

EASYJET TRADING STATEMENT FOR THE QUARTER ENDED 31 DECEMBER 2018

easyJet delivers a good start to the year, in line with expectations

Summary

easyJet has delivered a good performance in the quarter with robust customer demand driving passenger and ancillary revenue which is in line with expectations. Underlying revenue per seat was positive, including good ancillary revenue growth. This was offset, as expected, by the impact from last year's one-off revenue benefits, the dilutive impact of flying at Tegel and new accounting standards delaying the recognition of revenue. easyJet has made good progress with its cost and operational performance but both were affected by the impact of drone activity at London Gatwick over the Christmas period.

Commenting; Johan Lundgren, easyJet Chief Executive said:

"easyJet has made a good start to the 2019 financial year with robust customer demand and ancillary sales, driving solid revenue generation. This was underpinned by good operating and on-time performance across the network, with the exception of the disruption caused by the Gatwick closures due to drone sightings. There has been a one-off cost impact from this incident, but underlying cost progress is in line with expectations. I am proud of the way our teams worked around the clock to mitigate the impact of the incident and looked after affected customers.

"Recognition of the easyJet brand continues to grow. We made good progress on our strategic initiatives; holidays, business, loyalty and data during the quarter.

"For the first half of 2019, booking levels currently remain encouraging despite the lack of certainty around Brexit for our customers. Second half bookings continue to be ahead of last year and our expectations for the full year headline profit before tax are broadly in line with current market expectations."

Revenue

Total revenue in the first quarter to 31 December 2018 increased by 13.7% to £1,296 million. Passenger revenue increased by 12.2% to £1,025 million and ancillary revenue increased by 19.9% to £271 million.

Passenger¹ numbers in the quarter increased by 15.1% to 21.6 million, driven by an increase in capacity² of 18.2% to 24.1 million seats which was slightly lower than originally planned due in part to the drone issues at London Gatwick and to late A321 deliveries from Airbus.

Load factor³ decreased by two percentage points to 89.7%, as anticipated, due to the one-off increase in prior year late demand and the dilutive impact of Tegel flying.

Total revenue per seat decreased by 4.2% at constant currency, in line with expectations. This performance has been driven by:

- An increase in underlying revenue per seat of 1.5% due to:
 - Robust underlying demand and disciplined capacity growth by competitors on easyJet's markets, supported by easyJet's increasing brand recognition
 - Continued growth in ancillary revenue per seat through better bag and allocated seating sales
- The negative impact from:
 - The dilutive impact of first time flying in Q1 at Berlin Tegel (where the schedule is still in the early stages of optimisation)
 - One-off benefits experienced in 2018 not being repeated:
 - Air Berlin and Monarch bankruptcies (Q1 2018 benefit of c.£30m)
 - Ryanair winter schedule cancellations last year (Q1 2018 benefit of c.£20m)
 - The impact of the move to IFRS 15 accounting standards (c.£8m revenue impact in Q1)
 - Cancelled flights and lost revenue resulting from the drone issue at London Gatwick (c.£5m revenue impact)

Cost

easyJet's underlying cost performance has been solid and in line with expectations, before the cost impact of the drones at Gatwick. Headline cost per seat excluding fuel at constant currency increased by 1.0% in the quarter reflecting:

- A £10 million cost impact of the drones at Gatwick relating to customer welfare costs (representing c.1ppt of cost per seat in Q1). The incident affected around 82,000 customers and led to over 400 flights being cancelled
- Annualisation of crew pay deals; better than expected crew retention; and some additional inefficiency relating to Gatwick disruption
- Ownership costs reflecting new aircraft year on year, some additional leasing costs resulting from late Airbus aircraft deliveries and the impact of IFRS 16 accounting

easyJet's cost programme has continued to deliver substantial savings in particular in:

- Airport costs, driven by discounts on additional passenger volumes, and
- Fleet up-gauging from A319 xlr to A320 neo and A321 neo, albeit this has been marginally impacted by Airbus delivery delays
- Reduced level of cancellations and delays over 3 hours despite the drone issue at Gatwick

Customer and operational performance

easyJet has improved its On-Time Performance (OTP) since the difficult 2018 summer. The closure of Gatwick airport due to the drone issues had a negative impact on OTP but after adjusting for this December network OTP was better at 81%.

OTP % arrivals within 15 minutes	Oct	Nov	Dec	Q1
Q1 '19	76%	86%	77%	79%
Q1 '18	81%	88%	74%	81%

Traffic statistics

As announced at the full year results in November, easyJet will now be reporting monthly passenger statistics within its quarterly reports. Load factor was slightly lower than Q1 2018 due to one-off prior year benefits and the dilutive impact of Tegel flying.

easyJet experienced 764 cancellations in Q1 2019 compared to 1,051 cancellations in Q1 2018, with the biggest number of cancellations due to the drone issue at London Gatwick.

	Oct	Nov	Dec	Q1
Passengers ('000)	8,578	6,182	6,831	21,592
Passenger growth	14.1%	15.6%	16.1%	15.1%
Load factor	90.5%	89.2%	89.2%	89.7%

Sale and Leaseback

easyJet has entered into another planned sale and leaseback arrangement for 10 A319 aircraft which has generated £120 million in cash and further facilitates our fleet management strategy. Six were completed during the quarter and a further four were finalised on 8 January. This will be disclosed as a non-headline item in the income statement and is currently expected to be a small loss on disposal.

Brexit

easyJet is well prepared for Brexit. It now has 130 aircraft registered in Austria and has made good progress in ensuring it has a spare parts pool in the EU27 and in transferring crew licences, both of which will be completed by 29 March. Both the EU and the UK have committed to ensure that flights between the UK and EU will continue in the event of a no-deal Brexit. In order to remain owned and controlled by EEA qualifying nationals, as required by EU regulations, easyJet has a number of options, including the use of the provisions contained in its Articles of Association which would permit it to suspend rights to attend and vote at meetings of shareholders and/or forcing the sale of shares owned by non-qualifying nationals as well as other potential actions. easyJet has increased its ownership by qualifying EEA (excluding UK) nationals to around 49%.

Outlook

Despite the consumer and economic uncertainty created by Brexit, demand currently remains solid and forward bookings for the period after 29th March are robust.

For the year ending 30 September 2019, easyJet expects:

- Full Year capacity to grow by c.10%; H1 2019 growth of c.15%
- With approximately 40% of forward bookings secured for the second quarter, revenue per seat at constant currency for the first half is expected to decrease by mid to high single digits. This update reflects:
 - Continued positive underlying trading in line with Q1, but larger than previously anticipated phasing impact from H1 to H2 from the impact of new IFRS 15 accounting standards and the shift of Easter into H2. IFRS 15 is expected to have a negative impact of around £50 million in the first half and Easter is expected to have a negative impact of around £50 million in the first half. Both of these will reverse in the second half
 - A more competitive market in Berlin as well as constraints on our ability to deliver network optimisation as quickly as anticipated. easyJet now expects a loss in FY 2019 in Berlin
- Full Year headline cost per seat excluding fuel at constant currency to be circa flat (assuming normal levels of disruption), using new IFRS 15 and 16 accounting standards and including the £10m cost impact from the drones issue at London Gatwick
- Full Year unit fuel bill is likely to be £10 million to £60 million adverse⁴. The total fuel bill is expected to be c.£1.46 billion, reflecting a reduction in the price of oil since November and continued higher carbon pricing.
- Foreign exchange⁴ movements will have a c.£10 million adverse impact on headline profit before tax
- easyJet expectations for the full year are broadly in line with current market expectations⁵

KEY Q1 FINANCIALS

Three months ended	31 Dec 2018	31 Dec 2017	Change Fav./ (adv.)
Passengers (million) ¹	21.6	18.8	15.1%
Seats flown (million)	24.1	20.4	18.2%
Load factor (%) ³	89.7%	92.1%	(2.4ppts)
Total revenue (£ million)	1,296	1,140	13.7%
Passenger revenue (£ million)	1,025	914	12.2%
Ancillary revenue (£ million)	271	226	19.9%
Total revenue per seat reported (£)	53.89	55.99	(3.8%)
Total revenue per seat constant currency (£)	53.63	55.99	(4.2%)
Total headline cost per seat reported (£)	(56.71)	(54.34)	(4.3%)
Total headline cost per seat at constant currency (£)	(55.55)	(54.34)	(2.2%)
Headline cost per seat excluding fuel at constant currency (£)	(43.27)	(42.83)	(1.0%)
ASKs (million)	26.0	22.3	16.5%
RPKs (million)	23.5	20.7	13.6%
Average sector length (km)	1,079	1,094	(1.4%)

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Notes:

1. Represents the number of earned seats flown. Earned seats include seats that are flown whether or not the passenger turns up as 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. Capacity based on actual number of seats flown.
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. Based on fuel spot price range of \$600 to \$700. US \$ to £ sterling 1.28, Euro to £ sterling 1.12
5. Bloomberg consensus headline profit before tax for financial year 2019 is c.£580 million at 21 January 2019

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