



European short haul

2011-2020 - The Final Phase – and now
what do we want from airports?

Invest & Manage Airports – London, 8 December 2011

vueling[®]

Agenda



- A. The Evolution of Short Haul
- B. The Last Phase
- C. Vueling: the Right Model
- D. What do we need from airports

A.

The evolution of short haul



The evolution of short-haul

Deregulation/ Privatization

- Majors are created
- All countries with a national airline that goes to total or partial privatization

Entry of LCCs

- Ryanair converts to an LCC
- easyJet launches with two planes
- other regional LCCs start

Short-haul, converted

- > 700 LCC a/c in Europe
- Every major has a lower-cost strategy (at different stages of implementation)

The evolution of short-haul

Deregulation/ Privatization

- High fares
- Mono or duopolies
- High costs

Entry of LCCs

- Lower fares
- More competition
- Lower costs

Short-haul, converted

- Permanently lower fares and lower costs
- Continued competition

And what were traditional airlines saying at each stage?

“When we privatise, we will be really successful!”

“We are pretty skeptical, but not worried”

“We’ve given up on short-haul; focus on long-haul”

B.

The last phase



1. The last phase: short-haul, converted
2. What does it mean? Why is this good?
3. What are signs that we may be already in this last phase?

The last phase: short-haul converted



What does it look like when it ends

- Majors operate short haul with business class only between own alliance hubs and major business trunk routes
- Everything else is lower operating cost subsidiaries or LCC alternative



What does it mean? Why is this good?

Traditional airlines

- Disappearance of full business class product in all but premium routes
- Connect and revenue share models with leaner operators
- + ○ Finally control their short haul costs

Low cost airlines

- Become more sophisticated
- Evolve in product:
 - Business passenger
 - Connections
- + ○ Access to higher fares

Airports

- More growth (Flights, Pax, services...)
- Discretionary spending increases
- + ○ Drives more capital investment

Business activity

- + ○ Growth through lower fares
- + ○ More choices
- + ○ More direct flights

What are the signs that we may be in this last phase?

THE LAST PHASE

Traditional airlines



Lufthansa

- Germanwings: Cooperation

AIR FRANCE KLM

- Re-distribution of bases
- Access to Transavia

IBERIA

- Clickair, then Vueling

BRITISH AIRWAYS

- LGW as an alternative



- Welcoming Air Berlin

Low cost airlines

RYANAIR

- Assigned seat trial
- Acknowledged currently "bad customer service" (17-5-11, FT Deutschland)

easyJet

- Biz passenger focus
- Flexible fares

norwegian.no

- GDS distribution
- Inflight WIFI

vueling

- Seat assignment
- Blocked middle seat
- Multi-frequency
- Main airports
- Oneworld FFP
- Connections / interline
- GDS sales
- Flexible fares
- Very high punctuality



What are the signs that we may be in this last phase?

THE LAST PHASE

Consolidation till now

- Lessons learned: Why did other airlines fail?



- Closure



- Consolidation



Future consolidation?

- Do we expect more consolidation?

- High competition
- Higher costs
- Short-haul only
- Short-haul without prospects to grow
- State-aided airlines with limited government resources

YES

C.

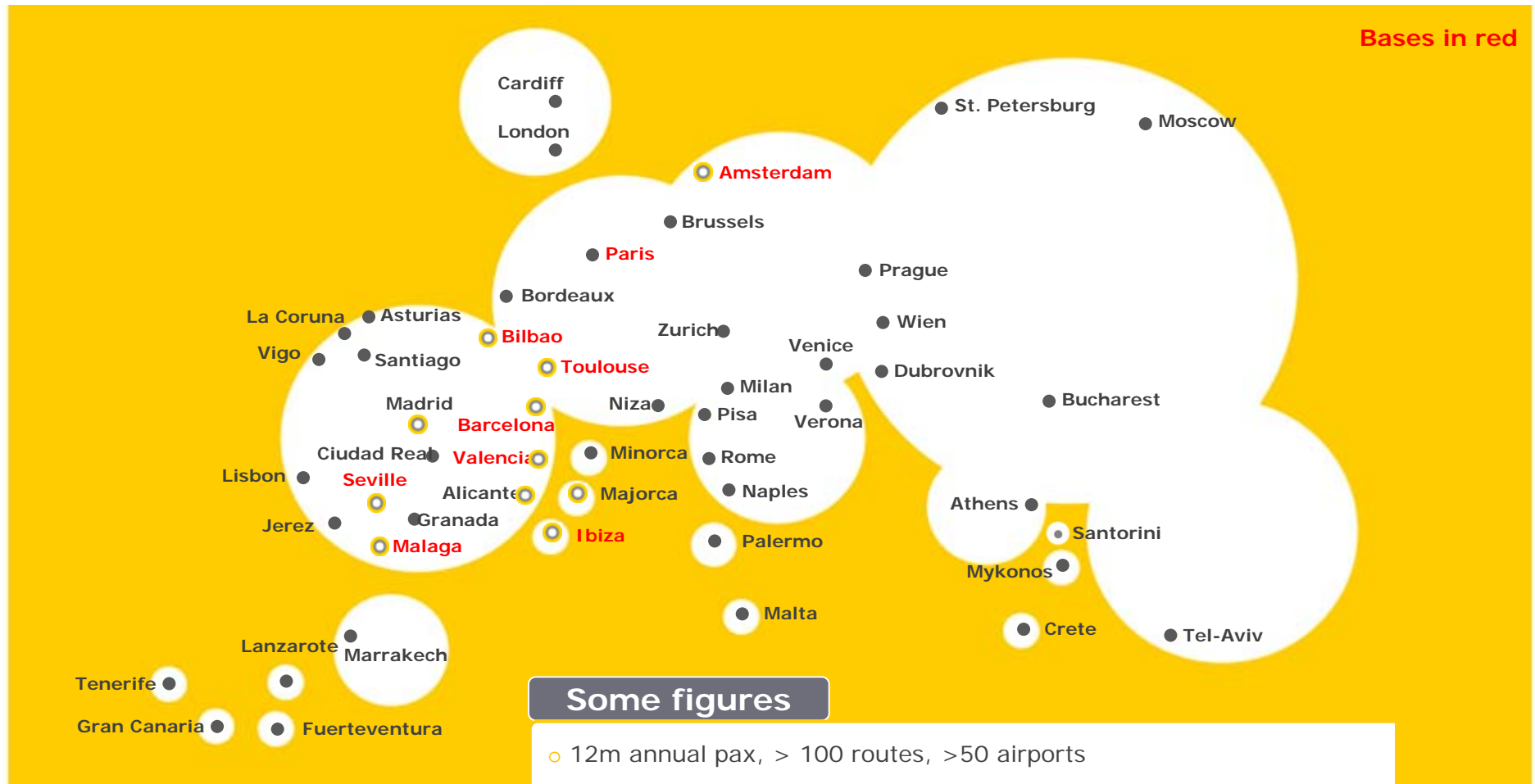
Vueling in this phase



1. Vueling

- Network and basic figures
- Low cost carrier?
- Full service airline?

European wide network, with nine bases



Bases in red

Some figures

- 12m annual pax, > 100 routes, >50 airports
- 47 A320s, 9 bases, ~€800m revenues (€690m)
- LCC with most frequencies (10,4 avg weekly frequencies per route)

Is Vueling a low cost airline? Sure.

LCC, the good stuff

Turn-around times

25-30 minutes

Aircraft Utilization

10-13 hours / day

Punctuality

85-90%

Crew Productivity

840-860 hours / year

Crew Bases

Yes, no HOTAC

Seat Density

High

Single Aircraft Type

Yes

Ticketless

Yes

Catering for Pay

Yes

Low Cost Base

Yes, ~€4.0 cents CASK

Lowering costs YoY

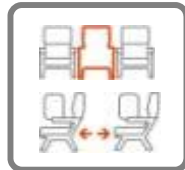
Yes, since birth

Big Internet Sales

Yes

Full service airline? Sure.

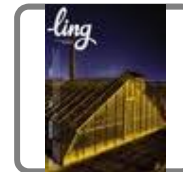
Blocked middle seat, premium service in row 1, award winning on board mag, mobile res



Own frequent flier, Oneworld-compliant FFP, leader in social media, ticket flexibility



Mobile and online check-in, lock your fare, VISA Vueling, connecting transfer, code share



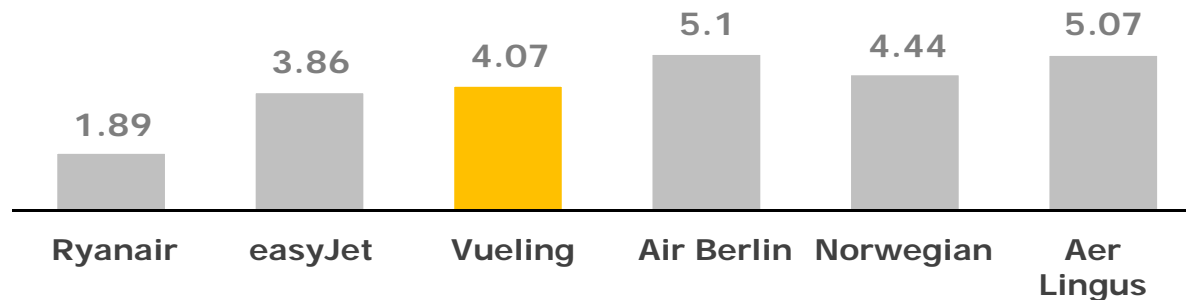
50% indirect sales, 50% direct sales, interline, corporate, groups, pets, UMs



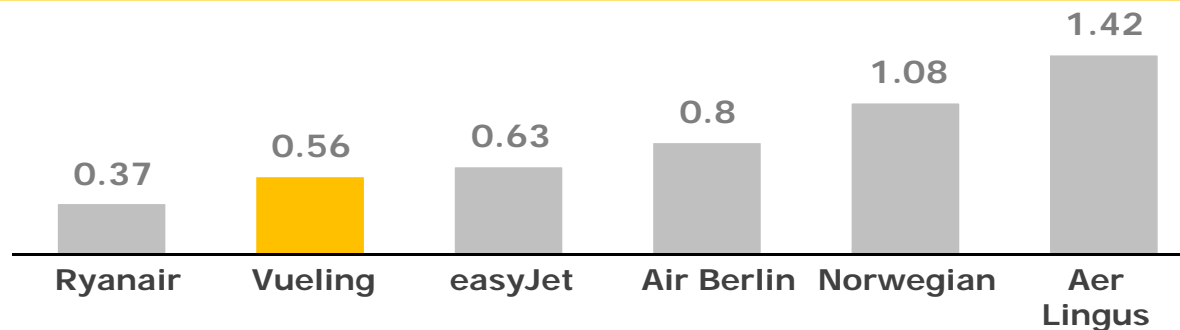
Inclusive fares, flexible fares, cheap disaggregated fares, catering for sale, free catering

A few detailed comparisons 2010

Total CASK ex-fuel 2010 (c€)



CASK staff 2010 (c€)



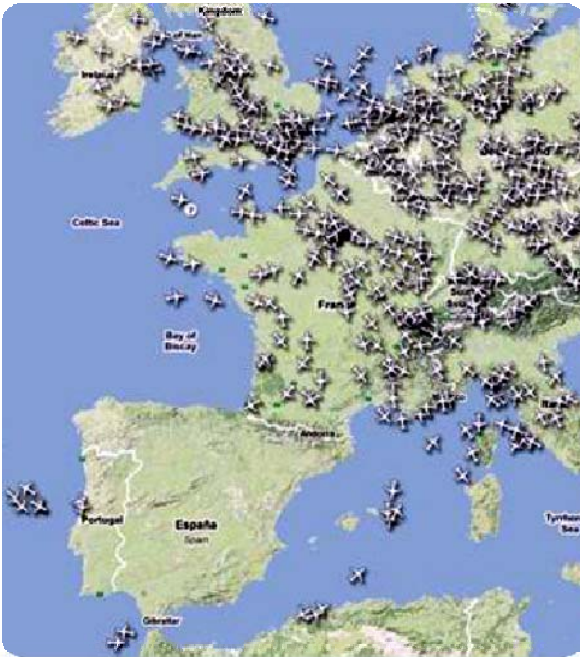
Future . . .

- Unlike its LCC rivals, Vueling still has several levers to lower its costs further, e.g. fleet costs
- It is reasonable that this cost line will improve further 2012-2014

Sources: www. Rati.com (Air Transport Intelligence), Vueling Investor Relations

D.

What do we
need from
airports



It's simple

- Be ready to partner deeply with us
- Be ready to be very flexible, quick to implement and open to test

Be ready to partner with us

- We know what you want; it's the same we want
- We have developed a great deal of knowledge about our customers:
 - What they are willing to pay for and not, and when
 - What their mind set is throughout the whole travel process
 - How they want to use new technologies
- We need to share and cross-reference data in order to define new products and services passengers are willing to pay for
- We are ready to test many new products, are you?

Flexible, quick to implement and open to test

- Very few airports today have developed product/service **flexibility** and time-to-market into their business plans; yet, the environment changes very fast
- From parking to check-in to security to boarding to arrivals, you must 1) improve service whilst 2) generating additional revenue. In order to do that, you must be ready to **test** new initiatives, and be very quick to **implement** the successful ones
- Example: we want dedicated gates and in return we will share new ideas for revenue generation in relation to boarding. Let's test it.

D.

What we
DON'T need
from airports



It's simple

- Unnecessary infrastructure developments and spend
- Higher unnecessary fees which lower passenger demand
- Settled, unquestioned, low risk, innovation-less, traditional culture

flying hoy means **vueling**



See Vueling's team: the 2010 Christmas Lipdub Video

http://www.youtube.com/watch?v=hY9_z9s5sw8



See promotional video on Vueling's GO product

<http://www.youtube.com/watch?v=WIVyVJ3TOEI>

It's Business Time,
It's Vueling Time.

See video: "It's Business Time, It's Vueling Time"

<http://www.youtube.com/watch?v=In3C1IsQrtg>



See Guetta/Rowland/_Ibiza agreement in action

<http://www.youtube.com/watch?v=Kc7FZuMn3Qs>



See Jade Jagger/MTV promotional video

<http://www.youtube.com/watch?v=WSy98IHkO2E>



See "My Vueling" (web space) Promotional Video

<http://www.youtube.com/watch?v=FiavRyuRwCs>