

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 SEVEN ON THE AGENDA FOR THE SHAREHOLDERS' MEETING CALLED FOR 17 JUNE 2015, ON FIRST CALL, AND FOR 18 JUNE 2015, ON SECOND CALL

The Board of Directors of International Consolidated Airlines Group, S.A. (the “**Company**”) has issued this report in order to justify the proposed amendments to the Corporate Bylaws submitted for approval to the Shareholders’ Meeting under item seven on the agenda, in accordance with the provisions of Article 286 of the Spanish Companies Law (*Ley de Sociedades de Capital*).

Article 286 of the Companies Law requires the preparation by the directors of a written report justifying the reasons for the proposed bylaw amendment. In compliance with such article, an explanation of the purpose and justification of the bylaw amendment is offered, followed by the proposed resolutions submitted to the Shareholders’ Meeting for approval, including the full text of the proposed bylaw amendments.

1. PROPOSED AMENDMENTS AND JUSTIFICATION

In order to facilitate the exercise of the right to vote by Company shareholders, the proposed amendments have been grouped, for voting purposes, into two different and independent sections:

- (i) Amendment of the following articles of Title III, Section 1st (*Shareholders’ Meetings*) of the Corporate Bylaws: 21 (*Call of the Shareholders’ Meeting*), 22 (*Power and obligation to call meetings*), 23 (*Right to information*) and 31 (*Adoption of resolutions. Consultative vote*).
- (ii) Amendment of the following articles of Title III, Section 2nd (*The Managing Body*) of the Corporate Bylaws: 37 (*Remuneration*), 38 (*General obligations of Board members*), 39 (*Board Meetings*), 40 (*Constitution*), 44 (*Board Advisory Committees*) and 45 (*Audit and Compliance Committee*).

The main aim of these bylaw amendments is to introduce the legislative developments reinforcing the position of shareholders approved since the last Shareholders’ Meeting and, in particular, the changes deriving from Law 31/2014, of December 3, amending the Companies Law in order to enhance corporate governance (“**Law 31/2014**”).

In addition, while bringing the Corporate Bylaws into line with the legal changes deriving from Law 31/2014, the opportunity has been taken to make certain technical and systematic improvements.

1.1 Amendment of the following articles of Title III, Section 1st (*Shareholders' Meetings*) of the Corporate Bylaws: 21 (*Call of the Shareholders' Meeting*), 22 (*Power and obligation to call meetings*), 23 (*Right to information*) and 31 (*Adoption of resolutions. Consultative vote*).

In this section, a proposal is made to amend articles 21, 22, 23 and 31 of the Corporate Bylaws.

In particular, in articles 21 and 22 of the Corporate Bylaws, the minimum percentage required to exercise the right to add items to the agenda, to submit proposals for resolutions and to request the call of the Shareholders' Meeting is reduced from five per cent to three per cent, in line with the legal amendment introduced by Law 31/2014.

Regarding article 23 of the Corporate Bylaws, the period during which shareholders may exercise their right to information before the date scheduled for the Shareholders' Meeting is extended until the fifth day prior to the date scheduled for the meeting, in line with the changes resulting from Law 31/2014, and the new provision introduced by Law 31/2014 in relation to the list of scenarios in which the Board of Directors is not obliged to provide the information is included.

Sub-article 31.2 of the Corporate Bylaws is eliminated, so that resolutions of the Shareholders' Meeting are adopted with the majority established in Article 201 of the Companies Law, as amended by Law 31/2014, that is:

- (i) Corporate resolutions will be adopted by a simple majority of the votes cast by the shareholders present, in person or by proxy, at the Shareholders' Meeting, and a resolution shall be deemed adopted where more votes are cast in favour by the share capital present, in person or by proxy, than against.
- (ii) For the adoption of the resolutions referred to in Article 194 of the Companies Law (increase or reduction of capital and any other amendment of the corporate bylaws, the issue of debentures, the elimination or restriction of the pre-emptive right to subscribe new shares, the alteration of legal form, merger, spin-off, global transfer of assets and liabilities, or transfer of the registered office abroad), if the share capital present, in person or by proxy, exceeds fifty per cent, it will be sufficient for the resolution to be adopted by absolute majority. However, the vote in favour of two-thirds of the share capital present, in person or by proxy, at the Shareholders' Meeting will be required where, on second call, shareholders

representing twenty-five per cent or more, but less than fifty per cent, of the subscribed voting capital are present.

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 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.
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 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.

3. Shareholders representing at least ~~five~~^{three} percent (~~53~~%) 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.

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)~~three percent (3%) 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 and including the ~~seventh~~fifth (~~7~~5th) 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, about: (i) the~~ 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; (ii) 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; (iii) 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 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~~unless this information is not necessary to protect shareholders' rights or there are objective reasons to consider that it could be used for non-corporate purposes or that its disclosure could harm the Company or its related companies. However, the requested information may not be refused when the request is supported by shareholders

representing at least ~~one quarter (1/4)~~ twenty-five percent (25%) of the aggregate nominal value of the capital stock.

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 Companies 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.~~

2. ~~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.

1.2 Amendment of the following articles of Title III, Section 2nd (*The Managing Body*) of the Corporate Bylaws: 37 (*Remuneration*), 38 (*General obligations of Board members*), 39 (*Board Meetings*), 40 (*Constitution*), 44 (*Board Advisory Committees*) and 45 (*Audit and Compliance Committee*).

A proposal is made to amend articles 37, 38, 39, 40, 44 and 45 of the Corporate Bylaws.

In particular, a proposal is made to amend articles 37 and 38 of the Corporate Bylaws in order to bring their content into line with the changes introduced by Law 31/2014 regarding the remuneration and duties of directors, and to include certain technical improvements.

Regarding article 39 of the Corporate Bylaws, the provision contained in Article 245 of the Companies Law relating to the obligation to hold at least one meeting of the Board of Directors each quarter is included and a proposal is made to amend article 40 in order to include the provisions of Article 529 quater of the Companies Law in relation to the grant of proxies by non-executive directors at meetings of the Board of Directors.

Lastly, a proposal is made to amend articles 44 and 45 of the Corporate Bylaws in order to refer the Board committees' regulation to the Board of Directors Regulations and to the applicable law, and to include certain technical improvements.

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

Article 37. Remuneration

1. The office of Board member is remunerated.
2. The remuneration of Board members in their capacity as 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 maximum number of shares ~~to be delivered,~~ ~~the stock option~~ that may be allocated to this remuneration system in each financial year, the strike price or system for calculating the strike price of the stock options, the value of ~~the~~ any shares used as a reference and the duration of ~~this remuneration system~~ the plan.
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~~ functions, 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, which must be approved by the Board of Directors with the affirmative vote of two-thirds of its members. The Board member affected must abstain from attending the deliberation and from participating in the vote.

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~~the regime of rights ~~established~~approved by the Shareholders' Meeting (as the case may be, as part of Directors' remuneration policy) 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 the applicable law, ~~remaining faithful to the corporate interest~~ acting in good faith and in the best interests 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~~ diligence and loyalty, paying particular attention to situations of conflict of interest.

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 and, in all cases, at least once every quarter. 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, although non-executive Directors may only cast their vote through and grant a proxy to another non-executive Director. 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 44. Board ~~Advisory Committees~~of Directors' 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~~, according to the provisions of the law, determined in each case.
2. Notwithstanding the foregoing, the Board of Directors shall necessarily have the following advisory 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 Regulation of the Board committees

~~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. Board of Directors’ committees shall be governed by the provisions of the law, these Corporate Bylaws and the Board of Directors Regulations.~~

~~2. Without prejudice to the other tasks assigned to it by applicable law or Specifically, composition and functions of the Board of Directors’ committees shall be established in the Board of Directors Regulations, the Audit and Compliance Committee shall have the following powers to report, advise and propose: respecting in any case, the provisions of the law.~~

~~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. 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.~~
- ~~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.~~

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 seven on the agenda.

AMENDMENT OF THE CORPORATE BYLAWS TO ADAPT THEM TO THE REFORM OF THE COMPANIES LAW BY LAW 31/2014, OF DECEMBER 3, IN ORDER TO ENHANCE CORPORATE GOVERNANCE, AND IN ORDER TO INTRODUCE TECHNICAL AND SYSTEMATIC IMPROVEMENTS.

RESOLUTION 7.a)

“To amend articles 21, 22, 23 and 31 of the Corporate Bylaws so that they shall hereafter read as follows:

“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 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.*
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 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.

3. *Shareholders representing at least three percent (3%) 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.

- 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 three percent (3%) 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 and including the fifth (5th) day before the date scheduled for the Shareholders' Meeting, shareholders may request in writing any information or clarification that they consider necessary and may formulate in writing the questions that they deem pertinent, about: (i) the items on the agenda contained in the call notice; (ii) 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; (iii) 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 in the form and within the time periods envisaged by these Corporate Bylaws, the Shareholders' Meeting Regulations and applicable law, unless this information is not necessary to protect*

shareholders' rights or there are objective reasons to consider that it could be used for non-corporate purposes or that its disclosure could harm the Company or its related companies. However, the requested information may not be refused when the request is supported by shareholders representing at least twenty-five percent (25%) of the aggregate nominal value of the capital stock.

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 Companies Law. Each voting share present in person or by proxy at the Shareholders' Meeting shall entitle its holder to one vote.*
- 2. 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."*

RESOLUTION 7.b)

"To amend articles 37, 38, 39, 40, 44 and 45 of the Corporate Bylaws so that they shall hereafter read as follows:

"Article 37. Remuneration

- 1. The office of Board member is remunerated.*
- 2. The remuneration of Board members in their capacity as 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 maximum number of shares that may be allocated to this remuneration system in each financial year, the strike price or system for calculating the strike price of the stock options, the value of any shares used as a reference and the duration of the plan.*
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 functions, 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 shall be incorporated into the relevant contract, which must be approved by the Board of Directors with the affirmative vote of two-thirds of its members. The Board member affected must abstain from attending the deliberation and from participating in the vote.*
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, the regime of rights approved by the Shareholders' Meeting (as the case may be, as part of Directors' remuneration policy) 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 must comply with the duties imposed by these Corporate Bylaws, the Board of Directors Regulations and the applicable law, acting in good faith and in the best interests of the Company.*
- 2. The Board of Directors Regulations shall implement the specific obligations of the Board members deriving from the duties of diligence and loyalty, paying particular attention to situations of conflict of interest.*

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 and, in all cases, at least once every quarter. 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, although non-executive Directors may only cast their vote through and grant a proxy to another non-executive Director. 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 44. Board of Directors' 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, according to the provisions of the law, determined in each case.*
- 2. Notwithstanding the foregoing, the Board of Directors shall necessarily have the following advisory committees:*

- a) *Audit and Compliance Committee.*
- b) *Nominations Committee.*
- c) *Remuneration Committee.*
- d) *Safety Committee.*

Article 45. Regulation of the Board committees

1. *Board of Directors' committees shall be governed by the provisions of the law, these Corporate Bylaws and the Board of Directors Regulations.*
2. *Specifically, composition and functions of the Board of Directors' committees shall be established in the Board of Directors Regulations, respecting in any case, the provisions of the law.*
3. *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."*

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Madrid, April 29, 2015.