

EASYJET TRADING STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2016

easyJet delivers a solid first quarter, underpinned by increased operational and financial flexibility and balance sheet strength

Summary

- easyJet continues to deliver on its strategy, reporting a solid first quarter, in line with expectations
- A purposeful investment in capacity across core markets supported an 8.2% increase in passengers
- Revenue per seat was better than previously guided on broadly flat load factors
- Cost control remains strong through the ongoing lean programme
- Strengthened financial position: €500 million new bond issue; one year extension of the \$500 million revolving credit facility; first tranche of the planned sale and leaseback programme completed and increased fleet flexibility secured following discussions with Airbus

Revenue growth

- Number of passengers carried increased by 8.2% to 17.4 million, driven by a growth in capacity of 8.6% to 19.3 million seats and load factor decreasing by 0.3 percentage points to 90.0%
- Total revenue in the quarter increased by 7.2% to £997 million reflecting the increase in passengers carried through the period. Revenue per seat decreased by 8.2% at constant currency or by 1.2% on a reported basis to £51.64 per seat
- Revenue per seat trends improved slightly more than previously guided due to easyJet's market-leading network and attractive fares and resilient demand across all our European markets, despite competitor capacity increases within easyJet's markets sustained by the low price of fuel, as well as the impact from the Berlin Christmas market attack
- Non-seat revenue continued to rise (+19%), driven by improvements to inflight product ranges and attractive partner agreements

Robust cost performance

- ¹Headline cost per seat, including fuel, improved by 2.1% at constant currency, due to low fuel prices and easyJet's ongoing focus on underlying cost control. Headline cost per seat excluding fuel at constant currency increased by 1.1% during the quarter, in line with expectations
- easyJet delivered £14 million of lean cost savings in the quarter, through engineering and maintenance, volume-related airport savings and the benefits of ongoing fleet up-gauging. This offset general inflationary cost pressure as well as additional disruption cost during the quarter mainly due to increasing EU 261 claim rates

Reinforced balance sheet

- easyJet issued a €500 million bond at 1.125% coupon supported by both Moody's and Standard & Poor's sector-leading ratings. easyJet also extended its \$500 million revolving credit facility by another year to 2022
- Increased flexibility in fleet delivery arrangements were secured with Airbus, with a reduced 18-month notice period on aircraft deferrals

- Cash and money market deposits were £1,337 million (31 December 2015: £743m) and net cash was £217 million (31 December 2015: £266m) as at 31 December 2016

Operational performance

Despite severe weather conditions in December, we achieved on time performance during the quarter of 79%.

OTP % arrivals within 15 minutes	Oct	Nov	Dec	Q1	YTD
FY'17	78%	87%	73%	79%	79%
FY'16	82%	84%	79%	82%	82%

easyJet is focused on delivering improved operational performance and a more resilient network through changes to its schedules and rostering, as well as investment in reducing the number and impact of technical issues in the fleet. An update on progress and benefits will be provided at half year results.

Non-headline items

As indicated in our full year 2016 results announcement, easyJet expects to incur a number of non-headline costs during the 2017 financial year. These costs will be separately disclosed as non-headline profit before tax items:

- We entered into a sale and leaseback arrangement for 10 A319 aircraft, which took place in early December 2016 and generated \$144 million in cash. Due to the age of the selected aircraft at the time of this transaction and related maintenance provision, easyJet incurred a one-off, non-cash charge of £16 million (slightly favourable to the £20m previously expected).
- As mentioned previously, following the UK's referendum vote to leave the European Union easyJet plans to establish an Air Operator Certificate (AOC) in another EU member state. This will secure the flying rights of the 30% of our network that remains wholly within and between EU states, excluding the UK. This one-off cost is expected to total around £10 million over two years with up to £5 million incurred in the 2017 financial year (£400k incurred in Q1). The primary driver of the cost is the re-registering of aircraft in an EU AOC jurisdiction.
- We have begun to implement the initial findings of the Organisational Review which has the objective of making easyJet's structure more efficient. Costs incurred to date have been immaterial and further details will be provided throughout 2017. We continue to target a 6 to 9 month payback period on any costs incurred.

Commenting, Carolyn McCall, easyJet Chief Executive said:

"easyJet has delivered a solid first quarter with revenue, cost and passenger numbers in line with expectations. This is despite a tough pricing and operating environment.

"Consumer demand remains strong with passenger growth of 8.2%, revenue growth of 7.2% and headline cost per seat reduction, at constant currency, of over 2%. The weakness of Sterling and the impact of fuel combined are £35m worse than previously expected but easyJet has made good progress in reducing costs in those areas where we have more control such as engineering, maintenance, non-regulated airports and overheads.

"easyJet continues to grow with purpose in our core markets with capacity growth of up to 9% across our network. Our focus has been to invest to deliver long term sustainable, profitable growth by strengthening our leading positions at Europe's biggest and most popular airports.

"The underlying year-on-year revenue per seat trend continues to improve, supported by resilient demand across all our European markets. Forward bookings are ahead of last year."

KEY FIRST QUARTER FINANCIALS

Three months ended	31 Dec 2016	31 Dec 2015	Change Fav./ (adv.)
Passengers (million) ²	17.4	16.1	8.2%
Seats flown (million)	19.3	17.8	8.6%
Load factor (%) ³	90.0	90.3	(0.3)ppts
Total revenue (£ million)	997	930	7.2%
Seat revenue (£ million)	977	914	7.0%
Non seat revenue (£ million)	20	16	19.3%
Total revenue per seat reported (£)	51.64	52.28	(1.2)%
Total revenue per seat constant currency (£)	48.01	52.28	(8.2)%
Total revenue per passenger reported (£)	57.39	57.90	(0.9)%
Headline cost per seat reported (£) ¹	(55.21)	(51.14)	(7.9)%
Headline cost per seat at constant currency (£) ¹	(50.06)	(51.14)	2.1%
Headline cost per seat excluding fuel at constant currency (£) ¹	(37.89)	(37.47)	(1.1)%
ASKs (billion)	20.7	19.1	8.8%
RPKs (billion)	18.8	17.4	8.2%
Average sector length (km)	1,074	1,072	0.2%

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. Specific decisions may require consideration of a longer term approach. 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 31 March 2017	85%	83%	82%	78%
Average rate	\$659 / metric tonne	\$1.52	€1.36	CHF1.42
Full year ending 30 September 2017	83%	80%	86%	74%
Average rate	\$613 / metric tonne	\$1.50	€1.35	CHF1.40
Full year ending 30 September 2018	54%	53%	64%	55%
Average rate	\$513 / metric tonne	\$1.41	€1.26	CHF1.33

It is estimated that at current exchange rates⁴ and with jet fuel remaining within a \$520 metric tonne to \$600 metric tonne trading range, easyJet's unit fuel bill for the first half of the financial year is likely to decrease by between £70 million and £80 million compared to the six months to 31 March 2016. On a full year basis it is estimated that at current exchange rates and with jet fuel within a \$520 metric tonne to \$600 metric tonne trading range, easyJet's unit fuel bill for the 12 months ending 30 September 2017 is likely to decrease by between £215 million and £240 million compared to the 12 months to 30 September 2016.

In addition, exchange rate movements are likely to have around a £75 million adverse impact compared to the six months to 31 March 2016 on headline earnings and are likely to have around a £105 million adverse impact compared to the 12 months to 30 September 2016.

Outlook

The pricing and operating environment remains tough with fuel prices remaining low and continued strong growth in European short haul capacity impacting yields across the industry.

easyJet's seat capacity is planned to grow in the first half year by up to 9% and by up to 9% in the full year, subject to normal levels of disruption and some investment in resilience.

Approximately 56% of expected bookings for the second quarter have now been secured, slightly ahead of the prior year. Revenue per seat for the first half is expected to decline by high single digits, within the range of previous guidance. This reflects Easter moving entirely into the second half of the year and some impact in the half from the Berlin attack. Adjusting for the above, the year-on-year revenue per seat decline is expected to improve in the second quarter compared to the first quarter. At this time of the year visibility into the third quarter is limited but April is progressing well with the benefit of Easter.

With capacity growth at up to 9%, headline cost per seat excluding fuel at constant currency is expected to increase by circa 1% for the full year (subject to normal levels of disruption) in line with previous guidance, with first half headline cost per seat excluding fuel at constant currency also expected to increase by circa 1%. This equates to a full year decrease in headline cost per seat including fuel at constant currency of around 3%. easyJet continues to maintain a strong focus on cost control, driving continued improvement in operational performance and delivery of its customer proposition. easyJet is committed to its target of flat cost per seat excluding fuel at constant currency in 2019 vs. 2015.

The weakness of Sterling is expected to impact easyJet's year on year Profit before tax for financial year 2017 by around £105 million.

easyJet is well positioned to take advantage of the opportunities that are available in the tough market conditions. With its strong balance sheet and significant financial and operational flexibility, easyJet is confident in its ability to drive long-term shareholder returns from its strategy of purposeful investment in securing number one positions in its core markets.

For further details please contact easyJet plc:

Institutional investors and analysts:

Stuart Morgan

+44 (0) 7989 665 484

Michael Barker

+44 (0) 7985 890 939

Media:

Paul Moore

+44 (0) 7860 794 444

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Notes:

1. Detailed disclosure on the headline performance measure will be provided at half year results
2. 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.
3. 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.
4. US \$ to £ sterling 1.2350, euro to £ sterling 1.1581 as at 20.01.17.

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