

EASYJET TRADING STATEMENT FOR THE QUARTER ENDED 30 JUNE 2016

Third Quarter Performance in line; looking forward into a difficult and uncertain economic and operating environment; management actions in place to ensure opportunities are taken

SUMMARY - THIRD QUARTER PERFORMANCE

- Passengers carried increased by 5.8% to 20.2 million, driven by an increase in capacity of 5.5% to 21.9 million seats and load factor increasing by 0.3 percentage points to 92.0%.
- Total revenue per seat decreased by 8.3% at constant currency or by 7.7% on a reported basis to £54.54 per seat. Total revenue in the quarter decreased by 2.6% to £1,196 million, as increased seat capacity was offset by the impact on yield of overall market capacity and cancellations as a result of significant external events.
- Commercial and operational performance during the quarter was impacted by the Brussels attack and Egyptair tragedy, significant disruption due to air traffic control strikes and congestion, runway closures at Gatwick airport and severe weather leading to 1,221 cancellations.
- Ongoing enhancements to our customer proposition and other revenue initiatives helped to stimulate bookings, partly compensating for the impact of disruption and other external factors.
- Strong cost control as cost per seat including fuel improved by 3.8% at constant currency, due to low fuel prices and strong underlying cost focus. easyJet's cost per seat excluding fuel at constant currency was broadly flat during the quarter. This was despite £20 million of disruption cost during the quarter.
- Advantaged balance sheet. Cash and money market deposits were £1,120 million and net cash was £368 million as at 30 June 2016.

Commenting; Carolyn McCall, easyJet Chief Executive said:

"The economic and operating environment has been difficult in the third quarter due to a number of factors including air traffic control strikes and other industrial action, runway closures at London Gatwick and severe weather. These factors combined with industry capacity growth in short haul continue to have an impact on industry yields at a peak time of year. More recently currency volatility as a result of the UK's referendum decision to leave the EU as well as the recent events in Turkey and Nice continue to impact consumer confidence.

Despite this, easyJet carried more passengers and achieved higher load factors during the third quarter as easyJet's brand continued to resonate strongly across Europe. easyJet is strongly controlling costs and driving continued improvement in operational and customer delivery. We are focussed on the opportunities that are inevitable from a tougher environment.

The easyJet business model remains robust, with a strong cash position, solid balance sheet and a flexible fleet plan. The easyJet team is confident in its ability to navigate the period ahead and drive long term advantage."

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KEY THIRD QUARTER FINANCIALS

Three months ended	30 Jun 2016	30 Jun 2015	Change Fav./ (adv.)
Passengers (million) ¹	20.2	19.1	5.8%
Seats flown (million)	21.9	20.8	5.5%
Load factor (%) ²	92.0	91.7	+0.3ppts
Total revenue (£ million)	1,196	1,228	(2.6)%
Seat revenue (£ million)	1,174	1,209	(2.8)%
Non seat revenue (£ million)	22	19	12.3%
Total revenue per seat reported (£)	54.54	59.08	(7.7)%
Total revenue per seat constant currency (£)	54.17	59.08	(8.3)%
Total revenue per passenger reported (£)	59.30	64.42	(8.0)%
Total cost per seat reported (£)	(51.97)	(52.49)	1.0%
Total cost per seat at constant currency (£)	(50.50)	(52.51)	3.8%
Cost per seat excluding fuel at constant currency (£)	(36.09)	(36.08)	(0.1)%
Average number of owned/leased aircraft	250	235	6.4%
Average operating aircraft	240	226	6.2%
Average utilisation owned aircraft (hours per day)	11.4	11.7	(2.9)%
Average utilisation operating aircraft (hours per day)	11.8	12.1	(2.1)%
ASKs (billion)	24,366	23,517	3.6%
RPKs (billion)	22,701	21,707	4.6%
Average sector length (km)	1,111	1,132	(1.8)%

Revenue

Seats flown increased by 5.5% in the third quarter to 21.9 million. Passengers increased by 5.8% to 20.2 million and the load factor has increased by 0.3 percentage points to 92.0%. In the third quarter capacity growth³ was focused on Scotland (10%), France (10%), Amsterdam (19%), Venice (42%) and Portugal (19%).

Revenue per seat at constant currency declined by 8.3%, broadly as guided, during the quarter to £54.17. This performance was driven by:

- A challenging operating environment for all airlines, leading to a significant number of cancellations due to exceptionally high levels of disruption, particularly in June, meaning disrupted passengers were allocated seats that normally would have been sold close to departure for a higher yield (c.1ppt impact on revenue per seat at constant currency).
- Continuing cooling demand across the network due to the effects of terrorism and the Egyptair tragedy. This has had a particular effect on the City to City network which has a higher degree of discretionary travel.
- The geopolitical situation causing airlines and tour operators to shift capacity away from the Middle East and North Africa to the Western Mediterranean, resulting in high hotel prices and an over-supply of seat capacity that is reducing yields in those markets. Overall market capacity on Beach routes is growing by 14%³ year on year.
- The impact of the UK's vote to leave the European Union ("EU"), leading to a more expensive Euro and affecting consumer confidence.
- The low fuel price environment which is sustaining inefficient capacity in the European short haul market, resulting in lower fares.
- The partial seasonal move of Easter into the previous quarter (c.1ppt impact on revenue per seat at constant currency).

easyJet has taken action to step up its progress on revenue initiatives during the quarter, helping to stimulate bookings and maintaining a high load factor in a competitive short haul market, as well as adding greater ancillary revenue:

- easyJet has continued to optimise its revenue management system to maximise revenue. Individual flight profiles have been rolled out which enables the system to be more tailored to individual flight customer demand. Continued upgrades to the system have further increased the systems responsiveness to the very dynamic environment, as thousands of automated pricing adjustments are being made each day.
- Maintaining easyJet's sector-leading share of web traffic⁴ through targeted email, mobile app notification and television and social media marketing.
- Launched the ApplePay function, the first major European airline to do so, allowing customers to pay for bookings in a few seconds.
- Business passengers grew by 9% in the quarter against a 4% increase in business capacity, helped by 25 new corporate agreements and a higher proportion of business bookings through the mobile channel.
- Increased customer-focused propositions, including a 24-hour cancellation capability, a new low-deposit offer on easyJet holidays, and the introduction of premium and European brands inflight helping to driving a 12% increase in non-seat revenue in the quarter.

Cost

Cost per seat for the year to date has improved by 4.1% at constant currency to £51.70, driven by the benefit of the lower fuel price. Cost per seat during the quarter improved by 3.8% at constant currency to £50.50.

Cost per seat excluding fuel (at constant currency) continued to reflect underlying improvement to the cost base. During the third quarter it increased by 0.1% to £36.09 and has now increased by 0.4% for the year to date to £37.85.

The continued cost improvements were achieved through maintenance savings, lower navigation charges and our focus on driving overhead cost savings. This is despite the exceptionally high levels of disruption during the quarter that had an impact of around £20 million.

The improved cost saving trajectory will continue into the fourth quarter.

Customer and operational performance

easyJet experienced a very high level of cancellations during the quarter with 1,221 compared to 726 in the third quarter 2015 (excluding the impact of planned cancellations related to the Rome Fiumicino fire which therefore minimised cost impact). This was mainly driven by strike action, severe weather and air traffic congestion issues. June in particular was badly affected, suffering 852 cancellations compared to 487 in 2015 (excluding Fiumicino). There were eleven air traffic control strikes in June alone.

Whilst these issues have affected the entire industry, easyJet has been particularly affected due to its high exposure both to London (37% of capacity) and French airspace (65% of capacity). London Gatwick, where easyJet operates 48% of the airport's short haul capacity, has experienced a 350% increase in delay minutes in June due to air traffic compared to June 2015. easyJet has sustained further delays as a result of restrictions in the Brest control area (c.25% of easyJet's capacity).

In this environment, easyJet's focus has been to complete its flying schedule to ensure that customers reach their destination, with 98% of flights completed. easyJet is also planning to add further resilience in the flying programme and is working with the relevant authorities. As part of Airlines 4 Europe, easyJet has recently again asked the EU to put measures in place to protect customers from industrial action across Europe.

OTP % arrivals within 15 minutes	April	May	June	Q3	YTD
FY'16	83%	77%	64%	74%	79%
FY'15	82%	80%	75%	79%	83%

Excluding the UK, which is heavily influenced by the amount of capacity flying from Gatwick and Luton, the network's On Time Performance year to date is over 80%.

Balance sheet and financing

easyJet continues to maintain a strong balance sheet and its sector-leading credit rating. Cash and money market deposits were £1,120 million (excluding restricted cash) at 30 June 2016 compared to £930 million at 30 June 2015. The increase is mainly due to the receipt of bond proceeds, which have partly been used to repay loans secured on the aircraft. Net cash was £368 million compared to net cash of £421 million at 30 June 2015. easyJet has recently issued a tender for 25 A319s as part of its Sale and Leaseback programme as set out in the Half Year balance sheet review, with very strong indications of interest.

Fleet and flexibility

In the quarter, easyJet took delivery of six A320 aircraft. As at 30 June 2016 the fleet comprised of 253 aircraft; with 109 A320s, including 4 of its first 186-seat variants, and 144 A319s.

All new A320 aircraft deliveries will be in the 186-seat configuration, delivering significant c.13%⁵ unit cost and fuel savings against the older A319s. From September easyJet will start the process to retrofit the existing A320 fleet which is expected to be completed by the summer of 2018. easyJet will start taking delivery of A320neo aircraft from June 2017, which will drive further fuel efficiency savings.

easyJet has flexibility to adjust its capacity plans particularly through utilisation and lease exits on its A319 fleet.

EU referendum outcome

Following the UK's decision to leave the EU a team is now mobilised and actively engaging with regulators and Government to secure European flying rights. This remains easyJet's priority. easyJet also has a well-developed contingency plan to obtain an EU Airline Operator Certificate (AOC). This is in the event that the UK Government negotiation does not achieve the desired outcome of a continuation of a liberalised and deregulated aviation market. easyJet remains committed to the UK, its largest single market.

LOOKING FORWARD

Hedging

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short-term earnings volatility. Therefore, easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months anticipated fuel and currency requirements and between 45% and 65% of the following 12 months anticipated requirements. Details of current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus	Swiss Franc surplus
Three months to 30 September 2016	88%	78%	85%	80%
Average rate	\$780 / metric tonne	\$1.60	€1.26	CHF1.46
Full year ending 30 September 2016	88%	84%	95%	84%
Average rate	\$811 / metric tonne	\$1.61	€1.23	CHF1.46
Full year ending 30 September 2017	79%	71%	73%	70%
Average rate	\$622 / metric tonne	\$1.53	€1.32	CHF1.42

It is estimated that at current exchange rates⁶ and with jet fuel remaining within a \$350 metric tonne to \$450 metric tonne trading range, easyJet's unit fuel bill for the second half of the financial year is likely to decrease by between £75 million and £85 million compared to the six months to 30 September 2015. On a full year basis it is estimated that at current exchange rates and with jet fuel within a \$350 metric tonne to \$450 metric tonne trading range, easyJet's unit fuel bill for the 12 months ending 30 September 2016 is likely to decrease by between £160 million and £170 million compared to the 12 months to 30 September 2015.

In addition, exchange rate movements are likely to have around a £45 million adverse impact compared to the six months to 30 September 2015 and are likely to have around a £80 million adverse impact compared to the 12 months to 30 September 2015.

Outlook

The economic and operating environment remains uncertain, following the high levels of disruption and more recently the UK's referendum decision to leave the EU, as well as the recent events in Turkey and Nice, which have affected consumer confidence. This combined with industry capacity growth in short haul continues to have an impact on industry yields at a peak time of year.

Approximately 65% of expected bookings for the fourth quarter have now been secured, with booked average revenue per seat for the quarter declining by around 7.5% at constant currency. As a result of events in the last week the revenue per seat trajectory in the fourth quarter remains uncertain. Capacity is expected to grow in the fourth quarter by 6%.

Costs continue to be well managed. Cost per seat excluding fuel at constant currency is expected to decrease by 1% for the full year (subject to normal levels of disruption).

easyJet is strongly controlling costs and driving continued improvement in operational and customer delivery. It is focussed on the opportunities that are inevitable from a tougher environment.

With a strong balance sheet and significant flexibility the whole easyJet team feel confident of their ability to drive long term advantage. Consequently, the Board remains committed to its proposal to increase its dividend pay-out ratio to 50% of post-tax income.

END

Notes:

1. Represents the number of earned seats flown. Earned seats include seats that are flown whether or not the passenger turns up because easyJet is a no-refund airline, and once a flight has departed a no-show customer is generally not entitled to change flights or seek a refund. Earned seats also include seats provided for promotional purposes and to staff for business travel.
2. Represents the number of passengers as a proportion of the number of seats available for passengers. No weighting of the load factor is carried out to recognise the effect of varying flight (or "sector") lengths.
3. Capacity based on actual number of seats flown
4. Hitwise UK monthly market share
5. Based on fuel price quoted in original plan from an A319ceo to an A320neo with 186 seats
6. US \$ to £ sterling 1.3092, euro to £ sterling 1.1912 as at 20.07.16.

A copy of this Trading Statement is available at <http://corporate.easyjet.com/investors>