Aer Lingus

2010 Preliminary Full Year Results

28 February 2011

Disclaimer | Forward looking information

Certain information included in these statements is forward-looking and involves risks and uncertainties that could cause actual results to differ materially from those expressed or implied by the forward looking statements.

Forward-looking statements include, without limitation, projections relating to results of operations and financial conditions and the Company's plans and objectives for future operations, including, without limitation, discussions of the Company's Business Plan programs, expected future revenues, financing plans and expected expenditures and divestments. All forward-looking statements in this report are based upon information known to the Company on the date of this report. Due to such uncertainties and risks, you should not place undue reliance on such forward-looking statements, which speak only as at the date of this report. The Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by law or by any appropriate regulatory authority.

It is not reasonably possible to itemise all of the many factors and specific events that could cause the Company's forward looking statements to be incorrect or that could otherwise have a material adverse effect on the future operations or results of an airline operating in the global economy. Among the factors that are subject to change and could significantly impact the Company's expected results are the fuel costs, competition from new and existing carriers, costs associated with environmental, safety and security measures, actions of governments and regulatory authorities, fluctuations in currency exchange rates and interest rates, airport access and charges, industrial relations, the economic environment of the airline industry and the general economic environment in the markets to which the Company operates.

2010 was a challenging year for Aer Lingus

Irish GNP momentum still negative in 2010	**(2.5%)**

Source: Irish Central Bank (Jan 2011)

Ongoing decline in Irish air traffic	**(12.6%)**

Source: CSO – 9 mths to Sept 2010

Irish unemployment remains high	**13.6%**

Source: Irish Central Bank (Jan 2011)

2010 disruption	Total
Weather	Jan, Nov & Dec
Ash	April & May
Est. planned seat capacity lost	(5.6%)
Est. fare revenue lost	(€34m)
Est. operating costs avoided	+€29m
Est. disruption cost incurred	(€10m)
Est. total impact on operating result	**(€15m)**

- Final cost of ash disruption was less than originally anticipated but total 2010 disruption costs still significant

Positive result in 2010 despite severe disruptions & contracting Irish economy

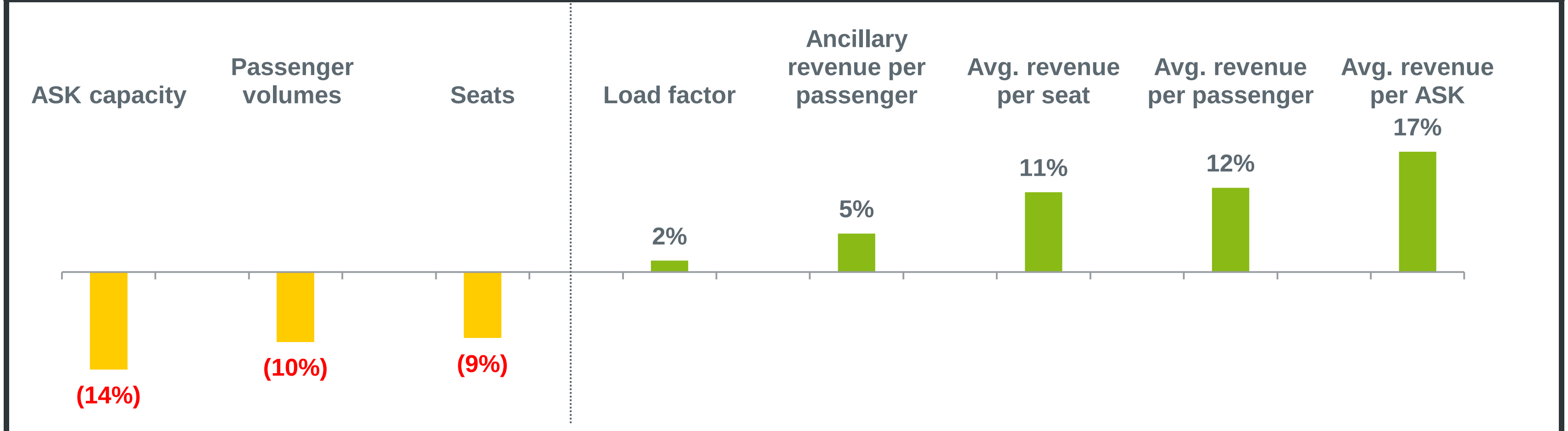
Profitable performance in 2010 despite challenges

Profitability	• €138.6m recovery in yr-on-yr profitability despite 10% fewer passengers
Unit revenue	• Average fare per ASK across the network increased by 17.1%
Cost control	• Operating costs down 10.0%; operating costs excl. fuel down 6.6%
Greenfield	• 2010 savings in line with plan despite delayed commencement
Cash	• 2010 free cashflow generation of €29.2m; gross cash of €885.0m[1]
ESOT	• Significant increase in free float to c.45%
Leave & return	• €32.5m exceptional provision

[1] As at 31 December 2010

Management actions have generated a significant turnaround in 2010

Re-focusing the business... | **…has delivered a significant turnaround in performance**



Re-focused business model

- Serve sustainable passenger flows
- Move away from traffic stimulation in low demand periods
- Generate premium to lowest fare based on quality of service and network offering

Considerable yield improvement due to demand-led capacity planning

Revised business model validated by results

Performance highlights

- Operating profit of €57.6m in 2010 vs. €81.0m loss in 2009
- Improving trend evident throughout 2010
- Key components of trading improvement are:
  - Unit revenue growth
  - Lower fuel cost
  - Lower staff cost
  - Greenfield on target in 2010

Operating result development

Underlying operating result in 2010 represents a significant improvement

De-risking the order book

Contracted order book: €903m	2011	2012	2013	2014	2015	2016	2017	2018+
A320	4	-	-	-	-	-	-	-
A330	-	-	2*	1*	-	-	-	-
A350	-	-	-	-	4	2	-	3*

- A330* option to be exercised to convert to A350 for a delivery date not before 2018
- Planned fleet changes in 2011:
  - Four A320s to be purchased on finance lease in H1 2011
  - Three operating leased A321 aircraft to be returned in H1 2011 and an A320 to be sold
  - An A330 is available for disposal as surplus to requirement
- Flexibility to respond to changing demand environment retained

De-risking aircraft order book to respond to underlying demand conditions

Strategic update

Business in recovery → **Profitable 2010** → **Now addressing strategic issues…**

Update on strategic options to drive real change

Further joint venture opportunities

- Partners needed to connect Ireland with the World
- Currently examining opportunities with airline peers
- Product quality & cost base makes us an attractive partner

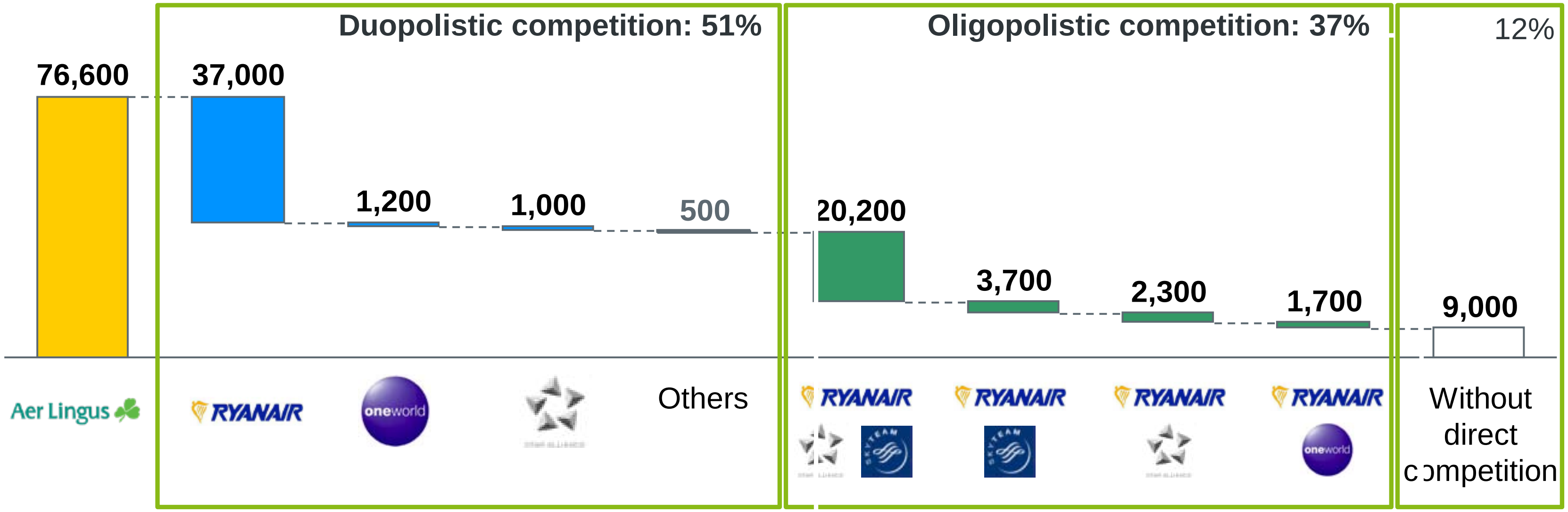
Global alliance decision

- Is re-joining an alliance the correct decision?
- If yes - we need to select the correct alliance
- But: alliance selection must be weighted vs. benefit of current bilateral relationships

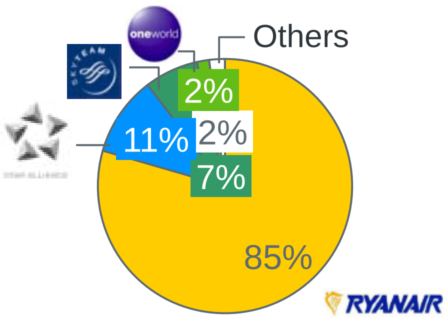
Strategic options selected must support shareholder value creation

Ryanair remains strongest short haul competitor

Seats per week ex DUB to European destinations – Aer Lingus vs. competitors[1]



Breakdown of Aer Lingus competitive overlap by carrier/alliance:



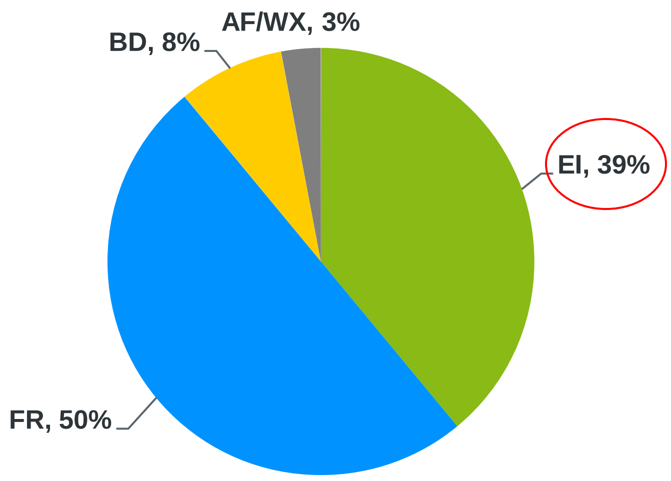
Focus on costs remains paramount due to competitive pressures

[1]Scheduled traffic per week for January 2011

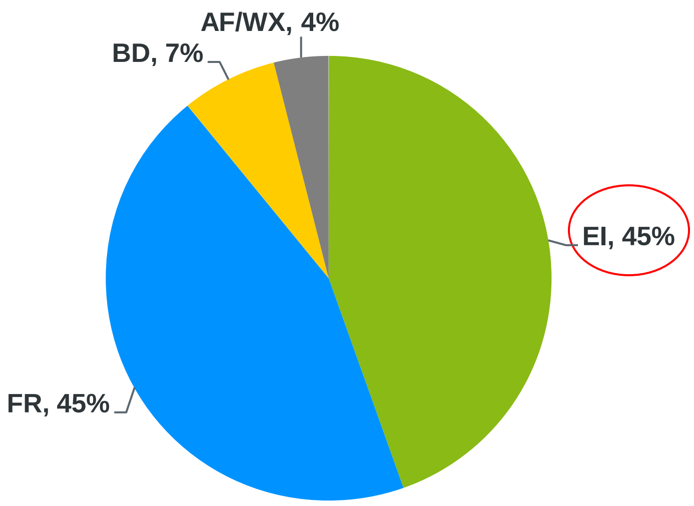
Illustrative market share gain on key routes

- Two airport London strategy
  - Heathrow
  - Gatwick
- Profitable share growth

IRL-LON Market share 2009



IRL-LON Market share 2010



Source : UK Civil Aviation Authority

Market dynamics ensure that Aer Lingus maintains competitively priced fares on key routes

Progress in 2010 but significant challenges remain

Return to profitability following 2 years of operating losses	☑	Complete Greenfield implementation	WIP
Revised business model: proof of concept delivered	☑	Manage difficult demand environment & fuel prices	WIP
Preservation of balance sheet strength	☑	IT & back office systems implementation	WIP
Turnaround of long haul business	☑	Improve punctuality	WIP
Ongoing expansion of bilateral relationships & regional franchise	☑	Prepare better for disruptions	WIP
Successful T2 transition	☑	Significant internal change still required	WIP

Despite steps forward in 2010, we are not complacent about the future

2010 Full Year Financial Review

Andrew Macfarlane, Chief Financial Officer

Aer Lingus

Full year financial highlights

€m	2010	2009	*Change %[1]*
Total revenue	1,215.6	1,205.7	*0.8%*
Operating profit (pre exceptional items)	57.6	(81.0)	-
Operating margin %	*4.7%*	*NM[2]*	*NM*
Exceptional items	(34.0)	(88.6)	*(61.6%)*
Net financial income	6.8	14.8	*(54.1%)*
Profit/ (loss) before tax	30.4	(154.8)	-
Gross cash	885.0	828.5	*6.8%*
Debt	535.2	492.6	*8.6%*
Passengers (‘000s)	9,346	10,382	*(10.0%)*
ASKs (million)	18,269	21,228	*(13.9%)*

[1] Sign convention: increase / (decrease)
[2] Not meaningful

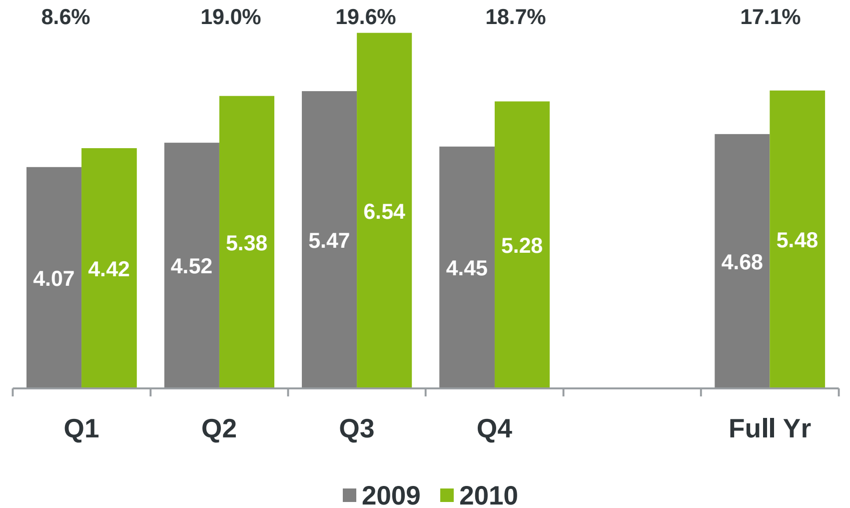
New commercial strategy plus cost reductions restored profitability for 2010

Balance sheet remains strong

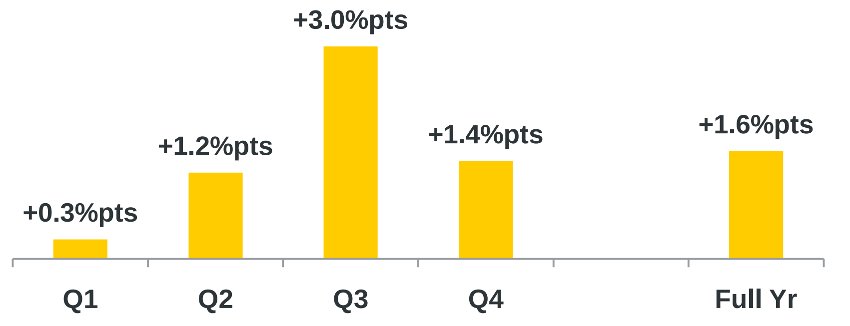
Unit revenues increased through careful yield & capacity management

- Q1 yield held back by:
  - London Gatwick
  - Airport Departure Tax
- Capacity reduced without adversely affecting load factors
- Majority of seats still offered at attractive low fares

Average fare per ASK (€cent)



Load factor growth vs.2009



Yield increases offset volume declines

Operating expenses

	2010 €m	2009 €m	*Change €m*	Cost per ASK €cent 2010	Cost per ASK €cent 2009	*Change €m*
Staff	258.9	312.2	*(53.3)*	1.42	1.47	*(0.05)*
Depreciation	87.4	82.7	*4.7*	0.48	0.39	*0.09*
Aircraft lease costs	51.6	55.8	*(4.2)*	0.28	0.26	*0.02*
Maintenance	54.3	70.5	*(16.2)*	0.30	0.33	*(0.03)*
Distribution	47.5	45.5	*2.0*	0.26	0.21	*0.05*
Ground ops, catering & other	109.3	101.7	*7.6**	0.60	0.48	*0.12*
Other gains & losses	(25.8)	(24.3)	*(1.5)*	(0.14)	(0.11)	*(0.03)*
Airport charges	252.6	252.0	*0.6*	1.38	1.19	*0.19*
Enroute charges	56.0	59.0	*(3.0)*	0.31	0.28	*0.03*
Fuel	266.2	331.7	*(65.5)*	1.46	1.56	*(0.10)*
Total	**1,158.0**	**1,286.8**	***(128.8)***	**6.34**	**6.06**	***0.28***
						4.6%

**€9.8m of this movement reflects increase in project & third party costs to support Greenfield*

- Unit costs up due to project & third party costs, depreciation and airport charges offset by fuel
- Lost 5.6% of planned seat capacity due to weather & ash disruptions in 2010

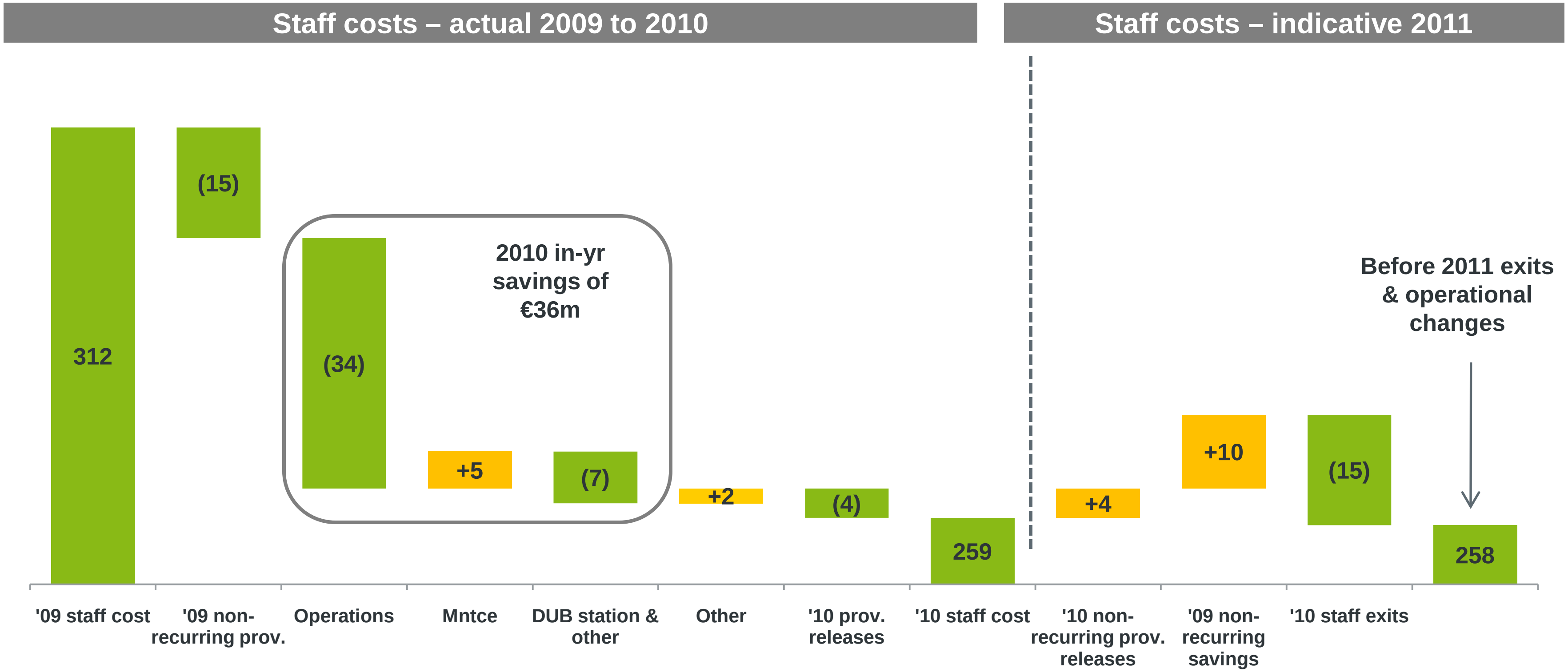
Greenfield savings in 2010

€m	In-Yr		Exit run rate	
	Target	**Achieved**	**Target**	**Achieved**
Staff	40.0	35.6	50.0	50.0
Non-Staff	4.0	5.8	8.0	3.9
Total	**44.0**	**41.4**	**58.0**	**53.9**

- In-year staff savings lower than plan due to ballot delays
- However, run rate staff savings in place for 2011
- Business model changes caused re-assessment of approach to non-staff savings

2010 Greenfield annualised staff saving target achieved

Continued reduction in staff costs



- €10m of 2010 savings won't recur in 2011 – unpaid leave: €6m & ash disruption: €4m
- €14m flow-through from 2010 exits

2010 fuel cost

Fuel analysis	Q4 2010	Q4 2009	*Change %*	2010	2009	*Change %*
Fuel consumption ('000 tonnes)	98.5	111.5	*(11.7%)*	429.9	495.4	*(13.2%)*
Avg. price per tonne (US$)	729	814	*(10.4%)*	762	874	*(12.8%)*
Avg. into-plane cost (US$)	56	59	*(5.1%)*	57	54	*5.6%*
Avg. fuel cost incl. into-plane cost (US$)	785	873	*(10.1%)*	819	929	*(11.8%)*
Total fuel cost - €m	57.1	65.8	*(13.2%)*	266.2	331.7	*(19.7%)*

€m	2010
2009 fuel cost	331.7
Price	(33.7)
Volume	(43.7)
FX	11.9
2010 fuel cost	266.2

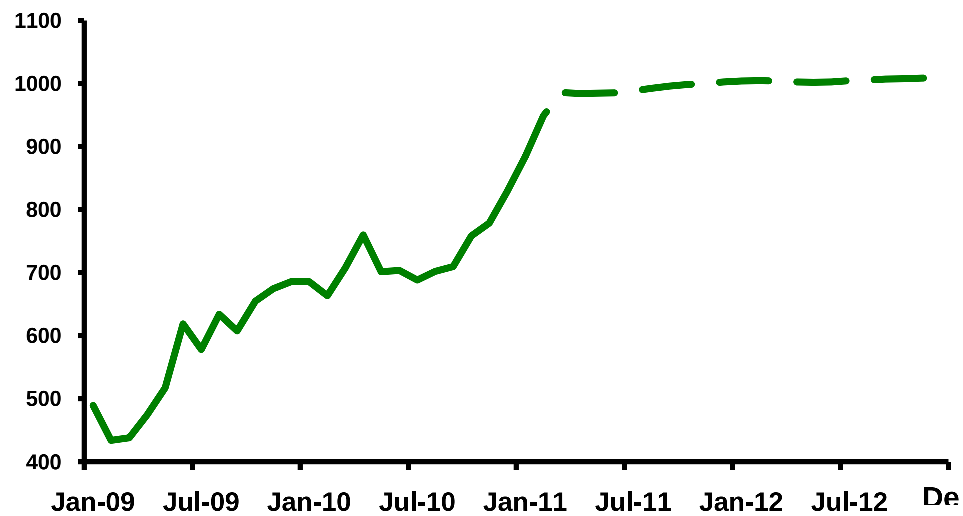
2010 performance benefited from reduced fuel burn & decline in fuel prices

Reasonable protection against fuel prices in 2011

Fuel	Q1 11	Q2 11	Q3 11	Q4 11	Full yr 2011	Full yr 2012
Estimated burn / MT	90,330	125,188	127,275	106,475	449,269	449,268
% hedged	85%	71%	56%	41%	62%	12%
Avg. US$ price / MT	766	783	796	813	788	812

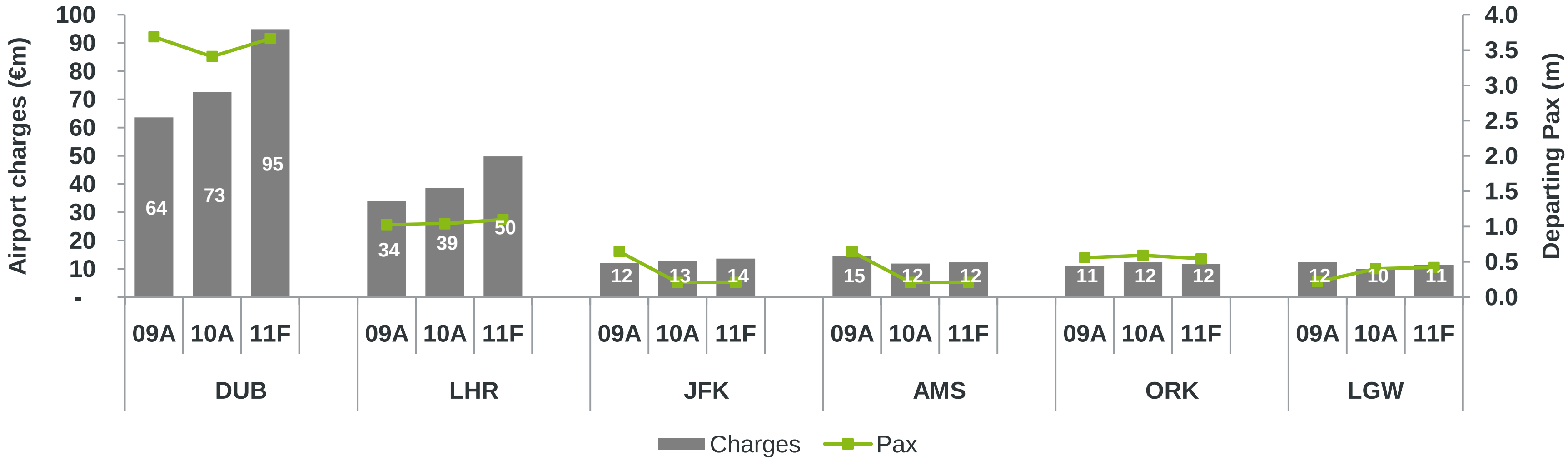
- Fuel price sensitivity: US$50 change per metric tonne results in approx. €6m change in estimated 2011 fuel cost @ €1 / US$1.38

Forward fuel price



Fuel price inflation: a concern over the long term

Airport charges – 2010 & 2011



- Central airport offering is key to our product
- Forecast 5% increase in passengers in 2011
- Expected c.€45m increase in airport charges in 2011

∆%	*08 v 09 Act*	*09 v 10 Act*	*10 v 11 F'cast*
Total airport charges	*4%*	*Flat*	*18%*
Pax (m)	*4%*	*(10%)*	*5%*
Charge per pax (€)	***Flat***	***11%***	***12%***

Airport charges are a significant & increasing cost burden

Exceptional items

2010 items	€m
ESOT transaction (incl. related costs)	25.7
Volcanic ash compensation cost	4.3
Profit on sale & leaseback of A320	(3.1)
Sub-total	**26.9**

Items relating to previous years	€m
Leave & return	32.5
Adjustment of Greenfield provision	(8.6)
Statutory redundancy rebate	(5.0)
Gain on exit of line maintenance contract	(11.8)
Sub-total	**7.1**

Total exceptional items	**34.0**

ESOT transaction - a significant development

Prior to the ESOT transaction…

- 12.5% single illiquid share block held in trust by the ESOT
- Free float restricted
- ESOT profit share: a potentially open ended liability

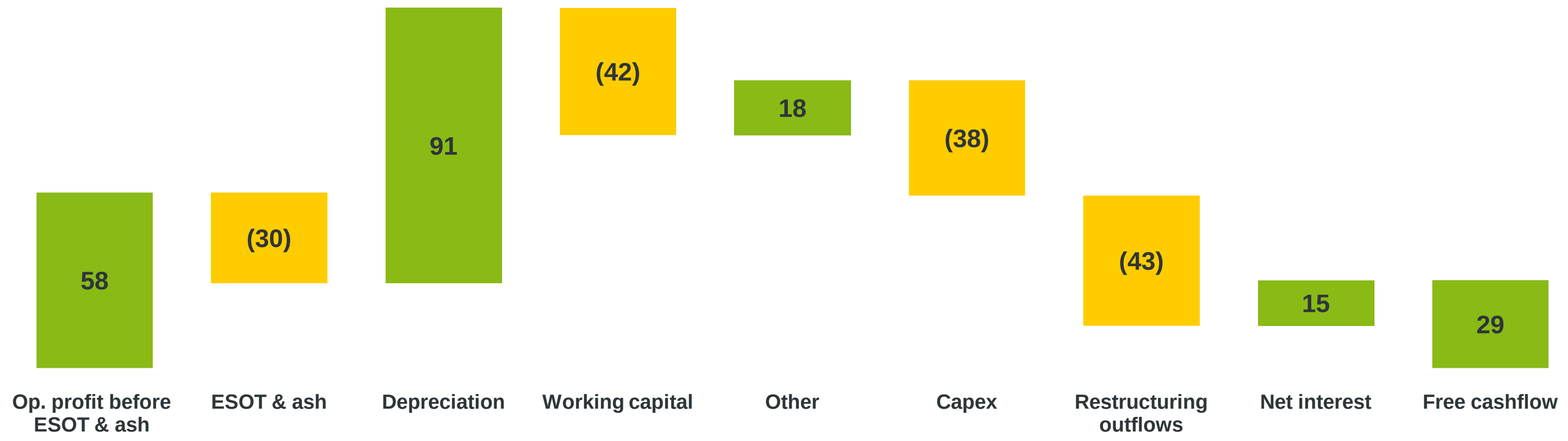
Summary details

- Once-off payment of €25.3m extinguished ESOT debt
- Obligation to pay future profit share cancelled
- Transfer of c.62.5m shares directly to current & former employees

Benefits to shareholders

- Major change to the structure of the share register
- Free float increase from c.33% to c.45%
- Increased free float should contribute to better liquidity

Cash generation in 2010



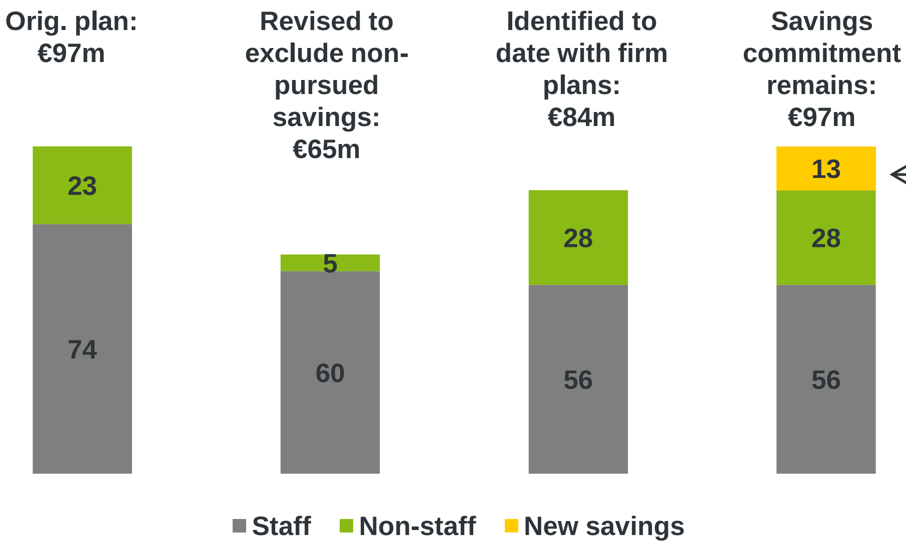
- Free cashflow of €29.2m in 2010 despite outflows relating to ESOT transaction & restructuring
- 2009 free cash outflow of (€326.2m)

Strong improvement in cash over 2009

Balance sheet remains strong

Greenfield in 2011

- Commercial strategy very successful in 2010
- Re-examined Greenfield in November & December 2010
- No longer appropriate to pursue some of the targeted savings - instrumental in driving success to date
- Other opportunities exist, e.g. seasonal aircraft leasing
- Target remains at least €97m by end of 2011
- In-year delivery from new initiatives in 2011 will be modest



Goals:
Validate by end of Q1 2011
Implement by end of year

2010 Full Year Commercial Review

Stephen Kavanagh, Chief Commercial Officer

2010 commercial overview

Revenue management

- Fare revenue per seat now established as key metric for managing available seat inventory
- Supported by ancillary revenue performance based on modular product build-up

Schedule

- Timing and frequency adjustments made where appropriate to better serve time sensitive demand
- Active capacity management undertaken to balance supply with demand

Network

- Enhanced performance via partnerships at key European and North American gateways
- Aer Lingus Regional franchise concept introduced to develop UK services

Strong growth of short haul yield in 2010

	ASKs (million)	RPKs (million)	Load factor %	Pax ('000s)	Fare revenue €m	Fare revenue per Seat €	Fare revenue per Pax €	Fare revenue per ASK (cent)
2010	12,188	9,129	74.9%	8,438	725.0	62.63	85.92	5.9
2009	13,220	9,965	75.4%	9,305	717.4	56.96	77.10	5.4
% change	*(7.8%)*	*(8.4%)*	*(0.5)pts*	*(9.3%)*	***+1.1%***	***+10.0%***	***+11.4%***	***+9.3%***

- Competitive position consolidated during 2010 with key market share gains made, e.g. Dublin – London: + 3pt gain to 43%
- Low fare proposition maintained through volume active pricing and promotion
- Parallel investment in meeting time sensitive demand requirements
- Continued development of code share and interline partnerships
- Increased focus on in-bound market opportunities with continued revisions to revenue, distribution and marketing strategies
- Implementation of new revenue management system to improve forecasting and revenue optimisation capabilities to be rolled out in Q2 2011

Long haul turnaround is now largely complete

	ASKs (million)	RPKs (million)	Load factor %	Pax ('000s)	Fare revenue €m	Fare revenue per seat €	Fare revenue per pax €	Fare revenue per ASK (€ cent)
2010	6,081	4,766	78.4%	908	276.1	238.61	304.07	4.5 cent
2009	8.008	5,854	73.1%	1,077	275.3	187.29	255.62	3.4 cent
% change	*(24.1%)*	*(18.6%)*	*+5.3pts*	*(15.7%)*	***+0.3%***	***+27.4%***	***+19.0%***	***+32.4%***

- Long haul now profitable on a full year basis – a significant reversal of the trading position 12 months ago
- Full year impact of network capacity adjustment
- Improvement in Business Cabin performance from 16% to 21% of long haul revenues
- Increase in connecting traffic volumes from 23% to 34% of Total
    - Aer Lingus short-haul network
    - United Airlines and Jetblue domestic network
- Cargo volume grew by 28% despite highly competitive environment
- Long haul capacity will remain unchanged in 2011

Network enlargement through partnerships in 2010

Aer Lingus Regional

- Aer Arann franchise agreement commenced in March 2010
- High frequency services to the UK
- Cost effective network extension:
- Aer Lingus receives franchise fee without incurring operating costs
- 404k passengers carried in 2010

United Airlines enhanced codeshare

- Daily Washington–Madrid service commenced in March 2010
- Service profitable in first year
- 75.9% load factor attained for 2010
- 109k passengers carried in 2010

Further developments in 2011

- Expansion of Aer Lingus Regional into additional local markets
- Exploration of further bilateral agreements with global players

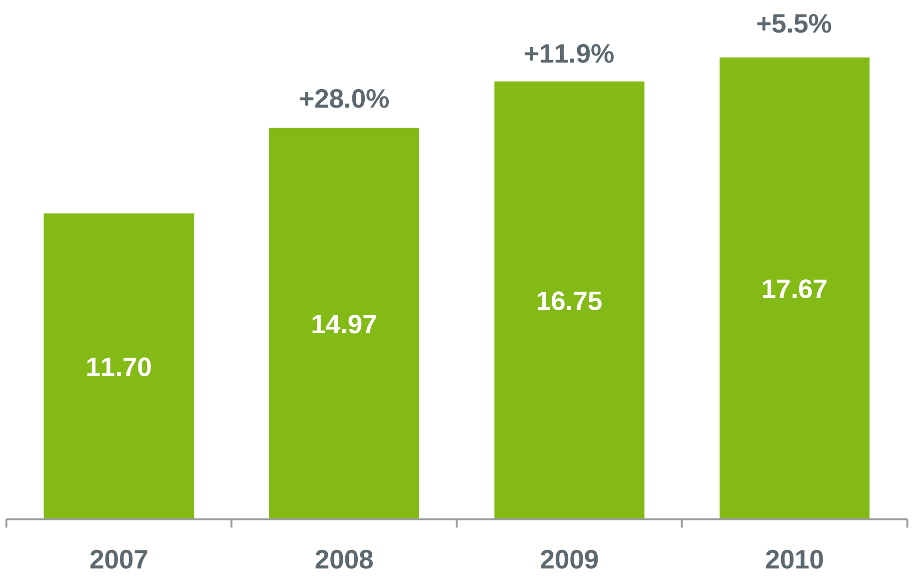
Ancillary revenue performance

2010 ancillary revenue per passenger	
€17.67	+5.5% increase versus 2009

€ growth in ancillary revenue per passenger	Change % vs. 2009
Online booking fees	+2.1%
Seat selection fees	+8.3%
Baggage fees	+6.6%

- Lower level of passenger numbers offset by increased spend per head
- Aer Lingus ranked 9th worldwide in terms of ancillary revenue per passenger [1]
- Focus in 2011 on improving attractiveness of on-board retail proposition and new product development
- Step change required to drive future ancillary revenue growth including investment in IT systems

Ancillary revenue per passenger - €



[1] Source: Amadeus / Ideaworks

Continuation of successful commercial strategy in 2011

- Continued application of demand led commercial management
- Expected capacity growth of 5.6% short-haul and 6.5% long-haul represents broadly flat yr-on-yr development when adjusted for weather & ash disruptions during 2010
- Schedule improvements for the business customer
- New destinations for the leisure passenger
- Continued investment in product and service
- Revenue management based on optimising revenue per seat
- Increased use of segmentation in marketing, distribution and retail

But fuel prices are a challenge

2011 Outlook & Closing Comments

Christoph Mueller

Difficult start to 2011

Q1 2011 performance impacted by 4 major events in late 2010 & early 2011:

Irish economy
- Austerity measures will suppress discretionary income in 2011
- Pressures persist on individual consumers

IMF / ECB bailout
- Uncertainty following sovereign debt scare
- Consumer confidence index weakened significantly in Q4 2010

Weather disruption in late 2010
- Significant knock-on impact on booking activity for early 2011
- Very soft booking trends for long haul & short for remainder of Q1

Cabin crew disruption
- Dispute now resolved with no strike agreement until 2012
- Volumes affected, e.g. Jan 2011 volumes down 11% vs. plan
- Detrimental impact on booking activity for rest of Q1 2011

Above factors adversely impact Q1 2011 trading

Considerations for full year 2011

Profit positives

- Flat yr-on-yr capacity development - **when adjusted for 2010 disruption**
- Incremental increase in yields possible but uncertain
- Shannon winter season long haul losses avoided: c.€10m
- Q1 Gatwick losses avoided: c.€10m
- Weather & ash disruption impact on operating profit: c.€10m
- Greenfield 2010 flow-through & new cost saving initiatives in 2011

Profit negatives

- Increased airport charges: c.€45m
- Increased enroute charges: c.€5m
- Fuel price
- Q1 weather & industrial action: c.€10m
- Market elasticity

IT / Capex

- IT upgrade costs in 2011 of up to €25m: majority of these costs will be classified as exceptional items in P&L
- 4 A320s to be purchased on finance lease in H1 2011

Closing comments

2010 in review

- €138.6m recovery in profitability despite difficult conditions:
  - Declining passenger volumes
  - Weak Irish macroeconomic conditions
  - Main competitor is European low cost leader

2011 likely to be difficult

- There will be challenges in 2011
- Limited scope for further yield improvements given demand uncertainty
- Even at 2010 fuel prices, the increase in airport charges would have resulted in lower profits in 2011

However...

- **Aer Lingus is now on a much firmer footing than a year ago**
- **Still a lot to do inside the business**
- **If fuel prices stay at current levels, 2011 profits will be significantly lower**

Q & A