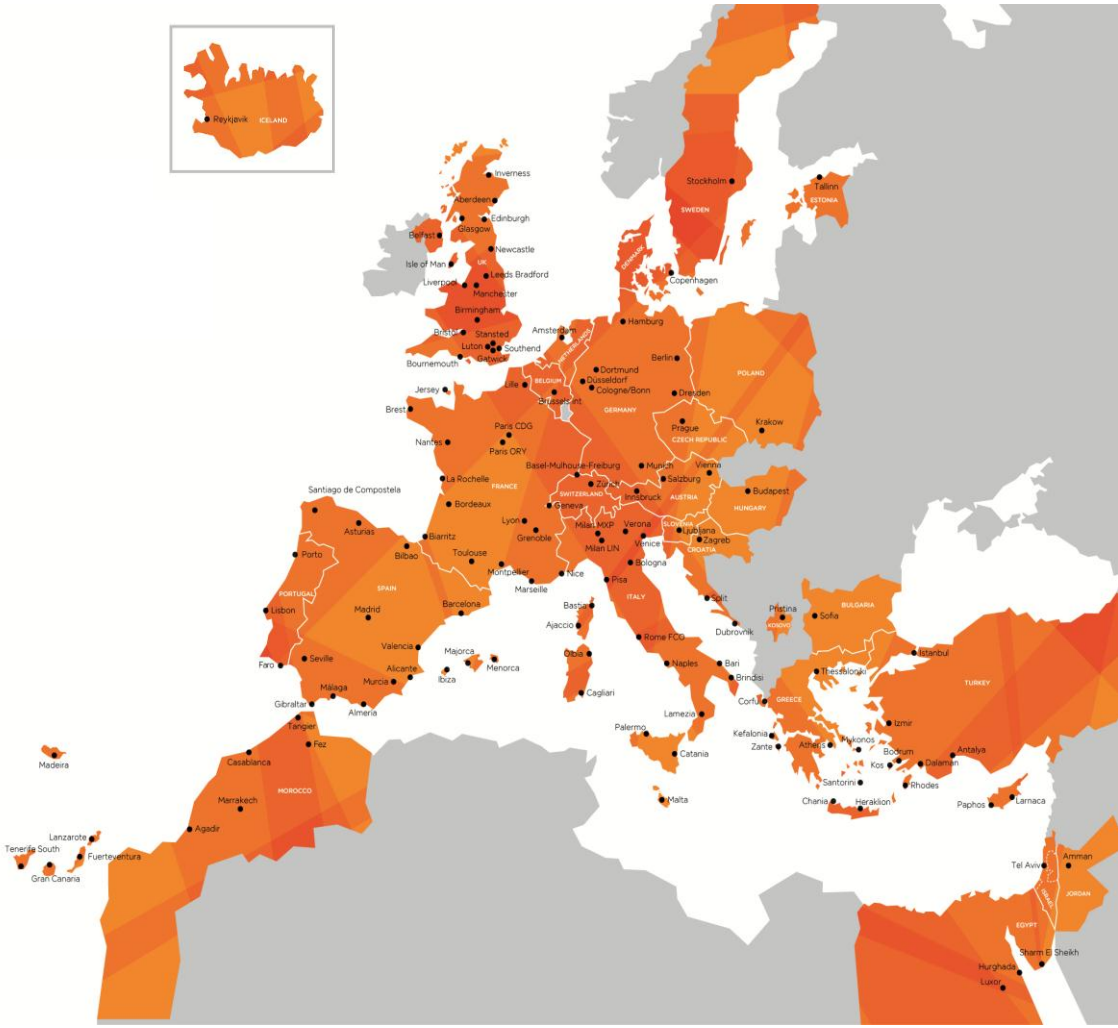
COMPANY BACKGROUND

August 2013

europe by easyJet

Europe's leading short haul air travel network

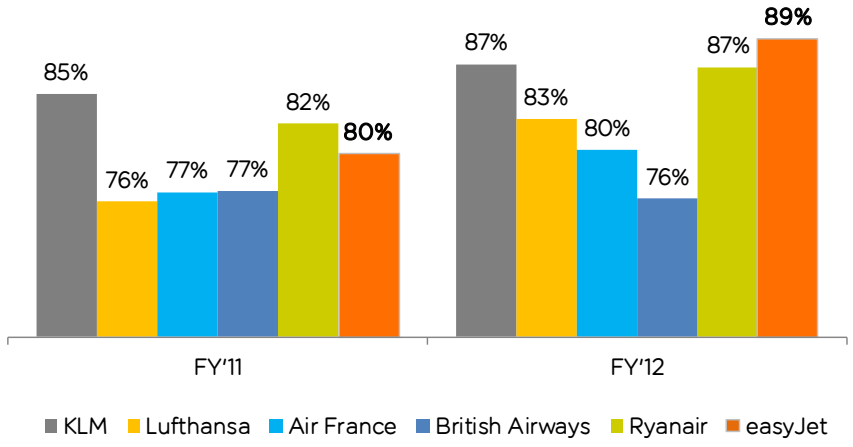
- 58.4m passengers, 65.9 m seats flown; load factors 88.7%
- fleet of 214 aircraft with an average fleet age of 4.4 years
- leading presence on Europe's top 100 routes
- operates on over 605 routes across more than 30 countries
- strong position in key markets: No.1 in Gatwick, Milan and Geneva
- employs over 8,000 people including 2,000 pilots and 4,500 cabin crew
- 300 million people live within a one hour drive of an easyJet airport



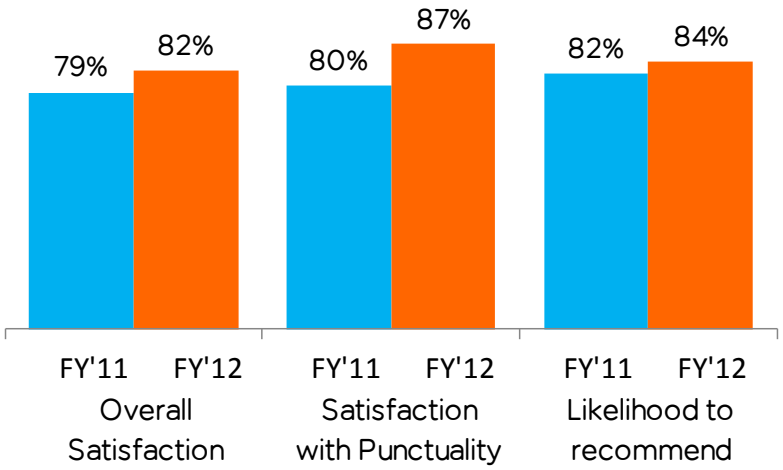
Data as at 30 September 2012

Strong track record of delivery

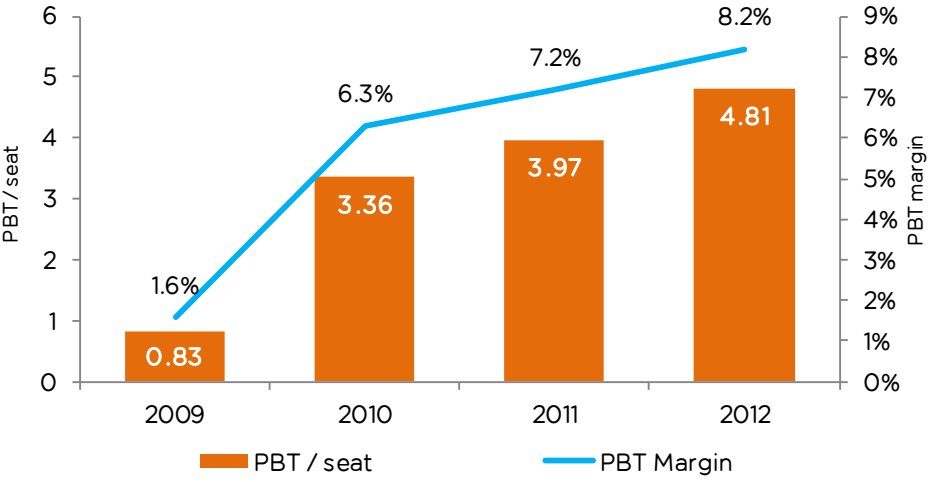
Industry leading on-time performance(1)



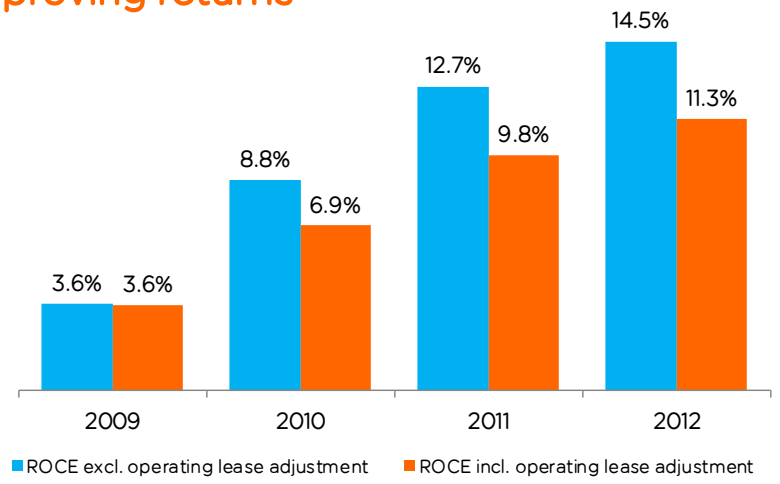
Excellent customer satisfaction(2)



Profit per seat growth



Improving returns(3)



(1) On-time performance figures from flight stat.com & reflect average number of arrivals within 15 minutes for period Oct 11 to Sept 12
(2) GfK Customer Satisfaction Tracker. Data updated October 2012 reflecting 12m to end Sept 2012
(3) See appendix for details of calculation; also shows ROCE with leases capitalised on an NPV basis.

Environment creating opportunity for easyJet

Industry Headwinds

- Economic uncertainty & sluggish growth
- Industrial unrest
- High fuel costs
- Sovereign debt concerns

+

Competitive environment

- Legacy carriers incurring significant short haul losses
- Weaker carriers retreating or exiting with 3% reduction in competitor capacity over winter
- Consumers valuing low fares

+

Competitive advantages

1. Efficient, low cost model
2. Strong network and market positions
3. easyJet.com and brand
4. Strong balance sheet

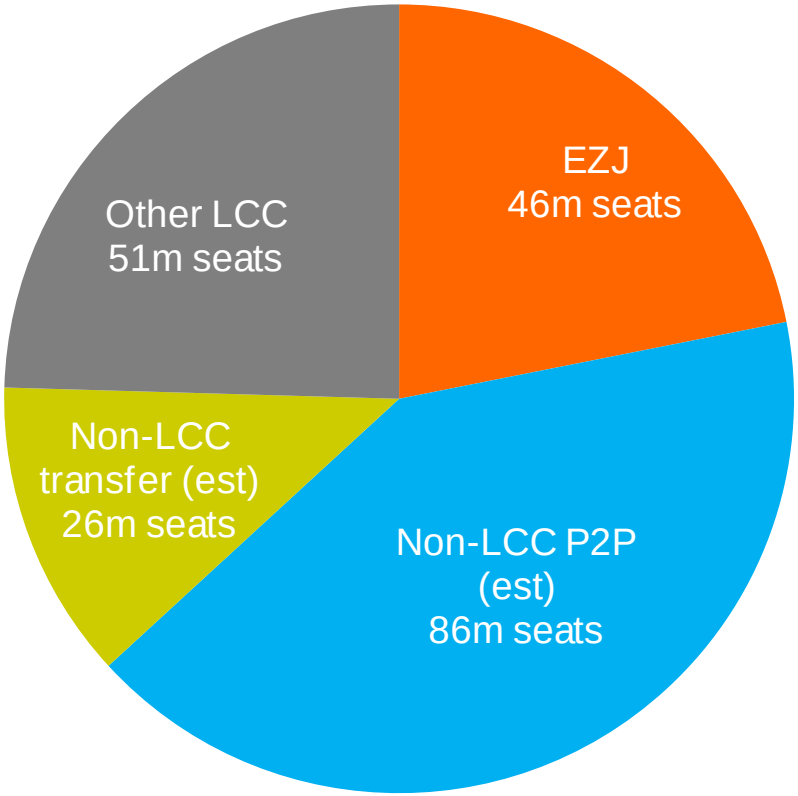
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Growing returns

Clear opportunity to deliver sustainable growth and returns for shareholders

Profitable opportunities within existing markets

Share of traffic within easyJet's top 20 airports



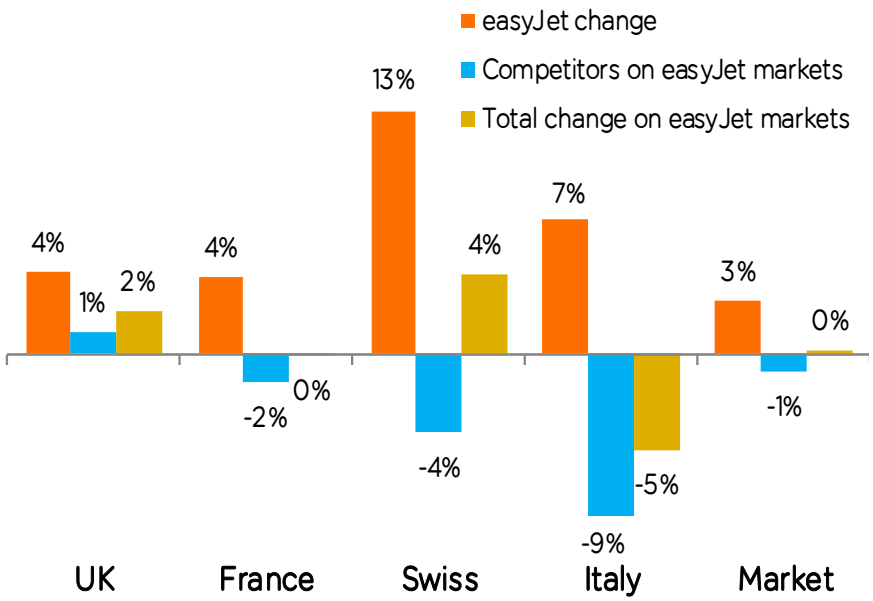
Growth in existing markets

- easyJet has approximately 22% share of capacity at its top 20 airports – equating to around 46 m seats
- Other low cost carriers (LCCs) have ~25% share
- Non-LCCs account for 53%, with 12% estimated to be for connections to long haul flights
- 41% or 86m seats opportunity within easyJet's top 20 airports

Source:
Market size sourced from OAG data based on easyJet definition of short-haul routes; estimates of transfer traffic obtained from airport and company external announcements. P2P = point to point; LCC = Low-cost carrier.

Continued competitor capacity retrenchment

Capacity growth H2‘ F’13 (OAG)



Capacity change (YOY)	H2’12 capacity	H1 ‘13 capacity	H2’13 capacity
Competitors on EZJ routes	-3.0%	-2.8%	-1.0%
easyJet	+7.5%	+3.3%	+3.5%
Market on easyJet routes	-0.1%	-1.0%	+0.1%
Competitors in total SH market	-1.1%	-4.6%	+0.1%

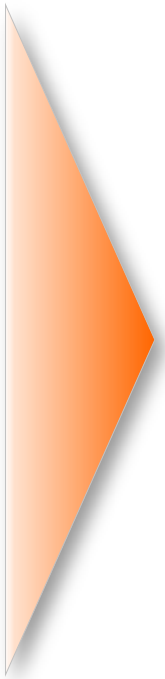
Rate of competitor capacity withdrawal expected to slow going into summer

Source:
Market share data from OAG. easyJet routes based on internal easyJet definition. Based on April download for the six months to 31 March 2013. Forward looking data based on 6 months ending 30 September 2013. Adjustments made to forward looking capacity to remove outliers and conform with easyJet and analyst views.

Strategy to drive growth and returns

Leverage easyJet's cost advantage, leading market positions and brand to deliver point-to-point low fares with operational efficiency and friendly service for our customers

1. Build strong number 1 and 2 network positions
2. Drive demand, conversion and yield across Europe
3. Maintain cost advantage
4. Disciplined use of capital



- Sustainable growth
  - (slightly in excess of market c. 3% to 5% per annum)
- Improved returns
- Tangible and regular cash returns via 3x cover dividend

1. Network: Build strong number 1 & 2 positions

1. Network positions

Building strong number 1 or 2 positions at major airports(1)

Airport	Share	Position
London Gatwick	46%	No.1
Geneva	38%	No.1
Milan Malpensa	37%	No.1
Paris Orly	13%	No.2
Lisbon	13%	No.2
Paris CDG	11%	No.2
Amsterdam	10%	No.2

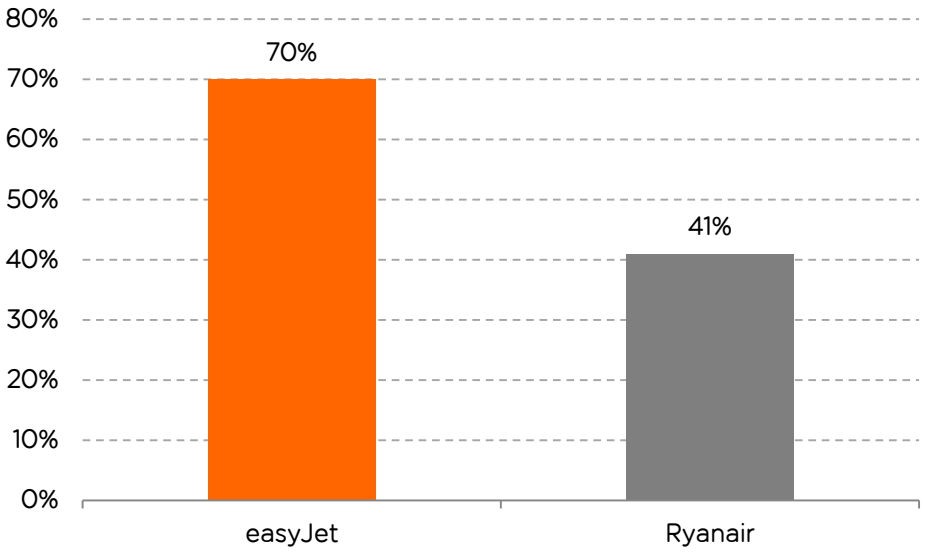


- Highest returns where we have a strong relative market share and cost advantage
- Economies of scale and market presence

(1) Market shares based on OAG capacity shares for 12 months to end September 2012

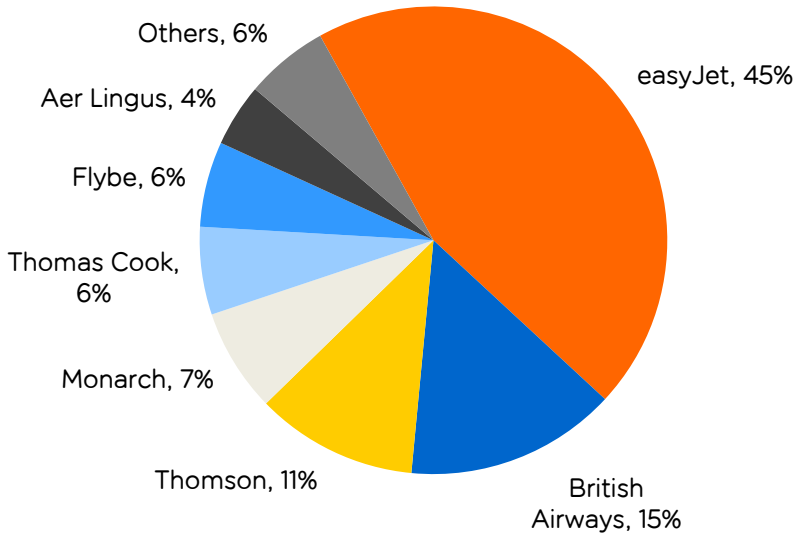
1. Network: Strong slot position at key airports

Percentage of capacity in Level 3 co-ordinated airports



- easyJet has a strong position at more congested (and popular) airports which supports our position in these markets

Summer '12 Gatwick departures 0600-0855

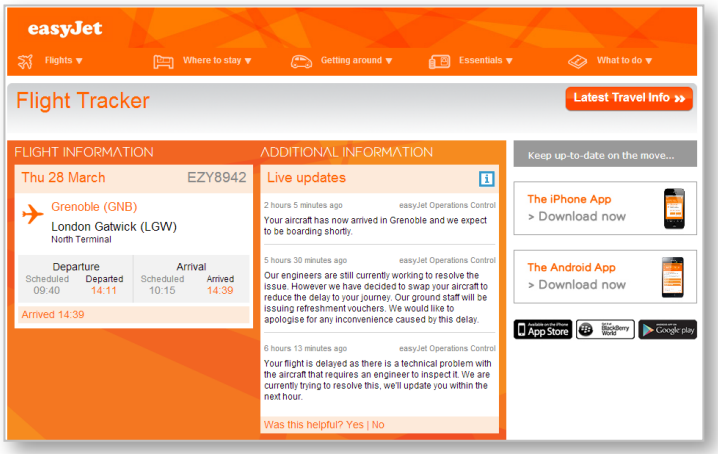


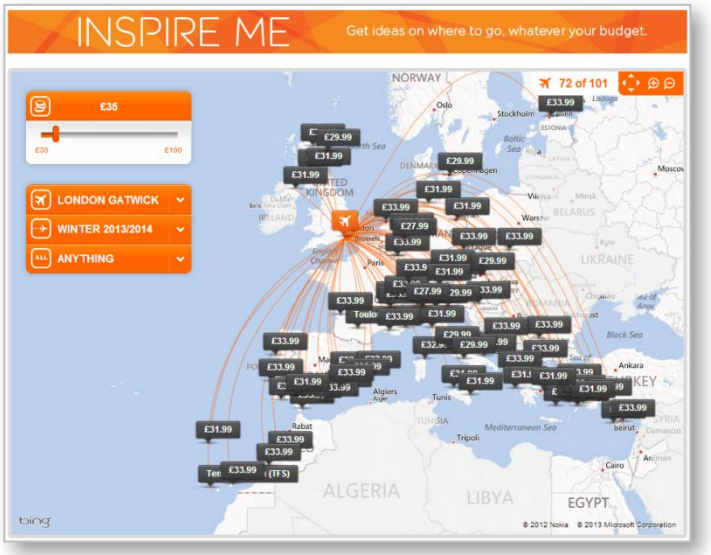
- easyJet has strong position in Gatwick first wave – enables large portfolio of business friendly timings

2. Drive demand: Digital developments

Developments

- easyJet is the 3rd most searched for airline globally
- **easyJet App** now has 4.5m downloads
- **Flight tracker introduced** used over 4 million times since launch
  - Over 4,000 updates posted
- **Inspire me** launched in October
- **Mobile boarding cards** being rolled out and now live in over 50 airports

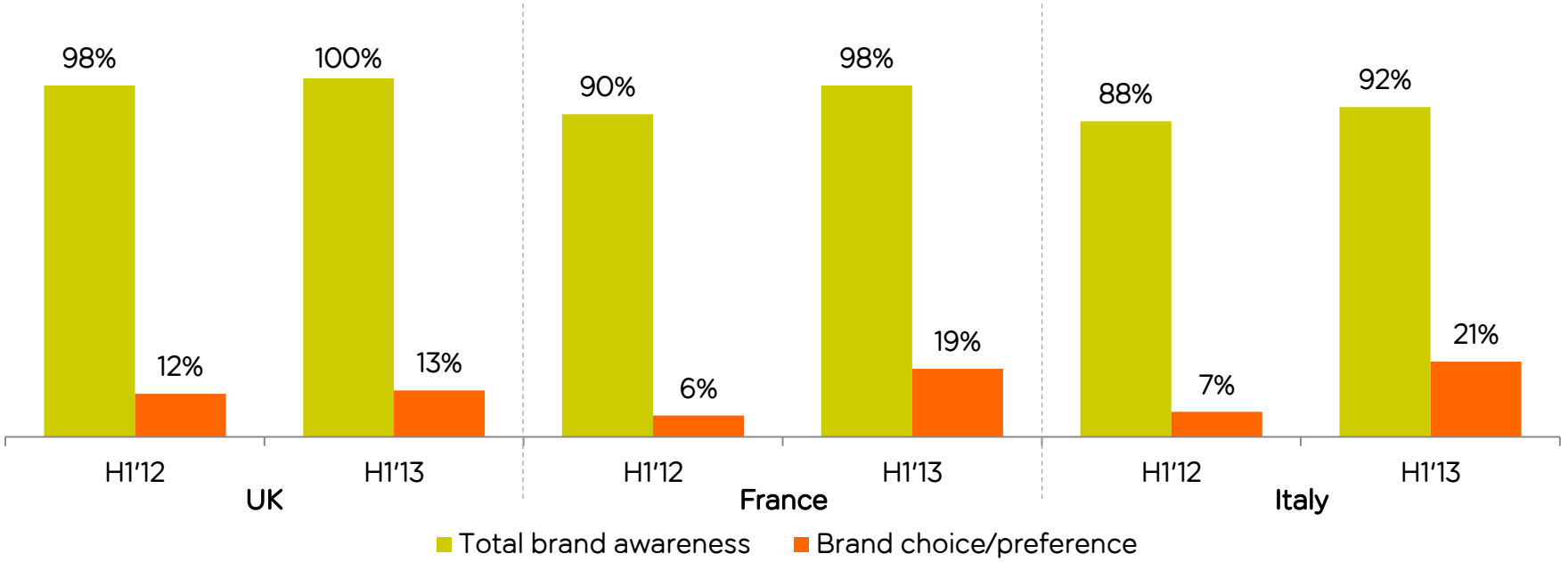




Marketing strategy is increasing traffic to easyJet and improving conversion rates

2. Drive demand: Brand recognition scores improving

2. Drive Demand

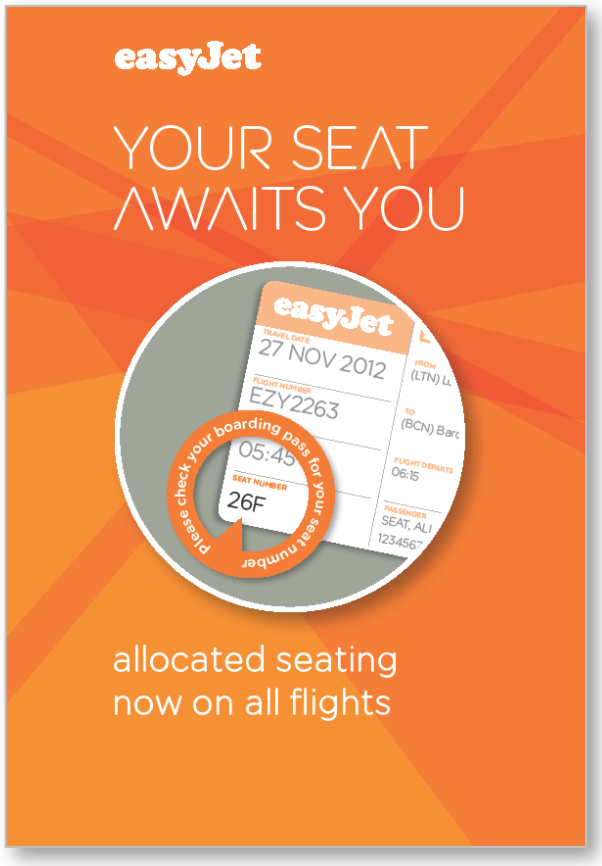


Brand strength is building:

- Sustained strong brand awareness in all markets
- Consideration still growing, and Europe continuing to match strong UK levels
- 1 in 5 consumers in both France and Italy consider easyJet to be their first choice airline, up from less than 1 in 10 a year ago.

Source: 2013 data based on Millward Brown research commissioned by easyJet. 2012 data normalised based on GfK CSAT

2. Drive demand: Allocated seating on track



Delivered against objectives

1. **No impact on asset utilisation**
   - Strong operational performance, best in class OTP
2. **No negative impact on cost per seat**
3. **Drive increased customer satisfaction**
   - Satisfaction with boarding experience has increased by 2.6 percentage points year on year to 70.5%*
4. **Generating higher returns than speedy boarding**
   - Allocated seating drove an incremental £8 million sales over Speedy Boarding in the first half

easyJet's focus remains on minimising the operational impact of the change to allocated seating over the busy summer schedule

*Source : Gfk & weighted Millward Brown for six months to March '13 vs 6 months to end March '12.

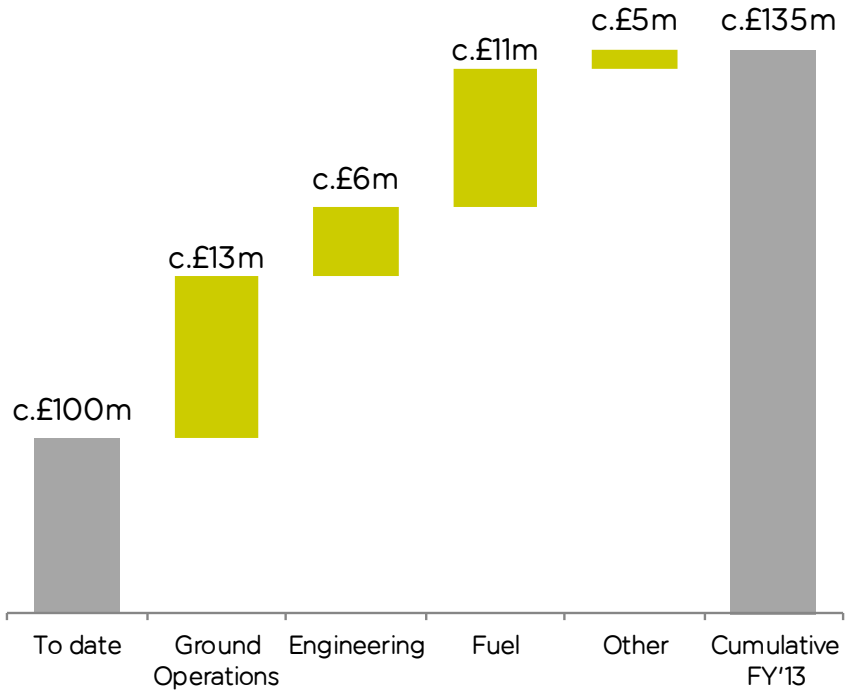
3. Cost: easyJet lean

3. Cost Advantage

F'13 target areas

- Optimise turn-time further
- Further optimise Ground Operations contracts and costs
- Opportunities from mini-base openings
- Merchant acquisition fees
- Head office efficiency

Targeting an additional £35m in FY'13



c.£110 million delivered to date; further opportunities to deliver savings to offset inflation, maintain easyJet's cost advantage and to protect margins

3. Cost: Innovating to reduce cost

Bendibelt

- New technology to load bags onto aircraft
- Reduces headcount required to load bags from 3 to 2 people



Forced air de-icing

- Trialling forced Air technology
- Potential to reduce de-icing fluid usage by c. 40-50%

Reducing weight & fuel burn

- Lightweight seats
- Lightweight trollies
- Lightweight carpets
- Sharklets

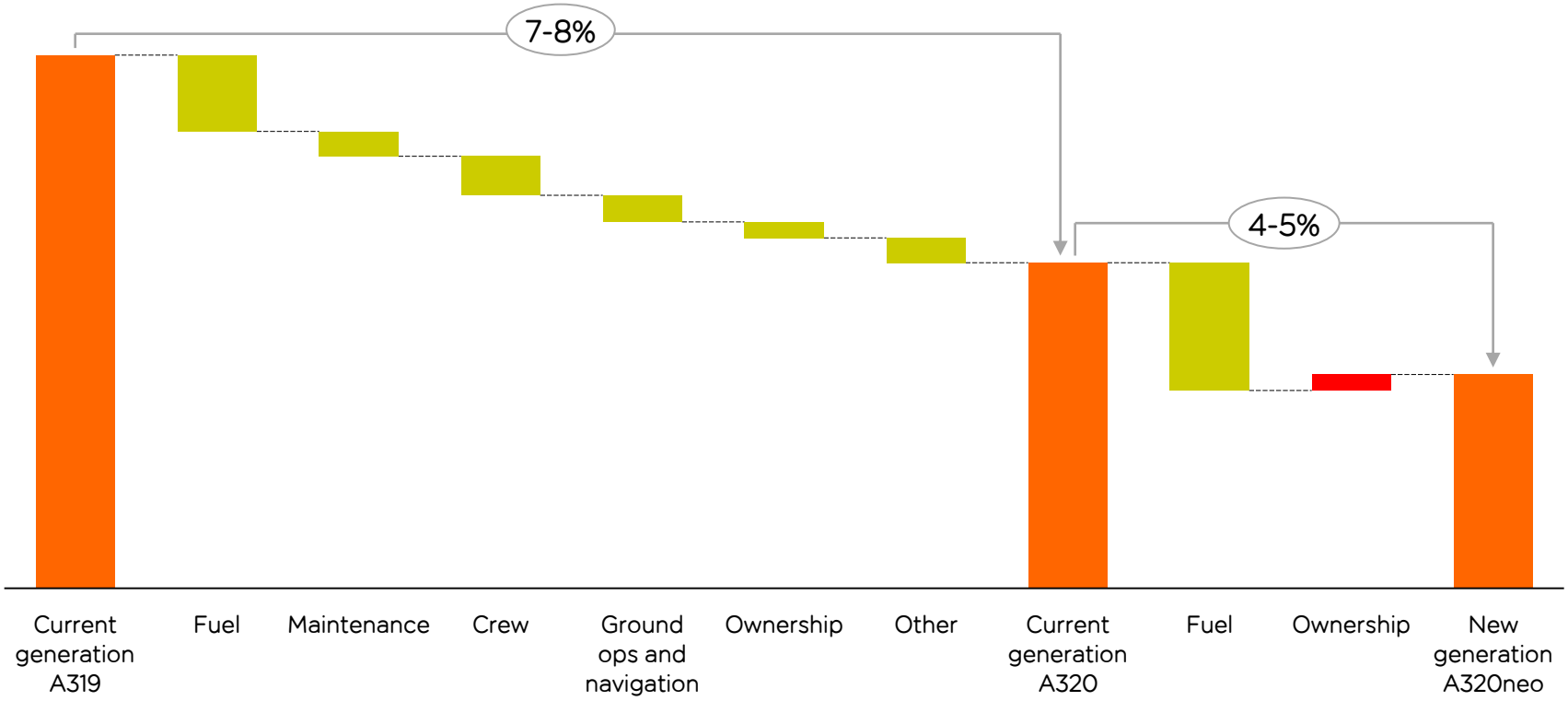




Fleet order will enhance cost position

Move to 180 seat A320 enhances easyJet's cost per seat advantage

Move to new generation will allow easyJet to maintain its cost advantage



Total cost saving of 11-12% against current 156 seat aircraft

Chart assumes fuel at US$1,100/tonne

Clear set of financial objectives

4. Capital Discipline

	Objectives	Measures	FY'12 Progress
Return Targets	• Earn returns in excess of cost of capital through the cycle • Invest in growth opportunities where returns are attractive	• Improve PBT per seat to GBP5 • Post tax ROCE of 12% through the cycle*	✓ PBT improved by 84p to £4.81 ✓ ROCE of 14.5%(1) (11.3% on new basis)
Capital Structure & Liquidity	• Ensure robust capital structure • Return excess capital to shareholders • Maintain sufficient level of liquidity to manage through the cycle and industry shocks	• Maximum gearing of 50% • Minimum GBP 4m cash per aircraft	✓ Gearing 29% ✓ £4.1m cash per aircraft
Dividend Policy	• Target consistent and continuous payouts	• 5x cover, subject to meeting gearing and liquidity targets • Annual payment based on full year PAT; introduced for FY 11, payable 2012 • Consider returns over 5x cover to reduce excess capital	✓ Dividend: changed to 3x cover ✓ Increased dividend payment ✓ £150m special divi paid March 2012
Aircraft Ownership	• Maintain flexibility around fleet deployment and size	• Target of 70% owned aircraft, 30% leased aircraft	✓ 26% leased(2)
Hedging	• Insulate short term operating performance against adverse movements in fuel price and exchange rates	• 65%-85% of the next 12 months' anticipated requirements • 45%-65% of the following 12 months' anticipated requirements	✓ In line with policy

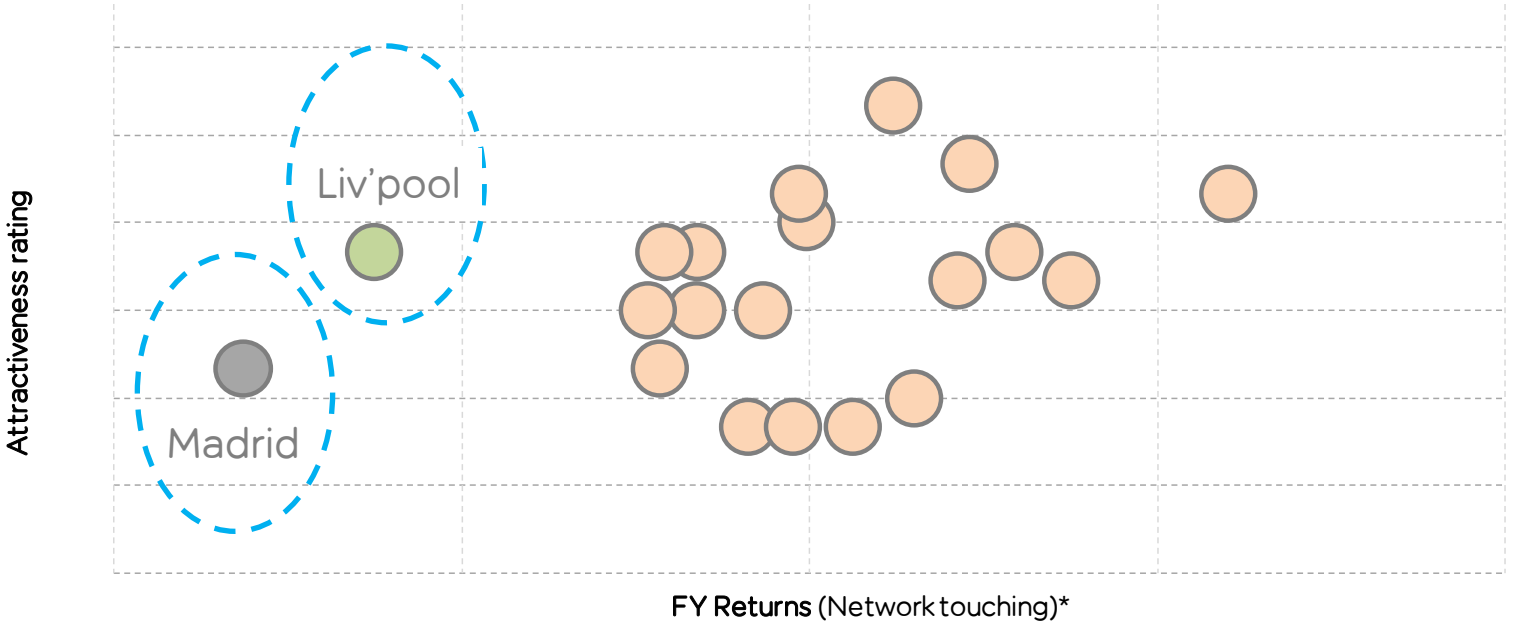
Delivering on financial objectives

(1) ROCE shown on "old" basis – excluding capitalised leases
(2) Will be c.30% following conclusion of sale and leaseback

Investing in returns and growth

4. Capital Discipline

Relative attractiveness vs. returns of major network points

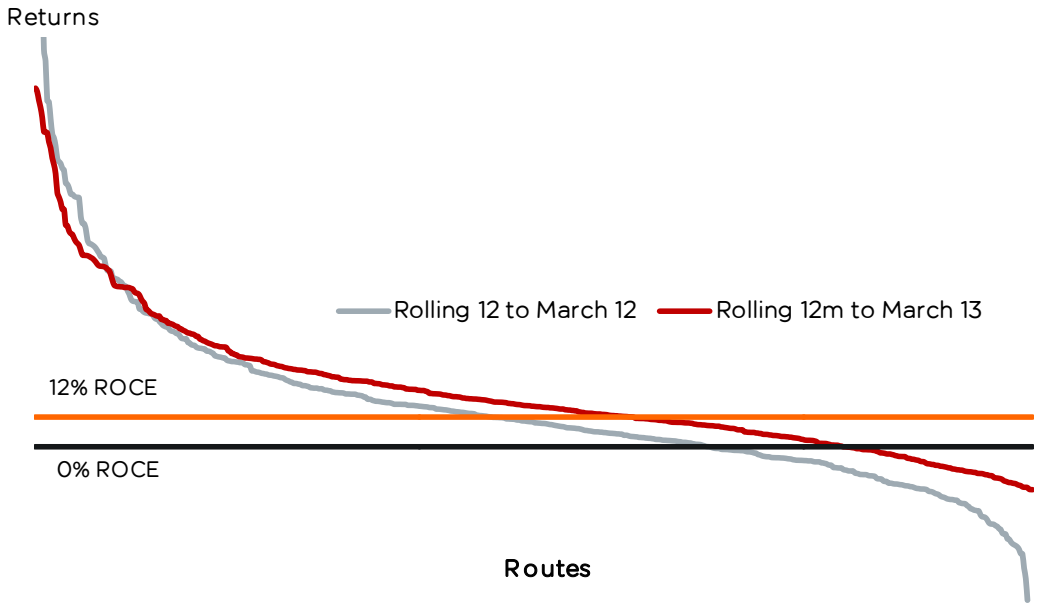


Framework for evaluating network

- Reallocated capacity to higher returns and growth opportunities e.g. France and Italy
- Network validated by leading aviation network consultancy
- Action taken to improve performance
  - Closure of Madrid base
  - 2 aircraft moved out of Liverpool

4. Continued growth in network returns

Rolling 12 months returns: April – March '13 vs. April to March '12



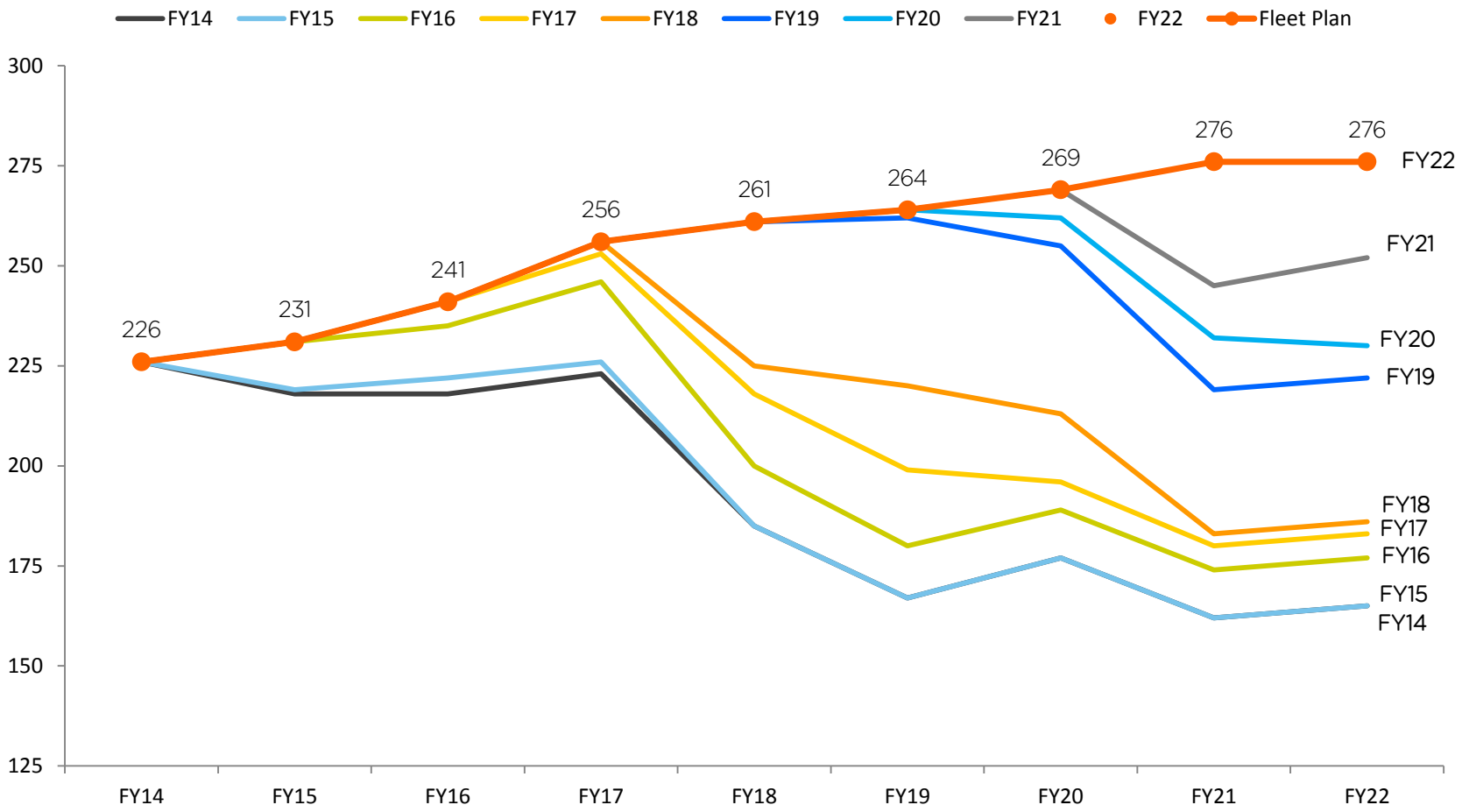
Improving network returns year on year

Improving returns

- In 2012 - 56 routes were delivering less than 40% of average ROCE; now only 20 routes
  - 18 Improved
  - 18 Dropped. E.g.
    - Liverpool: Brussels
    - Brest : Paris CDG
- Madrid closure implemented efficiently
  - June'12 – proposed closure
  - Dec'12 – closure completed
  - Q2'13 – improving returns
- Growing capacity on high performing routes

Flexible fleet arrangements

4. Capital Discipline

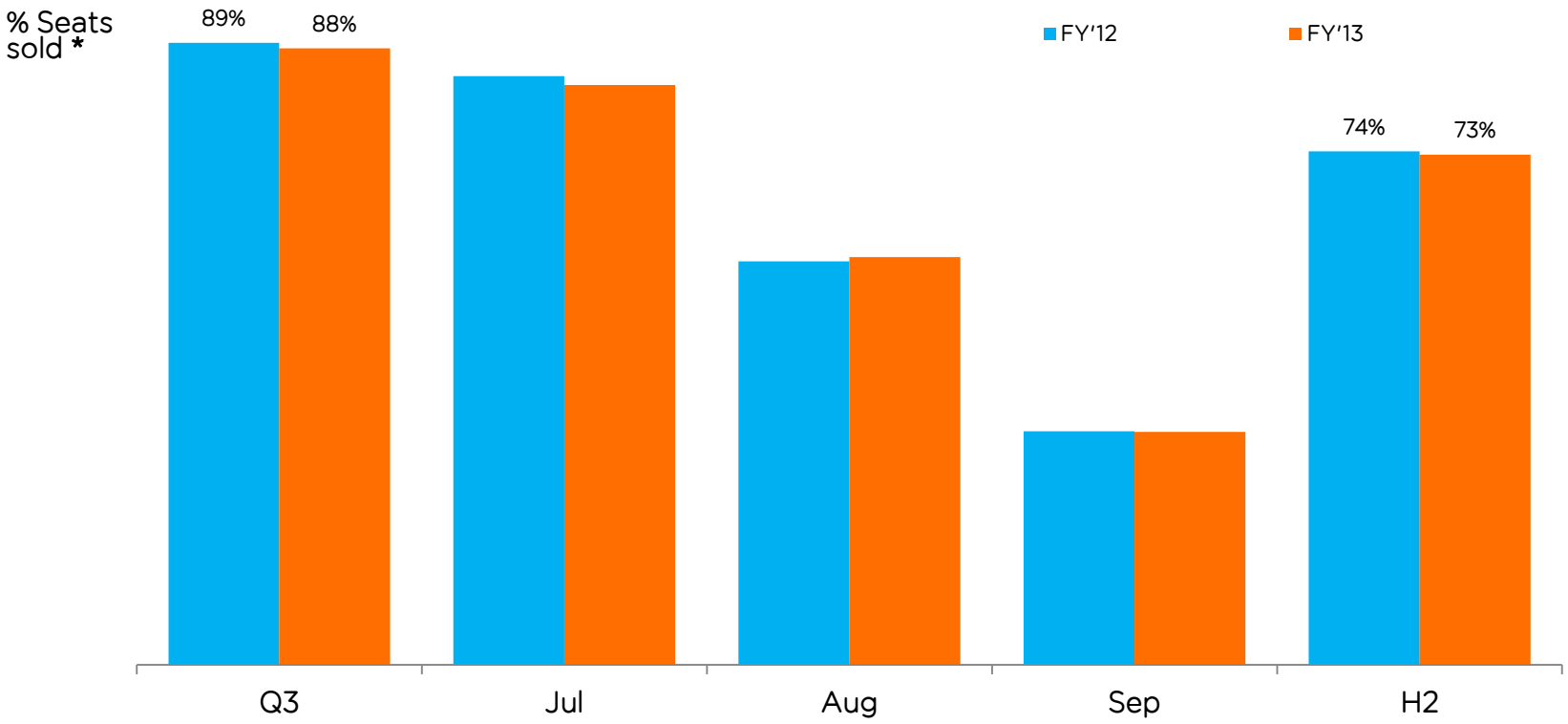


Ability to downsize fleet to 165 aircraft by 2022 if conditions dictate

OUTLOOK AND RECENT TRENDS

Forward bookings

H2 bookings in-line with prior year



* As at 18 July 2013
H2 (Apr'13 to Sept'13)

Hedging update

	Fuel requirement	US Dollar requirement	Euro surplus
Three months to 30 September 2013	85%	82%	83%
Average rate	$974/ tonne	1.59	1.17
Full year ending 30 September 2013	85%	83%	85%
Average rate	$983/ tonne	1.60	1.18
Full year ending 30 September 2014	67%	65%	73%
Average rate	$984/ tonne	1.58	1.20

Sensitivities FY'13

- $10 movement per metric tonne impacts F'13 PBT by +/-$0.8m
- One cent movement in £/$ impacts F'13 PBT by +/-£0.5m
- One cent movement in £/€ impacts F'13 PBT by +/-£0.2m

Sensitivities FY'14

- $10 movement per metric tonne impacts F'14 PBT by +/-$6m
- One cent movement in £/$ impacts F'14 PBT by +/-£3m
- One cent movement in £/€ impacts F'14 PBT by +/-£2m

Rates as at 22 July 2013: Euro to sterling 1.1630; US$ to sterling 1.5326; Jet fuel cif US$986per metric tonne .
FX sensitivities shown relate to the impact of changes in the fx rate on the unhedged element of currency over and away from the outlook statement and the rates shown above

Outlook

Capacity (seats flown)

- Q4 c.+3.1% (assuming no further significant disruption)
- H2 c.+3.3% (assuming no further significant disruption)

Revenue per seat (constant currency)

- H2 up to 6% (assuming no further significant disruption)

Cost per seat ex fuel (constant currency)

- H2 c.+4% (assuming no further significant disruption)

Fuel and foreign exchange

- It is estimated that at current exchange rates(1) and with fuel at around $985 m/t, easyJet's unit fuel bill for the second half of the financial year will be around £9 million favourable year on year
- Using current exchange rates(1), it is estimated that year on year exchange rate movements (including those related to fuel) will have an adverse impact of around £10 million in the second half of the financial year.

easyJet is performing strongly driven by a combination of management initiatives and a benign capacity environment for easyJet in 2013. Therefore the Board expects that pre-tax profits for the year ended 30 September 2013 to be between £450 million and £480 million assuming no further significant disruption.

(1) based on spot rates:, US $ to £ sterling 1.5326 euro to £ sterling 1.1630 Jet fuel cif US$986per metric tonne as at noon on 22 July 2013

RECENT FINANCIAL INFORMATION

FY'12: P&L

£m	F '12	F '11	Change
Total revenue	3,854	3,452	11.6%
Fuel	(1,149)	(917)	(25.3)%
Operating costs excluding fuel	(2,174)	(2,067)	(5.1)%
EBITDAR	531	468	13.5%
Ownership costs	(214)	(220)	2.7%
Profit before tax	317	248	27.9%
PBT margin	8.2%	7.2%	1.0 ppt

FY'12: Financial results

£m	F '12	F '11	Change
Profit before tax	317	248	27.9%
Tax charge	(62)	(23)	(169.6)%
Profit after tax	255	225	13.3%
Effective tax rate	19.6%	9.3%	(10.4) ppt
Earnings per share	62.5p	52.5p	19.0%
Ordinary dividend per share	21.5p	10.5p	104.8%
Special dividend per share	-	34.9p	-
Return on capital employed - excluding operating leases	14.5%	12.7%	1.8 ppt
Return on capital employed - including operating leases	11.3%	9.8%	1.5 ppt
Return on Equity	14.6%	14.0%	0.6ppt

H1'13: Financial Results

£m	H1'13	H1'12	Change B/(W)
Total revenue	1,601	1,465	136
Fuel	(496)	(483)	(13)
Operating costs excluding fuel	(1,042)	(982)	(60)
EBITDAR	63	-	63
Ownership costs	(124)	(112)	(12)
Loss before tax	(61)	(112)	51
EBITDAR margin	3.9%	0.0%	3.9ppt
Loss before tax margin	(3.8%)	(7.6%)	3.8ppt

H1'13: Strong balance sheet

£m	Mar '13	Mar '12
Property, plant and equipment	2,192	2,193
Goodwill and other intangible assets	456	452
Other assets	554	591
Liabilities (excluding debt)	(1,968)	(1,772)
	1,234	**1,464**
Debt	761	1,169
Cash and money market deposits	(1,194)	(1,211)
Net debt / (cash)	(433)	(42)
Shareholders' equity	1,667	1,506
Capital employed	**1,234**	**1,464**
Gearing*	11%	31%

*Gearing defined as (debt + 7 x annual lease payments – cash) divided by (shareholders' equity + debt +7 x annual lease payments – cash)

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