

Aer Lingus Group plc

ISE: EIL1

LSE: AERL

Interim Management Statement

Dublin and London, 4th May 2010: Aer Lingus Group plc (“Aer Lingus” or the “Group”) today issues an un-audited interim management statement for the period from 1 January 2010 to 31 March 2010, representing the first three months of the Group’s financial year.

Performance Overview – January to March 2010

- Total revenues for Q1 2010 decreased by 1.8%.
- Operating loss for Q1 2010 was €37.8m compared to €74.8m for Q1 2009.
- Average fare per passenger from short haul and long haul operations increased by 3.0% and 12.4%, respectively.
- Gross cash balances increased by €90.4m since 31 December 2009 to €918.9m.
- The “Greenfield” Cost Reduction Programme is now underway following a 74% positive staff ballot supporting the proposals.
- Enhancement of the Aer Lingus network through the extended code-share agreement with United Airlines and the launch of the Aer Lingus Regional franchise.

€m (un-audited)	Quarter Ended 31 st March ¹		
	2010	2009	Change ²
Revenue			
- Fare Revenue	181.3	186.2	(2.6%)
- Ancillary Revenue	38.6	37.8	2.1%
Total Passenger Revenue	219.9	224.0	(1.8%)
Cargo Revenue	9.0	8.6	4.3%
Other Revenue	1.1	1.5	(28.1%)
Total Revenue	230.0	234.1	(1.8%)
Fuel Costs	54.9	95.6	42.6%
Staff Costs	67.3	73.5	8.4%
Other Operating Costs	145.7	139.8	(4.2%)
Total Operating Costs	267.9	308.9	13.3%
Operating Loss before net exceptional items	(37.8)	(74.8)	49.4%
Net Finance Income	1.6	6.9	(76.7%)
Net Exceptional Items	-	-	-
Loss Before Tax	(36.2)	(67.9)	46.7%
EBITDAR ³	(3.9)	(42.2)	90.7%
Gross Cash	918.9	1,160.6	(20.8%)
Debt	514.5	566.9	9.2%

¹ The above financial results have not been audited or reviewed by our auditors.

² Sign convention: favourable / (adverse)

³ Earnings Before Interest, Tax, Depreciation, Amortisation & Aircraft Operating Lease Rental

CEO Performance Review & Outlook

Christoph Mueller, Aer Lingus' CEO said:

"Our Q1 2010 operating result represents a significant improvement over the corresponding period in 2009. We have also achieved meaningful progress on several of the key strategic objectives set out at our Investor Day in January:

- We have adopted a disciplined approach to yield management, which has arrested the decline in average fare per passenger that we experienced in 2009.*
- We enhanced our network with the launch of our extended code-share with United Airlines and the Aer Lingus Regional franchise in March.*
- The Greenfield programme is now underway and staff savings with an annual value of €18m have already been achieved.*

While we are very encouraged by first quarter trading, it is nonetheless appropriate to remain cautious on full year 2010 performance".

Conference Call Details

The Aer Lingus management team will host a conference call for institutional investors and analysts at 8.30am on 4 May 2010. Dial in details are:

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Further Enquiries

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Introduction

In Q1 2010, Aer Lingus continued its approach (started in Autumn 2009) of targeting yield per passenger ahead of load factor maximisation and reducing capacity to better match demand. Despite a 10.3% reduction in capacity compared to prior year, quarterly revenues declined by just 1.8%.

Operating costs fell by 13.3% resulting in an operating loss of €37.8 million for the first three months of 2010. This compares to the operating loss of €74.8 million in Q1 2009.

Revenue

In Q1 2010, the Group maintained its disciplined approach to yield maximisation on both short and long haul routes. This resulted in an improvement in both long and short haul average fares per passenger with long haul particularly strong. However, average fare for the company overall increased by only 0.6% as a result of the higher proportion of short haul flying in Q1 2010.

Short Haul Passenger Revenues

Short haul passenger revenue increased by 2.6% to €137.1 million. The average fare earned on short haul routes increased by 3.0% while short haul passenger volumes declined by 0.4%.

Short haul load factor in Q1 2010 declined by 1.8 points despite a 4.9% increase in short haul capacity attributable to the establishment of the London Gatwick base in Q2 2009. In response to losses at Gatwick, the Group commenced a reduction in the scale of its activities there in mid-March 2010.

Long Haul Passenger Revenues

Long haul revenues for the first three months of 2010 declined by 15.8% to €44.2 million compared to the corresponding period in 2009. This reduction is attributable to a 25% fall in long haul passenger volumes reflecting in part the cancellation of the Dublin to San Francisco and Washington DC services and frequency changes on continuing routes.

The Group achieved an increase in long haul load factor from 67.1% in Q1 2009 to 70.9% in Q1 2010. In addition, average fare per long haul passenger increased by 12.4% compared to the prior year. There are early indications of improvement in business class demand.

Ancillary Revenue

Ancillary revenues continued to perform strongly. The Group achieved a 5.4% increase in ancillary spend per passenger to €19.13 compared to €18.15 in Q1 2009.

Operating Expenses

Total operating expenses were down 13.3% on Q1 2009. This reflects lower staff and fuel costs as well as lower volume related costs (e.g. airport charges and distribution costs).

Fuel costs in Q1 2010 decreased by 42.6% compared to Q1 2009 due to a combination of lower fuel prices and lower flight activity than prior year. The average fuel cost per metric tonne (excluding intoplane costs) for the quarter was US\$739 compared to US\$1,133 in Q1 2009.

Staff costs in Q1 2010 declined by 8.4%. This reduction reflects the positive impact of previous cost saving initiatives implemented by the Group as well as €2.8 million of in-quarter savings achieved under the Greenfield programme.

The increase in other operating costs includes a higher depreciation charge due to additions to the owned fleet.

Fuel and Currency Hedging

As at 27 April 2010, 77% of estimated remaining 2010 fuel requirements are hedged at US\$762 per metric tonne. 31% of 2011 estimated fuel requirements are hedged at US\$779 per metric tonne.

94% of the estimated US\$ trading requirement for the rest of 2010 is hedged at US\$1.48. For 2011, 64% of the Group's estimated US\$ trading requirement is hedged at US\$1.42.

74% of Aer Lingus' estimated Sterling trading surplus for the rest of 2010 and 32% of the estimated 2011 Sterling surplus is hedged at Stg£0.90.

Financial Position

Since the end of 2009, the Group's gross cash position has increased by €90.4 million to €918.9 million at the end of March 2010. This reflects seasonal operating cash inflows as passengers book and pay for flights in advance of the summer holiday period and positive foreign exchange movements, which were partly offset by a scheduled debt repayment of €11.8 million.

Aer Lingus' debt increased since the end of 2009 – from €492.6 million at 31 December 2009 to €514.5 million at the end of March. This increase is almost entirely due to the impact of currency movements partly offset by the debt repayment noted above. In April, the Group finance leased a new A330, which added €58.5 million to debt.

Greenfield Cost Reduction Programme Progress

€m	In-Qtr Benefit of Savings Achieved in Q1 2010	Annualised Value of Savings in Q1 2010
Staff Savings	2.8	18.2

The Group has achieved €2.8 million of savings under the Greenfield programme in Q1 2010. These savings relate primarily to pay reductions, which were effective from 1 March 2010 and headcount reductions.

Since the announcement of full year 2009 results on 30 March, the implementation of some staff cost savings has been impacted by disruptions to operations caused by the Icelandic volcano. We are also waiting for an LRC determination on certain detailed work rules that affect cabin crew productivity and rostering.

There is a risk that these delays may reduce the in-year benefit of staff savings targeted at €40m by approximately €5m. We will seek compensatory savings elsewhere. These delays will not affect the annual value of staff savings of €50m targeted by the end of 2010. Non-staff savings remain on track.

2010 Outlook

While the trading environment remains challenging, early indications on Q2 revenues are positive. Short haul bookings for Q2 are broadly equivalent to prior year but are being achieved at higher yields. The Group's long haul bookings are currently performing ahead of prior year both in terms of load factor and yields.

The United Airlines extended code share and the Aer Lingus Regional franchise commenced flights on 28th March and are performing in line with expectations.

The Group's financial performance for Q2 2010 will be significantly impacted by recent airspace closures caused by the Icelandic volcanic eruption and our initial estimate of the cash cost is approximately €20m. However, the final cost will depend on the actual level of customer claims.

We have limited visibility over the booking profile for H2 2010 and our key markets remain subdued. It is also uncertain whether the recent Icelandic volcanic eruptions will have a longer term impact on passenger travel plans. While we are very encouraged by first quarter trading, it is nonetheless appropriate to remain cautious on full year 2010 performance.

Appendix

Aer Lingus Operating Metrics – January to March 2010

	First Quarter (Un-audited)		
	2010	2009	Change %
Passengers (Thousands) *			
Short haul	1,846.6	1,854.8	(0.4%)
Long haul	172.7	230.3	(25.0%)
Total	2,019.3	2,085.1	(3.2%)
Revenue Passenger Kilometres (RPKs, Millions) *			
Short haul	1,921.5	1,879.3	2.2%
Long haul	914.4	1,268.7	(27.9%)
Total	2,835.9	3,148.0	(9.9%)
Available Seat Kilometres (ASKs, Millions) *			
Short haul	2,813.5	2,681.9	4.9%
Long haul	1,289.7	1,890.5	(31.8%)
Total	4,103.1	4,572.4	(10.3%)
Passenger Load Factor (%) *			
			% Points
Short haul	68.3%	70.1%	(1.8)
Long haul	70.9%	67.1%	3.8
Total	69.1%	68.8%	0.3
Average Fare per Passenger *			
Short haul (€)	74.27	72.09	3.0%
Long haul (€)	255.95	227.82	12.4%
Total	89.80	89.29	0.6%
Ancillary Revenue per Passenger (€) *	19.13	18.15	5.4%

* Based on flown passenger numbers

The above metrics exclude the United Airlines extended code-share and the Aer Lingus Regional franchise. Both these ventures commenced operation on 28th March 2010 and have had an immaterial impact on Q1 2010 operating metrics.

Note on forward-looking information

This Announcement contains forward-looking statements, which are subject to risks and uncertainties because they relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements referred to in this paragraph speak only as at the date of this Announcement. The Group will not undertake any obligation to release publicly any revision or updates to these forward-looking statements to reflect future events, circumstances, unanticipated events, new information or otherwise except as required by law or by any appropriate regulatory authority.