

EASYJET TRADING STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2015

Continued robust commercial performance and strong management action on cost delivers stable margins¹

Highlights:

- Passengers carried increased by 8.1% to 16.1 million, as capacity grew by 7.3% to 17.8 million seats and the load factor increased by 0.6 percentage points to 90.3%.
- Strong revenue per seat performance in October was offset by the impact of the tragic events in Egypt and Paris, resulting in lower demand and yield in November and December. Forward bookings for the second quarter are showing a marked improvement in revenue per seat compared to November and December. For the first quarter as a whole revenue per seat was down by 3.7% at constant currency.
- Total revenue was robust at £930 million, 0.1% down on the prior year as revenue generated by increased passenger volumes and a higher load factor was offset by reduced revenue per seat and negative foreign exchange movements of £32 million.
- Cost per seat decreased by 3.7%² at constant currency, as a result of robust management action and acceleration of the delivery of our cost improvement plans, as well as the benefit of a low fuel price. Cost per seat excluding fuel at constant currency increased by 1.3%², which is better than previously communicated in November 2015.
- easyJet secured credit ratings at the beginning of January from Moodys (Baa1 Stable) and Standard & Poors (BBB+ Stable) and announced a £3 billion Euro Medium Term Note Programme which reflects easyJet's leading positioning at many of Europe's top airports, strong cost position and strong balance sheet. This is part of easyJet's capital review and will facilitate access to new sources of funding.
- Cash and money market deposits were £743 million and net cash was £266 million as at 31 December 2015 demonstrating easyJet's continued strong balance sheet.
- As a result of the robust cost performance, low fuel price, disciplined capacity allocation and resilient trading, the Board's expectations for profit before tax for the year to 30 September 2016 remains in line with market expectations³.

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

"easyJet's excellent customer proposition combined with low oil prices has allowed it to offer lower fares which has driven an 8% increase in passenger numbers in the first quarter.

"The easyJet customer-centric strategy of giving passengers low fares to primary airports continues to be executed well. This year we will consolidate that with a relentless focus on cost reduction which is already delivering. This will ensure that easyJet continues to win and continues to grow revenue, profit and dividends."

STRATEGIC PROGRESS

1. Drive demand, conversion and yields across Europe

- Seats flown during the first quarter increased by 7.3% in the quarter to 17.8 million. Passengers increased by 8.1% to 16.1 million and the load factor has increased by 0.6 percentage points to 90.3%.
- Revenue per seat declined by 3.7% at constant currency. This performance was driven by:
 - A strong October performance particularly on UK Beach routes
 - The impact of the cancellation of flying to Sharm El Sheikh, which impacted revenue per seat at constant currency by c.1.5% during the quarter
 - A fall-off in demand following the tragic events in Paris, which impacted revenue per seat at constant currency during the quarter by c.2.0%
 - Business passenger growth of 6.5% in the quarter, which means we are delivering well against our target for 25% growth in the next three years
 - Further digital innovation with revenue from bookings on mobile devices growing 50% year on year
 - Non-seat revenue increased by 12.7% per seat at constant currency during the quarter, driven by a good performance in inflight sales.

2. Maintain cost advantage

- Cost per seat declined by 6.2% on a reported basis and by 3.7% at constant currency, as easyJet continued to benefit from low fuel prices, which delivered a £2.04 per seat benefit in the quarter.
- Cost per seat excluding fuel increased by 1.3% at constant currency. This strong performance was better than communicated in November and was due to robust management action on costs:
 - Airport savings, driven by discounts on additional passenger volumes
 - Engineering and maintenance savings, such as the new component support contract
 - Savings in overhead costs
 - Up-gauging of fleet as easyJet continues to move from A319s to A320s (c.10% cost per seat benefit)
- easyJet delivered £16 million of sustainable savings in the quarter from its Lean cost programme.

Operational performance

- easyJet's on-time performance is continuing to improve from the summer with 82% of flights arriving on time in Q1 2016.
- At Gatwick, operational performance improved after a very busy summer, despite a difficult operating environment. With 25% of our capacity overflying the region we have been severely affected by systems changes at Brest Air Traffic Control, as well as by increased security and immigration controls across the network.
- easyJet experienced 684 cancellations in Q1 2016 compared to 468 cancellations in Q1 2015. Flights to Sharm El-Sheikh were the biggest proportion of these. We successfully repatriated those customers who were in Egypt at the time and have currently suspended all flights to Sharm El-Sheikh until 27 May 2016.

OTP % arrivals within 15 minutes	Oct	Nov	Dec	Q1
FY'16	82%	84%	79%	82%
FY'15	85%	91%	82%	86%

3. Build number 1 and number 2 network positions

- easyJet continues to allocate capacity in a disciplined way to build strong and profitable positions for the long term.
- The capacity growth has been focused on establishing easyJet's position and brand in newer network bases such as Amsterdam, Hamburg and Porto as well as further strengthening key markets including UK & Switzerland.

4. Disciplined use of capital

- easyJet continues to maintain a strong balance sheet with cash and money market deposits of £743 million (excluding restricted cash) at 31 December 2015 compared to £913 million at 31 December 2014. As expected the decrease is mainly due to pre-delivery payments and the acquisition of aircraft. Net cash at 31 December 2015 was £266 million compared to net cash of £353 million at 31 December 2014.
- In the quarter easyJet announced that it intends to pay an ordinary dividend of 55.2 pence per share to shareholders, an increase of 21.6% on prior year. The dividend is subject to shareholder approval at the Annual General Meeting on 11 February 2016 and will be payable on 18 March 2016 to shareholders on the register at the close of business on 26 February 2016.
- At the beginning of January Moodys and Standard & Poor both issued credit ratings as easyJet announced a £3 billion Euro Medium Term Note programme. This is part of the review of capital structure and is designed to give easyJet access to new sources of funding. Moodys awarded a "Baa1 Stable" rating and Standard & Poors "BBB+ Stable", which reflects easyJet's leading positioning at many of Europe's top airports, strong cost position and strong balance sheet.

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
Six months to 30 March 2016	87%	89%	79%	72%

Average rate	\$846 / metric tonne	\$1.62	€1.2	CHF1.46
Full year ending 30 September 2016	86%	84%	84%	70%
Average rate	\$823 / metric tonne	\$1.62	€1.23	CHF1.46
Full year ending 30 September 2017	69%	66%	61%	55%
Average rate	\$644 / metric tonne	\$1.54	€1.33	CHF1.43

Outlook

Taking advantage of the low fuel environment easyJet plans to grow capacity, measured in seats flown, by around 8% for the half year and by around 7% for the full year before the effects of disruption.

Following a strong October, revenue per seat was impacted by events in Egypt and Paris and was down high single digits in November and December. Forward bookings for the second quarter are showing a marked improvement in revenue per seat compared to November and December. We now expect revenue per seat at constant currency to decline by mid-single digits in the second quarter, mainly due to the impact of Egypt and Paris.

We are continuing to take firm management action on cost. Cost per seat excluding fuel at constant currency for the six months to 31 March 2016 is now expected to increase by around 1.0% and for the 12 months to 30 September 2016 is expected to be between flat and a 1% increase, assuming normal levels of disruption. This is much better than planned and a further update on cost will be given at the half year results.

easyJet continues to derive a cost benefit from low oil prices. It is estimated that at current exchange rates⁴ and with jet fuel remaining within a \$350 metric tonne to \$450 metric tonne trading range, easyJet's unit fuel bill for the first half of the financial year is likely to decrease by between £75 million and £85 million compared to the six months to 31 March 2015. For the full year on the same basis it is estimated easyJet's unit fuel bill for the year ending 30 September 2016 is likely to decrease by between £165 million and £180 million compared to the year ending 30 September 2015. This is an improvement since our full year results.

Exchange rate movements for the half year are likely to have around a £25 million adverse impact compared to the six months to 31 March 2015 and for the full year are likely to have around a £50 million adverse impact compared to the 12 months to 30 September 2015.

As a result of the strong cost performance, low fuel price, disciplined capacity allocation and resilient trading, the Board's expectations for profit before tax the year to 30 September 2016 remains in line with market expectations³.

KEY FINANCIALS

Three months ended	31 Dec 2015	31 Dec 2014	Change %
Passengers (million) ⁵	16.1	14.9	8.1
Seats flown (million)	17.8	16.6	7.3
Load factor (%) ⁶	90.3	89.7%	0.6ppt

Total revenue (£ million)	930	931	(0.1)
Seat revenue (£ million)	914	916	(0.3)
Non seat revenue (£ million)	16	15	11.0
Total revenue per seat reported (£)	52.28	56.16	(6.9)
Total revenue per seat constant currency (£)	54.07	56.16	(3.7)
Total revenue per passenger reported (£)	57.90	62.64	(7.6)
Total cost per seat reported (£)	51.17	54.57	6.2
Total cost per seat at constant currency (£)	52.70	54.72	3.7
Cost per seat excluding fuel at constant currency (£)	39.05	38.55	(1.3)
Average number of owned / leased aircraft	245	226	8.4
Average operating aircraft	223	211	5.6
Average utilisation owned aircraft (hours per day)	9.1	9.3	(2.2)
Average utilisation operating aircraft (hours per day)	10.0	10.0	0.4
ASKs (billion)	19.1	18.0	5.7
RPKs (billion)	17.4	16.4	6.0
Average sector length (km)	1,072	1,089	(1.5)

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Notes:

1. At constant currency
2. In prior years, the comparative cost per seat used to calculate constant currency cost per seat movements included prior year foreign exchange gains and losses on balance sheet revaluations. These are now excluded as management considers this gives a truer reflection of unit cost (cost per seat) movement. Had the prior year methodology been used the cost per seat at constant currency would have decreased by 3.4% and cost per seat excluding fuel at constant currency would have increased by 1.7%. Prior year foreign exchange gains and losses on balance sheet revaluations are now included in exchange rate movements.
3. Company-compiled consensus profit before tax for 12 months to 30 September 2016 is £738 million as at 25 January 2016.

4. US \$ to £ sterling 1.4250, euro to £ sterling 1.3169 as at noon on 25 January 2016
5. 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.
6. 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

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