



# Q1'11 Results presentation

Vueling Airlines

vueling

# Agenda

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



# A.

## Highlights & Market



1. Highlights
2. Market
3. Competition
4. Fuel and dollar

- Vueling Q1'11 net income amounted to -23m€

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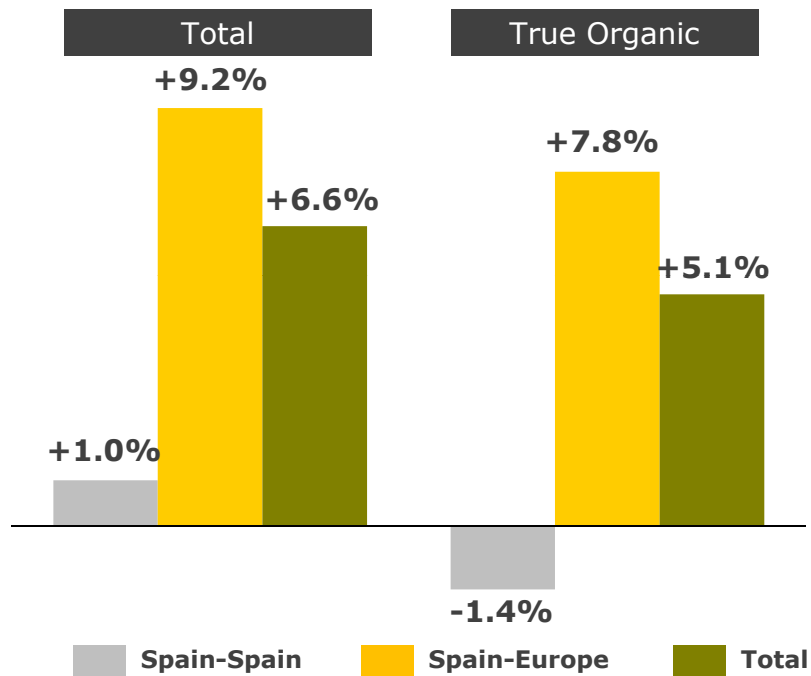
- Weak domestic Spanish market (+1% growth) and increased competition overlap (+15pp) have resulted in significant fare price decreases (-15%)
- Fuel price increased +41% vs. same period last year
- No capacity changes were initially planned for Q1'11; however, high fuel prices have forced tactical flight schedule cuts resulting in a capacity reduction of 6% vs. last year
- Revenues have been impacted by these capacity cuts and the Easter break effect resulting in a 10% reduction over last year
- Q1'11 EBIT amounted to -€33m (vs. -€13m in 2010), due to external factors (-€17m) and increased competition & capacity reduction (-€7m)

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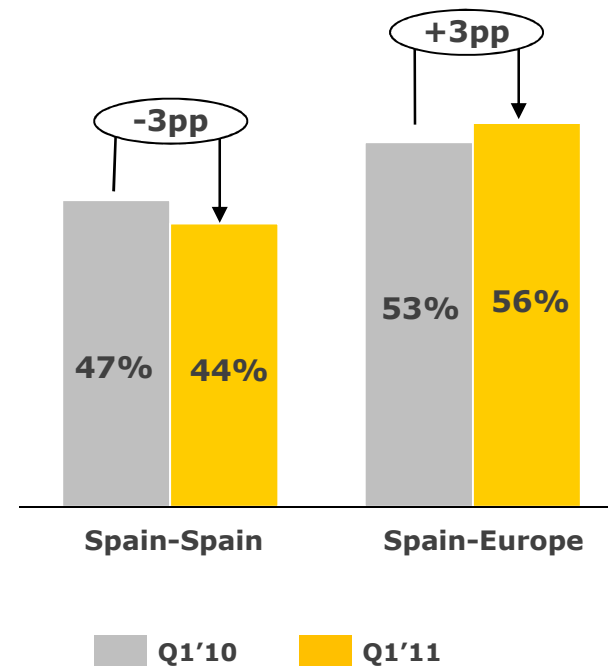
- Despite this result, Vueling has maintained its cash position vs. last year
- Vueling maintains a strong balance sheet position

# Spanish market grew thanks to European traffic as domestic demand remains weak

Q1 2010 vs. Q1 2011 Market Growth (pax)



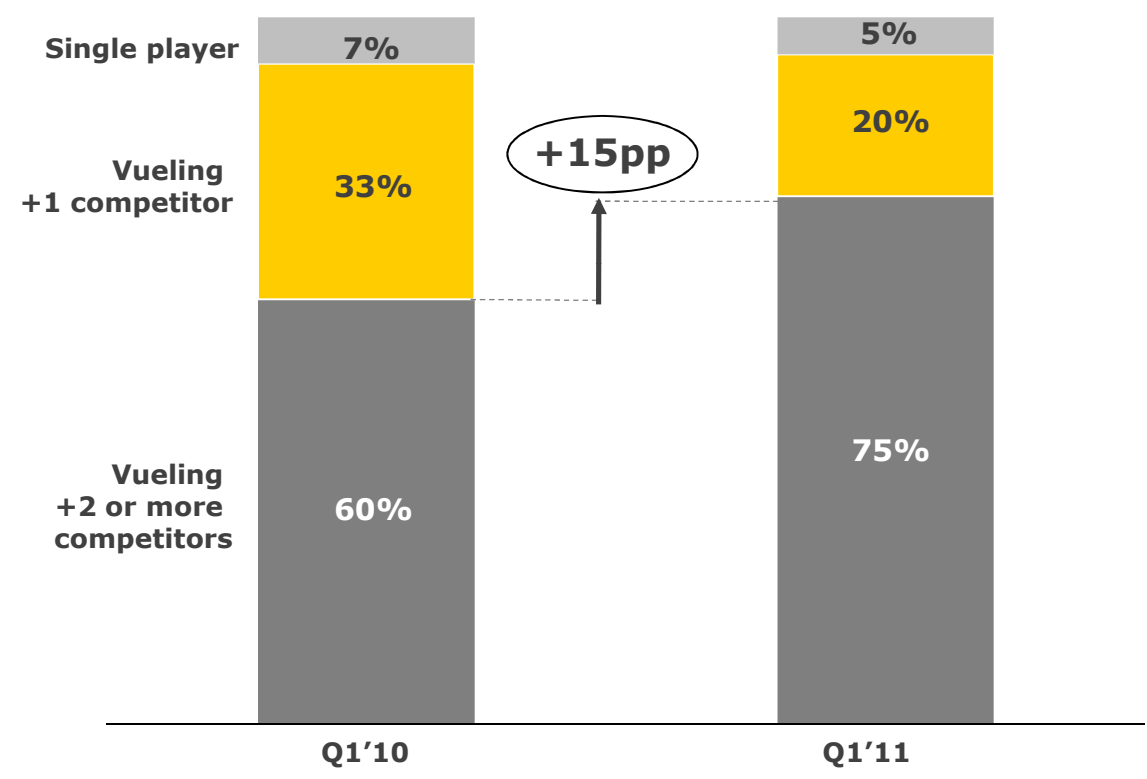
Vueling passenger distribution (%)



Note: Markets that are "True Organic" exclude new route seat growth operated only when local governments provide substantial support  
 Source: AENA, Vueling, Air Scoop

# Competitive intensity has increased significantly in Q1'11

## Vueling's ASK overlap with competitors (%)



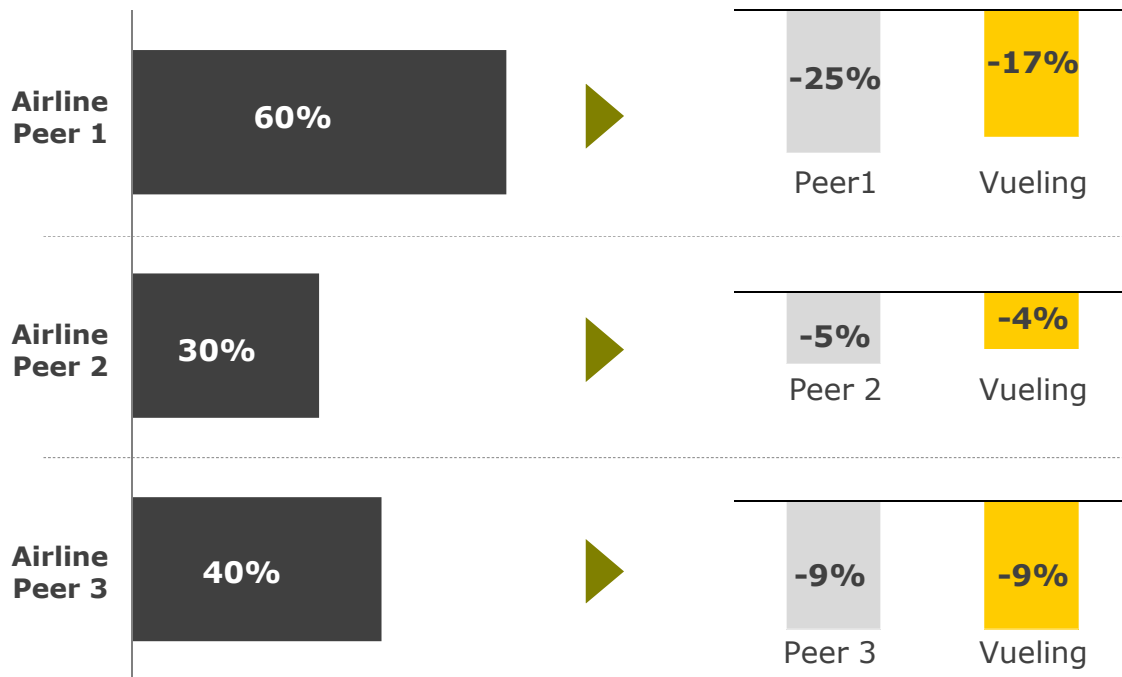
- Increased competition occurs mainly at Barcelona and Seville bases
- Routes with low competition are decreasing

Source: Vueling

# The competitive environment is driving lower average fares

**Q1'11 % overlapped ASKs with top-3 peers**

**Average fare change Q1'10 vs. Q1'11, per peer**



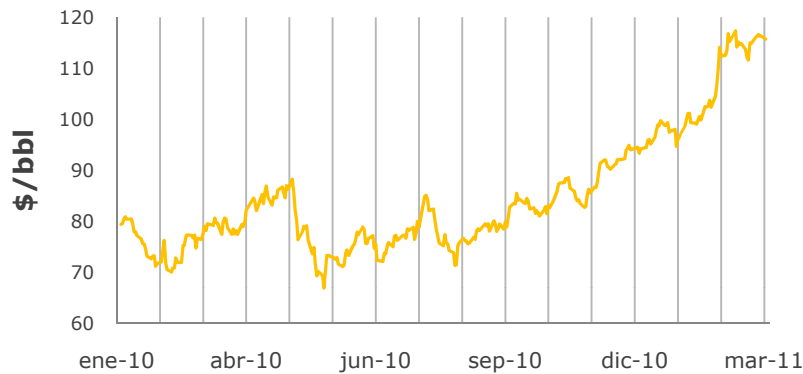
- Vueling average fares have been reduced by 15%
- The high competitive environment has limited fuel price pass-through opportunities

Note: Average fare comparison, 90 days before departure to 20 days before departure, each day, 1Q'11 vs. 1Q'10

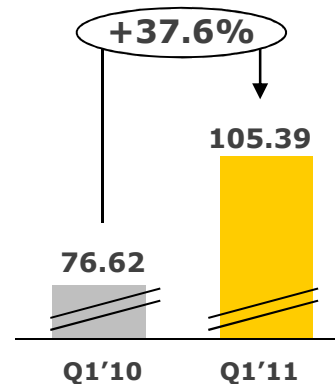
Source: Vueling

# The high price of fuel is the main driver behind Q1's performance

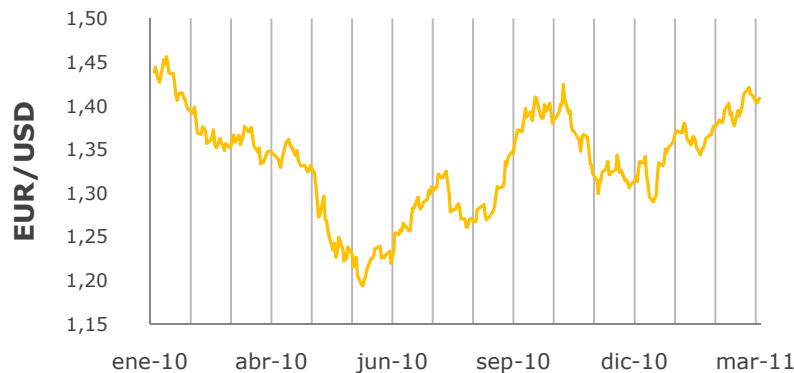
**Brent barrel price evolution**



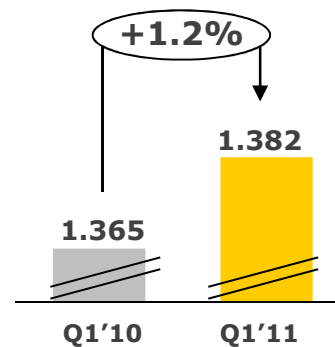
**\$/bbl % change**



**€/USD evolution**



**€/USD % change**



- Oil price has risen 38% vs. last year
- Fuel represents 28% of total Q1'11 costs vs. 24% last year
- Euro / dollar exchange rate has improved 1.24%, insufficient to offset fuel price increases

Source: Reuters



# B.

## Financial Review



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

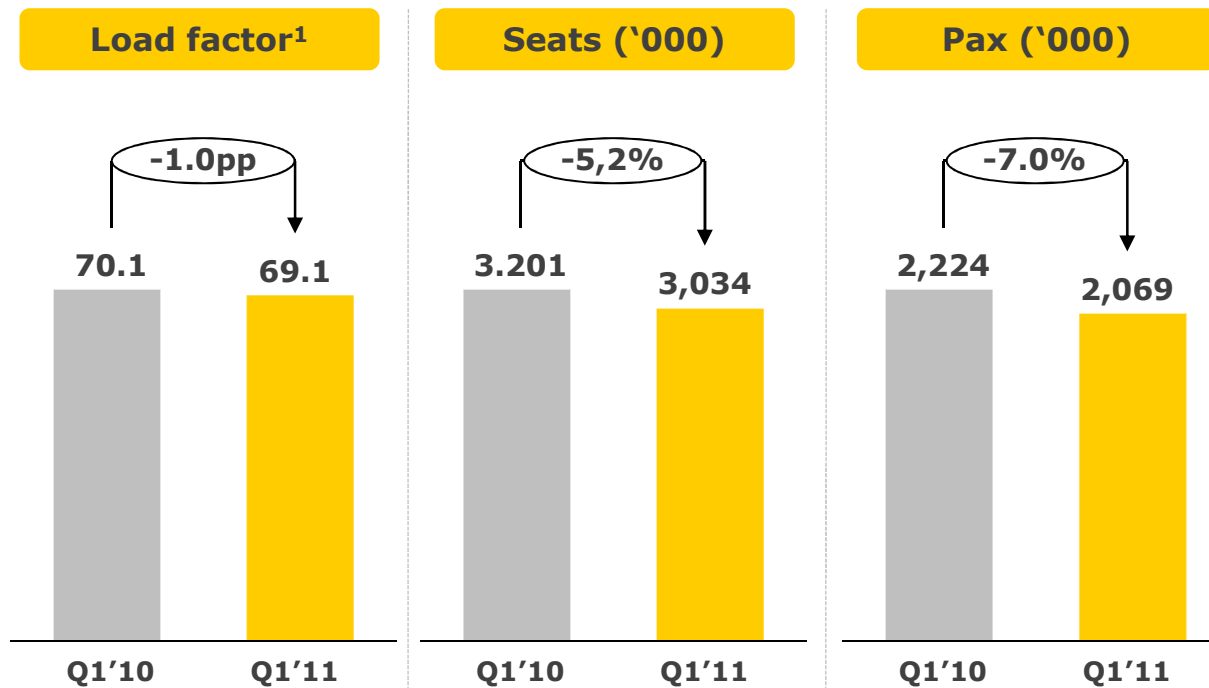
**Q1'11 EBIT: €-35m, primarily due to lower activity (-6%) and higher fuel costs (+20%)**

	Q1'11	Q1'10	YoY change
<b>ASK (m)</b>	<b>2,652</b>	<b>2,824</b>	<b>-6%</b>
<b>Revenues (€m)</b>	<b>127.2</b>	<b>141.8</b>	<b>-10%</b>
<b>Fuel (€m)</b>	<b>-41.4</b>	<b>-34.4</b>	<b>+20%</b>
<b>Opex (€m)</b>	<b>-95.4</b>	<b>-95.4</b>	<b>+0%</b>
<b>D&amp;R (€m)</b>	<b>-25.6</b>	<b>-25.1</b>	<b>+2%</b>
<b>EBIT (€m)</b>	<b>-35.2</b>	<b>-13.0</b>	<b>-22.2m</b>
<b>Cash flow (€m)</b>	<b>-1.5</b>	<b>+14.1</b>	<b>-15.6m</b>

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

Source: Vueling

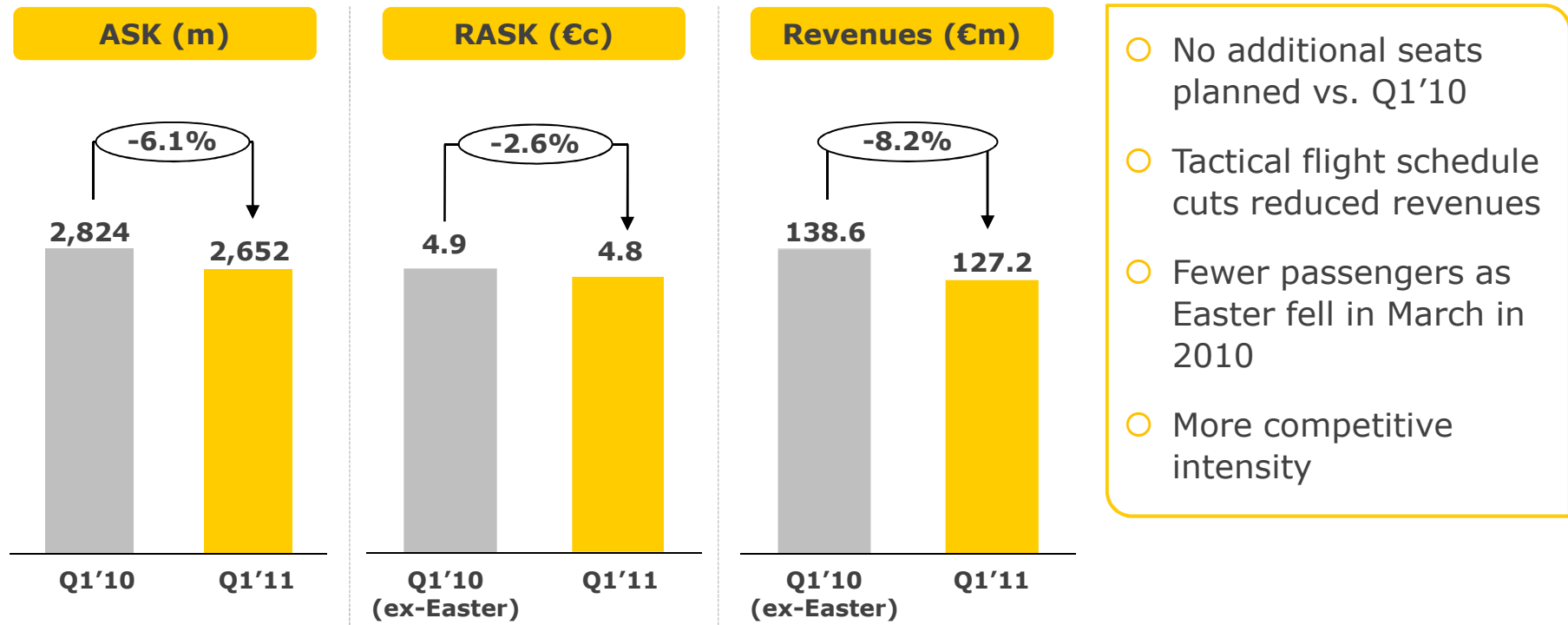
No capacity changes were initially planned for Q1'11; however, fuel prices drove schedule cuts



- No additional seats were planned vs. Q1'10
- Tactical flight schedule cuts reduced negative impact of fuel prices
- Easter break effect was also present this year

(1): RPK/ASK  
Source: Vueling

# 10% lower revenues due to Easter break effect, increased competition and less capacity

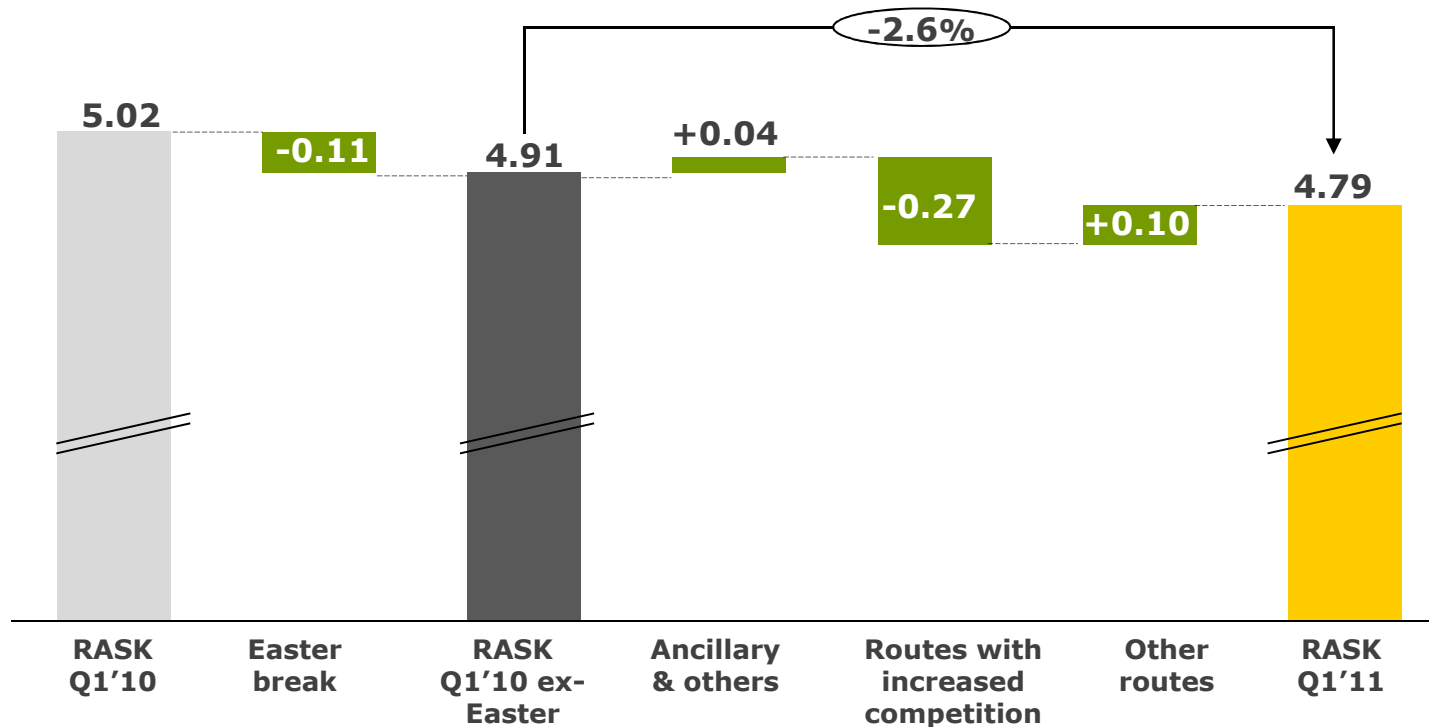


- No additional seats planned vs. Q1'10
- Tactical flight schedule cuts reduced revenues
- Fewer passengers as Easter fell in March in 2010
- More competitive intensity

Note: Reported RASK Q1'10 = 5.0, Revenues Q1'10= €141.9  
Source: Vueling

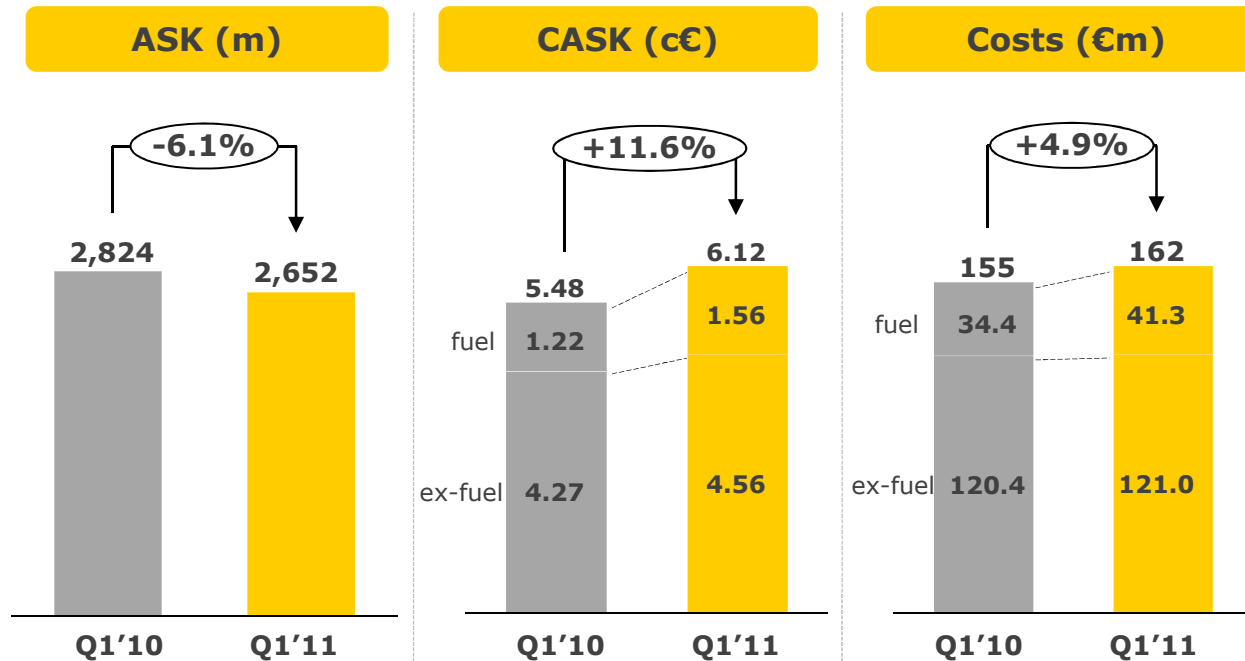
# The Easter break effect and the competitive environment affected Q1'11 RASK the most

## Impact of key factors on RASK (€c)



Source: Vueling

# Higher fuel costs and lower activity are the key drivers behind a 4.9% costs increase

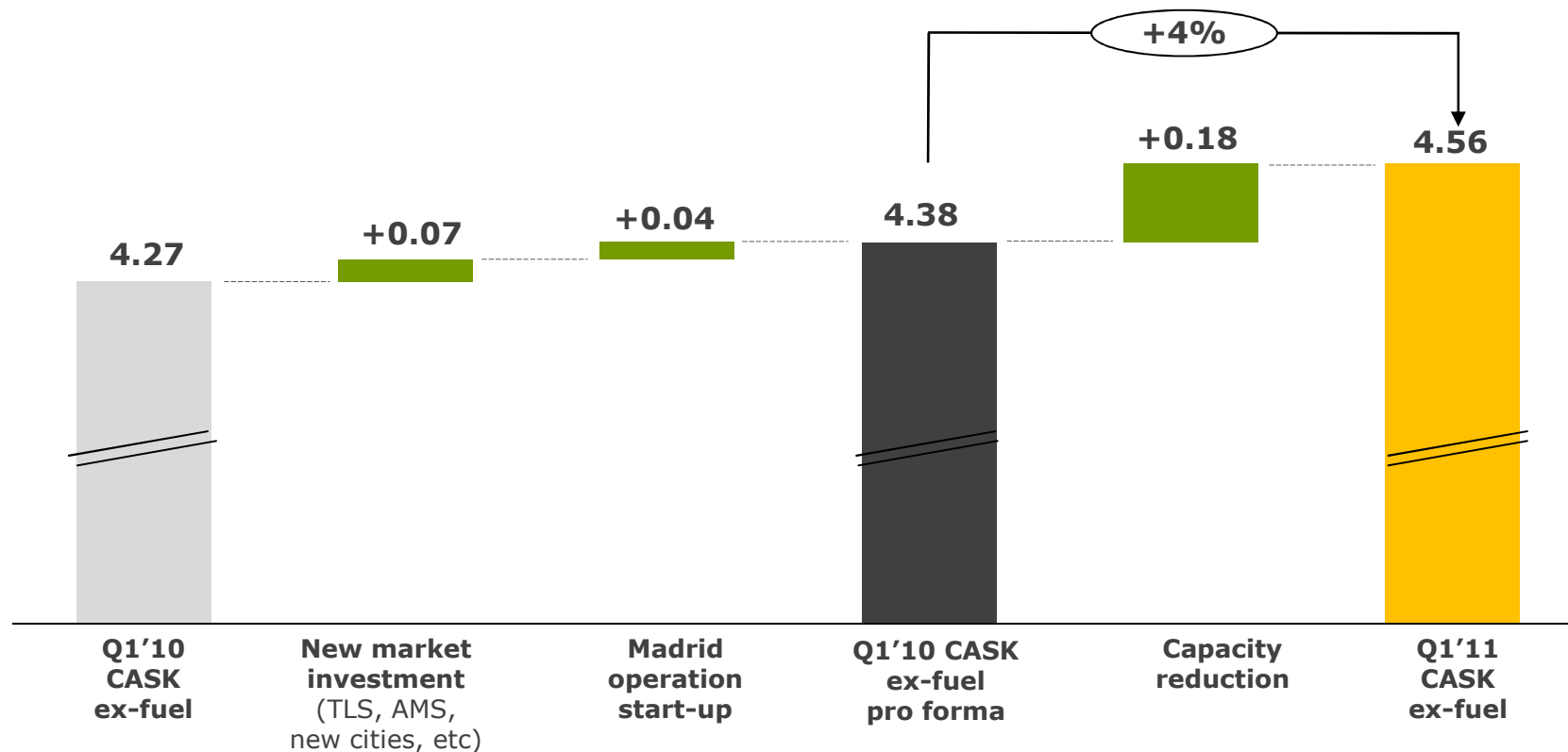


- No capacity increases were planned for Q1'11
- Fuel price increases drove the need to perform tactical capacity cuts which reduced aircraft utilization

Source: Vueling

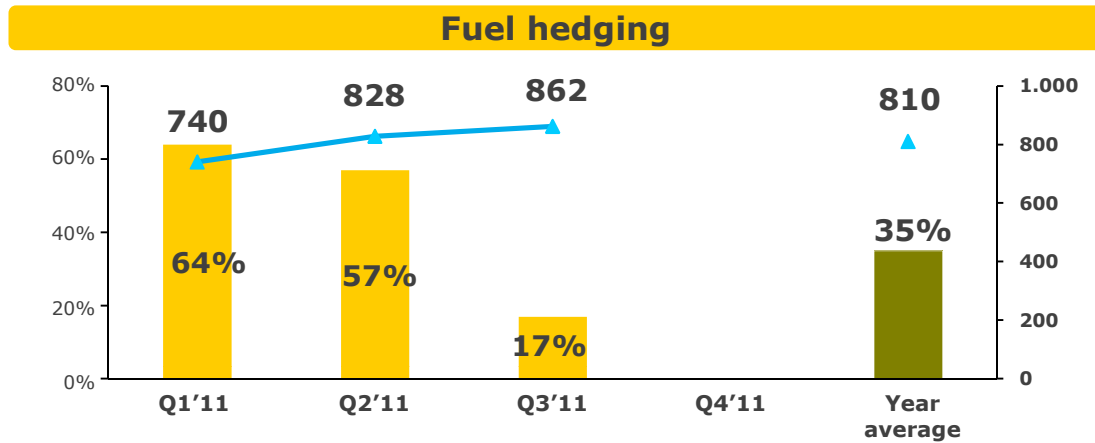
# CASK ex-fuel was impacted by external factors and by capacity reduction

## Impact of key factors on CASK ex-fuel (€c)

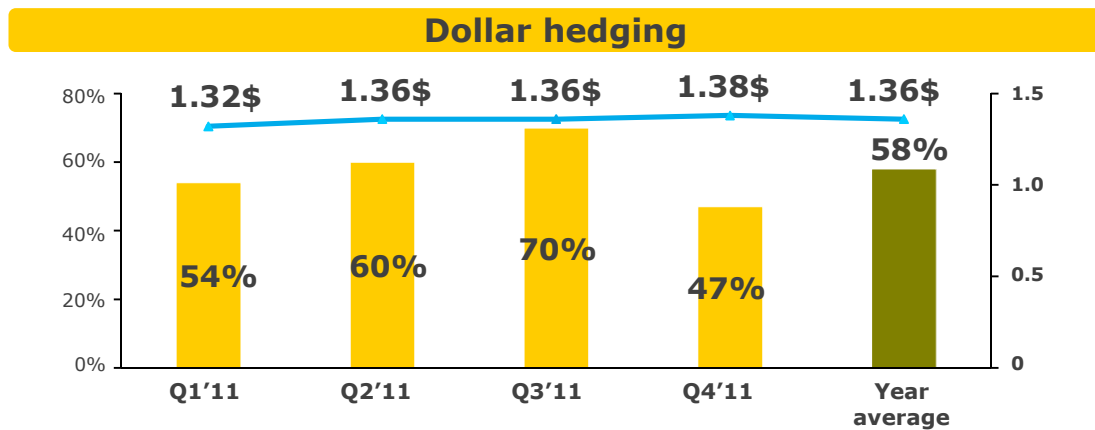


Source: Vueling

Jet fuel price has increased 41% vs. last year;  
hedging policy has reduced impact by 50%



- Q1'11 Jet fuel price has increased by 41%
- But, fuel CASK has experienced a lower increase (+20%) thanks to hedging policies in place



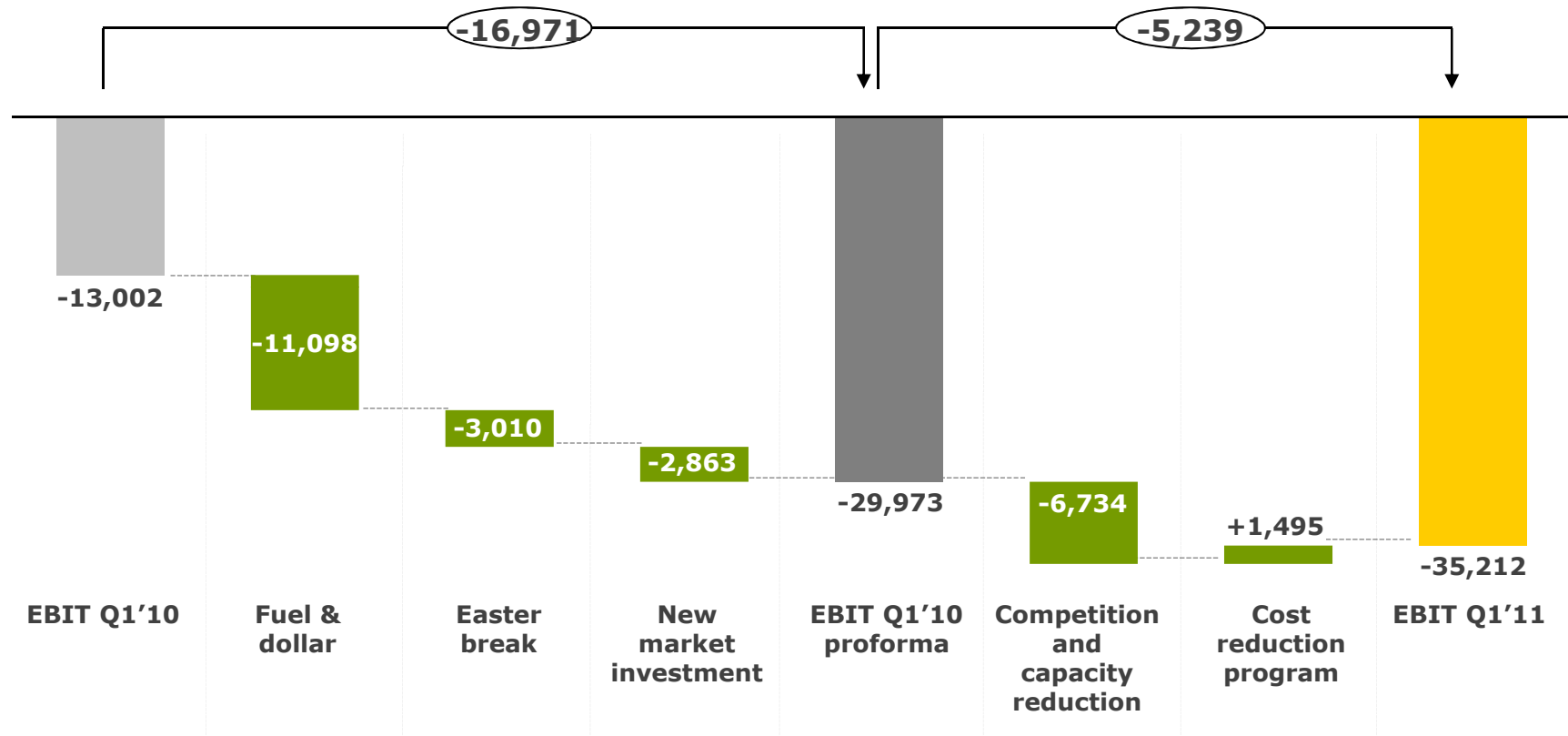
— Average hedged price  
 ■ % hedged

Source: Vueling



# EBIT decrease in Q1'11 has been €-5.2m on a pro forma basis

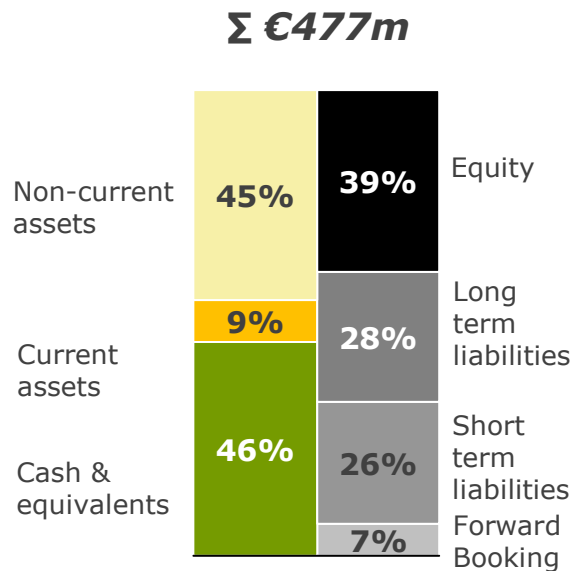
## Impact of key factors EBIT (€'000)



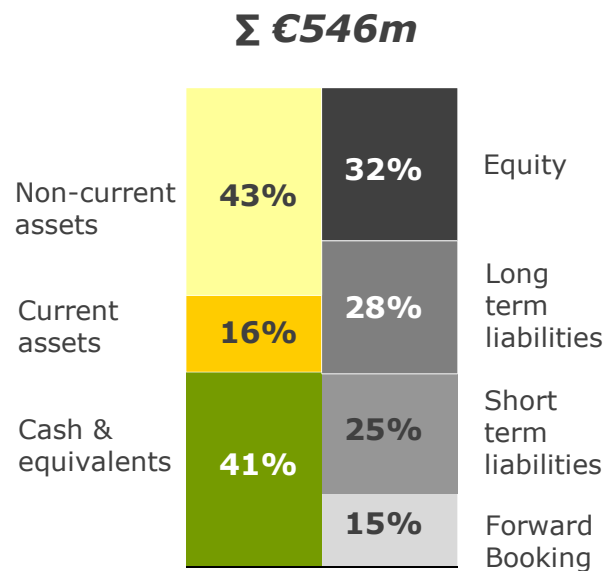
Source: Vueling

# Despite this result, Vueling is keeping a strong cash position

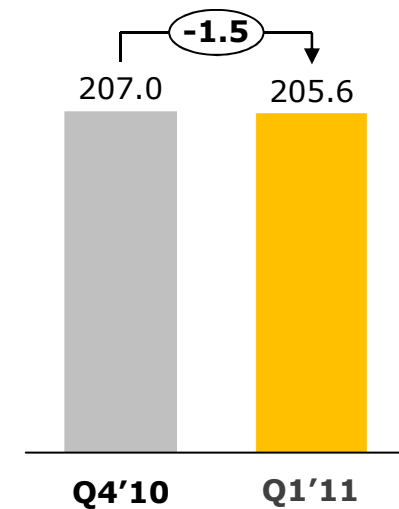
**Balance Sheet as of Dec'10**



**Balance Sheet as of Mar'11**



**Net cash (€m)**



Source: Vueling

# C. 1.

## Business Review



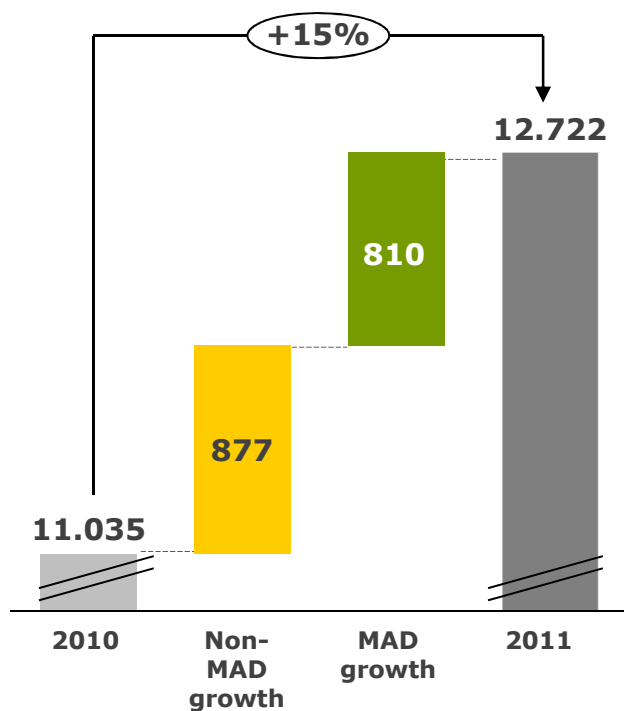
### 1. Growth

### 2. Differentiation Strategy

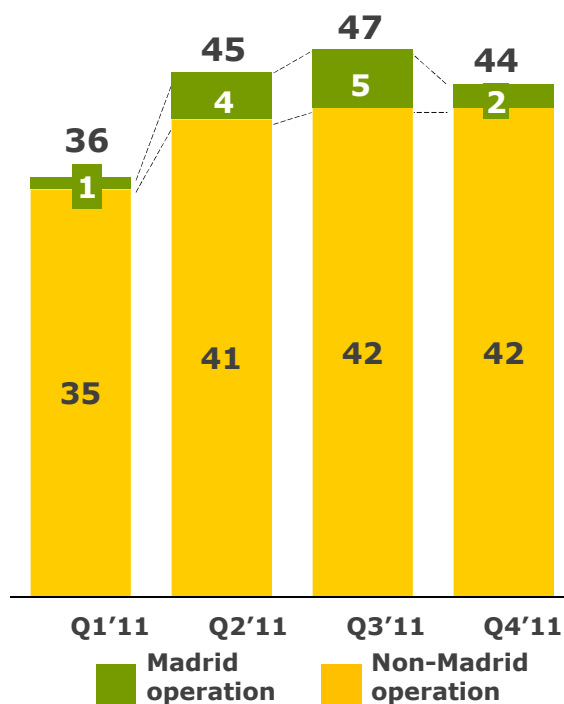
- ① Connections
- ② International bases
- ③ Offline Channel
- ④ Ancillary Innovation
- ⑤ Brand
- ⑥ Cost Reduction Program
- ⑦ Excellent Execution

# Vueling will increase passengers by 15% in FY2011 through a balanced mix of growth sources

Passengers ('000)



Average available aircraft



- 5 aircraft are leased during Madrid operation from March to October
- 48% of passenger growth comes from Madrid operation

Source: Vueling

# C. 2.

## Business Review



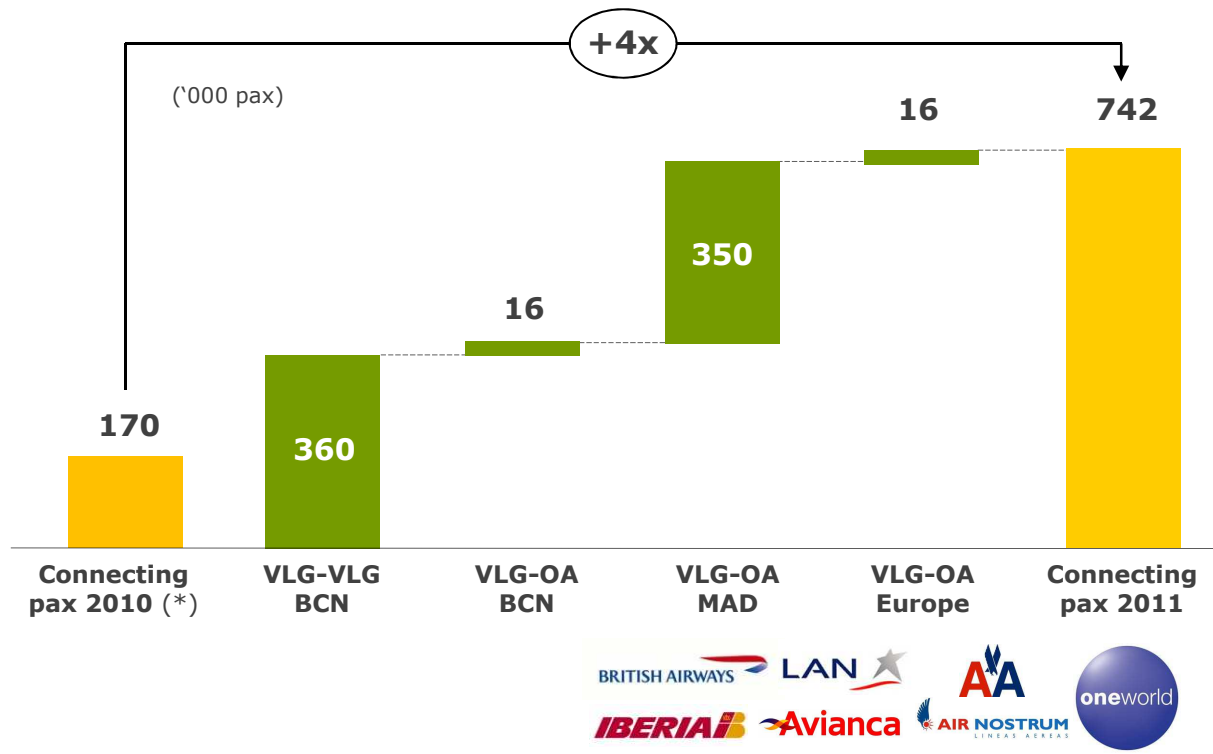
1. Growth

2. Differentiation Strategy

- ① Connections
- ② International bases
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- ⑦ Excellent Execution

# Higher yield potential through connecting passengers that will grow significantly in 2011

Connecting passenger growth prospects, 2010 vs. 2011



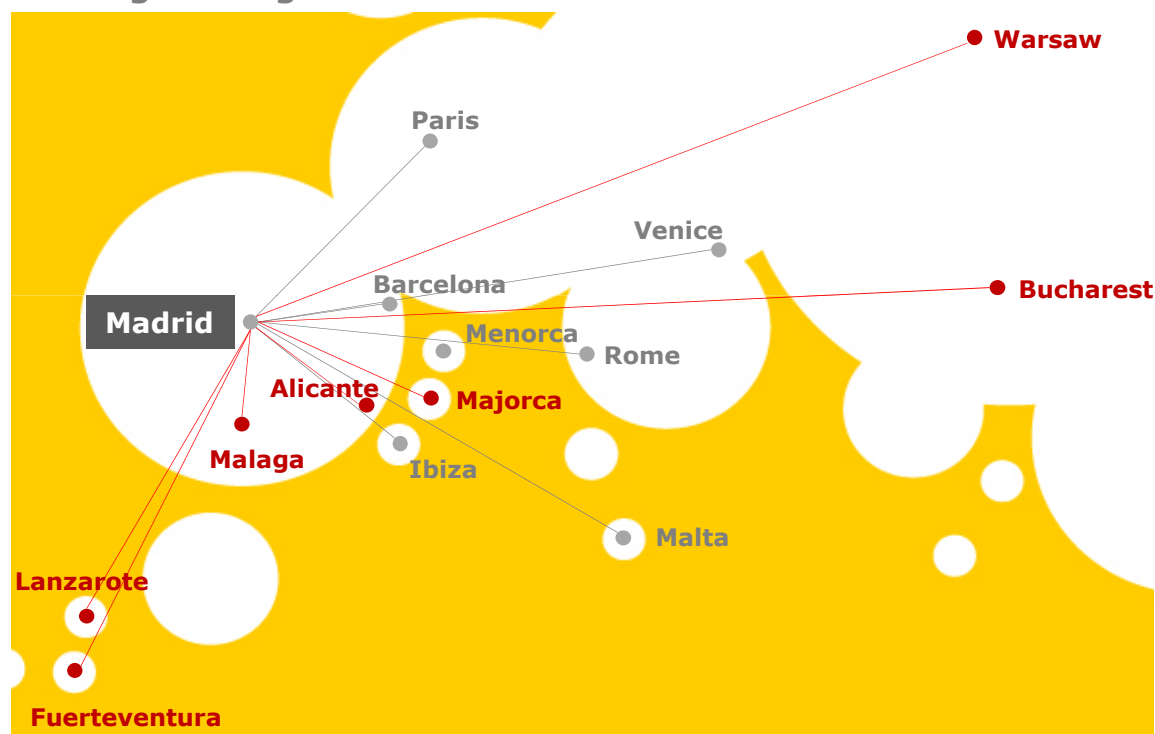
- 190K additional VLG-VLG connecting pax through BCN in 2011
- In Barcelona, Vueling now feeds new other airline's long haul ops
- In Madrid, connecting passengers to other airlines gives access to higher yield potential
- Agreements with other **oneworld** carriers will be reached in 2011 for further connections in Europe

OA: Other airlines Source: Vueling

# Vueling has added 7 new markets from Madrid to feed other carriers

## New Vueling routes\*

### Existing Vueling routes



- Agreement with Iberia to operate these routes from March/April until October 2011
- Connecting flights to Iberia and other carriers flying to MAD
- Also, point-to-point passengers per current Vueling commercial model

\*March 1st: Bucharest and Warsaw

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

\*May 7th: Lanzarote

# International expansion with new European bases in strong markets: Amsterdam & Toulouse



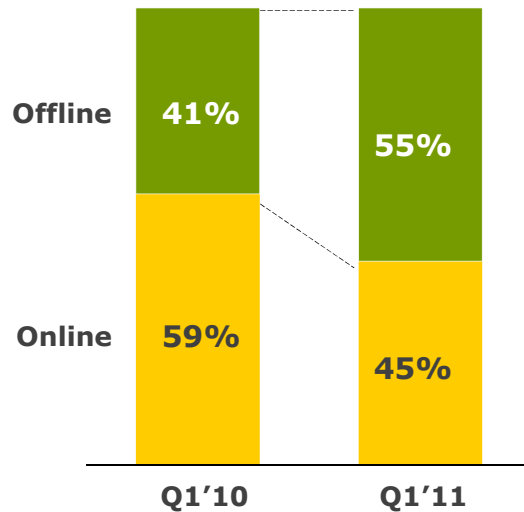
- 2 new European bases
- Dedicated aircraft
- 1.2m seats offer from AMS and TLS
- Forward bookings are slightly above Vueling average

**New Vueling routes**  
**Existing Vueling routes**

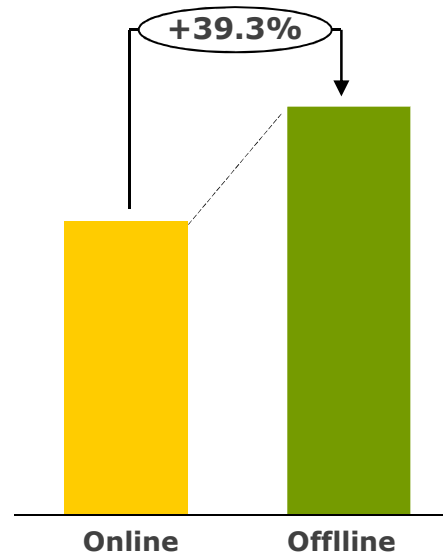


# Vueling has a strong and growing presence in the offline channel, that gives access to higher yield

Revenues per channel



Offline average fare

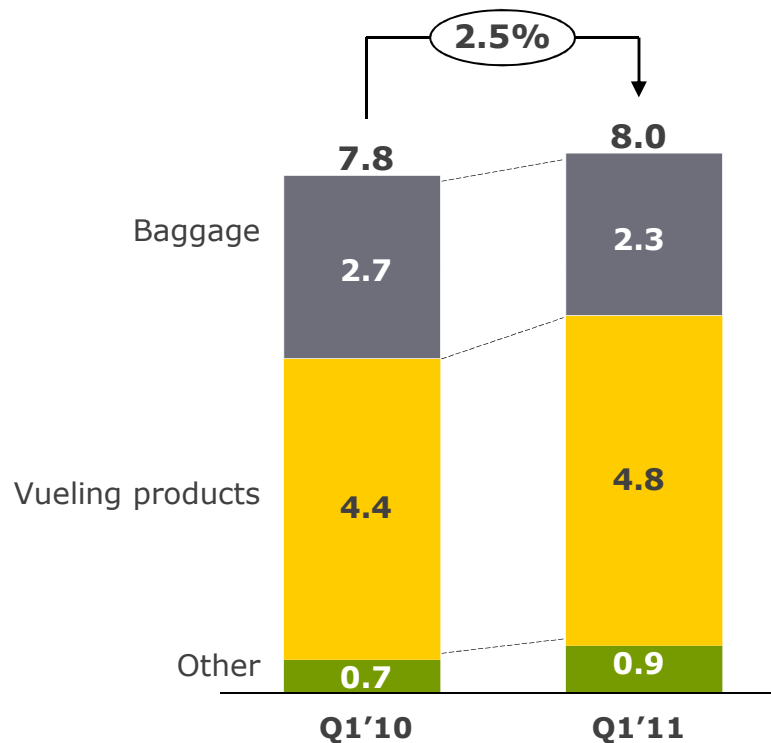


- Offline channel gives access to business passenger market
- Average fare is 39% higher in offline channel

Online: Vueling.com + Online travel agencies / Offline: Offline Travel Agencies  
 Source: Vueling

# Continuous ancillary innovation has increased ancillary revenues per passenger by 2.5%

Ancillary revenues, € per passenger



- Baggage decrease has been offset by an increase in other Vueling products
- New and enhanced products ("Pack Go" for business passengers, connection fees, seat assignment...) and new agreements with external partners are key drivers for growth
- Focus on ancillary innovation will continue with the launch of new products

Source: Vueling

# Advanced marketing techniques and strong brand

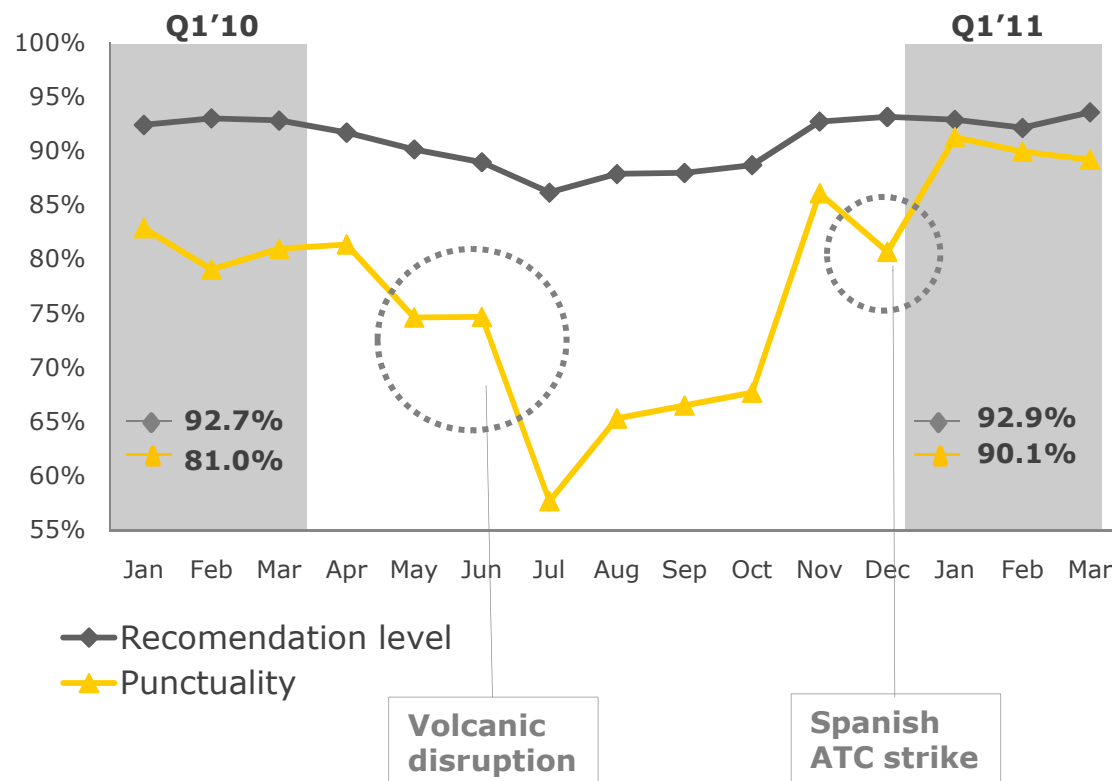
The screenshot displays the Vueling website's search and promotional interface. At the top right, there are links for 'Enter | Register' and a 'myvueling' button. Below these are navigation buttons for 'Check-in Online', 'Vueling Cities', 'Services', 'Changes and Itinerary', 'Useful Info', and 'Punto Program'. A central banner features a search icon and the text 'Your last flight to travel Londres-Bilbao from € 159.' with a 'Get it back!' button. The main search area on the left includes options for 'Round Trip' (selected) and 'One Way', with fields for 'London (LON)' as the origin and an empty 'Destination' field. It also has fields for 'Departing' and 'Returning' dates (both set to Tuesday 03 May, 2011), a 'Search for dates' dropdown set to '1 day earlier/later', and a 'No Passengers' section with dropdowns for '1 Adult', '0 Children' (2 to 11 years), and '0 Infants' (1 to 23 months). A 'Resident / Large Family' checkbox is also present, along with a 'Search' button. The central promotional banner features a baby sitting on a cloud with the text 'THIS CLOUD IS OUT OF THIS WORLD!' and '1,000,000 SEATS AT PRICES FROM 29€', with a 'BOOK NOW!' button. To the right, the 'Vueling Offers' section lists 'London - Bilbao' for 59€ one way and 'Barcelona - Naples' for 44€ one way, with a 'More offers' button. Below this is the 'Reservation center' with the phone number '807 200 100' and a note: 'From Spain: 0,89 / min. from landline and €1,24 / min. from mobile, taxes incl.'. At the bottom, there are four icons: 'Group bookings', 'Car hire', 'Receive our offers', and 'Price calendar'.

Source: Vueling

- Innovative customer acquisition management:
  - New mobile platform (+25% bookings)
  - Facebook and Twitter campaigns (+100K fans)
- Advanced CRM techniques (Web content personalisation and targeted e-mail and advertising) have increased conversion
- High brand awareness: up to 98% in Spain

# Excellent execution: consistently high punctuality and passenger recommendation

**Punctuality and Passenger Recommendation  
Q1'10 vs. Q1'11**

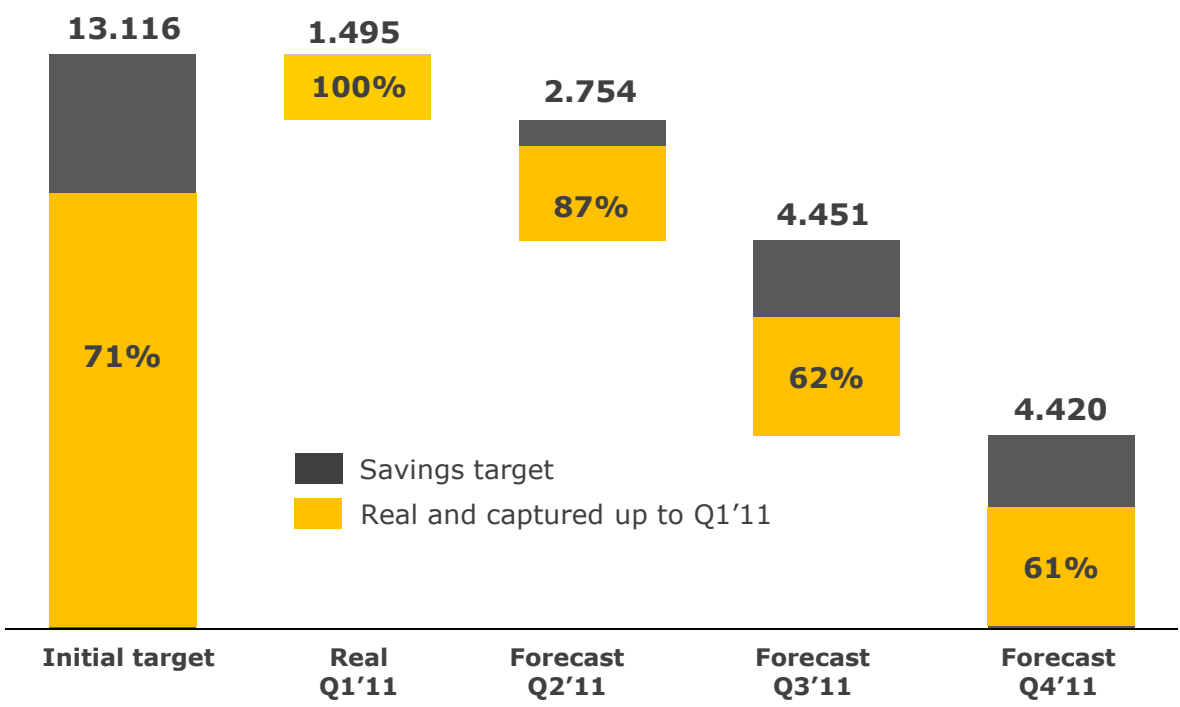


- Punctuality is above 90%, 9 points better than previous year
- Recommendation level is above 92%
- Business passenger recommendation is above 90%

Source: Vueling

# Vueling will obtain €13m further structural cost reduction in 2011 – Q1 targets achieved

## Cost savings expected during 2011 (€ '000)



- €13m cost reduction program based on 75 initiatives
- 71% of planned savings already captured

Source: Vueling

# D. Outlook

Opportunities

Risks

Outlook



## Opportunities

- Likely market consolidation in Vueling markets
- Europe-Spain market continues to grow
- A successful MAD hub feeding operation could open new opportunities with other airlines

## Outlook

- Keep top line target of 15% growth, half from MAD operation:
  - 810.000 extra passengers
  - 7 new routes
  - 310.000 connecting passengers
- More interline agreements with more **oneworld** partners to be completed
- Keep CASK ex-fuel at 2010 levels by continuing with our cost reduction program

## Risks

- High fuel price
- Weak Spanish domestic market growth
- Sustained lower fare environment

flying hoy means **vueling**

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Resultados primer trimestre 2011

## **Vueling obtiene un resultado neto de -23 millones de euros en el primer trimestre de 2011 debido al aumento del precio del combustible**

**Los costes de combustible suben un 20%, debido al fuerte incremento del precio del combustible que se ha encarecido un 41%**

### **HECHOS DESTACABLES**

**Vueling ha obtenido un resultado neto de -23 millones de euros** en el primer trimestre de 2011. Los resultados negativos son habituales en el primer trimestre del año debido al carácter estacional del negocio de las aerolíneas. Este trimestre los resultados se han visto impactados por un aumento del 41% del precio del combustible. Además, hay que añadir el hecho de que en el primer trimestre del año anterior se incluía parte del periodo vacacional de Semana Santa, que en 2011 se concentra todo en el 2º trimestre del año.

**La compañía no tenía planificado ningún aumento de su flota y por tanto de la capacidad para el primer trimestre del año**, pero los altos precios del combustible (+41% respecto al año anterior) han obligado a reducir el número de vuelos operados de forma selectiva sin afectar el servicio, con el objetivo de optimizar la rentabilidad de las rutas.

**La cifra de facturación alcanzada por Vueling ha sido de 127 millones de euros en los meses de enero a marzo 2011.** El número de vuelos operados ha disminuido en un 5% debido a que el fuerte aumento del precio del combustible ha obligado a reducir frecuencias para optimizar la rentabilidad de las operaciones. Por otro lado, el incremento de la presión competitiva en las rutas operadas por Vueling y la concentración del periodo de Semana Santa en abril, cuando el año pasado fue en marzo han afectado al ingresos unitario por asiento kilómetro ofertado, que ha bajado un 5%. Como resultado de ambos efectos, los ingresos se han reducido un 10% respecto al mismo periodo del año anterior.

**Los costes de combustible han aumentado un 20% mientras que el resto de costes no se han incrementado.** El precio de la tonelada de combustible ha alcanzado un precio de 968 dólares por tonelada, un 41% más que en el primer trimestre del año anterior cuando el precio era de 686 dólares por tonelada de combustible. La reducción del número de vuelos y la política de coberturas de la compañía han reducido este incremento de los costes de combustible hasta el 20%. El resto de costes se han mantenido gracias al programa de control de costes que de forma continua la compañía lleva implementado desde el año pasado.

**Vueling ha transportado 2.068.942 pasajeros** en el primer trimestre de 2011. Esto representa un descenso del 7% respecto al mismo periodo del año anterior. La compañía ha operado 16.860 vuelos alcanzando un nivel de ocupación del 69%. Vueling continúa manteniendo su liderazgo en el aeropuerto de Barcelona El Prat con una cuota del 22%, 9 puntos por delante de su más próximo competidor.

**La estructura financiera de Vueling continua siendo muy sólida.** La posición de caja neta de Vueling es de **206 millones de euros**. A pesar del resultado negativo del trimestre la compañía mantiene a finales de marzo, la misma posición de caja de final de año, ya que el cash flow del primer trimestre ha sido de -1,5 millones de euros.

### Tabla resumen de resultados

	Primer trimestre		
	2011	2010	var%
AKOs (millones)	2.652	2.824	-6%
Ingresos totales (miles de euros)	127.152	141.838	-10%
Gastos Fuel	41.356	34.405	20%
Gastos ex Fuel	121.008	120.435	0%
EBIT	-35.212	-13.002	-171%
EBT	-33.102	-9.040	-266%
Resultado neto	-23.171	-6.328	-266%

Según normas contables de aplicación en España. No auditado

## PERSPECTIVAS 2011

### Crecimiento

**A partir del 2º Trimestre del 2011, Vueling tiene previsto iniciar una fase de crecimiento** que le llevará a transportar 12,5 millones de pasajeros, un 15% más de pasajeros que el año anterior. Este crecimiento se producirá a través de dos tipos de operaciones. Un 48% del crecimiento será debido al acuerdo entre Vueling e Iberia para operar una serie rutas de corto y medio radio en el aeropuerto de Madrid que tiene una vigencia de marzo a octubre (prorrogable). El resto del crecimiento (52%) se producirá por un aumento de bases, rutas y frecuencias dentro de la propia red de Vueling. Para alcanzar este crecimiento Vueling incrementará su flota hasta llegar a 47 aviones (5 de los cuales corresponden a la operativa con Iberia en Madrid)

### Estrategia de diferenciación

Vueling continuará durante 2011 potenciando una estrategia competitiva que le permita desarrollar aquellos atributos que le permiten diferenciarse de sus competidores.

Así, **Vueling va a aumentar el número de pasajeros en conexión** tanto con Vueling como con otras compañías. Se espera que el número de pasajeros transportados en conexión sea superior a 742.000, multiplicando por 4 la cifra del año pasado.

Adicionalmente a las conexiones entre vuelos propios (Vueling-Vueling), desde marzo Vueling ha iniciado la venta de nuevas conexiones con otras aerolíneas a través del aeropuerto de Barcelona (a Miami y a Sao Paulo) y del aeropuerto de Madrid (a múltiples destinos intercontinentales). Desde Madrid Vueling operará siete nuevas rutas: Varsovia, Bucarest, Mallorca, Alicante, Málaga, Lanzarote y Fuerteventura. Estas nuevas rutas permiten a Vueling alimentar los vuelos de largo recorrido de Iberia e incrementar la

habitual oferta punto a punto de la compañía. Esta operativa en el aeropuerto de Madrid corresponde al acuerdo alcanzado con Iberia para operar algunas de sus rutas de corto y medio radio desde Madrid durante el periodo de marzo a octubre.

Con el inicio de esta operativa, Vueling demuestra su capacidad de operar conexiones para otras compañías aéreas de forma exitosa. Este hecho abre la puerta a Vueling a alimentar vuelos de largo recorrido para otras aerolíneas.

**A partir de abril, Vueling aumenta su presencia internacional** con dos nuevas bases en Ámsterdam y Toulouse. En Ámsterdam se incorporan dos nuevas rutas y se aumentan las frecuencias en las rutas ya existentes alcanzando así un total de 9 rutas desde la capital holandesa. En el caso de Toulouse se trata de un destino nuevo y desde esta base se operan 7 nuevas rutas tanto a destinos españoles como del resto de Europa. El total de asientos ofrecidos en las rutas de Ámsterdam y Toulouse es de 1,2 millones. Hasta el momento, las reservas de estas rutas están teniendo un comportamiento ligeramente superior al resto de rutas de la compañía.

Tal como ha hecho en este trimestre, **Vueling seguirá fortaleciendo su presencia en el canal offline** (agencias de viaje y tour operadores) que en este trimestre ha incrementado del 41% de los ingresos por venta de billetes al 55%. Este canal permite a Vueling acceder al segmento de viajeros de negocios, que ofrece una mayor rentabilidad.

**Vueling también continuará potenciando e innovando en sus productos** para seguir aumentado los ingresos accesorios. Así, espera continuar la tendencia del primer trimestre del año, en el que el ingreso accesorio medio por pasajero ha aumentado un 2,5% hasta situarse en 8€ por pasajero.

**Durante 2011, Vueling también seguirá potenciando su marca** que cuenta con un alto grado de conocimiento que es del 98% en España. Además, la compañía seguirá un constante proceso de optimización y mejora de los procesos de gestión de clientes y de personalización de contenidos en [www.vueling.com](http://www.vueling.com)

Vueling continuará potenciando su **excelencia operativa** tal como ha hecho en el primer Trimestre de 2011. En este periodo el nivel de puntualidad ha alcanzado el 90% y el de recomendación se ha incrementado hasta el 93%. Vueling tiene previsto mantener estos niveles de excelencia operativa.

**Durante 2011 Vueling tiene previsto continuar con su programa de reducción de costes** que consta de más de 75 iniciativas que permitirán unos ahorros de 13,1 millones de euros anuales. En el primer trimestre ya se ha conseguido un ahorro de 1,5 millones de euros y se han capturado el 71% de los ahorros previstos para todo el año.

El escenario para 2011 presenta una serie de oportunidades, por un lado, y de riesgos por otro:

**En cuanto a las oportunidades**, en primer lugar Vueling contempla la posibilidad de que se produzca un mayor proceso de consolidación de la oferta en los mercados en los que opera. Segundo, existe la oportunidad de ampliar los acuerdos para alimentar vuelos de otras compañías. Finalmente, se espera que el mercado España-Europa tenga un crecimiento del cual Vueling se podría aprovechar.

**En cuanto a los riesgos**, el aumento del precio del combustible constituye una amenaza importante para todo el sector aéreo. Otro riesgo es el débil comportamiento de la demanda en el mercado doméstico de España. Igualmente el descenso significativo de

tarifas podría continuar a lo largo de los próximos periodos aunque no se espera un aumento de la intensidad competitiva.

La compañía espera alcanzar un crecimiento del 15% en pasajeros transportados, la mitad de los cuales provendrán de la operativa de Madrid con Iberia. Así, gracias a esta operación se conseguirá un aumento de 810.000 pasajeros (310.000 de los cuales serán de conexión), con 7 nuevas rutas. A lo largo del año, Vueling espera alcanzar nuevos acuerdos con otras compañías.

Finalmente, en cuanto a costes, la compañía espera mantener un nivel de costes similar al de año anterior excluyendo el fuel, es decir, un coste por asiento kilómetro ofertado alrededor de 4,07c€.

## **EVOLUCIÓN DEL NEGOCIO PRIMER TRIMESTRE 2011**

### **Situación del mercado**

El mercado español<sup>1</sup> ha crecido un 6,6% en número de pasajeros. Este crecimiento viene impulsado por la evolución positiva del mercado España-Europa (+9%), ya que el mercado nacional España-España presenta aún una situación de crecimiento débil (+1%). Si se excluye el crecimiento existente solo gracias a un soporte significativo de las administraciones locales, el mercado doméstico (España-España) decrece un 1% y el total del mercado (España-España y España-Europa) crece un 5% (1,5 puntos menos). Vueling está incrementando su presencia internacional que llega al 56% de los pasajeros, 3 puntos más que en el mismo periodo del año anterior.

Por otro lado, la intensidad competitiva ha aumentado de forma significativa en los mercados en los que opera Vueling. El aumento de la competencia ha sido especialmente significativo en los aeropuertos de Barcelona y Sevilla. Así, en el total de rutas operadas por Vueling aproximadamente en el 75% de ellas se solapan tres o más aerolíneas. Este porcentaje era sólo del 60% en el primer trimestre del año pasado. La perspectiva es que este escenario competitivo se mantenga durante el 2011.

El aumento de la presión competitiva y la débil situación de la demanda han provocado un fuerte descenso de las tarifas por parte de todos los agentes del mercado. Así, la tarifa media ha bajado un 15% respecto al año anterior en las rutas con competencia. Esta situación ha limitado las posibilidades de trasladar el aumento del coste del combustible a los precios.

En el primer trimestre de 2011 Vueling se ha visto afectada por el fuerte aumento del precio del fuel. El precio de la tonelada de combustible ha alcanzado un precio medio este trimestre de 968 dólares, un 41% más que en el primer trimestre del año anterior cuando el precio era de 686 dólares por tonelada de combustible. La evolución del dólar no ha ayudado a amortiguar este incremento.

### **Actividad**

Para el primer trimestre Vueling no tenía planificado ningún aumento de capacidad (contaba con el mismo número de aviones que el año anterior), pero el fuerte incremento del coste del combustible, ha obligado a la compañía a realizar una reducción selectiva de

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<sup>1</sup> Incluye el mercado España-España y el mercado España-Europa. Fuente AENA

La capacidad sin afectar al servicio ofrecido a sus pasajeros que ha supuesto una reducción del 5% en el número de vuelos. Así, la compañía ha transportado 2.068.942 pasajeros, un 7% menos de pasajeros que en el año anterior. Además, el comparativo con el año anterior se ve afectado por el hecho de que en el primer trimestre de 2010 se incluía parte del periodo vacacional de Semana Santa, que este año coincide totalmente en abril.

Las principales magnitudes de tráfico han sido las siguientes:

	1º Trimestre		
	2011	2010	Var.
<b>Núm. de aviones</b>	36,4	35,0	4%
<b>Núm. de vuelos</b>	16.860	17.781	-5%
<b>AKOs (miles)</b>	2.652.012	2.823.699	-6%
<b>PKTs (miles)</b>	1.832.653	1.978.762	-7%
<b>Nivel de ocupación LF(PKT/AKO)</b>	69,1%	70,1%	-1 pp
<b>Pasajeros transportados (miles)</b>	2.069	2.224	-7%

**Núm. aviones** Aviones medios disponibles durante el periodo

**AKO** (pasajero-kilómetro ofertado): núm. de asientos volados multiplicado por el núm. de Km. volados

**PKT** (pasajero-kilómetro transportado): núm. de pasajeros transportados multiplicado por el núm. de Km. Volados

## Ingresos

Vueling ha alcanzado una cifra total de ingresos de 127,15 millones de euros en el primer trimestre 2011. Esta cifra supone un descenso del 10% respecto al mismo periodo del año anterior que incluía parte del periodo vacacional de Semana Santa. Sin tener en cuenta el efecto de la Semana Santa los ingresos disminuyen un 8%.

El número de vuelos operados ha disminuido en un 5% debido a que el fuerte aumento del precio del combustible ha obligado a reducir frecuencias para optimizar la rentabilidad de las operaciones. Por otro lado, el incremento de la presión competitiva en las rutas operadas por Vueling y la concentración del periodo de Semana Santa en abril han afectado al ingresos unitario por asiento kilómetro ofertado, que ha bajado un 5%. El resultado de ambos efectos, explica la reducción de ingresos respecto al mismo periodo del año anterior.

## Costes

Los costes totales se han incrementado un 5% respecto al mismo periodo del año anterior. El principal incremento se ha producido en el coste de combustible que sube un 20%. El resto de costes se mantiene constante, al mismo nivel que el año anterior.

El aumento del precio del fuel ha sido muy significativo durante el primer trimestre 2011. Así el precio promedio del fuel de enero a marzo 2011 ha sido de 968\$/Tm, mientras que en 2009 fue de 686\$/Tm. Esto supone un aumento del 41%. Este aumento ha tenido un efecto importante en la base de costes de Vueling. Así, a pesar de que la política de coberturas llevada cabo por la compañía ha ayudado a suavizar este incremento de precio,



Los costes unitarios por asiento por kilómetro ofertado (AKO) del fuel han aumentado un 28% en el primer trimestre 2011 respecto al año anterior. Este fuerte aumento del coste del combustible ha obligado a la compañía a racionalizar su programa de vuelos. Esta racionalización se ha llevado a cabo con el objetivo de optimizar la rentabilidad de los vuelos operados y se ha realizado de forma selectiva.

El resto de costes se han mantenido al mismo nivel que el año anterior. La compañía ha implementado con éxito un programa de reducción de costes que ha permitido un ahorro de 1,5 millones de euros en el primer trimestre. A lo largo del año el programa de reducción de coste permitirá un ahorro de 13,1 millones de euros a través de 75 iniciativas distintas. Al final del primer trimestre, ya se ha capturado el 71% de este ahorro.

El coste unitario por asiento kilómetro ofertado excluyendo el fuel se ha situado en 4,56c€ un 7% más que el mismo periodo del año anterior. Este coste unitario se ha visto impactado por diferentes factores. El mayor impacto lo ha tenido la reducción de capacidad selectiva realizada por el aumento del coste del combustible que ha hecho disminuir la utilización de la flota. Otro impacto ha sido los gastos asociados a la apertura de las nuevas bases y a la operación de Madrid con Iberia. No obstante, Vueling espera mantener su coste unitario excluyendo fuel en 2011 a niveles similares a los del año anterior.

## Cuenta trimestral de pérdidas y ganancias

	Primer trimestre		
	2011	2010	Var%
(€, miles)			
Ingreso por tarifa	110.665	124.544	-11%
Ingresos accesorios puros	16.487	17.295	-5%
<b>Total ingresos</b>	<b>127.152</b>	<b>141.838</b>	<b>-10%</b>
Fuel	41.356	34.405	20%
Handling	23.592	24.065	-2%
Tasas aeroportuarias	10.282	12.343	-17%
Tasas de navegación	12.079	12.608	-4%
Tripulación	3.777	3.250	16%
Mantenimiento	16.033	14.607	10%
Comercial y marketing	4.638	6.316	-27%
Otros gastos	1.937	753	157%
<b>Total costes variables</b>	<b>113.694</b>	<b>108.346</b>	<b>5%</b>
<b>Margen de contribución</b>	<b>13.458</b>	<b>33.492</b>	<b>-60%</b>
Tripulación SF	9.576	8.640	11%
Mantenimiento SF	1.661	1.549	7%
Seguros de flota	927	1.031	-10%
Arrendamiento de flota	23.114	22.695	2%
Otros costes de producción	2.035	1.475	38%
<b>Total costes semifijos</b>	<b>37.313</b>	<b>35.389</b>	<b>5%</b>
<b>Margen operativo</b>	<b>-23.854</b>	<b>-1.897</b>	<b>-1158%</b>
Publicidad	1.883	1.577	19%
Amortización	1.546	1.350	15%
Gastos generales	7.929	8.178	-3%
<b>Total costes fijos</b>	<b>11.358</b>	<b>11.105</b>	<b>2%</b>
<b>EBIT</b>	<b>-35.212</b>	<b>-13.002</b>	<b>-171%</b>
<b>Resultado financiero</b>	<b>-2.110</b>	<b>-3.962</b>	<b>47%</b>
<b>EBT</b>	<b>-33.102</b>	<b>-9.040</b>	<b>-266%</b>
Impuestos	-9.931	-2.712	-266%
<b>Resultado neto</b>	<b>-23.171</b>	<b>-6.328</b>	<b>-266%</b>
<b>EBITDAR</b>	<b>-10.552</b>	<b>11.043</b>	<b>-196%</b>

## Indicadores operativos y financieros trimestrales

	Primer trimestre		
	2011	2010	var%
<b>INGRESOS</b>			
Ingresos totales (miles de euros)	127.152	141.838	-10%
Ingreso total por pasajero (euros)	61,46	63,77	-4%
Ingreso por vuelo (euros)	7.542	7.977	-5%
Tarifa media por pasajero (euros)	53,49	55,99	-4%
Ingreso medio accesorio puro / pasaj.(euros)	7,97	7,78	2%
Ingreso por AKO (céntimos de euro)	4,79	5,02	-5%
<b>COSTES</b>			
Gastos totales (miles de euros)	162.364	154.840	5%
Coste por AKO, incl. fuel (céntimos de euro)	6,12	5,48	12%
Coste de fuel por AKO (céntimos de euro)	1,56	1,22	28%
Coste por AKO, ex. fuel (céntimos de euro)	4,56	4,27	7%
EBITDAR (miles de euros)	-10.552	11.043	-196%
Margen de EBITDAR (%)	-8%	8%	-16pp
BAII/EBIT (miles de euros)	-35.212	-13.002	171%
Margen de BAI/EBIT (%)	-28%	-9%	-19pp
EBT (miles de euros)	-33.102	-9.040	-266%
Margen de EBT (%)	-26%	-6%	-20pp
NET PROFIT (miles de euros)	-23.171	-6.328	-266%
Margen de NET PROFIT (%)	-18%	-4%	-14pp
<b>OPERATIVA</b>			
AKOs (millones)	2.652	2.824	-6%
PKTs (millones)	1.833	1.979	-7%
Vuelos	16.860	17.781	-5%
Número medio de aviones	36,4	35,0	4%
Núm. medio de horas bloque por día y avión	8,58	9,28	-8%
Número medio de vuelos por día y avión	5,15	5,64	-9%
Número total de asientos volados (miles)	3.034	3.201	-5%
Distancia media volada (km)	874	882	-1%
Número total de pasajeros (miles)	2.069	2.224	-7%
Factor de ocupación (PKT/AKO, %)	69,1%	70,1%	-1pp



First quarter 2011 results

## **Vueling makes a net loss of 23 million euros in the first quarter of 2011 due to the rise in the price of fuel**

**Fuel costs rise 20% due to the 41% increase in the price of fuel**

### **Significant events**

**Vueling made a net loss of 23 million euros** in the first quarter of 2011. Losses are usual in the first quarter of the year due to the seasonal nature of the airline business. The results this quarter have been affected by the 41% rise in the price of fuel. Furthermore, it should be added that the first quarter of the previous year included part of the Easter week holiday period, which in 2011 falls fully in the second quarter of the year.

**The company had not planned any increase in its fleet and therefore in capacity for the first quarter of the year**, but the high fuel prices (41% up on the previous year) made it necessary to selectively reduce the number of flights operated without affecting the service so as to optimise the profitability of the routes.

**Vueling achieved a 127 million euros turnover in the months from January to March 2011.** The number of flights operated fell by 5% as the sharp increase in the price of fuel made it necessary to reduce frequencies so as to optimise the profitability of the operations. Furthermore, tougher competitive pressure in the routes operated by Vueling and the concentration of the Easter period falling in April, when last year it fell in March, affected the unit revenue per available seat kilometre, which fell by 4.6%. As a result of both effects, revenue fell by 10% compared with the same period of last year.

**Fuel costs increased by 20% while other costs did not increase.** The price of fuel has risen to 968 dollars per ton, 41% higher than the first quarter of the previous year, when the price was 686 dollars per ton of fuel. The reduction in the number of flights and the company's hedging policy reduced this increase in fuel costs to 20%. Other costs have remained stable thanks to the cost contention programme which the company has been continuously implementing since last year.

**Vueling carried 2,068,942 passengers** in the first quarter of 2011, a fall of 7% compared with the same period of last year. The company operated 16,860 flights, achieving a load factor of 69%. Vueling continues to maintain its leadership in El Prat airport in Barcelona with a market share of 22%, nine points ahead of its closest competitor.

**Vueling's financial structure continues to be very sound.** Vueling has a net cash position of **206** million euros. Despite the loss for the quarter, at the end of March, the company maintains the same cash position as at the end of the previous year as the cash flow for the first quarter amounted to -1.5 million euros.

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## Summary of Results

	First quarter		change %
	2011	2010	
ASK (million)	2,652	2,824	-6%
Total revenue (thousand euros)	127,152	141,838	-10%
Fuel Costs	41,356	34,405	20%
Ex-Fuel Costs	121,008	120,435	0%
EBIT	-35,212	-13,002	-171%
EBT	-33,102	-9,040	-266%
Net profit/loss	-23,171	-6,328	-266%

In accordance with accounting standards applicable in Spain. Not audited

## Outlook for 2011

### Growth

From the second quarter of 2011, Vueling expects to begin a growth stage which will lead it to carry 12.5 million passengers, 15% more than in the previous year. This growth will take place through two types of operations. 48% of the growth will be due to the agreement between Vueling and Iberia to operate a series of short and medium haul routes to and from Madrid airport, which is in force from March to October (extendable). The rest of the growth (52%) will take place as a result of an increase in bases, routes and frequencies within Vueling's own network. In order to achieve this growth, Vueling will increase its fleet to 47 aircraft, (5 of which correspond to the operations with Iberia in Madrid).

### Differentiation strategy

Over 2011, Vueling will continue strengthening a competitive strategy which allows it to develop those attributes which differentiate it from its competitors.

Accordingly, Vueling is going to increase the number of connecting passengers both with Vueling and with other companies. The number of connecting passengers is expected to be greater than 742,000, four times higher than the figure for the previous year.

In addition to the connections between its own flights (Vueling-Vueling), since March Vueling has begun the sale of new connections with other airlines through Barcelona airport (to Miami and to São Paulo) and through Madrid airport (to multiple intercontinental destinations). Vueling will operate seven new routes from Madrid: Warsaw, Bucharest, Majorca, Alicante, Malaga, Lanzarote and Fuerteventura. The new

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routes allow VUELING to feed Iberia's long haul flights and to increase the company's usual point-to-point services. These operations in Madrid airport correspond to the agreement reached with Iberia to operate some of its short and medium haul routes from Madrid over the period from March to October.

With the start of this operation, Vueling demonstrates its capacity to successfully operate connections for other airlines. This opens the door for Vueling to feed long haul flights for other airlines.

From April, Vueling increases its international presence with two new bases in Amsterdam and Toulouse. Two new routes are created in Amsterdam and the frequency in existing routes is increased, thus reaching a total of 9 routes from the Dutch capital. Toulouse is a new destination and 7 new routes are operated from this base, both to Spanish destinations and to the rest of Europe. A total of 1.2 million seats are available on the Amsterdam and Toulouse routes. Bookings to date on these routes are performing slightly better than on the company's other routes.

As it has been doing over this quarter, Vueling will continue to strengthen its presence in the off-line channel (travel agencies and tour operators), which in this quarter have increased from 41% of revenue from ticket sales to 55%. This channel allows Vueling to access the business traveller segment, which offers greater profitability.

Vueling will also continue to strengthen and innovate its products so as to continue increasing ancillary revenue. Accordingly, it expects to continue the trend of the first quarter of the year, in which the average ancillary revenue per passenger increased by 2.5% to €8 per passenger.

Over 2011, Vueling will also continue to strengthen its brand, which has a high level of awareness in Spain (98%). In addition, the company will continue a constant process of optimising and improving customer management and personalised content processes at [www.vueling.com](http://www.vueling.com).

Vueling will continue strengthening its operational excellence as it has done over the first quarter of 2011. In this period, the level of punctuality reached 90% and the level of recommendation increased to 93%. Vueling aims to maintain these levels of operational excellence.

In 2011, Vueling plans to continue with its cost reduction process, which involves over 75 initiatives to allow annual savings of 13.1 million euros. A saving of 1.5 million euros has already been achieved in the first quarter, and 71% of the savings planned for the whole year have been realised.

The outlook for 2011 presents a series of opportunities, on the one hand, and risks on the other:

With regard to the opportunities, firstly, Vueling envisages the possibility of a greater process of consolidation of the services offered on the markets in which it operates. Secondly, there is an opportunity to extend the agreements to feed other companies' flights. Finally, the Spain-Europe market is expected to grow, which Vueling could take advantage of.

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With regard to the risks, the increase in the price of fuel is a significant threat for the whole airline sector. Another risk is the weak performance of demand in the Spanish domestic market. Similarly, the significant fall in fares could continue over the coming periods, although an increase in competitive intensity is not expected.

Vueling expects to achieve a 15% passenger growth, half of which will come from Madrid operation. This operation will allow an increase of 810,000 passengers (310,000 in connecting flights) with 7 new routes. More interline agreements with other airlines will be completed through 2011.

Finally, with regard to costs, the company expects to maintain a similar cost level to that of last year excluding fuel, i.e. a cost per available seat kilometre around 4.07 euro cents.

## **BUSINESS DEVELOPMENT FIRST QUARTER 2011**

### **Market situation**

The Spanish market<sup>1</sup> grew by 6.6% in terms of passenger numbers. This growth is driven by a positive development of the Spain-Europe market (+9%), as the domestic Spain-Spain market still shows weak growth (+1%). Excluding new route seat growth operated only when local governments provide substantial support, the domestic market (Spain-Spain) fell by 1% and the total market (Spain-Spain and Spain-Europe) grew by 5% (1.5 points less). Vueling is increasing its international presence, which includes 56% of passengers, three points higher than in the same period of last year.

However, competitive intensity has increased significantly in the markets in which Vueling operates. The increase in competition has been especially significant at Barcelona and Seville airports. Of all the routes operated by Vueling, approximately 75% overlap with three or more airlines. This percentage was only 60% in the first quarter of last year. The outlook is that this competitive environment will remain steady in 2011.

Increasing competitive pressure and the weak state of demand has led to a sharp fall in fares by all market agents. Accordingly, the average fare fell by 15% compared with last year in the routes with competition. The situation has limited the possibilities of passing on the increase in fuel costs to prices.

In the first quarter of 2011, Vueling was affected by the sharp increase in the price of fuel. The price of fuel reached an average price this quarter of 968 dollars per ton, 41% higher than the first quarter of last year, when the average price stood at 686 dollars per ton of fuel. Changes in the dollar exchange rate have not helped to mitigate this increase.

### **Activity**

For the first quarter, Vueling had not planned any increase in capacity (it had the same number of aircraft as in the previous year), but the sharp increase in the cost of fuel forced the company to carry out a selective reduction in capacity without affecting the service offered to its passengers, which led to a 5% reduction in the number of flights. The company carried 2,068,942 passengers, 7% fewer passengers than in the previous

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1 Includes the Spain-Spain market and Spain-Europe market. Source: AENA

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year. In addition, the comparison with the previous year was affected by the fact that the first quarter of 2010 included part of the Easter holiday period, which this year fell fully in April.

The key traffic figures are as follows:

	1 <sup>st</sup> Quarter		
	2011	2010	Change
<b>Number of planes</b>	36	35	3.0%
<b>Number of flights</b>	16,860	17,781	-5.2%
<b>ASK (thousand)</b>	2,652,012	2,823,699	-6.1%
<b>PKT (thousand)</b>	1,832,653	1,978,762	-7.4%
<b>Load Factor</b>			
<b>LF(PKT/ASK)</b>	69.1%	70.1%	-1 pp
<b>Passengers carried (thousand)</b>	2,069	2,224	-7.0%

**Number of aircraft:** Average available aircraft during the period

**ASK** (available seat kilometre): number of seats flown multiplied by the number of kilometres flown

**PKT** (passenger kilometre travelled) : number of passengers carried multiplied by the number of kilometres flown

## Revenue

Vueling achieved total turnover of 127.15 million euros in the first quarter of 2011. This figure represents a fall of 10% compared with the same period of last year, which included part of the Easter holiday period. Without taking into account the Easter effect, revenue fell by 8%.

The number of flights operated fell by 5% as the sharp increase in the price of fuel forced us to reduce frequencies so as to optimise operational profitability. Furthermore, the increase in competitive pressure on the routes operated by Vueling and the concentration of the Easter period falling in April affected the unit revenue per available seat kilometre, which fell by 5%. The result of both effects explains the fall in revenue compared with the same period of last year.

## Costs

Total costs increased by 5% compared with the same period of last year. The main increase was in the cost of fuel, which rose by 20%. Other costs remain constant, at the same level as the previous year.

The increase in the price of fuel was very significant over the first quarter of 2011. The average price of fuel from January to March 2011 was \$968/mT, while in 2009 it was \$686/mT. This represents an increase of 41%. This rise had a significant effect on Vueling's cost base. Even though the company's hedging policy helped to mitigate this price increase, unit fuel costs per available seat kilometre (ASK) rose by 28% in the first quarter of 2011 compared with last year. The sharp increase in the cost of fuel forced the

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company to rationalise its flight schedule. This rationalisation was carried out in order to optimise profitability of the flights operated and was implemented selectively.

Other costs remained at the same level as the previous year. The company has successfully implemented a cost reduction programme which allowed savings of 1.5 million euros in the first quarter. Over the whole year, the cost reduction programme will allow savings of 13.1 million euros through 75 different initiatives. At the end of the first quarter, 71% of the savings had already been realised.

The unit cost per available seat kilometre excluding fuel stood at 4.56 euro cents, 7% up on the same period of last year. This unit cost was affected by different factors. The greatest impact was that resulting from the selective reduction in capacity carried out as a result of the increase in the cost of fuel, which led to a reduction in use of the fleet. Another impact was the costs associated with opening new bases and the Madrid operation with Iberia. However, Vueling expects to maintain its ex-fuel unit cost in 2011 at levels similar to those of last year.

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## Quarterly profit and loss account

	Primer trimestre		
	2011	2010	Var%
(€, '000)			
Fare revenue	110,665	124,544	-11%
Pure ancillary revenue	16,487	17,295	-5%
<b>Total revenue</b>	<b>127,152</b>	<b>141,838</b>	<b>-10%</b>
Fuel	41,356	34,405	20%
Handling	23,592	24,065	-2%
Airport taxes	10,282	12,343	-17%
Navigation taxes	12,079	12,608	-4%
Crew	3,777	3,250	16%
Maintenance	16,033	14,607	10%
Sales & Marketing	4,638	6,316	-27%
Other expenses	1,937	753	157%
<b>Total variable expenditure</b>	<b>113,694</b>	<b>108,346</b>	<b>5%</b>
<b>Contribution margin</b>	<b>13,458</b>	<b>33,492</b>	<b>-60%</b>
Semi-fixed crew	9,576	8,640	11%
Semi-fixed maintenance	1,661	1,549	7%
Fleet insurance	927	1,031	-10%
Fleet leases	23,114	22,695	2%
Other production costs	2,035	1,475	38%
<b>Total semi-fixed expenditure</b>	<b>37,313</b>	<b>35,389</b>	<b>5%</b>
<b>Operating margin</b>	<b>-23,854</b>	<b>-1,897</b>	<b>-1158%</b>
Advertising	1,883	1,577	19%
Amortisation	1,546	1,350	15%
General expenditure	7,929	8,178	-3%
<b>Total fixed expenditure</b>	<b>11,358</b>	<b>11,105</b>	<b>2%</b>
<b>EBIT</b>	<b>-35,212</b>	<b>-13,002</b>	<b>-171%</b>
<b>Financial result</b>	<b>-2,110</b>	<b>-3,962</b>	<b>47%</b>
<b>EBT</b>	<b>-33,102</b>	<b>-9,040</b>	<b>-266%</b>
<b>Taxes</b>	<b>-9,931</b>	<b>-2,712</b>	<b>-266%</b>
<b>Net income</b>	<b>-23,171</b>	<b>-6,328</b>	<b>-266%</b>
<b>EBITDAR</b>	<b>-10,552</b>	<b>11,043</b>	<b>-196%</b>

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## Quarterly financial and operating statistics

	First quarter		
	2011	2010	var%
<b>REVENUE</b>			
Total revenue (€'000)	127,152	141,838	-10%
Total revenue per passenger (€)	61,46	63,77	-4%
Revenue per flight (€)	7,542	7,977	-5%
Average fare per passenger (€)	53,49	55,99	-4%
Pure ancillary revenue/passenger (€)	7,97	7,78	2%
RASK (€c)	4,79	5,02	-5%
<b>EXPENDITURE</b>			
Total expenses (€'000)	162,364	154,840	5%
Total CASK (€c)	6,12	5,48	12%
Fuel cost per ASK (€c)	1,56	1,22	28%
CASK exfuel (€c)	4,56	4,27	7%
EBITDAR (€'000)	-10,552	11,043	-196%
EBITDAR margin (%)	-8%	8%	-16pp
EBIT (miles de euros)	-35,212	-13,002	-171%
EBIT margin (%)	-28%	-9%	-19pp
EBT (€'000)	-33,102	-9,040	-266%
EBT margin (%)	-26%	-6%	-20pp
Net income (€'000)	-23,171	-6,328	-266%
Net income margin (%)	-18%	-4%	-14pp
<b>OPERATIONS</b>			
ASK (million)	2,652	2,824	-6%
RPK (million)	1,833	1,979	-7%
Flights	16,860	17,781	-5%
Average number of aircraft	36,40	35,00	4%
Average block hours per aircraft and day	8,58	9,28	-8%
Average number of flights per aircraft and day	5,15	5,64	-9%
Total number of seats flown ('000)	3,034	3,201	-5%
Stage length (km)	874	882	-1%
Passengers ('000)	2,069	2,224	-7%
Load factor (RPK/ASK, %)	69%	70%	-1pp

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