

REPORT BY THE BOARD OF DIRECTORS OF INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. IN RELATION TO THE PROPOSED AMENDMENT OF THE CORPORATE BYLAWS, REFERRED TO UNDER ITEM FOUR ON THE AGENDA FOR THE SHAREHOLDERS' MEETING CALLED FOR 20 JUNE 2012, ON FIRST CALL, AND FOR 21 JUNE 2012, ON SECOND CALL

The Board of Directors of International Consolidated Airlines Group, S.A. (the “**Company**”) issues this report in order to justify the proposed amendments to the Corporate Bylaws submitted for approval to the Shareholders’ Meeting under item four on the agenda, in accordance with the provisions of article 286 of the Companies Law (*Ley de Sociedades de Capital*) (the “**Companies Law**”). For the appropriate purposes, this report also includes the full text of the proposed amendments.

Article 158 of the Mercantile Registry Regulations (*Reglamento del Registro Mercantil*) establishes the following requirements for the registration of the bylaw amendments: (i) the verbatim transcription of the proposed amendment; (ii) a statement by the party granting the relevant public deed that the necessary report justifying the amendment has been issued and its date of issue; and (ii) the verbatim transcription of the newly amended articles of the corporate bylaws.

1. PROPOSED AMENDMENTS AND JUSTIFICATION

A proposal is made to amend articles 21 (*call of the shareholders’ meeting*), 23 (*right to information*) and 32 (*documentation of resolutions*) of the Corporate Bylaws with a view to bringing their wording into line with the Companies Law as amended by Law 25/2011, of August 1, partially reforming the Companies Law and incorporating Directive 2007/36/EC of the European Parliament and of the Council of July 11, on the exercise of certain rights of shareholders in listed companies.

In particular, the proposed amendments seek to reflect the new regulations concerning the call of the shareholders’ meeting contained in article 516 of the Companies Law, the right to supplement the call notice and propose resolutions, on the terms of article 519 of the Companies Law, the extension of the shareholders’ right to information to the content of the auditors’ report, as provided in article 520.1 of the Companies Law, and the establishment of a period of five days for the publication of the resolutions adopted by the shareholders’ meeting on the Company’s website, in accordance with article 525 of the Companies Law.

Set out below are the original texts of each article with the proposed amendments marked:

Article 21. Call of the Shareholders' Meeting

1. The Shareholders' Meeting must be formally called by the Board of Directors by way of a notice published ~~in the Official Gazette and~~ with the advance notice required by law.

The call notice shall be distributed using at least the following means:

a) In the Official Gazette or 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.~~Spain.

b) On the website of the Spanish National Securities Market Commission.

c) On the corporate Company's website.

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~~ proposed resolutions to be voted on at the Shareholders' Meeting.~~

3. Shareholders representing at least five ~~(5)~~ percent (5%) of the aggregate nominal value of the capital stock ~~of the Company~~ may (a) request that a supplementary call notice for ~~an ordinary~~ Shareholders' Meeting be published, adding one or more further items to the agenda contained in the call notice, provided that the new items are accompanied by a justification or, as appropriate, a justified proposed resolution; and (b) submit reasoned proposals for resolutions on items already included or to be included on the agenda contained in the call notice for the Shareholders' Meeting called.

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 23. Right to information

1. *Up to and including the seventh (7th) day before the date scheduled for the Shareholders' Meeting on first call, shareholders may request ~~from the directors~~in writing 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~~contained in the call notice. Furthermore, in the same manner and within the same time period, shareholders may request any information or clarification or formulate questions in writing in relation to 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~~ and in relation to the auditors' report.*
2. *During the Shareholders' Meeting, shareholders may orally request any information or clarification that they deem appropriate in relation to items on the agenda, to 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 and in relation to the auditors' report 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~~ 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 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 ~~(+)~~ percent (1%) 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 public shall be deemed the minutes of the Shareholders' Meeting.*
4. *Within a period of time which shall not exceed ~~15~~ five (5) 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.*

2. RESOLUTION PROPOSED TO THE SHAREHOLDERS' MEETING

Set out below is a literal transcription of the resolution proposed to the Shareholders' Meeting in relation to item four on the agenda.

AMENDMENT OF ARTICLES 21, 23 AND 32 OF THE CORPORATE BYLAWS TO ADAPT THEM TO THE COMPANIES LAW IN FORCE.

RESOLUTION 4

"To amend articles 21, 23 and 32 of the Corporate Bylaws so that they shall hereafter read as follows:

"Article 21. Call of the Shareholders' Meeting

5. *The Shareholders' Meeting must be formally called by the Board of Directors by way of a notice published with the advance notice required by law.*

The call notice shall be distributed using at least the following means:

- a) *In the Official Gazette or in one of the largest circulation newspapers in Spain.*
- b) *On the website of the Spanish National Securities Market Commission.*

- c) *On the corporate Company's website.*
6. *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 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 proposed resolutions to be voted on at the Shareholders' Meeting.

7. *Shareholders representing at least five percent (5%) of the aggregate nominal value of the capital stock may (a) request that a supplementary call notice for an ordinary Shareholders' Meeting be published, adding one or more further items to the agenda contained in the call notice, provided that the new items are accompanied by a justification or, as appropriate, a justified proposed resolution; and (b) submit reasoned proposals for resolutions on items already included or to be included on the agenda contained in the call notice for the Shareholders' Meeting called.*

This right must be exercised by serving a duly authenticated notice (notificación fehaciente) at the registered office within five (5) days of the publication of the call notice.

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

"Article 23. Right to information

4. *Up to and including the seventh (7th) day before the date scheduled for the Shareholders' Meeting on first call, shareholders may request in writing any information or clarification that they consider necessary and may formulate in writing the questions that they deem pertinent in relation to those items on the agenda contained in the call notice. Furthermore, in the same manner and within the same time period, shareholders may request any information or clarification or formulate questions in writing in relation to 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 and in relation to the auditors' report.*
5. *During the Shareholders' Meeting, shareholders may orally request any information or clarification that they deem appropriate in relation to items on the agenda, to 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 and in relation to the auditors' report 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.

6. *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 32. Documentation of resolutions

5. *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.*
6. *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.*
7. *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 percent (1%) 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 public shall be deemed the minutes of the Shareholders' Meeting.*
8. *Within a period of time which shall not exceed five (5) 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."*

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Madrid, May 10, 2012.