



## 2006 Full Year Results

13 March, 2007

# Disclaimer

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## Presentation of Financial Information

This presentation includes certain historical financial information for FY 2005 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 2005 and 2006. 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 2005 and 2006 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.

Underlying data may not be comparable with similarly-titled profit measurements reported by other companies. Underlying data is not intended to be a substitute for IFRS measurements of profits.

This presentation includes unaudited operating and financial information in relation to the business of Aer Lingus which is derived from management accounts for the relevant accounting periods presented and/or internal financial reporting systems supporting the preparation of financial statements. The management accounts are prepared using information derived from accounting records used in the preparation of the Group’s historical financial information, but may also include certain other management assumptions and analyses.

# Presentation Overview

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 **2006 | Overview**

 **Financial Review**

 **Commercial and Strategy Update**

 **Business Update & Outlook**



## Overview of 2006

## 2006 | Full Year Highlights

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- ✈ **Successful IPO - Strong balance sheet to support growth objectives**
- ✈ **Strong operating performance in the context of increased fuel costs**
- ✈ **High returns on invested capital of 17.2% – significantly ahead of investment target of 15.0%**
- ✈ **Group revenues +11% to €1.1 billion; passengers +7.3% to 8.6 million**
- ✈ **Higher yields and strong growth in ancillary revenues**
- ✈ **Re-energised Cargo business with +19% revenue growth**
- ✈ **Expanded route network and higher aircraft utilisation**
- ✈ **Continued focus on cost reduction - unit cash operating cost (ex fuel) lower by 3.2%**



## Financial Review

## 2006 | Headline Results (Underlying)

<i>€m, unless stated</i>	2006	2005	Change
Total revenue	1,115.8	1,002.7	+11.3%
EBITDAR costs (ex-fuel)	731.4	676.6	+8.1%
Fuel costs	200.6	138.9	+44.4%
<b>EBITDAR</b>	<b>183.8</b>	<b>187.1</b>	<b>(1.8%)</b>
Operating profit (before profit share)	76.0	81.4	(6.6%)
Pre-tax profit	90.4	91.6	(1.3%)
EPS (cent)	22.2	28.5	(22.1%)
Return on Capital (%)*	17.2	16.1	+1.1pts

\* As measured by EBITDAR/Replacement Value

## 2006 | Headline Operating Information

	2006	2005	Change
Passengers (m)	8.6	8.0	+7.3%
RPKs (bn)	13.4	12.6	+6.4%
ASKs (bn)	17.2	15.4	+11.6%
Load Factor (RPKs per ASK) (%)	77.6	81.4	(3.8%)
Passenger Revenues per RPK	74.7	72.4	+3.2%



## 2006 | Strong Revenue Growth

€m	2006	2005	Change
Passenger Revenue	997.9	909.5	+10%
Ancillary Revenue	63.4	47.3	+34%
Cargo Revenue	49.5	41.6	+19%
Other Revenue	5.0	4.3	+16%
<b>Total Revenue</b>	<b>1,115.8</b>	<b>1,002.7</b>	<b>+11%</b>

***Revenue growth achieved in all business areas***

# 2006 | Passenger Revenue

- ✈ Short haul development focus on Continental routes
- ✈ Long haul business impacted by competition and currency

## Short Haul Network

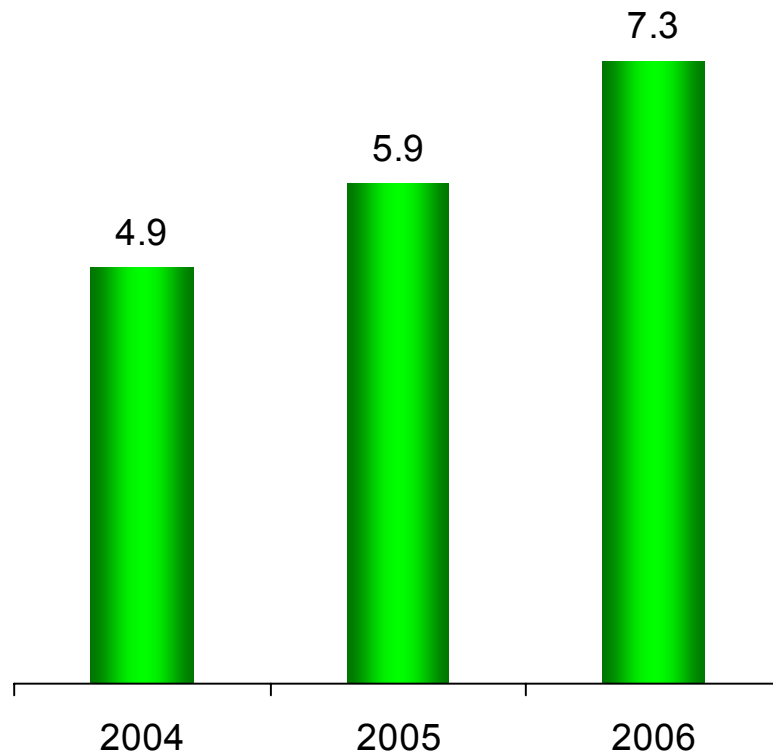
## Long Haul Network

	2006	2005	Change		2006	2005	Change
Passengers (000)	7,513	6,875	+9.3%	Passengers (000)	1,118	1,169	(4.4%)
Revenue (€m)	684	602	+13.6%	Revenue (€m)	313	306	+2.3%
ASKs (m)	9,613	7,973	+20.6%	ASKs (m)	7,613	7,467	+2.0%
Load Factor (%)	75.4	76.9	(1.5%)	Load Factor (%)	80.3	86.1	(5.8%)
Average Fare (€)	91.0	87.6	+3.9%	Average Fare (€)	280.9	262.9	+6.9%
Revenue per RPK	94.3	98.1	(3.9%)	Revenue per RPK	51.2	47.6	+7.6%

## 2006 | Ancillary Revenue

- ✈ Ancillary revenue increased by 34% in 2006 to €63.4m (vs. €47.2m in 2005)
- ✈ Ancillary revenue per passenger increased to €7.35 in 2006

### Ancillary Revenue per Passenger (€)



- ✈ Growth across all areas of ancillary revenue driven by additional service offerings
- ✈ Growth in in-flight sales per passenger resulting from revamp of product offering
- ✈ Substantial growth in commissions relating to car rentals
- ✈ Introduction of bag charges in January 2007 to drive further growth

## 2006 | Cargo Revenues

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

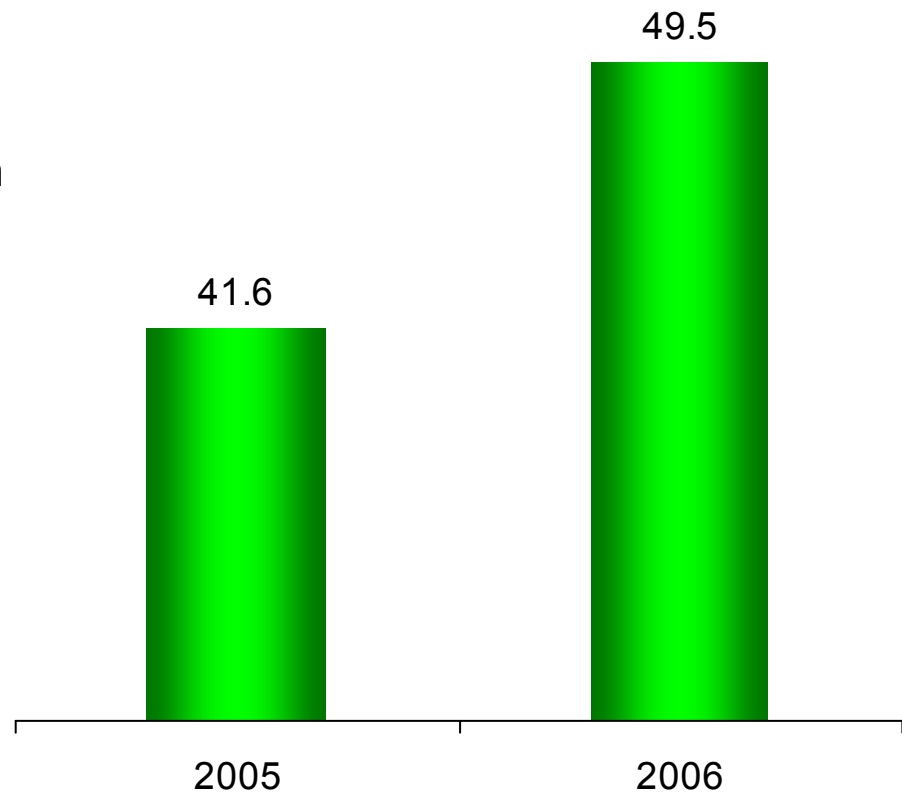
✈ Cargo strategy is focused on managing yield to drive demand

✈ Cargo revenue +19%

✈ Long haul tonnage +22%

### Cargo Revenue (€m)

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## 2006 | Unit Cost Development

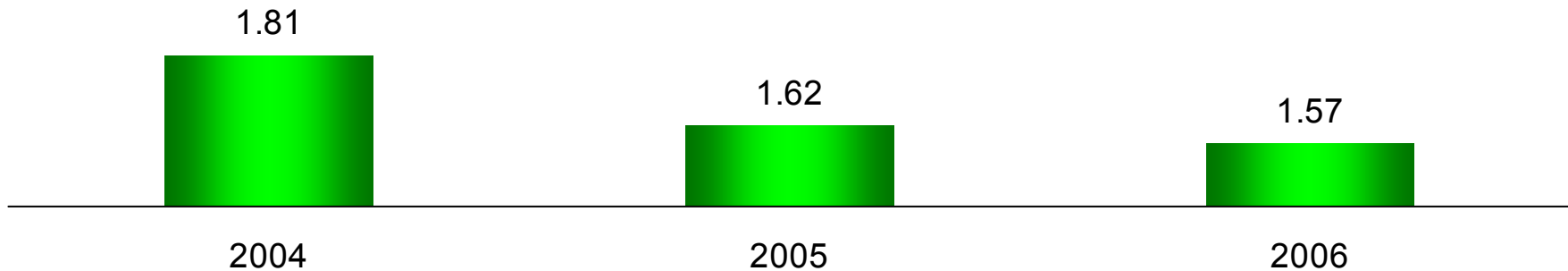
Cost per ASK (€ cents)	2006	2005	Change
Staff	1.57	1.62	(3%)
Airport charges	1.17	1.16	+1%
Ground operations	0.53	0.58	(10%)
Maintenance	0.42	0.49	(14%)
En-route charges	0.29	0.28	+2%
Distribution costs	0.25	0.27	(8%)
Other	0.03	(0.02)	2%
<b>Total Unit Cost (ex-fuel)</b>	<b>4.24</b>	<b>4.38</b>	<b>(3%)</b>
Fuel	1.16	0.90	+29%
<b>Total Unit Cost</b>	<b>5.41</b>	<b>5.28</b>	<b>+2%</b>

***Total Unit Cost (ex-fuel) still falling***

## 2006 | Staff Unit Cost Development

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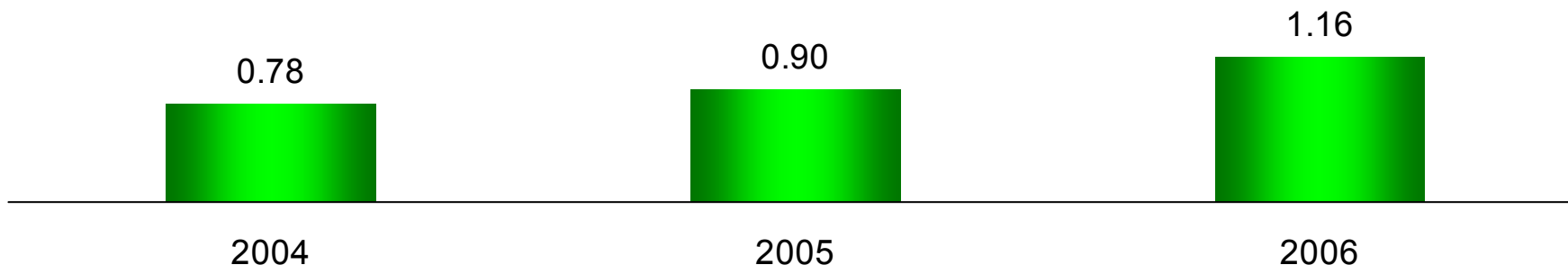
*Staff Unit Cost (Cost per ASK, € cents)*



- ✈ **Further 3% reduction in Staff Unit Cost**
- ✈ **Benefit of improved work practices resulting from negotiations with employees at the time of the IPO - reduced crew complements, “fly-anywhere” agreement**
- ✈ **Efficiencies from increased use of technology to reduce staff costs (FastPass, Web Check-in)**
- ✈ **Continues to be a key area of management focus for 2007**

## 2006 | Fuel Unit Cost Development

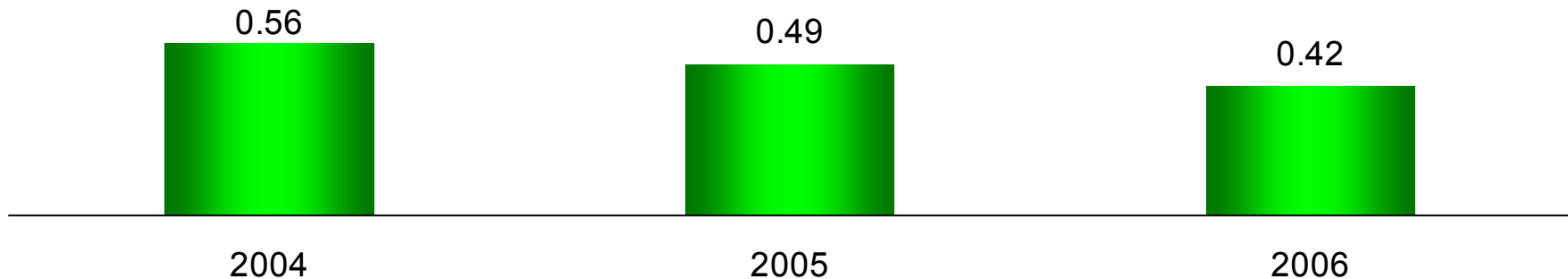
*Fuel Unit Cost (Cost per ASK, € cents)*



- ✈ **Active management of fuel cost in difficult environment**
- ✈ **Fuel represented largest change in operating cost growing €61.7m (44.4%) to €200.6m**
- ✈ **Corresponding 29% increase in Fuel Unit Cost YoY**
- ✈ **Achieved average price of \$53 per barrel in 2006 vs \$38 in 2005**

## 2006 | Maintenance Unit Cost Development

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

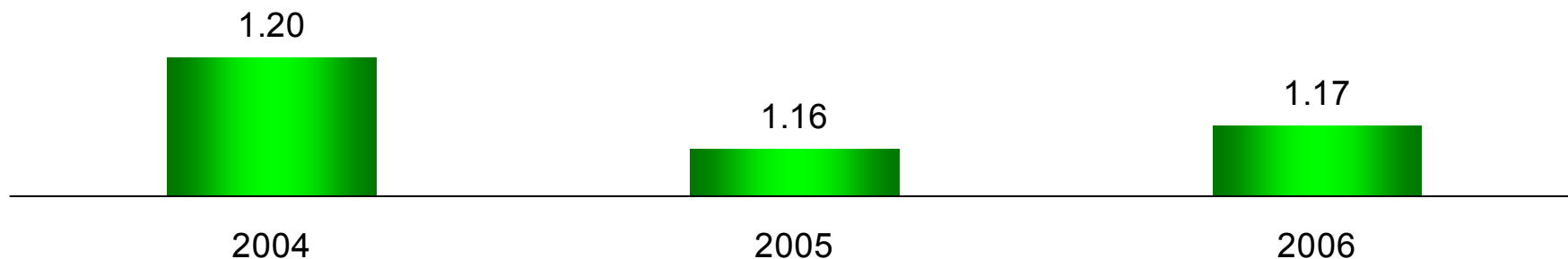


- ✈ Transition to single fleet completed in 2006
- ✈ Maintenance Unit Cost fell 14% in 2006 resulting largely from continued fleet efficiencies and one-off benefit from success in negotiating disputed charges
- ✈ Overall, Maintenance costs fell to €72.6m in 2006 (from €75.3m in 2005)
- ✈ Programme of continuous cost review – current maintenance contract up for renewal in 2008



## 2006 | Airport Charges Unit Cost Development

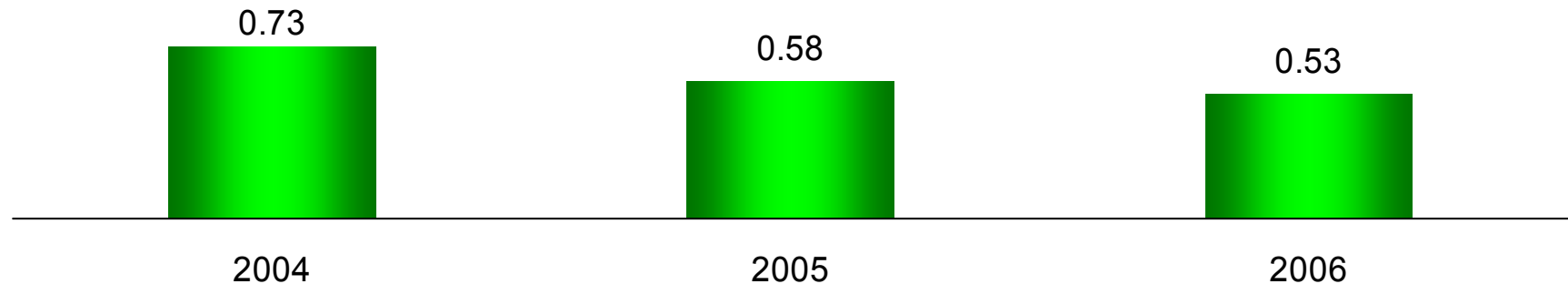
*Airport Charges Unit Cost (Cost per ASK, € cents)*



- ✈ Airport charges unit cost increased as a result of increases in charges at key airports served
- ✈ Airport charges per passenger increased 4.7% from €22.21 in 2005 to €23.26 in 2006
- ✈ Overall, Airport charges increased by €22.0m (€200.7m in 2006 vs. €178.7m in 2005)

## 2006 | Ground Operations & Catering Unit Cost Development

*Ground Operations and Catering Unit Cost (Cost per ASK, € cents)*



- ✈ **Ground Operations, Catering and Other Operating Unit Cost fell 10% in 2006**
- ✈ **Achieved economies of scale from expansion of network and maintaining relatively fixed direct operating costs and overhead costs**
- ✈ **Ground Operations, Catering and Other Operating Unit Cost costs were €90.7m in 2006 (vs. €89.9m in 2005)**

## 2006 | Strong Balance Sheet

<i>€m unless stated</i>	2006	2005	Change
PPE	526.2	508.0	+18.2
Net cash*	769.3	325.2	+444.1
Other net assets	(479.1)	(430.4)	(48.8)
<b>Total net assets</b>	<b>816.3</b>	<b>403.4</b>	<b>+412.9</b>
<b>Shareholders' funds</b>	<b>816.3</b>	<b>403.4</b>	<b>+412.9</b>
<i>Adjusted net debt/(cash)**</i>	<i>(421.8)</i>	<i>(10.9)</i>	

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

\*\* Includes operating leases capitalised at 7x annual charge

✈ Operating cashflow up €65m at €123m

**Strong balance sheet to support growth objectives**

# Fuel Hedging

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**✈ Hedging positions at 28 February 2007 for the full year:**

	<b>4 Months to 30 Jun 2007</b>	<b>6 Months to 31 Dec 2007</b>
% Hedged	92%	31%
Average Price	\$64/barrel	\$60/barrel

**✈ Based on hedges in place and average forward rates for the rest of year expect average price of \$64 per barrel in 2007 vs \$53 in 2006**

**✈ Total Fuel cost estimate for 2007 of \$335m (2006: \$251m)**

## 2006 | Summary

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- ✈ Strong underlying performance in difficult environment
- ✈ Significant impact on reported results of IFRS/hedging and one-off exceptional items
- ✈ Strong balance sheet to advance growth objectives

€m	2006	2005	Change
Total revenue	1,115.8	1,002.7	+11.3%
EBITDAR	183.8	187.1	(1.8%)
Operating profit (before exceptionals)	76.0	81.4	(6.6%)
Adj. Net Debt/(cash)	(421.8)	(10.9)	

# Select Departure Date

## From Dublin to Amsterdam

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
	25 Apr €119	26 Apr €24	27 Apr €99	28 Apr €79	29 Apr €79	30 Apr €34
01 May €24	02 May €14	03 May €14	04 May €69	05 May €109		

Continue >>

No flight on this day  Sold out

<< Start Again

### Taxes, Fees and Charges

To/From USA: Fares shown exclude taxes, fees and charges of approx \$125/?107 based on roundtrip travel.  
Prices exclude \$2.50 September 11th security fee for flights departing USA.

Price Guarantee: Availability or price is not guaranteed until you receive a booking confirmation.

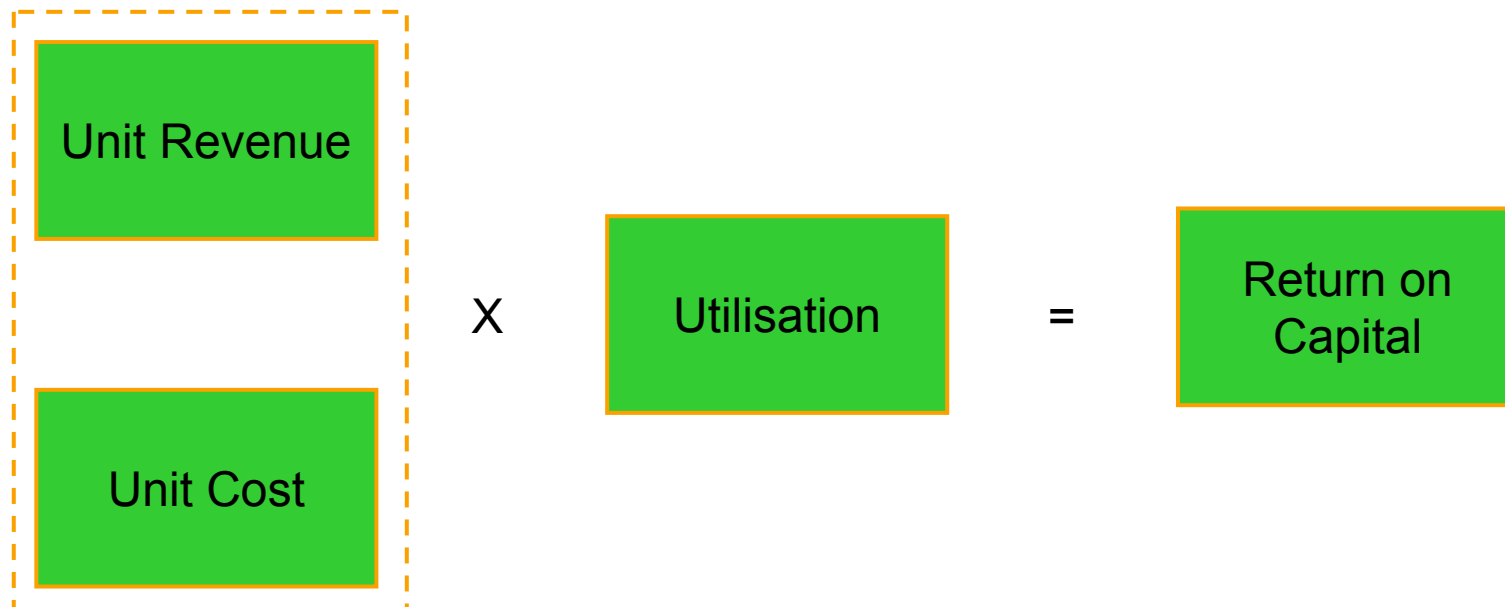
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# Commercial and Strategy Update





# Our Business Model is Returns-focused

- ✈ Business Model focused on maximizing Unit Profitability in conjunction with maximizing asset Utilisation to drive returns



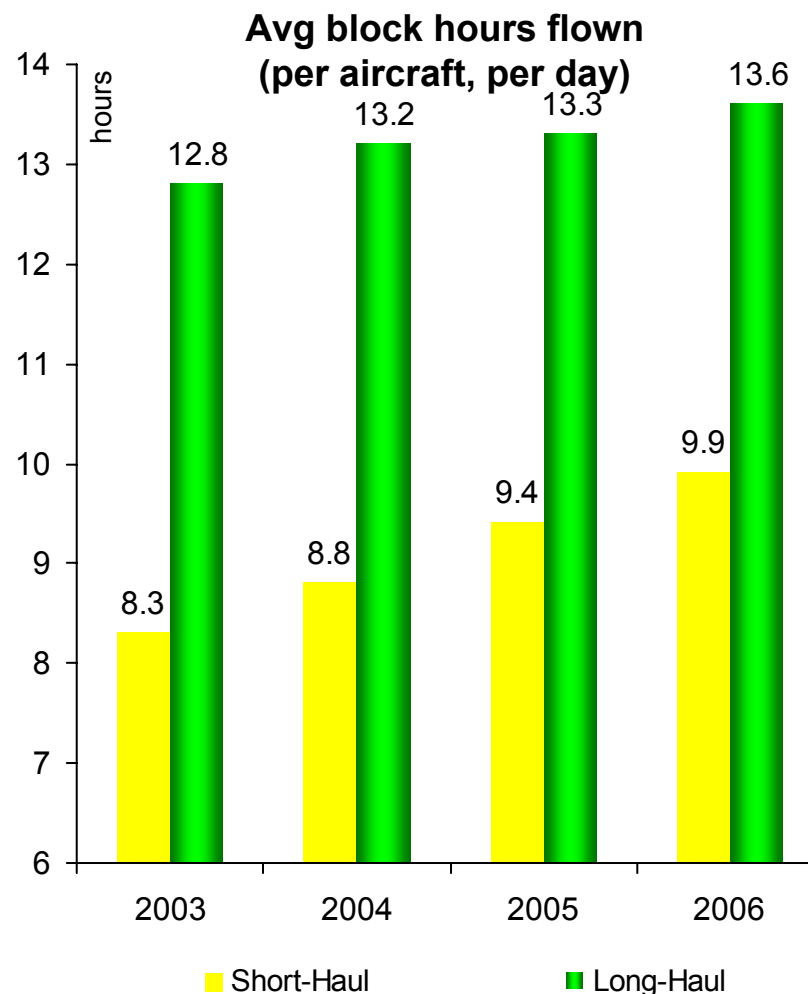
# Continued Achievements in Maximising Utilisation

## Key Utilisation Initiatives

-  Increased length of operating day through effective route planning
-  Operate long haul aircraft on key European routes to increase usage
-  Increased efficiencies on turnarounds
-  Improved maintenance intervals

	2005	2006
First Departure	06.20hrs	06.10hrs
Last Arrival	23.40hrs	01.10hrs
<b>Operating Day</b>	<b>17hrs20m</b>	<b>19hrs40m</b>

## Aircraft Utilisation





## 2006 | Commercial Highlights

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- ✈ [aerlingus.com](http://aerlingus.com) sales accounted for 73% of bookings – up from 71% in 2005
- ✈ Dynamic Packaging live in October resulting in 20% increase in car hire bookings
- ✈ 8 language internet site versions now available - Polish and Portuguese languages launched on website in April
- ✈ Premier Seat Fee introduced for A330 operations to Nice and Malaga
- ✈ Seat selection launched successfully in December - usage in December was 38% of all booked PNRs on the Web. Design build to support seat fee capability in 2007
- ✈ Fees for (checked) bags introduced in December. 60% of customer prepaying for checked bags online
- ✈ Web Check-in launched in November
- ✈ FastPass extended to Shannon airport. At Dublin all machines were re positioned to enable greater accessibility to customers and to minimize queuing

# Network Selection, Development and Enhancement

## 2001 | Short-Haul Point-to-Point



## 2006 | Short-Haul Point-to-Point



	2006	2001	Change
Routes	74	31	+ 43
Aircraft types	1	4	(3)

# Demand Led Route Selection

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## Scope

- 12 new short haul routes commenced
- 1<sup>st</sup> non-US Long Haul route launched to Dubai

## Density

- Increase of 58 to 1,128 weekly departures
- Additional frequency introduced on 18 routes

## Innovation

- Additional capacity to Malaga and Nice provided by A330 aircraft

## **Update on Routes Launched in 2006 / 2007**

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- ✈ Return on Capital criteria for assessment of entry on all new routes and for increasing route frequencies**
- ✈ Focus for 2006 was on building schedule, establishing key new profitable routes in Continental Europe**
- ✈ Dubai as first eastward long haul route was a key milestone**
- ✈ Focus for 2007 is on building frequency on existing key Continental routes and establishing a selection of attractive new Continental routes (Santiago, Vilnius, Athens)**

# Update on Fleet Strategy / Orders

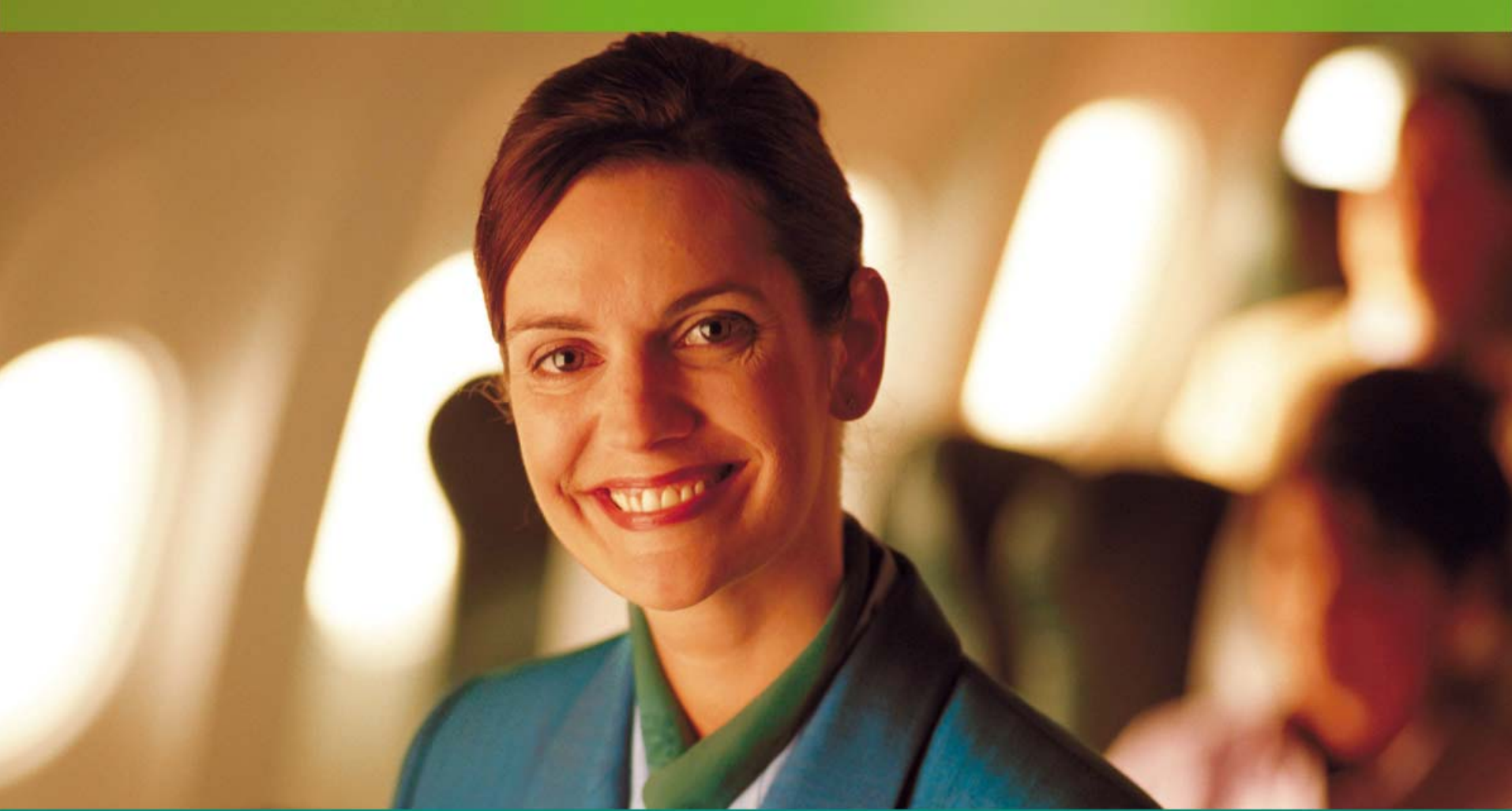
- ✈ Two A320s entered service in 2006
- ✈ Orders for two A330 & four A320 aircraft during 2006 for delivery in 2007 – A320s will comprise two operating leases and two owned

- ✈ Fleet following

2007 deliveries

Long haul	9 x A330s
Short haul	26 x A320s 6 x A321s

- ✈ Objective to double long haul fleet & increase short haul fleet by 50%
- ✈ Proposals received from Boeing and Airbus for long haul fleet with final decision expected in Q2



# Outlook



# Delivering Profitable Growth

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- ✈ **Enhanced route network and further improvements in utilization will continue to drive revenue growth**
- ✈ **Ancillary revenue initiatives will continue to deliver strong performance**
- ✈ **Bilateral agreements with BA and AA to replace OneWorld membership**
- ✈ **Industry-first partnership with JetBlue to deliver further growth**
- ✈ **Strong balance sheet to advance growth objectives**
- ✈ **New momentum on Open Skies**

## PCI-07 | Update

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- ✈ Unit costs significantly reduced since 2001 and this continued into 2006**
- ✈ Programme for Continuous Improvement 2007 (PCI-07) is aimed at achieving further significant unit cost reductions across a range of areas (including staff cost, airport handling, fuel usage and maintenance)**
- ✈ Irish Labour Court has endorsed the need for Aer Lingus to reduce staff costs**
- ✈ Certain elements of PCI-07 require further negotiation at this time**
- ✈ There is now considerable momentum behind the process which we estimate will deliver potential cost savings of €20 million in staff costs in the first full year (2008)**
- ✈ IR restrictions on opening overseas bases have now been removed**



# Open Skies | Update

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- ✈ New momentum on Open Skies**
- ✈ Expansion into new US cities will represent significant opportunities for profitable growth and increased shareholder value for the airline and all of its stakeholders**
- ✈ Two additional A330 long haul aircraft will be delivered in May and June 2007**
- ✈ This provides us with the potential to open new US routes in Winter 2007**

# Current Trading and 2007 Outlook

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- ✈ **Continued focus on delivering profitable network development with a 14.6% growth in ASKs (19% long haul / 11% short haul)**
- ✈ **Current trading in line with expectations**
- ✈ **Indications from the first quarter for the full year are for solid traffic growth but with some pressure on yields**
- ✈ **Ancillary revenue is expected to continue to grow ahead of passenger numbers**
- ✈ **Clarity on Open Skies will support long haul growth strategy**
- ✈ **Outlook for Operating Profit for the year is in line with market expectations at the time of the IPO**

# Summary

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-  **Delivered on guidance, achieved high returns on invested capital**
-  **Operated well in challenging markets**
-  **Continued to reduce unit cost in 2006**
-  **Key focus for 2007 is on delivering further improvements to cost structure**
-  **Network expansion continues**
-  **Fleet strategy progressing**
-  **Momentum on Open Skies**

# Q&A

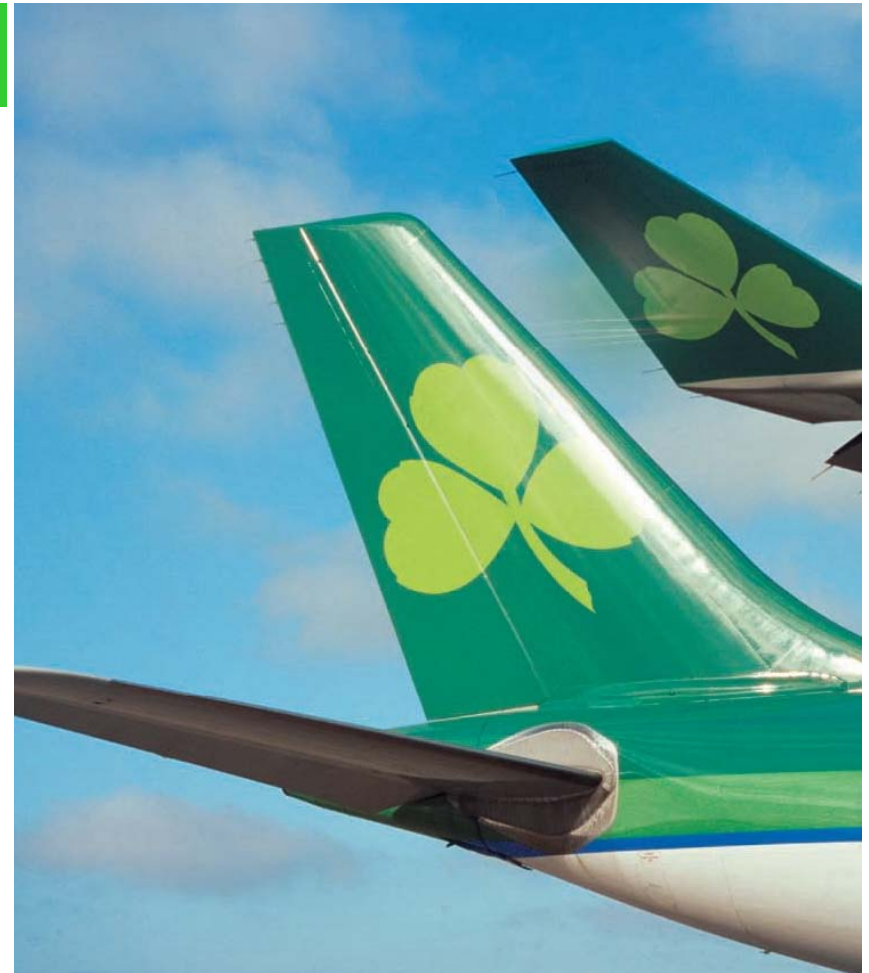
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## 2007 IR Calendar

**Annual General Meeting**      **May, 2007**

**2007 H1 Period end**      **30 June, 2007**  
*Closed Period begins*

**2007 H1 Results**      **August, 2007**



Aer Lingus 