

## 2012 First Half Results

31 July 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.*

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*Under the provisions of Rule 8.3 of the Irish Takeover Panel Act, 1997, Takeover Rules 2007, as amended (the "Irish Takeover Rules"), if any person is, or becomes, 'interested' (directly or indirectly) in, 1 percent, or more of any class of 'relevant securities' of Aer Lingus or Ryanair, all 'dealings' in any 'relevant securities' of Aer Lingus or Ryanair (including by means of an option in respect of, or a derivative referenced to, any such 'relevant securities') must be publicly disclosed by not later than 3:30 pm (Dublin time) on the business day following the date of the relevant transaction. This requirement will continue until the date on which the Offer becomes effective or on which the 'Offer period' otherwise ends. If two or more persons co-operate on the basis of any agreement, either express or tacit, either oral or written, to acquire an 'interest' in 'relevant securities' of Aer Lingus or Ryanair, they will be deemed to be a single person for the purpose of Rule 8.3 of the Irish Takeover Rules.*

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*A disclosure table, giving details of the companies in whose 'relevant securities' 'dealings' should be disclosed can be found on the Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie).*

*'Interests in securities' arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an 'interest' by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.*

*Terms in quotation marks are defined in the Irish Takeover Rules, which can also be found on the Irish Takeover Panel's website. If you are in any doubt as to whether or not you are required to disclose a dealing under Rule 8, please consult the Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie) or contact the Panel on telephone number +353 1 678 9020; fax number +353 1 678 9289.*

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# Aer Lingus continues to perform

- Substantial year-on-year improvement in H1 2012 operating result
- Strong Q2 2012 performance following an encouraging start to 2012
- Positive trends across key performance metrics
- Aer Lingus continues to perform despite:
  - Difficult demand environment
  - Higher fuel costs than in 2011
  - Increased airport charges

**Strong underlying business performance in H1 2012**





# Positive trends across key performance metrics

## Passengers

- Aer Lingus system pax up 5.4%; Aer Lingus mainline pax up 3.4%

## Unit revenue

- Average yield per passenger up 6.3%

## Retail

- Average H1 retail revenue per passenger up 5.5%

## Total revenue

- H1 revenue up 10.1% vs. prior year; Q2 revenue up 6.7%

## Long haul

- Exceptionally strong long haul performance; pax up 11.0%

## Profitability

- H1 2012 operating loss of €4.4m – down from €26.8m in H1 2011

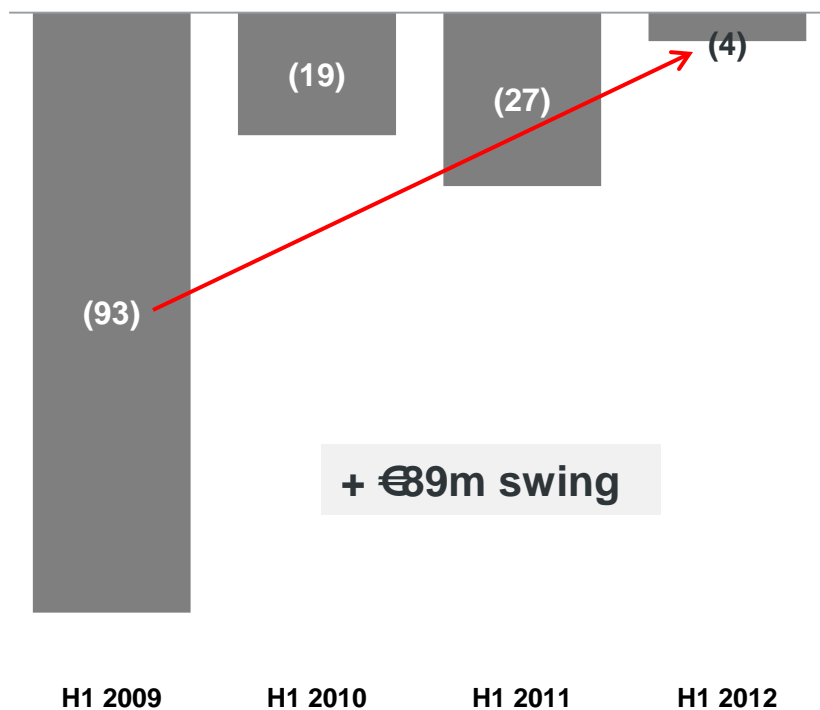
## Balance sheet

- Strong balance sheet with over €1 bn. gross cash at end of H1

**We are building a leaner, more profitable Aer Lingus**

# Significant improvement in first half operating result

## H1 operating result since 2009 (€m)



## Key actions taken since 2009

- Re-position Aer Lingus
- Align capacity with demand
- Focus on connectivity, alliances & partnerships: “*Connecting Ireland with the World*”
- Change approach to capacity management & optimise yield per seat
- Multi channel distribution strategy
- Markets managed by margin
- Cost reduction – “*Greenfield*” programme

<sup>1</sup> Operating profit pre-exceptional items

# H1 2012 Financial Review

Andrew Macfarlane, Chief Financial Officer

Aer Lingus 



# H1 2012 financial highlights

€m Unless otherwise indicated	Q2 2012	Q2 2011 restated	Change % <sup>1</sup>	H1 2012	H1 2011 restated	Change % <sup>1</sup>
Total revenue	374.8	351.2	6.7%	626.3	569.1	10.1%
Operating profit/(loss) <sup>2</sup>	31.7	26.9	17.8%	(4.4)	(26.8)	83.6%
Margin % <sup>2</sup>	8.5%	7.7%	0.8pts	(0.7%)	(4.7%)	4.0 pts
Exceptional items	(19.8)	17.1	NM <sup>3</sup>	(19.8)	14.9	NM <sup>3</sup>
Net interest	(0.5)	(1.3)	(61.5%)	(0.3)	(1.8)	83.3% <sup>3</sup>
Profit/ (loss) before tax	11.4	42.7	(73.3%)	(24.5)	(13.7)	78.8%
ASKs (million)	5,196	5,218	(0.4%)	9,026	8,869	1.8%

€m	30 June 2012	31 March 2012	Change % <sup>1</sup>	30 June 2012	31 Dec 2011	Change % <sup>1</sup>
Gross cash	1,049.9	1,002.0	4.8%	1,049.9	894.8	17.3%
Debt	572.2	556.1	2.9%	572.2	577.2	(0.9%)

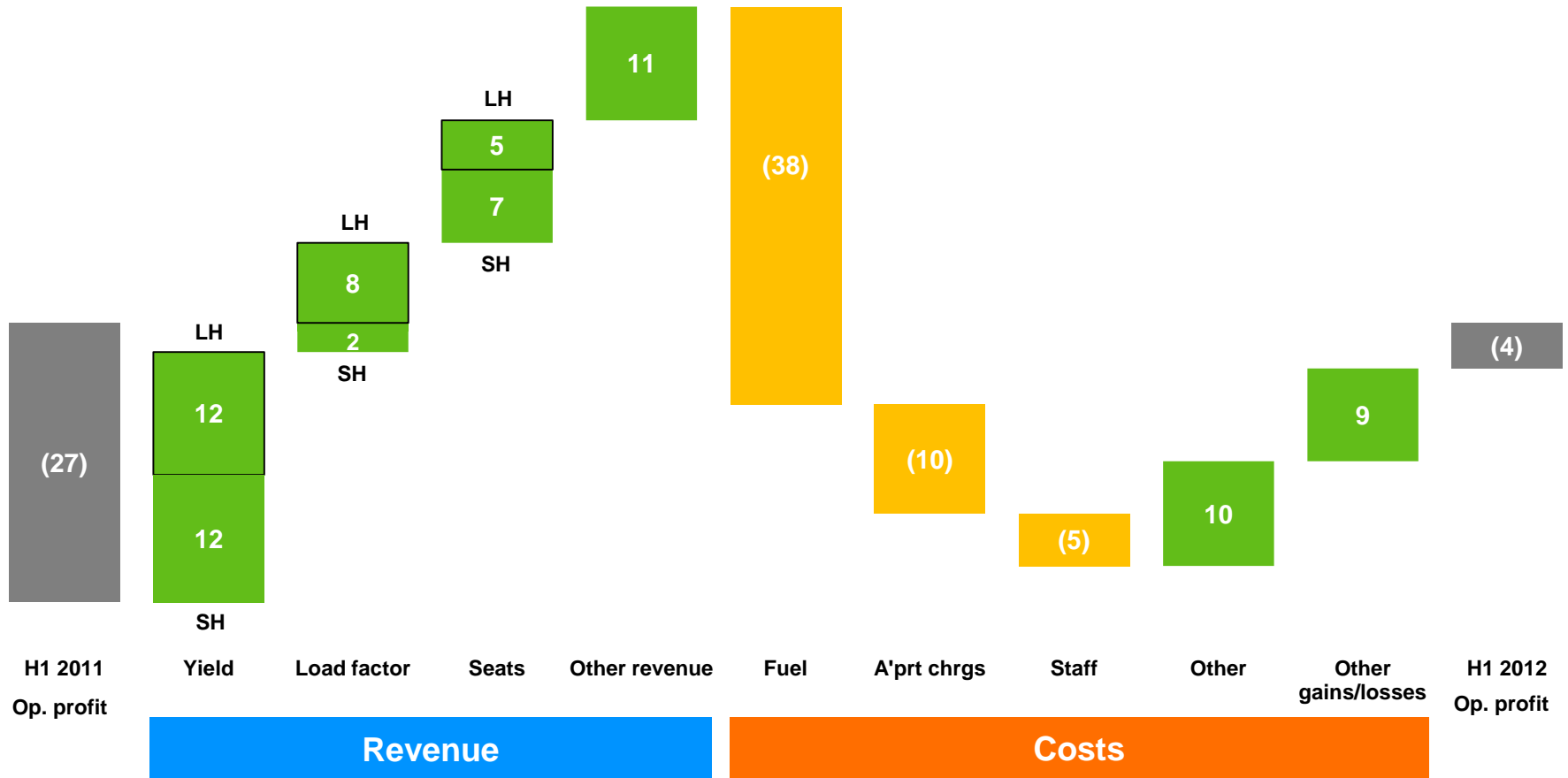
<sup>1</sup> Sign convention: increase / (decrease)

<sup>2</sup> Pre exceptional items

<sup>3</sup> Not meaningful

**Q2 & H1 2012 operating results both substantially improved over prior year**

# H1 2012 operating result bridge (€m)



**Disciplined approach to capacity and revenue management has offset fuel and airport charge inflation**



# Fuel price inflation – a significant challenge in 2012

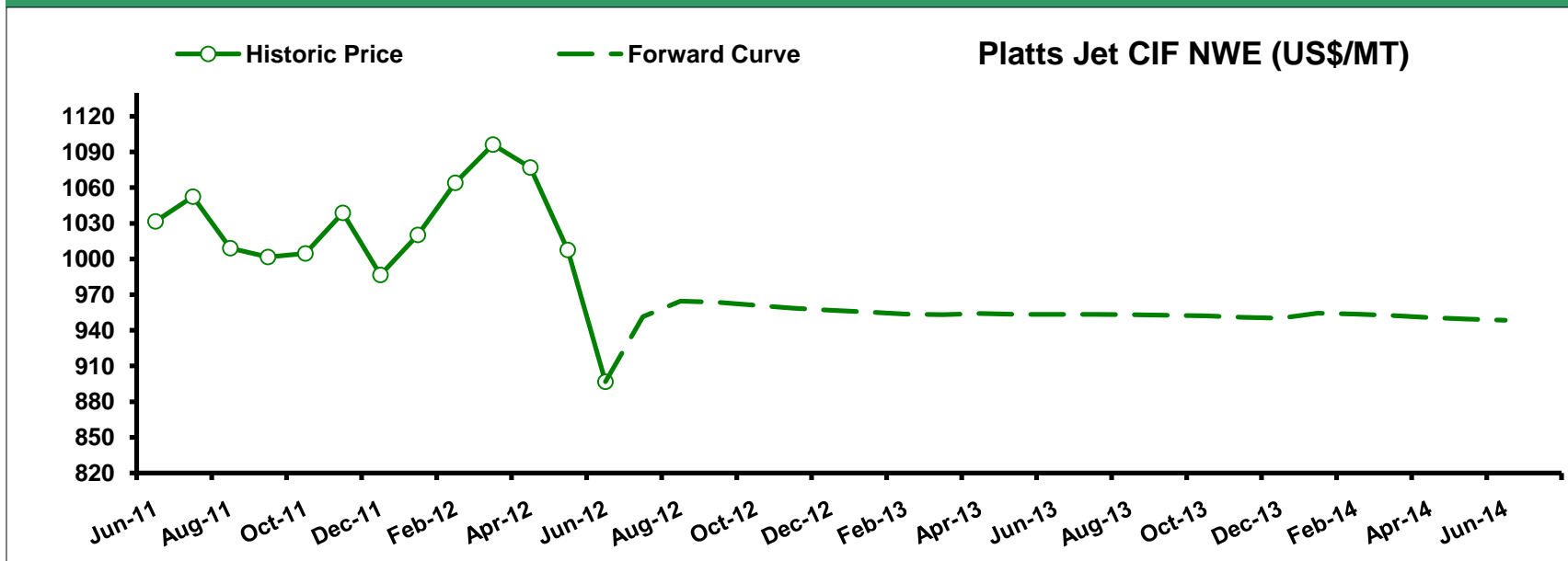
Fuel analysis	Q2 2012	Q2 2011	%	H1 2012	H1 2011	%
Fuel burn ('000 tonnes)	119.9	119.4	0.4%	208.8	204.9	1.9%
Avg. price per tonne (US\$)	1,011	870	16.2%	988	818	20.8%
Avg. price per tonne incl. into-plane (US\$)	1,069	929	15.1%	1,045	888	17.7%
Total fuel cost (US\$m)	128.9	110.5	16.6%	219.8	181.4	21.1%
FX rate for period	1.30	1.43	(9.1%)	1.31	1.40	(6.4%)
Total fuel cost (€m)	99.3	77.4	28.3%	167.8	129.6	29.5%

**Fuel cost driven by higher jet fuel prices and stronger US\$**

# Fuel hedging as at 30 July 2012

Fuel	Q3 12 Forecast	Q4 12 Forecast	H2 12 Forecast	2013	2014
Estimated burn ('000 tonnes)	125.1	101.1	226.2	435.1	435.1
% hedged	93%	96%	94%	42%	4%
Avg. hedged US\$ price / MT	999	995	997	991	923

## Forward fuel price as at 24 July 2012



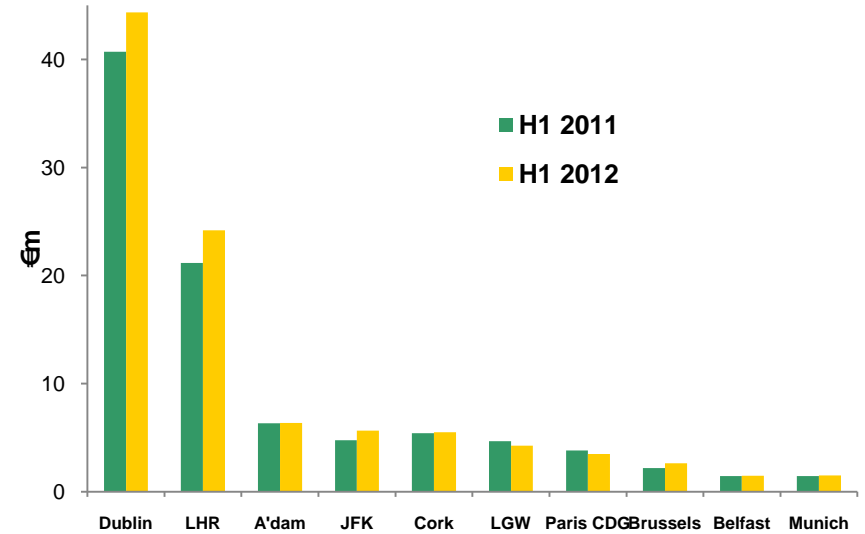
**Exposure to fuel price inflation has been largely mitigated for remainder of 2012**

# Increases in airport charges in H1 2012

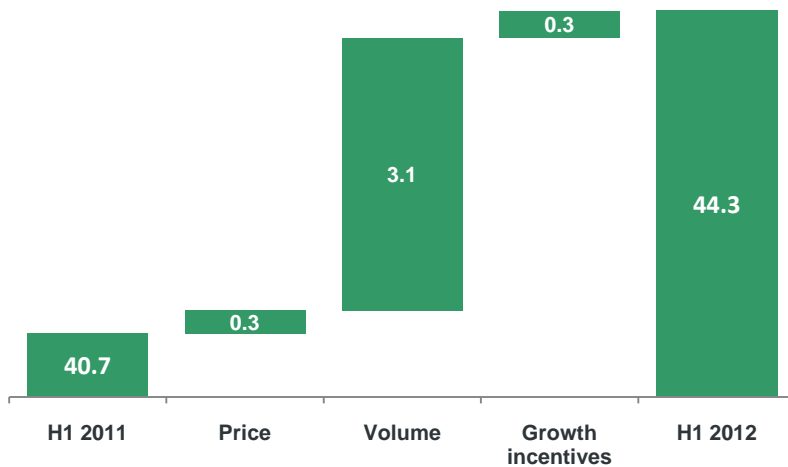
Airport charges  
H1 2011 to H1 2012 (€m)



Airport charges – top 10 stations  
H1 2011 & H1 2012 (€m)



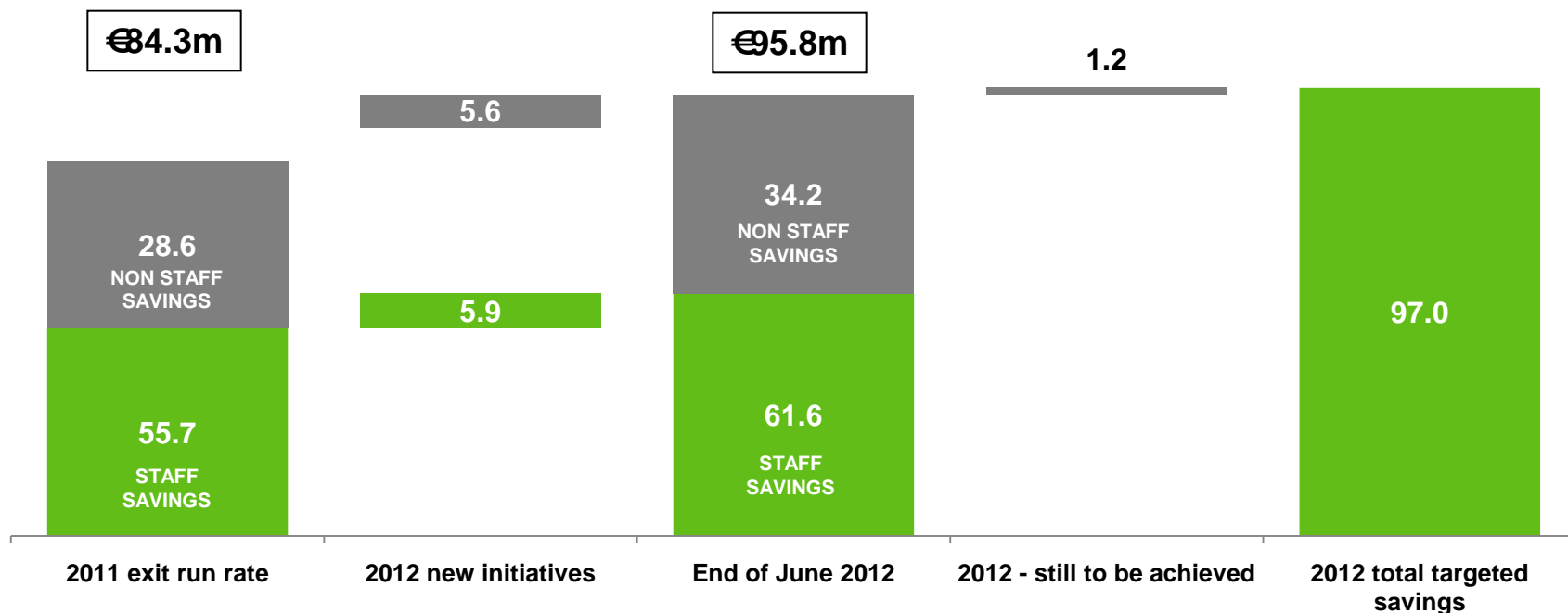
DUB Airport charges  
H1 2011 to H1 2012 (€m)



LHR Airport charges  
H1 2011 to H1 2012 (€m)



# Greenfield update: savings (€m)



- Notable 2012 “*Greenfield*” initiatives include fuel management, overtime reduction and retail revenue projects

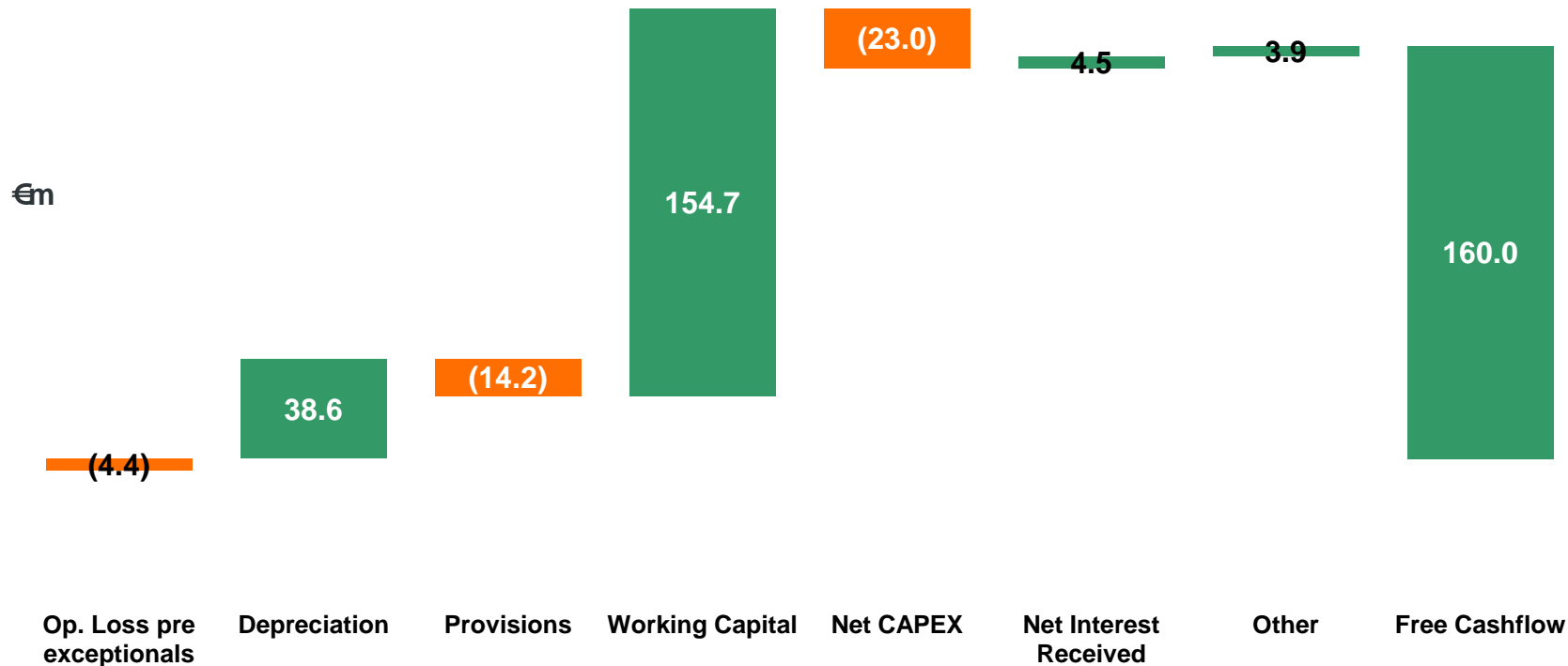
**On target to achieve our objective of €97m in 2012**



## Exceptional costs

Exceptional credits/(charges) - €m	H1 2012	H1 2011
Restructuring provisions (incl. Greenfield)	(11.7)	3.2
Advisory fees related to Ryanair Offer	(4.3)	-
Asset value adjustments (incl. A320 held for sale)	(3.8)	-
Reclassification of cash flow hedges	-	11.6
Profit on disposal of A330	-	0.9
Other	-	(0.8)
<b>Total (charge)/credit</b>	<b>(19.8)</b>	<b>14.9</b>

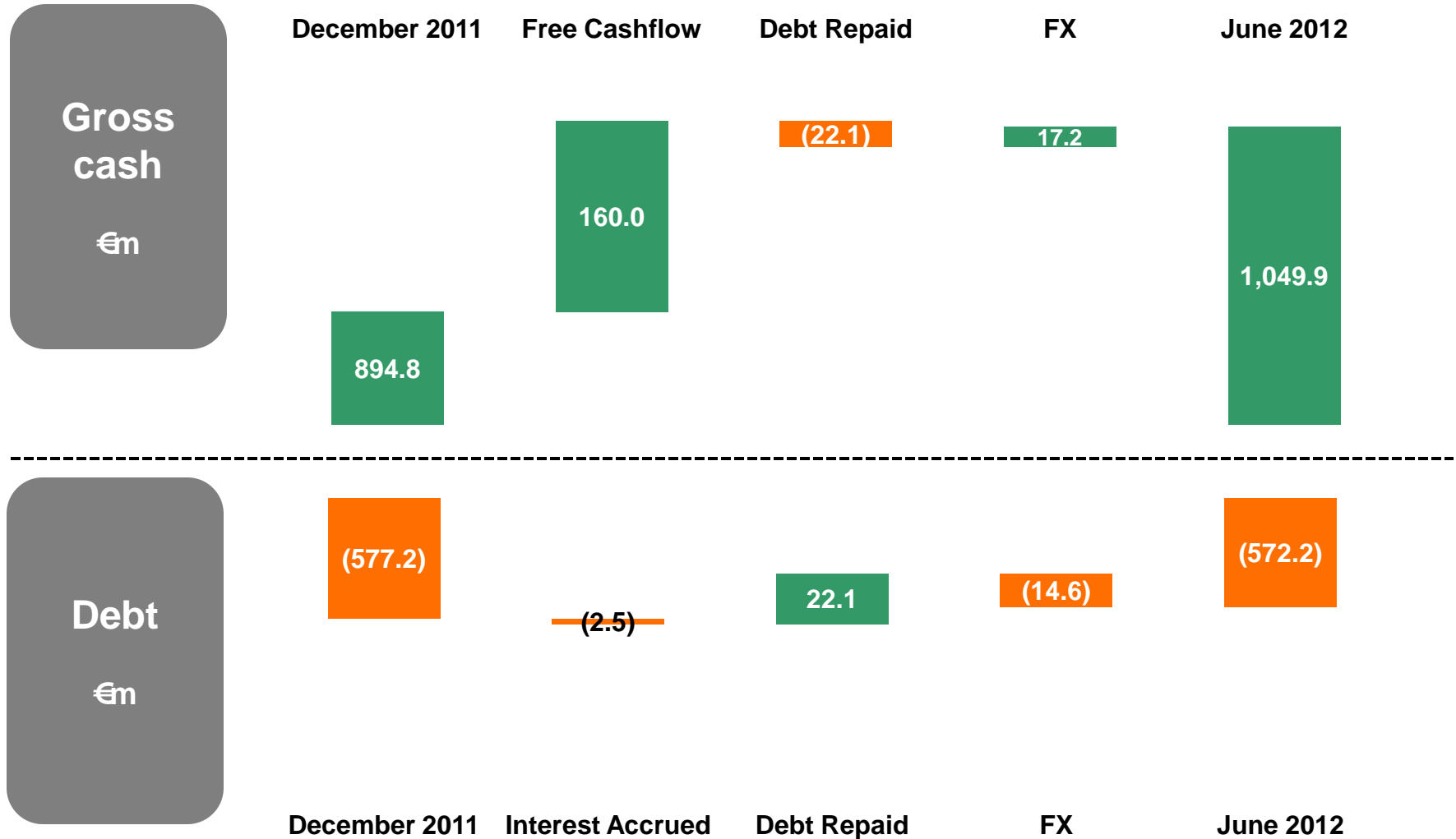
# Strong cash generation in H1 2012



- Working capital inflows due to ticket purchases in advance of the “peak” travel season
- Capex relates primarily to A330 engine purchase, capitalised aircraft maintenance, facility upgrades and other equipment costs

**Net cash inflow in H1 2012 reflecting strong forward booking profile**

# Strong balance sheet



**We have a strong balance sheet with over €1 billion of gross cash at June 2012**

# H1 Commercial Review

Stephen Kavanagh, Chief Commercial Officer

Aer Lingus 







# Commercial highlights

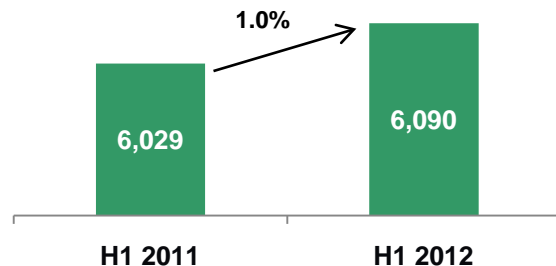
Components	H1 2012 result	Yr-on-yr %
ASKs	9,026m	1.8%
Fare revenue	€512.9m	9.9%
Retail revenue	€84.5m	9.0%
Cargo revenue	€23.3m	5.9%
Other revenue	€5.6m	86.7%
Total revenue	€626.3m	10.1%



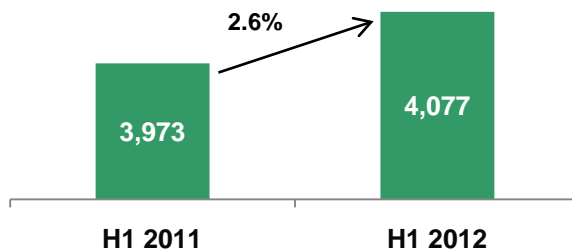
**Revenue growth across the business**

# Short haul performance

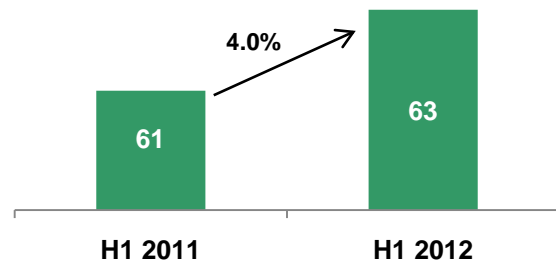
Capacity  
(ASKs in  
millions)



Customers  
(thousands)



Fare yield  
per seat  
(€)



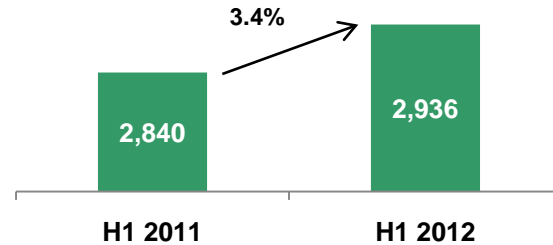
- Demand led capacity deployment
- Network route portfolio managed by margin
- Share and frequency growth in key markets
- Price and volume both contributing to growth
- Revenue management capability upgrade with introduction of Sabre AirMax

**Improved competitive position**

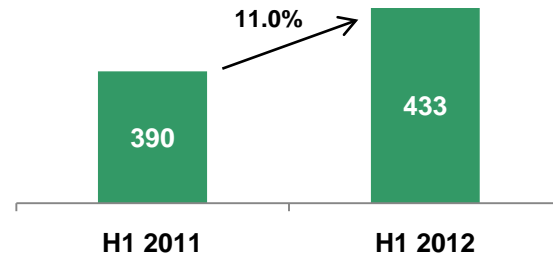


# Long haul performance

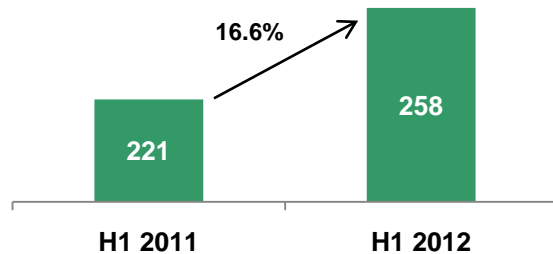
Capacity  
(ASKs in  
millions)



Customers  
(thousands)



Fare yield  
per seat  
(€)



- Network management driving revenue performance
- Partnership and online connectivity creating yield opportunity
- Growth in seat load factor in both cabins with business +4% load factor year on year
- Price and volume combining to drive exceptional performance

Addressing seasonal balance



# aerlingus.com an engine for revenue growth

- Homepage refresh with improvements in user interface
- Improved functionality with more intuitive retail in-flow
- Increased transparency with introduction of shopping basket
- Contract signed for retail engine with personalisation capability

**Aer Lingus**

Home | Booking Help | Unaccompanied Child & Infant Information | Start Over

PLAN | SELECT | PRICE | PASSENGER | ESSENTIALS | BUY | CONFIRM

### Price

**Flight Details**

Click on the flight number for flight details including flight time, stopover, terminal information and aircraft type.

Flight Info.	Departing	Arriving	Fare	Seat Map
AER LINGUS <a href="#">E606</a> non-stop	Dublin 11:30 Wed 15 Aug 2012	Amsterdam 14:05 Wed 15 Aug 2012	Low	<a href="#">View Map</a>
AER LINGUS <a href="#">E603</a> non-stop	Amsterdam 09:30 Mon 20 Aug 2012	Dublin 10:10 Mon 20 Aug 2012	Low	<a href="#">View Map</a>

**Upgrade to Plus from €20 per person**  
For your convenience why not upgrade to our Plus fare, which includes one free checked bag, free advance seat selection and Gold Circle points.

- Upgrade outbound €20
- Upgrade inbound €20
- Upgrade both €40

[Upgrade to Plus >>](#)

**Upgrade to Flex from €80 per person**  
By choosing a Flex ticket you are free to change the date and time of your flight as often as you like. Also enjoy two free checked bags, free advanced seat selection and free access to our business lounge network.

- Upgrade outbound €80
- Upgrade inbound €80
- Upgrade both €160

[Upgrade to Flex >>](#)

**Fare Summary**

Passengers	Fare p.p.	Taxes & Charges	Cost p.p.	Total
1 Adult	39.98	81.00	120.98	120.98
Admin Fee			12.00	12.00
TOTAL				132.98

**Total Amount Due** EUR 132.98

Admin fee is charged based on payment type.

**Your Trip Summary**

**Flights**

DUB AMS  
Wed, Aug 15, 2012  
[E606](#) 11:30 - 14:05  
Operated By AER LINGUS  
Dublin (DUB) Amsterdam (AMS)

AMS DUB  
Mon, Aug 20, 2012  
[E603](#) 09:30 - 10:10  
Operated By AER LINGUS  
Amsterdam (AMS) Dublin (DUB)

**Fare Summary**

Passenger Total	EUR 120.98
Admin fee	EUR 12.00
<b>Fare Total</b>	<b>EUR 132.98</b>

[Checked Bag Fees](#)

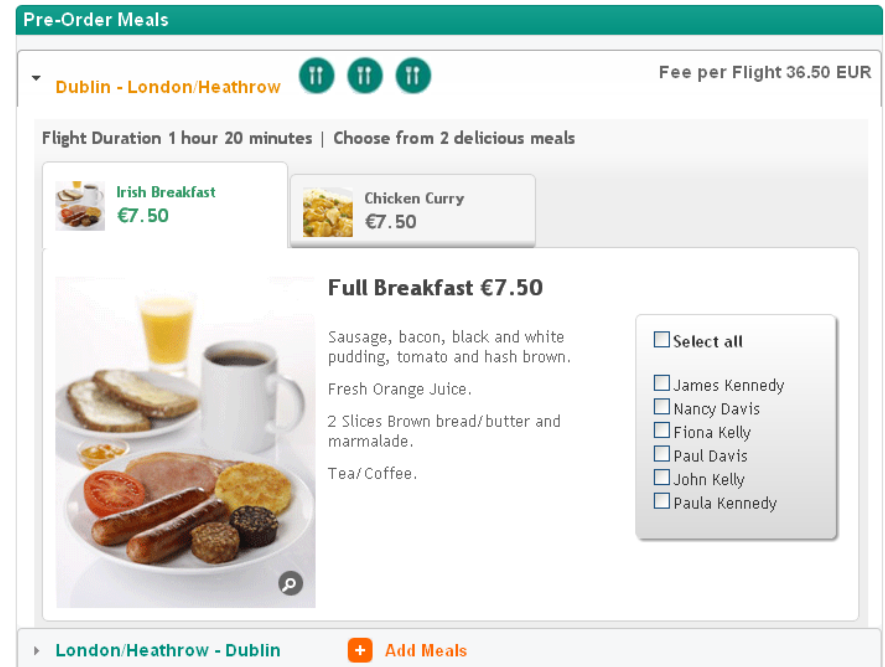
<b>Trip Total</b>	<b>EUR 132.98</b>
Pay by Credit Card	EUR 132.98
Pay by Debit Card	EUR 132.98
Pay by Visa Electron	EUR 120.98

[Conditions of Carriage](#) | [Terms of Use](#) | [Privacy Policy](#) | [Accessible Users Policy](#)

## Cost effective retail platform

# Value proposition

- **Product launch**
  - **Price Lock and Deposit**
  - **Sky Deli Menu**
  - **Choice Seats on Long haul**
- **Fare Family development**
  - **Low**
  - **Plus**
  - **Flex**
- **Continuous investment**
  - **Pre-order meals Q3 2012**
  - **New Business lounge at Boston**
  - **A330 Wi-Fi rollout from year end**



**Differentiated by design**

# Partnership matters

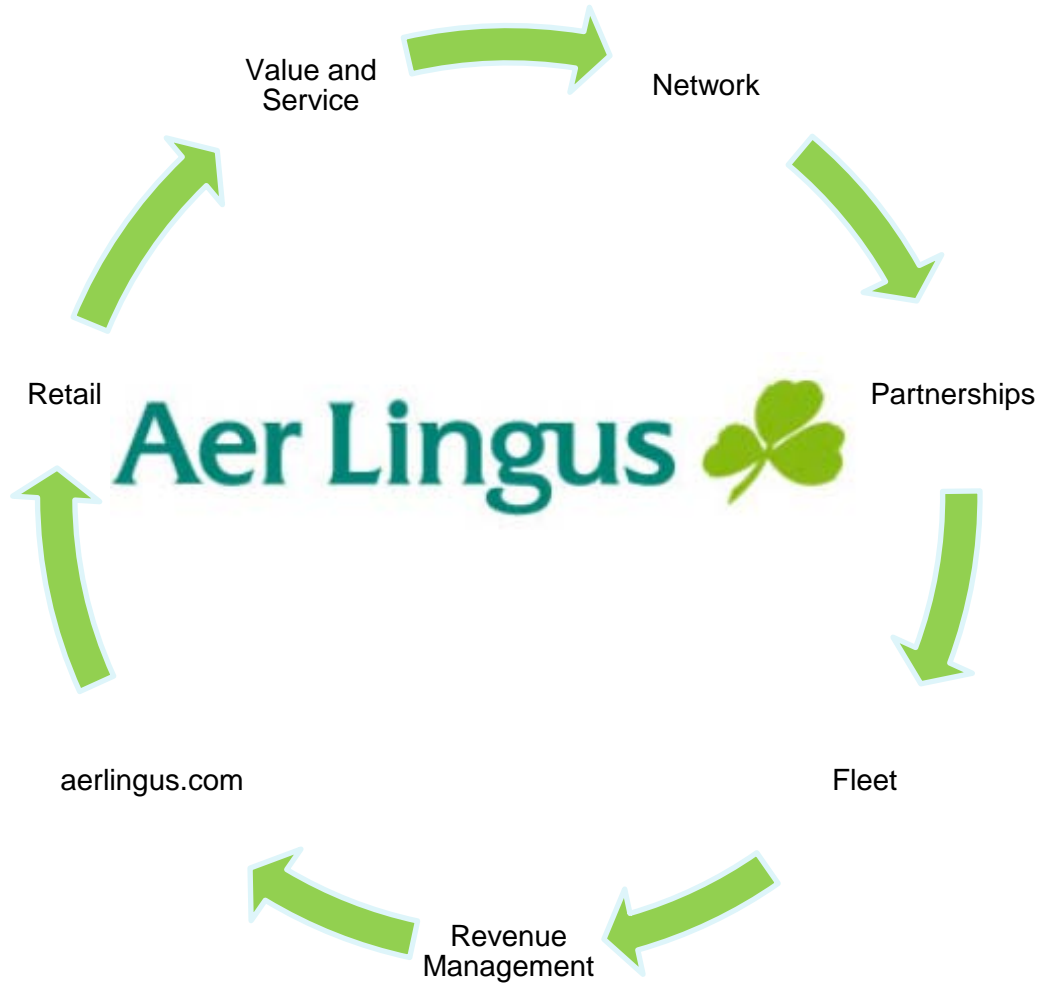
- **Aer Lingus Regional Franchise**
  - Expansion of scope of Aer Arann agreement
  - Route development and frequency build
- **Revenue growth with existing partners in H1**
  - Move to T5 at JFK from summer 2013
  - Increase in code-share city pairs with United
- **New partnership with Etihad**
  - Reciprocal code-share agreement
  - Increase in Aer Lingus global coverage
- **Opportunities presented as neutral provider of connecting capacity at Heathrow evident**



**Open architecture drives growth**



# Our commercial strategy continues to create value



# CEO Comments

Christoph Mueller, Chief Executive Officer

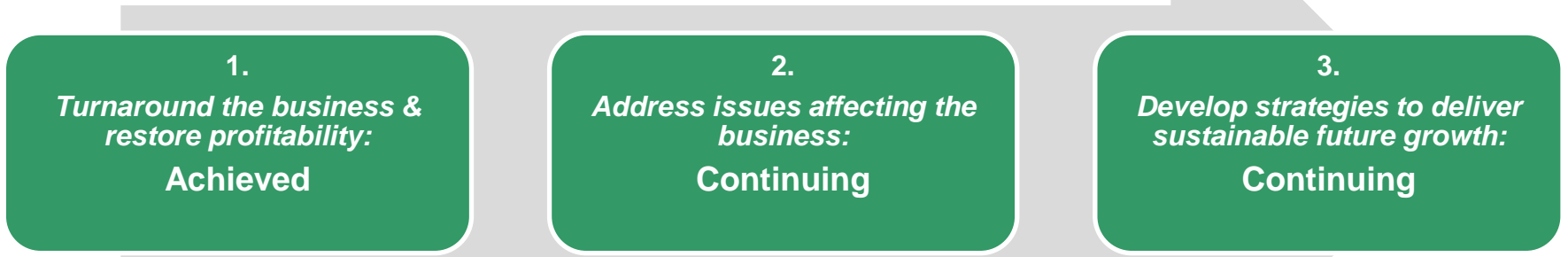
Aer Lingus 







# Three phases to the Aer Lingus transformation



Profit turnaround achieved (€m)		
2009	2010	2011
<b>(81)</b>	<b>53</b>	<b>49</b>

Business progress achieved
Captured market share from principal competitors
Growth achieved despite contracting market

<b>Long haul turnaround achieved</b>
Consolidation of real estate
Improvement in structure & liquidity of share register
Change in dividend policy implemented
Permanent cost challenge
Pensions

<b>Regional franchise</b>
London Heathrow
Transatlantic
Partnerships

Q & A

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