

Vueling obtained an after-tax profit of €8.5m in 2008, with a 21% increase in revenues, to €438.9m

Highlights

Vueling obtained an after-tax profit of €8.5m, with an operating result of -€30.8m and a -7.0% margin (before financial revenues, restructuring costs, and taxes), 12.8 percentage points above 2007. EBITDAR went from -€5.9m in 2007 to €31.2m in 2008.

Vueling increased revenues by 21%, to €438.9m, bolstered by a 27.9% increase in the average revenue per passenger and a 22.9% increase in revenue per flight. Pure ancillary revenue increased by 66.9% and already makes up 14.2% of the company's revenues.

Travel agents sales represented 14.5% of ticket revenue, to a total of €54.7m, of which €20.7m were generated via global distribution systems (GDS). Vueling started selling in Amadeus on June and in Galileo on December.

Ex-fuel cost-base was reduced by 7.8%, which helped to virtually absorb the fuel-price hike. Vueling increased its total cost-base (including fuel) by just 2.6%, to 5.91 Euro cents per available seat-kilometre (ASK).

During 2008 the company was completely restructured, based (a) on network rationalization, with a capacity adjustment that brought about a reduction in the number of aircraft from 24 in January to 16 in December, (b) access to new markets segments through the travel agents' channel, and (c) the discontinuation of non-profitable routes.

Outlook for 2009

Vueling's prospects for Q1 2009 are very positive, both in revenue and cost lines. It is thus expected that, in comparison to Q1 a year earlier:

- **Revenue per flight will increase between 10 and 15%**
- **Fuel costs will be approximately 40% lower.** Vueling has hedged 48% of its fuel needs for Q1. This means that the equivalent cost of a barrel would be around \$50.

The company therefore expects for the combination of higher revenues and lower costs to significantly improve its Q1 margin with regards to the same period last year.

For the whole of 2009, much improvement is also expected, and this is down to the annualized impact of two separate factors:

- **GDS rollout**, which would bring about extra revenues in the region of €20m to €30m for the first half of the year.
- **The company's restructuring plan**, which is already finalized, and will entail savings of between €5m and €12m for the same period of time.

In spite of the general economic environment, which could adversely affect results, the company has reasons to believe that it can benefit from several factors:

- The fact that business passengers, rather than reducing their frequency of travel, will most likely seek cheaper ways to travel.
- Historical experience, that places LCCs eminently suited to weather crisis periods.
- Vueling's flexibility, as demonstrated during its recent restructuring plan, that could be crucial again, should circumstances demand it.

Summary table of results*	Annual			Q4		
	2008	2007	% var.	2008	2007	% var.
Total revenues (€ '000)	438,912	362,673	21.0%	84,470	94,582	(10.7%)
Total expenses (€ '000)	469,737	434,392	8.1%	96,311	127,949	(24.7%)
EBIT (€ '000)	(30,825)	(71,719)	(57.0%)	(11,841)	(33,367)	(64.5%)
Financials and subleases (€ '000)	854	4,568	(81.3%)	476	(1,408)	n.a.
Operating result (€ '000)	(29,971)	(67,151)	55.4%	(11,365)	(34,775)	(67.3%)
Operating margin (%)	(6.8%)	(18.5%)	11.7 pp.	(13.4%)	(36.7%)	23.3 pp.
Restructuring costs	8,627	-	n.a.	3,694	-	n.a.
EBT (€ '000)	(38,598)	(67,151)	(42.5%)	(15,059)	(34,775)	(56.7%)
Net result	8,539	(78,484)	n.a.	(10,541)	(46,108)	(77.1%)

*According to new Spanish GAAP. Non audited

Business review

During 2008, Vueling entirely implemented its restructuring plan, which brought about an important revenue increase, cost controls, and therefore a significant margin improvement in relation to the previous year.

The company's restructuring was based upon four pillars:

- **Network rationalization** and the subsequent discontinuation of those routes reporting little or no profitability at all, as well as a higher concentration on business routes. In so doing, Vueling ceased to operate 21 routes (not including seasonal ones) during the year, while it increased the number of frequencies in business routes at the same time, reaching 11 daily frequencies from Barcelona to Madrid, 5 from Barcelona to Paris, and 4 from Barcelona to Seville. Vueling operated 56 routes at the start of the year and 35 at year-end.
- **Access to new market segments** thanks to the global distribution systems (GDS) rollout: Amadeus from June and Galileo from December. Sales through traditional travel agents made up 14.5% of the company's annual ticket revenue. Of this, the GDS brought 6.55 percentage points.
- **Management efficiencies**, which translated in:
 - An **increase in revenues** taking the **increment in revenue per flight** as the yardstick, high higher-yielding passengers that helped overall revenues to rise. While the number of flown passenger fell by 5.4% during the year, such a decrease was largely offset by a 27.9% increase in the revenue per passenger, to €74.57, and a 22.9% increase in the revenue per flight, going from €7,630 in 2007 to €9,370 in 2008.
 - **Cost-base reduction** in order to consolidate Vueling amongst the best in the industry. This contributed to make up for the fuel-price increase which, during the summer season, reached all-time high levels. Vueling's ex-fuel cost base went down by 7.8% in relation to 2007, while its total cost-base (fuel included) increased by just 2.6%.
- A **focus on ancillary revenues**, with new products launched and price-adjustments on the already existing ones, in order to maximize revenues. Pure ancillary revenue raised by 66.9% in 2008, to €62.1m.

The application of the abovementioned points had, as a consequence, a 21% increase in total revenue, going from €362.7 in 2007 to €438.9m in 2008, in spite of the fact that Vueling roughly operated the same number of planes (an average of 20.1 in 2008 against 20.0 in 2007) and it offered slightly fewer seats (8.5m in 2007 against 8.4m in 2008).

Regarding the cost line, it increased by 8.1% to €469.7m. However, this figure includes the very dramatic fuel-price increase. The fuel bill increased 42.3% during the year, going from €105.7m in 2007 to €150.5m in 2008.

Ex-fuel expenses went down by 2.9% going from €328.7m in 2007 to €319,2m in 2008, in spite of a 5.4% increase in ASKs—from 7.5m in 2007 to 7.9m in 2008.

As a result of all this, the operating margin improved by 12.8 percentage points, going from -19.8% in 2007 to -7.0% in 2008. Net result, after accounting for a €47.1m tax credit, reached a positive margin of 1.9%, 23.6 points better than in 2007, when was -21.6%.

Revenue and traffic

The increase in the revenue per flight was the year's fundamental target, as it ensured result maximization, even if it could bring about slight decreases in seat-load factors.

Overall revenue grew by 21% to €438.9m during 2008. This was the result of a significant increase in revenue per passenger, 27.9% up to €74.57, which allowed to totally compensate for the small load-factor decrease (2.4 points down) to the point of obtaining a revenue per flight level 22.9% higher than in 2007, to €9,370 per flight.

(€ per passenger)	Annual			Q4		
	2008	2007	% var.	2008	2007	% var.
Average pure fare per passenger	54.33	42.30	28.4%	52.00	41.55	25.1%
Average fees and charges per pax.	9.69	10.03	(3.4%)	9.98	10.36	(3.7%)
Average pure ancillary revenue per pax.	10.55	5.98	76.4%	9.93	7.10	39.9%
Total income per passenger	74.57	58.31	27.9%	71.91	59.00	21.8%
Seat-load factor (RPK/ASK, %)	70.3%	72.7%	(2.4 pp.)	67.6%	67.7%	(0.1 pp.)
Revenue per flight (€)	9,370	7,630	22.9%	8,768	7,100	23.5%

Ancillary revenues' weight within the overall revenue structure grew in importance: from every €100 of revenue, €14.2 came from ancillaries, a €4 increase in relation to 2007. The company increased the range of products on offer, from the already existing travel insurance or car rental, to a checked-in bag fee or "dynamic packaging" booking systems.

Absolute revenues

(€ '000)	Annual				Q4			
	2008	%	2007	%	2008	%	2007	%
Pure fare	319,777	72.8	263,078	72.5	61,083	72.3	66,598	70.4
Fees and charges	57,032	13.0	62,379	17.2	11,723	13.9	16,609	17.6
Pure ancillary	62,103	14.2	37,216	10.3	11,664	13.8	11,375	12.0
Total revenues	438,912	100	362,673	100	84,470	100	94,582	100

With regards to unit revenues (revenue per available seat-kilometre), it increased by 14.3% in spite of the average sector length being increased by 7.5%

	Annual			Q4		
	2008	2007	% var.	2008	2007	% var.
Revenue per ASK (€ cents)	5.52	4.83	14.3%	5.14	4.18	22.9%
Average sector length (km per flight)	942	881	7.5%	947	945	(0.2%)

During the second half of the year GDS channel was completely rolled out. Amadeus connexion (with BSP settlement) started in June in Spain and during the autumn in the rest of Europe. Vueling started trading through Galileo in December. During 2008 travel agents sales made up 14.5% of Vueling's total ticket revenue.

It is worth mentioning that travel-agent customers paid, on average, higher fares, when compared to direct channels such as the company's own website or its call centre. Overall, travel agents still sells between 40 and 48% of all air tickets, and that's the reason why Vueling still has ample room for growth in this channel.

Costs

Cost contention and its positive effects on the company's margins, as well as its competitive edge, has been one of the key points of its restructuring plan.

The implementation of activities leading to a reduction in the company's cost base reached its goals very successfully. The unprecedented scale on the fuel-price hike, which brought about an increase in variable costs (17.7% up), made overall costs increase as a result (8.1% up). However, both fixed and semi-fixed costs went down—0.6% in the latter and 25.9% in the former.

Once fuel prices settled at more reasonable level, during Q4, Vueling's overall costs were reduced by approximately one-fourth, and across the board: in variable, fixed, and semi-fixed costs.

Expenses for the period

(€ '000)	Annual			Q4		
	2008	2007	% var.	2008	2007	% var.
Variable	327,560	278,371	17.7%	64,170	80,885	(20.6%)
↳ Fuel	150,532	105,733	42.3%	24,470	34,218	(27.7%)
↳ Rest of variables	177,028	172,638	2.54%	39,700	46,667	(14.93%)
Semi-fixed	104,345	104,947	(0.6%)	22,233	30,591	(24.0%)
Fixed	37,832	51,074	(25.9%)	8,908	16,473	(45.9%)
Total expenses	469,737	434,392	8.1%	96,311	127,949	(24.7%)

During 2008, fuel became the most important expenditure: while in 2007 one in every four Euro was spent on that concept, the ratio went up to one in every three during 2008, or €150,5m out of a total of €469,7m. Fuel made up half of the company's variable costs, with a €45m increase year on year.

Even accounting for fuel, unit costs increased by just 2.6%, going from 5.76 to 5.91 Euro cents, which is quite telling of the measures introduced to keep the company's base cost under control.

(€ cents)	Annual			Q4		
	2008	2007	% var.	2008	2007	% var.
CASK excl. fuel	4.02	4.36	(7.8%)	4.36	4.13	5.5%
Fuel cost per ASK	1.89	1.40	35%	1.50	1.51	0.0%
Total CASK (incl. fuel)	5.91	5.76	2.6%	5.86	5.64	3.9%

During the summer quarter, in June, July and August in a row, Vueling's ex fuel cost-base reached its lowest level ever, at 3.59 Euro cents per ASK in the latter case.

(€ cents)	2008								
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
CASK excl. fuel	4.01	4.56	3.96	4.10	4.02	3.77	3.69	3.59	3.81
Fuel cost per ASK	1.56	1.56	1.67	1.87	2.11	2.30	2.43	2.41	1.96
Total CASK (incl. fuel)	5.57	6.12	5.63	5.97	6.13	6.07	6.11	6.01	5.77

(€ cents)	2008		
	Oct	Nov	Dec
CASK excl. fuel	4.38	4.58	4.14
Fuel cost per ASK	1.78	1.47	1.25
Total CASK (incl. fuel)	6.16	6.06	5.38

Operations

Vueling operated 35 routes as of December 31st, 2008, 21 routes fewer than on the same date one year earlier, with a fleet made up of 16 Airbus A-320, the youngest in Europe with an average age of just 2.5 years.

During Q4 Vueling operated fewer aircraft on average than on the same period the previous year, and this led to company to operate an almost identical average number of aircraft year-round (20.1 in 2008, 20.0 in 2007)

Average number of aircraft in operation during the period

	Q1	Q2	Q3	Q4	Annual
2007	16.3	20.0	21.0	23.0	20.0
2008	23.2	21.0	19.7	17.0	20.1
% var.	42.3%	5.0%	(6.3%)	(26.1%)	0.5%

Aircraft productivity, measured in block-hours per flight and day, improved by 2.7% during the year, going from 11.0 to 11.3 block hours.

	Annual			Q4		
	2008	2007	% var.	2008	2007	% var.
Block-hours	82,736	80,616	2.6%	17,103	23,740	(27.9%)
Nº of aircraft in operation	20.1	20.0	0.5%	17.0	23.0	(26.1%)
Block-hours per a/c and day	11.3	11.0	2.7%	10.9	11.2	(2.7%)

During Q4, four aircraft were redelivered, with no penalties from the lessor. Some maintenance costs, related to the redeliveries, had to be accounted for in that quarter.

During Q4 Vueling kept on operating out of its Barcelona, Madrid, and Seville bases. No incidences of note took place during the year.

Financial and hedging

Fuel purchase (Brent barril)

	Q1 2009		Rest of 2009	
	% consumption	average price (USD)	% consumption	average price (USD)
As of 31/12/2008	48%	563	n.r.	n.r.
As of 24/2/2009	n.r.	n.r.	25%	537

*n.r.: non relevant

Dollar

	Q1 2009		Rest of 2009	
	import	average rate	% payments	average rate
As of 31/12/2008	23,1m	1,42	n.r.	n.r.
As of 24/2/2009	n.r.	n.r.	11,5m	1,42m

*n.r.: non relevant

As of 31/12/08, €5m corresponding USD derivatives had not yet been posted to revenues. This amount will be posted as revenue over the first half of 2009.

Quarterly profit and loss account

(€ '000)	Q4		
	2008	2007	% var.
Ticket revenues	61,083	66,598	(8.3%)
Fees and charges	11,723	16,609	(29.4%)
Pure ancillary revenues	11,664	11,375	0.0%
Total revenues	84,470	94,582	(10.7%)
Fuel	24,740	34,218	(27.7%)
Handling	8,472	11,083	(23.6%)
Airport taxes	9,085	11,126	(18.3%)
Navigation taxes	7,245	10,219	(29.1%)
Crew	1,699	1,831	(7.2%)
Maintenance	4,237	4,861	(12.8%)
Commercial and marketing	5,762	5,485	5.0%
Others expenditures	2,930	2,062	42%
Total variable expenditure	64,170	80,885	(20.7%)
Contribution margin	20,300	13,697	48.2%
Crew	6,603	8,489	(22.2%)
Maintenance	3,312	3,079	7.5%
Fleet insurance	570	822	(30.6%)
Fleet leases	12,748	18,201	(30.0%)
Total semi-fixed expendit.	23,233	30,591	(24.0%)
Operating margin	(2,933)	(16,894)	82.6%
Advertisement	1,635	3,289	(50.3%)
Amortization	738	722	0.1%
General expenditure	6,535	12,462	(47.5%)
Total fixed expenditure	8,908	16,473	(45.9%)
EBIT	(11,841)	(33,367)	64.5%
Financial result	77	(1,408)	105.5%
Sub-lease result	399	-	n.a.
Restructuring costs	3,694	-	n.a.
EBT	(15,059)	(34,775)	56.7%
Taxes	4,518	(11,333)	139.9%
Net result	(10,541)	(46,108)	77.1%
EBITDAR	1,645	(14,444)	111.4%

All data in this presentation have been elaborated according to the new Spanish GAAP. Like-to-like figures for 2007 have been re-expressed according to their criteria, in order to allow for comparison. Non-audited figures.

ASK have been calculated according to the great-circle distance.

Annual profit and loss account

(€ '000)	Annual		
	2008	2007	% var.
Ticket revenues	319,777	263,078	21.5%
Fees and charges	57,032	62,379	(8.6%)
Pure ancillary revenues	62,104	37,216	66.9%
Total revenues	438,913	362,673	21.0%
Fuel	150,532	105,733	42.3%
Handling	39,026	41,878	(6.8%)
Airport taxes	41,658	42,021	(0.8%)
Navigation taxes	35,414	33,806	4.7%
Crew	7,941	6,739	17.8%
Maintenance	17,892	17,524	2.1%
Commercial and marketing	26,937	24,742	8.9%
Others expenditures	8,160	5,928	37.6%
Total variable expenditure	327,560	278,371	17.6%
Contribution margin	111,352	84,302	32.1%
Crew	27,188	24,584	10.6%
Maintenance	15,146	13,509	14.1%
Fleet insurance	2,612	3,156	(17.2%)
Fleet leases	59,399	63,698	(6.7%)
Total semi-fixed expendit.	104,345	104,947	(0.5%)
Operating margin	7,007	(20,645)	133.9%
Advertisement	6,741	17,632	(61.8%)
Amortization	2,642	2,095	26.1%
General expenditure	28,449	31,347	(9.2%)
Total fixed expenditure	37,832	51,074	(25.9%)
EBIT	(30,825)	(71,719)	(57.0%)
Financial result	(357)	4,568	(107.8%)
Sub-lease result	1,211	-	n.a.
Restructuring costs	8,627	-	n.a.
EBT	(38,598)	(67,151)	42.6%
Taxes	47,137	(11,333)	515.9%
Net result	8,539	(78,484)	n.a.
EBITDAR	31,216	(5,926)	526.7%

All data in this presentation have been elaborated according to the new Spanish GAAP. Like-to-like figures for 2007 have been re-expressed according to their criteria, in order to allow for comparison. Non-audited figures.

ASK have been calculated according to the great-circle distance.

Quarterly financial and operating statistics

	2008	Q4 2007	% var.
REVENUES			
Total revenue (€ '000)	84,470	94,582	(10.7%)
Total income per passenger (€ '000)	71.91	59.00	21.8%
Revenue per flight (€)	8,768	7,100	23.5%
Average pure fare per passenger (€)	52.00	41.45	25.1%
Average pure ancillary revenue per passenger (€)	9.93	7.10	39.9%
Total revenue per ASK (€ cents)	5.14	4.18	22.9%
EXPENDITURES			
Total expenditure (€ '000)	96,311	127,949	(24.7%)
Cost per ASK, incl. fuel (€ cents)	5.86	5.64	3.9%
Fuel costs per ASK (€ cents)	1.50	1.51	0.0%
Cost per ASK, excl. fuel (€ cents)	4.36	4.13	5.5%
EBITDAR (€ '000)	1,645	(14,444)	111.4%
EBITDAR margin (%)	1.9%	(15.3%)	13.4 pp.
EBIT (€ '000)	(11,841)	(33,367)	64.5%
EBIT margin (%)	(14.0%)	(35.3%)	21.3 pp.
EBT (€ '000)	(15,059)	(34,775)	56.7%
EBT margin (%)	(17.8%)	(36.8%)	19 pp.
OPERATIONS			
ASKs (millions)	1,643	2,265	(27.5%)
RPKs (millions)	1,110	1,532	(27.5%)
Total flights flown	9,634	13,322	(27.7%)
Average aircraft in operation	17	23	(26.1%)
Average block hours per aircraft and day	10.9	11.2	(2.7%)
Average number of flights per day	6.1	6.3	(3.2%)
Seats clown ('000)	1,734	2,398	(27.7%)
Average stage length (km)	947	945	0.2%
Total number of passengers ('000)	1,175	1,603	(26.7%)
Load factor (RPK/ASK)	67.6%	67.7%	(0,1 pp.)

All data in this presentation have been elaborated according to the new Spanish GAAP. Like-to-like figures for 2007 have been re-expressed according to their criteria, in order to allow for comparison. Non-audited figures.

ASK have been calculated according to the great-circle distance.

Annual financial and operating statistics

	2008	Annual 2007	% var.
REVENUES			
Total revenue (€ '000)	438,912	362,673	21.0%
Total income per passenger (€ '000)	74.57	58.31	27.9%
Revenue per flight (€)	9,370	7,630	22.9%
Average pure fare per passenger (€)	54.33	42.30	28.4%
Average pure ancillary revenue per passenger (€)	10.55	5.98	76.4%
Total revenue per ASK (€ cents)	5.52	4.83	14.3%
EXPENDITURES			
Total expenditure (€ '000)	469,737	434,392	8.1%
Cost per ASK, incl. fuel (€ cents)	5.91	5.76	2.6%
Fuel costs per ASK (€ cents)	1.89	1.40	35%
Cost per ASK, excl. fuel (€ cents)	4.02	4.36	(7.8%)
EBITDAR (€ '000)	31,216	(5,926)	526.7%
EBITDAR margin (%)	7.1%	1.2%	5.9 pp.
EBIT (€ '000)	(30,825)	(71,719)	(57.0%)
EBIT margin (%)	(7.0%)	(19.8%)	12.8 pp.
EBT (€ '000)	(38,594)	(67,151)	42.6%
EBT margin (%)	(8.8%)	(18.5%)	9.7 pp.
OPERATIONS			
ASKs (millions)	7,945	7,535	5.4%
RPKs (millions)	5,883	5,477	7.4%
Total flights flown	46,844	47,530	(1.4%)
Average aircraft in operation	20.1	20	0.5%
Average block hours per aircraft and day	11.3	11.0	2.7%
Average number of flights per day	6.4	6.5	(1.5%)
Seats clown ('000)	8,432	8,555	(1.4%)
Average stage length (km)	947	881	7.5%
Total number of passengers ('000)	5,886	6,220	(5.4%)
Load factor (RPK/ASK)	70.3%	72.7%	(2.4 pp.)

All data in this presentation have been elaborated according to the new Spanish GAAP. Like-to-like figures for 2007 have been re-expressed according to their criteria, in order to allow for comparison. Non-audited figures.

ASK have been calculated according to the great-circle distance.