

## Aer Lingus delivers revenue growth of 5.0% in 2013 first half

**Dublin and London, 31 July 2013:** Aer Lingus Group plc (“Aer Lingus”, “the Group”) today announces its results for the three and six month periods ended 30 June 2013.

	Q2 2013	Q2 2012	Change <sup>1</sup>	H1 2013	H1 2012 As restated <sup>2</sup>	Change <sup>1</sup>
Passengers ('000s)	<b>2,665</b>	2,612	2.0%	<b>4,570</b>	4,511	1.3%
Average fare per seat (€)	<b>92.14</b>	87.90	4.8%	<b>84.56</b>	80.04	5.6%
Revenue (€m)	<b>398.2</b>	374.8	6.2%	<b>657.9</b>	626.3	5.0%
Operating costs (€m)	<b>(369.1)</b>	(343.1)	(7.6%)	<b>(674.3)</b>	(630.7)	(6.9%)
Operating profit/(loss) <sup>3</sup> (€m)	<b>29.1</b>	31.7	(8.2%)	<b>(16.4)</b>	(4.4)	(272.7%)
Loss before tax (€m)	<b>Not applicable</b>			<b>(28.2)</b>	(24.7)	(14.2%)

	30 Jun 2013	31 Dec 2012	Change <sup>1</sup>	30 Jun 2013	30 Jun 2012	Change <sup>1</sup>
Gross cash (€m)	<b>1,015.8</b>	908.5	11.8%	<b>1,015.8</b>	1,049.9	(3.2%)
Gross debt (€m)	<b>(513.7)</b>	(531.6)	3.4%	<b>(513.7)</b>	(572.2)	10.2%

<sup>1</sup> Sign convention: favourable/(unfavourable)

<sup>2</sup> Refer to Note 2 to the interim financial statements

<sup>3</sup> Before net exceptional items

### Q2 2013 highlights

- Strong top-line performance; total revenue up 6.2%.
- Average fare revenue per seat up 4.8% with growth on both short and long haul.
- Fare revenue growth in Q2 of 5.6% exceeded the 4.1% growth level in Q1 2013. Long haul fare revenue grew by 16.2% with short haul growth of 1.1%.
- Long haul performance particularly strong - passenger numbers up 15.4% and average fare per seat up 0.5%. This was achieved in the context of a 16.3% increase in capacity.
- Retail revenue increased by 7.9% overall and by 5.8% on a per passenger basis.
- Solid Q2 operating profit of €29.1 million despite timing of Easter and weakness on UK routes which has impacted short haul revenue growth year on year.

### H1 2013 highlights

- Increase in all key passenger revenue metrics in first half – total fare revenue up 5.0% and average fare revenue per seat up 5.6%.
- First half operating loss of €16.4 million reflects impact of previously highlighted one-off factors such as contract flying start up costs, planned changes to the long haul fleet, maintenance costs, foreign exchange and weaker trading on UK routes.

### Outlook

- Bookings for second half of 2013, at 30 June 2013, were ahead of prior year; however warm weather has negatively impacted bookings in July.
- We maintain our guidance that 2013 operating profit, before net exceptional items, will be broadly in line with 2012.

**Christoph Mueller, Aer Lingus' CEO, commented:** "Aer Lingus is pleased to report an excellent business performance for the first half of 2013. All key revenue metrics have trended positively with passenger numbers up 1.3%, load factor up 2.0 points and growth in fare revenue per seat across short and long haul.

Our Q2 2013 revenue performance was particularly strong. We expanded long haul capacity by 16.3% in the quarter and successfully sold the additional seats, achieving a load factor of almost 95% in June. Short haul continues to trade positively. However, the weakness in UK routes identified in our Q1 results has continued in Q2. The first half of our financial year is seasonally loss making and we are reporting an operating loss (before exceptional items) which is €12.0 million higher than the prior year. This performance reflects the impact of a number of one-off factors including the start up of our contract flying operations and planned changes to our long haul fleet.

We continue to focus on our cost base and are conscious that certain planned cost saving initiatives have not had effect as quickly as we had initially hoped. However, the voluntary severance programme we outlined at Q1 seeking a headcount reduction of 100 has been oversubscribed with expressions of interest. We expect the benefits of this programme will start to take effect towards the end of the current year with full year effect in 2014.

Bookings for the remainder of the year at 30 June 2013 were ahead of prior year with Q3 long haul looking particularly positive. However, this booking profile has somewhat eroded over July due to the good weather. Nonetheless, we maintain our guidance that 2013 operating profit, before net exceptional items, will be broadly in line with 2012."

**A webcast presentation and conference call for institutional shareholders and analysts will be held on 31 July 2013 at 09:00 (Dublin Time). This will be available on a live webcast at [www.aerlingus.com](http://www.aerlingus.com).**

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The Directors of Aer Lingus accept responsibility for the information contained in this Announcement. To the best of the knowledge and belief of the Directors of Aer Lingus (who have taken all reasonable care to ensure that such is the case), the information contained in this Announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

**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 apply 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			Six months ended		
	30 June		Change	30 June		Change
	2013	2012		2013	2012	
€m	€m	€m	€m	As restated €m		
<b>Revenue</b>						
- Passenger revenue						
- Fare revenue	<b>328.6</b>	311.3	5.6%	<b>538.4</b>	512.9	5.0%
- Retail revenue	<b>50.6</b>	46.9	7.9%	<b>87.1</b>	84.5	3.1%
- Total	<b>379.2</b>	358.2	5.9%	<b>625.5</b>	597.4	4.7%
- Cargo revenue	<b>10.8</b>	12.3	(12.2%)	<b>22.3</b>	23.3	(4.3%)
- Other revenue	<b>8.2</b>	4.3	90.7%	<b>10.1</b>	5.6	80.4%
- Total	<b>398.2</b>	374.8	6.2%	<b>657.9</b>	626.3	5.0%
<b>Operating costs</b>						
- Fuel	<b>(103.3)</b>	(99.3)	(4.0%)	<b>(175.6)</b>	(167.9)	(4.6%)
- Staff costs	<b>(73.2)</b>	(66.7)	(9.7%)	<b>(137.9)</b>	(131.7)	(4.7%)
- Airport charges	<b>(83.6)</b>	(82.0)	(2.0%)	<b>(142.7)</b>	(138.9)	(2.7%)
- Other operating costs	<b>(109.0)</b>	(95.1)	(14.6%)	<b>(218.1)</b>	(192.2)	(13.5%)
- Total	<b>(369.1)</b>	(343.1)	(7.6%)	<b>(674.3)</b>	(630.7)	(6.9%)
<b>Operating profit/(loss) before net exceptional items</b>	<b>29.1</b>	31.7	(8.2%)	<b>(16.4)</b>	(4.4)	(272.7%)
Net exceptional items <sup>(i)</sup>				<b>(9.3)</b>	(19.8)	N/A
<b>Operating profit/(loss) after net exceptional items</b>		<b>Not applicable</b>		<b>(25.7)</b>	(24.2)	(6.2%)
Net finance income/(expense)		<b>Not applicable</b>		<b>(2.5)</b>	(0.5)	(400.0%)
Share of loss of Joint Venture				<b>0.0</b>	N/A	N/A
<b>Profit/(loss) before tax</b>				<b>(28.2)</b>	(24.7)	(14.2%)
<b>EBITDAR <sup>(ii)</sup></b>	<b>60.6</b>	62.5	(3.0%)	<b>47.0</b>	56.4	(16.7%)
Passengers carried ('000) *	<b>2,665</b>	2,612	2.0%	<b>4,570</b>	4,511	1.3%
Fare revenue per seat (€) *	<b>92.14</b>	87.90	4.8%	<b>84.56</b>	80.04	5.6%
Retail revenue per passenger (€) *	<b>19.00</b>	17.96	5.8%	<b>19.06</b>	18.73	1.8%
Available seat kilometres (ASKs) (m) *	<b>5,372</b>	5,196	3.4%	<b>9,067</b>	9,026	0.5%
Passenger load factor *	<b>78.4%</b>	77.2%	1.2 pts	<b>75.6%</b>	73.6%	2.0 pts

US\$ exchange rates prevailing during the period and at the balance sheet date are set out below:

US\$	3 months ended		6 months ended	
	30 June 2013	30 June 2012	30 June 2013	30 June 2012
Period average	<b>1.29</b>	1.30	<b>1.31</b>	1.31
Period end rate	<b>1.31</b>	1.25	<b>1.31</b>	1.25

- (i) Costs associated with bid defence, pension related matters, capital reduction application, voluntary severance, restructuring and other charges
- (ii) Earnings before interest, tax, depreciation, amortisation, aircraft operating lease costs and net exceptional items.

\* Based on flown passengers and excluding Aer Lingus Regional Services operated by Aer Arann, the "wet lease" agreement with Virgin Atlantic Airways Limited ("contract flying business") and the Washington Dulles – Madrid code share service operated in partnership with United Airlines in 2012.

EBITDAR (€million)	Q2 2013	Q2 2012	H1 2013	H1 2012
Operating profit before net exceptional items	29.1	31.7	(16.4)	(4.4)
<b>Add back</b>				
Depreciation and amortisation	20.0	18.6	41.3	37.0
Aircraft operating lease costs	11.5	12.2	22.1	23.8
<b>EBITDAR</b>	<b>60.6</b>	<b>62.5</b>	<b>47.0</b>	<b>56.4</b>

Statistics	Three months ended			Six months ended		
	30 June			30 June		
	2013	2012	Change	2013	2012	Change
<b>Passengers carried ('000) *</b>						
Short haul	<b>2,358</b>	2,346	0.5%	<b>4,082</b>	4,078	0.1%
Long haul	<b>307</b>	266	15.4%	<b>488</b>	433	12.7%
<b>Total</b>	<b>2,665</b>	2,612	2.0%	<b>4,570</b>	4,511	1.3%
<b>Revenue passenger kilometres (RPKs) (m) *</b>						
Short haul	<b>2,604</b>	2,624	(0.8%)	<b>4,280</b>	4,370	(2.1%)
Long haul	<b>1,610</b>	1,389	15.9%	<b>2,574</b>	2,276	13.1%
<b>Total</b>	<b>4,214</b>	4,013	5.0%	<b>6,854</b>	6,646	3.1%
<b>Available seat kilometres (ASKs) (m)</b>						
Short haul	<b>3,425</b>	3,522	(2.8%)	<b>5,814</b>	6,090	(4.5%)
Long haul	<b>1,947</b>	1,674	16.3%	<b>3,253</b>	2,936	10.8%
<b>Total</b>	<b>5,372</b>	5,196	3.4%	<b>9,067</b>	9,026	0.5%
<b>Passenger load factor (%) (flown RPKs per ASKs)*</b>						
Short haul	<b>76.0%</b>	74.5%	1.5 pts	<b>73.6%</b>	71.8%	1.8 pts
Long haul	<b>82.7%</b>	83.0%	(0.3 pts)	<b>79.1%</b>	77.5%	1.6 pts
<b>Total</b>	<b>78.4%</b>	77.2%	1.2 pts	<b>75.6%</b>	73.6%	2.0 pts
<b>Average fare per passenger (€)</b>						
Short haul	<b>94.28</b>	93.74	0.6%	<b>91.09</b>	90.43	0.7%
Long haul	<b>346.03</b>	343.76	0.7%	<b>341.09</b>	332.87	2.5%
<b>Total</b>	<b>123.28</b>	119.18	3.4%	<b>117.80</b>	113.70	3.6%
<b>Fare revenue per seat (€)</b>						
Short haul	<b>69.61</b>	68.29	1.9%	<b>64.66</b>	63.04	2.6%
Long haul	<b>285.65</b>	284.11	0.5%	<b>269.90</b>	258.19	4.5%
<b>Total</b>	<b>92.14</b>	87.90	4.8%	<b>84.56</b>	80.04	5.6%
<b>Aer Lingus Regional passengers carried ('000)</b>	<b>269</b>	263	2.3%	<b>493</b>	447	10.3%

\* Based on flown passengers and excluding Aer Lingus Regional Services operated by Aer Arann, the "wet lease" agreement with Virgin Atlantic Airways Limited ("contract flying business") and the Washington Dulles – Madrid code share service operated in partnership with United Airlines in 2012.

**Note:** The increase in long haul passengers, RPKs, and ASKs reflects the re-deployment of an A330 long haul aircraft to the mainline fleet in 2013 which was deployed on the Washington-Dulles to Madrid service in partnership with United Airlines in 2012.

### 2013 first half review

Our business continued to perform robustly in the first six months of 2013 with passenger numbers increasing by 1.3%, load factor up 2.0 points on capacity growth of just 0.5% and fare revenue per seat showing growth of 5.6%. Our balance sheet remains strong with gross cash of €1,015.8 million as at 30 June 2013.

Notwithstanding this positive business performance, the first half of the year is typically seasonally loss making for Aer Lingus. In the six months to 30 June 2013, we recorded an operating loss, before net exceptional items, of €16.4 million (H1 2012: loss of €4.4 million). Our Q1 2013 operating loss of €45.5 million was €9.4 million higher than prior year owing to certain factors including start up costs for our contract flying operations, planned changes to our long haul fleet and weaker trading on UK routes. These factors offset revenue growth of 3.3% in Q1. In Q2 2013, the trends identified in Q1 with respect to weakness on short haul UK routes continued and we were also impacted by the timing of the Easter bank holiday weekend which fell in Q2 2012 but in Q1 2013. In addition, we experienced cost increases on fuel, staff costs, maintenance, overheads and a lower gain on FX hedging year-on-year. However, a strong performance on revenue, principally in long haul, resulted in Q2 2013 operating profit of €29.1 million being only €2.6 million behind prior year.

### 2013 full year outlook

As at 30 June 2013, our forward bookings on short and long haul services were ahead of the same period in the prior year. However, this booking profile compared to prior year has somewhat eroded in July due to the good weather. We maintain our first quarter guidance and expect that 2013 operating profit, before net exceptional items, will be broadly in line with 2012.

### Market environment, network extension and partnerships

The Irish consumer environment remained challenging in H1 2013. Recently released data confirmed that Ireland re-entered recession in the first quarter of 2013. As of May 2013, retail sales in Ireland had declined in four out of the five months compared to 2012 (source: CSO). Passenger traffic at the three main Irish airports in 2012 was almost 24% lower than that recorded in 2008. Although traffic growth has been recorded across the three airports in 2013 year to date, there are clearly challenges still facing the Irish air travel market. In 2012, Aer Lingus reported passenger numbers down just 3.5% from our figures in 2008. When Aer Lingus Regional figures are included in 2012, we have actually increased passenger traffic against this difficult demand and trading environment. In spite of increased competition in the Irish market in the first half of 2013, we have managed to protect market share while generating growth in average fare revenue per passenger and fare revenue per seat. This clearly reflects the success of our commercial strategy and our strong brand. We anticipate that our market share will grow for full year 2013 given the additional capacity deployment in H2 2013 compared with prior year.

Market share	H1 2013	H1 2012	H1 2011
Aer Lingus market share of Dublin, Cork and Shannon airport traffic (including Aer Lingus Regional)	44%	44%	40%
Aer Lingus market share of Irish transatlantic traffic	54%	54%	48%

We have reduced our dependence on the Irish market by focusing on serving demand in Europe and the U.S. Our marketing efforts have highlighted the connectivity options we offer on both sides of the North Atlantic through our extensive network of partner airlines. This approach continues to deliver benefits. In H1 2013, approximately 60% of our total transatlantic bookings were sourced from the U.S market (H1 2012: 55%). In addition, approximately 48% of our total ticket sales were generated outside Ireland (H1 2012: 47%).

A fundamental feature of the current Aer Lingus business model continues to be the development of partnerships with other carriers. Interline revenue and passenger volumes continued to grow, increasing by 17.5% and 6.7% respectively.

Interline trends	H1 2013	H1 2012	% Growth
Interline revenues (€'m)	35.5	30.2	17.5%
Interline passengers ('000s)	412	386	6.7%

### Commercial and operating strategy

In H1 2013, we continued to carefully manage capacity deployment on short haul, introducing two smaller operating leased A319 aircraft into our mainline fleet to replace two A320 aircraft, one of which has returned to lessor with the second A320 being deployed in our contract flying business. We also made changes to our network, particularly ex-Belfast. Effective yield management, based on adjusted capacity levels, allowed us to optimise fare revenue per seat and fare revenue per ASK. We have experienced stronger competition and

increased capacity on some of our key Irish-UK routes. While this has impacted short haul performance, it has been partly offset through increased demand on southern and central European routes. On long haul, we expanded our capacity through the deployment of an additional A330 aircraft and increased frequency on our transatlantic services to Boston and Chicago from Q2 2013. Overall, long haul load factor increased by 1.6 points year-on-year in spite of the increased capacity and we achieved growth in long haul fare revenue per seat and fare revenue per ASK.

In our 2012 full year results announcement, we outlined an intention to remain focused on creating value for our shareholders during 2013. In the first half of 2013, several significant initiatives have been implemented to deliver on this commitment:

- Successful launch in April of the Virgin “Little Red” service under an ACMI wet lease agreement operating services from Manchester, Aberdeen and Edinburgh to London Heathrow. In spite of significant start up costs incurred in Q1 2013, we anticipate this agreement will broadly break even in 2013 before becoming profitable in 2014.
- Profitable expansion of our transatlantic services through the deployment of an additional A330 aircraft on routes to Boston and Chicago.
- Announcement of long haul expansion in 2014 through the introduction of new services from Dublin to San Francisco and Toronto and an increase in transatlantic frequency from Shannon to Boston and New York. This is being facilitated through the damp lease of three Boeing 757 aircraft from ASL Aviation Group.
- Completed move to Jet Blue Terminal 5 in John F. Kennedy airport in April 2013. This move will improve connection times for passengers to/from Aer Lingus services and improve our overall customer experience.
- In April 2013 we completed an agreement for the wet lease of an A330 aircraft to Nova Airlines AB (“Novair”) for the next two Winter seasons with the option of a third. This will improve year round asset utilisation of our long haul fleet and address some of the seasonality issues experienced by our business.
- Announced new and expanded codeshare agreements with United Airlines and Air Canada.
- Delivered new retail revenue initiatives including pre-order and enhanced meal selections on short and long haul services.

In H2 2013, we will continue to evaluate opportunities to grow and expand our business.

### **Pensions**

On 24 May 2013, the Labour Court issued its final recommendation regarding funding issues in the Irish Airlines (General Employees) Superannuation Scheme (“IASS”, the “Scheme”). Based on this recommendation, and subject to certain agreements and required approvals being obtained, Aer Lingus Limited would propose to shareholders to make a one-off contribution of €140 million to a new and separate defined contribution scheme for existing and former employees. The recommendation also proposes cost stability measures that would deliver cost predictability and certainty for Aer Lingus Limited between 2014 and 2017.

Aer Lingus Limited’s position with respect to the IASS, supported by firm legal advice, remains that it has no legal or constructive obligation other than to continue to pay the fixed rate contributions as set out in the trust deed of the Scheme. However, as previously announced, the deficit in the IASS is such that current and deferred members face the loss of a very large part of their expected pension benefits if the Scheme is wound up under current legislation. Aer Lingus Limited believes that the IASS recommendation is in the interests of all parties, including shareholders, employees and customers. Specifically the proposal would:

1. Significantly improve the current and future pension prospects of the Aer Lingus Limited employees who are members of the IASS and thereby
2. Address the risks faced by Aer Lingus Limited arising from the potential for serious operational disruption through industrial action and the potential for protracted litigation in relation to pension matters; and
3. Provide Aer Lingus with cost predictability and certainty over the period to 2017 and a basis for industrial relations stability

Implementation of the Labour Court recommendation is dependent on a series of further steps, which Aer Lingus Limited is seeking to implement in the coming months, in conjunction with the IASS Trustees and other stakeholders. This includes seeking Aer Lingus shareholder approval and a requirement for the Trustees to obtain regulatory approval for the proposal. See Note 16 to the interim financial statements for details of the steps on which implementation is dependent. It is hoped that matters will be sufficiently advanced to enable an EGM to be held later in 2013.

The Labour Court recommendation does not relate to the Irish Airlines (Pilots) Superannuation Scheme (“the Pilots Scheme”). Aer Lingus Limited is separately engaged in a process of discussion with parties affected by

the funding position in the Pilots Scheme. Notwithstanding these discussions, it remains Aer Lingus Limited's position, supported by firm legal advice, that it has no legal or constructive obligation in respect of the Pilots Scheme, other than to continue to pay the fixed rate contributions as set out in the trust deeds of the scheme.

Further details in respect of pensions are set out in Note 16 and Note 28 to the interim financial statements.

#### **UK Competition Commission ("UK CC") Review**

On 30 May 2013, the UK CC announced its provisional findings in respect of its investigation into Ryanair's minority shareholding in Aer Lingus. The UK CC concluded that the minority shareholding:

- Gives Ryanair the ability to influence the commercial policy and strategy of Aer Lingus
- Against a backdrop of consolidation in the airline industry, obstructs Aer Lingus' ability to merge or combine with another airline to build scale and achieve synergies to remain competitive
- Allows Ryanair to block special resolutions and to hinder plans to issue shares and raise capital; it could also prevent Aer Lingus from disposing of its valuable slots at Heathrow airport.

On 26 June 2013, Aer Lingus was informed by the UK CC that it had extended the timetable for its investigation into Ryanair's minority shareholding in Aer Lingus by eight weeks. The statutory deadline for the completion of the investigation is now 5 September 2013. Notwithstanding this extension, the UK CC has said that it expects to issue its final report in August 2013. Aer Lingus will continue to assist the UK CC in the investigation into the anti-competitive effects of Ryanair's minority shareholding.

#### **Judicial review of Irish Takeover Panel ruling**

On 26 July 2013, the High Court ruled that an application made by Aer Lingus to judicially review an Irish Takeover Panel (the "Panel") decision could not succeed and that Aer Lingus had not established substantial grounds for challenging the Panel's decision. Aer Lingus had challenged the Panel's ruling that the moratorium period during which Ryanair would be prevented from making a further bid for Aer Lingus, would expire on 29 August 2013. In its application Aer Lingus contended that this moratorium period should expire on 27 February 2014, being the first anniversary of the date upon which the European Commission prohibited on competition grounds, the merger proposed by Ryanair in 2012. On 30 July 2013, Aer Lingus made application to the High Court for leave to appeal to the Supreme Court. This application for leave to appeal will be considered by the High Court on 3 October 2013.

#### **Note on comparative figures and operating statistics**

Please note the following with regard to the financial results for the six month period ended 30 June 2013 compared to 30 June 2012:

- In respect of our Summer 2013 schedule, we have deployed an additional (seventh) A330 long haul aircraft in our mainline fleet which will have the effect of increasing costs and revenues accordingly compared to 2012. The profit earned from the enhanced code share (on which this aircraft had been deployed and which ceased in Q4 2012) was reported as a component of "Other revenue" in 2012. The main operating expense line items impacted by this change in our fleet and network are fuel, airport charges, staff costs, maintenance and depreciation.
- Revenue associated with our contract flying business with Virgin commenced in Q2 and is disclosed within "Other revenue". The relevant operating expenses we incur under the agreement, such as staff costs, maintenance, aircraft hire and overheads will be recorded in each relevant operating expense line, including €2.1 million of start up costs reported in Q1 2013. We expect the wet lease operation to broadly break even in 2013.

These changes will add €50-€60 million to full year 2013 costs compared with prior year and approximately €2 to €3 million to operating profit. We do not include the contract flying business in our operating statistics (e.g. passenger numbers, ASKs, RPKs etc.).

#### **Q2 financial review**

Aer Lingus traded positively in Q2 2013, recording an operating profit, before net exceptional items, of €29.1 million, €2.6 million below prior year (Q2 2012: €31.7 million) as increased operating costs offset strong growth on revenue.

Q2 2013 passenger fare revenue (€'million)	Q2 2013	Q2 2012	Y-O-Y Movement
Long haul fare revenue	106.2	91.4	16.2%
Short haul fare revenue	222.4	219.9	1.1%
Total fare revenue	328.6	311.3	5.6%

Passenger fare revenue in Q2 2013 grew by 5.6% on prior year driven by a 2.0% increase in passenger numbers and a 4.8% increase in fare revenue per seat. The growth rate of 5.6% was ahead of the 4.1% growth recorded in Q1 2013. Despite this overall positive momentum on revenue in Q2 2013, our performance was

impacted by a relatively weaker April in comparative terms, driven by the timing of Easter which fell in Q1 in 2013 but Q2 in 2012. Long haul performance was particularly strong in the quarter. Long haul passenger revenue increased by 16.2% to €106.2 million while load factor remained relatively flat at 82.7% despite capacity growth of 16.3%. With respect to short haul, in Q1 2013 we noted weaker trading on UK routes, a trend which continued into Q2. The impact of this was partly, but not fully, offset by stronger demand on central and southern European routes. Total retail revenue increased by 7.9% to €50.6 million in Q2 2013 (Q2 2012: €46.9 million) as a result of a higher spend per passenger and increase in overall passengers carried. On-line booking fees, seat selection, excess baggage charges and our fare family revenue all performed ahead of prior year.

Operating costs in Q2 2013 rose 7.6% to €369.1 million (Q2 2012: €343.1 million). The increase in operating costs was driven by fuel, staff costs, maintenance, overheads and a reduction in gains on our foreign exchange hedging. Q2 2013 fuel costs increased by €4.0 million or 4.0% compared to Q2 2012. Fuel uplift increased by 4.4% due predominantly to additional capacity in our long haul network. The average fuel cost per metric tonne for Q2 2013 (excluding into-plane fees) decreased by 0.5% to US\$1,006 (Q2 2012: US\$1,011). The average US\$ to EUR FX rate was relatively unchanged in Q2 2012 at 1.29 (Q2 2012: 1.30). Staff costs increased by €6.5 million or 9.7% to €73.2 million (Q2 2012: €66.7 million). The increase in staff costs is attributed to additional headcount to support the contract flying business and the additional A330 aircraft in our long haul network.

Maintenance costs increased by €3.6 million as a result of additional charges incurred in respect of our contract flying business, the additional A330 aircraft deployed in our long haul fleet and our Winter maintenance programme. Overheads increased by €3.6 million year-on-year, again mainly attributable to our contract flying business and the additional A330 aircraft but also due to higher IT costs following recent investment in this area. Gains on our FX hedging and retranslation of our foreign current assets and liabilities decreased by €4.8 million year-on-year. In our 2012 results, we particularly noted that our ability to generate gains on our US\$ hedging would reduce in 2013 as hedging contracts we entered into in previous years at historically favourable rates are replaced with contracts carrying hedging rates closer to market values.

## H1 financial review

*(Note: all KPIs and statistics presented below relate to Aer Lingus mainline only and do not include Aer Lingus Regional operations or the contract flying business)*

The Group reported an operating loss, before net exceptional items, of €16.4 million for the first half of 2013 (2012: loss of €4.4 million). A number of key factors resulted in the increased operating loss year-on-year in both Q1 and Q2 2013:

- In Q1 2013, our operating costs were driven higher by certain investments in our business. These investments included start up costs of €2.1 million associated with our contract flying business and planned changes to our long haul fleet which saw an A330 aircraft grounded for the Winter 2012 season. We also encountered weaker trading on UK routes and increased maintenance costs.
- As described above, our Q2 2013 operating profit of €29.1 million was 8.2% below the operating profit recorded in Q2 2012 of €31.7 million. While overall revenue growth was strong at 6.2%, we did encounter particularly weak trading in April associated with the timing of Easter and certain trends identified in Q1 with respect to weakness on UK routes continued in Q2 2013. The benefit of the 6.2% increase in revenue was offset by a 7.6% increase in our operating costs. Operating costs such as fuel, staff, maintenance and overheads were higher mainly as a result of the additional A330 aircraft in our long haul fleet and also costs of our contract flying business. In addition, we generated lower gains than prior year on our foreign exchange hedging.

## Passenger revenue

Overall passenger revenue	H1 2013	H1 2012	Y-O-Y Movement
Passenger fare revenue (€ million)	538.4	512.9	5.0%
Passenger numbers ('000s)	4,570	4,511	1.3%
ASKs (million)	9,067	9,026	0.5%
Load factor	75.6%	73.6%	2.0 pts
Fare revenue per seat (€)	84.56	80.04	5.6%
Fare revenue per ASK (cent)	5.94	5.68	4.6%

Effective yield management and capacity deployment continues to deliver benefits in fare revenue per seat and fare revenue per ASK. Passenger revenue increased by 5.0% to €538.4 million in the period (2012: €512.9 million). Passenger numbers increased by 1.3% on capacity growth of just 0.5%. This helped load factor increase by 2.0 points to 75.6%. Fare revenue per seat increased by 5.6% to €84.56 and fare revenue per ASK was also 4.6% higher.



## Long haul

Long haul performance	H1 2013	H1 2012	Y-O-Y Movement
Long haul passenger revenue (€ million)	166.6	144.1	15.6%
Long haul passengers ('000s)	488	433	12.7%
ASKs (million)	3,253	2,936	10.8%
Load factor	79.1%	77.5%	1.6 pts
Fare revenue per seat (€)	269.90	258.19	4.5%
Fare revenue per ASK (cent)	5.12	4.91	4.3%

In H1 2013, we introduced an additional (seventh) A330 aircraft into our long haul fleet which from Q2 2013 was deployed operating additional frequencies from Dublin to Boston and Chicago. This additional aircraft drove the increase of 10.8% in capacity year-on-year. However, strong demand saw passenger numbers increase by 12.7%, load factor increase by 1.6 points and revenue per seat increase by 4.5%. Total long haul passenger revenue increased by 15.6%. This performance demonstrates the success of our network approach as we continue to increase the level of passengers connecting to/from our own and partner airline services on both sides of the North Atlantic.

Our business class cabin continues to perform strongly and positively contribute to our long haul revenue performance. In H1 2013, we achieved a business class load factor of 65% (H1 2012: 62%).

## Short haul

Short haul performance	H1 2013	H1 2012	Y-O-Y Movement
Short haul passenger Revenue (€ million)	371.8	368.8	0.8%
Short haul passengers ('000s)	4,082	4,078	0.1%
ASKs (million)	5,814	6,090	(4.5%)
Load factor	73.6%	71.8%	1.8 pts
Fare revenue per seat (€)	64.66	63.04	2.6%
Fare revenue per ASK (cent)	6.39	6.06	5.4%

Short haul capacity has reduced by 4.5% year-on-year. This is due to changes in our route network with longer sector routes replaced with shorter sector routes. Changes to our mainline short haul fleet have also contributed to this capacity adjustment as two A319 aircraft have replaced two A320 aircraft in H1 2013 combined with the full year impact of two A319 aircraft being deployed which replaced two A320 aircraft in 2012.

Short haul load factor increased by 1.8 points. We have generated growth of 2.6% in fare revenue per seat and 5.4% growth in fare revenue per ASK. The larger growth in fare revenue per ASK is a result of introducing shorter sector services into our network.

UK routes continue to trade below prior year owing to increased capacity deployed by some carriers and the impact of uncertain economic conditions on customer demand. However this has been partly offset by increased demand on European routes to the Netherlands, France, Spain and Portugal.

## Retail revenue

Retail revenue performance	H1 2013	H1 2012	Y-O-Y Movement
Retail revenue (€ million)	87.1	84.5	3.1%
Retail revenue per passenger - total (€)	19.06	18.73	1.8%

Total retail revenue increased by 3.1% on H1 2012 to €87.1 million. Positively, this increase was the result of both an increased spend per passenger and a higher number of passengers carried. On a year-on-year basis, on-line booking fees, seat selection, excess baggage charges and our fare family offering have driven this increase. In Q1 2013, we recorded a decrease in retail revenue of 2.9% year-on-year however initiatives introduced in Q1 and Q2 2013 into our retail channels have helped us return this revenue category to growth at the half year. We are satisfied that these features and others currently in development should continue to deliver growth in this optional/discretionary passenger spend category for the remainder of 2013.

## Cargo

Cargo revenue performance	H1 2013	H1 2012	Y-O-Y Movement
Cargo revenue (€ million)	22.3	23.3	(4.3%)
Cargo tonnes - scheduled ('000s)	13,411	13,672	(1.9%)

Cargo revenue declined by 4.3% in H1 2013 on a reported basis as a result of certain items in 2012 that did not recur in 2013. Underlying cargo revenue is broadly flat year-on-year.

#### Operating costs

€ million	H1 2013	H1 2012	Y-O-Y Movement
Total operating costs, before net exceptional items	674.3	630.7	6.9%

Total operating costs, before net exceptional items, increased by 6.9% or €43.6 million to €674.3 million (2012: €630.7 million). Some €20 million of this increase can be attributed to costs of the Virgin wet lease agreement and the additional (seventh) A330 long haul aircraft.

€ million	H1 2013	H1 2012	Y-O-Y Movement
Fuel cost	175.6	167.9	4.6%

US\$ denominated fuel costs in H1 2013 increased by 4.4% to US\$229.4 million (2012: US\$219.8 million). The overall fuel cost increase is due to both volume and price with FX impact broadly neutral. Fuel uplift (in tonnes) increased by 2.0% year on year, driven by the impact of the additional long haul aircraft on our transatlantic services in the Summer 2013 schedule. Virgin assume fuel costs in respect of the contract flying operations. The average price of fuel, per tonne, excluding into-plane fees increased 2.7% to US\$1,015 (H1 2012: US\$988). While we have seen a decrease in spot fuel prices in H1 2013, our systematic hedging strategy means the favourable impact of these price decreases will not be fully apparent until the second half of the financial year and into next year. Average US\$/EUR FX rates remained stable at a level of €1 = US\$1.31 (H1 2012: US\$1.31). At 30 June 2013, we had hedged 83% of our expected fuel requirement for the remainder of 2013 at US\$974 per metric tonne.

€ million	H1 2013	H1 2012	Y-O-Y Movement
Staff costs	137.9	131.7	4.7%

Staff costs represented 20.5% of total operating costs in H1 2013 (H1 2012: 20.9%). Staff costs increased by approximately €6.2 million year-on-year mainly as a result of recruitment to support higher levels of mainline operations (additional A330 aircraft on long haul) and also our contract flying business which required pilots and cabin crew.

€ million	H1 2013	H1 2012	Y-O-Y Movement
Airport & en-route charges	172.6	168.5	2.4%

Airport & en-route charges, representing 25.6% of operating costs, increased by 2.4% to €172.6 million (2012: €168.5 million). We incurred €4.7 million of an increase as a result of price increases in some of our most significant airports, including London Heathrow as well as Spanish and Italian airports, which were previously noted in our full year 2012 results. In addition, we also have additional passenger and flight volume as a result of the additional A330 aircraft on our transatlantic services. Virgin assume all airport and en-route charges in respect of our contract flying operations. The price and volume increases have been offset by favourable movements in FX rates, in particular the weakening of GBP relative to EUR year-on-year. We stated in our 2012 results that we expected price increases alone to add add €15 million to our airport charge costs in 2013.

#### Other operating costs

€ million	H1 2013	H1 2012	Y-O-Y Movement
Maintenance costs	35.3	25.6	37.9%
Depreciation	41.3	37.0	11.6%
Aircraft operating lease costs	22.1	23.8	(7.1%)
Distribution costs	27.4	26.9	1.9%
Ground operations and other costs	64.6	57.6	12.2%
Other gains	(2.5)	(8.3)	(69.9%)

In H1 2013, we have incurred a significant increase in our maintenance costs of €9.7 million (37.9%). This increase is driven by a number of factors but primarily costs associated with our contract flying business, the additional A330 long haul aircraft, increased costs associated with our Winter maintenance programme and higher de-icing costs incurred in Q1 2013 due to adverse weather conditions. There is also an increase of €3.3 million associated with the way in which we provide for return costs for engine use payable to lessors when leased aircraft are returned. This provisioning can introduce some volatility in our engine maintenance costs. We expect the year-on-year effect of the €3.3 million to reverse in H2 2013.

Depreciation costs have increased by 11.6%. In H1 2013, we incurred depreciation on the seventh A330 long haul aircraft. In addition, we had an A320 aircraft designated as held for sale in 2012 which was subject to an impairment charge and not depreciated. This A320 aircraft was returned to our operational fleet at the end of 2012 due to our contract flying operations and is therefore now subject to depreciation charges.

Aircraft operating lease costs decreased by 7.1% to €22.1 million (2012: €23.8 million). We acquired two A319 aircraft on operating lease in 2012 to replace two A320 aircraft that were returned to lessors. The full impact of this is now reflected in H1 2013. We have also introduced two A319 aircraft into the mainline operating fleet in H1 2013 which again have replaced two A320 aircraft, one of which has returned to lessor with the second A320 now being deployed in our contract flying business. The full period cost impact from prior year and current year fleet changes has reduced the overall average lease cost per aircraft. This has helped to offset an increase of €1.0 million associated with leased A320 aircraft to support our contract flying business.

Distribution costs increased by 1.9% as a result of higher credit card commission fees, computer reservation system fees and interline service charges from higher overall booking volumes, offset by a decrease in advertising spend relative to H1 2012.

Ground operations/other operating costs increased by 12.2% year-on-year. The increase is due to a number of factors including overheads associated with our contract flying business, catering and increases in hardware and software licence fees following recent IT investments.

Other net gains/losses largely consist of gains from maturing currency contracts used to manage foreign exchange exposure reflected in other income statement captions. The gain of €2.5 million at 30 June 2013 is €5.8 million below prior year as average hedged rates on our US\$ exposure have traded closer to the market rate of US\$ than prior year. As indicated in our 2012 results, we have been replacing maturing US\$ contracts entered into at very favourable FX rates in prior years with new contracts at rates much closer to market rates. In H1 2013 this has significantly reduced our gain on US\$ hedging year-on-year.

Other net gains/(losses)	H1 2013	H1 2012
Average hedged rate (EUR/US\$)	1.37	1.44
Average market/spot rate (EUR/US\$)	1.31	1.31
Hedged rate/spot rate spread	0.06	0.13

#### Net exceptional items

H1 2013 net exceptional costs of €9.3 million include €3.8 million in respect of costs for defence, pension matters and our capital reduction application. €4.0 million of the cost relates to voluntary staff severances. Of this €4.0 million figure, €1.0 million relates to voluntary severance for additional employees who exited under the legacy Greenfield programme in the period while €3.0 million can be attributed to the voluntary severance programme announced alongside our Q1 2013 results. Additional voluntary severance costs under this programme will be incurred as further employees formally commit to exit. Severance charges are based on the level of formal employee acceptances of the programme as at 30 June 2013. The balance of €1.5 million of exceptional costs is attributable to other charges including ongoing restructuring.

#### Financing income and costs

€ million	H1 2013	H1 2012
Finance income	5.3	7.8
Finance expense	(7.8)	(8.3)
<b>Net finance expense</b>	<b>(2.5)</b>	<b>(0.5)</b>
Average cash	992.0	1,004.6
Average deposit interest rate	0.96%	1.51%
Average debt	525.8	567.6
Average finance interest rate	2.46%	2.55%

Net finance expense for the period was €2.5 million (2012: expense €0.5 million). Finance expense of €7.8 million decreased by €0.5 million mainly reflecting the impact of lower prevailing interest rates during the period and lower average outstanding debt. Finance income of €5.3 million decreased by €2.5 million mainly reflecting the impact of lower deposit interest rates and a lower average level of gross cash held.

#### Taxation

There was a tax credit for the period of €4.7 million (H1 2012: €2.8 million) reflecting the application of the estimated full year effective income tax rate to the results for the first half. This effective tax rate reflects temporary differences associated with capital work in progress, including aircraft pre-delivery payments.

### Cash flow, gross cash and debt

€ million	30 June 2013	31 December 2012
Gross cash	1,015.8	908.5
Gross debt	513.7	531.6
Net cash	502.1	376.9

Significant cash flow movements in the six months to 30 June 2013 are as follows:

Movements in gross cash	€'million
Cash from operations (Note 23)	173.1
Net capex	(22.6)
Net interest received	1.4
<b>Free cash flow</b>	<b>151.9</b>
Debt repaid	(23.1)
Dividend paid	(21.3)
Accrued interest	0.8
Investment in Joint Venture	(3.8)
FX	2.8
<b>Net movement on gross cash</b>	<b>107.3</b>
Gross cash at 31 December 2012	908.5
Gross cash at 30 June 2013	1,015.8

Gross cash has increased by €107.3 million in the six month period to 30 June 2013. Free cash flow of €151.9 million is driven by seasonal working capital inflow of €173.5 million related to advance passenger booking revenues. Significant cash outflows in the period included €23.1 million of finance lease repayments, €21.3 million in respect of the 2012 dividend paid in May 2013 and €22.6 million of net capital expenditure.

Significant movements in gross debt for the six months ended 30 June 2013 are as follows:

Movements in gross debt	€ million
Gross debt at 31 December 2012	531.6
Interest accrued	2.6
Debt repaid	(23.1)
FX	2.6
Gross debt at 30 June 2013	513.7

### Debt repayment schedule

The Aer Lingus debt maturity profile extends until 2023. In the second half of 2013, we expect to make further finance lease repayments of €22 million. Our finance lease repayment schedule from 2014 through the remainder of the lease terms, at current US\$/EUR FX rates, is as follows:

€ million	2014	2015	2016	2017	2018	Later
Finance lease repayments	119	87	28	29	67	163

### 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 30 June 2013, our estimated fuel requirements for the remainder of 2013 and for 2014 were hedged as follows:

Fuel hedging	Q3 2013	Q4 2013	Total H2 2013	Total 2014
Estimated tonnes ('000s)	131	106	237	503
% expected fuel requirement hedged	88%	75%	83%	35%
Average price per tonne (excluding into-plane costs)	\$983	\$962	\$974	\$954

Our main foreign currency exposure is to the US\$. At 30 June 2013, our forward purchases of US\$ comprised:

US\$ currency hedging	Q3 2013	Q4 2013	Total H2 2013	Total 2014
Forward purchases of US\$ (\$million)	64	54	118	87
Average rate (US\$ to EUR)	1.33	1.31	1.33	1.33

In addition to US\$ hedging, we have also sold forward 68% of our expected exposure to surplus GBP for the remainder of 2013 at an average rate of 0.85 as at 30 June 2013.

**Principal risks and uncertainties**

Please see Note 28 to the interim financial statements for a description of the principal risks and uncertainties to which the Group will be exposed in the second half of 2013. This includes a description of pension risk.

# Independent review report to Aer Lingus Group plc

## Introduction

We have been engaged by the company to review the condensed set of financial statements in the first half results report for the six months ended 30 June 2013, which comprises: 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, 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 set of financial statements.

## Directors' responsibilities

The first half results report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the first half results report in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland.

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 set of 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 set of 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 purpose of the Transparency (Directive 2004/109/EC) Regulations 2007 and the Transparency Rules of the Central Bank of Ireland and for no other purpose. We do not, in producing this report, accept or assume responsibility for any 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 set of financial statements in the first half results report for the six months ended 30 June 2013 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 Central Bank of Ireland.

## PricewaterhouseCoopers

*Chartered Accountants*

Dublin  
Ireland

31 July 2013

## Notes:

(a) The maintenance and integrity of the Aer Lingus Group plc web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the Republic of Ireland governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

## Condensed consolidated interim income statement (unaudited)

Six months ended 30 June

	<i>Note</i>	<b>2013</b>	2012
		€'000	as restated €'000
<b>Revenue</b>	7	<b>657,865</b>	626,313
<b>Operating expenses (before net exceptional items)</b>			
Staff costs		137,870	131,729
Depreciation and amortisation		41,257	36,968
Aircraft operating lease costs		22,109	23,802
Fuel and oil costs		175,621	167,898
Maintenance expenses		35,300	25,583
Airport charges		142,734	138,951
En-route charges		29,844	29,645
Distribution charges		27,365	26,874
Ground operations, catering and other operating costs		64,711	57,581
Other (gains)/losses - net	8	(2,524)	(8,301)
		<b>674,287</b>	630,730
<b>Operating loss before net exceptional items</b>		<b>(16,422)</b>	(4,417)
Net exceptional items	9	(9,313)	(19,781)
<b>Operating loss after net exceptional items</b>		<b>(25,735)</b>	(24,198)
Finance income	10	5,335	7,810
Finance expense	10	(7,802)	(8,278)
		<b>(2,467)</b>	(468)
Share of loss of joint venture	22	(8)	-
<b>Loss before taxation</b>		<b>(28,210)</b>	(24,666)
Income tax credit		4,667	2,792
<b>Loss for the period</b>		<b>(23,543)</b>	(21,874)
<b>Loss attributable to:</b>			
- owners of the parent		(23,543)	(21,874)
<b>Loss per share for loss attributable to the owners of the parent</b> (expressed in cent per share)			
- basic and diluted		(4.4c)	(4.1c)

The notes on pages 20 to 33 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	2013	2012
		€'000	as restated €'000
<b>Loss for the period</b>		<b>(23,543)</b>	(21,874)
<b>Other comprehensive income/(loss)</b>			
<b>Items which may be reclassified to the income statement</b>			
Available-for-sale reserve			
- Amortisation of available-for-sale reserve	10	(78)	(70)
- Deferred tax impact		10	8
Cash flow hedges			
- Fair value losses	14	(4,646)	(17,249)
- Deferred tax impact		581	2,156
- Transfer to fuel costs		969	(4,738)
- Deferred tax impact		(121)	592
- Transfer to other losses/(gains) - net		633	(6,960)
- Deferred tax impact		(79)	870
- Transfer to other receivables	14	595	-
- Deferred tax impact		(74)	-
<b>Total of items which may be reclassified to the income statement</b>		<b>(2,210)</b>	(25,391)
<b>Items that will not be reclassified to the income statement</b>			
- Remeasurements of post employment benefit arrangements		3,795	710
- Deferred tax impact		(474)	(89)
<b>Total of items which will not be reclassified to the income statement</b>		<b>3,321</b>	621
<b>Total comprehensive loss for the period</b>		<b>(22,432)</b>	(46,644)
<b>Total comprehensive loss attributable to:</b>			
- owners of the parent		(22,432)	(46,644)

The notes on pages 20 to 33 form an integral part of these condensed consolidated interim financial statements.



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

		30 June 2013	31 December 2012	30 June 2012
ASSETS	Note	€'000	€'000	€'000
<b>Non-current assets</b>				
Property, plant and equipment	21	719,497	741,087	755,939
Intangible assets	21	13,220	12,447	12,271
Investment in Joint Venture	22	10,756	10,764	-
Loans and receivables	15	44,648	43,373	44,819
Derivative financial instruments	14	316	1,007	44
Trade and other receivables	12	38,393	15,858	15,723
Deferred tax asset		5,998	1,330	9,120
Deposits	15	115,772	119,716	131,933
		<b>948,600</b>	945,582	969,849
<b>Non-current assets held for sale</b>	11	-	-	7,618
<b>Current assets</b>				
Inventories		2,015	2,235	1,099
Derivative financial instruments	14	6,721	4,539	30,060
Trade and other receivables	12	83,560	83,929	102,469
Current income tax receivables		3	3	2,085
Deposits	15	533,391	432,504	514,429
Cash and cash equivalents	15, 24	324,974	312,939	358,720
		<b>950,664</b>	836,149	1,008,862
<b>Assets held for sale</b>	11	<b>301</b>	-	-
<b>Total current assets</b>		<b>950,965</b>	836,149	1,008,862
<b>Total assets</b>		<b>1,899,565</b>	1,781,731	1,986,329
<b>EQUITY</b>				
Called-up share capital	19	26,702	26,702	26,702
Share premium	19	359,449	510,605	510,605
Capital conversion reserve fund	19	-	5,048	5,048
Capital redemption reserve fund	19	-	343,796	343,796
Other reserves		6,962	7,583	(694)
Retained earnings		397,829	(59,023)	(93,532)
<b>Total equity</b>		<b>790,942</b>	834,711	791,925
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Finance lease obligations	20	473,111	489,608	530,084
Derivative financial instruments	14	1,687	846	4,889
Post employment benefit obligations	16	32,022	34,858	29,884
Provisions for other liabilities and charges	17	48,482	55,138	49,810
		<b>555,302</b>	580,450	614,667
<b>Current liabilities</b>				
Trade and other payables	13	475,408	283,639	479,044
Bank overdrafts	15, 24	2,941	-	-
Finance lease obligations	20	40,563	41,979	42,081
Derivative financial instruments	14	9,694	11,220	28,801
Provisions for other liabilities and charges	17	24,715	29,732	29,811
		<b>553,321</b>	366,570	579,737
<b>Total liabilities</b>		<b>1,108,623</b>	947,020	1,194,404
<b>Total equity and liabilities</b>		<b>1,899,565</b>	1,781,731	1,986,329

The notes on pages 20 to 33 form an integral part of these condensed consolidated interim financial statements.

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

All movements are attributable to the owners of the parent.

	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
<b>Balance at 1 January 2012</b>	26,702	510,605	5,048	343,796	25,681	393	(5,615)	2,900	(72,789)	836,721
Loss for the period as restated	-	-	-	-	-	-	-	-	(21,874)	(21,874)
Other comprehensive (loss)/income for the period ended 30 June 2012 as restated	-	-	-	-	(25,329)	(62)	-	-	621	(24,770)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(25,329)	(62)	-	-	(21,253)	(46,644)
Expiry of share awards	-	-	-	-	-	-	-	(510)	510	-
Share based payment reserve	-	-	-	-	-	-	-	2,112	-	2,112
Deferred tax impact	-	-	-	-	-	-	-	(264)	-	(264)
<b>Balance at 30 June 2012</b>	26,702	510,605	5,048	343,796	352	331	(5,615)	4,238	(93,532)	791,925
<b>Balance at 1 January 2013</b>	26,702	510,605	5,048	343,796	7,069	264	(5,615)	5,865	(59,023)	834,711
Loss for the period	-	-	-	-	-	-	-	-	(23,543)	(23,543)
Other comprehensive (loss)/income for the period ended 30 June 2013	-	-	-	-	(2,142)	(68)	-	-	3,321	1,111
<b>Total comprehensive loss for the period</b>	-	-	-	-	(2,142)	(68)	-	-	(20,222)	(22,432)
Exercise of share awards	-	-	-	-	-	-	2,728	(3,607)	(1,640)	(2,519)
Share based payment reserve	-	-	-	-	-	-	-	1,630	-	1,630
Deferred tax impact	-	-	-	-	-	-	-	838	-	838
Dividends paid (4 cent per share)	-	-	-	-	-	-	-	-	(21,286)	(21,286)
Capital reduction (see Note 19)	-	(151,156)	(5,048)	(343,796)	-	-	-	-	500,000	-
<b>Balance at 30 June 2013</b>	26,702	359,449	-	-	4,927	196	(2,887)	4,726	397,829	790,942

The notes on pages 20 to 33 form an integral part of these condensed consolidated interim financial statements.

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

Six months ended 30 June

	<i>Note</i>	<b>2013</b>	2012 as restated
		<b>€'000</b>	€'000
Net cash generated from operations	23	<b>173,106</b>	180,036
Income tax paid		<b>(16)</b>	(27)
<b>Cash flows from operating activities</b>		<b>173,090</b>	180,009
<b>Cash flows from investing activities</b>			
Purchases of non-current assets (net of lease finance raised)		<b>(22,602)</b>	(24,555)
Proceeds from sale of property, plant & equipment		-	23
Increase in deposits		<b>(97,376)</b>	(37,814)
Interest received		<b>5,456</b>	3,227
Share capital of joint venture paid up		<b>(3,771)</b>	-
Net cash used in investing activities		<b>(118,293)</b>	(59,119)
<b>Cash flows from financing activities</b>			
Repayments of finance lease obligations	20	<b>(23,131)</b>	(22,095)
Interest paid		<b>(4,103)</b>	(4,908)
Dividends paid		<b>(21,286)</b>	-
Net cash used in financing activities		<b>(48,520)</b>	(27,003)
<b>Net increase in cash, cash equivalents and bank overdrafts</b>		<b>6,277</b>	93,887
Cash, cash equivalents and bank overdrafts at 1 January		<b>312,939</b>	264,495
Exchange gains on cash, cash equivalents and bank overdrafts		<b>2,817</b>	338
<b>Cash, cash equivalents and bank overdrafts at 30 June</b>	24	<b>322,033</b>	358,720

The notes on pages 20 to 33 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 2013, 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 2013, have been prepared in accordance with IAS 34 “*Interim Financial Reporting*” as adopted by the European Union (“IAS 34”). They do not include all of the information required for full annual financial statements and should be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2012, 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 Regulation 40 of the Group Accounts Regulations 1992. The statutory accounts for the year ended 31 December 2012, which were approved by the Board of Directors on 7 March 2013, contained an unqualified audit report and are due to be filed with the Companies Registration Office by 30 September 2013.

The Board of Directors approved the condensed consolidated interim financial statements for the six month period ended 30 June 2013 on 31 July 2013.

The accounting policies adopted are consistent with those of the previous financial year, except as described below.

#### (i) Lessor accounting

Following the launch of the Group’s contract flying services during the half year, the Group acts as a lessor of aircraft, including crew and other services. Amounts in respect of these leases are billed in advance and recorded as deferred revenue. Revenue and costs are recognised as the services are provided, with the costs associated with this revenue recognised within the relevant income statement categories (staff costs, maintenance, aircraft hire and overheads). Revenue is recorded within other revenues.

#### (ii) Change in accounting policy – adoption of IAS 19, Employee Benefits (revised)

IAS 19, Employee Benefits (revised) (“IAS 19R”) comes into effect for the Group’s full year 2013 financial statements and has been adopted retrospectively in these condensed interim financial statements, including restatements to comparative information.

The main impact of the adoption of IAS 19R on the financial results of the Group is in the calculation of finance income and charges in respect of defined benefit obligations. The previous practice of recognising the expected return on plan assets (presented within finance income) and of calculating the interest expense on the defined benefit obligation (presented within finance expense) is now replaced by the calculation of a net interest amount on the net defined benefit liability (or asset) using the discount rate measured at the beginning of the period.

There is no change in the method of determining the interest rate, which continues to reflect the yield of high quality corporate bonds of comparable maturity to the liabilities of the Group’s pension obligations. The adoption of IAS 19R has increased the loss before taxation as the discount rate applied to plan assets in calculating finance income under IAS 19R is lower than the previously recognised expected return on plan assets.

The restatement has no effect on total comprehensive income, as the restated charge is offset by a corresponding adjustment in other comprehensive income. The restatement had no impact on the condensed consolidated interim statement of financial position, or statement of changes in equity. The effects of these changes on each of the impacted financial statement captions recognised in the 2012 interim financial statements are set out in the table below.

	6 months ended 30 June 2012		
	As previously reported €’000	Adjustments €’000	As restated €’000
<b>Income statement</b>			
<b>Finance income</b>			
Finance income on post employment benefit assets	333	(333)	-
<b>Finance expense</b>			
Interest expense on post employment benefit obligations	(699)	194	(505)
<b>Loss before taxation</b>	(366)	(139)	(505)
<b>Statement of other comprehensive income</b>			
Credit on remeasurement of post employment benefit obligations	482	139	621
<b>Statement of cashflows</b>			
Loss before taxation	(24,527)	(139)	(24,666)

## 2 **Basis of preparation (continued)**

IAS 19R introduces a new term “remeasurements”, which describes the total of actuarial gains and losses, and the difference between actual investment returns and the returns implied by the net interest cost.

IAS 19R also requires that past service costs be recognised immediately through profit or loss when they occur, rather than be spread over the remaining estimated working lives of employees. This has had no effect on the current or comparative reporting period.

IAS 19R provides revised guidance on recognition of termination benefits. A liability for these expenses is recognised on the earlier of the date when the entity can no longer withdraw the offer of those benefits, or when the entity recognises costs of restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. During the period, the Group recognised an exceptional charge of €3.0 million in respect of a voluntary severance scheme announced in its Q1 Interim Management Statement. This charge and the charge of €1.0 million in respect of Greenfield related severance is in respect of employees who have accepted the offer of voluntary severance. See Note 9 for further information.

### (iii) **Change in accounting policy – adoption of IFRS 13 Fair value measurement (revised).**

IFRS 13 Fair value measurement (revised) comes into effect for the Group’s full year 2013 financial statements. The Group has included the disclosures required by IAS 34 para 16A(j). See Note 14 for details.

## 3 **Going Concern**

The Group meets its day-to-day working capital requirements through its cash and deposit balances. The Group's current projections, including its five year plan, show that the Group should have adequate resources to continue in operational existence for the foreseeable future. Accordingly, after making enquiries, the Directors consider that it remains appropriate that the Group continues to adopt the going concern basis in the preparation of the condensed, consolidated interim financial statements.

## 4 **Significant accounting policies and estimates**

The preparation of condensed, consolidated interim financial statements requires management to make estimates and assumptions that affect the application of accounting policies, the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the interim financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates.

In preparing these condensed, consolidated interim financial statements, the accounting policies adopted (except as stated in Note 2 above), the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the preparation of the annual consolidated financial statements for the year ended 31 December 2012.

## 5 **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 peak 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.

In light of the impact of seasonality on the Group's statement of financial position, the Group has presented the statement of financial position as at 30 June 2012 as an additional comparative, as encouraged by IAS 34.

## 6 **Segment information**

Based on the way the Group manages the network and the manner in which resource allocation decisions are made, the Group considers that its operating segments comprise its routes on which passengers and cargo are transported. Having assessed the aggregation criteria contained in IFRS 8 "Operating Segments" and considering how the Group manages its business and allocates resources, the Group has determined that it has one reportable segment. In particular 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 is deployed through a single route scheduling system. When making resource allocation decisions, the chief operating decision maker evaluates flight profitability data, which considers passengers flown across the network, aircraft type and route economics.

The chief operating decision maker assesses operating segment performance based on a measure of adjusted operating loss before net exceptional items. Finance income and expense, and share of result of joint venture, are not included in the segmental results reviewed by the chief operating decision maker.

Total segment assets exclude deferred tax, investment in joint venture, 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 assets shown in the statement of financial position. Segment revenue of €657.9 million (2012: €626.3 million) is wholly derived from external customers.

6 Segment information (continued)

	Six months ended 30 June	
	2013	2012 as restated
	€'000	€'000
<b>Adjusted loss before net exceptional items for the reportable segment</b>	<b>(17,592)</b>	(5,312)
Miscellaneous group level adjustments	1,170	895
Net exceptional items	<b>(9,313)</b>	(19,781)
<b>Operating loss after net exceptional items</b>	<b>(25,735)</b>	(24,198)
Finance income	5,335	7,810
Finance expense	<b>(7,802)</b>	(8,278)
Share of loss of joint venture	<b>(8)</b>	-
<b>Loss before income tax</b>	<b>(28,210)</b>	(24,666)

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

	As at 30 June 2013	As at 31 December 2012
	€'000	€'000
Total segment assets	<b>864,026</b>	861,105
Investments in joint venture	<b>10,756</b>	10,764
Deferred tax asset	<b>5,998</b>	1,330
Loans and receivables	<b>44,648</b>	43,373
Deposits	<b>649,163</b>	552,220
Cash and cash equivalents	<b>324,974</b>	312,939
<b>Total assets per statement of financial position</b>	<b>1,899,565</b>	1,781,731

7 Revenue

	Six months ended 30 June	
	2013	2012
	€'000	€'000
Passenger revenue	<b>538,364</b>	512,926
Retail revenue	<b>87,123</b>	84,530
Cargo revenue	<b>22,345</b>	23,330
Other revenue	<b>10,033</b>	5,527
	<b>657,865</b>	626,313

8 Other (gains)/losses – net

	Six months ended 30 June	
	2013	2012
	€'000	€'000
Realised gains on forward foreign currency contracts	<b>(2,632)</b>	(6,960)
Net foreign exchange losses/(gains) on operating activities	<b>108</b>	(1,341)
	<b>(2,524)</b>	(8,301)

## 9 Net exceptional items

Exceptional items are material, non-recurring items that derive from events or transactions that fall within the ordinary activities of the Group and which individually or, if of a similar type, in aggregate, are separately disclosed by virtue of their size or incidence. The separate reporting of exceptional items helps provide a more useful picture of the Group's underlying performance. An analysis of the amounts presented as exceptional items in these financial statements is given below.

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>€'000</b>	€'000
Restructuring (a)	<b>(5,531)</b>	(11,713)
Non-current assets (b)	-	(3,748)
Professional and legal fees (c)	<b>(3,782)</b>	(4,320)
	<b>(9,313)</b>	(19,781)

- (a) On 25 April 2013, Aer Lingus launched a voluntary severance programme ("the Programme") for applicants who satisfy certain selection criteria. The target of the Programme is to reduce employee headcount levels by approximately 100 by the end of 2013. The closing date for applicants was 7 June 2013 and applications received have exceeded the Programme target.

The total expected cost of the Programme to achieve the targeted 100 headcount reduction is estimated to be approximately €9.9 million. This estimate is in respect of severance payments and related costs and is based on certain key assumptions including average length of service, average salary levels and expected exit dates relating to Programme applications received to date. This estimate will be subject to change as applications continue to be reviewed and approved by Aer Lingus. The ultimate cost of the Programme will be sensitive to the final composition of the headcount reduction achieved.

As at 30 June 2013, 37 applicants had formally agreed to participate in the Programme and leave employment with Aer Lingus over the remainder of 2013. The related severance costs provision for these Programme participants is €3.0 million and is recognised in the 2013 restructuring charge noted above. The 2013 charge also includes €1.0 million in respect of the severance costs for employees who exited under the legacy Greenfield cost reduction programme. The balance of €1.5 million relates to other ongoing restructuring activity.

The comparative amounts related to the recognition in 2012 of a provision of €8.2 million in respect of the restructuring of the Group's maintenance operation at Shannon, comprising onerous lease and related property costs (€5.1 million) and employee severance costs (€3.1 million). The balance related to the re-measurement of the provision for restructuring costs associated with the Greenfield cost reduction programme (€2.1 million) and Migration/Outsourcing Schemes (€1.4 million).

- (b) Impairment in 2012 of an owned A320 aircraft which was held for sale but in December 2012 was brought back into the fleet.
- (c) The amount in 2013 includes the balance of bid defence costs associated with the takeover bid from Ryanair Holdings plc which was prohibited by the European Commission on 27 February 2013, as well as costs related to the negotiation of pension issues and fees relating to the capital reduction.

## 10 Finance income and expense

	<b>Six months ended 30 June</b>	
	<b>2013</b>	2012
	<b>€'000</b>	as restated €'000
<b><i>Finance income</i></b>		
Interest on cash, cash equivalents and deposits	<b>3,578</b>	6,291
Interest income on loans and receivables	<b>943</b>	910
Amortisation of available-for-sale reserve	<b>78</b>	71
Unwinding of discounting on non-current prepayments	<b>736</b>	538
	<b>5,335</b>	7,810
<b><i>Finance expense</i></b>		
Interest expense on finance lease obligations	<b>6,912</b>	7,646
Net interest expense on post employment benefit obligations	<b>584</b>	505
Unwinding of discounting on provisions	<b>306</b>	127
	<b>7,802</b>	8,278

During the six month period to 30 June 2012, interest income on the unwinding of discounting of amounts receivable amounted to €538,000. This amount had been previously aggregated with interest on cash, cash equivalents and deposits.

## 11 Held for Sale Assets

	Six months ended 30 June	
	2013	2012
	€'000	€'000
Aircraft	-	7,618
Engine	301	-
	<b>301</b>	<b>7,618</b>

At June 2013 a spare engine was segregated from the operating fleet and held in anticipation of a sale which was agreed in July 2013. A gain on disposal of approximately €3.0 million will be recognised in the second half of the year. The non-current asset held for sale at 30 June 2012 comprised an owned A320 aircraft which was brought back into the fleet in December 2012.

## 12 Trade and other receivables

	As at 30 June 2013	As at 31 December 2012	As at 30 June 2012
	€'000	€'000	€'000
Trade and other receivables	62,409	42,273	52,547
Other amounts receivable	36,137	35,618	31,643
Prepayments and accrued income	20,804	20,355	28,047
Value Added Tax	2,603	1,541	5,955
	<b>121,953</b>	<b>99,787</b>	<b>118,192</b>

Shown as:

Non-current assets	38,393	15,858	15,723
Current assets	83,560	83,929	102,469
	<b>121,953</b>	<b>99,787</b>	<b>118,192</b>

The increase in trade and other receivables between 31 December 2012 and 30 June 2013 reflects the higher level of revenues, including credit card sales in the period, in advance of the Group's peak summer season.

## 13 Trade and other payables

	As at 30 June 2013	As at 31 December 2012	As at 30 June 2012
	€'000	€'000	€'000
Trade payables	82,023	53,716	96,603
Accruals and deferred income	50,638	47,973	47,862
Ticket sales in advance excluding taxes and charges <sup>1</sup>	262,443	129,469	252,501
Employment related taxes	5,809	7,348	7,931
Other amounts payable	74,495	45,133	74,147
	<b>475,408</b>	<b>283,639</b>	<b>479,044</b>

<sup>1</sup> In the six months to 30 June 2013 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 become payable to the relevant authorities.



#### 14 Derivative financial instruments

Derivative financial instruments represent the fair value of open forward foreign exchange contracts and fuel price swaps 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 2013 the fair value of fuel contract open positions has decreased due to the fact that fuel prices were US\$40 per metric tonne lower than at 31 December 2012. This was offset by the increased value of the Group's foreign exchange hedges.

Deferred tax is provided on the gains/losses, arising from cash flow hedging positions, which are recognised in reserves.

The statement of comprehensive income shows fair value losses to 30 June 2013 of €4.6 million (2012: €17.2 million). These represent the mark to market losses on the Group's portfolio of fuel hedges, offset by the gain inherent in the Group's portfolio of foreign exchange hedges.

During the half year, settlement losses amounting to €0.6 million on interest rate swaps taken out in respect of aircraft operating lease commitments were transferred to prepayments. These amounts will be amortised in line with the recognition of the associated lease costs.

#### Fair value estimation

The group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 31 December 2012. There have been no changes in the risk management department or in any risk management policies since the year end.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets of liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset of liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3)

The following table presents the Group's net assets and liabilities that are measured at fair value at 30 June 2013.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Assets</b>				
Derivative financial instruments	-	7,037	-	7,037
<b>Liabilities</b>				
Derivative financial instruments	-	11,381	-	11,381

The following table presents the Group's net assets and liabilities that are measured at fair value at 31 December 2012.

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>	<b>€'000</b>
<b>Assets</b>				
Derivative financial instruments	-	5,546	-	5,546
<b>Liabilities</b>				
Derivative financial instruments	-	12,066	-	12,066

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Specific valuation techniques used to value financial instruments include:

- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the statement of financial position date, with the resulting value discounted back to present value
- The fair value of fuel price swaps is determined using forward fuel prices at the reporting date, with the resulting value discounted back to present value.

**15 Total cash and cash equivalents**

	<b>As at 30 June 2013</b>	As at 31 December 2012
<b>Non-current</b>		
Loans and receivables	<b>44,648</b>	43,373
Deposits	<b>115,772</b>	119,716
	<b>160,420</b>	163,089
<b>Current</b>		
Deposits	<b>533,391</b>	432,504
Cash and cash equivalents	<b>324,974</b>	312,939
Bank overdrafts	<b>(2,941)</b>	-
	<b>855,424</b>	745,443
<b>Total cash and cash equivalents</b>	<b>1,015,844</b>	908,532

At 30 June 2013 the Group held deposits of €18.6 million (31 December 2012: €21.1 million), which were not available for immediate use by the Group.

**16 Post employment benefits**

**Defined Benefit Schemes**

The liabilities in respect of the Group's post employment benefit obligations are as follows:

	<b>As at 30 June 2013</b>	As at 31 December 2012
	<b>€'000</b>	€'000
North American Pension (a)	<b>2,402</b>	4,309
North American Post Employment Medical Benefit (b)	<b>2,070</b>	2,284
Income Streaming (c)	<b>27,174</b>	27,922
Other	<b>376</b>	343
	<b>32,022</b>	34,858

(a) The Group operates a defined benefit scheme for qualifying employees of its operation in North America. Under the scheme, employees are entitled to retirement benefits of 50% of final average compensation as a lump sum, plus 1% final average compensation for each year of membership, on attainment of retirement age of 65. Retirement benefits are reduced for service less than 20 years. The scheme has 114 members (31 December 2012: 119) with benefit accruals and plan participation frozen. The scheme is a funded scheme.

(b) The Group also operates a post employment medical benefit scheme for certain former employees of the operation in North America. This obligation is unfunded.

(c) The Group has a number of unfunded arrangements. These consist of arrangements in respect of certain current and former employees who have an elective entitlement to a pension at 60. These arrangements provide an income equating to a pension until members reach age 65, at which point benefits cease.

Actuarial gains during the half year are driven by increases to the discount rates applied to the net liabilities of the schemes by their actuaries.

## 16 Post employment benefits (continued)

### Defined Contribution Schemes

The Group's operating subsidiary, Aer Lingus Limited, participates in a number of pension schemes for its staff. The principal schemes, and Aer Lingus Limited's contributions to them, are set out in the table below. These are accounted for as defined contribution schemes because the rate of contribution to the schemes is fixed.

	Six months ended 30 June	
	2013	2012
	€'000	€'000
Irish Airlines (General Employees) Superannuation Scheme	2,390	2,650
Irish Airlines (Pilots) Superannuation Scheme	5,205	4,917
	<b>7,595</b>	<b>7,567</b>

The Irish Airlines (General Employees) Superannuation Scheme (the "IASS") is a multi-employer scheme (the Dublin Airport Authority plc, SR Technics and Shannon Airport Authority Limited being the other sponsoring employers) for employees who fall within the category of "General Employees". The Irish Airlines (Pilots) Superannuation Scheme (the "Pilots' Scheme") is solely for pilots. Although similar rules apply to both the IASS and the Pilots' Scheme (collectively the "Irish Pension Schemes"), the contribution rates and benefits differ between the schemes. The trust deeds governing the IASS and the Pilots' Scheme to which Aer Lingus Limited contributes, state respectively that no changes to those contribution rates are possible without Aer Lingus Limited's consent. Management remains of the opinion that the liability of Aer Lingus Limited to contribute to the Irish Pension Schemes is fixed at their respective, current contribution rates and, accordingly that Aer Lingus Limited has neither a constructive nor a legal obligation to increase its rate of contributions to the Irish Pension Schemes, even if those schemes are found to have insufficient funds to pay all members the benefits relating to their current or past service.

The IASS is a multi-employer scheme with fixed contributions made by the employers and employees in accordance with the trust deed and rules. At 31 March 2013 (the most recent date for which data is available) the IASS had 14,410 members, comprising 4,327 active members, 5,203 deferred members and 4,880 pensioners. Approximately 68% of members are current or former employees of Aer Lingus Limited. The statutory Minimum Funding Standard ("MFS") is an actuarial valuation of the funding status of the IASS if it were to be wound up under current legislation at a given date. At 27 March 2013, the IASS was estimated by the Trustee's actuary to have an MFS deficit of approximately €769 million (31 December 2012: deficit €779 million). Approximately 65% of any deficit is attributable to employees or former employees of Aer Lingus Limited.

Aer Lingus Limited and the other sponsoring employers have no obligation to contribute anything other than the fixed rate of contribution to the IASS and in the absence of the assumption of additional voluntary commitments, the Trustee will be required to take measures to address the funding position of the IASS. If, as seems likely given the current funding position of the IASS, such measures result in a reduction in member benefits, it is likely that there will be an adverse effect on employee relations. There is therefore a risk that Aer Lingus Limited could become involved in industrial disputes with its employees, which would be significantly detrimental to the operations of the airline and its financial performance. It is also possible that Aer Lingus Limited's position, that it has no responsibility for the deficit in the IASS, could be subject to legal challenge from various potential claimants. Any such challenge would be strenuously defended. Lengthy litigation could ensue. If, contrary to the firm legal advice that Aer Lingus Limited has received (that such a challenge is unlikely to succeed), a Court were to find against Aer Lingus Limited in any such litigation, significant or very significant loss could arise. No proceedings have been issued to date and it is not therefore practicable to estimate the financial exposure, if any, of Aer Lingus Limited should such claims be made and succeed.

At 31 March 2013 the Pilots' Scheme had 895 members, comprising 431 active members, 108 deferred members and 356 pensioners. The latest available information is that the Pilots' Scheme was estimated to have an MFS deficit at 27 March 2013 of €172 million. As part of the Greenfield agreements negotiated in late 2009 under the auspices of the Labour Relations Commission, Aer Lingus Limited and the Irish Airlines Pilots Association ("IALPA") agreed certain changes to the Pilots' Scheme with the aim of addressing the deficit over time. The changes included an increase in retirement age from 55 to 60, a reduction in accrual rate for future service from 45ths to 60ths and an increase in member contributions from 7% to 11% of salary. There was no change in employer contributions which remain at 21% of salary. The changes were approved by the Pilots' Scheme trustees and became effective as from 1 January 2011. Aer Lingus Limited's position, that it has no responsibility for the deficit in the Pilots' Scheme, could be subject to legal challenge from various potential claimants. Any such challenge would be strenuously defended. Lengthy litigation could ensue. If, contrary to the firm legal advice that Aer Lingus Limited has received (that such a challenge is unlikely to succeed), a Court were to find against Aer Lingus Limited in any such litigation, significant or very significant loss could arise. No proceedings have been issued to date and it is not therefore practicable to estimate the financial exposure, if any, of Aer Lingus Limited should such claims be made and succeed.

It remains Aer Lingus Limited's position, supported by firm legal advice, that it has no legal or constructive obligation in respect of either the IASS or the Pilots' Schemes, other than to continue to pay the fixed rate contributions as set out in the trust deeds of these schemes.

### Recent developments

In the context of the IASS funding shortfall, Aer Lingus Limited has attempted to assist in the achievement of a fair outcome that improves the pension prospects of affected IASS members in a way that will balance the interests of all parties, including shareholders and employees. On this basis, Aer Lingus Limited has participated in a process of discussion under the auspices of the Labour Relations Commission which commenced in 2010 and which, since November 2012, has also involved the Irish Business and Employers Confederation, the Irish Congress of Trade Unions and the Labour Court.

The Labour Court issued an interim recommendation in respect of Aer Lingus Limited's participation in the IASS on 2 January 2013 (the "Interim Recommendation") which set out indicative, non-guaranteed pension benefit targets which any solution should attempt to achieve. This was followed by a final recommendation in respect of Aer Lingus Limited's

## 16 Post employment benefits (continued)

participation in the IASS which was issued by the Labour Court on 24 May 2013 (the “Final Recommendation”). These recommendations form the basis for the proposed solution to address that portion of the IASS funding shortfall which is attributable to current and former employees of Aer Lingus Limited (the “IASS Proposal”). The Labour Court has issued a separate recommendation to the DAA in relation to its participation in the IASS.

Aer Lingus Limited is also involved in a separate set of discussions concerning the Pilots’ Scheme. This involves engagement with the Trustee of the Pilots’ Scheme and IALPA. These discussions are ongoing and no agreement has yet been reached.

The key elements of the IASS Proposal are:

- The IASS Proposal should attempt to achieve the target levels of benefit set out in the Interim Recommendation;
- To that end a one-off lump sum of €110 million should be contributed by Aer Lingus to individual pension funds within a new defined contribution scheme for the benefit of Aer Lingus Limited employees who are members of the IASS. Each employee will be expected to confirm their acceptance of the arrangements before any payment can be made in respect of them;
- A one-off Aer Lingus Limited contribution of €30 million would similarly be made available in respect of former employees of Aer Lingus Limited who are deferred members of the IASS. Each former employee will be expected to confirm their acceptance of the arrangements before any payment can be made in respect of them; and,
- The payment of the April 2013 annual salary increment should be delayed until September 2013. Following the payment of this increment, annual increments should be replaced by cost stabilisation payments outlined in the Final Recommendation over the period to December 2016 providing cost predictability and certainty over this period.

Any implementation of the IASS Proposal is dependent on a series of further complex steps. These steps include (but are not limited to) the following agreements being reached and approvals being achieved:

- Agreement with the trade unions;
- Agreement by the Trustee of the IASS with the sponsoring employers;
- Aer Lingus shareholder approval;
- Trade union member ballot approvals;
- The successful conclusion of a range of implementation steps by the Trustee of the IASS amongst others.
- Approval by the Irish Pensions Regulator of a funding proposal to implement the IASS Proposal.

Prior to seeking shareholder approval, Aer Lingus Limited will continue to engage directly with the trade unions to formalise an agreement reflecting the matters set out in the Final Recommendation and related matters. Aer Lingus Limited is also engaging directly with the Trustee of the IASS in order to (i) confirm its agreement to move forward on the basis of the IASS Proposal; (ii) seek confirmation that the IASS would be closed to new members and benefit accrual and employer and employee contributions for existing members would cease; and (iii) seek confirmation of its intention to implement an appropriate investment strategy to maximize the pension benefits of IASS members. Assuming the above agreements with the Trustee of the IASS and the trade unions are concluded, Aer Lingus Limited will then issue a circular setting out full details of the proposed solution and convene an extraordinary general meeting to seek approval from shareholders. While Aer Lingus Limited is committed to seeking a solution that can be implemented in the best interests of all parties, including shareholders and employees, the process is complex and there is no certainty that agreement can be reached between the various parties. If the required agreements and approvals are achieved, Aer Lingus Limited would then implement the proposed solution.

In July 2013, Aer Lingus Limited became aware of correspondence issued by the Pensions Board to the IASS Trustee indicating that the outline proposal which the IASS Trustee has discussed with the Pensions Board would not be an acceptable basis for a funding proposal. A formal submission has not been made by the IASS Trustee to the Pensions Board.

Notwithstanding this development, Aer Lingus Limited continues to believe that the IASS Proposal is in the interests of all parties, including shareholders, employees and customers. Aer Lingus Limited is not aware of any viable alternative solution which would result in a better outcome for the affected parties. The trade unions have also broadly welcomed the Final Recommendation and have constructively engaged with Aer Lingus Limited regarding its proposed implementation as part of the IASS Proposal.

In light of the detailed consideration given by the Labour Court over many months, prior to the issuing of the Final Recommendation and the extensive effort and commitment of Aer Lingus Limited and the trade unions in reaching a workable basis for a solution, Aer Lingus Limited continues to encourage the IASS Trustee to proceed to a formal submission on the basis that the proposal represents a viable solution which would result in a better outcome for the affected parties.

It is the responsibility of the IASS Trustee to submit an appropriate proposal to the Pensions Board to address the funding difficulties in the IASS. Aer Lingus Limited therefore expects that the IASS Trustee will engage with the Pensions Board to discuss any concerns arising from the IASS Proposal and the steps required to allow its implementation.

The IASS Proposal and the related approval and implementation process represent a highly complex range of approvals, consents and agreements involving the Trustee, the Pensions Board, Aer Lingus Limited, Aer Lingus Group plc shareholders, DAA, trade unions, active and deferred members, all of which needs to be achieved in order for the IASS Proposal to be successfully implemented. Given the nature of the proposed adjustments to participants’ interests, it is possible that the implementation of the IASS Proposal could potentially result in disputes, claims and litigation (“Disputes”) involving Aer Lingus, DAA, SR Technics and Shannon Airport Authority Limited and/or the IASS Trustee. Aer Lingus believes that the risks of Disputes arising should be reduced by the extensive and detailed discussions which took place before the Labour Court (and which culminated in the Interim and Final Recommendations), the detailed approval and implementation process that is required and the requirement for employees and deferred members to confirm their acceptance of the arrangements. As the implementation of the IASS Proposal has not yet occurred, Disputes relating to the implementation have not arisen to date and it is not therefore practicable to estimate the financial exposure, if any, to Aer Lingus Limited should such Disputes occur.

## 17 Provisions for other liabilities and charges

In the six month period to 30 June 2013, the group utilised €15.7 million of its business repositioning provision. Included in the total utilisation are gainshare payments totalling €6.8 million made to staff on the achievement of agreed annual 2012 Greenfield targets and payments in respect of the restructuring of the Group's maintenance operation at Shannon of €6.3 million. Charges to June 2013 relate to the voluntary severance scheme announced in April 2013 (€3.0 million in respect of acceptances to date), and additional charges in respect of the ongoing cost reduction plan (€1.0 million). Provisions were reduced by €1.1 million in the period to June, on agreement of the Group's exit from airport facilities for which onerous lease provisions had been recognised. Following this agreement, the Group's liabilities have now been extinguished. The provision for business repositioning remaining at 30 June 2013 was €19.9 million (31 December 2012: €32.4 million).

The carrying value of maintenance provisions at 30 June 2013 was €38.5 million (31 December 2012: €37.6 million).

The carrying value of other provisions at 30 June 2013 was €14.8 million (31 December 2012: €14.8 million).

## 18 Contingent liabilities and assets

### Sublease of hangar facility at Shannon

In December 2012, the Group entered into an agreement for the assignment of its interest in the lease of a hangar facility at Shannon Airport. Under the terms of this arrangement, Aer Lingus has provided a guarantee to the Dublin Airport Authority ("DAA") in respect of rents that would otherwise have been payable by the Group under the lease up to 31 July 2021. Aer Lingus estimates the maximum amount payable would be approximately €3.3 million in the event that the guarantee was called.

### Air travel tax

On 25 July 2012, the European Commission ("EC") issued a decision with regard to the Irish air travel tax. With effect from 31 March 2009, Ireland introduced an air travel tax for flights departing from Irish airports. The tax was set at €2 for destinations within 300km of Dublin airport and at €10 for those exceeding 300km. The EC found that the lower rate constituted unlawful state aid and ordered Ireland to recover €8 per passenger (being the difference between the lower and the higher rate) for each passenger subject to the lower rate from a number of airlines, including Aer Lingus.

In April 2013, the Irish Government commenced High Court proceedings against Aer Lingus seeking recovery of approximately €4 million plus interest. Aer Lingus is contesting these proceedings and has recently issued separate proceedings against the Irish Government on the basis that the air travel tax infringed EU rules on free movement of services. These proceedings seek repayment of €8 per passenger for each passenger subject to the higher rate and/or damages. No amounts have been provided in respect of this matter.

### Arrangement relating to Aer Arann

Aer Lingus Regional flights are operated by Aer Arann. However, passengers book their flights using the Aer Lingus website and booking channels. Should Aer Arann fail to meet its obligation to passengers and such passengers seek refunds from their credit card providers, Aer Lingus may have an obligation to reimburse those credit card companies for losses incurred. In such circumstances, Aer Lingus would have a corresponding claim against Aer Arann.

Arising from the Group's investment in the Joint Venture, the Group received guarantees from one of its co-investors concerning the Group's costs and liabilities that may be suffered from the operation of its franchise agreement with Aer Arann. The guarantee is limited to a maximum of €3 million and is expected to expire no later than August 2014.

### Litigation and claims

The Group is party to various uninsured legal proceedings. The Group makes provision for any amounts for which it expects to become liable. At 30 June 2013, these provisions were less than the total amounts claimed by plaintiffs because the Group does not believe that it has any liability for the balance and the proceedings are being defended. Further disclosure required by IAS 37 is not made as the directors believe that to do so could seriously prejudice the conduct and outcome of these proceedings.

## 19 Called-up share capital, share premium account and other reserves

There was no change in the called-up share capital of the Group in the six-month period to 30 June 2013.

The total number of ordinary shares of €0.05 in issue at 30 June 2013 was 534,040,090 (31 December 2012: 534,040,090) of which 2,029,606 (31 December 2012: 3,946,658) were classified as treasury shares.

In March 2013, following the vesting of awards granted under the Group's FY10 Long Term Incentive Plan ("LTIP") scheme the vested awards of participants were settled net of their income tax obligations. The net settlement of those awards resulted in 1,917,052 treasury shares being issued by the Group to LTIP recipients.

On 4 November 2011, Aer Lingus shareholders approved a special resolution at an Extraordinary General Meeting ("EGM") to take the necessary steps to seek the approval of the High Court ("the Court") to create up to €500 million of distributable reserves on the balance sheet.

The matter was heard by the Court in July 2012. Objections were made by trustees of both the Irish Airlines (General Employees) Superannuation Scheme ("the IASS") and the Irish Airlines (Pilots) Superannuation Scheme ("the IA(P)SS"). Following review of submissions from all parties, on 15 March 2013, the Court approved the creation of distributable reserves as requested.

The effect of the creation of €500 million of distributable reserves has been the corresponding reduction in the capital conversion reserve fund and the capital redemption reserve fund (in each case reduced to nil), along with a further balancing reduction to the share premium account. The Court made a condition that no distribution should be made which would leave the remaining aggregated distributable and non-distributable reserves of Aer Lingus at an amount less than the aggregate of the deficits in the IASS and the IA(P)SS, as relating to current and former Aer Lingus employees, without 28 days prior notice being given by Aer Lingus to the corporate trustees of each of the IASS and IA(P)SS. The requirement to give notice of distribution does not preclude Aer Lingus from making a distribution.

## 20 Finance lease obligations

The Group did not enter into any finance lease arrangements during the six-month period ended 30 June 2013. During the period, the Group made lease repayments of €27.2 million (six month period ended 30 June 2012: €27.0 million), including interest payments of €4.1 million (six month period ended 30 June 2012: €4.9 million).

## 21 Property, plant and equipment and intangible assets

During the six-month period ended 30 June 2013, the Group acquired flight equipment, property and ground equipment with a cost of €21.0 million (six-month period ended 30 June 2012: €23.4 million). There were no significant disposals of assets during the periods ended 30 June 2013 or 30 June 2012.

## 22 Investment in joint venture

During 2012, the Group acquired a 33.33% equity interest in the share capital of Propius Holdings Limited (the "Joint Venture"), the parent company of an aircraft leasing group. The Joint Venture acquired one ATR 72-600 series aircraft in April 2013 and a further two such aircraft in July 2013 for onward leasing to Aer Arann. It is due to acquire a further five similar aircraft in 2013 and 2014, all of which will also be leased on to Aer Arann.

In the six months to 30 June 2013, the Group paid up US\$4.9 million (€3.8 million) in respect of its share of the uncalled share capital. A further US\$6.3 million is due to be paid over the remainder of 2013 and in 2014. This commitment has been hedged for €4.7 million.

The Group's share of the results of its Joint Venture in the six months to 30 June 2013 was a loss of €8,000. All liabilities of the Joint Venture are current in nature. There are no contingent liabilities relating to the Group's interest in the Joint Venture.

The Group's share of capital commitments of the Joint Venture at 30 June was €28.1 million (31 December 2012, €33.1 million). The fair value of the Group's interest in the Joint Venture at 30 June 2013 and at 31 December 2012 was approximately in line with its carrying value.

## 23 Cash generated from operations

	Six months ended 30 June	
	2013	2012
	€'000	as restated €'000
Loss before tax	(28,210)	(24,666)
<i>Adjustments for:</i>		
- Depreciation and amortisation	41,257	38,578
- Net movements in provisions for other liabilities and charges	(12,095)	(2,496)
- Share of loss of joint venture	8	-
- Net fair value losses on derivative financial instruments	391	432
- Adjustment for share awards expense	(890)	1,939
- Finance income	(5,335)	(7,810)
- Finance expense	7,802	8,278
- Net exceptional items	-	3,659
- Other (gains)/losses – net	(4,221)	509
- Post employment benefit obligations	895	1,080
<i>Changes in working capital</i>		
- Inventories	220	394
- Trade and other receivables	(23,107)	(23,349)
- Trade and other payables	196,391	183,488
Cash generated from operations	173,106	180,036

## 24 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 2013	As at 30 June 2012
	€'000	€'000
Cash and cash equivalents	324,974	358,720
Bank overdrafts	(2,941)	-
	<b>322,033</b>	<b>358,720</b>

## 25 Financial commitments

### (a) Capital commitments

The Group had capital commitments as follows:

	As at 30 June 2013	As at 31 December 2012
	€'000	€'000
Contracted for but not provided		
- Aircraft and equipment	948,275	937,121
- Other	3,856	2,664
	<b>952,131</b>	<b>939,785</b>

Included within capital commitments in respect of aircraft and equipment are amounts denominated in US dollars of \$1.24 billion (2012: \$1.24 billion). These have been translated at the appropriate rate of \$1.31 (December 2012: \$1.32).

### (b) Lease commitments

The Group had commitments, under non-cancellable operating leases in relation to aircraft, which fall due as follows:

	As at 30 June 2013	As at 31 December 2012
	€'000	€'000
No later than one year	51,458	44,498
Later than one year but no later than five years	142,698	115,860
	<b>194,156</b>	<b>160,358</b>

Included within aircraft lease commitments are amounts relating to the damp lease agreements executed during the six-month period ended 30 June 2013.

## 26 Related party transactions

Details of related party transactions in respect of the year ended 31 December 2012 are contained in Note 35 of our 2012 annual report. The Group continued to enter into transactions in the normal course of business with its related parties during the period. Disclosures in respect of contributions and commitments to the Group's joint venture are described in Note 22. Other than as disclosed below, there were no transactions with related parties in the first half of 2013 or changes to transactions with related parties disclosed in the 2012 financial statements that had a material effect on the financial position or the performance of the Group.

During the six months ended 30 June 2013, the Group granted 3,110,000 awards under its FY13 LTIP scheme in respect of the performance period from 1 January 2013 to 31 December 2015. Of those awards, 1,618,000 were granted to "Key Management Personnel" as defined by IAS 24 (Revised). The equivalent amounts for the six months ended 30 June 2012 (before pre-vesting forfeitures) were 4,590,000 and 2,360,000 respectively.

## 27 Events after the reporting period

Willie Slattery was appointed to the Board as the third Non-Executive Director eligible to be nominated by the Minister for Transport on 12 July 2013.

At June 2013 a spare engine was segregated from the operating fleet and held in anticipation of a sale which was agreed in July 2013. A gain on disposal of approximately €3.0 million will be recognised in the second half of the year.

There have been no other significant events occurring after the reporting period, up to and including the date of approval of the financial statements by the Board of Directors.

## 28 Principal risks and uncertainties

The principal risks and uncertainties to which the Group is exposed as disclosed on pages 23 to 29 in the "Principal risks and uncertainties" section of the annual consolidated financial statements for the year ended 31 December 2012 continue to apply.

They include economic risks, relationships and alliances with other airlines, staff productivity and industrial relations, our ability to recover increases in commodity costs, the impact of ongoing organisation change programmes, potential for operational disruption, and fleet management.

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 economic challenges in the Group's primary markets, in particular the Group's core Irish market and in key European markets served, has negatively impacted performance and is likely to continue to impact the Group's business for the foreseeable future. Any further deterioration in the Irish economy, particularly events which may damage consumer confidence, disposable income, inbound tourism or foreign investment may have a significant adverse effect on the business.
- **Currency:** The relative strength of the US dollar against the Euro may adversely affect outbound bookings on transatlantic routes and may increase those Group costs, particularly fuel, that are denominated in US Dollars.
- **Closure or disruption of airspace:** A closure or disruption of airspace, for example caused by extreme weather, volcanic ash or other reasons, could have a significant financial impact on the Group in terms of lost revenue and the costs of passenger disruption.
- **Change management:** The Group remains committed to protecting the ongoing benefits to the business of successful past restructuring programmes including the Greenfield cost savings programme. Industrial action or the threat of industrial action that may arise in response to the continued focus on cost control could have a negative impact on the Group's financial and operating performance. In this context, the Group continues to negotiate with unions representing various sections of its workforce. If these discussions were to prove unsuccessful, any subsequent industrial action could prove damaging to the Group's business.
- **People:** The Group's future performance is dependent on its ability to recruit and retain strong and effective staff at all levels, in line with the operational size and shape of the business. This risk is exacerbated by the continuing uncertainty caused by historic offers by Ryanair Holdings plc for the Group including Ryanair's most recent offer made in July 2012.
- **Pension:** The trust deeds governing the Irish Airlines (General Employees) Superannuation Scheme and the Irish Airlines (Pilots) Superannuation Scheme (collectively the "Irish Pension Schemes") to which the Group contributes, state that no changes to those contribution rates are possible without the Group's consent. Management remains of the opinion that the liability of the Group to contribute to the Irish Pension Schemes is fixed at their respective, current contribution rates and, accordingly that the Group has neither a constructive nor a legal obligation to increase its rate of contributions to the Irish schemes, even if those schemes were found to have insufficient funds to pay all employees the benefits relating to their current and past employment service.

At 27 March 2013, the Irish Airlines Superannuation Scheme was estimated to have an actuarial deficit of approximately €769 million on the statutory minimum funding standard basis. At 27 March 2013, the Irish Airlines (Pilots) Superannuation Scheme was estimated to have an actuarial deficit of approximately €172 million on the statutory minimum funding standard basis. In the absence of additional funding commitments from Aer Lingus and the other sponsoring employers, the Trustees of the Irish Pension Schemes will be required to take measures to improve the scheme's financial position. If such measures result in a reduction in member benefits, it is likely that there will be an adverse effect on employee relations. There is therefore a risk that the Group could become involved in industrial disputes with its employees, which would be significantly detrimental to the operations of the airline and its financial performance. It is also possible that the Group's position that it has no responsibility for the deficit in the Irish Pension Schemes will be subject to legal challenge from individual employees or deferred pensioners and lengthy litigation could ensue. If, contrary to the firm legal advice that the Group has received, a court were to find against the Group in any such litigation, significant or very significant loss could arise.

In the context of the IASS funding shortfall, Aer Lingus Limited has attempted to assist in the achievement of a fair outcome that improves the pension prospects of affected IASS members in a way that will balance the interests of all parties, including shareholders and employees. On this basis, Aer Lingus Limited has participated in a process of discussion under the auspices of the Labour Relations Commission which commenced in 2010 and, which more recently has also involved the Irish Business and Employers Confederation, the Irish Congress of Trade Unions and the Labour Court. This process has resulted in the development of a proposal (the "IASS Proposal") to address the funding shortfall in the IASS and place the provision of pension benefits in Aer Lingus on a sustainable basis.

The IASS Proposal and the related approval and implementation process represent a highly complex range of approvals, consents and agreements involving the Trustee, the Pensions Board, Aer Lingus Limited, Aer Lingus Group plc shareholders, DAA, trade unions, active and deferred members, all of which needs to be achieved in order for the IASS Proposal to be successfully implemented. Given the nature of the proposed adjustments to participants' interests, it is possible that the implementation of the IASS Proposal could potentially result in disputes involving Aer Lingus, DAA, SR Technics and Shannon Airport Authority Limited and/or the IASS Trustee which could prove damaging to the Group's business.

See Note 16 for a detailed update on the Group's response to this issue.

- **Competition:** The Group faces strong competition in the markets in which it operates and if the Group fails to continue to respond effectively to that competition, market share and financial performance could be impacted.
- **Group ownership:** The Group's current share ownership configuration and speculation over future ownership continue to require considerable time investment by senior management. There is a risk that continued uncertainty of this nature will inhibit management's ability to develop and implement its business strategy, leading to a potential loss in competitiveness. This uncertainty may also deter customers from booking with Aer Lingus if they become concerned about the future of the airline.
- **Safety:** Failure to operate safely or to adequately respond to an emergency safety incident could adversely impact the Group's operation and financial performance.
- **Fuel:** Significant fluctuations in the price of fuel could negatively impact the Group's operations.
- **Taxes:** New passenger taxes could have a material effect on the performance of Aer Lingus' routes. In addition, changes to existing passenger taxes imposed with retrospective effect could have a material impact on the Group's financial position. Refer to Note 18 for further details in respect of developments in relation to air travel taxes.



## 29 Responsibility statement

The Directors are responsible for preparing this interim management report and the condensed interim financial information in accordance with the Transparency (Directive 2004/109/EC) Regulations 2007, the related Transparency Rules of the Central Bank of Ireland and with IAS 34, Interim Financial Reporting as adopted by the European Union.

Each of the directors, being those whose names and functions are listed on pages 30 to 31 of our 2012 Annual Report, and the director appointed during the half year as disclosed in Note 27, confirm that, to the best of each person's knowledge and belief:

- the condensed consolidated interim Group financial statements for the half year ended 30 June 2013 has been prepared in accordance with the international accounting standard applicable to interim financial reporting, IAS 34, adopted pursuant to the procedure provided for under Article 6 of the Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19 July 2002;
- the interim management report includes a fair review of the important events that have occurred during the first six months of the financial year, and their impact on the condensed interim Group financial statements for the half year ended 30 June 2013, and a description of the principal risks and uncertainties for the remaining six months;
- the interim management report includes a fair review of related party transactions that have occurred during the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period, and any changes in the related parties' transactions described in the last annual report that could have a material effect on the financial position or performance of the Group in the first six months of the current financial year.

Signed on behalf of the Board

**Andrew Macfarlane**  
Director and Chief Financial Officer

**Christoph Mueller**  
Director and Chief Executive Officer

31 July 2013