

**22 July 2011****EASYJET INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDED 30 JUNE 2011****Highlights (figures below are for the quarter ended 30 June 2011):**

- Total revenue grew by 23.2% to £935 million
- Number of seats flown rose by 17.1% to 16.7 million, load factors improved by 0.2 percentage points to 86.3% and sector length declined by 1.6%. There was a 17.3% growth in passengers (8.8% growth excluding the impact of the 2010 volcano)
- Total revenue per seat grew by 5.2% to £56.02, up 4.6% on a constant currency basis. Passenger revenue grew<sup>3</sup> by 2.5% to £44.37 per seat as capacity investments made in F'10 and the first half of F'11 began to mature. Ancillary revenues grew strongly up 17.0% per seat to £11.65 as a result of management actions taken in the second quarter
- easyJet had £112 million of net cash as at 30 June 2011
- On Time Performance continues to improve and was above 80% for the network in the quarter
- Continued good progress in implementing the strategy outlined last November including the launch of a flexible fare on easyJet.com to enable our 'travelling on business' initiatives. The number of passengers travelling with easyJet on business in the quarter increased by 20%
- August is the important trading month for easyJet but with over 75% of summer seats now sold we expect at current fuel and exchange rates<sup>4</sup> to deliver a pre-tax profit for the year ended 30 September 2011 of between £200 million and £230 million assuming normal conditions which approximates to a ROCE for the year of between 10% and 12%

**Commenting on the results, Carolyn McCall, easyJet Chief Executive said:**

"The strong operational and commercial performance in the quarter reflects the continued successful implementation of the strategy we outlined last November.

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Against the backdrop of high fuel prices and an uncertain economic environment, the strength of easyJet's trading demonstrates it is well placed to succeed".

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A copy of this Interim Management Statement is available at [www.easyJet.com/investors](http://www.easyJet.com/investors)

Three months ended	30 June 2011	30 June 2010	Change %
Passengers (m) <sup>1</sup>	14.4	12.3	17.3
Seats (m)	16.7	14.3	17.1
Load factor (%) <sup>2</sup>	86.3	86.1	0.2ppt
Total revenue (£m)	935	759	23.2
Passenger revenue (£m) <sup>3</sup>	741	617	20.0
Ancillary revenue (£m) Including checked bag charge	194	142	36.9
Total revenue per seat (£)	56.02	53.23	5.2
Passenger revenue per seat (£)	44.37	43.27	2.5
Ancillary revenue per seat (£) including checked bag charge	11.65	9.95	17.0
Total revenue per passenger (£)	64.91	61.79	5.1
Average number of owned / leased aircraft	200.6	187.1	7.2
Average operating aircraft	185.4	177.4	4.5
Average utilisation (hours per day)	12.1	10.9	10.5
ASKs (bn)	18.7	16.2	15.2
RPKs (bn)	16.2	13.9	16.2
Average sector length (km)	1,118	1,135	(1.6)

## Introduction

easyJet continues to make progress in implementing the strategy outlined last November. Our focus on profitable growth through network development and optimisation has been reflected in the strong unit revenue growth delivered in the quarter as investments made in F'10 and in the first half of F'11 have begun to mature.

easyJet launched a flexible fare on easyJet.com and the start of the recruitment of a corporate sales team as part of our 'travelling on business' initiatives.

easyJet continues its strong focus on cost with progress in ground handling, maintenance and ownership costs. We have also begun a constructive dialogue with BALPA to try to deliver more flexibility in our crewing arrangements.

## Third quarter revenue and network performance

Passenger numbers grew by 17.3% to 14.4 million in the quarter and the number of seats flown rose by 17.1%. Excluding the impact of the disruption to European airspace due to the eruption of the Eyjafjallajokull volcano in April 2010, number of seats flown rose by 8.8% in the quarter.

Capacity based in mainland Europe grew by 21% and the proportion of passengers originating outside mainland Europe grew by 3 percentage points to 55.3%. Load factor improved slightly by 0.2 percentage points to 86.3% and sector length declined by 1.6%.

Total revenue grew by 23.2% to £935 million with strong growth in unit revenues. Total revenue per seat improved to £56.02, up 5.2% on a reported basis and by 4.6% at constant currency. Passenger revenue increased by 2.5% (reported) to £44.37 per seat and ancillary revenue per seat grew by 17% (reported) to £11.65. This stronger than expected revenue performance is due to the following factors:

- Maturing of capacity investments made in F'10 and the first half of F'11 as total revenue per seat across all markets showed improved performance compared to the second quarter
- Optimisation of fees and charges following management actions taken at the end of the second quarter to mitigate increased costs from fuel and inflationary pressures
- Growth in Speedy Boarding revenues

Bag revenues have stabilised following changes to easyJet's bag pricing strategy implemented at the end of the second quarter. Bag revenue per seat was up 2.8% at £4.73 in the quarter as nearly 80% of the third quarter's bags were booked before the change in pricing structure. Bag revenues are expected to show growth on a per seat basis in the fourth quarter.

The strong commercial performance in the quarter also reflects the strength of easyJet's balanced and resilient network.

There have been some pockets of weakness namely North African routes which continue to show some weakness due to concerns about the political situation and a short-term over-supply on beach routes to Spain following redeployment of tour operator capacity. In Germany revenue per seat continues to be impacted by the introduction of APD and performance in the UK regions reflects the impact of public sector cut backs.

However the above have been more than offset by the revenue per seat growth on capacity based in France, Switzerland, Spain, Italy and London. There has been particular strength on the city routes where easyJet invested in capacity in the first half of the year.

### **OFT inquiry**

At the end of June the Office of Fair Trading (OFT) announced its findings on the Which? super-complaint on card charges. Its proposals are now subject to further consultation.

easyJet has built its reputation on making airline pricing simple and transparent. We want to make things easier for the consumer so we would like to see card charges incorporated into the headline fare. However, for consumers to benefit there needs to be a level playing field across Europe. UK legislation would be a step towards this but we encourage the Government to push for a European-wide solution.

The only way to ensure consumers can make easier price comparisons is if a common treatment of card charges can be agreed across the whole of the transport sector in Europe (including train operators and online travel agents). easyJet has offered to work with the OFT in bringing such a change about.

### **Operational performance (OTP)**

Operational robustness is an absolute requirement to ensure easyJet can deliver for its customers while maintaining a lean cost base. easyJet's OTP continues to show solid year on year improvement, as can be seen from the table below:

	<b>F'11</b>	<b>F'10</b>
April	87.0%	73.2%
May	83.7%	61.7%
June	81.5%	57.6%

External events such as ATC strikes could still impact performance during the fourth quarter, but easyJet has built a number of firebreaks into its summer flying programme in order to help mitigate this impact. Encouragingly, there was minimal disruption to our operations from the partial shutdown of airspace in May 2011 due to the volcanic ash cloud as a result of operational resilience for such events.

easyJet believes it is important in the current economic environment to ensure all pay settlements are proportionate and reasonable. This has resulted in pockets of industrial relations issues in France and Germany.

easyJet reached a satisfactory pay deal for 2011 with its UK pilots in the quarter and has now started constructive dialogue with BALPA to secure improved flexibility and competitiveness in return for addressing pilot concerns around the current rostering arrangements.

Efforts to improve operational performance have continued to positively impact our customer satisfaction levels and overall satisfaction in the quarter to June was 78%; an improvement of 5% compared to the same period last year. "Likelihood to recommend" easyJet has increased by 3% compared to quarter three 2010, up from 80% to 83% and 83% of customers were also satisfied with punctuality in quarter three 2011 compared to 67% of customers in quarter three 2010.

### **Third quarter cost performance**

On a reported basis, underlying costs per seat excluding fuel grew by 2.7% and by 1.1% on a constant currency basis. This was in line with our expectations for the quarter.

On a constant currency basis, ground handling, navigation, maintenance, ownership and other costs all showed an improved performance on a per seat basis compared to the prior year. However airport costs rose strongly in the quarter as price rises at a number of regulated airports took effect and we expect to continue to see this trend over the next 12 months.

### Fleet and capacity plan

In the quarter, easyJet took delivery of 11 A320 family aircraft and returned 7 aircraft to lessors. As at 30 June 2011 the fleet was comprised of 203 aircraft.

Given the high cost of fuel, uncertain consumer demand across Europe and the introduction of the Emissions Trading Scheme in January 2012 easyJet is taking a cautious approach to capacity deployment. As easyJet set out at the time of its interim results the Company is utilising the flexibility in its fleet planning arrangements to ensure the fleet is held at a maximum of 204 aircraft for the next two winters.

Consequently, Winter F'12 seat capacity is planned to be flat on the prior year with growth in number of seats flown for the whole of F'12 of no more than 4% and will be focused on the key markets which we want to defend and invest in. Beyond this period there will continue to be opportunities to grow profitably in the mid-term and easyJet has the flexibility in its capacity plans to take advantage of such opportunities.

### Financial position and capital structure

As at 30 June 2011 easyJet had cash and money market deposits (excluding restricted cash) of £1,397 million and net cash of £112 million. easyJet's gearing was 30%, including capitalised operating leases.

We continue to review our balance sheet against our capital commitments but believe that maintaining a robust balance sheet is one of easyJet's key strengths. easyJet remains committed to providing appropriate returns to shareholders and we expect to pay a dividend in respect of the financial year to 30 September 2011 based on a cover of five times available earnings. We will look again at the end of the year at our balance sheet, trading outlook and cash position to determine whether or not there should be a return in excess of the 20% dividend policy we have proposed.

### Hedging policy

On 21 July 2011, the Board of easyJet approved amendments to easyJet's policy on fuel hedging levels. Going forward easyJet's policy will be to hedge between 65% and 85% of its fuel requirements for the coming twelve months and between 45% and 65% of its 12-24 month requirements. This replaces the previous policy of having been 50% and 80% hedged 12 months out and between 20% and 50%, 24 months out.

easyJet's current hedging position is set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus sale
Three months ending 30 September 2011	75%	80%	80%
Rate	\$812/MT	\$1.60	€1.10
Full year ending 30 September 2011	74%	76%	70%
Rate	\$750MT	\$1.60	€1.10
Full year ending 30 September 2012	54%	72%	61%
Rate	\$939/MT	\$1.59	€1.13

### Sensitivities:

- \$50 per tonne movement in the price of Jet fuel will impact the full year pre-tax result by +/-£7 million
- 5 cent movement in the £:\$ will impact the full year pre-tax result by +/-£1 million
- 1 euro cent movement will impact cost performance by +/-£2 million

## Outlook

Capacity, measured in seats flown, for the second half of the year, is planned to increase by 8% on an underlying basis after adjusting for the impact of volcanic ash or 12% on a reported basis, giving a reported increase of around 11% for the full year compared to 2010.

easyJet has seen strong demand in the fourth quarter leading to higher than expected load factors and yields. Consequently, second half total revenue per seat is now expected to improve by around 5% to 6% for the second half with planned improvement in yields, bag charges and other ancillary revenues. Consequently full year total revenue per seat at constant currency is expected to grow by around 2% to 3%.

Higher than expected load factors have led to an additional £4 million of airport costs incurred by carrying extra passengers. However continuing good progress on cost reduction initiatives means that on a constant currency basis, cost per seat excluding fuel and before the impact of the volcano will fall by between 1% to 2% compared to 2010, depending on the levels of disruption in the fourth quarter. Including the impact of the volcano cost per seat excluding fuel will fall by around 3% at constant currency compared to 2010.

August is the important trading month for easyJet but with over 75% of summer seats now sold we expect at current fuel and exchange rates<sup>4</sup> to deliver a pre-tax profit for the year ended 30 September 2011 of between £200 million and £230 million assuming normal levels of disruption, and a ROCE for the year of between 10% and 12%.

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## 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. Passenger revenue is net ticket revenue.
4. Jet cif \$1,068 per metric tonne, US \$ to £ sterling 1.63, euro to £ sterling 1.13 as at 21.7.11.