Aer Lingus Group plc

ISE: EIL1 LSE: AERL

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

Dublin, London, 12 March 2008: Aer Lingus Group plc ("Aer Lingus" or "The Group") today announced its results for the year ended 31 December 2007.

Financial and Operating Highlights

A strong performance was delivered in 2007, particularly in light of the continued increases in oil prices and competition.

- Operating profit before employee profit share of €88.5m, better than expectations and a 16.4% increase over 2006
- Overall revenue growth of 15.2% to €1,284.9m.
- Substantial growth in ancillary revenues of 71.5% year on year
- Passenger growth of 7.8% (7.4% on short haul, 10.5% on long haul)
- Increased capacity (ASKs) of 14.0% (11.8% on short haul, 16.8% on long haul)
- Reduced cash operating unit costs per available seat kilometre from 4.24c to 4.19c
- High return on capital for the year of 19.6%, compared with our target of 15% and 17.2% in 2006.
- Continued increase in aircraft utilisation, with average block hours per aircraft increased by 2.9% on long haul and 2% on short haul

Other Highlights

During 2007 we delivered on the Group's objectives.

- First airline to take advantage of EU/US Open Skies agreement with the launch of three new Ireland/US routes (Washington, Orlando and San Francisco).
- Continued expansion of both long haul and short haul fleets, with agreement that facilitates doubling of long haul fleet, and incremental additions to the short haul fleet.
    - 6 new aircraft delivered during 2007 – 2 long haul (A330s) and 4 short haul (A320s).
    - Agreed contract with Airbus, subject to shareholder approval at EGM, to acquire 12 new long haul aircraft between 2009 and 2016.

- Network expansion through new routes, a new base and a new partnership.

    - In December 2007, operations commenced from Belfast International Airport to 8 European destinations, the first base for the Group outside of the Republic of Ireland. Two additional destinations have since been added, bringing total destinations served from Belfast to 10.

    - 14 new routes added to existing bases and frequencies on existing routes also increased.

    - An industry-first partnership with US counterpart jetBlue Airways Corporation announced that will enable customers to book a single reservation between Ireland and more than 40 continental US destinations

- Continued focus on cost reduction.

    - Agreement on opening new bases on local terms and conditions, starting with Belfast.

    - Tender process for maintenance contract commenced in 2007 which is expected to yield significant savings.

Commenting, Dermot Mannion, Chief Executive, said: *"2007 was a year of further progress for Aer Lingus and the Group's first full year trading as a quoted company. We continued to grow the network, drive up ancillary revenues while at the same time reduce unit costs. Despite soaring oil prices and an increasingly competitive marketplace, operating profits remained strong in 2007 and were better than expectations.*

It is clear that all airlines are operating in challenging times and Aer Lingus is no exception. With currency weakness, continued strength in oil prices and fears of reduced growth in major markets in 2008, it is critical that we continue to take cost out of the business so that we can continue to offer customers low fares and in doing so remain relevant in our chosen markets.

We have set ourselves challenging targets for 2008, however we have a robust business model and have proven ourselves a strong competitor in all markets. Open Skies offers us new opportunities for growth while our continued focus on reducing costs will underpin our overall performance."

Financial Performance

€ million	2007	2006*	% change
Revenue			
- passenger	1,123,3	997.9	12.6%
- ancillary	108,7	63.4	71.5%
- cargo	47.7	49.5	(3.6)%
- other	5.2	5.0	4.0%
- total	**1,284.9**	**1,115.8**	**15.2%**
Operating costs	(1,196.4)	(1,039.8)	15.1%
Operating profit before employee profit share	**88.5**	**76.0**	**16.4%**
Employee profit share	(9.8)	(7.3)	34.2%
Net finance income	42.6	21.7	96.3%
Exceptional items	3.5	-	Nm
Profit before tax	**124.8**	**90.4**	**38.0%**
Tax	(19.5)	(13.0)	50.0%
Profit after tax - underlying	105.3	77.4	36.0%
Amounts excluded from underlying	-	(147.3)	Nm
Profit/(loss) after tax	**105.3**	**(69.9)**	Nm
Earnings per share (cent) - underlying	19.9	22.2c	(10.8)%
EBITDAR**	**208.3**	**183.8**	**13.3%**

	2007	2006	% change
Passengers carried ('000)	9,305	8,631	7.8%
Average short haul fare (€)	93.77	90.99	3.1%
Average long haul fare (€)	296.87	280.90	5.7%
Short haul utilisation (block hours per day)	10.1	9.9	2.0%
Long haul utilisation (block hours per day)	14.0	13.6	2.9%
Unit cost (excl fuel) (cent) ***	4.19	4.24c	(1.2)%

* The financial amounts for 2006 are the underlying numbers – see Appendix 1 for explanation of underlying and for a reconciliation of the amounts which will be in the statutory financial statements under IFRS.

*** Earnings before interest, tax, depreciation, amortisation, aircraft rentals and employee profit share.*

**** Unit cost is based on total operating costs, excluding depreciation, aircraft lease costs and fuel, divided by available seat kilometres.*

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2007 Financial Overview

The Group has delivered another strong financial performance, in a year marked by significant increases in competition and in fuel prices. Operating profit before employee profit share of €88.5m was achieved, a 16.4% increase over 2006 levels.

Revenue

Total revenue rose by 15.2% to €1,284.9m. Passenger revenue grew by 12.6% to €1,123.3m, with a total of 9,305,000 passengers carried in 2007, up by 674,000 (7.8%) on 2006. The total passenger load factor was 75.4%, down from 77.6% in 2006, due to a capacity increase of 14% year on year. Average fares increased by 3.1% on short-haul and by 5.7% on long haul over 2006 levels.

Short haul

Short haul capacity, measured in available seat kilometres (ASKs), grew by 11.8%, while utilisation, measured by revenue passenger kilometres (RPKs), increased by 10.6%. 4 additional A320 aircraft were added to the fleet with deliveries in May, June, November and December. This brought the short haul fleet to 32 (26 A320, 6 A321). Aircraft utilisation continued to increase, with average daily block hours utilisation increasing to 10.2, an increase of 5% on 2006.

Total short haul passengers carried increased by 7.4% to 8,070,000 while the average short haul fare increased by 3.1% to €93.77.

A further A320 joins the fleet in June 2008, with orders placed for 4 additional A320s for delivery between 2010 and 2011. Letters of intent have also been signed for the lease of 2 further A320s to be delivered in 2009 and 2010. These bring the short haul fleet to 39 aircraft.

Long haul

There was a significant increase in long haul capacity during 2007, with the delivery of 2 long haul aircraft (A330 enhanced) in May and June 2007, bringing the long haul fleet to 9 A330s. As a result of these new aircraft, long haul capacity, measured in ASKs, grew by 16.8%. Utilisation, measured by RPKs, also increased significantly by 11.1%. Total long haul passengers carried also increased by 10.5% to 1,235,000 while the average long haul fare increased by 5.7% to €296.87.

In March 2007, immediately following the finalisation of the EU/US Open Skies agreement, we announced 3 new transatlantic routes to Washington Dulles, San Francisco and Orlando, resulting in a total of 7 destinations in the United States. Operations to Washington commenced in August 2007, followed by San Francisco and Orlando in October 2007.

Agreement was also reached with Airbus for an order of 12 long haul aircraft (6 A330s and 6 A350 XWBs) to be delivered between 2009 and 2016.

Ancillary revenue

Ancillary revenue mainly comprises sales on board, booking fees, baggage and excess baggage charges, seat selection fees and car hire, hotel and insurance commissions. Baggage charges, and seat selection fees were implemented on the short haul network in 2007 and have proved very successful. Substantial growth was achieved in ancillary revenues in 2007, rising by 71.5% to €108.7m. Excellent growth was also achieved in the ancillary revenue spend per passenger, growing by 58.9% to €11.68 (2006: €7.35).

Cargo

Aer Lingus carries cargo on long haul routes, and on a small number of short haul routes where the aircraft turnaround times permit. Total cargo revenue decreased by 3.6% to €47.7m (2006: €49.5m), mainly as a result of a 15.7% reduction in average yield. This was partially offset by a 5.9% increase in tonnage. Short haul tonnage grew by 31.5% to 3,364 tonnes, while long haul tonnage increased by 3.0% to 23,747 tonnes.

Operating costs

Management continues to focus strongly on reducing cash operating unit cost excluding fuel, which recorded a further reduction from 4.24c to 4.19c per available seat kilometre. Total operating costs (before the employee profit share) increased by 15.1% to €1,196.4m, primarily as a result of increased volumes and higher oil prices.

The largest increase was in fuel costs, rising by €52.7m (26.3%) on an underlying basis to €253.3m. Fuel represented 21.2% of operating costs in 2007, up from 19.2% in 2006.

Staff costs, which represent 25.7% of underlying operating costs (2006: 25.9%), rose by 13.8% to €307.3m, while the average numbers employed increased from 3,617 in 2006 to 3,905 in 2007.

Airport charges represent 18.5% of underlying operating costs (2006: 19.2%) and increased by 10.3% through a combination of higher passenger volumes and increased charges by the airports served.

Maintenance costs increased from €72.6m in 2006 to €82.6m in 2007, largely due to the expansion of the fleet and increased block hours flown.

Employee profit share

A charge of €9.8m has been made in respect of the employee profit share for 2007.

Financing income and costs

Finance income increased by 34.2% to €65.1m due to the full year effect of higher cash balances as a result of the IPO proceeds, and through increasing interest rates. Interest payable decreased by 16.0% to €22.6m due to reduced borrowings.

Exceptional items

Net exceptional gains of €3.5m were recorded in 2007. In October 2007, the Group disposed of its residual 20% shareholding in Futura, a Spanish charter airline, for a net gain of €11.3m. The Group's investment in Futura had a fair value of zero at 31 December 2006.

This exceptional gain was partly offset by exceptional costs incurred during the year in defence of an unsolicited takeover bid from Ryanair Holdings plc. The Board rejected the bid, which in 2007 was subject to a Phase 2 investigation by the EU Competition Commission. This investigation was concluded in June 2007 and on 27 June 2007 the Commission announced its prohibition decision.

Balance sheet

The Group continues to maintain a strong balance sheet position. Net cash (cash, deposits and available for sale financial assets, less debt) has reduced slightly to €757.0m (2006: €769.3m^) mainly as a result of capital expenditure.

Capital expenditure during the year totalled €204.9m, of which €197.1m related to flight equipment. The majority of this represents final payments on two A330s delivered in May and June 2007 and two A320s delivered in November and December 2007.

^ *Exclusive of pension commitment of €104m, which was paid 2007.*

Fuel and currency hedging

To achieve greater certainty on costs we manage our exposure to fluctuations in the price of fuel and foreign currency through hedging. At 31 December 2007, our estimated fuel requirements for 2008 were hedged as follows:

	Full year 2008	**6 months to 30 June 2008**	**6 months to 31 December 2008**
% hedged	30%	34%	26%
Average price per tonne of jet fuel	$799	$793	$807

Since 31 December 2007, we have increased our fuel hedging for 2008. At 29 February 2008, our estimated fuel requirements for the remainder of 2008 were hedged as follows:

	10 months to 31 December 2008	**4 months to 30 June 2008**	**6 months to 31 December 2008**
% hedged	36%	52%	26%
Average price per tonne of jet fuel	$796	$789	$807

Our major foreign currency exposure is to the US dollar. At 31 December 2007, we had purchased 50% of our estimated US dollar trading requirements for 2008 at an average rate of €1=$1.40. In addition, we had purchased 25% of our estimated US dollar trading requirements for 2009 at €1=$1.41.

At 29 February 2008, our forward purchases of US dollars comprised 52% of the estimated trading requirements for the ten months to 31 December 2008 at €1=$1.40, 46% of the estimated trading requirements for 2009 at a rate of €1=$1.43, and 4% of the estimated trading requirement for 2010 at €1 = $1.45.

Future developments

Cost reduction

Continued reduction in cost per passenger is key to ensuring that we continue to offer a competitive proposition to our customers. To build on the substantial progress made in recent years in improving its cost structure, the Group targeted further reductions in costs across a range of categories. These reductions were formalised in the Group's Programme for Continuous Improvement (PCI) and included fuel consumption, aircraft utilisation, airport handling costs, third party maintenance costs and staff costs. Savings were achieved in the non-staff cost categories in 2007 and the focus on securing further efficiencies continues. We previously indicated that we expected the staff cost element of the programme to deliver savings of €20m in the first full year of implementation, 2008. Progress on reaching the agreements required to achieve these necessary savings has been slower than anticipated, however considerable progress has been made in recent weeks. We have concluded agreements with ground staff, cabin crew and US staff which, subject to the balloting of members, will deliver annual staff cost savings of up to €16m and are confident that the discussions with the other groupings, which are due to be concluded shortly, will result in further annual savings of €4m.

Maintenance contracts

An element of PCI that was targeted to deliver significant savings was our third party maintenance arrangements. Currently third party aircraft maintenance work is carried out by SR Technics under a contract entered into at the time of the sale of our maintenance subsidiary in 1998. This contract expires in October 2008. A competitive tender process commenced in late 2007 to secure maintenance services when the current contract expires. A key objective was to deliver the maximum benefit for Aer Lingus shareholders within specific compliance criteria including approval by EASA (European Aviation Safety Agency). This rigorous tender process was undertaken in conjunction with independent industry experts, Oliver Wyman. The competitive tender process was separated into four distinct elements covering line activities, base maintenance, components and wheels and brakes. On 21 February 2008, we announced that we had entered into exclusive negotiations for final contracts with a selected number of suppliers. All contracts will be on the basis of a 10 year contract period to 2018 and will include an option for Aer Lingus to renegotiate at defined future dates in the event of changes in market pricing of engineering services during the contract period.

Contract negotiations are now taking place with the selected suppliers. Subject to the successful conclusion of these negotiations, the tender process will deliver substantial savings on current rates, with in excess of €20m anticipated in the first year, 2009, and growing thereafter as the Group's fleet expands.

Network

The new EU/US Open Skies agreement has presented Aer Lingus with significant new opportunities for transatlantic expansion. 2007 saw the Group take advantage of some of these opportunities through the launch of its first new Ireland/US routes for many years. These commenced service in the second half of last year and will be in operation for their first full year in 2008. This combined with the development of our in-house web functionality of "sum of sectors" will provide a direct link between our short haul and long haul networks, thereby providing a much enhanced customer proposition for the year ahead.

2008 will also see the implementation of an alliance which will mark a new phase in airline to airline relationships through our strategic partnership with US low fares carrier, jetBlue. The partnership will enable Irish and US customers to book a single low fare ticket between Ireland and over 40 continental US destinations, connecting through jetBlue's home base at New York's John F Kennedy International Airport. Customers will be able to make bookings from April 2008.

Following on from the opening of our first base outside of the Republic of Ireland at Belfast International Airport, our third aircraft has just commenced services from this growth market. This brings the total number of routes operated from Belfast to 10. Staff at our new base were recruited on locally competitive terms and conditions and this template will be used for future base expansion.

On the rest of our short haul network, our focus for 2008 will be a combination of building frequencies on existing profitable routes and launching a number of new routes.

Current Trading and Outlook

In 2008, we expect capacity growth (measured by ASKs) on short haul of 14% and on long haul of 17%, with increases largely arising from the full year effect of additional aircraft introduced in 2007.

The economic outlook in our main markets is uncertain, and this is exacerbated by the continuing rise in oil prices. While at 29 February 2008 we had hedged 36% of our remaining 2008 fuel requirements at USD796 per tonne of jet fuel, the remaining 64% is exposed to market fluctuations. Each USD5 change in the price per tonne of jet fuel has an effect of USD1.5m on the cost of our unhedged fuel requirements for the period March to December 2008.

For our seasonally weaker first half of the year, we expect total revenue per available seat kilometre to be lower than last year, with load factor pressures outweighing further growth in ancillary revenue per passenger. While it is too early to have a clear view on the second half of the year, forward bookings for the peak summer period as a percentage of capacity are currently tracking in line with last year.

On costs, we continue our focus on reducing non-fuel unit costs. Looking forward, the significant progress made to date on maintenance and staff costs positions us well into 2009 and beyond.

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.

Note on unaudited operating and financial information

This Announcement contains unaudited operating and financial information in relation to the business of Aer Lingus extracted from the following sources: (1) management accounts for the relevant accounting periods; (2) internal financial and operating reporting systems supporting the preparation of financial statements; and (3) internal non-financial operating reporting systems. These management accounts are prepared using information extracted from accounting records used in the preparation of the Group's historical financial information, although they may also include certain other management assumptions and analyses.

Appendix 1

Summary results

	2007	2006	2006	2006
		Underlying	Excluded from underlying	Total IFRS
Revenue	**1,284.9**	**1,115.8**	-	1,115.8
Operating costs	**(1,196.4)**	**(1,039.8)**	(36.8)	(1,076.6)
Operating profit – before employee profit share	**88.5**	**76.0**	(36.8)	39.2
Employee profit share	**(9.8)**	**(7.3)**	-	(7.3)
Exceptional items	**3.5**	**-**	(133.0)	(133.0)
Finance income	**65.2**	**48.6**	-	48.6
Finance expenses	**(22.6)**	**(26.9)**	-	(26.9)
Profit before tax	**124.8**	**90.4**	(169.8)	(79.4)
Tax	**(19.5)**	**(13.0)**	22.5	9.5
Profit after tax	**105.3**	**77.4**	(147.3)	(69.9)

Prior to the IPO, Aer Lingus reported in accordance with Irish Generally Accepted Accounting Principles (Irish GAAP). As part of the preparation for the IPO financial reporting transitioned to International Financial Reporting Standards (IFRS). IFRS has specific documentation and testing requirements, that are not required under Irish GAAP, which must be adhered to at the time a hedging transaction is entered into if such transaction is to be accounted for using hedge accounting. Although effective commercial hedges, fuel and currency hedging arrangements entered into prior to 2006, when Aer Lingus was reporting under Irish GAAP, did not meet the requirements for hedge accounting on transition to IFRS. The underlying results reflect the performance had hedge accounting been applied to these hedges in 2006 . The underlying operating profit before employee profit share for 2006 of €76.0 million was €36.8 million higher than the equivalent IFRS amount, with the difference representing net gains recorded in prior years on hedges maturing in 2006. Exceptional costs of €133.0 million were also excluded from the 2006 underlying results. This treatment was also applied in the prospectus published in advance of the IPO.

Appendix 2

Passenger statistics

	2007	2006	% change
Passengers carried ('000)			
Short haul	8,070	7,513	7.4
Long haul	1,235	1,118	10.5
Total	9,305	8,631	7.8
Flown Revenue Passenger Kilometres (RPKs) (million)			
Short haul	8,017	7,251	10.6
Long haul	6,790	6,112	11.1
Total	14,807	13,363	10.8
Available Seat Kilometres (ASKs) (million)			
Short haul	10,743	9,613	11.8
Long haul	8,890	7,613	16.8
Total	19,633	17,226	14.0
Passenger load factor (%) (flown RPKs over ASKs)			
Short haul	74.6	75.4	(0.8)
Long haul	76.4	80.3	(3.9)
Total	75.4	77.6	(2.2)
Average fare (€) (including airport charges/taxes)			
Short haul	93.77	90.99	3.1
Long haul	296.87	280.90	5.7
Average number of seat equivalents*			
Short haul	5,526	5,192	6.4
Long haul	3,042	2,625	15.9
Total	8,568	7,817	9.6

** Seat Equivalent represents the equivalent of a seat on an aircraft based on the manufacturer's all-economy class configuration*

Group Income Statement

Year ended 31 December

	Notes	2007 €'000	2006 €'000
Revenue	1	**1,284,877**	1,115,812
Operating expenses			
Staff costs		**307,328**	270,093
Depreciation, amortisation and impairment		**69,299**	58,183
Aircraft operating lease costs		**50,552**	49,647
Fuel and oil costs		**253,298**	234,127
Maintenance expenses		**82,603**	72,594
Airport charges		**221,437**	200,720
En-route charges		**54,680**	49,470
Distribution costs		**51,169**	43,274
Ground operations, catering and other operating costs		**97,166**	90,746
Other (gains)/losses - net		**8,880**	7,720
Employee profit share		**9,827**	7,327
		1,206,239	1,083,901
Operating profit before exceptional items		**78,638**	31,911
Exceptional items	3	**3,517**	(132,961)
Operating profit/(loss) after exceptional items		**82,155**	(101,050)
Finance income	4	**65,143**	48,552
Finance expense	4	**(22,572)**	(26,870)
Profit/(loss) before taxation		**124,726**	(79,368)
Taxation (charge)/credit		**(19,461)**	9,442
Profit/(loss) for the year		**105,265**	(69,926)
Attributable to:			
Equity holders of the Company		**105,265**	(69,926)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in € cent per share)			
– basic	5	19.9c	(20.0)c
– diluted	5	19.8c	(20.0)c

Group Balance Sheet

As at 31 December

	Note	2007 €'000	2006 €'000
ASSETS			
Non-current assets			
Property, plant and equipment		**663,100**	526,160
Intangible assets		**3,797**	5,138
Available for sale financial assets		**105,823**	118,903
Deferred tax assets		**-**	3,338
Deposits and restricted cash with maturity greater than 3 months	6	**119,513**	136,198
		892,233	789,737
Current assets			
Inventories		**874**	734
Derivative financial instruments		**10,683**	-
Trade and other receivables		**65,219**	64,610
Current income tax receivables		**5,071**	1,026
Cash, cash equivalents and deposits with maturity less than 3 months	6	**4,953**	5,506
Deposits and restricted cash with maturity greater than 3 months	6	**901,985**	1,063,093
		988,785	1,134,969
Total assets		**1881,018**	1,924,706
EQUITY			
Share capital	7	**26,575**	26,450
Share premium	8	**502,108**	497,958
Capital conversion reserve fund		**5,048**	5,048
Capital redemption reserve fund		**343,516**	343,516
Other reserves		**(144)**	(18,210)
Retained earnings		**66,809**	(38,456)
Total equity		**943,912**	816,306
LIABILITIES			
Non-current liabilities			
Borrowings		**333,311**	384,443
Derivative financial instruments		**10,055**	5,778
Deferred tax liabilities		**19,316**	-
Provisions for other liabilities and charges		**60,416**	72,283
		423,098	462,504
Current liabilities			
Trade and other payables		**435,257**	525,642
Borrowings		**41,945**	65,917
Derivative financial instruments		**6,229**	21,294
Provisions for other liabilities and charges		**30,577**	33,043
		514,008	645,896
Total liabilities		**937,106**	1,108,400
Total equity and liabilities		**1,881,018**	1,924,706

Group Statement of Changes in Equity

	Notes	Attributable to equity holders of the Company									
		Share capital	**Share premium**	**Capital conversion reserve fund**	**Capital redemption reserve fund**	**Cash flow hedging reserve**	**Available for sale reserve**	**Treasury Shares**	**Share Based Payment Reserve**	**Retained earnings**	**Total equity**
		€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Balance at 1 January 2006	22,23	357,829	6,095	5,048	-	-	2,921	-	-	31,470	403,363
Loss for the year		-	-	-	-	-	-	-	-	(69,926)	(69,926)
Fair value gains/(losses), net of tax:											
– available for sale financial assets		-	-	-	-	-	(2,135)	-	-	-	(2,135)
- derivative financial instruments		-	-	-	-	(22,013)	-	-	-	-	(22,013)
Deferred tax impact						2,750	267	-	-	-	3,017
Total recognised loss for 2006		-	-	-	-	(19,263)	(1,868)	-	-	(69,926)	(91,057
Renominalisation of shares		(343,516	-	-	343,516	-	-	-	-	-	-
Issue of new shares		12,137	521,863	-	-	-	-	-	-	-	534,000
Write off of share issue expenses		-	(30,000)	-	-	-	-	-	-	-	(30,000
Balance at 31 December 2006		26,450	497,958	5,048	343,516	(19,263)	1,053	-	-	(38,456)	816,306
Profit for the year		-	-	-	-			-	-	105,265	105,265
Fair value gains/(losses)											
– available for sale financial assets		-	-	-	-		3,315	-	-	-	3,315
- derivative financial instruments		-	-	-	-	21,719		-	-	-	21,719
Deferred tax impact		-	-	-	-	(2,717)	(415)	-	-	-	(3,132)
Total recognised gain for 2007		**-**	**-**	**-**	**-**	**19,002**	**2,900**	**-**	**-**	**105,265**	**127,167**
Issue of bonus shares		35	(35)	-	-	-	-			-	-
Issue of new shares		90	4,185	-	-	-	-	(4,275)		-	-
Share based payment reserve		-	-	-	-	-	-	-	500	-	500
Deferred tax impact		-	-	-	-	-	-	-	(61)	-	(61)
Balance at 31 December 2007		**26,575**	**502,108**	**5,048**	**343,516**	**(261)**	**3,953**	**(4,275)**	**439**	**66,809**	**943,912**

Group Cash Flow Statement

Year ended 31 December

	Notes	2007	2006
	Notes	**€'000**	€'000
Cash flows from operating activities			
	9		
Cash generated from operations		**59,122**	123,301
Interest paid		**(22,437)**	(25,287)
Income tax paid		**(4,002)**	(8,629)
Net cash generated from operating activities		**32,683**	89,385
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		**(200,604)**	(71,292)
Proceeds from sale of PPE		**-**	4,336
Purchases of intangible assets		**(4,294)**	(3,299)
Proceeds from sale of investment		**11,374**	
Disposal of available for sale financial assets		**9,031**	29,961
Increase in deposits and restricted cash with maturity greater than 3 months		**138,066**	(510,604)
Dividends received		**2,998**	1,567
Interest received		**60,008**	37,756
Net cash generated/(used) in investing activities		**16,579**	(511,575)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		**-**	534,000
Costs arising from issuance of ordinary shares		**(3,720)**	(26,020)
Payments to Employee Share Ownership Plan		**-**	(17,000)
Proceeds from borrowings		**2,090**	30,102
Repayments of borrowings		**(61,104)**	(99,552)
Net cash (used)/generated from financing activities		**(62,734)**	421,530
Net (decrease) in cash, cash equivalents and bank overdrafts		**(13,472)**	(660)
Cash, cash equivalents and bank overdrafts at beginning of the year	6	**(1,226)**	(203)
Exchange gains on cash and bank overdrafts		**2,513**	(363)
Cash, cash equivalents and bank overdrafts at end of the year	6	**(12,185)**	(1,226)

Basis of preparation

Basis of preparation
This preliminary financial information has been derived from the information to be used to prepare the Group's consolidated financial statements for the year ended 31 December 2007 in accordance with European Union (EU) adopted International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Acts 1963 to 2006 applicable to companies reporting under IFRS. The financial information set out in this document does not constitute full statutory accounts for the year ended 31 December 2007. The IFRS financial information for the years ended 31 December 2006 and 31 December 2007 has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and derivative financial instruments . The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

The financial information set out in this preliminary announcement does not constitute the statutory financial statements of the Group, a copy of which is required to be annexed to the annual return to the Companies Registration Office in Ireland. A copy of the statutory financial statements required to be annexed to the annual return in respect of the year ended 31 December 2006 has been so annexed. A copy of the statutory financial statements in respect of the year ended 31 December 2007 will be annexed to the company's annual return for 2007. The directors expect to approve the financial statements for the year ended 31 December 2007 in April 2008. The auditors' report on the full statutory financial statements for the year ended 31 December 2007 has yet to be signed.

Underlying measures
In 2006, in addition to the reported profit and earnings per share, the Group also disclosed underlying performance measures. The Group believes that these underlying performance measures provide additional useful information on underlying trends to shareholders. The term underlying is not defined in IFRS and therefore may not be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute to or superior to IFRS measurements of profit. Underlying measures in 2006 were calculated based on the reported profit under IFRS (as shown in the income statement), excluding the effects of derivatives that did not fulfil the requirements for hedge accounting and exceptional items. The taxation impact of the amounts excluded from underlying profit was also separately disclosed.

Notes to the financial statements

1. Segmental information

The Group considers that its business segments are its primary basis of analysing financial performance and reflect the internal management structure and reporting.

Primary Reporting Format - Business Segment

The Group is primarily organised into two business segments - passenger (which includes revenues and costs relating to the carriage of passengers) and cargo (which relates to the revenues and costs from the transportation of cargo). Ancillary revenues, including on board sales, are included in the passenger segment together with their associated costs. For internal management purposes, direct operating costs are allocated between the segments based on their contributions to route revenue. Certain costs, assets and liabilities (including the aircraft and their related financing arrangements (including the aircraft and their related financing arrangements) contribute to both the passenger and cargo segments and as such cannot be directly attributed to either segment and are therefore shown as unallocated.

	Passenger	**Cargo**	**Unallocated[(1)]**	**Total**
Year ended 31 December 2007	**2007**	**2007**	**2007**	**2007**
	€'000	**€'000**	**€'000**	**€'000**
Passenger revenue	1,123,298	-	-	**1,123,298**
Ancillary revenue	108,725	-	-	**108,725**
Other revenue	5,193	-	-	**5,193**
Cargo revenue	-	47,661	-	**47,661**
Segment revenue	1,237,216	47,661	-	**1,284,877**
Operating profit before exceptional items	158,408	8,238	(88,008)	**78,638**
Exceptional items	-	-	3,517	**3,517**
Operating profit after exceptional items	158,408	8,238	(84,491)	**82,155**
Finance income				**65,143**
Finance expense				**(22,572)**
Profit before taxation				**124,726**
Income tax charge				**(19,461)**
Profit for year				**105,265**

(1) Unallocated includes depreciation in relation to unallocated assets of (€69.3 million), foreign exchange losses of (€8.9 million) and profit share of (€9.8 million)

Year ended 31 December 2006

	Passenger	Cargo	Unallocated[(2)]	Total
	2006	2006	2006	2006
	€'000	€'000	€'000	€'000
Passenger revenue	997,868	-	-	997,868
Ancillary revenue	63,407	-	-	63,407
Other revenue	5,066	-	-	5,066
Cargo revenue	-	49,471	-	49,471
Segment revenue	1,066,341	49,471	-	1,115,812
Operating profit before exceptional items	129,203	9,191	(106,483)	31,911
Exceptional items	-	-	(132,961)	(132,961)
Operating losses after exceptional items	129,203	9,191	(239,444)	(101,050)
Finance income				48,552
Finance expense				(26,870)
Loss before taxation				(79,368)
Taxation credit				9,442
Loss for year				(69,926)

(2) Unallocated includes depreciation in relation to unallocated assets of (€57.9 million), the impact of non-qualifying hedges of (€36.8 million), foreign exchange losses of (€4.5 million) and profit share of (€7.3 million)

2. Underlying Performance Measures

In addition to the reported profit and earnings per share, in 2006 the Group also disclosed underlying performance measures. The Group believes that these underlying performance measures provided additional useful information on underlying trends to shareholders. The term underlying is not defined in IFRS and therefore may not be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute to or superior to IFRS measurements of profit.

Underlying measures in 2006 were calculated based on the reported profit under IFRS (as shown in the income statement), excluding the effects of derivatives which do not fulfil the requirements for hedge accounting and exceptional items. The taxation impact of the amounts excluded from underlying profit is also separately disclosed. As these hedges had materially matured in 2006, there is no significant impact on the 2007 figures.

	2007	2006	2006	2006
	€'000	€'000	€'000	€'000
	Total IFRS	Underlying	Amounts excluded from underlying	Total IFRS
Revenue	**1,284,877**	1,115,812		1,115,812
Operating expenses:				
Staff costs	**307,328**	270,093	-	270,093
Depreciation, amortisation and impairment	**69,299**	58,183	-	58,183
Aircraft operating lease costs	**50,552**	49,647	-	49,647
Fuel and oil	**253,298**	200,604	33,523	234,127
Maintenance expenses	**82,603**	72,594	-	72,594
Airport charges	**221,437**	200,720	-	200,720
En-route charges	**54,680**	49,470	-	49,470
Distribution costs	**51,169**	43,274	-	43,274
Ground operations, catering and other operating costs	**97,166**	90,746	-	90,746
Other (gains)/losses, net	**8,880**	4,471	3,249	7,720
	1,196,412	1,039,802	36,772	1,076,574
Operating profit before employee profit share and exceptional items	**88,465**	76,010	(36,772)	39,238
Employee profit share	**(9,827)**	(7,327)	-	(7,327)
Operating profit before exceptional items	**78,638**	68,683	(36,772)	31,911
Exceptional items	**3,517**	-	(132,961)	(132,961)
Operating profit/(loss) after exceptional items	**82,155**	68,683	(169,733)	(101,050)
Finance income	**65,143**	48,552		48,552
Finance expense	**(22,572)**	(26,870)		(26,870)
Profit/(loss) before taxation	**124,726**	90,365	(169,733)	(79,368)
Taxation (charge)/credit	**(19,461)**	(13,025)	22,467	9,442
Profit/(loss) for the year	**105,265**	77,340	(147,266)	(69,926)
Attributable to:				
Equity holders of the Company	**105,265**			(69,926)
Earnings/(loss) per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in € cent per share)				
– Basic	**19.9c**	22.2c		(20.0)c
– Diluted	**19.8c**	22.1c		(20.0)c

3. Exceptional items

	2007	2006
	€'000	€'000
Profit on disposal of investment (a)	(11,374)	-
Takeover defence costs (b)	7,857	16,220
Staff costs		
- Pension (c)	-	104,000
- Employee Share Ownership Plan (d)	-	17,000
Profit on disposal of property, plant and equipment (e)	-	(4,259)
	(3,517)	132,961

(a) Profit on disposal of investment in Futura
(b) Provision for costs incurred in the defence of takeover bid
(c) Provision for once off contribution to supplemental funds
(d) Capitalisation of pay increase foregone (€12m) and payment arising under previous profit sharing scheme (€5m) agreed as part of the IPO arrangements
(e) Profit on sale of aircraft engines

4. Finance expense and finance income

	2007	2006
	€'000	€'000
Finance income		
Interest on cash and term deposits	56,508	39,034
Amortisation of discount	5,637	6,367
Dividends received	2,998	1,567
Profit on disposal of available for sale financial asset	-	1,584
	65,143	48,552
Finance expense		
On bank loans and overdrafts	1,377	1,504
Finance lease interest	20,306	23,888
Other interest	-	183
Finance charge on discounted provision	889	1,295
	22,572	26,870

5. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year, excluding shares issued under the Long Term Incentive Plan..

	2007	**2006**
Profit/(loss) attributable to equity holders of the Company	105,265	(69,926)
Weighted average number of ordinary shares in issue (000's)	529,162	348,877
Basic earnings/(loss) per share (€ cent per share)	19.9	(20.0)c

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares in:

- Long Term Incentive Plan: Potential share issue is calculated based on both conditions (Total Shareholder Value and EBITDAR growth) being achieved and 100% of awards being vested.

- 2007 Bonus share issue: The Company estimates that a further 52,138 bonus shares are due to be issued to shareholders are a results of the bonus share conditions as set out in the IPO prospectus. In the event of any share capital changes prior to the issue of the bonus shares, the bonus shares shall carry no right or entitlement to be adjusted in any way. Bonus shares shall carry no right to vote or receive any dividend prior to the date they are issued.

	2007	2006
Profit/(loss) attributable to equity holders of the Company used to determine diluted earnings per share	105,265	(69,926)
Weighted average number of ordinary shares in issue (000's)	529,162	348,877
Adjustments for:		
– Bonus shares of 1 for 20, October 2007	52	52
– Long Term Incentive Plan – 2007 awards	1,449	1,449
Weighted average number of ordinary shares for diluted earnings per share	530,663	350,378
Diluted earnings/(loss) per share (€ cent per share)	19.8	(20.0)*

* *The effects of anti-dilutive potential ordinary shares have been ignored in calculating diluted EPS.*

(c) Underlying

	2007	2006
Profit attributable to equity holders of the Company – underlying (Note 2)	105,265	77,340
Basic earnings per share – underlying (€ cent per share)	19.9	22.2c
Diluted earnings per share - underlying (€ cent per share)	19.8	22.1c

Weighted average number of shares are the same as used in sections (a) and (b) above.

6. Cash, cash equivalents and other deposits

	2007	2006
	€'000	€'000
Cash and deposits with maturity less than 3 months	4,953	5,506
Restricted cash	125,293	141,188
Deposits with maturity greater than 3 months	896,205	1,058,103
	1,026,451	1,204,797
Less non current portion	(119,513)	(136,198)
Current	901,985	1,063,093
Total cash, cash equivalents and other deposits	906,938	1,068,599

Cash, cash equivalents and bank overdrafts include the following for the purposes of the cash flow statement:

Cash and deposits with an original maturity of less than 3 months	4,953	5,506
Bank overdrafts	(17,138)	(6,732)
	(12,185)	(1,226)

The carrying amount of the Group's cash, cash equivalents and other deposits are denominated in the following currencies:

	2007	2006
	€'000	€'000
Euro	757,532	892,043
US dollar	145,873	173,595
Pound sterling	1,439	824
Other	2,094	2,137
	906,938	1,068,599

7. Called-up share capital

	2007	2006
	€'000	€'000
Authorised:		
900,000,000 ordinary shares of €0.05 each	45,000	45,000
Issued and fully paid:		
At 1 January	26,450	357,829
Shares cancelled during year	-	(343,516)
Issued during year: 2,514,819@ €0.05	125	12,137
At 31 December	26,575	26,450

In October 2007, 703,451 shares were issued in respect of an allotment of shares to satisfy Bonus Share Incentive entitlements entered into at the time of the Company's Initial Public Offering. In November 2007, 1,811,368 shares were issued in respect of the Company's Long Term Incentive Plan (LTIP), for the performance period ending 31 December 2009 based on a 125% award, being the maximum number of shares that can be issued.

The total number of ordinary shares of €0.05 each in issue at 31 December 2007 was 531,505,371 (2006: 528,990,552 shares).
The Company has two categories of dilutive potential ordinary shares in its 2007 Bonus Share Issue and Long Term Incentive Plan. The Company estimates that a further 52,138 bonus shares are due to be issued to shareholders are a results of the bonus share conditions as set out in

the IPO prospectus. In the event of any share capital changes prior to the issue of the bonus shares, the bonus shares shall carry no right or entitlement to be adjusted in any way. Bonus shares shall carry no right to vote or receive any dividend prior to the date they are issued. The potential shares to be issued in the Long Term Incentive Plan of 1,449,094 is calculated based on 100% of awards being vested.

8. Share premium

	2007	2006
	€'000	€'000
Share premium		
Beginning of year	497,958	6,095
Shares issued at premium	4,185	521,863
Issue of bonus shares	(35)	-
Write off of share issue expenses	-	(30,000)
End of year	502,108	497,958

9. Cash Generated From Operations

	2007	2006
	€'000	€'000
Profit/(loss) before tax	124,726	(79,368)
Adjustments for:		
– Depreciation	63,664	54,315
– Amortisation	5,635	3,868
– Profit on sale of property, plant and equipment	-	(63)
– Profit on sale of available for sale assets	-	(1,584)
– Net movements in provisions for liabilities and charges	(14,690)	(39,024)
– Net fair value losses on derivative financial instruments	40	38,109
– Interest income (Note 4)	(65,143)	(46,968)
– Interest expense (Note 4)	22,572	26,870
– Exceptional items (Note 3)	(3,517)	132,961
– Exchange losses	8,880	2,132
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	(140)	319
– Trade and other receivables	181	(1,475)
– Trade and other payables	20,914	33,209
Payment to supplemental pension arrangements	(104,000)	-
Cash generated from operations	59,122	123,301

10. Employee Profit Sharing Scheme

At the time of the IPO a new profit sharing scheme was established whereby the Group agreed to make available to the ESOT, depending on the return on average shareholders' funds, between 0% and 7.5% of the Group profit before taxation and exceptional items annually, commencing on 1 January 2006. Provision has been made at the rate of 7.5% for the year ended 31 December 2007.