Aer Lingus Group plc

ISE: EIL1 LSE: AERL

Interim Management Statement

Dublin, London, 11 November 2008: Aer Lingus Group plc ("Aer Lingus" or the "Group") today issues an interim management statement covering the period from 1 January, 2008 to 30 September, 2008, representing the first nine months of the Group's financial year.

Performance Overview 9 months to 30 September
Total revenues increased by 8.5% during the first nine months of 2008 compared to the same period in 2007. Flown passenger numbers increased by 9.7% year-on-year to 7.7 million. This comprised a 10.2% increase in passengers on short-haul and a 6.6% increase on long-haul. Average passenger revenue in the period fell by 1.1% year on year.

Capacity, measured in available seat kilometres (ASKs), increased significantly in the period. In the nine months to 30 September, short-haul capacity increased by 17.5% and long haul-capacity increased by 20.2%. Short-haul performed strongly in the period with load factor only 1.1 points behind 2007. Short-haul average fare fell by 6.1% year on year, and was largely offset by the strong 28.2% increase in ancillary revenue per passenger.

Long haul load factor fell by 5.8 points in the period versus 2007 as a result of the increased capacity introduced on three new routes which commenced in late 2007. Long-haul average fare increased by 2.9% in the period, including the benefit of an increased fuel surcharge.

The Group maintains a strong balance sheet with net cash of €766.7 million. This represents a decrease of 4.5% since 30 June, 2008 (€802.6m) and a 1.3% decrease since 31 December, 2007.

Difficult trading environment – weakened consumer demand and new travel tax
The airline industry is facing an exceptionally tough trading environment which has progressively deteriorated throughout 2008. Falling consumer demand in Aer Lingus' key markets is, and will continue to contribute to sustained and significant fare pressure. Against that backdrop, Aer Lingus expects the average fare trend for full year 2008 to be in line with previous guidance for a 6% to 7% year on year reduction on short-haul and a marginal increase on long-haul.

Fuel & Fuel Hedging

While fuel prices have declined recently, price reductions are being offset by a strengthening of the US Dollar, which has appreciated 18% relative to the euro since mid-July. On 28 August 2008, Aer Lingus indicated that it had hedged 70% of its fuel requirements for the remaining months of 2008 at US$1,137 per tonne, and 20% of 2009 at US$1,165 per tonne. The Group has extended its hedging for the three months to December 2008 to 97%, at a rate of US$1,086 per tonne and for the full year 2009 to 64% at a rate of US$995. In addition, Aer Lingus has hedged 18% of its 2010 fuel requirements at US$936.

Operating Cost Reduction

In a deteriorating operating environment characterised by weak demand and intense competitive pressure, Aer Lingus is focused on managing the factors within its control to ensure that the business is viable over the long-term. It is imperative that the operating cost base is re-aligned with the Group's (current and expected) revenue stream to provide the basis for a sustainable business in the future. There is no choice but to address legacy work practices, pay rates and pay inflation which are inappropriate to the business model and the competitive environment in which Aer Lingus competes.

Sustained cost control is key to ensuring that Aer Lingus can continue to offer a competitive proposition to customers and maximise value for all stakeholders.

On 3 October, Aer Lingus announced that the Board had agreed to proceed with a cost reduction programme to deliver the substantial savings required to ensure the Group's long-term viability as an independent airline. Since that announcement, Aer Lingus has engaged with unions in order to seek alternative cost reduction proposals to the Board approved plan. In the absence of alternatives, agreed by 1 December, 2008, which deliver the equivalent level of annual cost savings, Aer Lingus will proceed to implement those approved proposals.

Network and fleet developments

Aer Lingus has already announced a number of network and fleet rationalisations to minimise losses in this difficult trading period. These include the cancellation of services on the Dublin Los Angeles route from 2 November and deferral of an A330 delivery from September 2009 to June 2010.

As indicated at the time of the Group's first half results, capacity for Winter 2008/09 will decline year on year by 11% on long haul and 1% on short haul, compared with previous plans to grow by 1% and 2% respectively. Aer Lingus has decided to further reduce long-haul capacity for Summer 2009 by reducing the long haul fleet from 9 aircraft to 8 aircraft. This will result in a reduction of capacity on a number of long haul routes.

In the first nine months, Aer Lingus has continued to focus on innovative initiatives to drive demand on the long haul network. The industry first partnership with jetBlue Airways, launched earlier this year, was extended to include a Boston base in October 2008. In addition, the United Airlines codeshare went live for sale on 20 September, and travel commenced on 1 November.

Outlook

Aer Lingus previously guided to operating losses of between €20 million to €30 million for the 2008 full year. Aer Lingus now expects that the financial outcome for the second half will be close to break even resulting in a full year operating loss which will be closer to the €20 million end of the stated range.

The new Irish Airport Travel tax of €10 per departing passenger will have a direct bottom-line impact of €30 million as Aer Lingus expects to have to absorb this tax on 75% of bookings from its introduction on 30 March 2009. In the context of the overall harsh economic and competitive environment, which is expected to deteriorate further in 2009, the Group currently expects to report an operating loss for 2009. Operating at a financial loss is not sustainable. Aer Lingus must now deliver the required level of cost saving measures to ensure the Group is well positioned to grow revenue and profitability into the future.

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About Aer Lingus Group plc

Aer Lingus is an Irish low-cost, low-fares airline, providing both long-haul and short-haul passenger transportation services. Aer Lingus' low-cost, low-fares model is centred on maintaining low unit cost, offering one-way fares, maintaining effective fleet utilisation and developing the Aer Lingus brand. Consistent with this low-cost model, Aer Lingus' primary distribution channel is its website aerlingus.com.

For further information please visit www.aerlingus.com or contact:

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