Vueling Airlines' 2009 Fourth-Quarter, Full-Year Financial Results

"The €100-milion turnaround story"

Barcelona, February 23rd, 2009

Introduction

Revenues

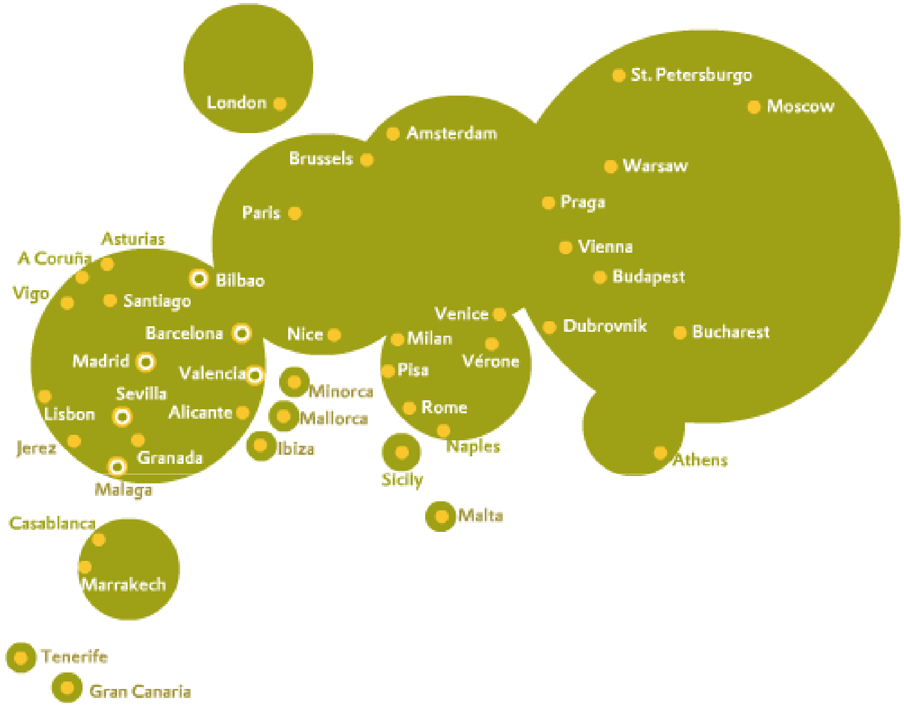
Operations and costs

Outlook for 2010

Vueling has emerged with a much enlarged volume

From Marrakech to Moscow: 17 countries, 47 airports, 6 bases, 92 routes

	FY 09	growth on a year earlier ▼
ASKs	10.2m	+28.1%
Average operating fleet	26	+23.3%
Airports*	47	+90.5%
Routes	92	+54.3%
Flights	62,573	+33.6%
Passengers	8.2m	+39.3%



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Amsterdam
Asturias
Athens
Barcelona
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Brussels
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Jerez
Gran Canaria
Lisbon
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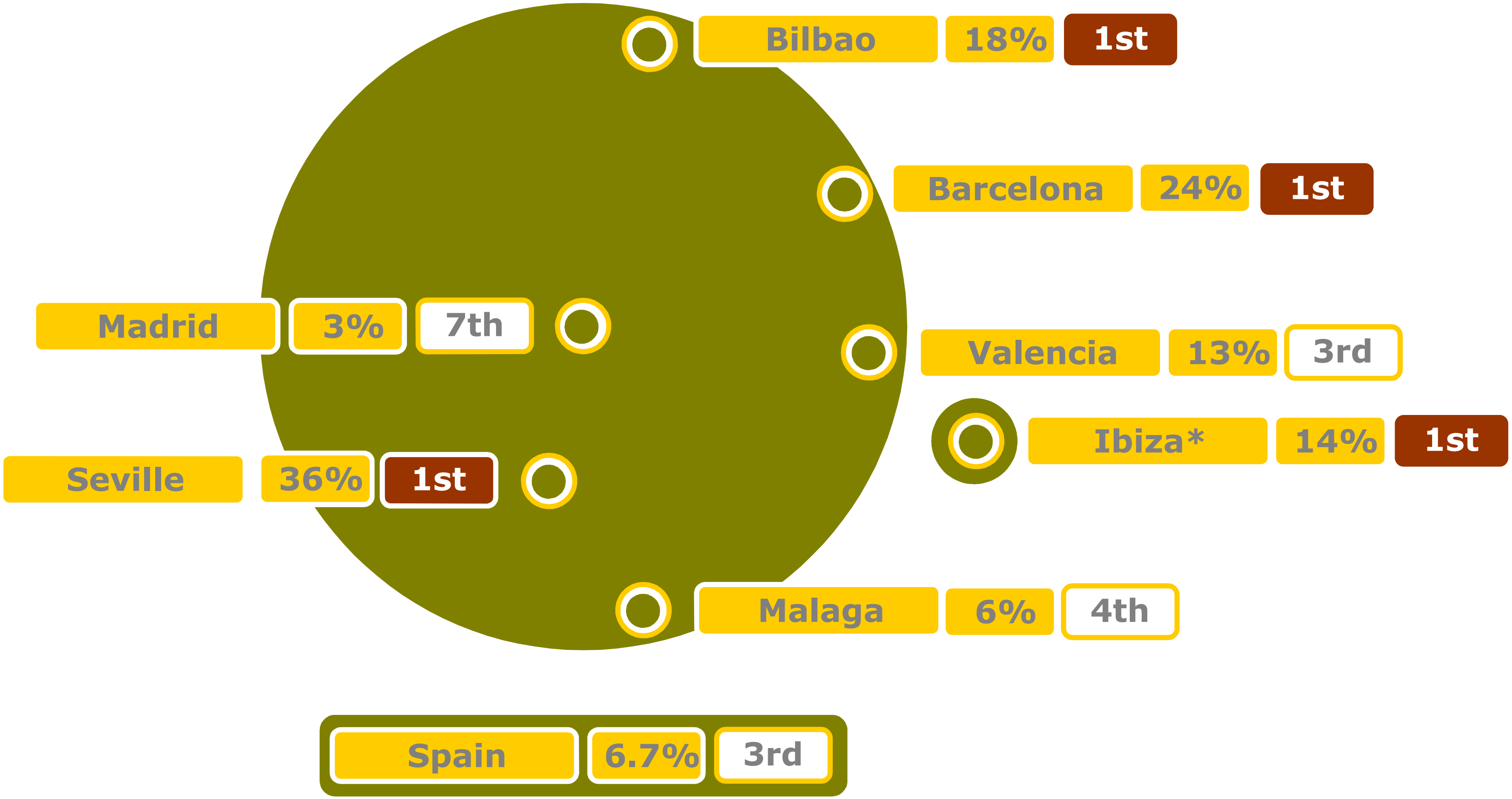
Madrid
Malaga
Mallorca
Malta
Marrakech
Minorca
Milan
Moscow
Naples
Nice
Paris
Pisa
Praga
Rome
Saint Petersburg
Santiago
Seville
Sicily
Tenerife
Valencia
Warsaw
Venice
Verona
Vienna
Vigo

Source: Vueling

Vueling is now a major airline at its home market

2H2010: with the merger, Vueling has become Nº1 carrier at 3 of its 6 bases (Barcelona, Seville, and Bilbao). Madrid is a niche base for Vueling



base | market share | rank

*Summer base only

Source: AENA

First time in a Q4: Vueling achieves breakeven…

Merger has allowed both growth and increasing margins

	Q4 09	margin growth on a year earlier
Revenues	€160.4m	
EBITDAR*	14.8%	+12.9 pp.
EBIT*	(0.3%)	+13.3 pp.

* EBIT and EBITDAR before restructuring costs

Source: Vueling

… and a €71.4m profit over the full year

Merger has allowed both growth and increasing margins

	FY 09	margin growth on a year earlier
Revenues	€601.6m	
EBITDAR	24.4%	+17.2 pp.
EBIT*	11.9%	+18.8 pp.

Cash as of Dec. 31st was €121.3m, including use of €12.9m of credit lines

* EBIT before restructuring costs

Except otherwise indicated, all data correspond to **Vueling stand alone to June 30th, 2009**, that is excluding Clickair data **and for the merged entity from July 1st**. Percentage of margin on sales would be reduced if Clickair H1 sales and margin were considered.

Source: Vueling

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Key Success factors in 2009

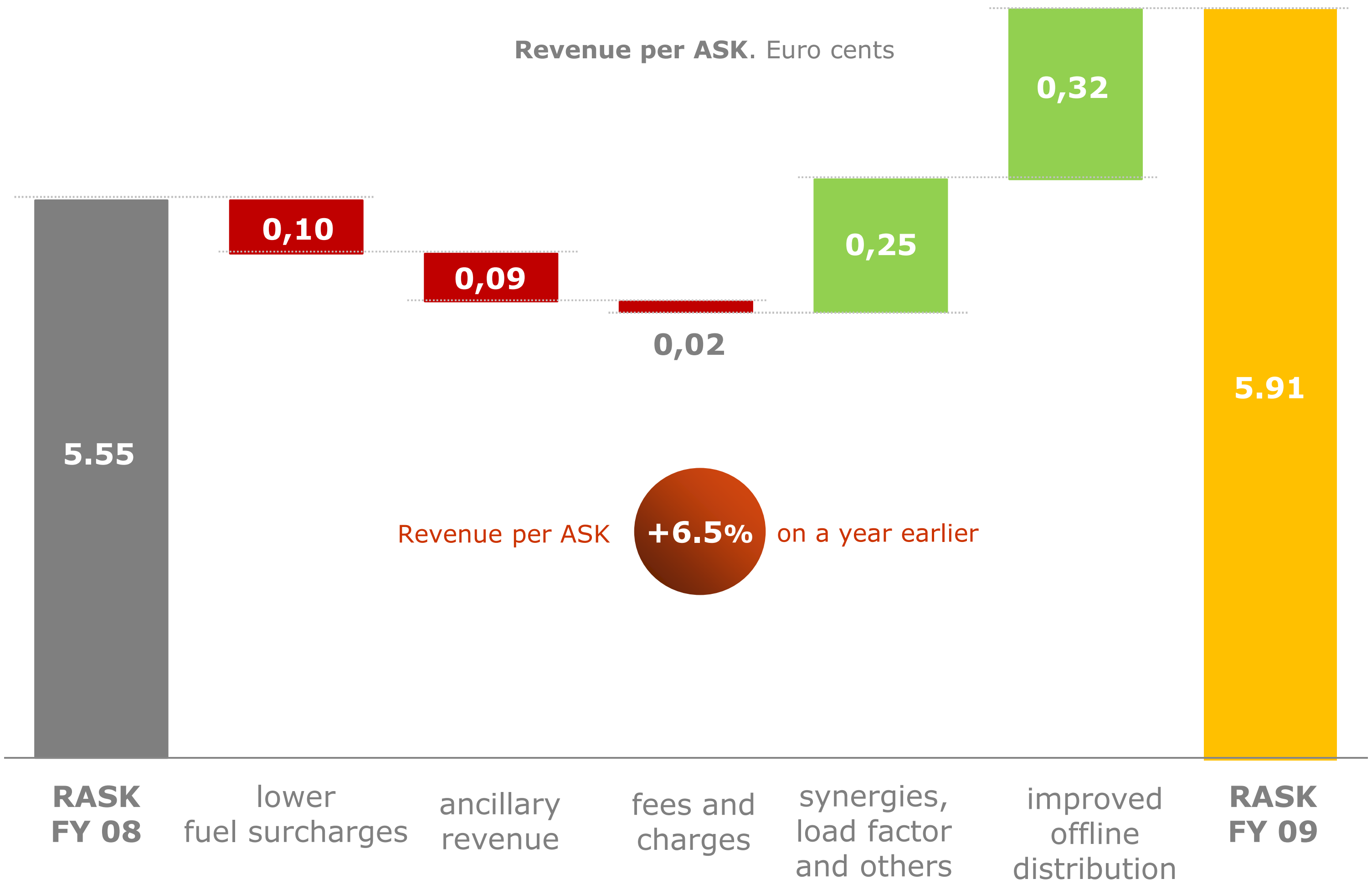
- **Unique commercial distribution model: different channels combining presence on-line (internet) and off-line (travel agencies)**
- **Product fits both business traveller (multi-frequencies with flexibility) and leisure traveller (multiple destinations) through flexible schedule**
- **Top position in bases**
- **Leadership position amongst peers in cost structure**
- **Strong brand: high brand awareness in bases at its core markets.**
- **Successful execution of the merger**

How did the merger boost key success factors?

- **Strengthened offline distribution through the addition of Iberia code-share sales channel to the existing Vueling GDS**
- **Increased frequencies in business routes**
- **Widened portfolio of routes across the Euro-Mediterranean zone**
- **Increased market power**
- **Confirmed leader position at three airports; increased gap to runner-gap in Barcelona**
- **Achieved better economies of scale**
- **Delivered synergies in costs**

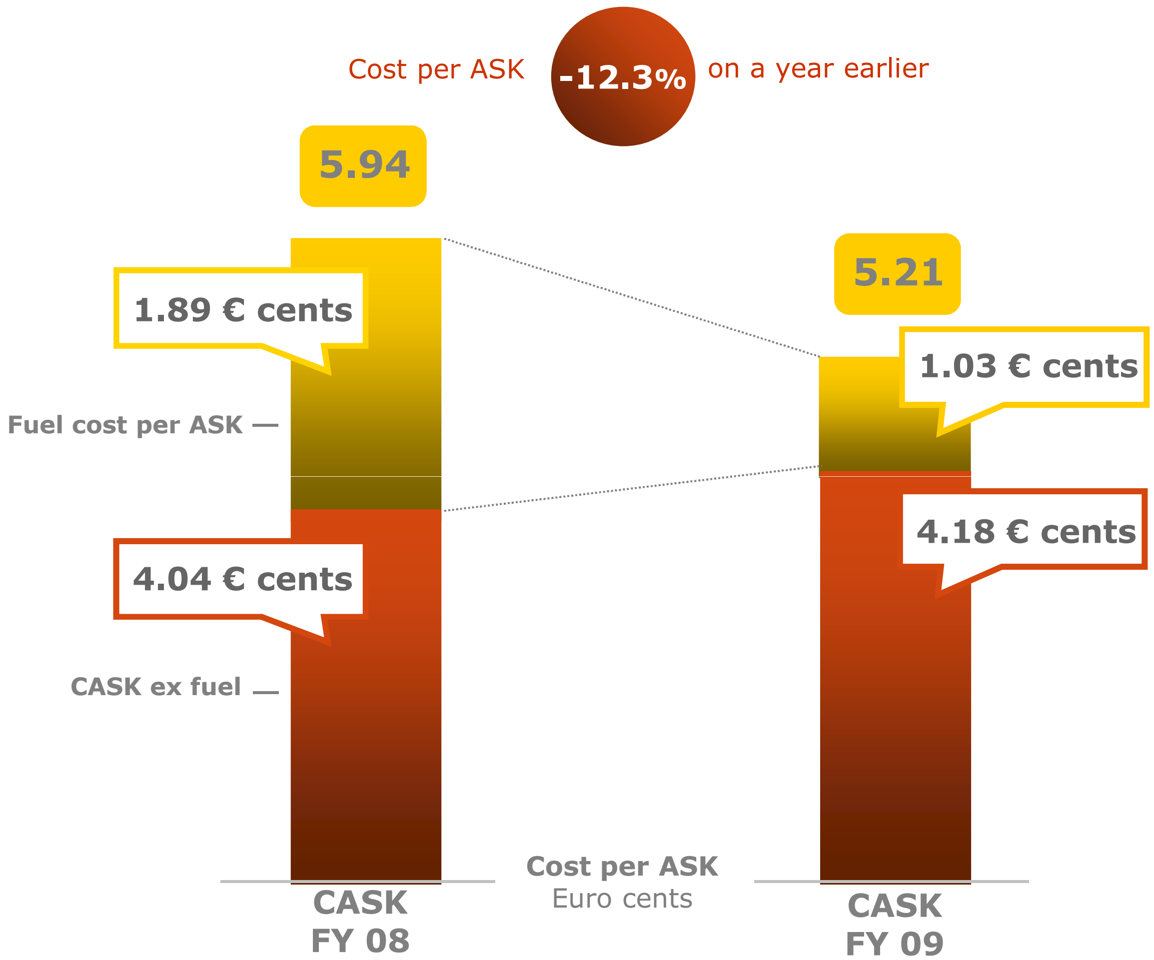
While merger synergies increased RASK…

Vueling now has two offline distribution channels: its own GDS and Iberia's code-share



Source: Vueling

… lower fuel prices have had a positive effect on Vueling's overall cost base



The company will now focus on reducing its ex-fuel cost base

Source: Vueling

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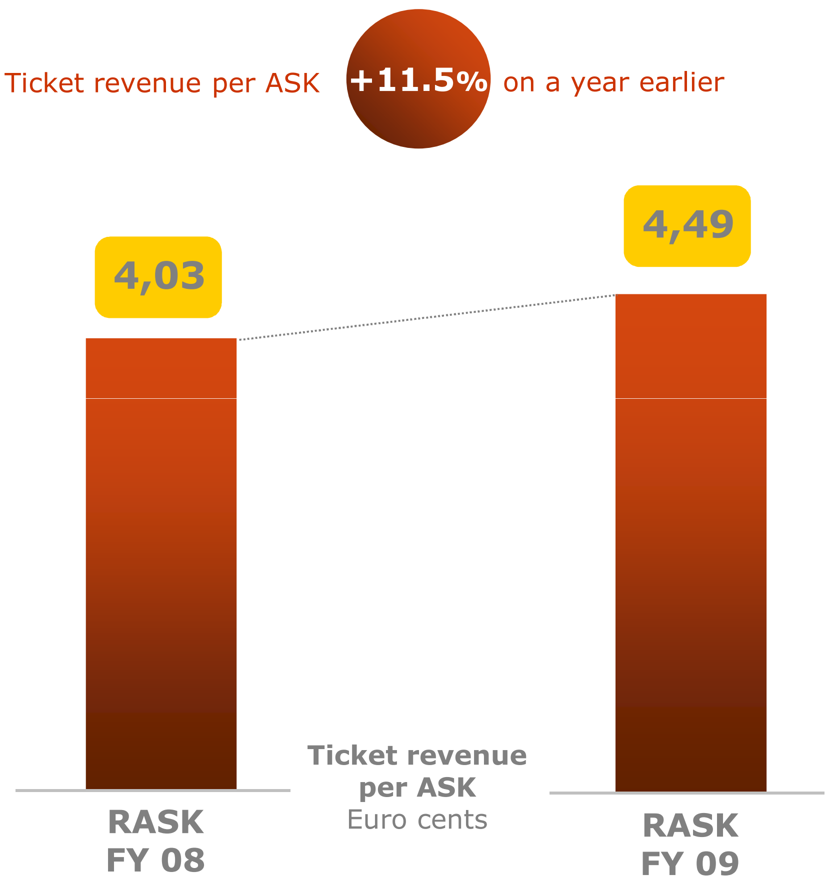
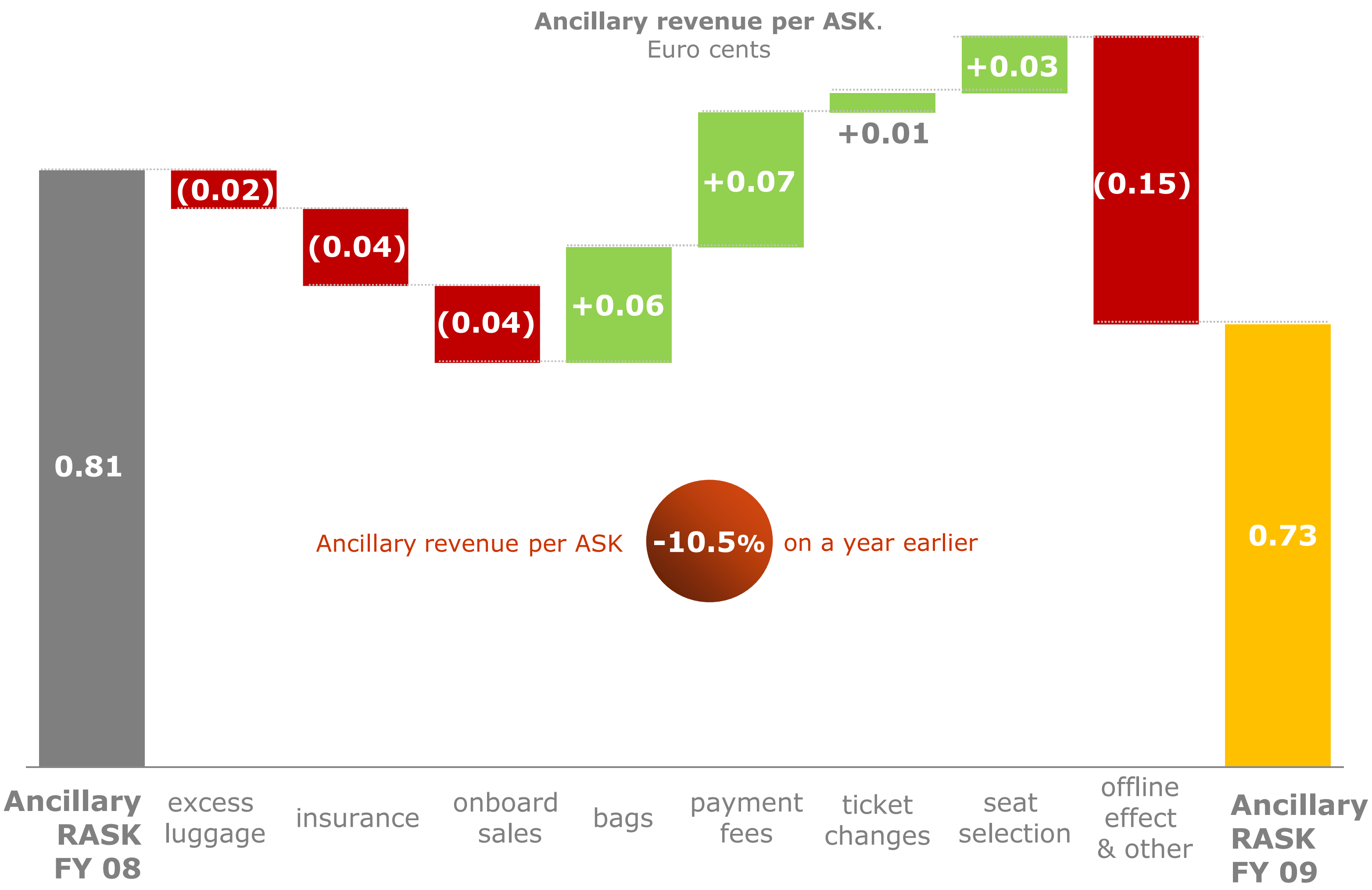
Pure ticket revenue has made an important contribution, increasing revenue per ASK …



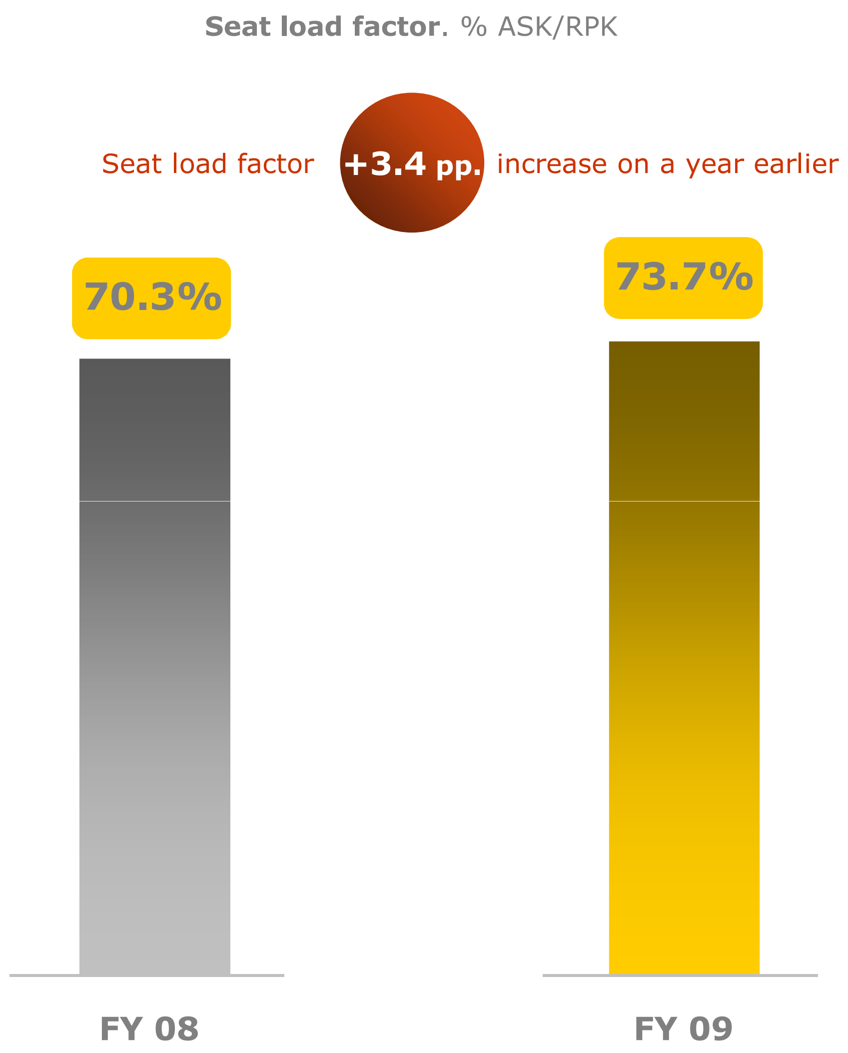
Source: Vueling

… while ancillary revenues have been affected by opt-in legislation and new offline sale channels



Source: Vueling

This has been offset by higher seat load-factors and . . .

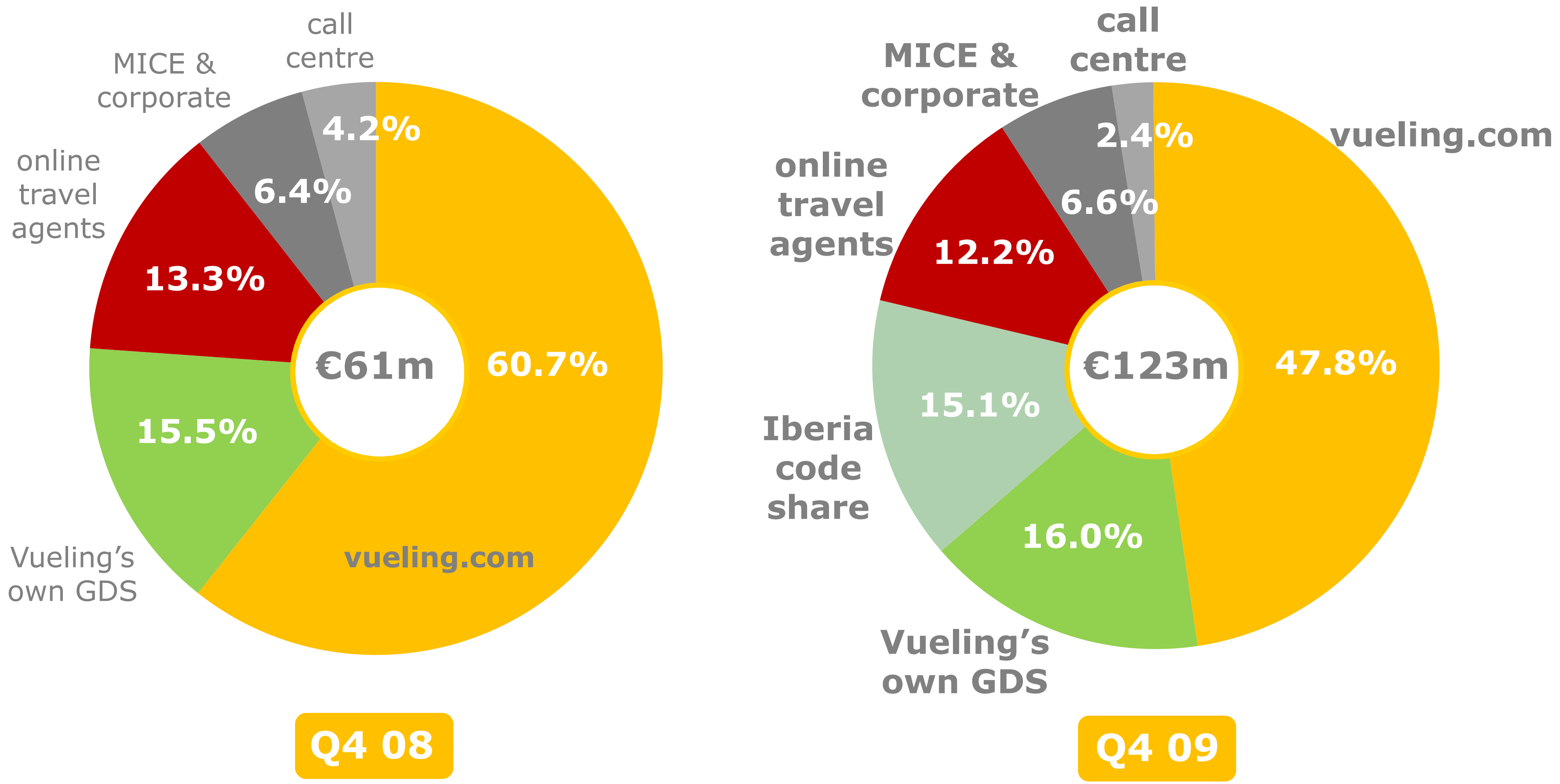


Source: Vueling

… a larger slice of GDS sales…

The Iberia code-share in addition to Vueling's own GDS connections make up for 1/3 of revenue – driving higher average ticket prices

Scheduled revenue, split per channel. %



Source: Vueling

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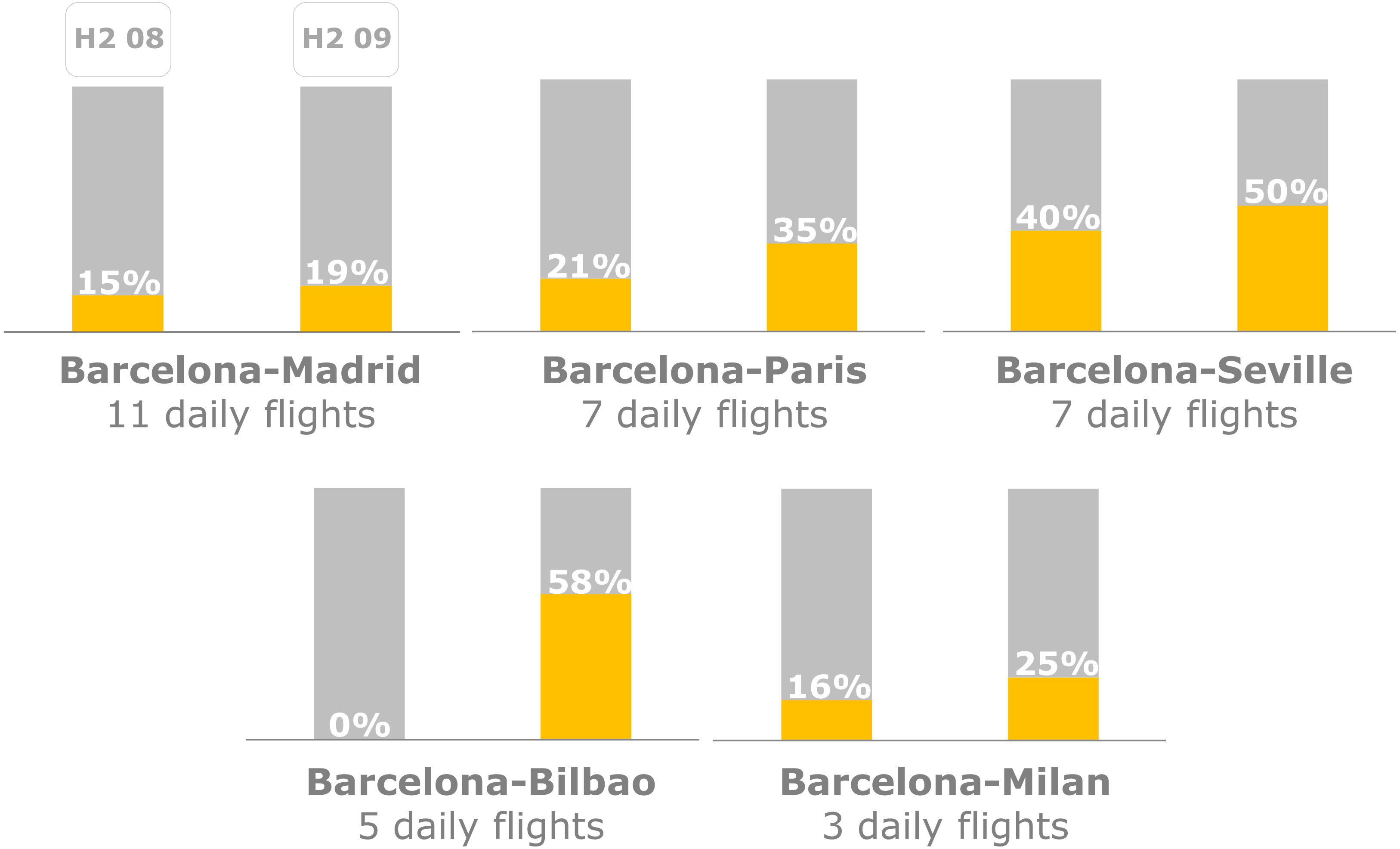
… increasing Vueling's position on its key markets

Vueling maintains product leadership in key business routes



Sources: AENA, Vueling

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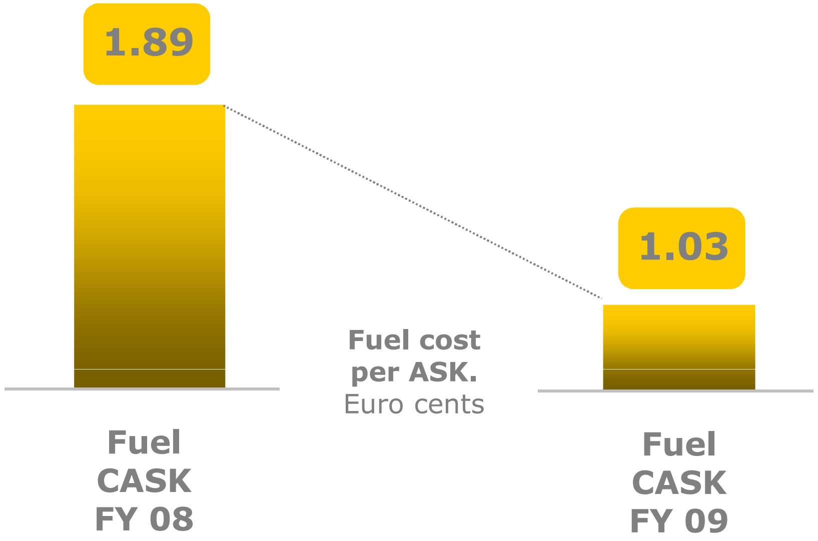
Fuel cost reduction has been key in improving margins

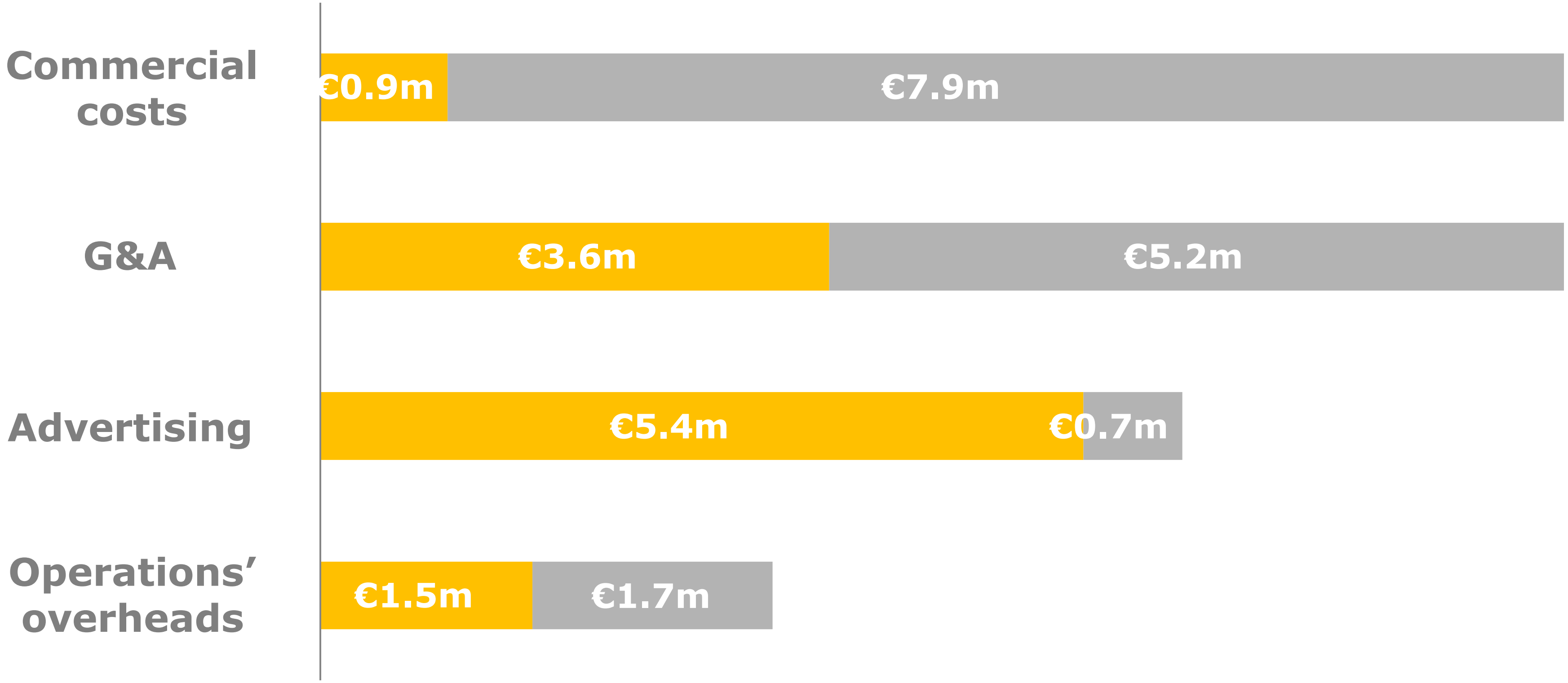


	Q1 10	Q2 10
% hedged	41%	47%
avg price $/TM	$668	$717

Source: Vueling

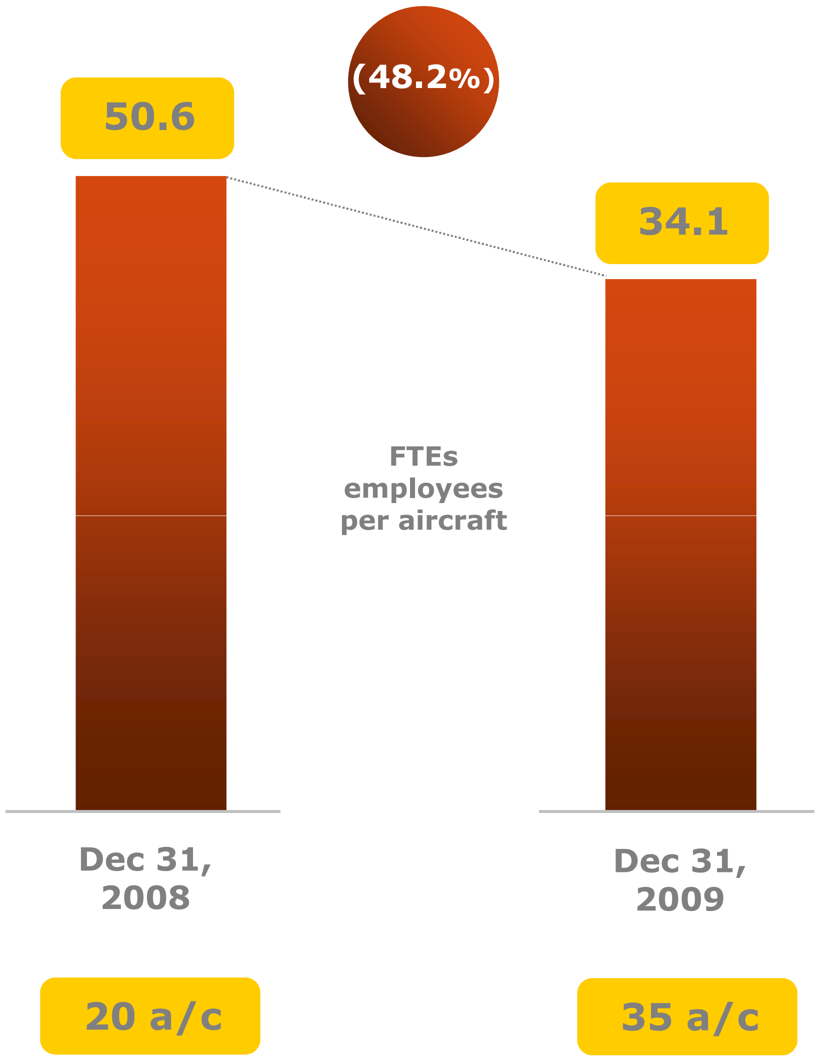
€26.9m cost synergies: €11.4m captured in 2009

There are €15.5m cost-synergies to be captured in 2010

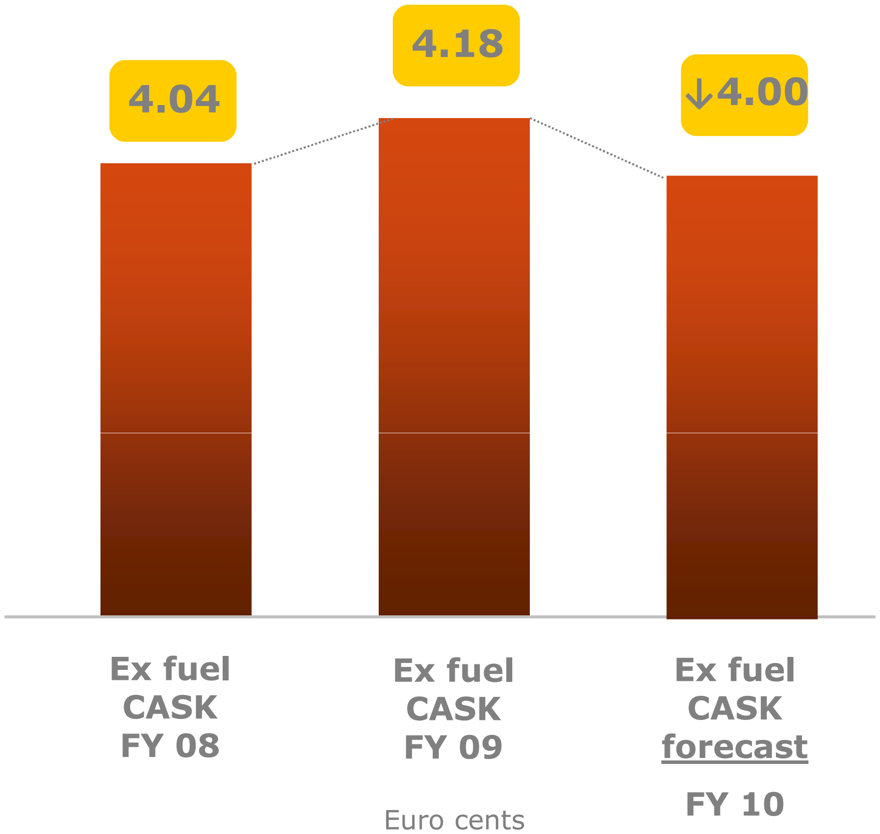


100% of cost synergies are forecast to be captured during 2010

Vueling has improved employee ratios



Despite achieving cost synergies, further cost reductions will be achieved in 2010



Cost synergies will fully kick in in 2010. Reductions in ex-fuel CASK of 0.1 due to synergies are expected

Additionally a cost reduction program has been launched to drive ex-fuel costs to below 4.0 Euro cents

Ex-fuel costs in Q4 have had a decrease of 8% in respect to 2008

Latest month-to-month trends show a significant decrease in ex fuel CASK

Source: Vueling

The increase of capacity resulting from the merger has not affected operational integrity

	FY 09	FY 08		Jan 10
Average a/c in operation	26	21	+23.8%	35
Punctuality*	78.5%	75.6%	+3.0 pp.	84%
Average daily block-hours	10.98	10.75	+2.1%	

*within 15 minutes of scheduled time of arrival

Source: Vueling

Merger restructuring costs

- **Restructuring costs related to redundancy payments, contract-cancellation penalties and asset write-offs.**
- **Total restructuring costs for the year amounted to €32.5m**
  - **Redundancy payments: €7.0m**
  - **Write-offs: €6.7m**
  - **IT and office integration costs: €2.7m**
  - **Other*: €16.1**

* training, uniforms, maintenance reserves, external support

Source: Vueling

Vueling made an EBIT loss of €0.5m in Q4…

Merger has allowed for both EBIT growth and increased margins

	Q4 09	Q4 08	
Revenues	160.4m	87.2m	+83.9%
Variable expenditure	114.1m	67.3m	+70%
Contribution margin	46.3m	19.9m	+132%
Semi-fixed expenditure	37.4m	21.1m	+77%
Operating margin	8.9m	(1.1m)	+871%
Fixed expenditure	9.4m	10.7m	(12%)
EBIT	(0.51m)	(11.8m)	+96%

Source: Vueling

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… and €71.4m profit in the year

Merger has allowed for both EBIT growth and increased margins

	FY 09	FY 08	
Revenues	601.6m	441.3m	+36%
Variable expenditure	379.6m	341.0m	+11%
Contribution margin	222.0m	100.3m	+121%
Semi-fixed expenditure	113.2m	92.8m	+22%
Operating margin	108.8m	7.4m	+1,370%
Fixed expenditure	37.4m	37.9m	(1%)
EBIT	71.4m	(30.5m)	(334%)

Source: Vueling

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Prospects for 2010

- **Continued ex-fuel CASK reduction will be Vueling's main target for 2010**
- **Merger synergies will be completed: revenue, 20 million Euros and cost, 15.5 million Euros**
- **The combination of synergies capture and cost reduction programs will offset the effect of increased competition**
- **Even though there are no planned significant changes in capacity for 2010, an improved net margin is expected**
- **Additionally, cash levels will significantly increase by 2010 year end**

An strategy that prioritises profitability

Efficiency in costs

- Economies of scale in each base. Largest size in our bases allows to match cost of larger LCC´s
- Permanent cost reduction: Improved cost culture / cost reduction programs

Price GAP vs. competitors

- Focus on business traveler and high added value leisure traveler, avoiding backpacker – Product differentiation
- Strengthening brand & brand presence

Leader in ancillaries

- Innovation to launch new products
- Fostering web sales of ancillary products

Keep sound financial performance

- Focus on creating the base for profitable growth

Appendix

Pro-forma P&L account

	FY 09	FY 08	margin change on a year earlier
Revenues	€767.1m	€888.2m	
EBITDAR	23.4%	8.1%	+15.3 pp.
EBIT*	10.5%	(5.0%)	+15.5 pp.
EBT	5.0%	(9.6%)	+14.6 pp.
Net	3.6%	(2.7%)	+6.3 pp.

* EBIT before restructuring costs

Source: Vueling

Vueling Airlines’ 2009 Fourth-Quarter & Full-Year Financial Results

Any Questions?

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