RYANAIR.COM
THE LOW FARES AIRLINE

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Engineering:	01 8121338
Reservations:	01 6097902

JK/10066

1st November, 2011

The Board of Directors
Aer Lingus Group plc
Head Office
Dublin Airport
Co Dublin

Notice of Requisition of EGM of Aer Lingus Group plc ("the Company")

Dear Sirs,

We refer to our previous correspondence and are disappointed that you have again failed to engage with a 29.8% shareholder in a reasonable or meaningful manner in relation to our legitimate concerns.

Accordingly, and in accordance with Article 55 of the Articles of Association of the Company and S.132 of the Companies Act 1963 (the "Act"), we hereby requisition an Extraordinary General Meeting of the Company to consider, and if thought fit, pass the following resolutions as ordinary resolutions;

1. That the shareholders of the Company request its Board of Directors (the "Board") to immediately circulate to shareholders the Deloitte/McCann Fitzgerald report into the "leave and return" redundancy scheme which caused the Company to pay an approx. €30m penalty to the Revenue from shareholders funds, in early 2011, at a time when the Airline had reported a PBT of just €33m for 2010;

2. That the shareholders of the Company request the Board to confirm their unequivocal support for the CEO and CFO's recent statements to shareholders that the Company has no obligation to, and will not, make any additional payments to its defined contribution pension schemes, and furthermore that no such additional payments will be made without prior shareholder approval.

Please confirm in writing that you will convene the said meeting within 21 days of today's date in accordance with the Articles of Association of the Company and the Act.

Yours sincerely

pp Jenny Lynch

Juliusz Komorek
Company Secretary - Ryanair

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Ab/MOL/10083

31st October, 2011

Mr Colm Barrington
Chairman
Aer Lingus plc
Dublin Airport
Co Dublin

Dear Colm,

I refer to your letter dated 20th October.

We regret your failure/refusal to respond positively to the three simple proposals which Ryanair believes - and many analysts agree - will immediately/significantly enhance shareholder value, assist the Government's plan to sell its 25% stake, and facilitate Ryanair's stated aim of either working with, or disposing of our shareholding to, that new shareholder (subject to agreement on price and improving shareholder value).

1. **The "cover up" of the Deloitte/McCann Fitzgerald report.**
It is unacceptable that the Board of Aer Lingus has failed to circulate to shareholders the independent Report into the €30m Revenue penalty paid by Aer Lingus in March 2011, as a result of your failed "leave and rehire" redundancy scheme. The fact that this penalty equates to some 90% of Aer Lingus' 2010 profit before tax (of €33m) illustrates the staggering magnitude of this debacle. Your attempt to "cover up" this report, which was paid for from shareholders funds is sadly reminiscent of the failed culture of corporate secrecy and cover ups among other Irish Plc's such as Anglo Irish Bank in recent years. The fact that Mr Sean Fitzpatrick was the Aer Lingus Senior Independent Director in 2008, when this "leave and rehire" deal was agreed with the previous Fianna Fail led government is no excuse for this lack of transparency or this continuing cover up. Please now confirm that shareholders will be circulated with the Deloitte/McCann Fitzgerald Report, which was paid for from shareholder funds, without further delay. Aer Lingus shareholders are entitled to full transparency into why the Revenue purportedly determined that this "leave and rehire" scheme was an abuse of the tax code.

2. **Payment of special dividend of €0.20 (approx €110m).**
We welcome your confirmation that Aer Lingus has *"improved our cash position to over €900m"*. These excessive cash reserves and the deferral of further aircraft deliveries until at least 2018, clearly enables your Board to seek the views of shareholders about a special dividend of €0.20 per share, which would significantly improve your lamentable share price of some €0.70. When over the last 12 months your Board has gifted some €27m to the ESOT (to pay off its bank debts), and approved a further €30m Revenue penalty (to pay off the tax liabilities of individual employees under the failed *"leave and rehire"* scheme), it is unreasonable to refuse to consult with shareholders on the possibility of a special dividend of less than 12% of your current cash reserves. Like other shareholders, Ryanair is concerned

that your Board will again destroy shareholder value by allowing the company's cash reserves to be treated as a piggy bank by the vested interests of your trade unions/employee groups, to be raided again to fund the claimed deficit on the company's pension schemes (see below). Please now confirm that your Board will now consult with all shareholders on the proposal to pay a special dividend of €0.20 to boost Aer Lingus' shareprice and shareholder value.

3. **No further contributions to the company's DC pension schemes – without prior shareholder approval.**
Your failure to confirm your Board's unequivocal support for the CEO's and CFO's recent statements (at the London Investor Conference) that:

   a. *"Aer Lingus will not make any further contribution to the pension scheme above the current DC rate of 6.375%"* – **Mr McFarland**

   b. *"Aer Lingus will have to seek shareholder approval for any changes to the Aer Lingus pension scheme"*. – **Mr Mueller**

Since these public assurances to shareholders simply reflect the legally binding representations made to shareholders in the Aer Lingus 2006 IPO prospectus, and in each subsequent annual report, your silence on this issue is of grave concern to Ryanair and other shareholders. When a recent analyst report (Merrion Stockbrokers – 13th Oct 2011) suggested that a definitive refusal by Aer Lingus to make any further contributions to its DC pension schemes would increase your current shareprice to over €1.00, your failure/refusal to take action on this issue is as inexplicable as it is unacceptable. Given your Board's previous failures (and misuse of shareholder funds) in the €27m gift to the ESOT and €30m leave and rehire penalty, we remain deeply concerned that your Board will again raid shareholder funds when confronted by the vested interests of your trade unions/employee groups.

We regret your continuing cover up of the Deloitte/McCann Fitgerald Report, your refusal to canvas the views of shareholders on a modest special dividend and your repeated failure to confirm that your Board will comply with the IPO prospectus assurances that Aer Lingus has no further obligations to its DC pension schemes. Sadly, you leave us with no alternative but to requisition an Extraordinary General Meeting of the company to allow shareholders to discuss these issues and determine whether there is majority support for Ryanair's view that shareholder value can be significantly increased if your Board would only act on these issues, instead of continuing to avoid them.

You will receive an EGM Requisition Notice under separate cover and we would appreciate an early and positive response.

Yours sincerely

Michael O'Leary
Chief Executive

merrion
STOCKBROKERS

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Reuters AERL.I / Bloomberg AERL ID

Aer Lingus

Rating	Target Price
Buy	€1.10

Date 13th October 2011 | IRELAND | Airlines

Aer Lingus – Solving the pension deficit to drive rerating

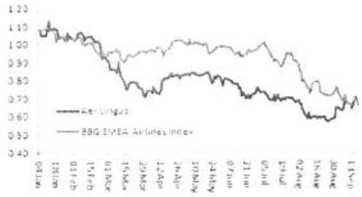
Solving the IASS pension deficit (€500m) is the key issue for Aer Lingus and could trigger a rerating if successful. From speaking to management, trade unions and actuaries, we consider that Aer Lingus has a strong legal position but some form of burden sharing may be necessary to avoid costly industrial action. Management is looking to solve the issue by year end. If, as part of an overall solution, Aer Lingus made a €100m contribution and the stock subsequently rerated in line with European peers, the share price upside would be 33%.

Market Cap	Current Price
EUR 339m	€0.64

YTD Abs. Perf	-41%
Shares Outstanding (m)	529.6
52 Week High/Low	€1.18/€0.52

Year End Dec-31	Sales (EURm)	EBIT (m)	EBIT margin	Adj Net profit (m)	Adj EPS	P/E	EV/ Sales	EV/ EBITDAR	EV/ EBIT	P/BV
2009	1206	-81	-6.7%	-53	-0.10	NM	0.4	11.4	NM	0.53
2010	1216	58	4.7%	81	0.15	6.7	0.5	4.0	13.5	0.67
2011e	1283	33	2.5%	38	0.07	9.0	0.2	3.4	16.3	0.42
2012E	1333	50	3.8%	57	0.11	5.9	0.1	2.4	8.4	0.39
2013E	1393	83	5.9%	80	0.15	4.2	0.1	1.5	3.8	0.36

Source: Merrion estimates



Source: Bloomberg

The law stands on Aer Lingus' side

Under the terms of the pension trust deed, Aer Lingus' contribution rate is fixed regardless of the funding position, hence its DC classification. The IPO prospectus states that there is no provision under Irish law that could alter this case. In 2007, Aer Lingus injected €104m of IPO proceeds into two Supplemental Funds, which saw employees once again accept this principle. Pilots at Aer Lingus have resolved the deficit on the separate Pilots Scheme, without the company making any additional contribution. To a large extent, Aer Lingus management is constrained by shareholders such as Ryanair (30%) that insist no additional contributions are made. Aer Lingus will therefore require the agreement from a large majority of other shareholders to approve any deal.

But the unions have leverage

Aer Lingus employees have already accepted wage cuts (10%). Accepting a large pension cut or paying in more contributions on top of this would be unpalatable for many. Industrial action such as work to rule or strikes, possibly coordinated with DAA employees, would hit Aer Lingus and Ryanair. We estimate a month long strike would cost Aer Lingus circa €30m. However, if members do not compromise, the IASS could be wound up. Pensioners would then be prioritised and active employees could see their benefits halved.

Solving the issue would drive a rerating

With Aer Lingus trading on a 34% discount to European peers, we estimate the market is pricing in a scenario of Aer Lingus assuming €275m of the deficit. We consider such a scenario as unlikely. Factoring in a lower level of pensionable salary increases would significantly reduce the deficit (Merrion est. €140m), as was the case with Eircom and Bank of Ireland. Other measures such as coordination (linking to State pensions), benefit cuts and cross funding from the Supplemental Funds could reduce the deficit further (€194m). The companies could close out the gap with a contribution of €166m, one third of the deficit. Assuming Aer Lingus contributed €100m for example and the stock subsequently rerated to the European average for flag carriers (P/BV of 0.64x), the upside would be 33%. If it rerated to a P/BV of 0.85x (vs mid cycle of 1.2x for flag carriers) and to our new target price level of 110c (vs 106c previously) the upside would be 72%.

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RYANAIR CALLS FOR AER LINGUS EGM TO END BOARD'S "COVER UP" OF DELOITTE/MCCANN FITZGERALD REPORT AND TO END PENSION SCHEME UNCERTAINTY

Ryanair, a 29% shareholder in Aer Lingus Group plc (Aer Lingus) today (2nd Nov'2011) submitted a requisition notice to Aer Lingus calling for an early EGM of Aer Lingus - to be convened within 3 weeks - so that Aer Lingus shareholders may discuss and vote upon two motions which Ryanair, and other analysts, believe will significantly improve shareholder value as follows:

1. Calling on Aer Lingus to publish the Deloitte/McCann Fitzgerald Report – which Aer Lingus has so far covered up – into how Aer Lingus implemented a "leave and rehire" redundancy scheme in 2008, only to pay a €30m penalty to the Irish Revenue in 2011, to pay tax liabilities of those Aer Lingus employees who received substantial redundancy payments under this failed "leave and rehire" scheme. Aer Lingus' Chairman, Colm Barrington refused to answer questions on this issue at its 2011 AGM, but now that the Board has received this Report into who was responsible for negotiating, advising on and implementing this scheme, and who was responsible for paying this €30m penalty (when Aer Lingus' pre tax profit was just €33m). Ryanair believes this Report should be circulated to shareholders, and those individuals on the Board and in Senior Management responsible for the squandering of €30m of shareholder funds on this failed scheme, should be identified and held to account. This Aer Lingus "cover up" is sadly typical of the poor standards of openness and transparency among some Irish listed companies, and the lack of oversight by Irish Regulators, which has led to so many Irish corporate failures in recent years.

2. Calling on Aer Lingus to unequivocally state that it will not make any further contributions to its employee pension schemes (which had a deficit of "significantly more than €400m to €500m at March 2011") because Aer Lingus' IPO prospectus in 2006 assured investors that Aer Lingus' pension schemes were defined contribution only and so Aer Lingus has no liability for such deficits. Ryanair remains concerned that recent multi-million payments by Aer Lingus to pay off the ESOT's bank debts of some €27m in December 2010, and to fund employee tax liabilities via the €30m Revenue penalty in March 2011, are indicative of Aer Lingus' feeble approach when responding to the vested interests of some of its trade union/employee groups, and their policy of treating Aer Lingus' cash reserves as a piggy bank for employee/trade union benefits.

3. Ryanair has called on Aer Lingus to consider the payment of a special dividend of €110m from its over €900m current cash reserves, but in order to avoid any accusation of self interest, Ryanair has not tabled any dividend motion in its EGM requisition. However, Ryanair and other analysts will continue to call for a modest dividend from Aer Lingus' €900m cash reserves.

Since Ryanair holds more than 10% of the share capital of Aer Lingus, it is entitled under Irish company law to requisition an EGM. We trust, given the recent shortcomings in Irish corporate governance including the collapse of Anglo Irish Bank Plc (whose former CEO and Chairman, Mr Sean Fitzpatrick, was for many years Aer Lingus' Senior Independent Director), that the Irish Regulator and the Irish Stock Exchange will ensure that Aer Lingus complies with Irish Company Law and Stock Exchange regulations and facilitates Ryanair's EGM request, so that Aer Lingus shareholders may consider these two motions which Ryanair believes – and many analysts agree – will significantly enhance Aer Lingus shareholder value.

Ryanair's Michael O'Leary said:

"Given the failure of Irish regulation and governance in recent years, including the scandalous cover ups of governance and regulatory failures within Anglo Irish Bank, we trust that Aer Lingus will now comply with Irish Company Law and Irish Stock Exchange rules and consent to Ryanair's EGM request.

"The cover up by Aer Lingus of a Report into a €30m Revenue penalty which equates to over 90% of Aer Lingus' €33m pre-tax profits in 2010, and the repeated failure of Aer Lingus to assure shareholders that it will not make any further pension contributions to its Defined Contribution pensions schemes (as detailed in legally binding terms in Aer Lingus' 2006 IPO prospectus) is unacceptable and would not be tolerated by any other independent Stock Exchange or effective regulatory environment other than Ireland.

"Since the Irish Stock Exchange and the Irish Financial Regulator have failed to take any action to defend shareholders interests, Ryanair has been compelled to requisition this EGM and see if there is majority support among Aer Lingus shareholders to procure the publication of the covered up Deloitte/McCann Fitzgerald Report and to finally end any further possibility of Aer Lingus making additional contributions to what shareholders have been assured are defined contribution pension schemes. Recent stockbroker analysis suggests that clarifying these issues could result in Aer Lingus' shareprice rising from some €0.70 now, to over €1.00."

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