

Dated 26 October 2010

BRITISH AIRWAYS Plc

and

INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.

and

BA HOLDCO S.A.

and

THE LAW DEBENTURE TRUST CORPORATION p.l.c.

SUPPLEMENTAL TRUST DEED

in relation to
the trust deed dated 13 August 2009 constituting
£350,000,000
5.80 per cent. convertible bonds due 2014

Slaughter and May

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(MJD/NAC)

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THIS SUPPLEMENTAL TRUST DEED (this "**Deed**") is made on 26 October 2010

BETWEEN:

- (1) **BRITISH AIRWAYS Plc** (the "**Issuer**");
- (2) **INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.** (the "**Guarantor**");
- (3) **BA HOLDCO S.A.** ("**BA Holdco**"); and
- (4) **THE LAW DEBENTURE TRUST CORPORATION p.l.c.** (the "**Trustee**", which expression, where the context so admits, includes any other trustee for the time being of the Trust Deed, and, together with the Issuer, the Guarantor and BA Holdco, the "**Parties**").

WHEREAS:

- (A) This Deed is supplemental to the trust deed dated 13 August 2009 between the Issuer and the Trustee in relation to £350,000,000 5.80 per cent. convertible bonds due 2014 (the "**Original Trust Deed**", as amended and supplemented by this Deed and as from time to time altered in accordance with the Original Trust Deed (as from time to time so altered) and any other document executed in accordance with the Original Trust Deed (as from time to time so altered) and expressed to be supplemental to the Original Trust Deed, the "**Trust Deed**").
- (B) Pursuant to a merger agreement between the Issuer and Iberia Lineas Aereas de España S.A. ("**Iberia**") dated 8 April 2010 (the "**Merger Agreement**"), it has been agreed that the businesses of Iberia and the Issuer will be combined (the "**Merger**"). The Merger involves a number of steps, including:
 - (i) a hive-down by Iberia (the "**Hive Down**") under Spanish law of all of its assets and liabilities (other than the ordinary shares it holds in treasury and its rights and obligations under the Merger Agreement) to an existing subsidiary of Iberia, Iberia Opco (as defined below) in consideration for a further issue of shares by Iberia Opco to Iberia that will result in Iberia's becoming a holding company of Iberia Opco that, in turn, will become the operating company of the Iberia group;
 - (ii) a scheme of arrangement to be effected by the Issuer under sections 895 to 899 of the Companies Act 2006 (the "**Scheme**") pursuant to which all the issued shares of the Issuer (other than the special voting share and any shares held by or on behalf of (a) Iberia Opco or (b) BA Holdco) will be cancelled in consideration for the issue, to the holders of those shares (or a nominee on their behalf), of shares in BA Holdco, resulting in BA Holdco becoming the holding company of the British Airways group; and
 - (iii) a merger under Spanish law between BA Holdco, Iberia and the Guarantor, resulting in the Guarantor becoming the holding company of the Issuer and Iberia Opco (the "**IAG Merger**").

- (C) The Guarantor has agreed to guarantee the Issuer's obligations under the Bonds and the Trust Deed with effect from the Listing Date (as defined below).
- (D) The Parties wish to amend the Original Trust Deed pursuant to Clause 2 below with effect from the Supplemental Trust Deed Effective Date (as defined below) on the following terms and conditions.
- (E) Subject to paragraph (D) above, the Parties wish to amend the Original Trust Deed pursuant to Clause 3 below with effect from the Listing Date (as defined below) on the following terms and conditions.

NOW THIS DEED WITNESSES as follows:

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Deed, unless the context requires otherwise, terms defined in the Original Trust Deed shall have the same meanings when used herein and the following terms and expressions shall, unless the context requires otherwise, have the following meanings:

"Amended Conditions" means the Original Conditions, as amended by Clause 3(JJ);

"Holdco Ordinary Shares" means ordinary shares in the capital of the Guarantor;

"Iberia Holding" means IB Opco Holding, S.L., a Spanish company, with its registered office in Madrid (Spain), calle Velázquez, 130, entered at the Madrid Mercantile Registry with registration number M-491911 and with Tax Identity Code number B-85850386;

"Iberia Opco" means Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora, a Spanish company, with its registered office in Madrid (Spain), calle Velázquez, 130, entered at the Madrid Mercantile Registry with registration number M-491912 and with Tax Identity Code number A85850394;

"Listing Date" means the date on which the Guarantor's shares are admitted to the official list of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange;

"Madrid Mercantile Registry Registration" means the Madrid Mercantile Registry registration required to give effect to the IAG Merger;

"Original Conditions" means the terms and conditions set out in schedule 1 to the Original Trust Deed;

"Original Conversion Date" has the meaning given in Clause 2.1(A);

"Scheme Date" means the date on which the Scheme becomes effective;

"Supplemental Trust Deed Effective Date" means the later of:

- (A) 17 January 2011 (or such earlier date as shall be notified in writing by the Issuer to the Trustee on not less than 10 calendar days' notice) or, if later, the first day that is a Monday on or following satisfaction of the condition set out in clause 3.3(E) of the Merger Agreement in accordance with the Merger Agreement (unless such day is not a business day in London, in which case, this Deed will take effect from the next following London business day); and
- (B) the date on which each of the following conditions is satisfied:
 - (i) receipt by the Trustee of an opinion from Nomura International plc (as the Independent Financial Adviser) in terms satisfactory to the Trustee;
 - (ii) receipt by the Trustee of legal opinions as to English and Spanish law in terms satisfactory to the Trustee;
 - (iii) receipt by the Trustee of Slaughter and May's memorandum describing the Merger transaction (the "**Memorandum**"); and
 - (iv) receipt by the Trustee of directors' certificates: (i) regarding the amendments to be made to the Issuer's articles of association prior to the Scheme Date and, (ii) substantially in the form set out in schedule 4 of the Trust Deed, in each case in form and substance satisfactory to the Trustee; and

"Unlisted Period" has the meaning given in Clause 2.1(C).

1.2 Interpretation

- (A) Unless the context requires otherwise, terms importing the singular number only shall include the plural and vice versa and terms importing persons shall include firms and corporations and terms importing one gender only shall include the other gender.
- (B) References in this Deed to any statute or a provision of any statute shall be deemed to include a reference to any statute or the provision of any statute which amends, extends, consolidates, re-enacts or replaces the same, or which has been amended, extended, consolidated, re-enacted or replaced by the same, and shall include any orders, regulations, instruments or other subordinate legislation made under the relevant statute.
- (C) Unless the context otherwise requires, any reference to a "**Clause**" or "**Schedule**" is a reference to a clause of or a schedule to this Deed.
- (D) The headings to Clauses are inserted for convenience only and shall not affect the construction of this Deed.

2. AMENDMENTS TO THE ORIGINAL TRUST DEED PRIOR TO THE LISTING DATE

2.1 The Issuer covenants to the Trustee that, with effect from the Supplemental Trust Deed Effective Date:

- (A) if a Bondholder exercises or has exercised its Conversion Rights in accordance with the Original Conditions such that the Conversion Date (as determined by the Original Conditions (the "**Original Conversion Date**")) would fall on or after the Supplemental Trust Deed Effective Date but before the Listing Date, the Conversion Date will be deemed to be the Listing Date and any such Bondholder will, subject to Clause 2.1(B), instead of being entitled to Ordinary Shares, be entitled to new Holdco Ordinary Shares in accordance with the Amended Conditions which will be issued in uncertificated form;
- (B) if a Bondholder exercises or has exercised its Conversion Rights in the circumstances contemplated by Clause 2.1(A) and the Scheme Date does not occur before the date that is 7 London business days after the Original Conversion Date or, if earlier, the London business day after the date on which this Deed terminates in accordance with Clause 4.2, the Conversion Date for any Conversion Notice delivered in the circumstances contemplated by Clause 2.1(A) will revert to the Original Conversion Date and the relevant Bondholder will be entitled to Ordinary Shares in accordance with the Original Conditions;
- (C) if the Scheme Date occurs but the Listing Date does not then occur on or before the date falling 5 London business days after the Scheme Date (such 5 London business day period being the "**Unlisted Period**") then, unless the Issuer and the Trustee otherwise agree, any Conversion Notice delivered in the circumstances contemplated by Clause 2.1(A) will be deemed not to take effect, the Permitted Merger Conditions will not be satisfied and the transaction will not constitute a Permitted Merger. In these circumstances, a Change of Control will occur under the Bonds on expiry of the Unlisted Period (which shall be without prejudice to the Change of Control Period under the Conditions and the provisions of Condition 5(l)) and all Bondholders will be entitled to exercise their rights on a Change of Control in accordance with the Original Conditions, as amended by this Clause 2;
- (D) if a Change of Control occurs in the circumstances contemplated by Clause 2.1(C), the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date:
 - (i) if the Listing Date does not occur on or before the end of the Change of Control Period and the Ordinary Shares have not been re-listed on or before the end of the Change of Control Period, at a value equal to the adjusted number of Ordinary Shares into which the Bond would convert following the Change of Control multiplied by the Volume Weighted Average Price of an Ordinary Share during the 5 days prior to the Scheme Date and, save as amended by this Clause 2, the Original Conditions shall continue to apply; or

- (ii) if the Listing Date does not occur on or before the end of the Change of Control Period and the Ordinary Shares have been re-listed on or before the end of the Change of Control Period, in accordance with the Original Conditions, as amended by this Clause 2; or
- (iii) if the Listing Date does occur on or before the end of the Change of Control Period, in accordance with the Amended Conditions.

If the holder of the Bond has already delivered the Bond to the specified office of the Paying Agent and Conversion Agent in exercise of its Conversion Rights together with a Conversion Notice in the circumstances contemplated by Clause 2.1(A), which, due to the Change of Control, is deemed not to take effect pursuant to Clause 2.1(C), the obligation of the holder of the relevant Bond to deliver that Bond shall be deemed satisfied for the purpose of Condition 6(d); and

- (E) if a Change of Control occurs in the circumstances contemplated by Clause 2.1(C), the Listing Date subsequently occurs on or before the end of the Change of Control Period and a Bondholder exercises or has exercised its Conversion Rights such that the Conversion Date falls on or after the Supplemental Trust Deed Effective Date but before the end of the Change of Control Period, the Bondholder will be entitled to Holdco Ordinary Shares in accordance with the Amended Conditions and the number of such Holdco Ordinary Shares to be issued on conversion shall be such adjusted number of Holdco Ordinary Shares as the Independent Financial Adviser may determine in accordance with the Amended Conditions or as the Independent Financial Adviser may consider appropriate. If the holder of the Bond has already delivered the Bond to the specified office of the Paying Agent and Conversion Agent in exercise of its Conversion Rights together with a Conversion Notice in the circumstances contemplated by Clause 2.1(A), which, due to the deemed Change of Control, is deemed not to take effect pursuant to Clause 2.1(C), the obligation of the holder of the Bond to deliver that Bond shall be deemed satisfied for the purpose of Condition 5(a),

and the Parties agree that the Original Trust Deed shall be deemed to be amended to give effect to the above.

- 2.2 Pursuant to Condition 10(a)(viii) and subject to Clauses 2 and 4, the Trustee hereby consents to any de-listing of the ordinary shares of the Issuer from the Official List of the UK Listing Authority on or after the Scheme Date but before the Listing Date. Subject to Clauses 2 and 4, such consent shall cease to have effect and shall be treated as not having been given (the "**automatic consent termination**") if there is any material change to the Merger or the structure of, or steps involved in, the Merger from the description thereof set out in the Memorandum such that the representations and warranties in Clause 4.1 hereof are not or would not be true and correct if repeated on the date on which such delisting occurs, the Scheme Date and the Listing Date (unless the Trustee has (i) acting on the advice of the Independent Financial Adviser or such other expert(s) as the Trustee (acting reasonably) deems appropriate, or (ii) in its absolute discretion (acting reasonably), agreed that its consent remains in effect

notwithstanding the relevant material change.) No consent is required for any de-listing of the ordinary shares of the Issuer from the Official List of the UK Listing Authority on or after the Listing Date.

- 2.3 As at the date of this Deed, the Issuer, indirectly through its subsidiaries, holds 125,321,425 ordinary shares in the capital of Iberia, representing 13.15% of Iberia's share capital (the "**Cross Holding**"). By operation of Spanish law, this Cross Holding shall cease to exist following the Madrid Mercantile Registry Registration. The Issuer covenants with the Trustee that it shall, or shall procure that a member of its Group (as defined in the Original Conditions) shall, on or before the date falling 10 London business days after the Scheme Date, unless the Issuer and the Trustee otherwise agree (in the case of the Trustee, acting on the advice of the Independent Financial Adviser or the advice of such other expert(s) as the Trustee (acting reasonably) deems appropriate), purchase or subscribe for shares in Iberia Holding representing 13.6% of the economic rights of Iberia Holding. Failure to do so will constitute a disposal for the purposes of paragraph (ii) of the definition of Permitted Merger Conditions in relation to which an adjustment to the Conversion Price may be required pursuant to the Original Conditions as determined by an Independent Financial Adviser.
- 2.4 The Trustee covenants to the Issuer that it will, as soon as practicable following receipt thereof, notify the Issuer in writing of receipt of the documents referred to in paragraph (B) of the definition of "Supplemental Trust Deed Effective Date".
- 2.5 The Issuer covenants to the Trustee that it will, as soon as practicable following the occurrence thereof, notify the Trustee (in writing) and the Bondholders (via Clearstream, Luxembourg and Euroclear) of the occurrence of the Supplemental Trust Deed Effective Date, the Scheme Date and the Listing Date.

3. **AMENDMENTS TO THE ORIGINAL TRUST DEED ON THE LISTING DATE**

With effect from the Listing Date, the Original Trust Deed shall be amended as follows and the Guarantor agrees to be bound by the Original Trust Deed as amended below:

- (A) that the following definitions be added to clause 1.1 in the relevant order:

""**Group**" means the Guarantor and its Subsidiaries, taken as a whole";

""**Guarantee**" means the guarantee and indemnity set out in Clause 2.5";

""**Guarantor**" means International Consolidated Airlines Group S.A."; and

""**Ordinary Shares**" means ordinary shares in the capital of the Guarantor with a par value of €0.50 each as at the Listing Date."

- (B) that clause 2.3 be deleted and replaced with the following:

"2.3 Discharge: Subject to Clause 2.4, any payment to be made in respect of the Bonds or the Coupons by the Issuer, the Guarantor or the Trustee may be made as provided in the Conditions and any payment so made

will to that extent be a good discharge to the Issuer, the Guarantor or the Trustee, as the case may be.”;

(C) that clause 2.4 be amended as follows:

(i) by deleting the lead-in at clause 2.4.1 and replacing it with the following:

“2.4.1 by notice in writing to the Issuer, the Guarantor and the Agents (or such of them as are specified by the Trustee), require the Agents, until notified by the Trustee to the contrary, so far as permitted by applicable law:”; and

(ii) by deleting clause 2.4.2 and replacing it with the following:

“2.4.2 by notice in writing to the Issuer or, where applicable, the Guarantor, require it to make all subsequent payments in respect of the Bonds and the Coupons to or to the order of the Trustee and not to the Principal Paying and Conversion Agent with effect from the issue of any such notice to the Issuer or, where applicable, the Guarantor and until such notice is withdrawn proviso (1) to Clause 2.2 above shall cease to have effect.”;

(D) that a new clause 2.5 be inserted as follows:

“2.5 Guarantee:

2.5.1 The Guarantor irrevocably and unconditionally guarantees to the Trustee:

(i) the due and punctual payment in accordance with the provisions of this Trust Deed of the principal and interest on the Bonds and of any other amounts payable by the Issuer under this Trust Deed in relation to the Bonds; and

(ii) the due and punctual performance and observance by the Issuer of each of the other provisions of this Trust Deed on the Issuer’s part to be performed or observed in relation to the Bonds issued by it.

2.5.2 If the Issuer fails for any reason whatsoever punctually to pay any such principal, interest or other amount when it is expressed to be due, the Guarantor shall pay or cause each and every such payment to be made to or to the order of the Trustee, in the manner provided in Clause 2.2 (or, if in respect of sums due under Clause 10, in pounds sterling in London in immediately available funds) before close of business on that date in the city in which payment is to be made. Clauses 2.2(1)

and 2.2(2) shall apply (with consequential amendments as necessary) to such payments other than those in respect of sums due under Clause 10. As between the Guarantor and the Trustee, the Bondholders and the Couponholders (but without affecting the Issuer's obligations), the Guarantor shall be liable hereunder as if the Guarantor instead of the Issuer were expressed to be the sole principal debtor under this Trust Deed and not merely as surety (but without affecting the obligations of the Issuer) to the extent that the Trustee or, as the case may be, the holder of the relevant Bond or Coupon shall receive the same amounts in respect of principal, interest or such other amount as would have been receivable had such payments been made by the Issuer.

- 2.5.3 If any payment received by the Trustee or any Bondholder or Couponholder pursuant to the provisions of this Trust Deed shall (whether on the subsequent bankruptcy, insolvency, winding-up, dissolution, amalgamation, reconstruction or corporate reorganisation of the Issuer or, without limitation, on any other event) be avoided or set aside for any reason, such payment shall not be considered as discharging or diminishing the liability of the Guarantor and this Guarantee shall continue to apply as if such payment had at all times remained owing by the Issuer and the Guarantor shall indemnify on demand the Trustee and the Bondholders and/or Couponholders (as the case may be) in respect thereof PROVIDED THAT the obligations of the Issuer and/or the Guarantor under this Clause 2.5.3 shall, as regards each payment made to the Trustee or any Bondholder and/or Couponholder which is avoided or set aside, be contingent upon such payment being reimbursed to the Issuer or other persons entitled through the Issuer save that the Trustee shall not be obliged or liable to reimburse the Issuer or other persons entitled through the Issuer in respect of any amount received by or on behalf of the Trustee and paid to the Bondholders and/or Couponholders where at the time of such payment the Trustee has no knowledge that such receipt or recovery had been so avoided or set aside or capable of being avoided or set aside.
- 2.5.4 The Guarantor agrees that its obligations under this Clause 2.5 shall be unconditional and that it shall be fully liable irrespective of the validity, regularity, legality or enforceability against the Issuer of, or of any defence or counter-claim whatsoever available to the Issuer in relation to, its obligations under this Trust Deed, the Bonds and/or the Coupons, whether or not any action has been taken to enforce the same or any judgment obtained against the Issuer, whether or not any of the other provisions of this Trust Deed or the Conditions or any security or other guarantee or indemnity have been modified, whether or

not any time, indulgence, waiver, authorisation or consent has been granted to the Issuer or any other person by or on behalf of the Bondholders, the Couponholders or the Trustee, whether or not any determination has been made by the Trustee, whether or not there have been any dealings or transactions between the Issuer, any of the Bondholders or Couponholders or the Trustee, whether or not the Issuer has been dissolved, liquidated, merged, consolidated, bankrupted or has changed its status, functions, control or ownership or in the event of an amalgamation, reconstruction, reorganisation of the Issuer or any other person, whether or not the Issuer has been prevented from making payment by foreign exchange provisions applicable at its place of registration or incorporation and whether or not any other circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to a guarantor whether or not the Trustee or any Bondholder or Couponholder makes any demand on the Issuer or any other person for payment, whether or not the Trustee or any Bondholder or Couponholder enforces this Trust Deed, the Bonds, the Coupons or any security or other guarantee or indemnity and whether or not any security, guarantee or indemnity is taken, is in existence or is released. Accordingly the validity, regularity, legality or enforceability of this Guarantee shall not be affected by reason of any invalidity, irregularity, illegality or unenforceability of or any defect in all or any of the provisions (including the obligations of the Issuer) under this Trust Deed, the Bonds or the Coupons, and this Guarantee shall not be discharged, and the liability of the Guarantor under this Trust Deed, the Bonds or the Coupons shall not be affected, by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the sole principal debtor.

- 2.5.5 Without prejudice to Clause 11, the Trustee may determine from time to time whether or not it will enforce this Guarantee, which it may do without making any demand of or taking any proceedings against the Issuer and may from time to time make any arrangement or compromise with the Guarantor in relation to this Guarantee which the Trustee may consider expedient in the interests of the Bondholders.
- 2.5.6 The Guarantor waives diligence, presentment, demand of payment, filing of claims with a court in the event of dissolution, liquidation, merger or bankruptcy of the Issuer, any right to require a proceeding first against the Issuer, protest or notice with respect to this Trust Deed, the Bonds and the Coupons or the indebtedness evidenced thereby and all demands whatsoever. The Guarantor covenants that this Guarantee shall be a continuing guarantee, shall extend to the ultimate balance

of all sums payable and obligations owed by the Issuer under this Trust Deed and the Conditions, shall not be discharged except by complete performance of the obligations contained in this Trust Deed, the Bonds and the Coupons and is additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the Guarantor or otherwise.

2.5.7 Notwithstanding any other provision contained herein, if any moneys shall become payable by the Guarantor under this Guarantee, the Guarantor shall not, so long as the same remain unpaid, without the prior written consent of the Trustee:

- (a) in respect of any amounts paid or payable by it under this Guarantee, exercise any rights of subrogation or contribution or, without limitation, any other right or remedy which may accrue to it in respect of or as a result of any such payment or any such obligation to make payment; or
- (b) in respect of any other moneys for the time being due to the Guarantor by the Issuer, claim payment thereof or exercise any other right or remedy,

(including, in either case, claiming the benefit of any security or right of set-off or contribution or, on the liquidation of the Issuer, proving in competition with the Trustee). If, notwithstanding the foregoing, upon the bankruptcy, insolvency, dissolution, amalgamation, reconstruction, reorganisation or liquidation of the Issuer, any payment or distribution of assets of the Issuer of any kind or character, whether in cash, property or securities, shall be received by the Guarantor before payment in full of all amounts payable under this Trust Deed shall have been made to the Bondholders, the Couponholders and the Trustee, such payment or distribution shall be received by the Guarantor on trust to pay the same over immediately to the Trustee for application in or towards the payment of all sums due and unpaid under this Trust Deed in accordance with Clause 5.

2.5.8 Until all amounts which may be or become payable by the Issuer under this Trust Deed and the Conditions have been irrevocably paid in full, the Trustee may:

- (a) refrain from applying or enforcing any other moneys, security or rights held or received by the Trustee in respect of those amounts, or apply and enforce the same in such manner and order as it sees fit (whether against those amounts or otherwise), and the Guarantor shall not be entitled to the benefit of the same; and

- (b) hold in a suspense account any moneys received from the Guarantor or on account of its liability under this Guarantee, without liability to pay interest on those moneys.

2.5.9 The obligations of the Guarantor under this Trust Deed and the Conditions constitute direct, unconditional and (subject to the provisions of Condition 2) unsecured obligations of the Guarantor and (subject as aforesaid) rank and will rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, but save for such obligations that may be preferred by applicable legislation including, without limitation, in the event of winding-up, the provisions of Law 22/2003, of July 9, on Insolvency and other applicable Spanish statutory exceptions that are both mandatory and of general application.

2.5.10 If any moneys shall become due and payable by the Guarantor under this Guarantee, the Issuer shall not, without the prior consent of the Trustee (except in the event of the liquidation, dissolution or bankruptcy of the Issuer) so long as any such moneys which are due and payable remain unpaid, pay any moneys for the time being due from the Issuer to the Guarantor.

2.5.11 As separate, independent and alternative stipulations, the Guarantor unconditionally and irrevocably agrees (1) that any sum that, although expressed to be payable by the Issuer under this Trust Deed, the Bonds or the Coupons, is for any reason (whether or not now existing and whether or not now known to the Issuer, the Guarantor, the Trustee or any Bondholder or Couponholder) not recoverable from the Guarantor on the basis of this Guarantee shall nevertheless be recoverable from it as if it were the sole principal debtor and shall be paid by it to the Trustee on demand and (2) as a primary obligation to indemnify the Trustee, each Bondholder and each Couponholder against any loss suffered by it as a result of any sum expressed to be payable by the Issuer under this Trust Deed, the Bonds or the Coupons not being paid on the date and otherwise in the manner specified in this Trust Deed or any payment obligation of the Issuer under this Trust Deed, the Bonds or the Coupons being or becoming void, voidable or unenforceable for any reason (whether or not now existing and whether or not now known to the Trustee, any Bondholder or Couponholder), the amount of that loss being the amount expressed to be payable by the Issuer in respect of the relevant sum.”;

(E) that clause 4 be amended as follows:

- (i) that the words "or the Guarantor's" be inserted before the words "obligations under this Trust Deed, the Bonds or the Coupons" in the penultimate sentence; and

- (ii) by inserting the following at the end of clause 4:

"The Guarantor will pay any capital, stamp, issue, documentary, registration or other similar taxes and duties, including interest and penalties arising in respect thereof, payable in the Kingdom of Spain in connection with the issue of the Ordinary Shares to be issued on conversion of the Bonds, provided that, for the avoidance of doubt, this undertaking shall not apply in respect of any subsequent transfer by any Bondholder or Couponholder of the Ordinary Shares issued upon conversion of the Bonds.";

- (F) that clause 5.1 be amended as follows:

- (i) that the words "or the Guarantor, as the case may be" be added after the words "despite any appropriation of all or part of them by the Issuer"; and

- (ii) that clause 5.1.3 be deleted and replaced with the following:

"5.1.3 thirdly, if any moneys were received from the Guarantor and to the extent of such moneys, to the Guarantor; and";

- (iii) that a new clause 5.1.4 be inserted as follows:

"5.1.4 fourthly, in payment of any balance to the Issuer for itself."

- (G) that clause 7 be deleted and replaced with the following:

"7 Covenant to Comply with Provisions

Each of the Issuer and the Guarantor hereby covenants with the Trustee that it will comply with and perform and observe all the provisions of this Trust Deed and the Conditions and the Agency Agreement which are expressed to be binding on it. The Conditions shall be binding on the Issuer, the Guarantor, the Bondholders and the Couponholders. The Trustee shall be entitled to enforce the obligations of the Issuer and, as the case may be, the Guarantor under the Bonds and the Conditions as if the same were set out and contained in this Trust Deed which shall be read and construed as one document with the Bonds. The provisions contained in Schedule 3 shall have effect in the same manner as if herein set forth. The Trustee shall hold the benefit of this covenant upon trust for itself and the Bondholders and Couponholders according to its and their respective interests. To the extent that the Issuer is able to do so, it shall use reasonable endeavours to procure that the Agents comply with their obligations under the Agency Agreement.";

- (H) that clause 8 be deleted and replaced with the following:

"8 Covenants relating to Conversion Rights

Each of the Issuer and the Guarantor hereby undertakes to and covenants with the Trustee that, so long as any Conversion Right remains exercisable, it will, save with the approval of an Extraordinary Resolution or with the approval of the Trustee where, in the Trustee's opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval, observe all its obligations under the Conditions and this Trust Deed (including but not limited to those undertakings and covenants set out in Clause 6 above) with respect to Conversion Rights.";

- (I) that the preamble to clause 9 be deleted and replaced with the following:

"So long as any Bond is outstanding, each of the Issuer and the Guarantor will (save in respect of any notification under this Clause 9 where, unless otherwise stated, notice from either the Issuer or the Guarantor (but not both) is required to satisfy the obligations set out below):";

- (J) that clause 9.1 be deleted and replaced with the following:

"9.1 Books of Account: keep, and procure that each of its Subsidiaries keeps, proper books of account and, at any time after an Event of Default or Potential Event of Default has occurred or if the Trustee reasonably believes that such an event has occurred, so far as permitted by applicable law, allow, and procure that each Subsidiary will allow, the Trustee and anyone appointed by it to whom the Issuer and/or Guarantor and/or relevant Subsidiary has no reasonable objection, free access to its books of account upon reasonable notice during normal business hours;"

- (K) that clause 9.4 be deleted and replaced with the following:

"9.4 Financial Statements etc.: send to the Trustee as soon as practicable after the time of their issue and in the case of the annual audited financial statements in any event within 180 days of the end of each financial year, three copies of every balance sheet and profit and loss account and promptly upon issue of the same any report or other notice, statement or circular issued or which is legally or contractually required to be issued to the members or creditors (or any class of them) of the Issuer or the Guarantor or any holding company thereof generally in their capacity as such;"

(L) that clause 9.5 be deleted and replaced with the following:

"9.5 Certificate of Directors: send to the Trustee, within 14 days of its annual audited financial statements being issued to the members of the Guarantor, and also within 14 days of any request by the Trustee:

- (a) a certificate of the Issuer substantially in the form set out in Schedule 4, signed by two directors of the Issuer on behalf of the Issuer, and
- (b) a certificate of the Guarantor substantially in the form set out in Schedule 4, signed by two directors of the Guarantor on behalf of the Guarantor,

that having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer (in the case of (a)) and the Guarantor (in the case of (b)) as at a date (the "**Certification Date**") not more than five days before the date of the certificate, no Event of Default or Potential Event of Default or Change of Control had occurred since the Certification Date of the last such certificate or (if none) the Listing Date in the case of the Guarantor or 13 August 2009 in the case of the Issuer or, if such an event or Change of Control had occurred, giving details of it;"

(M) that clause 9.12 be deleted and replaced with the following:

"9.12 Bonds held by the Issuer etc.: send to the Trustee as soon as practicable after being so requested by the Trustee a certificate of the Issuer signed by two directors of the Issuer on behalf of the Issuer or, if so requested by the Trustee, a certificate of the Guarantor signed by two directors of the Guarantor on behalf of the Guarantor stating the number of Bonds held beneficially by or on behalf of the Issuer, the Guarantor or any other member of the Group at the date of such certificate;"

(N) that clause 10.1 be amended by inserting the words ",failing whom the Guarantor" before the words "will pay the Trustee as remuneration";

(O) that clause 10.2 be deleted and replaced with the following:

"10.2 Extra Remuneration: If an Event of Default or Potential Event of Default shall have occurred, the Issuer hereby agrees that the Trustee shall be entitled to be paid additional remuneration calculated at its normal hourly rates in force from time to time. In any other case, if the Trustee finds it expedient or necessary or is requested by the Issuer to undertake duties which they both agree to be of an exceptional nature or otherwise outside the scope of the Trustee's normal duties under this Trust Deed, the Issuer, failing whom the Guarantor, will pay such additional remuneration as they may agree (and which may be calculated by reference to the Trustee's normal hourly rates in force

from time to time) or, failing agreement as to any of the matters in this sub-Clause (or as to such sums referred to in Clause 10.1), as determined by a financial institution or person (acting as an expert) selected by the Trustee and approved by the Issuer and the Guarantor or, failing such approval, nominated by the President for the time being of The Law Society of England and Wales. The expenses involved in such nomination (including any amounts in respect of value added tax in respect thereof to the extent not recoverable) and such financial institution's or person's fee will be borne by the Issuer or, failing whom, the Guarantor. The determination of such financial institution or person will be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Bondholders and the Couponholders.";

(P) that clause 10.3 be deleted and replaced with the following:

"10.3 Expenses: The Issuer, failing whom the Guarantor, will also pay or discharge all costs, charges, liabilities and expenses (and amounts in respect of value added tax in respect thereof to the extent not recoverable) properly incurred by the Trustee in the preparation and execution of this Trust Deed and the performance of its functions under this Trust Deed including, but not limited to, legal and travelling expenses and any stamp, documentary or other taxes or duties paid by the Trustee in connection with any legal proceedings properly brought or contemplated by the Trustee against the Issuer or, as the case may be, the Guarantor, to enforce any provision of this Trust Deed, the Bonds or the Coupons but excluding value added tax (to the extent amounts in respect thereof have been paid in accordance with Clause 10.6) and taxes arising to the Trustee on its income or profits in respect of the remuneration received by it for its services as Trustee. Such costs, charges, liabilities and expenses will be payable or reimbursable by the Issuer, failing whom the Guarantor, within 14 days of demand by the Trustee and:

10.3.1 in the case of payments made by the Trustee before such demand, carry interest from the date of the demand at the rate of 2 per cent. per annum over the base rate of National Westminster Bank PLC on the date on which the Trustee made such payments; and

10.3.2 in other cases, will carry interest at such rate from 30 days after the date of the demand or (where the demand specifies that payment is to be made on an earlier date) from such earlier date."

(Q) that clause 10.4 be deleted and replaced with the following:

"10.4 Indemnity: Subject to Clause 12, the Issuer, failing whom the Guarantor, will on demand by the Trustee indemnify it, on an after tax basis, in respect of Amounts or Claims properly paid or incurred by it in

acting as trustee under this Trust Deed (including (1) any Agent/Delegate Liabilities and (2) in respect of disputing or defending any Amounts or Claims made against the Trustee or any Agent/Delegate Liabilities). The Issuer, failing whom the Guarantor, will on demand by any agent or delegate indemnify it, on an after tax basis, against such Agent/Delegate Liabilities. "**Amounts or Claims**" are losses, liabilities, costs, fees, claims, actions, demands or expenses including any amounts in respect of value added tax in respect thereof to the extent not recoverable (but excluding value added tax to the extent amounts in respect thereof have been paid in accordance with Clause 10.6 and taxes arising to the Trustee on its income or profits in respect of the remuneration received by it for its services as Trustee) and excluding such as may result from a claim of the Issuer, or as the case may be, the Guarantor, in respect of the Trustee's own fraud, wilful default or negligence or that of its officers or employees and "**Agent/Delegate Liabilities**" are Amounts or Claims which the Trustee is or would be obliged to pay or reimburse to any of its agents or delegates appointed pursuant to this Trust Deed except such as may result from such agent's or, as applicable, delegate's own fraud, wilful default or gross negligence or that of its officers or employees. The Contracts (Rights of Third Parties) Act 1999 applies to this Clause 10.4."

- (R) that the last sentence of clause 11.1 be deleted and replaced with the following:

"The Trustee shall be entitled to rely without liability on any such report, confirmation or certificate where the Issuer or the Guarantor procures delivery of the same pursuant to its obligation to do so under a condition hereof and such report, confirmation or certificate shall be conclusive and binding on the Issuer, the Guarantor, the Trustee, the Bondholders and the Couponholders in the absence of manifest error.";

- (S) that the last sentence of clause 11.2 be deleted and replaced with the following:

"Until it has actual knowledge or express notice to the contrary, the Trustee may assume that no such event has occurred and that each of the Issuer and the Guarantor is performing all of its obligations under this Trust Deed, the Bonds and the Coupons.";

- (T) that clause 11.4 be deleted and replaced with the following:

"11.4 Certificate signed by directors: if the Trustee, in the exercise of its functions, requires to be satisfied or to have information as to any fact or the expediency of any act, it may call for and accept as sufficient evidence of that fact or the expediency of that act, a certificate signed by two directors of the Issuer on behalf of the Issuer or, where appropriate, two directors of the Guarantor on behalf of the Guarantor as to that fact or to the effect that, in their opinion, that act is expedient and the Trustee need not call for further evidence and will not be responsible for any loss occasioned by acting on such certificate.";

- (U) that clause 11.10 be deleted and replaced with the following:

"11.10 Forged Bonds: The Trustee will not be liable to the Issuer, the Guarantor or any Bondholder or Couponholder by reason of having accepted as valid or not having rejected any Bond or Coupon purporting to be such and later found to be forged or not authentic.";
- (V) that clause 11.11 be deleted and replaced with the following:

"11.11 Confidentiality: Unless ordered to do so by a court of competent jurisdiction the Trustee shall not be required to disclose to any Bondholder or Couponholder any confidential financial or other information made available to the Trustee by the Issuer or the Guarantor.";
- (W) that the last sentence of clause 11.13 be deleted and replaced with the following:

"Any rate, method and date so specified will be binding on the Issuer, the Guarantor, the Bondholders and the Couponholders.";
- (X) that the last sentence of clause 11.14 be deleted and replaced with the following:

"Any such determination will be conclusive and binding on the Issuer, the Guarantor, the Bondholders and the Couponholders.";
- (Y) that clause 11.16 be deleted and replaced with the following:

"11.16 Bonds held by the Issuer, the Guarantor etc.: In the absence of knowledge or express notice to the contrary, the Trustee may assume without enquiry (other than requesting a certificate under Clause 9.12) that no Bonds are for the time being held by or on behalf of the Issuer, the Guarantor or any other member of the Group.";
- (Z) that the last sentence of clause 11.18 be deleted and replaced with the following:

"The Trustee shall not be responsible for any failure of the Issuer or the Guarantor to make available or deliver any Ordinary Shares or to make any payment upon the exercise of the Conversion Right in respect of any Bond or of the Issuer or Guarantor to comply with any of its covenants contained in this Trust Deed.";
- (AA) that clause 11.19 be amended by inserting the words "or the Guarantor" after each occurrence of the words "the Issuer";
- (BB) that clause 11.20 be amended by inserting the words ", the Guarantor" after the words "nor shall any Bondholder be entitled to claim from the Issuer";
- (CC) that clause 13.1 be amended by inserting the words "or the Guarantor" after the words "any breach or proposed breach by the Issuer";

(DD) that clause 13.2 be deleted and replaced with the following:

"13.2 Proof of Default: Proof that the Issuer or the Guarantor has failed to pay a sum due to the holder of any one Bond or Coupon will (unless the contrary be proved) be sufficient evidence that it has made the same default as regards all other Bonds or Coupons which are then payable.";

(EE) that clause 13.3 be amended by inserting the words "or the Guarantor" after the words "the Issuer";

(FF) that clause 14 be amended by inserting the words ", the Guarantor" after the words "of the Issuer";

(GG) that clause 15.2.1 be amended as follows:

(i) the lead-in be deleted and replaced with the following:

"15.2.1 The Trustee may, without the consent of the Bondholders or the Couponholders, agree to the substitution of any Subsidiary of the Guarantor or the Issuer (the **"Substituted Obligor"**) in place of the Issuer (or of any previous substitute under this sub-Clause) as the principal debtor under this Trust Deed, the Bonds and the Coupons provided that:";

(ii) that sub-clause (i) be deleted and replaced with the following:

"(i) a deed is executed or undertaking given by the Substituted Obligor to the Trustee, in form and manner satisfactory to the Trustee, agreeing to be bound by this Trust Deed, the Bonds and the Coupons and the Agency Agreement (with consequential amendments as the Trustee may deem appropriate) as if the Substituted Obligor had been named in this Trust Deed, the Bonds and the Coupons as the principal debtor in place of the Issuer;"

(iii) that the words "except where such Substituted Obligor is Newco or Holdco" be deleted from, and the words ", the Guarantor" be inserted after the words "the Issuer" in, sub-clause (v);

(iv) that the words "where the Substituted Obligor is a Subsidiary of the Issuer," be deleted from sub-clauses (vi) and (vii); and

(v) that sub-clause (viii) be deleted and replaced with the following:

"the obligations of the Substituted Obligor as principal debtor under the Trust Deed, the Bonds and the Coupons are guaranteed by the Guarantor in the same terms (with consequential amendments, as necessary) as the Guarantee to the reasonable satisfaction of the Trustee."

(HH) that clause 16.3 be deleted and replaced with the following:

"16.3 Co-Trustees: The Trustee may, despite Clause 16.1, by written notice to the Issuer and the Guarantor appoint anyone to act as an additional Trustee jointly with the Trustee:

16.3.1 if the Trustee considers the appointment to be in the interests of the Bondholder and/or the Couponholders;

16.3.2 to conform with a legal requirement, restriction or condition in a jurisdiction in which a particular act is to be performed; or

16.3.3 to obtain a judgment or to enforce a judgment or any provision of this Trust Deed in any jurisdiction.

Subject to the provisions of this Trust Deed, the Trustee may confer on any person so appointed such functions as it thinks fit. The Trustee may by written notice to the Issuer, the Guarantor and that person remove that person. At the Trustee's request, the Issuer, or, as the case may be, the Guarantor, will forthwith do all things as may be required to perfect such appointment and removal and irrevocably appoint the Trustee as its attorney in its name and on its behalf to do so.";

(II) that the Guarantor's contact details be added to clause 18 after those of the Issuer as follows:

"in the case of the Guarantor, to it at:

Calle Velazquez 130
28006
Madrid
Attention: The Directors

with a copy to the Issuer";

(JJ) that the Original Conditions be deleted and replaced with the terms and conditions set out in Schedule 1 hereto;

(KK) that schedule 3 be amended as follows:

(i) that paragraph 2.1 be deleted and replaced with the following:

"2.1 to sanction any proposal by the Issuer, the Guarantor or the Trustee for any modification, abrogation, variation or compromise of, or arrangement in respect of, the rights of the Bondholders and/or the Couponholders against the Issuer and/or the Guarantor, whether or not those rights arise under this Trust Deed;"

- (ii) that paragraph 2.3 be deleted and replaced with the following:

"2.3 to assent to any modification of this Trust Deed, the Bonds or the Coupons proposed by the Issuer, the Guarantor or the Trustee;"

- (iii) that the first sentence of paragraph 3 be deleted and replaced with the following:

"The Issuer, the Guarantor or the Trustee may at any time convene a meeting.";

- (iv) that paragraph 17.3 be deleted and replaced with the following:

"17.3 the Issuer, the Guarantor and the Trustee (through their respective representatives) and their respective financial and legal advisers; and"; and

- (v) that paragraph 22 be deleted and replaced with the following:

"22 Each question submitted to a meeting shall be decided by a show of hands unless a poll is (before, or on the declaration of the result of, the show of hands) demanded by the chairman, the Issuer, the Guarantor, the Trustee or one or more persons representing 2 per cent. of the Bonds."; and

- (LL) that the form of directors' certificate set out in schedule 4 be deleted and replaced with the form of directors' certificate set out in Schedule 2 hereto.

4. MISCELLANEOUS

4.1 Representations and warranties

Each of the Issuer, the Guarantor and BA Holdco represents and warrants to the Trustee as of the date hereof, the Supplemental Trust Deed Effective Date, the Scheme Date and the Listing Date that it is not aware of any actual or prospective material change to the Merger or the structure of, or steps involved in, the Merger from the description thereof set out in the Memorandum (other than any material change (i) to which the Trustee has, acting on the advice of the Independent Financial Adviser or such other expert(s) as the Trustee (acting reasonably) deems appropriate, agreed or (ii) to which the Trustee has agreed in its absolute discretion (acting reasonably)).

4.2 Conditions precedent

This Deed shall take effect from the Supplemental Trust Deed Effective Date and, unless the Issuer and the Trustee agree otherwise, will terminate if the Scheme Date has not occurred within fifteen London business days of the Supplemental Trust Deed Effective Date, save that Clause 2.1(B) will continue to apply to the extent applicable to

any exercise by a Bondholder of its Conversion Rights prior to such fifteenth London business day.

4.3 No material change

Subject to Clause 4.2, the amendments to the Original Trust Deed set out in Clause 3 hereof shall take effect from the Listing Date provided that no material change to the Merger or the structure of, or steps involved in, the Merger from the description thereof set out in the Memorandum has occurred prior to the Listing Date (other than any material change (i) to which the Trustee has, acting on the advice of the Independent Financial Adviser or such other expert(s) as the Trustee (acting reasonably) deems appropriate, agreed or (ii) to which the Trustee has agreed in its absolute discretion (acting reasonably)).

4.4 Continuing obligations

The provisions of the Original Trust Deed shall, save as amended by this Deed, continue in full force and effect.

4.5 Construction

With effect from the Supplemental Trust Deed Effective Date, the Original Trust Deed and this Deed shall be read and construed as one document.

4.6 Contracts (Rights of Third Parties) Act 1999

A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed save where expressly otherwise provided in this Deed.

5. COUNTERPARTS

This Deed may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and any party to this Deed may enter into the same by executing and delivering a counterpart.

6. GOVERNING LAW AND JURISDICTION

6.1 Governing Law

This Deed and any non-contractual obligations arising out of or in connection with it shall be governed by and construed in accordance with English law.

6.2 Jurisdiction

The courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Bonds and the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Bonds or the Coupons, whether contractual or non-contractual, ("**Proceedings**") may be

brought in such courts. Each of the Issuer, BA Holdco and the Guarantor irrevocably submits to the jurisdiction of such courts and waives any objections to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is for the benefit of each of the Trustee, the Bondholders and the Couponholders 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 any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

6.3 Service of Process

Each of BA Holdco and the Guarantor irrevocably appoints the Issuer to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by BA Holdco or the Guarantor, as the case may be). If for any reason such process agent ceases to be able to act as such or no longer has an address in England, each of BA Holdco and the Guarantor irrevocably agrees to appoint a substitute process agent acceptable to the Trustee and shall immediately notify the Trustee of such appointment. Nothing shall affect the right to serve process in any other manner permitted by law.

SCHEDULE 1
Amendments to the Conditions from the Listing Date

TERMS AND CONDITIONS OF THE BONDS

The issue of the £350,000,000 5.80 per cent. Convertible Bonds due 2014 (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 British Airways Plc (the "**Issuer**") passed on 13 July 2009, resolutions of a Committee of the Board of Directors of the Issuer passed on 16 July 2009, 17 July 2009 and 7 August 2009 and resolutions of the Shareholders (as defined in Condition 3) passed on 6 August 2009. The Bonds are constituted by a trust deed dated 13 August 2009 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the "**Trustee**", which expression shall include all persons for the time being appointed as the trustee or trustees under the Trust Deed (as defined below)) as trustee for the holders (as defined below) of the Bonds. The statements set out in these Terms and Conditions (the "**Conditions**") are summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds and the interest coupons relating to them (the "**Coupons**"). The Bondholders and the Couponholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and those provisions applicable to them which are contained in the Paying and Conversion Agency Agreement dated 13 August 2009, as amended on 26 October 2010 (the "**Agency Agreement**") relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch (the "**Principal Paying and Conversion Agent**", which expression shall include any successor as Principal Paying and Conversion Agent under the Agency Agreement) and the other Paying and Conversion Agents for the time being (such persons, together with the Principal Paying and Conversion Agent, being referred to below as the "**Paying and Conversion Agents**", which expression shall include their successors as Paying and Conversion Agents under the Agency Agreement).

Copies of each of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the Closing Date at Fifth Floor, 100 Wood Street, London, EC2V 7EX), and at the specified offices of the Paying and Conversion Agents.

From the Listing Date (as defined below), International Consolidated Airlines Group S.A. (the "**Guarantor**") has irrevocably and unconditionally guaranteed the Issuer's obligations under the Trust Deed, the Bonds and the Coupons, including the due and punctual payment of all amounts expressed to be payable by the Issuer under the Trust Deed and the Conditions.

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

1 Form, Denomination, Title and Status of the Bonds and the Guarantee

(a) Form and Denomination

The Bonds are serially numbered and in bearer form in the denomination of £100,000 (and integral multiples of £1,000 in excess thereof up to and including £199,000) each with Coupons attached on issue.

(b) Title

Title to the Bonds and Coupons passes by delivery. The holder of any Bond or Coupon 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 and Coupons constitute direct, unconditional, senior, unsubordinated and (subject to Condition 2) unsecured obligations of the Issuer ranking *pari passu* and without any preference among themselves, and equally with all other existing and future 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.

(d) *Guarantee*

From the Listing Date, the Guarantor has irrevocably and unconditionally guaranteed the due and punctual payment of all amounts payable by the Issuer in relation to the Bonds and the performance and observance by the Issuer of each of the other provisions of the Trust Deed on the Issuer's part to be performed or observed in relation to the Bonds issued by it. The obligations of the Guarantor constitute direct, unconditional and (subject to the provisions of Condition 2) unsecured obligations of the Guarantor and (subject as aforesaid) rank and will rank at least equally with all other present and future unsecured and unsubordinated obligations of the Guarantor, but save for such obligations that may be preferred by applicable legislation including, without limitation, in the event of winding-up, the provisions of Law 22/2003, of July 9, on Insolvency and other applicable Spanish statutory exceptions that are both mandatory and of general application.

2 Negative Pledge

So long as any of the Bonds or Coupons remains outstanding (as defined in the Trust Deed) neither the Guarantor nor the Issuer will, and the Issuer will procure that no Material Subsidiary will, 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, the Coupons and the Trust Deed to the satisfaction of the Trustee or that such other security and/or guarantee is provided as the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or as shall be approved by Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

For the purposes of this Condition 2, "**Relevant Indebtedness**" means any indebtedness for borrowed money which is in the form of or represented by any bonds, notes, loan stock or other securities which are intended by the Issuer to be, or are 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 5(c).

"**Bondholder**" and "**holder**" mean the holder of any Bond.

"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.

a **"Change of Control"** shall occur if an offer or a 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(s) 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 Guarantor and (such offer having become or been declared unconditional in all respects) 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 Guarantor has or will become unconditionally vested in the offeror(s) and/or any person or persons acting together with the offeror(s).

"Change of Control Notice" has the meaning provided in Condition 5(f).

"Change of Control Period" means the period commencing on the occurrence of a Change of Control and ending 60 calendar days following the Change of Control or, if later, 60 calendar days following the date on which a Change of Control Notice is given to Bondholders as required by Condition 5(f).

"Change of Control Put Date" has the meaning provided in Condition 6(d).

"Change of Control Put Exercise Notice" has the meaning provided in Condition 6(d).

"Closing Date" means 13 August 2009.

"CNMV" means Spain's National Securities Market Commission (*Comisión Nacional del Mercado del Valores*).

"Consolidated Entity" means, in relation to the Issuer, any company or entity which would be included in the consolidated accounts of the Issuer were such consolidated accounts required to be prepared.

"Conversion Date" has the meaning provided in Condition 5(g).

"Conversion Notice" has the meaning provided in Condition 5(g).

"Conversion Period" has the meaning provided in Condition 5(a).

"Conversion Price" has the meaning provided in Condition 5(a).

"Conversion Right" has the meaning provided in Condition 5(a).

"Couponholder" means the holder of any Coupon.

"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 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, (excluding any associated tax credit and excluding 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 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, (excluding any associated tax credit and excluding 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, (excluding any associated tax credit and excluding 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 Financial 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).

"Depositary Interests" has the meaning provided in Condition 5(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 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:

- (1) a cash Dividend 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 (i) the Fair Market Value of such cash amount and (ii) 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

- (2) 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 Dividend 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 5(b)(ii) below shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Guarantor by or on behalf of the Guarantor or any other member of the Group shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Ordinary Shares by or on behalf of the Guarantor 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 buy backs (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 buy backs 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 buy back 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 buy back shall be deemed to constitute a 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 Guarantor 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 Guarantor or any other member of the Group shall purchase, redeem or buy back any depositary 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 Financial Adviser; and
- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Guarantor for the purpose of enabling 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 Guarantor, 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 Guarantor, and the foregoing provisions of this definition, and the provisions of these Conditions shall be construed accordingly.

"Extraordinary Resolution" has the meaning provided in the Trust Deed.

"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 Financial Adviser provided that (i) the Fair Market Value of a cash Dividend shall be the amount of such cash Dividend; (ii) the Fair Market Value of any other cash amount shall be the amount of such cash; (iii) 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 Financial Adviser), the Fair Market Value (a) 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 (b) 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 (a) and (b) 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; (iv) 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 Financial 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. Such amounts shall, in the case of (i) above, be translated into the Relevant Currency (if declared or paid or payable in a currency other than the Relevant Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the cash Dividend in the Relevant Currency; and in any other case, shall be translated into the Relevant Currency (if expressed in a currency other than the Relevant Currency) at the Prevailing Rate on that date. In addition, in the case of (i) and (ii) 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 13 August 2014.

"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 Guarantor and its Subsidiaries taken as a whole.

"Guarantee" means the guarantee and indemnity set out in clause 2.5 of the Supplemental Trust Deed.

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

"Independent Financial Adviser" means an independent financial institution of international repute appointed by the Issuer at its own expense and approved in writing by the Trustee or, if the Issuer fails to make such appointment and such failure continues for a reasonable period (as determined by the Trustee in its sole discretion) and the Trustee is indemnified and/or secured and/or prefunded to its satisfaction against the costs, fees and expenses of such adviser and otherwise in connection with such appointment, appointed by the Trustee (without liability for so doing) following notification to the Issuer.

"Interest Payment Date" has the meaning provided in Condition 4(a).

"Listing Date" means the date on which the Guarantor's shares are admitted to the official list of the UK Listing Authority and admitted to trading on the main market of the London Stock Exchange.

"London Stock Exchange" means the London Stock Exchange plc.

"Material Subsidiary" means, at any relevant time, a Consolidated Entity:

- (a) whose total assets (or, where the Consolidated Entity in question prepares consolidated accounts, whose total consolidated assets) attributable to the Issuer would represent not less than 20 per cent. of the total consolidated assets of the Issuer (if consolidated accounts of the Issuer were prepared), all as calculated by reference to the then latest audited accounts (or consolidated accounts, as the case may be) of such Consolidated Entity and the then latest audited consolidated accounts of the Issuer; or
- (b) to which is transferred all or substantially all of the assets and undertakings of a Consolidated Entity which immediately prior to such transfer is a Material Subsidiary.

"Nationality Declaration" has the meaning provided in Condition 5(g).

"Optional Redemption Date" has the meaning provided in Condition 6(b).

"Optional Redemption Notice" has the meaning provided in Condition 6(b).

"Ordinary Shares" means ordinary shares in the capital of the Guarantor with a par value of €0.50 each as at the Listing Date.

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).

"Presentation Date" means a day which:

- (i) is or falls after the relevant due date for payment, but, if the due date for payment is not or was not a business day in London, is or falls after the next following such business day; and
- (ii) is a business day in the place of a specified office of the Paying and Conversion Agent at which the relevant Bond or Coupon is presented for payment.

"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 Financial Adviser shall prescribe.

"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.

"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 or Coupon, whichever is the later of:

- (i) the date on which payment in respect of it first becomes due; and
- (ii) if the full amount payable has not been received by the Principal Paying and Conversion Agent or the Trustee 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, 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 5(c).

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

"Share Record Date" has the meaning provided in Condition 5(g).

"Shareholders" means the holders of Ordinary Shares.

"Spanish Stock 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.

"Specified Date" has the meaning provided in Condition 5(b) (vii) and (viii).

"Spin-Off" means:

- (a) a distribution of Spin-Off Securities by the Guarantor 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 Guarantor) to Shareholders as a class, pursuant to any arrangements with the Guarantor 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 Guarantor or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Guarantor.

"Subsidiary" means a company in respect of which another company:

- (a) holds 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 it itself a Subsidiary of that other company.

"Supplemental Trust Deed" means the supplemental trust deed dated 26 October 2010 between the Issuer, the Guarantor, BA Holdco S.A. and the Trustee.

"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.

"Trust Deed" means the trust deed dated 13 August 2009 between the Issuer and The Law Debenture Trust Corporation p.l.c. (the **"Original Trust Deed"**), as amended and supplemented by the Supplemental Trust Deed and as from time to time altered in accordance with the Original Trust Deed (as from time to time so altered) and any other document executed in accordance with the Original Trust Deed (as from time to time so altered) and expressed to be supplemental to the Original Trust Deed.

"UK Listing Authority" means the Financial Services Authority in its capacity as competent authority for the purposes 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, a 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, a Spin-Off Security published by or derived (in the case of an Ordinary Share) from Bloomberg page VAP 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 Financial 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 a 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 Financial Adviser might otherwise determine in good faith to be appropriate.

"Warrant" has the meaning provided in Condition 5(e).

"£" and **"sterling"** means the lawful currency for the time being of the United Kingdom.

"€" and **"euro"** means the lawful currency for the time being of the Kingdom of Spain.

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 Financial 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 5(b) and Condition 10 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 Guarantor or any other member of the Group, and (b) Ordinary Shares held by or on behalf of the Guarantor 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.

4 Interest

(a) *Interest Rate*

The Bonds bear interest from (and including) the Closing Date at the rate of 5.80 per cent. per annum calculated by reference to the principal amount thereof and payable semi-annually in arrear in equal instalments on 13 February and 13 August in each year (each an "Interest Payment Date"), commencing with the Interest Payment Date falling on 13 February 2010.

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 Share Record Date or (ii) where such Bond is redeemed or repaid pursuant to Condition 6 or Condition 9, 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 4(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 Trustee or the Principal Paying 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).

5 Conversion of Bonds

(a) *Conversion Right*

Subject to and as provided in these Conditions, each Bond shall entitle the holder to convert such Bond into new Ordinary Shares, as determined by the Issuer, credited as fully-paid (a "**Conversion Right**").

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

The initial Conversion Price is £1.89 per Ordinary Share. The Conversion Price is subject to adjustment in the circumstances described in Condition 5(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 and Conversion Agent in accordance with Condition 5(g) and making any payment required to be made as provided in Condition 5(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 5.

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 23 September 2009 to the close of business (at the place where the relevant Bond is delivered for conversion) on the date falling 7 calendar days prior to the Final Maturity Date (both days inclusive) or, if such Bond is to be redeemed pursuant to Condition 6(b) prior to the Final Maturity Date, then up to (and including) the close of business (at the place aforesaid) on the 7th calendar day before the date fixed for redemption thereof pursuant to Condition 6(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 16 or, if earlier, the Final Maturity Date or, if the Final Maturity Date is not a London business day, the immediately preceding London business day; provided that, in each case, if such final date for the exercise of Conversion Rights is not a business day at the place aforesaid, then the period for exercise of Conversion Rights by Bondholders shall end on the immediately preceding business day at the place aforesaid.

Conversion Rights may not be exercised (i) following the giving of notice by the Trustee pursuant to Condition 9 or (ii) in respect of a Bond in respect of which the relevant Bondholder has exercised its right to require the Issuer to redeem that Bond pursuant to Condition 6(d).

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 on the exercise of Conversion Rights or pursuant to Condition 5(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 on the exercise of Conversion Rights or pursuant to Condition 5(c) are to be registered in the same name, the number of Ordinary Shares to be issued 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 on exercise of Conversion Rights will be issued to the relevant person specified in the relevant Conversion Notice. Such Ordinary Shares will be deemed to be issued on or as of the relevant Share Record Date. Any Additional Ordinary Shares to be issued pursuant to Condition 5(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 shall be adjusted as follows:

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

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

where:

A is the aggregate number of Ordinary Shares in issue immediately before such consolidation, reclassification or subdivision, as the case may be; and

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

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

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

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

where:

- A is the aggregate number of Ordinary Shares in issue immediately before such issue; and
- B is the aggregate number of Ordinary Shares in issue immediately after such issue.

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

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

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

where:

- A is the Current Market Price of one Ordinary Share on the Effective Date; and
- B is the portion of the Fair Market Value of the aggregate Dividend attributable to one Ordinary Share, with such portion being determined by dividing the Fair Market Value of the aggregate Dividend by the number of Ordinary Shares entitled to receive the relevant Dividend (or, in the case of a purchase, redemption or buy back of Ordinary Shares or any depositary or other receipts or certificates representing Ordinary Shares by or on behalf of the Guarantor or any Subsidiary of the Guarantor, 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 Dividend is capable of being determined as provided herein.

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

"Effective Date" means, in respect of this paragraph (b)(iii), the first date on which the Ordinary Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or 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, on the first date on which the Ordinary Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

- (iv) If and whenever the Guarantor shall issue Ordinary Shares to Shareholders as a class by way of rights, or shall issue or grant to Shareholders as a class by

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

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

where:

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

Such adjustment shall become effective on the Effective Date.

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

- (v) If and whenever the Guarantor shall issue any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase any Ordinary Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase any Securities (other than Ordinary Shares or options, warrants or other rights to subscribe for or purchase Ordinary Shares), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

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

Such adjustment shall become effective on the Effective Date.

"Effective Date" means, in respect of this paragraph (b)(v), the first date on which the Ordinary Shares are traded ex- the relevant Securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

- (vi) If and whenever the Guarantor 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 sub-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, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

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

Such adjustment shall become effective on the Effective Date.

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

- (vii) If and whenever the Guarantor or any other member of the Group or (at the direction or request of or pursuant to any arrangements with the Guarantor or any other member of the Group) any other company, person or entity (otherwise than as mentioned in paragraphs (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), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

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

- (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 sub-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, the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately prior to the Effective Date by the following fraction:

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

where:

- A is the number of Ordinary Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Ordinary Shares which have been issued, purchased or acquired by the Guarantor or any other member of the Group (or at the direction or request or pursuant to any arrangements with the Guarantor 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 Financial Adviser shall consider appropriate for any previous adjustment under this sub-paragraph (b)(viii) or sub-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 the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

- (ix) If and whenever the Guarantor or any other member of the Group or (at the direction or request of or pursuant to any arrangements with the Guarantor or any other member of the Group) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Conversion Price falls to be adjusted under paragraphs (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), the Conversion Price shall be adjusted by multiplying the Conversion Price in force immediately before the Effective Date by the following fraction:

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

where:

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

Such adjustment shall become effective on the Effective Date.

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

- (x) Subject to clause 2 of the Supplemental Trust Deed, if a Change of Control shall occur then, upon any exercise of Conversion Rights where the Conversion Date falls during the Change of Control Period, the Conversion Price shall be as set out below, but in each case adjusted, if appropriate, under the foregoing provisions of this Condition 5(b):

Conversion Date	Conversion Price (£)
On or before 13 August 2010.....	1.373396
Thereafter, but on or before 13 August 2011	1.476717
Thereafter, but on or before 13 August 2012.....	1.580038
Thereafter, but on or before 13 August 2013	1.683358
Thereafter, and until the Final Maturity Date.....	1.786679

- (xi) If the Issuer and/or the Guarantor (after consultation with the Trustee) determines in its absolute discretion that an adjustment should be made to the Conversion Price as a result of one or more circumstances not referred to above in this paragraph (b) (even if the relevant circumstance is specifically excluded from the operation of paragraphs (b)(i) to (x) above), the Issuer or, as the case may be, the Guarantor, may, at its own expense and acting reasonably, request an Independent Financial Adviser to determine as soon as

practicable what adjustment (if any) to the Conversion Price is fair and reasonable to take account thereof and the date on which such adjustment (if any) should take effect and upon such determination such adjustment (if any) shall be made and shall take effect in accordance with such determination, provided that an adjustment shall only be made pursuant to this paragraph (b)(xi) if such Independent Financial Adviser is so requested to make such a determination not more than 21 days after the date on which the relevant circumstance arises and if the adjustment would result in a reduction to the Conversion Price.

Notwithstanding the foregoing provisions:

- (a) where the events or circumstances giving rise to any adjustment pursuant to this paragraph (b) have already resulted or will result in an adjustment to the Conversion Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Conversion Price or where more than one event which gives rise to an adjustment to the Conversion Price occurs within such a short period of time that, in the opinion of the Issuer and/or the Guarantor, 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 Financial 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 Financial Adviser to be in its opinion appropriate (i) to ensure that an adjustment to the Conversion Price or the economic effect thereof shall not be taken into account more than once and (ii) to ensure that the economic effect of a Dividend is not taken into account more than once;
- (c) in circumstances where an adjustment would fall to be made pursuant to paragraph (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 Conversion Price pursuant to paragraph (b)(vii) or where there has previously been an adjustment to the 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 Financial 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, option, warrants or other rights and for the Securities to be issued or otherwise made available upon the exercise of any such option, 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 Guarantor 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 paragraphs (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, the Guarantor 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, but before the relevant adjustment to the 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 Conversion Price had been made and become effective immediately prior to the relevant Conversion Date.

(d) *Decision of an Independent Financial Adviser*

If any doubt shall arise as to whether an adjustment falls to be made to the Conversion Price or as to the appropriate adjustment to the Conversion Price, and following consultation between the Issuer, the Guarantor and an Independent Financial Adviser, a written determination of such Independent Financial 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, Warrants*

No adjustment will be made to the 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 Guarantor 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.

No adjustment will be made to the Conversion Price in respect of or by reference to the warrant (the "**Warrant**") which has been or may in future be issued by the Guarantor to the Issuer for the purpose of enabling the Issuer to satisfy the obligations which arise on the exercise of a Conversion Right or in respect of or by reference to the issue of Ordinary Shares pursuant to the exercise of such Warrant.

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

On any adjustment, the resultant Conversion Price, if not an integral multiple of £0.01, shall be rounded down to the nearest whole multiple of £0.01. No adjustment shall be made to the Conversion Price where such adjustment (rounded down if applicable) would be less than one per cent. of the Conversion Price then in effect. Any adjustment not required to be made and/or any amount by which the 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 the Conversion Price shall be given by the Issuer to Bondholders in accordance with Condition 16 and to the Trustee promptly after the determination thereof.

The Conversion Price shall not 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 sterling, 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 sterling for such currency on the date on which the Conversion Price would otherwise be reduced, is less than the nominal value of the Ordinary Shares. The Guarantor undertakes that it shall not take any action, and shall procure that no

action is taken, that would otherwise result in an adjustment to the 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 and Conversion Agent, during its usual business hours, accompanied by a duly completed and signed notice of conversion (a "**Conversion Notice**") in the form (for the time being current) obtainable from any Paying 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 Paying and Conversion Agent to whom the relevant Conversion Notice is delivered is located.

If the delivery of the relevant Bond and Conversion Notice 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 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 Bond should be delivered upon exercise of Conversion Rights together with all Coupons relating to it which mature on or after the relevant Share Record Date, failing which the relevant holder will be required to pay the full amount of any such missing Coupon. Each amount so paid will be repaid in the manner specified in Condition 7 against presentation and surrender (or, in the case of part payment only, endorsement) of the relevant missing Coupon at any time after the relevant Share Record Date and before the expiry of ten years after the Relevant Date in respect of the relevant Bond (whether or not any such Coupon would otherwise have become void pursuant to Condition 11), but not thereafter.

Each Bondholder exercising Conversion Rights will be required in the Conversion Notice to give a declaration (a "**Nationality Declaration**") in the form prescribed from time to time by the Guarantor together with such other information (if any) as the Issuer and the Guarantor may require 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 has been duly completed and properly delivered shall be made by the relevant Paying and Conversion Agent and shall, save in the case of manifest error, be conclusive and binding on the Issuer, the Guarantor, the Trustee and the Paying 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 5(g) and payment of any other amount payable by the relevant Bondholder pursuant to the third paragraph of this Condition 5(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 (other than any capital, stamp, issue, registration and transfer taxes and duties payable in the United Kingdom 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 or any capital, stamp, issue, registration and transfer taxes and duties payable in 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 Guarantor). If the Issuer or, as the case may be, the Guarantor, 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 holder shall be entitled to tender and pay the same and the Issuer, or the Guarantor (as the case may be), as a separate and independent stipulation, covenants to reimburse and indemnify each Bondholder in respect of any payment thereof and any penalties payable in respect thereof.

The Trustee 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, the Guarantor or any Bondholder to pay such capital, stamp, issue, registration and transfer taxes and duties.

Such Bondholder must also pay all, if any, taxes imposed on it and arising by reference to any disposal or deemed disposal of a Bond or any interest therein in connection with the exercise of Conversion Rights by it.

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 Guarantor before a Spanish notary public to be filed and registered by the Guarantor with the Mercantile Registry of the Guarantor'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 the Bondholder may elect, or (ii) the Iberclear account of a depositary (or its nominated custodian) appointed by the Guarantor who will (a) hold the Ordinary Shares for the benefit of the relevant Bondholder and (b) issue and deliver dematerialised depositary interests representing the Ordinary Shares ("**Depositary 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.

A Bondholder can either elect in the Conversion Notice to hold 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 Depositary 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 Depositary Interests, which, as soon as practicable following notification thereof by the relevant Bondholder, shall be credited to such CREST account as notified by the Bondholder.

The Issuer will procure that the share record date (which will be the date upon which the Board of Directors of the Guarantor passes the corporate resolution approving the issuance of the Ordinary Shares) (the "**Share Record Date**") for shares to be issued in respect of Conversion Notices in respect of which the Conversion Date occurs in any given week will be no later than the second Madrid business day of the following week. 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 Shareholder for the purposes of dividend entitlement and otherwise. However, the relevant Bondholder will not be able to transfer Ordinary Shares until such Ordinary Shares have been registered in Iberclear as provided below.

The Issuer will procure that the public deed documenting the issue of the Ordinary Shares is filed for registration (*presentar a inscripción*) with the Mercantile Registry of the Guarantor's registered office as soon as reasonably practicable and, in any event, no later than 5 Madrid business days after the Share Record Date.

The Issuer will use its best 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 Guarantor's registered office but in any event no later than 15 Madrid business days after the relevant Share Record Date, the Ordinary Shares are:

- (i) 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 the Bondholder may elect; or
 - (b) credited to the Iberclear account of a depositary (or its nominated custodian) appointed by the Guarantor who will (A) hold the Ordinary Shares for the benefit of the relevant Bondholder and (B) issue and deliver Depositary Interests into CREST and credit such Depositary Interests to the CREST account designated by the relevant Bondholder in the relevant Conversion Notice; and
- (ii) listed on the official list of the UK Listing Authority and admitted to trading on the London Stock Exchange 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 and Conversion Agent, will notify the relevant Bondholder of the Share Record Date and the number of Ordinary Shares to be issued 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 and Conversion Agent, will notify the relevant Bondholder of the Registry Date and of the date of listing of the Ordinary Shares.

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 Share Record Date, provided that, subject to this Condition 5(g), once Conversion Rights with respect to a Bond have been exercised, such Bond will not be redeemable on the Final Maturity Date or pursuant to Condition 6 or Condition 9.

(h) *Ordinary Shares*

- (i) Ordinary Shares (including any Additional Ordinary Shares) issued 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 5(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.

(i) *Interest on Conversion*

If any notice requiring the redemption of the Bonds is given pursuant to Condition 6(b) on or after the fifteenth London 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 Share Record 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 Share Record Date. The Issuer shall pay any such interest by not later than 14 days after the relevant Share Record Date by transfer to a sterling account with a bank in London in accordance with instructions given by the relevant Bondholder in the relevant Conversion Notice.

(j) *Purchase or Redemption of Ordinary Shares*

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

(k) *No Duty to Monitor*

The Trustee shall not be under any duty to monitor whether any event or circumstance has happened or exists which may require an adjustment to be made to the Conversion Price or as to the amount of any adjustment actually made, and will not be responsible or liable to the Bondholders for any loss arising from any failure by it to do so.

(l) *Change of Control*

Within 14 calendar days following the occurrence of a Change of Control, the Issuer shall give notice thereof to the Trustee and to the Bondholders in accordance with Condition 16 (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 6(d).

The Change of Control Notice shall also specify:

- (i) all information material to Bondholders concerning the Change of Control;
- (ii) the Conversion Price immediately prior to the occurrence of the Change of Control and the Conversion Price applicable pursuant to Condition 5(b)(x) during the Change of Control Period on the basis of the 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;
- (v) the Change of Control Put Date; and
- (vi) such other information relating to the Change of Control as the Trustee may require.

The Trustee shall not be required to take any steps to monitor or ascertain whether a Change of Control or any event which could lead to a Change of Control has occurred or may occur and will not be responsible or liable to Bondholders or any other person for any loss arising from any failure by it to do so.

6 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 Final Maturity Date. The Bonds may only be redeemed at the option of the Issuer prior to the Final Maturity Date in accordance with Condition 6(b).

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

On giving not less than 45 nor more than 60 days' notice (an "**Optional Redemption Notice**") to the Trustee and to the Bondholders in accordance with Condition 16, 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 27 August 2012, if the Volume Weighted Average Price of an Ordinary Share on each of at least 20 dealing days in any period of 30 consecutive dealing days ending not earlier than 14 dealing days prior to the giving of the relevant Optional Redemption Notice, shall have been at least 150 per cent. of the 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 6(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) *Optional Redemption Notice*

Any Optional Redemption Notice shall be irrevocable. Any such notice shall specify (i) the Optional Redemption Date, which shall be a London business day, (ii) the 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, (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 Optional Redemption Date.

(d) *Redemption at the Option of Bondholders upon a Change of Control*

Following the occurrence of a Change of Control, the holder of each Bond will have the right to require the Issuer to redeem that Bond on the Change of Control Put Date at its principal amount, together with accrued and unpaid interest to such date. To exercise such right, the holder of the relevant Bond must deliver such Bond, together with all Coupons relating to it which mature after the Change of Control Put Date, to the specified office of any Paying and Conversion Agent, together with a duly completed and signed notice of exercise in the form for the time being current obtainable from the specified office of any Paying and Conversion Agent (a "**Change of Control Put Exercise Notice**"), at any time during the Change of Control Period. The "**Change of Control Put Date**" shall be the fourteenth calendar day after the expiry of the Change of Control Period.

Payment in respect of any such Bond shall be made by transfer to a sterling account with a bank in London as specified by the relevant Bondholder in the relevant Change of Control Put Exercise Notice.

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

(e) *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 Guarantor, the Issuer or any other member of the Group may at any time purchase any Bonds (provided that all unmatured Coupons relating to them are purchased therewith or attached hereto) 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 and Conversion Agent for cancellation.

(f) *Cancellation*

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

(g) *Multiple Notices*

If more than one notice of redemption is given pursuant to this Condition 6, the first of such notices to be given shall prevail.

7 Payments

(a) *Principal*

Payment of principal in respect of the Bonds and payment of accrued interest payable on redemption of the Bonds (other than on an Interest Payment Date) will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the relevant Bond at the specified office of any Paying and Conversion Agent.

(b) *Interest and Other Amounts*

(i) Payment of interest due on any Interest Payment Date will be made against presentation and surrender (or in the case of partial payment only, endorsement) of the relevant Coupons at the specified office of any of the Paying and Conversion Agents.

(ii) Payments of all amounts other than as provided in Condition 7(a) and (b) (i) will be made as provided in these Conditions.

(c) *Coupons*

Each Bond shall be presented for payment together with all relative unmatured Coupons, failing which the full amount of any relative missing unmatured Coupon (or, in the case of payment not being made in full, the proportion of the full amount of the missing unmatured Coupon which the amount so paid bears to the total amount due) will be deducted from the amount due for payment. Each amount so deducted will be paid in the manner mentioned above against presentation and surrender (or, in the case of part payment only, endorsement) of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date in respect of the relevant Bond (whether or not the Coupon would otherwise have become void pursuant to Condition 11) or, if later, five years after the date on which the Coupon would have become void pursuant to Condition 11, but not thereafter.

(d) *Payments*

Each payment in respect of the Bonds pursuant to Condition 7(a) and (b)(i) will be made by transfer to a sterling account maintained by the payee with a bank in London.

(e) *Payments subject to fiscal laws*

All payments in respect of the Bonds are subject in all cases to any applicable fiscal or other laws and regulations, but without prejudice to Condition 8.

(f) *Presentation Date*

A holder shall be entitled to present a Bond or Coupon for payment only on a Presentation Date and shall not be entitled to any further interest or other payment if the due date for payment is not a Presentation Date or if the relevant Bond or Coupon is presented for payment after the due date.

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

The initial Paying and Conversion Agents and their initial specified offices are listed below. The Issuer reserves the right under the Agency Agreement at any time, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying and Conversion Agent and appoint additional or other Paying and Conversion Agents, provided that it will (i) maintain a Principal Paying and Conversion Agent, (ii) maintain a Paying and Conversion Agent (which may be the Principal Paying 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 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 and Conversion Agent with a specified office in at least two major European cities approved by the Trustee (which may, for the avoidance of doubt, be the same Paying and Conversion Agent maintained for the purposes of sub-paragraph (ii)). Notice of any change in the Paying and Conversion Agents or their specified offices will promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(h) *No charges*

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

(i) *Fractions*

When making payments to Bondholders or Couponholders, if the relevant payment is not of an amount which 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.

8 Taxation

All payments of principal and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or Coupons 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 within the United Kingdom, the Kingdom of Spain or, in either case, any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, neither the Issuer nor the Guarantor shall be required to pay any additional or further amounts in respect of any such withholding or deduction.

9 Events of Default

If any of the events listed in paragraphs (a) to (h) of this Condition 9 ("**Events of Default**") occurs, and upon the Trustee giving written notice to such effect to the Issuer, the outstanding Bonds shall become immediately due and repayable at their principal amount together with accrued interest as provided in the Trust Deed.

If the event falls within any of paragraphs (b), (c), or (e) to (h) no such notice may be given by the Trustee unless the Trustee certifies to the Issuer that the happening of such event is in its opinion materially prejudicial to the interests of the Bondholders. Subject thereto, the Trustee may, and if so requested in writing by the holders of not less than one-quarter in principal amount of the outstanding Bonds or if so directed by an Extraordinary Resolution of the Bondholders shall, in each case if indemnified and/or secured and/or prefunded to its satisfaction, give such notice as aforesaid.

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 7 days in the payment of any principal due in respect of the Bonds; or

- (b) there is default in the performance or observance by the Issuer or the Guarantor of any obligation or provision under the Trust Deed or 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 10 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 and the Guarantor by the Trustee (except where the Trustee shall have certified to the Issuer and the Guarantor that such, default is, in its opinion, incapable of remedy, when no such notice or continuation shall be required); or
- (c) as a result of default by the Issuer or the Guarantor (other than a default arising due to compliance by the Issuer or, as the case may be, the Guarantor with any applicable law or directive or (provided that the Issuer or, as the case may be, the Guarantor has satisfied the Trustee that it is reasonable to comply therewith) 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, the Guarantor is subject, unless such default results in the Issuer or, as the case may be, the Guarantor 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, the Guarantor 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, the Guarantor 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 9(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 (A) so long as the Issuer or, as the case may be, the Guarantor satisfies the Trustee that it is being contested in good faith by the Issuer or, as the case may be, the Guarantor or (B) if 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 £50,000,000 or its equivalent in any other currency or currencies; or
- (d) a resolution is passed, or a final order of a court in the United Kingdom is made, or an order of a court of competent jurisdiction outside the United Kingdom is made and, where possible, not discharged or stayed within a period of 60 days, that the Issuer or the Guarantor be wound up or dissolved (otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders); or
- (e) an encumbrancer takes possession or a receiver, administrative receiver, administrator manager, judicial manager or other similar person is appointed of the whole or a substantial part of the assets or undertaking of the Issuer or the Guarantor or an administration order is made in relation to the Issuer or the Guarantor and such taking of possession, appointment or order is not released, discharged or cancelled within 60 days; or

- (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 the Guarantor and is not discharged, dismissed or stayed within 60 days thereof; or
- (g) the Issuer or the Guarantor stops payment generally or (otherwise than for the purposes of a restructuring, amalgamation or merger the terms of which have previously been approved in writing by the Trustee or by an Extraordinary Resolution of the Bondholders) ceases or threatens to cease to carry on all or substantially all of its business or is unable to pay its debts generally as and when they fall due; or
- (h) the Issuer or the Guarantor makes an assignment for the benefit of creditors generally 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
- (i) the Guarantee ceases to be in full force and effect (other than in accordance with the Trust Deed); or
- (j) the Issuer ceases to be a Subsidiary of the Guarantor.

10 Undertakings

(a) *Undertakings of the Issuer and the Guarantor*

Whilst any Conversion Right remains exercisable, the Issuer will procure that the Guarantor will, save with the approval of an Extraordinary Resolution or with the prior written approval of the Trustee where, in its opinion, it is not materially prejudicial to the interests of the Bondholders to give such approval:

- (i) 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;
- (ii) not issue or pay up any Securities, in either case by way of capitalisation of profits or reserves, other than:
 - (1) by the issue of fully paid Ordinary Shares or other Securities to the Shareholders and other holders of shares in the capital of the Guarantor which by their terms entitle the holders thereof to receive Ordinary Shares or other Securities on a capitalisation of profits or reserves; or
 - (2) 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; or
 - (3) 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 Guarantor which by their terms entitle the holders thereof to receive equity share capital (other than Ordinary Shares); or
 - (4) 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 Guarantor 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 5(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the Conversion Price or is (or, in the case of any issue or payment up of Securities in connection with a Change of Control, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made;

- (iii) 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 so that nothing in this Condition 10(a)(iii) shall prevent:

(1) 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 Guarantor or any of the Guarantor's Subsidiaries or associated companies by virtue of their office or employment pursuant to any scheme or plan approved by the Guarantor or which is established pursuant to such a scheme or plan which is or has been so approved; or

(2) any consolidation, reclassification or subdivision of the Ordinary Shares or the conversion of any Ordinary Shares into stock or vice versa; or

(3) any modification of such rights which is not, in the determination in good faith of an Independent Financial Adviser, materially prejudicial to the interests of the holders of the Bonds; or

(4) any alteration to the articles of association of the Guarantor made in connection with the matters described in this Condition 10 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); or

(5) any issue of equity share capital where the issue of such equity share capital results or would, but for the provisions of Condition 5(f) relating to roundings or the carry forward of adjustments or, where comprising Ordinary Shares, the fact that the consideration per Ordinary Share receivable therefor 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 Conversion Price; or

(6) 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 Financial Adviser to determine in good faith what (if any) adjustments should be made to the Conversion Price as being fair and reasonable to take account thereof and such Independent Financial Adviser shall have determined in good faith either that no adjustment is required or that an adjustment to the 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

- (7) without prejudice to Condition 5(b)(x) and Condition 6(d), the amendment of the articles of association of the Guarantor 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;
- (iv) except as part of any employee, director or executive share or option or incentive scheme or pursuant to the Warrant, procure that no Securities (whether issued by the Guarantor or any other member of the Group or procured by the Guarantor 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 5(f) relating to roundings or the carry forward of adjustments, give rise) to an adjustment to the 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;
- (v) 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;
- (vi) not reduce its issued share capital, share premium account or capital redemption reserve or any uncalled liability in respect thereof except (1) pursuant to the terms of issue of the relevant share capital or (2) by means of a purchase or redemption of share capital of the Guarantor or (3) 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 Stock Companies Act or (4) where the reduction does not involve any distribution of assets to Shareholders or (5) solely in relation to a change in the currency in which the nominal value of the Ordinary Shares is expressed or (6) to create distributable reserves (to which, in respect of any such creation of distributable reserves by the Guarantor, the Trustee will be deemed to have irrevocably given its consent (without any liability for so doing) prior to such creation of distributable reserves occurring and, to the extent that express consent is required, the Bondholders authorise and direct the Trustee to give its consent (without any liability for so doing) to such creation of distributable reserves) or (7) by way of transfer to reserves as permitted under applicable law or (8) where the reduction is permitted by applicable law and the Trustee is advised by an Independent Financial Adviser, acting as an expert, that the interests of the Bondholders will not be materially prejudiced by such reduction or (9) 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 5(f) relating to roundings or the carry forward of adjustments, result in) an adjustment to the Conversion Price or is (or, in the case of a reduction in connection with a Change of Control, will be) otherwise taken into account for the purposes of determining whether such an adjustment should be made, provided that, without prejudice to the other provisions of these Conditions, the Guarantor 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;

- (vii) 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 Guarantor, give notice of such offer to the Trustee and 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 and Conversion Agents and, where such an offer has been recommended by the Board of Directors of the Guarantor, 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 Bondholders 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);
- (viii) 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 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; and
- (ix) 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.

(b) *Compliance Certificates*

Each of the Issuer and the Guarantor has undertaken in the Trust Deed to deliver to the Trustee annually a certificate signed by two of its directors, as to there not having occurred an Event of Default or Potential Event of Default since the date of the last such certificate or if such event has occurred as to the details of such event. The Trustee will be entitled to rely on such certificate and shall not be obliged to independently monitor compliance by the Issuer or the Guarantor with the undertakings set forth in this Condition 10, nor be liable to any person for not so doing.

11 Prescription

Claims in respect of principal and interest will become void unless presentation for payment is made as required by Condition 7 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 5(g) and 7(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.

12 Replacement of Bonds

If any Bond or Coupon is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of any Paying 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 or Coupons must be surrendered before replacements will be issued.

13 Meetings of Bondholders, Modification and Waiver, Substitution

(a) *Meetings of Bondholders*

The Trust Deed contains provisions for convening meetings of Bondholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Issuer if requested in writing by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be one or more persons holding or representing a clear majority 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, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to change the Final Maturity Date or the dates on which interest is payable in respect of the Bonds, (ii) to modify the circumstances in which the Issuer or Bondholders are entitled to redeem the Bonds pursuant to Condition 6 (b) or (d), (iii) to reduce or cancel the principal amount of, or interest on, the Bonds or to reduce the amount payable on redemption of the Bonds, (iv) to modify the basis for calculating the interest payable in respect of the Bonds, (v) to modify the provisions relating to, or cancel, the Conversion Rights (other than a reduction to the Conversion Price), (vi) (save where expressly contemplated by the Trust Deed) to modify or cancel the Guarantee, (vii) to increase the Conversion Price (other than in accordance with the Conditions), (viii) to change the currency or the denomination of any payment in respect of the Bonds, (ix) to change the governing law of the Bonds, the Trust Deed or the Agency Agreement (other than in the case of a substitution of the Issuer (or any previous substitute or substitutes) under Condition 13(c)), or (x) to modify certain other provisions of these Conditions or the Trust Deed, or (xi) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be one or more persons holding or representing not less than 66 2/3 per cent., or at any adjourned meeting not less than 25 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on all Bondholders (whether or not they were present at the meeting at which such resolution was passed) and all Couponholders.

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. of the aggregate principal amount of Bonds outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held.

(b) *Modification and Waiver*

The Trustee may agree, without the consent of the Bondholders or Couponholders, to (i) any modification of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency

Agreement, the Bonds or these Conditions, which in the opinion of the Trustee is of a formal, minor or technical nature or is made to correct a manifest error or an error which, in the opinion of the Trustee, is proven or to comply with mandatory provisions of law, and (ii) any other modification to the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions, (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Trust Deed, any trust deed supplemental to the Trust Deed, the Agency Agreement, any agreement supplemental to the Agency Agreement, the Bonds or these Conditions, which is, in the opinion of the Trustee, not materially prejudicial to the interests of the Bondholders. The Trustee may, without the consent of the Bondholders or Couponholders, determine any Event of Default or a Potential Event of Default (as defined in the Trust Deed) should not be treated as such, provided that in the opinion of the Trustee, the interests of Bondholders will not be materially prejudiced thereby. Any such modification, authorisation, waiver or determination shall be binding on the Bondholders and Couponholders and, if the Trustee so requires, shall be notified to the Bondholders promptly in accordance with Condition 16.

(c) *Substitution*

The Trust Deed contains provisions permitting the Trustee to agree, without the consent of the Bondholders or Couponholders, to the substitution of certain other entities in place of the Issuer, or of any previous substituted company, as principal debtor under the Trust Deed and the Bonds, subject to (i) the Bonds continuing to be convertible or exchangeable into Ordinary Shares *mutatis mutandis* as provided in these Conditions, with such amendments as the Trustee shall consider appropriate, (ii) the obligations of the Substituted Obligor (as defined in the Trust Deed) as principal debtor under the Trust Deed, the Bonds and the Coupons being guaranteed by the Guarantor in the same terms (with consequential amendments, as necessary) as the Guarantee to the reasonable satisfaction of the Trustee, (iii) the Trustee being satisfied that the interests of the Bondholders will not be materially prejudiced by the substitution and (iv) certain other conditions set out in the Trust Deed being complied with. In the case of such a substitution the Trustee may agree, without the consent of the Bondholders or Couponholders, to a change of the law governing the Bonds, the Coupons and/or the Trust Deed provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Bondholders.

(d) *Entitlement of the Trustee*

Where, in connection with the exercise or performance of any right, power, trust, authority, duty or discretion under or in relation to these Conditions (including, without limitation, in relation to any modification, waiver, authorisation, determination or substitution as referred to above), the Trustee shall have regard to the interests of the Bondholders as a class but shall not have regard to any interests arising from circumstances particular to individual Bondholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise or performance for individual Bondholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Bondholder or Couponholders be entitled to claim from the Issuer, the Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Bondholders or Couponholders.

14 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Bonds and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Bonds or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Bondholders or so requested in writing by the holders of at least one-quarter in principal amount of the Bonds then outstanding, and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction. No Bondholder or Couponholder shall be entitled to proceed directly against the Issuer and/or the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

15 The Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including relieving it from taking proceedings unless indemnified and/or secured and/or prefunded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or the Guarantor without accounting for any profit. The Trustee may rely without liability to Bondholders or Couponholders on a report, confirmation or certificate or any advice of any accountants, financial advisers or financial institution, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or in any other manner) by reference to a monetary cap, methodology or otherwise, and if so relied upon such report, confirmation or certificate or advice shall be binding on the Issuer, the Guarantor, the Trustee and the Bondholders and Couponholders.

16 Notices

Notices to Bondholders will be valid if published in a leading English language daily newspaper circulating in the United Kingdom (which is expected to be the *Financial Times*) or, if in the opinion of the Trustee such publication shall not be practicable, in an English language newspaper of general circulation in Europe. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the first date on which publication is made. Couponholders will be deemed for all purposes to have notice of the contents of any notice given to the Bondholders in accordance with this Condition.

If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Trustee may approve.

17 Further Issues

The Issuer may from time to time without the consent of the Bondholders or Couponholders 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 and forming a single series with the Bonds. Any further securities forming a single series with the outstanding securities of any series (including the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, and any other securities may (with the consent of the Trustee), be constituted by a deed supplemental to the

Trust Deed. The Trust Deed contains provisions for convening a single meeting of the Bondholders and the holders of securities of other series where the Trustee so decides.

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

The Trust Deed, the Bonds and the Coupons 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.

Each of the Issuer, BA Holdco and the Guarantor has in the Supplemental Trust Deed submitted to the jurisdiction of the English courts in respect of any disputes which may arise out of or in connection with the Trust Deed, the Bonds and the Coupons and accordingly any legal action or proceedings arising out of or in connection with the Trust Deed, the Bonds or the Coupons, whether contractual or non-contractual ("**Proceedings**") may be brought in such courts. Each of the Guarantor and BA Holdco has appointed the Issuer as its agent for service of process in connection with any Proceedings in England.

SCHEDULE 2
Amended form of Directors' Certificate

[ON THE LETTERHEAD OF [THE ISSUER] / [THE GUARANTOR]]

To: The Law Debenture Trust Corporation p.l.c.
 Fifth Floor
 100 Wood Street
 London EC2V 7EX
 United Kingdom

Attn: The Manager, Commercial Trusts

[Date]

Dear Sirs

British Airways Plc
£350,000,000 5.80 per cent. Convertible Bonds due 2014

This certificate is delivered to you in accordance with Clause 9.5 of the trust deed dated 13 August 2009 between British Airways Plc (the "Issuer") and The Law Debenture Trust Corporation p.l.c. (the "Trustee") (the "Original Trust Deed") as amended and supplemented by a supplemental trust deed dated 26 October 2010 between the Issuer, International Consolidated Airlines Group S.A. (the "Guarantor"), BA Holdco S.A. and the Trustee and as from time to time altered in accordance with the Original Trust Deed (as from time to time so altered) and any other document executed in accordance with the Original Trust Deed (as from time to time so altered) and expressed to be supplemental to the Original Trust Deed (the "Trust Deed"). All words and expressions defined in the Trust Deed shall (save as otherwise provided herein or the context otherwise requires) have the same meanings herein. Having made all reasonable enquiries, to the best of the knowledge, information and belief of [the Issuer]/[the Guarantor]:

- (a) as at [●]¹, no Event of Default or Potential Event of Default existed [other than [●]]² and no Event of Default or Potential Event of Default had existed at any time since [●]³ [the Certification Date (as defined in the Trust Deed) of the last certificate delivered under Clause 9.5⁴ [other than [●]]⁵; and
- (b) from and including [●]⁶ [the Certification Date of the last certificate delivered under Clause 9.5]⁷ to and including [●]⁸, [the Issuer] / [the Guarantor] confirms that no Change of Control [other than [●]]⁹ has occurred.

For and on behalf of [BRITISH AIRWAYS Plc] / [INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.]

Director

Director

¹ Specify a date not more than 5 days before the date of delivery of the certificate.

² If an Event of Default or Potential Event of Default did exist, give details; otherwise delete.

³ In the case of the Guarantor, insert the Listing Date in respect of the first certificate delivered under Clause 9.5 after the Listing Date, otherwise delete.

⁴ Include unless the certificate is the first certificate delivered under Clause 9.5 after the Listing Date, otherwise delete.

⁵ If any Event of Default or Potential Event of Default did exist, give details; otherwise delete.

⁶ Insert the Listing Date in respect of the first certificate delivered under Clause 9.5 after the Listing Date, otherwise delete.

⁷ Include unless the certificate is the first certificate delivered under Clause 9.5 after the Listing Date, otherwise delete.

⁸ Specify a date not more than 5 days before the date of delivery of the certificate.

⁹ If any Change of Control exists, give details; otherwise delete.

IN WITNESS WHEREOF this Deed has been executed by or on behalf of the Parties hereto and delivered on the date specified above.

**Executed as a deed by affixing the common seal of
BRITISH AIRWAYS Plc**

in the presence of:



**Executed as a deed by
INTERNATIONAL CONSOLIDATED AIRLINES GROUP S.A.**

acting by:

who, in accordance with the laws of Spain,
is acting under the authority
of International Consolidated Airlines Group S.A.

**Executed as a deed by
BA HOLDCO S.A.**

acting by:

who, in accordance with the laws of Spain,
is acting under the authority
of BA Holdco S.A.

**The common seal of
THE LAW DEBENTURE TRUST CORPORATION p.l.c.
was hereto affixed**

in the presence of:

Director

Authorised signatory