Aer Lingus Group plc

ISE: EIL1 LSE: AERL

FIRST HALF RESULTS

Dublin, London, 24 August 2010: Aer Lingus Group plc ("Aer Lingus", "the Group") today announces its first half results for the six-month period ended 30 June 2010.

€m	Q2 10	Q2 09	Change	H1 10	H1 09	Change
Passengers ('000s)	2,385	2,858	(16.6%)	4,405	4,943	(10.9%)
Average yield per passenger (€)	106.16	92.86	14.3%	98.66	91.36	8.0%
Revenue	308.0	320.9	(4.0%)	538.0	555.0	(3.1%)
Operating costs	289.2	339.1	(14.7%)	557.0	648.0	(14.0%)
Operating profit /(loss [1])	18.8	(18.2)	NM	(19.0)	(93.0)	(79.6%)
Profit/(loss) before tax	15.4	(13.8)	NM	(20.8)	(81.7)	(74.4%)

[1] *Before net exceptional items*

€m	30 June 2010	31 March 2010	Change	30 June 2010	31 Dec 2009	Change
Gross cash	1,009.7	918.9	9.9%	1,009.7	828.5	21.9%

Highlights

- Strong operating performance for Q2 2010 with significant year-on-year improvement in quarterly operating profit to €18.8 million (Q2 2009 operating loss of €18.2 million)
- Operating loss for H1 2010 of €19.0 million, an 80% reduction on the operating loss in the first half of 2009
- Double digit year-on-year increase in average yield per passenger in Q2
- Significant improvement in long haul performance in H1 2010
- Continued growth in ancillary revenue to €18.32 per passenger in the first half
- 14 % year-on-year reduction in total operating costs in the first half; 7.3% reduction in operating costs excluding fuel
- €11.7 million Greenfield staff cost savings delivered in first half with an annualised run rate of €29.6 million at end of June
- Gross cash balance of €1,009.7 million at June 2010 compared to €828.5m at 31 December 2009

Christoph Mueller, Aer Lingus' CEO, commented: *"Aer Lingus has delivered a significantly improved operating result in the first half of 2010 compared to prior year. This performance has been driven by strong unit revenue growth coupled with a significant improvement in our cost base. This operating result was achieved despite the adverse impact of volcanic ash disruption in H1 2010 as well as the continuation of difficult conditions in our key Irish market where unemployment is currently at 13.7% and where passenger numbers passing through Dublin Airport have declined by 16% compared to the first six months of 2009.*

Despite the Group's strong commercial performance, Aer Lingus has not been complacent in addressing its cost position. The Group remains committed to implementing all aspects of the "Greenfield" Cost Reduction Programme in order to position Aer Lingus for a successful future.

For the 2010 full year, we expect to report an operating performance (before exceptional items) of no worse than break even. This would represent a good performance in difficult market conditions but is predicated on the delivery of committed staff productivity savings and no further significant disruptions to operations from industrial action or airspace closures.

Looking to 2011, it remains too early to provide firm guidance on the Group's expected performance. Yields and passenger volumes will be dependent on the economic outlook in our main markets which remains uncertain. However, we expect ongoing improvement in our cost base in 2011 as we continue to implement the Greenfield cost reduction programme."

A presentation for shareholders and analysts will be held on 24 August 2010 at 9am. This will be available on a live webcast at www.aerlingus.com.

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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.

Financial performance

	Three months ended 30 June			Six months ended 30 June		
	2010	2009	Change	**2010**	2009	Change
	€ million	€ million		**€ million**	€ million	
Revenue						
- Passenger revenue						
- Fare revenue	**253.3**	265.4	(4.6%)	**434.6**	451.6	(3.8%)
- Ancillary revenue	**42.1**	46.2	(8.9%)	**80.7**	84.0	(3.9%)
- *Total*	***295.4***	*311.6*	*(5.2%)*	***515.3***	*535.6*	*(3.8%)*
- Cargo revenue	**10.2**	8.3	22.9%	**19.2**	16.9	13.6%
- Other revenue	**2.4**	1.0	140.0%	**3.5**	2.5	40.0%
- Total	**308.0**	320.9	(4.0%)	**538.0**	555.0	(3.1%)
Operating costs						
- Fuel	**(77.2)**	(94.0)	(17.9%)	**(132.1)**	(189.6)	(30.3%)
- Staff costs	**(68.4)**	(78.6)	(13.0%)	**(135.7)**	(152.1)	(10.8%)
- Other operating costs	**(143.6)**	(166.5)	(13.8%)	**(289.2)**	(306.3)	(5.6%)
- Total	**(289.2)**	(339.1)	(14.7%)	**(557.0)**	(648.0)	(14.0%)
Operating profit/(loss) before net exceptional items	**18.8**	(18.2)	NM	**(19.0)**	(93.0)	(79.6%)
Net exceptional items (i)	**(5.0)**	-	NM	**(5.0)**	-	NM
Operating profit/(loss) after net exceptional items	**13.8**	(18.2)	NM	**(24.0)**	(93.0)	(74.1%)
Net finance income	**1.6**	4.4	(63.6%)	**3.2**	11.3	(71.7%)
Profit/(loss) before tax	**15.4**	(13.8)	NM	**(20.8)**	(81.7)	(74.4%)
EBITDAR (ii)	**50.2**	16.5	204.2%	**46.3**	(25.7)	NM
Passengers carried ('000) *	**2,385**	2,858	(16.6%)	**4,405**	4,943	(10.9%)
Average yield (€) *	**106.16**	92.86	14.3%	**98.66**	91.36	8.0%
Ancillary revenue per passenger (€) *	**17.64**	16.17	9.1%	**18.32**	16.99	7.8%
Available seat kilometres (ASKs) (million) *	**4,705**	5,869	(19.8%)	**8,808**	10,441	(15.6%)
Passenger load factor *	**76.7%**	75.5%	1.2pts	**73.2%**	72.6%	0.6pts

	30 June 2010	31 March 2010	Change	**30 June 2010**	31 December 2009	Change
Gross cash	**1,009.7**	918.9	9.9%	**1,009.7**	828.5	21.9%
Debt	**608.2**	514.5	18.2%	**608.2**	492.6	23.5%

NM Not meaningful

(i) Estimated passenger compensation costs associated with the Icelandic ash cloud disruptions and remeasurement of the provision for costs associated with the 2008 Early Retirement, Voluntary Severance and Migration Schemes

(ii) Earnings before interest, tax, depreciation, amortisation, aircraft rentals and net exceptional items

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

Q2 financial review

The Group reported an operating profit, before net exceptional items, of €18.8m (2009: loss of €18.2m) in the second quarter of 2010. EBITDAR profit increased by €33.7m on Q2 2009 to an EBITDAR profit of €50.2m and the Group recorded a net profit before tax of €15.4m (2009: loss of €13.8m).

Passenger revenue fell by 4.6% versus Q2 2009 due to a 16.6% fall in passenger numbers which was partly offset by a 14.3% rise in average yield per passenger compared to the same period in 2009. Capacity was 19.8% lower primarily due to planned cuts in capacity (including at the London Gatwick base) but also as a result of volcanic ash disruptions to airspace.

Short haul passenger revenue decreased by 3.8% on Q2 2009 to €184.0m in Q2 2010. The average yield on short haul routes increased by 13.8% while short haul passenger volumes declined by 15.8%. Short haul capacity was 12.8% lower in Q2 2010 compared to Q2 2009 to due a reduction in the scale of activities at London Gatwick and enforced cancellations in April and May due to the closure of northern European airspace following the eruption of a volcano in Eyjafjallajoekull, Iceland. Short haul load factor in Q2 2010 declined by 1.5 points versus Q2 2009.

Long haul passenger revenue increased by 6.5 % to €69.3m. The average yield on long haul routes increased by 20.9% while long haul passenger volumes declined by 22.8%. Long haul capacity was down 31.3% on Q2 2009 due to the withdrawal from the San Francisco and Washington routes in the second half of 2009 and planned capacity reductions on other long haul routes. Long haul load factor in Q2 2010 increased by 6.4 points versus Q2 2009. Growth in the number of transfer passengers and in the occupancy of the business class cabin has helped drive the yield increase in the period.

Aer Lingus Regional services, operated by Aer Arann, and the Washington Dulles – Madrid service, operated in partnership with United Airlines, both commenced on 28 March 2010. Both services were profitable for the first three months of operation, with trading in line with expectations.

The impact of the closure of northern European airspace following the eruption of a volcano in Eyjafjallajoekull, Iceland, on the Group's performance is estimated to be approximately €20m, consisting of lost gross margin and the costs of compensating passengers for costs incurred while disrupted. Compensation costs have been treated as an exceptional item.

Ancillary revenue per passenger increased by 9.1% in Q2 2010 to €17.64, which helped to partially offset the fall in total ancillary revenue due to reduced passenger numbers.

Operating costs in Q2 were 14.7% down on Q2 2009, driven by: savings in fuel costs, arising from reduced block hours flown and lower fuel prices; savings in staff costs due to the initial implementation of the Greenfield programme; savings in maintenance costs; and savings on airport charges and en-route charges due to the reduced flight activity in the period.

H1 financial review

The Group reported an operating loss, before net exceptional items, of €19.0m (2009: loss of €93.0m) for the first half of 2010. EBITDAR has increased by €72.0m to an EBITDAR profit of €46.3m and the Group recorded a net loss for the six months of €18.5m (2009: €73.9m).

Passenger revenue

Passenger revenue fell by 3.8% to €515.3m in the period. There were 538,000 less passengers carried compared to the same period in 2009 and capacity was reduced by 15.6%. Average yield per passenger increased by 8.0% and revenue per passenger (yield plus ancillary revenue) also increased by 8.0% to €116.98. Total passenger load factor increased by 0.6 points to 73.2%.

Short haul

Total short haul passengers carried decreased by 9.4% to 4,002,000; however average short haul yield increased by 9.0% or €6.60 to €80.21 (2009: €73.61). The increase in short haul average yield was supported by growth in ancillary revenue per passenger of €1.33 or 7.8%.

Short haul capacity, measured by available seat kilometres (ASKs) decreased by 5.3% arising from planned capacity reductions and enforced cancellations in April and May due to the closure of northern European airspace following the eruption of a volcano in Eyjafjallajoekull, Iceland. Capacity utilisation, measured by revenue passenger kilometres (RPKs) decreased by 7.8% resulting in short haul load factor decreasing by 1.9 points to 72.2%.

In Q2 2010 the Group reduced the scale of its operations at London Gatwick which had been expanded at the end of Q1 2009.

There were no exits from or additions to the short haul fleet in the first six months of 2010.

Long haul

Total long haul passengers decreased by 23.7% to 403,000; however average long haul yield increased by 17.5% or €41.87 to €281.79 (2009: €239.92), due in part to fuller business class cabins.

There was a significant decrease in long haul capacity in the period, where ASKs fell by 31.6% primarily due to the full half-year effect of the withdrawal from the San Francisco and Washington routes in the second half of 2009. Capacity was also reduced on all other long haul routes, with the exception of Chicago. RPKs decreased by 26.5% resulting in long haul load factor increasing by 5.2 points to 75.4%.

During the period one new A330 aircraft was acquired on a finance lease and one A330 aircraft was returned to its lessor.

Ancillary
Total ancillary revenues decreased by 3.9% on 2009 to €80.7m. This decrease was the result of fewer passengers carried, but was partially offset by the continued increase in per passenger spend, which increased by 7.8% to €18.32. The most significant ancillary revenue products are in-flight sales revenue, baggage fees, online booking fees, seat selection fees and commissions.

Cargo
Aer Lingus' cargo strategy is to carry cargo on long haul routes and on short haul routes where aircraft turnaround times permit. Total cargo revenue increased by 13.6% to €19.2m (2009: €16.9m) driven by an increase in tonnage and an increase in fuel surcharge revenue but partially offset by a fall in yields. Short haul tonnage increased by 41.6% to 4,316 tonnes; and long haul tonnage increased by 27.4% to 11,183 tonnes, resulting in total tonnage increasing 31.1%. Average yield, excluding the fuel surcharge, decreased by 23.7%. Revenue from the fuel surcharge increased by 82.4%.

Operating costs
Total operating costs, before net exceptional items, decreased by 14.0% to €557.0m due to a reduction in all operating cost captions with the exception of depreciation.

Fuel costs decreased by €57.5m (30.3%) to €132.1m due to a decrease in the price of jet fuel, a decrease in the average hedged price per tonne, from $966 to $795, and a reduction of 11.6% in the total block hours flown for the period. The decrease was partly offset by the adverse movement in the US dollar, however this in turn was largely offset by gains on currency hedges, which are reported in *other gains/losses – net*. Fuel represented 23.7% of total costs in the period, down from 29.3% in 2009. The average cost of fuel, including into plane fees, was $860 per tonne, compared to $1,042 per tonne in 2009.

Staff costs, which represent 24.4% of operating costs, decreased by 10.8% to €135.7m despite the insourcing of certain maintenance works at the end of 2009 which added 98 engineers and some €8.8m to staff costs (with a corresponding reduction in maintenance costs). The reduction in staff costs is a result of the full half-year effect of agreements reached with staff in December 2008 and the €11.7m in period benefit from the Greenfield programme. A reduction in a provision for certain other staff costs also contributed to the savings. Average full time equivalent employees during the period fell by 7.2% to 3,700 (2009: 3,989). Staff costs per passenger for the first six months of 2010 were in line with the same period in 2009.

Airport charges, which represent 21.1% of operating costs, decreased by 3.1% to €117.6m (2009: €121.4m) due principally to planned capacity reductions and enforced cancellations in April and May due to the closure of northern European airspace and the resulting decrease in passenger numbers offset by price increases of some €6m. En-route charges decreased by 4.6% to €26.9m (2009: €28.2m) also due to the reduced number of flights in the period compared to the same period in 2009.

Depreciation increased by 7.4% to €39.6m (2009: €36.9m) due to the full half-year effect of the purchase of two A320 aircraft in the first half of 2009 and the addition of an A330 aircraft in April 2010.

Aircraft operating lease costs decreased by 15.3% to €25.7m (2009: €30.4m) due to the full half-year effect of the return of three A330 aircraft to their lessors in 2009 and a further A330 aircraft returned to its lessor in March 2010. These savings were partly offset by the full half-year effect of three A320 aircraft which were taken on operating leases from April 2009 and also the adverse impact of the movement in the US dollar during the period.

Maintenance costs decreased by 36.4% to €23.7m (2009: €37.2). €8.8m of this decrease relates to the insourcing of certain works and the subsequent reclassification of this charge to staff costs. In addition the handback of the remaining operating-leased A330s has reduced maintenance cost provisions by €3m. The balance of the cost reduction is mainly attributable to the lower level of flying in H1 2010.

Distribution costs decreased by 4.5% to €24.9m (2009: €26.1m) due to a reduction in advertising spend in the period versus 2009.

Other gains/losses - net, which largely consist of gains from maturing currency contracts used to hedge currency exposure reflected in other income statement captions, returned a net gain of €15.3m for the six months to 30 June 2010 versus a net gain of €20.7m for the same period in 2009.

Greenfield
The Group achieved €11.7m of staff cost savings under the Greenfield programme in H1 2010. These savings relate primarily to pay reductions, which were effective from 1 March 2010 and headcount reductions in H1 2010. The full year effect of these savings corresponds to €29.6m.

The implementation of some staff cost savings during the period was impacted by disruptions to operations caused by the Icelandic volcano. The Group is also waiting for an LRC determination on certain detailed work rules that affect cabin crew productivity and rostering. There is a risk that these delays may reduce the in-year benefit of staff cost savings by approximately €5m to €35m (target is €40m). The €50m targeted annual value of the staff cost savings to be delivered by the end of 2010 remains intact, subject to any disruption that may be caused by threatened industrial action.

By the end of 2010 we continue to expect that we will have delivered staff and non staff savings with an annual value of €50m and €4m respectively, in line with our previously announced targets. This will leave a further €43m of annual savings to be implemented by the end of 2011, so as to deliver the committed €97m of savings from the Greenfield programme. These additional savings will be implemented progressively during 2011 and are currently expected to reduce 2011 costs by around €20m. As a result, we expect that Greenfield will result in 2011 costs some €35m lower then 2010 - €15m from the flow through benefit of actions taken in 2010 plus a further €20m to be derived from actions to be taken in 2011.

Aer Lingus Regional and Washington Dulles – Madrid operation
Aer Lingus Regional services, operated by Aer Arann, and the extended code share Washington Dulles – Madrid service, operated in partnership with United Airlines, both commenced on 28 March 2010. Franchise revenue generated by Aer Lingus Regional services was in line with expectation. The service between Washington and Madrid traded positively at operating level.

Net exceptional items
Net exceptional items reflect a charge of €10.0m for the estimated costs of compensating passengers for costs incurred as a result of the closure of northern European airspace following of the eruption of a volcano in Eyjafjallajoekull, Iceland and a credit of €5.0m arising from the remeasurement of the provision for restructuring costs associated with the 2008 Early Retirement, Voluntary Severance and Migration Schemes.

Employee profit share
There is no provision for an employee profit share, payable to the ESOT, for the first six months of 2010 (2009: nil) as a result of the losses incurred in the period.

Financing income and costs
Net finance income decreased by 71.7% on 2009 to €3.2m (2009: €11.3m). Finance expense decreased by 26.3% during the period mainly reflecting the maturity of two finance leases at the end of 2009 and lower interest rates. Finance income also fell by 49.7% due to falling interest rates.

Tax charge
There was a tax credit for the period of €2.4m (2009: €7.8m) arising from an increase in deferred tax assets due to losses incurred during the period.

Cash flow, cash and debt
Gross cash (loans and receivables, deposits and cash and cash equivalents) increased by €181.2m during the period to €1,009.7m (31 December 2009: €828.5m). During the period the Group made payments totalling €60.4m for the delivery of an A330 aircraft and deposits for future aircraft deliveries. The Group obtained new finance lease financing of €58.5m for the new aircraft. The Group made redundancy payments of €13.7m during the period.

Finance lease obligations at 30 June 2010, which increased due to the strengthening US dollar in addition to the new finance lease, totalled €608.2m (31 December 2009: €492.6m). Trade and other payables increased during the period to €465.7m (31 December 2009: €340.7m), primarily due to the seasonal impact of customers booking and paying for their flights in the first half of the year in advance of travel in the peak summer months in the second half of the year.

The value of gross cash and finance lease obligations both increased during the period due to the strengthening of the US dollar.

Fuel and currency hedging
To achieve greater certainty on costs the Group manages its exposure to fluctuations in the prices of fuel and foreign currency through hedging. At 30 June 2010, the Group's estimated fuel requirements for the remainder of 2010 and for 2011 were hedged as follows:

	Remainder of 2010	**Full year 2011**
% hedged	82%	37%
Average price per tonne of jet fuel	$726	$783

The Group's major foreign currency exposure is to the US dollar. At 30 June 2010, the Group's forward purchases of US dollars comprised: 88% of the estimated trading requirements for the six months to 31 December 2010 at an average rate of €1=$1.48 and 64% of the estimated trading requirements for 2011 at an average rate of €1=$1.42. In addition, the Group has hedged 98% of the cost of four A320 aircraft due for delivery in the first half of 2011 at an average rate of €1=$1.50.

Significant contracts
On 25 June 2010 the Group announced that it had signed Heads of Agreement with Dublin Airport Authority under which it agreed to surrender the leasehold interest in its Head Office Building site to DAA. As part of the arrangements for the surrender of the HOB site, DAA will pay Aer Lingus €10.6m over 10 years and will provide Aer Lingus with certain services and facilities to an agreed value of €11.6m over the same period. The transaction is conditional on the conclusion of satisfactory contractual terms and any required approvals and is expected to complete in January 2012.

Also, on 25 June 2010 the Group announced that it had agreed with DAA to transfer its Dublin Airport operation to Terminal Two ("T2") with a view to the Group commencing operations in the new terminal in November 2010.

Appendix

Statistics	Three months ended 30 June			Six months ended 30 June		
	2010	2009	Change	**2010**	2009	Change
Passengers carried ('000) *						
Short haul	**2,155**	2,560	(15.8%)	**4,002**	4,415	(9.4%)
Long haul	**230**	298	(22.8%)	**403**	528	(23.7%)
Total	**2,385**	2,858	(16.6%)	**4,405**	4,943	(10.9%)
Revenue passenger kilometres (RPKs) (million) *						
Short haul	**2,398**	2,807	(14.6%)	**4,320**	4,686	(7.8%)
Long haul	**1,212**	1,624	(25.4%)	**2,126**	2,893	(26.5%)
Total	**3,610**	4,431	(18.5%)	**6,446**	7,579	(14.9%)
Available seat kilometres (ASKs) (million)						
Short haul	**3,174**	3,639	(12.8%)	**5,988**	6,321	(5.3%)
Long haul	**1,531**	2,230	(31.3%)	**2,820**	4,120	(31.6%)
Total	**4,705**	5,869	(19.8%)	**8,808**	10,441	(15.6%)
Passenger load factor (%) (flown RPKs per ASKs)*						
Short haul	**75.6%**	77.1%	(1.5pts)	**72.2%**	74.1%	(1.9pts)
Long haul	**79.2%**	72.8%	6.4pts	**75.4%**	70.2%	5.2pts
Total	**76.7%**	75.5%	1.2pts	**73.2%**	72.6%	0.6pts
Average yield (€)						
Short haul	**85.09**	74.75	13.8%	**80.21**	73.61	9.0%
Long haul	**301.14**	249.01	20.9%	**281.79**	239.92	17.5%

* Based on FLOWN passenger numbers and excluding Aer Lingus Regional Services operated by Aer Arann and the Washington Dulles – Madrid codeshare service operated in partnership with United Airlines. These figures differ from those published in Aer Lingus's monthly traffic statistics which are based on BOOKED passenger numbers,

Independent review report to Aer Lingus Group plc

Introduction
We have been engaged by the Company to review the condensed interim financial statements in the first half results report for the six months ended 30 June 2010 which comprises the condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim statement of financial position, condensed consolidated interim statement of changes in equity and condensed consolidated interim statement of cash flows, and related notes. We have read the other information contained in the first half results report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed interim financial statements included in this first half results report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting," as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed interim financial statements in the first half results report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purposes of the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority and for no other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed interim financial statements in the first half results report for the six months ended 30 June 2010 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Irish Financial Services Regulatory Authority.

PricewaterhouseCoopers
Chartered Accountants
Dublin, Ireland

23 August 2010

Condensed consolidated interim income statement (unaudited)

Six months ended 30 June

	Note	**2010**	2009
		€'000	€'000
Revenue	*6*	**537,946**	555,062
Operating expenses			
Staff costs		**135,714**	152,078
Depreciation and amortisation		**39,629**	36,911
Aircraft operating lease costs		**25,719**	30,375
Fuel costs		**132,127**	189,577
Maintenance expenses		**23,661**	37,227
Airport charges		**117,626**	121,404
En-route charges		**26,873**	28,171
Distribution charges		**24,904**	26,074
Ground operations, catering and other operating costs		**46,026**	46,900
Other (gains)/losses - net	*7*	**(15,294)**	(20,700)
		556,985	648,017
Operating loss before net exceptional items		**(19,039)**	(92,955)
Net exceptional items	*8*	**(5,029)**	-
Operating loss after net exceptional items		**(24,068)**	(92,955)
Finance income	*9*	**11,057**	21,882
Finance expense	*9*	**(7,815)**	(10,598)
Loss before taxation		**(20,826)**	(81,671)
Income tax credit		**2,357**	7,776
Loss for the period		**(18,469)**	(73,895)
Loss attributable to:			
- equity holders of the parent		**(18,469)**	(73,895)
Loss per share for loss attributable to the equity holders of the parent (expressed in € cent per share)			
- basic and diluted	*10*	(3.5c)	(14.0c)

The notes on pages 14 to 19 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of comprehensive income (unaudited)

Six months ended 30 June

	Note	**2010**	2009
		€'000	€'000
Loss for the period		**(18,469)**	(73,895)
Other comprehensive income/(loss)			
Available-for-sale reserve			
- Amortisation of available-for-sale reserve		**(80)**	(1,136)
- Deferred tax on amortisation of available-for-sale reserve		**1**	15
Cash flow hedges			
- Fair value gains/(losses)		**92,766**	(683)
- Deferred tax on fair value (gains)/losses		**(11,596)**	85
- Transfer to fuel costs		**11,227**	84,297
- Deferred tax on transfer to fuel costs		**(1,403)**	(10,537)
- Transfer to other gains/losses - net		**(5,934)**	(19,421)
- Deferred tax on transfer to other gains/losses - net		**742**	2,428
Other comprehensive income for the period		**85,723**	55,048
Total comprehensive income/(loss) for the period		**67,254**	(18,847)
Total comprehensive income/(loss) attributable to:			
- equity holders of the parent		**67,254**	(18,847)

The notes on pages 14 to 19 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position (unaudited)

	Note	30 June 2010	31 December 2009
		€'000	€'000
ASSETS			
Non-current assets			
Property, plant and equipment	*18*	**795,039**	790,486
Intangible assets	*18*	**4,617**	5,613
Loans and receivables	*14*	**71,943**	71,944
Derivative financial instruments		**83,409**	6,849
Deferred tax asset		**-**	4,755
Deposits	*14*	**102,773**	101,305
		1,057,781	980,952
Current assets			
Inventories		**1,036**	816
Derivative financial instruments		**34,277**	17,699
Trade and other receivables	*11*	**94,936**	75,835
Current income tax receivables		**18**	18
Loans and receivables	*14*	**20,459**	5,362
Deposits	*14*	**816,556**	636,093
Cash and cash equivalents	*14, 20*	**5,353**	13,762
		972,635	749,585
Total assets		**2,030,416**	1,730,537
EQUITY			
Called-up share capital	*16*	**26,702**	26,702
Share premium		**510,605**	510,605
Capital conversion reserve fund		**5,048**	5,048
Capital redemption reserve fund		**343,796**	343,796
Other reserves		**92,534**	6,643
Retained earnings		**(206,766)**	(188,297)
Total equity		**771,919**	704,497
LIABILITIES			
Non-current liabilities			
Finance lease obligations	*17*	**549,282**	444,374
Derivative financial instruments		**11,524**	7,303
Deferred tax liabilities		**5,170**	-
Provisions for other liabilities and charges	*15*	**107,418**	115,050
		673,394	566,727
Current liabilities			
Trade and other payables	*12*	**465,672**	340,710
Bank overdrafts	*14, 20*	**7,394**	-
Finance lease obligations	*17*	**58,869**	48,247
Derivative financial instruments		**2,998**	11,873
Provisions for other liabilities and charges	*15*	**50,170**	58,483
		585,103	459,313
Total liabilities		**1,258,497**	1,026,040
Total equity and liabilities		**2,030,416**	1,730,537

The notes on pages 14 to 19 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of changes in equity (unaudited)

	Note	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 2009		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	*16*	284	3,758	-	-	-	-	(4,042)	-	-	-
Share based payment reserve		-	-	-	-	-	-	-	(1,235)	-	(1,235)
Deferred tax impact		-	-	-	-	-	-	-	154	-	154
Balance at 30 June 2009		26,982	510,605	5,048	343,516	(7,425)	2,121	(13,179)	-	(125,141)	742,527
Balance at 1 January 2010		**26,702**	**510,605**	**5,048**	**343,796**	**11,705**	**1,223**	**(6,326)**	**41**	**(188,297)**	**704,497**
Comprehensive income/(loss) for the period ended 30 June 2010		**-**	**-**	**-**	**-**	**85,802**	**(79)**	**-**	**-**	**(18,469)**	**67,254**
Share based payment reserve		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**192**	**-**	**192**
Deferred tax impact		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(24)**	**-**	**(24)**
Balance at 30 June 2010		**26,702**	**510,605**	**5,048**	**343,796**	**97,507**	**1,144**	**(6,326)**	**209**	**(206,766)**	**771,919**

The notes on pages 14 to 19 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	**2010**	2009
		€'000	€'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	*19*	**99,769**	(90,017)
Cash flows from investing activities			
Purchases of property, plant and equipment		**(7,666)**	(91,453)
Proceeds from matured forward foreign exchange positions hedging capital expenditure		**19,864**	7,615
Purchases of intangible assets		**(1,056)**	(1,961)
(Increase)/decrease in deposits		**(114,845)**	167,662
Interest received		**6,225**	12,655
Net cash (used in)/generated from investing activities		**(97,478)**	94,518
Cash flows from financing activities			
Repayments of finance lease obligations		**(17,643)**	(19,490)
Interest paid		**(3,259)**	(4,891)
Net cash used in financing activities		**(20,902)**	(24,381)
Net decrease in cash, cash equivalents and bank overdrafts		**(18,611)**	(19,880)
Cash, cash equivalents and bank overdrafts at 1 January		**13,762**	6,081
Exchange gains on cash, cash equivalents and bank overdrafts		**2,808**	702
Cash, cash equivalents and bank overdrafts at 30 June	*20*	**(2,041)**	(13,097)

The notes on pages 14 to 19 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 standard listing on the London Stock Exchange.

The condensed consolidated interim financial statements, presented for the six-month period ended 30 June 2010, 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 2010, 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 2009, 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.

These condensed consolidated interim financial statements do not comprise statutory accounts within the meaning of Section 19 of the Companies (Amendment) Act 1986. The statutory accounts for the year ended 31 December 2009 were approved by the Board of Directors on 28 April 2010, contained an unqualified audit report and are due to be filed with the Companies Registration Office by 30 September 2010.

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 2009.

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. Cash balances are also generally higher in the first half of the year as customers book and pay for their flights in advance of travel in the summer 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

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. The Group's flight equipment forms one fleet, which is deployed through a single route scheduling system. When making resource allocation decisions, the chief operating decision maker 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 considers each route to be an operating segment, however, having assessed the aggregation criteria specified in IFRS 8, the Group has determined that it has only one operating segment for financial reporting purposes.

The chief operating decision maker assesses the performance of the operating segment based on a measure of adjusted operating profit before net exceptional items. This measure excludes the effects of non-recurring expenditure and revenue from the operating segment, such as restructuring costs and provision remeasurements, when the remeasurements are the result of an isolated, non-recurring event. These are aggregated in the 'miscellaneous group level adjustments' caption below. Interest income and expense are not included in the result of the operating segment that is reviewed by the chief operating decisions maker.

Total segment assets exclude deferred tax, loans and receivables, deposits and cash and cash equivalents, all of which are managed on a central basis. These are part of the reconciliation to total statement of financial position assets.

Segment revenue of €537.9m (2009: €555.1m) is wholly derived from external customers.

	Six months ended 30 June	
	2010	2009
	€'000	€'000
Adjusted loss before net exceptional items for the reportable segment	**(28,044)**	(101,424)
Miscellaneous group level adjustments	**9,005**	8,469
Net exceptional items	**(5,029)**	-
Operating loss after net exceptional items	**(24,068)**	(92,955)
Finance income	**11,057**	21,882
Finance expense	**(7,815)**	(10,598)
Loss before income tax	**(20,826)**	(81,671)

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

	As at 30 June 2010	As at 31 December 2009
	€'000	€'000
Total segment assets	**1,013,332**	897,316
Deferred tax asset	**-**	4,755
Loans and receivables	**92,402**	77,306
Deposits	**919,329**	737,398
Cash and cash equivalents	**5,353**	13,762
Total assets per statement of financial position	**2,030,416**	1,730,537

6 Revenue

	Six months ended 30 June	
	2010	2009
	€'000	€'000
Passenger revenue	**434,596**	451,595
Ancillary revenue	**80,678**	83,998
Cargo revenue	**19,207**	16,903
Other revenue	**3,465**	2,566
	537,946	555,062

7 Other (gains)/losses – net

	Six months ended 30 June	
	2010	2009
	€'000	€'000
Fair value (gains)/losses on cross-currency interest rate swap	**(2,204)**	582
Net foreign exchange gains, including realised gains on forward foreign exchange contracts	**(13,090)**	(21,282)
	(15,294)	(20,700)

8 Net exceptional items

	Six months ended 30 June	
	2010	2009
	€'000	€'000
Northern European airspace closure costs (a)	**(10,000)**	-
Restructuring (b)	**4,971**	-
	(5,029)	-

(a) Estimated costs of compensating passengers for costs incurred as a result of the closure of northern European airspace following the eruption of a volcano in Eyjafjallajoekull, Iceland.

(b) Remeasurement of the provision for restructuring costs associated with the 2008 Early Retirement, Voluntary Severance and Migration Schemes.

9 Finance income and expense

	Six months ended 30 June	
	2010	2009
	€'000	€'000
Finance income		
Interest on cash, cash equivalents and deposits	**9,037**	17,542
Interest income on loans and receivables	**1,940**	3,204
Amortisation of available-for-sale reserve	**80**	1,136
	11,057	21,882
Finance expense		
Interest expense on finance lease obligations	**7,815**	10,598
	7,815	10,598

10 Basic and diluted loss per share

There were no dilutive potential ordinary shares in existence during the six-month periods to 30 June 2010 and 30 June 2009. Therefore, there was no difference, in both periods, between basic and diluted loss per share.

11 Trade and other receivables

	As at 30 June 2010	As at 31 December 2009
	€'000	€'000
Trade receivables	**45,189**	32,022
Other amounts receivable	**39,401**	38,374
Prepayments and accrued income	**9,334**	3,440
Value Added Tax	**1,012**	1,999
	94,936	75,835

12 Trade and other payables

	As at 30 June 2010	As at 31 December 2009
	€'000	€'000
Trade payables	**70,535**	66,415
Accruals and deferred income	**76,420**	72,643
Ticket sales in advance	**210,444**	118,451
Employment related taxes	**7,345**	12,986
Other amounts payable	**100,928**	70,215
	465,672	340,710

In the six months to 30 June 2010 there was a significant increase in *ticket sales in advance* due to the seasonal impact of passengers purchasing tickets in advance of travel in the summer months. The fares collected for future travel are recorded as a liability until the passenger has flown at which time they are recognised as revenue. The taxes and charges collected on these tickets are also recorded as a liability, in *other amounts payable*, until the passenger has flown at which time they becomes payable to the relevant authorities.

13 Derivative financial instruments

Derivative financial instruments represent the fair value of open forward foreign exchange contracts, fuel price swaps and an interest rate cross-currency swap, which the Group is a party to at the reporting date. The fair value of these open positions is calculated by reference to the forward foreign exchange rates and forward fuel prices at the reporting date. In the six months to 30 June 2010 the fair value of these open positions increased significantly due to the strengthening of the US dollar and the maturity during the period of fuel price swaps which were out of the money at 31 December 2009.

Deferred tax is provided on the gains/losses, arising from cash flow hedging positions, which are recognised in reserves. The significant increase in the fair value of the derivative financial instruments in the period resulted in a deferred tax liability at the reporting date (31 December 2009: deferred tax asset).

14 Gross cash balances

	As at 30 June 2010	As at 31 December 2009
Non-current		
Loans and receivables	**71,943**	71,944
Deposits	**102,773**	101,305
	174,716	173,249
Current		
Loans and receivables	**20,459**	5,362
Deposits	**816,556**	636,093
Cash and cash equivalents	**5,353**	13,762
Bank overdrafts	**(7,394)**	-
	834,974	655,217
Total gross cash	**1,009,690**	828,466

At 30 June 2010 the Group held deposits of €59.5m (31 December 2009: €58.9m), which were not available for immediate use by the Group.

15 Provisions for other liabilities and charges

In the six-month period to 30 June 2010 the Group utilised €13.7m of its business repositioning provision. The provision for business repositioning remaining at 30 June 2010 was €81.6m (31 December 2009: €95.3m).

16 Called-up share capital

There was no change in the called-up share capital of the Company in the six-month period to 30 June 2010. 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.

The total number of ordinary shares of €0.05 in issue at 30 June 2010 was 534,040,090 (31 December 2009: 534,040,090) of which 4,446,658 (31 December 2009: 4,446,658) were classified as treasury shares.

17 Finance lease obligations

In April 2010 the Group entered into a finance lease arrangement for the purchase of an Airbus A330 aircraft, resulting in an increase in borrowings of €58.5m. During the six-month period ended 30 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.

18 Property, plant and equipment and intangible assets

During the six-month period ended 30 June 2010, the Group acquired assets with a cost of €43.9m (six-month period ended 30 June 2009: €141.3m).

19 Cash generated from/(used in) operations

	Six months ended 30 June	
	2010	2009
	€'000	€'000
Loss before tax	**(20,826)**	(81,671)
Adjustments for:		
- Depreciation and amortisation	**41,425**	36,911
- Net movements in provisions for other liabilities and charges	**(18,304)**	(113,305)
- Net fair value losses on derivative financial instruments	**(567)**	741
- Share options and awards expense	**192**	(1,235)
- Finance income	**(11,057)**	(21,537)
- Finance expense	**7,815**	10,253
- Net exceptional items	**5,029**	-
- Other (gains)/losses – net	**(1,482)**	1,081
Changes in working capital		
- Inventories	**(220)**	(481)
- Trade and other receivables	**(21,259)**	(5,716)
- Trade and other payables	**119,023**	84,942
Cash generated from/(used in) operations	**99,769**	(90,017)

20 Cash, 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 2010	As at 30 June 2009
	€'000	€'000
Cash and cash equivalents	**5,353**	3,334
Bank overdrafts	**(7,394)**	(16,431)
	(2,041)	(13,097)

21 Related party transactions

There were no related party transactions during the reporting period that materially affected the performance of the Group or the financial position at the reporting date.

22 Events after the reporting period

On 9 July 2010, the Group entered into a sale and leaseback transaction in respect of an A320 aircraft. The Group sold the aircraft and agreed to lease it back for a period of 24 months. The lease also provides for five extension periods of four months each. In addition, Aer Lingus acquired the option to enter into a similar sale and leaseback transaction for another A320 aircraft by providing notice to the purchaser prior to 1 April 2011.

23 Principal risks and uncertainties

The principal risks and uncertainties to which the Group will be exposed in the second half of the financial year are set out below:

- **Economy**: The continuing recession in the Group's primary markets, in particular the Group's core Irish market has negatively impacted and may continue to negatively impact the Group's business. In addition, a strengthening of the euro against US dollar and sterling could make Ireland an unattractive destination.
- **Closure of airspace**: A sustained closure of airspace of the type experienced in April and May 2010 (as a result of the volcanic eruption in Iceland) could have a significant financial impact on the Group in terms of lost revenue and the costs of passenger disruption.
- **Change management**: The Group has commenced the implementation of a cost reduction programme, which is targeting specific annualised cost savings. If the Group fails to successfully implement the cost reduction programme there is a risk that the Group will have an uncompetitive cost structure and that 2010 and 2011 profits would fall short of the Board's expectations. Industrial action or the threat of industrial action could also impact negatively on the financial performance of the Group.
- **Taxes and charges**: The maintenance of the €10 air travel tax introduced by the Irish government in 2009 and the increasing charges being imposed by the Dublin Airport Authority could lead to a reduction in fare yield and/or negatively impact the Group's financial performance.
- **People**: The Group's future performance is dependent upon a strong and effective management team. If the Group fails to attract or retain suitable qualified employees, this could negatively impact business performance.

- **Competition:** The Group faces strong competition in the markets in which it operates and if the Group fails to respond to that competition, market share and financial performance could be impacted.
- **Safety**: Failure to operate safely or to adequately respond to an emergency safety incident could adversely impact the Group's operation and financial performance.
- **Terminal Two**: If the Group fails to successfully integrate its operations into the new terminal at Dublin Airport, operations, customer service and financial performance could be significantly impacted.

24 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 profit/loss of the Group.

We confirm that this First Half Results Report includes a fair review of the development and performance of the Group during the first six months of 2010. This review is provided in the highlights commentary on page 1, the financial performance review on pages 4 to 6 and in the notes to the condensed consolidated interim financial statements on pages 14 to 19.

We confirm that information regarding related party transactions and changes thereto has been provided in Note 21 to the condensed consolidated interim financial statements.

We confirm that a description of the principal risks and uncertainties associated with the expected development of the Group in the remaining part of the year has been provided in Note 23 to the condensed consolidated interim financial statements.

Colm Barrington	**Christoph Mueller**
CHAIRMAN	DIRECTOR

Approved by the Board of Directors on 23 August 2010