Aer Lingus Group plc

ISE: EIL1 LSE: AERL

2008 Full year results

Dublin, London, 11 March 2009: Aer Lingus Group plc ("Aer Lingus" or "the Group") today announced a pre-tax profit before exceptional items for the year ended 31 December 2008.

Financial performance

	2008 € million	2007 € million	% change
Revenue	1,357.4	1,284.9	5.6%
Operating costs before employee profit share and net exceptional items			
- Fuel	(401.3)	(253.3)	58.4%
- Other operating costs	(973.7)	(943.1)	3.2%
- Total	(1,375.0)	(1,196.4)	14.9%
Operating (loss)/profit before employee profit share and net exceptional items	(17.6)	88.5	(119.9%)
Pre tax profit before net exceptional items	21.2	131.1	(83.8%)
(Loss)/profit after tax	(107.8)	105.3	(202.4%)
EBITDAR[1]	105.5	208.3	(49.4%)
Gross cash[2]	1,206.7	1,132.3	6.6%
Net cash[3]	653.9	757.0	(13.6%)
Return on capital[4]	9.5%	19.6%	(10.1pt)

1 *EBITDAR is defined as earnings before interest, tax, depreciation, amortisation, aircraft rentals, employee profit share and net exceptional items.*
2 *Gross cash is defined as cash and cash equivalents, deposits and available-for-sale financial assets/loans and receivables.*
3 *Net cash is defined as cash and cash equivalents, deposits and available-for-sale financial assets/loans and receivables, less borrowings.*
4 *Return on capital is defined as EBITDAR divided by fleet replacement value.*

Financial and operating highlights

- Pre-tax profit before exceptional costs of €21.2m delivered, despite challenging trading conditions encountered throughout the year.
- Continued revenue growth reflecting passenger growth and strong growth in ancillary revenue.
- Increased aircraft utilisation: up 3.0% on short haul and 2.1% on long haul.
- Unprecedented high fuel prices during the year resulted in a €148.0m (58.4%) increase in fuel costs and a consequent operating loss of €17.6m.

Cost reduction initiatives

- Substantive cost saving agreement with staff, which will help the Group deliver annualised cost savings of at least €52.0m commencing in April 2009. A net exceptional cost of €117.5m is included in 2008 for this programme.
- Annualised staff cost savings of €20.0m from PCI of which 50% was realised in 2008.

- ✈ Annual non-staff cost savings of €24.0m for 2009 will be delivered in the areas of airport costs, professional fees and distribution costs.

- ✈ Implementation of new third party maintenance contracts delivering annualised savings in excess of €20.0m commencing in H1 2008.

Strategic highlights

- ✈ International development and growth of Aer Lingus
    - Short haul
        - New base announced at London Gatwick, with four aircraft operating from April 2009
        - Second year of operations at Belfast with continued improvement in load factors
    - Long haul
        - Joint operation with United Airlines, commencing 2010
        - New extensive code share agreement in place with United Airlines
        - Web to web booking model rolled out with JetBlue

✈ Investment in long haul product through the refurbishment of three existing A330 aircraft. By June 2009, 7 out of 8 long haul aircraft will have the new improved specification.

Outlook

While Aer Lingus expects to grow passenger volumes marginally in 2009, forecasting a full year outcome in a weak and rapidly deteriorating operating environment is difficult. The weakening economic environment has, in particular, impacted the cargo and Premier sections of our business.

Since the start of the year, the continued and accelerating flow of negative economic data from the Irish and international markets, together with the increasing numbers of people out of work, has weakened consumer demand. Passengers are increasingly booking later and lower fares are necessary to ensure load factors remain stable. In order to maintain volumes, it is now expected that in 2009 average fares will decline by a minimum of 10% as compared to 2008. In addition, and in line with international trends, cargo revenue is expected to fall by up to 30% year on year. In the current climate we believe that in 2009 Aer Lingus will experience a larger operating loss than in 2008 and that in these circumstances the Group is unlikely to meet its previous guidance of a pre-tax profit in 2009.

Dermot Mannion, Aer Lingus CEO said: *'2008 was a year of exceptionally challenging trading conditions for the aviation industry as a whole. For Aer Lingus, falling consumer demand in key markets, a weakening dollar and sterling, and increased competition across the network combined to put sustained and significant pressure on our business throughout the year. Record highs and volatile movements in fuel prices also had a significant negative impact on the business.*

Despite the significant additional fuel cost encountered during the year, which brought the business from an operating profit to a small operating loss, the Group managed to report a pre-tax profit before exceptional items. 2008 was a year where we made continued progress on operating cost reduction. We also made exciting progress on a range of international developments, including the launch of our Gatwick base, as the Group recognises that continued growth will require us to diversify away from the Irish market on which we have been over-dependant. Our focus on driving revenue growth, together with a significant reduction to our operating cost base will benefit the Group over the medium-term.

Achieving passenger growth in a downturn is testament to the transformation Aer Lingus has made in the last number of years and will be the key to providing a platform for a diversified, strong business for the future. Since the IPO, we have focussed on transforming Aer Lingus from an Irish business to an international airline. We have made significant progress towards this objective with the establishment of two international bases and a range of long-haul partnerships, which include Aer Lingus' first non-Irish routes. While Ireland will always be a core element of the Aer Lingus operating platform, diversifying our revenue streams out of the Irish market is key to the long-term success of this business.'

Financial performance

	12 months ended 31 December		
	2008	**2007**	**% change**
	€ million	**€ million**	
Revenue			
- Passenger revenue			
- Fare revenue	1,151.6	1,123.3	2.5%
- Ancillary revenue	149.7	108.7	37.7%
- Total	*1,301.3*	*1,232.0*	*5.6%*
- Cargo revenue	50.3	47.7	5.5%
- Other revenue	5.8	5.2	11.5%
- Total revenue	**1,357.4**	**1,284.9**	**5.6%**
Operating costs before employee profit share and net exceptional items			
- Fuel	(401.3)	(253.3)	58.4%
- Other operating costs	(973.7)	(943.1)	3.2%
- Total	**(1,375.0)**	**(1,196.4)**	**14.9%**
Operating (loss)/profit before employee profit share and net exceptional items	**(17.6)**	**88.5**	**(119.9%)**
Net finance income	38.8	42.6	(8.9%)
Pre-tax profit before employee profit share and net exceptional items	**21.2**	**131.1**	**(83.8%)**
Employee profit share [(i)]	-	(9.8)	(100.0%)
Net exceptional items [(ii)]	(140.9)	3.5	Nm
(Loss)/profit before tax	**(119.7)**	**124.8**	**(195.9%)**
Income tax credit/(charge)	11.9	(19.5)	(161.0%)
(Loss)/profit after tax	**(107.8)**	**105.3**	**(202.4%)**
EBITDAR	**105.5**	**208.3**	**(49.4%)**

	2008	**2007**	**% change**
Passengers carried (‘000)	10,001	9,305	7.5%
Average fare yield	115.15	120.72	(4.6%)
Ancillary revenue per passenger (€)	14.97	11.68	28.2%
Short haul utilisation (block hours per day)	10.4	10.1	3.0%
Long haul utilisation (block hours per day)	14.3	14.0	2.1%
Unit cost (excluding fuel) (cent) [(iii)]	3.80	4.19	(9.3%)

(i) *The employee profit share charge is based on 0 % (2007: 7.5%) of the total of operating (loss)/profit and net finance income.*
(ii) *Includes compensation under PCI (€17.5m), defence costs (€5.9m) and net restructuring costs (€117.5m). See Note 2.*
(iii) *Unit cost is based on total operating costs before net exceptional items, excluding depreciation, amortisation, aircraft rentals, fuel and employee profit share, divided by available seat kilometres.*
Nm *Not meaningful*

Contacts

Investors & analysts	**Irish media**
Olwyn Kelly Aer Lingus Tel: +353 1 886 3038 Email: investor.relations@aerlingus.com	Anne-Marie Curran/Billy Murphy Drury Communications Tel: +353 1 260 5000 +353 87 286 4079 (AMC) +353 87 231 3085 (BM) Email: acurran@drurycom.com

Financial overview

2008 has been a very difficult year for the international airline industry as a whole. The industry experienced an unprecedented increase in fuel prices in the first half of 2008 and extreme volatility in fuel prices in the second half. This unprecedented fuel pricing environment, combined with the most severe economic downturn of recent years, severely impacted the performance of the industry generally and Aer Lingus specifically. Nevertheless, for 2008, Aer Lingus is reporting an operating loss before employee profit share and net exceptional items of €17.6m (2007: profit of €88.5m) and a pre-tax profit before exceptionals of €21.2m (2007: €131.1m).

Revenue

Total revenue rose by 5.6% to €1,357.4m. Passenger revenue grew by 2.5% to €1,151.6m, with a total of 10,000,884 passengers carried in 2008, up by 696,205 (7.5%) on 2007. The total passenger load factor was 72.8%, down from 75.4% in 2007, driven by a capacity increase of 13.9% year on year. Average fares decreased by 4.6% overall, falling by 6.4% on short-haul and increasing by 2.6% on long haul over 2007 levels due to the increased fuel surcharge imposed during the year. Revenue per passenger (fare yield plus ancillary revenue) dropped by 1.7% versus 2007.

Short haul

Short haul capacity, measured in available seat kilometres (ASKs), grew by 14.7% due to the full year effect of the delivery of four A320's in 2007, and the addition of one A320 in June 2008, bringing the short haul fleet to 33 (27 A320, 6 A321). Capacity utilisation, measured by revenue passenger kilometres (RPKs), increased relatively in line with capacity, increasing by 13.6%. Aircraft utilisation continued to increase, with average daily block hours utilisation increasing to 10.4, an increase of 3.0% on 2007.

Total short haul passengers carried increased by 8.3% to 8,736,840 while the average short haul fare decreased by 6.4% or €6.02 to €87.75. The reduction in short haul fares was partly offset by the growth in ancillary revenue per passenger of €3.29 or 28.2%.

Three additional A320s will join the fleet in March and April 2009, on operating leases, to operate from the new London Gatwick base. We will reduce the Dublin based fleet by one A320 due to the weakening of demand ex-Ireland. There are orders placed for a further four A320s for delivery between 2010 and 2011. These will bring the total short haul fleet to 40 aircraft. Short haul capacity, measured in ASKs, will grow by 9.4% in 2009 versus 2008.

Long haul

There was a significant increase in long haul capacity in the first half of 2008 due to the addition in mid 2007 of two long haul aircraft (A330 enhanced), bringing the long haul fleet to nine A330s. As a result of these new aircraft, long haul capacity, measured in ASKs, grew by 13.0%. Capacity utilisation, measured by RPKs, did not match capacity increases, growing at 5.6%. Total long haul passengers carried increased by 2.3% to 1,264,044 while the average long haul fare increased by 2.6% to €304.49. Aircraft utilisation continued to increase, with average daily block hours utilisation increasing to 14.3, an increase of 2.1% on 2007.

Capacity in 2009 will reduce compared to 2008 levels due to the ongoing fleet refurbishment program over the Winter 08/09 period, and the suspension of the Los Angeles route. In addition the reduction of the long haul fleet from 9 aircraft to 8 aircraft means that long haul capacity, measured in ASKs, for 2009 will be 13.6% below 2008.

Ancillary revenue

Ancillary revenue continued its significant growth pattern in 2008. This category mainly comprises sales on board, booking fees, baggage and excess baggage charges, seat selection fees and car hire, hotel and insurance commissions. Total ancillary revenue grew by 37.7% to €149.7m (2007: €108.7m). This growth was also achieved in ancillary revenue spend per passenger, which grew by 28.2% to €14.97 (2007: €11.68).

Cargo

During 2008, Aer Lingus continued to carry cargo on long haul routes, and on a small number of short haul routes where the aircraft turnaround times permit. Total cargo revenue increased by 5.5% to €50.3m (2007: €47.7m). This was primarily driven by increases in fuel surcharge revenue (set at the industry standard rate per tonne), which increased by 50.0% year on year. Average yields reduced by 8.0%, while tonnes decreased by 3.1%. Short haul tonnage continued to grow, reaching 4,536 (an increase of 34.8%), while long haul tonnage dropped marginally, by 1.4%, to 23,408 tonnes.

Operating costs

In 2008, the Group made significant progress on cost reduction initiatives, particularly in relation to new agreements on maintenance and staff costs, which will deliver savings in 2009 and beyond. In 2008, cash operating unit cost before employee profit share and net exceptional items and excluding fuel continued to fall, dropping from 4.19c to 3.80c per available seat kilometre. Total operating costs before the employee profit share and net exceptional items increased by 14.9% to €1,375.0m, primarily as a result of higher oil prices and increased operations.

The largest increase was in fuel costs, rising by €148.0m (58.4%) to €401.3m. Fuel represented 29.2% of operating costs before employee profit share and net exceptional items in 2008, up from 21.2% in 2007.

Staff costs, which represent 24.3% of operating costs before employee profit share and net exceptional items (2007: 25.7%), rose by 8.8% to €334.3m, while the average numbers employed increased from 3,905 in 2007 to 4,035 in 2008.

Airport charges represent 17.7% of operating costs before employee profit share and net exceptional items (2007: 18.5%) and increased by 9.7% through a combination of higher passenger volumes and increased charges by the airports served.

During the year, the Group concluded new contracts with a number of world-class suppliers on the provision of maintenance services. This resulted in the reduction in maintenance cost provisions to reflect the new contracts agreed in the year. Maintenance costs decreased from €82.6m in 2007 to €74.4m in 2008.

Employee profit share

There was no charge for employee profit share in 2008, as minimum return targets were not met. A charge of €9.8m was made in respect of the employee profit share for 2007.

Financing income and costs

Finance income fell by 6.6% to €60.9m with the decrease driven by reducing interest rates. While borrowings increased by 47.3% in the year, interest payable decreased by 2.5% to €22.0m again, due to reducing interest rates.

Net exceptional items

Net exceptional losses of €140.9m were recorded in 2008. This consisted of €117.5m in relation to staff cost restructuring, €5.9m relating to the defence of a takeover bid by Ryanair Holdings plc and €17.5m compensation payments under the Programme for Continuous Improvement.

Balance sheet

The Group continues to maintain a strong balance sheet position. Net cash has reduced to €653.9m (2006: €757.0m) as a result of operating losses and significant capital expenditure. Following the amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets*, the Group reclassified as loans and receivables, all the financial assets that had previously been classified as available-for-sale, with effect from 1 July 2008. This resulted in a reduction of net cash of €9.6m at 31 December 2008.

Capital expenditure during the year totalled €115.4m, of which €109.1m related to flight equipment. This primarily relates to aircraft deposits for future deliveries, capitalised maintenance costs and costs of the A330 retrofit programme.

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 2008, our estimated fuel requirements for 2009 were hedged as follows:

	Full year 2009	**Full year 2010**
% hedged	72%	22%
Average price per tonne of jet fuel	$911	$876

At 28 February 2009, our estimated fuel requirements for the remainder of 2009 were hedged as follows:

	10 months to 31 December 2009	**Full year 2010**
% hedged	72%	22%
Average price per tonne of jet fuel	$856	$876

Our major foreign currency exposure is to the US dollar. At 31 December 2008, our estimated US dollar trading requirements for 2009 were fully hedged at an average rate of €1=$1.48. In addition, we had purchased 72% and 23% of our estimated US dollar trading requirements for 2010 and 2011 at €1=$1.48 and $1.42 respectively.

At 28 February 2009, we had fully hedged our estimated trading requirements for US dollars for the ten months to 31 December 2009 at €1=$1.48. In addition, our forward purchases of US dollars comprised 76% of the estimated trading requirements for 2010 at a rate of €1=$1.48, and 24% of the estimated trading requirement for 2011 at €1 = $1.42.

Future developments

Aer Lingus made significant progress in 2008 towards it primary objective to deliver profitable growth over the medium-term. These initiatives include the delivery of a significant and sustained reduction to operating costs, the establishment of a new international base and new long-haul partnership with United Airlines.

Cost reduction
On 8 December 2008, Aer Lingus announced that it was on track to deliver at least €52.0m in annual staff cost savings following the positive agreements with the principal employee unions. The restructuring agreements with staff are delivering significant changes in work practices and reductions in operating costs. These savings, combined with a significant reduction in the cost of fuel, underpin Aer Lingus' ability to deliver growth over the medium-term. The central objective of the cost reduction programme is to ensure Aer Lingus maintains a competitive cost base that can underpin the profitable growth of the airline. In addition, cost reductions in the areas of professional fees, marketing and distribution, and airport and other costs will also be delivered in 2009. Savings will continue to be achieved from the contracts agreed with new suppliers for the provision of maintenance services concluded during 2008.

Gatwick base
In December 2008, the Group announced the opening of its new international base at London Gatwick Airport. The base is the Group's first outside the island of Ireland and will position Aer Lingus for profitable growth in Europe's largest aviation market. Aer Lingus will initially locate four Airbus A320 short haul aircraft at Gatwick from April 2009 and will operate services to Malaga, Munich, Nice, Vienna, Dublin, Knock, Faro and Zurich. Within 12 months the new base is expected to grow to 8 aircraft with the potential for up to 2.5 million passengers a year.

Long haul initiatives
On 1 November 2008, Aer Lingus commenced a code-share arrangement with United Airlines. The codeshare agreement covers all six of Aer Lingus' US gateways and delivers significant benefits for Aer Lingus customers, by providing access to over 200 additional destinations in the US market on the United Airlines network. US customers also benefit from greater access to destinations in Ireland and, through Aer Lingus' extensive short-haul network, to destinations in the UK and Continental Europe. The United Airlines flight code is placed on all Aer Lingus transatlantic flights to and from Shannon and Dublin.

The relationship with United Airlines has recently been further extended. On 22 January 2009, an innovative extension of the relationship was announced on select long haul services between Europe and North America. This partnership will capitalise on the growth opportunities presented by the Open Skies agreement between the European Union and the United States by opening new transatlantic non-stop services. The partners will launch a service between Washington, Dulles and Madrid, which will be available for sale from April 2009, and will commence daily operations from March 2010. It is anticipated that additional routes may be made available –for sale during 2010 to commence operation in Summer 2011.

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

Year ended 31 December

	2008	2007
	€ million	€ million
Revenue	**1,357.4**	**1,284.9**
Operating costs before employee profit share and net exceptional items	(1,375.0)	(1,196.4)
Operating (loss)/profit before employee profit share and net exceptional items	**(17.6)**	**88.5**
Employee profit share	-	(9.8)
Net exceptional items	(140.9)	3.5
Net finance income	38.8	42.6
(Loss)/profit before tax	**(119.7)**	**124.8**
Income tax credit/(charge)	11.9	(19.5)
(Loss)/profit after tax	(107.8)	105.3

Appendix 2

Passenger statistics
Year ended 31 December

	2008	2007	% change
Passengers carried (000) *			
Short haul	8,737	8,070	8.3%
Long haul	1,264	1,235	2.3%
Total	**10,001**	**9,305**	**7.5%**
Revenue passenger kilometres (RPKs) (million) *			
Short haul	9,109	8,017	13.6%
Long haul	7,168	6,790	5.6%
Total	**16,277**	**14,807**	**9.9%**
Available seat kilometres (ASKs) (million)			
Short haul	12,328	10,743	14.8%
Long haul	10,042	8,890	13.0%
Total	**22,370**	**19,633**	**13.9%**
Passenger load factor (%) *			
Short haul	73.9%	74.6%	(0.7pt)
Long haul	71.4%	76.4%	(5.0pt)
Total	**72.8%**	**75.4%**	**(2.6pt)**
Average fare (€)			
Short haul	87.75	93.77	(6.4%)
Long haul	304.49	296.87	2.6%
Average number of seat equivalents **			
Short haul	6,103	5,526	10.4%
Long haul	3,375	3,042	10.9%
Total	**9,478**	**8,568**	**10.6%**

** Based on flown passenger numbers*
*** Seat equivalent represents the equivalent of a seat on an aircraft based on the manufacturer's all-economy class configuration.*

Consolidated income statement

Year ended 31 December

	Notes	2008	2007
		€'000	€'000
Revenue	1	**1,357,356**	1,284,877
Operating expenses			
Staff costs, pre exceptional items		**334,300**	307,328
Depreciation and amortisation		**71,865**	69,299
Aircraft operating lease costs		**51,270**	50,552
Fuel and oil costs		**401,341**	253,298
Maintenance expenses		**74,412**	82,603
Airport charges		**242,903**	221,437
En-route charges		**57,298**	54,680
Distribution charges		**49,421**	51,169
Ground operations, catering and other operating costs		**100,992**	97,166
Other (gains)/losses - net		**(8,796)**	8,880
Employee profit share	12	**-**	9,827
		1,375,006	1,206,239
Operating (loss)/profit before net exceptional items		**(17,650)**	78,638
Net exceptional items	2	**(140,888)**	3,517
Operating (loss)/profit after net exceptional items		**(158,538)**	82,155
Finance income	3	**60,860**	65,143
Finance costs	3	**(22,018)**	(22,572)
(Loss)/profit before taxation		**(119,696)**	124,726
Income tax credit/(expense)		**11,881**	(19,461)
(Loss)/profit for the year		**(107,815)**	105,265
Attributable to:			
Equity holders of the parent		**(107,815)**	105,265
(Loss)/earnings per share for (loss)/profit attributable to the equity holders of the parent during the year (expressed in € cent per share)			
- basic	4	**(20.4)c**	19.9c
- diluted	4	**(20.4)c**	19.8c

Consolidated balance sheet

As at 31 December

	Notes	**2008 €000s**	2007 €000s
ASSETS			
Non-current assets			
Property, plant and equipment		**708,961**	663,100
Intangible assets		**7,109**	3,797
Other non-current financial assets	5	**80,983**	105,823
Derivative financial instruments	6	**39,447**	-
Deferred tax asset		**1,889**	-
Deposits and restricted cash with maturity greater than 12 months	7	**169,279**	119,513
		1,007,668	892,233
Current assets			
Inventories		**514**	874
Derivative financial instruments	6	**30,872**	10,683
Trade and other receivables		**88,901**	65,219
Current income tax receivables		**25**	5,071
Other current financial assets	5	**34,126**	-
Cash, cash equivalents and deposits with maturity less than 3 months	7	**6,081**	4,953
Deposits and restricted cash with maturity greater than 3 months	7	**916,298**	901,985
		1,076,817	988,785
Total assets		**2,084,485**	1,881,018
EQUITY			
Called up share capital	9	**26,698**	26,575
Share premium	10	**506,847**	502,108
Capital conversion reserve fund		**5,048**	5,048
Capital redemption reserve fund		**343,516**	343,516
Other reserves		**(68,408)**	(144)
Retained earnings		**(41,006)**	66,809
Total equity		**772,695**	943,912
LIABILITIES			
Non-current liabilities			
Borrowings	8	**447,920**	333,311
Derivative financial instruments	6	**35,074**	10,055
Deferred tax liabilities		**-**	19,316
Provisions for other liabilities and charges		**36,599**	60,416
		519,593	423,098
Current liabilities			
Trade and other payables		**415,838**	435,257
Borrowings	8	**104,949**	41,945
Derivative financial instruments	6	**114,206**	6,229
Provisions for other liabilities and charges		**157,204**	30,577
		792,197	514,008
Total liabilities		**1,311,790**	937,106
Total equity and liabilities		**2,084,485**	1,881,018

Consolidated statement of changes in equity

Year ended 31 December

	Notes	Called up 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 2007	9, 10	**26,450**	**497,958**	**5,048**	**343,516**	**(19,263)**	**1,053**	**-**	**-**	**(38,456)**	**816,306**
Profit for the year		-	-	-	-	-	-	-	-	105,265	105,265
Available-for-sale financial assets											
- Fair value gains in the year		-	-	-	-	-	3,315	-	-	-	3,315
- Deferred tax on fair value gains in the year		-	-	-	-	-	(415)	-	-	-	(415)
Cash flow hedges											
- Fair value gains in the year		-	-	-	-	1,024	-	-	-	-	1,024
- Deferred tax on fair value gains in the year		-	-	-	-	(128)	-	-	-	-	(128)
- Transfer to fuel costs		-	-	-	-	7,935	-	-	-	-	7,935
- Deferred tax on transfer to fuel costs		-	-	-	-	(993)	-	-	-	-	(993)
- Transfer to other (gains)/losses - net		-	-	-		12,760	-	-	-	-	12,760
- Deferred tax on transfer to other (gains)/losses - net		-	-	-	-	(1,596)	-	-	-	-	(1,596)
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	9, 10	**26,575**	**502,108**	**5,048**	**343,516**	**(261)**	**3,953**	**(4,275)**	**439**	**66,809**	**943,912**

	Notes	Called up 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 2008	9, 10	**26,575**	**502,108**	**5,048**	**343,516**	**(261)**	**3,953**	**(4,275)**	**439**	**66,809**	**943,912**
Loss for the year		-	-	-	-	-	-	-	-	(107,815)	(107,815)
Available-for-sale reserve											
- Fair value gains in the year		-	-	-	-	-	562	-	-	-	562
- Deferred tax on fair value gains in the year		-	-	-	-	-	(70)	-	-	-	(70)
- Amortisation of available-for-sale reserve		-	-	-	-	-	(1,642)	-	-	-	(1,642)
- Deferred tax on available-for-sale reserve		-	-	-	-	-	439	-	-	-	439
Cash flow hedges											
- Fair value losses in the year		-	-	-	-	(68,865)	-	-	-	-	(68,865)
- Deferred tax on fair value losses in the year		-	-	-	-	8,608	-	-	-	-	8,608
- Transfer to fuel costs		-	-	-	-	(9,737)	-	-	-	-	(9,737)
- Deferred tax on transfer to fuel costs		-	-	-	-	1,217	-	-	-	-	1,217
- Transfer to other (gains)/losses - net		-	-	-	-	6,221	-	-	-	-	6,221
- Deferred tax on transfer to other (gains)/losses - net		-	-	-	-	(777)	-	-	-	-	(777)
Total recognised (loss)/gain for 2008		**-**	**-**	**-**	**-**	**(63,333)**	**(711)**	**-**	**-**	**(107,815)**	**(171,859)**
Issue of bonus shares		3	(3)	-	-		-	-	-	-	-
Issue of new shares		120	4,742	-	-		-	(4,862)	-	-	-
Share based payment reserve		-	-	-	-		-	-	735	-	735
Deferred tax impact		-	-	-	-		-	-	(93)		(93)
Balance at 31 December 2008	9, 10	**26,698**	**506,847**	**5,048**	**343,516**	**(63,594)**	**3,242**	**(9,137)**	**1,081**	**(41,006)**	**772,695**

Consolidated cash flow statement

Year ended 31 December

	Notes	2008	2007
		€'000	€'000
Cash flows from operating activities			
Cash (used in)/generated from operations	11	**(8,627)**	59,122
Interest paid		**(17,684)**	(22,437)
Income tax received/(paid)		**5,046**	(4,002)
Net cash (used in)/generated from operating activities		**(21,265)**	32,683
Cash flows from investing activities			
Purchases of property, plant and equipment		**(114,490)**	(200,604)
Purchases of intangible assets		**(5,619)**	(4,294)
Proceeds from sale of investment		**-**	11,374
Disposal of available-for-sale financial assets		**-**	9,031
(Increase)/decrease in deposits and restricted cash with maturity greater than 3 months		**(44,099)**	138,066
Dividends received		**-**	2,998
Interest received		**46,766**	60,008
Net cash (used in)/generated from investing activities		**(117,442)**	16,579
Cash flows from financing activities			
Costs arising from issuance of ordinary shares		**-**	(3,720)
Proceeds from borrowings		**186,135**	2,090
Repayments of borrowings		**(38,695)**	(61,104)
Net cash generated from/(used in) financing activities		**147,440**	(62,734)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**8,733**	(13,472)
Cash, cash equivalents and bank overdrafts at beginning of the year	7	**(12,185)**	(1,226)
Exchange gains on cash, cash equivalents and bank overdrafts		**9,533**	2,513
Cash, cash equivalents and bank overdrafts at end of the year	7	**6,081**	(12,185)

Basis of preparation

This 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 2008 in accordance with European Union (EU) adopted International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of 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 consolidated financial statements for the year ended 31 December 2008. The consolidated financial statements for the years ended 31 December 2007 and 31 December 2008 have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and derivative financial instruments. The consolidated financial statements have been prepared in accordance with the accounting policies disclosed in the prior year annual report, with the exception of the adoption of the amendment to IAS 39 *Reclassification of Financial Assets*. The preparation of consolidated financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The financial information set out in this preliminary announcement does not constitute the statutory consolidated 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 consolidated financial statements required to be annexed to the annual return in respect of the year ended 31 December 2007 has been so annexed. A copy of the statutory consolidated financial statements in respect of the year ended 31 December 2008 will be annexed to the Group's annual return for 2008. The Directors expect to approve the consolidated financial statements for the year ended 31 December 2008 in April 2009. The independent auditors' report on the full statutory consolidated financial statements for the year ended 31 December 2008 has yet to be completed.

Notes to the consolidated 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. Information is also provided on a geographic segment basis.

(i) 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) contribute to both the passenger and cargo segments and as such cannot be directly attributed to either segment and are therefore shown as unallocated.

Year ended 31 December 2008

	Passenger 2008 €'000	Cargo 2008 €'000	Unallocated [1] 2008 €'000	**Total 2008 €'000**
Passenger revenue	1,151,572	-	-	**1,151,572**
Ancillary revenue	149,748	-	-	**149,748**
Other revenue	5,763	-	-	**5,763**
Cargo revenue	-	50,273	-	**50,273**
Segment revenue	1,307,083	50,273	-	**1,357,356**
Operating profit/(loss) before net exceptional items	41,859	3,560	(63,069)	**(17,650)**
Net exceptional items	(98,847)	(9,161)	(32,880)	**(140,888)**
Operating profit/(loss) after net exceptional items	(56,988)	(5,601)	(95,949)	**(158,538)**
Finance income				**60,860**
Finance costs				**(22,018)**
Loss before taxation				**(119,696)**
Income tax credit				**11,881**
Loss for the year				**(107,815)**

(1) Unallocated includes depreciation and amortisation of (€71.9 million), other (gains)/losses - net of €8.8 million.

Year ended 31 December 2007

	Passenger 2007 €'000	Cargo 2007 €'000	Unallocated [2] 2007 €'000	Total 2007 €'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 net exceptional items	158,408	8,238	(88,008)	78,638
Net exceptional items	-	-	3,517	3,517
Operating profit after net exceptional items	158,408	8,238	(84,491)	82,155
Finance income				65,143
Finance costs				(22,572)
Profit before taxation				124,726
Income tax charge				(19,461)
Profit for the year				105,265

(2) Unallocated includes depreciation and amortisation of (€69.3 million), other (gains)/losses - net of (€8.9 million) and profit share of (€9.8 million).

2. Net exceptional items

	2008	2007
	€'000	€'000
Profit on disposal of investment (a)	**-**	11,374
Takeover defence costs (b)	**(5,845)**	(7,857)
Compensation under PCI (c)	**(17,543)**	-
Restructuring (d)	**(117,500)**	-
	(140,888)	3,517

(a) Profit on disposal of investment in Futura.
(b) Provision for costs incurred in the defence of takeover bids.
(c) Costs incurred as a result of compensation due to staff under the Programme for Continuous Improvement.
(d) Cost of restructuring programme for Early Retirement, Voluntary Severance and Migration Schemes.

3. Finance expense and finance income

	2008	2007
	€'000	€'000
Finance income		
Interest on cash and term deposits	**54,798**	56,508
Interest income on other financial assets	**4,420**	5,637
Amortisation of available-for-sale reserve	**1,642**	-
Dividends received	**-**	2,998
	60,860	65,143
Finance costs		
On bank loans and overdrafts	**57**	1,377
Finance lease interest	**21,508**	20,306
Finance charge on discounted provision	**453**	889
	22,018	22,572

4. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the (loss)/profit attributable to the equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding shares issued under the Long Term Incentive Plan which are classified as treasury shares.

	2008	2007
(Loss)/profit attributable to equity holders of the parent (€'000s)	**(107,815)**	105,265
Weighted average number of ordinary shares in issue (000's)	**529,731**	529,162
Basic (loss)/earnings per share (€ cent per share)	**(20.4)c**	19.9c

(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. In 2008 there were no dilutive potential ordinary shares. In 2007 the parent had dilutive potential ordinary shares due to the 2007 bonus share issue.

	2008	2007
(Loss)/profit attributable to equity holders of the parent used to determine diluted earnings per share (€'000s)	**(107,815)**	105,265
Weighted average number of ordinary shares in issue (000's)	**529,731**	529,162
Adjustments for:		
- Bonus shares of 1 for 20 October 2007	**-**	52
Weighted average number of ordinary shares for diluted earnings per share	**529,731**	529,214
Diluted (loss)/earnings per share (€ cent per share)	**(20.4)c**	19.8c

5. Other financial assets

	2008	2007
	€'000	€'000
Available-for-sale financial assets	**-**	105,823
Loans and receivables		
- non-current	**80,983**	-
- current	**34,126**	-
	115,109	105.823

The Group reclassified as loans and receivables, financial assets that had been previously classified as available-for-sale, with effect from 1 July 2008. This reclassification was made following the amendment to IAS 39 *Reclassification of Financial Assets*, issued October 2008, as these financial assets would previously have met the definition of loans and receivables and the Group has the intention and ability to hold these financial assets until maturity. These financial assets were reclassified at their fair values on the date of reclassification and the gains/(losses) that were previously recognised in equity shall be reclassified to profit or loss over the remaining lives of the financial assets using the effective interest rate method.

6. Derivative financial instruments

	2008		2007	
	€'000		€'000	
	Assets	**Liabilities**	Assets	Liabilities
Cross currency interest rate swaps – held for trading	**-**	**6,285**	-	6,252
Forward foreign exchange contracts – cash flow hedges	**70,319**	**-**	-	10,032
Forward fuel price contracts – cash flow hedges	**-**	**142,995**	10,683	-
Total	**70,319**	**149,280**	10,683	16,284
Less non-current portion:				
Cross currency interest rate swaps – held for trading	**-**	**6,285**	-	6,252
Forward foreign exchange contracts – cash flow hedges	**39,447**	**-**	-	3,803
Forward fuel price contracts – cash flow hedges	**-**	**28,789**	-	-
Non-current portion	**39,447**	**35,074**	-	10,055
Current portion	**30,872**	**114,206**	10,683	6,229

7. Cash, cash equivalents and other deposits

	2008	2007
	€'000	€'000
Cash and deposits with maturity less than 3 months	**6,081**	4,953
Restricted cash	**116,384**	125,293
Deposits with maturity greater than 3 months	**969,193**	896,205
	1,085,577	1,021,498
Less non-current portion	**(169,279)**	(119,513)
Current	**916,298**	901,985
Total cash, cash equivalents and other deposits	**922,379**	906,938

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	**6,081**	4,953
Bank overdrafts	**-**	(17,138)
	6,081	(12,185)

8. Borrowings

	2008	2007
	€'000	€'000
Bank overdraft	**-**	17,138
Finance lease obligations	**552,869**	358,118
Total borrowings	**552,869**	375,256
Current portion	**104,949**	41,945
Non-current portion	**447,920**	333,311
	552,869	375,256

9. Called-up share capital

	2008	2007
	€'000	€'000
Authorised:		
900,000,000 ordinary shares of €0.05 each	**45,000**	45,000
Issued and fully paid:		
At 1 January	**26,575**	26,450
Issued during year: 2,449,097 @ €0.05	**123**	-
Issued during 2007: 2,514,819 @ €0.05	**-**	125
At 31 December	**26,698**	26,575

In April 2008, 52,138 shares were issued in respect of an allotment of shares to satisfy Bonus Share Incentive entitlements entered into at the time of the parent's Initial Public Offering. In May 2008, 2,396,959 shares were issued in respect of the Group's Long Term Incentive Plan (LTIP), for the vesting period ending 31 December 2010.

The total number of ordinary shares of €0.05 each in issue at 31 December 2008 was 533,954,468 (2007: 531,505,371 shares), of which 1,917,567 (2007: 1,449,094) were treasury shares.

10. Share premium

	2008	2007
	€'000	€'000
Share premium		
Beginning of year	**502,108**	497,958
Shares issued at premium	**4,742**	4,185
Issue of bonus shares	**(3)**	(35)
End of year	**506,847**	502,108

11. Cash generated from operations

	2008	2007
	€'000	€'000
(Loss)/profit before tax	**(119,696)**	124,726
Adjustments for:		
- Depreciation	**69,558**	63,664
- Amortisation	**2,307**	5,635
- Net movements in provisions for liabilities and charges	**(13,084)**	(14,690)
- Net fair value losses on derivative financial instruments	**945**	40
- Finance income (Note 3)	**(60,860)**	(65,143)
- Finance expense (Note 3)	**22,018**	22,572
- Net exceptional items (Note 2)	**140,888**	(3,517)
- Other (gains)/losses - net	**(8,796)**	8,880
Changes in working capital		
- Inventories	**360**	(140)
- Trade and other receivables	**(16,329)**	181
- Trade and other payables	**(25,938)**	20,914
Payment to supplemental pension arrangements	**-**	(104,000)
Cash (used in)/generated from operations	**(8,627)**	59,122

12. 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 net exceptional items annually, commencing on 1 January 2006. No provision has been made for the year ended 31 December 2008 as the return on average shareholders' funds did not meet the minimum threshold specified (2007: €9.8 million).