

PROSPECTUS
REGARDING THE TENDER OFFER FOR
SHARES OF
VUELING AIRLINES, S.A.

launched by

VELOZ HOLDCO, S.L. (SOCIEDAD UNIPERSONAL)

through delisting request

8 July 2013

Pursuant to the provisions of Law 24/1988, of July 28, on the Securities Markets, Royal Decree 1066/2007, of July 27, on the rules for public tender offers for securities, and other applicable legislation

The English translation of the Explanatory Prospectus is for convenience purposes only. To the extent that there are any inconsistencies between the Spanish and English versions of the Prospectus, the Spanish version will prevail

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Annex 8 Report issued by PricewaterhouseCoopers Asesores de Negocios, S.L., in relation with the valuation of the shares of Vueling Airlines, S.A. in connection with the standards and valuation methods provided in Section 10.5 of Royal Decree 1066/2007.

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INTRODUCTION

This prospectus (hereinafter, the “**Prospectus**”) sets forth the terms and conditions of the public tender offer launched by Veloz Holdco, S.L. (Sociedad Unipersonal) (“**Veloz Holdco**” or the “**Offering Company**”) for all shares representing the capital stock of Vueling Airlines, S.A. (“**Vueling**” or the “**Target Company**”) for its delisting from the Barcelona, Bilbao, Madrid and Valencia stock exchanges in accordance with the provisions of Section 34.5 of Law 24/1988 of July 28 on the Securities Market (the “**Securities Market Act**”) and of Section 10 of Royal Decree 1066/2007 of July 27 on tender offers for securities (“**Royal Decree 1066/2007**”) (the “**Offer**”).

The Offering Company is a wholly-owned subsidiary of International Consolidated Airlines Group, S.A. (“**IAG**”). The latter indirectly controls 27,066,896 shares of Vueling representing of 90.511 % of its capital stock through (i) Iberia Líneas Aéreas de España, S.A. Operadora (“**Iberia**”), currently holder of 13,711,221 shares of Vueling, representing 45.85% of its capital stock, and (ii) the Offering Company, currently holder of 13,355,675 shares of Vueling representing 44.66% of its capital stock.

The Offer has been launched in accordance with the resolution for the delisting from the Barcelona, Bilbao, Madrid and Valencia stock exchanges and for launching of the Offer by the Offering Company adopted by the general shareholders meeting of the Target Company held on 27 June 2013. The Offering Company and Iberia voted in favor of the resolution related to Vueling’s delisting and have blocked the shares of Vueling that are held by them.

In light of the above, in accordance with Section 10.2 of Royal Decree 1066/2007, the Offer is effectively addressed to 2,837,622 shares, representing 9.489% of Vueling’s capital stock, excluding the shares of Vueling held by Iberia and the Offering Company.

The price offered by the Offering Company, which was also approved by the referred general shareholders meeting of Vueling is 9.25 euros per share of Vueling. This price has been determined in accordance with Section 10.6 of Royal Decree 1066/2007 and is not lower than the greater of (i) the equitable price referred to under Section 9 of Royal Decree 1066/2007, and (ii) the price that results from collectively taking into account the methods laid down in Section 10.5 of Royal Decree 1066/2007, based on the respective relevance thereof.

In accordance with the provisions of Section 10.7 of Royal Decree 1066/2007, the securities will be excluded from listing upon the settlement of the transaction. In case the circumstances described in Section 60 *quater* of the Securities Market Act regarding squeeze outs (*compraventas forzosas*) occur, Veloz Holdco will exercise its squeeze out right (*derecho de venta forzosa*) at the same price as the consideration offered under this Offer, in which case the de-listing will take effect upon settlement of the squeeze out transaction, pursuant to the provisions of Section 48 of Royal Decree 1066/2007 and related provisions.

CHAPTER I

1.1 Persons responsible for the Prospectus

Mr. Christopher Mark Haynes, of legal age, a British citizen, bearing British passport number 8017000026, in the name and on behalf of Veloz Holdco, in his position as director, and acting by virtue of the powers of attorney granted by the management body of the Offering Company on 24 May 2013, assumes responsibility for the information set forth in this Prospectus, which has been prepared in accordance with the provisions of Section 18 and Annex 1 of Royal Decree 1066/2007.

Mr. Christopher Mark Haynes states that the data and information set forth in this Prospectus are true, that such Prospectus contains no misleading data or information, and that there are no omissions that might alter the contents hereof. In addition, Mr. Christopher Mark Haynes declares that the information related to Vueling provided in this Prospectus has been previously verified with the Target Company.

Pursuant to the provisions of Section 92 of the Securities Market Act, it is hereby stated for the record that the filing of this Prospectus and of the documentation attached hereto with the National Securities Market Commission (the “CNMV”) will only entail an acknowledgment that such documents contain all the information required by the laws and regulations establishing the contents hereof and that the CNMV shall under no circumstances be responsible for the veracity of the information that may be contained in such documents.

1.2 Resolutions, scope and governing law

1.2.1 Resolutions and decisions of the Offering Company and Vueling for the purposes of launching the Offer and grant of powers of attorney to the persons responsible for the Prospectus

On 27 June 2013, Vueling’s general shareholders meeting, which had an attendance level of 91.056 % of the capital stock, at the proposal of its board of directors, resolved to request the delisting of Vueling’s shares from the Spanish official secondary markets in which it is currently listed (i.e., the Barcelona, Bilbao, Madrid and Valencia stock exchanges, and incorporated in the Automated Quotation System (SIBE)) as well as the launch of the Offer by Veloz Holdco and its price, with the favourable vote of shareholders holding 27,147,735 shares, representing 99.698116 % of the present or represented capital stock in such general shareholders meeting and of 90.781382 of Vueling’s capital stock. In such shareholders meeting, it was also resolved to delegate in the board of directors of Vueling in the broader terms that are required by Law and with express substitution faculties in any of the directors, so that they could carry out any acts and proceedings that are necessary or appropriate for the Offer.

Veloz’s board of directors, in turn, by virtue of the authorisation for this effect granted by IAG’s board of directors on 9 May 2013, resolved on 24 May 2013 to launch the Offer, as long as the delisting request, the launch by Veloz Holdco of the Offer and its price were authorised by the general shareholders meeting of Vueling, in accordance with the provisions of Section 34.5 and related of the Securities Market Act and of Section 10 and related of Royal Decree 1066/2007 and other applicable regulation.

Veloz Holdco further resolved, by virtue of the aforementioned resolutions, to grant a power of attorney in favor of, among others, the person responsible for this Prospectus, so as to enable such person among other powers, to apply for the respective authorization of the Offer (subject to its authorisation by the general shareholders meeting of Vueling, as stated above) and to prepare, sign and file this Prospectus and any amendments hereto as well as all other supporting documents required pursuant to the provisions of Royal Decree 1066/2007, including all relevant actions, statements or proceedings before the CNMV and any other appropriate agency for purposes of the Offer.

Attached hereto as Annex 1 and Annex 2 are included the certificates proving the adoption of the corporate resolutions by Vueling and by the Offering Company and IAG, respectively, that are referred to in the preceding paragraphs.

Iberia and Veloz Holdco, currently holders of 13,711,221 and 13,355,675 shares representing 45.85% and 44.66% of Vueling's capital stock, respectively, and which voted in favor of the resolution for the delisting of the shares of Vueling and of launch of the Offer, have blocked all of the shares held by them until the settlement of this Offer through the issue of the corresponding legitimating certificate. Attached hereto as Annex 3 and Annex 4 are copies of the referred blocking certificates of Iberia's and Veloz Holdco's shares of Vueling, respectively.

1.2.2 Scope of the Offer, governing law and competent authority

This Offer is governed by the provisions of the Securities Market Act, Royal Decree 1066/2007 and other applicable laws and regulations, its launched by Veloz Holdco for the delisting of Vueling's shares in accordance with the provisions of Section 10.4 of Royal Decree 1066/2007, having adopted the general shareholders meeting of Vueling, in its meeting of 27 June 2013, the resolutions related to the delisting, the launch of the present Offer, as well as that the Offer is launched by Veloz Holdco.

The Offer is directed to all Vueling shareholders, on the terms and conditions set forth in this Prospectus and its supplemental documentation.

All the shares of Vueling are listed on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges and are included within the Automated Quotation System (*Sistema de Interconexión Bursátil*) (SIBE). The shares of Vueling are not listed on any other regulated or unofficial or non-regulated market of a Member State of the European Union or of another country that is not a member of the European Community.

Consequently, as the Offer is launched exclusively on the Spanish market (which is the only market in which Vueling's shares are listed) and as Vueling is a company domiciled in Spain following to the provisions of Section 1 of Royal Decree 1066/2007, the authority with jurisdiction to examine the Prospectus and to authorize the Offer is the CNMV.

The agreements between Veloz Holdco and the Vueling shareholders who accept the Offer and those deriving therefrom shall be governed by generally applicable Spanish common legislation. The courts competent to hear and determine any dispute relating to

the agreements shall be the courts and tribunals of Spain that correspond regarding the Spanish law on civil procedure.

1.3 Information regarding Vueling

1.3.1 Corporate name and business name. Registered office and address

The Target Company is Vueling Airlines, S.A. (which operates under the commercial name of “Vueling”), a Spanish corporation (*sociedad anónima*), with a registered office at El Prat de Llobregat (Barcelona), Parque de Negocios Mas Blau II, Plaça de l’Estany, número 5.

Vueling was incorporated for an indefinite period by notarial deed executed on February 10, 2004 before José Luis Gómez Díaz, Notary of Barcelona, recorded in his notarial record book under number 211, and registered with the Commercial Registry of the province of Barcelona in volume 36403 of the companies book, folio 184, page number B-279,224, first entry, and holder of Tax Identification Number (NIF) A-63422141.

The bylaws of Vueling are available to shareholders on its corporate website (www.vueling.com).

1.3.2 Capital stock

The capital stock of Vueling is currently 29,904,518 euros, represented by 29,904,518 book-entry shares, each with a par value of one euro, and of a single class and series, and the entity in charge of the book entries of the shares is the Securities Registration, Clearing, and Liquidation Systems Management Company, S.A., Sole Shareholder company (Iberclear) and its participating entities.

Vueling has not issued any subscription rights, bonds convertible into or exchangeable for shares, warrants or any similar instruments that are outstanding and might entitle the holder to directly or indirectly subscribe or acquire its shares. There are no non-voting shares or special classes of shares.

Vueling’s shares are fully subscribed and paid up, all of them are of the same class and series, and hold the same voting and economic rights.

Each Vueling share carries the right to one vote and its bylaws do not provide limitations in relation with the maximum number of votes that a shareholder may cast, although shareholders must hold at least 150 shares to attend general shareholders’ meetings. Shareholders holding less than 150 shares will be entitled to form a group to reach such minimum number for the purpose of attending and voting at general shareholders’ meetings, and such group may be represented by any of the shareholders who are part of the group.

Vueling shares are listed on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges and are included within the Spanish Automated Quotation System (SIBE).

1.3.3 Structure of the administration, management and control bodies of Vueling

Under the bylaws of Vueling, the board of directors of Vueling is the body in charge of the management, administration and representation of the Company. Pursuant to such bylaws, the board of directors may be made up of a minimum of seven and a maximum of fifteen directors.

The board of directors of Vueling is made up of 12 members. Pursuant to the company's bylaws, the directors shall serve for a term of six years and may be successively re-elected.

A related-party transactions committee, an audit and compliance committee, a nominations and remuneration committee and a security committee have been established within the board of directors.

The members of the board of directors of Vueling hold the positions indicated in the following table, and to the best of Veloz Holdco's knowledge, and after having made the appropriate verifications with Vueling, directly or indirectly hold the number of shares of the capital stock of Vueling also set forth below:

Name	Position	Classification	Date of last appointment	No. of voting rights	% of voting rights
Mr. Josep Piqué i Camps	Chairman	Independent	15/07/2009	0	0
Mr. Enrique Donaire Rodríguez	Director	Proprietary ⁽¹⁾	15/07/2009	0	0
Ms. Niamh McCarthy	Director	Proprietary ⁽²⁾	24/05/2013	10	0.000
Mr. Manuel López Colmenarejo	Director	Proprietary ⁽¹⁾	15/07/2009	0	0
Mr. Jorge Pont Sánchez	Director	Proprietary ⁽¹⁾	15/07/2009	0	0
Mr. Miguel Ángel Fernández Villamandos	Director	Independent	15/07/2009	0	0
Mr. Pedro Mejía Gómez	Director	Independent	15/07/2009	0	0
Mr. Daniel Villalba Vila	Director	Independent	15/07/2009	0	0
Ms. Isabel Marín Laplana	Director	Independent	26/03/2010	0	0
Mr. Jaime Manuel de Castro Fernández	Director	Independent	26/03/2010	0	0
Mr. Carlos Colomer Casellas	Director	Independent	21/10/2011	2	0.000
Mr. Alejandro Cruz de Llano	Director (CEO)	Executive	26/03/2010	0	0
Total				12	0.000

(1) Appointed at the proposal of Iberia (holder of 45.85% of Vueling's capital stock)

(2) Appointed at the proposal of IAG through the cooptation procedure and ratified in Vueling's general shareholders meeting scheduled on 27 June 2013.

In addition, Mr. Pedro Ferreras Díez is the non-director secretary and Ms. Ester Escrivá de Romaní Giró is the non-director deputy secretary of the board.

The audit and compliance committee is made up as follows:

Name	Position
Mr. Miguel Ángel Fernández Villamandos	Chairman
Mr. Daniel Villalba Vila	Member
Ms. Isabel Marín Laplana	Member

Mr. Pedro Ferreras Díez, non-director secretary

Ms. Ester Escrivá de Romaní Giró, non-director deputy secretary

The nominations and remuneration committee is made up as follows:

Name	Position
Mr. Pedro Mejía Gómez	Chairman
Mr. Jorge Pont Sánchez	Member
Mr. Enrique Donaire Rodríguez	Member

Mr. Pedro Ferreras Díez, non-director secretary

Ms. Ester Escrivá de Romaní Giró, non-director deputy secretary

In addition, Vueling has (i) a related party transactions committee, which ensures Vueling's independence in the decision-making and which guarantees that the relationships between Vueling and its shareholder Iberia are based on the principles of priority and protection of the corporate interest; and (ii) a security committee in charge of Vueling's general policy in relation with the security systems, flight security and ground operations.

The related-party transactions committee is made up as follows:

Name	Position
Mr. Josep Piqué i Camps	Chairman
Mr. Miguel Ángel Fernández Villamandos	Member
Mr. Pedro Mejía Gómez	Member
Mr. Daniel Villalba Vila	Member
Mr. Jaime Manuel de Castro Fernández	Member

Mr. Pedro Ferreras Díez, non-director secretary

Ms. Ester Escrivá de Romaní Giró, non-director deputy secretary

The security committee is made up as follows:

Name	Position
Mr. Enrique Donaire Rodríguez	Chairman
Mr. Jorge Pont Sánchez	Member
Ms. Isabel Marín Laplana	Member
Mr. Jaime Manuel de Castro Fernández	Member
Mr. Carlos Colomer Casellas	Member

Mr. Pedro Ferreras Díez, non-director secretary

Ms. Ester Escrivá de Romaní Giró, non-director deputy secretary

1.3.4 Shareholding structure of Vueling and private shareholder agreements

According to the information provided by Vueling, the shareholding structure of Vueling is as follows:

Name	Number of shares			Total percentage of voting rights
	Held directly	Held indirectly	Total	
International Consolidated Airlines Group, S.A. ⁽¹⁾	–	27,066,896	27,066,896	90.511
Ms. Niamh McCarthy	10	–	–	0.000
Other shareholders	–	–	2,837,612	9.489
Total	–		29,904,518	100

(1) International Consolidated Airlines Group, S.A. directly and indirectly holds 49.9% of the voting rights and practically 100% of the economic rights of IB Opco Holding, S.L., the owner of 100% of Iberia, which in turn directly holds a 45.85% interest in Vueling. In addition, International Consolidated Airlines Group, S.A. is holder of 100% of the shares of Veloz Holdco, which, in turn, is direct holder of 44.66% of Vueling.

The Target Company does not directly or indirectly hold treasury stock.

Except for what is mentioned afterwards, Veloz Holdco and Vueling are not aware of any currently existing private shareholder agreement (*pacto parasocial*) of the kind provided in Sections 530 *et seq.* of the Restated Text of the Companies Act (*Ley de Sociedades de Capital*) (the “**Companies Act**”) executed among the shareholders of Vueling, nor are they aware of any concerted action of the kind described in Section 5 of Royal Decree 1066/2007.

After the voluntary public tender offer launched by the Offering Company for all the shares representatives of the capital stock of Vueling, which consideration in cash was of 9.25 euros per share, which was authorized by the CNMV on 27 February 2013 and which result was announced on 23 April 2013 (the “**Preceding Offer**”), IAG exercises control over Vueling pursuant to Section 4 of the Securities Market Act and Section 42 of the Commercial Code and the International Financial Reporting Standards adopted by the European Union. In addition, IAG holds a controlling stake in Vueling in accordance with the provisions of Section 4 of Royal Decree 1066/2007.

1.3.5 Limitations on voting rights and restrictions on access to management decision-making bodies

The bylaws of Vueling do not establish any limitations on voting rights or restrictions on access to management-level decision-making bodies. Vueling's bylaws do not provide either reserved matters of the general shareholders' meetings or qualified majorities for the approval of resolutions other than the ones stipulated in the Companies Act.

Without prejudice to the foregoing, shareholders must hold at least 150 shares to attend general shareholders' meetings. Shareholders holding less than 150 shares will be entitled to form a group to reach such minimum number for the purpose of attending and voting at general shareholders' meetings, and such groups may be represented by any of the shareholders who are part of the group.

1.3.6 Breakthrough measures

Vueling has not adopted any resolution pursuant to the provisions of Section 60 *ter* of the Securities Market Act or Section 29 of Royal Decree 1066/2007 concerning the application of optional breakthrough measures (*medidas de neutralización*) as Vueling's internal regulations do not establish any limitations to the free transfer of shares or to the exercise of the voting rights, nor any shareholders' agreements.

1.3.7 Considerations related to the specific regulation of air navigation

Article 6 of the bylaws of Vueling provides that the transfer of shares shall in all cases comply with the conditions laid down in applicable law. Spanish law (Law 48/1960, of July 21, of Air Navigation) and European Community Law (European Parliament and Council Regulation EC 1008/2008, of September 24) provide that holders of operating licenses of air transportation passengers must be majority-owned by EU nationals, for which reason the company will take appropriate measures to comply with such requirements.

As regards airlines holding operating licenses, Section 86 of Law 14/2000 of December 29 on fiscal, administrative and social measures provides that the capital stock of Spanish airlines holding an operating license granted pursuant to EC Regulation 1008/2008 of the European Parliament and of the Council, of September 24, will be represented by registered interests or shares on which the nationality of the shareholder must be expressly stated. When an airline becomes aware of the fact that, owing to the percentage interests held directly or indirectly by foreign individuals or legal entities, the maintenance of the operating licenses or the exercise of traffic rights under bilateral air traffic agreements signed by Spain¹ are at risk, it must notify the Stock Exchange Governing Bodies (*Sociedades Rectoras de las Bolsas de Valores*) and the CNMV thereof for purposes of the required publicity and in order for such institutions to give

¹ Most of Vueling's routes have their departure and destination within the European Union and are operated bound by the European Union's regulation for civil aviation, although some of its routes have its departure and destination outside the European Union and are operated under the bilateral or multilateral agreements entered into by Spain or by the European Union, respectively, with the affected third countries.

notice of such fact to investment services companies and financial institutions authorized to provide investment services. The Ministry of Transport and Infrastructure (*Ministerio de Fomento*) shall also be notified of such circumstance through the State Agency for Aviation Safety (*Agencia Estatal de Seguridad Aérea*). Once notice of such circumstance has been duly given, no acquisition or transfer of shares may be made by foreign individuals or legal entities unless such acquisition or transfer is accompanied by a certification issued by the board of directors of the airline showing that such acquisition or transfer does not exceed the limits required by European Community laws and regulations or the bilateral air traffic agreements signed by Spain regarding air transport, in order to evidence its status as a Spanish airline.

In the event that the airline is aware of any acquisition or transfer of shares that, in contravention of the provisions described in the preceding paragraph, may jeopardize the requirements laid down in the laws and agreements mentioned above, the board of directors of such airline may acquire the shares in question for subsequent cancellation. In such case and until such time as the shares are physically transferred to the airline, the board of directors may resolve to suspend the voting rights attaching to such shares.

1.4 Information regarding Veloz Holdco, IAG and its group

1.4.1 Veloz Holdco

1.4.1.1. Corporate name, registered office, fiscal year and corporate purpose

Veloz Holdco is a Spanish sole shareholder limited liability company (*sociedad limitada unipersonal*) with a registered office in Madrid, at Velázquez 130, bearing Tax Identification Number (N.I.F.) B-86535846, the principal business of which consists of the acquisition and holding of shares or equity interests in other companies, whatever the purpose thereof, as well as the management and disposition of such equity interests.

Veloz Holdco was incorporated by notarial deed executed on 12 September 2012 before Mr. Ignacio Martínez-Gil Vich, Notary of Madrid, and entered in his notarial record book under number 1,916. It adopted the name of Veloz Holdco, S.L. by converting the certificate of resolutions adopted by the sole shareholder into a notarial deed signed by Mr. José Ignacio Rivas Guardo, Notary of Madrid, on 7 November 2012, and entered in his notarial record book under number 2; such notarial deed also modified the board of directors and amended its bylaws. It is registered with the Commercial Registry of Madrid, in volume 30,279, Page M-544,961, folio 91, first entry.

Its fiscal year begins on January 1 and ends on December 31 of each year.

Veloz Holdco, is merely a company organized specifically for the purpose of acquiring and holding Vueling's shares, so it has not conducted any business activities from its organization to the date hereof, except for those relating to the launch of the Preceding Offer by Veloz Holdco, and those related to the launch of this Offer.

The corporate purpose of Veloz Holdco, as stated in Article 2 of its bylaws, is the following:

“1. The corporate purpose of the Company is the acquisition or holding of interest, represented by shares or other similar securities, in other companies or legal entities,

either domestic or foreign, whatever its corporate purpose, that may be interesting for the Company, and the administration and transfer thereof.

2. Under no circumstances may it pursue the activities typical of the collective investment undertakings and institutions, of the banks and other financial institutions, nor may it pursue the mediation and other activities exclusively entrusted under the Spanish Securities Market Law to various operators in said market.

3. All activities which, by law, require a license, administrative authorization or any other special requirement not obtained or met by this Company are expressly excluded.”

Attached as Annex 5 hereto is a certification of the Commercial Registry of Madrid regarding Veloz Holdco, evidencing the incorporation of such company and its current bylaws.

1.4.1.2. Capital stock

The capital stock of Veloz Holdco is 32,691 euros, divided into 32,691 shares (*participaciones sociales*), each having a par value of one euro, all having the same features, and all of which have been fully assumed and paid up. Each share carries the right to one vote. In addition, Veloz Holdco’s share premium accounts to 4,405,827.25 euros.

No subscription rights exist in Veloz Holdco or similar instruments that might entitle the holder to directly or indirectly subscribe or acquire any of Veloz Holdco’s shares. Veloz Holdco has not issued any non-voting shares.

The shares of Veloz Holdco are not negotiable instruments and have not been listed on any organized securities trading system.

The bylaws of the Offering Company do not establish any limitations on voting rights or restrictions on access to the board of directors.

1.4.1.3. Structure of the management body

Veloz Holdco is managed by a board of directors made up of five members appointed for a term of five years.

Name	Position	Date appointed
Mr. Ignacio de Torres Zabala	Chairman	20 November 2012
Mr. Christopher Mark Haynes	Director	20 November 2012
Mr. Stephen William Lawrence Gunning	Director	20 November 2012
Ms. Silvia Cairo Jordan	Director	6 February 2013
Ms. Irene de José Zalve	Director	6 February 2013

None of the members of the board of directors holds any shares representing the capital stock of the Offering Company or of Vueling. Mr. Christopher Mark Haynes holds 1,160 shares of IAG, Mr. Stephen William Lawrence Gunning holds 1,445 shares of

IAG and Ms. Silvia Cairo Jordan holds 1,224 shares of IAG. Mr. Ignacio de Torres Zabala and Ms. Irene de José Zalve do not hold any shares of IAG.

No delegated bodies of the board of directors of Veloz Holdco exist.

The secretary of the board of directors is Mr. Juan Francisco Falcón Ravelo.

1.4.1.4. Name of shareholders and control of the Offering Company

Veloz Holdco is wholly owned by IAG.

1.4.2 IAG

1.4.2.1. Corporate name, registered office, fiscal year and corporate purpose

International Consolidated Airlines Group, S.A. is a corporation (*sociedad anónima*) organized under the laws of Spain, with a registered office in Madrid, at calle Velázquez 130, and bearing Tax Identification Number (N.I.F.) A-85845535.

It was incorporated via a notarial deed executed on December 17, 2009 before Ignacio Martínez-Gil Vich, Notary of Madrid, entered in his notarial record book under number 3866, and registered with the Commercial Registry of Madrid in volume 27312, folio 11, page number M-492.129, first entry. IAG was organized for the purpose of becoming the holding company of the groups British Airways Plc (“**British Airways**”) and Iberia groups, which transaction was carried out by means of a merger in which IAG was the surviving company, and which was registered with the Commercial Registry of Madrid on January 21, 2011.

Its fiscal year begins on January 1 and ends on December 31 of each year.

IAG’s corporate purpose, as stated in Article 2 of its bylaws, is as follows:

“The Company’s corporate purpose comprises the following activities:

- 1. The management and administration of the securities representing the equity of resident and non-resident entities in the territory of Spain by the relevant organization of material and human resources.*
- 2. The operation of services for the transportation by air of passengers, cargo of any kind whatsoever and mail.*
- 3. The operation of aircraft, passenger, cargo and mail technical, operational and commercial handling services.*
- 4. The operation of technical assistance and consultancy services relating to aeronautics, airports and air transportation.*
- 5. The operation and development of computerized booking systems and other services relating to air transportation.*
- 6. The operation of aircraft airframe, engine, instrument and ancillary equipment maintenance services.*

7. The operation of commercial aviation training and instruction services.

8. The operation of any frequent flyer and other customer loyalty or membership programs, including the establishment of affiliate arrangements with third party service or product providers in connection with such frequent flyer and other customer loyalty or membership program.

9. The operation of any travel or communications business or services, or any other business or services involving, connected with or ancillary thereto, including but not limited to hotels, vehicle rental services, parking services and retail services.

All the activities making up the corporate purpose described above may be conducted in Spain, the United Kingdom and elsewhere in the world, and may be pursued directly, in whole or in part, by the Company or indirectly through the holding of shares or interests in companies or other legal entities, whether incorporated in Spain or in any other jurisdiction, with an identical or similar purpose. In particular, the Company shall pursue its activities through the holding, directly or indirectly, of shares in the Iberia, Líneas Aéreas de España, Sociedad Anónima Operadora and British Airways plc airlines.

Under no circumstances may the Company pursue any activities typical of collective investment undertakings and institutions, banks or other financial institutions, or the mediation and other activities exclusively entrusted by the Securities Market Act to various operators in the market.

If any professional qualification, administrative authority or registration at public registries is required by applicable law for the pursuit of any of the activities comprising the corporate purpose, such activities must be performed by a duly qualified person and, as the case may be, such activities may not be commenced until the relevant administrative requirements are met.”

1.4.2.2. Capital stock

IAG's capital stock is 927,684,778.50 euros, divided into 1,855,369,557 ordinary registered shares of a single class and series, each having a par value of 0.50 euro, fully subscribed and paid up.

The shares of IAG are admitted to the Premium listing of the Official List of the UK Listing Authority and are traded on the London Stock Exchange and on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges, and have been integrated into the Spanish Automated Quotation System (SIBE).

As they are Spanish securities, the shares of IAG cannot be directly listed on the London Stock Exchange nor deposited and settled as such within the CREST system (the clearing and liquidation system of the London Stock Exchange). For this reason, IAG applied for CREST depositary interests (“CDIs”) to be issued in respect to IAG securities. The CDIs are listed in pounds Sterling in London's Stock Exchange. CDIs represent rights to shares of IAG.

In August 2009, British Airways issued bonds, which were originally convertible into shares of British Airways and, after the amendment of the original terms and conditions

within the framework of the merger by absorption of BA Holdco, S.A. and IB Opco Holding, S.L. by IAG, into shares representing the capital stock of IAG for an amount of 350 million Pounds Sterling. The bonds are convertible into ordinary shares of IAG at a conversion price of 189 pence per share and are due on August 14, 2014.

In addition, in May 2013, IAG issued convertible and/or exchangeable bonds convertible or exchangeable into newly issued or existing ordinary shares of IAG, with exclusion of pre-emption right, for a nominal amount of 390 million euros, maturing on 31 May 2018, which main terms and conditions were announced to the market through relevant facts of 14 May 2013. The initial conversion price is of 4.2503 euros per share of IAG.

The Company has a Sponsored Level 1 American Depositary Receipt (ADR) facility that trades on the over-the-counter market in the US. Each ADR is equivalent to five ordinary shares and each ADR holder is entitled to the financial rights attaching to such shares, although the ADR depositary, Deutsche Bank Trust Company Americas, is the registered holder in Iberclear. As at 28 June 2013 the equivalent of 19,046,160 shares were deposited in ADRs (2012: 17.2 million).

Under Article 9 of its bylaws, shares of IAG may be transferred in accordance with the provisions of applicable legislation and its bylaws. In particular, Article 7.2(b) of IAG's bylaws imposes on its shareholders a duty to notify IAG of any acquisition or disposal of shares or interests in the shares of IAG that directly or indirectly entails the acquisition or disposal of a stake of more than 0.25% of the capital stock or of the voting rights corresponding thereto, expressly indicating the nationality of the transferor and/or the transferee obliged to provide notice, as well as the creation of charges on shares (or interests in shares) or other encumbrances whatsoever, for purposes of the exercise of the rights conferred by them.

In addition, if the board of directors of IAG deems it necessary or appropriate to take measures to protect an operating right of IAG or of its operating subsidiaries (i.e., Iberia, British Airways, the Target Company and any other operator company that is a subsidiary of IAG and that is engaged in the operation of air transport of passengers, cargo of any kind whatsoever and mail and is the holder of or enjoys operating rights) as a result of the nationality of its shareholders or of persons with an interest in the shares, it may adopt any of the measures provided for in Article 11 of its bylaws, which include the determination of the maximum number of shares that may be held by shareholders who are not EU nationals, which shall in no case be less than 40% of the capital stock of IAG.

The board of directors may also (i) resolve to suspend the voting and related rights of the holder of such shares, and (ii) require that the holders thereof dispose of the respective shares such that no one who is not an EU national holds such shares directly or indirectly or has an interest therein. In the event that such transfer is not carried out on the terms and conditions laid down in the bylaws, IAG may acquire such shares (for subsequent cancellation thereof) in accordance with applicable law.

1.4.2.3. Structure of the management body

In accordance with Section 35 of its bylaws, IAG's board of directors will be made up of a minimum of nine and a maximum of 14 members. IAG is currently managed by a board of directors made up of 14 members.

After the approval of the merger between BA Holdco, S.A. and IB Opco Holding, S.L. and the reappointment of the directors for a period of four years starting on the day when the merger was effective (21 January 2011), the directors' term of office established in the bylaws was amended to the current term of three years.

Set out below is the composition and positions of the members of IAG's board of directors, as well as the number of IAG's voting rights that they currently hold:

Name	Position	Classification	Number of voting rights	% over total voting rights
Mr. Antonio Vázquez Romero	Chairman	Other external	512,291	0.028
Sir Martin Faulkner Broughton	Deputy Chairman	Independent	69,090	0.004
Mr. William Matthew Walsh	Chief Executive	Executive	298,915	0.016
Mr. César Alierta Izuel	Director	Independent	1,000,000	0.054
Mr. Patrick Jean Pierre Cescau	Director	Independent	0	0
Mr. Alberto Terol Esteban	Director	Independent	0	0
Mr. Luis Gallego Martín	Director	Executive	100	0
Baroness Denise Patricia Kingsmill	Director	Independent	2,000	0
Mr. James Arthur Lawrence	Director	Independent	50,000	0.003
Mr. José Pedro Pérez-Llorca y Rodrigo	Director	Independent	408	0
Mr. Kieran Charles Poynter	Director	Independent	0	0
Mr. John William Snow	Director	Independent	0	0
Mr. Keith Williams	Director	Executive	135,615	0.07
Total			2,069,235	0.112

To the best of Veloz Holdco's knowledge, once the appropriate verifications are made, the members of the administration, management and control bodies of IAG do not hold shares of IAG other than the ones stated in the above table.

In IAG's board of directors, an audit and compliance committee, a nominations committee, a remuneration committee and a safety committee have been created. Their composition is as follows:

Audit and compliance committee

Name	Position
Mr. Kieran Charles Poynter	Chairman
Mr. Patrick Jean Pierre Cescau	Member
Mr. James Arthur Lawrence	Member

Nominations committee

Name	Position
Mr. John William Snow	Chairman
Mr. César Alierta Izuel	Member
Baroness Denise Patricia Kingsmill	Member

Remuneration committee

Name	Position
Mr. César Alierta Izuel	Chairman
Baroness Denise Patricia Kingsmill	Member
Mr. John William Snow	Member

Security committee

Name	Position
Mr. William Walsh	Chairman
Mr. Antonio Vázquez Romero	Member
Sir Martin Faulkner Broughton	Member
Mr. Kieran Charles Poynter	Member

1.4.2.4. Name of shareholders and control of IAG

No individual or legal entity controls IAG for the purposes of Section 42 of the Commercial Code and Section 4 of the Securities Market Act, nor does any entity hold over its voting rights a controlling stake for the purposes of Section 4 of Royal Decree 1066/2007. Its main shareholders are:

Name	Number of shares			Total percentage of voting rights
	Held directly	Held indirectly	Total	
Blackrock Inc. ⁽¹⁾	–	91,539,438	91,539,438	4.934
Templeton Global Advisors Limited ⁽²⁾	–	92,969,270	92,969,270	5.011
Majedie Asset Management Limited	-	92,332,612	92,332,612	4.98
Legal and General Investment Management Limited	53,761,392	6,076,987	59,838,379	3.226
Total			336,679,699	18.151

(1) Blackrock Inc. holds its interest in IAG through Blackrock Investment Management (UK) Ltd.

(2) Templeton Global Advisors Limited is a collective investment undertaking management entity that exercises the voting rights related to the IAG's shares held by certain collective investment undertakings managed by such entity. Templeton Global Advisors Limited is indirectly controlled by the company holding Franklin Resources Inc., although this entity does not interfere in any way with the exercise by Templeton Global Advisors Limited of the voting rights corresponding to the shares held over IAG's capital stock by the collective investment undertakings managed by Templeton Global Advisors Limited.

IAG is not aware of any concerted action, as established under Section 5 of Royal Decree 1066/2007, in relation to that company.

Likewise no shareholders' agreements entered into by shareholders of IAG exist in relation with such company of the ones referred to in Section 530 of the Companies Act and that have been published in accordance with Section 531 of the Companies Act.

1.4.2.5. Concerted action

Neither the Offering Company nor IAG nor any other company of the group of which the latter is the controlling company is a party to any agreement to act in concert with any third party in connection with Vueling and the present Offer as established under Section 5 of Royal Decree 1066/2007.

1.4.2.6. Limitations on voting rights and restrictions on access to management bodies

There are no limitations on voting rights, apart from the nationality obligations of shareholders to notify IAG of any acquisition or transfer of a percentage equal to or exceeding 0.25% of its capital stock, and possible restrictions that could be imposed by IAG's board of directors that are mentioned in sub-paragraph 1.4.2.2. above.

No restrictions on access to the board of directors have been established in the bylaws of IAG.

1.4.2.7. Breakthrough measures and compensations provided by the Offering Company

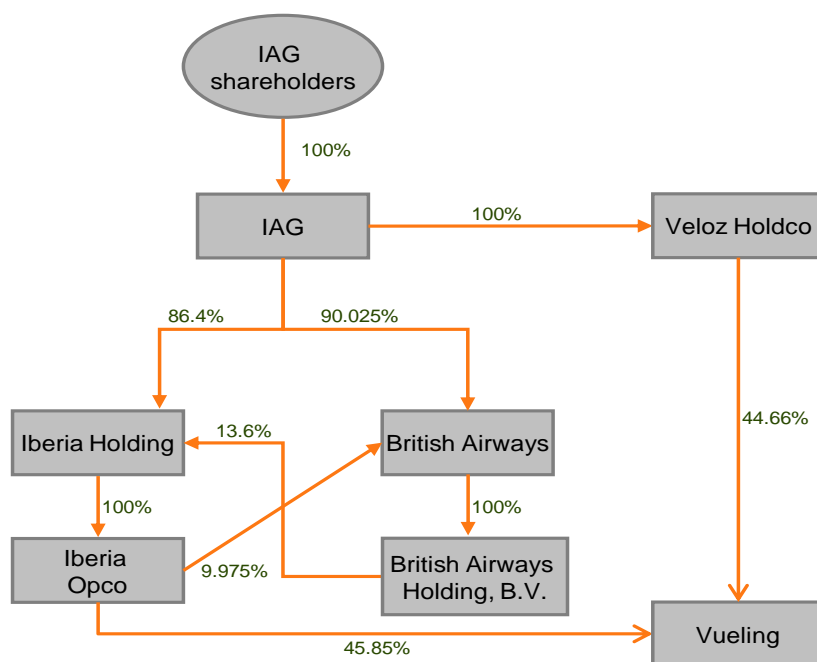
IAG has not adopted any resolution concerning the application of breakthrough measures (*medidas de neutralización*), as IAG's internal regulations do not provide any

limitations to the free transfer of shares nor to the exercise of voting rights, nor private shareholder agreements that incorporate restrictions of this kind.

1.4.2.8. IAG Group: group to which Veloz Holdco belongs

IAG is a parent holding company of an airlines group which currently comprises Iberia, British Airways and Vueling.

The current organizational chart of the IAG's group is as follows (figures show percentage of economic interest):



In the following tables the information of the companies of the consolidation perimeter of the IAG group (subsidiaries and affiliates) at 31 December 2012 is included (to which it is also added the amendment in the participation in Vueling as a consequence of the Preceding Offer, that was in April 2013):

Subsidiaries

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
Avios Group (AGL) Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Management of Avios and BA frequent Flyer/loyalty programme	100%
BA and AA Holdings Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holding company	100%
BA Call Centre India Private Limited (callBA)	F-42, East of Kailash, New Delhi	India	Contact Centre based in India	100%
BA Cityflyer Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Airline operations	100%
BA European Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holding company	100%
Binter Finance B.V.	PrinsBernhardplein 200, 1097 JB, Amsterdam	The Netherlands	Finance companies	100%
BritAir Holdings Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holding company	100%
British Airways Plc	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Airline operations	100%
British Airways (España) Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Dormant company	100%
British Airways (European Operations at Gatwick) Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Dormant company	100%
British Airways 777 Leasing Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Aircraft financing	100%
British Airways Associated Companies Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holding company	100%
British Airways Avionic Engineering Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Aircraft maintenance	100%
British Airways Capital Limited	Queensway House, Hilgrove Street, St Helier, JE1 1ES	Jersey	Capital bonds company	100%

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
British Airways E-Jets Leasing Limited	Canon's Court, 22 Victoria Street, Hamilton, HM 12	Bermuda	Aircraft financing	100%
British Airways Employee Benefit Trustee (Jersey) Limited	Queensway House, Hilgrove Street, St Helier, JE1 1ES	Jersey	Trust	100%
British Airways Finance (Jersey) Limited Partnership	22 Grenville Street, St Helier, JE4 8PX	Jersey	Partnership – bonds and preferred securities	100%
British Airways Holdings B.V.	Waterside, PO Box 365, Harmondsworth, UB7 0GB	The Netherlands	Holding company	100%
British Airways Holdings Limited	22 Grenville Street, St Helier, JE4 8PX	Jersey	Airline finance	100%
British Airways Holidays Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Package holidays	100%
British Airways Interior Engineering Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Aircraft maintenance	100%
British Airways Leasing Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Aircraft financing	100%
British Airways Maintenance Cardiff Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Aircraft maintenance	100%
British Airways Pension Trustees (No 2) Limited	Whitelocke House, 2–4 Lampton Road, Hounslow, Middlesex, TW3 1HU	England	Administers BARP	100%
British Airways Regional Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Non-trading company	100%
British Caledonian Airways Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Dormant company	100%
British Caledonian Group Limited	Ground Floor, Bute Court, Glasgow Airport, Glasgow, PA3 2SW	Scotland	Dormant company	100%
Caledonian Aviation Investments Limited	Campos Velázquez, S.A.	England	Dormant company	100%
Campos Velázquez, S.A.	Calle Velázquez 130, 28006 Madrid	Spain	Real estate acquisition	100%

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
Compañía Explotación Aviones Cargueros, S.A. "Cargosur"	Calle Velázquez 130, 28006 Madrid	Spain	Air cargo transport	100%
Consultores Hansa, S.A.	Calle Velázquez 130, 28006 Madrid	Spain	Consultancy services (Owned by Viva Air)	100%
Deutsche B A Holding GmbH	Brienner Strasse 28, 80333 Munich	Germany	Holding Company	100%
Flyline Tele Sales & Services GmbH	Hermann Koehl-Strasse 3, 28199 Bremen	Germany	Contact centre in Bremen	100%
IAG Cargo Ltd	Carrus Cargo Centre, PO Box 99, Sealand Road, London Heathrow Airport, Hounslow, Middlesex, TW6 2JS	England	Commercial sales, support and management to British Airways and Iberia networks	100%
Compañía Operadora de Corto y Medio Radio, Iberia Express, S.A.	Calle Velázquez 130, 28006 Madrid	Spain	Air transport	100%
Iberia de México, S.A.	Ejército Nacional 436-9º	Mexico	Establish and manage travel agencies and act as agents of all kinds of transport companies. Providing handling services and storage services.	100%
Iberia Tecnología, S.A.	Calle Velázquez 130, 28006 Madrid	Spain	Maintenance and technology services through the holding of shares.	100%
Iberia Líneas Aéreas de España, S.A. Operadora	Calle Velázquez 130, 28006 Madrid	Spain	Air transport services, maintenance and handling	100%
Illiad Inc	Suite 1300, 1105 N Market Street, PO Box 8985, Wilmington, 19899, Delaware	USA	Holding company	100%

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
OpenSkies Aviation Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Dormant company	100%
Openskies SASU	5, Allée du Commandant Mouchotte – 91550 Paray Vieille Poste	France	Airline operations	100%
Overseas Air Travel Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Tour consolidator	100%
Remotereport Trading Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holds trademarks	100%
Speedbird Cash Management Limited	Canon's Court, 22 Victoria Street, Hamilton, HM 12	Bermuda	Investment	100%
Speedbird Insurance Company Limited	Canon's Court, 22 Victoria Street, Hamilton, HM 12	Bermuda	Insurance	100%
Speedwing International Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Non–trading company	100%
Teleflight Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Call centre in Jacksonville	100%
The Plimsoll Line Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holding company	100%
Veloz Holdco, S.L.U.	Calle Velázquez 130, 28006 Madrid	Spain	Holding company	100%
VIVA Vuelos Internacionales de Vacaciones, S.A.	Calle Velázquez 130, 28006 Madrid	Spain	Air transport services and maintenance	100%
Compañía Auxiliar al Cargo Exprés, S.A. (Cacesa)	Centro de Carga Aérea Parcela 2 p.5 nave 6 / Calle Velázquez 130, 28006 Madrid	Spain	Cargo transport	75%
Iberia Desarrollo Barcelona, S.L.R.	Torre Tarragona, C/ Tarragona nº 161 Planta 15 08014 Barcelona	Spain	Promotion of the hangar at Barcelona Airport to provide maintenance services (owner 75% Iberia Tecnología)	75%
Auxiliar de Logística Aeroportuaria,	Centro de Carga Aérea Parcela 2 p 5 nave 6 / Calle Velázquez 130,	Spain	Provides logistics and ancillary	75%

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
S.A.	28006 Madrid		transport services.	
Vueling Airlines, S.A.	Parque de Negocios Mas Blau Barcelona	Spain	Operational Company	90.511 ² %
BA Number One Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holding company	100%
British Midland Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Holding company	100%
British Airways (No.1) Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Dormant company	100%
Avios South Africa Pty Limited	Second Floor Sandown House, CNR Fifth Street and Norwich Close, Sandton, Gauteng SA	South Africa	Dormant company	100%
BA Number Two Limited	22 Grenville Street, St Helier, JE4 8PX	Jersey	Holding company	100%
British Airways (BA) Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Airline operations	100%
British Midland Airways Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Airline operations	100%
bmibaby Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Activities of head office	100%
British Mediterranean Airways Limited	Waterside, PO Box 365, Harmondsworth, UB7 0GB	England	Dormant company	100%
Diamond Insurance Company Limited	P.O. Box 305, Rose House, 51–59 Circular Road, Douglas, Isle of Man, IM99 2BB	Isle of Man	Insurance	100%

Associates

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
Iber-América Aerospace, LLC	9800 Premier Parkway Miramar, Florida 33025, Miramar, FL	USA	Aircraft Equipment Parts and Supplies	65.33%

² This percentage was achieved through the Preceding Offer. On 31 December 2012 the participation attributed to IAG was of 45.95% and Vueling was referred to as an “associate” and not as a “subsidiary”.

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
Handling Guinea Ecuatorial, S.A. (HANGESA)	Malabo International Airport, Malabo	Ecuatorial Guinea	Handling (holder of 51% Cargosur)	Handling Guinea Ecuatorial, S.A. (HANGESA)
Corjet Maintenance Europe S.L.	C/ Anabel Segura nº 11, Alcobendas, (Madrid).	Spain	Jet Maintenance	Corjet Maintenance Europe S.L.
Empresa Logística de Carga Aérea, S.A. (ELCA)	Aeropuerto Jose Martí, Ciudad de La Habana	Cuba	Handling	50%
Madrid Aerospace Services, S.L.	Pol. Ind. Las Monjas, C/Verano, 9	Spain	Landing Gear Maintenance	50%
Empresa Hispano Cubana de Mantenimiento de Aeronaves, S.A. (Ibeca)	Aeropuerto Jose Martí, Ciudad de La Habana	Cuba	Maintenance (50% equity owned by Iberia Tecnología S.A.)	50%
Multiservicios Aeroportuarios, S.A.	Avenida de Manoteras, 46 Madrid	Spain	Airport Services/Ground Support services	49%
International Supply Management, S.L.	Ctra. Carabanchel km. 5, 6 Pozuelo de Alarcón Madrid	Spain	Supply	49%
Sociedad Conjunta para la Emisión y Gestión de Medios de Pago EFC, S.A. (Iberia Cards)	José Ortega y Gasset, 22 Madrid	Spain	Credit Provider Institution	43.50%
Aerohandling Ltd	Ben Gurion Airport– Tel Aviv	Israel	Handling (owned 100% by Noamar Air Handling)	40%
Dunwoody Airline Services (Holdings) Limited	Building 70, Argosy Road, East Midlands Airport, Castle Donnington, Derby, DE74 2SA	England	Holding Company	40%
Noamar Air Handling Holdco N.V.	Keizersgracht 616, 1017ER, Amsterdam	The Netherlands	Handling (owner 100% of Aerohandling)	40%
Serpista, S.A.	Cadenal Marcelo Espínola, 10, Madrid	Spain	Airport Services/Ground Support services	39%
Oneworld Management Company Inc	Corporation Trust Center, 1209 Orange Street, Wilmington, New Castle County, 19801, Delaware	USA	Management service company	23.194%
Air Miles, S.A.	Avda. Bruselas 20, Alcobendas Madrid	Spain	Miles Program Management (Travel Club)	25%
Adquira España,	C/ Goya, 4 – 3ª Planta –	Spain	Electronic	10%

Corporate name	Registered office	Jurisdiction of incorporation	Activity	Percentage of equity owned
S.A.	28001 Madrid		platform that specializes in purchasing and provisioning.	
Amadeus IT Holding, S.A.	Salvador de Madariaga, 1. Madrid.	Spain	Global Distribution Services and ancillaries	7.499%
Meridiana Maintenance S.p.A.	OLBIA, (OT), (ITALY)	Italy	Maintenance	10.03%
Servicios de Instrucción De Vuelo, S.L. (S.I.V.)	Polígono Industrial nº 2, La Muñoza, Barajas, 28042, Madrid.	Spain	Flight Training Services	19.9%
Servicios de Instrucción de Vuelo OPS Training. S.L.U	Polígono Industrial nº 2, La Muñoza, Barajas, 28042, Madrid.	Spain	Flight training to airline companies (19.9 owned by SIV)	19.9%
Viajes AME, S.A.U.	Avda. de Bruselas, 20. Alcobendas (Madrid)	Spain	Travel agency (Owner Air miles)	22.5%

It is hereby stated that between 31 December 2012 -date to which the above breakdown is referred to regarding the consolidation perimeter of the IAG group (subsidiaries and affiliates)- and the date of this Prospectus no significant variations have taken place in the consolidation perimeter of the IAG group provided in the above tables.

1.5 Agreements regarding the Offer and Vueling

1.5.1 Full description of all agreements or understandings of any kind between the Offering Company and the shareholders and members of the administration, management and control bodies of Vueling and benefits reserved for such members by the Offering Company.

A) Commitments related to the Offer

Veloz Holdco voted in Vueling's general shareholders meeting held on 27 June 2013 in favor of the delisting of the shares and has blocked the 13,355,675 shares, representing 44.66% of Vueling's capital stock which are currently held by Veloz Holdco until the completion of the Offer, which means that this Offer is not addressed to those shares.

In addition, Iberia also voted in favor of the delisting of the shares in the referred general shareholders meeting and has blocked the 13,711,221 shares, representing 45.85% of Vueling's capital stock, which are currently held by Iberia until the completion of the Offer, which means that this Offer is also not addressed to those shares.

Both Veloz Holdco and Vueling itself, as it declared to the Offering Company, do not know whether or not the rest of the shareholders of Vueling other than Iberia intend to accept the Offer or not.

It is hereby stated that there is no agreement or pact in relation with the Offer or with Vueling between the Offering Company, IAG, their directors or major and/or controlling shareholders or persons that exercise control over Vueling, or any of the companies of the group of IAG and Vueling, the members of their administration, management or supervision bodies or the shareholders of Vueling. No specific advantages have been granted to the shareholders and to the members of the administration, management or control bodies of Vueling.

B) Other commitments

Iberia–Vueling Protocol

As a result of the merger between Clickair and Vueling, executed in July 2009, Iberia reached a percentage in Vueling's voting rights of over 30%, though the CNMV exempted it from launching a mandatory tender offer as the circumstances provided under Section 8.g) of Royal Decree 1066/2007 applied. After the aforementioned merger, Iberia and Vueling deemed appropriate, in accordance with the Spanish Unified Code on Corporate Governance, to define a protocol that regulates the related-party transactions, as well as to solve any conflict of interest (the “**Protocol**”).

The aim of the Protocol is to define the operating scope of Vueling, regulate the applicable framework to business relationships and commercial operations of Vueling with Iberia and with the companies that form part of the Iberia group, and the regulation of the conflicts of interest in Vueling's board of directors. The Protocol will remain in effect as long as Iberia interest in Vueling exceeds 30%, or as long as more than half of Vueling's directors are appointed by Iberia.

While the Protocol is in force, Iberia commits to make Vueling continue in the low-cost airline market. Iberia also intends to guarantee the complete independence from Vueling's board of directors in the business decision-making.

In the context of the aforementioned merger between Clickair and Vueling, Iberia and Vueling executed the following operating agreements that are detailed in the Protocol, currently in force:

1. Code-sharing agreements that enables the commercializing or tickets of Vueling through Iberia's commercial channels, including travel agencies, direct sales force, web page and call center, without prejudice to keep the commercial network of Vueling.
2. Frequent flyer programme that enables Vueling's users accumulate and redeem points in the “Iberia Plus” programme.
3. Maintenance of Vueling's aircrafts offered under economic market conditions by Iberia's maintenance division.

4. Handling: Handling services for Vueling in market economic conditions rendered by Iberia handling division.

The Protocol also regulates the principles and procedures of authorization of any new service or commercial operation between Iberia and Vueling. Those agreements, with some exceptions, must be adopted with the approval of Vueling's board of directors, with prior report of the related-party transactions committee (which no member appointed by Iberia can be a member of it).

In this regard, Iberia has additionally entered into with Vueling an agreement for the transfer of the use of the IT and telecommunications system, which is currently in force. In addition, in years 2010, 2011, 2012 and 2013 to date, Iberia has leased to Vueling, through various arrangements, as it is common practice in the airline industry, several Airbus aircraft of the A320 family.

Vueling–British Airways agreements

Vueling has also entered into a commercial agreement with British Airways by which the latter's passengers that land in Barcelona–El Prat's airport could connect with all the offered destinations of Vueling. Moreover, Vueling and British Airways have agreed to exchange slots at London Gatwick airport.

Others

Apart from the aforementioned agreements with Iberia, British Airways and IAG, Vueling has recently entered into several commercial agreements with other airlines such as LAN, American Airlines (both airlines forming part of the *oneworld* alliance) as well as with Avianca (a *Star Alliance* member).

Lastly, Vueling has declared its intention to enter into several commercial agreements mainly with other *oneworld* member airlines.

1.5.2 Members simultaneously serving on the administration, management or control bodies of Vueling and the Offering Company

No member of the board of directors, the management or the supervisory body of Vueling is simultaneously a member of such bodies of the Offering Company.

The following persons are members of the administration and management bodies of the companies belonging to the group of companies of which IAG is the controlling company and are, at the same time, external proprietary directors (proposed by Iberia or IAG) of Vueling:

- Ms. Niamh McCarthy (Head of the Competition Department of IAG)
- Mr. Manuel López Colmenarejo (Corporate Matters Director of Iberia)
- Mr. Jorge Pont Sánchez (Deputy Chairman of Iberia's board of directors)

Except for the persons mentioned above, there are no other members of the administration, management and supervision bodies of, simultaneously, Vueling and the Offering Company or the IAG's group exist.

1.5.3 Interests or securities of the Offering Company held by Vueling

To the best of the Offering Company's knowledge, and having made the appropriate verifications, except for the holdings of IAG's shares of the directors of Vueling mentioned above, Ms. Niamh McCarthy and Mr. Jorge Pont Sánchez, and which amount to 2,211 shares and 409 shares of IAG, respectively, neither Vueling nor the members of its management body hold, directly or indirectly, or in concert with third parties, any interests and/or shares in Veloz Holdco or in any of the companies of the group controlled by IAG (including IAG itself), or other securities that might entitle it to acquire or subscribe such interests or shares.

1.6 Vueling securities held by Veloz Holdco

1.6.1 Shares and other securities giving the holder the right to subscribe or acquire them from Vueling held directly or indirectly by the Offering Company, its directors, and the directors of controlled companies belonging to the group, the controlling shareholders or members thereof, and other persons acting for the account of the Offering Company or in concert therewith, specifying the voting rights attaching thereto.

1. Veloz Holdco is holder of a total of 13,355,675 shares of Vueling, representing 44.66% of its capital stock with voting rights.
2. Iberia holds a total of 13,711,221 shares of Vueling, representing 45.85% of its capital stock with voting rights.
3. Aside from Veloz Holdco and Iberia, there are no other companies belonging to the group of companies of which the IAG is the controlling company that hold an interest in Vueling.
4. 10 shares of Vueling representing a participation lower than 0.000033% of its total capital stock and voting rights held by Ms. Niamh McCarthy, proprietary director of the IAG group in Vueling, are attributed to her.
5. To the best of Veloz Holdco's knowledge and after having made the appropriate verifications, no other member of the management bodies of IAG and the companies belonging to its group nor the proprietary directors of the IAG group in Vueling holds Vueling shares.
6. According to the information available to the Offering Company and having made the appropriate verifications, there are no persons or entities that, acting in concert or for the account of the persons or entities, directors or shareholders mentioned in the above paragraphs hold any Vueling shares.

For the purposes of Section 5 of Royal Decree 1066/2007 and in order to determine the percentage of voting rights in Vueling that would be attributed to the group within

Veloz Holdco is integrated, the percentage resulting from the voting rights in Vueling that are owned by Ms. Niamh McCarthy, proprietary director of the IAG group in Vueling, specified in paragraph 4 above will have to be added to the percentage of direct voting rights in Vueling held by the Offering Company and by Iberia as set forth in paragraphs 1 and 2 above (amounting a total of 10 shares).

Neither Veloz Holdco, nor IAG, the other companies of its group, their directors, or the proprietary directors of the IAG group in Vueling, directly or indirectly hold, individually or in concert with others, other shares in Vueling or instruments carrying the right to subscribe or acquire such shares, other than those described above.

1.6.2 Treasury stock of Vueling

In accordance with the information verified with Vueling, Vueling does not directly or indirectly hold treasury stock. According to the decision declared in the report of the board of directors of Vueling of 9 April 2013 regarding the Preceding Offer once its consideration was improved to 9.25 euros per share, Vueling accepted the Preceding Offer with the 216,083 shares that it held in treasury stock in such moment.

1.7 Transactions in securities of Vueling

The only transactions made by the persons referred to in paragraph 1.6.1 above with shares of Vueling or other securities or instruments providing the right for its acquisition of subscription between 24 May 2012 and the date of this Prospectus (i.e., the period of time covering from the 12 months prior to the announcement of Veloz Holdco's resolution to launch a tender offer for all the shares of Vueling for its delisting, until the authorisation of the Offer) were:

- (i) The acquisitions of Vueling's shares made by virtue of the Preceding Offer, through which the Offering Company acquired 13,355,675 shares of Vueling for a price of 9.25 euros per share (i.e., the same price offered in the Offer).
- (ii) The sale to Veloz Holdco in the Preceding Offer through the acceptance of the 13,483 shares attributable to the proprietary director of Iberia in Vueling, Mr. Enrique Donaire Rodríguez, for a price of 9.25 euros per share; and
- (iii) The acquisition of 10 Vueling shares by Ms. Niamh McCarthy on 20 May 2013 (after the settlement of the Preceding Offer) at a price of 8.85 euros per share, solely for the purposes of allowing her appointment as a director member of Vueling' board of directors by the co-optation procedure approved by the board of directors meeting of Vueling held on 24 May 2013 and whose appointment was ratified in the general shareholders meeting of Vueling held on 27 June 2013.

Other than the transactions referred to in the above paragraphs, to the best of Veloz Holdco's knowledge, and after having made the appropriate verifications, neither Veloz Holdco nor IAG, nor the companies belonging to the group of which IAG is the controlling company, nor the proprietary directors of the IAG group in Vueling, nor the directors of IAG and the remaining companies of its group, or any other persons acting in concert with or on behalf of such companies, have made any transactions in Vueling's shares, directly or indirectly, individually or in concert with others, or

subscribed instruments that hold rights to acquire or subscribe Vueling's shares from 24 May 2013 (date corresponding to the 12 months prior to the announcement of the transaction) to the date of this Prospectus.

Veloz Holdco states that neither it nor any company belonging to the group of companies of which the IAG is the controlling company intend to directly or indirectly acquire shares in Vueling, whether personally or through a nominee, or acting in concert, outside of the Offer process and until the date of publication of the outcome thereof, although it has not adopted any decision in that regard. In the event that it ultimately decides to acquire shares of Vueling during such period, the provisions of Section 32 of Royal Decree 1066/2007 will apply.

1.8 Activities and economic/financial condition of the Offering Company

Veloz Holdco's activity

Veloz Holdco is a company whose main activity is the holding, acquisition and sale of interests, shares, rights, options, futures and debentures of commercial and industrial companies.

As Annex 6 the audited annual accounts of Veloz Holdco, for the fiscal year ended on December 31, 2012, which constituted the first and only fiscal year closed by the Offering Company up to this moment.

The main financial indicators that result from Veloz Holdco's annual accounts corresponding to fiscal year 2012 are the following:

Data in millions of euros

Item	Veloz Holdco 31.12.12
Turnover	-
Shareholders' Equity	2.70
Total Assets	119.29
Net income	(0.3)
Net financial funds/(debt) (–) ⁽¹⁾	2,65

(1) Includes the net cash position (cash and cash equivalents less debt).

It is also hereby stated that Veloz Holdco has not published financial statements or financial indicators more recent than the above.

Activity of IAG's group

The IAG group conducts its activities in the aviation industry, and its main business areas are the operation of scheduled international and domestic passenger and cargo air transport services. In addition, the companies of the IAG group offer supplemental services that include loyalty programs, fleet maintenance, repair and overhaul (MRO) services and passenger and aircraft handling at airports.

In particular, the IAG group has the following lines of business:

- Passenger transport: In the passenger air transport market, IAG offers a wide variety of travel classes, as well as customer loyalty programs and support for passenger connections with other airlines. IAG takes advantage of the broad experience of Iberia, British Airways and Vueling in the market:
 - Iberia: the Iberia group's principal business line is passenger air transport, which operates through an extensive network of scheduled flights, the majority of which connect with Madrid-Barajas airport and serve domestic and international destinations throughout Europe, the Americas, Africa and the Middle East. Iberia's main networks are the domestic network, the medium-haul network (mainly flights to Europe and to some destinations in Africa and the Middle East) and the long-haul network, mainly focused on Latin America and the United States. The subsidiary Iberia Express commenced activities in March 2012, operating short-haul and medium-haul routes, and planning to end the year with a fleet of 14 aircraft. The new airline provides direct traffic in addition to feeding Iberia's long-haul network, and offers the same customer benefits and services as Iberia.
 - British Airways: passenger transport is also the principal business line of British Airways, which offers its customers a broad range of services for domestic (United Kingdom) and international (short-haul and long-haul) flights and serves a large geographic area. The principal destinations offered by British Airways are the Americas (mainly the United States), Europe, Africa, the Middle East, South Asia and the Asia-Pacific region.
 - Vueling: Vueling's principal business line is passenger air transport, which operates through regular point-to-point flights among Spain's main cities, as well as international destinations mainly in Europe, Northern Africa and the Middle East. Its principal operating base is Barcelona where it has developed connecting capability for its own operations as well as long haul carriers. Vueling currently operates 70 Airbus 320 family aircraft as we are now in the summer season, which is the one with the highest turnover for the company due to the seasonality of the activity, being 65 Airbus A320 aircrafts the average number of aircrafts at its disposal expected for fiscal year 2013, in accordance with Vueling's budget for such year that has been considered by PricewaterhouseCoopers Asesores de Negocios, S.L. ("PwC") to elaborate its valuation report of Vueling.
- Cargo transport: IAG Cargo, created from British Airways World Cargo, Iberia Cargo and most recently, BMI Cargo, is a business unit within IAG and is responsible for optimizing value from IAG's bellyhold capacity and cargo assets. IAG Cargo Ltd, created on December 1 2012, represents the single commercial platform through which all IAG Cargo capacity across its cargo-carrying airlines can be managed on a single system, sold by a single sales force across a single set of distribution channels, all under the IAG Cargo brand.

Revenues generated by IAG Cargo are shared by the operating companies, based on the carrier that operated the segment.

While IAG Cargo Ltd is the commercial heart of the business, selling cargo capacity and products on behalf of its two operating companies (Iberia and British Airways), under the supervision of IAG Cargo, British Airways World Cargo continues to manage the operations at the UK hub (LHR) with Iberia Cargo managing operations across the Spanish hubs (MAD, BCN and LPA) and a number of hubs across South America.

- Ancillary services: IAG offers maintenance and ground handling services through Iberia and British Airways:

- Iberia: Currently, the General Maintenance and Engineering Department of Iberia (Iberia Maintenance) offers maintenance, repair and overhaul services for engines, aircraft and components of the Iberia fleet and those of other airlines. Iberia Maintenance carries out both scheduled and unscheduled (ad-hoc repairs in situ) maintenance work.

It provides the following ground services at Spanish airports to both third-party companies as well as to Iberia itself: passenger services, ramp services, coordination, cargo assistance and flight services.

- British Airways: British Airways' maintenance business (British Airways Engineering) includes the provision of maintenance repair and overhaul (MRO) within British Airways and wholly-owned subsidiaries. British Airways provides engineering services to British Airways Mainline Operations (excluding BA CityFlyer) as well as a number of other airlines.

British Airways provides ground handling services to third party airlines at various airports.

- Strategic alliance and cooperation agreements: IAG, through Iberia and British Airways, is a member of the *oneworld* alliance, along with Airberlin, American Airlines, Cathay Pacific, Finnair, Japan Airlines, LAN, Qantas, Royal Jordanian, S7 Airlines, Malaysian Airlines and selected affiliated airlines. Qatar Airways and Sri Lankan Airlines are *oneworld* members elect and expected to join the alliance in 2013–2014. The *oneworld* alliance is designed to maximize the offering to customers by providing greater network coverage and benefits. Through the alliance, customers have increased options in terms of the routes available to them, stop-overs and fare types, greater access to airport lounges and opportunities to earn more frequent flyer points. The customer benefits make the member airlines more attractive to customers, giving members the opportunity to increase their load factors, traffic and revenues.

In addition to the oneworld alliance each of Iberia and British Airways has agreements with Openskies and American Airlines since 2008 to cooperate in certain areas in relation to flights between Europe and North America.

- IAG announced in February 2012 that British Airways and Japan Airlines (JAL) would participate in a joint business agreement covering applicable flights between Europe and Japan.

- Joint business agreement on Peru and Ecuador between Iberia and LAN.
- British Airways and Iberia also have franchise agreements as well as various bilateral agreements with a number of airlines, some of which are also members of the *oneworld* alliance. Iberia has also a franchise agreement with Air Nostrum.

Set forth below are the main financial indicators resulting from the (audited) individual and consolidated financial statements of IAG for fiscal year 2012:

Data in millions of euros

Item	IAG Individual 31.12.12	IAG Consolidated 31.12.12
Turnover	50.57	18,117
Shareholders' Equity	5,352.57	2,978 ⁽¹⁾
Total Assets	5,373.42	18,976 ⁽²⁾
Net income	(870.92)	(679) ⁽²⁾
Net financial funds/(debt) ⁽³⁾	12.88 ⁽⁴⁾	(1,889) ⁽⁵⁾

(1) Shareholders' equity is restated for the amendment to IAS 19 'Employee Benefits' accounting standard by 2,077 million euros to 2,978 million euros. Shareholders' equity corresponding prior to the IAS 19 amendment was of 5,055 million euros.

(2) Amended due to the amendment to IAS 19 'Employee Benefits' accounting standard. The corresponding figure of total assets prior to the IAS 19 amendment was of 19,837 million euros.

(3) Equals to cash and cash equivalents less debts with group companies.

(4) Net cash position of IAG at individual level.

(5) Net financial debt of the consolidated group.

Also included are the main financial indicators resulting from IAG's (unaudited) consolidated financial statements for the first quarter of 2013:

Data in millions of euros

Item	IAG Consolidated 31.03.13
Turnover	3,939
Shareholders' Equity	2,306 ⁽¹⁾
Total Assets	18,905
Net Income	(630)
Net financial debt (-)	1,732

The financial statements of IAG mentioned above together, where appropriate, with the related auditors' report are available in the registries of the CNMV. It is also stated that IAG has not published financial statements or financial indicators more recent than those described above.

It is hereby stated for the record that the auditors' reports on the individual and consolidated financial statements of IAG for fiscal year 2012 no qualifications or significant recommendations.

CHAPTER II

2.1 Securities to which the Offer is directed

The capital stock of Vueling currently amounts to 29,904,518 euros, represented by 29,904,518 book-entry shares, each with a par value of one euro, all of the same class and series, fully subscribed and paid up.

Said shares grant their holders identical economic and political rights, are represented by book entries, and are listed on the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges and included in the Spanish Automated Quotation System (SIBE).

Each share of Vueling gives the right to one vote.

This Offer is for all of the shares of Vueling, except the 27,066,896 shares (representing 90.511% of the capital stock of Vueling) which are the shares that are held by the Offering Company and by Iberia, which (i) voted in favor of the resolution for the delisting of the shares of the Target Company in Vueling's general shareholders meeting held on 27 June 2013 and that, additionally, (ii) have blocked their respective shares of Vueling until the settlement of this Offer, all in accordance with the provisions of Section 10.2 of Royal Decree 1066/2007. In accordance to what is mentioned above, as Annex 3 and 4 are attached copies of the referred blocking certificates of the shares of Vueling owned by Iberia and by Veloz Holdco, respectively.

Therefore, the Offer will effectively target 2,837,622 shares of Vueling representing 9.489 % of its capital stock and an equal percentage of voting rights. The shares to which the Offer effectively targets, added to the ones that have been blocked, as referred to above, represent 100 % of Vueling's capital stock and voting rights.

It is hereby stated for the record that the terms and conditions of the Offer are identical for all the shares of Vueling, and the consideration described in Section 2.2 of this Prospectus is offered for all of them.

Vueling has not issued subscription rights, convertible bonds or bonds exchangeable into shares, warrants or any similar instrument that may directly or indirectly confer the right to subscribe or acquire its shares. There are no non-voting or special classes of shares. Consequently, there are no Vueling securities others than the target shares of this Offer to which, in accordance with applicable regulations, the Offer shall be directed.

2.2 Consideration offered for the securities

2.2.1 Consideration offered for each security and manner in which it will be paid

This Offer is formulated as a purchase/sale and the consideration for the Offer is 9.25 euros per share. This price has been determined in accordance with the provisions of Section 10.6 of Royal Decree 1066/2007. The consideration shall be paid entirely in cash and shall be paid as provided in Chapter III.

In the event that Vueling pays any dividend or delivers by any other mean any remuneration to its shareholders during the period between the date of this Prospectus and the date of the publication of the results of the Offer (both dates inclusive) Veloz

Holdco may adjust the consideration of the Offer, with prior authorization of the CNMV, when required.

2.2.2 Justification of the consideration and valuation method used for its determination

Vueling's board of directors resolved in its meeting of 24 May 2013, among other issues, to submit for the consideration and approval, where appropriate, by the general shareholders meeting of Vueling held on 27 June 2013, the delisting of Vueling's shares from the stock markets, as well as the launch for that effect of the Offer described in this Prospectus.

For these effects, in accordance with the provisions of Section 34.5 of the Securities Market Act and of Section 10.5 of Royal Decree 1066/2007, Vueling's board of directors approved in this meeting a report justifying in detail the proposal for the delisting and the price and further conditions of the Offer (the "**Report of the Board of Directors**") that was made available to the shareholders on 24 May 2013 upon the call of the meeting.

The price of the Offer, of 9.25 euros per share, has been determined in accordance with Section 10.6 of Royal Decree 1066/2007. This price is not lower than the greater of (i) the equitable price referred to in Section 9 of Royal Decree 1066/2007, and (ii) the price that results from collectively taking into account the methods laid down in Section 10.5 of Royal Decree 1066/2007, based on the respective relevance thereof.

In particular, and in relation with Section 9 of Royal Decree 1066/2007, it is hereby stated -as provided in Section 1.7 above- that the price of 9.25 euros per share of Vueling is the same price offered by the Offering Company in the Preceding Offer (completed in the 12 months prior to the announcement of the Offer).

In addition, Ms. Niamh McCarthy, member of Vueling's board of directors, acquired the 10 shares of the Target Company held by her after the settlement of the Preceding Offer and prior to her appointment as a director of Vueling to permit her designation through the co-optation procedure, at the price of 8.85 euros per share, which is lower than the Offer price of 9.25 euros per share of Vueling.

Apart from the transactions made due to the Preceding Offer and the transaction related to the acquisition of the shares held by Ms. Niamh McCarthy, to the best of the Offering Company's knowledge, and having made the appropriate verifications, neither it nor any company belonging to the group of companies to which it belongs, nor the persons that act in concert with it, have acquired or have agreed to acquire, directly or indirectly, individually or in concert with others, shares of Vueling during the period of 12 months prior to the date of the publication of the announcement of the resolution adopted by Vueling's board of directors to submit to the consideration and approval, if necessary, of the general shareholders meeting of Vueling the delisting and the Offer, which runs from 24 May 2012 to 23 May 2013, and from that date until the date of this Prospectus.

It is also hereby stated that the Offering Company appointed PwC to prepare an independent valuation report of the shares of the Target Company addressed to Vueling

and to the Offering Company, following the criteria and valuation methods provided in Section 10.5 of Royal Decree 1066/2007.

On 22 May 2013, PwC issued the corresponding independent valuation report addressed to the Offering Company and to Vueling. This report was made available to the shareholders on 24 May 2013 at the time of the call of the meeting. The main methodologies used for PwC in its valuation report have been the discounted cash flow analysis, value of the consideration offered in a tender offer made the preceding year and, to a lesser extent, the comparable companies multiple approach (PER).

In accordance with the provisions of Section 10.5 of the Royal Decree 1066/2007, PwC's report includes a detailed justification of the relevance of each one of the methods used, in the terms set forth below:

a) Underlying book value of Vueling:

In accordance with this method of valuation, the underlying book value of the shares of Vueling is 7.95 euros per share, based on the most recent unaudited financial statements of Vueling of 31 May 2013, and 7.99 euros per share on 31 December 2012, in accordance with the audited annual accounts of Vueling of such date.

PwC has considered that this valuation methodology is not a reference as such, since it does not consider Vueling to be a business in operation, but rather applies a static focus considering the assets (mainly tangible) and the liabilities invested in the business at the time of valuation at their book value, without taking into account the profits that they may generate in the future or the unrealized gains or losses that Vueling may have.

b) Net asset value of Vueling:

The procedure for calculation of this method of valuation is mainly based on an estimate of the shareholders funds resulting from the sale of all the assets of Vueling, and from liquidating all of its liabilities, taking into account the unrealized gains and losses associated with a liquidation process, as well as potential contingencies.

PwC believes that this method does not apply to Vueling as it is a company in operation, and believes that the application of this method gives values significantly lower than those obtained by means of application of the other methodologies described in article 10.5 of Royal Decree 1066/2007. Therefore the calculation of the net asset value for the determination of the market value of Vueling has not been considered necessary.

c) Average listing price during the immediately preceding six month period:

Section 10 of Royal Decree 1066/2007 requires a consideration of the average weighted listing price of the securities during the six month period immediately preceding the announcement of the proposal for delisting by means of publication of a significant event (*hecho relevante*), regardless of the number of sessions during which they were traded.

The application of the methodology consisting of calculating the average weighted listing price for the period between 21 November 2012 and 21 May

2013 (i.e., the period considered in the report issued by PwC on 22 May 2013), gives a result of 8.0084 euros per share of Vueling.

The weighted average listing price of Vueling's shares for the six month period immediately preceding the date of the announcement of the proposal for delisting of the shares of Vueling (i.e., from 23 November 2012 and 23 May 2013) amounts to 8.0380 euros per share of Vueling (as Annex 7 is attached the certificate issued by the Madrid Stock Exchange Managing Corporation (*Sociedad Rectora de la Bolsa de Madrid, S.A.*) that proves such price).

Given Vueling's performance over the past 12 months, the changes in its listing price, and the influence that the recent tender offer referred to in the following paragraph d) had upon it, PwC has considered that this methodology is not appropriate for a determination of the value of Vueling's shares.

d) Value of the consideration offered in a tender offer made the preceding year:

A voluntary tender offer was made last year over Vueling: the voluntary public tender offer launched by Veloz Holdco for 100% of Vueling's shares, which was accepted by 82.48% of the shares to which it was effectively addressed and 44.66% of Vueling's capital stock. After this transaction, the results of which were announced by the National Securities Market Commission on 23 April 2013, IAG indirectly controls (through Veloz Holdco and Iberia), 90.511% of the shares of Vueling. The value of the consideration offered in the aforementioned public tender offer was 9.25 euros per share of Vueling.

e) Other valuation methods applicable to the case:

In addition to the standards mentioned above, and pursuant to Section 10.5 e) of Royal Decree 1066/2007, PwC has made a valuation of Vueling applying other valuation methods commonly accepted by the international financial community, such as the discounted cash flow (DCF), market multiples of comparable listed companies and precedent transactions methods.

The results of the application of these methods and their respective relevance are discussed below:

e.1) Discounted cash flow for the shareholder:

This method indicates the market value of a business based on the present value of the cash flow for the shareholder that the business is expected to generate in the future.

PwC has applied this methodology for the valuation of Vueling shares since it is a generally accepted methodology for various types of businesses and because it captures better than other methods the current expectation of the capacity of a company to generate returns for its shareholders in the future. For the preparation of its analysis, PwC has had access to information provided by Vueling.

In order to obtain the applicable present value over the free cash flows to the shareholders of Vueling on the date of the elaboration of its report, a discount rate that reflects the risk attached to Vueling has been considered by PwC.

The determination of the discount rate that PwC applies in its report for the calculation of the present value of the cash flows to the shareholders is aligned with the estimated cost of equity.

Above is a detail of the estimation of the cost of equity prepared by PwC:

4.17%	6%	1.25%	11.7%
Risk Free Rate (Rf)	+	Market Risk	x
		Beta coefficient	=
			Cost of Equity (Ke)

In which,

- The Risk free rate (Rf) is aligned with the risk free rate related to the expected return on 30th April 2013 from the 10-year bonds issued by the Spanish government, for being (i) the risks caused by its operations, (ii) the risks perceived by the market and (iii) the risks incurred in its ability to access the credit facilities inherent for a Spanish company.
- The Market Risk Premium (Rm-Rf) has been defined under the analysis made based on empirical study in long series which analyses the difference between historical average return of the stock market and the long-term government debt. This Market Risk Premium is 6.0%, comprised of (i) a 5% rate related to PwC's practice and historical and long term view of the equity market risk premium (EMRP) and (ii) a 1% rate related to a timely premium to adjust the market risk, based on PwC's current analysis of the historical evolution of the risk free rate and the basic macroeconomics in Spain.

The beta coefficient represents the risk spread of Vueling related to the market average risk (Rm). The beta coefficient has been calculated using, as a reference, the beta coefficient of certain listed companies whose business are similar and related with the activity developed by Vueling, as this sample reflects the activity risk obtained from listed comparable companies with similar risks to Vueling. The beta coefficient of 1.25 is also used by Vueling in its impairment test exercise of its intangible and material assets.

In accordance with this method of valuation and after applying a sensitivity analysis, the result provided is within a range between 8.58 and 9.28 euros per share of Vueling, with an average result of 8.94 euros per share.

e.2) Market multiples of comparable listed companies:

This method consists of estimating the value of Vueling's based on multiplicative factors obtained from comparable listed companies.

To apply this method, six airline industry entities were identified that are currently listed on European stock markets and that are located in the low-cost or hybrid operator segments like Vueling. PwC has considered that the results of this method should only be used for contrast, because the companies identified in the survey are significantly different than Vueling. (e.g., different levels of country risk, different growth expectations and liquidity levels, etc.).

The relevant multiple for purposes of valuing Vueling was the PER (Price Earnings Ratio or multiple of earnings to the company's capitalisation), which is also the most frequently used in the aeronautical industry. The application of the PER multiple gives a result, after the necessary adjustments due to the aforementioned differences, that places the value of Vueling shares in a range between 7.48 and 8.84 euros per share.

e.3) Market multiples of precedent transactions:

This method consists of estimating the value of Vueling based on multiplying factors obtained from the prices paid in transactions of comparable companies.

No transaction that is sufficiently comparable has been found for the purposes of valuing Vueling, unlike the public tender offer recently made for 100% of Vueling to which we referred to in paragraph d) above, which, as indicated above, had an acceptance level of 82.48% among the shareholders to whom it was addressed and that was carried out at a price of 9.25 per share.

It shall be taken into account that, in relation with the methodologies considered relevant by PwC (consideration offered in the Preceding Offer, DCF and the multiples methodology), the methodologies applied to approach the value provide limitations in the activity sector of Vueling, due to the high sensitivity of the airline industry to deviations of key variables for the business, which contributes to financial projections being affected by a certain degree of uncertainty.

In summary, the valuations resulting from the different valuation methods set out in Section 10.5 of Royal Decree 1066/2007, according to the PwC report, are those set forth in the following table:

Valuation method	Valuation (€/share)	
Underlying book value	7.95 euros (according to the non-audited financial statements at 31 March 2013) or 7.99 euros (according to the audited financial statements at 31 December 2012).	
Net asset value of Vueling	Not calculated.	
Average price	8.0084 euros for the period covering from 21 November 2012 until 21 May 2013 (8.0380 for the period covering from 23 November 2012 until 23 May 2013).	
Value of the consideration offered in a tender offer made the preceding year	9.25 euros	
Discounted cash flow	<i>Valuation range (€/share)</i>	<i>Average price (€/share)</i>
	8.58 – 9.28 euros	8.94 euros
Multiples of comparable listed companies	7.48 – 8.84 euros	
Multiples of prior transactions	9.25 euros	

Of the foregoing methods, for the purposes of determining the value of Vueling, the methodologies which have been considered as relevant by PwC are the value of the consideration offered in a tender offer made the preceding year and the discounted cash flow, and, to a lesser extent, for contrast, the method of multiples of comparable listed

companies, using as relevant multiple the PER. In light of the above, PwC concludes a valuation range of Vueling between 8.58 and 9.28 euros per share.

The price of the Offer, of 9.25 euros per shares, is included within the referred valuation range. This price fulfils the provisions of Section 10.6 of Royal Decree 1066/2007, as it is not lower than the greater of the equitable price referred to in Section 9 of Royal Decree 1066/2007, and the price that results from collectively taking into account the methods laid down in Section 10.5 of Royal Decree 1066/2007, based on the respective relevance thereof.

As Annex 8 is attached a copy of the valuation report issued by PwC on 22 May 2013.

2.3 Conditions to which the Offer is subject

The effectiveness of the Offer is not subject to any condition.

2.4 Guarantees and financing of the Offer

2.4.1. Nature of the guarantees established by the Offering Company in order to settle the Offer, details of the financial institutions with which they have been established and amount thereof

In order to guarantee payment of the consideration offered, the Offering Company, in accordance with Section 15 of Royal Decree 1066/2007, has filed with CNMV a bank guarantee issued by Banco Santander, S.A., in the total amount of 26,248,003.50 euros, guaranteeing full payment of the consideration in cash to market members or members of the settlement system and to the parties accepting the Offer.

The amount of the guarantee covers full payment of the consideration offered by the Offering Company for all of the shares to which the Offer is effectively directed.

Such bank guarantee is attached as Annex 9 hereto.

2.4.2. Sources of financing of the Offer and main features of such financing

As the Offering Company and Iberia have blocked the shares they currently own, the Offer is effectively targeted to 2,837,622 shares representing 9.489% of its capital stock and an equal percentage of voting rights.

Therefore, if this Offer is accepted by all the shares to which it is directed, the Offering Company would be required to make a maximum payment of 26,248,003.50 euros (a figure obtained by multiplying 9.25 euros by the number of shares to which the Offer is effectively directed, i.e., 2,837,622 shares).

Set forth below is a description of the main terms and conditions of the financing of the Offer by the Offering Company. It is stated for the record that, in the opinion of the Offering Company, this summary includes the most important issues in connection with the financing of the Offer and allows for an informed opinion thereon.

The Offering Company will attend its payment obligation of the Offer with its cash position (i.e., that currently amounts to, approximately, 30 million euros, in accordance to what is informed in table 4.14 (a) below), that exceeds the maximum consideration to be paid by Veloz Holdco to the remaining shareholders of Vueling (excluding Iberia) by

virtue of the Offer. This cash position and the shares of Vueling acquired in the Preceding Offer that conform the assets of Veloz Holdco are supported by a structure of the liabilities of the Offering Company composed of the funds granted by its sole shareholder, IAG, to the shareholders' equity of the Offering Company until now (that amount to 6.6 million euros) and of the medium/long term financing also received from IAG (for an amount of 149.7 million euros) on 31 May 2013. IAG, in turn, has financed the Offering Company with charge to a part of the funds obtained from the issue of convertible and exchangeable bonds for an amount of 390 million euros maturing on 31 May 2018 which launch was announced by IAG on 14 May 2013, through the publication of the corresponding relevant fact (funds used also by IAG to refinance the loan for an amount of 35 million euros granted by Banco Santander to finance a part of the consideration paid by Veloz Holdco for the acquisition of 44.66% of Vueling in the context of the Preceding Offer).

These 149.7 million euros granted by IAG to Veloz Holdco come from (i) the amortization for an amount of 114.5 million euros done by IAG in the name and on behalf of the Offering Company on 31 May 2013 of the bridge loan for the same principal amount entered into by the Offering Company with British Airways on 8 November 2012 with the purposes of financing part of the consideration of the Preceding Offer, and (ii) the remaining part of the loan for an amount of 35 million euros that IAG granted to Veloz Holdco on 1 April 2013 to pay for the improvement of the consideration of the Preceding Offer including the interest accrued under the loan until 28 June 2013, for an amount of 0.2 million euros, which have been refinanced, and that are added to the amount of the loan.

As regards to the terms of the financing provided by IAG for an amount of 149.7 million euros, it has been granted under market terms through a loan to the Offering Company maturing on 31 December 2019. Nevertheless, if upon its maturity the Offering Company did not have resources to repay such financing, IAG and Veloz Holdco will evaluate the situation in order to adopt the decision they deem most appropriate, which could consist of the refinancing of the debt through a new term, of the total or partial capitalization of the debt or of any other equivalent means that they deem appropriate upon termination, without having been defined yet the measure or measures to be adopted in this case, considering that the lender, IAG, is also Veloz Holdco's sole shareholder.

The loan does not have any kind of guarantees in favour of IAG different from the universal financial responsibility of Veloz Holdco. In particular, no pledge guarantee has been granted for the shares of Vueling, nor does a commitment by Veloz Holdco currently exist to grant this pledge guarantee in the future. The agreement does not provide early termination clauses different from the usual ones for this kind of medium term financings, and, in particular, no early termination provision in case of change of control in the Offering Company or Vueling as they are both, directly and indirectly, controlled by IAG, the lender. The CNMV has requested that . On the other hand, the loan does not provide the need that the Offering Company or Vueling fulfills certain rations (covenants) related to its financial situation during the term of the loan. The referred loan agreement does not also contain any restriction or limitation to the payment of dividends by Vueling to its shareholders, nor does it contain any obligation for Vueling to distribute dividends.

2.4.3. Effects of the financing on Vueling

The financing of the Offer is not expected to have any effect on Vueling, nor requires the adoption of any resolution or corporate transaction by the Target Company, and, therefore, it will not entail an alteration of the activity of Vueling's business nor its investment policy after the settlement of the Offer, nor does it imply new obligations to it.

The financing described in the preceding paragraph will not entail an increase in the indebtedness of Vueling and, in particular, Vueling will not guarantee (either personally or by the creation of security interests or otherwise) the financing described above or any other amount to be used for payment of the consideration or the expenses of this Offer. In addition, as it is stated in paragraph 4.7 below, there is no intention to change Vueling's dividend policy after the Offer.

The interest to be paid by Veloz Holdco to IAG for the financing received will not depend on Vueling's business.

CHAPTER III

ACCEPTANCE AND SETTLEMENT PROCEDURE

3.1 Offer acceptance period

The acceptance period of this Offer is of 15 calendar days counted from the trading day after the publication of the notices referred to in Section 22 of Royal Decree 1066/2007 in the Listing Bulletin (*Boletín de Cotización*) of the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges and in a national newspaper. The acceptance period will in all events end at midnight (24:00) on the last day of this period.

The date of publication of the notices in the Official Gazettes shall be deemed to be the date of the Stock Exchange session to which the former refer.

For the purposes of calculating the abovementioned period of 15 calendar days, both the first and last days of the period shall be included. If the first day of the period is not a Spanish Automated Quotation System business day, such period will begin on the next Spanish Automated Quotation System business day. If the last day of the period is not a Spanish Automated Quotation System business day, the acceptance deadline shall be extended until the end of the next Spanish Automated Quotation System business day.

Pursuant to the provisions of Section 23 of Royal Decree 1066/2007, Veloz Holdco may extend the period for accepting the Offer by up to 70 calendar days, subject to the provision of prior notice to the CNMV. Any such extension shall be announced in the same media in which the Offer was published at least three calendar days before the end of the initial period, with a statement of the reasons for such extension.

Attached as Annex 11 is the announcement form that will be published in the Listing Bulletin (*Boletín de Cotización*) of the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges and in a national newspaper.

It is also attached as Annex 12 the letter submitted by Veloz Holdco to the CNMV regarding the publicity of the Offer.

3.2 Formalities with which the addressees of the Offer must comply to express their acceptance, as well as the manner and period in which they will receive the consideration

Declarations of acceptance

The declarations of acceptance of the Offer by the shareholders of Vueling shall be made according to the provisions of the Prospectus, shall be accepted from the first day of the acceptance period, shall be revocable at any time before the last day of the acceptance period and shall not be valid if they are conditional, all pursuant to the provisions of Section 34.5 of Royal Decree 1066/2007.

Offer acceptance procedure and payment of the consideration

The holders of shares in Vueling who wish to accept the Offer must contact their depositary entity with which they have deposited their shares. The declarations of

acceptance of the Offer shall be sent to the Governing Bodies (*Sociedades Rectoras*) of the Madrid, Barcelona, Bilbao or Valencia Stock Exchanges through the depositaries that are Iberclear participants with which they have deposited the shares in question, which shall be in charge of collecting such acceptances in writing and which shall be responsible for the ownership and holding of the securities to which such acceptances refer, as well as the absence of charges and encumbrances or third party rights that limit the voting or economic rights of such shares or the unrestricted transferability thereof.

The declarations of acceptance by the holders of Vueling shares shall be accompanied by sufficient documentation to enable the transfer of shares to proceed and shall include all identifying data required by the legislation applicable to these types of transactions.

During the Offer acceptance period, Iberclear participants that receive declarations of acceptance shall, on a daily basis, send the data regarding the number of shares included in the declarations of acceptance filed by Vueling shareholders to Veloz Holdco through the representative designated for such purposes and to the Governing Bodies of the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges.

Veloz Holdco and the Stock Exchange Governing Bodies shall provide to the CNMV, when requested thereby, information of which they are aware regarding the number of acceptances submitted and not revoked.

Market members participating in the transaction on behalf of the accepting shareholders and the Offering Company itself and depositaries of the securities are reminded of the obligation contained in Section 34.2 of Royal Decree 1066/2007 regarding the daily delivery to the respective Governing Bodies and to the Offering Company of the acceptances received.

The representative of the Offering Company for purposes of such communication is the following:

Santander Investment, S.A.
Avda. de Cantabria s/n
Ciudad Grupo Santander
Edif. Encinar Planta 1
28660 Boadilla del Monte (Madrid)
Att: Ignacio Algora Weber / Joaquín González–Tarrío

The shares to which this Offer is addressed shall be transferred: (i) free of charges, encumbrances and third party rights that limit the voting or economic rights or the unrestricted transferability thereof; (ii) by a person entitled to transfer them according to the book entries, such that Veloz Holdco acquires irrevocable ownership in accordance with Section 9 of the Securities Market Act; and (iii) with all of the economic and voting rights corresponding thereto.

Under no circumstances shall Veloz Holdco accept securities with registry entries made after the last day of the Offer acceptance period. In other words, those shares offered for sale must have been purchased no later than the last day of the Offer acceptance period.

The shareholders of Vueling may accept the Offer for all or part of their shareholdings. Any declaration that they make must include at least one share of Vueling.

Publication of the results of the Offer

After the acceptance period set forth in Section 3.1 above or such period as results from the extension or modification thereof, and within a period not exceeding five business days from the end of such period, the Stock Exchange Governing Bodies of the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges shall notify the CNMV of the total number of shares included in the declarations of acceptance that have been sent. Once the CNMV is aware of the total number of acceptances, the CNMV shall communicate the results of the Offer within two business days to the Governing Bodies of the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges, the Stock Exchange Management Body, Veloz Holdco and Vueling.

The Governing Bodies of the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges shall publish such results in the Listing Bulletins corresponding to the trading session during which they receive the notification. The date of publication of the results of the Offer shall mean the date of the trading session to which such Listing Bulletins refer.

Intermediation and settlement of the Offer

The acquisition of the shares covered by the Offer will be intermediated by Santander Investment Bolsa, S.V., S.A., which acts as a Stock Exchange member intermediating the operation on behalf of the Offering Company and will be settled by Santander Investment, S.A., which acts as an Iberclear participant entity in charge of the settlement on behalf of the Offering Company.

The settlement and payment of the share price shall take place in accordance with the procedure laid down for this purpose by Iberclear, taking the date of the trading session referred to in the Listing Bulletins of the Barcelona, Bilbao, Madrid and Valencia Stock Exchanges that publish the results of the Offer as the trade date for the corresponding stock exchange transaction.

3.3 Expenses of acceptance and settlement of the Offer that must be borne by the addressees, or distribution thereof between the Offering Company and the addressees

The holders of Vueling shares who accept that the intermediation of the Offer is made through Santander Investment Bolsa, S.V., S.A. shall not bear the brokerage fees arising from the participation of a market member in the transaction or Iberclear's settlement fees or Stock Exchange transaction fees, which shall be paid by Veloz Holdco.

If market members other than Santander Investment Bolsa, S.V., S.A. intermediate the Offer on behalf of the accepting party, the accepting party shall bear the brokerage fees and other expenses of the selling party in the transaction, including Iberclear's settlement fees and Stock Exchange transaction fees.

Under no circumstances shall Veloz Holdco be responsible for the possible fees and expenses that the depositaries and administrators of the shares charge their customers for processing orders arising from the acceptance of the Offer.

Any costs other than those referred to above shall be borne by the party that incurs them.

3.4 Deadlines within which to waive the conditions, if any, to which the effectiveness of the Offer is subject

The effectiveness of the Offer is not subject to any condition.

3.5 Appointment of the financial institutions or intermediaries acting on behalf of the Offering Company in the acceptance and settlement procedure

Veloz Holdco has appointed Santander Investment Bolsa, S.V., S.A., with registered office at Avda. de Cantabria, s/n, Ciudad Grupo Santander, Edf. Encinar, Planta 1, 28660 Boadilla del Monte (Madrid), bearing Tax Identification Number (N.I.F.) A-79204319, registered with the Commercial Registry of Madrid, in volume 14,471, folio 43, section 8, sheet M-84,468 to act as the entity responsible for the intermediation of the transactions involved in the acquisition of the shares of Vueling to which the Offer is extended on behalf of the Offering Company, and, if applicable, the transactions involved in the squeeze out in accordance with the provisions of this Prospectus.

Veloz Holdco has appointed Santander Investment, S.A., with registered office at Avda. de Cantabria, s/n, Ciudad Grupo Santander, Edf. Encinar, Planta 1, 28660 Boadilla del Monte (Madrid), bearing Tax Identification Number (N.I.F.) A-08161507, registered with the Commercial Registry of Madrid, in volume 4,078, folio 172, section 8, sheet M-67,840 as settlement agent for the purchase by the Offering Company of the shares of Vueling to which the Offer is extended, and, if applicable, the transactions involved in the squeeze out, on the terms set forth in this Prospectus.

Attached hereto as Annex 12 is a copy of the letters of acceptance of Santander Investment Bolsa, S.V., S.A. and Santander Investment, S.A. as the entities entrusted, the first one, with the intermediation of the purchase transactions involved in the acquisition of the shares and, the second one, as settlement agent for the purchase by the Offering Company of the shares of Vueling.

3.6 Formalities with which the holders of the securities must comply in order to request a squeeze out of the securities covered by the Offer. Squeeze out procedure

Squeeze out conditions

Pursuant to the provisions of Section 60 *quater* of the Securities Market Act and of Section 47 of Royal Decree 1066/2007, if the IAG group holds securities representing at least 90% of the capital stock with voting rights of Vueling as a result of the Offer, and the Offer has been accepted by holders of securities in the Target Company representing at least 90% of the voting rights of Vueling, other than those currently allotted to the Offering company and to the IAG group, the Offering Company will require the remaining holders of securities different from those that voted in favour of the delisting in Vueling's general shareholders meeting and have blocked their shares, the squeeze-out of all of their shares at an equitable price, and being payable by the Offering

Company all the expenses arising from the squeeze-out transaction as well as the ones corresponding to the settlement of such transaction.

For the purposes hereof, in accordance with Section 47.2 of Royal Decree 1066/2007, equitable price shall be deemed to be the price corresponding to the consideration for Offer.

In the same way, in case the referred circumstances are fulfilled, the shareholders that so request could require Veloz Holdco the sell-out of all of their shares for the same consideration of the Offer, although, in this case, all the expenses arising from the sell-out transactions and their corresponding settlement will be borne by the selling shareholders.

In accordance with the aforementioned, and taking into account the formalities related to the sell-out that are mentioned in this Section, the holders of Vueling's shares not accepting the Offer for all their shares, should bear in mind the following issues before taking the decision to force Veloz Holdco to purchase its shares:

- (i) The conditions to which Veloz Holdco's right to require the squeeze-out of the shares not accepting the Offer are subject are the same as the ones required to recognise the sell-out right of the shareholders that do not attend the Offer.
- (ii) The consideration to be obtained by the shareholders not attending the Offer will be the same whether Veloz Holdco requires the squeeze-out or such shareholders require the sell-out (i.e., the consideration of the Offer).
- (iii) The squeeze-out proceedings protects the shareholders' rights as in relation to the sell-out proceedings, and all the expenses arising from the transaction, and its settlement, will be borne by Veloz Holdco while in the case of sell-out such expenses will be payable by the selling shareholders.

Veloz Holdco is currently the holder of 13,355,675 shares of Vueling representing 44.66% of its capital stock. Iberia, in turn, is currently the holder of 13,711,221 shares of Vueling, representing 45.85 % of its capital stock, which, for these purposes, are attributed to the Offering Company. In addition, as noted in Section 1.6 above, 10 shares of Vueling, representing a participation lower than 0.000033% of its capital stock and voting rights, are attributed to Ms. Niamh McCarthy, proprietary director of the IAG group in Vueling. Therefore, in accordance with Section 5 of Royal Decree 1066/2007, 27.066.906 shares of Vueling representing 90.511% of Vueling's capital stock and voting rights are attributed to the IAG group, and thus to Veloz Holdco.

Given the above, the Offering Company already holds 90.511% of the capital stock of Vueling for purposes of Section 60 *quater* of the Securities Market Act, for which reason the conditions allowing for the exercise of the squeeze out right shall be deemed fulfilled provided that the declarations of acceptance of the Offer cover at least 2,553,860 shares, representing 8.54% of Vueling's capital stock, equal to 90.00 % of Vueling's voting rights other than those referred to in the preceding paragraph.

If Vueling's shares owned by Ms. Niamh McCarthy, proprietary director of the IAG group in Vueling, attended the Offer, these shall not be taken into account and shall be

deducted from the total number of acceptances for purposes of verifying compliance with this requirement. In this case the conditions of Section 60 *quater* of the Securities Market Act which allow for the exercise of the squeeze out right shall be deemed fulfilled provided that the declarations of acceptance of the Offer cover at least 2,553,870 shares, representing 8.54% of Vueling's capital stock, and equal to 90.00 % of the voting rights to which the Offer is directed.

Squeeze out proceedings

As early as possible, and no later than the third business-day following the publication of the results of the Offer, Veloz Holdco will give notice to the CNMV and to the market through a relevant fact if the aforementioned conditions for the exercise of the squeeze out are met.

Veloz Holdco will obtain the necessary information as to confirm if any of the shares corresponding to the acceptances of the Offer is attributable to the IAG group, and thus to Veloz Holdco, in accordance with Section 5 of Royal Decree 1066/2007. In the publication of the relevant fact referred to in the preceding paragraph the information of the attributable shares will be included, or it will be stated that none of them accepted the Offer if this is the case.

In the event that the aforementioned conditions were fulfilled, as soon as the decision is made, and in a maximum period of three months from the date of completion of the acceptance period of the Offer, Veloz Holdco shall notify the CNMV its decision to require the squeeze out of the shares, setting as the date of the transaction at between 15 and 20 business days from such notification, which will be made public. As soon as possible, and always within five business days following the referred publication, Veloz Holdco shall publicly disseminate the details of the squeeze out by means similar to those used for this Offer, provided in Section 22 of Royal Decree 1066/2007.

The consideration to be paid for the squeeze out shall be paid in cash and shall be the same as the price per share paid in the Offer, i.e. 9.25 euros per share, in accordance with Section 47.2 of Royal Decree 1066/2007.

In the event of a squeeze out, all expenses arising from the purchase/sale transaction and the settlement of the securities shall be borne by the Offering Company. The settlement of the squeeze out shall take place within the same time period as the settlement of the Offer, to be calculated from the trade date.

Formalities that Vueling's shareholders must fulfill to request the sell out of the shares covered by the Offer

The price that the Offering Company must pay to all shareholders of Vueling that exercise the sell out right shall be 9.25 euros per share.

The shareholders of Vueling will have a maximum of three months from the end of the Offer acceptance period to request the sell out if they desire to do so.

Shareholders desiring to exercise their sell out right must contact the Iberclear participant in which they have deposited their shares. Sell out requests shall be sent by such participants to the Offering Company through Santander Investment Bolsa, S.A.

The Iberclear participants at whom the shares are deposited shall be responsible in accordance with their records for the details of the ownership and holding of the securities to which the sell out requests refer.

All of the shareholders that request, if applicable, the sell out, must include in their requests all of the shares of Vueling owned by them.

Pursuant to the provisions of Section 60 *quater* 2 of the Securities Market Act, if the shares covered by the squeeze out/sell out are attached as a result of government acts or court decisions, or if there is lien thereon, including encumbrances, limited *in rem* rights or financial guarantees, the shares shall be transferred free of such liens, which shall attach to the amount paid by Veloz Holdco for the purchase.

The depositary of the shares shall be required to maintain the purchase price on deposit, informing the judicial or governmental authority that ordered the attachment or the holder of any other liens of the application of this procedure.

Once the provisions contained in the aforementioned Section 60 *quater* 2 of the Securities Market Act have been applied, if a portion of the purchase price is not needed to pay the obligations secured by the attachment(s), or by the liens on the shares, it shall be immediately made available to the holder thereof.

The depositary entities that are Iberclear participants that receive sell out requests shall send to Santander Investment Bolsa, S.A., on a daily basis, the data regarding the number of shares included in the sell out requests submitted by the shareholders of Vueling.

The settlement and the payment of the price of the Offer will be made following the procedure established for this purpose by Iberclear considering as the date of the corresponding stock exchange operation the one of the date of the reception of each sell out request by Santander Investment Bolsa, S.A. on behalf of Veloz Holdco, in accordance with the common procedures of Iberclear.

Sell out requests by shareholders of Vueling shall be accompanied by sufficient documentation to enable the transfer of the shares to take place and must include all of the identifying details required by applicable legislation for these types of transactions.

Without prejudice to Veloz Holdco's intention to exercise the squeeze out right and that it pretends to exercise it as soon as possible once the Offer is settled, in no event shall the Offering Company accept sell out requests that are dated after the day on which three months has run from the date of completion of the Offer acceptance period or with respect to shares that have registry references after such day. In other words, those shares for which the sell out is requested must have been acquired no later than three months from the end the Offer acceptance period, and the request must be made within such three-month period.

The purchase by the Offering Company of shares covered by the sell out shall be handled by Santander Investment Bolsa, S.A., S.V. and settled by Santander Investment, S.A., which acts as a Stock Exchange member intermediating the

transaction and as an Iberclear participant entrusted with carrying out such settlement on behalf of the Offering Company, respectively.

The requests for sell outs received by the Offering Company shall be settled within the same periods established for the settlement of the Offer in this Prospectus, to be counted from receipt of each request.

The entities entrusted with the settlement shall transfer such securities and cash as may be required to consummate the sell out on the settlement date.

If a sell out occurs, all of the costs arising from the purchase and sale transaction and the settlement of the securities shall be borne by the selling shareholders. The shareholders of Vueling are advised to appropriately inform themselves of the costs associated with the execution of such sell out transactions.

It should be recalled that, in the event that the conditions for the exercise of the squeeze out are met, as noted in Section 4.11 below, Veloz Holdco shall exercise its squeeze out right at no cost to the selling party.

If according to the date of reception of any request to exercise the sell out right, its settlement pursuant to the foregoing were to take place after the settlement of the squeeze out proceedings, such request will render ineffective and the relevant shares will be included in the squeeze out transaction.

CHAPTER IV

4.1 Purpose of the acquisition

This Offer is launched for the purposes of proceeding with the delisting of Vueling's shares, agreed by the general shareholders meeting held on 27 June 2013, as stated in paragraph 1.2.1 above, and in the certificate of the corporate resolutions that is attached as Annex 2, in accordance and for the effects of Section 34 of the Securities Market Act and of Section 10 of Royal Decree 1066/2007.

Regarding Vueling's shareholder structure that is referred to in paragraph 1.3.4 above, the "free float" percentage that is currently distributed among the public is 9.489%.

This reduced "free float" percentage, together with the incorporation of Vueling into the IAG group, makes it unlikely that Vueling will need to raise new capital from the stock exchanges. Furthermore, it should be taken into account that, as a consequence of the condition of the Target Company as a listed company, Vueling is incurring a series of significant direct and indirect costs in its corporate areas. The delisting would enable the Vueling to save the costs related to the listing of its shares and would simplify its operation. Also, it would release the Target Company from the administrative load which entails the fulfilment of the periodical obligations imposed by the law for listed companies and would allow its management team to focus even more on the management of Vueling.

The board of directors of Vueling, as it declared in its report regarding the delisting proposal disclosed to the general shareholders meeting of Vueling held on 27 June 2013, believes that the current conditions are not adequate for Vueling to continue to be listed in the Stock Exchanges, so it believes the delisting is justified and reasonable for reasons of economy and efficiency in the activities and structure of Vueling.

4.2 Strategic plans and intentions regarding future activities and location of the places of business of Vueling and its group

Neither Veloz Holdco, nor IAG, nor, as it has confirmed the Offering Company, Vueling itself, intend to amend the activities or the current business strategy of Vueling in the following 12 months.

In particular, it is the IAG's group intention to maintain the management of Vueling as an independent operating company with a different business model to the rest of the current operating companies of the group. In addition, in accordance with the plans announced by Vueling and verified by Veloz Holdco with the Target Company, it is expected to keep, and Veloz Holdco, IAG and Vueling do not have the intention of amending, the location of the current places of business of Vueling in the next 12 months.

In this sense, the main strategic lines of Vueling during this timeframe may be summarised as follows:

- a) Strengthen its position at its Barcelona hub.
- b) Improvement in its position in strategic national and international airports.
- c) Explore other market opportunities.

d) Entry into new commercial agreements with other airlines.

It is hereby stated that the forecasts for the business of Vueling are the same ones that have been considered by PwC for the preparation of its valuation report of the shares of Vueling.

4.3 Strategic plans and intentions regarding the preservation of jobs of employees and officers of Vueling and its group

Neither Veloz Holdco, nor IAG, nor Vueling have the intention to introduce changes different from the ones that are deemed necessary or appropriate in the scope of the usual operations of Vueling in connection with Vueling's management team policy and such management team, including the company's Chief Executive Officer, who reports directly to IAG's Chief Executive Officer, is expected to continue in place. Similarly, no changes are expected to be made in the working conditions of Vueling employees, and existing jobs are expected to be maintained for the next 12 months and the hiring of new employees to attend Vueling's expansion plans.

Neither the Offering Company nor any other company belonging to the group of which IAG is the controlling company has made any agreement with or commitment to the current officers of Vueling regarding their continued service at such company.

In accordance with the provisions of Section 25 of Royal Decree 1066/2007, a copy of the Prospectus will be provided by Vueling to Vueling's employees representatives, or in the absence of them, to the employees.

4.4 Plans in connection with the use or disposition of assets of Vueling; changes contemplated in its net financial debt

Vueling has been working for the last 20 months in a project for the partial renewal of its fleet through the potential acquisition of around 60 aircrafts owned by Airbus, Boeing and/or Bombardier. This project is at an advanced stage of negotiation, although a final agreement has not been reached yet, and would be subject to the prior approval of the competent corporate bodies of Vueling and IAG.

With the exception of the operation referred to in the preceding paragraph, there are no plans, expectations or intention concerning the use or disposition of the assets of Vueling other than in the ordinary course of its business.

Any changes in the adjusted net financial debt of Vueling (considering the capitalisation of the operating leases of its aircraft fleet) will be consistent with and for the purpose of implementing Vueling's current business plan, without being expected by the Offering Company that Vueling incurs in leverage apart from the ordinary course of its activity, save for the indebtedness that may result from what is provided above.

4.5 Plans regarding the issuance of securities of any kind by Vueling and its group

There are no plans or intentions to make issuances of securities of Vueling.

4.6 Contemplated corporate restructurings of any kind

Neither Veloz Holdco, IAG nor Vueling itself have plans concerning restructurings of any kind or plans to sell that materially affect Vueling or its business lines, or any plans to enter into corporate transactions such as mergers or spin-offs or other structural changes that involve Vueling or Veloz Holdco.

4.7 Dividend policy and shareholder remuneration

Since its incorporation, Vueling has not distributed dividends to its shareholders, either because no net income have been obtained for a given fiscal year, or because, even where the company actually obtained net income, Vueling was not ready to make such a distribution since it had to apply the net income to absorb losses brought forward from previous years and to finance Vueling's ordinary activity.

In this regard, neither Vueling (according to the information verified with the Target Company), nor Veloz Holdco nor IAG expect to change such dividend policy and shareholder remuneration after the Offer within the next 12 months, without having adopted any decision and no plans regarding the dividend policy after such period exist.

In this sense, the PwC's valuation report referred to under section 2.2.2 above shows the non-distributable character of the non-operating cash available to Vueling on 31 March 2013 due to the high financial leverage of Vueling, of around 80% if the operating leases of the aircraft fleet operated by Vueling are capitalised, to which the net provisions of the guarantees for future maintenance of the fleet for an amount of 116 million euros on this date are added.

4.8 Plans in connection with the structure, composition and operation of the administration, management and control bodies of Vueling and its group. Appointment of members to such bodies contemplated by the Offering Company

IAG and Veloz Holdco, as well as Vueling itself, intend, following the settlement of the Offer, to make such amendments as may be necessary or desirable to the structure, composition, number of members or operation of the administration, management or control bodies of Vueling to bring them into line with the new circumstances of the company as an unlisted company (without currently having any specific plan regarding the amendments and concrete appointments that are pretended to me made aside from the general intentions which are mentioned in the following paragraph). In this regard it is hereby stated that the IAG group does not have a defined internal policy regarding the government and administration structure that its subsidiaries must have.

In any case, it is Veloz Holdco's and IAG's intention to reduce the number of members of the board of directors of Vueling, as well as to suppress all of the committees of the board of directors of the Target Company. In addition, there is an intention to modify the structure of the board of directors so that it would not have any independent directors, opting for a more operative and executive board.

4.9 Provisions in connection with maintaining or amending the bylaws of Vueling or of the entities within its group

IAG and Veloz Holdco intend to make such amendments as may be necessary or desirable to the bylaws of Vueling, the Regulations of the board of directors, the Regulations for the General Shareholders' Meeting and other corporate documentation if required to bring them into line with the new status of the company as an unlisted company; however, apart from the ones resulting from what is referred to under paragraph 4.8 above, no estimation exists on the changes to be made.

4.10 Intentions regarding the listing of Vueling's shares

Once this Offer is settled, the shares of Vueling will be delisted from the Barcelona, Bilbao, Madrid and Valencia's stock exchanges.

4.11 Squeeze out

As long as the identical circumstances to the ones referred to in paragraph 3.6 are met, Veloz Holdco will require the remaining holders of Vueling's shares the squeeze out at the same price as the consideration offered in this Offer.

4.12 Intentions regarding the transfer of securities of Vueling, indicating whether any agreement with other persons exists in this regard and the securities, if any, of Vueling held by such persons

It is hereby stated for the record that neither the Offering Company, IAG, the companies of the group which IAG is the parent company, nor the persons acting in concert with them, have the intention of or provision for transferring securities of Vueling following settlement of the Offer, neither between them nor in favour of third parties, nor is there any agreement or negotiation in that regard.

4.13 Information contained in this chapter relating to the Offering Company itself and to its group

It is anticipated that neither Veloz Holdco nor IAG will be materially affected by the Offer other than the effect on assets and financial position described in Section 4.14 below.

Apart from the aforementioned, neither Veloz Holdco nor IAG anticipate that the Offer would mean: (i) any relevant change in their strategy, activity and in their places of business in the next 12 months; (ii) any relevant change in the employees and managers policy and of the policy of the companies belonging to their group in the next 12 months; (iii) any change in the use or disposal of their assets; (iv) the issue of securities by companies belonging to its group different from the issue of bonds convertible into shares of IAG for an amount of 390 million euros made by IAG in May 2013 to which section 2.4.2 of Chapter II refers to; (v) any significant change in the dividend policy; (vi) any relevant change in the structure, composition and functioning of the administration, management and control bodies, or its bylaws or in the companies belonging to its group (without having been considered to perform a corporate restructuring deriving from the Offer); or (vii) alteration of IAG's listing condition.

4.14 Impact of the Offer and the financing thereof on the principal financial indicators

The impact of the Offer on the main financial indicators of Veloz Holdco and IAG will be provided in 2013's annual accounts.

(a) Veloz Holdco

The following table shows the impact of the Offer on the main financial statement line items of the Offering Company, assuming that the Offer is accepted by all of the target shares (i.e., 2,837,622 shares):

Data in millions of euros on the date of this Prospectus

Concept	Pre-Offer ⁽¹⁾	Impact of Offer	Post-Offer
Investment	124	26 ⁽²⁾	150
Cash	30	(26) ⁽³⁾	4
Total liabilities	(151)	-	(151)
Total equity	3	-	3
Net debt	(119) ⁽⁴⁾	(26)	(145)
Net losses	(2)	-	(2)

- (1) Pre-offer is the effect of the acquisition of 44.66% interest in Vueling, recorded as an investment. The original 45.85% interest is owned by Iberia.
- (2) Investment of 26 million euros for the remaining 9.489% interest in Vueling.
- (3) Cash outflow necessary to pay the price of the Offer of 9.25 euros for the 9.489% interest in Vueling.
- (4) Reflects the situation of the net debt on the date of this Prospectus, taking into account the consideration paid by Veloz Holdco for the acquisition of 44.66% of the capital stock of Vueling in the context of the Preceding Offer (124 million euros), the interest accrued from 1 April to 28 June 2013 under the loan granted by IAG in the context of the Preceding Offer and the transaction expenses accrued.

(b) IAG

The following table shows the impact of the Offer on the main financial statement line items of IAG, assuming that the number of shares ultimately accepting the Offer actually reaches all of the shares to which it is actually directed (i.e., 2,837,622 shares):

Data in millions of euros

Concept	IAG consolidated data at 31 March 2013	Impact of acquisition of 44.66% interest in Vueling on 23 April 2013 ⁽¹⁾	Impact of Offer	IAG consolidated data proforma at 31 March 2013
Total assets	18,905	584 ⁽²⁾	(26) ⁽⁶⁾	19,463
Total liabilities	(16,599)	(586) ⁽³⁾	-	(17,185)
Total equity	2,306	(2) ⁽⁴⁾	(26) ⁽⁷⁾	2,278
Net debt	(1,732)	304 ⁽⁵⁾	(26) ⁽⁶⁾	(1,454)
Net losses	(630)	(28) ⁽⁴⁾	-	(658)

- (1) Impact of recording acquisition of 44.66% interest in Vueling, resulting in recognising 100% of Vueling's assets and liabilities and a 9.489% non-controlling interest in the IAG Group financial statements.
- (2) Elimination of Iberia's investment in Vueling (155 million euros); plus Vueling's total assets (822 million euros) as per their 31 March 2013 first quarter results; plus 41 million euros for the excess of purchase price over book value; purchase price cash outflow of 124 million euros. The excess of purchase price over book value of 41 million euros is calculated as the consideration of 124 million euros to acquire 44.66% interest in Vueling, plus the fair value of the non-controlling interest in Vueling calculated at €9.25 per share of 26 million euros, plus the fair value of Iberia's 45.85% interest in Vueling of 127 million euros, less the book values of the assets and liabilities per the Vueling 31 March 2013 first quarter results.
- (3) Adds the total liabilities (current and non-current) (586 million euros) as per Vueling's 31 March 2013 first quarter results
- (4) Step acquisition loss of 28 million euros in IAG's indirect holding by Iberia in Vueling, currently held at 155 million euros, compared to the fair value of 127 million euros based on €9.25 per share; offset by non-controlling interest of 26 million euros representing the remaining 9.489% stake which IAG does not indirectly own.
- (5) Effect of Vueling's net funds of 428 million euros per 31 March 2013 first quarter results, combined with cash outflow of 124 million euros.
- (6) Cash outflow necessary to pay the price of the Offer of 9.25 euros for the 9.489% interest in Vueling
- (7) Reversal of non-controlling interest

CHAPTER V

5.1 Competition approvals and other information or documents

Veloz Holdco and IAG are of the opinion that the Offer does not constitute an economic concentration and, consequently, its notification to the European Commission or to the Spanish Competition Authority is not necessary by virtue of the respective provisions included in Regulation (EC) 139/2004 of 20 January 2004 on the control of concentrations between undertakings and in Competition Law 15/2007, of July 3. In addition, it is not a transaction requiring notice or approval in other jurisdictions and therefore Veloz Holdco and IAG understand that no notice shall be given to any competition authority of other jurisdiction.

5.2 Detailed description of the governmental authorizations or verifications, other than the authorization of the CNMV, obtained prior to launch the Offer

Veloz Holdco is of the opinion that it does not need to obtain an authorization or verification of any administrative Spanish or foreign authority other than the CNMV to carry out this transaction.

5.3 Places where the Prospectus and accompanying documents may be examined

Pursuant to the provisions of Section 22.3 of Royal Decree 1066/2007, this Prospectus and the accompanying documentation will be made available to all interested parties from at least the day following the publication of the first of the announcements provided for by Section 22.1 of Royal Decree 1066/2007: at the Stock Exchange Governing Bodies of Madrid (Plaza de la Lealtad número 1, Madrid), Barcelona (Paseo de Gracia número 19, Barcelona), Bilbao (Calle José María Olabarri número 1, Bilbao) and Valencia (Calle Libreros número 2–4, Valencia) as well as at the registered office of Veloz Holdco (Calle Velázquez número 130, Madrid) and at the CNMV (Calle Edison número 4, Madrid and Paseo de Gracia no. 19, Barcelona).

Furthermore, the Prospectus alone without annexes will be available on both the website of the CNMV (www.cnmv.es), on the website of Vueling (www.vueling.com) and on the website of IAG (www.iagroup.com) as from the day after publication of the first of the announcements provided for in Section 22.1 of Royal Decree 1066/2007.

5.4 Territorial restriction

The Offer is launched only in Spain and is addressed to all holders of shares of Vueling upon the terms set forth in the Prospectus, and neither the Prospectus nor the text hereof shall constitute an extension of the Offer to any jurisdiction in which launching the Offer requires the distribution or registration of documentation other than the Prospectus.

Those shareholders of Vueling residing outside of Spain who decide to accept the Offer are informed that the Offer may be subject to legal and regulatory restrictions other than those contemplated under Spanish law. In this regard, shareholders residing abroad shall

be solely responsible for complying with such rules and thus the verification, application and implications thereof.

This Prospectus regarding the Tender Offer for Shares of Vueling Airlines, S.A. is signed in Madrid, on 8 July 2013.

Veloz Holdco, S.L. (Sociedad Unipersonal)

By

Mr. Christopher Mark Haynes

Annex 1.–

Certifications related to the resolutions adopted by Vueling Airlines, S.A. in relation with the delisting of Vueling Airlines, S.A.'s shares and the launch of the Offer.

Annex 2.-

Certifications related to the resolutions adopted by the Offering Company and International Consolidated Airlines Group, S.A. in relation with the launch of the Offer and the granting of powers of attorney to the persons responsible for the Prospectus.

Annex 3.-

Certification of ownership issued by Bankia Bolsa, S.V., S.A. evidencing that Iberia Líneas Aéreas de España, S.A. Operadora's stake in Vueling Airlines, S.A. is blocked

Annex 4.–

**Certification of ownership issued by Banco Santander, S.A. evidencing that
Offering Company's stake in Vueling Airlines, S.A. is blocked.**

Annex 5.–

**Certification of the Commercial Registry of Madrid evidencing the incorporation
of the Offering Company and its current bylaws**

Annex 6.-

Draft of the Offering Company's annual accounts corresponding to the fiscal year ended on 31 December 2012.

Annex 7.-

Certificate issued by the Madrid Stock Exchange Managing Corporation showing the average listing price of the shares of Vueling during the six-month period prior to the date of the announcement of the proposal of delisting of Vueling's shares.

Annex 8.-

Report issued by PricewaterhouseCoopers Asesores de Negocios, S.L., in relation with the valuation of the shares of Vueling Airlines, S.A. in connection with the standards and valuation methods provided in Section 10.5 of Royal Decree 1066/2007.

Annex 9.–

Bank guarantee issued by Banco Santander, S.A.in connection with the consideration of the Offer.

Annex 10.–

Announcement form of the Offer.

Annex 11.–

Letter of the Offering Company regarding the publicity of the Offer.

Annex 12.–

Letters of acceptance from Santander Investment Bolsa, S.V., S.A. and Santander Investment, S.A., as the institutions responsible for intermediation and settlement of the Offer, as well as in the event of the mandatory purchase and sale of the shares covered by the Offer.