Aer Lingus Group plc

ISE: EIL1 LSE: AERL

First Quarter Revenue up 3.3%

Dublin and London, 25 April 2013: Aer Lingus Group plc ("Aer Lingus" or "the Group") today issues an un-audited interim management statement for the period from 1 January 2013 to 31 March 2013, representing the first quarter of the Group's 2013 financial year.

Performance Highlights

- Q1 2013 revenues 3.3% ahead of prior year with total passengers (including Aer Lingus Regional) up 2.2% year-on-year.
- Fare revenue per seat was 6.5% higher year on year with short haul up 3.3% and long haul up 10.4%.
- Overall passenger yield up 3.7% with load factor up 2.7 percentage points to 71.4%.
- Long haul yield and load factor performance was particularly strong, increasing by 5.6% and 3.4 percentage points respectively.
- Q1 2013 operating loss, before exceptional items, of €45.5 million is €9.4 million higher than prior year largely due to Virgin wet-lease start up costs, planned changes to the long haul fleet and slightly weaker trading on UK routes.
- Virgin Atlantic wet-lease operation successfully launched in Heathrow.
- Further growth in long haul planned through the damp-lease of three Boeing 757 aircraft to operate on North Atlantic services starting in early 2014.
- Business remains financially strong with gross cash of €1.01 billion at 31 March 2013.
- We currently expect 2013 operating profit, before exceptional items, to be broadly in line with last year.

€m (un-audited)	Quarter Ended 31 March 2013	2012	Change [1]
Revenue			
- Short haul fare revenue	149.5	148.9	*0.4%*
- Long haul fare revenue	60.3	52.7	*14.4%*
- Retail revenue	36.5	37.6	*(2.9%)*
Total passenger revenue	246.3	239.2	*3.0%*
Cargo revenue	11.5	11.0	*4.5%*
Other revenue	1.9	1.3	*46.2%*
Total revenue	**259.7**	**251.5**	***3.3%***
Fuel costs	(72.3)	(68.6)	*(5.4%)*
Staff costs	(64.7)	(65.0)	*0.5%*
Airport charges	(59.1)	(56.9)	*(3.9%)*
Other operating costs	(109.1)	(97.1)	*(12.4%)*
Total operating costs	**(305.2)**	**(287.6)**	***(6.1%)***
Operating loss before exceptional items	**(45.5)**	**(36.1)**	***(26.0%)***
EBITDAR [2]	**(13.7)**	**(6.1)**	***(124.6%)***
Gross cash [3]	**1,013.4**	**1,002.0**	***1.1%***
Debt	**529.0**	**556.1**	***4.9%***

[1] *Sign convention: favourable / (adverse)*
[2] *Earnings before Interest, Tax, Depreciation, Amortisation & Aircraft operating lease rental*
[3] *Gross cash includes restricted cash of €15.5 million (2012: €23.9 million)*

CEO Performance Review

Christoph Mueller, Aer Lingus' CEO said:

"We have delivered revenue growth of 3.3% in the first quarter and are particularly pleased with the performance of our long haul business which is up 14.4% on the prior year. It has, however, been a challenging start to 2013 with higher fuel, airport and one-off costs, together with slightly weaker trading on UK routes. These factors have combined to produce an operating loss that is €9.4 million higher than the prior year.

Our long haul business continues to perform robustly, carrying forward the positive momentum from 2012. Short haul revenues were marginally ahead of 2012 on lower capacity but we expect a more difficult year ahead, particularly in the UK market. While we had expected increased operating costs in the first quarter, the Q1 performance highlights the need to continue to review our cost base to protect profitability for the rest of 2013 and beyond. In line with the ongoing requirement to streamline our organisation structure and identify cost saving initiatives, we are launching a voluntary severance programme, with a goal of reducing headcount by approximately 100 staff by year end.

While there are challenges ahead, we are committed to continuing the profitable growth of our business. We commenced a number of initiatives in the first quarter towards this objective. We have begun operating services on behalf of Virgin Atlantic on routes between London Heathrow and Manchester, Aberdeen and Edinburgh. We announced extensions to our interline and codeshare agreements with Etihad Airways, Jetblue and United Airlines which have added additional connectivity and options for our customers. We have also recently agreed the damp-lease of three Boeing 757 aircraft to operate on North Atlantic services starting in early 2014.

Trends identified in Q1 2013 including higher airport charges, the strength of long haul and softness in GBP and our UK market have the potential to remain a feature for the rest of the year. On that basis, we currently expect 2013 operating profit, before exceptional items, to be broadly in line with last year."

Conference Call Details

The Aer Lingus management team will host a conference call for institutional investors and analysts at 08.30am GMT on 25 April 2013. Dial in details are:

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Aer Lingus Operating Metrics (un-audited)

	Three Months Ended 31 March 2013	2012	Change
Passengers carried ('000s) *			
Short haul	1,724	1,732	(0.5%)
Long haul	181	167	8.4%
Total	**1,905**	**1,899**	**0.3%**
Revenue Passenger Kilometres (RPKs) (million) *			
Short haul	1,677	1,746	(4.0%)
Long haul	963	887	8.6%
Total	**2,640**	**2,633**	**0.3%**
Available Seat Kilometres (ASKs) (million)			
Short haul	2,389	2,568	(7.0%)
Long haul	1,306	1,262	3.5%
Total	**3,695**	**3,830**	**(3.5%)**
Passenger load factor (%) (flown RPKs per ASKs) *			
Short haul	70.2%	68.0%	2.2 pts
Long haul	73.7%	70.3%	3.4 pts
Total	**71.4%**	**68.7%**	**2.7 pts**
Average fare yield per passenger (€)			
Short haul	86.72	85.97	0.9%
Long haul	333.15	315.57	5.6%
Total average fare yield per passenger (€)	**110.13**	**106.16**	**3.7%**
Retail revenue per passenger	19.16	19.80	(3.2%)
Aer Lingus Regional			
Aer Lingus Regional passengers carried ('000s)	224	184	21.7%
Total Aer Lingus passengers including Aer Lingus Regional ('000s)	**2,129**	**2,083**	**2.2%**

* Based on FLOWN passenger numbers and excluding Aer Lingus Regional Services operated by Aer Arann and, in 2012, the Washington Dulles – Madrid codeshare service operated in partnership with United Airlines.

Review – January to March 2013

2013 First Quarter Financial Performance

Introduction

The first quarter is seasonally loss making. Aer Lingus recorded an operating loss, before exceptional items, of €45.5 million, €9.4 million higher than the prior year. We expected our operating losses to increase in the first quarter because there have been a number of significant year-on-year changes to the Aer Lingus business. These changes include:

Capacity
Our short haul capacity, measured by ASKs, decreased by 7.0% compared to prior year. This is due to a combination of changes to our underlying route network and aircraft mix. In terms of the route network, we moved to George Best Belfast City Airport in October 2012 and changed strategy to focus on London traffic. Services from Belfast to longer sector leisure destinations (e.g. Lanzarote and Tenerife) have been replaced with shorter sector services to London Gatwick in Q1 2013. In addition we introduced two A319 aircraft into our fleet during 2012 which replaced larger capacity A320 aircraft on certain short haul services.

Long haul capacity increased by 3.5% year-on-year in Q1 2013. This reflects the deployment of an additional A330 aircraft which returned to the fleet in October 2012 having previously been deployed on an enhanced code share with United Airlines. Our Summer 2013 long haul schedule, incorporating this extra aircraft started earlier this year and was launched in March ahead of the Easter holiday.

Additional A330 Aircraft
As noted, we deployed an additional A330 in our long haul fleet in Q1 2013 compared to Q1 2012. This aircraft did not earn incremental revenue until March, having been used as a reserve to cover winter maintenance and Wi-Fi installation across the long haul fleet. Compared with Q1 2012 we incurred depreciation and maintenance costs of approximately €1.5 million against which no contribution was earned. For 2013 as a whole, this additional aircraft is expected to earn a contribution at least equal to that earned from the enhanced codeshare operation in the prior year, but this contribution will be concentrated in the peak summer season.

Virgin Atlantic Airways Limited (“Virgin Atlantic”) wet-lease agreement
As announced in December 2012, we entered into a wet-lease agreement with Virgin Atlantic for the operation of domestic UK routes from London Heathrow to Manchester, Aberdeen and Edinburgh. These services started on 31 March 2013. In Q1 2013, we incurred start up costs of €2.1 million (e.g. staff recruitment, training etc) against which no revenue was earned. We expect this contract to break even in 2013.

Although total revenue was higher than the prior year, short haul revenues were a little behind our expectations and the increase in revenue was not sufficient to offset higher fuel and airport charges and the cost impact of the business changes noted above. We currently expect that the short haul and long haul trends discussed below, including the somewhat weaker UK market, will continue for the rest of 2013.

Revenue

Total Q1 2013 revenue increased by 3.3% compared to prior year with total capacity deployment decreasing by 3.5% in ASK terms. Overall, leisure revenue and leisure passenger numbers were helped by the timing of Easter, with the Easter bank holiday weekend falling into March 2013 compared with the start of April in 2012. Offsetting this somewhat was the impact of the leap year in 2012 which gave an extra trading day in 2012 not repeated in 2013.

Short haul passenger revenues
Total short haul passenger fare revenue of €149.5 million in Q1 2013 was in line with prior year, however short haul fare revenue per seat was 3.3% higher at €58.49 and average short haul fare yield per passenger increased by 0.9% to €86.72. Load factor on mainline short haul services increased by 2.2 points year on year to 70.2%. While certain routes performed

strongly in the quarter, notably on services to destinations such as Spain, France, Germany and Italy, the UK market was weaker. Total flown short haul passengers, including Aer Lingus Regional services, increased by 1.7%. Short haul capacity deployment decreased by 7.0% which as noted above can be attributed to changes in the route network and aircraft mix. We note the relative weakening of GBP against the Euro in 2013 to date. While the effect of this was somewhat limited in Q1 2013, if trends continue we may incur an unfavourable year-on-year impact in Q2 and beyond on our UK derived short haul revenue.

Long haul passenger revenues
Long haul continues to perform positively for the Group following a strong 2012. Long haul passenger fare revenue increased by 14.4% to €60.3 million in Q1 2013. The increase in revenue was a function of long haul fare yield per passenger increasing by 5.6% to €333.15, fare revenue per seat increasing by 10.4% to €246.53 and load factor increasing by 3.4 points to 73.7%. Capacity deployment on long haul increased by 3.5% due to the early launch of our summer schedule ahead of the Easter holiday weekend at the end of March.

Business class continued to perform well on our long haul services in the quarter with passengers up 15.6% and load factor up 5.0 points to 66% (Q1 2012: 61%).

Retail revenue
Retail revenue of €36.5 million was 2.9% behind prior year with retail revenue per passenger decreasing by 3.2% to €19.16 (Q1 2012: €19.80). Our fare family offering continues to perform, however online booking fees were lower year-on-year due to a change in the booking channel mix and lower attachment rates on in-flight sales. A number of new retail initiatives were launched in the quarter such as pre-order meals on short haul services and paid upgraded meals ("*Sky Dine")* on long haul. Our long haul passenger cabins have been fitted with Wi-Fi during the winter maintenance schedule. We continue to target retail revenue growth as a key part of our customer proposition.

Operating expenses
Operating expenses increased by €17.6 million or 6.1% in Q1 2013 to €305.2 million. This increase reflects higher fuel and airport costs as well as other operating costs. Specifically, the Group incurred a total of €3.6 million of costs associated with the launch of the Virgin wet-lease operation and ownership costs in respect of the additional A330 aircraft.

Fuel, staff costs and airport charges
Q1 2013 fuel costs increased by €3.7 million (or 5.4%) compared to Q1 2012. Fuel uplift (in tonnes) decreased by 1.2%. This was due to changes made in the short haul route network that resulted in shorter sectors. The average fuel cost per metric tonne for Q1 2013 (excluding into-plane costs) increased by 7.2% to US$1,025 (2012: US$956). The average US$ to EUR FX rate was substantially unchanged in Q1 2013 at 1.33 (Q1 2012: 1.32).

Quarterly staff costs remained flat. Although FTEs were higher in Q1 2013 compared with prior year, as a result of specific recruitment in 2012 to support business requirements, a favourable grade mix has enabled us to avoid an overall increase in payroll for the quarter.

Airport charges increased by 3.9% to €59.1 million in Q1 2013 (Q1 2012: €56.9 million), largely as a result of price increases. As indicated in the Group's 2012 preliminary results, price increases, particularly at London Heathrow, Spanish and Italian airports, are expected to add significantly to airport charges in 2013.

Other operating costs
The 12.4% increase in other operating costs compared to Q1 2012 is driven largely by increases in maintenance and depreciation. Maintenance costs are higher than in 2012 for a number of reasons, including additional costs for the heavy maintenance season, the installation of Wi-Fi, additional de-icing charges as a result of the cold weather conditions in Q1 2013 and the additional costs of the A330 aircraft that has returned to our fleet from the enhanced codeshare with United Airlines. We also made additional provisions against engine maintenance costs on the A320 fleet. As anticipated, depreciation costs increased due to the impact of the additional A330 aircraft as noted and also due to depreciation costs of an A320 aircraft which was held as available for sale (and therefore not depreciated) in 2012 but which

has now been retained to support mainline fleet requirements associated with the Virgin wet-lease.

Fuel & Currency Hedging

As at 31 March 2013, Aer Lingus had hedged 76% of its forecast remaining 2013 fuel requirements at an average of US$992 per metric tonne. 18% of the total expected 2014 fuel requirement was hedged at US$972 per metric tonne.

A summary of the quarterly fuel hedging position for the remainder of 2013 and for 2014 is:

Fuel	Q2 2013	Q3 2013	Q4 2013	Total (Q2-Q4) 2013	Full yr 2014
Estimated burn ('000 MT)	125	130	103	358	446
% hedged	88%	75%	60%	76%	18%
Avg. hedged price/MT (US$)	1,004	993	970	992	972

As at 31 March 2013, 63% of the estimated US dollar trading requirement for the remainder of 2013 was hedged at an average rate of US$1.34. For 2014, 25% of the Group's estimated US$ trading requirement is hedged at an average rate of US$1.32.

Financial Position

Aer Lingus' gross cash of €1,013.4 million, as at 31 March 2013, represents a €104.9 million increase in the three months since December 2012. This increase in cash was primarily attributable to €125.4 million of seasonal working capital inflows associated with ticket sales in advance of the peak second and third quarters.

Gross debt of €529.0 million is €2.6 million lower than the figure at 31 December 2012 (€531.6 million). Finance lease repayments in the quarter of €13.3 million were offset by an adverse FX impact of €10.7 million owing to unfavourable movements in the EUR/US$ FX rate. However, the Group holds a balance of US$ cash equivalent to its US$ debt to mitigate the impact of FX and the adverse FX impact on debt of €10.7 million was offset by a favourable FX impact on gross cash.

Cost Saving Initiatives

The formal three year Greenfield programme concluded at the end of 2012 having delivered annual operating cost savings of €104.2 million for the Group. As indicated in our 2012 preliminary results announcement, we remain acutely aware of the need to continue to manage our cost base and we indicated our intention to proceed with a number of local rather than centrally driven initiatives. With this in mind, we have begun to make some changes to our organisational structure, starting at the senior management level, which will reduce management overhead over the course of 2013. We are also launching a voluntary severance programme with the goal of reducing headcount by approximately 100 staff by the end of the year.

Pensions

There has been no change to the pension risks and uncertainties, a detailed description of which was set out in our 2012 annual report, published on 8 March 2013. Aer Lingus continues to engage with parties involved in the IASS and the Pilots' Scheme, alongside representatives of the Irish Business and Employers Confederation (IBEC), the Irish Congress of Trade Unions (ICTU) and the Labour Court with a view to resolving the funding deficits in both schemes. The discussions are complex and there can be no certainty that agreement would be reached between all parties involved. We have made it clear to all parties that shareholder approval will be sought for any agreement that may be reached.

Further updates will be provided as appropriate.

Capital Reduction

On 15 March 2013, the High Court confirmed Aer Lingus' €500 million capital reduction application, thereby increasing the distributable reserves of Aer Lingus Group plc to approximately €542 million, before the proposed payment of a four cent per share dividend (approximately €21.4 million) in respect of 2012. The confirmation provides the Group with greater flexibility to consider a return of capital or the redemption or repurchase of shares, in excess of the limits previously imposed by the Company's balance sheet.

The confirmation of the capital reduction is subject to the condition that notice be provided to the trustees of the IASS and the Pilots' Scheme (together the "Schemes"), if a proposed distribution would cause the aggregate of the distributable and non distributable reserves of the Company to be less than the aggregate of the deficits in the Schemes attributable to the current or former employees of Aer Lingus Limited (or SR Technics (Ireland) Limited while it was an associated company of Aer Lingus Limited). This condition is therefore a mere notice requirement only and does not provide the trustees of the Schemes with any rights to limit any distribution that may be proposed by the Company in the future.

Ryanair Offer/UK CC

On 27 February 2013, the European Commission formally announced its decision to prohibit Ryanair's third takeover offer for the Group.

Aer Lingus continues to cooperate with the UK Competition Commission ("UK CC") in its investigation into Ryanair's continued 29.8% shareholding in Aer Lingus. The UK CC investigation began following the referral by the UK's Office of Fair Trading on 15 June 2012, which observed that "*there is a realistic prospect that its stake has resulted or will result in a substantial lessening of competition.*" A decision from the UK CC on its investigation is expected to be announced late Summer 2013.

Commercial Developments

On 21 February 2013, Aer Lingus and JetBlue Airways announced a codeshare agreement, expanding the previously existing interline partnership between the carriers' networks. The start of this codeshare arrangement coincided with Aer Lingus' move of its New York JFK flight operations from Terminal 4 to JetBlue's acclaimed Terminal 5 on 3 April 2013.

On 27 March 2013, Aer Lingus and United Airlines announced an expansion to the carriers' codeshare agreement. The expansion will allow Aer Lingus to codeshare on United's year round Dublin to Washington-Dulles service and also the seasonal United service between Shannon and Chicago. United will codeshare on Aer Lingus flights between Shannon and London Heathrow as well as Aer Lingus services from Dublin to Manchester and Birmingham.

On 31 March 2013, Aer Lingus started services on behalf of Virgin Atlantic on domestic UK services connecting London Heathrow with Manchester, Aberdeen and Edinburgh under a wet-lease agreement agreed in December 2012.

In April 2013, Aer Lingus completed an agreement with Nova Airlines AB ("Novair") for the wet-lease of an Airbus A330-200 aircraft on ACMI (aircraft, crew, maintenance and insurance) terms. Under the agreement, Aer Lingus will operate charter services on behalf of Novair for the next two winter seasons with the option of a third.

On 8 April 2013, Aer Lingus and Etihad Airways announced an extension of the carriers' codeshare arrangement for transatlantic flights. Etihad now have access to offer codeshare flights from Dublin to Boston, Chicago and New York.

In April 2013, Aer Lingus agreed the damp-lease of three Boeing 757 aircraft to operate on North Atlantic services starting in early 2014.

Outlook

Our long haul capacity in Summer 2013 will be higher than in 2012 owing to the additional A330 aircraft, which will expand services to Boston and Chicago. Short haul capacity will be lower owing to changes in our route network and the impact of lower gauge A319 aircraft operating certain short haul services.

While we currently have only limited visibility over booking patterns for the second half of 2013, our present level of total bookings for the remainder of 2013 is ahead of the equivalent level at this time last year. The indications are that the long haul market is strong enough to absorb the additional capacity we have introduced.

Trends identified in Q1 2013, including higher airport charges, the strength of long haul and the softness in GBP and our UK market have the potential to remain a feature for the rest of the year. On that basis, we currently expect 2013 operating profit, before exceptional items, to be broadly in line with last year.

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.