



# 2007 Results

25<sup>th</sup> February 2008



## **1. Q4 07 & FY 07 Results**

**Strong growth in 2007 has allowed Vueling to carry over 6 million passengers (77% over last year) and to reinforce its position in its core markets but at the expense of incurring in heavy losses in a context of all-time high oil prices and low fares in a very competitive environment.**

**Fare drop in respect to last year has had a negative impact of more than 60 million Euros in the result of 2007.**

**Increased fuel costs in respect to last year have had a negative impact of almost 10 million Euros.**

### **Revenues**

*Competitive pressure remains. Total revenue in respect to last year grew by 54% (55% in respect to same quarter 2006), however fares per passenger have dropped by 21% in respect to last year (9% compared to Q4 2006). Increase in load factor and increase in ancilliary revenues have not been sufficient to offset fare drop thus income per flight falls by 8% year on year and 1% quarter on quarter.*

- Year to Date revenue amounted to 362,6 million Euros, 54% up in relation to same period last year. Passenger volume rose to 6.2 million, 77% over the 3.5 million carried during 2006.
- Load factor for 2007 FY has been of 73%, 3.6 points up from 69.4% in 2006.
- Fares per passenger have had a very negative evolution falling from 47.6 to 37.7 Euros, a 21% decrease.
- Paris base was launched in May 2007, operating three aircraft and Seville base was opened in October operating three aircraft as well.



- Revenue per ASK has dropped from 5.46 €cents YTD 2006 to 4.81 €cents YTD 2007, a 12% drop. Measured in terms of Income per flight, the drop has been of 9% to 7,630 Euros.
- Vueling has operated in average 50 routes in 2007 compared to 31 in 2006, a 61% increase . The results of new routes have been significantly under those of mature routes.
- Market share in main Vueling markets has had a very positive evolution, overall market share for Vueling core markets has increased from 4.7% to 6.8%. Increase per market has been as follows: Barcelona from 7.5% to 9.7%, Madrid form 1.7% to 3.6%, Valencia 10.3% to 11.2% and Seville from 8.8% to 16.4%. Data for Paris is not available.
- Q4 sales rose to 94.6 million Euros, up 55% from 60.9 in 2006.
- This increase is driven by an increase in the number of flights flown of 68% with an increased load factor of 67% 3.1pp over the 63.9% for Q4 06.
- Special mention needs to be made to the launching on October 28<sup>th</sup> of a new base in Seville where Vueling is serving 11 destinations with approximately 160 weekly flights.
- These have resulted in carrying a total of 1.6 million passengers in Q4 07 compared to 0.9 million in Q4 2006.
- Fares per passenger have experienced a negative evolution, falling a 9% to 37.9€ in Q4 2007 from 41.7 in Q4 2006.
- Ancilliary revenues continue to show positive evolution. A new baggage fee was introduced in November and new products are expected to be launched during 2008.
- Improvements in ancilliary and Load factor have allowed for total income per flight to remain almost unchanged at 7,100 € in Q4 2007, 1% down form 7,190€ in Q4 2006.
- Revenue per ASK dropped from 4.65€ cents in Q4 06 to 4.20€ cents in Q4 07, 9% under.

## **Operations**

*Utilization per aircraft has risen 7.4% for the full year and by 5.8% in Q4 to reach 11.2 hours during Q4 07.*

- There have been no special events that have affected the operations of the Company in Q4 2007, however in respect to 2007 overall view



mention needs to be made to operational issues affecting a series of main European airports during the summer.

- The company has operated 56 routes during Q4 2007, compared to 28 during the same period of 2006. Vueling's average fleet during this period is made up of a total of 23 Airbus A320 (24 at 31<sup>st</sup> December 2007), 58.8% over the 14.5 average number of aircraft operated during the same period of 2006.
- Utilization of aircraft has increased from 10.6 daily block hours per aircraft in Q4 2006 to 11.2 in Q4 2007, representing a 5.8% rise. For the full year, utilization has grown from 10.3 daily block hours in 2006 to 11.0 in 2007—a 7.4% increase. This improvement is driven mainly by an increase in the availability of slots and operational improvements.

### **Costs**

*Full-year CASK ex-fuel (see note on CASK calculation in Section 3) went down by 1.4% (4.33 vs 4.39). Q4 CASK ex-fuel remained stable compared to the previous year (4.12 compared to 4.10). Trend for CASK ex-fuel has been positive during the year, the costs of Q4 being 7% below Q3 Year to date costs. Fuel CASK is having a negative evolution, increasing by 20% for the quarter, 9% for the full year and 10% over Q3 year to date cost.*

Main changes in costs in respect to same period of 2006 correspond to the following:

- Fuel costs per block hour are 23% up quarter on quarter and 9% up for the full year compared to 2006. This increase is due to increase in fuel prices that has been partially compensated by hedge policies applied in 2007 which have had a result of an approximately 5% reduction in fuel costs and to a lesser extent by improvements in fuel consumption. Instruments used for fuel hedging correspond mainly to costless collars on Brent price. Fuel hedge for Q1 2008 is made through costless collars and amounts to approximately 25% of total consumption.
- Handling costs per turnaround were 15% down in respect to Q4 2006, and 14% down for the full year. This was caused by new contracts signed in 2007 but mostly due to new self-handling operations in Barcelona, Mahon and Ibiza.
- Personnel, overhead and other costs per ASK had an overall increase of 2% from 1.17 to 1.19 on a yearly basis and of 15% for the quarter from 1.12 to 1.28. Non recurrent cost items incurred in the last part of the year, mostly associated to the change in management and Board, are the main reason for this increase.



- Aircraft rent costs per Block Hour were 5% down in respect to Q4 06 and 3% down in respect to full year 06 due to increased utilization of aircrafts.
- Maintenance costs in Q4 06 include the effect of an adjustment in maintenance reserves due amongst others to the signing of new long term maintenance contracts. There has been no such effect in Q4 07.
- Advertising costs continue to decrease after reaching its peak in 1H 07, due to the launching of Paris base. Thus, total for the year shows an increase of 12% in respect to last year but 2H07 has had an advertising expense per passenger which is 20% down in respect to same period last year and more than 50% down in respect to 1H07.
- Non recurrent Q4 07 items had an impact of 3% over CASK for the fourth quarter and are the reason for CASK ex-fuel not decreasing in respect to previous year together with the adjustment in maintenance reserves in 2006.

### **Net Result**

- Net result for the year was a loss of 63.2 million Euros compared to a loss of 10.7 million Euros in 2006. Again reasons for this fall correspond mainly to a drop in fares per passenger of 21% and an increase of fuel costs on sales of 6 pp.
- Net result for Q4 2007 was a loss of 30.8 million Euros compared to a loss of 9.3 million in the same period of 2006. The reasons for this fall correspond to a drop in fares per passenger of 9% and an increase in fuel costs as percentage on sales of 9pp. Non recurrent cost items had an impact of approximately 4 million Euros in Q4 2007

EBITDAR for the year is -5.1 million Euros which is in the low part of the range indicated on 1<sup>st</sup> October 2007 which stated a -10 million Euros EBITDAR in a worst case scenario. Main reasons to be positioned in the low end of the range correspond to the aforementioned non recurrent costs and the increase in fuel prices.

EBITDAR for the quarter was -13.5 million Euros compared to 2.3 million Euros in 2006.

### **Cash position**

Cash position as of 31<sup>st</sup> December 2007 was over 84 million Euros.



## **2. Other information**

In a situation of high fuel prices and low fares per passenger, the Company has discontinued the operation of a series of routes with negative contribution margins for which no significant improvement was expected in the next few months.

The capacity which is made available as a consequence of the above, has been partially assigned to new routes to the Canary Islands from Seville and Madrid that will be launched by mid March. Additionally and in order to maximize the income per aircraft, the Company has entered into contracts to temporarily lease out two aircraft and is considering the option to reduce a further two aircrafts through wet leases, dry leases or other formulas.

Following a strategy to increase sales to other segments of the market, including business travellers, the Company has developed a commercial team to sell through off-line agencies and is developing integration tools with these agencies.

The Company is currently working in the development of an strategic plan. It is foreseen that these plan will be completed in the second half of March and details of it will be released in due course.



### 3. Financial and operating statistics

	<b>FY 2006</b>	<b>FY 2007</b>	<b>Variation</b>
Number of aircraft (at period end)	16	24	50,0%
Average number of aircraft in operation	12,3	20,0	62,6%
ASKs (in millions)	4315,9	7535,2	74,6%
Total flights flown	28.277	47.530	68,1%
Seats flown (in thousands)	5.090	8.555	68,1%
Number of routes operated (at period end)	28	56	100,0%
Number of airports served (at period end)	15	22	46,7%
Average stage length (in kilometers)	921	961	4,3%
Total number of passengers (in thousands)	3.510	6.220	77,2%
Load factor (RPK/ASK)	69.4%	73.0%	3.6pp
RASK (in € cents)	5,46	4,81	-11,8%
CASK (in € cents)	5,70	5,75	1,0%
Average daily block hours per aircraft	10,3	11,0	7,4%
Average flights per aircraft per day	6,3	6,5	3,4%
Revenues (in thousands of €)	235.526	362.673	54,0%
EBITDAR (in thousands of €)	28.011	-5.069	-118,1%

  

	<b>Q4 2006</b>	<b>Q4 2007</b>	<b>Variation</b>
Number of aircraft (at period end)	16	24	50,0%
Average number of aircraft in operation	14,5	23,0	58,8%
ASKs (in millions)	1310,3	2253,5	72,0%
Total flights flown	8.475	13.322	57,2%
Seats flown (in thousands)	1.526	2.398	57,2%
Number of routes operated (at period end)	28	56	100,0%
Number of airports served (at period end)	15	22	46,7%
Average stage length (in kilometers)	931	1.030	10,7%
Total number of passengers (in thousands)	959	1.604	67,3%
Load factor (RPK/ASK)	64.0%	66.7%	2.7pp
RASK (in € cents)	4,65	4,20	-9,8%
CASK (in € cents)	5,37	5,64	5,1%
Average daily block hours per aircraft	10,6	11,2	5,5%
Average flights per aircraft per day	6,4	6,3	-1,0%
Revenues (in thousands of €)	60.941	94.583	55,2%
EBITDAR (in thousands of €)	2.388	-13.587	-668,9%

Financial data prepared under IFRS. Non audited.

Please note that neither CASK or RASK include any financial result, CASK is calculated at EBIT level and RASK is calculated at Gross Revenues level. ASK calculation has been changed from Ground Distance, which reflects the best estimate of actual distances flown, to Great Circle Distance, which corresponds to straight line distances and that, despite not reflecting actual kilometers flown, eases preparation and comparison of data. The effect is both an increase in CASK and RASK of approximately 8%.



## 4. Profit & loss account

	<b>Q4 2006</b>	<b>Q4 2007</b>	<b>FY 2006</b>	<b>FY 2007</b>
Tickets	40.032	60.883	166.914	234.162
Ancillaries	20.909	33.700	68.612	128.511
<b>GROSS REVENUES</b>	<b>60.941</b>	<b>94.583</b>	<b>235.526</b>	<b>362.673</b>
Fuel & Other raw materials	16.617	34.328	56.424	107.429
Handling	8.320	11.083	28.871	41.878
Airport fees and Navigation	12.964	21.345	43.001	75.827
Maintenance	800	6.300	12.325	22.940
Insurance	878	1.339	3.754	4.583
Advertising	4.342	5.048	12.715	25.225
Overheads	3.111	7.990	11.259	18.337
Others	4.316	6.287	16.027	27.479
Personnel expenses	7.205	14.450	23.139	44.044
<b>EBITDAR</b>	<b>2.388</b>	<b>-13.587</b>	<b>28.011</b>	<b>-5.069</b>
EBITDAR margin	3,9%	-14,4%	11,9%	-1,4%
Aircraft Leases	11.381	18.201	37.460	63.698
<b>EBITDA</b>	<b>-8.993</b>	<b>-31.788</b>	<b>-9.449</b>	<b>-68.767</b>
Amortization and depreciation	402	724	890	2.095
<b>EBIT</b>	<b>-9.395</b>	<b>-32.512</b>	<b>-10.339</b>	<b>-70.862</b>
Financial Income	756	857	1.745	4.168
Financial expense	-333	-1.008	-761	-1.393
Net gain on fair value measurement of financial instruments	-301	1.805	-1.422	4.853
<b>Net financial income (expense)</b>	<b>122</b>	<b>1.654</b>	<b>-438</b>	<b>7.628</b>
<b>PROFIT BEFORE TAXES</b>	<b>-9.273</b>	<b>-30.858</b>	<b>-10.777</b>	<b>-63.234</b>
Income tax revenue	0	0	0	0
<b>NET INCOME</b>	<b>-9.273</b>	<b>-30.858</b>	<b>-10.777</b>	<b>-63.234</b>
Net margin	-15,2%	-32,6%	-4,6%	-17,4%

Prepared under IFRS. Non audited.





## 5. Traffic Statistics

Vueling carried a total of 1,603,265 passengers during Q4 2007, a 67.2% increase over the same period of 2006.

Load factor for Q4 2007 was 66.7%, 2.7pp over same period last year

Lastly, load factor for the year was 73.0%, 3.6 points above the same period of 2006.

	Passengers			Load factor		
	2006	2007	% 07/06	2006	2007	% 07/06
December	368,245	534,808	+45.23%	70.32%	63.57%	-6.75p.
Q4	958,735	1,603,265	+67.23%	64.05%	66.74%	+2.69p.
Annual	3,509,958	6,219,605	+77.20%	69.39%	73.00%	+3.61p



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