Aer Lingus Group plc

ISE: EIL1 LSE: AERL

INTERIM RESULTS 2007

Dublin, London, 30 August 2007: Aer Lingus Group plc ("Aer Lingus") today announced its interim results for the 6 months ended 30 June 2007.

Financial and Operating Highlights

- Revenue growth of 12.9% to €574 million
- Strong growth in ancillary revenues of 68.6% year-on-year
- Passenger growth of 5.9%
- Increased capacity (ASKs) of 8.3% (11.9% on short haul and 3.8% on long haul)
- Maintained relative strength in yields, despite intense competition, while experiencing some softness in load factors, which in part reflects increased capacity
- Solid operating profit of €2.6 million in a period where the effect of seasonality increased through a 27.9% increase in fuel costs
- Strong cash flow from operations - €143 million
- High return on capital over the 12 months to 30 June 2007 of 17.3%, compared with our target of 15%

Strategic Highlights

Delivery on each of IPO objectives including:

- Continued fleet expansion with 4 new aircraft delivered in May and June 2007 and a further 2 A320 aircraft due to be received in quarter 4, 2007
- Announcement of 14 new routes, including a new service to London Gatwick commencing at the end of October 2007.
- Announcement of 3 new US destinations under Open Skies, the first of which (Washington Dulles) commenced service in early August 2007.
- Announcement of a deal to acquire 12 new long haul aircraft from Airbus - doubling the long haul fleet by 2016.
- Announcement of new base at Belfast International Airport (BFS) serving 8 routes including London Heathrow and Amsterdam Schiphol.

Dermot Mannion, Aer Lingus Chief Executive, commented *"Aer Lingus delivered a solid financial performance in the first six months of 2007, with an operating profit of €2.6 million. This was achieved in a keenly competitive marketplace where the planned capacity from our competitors in our home bases to Continental routes increased by 45% in the first half of 2007 over the equivalent period last year. We operate in a seasonal business, with the majority of our profits earned in the second half of the year. With the substantial increases in fuel prices in 2007, this seasonality influence has had a more pronounced impact on our financial performance in the first six months. Early indications of our performance in the second six months of the year are encouraging."*

"The first half of 2007 has been a period in which we have continued to deliver on the objectives we set at the time of the IPO. One by one, we are delivering on each of the commitments we have made to shareholders. To date in 2007, we have commenced flights under Open Skies, we have announced our first base outside of the Republic of Ireland, in Belfast, we have expanded both our long and short haul fleets, we have successfully defended the company against an unsolicited takeover bid and we have announced the most significant fleet acquisition programme in the history of Aer Lingus".

"In our AGM trading update, we confirmed our full year guidance that trading was in line with expectations for mid-teen operating profit growth. Up to 31 July, this outlook was unchanged and underlying performance remained strong and in line with that guidance".

"On 14 August, the Irish Airline Pilots' Association (IALPA), which represents all of Aer Lingus' 500 pilots, announced a planned two-day work stoppage. While the dispute was ultimately averted, the impact of lost bookings and the committed costs of contingency arrangements is expected to be €3.5 million. The Company and IALPA are working under the auspices of the Labour Relations Commission to seek a resolution of this dispute. The outlook for this industrial action is not yet clear."

He concluded *"We continue to operate in a highly competitive environment, where a continuing and unrelenting focus on cost reduction, efficiency and change is necessary for our success. There are more challenges to come, particularly in ensuring full implementation of our Programme for Continuous Improvement (PCI-07) and the consequent reduction in staff costs and other costs. The significant achievements in 2007 to date reflect the confidence and commitment of the management team to deliver shareholder value, grow the business, achieve an effective cost base and deliver enhanced profitability. We will maintain our focus on delivering an attractive product for customers, value for our shareholders and sustainable employment for our staff."*

Financial Performance

	6 months ended 30 June		
€ million	**2007**	**2006**	**change**
Revenue			
- passenger	498.9	451.6	47.3
- ancillary	50.4	29.9	20.5
- cargo	22.5	24.2	-1.7
- other	2.3	2.6	-0.3
- total	**574.1**	**508.3**	**65.8**
Operating costs			
- fuel	(115.9)	(90.6)	-25.3
- other operating costs	(455.6)	(407.1)	-48.5
Total operating costs	(571.5)	(497.7)	-73.8
Operating profit before employee profit share	**2.6**	**10.6**	**-8.0**
Net finance income	18.3	9.2	9.1
Employee profit share *	(1.6)	-	-1.6
Exceptional items **	(7.8)	-	-7.8
Profit before tax –- underlying	**11.5**	**19.8**	**-8.3**
Tax	(4.7)	(3.5)	-1.2
Profit after tax – underlying	**6.8**	**16.3**	**-9.5**
Amounts excluded from underlying	-	(12.7)	12.7
Profit after tax	6.8	3.6	3.2
Earnings per share (cent) - underlying	1.6	5.7	-4.1
EBITDAR* **	**56.5**	**63.0**	**-6.5**

	2007	**2006**	**% change**
Passengers carried ('000)	4,398	4,152	5.9%
Average short haul fare (€)	88.90	86.58	2.7%
Average long haul fare (€)	286.82	260.22	10.2%
Short haul utilisation (block hours per day)	10.1	9.6	5.2%
Long haul utilisation (block hours per day)	13.4	13.3	0.8%

The financial amounts for the 6 months ended 30 June 2006 are the underlying numbers and exclude exceptional gains of €4.2 million – see Appendix 1 for explanation and for a reconciliation of the amounts to be included in the IFRS financial statements.

** The employee profit share charge is based on 7.5% of the total of operating profit and net finance income*

*** Takeover defence costs*

**** Earnings before interest, tax, depreciation, amortisation and aircraft rentals.*

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Operating and Financial Overview

In 2007 to date, seasonality of the business has become more pronounced, primarily as a result of the continuing increases in fuel costs. The Company has delivered a healthy performance with operating profit of €2.6 million (2006: €10.6 million).

Revenue

Total revenue increased by 12.9% to €574.1m. Passenger revenue grew by 10.5% to €498.9m, with a total of 4,398,000 passengers carried in the 6 months to 30 June 2007, up by 246,000 (5.9%) on the same period in 2006. The total passenger load factor was 75.3%, down by 1.8 points on 2006. Average fares increased by 2.7% on short-haul and by 10.2% on long haul over 2006 levels.

Short haul

Short haul capacity, measured by available seat kilometres (ASKs), grew by 11.9% while utilisation, measured by revenue passenger kilometres (RPKs), rose by 9.0%. Two additional A320 aircraft were added to the fleet in the six months, with one addition in each of May and June, bringing the short-haul fleet to 30 (24 A320, 6 A321). A further two A320 aircraft will be delivered in Quarter 4, 2007. Increased utilisation of aircraft remained an element of key focus, with the average daily block hour utilisation growing by 5.2%, from 9.6 hours in 2006 to 10.1 hours in 2007.

Total short haul passengers carried increased by 6.5% to 3,853,000, while the average short haul fare increased by 2.7% to €88.90.

Long haul

Long haul capacity, measured by available seat kilometres (ASKs), grew by 3.8% while utilisation, measured by revenue passenger kilometres (RPKs), rose by 2%. Average daily block hour utilisation also increased slightly to 13.4 hours in 2007. Two new enhanced A330 aircraft were added to the fleet in May and June 2007. This was the first increase in the long haul fleet in over 6 years and brought the fleet to 9 aircraft. In addition, the Company reached a deal with Airbus to acquire 12 new long haul aircraft from Airbus, doubling the long haul fleet by 2016. Three new long haul routes were announced, the first of these (Washington Dulles) commenced in August 2007, and Orlando and San Francisco will commence in late October 2007.

Total long haul passengers carried increased by 2.3% to 545,000, and the average long haul fare increased by 10.2% to €286.82. This includes a full six month effect of the fuel surcharge, which was introduced in May 2006.

Ancillary revenue

Ancillary revenue mainly comprises sales on board, baggage charges, booking fees, excess baggage and car hire, hotel and insurance commissions. Baggage charges were implemented on the short haul network in January 2007 and have proved very successful. We delivered an excellent overall performance in ancillary revenues, which rose by 68.6% over 2006, to €50.4m. In addition, the ratio of ancillary revenues per passenger also grew significantly over last year, by 59.5% to €11.47 (2006: €7.19).

Cargo

Aer Lingus carries cargo on long haul routes and on a small number of short haul routes where the aircraft turnaround times permit. Total cargo revenue decreased by 7% to €22.5m (2006: €24.2m), mainly as a result of a reduction of 13% in average yield, with tonnage up 3.4%.

Operating costs

Total operating costs (before the employee profit share) increased by 14.8% to €571.5m, primarily as a result of increased volumes and higher oil prices.

The largest increase was in fuel costs, rising by €25.3m (27.9%) to €115.9m notwithstanding the benefits of our fuel hedging programme. Fuel represented 20.3% of operating costs in 2007, up from 18.2% in 2006.

Staff costs, which represent 26.2% of operating costs (2006: 26.9%) rose by 12.1% to €149.8m, while average numbers employed increased from 3,551 in 2006 to 3,770 in 2007.

Airport charges represent 18.3% of operating costs (2006: 19.1%) and increased by 10.5% through a combination of higher passenger volumes and increased charges by the airports served. Airport charges per passenger increased by 4.3%.

Maintenance expenses increased by 18.2% to €41.6m (2006: €35.2m) with the increase mainly due to once-off credits totalling €3.0m received in 2006 relating to previous years. Maintenance costs also increased in line with increased capacity and utilisation. Capacity increased by 8.3% year on year.

Employee profit share

A provision of €1.6m has been made in respect of the employee profit share for the first 6 months of 2007.

Net financing income

Net finance income of €18.3m has been earned through higher cash balances and increasing interest rates.

Exceptional items

In October 2006, Aer Lingus received an unsolicited takeover bid from Ryanair Holdings plc. The Board rejected the bid, which in 2007 was subject to a Phase 2 investigation by the EU Competition Commission. This investigation was concluded in June 2007 and on 27 June 2007 the Commission announced its prohibition decision. Costs of €7.8m incurred in 2007 in relation to the bid are included as an exceptional item.

Balance sheet

The company continues to maintain significant strength in its balance sheet. Capital expenditure during the six months totalled €133.5m, of which €131.4m related to flight equipment, in particular final payments on the 2 A330 aircraft brought into operation in the period and deposits on the 2 A320 aircraft due for delivery in quarter 4, 2007.

At 30 June 2007, the Group held net cash (excluding €104m due to supplemental pension schemes) of €790.2m, an increase of €369.5m versus 2006, reflecting monies raised as a result of the IPO process.

Fuel and currency hedging

To achieve greater certainty on costs, we manage our exposure to fluctuations in the price of fuel and foreign currency through hedging. At 30 June 2007, our estimated fuel requirements for the remainder of 2007 and for 2008 were hedged as follows:

	6 months to 31 December 2007	Full year 2008
% hedged	57%	0%
Average price per barrel	$62	N/A

At 29 August 2007, our estimated fuel requirements for the remainder of 2007 and for 2008 were hedged as follows:

	4 months to 31 December 2007	Full year 2008
% hedged	61%	10%
Average price per barrel	$65	$68

Our major foreign currency exposure is to the US dollar. At 30 June 2007, we had purchased 64% of our estimated US dollar trading requirements for the remainder of 2007 at an average rate of 1.27. In addition, we had purchased 38% of our estimated US dollar trading requirements for 2008 at 1.34. At 29 August 2007, our forward purchases of US dollars comprised 60% of the estimated trading requirements for the four months to 31 December 2007 at 1.25 and 62% of the estimated trading requirements for 2008 at a rate of 1.36.

Fleet

Aer Lingus continued to expand its fleet in the 6 months to 30 June 2007, with the addition of 4 new aircraft (2 new A320s and 2 new high specification A330s) delivered in May and June 2007. 2 further A320 aircraft are due for delivery in quarter 4, 2007.

In June 2007, we announced our intention to acquire six new A330-300E and six new A350 aircraft from Airbus with a list price of $2.4 billion, the largest deal in Aer Lingus' history. Significant discounts were negotiated from the list prices, and this represents an excellent deal for Aer Lingus shareholders. This order will support both incremental fleet growth and replacement of existing aircraft. The long haul fleet will be doubled (to 14 aircraft) by 2016.

Transatlantic developments

Aer Lingus was the first airline to announce new services under the recent Open Skies agreement, indicating our intention to add Washington Dulles, Orlando and San Francisco to our long haul route network. Services to Washington Dulles airport are already in operation, since early August 2007. Services to Orlando and San Francisco will commence shortly, at the end of October 2007.

Future developments

New base

On 7 August, we announced our first base outside the Republic of Ireland, at Belfast International Airport (BFS), with services to commence from December 2007. Services will initially operate to London Heathrow, Amsterdam Schiphol and 6 other European destinations. The new base has the potential for up to one million new passengers per year and will comprise a total investment of €150 million. This was a significant and ground-breaking move for Aer Lingus and the timing of our entry into the market enables us to capitalise on a strong commercial opportunity.

Extraordinary General Meeting

The Company has received a notice from Ryanair Holdings plc ("Ryanair") requesting an Extraordinary General Meeting to put forward two resolutions regarding the operation of services from Belfast and Shannon. The Board firmly believes that the actions Ryanair are proposing are not in the best interests of all shareholders, are anti-competitive and that the proposals will destroy shareholder value. We will communicate further with shareholders on this matter shortly.

Programme for Continuous Improvement

The continued reduction in cost per passenger achieved in the last 5 years has been the cornerstone in our defence from the competitive threat from low fare airlines and restructured US carriers, and this must be continued into the future. Achieving such a cost base will underpin our delivery of competitive fares to ensure that we remain relevant to the consumer.

Our Programme for Continuous Improvement 2007 (PCI-07), launched in December 2006, is part of an ongoing process aimed at securing efficiencies and minimising unit costs. As previously reported, PCI-07 focuses on further significant unit cost reductions across a range of areas, including fuel consumption, airport handling costs, third party maintenance agreements, sales, marketing and distribution costs, further increases in aircraft utilisation, the achievement of efficiencies and common pricing at Dublin Airport, and staff costs.

On the non-staff cost reduction initiatives, we have secured savings in airport handling costs, fuel usage, maintenance and telecommunications costs, we are currently in negotiations with our main third party maintenance provider in the context of the expiry of the existing contract in late 2008, and we have obtained third party contributions to our marketing costs.

While we have made significant progress in reducing costs in recent years, a legacy of inappropriate work practices and inefficiencies remains. PCI-07 is designed to address these. On 5 March 2007, the Labour Court issued its recommendation on the implementation of the staff cost element of PCI-07. Since then, Aer Lingus accepted the recommendation in full and held extensive talks with, and provided comprehensive and relevant information to, union representatives.

On 14 August, the Irish Airline Pilots' Association (IALPA), which represents all of Aer Lingus' 500 pilots announced a planned two-day work stoppage. As a result, the airline initially cancelled over 200 flights over a 48 hour period and arranged to hire in aircraft to maintain a portion of the schedule. While the dispute was ultimately averted and the schedule reinstated, the impact of lost bookings and revenue and the committed cost of hire-ins is expected to be €3.5m. The Company and IALPA are in discussions under the auspices of the Labour Relations Commission on how this dispute may be resolved.

Management is fully committed to the delivery of shareholder value through long term profitability. The achievement of a sustainable cost base and the elimination of unacceptable work practices are key elements of this and management will take all steps necessary to bring them about.

Current Trading and Outlook

At our AGM on 6 July last, we outlined that trading for the 2007 full year would be in line with market expectations. Up to 31 July, this outlook was unchanged. Performance in July 2007 was strong and indications for the remainder of the year encouraging. As indicated above, the industrial action in August 2007 has had a net cost of €3.5m and the outlook for this industrial action is not yet clear. The operational and financial performance achieved so far in 2007 provides Aer Lingus with a solid foundation upon which to build in order to maximise shareholder value.

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 Company will not undertake any obligation to release publicly any revision or updates to these forward-looking statements to reflect future events, circumstances, unanticipated events, new information or otherwise except as required by law or by any appropriate regulatory authority.

Appendix 1

Summary results

6 months to 30 June

	2007	2006	2006	2006
€ million	**Total IFRS**	**Underlying**	Excluded from underlying	Total IFRS
Revenue	574.1	508.3	-	508.3
Operating costs	(571.5)	(497.7)	(18.7)	(516.4)
Operating profit – before employee profit share	2.6	10.6	(18.7)	(8.1)
Employee profit share	(1.6)	-	-	-
Exceptional items	(7.8)		4.2	4.2
Finance income - net	18.3	9.2	-	9.2
Profit before tax	11.5	19.8	(14.5)	5.3
Tax	(4.7)	(3.5)	1.8	(1.7)
Profit after tax	6.8	16.3	(12.7)	3.6

The financial amounts disclosed on page 2 for the 6 months ended 30 June 2006 are the underlying numbers. Prior to the IPO, Aer Lingus reported in accordance with Irish Generally Accepted Accounting Principles (Irish GAAP). As part of the preparation for the IPO financial reporting transitioned to International Financial Reporting Standards (IFRS). IFRS has specific documentation and testing requirements, that are not required under Irish GAAP, which must be adhered to at the time a hedging transaction is entered into if such transaction is to be accounted for using hedge accounting. Although effective commercial hedges, fuel and currency hedging arrangements entered into prior to 2006, when Aer Lingus was reporting under Irish GAAP, did not meet the requirements for hedge accounting on transition to IFRS. As a result, gains and losses in the market value of these hedges were reflected in the IFRS profit and loss account in 2005 and prior years rather than in the period when the hedges matured. The underlying results reflect the performance had hedge accounting been applied to these hedges in each of 2006 and 2005. The underlying operating profit before employee profit share for the 6 months to 30 June 2006 of €10.6 million is €18.7 million higher than the equivalent IFRS amount, with the difference representing net gains recorded in prior years on hedges maturing in 2006. In 2006, exceptional gains of €4.2 million were also excluded from underlying results. This treatment was also applied in the prospectus published in advance of the IPO. As all hedges now qualify for hedge accounting, there is no longer a difference between IFRS and underlying numbers and hence "underlying" and "amounts excluded from underlying" categorisations are no longer in use.

Appendix 2

Passenger statistics

6 months to 30 June

	2007	2006	% change
Passengers carried ('000)			
Short haul	3,853	3,619	6.5%
Long haul	545	533	2.3%
Total	4,398	4,152	5.9%
Revenue passenger kilometres (RPKs) (million)			
Short haul	3,756	3,445	9.0%
Long haul	2,973	2,915	2.0%
Total	6,729	6,360	5.8%
Available seat kilometres (ASKs) (million)			
Short haul	5,104	4,560	11.9%
Long haul	3,836	3,697	3.8%
Total	8,940	8,257	8.3%
Passenger load factor (%)			
Short haul	73.6%	75.5%	-2.0%
Long haul	77.5%	78.8%	-1.3%
Total	75.3%	77.0%	-1.8%
Average fare (€)			
Short haul	88.90	86.58	2.7%
Long haul	286.82	260.22	10.2%
Average number of seat equivalents*			
Short haul	5,365	5,102	5.2%
Long haul	2,708	2,625	3.2%
Total	8,073	7,727	4.5%

** Seat equivalent represents the equivalent of a seat on an aircraft based on the manufacturer's all-economy class configuration*

Group Income Statement

Six months ended 30 June

	Note	2007 €'000	2006 €'000
Revenue	2	**574,149**	508,320
Operating expenses			
Staff costs		**149,835**	133,672
Depreciation, amortisation and impairment		**28,899**	27,876
Aircraft operating lease costs		**25,044**	24,530
Fuel and oil costs		**115,916**	105,602
Maintenance expenses		**41,647**	35,231
Airport charges		**104,836**	94,883
En-route charges		**25,853**	23,252
Distribution costs		**26,779**	24,110
Ground operations, catering and other operating costs		**49,257**	42,573
Other losses - net		**3,478**	4,747
Employee profit share	9	**1,569**	-
		573,113	516,476
Operating profit/(loss) before exceptional items		**1,036**	(8,156)
Exceptional items	4	**(7,857)**	4,259
Operating loss after exceptional items		**(6,821)**	(3,897)
Finance income - net		**18,313**	9,172
Profit before taxation		**11,492**	5,275
Taxation charge		**(4,683)**	(1,674)
Profit for the year		**6,809**	3,601
Attributable to:			
Equity holders of the Company		**6,809**	3,601
Earnings per share for profit attributable to the equity holders of the Company during the period (expressed in € cent per share)			
– basic	5	1.3c	1.3c
– diluted	5	1.3c	1.3c

Group Balance Sheet

As at 30 June

	Note	2007 €'000	2006 €'000
ASSETS			
Non-current assets			
Property, plant and equipment		**631,828**	521,872
Intangible assets		**6,002**	5,584
Available for sale financial assets		**105,230**	146,810
Derivative financial instruments		**-**	4,146
Trade and other receivables		**-**	100
Deposits	6	**129,162**	160,672
		872,222	839,184
Current assets			
Inventories		**563**	620
Derivative financial instruments		**8,014**	26,471
Trade and other receivables		**98,474**	81,189
Cash, cash equivalents and deposits	6	**1,086,194**	634,678
		1,193,245	742,958
Total assets		**2,065,467**	1,582,142
EQUITY			
Share capital	7	**26,450**	357,829
Share premium		**497,958**	6,095
Capital conversion reserve fund		**5,048**	5,048
Capital redemption reserve fund		**343,516**	-
Other reserves		**(274)**	660
Retained earnings		**(31,647)**	35,071
Total equity		**841,051**	404,703
LIABILITIES			
Non-current liabilities			
Borrowings		**365,548**	461,500
Derivative financial instruments		**6,183**	7,774
Deferred tax liabilities		**1,325**	16,120
Provisions for other liabilities and charges		**68,419**	75,866
		441,475	561,260
Current liabilities			
Trade and other payables		**687,292**	495,052
Current income tax liabilities		**1,424**	1,340
Borrowings		**60,798**	59,910
Derivative financial instruments		**6,905**	7,588
Provisions for other liabilities and charges		**26,522**	52,289
		782,941	616,179
Total liabilities		**1,224,416**	1,177,439
Total equity and liabilities		**2,065,467**	1,582,142

Group Cash Flow Statement

Six months ended 30 June

	Note	2007	2006
		€'000	**€'000**
Cash flows from operating activities			
Cash generated from operations	8	**142,788**	134,108
Interest paid		**(12,007)**	(7,509)
Income tax paid		**(184)**	(4,032)
Net cash generated from operating activities		**130,597**	122,567
Cash flows from investing activities			
Purchases of property, plant and equipment (PPE)		**(133,502)**	(39,691)
Proceeds from sale of PPE		**6**	4,220
Purchases of intangible assets		**(1,931)**	(789)
Movements in available for sale financial assets		**10,242**	1,277
Movements in other deposits		**(19,027)**	(91,485)
Interest received		**28,807**	12,375
Dividends received		**1,156**	1,567
Net cash used in investing activities		**(114,249)**	(112,526)
Cash flows from financing activities			
Proceeds from borrowings		**648**	29,017
Repayments of borrowings		**(20,525)**	(47,196)
Net cash used from financing activities		**(19,877)**	(18,179)
Net decrease in cash, cash equivalents and bank overdrafts		**(3,529)**	(8,138)
Cash, cash equivalents and bank overdrafts at beginning of the period		**(1,226)**	(203)
Exchange (losses)/gains on cash and bank overdrafts		**(118)**	13
Cash, cash equivalents and bank overdrafts at end of the period		**(4,873)**	(8,328)

Notes to the financial statements

1. Basis of Preparation
The interim accounts, which are abridged and unaudited, have been prepared in accordance with the accounting policies detailed in the Group's annual report for the year ended 31 December 2006, which was prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and were approved by the Board on [28 August 2007].

2. Segmental Information

The Group considers that its business segments are its primary basis of analysing financial performance and reflect the internal management structure and reporting. Information is also provided on a geographic segment basis.

Primary Reporting Format - Business Segment

The Group is primarily organised into two business segments - passenger (which includes revenues and costs relating to the carriage of passengers) and cargo (which relates to the revenues and costs from the transportation of cargo). Ancillary revenues, including on board sales, are included in the passenger segment together with their associated costs. For internal management purposes, direct operating costs are allocated between the segments based on their contributions to route revenue. Certain costs, assets and liabilities (including the aircraft and their related financing arrangements) contribute to both the passenger and cargo segments and as such cannot be directly attributed to either segment and are therefore shown as unallocated.

Six months ended 30 June 2007

	Passenger	Cargo	Unallocated(1)	Total
	2007	2007	2007	2007
	€'000	€'000	€'000	€'000
Passenger revenue	498,901	-	-	**498,901**
Ancillary revenue	50,433	-	-	**50,433**
Other revenue	2,312	-	-	**2,312**
Cargo revenue	-	22,503	-	**22,503**
Segment revenue	551,646	22,503	-	**574,149**
Operating profit before exceptional items	32,390	2,592	(33,946)	**1,036**
Operating loss after exceptional items	32,390	2,592	(41,803)	**(6,821)**
Finance income - net				**18,313**
Profit before taxation				**11,492**
Taxation charge				**(4,683)**
Loss for year				**6,809**

(1) Unallocated includes depreciation and impairment in relation to unallocated assets of (€28.9 million), foreign exchange losses of (€3.5 million, profit share of (€1.6 million) and exceptional costs of (€7.8 million)

Six months ended 30 June 2006

	Passenger	Cargo	Unallocated(2)	Total
	2006	2006	2006	2006
	€'000	€'000	€'000	€'000
Passenger revenue	451,616	-	-	451,616
Ancillary revenue	29,870	-	-	29,870
Other revenue	2,659	-	-	2,659
Cargo revenue	-	24,175	-	24,175
Segment revenue	484,145	24,175	-	508,320
Operating profit before exceptional items	34,273	3,205	(45,634)	(8,156)
Operating profit after exceptional items	34,273	3,205	(41,375)	(3,897)
Finance income - net				9,172
Profit before taxation				5,275
Taxation charge				(1,674)
Profit for year				3,601

(2) Unallocated includes depreciation relating to unallocated assets of (€25.8 million), the impact of non –qualifying hedges (€18.7 million), foreign exchange losses of (€1.1 million) and exceptional item of €4.2 million.

3. Underlying performance measures

In addition to the reported profit and earnings per share, in 2006 the group also disclosed underlying performance measures. The group believes that these underlying performance measures provided additional useful information on underlying trends to shareholders. The term underlying is not defined in IFRS and therefore may not be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute to or superior to IFRS measurements of profit.

Underlying measures were calculated based on the reported profit under IFRS (as shown in the income statement), excluding the effects of derivatives which do not fulfil the requirements for hedge accounting and exceptional items. The taxation impact of the amounts excluded from underlying profit is also separately disclosed. As these hedges had materially matured in 2006, there is no impact in the 2007 figures. There is no longer a difference between IFRS and underlying numbers and hence "underlying" and "amounts excluded from underlying" categorisations are no longer in use.

	2007	**2006**	**2006**	**2006**
	€'000	**€'000**	**€'000**	**€'000**
	Total IFRS	**Underlying**	**Amounts excluded from underlying**	**Total IFRS**
Revenue	574,149	508,320	-	508,320
Operating Expenses:				
Staff costs	149,835	133,672	-	133,672
Depreciation, amortisation and impairment	28,899	27,876	-	27,876
Aircraft operating lease costs	25,044	24,530	-	\24,530
Fuel and oil	115,916	90,560	15,042	105,602
Maintenance expenses	41,647	35,231	-	35,231
Airport charges	104,836	94,883	-	94,883
En-route charges	25,853	23,252	-	23,252
Distribution costs	26,779	24,110	-	24,110
Ground operations, catering & other operating costs	49,257	42,573	-	42,573
Other (gains)/ losses – net	3,478	1,070	3,677	4,747
	571,544	497,757	18,719	516,476
Operating profit/(loss) before employee profit share and exceptional items	**2,605**	**10,563**	**(18,719)**	**(8,156)**
Employee profit share	(1,569)	-	-	-
Operating profit/(loss) before exceptional items	**1,036**	**10,563**	**(18,719)**	**(8,156)**
Exceptional items	**(7,857)**		4,259	4,259
Operating profit/ (loss) after exceptional items	**(6,821)**	**10,563**	**(14,460)**	**(3,897)**
Finance income - net	18,313	9,172	-	9,172
Profit/(loss) before taxation	**11,492**	**19,735**	**(14,460)**	**5,275**
Taxation credit/(charge)	**(4,683)**	(3,481)	1,807	(1,674)
Profit/(loss) for the year	**6,809**	**16,254**	**(12,653)**	**3,601**
Attributable to:				
Equity holders of the Company	**6,809**			**3,601**
Earnings per share for profit/(loss) attributable to the equity holders of the Company during the year (expressed in € per share)				
– basic	1.3c			1.3c
– diluted	1.3c			1.3c

4. Exceptional items

	2007	2006
	€'000	€'000
Takeover defence costs (a)	7,857	-
Profit on disposal of property, plant and equipment (b)	-	(4,259)
	7,857	(4,259)

(a) Provision for costs incurred in the defence of takeover bid
(b) Profit on sale of aircraft engines

5. Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Profit attributable to equity holders of the Company (€'000)	6,809	3,601
Weighted average number of ordinary shares in issue (000's)	528,991	286,263
Basic earnings per share (€ cent per share)	1.3c	1.3c

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares in its bonus shares. Under the terms of the IPO, subscribers in the intermediaries, employee and Approved Profit Sharing Scheme (APSS) participant offers were allotted one bonus share for every 20 shares subscribed for by them. In each case the bonus share will be issued to them (with no further payment required) provided they hold those shares for a continuous period of one year from admission to listing (ie until 2 October 2007). When the bonus shares are to be issued, entitlements to the bonus shares will be based on the lowest number of shares held continuously by or on behalf of the relevant shareholder applicant from 2 October 2007. Fractions of bonus shares will be rounded down to the nearest whole share when calculating individual entitlements. Bonus share entitlements will be calculated separately in respect of shares held in certificated form and uncertificated form. In the event of any share capital changes prior to the issue of the bonus shares, the bonus shares shall carry no right or entitlement to be adjusted in any way. Bonus shares shall carry no right to vote or receive any dividend prior to the date they are issued. In the event that bonus shares are not issued, no repayment of any kind shall be made to subscribers.

	2007	2006
Profit attributable to equity holders of the Company used to determine diluted earnings per share (€'000)	6,809	3,601
Weighted average number of ordinary shares in issue (000's)	528,991	286,263
Adjustments for:		
– Bonus issue of 1 for 20, October 2007	863	863
Weighted average number of ordinary shares for diluted earnings per share (000's)	529,854	287,126
Diluted earnings per share (€ cent per share)	1.3c	1.3c

6. Cash, cash equivalents and other deposits

	2007 €'000	2006 €'000
Cash and deposits with an original maturity of less than three months	2,506	4,733
Restricted Deposits	134,300	165,810
Other Deposits	1,078,550	624,807
	1,215,356	795,350
Less non current portion	(129,162)	(160,672)
Current	1,086,194	634,678

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

	2007	2006
Cash and deposits with an original maturity of less than three months	2,506	4,733
Bank overdrafts	(7,379)	(13,061)
	(4,873)	(8,328)

7. Called-up share capital

	2007 €'000	2006 €'000
Authorised:		
2006: 500,000,000 ordinary shares of €1.25 each		
2007: 900,000,000 ordinary shares of €0.05 each	45,000	625,000
Issued and fully paid:		
At 1 January and 30 June	26,450	357,829

During 2006, a share split occurred such that ordinary shares of €1.25 each were split into ordinary shares of €0.05 and deferred shares of €1.20. The deferred shares were subsequently cancelled. The authorised share capital was also amended to 900,000,000 ordinary shares of €0.05 each.

8. Cash Generated From Operations

	2007 €'000	2006 €'000
Profit for the period	6,809	3,601
Adjustments for:		
– Tax	4,683	1,674
– Depreciation	27,832	26,964
– Amortisation	1,067	912
– Profit on sale of property, plant and equipment	(4)	(1,103)
– Net movements in provisions for liabilities and charges	(14,605)	(15,521)
– Net fair value (gains)/losses on derivative financial instruments	463	19,556
– Interest income - net	(18,313)	(9,172)
– Exceptional items (Note 4)	7,857	(4,259)
– Exchange losses	3,808	1,307
Changes in working capital (excluding the effects of acquisition and exchange differences on consolidation):		
– Inventories	171	433
– Trade and other receivables	(32,463)	(15,253)
– Trade and other payables	155,483	124,969
Cash generated from operations	142,788	134,108

9. Employee Profit Sharing Scheme

At the time of the IPO, a new profit sharing scheme was established whereby the Group agreed to make available to the Employee Share Ownership Trust, depending on the return on average shareholders' funds, between 0% and 7.5% of the group profit before taxation and exceptional items annually, commencing on 1 January 2006. Provision has been made at the rate of 7.5% for the 6 months to 30 June 2007.