Aer Lingus Limited

Directors' report and financial statements

Financial year ended 31 December 2022

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Directors and other information

Board of Directors at 12 April 2023

Lynne Embleton (Chief Executive Officer)
Elizabeth Haun (Chief Financial Officer)
Aisling Hassell (Non-Executive Director)
Stephen Kavanagh (Non-Executive Director)
Donal Moriarty (Company Executive)

Secretary and registered office

Méabh Gallagher, Laurence Gourley (assistant secretary)
Dublin Airport
Co. Dublin
Ireland

Registered number: 9215

Independent auditor

KPMG
Chartered Accountants
1 Stokes Place
St. Stephen's Green
Dublin 2
Ireland

Bankers

Citibank
North Wall Quay,
Dublin 1,
Ireland

Legal advisors

Arthur Cox
Earlsfort Centre
Earlsfort Terrace
Dublin 2
Ireland

Directors' report

The Directors submit their report together with the audited financial statements of Aer Lingus Limited (the 'Company') for the year ended 31 December 2022.

The Company's immediate parent company is Aer Lingus Group DAC ('Aer Lingus Group') and ultimate parent company is International Consolidated Airlines Group, S.A. ('IAG').

Audit committee

The Company does not have an Audit Committee of its Board in accordance with section 167 of the Companies Act 2014, but instead relies on the independent Audit Committee of its ultimate parent, IAG, which is maintained in compliance with its listing obligations.

Directors' compliance statement

It is the policy of Aer Lingus Limited to comply with its relevant obligations as defined in section 225 of the Companies Act 2014. The Directors have drawn up a compliance policy statement as defined in section 225(3)(a) of the Companies Act 2014. Arrangements and structures have been put in place that are, in the Directors' opinion, designed to secure a material compliance with the Company's relevant obligations. These arrangements and structures were reviewed during the financial year. As required by section 225(2) of the Companies Act 2014, the Directors acknowledge that they are responsible for the Company's compliance with the relevant obligations. In discharging their responsibilities under section 225, the Directors relied on the advice of Management of the Company ("Management") and third parties who the Directors believe have the requisite knowledge and experience on compliance with its relevant obligations.

Accounting records

The measures taken by the Directors to secure compliance with the Company's obligation to keep adequate accounting records are the use of appropriate systems and procedures and employment of competent persons. The accounting records are kept at Dublin Airport, Co. Dublin, Ireland.

Accounting policies

The financial statements are prepared under International Financial Reporting Standards ("IFRS") as adopted by the EU. The principal accounting policies, together with the basis of preparation of the accounts are set out in Notes 2 and 3 to the financial statements.

Disclosure of information to the auditor

The Directors confirm that:

- in so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware;
- they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of such information.

Results for the state of affairs at 31 December 2022

The Income statement for the year ended 31 December 2022 and the Statement of financial position as at that date are set out on pages 15 and 17 respectively. The loss after taxation for the year amounted to €23 million (2021: €339 million). The movement in retained earnings for the year was as follows:

	€ m
Balance, 1 January 2022	(763)
Loss for the year	(23)
Other comprehensive income for the year	1
Deficit, 31 December 2022	(785)

Total retained earnings decreased by €22 million since 1 January 2022. The Directors propose no other transfers to or from reserves.

Dividends

No dividend was paid during the year (2021: €Nil).

Principal activities

The principal activities of the Company during the year continued to be the provision of air travel services.

Business overview and commercial developments

Business overview

The impact of the COVID-19 pandemic Omicron variant and the prolonged requirement to work from home in Ireland led to a weak start to 2022. However, the robust leisure demand on key sun routes, particularly Spain and Mediterranean destinations led to a strong summer performance. The summer demand was key to returning to operating profit in 2022

Directors' report (continued)
Business overview and commercial developments (continued)

Preparations and recruitment began early for the summer peak, where the Company operated 88% of 2019 capacity levels with an overall schedule completion of 98 per cent, better than most network operators. In addition, punctuality outperformed key competitors in the Dublin hub throughout 2022.

As aviation began to recover the industry experienced resource shortages at key airports affecting terminal facilities, security screening, baggage and airport passenger services. In September, these challenges were compounded by an Aer Lingus system outage, which had a significant impact on customers. Operations were recovered within hours, passengers were rebooked where possible and increased resources were added to expedite processing of customer claims.

2022 marked the first full year of transatlantic operations at the new Manchester base, operated by the Company's subsidiary entity Aer Lingus (U.K.) Limited, and the start of operations with regional franchise partner Emerald Airlines. This has increased Aer Lingus connectivity between the UK and Ireland and provides strong passenger flows across the transatlantic.

Our people

Over the last two years our people have gone above and beyond in their roles to deliver for customers and this year our teams endured a challenging summer as the industry resumed operations at scale. We introduced new policies to better support families and refreshed facilities to provide a better working environment.

Our people are key to our success and to this end we launched the Purpose, Vision, Mission and Values to guide the delivery of our strategy and our transformation plan and to unlock the full potential of Aer Lingus.

Our customers

Customer satisfaction has remained high with our on-board service and in 2022 we improved the in-flight proposition with new aircraft and better long haul business cabin catering. We also made a number of technology improvements for payment functionality and mobile check-in. Further investment in the digital customer experience is a core pillar of the transformation plan.

Our planet

In 2022, the Company continued to make good progress on our sustainability journey. Two Sustainable Aviation Fuel ('SAF') offtake agreements were signed commencing from 2025. From 2026, 50 per cent of fuel on flights from California will be Sustainable Aviation Fuel.

Two Airbus A320neo aircraft were added to the Company's fleet which are significantly more fuel efficient than the aircraft they replaced, while recycling on-board flights was introduced this year and Aer Lingus became the first airline segregating waste flying into Ireland.

Looking forward

The return to operating profit in 2022 was welcome as the Company looks to repair the damage of the COVID-19 pandemic. While there is much to build on, the economic and geopolitical forces causing higher oil prices, exchange rate fluctuation and rising interest rates continue to increase the cost base of airlines. While the Company earned an operating profit for the full year, after interest charges and tax, the Company recorded a loss of €23 million.

Looking toward to 2023, the Company's strategy to build its Dublin hub will be supported by network expansion across the North Atlantic and further developments with our airline partners. Sponsorship of the opening game of the US College Football Series, which is played in Ireland, also serves to further strengthen the Aer Lingus brand in the US market. Growing North America Leadership is just one of the six key pillars in the transformation plan which, along with accelerating sustainability and developing digital customer experience, reflect the continued innovation, collaboration and progress anticipated for 2023.

Directors' report (continued)
Trading highlights

In 2022, the Company generated revenue of €1,668 million (2021: €366 million), representing a 355% increase compared with prior year.

The key revenue statistics are as follows:

Revenue statistics	**2022**	**2021**	**% increase/ (decrease)**
Available Seat Kilometres (ASKs) (million)	26,258	7,191	265%
Number of seats ('000s)	13,375	4,240	215%
Passenger numbers ('000s)	9,020	2,080	334%
Passenger revenue (€ million)	1,579.5	297.4	431%
Cargo revenue (€ million)	79.3	64.8	22%
Other revenue (€ million)	9.1	4.1	120%
Total revenue (€ million)	**1,667.9**	**366.3**	**355%**
Load factor RPK/ASK (%)	77%	48%	60%
Passenger revenue per ASK (€ cent)	6.02	4.14	45%

Passenger revenue increased by 431% in total on 2021, as a result of the return to normal business activity following the lifting of travel restrictions. Within this context, passenger revenue per ASK increased by 45%.

The key operating costs and unit cost measures are as follows:

Operating costs (€ million unless otherwise stated)	**2022**	**2021**	**% increase/ (decrease)**
Fuel, oil costs and emissions charges	494.3	95.1	420%
Landing fees and en-route charges	138.3	78.4	76%
Employee costs	386.1	179.3	115%
Other operating costs[1]	611.2	362.5	69%
Total operating costs	**1,629.9**	**715.3**	128%
Operating cost per ASK (€ cent)	6.21	9.95	(38%)
Non-fuel operating cost per ASK (€ cent)	4.32	8.62	(50%)

1 Other operating costs includes aircraft maintenance costs, handling fees, catering and selling costs, depreciation and amortisation, expenditure with other Group entities, see related party transactions Note 37.

Operating cost per ASK decreased by 38% compared with 2021, largely as a result of the return to normal business activity following the lifting of travel restrictions in 2022.

2022 Statement of financial position movements

The Company's Statement of financial position had net liabilities of €413 million at 31 December 2022 (31 December 2021; net liabilities of €404 million). This increase is a result of the losses incurred in 2022. It is noted that this takes account of loans from other members of the Aer Lingus Group in the amount of €468 million (2021: €468 million). The Directors of Aer Lingus Limited have received confirmation from the Directors of those companies that payment will not be called on these loans.

Cash and cash equivalents and current interest bearing deposits were €362 million (2021: €220 million). This increase, taken together with repayments of long-term borrowings of €250 million, is attributable to the increase in forward sales relative to 2021.

There were a number of other significant Statement of financial position movements between 31 December 2021 and 31 December 2022:

- Property, Plant and Equipment assets, increased by a net amount of €63 million. Capital additions of €163 million were recognised during the year (2021: €144 million), including two new Airbus A320neos, net of depreciation, amortisation and disposals.

- Three Airbus A321 aircraft were disposed of in 2022, which were classified as Held for Sale at 31 December 2021. The gain on disposal was €11.5 million.

- Intangible assets increased by a net amount of €22 million. The amortisation charge for the year was €17 million (2021: €18 million).

- Other non-current assets comprise long term loans and prepayments made for a period greater than one year. Other noncurrent assets increased reflecting the recognition of a deferred tax asset of €44 million (2021: €47 million), primarily due to the operating losses incurred in 2022.

- Other reserves principally include cash flow hedging reserves, a capital contribution reserve, a capital conversion reserve fund and retained earnings deficit. Other reserves, and net assets, have decreased by €10 million, with no change to issued share capital during the year. The movement in reserves is mainly due to losses of €23 million and an increase of €13 million in cash flow hedging reserves, due to reclassification to net profit and revaluation of hedges within equity.

Directors' report (continued)

- Borrowings on right of use assets of €636 million (2021: €598 million), relate to lease obligations. The movement during 2022 reflects 2 new aircraft leases entered into, offset by scheduled lease repayments.

- The net derivative hedging position amounted to a net asset position of €29 million at the end of 2022 (2021: a net asset position of €15 million). At the end of 2022, the hedging position comprises a significant mark to market profit on the Company's portfolio of fuel hedges, as a result of an increase in market fuel prices during 2022. The mark to market position on currency hedge contracts (US Dollar and GBP Sterling) moved in the inverse direction to currency volatility during 2022, where EUR weakened against the aforementioned currency pairs, resulting in a liability position at 31 December 2022. The Financial Risk Management disclosures within Note 19 to these financial statements provide further background on the Company's positions.

Fleet summary

A summary of our fleet as at 31 December 2022 was:

By aircraft type and classification:

Aircraft type	Owned	Operating lease	Finance Lease	Other[1]	Total
Airbus A320	12	15	4	-	**31**
Airbus A320neo	-	2	-	-	**2**
Airbus A330-200	-	-	-	3	**3**
Airbus A330-300	4	4	4	-	**12**
Airbus A321neo	-	8	-	-	**8**
Total	**16**	**29**	**8**	**3**	**56**

[1]Other aircraft relates to grounded aircraft that were not in use during the reporting period.

As at 31 December 2022 there were 56 aircraft in service (2021: 57).

Three Airbus A321 aircraft were disposed of in 2022, which were classified as held for sale in 2021. Two Airbus A320neo aircraft were delivered in 2022.
Two Airbus A330 aircraft were transferred from storage to active service in 2022. One Airbus A330 aircraft was unencumbered in 2022 and transferred from finance lease to owned.

A summary of our fleet as at 31 December 2021 was:

By aircraft type and classification:

Aircraft type	Owned	Operating lease[1]	Finance Lease	Other[2]	Held for Sale	Total
Airbus A320	11	15	4	1	-	**31**
Airbus A320neo	-	-	-	-	3	**3**
Airbus A330-200	-	1	-	2	-	**3**
Airbus A330-300	3	2	5	2	-	**12**
Airbus A321neo	-	8	-	-	-	**8**
Total	**14**	**26**	**9**	**5**	**3**	**57**

[1]Includes 1 Airbus A320 and 1 Airbus A330-200 leased aircraft with leases less than 12 months, which are off balance sheet
[2]Other aircraft relates to grounded aircraft that were not in use during the reporting period.

Going concern

In preparing its assessment of going concern for the next 12 months, the Directors considered the forecasts included in the Company's 2023 financial plan and longer term business plan which was prepared for and approved by the Board in December 2022. This forecast considers the Board's and management's views on the anticipated continued recovery from the COVID-19 pandemic and the wider economic and geopolitical environments on the Company's businesses across 2023 and into 2024 of which the key inputs and assumptions include:

- Capacity recovery modelled by geographical region with capacity in Available Seat Kilometres (ASK) exceeding pre-pandemic levels with growth in the Company's long haul network following the introduction of the Manchester operation and new routes scheduled in 2023 from Dublin (e.g. Cleveland);
- Passenger revenue per ASK is forecast to continue to remain on average above the levels obtained in 2019;
- The Company expects that the committed and undrawn general facilities of €741 million currently available to the Company will remain sufficient over the period.

Directors' report (continued)
Going concern (continued)

Having reviewed the business plan, the Directors are satisfied that the Company has sufficient liquidity to continue to pay its debts/creditors as they fall due over the next 12 months. This is due to the continued recovery following the pandemic. The Directors are satisfied in adopting the going concern basis in preparation of the financial statements for the year to 31 December 2022.

Principal risks and uncertainties

The highly regulated and commercially competitive environment, together with Aer Lingus Limited's operations, exposes the Company to a number of risks. In 2022, exposure to the external risk environment and the weaknesses in the resilience of the aviation sector's supply chain and inflation impacts combined with an ambitious transformation and change agenda has required assessment of how risks are evolving and responding to mitigating actions. With the return to operations as markets have re-opened, the Company has reviewed macro-economic and geopolitical events to identify emerging risks and implications for existing principal risks.

The Directors are responsible for oversight of the Company's risk management systems, which are designed to identify, manage and mitigate potential material risks to its strategic and business objectives. The Company carries out detailed risk management reviews under the IAG Enterprise Risk Management (ERM) framework. This framework sets out a comprehensive risk management process and methodology, ensuring a robust identification and assessment of the risks facing Aer Lingus Limited, including emerging risks. The Aer Lingus Executive

Management Committee and the IAG Head of Enterprise Risk Management review the risk heatmap twice a year to ensure that risks are appropriately evaluated, and any further actions identified. This is then reported to the Aer Lingus Board for review and challenge to assist in the management of risk. The Company's Directors remain focused on mitigating its risks at all levels in the business and investing to increase resilience whilst recognising that risk events may not be so easily planned for and that some mitigations are more responsive in nature. Business responses implemented by management and that effectively mitigate or reduce the risk are reflected in the Company's latest business plan. A separate but parallel management system monitors flight safety risks.

The risk management framework has evolved to allow the Directors of the Company and management to assess and respond quickly to changes across the Company's principal and other key risks. For all risks, a business owner(s) is assigned, and appropriate mitigations and timelines for implementation of same are agreed, following discussions with all relevant stakeholders. Where risk treatments require time to implement, short term mitigations are assessed and the timeline to risk mitigation and consequent risk acceptance discussed and agreed by stakeholders. Every risk has clear executive oversight.

One new principal risk around Brand and Customer Trust is now reported following the risk assessments given the level of operational resilience challenges in the aviation sector. In addition, one risk has been reconsidered as part of the reviews in the year and has been reframed as 'Operational resilience' from 'Event causing significant network disruption' to recognise that the risk to the operational resilience of the business may be challenged by multiple combining events with significant network and customer impact and these may be more significant to Aer Lingus Limited where they persist over a longer time frame than one-off events.

The principal corporate risks that may threaten the Company's business model, future performance and solvency are described below. This list is not intended to be exhaustive.

Brand and Customer Trust

Aer Lingus Limited's ability to attract and secure bookings, and generate revenue depends on customers' perception and affinity with the brand and its associated reputation for customer service and value. Erosion of the brand and customer trust through poor customer service or lack of reliability in operations may adversely impact the Company's position with customers. The Aer Lingus brand is and will continue to be at risk of adverse publicity regarding events impacting service and operations. Reliability, including on-time performance, is a key element of the brand and of each customer's experience. Where customers have been impacted as a result of operational resilience issues in the year, the Company has worked directly with its customers to resolve the issues and ensure, where possible, that customers have been able to complete their travel plans. Aer Lingus Limited remains focused on strengthening its customer experience to ensure that it continues to adapt and focus its business model to meet changing customer expectations and needs.

Competition risk

Aer Lingus Limited operates in an intensely competitive market across our main route groups. Failure to compete to optimise our market share and customer engagement in our key markets may result in erosion of revenue and margins. Capacity, services, revenues and costs are proactively managed to optimise market share, and to adapt and respond to market changes.

Critical third parties in the supply chain, including infrastructure

Aer Lingus Limited is dependent on the performance and costs of critical third-party suppliers that provide services to our customers such as airport operators, ground handlers, border control and caterers. Increases in costs or financial and operational stress for critical suppliers may impact the Company's operations. The Company, supported by IAG Procurement, works with suppliers to ensure operations are maintained and costs remain competitive.

As Aer Lingus Limited seeks to develop and expand its business across the North Atlantic, its growth element is significantly dependent on the timely delivery of appropriate infrastructure by the Dublin Airport Authority (DAA). In December 2022 the Commission for Aviation Regulation (CAR) made its Final Determination for the maximum airport charges at Dublin Airport for the regulatory period 2023-2026. As a result of the Final Determination, CAR anticipate the nominal Price Caps to increase. This may result in changes to planned delivery and timing of delivery of infrastructure. The Company continues to raise potential delays to infrastructure planning timelines and challenges to lift the passenger cap at Dublin Airport with both regulatory and government stakeholders. Aer Lingus Limited remains reliant on the resilience within the operations of air traffic control airspace services to deliver its flight schedules as planned.

Directors' report (continued)
Principal risks and uncertainties (continued)

Cyber-attack and data security

Aer Lingus Limited could face financial loss, disruption or damage to brand reputation arising from an attack on its systems by criminals, terrorists, foreign governments or hackers/hacktivists. If the Company does not adequately protect our customer and employee data, it could breach regulation and face penalties and loss of customer trust, or experience business disruption through system outages or performance deterioration. Changes in working practices and environments for the Group's employees and third-party suppliers could result in new weaknesses in the cyber and data security control environment.

A cyber risk management framework is in place to monitor the risk across the Company. The Aer Lingus Cyber Governance Board assesses and actively re-prioritises the portfolio of cyber projects and initiatives based on level of threat/risk. Aer Lingus Limited is working with both IAG Tech and market leading partners to enhance detection capabilities across all channels through the deployment of Artificial Intelligence (AI) solutions and intelligent threat detection. Aer Lingus Limited has a BISO (Business Information Security Officer) who is responsible for cyber security risk and supports the IAG CISO (Cyber Information Security Office) in key areas including threat intelligence, expertise, training, policy development and security operations. Working practices have been reviewed to ensure the integrity of the cyber and data security environment and controls with additional oversight measures being implemented as required.

There is oversight of critical systems and suppliers to ensure that the Company understands the data it holds, that the data is secure, and the Company adheres to a wide set of regulations, including the Directive on security of Network and Information Systems (NIS-D) as a designated national operator of essential services. Aer Lingus Limited has a Data Protection Officer in place.

Economic, political and regulatory environment

The economic impact of energy shortages and increases in commodity and wage costs has driven significant inflation and uncertainty over the economic outlook. Economic deterioration in either the domestic market or the global economy may have a material impact on the Company's financial position, while foreign exchange, fuel price and interest rate movements create volatility. Aer Lingus Limited is closely reviewing the impacts of wage and supplier inflation on margins and customer demand. The Company will continue to adjust its future capacity plans, accordingly, retaining flexibility to adapt as required and where possible.

Financial and treasury related risks

Failure to manage the volatility in the price of oil and petroleum products, manage currency risk or other financial risks could impact the profitability of the Company. Fuel, foreign exchange and interest rate hedging are actively managed in accordance with IAG Group's treasury policies and Board approvals. Fuel cost increases in 2022 have been partly mitigated by Aer Lingus' fuel hedging policy. Access to fuel hedging instruments or the ability to pass increased fuel costs on to consumers could impact the Company's profits. Higher interest rates in the market for new finance arrangements or re-financing may impact the cost base. Aer Lingus Limited continues to assess the strength of the US dollar against the euro and the potential impacts on the Company's operating results. The Company has financial counterparty limits in place.

Fleet

In accordance with the approved fleet and business plans, maintaining the correct fleet specification, aircraft number and mix is critical for the Company. The fleet plan ensures there is sufficient flexibility over the short and medium term to respond to business demands. With the increasing focus on sustainability and the environment, all fleet sourcing decisions evaluate new technology options. Any delays in the entrance of fleet may impact efficiency of operations, flight schedules and growth plans. Aer Lingus Limited is able to leverage IAG Group Procurement when sourcing new or replacement aircraft from both the Original Equipment Manufacturers (OEMs) directly or from the leasing market.

IT systems and IT infrastructure

The Company is dependent on multiple IT systems at both IAG Group and local level for its key customer and business processes and is exposed to risks that relate to poor performance, obsolescence or failure of these systems. The performance and reliability of these systems is critical to our ability to operate and compete effectively. The dependency on IT systems is increasing and the failure of a critical system may cause significant disruption to the operation and lost revenue. IAG Tech (the IAG Group's central tech function) works with the Company to deliver digital and IT change initiatives to enhance security, stability and availability and to maximise customer experience. The level of transformational change at the pace required may result in disruption to operations as the legacy environment is addressed. Mitigating actions that prioritise operational stability and resilience have been built into all cutover plans. Operational outages are tracked, and root causes identified to help minimise any impact to our customers and operations. Obsolescence within the Company's legacy IT estate could result in service outages and/or operational disruption or delays in the implementation of transformation programmes. A comprehensive governance, planning and delivery framework ensures appropriate controls and prioritisation across an extensive and complex work programme. The Aer Lingus Chief Data & Information Officer (CDIO) team manages delivery and delivery timelines for IT systems and infrastructure provided by IAG Tech and suppliers to the Company.

Operational resilience

An event causing significant long-term disruption or the inability to promptly recover from short term disruptions, can have an adverse material impact on the Company's business in terms of lost bookings and revenue, additional cost and damaged customer confidence. The challenges associated with ramping up operations and managing any ongoing pandemic restrictions is likely to continue to have an adverse effect on the Company, if governments choose to reimpose restrictions to manage public health concerns, as would any future pandemic outbreak or other material event impacting operations or customers' ability to travel. The Company is also reliant on critical third parties to deliver services and any failure of the level of service in its third parties may impact operational resilience and Aer Lingus customers. The Company has scenario-based business continuity plans in place for all foreseeable contingencies, and a robust and independently validated Emergency Response Plan for aircraft related crisis events. Other potential high impact, low likelihood events have been considered that could have the potential to

Directors' report (continued)
Principal risks and uncertainties (continued)
Operational resilience (continued)

disrupt the Company and/or the aviation sector. Many of these events remain outside of the Company's control such as adverse weather, an extended and/or another pandemic, civil unrest or terrorist event seen in cities served by the Company.

People and industrial relations

The resilience and engagement of our people and leaders are critical to our success and to the achievement of our plans. Aer Lingus Limited recognises the efforts of our staff and their commitment in supporting the ramp up of operations. The Company is focused on ensuring it attracts, motivates, retains and develops its people to deliver service and brand excellence across a range of skill sets. Engagement and organisational health surveys have been conducted with action plans developed to create a positive and inclusive culture. The Company improved maternity and paternity benefits in 2022 and department-specific training and development programmes will be implemented in 2023.

The Company has a largely unionised workforce and collective bargaining takes place on a regular basis across a range of issues. These engagements are focused on employment levels, pay and cost. Resourcing shortages could impact operational capabilities where the Company faces recruitment challenges being experienced across sectors of the economy. Any breakdowns in the bargaining process with the unionised workforces may result in subsequent strike action which may disrupt operations and adversely affect business performance and customer perception.

Regulatory compliance risk

Any breach of laws and regulations would pose a risk to the Company. The Company is exposed to the risk of individual employees' or groups of employees' inappropriate and/or unethical behaviour resulting in reputational damage, fines or losses. The IAG Group has clear frameworks in place including comprehensive Group-wide policies designed to ensure compliance. Aer Lingus Limited actively manages compliance with competition and data protection regulations. There are mandatory training programmes in place to educate employees as required for their roles in these matters.

Sustainable aviation

Increasing global concern about climate change and the impact of carbon, new taxes, the potential removal of aviation jet fuel exemptions and increasing price of carbon offsets could impact demand for air travel. The airline industry sector is subject to increased regulatory requirements, driving costs and operational complexity. In 2021, the EU announced its "Fit for 55" package of proposals. The IAG Group continues to model potential impacts and costs, which includes the removal of aviation jet fuel tax exemption from 2024, with mitigation plans embedded into financial and strategic planning The IAG Group has also committed to 10% sustainable aviation fuel (SAF) usage on average across its fleet by 2030. Overall aviation industry requirements will require infrastructure investments across markets to support the production of SAF to meet demand expectations. If sustainable fuels mandates are implemented, demand could exceed supply or infrastructure and production is not available. Aer Lingus Limited has a SAF working group focused on meeting the IAG Group's target. Aer Lingus Limited also continues to invest in new carbon-efficient aircraft, carbon offsetting schemes and SAF supply agreements.

Transformation and change

Failure to transform the business to effectively maintain or grow share in the new competitive environment, fully implement all required change programmes and realise the benefits of the change initiatives, to deliver digital platforms and customer propositions could result in loss of revenue and market share. The pace of change may expose the Company to execution risk as multiple initiatives are delivered across processes and systems that serve our operations and customers. The impact on our people of the wide-ranging change agenda if poorly managed or uncoordinated could lead to logistical, engagement and resourcing challenges with the potential to negatively impact customer satisfaction, revenue and efficiency benefits. Aer Lingus Limited continues to secure the requisite skills with internal and external resources to support the change initiatives. The Aer Lingus Transformation team monitors delivery of the change programmes and reports progress and delivery risks to the Transformation Executive Steering Group. Programme status and benefit delivery is reported regularly to the IAG Transformation Office.

Directors

The names of the current Directors appear on page 2. The Directors who served during the year ended 31 December 2022 are listed in the table below.

Director	Status	Executive/Non-Executive
Dónal Moriarty	Current	Executive
Lynne Embleton	Current	Executive
Elizabeth Haun	Current	Executive
Stephen Kavanagh	Current	Non-Executive
Aisling Hassell	Current	Non-Executive

Directors' report (continued)
Directors' and Secretary's interests in shares and debentures

The Directors, the Secretary, and Assistant Secretary did not hold an interest in, at either the beginning of the financial year (or, if he or she was not then a Director, when he or she became a Director) or at the end of the financial year, any shares in or debentures of the Company or any group undertaking of the Company required to be recorded in the Company's register of interests under section 267 of the Companies Act 2014.

Payment practices

The Directors acknowledge their responsibility for ensuring compliance, in all material respects, with the provisions of the European Communities (Late Payments in Commercial Transactions) Regulations 2002 (the "Regulations"). Procedures have been implemented to identify the dates upon which invoices fall due for payment and to ensure that payments are made by such dates. Such procedures provide reasonable assurance against material non-compliance with the Regulations. The payment policy throughout 2022 was to comply with the requirements of the Regulations.

Research and development

The Company did not engage in any research and development activities during the year (2021: €nil).

P**olitical contributions**

No political contributions were made by the Company during the year (2021: €nil).

Subsidiary companies

Details of the principal subsidiary companies are set out in Note 17 to the financial statements.

Independent auditor

The independent auditor KPMG is prepared to continue in office in accordance with the provisions of section 383(2) of the Companies Act 2014.

On behalf of the Board

LYNNE EMBLETON
DIRECTOR
12 April 2023

ELIZABETH HAUN
DIRECTOR
12 April 2023

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that year.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014. They are responsible for such internal controls as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

On behalf of the Board

LYNNE EMBLETON	ELIZABETH HAUN
DIRECTOR	DIRECTOR
12 April 2023	**12 April 2023**

KPMG
Audit
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03
Ireland

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AER LINGUS LIMITED

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Aer Lingus Limited ('the Company') for the year ended December 31, 2022 set out on pages 15 to 58, which comprise the Statement of comprehensive income, Statement of financial position, Statement of changes in equity, Statement of cashflows and related notes, including the summary of significant accounting policies set out in note 2.

In our opinion:

- the financial statements give a true and fair view of the assets, liabilities and financial position of the Company as at December 31, 2022 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRS as adopted by the European Union; and
- the financial statements have been properly prepared in accordance with the requirements of the Companies Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (Ireland) (ISAs (Ireland)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with ethical requirements that are relevant to our audit of financial statements in Ireland, including the Ethical Standard issued by the Irish Auditing and Accounting Supervisory Authority (IAASA), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information presented in the Annual Report together with the financial statements. The other information comprises the information included in the Directors' report. The financial statements and our auditor's report thereon do not comprise part of the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Report on the audit of the financial statements *(continued)*

Other information (continued)

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Based solely on our work on the other information undertaken during the course of the audit, we report that:

- we have not identified material misstatements in the Directors' report;
- in our opinion, the information given in the Directors' report is consistent with the financial statements; and
- in our opinion, the Directors' report has been prepared in accordance with the Companies Act 2014.

Our opinions on other matters prescribed by the Companies Act 2014 are unmodified

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

Matters on which we are required to report by exception

The Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by Sections 305 to 312 of the Act are not made. We have nothing to report in this regard.

Respective responsibilities and restrictions on use

Responsibilities of Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on page 11, the Directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (Ireland) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A fuller description of our responsibilities is provided on IAASA's website at https://iaasa.ie/publications/description-of-the-auditors-responsibilities-for-the-audit-of-the-financial-statements/.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AER LINGUS LIMITED *(continued)*

Respective responsibilities and restrictions on use *(continued)*

The purpose of our audit work and to whom we owe our responsibilities

Our report is made solely to the Company's members, as a body, in accordance with Section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. o the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Stephen. King
for and on behalf of
KPMG
Chartered Accountants, Statutory Audit Firm
1 Stokes Place
St. Stephen's Green
Dublin 2
D02 DE03

12 April 2023

Income Statement
Year ended 31 December 2022

	Note	2022 €'000	2021 €'000
Passenger revenue		**1,579,516**	297,426
Cargo revenue		**79,332**	64,844
Other revenue		**9,086**	4,098
Total revenue		**1,667,934**	366,368
Employee costs		**386,102**	179,282
Fuel, oil costs and emission charges		**494,254**	95,147
Handling, catering and other operating costs		**209,387**	71,372
Landing fees and en-route charges		**138,322**	78,400
Engineering and other aircraft costs		**104,300**	68,876
Property, IT and other costs		**81,088**	63,034
Selling costs		**63,060**	16,787
Depreciation and amortisation	*7*	**145,587**	140,149
Currency differences		**7,785**	2,270
Total expenditure on operations		**(1,629,885)**	(715,317)
Operating profit/(loss)		**38,049**	(348,949)
Finance costs	*8*	**(54,578)**	(51,776)
Finance income	*8*	**5,902**	4,662
Net currency retranslation charges		**(9,630)**	(10,736)
(Loss)/Gain on derivatives not qualifying for hedge accounting		**(10,350)**	12,786
Net gain related to sale of property, plant, equipment and investments	*13*	**11,533**	8,974
Net financing credit relating to retirement benefits	*8*	**4**	54
Loss before taxation		**(19,070)**	(384,985)
Tax (charge)/credit	*11*	**(3,940)**	46,123
Loss after taxation		**(23,010)**	(338,862)

Attributable to:

Equity holders of the parent		**(23,010)**	(338,862)

All reported results arise from continuing operations.

The notes on pages 20 to 58 form an integral part of these financial statements.

Approved by the Board of Directors on **12 April 2023**.

Statement of other comprehensive income
Year ended 31 December 2022

	Note	**2022**	2021
		€'000	€'000
Items that may be reclassified subsequently to net loss			
Cash flow hedges:			
Fair value movements in equity	*32*	**87,651**	27,235
Deferred tax impact	*32*	**(9,440)**	(3,364)
Reclassified and reported in net profit	*32*	**(73,801)**	2,690
Deferred tax impact	*32*	**8,374**	(370)
Items that will not be reclassified to net loss			
Re-measurements of post-employment benefit obligations	*27*	**619**	-
Deferred tax impact	*30*	**(77)**	-
Total other comprehensive income for the year, net of tax		**13,326**	26,191
Loss after tax for the year		**(23,010)**	(338,862)
Total comprehensive loss for the year, net of tax		**(9,684)**	(312,671)
Total comprehensive loss is attributable to:			
Equity holders of the parent		**(9,684)**	(312,671)

All reported results arise from continuing operations.

The notes on pages 20 to 58 form an integral part of these financial statements.

Approved by the Board of Directors on **12 April 2023**.

Statement of financial position as at 31 December 2022

	Note	At 31 December 2022 €'000	At 31 December 2021 €'000
Non-current assets			
Property, plant and equipment	*12*	**1,131,487**	1,068,753
Intangible assets	*15*	**83,853**	62,190
Investment in subsidiaries	*16*	**113,709**	113,709
Employee benefit assets	*27*	**130**	429
Deferred tax asset	*30*	**44,267**	47,261
Loans and receivables	*18*	**100,195**	292,273
Derivative financial instruments	*19*	**16,095**	8,891
Other non-current assets	*21*	**13,233**	14,262
Total non-current assets		**1,502,969**	1,607,768
Current assets			
Assets held for sale	*13*	**-**	19,729
Inventories	*20*	**10,873**	7,424
Trade receivables	*21*	**22,835**	4,457
Other current assets	*21*	**75,519**	35,737
Derivative financial instruments	*19*	**64,625**	18,039
Other current interest bearing deposits	*22*	**32,605**	35,009
Cash and cash equivalents	*22*	**328,982**	184,653
Total current assets		**535,439**	305,048
Total assets		**2,038,408**	1,912,816
Shareholders' deficit			
Issued share capital	*31*	**337,991**	337,991
Other reserves (deficit)	*32*	**(751,159)**	(741,475)
Total shareholders' deficit		**(413,168)**	(403,484)
Non-current liabilities			
Borrowings on right of use assets	*23*	**552,326**	408,151
Employee benefit obligations	*27*	**933**	1,668
Provisions for liabilities	*28*	**177,136**	141,847
Derivative financial instruments	*19*	**16,239**	5,129
Interest bearing long-term borrowings	*25*	**171,410**	282,464
Other long-term liabilities	*24*	**469,051**	619,184
Total non-current liabilities		**1,387,095**	1,458,443
Current liabilities			
Borrowings on right of use assets	*23*	**81,232**	190,291
Deferred revenue on ticket sales	*24*	**457,336**	352,687
Trade and other payables	*24*	**378,292**	214,685
Interest bearing long-term borrowings	*25*	**11,875**	11,676
Derivative financial instruments	*19*	**35,451**	7,136
Provisions for liabilities	*28*	**98,208**	81,356
Current tax payable	*11*	**2,087**	26
Total current liabilities		**1,064,481**	857,857
Total liabilities		**2,451,576**	2,316,300
Total equity and liabilities		**2,038,408**	1,912,816

The Notes on pages 20 to 58 form an integral part of these financial statements.

On behalf of the Board

LYNNE EMBLETON
DIRECTOR
12 April 2023

ELIZABETH HAUN
DIRECTOR
12 April 2023

Statement of changes in equity
Year ended 31 December 2022

	Called-up share capital	Capital conversion reserve fund	Cash flow hedging reserve	Capital contribution reserve	Share based payment reserve	Retained earnings/ (deficit)	Total equity/ (deficit)
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Balance at 1 January 2021	337,991	1,705	(19,705)	13,207	-	(424,011)	(90,813)
Loss for the year	-	-		-	-	(338,862)	(338,862)
Other comprehensive income for the year:							
Cash flow hedges reclassified and reported in net profit:	-	-	2,320	-	-	-	2,320
Net change in fair value of cash flow hedges	-	-	23,871	-	-	-	23,871
Total comprehensive loss for the year	-	-	26,191	-	-	(338,862)	(312,671)
Share based payment credit	-	-	-	-	1,810	-	1,810
Share based payment intercompany settlement	-	-	-	-	(1,810)	-	(1,810)
Dividends paid	-	-	-	-	-	-	-
Balance at 31 December 2021	337,991	1,705	6,486	13,207	-	(762,873)	(403,484)
Balance at 1 January 2022	**337,991**	**1,705**	**6,486**	**13,207**		**(762,873)**	**(403,484)**
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(23,010)**	**(23,010)**
Other comprehensive income for the year:							
Cash flow hedges reclassified and reported in net profit:	**-**	**-**	**(65,427)**	**-**	**-**	**-**	**(65,427)**
Net change in fair value of cash flow hedges	**-**	**-**	**78,211**	**-**	**-**	**-**	**78,211**
Re-measurement of post-employment benefit obligations	**-**	**-**	**-**	**-**	**-**	**542**	**542**
Total comprehensive loss for the year	**-**	**-**	**12,784**	**-**	**-**	**(22,468)**	**(9,684)**
Share based payment credit	**-**	**-**	**-**	**-**	**4,457**	**-**	**4,457**
Share based payment intercompany settlement	**-**	**-**	**-**	**-**	**(4,457)**	**-**	**(4,457)**
Dividends paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Balance at 31 December 2022	**337,991**	**1,705**	**19,270**	**13,207**	**-**	**(785,341)**	**(413,168)**

The Notes on pages 20 to 58 form an integral part of these financial statements.

Statement of cash flows
Year ended 31 December

	Note	2022 €'000	2021 €'000
Cash flows from operating activities			
Loss before tax		**(19,070)**	**(384,985)**
Adjustments for:			
Depreciation, amortisation and impairment	*12, 14, 15*	**145,587**	**143,448**
Net movement in provisions for other liabilities	*28*	**52,141**	**24,421**
Post employment benefit obligations		**619**	**67**
Finance costs	*8*	**54,578**	**51,776**
Finance income	*8*	**(5,902)**	**(4,662)**
Net currency retranslation charges/(credits)		**9,630**	**7,035**
Loss/(gain) from derivatives		**10,350**	**(12,786)**
Net gain related to sale of property, plant, equipment and investments		**(11,533)**	**(8,974)**
Net financing gain relating to pensions		**(4)**	**(54)**
Cash payments related to derecognition of hedge accounting		**-**	**(45,109)**
Changes in working capital			
Inventories		**(3,448)**	**1,527**
Trade and other receivables		**(58,160)**	**18,450**
Trade and other payables (including deferred revenue on ticket sales)		**267,929**	**138,215**
Cash generated from operations		**442,717**	**(71,631)**
Interest paid		**(50,463)**	**(35,666)**
Taxation (paid)/refunded		**(140)**	**1,511**
Net cash flows from/(used in) operating activities		**392,114**	**(105,786)**
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		**(133,398)**	**(39,806)**
Proceeds from sales of property, plant and equipment and intangible assets		**31,216**	**17,117**
Decrease in interest bearing and other deposits		**2,404**	**3,111**
Interest received		**506**	**2,159**
Net cash flows used in investing activities		**(99,272)**	**(17,419)**
Cash flows from financing activities			
Drawdown of long-term interest bearing borrowings and right of use borrowings	*35*	**-**	**175,000**
Repayments of borrowings	*35*	**(250,000)**	**-**
Proceeds from loans receivable	*18*	**200,000**	**-**
Repayments of borrowings on right of use assets	*35*	**(78,949)**	**(79,156)**
Repayments of long-term interest bearing borrowings	*35*	**(11,778)**	**(11,676)**
Net cash flows (used in)/from financing activities		**(140,727)**	**84,168**
Net increase/(decrease) in cash and cash equivalents		**152,114**	**(39,037)**
Net foreign exchange differences		**(7,785)**	**(2,270)**
Cash and cash equivalents at 1 January	*22*	**184,653**	**225,960**
Cash and cash equivalents at year end	*22*	**328,982**	**184,653**

The Notes on pages 20 to 58 form an integral part of these financial statements.

Notes to the financial statements

1. General information

Aer Lingus Limited ("the Company") operates as an Irish airline primarily providing passenger and cargo transportation services from Ireland to the UK and Europe ("short haul") and also to North America ("long haul"). The Company, registered number 9215, is a limited liability company incorporated and domiciled in Ireland. The address of its registered office is Dublin Airport, Co. Dublin, Ireland. The Company is a wholly owned subsidiary of Aer Lingus Group DAC, a company incorporated and domiciled in Ireland. The address of its registered office is Dublin Airport, Co. Dublin, Ireland. The ultimate parent of Aer Lingus Limited is International Consolidated Airlines Group, S.A. hereinafter "IAG". IAG is a Spanish company registered in Madrid and was incorporated on 8 April 2010. IAG shares are traded on the London Stock Exchange's main market for listed securities and also on the stock exchanges of Madrid, Barcelona, Bilbao and Valencia (the 'Spanish Stock Exchanges'), through the Spanish Stock Exchanges Interconnection System (Mercado Continuo Español).

2. Basis of preparation

The financial statements of the Company have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU), and the Companies Act 2014 applicable to companies reporting under IFRS.

The financial statements presented are separate financial statements. Details of the principal subsidiary undertakings during the reporting period are included in Note 17. The Company has availed of an exemption from preparing consolidated financial statements, as set out under section 299 of the Companies Act 2014 and IFRS 10, *Consolidated Financial Statements*, as it is a wholly owned subsidiary of Aer Lingus Group DAC, a company incorporated and domiciled in Ireland. The ultimate parent of the Company is International Consolidated Airlines Group, S.A. ('IAG') which presents consolidated financial statements, including the results of the Company, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU). The registered office of IAG is S.A El Caserío, Iberia Zona Industrial no 2 (La Munoza) Camino de La Munoza, s/n, 28042 Madrid, Spain and the consolidated financial statements are publicly available on IAG's website at *http://www.iairgroup.com/*.

The financial statements are presented in euro, rounded to the nearest thousand unless otherwise stated. These financial statements have been prepared on a historical cost basis except for certain financial assets and liabilities, including derivative financial instruments that are measured at fair value.

IFRS as adopted by the EU differ in certain respects from IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS adopted by the EU.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

The Company's financial statements for the year to 31 December 2022 were authorised for issue and approved by the Board of Directors on **12 April 2023**

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

3.1 Foreign currency translation

(a) Functional and presentation currency

The financial statements are presented in euro, which is the functional and presentation currency of the Company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions, or at the reporting date where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement in either "Currency differences" or "Net currency retranslation charges" except when deferred in equity as qualifying cash flow hedges. Foreign exchange differences on long-term balances reported are included within net currency retranslation charges whilst foreign exchange differences on short-term and working capital balances are included within currency differences.

3.2 Property, plant and equipment

Property, plant and equipment is held at cost. Depreciation is calculated to write off the cost less the estimated residual value on a straight-line basis, over the economic life of the asset. Residual values, where applicable, are reviewed annually against prevailing market values for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis.

(a) Capitalisation of interest on progress payments

Interest attributed to progress payments, and related exchange movements on foreign currency amounts, made on account of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned, until such time as the asset is available for use. All other borrowing costs are recognised in the Income Statement in the year in which they are incurred.

(b) Fleet

All aircraft are stated at the fair value of the consideration given after taking account of manufacturers' credits. Fleet assets owned or right of use ('ROU') assets are disaggregated into separate components and depreciated at rates calculated to write down the cost of each component to the estimated residual value at the end of their planned operational lives (which is the shorter of their useful life or lease term) on a straight-line basis.

Cabin interior modifications, including those required for brand changes and relaunches, are depreciated over the lower of five years and the remaining economic life of the aircraft.

For owned aircraft, all cabin fitouts on acquisition of the aircraft shall be component accounted and held as a separate asset. Such assets shall be depreciated over the lower of 12 years and the remaining economic life of the aircraft.

Aircraft and engine spares acquired on the introduction or expansion of a fleet, as well as rotable spares purchased separately, are carried as property, plant and equipment and generally depreciated in line with the fleet to which they relate.

Major overhaul expenditure, including replacement spares and labour costs, is capitalised and amortised over the average expected life between major overhauls. All other replacement spares and other costs relating to maintenance of fleet assets (including maintenance provided under ‘pay-as-you-go’ contracts) are charged to the Income Statement on consumption or as incurred respectively.

(c) Other property, plant and equipment

Provision is made for the depreciation of all property, plant and equipment. Property, with the exception of freehold land, is depreciated over its expected useful life over periods not exceeding 50 years, or in the case of leasehold properties, over the duration of the lease if shorter, on a straight-line basis. Equipment is depreciated over periods ranging from 3 to 20 years.

(d) Leases

The Company leases various aircraft, properties, equipment and other assets. The lease terms of these assets are consistent with the determined useful economic life of similar assets within property, plant and equipment.

At inception of a contract, Management assesses whether a contract is or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified tangible asset for a period of time in exchange for consideration.

Leases are recognised as a right of use ROU asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company.

Right of use (ROU) assets
At the lease commencement date a ROU asset is measured at cost comprising the following: the amount of the initial measurement of the lease liability; any lease payments made at or before the commencement date less any lease incentives received; any initial direct costs; and restoration costs to return the asset to its original condition.

The ROU asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If ownership of the ROU asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Lease liabilities
Lease liabilities are initially measured at their present value, which includes the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payments that are based on an index or a rate; amounts expected to be payable by the company under residual value guarantees; the exercise price of a purchase option if the company is reasonably certain to exercise that option; payments of penalties for terminating the lease, if the lease term reflects the company exercising that option; and payments to be made under reasonably certain extension options. Lease liabilities are presented under “Borrowings on right of use assets” in the Statement of financial position.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Company’s incremental borrowing rate is used.

Each lease payment is allocated between the principal and finance cost. The finance cost is charged to the Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification of the lease contract, a re-assessment of the lease term (specifically in regard to assumptions regarding extension and termination options) and changes in variable lease payments that are based on an index or a rate.

Amounts excluded from recognition as lease liabilities

Management has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and those leases of low-value assets. Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months, or less that do not contain a purchase option.

The Company may be exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the ROU asset. Extension options are included in a number of aircraft, property and equipment leases and are reflected in the minimum lease payments where Management is reasonably certain that it will exercise the option.

Notes (continued)
3.2 Property, Plant and Equipment (continued)
(d) Leases (continued)

Sale and leaseback transactions
The Group regularly uses sale and lease transactions to finance the acquisition of aircraft. Each transaction is assessed as to whether it meets the criteria within IFRS 15 'Revenue from contracts with customers' for a sale to have occurred. The principal criterion for assessing whether a sale has occurred or not, is whether the contract contains the option, at the discretion of the Group, to repurchase the aircraft over the lease term; with the existence of such a repurchase option resulting in a sale having been deemed not to have occurred; and if no such repurchase option exists, then a sale is deemed to have occurred. The following defines the accounting for such transactions:

- if a sale is determined to have occurred, then the associated asset is de-recognised and a ROU asset and lease liability are recognised. The ROU asset recognised is based on the proportion of the previous carrying amount of the asset that is retained. Any gain or loss is restricted to the amount that relates to the rights that have been transferred to the counter-party to the transaction; and
- where a sale is determined to have not occurred, the asset is retained on the balance sheet within Property, plant and equipment and an Asset financed liability recognised equal to the financing proceeds.

Cash flow presentation
Lease payments are presented as follows in the Company's cash flow statement: the repayments of the principal element of lease liabilities are presented within cash flows from financing activities; and the payments of the interest element of lease liabilities are included within cash flows from operating activities.

Lessor accounting
From time to time the Company will lease, to intra group entities, specific assets, including aircraft. On inception of the lease, the Group determines whether each lease is a finance lease or an operating lease.

In order to make this determination, the Company assesses whether the lease transfers substantially all of the risks and rewards of ownership to the lessee. Factors in making this assessment include, but are not limited to, whether the lease term is for the major part of the economic life of the underlying asset and whether the underlying asset transfers to the lessee or the lessee has the option to purchase the underlying asset at the end of the lease. Where substantially all of the risks and rewards of ownership have been transferred, then the lease is recorded as a finance lease, otherwise it is recorded as an operating lease.

COVID-19 pandemic related rent concessions
On May 28, 2021, the IASB issued 'COVID-19 pandemic Related Rent Concessions – amendments to IFRS 16 Leases'. The EU subsequently adopted the amendment on October 9, 2021. The amendment provides a practical expedient for lessees not to assess whether a COVID-19 pandemic related rent concession is a lease modification. The application of this amendment has not had a significant change to the Company's financial performance or position.

(e) Depreciation

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

	Useful lives	**Residual values**[1]
Fleet		
Aircraft fleet and major spares		
- short haul aircraft	24 years	5% of cost
- long haul aircraft	24 years	5% of cost
Rotable spares		
- short haul aircraft	24 years	5% of cost
- long haul aircraft	24 years	5% of cost
Modifications to leased aircraft	5 – 12 years	Nil
Property		
Freehold	Principally 50 years	Nil
Leasehold	Period of lease	Nil
Equipment		
Ground equipment	3 – 20 years	Nil
Other equipment	2 – 10 years	Nil

[1]The residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing the proceeds received with the carrying amount.

Notes (continued)
3.3 Intangible assets

The cost to purchase or develop computer software that is separable from an item of related hardware is capitalised separately and amortised on a straight-line basis generally over a period not exceeding four years, with certain specific software developments amortised over a longer useful economic life when appropriate.

Landing rights are capitalised at fair value at the date of purchase. Subsequently they are accounted for at cost less any accumulated impairment losses. Landing rights are considered to have an indefinite life as they will remain available for use for the foreseeable future provided minimum utilisation requirements are met, and therefore they are not amortised. The carrying value of these rights is subject to impairment testing annually or when events or changes in circumstances indicate that carrying values may not be recoverable.

Purchased emissions allowances are recognised at cost. Emissions allowances are considered to be indefinite lived assets and are not revalued or amortised but are tested for impairment annually.

3.4 Impairment of non-financial assets

Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Indefinite lived assets are tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. Non-financial assets that have been impaired are reviewed for possible reversal of the impairment at each reporting date. Refer to Note 12 and 15 for further detail.

3.5 Investment in subsidiaries

The investments in subsidiaries are stated in the Company's financial statements at cost less impairment. On disposal of such an investment, the difference between the net disposal proceeds and its carrying amount is included in the Income Statement.

3.6 Financial Instruments

Financial assets and liabilities are classified in those categories as set out below. The classification depends on the purpose for which the financial assets or liabilities were acquired. Management determines the classification of its financial assets and liabilities at initial recognition.

(a) *Loans and receivables*
After initial recognition, interest bearing loans and receivables are subsequently measured at amortised cost using the EIR (effective interest rate) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance income in the Income Statement.

(b) *Trade and other receivables*
For trade receivables, the Company applies a simplified approach in calculating ECLs (expected credit losses). The Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience. Loans to third parties are initially measured at the fair value of the consideration given plus any directly attributable transaction costs, and measured thereafter at amortised cost using the effective interest method.

Loans to third parties are initially measured at the fair value of the consideration given plus any directly attributable transaction costs and measured thereafter at amortised cost using the effective interest method.

(c) *Trade and other payables*
Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within 12 months or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(d) *Other current and non-current interest bearing deposits*
Other current interest bearing deposits, principally comprising funds held with banks and other financial institutions, are carried at amortised cost using the effective interest method.

(e) *Derivative financial instruments and hedging activities*
Derivative financial instruments, comprising interest rate swap agreements, foreign exchange derivatives and fuel hedging derivatives (including options, swaps and futures) are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. They are classified as financial instruments through the Income Statement. The method of recognising the resulting gain or loss arising from remeasurement depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged (as detailed below under cash flow hedges).

When a derivative is designated as a hedging instrument and that instrument expires, is sold or is restructured, any cumulative gain or loss remains in the cash flow hedge reserve until such time as the hedging instrument was due to mature at inception of the relationship. Where a forecast transaction which was previously determined to be highly probable and hedge accounting applied, is no longer expected to occur, the cumulative gain or loss in the cash flow hedge reserve is immediately reclassified to the Income Statement.

Notes (continued)
3.6 Financial Instruments (continued)

Exchange gains and losses on monetary investments are taken to the Income Statement unless the item has been designated and is assessed as an effective hedging instrument. Exchange gains and losses on non-monetary investments are reflected in equity.

i. Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset or liability. Fair value hedge accounting is applied for hedging fixed interest risk on assets and borrowings. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate assets and borrowings is recognised in the Income Statement within "finance costs". The gain or loss relating to the ineffective portion of the interest rate swaps is recognised in the Income Statement within "gains/(losses)' on derivatives not qualifying for hedge accounting".

If a hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity.

ii. Cash flow hedges

Cash flow hedges are principally used to hedge the commodity price risk associated with forecasted fuel purchases as well as certain foreign exchange and interest rate exposures. Gains and losses on derivative financial instruments designated as cash flow hedges and assessed as effective for the year, are recorded in equity. Gains and losses recorded in equity are either (i) reclassified to the Income Statement when either the hedged cash flow impacts income or the hedged item is no longer expected to occur, or (ii) transferred and included in the carrying amount of the underlying non-financial asset or non-financial liability with the associated gains and losses recorded in the Income Statement as the non-financial asset or non-financial liability affects the Income Statement..

3.7 Derecognition of financial assets and liabilities

A financial asset or liability is generally derecognised when the contract that gives rise to it has been settled, sold, cancelled or has expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in the respective carrying amounts are recognised in the Income Statement within derecognition of financial assets and liabilities.

3.8 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable right to offset the recognised amounts which is not contingent on a future event and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously, which is enforceable, as well as in the normal course of business, in the event of default or of insolvency or bankruptcy of any of the counterparties.

3.9 Impairment of financial assets

At each balance sheet date, provisions for expected credit losses on financial assets are recognised and measured at amortised cost, based on 12-month or lifetime losses depending on whether there has been a significant increase in credit risk since initial recognition. The simplified approach, based on the calculation and recognition of lifetime expected credit losses, is applied to contracts that have a maturity of one year or less, including trade receivables.

When determining whether there has been a significant increase in credit risk since initial recognition and when estimating the expected credit loss, management considers reasonable and supportable information that is relevant and available. This includes both quantitative and qualitative information and analysis, based on historical experience and informed credit assessment, including forward-looking information. Such forward-looking information takes into consideration the forecast economic conditions expected to impact the outstanding balances at the balance sheet date. A financial asset is written off when there is no reasonable expectation of recovery, such as the customer having filed for liquidation.

3.10 Inventories

Inventories are valued at the lower of cost and net realisable value. Such cost is determined by the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable disposal costs.

Inventories include mainly aircraft spare parts, repairable aircraft engine parts and fuel in storage facilities.

3.11 Cash and cash equivalents and deposits

Cash and cash equivalents include cash in hand and deposits with any qualifying financial institution repayable on demand or maturing within three months of the date of acquisition and which are subject to an insignificant risk of change in value.

3.12 Share capital

Ordinary shares issued are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in the Statement of changes in equity, net of tax, from the proceeds received.

Notes (continued)
3.13 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the net proceeds and the redemption value is recognised in the Income Statement within finance costs over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

3.14 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Income Statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax rates and laws enacted or substantively enacted at the reporting date in the countries where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date and which are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the Company controls the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The tax effects of tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses can be utilised.

3.15 Employee benefits

Post-employment benefit obligations
The Company operates various retirement benefit schemes. The schemes are generally funded through payments to trustee-administered funds. The Company contributes to defined contribution and defined benefit plans.

For defined contribution schemes, the Company pays contributions into the pension schemes in accordance with the trust deed. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

For defined benefit schemes, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses (re-measurements) are recognised in full in the period in which they occur. They are recognised in other comprehensive income.

The discount rate applied in determining the present value of the schemes' liabilities is determined by reference to market yields at the reporting date, on high quality corporate bonds of a currency and term consistent with the currency and term of the associated post-employment benefit obligation. Where a deep market for high quality corporate bonds of a term consistent with the post retirement obligations of a particular scheme does not exist, a rate which is extrapolated (with assistance from actuarial experts) from available high-quality corporate bonds of shorter maturities is used.

Past service cost is recognised immediately as an expense at the earlier of the following dates (a) when a plan amendment or curtailment occurs; and (b) upon recognition of related restructuring costs or termination benefits.

The post-employment benefit obligation recognised in the Statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and as reduced by the fair value of scheme assets. Any asset resulting from this calculation is limited to past service cost, plus the present value of available refunds and reductions in future contributions to the scheme.

Termination benefits
Termination benefits are payable when employment is terminated by the Company before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. Termination benefits are recognised at the earlier of the following dates; (a) when the Company can no longer withdraw the offer of these benefits following communication to employees; and (b) when the Company recognises costs for a restructuring which is within the scope of IAS 37 and involves the payment of termination benefits. They represent Managements' best estimate of the cost of these measures.

Notes (continued)
3.16 Share-based payment

IAG Performance Share Plan

The IAG Performance Share Plan (PSP) is granted to senior executives and managers of the Group who are most directly involved in shaping and delivering business success over the medium to long term. Since 2015, awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. All awards since 2015 have three independent performance measures with equal weighting: Total Shareholder Return (TSR) relative to the STOXX Europe 600 Travel and Leisure Index (for 2020 awards) or MSCI European Transportation Index (for prior to 2020 awards), earnings per share, and Return on Invested Capital.

IAG Restricted Share Plan

During 2021, the Group revised its approach to long-term incentives, replacing the existing PSP with a Restricted Share Plan proposal under the new Executive Share Plan (RSP) approved by shareholders in June 2021. The RSP was introduced to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Group. Awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. There are no performance measures associated with the awards, although approval at the end of the vesting period will be at the discretion of the Remuneration Committee, considering the Group's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified.

As at 31 December 2022 Aer Lingus did not operate any equity-settled, share-based compensation plans.

3.17 Provisions

Provisions are made when an obligation exists for a present liability in respect of a past event and where the amount of the obligation can be reliably estimated and where it is considered probable that an outflow of economic resources will be required to settle the obligation. Where it is not considered probable that there will be an outflow of economic resources required to settle the obligation, a provision is not recognised but the matter is disclosed as a contingent liability. Management assesses whether each matter is probable of there being an outflow of economic resources to settle the obligation at each reporting date.

Other employee related provisions are recognised for direct expenditures of business reorganisation such as severance payments (restructuring provisions) where plans are sufficiently detailed and well advanced, and where appropriate communication to those affected has been undertaken at the balance sheet date.

Restoration and handback provisions arising on inception of a lease are recognised as a provision with a corresponding amount recognised as part of the ROU asset. Any subsequent change in estimation relating to such costs are reflected in the ROU asset. Maintenance and handback provisions that occur through usage or through the passage of time are recognised as such activity occurs, with a corresponding expense recorded in the Income Statement. Any subsequent change in estimation are recognised in the Income Statement.

Provisions are recognised for aircraft maintenance costs for engine overhauls and end-of-lease airframe checks on direct leases, where the terms of the lease impose obligations on the lessee to have this maintenance work carried out. Provisions reflect the cost rates expected to apply at the time the work is carried out and to meet the contractual end of lease return conditions. The actual cash outflow of the overhauls is charged against the provision when incurred. Any residual balance is transferred to the Income Statement. Routine maintenance is expensed as incurred.

The provisions are determined by discounting the future cash flows using pre-tax rate risk free rates specific to the tenor of the provision and the currency in which it arises. The unwinding of the discounting of the provisions is recorded as a finance cost in the Income Statement (refer to note 8).

The method for determining legal claims provisions is determined on a claim by claim basis. Where a claim includes a significant population of items, the weighted average provision is estimated by determining all potential outcomes and the probability of their occurrence. Where a claim relates to a single item, management determines the associated provision by applying the most likely outcome giving consideration as to whether alternative outcomes exist. Where an individual claim is significant, the disclosure of quantitative information is restricted to the extent that it does not prejudice the outcome of the claim. If the effect is material, expected future cash flows are discounted using a rate that reflects, where appropriate, the risks specific to the provision. Where discounting is used, the effect of unwinding the discount rate is recognised as a finance cost in the Income Statement.

3.18 Frequent Flyer Programme ("FFP")

AerClub, with Avios, is the loyalty platform for Aer Lingus. The programme awards guests with Avios points which can be redeemed for various rewards, primarily for redemption against travel, including flights, hotels and car hire. The programme is administered by Avios Group Limited, who recharge the Company for the Avios issued to AerClub members. The revenue recognised when the transportation service is provided is reduced by the value of the loyalty points issued.

3.19 Revenue recognition

Revenue is recognised when the amount can be reliably measured, it is probable that the future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

Revenue comprises the fair value of consideration received or receivable for the sale of services in the ordinary course of activities, and can be divided into passenger, cargo, ancillary and other revenue. Passenger revenue is shown inclusive of passenger charges and other fees to the extent that these are recovered directly from customers at the point of sale, but exclusive of applicable government taxes including taxes levied by governments for travel to and from their respective countries and sales taxes such as value added taxes (VAT). The point of recognition differs by revenue stream as set out below:

Notes (continued)
3.19 Revenue Recognition (continued)

(a) *Revenues*
Revenue primarily derives from transportation services for both passengers and cargo. Revenue is recognised when the service has been provided. Passenger tickets are generally paid for in advance and recognised, net of discounts, as deferred revenue on ticket sales in current liabilities until the flight departs. Unused tickets are recognised as revenue after the contracted date of departure using estimates regarding the timing of recognition based on the terms and conditions of the ticket and statistical analysis of historical trends. If a flight is cancelled, the passenger is entitled to either a refund, rescheduling of the original flight or the receipt of a voucher. The customer has up to six years under EU261 legislation to apply for a refund. Where a voucher is issued, given the relative short period of historical data, no revenue is recognised until either the voucher is redeemed through transportation services or it expires, in accordance with Irish legislation, vouchers expire after five years.

Fees charged for bags, seat selection, charges for any changes to flight tickets and other administration fees are recognised when the passenger has flown.

Revenue is stated net of compensation for flight delays and cancellations, taking into consideration the level of expected claims.
Other revenues, including maintenance, handling and commissions, are recognised in the Income Statement in the period in which the associated services are provided.

During 2022, while the recovery from COVID-19 pandemic has seen much lower levels of voucher issuance and high levels of voucher redemption, the Company's operating companies voucher programmes have had limited voucher expiry in 2022 with the majority not expected until 2023. Accordingly, the Company has had insufficient historical expiry experience relating to vouchers

issued during the pandemic and therefore has not applied any breakage to existing voucher liabilities as it cannot confirm that there would not be a significant reversal of revenue if it were to do so.

(b) *Lessor revenues*
The Company acts as a lessor of aircraft, including crew and other services. Amounts in respect of these leases are billed in advance and recorded as deferred revenue. Revenue and associated costs are recognised as the services are provided and within the relevant Income Statement categories (staff costs, maintenance, depreciation and overheads). Revenue is recorded within other revenues.

(c) *Interest income*
Interest income is accrued by reference to the principal outstanding using the effective interest rate applicable.

3.20 Exceptional items

Exceptional items are those that in management's view need to be separately disclosed by virtue of their size or nature and where such presentation is relevant to an understanding of the Company's financial performance.

There were no Exceptional items during 2022 (2021: €9 million)

3.21 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received. Loans provided and/or guaranteed by governments that represent market rates of interest are recorded at the amount of the proceeds received and recognised within Borrowings. Those loans provided and/or guaranteed by governments that represent below market rates of interest are measured at inception at their fair value and recognised within borrowings, with the differential to the proceeds received recorded within Deferred income and released to employee costs in the Income Statement on a systematic basis. Grants that compensate the Company for expenses incurred are recognised in the Income Statement within employee costs, on a systematic basis in the periods in which the expenses are recognised.

3.22 New and amended standards adopted by the Company

The following amendments and interpretations apply for the first time in 2022, but do not have a material impact on the financial statements of the Company:

- Property, plant and equipment: proceeds before intended use – amendments to IAS 16 effective for periods beginning on or after 1 January 2022;
- Reference to the Conceptual Framework – amendments to IFRS 3 effective for periods beginning on or after 1 January 2022;
- Onerous contracts – cost of fulfilling a contract – amendments to IAS 37 effective for periods beginning on or after 1 January 2022; and
- Annual improvements to IFRS standards 2018–2020 – effective for periods beginning on or after 1 January 2022.

3.23 New and amended standards not yet adopted by the Company

The IASB and IFRIC have issued the following standards, amendments and interpretations with an effective date after the year end of these financial statements which management believe could impact the Company in future periods. The Company has assessed the impact of these standards, amendments and interpretations and it is not expected that these will have a material effect on the reported income or net assets of the Company. Unless otherwise stated, the Company plans to adopt the following standards, interpretations and amendments on the date they become mandatory:

- IFRS 17 Insurance contracts - effective for periods beginning on or after January 1, 2023;
- Definition of accounting estimate – amendments to IAS 8 effective for periods beginning on or after January 1, 2023;
- Disclosure of accounting policies – amendments to IAS 1 and IFRS Practice statement 2 effective for periods beginning on or after January 1, 2023;
- Deferred tax related to assets and liabilities arising from a single transaction – amendments to IAS 12 effective for periods beginning on or after January 1, 2023; and
- Classification of liabilities as current or non-current – amendments to IAS 1 effective for periods beginning on or after January 1, 2024.

Notes (continued)

3.24 Non-Current Assets Held for Sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on re-measurement are recognised in the Income Statement. Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity accounted investee is no longer equity accounted.

3.25 Finance Costs

Finance costs consisting of interest payable on company borrowings, borrowings on right of use assets, asset financed liabilities and unwinding of discount on provisions are recognised in the Income Statement.

3.26 Finance Income

Finance income consisting of interest receivable and interest on interest bearing deposits is recognised in the Income Statement.

4. Critical accounting estimates, assumptions and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances. Actual results in the future may differ from estimates upon which financial information has been prepared. These underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimate is revised if the amendment affects only that period, or in the period of the amendment and future periods if these are also affected. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed as follows.

(a) Provisions
The Company makes provisions for legal and constructive obligations which are outstanding at the reporting date. These provisions are made based on historical or other relevant information, adjusted for recent trends where appropriate. However, provisions represent estimates of the financial costs of events that may not occur for some years. The basis for these estimates is reviewed at least annually and updated where information becomes available that may give rise to a material change. Measurement uncertainty associated with end of lease aircraft maintenance provisions also arises from the timing and nature of overhaul activity required, lease return dates and conditions, and likely utilisation of the aircraft. As a result of this and the level of uncertainty attaching to the final outcomes, the actual results may differ significantly from those estimates. Refer to Note 28 for further details.

(b) Impairment of non-financial assets
Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In addition, indefinite lived assets are also reviewed for impairment annually at each reporting date. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As this assessment involves long term projections which may not be realised, this is an area of judgement for management.

(c) Fair value of derivatives and other financial instruments
The fair value of financial instruments that are not traded in active markets (for example, "over the counter" derivatives) is determined using valuation techniques. The Company exercises judgement in selecting valuation methods and makes assumptions that are mainly based on observable market data and conditions existing at each reporting date. The specific valuation techniques used to value financial instruments are set out in Note 19. Further judgement is exercised by management in considering the probability of occurrence of underlying hedge transactions, in particular the likelihood and timing of future fuel, US dollar and aircraft purchases.

(d) Estimation of residual values of aircraft
The Company has determined the residual values of its aircraft as being 5% of original cost. The Company periodically examines its estimate of residual values based on of results of actual aircraft disposals and changing market conditions.

(e) Post-employment benefits – Irish Airlines (Pilots') Superannuation Scheme
As the provisions of the trust deed governing this scheme is such that no changes to the contribution rates are possible without the prior consent of the Company, the Directors have concluded that it has no obligation, legal or constructive, to increase its contributions beyond those levels. As such, this scheme has been accounted for as a defined contribution scheme under the provisions of IAS 19 *Employee Benefits (Revised)* ("IAS 19R"), and, as a result, any surplus or deficit in the scheme is not recognised in the Statement of financial position of Aer Lingus Limited.

If any legal or constructive obligation to vary the Company's contributions based on the funding status of the schemes were to arise, IAS 19R would require the Company to include any pension fund surplus or deficit on its Statement of financial position and reflect any period on period movements in their Income Statement or the Statement of other comprehensive income. Refer to Note 26 for further detail.

Critical accounting estimates, assumptions and judgements in the determination of the impact of the COVID-19 pandemic

As a result of COVID-19 pandemic the Company had experienced a significant decline in the level of flight activity and accordingly had applied judgement in the evaluation of the impact of the pandemic on the estimation of the cash flow forecasts as part of the approved business plans. Further details are given in the going concern basis of preparation in Note 5.

Notes (continued)

Critical accounting estimates, assumptions and judgements (continued)

The following critical accounting estimates, assumptions and judgements utilise these cash flow forecasts consistently, which are in some instances materially different from judgements applied in previous years:

(a) *Long-term fleet plans and associated impairment*

The Company derives long-term fleet plans from the cash flow forecasts deriving from the approved business plans. In deriving the long-term fleet plans, the Company applied judgement with respect to consideration of the period of temporary and permanent grounding of fleet assets, the deferral of the delivery of certain aircraft and the assumptions around specific provisions relating to leased fleet assets. During the year to 31 December 2022, the Company recognised no impairment charge (2021: €nil).

(b) *Recoverability of deferred tax assets*

In determining the recoverable amounts of the Company's deferred tax assets, the Company applied the cash flow forecasts from the approved business plans on an undiscounted basis.

Further information is given in note 30.

(c) *Revenue recognition*

Historically, where a voucher was issued to a customer in the event of a flight cancellation, the Company estimated, based on historical evidence, the level of vouchers that would not be used prior to expiry and recognised a portion of revenue on issuance of the voucher. Due to the significant level of flight cancellations arising from the pandemic there was insufficient historical data to reliably estimate the number of vouchers that will not be used prior to expiry. In 2021 and 2022, revenue has only been recognised from vouchers issued due to COVID-19 pandemic, when the voucher is redeemed. Management reviews the historical data on a periodic basis and estimates will be updated accordingly.

Significant transactions as a result of COVID-19 pandemic

The Group has recorded the following significant transactions as a result of management actions in response to COVID-19 pandemic:

(d) *Loans and borrowings*

On 23 December 2021, Aer Lingus entered into a financing arrangement with the Ireland Strategic Investment Fund ('ISIF') for €75 million. On March 4, 2022, Aer Lingus entered into a further financing arrangement to extend the total amount to €150 million. The facility is now repayable in 2025. The facility is secured on specific landing rights. Further information is given in note 25

(e) *Government assistance*

Given the significant reduction in operations during the COVID-19 pandemic, the Company has availed itself of the various employee support mechanisms in the jurisdictions in which it operates – most notably the Employee Wage Subsidy Scheme ("EWSS"). This resulted in savings of €6 million (classified as government assistance) where employees have been paid directly by their respective governments. Those amounts received from the government have been recorded net within Employee costs. Further information is given in note 36.

5. Going concern

In preparing its assessment of going concern for the next 12 months, the Directors considered the forecasts included in the Company's 2023 financial plan and longer term business plan which was prepared for and approved by the Board in December 2022. This forecast considers the Board's and management's views on the anticipated continued recovery from the COVID-19 pandemic and the wider economic and geopolitical environments on the Company's businesses across 2023 and into 2024 of which the key inputs and assumptions include:

- Capacity recovery modelled by geographical region with capacity in Available Seat Kilometres (ASK) exceeding pre-pandemic levels with growth in the Company's long haul network following the introduction of the Manchester operation and new routes scheduled in 2023 from Dublin (e.g. Cleveland);
- Passenger revenue per ASK is forecasted to continue to remain on average the levels obtained in 2019;
- The Company expects that the committed and undrawn general facilities of €741 million currently available to the Company will remain sufficient over the period.

Having reviewed the business plan, the Directors are satisfied that the Company has sufficient liquidity to continue to pay its debts/debtors as they fall due over the next 12 months. This is due to the continued recovery following the pandemic. The Directors are satisfied adopting the going concern basis in preparing the financial statements for the year to 31 December 2022.

6 Exceptional items

	2022	2021
	€'000	€'000
Gain on derecognition of fuel and foreign exchange hedges[1]	-	(8,647)
Recognised in expenditure on operations	-	(8,647)
Total exceptional gain before tax	-	(8,647)
Tax on exceptional items	-	1,081
Total exceptional gain after tax	-	(7,566)

Notes (continued)
Exceptional items (continued)

[1] (Gain)/Loss on derecognition of fuel and foreign exchange hedges
There were no Exceptional items during 2022. The 2021 exceptional gain of €9 million is represented by an expense of €1 million relating to FX contracts to hedge revenue and a gain of €10 million relating to gains from the derecognition of hedge accounting for fuel hedges.

7 Operating Profit/(Loss)

Operating profit/(loss) is stated after charging:

	2022	2021
	€'000	€'000
Depreciation on property, plant and equipment (Note 12,14)		
- owned assets	**47,676**	42,413
- right of use assets & modifications	**80,889**	80,136
Amortisation of intangible assets (Note 15)	**17,022**	17,600
Impairment of intangible assets	**-**	2,700
Foreign exchange losses	**7,785**	2,270
Aircraft hire costs		
- aircraft	**4,232**	-
Auditor's remuneration		
- audit fee of the entity financial statements	**505**	460
- auditor's fee for other assurance services	**-**	-
- auditor's fee for non-assurance services	**-**	-

8 Finance income and expense

	2022	2021
	€'000	€'000
(a) Finance costs		
Interest on lease liabilities	**(44,444)**	(30,328)
Interest on bank borrowings and other interest costs	**(9,978)**	(20,137)
Unwinding of discount	**-**	(934)
Interest on pensions escrow	**(156)**	(377)
	(54,578)	(51,776)
(b) Finance income		
Interest receivable	**5,723**	4,620
Other finance income	**179**	42
	5,902	4,662
(c) Net financing credit relating to pensions		
Net financing credit relating to pensions	**4**	54

9 Employee costs and numbers

The average number of persons (Full Time Equivalents) employed by the Company in the year was 2,283 (2021: 2,472).

	2022	2021
	€'000	€'000
Wages and salaries	**218,037**	67,291
Social insurance costs	**18,515**	9,938
Retirement Benefit costs	**24,535**	16,438
Share based payments	**4,757**	1,810
Other costs	**20,472**	23,953
Intercompany recharge from a fellow subsidiary	**99,786**	59,852
	386,102	179,282

Notes (continued)
Employee costs and numbers (continued)

The Company has an agreement with a fellow subsidiary of Aer Lingus Group (Aer Lingus Ireland Limited) for the provision of human resource support services, on which Aer Lingus (Ireland) Limited earns a mark-up to industry standards. The charge for these payroll services amounted to €99.8 million for the year ended 31 December 2022 (2021: €59.9 million). The staff cost total for the year, including this charge, was €386 million (2021: €179 million). The average number of persons (full time equivalents) employed by Aer Lingus (Ireland) Limited in the year was 2,185 (2021: 1,776).

The total amount of the relief received under the EWSS was €6 million (2021: €56 million) (see Note 36). Employee costs are recognised net of these amounts.

10 Directors' remuneration

Amounts paid to all Directors of the Company, who held office during the year, were as follows:

	2022	2021
	€'000	€'000
Emoluments	**2,764**	**1,096**
Benefits under long-term incentive schemes	**1,382**	**2,384**
Contributions to Defined Contribution Retirement Benefit Schemes	**23**	**66**
Compensation for loss of office paid by Company and other termination payments	**-**	**271**
	4,169	**3,817**

Amounts disclosed under this category include payments made to Directors who served during the year by IAG which were subsequently recharged to the Company (Note 37).

11 Taxation

The tax credit recognised in the Income Statement comprises:

	2022	2021
	€'000	€'000
Current taxation		
Current tax charge	**1,949**	-
Foreign taxes paid	**-**	3
Adjustments in respect of prior periods	**138**	(31)
	2,087	(28)
Deferred tax		
Origination and reversal of temporary differences	**752**	(50,539)
Adjustments in respect of prior periods	**1,101**	4,444
Tax Charge/(Credit)	**3,940**	(46,123)

	2022	2021
	€'000	€'000
Loss on ordinary activities before tax multiplied by standard Irish corporation tax rate of 12.5% (2021:12.5%)	**(2,384)**	(48,124)
Effects of:		
(Income not taxable)/expenses not deductible for tax purposes	**146**	(1,367)
Differences in tax rates	**13**	13
Other adjusting items	**6,165**	3,355
Tax (credit)/charge	**3,940**	(46,123)

Notes (continued)

12 Property, plant and equipment

	Fleet	Property	Equipment	Right of use assets	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
1 January 2021	996,157	39,568	82,944	1,119,012	2,237,681
Additions	20,889	713	1,019	121,456	144,077
Disposals	(92,452)	-	-	-	(92,452)
Asset Retirement – Assets held for sale	(111,320)	-	-	-	(111,320)
Reclassifications	251,945	-	-	(251,945)	-
31 December 2021	1,065,219	40,281	83,963	988,523	2,177,986
Accumulated depreciation and impairment					
1 January 2021	596,921	36,498	71,714	444,703	1,149,836
Depreciation charge for the period	38,869	1,413	2,131	80,136	122,549
Disposals	(71,561)	-	-	-	(71,561)
Asset Retirement – Assets held for sale	(91,591)	-	-	-	(91,591)
Reclassifications	152,989	-	-	(152,989)	-
31 December 2021	625,627	37,911	73,845	371,850	1,109,233
Net book value					
31 December 2021	439,592	2,370	10,118	616,673	1,068,753
31 December 2020	399,236	3,070	11,230	674,309	1,087,845

	Fleet	Property	Equipment	Right of use assets	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
1 January 2022	**1,065,219**	**40,281**	**83,963**	**988,523**	**2,177,986**
Additions	**94,512**	**36**	**160**	**68,859**	**163,567**
Modifications	**-**	**-**	**-**	**28,475**	**28,475**
Disposals	**(1,127)**	**(371)**	**(1,017)**	**-**	**(2,515)**
Reclassifications	**109,341**	**-**	**-**	**(109,341)**	**-**
31 December 2022	**1,267,945**	**39,946**	**83,106**	**976,516**	**2,367,513**
Accumulated depreciation and impairment					
1 January 2022	**625,627**	**37,911**	**73,845**	**371,850**	**1,109,233**
Depreciation charge for the period	**44,506**	**1,101**	**2,069**	**80,891**	**128,567**
Disposals	**(463)**	**(293)**	**(1,017)**	**-**	**(1,773)**
Modifications	**-**	**-**	**-**	**(2)**	**(2)**
Reclassifications	**78,169**	**-**	**-**	**(78,169)**	**-**
31 December 2022	**747,839**	**38,719**	**74,897**	**374,570**	**1,236,025**
Net book value					
31 December 2022	**520,106**	**1,227**	**8,209**	**601,946**	**1,131,487**
31 December 2021	439,592	2,370	10,118	616,673	1,068,753

At 31 December 2022, fleet assets included €77 million of progress payments on future aircraft deliveries (2021: €24 million).

Notes (continued)

13 Assets held for sale

In January and February 2022, three Airbus A321-200 aircraft, which had been classified in 2021 as assets held for sale in accordance with IFRS5, were disposed. The net book value of these aircraft was €20 million and a gain on disposal of €11.5m has been recognised.

14 Right of use assets

Property, plant and equipment include the following amounts relating to right of use assets:

	Fleet	**Property**	**Total**
	€'000	**€'000**	**€'000**
Cost			
1 January 2021	1,079,404	39,608	1,119,012
Additions	113,348	1,716	115,064
Modifications	6,392	-	6,392
Disposals	-	-	-
Reclassifications	(251,945)	-	(251,945)
31 December 2021	947,199	41,324	988,523
Depreciation			
1 January 2021	434,386	10,317	444,703
Charge for the year	74,626	5,510	80,136
Disposals	-	-	-
Impairment	-	-	-
Reclassifications	(152,989)	-	(152,989)
31 December 2021	356,023	15,827	371,850
Net book value			
31 December 2021	591,176	25,497	616,673
31 December 2020	645,018	29,291	674,309

	Fleet	**Property**	**Total**
	€'000	**€'000**	**€'000**
Cost			
1 January 2022	**947,199**	**41,324**	**988,523**
Additions	**66,923**	**1,936**	**68,859**
Modifications	**28,475**	**-**	**28,475**
Disposals	**-**	**-**	**-**
Reclassifications	**(109,341)**	**-**	**(109,341)**
31 December 2022	**933,256**	**43,260**	**976,516**
Depreciation			
1 January 2022	**356,023**	**15,827**	**371,850**
Charge for the year	**75,162**	**5,729**	**80,891**
Disposals	**-**	**-**	**-**
Modifications	**(2)**	**-**	**(2)**
Impairment	**-**	**-**	**-**
Reclassifications	**(78,169)**		**(78,169)**
31 December 2022	**353,014**	**21,556**	**374,570**
Net book value			
31 December 2022	**580,242**	**21,704**	**601,946**
31 December 2021	591,176	25,497	616,673

The Company is exposed to future cash outflows (on an undiscounted basis) as at 31 December 2022, for which no amount has been recognised in relation to leases not yet commenced to which the Company is committed of €418 million (2021: €426 million).

Notes (continued)

15 Intangible assets

	Computer software	Licence[1]	Landing Rights	Emissions allowances	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2021	172,132	3,001	4,423	-	179,556
Additions	19,885	-	-	-	19,885
Disposal	(176)	-	-	-	(176)
At 31 December 2021	191,841	3,001	4,423	-	199,265
Aggregate amortisation					
At 1 January 2021	112,350	2,997	1,475	-	116,822
Charge for the year	17,600	-	-	-	17,600
Disposal	(48)	-	-	-	(48)
Impairment	2,700	-	-	-	2,700
At 31 December 2021	132,602	2,997	1,475	-	137,074
Net book value					
31 December 2021	59,239	4	2,948	-	62,190

	Computer software	Licence[1]	Landing Rights	Emissions allowances	Total
	€'000	€'000	€'000	€'000	€'000
Cost					
At 1 January 2022	**191,841**	**3,001**	**4,423**	**-**	**199,265**
Additions	**34,236**	**-**	**-**	**4,455**	**38,691**
Disposal	**(55)**	**-**	**-**	**-**	**(55)**
At 31 December 2022	**226,022**	**3,001**	**4,423**	**4,455**	**237,901**
Aggregate amortisation					
At 1 January 2022	**132,602**	**2,997**	**1,475**	**-**	**137,074**
Charge for the year	**17,022**	**-**	**-**	**-**	**17,022**
Disposal	**(48)**	**-**	**-**	**-**	**(48)**
Impairment	**-**	**-**	**-**	**-**	**-**
At 31 December 2022	**149,576**	**2,997**	**1,475**	**-**	**154,048**
Net book value					
31 December 2022	**76,446**	**4**	**2,948**	**4,455**	**83,853**
31 December 2021	59,239	4	2,948	-	62,190

[1]Licence to occupy certain DAA owned property

Computer software is amortised on a straight-line basis generally over a period not exceeding four years, with certain specific software developments amortised over a longer useful economic life when appropriate.

Notes (continued)

16 Investments in subsidary undertakings

	2022	2021
	€'000	€'000
Investments in Subsidiaries	**113,709**	113,709

Details of the principal subsidiary undertakings are included in Note 17. The fair value of the investments in subsidiary undertakings is considered not to be less than their carrying value. The year on year movement relates to minor rounding differences.

17 Principal subsidiary undertakings

Details of the Company's subsidiary undertakings are as follows:

Name of entity	**Country of incorporation and place of business**	**Registered office**	**Nature of business**	**Proportion of ordinary share capital held %**
Dirnan Insurance Company Limited	Bermuda	Victoria Place, 5th Floor 31 Victoria Street Hamilton HM 10 Bermuda	Insurance Captive	100
Aer Lingus Beachey Limited	Isle of Man	Penthouse Suite, Analyst House, Peel Road, Douglas, Isle of Man, IM1 4LZ	Dormant	100
Aer Lingus (U.K.) Limited	UK	Aer Lingus Base Offices, Belfast City Airport, Sydenham Bypass, Belfast, Co. Antrim, BT3 9JH	Operation of an international airline	100
Santain Developments Limited	Republic of Ireland	Dublin Airport, Ireland	Dormant	100

18 Loans and receivables

	2022	2021
	€'000	€'000
At 31 December	**100,195**	**292,273**

The Company provided unsecured, fixed interest bearing loans totalling €300 million, at prevailing market rates at the date of transaction to its parent company with interest rates between 1.09% and 2.41%. Two tranches of the loan, to the sum of €200 million, were repaid by IAG in November and December 2022. The maturity date on the final tranche is in March 2024.

There were no other loans to fellow group companies at 31 December 2022.

Notes (continued)

19 Financial risk management

Financial risk management objectives and policies

19.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, commodity price and interest rate risk), credit risk and liquidity risk. The Company's risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

Financial risk management is carried out by a central treasury function (Treasury Function) under policies approved by the Board of Directors. The Treasury Function identifies, evaluates and hedges financial risks in close co-operation with business areas and the Group treasury function. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, commodity price risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The main currency exposures normally result from structural trading surplus/deficit in US Dollar and in GBP Sterling. A large proportion of the Treasury Function's work in relation to foreign exchange rate risk relates to the management of the Company's cashflow exposures. Significant currency exposures are managed for the current and future financial years on a systematic, amortising basis within pre-set bands. A US Dollar surplus typically arises because the US Dollar sales exceed US Dollar costs (and vice versa where there is a deficit). The GBP Sterling surplus also usually arises because GBP Sterling sales exceed GBP Sterling costs (and vice versa where there is a deficit).

Additionally, significant currency exposure results from the capital commitments relating to the purchase of aircraft which are priced in US Dollars. Acquisition costs are increased by a stronger US Dollar relative to EUR.

The Treasury Function manages both cashflow exposures and financial position exposures arising from currency risk. The products used by the Treasury Function in managing currency risk are predominantly forward foreign exchange contracts.

Based on the trading surplus in US Dollar for the year ended 31 December 2022, a 20% weakening of the EUR to US Dollar exchange rate over the year-end rate would result in an increase in profit of €98 million for the year (2021: a 20% weakening of the EUR to US Dollar exchange rate would have resulted in an increase in profit of €84 million for the year). At 31 December 2022, the fair value of foreign currency net asset derivatives instruments was €6.6 million, representing a loss of €1.1 million, since 1 January 2022, which was recognised in other comprehensive income.

(ii) Interest rate risk

The Company is exposed to interest rate risk associated with its long-term funding requirements and its programme of cash investments. Higher interest rates increase the costs of gross debt and lower interest rates reduce the returns from cash investments.

Overall the Company is in a net debt position, predominantly in euro, and therefore the major interest rate exposure is to movements in the euro interest rate. This exposure is actively reviewed and managed. A 1% fall in interest rates based on net cash/debt throughout 2022 would have decreased losses by €1 million (2021: increased losses by €1 million).

Interest rate risk on borrowings is also managed through determining the right balance of fixed and floating debt within the financing structure. To manage this, the Company uses interest rate swaps, to exchange floating rate debt on finance lease obligations for fixed rate debt or other derivative financial instruments.

(iii) Commodity price risk
Aviation jet fuel requirements expose the Company to the market volatility of jet fuel prices. The volatility of jet fuel prices has been significant in recent years and can have a significant effect on profitability. The primary policy objective for the management of fuel price exposure in the Company is to reduce the volatility and increase the predictability of future fuel costs in a risk managed and cost-effective manner.

The Treasury Function manages fuel price risk within a controlled framework. The Company operates a systematic fuel hedging policy covering a rolling two-year period. This hedging policy targets specific cover levels for each period on a rolling basis ranging from 45% to 75% cover for the following month to between zero and 20% cover 24 months out. This generates average cover levels of 55-60% for the next 12-month period (rolling year 1) and 15-20% for the following 12 months (rolling year 2).

The products used in managing commodity price risk are jet fuel swaps, jet fuel collars and jet fuel options. A US $10 increase in the price per tonne of jet fuel in 2022 would have increased fuel costs by approximately $5.84 million, based on usage of 585,000 metric tonnes, absent hedging (2021: increase of $1.63 million based on usage of 163,000 metric tonnes). In light of hedging strategy, the impact of a US$10 increase in jet fuel per tonne would have been immaterial in both 2022 and 2021.

During the year to 31 December 2022, following a rise in the global price of crude oil and associated products, the fair value of such net asset derivative instruments was €42 million (2021: €16 million), representing a gain of €26 million since 1 January 2022, which was recognised in Other comprehensive income.

Notes (continued)
19. Financial risk management (continued)
19.1 Financial risk factors (continued)
(a) Market Risk (continued)

(iv) Carbon Allowances Price Risk

The Company is exposed to market volatility of the price of EU-ETS and UK-ETS allowances in respect of the need to purchase the non-free element of annual allowances. This risk is managed by making purchase decisions based on market prices. The Company operates a systematic carbon credit hedging policy covering a rolling three-year period. This hedging policy targets specific cover levels for each period on a rolling basis. This generates average cover levels of 100% for the next 12-month period (rolling year 1) and 65% for the following 12 months (rolling year 2).

(b) Credit risk

Credit risk arises from trade receivables due from customers, and from loans and receivables, derivative financial instruments, deposits and cash and cash equivalents with banks and financial institutions ("financial counterparties"). The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

This includes the loan provided to IAG of €100 million (2021: €300 million). A credit review has been carried out in respect of this exposure to IAG and no impairment provision has been recorded against it.

Company policy requires financial counterparties to hold minimum credit ratings from independent rating agencies. The appropriateness of Board approved credit limits is regularly monitored and reviewed.

Excluding the intragroup lending above, at 31 December 2022 the Company had a total gross credit exposure of €418.9 million (net €415.1 million) relating to bonds, deposits, cash and derivatives which was spread over 37 (2021: 16) counterparties. Of this €418.9 million (net €415.1 million), €390.8 million was due to mature within 12 months. The Company does not have any material credit risk arising from the ageing of trade and other receivables (see Note 20).

96.1% (2021: 93%) of the total credit exposure was held with financial institutions holding long term-ratings equivalent to A1 to A2 (Moody's). 0.2% (2021: 1%) of the total credit exposure was held with financial institutions holding long-term credit ratings equivalent to AA2 to AA3. The remaining 3.7% (2021: 6%) was held with financial institutions with long-term credit ratings below A2.

(c) Liquidity risk

The principal policy objectives in relation to liquidity are to ensure that the Company has access at minimum cost, to sufficient liquidity to enable it to meet its obligations as they fall due and to provide adequately for contingencies. In implementing this policy, the Company is required to maintain, at all times, access to Board approved minimum liquidity requirements. In addition, this liquidity requirement, once drawn, must continue to be accessible for an agreed further period. Cash balances in excess of these levels are normally maintained in order to enable the Company to take advantage of commercial opportunities and withstand business shocks.

The Company has long-term debt associated with aircraft acquisitions and additional debt facilities obtained to ensure sufficient liquidity. All borrowing is undertaken by the Treasury Function. Company policy is to maintain, at all times, cash and/or committed facilities for substantially all of the net forecasted debt repayments for the following 12 months.

At 31 December 2022 the company had undrawn facilities of €741 million (2021: €230 million).

At 31 December 2022 the Company had capital commitments of €420 million (2021: €337 million) of which €418 million (2021: €337 million) relates to aircraft and equipment, and €2m for ETS Credits. The company also had lease commitments of €418 million (2021: €426 million) relating to aircraft.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows, including interest. Trade and other payables exclude deferred revenue on ticket sales (excluding taxes and charges).

Notes (continued)
19. Financial risk management (continued)
19.1 Financial risk factors (continued)

	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
	€'000	€'000	€'000	€'000	€'000
At 31 December 2021					
Borrowings on ROU assets	190,291	88,603	142,400	177,148	598,442
Asset financed liabilities	11,676	11,976	36,262	85,110	145,024
Loans from fellow group companies	89,942	619,184	-	-	709,126
Loans from third parties	-	150,000	-	-	150,000
Trade and other payables	477,430	-	-	-	477,430

	Less than 1 year	1-2 years	2-5 years	Over 5 years	Total
	€'000	€'000	€'000	€'000	€'000
At 31 December 2022					
Borrowings on ROU assets	**81,235**	**74,260**	**273,572**	**204,491**	**633,558**
Asset financed liabilities	**11,875**	**11,980**	**36,582**	**72,848**	**133,285**
Loans from fellow group companies	**-**	**535,186**	**-**	**-**	**535,186**
Loans from third parties	**-**	**50,000**	**-**	**-**	**50,000**
Trade and other payables	**377,451**	**-**	**841**	**-**	**378,292**

The table below analyses the Company's derivative financial instruments, which will be settled on a gross basis with regard to forward foreign currency contracts and on a net basis with regard to forward fuel contracts and interest rate swap contracts, into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	1-2 years	2-5 years	Total
	€'000	€'000	€'000	€'000
At 31 December 2021				
Forward foreign currency contracts				
Outflow	(2,165)	(1,822)	-	(3,987)
Inflow	2,070	2,192	887	5,149
Forward fuel price contracts				
Net outflow	(15,224)	(1,340)	-	(16,564)
Interest rate swap contracts				
Net outflow	(821)	(588)	(445)	(1,854)
	€'000	**€'000**	**€'000**	**€'000**
At 31 December 2022				
Forward foreign currency contracts				
Outflow	**(4,179)**	**(1,695)**	**-**	**(5,874)**
Inflow	**25,870**	**2,536**	**-**	**28,406**
Forward fuel price contracts				
Net outflow	**(44,083)**	**(1,080)**	**-**	**(45,163)**
Interest rate swap contracts				
Net outflow	**(1,763)**	**(1,472)**	**(2,839)**	**(6,074)**

Notes (continued)
19. Financial risk management (continued)
19.1 Financial risk factors (continued)

Derivatives
The Company holds interest rate swaps for risk management purposes which are designated in cash flow hedge relationships. The interest rate swaps have floating rates that are indexed to EURIBOR.

19.2 Capital risk management

The Company's objectives when managing capital (comprising total equity, borrowings on right of use assets, interest bearing long-term borrowings and other long term borrowings) are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain a capital structure which reduces the cost of capital as far as practical. As a result of the COVID-19 pandemic, significant losses have been incurred (though significant liabilities are due to other members of the Aer Lingus Group DAC group and the Directors have been advised that payment will not be demanded on these loans in the next twelve months). This has resulted in a shift in focus to ensuring the Company has sufficient liquidity (from debt and other sources) to allow it to continue as a going concern.

19.3 Fair value estimation

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

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

The following table presents the Company's net assets and liabilities that are measured at fair value at 31 December 2022.

	Level 1	Level 2	Level 3	Total
Assets	**€'000**	**€'000**	**€'000**	**€'000**
Derivative financial instruments	-	80,720	-	80,720
Liabilities				
Derivative financial instruments	-	51,690	-	51,690

The following table presents the Company's net assets and liabilities that are measured at fair value at 31 December 2021.

	Level 1	Level 2	Level 3	Total
Assets	**€'000**	**€'000**	**€'000**	**€'000**
Derivative financial instruments	-	26,930	-	26,930
Liabilities				
Derivative financial instruments	-	12,265	-	12,265

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

Specific valuation techniques used to value financial instruments include:

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

All other financial assets and liabilities hold a carrying value that is assumed to be a reasonable approximation of fair value.

19.4 Master netting arrangements

There are no financial assets and financial liabilities netted and offset against each other on the Statement of financial position at the reporting dates. However, certain financial assets and financial liabilities are subject to enforceable master netting arrangements which could create a potential right of offset within the scope of IFRS 7. These arrangements are contained within International Swaps and Derivatives Association Master Agreements ("ISDAs") and relate to derivative financial instruments only.

Each party to the master netting arrangements has a right of offset between financial assets and financial liabilities where there is an early termination event such as a default or change of ownership of the counterparty. Such events of default include failure to perform obligations

Notes (continued)
19. Financial risk management (continued)
19.4 Master netting arrangements (continued)

or to make prompt payment when due. The right of offset is only enforceable in those situations and as such does not meet the criteria for offset in the Statement of financial position, nor is there any intention by the Company or its counterparties to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The carrying value of derivative financial instruments in the Statement of financial position would potentially be reduced by approximately €29 million (2021: €14 million) if all master netting arrangements were enforced (as reflected in the following tables):

Derivative Financial Assets

As at 31 December 2021				Related Amounts Not Offset		
	Gross amounts of recognised Financial Assets	Gross amounts of recognised financial liabilities set off in the balance sheet	Net amounts of financial assets presented in balance sheet	Financial Instruments	Cash Collateral Received	Net Amount
	€'000's	€'000's	€'000's	€'000's	€'000's	€'000's
Derivative Financial Assets	26,930	-	26,930	(22,453)	-	4,477

Derivative Financial Assets

As at 31 December 2022				**Related Amounts Not Offset**		
	Gross amounts of recognised Financial	**Gross amounts of recognised financial**	**Net amounts of financial assets presented in**	**Financial Instruments**	**Cash Collateral Received**	**Net Amount**
	€'000's	**€'000's**	**€'000's**	**€'000's**	**€'000's**	**€'000's**
Derivative Financial Assets	**80,720**	**-**	**80,720**	**-**	**-**	**80,720**

Derivative Financial Liabilities

As at 31 December 2021				Related Amounts Not Offset		
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the balance sheet	Net amounts of financial liabilities presented in the balance sheet	Financial instruments	Cash Collateral Pledged	Net Amount
	€'000's	€'000's	€'000's	€'000's	€'000's	€'000's
Derivative Financial Liabilities	12,265	-	12,265	22,453	-	34,718

Derivative Financial Liabilities

As at 31 December 2022				**Related Amounts Not Offset**		
	Gross amounts of recognised financial liabilities	**Gross amounts of recognised financial assets set off in the balance sheet**	**Net amounts of financial liabilities presented in the balance sheet**	**Financial instruments**	**Cash Collateral Pledged**	**Net Amount**
	€'000's	**€'000's**	**€'000's**	**€'000's**	**€'000's**	**€'000's**
Derivative Financial Liabilities	**51,690**	**-**	**51,690**	**-**	**-**	**51,690**

Notes (continued)
19. Financial risk management (continued)

19.5 Summary of derivatives by instrument

	2022	**2022**	2021	2021
	€'000	**€'000**	€'000	€'000
	Assets	**Liabilities**	Assets	Liabilities
Foreign exchange contracts	**12,506**	**(18,645)**	6,060	(11,034)
Fuel price contracts	**68,214**	**(26,971)**	16,853	(1,231)
Interest rate swaps	**-**	**(6,074)**	4,017	-
Total	**80,720**	**(51,690)**	26,930	(12,265)
Non-current portion:				
Foreign exchange contracts	**4,141**	**(2,502)**	1,642	(4,742)
Fuel price contracts	**11,954**	**(7,663)**	3,232	(387)
Interest rate swaps	**-**	**(6,074)**	4,017	-
Total non-current portion	**16,095**	**(16,239)**	8,891	(5,129)
Current portion:				
Foreign exchange contracts	**8,365**	**(16,141)**	15,211	(6,292)
Fuel price contracts	**56,260**	**(19,310)**	2,827	(844)
Interest rate swaps	**-**	**-**	-	
Total current portion:	**64,625**	**(35,451)**	18,039	(7,136)

Derivative financial instruments represent the fair value of open foreign exchange forward contracts and fuel price swaps and options to which the Company is a party at the reporting date and are within Level 2 of the fair value hierarchy. 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.

Foreign exchange contracts
The notional principal amounts of the outstanding forward foreign exchange contracts at 31 December 2022 were €571 million (2021: €362 million).

Aircraft fuel price contracts
The Company enters into derivative contracts to fix the price of a proportion of its forecast aircraft fuel purchases. The notional principal amounts of the outstanding contracts at 31 December 2022 were €426 million (2021: €197 million).

The maximum exposure to credit risk at the reporting date is the value of the derivative assets in the Statement of financial position.

Cash flows in respect of derivative financial instruments are expected to occur as they mature at various points over the next 2 years for foreign exchange positions, and over the next 24 months for fuel positions. The fair value of the instruments at settlement will impact the Income Statement as the hedged transaction occurs.

20 Inventory

Inventory primarily comprises maintenance consumables and aircraft spare parts.

	2022	2021
	€'000	€'000
Inventory	**10,873**	7,424

There were no material write-downs of inventory during the current or prior year. €1.2 million (2021: €1 million) of inventories were expensed to the Income Statement in the year.

Notes (continued)

21 Trade receivables and other assets

	2022	2021
	€'000	€'000
Amounts falling due within one year		
Trade receivables	**24,169**	5,091
Provision for doubtful debts	**(1,334)**	(634)
Net trade receivables	**22,835**	4,457
Prepayments and accrued income	**29,790**	19,401
Other current assets	**45,729**	16,337
	98,354	40,195
Amounts falling due after one year		
Prepayments and accrued income	**13,233**	14,262
	13,233	14,262

Movements in the provision for doubtful debts were as follows:

	2022	2021
	€'000	€'000
At beginning of year	**634**	2,793
Increase during the year	**700**	228
Write-off during the year	**-**	(2,387)
	1,334	634

22 Cash and cash equivalents

Cash and cash equivalents and other current interest bearing deposits comprise the following:

	2022	2021
	€'000	€'000
Current interest bearing deposits	**32,605**	35,009
Cash and cash equivalents	**328,982**	184,653
	361,587	219,662

The interest bearing deposits comprise a restricted deposit of €33 million (2021: €35 million) held in escrow and relating to an IASS contribution (Note 26).

The carrying amount of the Company's cash, cash equivalents and other deposits are denominated in the following currencies:

	2022	2021
	€'000	€'000
Euro	**348,867**	214,718
Sterling	**12,720**	4,944
US dollar	**-**	-
Other	**-**	-
	361,587	219,662

Current interest bearing deposits held at year end have maturity terms of less than three months. As at 31 December 2022, the effective interest rate on these financial assets was positive 1.74% (2021: negative 0.62%) with a weighted average maturity of 19 days (2021: 17 days). The carrying value of the Company's deposits approximates to their fair value.

Notes (continued)

23 Borrowings on right of use assets

	2022	2021
	€'000	€'000
Current	**81,232**	190,291
Non-current	**552,326**	408,151
	633,558	598,442

In 2022, the rates implicit in these leases ranged from 1.6% to 11.3% (2021: 0% to 5.1%).

Borrowings on right of use assets	**2022**	2021
	€'000	€'000
US dollar	**488,674**	420,864
GBP	**252**	969
Euro	**144,632**	176,609
Total	**633,558**	598,442

24 Trade and other payables

	2022	2021
	€'000	€'000
Trade creditors	**157,989**	46,177
Other creditors	**57,433**	17,568
Other taxation and social insurance	**5,356**	10,179
Accruals	**91,379**	50,820
Deferred income	**1,081**	1,081
Deferred revenue on ticket sales (including vouchers issued) *	**456,255**	351,605
Loans from fellow group companies	**535,186**	709,126
	1,304,679	1,186,556

*Deferred revenue on ticket sales at 31 December 2021 included €222 million which has been recognised as revenue in the Income Statement for year ended 31 December 2022 (2021: €116 million).

Shown as:	**2022**	2021
	€'000	€'000
Non-current liability	**469,051**	619,184
Current liability	**835,628**	567,372
	1,304,679	1,186,556

Loans from fellow group companies are split between non-current and current as follows:

	2022	2021
	€'000	€'000
Loans from fellow Group companies (non-current)	**469,051**	619,184
Loans from fellow Group companies (current)	**66,135**	89,942
	535,186	**709,126**

The carrying amounts and fair value of borrowings are as follows:

	Carrying amounts	Carrying amounts	**Fair value**	Fair value
	2022	2021	**2022**	2021
	€'000	€'000	**€'000**	€'000
Loans from fellow Group companies	**535,186**	**709,126**	**535,186**	709,126

Notes (continued)

25 Interest bearing long-term borrowings

Current

	2022	2021
	€'000	€'000
Asset financed liabilities	**11,875**	11,676
	11,875	11,676

Non-current	**2022**	2021
	€'000	€'000
Bank and other loans	**50,000**	150,000
Asset financed liabilities	**121,410**	133,348
Group debt facility	**-**	150,000
	171,410	433,348

Total interest bearing long-term borrowings

	2022	2021
	€'000	€'000
Current portion of interest bearing long-term borrowings	**11,875**	11,676
Interest bearing long-term borrowings	**171,410**	282,464
	183,285	294,140

At 31 December 2022, the amount drawn under the secured debt facility with ISIF was €50 million. The loan bears a margin of 3% and is available until March 2025.

26 Defined contribution retirement benefit schemes

In 2022, Aer Lingus participated in a number of retirement benefit schemes including the Aer Lingus Defined Contribution Pension Scheme (the "DC scheme"), for general employees, and the Irish Airlines (Pilots) Superannuation Scheme (the "Pilots Scheme"), for its pilots. The Company has also historically been involved in the Irish Airlines (General Employees) Superannuation Scheme (the "IASS"), a multi-employer scheme.

Aer Lingus Limited is the sponsoring company for Aer Lingus Group's participation in these pension schemes. The Company's contributions, including those in respect of Aer Lingus (Ireland) Limited, to defined contribution schemes are set out in the table below.

	2022	2021
	€'000	€'000
Irish Airlines (Pilots) Superannuation Scheme	**17,244**	10,800
Other defined contribution schemes	**12,596**	9,533
Total	**29,840**	20,333

Aer Lingus DC Scheme and IASS

In 2015, Aer Lingus Limited began contributing to the Aer Lingus DC Scheme on behalf of current general employees, including those who were previously members of the IASS. This arrangement was established as part of a restructuring exercise in relation to the IASS. This restructuring comprised a number of elements including a once-off payment by Aer Lingus. It specifically provided that this once-off payment would be transferred to an escrow account and would only be released into individual accounts in the DC Scheme and the deferred defined contribution pension scheme on receipt of correctly executed waivers, which waive any and all rights to legal action against Aer Lingus Limited and the IASS Trustee in relation to the IASS.

At the end of December 2022, 71.2% of these waivers had been executed (active members 80.9%, deferred members 60.4%) and €159 million had been paid from the pension escrow account. Therefore, at that date, €33 million, as noted in note 22, of the €191 million remained in escrow to be administered; €19 million of which relates to active members with the remaining €14 million relating to deferred members.

Proceedings have been issued by a number of deferred IASS members against a number of parties involved in the IASS restructuring exercise, including Aer Lingus Limited. These proceedings are being strenuously defended. If, contrary to the firm legal advice that Aer Lingus Limited has received (that such proceedings were unlikely to succeed), a Court were to find against Aer Lingus Limited in such litigation, loss could arise. It is not practicable to estimate the financial exposure, if any, of Aer Lingus Limited, should any such proceedings succeed.

Notes (continued)
26 Defined contribution pension schemes (continued)

Irish Airlines (Pilots) Superannuation Scheme
At 31 December 2022 (the most recent date for which Pilots Scheme membership data is available), the Pilots Scheme had 1,227 members, comprising 712 active members, 115 deferred members and 400 pensioners (2021: 751 active members, 96 deferred members and 374 pensioners).

Following discussions in 2014 between Aer Lingus Limited, the Trustee of the Pilots Scheme and IALPA (the pilots representative association) a funding proposal for the Pilots Scheme was submitted to and approved by the Pensions Authority. This funding proposal, which is subject to annual review, does not involve any capital contribution by Aer Lingus Limited either within the Pilots Scheme or outside of the Pilots Scheme.

As at 1 April 2021 the Scheme Actuary had reported to the Trustee that the funding proposal in place was no longer on track, with a longer-term expectation that the Pilots Scheme would not reach solvency by 2023. The Trustee was required to submit a revised funding proposal to the Pensions Authority setting out how the deficit will be addressed. Following engagement with Aer Lingus a revised funding proposal at 31 December 2021 was approved and submitted by the Scheme Actuary to the Pensions Authority in November 2022. At the time this report is being finalised the Trustee still awaits confirmation from the Pensions Authority of its acceptance of the revised funding proposal.

Aer Lingus' consistent position is that its liability to contribute to the Pilots Scheme is fixed at its current contribution rate and, accordingly that it has neither a constructive nor a legal obligation to increase its rate of contribution to the Pilots Scheme, even if the scheme is found to have insufficient funds to pay all employees expected benefits relating to their current and past employment service.

27 Employment benefit obligations

The Company operated two defined benefit schemes, one of which is funded and one of which is unfunded, during 2022. The following is a summary of the Company's net defined benefit obligations/(assets) for each of the schemes, split between funded and unfunded. Background to each scheme is given below.

Summary of net defined benefit obligations/(assets):	**2022**	2021
	€'000	€'000
Funded		
Other	**(130)**	(429)
Net defined benefit asset for funded schemes	**(130)**	(429)
Unfunded		
North America Post-Retirement Medical Benefits	**933**	1,668
Net defined benefit obligation for unfunded schemes	**933**	1,668
Net defined benefit obligation in total	**803**	1,239

	2022	2021
Shown as:	**€'000**	€'000
Employee benefit assets	**130**	429
Employee benefit (obligations)	**(933)**	(1,668)
Net defined benefit asset/(obligation) in total	**(803)**	(1,239)

The following is a summary of the Company's total net employee benefit obligation, and the related funding status, analysed on a total basis:

	2022	2021
	€'000	€'000
Present value of funded obligations	**(1,446)**	(1,592)
Fair value of plan assets	**1,576**	2,020
Asset (deficit) in funded plans	**130**	429
Present value of wholly unfunded obligations	**(933)**	(1,668)
Net defined benefit obligation in total	**(803)**	(1,239)

The net (credits)/charges to the Income Statement in respect of these obligations are as follows:

	2022	2021
	€'000	€'000
Funded (a)	**(4)**	3
Unfunded (b)	**239**	76
	235	79

Notes (continued)
27 Employment benefit obligations (continued)
Summary of net defined benefit obligations/(assets) (continued)

Actuarial gains/(losses) (gross of deferred tax) recognised in the Statement of other comprehensive income during the year:

	2022	2021
	€'000	€'000
Funded (a)	**(302)**	(158)
Unfunded (b)	**921**	191
	619	33

The dates of the most recent actuarial valuation in respect of the various schemes are as follows:

	Valuation date
Funded	
Other	31-Dec-22
Unfunded	
North American post-retirement medical benefits	31-Dec-22

Valuations are not available for public inspection; however, they are available to the members of the above schemes.

The North American Post-Retirement Medical Benefits scheme applies the regulations of The Employee Retirement Income Security Act of 1974 and The Internal Revenue Code. The Employee Retirement Income Security Act of 1974 is a federal law that sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans. The Internal Revenue Code, as set forth by the Internal Revenue Service, also provides regulations and guidance for the administration of pension and medical schemes.

(a) Funded

The Company operates a defined benefit scheme in respect of two retired Irish former executives of the Company and their spouses.

The risks of the scheme relate primarily to demographic assumptions around mortality and to future asset performance. Future financial statement liabilities and expense will also be affected by future changes in the rate used to discount the liabilities. The Company seeks to match the assets it holds in respect of funded schemes to the liabilities of the plans, in terms of currency and maturity, and also seeks to balance risk and return in making asset investment decisions which match investment yield to expected cash outflows. The Company has not changed the process used to manage its risks from previous periods.

As at 31 December 2022 there was an employee benefit asset of €130,000 (2021: employee benefit asset: €429,000). Employer contributions of €nil (2021: €nil) were paid into the remaining funded scheme which meant there was a net asset surplus for the year ended 31 December 2021 and 31 December 2022.

The rules of the scheme allow for any surplus to be returned to the employer on the death of the last pensioner. Therefore, the asset is not expected to be returned to the Company until the last of the current pensioners has died.

The movement in the defined benefit obligation in respect of funded arrangements during the year is as follows:

	2022	2021
	€'000	€'000
At 1 January	**1,592**	1,522
Adjustment	**-**	-
Interest cost	**13**	7
Remeasurement - effects of changes in demographic assumptions	**-**	(40)
Remeasurement - effects of changes in financial assumptions	**(263)**	121
Remeasurement - effects of experience adjustments	**208**	80
Benefits paid	**(104)**	(98)
Retranslation	**-**	-
At 31 December	**1,446**	1,592

The movement in the fair value of related plan assets during the year is as follows:	**2022**	2021
	€'000	€'000
At 1 January	**2,020**	2,106
Interest income	**17**	10
Remeasurements - effect of experience adjustments	**(357)**	2
Benefits paid	**(104)**	(98)
At 31 December	**1,576**	2,020

Notes (continued)
27 Employment benefit obligations (Continued)
(a) Funded (Continued)

The movement in the net defined pension (asset) is as follows:

	2022	2021
	€'000	€'000
At 1 January	**(429)**	(584)
Adjustment	**-**	-
Net Interest Income	**(4)**	(3)
Remeasurements	**302**	158
Retranslation	**-**	-
At 31 December	**(131)**	(429)

The amounts recognised in the Income Statement are as follows:

	2022	2021
	€'000	€'000
Interest cost - recognised in finance expense	**13**	7
Interest income	**(17)**	(10)
Retranslation - recognised in other gains/losses	**-**	-
Total recognised in the Income Statement	**(4)**	(3)

Key Assumptions

	2022	2021
Discount rate	**4.00%**	0.85%
Inflation rate	**2.50%**	2.00%
Future pension increases	**2.50%**	2.00%

Assumptions regarding future mortality experience are set based on actuarial advice in accordance with published statistics and experience. These assumptions translate into the following average life expectancy in years for a pensioner retiring at age 65:

	2022	2021
Retiring at the end of the reporting period:		
-Male (Other)	**22.5**	22.4
-Female (Other)	**24.2**	24.1

Sensitivities

The sensitivity of the post-employment benefit liabilities to changes in the weighted principal assumptions for 2022 is:

	Change in assumption	**Impact on overall liability**
Discount rate	Increase/decrease by 0.25%	Decrease by 1.61%/increase by 1.58%
Inflation rate	Increase/decrease by 0.25%	Increase by 2.35%/decrease by 2.31%

Notes (continued)
27 Employment benefit obligations (Continued)
(a) Funded (Continued)

The above sensitivity analyses are based on a change in the assumption noted while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the post-employment liabilities the same method has been applied as when calculating the liability recognised within the Statement of financial position. Changes in assumptions could lead to an increase in actuarial deficits which would affect future cash flows of the business due to increased contributions.

Plan assets are comprised as follows:

	2022	**2022**	2021	2021
	€'000	**% of plan assets**	€'000	% of plan assets
Quoted				
Debt instruments	**1,048**	**67%**	1,393	69%
Other	**528**	**33%**	627	31%
Total	**1,576**	**100%**	2,020	100%

Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of scheme assets. The largest proportion of assets is invested in bonds, although the schemes also invest in cash.

(b) Unfunded

The Company operates a post-employment medical benefit scheme for certain former employees of the operation in North America. The scheme has 46 members (2021: 46). The accrual of benefits associated with the plan is frozen.

The risks of this scheme relate primarily to future medical cost inflation and to financial assumptions including changes to discount rates. The Company has not changed the process used to manage its risks from previous periods.

The amounts recognised in the Statement of financial position are as follows:

	2022	2021
	€'000	€'000
Present value of unfunded obligations, being scheme deficits and liability in the statement of financial position	**933**	1,668

Notes (continued)
27 Employment benefit obligations (continued)
(b) Unfunded (continued)

The movement in the defined benefit obligation in respect of unfunded arrangements during the year is as follows:

	2022	2021
	€'000	€'000
At 1 January	**1,668**	1,562
Current service cost	**37**	44
Interest cost	**41**	32
Remeasurements - effect of changes in demographic assumptions	**-**	11
Remeasurements - effect of changes in financial assumptions	**(142)**	(69)
Remeasurements - effect of experience adjustments	**(780)**	(132)
Benefits paid	**(53)**	(33)
Retranslation	**162**	253
At 31 December	**933**	1,668

The amounts recognised in the Income Statement are as follows:

	2022	2021
	€'000	€'000
Current service costs - recognised in staff costs	**37**	44
Interest cost - recognised in finance expense	**41**	32
Retranslation - recognised in net currency retranslation charges	**162**	255
Total recognised in the Income Statement	**240**	331

Key Assumptions

The principal actuarial assumptions relating to unfunded schemes are as follows:

	2022	2021
Discount rate - North America Post-Retirement Medical Benefits	**4.84%**	2.30%
Immediate medical cost rate	**6.33%**	5.69%

Sensitivities

The sensitivity of the post-employment benefit liabilities at the reporting date to changes in the weighted principal assumptions is:

		Change in assumption	**Impact on overall liability**
Medical cost trend rate	North American Medical	Increase/decrease by 0.50%	Increase by 3.42%/decrease by 3.25%
Discount rate	Scheme	Increase/decrease by 0.25%	Decrease by 1.97%/increase by 2.04%

The above sensitivity analyses are based on a change in the assumption noted while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the post-employment liabilities the same method has been applied as when calculating the liability recognised within the Statement of financial position. Changes in assumptions could lead to an increase in actuarial deficits which would affect future cash flows of the business due to increased contributions.

Due to the unfunded nature of these arrangements, no employer contributions were paid during the year ended 31 December 2022 (December 2021: €nil).

Notes (continued)
27 Employment benefit obligations (continued)
(b) Unfunded (continued)

Maturity analysis

The expected maturities, at the reporting date, of the undiscounted funded and unfunded schemes over the next 10 years are as follows:

	Less than a year	Between 1-2 years	Between 2-5 years	Between 5-10 years	Total
At 31 December 2022	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Funded	123	128	409	681	1,341
Unfunded	280	146	251	107	784
Total	**403**	**274**	**660**	**788**	**2,125**

Weighted average duration of the obligation (years)

The weighted average duration of the funded and unfunded schemes, at the reporting date, is as follows:

At 31 December 2022	**Years**
Funded	
Other	**6**
Unfunded	
North America Post-Retirement Medical Benefits	**6**

Notes (continued)

28 Provisions for other liabilities

	IASS restructuring - once off pension contribution[1]	Business Restructuring[2]	Aircraft Maintenance[3]	Other[4]	Total
	€'000	€'000	€'000	€'000	€'000
At 1 January 2021	37,127	14,427	130,404	16,824	198,782
Provided during the year	-	18,055	28,117	7,622	53,794
Adj to opening balance		(1,363)	-	-	(1,363)
Other movements	-	-	-	(2,681)	(2,681)
Written back during the year	-	-	(1,860)	-	(1,860)
Utilised during the year	(2,457)	(20,551)	(5,385)	(4,559)	(32,952)
Unwind of discounting	-	-	-	-	-
Retranslation	-	-	8,895	588	9,483
At 31 December 2021	34,670	10,568	160,171	17,794	223,203
At 1 January 2022	**34,670**	**10,568**	**160,171**	**17,794**	**223,203**
Provided during the year	-	1,893	78,368	6,393	86,654
Adj to opening balance		-	-	-	-
Other movements	-	(1,698)	-	(2,589)	(4,287)
Written back during the year	-	-	(2,673)	-	(2,673)
Utilised during the year	(2,047)	(4,389)	(25,735)	(3,253)	(35,424)
Unwind of discounting	-	-	-	-	-
Retranslation	-	-	7,871	-	7,871
At 31 December 2022	**32,623**	**6,374**	**218,002**	**18,345**	**275,344**
Analysed as current liabilities					
At 31 December 2022	**32,263**	**6,374**	**50,703**	**8,868**	**98,208**
At 31 December 2021	34,670	9,696	28,358	8,632	81,356
Analysed as non-current liabilities					
At 31 December 2022	**-**	**-**	**167,299**	**9,837**	**177,136**
At 31 December 2021	-	872	131,813	9,162	141,847

[1] ***Provision for IASS restructuring - once off pension contribution***
In December 2014, Aer Lingus Group plc shareholders voted in favour of the IASS restructuring which sought to address issues arising from the funding deficit in the IASS. The approval of the IASS solution involved a once-off exceptional contribution of €191 million.

This once off contribution was placed in an escrow structure at this time and held as a restricted deposit balance in the Statement of financial position as at 31 December 2014. The liability reduced by €2 million in 2022 (2021: €3 million) and reduces further and potentially to nil as the executed waivers referred to in Note 26 are received. At 31 December 2022 the restricted deposit cash balance remaining was €33 million (2021: €35 million) which is included within cash and cash equivalents as set out in Note 22.

[2] ***Business repositioning***
Business repositioning costs include provisions for restructuring costs recognised in accordance with IAS 37 when a constructive obligation exists and a provision for termination benefits that are not part of a restructuring plan and are therefore recognised when the entity can no longer withdraw the offer of benefits.

The amount of the restructuring provision is based on the terms of the restructuring measures, including certain employee benefits and employee severance, which have been communicated to employees. It represents the Directors' best estimate of the cost of these measures.

Measurement uncertainty associated with restructuring provisions arises from the achievement of certain operating and financial targets and changes in human resources requirements. Uncertainty associated with the provision in respect of the voluntary severance programme relates to the timing of employee exit dates. The voluntary severance provision is expected to be materially utilised in the next financial year, with the remaining provision balance expected to be largely utilised in the next 5 years.

Notes (continued)
28 Provisions for other liabilities (continued)

[3] ***Aircraft maintenance***
Provisions are made for aircraft maintenance costs which the Company incurs in connection with engine overhauls and end of lease airframe checks on leased aircraft, where the terms of the lease impose obligations on the lessee to have this maintenance work carried out. Provisions reflect the cost rates expected to apply at the time the work is carried out and to meet the contractual end of lease return conditions. Other airframe check costs on leased aircraft are expensed as incurred to the Income Statement. Measurement uncertainty associated with aircraft maintenance provisions arises from the timing and nature of overhaul activity required, lease return dates and conditions, and likely utilisation of the aircraft. As a result of this, and the level of uncertainty attaching to the final outcomes, the actual results may differ significantly from those estimated. The provisions are determined by discounting the future cash flows using pre-tax rate risk free rates specific to the tenor of the provision and the currency in which it arises. The unwinding of the discounting of the provisions is recorded as a finance cost in the Income statement (refer to note 8).

[4] ***Other***
Other provisions relate mainly to free flight entitlements in respect of former employees, dilapidations, other potential legal cases and an onerous lease.

29 Contingent liabilities

Litigation and claims

The Company is party to various uninsured legal proceedings. The Company makes provision for any amounts for which it expects to become liable. At 31 December 2022, these provisions were less than the total amounts claimed by plaintiffs because the Company does not believe that it has any liability for the balance and the proceedings are being defended.

30 Deferred Tax

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

	2022	2021
	€'000	€'000
Deferred tax asset	**86,887**	89,912
Deferred tax liability	**(42,620)**	(42,651)
Net deferred tax asset	**44,267**	47,261

	2022	2021
	€'000	€'000
Deferred tax asset / (liability) at 1 January	**47,261**	4,900
Tax credited to the Income Statement	**(1,853)**	46,095
Tax charged directly to equity	**(1,141)**	(3,734)
Deferred tax asset/(liability) at 31 December	**44,267**	47,261

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

Deferred tax assets	**Provisions**	**Tax losses**	**Share based payments**	**IASS pension adjustment**	**Derivative financial instruments**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
At 1 January 2021	415	39,726	79	4,640	2,788	327	47,975
(Charged)/credited to the Income Statement	(275)	49,080	147	(427)	-	1,592	50,117
(Charged)/credited directly to equity	-	-	-	-	(3,734)	-	(3,734)
Prior year adjustment	-	(4,444)	-	-	-	-	(4,444)
At 31 December 2021	140	84,362	226	4,213	(946)	1,919	89,914
(Charged)/credited to the Income Statement	**84**	**(727)**	**266**	**(172)**	**-**	**(236)**	**(785)**
(Charged)/credited directly to equity	**-**	**-**	**-**	**-**	**(1,064)**	**(77)**	**(1,141)**
Prior year adjustment	**-**	**(1,101)**	**-**	**-**	**-**	**-**	**(1,101)**
At 31 December 2022	**224**	**82,534**	**492**	**4,041**	**(2,010)**	**1,606**	**86,887**

Notes (continued)
30 Deferred Tax (continued)

Deferred tax liabilities	**Accelerated tax depreciation**	**Derivative financial instruments**	**Other**	**Total**
	€'000	**€'000**	**€'000**	**€'000**
At 1 January 2021	**43,073**	**-**	**-**	**43,073**
(Charged) / Credited to the Income Statement	(422)	-	-	(422)
Credited directly to equity	-	-	-	-
At 31 December 2021	**42,651**	**-**	**-**	**42,651**
Charged/(credited) to the Income Statement	(31)	-	-	(31)
Credited directly to equity	-	-	-	-
At 31 December 2022	**42,620**	**-**	**-**	**42,620**

Deferred tax charged directly to equity is as follows:

	2022	2021
	€'000	€'000
Cash flow hedging reserve	**(1,064)**	(3,734)
Remeasurement of post-employment benefit obligations per OCI	**(77)**	-
	(1,141)	(3,734)

Management is satisfied, based on expected future performance, as indicated by the Company's five-year projections, that the recognition of the deferred tax assets is appropriate on the basis that their recoverability is probable.

The Company holds unutilised capital losses of €17 million (2021: €17m) in respect of which no deferred tax asset is recognised.

31 Called-up share capital

	2022	2021
	€'000	€'000
Authorised		
260,000,000 ordinary shares of €1.25 each (2021: 260,000,000)	**325,000**	325,000
15,000,000 preferred ordinary shares of €1.25 each	**18,750**	18,750
At 31 December	**343,750**	343,750
Allotted, called up and fully paid - presented as equity		
255,393,003 ordinary shares of €1.25 each (2021: 255,393,003)	**319,241**	319,241
15,000,000 preferred ordinary shares of €1.25 each	**18,750**	18,750
At 31 December	**337,991**	337,991

Notes (continued)

32 Other reserves

	2022	2021
	€'000	€'000
Capital conversion reserve fund		
At 1 January and 31 December	**1,705**	1,705
Cash flow hedging reserve		
At 1 January	**6,486**	(19,705)
Fair value movements in equity in the year	**87,651**	27,235
Deferred tax on fair value movements in equity in the year	**(9,440)**	(3,364)
Reclassified and reported in net loss	**(73,801)**	2,690
Deferred tax on amounts reclassified and reported in net loss in the period	**8,373**	(370)
Gains at 31 December	**19,270**	6,486
Capital contribution reserve		
At 1 January and 31 December	**13,207**	13,207
Retained earnings		
At 1 January	**(762,873)**	(424,011)
Loss for the year	**(23,010)**	(338,862)
Re-measurement of post-employment benefit obligations	**542**	-
Merger by Absorption	**-**	-
Deficit at 31 December	**(785,341)**	(762,873)
Total other reserves	**(751,159)**	(741,475)

Capital conversion reserve fund
The capital conversion reserve fund was attributable to the re-denomination of the nominal value of the Company's shares from Irish Pound to Euro in 2000.

Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments (net of tax), principally relating to fuel and forward currency contracts.

Capital contribution reserve

The reserve comprises the cumulative expense recognised in the Income Statement in respect of awards made by the Company's parent (Aer Lingus Group DAC) to employees of Aer Lingus Limited under the terms of the Aer Lingus Long Term Incentive Plan and share option arrangements.

33 Share Based Payments

IAG operates share based payment schemes as part of the total remuneration package provided to employees. The cost of these awards is recharged from IAG based on their determination of award fair values. The net cost in the year was €4.8 million (2021: €1.8 million rebate).

33 Share based Payments (continued)

(a) IAG Performance Share Plan

The IAG Performance Share Plan (PSP) is granted to senior executives and managers of the Company who are most directly involved in shaping and delivering business success over the medium to long term. Since 2015, awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. All awards since 2015 have three independent performance measures with equal weighting: Total Shareholder Return (TSR) relative to the STOXX Europe 600 Travel and Leisure Index (for 2020 awards) or MSCI European Transportation Index (for prior to 2020 awards), earnings per share, and Return on Invested Capital.

(b) IAG Restricted Share Plan

During 2021, the Group revised its approach to long-term incentives, replacing the existing PSP with a Restricted Share Plan proposal under the new Executive Share Plan (RSP) approved by shareholders in June 2021. The RSP was introduced to increase the alignment of both interests and outcomes between the Group's senior management and shareholders through the build-up and maintenance of senior management shareholdings and an increased focus on the long-term, sustainable performance of the Group. Awards have been made as nil-cost options, with a two-year holding period following the three-year performance period, before options can be exercised. There are no performance measures associated with the awards, although approval at the end of the vesting period will be at the discretion of the Remuneration Committee, considering the Group's overall performance, including financial and non-financial performance measures over the course of the vesting period, as well as any material risk or regulatory failures identified.

34 Financial commitments

(a) Capital commitments

The Company had capital commitments as follows:

	2022	2021
	€'000	€'000
Contracted for but not provided		
- Aircraft and equipment	**418,313**	**336,750**
- Other	**1,270**	**-**
	419,583	**336,750**

Included within capital commitments in respect of aircraft and equipment are unhedged amounts denominated in USD of US$380 million (2021: US$380 million). These have been translated at $1.07 (December 2021: $1.13).

Notes (continued)

35 Changes in liabilities arising from financing activities

	1 January 2021 €'000	Additions in the year €'000	Repayments €'000	Interest Charges €'000	Foreign Exchange Movements €'000	31 December 2021 €'000
Obligations under interest bearing long-term borrowings	(125,000)	(175,000)	-	-	-	(300,000)
Obligations under asset financed liabilities	(156,739)	-	12,459	(744)	-	(145,024)
Obligations under right of use assets	(531,577)	(118,603)	109,483	(30,328)	(27,414)	(598,442)
Total liabilities from financing activities	**(813,316)**	**(293,603)**	**121,942**	**(31,072)**	**(27,414)**	**(1,043,466)**

	1 January 2022 €'000	Additions in the year €'000	Repayments €'000	Interest Charges €'000	Foreign Exchange Movements €'000	31 December 2022 €'000
Obligations under interest bearing long-term borrowings	(300,000)	-	250,000	-	-	(50,000)
Obligations under asset financed liabilities	(145,024)	-	13,150	(1,372)	(39)	(133,285)
Obligations under right of use assets	(598,442)	(97,583)	123,394	(44,445)	(16,482)	(633,558)
Total liabilities from financing activities	**(1,043,466)**	**(97,583)**	**386,544**	**(45,817)**	**(16,521)**	**(816,843)**

36 Government grants and assistance

The Temporary Wage Subsidy Scheme ("TWSS") was implemented by the government of Ireland from 1 March 2020 to 30 August 2020, where those employees designated as being furloughed workers were eligible to have 85 per cent of their wage costs paid up to a maximum of €410 per week. This scheme was replaced with the EWSS from 1 September 2020 and ran through to 30 April 2022. For those qualifying employees (earning less than €1,462 per week), the government reimbursed wage costs up to a maximum of €203 per week. Such costs were paid by the government to the Company in arrears.

The total amount of the relief received under the EWSS by the Company during 2022 amounted to €6 million (2021: €47 million).

Notes (continued)

37 Related party transactions

Key management compensation[1]

	2022	2021
	€'000	€'000
Short-term employee benefits	**6,229**	3,023
Post-employment benefits	**263**	231
Share based payments	**1,078**	1,015
Termination benefits	**-**	271
	7,569	4,540

[1]Key management compensation comprises all amounts in respect of Directors, Non-Executive Directors and members of the Executive Management Team.

Of the total amount of key management compensation, €nil (2021: €0 million) was outstanding at 31 December 2022.

Related party transactions as part of IAG group

During the ordinary course of business, the Company has transactions with IAG and fellow subsidiary companies, which are considered to be related parties. A summary of these transactions is given below:

	2022	2021
	€'000	€'000
Interline settlement of ticket sales[2]		
Outward billings to subsidiaries and significant shareholders of IAG	**72,700**	22,120
Inward billings from subsidiaries and significant shareholders of IAG	**23,533**	2,022
Transactions and balances with subsidiary undertakings of IAG		
Purchases and recharges from IAG[3]	**4,059**	2,538
Sales to subsidiaries of IAG[4]	**14,483**	2,855
Purchases from subsidiaries of IAG[4]	**29,577**	23,096
Amounts owed to IAG[3]	**4,549**	63,627
Amounts owed to subsidiaries of IAG[4]	**42,709**	12,040
Amounts owed from subsidiaries of IAG[4]	**21,419**	4,270
Amounts owed from IAG	**100,068**	300,488

[2]When a passenger purchases a ticket for a flight from Aer Lingus but is flown by another airline, the other airline will subsequently invoice Aer Lingus and the transaction will be recorded as an Inward billing. If a passenger purchases a ticket for a flight from another Airline but flies with Aer Lingus, the Company will subsequently raise an invoice to the other Airline and the transaction will be recorded as an Outward billing. This practice is common across the airline industry with settlement of these interline transactions processed through IATA Systematic Interline Settlement ("SIS").

[3]The transactions between the Company and IAG comprise management fees in respect of services provided by IAG, recharges between the entities in respect of invoices settled on behalf of the other party and amounts drawn down from group loan facilities.

[4]The transactions between the Company and subsidiaries of IAG include services provided to the Company in respect of engineering, handling and fuel, as well as transactions with Avios Group Limited in respect of the AerClub loyalty program. AerClub members can earn and redeem Avios when flying with Aer Lingus and partner airlines. The Company purchases Avios accrued by members from Avios Group Limited and transactions are included above, within 'Purchases from subsidiaries of IAG'.

The Company has not benefitted from any guarantees for any related party receivables or payables. In addition, the Company has not made any provision for expected credit losses relating to amounts owed by related parties (2021: €nil).

Other related party transactions

The Company's investment in its subsidiary companies is set out in note 16. Amounts due to the Company from subsidiary undertakings and fellow group companies are disclosed in note 18. Amounts due by the Company to fellow group companies are disclosed in note 24.

The Company's contributions to its post-employment benefit obligations are disclosed in Note 26.

Notes (continued)
Related party transactions (continued)
Other related party transactions (continued)

In addition, the Company has an agreement with a fellow subsidiary company, Aer Lingus (Ireland) Limited, for the provision of human resource support services and jet fuel and related services.

Aer Lingus (Ireland) Limited earns a mark-up on the provision of human resources support services and on some operating costs equivalent to industry standards. During the year, the Company incurred expenditure of €99.8 million (2021: €64.6 million) on services provided by Aer Lingus (Ireland) Limited.

At the reporting date, there was a balance of €14.3 million outstanding to Aer Lingus (Ireland) Limited from the Company (2021: €10.9 million).

38 Events after the reporting period

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

39 Approval of financial statements

The Directors approved the financial statements and authorised them for issue on **12 April 2023**.