

“The €100-million turnaround”

Vueling turns a record €27.7m net profit for the whole of 2009

Net margin stood at 4.6% of sales — a 2.7-point increase

Highlights

Vueling turned a €27.7m net profit for the whole of 2009, with a 4.6% net margin — a 2.7-point increase when compared to 2008 (net profit of €8.5m, and a 1.9% net margin)

In the fourth quarter of the year, Vueling, for the first time, posted virtual break-even EBIT with just a €0.5m loss, (excluding restructuring costs, which amounted to €16.7m), a 13-point improvement in margin on sales with regards to the same period one year earlier

Total revenue for the year reached €601.6m, and increased by 36.3% when compared to 2008. On a unit basis, revenue per ASK increased by 6.4% to 5.91 Euro cents. Revenue for Q4 was €160.4m, a 83.8% increase on a year earlier.

Vueling operated 62,573 flights during the year, 33.6% more than it did over 2008. Not only there were more flights but these were also better filled: its **annual seat load-factor increased by 3.4-points**, to 73.7%.

Travel-agent sales decisively contributed to the increase in passenger numbers and gross revenue, and **accounted for over 31% of Vueling’s scheduled revenue**, as a consequence of Vueling’s own GDS constant rollout and of code-share agreements with Iberia.

Vueling’s overall unit cost based decreased by 12.3% to 5.21 Euro cents per ASK, due to dropping oil prices and cautious fuel hedging. During the year, Vueling’s gross fuel bill was 30.6% lower in comparison to the same period last year, in spite of the company operating a larger fleet—an average of 26 aircraft vs. 21 in 2008. Ex-fuel cask increased by 3%. Cost synergies are expected to be captured still in 2010 and ex-fuel cost reduction will be a leading target for Vueling in 2010.

As a consequence of the merger with Clickair, the new Vueling became **second carrier** amongst **Spanish-based carriers** during H2, only after Iberia and the fourth one including all carriers, and, at any rate, **the leading carrier in 4 of its 7 bases**: Barcelona (with a 24% of market share), Seville (36%), Bilbao (18%) and Ibiza (14%).

Vueling’s cash position, as of December 31st, was of **€121m**, which included proceeds from a €13m credit line.

Summary table of results	full year			Q4		
	2009	2008	% var.	2009	2008	% var.
Capacity (ASKs)	10,181m	7,945m	+28.1%	3,116m	1,643m	+89.7%
Passengers ('000)	8,199	5,886	+39.3%	2,406	1,175	+104,8%
Total revenues (€ '000)	601,584	441,286	+36.3%	160,372	87,243	+83.8%
Total expenses (€ '000)	503,223	471,836	+12.4%	160,883	99,084	+62,4%
EBITDAR* (€ '000)	146,547	31,490	+365.4%	23,665	1,644	+1,339.2%
EBIT* (€ '000)	71,361	(30,550)	n/a	(510)	(11,841)	+95.7%
EBT (€ '000)	40,153	(38,599)	n/a	(18,237)	(15,059)	(21.1%)
Net profit/loss (€ '000)	27,777	8,538	+225.3%	(13,005)	(10,581)	(22.9%)

* 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 H109 sales and margin were considered.

Proforma Vueling + Clickair profit and loss accounts are included as an appendix to this document.

Outlook for 2010

Cost synergies are forecasted to be captured in 2010 in an amount of €15.5m.

Revenue synergies are expected to be captured in H1 2010 in an amount of €20m

These two items, together with recently-launched cost and revenue improvement plans (amounting to €25m+) should allow Vueling to more than offset the effects of increased competition and improve net margins of 2010 in respect to 2009.

No significant changes in the size of operated fleet are foreseen in 2010

BUSINESS REVIEW

During 2009 Vueling completed its merger with Clickair, and therefore these are the first end-of-year 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 second half of the year, the fourth-largest carrier in Spain, and the leading airline in four of its seven bases—its home town of Barcelona (24% of market share), Seville (36%), Bilbao (18%), and Ibiza (11%).

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

	2009	2008	% var.
Average operating aircraft	26	21	+23.8%
Airports served*	40	21	+88.0%
Routes operated*	54	35	+54.3%
Flights flown	62,573	46,844	+33.6%
Seats flown (m)	11.3	8.4	+33.6%
ASKs (m)	10,181	7,945	+28.1%
Passengers carried (m)	8.2	5.9	+39.6%

*As of Dec 31st

Vueling increased the amount of seats flown by 33.6%—and by 33.9% the number of passengers it carried. Also, it nearly doubled the amount of airports where it operated, from 21 to 40 (the snapshot as of Dec 31st), 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 15 to 35 routes, year on year:

routes operated from...	as of Dec. 31 st	
	2009	2008
Barcelona	35	15
Seville	10	6
Madrid	7	9
Valencia	7	2
Málaga	5	3
Bilbao	4	1

Revenues

Total revenue reached €601.6m during the year, a 36.3% increase on a year earlier. Of these, 75.9% corresponded to ticket revenue, while a further 12.3% came from ancillary products.

Despite of total revenue per passenger remaining almost stable in the year, this was achieved through a significant increase in basic fare which has offset the effect of the reduction in fuel surcharges that followed the decrease in fuel prices from peaks over 140USD per barrel in mid 2008. Key factors in this increased fare were merger synergies and the very positive evolution of the off-line channel sales.

Ancillary revenue per passenger fell an 18% in the year due mainly to two factors: (a) change in insurance policy from opt-out to opt-in following EU regulations and (b) an increase in sales through the off-line channel, where some of the ancillary products are included in the basic fare. The fall of ancillary product was compensated by successful new ancillaries such as pet and unaccompanied-minor charges, and also by increases in ancillary revenue such as seat assignment or new payment methods charges.

Increased fares in the off-line channel largely offset the negative impact that the increase in sales through the off-line channel caused in the ancillaries per passenger rate. Indeed, ancillaries per passenger in the on-line channel stood at €13.6 per passenger, amongst best practices in Europe.

Load factor significantly increased in the year: 3.4 points to 73.7%. Vueling has been capturing business travellers who seek for cheapest ways of travel but maintaining high standards of quality, frequencies and punctuality.

Costs

Vueling's unit cost base decreased by 12.3% 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—an average of 26 aircraft during 2009 vs. 21 aircraft during 2008.

All in all Vueling gross expenditure increased at a much slower rate (+12.4%, to €530.2m) than the growth in any of the company's output, no matter whether ASK (+28.1%, to 10,181m) or seat supply (+33.6%, to 11.3m), number of aircraft operated on average (+23.3%, to 26 aircraft) or passengers carried (39.3%, to 8.2m).

Ex-fuel CASK increased by 3%, from 4.04 to 4.18, however ex-fuel costs in Q4 had a significant decrease of 8%. Vueling seizes significant opportunities in cost reductions in 2010, boosted both by merger synergies yet to capture and cost reduction programs. Ex-fuel CASK target for 2010 is below 4.0 € cents.

Vueling served 40 airports as of December 31st, 19 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 corresponded to indemnities for redundancies, indemnities for contract cancellations and assets write-offs, amongst others. The vast majority of restructuring costs are related to the merger.

Cash out for restructuring costs has been completely disbursed during 2009, and no restructuring costs are expected for 2010.

Quarterly profit and loss account

(€ '000)	Q4		
	2009	2008	% var.
Ticket revenues	123,062	61,053	+101.6%
Fees and charges	17,499	11,723	+49.3%
Pure ancillary revenues	19,812	14,467	+36.9%
Total revenues	160,372	87,243	+83.8%
Fuel	31,283	24,740	+26.4%
Handling	25,840	11,415	+126.4%
Airport taxes	12,859	6,127	+109.9%
Navigation taxes	13,943	7,267	+91.9%
Crew	3,572	1,768	+102.0%
Maintenance	16,217	7,620	+112.8%
Commercial and marketing	8,168	5,070	+61.1%
Others expenditures	2,190	3,270	(33.0%)
Total variable expenditure	114,070	67,276	+69.6%
Contribution margin	46,302	19,967	+131.9%
Crew	8,690	5,551	+56.5%
Maintenance	1,588	742	+114.0%
Fleet insurance	1,105	648	+70.5%
Fleet leases	23,362	12,748	+83.3%
Other production costs	2,646	1,433	+84.7%
Total semi-fixed expenditure	37,391	21,122	+77.0%
Operating margin	8,912	-1,155	+871.3%
Advertisement	(157)	1,420	(111.1%)
Amortization	813	738	+10.2%
General expenditure	8,766	8,528	+2.8%
Total fixed expenditure	9,422	10,686	(11.8%)
EBIT	(510)	(11,841)	+95.7%
Financial result	1,195	571	+109.2%
Sub-leases	(210)	399	(152.5%)
Restructuring costs	16,741	4,187	+299.8%
EBT	(18,237)	(15,059)	(21.1%)
Taxes	(5,232)	(4,478)	(16.8%)
Net result	(13,005)	(10,581)	(22.9%)
EBITDAR	23.665	1.644	+1339,2%

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

Annual profit and loss account

(€ '000)	Full-year		
	2009	2008	% var.
Ticket revenues	456,873	319,806	+42.9%
Fees and charges	70,797	57,032	+24.1%
Pure ancillary revenues	73,914	64,448	+14.7%
Total revenues	601,584	441,286	+36.3%
Fuel	104,443	150,532	(30.6%)
Handling	81,818	51,446	+59.0%
Airport taxes	43,396	29,382	+47.7%
Navigation taxes	45,436	35,435	+28.2%
Crew	11,209	9,056	+23.8%
Maintenance	53,395	34,864	+53.1%
Commercial and marketing	30,017	22,924	+30.9%
Others expenditures	9,859	7,389	+33.4%
Total variable expenditure	379,573	341,029	+11.3%
Contribution margin	222,012	100,257	+121.4%
Crew	28,264	23,138	+22.2%
Maintenance	4,876	2,598	+87.7%
Fleet insurance	3,385	2,940	+15.1%
Fleet leases	71,053	59,398	+19.6%
Other production costs	5,627	4,780	+17.7%
Total semi-fixed expenditure	113,205	92,854	+21.9%
Operating margin	108,807	7,403	+1,369.9%
Advertisement	3,577	6,926	(48.4%)
Amortization	4,133	2,642	+56.4%
General expenditure	29,736	28,384	+4.8%
Total fixed expenditure	37,446	37,953	(1.3%)
EBIT	71,361	(30,550)	n/a
Financial result	69	(358)	+119.1%
Sub-leases	(1,354)	1,211	(211,8%)
Restructuring costs	32,494	8,902	+265.0%
EBT	40,153	(38,599)	n/a
Taxes	12,376	(47,137)	n/a
Net result	27,777	8,538	+225.3%
EBITDAR	146,547	31,490	365,4%

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

Quarterly financial and operating statistics

	Q4		
	2009	2008	% var.
REVENUES			
Total revenue (€ '000)	160,372	87,243	83.8%
Total income per passenger (€ '000)	66.67	74.28	(10.2%)
Revenue per flight (€)	8,345	9,056	(7.8%)
Average pure fare per passenger (€)	51.16	51.98	(1.6%)
Average pure ancillary revenue per pass. (€)	8.24	12.32	(33.1%)
Total revenue per ASK (€ cents)	5.15	5.31	(3.1%)
EXPENDITURES			
Total expenditure (€ '000)	160,883	99,084	62.4%
Cost per ASK*, incl. fuel (€ cents)	5.16	6.03	(14.4%)
Fuel costs per ASK (€ cents)	1.00	1.51	(33.3%)
Cost per ASK*, excl. fuel (€ cents)	4.16	4.53	(8.1%)
EBITDAR*(€ '000)	23,665	1,644	1,339.2%
EBITDAR* margin (%)	15%	2%	12.9pp
EBIT* (€ '000)	(510)	(11,841)	95.7%
EBIT margin* (%)	0%	(14%)	13.3pp
OPERATIONS			
ASKs (millions)	3,116	1,643	89.7%
RPKs (millions)	2,176	1,110	96.0%
Total flights flown	19,217	9,634	99.5%
Average nr of aircraft in operation	35	21	69.4%
Average block hours per aircraft and day	9.94	9.00	10.4%
Average number of flights per day	5.97	5.07	17.8%
Seats flown ('000)	3,459	1,734	99.5%
Average stage length (km)	901	948	(4.9%)
Total number of passengers ('000)	2,406	1,175	104.8%
Load factor (RPK/ASK)	69.8%	67.6%	2.2pp

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.

Annual financial and operating statistics

	Full-year		
	2009	2008	% var.
REVENUES			
Total revenue (€ '000)	601,584	441,286	36.3%
Total income per passenger (€ '000)	73.38	74.97	(2.1%)
Revenue per flight (€)	9,614	9,420	2.1%
Average pure fare per passenger (€)	55.73	54.33	2.6%
Average pure ancillary revenue per pass. (€)	9.02	10.95	(17.7%)
Total revenue per ASK (€ cents)	5.91	5.55	6.4%
EXPENDITURES			
Total expenditure* (€ '000)	530,223	471,836	12.4%
Cost per ASK*, incl. fuel (€ cents)	5.21	5.94	(12.3%)
Fuel costs per ASK (€ cents)	1.03	1.89	(45.9%)
Cost per ASK*, excl. fuel (€ cents)	4.18	4.04	3.4%
EBITDAR* (€ '000)	146,547	31,490	365.4%
EBITDAR margin (%)	24%	7%	17.2pp
EBIT* (€ '000)	71,361	(30,550)	333.6%
EBIT margin (%)	12%	(7%)	18.8pp
OPERATIONS			
ASKs (millions)	10,181	7,945	28.1%
RPKs (millions)	7,500	5,583	34.3%
Total flights flown	62,573	46,844	33.6%
Average nr of aircraft in operation	26	21	23.3%
Average block hours per aircraft and day	10.98	10.75	2.1%
Average number of flights per day	6.59	6.09	8.3%
Seats flown ('000)	11,261	8,430	33.6%
Average stage length (km)	904	943	(4.1%)
Total number of passengers ('000)	8,199	5,886	39.3%
Load factor (RPK/ASK)	74%	70%	3.4pp

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.

APPENDIX

Vueling + Clickair pro-forma profit and loss accounts

(€ '000)	Q4		
	Vueling + Clickair		
	2009	2008	% var.
Total revenue	160,372	178,829	(10,3%)
EBITDAR*	23,665	11,998	+97.2%
EBIT*	-510	-13,627	(96.3%)

(€ '000)	12 months to Dec. 31 st		
	Vueling + Clickair		
	2009	2008	% var.
Total revenue	762.788	888,162	(14,1%)
EBITDAR*	177,621	71,520	+148,4%
EBIT*	78,487	-44,684	n/a

* Without restructuring costs.