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INTERNATIONAL CONSOLIDATED AIRLINES GROUP, S.A. (the "**Company**") complying with Article 82 of the Spanish Securities Market Law hereby discloses the following

MATERIAL INFORMATION

Pursuant to the powers delegated at the Company's Shareholders' Meeting held on 21 June 2012 in items eight and nine of the meeting's agenda, the Board of Directors of the Company has resolved to issue bonds convertible into and / or exchangeable for newly created and / or outstanding common shares of the Company (the "**Bonds**") displaying the pre-emptive subscription rights of existing Company shareholders (the "**Issue**").

The Board of Directors of the Company approved the Issue, subject to the agreement by the Company of certain terms and conditions of the Bonds and the Issue, which shall be determined on completion of the accelerated bookbuilding process aimed at identifying qualified domestic and international institutional investors interested in subscribing for the Bonds and which is expected to be completed on the date hereof.

In addition, the Board of Directors of the Company has passed the necessary resolutions so that, at the appropriate time, the Company's capital stock may be increased in the amount required to enable holders of the Bonds to convert them into shares of the Company. Pursuant to Article 304.2 of the Capital Companies Act (*Ley de Sociedades de Capital)*, the Company's shareholders will not be entitled to exercise any preemptive subscription rights in any of the capital increases to be performed as a result of the conversion of Bonds into shares.

The net proceeds from the Issue will be used by the Issuer for the general corporate purposes of the Issuer, including the refinancing of : (i) an intercompany loan entered into by the Company and (ii) a term loan entered into with Banco Santander, S.A. to finance the recent acquisition of Vueling Airlines, S.A. via a Public Tender Offer (PTO).

The key terms and conditions of the Issue are as follows:

a. The nominal amount of the issue shall be up to an approximate maximum of FOUR HUNDRED MILLION EUROS (€400,000,000) subject to the Company obtaining firm commitments for the subscription of the Bonds. In any case, the Bonds shall be exchangeable and/or convertible for ordinary shares of the Company representing a maximum of 5% of its capital;

b. The Bonds will mature on the date falling five years after the date on which the Bonds are subscribed and paid-in;

c. The Company has appointed Banco Santander, S.A. Barclays Bank PLC, Deutsche Bank AG, London Branch, Morgan Stanley & Co. International plc and UBS Limited as joint lead managers (the "**Joint Lead Managers**");

d. The Issue will be targeted at qualified domestic and / or international investors;

e. The Bonds will be issued in registered form and with a specified denomination of ONE HUNDRED THOUSAND EUROS (€100,000) each and will initially be represented by a global bond (exchangeable for definitive registered bonds in specified limited circumstances);

f. The Bonds will be issued at par and will accrue interest at a fixed annual interest rate, payable semi-annually in arrear, which will be determined by the Company, in conjunction with the Joint Lead Managers, following completion of the bookbuiliding process and which is estimated to be a fixed rate of between 1.75% and 2.50% per annum;

g. The Bonds will be redeemed by the Company at the final maturity date falling five years after the Closing Date (as defined below) at a redemption price of 100% of their nominal amount, unless previously converted into ordinary shares, purchased and cancelled or redeemed;

h. Holders will be given the option to convert the Bonds into and / or exchange the Bonds for, newly issued and / or existing ordinary shares of the Company. Upon conversion of the Bonds, the Company may elect to issue new or deliver existing ordinary shares to converting holders.

i. Holders may elect to convert their Bonds into ordinary shares of the Company at a conversion price, which will be initially equal to the sum of:

   (i) The market price of the Company's ordinary shares determined by reference to the volume weighted average market price for those ordinary shares on the London Stock Exchange in the period between this date of announcement of the issue launch and its pricing; and

   (ii) A conversion or exchange premium which shall also be determined by the Company, in conjunction with the Joint Lead Managers, during the bookbuilding process. The conversion or exchange premium shall be calculated as a percentage of the price for the Company's ordinary shares referred to in paragraph i.(i) immediately above. The conversion or exchange premium shall not be below 30% of such price and, based on the outcome of the bookbuilding process performed by the Joint Lead Managers, may be increased (with the Company's approval) up to 35% of such price.

   Holders of the Bonds will, on conversion or exchange, receive a number of ordinary shares of the Company determined by dividing the nominal amount of the Bonds being converted by the applicable conversion price .

j. In any event, at any time on or after the 3rd anniversary plus 21 days from the Closing Date, the Company shall have the right to redeem any Bonds which have not been converted or exchanged and are still outstanding, if at any time on each period of not less than 20 dealing days in any period 30 consecutive dealing days ending not earlier than 7 days prior to the date on which the relevant notice is given to holders of the Bonds the volume weighted average price in the London Stock Exchange of the Company´s stock price is at least 130% of the conversion or exchange price as indicated in the terms and conditions of the Bonds. Similarly, the Company shall have the right to redeem any Bonds which have not been converted or exchanged and still in circulation, if at any time

Conversion Rights shall have been exercised and/or purchases and/or redemptions effected in respect of 85% or more in principal amount of the Bonds originally issued;

k. The Company shall be liable to pay any liabilities arising from the Bonds with its net assets but no special security has been created for such purpose;

l. The terms and conditions of the Bonds will be governed by English law, except in relation to the legal capacity of the Company to issue the Bonds, the relevant company resolutions or agreements, the provisions referring to the rules on the order of payment of the Bonds, to the appointment of a commissioner (*Comisario*) to act on behalf of the holders of the Bonds and to the creation and operation of a syndicate of holders of the Bonds, which provisions will be governed by Spanish law; and

m. The Company will assume a 90 day lock-up agreement from the date of the signing of the Subscription Agreement (as defined below), according to which it will undertake not to carry out any issues, offers of shares and other securities convertible and / or exchangeable into shares of the Company, subject to certain exceptions; and

n. It is anticipated that the Bonds will be admitted to the Official List maintained by the UKLA and admitted to trading on the *Professional Securities Market (PSM)* of the London Stock Exchange.

On or following agreement by the Company with the Joint Lead Managers of the full terms and conditions of the Bonds and the Issue, it is anticipated that the Company and the Joint Lead Managers will execute a subscription agreement for the Issue of the Bonds (the "**Subscription Agreement**"), which will be governed by English law.

It is anticipated that subscription and payment for the Bonds will take place on or around May 31st, 2013 (the "**Closing Date**"), provided the certain conditions precedent set out in the Subscription Agreement have been fulfilled.

In London, on May 14, 2013.

Enrique Dupuy de Lôme
Chief Financial Officer

WITH ARTICLE 2(1)(E) OF THE EUROPEAN UNION PROSPECTUS DIRECTIVE (DIRECTIVE 2003/71/EC) (“QUALIFIED INVESTORS”). EACH PERSON WHO INITIALLY ACQUIRES ANY BONDS WILL BE DEEMED TO HAVE REPRESENTED, ACKNOWLEDGED AND AGREED THAT IT IS A “QUALIFIED INVESTOR” WITHIN THE MEANING OF THE MENTIONED LEGISLATION.

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