



NOTIFICATION OF RELEVANT FACT

British Airways and Iberia sign merger agreement

Further to and in accordance with the notification of relevant fact dated November 12, 2009, Iberia, Líneas Aéreas de España, S.A. (“**Iberia**”) notifies that, on the date hereof, after the conditions established for the purpose have been fulfilled, it has entered with British Airways Plc (“**British Airways**”) into the final merger agreement for the combination of both companies.

The merger agreement implements and specifies the terms of the merger transaction agreed, consistently in all significant aspects with the binding agreement (MoU) signed on November 12, 2009 and with the content of the notification made on said date.

It is set forth below a joint press release of Iberia and British Airways regarding the signing of the merger agreement.

Madrid, April 8th 2010

Enrique Dupuy de Lôme
CFO

BRITISH AIRWAYS AND IBERIA SIGN MERGER AGREEMENT

British Airways and Iberia have today taken a further step towards creating a new leading European airline group by signing their merger agreement. The terms of the merger agreement are consistent with the binding memorandum of understanding (MOU) signed between the two airlines in November 2009.

The merger is expected to be completed in late 2010 and will benefit both airlines' shareholders, customers and employees. The new company will be one of the world's largest airline groups with 408 aircraft flying to 200 destinations and carrying more than 58 million passengers per year. It has been structured so that it can take advantage of further consolidation in the global aviation industry.

The new group will generate annual synergies of approximately €400 million by the fifth year of the merger.

It will create a new holding company called International Consolidated Airlines Group SA which will be known as International Airlines Group. Both airlines will retain their current operations and operate under their individual brands - British Airways and Iberia..

As detailed in the MOU, under the terms of the proposed merger, British Airways shareholders will receive one new ordinary share in International Airlines Group for every existing British Airways ordinary share held by them and Iberia shareholders will receive 1.0205 new ordinary shares for every existing Iberia ordinary 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 eligible for International Airlines Group shares. As part of the transaction it is expected that the treasury shares will be cancelled and the cross-shareholdings will remain at a subsidiary level.

International Airlines Group will have a premium listing in the UK and its shares will be traded on the main market of the London Stock Exchange and it is envisaged they will be included in FTSE's UK Index Series. In addition, the shares of International

Airlines Group will be traded on the Spanish stock exchanges, through the Spanish Stock Exchanges Interconnection System (Mercado Continuo Español).

Since signing the MOU, the airlines have refined the synergies and confirmed the principles of how the organisation will be structured. They have also received regulatory confirmation from the UK and Spanish civil aviation authorities to ensure that the ownership and governance structure of both companies would permit the retention of the existing national route licences and traffic rights.

Antonio Vazquez, Iberia's chairman and chief executive, said: "This is an important step in the process towards creating one of the world's leading global airlines that will be better equipped to compete with other major airlines and participate in future industry consolidation. We look forward to concluding the deal before the year end."

Willie Walsh, British Airways chief executive, said: "The merged company will provide customers with a larger combined network. It will also have greater potential for further growth by optimising the dual hubs of London and Madrid and providing continued investment in new products and services."

The completion of the merger is subject to regulatory approval from the relevant competition authorities including the European Commission and approval by both British Airways and Iberia shareholders.

As announced in the MOU, Iberia will be entitled to terminate the merger agreement if the pension recovery plan agreed between British Airways and its pension trustees is not, in Iberia's reasonable opinion, satisfactory because it is materially detrimental to the economic premises of the proposed merger.

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

NOTES TO EDITORS

The transaction will be implemented through a series of steps including a transfer of the Iberia business to a new Spanish subsidiary; the insertion of a new British

Airways holding company via a UK court approved scheme of arrangement and the merger of Iberia with the new British Airways holding company. As such, the transaction will be subject to approval by both Iberia and British Airways shareholders at general meetings as well as by British Airways shareholders in relation to the scheme of arrangement. It is expected that the relevant shareholder meetings will be held in November 2010.

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Securities may not be offered or sold in the United States absent registration or an exemption from registration and any public offering of securities to be made in the United States will be made by means of a prospectus that will contain detailed information, including financial statements.

Neither this announcement nor any copy of it may be taken or transmitted, directly or indirectly, into Australia, Canada, 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. Any failure to comply with this restriction may constitute a violation of the securities laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa. The distribution of this announcement in other jurisdictions may be restricted by law and persons into whose possession this announcement comes should inform themselves about, and observe, any such restrictions.

UBS is acting as financial adviser to British Airways and no one else in connection with the proposed merger 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 proposed merger or any other matter referred to herein.

Morgan Stanley are acting as financial advisers to Iberia and no one else in connection with the proposed merger 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 proposed merger or any other matter referred to herein.

CAUTIONARY NOTE CONCERNING FACTORS THAT MAY AFFECT FUTURE RESULTS

This announcement includes forward-looking statements, such as British Airways' and Iberia's beliefs and expectations regarding the proposed combination of the two businesses. These statements are based on certain assumptions and reflect British Airways' and Iberia's current expectations. Forward-looking statements also include statements about British Airways' and Iberia's beliefs and expectations related to the proposed merger, benefits that would be afforded to customers, benefits to the combined business that are expected to be obtained as a result of the proposed merger, as well as the parties' ability to enhance shareholder value through, among other things, the delivery of expected synergies. There can be no assurance that the proposed merger will be consummated or that the anticipated benefits will be realised. The proposed merger is subject to various regulatory approvals and the fulfilment of certain conditions, and there can be no assurance that any such approvals will be obtained and/or such conditions will be met. All forward-looking statements in this announcement are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These risks and uncertainties include: the ability to achieve the cost savings and synergies contemplated through the merger; the failure of British Airways and Iberia shareholders to approve the proposed merger; the effect of regulatory conditions, if any, imposed by regulatory authorities; the reaction of British Airways' and Iberia's customers, employees and suppliers to the proposed merger; the ability to promptly and effectively integrate the businesses of British Airways and Iberia; and the diversion of management time on merger-related issues. Additional factors that could cause actual results or events to differ materially from current expectations are discussed in

British Airways' and Iberia's respective materials filed with the securities regulatory authorities in the United Kingdom and the Spain (as the case may be) from time to time including Iberia's 2007-2008 Annual Report and British Airways 2008-2009 Annual Report. Any forward-looking statements made by or on behalf of British Airways or Iberia speak only as of the date they are made. British Airways and Iberia each disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.