

Vueling turns a record €68.1m operating profit during the third quarter of 2009

Operating margin stood at 26.3% of sales — a 10.2-point increase

Highlights

Vueling turned a €68.1m operating profit during the third quarter of the year, with a 26.3% operating margin — a 10.2-point increase when compared to the same period one year earlier (operating profit of €24.7m, and a 16.1% margin).

In the 9 months to September 30th, Vueling made a €71.9m operating profit — a 16.3% margin, with a 21.6-point increase on a year earlier.

Total revenue reached €259.2m during the quarter, and increased by 68.6% when compared to the same period on a year earlier. On a unit basis, revenue per ASK decrease by just 1.3%, mainly as a consequence of a lift in fuel surcharges. Gross revenue for the nine months to September was of €441m.

Vueling operated 23,630 flights during the quarter, 79.7% more than in the same period on a year earlier. Not only there were more flights, but these were also better filled: its **quarterly seat load-factor increased by 2.1 points**, to 80%.

Travel-agent sales decisively contributed to the increase in passenger numbers and gross revenue, and **accounted for one-third of Vueling's scheduled revenue**, as a consequence of Vueling's own GDS constant rollout and of code-share agreements with Iberia.

The overall unit cost base decreased by 13.2%% to 5.14 Euro cents per ASK, as a consequence of dropping oil prices and cautious fuel hedging. During the quarter, Vueling's gross fuel bill was 15.0% lower in comparison to the same period last year, in spite of the company operating a much larger fleet—of 35 aircraft vs 20 in Q3 08.

As a consequence of the merger with Clickair, the new Vueling became **Spain's fourth largest carrier**, after Ryanair, Iberia, and easyJet and, at any rate, **the leading carrier in 4 of its 7 bases**: Barcelona (with a 24% of market share), Seville (34%), Bilbao (17%) and Ibiza (14%).

Vueling's cash position, as of September 30th, was of **€149.1m**, which included proceeds from a €12.5m credit line.

Summary table of results	Q3			9 months to Sept. 30 th		
	2009	2008	% var.	2009	2008	% var.
Capacity (ASKs)	3,717m	2,176m	+70.8%	7,066m	6,302m	+12.1%
Passengers ('000)	3,313	1,816	+82.5%	5,793	4,712	+22.9%
Total revenues (€ '000)	259,215	153,701	+68.6%	441,211	352,680	+25.1%
Total expenses (€ '000)	191,076	128,904	+48.2%	369,341	371,390	(0.6%)
EBITDAR	93,353	39,216	+138.0%	122,883	29,869	+311.4%
EBIT* (€ '000)	68,139	24,797	+174.8%	71,871	(18,709)	n/a

* Without restructuring costs.
According to new Spanish GAAP. Non audited

Note on the accounts. Except otherwise indicated, all data correspond to:

- Vueling stand-alone to June 30th 2009; that is, excluding Clickair data
- plus, from July 1st onwards, for the merged entity

Percentage of margin on sales would be reduced if Clickair H1 sales and margin were considered.

Outlook for Q4 09 and 2010

- No major changes in demand situation are foreseen for Q4 09.
- Both cost and revenue synergies allocated for **the first year of the merger should be almost 100% captured in Q4 09**, allowing for significant improvement in margins with regards to Q4 08, in spite of recent increases in fuel prices.
- Targets for 2010 will be...
 - (a) to **consolidate the position** in the current operating bases
 - (b) to **reduce ex-fuel cost base to below 4.0 Euro cents** for the year
- Merger synergies related to revenues (for an amount of over €32m) and costs (for over €20m) are forecasted to fully impact 2010 results. Their joint impact on 2009 full-year accounts will be around 38% of the total amount of expected synergies. Thus, a remaining 62% of the overall synergies will additionally impact in 2010, with regards to 2009.
- Amid current circumstances, Vueling expects to present, in 2010, **even better results than in 2009**.

Business review

During the third quarter of 2009 Vueling completed its merger with Clickair, and therefore these are the first quarterly set of results for the newly-merged company.

The new Vueling has emerged as a much-enlarged carrier, with a significant presence at its home market: Vueling has become, in the third quarter of the year, the fourth-largest carrier in Spain, after Ryanair, Iberia, and easyJet, and the leading airline in four of its seven bases—its home town of Barcelona (24% of market share), Seville (34%), Bilbao (17%), and Ibiza (14%).

Its increased size translated into greater than before magnitudes in every aspect:

	Q3		
	2009	2008	% var.
Operating aircraft	35	20	+79.5%
Airports served	47	25	+88.0%
Routes operated	92	56	+64.3%
Flights flown	23,630	13,151	+79.7%
Seats flown	4,252	2,367	+79.7%
ASKs	3,717m	2,176m	+70.8%
Passengers carried	3.3m	1.8m	+82.5%

Vueling increased the amount of seats it flew by almost 80%—and by 82% the number of passengers it carried. Also, it nearly doubled the amount of airports where it operated, from 25 to 47, which brought about a large increase in the number of routes on offer.

As a matter of fact, almost every Vueling base and main city saw a sharp increase in the choice of destinations, the most striking case being Barcelona, which went from 18 to 41 routes, year on year:

Routes operated from...	As of Sept. 30 th	
	2009	2008
Barcelona	41	18
Seville	13	10
Madrid	12	12
Valencia	9	5
Malaga	8	6
Bilbao	7	3

Total revenue reached €259.2m during the quarter, a 68.6% increase on a year earlier. Of these, 79.1% corresponded to ticket revenue, while a further 10% came from ancillary products.

Revenue per passenger remained stable, the only difference being a much lower fuel surcharge, as a consequence of Vueling not needing to pass onto the customer the extra cost of fuel which, during Q3 08, had reached peaks of over USD140.

Other offsetting factors were a shorter average stage length (minus 4.9%) which had an impact on costs, and a higher load factor, which grew 2.1 points to 80%.

Vueling's unit cost base decreased by 13.2% as a consequence of the fuel-price slump: the company's gross fuel bill was accordingly smaller, in spite of it operating a much larger fleet—35 aircraft in Q3 09 vs. 20 aircraft in Q3 08.

All in all Vueling gross expenditure increased at a much slower rate (+48.2%, to €191.1m) than the growth in any of the company's output, no matter whether ASK (+70.8%, to 3,717m) or seat supply (+79.7%, to 4.2m), number of aircraft operated (+79.5%, to 35 aircraft) or passengers carried (82.5%, to 3.3m).

Vueling served 47 airports as of September 30th, 25 more airports than on the same date one year earlier, with an all-Airbus A320 fleet made up of 35 aircraft.

Restructuring costs

Restructuring costs correspond mainly to indemnities for redundancies, indemnities for contract cancellations and assets write-offs, all of them related to the merger.

Total restructuring costs for the year will rank between €20m and €30m.

Cash out for restructuring costs has been almost completely disbursed during Q3 (€11m), and no significant cash-outs are expected for Q4 (under €2m).

Quarterly profit and loss account

(€ '000)	Q3		
	2009	2008	% var.
Ticket revenues	205,070	120,237	+70.6%
Fees and charges	25,280	13,390	+88.8%
Pure ancillary revenues	28,865	20,074	+43.8%
Total revenues	259,215	153,701	+68.6%
Fuel	42,151	49,601	(15.0%)
Handling	32,193	13,467	+139.1%
Airport taxes	16,544	7,913	+109.1%
Navigation taxes	16,099	9,655	+66.7%
Crew	4,556	2,174	+109.6%
Maintenance	21,574	6,745	+219.8%
Commercial and marketing	9,601	6,691	+43.5%
Others expenditures	1,649	76	+2,069.4%
Total variable expenditure	144,367	96,322	+49.9%
Contribution margin	114,848	57,379	+100.2%
Crew	9,022	6,684	+35.0%
Maintenance	1,566	3,883	(59.7%)
Fleet insurance	1,226	555	+120.9%
Fleet leases	23,431	13,701	+71.0%
Other production costs	948	2,439	(61.1%)
Total semi-fixed expenditure	36,192	27,262	+32.8%
Operating margin	78,656	30,117	+161.2%
Advertisement	711	736	(3.4%)
Amortization	1,783	718	+148.3%
General expenditure	8,024	3,866	+107.5%
Total fixed expenditure	10,517	5,320	+97.7%
EBIT*	68,139	24,797	+174.8%
EBITDAR	93,353	39,216	+138.0%

All data in this presentation have been elaborated according to the new Spanish GAAP. Figures are non-audited.

* Without restructuring costs.

Accumulated profit and loss account

(€ '000)	9 months to Sept. 30 th		
	2009	2008	% var.
Ticket revenues	333,811	258,694	+29.0%
Fees and charges	53,298	45,294	+17.7%
Pure ancillary revenues	54,102	48,693	+11.1%
Total revenues	441,212	352,680	+25.1%
Fuel	73,160	125,792	(41.8%)
Handling	55,979	40,031	+39.8%
Airport taxes	30,538	23,097	+32.2%
Navigation taxes	31,493	28,169	+11.8%
Crew	7,638	6,242	+22.4%
Maintenance	37,178	17,400	+113.7%
Commercial and marketing	21,849	18,748	+16.5%
Others expenditures	7,670	1,484	+416.7%
Total variable expenditure	265,503	260,964	+1.7%
Contribution margin	175,709	91,717	+91.6%
Crew	19,574	20,588	(4.9%)
Maintenance	3,288	11,834	(72.2%)
Fleet insurance	2,280	2,042	+11.7%
Fleet leases	47,691	46,649	+2.2%
Other production costs	2,980	6,887	(56.7%)
Total semi-fixed expenditure	75,814	88,001	(13.8%)
Operating margin	99,895	3,716	+2,588.3%
Advertisement	3,734	5,109	(26.9%)
Amortization	3,320	1,929	+72.1%
General expenditure	20,970	15,387	+36.3%
Total fixed expenditure	28,024	22,425	+25.0%
EBIT*	71,871	(18,709)	(484.1%)
EBITDAR	122,883	29,869	+311.4%

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* Without restructuring costs.

Quarterly financial and operating statistics

	Q3		
	2009	2008	% var.
REVENUES			
Total revenue (€ '000)	259,215	153,701	+68.6%
Total income per passenger (€ '000)	78.24	84.66	(7.6%)
Revenue per flight (€)	10,970	11,687	(6.1%)
Average pure fare per passenger (€)	61.90	66.22	(6.5%)
Average pure ancillary revenue per pass. (€)	8.71	11.06	(21.2%)
Total revenue per ASK (€ cents)	6.97	7.06	(1.3%)
EXPENDITURES			
Total expenditure (€ '000)	191,076	128,904	+48.2%
Cost per ASK, incl. fuel (€ cents)	5.14	5.92	(13.2%)
Fuel costs per ASK (€ cents)	1.13	2.28	(50.2%)
Cost per ASK, excl. fuel (€ cents)	4.01	3.64	+9.9%
EBITDAR (€ '000)	93,353	39,216	+138.0%
EBITDAR margin (%)	36.0%	25.5%	+10.5 pp.
EBIT* (€ '000)	68,139	24,797	+174.8%
EBIT margin* (%)	26.3%	16.1%	+10.2 pp.
OPERATIONS			
ASKs (millions)	3,717	2,176	+70.8%
RPKs (millions)	2,973	1,694	+75.5%
Fuel burnt (kg '000)	89,361	50,864	+75.7%
Total flights flown	23,630	13,151	+79.7%
Aircraft at period end	35	20	+79.5%
Average block hours per aircraft and day	11.84	12.74	(7.1%)
Average number of flights per day	7.42	7.41	+0.1%
Seats flown ('000)	4,252	2,367	+79.7%
Airports served at period end	47	25	+88.0%
Routes operated at period end	92	56	+64.3%
Average stage length (km)	874	919	(4.9%)
Total number of passengers ('000)	3,313	1,816	+82.5%
Load factor (RPK/ASK)	80.0%	77.9%	+2.1 pp.

All data in this presentation have been elaborated according to the new Spanish GAAP. Figures are non-audited. ASKs have been calculated according to the great-circle distance.

* Without restructuring costs.

Accumulated financial and operating statistics

	9 months to Sept. 30 th		
	2009	2008	% var.
REVENUES			
Total revenue (€ '000)	441,212	352,680	+25.1%
Total income per passenger (€ '000)	76.16	74.85	+1.8%
Revenue per flight (€)	10,176	9,478	+7.4%
Average pure fare per passenger (€)	57.62	54.90	+5.0%
Average pure ancillary revenue per pass. (€)	9.34	10.33	(9.6%)
Total revenue per ASK (€ cents)	6.24	5.60	+11.6%
EXPENDITURES			
Total expenditure (€ '000)	369,341	371,390	(0.6%)
Cost per ASK, incl. fuel (€ cents)	5.23	5.89	(11.3%)
Fuel costs per ASK (€ cents)	1.04	2.00	(48.1%)
Cost per ASK, excl. fuel (€ cents)	4.19	3.90	+7.6%
EBITDAR (€ '000)	122,883	29,869	+311.4%
EBITDAR margin (%)	27.9%	8.5%	+19.4 pp.
EBIT (€ '000)	71,871	(18,709)	n/a
EBIT margin (%)	16.3%	(5.3%)	+21.6 pp.
OPERATIONS			
ASKs (millions)	7,066	6,302	+12.1%
RPKs (millions)	5,324	4,473	+19.0%
Fuel burnt (kg '000)	129,997	125,792	+3.3%
Total flights flown	43,356	37,210	+16.5%
Aircraft at period end	35	20	+79.5%
Average block hours per aircraft and day	7.64	11.46	(33.3%)
Average number of flights per day	4.59	6.49	(29.4%)
Seats flown ('000)	7,802	6,697	+16.5%
Airports served at period end	47	25	+88.0%
Routes operated at period end	92	56	+64.3%
Average stage length (km)	906	941	(3.8%)
Total number of passengers ('000)	5,793	4,712	+22.9%
Load factor (RPK/ASK)	75.3%	71.0%	+4.4 pp.

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* Without restructuring costs.

Appendix:

Vueling + Clickair pro-forma profit and loss accounts

(€ '000)	Q3		
	Vueling + Clickair		
	2009	2008	% var.
Total revenue	259,215	310,835	(16.6%)
EBITDAR	93,353	78,327	+19.2%
EBIT	68,139	49,224	+38.4%

(€ '000)	9 months to Sept. 30 th		
	Vueling + Clickair		
	2009	2008	% var.
Total revenue	602,416	707,971	(14.9%)
EBITDAR	153,957	59,546	+158.6%
EBIT	78,997	(31,057)	n/a