the Prevailing Rate on the Determination Date.

“Tender Offer Period” means the period during which Shareholders are able to tender Ordinary Shares pursuant to the relevant Tender Offer.

a **“Tender Offer Triggering Event”** shall occur where a Tender Offer is made to all (or as nearly as may be practicable all) holders of Ordinary Shares (or all (or as nearly as may be practicable all) such shareholders other than the offeror and/or any person or persons acting together with the offeror) to acquire all or any of the issued Ordinary Shares of the Issuer and where, immediately following completion of the Tender Offer, the offeror and/or any person or persons acting together with offeror has Control of the Issuer.

“Tender Offer Value”, in respect of a Bond, means an amount in cash in Euro per Bond calculated by multiplying the quotient of the principal amount of such Bond divided by the relevant Conversion Price prevailing on the Determination Date (with the relevant Conversion Price for this purpose being calculated by reference to the schedule in Condition 6(b)(x) and as if references therein to Conversion Date were references to the Determination Date and references to the Change of Control Period were references to the Put Period), by the Tender Offer Consideration (with the result rounded, if necessary, to the nearest €0.01, with €0.005 being rounded down).

“Triggering Event” means a Tender Offer Triggering Event or the occurrence of a Change of Control or a Disposal Event.

“Trust UK” means the trust established for the purpose of implementing the Group’s nationality structure for British Airways Plc and in respect of which LDC (NCS) Limited, a wholly-owned subsidiary of The Law Debenture Corporation p.l.c., acts as trustee (as may be replaced from time to time).

(f) *Notice of Triggering Event*

Within 14 calendar days following the occurrence of a Triggering Event, the Issuer shall give notice thereof to the Bondholders in accordance with Condition 15. Such notice shall contain a statement informing Bondholders of their entitlement to exercise their rights to require redemption of their Bonds pursuant to Condition 7(e).

Such notice shall also specify:

- (a) all information material to Bondholders concerning the Triggering Event;
- (b) the relevant Conversion Price immediately prior to the occurrence of the Triggering Event;
- (c) the closing price of the Ordinary Shares as derived from the Relevant Stock Exchange as at the latest practicable date prior to the publication of the relevant notice;
- (d) the last day of the Put Period;
- (e) the Put Date; and

- (f) the Put Price.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem all Bonds the subject of Put Exercise Notices delivered as aforesaid on the relevant Put Date.

- (g) *Purchase*

Subject to the requirements (if any) of any stock exchange on which the Bonds may be admitted to listing and trading at the relevant time and subject to compliance with applicable laws and regulations, the Issuer or any other member of the Group may at any time purchase any Bonds in the open market or otherwise at any price. Such Bonds may be held, re-sold or reissued or, at the option of the relevant purchaser, surrendered to any Paying, Transfer and Conversion Agent for cancellation.

- (h) *Cancellation*

All Bonds which are redeemed or in respect of which Conversion Rights are exercised will be cancelled and may not be reissued or resold. Bonds purchased by the Issuer or any other member of the Group may be surrendered to the Principal Paying, Transfer and Conversion Agent for cancellation and, if so surrendered, shall be cancelled.

- (i) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 7, the first of such notices to be given shall prevail.

8. **Payments**

- (a) *Principal and Interest*

Payment of principal and interest in respect of the Bonds will be made to the persons shown in the Register at the close of business on the Record Date.

- (b) *Other Amounts*

Payments of all amounts other than as provided in Condition 8(a) will be made as provided in these Conditions.

- (c) *Record Date*

"Record Date" means the fifth business day, in the place of the specified office of the Registrar, before the due date for the relevant payment.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Condition 8(a) and 8(b) will be made by transfer to a Euro account maintained by the payee with a bank in a city in which banks have access to the TARGET System.

(e) *Payments subject to fiscal laws*

Without prejudice to the provisions of Condition 9, all payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in any jurisdiction (whether by operation of law or agreement of the Issuer or its agents), the Issuer will not be required to pay any additional amounts on account of a withholding or deduction for, or on account of, any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements and the Issuer shall be acquitted and discharged of so much money as is represented by any such withholding or deduction as if such sum had been actually paid to the holders of the Bonds. For the purposes of the preceding sentence, the phrase "fiscal or other laws, regulations and directives" shall include, without limitation, any withholding or deduction imposed by FATCA. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(f) *Delay in payment*

Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due as a result of the due date not being a TARGET business day.

(g) *Paying, Transfer and Conversion Agents, etc.*

The initial Paying, Transfer and Conversion Agents and their initial specified offices are listed below. The Issuer reserves the right under the Fiscal Agency Agreement at any time to vary or terminate the appointment of any Paying, Transfer and Conversion Agent and appoint additional or other paying, transfer and conversion agents, provided that it will: (i) maintain a principal paying, transfer and conversion agent; (ii) maintain a paying, transfer and conversion agent (which may be the principal paying, transfer and conversion agent) with a specified office in a European Union Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive (to the extent that at least one Member State does not require a paying, transfer and conversion agent with an office in that Member State to so withhold or deduct amounts for or on account of tax, whether pursuant to European Council Directive 2003/48/EC, under the laws of that Member State or otherwise); and (iii) maintain a paying, transfer and conversion agent with a specified office in at least two major European cities (which may, for the avoidance of doubt, be the same paying, transfer and conversion agent maintained for the purposes of (ii)). Notice of any change in the Paying,

Transfer and Conversion Agents or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 15.

(h) *No charges*

None of the Paying, Transfer and Conversion Agents shall make or impose on a Bondholder any charge or commission in relation to any payment in respect of the Bonds or any conversion of the Bonds.

(i) *Fractions*

When making payments to Bondholders, if the relevant payment is not of an amount that is a whole multiple of the smallest unit of the relevant currency in which such payment is to be made, such payment will be rounded down to the nearest unit.

The Bonds, on issue, will be represented by a global Bond (the “Global Bond”) registered in the name of, and held by a nominee on behalf of, a common depository for Euroclear Bank S.A./N.V. and/or Clearstream Banking, société anonyme. All payments in respect of Bonds represented by the Global Bond will be made to, or to the order of, the person whose name is entered in the Register at the close of business on the Clearing System Business Day immediately prior to the date of payment, where “Clearing System Business Day” means Monday to Friday inclusive except 24 December and 1 January.

9. **Taxation**

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any authority therein or thereof having the power to tax, unless such withholding or deduction is required by law.

In the event of a withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the Kingdom of Spain or any authority therein or thereof having the power to tax being made by the Issuer in respect of a payment made by it, the Issuer shall pay such additional amounts as will result in the receipt by the holders of the Bonds, after any withholding or deduction for or on account of such taxes, duties, assessments or charges, of such amounts as would have been received by them if no such withholding or deduction had been required, except that no such additional amounts shall be payable in respect of any Bond:

- (a) held by (or by a third party on behalf of) a holder of such Bond where such withholding or deduction is required by reason of the holder having some connection (whether past or present) with the Kingdom of Spain other than: (i) the mere holding of such Bond; or (ii) the receipt of principal, interest or any other amount in respect of such Bond; or

- (b) held by (or by a third party on behalf of) a holder of such Bond who could lawfully avoid (but has not so avoided) such withholding or deduction by complying (or procuring that a third party complies) with any statutory requirements in force at the present time or in the future or by making (or procuring that a third party makes) a declaration of non-residence or other claim or filing for exemption; or
- (c) held by (or by a third party on behalf of) a holder of such Bond who could lawfully avoid (but has not so avoided) such withholding or deduction by making a declaration concerning the nationality, residence or identity of the holder (or providing information, documentation or other evidence of the same) or other similar claim for exemption to the relevant tax authority or to (or on behalf of) the Issuer, where such declaration, provision or claim is required or imposed by Spanish tax regulations; or
- (d) where such withholding or deduction is imposed on payments made to individuals with tax residence in the Kingdom of Spain following the criteria applied by the Spanish tax authorities in relation to Article 44.5, Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July; or
- (e) where such withholding or deduction is required to be made pursuant to European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council Meeting of 26 and 27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, any such directive, or any agreement entered into by a Member State with: (i) any other state; or (ii) any relevant dependant or associated territory of any Member State providing for measures equivalent to, or the same as, those provided for by any such directive; or
- (f) held by (or by a third party on behalf of) a holder of such Bond who would be able to avoid such withholding or deduction by presenting the Bond to a Paying, Transfer and Conversion Agent in another state, country or territory; or
- (g) for or on account of any withholding or deduction arising under or in connection with FATCA.

10. Events of Default

If any of the events listed in paragraphs (a) to (h) of this Condition 10 (each, an “**Event of Default**”) occurs, the holder of any Bond may give written notice to the Issuer and the Fiscal Agent at its specified office that such Bond is immediately repayable, whereupon such Bond shall become immediately due and repayable at its principal amount together with accrued interest as provided in these Conditions, without further formality.

The said events are that:

- (a) there is default for more than 15 days in the payment of any interest due in respect of the Bonds or if there is default for more than seven days in the payment of any principal due in respect of the Bonds;

- (b) there is default in the performance or observance by the Issuer of any obligation or provision under the Bonds (other than any obligation for the payment of any principal or interest in respect of the Bonds) or failure to perform or observe any obligation under Condition 11 which would, but for the provisions of applicable law, be a breach thereof, in each case which continues for more than 45 days after written notice thereof shall have been given to the Issuer by any Bondholder;
- (c) as a result of default by the Issuer or British Airways Plc (other than a default arising due to compliance by the Issuer or, as the case may be, British Airways Plc with any applicable law or directive or with any requirement, whether having the force of law or not, of any government or regulatory authority to which the Issuer or, as the case may be, British Airways Plc is subject, unless such default results in the Issuer or, as the case may be, British Airways Plc becoming bound to repay prematurely any of its indebtedness for borrowed moneys as described in (i) below (not being that in respect of which the default has occurred) and steps are taken to obtain repayment thereof):

- (i) the Issuer or, as the case may be, British Airways Plc becomes bound to repay prematurely any of its indebtedness for borrowed moneys and steps are taken to obtain repayment thereof; and/or
- (ii) any such indebtedness for borrowed moneys or any guarantee or indemnity of the Issuer or, as the case may be, British Airways Plc of any indebtedness for borrowed moneys of any person is not, when due, called or demanded, repaid or paid by the latest of its due date, the expiry of any applicable grace period and (if payment is prevented by any applicable law) 15 days after the first date on which payment is permitted,

provided that any such acceleration of maturity, default or failure to pay under this Condition 10(c), as the case may be, shall not constitute an event upon the happening of which the outstanding Bonds may (subject as mentioned above) become immediately due and repayable so long as such indebtedness, guarantee or indemnity to which (i) and/or (ii) above applies, either alone or in aggregate, shall amount to an outstanding aggregate principal amount of not more than €60,000,000 or its equivalent in any other currency or currencies;

- (d) a resolution is passed, or a final order of a court in the Kingdom of Spain (in the case of the Issuer) or England and Wales (in the case of British Airways Plc) is made, or an order of a court of competent jurisdiction outside the Kingdom of Spain or England and Wales (as the case may be) is made and, where possible, not discharged or stayed within a period of 60 days, that the Issuer or British Airways Plc be wound up or dissolved, otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved by an Extraordinary Resolution of the Bondholders;
- (e) an encumbrancer takes possession or a receiver, administrative receiver, administrator manager, judicial manager or other similar person is appointed

over the whole or a substantial part of the assets or undertaking of the Issuer or British Airways Plc or an administration order is made in relation to the Issuer or British Airways Plc and such taking of possession, appointment or order is not released, discharged or cancelled within 60 days;

- (f) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a substantial part of the assets or undertaking of the Issuer or British Airways Plc and is not discharged, dismissed or stayed within 60 days thereof;
- (g) the Issuer (otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved by an Extraordinary Resolution of the Bondholders) ceases or threatens to cease to carry on all or substantially all of its business; or
- (h) the Issuer or British Airways Plc makes an assignment for the benefit of creditors generally or is unable or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action or stops payment to creditors generally.

11. Undertakings of the Issuer

While any Conversion Right remains exercisable, the Issuer will, save with the approval of an Extraordinary Resolution of the Bondholders:

- (a) issue, allot and deliver Ordinary Shares on exercise of Conversion Rights and at all times keep available for issue free from pre-emptive or other similar rights such number of Ordinary Shares as would enable the Conversion Rights and all other rights of subscription and exchange for and conversion into Ordinary Shares to be satisfied in full;
- (b) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (i) by the issue of fully paid Ordinary Shares or other Securities to the Shareholders and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive Ordinary Shares or other Securities on a capitalisation of profits or reserves;
 - (ii) by the issue of Ordinary Shares paid up in full out of profits or reserves (in accordance with applicable law) and issued wholly, ignoring fractional entitlements, in lieu of the whole or part of a cash dividend;
 - (iii) by the issue of fully paid equity share capital (other than Ordinary Shares) to the holders of equity share capital of the same class and other holders of shares in the capital of the Issuer which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or

- (iv) by the issue of Ordinary Shares or any equity share capital to, or for the benefit of, any employee or former employee, director or executive holding or formerly holding executive office of the Issuer or any of its Subsidiaries or any associated company or to trustees or nominees to be held for the benefit of any such person, in any such case pursuant to an employee, director or executive share or option scheme whether for all employees, Directors, or executives or any one or more of them,

unless, in any such case, the same constitutes a Dividend or otherwise gives (or, in the case of an issue or payment up of Securities in connection with a Change of Control, will give) rise (or would, but for the provisions of Condition 6(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the relevant Conversion Price or is (or, in the case of any issue or payment of Securities in connection with a Change of Control, will be) otherwise taken into account to determine if such an adjustment should be made;

- (c) not in any way modify the rights attaching to the Ordinary Shares with respect to voting, dividends or liquidation and not issue any other class of equity share capital carrying any rights which are more favourable than such rights attaching to the Ordinary Shares but nothing in this Condition 11(c) shall prevent:
 - (i) the issue of any equity share capital to employees (including Directors holding or formerly holding executive or non-executive office or the personal service company of any such person) whether of the Issuer or any of the Issuer's Subsidiaries or associated companies by virtue of their office or employment pursuant to any scheme or plan approved by the Issuer or which is established pursuant to such a scheme or plan which is or has been so approved;
 - (ii) any consolidation, reclassification or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa;
 - (iii) any modification of such rights which is not, in the determination in good faith of an Independent Adviser, materially prejudicial to the interests of the holders of the Bonds;
 - (iv) any alteration to the By-laws of the Issuer made in connection with the matters described in this Condition 11 or which is supplemental or incidental to any of the foregoing (including any amendment made to enable or facilitate procedures relating to such matters and any amendment dealing with the rights and obligations of holders of Securities, including Ordinary Shares, dealt with under such procedures);
 - (v) any issue of equity share capital where the issue of such equity share capital results or would, but for the provisions of Condition 6(f) relating to roundings or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefore is at least 95 per cent. of the Current Market Price

per Ordinary Share on the relevant date, otherwise result, in an adjustment to the relevant Conversion Price;

- (vi) any issue of equity share capital or modification of rights attaching to the Ordinary Shares where prior thereto the Issuer shall have instructed an Independent Adviser to determine in good faith what (if any) adjustments should be made to the relevant Conversion Price as being fair and reasonable to take account thereof and such Independent Adviser shall have determined in good faith either that no adjustment is required or that an adjustment to the relevant Conversion Price is required and, if so, the new Conversion Price as a result thereof and the basis upon which such adjustment is to be made and, in any such case, the date on which the adjustment shall take effect (and so that the adjustment shall be made and shall take effect accordingly); or
 - (vii) without prejudice to Condition 6(b)(x) or Condition 7(e), the amendment of the By-laws of the Issuer following a Change of Control to ensure that any Bondholder exercising its Conversion Right after the occurrence of a Change of Control will receive the same consideration for the Ordinary Shares arising on conversion as it would have received had it exercised its Conversion Right at the time of the occurrence of the Change of Control;
- (d) except as part of any employee, director or executive share or option or incentive scheme, procure that no Securities (whether issued by the Issuer or any other member of the Group or procured by the Issuer or any other member of the Group to be issued) issued without rights to convert into, or exchange or subscribe for, Ordinary Shares shall subsequently be granted such rights exercisable at a consideration per Ordinary Share which is less than 95 per cent. of the Current Market Price per Ordinary Share at the close of business on the last dealing day preceding the date of the first public announcement of the proposed inclusion of such rights unless the same gives rise (or would, but for the provisions of Condition 6(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the relevant Conversion Price and that at no time shall there be in issue Ordinary Shares of differing nominal values, save where such Ordinary Shares have the same economic rights;
- (e) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on conversion of the Bonds, Ordinary Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (f) not reduce its issued share capital, share premium account or capital redemption reserve or any uncalled liability in respect thereof except: (i) pursuant to the terms of issue of the relevant share capital; or (ii) by means of a purchase or redemption of share capital of the Issuer; or (iii) an increase of its share capital out of its share premium account by way of issuing bonus shares to Existing Shareholders as a class as permitted by Article 303 of the Spanish Capital Companies Act; or (iv) where the reduction does not involve any distribution of assets to Shareholders; or (v) solely in relation to a change in the

currency in which the nominal value of the Ordinary Shares is expressed; or (vi) to create distributable reserves by way of transfer to reserves as permitted under applicable law; or (vii) where the reduction is permitted by applicable law and the interests of the Bondholders will not be materially prejudiced by such reduction; or (viii) where the reduction is permitted by applicable law and results (or, in the case of a reduction in connection with a Change of Control, will result) in (or would, but for the provisions of Condition 6(f)) relating to roundings or the carry forward of adjustments, result in) an adjustment to the relevant Conversion Price or is (or, in the case of a reduction in connection with a Change of Control, will be) otherwise taken into account to determine if such an adjustment should be made, provided that, without prejudice to the other provisions of these Conditions, the Issuer may exercise such rights as it may from time to time be entitled pursuant to applicable law to purchase, redeem or buy back its Ordinary Shares and any depositary or other receipts or certificates representing Ordinary Shares without the consent of Bondholders;

- (g) if any offer or Tender Offer is made to all (or as nearly as may be practicable, all) Shareholders (or all (or as nearly as may be practicable, all) such Shareholders other than the offeror and/or any person or persons acting together with the offeror(s)) to acquire all or a majority of the issued ordinary share capital of the Issuer, give notice of such offer to the Bondholders at the same time as any notice thereof is sent to its Shareholders (or as soon as practicable thereafter) that details concerning such offer may be obtained from the specified offices of the Paying, Transfer and Conversion Agents and, where such an offer has been recommended by the Board of Directors of the Issuer, or where such an offer has become or been declared unconditional in all respects, use its reasonable endeavours to procure that a like offer is extended to the holders of any Ordinary Shares issued during the period of the offer arising out of the exercise of the Conversion Rights by the Bondholders and/or to the holders of the Bonds (which like offer in respect of such Bondholders shall entitle any such Bondholder to receive the same type and amount of consideration it would have received had it held the number of Ordinary Shares to which such Bondholder would be entitled assuming he were to exercise his Conversion Rights in the relevant Change of Control Period);
- (h) use its reasonable endeavours to ensure that the Ordinary Shares issued upon conversion of the Bonds will as soon as practicable be admitted to the Official List of the UK Listing Authority and admitted to trading by the London Stock Exchange and to the Spanish Stock Exchanges in accordance with their respective rules and will be listed, quoted or accepted for dealing as soon as practicable on any other stock exchange or securities market on which the Ordinary Shares may then be listed or quoted or dealt in;
- (i) at all times keep available for issue free from pre-emptive rights out of its authorised but unissued capital a sufficient number of Ordinary Shares to enable Conversion Rights, and all other rights and subscription and exchange for Ordinary Shares to be satisfied in full; and

- (j) ensure that it keeps available a mechanism to enable the Conversion Rights and all other rights of subscription and exchange for and conversion into Ordinary Shares required under these Conditions to be satisfied in full.

12. Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 8 within a period of 10 years in the case of principal and five years in the case of interest from the appropriate Relevant Date, subject as otherwise provided in Conditions 6(g) and 8(c).

Claims in respect of any other amounts payable in respect of the Bonds shall be prescribed and become void unless made within 10 years following the due date for payment thereof.

13. Replacement of Bonds

If any Bond is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying, Transfer and Conversion Agent subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Bonds must be surrendered before replacements will be issued.

14. Bondholder Meetings, Modification and Waiver

(a) Bondholder Meetings

The Fiscal Agency Agreement contains provisions for convening meetings of the Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the Bonds or any of the provisions of the Fiscal Agency Agreement. Such a meeting may be convened by the Issuer and shall be convened by the Issuer if required in writing by Bondholders holding not less than five per cent. in principal amount of the Bonds for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting one or more persons being or representing Bondholders whatever the principal amount of the Bonds so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Bonds (including modifying the date of maturity of the Bonds or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Bonds or altering the currency of payment of the Bonds), the quorum shall be one or more persons holding or representing not less than two-thirds in principal amount of the Bonds for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in principal amount of the Bonds for the time being outstanding.

The Fiscal Agency Agreement provides that: (i) a resolution passed at a meeting duly convened and held in accordance with the Fiscal Agency Agreement by a majority consisting of not less than 75 per cent. of the votes cast on such resolution; (ii) a resolution in writing signed by or on behalf of the holders of not less than 75 per cent. in principal amount of the Notes for the time being outstanding; or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Fiscal Agent) by or on behalf of the holders of not less than 75 per cent. in principal amount of the Bonds for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Bondholders. An Extraordinary Resolution passed by the Bondholders will be binding on all the Bondholders, whether or not they are present at any meeting and whether or not they voted on the resolution.

(b) Modification of Fiscal Agency Agreement

The Issuer shall only permit any modification, waiver or authorisation of any breach or proposed breach or any failure to comply with the Fiscal Agency Agreement if to do so could not reasonably be expected to be prejudicial to the interests of the Bondholders.

(c) Notification to the Bondholders

Any modification, waiver or authorisation in accordance with this Condition 14 shall be binding on the Bondholders and shall be notified by the Issuer to the Bondholders as soon as practicable thereafter in accordance with Condition 15.

15. Notices

Notices to Bondholders shall be mailed to the holders at their respective addresses in the Register and deemed to have been given on the second business day after the date of mailing. The Issuer shall also ensure that all notices are duly published in a manner which complies with the applicable rules and regulations of any stock exchange, multilateral trading facility or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if required to be published in more than one newspaper or in more than one manner, on the date of the first such publication in each required manner.

16. Spanish Capital Companies Act

In compliance with Condition 19(a), a holder of Bonds:

- (a)* will not benefit from any right as a holder of Bonds arising from Article 411 of the Spanish Capital Companies Act; and
- (b)* will be deemed to have irrevocably instructed the Fiscal Agent to take any action and/or to sign or execute and deliver any documents or notices that may be necessary or desirable to comply with, and give effect to, paragraph (a) hereof.

In respect of Article 418 of the Spanish Capital Companies Act, the conversion regime established therein shall be replaced for all purposes with the regime established in these Conditions.

17. Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities, either having the same terms and conditions as the Bonds in all respects (or in all respects except for the first payment of interest on them and the first date on which Conversion Rights may be exercised) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue. References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 17 and forming a single series with the Bonds.

18. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

19. Governing Law and Jurisdiction

(a) Governing Law

The Fiscal Agency Agreement and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law. The status of the Bonds as described in Condition 1(c) is governed by, and shall be construed in accordance with, Spanish law.

(b) Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Bonds and accordingly any legal action or proceedings arising out of or in connection with the Bonds ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Bondholders and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) Agent for Service of Process

The Issuer has appointed International Consolidated Airlines Group, S.A. at its branch office for the time being, currently at 2 World Business Centre, Newall

Road, London Heathrow Airport, Hounslow, Middlesex TW6 2SF, as its agent in England to receive service of process of any Proceedings in England. If for any reason the Issuer does not have such an agent in England, it will promptly appoint a substitute process agent and notify the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.