

Aer Lingus offer



Acquisition of Aer Lingus - deal summary

- IAG will make an offer to acquire 100% of Aer Lingus Group Plc
- Cash offer of ~€1.4bn with a payment of €2.50 per share and a dividend of €0.05 payable on 29 May 2015 for shareholders on the Aer Lingus register on 1 May 2015
- Consideration constitutes a premium of 40% to the closing price on 17 December 2014
- The Acquisition is expected to deliver earnings accretion in the first financial year post-Acquisition
- Aer Lingus expected to meet or exceed IAG's operating margin and return on invested capital targets over the life of the current business plan
- Acquisition to be financed through a syndicated acquisition facility

Post deal - acquisition rationale summary

- Additional transatlantic hub in IAG network
- IAG's presence in UK regions enhanced
- Increased share of Europe to North America connecting traffic
- Natural revenue synergies
- Cost efficiencies achieved through joining IAG platform
- Financially compelling for IAG shareholders

About Aer Lingus

- Ireland's leading long haul airline
- 'Value carrier' operating model
- Operates transatlantic services from Dublin and Shannon airports
- Regional feed provided by franchise partner Aer Lingus Regional
- Operated **46 aircraft** under Aer Lingus brand at the end of 2014
- **c90 routes** with a further **c20 routes** served by franchise operations
- **9.8m passengers** served by mainline operations in 2014
- **17 destinations in the UK***



*UK destinations include Aer Lingus Regional routes scheduled for summer 2015



Aer Lingus - attractive transatlantic hub in Dublin

Terminal 2



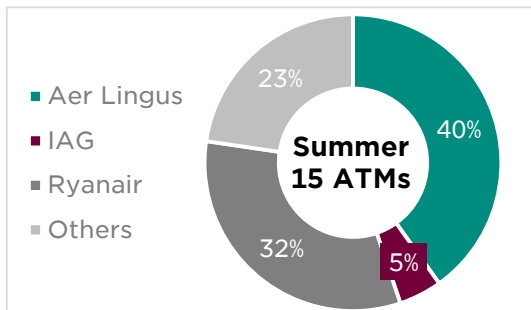
- Aer Lingus operate from T2 - new terminal opened in 2010
- 15m pax p.a. capacity
75,000²m (2x LHR T2) - expandable with pier F

North Atlantic gateway



- Passengers treated as domestic arrivals in US - faster processing at arrival airport
- DUB and SNN only European preclearance airports

Leading position



- Aer Lingus has a strong position at DUB
- IAG enhances Aer Lingus position
- Regulated max charge per pax decline of CPI minus 4.2% p.a. from 2015-2019



ATM: Air Traffic Movement

IAG

Aer Lingus - efficient fleet and products

Short Haul



A319

x4



A320

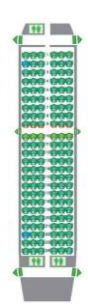
x29



A321

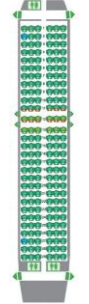
x3

A319



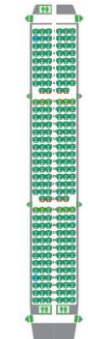
144

A320



174

A321



212

Seat density



96%

Long Haul



B757

x3



A332

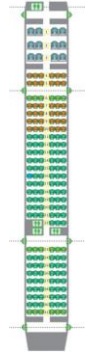
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A333

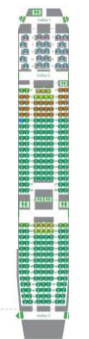
x4

B757



177

A332



266

A333



292

Seat density







79%

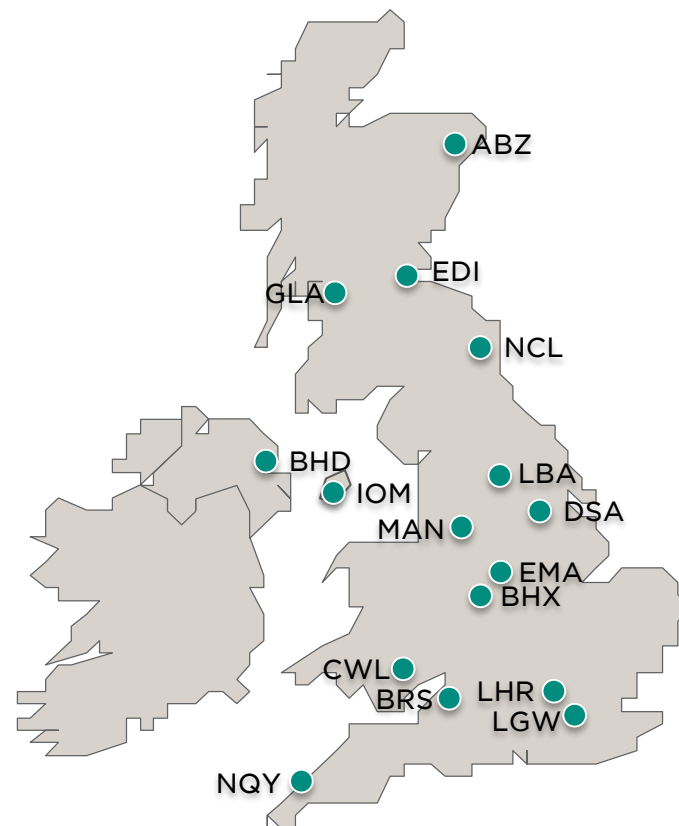
(average % of max config)

As at end of 2014 excluding Little Red aircraft



Aer Lingus - strong presence in UK regions

Airport	Aer Lingus 	BRITISH AIRWAYS 	IBERIA 	vueling 
London Heathrow	✓	✓	✓	✓
London Gatwick	✓	✓	✓	✓
London City		✓		
Edinburgh	✓	✓	✓	✓
Glasgow International	✓	✓		
Aberdeen	✓	✓		
Newcastle	✓	✓		
Belfast George Best	✓	✓		✓
Isle of Man	✓	✓		
Manchester	✓	✓	✓	✓
Leeds Bradford	✓	✓		
Jersey	✓	✓		
Doncaster/Sheffield	✓			
East Midlands	✓			
Birmingham	✓			✓
Cardiff	✓			✓
Bristol	✓			
Newquay	✓			



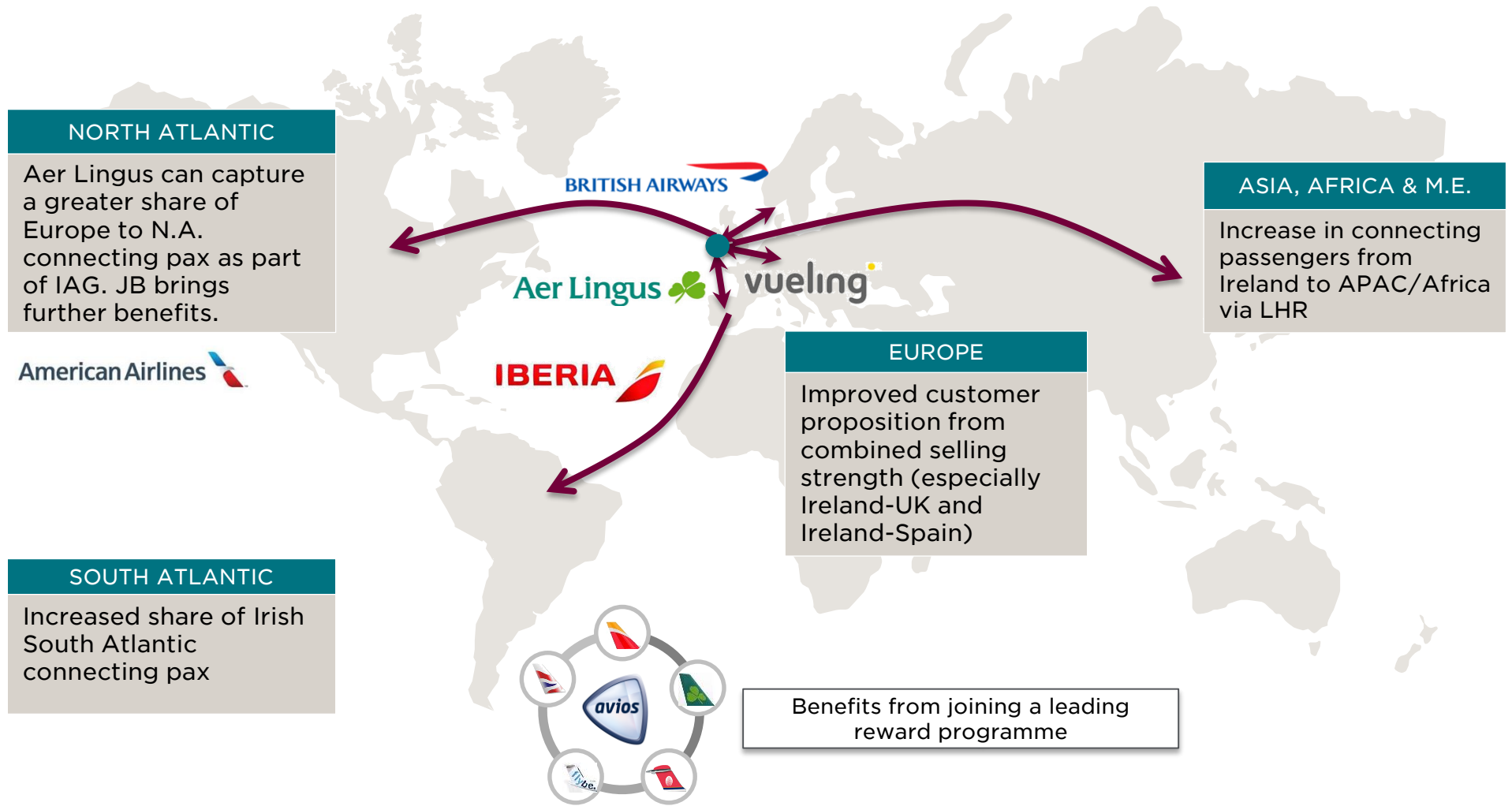
JER 

Includes Aer Lingus Regional routes - scheduled summer 15



What Aer Lingus and IAG can do together

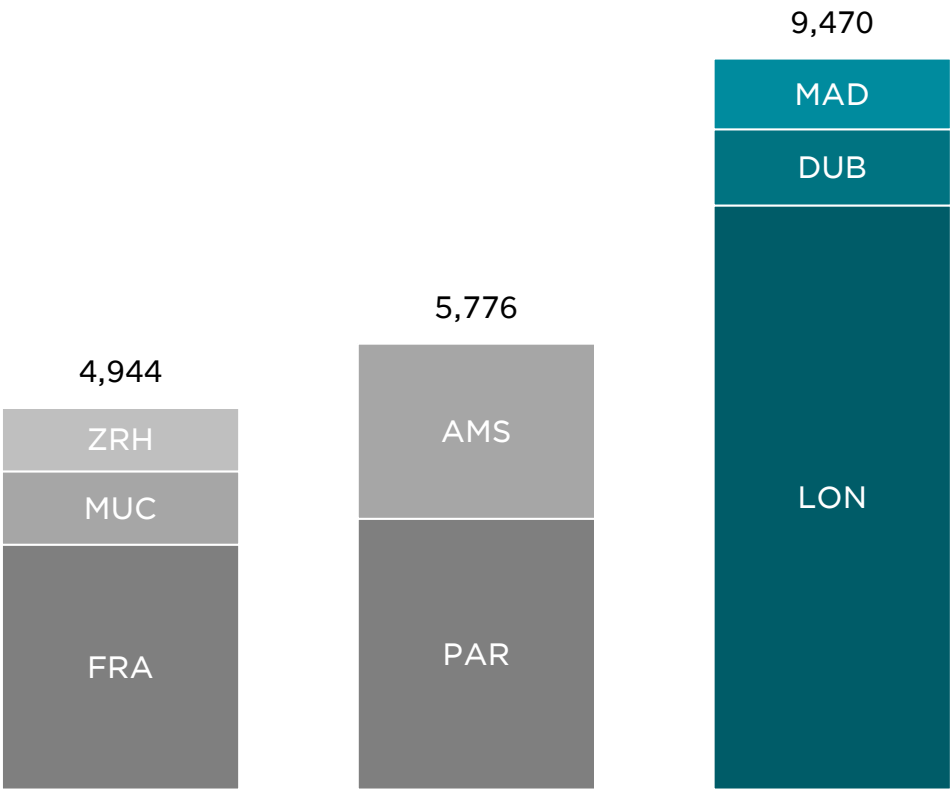
Strong potential for revenue synergies



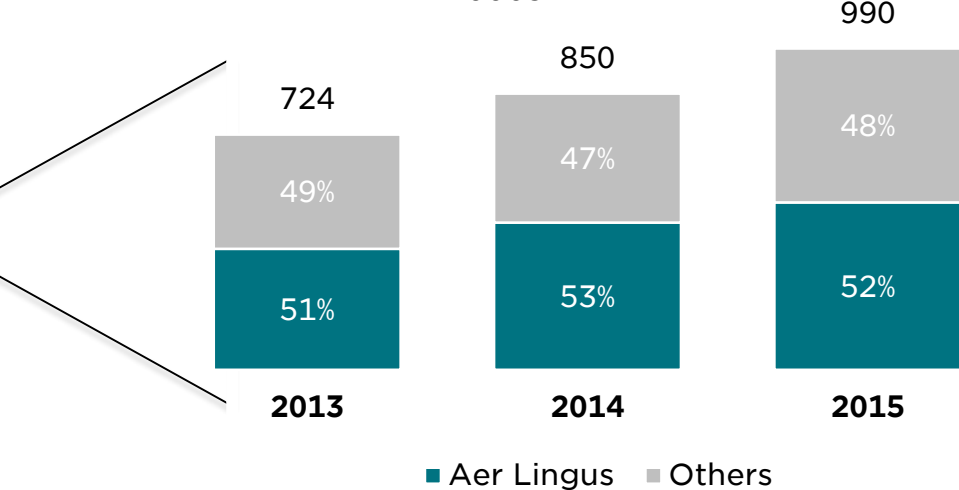
Aer Lingus enhances IAG transatlantic hub position

Dublin as an additional IAG hub

Selected Leading Hubs Europe to North America
Summer '15 scheduled seats 000s*









DUB #6 in Europe
Summer scheduled seats DUB to North America
000s*

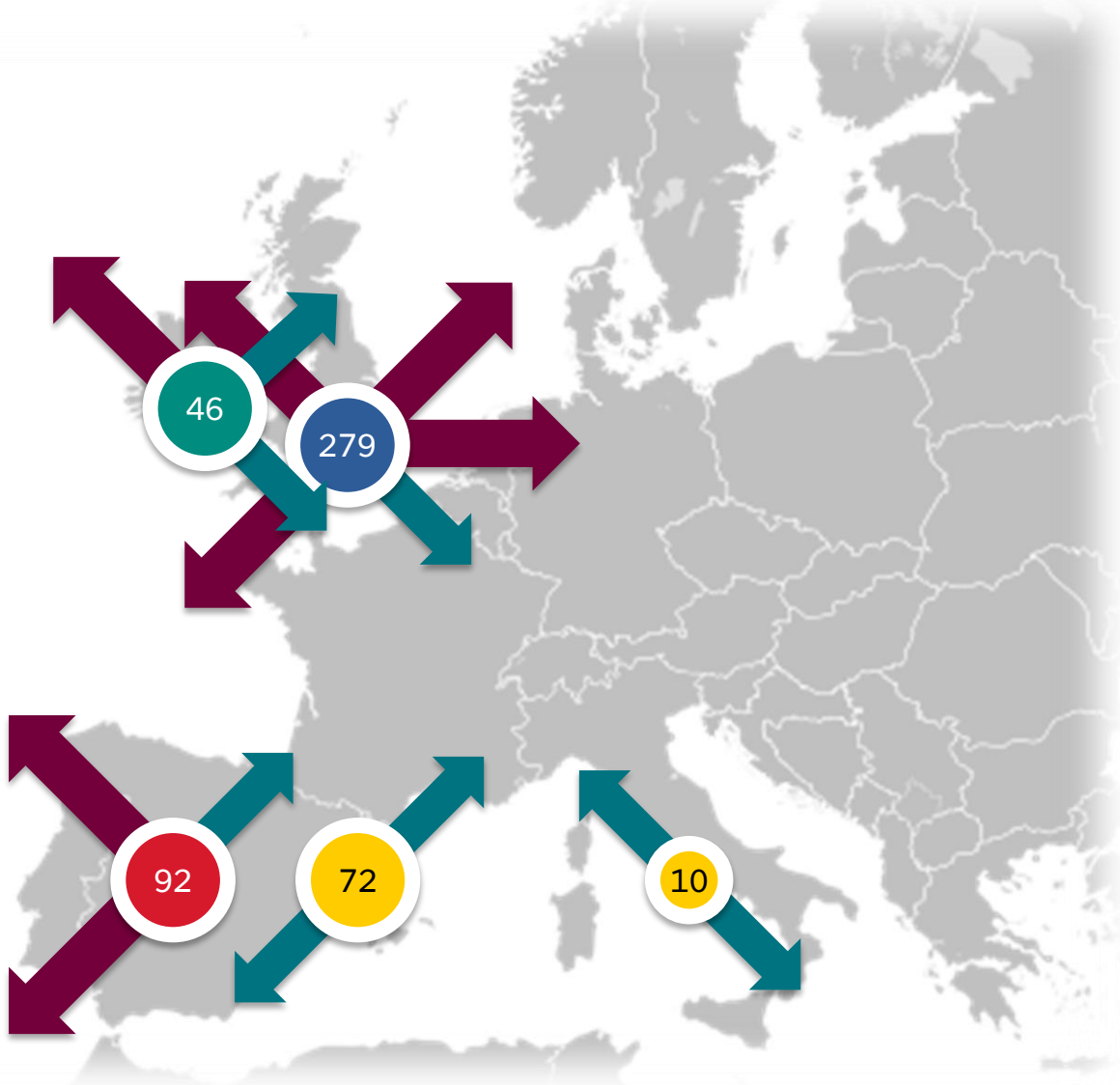


*Source OAG - one way seats



Building Europe's leading network

-  Long-haul
-  Short-haul
-  Dublin
value carrier hub
-  London Heathrow
full service hub
-  Madrid Barajas
value carrier hub
-  Barcelona/Rome
LCC hub



Number of aircraft as at end of 2014



Aer Lingus benefits as part of IAG



- Aer Lingus will operate as a separate business with its own brand, management and operations
- As part of IAG Aer Lingus will benefit from:
 - joining Avios - a leading reward programme
 - extended reach of cargo operations through IAG Cargo
 - initiatives such as common purchasing, sales force synergies and fleet harmonisation
 - the new IAG Global Business Services platform and centrally-driven IAG IT model

Aer Lingus financials as part of IAG

Potential to improve Aer Lingus performance and enhance RoIC / growth potential for existing IAG companies

	Aer Lingus 2014	IAG 2014	IAG Long term planning goals (2016-2020)
RoIC	5.8%	7.9%	12%+
Operating margin	6.0%	7.8%	10% to 14%
Capacity growth (ASKs)	+8% led by strong growth on North Atlantic	+9% reported +5% pre Vueling	+3% to +4% per annum
Balance sheet	0.8x Adj. net debt/EBITDAR	1.9x Adj. net debt/EBITDAR	Investment grade zone
Equity free cash flow	€106m	€128m	€1bn to €1.5bn per annum

Definitions and sources given in appendix



Commitments

Connectivity

- *Disposals of Aer Lingus' slots at London Heathrow will be restricted, on a similar basis to that provided for currently under Article 10 of the Aer Lingus Articles.*
- *Aer Lingus will commit during the first 7 years following the Acquisition to operating its LHR Slots so as to replicate in all material respects Aer Lingus' current winter and summer daily scheduled frequencies on routes between LHR and each of DUB, ORK and SNN. In the first 5 years all of Aer Lingus' other LHR Slots will be operated on routes to/from airports on the island of Ireland. In the last 2 years, this commitment will be subject to a condition that the relevant airport charges remain at or below 2014 levels (adjusting for CPI), with no material erosion of service standards/scope.*

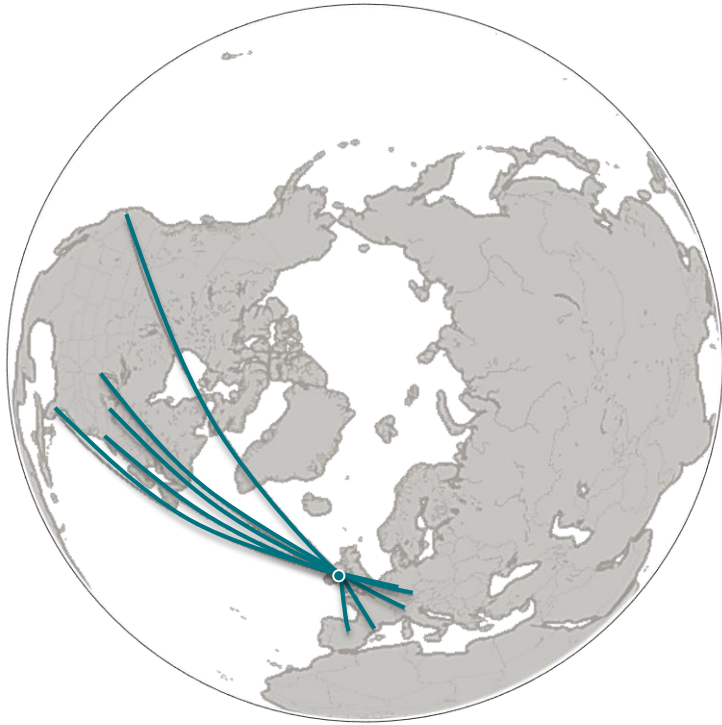


Brand

- *Aer Lingus Group plc will not change its name to a name other than “Aer Lingus Group Ltd/DAC”.*
- *Aer Lingus will operate all its scheduled international air transport passenger services under the “Aer Lingus” name.*
- *Aer Lingus will maintain its head office and place of incorporation in the Republic of Ireland.*



Benefits for Ireland



Employment

- Up to 635 new jobs at Aer Lingus by 2020
- Indirect employment in aviation and tourism sector from increased traffic to Ireland

Tourism

- Leveraging Ireland's advantageous position for connecting Europe and North America with one of Europe's leading networks
- Growth of Aer Lingus network improving connectivity to Ireland

Customers

- Connections available to broader IAG network
- Joining **oneworld** will provide access to almost 1000 destinations in >150 countries*
- Increased value of reward programme

*Source: <http://www.oneworld.com/news-information/oneworld-fact-sheets/oneworld-at-a-glance/>

IAG

Expected timing and next steps

- The transaction does not require IAG shareholder approval
- Subject to relevant competition approvals
- Offer Document will be issued within 28 days of 2.5 announcement
- Timetable governed by the Irish Takeover Rules

Appendix

Financial definitions

Slide 12 -

- Sources: Aer Lingus and IAG 2014 Annual reports
- RoIC: inflation and lease adjusted
- Operating margin: lease adjusted
- Adjusted net debt defined as:

Gross debt + capitalised leases (at 8x) - cash equivalents - deposits. Excludes €190.7m in escrowed deposits at Aer Lingus for pension payment

- Equity free cash flow defined as:

EBITDA - net cash interest - cash tax - net capex

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