Vueling Airlines
Q2 2008 Results Presentation

July 29th, 2008

Vueling by MTV. Designer: 3TTMan

Agenda

Q2 2008 results review

- Highlights
- Financial Statements
- Revenues
- Costs and Operations

Outlook for the year

- Outlook for 2008
- Strategy

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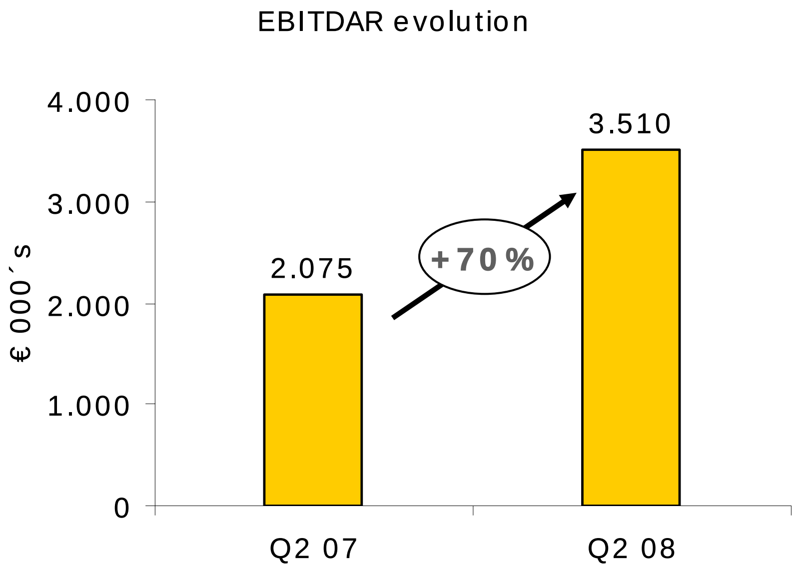
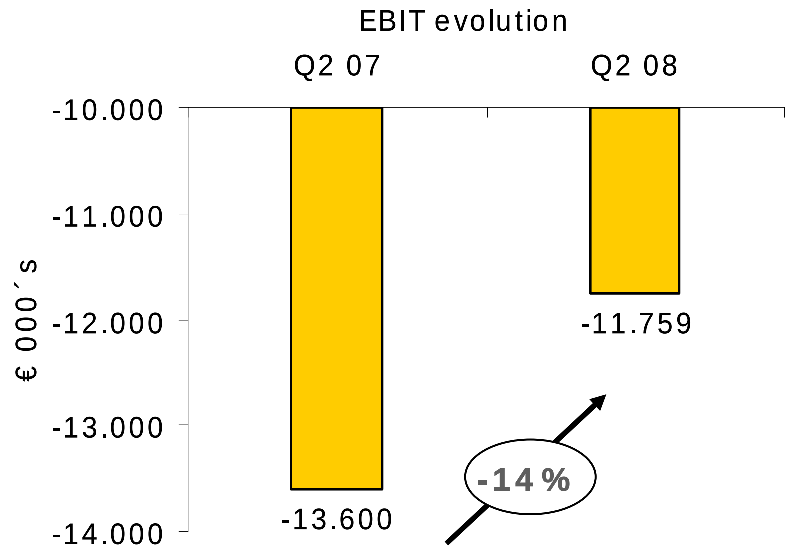
Vueling completely offsets fuel cost increase, improving its Q2 EBITDAR by 70% and reducing its EBIT losses by 14%





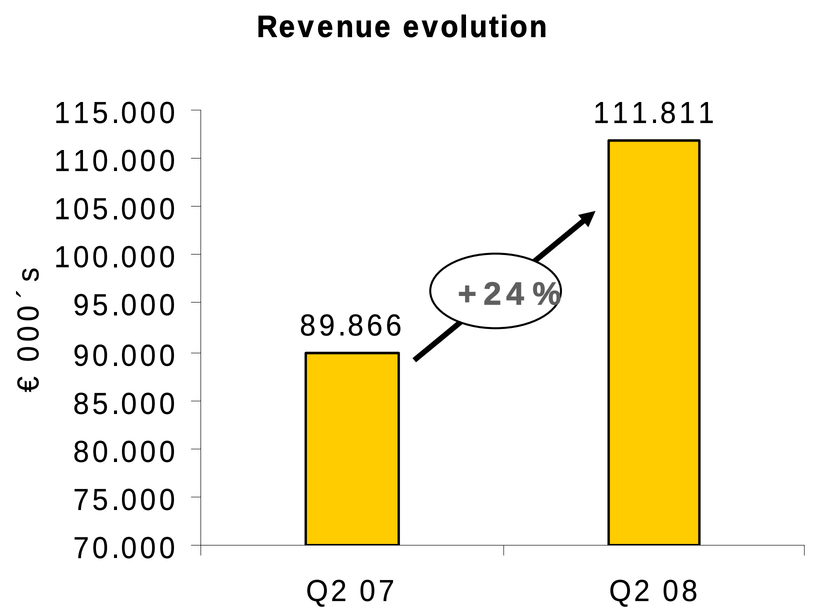
EBITDAR / sales ↑1 pp

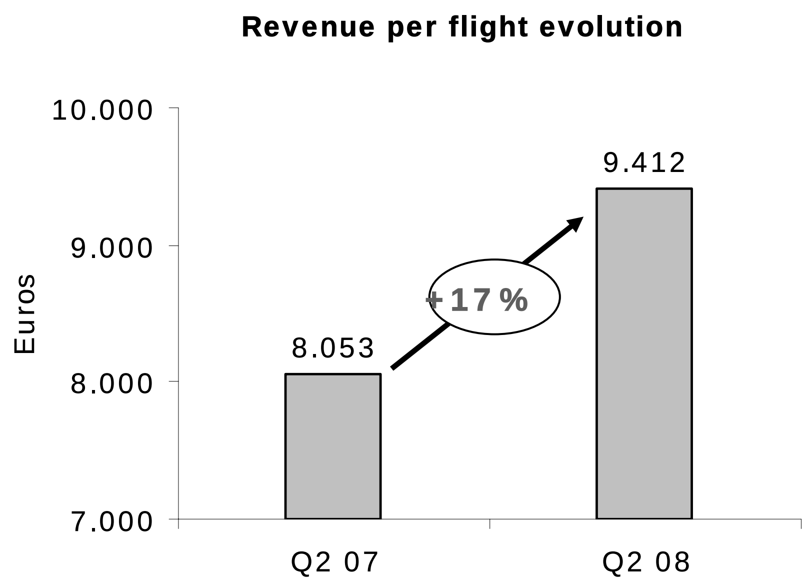
EBIT / sales ↑4 pp

Fleet-reduction strategy, together with non-profitable route cancellation, have been the key factors in improving results in an environement of high fuel prices

Operating fleet in 2008 has already been reduced from 24 to 19 aircraft

Revenues rose by 24% with significant increases in fare per pax of 17% and ancilliary per pax of 83%

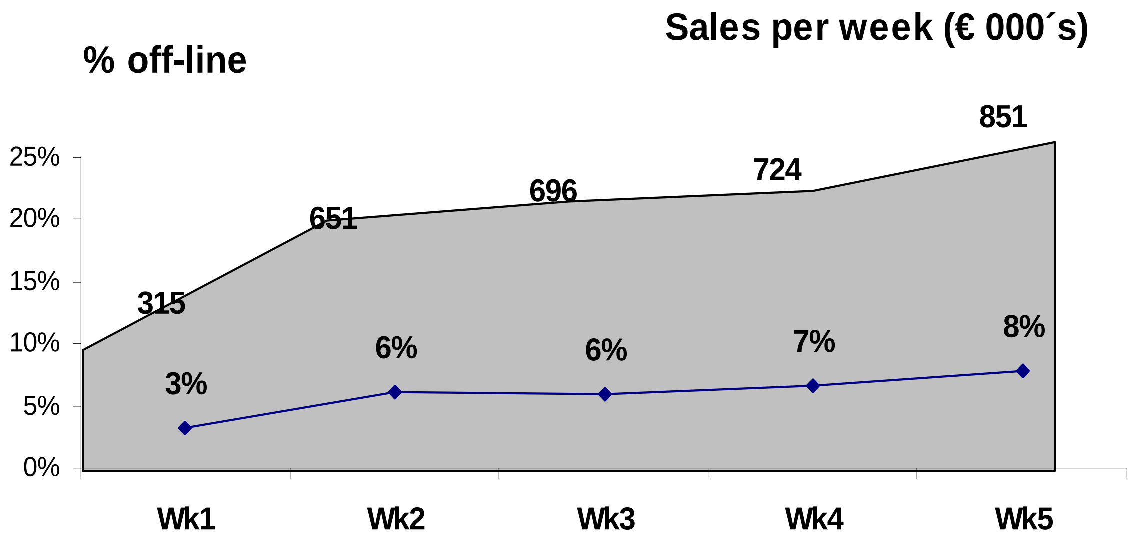




Company focus changed from maximization of load factor to maximization of revenue per flight

Spectacular launch of off-line sales through BSP system

- **BSP off-line sales started on 16th June**
- **Evolution is highly encouraging**

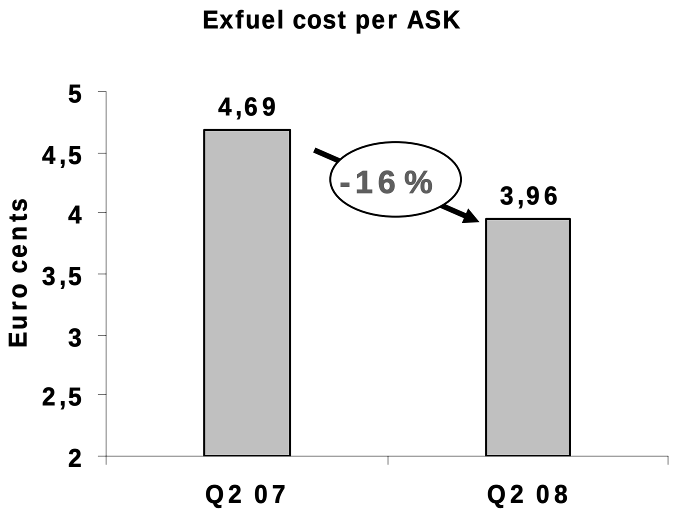


Off-line sales provide for additional income at almost no marginal cost

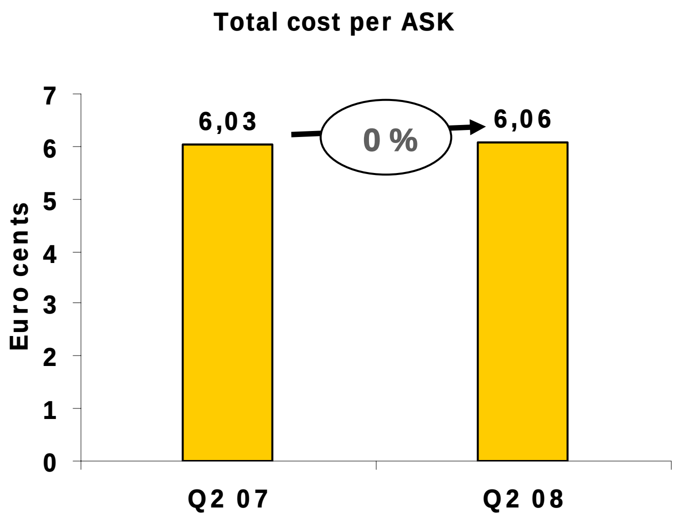
Fare per pax is significantly higher than in the on-line channel

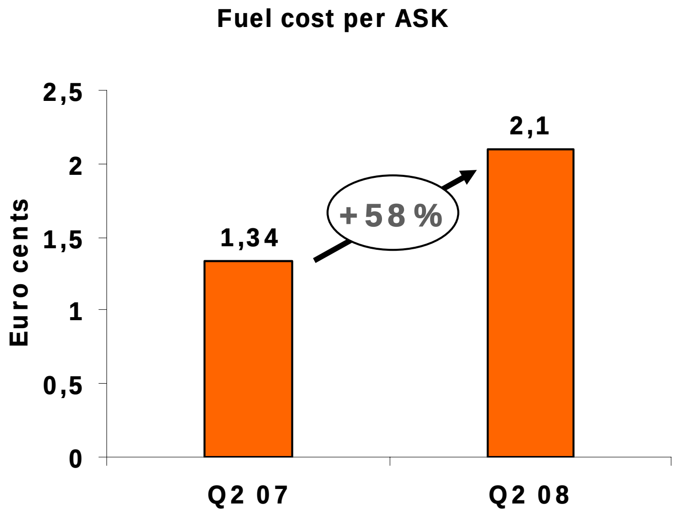
Contribution to total income is forecasted to significantly increase in Q4

Ex-fuel Cost per ASK 16% down in respect to same quarter last year for Vueling historical low in a quarter. Fuel cost still main concern.



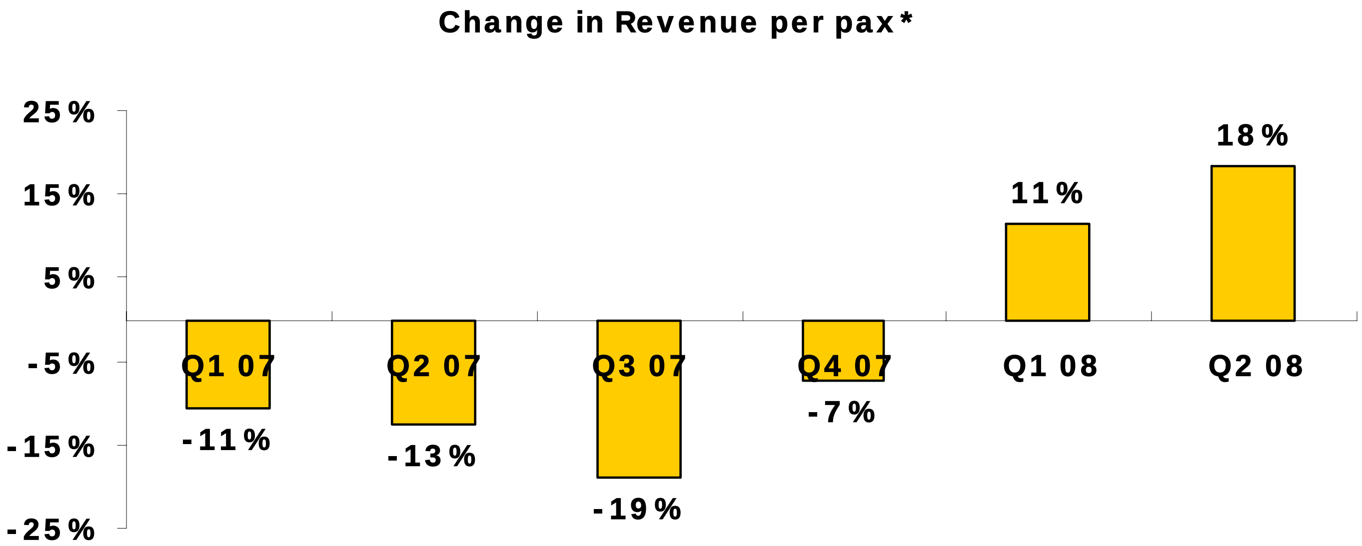
Fuel price increased costs by 14 € million in respect to Q2 07 but …





… cost improvement programs allowed for 100% compensation of fuel price increases

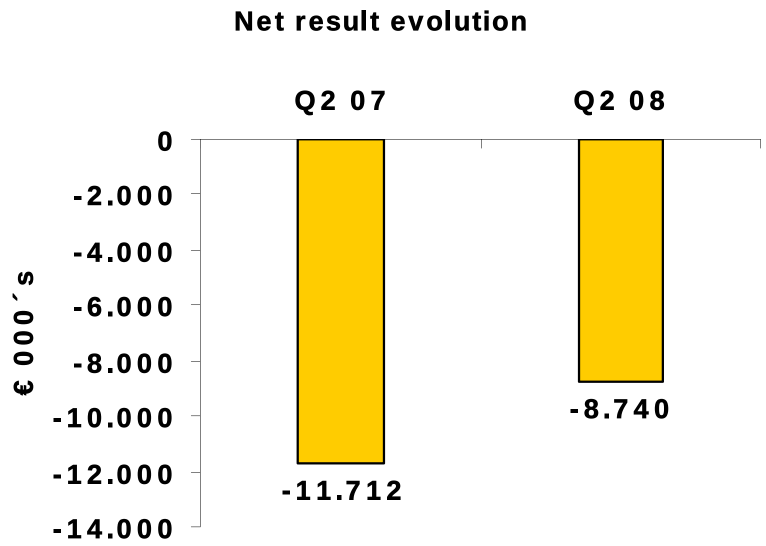
Trend in results has changed and further significant improvements are expected in the next two quarters.

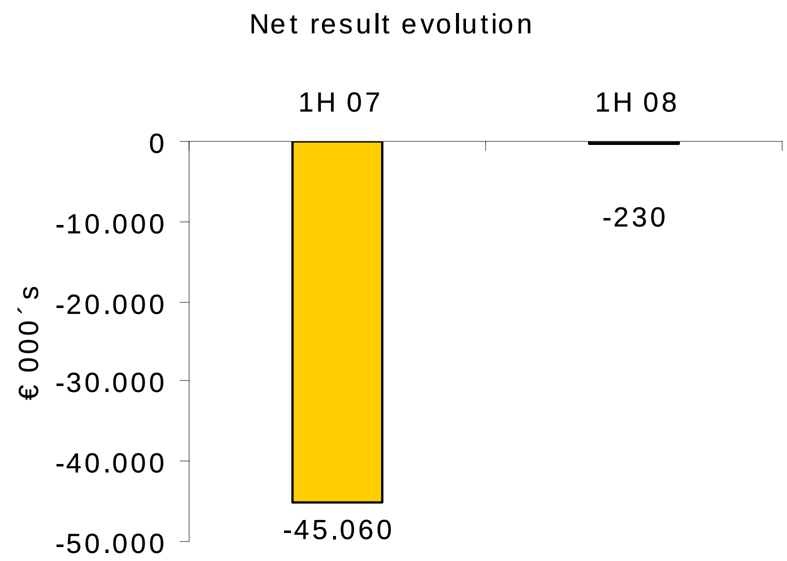


- Off-line sales forecast contribution is in excess of € 20 million in 2H 2008
- Ex-fuel CASK is expected to be below 4.00 in 2H 2008
- Revenue per flight is forecasted to keep on opening a GAP in respect to 2H 07

Main lines of P&L are significantly improving and cash position is comfortable.

- **Net result has also significantly improved, due to accounting effects from capitalisation of tax credits (with an effect of 3.746 € 000´s in Q2 and 44.646 € 000´s in 1H)**





Cash and equivalents as of 30th June are above 63 million with no financial indebtness and had not yet reached the peak in the year

Most recent cash & equivalents position is close to 70 million Euros

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Second-quarter P&L account

Data in € '000

P & L	Q2 08	Q2 07	Var.
Net Income	111.812	89.866	24%
Total Variable Costs	87.082	64.573	35%
Contribution Margin	**24.730**	**25.293**	**-2%**
Total Semifixed Costs	26.346	25.618	3%
Operative Margin	**-1.616**	**-325**	**397%**
Total Fixed Costs	-10.142	-13.275	-24%
EBIT	**-11.758**	**-13.600**	**-14%**
Financial Results and Other	-728	1.888	-139%
EBT	**-12.486**	**-11.712**	**7%**
Taxes	3.746	0	-
Net Result	**-8.740**	**-11.712**	**-25%**
EBITDAR	**3.510**	**2.075**	**69%**

Source: Vueling. Data under new Spanish GAAP

Half-year P&L account

Data in € '000

P & L	H1 08	H1 07	Var.
Net Income	199.740	149.691	33%
Total Variable Costs	166.253	116.477	43%
Contribution Margin	**33.487**	**33.214**	**1%**
Total Semifixed Costs	56.289	47.392	19%
Operative Margin	**-22.802**	**-14.178**	**61%**
Total Fixed Costs	21.217	23.733	-11%
EBIT	**-44.019**	**-37.911**	**16%**
Financial Results and Others	-857	4.184	-120%
EBT	**-44.876**	**-33.727**	**33%**
Taxes	44.646	0	-
Net Result	**-230**	**-33.727**	**-99%**
EBITDAR	**-9.851**	**-8.260**	**19%**

Source: Vueling. Data under new Spanish GAAP

Second-quarter balance sheet

Data in € '000

ASSETS	30.06.08	31.12.07	Var.
Non-currents Assets	**80.949**	**35.693**	**127%**
Other Current Assets	17.145	12.844	**33%**
Cash and other liquid equivalents	63.132	87.089	**-28%**
Total Current Assets	**80.277**	**99.933**	**-20%**
Total Assets	**161.226**	**135.626**	**19%**

LIABILITIES	30.06.08	31.12.07	Var.
Net Equity	**24.641**	**17.421**	**41%**
Non-current liabilities	**17.555**	**16.131**	**9%**
Current liabilities	**119.030**	**102.074**	**17%**
Total Equity and Liabilities	**161.226**	**135.626**	**19%**

Source: Vueling. Data under new Spanish GAAP

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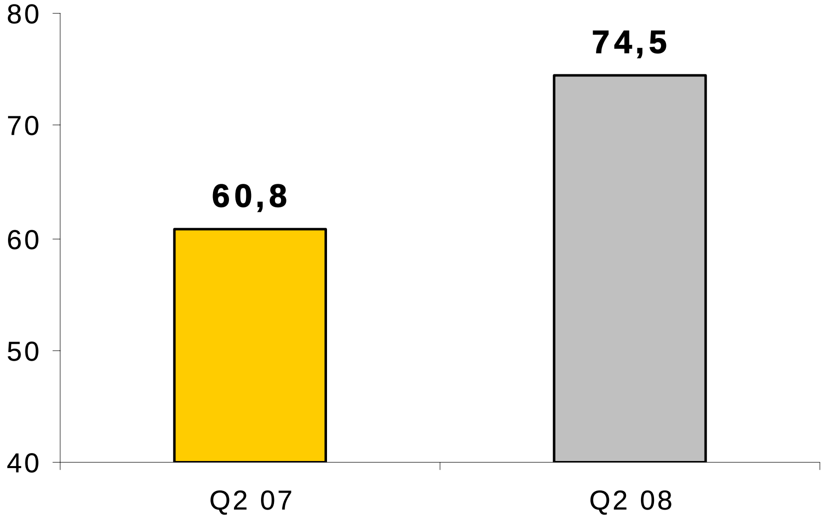
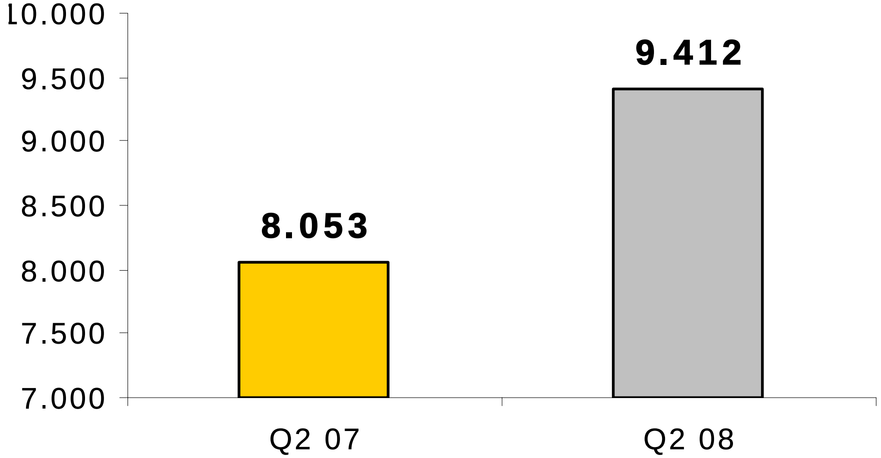
On the revenue side, increase has been driven by revenue per passenger, which boosted revenue per flight levels, Vueling's key focus

Total revenue per passenger. Euro

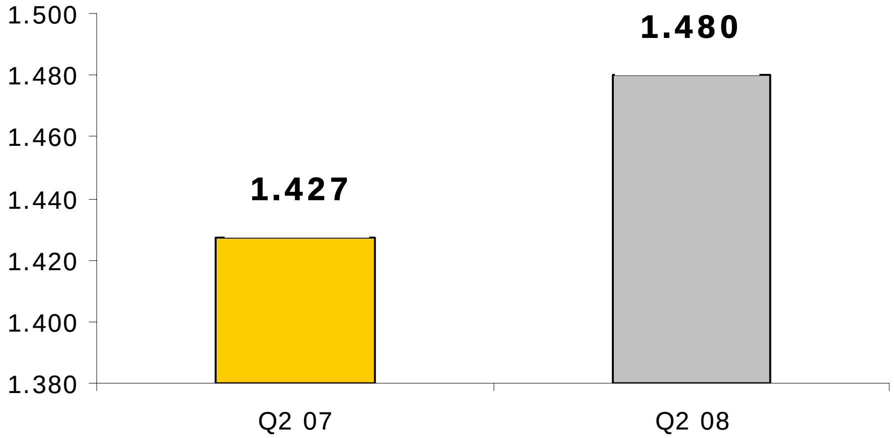


Revenue per flight. Euro

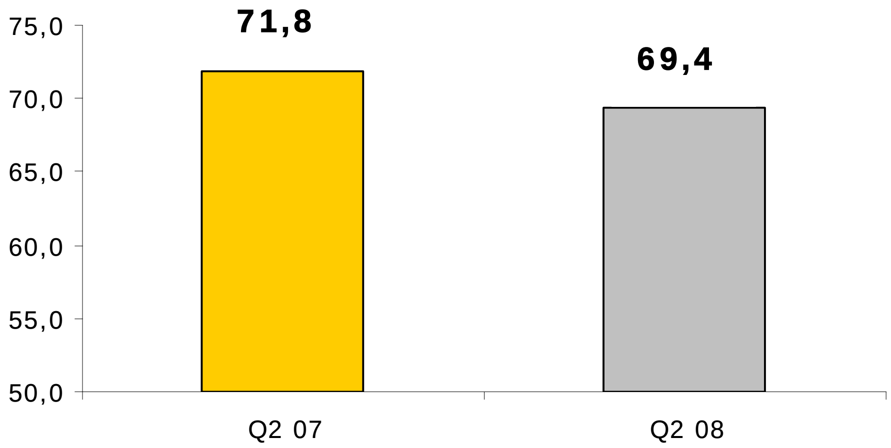


Passenger numbers 3.7% up. Load factor down by 2.4pp, totally offset by revenue per passenger growth

Total passengers flown. '000

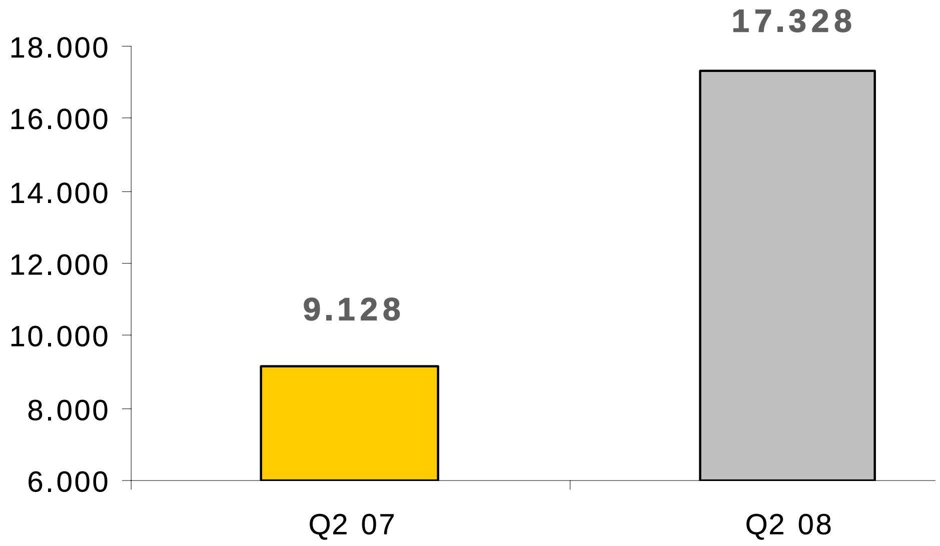


Average load factor. %

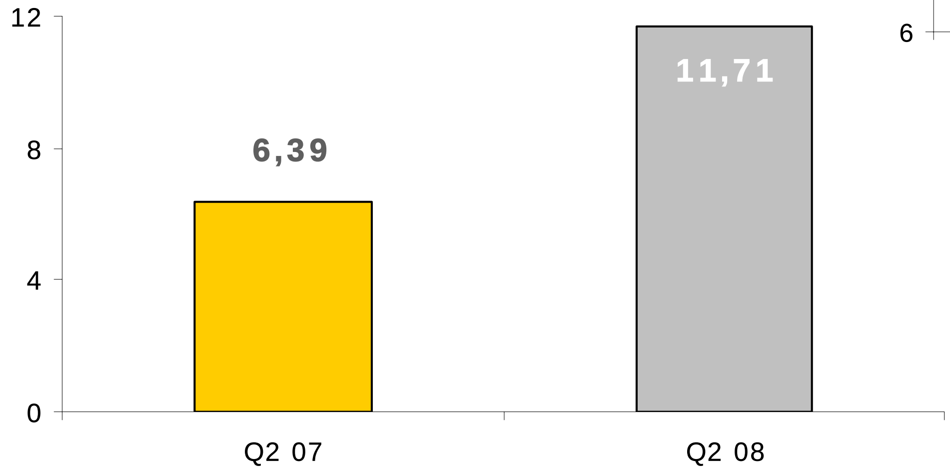


Ancilliary revenue already makes up 15% of Vueling's overall revenues, up from 10% last year

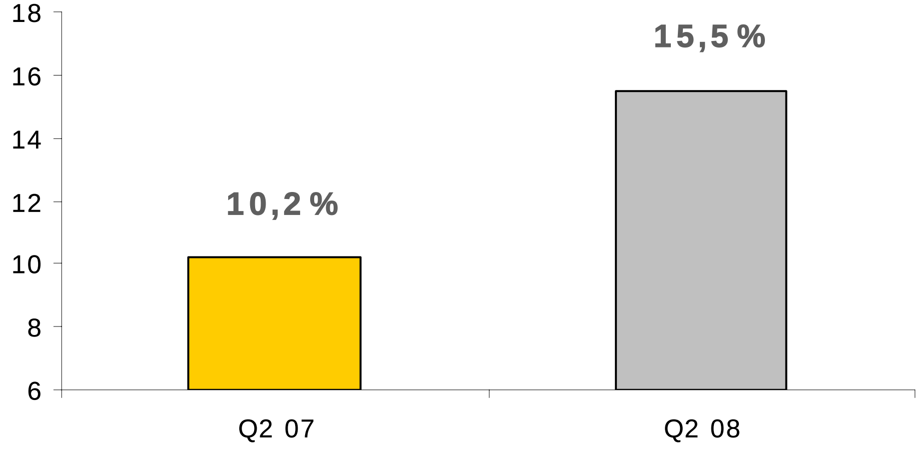
Total ancillary revenue. Euro '000



Ancillary revenue per ASK. Eurocents

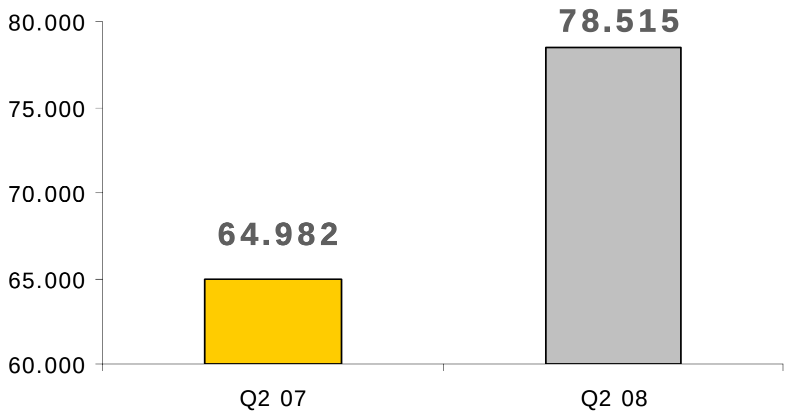


As % of total revenue

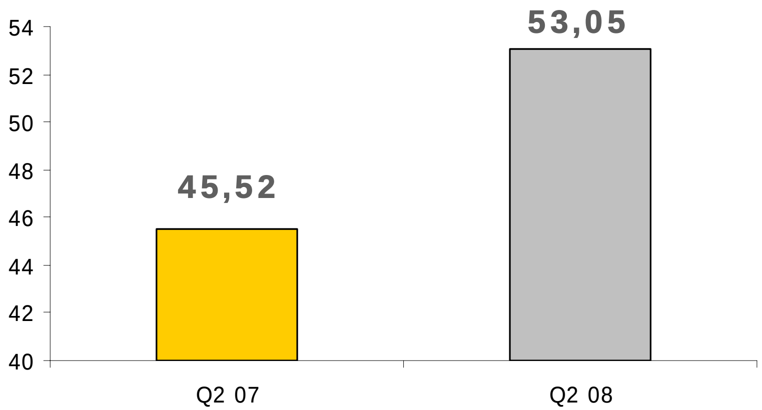


Ticket revenue growing strongly, while at the same time reducing its weight down to 70% of overall revenue

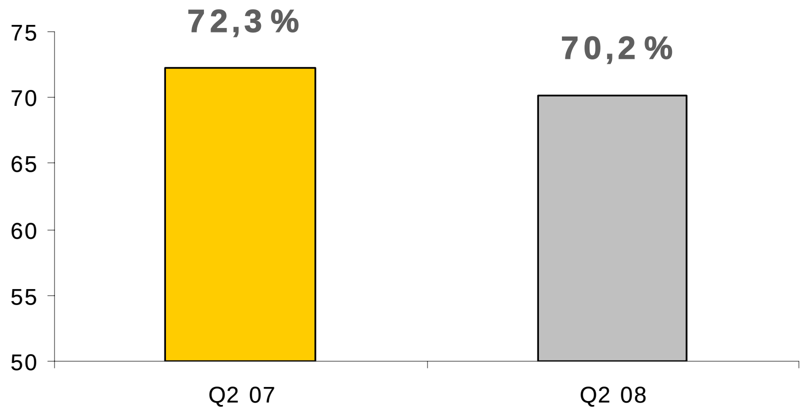
Total pure ticket revenue. Euro '000



Ticket revenue per passenger. Euro



As % of total revenue



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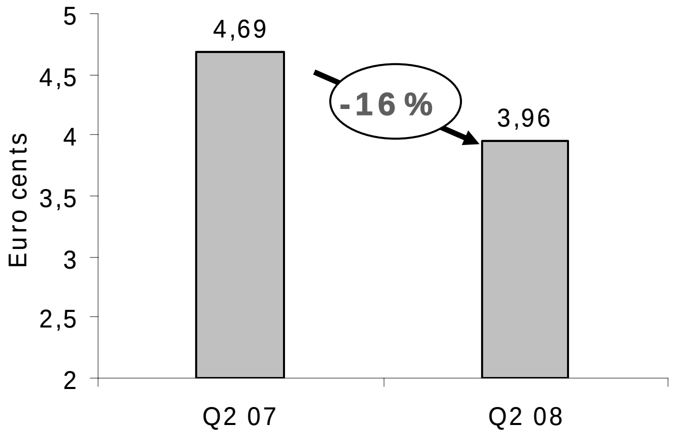
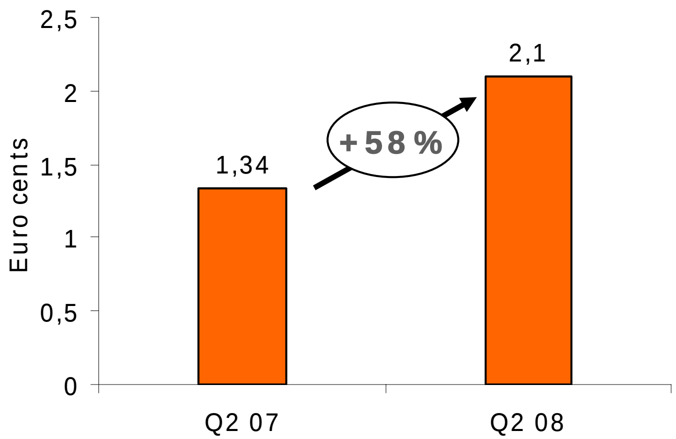
Exfuel cost per ASK



Fuel cost per ASK



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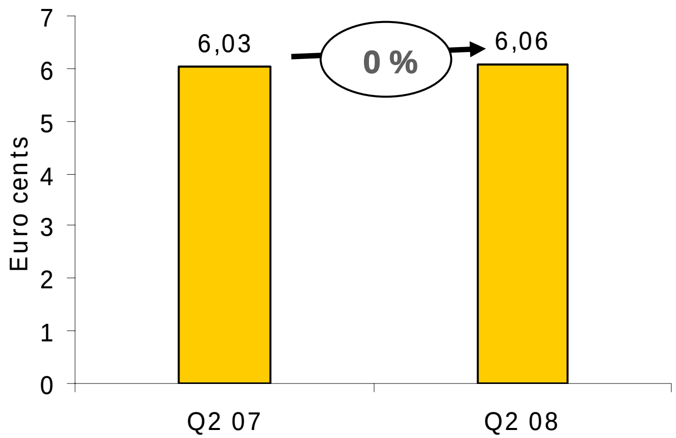
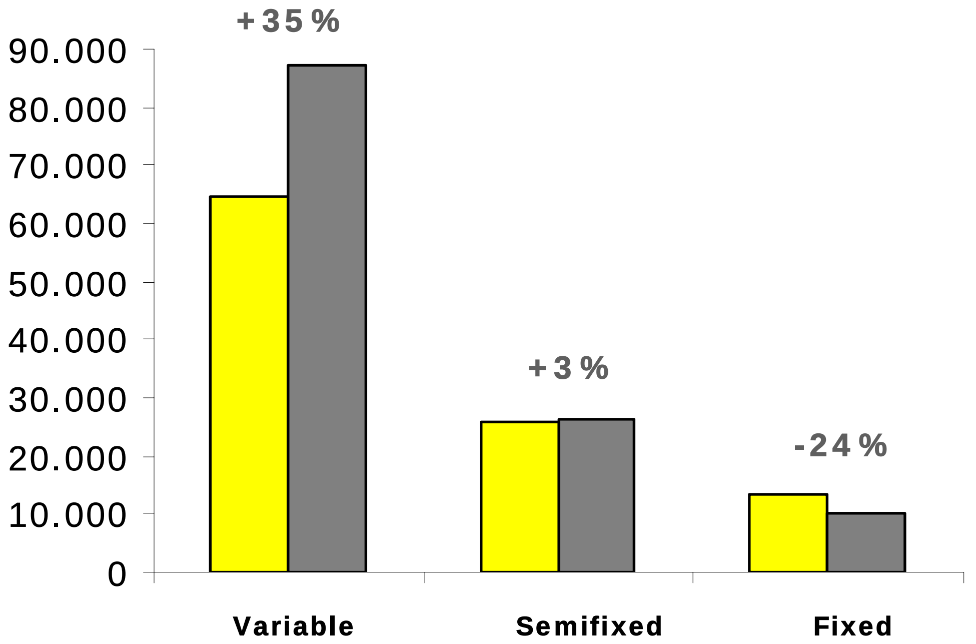
Total cost per ASK



… cost improvement programs allowed for 100% compensation of fuel price increases

Expenses increased at a slower rate than revenues

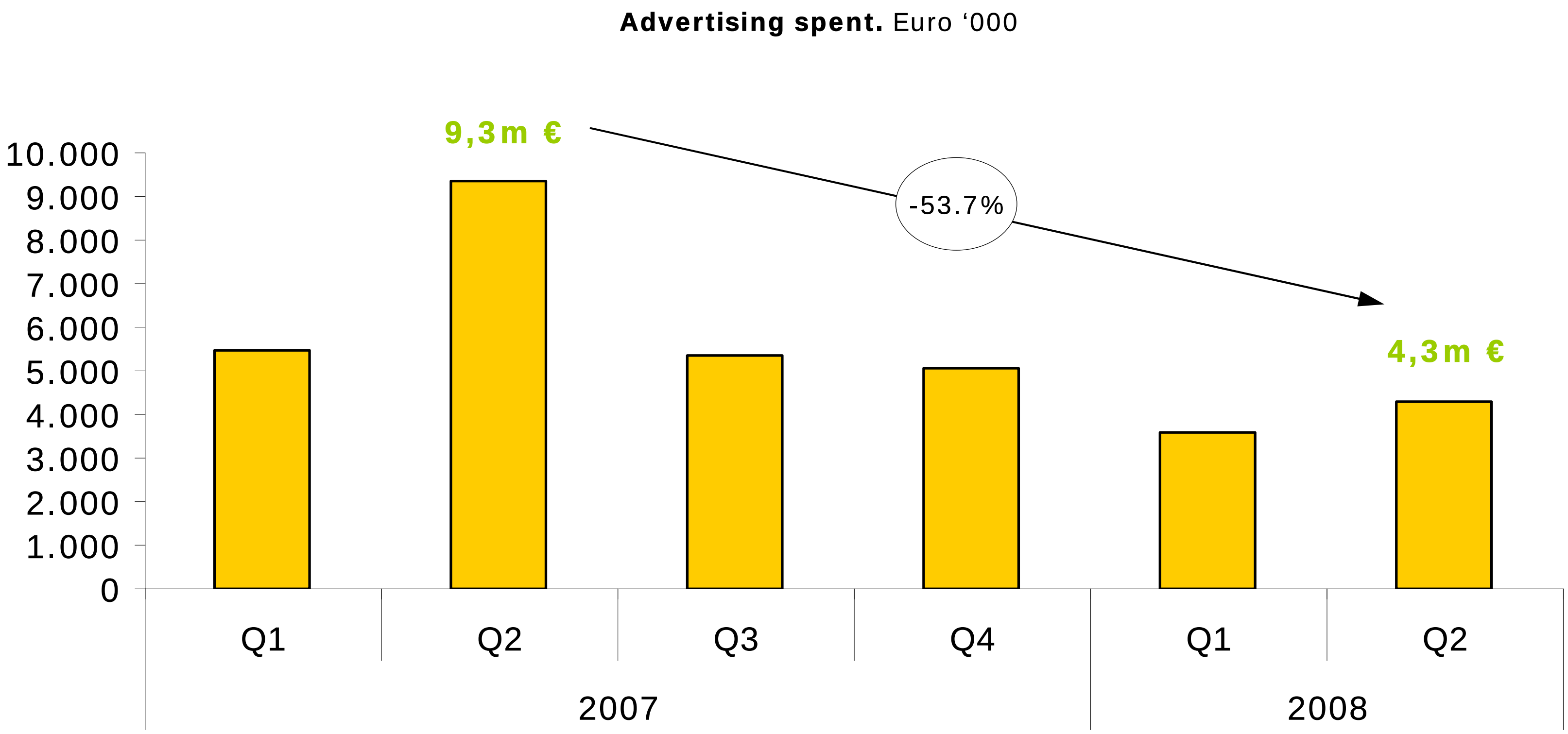
Total costs per line . Euro ‘000



ASK´s up by 18% and fuel costs impacting 22% explain the variation in variable costs

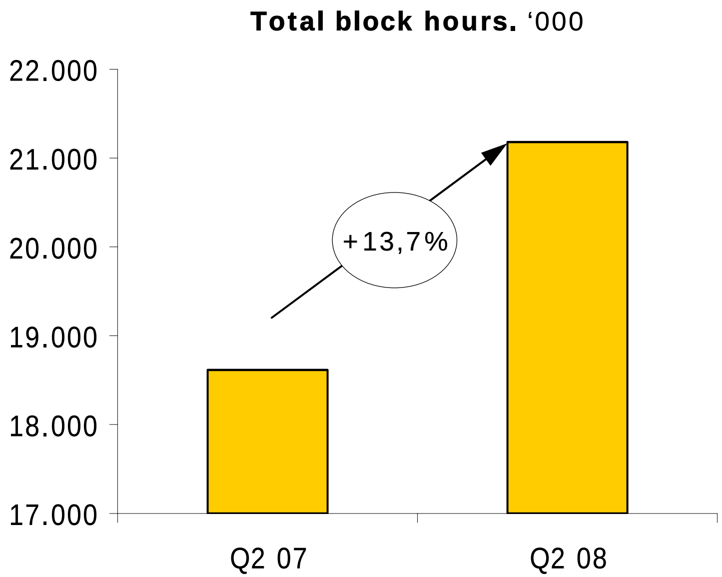
Fixed costs are reduced by 24% despite the increase in activity

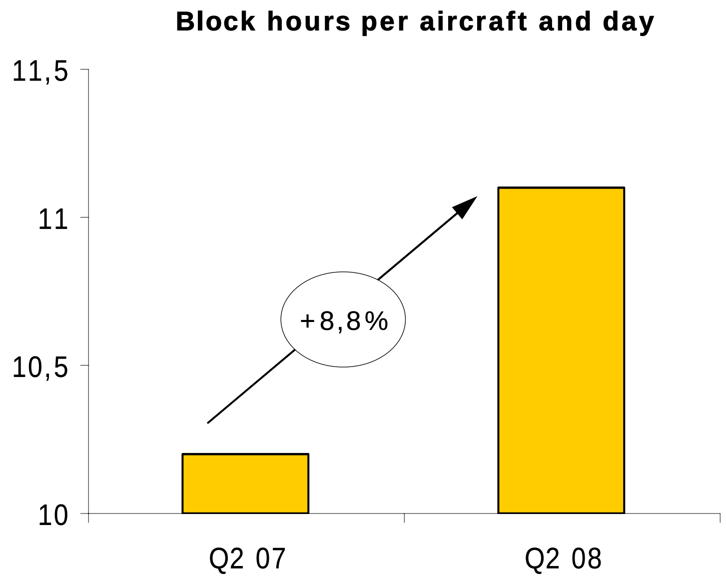
Q2 08 advertising spent, slashed by more than half



Source: Vueling. Data en Spanish GAAP

Aircraft utilitzation outstriped fleet growth of 5% (from 20 to 21)





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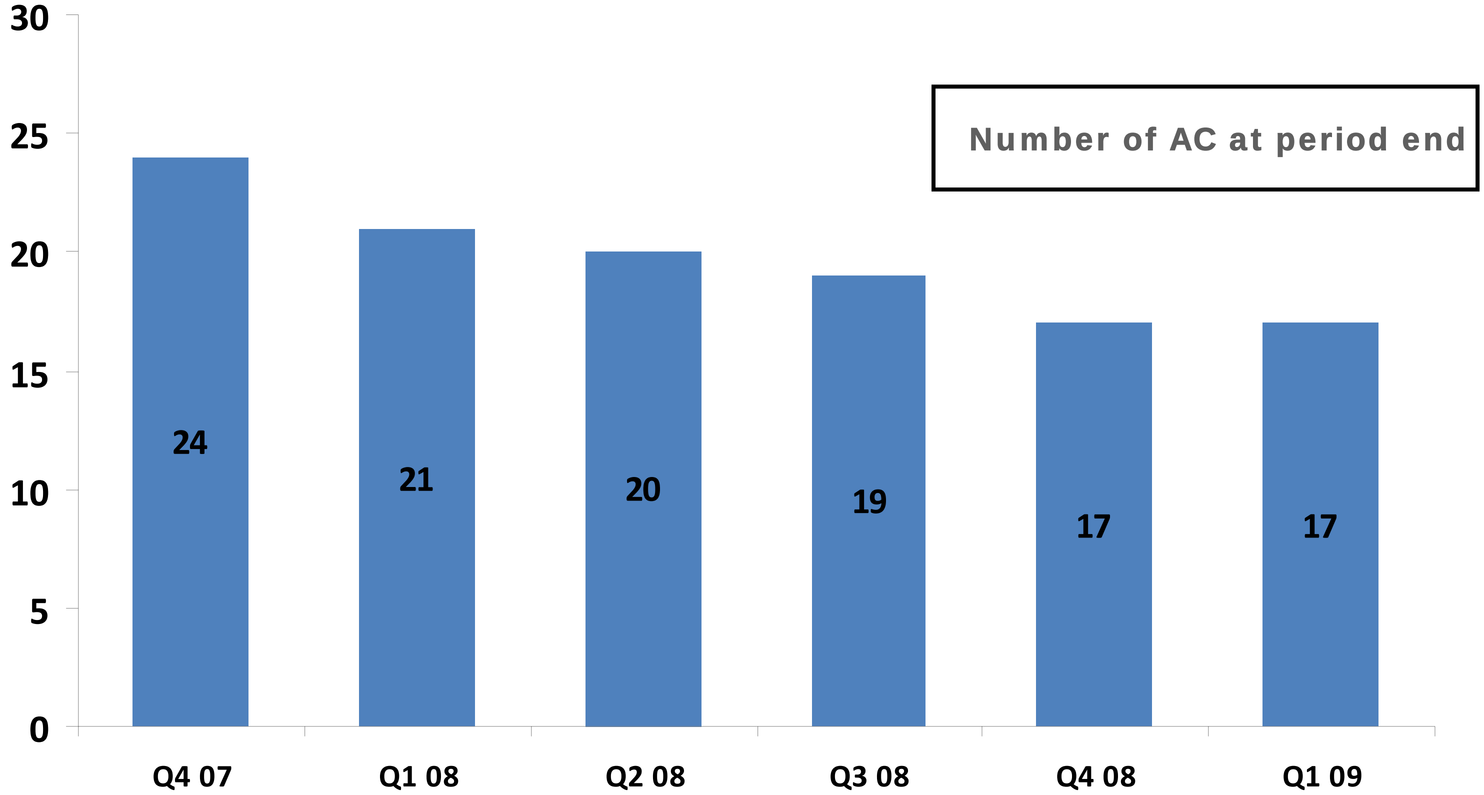
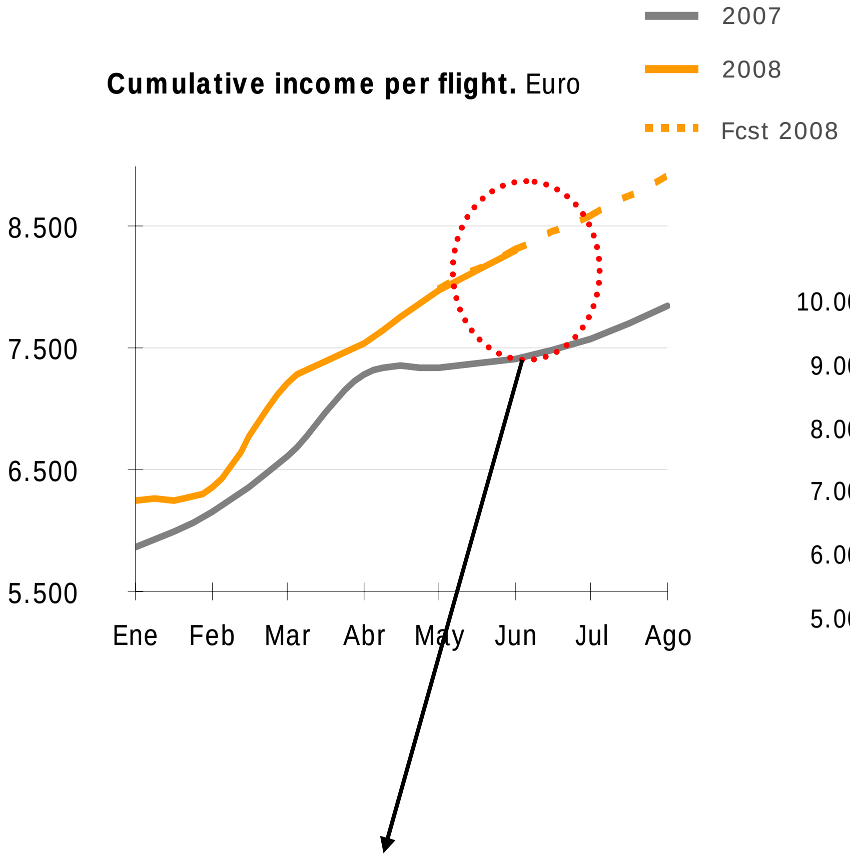
Fuel continues to be the major concern for 2H 08, but Vueling has already put in place the measures to improve results. Capacity reduction will continue to be key for the result improvement program

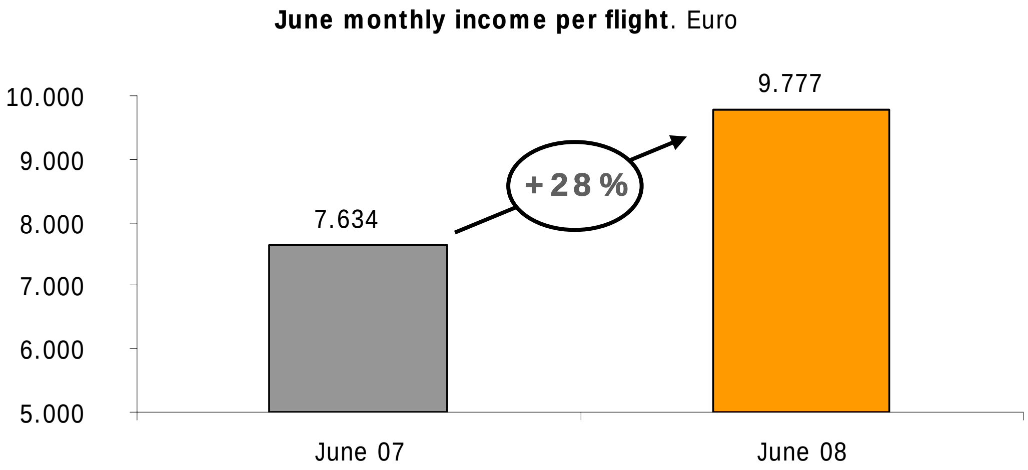


Flexibility is crucial and Vueling has been very successful in reducing fleet <u>quickly</u> and at a very <u>low cost</u>

All redeliveries of AC have already been agreed and full effect of the reduction will take place in Q4 08

Optimization of revenue per flight will be Vueling focus for the remaining of 2008. Outlook for Q3 is very positive, despite of forecast lower load factors.

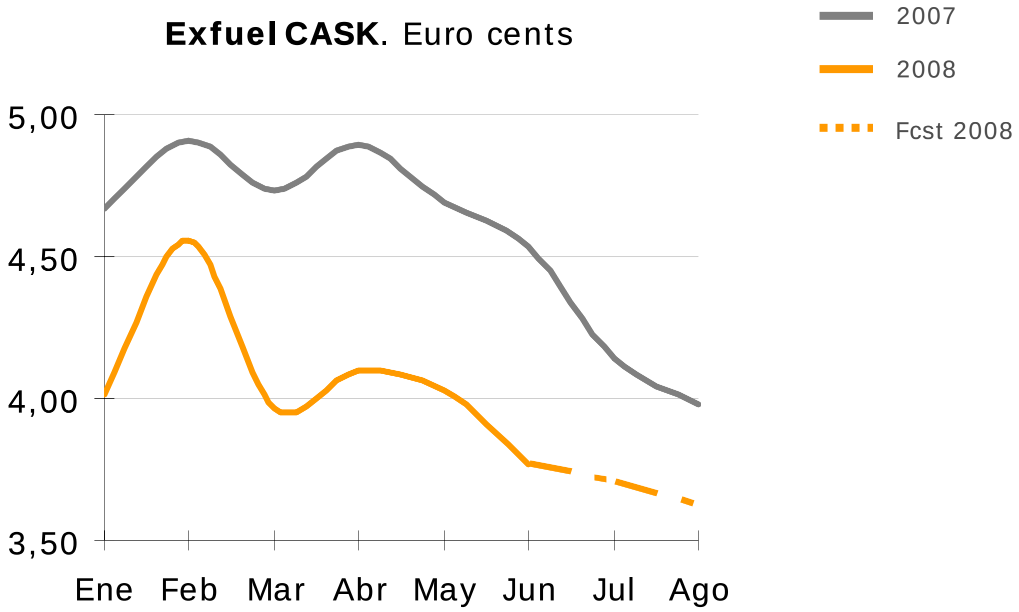


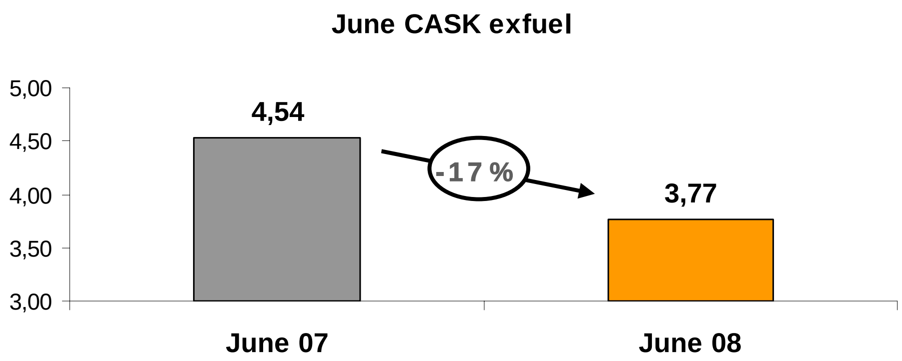


Cumulative GAP in June is 895 Euros per flight or 12% up…

…but in the month of June the GAP was +2.143€ per flight or 28% up

Ex-fuel CASK management will continue to be one of the main drivers to offset effects of fuel price increases





Main drivers for future further CASK reduction will be:

- **Advertising optimization**
- **G&A reduction**
- **Increased AC productivity**

The main drivers of the business plan, as presented in the June 08 AGM, and its forecast impacts on an anualised basis are as follows:

Capacity optimization	€ 25 M
Acces to new market segments (BSP & other)	€ 12-20 M
Increase in ancilliary revenue	€ 18-22 M
Improved efficiency in costs and income	€ 15-25 M

Targets

- Achieving a Q2 result in line with Q2 07, offsetting fuel impact (Achieved)
- Significantly improving results for full 2008 (on track)

Vueling main target for 2008 is significantly improving its results (EBITDAR, EBIT and Net income) despite of high fuel prices.

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Strategic guidelines continue to be around the four pillars which were presented in May 08

Capacity and network optimization

- Cancel non-profitable routes
- Adjust capacity to maintain or increase productivity

Access different market segments

- Develop off-line channels
- Complement current offer with flex-fare product

Increase efficiency

- Manageable costs: Overhead, crew productivity, handling…
- Revenue management practices

Continue developing ancillary revenue

- Launch new products
- Adjust prices to maximize revenue

Geographical markets that will be operated in Winter season 08-09 will be mainly Spain, France and Italy and generally the sothwest area of Europe, with no operations to the UK or Germany.

For further information …

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