Aer Lingus Group plc

ISE: EIL1 LSE: AERL

FIRST HALF RESULTS

Dublin, London, 31 July 2012: Aer Lingus Group plc ("Aer Lingus", "the Group") today announces its results for the three month and six month periods ended 30 June 2012.

	Q2 2012	Q2 2011 As restated[2]	Change	H1 2012	H1 2011 As restated[2]	Change
Passengers ('000s)	2,612	2,582	1.2%	4,511	4,363	3.4%
Average yield per passenger (€)	119.18	113.13	5.3%	113.70	106.94	6.3%
Revenue (€m)	374.8	351.2	6.7%	626.3	569.1	10.1%
Operating costs (€m)	343.1	324.3	5.8%	630.7	595.9	5.8%
Operating profit /(loss) [1] (€m)	31.7	26.9	17.8%	(4.4)	(26.8)	83.6%
Profit/(loss) before tax (€m)	11.4	42.7	(73.3%)	(24.5)	(13.7)	78.8%

Note: the consolidated financial statements are presented in Euro rounded to the nearest thousand. Therefore, discrepancies in the tables between totals and the sums of the amounts listed may occur due to such rounding.

[1] Before net exceptional items

[2] 2011 comparatives have been restated following a voluntary change in accounting policy adopted in Q4 2011 and applied retrospectively related to IAS 19 "employee benefits". Following the change, actuarial gains and losses associated with post employment benefit obligations are recognised in the statement of comprehensive income rather than the income statement. The previously reported operating results, before net exceptional items, were €25.9 million and (€27.8m) for Q2 2011 and H1 2011, respectively.

	30 Jun 2012	31 Mar 2012	Change	30 Jun 2012	31 Dec 2011	Change
Gross cash (€m)	1,049.9	1,002.0	4.8%	1,049.9	894.8	17.3%
Gross debt (€m)	572.2	556.1	2.9%	572.2	577.2	(0.9%)

Q2 2012 highlights

- Positive Q2 performance following an encouraging Q1 start to 2012
- Substantial year-on-year improvement in Q2 2012 operating profit to €31.7 million (Q2 2011 operating profit of €26.9 million)
- Total passenger volumes increased by 1.2% despite broadly flat year-on-year capacity deployment
- Significant 5.3% year-on-year improvement in average yield per passenger achieved despite a difficult demand environment
- Total revenue increased by 6.7% compared to Q2 2011; revenue performance underpinned by both volume and yield growth
- Strong long haul performance a key feature of Q2 2012

H1 2012 highlights

- Strong trading performance over the first six months of 2012
- Significant year-on-year improvement in operating loss to €4.4 million (H1 2011 operating loss of €26.8 million)
- Total passenger volumes increased by 3.4% compared to H1 2011
- Average yield per passenger up significantly by 6.3% over H1 2011
- H1 2012 total revenue up 10.1% compared to H1 2011
- Operating costs increased by 5.8% versus H1 2011 largely due to a 29.6% increase in fuel and 8.1% increase in airport charges
- Strong balance sheet with over €1 billion gross cash

Christoph Mueller, Aer Lingus' CEO, commented: *"Aer Lingus has produced a good trading performance in the seasonally weak first half of 2012. The Group's operating loss of €4.4 million represents a significant improvement over the prior year. These results clearly demonstrate that our strategy of building a leaner and more efficient Aer Lingus is working.*

Since 2009, the Aer Lingus staff and management team, have delivered significant and successful change to the business. These changes include the re-positioning of our business to serve underlying demand, gains in market share and significant ongoing cost reduction leading to a return to profitability. This turnaround in performance since 2009 along with the payment of our first dividend since the 2006 IPO, demonstrate that Aer Lingus is committed to delivering value. We will continue to focus on improving our operational and financial performance during the key summer travel months of 2012. If current trends continue, Aer Lingus' operating profit, before net exceptional items, for 2012 will be at least that achieved in 2011 (€49.1 million).

Ryanair indicated its intention to bid for the Group in June and launched a formal offer for Aer Lingus on 17 July 2012. The Board of Aer Lingus has unanimously recommended that shareholders reject Ryanair's offer by taking no action."

A webcast presentation and conference call for institutional shareholders and analysts will be held on 31 July 2012 at 10.00 (Dublin Time). This will be available on a live webcast at www.aerlingus.com.

Enquiries:

Investors & analysts			
Derek Abbey	Aer Lingus investor relations	Tel:	+353 1 886 2200
Jonathan Neilan	FTI Consulting	Tel:	+353 1 663 3686
Media			
Declan Kearney	Aer Lingus communications	Tel:	+353 1 886 3662
Rothschild	Financial advisor	Tel:	+44 207 280 5000
Robert Leitao			
Stuart Vincent			
Emmet Walsh			
Goodbody	Financial advisor & joint broker	Tel:	+353 1 667 0420
Finbarr Griffin			
Linda Hickey			
UBS	Financial advisor & joint broker	Tel:	+44 207 567 8000
Hew Glyn Davies			
Anna Richardson Brown			

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.

Dealing Disclosure Requirements

Under the provisions of Rule 8.3 of the Irish Takeover Panel Act, 1997, Takeover Rules 2007, as amended (the "Irish Takeover Rules"), if any person is, or becomes, 'interested' (directly or indirectly) in, one percent, or more of any class of 'relevant securities' of Aer Lingus or Ryanair, all 'dealings' in any 'relevant securities' of Aer Lingus or Ryanair (including by means of an option in respect of, or a derivative referenced to, any such 'relevant securities') must be publicly disclosed by no later than 3:30 pm (Dublin time) on the business day following the date of the relevant transaction. This requirement will continue until the date on which the offer becomes effective or on which the 'offer period' otherwise ends. If two or more persons co-operate on the basis of any agreement, either express or tacit, either oral or written, to acquire an 'interest' in 'relevant securities' of Aer Lingus or Ryanair, they will be deemed to be a single person for the purpose of Rule 8.3 of the Irish Takeover Rules.

Under the provisions of Rule 8.1 of the Irish Takeover Rules, all 'dealings' in 'relevant securities' of Aer Lingus by Ryanair or 'relevant securities' of Ryanair by Aer Lingus, or by any of their respective 'associates' must also be disclosed by no later than 12 noon (Dublin time) on the business day following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose 'relevant securities' 'dealings' should be disclosed can be found on the Panel's website at www.irishtakeoverpanel.ie.

'Interests in securities' arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an 'interest' by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities.

Terms in quotation marks are defined in the Irish Takeover Rules, which can also be found on the Irish Takeover Panel's website. If you are in any doubt as to whether or not you are required to disclose a dealing under Rule 8, please consult the Panel's website at www.irishtakeoverpanel.ie or contact the Panel on telephone number +353 1 678 9020; fax number +353 1 678 9289.

Rothschild is acting exclusively for Aer Lingus and no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Aer Lingus for providing the protections offered to clients of Rothschild nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

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UBS Limited ("UBS") is acting as financial adviser for Aer Lingus and no one else in connection with the subject matter of this announcement and will not be responsible to anyone other than Aer Lingus for providing the protections offered to clients of UBS nor for providing advice in relation to the subject matter of this announcement or any other matters referred to in this announcement.

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Note on forward-looking information
This Announcement contains forward-looking statements, which are subject to risks and uncertainties because they relate to expectations, beliefs, projections, future plans and strategies, anticipated events or trends, and similar expressions concerning matters that are not historical facts. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The forward-looking statements referred to in this paragraph speak only as at the date of this Announcement. The Group will not undertake any obligation to release publicly any revision or updates to these forward-looking statements to reflect future events, circumstances, unanticipated events, new information or otherwise except as required by law or by any appropriate regulatory authority.

Note on unaudited operating and financial information
This Announcement contains unaudited operating and financial information in relation to the business of Aer Lingus extracted from the following sources: (1) management accounts for the relevant accounting periods; (2) internal financial and operating reporting systems supporting the preparation of financial statements; and (3) internal non-financial operating reporting systems. These management accounts are prepared using information extracted from accounting records used in the preparation of the Group's historical financial information, although they may also include certain other management assumptions and analyses.

Financial performance

	Three months ended 30 June 2012	2011 As restated	Change	Six months ended 30 June 2012	2011 As restated	Change
	€m	€m		**€m**	€m	
Revenue						
- Passenger revenue						
- Fare revenue	**311.3**	292.1	6.6%	**512.9**	466.6	9.9%
- Retail revenue	**46.9**	45.0	4.2%	**84.5**	77.5	9.0%
- Total	***358.2***	*337.1*	*6.3%*	***597.4***	*544.1*	*9.8%*
- Cargo revenue	**12.3**	11.3	8.8%	**23.3**	22.0	5.9%
- Other revenue	**4.3**	2.8	53.6%	**5.6**	3.0	86.7%
- Total	**374.8**	351.2	6.7%	**626.3**	569.1	10.1%
Operating costs						
- Fuel	**(99.3)**	(77.4)	28.3%	**(167.9)**	(129.6)	29.6%
- Staff costs	**(66.7)**	(65.6)	1.7%	**(131.7)**	(126.7)	3.9%
- Airport charges	**(82.0)**	(75.7)	8.3%	**(138.9)**	(128.5)	8.1%
- Other operating costs	**(95.1)**	(105.6)	(9.9%)	**(192.2)**	(211.1)	(9.0%)
- Total	**(343.1)**	(324.3)	5.8%	**(630.7)**	(595.9)	5.8%
Operating profit/(loss) before net exceptional items	**31.7**	26.9	17.8%	**(4.4)**	(26.8)	(83.6%)
Net exceptional items (i)	**(19.8)**	17.1	NM	**(19.8)**	14.9	NM
Operating profit/(loss) after net exceptional items	**11.9**	44.0	(73.0%)	**(24.2)**	(11.9)	103.4%
Net finance income/(expense)	**(0.5)**	(1.3)	(61.5%)	**(0.3)**	(1.8)	(83.3%)
Profit/(loss) before tax	**11.4**	42.7	(73.3%)	**(24.5)**	(13.7)	78.8%
EBITDAR (ii)	**62.5**	57.7	8.3%	**56.4**	35.8	57.5%
Passengers carried ('000) *	**2,612**	2,582	1.2%	**4,511**	4,363	3.4%
Average yield (€) *	**119.18**	113.13	5.3%	**113.70**	106.94	6.3%
Retail revenue per passenger (€) *	**17.96**	17.43	3.0%	**18.73**	17.76	5.5%
Available seat kilometres (ASKs) (m) *	**5,196**	5,218	(0.4%)	**9,026**	8,869	1.8%
Passenger load factor *	**77.2%**	74.1%	3.1pts	**73.6%**	71.0%	2.6pts

	30 June 2012	31 March 2012	Change	**30 June 2012**	31 December 2011	Change
Gross cash	**1,049.9**	1,002.0	4.8%	**1,049.9**	894.8	17.3%
Gross debt	**572.2**	556.1	2.9%	**572.2**	577.2	(0.9%)

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

US$	**3 months ended 30 June 2012**	**2011**	**6 months ended 30 June 2012**	**2011**
Period average	1.30	1.43	1.31	1.40
Period end rate	1.25	1.43	1.25	1.43

NM Not meaningful

(i) Revenues and costs associated with the re-measurement of provisions for restructuring costs, bid defence costs, fleet management and closing out certain hedges.

(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 and the Washington Dulles – Madrid code share service operated in partnership with United Airlines.

Review of business performance in first six months of 2012

In H1 2012, Aer Lingus continued to pursue the same successful commercial and operational strategy which has driven the Group's significant turnaround since 2009. The most significant elements of this strategy continue to be:

- Alignment of capacity deployment with underlying market demand
- Use of Aer Lingus' "*open network architecture*" to enable cost effective extension of the Group's core network; to facilitate co-operation with a wide variety of partner airlines and to provide important feeder services into continental European airport hubs
- Continued implementation of the €97 million "*Greenfield*" cost reduction programme

These actions have underpinned the Group's positive trading performance over the first six months of 2012. Aer Lingus is typically seasonally loss making in the first half of the year. The Group incurred an operating loss, before exceptional items, of €4.4 million, which represents a significant improvement on the operating loss of €26.8 million reported for the first six months of 2011.

At the start of the year, Aer Lingus recognised that it would have to address certain key challenges in 2012. At the time, the Group acknowledged that fuel price inflation would likely be a key source of uncertainty during 2012; that continued increases in passenger volumes would be difficult given muted market conditions and that higher revenue per seat would be difficult to achieve across the network. In addition, because the Group's key markets remain competitive, Aer Lingus decided to keep capacity deployment broadly flat compared to 2011.

Despite these challenges, Aer Lingus experienced an encouraging start to 2012 and the Group traded positively during the first three months of the year. Long haul performance, especially in the business class cabin, was strong with both load factors and yield well above prior year. Short haul routes, which comprise the majority of the Group's business, also generally performed ahead of prior year. Aer Lingus continues to manage its short haul and long haul routes on an integrated basis to optimise traffic flow and to maximise overall profitability of the route portfolio. The first quarter's results were assisted by the relatively high proportion of higher yielding, time sensitive passengers. Aer Lingus continued its approach in the second quarter of offsetting the continuing weakness in Irish consumer demand by focusing increasingly on serving higher yielding, price sensitive demand.

Aer Lingus' strong revenue performance in the quarter offset higher airport charges and fuel costs compared to prior year to produce a lower underlying loss than in Q1 2011. The combined effect of the above factors was that the Q1 2012 operating loss, before exceptional items, of €36.1 million improved by 32.8% compared to Q1 2011. However, it should be noted that the prior year comparatives reported for Q1 2011 reflected the negative impact of industrial action which severely disrupted operations in early 2011. At the time, we estimated that this disruption cost approximately €15.0 million in terms of lost revenues and the cost of ad-hoc aircraft hire. The disruption has also accentuated the reported increases in yield and passenger volumes.

Following the encouraging start to 2012 experienced in Q1, Aer Lingus continued to trade well during Q2 2012 and reported an operating profit before exceptional items of €31.7 million (2011: €26.9 million) for the quarter. The ongoing strong performance of the Group's long haul routes was a continuing feature of the business in Q2 2012 with quarterly long haul revenues increasing by 19.0% on a year-on-year basis (following a 24.6% increase in Q1 2012). There were a number of factors contributing to this performance including the strength of the long haul business cabin. During the first half, we have continued to benefit from our partnerships and alliances which, together with our Regional business, have been key contributors to our trading performance. We have also, during the first half, continued to pursue our Greenfield cost reduction programme which is approaching its third anniversary. The value of savings achieved at 30 June 2012 was €95.8 million, up from €84.3 million at the end of 2011.

2012 full year outlook

If current trends continue, Aer Lingus' operating profit, before net exceptional items, for 2012 will be at least that achieved in 2011 (€49.1 million).

Recent commercial developments

On 9 July 2012, Aer Lingus announced that it has agreed with JetBlue to move the Group's New York flight operations from Terminal 4 at John F. Kennedy International Airport ("JFK") to JetBlue's Terminal 5 at JFK in early 2013. Aer Lingus will become the first non US carrier to join JetBlue at Terminal 5, a move that will offer customers a premium airport experience whether they are travelling only with Aer Lingus between Ireland and New York or connecting to one of JetBlue's many destinations across the Americas.

On 19 July 2012, Aer Lingus announced that it is to move to George Best Belfast City Airport in autumn 2012 after five years at Belfast International. Following a tender process involving both airports, the decision has been taken to base two aircraft at George Best Belfast City Airport during the winter and three during the summer. A revised winter schedule for 2012 will provide three return flights daily to each of London Heathrow and London Gatwick airports. The summer schedule, which begins from the end of March 2013, will operate daily flights to two sun destinations; Malaga and Faro, in addition to the three daily rotations each to London Heathrow and Gatwick airports.

On 30 July 2012, Aer Lingus announced that it has reached commercial agreement with Etihad Airways regarding interline and code-share arrangements. It is planned that Aer Lingus co-operate with Etihad Airways on flights between Abu Dhabi and Dublin and have full access to flights across the network beyond Abu Dhabi, to points including Australia, Asia-Pacific, the Indian subcontinent and the Middle East.

Network extension opportunities

Aer Lingus' partnerships and bilateral relationships represent a crucial component of the Group's business model and strategy. The financial contribution from routes operated in partnership with other carriers to key central destinations and hubs (e.g. London Heathrow, Amsterdam and Chicago O'Hare) constitute a core component of the Group's overall profitability.

Aer Lingus' neutrality combined with its freedom to partner (i.e. lack of restrictions imposed by alliance membership) with a wide range of other airlines is essential to ensure Aer Lingus' continued viability as an independent profitable carrier and its future financial and commercial development.

This "*open network architecture*" will be a key pillar in the Group's future strategic development. Specifically, Aer Lingus' network development strategy will include the continuation of the Group's overall strategic course as a "*value carrier*" with cost effective network extension through new and existing bilateral relationships.

In particular, Aer Lingus will seek growth at London Heathrow where the Group is bidding to operate a UK domestic route, as a result of remedies arising from the IAG/bmi transaction. The London market is important to Aer Lingus both for local traffic and also to facilitate connectivity between Ireland and other parts of the world. Aer Lingus serves London Heathrow from all of its major bases, i.e. Dublin, Cork, Shannon and Belfast. The Group recently added Southend airport as a London market access point via the Aer Lingus Regional franchise.

Capital reduction
On 18 July 2012, the High Court considered submissions in relation to the Group's proposed capital reduction, which was approved by shareholders in November 2011. Court approval is the final stage in the process and the Court indicated that it would provide its decision on 31 July 2012.

Change in dividend policy
On 4 May 2012, Aer Lingus announced a change to its existing dividend policy and that it intends to pay a dividend for those future years in which Aer Lingus makes an operating profit, provided that the payment of a dividend is appropriate and prudent in the context of the Group's financial position, strategic objectives and prospects. Aer Lingus is paying its first dividend of three Euro cent a share on 31 July 2012, amounting to approximately €16.0 million in aggregate terms. Subject to the above conditions, the Board would also expect to pay an annual dividend of approximately 3 euro cent per share in each of the next two years.

Exceptional items
Aer Lingus incurred €19.8 million of exceptional costs in H1 2012. This includes a charge of €11.7 million for restructuring costs, the largest component of which relates to the planned relocation of A330 maintenance activity from Shannon to Dublin. In addition, Aer Lingus also incurred €4.3 million in respect of advisory fees and other costs related to Ryanair's offer for Aer Lingus. Further significant costs will follow as the bid progresses. The offer period commenced on 19 June 2012.

Pensions
There has been no change to pension risks and uncertainties, a detailed description of which was set out in the 2011 annual report published on 30 March 2012. The Group's position remains that it has no responsibility for the funding shortfall in the Irish Airlines Superannuation Scheme ("IASS") or the Irish Airline Pilot Pension Scheme.

Aer Lingus notes the recently concluded union ballot to seek a mandate for industrial action in the event that the funding shortfall in the IASS is not addressed. Notwithstanding this ballot, the Group believes that the process being conducted under the auspices of the Labour Relations Commission continues to represent the best opportunity for the resolution of issues arising from the shortfall in the IASS.

Ryanair offer
Ryanair indicated its intention to bid for the Group in June and launched a formal offer for Aer Lingus on 17 July 2012. The Board of Aer Lingus has unanimously recommended that shareholders reject Ryanair's offer by taking no action and have written to shareholders to set out in detail its reasons for rejecting the Ryanair offer in accordance with Rule 30.3(a) of the Irish Takeover Panel Act, 1997.

Q2 financial review
Following a positive Q1 2012 performance, Aer Lingus continued to trade strongly in Q2 2012. Total revenues increased by 6.7% and Aer Lingus generated an operating profit of €31.7 million, before net exceptional items, in the quarter (2011: €26.9 million).

Total passenger fare revenue increased by 6.6% in Q2 2012 compared to Q2 2011 due to a 1.2% increase in passenger numbers and a 5.3% increase in average yield per passenger. Capacity was 0.4% lower than Q2 2011 as the Group continues to direct capacity to better serve demand from inbound, time sensitive short haul markets in addition to schedule changes to the transatlantic route network.

Short haul passenger revenue increased by 2.1% to €219.9 million in Q2 2012 compared to Q2 2011. The average yield per passenger on short haul routes increased by 1.9% in Q2 2012 compared to Q2 2011, mainly due to improved yield management and active network management. Short haul passenger volumes increased by 0.2%. Short haul capacity was marginally down in Q2 2012 compared to Q2 2011 with a decrease of 0.9% in ASKs. Short haul load factor in Q2 2012 increased by 1.2 points compared to Q2 2011, reflecting the relative increase in passenger numbers in the context of reduced capacity.

Long haul continued to perform strongly in Q2 2012 and transatlantic passenger revenue increased by 19.0% to €91.4 million (2011: €76.8 million). Average yield on long haul routes increased by 7.8% to €343.8 in Q2 2012 (2011: €318.8) while long haul passenger volumes increased by 10.4%. Long haul capacity was 0.5% higher on Q2 2011. Long haul load factor increased by 7.3 points in Q2 2012 versus Q2 2011. This growth in yield and load factor contributed to the significant increase noted previously in overall long haul passenger revenue.

Aer Lingus Regional services operated by Aer Arann continued to trade in line with management expectations.

Total retail revenue increased by 4.2% to €46.9 million in Q2 2012 (2011: €45.0 million) as a result of the increase in passenger numbers carried and a higher spend per passenger. Retail revenue per passenger increased by 3.0% in Q2 2012 to €17.96 (2011: €17.43). The increase was partly driven by the success of the "*Plus fare*" option introduced in the second half of 2011 for short haul routes. The plus fare option allows customers to select their seats and to also carry one item of checked baggage. In addition, retail developments such as the launch of the "*Sky-Deli*" on-board food offering and changes to the online booking flow also underpinned the year-on-year increase in retail revenue per passenger.

Operating costs in Q2 2012 were up 5.8% on Q2 2011, driven by a 28.3% increase in fuel costs to €99.3 million from €77.4 million in 2011 (reflecting adverse movements in fuel price per tonne and US Dollar exchange rate), a 13.9% increase in aircraft hire charges and an 8.3% increase in airport charges as a result of price increases at London Heathrow and volume increases in Dublin. However, the increase in US Dollar denominated costs was offset by a gain of €6.0 million largely due to the protective effect of currency hedges.

Fuel represented 28.9% of total costs in the quarter (2011: 23.9%). Block hours flown remained consistent year on year and fuel burn in tonnes increased by 0.5%. US Dollar denominated fuel costs in the quarter increased by 16.6% to US$128.9 million (2011: US$110.5 million). The main driver for the increase was the combined impact of a stronger US Dollar and a higher fuel price per tonne. As a result, the Euro denominated cost of fuel in Q2 2012 increased by €21.9 million (i.e. 28.3%) to €99.3 million (2011: €77.4 million). The average cost of fuel, including into plane fees, was $1,069/tonne (2011: $929/tonne).

Q2 2012 exceptional items include €11.7 million of provisions for restructuring costs (including €8.2 million specifically for the restructuring of long haul maintenance operations at the Shannon airport base), €2.2 million being a further write-down in the carrying value of the available for sale A320 aircraft and €1.5 million of other asset impairments. Exceptional items also include €4.3m for professional fees associated with the third Ryanair offer for the company. The offer period commenced on 19 June 2012. In the corresponding period in 2011, exceptional items included profits associated with the disposal of an A330 aircraft and the release of €11.6 million from the cash flow hedging reserve related to foreign exchange hedges associated with planned purchase of three A330 aircraft and the exercise in Q1 2011 of an option to convert those orders to three A350 aircraft scheduled for delivery no earlier than 2018.

H1 financial review

The Group reported an operating loss, before exceptional items, of €4.4 million for the first half of 2012 (2011: loss of €26.8 million). There were a number of key factors which affected Aer Lingus' trading performance during the first six months of 2012.

Firstly, the underlying fundamentals of the Aer Lingus business model continue to drive improvements and performance in terms of yield revenue growth and cost control. In addition, H1 2012 performance benefited from the non-recurrence of the IMPACT cabin crew dispute which significantly disrupted operations in the first half of 2011 and which cost Aer Lingus an estimated €15 million in lost revenues and additional costs.

Movements in currency exchange rates also had an impact on the Group's performance reported for H1 2012. Aer Lingus is typically short approximately US$300 million on an annual basis and the Group normally hedges a portion of this USD exchange rate exposure. The appreciation in the average US Dollar exchange rate between H1 2011 and H1 2012 had an adverse impact on the Group's income statement, which was only partly offset by the relative appreciation of Sterling which increased the value of our net Sterling revenues.

Jet fuel price movements were also a key factor impacting the Group's performance in H1 2012. While fuel spot prices remained high over the early months of 2012, price levels have more recently declined. However, for the first half of 2012 average price per tonne was up 20.8% in US Dollar terms.

Passenger revenue

Passenger revenue increased by 9.8% to €597.4 million in the period (2011: €544.1 million). Capacity increased by 1.8% to 9,026 million available seat kilometres (2011: 8,869 million seat kilometres) and passengers carried increased by 148 thousand or 3.4% year on year with the IMPACT cabin crew dispute in Q1 2011 adversely affecting the prior year comparatives. Average yield per passenger increased by 6.3% and revenue per passenger (i.e. passenger yield plus retail revenue) also increased by 6.2% to €132.43. Total passenger load factor increased by 2.6 points to 73.6% due predominantly to strong performance on long haul. The Group implemented a new revenue management system in 2011 and the benefits of this system are now being realised through improved demand forecasting and revenue optimisation.

Short haul

Total short haul passengers carried over the first 6 months of 2012 increased by 2.6% to 4,078 thousand. Aligned with the increase in passengers, average short haul yield increased by 3.4% to €90.43 (2011: €87.47). The combination of increased passenger numbers, increased capacity (as detailed below) and increased yield has seen total short haul passenger revenue for the 6 months to June 2012 increase by 6.1% to €368.8 million (2011: €347.5 million).

Short haul capacity, measured by ASKs increased by 1.0% arising mainly from the negative effect of the IMPACT cabin crew dispute on available capacity in H1 2011. Capacity utilisation, measured by revenue passenger kilometres (RPKs) increased by 3.1% resulting in short haul load factor increasing by 1.5 points to 71.8%. This increase is again primarily driven by the relative negative effect of the IMPACT dispute on H1 2011 but is also driven by more effective management and planning of capacity.

In H1 2012, Aer Lingus introduced two leased A319 aircraft into the fleet to replace A320 aircraft which are leaving the fleet in 2012. The economics associated with the A319 type aircraft are appropriate for some of the lower demand routes within the Aer Lingus network and will provide increased opportunities for capacity and yield management which will drive ongoing operating and cost efficiencies. Aer Lingus has no plans to further change the short haul fleet in 2012.

Long haul

Total long haul passengers increased by 11.0% to 433 thousand in H1 2012 (2011: 390 thousand). In addition, average long haul yield increased substantially by 9.0% or €27.52 to €332.87 (2011: €305.35) in the first six months of 2012. This was due in part to higher business class occupancy. Long haul revenue was €144.1 million (2011: €119.1 million).

Long haul capacity, measured by ASKs, increased by 3.4% in H1 2012 to 2.9 million (2011: 2.8 million). As noted in the short haul analysis above, the main reason for this increase can be attributed to the negative effect of the IMPACT cabin crew dispute in H1 2011. Long haul load factor showed a significant improvement over H1 2011, increasing by 5.0 points to 77.5% (2011: 72.5%). One important aspect contributing to the positive performance on long haul is the relative strength of the US Dollar relative to the Euro which is encouraging incoming bookings from US to Ireland. In addition, overall capacity in our transatlantic markets was tight during the first six months of 2012.

Retail revenue

Total retail revenues increased by 9.0% on H1 2011 to €84.5 million. This increase was the result of a higher number of passengers carried and an increased spend per passenger. The average spend per passenger increased by 5.5% to €18.73 (2011: €17.76). This increase was driven by a number of factors including the success of the "*Plus fare*" option on short haul allowing passengers pay for seat selection and 1 item of checked baggage in a single add-on. The most significant components of retail revenue, other than "plus fare" continue to be baggage fees, online booking fee, seat selection fees and commissions.

Cargo

Cargo continues to be an important component of the Group's business offering. Aer Lingus' strategy is to carry cargo on long haul routes and also on short haul routes where aircraft turnaround times permit. Total cargo revenue increased by 5.9% to €23.3 million (2011: €22.0 million). Total tonnage declined by 6.3% compared with H1 2011. Volume decline reflected increased competition, particularly in US, and also weaker demand in eurozone. Short haul tonnage increased by 10.8% to 3,735 tonnes while long haul tonnes decreased by 11.5% to 9,937 tonnes.

Operating costs
Total operating costs, before net exceptional items, increased by 5.8% or €34.8 million to €630.7 million (2011: €595.9 million). This increase can be primarily attributed to increased fuel costs (€38.3 million) driven by adverse price and FX movements on US Dollar, airport charges (€10.4 million) driven again by price and FX movements (particularly Sterling associated with London Heathrow). The main increases noted above were partly offset by a gain of €8.3 million recorded in H1 2012 associated with FX hedges.

Staff costs (excluding the impact of business transformation charges reported within net exceptional items), which represent 20.9% of operating costs, increased by 3.9% to €131.7 million in H1 2012, primarily as a result of increased headcount in Flight Crew, In-flight Services and Catering to support higher levels of business activity. The impact of the prior year IAS 19 "Employee benefits" restatement had the effect of reducing reported H1 2011 staff costs by €1.0 million.

Airport charges, which represent 22.0% of operating costs, increased by 8.1% to €138.9 million (2011: €128.5 million). The increase is primarily due to increased charges levied at London Heathrow, increased volumes at Dublin and adverse FX movements on US Dollar and Sterling relative to the Euro. En-route charges increased by 2.6% to €29.6 million (2011: €28.9 million) due mainly to increased flights in the period as prior year was effected by the IMPACT cabin crew dispute.

Depreciation decreased by 7.3% to €37.0 million (2011: €39.9 million). This is mainly attributed to reduced costs from the removal of an A320 aircraft from the fleet in 2011 and which is no longer depreciated as it is now designated as being held as available for sale. In addition, accelerated depreciation was provided in 2011 on retrofits of A330 aircraft.

Aircraft operating lease costs increased by 4.8% to €23.8 million (2011: €22.7 million) due to adverse FX movements on US Dollar relative to the Euro and also due to additional lease costs of two A319 aircraft which entered the fleet in H1 2012.

Maintenance costs increased by 5.3% to €25.6 million (2011: €24.3 million). An internal model has been developed to more accurately analyse and forecast the timing and amount of engine maintenance and hand-back costs and this model should generate cash savings to Aer Lingus in the medium term by allowing more pro-active management of engine units.

Distribution costs increased by 2.7% to €26.9 million (2011: €26.2 million) due to an increase in credit card handling charges, Computer Reservation System fees and interline service charges offset by a decrease in advertising spend relative to 2011.

Ground operation/other operating costs decreased by 16.0% to €57.6 million from €68.5 million in H1 2011. The 2011 costs were unusually high due to the aircraft and crew hire in costs and additional flight cancellation charges incurred in 2011 which arose from the IMPACT cabin crew dispute in January and February 2011.

Fuel represented 26.6% of total costs in H1 2012 (2011: 21.7%). US Dollar denominated fuel costs in H1 2012 increased by 21.1% to US$219.8 million (2011: US$181.4 million). The increase can be attributed to a number of factors including an increase in block hours flown of 2.7% again linked to the IMPACT cabin crew dispute in H1 2011, an increase in the price per tonne of fuel compared to 2011 and also adverse FX movements of the US Dollar relative to Euro. As a result, the Euro denominated cost of fuel in H1 2012 increased by €38.2 million (29.5%) to €167.8 million (2011: €129.6 million). The average cost of fuel, including into plane fees was US$1,045/tonne (2011: US$888/tonne).

Other net gains/losses, which largely consist of gains from maturing currency contracts used to manage foreign exchange exposure reflected in other income statement captions, returned a net gain of €8.3 million for the six months to 30 June 2012 compared to a net loss of €0.6 million for the same period in 2011.

Greenfield cost reduction programme
"Greenfield" remained on track in H1 2012. Aer Lingus now expects to achieve total "Greenfield" cost savings in 2012 with an annual value at least in line with the Group's initial target of €97 million. The Group had achieved savings of €84.3 million at the end of 2011, with new initiatives in the first half (particularly in the areas of fuel and overtime management), taking the total to €95.8 million at 30 June 2012.

€ million	Total savings achieved as at 30 June 2012
Staff	61.6
Non-staff	34.2
Total	**95.8**

Aer Lingus Regional and Washington Dulles – Madrid operation
Both Aer Lingus Regional services and the service between Washington and Madrid continue to trade in line with plan and are expected to continue to generate a positive contribution to the business in 2012. The Aer Lingus Regional franchise operation carried approximately 447 thousand passengers in H1 2012 and continues to be an important part of our network.

Net exceptional items
H1 2012 exceptional items include €11.7 million of provisions for restructuring costs (including the restructuring of maintenance operations at Shannon airport base), €2.2 million being a further impairment in the carrying value of the available for sale A320 aircraft and €1.5 million associated with other asset impairments. Exceptional items also include an amount of €4.3 million for professional fees associated with the Ryanair offer for the Group. The Group became liable for these costs on entering the offer period, as defined by the Irish Takeover Panel, on 19 June 2012. In the corresponding period in 2011, exceptional items included profits associated with the disposal of an A330 aircraft and the release of €11.6 million from the cash flow hedging reserve relating to capital hedges on aircraft orders.

Financing income and costs
Net finance expense for the period was €0.3 million (2011: expense €1.8 million). Finance expense of €8.4 million decreased by €0.5 million (5.6%) reflecting the impact of lower prevailing interest rates during the period. Finance income of €8.1 million (2011: €7.2 million) increased by 12.5% reflecting the impact of higher average deposit levels.

Tax charge
There was a tax credit for the period of €2.8 million (2011: €1.1 million) reflecting the application of the estimated full year effective income tax rate to the results for the first half.

Cash flow, gross cash and debt
The Group generated free cashflow (pre-exceptional operating profit as adjusted for depreciation charge, working capital movements, movements in provisions, net capital expenditure, net interest received and other movements) in H1 2012 of €160.0 million. Significant cashflow movements in the first six months of 2012 included working capital inflows of €154.7 million (reflecting the seasonal impact of customers booking and paying for their flights in the first half of the year in advance of travel in the peak summer months) and net capital expenditure of €23.0 million.

Gross cash (deposits and cash and cash equivalents) increased by €155.1 million during the period to €1,049.9 million (31 December 2011: €894.8 million). In addition to free cashflow discussed above, the Group made finance lease repayments totalling €22.1 million. Currency movements of €17.2 million positively impacted the value of the Group's cash balances. By comparison, gross cash increased by €34.4 million in the six month period ended 30 June 2011, due to the settlement of "leave and return" and higher aircraft capex in the prior period.

Gross debt decreased by €5.0 million in H1 2012 to €572.2 million (31 December 2011: €577.2 million). Finance lease obligations at 30 June 2012 increased by €17.0 million due to a combination of adverse FX movements and accrued interest, which were offset by debt repayments of €22.1 million.

Trade and other receivables
Trade and other receivables have increased by 23.1% since 31 December 2011 to €118.2 million (31 December 2011: €96.0 million). This increase reflects the higher level of revenues, including credit card sales.

Trade and other payables
Trade and other payables have increased by 63.2% to €479.0 million (31 December 2011: €293.5 million). This increase is principally driven by a €124.5 million increase in the ticket sales in advance balance since year end due to the seasonal impact of passengers purchasing tickets in advance of travel in the summer months. Ticket sales in advance increased by 97.3% to €252.5 million at 30 June 2012 (31 December 2011: €128.0 million).

Fuel and currency hedging
To achieve greater certainty on costs the Group manages its exposure to fluctuations in the prices of fuel and foreign currency through hedging. At 30 June 2012, the Group's estimated fuel requirements for the remainder of 2012 and for 2013 were hedged as follows:

	Q3 2012	**Q4 2012**	**Full year 2013**
Estimated burn ('000 tonnes)	125.1	101.0	435.1
% hedged	89%	91%	41%
Average hedged price per tonne of jet fuel	US$1,001	US$997	US$991

Since 30 June 2012, Aer Lingus has put in place additional fuel hedging protection. As at 30 July 2012, 94% of the Group's remaining H2 forecast fuel requirements were hedged at an average price of US$997 per tonne. The Group's major foreign currency exposure is to the US dollar. At 30 June 2012, the Group's forward purchases of US dollars comprised: 84% of the estimated trading requirements for the six months to 31 December 2012 at an average rate of €1=US$1.41 and 25% of the estimated trading requirements for 2013 at an average rate of €1=US$1.39.

Principal risks and uncertainties
Please see note 27 to the financial statements for a description of the principal risks and uncertainties to which the Group will be exposed in the second half of 2012. This includes a description of pension risk.

Appendix

Statistics	Three months ended 30 June			Six months ended 30 June		
	2012	2011	Change	**2012**	2011	Change
Passengers carried ('000) *						
Short haul	**2,346**	2,341	0.2%	**4,078**	3,973	2.6%
Long haul	**266**	241	10.4%	**433**	390	11.0%
Total	**2,612**	2,582	1.2%	**4,511**	4,363	3.4%
Revenue passenger kilometres (RPKs) (m) *						
Short haul	**2,624**	2,604	0.8%	**4,370**	4,238	3.1%
Long haul	**1,389**	1,260	10.2%	**2,276**	2,059	10.5%
Total	**4,013**	3,864	3.9%	**6,646**	6,297	5.5%
Available seat kilometres (ASKs) (m)						
Short haul	**3,522**	3,553	(0.9%)	**6,090**	6,029	1.0%
Long haul	**1,674**	1,665	0.5%	**2,936**	2,840	3.4%
Total	**5,196**	5,218	(0.4%)	**9,026**	8,869	1.8%
Passenger load factor (%) (flown RPKs per ASKs)*						
Short haul	**74.5%**	73.3%	1.2pts	**71.8%**	70.3%	1.5pts
Long haul	**83.0%**	75.7%	7.3pts	**77.5%**	72.5%	5.0pts
Total	**77.2%**	74.1%	3.1pts	**73.6%**	71.0%	2.6pts
Average yield (€)						
Short haul	**93.74**	91.98	1.9%	**90.43**	87.47	3.4%
Long haul	**343.76**	318.80	7.8%	**332.87**	305.35	9.0%
Total	**119.18**	113.13	5.3%	**113.70**	106.94	6.3%
Aer Lingus Regional passengers carried ('000)	**263**	195	34.9%	**447**	341	31.1%

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

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 2012, 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 and condensed consolidated interim statement of cash flows, and related notes.

We have read the other information contained in the first half results report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed 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 have 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
- To satisfy Rule 28.3(a) of the Irish Takeover Panel Act 1997 and Takeover Rules, 2007.

and for no other purpose. Accordingly, we assume no responsibility in respect of this report to the Offeror or any other person connected to, or acting in concert with, the Offeror or to any other person who is seeking or may in future seek to acquire control of the Company (an "Alternative Offeror") or to any other person connected to or acting in concert with an Alternative Offeror.

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 2012 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 2012

Condensed consolidated interim income statement (unaudited)

Six months ended 30 June

	Note	**2012**	2011
			As restated
		€'000	€'000
Revenue	*7*	**626,313**	569,074
Operating expenses (before net exceptional items)			
Staff costs		**131,729**	126,696
Depreciation and amortisation		**36,968**	39,897
Aircraft operating lease costs		**23,802**	22,721
Fuel and oil costs		**167,898**	129,620
Maintenance expenses		**25,583**	24,271
Airport charges		**138,951**	128,490
En-route charges		**29,645**	28,888
Distribution charges		**26,874**	26,218
Ground operations, catering and other operating costs		**57,581**	68,524
Other (gains)/losses – net	*8*	**(8,301)**	622
		630,730	595,947
Operating loss before net exceptional items		**(4,417)**	(26,873)
Net exceptional items	*9*	**(19,781)**	14,935
Operating loss after net exceptional items		**(24,198)**	(11,938)
Finance income	*10*	**8,143**	7,211
Finance expense	*10*	**(8,472)**	(8,970)
Loss before taxation		**(24,527)**	(13,697)
Income tax credit		**2,792**	1,070
Loss for the period		**(21,735)**	(12,627)
Loss attributable to:			
- owners of the parent		**(21,735)**	(12,627)
Loss per share for loss attributable to the owners of the parent (expressed in € cent per share)			
- basic and diluted	*11*	**(4.1c)**	(2.4c)

The notes on pages 17 to 26 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	**2012**	2011
			As restated
		€'000	€'000
Loss for the period		**(21,735)**	(12,627)
Other comprehensive income/(loss)			
Available-for-sale reserve			
- Amortisation of available-for-sale reserve		**(70)**	(64)
- Deferred tax on amortisation of available-for-sale reserve		**8**	8
Cash flow hedges			
- Fair value losses	14	**(17,249)**	(11,600)
- Deferred tax on fair value losses		**2,156**	1,450
- Transfer to fuel costs		**(4,738)**	(7,342)
- Deferred tax on transfer to fuel costs		**592**	918
- Transfer to income statement (net exceptional items)	9	**-**	(11,595)
- Deferred tax on transfer to income statement		**-**	1,449
- Transfer to property, plant and equipment		-	(4,771)
- Deferred tax on transfer to fixed assets		**-**	596
- Transfer to other (gains)/losses - net	8	**(6,960)**	(12,214)
- Deferred tax on transfer to other gains/(losses) - net		**870**	1,527
Post employment benefit obligations			
- Actuarial gain/(loss) on defined benefit arrangements		**482**	(478)
Total comprehensive loss for the period		**(46,644)**	(54,743)
Total comprehensive loss attributable to:			
- owners of the parent		**(46,644)**	(54,743)

The notes on pages 17 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of financial position (unaudited)

	Note	**30 June 2012**	31 December 2011	30 June 2011 As restated
		€'000	€'000	€'000
ASSETS				
Non-current assets				
Property, plant and equipment	*21*	**755,939**	770,944	813,714
Intangible assets	*21*	**12,271**	12,643	4,672
Loans and receivables	*15*	**44,819**	42,180	37,522
Derivative financial instruments	*14*	**44**	2,084	2,709
Trade and other receivables	*12*	**15,723**	16,680	-
Deferred tax asset		**9,120**	4,929	20,154
Deposits	*15*	**131,933**	128,516	125,050
		969,849	977,976	1,003,821
Non-current assets held for sale		**7,618**	9,792	-
Current assets				
Inventories		**1,099**	1,493	1,036
Derivative financial instruments	*14*	**30,060**	34,845	27,631
Trade and other receivables	*12*	**102,469**	79,319	78,458
Current income tax receivables		**2,085**	16	-
Deposits	*15*	**514,429**	459,561	499,022
Cash and cash equivalents	*15, 23*	**358,720**	264,495	263,237
		1,008,862	839,729	869,384
Total assets		**1,986,329**	1,827,497	1,873,205
EQUITY				
Called-up share capital	*19*	**26,702**	26,702	26,702
Share premium		**510,605**	510,605	510,605
Capital conversion reserve fund		**5,048**	5,048	5,048
Capital redemption reserve fund		**343,796**	343,796	343,796
Other reserves		**(694)**	23,359	15,108
Retained earnings		**(93,532)**	(72,789)	(152,195)
Total equity		**791,925**	836,721	749,064
LIABILITIES				
Non-current liabilities				
Finance lease obligations	*20*	**530,084**	536,971	524,316
Derivative financial instruments	*14*	**4,889**	733	625
Post employment benefit obligations	*16*	**29,884**	28,982	22,992
Provisions for other liabilities and charges	*17*	**49,810**	47,826	57,434
		614,667	614,512	605,367
Current liabilities				
Trade and other payables	*13*	**479,044**	293,453	439,371
Bank overdrafts	*23*	**-**	-	5,380
Finance lease obligations	*20*	**42,081**	40,266	37,449
Derivative financial instruments	*14*	**28,801**	8,867	13,513
Provisions for other liabilities and charges	*17*	**29,811**	33,678	23,061
		579,737	376,264	518,774
Total liabilities		**1,194,404**	990,776	1,124,141
Total equity and liabilities		**1,986,329**	1,827,497	1,873,205

The notes on pages 17 to 26 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
Balance at 1 January 2011(as restated)	26,702	510,605	5,048	343,796	60,351	510	(6,326)	812	(139,090)	802,408
Loss for the period	-	-	-	-	-	-	-	-	(12,627)	(12,627)
Other comprehensive income for the period ended 30 June 2011	-	-	-	-	(41,582)	(56)	-	-	(478)	(42,116)
Total comprehensive income for the period	-	-	-	-	(41,582)	(56)	-	-	(13,105)	(54,743)
Share based payment reserve	-	-	-	-	-	-	-	1,599	-	1,599
Deferred tax impact	-	-	-	-	-	-	-	(200)	-	(200)
Balance at 30 June 2011 (as restated)	26,702	510,605	5,048	343,796	18,769	454	(6,326)	2,211	(152,195)	749,064
Balance at 1 January 2012	26,702	510,605	5,048	343,796	25,681	393	(5,615)	2,900	(72,789)	836,721
Loss for the period	-	-	-	-	-	-	-	-	(21,735)	(21,735)
Other comprehensive income for the period ended 30 June 2012	-	-	-	-	(25,329)	(62)	-	-	482	(24,909)
Total comprehensive income for the period	-	-	-	-	(25,329)	(62)	-	-	(21,253)	(46,644)
Exercise of LTIP awards	-	-	-	-	-	-	-	-	-	-
Expiry of LTIP awards	-	-	-	-	-	-	-	(510)	510	-
Share based payment reserve	-	-	-	-	-	-	-	2,112	-	2,112
Deferred tax impact	-	-	-	-	-	-	-	(264)	-	(264)
Balance at 30 June 2012	26,702	510,605	5,048	343,796	352	331	(5,615)	4,238	(93,532)	791,925

The notes on pages 17 to 26 form an integral part of these condensed consolidated interim financial statements.

Condensed consolidated interim statement of cash flows (unaudited)

Six months ended 30 June

	Note	2012	2011 As restated
		€’000	€’000
Cash flows from operating activities			
Net cash generated from operations	*22*	**180,009**	98,568
Cash flows from investing activities			
Purchases of non-current assets (net of lease finance raised)		**(24,555)**	(3,892)
Proceeds from sale of property, plant & equipment		**23**	11,306
Increase in deposits		**(37,814)**	(100,396)
Interest received		**3,227**	3,497
Net cash used in investing activities		**(59,119)**	(89,485)
Cash flows from financing activities			
Repayments of finance lease obligations		**(22,095)**	(40,857)
Interest paid		**(4,908)**	(5,051)
Net cash used in financing activities		**(27,003)**	(45,908)
Net increase/(decrease) in cash, cash equivalents and bank overdrafts		**93,887**	(36,825)
Cash, cash equivalents and bank overdrafts at 1 January		**264,495**	296,011
Exchange gains/(losses) on cash, cash equivalents and bank overdrafts		**338**	(1,329)
Cash, cash equivalents and bank overdrafts at 30 June	*23*	**358,720**	257,857

The notes on pages 17 to 26 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 2012, 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 2012, 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 2011, 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 2011 were approved by the Board of Directors on 29 March 2012, contained an unqualified audit report and are due to be filed with the Companies Registration Office by 30 September 2012.

The Board of Directors, approved the condensed consolidated interim financial statements for the six month period ended 30 June 2012 on 31 July 2012.

Voluntary change in accounting policy

During the final quarter of 2011, the Group voluntarily adopted a change in its accounting policy with respect to the reporting of actuarial gains and losses arising on its post employment defined benefit plans. Previously the Group had availed of the option permitted by IAS 19 "Employee Benefits" ("IAS 19") to recognise actuarial gains and losses immediately within the Income Statement. The Group has now availed of an alternative treatment permitted by IAS 19 whereby actuarial gains and losses are recognised immediately within Other Comprehensive Income. The reasons why the Group considers that the new policy provides reliable and more relevant information are: that it avoids recognising within the Income Statement, short-term fluctuations in an item that is long-term in nature and; that, as most listed companies in the UK & Ireland adopt this policy, it is the policy most understood by users of financial statements. This policy has now been mandated by IAS 19 Revised which will be effective for years commencing on or after 1 January 2013. Following the change, service costs are recognised within staff costs in the Income Statement. The expected return on scheme assets and interest costs are recorded within finance income and finance expense, respectively, and actuarial gains and losses are recognised immediately in Other Comprehensive Income. This change in accounting policy has been applied retrospectively in accordance with IAS 8 "Accounting policies, changes in accounting estimates and errors". The effect of this voluntary change in accounting policy on the impacted financial statement lines including earnings per share for the six months ended 30 June 2011 is shown below:

	6 months ended 30 June 2011		
	€'000 Per previous accounting policy	**€'000 Adjustments**	**€'000 As restated**
Operating expenses			
Staff costs	127,660	(964)	126,696
Operating profit/(loss) before net exceptional items	(27,837)	964	(26,873)
Operating profit/(loss) after net exceptional items	(12,902)	964	(11,938)
Finance income	6,924	287	7,211
Finance expense	(8,197)	(773)	(8,970)
Profit/(loss) before tax	(14,175)	478	(13,697)
Profit/(loss) for the period	**(13,105)**	**478**	**(12,627)**
Profit/(loss) attributable to:			
- owners of the parent	(13,105)	478	(12,627)
Profit/(loss) per share for profit/(loss) attributable to the owners of the parent (expressed in € cent per share)			
- basic and diluted	(2.5)	-	(2.4)

This change in accounting policy also impacted on the Consolidated Statement of Changes in Equity. The impact of those changes is shown below:

	6 months ended 30 June 2011		
	€'000 Per previous accounting policy	€'000 Adjustments	€'000 As restated
Other comprehensive income/(loss) for the period ended 30 June	(41,638)	(478)	(42,116)

Reclassifications

Obligations in respect of the North American Pension Scheme which had been previously presented as trade and other payables, were reclassified to post employment benefit obligations in the second half of 2011. Obligations in respect of the Group's post employment income streaming provisions and the North American Post Retirement Medical Benefit Scheme which had previously been presented as provisions for other liabilities and charges were also reclassified to post employment benefit obligations in the second half of 2011.

The impacts of these reclassifications on the Group's 30 June 2011 consolidated statement of financial position are set out below:

	30 June 2011		
	As reported	Reclassification	As reclassified
	€'000	€'000	€'000
Non-Current Liabilities			
Post employment benefit obligations	-	22,992	22,992
Provisions for liabilities and charges	77,628	(20,194)	57,434
Current Liabilities			
Trade and other payables	441,963	(2,592)	439,371
Provisions for liabilities and charges	23,267	(206)	23,061

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 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 financial statements, and the reported amounts of revenue and expenses during the reporting periods. Actual results could differ from those estimates. In addition, the Group reclassified certain prior year amounts to conform to the current year presentation, as detailed above.

In preparing these condensed, consolidated interim financial statements, the accounting policies adopted, 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 2011.

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 2011, as encouraged by IAS 34 as an additional comparative. As noted in Note 2, this statement of financial position has been restated for the voluntary change in accounting policy.

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 profit before net exceptional items. This measure excludes franchise results and miscellaneous group level adjustments. These are aggregated in the ‘miscellaneous group level adjustments’ caption below. Interest income and expense are not included in the segmental results reviewed by the chief operating decision maker.

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

Segment revenue of €626.3 million (2011: €569.1 million) is wholly derived from external customers.

	Six months ended 30 June	
	2012	2011 As restated
	€’000	€’000
Adjusted loss before net exceptional items for the reportable segment	**(5,312)**	(27,502)
Miscellaneous group level adjustments	**895**	629
Net exceptional items	**(19,781)**	14,935
Operating loss after net exceptional items	**(24,198)**	(11,938)
Finance income	**8,143**	7,211
Finance expense	**(8,472)**	(8,970)
Loss before income tax	**(24,527)**	(13,697)

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

	As at 30 June 2012	As at 31 December 2011
	€’000	€’000
Total segment assets	**927,308**	927,816
Deferred tax asset	**9,120**	4,929
Loans and receivables	**44,819**	42,180
Deposits	**646,362**	588,077
Cash and cash equivalents	**358,720**	264,495
Total assets per statement of financial position	**1,986,329**	1,827,497

7 Revenue

	Six months ended 30 June	
	2012	2011
	€’000	€’000
Passenger revenue	**512,926**	466,608
Retail revenue	**84,530**	77,518
Cargo revenue	**23,330**	21,982
Other revenue	**5,527**	2,966
	626,313	569,074

8 Other (gains)/losses – net

	Six months ended 30 June	
	2012	2011
	€'000	€'000
Fair value losses on cross-currency interest rate swap	**-**	837
Realised gains on forward foreign currency contracts	**(6,960)**	(12,214)
Net foreign exchange (gains)/losses on operating activities	**(1,341)**	11,999
	(8,301)	622

9 Net exceptional items

Exceptional items comprise the following: (charges)/credits	Six months ended 30 June	
	2012	2011
	€'000	€'000
Northern European airspace closure costs (a)	**-**	39
Restructuring (b)	**(11,713)**	3,216
Other (c)	-	(769)
Non-current assets (d)	**(3,748)**	854
Reclassification of cash flow hedging reserve (e)	**-**	11,595
Takeover defence costs (f)	**(4,320)**	-
	(19,781)	14,935

(a) Remeasurement of the provision in respect of estimated cost of compensating passengers for costs incurred as a result of the closure of northern European airspace following the eruption of a volcano in Eyjafjallajokull, Iceland.
(b) Recognition 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 relates to the remeasurement of the provision for restructuring costs associated with the ongoing Greenfield cost reduction programme (€2.1 million) and Migration/Outsourcing Schemes (€1.4 million).
(c) The 2011 charge relates to the finalisation of the provision in respect of the 2008 "Leave and Return" scheme.
(d) Impairment on an owned A320 aircraft which is held for sale and continues to be actively marketed and the impairment of other assets no longer expected to be utilised. The 2011 credit relates to the profit on disposal of a A330 aircraft.
(e) Release of amounts from cash flow hedging reserve related to capital foreign exchange hedges associated with planned purchase of three A330 aircraft and exercise in Q1 2011, of an option to convert those orders to three A350 aircraft. Due to significant uncertainty regarding the Group's plans to take these aircraft, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" the amounts previously held in reserves in respect of those forecast cash flows have been released from cash flow hedging reserve and due to the significance of the amounts to the annual results, have been categorised as exceptional.
(f) Bid defence costs associated with a takeover bid from the Group's largest shareholder, Ryanair Holdings plc. The bulk of these costs became payable to the Group's financial advisors as soon as the Company entered an offer period. The offer period commenced on 19 June 2012. Further costs will be incurred depending on the course and duration of the bid.

10 Finance income and expense

	Six months ended 30 June	
	2012	2011 As restated
	€'000	€'000
Finance income		
Interest on cash, cash equivalents and deposits	**6,829**	6,047
Interest income on loans and receivables	**910**	813
Amortisation of available-for-sale reserve	**71**	64
Finance income on post employment benefit assets	**333**	287
	8,143	7,211
Finance expense		
Interest expense on finance lease obligations	**7,646**	8,197
Interest expense on post employment benefit obligations	**699**	773
Unwinding of discounting on provisions	**127**	-
	8,472	8,970

11 Basic and diluted loss per share

There were no dilutive potential ordinary shares in existence during the six-month periods to 30 June 2012 and 30 June 2011. Therefore, there was no difference, in both periods, between basic and diluted loss per share.

12 Trade and other receivables

	As at 30 June 2012	As at 31 December 2011
	€'000	€'000
Trade and other receivables	**52,547**	29,138
Other amounts receivable	**31,643**	37,740
Prepayments and accrued income	**28,047**	25,232
Value Added Tax	**5,955**	3,889
	118,192	95,999
Shown as:		
Non-current assets	**15,723**	16,680
Current assets	**102,469**	79,319
	118,192	95,999

The increase in trade and other receivables between 31 December 2011 and 30 June 2012 reflects the higher level of revenues, including credit card sales.

13 Trade and other payables

	As at 30 June 2012	As at 31 December 2011
	€'000	€'000
Trade payables	**96,603**	60,514
Accruals and deferred income	**47,862**	46,888
Ticket sales in advance [1]	**252,501**	128,025
Employment related taxes	**7,931**	8,263
Other amounts payable	**74,147**	49,763
	479,044	293,453

[1] In the six months to 30 June 2012 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 2012 the fair value of these open positions decreased significantly due to the fact that fuel prices were US$80 per metric tonne lower than at 31 December 2011. This was offset somewhat by the strengthening of the US Dollar against the Euro during the period, which increased the 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 2012 of €17.2 million (2011: €11.6 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.

15 Total cash and cash equivalents

	As at 30 June 2012	As at 31 December 2011
Non-current		
Loans and receivables	**44,819**	42,180
Deposits	**131,933**	128,516
	176,752	170,696
Current		
Deposits	**514,429**	459,561
Cash and cash equivalents	**358,720**	264,495
	873,149	724,056
Total cash and cash equivalents	**1,049,901**	894,752

At 30 June 2012 the Group held deposits of €23.9 million (31 December 2011: €26.2 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:

	As at 30 June 2012	As at 31 December 2011
	€'000	€'000
North American Pension (a)	**4,509**	4,699
North American Post Employment Medical Benefit (b)	**1,899**	1,788
Income Streaming (c)	**23,153**	22,118
Other	**323**	377
	29,884	28,982

(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 119 members (31 December 2011: 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.

Defined Contribution Schemes

Aer Lingus participates in a number of pension schemes for its staff. The principal schemes, and the Group'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.

	2012	2011
	€ m	€ m
Irish Airlines (General Employees) Superannuation Scheme	2.7	2.9
Irish Airlines (Pilots) Superannuation Scheme	4.9	4.9

Aer Lingus participates in two main occupational pension schemes, one for its pilots and one multi-employer scheme (the Dublin Airport Authority plc and SR Technics being the other sponsoring employers) for other employees who fall within the category of "General Employees" (collectively the "Irish Pension Schemes"). Although similar rules apply to both Irish Pension Schemes, the contribution rates and benefits differ between the schemes. The trust deeds governing the Irish Airlines (General Employees) Superannuation Scheme (the IASS) and the Irish Airlines (Pilots) Superannuation Scheme (the Pilots' Scheme) to which the Group contributes, state respectively 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 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 and deed rules. At 30 June 2012 it had 14,646 members, comprising 4,479 active members, 5,317 deferred members and 4,850 pensioners. Approximately two thirds of members are current or former employees of Aer Lingus. 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 30 June 2012, the IASS was estimated by the trustee's actuary to have an MFS deficit of approximately €727 million (31 December 2011: deficit €700 million). Approximately two thirds of any deficit is attributable to employees or former employees of Aer Lingus.

Aer Lingus 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 trustees will be required to take measures to improve the scheme's financial position. 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 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 scheme, could be subject to legal challenge on various grounds from various potential claimants. Any such challenge would be strenuously defended. Lengthy litigation could ensue. If, contrary to the firm legal advice that the Group has received (that such a challenge is unlikely to succeed), a Court were to find against the Group 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, to the Group should such claims be made and succeed.

At 30 June 2012 the Pilots' Scheme had 898 members, comprising 434 active members, 119 deferred members and 345 pensioners. The most recent triennial actuarial valuation performed by the trustee's actuary showed an MFS deficit at 31 March 2009 of €217 million. As part of the Greenfield agreements negotiated in late 2009 under the auspices of the Labour Relations Commission, Aer Lingus and the Irish Airlines Pilots Association agreed certain changes to the 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. The latest available information is that the Pilots' Scheme was estimated to have an MFS deficit of €172 million as at 30 June 2012. The Group's position, that it has no responsibility for the deficit in the scheme, could be subject to legal challenge on various grounds from various potential claimants. Any such challenge would be strenuously defended. Lengthy litigation could ensue. If, contrary to the firm legal advice that the Group has received (that such a challenge is unlikely to succeed), a Court were to find against the Group 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, to the Group should such claims be made and succeed.

It remains the Group'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.

17 Provisions for other liabilities and charges

In the six month period to 30 June 2012, the group utilised €8.1 million of its business repositioning provision. Included in the total utilisation are gain share payments totalling €6.8 million made to staff on the achievement of agreed annual 2011 Greenfield targets. The provision for business repositioning remaining at 30 June 2012 was €31.7 million (31 December 2011: €29.9 million).

The carrying value of maintenance provisions at 30 June 2012 was €32.9 million (31 December 2011: €38.0 million).

The carrying value of other provisions at 30 June 2012 was €15.0 million (31 December 2011: €13.6 million).

18 Contingent liability

On 25 July 2012, the European Commission ("EC") issued a press release with regard to Irish air travel tax. In 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 and at €10 for those exceeding 300km. The EC found that the lower rate favoured flights within Ireland and to nearby parts of the UK, giving the companies concerned an economic advantage over their competitors and thus distorting competition in the internal market. The EC has ordered Ireland to recover this advantage from all airlines that had benefitted from it.

The detailed text of the EC's ruling has not yet been made available to Aer Lingus. In the absence of this text, it is not clear whether this decision will have any financial impact on the Group. Based on the best information currently available, Aer Lingus estimates a charge of approximately €4 million could potentially apply in the event that the Group is compelled to pay the differential between the €2 and €10 rates of tax for the relevant routes. The Group complied with the relevant legislation as it was enacted at the time by the Irish Government and Aer Lingus will consider the legal options available to it in the event that recovery of the differential between the €2 and €10 rates of tax is sought from Aer Lingus.

19 Called-up share capital

There was no change in the called-up share capital of the Group in the six-month period to 30 June 2012.

The total number of ordinary shares of €0.05 in issue at 30 June 2012 was 534,040,090 (31 December 2011: 534,040,090) of which 3,946,658 (31 December 2011: 3,946,658) were classified as treasury shares.

20 Finance lease obligations

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

During the six-month period ended 30 June 2011, the Group entered into finance lease arrangements for the purchase of 4 Airbus A320 aircraft, resulting in an increase in borrowings of €96.0 million. A final repayment of €32.4 million was made in respect of an A320 aircraft held under finance lease during the period.

21 Property, plant and equipment and intangible assets

During the six-month period ended 30 June 2012, the Group acquired flight equipment, property and ground equipment with a cost of €23.4 million (six-month period ended 30 June 2011: €106.4 million). There were no significant disposals of assets during the period ended 30 June 2012. During the six-month period ended 30 June 2011 the Group disposed of flight equipment with an original cost of €48.6 million.

22 Cash generated from operations

	Six months ended 30 June	
	2012	2011 As restated
	€'000	€'000
Loss before tax	**(24,527)**	(13,697)
Adjustments for:		
- Depreciation and amortisation	**38,578**	42,278
- Net movements in provisions for other liabilities and charges	**(2,496)**	(50,381)
- Net fair value losses/(gains) on derivative financial instruments	**432**	(40)
- Share options and awards expense	**1,939**	1,599
- Finance income	**(8,143)**	(7,211)
- Finance expense	**8,472**	8,970
- Net exceptional items	**3,659**	(14,935)
- Other (gains)/losses – net	**509**	(14,449)
- Tax Paid	**(27)**	-
- Post employment benefit obligations	**1,080**	187
Changes in working capital		
- Inventories	**394**	244
- Trade and other receivables	**(23,349)**	3,574
- Trade and other payables	**183,488**	142,429
Cash generated from operations	**180,009**	98,568

23 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 2012	As at 30 June 2011
	€'000	€'000
Cash and cash equivalents	**358,720**	263,237
Bank overdrafts	**-**	(5,380)
	358,720	257,857

24 Capital commitments

The Group had capital commitments as follows:

	As at 30 June 2012	As at 31 December 2011
	€'000	€'000
Contracted for but not provided		
- Aircraft and equipment	**910,859**	908,545
- Other	**3,459**	3,299
	914,318	911,844

25 Related party transactions

Details of related party transactions in respect of the year ended 31 December 2011 are contained in Note 33 of our 2011 annual report. The Group continued to enter into transactions in the normal course of business with its related parties during the period. There were no transactions with related parties in the first half of 2012 or changes to transactions with related parties disclosed in the 2011 financial statements that had a material effect on the financial position or the performance of the Group.

26 Events after the reporting period

Ryanair Offer

On 19 June 2012, the Group's largest shareholder, Ryanair Holdings plc, announced that they would make an all cash offer of €1.30 per share for the entire issued and to be issued share capital of Aer Lingus not already owned by them (70.18%). This offer was formally lodged on 17 July 2012.

The Board of Aer Lingus has recommended that shareholders should take no action in relation to the offer. The Board have written to shareholders, setting out in detail its reasons for rejecting the offer in accordance with Rule 30.3(a) of the Irish Takeover Panel Act 1997. Exceptional costs of €4.3 million associated with the bid defence costs have been recognised and disclosed in Note 9.

The offer is open for acceptances until 13 September 2012.

Dividend

The Group will pay a dividend of 3c per ordinary share in respect of the year ended 31 December 2011 on 31 July 2012. The total amount of this dividend payment will be €16.0 million.

Capital Reduction Application

The High Court considered submissions in relation to the Group's proposed Capital Reduction on 18 July 2012. The Court indicated that it would provide its decision on 31 July 2012.

European Commission press release regarding Irish air travel tax

On 25 July 2012, the European Commission issued a press release with regard to Irish air travel tax. See Note 18 for further details.

Agreement with Etihad Airways

On 30 July 2012, Aer Lingus announced that it has reached commercial agreement with Etihad Airways regarding interline and code-share arrangements. It is planned that Aer Lingus co-operate with Etihad Airways on flights between Abu Dhabi and Dublin and have full access to flights across the network beyond Abu Dhabi, to points including Australia, Asia-Pacific, the Indian Subcontinent and the Middle East.

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.

27 Principal risks and uncertainties

The principal risks and uncertainties to which the Group is exposed as disclosed in the "Principal risks and uncertainties" section of the annual consolidated financial statements for the year ended 31 December 2011 continue to apply. They include economic risks, relationships and alliances with other airlines, staff productivity and industrial relations, our ability to recover cost increases, the impact of ongoing organisation change programmes, operational disruption, fleet management and the impact of efforts by third parties to improve efficiency and consistency of operations at Dublin airport.

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

- **Economy**: The continuing recession in the Group's primary markets, in particular the Group's core Irish market has negatively impacted and may continue to negatively impact the Group's business. 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 continued strength of the US dollar may adversely effect 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, such as that which might occur in the event of security threats to the Olympic games, 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 its cost reduction programme, which will continue after the formal achievement of the Greenfield programme cost saving targets. Industrial action or the threat of industrial action that may arise in response to the continued implementation of the Group's cost reduction programme 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 upon a strong and effective management team. If the Group fails to attract or retain suitable qualified employees, this could negatively impact business performance. This risk is exacerbated by the uncertainty caused by the current offer by Ryanair Holdings plc for the Group.
- **Pension:** The trust deeds governing the Irish Airlines 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 30 June 2012, the Irish Airlines Superannuation Scheme (IASS) was estimated to have an actuarial deficit of approximately €727 million on the statutory minimum funding standard basis. The IASS is currently undergoing its triennial actuarial valuation. This valuation is expected to confirm that the scheme has a significant deficit. In the absence of additional funding commitments from Aer Lingus and the other sponsoring employers, the Trustees 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. The unions representing members of the IASS have conducted a ballot seeking a mandate for industrial action in the event that the pension scheme trustees are forced to reduce scheme benefits. It is also possible that the Group's position that it has no responsibility for the deficit in the scheme 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.

- **Competition:** The Group faces strong competition in the markets in which it operates and if the Group fails 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 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.

  On 25 July 2012, the European Commission ("EC") issued a press release with regard to Irish air travel tax. In 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 and at €10 for those exceeding 300km. The EC found that the lower rate favoured flights within Ireland and to nearby parts of the UK, giving the companies concerned an economic advantage over their competitors and thus distorting competition in the internal market. The EC has ordered Ireland to recover this advantage from all airlines that had benefitted from it.

  The detailed text of the EC's ruling has not yet been made available to Aer Lingus. In the absence of this text, it is not clear whether this decision will have any financial impact on the Group. Based on the best information currently available, Aer Lingus estimates a charge of approximately €4 million could potentially apply in the event that the Group is compelled to pay the differential between the €2 and €10 rates of tax for the relevant routes. The Group complied with the relevant legislation as it was enacted at the time by the Irish Government and Aer Lingus will consider the legal options available to it in the event that recovery of the differential between the €2 and €10 rates of tax is sought from Aer Lingus.

28 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 Irish Financial Services Regulatory Authority and with IAS 34, Interim Financial Reporting as adopted by the European Union.

Each of the directors, whose names and functions are listed on pages 24 to 25 of our 2011 Annual Report, confirm that, to the best of each person's knowledge and belief:

- the condensed interim Group financial information for the half year ended 30 June 2012 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 information for the half year ended 30 June 2012, and a description of the principal risk 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	**Christoph Mueller**
Director and Chief Financial Officer	Director and Chief Executive Officer

31 July 2012