SLOTS

THE BENEFITS OF STRATEGIC SLOT MANAGEMENT

Richard Matthews
Slot strategy & scheduling manager

8th March 2013

europe by easyJet

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. Maintain cost advantage
3. Drive demand, conversion and yields across Europe
4. Disciplined use of capital

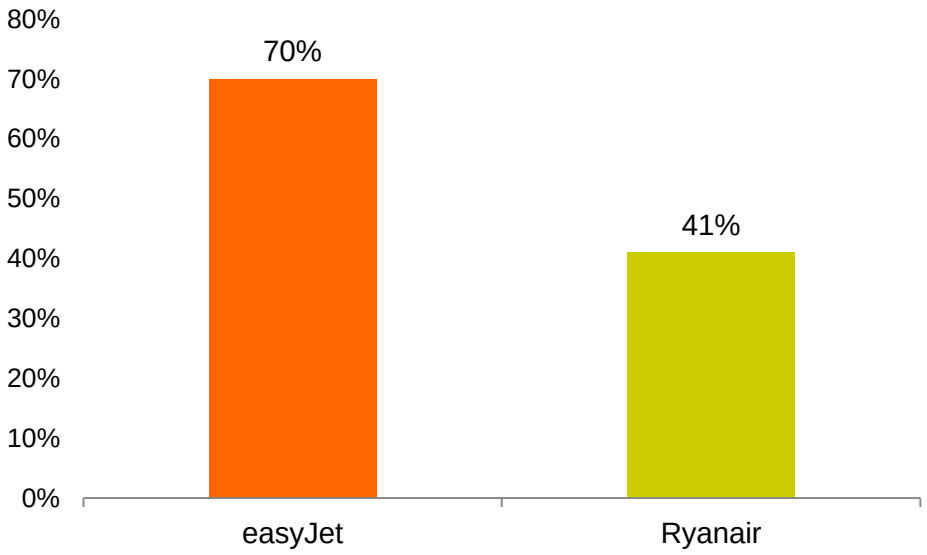
- Sustainable growth
  - (slightly in excess of market c. 3% to 5% per annum)
- Improved returns
- Tangible and regular cash returns via 3 x cover dividend

easyJet's network uniquely positioned

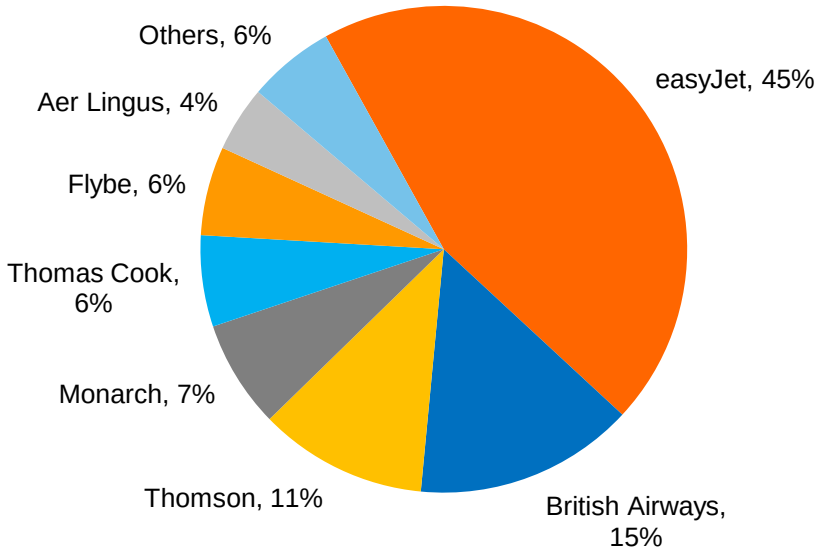
- Pan European network focused around primary markets
- Route portfolio and network flexibility ensures broad appeal across consumer types
- Absolute focus on ROCE and continual performance management of the network
- Strong platform gives easyJet significant potential for future profitable growth

Strong slot position at key airports

Percentage of capacity in Level 3 co-ordinated airports



Summer 12 Gatwick departures 0600-0855



- easyJet has a strong position at more congested (and popular) airports which supports our position in these markets
- easyJet has strong position in Gatwick first wave – enables large portfolio of business friendly timings

So what are slots?

- Take off and/or landing permissions in order to fly to certain airports
- Slot Co-ordinators in airports test our slot request against:
  - slot priority rules
  - constraints

Constraints include

- Hourly runway flows - for arrivals & departures
- Runway sub-constraints - to spread flights evenly throughout the hour
- Terminal Constraints - to control the flow of passengers through Security or Baggage Halls
- Stand Constraints - to control flights based on available parking

Examples of airport slot constraints

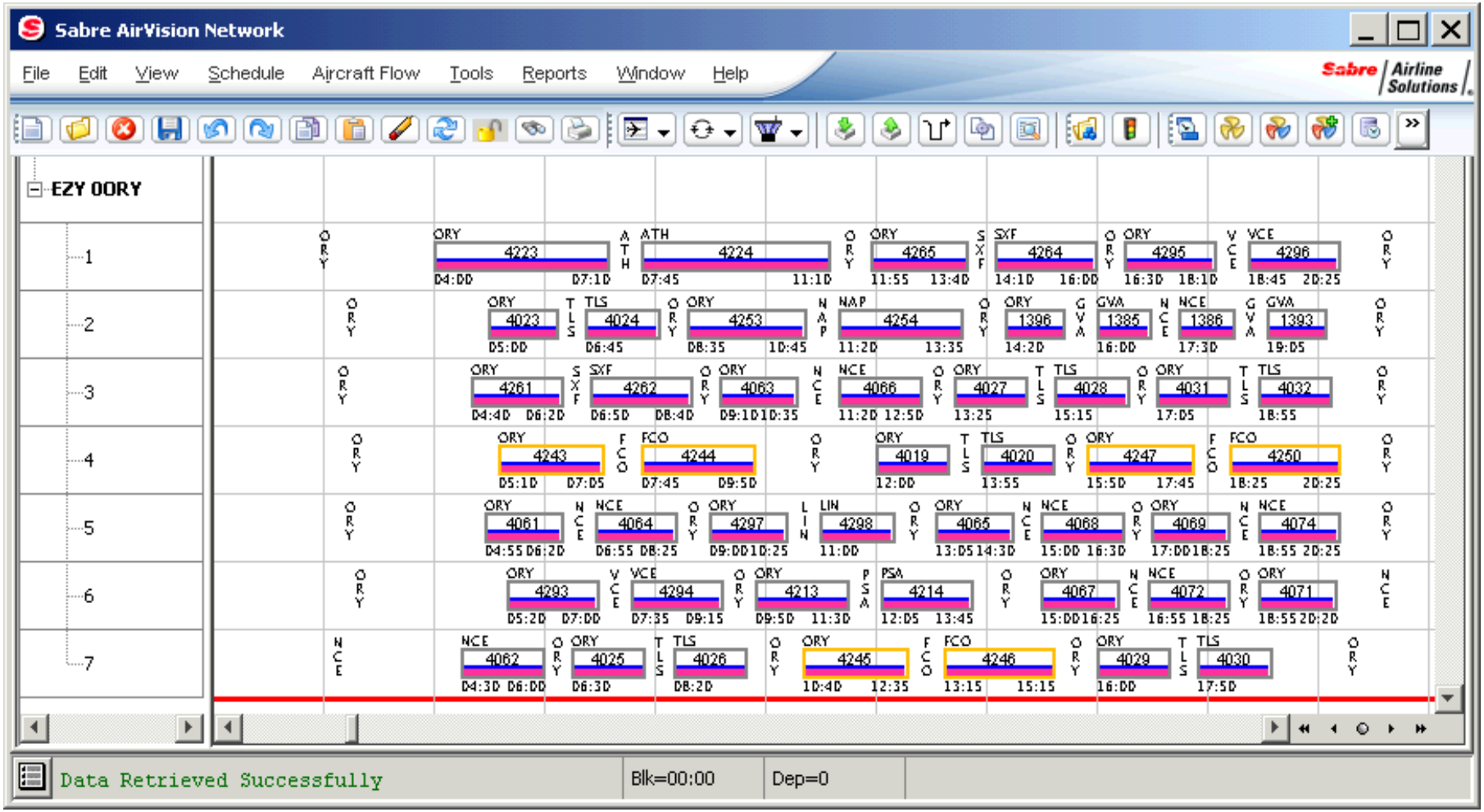
London Gatwick (LGW) - Up to 52 total slots per hour

- Up to 32 of which can be departures (depending on the hour)
- Hourly 'spread' is achieved through 15 minute limits, 13-14 slots in each
- Quarter hours start at 10, 25, 35 and 50 mins past each hour

Paris Charles de Gaulle (CDG) - Up to 110 total slots per hour

- Up to 66 of which can be departures (depending on the hour)
- Hourly 'spread' is achieved through 10 minute limits, 12-13 slots in each

ORY S12 – A typical aircraft schedule plot



Process for obtaining slots

Slots allocated twice yearly

- Summer seasons in November (March-October 30 week season)
- Winter seasons in June (October to March 22 week season)

Slot applications consist of flights in the following categories

- Historic flights – automatic roll-over of rights from prior year
- Re-timed flights
- Changed slots
- New slots

Slot trading outside of the UK is under review by EU

The easyJet slot success story

1. **Research the target airports of interest**
   - Assess the congested 'peak timings'
   - Assess competitor slot movements
   - Try to influence the creation of capacity increases through negotiation with co-ordination committees
   - Identify if higher priority slot application codes can be used
2. **We don't give up after initial offer**
   - Initial slot allocations are often sub-optimal
   - Slot co-ordinators do not always exhaust all possibilities to optimise allocations
   - Airlines often 'hold' slots which they do not intend to operate
   - Other airlines also have sub-optimal timings: swaps
3. **We protect and build our slot portfolios for future seasons**
   - Timings are managed to hold slots at the edge of peaks
   - Track slot availability during a season
   - Add 'incremental' flights part way through seasons to maximise year-round priority for the next season

Key challenges

1. Does size matter? Is scale in an airport a help or a hindrance?

- ✓ Ability to manage portfolio as you hold a range of slots throughout the day
- ✓ Use slots for both inbound & based aircraft
- ✓ Can present a more credible argument to airport to obtain extra slots when available e.g. increasing frequencies from LGW to MXP
- ✗ Airport slot co-ordinators expect large carriers to fix their own scheduling challenges
- ✗ New entrants getting priority



2. Inconsistencies across airports

- ✓ Common sets of rules across Europe
- ✗ Different systems & interpretations of rules

3. Maintaining slots over winter

- ✓ 80% rule: 80% of 80%

Slot ownership

- Slots are governed by EU law
- They can be acquired in 3 ways
  - allocation from a slot co-ordinator (the body that governs slots at an airport)
  - by purchase/lease/trade from another airline (the legal basis for this is the most transparent in the UK and slot trading is hard to achieve outside the UK)
  - from remedies attached to airline mergers - these are few and far between but can be useful, e.g. for our new Milan Linate/Rome route
- Slots can only be retained if they are used
- Retention is governed by a 'use it or lose it' rule
- Our ability to acquire and retain slots is central to our value

Changes to EU legislation

- EU Commission has proposed changes to slot regulation
- Still being debated with EU Parliament
- We broadly supported the proposals
- Do not expect any significant negative impact from change - with potential positive gains
- Potential for legal clarity over slot trading across Europe - making it easier to acquire slots at key airports such as Paris Orly and Milan Linate
- It may lead to a requirement for airlines to use slots for longer periods in summer and winter, consistent with easyJet's business model of less seasonal flying than the charter carriers

In summary

- We employ skilled slot experts with prior slot co-ordination experience – over 25 years co-ordination experience in our team
  - This experience and people network enable us to forge strong relationships with slot coordinators across Europe
- We use skilled schedulers to marry this slot knowledge with an ability to re-work schedule with lines-of-flying
  - Routes can be reversed and moved from base to base to create room in places (bases) where we want to grow
- We work slot portfolios to protect key hours, retain competitive advantage and enable opportunities for future growth

THANK YOU

QUESTIONS?

europe by easyJet

Disclaimer

This communication is directed only at (i) persons having professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001; or (ii) high net worth bodies corporate, unincorporated associations and partnerships and trustees of high value trusts as described in Article 49(2) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2001. Persons within the United Kingdom who receive this communication (other than those falling within (i) and (ii) above) should not rely on or act upon the contents of this communication. Nothing in this presentation is intended to constitute an invitation or inducement to engage in investment activity for the purposes of the prohibition on financial promotion contained in the Financial Services and Markets Act 2000.

This presentation has been furnished to you solely for information and may not be reproduced, redistributed or passed on to any other person, nor may it be published in whole or in part, for any other purpose.

This presentation does not constitute or form part of, and should not be construed as, an offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of easyJet plc ("easyJet") in any jurisdiction nor should it or any part of it form the basis of, or be relied on in connection with, any contract or commitment whatsoever. This presentation does not constitute a recommendation regarding the securities of easyJet. Without limitation to the foregoing, these materials do not constitute an offer of securities for sale in the United States. Securities may not be offered or sold into the United States absent registration under the US Securities Act of 1933 or an exemption there from.

easyJet has not verified any of the information set out in this presentation. Without prejudice to the foregoing, neither easyJet nor its associates nor any officer, director, employee or representative of any of them accepts any liability whatsoever for any loss however arising, directly or indirectly, from any reliance on this presentation or its contents.

This presentation is not being issued, and is not for distribution in, the United States (with certain limited exceptions in accordance with the US Securities Act of 1933) or in any jurisdiction where such distribution is unlawful and is not for distribution to publications with a general circulation in the United States.

By attending or reading this presentation you agree to be bound by the foregoing limitations.