

2011 Preliminary Full Year Results

28 February 2012





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.



Positive trading performance in 2011

Capacity

- Capacity discipline maintained; we focused on profitably serving existing demand

Passengers

- Total passengers carried with Aer Lingus increased by 5.4%; Aer Lingus mainline passengers up 1.8%

Unit revenue

- Average yield per seat up 4.7%; average yield per passenger up 4.8%

Revenue

- 2011 revenue increased by 6.0% vs. 2010; both short & long haul revenues up vs. 2010

Profitability

- Operating profit of €49.1m better than anticipated at start of 2011

Retail

- Average retail revenue per passenger held stable despite challenging consumer environment

Cash

- Gross cash increased by €9.8m vs. 2010; robust balance sheet with gross cash of €94.8m at end of 2011

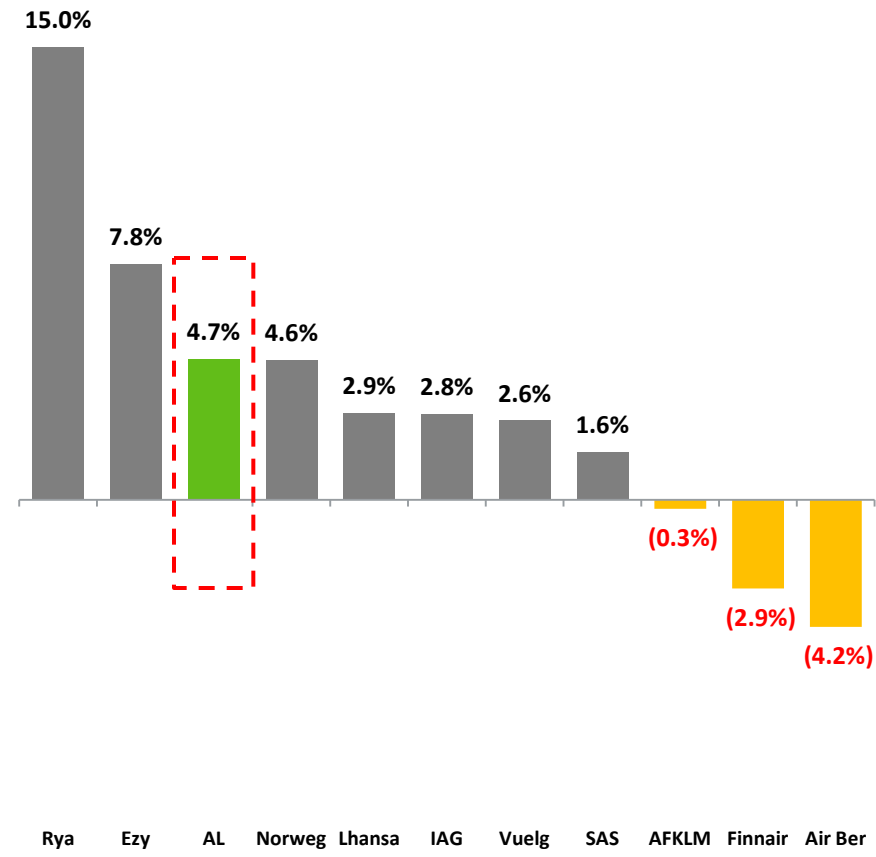
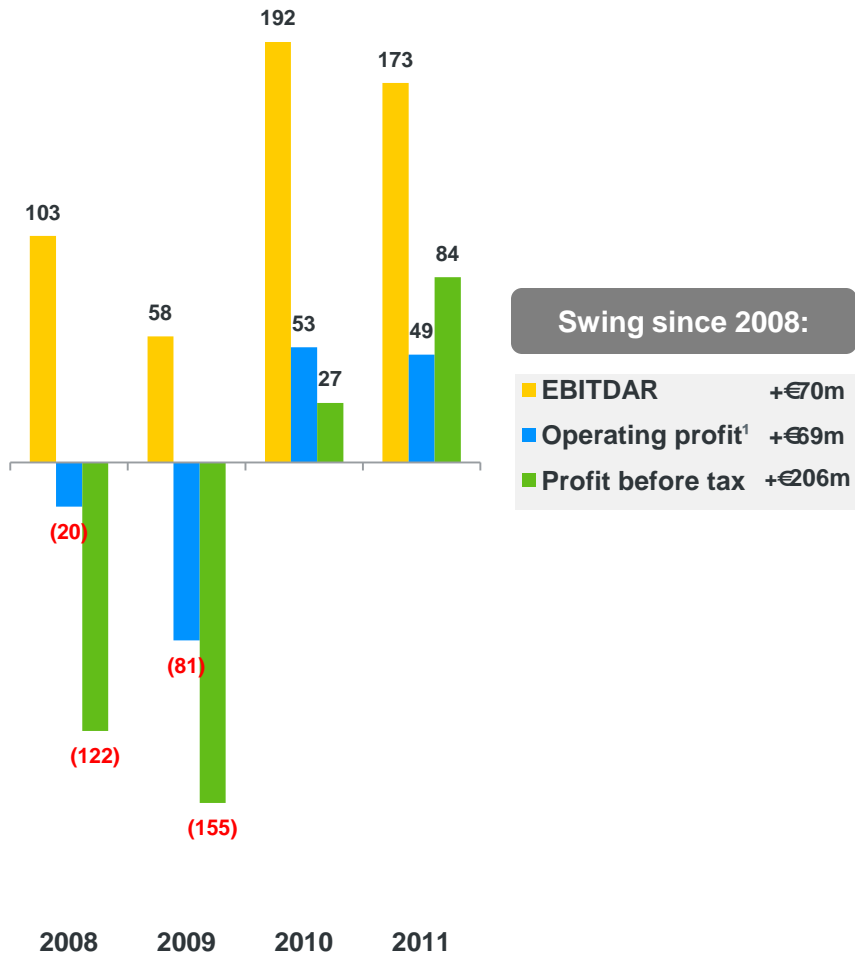
Second year of profitability under new strategy



Substantial turnaround in financial performance since 2008

Significant improvement in profitability
2008 – 2011 (€m)

Delivering top tier EBIT margin
performance (%)



¹ Pre-exceptional items

Source: companies' reported financial results for latest available common reporting period for all carriers named above, i.e. LTM Sept 2011

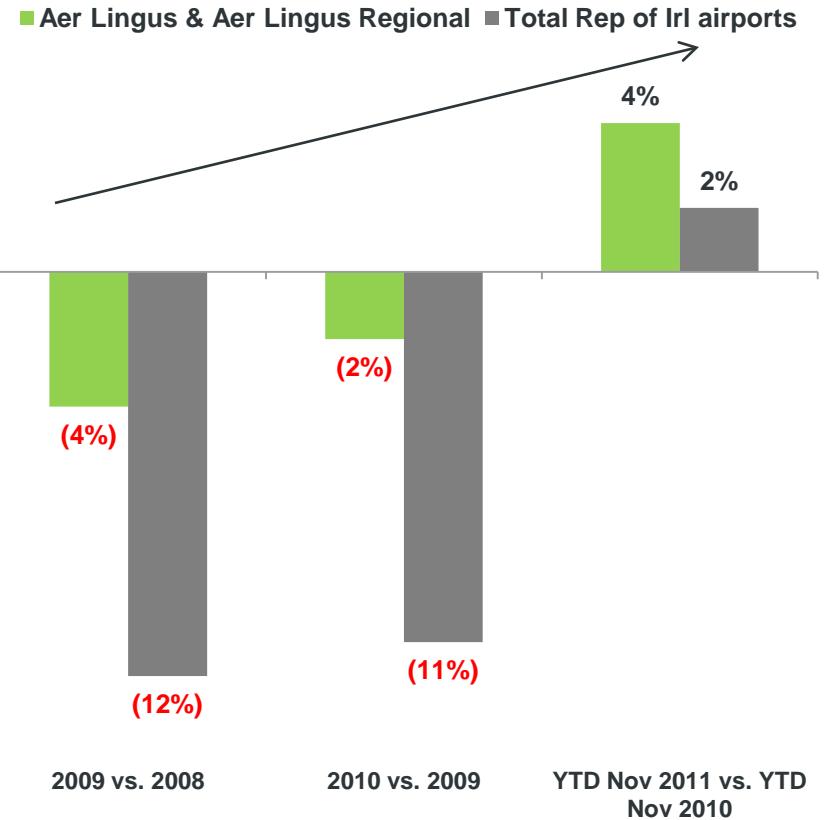
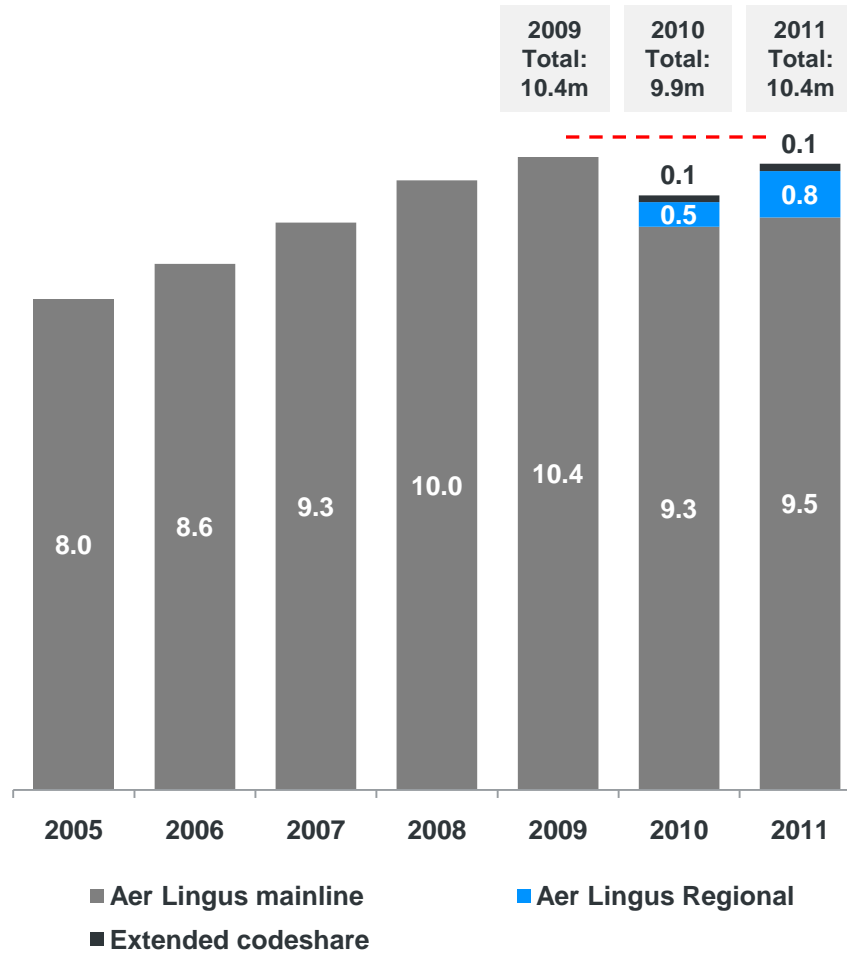


Aer Lingus passenger volumes restored in 2011

2011 passenger numbers restored to recent peak levels

Aer Lingus ticketed passengers continue to increase ahead of Irish air travel trends

Pax in millions

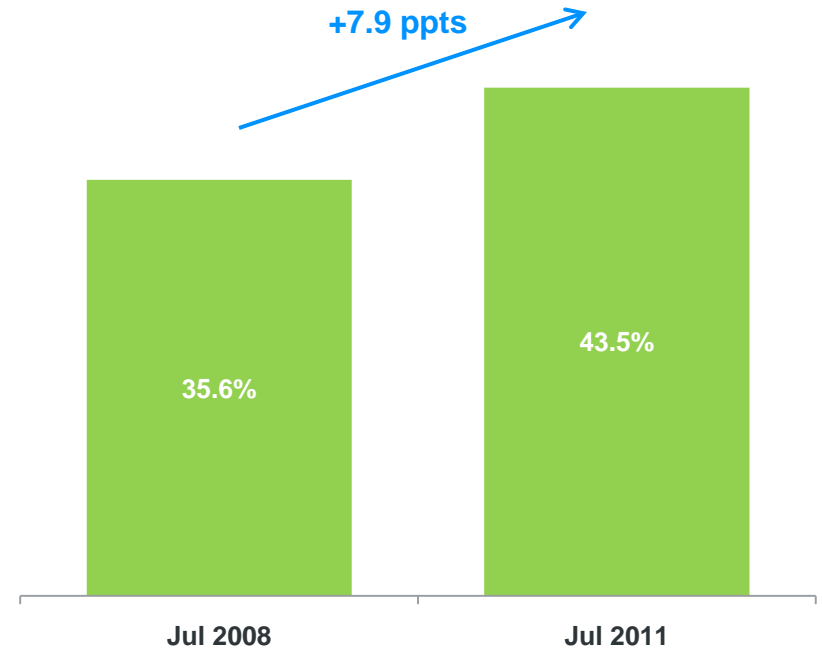
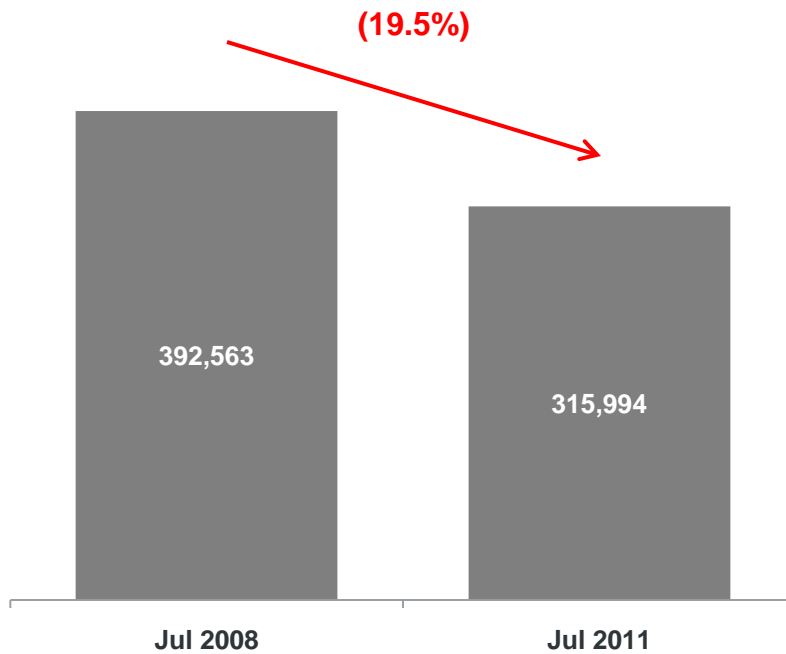




Aer Lingus has gained share in a contracting market

Passenger capacity provided by top 10 airlines serving Irish airports ¹

Aer Lingus market share as % of top 10 airlines serving Irish airports ¹

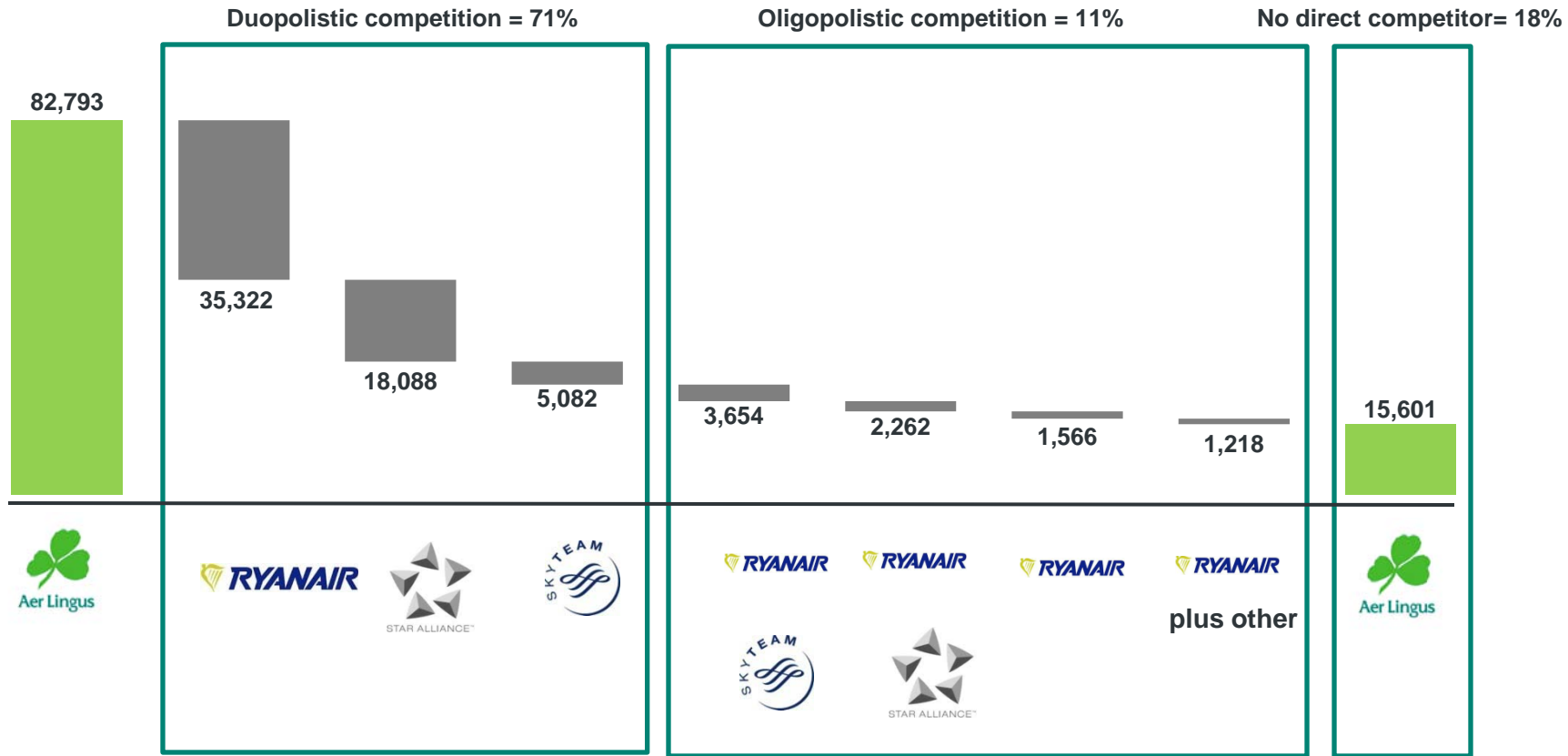


¹ Dublin, Cork, Shannon & Knock airports
Source: anna aero, 22 Feb 2012

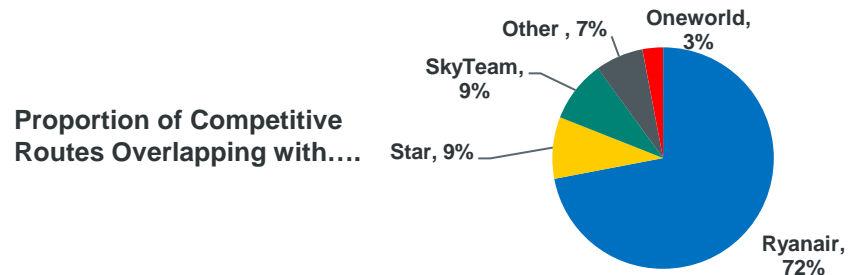
Consistent market share gain since 2008



Our trading environment remains intensely competitive



Note: Weekly seats for Dublin schedule for January 2012;
Includes mainline Europe & Transatlantic;
Ryanair secondary airports included



Cost effective network extension through partnerships

	2009	2010	Growth %	2011	Growth %
Inter-line passenger volumes ¹	629	693	10.2%	789	13.9%

¹ Excludes intra Aer Lingus network transfers

Partner



Mutual benefits for both parties

- Franchise agreement on thin and new routes
 - 88% increase in passengers carried in 2011
 - Proven business model with further geographical and partnership reach
- Code share agreement on all Aer Lingus flights between Ireland and London for connecting passengers
- Code share agreement on routes from Dublin and Cork to Amsterdam
 - Interlining agreements for transfers via Paris CDG
- Code share and interlining agreement between Ireland and the US and selected domestic routes
 - 41 destinations in USA and Canada
- Sales agreement allowing Aer Lingus passengers to connect to 37 US points via Boston & New York & also allowing jetBlue customers to connect onto Aer Lingus transatlantic

2011 Full Year Financial Review

Andrew Macfarlane, Chief Financial Officer

Aer Lingus 





Change in accounting policy

- In Q4 2011, we changed how we apply IAS 19:
 - This change would have been required next year in any event
 - 2010 result has been re-stated
- Previous application of IAS 19: all retirement benefit provision movements were recognised through the Income Statement
- New application of IAS 19: components split:
 - Interest → Finance charges
 - Actuarial → SOCI
 - Only service cost → Operating profit

	Full Yr		Q4	
	2011	2010	2011	2010
Operating profit				
Previous application of IAS 19	43.2	57.6	(23.5)	(2.6)
Adjustment	5.9	(5.1)	5.9	(5.1)
New application of IAS 19	49.1	52.5	(17.6)	(7.7)

	2011	2010	2011	2010
Staff costs				
Previous application of IAS 19	266.4	258.9	70.5	61.3
Adjustment	(5.9)	5.1	(5.9)	5.1
New application of IAS 19	260.5	264.0	64.6	66.4

Less volatility under new application; IASS & pilots' pension scheme not affected

2011 financial highlights

€m unless otherwise indicated	Full Yr 2011	Full Yr 2010 restated	Change % ¹	Q4 2011	Q4 2010 restated	Change % ¹
Total revenue	1,288.3	1,215.6	6.0%	283.4	265.9	6.6%
Operating profit/(loss) ²	49.1	52.5	(6.4%)	(17.6)	(7.7)	128.6%
Margin % ²	3.8%	4.3%	-	NM ³	NM ³	-
Exceptional items	37.2	(31.0)	NM ³	22.4	(29.6)	NM ³
Net interest	(1.9)	5.7	NM ³	(1.0)	(1.4)	NM ³
Profit/ (loss) before tax	84.4	27.2	210.3%	3.8	(38.7)	NM ³
ASKs (million)	18,593	18,269	1.8%	4,354	4,154	4.8%

€m	31 Dec 2011	31 Dec 2010	Change % ¹	31 Dec 2011	30 Sept 2011	Change % ¹
Gross cash	894.8	885.0	1.1%	894.8	927.3	(3.5%)
Debt	577.2	535.2	7.8%	577.2	572.7	0.8%

¹ Sign convention: increase / (decrease)

² Pre exceptional items

³ Not meaningful

2011 operating profit better than expected at start of year



Operating profit bridge



Good result in the face of non-controllable cost increases

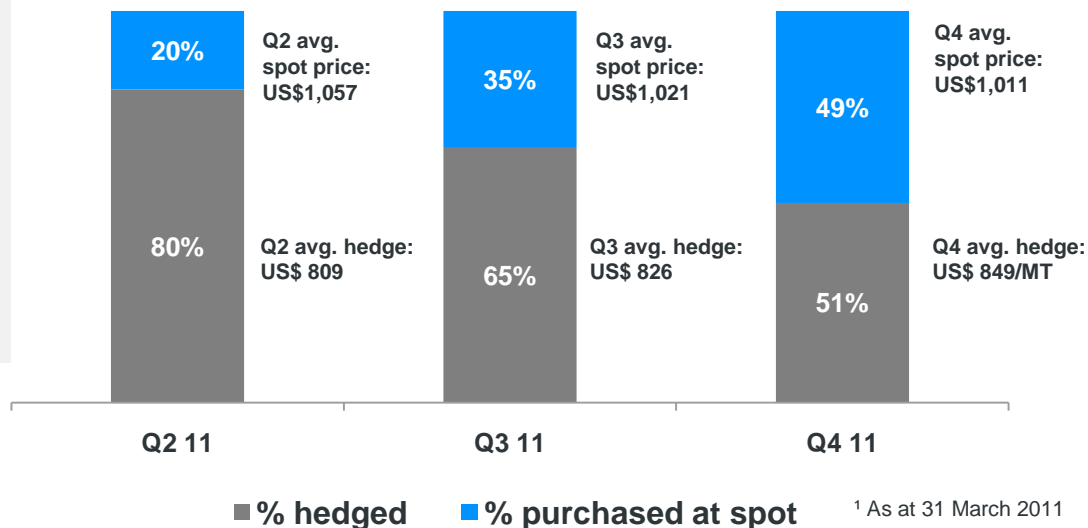


Fuel price inflation – a significant challenge in 2011

Fuel analysis	Q4 2011	Q4 2010	%	Full Yr 2011	Full Yr 2010	%
Fuel burn ('000 tonnes)	101.2	98.5	2.7%	431.3	429.9	0.3%
Avg. price per tonne (US\$)	952	729	30.6%	878	762	15.2%
Avg. price per tonne incl. into-plane (US\$)	1,009	785	28.5%	937	819	14.4%
Total fuel cost (US\$m)	102.1	77.4	31.9%	404.1	352.3	14.7%
FX rate for period	1.35	1.35	-	1.39	1.33	4.5%
Total fuel cost (€m)	75.4	57.1	32.0%	288.7	266.2	8.5%

Decrease in fuel hedge protection from Q2 onwards¹

Fuel price inflation became a larger challenge in second half of 2011 as available fuel hedging adjusted to new oil price level





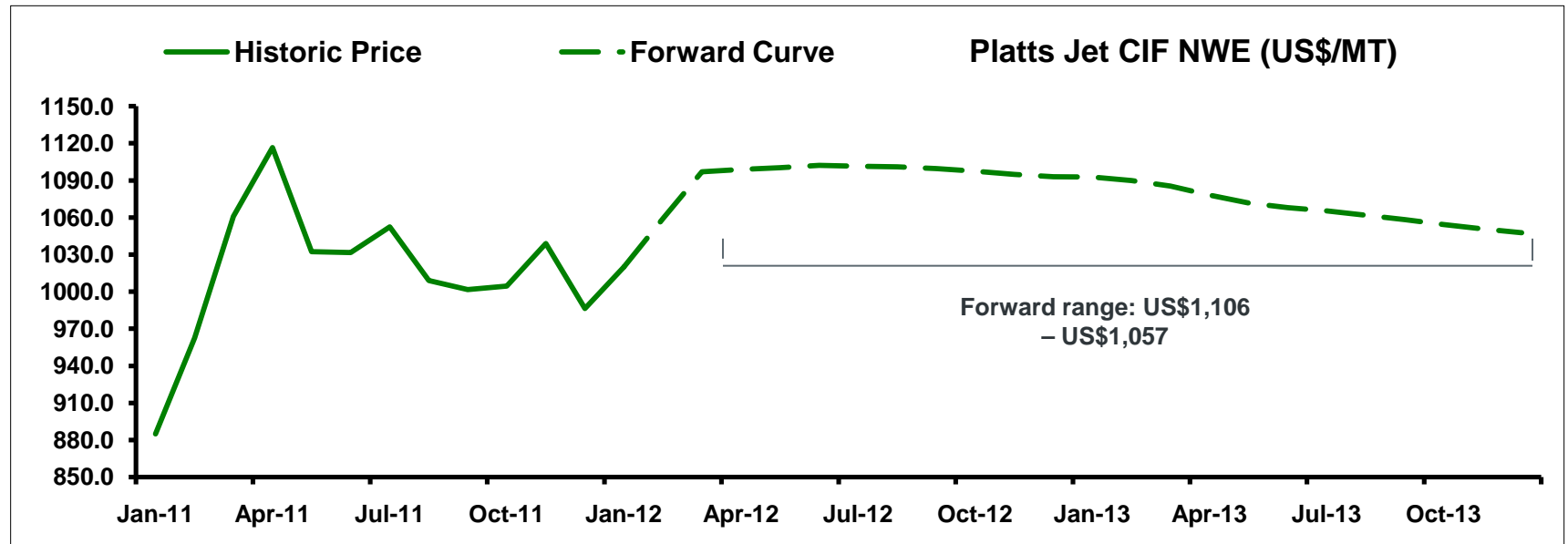
Fuel Hedging

Fuel ¹	Q1 12	Q2 12	Q3 12	Q4 12	Full Yr 2011	Full Yr 2012
Estimated burn ('000 tonnes)	91.1	118.9	123.9	102.2	431.3	436.1
% hedged	86%	70%	55%	40%	NM ²	62%
Avg. hedged US\$ price / MT	949	961	991	1,007	NM ²	972

¹ As at 31 December 2011

² Not meaningful

Forward fuel price as at 24 February 2012

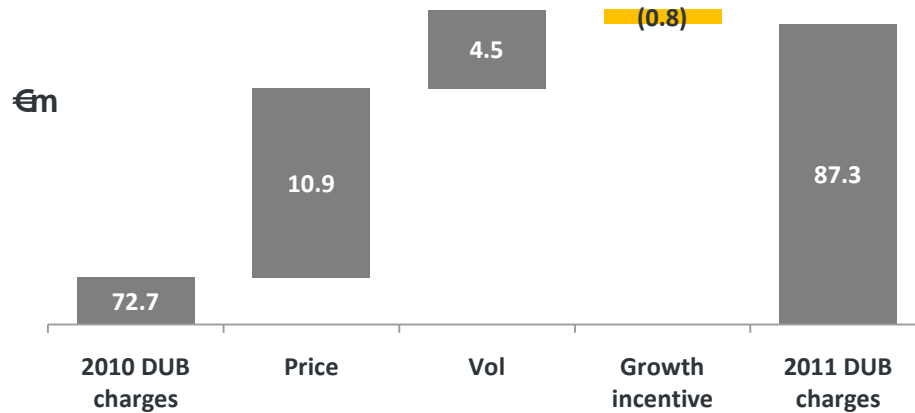


At US\$1,100 & €US\$ of 1.35, fuel cost will be approx €60m higher in 2012

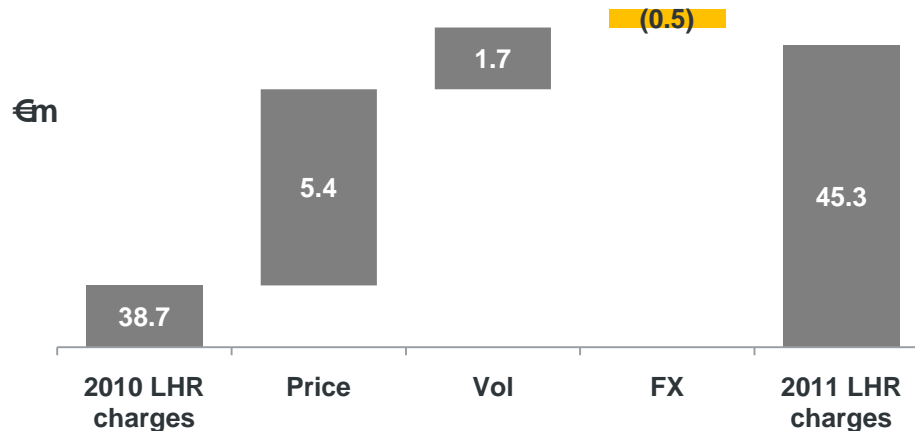


Airport charges in 2011

DUB airport charges 2010 to 2011



LHR airport charges 2010 to 2011



2011 airport charges overview

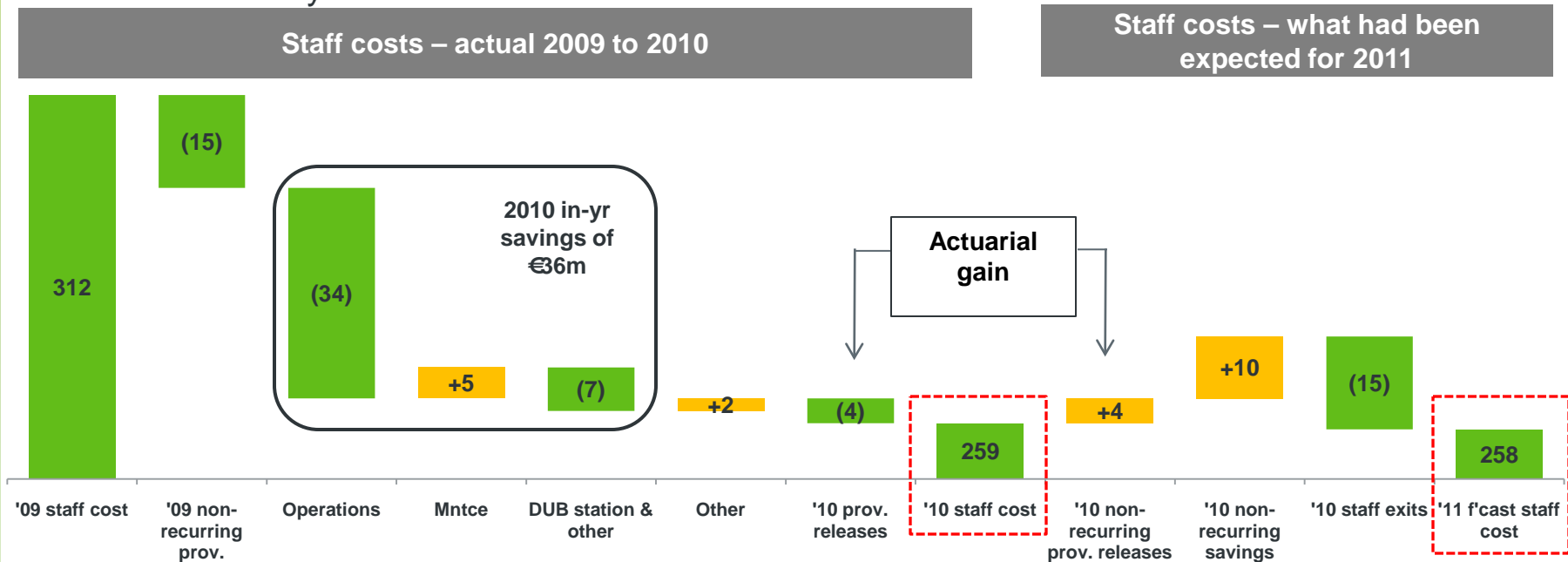
- Passenger volumes increased by 1.8%
- However, total airport charges increased by 9.1%
- Fees paid to Dublin & Heathrow were 48% of total charges in 2011
- Dublin price levels expected to remain flat in 2012
- Heathrow price levels expected to rise by approx. 13% in 2012

Average airport price increases of 3.6% expected for 2012



Staff costs

What we said last year:



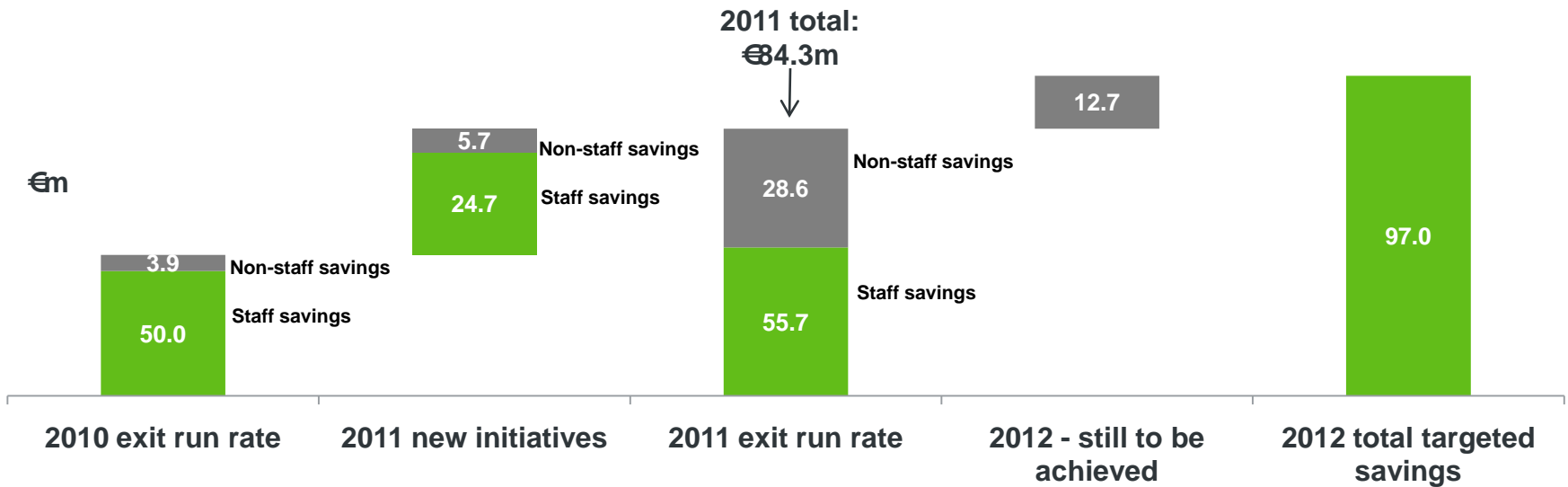
- €10m of 2010 savings didn't recur in 2011 (unpaid leave: €6m & ash disruption: €4m)
- €15m flow-through from 2010 exits
- 2011 out-turn:

€m	2011	2010	Diff.
Staff costs expected (new policy)	259	264	(5)
Staff costs actual (new policy)	261	264	(3)

Staff costs: tightly controlled



Greenfield savings update



- Significant Greenfield initiatives in 2011 were mainly non-staff related
- Notable 2011 initiatives included fuel management, procurement and “lean” initiatives in engineering & maintenance
- 2012 Greenfield initiatives will include reduction in catering wastage through improved control processes, reduction in professional fees & further extraction of benefits of multi channel distribution

Confident we'll achieve our target of €97m in 2012

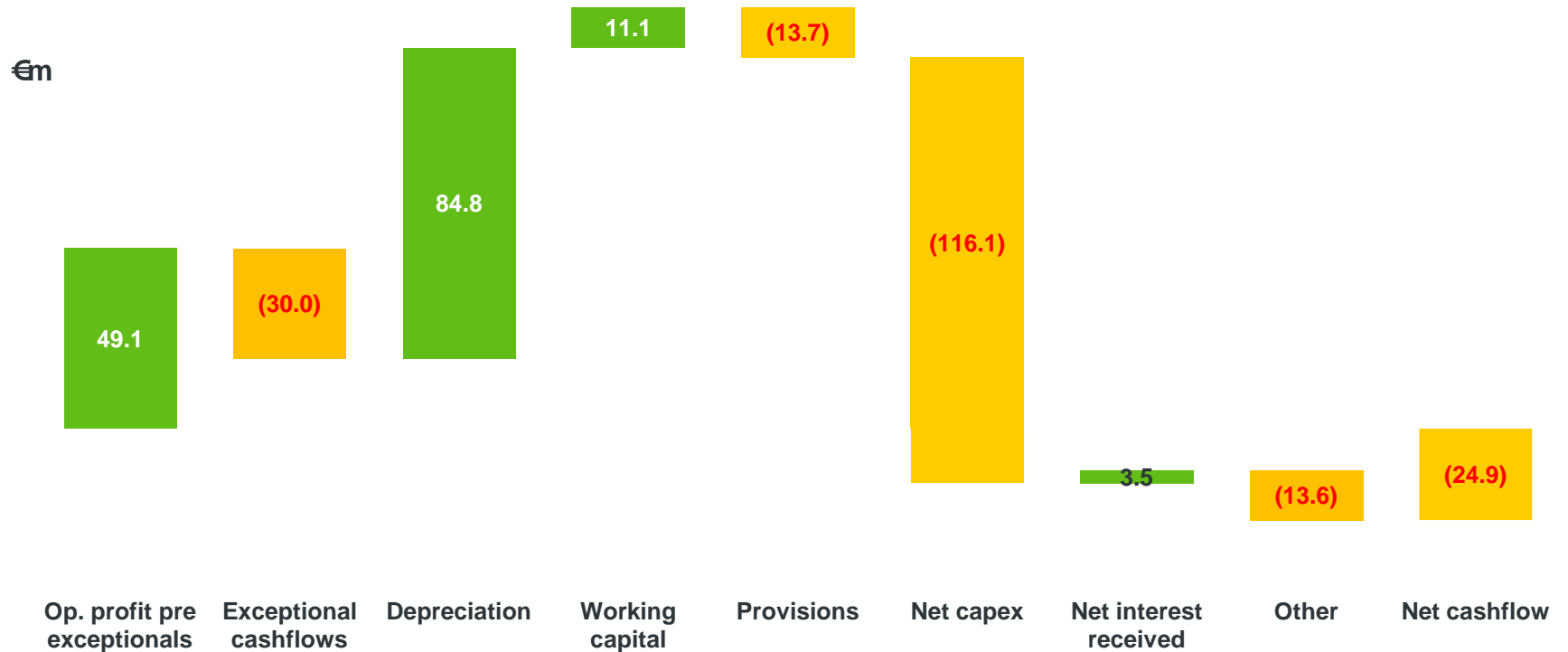


Exceptional items

Exceptional credits / (charges) - €m	2011	2010
Gain on surrender of head office site lease	21.0	-
Gain on re-measurement of frequent flier programme	4.5	-
Profit / (loss) on disposal of property, plant and equipment	(2.2)	3.1
Reclassification of cash flow hedging reserve	11.6	-
Adjustment of Greenfield provision	3.1	8.6
Leave & return	(0.8)	(29.5)
Gain on exit of line maintenance contract	-	11.8
Volcanic ash	-	(4.3)
ESOT	(0.2)	(25.7)
Other	0.2	5.0
Total exceptional credit / (charge)	37.2	(31.0)



Cash flow in 2011



- Capex primarily comprises purchase of A320s in H1 2011 net of proceeds from sale of an A330-300



Cash and debt



We have a strong balance sheet

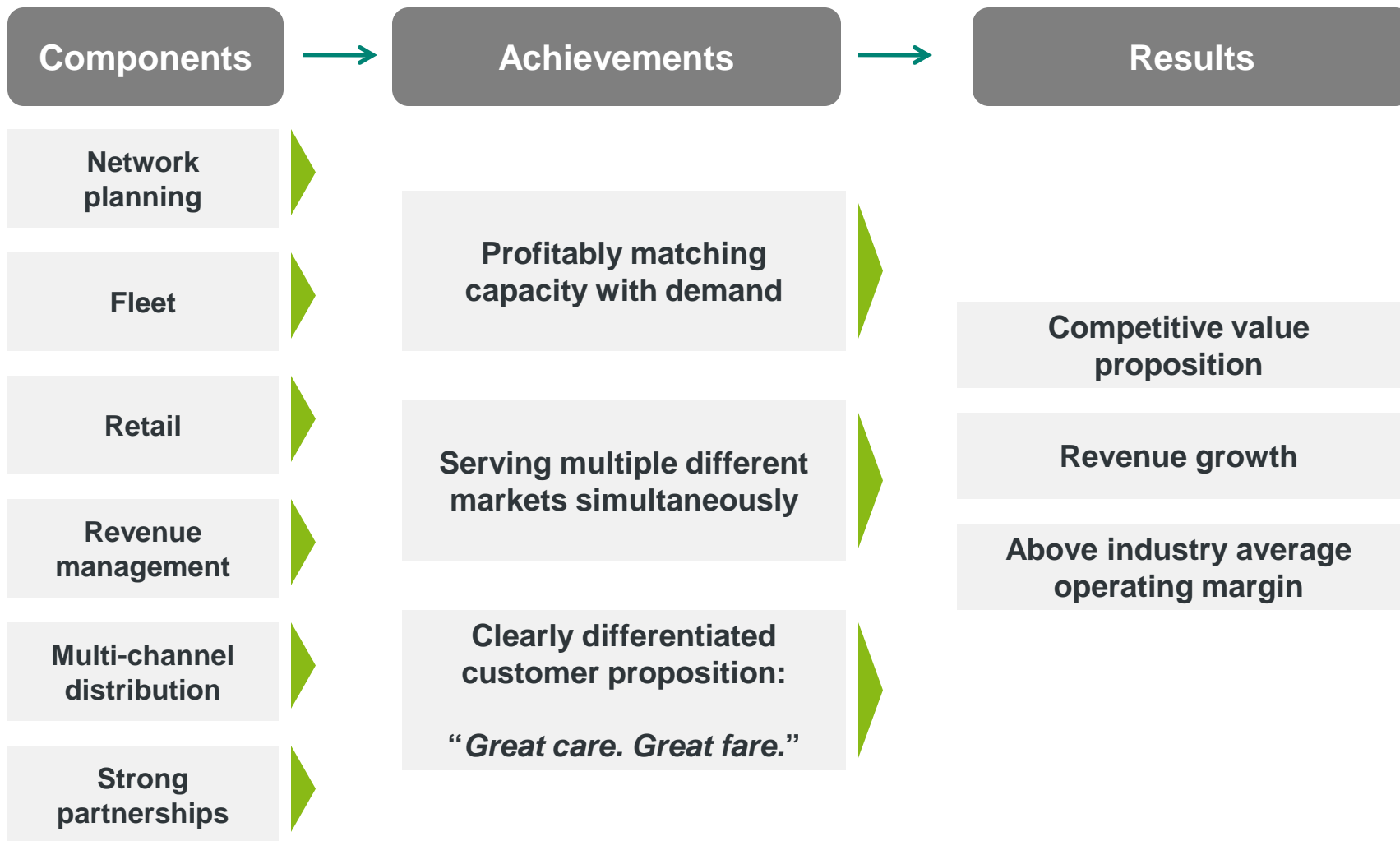
2011 Commercial Review

Stephen Kavanagh, Chief Commercial Officer

Aer Lingus 



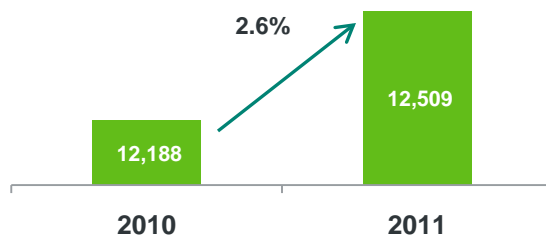
Commercial strategy in 2011



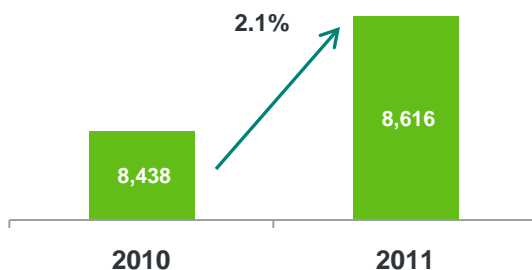
Driving business performance in 2011

Short haul yield per seat growth

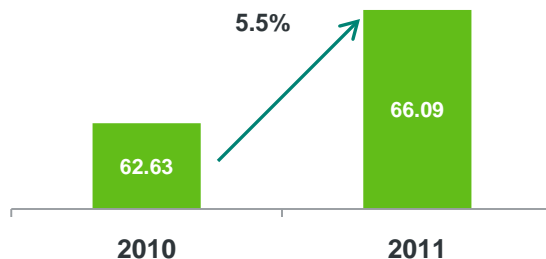
Capacity
(ASKs in
millions)



Customers
(thousands)



Fare yield
per seat
(€)



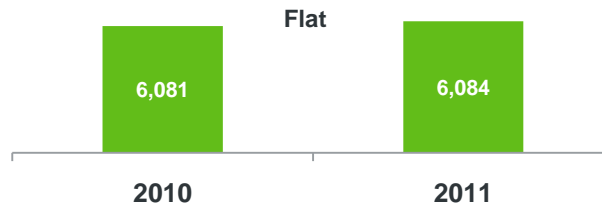
- Demand led capacity allocation
- Schedule build focussed on frequency and convenience
- Share growth in core Dublin and London markets
- Reduced reliance on Irish originating demand
- Combination of volume and price driving yield per seat strength
- Improving revenue management capability

Profitable short haul network

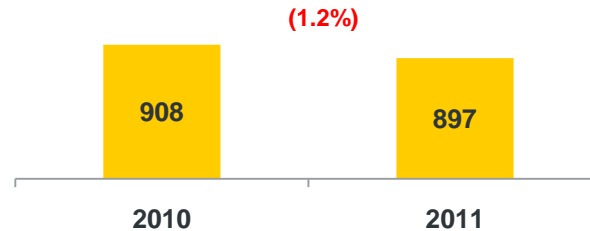


Long haul network strength

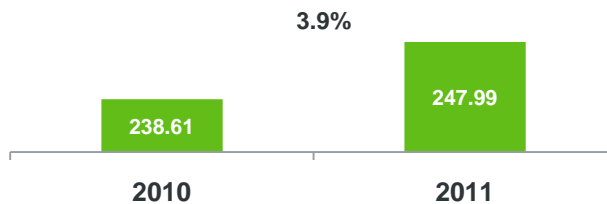
Capacity
(ASKs in
millions)



Customers
(thousands)



Fare yield
per seat
(€)



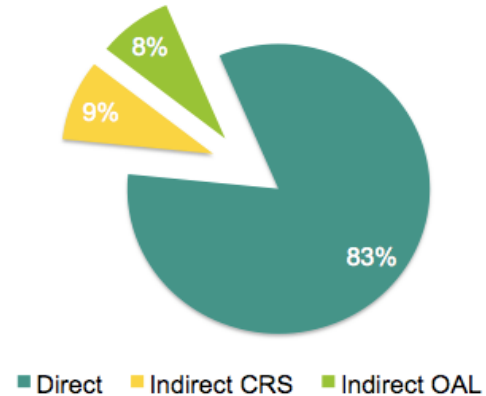
- Focus on four US gateway cities
- Schedule build focussed on connectivity and convenience
- Improved online and offline network flows now provide 36% of total long-haul traffic
- Business Class occupancy +7%
- Absolute growth of €9.38 per seat
- Relative improvements most notable is off-peak Q1 and Q4

Consolidated 2010 turnaround in financial performance

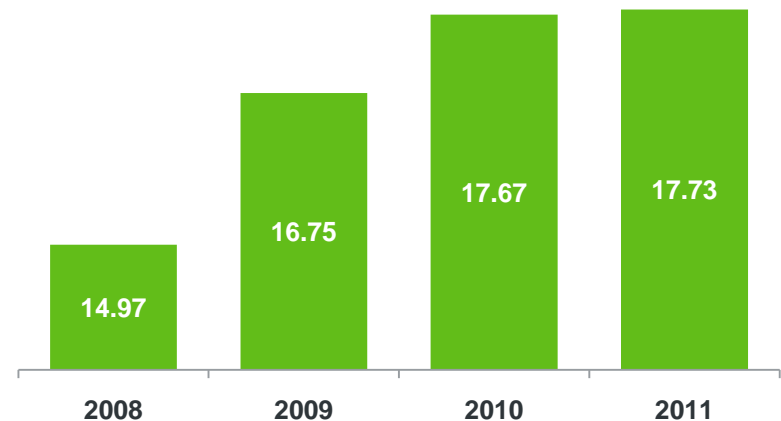
Distribution strategy driving retail performance

- *aerlingus.com* is our primary distribution channel
- Delivering low relative unit cost of sales
- This direct relationship with our customer allows us the opportunity to retail
- Changed buying behaviour with respect to baggage charges evidenced in H1
- Remedial action taken in H2 to compensate with price and product developments

Customer channel mix by volume



Retail spend per customer (€)





Product launches in 2011

- Strategy to offer choice and value
- Fare family options tailored to customer needs
 - Price
 - Convenience
 - Flexibility
- Introduced advance seat selection into on-line booking flow
- Refresh of on-board sales product with revised menus supported by EPOS technology

Low ?	Plus ?	Flex ?
Free Check-in Assigned Seating	1 checked bag Free Seat Selection Gold Circle Points	2 checked bags Full flexibility Lounge access Refundable ticket*

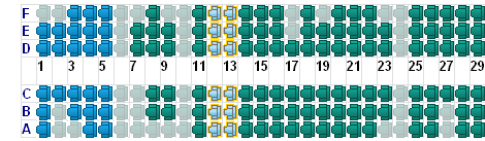
To view the seat map for each flight, please click on the tab above.

Selected Exit Unavailable Economy 5.00 Quick Seat 10.00 Exit 15.00

Information

Number of seats: 0
Remaining to select: 1

To change a seat, click to de-select it, and then select your preferred seats



Sky Deli

We have specially selected our Sky Deli range for you, whether you are travelling for business or pleasure, near or far we have something to tempt your taste buds.

Breakfast bites

Lunch & later

Fresh & tasty

Refreshing drinks

Customer experience continues to evolve

- Convenient mobile applications
 - 350,000 downloads since June 2011 launch
- Online check-in capability now available to all European destinations
- Improved terminal facilities at main airports
- Business lounge upgrades completed at London Heathrow and Dublin
- Recognition of the need for continuous improvement and innovation established





Our commercial strategy continues to deliver results



2012 Outlook & Closing Comments

Christoph Mueller, Chief Executive Officer

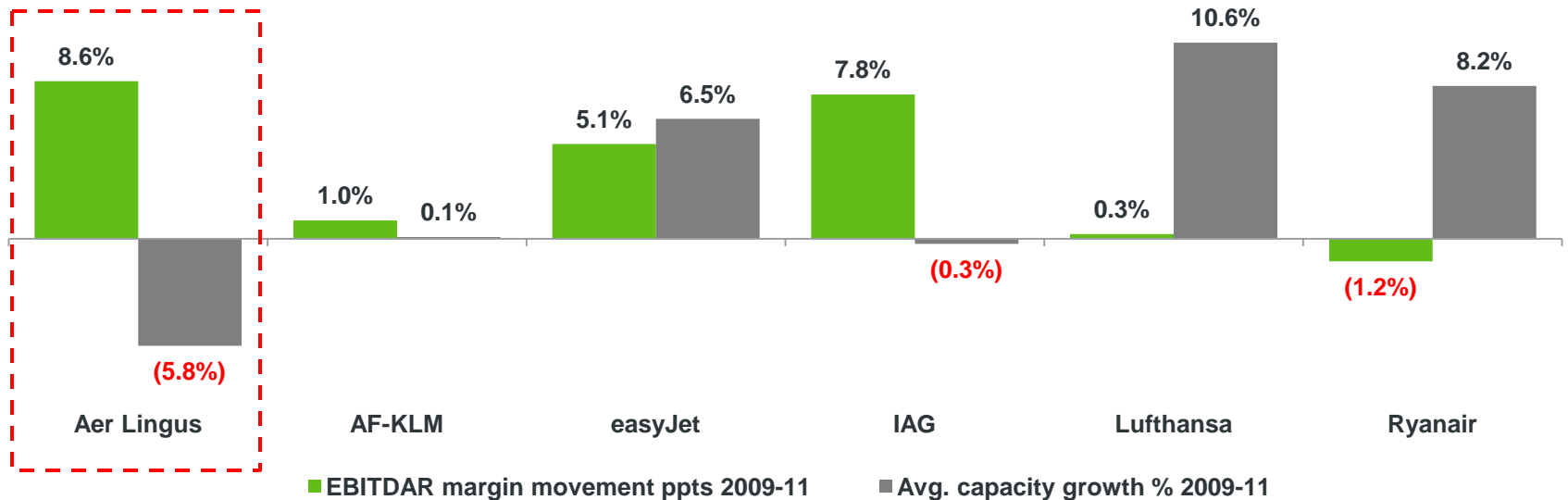
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How will Aer Lingus deliver shareholder value in the future?

Airlines: FY2009 to forecast FY2011 / 12: ¹
Capacity growth used to mathematically reduce unit costs & drive margin



- Common sector strategy: drive margin & reduce unit costs through capacity expansion
- In contrast, Aer Lingus has:
 - Driven margin through cost restructuring & demand led revenue management
 - Not engaged in unprofitable capacity expansion in static markets
- However, there is a limit to margin expansion through yield performance & cost restructuring
- We will explore strategies which overlay additional revenue layers onto our existing cost base
- In this way, Aer Lingus intends to drive future margins & drive shareholder value creation

¹ Data sourced from: Davy Research airlines report, 19 January 2012 & company data



2012 overview

Change enablers

- People:
 - 50% new senior managers in past 24 months
 - Balance of internal development & gaining external expertise
- Consolidation of Dublin Airport real estate onto Hangar 6
 - Will drive organizational efficiencies
 - Co-location of our support services within a modern office complex
 - Key business functions working together in one location
 - Our team will be closer to the airline operation

Challenges to change

- Fuel costs uncertainty and increases
- IT expenditure catch-up programme
- Macroeconomic environment
- Inflated airport charges in UK and Ireland
- Internal production processes
- Fixed cost base is under-utilised



Current trading & 2012 outlook

- 2012 capacity deployment will be kept flat compared to 2011
- Key challenges:
 - Fuel price inflation likely to be a key source of uncertainty in 2012
 - Increasing passenger volumes will be hard given muted markets
 - Higher yield per seat across the network will be difficult to achieve
- However, encouraging start to 2012, especially on long haul bookings
- **2012 expectation:** to remain significantly profitable albeit below 2011 levels

Q & A

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