Aer Lingus Group plc

ISE: EIL1 LSE: AERL

Interim Management Statement

Dublin and London, 3 May 2012: Aer Lingus Group plc ("Aer Lingus" or "the Group") today issues an un-audited interim management statement for the period from 1 January 2012 to 31 March 2012, representing the first quarter of the Group's 2012 financial year.

Performance Highlights

- Strong Q1 performance with revenues & operating loss both better than prior year.
- Q1 2012 operating loss, before exceptional items, of €36.1 million improved by 32.8% compared to Q1 2011 which was adversely affected by industrial action.
- Quarterly result driven primarily by strong revenue performance; yield per passenger up 8.4%; passenger numbers increased by 6.6%.
- Particularly strong long haul performance with Q1 passenger volumes and yield up 12.1% and 11.2%, respectively, compared to prior year.
- Retail revenue per passenger increased by 8.5% in the first quarter.
- *"Greenfield"* cost reduction programme remains on track.
- Aer Lingus remains financially strong with gross cash of €1,002.0 million as at 31 March 2012.

€m (un-audited)	**Quarter Ended 31 March[1]**		
	2012	**2011**	***Change [2]***
Revenue			
- Short haul fare revenue	148.9	132.2	*12.6%*
- Long haul fare revenue	52.7	42.3	*24.6%*
- Retail revenue	37.6	32.5	*15.7%*
Total passenger revenue	239.2	207.0	*15.6%*
Cargo revenue	11.0	10.7	*2.8%*
Other revenue	1.3	0.2	*550.0%*
Total revenue	**251.5**	**217.9**	***15.4%***
Fuel costs	(68.6)	(52.2)	*31.4%*
Staff costs	(65.0)	(61.1)	*6.4%*
Airport charges	(56.9)	(52.8)	*7.8%*
Other operating costs	(97.1)	(105.5)	*(8.0%)*
Total operating costs	**287.6**	**271.6**	***5.9%***
Operating (loss) before exceptional items	**(36.1)**	**(53.7)**	***(32.8%)***
Exceptional items	-	(2.2)	*NM [3]*
Operating (loss) after exceptional items	**(36.1)**	**(55.9)**	***(35.4%)***
EBITDAR [4]	**(6.1)**	**(21.9)**	***(72.1%)***
Gross cash [5]	**1,002.0**	**925.1**	***8.3%***
Debt	**556.1**	**547.7**	***1.5%***

[1] The Q1 2012 financial results have not been audited
[2] Sign convention: increase / (decrease)
[3] Not Meaningful
[4] Earnings before Interest, Tax, Depreciation, Amortisation & aircraft operating lease rental
[5] Gross cash includes restricted cash of €23.9 million (2011: €46.9 million)

CEO Performance Review

Christoph Mueller, Aer Lingus' CEO said:

"Aer Lingus experienced an encouraging start to 2012 and the Group's Q1 2012 operating loss of €36.1 million represents a 32.8 % improvement over Q1 2011. This result is mainly due to strong yield growth, particularly on long haul. We have deliberately compensated for the continuing decline in private Irish consumer demand with an increased focus on serving time sensitive traffic, which comprises a higher proportion of business travellers.

We now share the more upbeat view on industry trends expressed in IATA's April 2012 airline business confidence survey and if current trends continue, Aer Lingus' operating profit for 2012 should match that achieved in 2011. However, the performance of certain short haul routes is weaker than expected and our business continues to be subject to inflationary cost pressures. We remain focused on Aer Lingus' cost base and continue to explore measures to protect the Group's profitability for the remainder of 2012 and beyond."

Conference Call Details

The Aer Lingus management team will host a conference call for institutional investors and analysts at 08.30am BST on 3 May 2012. Dial in details are:

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Review – January to March 2012

Introduction

Aer Lingus traded well in Q1 2012. While the business is seasonally loss making in this quarter, Aer Lingus nonetheless reports a Q1 2012 operating loss of €36.1 million, which represents a 32.8% improvement over Q1 2011. On a Last Twelve Month ("LTM") basis, the Group's operating result, before exceptional items, increased by 81.7% to €66.7 million (LTM Q1 2011: €36.7 million).

The prior year comparatives reported for Q1 2011 reflect the negative impact of industrial action which severely disrupted operations in early 2011. At the time, we estimated that this disruption cost approximately €15.0 million in terms of lost revenues and the cost of ad-hoc aircraft hire. The disruption has also flattered the reported increases in yield and passenger volumes.

Notwithstanding these points, Aer Lingus' business performance in Q1 2012 was strong. Long haul performance, especially in the business class cabin, was particularly positive with both load factors and yield well above prior year. Short haul routes, which comprise the majority of the Group's business, also generally performed ahead of prior year although the performance of certain route groups was weaker than expected. The quarter's results were assisted by the relatively high proportion of higher yielding, time sensitive passengers.

Aer Lingus' strong revenue performance in the quarter offset higher airport charges and fuel costs compared to prior year to produce a lower underlying loss than in Q1 2011.

Revenue

Total Q1 revenue increased by 15.4% compared to prior year. This compares favourably against total capacity deployment, as measured through Available Seat Kilometres ("ASKs"), which increased by 4.9%. As noted above, the increase in capacity was primarily due to the absence of significant disruption in Q1 2012.

Short haul passenger revenues

Short haul passenger fare revenues increased by 12.6% to €148.9 million in Q1 2012. Overall short haul performance was ahead of prior year despite a degree of weakness on certain routes. Average short haul yield per passenger increased by 6.1% in the quarter while passenger volumes also increased by 6.1%. Total flown short haul passengers, including Aer Lingus Regional operations, increased by 7.8%. Load factor increased by 2.0 percentage points. The Group recently signed a revised agreement with its Aer Lingus Regional franchise partner, Aer Arann. This agreement is effective from 1 April 2012.

Aer Lingus introduced two operating leased A319 into its short haul fleet in the quarter. These aircraft replaced operating leased A320 aircraft exiting the fleet.

Long haul passenger revenues

Long haul passenger fare revenues increased significantly by 24.6% to €52.7 million in Q1 2012. This increase comprised an 11.2% increase in average yield per long haul passenger combined with a 2.3 percentage point increase in load factor to 70.3%. This performance was well ahead of expectations and was underpinned by solid business cabin bookings which represented 28% of total long haul revenues.

Retail revenue

Following the refreshed focus on retail in 2011, Aer Lingus recorded a strong retail revenue performance in Q1 2012. Retail revenue per passenger was €19.80 in Q1 2012 compared to €18.25 in Q1 2011. In particular, fare families and the better integration of certain retail offers into the online booking flow drove this quarterly result. The 8.5% year-on-year increase compares favourably to the broadly flat retail revenue growth per passenger in calendar 2011.

Operating expenses

Capacity deployment in Q1 2012 increased by 4.9% due to the absence of operational disruptions which occurred in Q1 2011. As a result, the Group incurred a higher level of volume related costs such as airport charges, fuel and the variable, activity related, element of staff costs. These increased costs were partly offset by a reduction of €7.3 million in ad hoc aircraft hire charges in the quarter.

Overall, the increase in total operating expenses in Q1 2012 was held to 5.9% despite substantial increases in fuel costs and airport charges which rose by 31.4% and 7.8%, respectively.

Aer Lingus is structurally short US$ and as a result, certain costs (e.g. fuel, aircraft hire and maintenance charges) were negatively impacted by the strengthening in the average Q1 US$ exchange rate from US$1.37 in Q1 2011 to US$1.31 in Q1 2012, although this effect was partly mitigated by the Group's hedging programme.

Quarterly staff costs increased by 6.4%. This was largely due to a lower level of staff activity in Q1 2011 attributable to the operational disruptions noted above.

The 8.0% decrease in other operating costs compared to Q1 2011 includes a reduction of 7.2% in depreciation (reflecting fleet changes) and a substantial reduction in ad-hoc aircraft hire costs, as explained above. These reductions were offset by a 4.1% increase in enroute charges due to higher flight volumes and 9.1% increase in maintenance costs due to higher activity based spend.

Q1 2012 fuel costs increased significantly by 31.4% in euro terms compared to 2011. Fuel burn in the quarter increased by 3.9% compared to prior year. The average fuel cost per metric tonne for Q1 2012 (excluding into-plane costs) increased to US$956 compared to US$772 in Q1 2011. The Group's fuel hedging position as at 31 March 2012 is summarised below.

Fuel & Currency Hedging

As at 31 March 2012, Aer Lingus had hedged 66% of its forecast remaining 2012 fuel requirements at an average of US$993 per metric tonne. 14% of total 2013 fuel requirements were hedged at US$1,020 per metric tonne.

A summary of the quarterly fuel hedging position for the remainder of 2012 and for 2013 is:

Fuel	Q2 2012	Q3 2012	Q4 2012	Full yr 2013
Estimated burn (MT)	118,930	123,867	102,159	436,072
% hedged	80%	65%	50%	14%
Avg. hedged price/MT (US$)	974	1,002	1,016	1,020

As at 31 March 2012, 61% of the estimated US$ trading requirement for the remainder of 2012 was hedged at an average rate of US$1.42. For 2013, 25% of the Group's estimated US$ trading requirement is hedged at an average rate of US$1.39.

"*Greenfield*" Cost Reduction Programme Progress

"*Greenfield*" remained on track in Q1 2012. Aer Lingus now expects to achieve total "*Greenfield*" cost savings in 2012 with an annual value at least in line with the Group's initial target of €97 million. Savings in the quarter were mainly driven by new initiatives in Dublin station and support areas.

€m	Annual value of savings achieved at end of 2011	Value of savings achieved during Q1 2012	Total savings achieved as at 31 March 2012
Staff	55.7	0.3	56.0
Non-staff	28.6	2.3	30.9
Total	**84.3**	**2.6**	**86.9**

Notwithstanding this achievement, management are mindful that cost per ASK (including fuel) has increased from 6.55 euro cent to 6.69 euro cent on an LTM basis and that the business remains subject to considerable cost pressures. To date, these pressures have been offset by the Group's unit revenue performance but it would be unwise to assume that this can continue. Management remain focused on Aer Lingus' cost base and continue to explore measures to protect the Group's profitability for the remainder of 2012 and beyond.

Financial Position

Aer Lingus' gross cash of €1,002.0 million, as at 31 March 2012, represents a €107.2 million increase in the three months since December 2011. This increase in cash was primarily attributable to €154.8 million of seasonal working capital inflows associated with ticket sales in advance of the peak second and third quarters.

Gross debt decreased by €21.1 million since December 2011 to €556.1 million as at 31 March 2012. This decrease was due to a combination of finance lease repayments of €14.3 million and €8.5 million of FX movements in the quarter partly offset by €1.7 million of accrued interest.

Aer Lingus expects to commence the formal Court process required for its proposed capital reduction in the near future and the Group's preparations are well advanced in this regard.

Pensions

There has been no change to pension risks and uncertainties, a detailed description of which was set out in the Aer Lingus 2011 annual report published on 30 March 2012. The Group's position remains that it has no responsibility for the funding shortfall in the Irish Airlines Superannuation Scheme ("IASS").

Aer Lingus continues to engage with parties involved in the IASS in the process being conducted under the auspices of the Labour Relations Commission. As previously advised, these discussions are exploring options to address the funding position of the IASS (including possible changes to the Scheme's investment strategy) as well as options for the provision of viable pension arrangements for future service.

The discussions are complex and are seeking to address complicated matters of pension law and regulation. No agreements have yet been reached and negotiations are continuing.

Strategy

Aer Lingus announced its new strategy in January 2010 and two years on, the Group has grown passengers, revenues and profits in a contracting market. Nonetheless, the Group's trading environment remains intensely competitive. Aer Lingus competes directly with a low cost carrier on 72% of its short haul routes and almost entirely with legacy hub-and-spoke carriers in long haul markets. Despite this, Aer Lingus' re-positioned business model has gained market share in both segments and has improved Aer Lingus' ability to operate in different markets under challenging conditions.

Aer Lingus is currently the most efficient operator of a short haul fleet and related ground handling services at London Heathrow and will continue to pursue opportunities to grow in this market.

In addition, our *"open network architecture"* contains two important contributors to our profitability:

- A key competency of the Group is its capability to co-operate with a wide variety of partner airlines including members of the three major global alliances as well as airlines which are not alliance members (such as jetBlue and Etihad). In 2012, Aer Lingus will continue to expand and deepen its portfolio of bilateral relationships. Notwithstanding recent changes in European airline ownership, Aer Lingus is confident that it can retain or improve current levels of connecting passenger traffic in all major gateways, Dublin, London and New York.

- The Group serves as an important feeder into other hubs in continental Europe and is currently exploring opportunities to develop cost effective network extension through partnerships. In this context, Aer Lingus believes that its competitive unit cost position (in comparison to legacy European carriers), its neutrality and resulting freedom to partner with a wide range of other airlines (i.e. lack of restrictions imposed by alliance membership) are all crucial competitive advantages.

On a separate point, Aer Lingus is very encouraged by the performance of its long haul routes and the Group is examining opportunities to add capacity in the North Atlantic.

Outlook

At present, we have limited visibility over booking patterns for the second half of 2012. However, Aer Lingus now shares the more upbeat view on industry trends expressed in IATA's April 2012 airline business confidence survey. If current trends continue, Aer Lingus' operating profit for 2012 should match that achieved in 2011.

However, the performance of certain short haul routes is weaker than expected and the Group's business continues to be subject to inflationary cost pressures. Management remain focused on the Group's cost base and will continue to explore measures to protect Aer Lingus' profitability for the remainder of 2012 and beyond.

Appendix

Aer Lingus operating metrics (un-audited)

	Three Months Ended 31 March 2012	2011	Change
Passengers carried ('000s) *			
Short haul	1,732	1,632	6.1%
Long haul	167	149	12.1%
Total	**1,899**	**1,781**	**6.6%**
Revenue Passenger Kilometres (RPKs) (million) *			
Short haul	1,746	1,634	6.9%
Long haul	887	799	11.0%
Total	**2,633**	**2,433**	**8.2%**
Available Seat Kilometres (ASKs) (million)			
Short haul	2,568	2,476	3.7%
Long haul	1,262	1,175	7.4%
Total	**3,830**	**3,651**	**4.9%**
Passenger load factor (%) (flown RPKs per ASKs) *			
Short haul	68.0%	66.0%	2.0%
Long haul	70.3%	68.0%	2.3%
Total	**68.7%**	**66.6%**	**2.1%**
Average yield per passenger (€)			
Short haul	85.97	81.00	6.1%
Long haul	315.57	283.89	11.2%
Total average fare	**106.16**	**97.98**	**8.4%**
Retail revenue per passenger (€)	19.80	18.25	8.5%

Aer Lingus Regional passengers	184	146	26.0%
Total Aer Lingus passengers including Aer Lingus Regional	2,083	1,927	8.1%

* Based on FLOWN passenger numbers and excluding Aer Lingus Regional Services operated by Aer Arann and the Washington Dulles – Madrid codeshare service operated in partnership with United Airlines.

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.