

# Interim results Analyst and investor presentation

10 May 2011



# Introduction

Carolyn McCall  
Chief Executive



# Making progress despite tough environment

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- First half pre-tax loss of £153 million in line with guidance
- Net cash improved by £148 million to £230 million
  - On target against all capital structure metrics
- Improved position in Mainland Europe in line with plans:
  - easyJet capacity grew 17.9% versus market growth of 2.1%\*
- Management actions delivering:
  - Benefits from amended brand licence
  - Recovery in ancillary revenues
  - Improved operational performance
  - Good progress on delivery of strategic initiatives

# Finance review

Chris Kennedy

Chief Financial Officer



# Financial results



£m	H1'11	H1'10	Change B/(W)
Total revenue	1,266	1,171	8.1%
Fuel	(383)	(305)	25.6%
Operating costs excluding fuel	(928)	(843)	10.1%
EBITDAR	(45)	23	(295.7)%
Ownership costs	(108)	(102)	5.9%
Loss before tax	(153)	(79)	(93.7)%
Margin	(12.1)%	(6.7)%	(5.4)ppt
Seats (million)	28.1	25.3	11.1%
Total revenue per seat	45.11	46.35	(2.7)%
Total cost per seat excluding fuel	(36.94)	(37.37)	1.2%
Fuel cost per seat	(13.64)	(12.09)	(12.8)%
Loss before tax per seat	(5.47)	(3.11)	(75.9)%

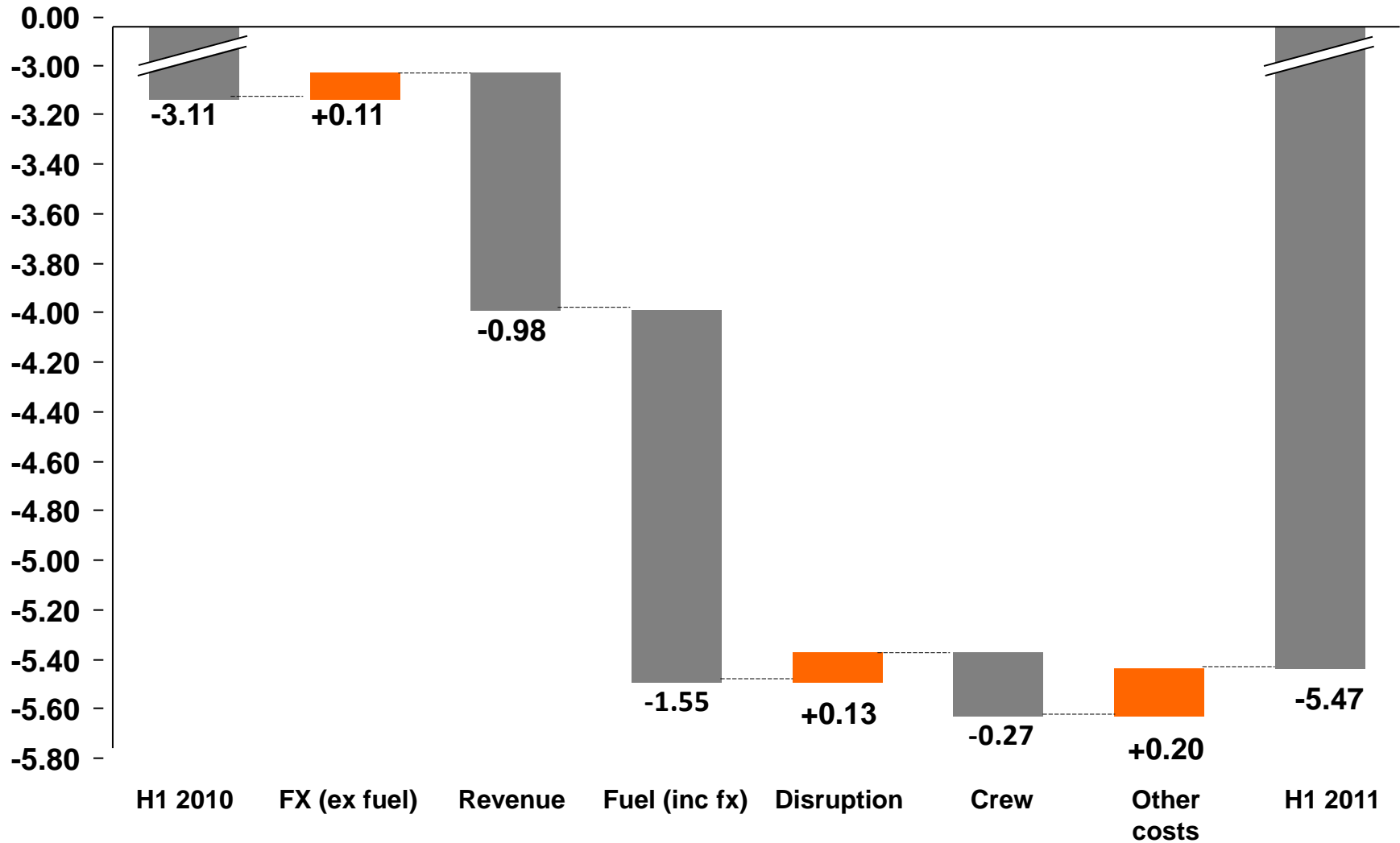
# Financial results



£m	H1'11	H1'10	Change B/(W)
Loss before tax	(153)	(79)	(93.7)%
Tax credit	39	20	96.7%
Loss after tax	(114)	(59)	(93.2)%
Loss per share	27 pence	14 pence	(92.9)%
Return on capital employed	(7.5)%	(3.7)%	(3.8)ppt
Return on equity	(7.5)%	(4.4)%	(3.2)ppt

**Effective Tax Rate is expected to be 26% in F'11**

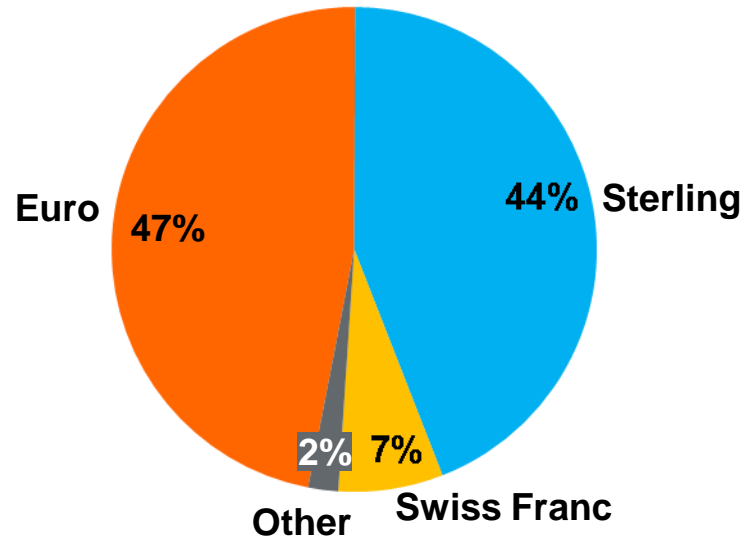
# Loss per seat



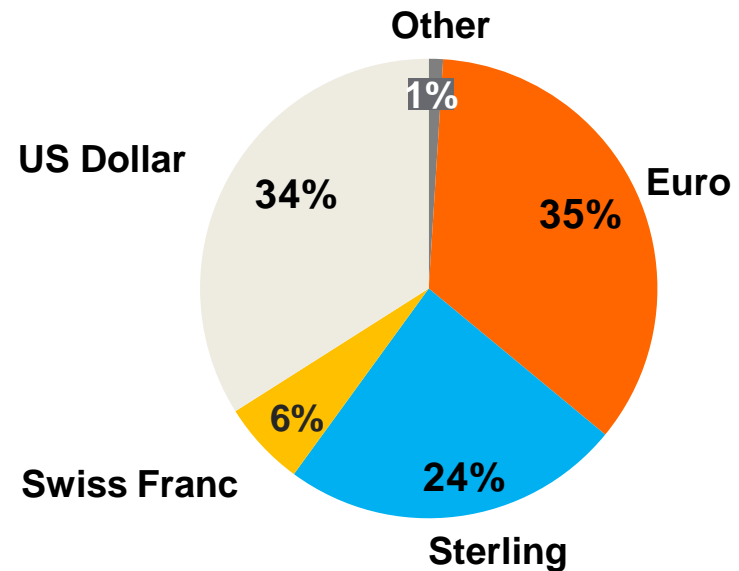
# Currency impact



Currency split - total revenue



Currency split - total costs



## H1 2011 currency impact favourable / (adverse)

	EUR	USD
Revenue	(13)	-
Fuel	-	(27)
Costs excluding fuel	23	(5)



# Continued strong load factors

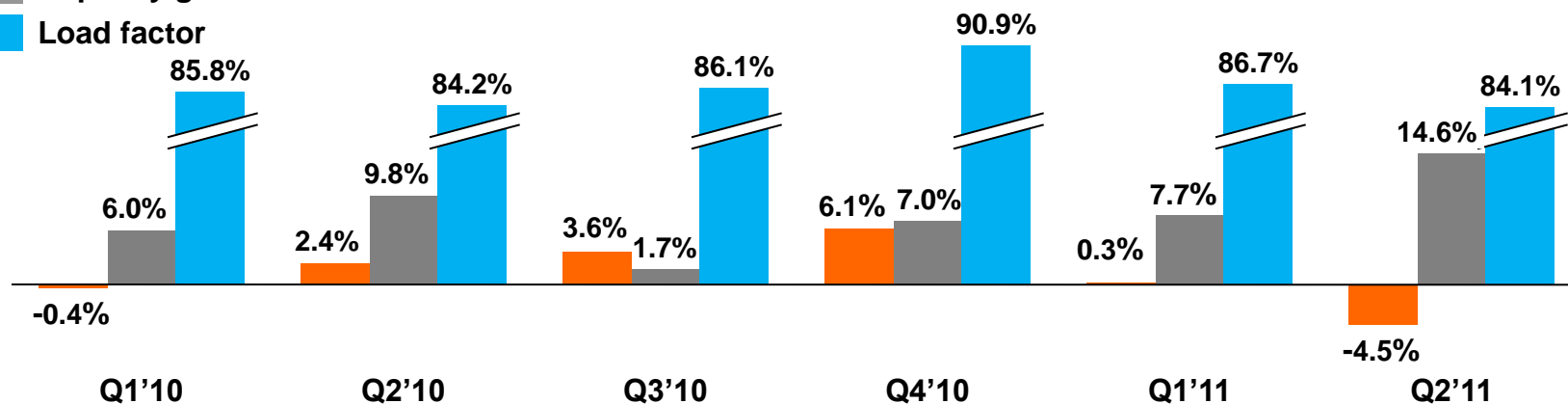


	H1 '11	H1 '10	Change
Passengers (m)	23.9	21.5	11.6%
Load factor (%)	85.4%	85.0%	0.4ppt
Seats (m)	28.1	25.3	11.1%
Sector length (km)	1,069	1,072	(0.3)%
Total revenue (£m)	1,266	1,171	8.1%
Total revenue per seat (£)	45.11	46.35	(2.7)%
@ constant currency (£)	45.37	46.35	(2.1)%

■ Total revenue per seat at constant currency

■ Capacity growth

■ Load factor



# Passenger and ancillary revenues

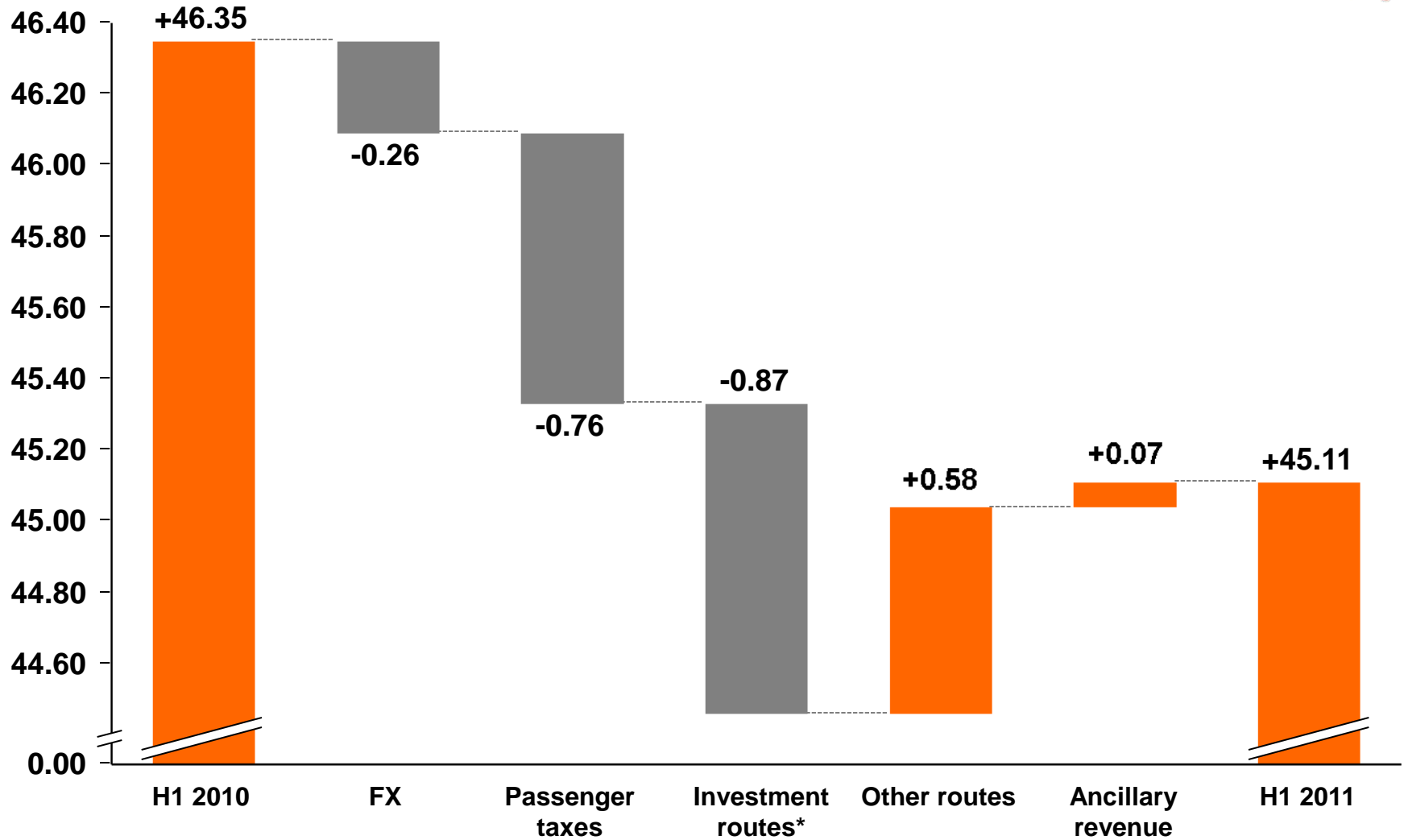


	H1 '11	H1 '10	Change
Passenger revenue (net of passenger taxes) (£m)	980	913	7.5%
Gross passenger revenue per seat (£)	40.69	41.22	(1.3)%
Net passenger revenue per seat (£)	34.91	36.12	(3.3)%
Ancillary revenue incl. checked bag (£m)	286	258	10.4%
Ancillary revenue per seat (£)	10.20	10.23	(0.3)%

£ change in ancillary revenue per seat	vs H1 2010
Bag charging	(0.33)
Fees and charges	0.64
Partner and In-flight revenues	(0.34)
Total	(0.03)

**Low single digit growth in UK unit revenues offset by investment in mainland Europe**

# Revenue per seat



# Impact of fuel



	H1 '11	H1 '10	Change B/(W)
<b>Fuel \$ per metric tonne</b>			
market rate	850	662	(188)
effective price	769	744	(25)
<b>US dollar rate</b>			
market rate	1.59	1.60	(1 cent)
effective price	1.60	1.74	(14 cents)
Actual cost of fuel £ per metric tonne	481	429	(52)

**£52 per metric tonne increase equal to £43m cost or £1.55 per seat,  
volume impact is additional £34m**

# Impact of disruption



- 3,477 sectors lost due to snow and external strike action
- Total impact in H1 of £31million
  - Additional cost £24m
  - Lost contribution £7m
- Actions in place to offset most of the £31m impact
- Reduction in cost per incident of 10% compared to H1'10

## Planned recovery of H1 disruption cost by end of FY2011

£m	
Contribution from additional revenue activities	17
Cost savings	11
	28

- 3 extra peak lines of flying
- Fees & charges price changes
- Distribution channels
- Bag pricing on longer sectors

- Merchant fees
- Engineering
- Airports

# Cost per seat - key drivers



Favourable/(Adverse)	£ cost per seat ex fuel	Reported	Constant Currency	Drivers
Ground Operations	14.38	2.8%	1.1%	→ Procurement and efficiency initiatives offsetting price inflation and mix
Crew	6.58	(6.2)%	(6.8)%	→ Planned investment in crew to ensure capacity and robustness ahead of summer
Navigation	4.28	4.2%	(0.3)%	→ Regulatory price increase offset by savings from careful route planning and weight management
Maintenance	3.02	1.8%	2.4%	→ Benefit of SRT deal and ongoing savings initiatives
Overhead	4.75	3.7%	2.6%	→ Tight control of overheads and improvement in disruption cost per incident
Brand Licence	0.07	nm	nm	→ New brand licence royalty
Ownership costs	3.86	1.2%	5.4%	→ Higher proportion of A320s and return of more expensive Boeing and ex GB aircraft
<b>Total cost (ex fuel)</b>	<b>36.94</b>	<b>1.2%</b>	<b>0.2%</b>	

# Fuel and foreign exchange hedging



	Fuel requirement	US dollar requirement	Euro surplus
Six months ending 30 September 2011	64% at \$755/tonne	80% at \$1.60/£	64% at €1.10/£
Full year ending 30 September 2011	70% at \$734/tonne	76% at \$1.60/£	64% at €1.10/£
Full year ending 30 September 2012	41% at \$909/tonne	71% at \$1.59/£	55% at €1.13/£

## Sensitivities:

- \$10 movement per mt impacts F'11 second half PBT by \$3.4m
- One cent movement in £/\$ impacts F'11 second half PBT by £0.8m

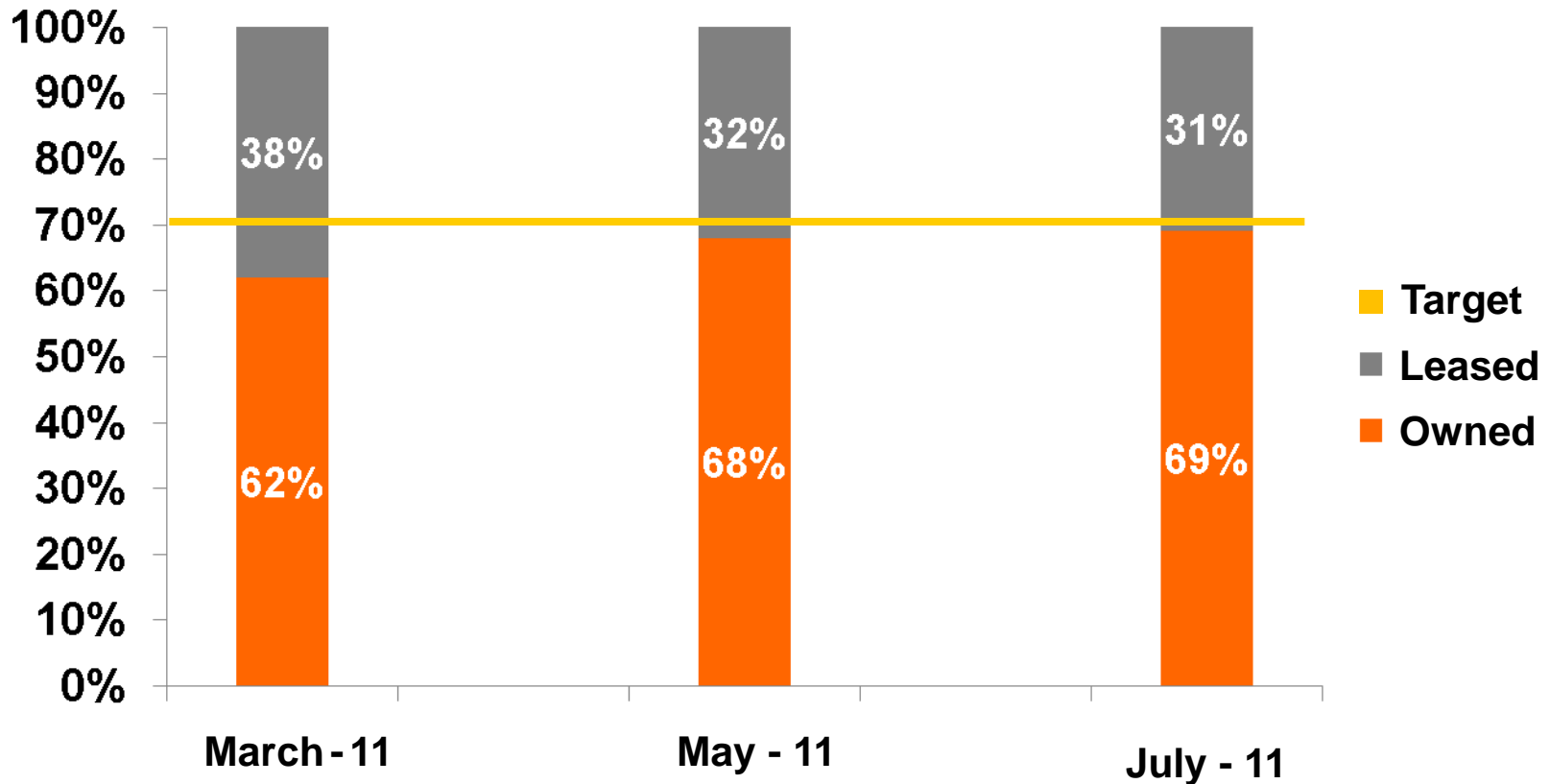
# Fleet



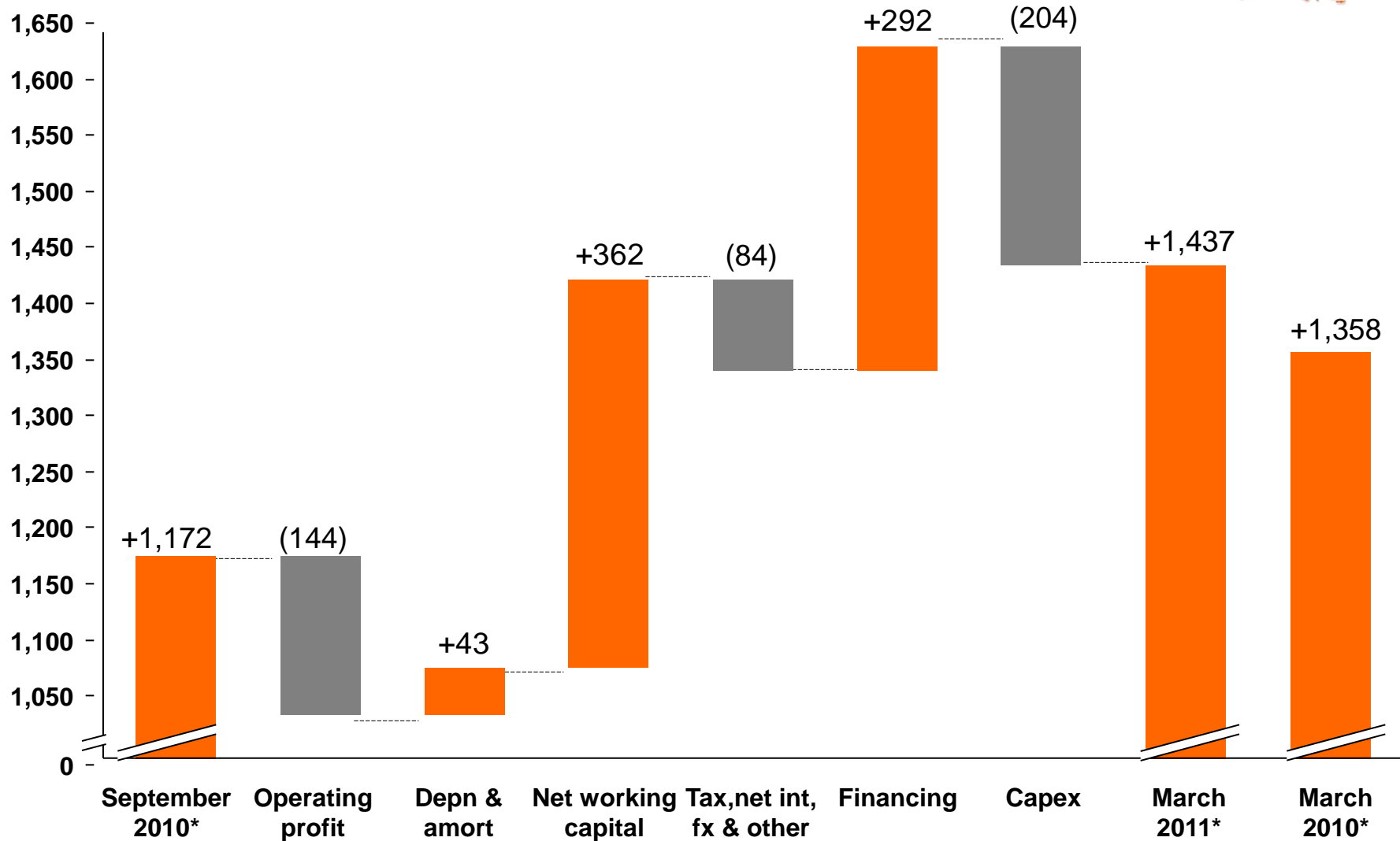
	Mar 2011	Sept 2010	Change
A319 (operating lease)	61	46	15
A319 (finance lease)	6	6	-
A319 (owned)	95	107	(12)
A320 (operating lease)	6	6	-
A320 (finance lease)	5	2	3
A320 (owned)	18	15	3
<b>Main fleet</b>	<b>191</b>	<b>182</b>	<b>9</b>
B 737-700 (operating lease)	7	8	(1)
GB Airways A320 (operating lease)	1	2	(1)
GB Airways A321 (owned)	-	4	(4)
<b>Sub-fleet *</b>	<b>8</b>	<b>14</b>	<b>(6)</b>
<b>Total fleet</b>	<b>199</b>	<b>196</b>	<b>3</b>
<b>Owned or finance lease</b>	<b>62%</b>	<b>68%</b>	<b>(6)%</b>
<b>Operating lease</b>	<b>38%</b>	<b>32%</b>	<b>6%</b>



# Owned / Leased – target 70:30 mix



# Continued strong cash generation



# Strong balance sheet



£m	Mar '11	Mar '10	Sept '10
Fixed assets	1,932	1,739	1,928
Cash and money market deposits	1,437	1,358	1,172
Goodwill and other intangible assets	451	450	452
Other assets	568	585	451
<b>Total assets</b>	<b>4,388</b>	<b>4,132</b>	<b>4,003</b>
Debt	1,217	1,276	1,212
Other liabilities	1,662	1,514	1,290
Shareholders' equity	1,509	1,342	1,501
<b>Total equity and liabilities</b>	<b>4,388</b>	<b>4,132</b>	<b>4,003</b>

Gearing*	26%	33%**	33%**
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# Business review

Carolyn McCall  
Chief Executive



# Fix operational performance

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- Fix On Time Performance
  - Focus on first wave and turnaround
  - Better supervision and partnership of ground handling and airport agencies
  - Get Gatwick back on track
- Fix crew
  - Rosters tested early
  - Training schedule aligned to demand
- Mitigate ATC and airport industrial action:
  - Firebreaks in schedule
  - Improved disruption management; localised decision making

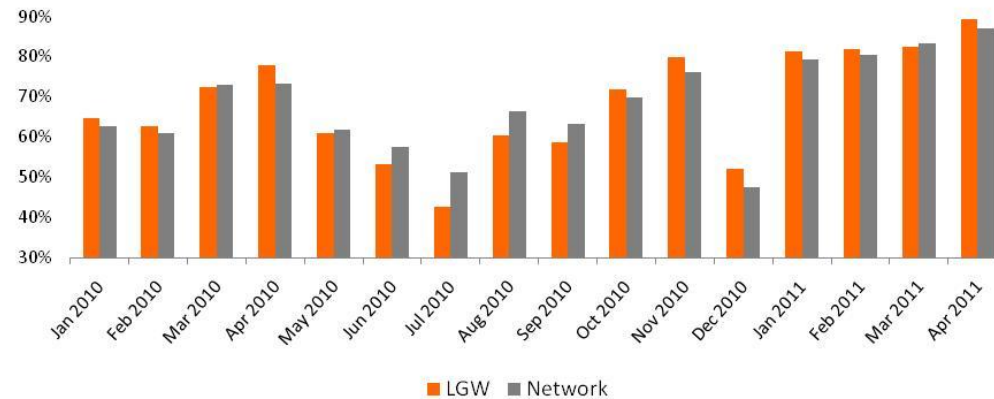
**Result: robust, reliable and punctual operation**

# Improved operational performance

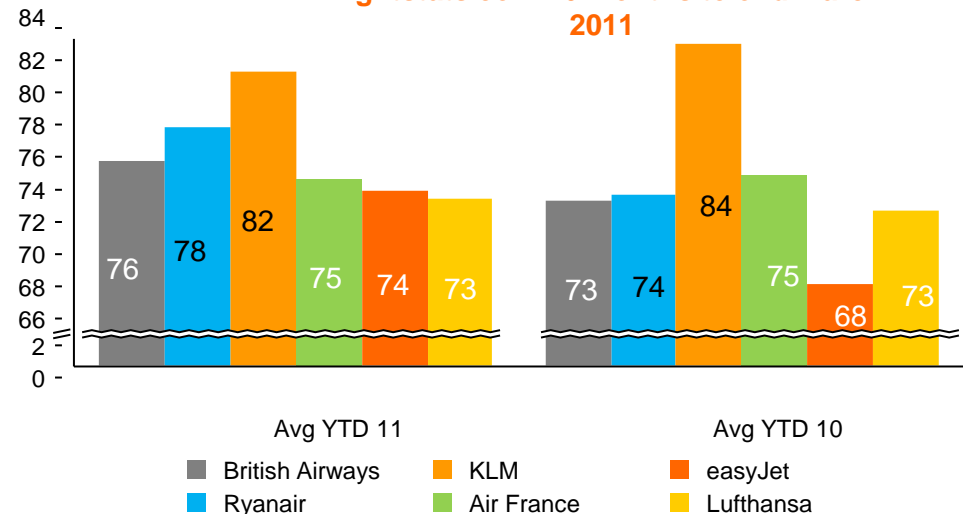


- Improved On Time Performance across the network
- Gatwick OTP returned above network average
- Improved customer satisfaction - up 8% to 82% in the quarter to March 2011
- OTP back in line with competitors

On Time Performance



Flightstats.com - 6 months to end March 2011



# Amended brand licence



- Approved by EGM December 2010
- Royalty payment to easyGroup IP of 0.25% of total revenue
  - Capped at £3.95 million in F'11 and £4.95 million in F'12
- Benefiting easyJet:
  - Nectar deal – access to 17 million consumers and marketing support e.g. TV advertising
  - VisitBritain partnership – £9m benefit to easyJet over 3 years
  - Unlock Tourist Boards



**VisitBritain**™

# Delivering against our objectives

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## November 2010 results statement:

- To grow fares through continued **network optimisation** and driving the **business traveler proposition** harder;
- To **grow ancillary revenues** through both yield management of fees and charges and partner and in-flight revenues through better execution and innovation; and
- Smart **cost management** by reducing complexity and disruption costs in the business and continuing to drive procurement initiatives in airports, ground handling and maintenance.

**Targets: 12% Return on Capital employed through the cycle;  
£5 PBT per seat**



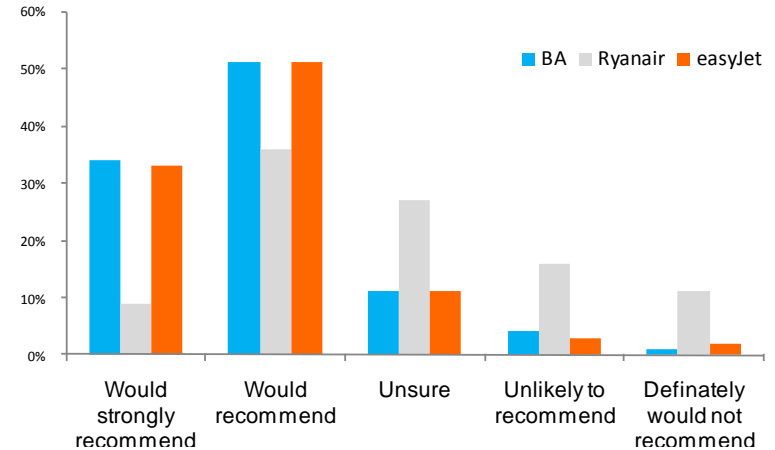
# Robust business model



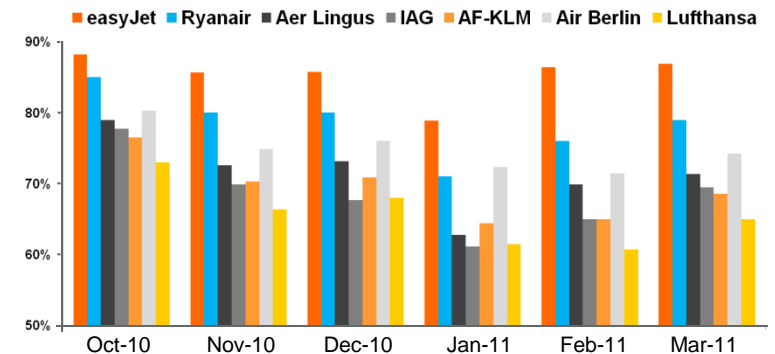
## easyJet strongly positioned to adjust over time to higher fuel costs

- Financially strong
  - £220million net cash
  - Un-drawn facilities of \$0.5bn
- Strong consumer appeal
  - Across leisure and business
- Leading short-haul network
  - Leading presence on Top 100 routes
  - Strong positions in key markets
  - Good range of leisure and business destinations
- Low cost and efficient
  - Scale and cost advantage
  - High asset utilisation (average of 11 hours a day)
  - Consistently industry leading load factors
- Clear strategy to improve margins

Strong consumer appeal



Industry leading load factors



# Strategy implementation update

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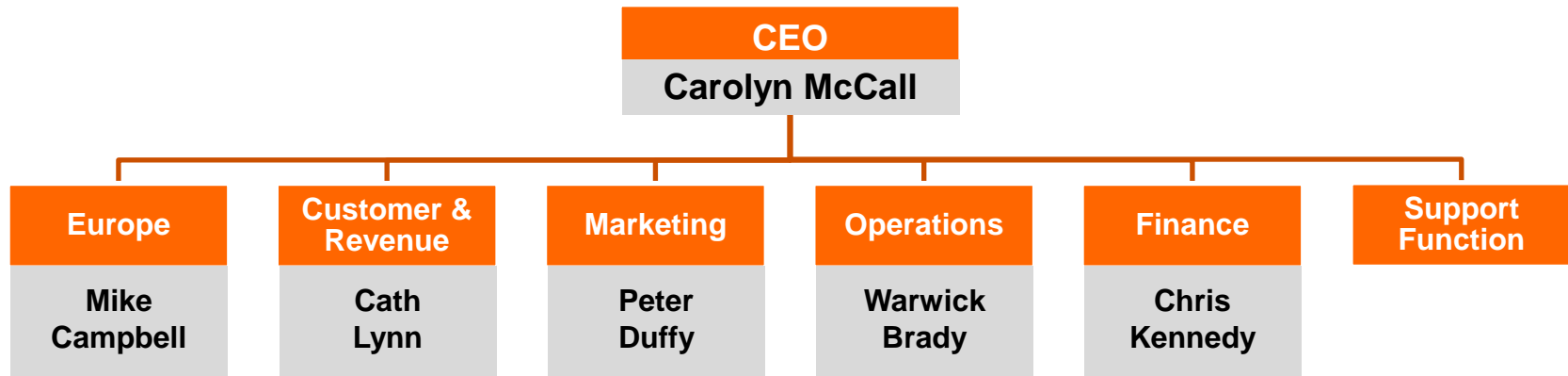


1. People
2. Network
3. Passengers travelling on business
4. Ancillary revenues
5. Cost management

# People and strategy aligned



- AMB rebuilt and focused on customers, people, cost and OTP
- Bonus targets aligned across the business
  - Targets set for: OTP, customer satisfaction, cost per seat and PBT
  - Longer term incentives aligned to ROCE
- Structure better aligned to strategy and business deliverables
  - Flat and lean organisation
  - Improved focus on mainland Europe, Brand and Customer



# Network optimisation



Goal: To improve underlying ROCE of the network through optimisation of schedule and route portfolio

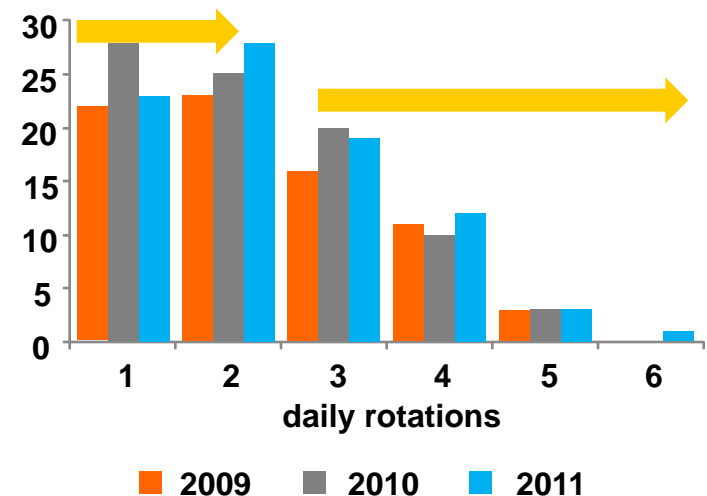
## Progress H1:

- Invested frequency on key business routes e.g. London to Amsterdam, Paris to Toulouse
- Launched new leisure routes e.g. Bristol to Fuerteventura
- Gained valuable peak time slots and improved position in mainland Europe
- Underperforming routes exited – more than 20 routes cut from network in F'11

## Focus H2:

- Optimise profitability shift capacity in July and August from Business to leisure
- Focused growth in mainland Europe
- Continued investment in frequency

count of routes

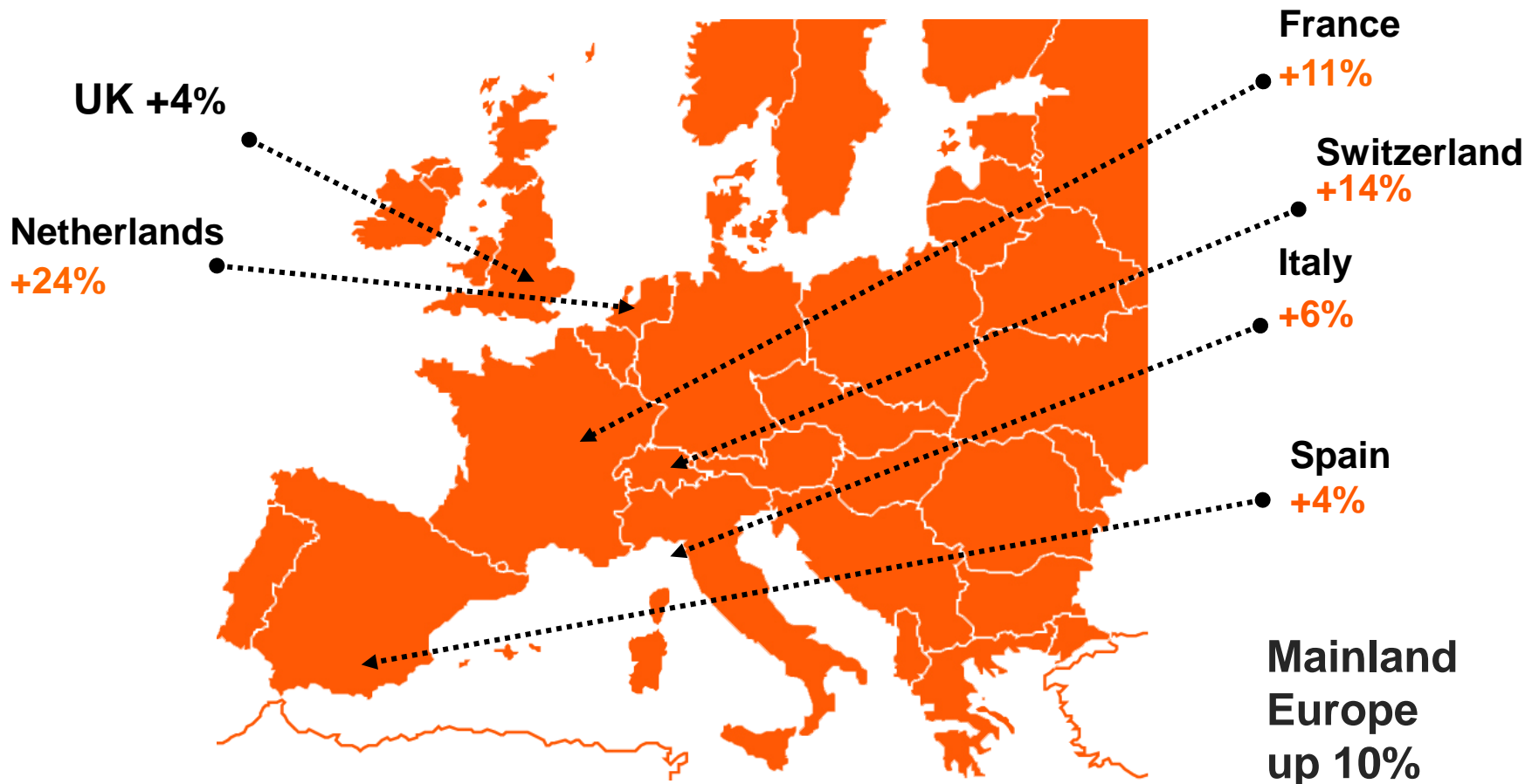


Daily freq A/B routes June 2nd week

# Targeted growth in key markets



easyJet 'scheduled' capacity up 6% in H2\*

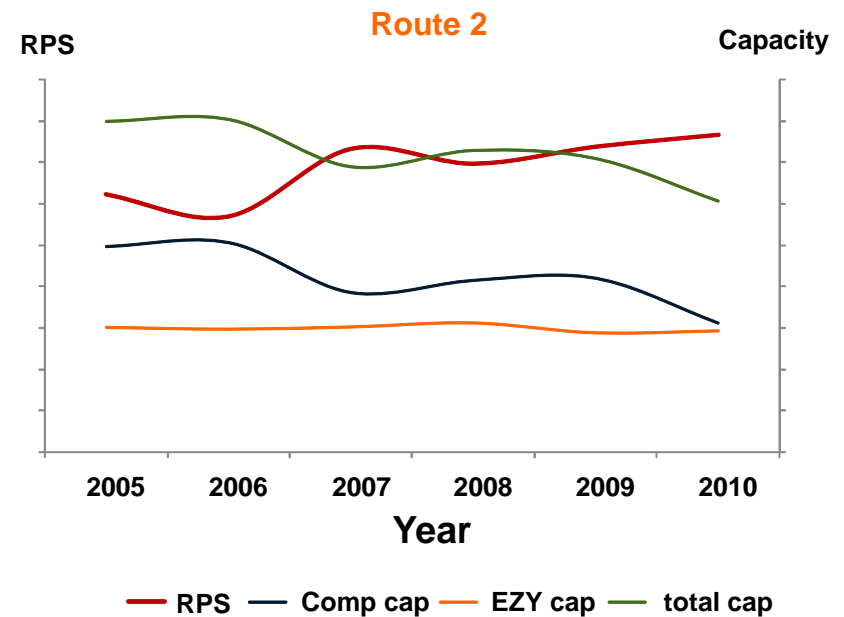
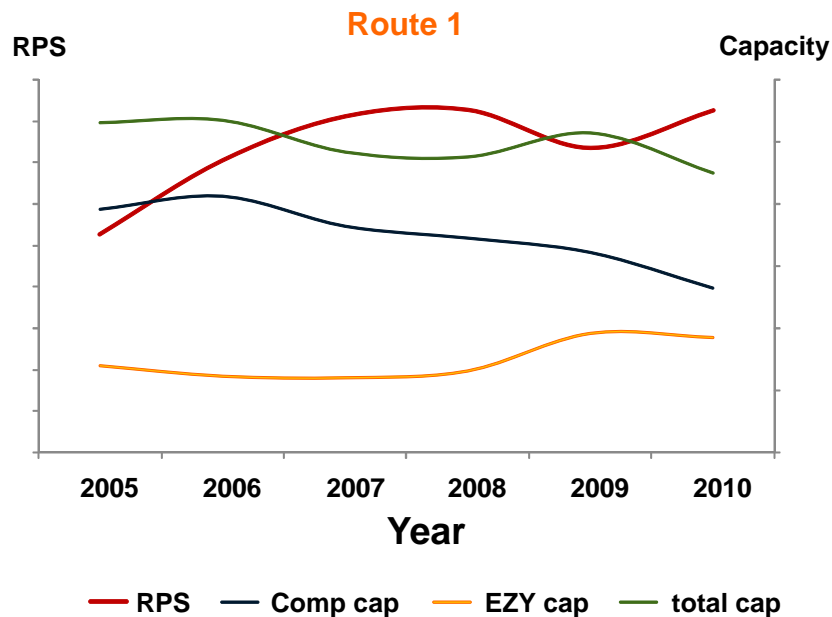


# Investments drive improved unit revenues



## Unit revenues influenced by market capacity:

- Step 1 – easyJet investment
- Step 2 – competitor capacity reduction
- Step 3 – market capacity reduction and unit revenue improvement



# Passengers travelling on business



Goal: To drive additional contribution of by delivering improvements in product and distribution for passengers travelling on business

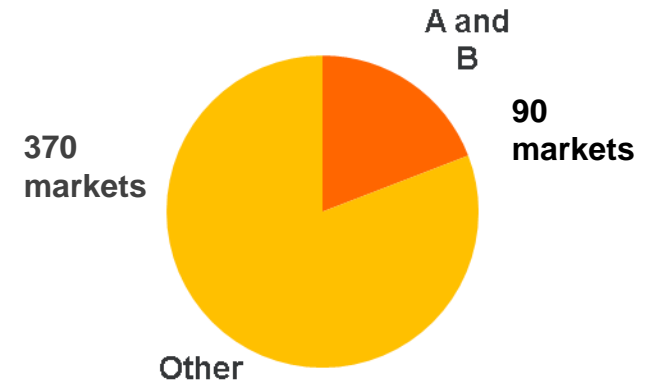
## Progress H1:

- Punctuality improved
- Frequency increase on key business routes
  - London-Amsterdam up to 13 a day
  - Milan-Paris up to 8 a day
- Flexible fare tested on GDS
- Sales force recruitment underway

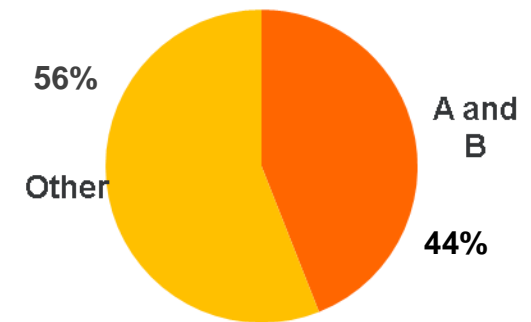
## Focus H2:

- Operational robustness
- Build frequency on key routes
- Flexi-fare rollout on easyJet.com
- TMC's negotiation

## easyJet markets



## easyJet capacity



\* A and B routes are those to locations suitable for passenger travelling on Business i.e. day or short trips.

# Passengers travelling on business



## Building blocks for business proposition

	FY 11	FY12	FY13
<b>Improve punctuality</b>	■		
<b>Build product</b>			
- Increased frequency	■	■	■
- Launch Flexi Fare	■		
<b>Recruit salesforce</b>	■		
<b>Distribution</b>			
- TMC Incentives	■	■	■
- Payment settlement solutions		■	■
- Industry standard booking process		■	■
<b>Marketing / CRM</b>		■	■



# Ancillary revenues back on track



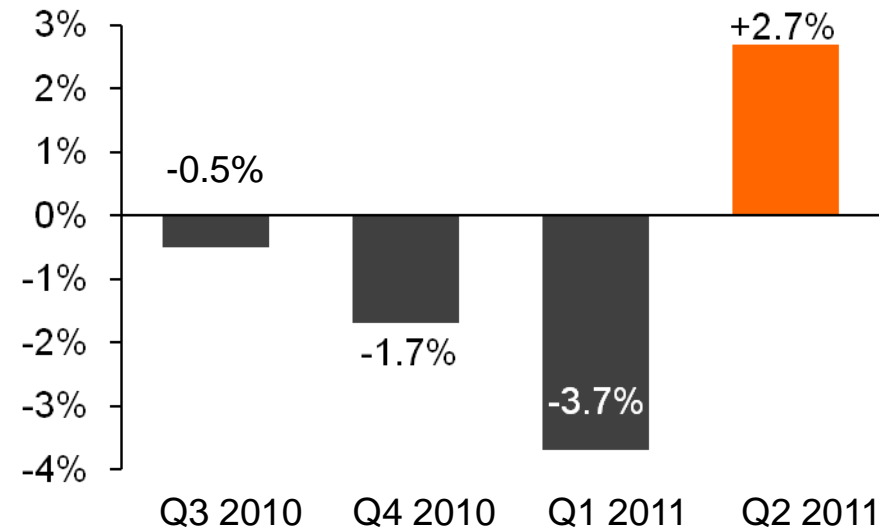
Goal: To grow ancillary revenues through yield management of fees and charges and better execution of partner and in-flight

## Progress in H1:

- Bag pricing increased – bags back on track
- Booking fee increased to £8 from £5.50
- Improved online merchandising

## Focus H2:

- Re-negotiation of car partnerships
- Refreshed in-flight range launched in April



Per seat yoy change in ancillary revenues

# Maintaining easyJet's cost advantage



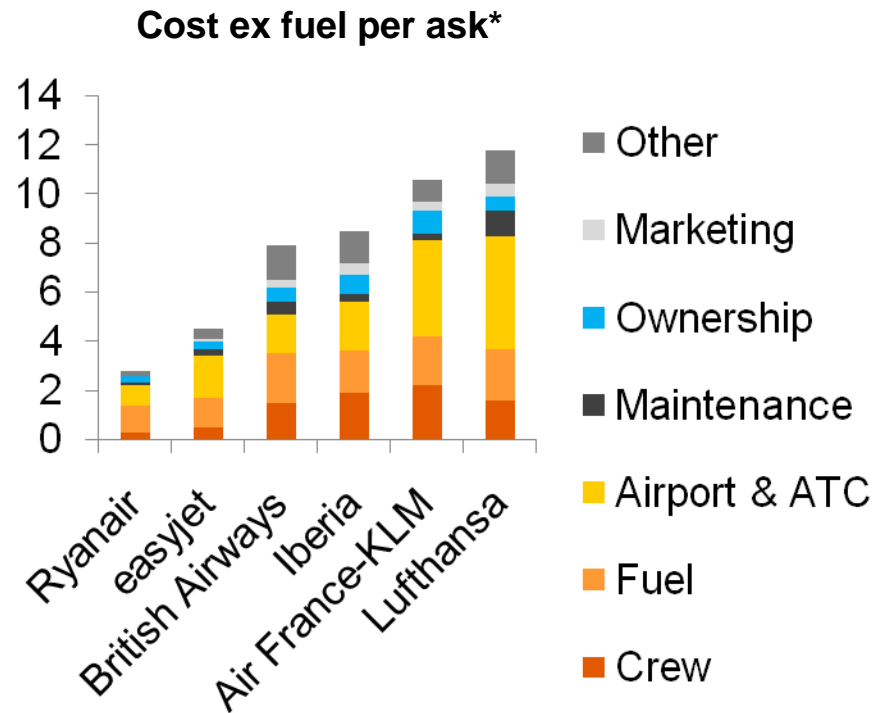
Goal: To maintain cost advantage by ensuring below inflation unit cost movement through procurement, crew flexibility and operational excellence

## Progress H1:

- Unit costs ex fuel fell across all categories apart from Crew
- Improved operational resilience
  - Disruption costs 10% lower per incident
- Implemented plans to increase number of lower cost A320

## Focus H2:

- Focused easyJet leans projects sponsored by CFO
- Improve fuel burn
- Fair and realistic pay settlements in light of fuel price escalation
- Tight control of overheads

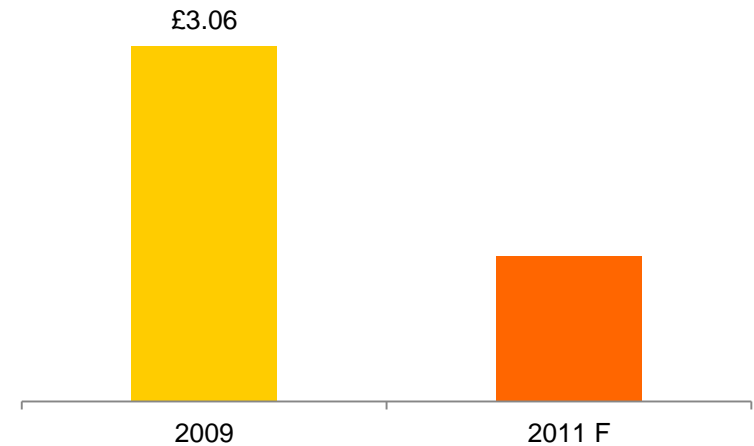


easyJet has a significant cost advantage compared to carriers flying to similar airports

# Case study: maintenance costs



- Leverage existing contracts by renegotiation
- Move Base maintenance to a lower cost location
- Increased utilisation of Luton Facility
- In source end of lease activity



Maintenance cost per seat reducing despite strengthening of the dollar

**Reduce maintenance costs without compromising safety or operational performance**

# Flexible approach to capacity

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## → Phase 1 - Summer 2011

- 8% planned growth in seats flown
- Investing to support strategy, 64% hedged at \$755 a metric tonne

## → Phase 2 – October 2011 onwards

- Aim to use flexibility to keep the fleet size at c. 204 for Winter 11/12 and Winter 12/13
- Conservative approach to capacity growth
- Focus on maturing existing investments whilst market adjusts to higher fuel costs

## → Phase 3 – medium term 2013 onwards

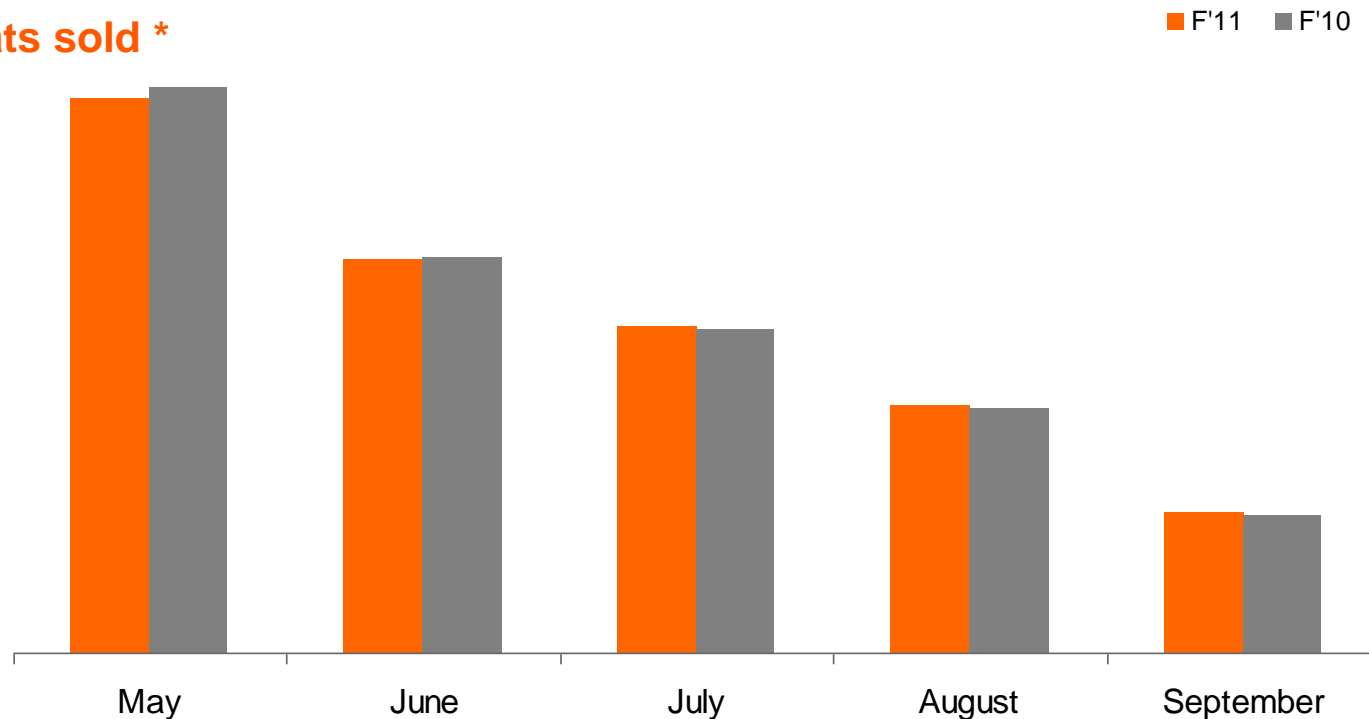
- Continue to believe in the mid-term growth opportunities for easyJet that we outlined in November 2010

# Forward bookings in line



- Second half bookings in-line with prior year
- May distorted by impact of volcano (seats and loads)
- Nearly half of available summer seats now sold

% seats sold \*



# Outlook



- Capacity (seats flown)
  - FY +11% reported, +9% ex volcano
  - H2 +12% reported, +8% ex volcano
- Revenue per seat (constant currency)
  - FY broadly flat
  - H2 slightly ahead of prior year
- Cost per seat ex fuel (constant currency)
  - FY down 2% (assuming no further significant disruption)
- Dividend in line with policy of cover of 5 x

“Based on our performance in the first half, the impact of the strengthening of the euro on our cost base, which has been largely offset by a compensating benefit on revenues and current yield trends, the outlook for the full year remains in line with expectations at current fuel and exchange rates.”

# Summary

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- Doing what we said we would do
  - Fixed punctuality and reliability
  - Fixed crew numbers
  - Customer satisfaction improving
  - Team in place
  - Good progress on cost
  - Strategy implementation on track
- Challenging environment but easyJet strongly positioned
  - Advantaged network
  - Strong consumer appeal
  - Well financed; low cost and efficient
- Committed to delivering ROCE of 12% through the cycle
  - Maintain strong balance sheet
  - Formulaic dividend policy - 5 times cover

# Q&A





# Appendix



# Fleet plan



	30 Sept 2011	30 Sept 2012	30 Sept 2013
A319	167	158	153
A320	35	55	66
A321			1
B737	2	-	-
Total	204	213	220
Net increase in fleet size	8	9	7
	4%	4%	3%
Net capital expenditure	\$249m	\$400m	\$600m

# RASK and CASK



	H1 '11	H1 '10	Change B/(W)
Total revenue per seat	45.11	46.35	(2.7)%
at constant currency	45.37	46.35	(2.1)%
RASK at constant currency (pence)	4.24	4.32	(1.8)%
Total cost per seat ex fuel	36.94	37.37	1.2 %
at constant currency	37.30	37.37	0.2%
CASK ex fuel at constant currency (pence)	3.49	3.49	flat

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