NOTIFICATION OF RELEVANT FACT

Further to and in accordance with the notifications of relevant fact dated November 12, 2009 and April 8, 2010, it is notified that, effective as of today, June 29, 2010, and in accordance with the Merger Agreement dated April 8, 2010 between Iberia, Líneas Aéreas de España, S.A. ("**Iberia**") and British Airways plc, the Boards of Directors of International Consolidated Airlines Group, S.A. ("**IAG**"), Iberia and BA Holdco, S.A. ("**BA Holdco**") have signed the corresponding common merger plan for the merger by absorption of Iberia and BA Holdco by IAG, a copy of which is attached to this notification, pursuant to which the integration between Iberia and British Airways will be executed.

As a result of the proposed merger, IAG, currently a dormant Spanish company, will become the holding company of both airlines, which will conserve and operate under their respective brands, "BRITISH AIRWAYS" and "IBERIA", and will maintain their current operations.

For such purposes, Iberia will previously hive down its entire activity to a Spanish 100% subsidiary (Iberia Operadora), which will succeed Iberia without interruption in its entire business. The relevant plan has also been signed effective as of today by the governing bodies of Iberia and Iberia Operadora. Therefore, all the assets and liabilities of Iberia (following the cancellation of its treasury shares) will be transferred to Iberia Operadora by way of the transfer en bloc by universal succession of the whole business of Iberia to Iberia Operadora. In consideration for such transfer, Iberia will receive all of the new shares of Iberia Operadora. Iberia Operadora will be subrogated to the entire business of Iberia and will continue it on the same conditions as it is currently conducted by Iberia. As a result of said transaction, Iberia will become the holding company of Iberia Operadora.

In turn, under a scheme of arrangement, a currently dormant Spanish company (BA Holdco) will become the holding company of British Airways, the shareholders of British Airways (except for Iberia) to become shareholders of BA Holdco. As a result of said transaction, BA Holdco will become the holding company of British Airways.

Lastly, the merger will be performed by way of the absorption of Iberia and BA Holdco by IAG, which will become the holding company of the two airlines, resulting in one combined body of shareholders.

As notified in the relevant facts of November 12, 2009 and April 8, 2010, British Airways shareholders will receive one new ordinary share in IAG for every existing British Airways ordinary share held by them and Iberia shareholders will receive 1.0205 new ordinary shares in IAG for every existing Iberia share held by them. The treasury shares held by Iberia and the cross-shareholdings held by British Airways and Iberia in each other will not be included in the share exchange. As part of the transaction it is expected that the treasury shares will be cancelled and the cross-shareholdings will be maintained between the respective operating companies.

The completion of the merger is subject to regulatory approval from the European Commission and approval by both British Airways and Iberia's shareholders.

Iberia may terminate the merger agreement with British Airways and, as a result, the aforementioned merger and hive down plans, if the final agreement reached between British Airways and the trustees of its pension funds is challenged by the UK pensions regulator or is not satisfactory in the reasonable opinion of Iberia because it implies a materially detrimental modification of the economic premises of the merger between Iberia and British Aiways. Iberia will have a maximum period of three months to exercise its right to terminate, as from the date the pension agreement is submitted to the UK pensions regulator.

British Airways and Iberia expect to present the transaction for shareholder approval in November 2010 with completion expected to occur approximately one month later.

Madrid, June 29, 2010

IBERIA LÍNEAS AÉREAS DE ESPAÑA, S.A.

Cautionary Legend

This announcement is for information purposes only and does not constitute an offer to purchase, sell or exchange or the solicitation of an offer to purchase, sell or exchange any securities or the solicitation of any vote or approval with respect to the merger of British Airways Plc ("BA") and Iberia Líneas Aéreas de España, S.A. ("Iberia") into International Consolidated Airlines Group, S.A. (the "Company") (the "Transaction"), nor shall there be any purchase, sale or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to the registration or qualification under the laws of such jurisdiction.

This announcement is not to be distributed (directly or indirectly) in or to Canada, Australia, Japan, New Zealand or the Republic of South Africa or any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction. This announcement is not an offer of securities for sale in or into Canada, Australia, Japan, New Zealand or the Republic of South Africa or any other jurisdiction where to do so would constitute a violation of the relevant laws of such jurisdiction.

No money, securities or other consideration is being solicited and, if sent in response to the information contained herein, will not be accepted.

The distribution of this document may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions. To the fullest extent permitted by applicable law, the Company, BA and Iberia disclaim any responsibility or liability for the violation of such restrictions by any person.

UBS is acting as financial adviser to BA and no one else in connection with the Transaction and will not be responsible to anyone other than British Airways for providing the protections afforded to the clients of UBS nor for providing advice in relation to the Transaction or any other matter referred to herein.

Morgan Stanley are acting as financial advisers to Iberia and no one else in connection with the Transaction and will not be responsible to anyone other than Iberia for providing the protections afforded to the clients of Morgan Stanley nor for providing advice in relation to the Transaction or any other matter referred to herein.

This announcement may contain forward-looking information and statements about BA and Iberia and the Company's businesses after completion of the proposed Transaction. Forward-looking statements are statements that are not historical facts nor guarantees of future performance, and have not been reviewed by BA or Iberia's auditors. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expects," "anticipates," "believes," "intends," "estimates" and similar expressions. Although the managements of BA and Iberia believe that the expectations reflected in such forward-looking statements are reasonable, investors and holders of BA and Iberia shares are cautioned that forward-looking information and statements are subject to various risks and uncertainties, many of which are difficult to predict and generally beyond the control of BA and Iberia, that could cause actual results and developments to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include those discussed or identified in the public documents filed by BA with the UKLA and by Iberia with the Comisión Nacional del Mercado de Valores, including BA's 2009/2010 Annual Report and Accounts and Iberia's 2009 Annual Report and Accounts. Investors are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date they were made. Except as required by applicable law, neither BA nor Iberia undertake any obligation to update any forward-looking information or statements.

If and when filed, investors may obtain free copies of the public documents sent by BA and Iberia with their respective securities regulators and will receive information at an appropriate time on how to obtain these Transaction related documents for free from the parties involved or a duly appointed agent.

ADDITIONAL NOTICE TO IBERIA SHAREHOLDERS IN THE UNITED STATES OF AMERICA

This business combination involves the securities of a foreign company. The Transaction is subject to disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue a foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

You should be aware that the issuer may purchase securities otherwise than under the exchange offer, such as in open market or privately negotiated purchases.

Enrique Dupuy de Lôme
CFO

MERGER PROJECT

between

INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

(Surviving Company)

IBERIA, LÍNEAS AÉREAS DE ESPAÑA, S.A.

(Non-surviving Company)

and

BA HOLDCO, S.A.

(Non-surviving Company)

Madrid, June 2010

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MERGER PROJECT OF IBERIA, LÍNEAS AÉREAS DE ESPAÑA, S.A. AND BA HOLDCO, S.A. WITH AND INTO INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Pursuant to articles 30, 31 and related articles of Law 3/2009, of April 3, on Structural Modifications to Companies (hereinafter, "**Law 3/2009**"), the undersigned directors of INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. (hereinafter "**IAG**"), IBERIA, LÍNEAS AÉREAS DE ESPAÑA, S.A. (hereinafter, "**Iberia**") and BA HOLDCO, S.A. (hereinafter, "**BA Holdco**"), hereby prepare this joint merger project (hereinafter, the "**Merger Project**" or the "**Project**") of Iberia and BA HOLDCO (as non-surviving companies, hereinafter, jointly, the "**Non-surviving companies**" and each one of them, individually, a "**Non-surviving company**") with and into IAG, to be submitted for approval to the Shareholders' Meetings of Iberia, of BA Holdco and of IAG, as provided for in article 40 of Law 3/2009.

1. BACKGROUND INFORMATION AND REASONS FOR THE MERGER

1.1 Reasons for the intended merger

Iberia and BRITISH AIRWAYS Plc (**"British Airways"**) are both public companies. The shares of Iberia are listed on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia and are negotiated through the Spanish Stock Exchange Interconnection System – Continuous Market (*Sistema de Interconexión Bursátil - Mercado Continuo*), and the shares of British Airways are listed on the Official List of the UK Listing Authority and are admitted to trading on the London Stock Exchange.

Both companies are engaged directly and through their affiliates in the business of operating national and international airline services, as well as certain airline-related businesses.

In this respect, both companies commenced discussions aimed at implementing a close industrial, financial and operating combination between Iberia and British Airways. After an in-depth analysis of the capacities of both companies, Iberia and British Airways have reached the conclusion that there is a compelling strategic rationale for both entities and their shareholders to combine their respective businesses and operations. Such combination is expected to enhance

services to customers and generate substantial synergies, allowing both companies to create a new leading European airline group.

The ultimate aim of the combination is to build a new organization to meet the challenges of the current environment in the European market and worldwide by implementing a project which enables both companies to reach greater levels of financial robustness, profitability and efficiency, in the interest of both groups, their shareholders and other stakeholders.

In this regard, a merger between the two companies is considered to be the most adequate method for reaching the intended objectives. Such merger will be carried out on a basis that recognises the principle of parity at board and management level. For the purposes of the merger ratio, the respective economic values of the two companies has been taken into account, showing the utmost respect for the tradition, history, particularities and culture of each one.

1.2 Execution of a merger agreement

Accordingly, on 8 April 2010, Iberia and British Airways entered into a merger agreement (the "**Merger Agreement**") whereby both parties agreed the terms and conditions of the combination of both companies on the basis of a merger whereby, subject to the nationality structures (as further described in section 1.4 below) and subject to the transactions relating to the cross shareholdings (as further described in section 1.3.3 below), IAG would become the holding company of both airlines, with the existing shareholders of Iberia and British Airways becoming shareholders of IAG thereby resulting in a single body of shareholders.

The combination of Iberia and British Airways is a complex operation consisting of various transactions designed to achieve the final purpose of combining the businesses of both companies, safeguarding the traffic rights and the essential interests of both airlines, which, for the purposes of their description and analysis, may be divided into two groups of transactions:

(i) Merger of Iberia and British Airways, through the following structure:

a) All the assets and liabilities of Iberia will be transferred by virtue of a hive down through the transfer en bloc of its whole business to the Spanish company Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora ("**Iberia Operadora**") which is a wholly-owned subsidiary of Iberia (currently dormant). In consideration for such transfer Iberia will receive a further issue of shares in Iberia Operadora. Such transfer will include the entire stake held by Iberia in British Airways (the "**Iberia Shareholding**"). The Iberia Shareholding represents 9.975% of the share capital of British Airways as of the date of this

Project. Iberia Operadora will accordingly assume the entire business of Iberia and will continue it on the same conditions as it is currently conducted.

It should be noted that (i) the treasury stock of Iberia, currently represented by 27,898,271 ordinary shares representing 2.927% of its share capital, will not be hived down to Iberia Operadora as these treasury shares will be cancelled prior to the hive down and (ii) Iberia will retain its rights and obligations under the Merger Agreement.

b) BA Holdco, currently dormant, will acquire all of the issued shares of British Airways (with the exception of the Iberia Shareholding) representing 90.025% of the issued share capital of British Airways as of the date of this Project.

This transaction will be effected through a scheme of arrangement subject to English law and sanctioned by the High Court of England and Wales. As part of the scheme of arrangement, the shareholders of British Airways with the exception of Iberia Operadora, BA Holdco and the holder of the special voting share that will be redeemed prior to the scheme of arrangement (the "**BA Shareholders**"), will receive one share in BA Holdco for each share held by them in British Airways. The remaining outstanding British Airways shares held by Iberia Operadora (as a result of the Hive Down) and not already held by BA Holdco will be converted into a separate class of A2 shares ("**A2 Shares**") prior to the scheme of arrangement taking effect and will not be acquired by BA Holdco.

In addition, prior to the occurrence of the scheme of arrangement, BA Holdco will subscribe for one A2 Share and British Airways will use the proceeds of that subscription to redeem the special voting share in the capital of British Airways (which is currently held for the purposes of ensuring compliance with nationality requirements imposed by certain British Airways route licenses).

The scheme of arrangement, governed by part 26 of the English Companies Act 2006, must be approved by the shareholders of British Airways and involves the cancellation of the entire share capital of British Airways (with the exception of the A2 Shares held by Iberia Operadora and BA Holdco) and the simultaneous issuance by British Airways of such number of ordinary shares to BA Holdco as have an aggregate nominal value which is equal to the aggregate nominal value of the ordinary shares in British Airways which are cancelled. In consideration for the cancellation of their shares in British Airways, each BA Shareholder will receive one newly issued ordinary share of BA Holdco for each share held by it in British Airways.

As a result of said transactions, BA Holdco will become, prior to its merger with Iberia, a holding company which will hold all of the share capital of British Airways (with the exception of the Iberia Shareholding, that will be held by Iberia Operadora as a result of the hive down) which represents a 90.025% of the issued share capital of British Airways as of the date of this Project.

c) Subsequently, the merger of Iberia and BA Holdco with and into IAG (currently dormant) will be carried out, as provided for in this Merger Project. As a consequence, Iberia and BA Holdco will be dissolved and, accordingly, their shares will be cancelled and their respective assets and liabilities will be transferred en bloc and by universal succession to IAG, which will simultaneously issue shares for the benefit of the shareholders of Iberia and BA Holdco (the latter being the former BA Shareholders) in accordance with the agreed merger ratio set out in section 3.2 of this Project.

(ii) Establishment of a nationality structure in each of British Airways and Iberia Operadora after the merger.

Each of these groups of transactions is described in further detail below. It should be noted that references to the shareholders of IAG in this Merger Project also includes those persons who are to hold depositary interests representing beneficial ownership to the shares in IAG following completion of the merger described herein.

1.3 Combination of Iberia and British Airways

As explained above, the combination of Iberia and British Airways will be carried out through the merger of Iberia and BA Holdco with and into IAG (such merger being the subject matter of this Project), after the following preliminary transactions have been carried out (i) Iberia becoming the holding company of Iberia Operadora by hiving down its assets and liabilities to Iberia Operadora in return for a further issue of share capital by Iberia Operadora, which will become as a consequence successor of Iberia's entire business and (ii) BA Holdco becoming the holder of all of the share capital of British Airways with the exception of the Iberia Shareholding. As a result of the merger, the shareholders of both Iberia and British Airways will become shareholders of IAG, which, subject to the nationality structures (as further described in section 1.4 below) and subject to the transactions relating to the cross shareholdings (as further described in section 1.3.3 below) will become the holding company of Iberia Operadora and British Airways.

Thus, the preliminary transactions to be carried out prior to the merger, which is the subject matter of this Project, are:

1.3.1 Hive down of the business of Iberia to Iberia Operadora

As mentioned in section 1.2(i).a) above, as an initial step linked to the merger which is the subject matter of this Project, Iberia will hive down its entire business to Iberia Operadora. The hive down will be carried out, after the relevant administrative authorizations have been obtained and the conditions precedent contemplated in the project relating to the hive down (the "**Hive Down Project**") have been fulfilled, through a transfer pursuant to article 71 of Law 3/2009 and on the terms of the Hive Down Project executed by Iberia and Iberia Operadora on 24 June 2010, whereby Iberia will transfer its entire business to Iberia Operadora as described above, making up a branch of activity for tax purposes, to its wholly owned subsidiary Iberia Operadora.

The hive down will be submitted for approval to the shareholders of Iberia and Iberia, in its capacity as the sole shareholder of Iberia Operadora, prior to or simultaneously with the merger which is the subject matter of this Project. In any event, the merger shall not be carried out until the hive down has been implemented and, accordingly, all the assets and liabilities linked to the business of Iberia have been transferred, as a whole, to Iberia Operadora.

As established above, it should be noted that (i) the treasury stock of Iberia, currently represented by 27,898,271 ordinary shares representing 2.927% of its share capital, are to be excluded from the transferred assets and liabilities, since such treasury stock of Iberia will be cancelled prior to the execution of the hive down and (ii) Iberia will retain its rights and obligations under the Merger Agreement.

1.3.2 Scheme of Arrangement and increase of capital in BA Holdco

As established in section 1.2.(i).b) above, prior to the merger which is the subject matter of this Project, under a scheme of arrangement sanctioned by the High Court of England & Wales, BA Holdco will become the holder of all of the share capital of British Airways with the exception of the Iberia Shareholding. In addition, the BA Shareholders shall (through a custodian), pursuant to the scheme of arrangement, become shareholders of BA Holdco, with BA Holdco issuing one share to each BA Shareholder for each share held by such shareholder in British Airways (with such shares in BA Holdco being held by a custodian on bare trust and as nominee for the BA Shareholders).

The scheme of arrangement will be implemented as described in section 1.2.(i).b) above.

For the purposes of issuing shares to BA Shareholders pursuant to the scheme of arrangement, BA Holdco will increase its share capital, currently established at 60,120 euros, divided into 60,120 shares, each with a nominal value of 1 euro, by issuing and placing in circulation new shares, each with a nominal value of 0.50 euros, with one such share in BA Holdco being issued to the BA Shareholders, for each share in British Airways held by them.

The new shares of BA Holdco will be fully subscribed for by the BA Shareholders and the capital increase will be fully paid up through the allocation to BA Holdco of all of the shares of British Airways (with the exception of the Iberia Shareholding and the A2 Share already held by BA Holdco), representing 90.025% of the issued share capital of British Airways as of the date of this Project. Simultaneously, the current share capital of BA Holdco, which is currently held by the initial subscriber shareholders (amounting to 60,120 euros, divided into 60,120 shares, each with a nominal value of 1 euro) will be fully cancelled, by returning the contributions made.

As a consequence of the above, the issued share capital of BA Holdco will be represented by the same number of shares in British Airways held by BA Shareholders prior to the effectiveness of the scheme of arrangement, each with a nominal value of 0.50 euros, fully subscribed for and paid up. As of the date of this Project, the number of shares in British Airways held by BA Shareholders amounts to 1,038,595,842 shares.

In any case, the merger will not be executed until the scheme of arrangement has become effective and, by virtue thereof, BA Holdco has become the holder of all of the share capital of British Airways with the exception of the Iberia Shareholding.

1.3.3 Transactions related to the cross shareholdings

Currently, Iberia and British Airways are holders of the following cross shareholdings:

a) Iberia is the holder, directly, of 115,077,695 ordinary shares of British Airways each with a nominal value of 25 pence, representing 9.975% of its share capital.

b) British Airways is the holder, indirectly, through wholly-owned subsidiaries, of 125,321,425 ordinary shares of Iberia each with a nominal value of 0.78 euros, representing 13.15% of its share capital.

It is the intention of the parties that these cross shareholdings be maintained or recreated following the performance of the merger, directly or indirectly, between the two operating companies, that is, Iberia Operadora and British Airways.

For this purpose, the shareholding of Iberia in British Airways, as mentioned above, will be converted into A2 Shares prior to the Scheme of Arrangement taking effect and will not be acquired by BA Holdco. This shareholding will be transferred to Iberia Operadora as a result of the hive down and will remain as an asset of Iberia Operadora.

In turn, the subsidiaries of British Airways will carry out the necessary transactions to transfer to BA Holdco their shareholding in Iberia prior to the merger. Thus, British Airways Holdings B.V., a wholly owned subsidiary of British Airways ("**BA Dutch Sub**") will transfer to BA Holdco all of the shares held by it in Iberia. In order to finance the purchase of the shares in Iberia described in this paragraph, BA Dutch Sub will grant a loan to BA Holdco (the "**Intra-Group Loan**").

As a result, such shareholding of British Airways in Iberia will then be held by BA Holdco, a non-surviving company participating in the merger and will be reclassified prior to the merger so that the shares held by BA Holdco in Iberia will form a different class. As a result of the cancellation of the treasury stock of Iberia described above, the 13.15% shareholding of BA Holdco in Iberia will become a 13.55% shareholding.

Pursuant to article 26 of Law 3/2009, shares of merging companies that are in the possession of either one of them or in the possession of other persons who act in their own name but for the account of such companies, shall not be exchanged for shares of the company resulting from the merger and, if appropriate, must be redeemed or cancelled. As a result of the above such shareholding of BA Holdco in Iberia (i.e., 13.55%) will not be exchanged for shares in IAG and will be cancelled as a result of the merger.

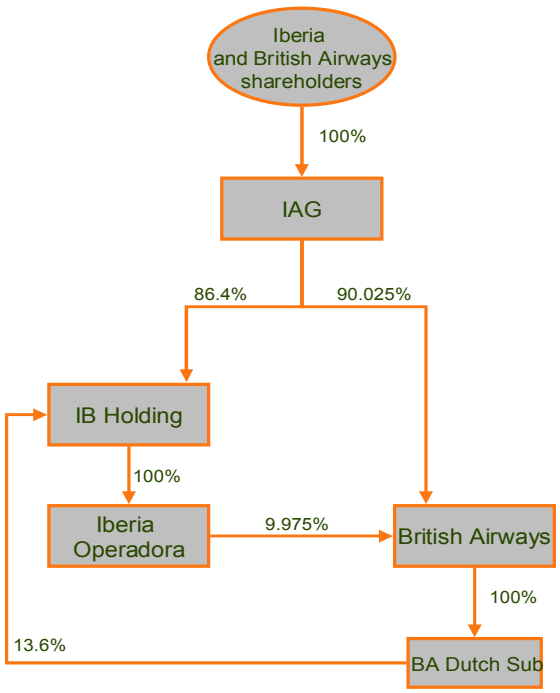
Accordingly, as a result of the merger, IAG will become the holder of 100% of the share capital of Iberia Operadora, as a result of the absorption of Iberia, and will become the debtor under the Intra-Group Loan granted by BA Dutch Sub, as a result of the absorption of BA Holdco.

After the merger is implemented, as part of establishment of the nationality structures as described in section 1.4 below, IAG will contribute its entire holding of shares in Iberia Operadora (i.e., 100% of the share capital of such company) to a Spanish limited liability company

named IB OPCO HOLDING S.L. ("**IB Holding**") and will become the sole shareholder of such company.

In addition, the necessary transactions will be performed to ensure that BA Dutch Sub becomes the direct or indirect holder of a stake in Iberia Operadora approximately equal in economic terms to the stake it previously held in Iberia prior to the merger by way of the substitution of the Intra-Group Loan for shares or the repayment of the Intra-Group Loan and purchase or subscription of shares in IB Holding representing 13.6% of the economic rights of Iberia Operadora.

The final situation before implementing the nationality structures (described in section 1.4 below) will be as follows:



Notes:
1. Stake of BA Dutch Sub in IB Holding shown in the diagram (13.6%) represents the percentage of the economic rights owned by BA Dutch Sub. As described below, this stake will carry 6.8% of the voting rights.

1.4 Establishment of the nationality structures and assurances for the benefit of the airlines

As a result of the intended merger, and before the establishment of the nationality structures and the transfer of shares in IB Holding to BA Dutch Sub described in the last paragraph of section 1.3.3 is completed, IAG will be the holder of 100% of the share capital of Iberia Operadora and, directly or indirectly, of British Airways.

However, by virtue of certain arrangements made between Spain and the United Kingdom with certain States that are not members of the European Union, certain route licences in such States are subject to compliance by Iberia Operadora with a Spanish nationality clause and by British Airways with a UK nationality clause. It is accordingly necessary to establish a structure that permits compliance with the Spanish nationality and UK nationality clauses to be ensured to avoid jeopardizing the route licences of Iberia Operadora and of British Airways.

In addition, in the context of the merger between Iberia and British Airways, certain principles (the **"Assurances"**) have been agreed between such companies, which are to be observed for an initial period of five (5) years after the date on which the merger becomes effective (the **"Initial Period"**), for the benefit of each of the airlines, and it is also necessary to establish a procedure to monitor compliance with the Assurances. Therefore, a procedure for monitoring compliance with the Assurances at both board and shareholder level has been agreed between IAG, Iberia and British Airways and is set out in an Assurances Agreement (the "**Assurances Agreement**"). The shareholder structure which is to be put in place to preserve existing route licences will also assist in monitoring compliance with the Assurances. Such Assurances are:

(i) Iberia Operadora and British Airways will continue to operate as airlines with their respective main bases in Spain and the UK and will retain separate operating licenses and air operator's certificates and preserve their codes.

(ii) Each of Iberia Operadora and British Airways will take all reasonable steps, consistent with the aim of maximising the profitability of the group resulting from the merger (consisting of IAG, IB Holding, Iberia Operadora and British Airways, and their respective subsidiaries and, when applicable, subsidiary undertakings, hereinafter, the **"Combined Group"**), to protect its slots and rights to operate to international destinations. To that aim, if the economic decision to cancel a certain service were to foreseeably result in the total or partial loss of any authorization and/or right to operate international routes, all the parties involved shall make reasonable endeavours to safeguard the relevant authorizations and rights, without jeopardizing the underlying economic decision.

(iii) The existing "Iberia" and "British Airways" brands will be retained.

(iv) The Combined Group's network strategy will be developed in a way that reflects the importance of Madrid Barajas and London Heathrow, which shall remain as fundamental parts of the multi-centre strategy of the Combined Group as a whole and will take into account, among other things, the following:

- the need to satisfy customer needs and to service natural traffic flows;
- the need to maximize the financial stability and profitability of the Combined Group;
- a reasonable division of new opportunities between the two networks, taking into account the natural traffic flows and the economic conditions applicable to each airport;
- the principle that there should be a balanced long-term development of the networks served from each airport;
- the principle that the evolution of one of the centres should not be to the detriment of the other centre, its existing portfolio of key destinations and its potential of growth, except where such evolution is of material economic or other benefit to the Combined Group; consequently, there should not be a transfer of any destination from one airport to the other unless the transfer is of material economic or other benefit to the Combined Group;
- the fact that current capacity constraints at London Heathrow may mean that there is more available capacity for growth at Madrid Barajas.

(v) Recognizing the importance of employees to the success of the merger, all promotions within IAG, Iberia Operadora and British Airways and any employee restructuring activities in any company within the Combined Group shall be based purely on merit without any form of discrimination.

(vi) All collective bargaining agreements and employment contracts relating to the employees of Iberia Operadora and British Airways shall continue to be negotiated and organized within Iberia Operadora and British Airways, respectively.

(vii) IAG and Iberia Operadora will be managed and operated, and all transactions and dividends (or other distributions) between British Airways, on the one hand, and IAG and/or Iberia Operadora, on the other, will be structured and managed, in order to seek to avoid giving the Pensions Regulator in the United Kingdom established under section 1 of the

Pensions Act, 2004 (as amended) any grounds on which it would be reasonable for it to impose an obligation on either Iberia Operadora or IAG to make any payment to, or otherwise assume liability for, any pension scheme operated by British Airways (including, for example, a contribution notice or financial support direction as defined in the UK Pensions Act 2004).

(viii) IAG and Iberia Operadora will not provide any guarantee to any pension scheme operated by British Airways or use any cash or credit facilities belonging or available to them to fund any such scheme.

(ix) IAG and British Airways will not provide any guarantee to any pension scheme operated by Iberia Operadora or use any cash or credit facilities belonging or available to them to fund any such scheme.

The structure of ownership and governance (the **"Nationality Structure"**) which seeks to ensure the preservation of the current route licences of each of the airlines and the monitoring of compliance with the Assurances, shall be implemented in relation to each of the operator companies (Iberia Operadora and British Airways) shortly after the execution of the merger which is the subject matter of this Project, in the manner set forth below with respect to each of the airlines:

1.4.1 In relation to Iberia Operadora

The Nationality Structure of Iberia Operadora shall be as follows:

(i) As explained above, two business days after completion of the merger, IAG will contribute its entire shareholding in Iberia Operadora (i.e., 100% of its share capital) to IB Holding and the appropriate transactions shall be performed to ensure that BA Dutch Sub becomes the holder of 13.6% of the economic rights and 6.8% of the voting rights of IB Holding (and, indirectly, of Iberia Operadora).

(ii) The share capital of IB Holding will amount to 10,000 euros, divided into 499 class A shares and 501 class B Shares each with a par value of 10 euros, with the voting and economic rights described in paragraph (v) below. The difference between the value of the shares in Iberia Operadora which are contributed and the nominal value of the shares issued by IB Holding shall be allocated to the share premium account (*prima de asunción*) corresponding to the class A shares.

(iii) As a result of the transactions described in section 1.4.1 (i) above, the share capital of IB Holding shall be distributed between IAG and BA Dutch Sub as follows: IAG shall be the holder of 431 class

A shares and 501 class B shares, and BA Dutch Sub shall be the holder of 68 class A shares.

(iv) Subject to the allotment and issue described in section 1.4.1(i) and (ii) above having occurred, a Spanish limited liability company (the **"Nationality Company"** or **"NC"**) shall purchase from IAG, and IAG shall transfer to the NC, the 501 class B shares in consideration for the payment by the NC of a purchase price equal to their nominal value, i.e. €5,010, the payment of which shall be made simultaneously with the execution of the relevant share purchase agreement.

(v) Upon completion of the transactions described in sections 1.4.1(i) to (iv) above, 100% of the share capital of Iberia Operadora will be held by IB Holding whose share capital, in turn, will be held as regards 49.9% by IAG and BA Dutch Sub (through their holdings of class A shares) and as regards 50.1% by the NC (through its holding of class B Shares).

(vi) Each share of IB Holding will confer upon its holder the right to a number of votes proportional to its nominal value. Accordingly, each class A share and each class B share of IB Holding will have the same voting rights. As regards economic rights, class A shares will be preferred over class B shares, to the extent that they will confer on their holders more favourable economic rights. Specifically, the economic rights of class A shares and of class B shares will confer the following economic rights:

- The right to a share in the corporate profits will be established in a manner such that class B shares shall have the right to a dividend equal to the lower of the following amounts, in each dividend distribution: (i) 1% of the total dividends that IB Holding decides to distribute; or (ii) €1 per each class B share. The rest of the dividends will be distributed to the holders of the class A shares.

- The assets resulting from a liquidation of IB Holding will be distributed as follows: (i) firstly, the nominal value of class A shares will be refunded; (ii) should any surplus exist, it will be allocated to refund the nominal value of class B shares; and, (iii) should any surplus exist thereafter any balance will be distributed among the holders of the class A shares pro rata to the number of class A shares held by them.

(vii) The Nationality Company will be a Spanish limited liability company, having as its sole purpose the holding, management and

administration of class B shares of IB Holding, with the sole objective of maintaining the route licences of Iberia Operadora and to assist with monitoring compliance with the Assurances.

(viii) The shareholders of the Nationality Company will have Spanish nationality and shall be Caja de Ahorros y Monte de Piedad de Madrid, with a 87% stake, and El Corte Inglés, S.A., with a 13% stake. On exercising their voting rights in the Nationality Company, in IB Holding and, indirectly, in Iberia Operadora, the shareholders of the Nationality Company and the Nationality Company itself shall take into consideration the best interests of those persons who are shareholders of IAG who are Spanish nationals and whose shareholdings, or interests in shares, are recorded in the separate register maintained by IAG for such purpose.

(ix) After the Initial Period has expired, each of IAG and the Nationality Company will have the option to remove the Nationality Structure with regard to Iberia Operadora. For such purposes, IAG may exercise at that time a call option against the Nationality Company over all the class B shares issued by IB Holding, at an exercise price equal to their nominal value. In turn, the Nationality Company may exercise at that time a put option against IAG over all the class B shares issued by IB Holding at an exercise price equal to their nominal value.

Additionally, whenever IAG or the Nationality Company is entitled to exercise the call option or the put option, it can, instead of requiring the sale and purchase of the class B shares pursuant to the relevant option, request the redemption of the class B shares by serving a notice in writing on the other shareholders and IB Holding, such redemption to be made in accordance with applicable law. The amount to be reimbursed to IB Holding pursuant to the redemption of the class B shares shall be equal to the nominal value of such shares.

In the event that IAG is exercising its call option, it may only do so if the termination of the Nationality Structure of British Airways described below has already occurred or is to occur at substantially the same time.

1.4.2 In relation to British Airways

The Nationality Structure of British Airways will be as follows:

(i) Two business days after completion of the merger, IAG will lend £1,000,000 to a UK corporate trustee company which is a wholly

owned subsidiary of The Law Debenture Corporation p.l.c. (the "**Trustee**"). The Trustee will use such sum to subscribe for 1,000,000 class B Shares in the capital of British Airways. The 1,000,000 class B shares subscribed for by the Trustee will represent 50.1% of the total number of issued shares in the capital of British Airways. The shares held by IAG (44.92%) and Iberia Operadora (4.98%) in British Airways will be designated as class A1 and class A2 shares and will, together, represent 49.9% of the total number of issued shares in the capital of British Airways.

(ii) The Trustee will hold the class B shares on trust with the trust property ultimately to be distributed on termination of the trust to a person selected by the Trustee (or in certain circumstances the Charity Commission for England and Wales) who is a UK charity or an entity or institution referred to, but not the entities or institutions named in, Schedule 3 of the UK Inheritance Tax Act 1984 (as amended or replaced from time to time). The Trustee will exercise the voting rights attaching to the class B shares in the interests of those persons who are shareholders in IAG who are UK nationals and whose shareholdings or interests in shares are recorded in a separate register maintained by IAG for such purpose. Any dividends, distributions, or other monies received by the Trustee in relation to the class B shares (including as a result of a redemption, buy-back, or transfer of such shares) must first be applied in repaying the amount loaned to it by IAG before any funds can be distributed to the beneficiaries of the trust.

(iii) At the shareholder meetings of British Airways, holders of class A1, A2 and B shares will, on a poll, be entitled to one vote for each class A1, A2 or B share held, resulting in the holders of the B shares having 50.1% of the votes at those meetings.

(iv) As regards economic rights, the class A1 and A2 shares will be preferred over the class B shares to the extent that they will confer on their holders more favourable economic rights. Specifically, the economic rights of the class A1, A2 and the class B shares will confer the following rights:

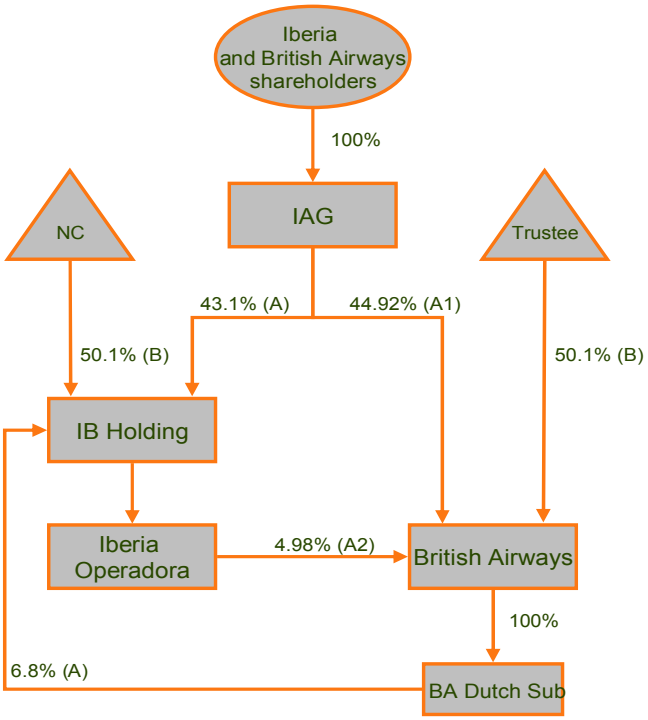
- In respect of dividends and other distributions, the class B shares will be entitled to 1% of the total amount of any dividend declared by British Airways, provided that the aggregate amount of the dividends and distributions that the class B shares shall be entitled to shall be capped at £1 per class B share. The holders of the class A1 and A2 shares shall be entitled to the remaining portion of such dividend or

distribution pro rata to the number of such shares held by them. However, where the aggregate amount of any dividend or distribution which is made by British Airways is less then £1, the holders of the class A2 shares shall not be entitled to receive any amount of such dividend.

- On a return of capital, British Airways' assets will be applied as follows: (i) firstly, the nominal value of the class A1 and A2 shares will be repaid; (ii) should any surplus exist, it will be allocated to repay the nominal value of the class B shares; and (iii) should any surplus exist thereafter, any balance will be distributed to the holders of the class A1 and A2 shares pro rata to the number of such shares held by them.

(v) After the Initial Period has expired, IAG will have the option to remove the Nationality Structure with regard to British Airways by either (a) requiring British Airways to redeem the class B shares held by the Trustee or (b) by requiring the Trustee to transfer the class B shares held by it either to IAG or to a third party, provided that the Nationality Structure of Iberia Operadora described above has previously been terminated or is to terminate at substantially the same time. The price at which the class B shares may be redeemed or, as the case may be, transferred will be equal to the nominal value of such shares.

Set forth below is a simplified structure diagram showing the merged Iberia/BA group following the implementation of the merger and the Nationality Structures.



Notes:
1. The percentages referred to are based on the number of shares and voting rights held by each party.
2. The shares held by NC and the Trustee will have minimal economic rights.

1.4.3 Management and administration of the operating airline companies (Iberia Operadora and British Airways).

Set out below is a summary description of the agreement which has been reached between IAG, Iberia, British Airways, the Nationality Company and the Trustee as to how each of Iberia Operadora and British Airways will be initially administered and managed once the merger has been implemented.

(i) Iberia Operadora and British Airways will continue to operate as operating airline companies. Subject to, and within the parameters of, the overall strategy and governance arrangements of the Combined Group which will be set by the board of IAG, Iberia Operadora and British Airways will remain responsible for its own day to day commercial and operational management and will have control over their income and expenditure.

(ii) Each operating company shall be managed and administered by a Board of Directors consisting of nine members, the majority of whom will have Spanish nationality (in the case of Iberia Operadora) or UK nationality (in the case of British Airways).

(iii) The Board of Directors of Iberia Operadora will initially have the following composition:

a) Chairman. Initially, Mr. Antonio Vázquez Romero.

b) Chief Executive Officer of Iberia Operadora. Initially, Mr. Rafael Sánchez-Lozano.

c) Two executive Directors.

d) Chief Financial Officer of the Combined Group. Initially, Mr. Enrique Dupuy De Lome.

e) Chief Executive Officer of British Airways. Initially, Mr. Keith Williams.

f) Three Directors appointed at the request of the Nationality Company.

The Nationality Company will have power to replace any of the Directors which it is entitled to appoint at any time. Notwithstanding the above, where the Nationality Company proposes the appointment of any such Director, it shall have to consult firstly with IAG. In any event, the Nationality Company will have the final decision on any appointment of those Directors which it has the right to appoint.

(iv) The initial composition of the Board of Directors of British Airways will be as follows:

a) Chairman. Initially, Mr. Martin Broughton.

b) Chief Executive Officer of British Airways. Initially, Mr. Keith Williams.

c) Two executive Directors.

d) Chief Financial Officer of the Combined Group. Initially, Mr. Enrique Dupuy De Lome.

e) Chief Executive Officer of Iberia Operadora. Initially, Mr. Rafael. Sánchez-Lozano.

f) Three Directors appointed at the request of the Trustee.

The Trustee will have power to replace any of the Directors which it is entitled to appoint at any time. Notwithstanding the above, where the Trustee proposes the appointment of any such Director, it will have to consult firstly with IAG. In any event, the Trustee will have the final decision on any appointment of those Directors which it has the right to appoint.

(v) In addition, in respect of each of Iberia Operadora and British Airways, IAG will have the power to appoint and remove 4 Directors provided that at all times one such Director shall be the chief executive officer of the other operating company, one such Director shall be the chief financial officer of IAG and two such Directors shall be executive Directors of the relevant operating company. Separate provisions will apply to the appointment and removal of the Chairman and Chief Executive Officer of each of Iberia Operadora and British Airways which are set out in further detail in section 1.4.3(viii) below.

(vi) As a general rule, the Board of Directors of each of Iberia Operadora and British Airways will entrust the ordinary management of the company to the Chief Executive Officer and will focus its activity on the general function of supervision and on the consideration of those affairs that are of particular relevance for the company. In this regard, the Board of Directors of each of Iberia Operadora and British Airways will have the following matters reserved to it:

a) Reporting to the Shareholders' Meeting.

b) Drafting the terms of, and proposing to the Shareholders' Meeting, the approval of the annual accounts, the management report and the proposal for the application of profits for each financial year.

c) Appointment and dismissal of members of the safety review committee.

d) Approval of the business plan and annual budgets

e) Approval of the corporate social responsibility policy.

f) Approval of the policy for overseeing and managing risks and the periodic monitoring of internal information and oversight systems.

g) Approval of directors' remuneration within such limits as may be determined by the Shareholders' Meeting.

h) Assessment of the quality and efficiency of the Board and the board safety review committee on the basis of the reports submitted by that committee.

i) Any matter which is required to be approved by the Board of Directors pursuant to (in the case of Iberia Operadora) clause 3.3(C) or (in the case of British Airways) clause 3.4(C) of the Assurances Agreement.

j) Supervision of the chief executive officer of the company.

k) Any other matters which the shareholders of the company empower the Board of Directors to determine.

(vii) The decisions of the Boards of Directors of Iberia Operadora and British Airways shall be adopted by a simple majority, except (i) for those matters that are contrary to the Assurances, which shall require the vote in favour of, at least, seven of the nine Directors making up the Board and (ii) the decisions that, by applicable law, require a higher majority.

(viii) It is expected that the Board of Directors of IAG will be able to issue recommendations to the Boards of Iberia Operadora and British Airways. Before issuing a recommendation, IAG will consult with the Board (or Chairman or Chief Executive Officer) of Iberia Operadora and of British Airways, as appropriate. Subject to their fiduciary duties as directors, the Directors of Iberia Operadora and of British Airways shall be required to vote in accordance with any recommendation made by the Board of IAG, provided that such recommendations are not contrary to the Assurances.

(ix) As mentioned in sections 1.4.3(iii) and 1.4.3(iv) above, the Nationality Company and the Trustee will be entitled to appoint and remove three Directors of Iberia Operadora and British Airways respectively and IAG will be entitled to appoint and remove four Directors of each such company. The Chairman and of the Chief Executive Officer of Iberia Operadora and of British Airways (the **"Relevant Director"**), will be appointed and removed in accordance with the following procedure:

a) IAG may at any time remove the Relevant Director. Prior to exercising such right, IAG shall consult with the director appointed by the Nationality Company (in respect of Iberia Operadora) and the Trustee (in respect of British Airways) who has been appointed as the senior director of those directors which are appointed by the Nationality Company or the Trustee, as applicable. Such senior director shall have the opportunity to make representations during such consultation prior to removing the Relevant Director.

The senior director mentioned above shall be the Deputy Chairman of each operating company.

b) The nominations committee of Iberia Operadora or British Airways as appropriate (the "**Nominations Committee**") shall consider who should be appointed to be the Relevant Director. Each of IAG, the Nationality Company (in respect of Iberia Operadora) and the Trustee (in respect of British Airways) shall be entitled to make nominations to the Nominations Committee of potential appointees. The Nominations Committee shall nominate a person to be the Relevant Director, provided that IAG has given its consent to such person being the Relevant Director.

c) The Nationality Company (in respect of Iberia Operadora) and the Trustee (in respect of British Airways) will have a veto right over any person proposed by the Nominations Committee as the Relevant Director.

d) In the event that such veto right is exercised, then the Nominations Committee may propose another person in respect of whom the Nationality Company (in respect of Iberia Operadora) or the Trustee (in respect of British Airways) may exercise again their veto right, and such Nominations Committee may continue proposing persons in relation to whom the Nationality Company or the Trustee, as appropriate, will have a veto right, unless IAG exercises the right described in section (e) below);

e) If the appointment of any person proposed by the Nominations Committee is vetoed, IAG will also have the right to call a Shareholders' Meeting of IAG to discuss consultatively whether or not to approve the appointment of the candidate proposed by the Nominations Committee. In such case, the voting rights of the shareholders of IAG who are Spanish nationals (if the proposal refers to the Chairman

or the Chief Executive Officer of Iberia Operadora) or who are UK nationals (if the proposal refers to the Chairman or the Chief Executive Officer of British Airways) will, if such shares do not carry a majority of the voting rights in IAG, be increased in a manner such that such shareholders will have a majority of the voting rights in IAG. The Nationality Company or the Trustee (as appropriate) and IAG will be obliged to act in accordance with the decision adopted consultatively by the shareholders of IAG in respect of the appointment of the proposed person as Chairman or, as the case may be, Chief Executive Officer of the relevant company.

(x) The Nationality Company will be required to exercise its voting rights as directed by IAG, provided that the corresponding resolutions are not contrary to the Assurances nor would result in the corporate structure no longer meeting the requirements of the Nationality Structure relating to Iberia Operadora, with the exception of those cases in which the Nationality Company considers that to so vote would not be in the best interest of the Spanish national shareholders, of IAG. The Trustee will be required to exercise its voting rights in accordance with the recommendations made by IAG, provided that the corresponding resolutions are not contrary to the Assurances or would result in the corporate structure of British Airways no longer meeting the requirements of the Nationality Structure relating to British Airways, with the exception of those cases in which the Trustee considers that to so vote would not be in the interests of the UK national shareholders of IAG.

2. DESCRIPTION OF THE INTENDED MERGER TRANSACTION

The intended merger may be described as the merger of Iberia and BA Holdco (Non-surviving companies) with and into IAG (Surviving company), with the termination, through the dissolution without liquidation of the Non-surviving companies and the transfer en bloc of the assets and liabilities of the Non-surviving companies to the Surviving company, which acquires, by universal succession, the rights and obligations of the Non-surviving companies, on the terms and conditions established in this Project.

3. STATEMENTS REQUIRED BY ARTICLE 31 OF LAW 3/2009

3.1 Identification of the merging companies

3.1.1 IAG (Surviving company)

Name: INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

Registered office: for the time being, calle Pradillo, 5, bajo exterior, derecha, 28002 Madrid, Spain, provided that it may be amended before the effective date of the merger

Registered data: It is entered at the Madrid Mercantile Registry, on volume 27312, sheet 11, page number M-492.129.

Tax Identity Number: A-85845535

3.1.2 Iberia (Non-surviving company)

Name: IBERIA LÍNEAS AÉREAS DE ESPAÑA, S.A.

Registered office: calle Velázquez nº 130, 28006 Madrid

Registered data: It is entered at the Madrid Mercantile Registry, on volume 228, sheet 138, and page number M-4621.

Tax Identity Number: A-28/017648

3.1.3 BA Holdco (Non-surviving company)

Name: BA HOLDCO, S.A.

Registered office: calle Pradillo, 5, bajo exterior, derecha, 28002 Madrid, Spain

Registered data: It is entered at the Madrid Mercantile Registry, on volume 27312, sheet 1, page number M-492.128.

Tax Identity Number: A-85842797

3.2 Merger Ratio

The merger ratio which determines the basis on which the shares of the Non-surviving companies will be exchanged by the shareholders of the Non-Surviving

companies for shares of the Surviving company, which has been established on the basis of the value of the net assets (*valor real de su patrimonio*) of the Non-Surviving companies after the preliminary transactions described in section 1.3 above, is as set forth below:

(i) The shareholders of Iberia will receive 1.0205 ordinary shares each with a nominal value of 0.5 euros of IAG for every ordinary share with a nominal value of 0.78 euros that they hold in Iberia.

(ii) The shareholders of BA Holdco (which, as mentioned above, after the scheme of arrangement described in section 1.3.2 above has been performed, will be the BA Shareholders) will receive one ordinary share with a nominal value of 0.5 euros of IAG for every ordinary share with a nominal value of 0.5 euros that they hold in BA Holdco.

No cash consideration is to be paid to the shareholders of the Non-surviving companies as a result of the merger.

IAG will effect an increase of capital in the amount necessary for the exchange, through the issuance and placing in circulation of the necessary number of registered shares (*acciones nominativas*), each with a nominal value of 0.50 euros, of the same and single class and series, represented by book entries, the subscription for which is reserved to the holders of shares of Iberia and BA Holdco, with no preemptive subscription right existing, in compliance with article 159.4 of the Corporations Law (*Ley de Sociedades Anónimas*). The difference between the net book value of the equity received by IAG due to the merger and the nominal value of the new shares shall be allocated to share premium. Both the nominal value of the new shares and the respective share premium shall be fully paid up due to the transfer en bloc of the assets and liabilities of Iberia and of BA Holdco to IAG.

The admission to trading of the new shares to the Official List of the UK Listing Authority and to trading on the London Stock Exchange will be requested and the shares will be included in the FTSE UK Index Series. In addition, IAG will also be listed on the Spanish Stock Exchanges and traded through the Spanish Continuous Market.

The issuance and admission to listing of the new shares of IAG shall be recorded in a prospectus subject to approval and registration by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*).

The shares of Iberia indirectly held by British Airways (which, as described in section 1.3.3 above will become directly held by BA Holdco prior to the merger) will not be exchanged as provided for in article 26 of Law 3/2009 and will be cancelled.

In compliance with legislation in force, the merger ratio proposed by the directors of the merging companies will be submitted to verification by an independent expert designated by the Mercantile Registry and approved by the Shareholders' Meetings of said companies.

3.3 Exchange procedure

The procedure for the exchange of the shares of Iberia and BA Holdco for shares of IAG will be as set forth below:

3.3.1 Shares of Iberia

(i) After the merger has been approved by the Shareholders' Meetings of the merging companies and the public deed of merger and consequent increase of capital of IAG has been registered at the Madrid Mercantile Registry, the shares of Iberia with a nominal value of 0.78 euros (other than the class of shares held by BA Holdco) will be exchanged for newly issued shares of IAG in accordance with the merger ratio through the entities of the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U ("**IBERCLEAR**"), depositories of the shares of Iberia, subject to the procedures established for the book entry system, pursuant to Royal Decree 116/1992, of February 14 and the Spanish Corporations Law where appropriate.

(ii) Shareholders holding shares of Iberia that represent fractional entitlements to shares in accordance with the agreed merger ratio may group or transfer their shares to exchange them in accordance with such merger ratio. Iberia will appoint a share fractions broker (*agente de picos*) that will acquire fractional entitlements of shareholders in Iberia in order to group such fractional entitlements in order to receive a whole number of shares of IAG.

(iii) As a result of the merger, the shares of Iberia will be cancelled.

(iv) Article 59 of the Spanish Corporations Law will apply to those shares of Iberia that are not submitted to be exchanged within the established term.

3.3.2 Shares of BA Holdco

(i) Pursuant to the execution of the scheme of arrangement described in section 1.3.2 above, all the newly issued shares of BA Holdco will be fully subscribed by a custodian to be designated by British

Airways in agreement with IAG (the "**Custodian**"), as nominee for the BA Shareholders.

(ii) After the merger has been approved by the Shareholders' Meetings of the merging companies and the public deed of merger and consequent increase of capital of IAG has been registered at the Madrid Mercantile Registry, the shares of BA Holdco with a nominal value of 0.50 euros (issued under the scheme of arrangement) will be exchanged for newly issued shares of IAG in accordance with the merger ratio.

(iii) The exchange of shares will be carried out by submitting the public deed which will effect the capital increase of BA Holdco through the issue of new shares required in connection with the implementation of the scheme of arrangement described in section 1.3.2 above, duly registered by the Madrid Mercantile Registry (the "**BA Holdco Capital Increase Public Deed")**, before the entity participating in IBERCLEAR designated by IAG for these purposes.

Such participating entity, acting as agent, will receive the BA Holdco Capital Increase Public Deed and will carry out all the share exchange transactions relating to the allocation of the respective newly issued shares of IAG to the Custodian that will hold such shares as nominee for an entity that will act as the depositary who will, in turn, hold the newly issued shares of IAG on trust for the relevant shareholders. All the above as provided for in Royal Decree 116/1992, of February 14, and the Spanish Corporations Law where appropriate.

(iv) By legal imperative, pursuant to article 26 of Law 3/2009 and legislation governing treasury stock, the shareholding of BA Holdco in Iberia at the date of conversion will not be exchanged for shares of IAG.

(v) As a result of the merger, the shares of BA Holdco will be cancelled.

(vi) Article 59 of the Spanish Corporations Law will apply to those shares of BA Holdco that are not submitted to be exchanged within the established term.

3.4 Effect of the merger on industry contributions (*aportaciones de industria*) or on ancillary contributions (*prestaciones accesorias*) in the extinguished companies

None of the shareholders of the merging companies is an industrial shareholder and thus, no industry contribution is to be made in the intended merger.

No ancillary contributions are inherent in the shares of the merging companies.

3.5 Rights to be granted in the Surviving company to persons holding special rights or securities other than those representing capital or the options offered to them

Except as provided below regarding the holders of convertible debentures of British Airways and the beneficiaries of plans for remuneration in shares of British Airways (i) no special shares or holders of special rights other than shares exist in the merging companies and (ii) no shares or special rights will be granted in IAG due to the merger.

3.5.1 Holders of convertible debentures of British Airways

On 13 August 2009 British Airways issued £350,000,000 5.80 per cent. convertible bonds due on 13 August 2014 (the "**Convertible Bonds**"). Pursuant to the terms and conditions of the Convertible Bonds, each Convertible Bond is convertible at the option of the holder into British Airways shares at an initial conversion price of £1.89 per share.

A structure will be put in place to ensure that, following the merger, the Convertible Bonds are exchangeable into IAG shares. IAG and British Airways will enter into a warrant instrument, under which IAG will grant warrants to British Airways that carry the right to subscribe for IAG shares. On receipt of a conversion notice from a bondholder, British Airways will exercise its right to call for the issue of IAG shares. The warrants will provide that, when IAG issues shares on British Airways exercising the warrant, IAG shall issue IAG shares to a third party nominated by British Airways (i.e., the relevant bondholder exercising a conversion notice).

Currently the maximum number of ordinary shares of British Airways that may be issued as a result of the conversion of all the Convertible Bonds at the initial conversion price described above is 185,185,185. Based on such calculation, the maximum number of IAG shares that may be issued as a result of the implementation of the structure described above at the initial conversion price described above is 185,185,185.

3.5.2 Beneficiaries of plans for remuneration in shares of British Airways

Currently British Airways has the following plans for remuneration in shares representing the share capital of such company (the "**BA Share Plans**"):

- British Airways Share Option Plan.
- British Airways Plc Long Term Incentive Plan 1996.
- British Airways Deferred Share Plan 2005.
- British Airways Performance Share Plan 2005.

British Airways and Iberia will procure that the options and awards held by participants under the BA Share Plans are, automatically or upon request, as appropriate, exchanged for options and awards, of equivalent value and on the same terms, to acquire shares representing the share capital of IAG, all in accordance with the rules of the relevant BA Share Plans.

Any exercise or vesting of such options and awards shall be satisfied, directly or indirectly, by the transfer of existing shares in IAG, either to be held by BA Employee Benefits Trust (Jersey) Limited (as the trustee of the BA employee benefit trust) or acquired in the market, and the cost of acquiring such shares will be borne by, or recharged to, British Airways (as applicable).

3.6 Benefits of any kind that will be granted in the Surviving company to the independent experts who are to participate in the Merger Project and to the directors of the Non-surviving companies or of the Surviving company.

No benefits of any kind will be granted in IAG to the independent expert who is to act in the merger process or to the directors of the Non-Surviving companies or to the directors of IAG as a result of the merger.

3.7 Date after which the holders of the new shares will be entitled to a share in the corporate profits

The new shares to be issued by IAG due to the merger will grant the right to share in its corporate profits after the date on which the public deed of merger is filed for entry before the Madrid Mercantile Registry, which is expected to take place on the date of its execution.

3.8 Date after which the merger will be effective for accounting purposes

The transactions of Iberia and of BA Holdco will be considered to have been made for accounting purposes for the accounts of IAG after the date on which the public deed of merger is filed for entry before the Madrid Mercantile Registry, which is expected to take place on the date of its execution.

3.9 Bylaws of the Surviving company

The bylaws of IAG, the Surviving company resulting from the merger, will be those attached to this Project as **Schedule 1**.

3.10 Information on the appraisal of the assets and liabilities making up the equity (*patrimonio*) of each company to be transferred to the Surviving company

As mentioned in section 1.3 above, following the preliminary transactions, Iberia will by universal succession under the merger transfer to IAG 100% of the share capital of Iberia Operadora (the company resulting from the hive down of the business of Iberia) and its rights and obligations under the Merger Agreement and, in turn, BA Holdco will by universal succession under the merger transfer to IAG all the shares of British Airways (with the exception of the Iberia Shareholding) which it will previously have acquired under the scheme of arrangement or subscribed for.

The main elements of the assets and liabilities of Iberia and British Airways are the following:

Iberia:

- Total value of the assets: 5,020 million euros.
- Total value of liabilities: 3,516 million euros.
- Net value of the assets and liabilities: 1,504 million euros.

The above figures correspond to the book value of the assets and liabilities to be transferred, as recorded on December 31, 2009.

British Airways:

- Total value of the assets: 10,677 million pounds sterling.
- Total value of liabilities: 8,564 million pounds sterling.
- Net value of the assets and liabilities: 2,113 million pounds sterling.

The above figures correspond to the book value of the assets and liabilities to be transferred, as recorded on March 31, 2010.

The assets and liabilities transferred by the Non-surviving companies to IAG shall be recorded in IAG at the net book value at which they were recorded in the books of the Non-surviving companies as of the date of the merger for accounting purposes, that is, the date on which the public deed of merger is filed for entry before the Madrid Mercantile Registry, which is expected to take place on the date of its execution, as set forth in section 3.8 above.

3.11 Dates of the accounts of the merging companies used to establish the conditions on which the merger is performed

The merger balance sheets, for the purposes of article 36.1 of Law 3/2009, will be those closed by the merging companies at December 31, 2009, which form part of their respective financial statements at said date.

3.12 Eventual consequences of the merger on employment and its eventual impact on gender with respect of the managing bodies and the effect that it may have on corporate liability.

The merger which is the subject matter of this Project will be performed between two holding companies, as Non-surviving companies (Iberia, currently the holder of 100% of the capital of Iberia Operadora, which will be the successor of its business, and BA Holdco, to become under the scheme of arrangement the holding company of British Airways) and a recently incorporated company, IAG, currently dormant as the surviving company, so that the intended merger will have no significant impact on employment with respect to BA Holdco and Iberia.

After the merger is implemented, the existing employment rights of the current employees of Iberia (whose employment will be transferred to Iberia Operadora as part of the hive down described in section 1.3.1 above) and of the current employees of British Airways will be respected in accordance with the law.

It is not expected that any significant changes will be made due to the merger to the structure to the managing body of the Surviving company from the point of view of gender distribution on the Boards of Directors of the Non-surviving companies.

Lastly, it is expected that the merger will not have any impact on the corporate social responsibility of the merging companies.

4. CORPORATE GOVERNANCE OF IAG

Set out below is a summary description of the agreement which has been reached between Iberia and British Airways regarding the corporate governance arrangements which it is intended will initially apply to IAG upon the implementation of the merger. Once the merger has been implemented, any changes to these corporate governance arrangements will be a matter for the directors or, as the case may be, the shareholders of IAG to determine from time to time.

It is intended that the majority of the meetings of IAG's Board of Directors and all its Shareholders' Meetings will be held in Madrid. No meetings will take place in the United Kingdom. Upon completion of the merger, IAG will have its tax residence in Spain.

IAG will be listed on the Official List of the UK Listing Authority and its ordinary shares will be admitted to trading on the main market of the London Stock Exchange and will be included on the FTSE UK Index Series. In addition, IAG will be secondarily listed on the Spanish Stock Exchanges and traded through the Spanish Continuous Market.

As a Spanish incorporated company, IAG will be subject to applicable Spanish legislation (particularly the Corporations Law). IAG will apply the provisions of the UK Combined Code on Corporate Governance published by the Financial Reporting Council in June 2008 (to the extent applicable) and the UK Corporate Governance published by the Financial Reporting Council in June 2010 (as such code may be amended or replaced from time to time, the "**UK Corporate Governance Code**"), save for the provisions that conflict with the provisions of this section 4 and will apply the statement of principles relating to the disapplication of pre-emption rights published by the Pre-Emption Group (as such statement of principles may be amended or replaced from time to time) to the extent required in order for IAG to be eligible for inclusion on the FTSE UK Index Series.

4.1 Board of Directors of IAG

The Board of Directors of IAG shall initially consist of 14 members, who shall be elected or re-elected at the Shareholders' Meeting of IAG at which the intended merger is approved, its having been agreed that such initial composition will be as follows:

(i) Mr. Antonio Vázquez Romero - Chairman of the Combined Group

(ii) Mr. William Walsh - Chief Executive Officer of the Combined Group

(iii) Mr. Rafael Sanchez-Lozano – Chief Executive Officer of Iberia Operadora

(iv) Mr Keith Williams - Chief Executive Officer of British Airways

(v) Three non-executive Directors to be designated by Iberia.

(vi) Three non-executive Directors to be designated by British Airways (of which one will be Mr. Martin Broughton who will also be designated as Deputy Chairman of the Combined Group).

(vii) Two independent directors, neither of whom shall be a current director of either British Airways or Iberia, who will be designated by Iberia, one such director to be a United Kingdom national and the other to be any nationality (other than a United Kingdom national or a Spanish national).

(viii) Two independent directors, neither of whom shall be a current director of either British Airways or Iberia, who will be designated by British Airways, one such director to be a Spanish national and the other to be any nationality (other than a United Kingdom national or a Spanish national).

It has been agreed that the Directors of IAG will stand for re-election initially after a period of either 2, 3 or 4 years. After the expiration of such initial period, each director will, if re-elected, be appointed for further periods of 3 years. In this way, all of the directors of IAG will (after the initial period) come up for re-election in any rolling 3 year period.

Any vacancies that arise on the Board of Directors shall be filled by the Directors of IAG as provided for in the corporate bylaws of IAG, the UK Corporate Governance Code and applicable Spanish legislation. In such event, the Nominations Committee shall, in accordance with the UK Corporate Governance Code, lead the process to fill the respective vacancy and will make the recommendations it deems advisable to the Board of Directors of IAG.

4.2 Offices on the Board

The Board of Directors will elect from among its members a Chairman and a Deputy Chairmen. Initially, the Chairman of the Board of Directors of IAG shall be Mr. Antonio Vázquez Romero and the Deputy Chairman shall be Mr. Martin Broughton.

The Board of Directors shall also elect from among its members a Chief Executive Officer. Initially, the Chief Executive Officer of IAG shall be Mr. William Walsh.

The Board of Directors, at the proposal of the Chairman, shall designate a Secretary and, if appropriate, a Deputy Secretary, who need not be Directors.

4.3 Chairman

The Chairman of the Board of Directors will be considered to be the Chairman of IAG. The office of Chairman, who will be the ultimate representative of IAG, will be deemed fundamental in order to reach, maintain and promote the efficient performance by the Board of Directors and its members of their tasks and responsibilities, and to ensure that the necessary conditions to do so exist, the Chairman being responsible for leading the Board of Directors and playing a key role in the development of the strategy of IAG (whilst respecting executive responsibility).

Initially, the Chairman of IAG shall be Mr. Antonio Vázquez Romero.

In addition to the powers corresponding to him pursuant to the Corporate Bylaws, the Shareholders' Meeting Regulations, the Board of Directors Regulations and applicable law, the Chairman shall exercise the following powers:

(i) To call and chair meetings of the Board of Directors in the manner established in the Corporate Bylaws and the Board of Directors Regulations, establishing the meeting agenda and directing discussions and deliberations.

(ii) To chair Shareholders' Meetings and direct the discussions and deliberations of same.

(iii) To submit to the Board of Directors the proposals he deems appropriate for the sound running of IAG and, in particular, proposals corresponding to the functioning of the Board of Directors and other corporate bodies, and to propose the designation of the offices on the Board of Directors.

(iv) To run the Board and set its agenda, taking full account of the issues and the concerns of all Board members.

(v) To ensure that the members of the Board receive accurate, timely and clear information, in particular about IAG's performance, its strategy, challenges and opportunities in order to enable the Board to take sound decisions and monitor effectively IAG's performance.

(vi) To ensure effective communication with shareholders and ensure that the members of the Board and IAG executives understand and address the concerns of investors.

(vii) To ensure that the Board allocates sufficient and adequate time for the discussion of complex, sensitive or contentious issues, arranging, where appropriate, informal meetings beforehand with Board members, executives and advisers to enable the thorough preparation of Board meetings and discussions.

(viii) To lead an induction program for new Board members that is comprehensive and tailored.

(ix) To identify and address the development needs of individual Board members and the development needs of the Board of Directors as a whole, with a view to enhancing its overall effectiveness as a team.

(x) To ensure that the performance of individual Board members and of the Board as a whole and its Committees is evaluated at least once a year.

(xi) To encourage the active commitment by all of the members of the Board to the responsible, diligent and loyal performance of their functions.

(xii) To lead Board discussions with a view to encouraging effective decision-making and a constructive debate on the performance of IAG, its growth strategy and commercial objectives.

(xiii) To offer support and advice to the Chief Executive in relation to the strategy and operations of IAG, including in preparation for any Board discussion regarding matters of IAG strategy.

(xiv) To monitor the correct implementation of the decisions adopted by the Board of Directors.

(xv) Where appropriate, to act as the top representative of IAG before public agencies and external bodies.

(xvi) To approve the corporate communications strategy for IAG.

(xvii) In general, to promote the highest standards of corporate governance and ensure compliance by the Board of Directors.

4.4 Chief Executive Officer

The Board of Directors shall designate a Chief Executive Officer from among its members to whom it shall delegate some or all of its functions, save for those that cannot be delegated pursuant to the Board of Directors Regulation, the Corporate Bylaws or applicable law.

Initially, the Chief Executive Officer of IAG shall be Mr. William Walsh.

The Chief Executive is the top executive of IAG and, as such, shall take overall responsibility for the supervision and safe conduct of IAG's business and profitable operation in accordance with the policies, strategies and objectives established by the Board of Directors. In doing so, the Chief Executive Officer of IAG must:

(i) Report to and be responsible and accountable to the Board of Directors for the management and profitable operation of IAG.

(ii) Head IAG's management team, formulating clear business and financial strategies and policies, within the guidelines established by the Board of Directors, to promote growth, improve profitability and increase the value of IAG.

(iii) Oversee the preparation of operational and commercial plans that ensure the highest standards of operational safety and security and which underpin the business policies and strategies of IAG.

(iv) Develop an effective management strategy and put in place effective controls to ensure that proper business, financial safety and security practices exist which enable IAG to remain competent to secure the safe operation of the fleet.

(v) Formulate clear environmental and social responsibility policies, develop an effective management strategy and put in place effective controls to ensure that IAG is aware of and discharges its social and environmental responsibilities.

(vi) Adopt the necessary measures in order to achieve the objectives, strategies and policies of IAG.

(vii) Co-ordinate the activities of all elements of the business so that together they achieve the corporate objectives.

(viii) Report regularly to the Board on the running of the business so that the Board can measure performance against the policies, strategies and objectives established by the Board.

(ix) Keep the Chairman informed on all matters of importance concerning the running of IAG and to consult with the Chairman in advance of each Board meeting regarding matters of IAG strategy which are to be discussed at such Board meeting.

(x) Respond effectively to Board requests for assistance in matters relating to the IAG's business

(xi) Recommend and seek approval of the Remuneration Committee of the Board for executive management remuneration and incentive programmes.

(xii) Provide leadership advice and counsel to senior managers and supervise development programmes so as to achieve a superior performing company.

(xiii) Where appropriate, to act as the senior executive representative of IAG before public agencies and external bodies.

(xiv) To formulate the corporate communications strategy for IAG.

4.5 Board Advisory Committees

The Board of Directors shall initially have the following Committees:

(i) Audit and Compliance Committee, which will initially be comprised of four people: two independent Directors (one of whom shall be Chairman of the committee), one designated by Iberia and one designated by British Airways.

(ii) Nominations Committee, which will initially be comprised of four people: two independent Directors (one of whom shall be Chairman of the committee), one designated by Iberia and one designated by British Airways.

(iii) Remunerations Committee, which will initially have the same composition as the Nominations Committee.

(iv) Safety Committee which will initially be comprised of four people: one designated by Iberia, one designated by British Airways (who shall be Chairman of the committee), with the remaining two persons to be agreed between Iberia and British Airways.

4.6 Management team of IAG

IAG shall have a management team which shall be responsible for the day-to-day control and management of the Combined Group, in the ordinary course of business, including the delivery of the synergies expected from the merger and compliance with the first joint business plan. This management team will be responsible for implementing the resolutions approved by the Board of Directors of IAG.

The IAG management team will initially be comprised of the following persons:

(i) Chief Executive Officer of the Combined Group. Initially, Mr. William Walsh.

(ii) Chief Executive Officer of Iberia Operadora. Initially, Mr. Rafael Sánchez-Lozano.

(iii) Chief Executive Officer of British Airways. Initially, Mr. Keith Williams.

(iv) Chief Financial Officer of the Combined Group. Initially, Mr. Enrique Dupuy De Lome.

(v) Revenue Synergies Officer. Initially, Mr. Robert Boyle.

(vi) Cost Synergies Officer. Initially, Mr. Ignacio de Torres Zabala.

5. MISCELLANEOUS

5.1 Independent expert

Pursuant to article 34.1 of Law 3/2009, the directors of IAG, Iberia and BA Holdco will request the Madrid Mercantile Registry to designate a single independent expert to draw up a single report on this Merger Project and on the assets and liabilities transferred by Iberia and BA Holdco to IAG due to the merger.

5.2 Tax regime

The intended merger will avail itself of the tax regime envisaged in Chapter VIII of Part VII of the restated Spanish Corporate Income Tax Law approved by Royal Legislative Decree 4/2004 without prejudice that Iberia may exercise the waiving right set forth in section 84.2 of the Spanish Corporate Income Tax Law.

To such effect the above-mentioned tax regime will apply to this merger and, pursuant to article 96 of said Restated Law, the merger will be reported to the Ministry of Economy and Finance through the statutory procedure.

5.3 Conditions precedent and termination

The effectiveness of the intended merger will be subject to certain conditions precedent as described below.

The merger being the subject matter of this Project will be submitted for approval to the Shareholders' Meetings of Iberia, BA Holdco and IAG, as provided for in article 40 of Law 3/2009.

Nevertheless, such Shareholders' Meetings of the merging companies (as well as the Shareholders´ Meeting of British Airways) will not be called until certain conditions precedent are satisfied, including:

(i) The High Court of England and Wales having granted an order for the meeting of shareholders of British Airways to approve the scheme of arrangement described in section 1.3.2 above to be convened.

(ii) This Merger Project and the Hive Down Project having been deposited with the Madrid Mercantile Registry.

(iii) The independent experts appointed by the Madrid Mercantile Registry having issued the relevant reports in accordance with applicable law regarding the merger subject matter of this Project, the hive down described in section 1.3.1 above and the capital increase of BA Holdco described in section 1.3.2 above.

(iv) The Financial Services Authority of the United Kingdom (in its capacity as competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 and in the exercise of its functions in respect of the admission of securities to the official list otherwise than in accordance with Part VI of the Financial Services and Markets Act 2000, the "**UKLA**") having approved the circular in respect of the scheme of arrangement described in section 1.3.2 above to be dispatched to the BA Shareholders in accordance with the listing rules made under Part VI of the Financial Services and Markets Act 2000 (as set out in the FSA Handbook), as amended.

(v) Iberia having delivered written confirmation to British Airways, that it will not exercise its right to terminate the Merger Agreement based on the final and binding agreement (the "**Pensions Agreement**") reached by British Airways with the Trustees in relation to the technical provisions and deficit recovery plan attributable to the pension schemes of British Airways (with effect from 1 April 2009) on 21 June 2010, or such confirmation having been deemed to have been given pursuant to the terms of the Merger Agreement (as described below).

In this regard, Iberia is entitled to terminate the Merger Agreement if (i) the Pensions Agreement is challenged by the pensions regulator in the United Kingdom (the "**Pensions Regulator**") in the maximum period of three (3) months (or such shorter period as Iberia considers appropriate in its absolute discretion) as from the moment it is submitted to the Pensions Regulator or, as at the last day of such three month period (or such shorter period as Iberia considers appropriate in its absolute discretion) (the "**Pensions End Date**"), Iberia reasonably considers that the Pensions Regulator is likely to challenge such agreement; (ii) the Pensions Agreement is not satisfactory in the reasonable opinion of Iberia because it implies a materially detrimental modification of the economic premises of the merger between Iberia and British Airways; or (iii) prior to 30 June 2010 British Airways has disclosed to Iberia any applications to the Pensions Regulator for clearance under

sections 42 and 46 of the Pensions Act 2004 which in Iberia's reasonable opinion would result in a materially detrimental modification of the economic premises of the merger or any liability has been imposed or threatened by the Pensions Regulator on British Airways or any member of the British Airways Group under sections 38 to 51 of the Pensions Act 2004.

In the event that Iberia does not exercise such termination right, then Iberia shall deliver to British Airways no later than five business days following the Pensions End Date written confirmation that it will not exercise its right to terminate the Merger Agreement. In the event that Iberia does not deliver such confirmation on or before the end of such five business day period or terminate the Merger Agreement pursuant to the immediately preceding paragraph, then Iberia will be deemed to have made such confirmation to British Airways and the condition set out in this section shall be deemed to have been satisfied.

(vi) The European Commission having issued a decision under either Article 6 or Article 8 of Council Regulation (EC) nº 139/2004 of 20 January 2004 on the control of concentrations between undertakings (the EU Merger Regulation) (or having been deemed to have done so under such regulation), declaring either that the merger of Iberia and BA is compatible with the internal market, or that the merger is compatible with the internal market subject to such conditions or undertakings as are reasonably satisfactory to Iberia and British Airways.

(vii) Regulatory clearance in respect of the merger having been obtained from the Federal Trade Commission under the Hart-Scott Rodino Antitrust Improvements Act 1976 subject to such conditions or undertakings as are reasonably satisfactory to each of the parties.

Once such conditions are satisfied and all corporate authorisations have been obtained, the effectiveness of the intended merger will be subject to the execution of the public deed of merger and subsequent registration of such public deed before the Madrid Mercantile Registry. In accordance with the terms of the Merger Agreement the execution of the public deed of merger and the subsequent filing of such public deed for registration before the Madrid Mercantile Registry will be subject to the following conditions precedent:

(i) Approval of the scheme of arrangement described in section 1.3.2 above, by a majority in number of the BA Shareholders present and voting (and entitled to vote and, for the avoidance of doubt, excluding Iberia) either in person or by proxy representing not less than 75 per cent. in value of the British Airways shares held by such BA Shareholders, as well as the High Court of England and Wales having made an order sanctioning such scheme

of arrangement and such order having been filed with the Registrar of Companies for England and Wales.

(ii) Approval of each of the general meeting resolutions (including the merger being subject matter of this Project) by the requisite majority at the general meetings of Iberia and British Airways, and of a separate class resolution by the requisite majority at a separate class meeting of British Airways shareholders, necessary or desirable to be passed in order to implement the merger in accordance with the terms of the Merger Agreement.

(iii) Each of the creditor protection periods applicable, pursuant to Spanish law, to the merger subject matter of this Project and the hive down described in section 1.3.1 above, having expired without a creditor lodging an objection to the hive down or the merger which either by itself, or when taken together with any other objections to the hive down or the merger lodged by creditors, would, if the amounts to which such objections relate were guaranteed in accordance with Spanish law, in either Iberia's or British Airways' reasonable opinion result in a material financial cost to the Combined Group.

(iv) The UKLA having agreed to admit the shares of IAG to be issued pursuant to the merger which is the subject matter of this Project to the official list of the UKLA; and the London Stock Exchange having agreed to admit such shares to trading on its market for listed securities.

This Merger Project will terminate automatically in the event that the Merger Agreement is terminated in accordance with its terms.

* * *

In witness whereof, for the appropriate legal purposes, the Directors of the merging companies have signed this Merger Project. It is expressly placed on record that Mr. Keith Williams and Mr. Roger Paul Maynard, proprietary directors of Iberia designated by British Airways, refrained from participating in the deliberation of the Board of Directors of Iberia on this Merger Project on grounds of a potential conflict of interest and, accordingly, have not signed it in their capacity as directors of Iberia.

Additionally, it is placed on record that Valoración y Control, S.L., director of Iberia, has not signed the Merger Project as its natural person representative, Mr. José Manuel Serra Peris, was absent on the signing date of this document.

For INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. (Surviving company)

In Madrid, on 29 June 2010.

_____	_____
Mr. Antonio Vázquez Romero	Mr. Martin Faulkner Broughton
_____	_____
Mr. William Matthew Walsh	Mr. Rafael Sánchez-Lozano Turmo

For IBERIA, LÍNEAS AÉREAS DE ESPAÑA, S.A. (Non-surviving company)

In Madrid, on 24 June 2010, effective as of 29 June 2010.

Mr. Antonio Vázquez Romero	Mr. Rodrigo de Rato Figaredo
Mr. Rafael Sánchez-Lozano Turmo	Mr. Felipe Benjumea Llorente
Mr. José Manuel Fernández Norniella	Mr. José Pedro Pérez-Llorca
Inmogestión y Patrimonios, S.A. Represented by Mr. Javier Gómez-Navarro Navarrete	Mr. Antonio Masa Godoy
Mr. Jorge Pont Sánchez	Mr. José B. Terceiro Lomba

For BA HOLDCO, S.A. (Non-surviving company)

In Madrid, on 29 June 2010.

_____	_____
Mr. Martin Faulkner Broughton	Mr. William Matthew Walsh
_____	_____
Mr. Keith Williams	Mr. Roger Paul Maynard

SCHEDULE 1

IAG BYLAWS

CORPORATE BYLAWS OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

TITLE I
NAME, CORPORATE PURPOSE, TERM, REGISTERED OFFICE

Article 1. Name

1. The Company is called INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A.

2. The Company shall be governed by these bylaws (the "**Corporate Bylaws**"), by the provisions of the legal regime governing corporations and by any other applicable legislation.

3. For the purpose of these Corporate Bylaws, terms used but not defined herein shall have the meanings ascribed to them in the sole additional provision to these Corporate Bylaws.

Article 2. Corporate purpose

The Company's corporate purpose comprises the following activities:

1. The management and administration of the securities representing the equity of resident and non-resident entities in the territory of Spain by the relevant organisation of material and human resources.

2. The operation of services for the transportation by air of passengers, cargo of any kind whatsoever and mail.

3. The operation of aircraft, passenger, cargo and mail technical, operational and commercial handling services.

4. The operation of technological assistance and consultancy services relating to aeronautics, airports and air transportation.

5. The operation and development of computerised booking systems and other services relating to air transportation.

6. The operation of aircraft airframe, engine, instrument and ancillary equipment maintenance services.

7. The operation of commercial aviation training and instruction services.

8. The operation of any frequent flyer and other customer loyalty or membership

programme, including the establishment of any affiliate arrangements with third party service or product providers in connection with any such frequent flyer and other customer loyalty or membership programme.

9. The operation of any travel or communications business or services, or any other business or services involving, connected with, or ancillary thereto, including but not limited to hotels, vehicle hire services, parking services and retail services.

All activities comprising the corporate purpose described above may be pursued in Spain, the United Kingdom and elsewhere in the world, and may be pursued directly, in whole or in part, by the Company or indirectly through the holding of shares or interests in companies or other legal entities, whether incorporated in Spain or in any other jurisdiction, with an identical or similar purpose. In particular, the Company shall pursue its activities through the holding, directly or indirectly, of shares in the airlines Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora and British Airways plc.

Under no circumstances may the Company pursue any activities typical of collective investment undertakings and institutions, banks or other financial institutions, or the mediation and other activities exclusively entrusted by the Securities Market Law to various operators in the market.

If any professional qualification, administrative authority or registration at public registries is required by applicable law for the pursuit of any of the activities comprising the corporate purpose set out in this Article, such activities must be performed by a duly qualified person and, as the case may be, such activities may not be commenced until the relevant administrative requirements are met.

Article 3. Term

The Company is formed for an indefinite term, having commenced operations on the date of formalisation of the incorporation public deed.

Article 4. Registered office and branches

1. The registered office is in Madrid, at calle Velázquez 130 (28006) and the Board of Directors may resolve, in accordance with the legal provisions in force, upon its relocation within the municipality of Madrid.

2. The Board of Directors may also resolve upon the creation, closure or relocation of branches, agencies, offices, representative offices or establishments as it sees fit, including outside Spain.

TITLE II
SHARE CAPITAL AND SHARES

Article 5. Share capital

The share capital of the Company is €[●], divided into [●] fully subscribed and paid-in common shares of a single class and series, each with a par value of Euro 0.50.

Article 6. Representation of the shares

1. The shares shall be represented by book entries and shall be regulated by the provisions of Securities Market Law and other applicable legal provisions.

2. The Company shall acknowledge the authorized party appearing on the entries of the corresponding register of book entries as a shareholder of the Company, with the rights attributed to such status in these Corporate Bylaws and in accordance with applicable legislation.

3. Since the corporate purpose of the Company includes the operation of services for the transportation by air of passengers, cargo of any kind whatsoever and mail, directly or indirectly through the holding of shares or interests in companies or other legal entities, Spanish or foreign, with an identical or similar purpose, including through the holding of shares in the airline operating companies Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora and British Airways plc, which each hold air operating licenses and rights granted pursuant to applicable law, the capital stock of the Company shall be represented by registered shares (*acciones nominativas*) in which the nationality of the shareholder shall be expressly stated as established in Article 86 of Law 14/2000.

4. No person will be registered as a holder of any share in the Company unless the relevant information relating to nationality of the holder and any person who is the beneficial owner of, or who has an interest in, such share has been received. The Board of Directors may determine from time to time the nature of such information which is required and the method by which such information shall be notified to the Company.

5. If the Board of Directors refuses to register a transfer of a share it shall, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferee. Any instrument of transfer which the Board of Directors refuses to register shall (except in the case of suspected or actual fraud) be returned to the person depositing it.

Article 7. Rights and obligations of shareholders

1. Each share in the Company confers on its legitimate holder the status of shareholder and the rights recognized by applicable law and these Corporate

Bylaws.

2. All Company shareholders, in their capacity as shareholders, shall have the following obligations:

   a) To be subject to these Corporate Bylaws and the resolutions of the Shareholders' Meeting, the Board of Directors and other governing and managing bodies of the Company, without prejudice to the shareholder's right to contest as established by applicable law.

   b) To notify the Company of any acquisition or disposal of shares or of any interest in the shares of the Company that directly or indirectly entails the acquisition or disposal of a stake of over 0.25 percent of the Company's capital stock, or of the voting rights corresponding thereto, expressly indicating the nationality of the transferor and/or the transferee obliged to notify, as well as the creation of any charges on shares (or interests in shares) or other encumbrances whatsoever, for the purposes of the exercise of the rights conferred by them.

   c) In the event that a person or entity who appears to be owner on the entries of the accounting register of book entries holds such authority in a fiduciary or other capacity, the Company may require such person or entity to disclose both the identity of the actual or beneficial owners of the shares involved or the persons having an interest in the shares involved and any transfers of, and the creation of any charges on, such shares (or interests in shares).

   d) To comply in a timely manner with the disclosure obligations on share ownership set forth in Articles 10 and 11 of these Corporate Bylaws.

   e) And, in general, to comply with any other obligation imposed by applicable law or these Corporate Bylaws.

3. Ownership of the shares implies compliance with these Corporate Bylaws and submission to the decisions of the governing and managing bodies of the Company adopted within the scope of their powers and in due form.

Article 8. Share co-ownership and rights *in rem*

1. The shares are indivisible. Co-owners of shares must designate a single person for the exercise of the shareholder rights and shall be jointly and severally liable to the Company for all obligations deriving from their status as shareholders. The same rule shall apply to other cases of joint title to the rights in any shares.

2. In the event of a usufruct on shares, the status of shareholder lies with the bare owner but the usufructuary shall be entitled, in all cases, to the dividends resolved on by the Company during the usufruct.

3. In the event of a pledge on shares, the shareholder rights shall correspond to the owner of the shares, with the pledgee being obliged to facilitate the exercise of such rights.

Article 9. Transfer of shares

1. Shares may be transferred in accordance with the provisions of the legislation in force and these Corporate Bylaws.

2. In particular, all shareholders must comply with the obligation imposed in Article 7.2 (b) of these Corporate Bylaws in respect of share transfers.

Article 10. Disclosure obligations on share ownership

Since the corporate purpose of the Company includes the operation of services for the transportation by air of passengers, cargo of any kind whatsoever and mail, directly or indirectly through the holding of shares or interests in Operating Affiliates, the following disclosure regime applies:

10.1. The Company may by notice in writing (in this Article, a "**Disclosure Notice**") require any shareholder or any other person with a confirmed or apparent, interest in shares of the Company to disclose to the Company in writing such information as the Company shall require relating to the beneficial ownership of or any interest in the shares in question as lies within the knowledge of such shareholder or other person (supported if the Company so requires by a statutory or notarial declaration and/or by independent evidence) including (without prejudice to the generality of the foregoing) any information which the Company shall deem necessary or desirable in order to determine whether any shares are Relevant Non-EU Shares or are capable of being Affected Shares or whether it is necessary to take steps in order to protect an Operating Right of the Company or any Operating Affiliate or otherwise in relation to the application or potential application of Article 11.

10.2. The Company may give a Disclosure Notice pursuant to Article 10.1 above at any time and the Company may give one or more than one such notice to the same shareholder or other person in respect of the same shares or interest in shares.

10.3. Where the shareholder on which a Disclosure Notice is served is a Depositary acting in its capacity as such, the obligations of the Depositary, as a shareholder pursuant to Article 10.1, shall be limited to disclosing to the Company in accordance with Article 10.1 such information relating to the ownership of, or any interests in, the shares in question as has been recorded by it pursuant to the terms entered into between the Depositary and the Company; provided that nothing in this Article 10.3 shall in any other way restrict the powers of the Company under this Article 10.

10.4. The provisions of Article 11.16 shall apply, mutatis mutandis, to the service of notices pursuant to this Article.

10.5. If any shareholder or any other person with a confirmed or apparent interest in shares of the Company held by such shareholder, has been duly served with a Disclosure Notice under this Article and is in default for the Prescribed Period in supplying to the Company the information thereby required or, in purported compliance with such a notice, has made a statement which is false or inadequate in a material particular, then the Board of Directors may agree at any time thereafter to issue a notice (a "**Direction Notice**") to such shareholder directing that in respect of the shares in relation to which the default has occurred (the "**Default Shares**") the relevant shareholder will not be entitled to exercise any voting rights at any Shareholders' Meeting (whether in person or by proxy) or any other political rights, including but not limited to the right to attend and speak at Shareholders' Meetings.

10.6. Where the Default Shares represent at least 0.25 percent of the Company's capital stock in nominal value, then the Direction Notice may additionally direct that subject to Article 10.7, no transfer of any Default Share held by such member shall be registered unless:

(i) the shareholder is not himself in default as regards supplying the information required; and

(ii) the transfer is of part only of the shareholder's holding and when presented for registration is accompanied by a certificate by the shareholder in a form satisfactory to the Board of Directors to the effect that after due and careful enquiry, the member is satisfied that none of the shares the subject of the transfer is a Default Share.

10.7. Any Direction Notice shall have effect in accordance with its terms for so long as the default in respect of which the Direction Notice was issued continues but shall cease to have effect thereafter upon the Company so determining (such determination to be made within a period of one week of the default being duly remedied with written notice thereof being given forthwith to the shareholder). Any Direction Notice shall cease to have effect in relation to any Default Shares which are transferred by such shareholder by means of transfer effected in accordance with the terms of these Corporate Bylaws, provided that the transfer results from a sale made through a stock exchange on which the Company's shares or interests in shares are traded or the directors are satisfied that the transfer involves the sale of the whole of the beneficial ownership of the shares and interest in shares to a party unconnected either with the shareholder or with other persons interested or appearing to be interested in such shares.

Article 11. Limitations on share ownership

11.1. The purpose of this Article is to ensure that so long as and to the extent that the holding or enjoyment by the Company or any Operating Affiliate of any Operating Right is conditional on the Company being to any degree owned or controlled by EU Nationals pursuant to applicable law or by applicable bilateral air transport agreements, the Company is so owned and controlled.

In addition, the purpose of this Article is to assist in preserving the exercise of the traffic rights by certain Operating Affiliates derived from the bilateral air treaties signed by the United Kingdom and Spain, as applicable.

11.2. The Company shall maintain, in addition to the registered shares book (*libro registro de acciones nominativas*):

11.2.1 a Separate Non-EU Register, in which shall be entered particulars of any share which:

(a) has been acknowledged by the holder, whether pursuant to the information provided in accordance with Article 6.4 or Article 11.4 or otherwise, to be a Relevant Non-EU Share; or

(b) has been declared to be a Relevant Non-EU Share pursuant to Article 11.5; or

(c) the Board of Directors otherwise determines to be included in the Separate Non-EU Register in accordance with the provisions of these Articles,

and, in either case, has not ceased to be a Relevant Non-EU Share.

11.2.2 a Separate UK Register, in which shall be entered particulars of any share which:

(a) has been acknowledged by the holder, whether pursuant to the information provided in accordance with Article 6.4 or otherwise, to be a Relevant UK Share;

(b) has been declared to be a Relevant UK Share pursuant to Article 11.5,

and, in either case, has not ceased to be a Relevant UK Share.

11.2.3 a Separate Spanish Register, in which shall be entered particulars of any share which:

(a) has been acknowledged by the holder, whether pursuant to the

information provided in accordance with Article 6.4 or otherwise, to be a Relevant Spanish Share; or

(b) has been declared to be a Relevant Spanish Share pursuant to Article 11.5,

and, in either case, has not ceased to be a Relevant Spanish Share.

For the avoidance of doubt, each of the Separate Non-EU Register, Separate UK Register, Separate Spanish Register and registered share book shall be kept and maintained in Spain.

11.3. The particulars entered on the Separate Non-EU Register in respect of any share shall comprise, in addition to the identity of the holder or joint holders or the person for the benefit of whom the Depositary holds the shares, such information as has been requested by and supplied to the Company (including, where applicable, the name and nationality of any person having an interest in such share and the nature and extent of such interest) pursuant to Article 6.4 or Article 11.4 or otherwise or, if no such information has been supplied, such information as the Board of Directors considers appropriate. The Board of Directors may from time to time (if it so determines) cause to be entered in the Separate Non-EU Register particulars of any share in respect of which (i) the holder or any joint holder has not made a declaration as to whether the share is a Relevant Non-EU Share and (ii) all or some specified number of Depositary Shares in respect of which Depositary Receipts have been issued by a Depositary (and any number so specified may from time to time be varied by the Board of Directors) and the Depositary has not made a declaration as to whether such shares are Relevant Non-EU Shares.

11.4. Each registered holder of a share which has not been acknowledged to be a Relevant Non-EU Share, a Relevant UK Share or a Relevant Spanish Share who becomes aware that such share is or has become a Relevant Non-EU Share, a Relevant UK Share or, as the case may be, a Relevant Spanish Share shall forthwith notify the Company accordingly, specifying whether such share is or has become a Relevant Non-EU Share, a Relevant UK Share or a Relevant Spanish Share.

11.5. Whether or not a Disclosure Notice pursuant to Article 10 has been given, the Company may, and if at any time it appears to the Board of Directors that a share, particulars of which have not been entered in the Separate Non-EU Register, is likely to be a Relevant Non-EU Share shall, give notice in writing to the registered holder thereof or to any other person with a confirmed or apparent interest in that share requiring such person to show to their satisfaction that such a share is not a Relevant Non-EU Share. Any person on whom such notice has been served and any other person with an interest in such share may within twenty-one days thereafter (or such longer period as the Company may consider

reasonable) make representations to the Company including any relevant supporting evidence as to why such a share should not be treated as a Relevant Non-EU Share but if, after considering such representations and such other information as seems to it to be relevant, the Company is not so satisfied, the Company shall declare such share to be a Relevant Non-EU Share and such share shall be treated as such.

The Board of Directors will be entitled to follow the same process described in this Article 11.5 to determine if a share is considered, or not, to be a Relevant Spanish Share or a Relevant UK Share.

11.6. The Company shall remove from the Separate Non-EU Register particulars of any Relevant Non-EU Share if there has been furnished to the Board of Directors a declaration (in such form as the Board of Directors may from time to time prescribe) by the holder of such Relevant Non-EU Share, together with such other evidence as the Board of Directors may require, which satisfies the Board of Directors that such share is no longer a Relevant Non-EU Share.

The Board of Directors shall be entitled to follow the same process described in this Article 11.6 in connection with the removal of a Relevant UK Share from the Separate UK Register or, as the case may be, the removal of a Relevant Spanish Share from the Separate Spanish Register.

11.7. The provisions of Article 11.8 below shall apply where the Board of Directors determines that it is necessary or desirable to take steps in order to protect any Operating Right of the Company or any Operating Affiliate by reason of the fact that:

a) an Intervening Act has taken place;

b) an Intervening Act is contemplated, threatened or intended;

c) the aggregate number of Relevant Non-EU Shares particulars of which are entered in the Separate Non-EU Register is such that an Intervening Act may occur or be contemplated, threatened or intended; or

d) the ownership or control of the Company is otherwise such that an Intervening Act may occur or be contemplated, threatened or intended.

11.8. Where a determination has been made under Article 11.7, the Board of Directors shall take such of the following steps, either immediately upon such determination having being made or at any time or times thereafter, as necessary or desirable to overcome, prevent or avoid an Intervening Act or the risk of an Intervening Act:

a) the Board of Directors may seek to identify, in accordance with Article

11.13 below, those shares or Relevant Non-EU Shares the holding or interests in which gave rise or contributed to the determination, or would, if details thereof had been entered on the relevant Separate Non-EU Register at the relevant time, have given rise to a determination, and to deal with such shares as Affected Shares; and/or

b) the Board of Directors may specify a Permitted Maximum of Relevant Non-EU Shares or vary any Permitted Maximum previously specified, provided that at no time shall any Permitted Maximum be less than 40% of the Company's capital stock and, at any time when the aggregate number of Relevant Non-EU Shares of which particulars are entered in the relevant Separate Non-EU Register exceeds any Permitted Maximum applying for the time being, the Board of Directors may deal with such of the Relevant Non-EU Shares as it decides are in excess of such Permitted Maximum as Affected Shares. Nevertheless, the Board of Directors may not specify a Permitted Maximum that is below the aggregate number of Relevant Non-EU Shares of which particulars are entered in the relevant Separate Non-EU Register at the time of specifying or varying such Permitted Maximum.

Where a determination has been made under Article 11.7, the Board of Directors must notify such circumstance to the stock exchange governing companies, the Spanish National Securities Market Commission and the regulatory bodies of the other securities markets in which the shares are listed, where appropriate, for the purposes of due disclosure and so that such institutions may notify such circumstance to the investment services firms and credit institutions authorized to provide investment services. In turn, such circumstance shall also be notified to the Spanish Ministry of Development through the Directorate-General of Civil Aviation, the United Kingdom Civil Aviation Authority and the other competent authorities regarding the Operating Rights held or enjoyed by the Operating Affiliates, as applicable. Once such circumstance has been duly notified, no acquisitions or transfers of shares with or between Relevant Non-EU Persons may take place unless accompanied by a certificate issued by the Board of Directors evidencing that the acquisition or transfer does not exceed the Permitted Maximum.

Additionally, at any time when the Board of Directors has resolved to specify a Permitted Maximum or to deal with any shares as Affected Shares, they shall publish a notice of such resolution under Article 11.7 and of any Permitted Maximum which has been specified, together with a statement of the provisions of this Article 11 which apply to the Affected Shares and the name of the person or persons who will answer enquiries relating to the Affected Shares on behalf of the Company, within two Business Days of the making of any such resolution, in such manner as is prescribed for the making of announcements under the rules and regulations of each stock exchange on which shares or

securities evidencing the right to receive shares are, at the instigation of the Company, listed, quoted or dealt in as at the date of making of such resolution. At other times, the Board of Directors shall from time to time so publish information as to the number of shares, particulars of which have been entered in the Separate Non-EU Register.

11.9. The Board of Directors shall give an Affected Share Notice to the registered holder of any share which they determine to deal with as an Affected Share and/or to any other person with a confirmed or apparent interest in that share and shall state which (if not all) of the provisions of Articles 11.9 to 11.11 (all of which shall be set out in the relevant notice) are to be applied forthwith in respect of such Affected Share. The Board of Directors shall be entitled from time to time to serve further Affected Share Notices in respect of any Affected Share applying further provisions of Articles 11.9 to 11.11. The registered holder of a share in respect of which an Affected Share Notice has been served may make representations to the Board of Directors as to why such share should not be treated as an Affected Share and if, after considering such representations and such other information as seems to them relevant, the Board of Directors considers that the share should not be treated as an Affected Share, they shall forthwith withdraw the Affected Share Notice served in respect of such share and the provisions of Articles 11.9 to 11.11 shall no longer apply to it. For the avoidance of doubt, any share which the Board of Directors determines to deal with as an Affected Share shall continue to be an Affected Share unless and until the Board of Directors withdraws the Affected Share Notice relating thereto.

11.10. If the Board of Directors decides to serve an Affected Share Notice and to deal with certain shares as Affected Shares pursuant to the provisions of Article 11, the Board of Directors may agree on the suspension of the voting rights and the other political rights (including, but not limited to, the right to attend and speak at Shareholders' Meetings) corresponding to such Affected Shares in respect of which an Affected Share Notice has been served.

11.11. Additionally, if the Board of Directors decides to serve an Affected Share Notice and to deal with certain shares as Affected Shares pursuant to the provisions of Article 11, the persons on whom an Affected Share Notice has been served shall, within ten (10) Business Days of receiving such Affected Share Notice (or such longer period as may in such notice be prescribed by the Board of Directors), make an Affected Share Disposal so that no Relevant Non-EU Person holds, directly or indirectly, or has an interest in that share and, upon such Affected Share Disposal being made to the satisfaction of the Board of Directors, such Affected Share shall cease to be a Relevant Non-EU Share.

11.12. If, after ten (10) Business Days from the date of service on the registered holder of an Affected Share of an Affected Share Notice (or such longer period as the Board of Directors may have prescribed), the Board Directors are not satisfied that an Affected Share Disposal has been made of the Affected Share the subject

thereof, the Board of Directors may cause the Company to acquire the Affected Share (for its subsequent redemption, if applicable), in accordance with applicable law, acquiring the Affected Share at the lower price between: (a) the book value of the Affected Share according to the latest published audited balance sheet of the Company and (b) the middle market quotation for an ordinary share of the Company as derived from the London Stock Exchange's Daily Official List for the Business Day on which the acquisition of such Affected Share by the Relevant Non-EU Person took place.

11.13. In deciding which shares are to be dealt with as Affected Shares, the Board of Directors shall, where applicable, be entitled to have regard to the Relevant Non-EU Shares which have directly or indirectly caused or contributed to the determination under Article 11.7 but subject thereto shall, so far as practicable, have regard to the chronological order in which particulars of Relevant Non-EU Shares have been, or are to be, entered in the relevant Separate Non-EU Register (and accordingly treat as Affected Shares those Relevant Non-EU Shares which have been acquired, or details of which have been entered in the relevant Separate Non-EU Register, most recently) save in circumstances where the application of such criterion would be inequitable or would be likely to result for any reason in the exercise of the Board of Directors' powers under this Article 11 being illegal or unenforceable, in which event the Board of Directors shall apply such other criterion or criteria as they may, in their absolute discretion, consider appropriate.

11.14. The transfer of any share shall be subject to the approval of the Board of Directors if, in the opinion of the Board of Directors, such share would upon transfer become, or would be capable of being treated as, or would continue or be capable of continuing to be capable of being treated as, an Affected Share and the Board of Directors may refuse to register the transfer of any such share.

11.15. Subject to the provisions of this Article:

a) the Board of Directors shall be entitled to assume without enquiry that all shares are neither Relevant Non-EU Shares (other than those shares particulars of which are entered in the Separate Non-EU Register) nor shares which would be or be capable of being treated as Affected Shares if a determination under Article 11.7 were to be made; and

b) the Board of Directors shall be entitled to assume that all or some specified number of the shares (as they may determine) are Relevant Non-EU Shares if they are (or any interest in them is) held by a Depositary unless and for so long as, in respect of any such shares, it is established to their satisfaction that such shares are not Relevant Non-EU Shares.

11.16. The Board of Directors shall not be obliged to serve any notice required under this Article upon any person if they do not know either his identity or address.

The absence of service in such circumstances as aforesaid and any accidental error in or failure to give any notice to any person upon whom notice is required to be served under this Article 11 shall not prevent the implementation of or invalidate any procedure under this Article 11.

11.17. Any powers, rights or duties conferred by this Article on the Board of Directors can be exercised by a duly authorized committee established by the Board of Directors.

11.18. Without prejudice to the applicable legal obligations of the Company that must be duly complied with, none of the Separate Non-EU Register, the Separate UK Register or the Separate Spanish Register will be available for inspection by any person, but the Company shall provide persons who make enquiries which the Board of Directors determine to be bona fide with information as to the aggregate number of shares of which particulars are from time to time entered in the Separate Non-EU Register.

11.19. If, at any time when a determination under Article 11.7 has been made and not withdrawn, any person enquires of the Board of Directors whether the aggregate number of Relevant Non-EU Shares exceeds any Permitted Maximum applying for the time being, or whether any shares in the Company which such person proposes to purchase or in which such person proposes to acquire a share or an interest in a share would in the opinion of the Board of Directors upon such purchase or acquisition become or be capable of becoming or being treated as Affected Shares, whether by reason of any Permitted Maximum being exceeded or otherwise, the Board of Directors shall, on sufficient information being given to them to enable them to answer the enquiry, notify the enquirer whether in their opinion the shares would become or be capable of becoming Affected Shares if he were to acquire them or an interest in them. Notwithstanding the foregoing, any such notification shall not be binding on the Board of Directors or the Company and shall not prevent such shares being subsequently identified as Affected Shares, and the Board of Directors and the Company shall not (in the absence of fraud) be liable in any way if such shares subsequently become Affected Shares.

11.20. The provisions of Article 11.8 shall apply until such time as the Board of Directors have resolved that grounds for the making of a determination under Article 11.7 have ceased to exist and the Board of Directors shall thereupon withdraw such determination.

On withdrawal of the determination, the Board of Directors shall cease to act pursuant to such determination and shall remove any Permitted Maximum that they may have specified and shall inform every person on whom an Affected Share Notice has been served in respect of an Affected Share which has not yet been transferred or sold by the Company in accordance with Articles 11.11 and 11.12 that the provisions of Articles 11.10 to 11.12 no longer apply in respect of

such share (which on such withdrawal shall cease to be an Affected Share). However, the withdrawal of such a determination shall not affect the validity of any action taken by the Company or the Board of Directors, as the case may be, under this Article whilst that determination remained in effect. The Board of Directors shall publicise the withdrawal of any determination the existence of which has been publicised under the last paragraph of Article 11.8 in the same manner as they are required to publicise its existence under such provision.

Article 12. Capital increase

Capital may be increased by either issuing new shares or increasing the nominal value of existing shares. In either case, the exchange value of any capital increase may in turn consist in either new money or non-money contributions to the Company's net worth including the offsetting of the Company's credits or the conversion of reserves or profits included in such net worth.

Article 13. Delegation of powers to the Board of Directors in respect of capital increases

The Shareholders' Meeting may in compliance with applicable requirements for the amendment of these Corporate Bylaws, delegate the following powers to the Board of Directors:

1. After a resolution has been passed to increase the Company's share capital in a certain amount, the following powers:

    a) To execute such a resolution within a maximum of one year, except for a conversion of bonds into shares.

    b) To fix the date for the increase to be carried out in an amount as agreed upon.

    c) To fix the starting and closing dates for the period to subscribe for shares.

    d) To issue the shares into which the capital increase will be divided.

    e) To declare the amount of shares subscribed for in respect of such a capital increase.

    f) To demand payment of calls on shares.

    g) To amend Article 5 of these Corporate Bylaws relating to share capital so that the new amount deriving from the increase may be stated as a result of the shares actually subscribed for.

    h) In general terms, to establish the terms of any capital increase in any respects not provided for by the Shareholders' Meeting's appropriate resolution.

2. The power to decide to increase the Company's share capital one or more times up to a certain sum at such a time or times and in such an amount or amounts as the Board of Directors may deem fit without previously consulting with the Shareholders' Meeting. Where the Shareholders' Meeting delegates such power, it may also delegate the power to exclude any pre-emptive subscription right in relation to delegated share capital increases, in accordance with applicable law.

   In no case shall any such increase exceed fifty percent of the Company's share capital existing at the time of the authorisation. Any such increase shall be carried out by means of money contributions within a maximum of five years from the adoption of the applicable resolution by the Shareholders' Meeting.

   In such an event, the Board of Directors shall also be empowered to redraft the Articles of these Corporate Bylaws relating to share capital, after an increase will have been decided and carried out.

Article 14. Preferential right over new issues and the sale of treasury shares

In the event of capital increases involving the issuance of new ordinary or preference shares against cash contributions, existing shareholders may, within the time limit allowed by the Board of Directors for such a purpose which shall not be less than the minimum time limit provided for by Article 158 of the Spanish Corporations Law, exercise their right to subscribe for a number of such new shares in proportion to the nominal value of the shares held by them.

The Board of Directors may replace the publication of the notice offering new shares with a written notice sent to each shareholder and usufructuary entered in the registered shares book. In such a case, the period allowed to subscribe for new shares shall count from the date of dispatch of such a notice. Preferential rights over new issues may be transferred on the same terms as the shares such rights derive from. In the event of a capital increase against reserves, the same rules shall apply to the allotment of new share rights on a free basis.

In the event that the Company intends to sell shares of the Company held in treasury for cash (other than to or for the purposes of the employee share schemes of the Company or the Group), such shares shall be first offered to existing shareholders of the Company in proportion to the nominal value of shares held by them, and the other provisions of this Article 14 shall apply (to the extent applicable) mutatis mutandi.

Article 15. Exclusion from preferential right over new issues

When deciding upon a capital increase, the Shareholders' Meeting may upon compliance with the legal requirements laid down by Article 159 of the Spanish Corporations Law, withdraw the preferential right over new issues in whole or in part if the Company's interests so demand.

Article 16. Capital reduction

A resolution to reduce the Company's share capital may be passed by the Shareholders' Meeting provided that any requirements imposed by the Spanish Corporations Law shall be met. The purpose of any such reduction may be to return capital investments, write off calls on shares, make or increase legal or voluntary reserves or redress the balance between the Company's share capital and net worth diminished as a result of losses.

The Company's share capital shall be mandatorily reduced where losses shall diminish the Company's corporate assets (*patrimonio neto*) below two thirds of the amount of the Company's share capital and one economic year shall have elapsed without such losses having been recouped.

TITLE III
CORPORATE BODIES

Section 1 Shareholders' Meeting

Article 17. Shareholders' Meeting

1. The shareholders, at a duly convened Shareholders' Meeting, shall decide by the majorities required in each case on the matters falling within the competencies of the Shareholders' Meeting.

2. Duly adopted Shareholders' Meeting resolutions shall be binding on all shareholders, including absent shareholders, dissenting shareholders, shareholders that abstain from voting and those with no right to vote, without prejudice to any right to contest the relevant resolution to which a shareholder may be entitled.

3. The Shareholders' Meeting shall be governed by the provisions of these Corporate Bylaws, the Shareholders' Meeting Regulations and the provisions of applicable law.

Article 18. Competencies of the Shareholders' Meeting

1. The Shareholders' Meeting shall decide on the matters attributed to it by these Corporate Bylaws, the Shareholders' Meeting Regulations and applicable law.

2. The Shareholders' Meeting shall also decide on any other matter submitted for its consideration by the Board of Directors.

Article 19. Ordinary Shareholders' Meeting

1. The ordinary Shareholders' Meeting, previously called for such purpose, must meet

within the first six months of each year in order to appraise corporate management, approve, as the case may be, the previous year's annual accounts and decide on the allocation of income. It may also adopt resolutions on any other matter falling within the competencies of the Shareholders' Meeting, provided that the matter is included on the agenda and that the capital attendance requirements established by these Corporate Bylaws and applicable law are met.

2. The ordinary Shareholders' Meeting shall be valid even where it is called or held outside the stipulated time period.

Article 20. Extraordinary Shareholders' Meeting

Any Shareholders' Meeting other than that provided for in the preceding Article shall be deemed to be an extraordinary Shareholders' Meeting and shall be held at any time of the year when the Board of Directors deems appropriate.

Article 21. Call of the Shareholders' Meeting

1. The Shareholders' Meeting must be called by the Board of Directors by way of a notice published in the Official Gazette and in one of the largest circulation newspapers in the province of Madrid at least one (1) month in advance of the date scheduled for the Shareholders' Meeting, unless the applicable law establishes a mandatory longer notice period for a particular resolution.

2. The call notice must contain all information required by applicable law in each case and stipulate the date, venue and time of the Shareholders' Meeting on first call and all items to be discussed. The call notice may also state the date of the Shareholders' Meeting on second call, if appropriate. At least 24 hours shall be allowed to elapse between the Shareholders' Meetings on first and second call.

   The call notice of the Shareholders' Meeting shall contain (i) a description of the procedures that shareholders must comply with in order to be able to participate and to cast their vote in the Shareholders' Meeting, as well as (ii) a reference to the right of information of the shareholders and (iii) the right of the shareholders to put items on the agenda of the Shareholders' Meeting and to draft resolutions for items included on the agenda of the Shareholders' Meeting, all of the foregoing in accordance with applicable law. Likewise, the Company shall indicate the availability on the website of the Company of the forms to be used to vote by proxy and to vote by correspondence.

   Finally, the call notice of the Shareholders' Meeting shall indicate how to obtain the necessary information to prepare for the Shareholders' Meeting, specifying the website of the Company, where and how to obtain the full text of the documents and the draft resolutions to be voted on at the Shareholders' Meeting.

3. Shareholders representing at least five (5) percent of the aggregate nominal value of the capital stock of the Company may request that a supplementary call notice for a

Shareholders' Meeting be published, adding one or more further items to the agenda. This right must be exercised by serving a duly authenticated notice (*notificación fehaciente*) at the registered office of the Company within five (5) days of the publication of the call notice for the relevant Shareholders' Meeting. The supplementary call notice must be published by the Company at least fifteen (15) days in advance of the date scheduled for the Shareholders' Meeting.

4. The Shareholders' Meeting may not debate or decide upon matters not included on the agenda, unless otherwise provided by applicable law.

Article 22. Power and obligation to call meetings

1. The Board of Directors may call an extraordinary Shareholders' Meeting whenever they deem it to be in the interests of the Company.

2. The Board of Directors must also call a Shareholders' Meeting when so requested by a number of shareholders holding at least five (5) percent of the aggregate nominal value of the capital stock of the Company, stating in the request the items to be addressed at the Shareholders' Meeting. In this case, the Shareholders' Meeting must be called to be held within the time period prescribed by applicable law. The directors shall draw up the agenda and must include any items requested.

Article 23. Right to information

1. Up to the seventh (7^{th}) day before the date scheduled for the Shareholders' Meeting shareholders may request from the directors any information or clarification directly relating to the items on the agenda that they consider necessary and may formulate in writing the questions that they deem pertinent in relation to those items on the agenda and the information available to the public supplied by the Company to the Spanish National Securities Market Commission since the date of the last Shareholders' Meeting. Directors are obliged to provide the information in writing until the date of the Shareholders' Meeting.

2. During the Shareholders' Meeting, shareholders may orally request any information or clarification that they deem appropriate in relation to items on the agenda and, where the shareholder's request cannot be satisfied at that time, the directors shall be obliged to provide the information in writing within seven (7) days of the day after the date on which the Shareholders' Meeting ended.

3. The Board of Directors shall be obliged to provide the information requested in accordance with the two preceding sub-Articles in the form and within the time periods envisaged by these Corporate Bylaws, the Shareholders' Meeting Regulations and applicable law, except where this is not permitted by applicable law, including, in particular, cases in which, in the Chairman's opinion, the disclosure of the relevant information would harm the Company's interests. This last exception shall not apply when the request is supported by shareholders

representing at least one quarter (1/4) of the aggregate nominal value of the capital stock.

Article 24. Constitution, venue and time of the Shareholders' Meeting

1. Both ordinary and extraordinary Shareholders' Meetings shall be validly convened with the minimum quorum required by the legislation in force from time to time, taking into account the items on the agenda.

2. The Shareholders' Meeting shall be held at the venue indicated in the call notice within the municipality in which the registered office of the Company is located, on the dates and at the times stipulated in the notice.

3. The Shareholders' Meeting may agree on its extension, for a period of one or more consecutive days, at the proposal of the directors or of shareholders representing at least one quarter (1/4) of the aggregate nominal value of the capital stock of the Company in attendance. Irrespective of the number of sessions over which the Shareholders' Meeting is held, such sessions shall collectively be considered to be a single meeting, with a single set of minutes being drawn up to reflect all sessions.

Article 25. Right to attend

1. Any shareholder may attend Shareholders' Meetings, whether in person or by proxy, provided that their shares are registered in their name on the corresponding register of book entries five (5) days in advance of the date scheduled for the Shareholders' Meeting and this is evidenced by the pertinent attendance card or certificate issued by one of the participating entities of the agency which manages the accounting register or in any other manner permitted by legislation in force.

2. The members of the Board of Directors must attend the Shareholders' Meeting. Nonattendance by any Board member shall not affect the valid constitution of the Shareholders' Meeting.

3. Any managers, experts or other persons who, in the opinion of the Chairman of the Board of Directors, have an interest in the smooth running of corporate affairs and whose participation at the Shareholders' Meeting may be useful to the Company may also attend the Shareholders' Meeting. The Chairman of the Shareholders' Meeting may authorize the attendance of any person he deems appropriate although the Shareholders' Meeting may revoke such authorization.

4. Shareholders may attend a Shareholders' Meeting by electronic, telematic or any other distance communication means, provided that this is agreed to by the Board of Directors and carried out using a procedure determined by it. Any such procedure adopted by the Board of Directors within the scope of this sub-Article shall be posted on the Company's website.

5. Shareholders who attend a Shareholders' Meeting and who are able to exercise their right to vote at such meeting via the distance communication media provided for in sub-Article 4 above, shall be deemed to be present for the purposes of the constitution of the Shareholders' Meeting.

Article 26. Representation by proxy

1. All shareholders entitled to attend a Shareholders' Meeting may be represented at the Shareholders' Meeting by any person (whether or not such person is a shareholder of the Company), using the means of delegation provided for by the Company for each Shareholders' Meeting, which shall be recorded on the attendance card, in accordance with what is permitted by the Spanish Corporations Law. The proxy must be in the possession of the Company before the date scheduled for the Shareholders' Meeting within the time period stipulated in the call notice.

2. The proxy must be conferred in writing or via postal or electronic correspondence, with the provisions of Article 30 of these Corporate Bylaws being applicable in this case for the casting of votes by such means, where it is not incompatible with the nature of the representation.

3. Any person who is appointed as a proxy by a shareholder may vote in relation to items which, while not envisaged in the agenda contained in the call notice, are permitted by applicable law to be addressed by the Shareholders' Meeting.

4. The Chairman and Secretary of the Shareholders' Meeting shall have the broadest powers as permitted by applicable law to accept the validity of the document evidencing the proxy.

5. Proxies may always be revoked. Attendance by the represented shareholder at the Shareholders' Meeting, whether physically or by way of a vote cast using distance media, shall revoke the proxy granted, regardless of the date of the proxy.

6. The Shareholders' Meeting Regulations sets out the requirements for the exercise of the right by a shareholder to representation by proxy at a Shareholders' Meeting.

Article 27. Chairman, Secretary and presiding panel of the Shareholders' Meeting

1. The Shareholders' Meeting shall be chaired by the Chairman of the Board of Directors and, in his/her absence, by the Deputy Chairman of the Board and, in the absence of all of the foregoing, by the shareholder designated by the Shareholders' Meeting itself.

2. The Secretary of the Board of Directors (the "**Company Secretary**") shall act as Secretary of the Shareholders' Meeting and, in his/her absence, the deputy secretary of the Board of Directors (the "**Company Deputy Secretary**"). In the absence of

both of them, the Secretary of the Shareholders' Meeting shall be the shortest-serving director or if there are two such directors who were appointed on the same day, by the youngest director and, in the absence of all of the above, the shareholder designated by the Shareholders' Meeting itself.

3. Together with the Chairman and the Secretary of the Shareholders' Meeting, the presiding panel of the Shareholders' Meeting shall be composed by the remaining members of the Board of Directors in attendance.

Article 28. List of attendees

1. Prior to commencing the items on the agenda, a list shall be drawn up of all attendees, stating the nature or representative authority of each of them and the number of shares, held or represented, with which they attend.

2. The list of attendees may also be prepared by means of a card file or incorporated into a computer medium. In these cases, the means used in preparing the list shall be stated in the minutes of the Meeting and the appropriate identification notice, signed by the Secretary of the Shareholders' Meeting with the Chairman's approval, shall be attached to the sealed file cover or the medium used.

3. At the end of the list, the number of shareholders present (including a separate list of those who cast their vote using distance media) in person or by proxy shall be stated, as well as their holdings in the capital stock, specifying the capital stock corresponding to shareholders with the right to vote.

4. Once the list has been drawn up, the Chairman shall state whether the requirements for the valid constitution of the Shareholders' Meeting have been met. Any queries or claims arising in this connection shall be resolved by the Chairman. The Chairman shall then declare the Shareholders' Meeting to be validly convened, as the case may be.

Article 29. Deliberations

1. Once the Shareholders' Meeting has been called to order, the Secretary of the Shareholders' Meeting shall read out the items on the agenda or a summary of such items and the Shareholders' Meeting shall then deliberate on each item, with the Chairman making the first contribution, followed by the persons designated by the Chairman for such purpose.

2. Following these contributions, the Chairman shall give the floor to any shareholder that so requests it, chairing and directing the debate within the confines of the agenda and bringing the debate to a close when the item has been sufficiently debated in his opinion. Lastly, the various proposed resolutions shall be put to vote.

3. The Chairman shall be responsible for chairing the Shareholders' Meeting so that

deliberations are made in line with the agenda; accepting or rejecting new proposals in relation to the items on the agenda; directing deliberations by granting the floor to the shareholders that so request it, retaking or not granting the floor where he considers an item to have been sufficiently debated, where the item is not on the agenda or where it hinders the progress of the meeting; signalling the time for votes to be cast; counting the votes with the assistance of the Secretary of the Shareholders' Meeting; announcing the result of the vote; temporarily adjourning the Shareholders' Meeting and bringing it to a close and, in general, shall have all necessary powers, including the powers of order and discipline, for the appropriate conduct of the Shareholders' Meeting.

4. The Chairman, where present at the session, may delegate the chairing of the debate to the director he deems appropriate or to the Secretary of the Shareholders' Meeting, which persons shall perform such functions on behalf of the Chairman, who may take over from them at any time. In the event of temporary absence or supervening inability, the corresponding person pursuant to Article 27.1 of these Corporate Bylaws shall assume the functions of the Chairman.

5. Voting on resolutions by the Shareholders' Meeting shall be carried out in accordance with the provisions of the following Articles and the Shareholders' Meeting Regulations.

Article 30. Casting of votes by distance means

1. Shareholders may cast their vote on the proposals relating to the items on the agenda by mail or electronic communication. In both cases, shareholders shall be considered present for the purposes of the constitution of the Shareholders' Meeting.

2. In order to cast a vote by mail, shareholders must send to the Company, duly completed and signed, the attendance, proxy and vote card issued to them by the entity or entities entrusted with keeping the register of book entries.

3. Votes via electronic communication shall be cast under a recognized electronic signature or other form deemed suitable by the Board of Directors to ensure the authenticity and identity of the shareholder exercising his right to vote.

4. Votes cast by any of the means provided for in the preceding sub-Articles must be received by the Company before twelve o'clock midnight (24:00 h.) of the day immediately preceding the date scheduled for the Shareholders' Meeting on first or second call, as appropriate. If not received by this deadline, votes shall be deemed not to have been cast for the call in relation to which the above deadline was not met.

5. The Board of Directors is authorized to implement the above provisions, establishing the rules, means and procedures appropriate in order to implement the

casting of votes and the grant of proxies by electronic means, adapting them, as the case may be, to the rules established for such purpose. In particular, the Board of Directors may (i) regulate the use of alternative safeguards to the electronic signature for the casting of electronic votes, pursuant to the provisions of Article 30.3 above; and (ii) reduce the time in advance established in Article 30.4 above by which the Company must receive votes cast by postal or electronic correspondence.

In all cases, the Board of Directors shall take the measures necessary to avoid possible duplication and to ensure that the person casting the vote or granting a proxy by postal or electronic correspondence is duly authorized to do so in accordance with the provisions of these Corporate Bylaws and the Shareholders' Meeting Regulations.

Any implementing rules adopted by the Board of Directors within the scope of this sub-Article shall be posted on the Company's website.

6. Votes cast by postal or electronic correspondence shall be revoked by the physical presence of the shareholder at the Shareholders' Meeting or by its express revocation using the same means employed to cast the vote.

Article 31. Adoption of resolutions. Consultative vote

1. Ordinary or extraordinary Shareholders' Meetings shall adopt resolutions with the majorities of the votes present in person or by proxy required by these Corporate Bylaws or by the Spanish Corporations Law. Each voting share present in person or by proxy at the Shareholders' Meeting shall entitle its holder to one vote.

2. The approval of resolutions shall require the affirmative vote of more than half of the voting shares present in person or by proxy at the Shareholders' Meeting, without prejudice to cases in which these Corporate Bylaws or the applicable law requires a greater majority.

3. The Board of Directors may also submit resolutions to the Shareholders' Meeting for consideration on a consultative basis in the manner set out in the Shareholders' Meeting Regulations.

Article 32. Documentation of resolutions

1. Documentation of Shareholders' Meeting resolutions, their notarization and registration at the Spanish Mercantile Registry shall be carried out in accordance with the provisions of applicable law and the Mercantile Registry Regulations.

2. Any full or partial certificates required to evidence the resolutions of the Shareholders' Meeting shall be issued and signed by the Company Secretary or by the Company Deputy Secretary and countersigned by the Chairman or, as the case may be, the Deputy Chairman.

3. The Board of Directors may request the presence of a notary public to take the minutes of the Shareholder' Meeting and shall be obliged to do so where so requested by shareholders representing at least one (1) percent of the aggregate nominal value of the capital stock five (5) days in advance of the date scheduled for the Shareholders' Meeting. The notary's fees shall be borne by the Company. The minutes drawn up by the notary shall be deemed the minutes of the Shareholders' Meeting.

4. Within a period of time which shall not exceed 15 days after the Shareholders' Meeting, the Company shall publish on its website the voting results, indicating the number of shares for which votes have been validly cast, the proportion of the share capital represented by those votes, the total number of votes validly cast as well as the number of votes cast in favour of and against each resolution and, where applicable, the number of abstentions.

Article 33. Fractional Vote

Entities that appear as registered shareholders of the Company but which act on behalf of different persons (the "**Underlying Holders**") and hold such authority in a fiduciary or similar capacity and evidence such circumstances by the means established by the Board of Directors, may:

1. Divide their vote when required to carry out the voting instructions received from those Underlying Holders, and

2. Request as many attendance cards as Underlying Holders for which they act, where necessary in order to comply with the voting instructions received from the different Underlying Holders, meaning that votes may be cast in differing directions and such entities may be represented for such purposes at the Shareholders' Meeting by one or more representatives with full discretion to decide on the direction of their vote.

Section 2 – The Managing Body

Subsection 1.- General Provisions

Article 34. Board of Directors

1. Management of the Company shall be entrusted to a Board of Directors, which shall be governed by the provisions of these Corporate Bylaws, the Board of Directors Regulations and applicable law.

2. The Board of Directors Regulations, to be approved by the Board itself, shall establish the regime of rights, obligations, incompatibilities, restrictions and

disciplinary regime applicable to the members of the Board of Directors, as well as the principles of its organisation and operation.

3. The Board of Directors is competent to adopt resolutions concerning all types of matters not attributed by these Corporate Bylaws or applicable law to the Shareholders' Meeting.

4. As a general rule, the Board of Directors, which shall have the broadest powers and authority to manage, run, administer and represent the Company, shall entrust the day-to-day management of the Company to the delegate governing bodies and shall focus its activities on the general function of supervision and on the consideration of matters of particular significance to the Company. The Board of Directors Regulations may determine those matters that must be approved by a resolution of the Board and that cannot therefore be delegated.

5. In particular, and without limitation to the generality of the foregoing, the Board of Directors shall deal, at its own initiative or at the proposal of the relevant internal body and/or with the preliminary report of the relevant internal body, with the issues listed in the Board of Directors Regulations as being matters which are to be determined by the Board of Directors.

6. The Board of Directors has the power to represent the Company, in and out of court. This representative authority shall extend to all acts falling within the corporate purpose established in these Corporate Bylaws.

Article 35. Composition and appointment of the Board of Directors

1. The Board of Directors shall be composed of a minimum of nine (9) and a maximum of fourteen (14) members.

2. Board members shall be appointed or ratified by the Shareholders' Meeting subject to the legal provisions in force. The Shareholders' Meeting shall be responsible for determining the number of Board members, for which purpose it may establish such number by way of an express resolution or indirectly by way of the provision or otherwise of vacancies or the appointment or otherwise of new Board members within the minimum and maximum numbers stipulated.

Article 36. Term of office

1. Board members shall hold office for a period of three (3) years, unless the Shareholders' Meeting resolves on their removal from office or dismissal or they stand down from office. In particular, Board members must tender their resignation from office and formalise their resignation from the Company when they are subject, on a supervening basis, to any of the grounds for incompatibility, unsuitability or disqualification from holding office as a Board member provided for under applicable law, the Corporate Bylaws, or the Board of Directors

Regulations.

2. Once a director's term of office has expired, his appointment as a director shall end when, following such expiry, the next Shareholders' Meeting following such expiry has been held or the legal term to hold the Shareholders' Meeting to approve the accounts of the Company for the previous year has expired.

3. Board members may be re-elected one or more times for periods of equal duration to that indicated in sub-Article 36.1 above.

4. Any vacancies may be covered by the Board of Directors by means of cooption, pursuant to the applicable law, on an interim basis until the next Shareholders' Meeting is held, which shall confirm the appointments, appoint the persons that are to replace any Board members not ratified, or eliminate any vacant positions.

Article 37. Remuneration

1. The office of Board member is remunerated.

2. The remuneration of Board members shall consist of a fixed fee, annual or periodic, and a variable remuneration in kind.

3. The remuneration, global and annual, for the entire Board of Directors and for the above items shall be the amount determined for such purpose by the Shareholders´ Meeting (applicable and in force unless the Shareholders´ Meeting approves its modification), although the Board of Directors may reduce this amount in the financial years as it sees fit. The Board of Directors shall be responsible for the distribution of the above amount among the directors in the manner, at the time and in the proportion freely determined by it, and the remuneration may differ according to (i) the characteristics of each Board member or category of Board member, (ii) the functions and responsibilities allocated to the Board and its Committees and (iii) the restrictions provided for in these Corporate Bylaws or in the Board of Directors Regulations in relation to the remuneration received as member of the Board of Directors of other companies that belong to the Group, with the Board also being responsible for determining the frequency and manner of payment of the fee.

   Board members may not be paid twice as directors if they belong to the board of other companies of the Group.

4. Without prejudice to the above-mentioned remuneration, remuneration for executive Board members may also consist of the delivery of shares or stock options or amounts linked to the share value. The application of this kind of remuneration shall require a resolution by the Shareholders' Meeting, expressing, as the case may be, the number of shares to be delivered, the stock option strike price, the value of the shares used as a reference and the duration of this

remuneration system.

5. Additionally, directors shall be entitled to the payment or reimbursement of any reasonable expenses that they may properly incur as a result of attending meetings and any other tasks directly relating to the discharge of their office as directors, such as travel, accommodation, meal and any other expenses that they may incur.

6. Independently of the remuneration provided for in the preceding sub-Articles deriving from membership of the Board of Directors, any Board members that discharge executive or advisory functions other than those of oversight and collective decision inherent in their role as Board members, regardless of the nature of their relationship with the Company, shall be entitled to receive the remuneration, labour-related or professional, fixed or variable, in cash or in kind, which, pursuant to a resolution by the Board of Directors, corresponds to such functions, including participation in any incentive systems which may be established in general for the senior management of the Company and which may involve the delivery of shares or stock options or remuneration linked to the share value, subject at all times to the requirements established in the legislation in force from time to time, and participation in the appropriate welfare and insurance systems. In the event that they cease to discharge such functions, they may be entitled, on the terms and conditions approved by the Board of Directors, to appropriate economic compensation. Any remuneration payable for the above items and the other terms and conditions of the relationship must be approved by the Board of Directors and shall be incorporated into the relevant contract.

7. The Company may also arrange liability insurance for any director or former director of the Company or of any associated company on customary and reasonable terms in light of the circumstances of the Company.

   The Company will reimburse the expenses borne by directors and will indemnify any director or former director of the Company or of any associated company against any loss, liability or damage in which they may incur as a consequence of their actions carried out in their capacity as directors, including the losses and damages derived from criminal, administrative or civil proceedings filed against them, except for those cost, losses and damages in which they may incur as a consequence of a breach of their legal and fiduciary duties vis-à-vis the Company. No director or former director of the Company or director or former director of any associated company shall be accountable to the Company or the members for any benefit provided pursuant to this Article and the receipt of any such benefit shall not disqualify any person from being or becoming a director of the Company.

8. Once they have vacated office, any regime of rights established by the Shareholders' Meeting in relation to plane tickets of airlines investees or subsidiaries of the Company and with which the Company (or its investees or subsidiaries) has agreements in this connection shall apply to Board members.

Article 38. General obligations of Board members

1. In discharging their duties, Board members shall act in good faith and must comply with the duties imposed by these Corporate Bylaws, the Board of Directors Regulations and applicable law, remaining faithful to the corporate interest of the Company.

2. The Board of Directors Regulations shall implement the specific obligations of the Board members deriving from the duties of confidentiality, non-competition and loyalty, paying particular attention to situations of conflict of interest.

Subsection 2.- Functioning of the Board

Article 39. Board Meetings

1. The Board of Directors shall meet as often as is deemed appropriate but at least, eight (8) times per year, unless the Chairman, freely and in his opinion, sees fit to suspend any of the sessions. The Board shall also meet in the cases determined by the Board of Directors Regulations.

2. Calls to Board meetings shall be made by letter, fax, e-mail or any other means and shall be authorised with the signature of the Chairman, or of the Company Secretary or Company Deputy Secretary, on the orders of the Chairman. Call notices shall be sent sufficiently in advance of the meeting to ensure that Board members receive them no later than seven (7) days before the date of the meeting, except in the case of meetings deemed urgent by the Chairman (or by the Deputy Chairman, in the event of absence, illness or inability of the Chairman). This shall not apply to cases in which the Board of Directors Regulations requires a specific call period. The call notice shall always include, save for justified cause, the meeting agenda and shall be accompanied, as the case may be, by the information deemed necessary.

   Additionally, the Board of Directors Regulations may regulate the possibility, requirements and formalities to call extraordinary meetings of the Board of Directors when the Chairman (or, in the event of absence, illness or inability of the Chairman, the Deputy Chairman) deems it justified.

3. The Chairman must also call a Board meeting when so requested by at least four (4) Board members.

4. Notwithstanding the foregoing, the Board of Directors shall be deemed validly convened without the need for a call if all of the Board members are present, in person or in proxy, and unanimously agree to hold a meeting on consent and accept the items on the agenda.

5. Directors may attend Board meetings via telephone multi-conference,

videoconference or any other analogous system provided that such systems permit the recognition and identification of the attendees, permanent communication between the attendees regardless of their location, and real-time participation and voting.

6. If no Board member objects, votes may be cast in writing without holding a meeting. In this case, Board members may send their votes and comments that they wish to have recorded in the minutes to the Chairman (or to the Company Secretary or Company Deputy Secretary acting on his/her behalf) using the same means mentioned in Article 39.2 above. A record will be kept of resolutions adopted following this procedure in the minutes drawn up in accordance with applicable law.

Article 40. Constitution

1. The Board of Directors' meeting shall be validly convened where more than half (1/2) of Board members are present, in person or by proxy.

2. All Board members may cast their vote through and grant a proxy to another Board member. Proxies must be granted in writing, addressed to the Chairman or to the Company Secretary and must be granted specifically for each meeting. No Board member may hold more than three (3) proxies, with the exception of the Chairman, who shall not be subject to such limit but may not represent the majority of the Board. The Board member granting the proxy shall endeavour, where possible, to include voting instructions in the proxy letter.

3. By way of a decision by the Chairman or the Board of Directors, the general managers and managers of the Company as well as any other persons that the Chairman or the Board of Directors determine may attend Board meetings.

Article 41. Deliberations and adoption of resolutions

1. The Chairman shall organize the debate, encouraging the participation of all Board members in the deliberations.

2. Resolutions shall be adopted by an absolute majority (i.e., more than half) of the votes present, in person or by proxy, except where they refer to the permanent delegation of powers and the designation of the Board members that are to exercise such powers, in which case the affirmative vote of at least two-thirds (2/3) of the total number of Board members shall be required. Cases in which the Corporate Bylaws, the Board of Directors Regulations or applicable law provide for a greater majority are excluded from the provisions of this sub-Article.

Article 42. Formalization of resolutions

1. The resolutions of the Board of Directors shall be recorded in minutes, which shall

be drawn up in, or transcribed into, the relevant minutes book, stating the circumstances provided for by legislation in force.

2. The minutes shall be approved by the Board of Directors itself, at the end of the meeting or at the next meeting. Resolutions shall also be deemed approved where no Board member raises any objections within five (5) days of receipt of the draft minutes. The Board may empower the Chairman and a Board member, acting jointly, to approve the minutes of the meeting.

3. Once approved, the minutes shall be signed by the secretary of the Board meeting and countersigned by the party acting as meeting Chairman.

4. Any certificates, in whole or in part, necessary to substantiate the Board of Directors resolutions shall be issued and signed by the Company Secretary or Company Deputy Secretary, with the countersignature of the Chairman or, as the case may be, the Deputy Chairman.

Subsection 3.- Offices on the Board, delegation of powers and Committees

Article 43. Offices on the Board

1. The Board of Directors shall elect a Chairman from among its members and, if it so decides, a Deputy Chairman.

2. The Board of Directors shall also elect a Chief Executive from among its members.

3. The Board of Directors, at the proposal of the Chairman, shall designate a Company Secretary and, as the case may be, a Company Deputy Secretary, neither of whom needs necessarily to be a Board member. In the absence of the Company Secretary and Company Deputy Secretary, the Board member designated by the Board from among those attending the meeting in question shall act as secretary.

4. The Chairman, Deputy Chairman and, as the case may be, Company Secretary and Company Deputy Secretary that are re-elected as members of the Board of Directors by way of a Shareholders' Meeting resolution shall continue to hold the offices they previously held on the Board of Directors, without the need for re-appointment and without prejudice to the power of the Board of Directors to revoke such offices.

Article 44. Board Advisory Committees

1. In order to better perform its functions, the Board of Directors may create such advisory committees as it deems necessary to assist it in issues relating to the matters falling within its competencies, with the composition and functions designated by the Board in each case.

2. Notwithstanding the foregoing, the Board of Directors shall necessarily have the

following committees:

a) Audit and Compliance Committee.

b) Nominations Committee.

c) Remuneration Committee.

d) Safety Committee.

(together, the "**Board Committees**").

3. The Board Committees shall be governed by the provisions of these Corporate Bylaws and the Board of Directors Regulations. Where no specific provision is made, the Board Committees shall be governed, by analogy and where applicable, by the provisions applicable to the Board of Directors of the Company.

Article 45. Audit and Compliance Committee

1. The Audit and Compliance Committee shall be made up of no less than three (3) and no more than five (5) non-executive directors appointed by the Board of Directors, with the dedication, capacity and experience necessary to carry out its function. At least two (2) of the members of the Audit and Compliance Committee shall be independent directors. At least one (1) member shall have recent and relevant financial experience. The Board shall designate a Committee Chairman from among the independent Board members of the Committee, who must be replaced at least every four (4) years and may stand for re-election one (1) year after vacating office. The Company Secretary or his nominee shall act as secretary to the Audit and Compliance Committee.

2. Without prejudice to the other tasks assigned to it by applicable law or the Board of Directors Regulations, the Audit and Compliance Committee shall have the following powers to report, advise and propose:

a) To inform the Shareholders' Meeting on questions raised by shareholders regarding matters under its competence.

b) To supervise the effectiveness of the internal control of the Company, the internal auditing, as the case may be, and the risk management systems, and to discuss with the auditors or audit firms any significant weaknesses in the internal control systems detected in the course of the audit.

c) To supervise the process for the preparation and presentation of regulated financial information.

d) To make proposals to the Board of Directors, for submission to the Shareholders' Meeting, regarding the appointment of auditors or audit firms, as

envisaged by applicable law.

e) To establish the appropriate relationships with the auditors or audit firms in order to receive information on matters which may jeopardize the independence of the auditors, for its examination by the Audit and Compliance Committee, and on any other matters relating to the audit process, as well as any other communications provided for in the audit legislation and audit regulations. In all cases, written confirmation of their independence vis-à-vis the entity or entities directly or indirectly related thereto must be received annually from the auditors or audit firms, as well as information on the additional services of any kind provided to these entities by the aforementioned auditors or audit firms, or by persons or entities related to them pursuant to the provisions of Spanish Audit Law 19/1988, of July 12, 1988.

f) To issue on annual basis, prior to the issue of the auditor's report, a report expressing an opinion on the independence of the auditors or audit firms. This report must also give an opinion regarding the provision of the additional services referred to in the preceding paragraph.

3. The Audit and Compliance Committee shall meet whenever convened by its Chairman, at his own initiative, or at the request of two or more of its members and at least once every three (3) months and, in all cases, where the Board requests the issue of reports, the presentation of proposals or the adoption of resolutions within the scope of its functions.

4. The Committee Chairman shall have the power to call Committee meetings and establish the agenda. The Audit and Compliance Committee shall be validly convened without prior call when all of its members are present and unanimously agree to hold an Audit and Compliance Committee meeting. The call notice for ordinary meetings of the Audit and Compliance Committee shall include the agenda, shall be served in writing at least seventy-two (72) hours in advance of the meeting and shall be authorised by the signature of the Chairman of the Audit and Compliance Committee or the Company Secretary or whomsoever acts as such. Extraordinary meetings of the Audit and Compliance Committee may be called by telephone and the above requirements shall not apply where the Chairman of the Audit and Compliance Committee deems that the circumstances justify it.

5. The Audit and Compliance Committee shall be validly convened where more than half of its members are present, in person or by proxy, and decisions shall be adopted by an absolute majority of the members present, in person or by proxy.

TITLE IV
ANNUAL ACCOUNTS

Article 46. Financial year and presentation of annual accounts

1. The financial year shall run from January 1 though to December 31 each year.

2. Within three (3) months of year-end, the Board of Directors shall prepare the annual accounts, management report and proposed appropriation of profit/loss in the manner provided for in the legislation in force.

3. The annual accounts and, where appropriate, the management report, shall be subject to the legally established audits and subsequently submitted for approval to the Shareholders' Meeting, which shall decide on the allocation of profit/loss for the year in accordance with the approved balance sheet.

4. The provisions of this Article shall apply as appropriate to the consolidated annual accounts and management report.

Article 47. Allocation of profit/loss

1. The Shareholders' Meeting shall decide on the allocation of profit/loss for the year in accordance with the approved balance sheet.

2. Once the provisions established by applicable law or these Corporate Bylaws have been made, dividends may only be distributed with a charge to the profit for the year or unrestricted reserves if the net worth of the Company is above or does not fall below, as a result of the distribution, the share capital of the Company.

3. The distribution of dividends to shareholders shall be in proportion to the capital they have paid in.

4. The Shareholders' Meeting may resolve on the distribution of dividends or additional paid-in capital, in kind, provided that the assets or securities being distributed are homogenous and are admitted to trading on recognized stock exchange at the time the resolution concerning the distribution comes into effect. This last requirement shall also be deemed to have been met where the Company provides sufficient liquidity guarantees.

TITLE V
DISSOLUTION AND LIQUIDATION

Article 48. Dissolution of the Company

The Company shall be dissolved by way of a resolution of the Shareholders' Meeting,

adopted in accordance with the majorities of the votes required by the Spanish Corporations Law.

Article 49. Liquidation of the Company

Once the Company has been dissolved, the liquidation period shall commence, except in the case of merger, spin-off or any other transfer *en bloc* of assets and liabilities.

The Board of Directors shall cease to represent the Company from such time as the Company is declared to be in liquidation and the Shareholders' Meeting adopting the resolution to dissolve the Company shall appoint an odd number of persons who must proceed with the liquidation and shall resolve on the rules applicable to the liquidation in accordance with the provisions of the legislation in force.

For the duration of the liquidation period, the Shareholders' Meeting shall continue to hold its ordinary meetings and all such extraordinary meetings as it may be advisable to call, pursuant to the legal provisions in force.

Once liquidation has been completed, the liquidators shall prepare the final balance sheet, which shall be ratified by the court-appointed liquidators, if any. The liquidators shall also determine the share in the Company's assets to be distributed per share.

Said balance sheet shall be submitted for its approval to the Shareholders' Meeting and shall be published in the Official Gazette and in one of the largest circulation newspapers in the area of the registered office.

ADDITIONAL PROVISION

Sole Additional Provision. Definitions

"Affected Share" means any share which shall be treated as such pursuant Article 11.8.

"Affected Share Disposal" means a disposal or disposals of an Affected Share (including the disposal of an interest in such share) such that such share ceases to be an Affected Share.

"Affected Share Notice" means a notice in writing served in accordance with the provisions of Article 11.9.

"Board of Directors Regulation" means the regulations which lay down the principles that are to govern all action taken by the Board of Directors of the Company, the basic rules for the organisation and operation thereof, and the rules of behaviour to be observed by its members.

"**Business Day**" means a day upon which dealings in domestic securities may take place on and with the authority of the London Stock Exchange and the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

"Company" means International Consolidated Airlines Group, S.A.

"Default Share" means any share in relation to which a default has occurred in accordance with Article 10.5.

"**Depositary**" means a custodian or other person approved by the Company appointed under contractual arrangements with the Company (or a nominee for such custodian or other person) whereby such custodian or other person holds or has an interest in shares and issues securities evidencing the right to receive such shares.

"**Depositary Receipts**" means receipts or similar documents of title issued by or on behalf of a Depositary.

"**Depositary Shares**" means the shares held by a Depositary or in which such Depositary is interested in its capacity as a Depositary.

"Disclosure Notice" means the notice issued by the Company in accordance with Article 10.1.

"**EU National**" means any national of a Member State.

"Group" means the Company, IB Opco Holding, S.L., Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora, British Airways plc and their respective subsidiaries and subsidiary undertakings.

"**Intervening Act**" means the refusal, withholding, suspension or revocation of any Operating Right applied for, granted to or enjoyed by the Company or any of the Operating Affiliates, or the imposition of any conditions or limitations upon any such Operating Right which materially inhibit the exercise thereof, in either case by any state, authority or person in reliance upon any provision or by reason of any matter or circumstance relating to the nationality of persons owning or controlling (however described) the Company and, indirectly through the Company, the Operating Affiliates.

"interest in shares" a person will be considered as having an interest in shares if he enters into a contract to acquire them or, not being the registered holder, (i) he is entitled to exercise any right corresponding to the shares or to control the exercise of any such right, or (ii) assumes the economic risk of the relevant shares.

"Law 14/2000" means the Spanish *Ley 14/2000, de 29 de diciembre, de Medidas fiscales, administrativas y del orden social*, as amended from time to time.

"**Member State**" means any state that from time to time is, or is deemed to be, a Member State for the purposes of Regulation (EC) No 1008/2008 of the European

Parliament and of the Council of 24 September 2008, on common rules for the operation of air services in the Community (as amended or readopted), including (for the avoidance of doubt) any state that is from time to time a member state of the European Community and/or the European Economic Area.

"Mercantile Registry Regulations" means the *Reglamento del Registro Mercantil* approved by the Spanish *Real Decreto 1784/1996, de 19 de julio,* as amended from time to time.

"Official Gazette" means the Spanish *Boletín Oficial del Registro Mercantil*.

"Operating Affiliates" means Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora, IB Opco Holding S.L., British Airways plc and any operating company which is a subsidiary or a subsidiary undertaking of the Company and which is engaged in the operation of services for the transportation by air of passengers, cargo of any kind whatsoever and mail and holding or enjoying any Operating Right.

"**Operating Right**" means all or any part of any authority, permission, licence or privilege, whether granted or enjoyed pursuant to an air services agreement or otherwise, which enables an air service to be operated.

"**Permitted Maximum**" means, if at any time the Board of Directors have specified a maximum under Section (b) of Article 11.8, that aggregate number of shares which they have so specified as the maximum aggregate permitted number of Relevant Non-EU Shares.

"Prescribed Period" means twenty-eight (28) days from the date of service of the Disclosure Notice except that, if the shares in respect of which a Disclosure Notice has been duly served represent at least 0.25 per cent. of the aggregate nominal value of the issued shares (calculated exclusive of any shares held as treasury shares), the Prescribed Period is fourteen (14) days from such date.

"**Relevant Non-EU Person**" means:

(i) any individual who is not an EU National;

(ii) any legal person who is incorporated or established under the laws of any part of, and which has its principal place of business and central management and control in, or is otherwise resident in, a country other than a Member State;

(iii) a government or governmental department, agency or body, otherwise than of a Member State or any part thereof; and/or

(iv) any municipal, local, statutory or other authority or any undertaking or body formed or established in any country other than a Member State.

"**Relevant Non-EU Share**" means any share (other than a share particulars of which

are removed by the Company from the Separate Non-EU Register pursuant to Article 11.6), held by a Relevant Non-EU Person or by a Depositary for the benefit of a Relevant Non-EU Person or in which a Relevant Non-EU Person has an interest or which is declared by the Company to be a Relevant Non-EU Share pursuant to Article 11.5.

"Relevant Spanish Person" means:

(i) any individual who is a Spanish national;

(ii) any legal person who is incorporated or established under the laws of any part of, and which has its principal place of business and central management and control in, or is otherwise resident in, Spain;

(iii) a government or governmental department, agency or body of Spain; and/or

(iv) any municipal, local, statutory or other authority or any undertaking or body formed or established in Spain.

"Relevant Spanish Share" means any share (other than a share particulars of which are removed by the Company from the Separate Spanish Register pursuant to Article 11.6) held by a Relevant Spanish Person or by a Depositary for the benefit of a Relevant Spanish Person or in which a Relevant Spanish Person has an interest or which is declared by the Company to be a Relevant Spanish Share pursuant to Article 11.5.

"Relevant UK Person" means:

(i) any individual who is a United Kingdom National;

(ii) any legal person who is incorporated or established under the laws of any part of, and which has its principal place of business and central management and control in, or is otherwise resident in, the United Kingdom;

(iii) a government or governmental department, agency or body of the United Kingdom; and/or

(iv) any municipal, local, statutory or other authority or any undertaking or body formed or established in the United Kingdom.

"Relevant UK Share" means any share (other than a share particulars of which are removed by the Company from the Separate UK Register pursuant to Article 11.6) held by a Relevant UK Person or by a Depositary for the benefit of a Relevant UK Person or in which a Relevant UK Person has an interest or which is declared by the Company to be a Relevant UK Share pursuant to Article 11.5.

"Securities Market Law" means the Spanish *Ley 24/1988, de 28 de julio, del Mercado de Valores*, as amended from time to time.

"**Separate Non-EU Register**" means the register to be maintained in accordance with Article 11.2.1.

"**Separate Spanish Register**" means the register to be maintained in accordance with Article 11.2.3

"Separate UK Register" means the register to be maintained in accordance with Article 11.2.2.

"Shareholders' Meeting" means the shareholders' meeting of the Company.

"Shareholders' Meeting Regulations" means the regulations which develop the basic rules for the call, organisation and holding of the Shareholders' Meeting.

"Spanish Corporations Law" means the *texto refundido de la Ley de Sociedades Anónimas* approved by the Spanish *Real Decreto Legislativo 1564/1989, de 22 de diciembre,* as amended from time to time**.**

"Spanish National Securities Market Commission" means the Spanish *Comisión Nacional del Mercado de Valores*.

"United Kingdom National" has the meaning ascribed thereto in section 105(1) of the United Kingdom Civil Aviation Act 1982 (as amended).