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FOR IMMEDIATE RELEASE

29 April 2015

## Aer Lingus Group plc

ISE: EIL1

LSE: AERL

### Q1 2015 Interim Management Statement

Dublin and London, 29 April 2015: Aer Lingus Group plc (“Aer Lingus”, the “Group”) today issues an un-audited interim management statement for the period from 1 January 2015 to 31 March 2015, representing the first quarter of the Group’s 2015 financial year.

#### Highlights

- Revenue growth of 7.9%; average fare revenue per seat up 12.9%
- Successful execution of long haul growth strategy delivering a 39.6% increase in long haul fare revenue with 20.6% increased fare revenue per seat and +4.0 ppts higher long haul load factor
- Continued ‘demand led’ short haul strategy driving 1.2% increase in short haul revenue per seat and +2.1ppts increase in short haul load factor
- Retail revenue per passenger up 3.7% to €21.87; cargo revenue 15.1% higher
- Stable year-on-year operating result; Q1 2015 off-peak seasonal operating loss (before net exceptional items) of €48.4 million in line with prior year
- Investment in new long haul business class offering with fully horizontal “lie flat” seats on A330 fleet; opening of new JFK Lounge and new Dublin Arrivals Lounge (*the Revival Lounge*)
- Successful launch of new brand and commercial platforms (i.e. “*Smart Flies Aer Lingus*” and “*Black & White choices*”)
- Higher operating costs (+6.7%) reflect impact of increased fixed costs in off-peak season
- Some benefit in the quarter of lower fuel prices; higher US Dollar costs mostly offset by US Dollar revenues and hedges
- Strong net cash of €650.7 million at the end of the quarter; net cash €97.0 million higher than Q1 2014
- The Board and management team of Aer Lingus strongly remain of the view that a combination of Aer Lingus and IAG has a compelling strategic rationale and will deliver significant benefits to all stakeholders in Aer Lingus

€m (un-audited)	Quarter ended 31 March		
	2015	2014	Change <sup>1</sup>
<b>Revenue</b>			
- Short haul fare revenue	132.2	138.8	(4.7%)
- Long haul fare revenue	82.5	59.1	39.6%
- Retail revenue	39.8	38.7	2.8%
Total passenger revenue	254.5	236.6	7.6%
Cargo revenue	12.2	10.6	15.1%
Other revenue	13.3	12.2	9.0%
<b>Total revenue</b>	<b>280.0</b>	<b>259.4</b>	<b>7.9%</b>
Fuel costs	(72.5)	(66.8)	(8.5%)
Staff costs	(72.2)	(68.1)	(6.0%)
Airport and enroute charges	(74.5)	(71.1)	(4.8%)
Other operating costs	(109.2)	(101.9)	(7.2 %)
<b>Total operating costs</b>	<b>(328.4)</b>	<b>(307.9)</b>	<b>(6.7 %)</b>
<b>Operating loss before net exceptional items</b>	<b>(48.4)</b>	<b>(48.5)</b>	<b>0.2%</b>
<b>EBITDAR <sup>2</sup></b>	<b>(6.8)</b>	<b>(14.1)</b>	<b>51.8%</b>
<b>Gross cash <sup>3</sup></b>	1,034.8	1,017.9	1.7%
<b>Gross debt</b>	(384.1)	(464.2)	17.3%
<b>Net cash</b>	<b>650.7</b>	<b>553.7</b>	<b>17.5%</b>

<sup>1</sup> Sign convention: favourable / (adverse)

<sup>2</sup> Pre-exceptional Earnings before Interest, Tax, Depreciation, Amortisation and Aircraft operating lease rental

<sup>3</sup> At 31 March 2015 gross cash includes restricted cash of €126.4 million, of which €105.3 million relates to the remaining funds relating to the €190.7 million once-off pension contribution placed in escrow as at 31 December 2014 and which will be released over time on the receipt of correctly executed waivers by current and former employees

### International Consolidated Airlines Group S.A. ("IAG") possible offer

- Board of Aer Lingus willing to recommend the financial terms of IAG's possible offer, which values each Aer Lingus share at €2.55, to shareholders
- Compelling strategic rationale and significant benefits for Aer Lingus, its current and future employees, its customers and for Ireland. The combination would:
  - Enhance Ireland's position as a natural hub for Europe on the North Atlantic;
  - Accelerate Aer Lingus' transatlantic long haul growth plans;
  - Grow employment;
  - Enhance short haul growth;
  - Strengthen Ireland's connectivity; and
  - Provide access to a global cargo network
- Aer Lingus has confirmed IAG's intentions to preserve Aer Lingus as a separate operating business within the group with its own brand, management, head office and operations
- Possible offer remains conditional on, amongst other things, the recommendation of the Board of Aer Lingus and the receipt of irrevocable commitments from Ryanair Limited and the Minister for Finance of Ireland to accept the offer, all of which may be waived in whole or in part by IAG

### CEO performance review

#### **Stephen Kavanagh, Aer Lingus' CEO said:**

*"I am pleased to report that Aer Lingus achieved revenue growth of 7.9% to €280.0 million, delivered by our demand led capacity decisions. Operating results were stable in the seasonally loss making first quarter, at (€48.4) million before net exceptional items. Of particular note was the 39.6% increase in our long-haul revenues as new products, routes and increased frequencies continue to build out our Dublin Atlantic hub.*

*The increase in our operating costs reflects a higher fixed cost base. Given our forward hedging of fuel, the benefit of lower fuel prices was limited in the quarter. Fuel cost decreases will become more evident in subsequent periods. Our US Dollar based costs increased due to an unfavourable movement in the exchange rate. We did however benefit from our US Dollar revenue and positive results on foreign currency hedges.*

*In the coming quarters we will focus on capitalising on peak demand opportunities, while aggressively managing our cost base. On short haul we will continue our demand-led strategy to drive occupancy, manage per available seat yield and retail revenue per passenger. On long haul, we will see the commencement of the new Washington route as well as increased frequencies on New York, San Francisco and Orlando routes. Overall our forward trends are positive.*

*Achieving cost competitiveness to support margins and to facilitate a flexible response to changing competitive demand conditions is our highest priority. To this end, we are in the process of implementing the various CORE improvement initiatives as well as identifying additional efficiency measures.*

*The IAG offer to acquire 100% of Aer Lingus will deliver significant benefits for all Aer Lingus stakeholders. However, notwithstanding the opportunities that this combination will bring, we are focused on building Aer Lingus and improving our return on invested capital performance.*

*Finally I would like to thank all my colleagues at Aer Lingus for their continued hard work and contribution to the airline's performance."*

### Conference call details

The Aer Lingus management team will host a conference call for institutional investors and analysts at 09.00am GMT on 29 April 2015. Dial in details are:

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The Directors of Aer Lingus Group plc accept responsibility for the information contained in this announcement relating to Aer Lingus, the Aer Lingus Group, the Directors of Aer Lingus and members of their immediate families, related trusts and persons connected with them. To the best of the knowledge and belief of the Directors of Aer Lingus (who have taken all reasonable care to ensure that such is the case) the information contained in this announcement is in accordance with the facts and does not omit anything likely to affect the import of such information.

The release, publication or distribution of this announcement in or into certain jurisdictions may be restricted by the laws of those jurisdictions. Accordingly, copies of this announcement and all other announcements relating to the combination are not being, and must not be, released, published, mailed or otherwise forwarded, distributed or sent in, into or from any restricted jurisdiction. Persons receiving such announcements (including, without limitation, nominees, trustees and custodians) should observe these restrictions. Failure to do so may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies involved in the combination disclaim any responsibility or liability for the violations of any such restrictions by any person.

Under the provisions of Rule 8.3 of the Irish Takeover Rules, if any person is, or becomes, "interested" (directly or indirectly) in 1% or more of any class of "relevant securities" of Aer Lingus, all "dealings" in any "relevant securities" of Aer Lingus (including by means of an option in respect of, or a derivative referenced to, any such "relevant securities") must be publicly disclosed by not later than 3:30 p.m. (Irish time) on the "business day" following the date of the relevant transaction. This requirement will continue until the date on which the Scheme becomes effective or on which the "offer period" otherwise ends. If two or more persons co-operate on the basis of any agreement either express or tacit, either oral or written, to acquire an "interest" in "relevant securities" of Aer Lingus, they will be deemed to be a single person for the purpose of Rule 8.3 of the Irish Takeover Rules. Under the provisions of Rule 8.1 of the Irish Takeover Rules, all "dealings" in "relevant securities" of Aer Lingus by IAG or "relevant securities" of IAG by Aer Lingus, or by any person "acting in concert" with either of them must also be disclosed by no later than 12 noon (Irish time) on the "business day" following the date of the relevant transaction.

A disclosure table, giving details of the companies in whose "relevant securities" "dealings" should be disclosed can be found on the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie). "Interests in securities" arise, in summary, when a person has long economic exposure, whether conditional or absolute, to changes in the price of securities. In particular, a person will be treated as having an "interest" by virtue of the ownership or control of securities, or by virtue of any option in respect of, or derivative referenced to, securities. Terms in quotation marks are defined in the Irish Takeover Rules, which can be found on the Irish Takeover Panel's website. If you are in any doubt as to whether or not you are required to disclose a "dealing" under Rule 8, please consult the Irish Takeover Panel's website at [www.irishtakeoverpanel.ie](http://www.irishtakeoverpanel.ie) or contact the Irish Takeover Panel on telephone number +353 1 678 9020; fax number +353 1 678 9289.

**Aer Lingus operating metrics (un-audited)**

	<b>Three months ended 31 March</b>		
	<b>2015</b>	<b>2014</b>	<b>Change</b>
<b>Passengers carried ('000s)*</b>			
Short haul	1,596	1,653	(3.4%)
Long haul	222	180	23.3%
<b>Total</b>	<b>1,818</b>	<b>1,833</b>	<b>(0.8%)</b>
<b>Revenue passenger kilometres (RPKs) (million)*</b>			
Short haul	1,533	1,604	(4.4%)
Long haul	1,226	955	28.4%
<b>Total</b>	<b>2,759</b>	<b>2,559</b>	<b>7.8%</b>
<b>Available seat kilometres (ASKs) (million)*</b>			
Short haul	2,161	2,330	(7.3%)
Long haul	1,626	1,337	21.6%
<b>Total</b>	<b>3,787</b>	<b>3,667</b>	<b>3.3%</b>
<b>Passenger load factor (%) (flown RPKs per ASKs)*</b>			
Short haul	70.9%	68.8%	2.1 pts
Long haul	75.4%	71.4%	4.0 pts
<b>Total</b>	<b>72.9%</b>	<b>69.8%</b>	<b>3.1 pts</b>
<b>Average revenue per passenger (€)*</b>			
Short haul	82.82	84.00	(1.4%)
Long haul	371.74	327.47	13.5%
<b>Total</b>	<b>118.10</b>	<b>107.97</b>	<b>9.4%</b>
<b>Average revenue per seat (€)*</b>			
Short haul	57.04	56.36	1.2%
Long haul	281.97	233.72	20.6%
<b>Total</b>	<b>82.27</b>	<b>72.87</b>	<b>12.9%</b>
<b>Retail revenue per passenger</b>	21.87	21.09	3.7%
<b>Aer Lingus Regional passengers carried ('000s)</b>	238	256	(7.0%)
<b>Total Aer Lingus passengers including Aer Lingus Regional ('000s)</b>	<b>2,056</b>	<b>2,089</b>	<b>(1.5%)</b>

\* Based on flown passenger numbers and excluding Aer Lingus Regional Services operated by Stobart Air and the "wet lease" agreements with Virgin Atlantic Airways Limited and Nova Airlines AB ("contract flying business")

### **First quarter 2015 overview**

Aer Lingus is seasonally loss making in the first quarter of its trading year and reported an operating loss (before net exceptional items) of €48.4 million, which is in line with Q1 2014. A number of factors are relevant to the Group's Q1 2015 operating result:

- Q1 2015 short haul capacity decreased by 7.3% compared to Q1 2014. This reduction reflects planned adjustments to enable us to protect route profitability in the face of competitor capacity increases and intense price competition on specific routes.
- The Group's Q1 2015 operating result reflects the expansion of the Aer Lingus long haul fleet in 2014, which facilitates growth in the peak Q2 and Q3 seasons but results in higher fixed costs in the Group's off-peak seasons.
- Aer Lingus is structurally short US Dollars. For this reason despite long haul revenue benefiting from the strengthening US Dollar, the net impact on our operating result is adverse. Foreign currency hedges seek to mitigate the impact of currency fluctuations.
- Although fuel prices have fallen significantly in the last twelve months, the Group realised an average fuel price of US\$895 for Q1 2015 due to hedging arrangements entered into on a two year rolling timeframe (Q1 2014: US\$981). Aer Lingus increased its fuel hedging position in December 2014 and the benefits of these lower priced hedging contracts will be more evident in the latter half of 2015.
- The prior year comparative was affected by a €3 million negative impact on revenues linked to the threatened industrial action by the SIPTU trade union in advance of St. Patrick's weekend in March 2014.

### **2015 Outlook**

Aer Lingus is currently in an offer period as defined by the Irish Takeover Rules. The Group is therefore not issuing specific guidance with regard to 2015 operating profit performance while it remains in this offer period.

### **Revenue**

Total Q1 2015 revenue increased by 7.9% compared with Q1 2014 with an excellent long haul performance in addition to year-on-year growth in retail, cargo and other revenue categories. Total capacity deployed increased by 3.3%.

#### *Short haul passenger fare revenues*

In Q1 2015, short haul passenger fare revenue decreased by €6.6 million or 4.7% to €132.2 million. Short haul revenue per seat was 1.2% higher than prior year and load factor on short haul increased by 2.1 percentage points to 70.9%. Capacity discipline protected route profitability in the face of additional winter capacity from competitors on certain routes. Current visibility of forward booking trends indicates the majority of routes are in line with expectations for the peak Q2 and Q3 season.

#### *Long haul passenger revenues*

Long haul passenger revenue increased by €23.4 million or 39.6% to €82.5 million. Long haul capacity increased by 21.6% and was successfully converted into 23.3% higher passenger numbers and a 4.0 percentage point increase in load factor to 75.4%. Yield per seat increased by 20.6%, supported by the stronger US Dollar and higher sales in North America. The new San Francisco and Toronto routes contributed around 2 percentage points to the higher yield. Yield increases are expected to be less pronounced in subsequent quarters. All routes performed well in the quarter.

In May 2015, we will commence flying to Washington and we will also increase frequency on other routes for the peak summer period through the deployment of an additional A330-200 as well as an additional Boeing 767 aircraft for a peak 12 week period. Based on current visibility, the forward booking profiles for new routes and existing routes with increased frequencies are satisfactory.

#### *Retail revenue*

Retail revenue increased by 2.8% in Q1 2015, reflecting a 3.7% increase in average spend per passenger to €21.87 (Q1 2014: €21.09). This is a strong result given the changing mix of short and long haul passengers and 0.8% fewer passengers carried in the quarter compared with prior year. Both online and commission based revenues were higher.

### *Cargo and other revenue*

Cargo revenue experienced a 15.1% increase in revenue in Q1 2015 associated with the growth in transatlantic services ex Ireland.

Other revenue increased by 9.0% in Q1 2015 compared with prior year and primarily comprises our contract flying business and franchise fees relating to the Aer Lingus Regional Franchise, operated by Stobart Air. Aer Lingus Regional passenger numbers, a key driver of franchise fees, decreased by 7.0% in the quarter compared with prior year. Both the Virgin Little Red and Novair contract flying services will be discontinued over the course of 2015 and this will impact this revenue category in our full year 2015 results.

### **Operating expenses**

Operating expenses for Q1 2015 of €328.4 million were €20.5 million (or 6.7% higher) than in prior year (Q1 2014: €307.9 million).

#### *Fuel costs*

Q1 2015 fuel costs increased by 8.5% to €72.5 million. This increase was the result of a 5.9% increase in fuel uplift related to increased year-on-year flying activity. The applicable fuel price was 8.8% lower in the quarter (excluding into-plane fees). A stronger US Dollar and adjustments for hedging effectiveness led to a net 12.4% increase. The positive result from US Dollar hedging is reported as part of the "other operating costs" caption. Further details of our fuel hedging for the remainder of 2015 and for 2016 are outlined in the fuel and currency hedging section below.

#### *Staff costs*

Staff costs increased by 6.0% in the quarter to €72.2 million primarily due to higher cabin crew and flight operations costs associated with transatlantic flying, and increases in staff in ground operations and support functions.

#### *Airport and en-route charges*

Airport and en-route charges increased by 4.8% to €74.5 million. This was caused by higher GBP based charges compared with prior year (i.e. Q1 2015 average rate: £0.75 versus Q1 2014 average rate: £0.82) and increased airport charges in certain airports. This was partly offset by lower passenger volumes in the quarter (down 0.8% compared with Q1 2014).

#### *Other operating costs*

In Q1 2015 other operating costs increased by 7.2% to €109.2 million. This increase is primarily due to higher aircraft hire with three Boeing 757s introduced in early 2014, higher distribution costs associated with changes in the transatlantic sales mix, greater level of variable costs driven by transatlantic expansion and the overall impact of the strength of the US Dollar compared to the euro. These increases were offset by hedging gains in the "other gains and losses" P&L caption driven mainly by the revaluation effect of foreign currency denominated balance sheet items in addition to the settlement of forward hedging contracts.

Several CORE related saving initiatives have commenced and will contribute towards the target of €40 million run-rate cost savings by the end of 2016:

- Multi-sector catering project
- Voluntary severance programme
- Optimisation of engine on wing
- Process streamlining across different operational areas

In addition, we have benchmarked our costs to identify further cost improvement areas.

## Fuel and currency hedging

### **Fuel Hedging**

Forward fuel prices for delivery in the year 2015 started to significantly decline in the last quarter of 2014. Given that hedging arrangements for Q1 2015 fuel requirements were significantly in place by September 2014, the average hedged price achieved for the quarter was US\$907 per metric tonne.

At 31 March 2015 Aer Lingus had hedged 90% of the forecast fuel requirements for the remaining nine months of 2015 at an average of US\$814. 30% of total 2016 fuel requirements were hedged at US\$786 per metric tonne. A summary of the quarterly fuel hedging position for the remainder of 2015 and for 2016 is:

<b>Fuel hedging</b>						
<b>Position at Q1 2015</b>	<b>Q1 2015</b>	<b>Q2 2015</b>	<b>Q3 2015</b>	<b>Q4 2015</b>	<b>Q2-Q4 2015</b>	<b>Full yr 2016</b>
Estimated burn ('000 MT)	92	146	160	117	423	517
% hedged	-	90%	90%	90%	90%	30%
Avg. hedged price/MT (US\$)	907	856	808	769	814	786
<b>Position at Q1 2014</b>	<b>Q1 2014</b>	<b>Q2 2014</b>	<b>Q3 2014</b>	<b>Q4 2014</b>	<b>Q2-Q4 2014</b>	<b>Full yr 2015</b>
Avg. hedged price/MT (US\$): prior year	963	959	955	944	954	937

### Currency hedging

Aer Lingus incurs a greater quantum of US Dollar denominated costs (such as fuel, aircraft hire, certain airport charges and maintenance costs) than revenues. As at 31 March 2015, 76% of the Group's estimated US Dollar trading requirement for the remainder of 2015 was hedged at an average rate of US\$1.28. In addition 6% of our total estimated US Dollar trading requirement for 2016 was hedged at a rate of US\$1.38.

At 31 March 2015, we had sold forward 86% of our expected GBP surplus for the remainder of 2015 at a rate of €1 = £0.81 and 46% of our expected 2016 GBP surplus at a rate of €1 = £0.79.

### Financial position

Net cash of €650.7 million at 31 March 2015 was 17.5% higher than 31 March 2014.

Gross cash at 31 March 2015 was €1,034.8 million, which is €16.9 million higher than the corresponding figure as at 31 March 2014. This gross cash balance also represents a €99.3 million increase in the three months since December 2014 reflecting seasonal working capital inflows associated with ticket sales in advance of our peak seasons. At 31 March 2015 gross cash included restricted cash of €126.4 million, of which €105.3 million related to the once-off pension solution placed in escrow. This amount has reduced to €67.8 million as at 24 April 2015 due to continued receipt of waivers in the intervening period.

Gross debt decreased by €80.1 million to €384.1 million at 31 March 2015 compared to 31 March 2014. In the 12 months to 31 March 2015, Aer Lingus made €145.1 million of finance lease repayments, offset by a €60.5 million adverse US dollar movement and accrued interest on finance lease debt of €4.5 million. Over the 12 months to 31 March 2015 the Group made sufficient FX gains on US Dollar denominated deposits to adequately cover the adverse US Dollar movement on finance leases.

### IASS pension solution update

Following approval by shareholders of the IASS pension solution in December 2014, the Group recognised a provision and exceptional cost both amounting to €190.7 million as at 31 December 2014. At this point this amount was transferred to an escrow account. Funds in escrow are disclosed as restricted cash in our statement of financial position. From 1 January 2015 the once-off contributions became available to be transferred to individuals new defined contribution pension scheme accounts upon the execution of a waiver. As at 31 March 2015 €105.3 million remained in escrow. As at 24 April 2015 €122.9 million of the €190.7 million has been transferred with €67.8 million now remaining in escrow.

<b>Status of waivers as at 24 April 2015</b>						
	Valid Received	<i>Valid % Received</i>	Outstanding	<i>Outstanding %</i>	Total	Total %
Active members	1,828	72.8%	682	27.2%	2,510	100%
Deferred members	1,389	45.1%	1,690	54.9%	3,079	100%
<b>Total</b>	<b>3,217</b>	<b>57.6%</b>	<b>2,372</b>	<b>42.4%</b>	<b>5,589</b>	<b>100%</b>