

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 FIVE ON THE AGENDA FOR THE SHAREHOLDERS' MEETING CALLED FOR 17 JUNE 2014, ON FIRST CALL, AND FOR 18 JUNE 2014, ON SECOND CALL

The Board of Directors of International Consolidated Airlines Group, S.A. (“IAG” or the “Company”) issues this report in order to justify the proposed amendment to the corporate bylaws submitted for approval to the Shareholders’ Meeting under item five on the agenda, in accordance with the provisions of Article 286 of the Companies Law (*Ley de Sociedades de Capital*). 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 bylaws 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 AMENDMENT AND JUSTIFICATION

IAG is a Spanish company listed on the Spanish Stock Exchanges and on the London Stock Exchange and, therefore, strives to implement the most widely recognized corporate governance recommendations in both markets and in the international arena.

In relation to the re-election of directors, although the Spanish Unified Good Governance Code applicable in Spain makes no recommendations on this subject, the UK Corporate Governance Code applicable in the UK recommends that the directors of FTSE 350 companies (such as IAG, which is also a FTSE 100 company) should be subject to annual re-election.

Thus, faithful to its commitment to fulfil the best corporate governance recommendations, the Company has decided to implement the recommendation in the UK Corporate Governance Code and, as a result, to submit the re-election of all Board members to the Shareholders’ Meeting annually, so that the shareholders can cast their votes as to whether each director should continue, on an individual basis.

To implement this decision in accordance with Spanish Corporate Law, it is considered appropriate for the bylaw term of office for directors to be one year.

Set out below is the original text of the article with the proposed amendment marked:

Article 36. Term of office

1. Board members shall hold office for a period of ~~three (3) years~~ one (1) year, 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 co-option, 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.

2. RESOLUTION PROPOSED TO THE SHAREHOLDERS' MEETING

Set out below is the wording of the resolution proposed to the Shareholders' Meeting in relation to item five on the agenda.

AMENDMENT OF ARTICLE 36 OF THE CORPORATE BYLAWS TO ADAPT IT TO RECOMMENDATIONS OF THE UK CORPORATE GOVERNANCE CODE.

RESOLUTION 5

"To amend Article 36 of the Corporate Bylaws so that it shall hereafter read as follows:

"Article 36. Term of office

1. Board members shall hold office for a period of one (1) year, 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."*

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Madrid, May 8, 2014.