



# Q1'11 Results presentation

Vueling Airlines

# Agenda

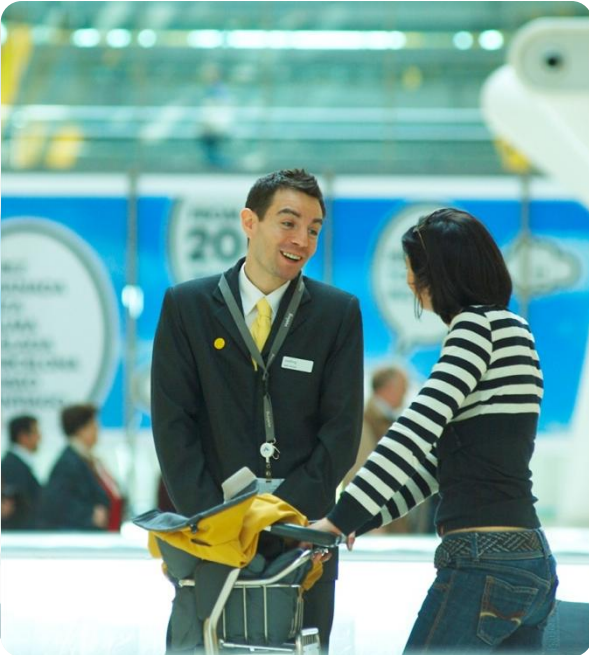
- A. Highlights & Market
- B. Financial Review
- C. Business Review
- D. Outlook



# A.

## Highlights & Market

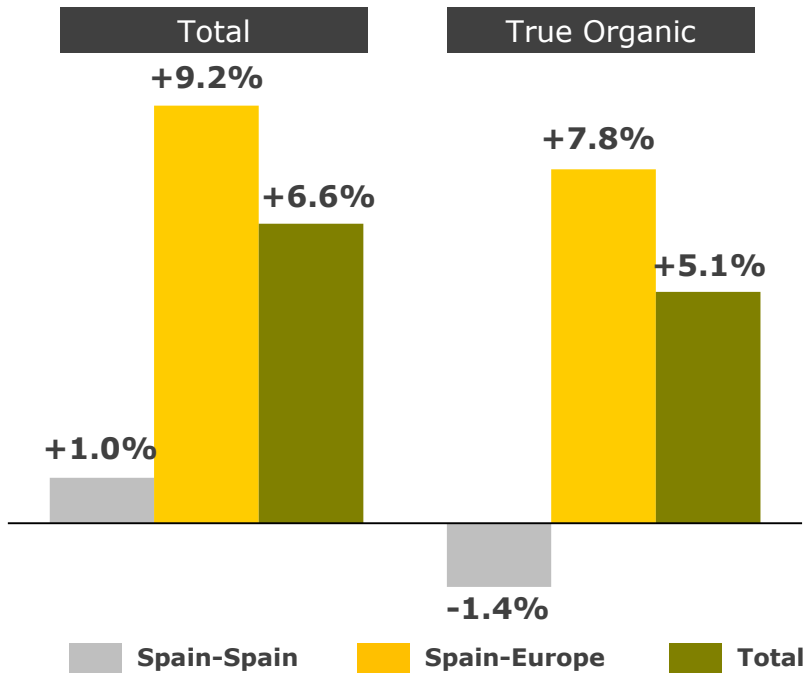
1. Highlights
2. Market
3. Competition
4. Fuel and dollar



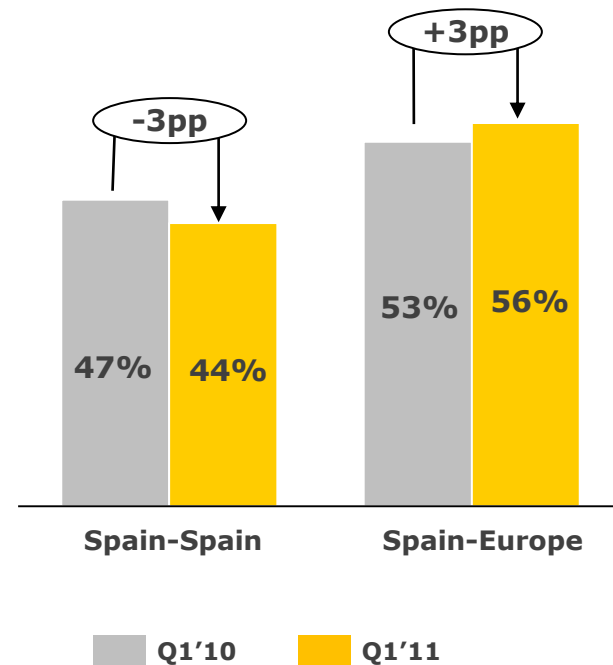
- Vueling Q1'11 net income amounted to -23m€
- 
- Weak domestic Spanish market (+1% growth) and increased competition overlap (+15pp) have resulted in significant fare price decreases (-15%)
  - Fuel price increased +41% vs. same period last year
  - No capacity changes were initially planned for Q1'11; however, high fuel prices have forced tactical flight schedule cuts resulting in a capacity reduction of 6% vs. last year
  - Revenues have been impacted by these capacity cuts and the Easter break effect resulting in a 10% reduction over last year
  - Q1'11 EBIT amounted to -€33m (vs. -€13m in 2010), due to external factors (-€17m) and increased competition & capacity reduction (-€7m)
- 
- Despite this result, Vueling has maintained its cash position vs. last year
  - Vueling maintains a strong balance sheet position

# Spanish market grew thanks to European traffic as domestic demand remains weak

Q1 2010 vs. Q1 2011 Market Growth (pax)



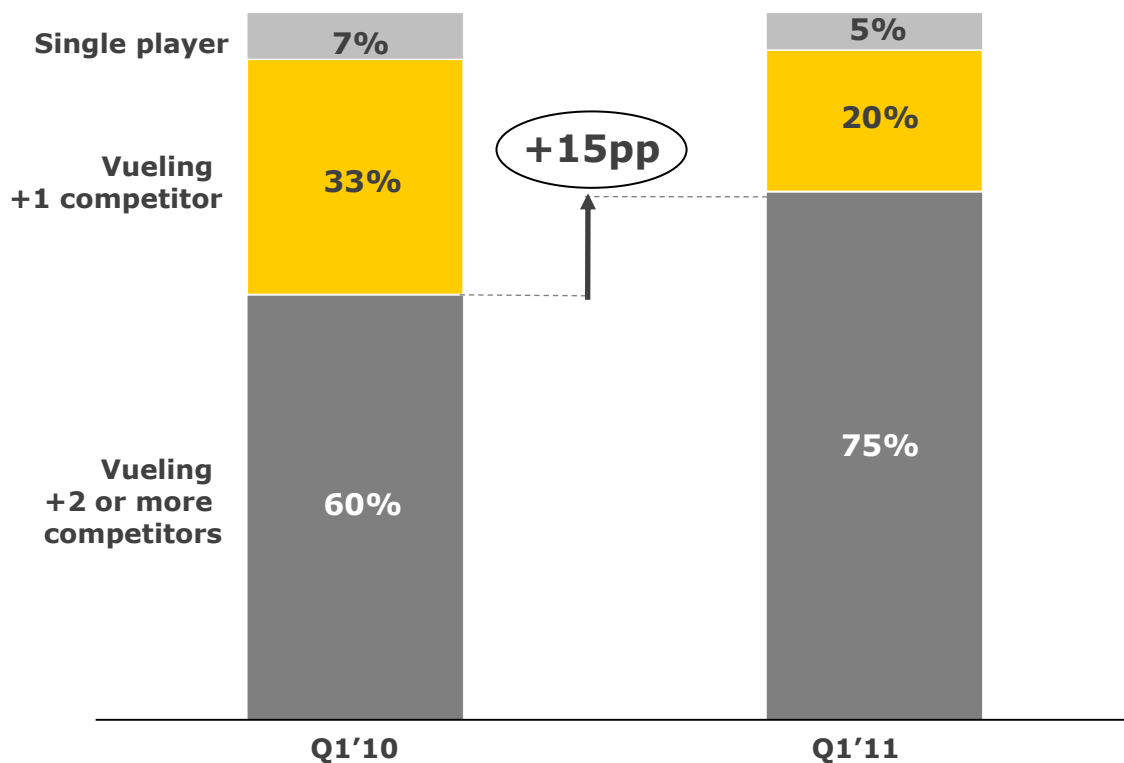
Vueling passenger distribution (%)



Note: Markets that are "True Organic" exclude new route seat growth operated only when local governments provide substantial support  
 Source: AENA, Vueling, Air Scoop

# Competitive intensity has increased significantly in Q1'11

## Vueling's ASK overlap with competitors (%)

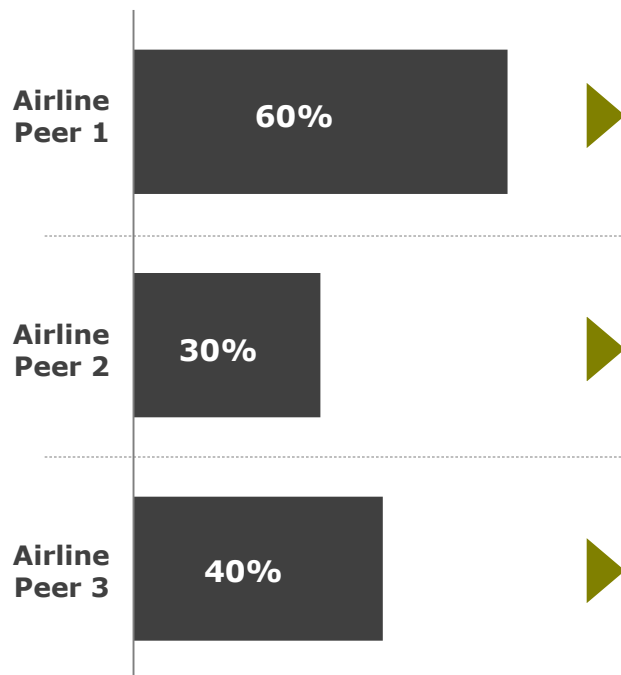


- Increased competition occurs mainly at Barcelona and Seville bases
- Routes with low competition are decreasing

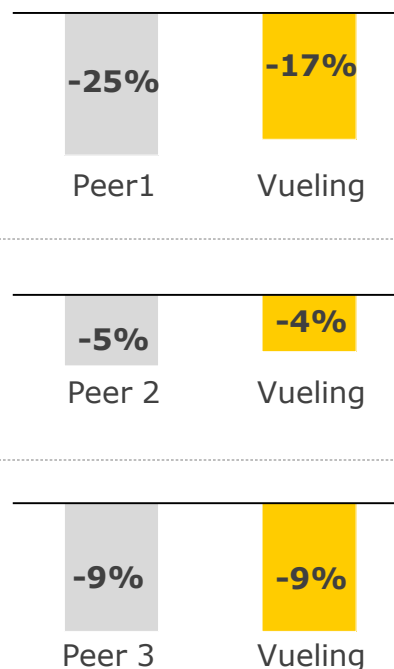
Source: Vueling

# The competitive environment is driving lower average fares

## Q1'11 % overlapped ASKs with top-3 peers



## Average fare change Q1'10 vs. Q1'11, per peer

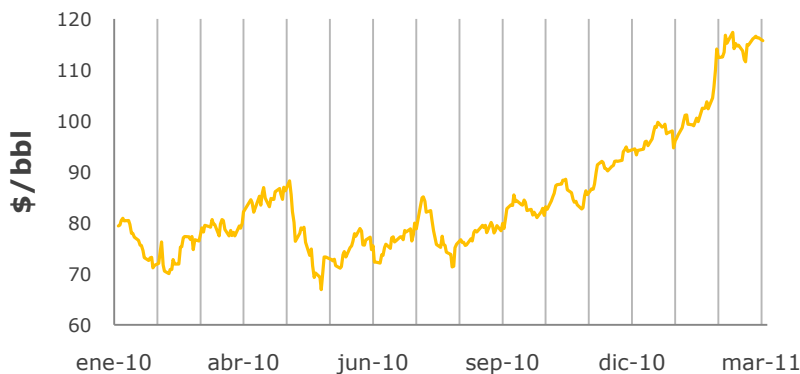


- Vueling average fares have been reduced by 15%
- The high competitive environment has limited fuel price pass-through opportunities

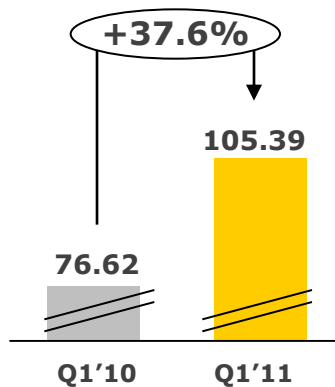
Note: Average fare comparison, 90 days before departure to 20 days before departure, each day, 1Q'11 vs. 1Q'10  
Source: Vueling

# The high price of fuel is the main driver behind Q1's performance

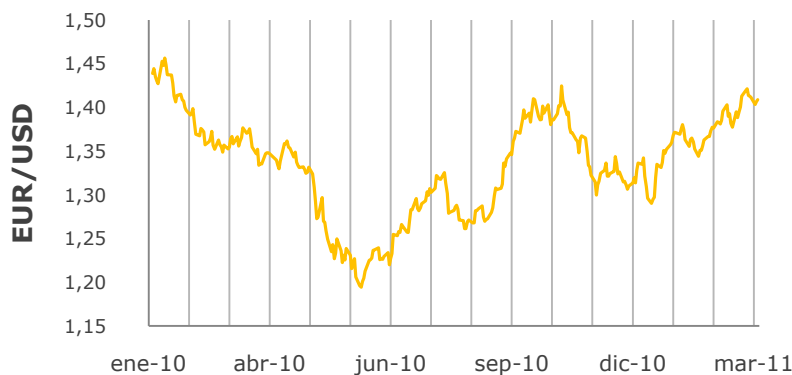
**Brent barrel price evolution**



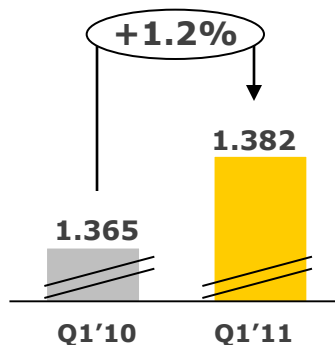
**\$/bbl % change**



**€/USD evolution**



**€/USD % change**



- Oil price has risen 38% vs. last year
- Fuel represents 28% of total Q1'11 costs vs. 24% last year
- Euro / dollar exchange rate has improved 1.24%, insufficient to offset fuel price increases

Source: Reuters



# B.

## Financial Review

1. P&L Overview
2. Revenues
3. Costs
4. EBIT Review
5. Balance Sheet



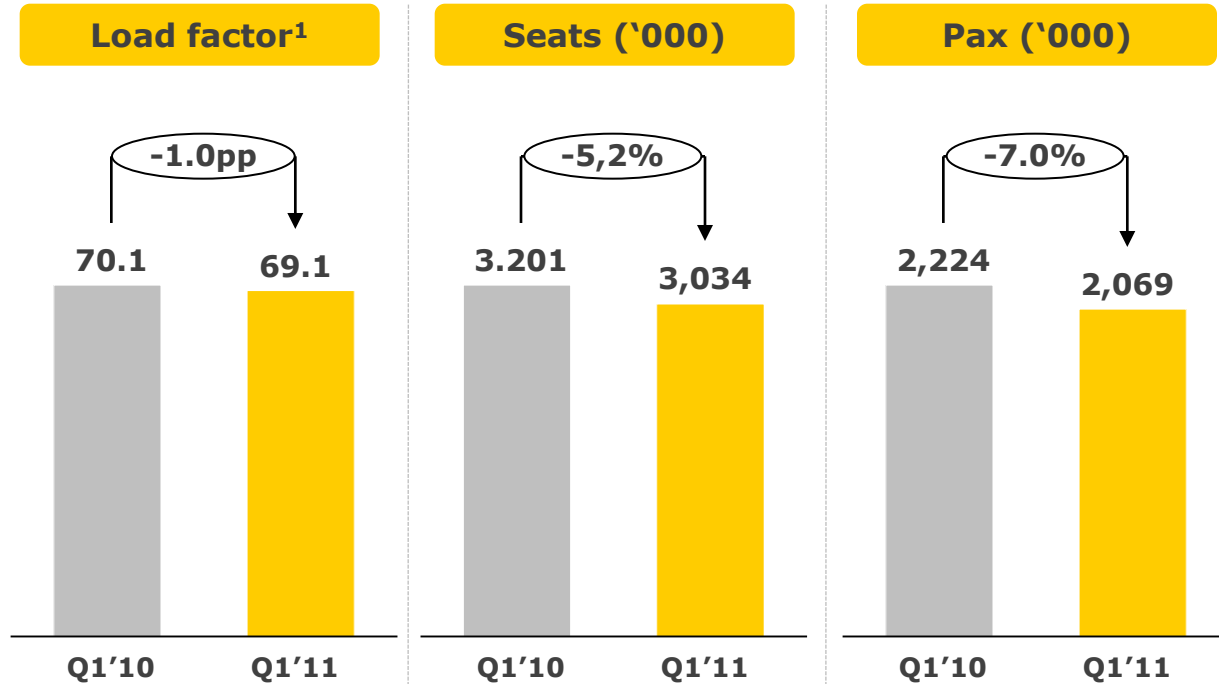
# Q1'11 EBIT: €-35m, primarily due to lower activity (-6%) and higher fuel costs (+20%)

	Q1'11	Q1'10	YoY change
<b>ASK (m)</b>	2,652	2,824	-6%
<b>Revenues (€m)</b>	127.2	141.8	-10%
<b>Fuel (€m)</b>	-41.4	-34.4	+20%
<b>Opex (€m)</b>	-95.4	-95.4	+0%
<b>D&amp;R (€m)</b>	-25.6	-25.1	+2%
<b>EBIT (€m)</b>	-35.2	-13.0	-22.2m
<b>Cash flow (€m)</b>	-1.5	+14.1	-15.6m

Note: D&R: Depreciation + Aircraft Rent, Opex: Other operating expenses

Source: Vueling

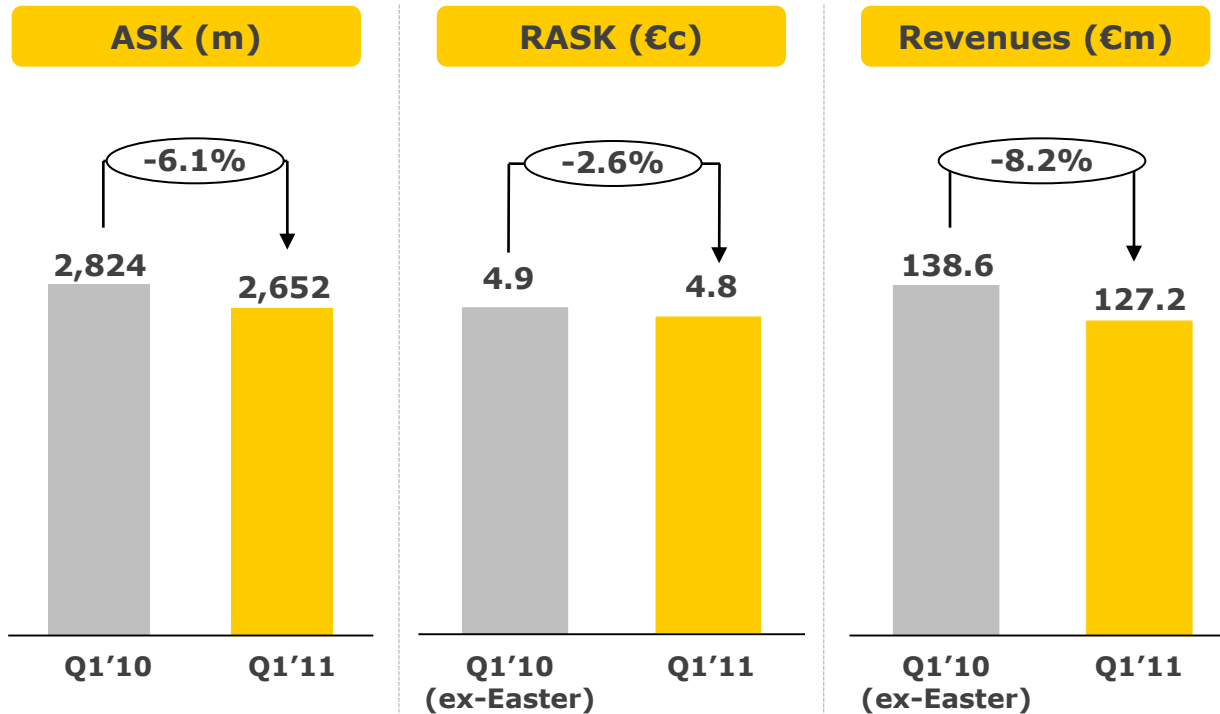
# No capacity changes were initially planned for Q1'11; however, fuel prices drove schedule cuts



- No additional seats were planned vs. Q1'10
- Tactical flight schedule cuts reduced negative impact of fuel prices
- Easter break effect was also present this year

(1): RPK/ASK  
Source: Vueling

# 10% lower revenues due to Easter break effect, increased competition and less capacity



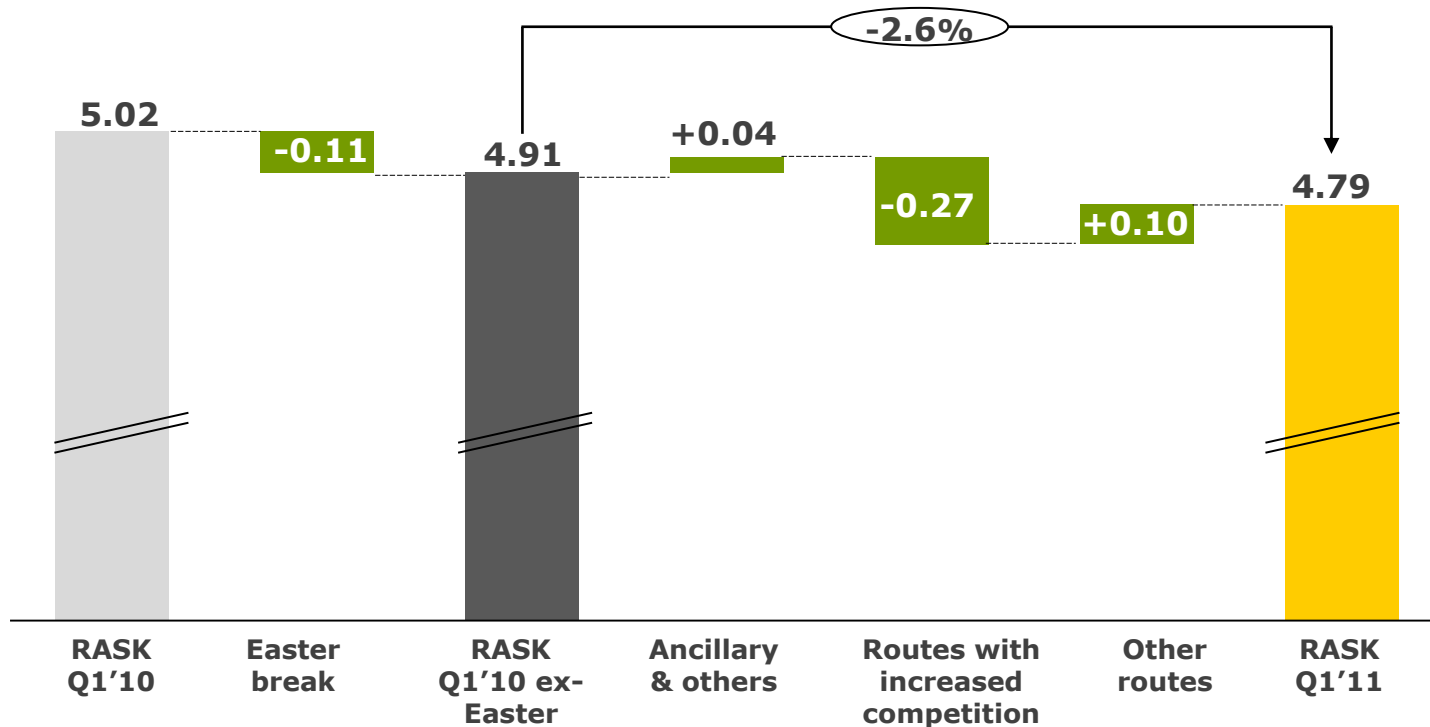
- No additional seats planned vs. Q1'10
- Tactical flight schedule cuts reduced revenues
- Fewer passengers as Easter fell in March in 2010
- More competitive intensity

Note: Reported RASK Q1'10 = 5.0, Revenues Q1'10= €141.9

Source: Vueling

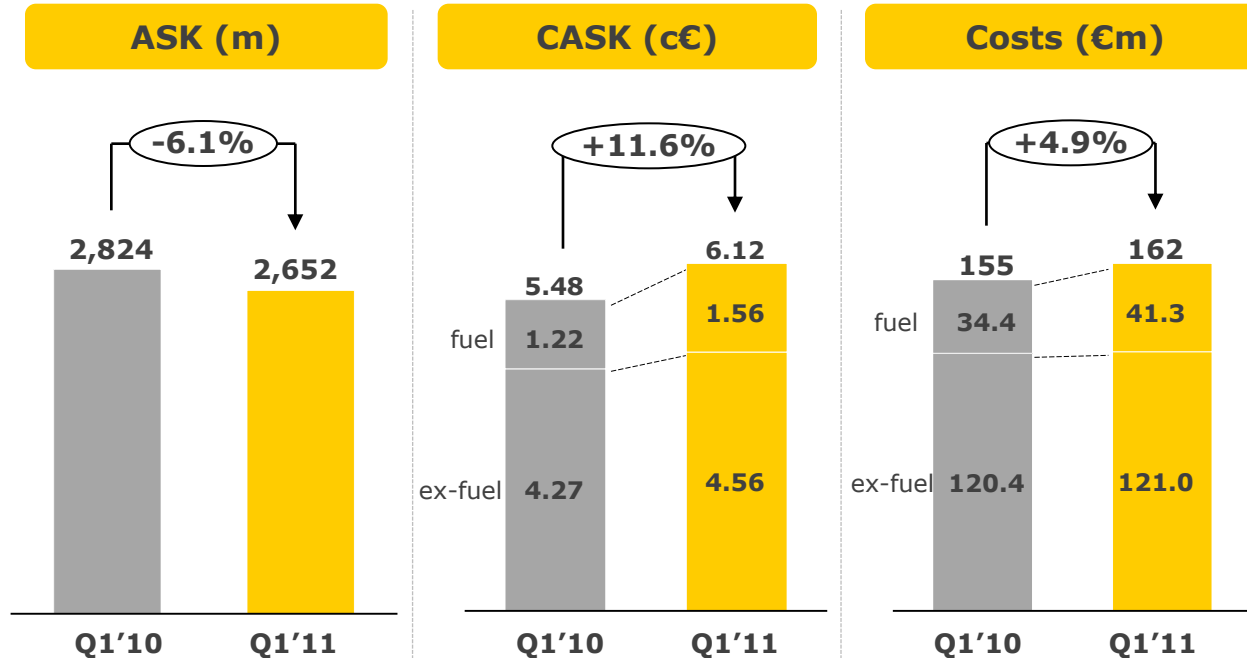
# The Easter break effect and the competitive environment affected Q1'11 RASK the most

## Impact of key factors on RASK (€c)



Source: Vueling

# Higher fuel costs and lower activity are the key drivers behind a 4.9% costs increase

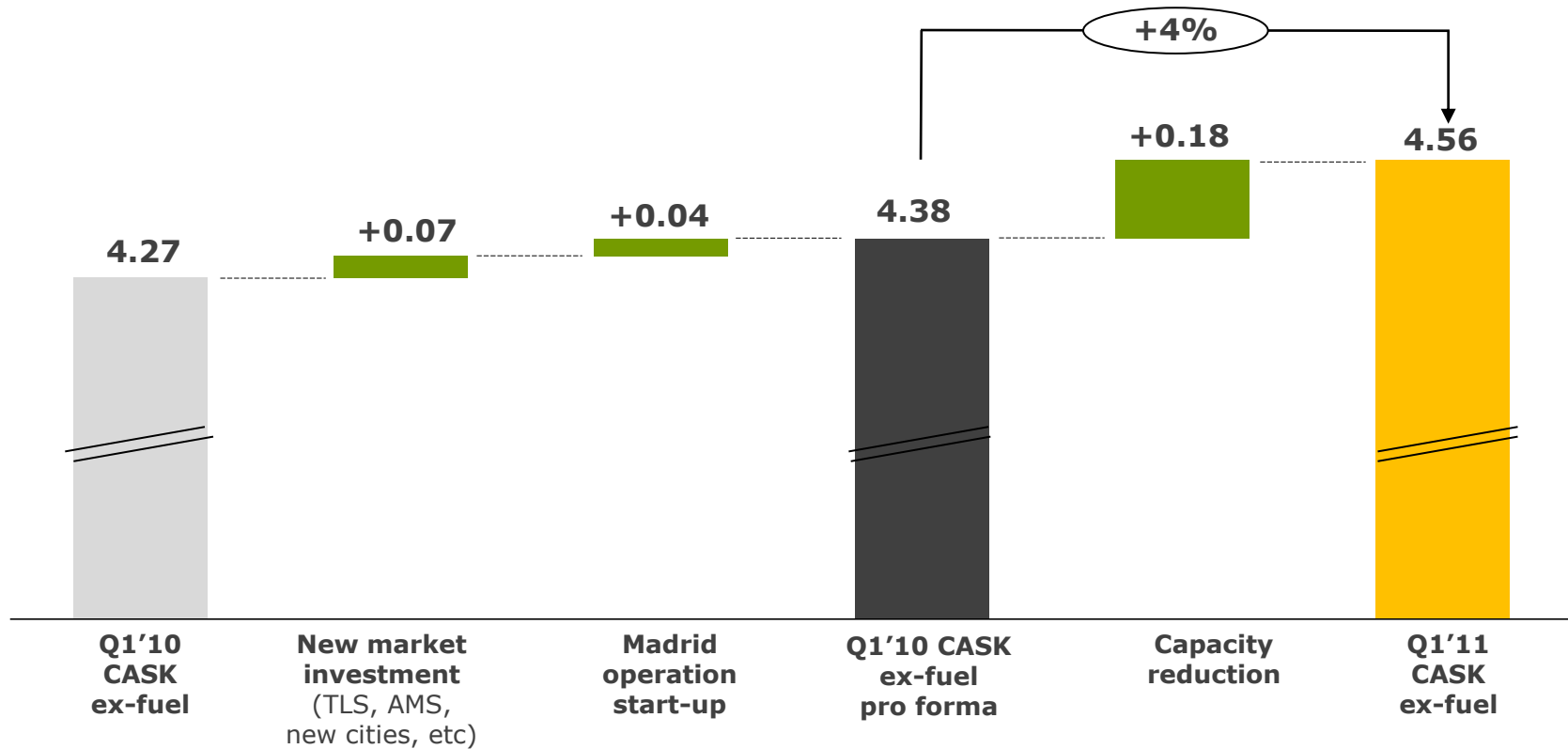


- No capacity increases were planned for Q1'11
- Fuel price increases drove the need to perform tactical capacity cuts which reduced aircraft utilization

Source: Vueling

# CASK ex-fuel was impacted by external factors and by capacity reduction

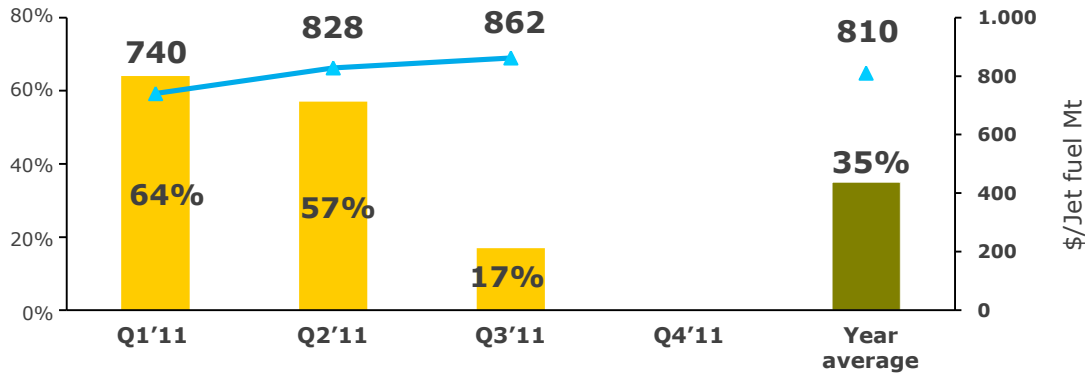
## Impact of key factors on CASK ex-fuel (€c)



Source: Vueling

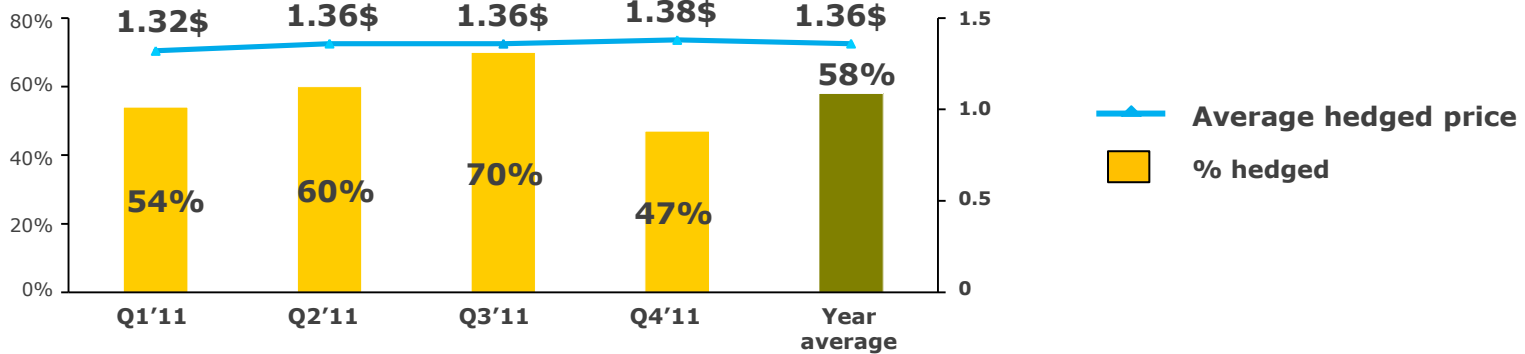
# Jet fuel price has increased 41% vs. last year; hedging policy has reduced impact by 50%

## Fuel hedging



- Q1'11 Jet fuel price has increased by 41%
- But, fuel CASK has experienced a lower increase (+20%) thanks to hedging policies in place

## Dollar hedging

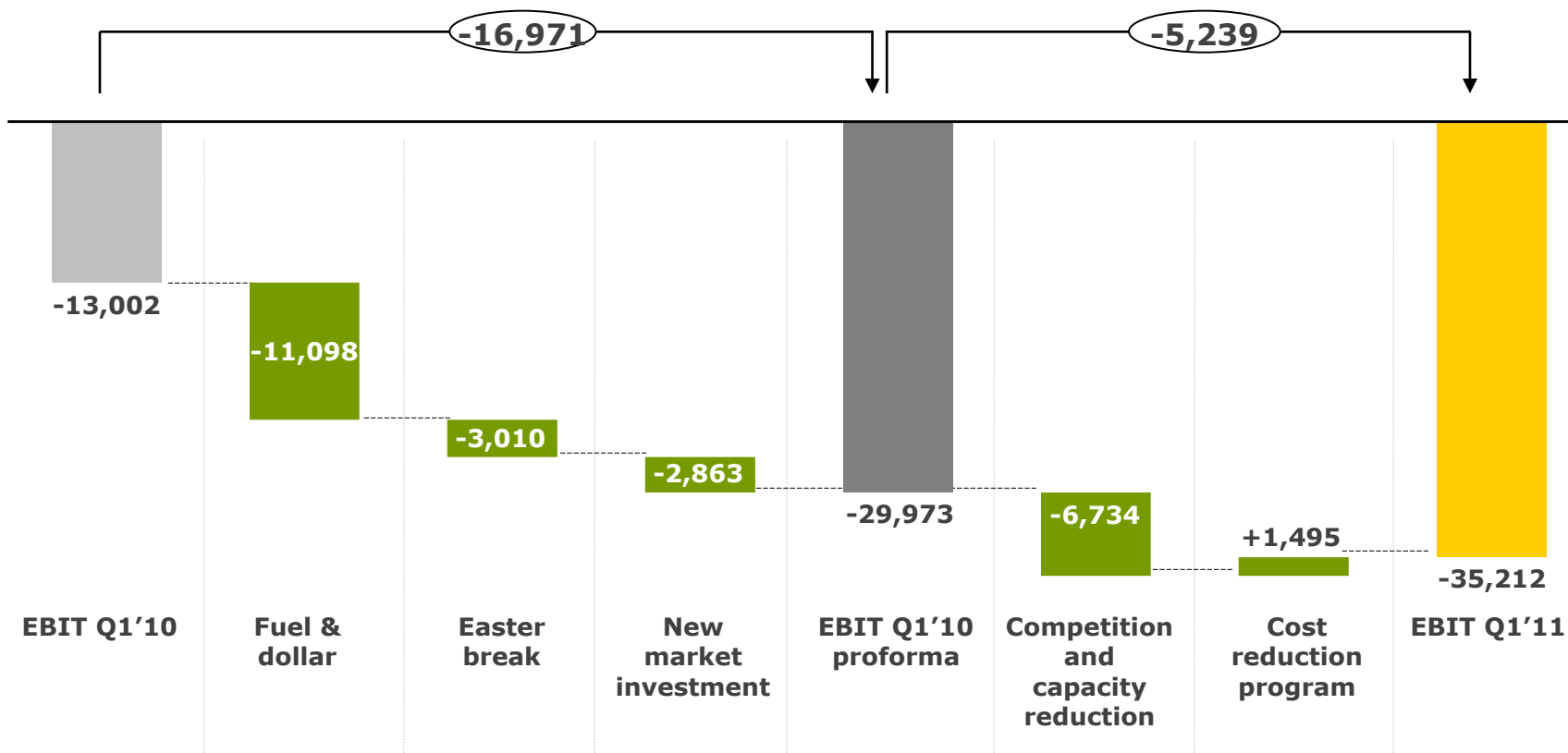


Source: Vueling



# EBIT decrease in Q1'11 has been €-5.2m on a pro forma basis

## Impact of key factors EBIT (€'000)

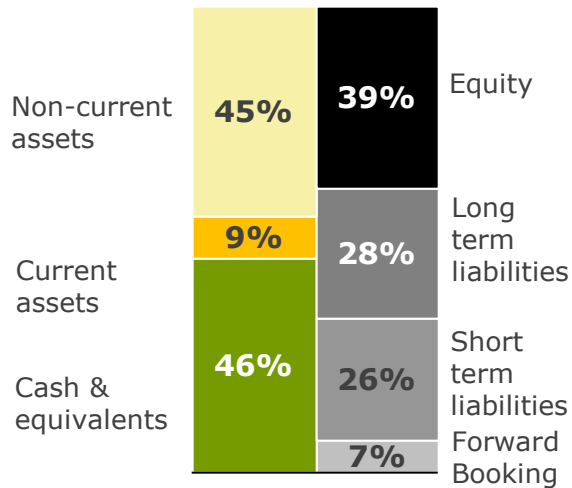


Source: Vueling

# Despite this result, Vueling is keeping a strong cash position

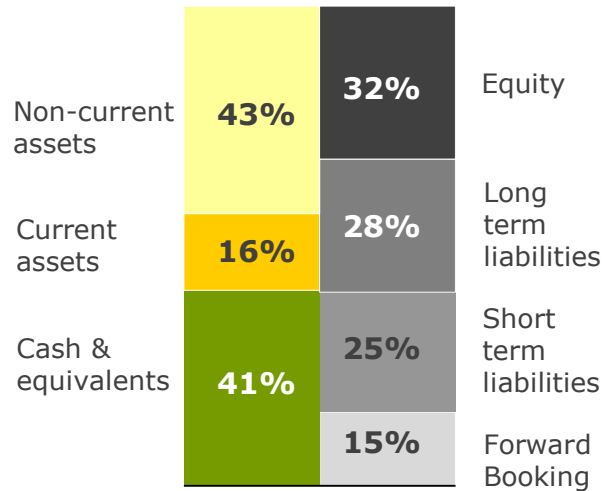
Balance Sheet as of Dec'10

Σ €477m

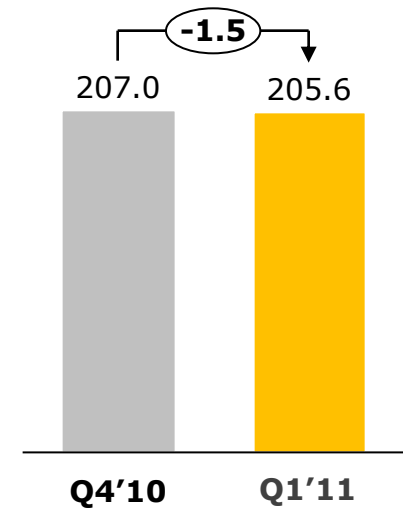


Balance Sheet as of Mar'11

Σ €546m



Net cash (€m)



Source: Vueling

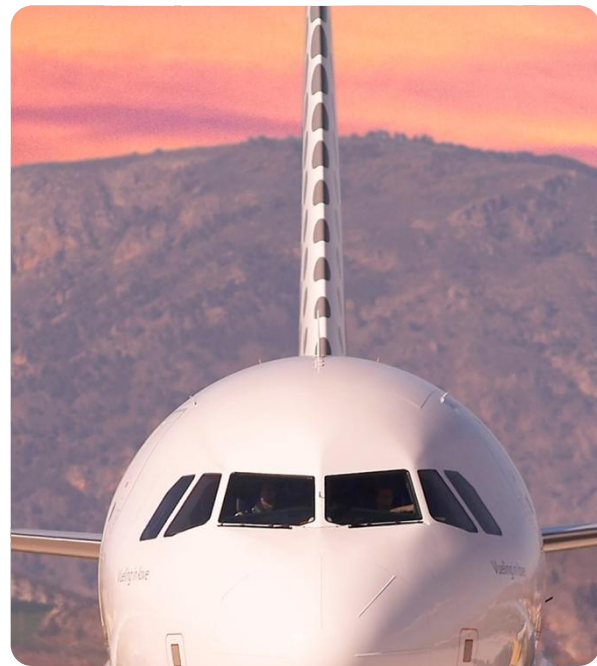
# C. 1.

## Business Review

### 1. Growth

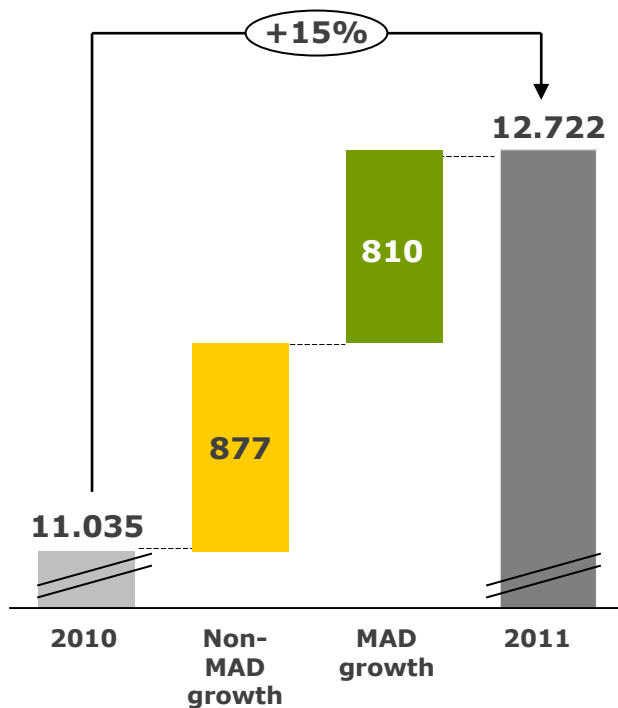
### 2. Differentiation Strategy

- ① Connections
- ② International bases
- ③ Offline Channel
- ④ Ancillary Innovation
- ⑤ Brand
- ⑥ Cost Reduction Program
- ⑦ Excellent Execution

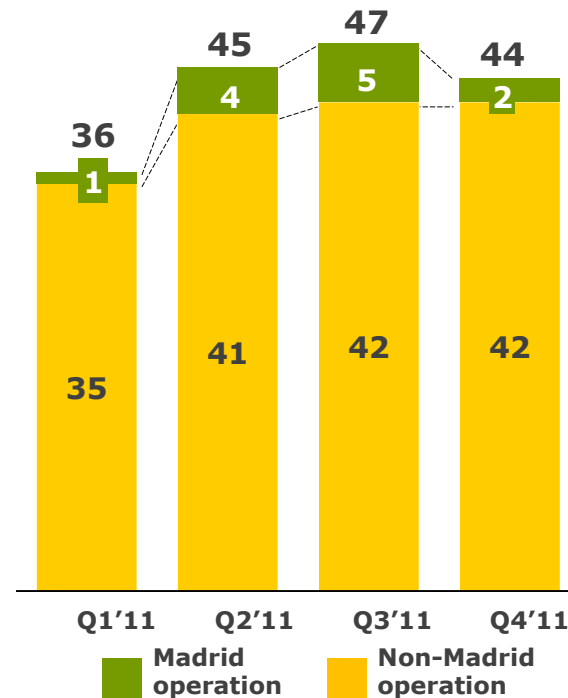


# Vueling will increase passengers by 15% in FY2011 through a balanced mix of growth sources

## Passengers ('000)



## Average available aircraft



- 5 aircraft are leased during Madrid operation from March to October
- 48% of passenger growth comes from Madrid operation

Source: Vueling

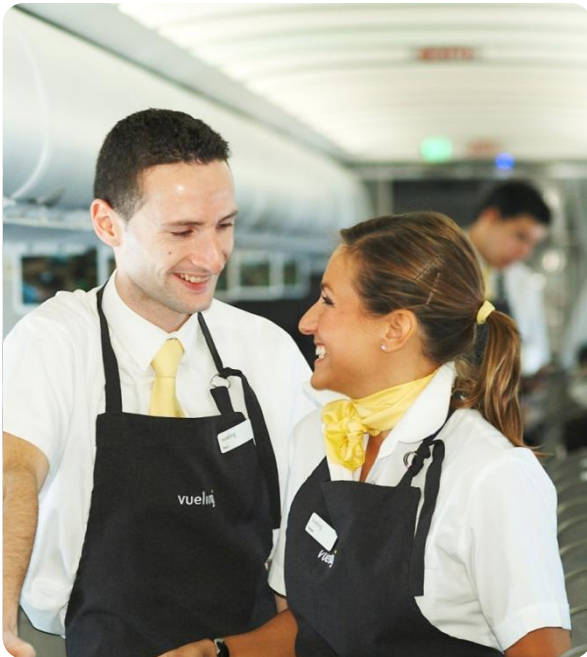
# C. 2.

## Business Review

1. Growth

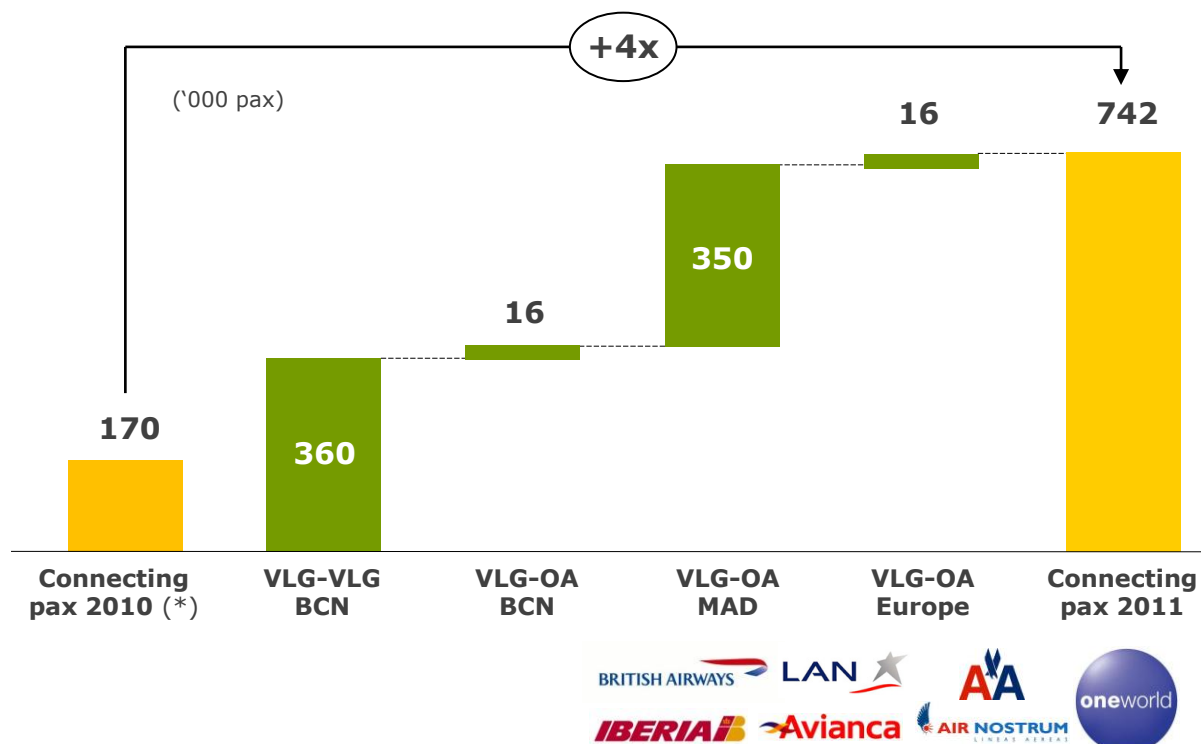
2. Differentiation Strategy

- ① Connections
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# Higher yield potential through connecting passengers that will grow significantly in 2011

## Connecting passenger growth prospects, 2010 vs. 2011



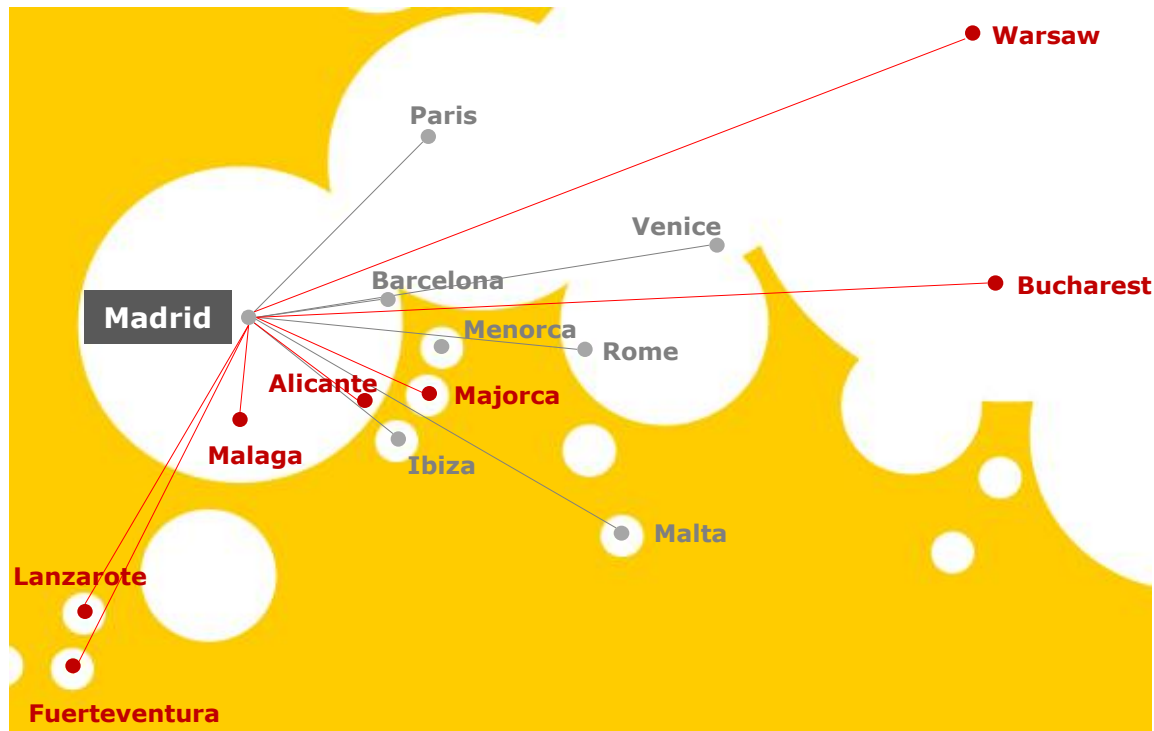
- 190K additional VLG-VLG connecting pax through BCN in 2011
- In Barcelona, Vueling now feeds new other airline's long haul ops
- In Madrid, connecting passengers to other airlines gives access to higher yield potential
- Agreements with other **oneworld** carriers will be reached in 2011 for further connections in Europe

OA: Other airlines (\*): Vueling-to-Vueling, BCN, from 5<sup>th</sup> July 2010 onwards  
Source: Vueling

# Vueling has added 7 new markets from Madrid to feed other carriers

## New Vueling routes\*

### Existing Vueling routes



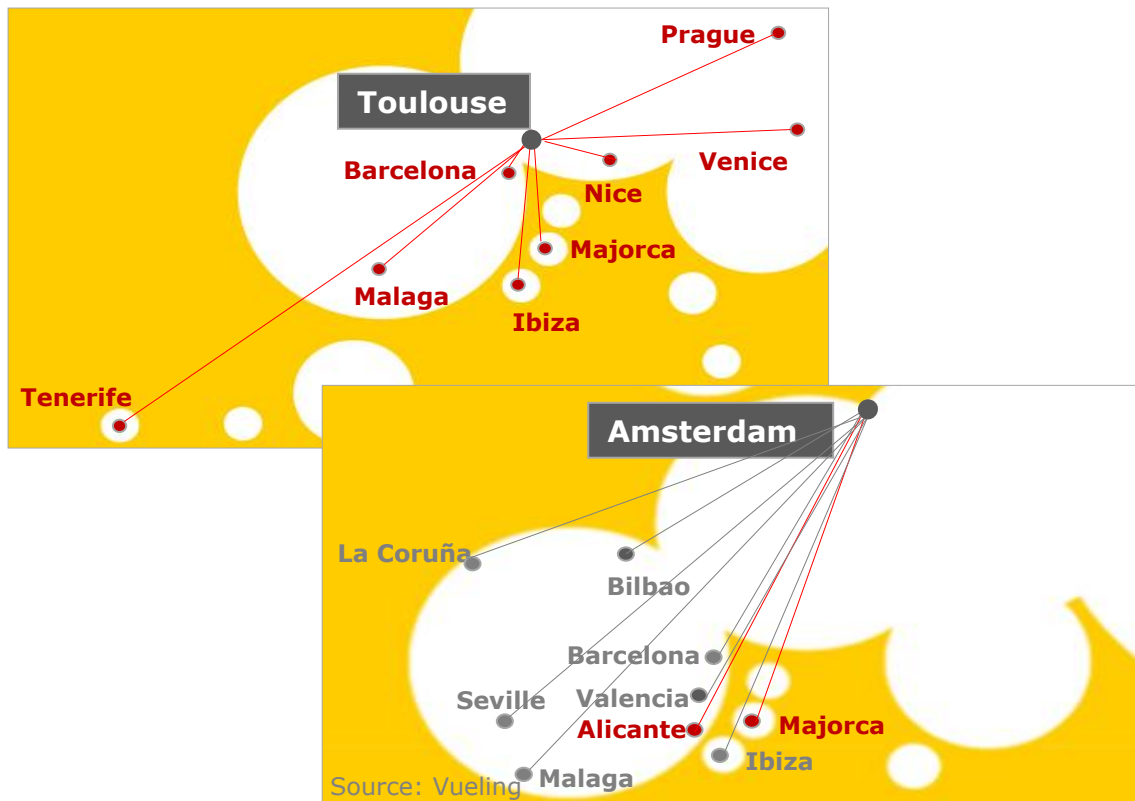
\*March 1st: Bucharest and Warsaw

\*April 16th: Fuerteventura, Majorca, Alicante, Malaga

\*May 7th: Lanzarote

- Agreement with Iberia to operate these routes from March/April until October 2011
- Connecting flights to Iberia and other carriers flying to MAD
- Also, point-to-point passengers per current Vueling commercial model

# International expansion with new European bases in strong markets: Amsterdam & Toulouse



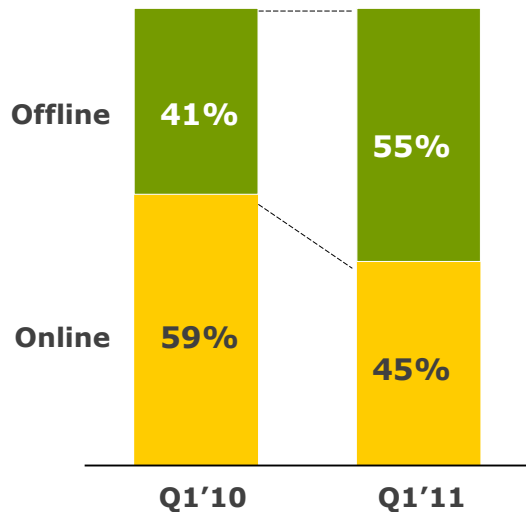
- 2 new European bases
- Dedicated aircraft
- 1.2m seats offer from AMS and TLS
- Forward bookings are slightly above Vueling average

**New Vueling routes**  
**Existing Vueling routes**

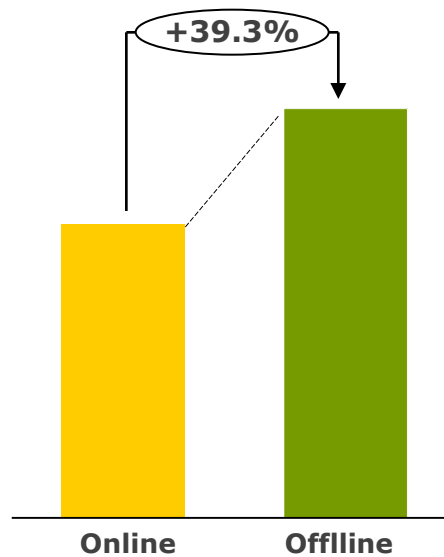


# Vueling has a strong and growing presence in the offline channel, that gives access to higher yield

## Revenues per channel



## Offline average fare

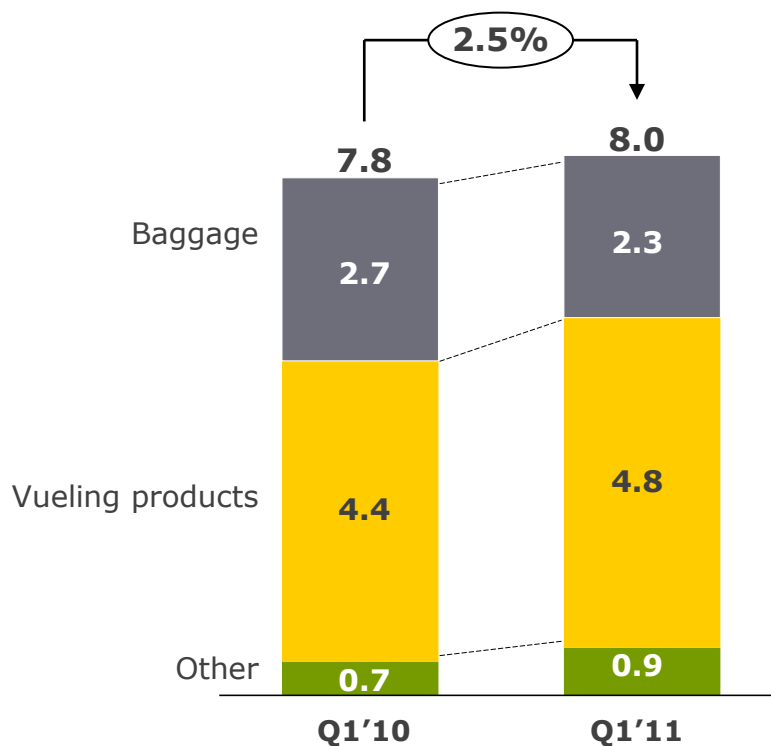


- Offline channel gives access to business passenger market
- Average fare is 39% higher in offline channel

Online: Vueling.com + Online travel agencies / Offline: Offline Travel Agencies  
Source: Vueling

# Continuous ancillary innovation has increased ancillary revenues per passenger by 2.5%

## Ancillary revenues, € per passenger



- Baggage decrease has been offset by an increase in other Vueling products
- New and enhanced products ("Pack Go" for business passengers, connection fees, seat assignment...) and new agreements with external partners are key drivers for growth
- Focus on ancillary innovation will continue with the launch of new products

Source: Vueling

# Advanced marketing techniques and strong brand

The screenshot displays the Vueling website's search and offers section. At the top right, there are links for 'Enter | Register' and a 'myvueling' logo. Below these are navigation buttons for 'Check-in Online', 'Vueling Cities', 'Services', 'Changes and Itinerary', 'Useful Info', and 'Punto Program'. A yellow banner highlights 'Your last flight to travel Londres-Bilbao from € 159.' with a 'Get it back!' button.

The main search area on the left includes the slogan 'flying today means vueling' and icons for flights, hotels, and cars. It features a search form with options for 'Round Trip' (selected) or 'One Way', a departure location of 'London (LON)', and a 'Destination' dropdown. The departure and return dates are both set to 'Tuesday 03 May, 2011'. Below the date fields, there is a 'Search for dates' dropdown set to '1 day earlier/later'. The 'No Passengers' section shows '1 Adult', '0 Children' (ages 2 to 11 years), and '0 Infants' (ages 1 to 23 months). A 'Resident / Large Family' checkbox is also present. A 'Search' button is at the bottom of this section.

The central promotional banner features a baby sitting on a cloud, with text: 'THIS CLOUD IS OUT OF THIS WORLD!' and '1,000,000 SEATS AT PRICES FROM 29€'. A 'BOOK NOW!' button is at the bottom right of the banner.

The 'Vueling Offers' section lists two one-way flights: 'London - Bilbao' for 59€ and 'Barcelona - Naples' for 44€. A 'More offers' button is below. The 'Reservation center' section shows the phone number '807 200 100' and a note: 'From Spain: 0.89/min., from landline and €1.24/min., from mobile, taxes incl.'

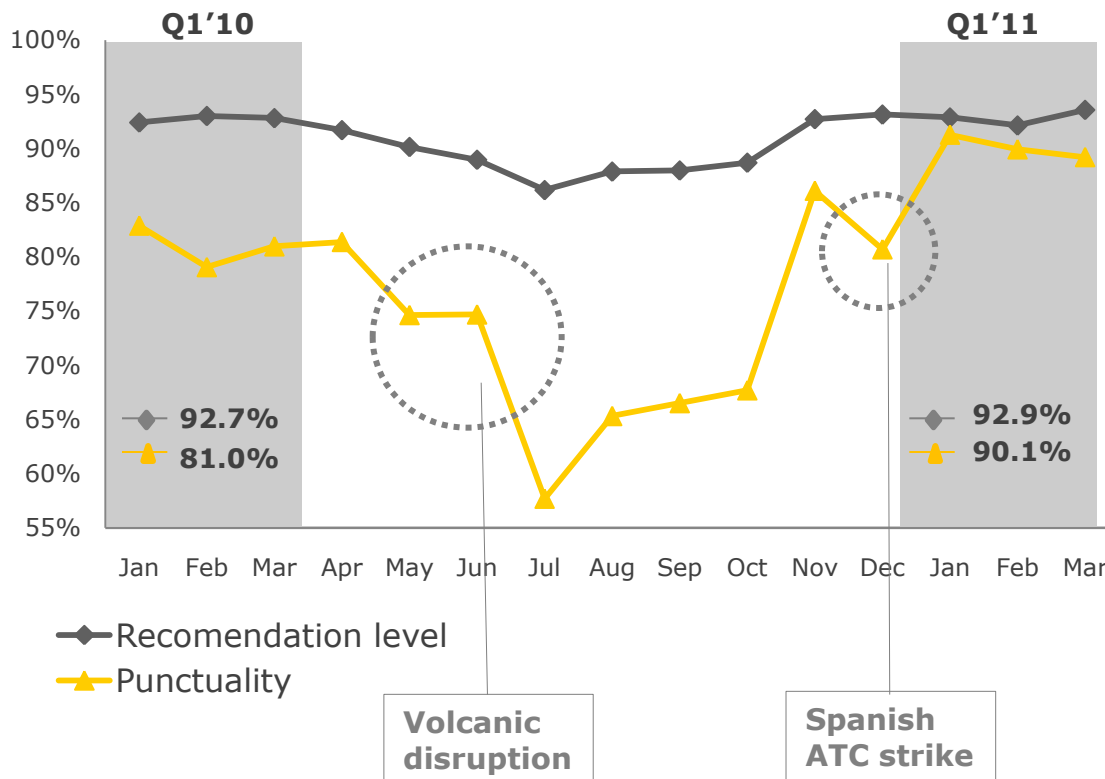
At the bottom, there are four service icons: 'Group bookings', 'Car hire', 'Receive our offers', and 'Price calendar'.

- Innovative customer acquisition management:
  - New mobile platform (+25% bookings)
  - Facebook and Twitter campaigns (+100K fans)
- Advanced CRM techniques (Web content personalisation and targeted e-mail and advertising) have increased conversion
- High brand awareness: up to 98% in Spain

Source: Vueling

# Excellent execution: consistently high punctuality and passenger recommendation

## Punctuality and Passenger Recommendation Q1'10 vs. Q1'11

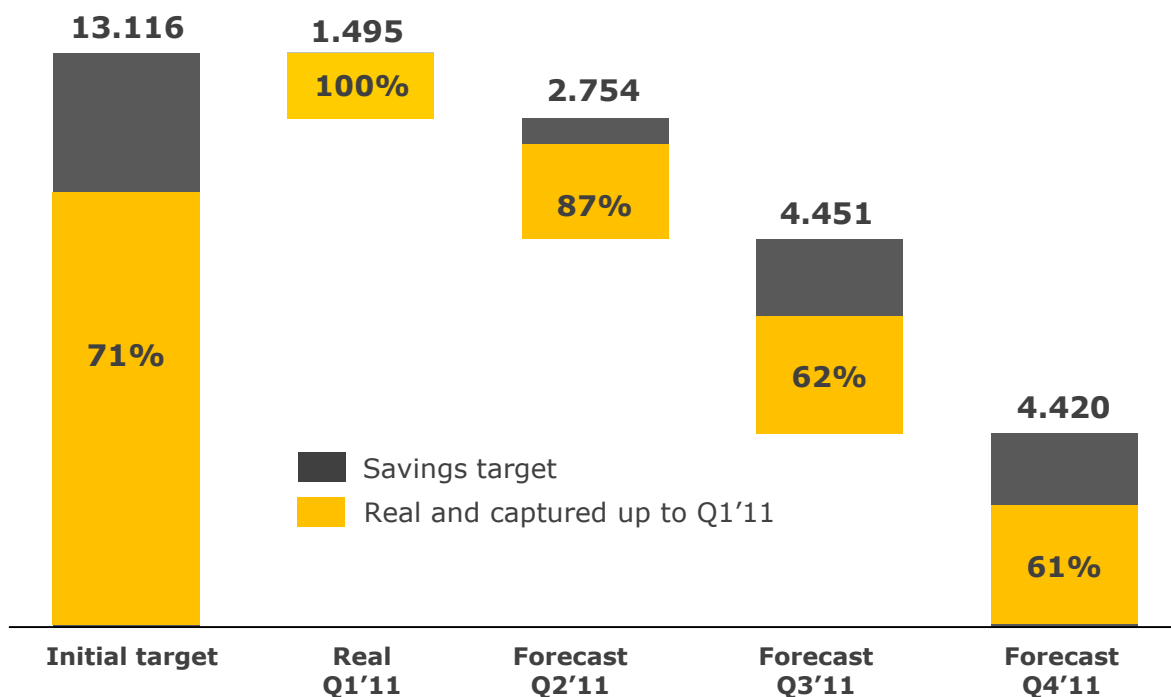


- Punctuality is above 90%, 9 points better than previous year
- Recommendation level is above 92%
- Business passenger recommendation is above 90%

Source: Vueling

# Vueling will obtain €13m further structural cost reduction in 2011 – Q1 targets achieved

## Cost savings expected during 2011 (€ `000)



- €13m cost reduction program based on 75 initiatives
- 71% of planned savings already captured

Source: Vueling

# D. Outlook

Opportunities

Risks

Outlook



## Opportunities

- Likely market consolidation in Vueling markets
- Europe-Spain market continues to grow
- A successful MAD hub feeding operation could open new opportunities with other airlines

## Outlook

- Keep top line target of 15% growth, half from MAD operation:
  - 810.000 extra passengers
  - 7 new routes
  - 310.000 connecting passengers
- More interline agreements with more **oneworld** partners to be completed
- Keep CASK ex-fuel at 2010 levels by continuing with our cost reduction program

## Risks

- High fuel price
- Weak Spanish domestic market growth
- Sustained lower fare environment

flying hoy means **vueling**

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