Full year results
Analyst and investor presentation

16 November 2010

easyJet plc

Introduction

Carolyn McCall
Chief Executive

easyJet plc

Highlights

Improvement in revenue, margins, ROE and cash

- easyJet's advantaged network and improved consumer demand has driven strong revenue performance
  - Total revenue per seat up 5.1% reported, +3.3% at constant currency
  - Seats flown grew by 6.0%, with a 15.9% increase in mainland Europe
  - Market share has grown from 6.5% to 7.6% over the last year
- Underlying profit per seat grew by £2.53 to £3.36
  - Fuel costs reduced by £2.19 per seat as higher priced hedges rolled off
  - Mix improvement offset the increased costs of disruption
- Return on equity grew 3.1ppt to 8.6%
- Continued strong cash generation, net cash flow from operations improved by £229m to £363m

Finance review

Chris Kennedy
Chief Financial Officer

Financial results

£m	F '10	F '09	Change
Total revenue	2,973	2,667	11.5%
Fuel	(733)	(807)	(9.1)%
Operating costs excluding fuel*	(1,851)	(1,635)	13.2%
EBITDAR*	389	225	48.4%
Finance and ownership*	(201)	(181)	10.4%
Pre-tax profit (underlying)	188	44	330.9%
Margin*	6.3%	1.6%	+4.7pp

Fuel cost per seat - £	13.09	15.28	(2.19)
Pre-tax profit per seat* - £	3.36	0.83	2.53

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* Underlying number - operating costs ex fuel exclude the £27m of additional cost incurred due to volcanic disruption. Finance and ownership excludes a £11m profit on the disposal of 3 aircraft in 2009 and £7m loss on disposal of 4 aircraft in 2010.

Net income, EPS, ROE

£m	F '10	F '09	Change
Pre-tax profit (underlying) *	188	44	330.9%
Costs of volcanic disruption	(27)	-	-
(Loss) / profit on sale of aircraft	(7)	11	-
Pre-tax profit (reported)	154	55	181.5%
Tax (expense) / credit	(33)	16	-
Profit after tax	121	71	70.4%
Earnings per share (basic reported)	28.4p	16.9p	68.0%
ROE (reported)	8.6%	5.5%	3.1pp

- Volcano impact: £30m of estimated lost contribution and £27m of additional cost
- Profit on sale of £4m over the past two financial years from ex-GB A321 sales
- Effective tax rate is 21.2% for F'10, planned effective tax rate for F'11 is 26%
- Fleet profile ensures cash tax rate continues to be single digits over the medium term

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Strong expansion in second half margins

£m	H2 '10	H2 '09	Change
Total revenue	1,802	1,634	10.3%
Fuel	(428)	(451)	(5.1)%
Operating costs*	(1,008)	(917)	10.0%
EBITDAR*	366	266	37.5%
Finance and ownership*	(99)	(92)	6.9%
Pre-tax profit*	267	174	53.9%

Fuel cost per seat - £	13.91	15.31	(1.40)
Pre-tax profit per seat* - £	8.68	5.90	2.78

- Good revenue performance +5.2% per seat at constant currency
- Operational issues caused c. £30m of additional cost in the second half
- Minimal impact from € in H2

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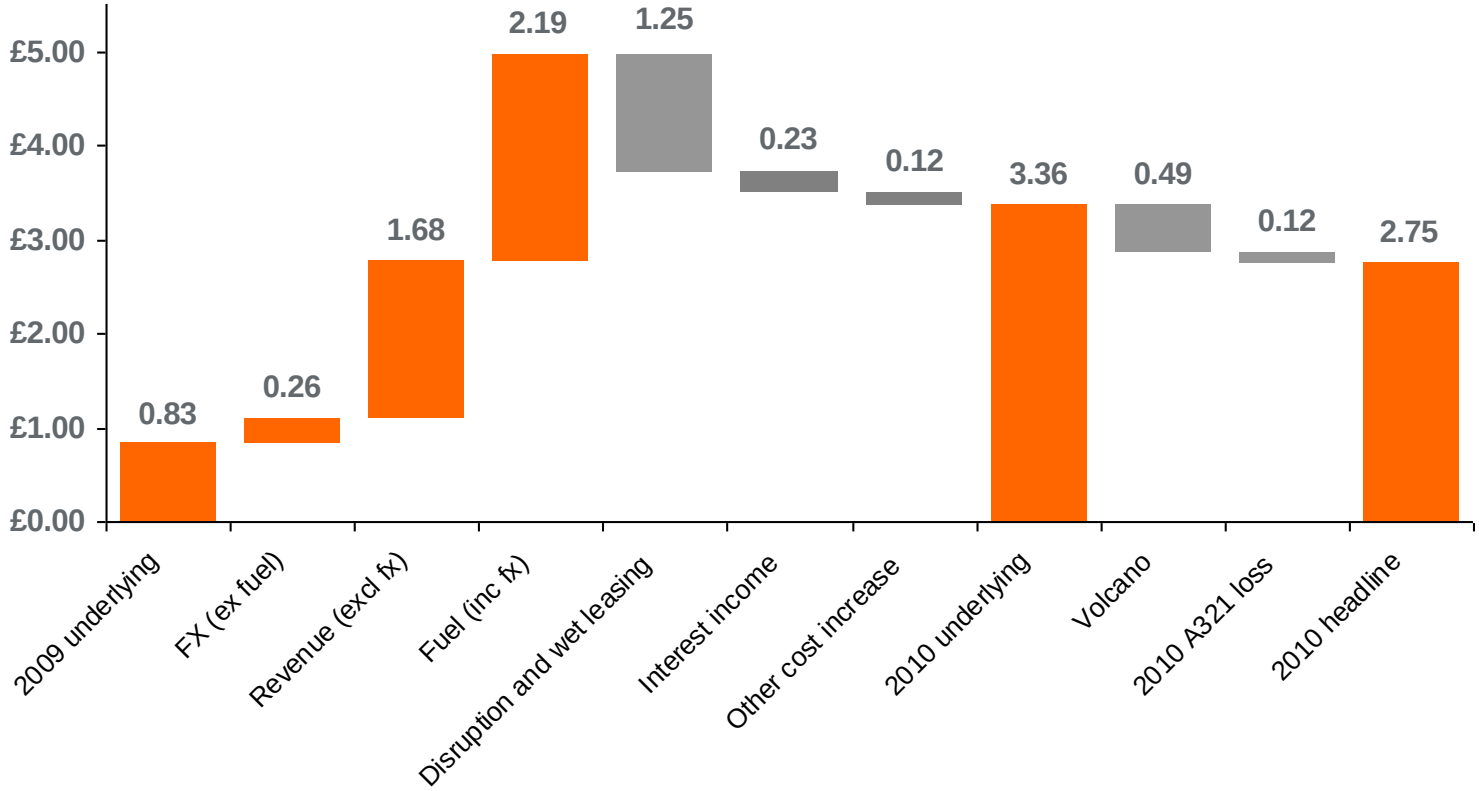
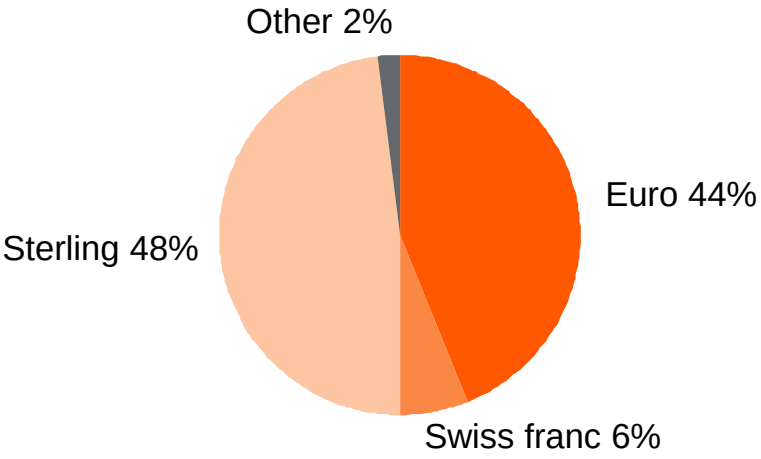
Profit per seat build up

PBT per seat

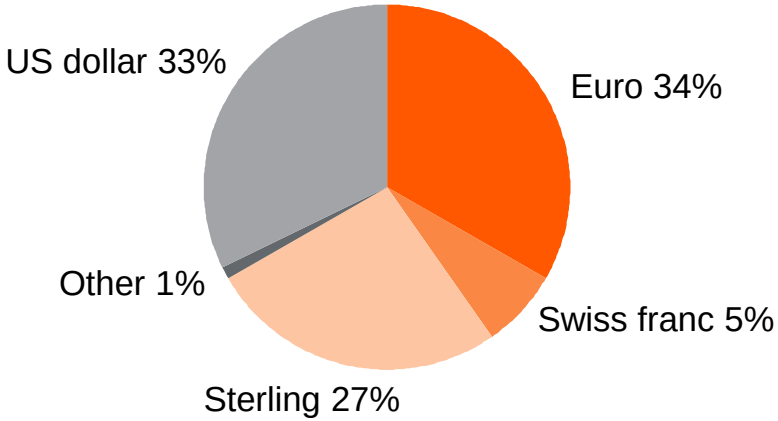


Positive impact from euro

Currency split - total revenues



Currency split - total costs



Effective rates: dollar - F'10 1.64 v F'09 1.78; euro – F'10 1.15 v F'09 1.16

	F '10	F '09	Change
Total revenue per seat (rps)	53.07	50.47	5.1%
at constant currency	52.15	50.47	3.3%
RASK at constant currency	4.64	4.58	1.2%
Total cost per seat ex fuel (headline)	37.23	34.16	(9.0)%
Total cost per seat ex fuel (underlying) *	36.62	34.37	(6.6)%
at constant currency*	36.15	34.37	(5.2)%
CASK ex fuel at constant currency*	3.22	3.12	(3.1)%

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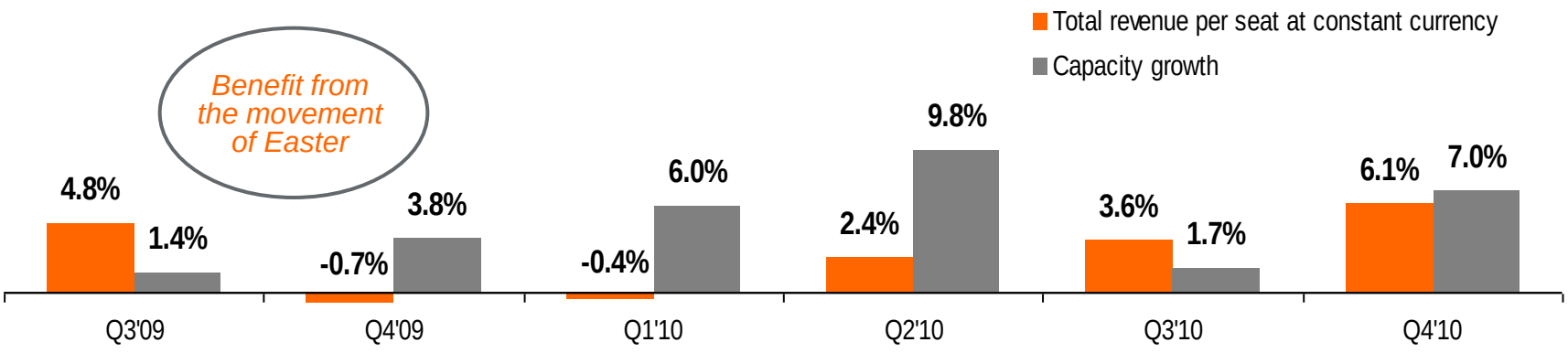
Continued growth in total revenue per seat

	F '10	F '09	Change
Passengers (m)	48.8	45.2	7.9%
Load factor (%)	87.0%	85.5%	1.5ppt
Seats (m)	56.0	52.8	6.0%
Sector length (km)	1,123	1,101	2.1%
Total revenue (£m)	2,973	2,667	11.5%
Total revenue per seat (£)	53.07	50.47	5.1%
@ constant currency (£)	52.15	50.47	3.3%



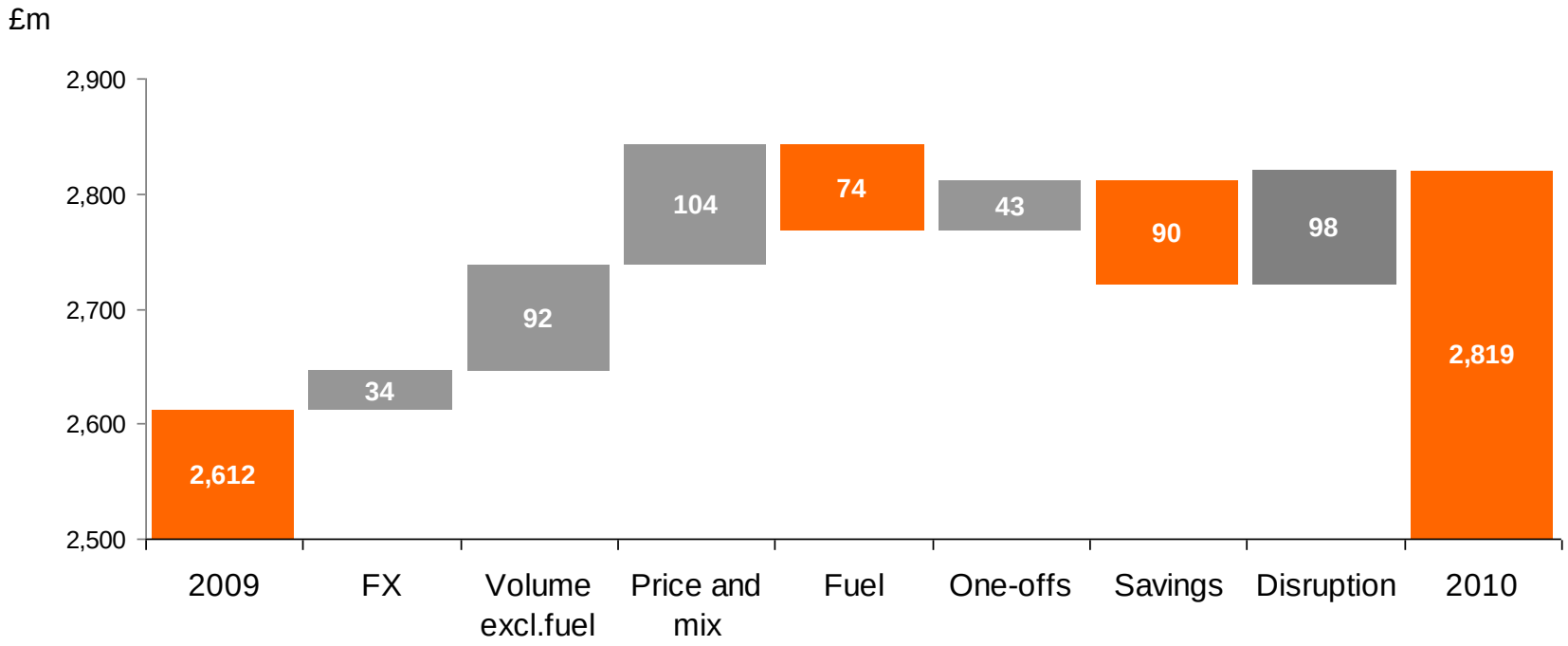
Passenger and ancillary revenues

	F '10	F '09	Change
Passenger revenue (£m)	2,402	2,151	11.7%
per seat (£)	42.87	40.70	5.3%
Ancillary revenue incl. checked bag (£m)	571	516	10.7%
per seat (£)	10.20	9.77	4.4%

£ change in ancillary revenue per seat	vs 2009
Bag charging	+£0.14
Fees and charges	+£0.53
Partner revenues	-£0.19
In-flight net revenue	-£0.05
Total	+£0.43

VAT on in-flight and insurance regulatory change equivalent to 14 pence per seat

Drivers of cost performance



- Revenue growth more than offset cost increases due to price and mix
- F'09 contained a number of one-off benefits e.g. Boeing spares
- Good delivery against £190m savings programme, crew savings (£30m) will be delayed as we resolve operational issues
- Going forward £190m programme will be part of easyJet 'lean'

Impact of fuel

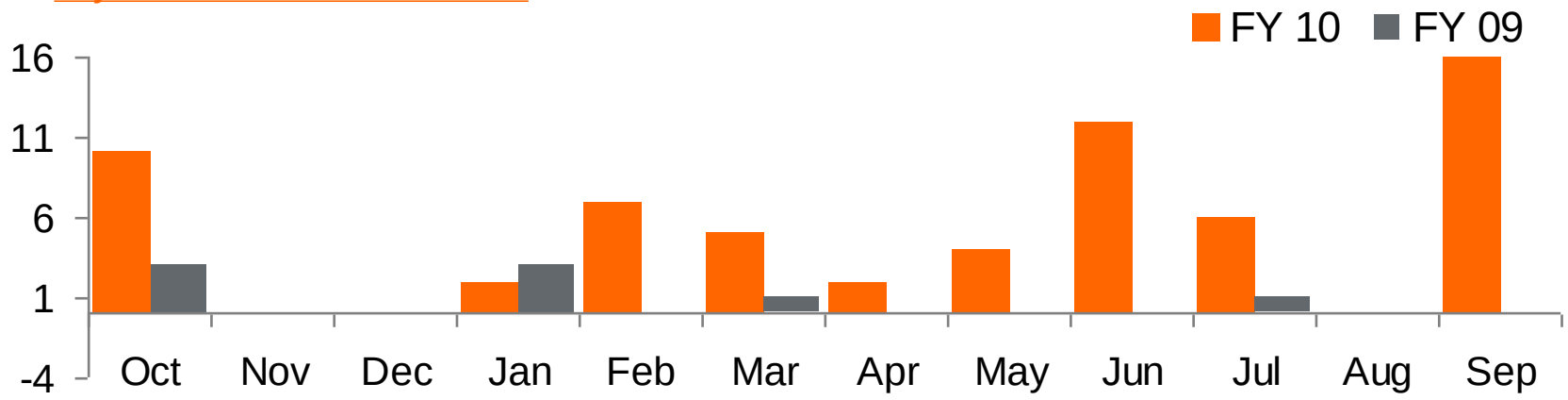
	F '10	F '09	Difference
Fuel $ / metric tonne			
market rate	688	595	93
effective price	732	951	(219)
US dollar rate			
market rate	1.55	1.56	(1) cent
effective price	1.64	1.78	(14) cent
Actual cost of fuel £ / metric tonne	445	536	(91)

£91 per metric tonne decrease equal to £123m saving or £2.19 per seat, volume impact is additional £49m

Incremental disruption related costs

	Snow	Volcano	Other	Total
Period	H1	H2	FY	FY
Additional costs (contact centre, de-icing costs, EU2004/261)	£21m	£27m	£36m	£84m
Wet leasing	-	-	£14m	£14m
Incremental costs	£21m	£27m	£50m	£98m

Days of external industrial action



Cost per seat - key drivers

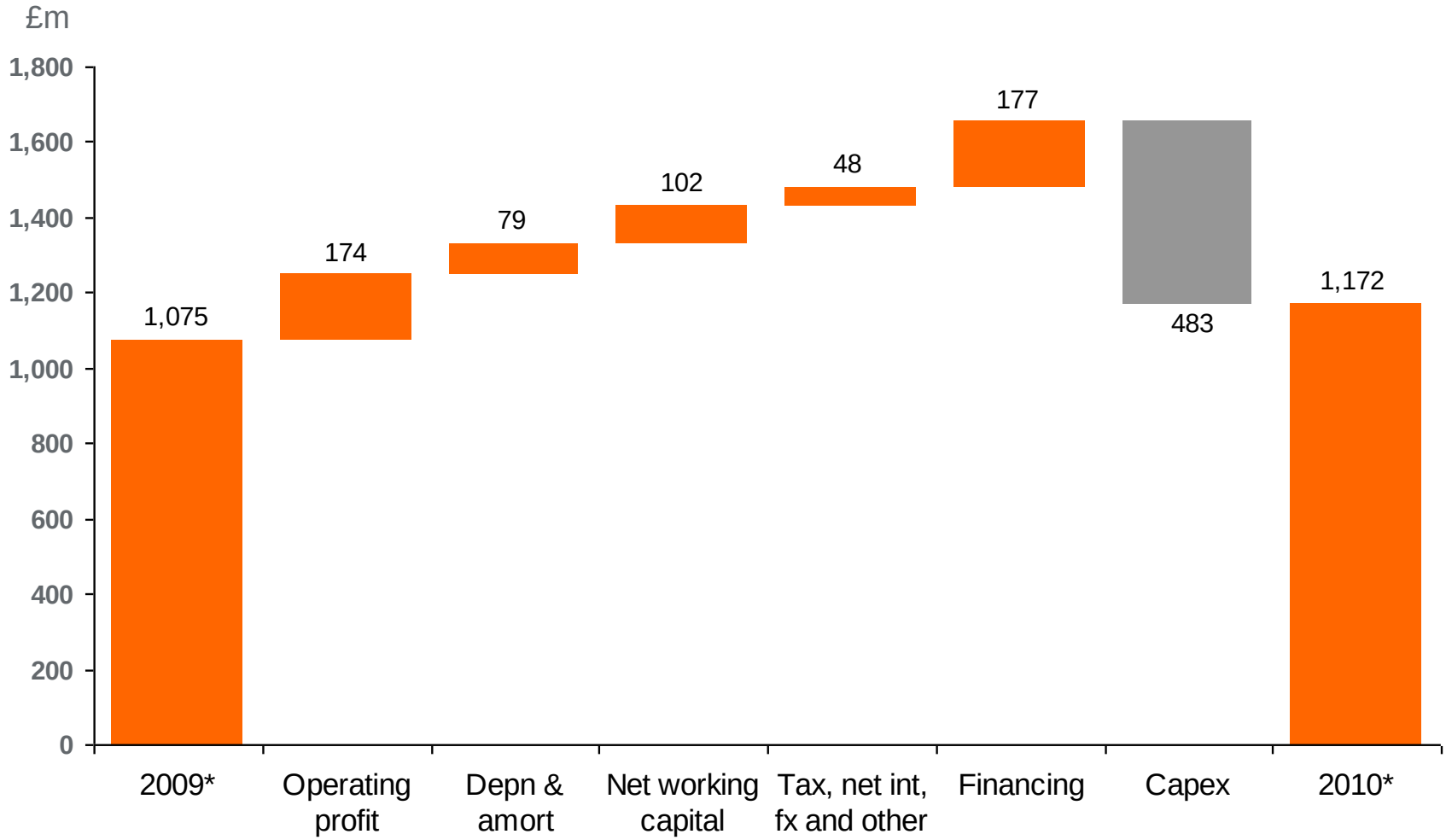
Constant currency	£ Change	% Change	Drivers
Airports / handling	0.37	+2.7%	✈ airport price increases c. £25m, partially offset by £24m savings ✈ continued mix shift to primary airports has cost an additional £20m
Navigation	0.18	+4.1%	✈ Eurocontrol price increase
Crew	0.16	+2.8%	✈ continued mix shift from local contracts ✈ crew savings of £15m
Maintenance	(0.03)	-0.9%	✈ SRT deal benefits
Wet leasing	0.25	-	✈ mitigation of operational issues
Overhead & other costs	1.13	+30.3%	✈ additional disruption costs
Total operating cost (ex fuel) *	2.06	+6.7%	
Ownership costs	(0.28)	-8.2%	✈ exit of expensive aircraft and owned/leased mix
Total cost per seat (ex fuel)*	1.78	+5.2%	

* Underlying number - operating costs ex fuel exclude the £27m of additional cost incurred due to volcanic disruption. Finance and ownership excludes a £11m profit on the disposal of 3 aircraft in 2009 and £7m loss on disposal of 4 aircraft in 2010.

Net increase of 15 aircraft in the fleet

	Sept '10	Sept '09	Change
B 737-700 (operating lease)	8	17	(9)
A319 (operating lease)	46	46	-
A319 (finance lease)	6	6	-
A319 (owned)	107	88	19
A320 (operating lease)	6	0	6
A320 (finance lease)	2	0	2
A320 (owned)	15	15	-
	182	155	27
GB Airways A320 (operating lease)	2	5	(3)
GB A321 (owned)	4	4	-
	6	9	(3)
Total fleet	196	181	15
Owned or finance lease	68%	62%	+6ppt
Operating lease	32%	38%	(6)ppt

Continued strong cash generation



* Includes money market deposits but excludes restricted cash

Strong balance sheet

£m	Sept '10	Sept '09
Fixed assets	1,928	1,612
Cash and money market deposits	1,172	1,075
Goodwill and other intangible assets	452	447
Other assets	451	539
Total assets	4,003	3,673
Debt	1,212	1,121
Other liabilities	1,290	1,245
Shareholders' funds	1,501	1,307
Total equity and liabilities	4,003	3,673

Gearing*	32%	38%

Estimated present value of future operating lease commitments £300m to £350m

*Gearing defined as (debt + 7 x annual lease payments – cash including restricted cash) divided by (shareholders funds + debt +7 x annual lease payments – cash including restricted cash)

Hedging positions and sensitivities

Jet fuel

- 70% of anticipated jet requirement for the full year to 30 September 2011 hedged using forwards at $734/MT
- 23% of anticipated jet requirement for the full year to 30 September 2012 hedged using forwards at $802/MT
- $10 movement in fuel price per metric tonne will impact full year fuel bill by c.$4.8m

Dollar

- 66% of anticipated US$ requirement for the full year to 30 September 2011 hedged using forwards at $1.60
- 40% of anticipated US$ requirement for the full year to 30 September 2012 hedged using forwards at $1.57
- 1 cent movement in dollar will impact full year profit by £2.2m

Euro

- 64% of anticipated euro surplus for the full year to 30 September 2011 hedged using forwards at €1.10
- 21% of anticipated euro surplus for the full year to 30 September 2012 hedged using forwards at €1.08

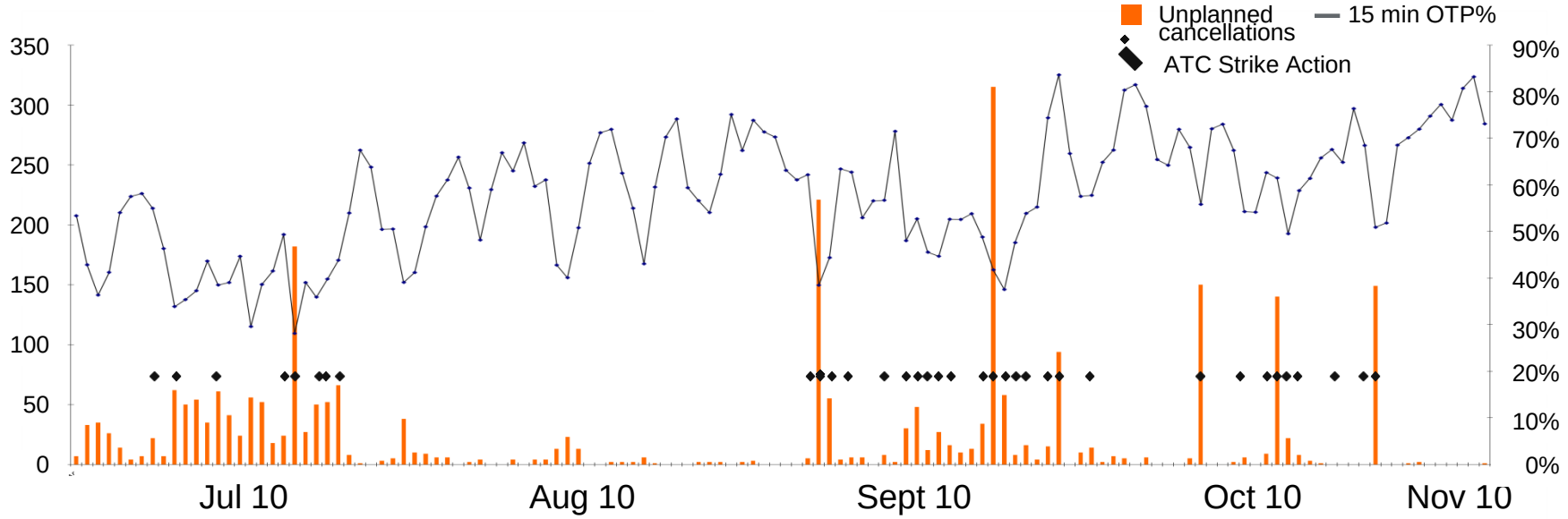
Business review

Carolyn McCall
Chief Executive

First four months

1. Operational issues; stabilise, understand root cause and process of fundamental resolution begun
2. Resolution of the brand licence dispute
3. Review of the business and brand audit
4. Capital structure review

Operational issues – root cause



- Not enough crew in the right places at the right times
- Repositioning led to inefficient use of crew hours
- Poor crew morale
- Problems exacerbated by limited fire breaks in schedule

Operations going forward

- Absolute focus on OTP
- Better establishment planning
- Pipeline for training widened
- Standby cover increased to 20%
- Firebreaks scheduled
- Greater use of flexi-crew
- More communication and engagement with crew

Brand licence dispute - resolution

- Unworkable situation
- Window of opportunity ahead of court judgment to reach resolution
- Robust process to ensure workable agreement
- Varied agreement provides greater clarity and freedom
- Better alignment of Company's and SHI's interests
- Clarity over future governance of the Company
- Shareholders to vote on proposal in early December

First four months

1. Operational issues; stabilise, understand root cause and process of fundamental resolution begun
2. Resolution of the brand licence dispute
3. Review of the business and brand audit
4. Capital structure review

Building on 15 years of success

	1995	2005	2010 +
Market context	✈ Industry dominated by FSCs	✈ Consolidation of FSCs ✈ Many LCC's launch	✈ LCC growth outpaces FSC ✈ Market concentrates to a few strong LCC's
easyJet focus	✈ Pioneering use of the web and **low fare** air travel ✈ Post 9/11 initial entry to LGW and Orly	✈ **Low fare** air travel between primary airports ✈ Expansion into Europe ✈ Entry to GDS	✈ Become Europe's leading short haul airline offering **low fares** for business and leisure ✈ Maintain cost advantage ✈ By 2015: ✈ 10% market share ✈ Non UK customers from 53% to 58%
Culture	✈ Start-up mentality ✈ **'Orange' culture**	✈ Decision making centered in Luton ✈ **'Orange' culture** impacted by recession, high oil prices and rapid growth	✈ Organisation and processes to ensure a robust and low cost Pan European business ✈ Embed and sustain **'Orange' culture** across Europe
Capital	✈ IPO and rights issue to fund growth and GO acquisition	✈ Growth and GB acquisition financed from cash flow ✈ Building a strong balance sheet	✈ Growth financed from cash flow ✈ Maintain a strong balance sheet ✈ Formulaic, regular dividend

Vision – Turning Europe Orange

Maintaining the easyJet foundations		While ensuring success in the future
Strong presence in the UK	+	Build a pan European presence
Flying to convenient, primary airports	+	Targeted flexible, growth in convenient, primary airports
Booking process focused around easyJet.com	+	Improve CRM capability, segment customers and engage with them
Focus on leisure proposition	+	Build an easyJet style business proposition
Low cost culture	+	Smart cost management to maintain ability to offer low fares
Organisational simplicity	+	Build in processes to ensure continued simplicity and excellent execution

Outcome: £5 profit per seat

Build a pan European presence

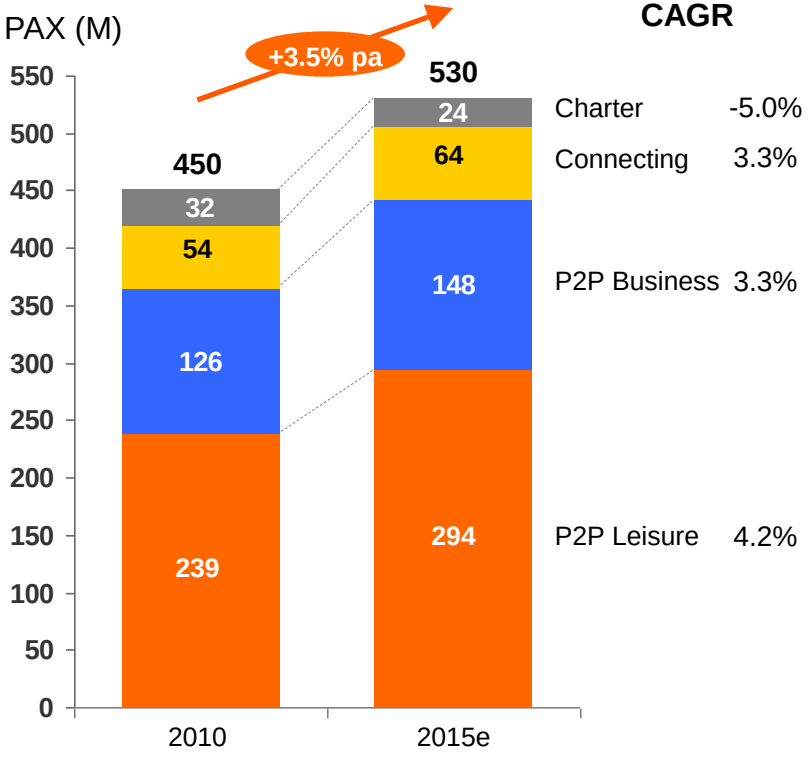
	Spain	UK	Germany	Italy	Netherlands	Portugal	Switzerland	France	TOTAL
LCC penetration 2010	53%	48%	42%	36%	35%	34%	26%	24%	Avg. ~40%
Total Leisure PAX Non-LCC	17	27	16	14	4	5	5	29	~120M PAX
Total Business PAX Non-LCC	7	14	14	7	3		3	12	~60M PAX

Source: OAG, airport authorities of different countries (AENA, AdP, CAA, etc...), Euromonitor,

Flexible growth

- Clear opportunities for easyJet to take profitable share:
  - Other carriers retrench or fail
  - New infrastructure capacity comes on stream
- Industry is cyclical thus flexibility in fleet planning is vital
- Ensure strategic time sensitive opportunities for margin accretive growth can be seized
  - F'11 to F'13 planned growth in seats flown of c. 7% p.a.
  - F'14 onwards flexibility to grow at between 4% and 8% p.a

Short haul pax growth



Notes: IATA forecasts used for PAX growth.

Network of convenient, primary airports

Breadth and depth of network

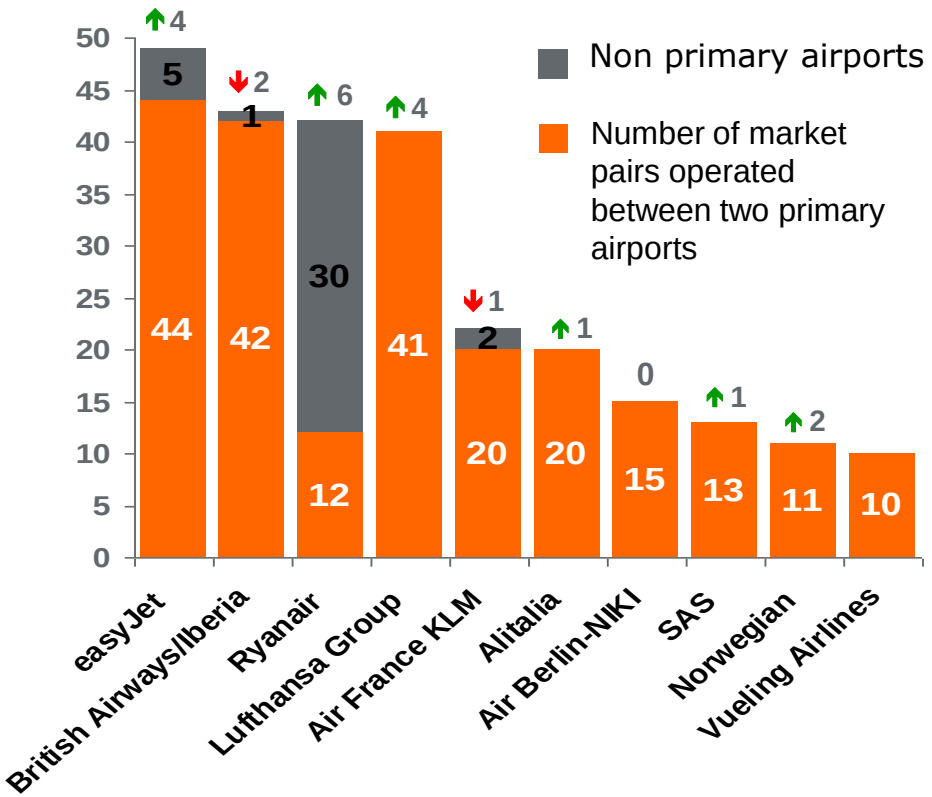
- Leading presence on Europe's top 100 routes
- Leading positions drive yields as we offer time sensitive customers a quality schedule

Leading positions at busy, slot constrained airports

- London Gatwick No.1
- Milan Malpensa No.1
- Geneva No.1
- Paris No.2

84% of routes touch a slot constrained airport

Presence in top 100 market pairs



Source: OAG 12 months to Sep10, OAG market definitions
Primary airport = airport over 10 mppa or largest airport in market
Lufthansa Group includes Austrian, bmi, bmibaby, Brussels Airlines , germanwings, Swiss

Targeted growth at convenient airports

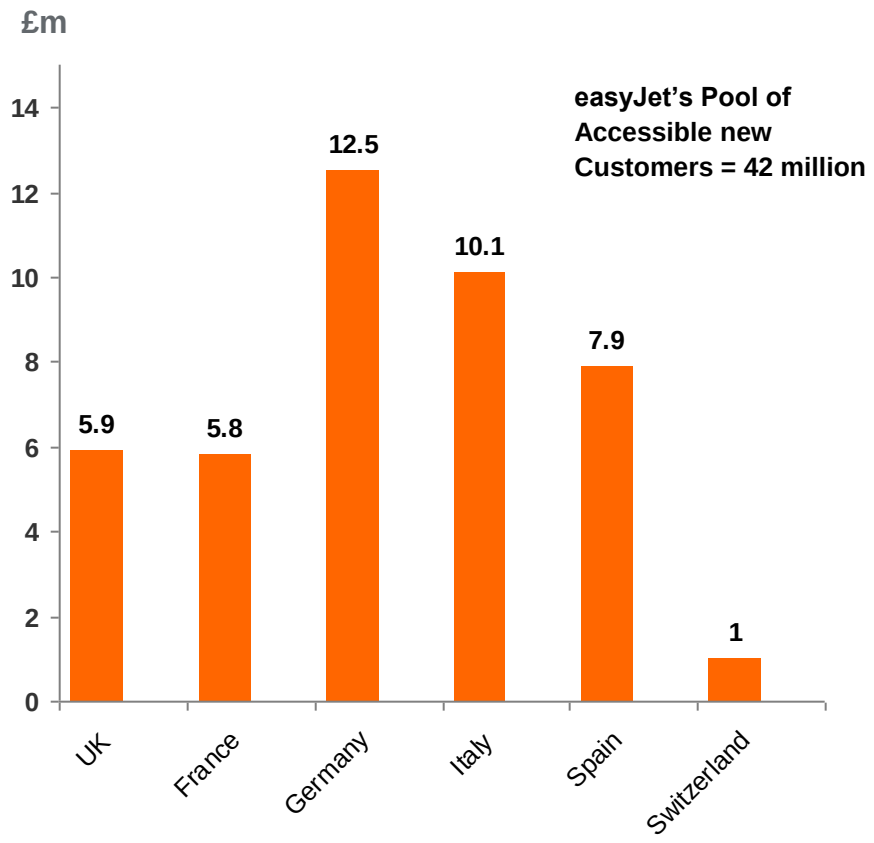
- Continue to focus on improving performance across the portfolio
- Add breadth and frequency in existing markets e.g. France
- Enter profitable new markets e.g. Lisbon

Capacity split by return

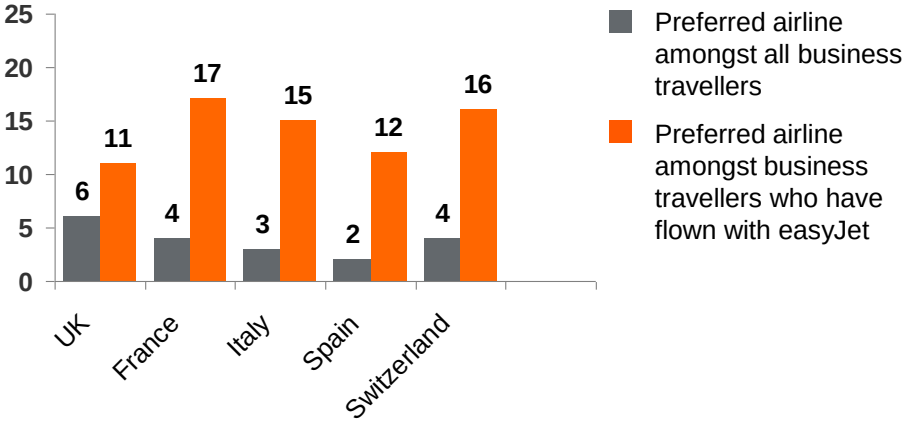
easyJet can extend its customer base

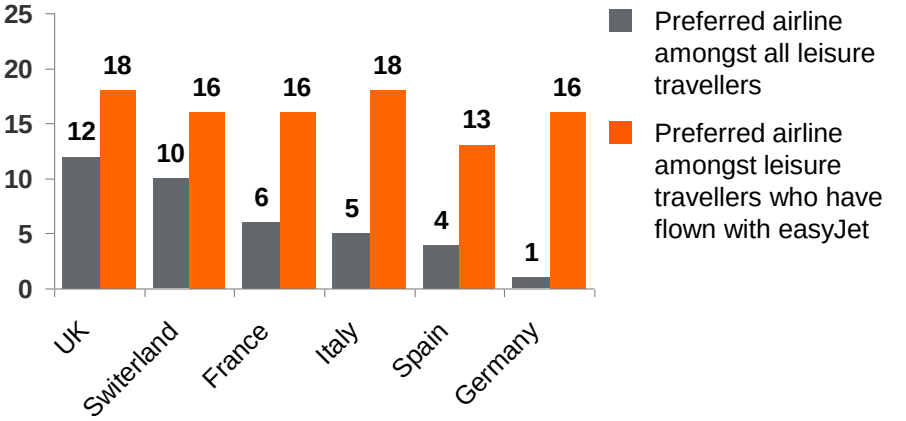
- easyJet has a compelling customer proposition
  - Low fares
  - Reliable & punctual
  - Take you where you want to go when you want to go
  - Helpful & friendly service
- Consistency of end to end execution needs to be improved
- easyJet can take market share

Customers who have never flown with easyjet but would consider doing so



Customers like us when they try us





- easyJet is a positive experience for both leisure and business customers
- Getting customers to trial us is a key priority
- CRM will help us engage better with our customers

Continued focus on leisure

- Low fares
- easyJet holidays
- Drive CRM
- 20 new leisure routes launched this winter

We will drive business travel harder

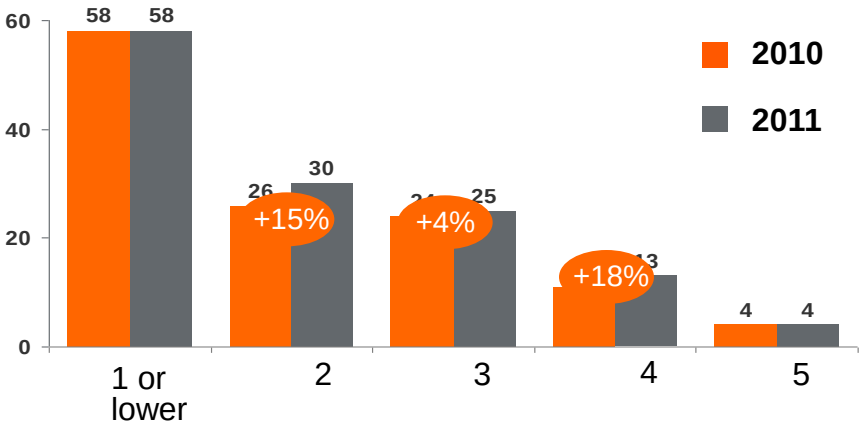
Valuable market:

- easyJet has a 4% share of the business travel market in Europe
- easyJet gets a yield premium of c.20% from business customers

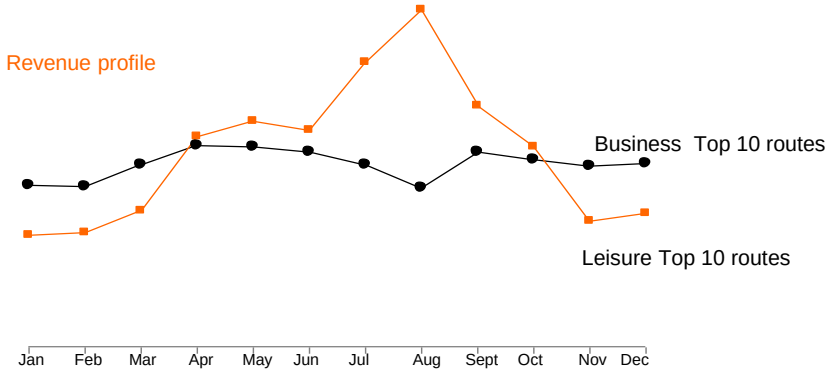
We will drive volume and yield:

- Prioritise UK, Switzerland, France
- Invest in new routes and improve frequency
- easyJet lean style corporate sales force
- Drive GDS harder

Improving average frequencies of business routes[1]



Growing business routes will stabilise revenue volatility



1. A/B routes classified by easyJet according to the yield profile by time of day. Broadly, A/B are "business" biased while C are leisure biased

Drive £5 PBT per seat - revenue

Grow underlying fares through

- Network optimisation
- Revenue management system
- Driving easyJet.com and CRM
- Enhanced business proposition
- New channels to market

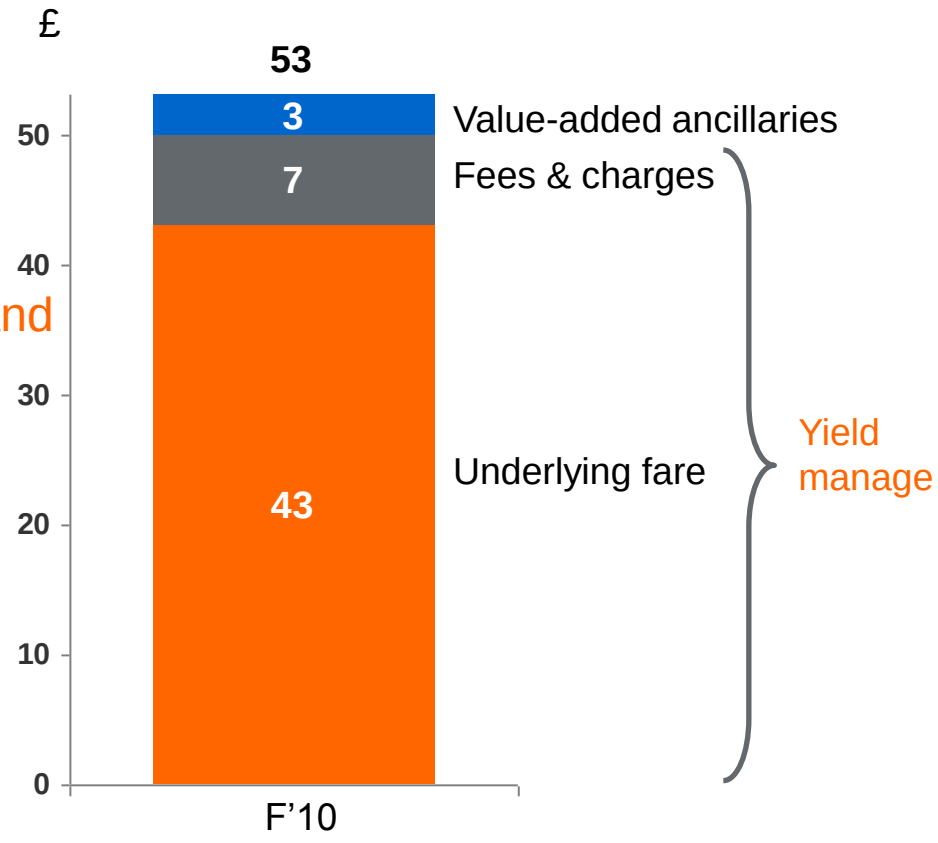
Grow ancillaries through innovation and better execution

- Invest in CRM capability
- easyJet holidays
- Improve in-flight margins

Yield manage fees and charges

- In line with customer proposition
- Deliver transparent pricing
- Yield manage 'unbundled fare'

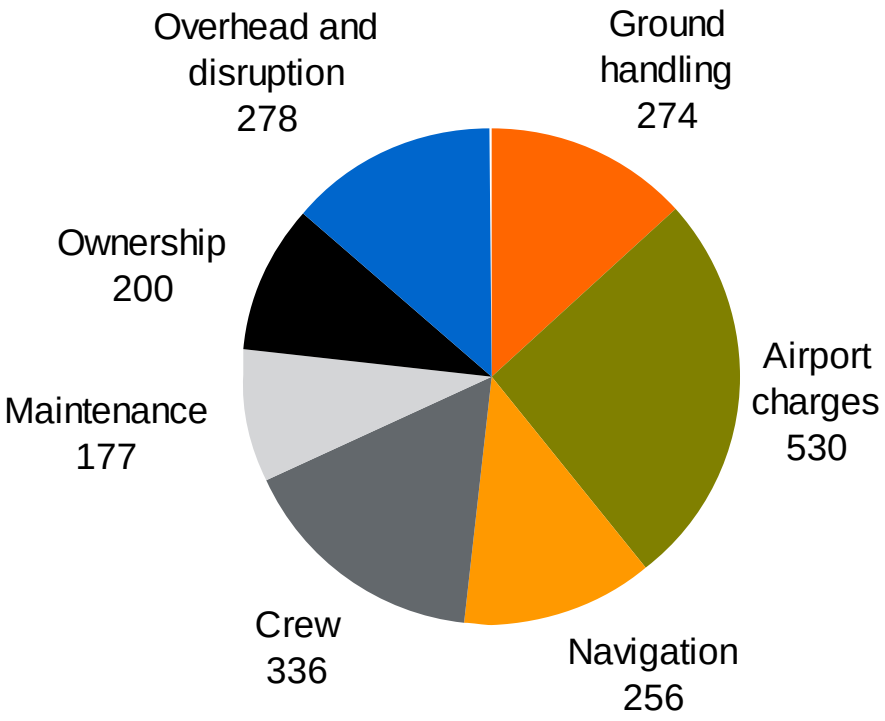
Total revenue per seat



Drive £5 PBT per seat – easyJet lean

Low cost is our competitive advantage and must be maintained

- Opportunities in ground handling
- Reduction in disruption costs as operational performance improves
- Over past 3 years significant complexity built into crew thus strong potential for savings:
  - Measured approach
  - Smart cost management
  - More flexi crew
  - Flexible roster pattern
  - Reduce rule sets / contract types
- Greater proportion of A320 aircraft to drive unit cost reduction



Underlying costs excluding fuel F'10 £m

Case study - A320 introduction

- Undisturbed routes reviewed
  - Cost per seat reduction of 7%
  - Contribution per block hour increased by 20%
  - Proportion of A320's in the fleet will increase from 12% to 25% of the fleet by 30 September 2013

Excellent execution

- Commitment of the entire team
  - Review of business was an end to end process involving entire senior management team
  - Clear work plans and accountabilities to ensure delivery of plans
  - Communication and engagement across the organisation
- Drive operational performance
  - Instigated daily operations meetings
- Upgrade and invest in IT to enable simplicity as we grow in Europe
- Focus, team work and excellent execution will deliver shareholder value

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Outcome: £5 profit per seat

Capital structure review

Chris Kennedy
Chief Financial Officer

easyJet plc

Capital structure review

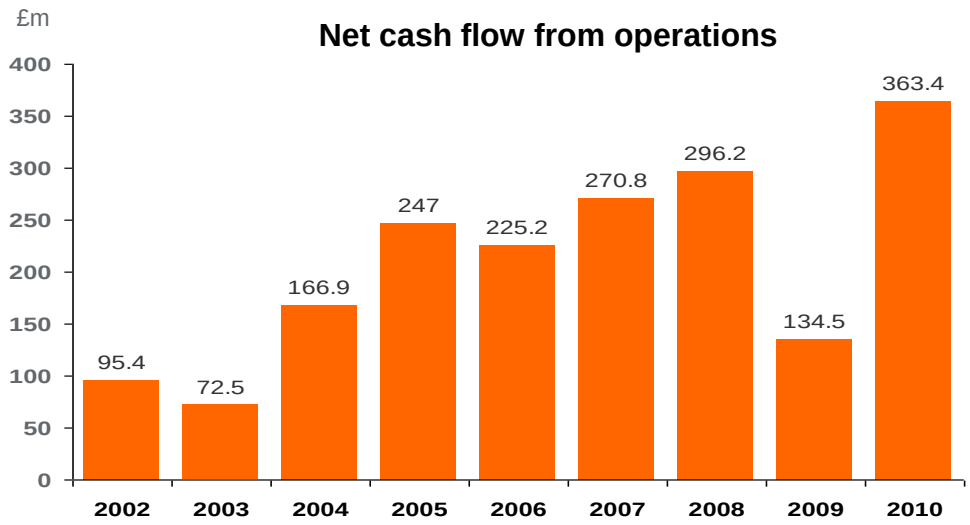
- Capital structure reviewed to ensure easyJet has sufficient financial resource to support plans for the business
  - F'11 to F'13 planned growth in seats flown of c. 7% p.a.
  - F'14 onwards flexibility to grow at between 4% and 8% p.a.
- Balance sheet stress tested for industry shocks e.g. extreme jet prices

	30 Sept 2011	30 Sept 2012	30 Sept 2013
A319	167	169	164
A320	35	45	55
A321			1
B737	2	-	-
Total	204	214	220
Net increase in fleet size	8	10	6
Net capital expenditure *	$249m	$400m	$600m

* Assume 70% owned
30% leased

easyJet well financed

- Un-drawn facilities of $754m *
- Cash and money market deposits of £1,172m*
- 38 un-encumbered aircraft*
- Growth in F'12 and F'13 is planned at 7% p.a.
- Flexibility post F'13 for growth to be between 4% and 8% p.a. dependent on opportunities available



* As at 30 September 2010

Focus on return on capital

Targets

- Strong potential for easyJet to improve profit per seat to £5
- With introduction of the dividend policy and focus on a prudent balance sheet Board will target post tax ROCE of 12% going forward

Capital structure

- Liquidity target of minimum £4m cash per aircraft
- Leverage cap of £10m adjusted gross debt per aircraft
- Net gearing not to be over 50%

Dividend policy

- 5 x cover; annual payment based on full year profit after tax introduced for F'11 results, payable F'12
- Formula provides clarity and allows for impact of extreme events (fuel, volcano)

Outlook and summary

Carolyn McCall
Chief Executive

easyJet plc

Outlook

- Capacity measured in seats flown, adjusting for the impact of disruption is expected to increase compared to the prior year by around 8% as easyJet continues with its strategy of carefully targeting growth. On a reported basis, capacity is expected to be up by 12% for the full year and 14% in the first half. The current expectation is that competitor capacity on easyJet routes will be up by low single digits.
- Over 45% of the available first half seats now sold and forward bookings are in line with the prior year. Total revenue per seat in the first half is expected to be broadly flat on a reported basis (at current exchange rates) * versus the prior year and slightly up at constant currency despite a greater proportion of A320 aircraft in the fleet and the impact of increased APD in the UK and its introduction into Germany.
- Total reported cost per seat excluding fuel (at current exchange rates) * is anticipated to fall by around 4% on a underlying basis, assuming normal levels of external disruption. Improvements in maintenance and ownership costs and a reduction in disruption related costs will offset the impact of planned increases in crew costs as we build more resilience in to the operation.
- The economic outlook in Europe remains uncertain and the continuing level of ATC industrial action is causing disruption to our flying programme and driving additional cost. However, the strength of the easyJet network combined with its proposition of offering consumers the best value fares to convenient airports means that easyJet is well positioned for future success.

* US$1.60/£, €1.18/£ and US$788 per metric tonne at noon on 15 November 2010

Summary

- Business continues to trade well
- ATC disruption continues to present challenges
- Business and capital structure review complete
- easyJet strongly positioned for future growth
  - Advantaged network
  - Focused on the customer
  - Strong cash generation
- Guiding principle will be margin improvement - £5 PBT per seat
  - Smart cost management
  - Business traveller opportunity
  - Network optimisation
  - Flexibility in fleet planning

Question and answer

Appendix

Comparison of ROE and ROCE

£m unless stated	ROE
Opening shareholders funds	1,307
Closing shareholders funds	1,501
Average shareholders funds	1,404
Profit after tax	121
Return on equity (ROE)	**8.6%**

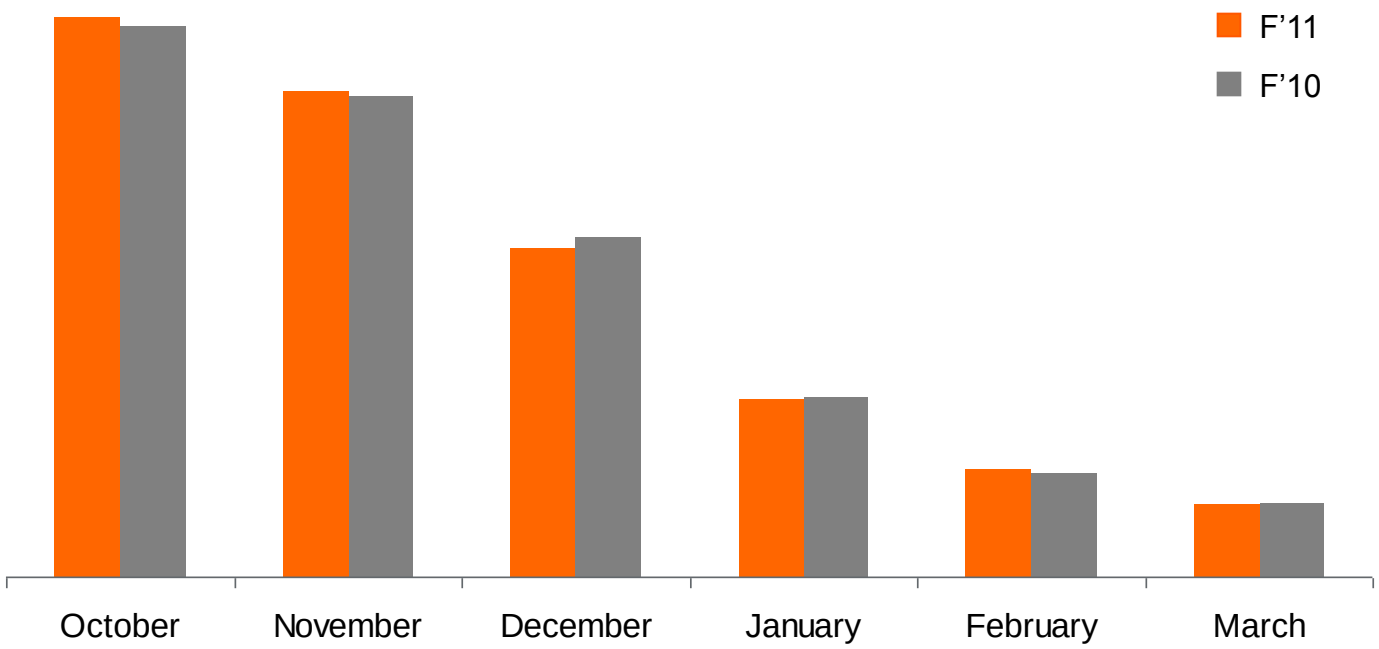
£m unless stated	ROCE
Average shareholders funds from above	1,402
Average net debt	43
Average shareholders funds plus average net debt	1,445
Earnings before interest and tax (EBIT)	174
Normalised operating profit after tax (NOPAT) *	127
Return on capital employed (ROCE)	**8.8%**

* NOPAT calculated using weighted average of deferred UK tax rate of 27% and overseas statutory rates.

Forward bookings in line

- First half bookings broadly in-line with prior year
- Over 45% of available winter seats now sold

% seats sold *



*as at 12.11.10.