Aer Lingus Group plc

ISE: EIL1 LSE: AERL

Preliminary results (unaudited) for the year ended 31 December 2010

Dublin, London, 28 February 2011: Aer Lingus Group plc ("Aer Lingus", "the Group") today announced its unaudited preliminary results for the year ended 31 December 2010.

€m unless otherwise indicated	Q4 2010	Q4 2009	Change	2010	2009	Change
Passengers ('000s)	2,043	2,355	(13.2%)	9,346	10,382	(10.0%)
Average yield per passenger (€)	107.34	90.23	19.0%	107.12	95.62	12.0%
Revenue	265.9	260.6	2.0%	1,215.6	1,205.7	0.8%
Operating costs	268.5	307.2	(12.6%)	1,158.0	1,286.7	(10.0%)
Operating profit /(loss) before exceptional items	(2.6)	(46.6)	(94.4%)	57.6	(81.0)	NM
Profit/(loss) before tax	(32.0)	(134.8)	(76.3%)	30.4	(154.8)	NM

NM: Not meaningful

€m	31 Dec 2010	30 Sept 2010	Change	31 Dec 2010	31 Dec 2009	Change
Gross cash	885.0	951.9	(7.0%)	885.0	828.5	6.8%

Highlights

- 2010 was a difficult year; Dublin Airport passengers declined by 10% (2009: 13%), impact of ash and weather disruptions
- Changed business strategy has delivered profit in 2010
- The full year operating profit was €57.6 million in 2010, despite 10% less passengers, compared to an operating loss of €81.0 million in 2009
- The 2010 average yield per passenger was up 12.0%
- The transatlantic business was restored to profitability
- Ancillary revenue per passenger of €17.67 was up 5.5% compared to 2009
- €41.4 million Greenfield cost savings were delivered in 2010 with an annualised run rate of €53.9 million
- The group maintained a strong balance sheet with year end gross cash of €885.0 million compared to €828.5m at 31 December 2009
- The 2010 financial outcome was marred by the need to take an exceptional charge of €32.5m for the estimated cost of a settlement with the Irish Revenue Commissioners ("the Revenue") for taxation arising from a redundancy scheme negotiated in 2008 and implemented in 2009. This amount relates to PAYE, PRSI, interest, penalties and related costs. Further details are provided in the accompanying financial statements and commentary.

Christoph Mueller, Aer Lingus' CEO commented: *"Aer Lingus generated a positive operating result of €57.6 million in 2010. This result represents a swing in profitability of €138.6 million compared to 2009 and has been achieved despite adverse economic conditions in our core Irish market and significant operational challenges caused by volcanic ash and weather related disruptions in 2010.*

We expect significant challenges in 2011, with trading for the year likely to be impacted by fuel price inflation and increased airport charges in combination with difficult conditions in our home market. We do not expect that improvements in yield performance and ongoing cost savings can offset these increased costs. If current fuel prices persist, we expect that 2011 operating profit will be significantly below that of 2010."

A presentation for shareholders and analysts will be held on 28 February 2011 at 9am. This will be available on a live audio 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 summary (unaudited)

	Three months ended 31 December			Year ended 31 December		
	2010	2009	Change	**2010**	2009	Change
	€ million	€ million		**€ million**	€ million	
Revenue						
- Passenger revenue						
- Short haul fare revenue	**154.7**	154.7	0.0%	**725.0**	717.4	1.1%
- Long haul fare revenue	**64.6**	57.8	11.8%	**276.1**	275.3	0.3%
- Ancillary revenue	**34.5**	38.2	(9.7%)	**165.1**	173.9	(5.1%)
- *Total*	***253.8***	*250.7*	*1.2%*	***1,166.2***	*1,166.6*	*(0.0%)*
- Cargo revenue	**11.7**	9.0	30.0%	**41.3**	34.3	20.4%
- Other revenue	**0.4**	0.9	(55.6%)	**8.1**	4.8	68.8%
- Total	**265.9**	260.6	2.0%	**1,215.6**	1,205.7	0.8%
Operating costs						
- Fuel	**57.1**	65.8	(13.2%)	**266.2**	331.7	(19.7%)
- Staff costs	**61.3**	83.1	(26.2%)	**258.9**	312.2	(17.1%)
- Other operating costs	**150.1**	158.3	(5.2%)	**632.9**	642.8	(1.5%)
- Total	**268.5**	307.2	(12.6%)	**1,158.0**	1,286.7	(10.0%)
Operating profit/(loss) before net exceptional items	**(2.6)**	(46.6)	(94.4%)	**57.6**	(81.0)	NM
Net exceptional items (i)	**(29.0)**	(88.6)	(67.3%)	**(34.0)**	(88.6)	(61.6%)
Operating profit/(loss) after net exceptional items	**(31.6)**	(135.2)	(76.6%)	**23.6**	(169.6)	NM
Net finance income	**(0.4)**	0.4	NM	**6.8**	14.8	(54.1%)
Profit/(loss) before tax	**(32.0)**	(134.8)	(76.3%)	**30.4**	(154.8)	NM
Income tax (expense)/credit	**14.0**	16.9	(17.2%)	**16.1**	24.7	(34.8%)
Profit/(loss) after tax	**(18.0)**	(117.9)	(84.7 %)	**46.5**	(130.1)	NM
EBITDAR (ii)	**29.9**	(9.0)	NM	**196.7**	57.5	NM
Passengers carried ('000)	**2,043**	2,355	(13.2%)	**9,346**	10,382	(10.0%)
Average yield (€)	**107.34**	90.23	19.0%	**107.12**	95.62	12.0%
Ancillary revenue per passenger (€)	**16.89**	16.23	4.0%	**17.67**	16.75	5.5%
Available seat kilometres (ASKs) (iii) (million)	**4,154**	4,775	(13.0%)	**18,269**	21,228	(13.9%)
Passenger load factor (iii)	**72.7%**	71.3%	1.4pts	**76.1%**	74.5%	1.6pts

€m	**31 Dec 2010**	30 Sep 2010	Change	**31 Dec 2010**	31 Dec 2009	Change
Gross cash	**885.0**	951.9	(7.0%)	**885.0**	828.5	6.8%
Debt	**535.2**	530.8	0.8%	**535.2**	492.6	8.6%

NM Not meaningful

(i) See note 4 on page 20 for details
(ii) Earnings before interest, tax, depreciation, amortisation, aircraft rentals and net exceptional items
(iii) 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' monthly traffic statistics which are based on BOOKED passenger numbers.

Business review

Following a €93 million operating loss in the first half of 2009 and changes in the senior management of the Group in the autumn of 2009, substantial changes were made to Aer Lingus' strategy coupled with urgent actions to address the losses. These actions included:

- Reduction of long-haul capacity and closure of loss-making routes
- Cuts in capacity on over-served short-haul routes
- Re-focusing the pricing policy onto yield per ASK rather than load factor
- Launching a €97 million cost saving programme (entitled "Greenfield")

The review of Aer Lingus' business carried out by the new CEO at the time led to the conclusion that the airline had to position itself as a "value carrier'' because the pure low cost/low fares model is not sustainable, whilst a full service model would not be competitive in the Irish market. The pure low cost/low fares model, in the image of Ryanair, is not sustainable for Aer Lingus for the following reasons:

- Deeply discounted aircraft are no longer available
- Our market proposition and customer expectation is for central rather than secondary peripheral airports, implying higher airport charges
- Tax funded marketing deals with secondary peripheral airports are no longer available
- The cost overhang of the Aer Lingus staff seniority list

Equally, the "full service'' model adopted by many flag carriers is not competitive because:

- There is a relatively small business market to / from Ireland
- Our Dublin hub is in a disadvantageous geographic position for short-haul connecting flows; and
- Most importantly, low fares are embedded in the Irish market place and in the Irish consumer mindset

The market positioning adopted by Aer Lingus in 2010 is summarised in the following table:

	LCC Ultra-Low Cost Savings	**Aer Lingus**	**Full Service Flag Carriers**
Target Market	Price-sensitive leisure	Combination of leisure and business	Business and premium leisure
Product offering	Basic seat Very limited paid add-ons	Quality core product plus à la carte paid options	Multiple product attributes fully-bundled
Airport selection	Secondary	Central	Primary
Customer engagement and relationship management	None	Natural positive engagement Standalone FFP with selected reciprocality	Structured approach to customer engagement (one-to-one) Alliance based FFP*
Customer expectations	Low	Medium	High
Distribution channel	Internet only	Internet as priority but multi channel where appropriate	Multi-channel by default
Network connectivity	None	Appropriate connectivity offering at selected hubs Emphasis on partnerships and connectivity to other airlines	Alliance based with complex connectivity across several hubs
Brand image	Downmarket	Professional but affordable	Polished, upmarket

* Note: FFP = frequent flyer programme

The combination of the actions taken in late 2009, the adoption of the market positioning described above and the implementation of the actions below, has resulted in the return of the Group to profitability in 2010. As explained in the Financial Review (below) the Group has produced an operating profit before exceptional items of €57.6 million for 2010 against a loss of €81.0 million in the prior year. This turnaround has been achieved on flat revenues in an overall declining market (e.g. 10% decline in year-on-year Dublin airport passenger volumes). Revenue was up 0.8% at €1,215.6 million. The fundamental elements of the strategy and their contribution to the turnaround are summarised below.

Better matching of capacity to demand

Short-haul capacity (measured by ASKs) was reduced by 7.8% compared to 2009, with the load factor reducing by only 0.5 percentage points to 74.9%. It is important to note that the focus in 2010 was not just to reduce short-haul capacity but to better manage and, where required, re-deploy short-haul capacity with the objective of better serving underlying, natural demand, strengthening the Aer Lingus network and gaining market share. In long-haul, capacity was reduced by 24.1%, leading to a 5.3 percentage point increase in load factor to 78.4%. Overall, capacity was reduced by 13.9%, and the load factor increased by 1.6 percentage points to 76.1%. The reduction in capacity without an adverse effect on load factors illustrates that we achieved a better match between the seats we offered in 2010 and the natural demand in our markets.

Focus on yields
We changed our pricing policy to optimise yield rather than load factors. Aer Lingus continues to operate in very price sensitive markets and the bulk of seats continue to be offered at what are designed to be attractive low fares. However, our yield management policy now recognises that a proportion of the demand for many of our flights is driven by passengers who are more time than price sensitive, allowing us to improve yields for bookings that are made closer to the departure date. Our changed approach to yield management resulted in an 11.4 % increase in average fare per short-haul passenger and a 19.0% increase in average fare per long-haul passenger.

Connectivity
We have emphasised connectivity, both within our own network and between our network and that of our interline partners, as a means of compensating for weak demand in the Irish market. Improved interline revenue was a target in 2010 and we delivered year-on-year increases in volume and yield. Interline revenue represented 7.7% of system revenue in 2010 compared with 6.7% in 2009 and we have continued to invest in relationship management with our key bilateral partners. This emphasis on connectivity meant that 34% of transatlantic sales in 2010 connected behind or beyond our gateway airports vs. 23% in 2009.

Partnerships
A key element of our connectivity strategy was the launch of the Aer Lingus Regional service at the end of March 2010. This is operated by our franchisee Aer Arann. The arrangement allows us to offer a service and earn a franchise fee, on routes that would otherwise be uneconomic with a jet aircraft, as well as generating transatlantic connections from provincial UK cities. 20,000 such connections were generated in 2010. We also launched, in early 2010, a joint venture with United to operate a service between Washington to Madrid. The single aircraft joint venture was launched as a proof of concept and it has been profitable in 2010.

Cost Reductions
In 2009, Aer Lingus announced the Greenfield programme with the objective of taking €97 million out of its cost base by the end of 2011, so that the full benefit of the savings would be realised in 2012. The plan, which was inherited by the new management team, envisaged approximately 670 voluntary redundancies out of a total workforce of approximately 3,800 to save €74 million a year, coupled with non-staff savings of €23 million. Following announcement of the programme, several months of discussions with unions and a number of staff ballots, implementation began in March 2010. We are very appreciative of the support we received from our staff and their representatives, which has enabled us to deliver the targeted €50 million of run-rate staff cost savings for 2010. However, significant further work is required to implement the balance of the Greenfield programme, as discussed further below.

Review of 2010
The combination of snow and ash disruptions resulted in an ASK reduction of approximately 5% in 2010 compared to plan. This impacted revenue performance as a result of cancelled flights and also resulted in costs relating to passenger compensation and other items. In addition, unit cost performance was negatively impacted as fixed costs remained unchanged despite reduced capacity compared to plan.

The first quarter of 2010 showed an approximate halving of operating losses, largely attributable to lower fuel prices. Early indications of success of the shift in commercial strategy became apparent with the 12.4% increase in long-haul average fare per passenger, coupled with a 3.8 percentage point increase in load factor. However, improvement in short-haul fare per passenger was only 3% as we had not, at that point, been able to reduce excess capacity at the London Gatwick base. This occurred at the start of the summer schedule at the end of March 2010.

In addition, Q1 2010 was adversely affected by the Irish airport departure tax, which was introduced in March/April 2009. March saw final approval of the Greenfield cost reduction programme following a 74% positive staff ballot of the launch at the end of the month as well as launches of the Aer Lingus regional franchise and the extended code-share joint venture agreement with United Airlines for the Washington to Madrid service.

As we moved into the second quarter, operations were disrupted by airspace closures caused by ash from the Icelandic volcanic eruption. Despite the associated cancellations, the Group reported an operating profit before exceptional items of €18.8 million, compared with a loss of €18.2 million for the same period in 2009. The second quarter provided early evidence of the success of our commercial strategy with short-haul yields up 13.8% and long-haul yields up 20.9%. We also started to implement the Greenfield programme and, by the end of June, had achieved staff cost savings with an annual value of €29.6 million. We were encouraged that it was proving possible to achieve these operational results despite the adverse impact of the volcanic ash and the continuing difficult conditions in the key Irish market. At the time, passenger numbers passing through Dublin airport were 16% lower than in the first half of 2009.

The third quarter showed a continuation of the trends seen in the second quarter, with an operating profit, again before exceptional items, of €79.2 million against €58.5 million in 2009. Again, average yield per passenger was up 12.5% with average load factor up 3.0 percentage points at 83.4% overall. We continued to make good progress with the Greenfield programme with run-rate staff savings implemented at the end of September of €39 million.

As part of our cost reduction programme, we negotiated terms to consolidate our property portfolio at Dublin Airport and agreed that we would move into Terminal 2 at Dublin, when it opened. We had delayed committing to the new terminal until it became clear that there would be no differential pricing between Terminal 1 and Terminal 2. Terminal 2 was attractive to us because we were approaching the limits of our ability to handle transfer traffic in Terminal 1.

The fourth quarter again showed a continuation of previous trends, with operating losses (before exceptional items) reduced to €2.6 million from €46.6 million in 2009. Average fare per passenger was up 19.0 % with overall load factor up 1.4 percentage points at 72.7%. We achieved this result despite very significant weather disruption and flight cancellations at the end of December. We ended 2010 having delivered our targeted €50 million run-rate staff savings.

At the end of December, we made a lump-sum payment to the Employee Share Ownership Trust ("ESOT") in order to extinguish our obligation to pay the ESOT a share of annual profits. At the time, the ESOT held 12.5% of the Group's share capital, in trust for some 4,700 current and former employees.

The profit share arrangement was established at the time of the Group's IPO in 2006 and would have remained in place until the ESOT had received sufficient cash from the company to pay off approximately €25 million of debt that it had borrowed in 2006. It made economic sense to pre-pay the profit share and debt because of the very substantial interest burden incurred by the ESOT.

This interest was effectively at the company's expense, funded through the profit share mechanism. On 21 December 2010 the Group made a payment to the ESOT sufficient to discharge its debt and, as a consequence, the obligation to pay profit share was extinguished. By making this payment to the ESOT, we have capped a liability which was not within our control and at the same time have increased the free float of the company from approximately 32% to 45% of the share capital.

As we look back on 2010, and forward to 2011, the following are apparent:

- Our brand and business is firmly rooted in Ireland. Given the state of the Irish economy and the fact that the Irish market is conditioned to expect low fares, growth will remain challenging for Aer Lingus for at least the short-term.
- Our principal competitor on 85% of all our routes is Ryanair, which has a structurally lower cost base than Aer Lingus. Reducing our costs is a strategic imperative, particularly when 50% of our cost base comprising of airport charges and fuel is rising significantly faster than inflation and is largely outside our control. However, we cannot match Ryanair in terms of cost and so differentiate ourselves on grounds other than price alone.
- We have significant further work to do inside Aer Lingus to improve our processes, procedures and the strength and depth of management. This is a major focus for 2011.
- The strategic changes that we have made to our business model at the end of last year have been substantially more successful than we had expected. This caused us to re-appraise our approach to the Greenfield programme for 2011.

As originally conceived in Spring 2009, Greenfield was intended as a programme to eliminate many of the costs associated with the value added carrier strategy that we are now pursuing, with a view to moving the business sharply toward the low cost/low fares model.

Some of the Greenfield initiatives, originally planned to be implemented in 2011, would have involved significant down sizing of our commercial, finance and IT departments as we would have focused purely on internet originating bookings and would have substantially simplified our approach to yield management.

The changes we made to the business model in 2010 have proved very successful. This has led us to the conclusion that, rather than eliminating certain elements of cost as had originally been planned under Greenfield, we actually need to reinforce and invest in some of these areas. As a consequence, we no longer plan to pursue some €14 million of staff and €18 million of non-staff savings, as to do so would undermine the foundations of our current success. For example, some of the original planned non-staff savings would have had us move to secondary airports, remove airport lounges and downgrade our in-flight entertainment and catering and important parts of our product offering. However, the €97 million target remains appropriate and achievable and we are currently validating further opportunities to reduce cost.

Adjusted for the savings which we will no longer implement the assigned Greenfield plan represented €65 million of annual savings, against the initial target of €97 million. By the end of 2011, on the basis of firm plans we currently have, we expect to deliver €84 million of savings in run-rate terms. Our goal is to validate the new initiatives by the end of the first quarter of 2011, with a view to achieving the remaining savings in full, in 2012. That said, in-year delivery in 2011 from the additional initiatives is likely to be reduced as it will take some time to implement them. Areas that we are currently exploring include the cross seasonal leasing of aircraft. We will provide regular updates on our progress during 2011.

We plan significant investment in our IT systems in 2011 on projects to improve passenger management, yield management and crew rostering. These are important tools to sustain our yield performance and manage productivity. The projects are currently under evaluation, but total costs could be up to €25m. The majority of this expenditure is likely to be revenue in nature and, given its scale, will be treated as an exceptional item in 2011.

Staff

2010 has been a year of substantial achievement, none of which would have been possible without the dedication and commitment of our staff. We are extremely appreciative of the loyalty shown by our staff, their support of the Greenfield programme, and their commitment to delivering great service to our passengers. Whilst the majority of our staff have been very supportive, 2010 has not been entirely straightforward. In the second half of 2010, we faced gradually escalating industrial action from those members of our cabin crew who are members of the IMPACT union. These staff, who previously voted in favour of flying 850 hours a year, expressed dissatisfaction with some elements of the rosters designed to implement the agreement.

Matters came to a head in early 2011, which necessitated the hiring in of aircraft to maintain our flight schedule. This and the associated disruption to flights and bookings will have an adverse effect on first quarter performance in 2011 performance. We believe that the issue has now been satisfactorily resolved without compromising on the principle of 850 hours.

Exceptional Item

An exceptional charge of €32.5m was taken for the estimated cost of a settlement with the Revenue for taxation arising from a redundancy scheme negotiated in 2008 and implemented in 2009. This amount relates to PAYE, PRSI, interest, penalties and related costs arising from payments to 715 staff under a restructuring programme negotiated in 2008 at the Labour Relations Commission and implemented in 2009.

We are deeply disappointed and frustrated that the Group has had to provide for and settle this liability. Further details are set out in the financial commentary below, and in the notes to the attached financial statements.

Pensions

The Irish Airline Superannuation Scheme (IASS) is a multi employer scheme principally for employees of the Dublin Airport Authority (DAA) and Aer Lingus. The employers' contribution is fixed by the scheme's Trust Deed and Rules at 6.375% of pensionable salaries. Under the Trust Deed, there is no mechanism for increasing employer contributions without the employers' consent and the company therefore accounts for the scheme on a defined contribution basis. However, for the purpose of paying benefits, the scheme is a defined benefit scheme as the benefits payable are based on a member's final salary. The IASS currently has a substantial actuarial deficit of circa €400 million on the statutory minimum funding standard basis as at 31/12/2010.

As part of the Greenfield agreements, Aer Lingus agreed to take part in discussions with Trade Unions representing members of the IASS about the future of pension provision in the group. These discussions have been taking place under the auspices of the Labour Relations Commission (LRC) and include the DAA and representations of its staff. The terms of reference of this process cover both the provision of viable pension arrangements for future service and a review of past service arrangements.

No agreement has yet been reached, but options under consideration for future pension provisions for Aer Lingus employees include a possible hybrid arrangement incorporating either a capped defined benefit or cash balance element with a defined contribution element above that cap.

Even if future service arrangements can be agreed, the trustees of the IASS are likely to be faced with a new deadline to agree a deficit reduction plan with the employers and to submit a funding proposal to the Pensions Board in summer 2011. Legislation permitting pension scheme trustees to purchase sovereign annuities was passed in December 2010. Such annuity products may reference sovereign bonds issued by Ireland and/or any other EU country or countries. A launch date for this arrangement remains uncertain and may be linked to the outcome of a wider review of funding standard issues.

Aer Lingus' financial obligation under the IASS is limited to its contribution obligation as set out in the Trust Deed and Rules and as described above.

2011
In 2011, we will continue to face a difficult economic environment in Ireland. In contrast to most other European carriers we therefore will stay flat in our capacity deployment in 2011 (adjusted for capacity lost as a result of ash and weather disruption).

We will experience substantial increases in airport charges, particularly in Dublin and Heathrow. These are outside our control. We are also exposed to significantly rising fuel prices. Although we have a reasonable level of hedging protection already in place for 2011, we expect our 2011 fuel bill to be substantially higher than that in 2010. While we expect to see the benefit in 2011 of the flow-through of actions taken in 2010 and some benefit from further cost saving measures in 2011, these upsides will not be sufficient to deal with the twin increases in cost in airport charges and fuel.

Despite the trading challenges ahead in 2011, we believe that the changes we have made, and are making, to Aer Lingus, will result in a sustainable and profitable business, attractive to passengers, staff and shareholders. We have the balance sheet strength to protect the business while we make this transition.

Q4 2010 Financial review

The Group reported an operating loss, before net exceptional items, of €2.6m (2009: loss of €46.6m) in the fourth quarter of 2010. EBITDAR was €29.9m (2009: negative EBITDAR of €9.0m). The Group recorded a net loss before tax of €32.0m (2009: loss of €134.8m). This net loss is after exceptional items, including a charge of €32.5m relating to the 2008/2009 redundancy scheme.

Passenger revenue increased by 3.2% compared to Q4 2009. This reflects a 19.0% growth in average yield per passenger compared to the same period in 2009 partly offset by a 13.2% fall in passenger numbers. Overall capacity was 13.0% lower primarily due to the significant weather disruption to services in November and December 2010 in addition to the planned reductions in capacity, compared with 2009. Weather related disruptions in November and December led to 1% and 8% capacity reductions versus plan, respectively, in those months.

Short haul passenger revenue remained flat at €154.7m compared to Q4 2009. The average yield on short haul routes increased by 16.4% while short haul passenger volumes declined by 14.1%. Short haul capacity was 17.1% lower in Q4 2010 compared to Q4 2009. However, short haul load factor in Q4 2010 increased by 2.4 points versus Q4 2009.

Long haul passenger revenue increased by 11.8% to €64.6m. The average yield on long haul routes increased by 17.9% while long haul passenger volumes fell by 5.2%. Long haul capacity was down 5.3% on Q4 2009 due to the withdrawal from the San Francisco and Washington routes from October 2009 and planned capacity reductions on other long haul routes. The effect of these capacity changes is now starting to become visible in the Q4 prior year comparatives. Long haul load factor in Q4 2010 decreased slightly by 0.6 points versus Q4 2009. Continued 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.

Ancillary revenue per passenger increased by 4.0% in Q4 2010 to €16.89, which helped to partially offset the fall in total ancillary revenue due to reduced passenger numbers.

Operating costs in Q4 2010 were 12.6% down on Q4 2009, driven by: savings in fuel costs, arising from reduced block hours flown and lower fuel prices; savings in staff costs as well as savings on airport charges and en-route charges due to the reduced flight activity in the period. The €18m staff cost provision recognised in 2009 did not recur in 2010.

Full year 2010 financial review

Summary
The Group returned to profitability in 2010 with a €138.6m swing in the operating profit before net exceptional items, from a loss of €81.0m in 2009 to a profit of €57.6m in 2010. Revenue increased slightly by 0.8%, with a reduction in the number of passengers, arising from capacity reductions, offset by strong yield and strong ancillary revenue per passenger performance. The key driver behind the turnaround was the €128.7m reduction in operating costs, with reduced fuel prices, capacity related savings and Greenfield staff costs savings the key contributors.

EBITDAR has increased by €139.2m to €196.7m and the Group recorded a net profit for the year of €46.6m (2009: loss of €130.1m).

Passenger fare and ancillary revenue
Passenger fare and ancillary revenue for the year was in line with 2009 at €1,166.2m, despite a 10.0% reduction in the number of passengers carried to 9.35m (2009: 10.38m). Average fare per passenger increased by 12.0% and revenue per passenger (i.e. fare revenue plus ancillary revenue) increased by 11.0% to €124.78. Total revenue per ASK rose 17.2% to 6.65 cents (2009: 5.68 cents). Total passenger load factor increased by 1.6 points to 76.1% reflecting our strategy of achieving a better match between the capacity we offer and the natural level of demand in our markets.

Short haul
Short haul fare revenue was €725.0m, (2009: €717.4m, an increase of 1.1%. However, short haul passengers carried were down by 9.3% to 8.4m, indicating an 11.4% increase in average fare to €85.92 (2009: €77.10). This performance was largely due to a changed approach to yield management. The increase in short haul average fare was supplemented by growth in ancillary revenue per passenger of €0.92 or 5.5%.

Short haul capacity, measured by available seat kilometres (ASKs) decreased by 7.8% arising from planned capacity reductions and enforced cancellations. In April 2010 the Group reduced the scale of its operations at London Gatwick which had been expanded at the end of the first quarter of 2009. A further reduction of 5.6% in total capacity compared to plan was caused by flight cancellations in January, November and December due to weather disruptions, and in April and May due to the Icelandic volcano. Capacity utilisation, measured by revenue passenger kilometres (RPKs) decreased by 8.4% resulting in short haul load factor decreasing by 0.5 points to 74.9%. We estimate that reducing the scale of our Gatwick operation will save approximately €10m in a full year, and that the volcano disruptions reduced operating profits (before exceptional items) by around the same amount. We incurred a further €4.3m in passenger compensation costs (an improvement on our in-year estimates of up to €10m) which has been treated as an exceptional item.

There were no changes to the size of the short haul fleet in 2010.

Long haul
Long haul fare revenue remained flat at €276.1m (2009: €275.3m), despite a 24.1% reduction in capacity. Long haul was the principal cause of the group's loss in 2009 and we responded by removing unprofitable routes and reducing capacity to better align it with demand. We also worked to improve yield management and connecting traffic flows, with the result that 34% of transatlantic traffic connected behind or beyond our gateways, compared with 23% in 2009. Total long haul passengers decreased by 15.7% to 908,000. Like-for like business class revenues were up from 16% to 21% of total long haul revenues between 2009 and 2010.

There was a significant decrease in long haul capacity in the year, where ASKs fell by 24.1% mainly due to the full year effect of the withdrawal from the San Francisco and Washington routes in the last quarter of 2009. Capacity was also reduced on all other long haul routes. RPKs decreased by 18.6% resulting in long haul load factor increasing by 5.3 points to 78.4%. The increase in revenue per passenger coupled with the lower costs associated with reduced capacity resulted in the return of long haul flying to profitability in 2010.

A new A330 aircraft was acquired on a finance lease in April and one A330 aircraft was returned to its lessor.

Ancillary revenue
Ancillary revenue per passenger increased by 5.5% to €17.67. However due to the reduced passenger numbers, total ancillary revenue fell by 5.1% to €165.1m (2009: €173.9m). The most significant elements of ancillary revenue are in-flight sales, baggage fees, online booking fees, seat selection fees and commissions.

Cargo
Aer Lingus' strategy is to carry cargo on both long haul and short haul passenger routes where aircraft turnaround times permit. Total cargo revenue increased by 20.4% to €41.3m (2009: €34.3m) driven by an increase in tonnage, with lower yields offset by increased fuel surcharge revenue. Short haul tonnage increased by 18.0% to 8,843 tonnes and long haul tonnage increased by 17.7% to 23,780 tonnes, resulting in a total tonnage increase of 17.8%. The cargo market remains very price competitive and average yield, excluding the fuel surcharge, decreased by 11.9%.

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 expectations. The service between Washington and Madrid made a positive contribution to earnings. The group's revenues from these sources are included as "other revenue" in the profit and loss account.

Operating costs
Total operating costs, before net exceptional items, decreased in absolute terms by €128.7m or 10.0% to €1,158.0m, primarily as a result of lower fuel prices, the impact of Greenfield and earlier programmes on staff costs and lower maintenance costs. However, in relative terms, operating costs per ASK rose by 4.6% because the fall in operating costs was less than the reduction in capacity. The principal causes of this increase were airport charges which rose significantly faster than inflation, and additional temporary corporate costs to support the Greenfield programme. These corporate costs are expected to decline after the end of 2011. The underlying increase in costs per ASK was smaller than that indicated because of the weather and ash disruptions noted earlier. These disruptions resulted in a shortfall of approximately 5% of ASKs against plan. While variable costs were avoided during the disruption, our fixed costs remained at the same level. Cost per ASK would have been lower had we been able to fly the planned schedule.

Fuel costs decreased by €65.5m (19.7%) to €266.2m due to a decrease in the price of jet fuel and a 13.2% reduction in consumption to 429.9 KT (2009: 495.4 KT). The decrease was partly offset by the adverse movement in the US dollar (which appreciated by 8% during 2010. However, we entered 2010 with some 72% of our estimated US dollar requirements hedged at 1.48, so the dollar's appreciation was largely offset by gains on currency hedges, which are reported separately in the profit and loss account as other gains/losses. Fuel represented 23.0% of total costs in the year, down from 25.8% in 2009. The average cost of fuel, including into plane fees, was $819 per tonne, compared to $929 per tonne in 2009.

Staff costs, which represent 22.4% of operating costs, decreased by €53.3m or 17.1% to €258.9m. The 2009 costs were affected by €14.6m of charges which did not recur in 2010 and in 2010 the €3.9m impact of year on year reductions in provisions for untaken annual leave. The underlying reduction in staff costs is substantially made up of the €35.6m of in-year Greenfield cost saving measures. Average full time equivalent employees during the period fell by 8.5% to 3,516 (2009: 3,844). Staff costs per ASK fell by 3.6%.

Airport charges, which represent 21.8% of operating costs, were in line with 2009 at €252.6m (2009: €252.0m). Airport charges were reduced due to planned capacity reductions and enforced cancellations in January and December due to snow disruptions, and in April and May due to the closure of northern European airspace. However, the savings realised from the reduced capacity and passenger numbers were offset in full by price increases at our principal airports. These increases averaged 11.4% per passenger, equivalent to 16.5% per ASK, and are of significant concern for the future. En-route charges decreased by 5.1% to €56.0m (2009: €59.0m) again due to the reduced number of flights in the period compared to the same period in 2009. However, these charges have also experienced price increases ahead of inflation and were up 10.2% per short haul ASK.

In headline terms, maintenance costs decreased by 23.0% to €54.3m (2009: €70.5m). Part of this reduction is attributable to the in-sourcing of certain activities that were part of third party maintenance costs in 2009. Excluding this effect, maintenance costs per flight hour decreased by 7.0%.

Depreciation increased by 5.8% to €87.4m (2009: €82.7m) due to the full year effect of the purchase of two A330 aircraft in the first half of 2009 and the addition of a further owned A330 in April 2010.

Aircraft operating lease costs decreased by 7.6% to €51.6m (2009: €55.8m) due to the full 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 year effect of three A320 aircraft which were taken on operating leases from March 2009, the sale and leaseback of an A320 aircraft in July 2010 and also the adverse impact of the movement in the US dollar during the period.

Distribution costs increased by 4.5% to €47.5m. Although we reduced advertising spend, a deliberate change in the mix of our distribution channels and the increased use of GDS, while generating higher yields, has led to a net increase in distribution costs.

Other operating costs increased by 7.4% to €109.3m (2009: €101.7m) due to the additional costs incurred in dealing with the operational disruptions experienced during the period and higher overhead costs incurred in implementing projects necessary to achieve Greenfield cost savings. A similar level of overhead is likely to be incurred in 2011 as the group lacks the internal resource and skills necessary to implement change of the scale required in the Group and we believe these resources and skills are most efficiently resourced externally.

Other gains/losses - net, largely consists of the gains from maturing currency contracts. The group earns the majority of its revenues in Euro, but incurs significant expenses in US dollars primarily for fuel, aircraft hire and certain elements of maintenance expenditure. The group also has sterling income in excess of its sterling denominated costs. The company uses foreign exchange contracts to hedge these exposures. At the start of 2010, the group had bought an estimated 72% of its US dollar requirement for the year at an average rate of 1.48 and sold an estimated 50% of its Sterling surplus at an average rate of 0.88. Average actual exchange rates for the year were 1.33 and 0.86 respectively resulting in substantial gains being realised when the hedges matured. Revenues earned and costs incurred in foreign currencies are translated into Euro at the rates ruling at the time of the relevant transactions, and the gains and losses on hedging transactions are reported in the other gains / losses. Hedges returned a net gain of €25.8m for 2010 versus a net gain of €24.2m for 2009.

Greenfield
The Group achieved €35.6m of staff cost savings under the Greenfield programme in 2010. These savings relate primarily to pay reductions, which were effective from 1 March 2010 and headcount reductions in 2010. The full year effect of these savings corresponds to €50.0m. The Group also realised in year non-staff costs savings of €5.8m in 2010. Costs of €42.2m were expensed against the reorganisation provision established at the end of 2009 for this project. As explained in the business review above, we have decided to modify certain aspects of the Greenfield programme. As a result, we anticipate lower levels of staff cost savings than initially planned. The Greenfield provision has therefore been remeasured as at 31 December 2010 and €7.7m has been released as an exceptional credit.

Employee profit share
The profit share obligation, established at the time of the Group's initial public offering in 2006, required the Group to pay an annual share of profits to the Aer Lingus Employee Share Ownership Trust ("ESOT" or the "Trust") until the later of April 2023 and the full repayment of the ESOT's debt and associated interest. In December 2010, the Group made a once-off cash payment of €25.3 million to the ESOT. This transaction fully extinguished the ESOT's borrowings and, with it, the Group's obligation to pay any further share of profits to the Trust. As a result, the shares held by the ESOT have vested to employees.

Net exceptional items
Net exceptional items includes a charge of €4.3m for the costs of compensating passengers for their costs incurred as a result of flight disruptions associated with the Icelandic volcano; a profit of €3.1m on the sale and leaseback of an A320 aircraft; a payment of €25.7m (including related costs) to discharge the ESOT profit share obligation; and a gain of €11.8m on the exit of a line maintenance contract with SRT. The re-measurement of the Greenfield redundancy costs has led to a further credit of €7.7m.

In 2008, Aer Lingus proposed to outsource the majority of its Dublin based ground operations as these operations were uneconomic by reference to prevailing norms in the airline industry. Discussions with the SIPTU union, facilitated by the National Implementation Body and later the Labour Relations Commission, led to a collective agreement in November 2008 on a significant restructuring of ground operations. This restructuring was agreed by Aer Lingus management at the time on the basis that the severance payments made to staff under the restructuring programme would qualify as a redundancy under the relevant legislation, with related rebates for Aer Lingus and termination of employment tax relief for affected staff.

In 2009, 913 staff were made redundant and 715 of those employees successfully applied for new roles within the Group, with changed duties and lower salaries.

By late 2010, it had become clear that both Revenue and the Department of Enterprise Trade & Innovation were seriously questioning whether the members of staff who left and subsequently applied for new roles and returned to Aer Lingus should be considered to be redundant under the relevant legislation. An urgent review was commenced of the terms on which these redundancies were agreed by all of the parties involved at the time.

Having reviewed the matter and taken appropriate advice, Aer Lingus concluded that it is in shareholders' and the Group's best interests to seek a settlement of the matter. In negotiations on 23 February 2011, Revenue confirmed their intention to seek to recover PAYE and PRSI which they considered should have been deducted from termination payments to employees in 2009. Although settlement negotiations continue, Aer Lingus concluded following that meeting, that it should now make an exceptional provision of €32.5 million in its financial statements in respect of the likely cost of dealing with this matter. In making this provision, Aer Lingus is conscious of the risk that in disputing an assessment issued by Revenue, the Appeals Commissioner could impose a higher liability if the case were found against the Group.

Finance income and expense
Finance income declined by 39.3% due to falling interest rates and lower average cash balances which amounted to €948.7m during the year (2009: €1061.0m). Finance expense decreased by 29.3% during the period mainly reflecting the maturity of two finance leases at the end of 2009 and lower interest rates. Average debt during 2010 amounted to €551.9m (2009: €569.8m).

Tax charge
There was a tax credit for the year of €16.1m (2009: €24.8m). The group has significant tax losses and at the end of 2009 an impairment provision of €12m was set up against the associated deferred tax asset as there was doubt about the group's ability to make use of all these losses in the foreseeable future. Following the group's return to profitability in 2010, this provision has been released and is the principal reason for the tax credit in 2010.

Cash flow, cash and debt
Gross cash (loans and receivables, deposits, cash and cash equivalents and bank overdrafts) increased by €56.5m during the year to €885.0m (31 December 2009: €828.5m). During 2010, the Group made payments totalling €74.0m for the delivery of an A330 aircraft and deposits for future aircraft deliveries. The Group realised significant gains on hedging positions matching those payments, thus reducing the overall cost. The Group obtained new finance lease financing of €58.5m for the new aircraft. The Group made redundancy payments of €41.9m during the period.

We have US dollar denominated finance lease obligations which we generally match with US dollar denominated deposits.

Finance lease obligations at 31 December 2010, which increased due to the addition of the new A330 and the strengthening US dollar offset by scheduled repayments, totalled €535.2m (31 December 2009: €492.6m).

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 we manage our exposure to fluctuations in the prices of fuel and foreign currency through hedging. At 31 December 2010, our estimated fuel requirements for 2011 and for 2012 were 449,000 tonnes in each year, which were hedged as follows:

	2011	**2012**
% hedged	62%	12%
Average price per tonne	$788	$813

The Group's major foreign currency exposure is to the US dollar. At 31 December 2010, the Group's forward purchases of US dollars comprised: $225m of the estimated trading requirements for 2011 at an average rate of €1=$1.43 and $125m of the estimated trading requirements for 2012 at an average rate of €1=$1.44. In addition, the Group has hedged 98% of the cost of four new A320 aircraft due for delivery in the first half of 2011 at an average rate of €1=$1.50.

Fleet
In the first half of 2011, the group will take delivery of four new A320 short-haul aircraft. The first of these aircraft was delivered in January. These aircraft are being acquired on finance leases and approximately €100m of new debt will be raised. Over the same period three A321 aircraft currently held on operating leases will be returned to their lessors and one short-haul aircraft is planned to be sold.

The group currently has eight A330 long-haul aircraft, one of which is employed in the joint venture with United Airlines. This fleet is larger than we currently require and it is intended that one aircraft will be sold in 2011. The group intends to exercise an option to defer 3 A330 aircraft which would otherwise be due for delivery from Airbus in 2013 and 2014 and to replace them with 3 A350 aircraft for delivery no earlier than 2018. As a result of this change, the group's long-haul order book will comprise 9 A350 aircraft with 4 scheduled for delivery in 2015, 2 in 2016 and 3 in 2018 or later. We expect to incur capital expenditure for aircraft purchases of €103m in 2011 (all of which will be financed with new leases) with a further €639m to be incurred between 2012 and 2016 or later.

Outlook
Our capacity plan for 2011 anticipates ASKs and passenger numbers will be approximately 5.9% and 5.1% higher respectively than in 2010. This is very similar to the 2010 result had the volcano and weather disruption not occurred (i.e. 5.9% additional ASKs). Our short haul fleet will remain at its current size, but we intend to reduce the long haul fleet by one aircraft which is surplus to requirements.

2011 trading should benefit from non-recurrence of events which negatively impacted trading in 2010, including c.€20m of losses attributable to winter long haul flying from Shannon and uneconomic routes operated out of London Gatwick and c.€10m net impact of ash and weather disruption. Despite this, 2011 will be challenging due to the muted demand in our primary Irish market as well as inflation in non-controllable costs. We delivered strong yield improvements in 2010, most of which was attributable to a significant change in the way we matched capacity to demand and sought to optimise revenue per flight rather than load factor. Any further yield increases in 2011 are likely to be much smaller than were achieved last year.

Q1 is proving a difficult start to 2011. Bookings were affected by severe weather disruption in December 2010 and this was exacerbated by the IMPACT cabin crew action in January and February which required us to hire in aircraft to maintain as full a schedule as possible. As a consequence, we expect a fairly weak trading result for the quarter.

On the cost side, there are two major concerns, both of which are largely outside our control. Firstly, jet fuel prices continue to rise. Spot prices are currently around $990 per tonne with forward prices for the end of 2011 of around $1,000 per tonne. At the end of December 2010 we had already bought 62% of our 2011 requirements. However, and for illustration, if the balance had to be bought at $1,000 per tonne, our fuel bill in 2011 would be around €31m higher than in 2010. It is unlikely that we will be able to recover all of this from our passengers without adversely affecting demand.

Our second main concern is airport and en-route charges. We are frustrated by continuing increases in charges which airport authorities will introduce in 2011 (particularly in Dublin and Heathrow). We estimate that, based on our projected passenger numbers, airport and enroute charges will increase by approximately €45m and €5m, respectively, compared to 2010. This will make our flights more expensive at a time of heightened passenger price sensitivity and will impact our cost base despite staff pay reductions and productivity increases driving cost competitiveness in other areas of our business.

The results of our revised commercial strategy have exceeded our expectations. Following a review of the Greenfield programme in November and December 2010, we determined that it was no longer appropriate to pursue some of the targeted savings in support and head office areas. However, there are other opportunities for savings which have not been previously addressed. Our target remains to achieve €97m of run-rate by the end of 2011. However, in-year delivery from new initiatives will be modest. To date, we have identified initiatives which should deliver €84m of run rate savings by the end of 2011. Our goal is to validate candidate projects to deliver the remaining €13m by the end of the first quarter of 2011 and implement these initiatives by the end of 2011.

We plan significant investment in our IT systems in 2011 on projects to improve passenger management, yield management and crew rostering. These are important tools to sustain our yield performance and manage productivity. The projects are currently under evaluation, but total costs could be up to €25m. The majority of this expenditure is likely to be revenue in nature and given its scale will be treated as an exceptional item in 2011.

We expect significant challenges in 2011, with trading for the year likely to be impacted by fuel price inflation and increased airport charges in combination with difficult conditions in our home market. We do not expect that improvements in yield performance and ongoing cost savings can offset these increased costs. If current fuel prices persist, we expect that 2011 operating profit will be significantly below that of 2010.

Appendix

Statistics	**Three months ended 31 December**			**Year ended 31 December**		
	2010	2009	Change	**2010**	2009	Change
Passengers carried ('000) *						
Short haul	**1,825**	2,125	(14.1%)	**8,438**	9,305	(9.3%)
Long haul	**218**	230	(5.2%)	**908**	1,077	(15.7%)
Total	**2,043**	2,355	(13.2%)	**9,346**	10,382	(10.0%)
Revenue passenger kilometres (RPKs) (million) *						
Short haul	**1,880**	2,191	(14.2%)	**9,129**	9,965	(8.4%)
Long haul	**1,142**	1,216	(6.1%)	**4,766**	5,854	(18.6%)
Total	**3,022**	3,407	(11.3%)	**13,895**	15,819	(12.2%)
Available seat kilometres (ASKs) (million)						
Short haul	**2,596**	3,130	(17.1%)	**12,188**	13,220	(7.8%)
Long haul	**1,558**	1,645	(5.3 %)	**6,081**	8,008	(24.1%)
Total	**4,154**	4,775	(13.0%)	**18,269**	21,228	(13.9%)
Passenger load factor (%) (flown RPKs per ASKs)*						
Short haul	**72.4%**	70.0%	2.4pts	**74.9%**	75.4%	(0.5pts)
Long haul	**73.3%**	73.9%	(0.6pts)	**78.4%**	73.1%	5.3pts
Total	**72.7%**	71.3%	1.4pts	**76.1%**	74.5%	1.6pts
Average fare (€)						
Short haul	**84.77**	72.80	16.4%	**85.92**	77.10	11.4%
Long haul	**296.33**	251.30	17.9%	**304.07**	255.62	19.0%
Total Average Fare	**107.34**	90.23	19.0%	**107.12**	95.62	12.0%

* 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' monthly traffic statistics which are based on BOOKED passenger numbers.

Consolidated income statement (unaudited)

Year ended 31 December

	Note	2010	2009
		€'000	€'000
Revenue	2	**1,215,572**	1,205,739
Operating expenses			
Staff costs, pre net exceptional items		**258,892**	312,192
Depreciation and amortisation		**87,444**	82,674
Aircraft operating lease costs		**51,579**	55,845
Fuel costs		**266,205**	331,657
Maintenance expenses		**54,253**	70,451
Airport charges		**252,589**	251,993
En-route charges		**55,961**	59,001
Distribution charges		**47,521**	45,458
Ground operations, catering and other operating costs		**109,281**	101,734
Other (gains)/losses - net	3	**(25,799)**	(24,248)
		1,157,926	1,286,757
Operating profit/(loss) before net exceptional items		**57,646**	(81,018)
Net exceptional items	4	**(33,987)**	(88,630)
Operating profit/(loss) after net exceptional items		**23,659**	(169,648)
Finance income	5	**22,401**	36,900
Finance costs	5	**(15,613)**	(22,098)
Profit/(loss) before tax		**30,447**	(154,846)
Income tax credit	6	**16,135**	24,765
Profit/(loss) for the period		**46,582**	(130,081)
Profit/(loss) attributable to:			
- equity holders of the parent		**46,582**	(130,081)
Earnings per share (expressed in € cent per share)			
- basic and diluted	7	**8.8**	(24.6)

Consolidated statement of comprehensive income (unaudited)

Year ended 31 December

	Note	2010	2009
		€'000	€'000
Profit/(loss) for the year		**46,582**	(130,081)
Other comprehensive income			
Available-for-sale reserve			
- Amortisation of available-for-sale reserve	5	**(794)**	(2,060)
- Deferred tax on amortisation of available-for-sale reserve		**81**	41
Cash flow hedges			
- Fair value gains/(losses)		**56,872**	(2,516)
- Deferred tax on fair value (gains)/losses		**(7,109)**	315
- Transfer to fuel costs		**8,391**	119,936
- Deferred tax on transfer to fuel costs		**(1,049)**	(14,992)
- Transfer to other gains/losses - net		**(9,668)**	(31,365)
- Deferred tax on transfer to other gains/losses - net		**1,209**	3,921
Other comprehensive income for the period		**47,933**	73,280
Total comprehensive profit/(loss) for the period		**94,515**	(56,801)
Total comprehensive profit/(loss) attributable to:			
- equity holders of the parent		**94,515**	(56,801)

Consolidated statement of financial position (unaudited)

As at 31 December

	Note	2010	2009
		€'000	€'000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**760,356**	790,486
Intangible assets		**4,389**	5,613
Loans and receivables	11	**39,790**	71,944
Derivative financial instruments	9	**8,462**	6,849
Deferred tax asset	15	**13,912**	4,755
Deposits	11	**128,358**	90,260
		955,267	969,907
Current assets			
Inventories		**1,280**	816
Derivative financial instruments	9	**40,261**	17,699
Trade and other receivables	10	**82,454**	75,835
Current income tax receivables		**34**	18
Loans and receivables	11	**-**	5,362
Deposits	11	**420,885**	490,425
Cash and cash equivalents	11	**305,999**	170,475
		850,913	760,630
Total assets		**1,806,180**	1,730,537
EQUITY			
Called-up share capital	16	**26,702**	26,702
Share premium	17	**510,605**	510,605
Capital conversion reserve fund		**5,048**	5,048
Capital redemption reserve fund		**343,796**	343,796
Other reserves		**55,347**	6,643
Retained earnings		**(141,715)**	(188,297)
Total equity		**799,783**	704,497
LIABILITIES			
Non-current liabilities			
Finance lease obligations	13	**479,658**	444,374
Derivative financial instruments	9	**-**	7,303
Provisions for other liabilities and charges	14	**80,012**	115,050
		559,670	566,727
Current liabilities			
Trade and other payables	12	**299,117**	340,710
Bank overdrafts		**9,988**	
Finance lease obligations	13	**55,573**	48,247
Derivative financial instruments	9	**7,511**	11,873
Provisions for other liabilities and charges	14	**74,538**	58,483
		446,727	459,313
Total liabilities		**1,006,397**	1,026,040
Total equity and liabilities		**1,806,180**	1,730,537

Consolidated statement of changes in equity (unaudited)

	Notes	Called-up share capital	Share premium	Capital conversion reserve fund	Capital redemption reserve fund	Cash flow hedging reserve	Available-for-sale reserve	Treasury shares	Share based payment reserve	Retained earnings	Total equity
		€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2009		26,698	506,847	5,048	343,516	(63,594)	3,242	(9,137)	1,081	(51,246)	762,455
Other comprehensive income/(loss) for the year ended 31 December 2009		-	-	-	-	75,299	(2,019)	-	-	(130,081)	(56,801)
Issue of bonus shares	16, 17	284	3,758	-	-	-	-	(4,042)	-	-	-
Issue of new shares	16, 17	(280)	-	-	280	-	-	6,970	-	(6,970)	-
Purchase of treasury shares		-	-	-	-	-	-	(117)	-	-	(117)
Share based payment reserve		-	-	-	-	-	-	-	(1,189)	-	(1,189)
Deferred tax impact		-	-	-	-	-	-	-	149	-	149
Balance at 31 December 2009		26,702	510,605	5,048	343,796	11,705	1,223	(6,326)	41	(188,297)	704,497
Balance at 1 January 2010		**26,702**	**510,605**	**5,048**	**343,796**	**11,705**	**1,223**	**(6,326)**	**41**	**(188,297)**	**704,497**
Other comprehensive income/(loss) for the year ended 31 December 2010		**-**	**-**	**-**	**-**	**48,646**	**(713)**	**-**	**-**	**46,582**	**94,515**
Share based payment reserve		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**882**	**-**	**882**
Deferred tax impact		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(111)**	**-**	**(111)**
Balance at 31 December 2010		**26,702**	**510,605**	**5,048**	**343,796**	**60,351**	**510**	**(6,326)**	**812**	**(141,715)**	**799,783**

Consolidated statement of cash flows (unaudited)

Year ended 31 December

	Note	2010	2009
		€'000	€'000
Cash flows from operating activities	19	**46,515**	(168,113)
Income tax paid		**(16)**	(18)
Net cash generated from/(used in) operations		**46,499**	(168,131)
Cash flows from investing activities			
Purchases of property, plant and equipment (net of lease finance raised)		**(803)**	(108,779)
Proceeds from sales of property, plant and equipment		**17,664**	-
Purchases of intangible assets		**-**	(3,889)
Decrease in deposits		**77,328**	201,653
Proceeds from sales of loans and receivables		**46,574**	-
Interest received		**10,225**	19,047
Net cash generated from investing activities		**150,988**	108,032
Cash flows from financing activities			
Repayments of finance lease obligations		**(63,436)**	(113,513)
Interest paid		**(7,165)**	(8,905)
Net cash used in financing activities		**(70,601)**	(122,418)
Net increase/(decrease) in cash and cash equivalents		**126,886**	(182,517)
Cash, cash equivalents and bank overdrafts at 1 January		**170,475**	351,692
Exchange (losses)/gains on cash and cash equivalents		**(1,350)**	1,300
Cash, cash equivalents and bank overdrafts at 31 December	11	**296,011**	170,475

Basis of preparation

This financial information has been derived from the information to be used to prepare the Group's consolidated financial statements for the year ended 31 December 2010 in accordance with European Union (EU) adopted International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Acts 1963 – 2009 applicable to companies reporting under IFRS. The financial information set out in this document does not constitute full statutory consolidated financial statements for the year ended 31 December 2010 and is unaudited. The financial information for the years ended 31 December 2010 and 31 December 2009 has been prepared under the historical cost convention, as modified by the revaluation of derivative financial instruments. The financial information has been prepared in accordance with the accounting policies disclosed in the prior year annual report. The preparation of financial information in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may differ from those estimates.

The financial information set out in this preliminary announcement does not constitute the statutory consolidated financial statements of the Group, a copy of which is required to be annexed to the annual return to the Companies Registration Office in Ireland. A copy of the statutory consolidated financial statements required to be annexed to the annual return in respect of the year ended 31 December 2009 has been so annexed. A copy of the statutory consolidated financial statements in respect of the year ended 31 December 2010 will be annexed to the Group's annual return for 2010. The Directors expect to approve the consolidated financial statements for the year ended 31 December 2010 in March 2010. The independent auditors' report on the full statutory consolidated financial statements for the year ended 31 December 2010 has yet to be completed.

Critical accounting estimates and judgements
The Group believes that of its significant accounting policies and estimates, the following may involve a higher degree of judgement and complexity:

(a) Provisions
The Group makes provisions for legal and constructive obligations, which it knows to be outstanding at the period-end date. These provisions are generally made based on historical or other pertinent information, adjusted for recent trends where relevant. However, they are estimates of the financial costs of events that may not occur for some years. The actual outturn may differ significantly from that estimated.

(b) Post retirement benefits
As the provisions of trust deeds governing the Irish Pension Schemes are such that no changes to the contribution rates are possible without the prior consent of the Group, the Group has concluded that it has no obligation, legal or constructive, to increase its contributions beyond those levels. As such, it has accounted for the Irish Pension Schemes as defined contribution schemes under the provisions of IAS 19 *Employee Benefits*, and, as a result, does not recognise any surplus or deficit in the schemes on the statement of financial position.

If any legal or constructive obligation to vary the Group's contributions based on the funding status of the Irish Pension Schemes arises, IAS 19 requires the Group to include any pension fund surplus or deficit on its statement of financial position and reflect any period on period movements in its income statement or the statement of comprehensive income.

(c) Leave and return
The Group is currently in negotiations with the Revenue Commissioners on the settlement of a tax liability relating to the 'leave and return' scheme offered to employees in 2009. The Group has estimated the likely cost of dealing with the matter at €32.5m (including tax, penalties and interest and related costs) and has included a provision for that amount in the 2010 financial statements. The actual costs of settlement may differ from that estimated. The events giving rise to the settlement occurred in late 2008 and in 2009 and the Group's review of the matter is continuing. As at the date of these preliminary results, the review has not uncovered any evidence to suggest that the 2008 and 2009 accounts contain 'prior period errors' as that term is defined in IAS 8. Accordingly, the cost of the settlement has been recognised in the 2010 financial statements as an adjusting post balance sheet event. The review is continuing and if evidence of prior period error is discovered, it may become necessary to revise these statements and recognise elements of the settlement cost in one or more prior years.

(d) *Impairment of non-financial assets*
Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Foreign currency translation

(a) Functional and presentation currency
The financial statements are presented in euro, which is the functional and presentation currency of the Company and all of its trading subsidiaries.

(b) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates or monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges.

Exchange rates prevailing at balance sheet date are set out below:

	USD	**STG**
31/12/2010	1.32	0.86
31/12/2009	1.44	0.90

Significant accounting policies

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the annual consolidated financial statements for the year ended 31 December 2009.

Notes to the financial information

1 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 expenditure are not included in the result of the operating segment that is reviewed by the chief operating decision maker.

Total segment assets exclude deferred tax assets, 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 €1,215.6m (2009: €1,205.7m) is wholly derived from external customers.

	2010	2009
	€'000	€'000
Adjusted operating proft/(loss) before net exceptional items, interest and tax for the reportable segment	**46,237**	(70,834)
Miscellaneous group level adjustments	**11,409**	(10,184)
Net exceptional items	**(33,987)**	(88,630)
Operating profit/(loss) after net exceptional items	**23,659**	(169,648)
Finance income	**22,401**	36,900
Finance costs	**(15,613)**	(22,098)
Profit/(loss) before tax	**30,447**	(154,846)

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

	2010	2009
	€'000	€'000
Total segment assets	**897,236**	897,316
Deferred tax asset	**13,912**	4,755
Loans and receivables	**39,790**	77,306
Deposits	**549,243**	580,685
Cash and cash equivalents	**305,999**	170,475
Total assets per statement of financial position	**1,806,180**	1,730,537

2 Revenue

	2010	2009
	€'000	€'000
Passenger revenue	**1,001,119**	992,683
Ancillary revenue	**165,127**	173,907
Cargo revenue	**41,271**	34,338
Other revenue	**8,055**	4,811
	1,215,572	1,205,739

3 Other gains/(losses) - net

	2010	2009
	€'000	€'000
Fair value gains/(losses) on cross-currency interest rate swap	**986**	(1,018)
Net foreign exchange gains on operating activities	**24,813**	25,266
	25,799	24,248

4 Net exceptional items

	2010	2009
	€'000	€'000
Northern European airspace closure costs (a)	**4,283**	-
Profit on disposal of property, plant and equipment (b)	**(3,108)**	-
Payment to discharge ESOT profit share obligation (c)	**25,691**	-
Gain on exit of line maintenance contract (d)	**(11,780)**	-
Restructuring (e)	**(8,628)**	88,630
Statutory redundancy government refund (f)	**(4,971)**	-
Leave and return settlement (g)	**32,500**	-
	33,987	88,630

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

(b) Profit on disposal of aircraft.

(c) Once-off payment to the Aer Lingus Employee Share Ownership Trust ("ESOT") to fully extinguish the Group's obligations to pay any further share of profits to the ESOT.

(d) Gain realised following the exit of line maintenance contract with SR Technics.

(e) Re-measurement of provisions for restructuring costs associated with early retirement, voluntary severance and migration schemes offered prior to 2010. The 2009 charge consists of a provision for net redundancy payments of €51.9m and a provision for a deferred payment to staff of €25.0m for the 2009 Cost Reduction Programme and a remeasurement of the 2008 restructuring charge of €11.7m.

(f) Statutory redundancy refunds relating to redundancies effected during 2009.

(g) In 2008, Aer Lingus proposed to outsource the majority of its Dublin based ground operations as these operations were uneconomic by reference to prevailing norms in the airline industry. Discussions with the SIPTU union, facilitated by the National Implementation Body and later the Labour Relations Commission, led to a collective agreement in November 2008 on a significant restructuring of ground operations. This restructuring was agreed by Aer Lingus management at the time on the basis that the severance payments made to staff under the restructuring programme would qualify as a redundancy under the relevant legislation, with related rebates for Aer Lingus and termination of employment tax relief for affected staff.

In 2009, 913 staff were made redundant and 715 of those employees successfully applied for new roles within the Group, with changed duties and lower salaries.

By late 2010, it had become clear that both Revenue and the Department of Enterprise Trade & Innovation were seriously questioning whether the members of staff who left and subsequently applied for new roles and returned to Aer Lingus should be considered to be redundant under the relevant legislation. An urgent review was commenced of the terms on which these redundancies were agreed by all of the parties involved at the time.

Having reviewed the matter and taken appropriate advice, Aer Lingus concluded that it is in shareholders' and the Group's best interests to seek a settlement of the matter. In negotiations on 23 February 2011, Revenue confirmed their intention to seek to recover PAYE and PRSI which they considered should have been deducted from termination payments to employees in 2009. Although settlement negotiations continue, Aer Lingus concluded following that meeting, that it should now make an exceptional provision of €32.5 million in its financial statements in respect of the likely cost of dealing with this matter. In making this provision, Aer Lingus is conscious of the risk that in disputing an assessment issued by Revenue, the Appeals Commissioner could impose a higher liability if the case were found against the Group.

5 Finance income and expense

	2010	2009
	€'000	€'000
Finance income		
Interest on cash, cash equivalents and deposits	**13,182**	30,690
Interest income on loans and receivables	**3,752**	4,150
Amortisation of available-for-sale reserve	**794**	2,060
Other financial income	**4,673**	-
	22,401	36,900

	2010	2009
Finance expense		
Interest expense on finance lease obligations	**15,613**	22,098
	15,613	22,098

6 Income tax credit

Income tax credit recognised in the income statement

	2010	2009
	€'000	€'000
Current taxation		
Irish corporation tax	**-**	-
Remeasurment of income tax provisions	-	-
	-	-
Deferred tax		
Origination and reversal of temporary differences	**3,339**	37,561
Remeasurement of deferred tax asset	**12,796**	(12,796)
	16,135	24,765
Total income tax credit	**16,135**	24,765

7 Basic and diluted profit/(loss) per share

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

There were no dilutive potential ordinary shares in existence in 2010 and 2009. Therefore, there was no difference, in both periods, between basic and diluted earnings per share.

	2010	2009
Profit/(loss) attributable to equity holders of the parent (€'000s)	**46,582**	(130,081)
Weighted average number of ordinary shares in issue (000s)	**529,593**	529,746
Basic and diluted profit/(loss) per share (€ cent per share)	**8.8**	(24.6)

8 Property, plant and equipment

	Flight equipment	Property	Ground equipment	Other equipment	Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
Cost					
1 January 2009	1,002,957	38,540	43,551	22,923	1,107,971
Additions	151,677	425	5,939	773	158,814
Disposals	(10,122)	-	(1,099)	(234)	(11,455)
31 December 2009	1,144,512	38,965	48,391	23,462	1,255,330
Accumulated depreciation					
1 January 2009	316,712	31,747	31,081	19,470	399,010
Depreciation charge for the period	71,237	1,132	3,654	1,266	77,289
Disposals	(10,122)	-	(1,099)	(234)	(11,455)
31 December 2009	377,827	32,879	33,636	20,502	464,844
Cost					
1 January 2010	1,144,512	38,965	48,391	23,462	1,255,330
Additions	65,621	2,815	2,533	1,033	72,002
Disposals	(53,140)	-	(1,328)	(220)	(54,688)
31 December 2010	1,156,993	41,780	49,596	24,275	1,272,644
Accumulated depreciation					
1 January 2010	377,827	32,879	33,636	20,502	464,844
Depreciation charge for the period	78,364	4,032	4,320	845	87,561
Disposals	(38,604)	-	(1,293)	(220)	(40,117)
31 December 2010	417,587	36,911	36,663	21,127	512,288
Net book value					
31 December 2010	**739,406**	**4,869**	**12,933**	**3,148**	**760,356**
31 December 2009	766,685	6,086	14,755	2,960	790,486
Leased assets included above (net book value)					
31 December 2010	**540,926**	**-**	**-**	**-**	**540,926**
31 December 2009	514,988	-	-	-	514,988

9 Derivative financial instruments

	2010		2009	
	€'000	**€'000**	€'000	€'000
	Assets	**Liabilities**	Assets	Liabilities
Cross-currency interest rate swap	**-**	**6,317**	-	7,303
Forward foreign exchange contracts	**32,433**	**1,194**	19,831	-
Forward fuel price contracts	**16,290**	**-**	4,717	11,873
Total	**48,723**	**7,511**	24,548	19,176
Less non-current portion:				
Cross-currency interest rate swap	**-**	**-**	-	7,303
Forward foreign exchange contracts	**5,626**	**-**	5,348	-
Forward fuel price contracts	**2,836**	**-**	1,501	-
Total non-current portion	**8,462**	**-**	6,849	7,303
Current portion	**40,261**	**7,511**	17,699	11,873

10 Trade and other receivables

	2010	2009
	€'000	€'000
Trade and other receivables	**32,910**	32,022
Other amounts receivable	**41,169**	38,374
Prepayments and accrued income	**6,125**	3,440
Value Added Tax	**2,250**	1,999
	82,454	75,835

11 Gross cash, cash and cash equivalents and bank overdrafts

	2010	2009
	€'000	€'000
Non-current		
Loans and receivables	**39,790**	71,944
Deposits	**128,358**	90,260
	168,148	162,204
Current		
Loans and receivables	**-**	5,362
Deposits	**420,885**	490,425
Cash and cash equivalents	**305,999**	170,475
Bank overdrafts	**(9,988)**	-
	716,896	666,262
Total gross cash	**885,044**	828,466

At 31 December 2010 the Group held deposits of €49.3m (31 December 2009: €58.9m), which were not available for immediate use by the Group.

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

	As at 31 December 2010	As at 31 December 2009
	€'000	€'000
Cash and cash equivalents	**305,999**	170,475
Bank overdrafts	**(9,988)**	-
	296,011	170,475

During the year deposits with a maturity date of less than three months were reclassified to cash and cash equivalents. Comparative balances have been updated accordingly.

12 Trade and other payables

	2010	2009
	€'000	€'000
Trade payables	**51,880**	66,415
Accruals and deferred income	**56,830**	72,643
Ticket sales in advance	**120,652**	118,451
Employment related taxes	**7,891**	12,986
Other amounts payable	**61,864**	70,215
	299,117	340,710

13 Finance lease obligations

	2010	2009
	€'000	€'000
Current portion	**55,573**	48,247
Non-current portion	**479,658**	444,374
	535,231	492,621

14 Provisions for liabilities and charges

	Business repositioning	**Aircraft maintenance**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2009	129,498	51,595	24,413	205,506
Provided during the period	89,979	13,838	18,370	122,187
Written back during the period	-	(13,413)	-	(13,413)
Utilised during the period	(124,173)	(15,957)	(617)	(140,747)
At 31 December 2009	95,304	36,063	42,166	173,533
At 1 January 2010	95,304	36,063	42,166	173,533
Provided during the period [i]	32,500	13,120	-	45,620
Written back during the period	(7,669)	(4,060)	(2,940)	(14,669)
Utilised during the period	(41,486)	(5,569)	(2,879)	(49,934)
At 31 December 2010	78,649	39,554	36,347	154,550
Analysed as current liabilities				
31 December 2010	**50,162**	**21,536**	**2,840**	**74,538**
31 December 2009	46,579	6,794	5,110	58,483
Analysed as non-current liabilities				
31 December 2010	**28,487**	**18,018**	**33,507**	**80,012**
31 December 2009	48,725	29,269	37,056	115,050
Total provision				
31 December 2010	**78,649**	**39,554**	**36,347**	**154,550**
31 December 2009	95,304	36,063	42,166	173,533

(i) The amount provided during the period for business repositioning includes €32.5m related to the leave and return issue discussed in Note 4.

15 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	2010	2009
	€'000	€'000
Deferred tax asset to be recovered after more than 12 months	**59,972**	52,080
Deferred tax liability to be recovered after more than 12 months	**(46,060)**	(47,325)
Deferred tax asset	**13,912**	4,755

The gross movement on the deferred tax account is as follows:

	2010	2009
	€'000	€'000
Deferred asset at 1 January	**4,755**	3,352
Income statement credit	**16,135**	11,969
Tax credited/(charged) directly to equity	**(6,978)**	(10,566)
Deferred tax asset at 31 December	**13,912**	4,755

The movement in deferred tax assets and liabilities during the period, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets	**Provisions**	**Tax losses**	**Total**
	€'000	**€'000**	**€'000**
At 31 December 2008	10,415	23,573	33,988
Credited to the income statement	5,527	12,565	18,092
At 31 December 2009	**15,942**	**36,138**	**52,080**
(Charged)/credited to the income statement	(4,711)	12,603	7,892
At 31 December 2010	**11,231**	**48,741**	**59,972**

Deferred tax liabilities	**Accelerated tax depreciation**	**Derivative financial instruments**	**Available-for-sale reserve**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**
At 31 December 2008	39,370	(9,083)	195	154	30,636
Charged to the income statement	6,123	-	-	-	6,123
Charged/(credited) directly to equity	-	10,756	(41)	(149)	10,566
At 31 December 2009	**45,493**	**1,673**	**154**	**5**	**47,325**
Charged to the income statement	(8,243)	-	-	-	(8,243)
Charged/(credited) directly to equity	-	6,948	(81)	111	6,978
At 31 December 2010	**37,250**	**8,621**	**73**	**116**	**46,060**

Deferred tax charged/(credited) to equity during the period is as follows:

	2010	2009
	€'000	€'000
Fair value reserves in shareholders' equity		
- Cash flow hedging reserve	**6,948**	**10,756**
- Revaluation reserve on available-for-sale financial assets	**(81)**	**(41)**
- Share based payment reserve	**111**	**(149)**
	6,978	**10,566**

16 Called-up share capital

	2010	2009
	€'000	€'000
Authorised		
900,000,000 ordinary shares of €0.05 each	**45,000**	45,000
Issued and fully paid		
At 1 January	**26,702**	26,698
Issued during the period: Nil (2009: 5,690,969@ €0.05)	**-**	284
Cancelled during the period: Nil (2009: 5,605,347 @ €0.05)	**-**	(280)
At 31 December	**26,702**	26,702

In May 2009 5,690,969 shares were issued in respect of the Group's Long Term Incentive Plan (LTIP), for the vesting period ending 31 December 2011. In September 2009 the Group acquired 5,605,347 shares from ALG Trustee Limited, the trustee of the Group's LTIP, and subsequently cancelled the acquired shares.

The total number of ordinary shares of €0.05 each in issue at 31 December 2010 was 534,040,090 (31 December 2009: 534,050,090) of which 4,446,658 (31 December 2009: 4,446,658) were treasury shares.

17 Share premium

	2010	2009
	€'000	€'000
At 1 January	**510,605**	506,847
Shares issued at premium	**-**	3,758
At 31 December	**510,605**	510,605

18 Financial commitments

(a) Capital commitments

At 31 December, the Group had capital commitments as follows:

	2010	2009
	€'000	€'000
Contracted for but not provided		
- Aircraft and equipment	**902,511**	889,012
- Other	**928**	1,830
	903,439	890,842

(b) Lease commitments

At 31 December 2010 the Group had commitments, under non-cancellable operating leases, which fall due as follows:

	Property	**Aircraft**	**Plant and machinery**
	€'000	**€'000**	**€'000**
No later than one year	8,130	46,778	69
Later than one year but no later than five years	28,171	95,109	-
Later than five years	49,916	7,543	-
	86,217	149,430	69

At 31 December 2009 the Group had commitments, under non-cancellable operating leases, which fall due as follows:

	Property	**Aircraft**	**Plant and machinery**
	€'000	**€'000**	**€'000**
No later than one year	8,484	45,690	74
Later than one year but no later than five years	26,292	93,428	-
Later than five years	64,142	10,598	-
	98,918	149,716	74

19 Cash used in operations

	2010	2009
	€'000	€'000
Profit/(loss) before tax	**30,447**	(154,846)
Adjustments for:		
- Depreciation and amortisation	**91,431**	82,674
- Net movements in provisions for liabilities and charges	**(45,455)**	(116,907)
- Net fair value losses on derivative financial instruments	**(989)**	704
- Share options and awards expense	**882**	46
- Gain recognised on assets received in-kind	**-**	(1,500)
- Finance income	**(22,401)**	(36,900)
- Finance expense	**15,613**	22,098
- Net exceptional items	**9,234**	88,630
- Other losses/(gains) – net	**4,065**	177
Changes in working capital		
- Inventories	**(464)**	(302)
- Trade and other receivables	**(5,757)**	3,265
- Trade and other payables	**(30,091)**	(55,252)
Cash used in operations	**46,515**	(168,113)

20 Post balance sheet events

In January 2011, the Group entered into a finance lease arrangement for the purchase of an Airbus A320 aircraft, resulting in an increase in finance lease obligations of €25.2m