Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

AUDITORS' REPORT ON FINANCIAL STATEMENTS

To the shareholders of Vueling Airlines, S.A.:

1. We have audited the financial statements of Vueling Airlines, S.A., which comprise the balance sheet as at 31 December 2013, the income statement, the statement of changes in net equity, the cash flow statement and the notes corresponding to the financial year ending on said date. The preparation of these financial statements is the responsibility of the Company’s Directors in accordance with the financial information regulatory framework applicable to the company (identified in Note 2.1 of the attached Management Report) and, in particular, with the accounting principles and criteria contained therein. Our responsibility is to express an opinion on the financial statements taken as a whole based on our audit work performed in accordance with the audit regulations in force in Spain, which require examination, by means of selective tests, of the evidence supporting the financial statements and evaluation of whether their presentation, the accounting principles and policies applied and the estimates made comply with the applicable regulatory financial reporting framework.

2. In our opinion, the accompanying financial statements for 2013 present fairly, in all material respects, the equity and financial position of Vueling Airlines, S.A. at 31 December 2013, and the results of its operations and its cash flows for the year then ended, in conformity with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein.

3. The accompanying directors’ report for 2013 contains the explanations which the Directors consider appropriate about the situation of the Company, the evolution of its business and other matters, but is not an integral part of the financial statements. We have checked that the accounting information in the directors’ report is consistent with that contained in the financial statements for 2013. Our work as auditors was confined to checking the directors’ report with the aforementioned scope, and did not include a review of any information other than that drawn from the Company’s accounting records.

DELOITTE, S.L.
Registered in ROAC under No. S0692

Deloitte
Initiated for identification purposes only
Ana Maria Gibert
February 28, 2014
## VUELING AIRLINES, S.A.
### BALANCE SHEET AS AT 31 DECEMBER 2013
(Thousand euros)

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Notes</th>
<th>31/12/2013</th>
<th>31/12/2012</th>
<th>SHAREHOLDERS’ EQUITY AND LIABILITIES</th>
<th>Notes</th>
<th>31/12/2013</th>
<th>31/12/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>NON-CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>SHAREHOLDERS’ EQUITY:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible fixed assets-</td>
<td>Note 6</td>
<td>75,351</td>
<td>73,769</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td></td>
<td>15,419</td>
<td>15,419</td>
<td>Capital-</td>
<td>Note 10</td>
<td></td>
<td>29,905</td>
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<tr>
<td>Computer software</td>
<td></td>
<td>17,040</td>
<td>14,603</td>
<td>Authorised capital</td>
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<td>29,905</td>
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<tr>
<td>Segments</td>
<td></td>
<td>36,733</td>
<td>36,733</td>
<td>Share premium</td>
<td></td>
<td>199,185</td>
<td>199,185</td>
</tr>
<tr>
<td>CO2 allowances</td>
<td></td>
<td>6,159</td>
<td>7,014</td>
<td>Reserves-</td>
<td></td>
<td>4,450</td>
<td>2,394</td>
</tr>
<tr>
<td>Property, plant and equipment -</td>
<td>Note 7</td>
<td>58,176</td>
<td>2,680</td>
<td>Legal</td>
<td></td>
<td>5,981</td>
<td>5,981</td>
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<tr>
<td>Aircraft components</td>
<td></td>
<td>1,847</td>
<td>1,374</td>
<td>Other reserves</td>
<td></td>
<td>(1,531)</td>
<td>(3,587)</td>
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<tr>
<td>Furniture and equipment</td>
<td></td>
<td>1,420</td>
<td>1,306</td>
<td>Treasury shares</td>
<td></td>
<td>-</td>
<td>(713)</td>
</tr>
<tr>
<td>Property, plant and equipment under construction and advances</td>
<td></td>
<td>54,909</td>
<td>-</td>
<td>Prior years' losses</td>
<td></td>
<td>(566)</td>
<td>(28,127)</td>
</tr>
<tr>
<td>Long-term financial investments-</td>
<td>Note 9.1</td>
<td>86,499</td>
<td>111,831</td>
<td>Loss for the year</td>
<td></td>
<td>93,393</td>
<td>28,332</td>
</tr>
<tr>
<td>Other financial assets</td>
<td></td>
<td>82,715</td>
<td>103,649</td>
<td>Total Capital and Reserves</td>
<td></td>
<td>326,367</td>
<td>230,976</td>
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<tr>
<td>Derivatives</td>
<td>Note 14</td>
<td>3,784</td>
<td>8,182</td>
<td>Adjustments for changes in value</td>
<td>Note 14</td>
<td>(14,771)</td>
<td>6,193</td>
</tr>
<tr>
<td>Deferred tax assets</td>
<td>Note 15.5</td>
<td>54,831</td>
<td>59,718</td>
<td>Subsidies, donations and bequests received</td>
<td>Note 10.6</td>
<td>274</td>
<td>75</td>
</tr>
<tr>
<td><strong>Total non-current assets</strong></td>
<td></td>
<td>274,857</td>
<td>247,998</td>
<td>Total net equity</td>
<td></td>
<td>311,870</td>
<td>237,244</td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>NON-CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables-</td>
<td></td>
<td>104,544</td>
<td>64,089</td>
<td>Long-term provisions -</td>
<td>Note 11.1</td>
<td>203,841</td>
<td>193,450</td>
</tr>
<tr>
<td>Receivables for sales and services rendered</td>
<td></td>
<td>60,975</td>
<td>47,869</td>
<td>Other provisions</td>
<td></td>
<td>203,841</td>
<td>193,450</td>
</tr>
<tr>
<td>Receivables, related companies</td>
<td>Note 13</td>
<td>28,428</td>
<td>688</td>
<td>Derivatives</td>
<td></td>
<td>18,252</td>
<td>10,526</td>
</tr>
<tr>
<td>Sundry receivables</td>
<td></td>
<td>10,795</td>
<td>9,884</td>
<td>Other financial liabilities</td>
<td></td>
<td>522</td>
<td>224</td>
</tr>
<tr>
<td>Credits with Public Authorities</td>
<td>Note 15.1</td>
<td>4,346</td>
<td>5,648</td>
<td>Debts with related companies</td>
<td>Note 13</td>
<td>58,839</td>
<td>28,015</td>
</tr>
<tr>
<td>Short-term financial investments-</td>
<td>Note 9.2</td>
<td>403,660</td>
<td>41,030</td>
<td>Trade and other payables-</td>
<td></td>
<td>172,935</td>
<td>127,392</td>
</tr>
<tr>
<td>Derivatives</td>
<td>Note 14</td>
<td>10,089</td>
<td>9,155</td>
<td>Suppliers</td>
<td></td>
<td>102,745</td>
<td>82,263</td>
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<tr>
<td>Other financial assets</td>
<td></td>
<td>393,571</td>
<td>31,875</td>
<td>Sundry payables</td>
<td></td>
<td>50,511</td>
<td>32,986</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td></td>
<td>8,348</td>
<td>7,748</td>
<td>Personnel</td>
<td></td>
<td>10,567</td>
<td>7,263</td>
</tr>
<tr>
<td>Cash and cash equivalents-</td>
<td>Note 9.3</td>
<td>151,303</td>
<td>322,377</td>
<td>Other debts with Public Authorities</td>
<td>Note 15.1</td>
<td>6,253</td>
<td>4,105</td>
</tr>
<tr>
<td>Cash</td>
<td></td>
<td>66,303</td>
<td>66,665</td>
<td>Advance payments from customers</td>
<td>Note 5.9</td>
<td>2,859</td>
<td>775</td>
</tr>
<tr>
<td>Cash equivalents</td>
<td></td>
<td>85,000</td>
<td>255,512</td>
<td>Short-term accruals and deferred income</td>
<td>Note 5.9</td>
<td>92,858</td>
<td>54,400</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td></td>
<td>667,855</td>
<td>435,244</td>
<td>Total current liabilities</td>
<td></td>
<td>373,984</td>
<td>227,265</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td></td>
<td>942,712</td>
<td>683,242</td>
<td><strong>TOTAL SHAREHOLDERS’ EQUITY AND LIABILITIES</strong></td>
<td></td>
<td>942,712</td>
<td>683,242</td>
</tr>
</tbody>
</table>

Notes 1 to 22 in the accompanying notes to the annual accounts form an integral part of the balance sheet as at 31 December 2013.
### VUELING AIRLINES, S.A.

#### 2013 Income Statement

(Thousand euros)

<table>
<thead>
<tr>
<th>Notes to the annual accounts</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CONTINUING OPERATIONS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net turnover-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provision of services</td>
<td>Note 16.1</td>
<td>1,394,201</td>
</tr>
<tr>
<td>Work performed on assets</td>
<td>Note 6</td>
<td>737</td>
</tr>
<tr>
<td>Procurement-</td>
<td>Note 16.2</td>
<td>(407,567)</td>
</tr>
<tr>
<td>Consumption of raw materials and other consumables</td>
<td>(407,567)</td>
<td>(339,996)</td>
</tr>
<tr>
<td>Other operating revenue</td>
<td>Note 16.4</td>
<td>9,276</td>
</tr>
<tr>
<td>Personnel Expenses-</td>
<td>Note 16.5</td>
<td>(110,268)</td>
</tr>
<tr>
<td>Salaries, wages and similar items</td>
<td></td>
<td>(93,797)</td>
</tr>
<tr>
<td>Social contributions</td>
<td>(16,471)</td>
<td>(13,940)</td>
</tr>
<tr>
<td>Other operating expenses-</td>
<td>Note 16.6</td>
<td>(742,258)</td>
</tr>
<tr>
<td>External services</td>
<td>(742,395)</td>
<td>(626,977)</td>
</tr>
<tr>
<td>Taxes</td>
<td>(177)</td>
<td>(218)</td>
</tr>
<tr>
<td>Losses, impairment and change in provisions from commercial operations</td>
<td>314</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation and amortisation</td>
<td>Notes 6 and 7</td>
<td>(6,708)</td>
</tr>
<tr>
<td>Results from disposals and other items</td>
<td>Notes 6 and 7</td>
<td>(589)</td>
</tr>
<tr>
<td>OPERATING PROFIT (LOSS)</td>
<td></td>
<td>136,624</td>
</tr>
<tr>
<td>Financial income-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- from tradable securities and other financial instruments with third parties</td>
<td>10,516</td>
<td>10,402</td>
</tr>
<tr>
<td>Financial expenses-</td>
<td>Note 17</td>
<td>(16,622)</td>
</tr>
<tr>
<td>- For debts with third parties</td>
<td>(16,622)</td>
<td>(5,924)</td>
</tr>
<tr>
<td>Exchange differences</td>
<td></td>
<td>1,889</td>
</tr>
<tr>
<td>FINANCIAL PROFIT (LOSS)</td>
<td></td>
<td>(4,217)</td>
</tr>
<tr>
<td>Profit (loss) before tax</td>
<td></td>
<td>132,607</td>
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<tr>
<td>Corporation tax</td>
<td>Note 15.3</td>
<td>(39,214)</td>
</tr>
<tr>
<td>Profit (loss) for the year from continuing operations</td>
<td></td>
<td>93,393</td>
</tr>
<tr>
<td><strong>DISCONTINUED OPERATIONS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit (loss) for the year from discontinued operations net of tax</td>
<td></td>
<td>-</td>
</tr>
<tr>
<td><strong>PROFIT FOR THE YEAR</strong></td>
<td></td>
<td>93,393</td>
</tr>
</tbody>
</table>

Notes 1 to 22 in the accompanying notes to the annual accounts form an integral part of the 2013 income statement.
### VUELING AIRLINES, S.A.

**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013**

**A) STATEMENT OF RECOGNISED INCOME AND EXPENSE**

(Thousand euros)

<table>
<thead>
<tr>
<th>Notes to the annual accounts</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>RESULT FROM THE INCOME STATEMENT (I)</td>
<td>93,393</td>
<td>28,332</td>
</tr>
<tr>
<td>Income and expenses recognised directly in equity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For cash flow hedging</td>
<td>Note 14</td>
<td>(31,169)</td>
</tr>
<tr>
<td>Tax effect</td>
<td></td>
<td>9,351</td>
</tr>
<tr>
<td>Subsidies, donations and legacies received</td>
<td></td>
<td>843</td>
</tr>
<tr>
<td>Tax effect</td>
<td></td>
<td>(253)</td>
</tr>
<tr>
<td>Total income and expenses directly attributable to net equity (II)</td>
<td></td>
<td>(21,228)</td>
</tr>
<tr>
<td>Transfers to the income statement:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>For cash flow hedging</td>
<td>Note 14</td>
<td>1,220</td>
</tr>
<tr>
<td>Tax effect</td>
<td></td>
<td>(366)</td>
</tr>
<tr>
<td>Subsidies, donations and legacies received</td>
<td>Note 10.6</td>
<td>(559)</td>
</tr>
<tr>
<td>Tax effect</td>
<td></td>
<td>168</td>
</tr>
<tr>
<td>Total transfers to the income statement (III)</td>
<td></td>
<td>463</td>
</tr>
<tr>
<td>Total recognised income and expense (I+II+III)</td>
<td></td>
<td>72,628</td>
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</table>

Notes 1 to 22 in the accompanying notes to the annual accounts form an integral part of the 2013 statement of recognised income and expense.
VUELING AIRLINES, S.A.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2013

B) TOTAL STATEMENT OF CHANGES IN EQUITY

(Thousand euros)

<table>
<thead>
<tr>
<th>Capital</th>
<th>Share premium</th>
<th>Legal Reserve</th>
<th>Goodwill Reserve</th>
<th>Other Reserves</th>
<th>Treasury Shares</th>
<th>Losses brought forward</th>
<th>Profit/loss for the year</th>
<th>Adjustments for change in value</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final balance 2011 and adjusted balance at start of 2012</td>
<td>29,905</td>
<td>199,185</td>
<td>5,981</td>
<td>1,156</td>
<td>(5,514)</td>
<td>(713)</td>
<td>(37,738)</td>
<td>10,383</td>
<td>38,835</td>
</tr>
<tr>
<td>Distribution of profit (loss) for 2011</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>771</td>
<td>-</td>
<td>-</td>
<td>5,612</td>
<td>-</td>
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<tr>
<td>Total recognised income and expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28,332</td>
</tr>
<tr>
<td>Total recognised income and expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>32,642</td>
</tr>
<tr>
<td>Final balance 2012 and adjusted balance at start of 2013</td>
<td>29,905</td>
<td>199,185</td>
<td>5,981</td>
<td>1,927</td>
<td>(5,514)</td>
<td>(713)</td>
<td>(28,127)</td>
<td>28,332</td>
<td>6,193</td>
</tr>
<tr>
<td>Distribution of profit (loss) for 2012</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>771</td>
<td>-</td>
<td>-</td>
<td>27,561</td>
<td>-</td>
</tr>
<tr>
<td>Total recognised income and expense</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>93,393</td>
</tr>
<tr>
<td>Sale of treasury shares (Note 10.5)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,286</td>
<td>713</td>
</tr>
<tr>
<td>Balance at end of 2013</td>
<td>29,905</td>
<td>199,185</td>
<td>5,981</td>
<td>2,698</td>
<td>(4,228)</td>
<td>-</td>
<td>(566)</td>
<td>93,393</td>
<td>(14,771)</td>
</tr>
</tbody>
</table>

Notes 1 to 22 in the accompanying notes to the annual accounts form an integral part of the 2013 total statement of changes in equity.
## VUELING AIRLINES, S.A.

### 2013 CASH FLOW STATEMENT

(Thousand euros)

<table>
<thead>
<tr>
<th>Notes</th>
<th>2012</th>
<th>2011</th>
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<tbody>
<tr>
<td><strong>CASH FLOWS FROM OPERATING ACTIVITIES (I):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit (loss) for the year before tax</td>
<td>132,607</td>
<td>40,127</td>
</tr>
<tr>
<td>Adjustments to profit (loss)-</td>
<td>49,358</td>
<td>44,765</td>
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<tr>
<td>Depreciation and amortisation</td>
<td>6,708</td>
<td>6,415</td>
</tr>
<tr>
<td>Change in provisions</td>
<td>38,159</td>
<td>43,654</td>
</tr>
<tr>
<td>Profit (loss) for retirements and disposals of fixed assets</td>
<td>603</td>
<td>741</td>
</tr>
<tr>
<td>Losses, impairment and change in provisions from commercial operations</td>
<td>(314)</td>
<td>-</td>
</tr>
<tr>
<td>Financial income</td>
<td>(10,516)</td>
<td>(10,402)</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>16,621</td>
<td>5,924</td>
</tr>
<tr>
<td>Exchange rate differences</td>
<td>(1,889)</td>
<td>(2,411)</td>
</tr>
<tr>
<td>Impairment CO2 allowances</td>
<td>(14)</td>
<td>844</td>
</tr>
<tr>
<td><strong>Changes in working capital:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>(26,577)</td>
<td>(17,447)</td>
</tr>
<tr>
<td>Change in inventories</td>
<td>-</td>
<td>353</td>
</tr>
<tr>
<td>Other current assets</td>
<td>(600)</td>
<td>(287)</td>
</tr>
<tr>
<td>Trade and other payables</td>
<td>61,345</td>
<td>20,923</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>52,824</td>
<td>14,855</td>
</tr>
<tr>
<td>Other non-current assets and liabilities</td>
<td>(10,372)</td>
<td>10,332</td>
</tr>
<tr>
<td><strong>Other cash flows from operating activities-</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment of interest</td>
<td>(4,720)</td>
<td>(3,108)</td>
</tr>
<tr>
<td>Interest received</td>
<td>6,256</td>
<td>8,148</td>
</tr>
<tr>
<td>Income Tax received/paid</td>
<td>(24,320)</td>
<td>(11,527)</td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM INVESTMENT ACTIVITIES (II):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit (loss):</td>
<td>(409,098)</td>
<td>201,388</td>
</tr>
<tr>
<td>Payments for investments-</td>
<td>(409,098)</td>
<td>(11,784)</td>
</tr>
<tr>
<td>Intangible fixed assets</td>
<td>(11,712)</td>
<td>(9,952)</td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>(56,907)</td>
<td>(1,832)</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>(340,479)</td>
<td>-</td>
</tr>
<tr>
<td>Proceeds for disposals</td>
<td>-</td>
<td>213,172</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>213,172</td>
<td></td>
</tr>
<tr>
<td><strong>CASH FLOWS FROM FINANCING ACTIVITIES (III):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collections and payments for equity instruments</td>
<td>1,999</td>
<td>-</td>
</tr>
<tr>
<td>Disposal of equity instruments</td>
<td>1,999</td>
<td>-</td>
</tr>
<tr>
<td>Collections and payments for financial instruments-</td>
<td>297</td>
<td>(2,294)</td>
</tr>
<tr>
<td>Debts with credit institutions</td>
<td>-</td>
<td>(2,294)</td>
</tr>
<tr>
<td>Other financial assets</td>
<td>297</td>
<td></td>
</tr>
<tr>
<td><strong>EFFECT OF EXCHANGE RATE VARIATIONS (IV):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(73)</td>
<td>1,202</td>
</tr>
<tr>
<td><strong>NET INCREASE/DECREASE OF CASH AND CASH EQUIVALENTS (I+II+III+IV):</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash or equivalents at the start of the year</td>
<td>322,377</td>
<td>14,947</td>
</tr>
<tr>
<td>Cash or cash equivalents at the end of the year</td>
<td>151,303</td>
<td>322,377</td>
</tr>
</tbody>
</table>

Notes 1 to 22 in the accompanying notes to the annual accounts form an integral part of the 2013 cash flow statement.
Vueling Airlines, S.A.

Annual Accounts for the year ending 31 December 2013 and Management Report, together with the Auditors’ Report
Vueling Airlines, S.A.

Notes to the annual accounts
for the year ending
31 December 2013

1. Company Activity

The company Vueling Airlines, S.A. (hereinafter, Vueling or the Company) is a company incorporated in Spain in 2004 in accordance with the Public Limited Companies Act, now the Capital Companies Act.

The Articles of Association state that the corporate purpose is to operate and manage the air passenger transport business under the commercial name of Vueling.


2. Basis for presentation of the Annual accounts

2.1. Financial reporting legislation applicable to the Company

The Directors have prepared these annual accounts in accordance with the financial reporting legislation applicable to the Company, which is that established in:


c) The mandatory standards approved by the Institute of Accounting and Account Auditing in implementation of the General Chart of Accounts and its complementary standards.

d) Other applicable Spanish accounting legislation.

2.2. True and Fair View

The accompanying annual accounts have been obtained from the Company’s accounting records and are presented in accordance with the financial reporting legislation applicable to the company and, in particular, the accounting principles and criteria contained therein, so that they give a true and fair view of the Company’s net worth, financial position, results and cash flow during the year. The annual accounts have been prepared by the Company’s Directors and will be submitted for approval by the General Meeting of Shareholders. They are expected to be approved without any modifications thereto.

The 2012 annual accounts were approved by the General Meeting of Shareholders held on 27 June 2013.
2.3. Non-mandatory accounting principles applied

No non-mandatory accounting principles have been applied. Furthermore, the Directors have prepared these annual accounts in accordance with all mandatory accounting principles and standards which have a material effect on the aforementioned annual accounts.

There is no mandatory accounting principle which has not been applied.

2.4. Critical aspects for measuring and estimating uncertainty

In preparing the accompanying annual accounts, the Company's Directors have used estimates to measure some of the assets, liabilities, revenue, expenses and commitments which are recorded therein. These estimates basically refer to:

- The fair value and useful life assigned to Clickair, S.A.’s intangible fixed assets as a result of the merger carried out in 2009 (see Notes 5.1 and 6).

- The calculation of the impairment of intangible assets, goodwill and other assets (see Notes 5.1 and 6).

- The useful life of tangible assets and other intangible assets (see Notes 5.1 and 5.2).

- The calculation of provisions and the current value of the deposits submitted (see Notes 5.10 and 12.1).

- The market value of certain financial instruments (see Notes 5.4.4 and 15).

- The assessment of possible losses due to the impairment of certain financial assets (see Note 5.4).

Although these estimates are performed on the basis of the best information available as at the 2013 balance sheet date, it is possible that the events which may take place in the future require them to be modified (up or down) prospectively in the coming years.

2.5. Information comparison

For informative purposes, the information contained herein for 2013 is presented together with the 2012 information.

2.6. Aggregation of items

Certain items in the balance sheet, the income statement, the statement of changes in equity and the cash flow statement are grouped together so as to aid their understanding. However, material information has been broken down in the corresponding notes.

2.7. Changes in accounting criteria

There were no significant changes in accounting criteria in 2013 compared with the criteria applied in 2012.
2.8. Error correction

There were no error corrections in 2013 with regard to the figures for 2012.

3. Business combination and other information

a) Merger with Clickair, S.A.

In 2009, the Company merged with Clickair, S.A.

The transaction was structured by the Company as a merger by takeover of Clickair, S.A.

The main economic reasons for the aforementioned merger were to obtain significant revenue and cost synergies.

The merger involved a capital increase in Vueling Airlines, S.A. of 14,952 thousand euros (corresponding to 14,952,259 new shares, each with a par value of one euro), with a share premium of 65,640 thousand euros, which was fully subscribed and paid up by means of a non-monetary contribution of all of Clickair S.A.’s shares.

Appendix I of the 2009 annual accounts includes disclosures required by Act 43/1995.

The cost of the aforementioned business combination was 87,216 thousand euros, of which 80,592 thousand euros corresponded to the fair value of Clickair, S.A., based on independent expert reports, while the remaining 6,623 thousand euros corresponded to costs associated with the business combination.

The definitive recording of the integration for accounting purposes took place on 30 June 2010, within the legal period of one year established in the General Chart of Accounts.

b) Takeover bid by Veloz Holdco, S.L.U.

On 26 April 2013, Veloz Holdco S.L.U. acquired 13,355,675 company shares, representing 44.66% of the share capital. Subsequently, on 8 August 2013, Veloz Holdco S.L.U. acquired an additional 2,095,0901 company share, representing 7.01% of the share capital and the company share were excluded from trading on the stock markets of Barcelona, Madrid, Bilbao and Valencia. Following their exclusion from trading, Veloz Holdco S.L.U. opened a new period for accepting all share transaction orders until 21 February 2014. At 31 December 2013, this period remained open and Veloz Holdco S.L.U. held a total of 15,959,449 shares representing 53.3% of the share capital of the Company.

4. Distribution of profit

The Company’s Directors’ proposal for distributing the 2013 profit, which will be submitted for approval by the General Meeting of Shareholders, is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Thousands of Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other reserves</td>
<td>92,056</td>
</tr>
<tr>
<td>To offset prior years’ losses</td>
<td>566</td>
</tr>
<tr>
<td>To reserve for goodwill</td>
<td>771</td>
</tr>
<tr>
<td>Total</td>
<td>93,393</td>
</tr>
</tbody>
</table>
5. Recognition and measurement

The main standards for recognition and measurement used by the Company in preparing the 2013 and 2012 annual accounts, in accordance with those established by the General Chart of Accounts, were as follows:

5.1. Intangible fixed assets

The intangible fixed assets are made up of goodwill, the segments resulting from the merger with Clickair, S.A., computer software and greenhouse gas emission allowances (hereinafter, CO2).

As a general rule, intangible fixed assets are initially measured at their acquisition price, production cost or fair value if they come from a business combination. They are subsequently measured at their cost less the corresponding accumulated amortisation and, as the case may be, losses for impairment. These assets are amortised based on their useful lives, except goodwill and greenhouse gas emission allowances.

Goodwill

Goodwill appears in the assets when its value is clearly based on an acquisition for consideration in the context of a business combination. Goodwill is assigned to each of the cash-generating units expected to receive the benefits of the business combination and is not amortised. Instead, these cash generating units undergo an impairment test, at least once per year, in accordance with the methodology indicated below. As the case may be, the corresponding value adjustment is recorded.

Impairment adjustments recorded in goodwill are not subject to review in subsequent years. The criteria for determining possible goodwill losses are described in the section “Impairment of property, plant and equipment and intangible assets”.

Specifically, under this heading the Company records the goodwill resulting from the merger by takeover of Clickair, S.A., as described in Note 3.

Computer software

In this account, the Company records the costs incurred in the acquisition and development of computer software, including the costs of developing websites. The maintenance costs of computer software are charged to the income statement in the year in which they are incurred.

Computer software is amortised applying the straight line method over a period of five years.

The work which the Company performs for its own fixed assets is recorded at the accumulated cost resulting from adding external costs and internal costs based on the direct labour incurred.

Segments

Under this heading, the Company records the fair value of the segments resulting from the merger with Clickair, S.A. (see Note 3). Based on an analysis of all the significant factors, the Company's Directors have estimated that there is no foreseeable limit for the period over which these assets are expected to generate net cash flow. Therefore, these assets have been classified as having an indefinite useful life and are not amortised, but are subject to an impairment test in accordance with the methodology specified below. The
useful life classification is reviewed at the end of each year and is consistent with the Company’s corresponding business plans. The criteria to determine the possible loss of segments is described below.

**CO2 allowances**

Under this heading, the Company registers the value of the CO2 allowances necessary for its operations in accordance with the 2008 EU agreement whereby all flights taking off and landing in the EU will be included within the EU Emissions Trading System (EU ETS) as from 1 January 2012. CO2 allowances cannot be amortised but they are subject to possible impairment in the event that the closing price of the allowances is lower than the average price at which the Company has recorded them (see Note 6).

**Impairment of property, plant and equipment and intangible assets**

At the balance sheet date each year (in the case of goodwill or intangible assets with an indefinite useful life) or whenever there are signs of impairment (for other assets), the Company carries out an impairment test to estimate any possible losses in value which would reduce the recoverable value of said assets to an amount lower than their carrying amount.

The recoverable value is determined as the greater value between the fair value less costs to sell and the value in use.

The projections are prepared based on past experience, the business plan and the best available estimates for the next four years.

The procedure introduced by the Company to carry out the aforementioned test is as follows:

- The recoverable values are calculated for each cash-generating unit (CGU). Whenever possible, impairment calculations are carried out individually item by item.

- Every year, the Company prepares financial projections for revenue and profits for each cash-generating unit based on their business plan. For the 14 segments measured, financial projections were carried out individually item-by-item taking into account each one as a single cash generating unit. For its part, the remaining goodwill was assigned to the Company’s other existing segments from Clickair, S.A. together as one single CGU.

- The main assumptions and data considered by the Company for the impairment test are as follows:
  
  - Given that the segments are associated with a right of flight at a specific time in a specific airport and as this time continuously varies as a result of the requests made by the Company to AENA to adapt the segment to the different routes operated, the Management has considered that the segments may have suffered changes with regard to the time initially considered in identifying said assets. Accordingly, in its impairment analysis the Company considers the daily revenue of a change to a specific time for each segment corresponding to each one of the 14 identified CGUs.
  
  - The list of the 14 CGUs and their assigned value, in thousands of euros, is as follows:
Financial forecasts have been prepared for the revenue and results of the next four years under an assumption of no organic growth in capacity for the 14 CGUs with value assigned and in a range of growth of between 8.5% and 10.5% for the other CGUs in the Company. These financial forecasts used the historic and forecast returns of the routes which the Company operates as a starting point.

The years from 2014 to 2018 have been based on the Company's Business Plan, prepared on the basis of the budget of revenue per available seat-kilometre (RASK) and costs per available seat kilometre (CASK) and a percentage increase in revenue and cost depending on the main market variables, also including both in the revenue and in the margin the assumptions used of aggressive growth in competition, in the price of fuel (average of 127 USD/barrel, average of 119 USD/barrel in the previous year) and the expected dollar-euro exchange rate (1.30 USD/euro, 1.30 USD/euro in the previous year), according to forecast data published in reliable sources of financial information. The forecasts for 2014 are identical to the Company’s budget for 2013 approved by the Board of Directors.

The Company has considered the forecast for the next four years, plus perpetual income without growth based on the income of the last year included in the forecast.

The discount rate to be applied. This is understood as the weighted average cost of capital, which is mainly affected by the cost of the liabilities and the risks specific to the assets. The discount rate used was 10.4% (10.8% in the previous year).

Sensitivity analysis

If the following were used in calculating the Company’s financial forecasts:

- The lack of organic growth.
- The increase in the discount rate (WACC) of 1% (up to 11.4%).
- The increase in the price of fuel from $127 per barrel up to $139 per barrel (+10%).
- The increase in the dollar-euro exchange rate from 1.30 to 1.20 (+10 cents).

Then these new assumptions both separately and taken as a whole would also not imply the need for any impairment either for the individualised segments or for the goodwill.

When an impairment loss is subsequently reversed (which is not allowed in the specific case of goodwill), the carrying amount for the asset or the cash-generating unit is increased by the revised estimates of the recoverable value, but in such a way that the increased carrying amount does not exceed the carrying amount which would have been determined if no impairment loss had been recognised in previous years. This reversal of an impairment loss is recognised as income.

The Company’s Directors do not expect problems of impairment loss of its intangible assets at the balance sheet date.

5.2. Property, plant and equipment

Property, plant and equipment are initially measured at the acquisition price or production cost and subsequently reduced by the corresponding accumulated depreciation and impairment losses, as the case may be, in accordance with the criteria mentioned in Note 5.1.

The conservation and maintenance costs of the different items which make up property, plant and equipment are charged to the income statement in the year in which they occur. On the other hand, amounts invested in improvements which contribute to increasing capacity or efficiency or extending the useful life are recorded as a greater cost of those assets.

The Company depreciates property, plant and equipment following the straight line method, applying annual depreciation percentages which are calculated based on the estimated useful life of the respective assets, as shown in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Estimated years of useful life</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft components</td>
<td>3 – 6 (*)</td>
</tr>
<tr>
<td>Handling equipment</td>
<td>3 – 10</td>
</tr>
<tr>
<td>Information processing equipment</td>
<td>5 – 7</td>
</tr>
<tr>
<td>Technical facilities</td>
<td>8 – 10</td>
</tr>
<tr>
<td>Furniture</td>
<td>8 – 10</td>
</tr>
</tbody>
</table>

(*) According to the useful life of the leasing agreement.

The Company’s Directors do not expect problems of impairment loss of its property, plant and equipment at the balance sheet date.
5.3. Leases

The leases in which the agreement substantially transfers all the risks and benefits inherent to ownership of the assets to the Company are classified as finance leases, while other leases are classified as operating leases. The Company does not have any finance leases as at 31 December 2013 or 2012.

Operating leases

In 2013 and 2012 the Company only acted as a lessee.

Expenses arising from operating lease agreements are charged to the income statement in the year in which they accrue and mainly correspond to aircraft leases paid in dollars.

Any amount paid upon taking out an operating lease is treated as an advance payment which is allocated to the income statement over the lease period as the benefits of the leased asset are received.

Future operating lease payments mainly depend on the number of the Company’s aircraft as well as the price of the dollar (see Note 8).

5.4. Financial Instruments

5.4.1. Financial assets

Classification

The financial assets held by the company are classified in the following categories:

- Loans, deposits and other receivables: financial assets arising from the sale of goods or provision of services as part of the company’s operations (basically deposits given to aircraft lessors), or those which do not have a commercial origin and are not equity instruments or derivatives and from which the amounts received are fixed or determinable and which are not traded on an active market.

- Held-to-maturity investments: debt securities with fixed or determinable payments and a fixed maturity date, which are traded on an active market and for which the Company declares its intention and ability to hold them up to the maturity date.

Initial measurement

Financial assets are initially recorded at the fair value of the consideration plus the directly attributable transaction costs.

Subsequent measurement

Loans, receivables and investments held to maturity are valued at their amortised cost.

At least at the balance sheet date, the Company performs an impairment test for the financial assets which are not recorded at fair value. There is considered to be objective evidence for impairment if the recoverable value of the financial asset is lower than its carrying amount. When this occurs, the impairment is recorded in the income statement.
Specifically, and with respect to the value adjustments for trade and other receivables, the criteria used by the Company to calculate the corresponding value adjustments, as the case may be, is to analyse the age of the receivables and to apply an impairment to those outstanding receivables with a significant age or whose recovery is doubtful.

The Company de-registers financial assets when they expire or the right over the corresponding cash flows of the financial assets are assigned and the risks and benefits inherent to their ownership have been transferred, such as the firm sale of assets or assignments of commercial loans in factoring transactions in which the company does not retain any credit or interest rate risk.

5.4.2. Financial liabilities

Financial liabilities are the Company’s payables which result from the purchase of goods and services for the company's operations, and also those which having a non-commercial origin, cannot be considered as derivative financial instruments.

Payables are initially measured at the fair value of the consideration received, adjusted for the directly attributable transaction costs. These liabilities are subsequently measured according to their amortised cost.

The Company de-registers financial liabilities when the obligations which they have generated expire.

5.4.3. Equity instruments

An equity instrument represents a residual holding in the Company's Equity, once all its liabilities have been deducted. Capital instruments issued by the Company are recorded in Net Equity at the amount received, net of issue costs.

The treasury shares which the Company acquires during the year are recorded directly as a lower value of Net Equity at the value of the consideration received. The results arising from the purchase, sale, issue or amortisation of treasury shares are directly recorded in Net Equity, with no result being recorded in the Income statement.

5.4.4. Derivative financial instruments

The company uses derivative financial instruments to hedge against the risks which its activities, operations and future cash flows are exposed to. These risks are basically variations in exchange rates, interest rates and the price of fuel. Within the context of these transactions, the Company uses hedging instruments (see Note 14).

For these instruments to be classified as hedging instruments for accounting purposes, they are initially designated as such by documenting the hedging relationship. Similarly, the Company verifies, initially and periodically throughout its life, that the hedging relationship is effective i.e. that it is prospectively expected that the changes in the hedged item’s fair value or cash flows (applicable to the hedged risk) are almost fully offset by the hedging instrument and that, retrospectively, the results of the hedging have varied within a range of 80% to 125% with respect to the result of the hedged item.

The Company applies cash flow hedging. In this type of hedging, the gain or loss of the hedging instrument which has been determined as an effective hedge is temporarily recorded in Net Equity and allocated to the income statement in the period in which the hedged item affects the results, unless the hedging corresponds to a planned transaction which results in recognition of a non-financial asset or liability. In this case, the amounts recorded in Net Equity will be included in the cost of the asset or liability when it is acquired or assumed.
Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss corresponding to the hedging instruments recorded in net equity remains in net equity until the forecast transaction takes place. When a forecast hedging transaction is no longer expected to occur, the cumulative net gain or loss recorded in net equity is transferred to the profit or loss for the year.

5.5. Related-party transactions

The Company considers International Consolidated Airlines Group, S.A. and all its subsidiaries as related parties (see Note 14).

The Company performs all its transactions with related parties at arm's length. The Company's Directors believe that the transfer prices are duly documented and that there are no significant risks for this aspect which could lead to material liabilities in the future.

5.6. Classification between current and non-current

Current assets and liabilities make up those items which the company expects to sell, pay, consume or realise in the course of a normal operating cycle. They also includes those assets and liabilities whose maturity, disposal or realisation is expected to occur within a period of one year, as well as those classified as held for trading (except long-term derivatives) and cash and cash equivalents. Other assets are classified as non-current.

5.7. Foreign currency transactions

The functional currency used by the Company is the euro. Consequently, transactions in currencies other than the euro are considered as denominated in foreign currencies and are recorded according to the exchange rate published by the International Air Transport Association (IATA), which may differ from others legally published.

At each balance sheet date, the monetary assets and liabilities denominated in foreign currencies are converted by applying the exchange rate applicable at that date. Any gains or losses are directly allocated to the income statement in the year in which they take place.

5.8. Corporation tax

The expense or revenue for corporation tax includes the part relating to the expense or revenue for current tax and the part corresponding to the expense or revenue for deferred tax.

The Company pays corporation tax in a financial year at the current tax rate on profit from the business. Deductions and other tax advantages in the tax payments, excluding withholding and interim payments, as well as tax losses to be offset from previous years which are effectively applied in this year, lead to a lower amount for current tax.

The expense or revenue for deferred tax corresponds to recognition and cancellation of deferred tax assets and liabilities. These include the time differences which are identified as those amounts which are expected to be paid or received arising from differences between the carrying amount of the assets and liabilities and their tax value, as well as tax-loss carry-forwards to be offset and credits for tax deductions which have not been applied. These amounts are recorded by applying the tax rate at which the corresponding time or credit differences are expected to be recovered or paid.
Deferred tax liabilities are recognised for all taxable temporary differences, except those arising from the initial recognition of goodwill or from other assets and liabilities in a transaction which does not affect the taxable profit or the accounting profit and is not a business combination.

Deferred tax assets are only recognised to the extent that it is probable that the Company will have sufficient future taxable profit against which the temporary differences can be utilised.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity accounts are also recorded with a balancing entry in net equity.

Recorded deferred tax assets are reviewed at each balance sheet date in order to make the appropriate adjustments in accordance with the doubts about their future recovery. Similarly, the deferred tax assets not recorded in the balance sheet are reviewed at each balance sheet date and are recognised if it becomes probable that they will be recovered with future tax profits.

5.9. Revenue and expenses, and short-term accruals

Revenue and expenses are allocated based on the accrual principle, that is, when the real flow of goods and services that they represent takes place, regardless of the moment at which the resulting monetary or financial flow takes place. The Company recognises revenue for air transport services when the corresponding flight takes place. This revenue is measured at the fair value of the consideration received, after subtracting trade discounts and taxes.

The amount received from customers as advance payments for future flights for tickets which have been issued and paid for is recorded under the heading "Short-term accruals" under liabilities in the accompanying balance sheet.

The heading "Advance payments from customers" under liabilities in the balance sheet records the payments received for bookings and advance payments for certain tickets which have not yet been issued.

Interest received from financial assets is recorded using the effective interest method.

5.10. Provisions and contingencies

On preparing the accompanying annual accounts, the Company’s Directors differentiate between:

- Provisions: Credit balances covering current obligations arising as a result of past events which will probably give rise to an outflow of resources, but for which the amount and/or time has not been determined.

- Contingent liabilities: Possible obligations arising from past events which will only be materialised if one or more future events outside the Company’s control takes place.

The annual accounts include all the provisions with respect to which it is considered more likely than not that the obligation will have to be settled. Contingent liabilities are not recognised in the annual accounts, although they are disclosed in the notes if they are considered as remote (see Note 12).

Provisions are valued using the best current estimates possible of the amount necessary to settle or transfer the obligation, bearing in mind available information about the event and its consequences. Adjustments resulting from updating the aforementioned provisions are recorded as a financial expense as they accrue.
The compensation to be received from a third party on settling the obligation, provided there are no doubts that this refund will be received, is recorded as an asset, unless there is a legal obligation which externalises part of the risk, and pursuant to which the Company is not liable. In this situation, the compensation is used to estimate, as the case may be, the amount of the corresponding provision.

**Provisions for scheduled aircraft maintenance**

The expense arising from scheduled maintenance checks (general aircraft and engine checks) is accrued based on the flight hours/cycle and days passed in accordance with the clauses contained in the aircraft lease agreements.

The Company records the expense for the aforementioned commitment based on flight hours/cycles and days passed. The amount of the provision for aircraft maintenance is calculated according to the approved maintenance schedule and based on flight hours/cycles or days passed, bearing in mind the moment of the aircraft's use cycle, and based on the estimated cost for the next scheduled check. Adjustments in provisions for maintenance arising from changes in the payment amount or time structure are recorded in the income statement prospectively.

For some of the agreements entered into by the Company and aircraft lessors, most of the costs of these checks are paid periodically to the lessor as a guarantee. As with the provision, the Company records the guarantees given at their current value. When the Company carries out the periodic checks and provides evidence to the lessors of the aircraft, the lessors return the amounts which the Company had previously paid in advance.

The Company considers the monthly amounts paid to lessors as advance payments, recording them under the heading "Long-term financial investments-loans to third parties". The Company recognises the corresponding estimated cost for the checks under the heading "Long-term provisions" based on the approved maintenance schedule for each aircraft and the flight hours/cycles or days passed.

**Provision for greenhouse gas emission allowances**

The metric tons of carbon dioxide emitted are calculated by multiplying the tons of fuel consumed by a factor of 3.15.

The Company registers the expense incurred for greenhouse gas emission allowances based on its fuel consumption. The amount of the provision is calculated in accordance with monthly fuel consumption by the Company according to the average price of the allowance at the end of each month, adjusted by the last quoted price of the allowance. In the event that the price of the allowance is lower than the average price recorded by the Company, an impairment must be recorded in the asset and in the corresponding original provision. Said provision will be settled in the year following the one in which it was generated.

**5.11. Severance pay**

Under current legislation, the Company is required to make severance payments to those employees dismissed under certain conditions. Therefore, severance pay which can be given a fair value is recorded as an expense in the year in which the decision is adopted and in which valid expectation of the dismissal is created. No significant provision for this item has been recorded in the accompanying annual accounts as no significant situations of this type are expected.
5.12. Balance sheet environmental items

Environmental assets are those which are used by the Company over the long-term. Their main purpose is to minimise environmental impact and to protect and improve the environment, including a reduction or elimination of future pollution.

Directive 2008/101, of 19 November 2008, amends Directive 2006/87/EC so as to include aviation activities in the scheme for greenhouse gas emission allowance trading within the EU as from 1 January 2012. Aircraft operators will be responsible for complying with the obligations imposed by the Directive, including the obligation to prepare a monitoring plan, submit specific information as from 1 January 2010 and monitor and report emissions.

The Company has complied with each and every one of the obligations imposed by the Directive.

5.13. Subsidies, donations and bequests

The Company uses the following criteria to account for subsidies, donations and bequests received:

- Non-refundable subsidies, donations and capital bequests: these are recorded at the fair value of the amount or asset granted, based on whether it is monetary or not, and are allocated to profit (loss) in proportion to the amortisation of the subsidised items in the year or, as the case may be, at the time of their disposal or impairment adjustment.

- Refundable subsidies: while they remain refundable, they are recorded as liabilities:

- Operating subsidies: these are credited to the profit (loss) at the time they are granted except if they are used for financing the operating deficit of future years, in which case they are allocated in those years. If they are granted in order to finance specific expenses, they will be allocated as the financial expenses accrue. Under this heading, the Company has recorded the amount of the subsidy resulting from CO2 allowances assigned free of charge (see Note 6).

In addition, subsidies, donations and bequests received from shareholders or owners do not constitute revenue and must be directly recorded in capital and reserves, irrespective of the type of subsidy, providing it is not refundable.
6. **Intangible fixed assets**

Movements under this heading of the balance sheets for 2013 and 2012, as well as the most significant information which affects this heading, are as follows:

### 2013

<table>
<thead>
<tr>
<th>Cost</th>
<th>Thousand euros</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
<td>Additions</td>
<td>Disposals</td>
<td>Transfers (Note 7)</td>
<td>Closing Balance</td>
<td></td>
</tr>
<tr>
<td>Goodwill</td>
<td>15,419</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,419</td>
<td></td>
</tr>
<tr>
<td>Computer software</td>
<td>27,596</td>
<td>8,349</td>
<td>(1,067)</td>
<td>(213)</td>
<td>34,665</td>
<td></td>
</tr>
<tr>
<td>Segments</td>
<td>36,733</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,733</td>
<td></td>
</tr>
<tr>
<td>CO2 allowances</td>
<td>7,858</td>
<td>8,332</td>
<td>(7,975)</td>
<td>-</td>
<td>8,215</td>
<td></td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>87,606</td>
<td>16,681</td>
<td>(9,042)</td>
<td>(213)</td>
<td>95,032</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amortisations</th>
<th>Thousand euros</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
<td>Additions</td>
<td>Disposals</td>
<td>Transfers (Note 7)</td>
<td>Closing Balance</td>
<td></td>
</tr>
<tr>
<td>Computer software</td>
<td>(12,993)</td>
<td>(5,681)</td>
<td>994</td>
<td>55</td>
<td>(17,625)</td>
<td></td>
</tr>
<tr>
<td><strong>Total amortisation</strong></td>
<td>(12,993)</td>
<td>(5,681)</td>
<td>994</td>
<td>55</td>
<td>(17,625)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impairment</th>
<th>Thousand euros</th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
<td>Additions</td>
<td>Disposals</td>
<td>Closing Balance</td>
<td></td>
</tr>
<tr>
<td>CO2 allowances</td>
<td>(844)</td>
<td>(2,056)</td>
<td>844</td>
<td>(2,056)</td>
<td></td>
</tr>
<tr>
<td><strong>Total impairment</strong></td>
<td>(844)</td>
<td>(2,056)</td>
<td>844</td>
<td>(2,056)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Intangible Fixed Assets</th>
<th>Thousand euros</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
<td>Closing Balance</td>
</tr>
<tr>
<td>Cost</td>
<td>87,606</td>
<td>95,032</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(12,993)</td>
<td>(17,625)</td>
</tr>
<tr>
<td>Impairment</td>
<td>(844)</td>
<td>(2,056)</td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td>73,769</td>
<td>75,351</td>
</tr>
</tbody>
</table>
### 2012

#### Thousand euros

<table>
<thead>
<tr>
<th>Cost</th>
<th>Opening Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers (Note 7)</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goodwill</td>
<td>15,419</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>15,419</td>
</tr>
<tr>
<td>Computer software</td>
<td>24,271</td>
<td>7,446</td>
<td>(3,914)</td>
<td>(207)</td>
<td>27,596</td>
</tr>
<tr>
<td>Segments</td>
<td>36,733</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>36,733</td>
</tr>
<tr>
<td>CO2 allowances</td>
<td>-</td>
<td>7,858</td>
<td>-</td>
<td>-</td>
<td>7,858</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>76,423</strong></td>
<td><strong>15,304</strong></td>
<td><strong>(3,914)</strong></td>
<td><strong>(207)</strong></td>
<td><strong>87,606</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amortisations</th>
<th>Opening Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers (Note 7)</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Computer software</td>
<td>(11,748)</td>
<td>(4,867)</td>
<td>3,581</td>
<td>41</td>
<td>(12,993)</td>
</tr>
<tr>
<td><strong>Total amortisation</strong></td>
<td><strong>(11,748)</strong></td>
<td><strong>(4,867)</strong></td>
<td><strong>3,581</strong></td>
<td><strong>41</strong></td>
<td><strong>(12,993)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Impairment</th>
<th>Opening Balance</th>
<th>Additions</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 allowances</td>
<td>-</td>
<td>(844)</td>
<td>(844)</td>
</tr>
<tr>
<td><strong>Total impairment</strong></td>
<td>-</td>
<td><strong>(844)</strong></td>
<td><strong>(844)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Thousand euros</th>
<th>Opening Balance</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Intangible Fixed Assets</strong></td>
<td><strong>76,423</strong></td>
<td><strong>87,606</strong></td>
</tr>
<tr>
<td><strong>Cost</strong></td>
<td>(11,748)</td>
<td>(12,993)</td>
</tr>
<tr>
<td><strong>Impairment</strong></td>
<td>-</td>
<td>(844)</td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td><strong>64,675</strong></td>
<td><strong>73,769</strong></td>
</tr>
</tbody>
</table>
Goodwill

The assumptions made and the calculations performed by the Company for the impairment test of Goodwill are broken down in Note 5.1.

Computer software

The additions in 2013 mainly correspond to the introduction of operating system and website applications and software for 8,349 thousand euros (7,446 thousand euros in 2012), of which a total of 737 thousand euros correspond to work performed by staff of the Company itself (735 thousand euros in 2012).

The disposals in 2013 mainly correspond to web applications which have become obsolete and which have generated losses of 73 thousand euros (333 thousand euros in 2012).

Segments

Under the heading "Other intangible fixed assets", the Company records 36,733 thousand euros as the fair value of the traffic rights resulting from the merger with Clickair, S.A. The Company's Directors have considered the useful life for the slots to be indefinite, and as such they are subject to the corresponding annual impairment test, as indicated in Note 5.1.

CO2 allowances

Under the heading "CO2 allowances", the Company registers the value of the CO2 allowances, both those received free of charge (664 allowances, with a value as at 1 January 2013 of 3,686 thousand euros) and those purchased on the market (740 thousand allowances at an average price for 2013 of €6.36/allowance). At year-end, the allowances are valued at the latest available quoted price of 31 December 2013. Additions over the year totalled 8,332 thousand euros, after applying an impairment loss of 2,056 thousand euros as a result of the lower quoted price at year-end.

As at 31 December 2013 and 2012, the Company had no intangible fixed assets which were fully amortised and which remained in use.
7. Property, plant and equipment

Movements under this heading of the balance sheets for 2013 and 2012, as well as the most significant information which affects this heading, are as follows:

**2013**

<table>
<thead>
<tr>
<th>Cost</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
</tr>
<tr>
<td>Aircraft components</td>
<td>4,366</td>
</tr>
<tr>
<td>Handling equipment</td>
<td>216</td>
</tr>
<tr>
<td>Technical facilities</td>
<td>648</td>
</tr>
<tr>
<td>Furniture</td>
<td>617</td>
</tr>
<tr>
<td>Other facilities and equipment</td>
<td>1,012</td>
</tr>
<tr>
<td>Property, plant and equipment under construction and advances</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td>6,859</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Amortisation</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
</tr>
<tr>
<td>Aircraft components</td>
<td>(2,992)</td>
</tr>
<tr>
<td>Handling equipment</td>
<td>(161)</td>
</tr>
<tr>
<td>Technical facilities</td>
<td>(372)</td>
</tr>
<tr>
<td>Furniture</td>
<td>(305)</td>
</tr>
<tr>
<td>Information processing equipment</td>
<td>(349)</td>
</tr>
<tr>
<td><strong>Total amortisation</strong></td>
<td>(4,179)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Property, Plant and Equipment</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Opening Balance</td>
</tr>
<tr>
<td>Cost</td>
<td>6,859</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(4,179)</td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td>2,680</td>
</tr>
</tbody>
</table>

70.1 million dollars (53.8 million euros) were activated for advance payments for the fleet order of 62 aircraft and purchase options to acquire 58 additional aircraft. These aircraft are due to start operations in 2015.
The disposals in 2013 mainly correspond to aircraft components that became obsolete, generating losses of 543 thousand euros (348 million euros of losses in 2012).

### 2012

#### Thousand euros

<table>
<thead>
<tr>
<th></th>
<th>Opening Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft components</td>
<td>11,783</td>
<td>900</td>
<td>(8,317)</td>
<td>-</td>
<td>4,366</td>
</tr>
<tr>
<td>Handling equipment</td>
<td>441</td>
<td>-</td>
<td>(225)</td>
<td>-</td>
<td>216</td>
</tr>
<tr>
<td>Technical facilities</td>
<td>1,136</td>
<td>-</td>
<td>(488)</td>
<td>-</td>
<td>648</td>
</tr>
<tr>
<td>Furniture</td>
<td>790</td>
<td>104</td>
<td>(277)</td>
<td>-</td>
<td>617</td>
</tr>
<tr>
<td>Other facilities and equipment</td>
<td>1,214</td>
<td>479</td>
<td>(888)</td>
<td>207</td>
<td>1,012</td>
</tr>
<tr>
<td>Property, plant and equipment under construction</td>
<td>-</td>
<td>350</td>
<td>(350)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total cost</strong></td>
<td><strong>15,364</strong></td>
<td><strong>1,833</strong></td>
<td><strong>(10,545)</strong></td>
<td><strong>207</strong></td>
<td><strong>6,859</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Opening Balance</th>
<th>Additions</th>
<th>Disposals</th>
<th>Transfers</th>
<th>Closing Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft components</td>
<td>(10,110)</td>
<td>(1,167)</td>
<td>8,285</td>
<td>-</td>
<td>(2,992)</td>
</tr>
<tr>
<td>Handling equipment</td>
<td>(362)</td>
<td>(24)</td>
<td>225</td>
<td>-</td>
<td>(161)</td>
</tr>
<tr>
<td>Technical facilities</td>
<td>(558)</td>
<td>(107)</td>
<td>293</td>
<td>-</td>
<td>(372)</td>
</tr>
<tr>
<td>Furniture</td>
<td>(438)</td>
<td>(79)</td>
<td>212</td>
<td>-</td>
<td>(305)</td>
</tr>
<tr>
<td>Other facilities and equipment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Information processing equipment</td>
<td>(968)</td>
<td>(171)</td>
<td>831</td>
<td>(41)</td>
<td>(349)</td>
</tr>
<tr>
<td><strong>Total amortisation</strong></td>
<td><strong>(12,436)</strong></td>
<td><strong>(1,548)</strong></td>
<td><strong>9,846</strong></td>
<td><strong>(41)</strong></td>
<td><strong>(4,179)</strong></td>
</tr>
</tbody>
</table>

As at 31 December 2013 and 2012, the Company had property, plant and equipment which were fully depreciated and which continued in use as shown in the following table:

<table>
<thead>
<tr>
<th></th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Property, Plant and Equipment</strong></td>
<td></td>
</tr>
<tr>
<td>Cost</td>
<td>15,364</td>
</tr>
<tr>
<td>Amortisation</td>
<td>(12,436)</td>
</tr>
<tr>
<td><strong>Net Total</strong></td>
<td><strong>2,928</strong></td>
</tr>
<tr>
<td>Description</td>
<td>31/12/2013</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>------------</td>
</tr>
<tr>
<td>Aircraft components</td>
<td>1,423</td>
</tr>
<tr>
<td>Furniture, equipment and other items</td>
<td>-</td>
</tr>
<tr>
<td>Information processing equipment</td>
<td>176</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,599</strong></td>
</tr>
</tbody>
</table>

The Company’s policy is to take out insurance policies to cover the possible risks which the different property, plant and equipment items are exposed to. As at 31 December 2013 and 2012, there is no coverage deficit related to the aforementioned risks.

### 8. Leases

The Company’s most significant operating lease agreements correspond to aircraft operating leases.

On the 2013 and 2012 balance sheet dates, the Company had agreements with aircraft lessors for the following minimum lease payments in dollars, according to the agreements currently in force, without taking into account the impact of other expenses, future CPI increases or future income updates contractually agreed:

<table>
<thead>
<tr>
<th>Operating leases</th>
<th>Thousand USD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Nominal value</td>
</tr>
<tr>
<td></td>
<td>31/12/2013</td>
</tr>
<tr>
<td>Less than one year</td>
<td>201,164</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>384,251</td>
</tr>
<tr>
<td>More than five years</td>
<td>13,536</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>598,951</strong></td>
</tr>
</tbody>
</table>

The exchange value in euros of the committed payments as at 31 December 2013 at the year-end exchange rate is 437,055 thousand euros (369,465 thousand euros at 31 December 2012).

At 31 December 2013, the Company has entered into agreements for fifteen aircraft with entry in 2014. The breakdown of the minimum lease payments, in thousands of dollars, is as follows:

<table>
<thead>
<tr>
<th>Operating leases</th>
<th>Thousand USD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Less than one year</td>
<td>49,438</td>
</tr>
<tr>
<td>Between one and five years</td>
<td>173,136</td>
</tr>
<tr>
<td>Over five years</td>
<td>83,880</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>306,454</strong></td>
</tr>
</tbody>
</table>
The difference between the total committed lease payments for 2013 and 2012 derives from the existence of one less year committed with the lessors of the aircraft in the lease agreements in force at 31 December 2012, the exit of four aircraft and the entry of 19 new aircraft (with an average lease term of 4.4 years).

The total amount of aircraft lease payments recorded as expenses in 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th>Thousand euros</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease expenses</td>
<td>141,152</td>
<td>120,279</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>141,152</td>
<td>120,279</td>
</tr>
</tbody>
</table>

The average number of aircraft operating in 2013 was 64 (with an average of 53 aircraft in 2012), with a total of 70 aircraft operating in the summer high season. As at 31 December 2013, the Company has 68 leased aircraft (53 aircraft as at 31 December 2012). Lease payments for said aircraft are made in dollars; hence the depreciation of the dollar vis-à-vis the euro in 2013 led to an improvement for the Company of approximately 3%.

In 2013, the Company leased an average of five aircraft with Iberia Líneas Aéreas de España, S.A. Operadora (an average of two aircraft in 2012).


9.1. Long-term financial investments

Movements under long-term financial investments in 2013 and 2012 are as follows:

<table>
<thead>
<tr>
<th>Category</th>
<th>01/01/2013</th>
<th>Additions</th>
<th>Disposals</th>
<th>Reclassifications to short-term</th>
<th>31/12/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, deposits and other receivables</td>
<td>103,649</td>
<td>33,017</td>
<td>(7,730)</td>
<td>(46,221)</td>
<td>82,715</td>
</tr>
<tr>
<td>Derivatives (Note 14)</td>
<td>8,182</td>
<td>-</td>
<td>(4,398)</td>
<td>-</td>
<td>3,784</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>111,831</strong></td>
<td><strong>33,017</strong></td>
<td><strong>(12,128)</strong></td>
<td><strong>(46,221)</strong></td>
<td><strong>86,499</strong></td>
</tr>
</tbody>
</table>
### 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>01/01/2012</th>
<th>Additions</th>
<th>Disposals</th>
<th>Reclassifications to short-term</th>
<th>31/12/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, deposits and credit to third parties</td>
<td>89,258</td>
<td>42,565</td>
<td>(21,509)</td>
<td>(6,665)</td>
<td>103,649</td>
</tr>
<tr>
<td>Derivatives (Note 14)</td>
<td>26,159</td>
<td>-</td>
<td>(17,977)</td>
<td>-</td>
<td>8,182</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>115,417</strong></td>
<td><strong>42,565</strong></td>
<td><strong>(39,486)</strong></td>
<td><strong>(6,665)</strong></td>
<td><strong>111,831</strong></td>
</tr>
</tbody>
</table>

The maturity breakdown of the heading "Long-term financial investments" is as follows:

#### 2013

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019 y siguientes</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, deposits and credit to third parties</td>
<td>47,066</td>
<td>11,902</td>
<td>10,329</td>
<td>9,458</td>
<td>3,960</td>
<td>82,715</td>
</tr>
<tr>
<td>Hedge derivatives</td>
<td>3,375</td>
<td>358</td>
<td>51</td>
<td>-</td>
<td>-</td>
<td>3,784</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50,441</strong></td>
<td><strong>12,260</strong></td>
<td><strong>10,380</strong></td>
<td><strong>9,458</strong></td>
<td><strong>3,960</strong></td>
<td><strong>86,499</strong></td>
</tr>
</tbody>
</table>

#### 2012

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018 and following years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans, deposits and credit to third parties</td>
<td>47,141</td>
<td>28,216</td>
<td>13,793</td>
<td>6,068</td>
<td>8,431</td>
<td>103,649</td>
</tr>
<tr>
<td>Hedge derivatives</td>
<td>3,387</td>
<td>2,382</td>
<td>1,610</td>
<td>755</td>
<td>48</td>
<td>8,182</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>50,528</strong></td>
<td><strong>30,598</strong></td>
<td><strong>15,403</strong></td>
<td><strong>6,823</strong></td>
<td><strong>8,479</strong></td>
<td><strong>111,831</strong></td>
</tr>
</tbody>
</table>
“Loans, deposits and other receivables” basically cover the advance payments made to aircraft lessors for the maintenance schedule of leased aircraft for 63,516 thousand euros (see Note 12), guarantees for the payment of aircraft leases for 13,900 thousand euros and deposits given to airports for 5,299 thousand euros. As at 31 December 2012, the deposits given totalled 103,649 thousand euros for these three items. The deposits given to aircraft lessors act as a guarantee for maintenance to be carried out on the operated aircraft, for which the Company is carrying out the corresponding provision under non-current liabilities (Note 12.1), and which will be recovered once the Company has carried out said maintenance and has provided the lessors with certified evidence that said maintenance has been carried out.

The additions in 2013 mainly correspond to the deposits given in cash to aircraft lessors in guarantee of aircraft maintenance for 25,469 thousand euros.

The disposals in 2013 mainly correspond to deposits returned over the year from aircraft lessors for the performance of events established in the fleet maintenance plan for 2,919 thousand euros and 4,811 thousand euros due to the conversion of said deposits to bank guarantees.

The reclassifications for 46,221 thousand euros mainly correspond to repairs of aircraft carried out over 2012 or which are expected to be carried out in 2013 for which it is estimated that the deposits will be recovered in a period of less than twelve months and therefore they have been reclassified to the heading “Short-term financial investments - Loans, deposits and other receivables” under current assets.

9.2. Short-term financial investments

The balance of the heading "Short-term financial investments" at the balance sheet dates of 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th>Classes</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hold-to-maturity investments</td>
<td>346,144</td>
</tr>
<tr>
<td>Loans, deposits and other receivables</td>
<td>47,427</td>
</tr>
<tr>
<td>Derivatives (Note 14)</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>393,571</td>
</tr>
</tbody>
</table>

The heading "Hold-to-maturity investments" corresponds to time deposits with maturity of more than three months in banking institutions made in order to obtain a return on available cash surpluses, the amount of which does not materially differ from their fair value of 346,144 thousand euros (17,894 thousand euros as at 31 December 2012).

As at 31 December 2013, the part of these deposits which is pledged, and therefore, not available, is 53,759 thousand euros (1,234 thousand euros as at 31 December 2012), as aircraft lease and maintenance guarantees.
The increase in time deposits in banks in 2013 compared with 2012 is a result of the Company's cash policy with the aim of improving the return from cash available. The return obtained on these time deposits amounted to an average of 1.7% in the year 2013 (an average of 1.9% in 2012).

The heading "Loans, deposits and other receivables" corresponds to the advance payments made to aircraft lessors and interim payments of the maintenance programme for leased aircraft for an amount of 47,427 thousand euros (13,981 thousand euros at 31 December 2012). These are expected to be recovered in a period of less than 12 months as the maintenance has already been carried out or is planned to be carried out and recovered within one year.

9.3. Cash and cash equivalents

The heading "Cash and cash equivalents" records all cash deposited in sight current accounts together with the sight bank deposits which are convertible into cash and which have no restrictions and which have a maturity of less than three months when acquired. The total amount recorded under this heading at 31 December 2013 stood at 151,303 thousand euros (322,377 thousand euros at 31 December 2012). The reduction in this heading is the result of an increase in the average period of time deposits, greater than three months, in accordance with the Company's new cash policy.

As at 31 December 2013 and 2012, there was no amount recorded under the heading "Cash and cash equivalents" which was pledged.

9.4. Information about the risk type and level of financial instruments

The Company's financial risk is managed by the Finance Department and the Board of Directors, which have established the mechanisms necessary to control exposure to changes in exchange rates, interest rates and fuel prices, as well as credit and liquidity risks. The main financial risks which the Company is exposed to are indicated below:

Credit risk

Except for the transactions performed to hedge against exchange rate risk and the balances payable to aircraft lessors, the Company has no significant credit risk concentrations. The transactions with currency derivatives are only executed with financial institutions with a high credit rating. Sales to retail customers are made in cash or through credit cards. Travel agency sales are also made in cash or through credit cards.

The Company’s receivables are higher due to the increase in the Company’s activity.

At 31 December 2013 and 2012 there are no significant balances which are more than 180 days past due.

The Company's Directors consider that there is no significant credit risk related to the accounts receivable as at 31 December 2013 and 2012.

Liquidity risk

The Company carries out prudent management of liquidity risk based on holding enough cash, temporary financial investments and tradable securities, the availability of committed credit financing and sufficient capacity to liquidate market positions.
Market risk (including price, exchange rate and interest rate risks)

The Company is exposed to price risk from aviation fuel. The Company has contracted derivative instruments to hedge against the risk of future price fluctuations. The price risk management policy consists of hedging a specific percentage of Jet Fuel, the fuel used by aircraft (Note 14).

The Company is exposed to exchange-rate risks for currency transactions, mainly in dollars. Exchange-rate risk arises from commercial transactions, such as the purchase of fuel or the costs associated with aircraft operating leases. In order to control the exchange-rate risk which arises from commercial transactions denominated in dollars, the Company uses currency forward contracts. The Company’s Finance Department is responsible for managing the net position in dollars using derivative financial instruments. The Company’s policy for managing exchange-rate risk is based on hedging against a defined percentage of the currency needs for purchasing fuel, while the operations aimed at hedging against exchange-rate risk in leased aircraft expenses are based on specific decisions. Through budget management, the Company is able to determine the dates of future payments in dollars to a high degree of accuracy. Therefore, almost all the planned payments in dollars rate as firm commitments or highly probable forecast transactions for the purposes of hedge accounting.

The Company holds assets with short-term returns invested in deposits with a yield in accordance with financial markets. Revenues and cash flows from the Company’s ordinary activities are mostly independent of variations in market interest rates.

The Directors ratify the main decisions regarding the Company’s hedging policies.

10. Net Equity

10.1. Subscribed capital

As at the 2013 and 2012 balance sheet dates, the Company’s share capital stood at 29,905,518 euros, represented by 29,904,518 shares, each with a par value of 1 euro, all of the same class and fully subscribed and paid up.

According to the information available to the Company, as at 31 December 2013 and 2012, the shareholders who have a stake greater than 10% of the share capital are as follows.

<table>
<thead>
<tr>
<th>Shareholder</th>
<th>Shareholding percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>IBERIA, Líneas Aéreas de España, S.A. Operadora</td>
<td>45.85</td>
</tr>
<tr>
<td>Veloz Holdco, S.L.U.</td>
<td>53.3</td>
</tr>
</tbody>
</table>

According to the Company, as at 31 December 2013 and 2012, the shareholders who have a stake greater than 10% of the share capital are as follows:

Both Company shareholders belong to the IAG Group.

10.2. Legal Reserve

In compliance with the Capital Companies Act, 10% of the profit for the year of public limited companies must be allocated to the legal reserve until said reserve reaches at least 20% of the share capital. The part of the balance which exceeds 10% of the already increased capital may be used for further capital increases. Except for the above-mentioned purpose, and providing it does not exceed 20% of the share
capital, this reserve may only be allocated to offset losses providing there are no other sufficient reserves available for this purpose.

As at 31 December 2013 and 2012, the legal reserve is fully established.

10.3. Goodwill reserve

The Capital Companies Act requires that, when applying the profit (loss) for each year, an unavailable reserve equivalent to the goodwill appearing in the assets of the balance sheet must be created. A proportion of the profit representing at least 5% of the goodwill must be allocated to this reserve. If there is no profit, or the profit is not sufficient, freely available reserves will be used.

The amount established as the goodwill reserve in 2013 is 2,698 thousand euros (1,927 thousand euros in 2012).

10.4. Share Premium and limits to the payment of dividends

As a result of the merger with Clickair, S.A. in 2009 (see Note 3), together with the capital increase, the share premium was increased by 65,640 thousand euros. As at 31 December 2013, this reserve is freely available in its totality (6,793 thousand euros were available as at 31 December 2012).

10.5. Treasury shares

In 2013, the Company transferred all of its treasury shares as follows:

<table>
<thead>
<tr>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Shares</td>
</tr>
<tr>
<td>Treasury shares</td>
</tr>
</tbody>
</table>

The capital gains from the sale of treasury shares amount to 1,286 thousand euros, recorded as increased value in the Company’s reserves.

As at the 2012 balance sheet date, the Company had treasury shares as shown in the following table:

<table>
<thead>
<tr>
<th>Euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>No. of Shares</td>
</tr>
<tr>
<td>Treasury shares</td>
</tr>
</tbody>
</table>

At the close of 2013, the Company thus held no treasury shares.
10.6. Subsidies

The information on the subsidies received by the Company, which form part of the Net Equity, as well as the resulting gains (losses) allocated to the income statement, is as follows:

### 2013

<table>
<thead>
<tr>
<th>Company</th>
<th>Scope</th>
<th>01/01/2013</th>
<th>Additions</th>
<th>Transfer to profit or loss</th>
<th>31/12/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 allowances (Note 6)</td>
<td>European</td>
<td>-</td>
<td>2,580</td>
<td>(2,580)</td>
<td>-</td>
</tr>
<tr>
<td>Airbus (Note 5.3)</td>
<td>Private</td>
<td>75</td>
<td>590</td>
<td>(391)</td>
<td>274</td>
</tr>
</tbody>
</table>

### 2012

<table>
<thead>
<tr>
<th>Company</th>
<th>Scope</th>
<th>01/01/2012</th>
<th>Additions</th>
<th>Transfer to profit or loss</th>
<th>31/12/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2 allowances (Note 6)</td>
<td>European</td>
<td>-</td>
<td>4,357</td>
<td>(4,357)</td>
<td>-</td>
</tr>
<tr>
<td>Airbus (Note 5.3)</td>
<td>Private</td>
<td>27</td>
<td>96</td>
<td>(48)</td>
<td>75</td>
</tr>
</tbody>
</table>

As at 31 December 2013 and 2012, the Company had met all the requirements necessary to receive and enjoy the aforementioned subsidies.

11. Provisions and contingencies

### 11.1. Provisions

The breakdown of provisions at the balance sheet dates of 2013 and 2012, as well as the main movements recorded during the year, are as follows:

### 2013

<table>
<thead>
<tr>
<th>Monthly provisions</th>
<th>01/01/2013</th>
<th>Allocations</th>
<th>Applications</th>
<th>Reclassifications to short term</th>
<th>31/12/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provisions for scheduled aircraft maintenance</td>
<td>181,521</td>
<td>76,641</td>
<td>(19,603)</td>
<td>(36,990)</td>
<td>201,569</td>
</tr>
<tr>
<td>Other provisions</td>
<td>11,929</td>
<td>-</td>
<td>(9,111)</td>
<td>(546)</td>
<td>2,272</td>
</tr>
<tr>
<td><strong>Total long-term provisions</strong></td>
<td><strong>193,450</strong></td>
<td><strong>76,641</strong></td>
<td><strong>(28,714)</strong></td>
<td><strong>(37,536)</strong></td>
<td><strong>203,841</strong></td>
</tr>
</tbody>
</table>
The Company allocates a provision for the consumption of CO2 allowances until their subsequent settlement in April of the following year (See Note 5.10).

2012

<table>
<thead>
<tr>
<th>Provision for scheduled aircraft maintenance</th>
<th>Allocations</th>
<th>Applications</th>
<th>Reclassifications to short term</th>
<th>31/12/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Provision for scheduled aircraft maintenance</td>
<td>-</td>
<td>3,085</td>
<td>(186)</td>
<td>21,160</td>
</tr>
<tr>
<td>Provision for CO2 allowances</td>
<td>6,708</td>
<td>6,519</td>
<td>-</td>
<td>6,519</td>
</tr>
<tr>
<td><strong>Total short-term provisions</strong></td>
<td><strong>6,708</strong></td>
<td><strong>9,604</strong></td>
<td><strong>(186)</strong></td>
<td><strong>30,578</strong></td>
</tr>
</tbody>
</table>

At 31 December 2013, the Company allocated 24,059 thousand euros to the provision for scheduled aircraft maintenance under the heading of short-term provisions, and the remaining 13,477 thousand euros to debts with group companies.

**Provisions for scheduled aircraft maintenance**

This account includes the provision to cover future aircraft checks, as part of the scheduled maintenance, to be performed before the aircraft are returned as stipulated in the lease agreements (see Note 5.10).

To calculate this provision, the Company differentiates between maintenance which must be carried out over the lease life of the aircraft and maintenance which must be carried out on a date subsequent to the termination of the lease. The Company makes the provision based on the prices established in the maintenance agreement signed with IBERIA, Lineas Aéreas de España, S.A. Operadora (see Note 14) for the first case, and based on the prices established in the aircraft lease agreement for the second case. In both cases, the company considers the hours/cycles and months of operation of each aircraft.
In addition, for those aircraft leased directly from IBERIA, Líneas Aéreas de España, S.A. Operadora (see Notes 8 and 14), the Company does not make an aircraft maintenance provision as future maintenance is already included in the periodic billing which the Company receives.

Allocations in the year were charged to the income statement under the heading “Other operating expenses - aircraft maintenance” (see Note 17.6) and correspond to the hours/cycles and months of operation of the aircraft based on the agreement price applicable in each case.

The allocations in 2012 relating to "Provisions for scheduled maintenance" amounted to 61,605 thousand euros, while in 2013 they amounted to 76,641 thousand euros. The following factors should be taken into consideration:

- Aircraft maintenance costs are, as a result of price increases, around 3% higher in 2013 than in 2012.

- The average fleet in 2013 was 64 aircraft (59 aircraft on average without considering those leased from IBERIA, Líneas Aéreas de España, S.A. Operadora, which do not accrue a scheduled aircraft maintenance provision), while in 2012 it was 53 aircraft (51 aircraft on average without considering those leased from IBERIA, Líneas Aéreas de España, S.A. Operadora, which do not accrue a scheduled aircraft maintenance provision).

- The applications for the year 2013 correspond to the cost of the checks performed, as well as the amount attributable to the aircraft returned during the year.

The reclassifications for the year mainly correspond to aircraft maintenance carried out in 2013 pending payment or which is expected to be carried out in 2014.

Other provisions

This heading includes the amounts which are estimated must be paid as a consequence of the resolution of certain disputes pending a firm legal ruling, as well as other provisions. The Company's Directors estimate that the results of the aforementioned disputes will not lead to additional liabilities for the Company other than those for which a provision has been allocated in the accompanying balance sheet.

11.2. Contingencies

The Company is not aware of any contingencies that may affect it in the future. In addition, there are other less significant disputes and proceedings which the Company is aware of, and which are not expected to lead to material liabilities. At any event, the Directors have allocated what they consider to be sufficient amounts to the provisions.
12. Long- and short-term liabilities

12.1. Financial liabilities

The balance of the heading “Short-term liabilities” at the balance sheet dates of 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th>Categories</th>
<th>Derivatives and Other Items</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payables</td>
<td>-</td>
<td>-</td>
<td>522</td>
</tr>
<tr>
<td>Derivatives (Note 14)</td>
<td>18,252</td>
<td>10,526</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>18,252</strong></td>
<td><strong>10,526</strong></td>
<td><strong>522</strong></td>
</tr>
</tbody>
</table>

The Company has credit policies, referenced to market interest rates, with the following limits and amounts drawn down:

<table>
<thead>
<tr>
<th>Classes</th>
<th>31/12/2013 Limit</th>
<th>31/12/2013 Amount drawn down</th>
<th>31/12/2012 Limit</th>
<th>31/12/2012 Amount drawn down</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit policies</td>
<td>3,000</td>
<td>-</td>
<td>11,000</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,000</strong></td>
<td>-</td>
<td><strong>11,000</strong></td>
<td>-</td>
</tr>
</tbody>
</table>
12.2. Disclosure on delays of payment made to suppliers

The information required by the Third Additional Provision of Act 15/2010, of 5 July, is shown below:

<table>
<thead>
<tr>
<th>Payments made and outstanding payments on the balance sheet date</th>
<th>31/12/2013</th>
<th>31/12/2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount %</td>
<td>Amount %</td>
<td></td>
</tr>
<tr>
<td>Made within the maximum legal period</td>
<td>1,245,420</td>
<td>1,071,635</td>
</tr>
<tr>
<td>%</td>
<td>90.5%</td>
<td>90%</td>
</tr>
<tr>
<td>Others</td>
<td>130,916</td>
<td>118,987</td>
</tr>
<tr>
<td>%</td>
<td>9.5%</td>
<td>10%</td>
</tr>
<tr>
<td>Total payments for the year</td>
<td>1,376,336</td>
<td>1,190,622</td>
</tr>
<tr>
<td>%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td>Weighted average days passed due</td>
<td></td>
<td>48</td>
</tr>
<tr>
<td>Delays which exceed the maximum legal limit as at the balance sheet date</td>
<td>631</td>
<td>919</td>
</tr>
<tr>
<td>%</td>
<td>2%</td>
<td>3%</td>
</tr>
</tbody>
</table>

The figures shown in the above table on payments to suppliers refer to those which by their nature are trade payables for debts with suppliers of goods and services and so include the figures relating to the headings “Suppliers” and Sundry payables” under current liabilities in the balance sheet. The average weighted days passed due is calculated as the ratio formed in the numerator by the sum of the products of each one of the payments to suppliers made in the year delayed for longer than the legal payment period and the number of days passed due, and in the denominator by the total amount of the payments made in the year delayed by more than the legal payment period.

The maximum legal payment period applicable to the Company in 2013 according to Act 3/2004, of 29 December, which establishes measures to combat late payment in commercial transactions, is 60 days (75 says in 2012).

13. Related party transactions and balances

The breakdown of related party transactions in 2013 and 2012 is as follows:

2013

<table>
<thead>
<tr>
<th>Company</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Services</td>
</tr>
<tr>
<td></td>
<td>provided</td>
</tr>
<tr>
<td>IBERIA, Líneas Aéreas de España, S.A. Operadora</td>
<td>199,210</td>
</tr>
<tr>
<td>IBERIA, Express, S.A.</td>
<td>80</td>
</tr>
<tr>
<td>International Consolidated Airlines Group, S.A.</td>
<td>-</td>
</tr>
<tr>
<td>British Airways, Ltd.</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>199,290</strong></td>
</tr>
</tbody>
</table>
The services provided to related companies basically correspond to sales made through the distribution channel of IBERIA for 199,210 thousand euros, which includes 6,298 thousand euros from the code-sharing agreement (210,023 thousand euros in 2012), while services received mainly correspond to the maintenance tasks for the aircraft fleet and ground handling services based on agreements for 99,473 and 60,035 thousand euros respectively (65,303 and 61,832 thousand euros respectively in 2012).

In 2013, an average of five aircraft were leased from Iberia Líneas Aéreas de España, S.A. Operadora (an average of two in 2012).

The related party balances as at the 2013 and 2012 balance sheet dates are as follows:

### 2012

<table>
<thead>
<tr>
<th>Company</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Services</td>
</tr>
<tr>
<td></td>
<td>provided</td>
</tr>
<tr>
<td>IBERIA, Líneas Aéreas de España, S.A. Operadora</td>
<td>210,023</td>
</tr>
<tr>
<td>IBERIA, Express, S.A.</td>
<td>521</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>210,544</strong></td>
</tr>
</tbody>
</table>

### 2013

<table>
<thead>
<tr>
<th>Related company</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit balances</td>
</tr>
<tr>
<td>IBERIA, Líneas Aéreas de España, S.A. Operadora</td>
<td>28,387</td>
</tr>
<tr>
<td>IBERIA, Express, S.A.</td>
<td>41</td>
</tr>
<tr>
<td>International Consolidated Airlines Group, S.A.</td>
<td>-</td>
</tr>
<tr>
<td>British Airways, Ltd.</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>28,428</strong></td>
</tr>
</tbody>
</table>

### 2012

<table>
<thead>
<tr>
<th>Related company</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Debit balances</td>
</tr>
<tr>
<td>IBERIA, Líneas Aéreas de España, S.A. Operadora</td>
<td>534</td>
</tr>
<tr>
<td>IBERIA, Express, S.A.</td>
<td>154</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>688</strong></td>
</tr>
</tbody>
</table>
At 31 December 2013, the Company has a debit balance with Iberia Líneas Aéreas de España, S.A. Operadora of 56,966 thousand euros, of which 32,916 correspond to amounts invoiced by the latter and the rest mainly correspond to maintenance carried out by Iberia that is yet to me invoiced. The debit balance in favour of Vueling is mainly comprised of the sale of tickets under the code-sharing agreement.

The commercial, contractual and/or company relations existing between Iberia and the Company correspond to the shared code agreement, the Iberia Plus loyalty program, the aircraft maintenance service agreement and the ground handling agreement.

The Company performs all its transactions with related parties at arm’s length. The Company’s Directors consider that there are no significant risks for this item which may result in material liabilities in the future.

14. Derivative financial instruments

The Company uses derivative financial instruments on the over-the-counter market with national and international financial institutions with a high credit rating.

These instruments are used to reduce the impact of unfavourable development in the exchange rate of the US dollar, which must be used for fuel purchases, aircraft lease payments and the corresponding insurance policies, as well as to hedge against any negative change in the price of fuel. Similarly, in order to reduce the potential negative impact on the Company’s profit of fluctuations in Jet Fuel prices, in 2013 and 2012 the Company used fixed-price swaps, referenced to the price of mT of Jet Fuel Cif NWE.

The Company has contracted services relating to measuring and testing the effectiveness of the hedges with an independent company of recognised standing.

Given that the effectiveness of all accounting hedges has been verified, both at the start and during the life of the relationship, no amount for hedge inefficiency has been recorded in 2013 (or in 2012), except 101 thousand euros that have been accounted for as inefficiencies in the income statement.

When assessing the effectiveness of the hedges, the Company designates both groups of elements and specific items based on the type of hedge. Accordingly, it differentiates between the hedge items of fuel, aircraft leases, interest rate hedges and greenhouse gas emission allowances.

Fuel: the Company groups elements taking the total monthly fuel needs for its activity. This procedure is used both in the currency hedge and in the fuel hedge.

Aircraft lease: the Company designates both specific items, identifying the aircraft lease payments and based on these needs it takes out the currency hedge, and groups together elements considering the total monthly needs.

Interest rate hedges: the Company only designates specific items, identifying the variation in interest rates which affect future aircraft lease payments.

Greenhouse gas emission allowances: the Company groups together elements considering the total monthly needs of allowances for its activity.

Both in terms of fuel purchases and aircraft leases, the Company is unable to cover the totality of the same monthly needs, specifically establishing in the case of fuel purchases a percentage of cover defined by the Board of Directors less than the scheduled needs.
There are no material differences in the hedges relating to aircraft lease payments (many of them are specific with the same maturity date) between the maturity of the hedged item and the maturity of the currency hedging instruments.

Neither are the differences in the fuel hedges material. If they do not coincide exactly, there is little difference in number of days between the maturity of the hedged item and the maturity of the currency and fuel hedging instruments.

2013

a) Exchange Rate Derivatives

In order to determine the fair value of exchange rate derivatives (forward exchange contracts), the Company uses the spot rate of the euro against the US dollar, as well as the forward points for the two currencies involved and, using discounted cash flow, determines the value of the contracted derivatives.

In 2013, the Company hedged against the exchange rate risk of part of it transactions denominated in dollars.

The derivatives in effect as at 31 December 2013 and their fair values on said date are as follows:

<table>
<thead>
<tr>
<th>Currency</th>
<th>Thousand Dollars</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forwards USD 1st half-year 2014</td>
<td>294,704</td>
<td>-</td>
</tr>
<tr>
<td>Forwards USD 2nd half-year 2014</td>
<td>381,249</td>
<td>-</td>
</tr>
<tr>
<td>Forwards USD 2015 and subsequent years</td>
<td>889,575</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>1,565,528</td>
<td>971</td>
</tr>
</tbody>
</table>

The net fair value as at 31 December 2013 of the exchange rate derivatives (forwards) is negative for 37,802 thousand euros, which is recorded in Net Equity, net of the tax effect.

The forward exchange contracts in US dollars ensure the purchase of US dollars at prices which vary between 1.22 and 1.41 USD/EUR.

As at 31 December 2013, the Company had designated as hedging instruments for accounting purposes, as allowed by the New General Accounting Plan, all the forwards for US dollars in effect at that date, as cash flow hedges for payment of fuel purchases, payments of aircraft leases and the corresponding insurance policies, which are highly probable future transactions. The relationships of the designated cash flow hedges with the forward exchange contracts have been estimated as highly effective. Therefore, the Company has recorded their fair value in the Net Equity.
b) Fuel derivatives

The Company has used derivative financial instruments on the price of the mT of Jet Fuel Cif NWE (commodities) with the aim of hedging against fluctuations in the price of Jet Fuel referenced to fuel purchases. The commodity derivatives in effect as at 31 December 2013 and their fair values on said date are as follows:

<table>
<thead>
<tr>
<th>Fuel</th>
<th>Fair Value</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Assets:</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Short-term</td>
<td></td>
</tr>
<tr>
<td></td>
<td>financial</td>
<td></td>
</tr>
<tr>
<td></td>
<td>investments</td>
<td></td>
</tr>
<tr>
<td>Swaps 1st half-year 2014</td>
<td>4,229</td>
<td></td>
</tr>
<tr>
<td>Swaps 2nd half-year 2014</td>
<td>4,350</td>
<td></td>
</tr>
<tr>
<td>Swaps 2015 and subsequent years</td>
<td>-</td>
<td>2,689</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>8,579</td>
</tr>
</tbody>
</table>

The net fair value as at 31 December 2013 of the mT Jet Fuel Cif NWE swaps is a positive amount of 11,268 thousand euros, which is recorded in Net Equity, net of the tax effect. The contracted prices for swaps on Jet Fuel Cif NWE range between 938 and 994 USD/mT.

As at 31 December 2013, the Company had designated as hedging instruments for accounting purposes, as allowed by the New General Chart of Accounts, all the Jet Fuel Cif NWE swaps as cash flow hedges in US dollars, resulting from fuel purchases referenced to Jet Fuel.

c) Interest-rate swaps

Swaps to cover interest rate risks related to lease agreements that were cancelled as a result of the entry of two new aircraft in 2013, the amount derived therefrom is recorded as Equity and allocated to the income statement on a proportional basis to the lease of the same.

The equity value of the interest rate swaps that the Company has allocated as an accounting hedge at 31 December is 33 thousand euros of losses, net of the corresponding tax effect. These accounting hedges will be allocated to the year’s result on a proportional basis to the lease of the aircraft up to 2017 and 2018.

d) CO2 allowance derivatives

In 2013, and in line with its operating needs to acquire greenhouse gas emission allowances based on the tonnes of fuel consumed (see Note 17.2), the Company arranged various derivatives on the underlying asset, as broken down below:
The CO2 allowance swaps ensure the purchase of CO2 allowances at prices which range between 3.25 and 7.45 euros for EUA allowances, and 0.36 euros for CER allowances.

The net fair value at 31 December 2013 of the greenhouse gas emission allowance derivatives was positive and stood at 411 thousand euros, which has been registered under Equity, net of tax effects.

At 31 December 2013, the Company has designated as hedging instruments, as permitted by the Spanish General Chart of Accounts, all its derivatives as cash flow hedges.

e) Impact of derivatives on net equity

The impact of the aforementioned derivatives on net equity as at 31 December 2013 are as follows, net of the tax effect (in thousands of euros):

<table>
<thead>
<tr>
<th>Thousand euros</th>
<th>Exchange-rate derivatives</th>
<th>Fuel derivatives</th>
<th>Interest-rate swaps</th>
<th>CO2 allowance derivatives</th>
<th>Change in value of derivatives following merger</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at 01/01/13</td>
<td>6,049</td>
<td>375</td>
<td>(140)</td>
<td>(146)</td>
<td>55</td>
<td>6,193</td>
</tr>
<tr>
<td>All income and expenses directly allocated to net equity</td>
<td>(29,107)</td>
<td>6,749</td>
<td>107</td>
<td>433</td>
<td>-</td>
<td>(21,818)</td>
</tr>
<tr>
<td>Total transfers to the income statement</td>
<td>(119)</td>
<td>1,028</td>
<td>-</td>
<td>-</td>
<td>(55)</td>
<td>854</td>
</tr>
<tr>
<td>Balance at 31/12/13</td>
<td>(23,177)</td>
<td>8,152</td>
<td>(33)</td>
<td>287</td>
<td>-</td>
<td>(14,771)</td>
</tr>
</tbody>
</table>

In 2013, a negative amount of 29,107 thousand euros of exchange rate derivatives was removed from Equity as the effective part of the hedge relationships over the year. An amount of 119 thousand euros was transferred from Equity to the income statement based on its nature, reducing the cost of purchases and services received, all net of the corresponding tax effect.
In 2013, a positive amount of 6,749 thousand euros for fuel derivatives have been recorded as Equity, as the effective part of the hedge relationships over the year. A positive amount of 1,028 thousand euros was “recycled” from Equity, raising the cost of fuel purchases, all net of the corresponding tax effect.

In 2013, a positive amount of 107 thousand euros on exchange-rate derivatives was allocated to Equity, as the effective part of the hedge relationships over the year, all net of the corresponding tax effect.

In 2013, a positive amount of 433 thousand euros of greenhouse gas emission allowances have been recorded as Equity as the effective part of the hedge relationships over the year, all net of the corresponding tax effect.

f) Analysis of exchange-rate sensitivity

The variations in the fair value of the exchange-rate derivatives used by the Company mainly depend on the variation in the spot rate of the US dollar against the euro, as well as the development of short-term interest-rate curves. As at 31 December 2013, the fair value of these derivatives is positive for a gross amount of 37,802 thousand euros.

The following table shows the breakdown of the sensitivity analysis (variations on the fair value as at 31 December 2013) and the fair values of the exchange-rate derivatives, recorded in Net Equity as hedging instruments:

<table>
<thead>
<tr>
<th>Sensitivity in Net Equity</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>+10% (appreciation of euro)</td>
<td>90,600</td>
</tr>
<tr>
<td>-10% (depreciation of euro)</td>
<td>(70,200)</td>
</tr>
</tbody>
</table>

The sensitivity analysis shows that the euro/dollar exchange-rate derivatives will perform negatively if the euro rises, and positively if the euro falls. It is therefore recommendable to buy the US dollar at a fixed exchange rate.

g) Analysis of Brent oil price sensitivity

Variations in the fair value of the fuel derivatives used by the Company mainly depend on the variation in price of the underlying commodity, the mT of Jet Fuel Cif NWE, and the time to maturity. As at 31 December 2013, the fair value of these derivatives is positive for a gross amount of 11,268 thousand euros.

The following table shows the breakdown of the sensitivity analysis (variations on the fair value as at 31 December 2013) of the fuel derivatives, recorded in Net Equity as hedging instruments:

<table>
<thead>
<tr>
<th>Sensitivity in Net Equity</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>+30% (rise in the price of Brent)</td>
<td>89,000</td>
</tr>
<tr>
<td>-30% (fall in the price of Brent)</td>
<td>(89,000)</td>
</tr>
</tbody>
</table>
The sensitivity analysis shows that fuel derivatives will perform positively if the price of Jet Fuel Cif NWE rises. The Company has therefore set a purchase price and is covered against rises in Jet Fuel Cif NWE. The negative value increases as a result of decreases in the Jet Fuel Cif NWE.

**h) Analysis of interest-rate sensitivity**

At 31 December 2013, the Company has no interest rate swaps.

**i) Analysis of greenhouse gas emission allowance sensitivity**

Variations in the fair value of the greenhouse gas emission allowance derivatives arranged by the Company mainly depend on the variation in the underlying price at the maturity period of the derivative. The fair value of the derivatives at 31 December 2013 is positive for a gross amount of 411 thousand euros.

The following table shows the breakdown of the sensitivity analysis (variations on the fair value as at 31 December 2013) of the greenhouse gas emission allowances, recorded in Net Equity as hedging instruments:

<table>
<thead>
<tr>
<th>Sensitivity in Net Equity</th>
<th>Thousand euros 31/12/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>+30% (rise in the price of CO2)</td>
<td>1,440</td>
</tr>
<tr>
<td>-30% (fall in the price of CO2)</td>
<td>(1,440)</td>
</tr>
</tbody>
</table>

The sensitivity analysis shows that greenhouse gas emission allowances will perform positively if the price of the allowance rises, and therefore the Company has set a purchase price and is hedged against rises in the allowance. Any falls in the allowance see a consequent increase in the negative value.

2012

The Company's policy for arranging derivatives in 2012 was the same as that applied in 2013.

**15. Public authorities and tax position**

**15.1. Current balances with Public Authorities**

The breakdown of current balances with Public Authorities on the balance sheet dates for 2013 and 2012 is as follows
Debit balances

<table>
<thead>
<tr>
<th>Description</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Agency, withholdings and interim payments</td>
<td>3,709</td>
</tr>
<tr>
<td>Tax Agency, VAT</td>
<td>637</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,346</strong></td>
</tr>
</tbody>
</table>

Credit balances

<table>
<thead>
<tr>
<th>Description</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit balance with Tax Agency for Corporation Tax (Note 15.2)</td>
<td>1,464</td>
</tr>
<tr>
<td>Credit balances with the Social Security</td>
<td>1,741</td>
</tr>
<tr>
<td>Credit balance with Tax Agency for personal income tax</td>
<td>1,519</td>
</tr>
<tr>
<td>Credit balance with Tax Agency for VAT</td>
<td>1,529</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,253</strong></td>
</tr>
</tbody>
</table>

15.2. Reconciliation of accounting profit and taxable base

The reconciliation between the accounting profit and the Corporation Tax base on the 2013 and 2012 balance sheet dates is as follows:

2013

<table>
<thead>
<tr>
<th>Description</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounting profit after tax</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93,393</strong></td>
</tr>
<tr>
<td>Permanent differences:</td>
<td></td>
</tr>
<tr>
<td>Corporation Tax</td>
<td>39,214</td>
</tr>
<tr>
<td>Other permanent differences</td>
<td>420</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,214</strong></td>
</tr>
<tr>
<td>Temporary differences:</td>
<td></td>
</tr>
<tr>
<td>From the year (provisions)</td>
<td>2,563</td>
</tr>
<tr>
<td>Previous tax base</td>
<td>42,197</td>
</tr>
<tr>
<td>Offsetting 25% of tax loss carry-forwards</td>
<td>(10,594)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>124,996</strong></td>
</tr>
<tr>
<td>Tax base</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>93,747</strong></td>
</tr>
<tr>
<td>Payment at 30%</td>
<td>28,124</td>
</tr>
<tr>
<td>Withholdings and interim payments</td>
<td>(26,535)</td>
</tr>
<tr>
<td>Deductions</td>
<td>(125)</td>
</tr>
<tr>
<td>Corporation Tax to recover</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,464</strong></td>
</tr>
</tbody>
</table>
### 2012

<table>
<thead>
<tr>
<th></th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Increases</td>
</tr>
<tr>
<td>Accounting profit after tax</td>
<td>-</td>
</tr>
<tr>
<td>Temporary differences:</td>
<td></td>
</tr>
<tr>
<td>Corporation Tax</td>
<td>11,795</td>
</tr>
<tr>
<td>Other permanent differences</td>
<td>567</td>
</tr>
<tr>
<td>From the year (provisions)</td>
<td>9,761</td>
</tr>
<tr>
<td>Previous tax base</td>
<td>22,123</td>
</tr>
<tr>
<td>Offsetting 25% of tax loss carry-forwards</td>
<td>(11,839)</td>
</tr>
<tr>
<td>Tax base</td>
<td>-</td>
</tr>
<tr>
<td>Payment at 30%</td>
<td></td>
</tr>
<tr>
<td>Withholdings and interim payments</td>
<td>(13,612)</td>
</tr>
<tr>
<td>Deductions</td>
<td></td>
</tr>
<tr>
<td>Corporation Tax to recover</td>
<td>-</td>
</tr>
</tbody>
</table>

### 15.3. Reconciliation between the accounting profit and the Corporation Tax expense

The reconciliation between the accounting profit and the Corporation Tax expense for 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Accounting profit after Corporation Tax</td>
<td><strong>93,393</strong></td>
</tr>
<tr>
<td>Permanent differences</td>
<td></td>
</tr>
<tr>
<td>Tax payable at 30% of the tax base</td>
<td>39,634</td>
</tr>
<tr>
<td>Deductions</td>
<td>39,908</td>
</tr>
<tr>
<td>(694)</td>
<td>(413)</td>
</tr>
<tr>
<td>Total (expense) or income for tax recognised in the income statement</td>
<td><strong>39,214</strong></td>
</tr>
</tbody>
</table>
15.4. Tax recognised in Net Equity

The breakdown of tax recognised directly in Net Equity is as follows:

**2013**

<table>
<thead>
<tr>
<th>For current tax:</th>
<th>Increases</th>
<th>Decreases</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges</td>
<td>9,351</td>
<td>(366)</td>
<td>8,985</td>
</tr>
<tr>
<td>Subsidies</td>
<td>168</td>
<td>(253)</td>
<td>(85)</td>
</tr>
<tr>
<td><strong>Total tax recognised directly in Equity (current tax)</strong></td>
<td><strong>9,519</strong></td>
<td><strong>(619)</strong></td>
<td><strong>8,900</strong></td>
</tr>
</tbody>
</table>

**2012**

<table>
<thead>
<tr>
<th>For current tax:</th>
<th>Increases</th>
<th>Decreases</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges</td>
<td>13,989</td>
<td>-</td>
<td>13,989</td>
</tr>
<tr>
<td>Subsidies</td>
<td>-</td>
<td>(20)</td>
<td>(20)</td>
</tr>
<tr>
<td><strong>Total tax recognised directly in Equity (current tax)</strong></td>
<td><strong>13,989</strong></td>
<td><strong>(20)</strong></td>
<td><strong>13,969</strong></td>
</tr>
</tbody>
</table>

15.5 Deferred tax assets

The breakdown of movements and balance of this account in 2013 and 2012 is as follows:

**2013**

<table>
<thead>
<tr>
<th>Thousand euros</th>
<th>01/01/2013</th>
<th>2013 Corporation Tax</th>
<th>For variations in derivative financial instruments</th>
<th>31/12/2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax credits to offset losses</td>
<td>50,832</td>
<td>(9,374)</td>
<td>-</td>
<td>41,458</td>
</tr>
<tr>
<td>Total temporary differences:</td>
<td>8,886</td>
<td>(2,409)</td>
<td>6,896</td>
<td>13,373</td>
</tr>
<tr>
<td>Temporary Differences in CT</td>
<td>3,690</td>
<td>(2,409)</td>
<td>-</td>
<td>1,281</td>
</tr>
<tr>
<td>For temporary differences of derivatives (Note 14)</td>
<td>5,196</td>
<td>-</td>
<td>6,896</td>
<td>12,092</td>
</tr>
<tr>
<td><strong>Total deferred tax assets</strong></td>
<td><strong>59,718</strong></td>
<td><strong>(11,783)</strong></td>
<td>6,896</td>
<td><strong>54,831</strong></td>
</tr>
</tbody>
</table>
The breakdown and expiry of tax loss carry-forwards, the tax effect of which is recorded in the
accompanying annual accounts, is as follows:

<table>
<thead>
<tr>
<th>Thousand euros</th>
<th>31/12/2013</th>
<th>31/12/2012</th>
<th>Expiry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax loss carry-forwards:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>31,529</td>
<td>62,775</td>
<td>2025</td>
</tr>
<tr>
<td>2008</td>
<td>90,748</td>
<td>90,748</td>
<td>2026</td>
</tr>
<tr>
<td>2009</td>
<td>15,916</td>
<td>15,916</td>
<td>2027</td>
</tr>
<tr>
<td>TOTAL</td>
<td>138,193</td>
<td>169,439</td>
<td></td>
</tr>
</tbody>
</table>

The tax loss carry-forwards offset in 2013 amounted to 31,249 thousand euros (11,839 thousand euros in 2012).

There are no tax loss carry-forwards which have not been recorded in the Company's balance sheet.

The Company has 18 tax years to offset the aforementioned tax loss carry-forwards. However, in the accounting recognition of tax credits the Company has taken into consideration consultation 10 of the BOICAC 80 (official gazette of Spain's accounting and audit institute). In this regard, as at 31 December 2013, said tax credits remain activated given that the Company's Directors believe that it is likely that future profits will be obtained so as to offset said tax loss carry-forwards within a term not exceeding five financial years.

15.6. Deferred tax liabilities

The breakdown of the this account at the balance sheet dates for 2013 and 2012 is as follows:
The temporary differences registered at 31 December 2013 and 2012 include a total of 11,020 thousand euros associated with the tax effect of the assets at fair value identified as "segments" resulting from the merger with Clickair, S.A. (see Notes 3 and 6), a total of 5,768 thousand euros for temporary differences of the derivative financial instruments with a favourable measurement (see Note 14) and a total of 122 thousand euros for temporary differences in the subsidies recorded in Equity (7,836 thousand euros for temporary differences of the financial instruments and 23 thousand euros for the temporary differences in the subsidies at 31 December 2012).

15.7. Years pending verification and inspection

In accordance with current legislation, taxes may not be considered as definitively settled until the filed returns have been inspected by the tax authorities or the prescription period of four years has passed. As at the 2013 balance sheet date, the Company has 2009 and subsequent years open for inspection relating to Corporation Tax and 2010 and following years for other applicable taxes (see Note 22).

The Company’s Directors consider that the aforementioned taxes have been paid appropriately. Therefore, in the event of discrepancies in the interpretation of current legislation resulting from the tax treatment given to the Company's operations, any possible resulting liabilities, should they occur, will not have a material effect on the accompanying annual accounts.

16. Revenues and expenses

16.1. Net turnover

The Company's sole ordinary activity is passenger air transport. All other activity categories are complementary and are not significantly different from one another. Therefore, the notes only break down information by geographic market segments.

The analytic breakdown of turnover by geographic market for 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th>Geographical Market</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Spain</td>
<td>978,308</td>
</tr>
<tr>
<td>Other European Union countries</td>
<td>415,893</td>
</tr>
<tr>
<td>Total</td>
<td>1,394,201</td>
</tr>
</tbody>
</table>

16.2. Procurement

The heading "Procurement" in 2013 and 2012 relates primarily to the consumption of fuel and, to a lesser extent, to the purchase of greenhouse gas emission allowances.
16.3. Breakdown of purchases by origin

The breakdown of the purchases made by the Company in 2013 and 2012 according to their origin is as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>National</th>
<th>Intra-community</th>
<th>Extra-community</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>275,023</td>
<td>115,021</td>
<td>17,523</td>
<td>407,567</td>
</tr>
<tr>
<td>2012</td>
<td>236,405</td>
<td>90,325</td>
<td>13,266</td>
<td>339,996</td>
</tr>
</tbody>
</table>

16.4. Other operating revenue

The balance under the heading "Other operating revenue" in the 2013 and 2012 income statement correspond mainly to advertising revenue of 6,372 and 5,118 thousand euros respectively. In 2013, the Company received additional income for the subsidy of the free of charge assignment of greenhouse gas emission allowances for a value of 2,810 thousand euros (4,356 thousand euros in 2012) and other passenger transport subsidies for 94 thousand euros (1,303 thousand euros in 2012).

16.5. Personnel

The breakdown of the heading "Personnel Expenses" in the income statement for 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and similar items</td>
<td>93,246</td>
<td>80,348</td>
</tr>
<tr>
<td>Severance pay</td>
<td>551</td>
<td>713</td>
</tr>
<tr>
<td>Social contributions (Social Security)</td>
<td>16,198</td>
<td>13,722</td>
</tr>
<tr>
<td>Other personnel expenses</td>
<td>273</td>
<td>218</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>110,268</strong></td>
<td><strong>95,001</strong></td>
</tr>
</tbody>
</table>

The average number of employees in 2013 and 2012, broken down by category and gender, is as follows:
### Company staff as at 31 December 2013 and 2012, broken down by category and gender, is as follows:

#### 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>5</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Pilots</td>
<td>552</td>
<td>23</td>
<td>575</td>
</tr>
<tr>
<td>Flight attendants</td>
<td>202</td>
<td>848</td>
<td>1,050</td>
</tr>
<tr>
<td>Operational support personnel</td>
<td>83</td>
<td>74</td>
<td>157</td>
</tr>
<tr>
<td>Administrative support personnel</td>
<td>89</td>
<td>116</td>
<td>205</td>
</tr>
<tr>
<td>Sales personnel</td>
<td>11</td>
<td>22</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>942</td>
<td>1,084</td>
<td>2,026</td>
</tr>
</tbody>
</table>

#### 2012

<table>
<thead>
<tr>
<th>Category</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>5</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Pilots</td>
<td>476</td>
<td>22</td>
<td>498</td>
</tr>
<tr>
<td>Flight attendants</td>
<td>187</td>
<td>706</td>
<td>893</td>
</tr>
<tr>
<td>Operational support personnel</td>
<td>67</td>
<td>69</td>
<td>136</td>
</tr>
<tr>
<td>Administrative support personnel</td>
<td>86</td>
<td>105</td>
<td>191</td>
</tr>
<tr>
<td>Sales personnel</td>
<td>10</td>
<td>18</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>831</td>
<td>921</td>
<td>1,752</td>
</tr>
</tbody>
</table>

#### 2013

<table>
<thead>
<tr>
<th>Category</th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>4</td>
<td>1</td>
<td>5</td>
</tr>
<tr>
<td>Pilots</td>
<td>516</td>
<td>23</td>
<td>539</td>
</tr>
<tr>
<td>Flight attendants</td>
<td>193</td>
<td>794</td>
<td>987</td>
</tr>
<tr>
<td>Operational support personnel</td>
<td>87</td>
<td>67</td>
<td>154</td>
</tr>
<tr>
<td>Administrative support personnel</td>
<td>94</td>
<td>124</td>
<td>218</td>
</tr>
<tr>
<td>Sales personnel</td>
<td>10</td>
<td>24</td>
<td>34</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>904</td>
<td>1,033</td>
<td>1,937</td>
</tr>
</tbody>
</table>
As at 31 December 2013, the Company's Board of Directors consisted of five men and three women (eleven men and one woman as at 31 December 2012).

As at 31 December 2013, the senior management consisted of four men and one woman (five men and one woman as at 31 December 2012).

16.6. Other operating expenses

The breakdown of the heading "Other operating Expenses" in the income statement for 2013 and 2012 is as follows:

<table>
<thead>
<tr>
<th>External services:</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aircraft maintenance</td>
<td>159,662</td>
</tr>
<tr>
<td>Aircraft and other leases</td>
<td>141,152</td>
</tr>
<tr>
<td>Ground handling service</td>
<td>135,492</td>
</tr>
<tr>
<td>Airport fees</td>
<td>114,594</td>
</tr>
<tr>
<td>Air Traffic Control</td>
<td>96,411</td>
</tr>
<tr>
<td>Supplies and other expenses</td>
<td>33,100</td>
</tr>
<tr>
<td>Independent professional services</td>
<td>24,600</td>
</tr>
<tr>
<td>Advertising</td>
<td>23,733</td>
</tr>
<tr>
<td>Insurance, banking services and other items</td>
<td>13,651</td>
</tr>
<tr>
<td>Taxes</td>
<td>177</td>
</tr>
<tr>
<td>Losses, impairment and changes in provisions from commercial operations</td>
<td>(314)</td>
</tr>
</tbody>
</table>

Total other operating expenses              742,258

<table>
<thead>
<tr>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
</tr>
<tr>
<td>2012</td>
</tr>
<tr>
<td>115,439</td>
</tr>
<tr>
<td>121,478</td>
</tr>
<tr>
<td>122,190</td>
</tr>
<tr>
<td>96,958</td>
</tr>
<tr>
<td>78,360</td>
</tr>
<tr>
<td>38,920</td>
</tr>
<tr>
<td>22,327</td>
</tr>
<tr>
<td>19,568</td>
</tr>
<tr>
<td>11,737</td>
</tr>
<tr>
<td>218</td>
</tr>
<tr>
<td>-</td>
</tr>
<tr>
<td>627,195</td>
</tr>
</tbody>
</table>
16.7. Provision for bad debts

Movements under provisions for bad debts in 2013 and 2012 is as follows:

2013

<table>
<thead>
<tr>
<th></th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01/01/2013</td>
</tr>
<tr>
<td>Impairment of loans for commercial operations</td>
<td>545</td>
</tr>
</tbody>
</table>

2012

<table>
<thead>
<tr>
<th></th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>01/01/2012</td>
</tr>
<tr>
<td>Impairment of loans for commercial operations</td>
<td>592</td>
</tr>
</tbody>
</table>

17. Foreign Currency

The breakdown of the most significant balances and transactions in foreign currencies in 2013 and 2012, measured at the balance sheet date exchange rate and average exchange rate respectively is as follows:

<table>
<thead>
<tr>
<th></th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td><strong>Balances:</strong></td>
<td></td>
</tr>
<tr>
<td>Long- and short-term deposits</td>
<td>126,993</td>
</tr>
<tr>
<td>Receivables and other assets</td>
<td>87,232</td>
</tr>
<tr>
<td>Long-term provisions</td>
<td>225,620</td>
</tr>
<tr>
<td>Payables and other liabilities</td>
<td>13,455</td>
</tr>
<tr>
<td><strong>Transactions:</strong></td>
<td></td>
</tr>
<tr>
<td>Other revenue</td>
<td>497</td>
</tr>
<tr>
<td>Purchases</td>
<td>427,678</td>
</tr>
<tr>
<td>Services received</td>
<td>231,123</td>
</tr>
</tbody>
</table>

Both the balances at the balance sheet date and the purchases and services received in foreign currency were mainly carried out in US dollars. All services were performed in euros.
These transactions and balances in foreign currency led to exchange differences in 2013 and 2012 as broken down in the following table:

<table>
<thead>
<tr>
<th>Thousand euros</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange rate differences (profit)</td>
<td>1,889</td>
<td>2,411</td>
</tr>
</tbody>
</table>

The exchange rate differences corresponding to the year ended 31 December 2013 consist of unrealised exchange rate differences and realised exchange rate differences for (1,962) and 73 thousand euros, respectively (as at 31 December 2012, a total of 1,210 and 1,201 thousand euros respectively).

18. Balances and Other Information Relating to the Members of the Board of Directors and Senior Management

The total number of Company shares owned directly by the Board of Directors and related persons as at 31 December 2013 is 41 shares, which represent 0.00014% of the total shares.

The remuneration received in 2013 and 2012 by the Company's Directors and Senior Management, classified by item, is as follows:

<table>
<thead>
<tr>
<th>Thousand euros</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board of Directors and Chief Executive Officer</td>
<td>1,020</td>
<td>1,741</td>
</tr>
<tr>
<td>Senior Management</td>
<td>1,148</td>
<td>1,159</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,168</strong></td>
<td><strong>2,900</strong></td>
</tr>
</tbody>
</table>

This remuneration received coincides with that accrued in said years.

The remuneration received in 2013 and 2012 only corresponds to wages and salaries, with no allowances or other remuneration.

As at 31 December 2013 and 2012, there are no obligations agreed with the aforementioned Directors relating to pensions or any outstanding balances with the Company. The Company has only undertaken the obligation to pay life insurance premiums to some Directors.
The Company’s Directors, and certain related persons, with shares, and/or those who hold positions or work, in companies whose business purpose is identical, similar or complementary to that performed by the Company are as follows. There are no direct or indirect conflicts of interests reported by the Directors and/or persons related to the Board of Directors.

19. Information on the environment

The Company’s Directors consider that the environmental risks resulting from its activity are minimum and, at any rate, appropriately covered, and consider that no additional liabilities will arise relating to these risks (see Note 5.12).

The Company did not incur any significant expenses or receive any subsidies relating to these risks in 2013 or 2012, except for the use over 2013 of CO2 allowances for an amount of 6.5 million euros (6.7 million euros in 2012).

20. Guarantees extended to third parties

As an alternative to the deposits established (see Note 9.1), several financial institutions have presented bank guarantees in favour of the aircraft lessors for the lease agreements and for other items, basically in favour of airports and fuel supply companies.

As at 31 December 2013, the guarantees extended by the Company to aircraft lessors stood at 134,111 thousand euros at the exchange rate at the balance sheet date (121,295 thousand euros as at 31 December 2012), and the guarantees extended to ground handling companies, airports and for fuel purchases stood at 54,442 thousand euros (60,457 thousand euros as at 31 December 2012).

The Company’s Directors do not consider that additional liabilities other than those already recorded in the accompanying annual accounts will arise as a consequence of these guarantees.
21. Auditors’ Fees

In 2013 and 2012, the fees for account auditing services and other services provided by the Company’s auditor, Deloitte, S.L., or by a company from the same group or related to the auditor were as follows:

<table>
<thead>
<tr>
<th>Description</th>
<th>Thousand euros</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Audit services</td>
<td>95</td>
</tr>
<tr>
<td>Other verification services</td>
<td>45</td>
</tr>
<tr>
<td><strong>Total Audit and Related Services</strong></td>
<td><strong>140</strong></td>
</tr>
<tr>
<td>Other services</td>
<td>150</td>
</tr>
<tr>
<td><strong>Total Professional Services</strong></td>
<td><strong>290</strong></td>
</tr>
</tbody>
</table>

22. Subsequent events

At 30 January 2014, the Tax Agency notified the Company of the start of the relevant verification and investigation actions for the following taxes and periods:

<table>
<thead>
<tr>
<th>Item</th>
<th>Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporation Tax</td>
<td>01/2009 to 12/2011</td>
</tr>
<tr>
<td>Value Added Tax</td>
<td>01/2010 to 12/2011</td>
</tr>
<tr>
<td>Withholdings/Interim Payments Employees/Staff</td>
<td>01/2010 to 12/2011</td>
</tr>
<tr>
<td>Non-resident withholdings</td>
<td>01/2010 to 12/2011</td>
</tr>
</tbody>
</table>
Vueling Airlines, S.A.

Management report
for the financial year ending
31 December 2013

Business Performance and Company Position

Vueling Airlines S.A. was set up in Spain in accordance with the Spanish Capital Companies Act. The Company’s commercial activity consists of the operation and management of scheduled passenger air transport under the commercial name of Vueling.

Vueling was set up with the aim of becoming the leading new generation European airline, combining the seemingly irreconcilable advantages of the low cost model together with the highest standards of customer service.

In 2013, the Company operated an extensive network of flights which mostly link its bases - located at Barcelona, Madrid, Seville, Bilbao, Alicante, Malaga, Valencia, Las Palmas, A Coruña, Oviedo, Majorca, Ibiza, Amsterdam, Florence, Paris and Rome - with domestic and international destinations spread over Spain, Europe, North Africa and the Middle East.

Vueling provides all its services with the aim of meeting the needs and expectations of its customers and providing its shareholders with a growing and sustainable return.

The Company significantly increased its activity over 2013 and improved profitability on the previous year and strengthened its leadership at Barcelona El Prat Airport.

Activity and traffic

Vueling carried 17,215,931 passengers in 2013, the highest number of passengers since the company was founded. This represents an increase of 16% on the previous year. The Company operated 122,472 flights (13% more than in the previous year), reaching a load factor of 79.6%.

These traffic figures have allowed it to consolidate its leadership at Barcelona El Prat Airport with a 35% passenger share. Furthermore, Vueling has continued to increase its presence at international airports such as Paris-Orly and Rome-Fiumicino, where it is now the third and fourth leading airline respectively by volume of activity. Furthermore, in 2013, Vueling extended its offer from Barcelona El Prat airport to 107 destinations.

Results

Vueling achieved a net profit of 93.4 million euros in 2013. This is an increase of 230% on the figure for the previous year (28.3 million euros). The net margin was 6.7%, 4 percentage points higher than the margin in 2013.

The balance of Cash and cash equivalents amounted to 151.4 million euros at 31 December 2013.
Revenue

Vueling achieved total revenue of 1,404 million euros in 2013. This figure represents an increase of 27% on the previous year. This rise in revenue is due both to the improvement in unit revenue and the increase in activity in 2013.

Both the revenue for transport and the ancillary revenue increased compared with the figures recorded in the previous year. Fare revenue rose by 28% on the previous year, while ancillary revenue rose by 25%. There was no change in the distribution by type of revenue. The relative weight of the fare revenue stood at 89% (the same as in the previous year) and the relative weight of ancillary revenue was 11% (the same as in the previous year).

As a result of the increase in the supply of flights (+13%) and the increase in the load factor (which rose by 1.9 percentage points), the number of passengers carried rose by 16%. The unit revenue per available seat kilometre (RASK) stood at 6.54 euro cents in 2013, 5% up on the previous year. This was thanks to the implementation of revenue optimisation measures and the aforementioned improvement in the load factor.

Expenses

While total expenses have increased by 19% on 2013, fuel costs have increased by 20%. This increase in fuel costs is caused by the Company’s increased activity (+22% in available seat kilometers), since the price of fuel has increased less than the previous year. Hence, the average price of jet fuel from January to December 2013 was 979USD/mT, while in the same period of 2012 it stood at 1,017USD/mT, or a decrease of 4%. Furthermore, the euro appreciated against the US dollar by 4% in this period. This favourable trend in both the exchange rate and the price of fuel has resulted in a 7% decrease in the price of fuel in euros on the previous year.

Other costs grew at a lower rate than the increase in the company's activity. The unit cost per available seat kilometre excluding fuel (CASK ex-fuel) stood at 4.00 euro cents, 3% down on last year.

This favourable trend in Vueling’s cost base can be seen in a 2% decrease in the unit cost per available seat kilometre (CASK), which stands at 5.9 eurocents.

The Company has continued to implement its annual cost reduction programme in 2013.

Outlook

Vueling has set its short-term goal as continuing to grow in a profitable manner. To that end, in 2014, Vueling forecasts an increase in activity with a special focus on international markets. The company expects to significantly increase its activity in Italy, where it will increase the number of flights at Rome- Fiumicino airport by 267%. It also expects to open a new base at Brussels airport in Belgium.

Research and Development

The Company has not performed significant research and development in 2013.

Risk and Uncertainty Policy and Management

The Company’s financial risk is managed by the Finance Department and the Board of Directors, which have established the mechanisms necessary to control exposure to changes in exchange rates, interest rates and fuel prices, as well as credit and liquidity risks. The main financial risks which the Company is exposed to are indicated below:
Credit risk

Except for the transactions performed to hedge exchange rate risk, fuel and the balances payable to aircraft lessors, the Company has no significant credit risk concentrations. The transactions with currency and fuel derivatives are only executed with financial institutions with a high credit rating. Sales to retail customers are made in cash or through credit cards. Travel agency sales are also made in cash or through credit cards.

Liquidity risk

The Company carries out prudent management of liquidity risk based on holding enough cash, short-term financial investments and tradable securities, the availability of committed credit financing and sufficient capacity to liquidate market positions.

Market risk (including price, exchange rate and interest rate risks)

The Company is exposed to price risk from aviation fuel. The Company has contracted derivative instruments to hedge the risk of future price fluctuations. The price risk management policy consists of hedging a specific percentage of jet fuel, the fuel used by aircraft (Note 14).

The Company is exposed to exchange-rate risks for currency transactions, mainly in dollars. Exchange-rate risk arises from future commercial transactions, such as the purchase of fuel or the costs associated with aircraft operating leases. In order to control the exchange-rate risk which arises from future commercial transactions denominated in dollars, the Company uses currency forward contracts. The Company's Finance Department is responsible for managing the net position in dollars using derivative financial instruments.

The Company's risk management policy is based on using hedging instruments for a defined percentage of its currency needs. Through budget management, the Company is able to determine the dates of future payments in dollars to a high degree of accuracy. Therefore, almost all the planned payments in dollars rate as firm commitments or highly probable forecast transactions for the purposes of hedge accounting.

The Company holds assets with short-term returns invested in deposits with a yield in accordance with financial markets. Revenues and cash flows from the Company's ordinary activities are mostly independent of variations in market interest rates.

Treasury shares

At 31 December 2013, the Company had no treasury shares.

Significant Events after the Balance Sheet Date

There are no significant events other than those indicated in Note 22 of the attached Notes to the Annual Report.
See accompanying document.

Barcelona, 25 February 2014

M. Álex Cruz de Llano
Chairman and Chief Executive Officer

Mr. Manuel Lopez Colmenarejo
Board Member

Ms. Niamh Jane McCarthy
Board Member

Mr. Stephen William Lawrence Gunning
Board Member

Ms. Silvia Cairo Jordan
Board Member

Mr. Fernando Estrada Maggi
Board Member

Mr. Javier Sanchez-Prieto Alcazar
Board Member

Ms. Sonia Jerez Burdeus
Board Member
Vueling Airlines, S.A.

Endorsement

These Annual Accounts and Management Report, prepared on 25 February 2014 by the Company's Board of Directors, comprise 64 pages of state stamped paper, written on one side, of class 8, numbered in the first copy from No. 1 to No. 59 inclusive, in the second copy from No. 1 to No. 59 inclusive, in the third copy from No. 1 to No. 59 inclusive, and in the fourth copy from No. 1 to No. 59 inclusive.

In witness whereof, this document is signed below.

Barcelona, 25 February 2014

M. Álex Cruz de Llano
Chairman and Chief Executive Officer

Mr. Manuel Lopez Colmenarejo
Board Member

Ms. Niamh Jane McCarthy
Board Member

Mr. Stephen William Lawrence Gunning
Board Member

Ms. Silvia Cairo Jordan
Board Member

Mr. Fernando Estrada Maggi
Board Member

Mr. Javier Sanchez-Prieto Alcazar
Board Member

Ms. Sonia Jerez Burdeus
Board Member