

Jackie Piper
Competition and Markets Authority
Victoria House
Southampton Row
London
WC1B 4AD

11 March 2015

Ryanair Holdings plc / Aer Lingus Group plc (minority shareholding): invitation to comment

Dear Ms Piper,

Ryanair's 12 February submission to the CMA refers at length to IAG's proposed acquisition of Aer Lingus. We therefore take this opportunity to respond to your invitation to comment.

IAG first seriously contemplated its proposed acquisition of Aer Lingus in August 2014, bearing in mind the prospect of (a) Ryanair being required to divest its stake in Aer Lingus (down to no more than 5%) and (b) resolution of certain pension issues at Aer Lingus. Following two rejected proposals, IAG made a third approach to Aer Lingus on 26 January 2015. This values each Aer Lingus share at €2.55 (comprising an all cash offer of €2.50 per share, and a cash dividend of €0.05 per share). IAG's proposal is conditional on, among other things, the receipt of irrevocable commitments from Ryanair (29.82% shareholding) and the Minister for Finance of Ireland (25.11% shareholding) to accept the offer. The Aer Lingus board announced that it would be willing to recommend an offer on these terms, subject to being satisfied with the manner in which IAG would address the interests of other stakeholders.

As IAG explained some two years ago to the Competition Commission during its review of Ryanair's minority shareholding in Aer Lingus, IAG would not usually contemplate buying a controlling interest in an airline with a significant ongoing minority shareholder. Furthermore, in the absence of support from Aer Lingus' largest two shareholders, IAG will not be able to meet the 90% acceptance condition to be able to "squeeze out" any remaining shareholders and take full ownership of Aer Lingus. An irrevocable commitment from Ryanair to sell to IAG the entirety of its shareholding in Aer Lingus is therefore a prerequisite for IAG being willing to proceed with its current proposal to acquire Aer Lingus. Accordingly, there has been no material change of circumstances since the time of preparation of the CC's Report.

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As regards the proposed appointment of a Divestiture Trustee to effect the sale of (the majority of) Ryanair's shareholding, we encourage the CMA to refrain from taking this step for the time being and instead to grant its written consent to Ryanair granting an irrevocable commitment to accept IAG's proposed offer in respect of the entirety of Ryanair's shareholding. Only if the CMA subsequently ascertains, after having granted such consent, that Ryanair has failed to give such an irrevocable commitment, should the CMA proceed to appoint a Divestiture Trustee. We therefore urge the CMA to proceed to grant such consent, so that Ryanair may provide an irrevocable commitment to IAG.

Yours sincerely,

Chris Haynes
General Counsel