Vueling improved its Q1 gross result by €23.3m, for the fourth consecutive quarter

Highlights

Vueling improved its gross results by €23.3m, with an earning before tax result of (€9.0m) and a gross margin of (12.2%), compared to a result of (€32.4m) and a margin of (36.0%) the same quarter of 2008.

Revenue per passenger grew by 10.8% to €68.55, which took revenue per flight to grow by 13.8% to €8,192.

Seat-load factor went 1.33 percentage points up to 66.6%, for the first time over the last five quarters, in spite of Easter not being held this quarter, which did happen on 2008.

Ancillary revenue per passenger grew 22.6% to €10.19, driven by the good behaviour on several products: XL seat and seat assignment, hotel bookings, and baggage fee. Ancillary revenue already makes up 14.9% of Vueling's total revenue.

Travel agent sales represented 23.8% of Vueling's revenue, to a total of €17.6m, €8.3m up from Q1 08, thanks to the GDS rollout. Vueling started selling over Amadeus on June and in Galileo on September.

Overall cost base was reduced by 2.8% to 5.58 Euro cents per ASK, thanks to a 36.9% drop in fuel costs, from 1.60 Euro cents per ASK in Q1 08 to 1.01 cents in Q1 09. Fuel-cost reduction has saved the company €9m during the quarter.

Vueling has turned into profit since the restructuring plan deployment (on July 2008) with an EBIT result of €3.3m for the July-March period.

Summary table of results*	Q1		
	2009	2008	% var.
Total revenues (€ '000)	**74,105**	87,663	(15.5%)
Total expenses (€ '000)	**83,735**	119,816	(30.1%)
EBIT (€ '000)	**(9,630)**	(32,153)	+89.9%
Financials and subleases (€ '000)	**1,460**	159	+918.2%
Operating result (€ '000)	**(8,170)**	(31,994)	+74.5%
Operating margin (%)	**(11.0%)**	(36.5%)	+25.5 pp
Restructuring costs	**841**	387	+117.3%
EBT (€ '000)	**(9,011)**	(32,381)	+72.2%
Net result	**(6,308)**	(22,667)	+72.2%
EBITDAR	**3,068**	(13,263)	

*According to new Spanish GAAP. Non-audited

Outlook for 2009

Vueling forecasts a very significant improvement in Q2, both in revenue and cost lines. It is therefore expected that, compared to Q2 one year earlier:

- **Revenue per flight will increase again** as a result of the **cancellation of non-profitable routes** as well as the influence of the **April Easter effect** on bookings and revenues.
- **The overall cost base will be reduced** as a consequence of (a) **higher aircraft utilization,** leading to lower unit costs, (b) **further fuel cost decreases over Q2,** and (c) **additional decreases on fixed costs** as a consequence of structural improvements.

As with Q1 09, the company expects for the combination of higher revenues and lower costs to significantly improve its Q2 margin with regards to the same period last year, leading for a positive result for the whole of 2009.

Business review

Revenue and traffic

Revenue per flight optimization keeps on being Vueling's main target. While in previous quarter this has brought about slight decreases in seat-load factor, in the first quarter in 2009, and for the first time over the last five quarters, seat-load factor increased—by 1.3 percentage points to 66.6%.

At the same that time Vueling was carrying more passengers per flight, these were paying more for it: Q1's revenue per passenger grew 10.7% to €68.55.

As a result of higher load factors and higher revenue per passenger levels, revenue per flight (the product of both concepts) grew 13.8% to €8,192.

	Q1		
(€ per passenger)	2009	2008	% var.
Average pure fare per passenger	**46.50**	42.33	+9.9%
Average fees and charges per pax.	**11.86**	11.26	+5.3%
Average pure ancillary revenue per pax.	**10.19**	8.31	+22.6%
Total income per passenger	**68.55**	61.91	+10.7%
Seat-load factor (RPK/ASK, %)	**66.6%**	65.3%	+1.3 pp.
Revenue per flight (€)	**8,192**	7,198	+13.8%

Once again, the ancillaries' share of Vueling's revenue grew in importance to almost €15 of every €100 taken by the company—a 1.5-point increase with regards to the same period one year earlier. It is worth mentioning that such growth originated from the already high levels of ancillaries enjoyed by Vueling. Highest-growing products were XL seat and seat assignment, hotels, as well as credit card and luggage fees. The European Union's opt-in policy on travel insurance became the downside of it, affecting negatively insurance sales, which fell by 58.7% during the quarter.

Absolute revenues

	Q1			
(€ '000)	2009	%	2008	%
Pure fare	**50,262**	**67.8**	59,942	68.4
Fees and charges	**12,825**	**17.3**	15,950	18.2
Pure ancillary	**11,018**	**14.9**	11,771	13.4
Total revenues	**74,105**	**100**	87,663	100

Regarding unit revenues (or revenue per available seat-kilometre, RASK), these increased by 17.6% to 4.94 Euro cents per ASK, while the average sector length, on the other hand, decreased by 3.3%, to 921km.

	Q1		
	2009	2008	% var.
Revenue per ASK (€ cents)	**4.94**	4.20	+17.6%
Average sector length (km per flight)	**921**	952	(3.3%)

During the second half of 2008 two different GDS services had been rolled out: Amadeus in June and Galileo in December. Together, they have taken travel agents' sales to 23.8% of Vueling's total revenue.

Vueling's entry into the GDS channel was actually the object of an Amadeus case study which highlighted, on the one hand, the benefits brought about by the combination of low fares and traditional distribution and, on the other, the net increment on sales.

During Q1 08 the travel agents' channel had yielded €9.4m in revenue, whereas in Q1 09 (after the GDS rollout) it provided €17.7m—an 88.5% growth.

The travel agent channel is instrumental in the quest for a higher-yielding passenger, as it is the case with business travellers who make use of travel-agent implants located in their corporate premises in order to sort out all their travel arrangements.

Costs

Overall, costs decreased by 2.8% to 5.58 Euro cents per ASK. Fuel costs—as a result of the drop in oil prices—were the main driver in this decrease, to the point of going from 1.60 cents per ASK in Q1 08 to 1.01 cents per ASK in Q1 09, a 36.9% year-on-year decrease.

	Q1		
(€ cents)	2009	2008	% var.
CASK excl. fuel	**1.01**	1.60	(36.9%)
Fuel cost per ASK	**4.57**	4.14	+10.4%
Total CASK (incl. fuel)	**5.58**	5.74	(2.8%)

Vueling ex-fuel cost base increased by 10.4% as a result of higher costs in the commercial area (due to expenditure associated with the GDS and BSP rollout), and in the maintenance area (due to an increase in provisions). Commercial and maintenance costs were also negatively affected by the US dollar impact (from an average on 1.49 €/$ during Q1 08 to 1.31 €/$ on Q1 09)

Vueling's route-mix design, very much geared towards the business passenger, entailed more flying into business-friendlier airports, with higher costs in handling as well as in airport and navigation taxes attached to them. However, costs increases were more than offset by higher revenues, as the company was able to attract higher-yielding passengers—in general, total unit costs fell by 2.8% as unit revenues increased by 17.6%.

There were other concepts in the company cost line that behaved particularly well:

- **Fleet lease and insurance** represented savings of €6.1m, as the fleet size was reduced from 23 to 16 aircraft and aircraft utilization increased by 2.9% to 10.8 block-hours per aircraft and day.
- **Crew costs** decreased by €2.3m, as a 1.0% decrease in cabin-crew productivity was largely offset by a 5.7% increase in pilot productivity.
- **Overheads**, going down by €1.1m.

For Q2, Vueling needs to improve on its cost lines, a target that will be achieved, amongst other things, by further decreases on fuel prices, and additional structural cost reduction.

Expenses for the period

	Q1		
(€ '000)	2009	2008	% var.
Variable	**52,257**	78,636	(33.5%)
Semi-fixed	**24,210**	32,496	(25.5%)
Fixed	**7,268**	8,684	(16.3%)
Total expenses	**83,735**	119,816	(30,1%)

Operations

Vueling operated 40 routes as of March 31st, 2009, 15 routes fewer than on the same date one year earlier, with a fleet made up of 16 Airbus A-320, 7 fewer that on the same period the previous year.

Aircraft productivity, measured in block-hours per aircraft and day, increased by 2.9% during the year, going from 10.5 to 10.8 block hours.

	Q1		
	2009	2008	% var.
Block-hours	**15,655**	21,849	(28.3%)
Nº of aircraft in operation	**16**	23	(30.4%)
Block-hours per a/c and day	**10.8**	10.5	2.9%

No aircraft was redelivered during Q1. Vueling will operate one more aircraft during Q2, taking the fleet size to 17.

Vueling kept on operating, during the period, out of its Barcelona, Madrid, and Seville bases.

Financial and hedging

Fuel purchase (Brent barril)

	Q2	
	% consumption	average price (USD/Tn)
As of Apr 23rd 2009	50%	530.38

Dollar

	Q2	
	import	average rate
As of Apr 23rd 2009	€19.54m	1.3822 USD/EUR

Quarterly profit and loss account

(€ '000)	Q1 2009	2008	% var.
Ticket revenues	**50,262**	59,942	(16.1%)
Fees and charges	**12,825**	15,950	(19.6%)
Pure ancillary revenues	**11,018**	11,771	(6.4%)
Total revenues	**74,105**	**87,663**	(15.5%)
Fuel	**15,175**	33,409	(54.6%)
Handling	**8,857**	10,263	(13.7%)
Airport taxes	**8,444**	11,010	(23.3%)
Navigation taxes	**6,891**	9,543	(27.8%)
Crew	**1,514**	2,090	(27.6%)
Maintenance	**4,496**	5,563	(19.2%)
Commercial and marketing	**6,231**	5,759	8.2%
Others expenditures	**649**	999	(35.0%)
Total variable expenditure	**52,257**	**78,636**	(33.5%)
Contribution margin	**21,848**	**9,027**	142.0%
Crew	**5,201**	6,902	(24.6%)
Maintenance	**4,071**	3,924	3.7%
Fleet insurance and leases	**12,487**	19,116	(34.7%)
Other production costs	**2,451**	2,554	(4.0%)
Total semi-fixed expendit.	**24,210**	**32,496**	(25.5%)
Operating margin	**(2,362)**	**(23,469)**	+89.9%
Advertisement	**1,508**	1,791	(15.8%)
Amortization	**756**	585	29.2%
General expenditure	**5,004**	6,308	(20.7%)
Total fixed expenditure	**7,268**	**8,684**	(16.3%)
EBIT	**(9,630)**	**(32,153)**	+70.0%
Financial result	**1,052**	144	630.6%
Sub-lease result	**408**	15	2,620.0%
Restructuring costs	**841**	387	117.3%
EBT	**(9,011)**	**(32,381)**	+72.2%
Taxes	**2,703**	9,714	(72.2%)
Net result	**(6,308)**	**(22,667)**	+72.2%
EBITDAR	**3,068**	(13,263)	

All data in this presentation have been elaborated according to the new Spanish GAAP. Non-audited figures.
ASK have been calculated according to the great-circle distance.

Quarterly financial and operating statistics

	Q1		
	2009	2008	% var.
REVENUES			
Total revenue (€ '000)	**74,105**	87,663	(15.5%)
Total income per passenger (€ '000)	**68.55**	61.91	+10.7%
Revenue per flight (€)	**8,192**	7,198	+13.8%
Average pure fare per passenger (€)	**46.50**	42.33	+9.9%
Average pure ancillary revenue per passenger (€)	**10.19**	8.31	+22.6%
Total revenue per ASK (€ cents)	**4.94**	4.20	+17.6%
EXPENDITURES			
Total expenditure (€ '000)	**83,735**	119,816	(30.1%)
Cost per ASK, incl. fuel (€ cents)	**5.58**	5.74	(2.8%)
Fuel costs per ASK (€ cents)	**1.01**	1.60	(36.9%)
Cost per ASK, excl. fuel (€ cents)	**4.57**	4.14	+10.4%
EBITDAR (€ '000)	**3,068**	(13,263)	
EBITDAR margin (%)	**4.14%**	(15,1%)	+19.3 pp
EBIT (€ '000)	**(9,630)**	(32,153)	+70.0%
EBIT margin (%)	**(13%)**	(36.7%)	+23.7 pp
EBT (€ '000)	**(9,011)**	(32,381)	+72.2%
EBT margin (%)	**(12.1%)**	(36.9%)	+24.8 pp
OPERATIONS			
ASKs (millions)	**1,500**	2,087	(28.1%)
RPKs (millions)	**999**	1,364	(26.8%)
Total flights flown	**9,046**	12,179	(25.7%)
Average aircraft in operation	**16**	23	(30.4%)
Average block hours per aircraft and day	**10.8**	10.5	+2.9%
Average number of flights per day	**6.3**	5.9	+6.8%
Seats clown ('000)	**1,628**	2,192	(25.7%)
Average stage length (km)	**921**	952	(3.3%)
Total number of passengers ('000)	**1,081**	1,416	(23.7%)
Load factor (RPK/ASK)	**66.6%**	65.3%	+1,3 pp

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