



Q2'11 Results presentation

Vueling Airlines, 26 July 2011

Agenda

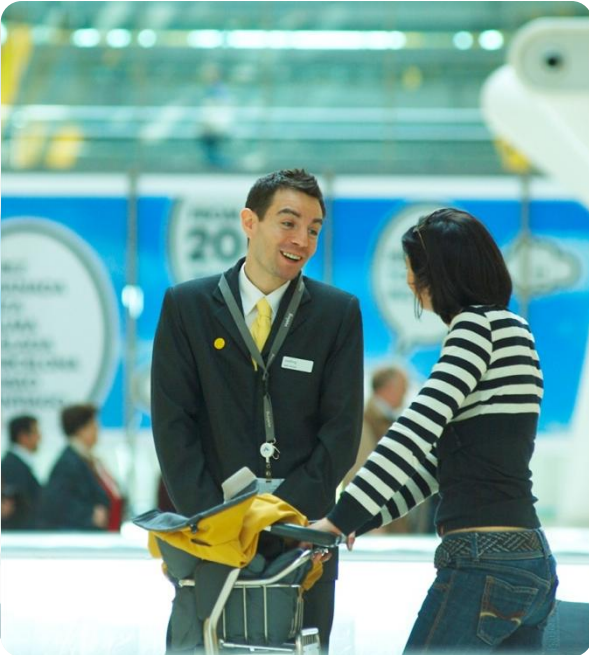
- A. Highlights & Market
- B. Financial Review
- C. Business Review
- D. Outlook



A.

Highlights & Market

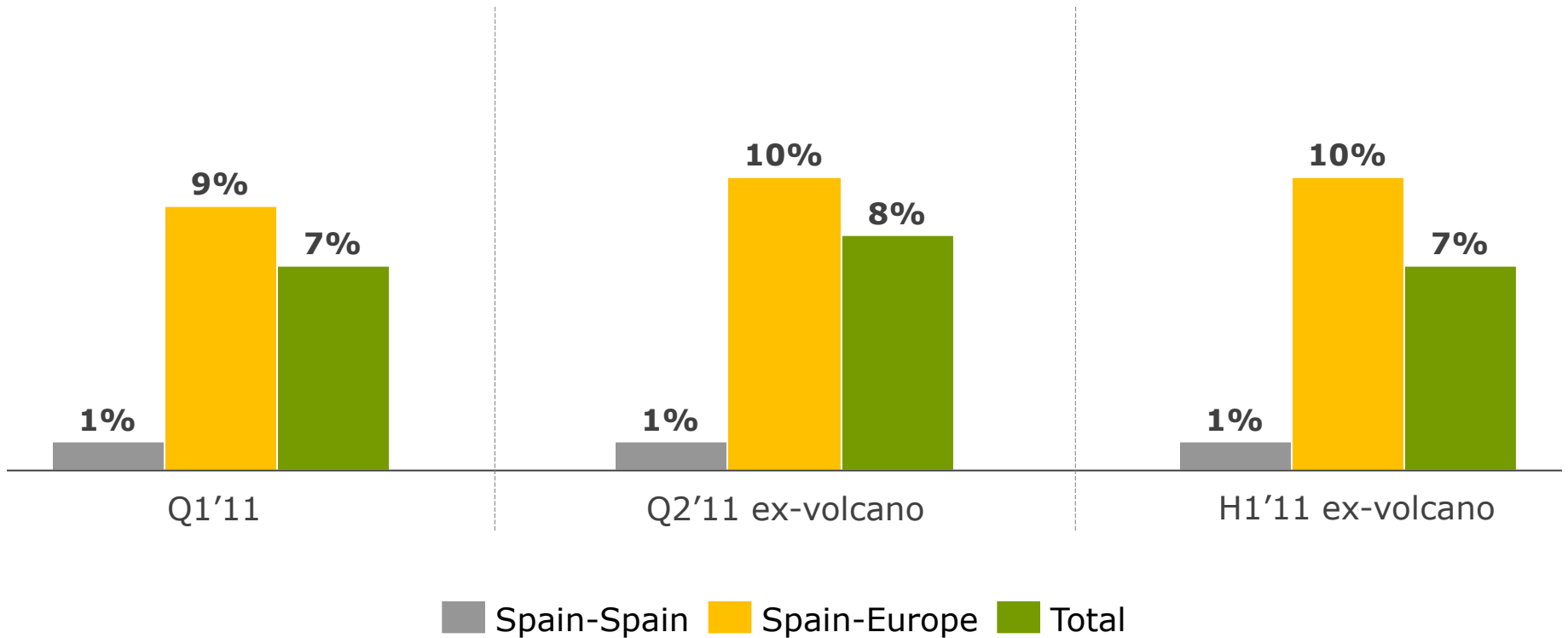
1. Highlights
2. Market evolution
3. Average fare evolution
4. Fuel and dollar



- Vueling's Q2'11 net income amounted to €3.6m
- Significant capacity increase (+11% ASK) driven by new international bases and new Madrid operation as a result of the agreement with Iberia
- Traffic was up by 16% in passengers; +1.3pp better in load factor and revenues increase by 9% year-on-year
- Good ex-fuel cost performance, as CASK ex-fuel decreased by 0.4% vs. last year
- Fuel price has increased by 51% vs. same period last year
- Despite this fuel cost increase, Vueling achieved a positive EBIT of €4.2m (vs. €21.2m in Q2'10)
- Vueling maintained a strong cash position, strengthening its solid balance sheet structure (€277m in net cash at the end of June)

Spanish market grew driven by European traffic as domestic demand remains weak

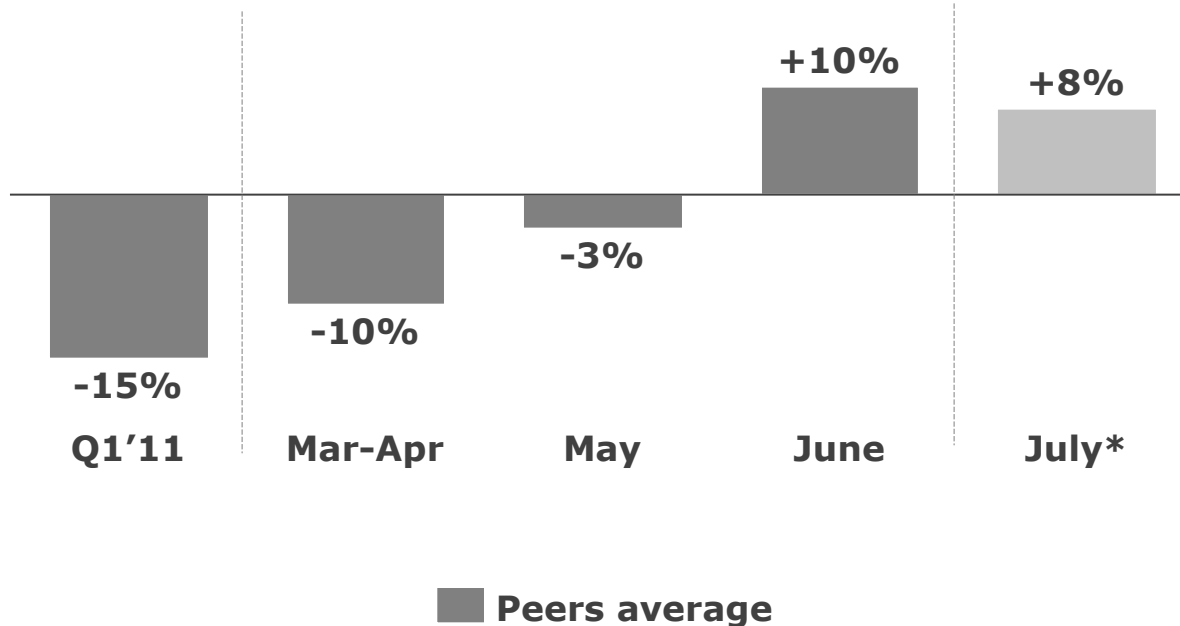
Market Growth (pax)



Source: Aena and Vueling estimates. Without excluding volcano effect: Q2'11 SPA-SPA=+2%/Q2'11 SPA-EUR=+18%/Q2'11 TOTAL=+14%

Demand and competitive environment maintained fares low

Monthly average fare evolution, 2011 vs. 2010

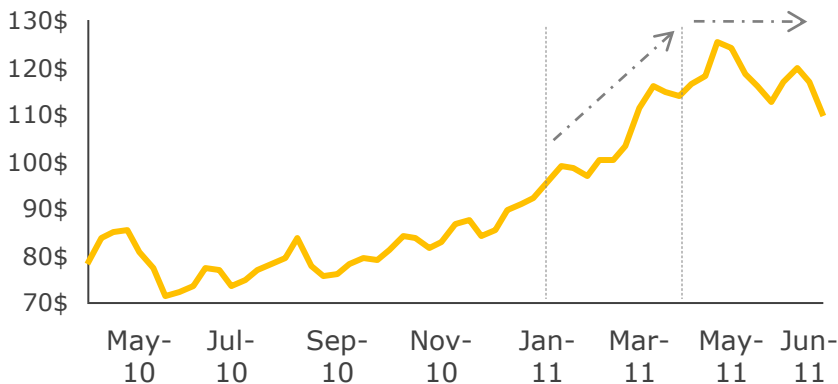


- Average fare decrease continued in April and May
- However, there is a change in this trend in June
- In July, this change is confirmed

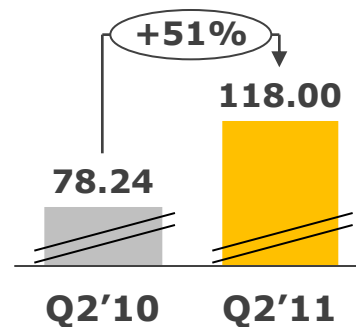
Source: Vueling Note: Based on fares for tickets sold 21 to 90 days in advance, 2011 vs. 2010 *Until July 17th

High oil prices remain but at stable levels

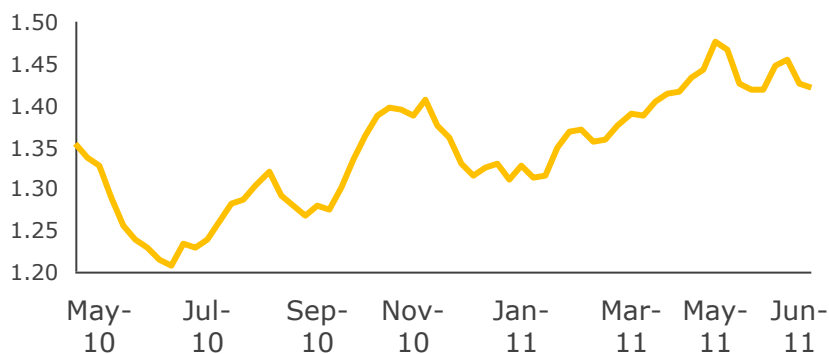
Brent barrel price evolution



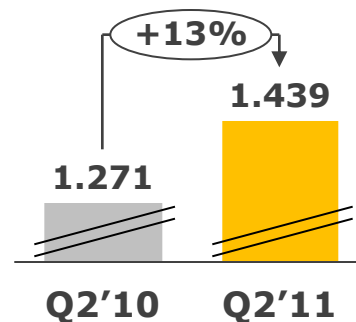
\$/bbl % change



€/USD evolution



€/USD % change



- Oil price has risen 51%* vs. last year in Q2'11
- The oil price hike has shown signs of moderation but it is still at high levels
- The euro / dollar exchange rate has improved 13%, insufficient to offset the fuel price increase

Source: Reuters *Brent barrel, Jet fuel rised 47%

B.

Financial Review

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



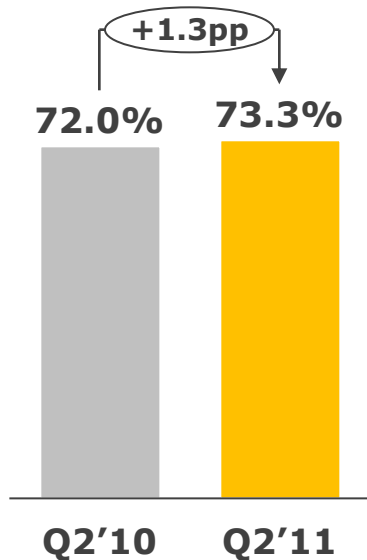
In spite of the increase in fuel cost, Vueling achieved a positive EBIT

	Q2'11	Q2'10	YoY change
ASK (m)	3,888	3,504	+11%
Revenues (€m)	229.8	211.1	+9%
Fuel (€m)	-66.9	-46.3	+44%
Opex (€m)	-129.4	-118.2	+9%
D&R (€m)	-29.3	-25.4	+16%
EBIT (€m)	+4.2	+21.2	-17.0m
Cash flow (€m)	+71.0	+64.8	+10%

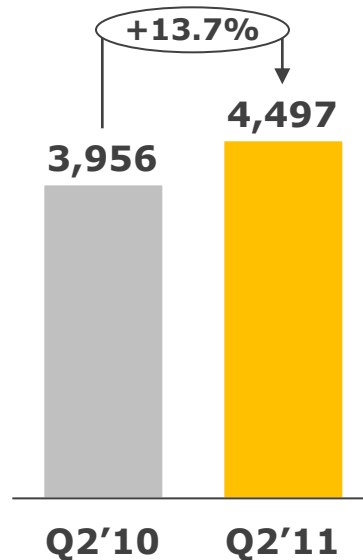
Source: Vueling Note: D&R: Depreciation + Aircraft Rent, Opex: Other operating expenses

Vueling has been able to manage significant capacity growth while achieving a higher load factor

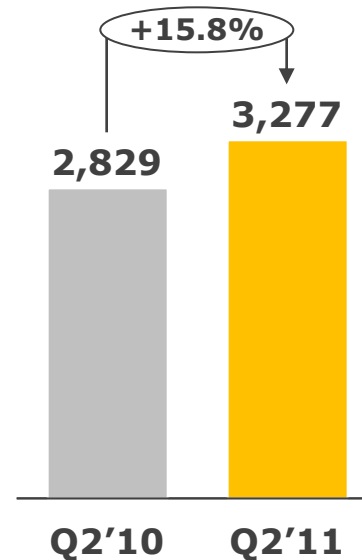
Load factor¹



Seats ('000)



Pax ('000)

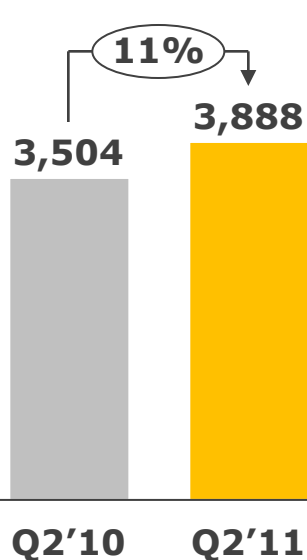


- Significant capacity growth: +14% seats
- Ability to manage the capacity increase efficiently
- Passengers up by 16%

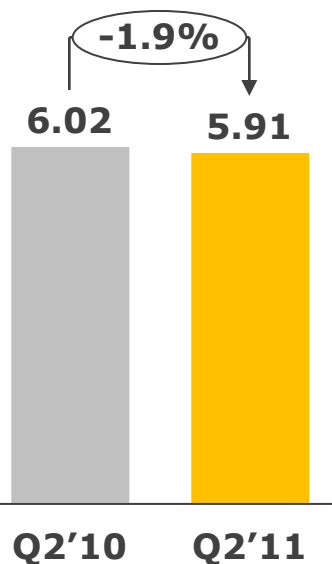
Source: Vueling (1): RPK/ASK

Revenues increase by 9%, driven by growth

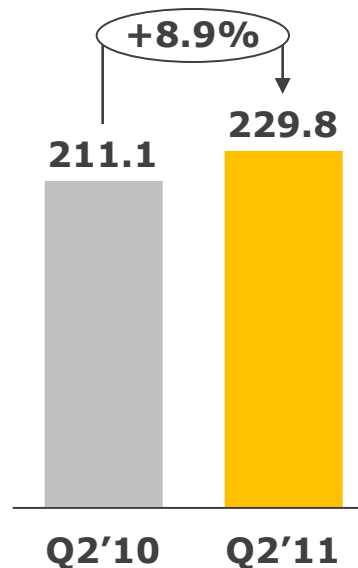
ASK (m)



RASK (€c)



Revenues (€m)

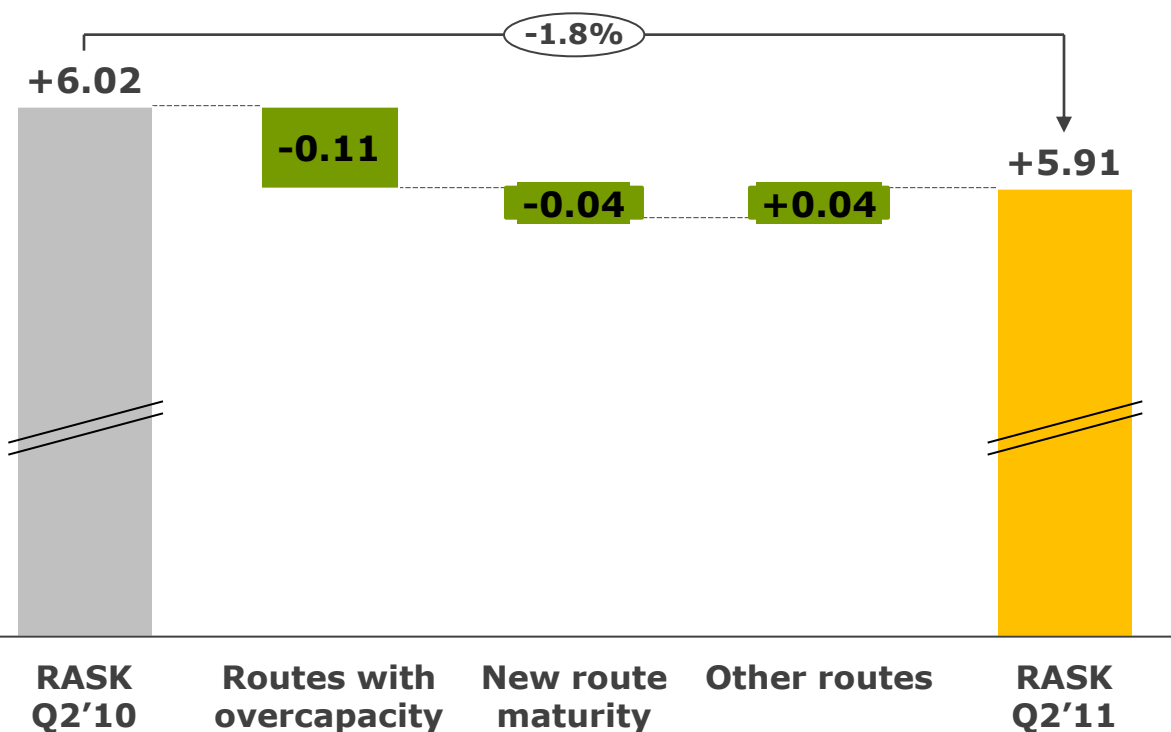


- Significant activity increase
- RASK performance impacted by yield pressure due to overcapacity in some markets and new route development
- Revenues increase by 9%

Source: Vueling

RASK performance was impacted by overcapacity and new route development

Impact of key factors on RASK (€c)

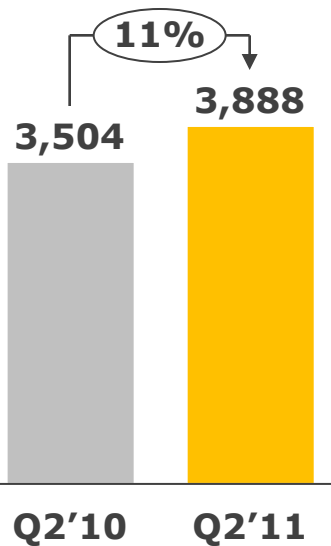


- Uneven quarter performance
- April was flat vs. last year
- May performance was worst due to weak demand
- In June, improved performance on more favourable prices

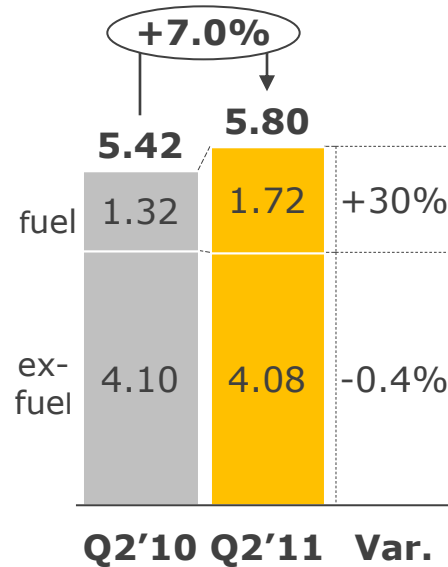
Source: Vueling

Ex-fuel costs at same levels as last year, but higher fuel prices affected total CASK performance

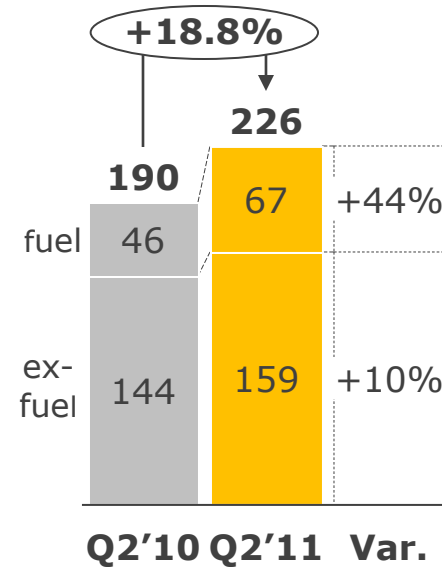
ASK (m)



CASK (€c.)



Costs (€m)

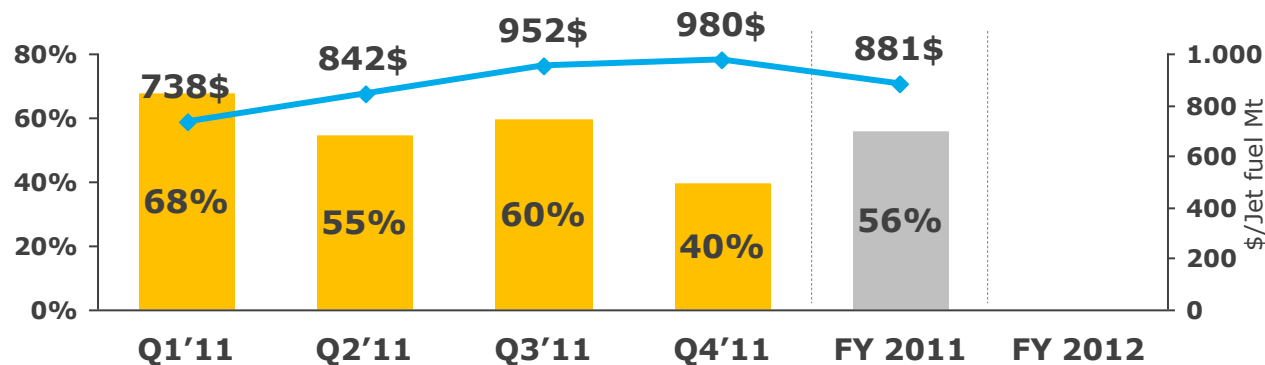


- Good CASK ex-fuel performance: down €0.02c vs. last year
- CASK fuel increase was 30%, lower than 51%^(*) fuel price increase, due to hedging policies

Source: Vueling (*) Brent barrel. Jet fuel increased 47%

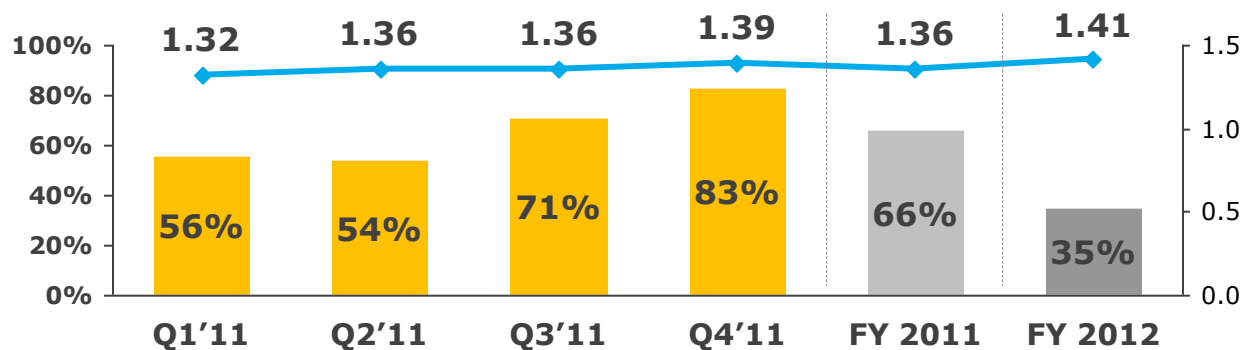
Fuel price has increased 51% vs. last year;
hedging policy has reduced the impact to 30%

Fuel hedging



- Q2'11 fuel price has increased by 51%*
- Q3'11 and Q4'11 now hedged on fuel by 60% and 40% respectively

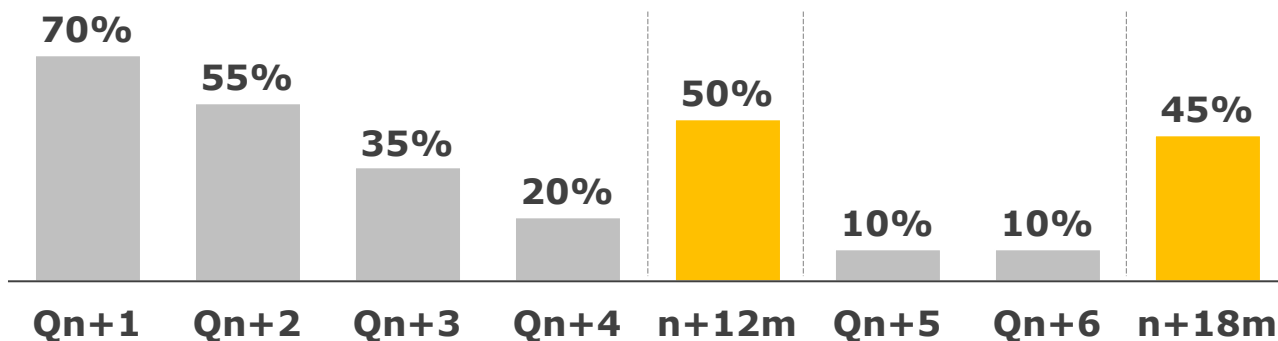
Dollar hedging



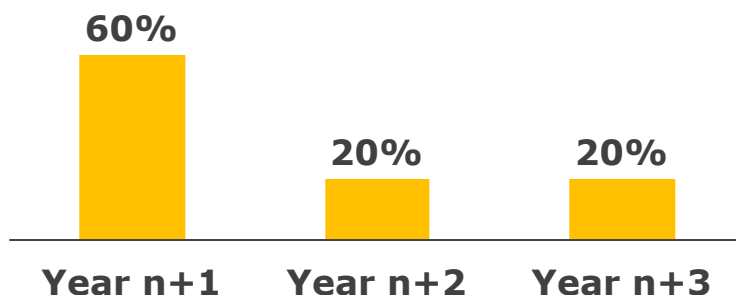
Source: Vueling (*) Brent barrel. Jet fuel increased 47%

New hedging policy improves long term planning while allowing for flexibility

Fuel hedging policy (%)



Dollar hedging

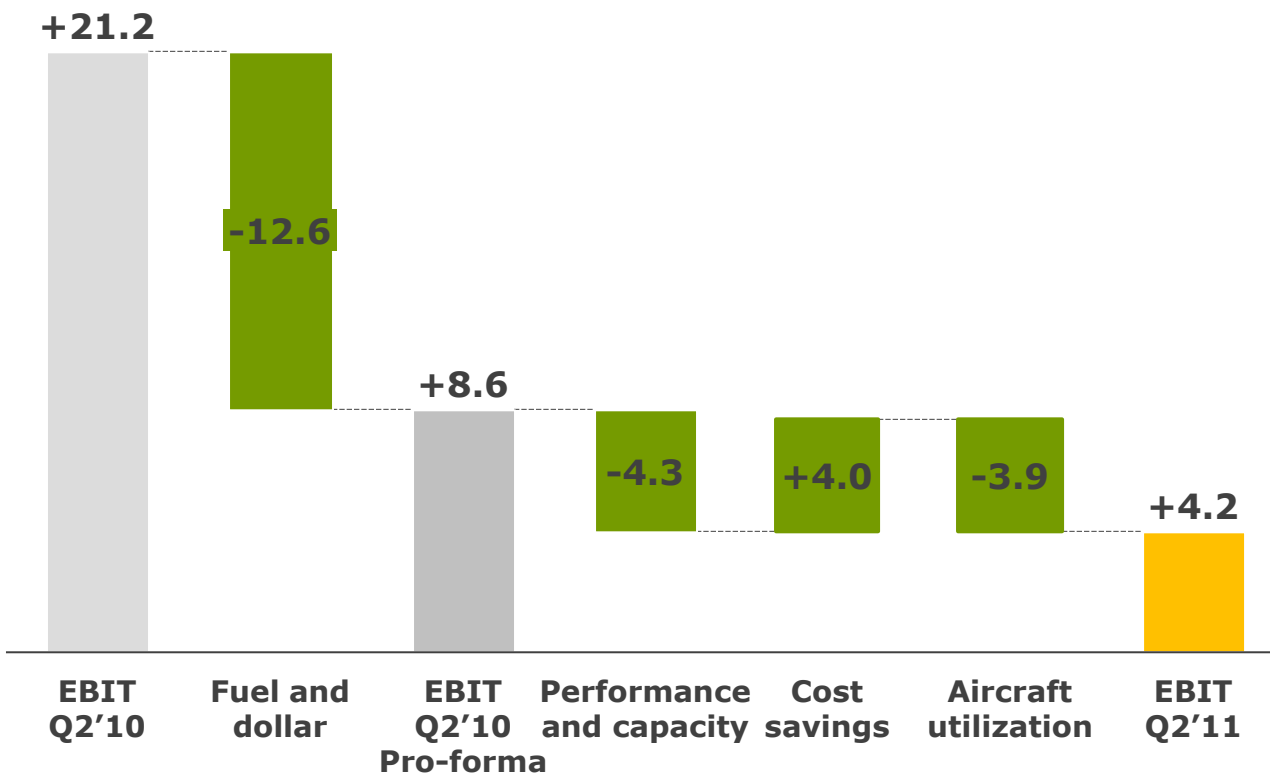


- The new policy establishes a set of hedged levels per quarter, allowing for some flexibility in order to take advantage of market downturns
- The new policy allows to plan for a longer time horizon

Note: Dollar hedging excludes fleet dollar needs as they are already 100% hedged

Fuel cost increase had the major impact on EBIT performance

Impact of key factors EBIT (€'000)



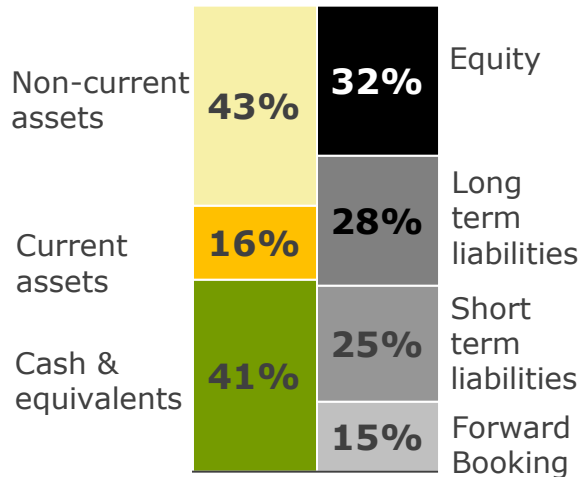
- Fuel and dollar were the two main factors affecting EBIT
- Decrease in performance and capacity due to competition and new route development
- Lower aircraft utilization due to lower sector length in Madrid operation, one additional back-up aircraft and tactical capacity cuts

Source: Vueling

Vueling continues to strengthen its balance sheet, keeping a solid cash position

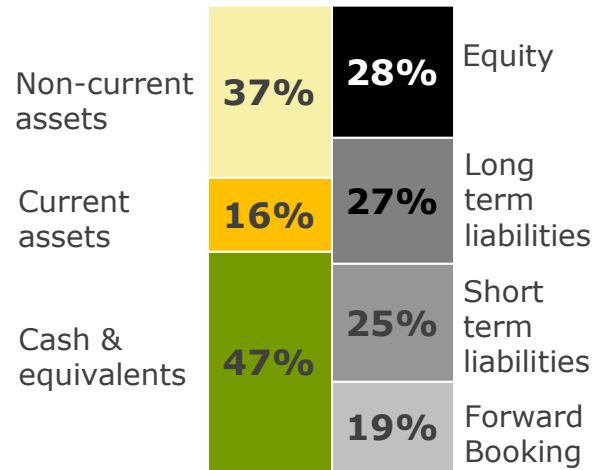
Balance Sheet as of Q1'11

Σ €546m

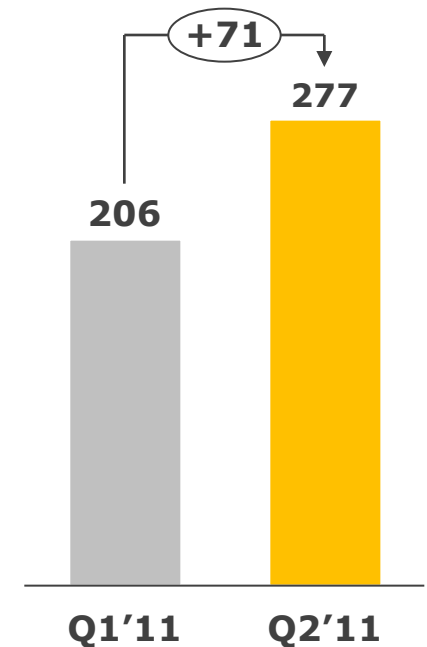


Balance Sheet as of Q2'11

Σ €609m



Net cash (€m)



Source: Vueling

C

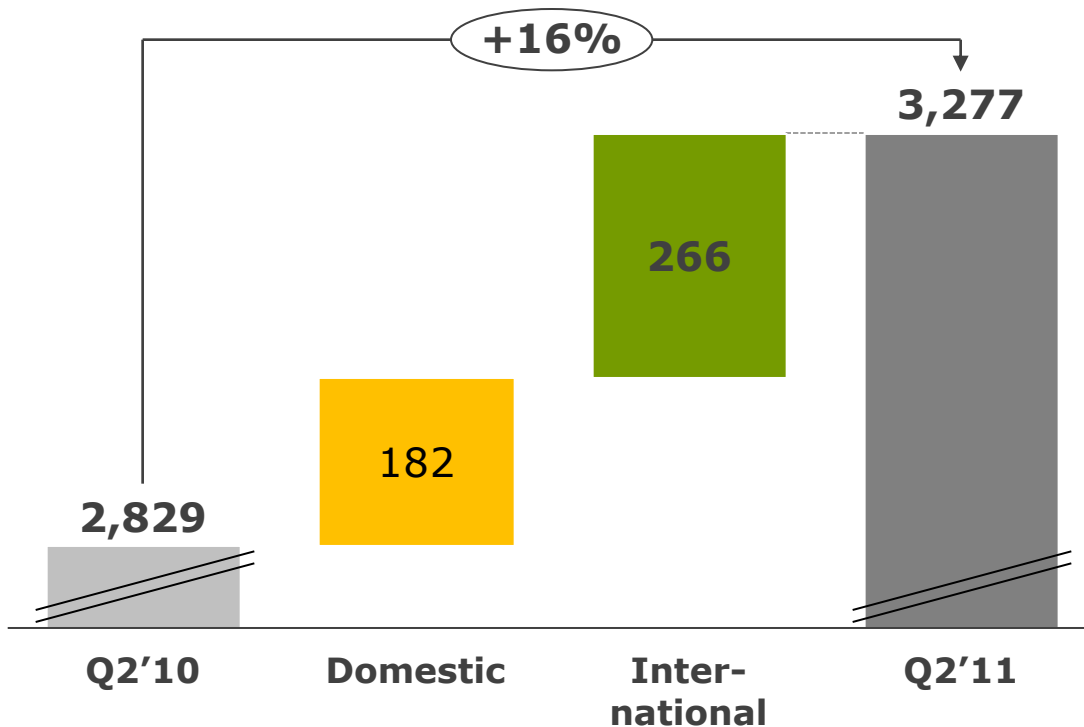
Business Review

1. Growth
2. Connecting passengers
3. Madrid operation
4. Summer routes
5. Internationalization
6. Brand
7. Excellent execution
8. Cost control



16% pax growth driven by international expansion

Passengers in Q2'11 ('000)

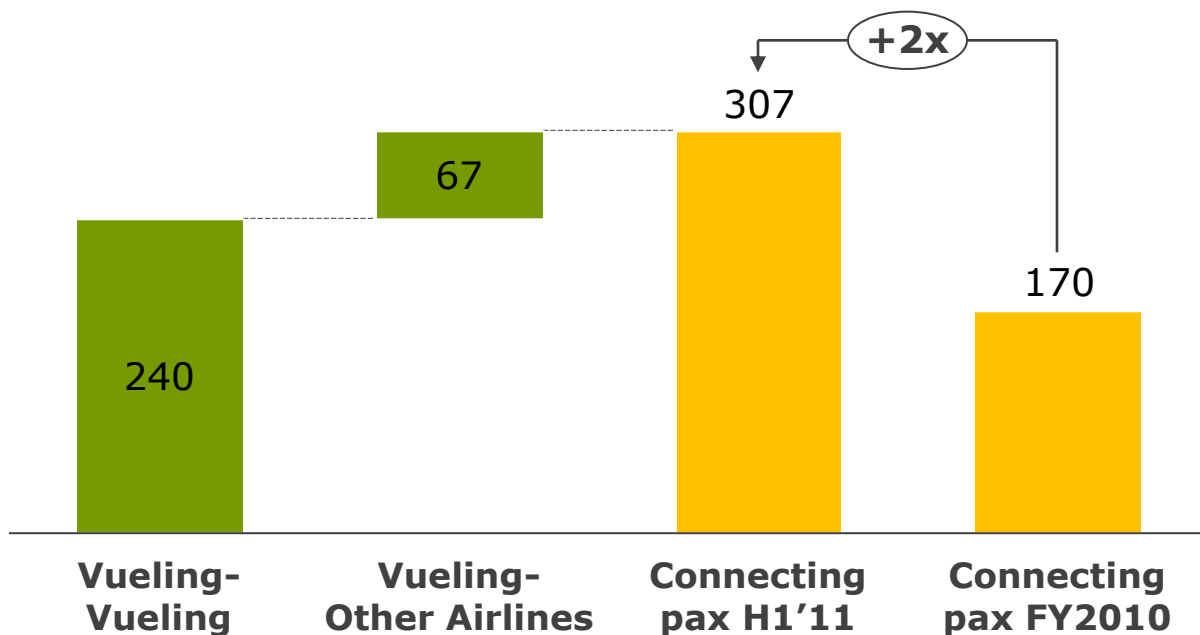


- International expansion is driving passenger growth
- This growth trend will continue in Q3'11

Source: Vueling

Vueling has already doubled connecting passenger figures in H1 with respect to 2010

Connecting passenger in H1'11 ('000 pax)



- Vueling has already doubled connecting passengers vs. FY'10
- Vueling-Vueling connections are a source of passenger traffic and a key differential element vs. competitors
- New agreements live with Avianca and LAN since July

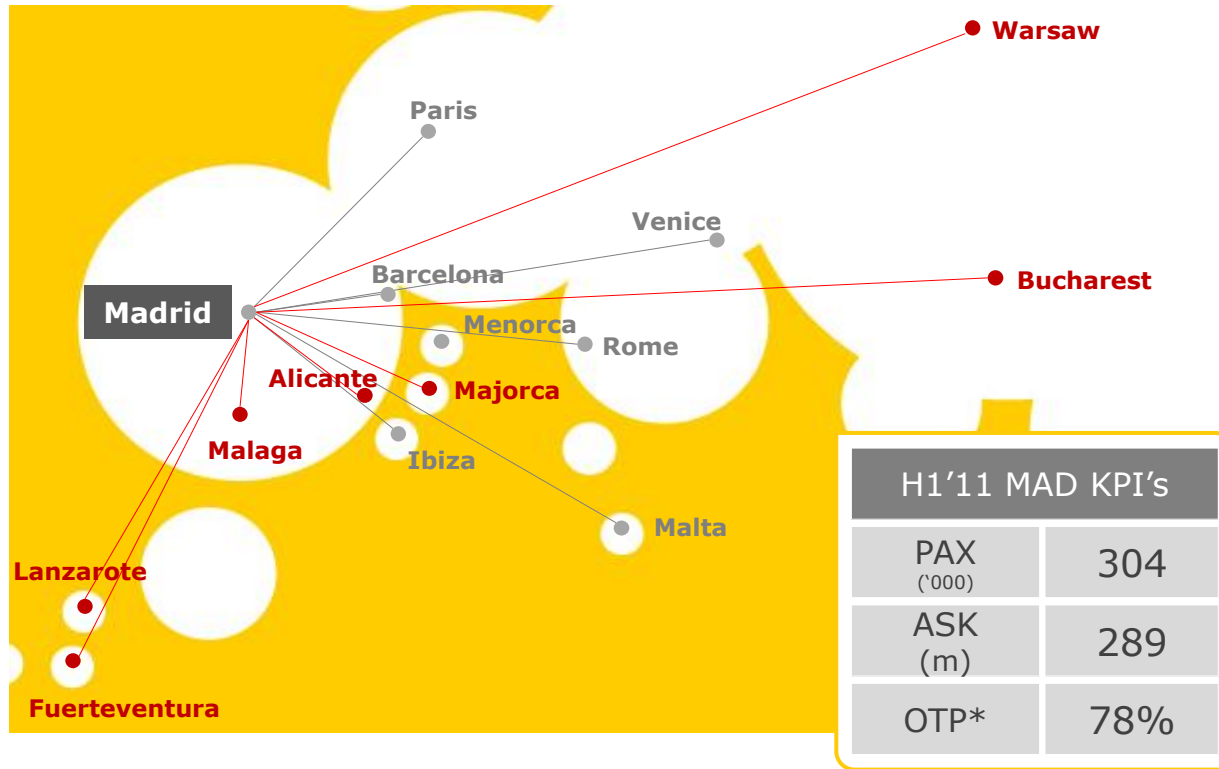


Source: Vueling

Madrid operation is showing good performance after three months

New Vueling routes*

Existing Vueling routes



- New Madrid operation shows a good overall performance after three months
- Agreement extended to Q4'11/Q1'12 but with a lower activity level
- New connecting flights to other carriers

*March 1st: Bucharest and Warsaw

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

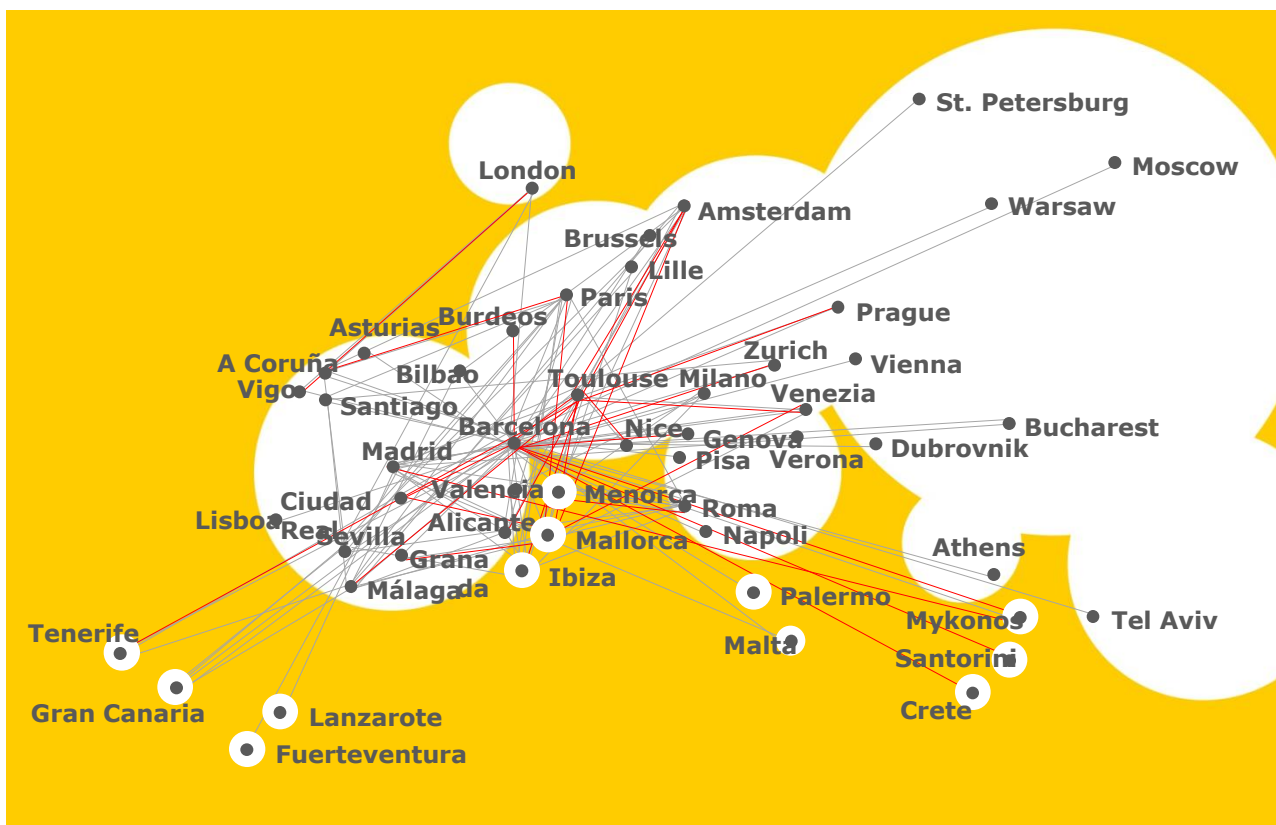
*May 7th: Lanzarote

* On Time Performance

Vueling adds 26 new routes this summer season

New summer routes

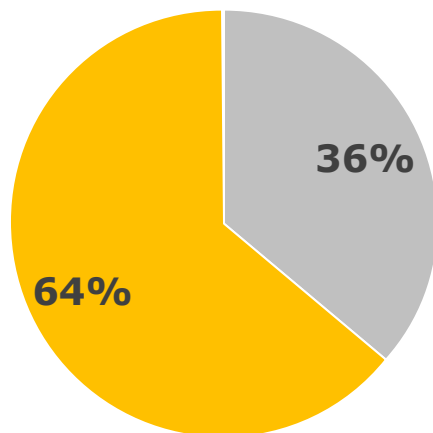
Existing Vueling routes



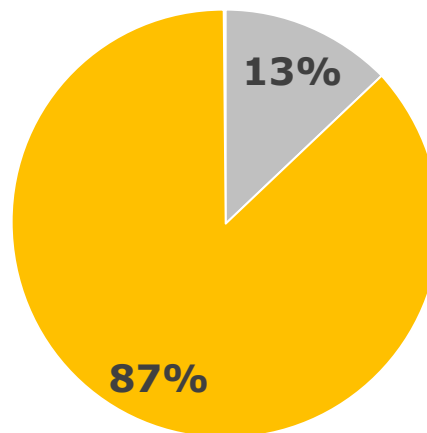
- 26 new routes this summer season
- More Europe-Europe routes with no Spanish origin or destination

Vueling shows the ability to gain market share in non Spanish markets

Origin of passengers in Amsterdam



Origin of passengers in Toulouse

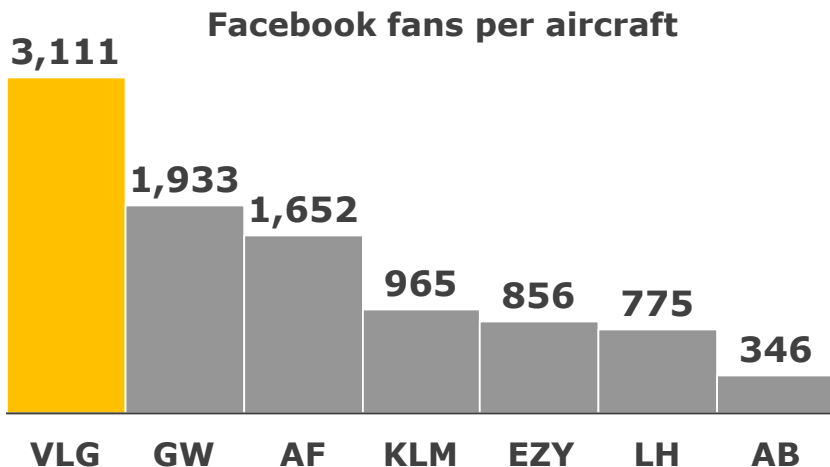


■ Spain ■ Other countries

- Vueling is showing ability to increase its market share outside Spain
- Diversification of revenue origin is increasing
- New bases outside of Spain are contributing to Vueling internationalization

Vueling is leader in new mobile channels and social media

Social media



- Vueling has a leadership position
- Sales through Facebook x4 vs. last quarter
- New sales with a small capital investment and low running costs

Mobile channel

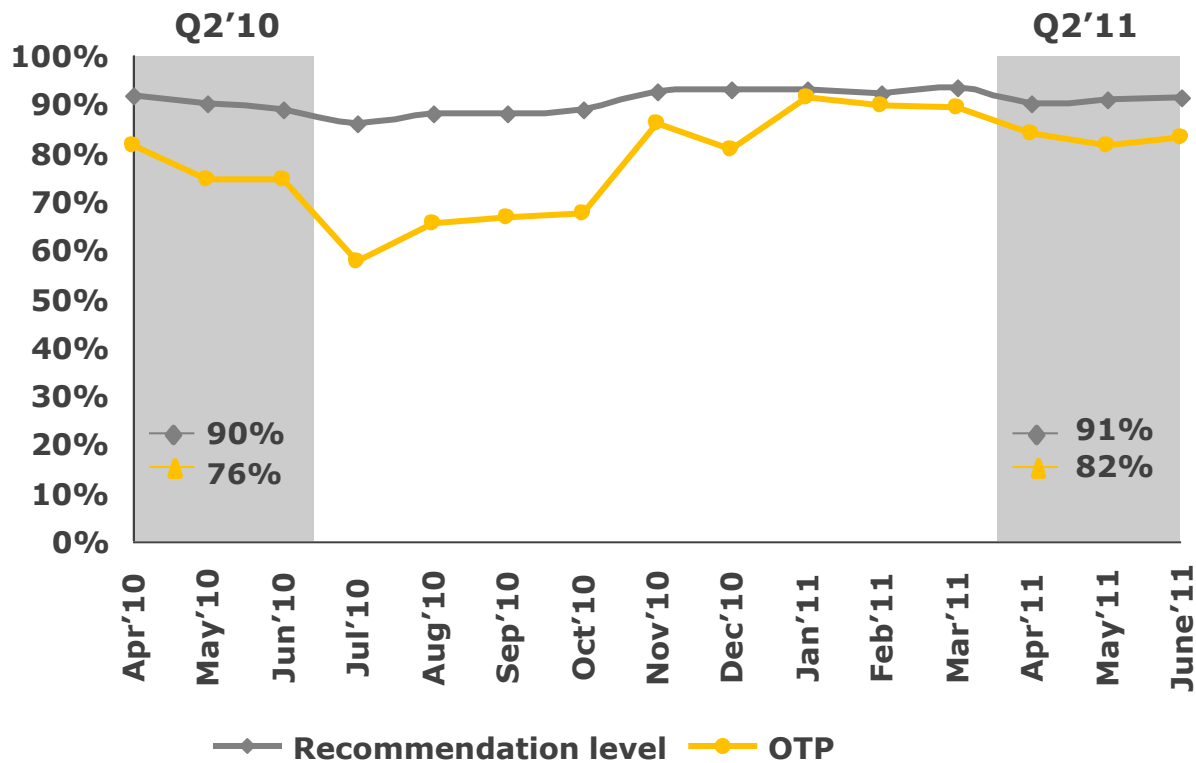


- Successful launch of a new iPhone app: TOP 5 in Apple Store Spain
- Sales, Vueling mobile x 2 vs. last year
- Low investment required

Source: Vueling.

Excellent execution: consistently high On Time Performance and passenger recommendation

OTP and Passenger Recommendation Q1'10 vs. Q1'11

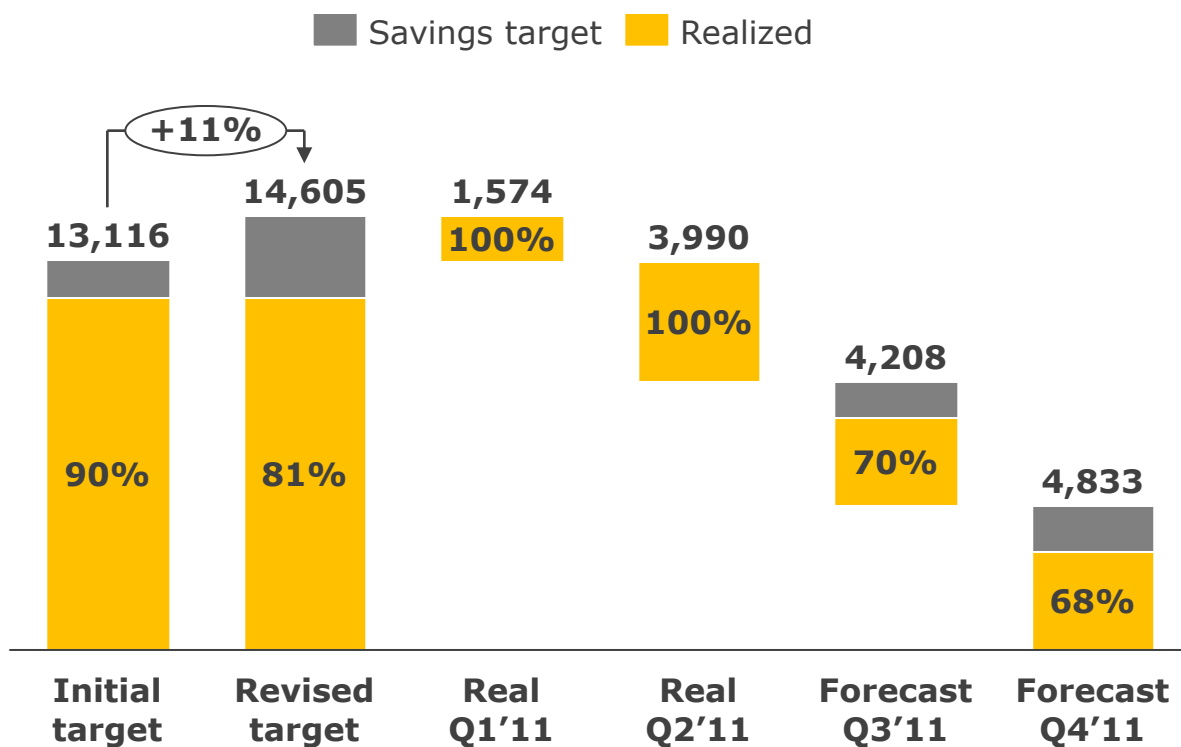


- OTP is above 80% network wide, 8 points better than previous year
- Recommendation level is above 90%
- Business passenger recommendation is above 88%

Source: Vueling OTP=On time performance

Vueling is on track to obtain further structural cost reduction in 2011

Cost savings expected during 2011 (€ '000)



- €13m cost reduction program initial target, based on 75 initiatives
- Revised estimated savings of €14.6m
- 81% of planned savings already captured

Source: Vueling

D. Outlook

1. Opportunities

2. Risks

3. Outlook



Opportunities

- Likely market consolidation in Vueling markets
- Europe-Spain market continues to grow
- The extension of the Iberia agreement allows for further maturity of the hub feeding model

Outlook

- New winter program with an activity level similar to 2010 due to high fuel prices, resulting in a top line target of 10% annual growth in passengers
- CASK ex-fuel at 2010 levels by continuing with our cost reduction program
- More interline agreements to be completed
- Continued product evolution, with an emphasis on business passengers

Risks

- Speed of market rationalization
- Continued weak Spanish domestic market
- Long term sustained high fuel price environment

flying hoy means **vueling**

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