

**FIRST HALF RESULTS**

**Dublin, London, 27 August 2009:** Aer Lingus Group plc ("Aer Lingus") today announced its first half results for the six-month period ended 30 June 2009.

**Period highlights**

- Operating loss of €3.0m (2008: loss of €23.4m)
- Total passengers up 1.7% to 4.943m (2008: 4.858m)
- Total revenue declined 12.2% to €55.0m (2008: €631.8m), with strong performance in ancillary revenues offset by reduced passenger fare and cargo revenues
- Average fare for the period declined by 17.1% on 2008, being a 13.1% fall on average short haul fare and an 18.5% fall on average long haul fare
- Fuel costs up 10.0% to €89.6m (2008: €72.4m)
- Non-fuel operating costs down 5.1% to €58.4m (2008: €482.8m)
- Establishment of new international base at London Gatwick in April 2009
- Gross cash of €1,051.7m (30 June 2008: €1,328.4m) and net cash of €439.6m at 30 June 2009 (30 June 2008: €802.6m)
- Shareholders' equity of €742.5m at 30 June 2009 (30 June 2008: €15.6m)

**Response to challenging market conditions**

- Active management of capacity deployed to meet changing environment, with long haul capacity (ASKs) reduced by 18.1%, while short haul capacity increased by 4.3% largely due to new operations at London Gatwick offset by a decrease in Irish short haul capacity of 4.0%. Further reductions in capacity are planned for Winter 09/10, with seat capacity on short haul routes from Dublin reducing by 14% and seat capacity on long haul routes reducing by 24%.
- Dynamic management of route network to drive maximum returns. In the first half of 2009 seven routes were cancelled and capacity was reduced on 24 routes.
- Initiatives developed to address declining revenue, such as the introduction of FlexiFare on short haul routes, round-trip pricing on long haul routes and a second bag fee on long haul services.
- Cost reduction programme announced in December 2008 will yield savings of €65m for the financial year 2009, with the full year benefit of staff cost savings to come in 2010.
- Agreement with Airbus on deferral of aircraft deliveries resulting in significant reduction in medium term capital commitments
- Undertaking an exhaustive and wide-ranging examination of Aer Lingus' operations and commercial focus to institute future and sustained profitability. A sub-committee of the Board has been formed to assist the management team with this review.
- New CEO, Christoph Mueller, will start on 1 September 2009 and will execute the strategy to return the business to profitability.

**Outlook**

Trading conditions continue to be very challenging across the airline industry. There has been a structural change in fares and in demand for our long haul business class product in particular. In addition, Aer Lingus expects that the continuation of the current market trends in Ireland and its other key markets will lead to further sustained and significant fare pressure. This dynamic and very challenging environment contributes to a highly uncertain outlook.

While traffic volumes have stabilised, average fare yields continue to be significantly down year on year. Forward visibility on revenue expectations remains poor. Therefore, ongoing significant cost reduction remains critical to manage through the difficult market environment and return the Aer Lingus business to profitability.

**Colm Barrington, Aer Lingus' Chairman, commented:** *"The market environment continues to be very challenging with total revenue falling by 12.2%. The scale of the operating loss clearly illustrates the extent of the challenges facing Aer Lingus in the current environment. While traffic volumes have stabilised, consumer confidence remains weak and we see no sign of any improvement in the near term. We continue to experience a significant reduction in average fares, which are down 17.1% in the period. Our results in the period have also been adversely affected by the imposition of the €10 passenger departure tax in Ireland, which we believe is very short sighted and counter productive in the current, very difficult conditions being faced by airlines and by the Irish business and tourism sectors. In addition, proposed increases in airport charges at Dublin airport represent a significant risk to our ability to generate returns at this base.*

*This revenue environment, coupled with an uncompetitive cost base, means that we must now take difficult but necessary steps to address our business model and cost base so that we ensure Aer Lingus is viable over the long term. Aer Lingus has already taken action to manage its capacity and route network to adapt to market conditions including the removal of 9% of total Irish seats this winter. The agreement with Airbus on aircraft deferral will significantly reduce capital commitments and is another step towards enabling Aer Lingus to maintain its financial strength.*

*We are pleased that Christoph Mueller will assume the role of CEO from 1 September 2009. Christoph brings drive, experience and enthusiasm for our business; he will have a critical leadership role in completing the strategic review currently underway; and he will be responsible for delivering the significant changes required to ensure a sustainable, profitable future for Aer Lingus."*

## Financial performance

	Six months ended 30 June		% change
	2009	2008 <sup>1</sup>	
	€million	€million	
Revenue			
- Passenger revenue			
- Fare revenue	451.6	535.4	(15.7%)
- Ancillary revenue	84.0	69.7	20.5%
- Total	535.6	605.1	(11.5%)
- Cargo revenue	16.9	24.1	(29.9%)
- Other revenue	2.5	2.6	(3.8%)
- Total	555.0	631.8	(12.2%)
Operating costs			
- Fuel	(189.6)	(172.4)	10.0%
- Other operating costs	(458.4)	(482.8)	(5.1%)
- Total	(648.0)	(655.2)	(1.1%)
Operating gain/(loss)	(93.0)	(23.4)	(297.4%)
Net finance income	11.3	19.7	(42.6%)
Exceptional items <sup>(i)</sup>	-	(17.6)	(100.0%)
Loss before tax	(81.7)	(21.3)	(283.6%)
Tax credit/(charge)	7.8	(0.3)	Nm
Loss after tax	(73.9)	(21.6)	(242.1%)
EBITDAR <sup>(ii)</sup>	(25.7)	34.9	(173.6%)
Passengers carried ('000)	4,943	4,858	1.7%
Average fare yield (€)	91.36	110.21	(17.1%)
Ancillary revenue per passenger (€)	16.99	14.35	18.4%
Short haul utilisation (block hours per day)	10.2	10.6	(3.8%)
Long haul utilisation (block hours per day)	11.6	14.0	(17.1%)

<sup>1</sup> 2008 figures have been restated following the adoption of IFRIC 13 *Customer Loyalty Programmes*.

- (i) Compensation under PCI
- (ii) Earnings before interest, tax, depreciation, amortisation and aircraft rentals

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## Operating review

### Capacity reduction and long haul fleet

On 12 June 2009, in response to the continuing decline in average fares, the Group announced significant changes to its 2009/10 winter schedule to reduce costs and mitigate the impact of the generally weak operating environment. These changes included reducing seat capacity on winter long haul services by approximately 24%. On short haul operations the Group announced a reduction of capacity at Dublin from 24 to 21 aircraft and at Belfast from three to two aircraft for the winter period. In addition, with effect from 25 October 2009, an A320 aircraft will be based at Shannon to facilitate an increase in the Shannon-London Heathrow services. Additional frequencies were also added at Cork Airport. The effect of these changes will be to reduce Irish short haul seat capacity for Winter 09/10 by 7.1% versus Winter 08/09. An additional aircraft has been added to the Gatwick base for the winter period, expanding the Group's fleet there to five aircraft and adding six new routes.

Aer Lingus also recently announced an agreement with Airbus on changes to its long haul fleet delivery plans. The agreement deferred the delivery on a number of long haul aircraft and will reduce the planned long haul operating fleet to a maximum of eight aircraft in 2010. A maximum of seven aircraft are planned to operate Aer Lingus long haul services with a single aircraft available to allocate to a joint venture with United Airlines to operate a service between Washington and Madrid. The deferral of long haul aircraft deliveries, at no cost to Aer Lingus, represents a successful outcome for the Group, significantly reduces the Group's planned capital expenditure for the next three years, and will contribute to a significantly stronger net cash position and balance sheet during the current challenging trading environment.

## 2009 H1 financial overview

The Group reported an operating loss of €93.0m (2008: loss of €23.4m) for the first half of 2009. EBITDAR has reduced by €60.6m to an EBITDAR loss of €25.7m and the Group recorded a net loss for the six months of €73.9m (2008: €21.6m).

### Passenger revenue

Passenger revenue fell by 11.5% to €35.6m in the period. An additional 85,000 passengers were carried compared to the same period in 2008. Average fare per passenger fell by 17.1%; however, revenue per passenger (fare yield plus ancillary revenue) fell by 13.0% to €108.35. Total passenger load factor increased by 2.4 points to 72.6%.

#### Short haul

Total short haul passengers carried increased by 3.6% to 4,415,000, while average short haul fare decreased by 12.8% or €10.85 to €73.61 (2008: €84.46). The reduction in short haul average fare was partly offset by the growth in ancillary revenue per passenger of €2.64 or 18.4%.

Short haul capacity, measured by available seat kilometres (ASKs) grew by 4.3% due to the opening of the new Gatwick base in April 2009 and additional capacity added to the Belfast base offset by a 4.0% decrease in capacity across Irish short haul routes. Capacity utilisation, measured by revenue passenger kilometres (RPKs) increased by 7.1% resulting in short haul load factor increasing by 1.9 points to 74.1%.

Three A320s were added to the fleet, on operating leases, bringing the total short haul fleet to 36 aircraft. These additional aircraft were based at the new Gatwick base.

#### Long haul

Total long haul passengers decreased by 11.6% to 528,000 and there was decrease of 18.4% in average long haul fare to €239.92 (2008: €293.97).

There was a significant decrease in long haul capacity in the period, where ASKs fell by 18.1% mainly due to the full year effect of the withdrawal from the Los Angeles and Dubai routes. Capacity was also reduced on all other long haul routes, with the exception of Chicago, however these cuts have been somewhat offset by the full year effect of the two new A330 aircraft introduced at the end of the first half of 2008. RPKs decreased by 15.0% resulting in long haul load factor increasing by 2.5 points to 70.2%.

In the first half of the year two new A330s were delivered and two other A330s were returned to their lessors. Capacity will continue to reduce in 2009 with an A330 leaving the fleet in October 2009, 18 months ahead of schedule. A further A330 will leave the fleet in March 2010, 14 months ahead of schedule. Aer Lingus will take delivery of an A330 in April 2010 as planned, bringing the total long haul fleet at that stage to eight A330 aircraft.

#### Ancillary

Ancillary revenue showed another strong performance in the first half, with total ancillary revenues reaching €84.0m, up 20.5% on 2008. This increase was achieved as a result of the additional passengers carried, and, significantly, through the continued increase in per passenger spend, which increased by 18.4% to €16.99. The most significant ancillary revenue products are in-flight sales revenue, baggage fees, online booking fees, seat selection fees and passenger travel insurance.

#### Cargo

Aer Lingus' cargo strategy is to carry cargo on both long haul routes and on short haul routes where aircraft turnaround times permit. Total cargo revenue decreased by 29.9% to €16.9m (2008: €24.1m) driven by a decrease in tonnage, a fall in yields and a fall in fuel surcharge revenue. Short haul tonnage increased by 31% to 3,048 tonnes; however long haul tonnage decreased by 27.5% to 8,777 tonnes, resulting in total tonnage falling 18.0%. Average yield, excluding the industry fuel surcharge, decreased by 13.2%. Revenue from the fuel surcharge decreased by 54.1%.

#### Operating costs

Total operating costs decreased by 1.1% to €648.0m. Fuel costs, airport charges, maintenance costs, aircraft rental costs and depreciation increased, while staff costs, en-route charges, distribution costs, overheads and ground operations costs all decreased.

The largest increase was in fuel costs, which increased by €17.2m (10.0%) to €189.6m due to a strengthening of the US dollar, which adversely impacted on fuel costs, and an increase in the average hedged price per tonne. The increase was partly offset by a reduction of 4.1% in the total block hours for the period and the adverse movement in the US dollar was largely offset by gains on currency hedges, which are reflected in 'other (gains)/losses - net'. Fuel represented 29.3% of total costs in the period, up from 26.3% in 2008. The average cost of fuel in the period was \$993 per tonne, compared to \$925 per tonne in 2008.

Staff costs, which represent 23.5% of operating costs, decreased by 9.1% to €52.1m, as a result of agreements reached with staff in December 2008 and also the pay freeze in operation across the Group. In addition, average numbers employed fell by 4.2% to 3,879 (2008: 4,050) despite the additional staff recruited for our new Gatwick base. Staff costs per passenger fell by 10.7% to €30.77.

Airport charges, which represent 18.7% of operating costs, increased by 7.0% to €121.4m (2008: €113.5m) due, primarily, to increases in the rates charged by, largely regulated, airport authorities and the increase in passenger numbers.

Aircraft operating lease costs increased by 26.2% to €30.4m (2008: €24.1m) due to the full year effect of an A320 taken on an operating lease in June 2008; three additional A320 aircraft taken on operating leases from April 2009 to service the new Gatwick base; and the adverse impact of the movement in the US dollar during the period.

Maintenance costs for the six months to 30 June 2009, at €37.2m, increased by €4.9m on the same period in 2008. The increase was mainly due to adverse exchange rate movements and a one-off release of provisions in 2008. Excluding the benefit of the once-off releases in 2008, maintenance costs per flight hour decreased by 11.2% in the first six months compared to the same period in 2008, which represents the savings achieved due to more cost effective contracts being agreed as part of the tender process.

Other (gains)/losses - net, which largely consist of gains from maturing currency contracts used to offset currency losses reflected in other income statement captions, returned a net gain of €20.7m for the six months to 30 June 2009 versus a net loss of €4.8m for the same period in 2008.

#### **Employee profit share**

There is no provision for an employee profit share for the first six months of 2009 (2008: nil) as a result of the losses incurred in the period.

#### **Financing income and costs**

Net finance income decreased by 42.6% on 2008 to €1.3m (2008: €19.7m). Finance expense increased slightly during the period; however, finance income fell by 27.2% due falling interest rates and a decrease in the Group's net cash balance over the period.

#### **Balance sheet**

Net cash (cash, deposits and other financial assets, less debt) has decreased by 32.8% since year-end, to €439.6m (31 December 2008: €653.9m). During the six months to 30 June 2009 the Group made payments totalling €136.7m for the delivery two A330 aircraft and deposits for future aircraft deliveries. The Group obtained financing of €55.7m for one of the A330 aircraft delivered. The group made redundancy payments of €96.8m during the period.

#### **Fuel and currency hedging**

To achieve greater certainty on costs we manage our exposure to fluctuations in the prices of fuel and foreign currency through hedging. At 26 August 2009, our estimated fuel requirements for the remainder of 2009 and for 2010 and 2011 were hedged as follows:

	Six months to 31 December 2009	Full year 2010	Full year 2011
% hedged	72%	43%	6%
Average price per tonne of jet fuel	\$762	\$808	\$745

The blended rate for 87% of our total estimated fuel requirements in 2009 is \$875 per tonne based on the combination of the above hedges and fuel already bought on the spot market. Assuming the balance of 2009 fuel is purchased at current forward rates, the total fuel bill for 2009 will be €337.5m (2008: €401.3m).

Our major foreign currency exposure is to the US dollar. At 26 August 2009, our forward purchases of US dollars comprised: 92% of the estimated trading requirements for the six months to 31 December 2009 at an average rate of €1=\$1.47; 72% of the estimated trading requirements for 2010 at an average rate of €1=\$1.48; and 45% of the estimated trading requirement for 2010 at an average rate of €1=\$1.43.

#### **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.*

## Appendix 1

### Summary results

Six months to 30 June

	2009	2008 <sup>1</sup>
	€million	€million
Revenue	555.0	631.8
Operating costs	(648.0)	(655.2)
<b>Operating loss</b>	<b>(93.0)</b>	<b>(23.4)</b>
Exceptional items	-	(17.6)
Net finance income	11.3	19.7
<b>Loss before tax</b>	<b>(81.7)</b>	<b>(21.3)</b>
Tax credit/(charge)	7.8	(0.3)
<b>Loss after tax</b>	<b>(73.9)</b>	<b>(21.6)</b>

<sup>1</sup> 2008 figures have been restated following the adoption of IFRIC 13 *Customer Loyalty Programmes*.

## Appendix 2

### Passenger statistics

Six months to 30 June

	2009	2008	%/points change
<b>Passengers carried ('000) *</b>			
Short haul	4,415	4,261	3.6%
Long haul	528	597	(11.6%)
<b>Total</b>	<b>4,943</b>	<b>4,858</b>	<b>1.7%</b>
<b>Revenue passenger kilometres (RPKs) (million) *</b>			
Short haul	4,686	4,377	7.1%
Long haul	2,893	3,405	(15.0%)
<b>Total</b>	<b>7,579</b>	<b>7,782</b>	<b>(2.6%)</b>
<b>Available seat kilometres (ASKs) (million)</b>			
Short haul	6,321	6,061	4.3%
Long haul	4,120	5,031	(18.1%)
<b>Total</b>	<b>10,441</b>	<b>11,092</b>	<b>(5.9%)</b>
<b>Passenger load factor (%) *</b>			
Short haul	74.1%	72.2%	1.9pts
Long haul	70.2%	67.7%	2.5pts
<b>Total</b>	<b>72.6%</b>	<b>70.2%</b>	<b>2.4pts</b>
<b>Average fare (€)<sup>1</sup></b>			
Short haul	73.61	84.46	(12.8%)
Long haul	239.92	293.97	(18.4%)
<b>Average number of seat equivalents **</b>			
Short haul	6,466	6,027	7.3%
Long haul	3,311	3,375	(1.9%)
<b>Total</b>	<b>9,777</b>	<b>9,402</b>	<b>4.0%</b>

<sup>1</sup> 2008 figures have been restated following the adoption of IFRIC 13 *Customer Loyalty Programmes*.

\* 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

## Condensed consolidated interim income statement (unaudited)

Six months ended 30 June

	Note	2009 €000	2008 <sup>1</sup> €000
<b>Revenue</b>	3	<b>555,062</b>	631,773
<b>Operating expenses</b>			
Staff costs		152,078	167,317
Depreciation and amortisation		36,911	34,258
Aircraft operating lease costs		30,375	24,069
Fuel and oil costs		189,577	172,413
Maintenance expenses		37,227	32,357
Airport charges		121,404	113,501
En-route charges		28,171	28,886
Distribution charges		26,074	27,607
Ground operations, catering and other operating costs		46,900	49,991
Other (gains)/losses - net		(20,700)	4,814
		<b>648,017</b>	655,213
<b>Operating loss before exceptional items</b>		<b>(92,955)</b>	(23,440)
Exceptional items	6	-	(17,543)
<b>Operating loss after exceptional items</b>		<b>(92,955)</b>	(40,983)
Finance income		21,882	30,042
Finance costs		(10,598)	(10,385)
<b>Loss before taxation</b>		<b>(81,671)</b>	(21,326)
Income tax credit/(expense)	3	7,776	(245)
<b>Loss for the period</b>	3	<b>(73,895)</b>	(21,571)
<b>Loss attributable to:</b>			
- equity holders of the parent		<b>(73,895)</b>	(21,571)
<b>Loss per share for loss attributable to the equity holders of the parent during the period</b> (expressed in €cent per share)			
- basic and diluted	7	<b>(14.0c)</b>	(4.1c)

<sup>1</sup> Comparatives have been restated following the adoption of IFRIC 13 *Customer Loyalty Programmes*. See Note 3 for further details.

The notes on pages 12 to 14 form an integral part of these condensed consolidated financial statements.

## Condensed consolidated interim statement of comprehensive income (unaudited)

Six months ended 30 June

	Note	2009 €000	2008 <sup>1</sup> €000
<b>Loss for the period</b>	3	<b>(73,895)</b>	(21,571)
<b>Other comprehensive income/(loss)</b>			
Available-for-sale reserve			
- Fair value gains		-	562
- Deferred tax on fair value gains		-	(71)
- Amortisation of available-for-sale reserve		<b>(1,136)</b>	-
- Deferred tax on amortisation of available-for-sale reserve		<b>15</b>	-
Cash flow hedges			
- Fair value losses		<b>(683)</b>	(6,191)
- Deferred tax on fair value losses		<b>85</b>	774
- Transfer to fuel costs		<b>84,297</b>	(5,463)
- Deferred tax on transfer to fuel costs		<b>(10,537)</b>	683
- Transfer to foreign exchange costs		<b>(19,421)</b>	2,313
- Deferred tax on transfer to foreign exchange costs		<b>2,428</b>	(289)
<b>Other comprehensive income/(loss) for the period</b>		<b>55,048</b>	(7,682)
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<b>Total comprehensive loss for the period</b>		<b>(18,847)</b>	(29,253)
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<b>Total comprehensive loss attributable to:</b>			
- equity holders of the parent		<b>(18,847)</b>	(29,253)

Note: The condensed consolidated interim statement of comprehensive income begins with the profit or loss arrived at through the condensed consolidated interim income statement and displays the components of other comprehensive income to give the total comprehensive income or loss for the period recognised in shareholders' equity. Other comprehensive income comprises items of income and expense that are not recognised in profit or loss, but directly through other reserves, as required or permitted by IFRSs.

<sup>1</sup> Comparatives have been restated following the adoption of IFRIC 13 *Customer Loyalty Programmes*. See Note 3 for further details.

The notes on pages 12 to 14 form an integral part of these condensed consolidated interim financial statements.



## Condensed consolidated interim statement of financial position (unaudited)

	Note	30 June 2009 €000	30 December 2008 <sup>1</sup> €000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	813,669	708,961
Intangible assets	11	6,758	7,109
Other non-current financial assets		77,856	80,983
Derivative financial instruments		17,733	39,447
Deferred tax asset	3	3,213	3,352
Deposits and restricted cash with maturity greater than 12 months		166,138	169,279
		<b>1,085,367</b>	1,009,131
<b>Current assets</b>			
Inventories		995	514
Derivative financial instruments		15,152	30,872
Trade and other receivables		88,385	88,901
Current income tax receivables		-	25
Other current financial assets		39,425	34,126
Cash, cash equivalents and deposits with maturity less than three months	8	3,334	6,081
Deposits and restricted cash with maturity greater than three months		764,956	916,298
		<b>912,247</b>	1,076,817
<b>Total assets</b>		<b>1,997,614</b>	2,085,948
<b>EQUITY</b>			
Called-up share capital	9	26,982	26,698
Share premium		510,605	506,847
Capital conversion reserve fund		5,048	5,048
Capital redemption reserve fund		343,516	343,516
Other reserves		(18,483)	(68,408)
Retained earnings	3	(125,141)	(51,246)
<b>Total equity</b>		<b>742,527</b>	762,455
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Finance lease obligations	10	491,568	447,920
Derivative financial instruments		-	35,074
Provisions for other liabilities and charges	3	43,262	44,401
		<b>534,830</b>	527,395
<b>Current liabilities</b>			
Trade and other payables		500,670	415,838
Bank overdrafts	8	16,431	-
Finance lease obligations	10	104,110	104,949
Derivative financial instruments		48,976	114,206
Provisions for other liabilities and charges	3	50,070	161,105
		<b>720,257</b>	796,098
<b>Total liabilities</b>		<b>1,255,087</b>	1,323,493
<b>Total equity and liabilities</b>		<b>1,997,614</b>	2,085,948

<sup>1</sup> Comparatives have been restated following the adoption of IFRIC 13 *Customer Loyalty Programmes*. See Note 3 for further details.

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## Condensed consolidated interim statement of changes in equity (unaudited)

	Notes	Called-up share capital €000	Share premium €000	Capital conversion reserve fund €000	Capital redemption reserve fund €000	Cash flow hedging reserve €000	Available- for-sale reserve €000	Treasury shares €000	Share based payment reserve €000	Retained earnings €000	Total equity €000
<b>Balance at 1 January 2008</b>		26,575	502,108	5,048	343,516	(261)	3,953	(4,275)	439	66,809	943,912
Impact of adoption of IFRIC 13	3	-	-	-	-	-	-	-	-	(8,173)	(8,173)
Restated balance		26,575	502,108	5,048	343,516	(261)	3,953	(4,275)	439	58,636	935,739
Comprehensive (loss)/income for the period ended 30 June 2008 <sup>1</sup>		-	-	-	-	(8,173)	491	-	-	(21,571)	(29,253)
Issue of bonus shares	9	3	(3)	-	-	-	-	-	-	-	-
Issue of new shares	9	120	4,742	-	-	-	-	(4,862)	-	-	-
<b>Balance at 30 June 2008</b>		26,698	506,847	5,048	343,516	(8,434)	4,444	(9,137)	439	37,065	906,486
<b>Balance at 1 January 2009 <sup>1</sup></b>		26,698	506,847	5,048	343,516	(63,594)	3,242	(9,137)	1,081	(51,246)	762,455
Comprehensive income/(loss) for the period ended 30 June 2009		-	-	-	-	56,169	(1,121)	-	-	(73,895)	(18,847)
Issue of new shares	9	284	3,758	-	-	-	-	(4,042)	-	-	-
Share based payment reserve		-	-	-	-	-	-	-	(1,235)	-	(1,235)
Deferred tax impact		-	-	-	-	-	-	-	154	-	154
<b>Balance at 30 June 2009</b>		26,982	510,605	5,048	343,516	(7,425)	2,121	(13,179)	-	(125,141)	742,527

<sup>1</sup> Restated following the adoption of IFRIC 13 *Customer Loyalty Programmes*. See Note 3 for further details.

The notes on pages 12 to 14 form an integral part of these condensed consolidated interim financial statements.

## Condensed consolidated interim statement of cash flows (unaudited)

Six months ended 30 June

	Note	2009	2008
		€000	€000
<b>Cash flows from operating activities</b>			
Net cash (used in)/generated from operations		<b>(90,017)</b>	125,311
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		<b>(83,838)</b>	(75,247)
Purchases of intangible assets		<b>(1,961)</b>	(2,770)
(Decrease)/increase in deposits and restricted cash with maturity greater than three months		<b>167,662</b>	(225,399)
Dividends received		<b>1</b>	-
Interest received		<b>12,654</b>	27,612
Net cash generated from/(used in) investing activities		<b>94,518</b>	(275,804)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		-	186,730
Repayments of borrowings		<b>(19,490)</b>	(26,495)
Interest paid		<b>(4,891)</b>	(8,305)
Net cash (used in)/generated from financing activities		<b>(24,381)</b>	151,930
<b>Net (decrease)/increase in cash, cash equivalents and bank overdrafts</b>		<b>(19,880)</b>	1,437
Cash, cash equivalents and bank overdrafts at beginning of the period		<b>6,081</b>	(12,185)
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		<b>702</b>	(687)
<b>Cash, cash equivalents and bank overdrafts at end of the period</b>	8	<b>(13,097)</b>	(11,435)

The notes on pages 12 to 14 form an integral part of these condensed consolidated interim financial statements.

# Notes to the condensed consolidated interim financial statements (unaudited)

## 1 General information

Aer Lingus Group plc (the “Company”) is a public limited liability company incorporated and domiciled in Ireland. The Company has its primary listing on the Irish Stock Exchange and a secondary listing on the London Stock Exchange.

The condensed consolidated interim financial statements, presented for the six-month period ended 30 June 2009, comprise the Company and its subsidiaries (together the “Group”).

## 2 Basis of preparation

The condensed consolidated interim financial statements, for the six-month period ended 30 June 2009, have been prepared in accordance with IAS 34 *Interim Financial Reporting*. The condensed consolidated interim financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2008, which were prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, and on which the independent auditors’ report was unqualified.

## 3 Significant accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2008, except for the adoption of the new standards, amendments to standards and interpretations described below:

- **IAS 1 (revised) *Presentation of Financial Statements***  
The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition the standard introduces the statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements: an income statement and a statement of comprehensive income. The revised standard also introduced a number of terminology changes including revised titles for the financial statements. The condensed consolidated interim financial statements have been prepared under the revised disclosure requirements.
- **IFRS 8 *Operating Segments***  
IFRS 8 replaces IAS 14 *Segment Reporting*, which required the Group to determine primary (business) and secondary (geographical) reporting segments. IFRS 8 requires a ‘management approach’ under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in a redesignation of the Group’s reportable segments (see note 5), but has had no impact on the reported results or financial position of the Group.
- **IFRIC 13 *Customer Loyalty Programmes***  
This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group maintains a loyalty points programme, the Gold Circle Club, which allows customers to accumulate points when they purchase flights. The points can then be redeemed for free flights, products and services with Aer Lingus and its partners, subject to a minimum number of points being obtained. The Group has historically recorded a liability at the time of sale based on the costs expected to be incurred to supply free flights, products and services in the future. IFRIC 13 has no specific provisions on transition, therefore, the Group has followed IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* and applied the changes retrospectively. The prior period financial information has therefore been restated.

Under the new policy, consideration received is allocated between the flights sold and the points issued, with the consideration allocated to the points equal to their fair value. Fair value of the points is determined by applying statistical analysis. The fair value of the points issued is deferred and recognised as revenue when the points are redeemed.

As a result of the adoption of IFRIC 13, the following adjustments were made to the 2008 financial information:

As of 1 January 2008:

Increase in deferred tax asset	€1,168,000
Increase in provisions:	€9,341,000
Decrease in opening retained earnings:	€8,173,000

As of 31 December 2008:

Increase in deferred tax asset	€1,463,000
Increase in provisions:	€1,703,000
Decrease in opening retained earnings:	€10,240,000

For the six months ended 30 June 2008:

Decrease in revenues:	€1,132,000
Decrease in tax expense	€142,000
Increase in loss after tax	€990,000
Increase in loss per share	0.2 €cent per share

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2009, but do not currently have any impact on the Group:

- IFRS 2 (amendment) *Share-based Payment*
- IFRS 7 (amendment) *Financial Instruments: Disclosures*
- IAS 23 *Borrowing Costs*
- IAS 32 (amendment) *Financial Instruments: Presentation*
- IFRIC 15 *Agreements for the Construction of Real Estate*
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation*

#### 4 Seasonality

Due to the seasonal nature of the airline industry, higher revenues and operating profits are usually expected in the second half of the year than in the first six months. Higher volumes for the period June to August are mainly attributable to the increased demand for air travel during the peak holiday season.

#### 5 Segment information

IFRS 8 *Operating Segments* requires us to disclose certain information about our operating segments. An operating segment is defined as a component of an entity that engages in business activities from which it earns revenues and incurs expenses; and with discrete financial information, which is evaluated regularly by the chief operating decision maker and used in resource allocation and to assess performance. The chief operating decision maker has been identified as the executive management team.

The Group is managed as a single business unit that provides air transportation for passengers and cargo, which allows the Group to benefit from an integrated revenue pricing and route network. Our flight equipment forms one fleet, which is deployed through a single route scheduling system. When making resource allocation decisions, the executive management team evaluates flight profitability data, which considers aircraft type and route economics. Based on the way the Group treats the network and the manner in which resource allocation decisions are made, the Group only has one operating segment for financial reporting purposes. In prior years, segment information reported externally was analysed on the basis of the types of service supplied by the Group, i.e. passenger travel and cargo transportation, however information reported to the executive management team is more specifically focused on flight profitability data.

The executive management team assesses the performance of the operating segment based on a measure of adjusted earnings before interest and tax. This measure excludes the effects of non-recurring expenditure and revenue from the operating segment, such as restructuring costs and provision releases, when the releases are the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result of the operating segment that is reviewed by the executive management team.

Total segment assets exclude deferred tax, other financial assets, deposits and restricted cash and cash and cash equivalents, all of which are managed on a central basis. These are part of the reconciliation to total balance sheet assets.

Segment revenue of €555.1m (2008: €631.8m) is wholly derived from external customers.

	Six months ending 30 June	
	2009	2008
	€000	€000
<b>Adjusted loss before interest and tax for the reportable segment</b>	<b>(101,424)</b>	(31,304)
Passenger revenue adjustments	(145)	(2,610)
Maintenance provisions remeasurement	5,520	10,474
Other (gains)/losses adjustments	3,094	-
Exceptional items	-	(17,543)
<b>Operating loss after exceptional items</b>	<b>(92,955)</b>	(40,983)
Finance income	21,882	30,042
Finance costs	(10,598)	(10,385)
<b>Loss before income tax</b>	<b>(81,671)</b>	(21,326)

The reportable segment's assets are reconciled to total assets as follows:

	As at 30 June 2009	As at 30 December 2008
	€000	€000
Total segment assets	942,692	875,829
Deferred tax asset	3,213	3,352
Other financial assets	117,281	115,109
Deposits and restricted cash	931,094	1,085,577
Cash and cash equivalents	3,334	6,081
<b>Total assets per balance sheet</b>	<b>1,997,614</b>	2,085,948

#### 6 Exceptional items

There were no exceptional items recorded during the six-month period to 30 June 2009. In the six-month period to 30 June 2008 a charge of €17.5m was recorded due to costs incurred as a result of compensation payable to staff under the Programme for Continuous Improvement.

**7 Basic and diluted loss per share**

There were no potential ordinary shares in existence during the six-month periods to 30 June 2009 and 30 June 2008. Therefore, there was no difference, in both periods, between basic and diluted earnings per share.

**8 Cash and cash equivalents and bank overdrafts**

Cash, cash equivalents and bank overdrafts, for the purposes of the condensed consolidated interim statement of cash flows, include the following:

	As at 30 June 2009	As at 30 June 2008
	€000	€000
Cash and deposits with an original maturity of less than three months	3,334	3,557
Bank overdrafts	(16,431)	(14,992)
	<b>(13,097)</b>	<b>(11,435)</b>

**9 Called-up share capital**

In May 2009, 5,690,969 ordinary shares were issued in respect of the Company's Long Term Incentive Plan (LTIP), for the vesting period ending 31 December 2011. In April 2008, 52,138 ordinary 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 May 2008, 2,396,959 ordinary shares were issued in respect of the Company's Long Term Incentive Plan (LTIP), for the vesting period ending 31 December 2010.

The total number of ordinary shares of €0.05 in issue at 30 June 2009 was 539,645,437 (31 December 2008: 533,954,468) of which 9,899,296 (31 December 2008: 4,208,327) were treasury shares.

**10 Finance lease obligations**

In June 2009 the Group entered into a finance lease arrangement for the purchase of an Airbus A330 aircraft, resulting in an increase in borrowings of €55.7m. During the six-month period ended 30 June 2008 the Group entered into new finance lease arrangements for the purchase of two Airbus A320 aircraft and two Airbus A330 aircraft, resulting in an increase in borrowings of €186.1m.

**11 Property, plant and equipment and intangible assets**

During the six-month period ended 30 June 2009, the Group acquired assets with a cost of €141.3m (six-month period ended 30 June 2008: €78.0m).

**12 Capital commitments**

At 30 June 2009 the Group had firm orders with Airbus for four A320 aircraft, four A330 aircraft and six A350 aircraft for delivery between May 2010 and June 2016. Since the period-end agreement has been reached with Airbus to defer delivery of last three scheduled A330 aircraft to between the third quarter of 2013 and the first quarter of 2014. Agreement was also reached with Airbus to defer the delivery of four of the A350 aircraft by between six and twelve months.

**13 Related party transactions**

In the six-month period to 30 June 2009, there have been no related party transactions that materially affect the financial position or performance of the Group.

**14 Events after the statement of financial position date**

Apart from the agreement with Airbus referred to in Note 12, there have been no other material events, outside of the ordinary course of business, affecting the Group since 30 June 2009.

**15 Principal risks and uncertainties**

In common with many businesses, the Group is exposed to a range of risks. The principal risks to which the Group will be exposed in the second half of the financial year are substantially the same as those discussed in the 2008 annual report.

**16 Responsibility statement**

We confirm that to the best of our knowledge, and in accordance with the applicable reporting principles for interim reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and loss of the Group and that the interim group management report includes a fair review of the development and performance of the Group during the first six months of 2009, together with a description of the principal opportunities and risks associated with the expected development of the Group in the remaining part of the year.

Colm Barrington  
CHAIRMAN

Sean Coyle  
DIRECTOR

Approved by the Board of Directors on 26 August 2009