

## **EASYJET INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDED 30 JUNE 2014**

### **A. HIGHLIGHTS:**

#### **easyJet performance in the quarter**

- Revenue per seat grew by 2.7% at constant currency or by 1.7% on a reported basis to £62.47 per seat despite a less benign capacity environment and a significant increase in easyJet capacity at Gatwick. The revenue performance was driven by the movement of Easter into the third quarter of the financial year and continued digital, brand and revenue initiatives.
- easyJet's capacity grew 6.8% in the quarter, primarily driven by a 16% increase in capacity at Gatwick mainly due to the purchase of the Flybe slots and 7% growth at Rome Fiumicino.
- Total revenue grew by 8.6% to £1,240 million, passengers carried increased by 9.4% to 17.9 million, and the load factor increased by 2.2 percentage points to 90.4%.
- Cost per seat excluding fuel increased by 1.0% at constant currency or decreased by 1.3% on a reported basis, better than guidance issued in May. The increase, at constant currency, was driven by increased airport charges, primarily in Italy and planned year on year cost increases in maintenance and lease costs.
- Cash and money market deposits were £1,162 million and net cash was £603 million as at 30 June 2014 demonstrating easyJet's continued strong balance sheet.

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

"easyJet has again delivered a solid performance in the quarter carrying 17.9 million passengers and growing revenue by 8.6% to £1,240 million.

We will continue to invest in building leading network positions and this combined with a compelling customer proposition, low cost base and strong balance sheet leaves easyJet well positioned to continue to deliver sustainable growth and returns.

With 77% of second half seats now booked, easyJet expects to grow profit before tax from £478 million for the year to 30 September 2013 to a range of £545 million to £570 million for the year to 30 September 2014 assuming no further significant disruption. This range includes the impact from the situations in Israel, Egypt and Moscow."

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

**KEY FINANCIALS**

<b>Three months ended</b>	<b>30 Jun 2014</b>	<b>30 Jun 2013</b>	<b>Change %</b>
Passengers (million) <sup>1</sup>	17.9	16.4	9.4%
Seats flown (million)	19.8	18.6	6.8%
Load factor (%) <sup>2</sup>	90.4%	88.2%	2.2ppt
Total revenue (£ million)	1,240	1,142	8.6%
Seat revenue (£ million)	1,223	1,122	9.0%
Non seat revenue (£ million)	17	20	(12.1)%
Total revenue per seat reported (£)	62.47	61.44	1.7%
Total revenue per seat constant currency (£)	63.09	61.44	2.7%
Seat revenue per seat reported (£)	61.60	60.38	2.0%
Non-seat revenue per seat reported (£)	0.87	1.06	(17.7)%
Total revenue per passenger (£)	69.12	69.62	(0.7)%
Average number of owned / leased aircraft	222	211	5.0%
Average operating aircraft	214	203	5.5%
Average utilisation owned aircraft (hours per day)	11.7	11.5	2.2%
Average utilisation operating aircraft (hours per day)	12.2	11.9	1.8%
ASKs (million)	22,198	20,604	7.7%
RPKs (million)	20,243	18,497	9.4%
Average sector length (km)	1,118	1,109	0.9%

**B. STRATEGIC PROGRESS****1. Drive demand, conversion and yields across Europe**

Passenger numbers grew by 9.4% in the quarter to 17.9 million. Capacity (seats flown) increased by 6.8% in the quarter with significant increases at London Gatwick (16%), Basel (16%), Geneva (7%) and Rome Fiumicino (7%).

Total revenue per seat grew by 1.7% to £62.47 on a reported basis and grew by 2.7% on a constant currency basis. The growth in revenue per seat in a competitive market was driven by:

- the movement in the timing of Easter from the second quarter of the financial year to the third quarter;
- the load factor which increased by 2.2 percentage points to 90.4%; and
- the continued rollout of digital, brand and revenue initiatives.

Revenue per seat growth continued to be strong across the network with the exception of London Gatwick where easyJet has started flying the slots acquired from Flybe. easyJet is growing capacity by around 15% in the second half of the financial year at London Gatwick which has driven a significant increase in European capacity at the airport. As expected, this has resulted in short term yield pressure. There is a significant opportunity over the next two years to drive improvement in revenue performance as easyJet optimises the use of the slots and as the additional capacity matures.

Non-seat revenue decreased by £0.19 per seat to £0.87 per seat primarily due to the non-recurrence of a one-off benefit in the third quarter of 2013.

easyJet continued to make progress in attracting more business passengers to the airline in the three months to 30 June 2014 with business passengers growing by 7% in the quarter. The growth in business passengers was less than overall passenger growth due to the movement of Easter into April. easyJet continues to see structural opportunities for developing the business passenger initiative across its core markets and in the quarter delivered an 11% growth in sales at its largest five Travel Management Companies.

## 2. Maintain cost advantage

In the quarter easyJet delivered a better than expected performance on costs. Cost per seat excluding fuel decreased by 1.3% year on year on a reported basis and increased by 1.0% on a constant currency basis.

So that easyJet can continue to deliver strong returns in a more competitive market place a significant pipeline of easyJet lean initiatives has been put in place. For example, the recently announced choice of CFM International S.A. to supply engines for future deliveries of current and new generation aircraft planned for delivery between 2015 and 2022 will deliver significant cost savings. Fleet up-gauging, airport deals and engineering and maintenance contract updates will also add to easyJet's ability to improve its cost position relative to the competition.

### Operational performance

On-time performance in the quarter was impacted by a number of strikes across the network, including a two day French ATC strike in June. easyJet continues to manage disruption well with strong operational processes and proactive communication with customers.

<b>OTP % arrivals within 15 minutes</b>	April	May	June	Q3	YTD
2013	90.5%	89.8%	86.2%	88.9%	87.0%
2014	87.9%	83.9%	79.3%	83.6%	86.8%

### Fleet

In the quarter, easyJet took delivery of two A320 aircraft. As at 30 June 2014 the fleet comprised of 222 aircraft; with 69 A320s and 153 A319s.

Aircraft utilisation improved in the quarter with the average utilisation for operated aircraft increasing by 1.8% to 12.2 hours per day.

### 3. Build strong number 1 and 2 network positions

There are significant and profitable opportunities for easyJet to grow within its core markets over the next three to four years. Following the end of the quarter easyJet announced new base openings in Amsterdam and Porto. These new bases, which are existing easyJet network points, will open in spring 2015 and are expected to contribute to easyJet's ability to deliver sustainable growth and returns to shareholders.

Overall easyJet expects to grow capacity in the first half of the next financial year by around 3.5% with planned increases at London Gatwick, Hamburg, Amsterdam, Basel, Geneva, London Luton, Naples, Rome Fiumicino and Milan Malpensa.

### 4. Disciplined use of capital

easyJet continues to maintain a strong balance sheet with cash and money market deposits of £1,162 million (excluding restricted cash) compared to £1,454 million at 30 June 2013. Net cash was £603 million compared to net cash of £714 million at 30 June 2013. The Board continues to keep the balance sheet and capital structure under review.

## 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:

<b>Percentage of anticipated requirement hedged</b>	<b>Fuel Requirement</b>	<b>US Dollar requirement</b>	<b>Euro surplus</b>
Three months to 30 September 2014	83%	91%	80%
Average rate	\$968 / metric tonne	\$1.58	€1.21
Full year ending 30 September 2014	80%	89%	79%
Average rate	\$980 / metric tonne	\$1.58	€1.20
Full year ending 30 September 2015	71%	80%	65%
Average rate	\$951 / metric tonne	\$1.58	€1.17

## Outlook

easyJet capacity (seats flown) in the second half of the financial year is expected to grow by 6.4% year on year assuming no further significant disruption. Competitor capacity growth on easyJet routes is now expected by OAG<sup>3</sup> to grow by 4% this summer compared to the 3% forecast in May 2014.

Therefore, with 77% of the second half seats now booked, revenue per seat at constant currency for the second half is expected to increase by around 1% compared to the second half of the prior year assuming normal levels of disruption.

As a result of easyJet lean initiatives, cost per seat ex-fuel at constant currency is now expected to increase by around 0.5% in the second half of the year assuming no further significant disruption, compared to the around 2% increase guided to in May 2014.

It is estimated that at current exchange rates<sup>4</sup> and with fuel at around \$1,000 per metric tonne, easyJet's unit fuel bill for the second half of the financial year will be around £5 million adverse year on year. Using current exchange rates<sup>4</sup>, it is estimated that year on year exchange rate movements (including those related to fuel) will have a favourable impact of up to £15 million in the second half of the financial year.

Therefore easyJet expects to grow profit before tax from £478 million for the year to 30 September 2013 to a range of £545 million to £570 million for the year to 30 September 2014 assuming no further significant disruption. This range includes the impact from the situations in Israel, Egypt and Moscow.

Due to the strength of its network, customer proposition, low cost base and strong balance sheet the Board is confident of easyJet's ability to continue to build profitable positions across Europe and deliver sustainable growth and returns for shareholders.

**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. OAG 30 June 2014.
4. US \$ to £ sterling 1.7068, euro to £ sterling 1.2658, Jet cif \$952 per metric tonne as at noon on 22.07.14