



## 2007 First Half Results

30 August, 2007

# Presentation overview

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 **2007 First Half Highlights**

 **2007 H1 | Delivering Growth Objectives**

 **2007 H1 | Financial Review**

 **Outlook**



## 2007 First Half Highlights

## 2007 H1 | Financial highlights

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- ✈ **Solid financial performance against the backdrop of higher fuel prices and an increasingly competitive operating environment**
  - Fuel costs up 28% (€25 million)
  - 45% increase in competitor capacity on Continental routes
  
- ✈ **Revenue growth of 13% to €574 million**
  
- ✈ **Passenger growth of 6% to 4.4 million**
  
- ✈ **Strong growth in ancillary revenues of 69% to €50 million**
  
- ✈ **Operating cashflow up 6.5% at €143 million vs. H1 2006**



# 2007 H1 | Operating highlights

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- ✈ **Robust performance in revenue per ASK**
  
- ✈ **Increase in short haul and long haul aircraft utilisation**
  
- ✈ **[aerlingus.com](http://aerlingus.com) delivering further profitable growth**
  - 71% of bookings in H1 2007 (up from 70% in H1 2006)
  - 62% of short haul internet customers pre-paid for checked bags on-line in H1 2007
  - 38% of customers checked-in using on-line or self service kiosks in H1 2007
  - New Travel Insurance product launched in Q2 2007 – 18% of bookings purchased travel insurance on [aerlingus.com](http://aerlingus.com)
  - Seat selection fees successfully implemented on short haul
  - Rolled out new channel mark for [aerlingus.com](http://aerlingus.com) in Q2 2007
  
- ✈ **New check in facility (Area 14) at Dublin Airport to enhance customer service**

## 2007 H1 | Delivering on growth objectives



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-  **Fleet expansion** 



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-  **Grow short haul network** 



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-  **Grow long haul network** 

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-  **Acquisition of new long haul aircraft** 

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-  **Development of new international base** 



## Delivering on Growth Objectives

# Fleet expansion




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- ✈ **Focus on continued growth of common Airbus fleets**
  
- ✈ **2 A320 aircraft delivered in May**
  
- ✈ **2 A330 aircraft delivered in May and June respectively**
  
- ✈ **2 A320 aircraft scheduled for delivery in Q4 2007**
  
- ✈ **New aircraft deliveries will have positive impact on H2 performance**



# Strategic growth in short haul network

## Demand Led Growth

-  Additional frequency introduced on 17 routes
-  4 new short haul routes commenced in H1
  - Cork - Manchester
  - Dublin - Athens
  - Dublin - Santiago
  - Dublin - Vilnius
-  Increase of 122 to 1,210 departures in peak week

## H1 2007 | SH Point-to-Point



H1 2007    H1 2006    Change

Routes	74	66	+12%
Average SH Stage Length (km)	968	935	+4%
Short Haul Aircraft	28.5	27.0	+6%

# Growth in long haul network

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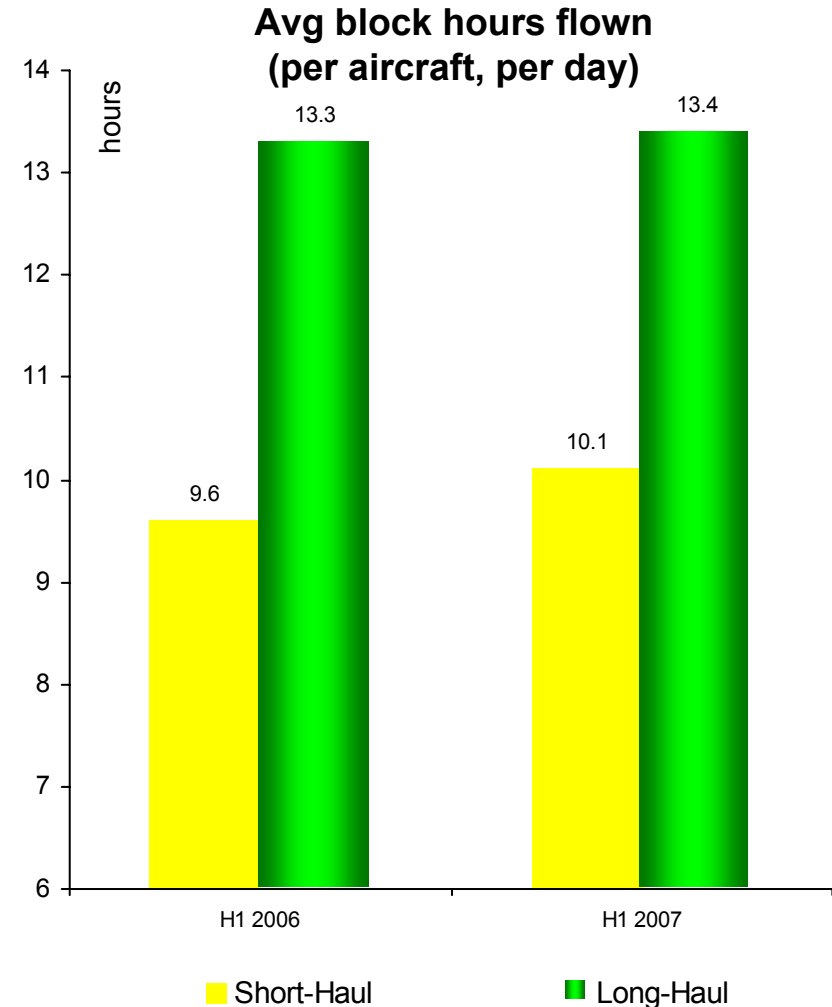
- ✈ **Open Skies agreement between the US and the EU concluded in March**
  - **First airline in Europe to announce and commence new services under Open Skies – 3 new US destinations announced within 1 hour of Open Skies**
  - **Washington DC route commenced in August. Orlando and San Francisco to commence in October 2007**
  - **Increased direct services between Dublin and existing US gateways**
  
- ✈ **New A330 long haul aircraft delivered in May and June to capitalise on growth opportunities**
  
- ✈ **Arrangement with JetBlue to commence in H2 and deliver additional growth**

# Focus on utilisation in fleet & network growth

## Key Utilisation Initiatives

- ✈ Consistent focus on enhanced utilisation
- ✈ Increase in both short and long haul utilisation year-on-year
- ✈ Increased level of activity towards the end of operating day

## Aircraft Utilisation



# Acquisition of long haul aircraft

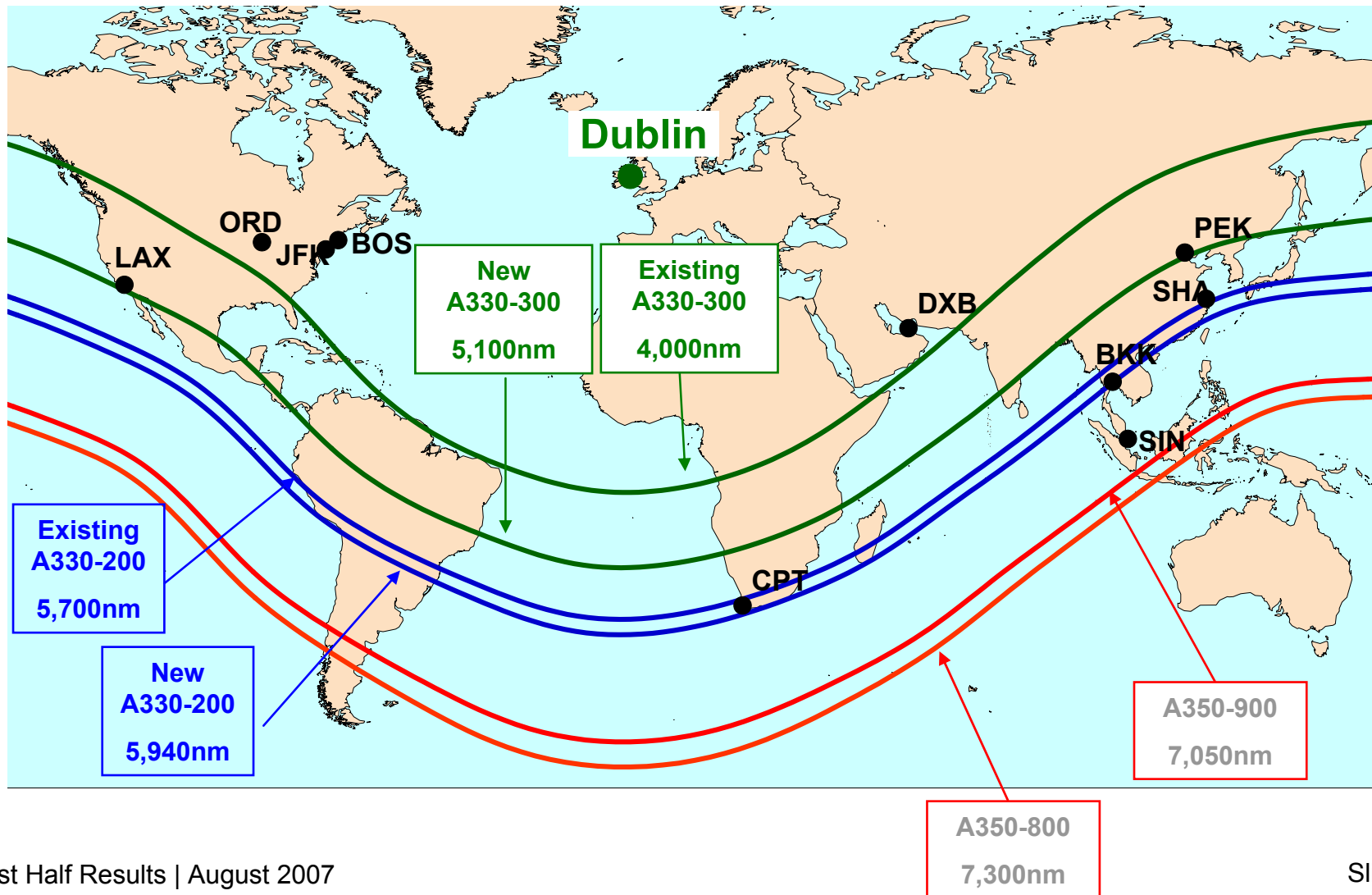
- ✈ Successful IPO delivered strong balance sheet to support growth objectives
- ✈ Objective to double long haul fleet by 2014
- ✈ 6 A330-300 Enhanced and 6 A350XWB aircraft to be acquired from Airbus
- ✈ Direct purchase and valued at US\$2.4 billion at catalogue prices
- ✈ Acquired at attractive prices following competitive process with Boeing

Delivery	Year end Fleet Profile	Capacity Increase
3 in 2009	11	+18%
1 in 2010	12	+13%
2 in 2011	12	+2%
2 in 2014	14	+14%
3 in 2015	14	+4%
1 in 2016	14	+1%

- ✈ Secures early delivery positions to underpin long haul growth strategy

# Acquisition of long haul aircraft

✈️ A330 & A350XWB range capability with full passenger load



# Acquisition of long haul aircraft

## A330E & A350 XWB - Seat Count

Aircraft Type	Seat Count
A330-200 Enhanced	272
A330-300 Enhanced	322
A350 XWB-800	291
A350 XWB-900	342

## A330E - Reduced Fuel Burn


New aircraft benefits	3% saving
Enhanced navigation systems	1.5% to 2.5% saving
<b>Total</b>	<b>5% saving</b>

## **New base | Belfast International**

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- ✈ Belfast International Airport (BFS) – Aer Lingus’ first base outside Republic of Ireland**
- ✈ Access to fast growing Northern Ireland economy with 1.5m population in catchment area**
- ✈ Competitive cost structure with local terms and conditions**
- ✈ BFS will optimise the use of Aer Lingus fleet and airport slots to deliver profitable growth and shareholder value**
- ✈ Services will commence from December 2007 - operating to London Heathrow, Amsterdam Schiphol and 6 other European destinations**
- ✈ Slots for Belfast to Heathrow route re-allocated from Shannon which has consistently been least profitable route utilising Aer Lingus’ Heathrow slots**

# New base | Belfast International

Destination	Frequency*	Commencement	Belfast Route Network
Amsterdam	14	10 Dec '07	
Barcelona	5	10 Dec '07	
Geneva	2	10 Dec '07	
London Heathrow	21	14 Jan '08	
Rome	4	25 Feb '08	
Budapest	3	25 Feb '08	
Malaga	4	25 Feb '08	
Faro	3	29 Feb '08	
Faro	3	29 Feb '08	

**Aircraft**



3 A320 aircraft based at Belfast International

\*weekly





## Summary | Delivering on growth objectives



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-  **Fleet expansion** 



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-  **Grow short haul network** 



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-  **Grow long haul network** 

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-  **Acquisition of new long haul aircraft** 

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-  **Development of new international base** 



## 2007 First Half | Financial Review

# H1 2007 | Headline Results

<i>€m, unless stated</i>	H1 2007 IFRS	H1 2006 Underlying	Change €m
Total revenue	574	508	+66
EBITDAR costs (ex-fuel)	402	355	+47
Fuel costs	116	91	+25
EBITDAR	57	63	(6)
Operating profit (before profit share) <sup>1</sup>	3	11	(8)
Pre-tax profit	19	20	(1)
EPS (cent) <sup>2</sup>	1.3	1.3	Unch.

 ROIC of 17.3% on 12 month-rolling basis – ahead of target of 15.0%

<sup>1</sup> Pre-exceptionals

<sup>2</sup> H1 2006 EPS refers to IFRS result, including exceptional items

# H1 2007 | Headline Operating Information

	H1 2007	H1 2006	Change
Passengers (m)	4.4	4.2	+6%
RPKs (bn)	6,729	6,360	+6%
ASKs (bn)	8,940	8,257	+8%
Load Factor (RPKs per ASK) (%)	75.3%	77.0%	(2%)
Passenger Revenues per RPK (cents)	7.4	7.1	+4%

# H1 2007 | Strong Revenue Growth

€m	H1 2007	H1 2006	Change
Passenger Revenue	499	452	+10%
Ancillary Revenue	50	30	+69%
Cargo Revenue	23	24	(7%)
Other Revenue	2	3	(12%)
<b>Total Revenue</b>	<b>574</b>	<b>508</b>	<b>+13%</b>

# H1 2007 | Passenger Revenue

- ✈ Short haul development focus on Continental routes
- ✈ Increased density on short haul routes supported yields
- ✈ Long haul business impacted by competition and currency

## Short Haul Network

	H1 2007	H1 2006	Change
Passengers (000)	3,853	3,619	6.5%
Revenue (€m)	343	313	9.3%
ASKs (m)	5,104	4,560	11.9%
Load Factor (%)	73.6	75.4	(2.6%)
Average Fare (€)	88.9	86.6	2.7%
Revenue per RPK	9.12	9.09	0.3%
Revenue per ASK	6.71	6.87	(2.3%)

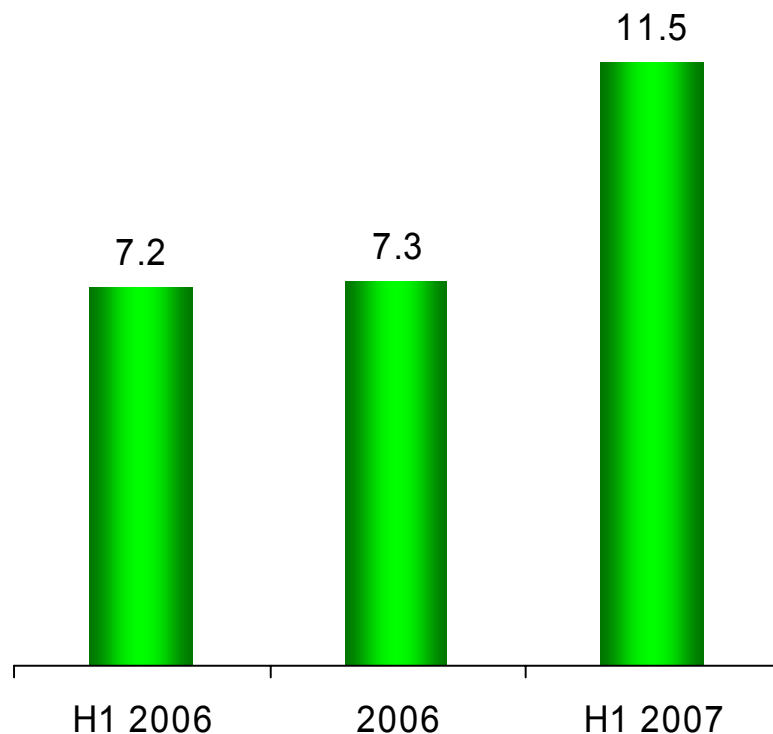
## Long Haul Network

	H1 2007	H1 2006	Change
Passengers (000)	545	533	2.2%
Revenue (€m)	156	139	12.7%
ASKs (m)	3,836	3,697	3.8%
Load Factor (%)	77.5	78.8	(1.7%)
Average Fare (€)	286.8	260.2	10.2%
Revenue per RPK	5.26	4.76	10.5%
Revenue per ASK	4.08	3.75	8.6%

# H1 2007 | Ancillary Revenue

- ✈ Ancillary revenue increased by 69% in H1 2007 to €50.4m (vs. €29.9m in H1 2006)
- ✈ Ancillary revenue per passenger increased to €11.5 in H1 2007

## Ancillary Revenue per Passenger (€)



- ✈ Introduction of bag charges in January 2007 has driven substantial growth
- ✈ Growth across all areas of ancillary revenue driven by additional service offerings
- ✈ New insurance product launched

# H1 2007 | Cargo Revenues

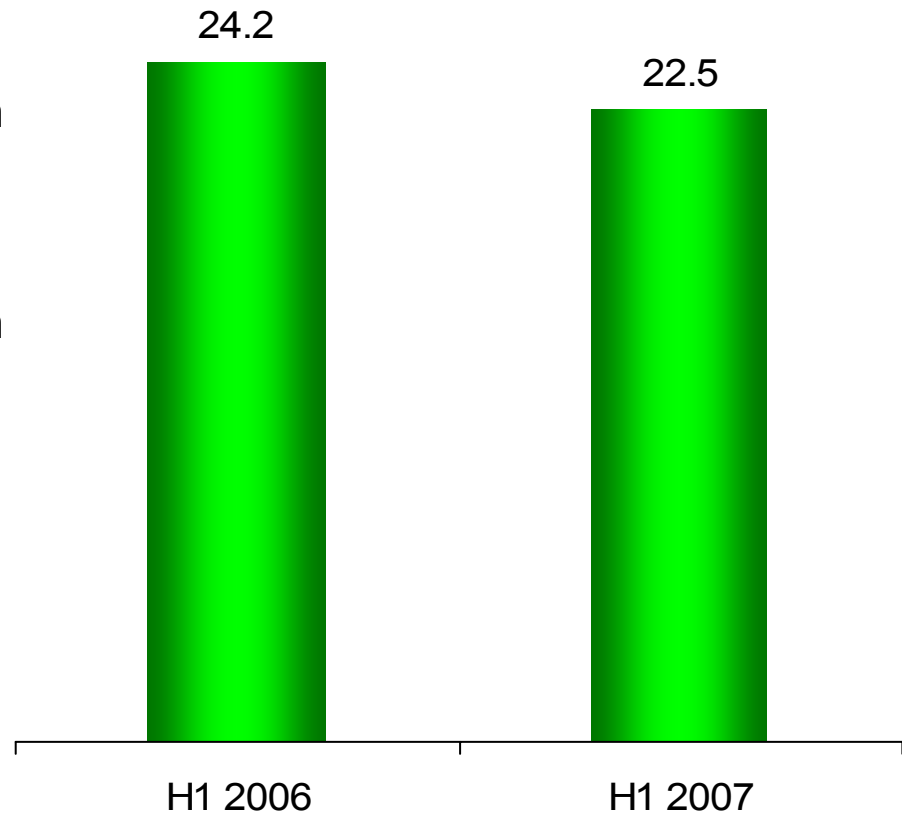
✈ Primarily focused on long haul routes - accounts for 90% of cargo revenue

✈ Cargo strategy is focused on managing yield to drive demand

✈ Greater levels of competition leading to lower Cargo yields

- Long haul tonnage up 2.4%
- Cargo revenue down (6.9%)

## Cargo Revenue (€m)





# H1 2007 | EBITDAR Unit Cost Development

Cost per ASK (€ cents)	H1 2007	H1 2006	Change
Staff	1.68	1.62	+3.5%
Airport charges	1.17	1.15	+2.0%
Ground operations	0.55	0.51	+7.0%
Maintenance	0.47	0.43	+9.2%
En-route charges	0.29	0.28	+2.7%
Distribution costs	0.30	0.29	+2.6%
Other	0.04	0.01	NM
<b>Total Unit Cost (ex-fuel)</b>	<b>4.49</b>	<b>4.30</b>	<b>+4.6%</b>
Fuel	1.30	1.10	+18.2%
<b>Total Unit Cost</b>	<b>5.79</b>	<b>5.39</b>	<b>+7.4%</b>

*Improvements in Unit Cost to flow through in H2 2007*

# H1 2007 | Staff Unit Cost Development

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*Staff Unit Cost (Cost per ASK, € cents)*



- ✈ **Staff Unit Cost growth resulting from a one-off pay increases including Pension contributions at time of IPO**
- ✈ **Highlights the criticality of achieving structural changes through PCI implementation**

# H1 2007 | Fuel Unit Cost Development

*Fuel Unit Cost (Cost per ASK, € cents)*



- ✈ **Active management of fuel cost in difficult environment**
- ✈ **Fuel represented largest change in operating cost growing €25.3m (28.0%) to €115.9m**
- ✈ **Corresponding 18% increase in Fuel Unit Cost year-on-year**
- ✈ **Achieved average price of US\$65 per barrel in H1 2007 vs US\$49 in H1 2006**

# H1 2007 | Strong Balance Sheet to Support Growth

<i>€m unless stated</i>	H1 2007	FY 2006	Change
PPE	631.8	526.2	+20%
Net cash*	790.2	769.3	+3%
Other net assets	(581.0)	(479.1)	+21%
<b>Total net assets</b>	<b>841.0</b>	<b>816.3</b>	<b>+3%</b>
<b>Shareholders' funds</b>	<b>841.0</b>	<b>816.3</b>	<b>+3%</b>
<i>Adjusted net debt/(cash)**</i>	<i>(439.1)</i>	<i>(421.8)</i>	

✈ Operating cashflow up 6.5% to €142.8m vs. H1 2006

\* Excludes pension commitment of €104m included in other net assets

\*\* Includes operating leases capitalised at 7.0x last twelve month charge

# Fuel Hedging

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## Hedging positions at 29 August 2007:

	<b>4 Months to 31 Dec 2007</b>	<b>Full Year to 31 Dec 2008</b>
% Hedged	61%	10%
Average Price	US\$65/barrel	US\$68/barrel

 **Based on hedges in place and average forward rates for the rest of year expect average price of US\$65 per barrel in 2007 vs. US\$53 per barrel in 2006**

 **Total fuel cost estimate for 2007 of US\$341 million (2006: US\$251 million)**

# H1 2007 | Summary

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- ✈ Solid underlying performance in competitive environment
- ✈ Strong balance sheet to advance growth objectives
- ✈ High returns on invested capital of 17.3% on 12 month-rolling basis – ahead of investment target of 15.0%

€m	H1 2007	H1 2006	Change
Total revenue	574	508	+66
EBITDAR	57	63	(6)
Pre-tax profit	19	20	(1)
Adj. Net debt/(cash)	(439)	(81)	(358)



# Outlook

# Delivering growth





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-  **Enhanced route network and further improvements in utilisation will continue to drive revenue growth**
-  **Aer Lingus has moved quickly to capitalise on growth opportunities presented by Open Skies**
-  **Move to establish new bases starting with Belfast**
-  **Ancillary revenue initiatives will continue to deliver strong growth**
-  **Ongoing commitment to innovation to enhance growth in network such as industry-first partnership with JetBlue**
-  **Strong balance sheet to support growth objectives**



## PCI | Ongoing focus on cost reduction

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-  **Cost reductions are critical to improve competitiveness and deliver value for shareholders**
  
-  **PCI is focused on delivering unit cost reductions across a range of areas (including staff cost, airport handling, fuel usage and maintenance)**
  
-  **Full implementation of PCI remains challenging**
  
-  **Objective remains to deliver €20 million of savings in 2008**





# EGM

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- ✈ **EGM proposed by Aer Lingus shareholder and largest competitor**
  
- ✈ **Two proposed resolutions to reverse management decisions regarding Shannon and Belfast**
  
- ✈ **Board and management are determined to implement the strategy in relation to foreign bases and do not support the proposed resolutions**

# Outlook

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-  **Solid performance in challenging first half**
  
-  **Strong trading performance in July**
  
-  **Performance to July 31 in line with expectation to deliver mid-teen operating profit growth for the full year**
  
-  **August impacted by €3.5 million net cost following threat of strike action**

# Summary | Q&A

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-  **Solid first half performance**
-  **Operated well in challenging markets**
-  **Delivering growth in short haul, long haul and ancillary revenues**
-  **Key focus for H2 2007 is delivering further improvements to cost structure**

# Disclaimer

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## Presentation of Financial Information

This presentation includes certain historical financial information for H1 2007 prepared in accordance with the generally accepted accounting principles in Ireland (“Irish GAAP”) and restated to IFRS.

This presentation also includes adjusted financial information which reflects Aer Lingus’ hedging arrangements. This adjusted financial information is presented under the caption “Underlying”. Aer Lingus has entered into hedging arrangements in relation to its fuel and financing obligations which do not meet the prescribed hedge accounting requirements under IFRS-IAS 39 (Financial Instruments: Recognition and Measurement). To qualify for hedge accounting under IFRS-IAS 39, an entity must formally designate its hedging arrangements as hedges prior to entering into such arrangements and document its risk management strategy in respect of each hedged item. In addition, it must be established that the hedge was highly effective as a hedge of the risk as at each applicable balance sheet date and that there is an expectation that the hedge will continue to be highly effective in the future.

Aer Lingus did not fully satisfy these criteria in respect of its financial derivatives for 2006 and 2007. As a result, changes in the fair value of these arrangements are recognised immediately in the income statement, rather than being originally recorded in shareholders’ equity in the balance sheet each time they are fair valued and subsequently recorded in the income statement in the period in which the hedged item affects the income statement. The impact of Aer Lingus not satisfying these IFRS criteria is that certain gains on fuel and other derivative contracts are recognised in the income statement in earlier accounting periods than they would otherwise be under Irish GAAP.

This presentation separately discloses Aer Lingus’ underlying financial performance for 2006 and 2007 under the caption “Underlying” as if these hedging arrangements had qualified in full for hedge accounting treatment under IFRS-IAS 39 by excluding the impact of fair value gains and losses, measured under IFRS, on such hedging arrangements. Underlying data is relevant to Fuel and oil costs and Other (gains)/losses, net. Underlying data also affects Exceptional items and the taxation impact of the amounts excluded in Aer Lingus’ income statement. Aer Lingus believes that the Underlying data provides investors with additional useful information on underlying trends in its business and operations.

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Aer Lingus 