

28 July 2010

**EASYJET INTERIM MANAGEMENT STATEMENT FOR THE QUARTER ENDED
30 JUNE 2010**

Highlights:

- Total revenue up by 5.3% to £759.2 million
- Total revenue per seat increased by 3.5% to £53.23, driven by passenger revenue growth up 4.5% (reported and constant currency) reflecting the strength of the easyJet network
- Volcanic ash caused significant disruption to the operation in the period with 7,314 flights cancelled impacting nearly a million passengers and costing an estimated £65 million in lost contribution and additional costs caused by application of EU Regulation 2004/261
- Seats flown grew by 1.7%, before the impact of the volcano planned seat growth was 10%. The load factor increased by 1.4 percentage points to 86.1%
- Improvement in underlying margins with operating costs⁴ per seat at constant currency, excluding fuel, up 1.8% excluding the additional cost resulting from the disruption to European airspace from volcanic ash
- Strong balance sheet with cash and money market deposits of £1,304 million (excluding restricted cash), consequently easyJet had net cash of £47.1 million at 30 June 2010
- Forward bookings are in line with the prior year and with 64% of the fourth quarter seats now sold the company continues to expect to make a pre-tax profit for the year of between £100 million and £150 million at current exchange rates and fuel prices

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

"easyJet has continued to deliver a good commercial performance in the quarter with total revenue up 5.3%. This was in spite of the challenges presented by significant disruption caused by volcanic ash and, more recently, the combination of air traffic control industrial action and crewing issues in some parts of our network. We have put a mitigation plan in place in response to these recent issues in order to minimise the future impact to our passengers and staff.

The Company continues to expect to make a pre-tax profit for the year of between £100 million and £150 million at current exchange rates and fuel prices. This performance demonstrates the quality of the easyJet network built around offering the lowest fares to the most convenient airports.

Chris Kennedy and I are now in our fourth week at easyJet and have been impressed by the enthusiasm of all the people we have met. We and the rest of the Board want to thank them for their efforts over the past quarter."

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A copy of this Interim Management Statement will be available at www.easyJet.com/investors

Three months ended	30 June 2010	30 June 2009	change %
Passengers (m) ¹	12.3	11.9	3.5
Seats (m)	14.3	14.0	1.7
Load factor (%) ²	86.1	84.7	1.4ppt
Total revenue (£m) ³	759.2	720.8	5.3
Passenger revenue (£m) ³	617.2	580.6	6.3
Ancillary revenue (£m) ³ Including checked bag charge	142.0	140.2	1.3
Total revenue per seat (£)	53.23	51.42	3.5
Passenger revenue per seat (£)	43.27	41.42	4.5
Ancillary revenue per seat (£) Including checked bag charge	9.95	10.00	(0.4)
Total revenue per passenger (£)	61.79	60.72	1.8
Average number of owned / leased aircraft	187.1	175.9	6.4
Average operating aircraft	177.4	161.3	10.0
Average utilisation (hours per day)	10.9	11.8	(7.2)
ASKs (bn)	16.2	15.6	3.5
RPKs (bn)	13.9	13.4	4.4
Average sector length (km)	1,135	1,116	1.8

Impact of the volcanic ash on the period results

The disruption to European airspace due to the eruption of the Eyjafjalla volcano had a significant impact on the financial results of the business in the period. Over 7,000 flights were cancelled impacting nearly a million passengers and causing an estimated lost profit of £65 million, full details of which are set out in the table below. Had the current more appropriate ash related flight restrictions been in place throughout the period of disruption, the estimated financial loss from the volcanic ash cloud would have been limited to around £20 million.

Lost contribution	£29m
Additional cost (e.g. contact centre)	£8m
Customer compensation (EU Regulation 261)	£28m
Total profit impact	£65m

easyJet's first priority during this unprecedented shut down of European airspace was supporting its customers and by implementing a number special measures easyJet was able to repatriate around 200,000 stranded passengers within 5 days of the airspace reopening.

The UK government has announced it will not be providing financial compensation to the airline industry for losses incurred as a result of the volcanic disruption. We are very disappointed by this decision effectively as EU Regulation 2004/261 puts airlines in the position of unlimited insurer of last resort in cases of natural disaster. Consequently, we intend to explore all options to secure compensation for the losses that easyJet has incurred.

Third quarter revenue and network performance

easyJet continued to deliver a good commercial performance in the third quarter despite the challenges presented by significant disruption caused by volcanic ash and, more recently, the combination of air traffic control industrial action and crewing issues in some parts of our network. Passenger numbers increased by 3.5% to 12.3 million. The majority of the growth reflects the continued development of non-UK originating passengers which increased by 3.7 percentage points to 53.1% of total passengers.

Overall, easyJet's capacity in seats flown increased by 1.7% in the quarter as easyJet continued its strategy of carefully targeting growth in markets which it believes will deliver improved margins. easyJet grew based capacity by 14.6% in mainland Europe; in Italy (+24%), France (+26%) and Spain (+17%) and at its bases in Switzerland by 5%. In the UK, easyJet capacity grew by 3% at Gatwick. However capacity was reduced at other UK bases such as Luton.

The load factor increased by 1.4 percentage points in the quarter to 86.1% and total revenue per seat improved by 3.5% to £53.23, (up 3.6% per seat on a constant currency basis). This was a resilient performance principally driven by:

- Growth in mainland Europe in markets such as France
- An improved performance in the UK as we continue to optimise the network, the termination of underperforming routes at Luton and the closure of the East Midlands base
- A benefit of around £7m as consumers switched to easyJet from British Airways during their recent period of industrial unrest
- Competitor withdrawal as airlines such as British Airways, Air France and Aer Lingus continue to reduce short haul capacity

Ancillary revenues were flat in the period at £9.95 per seat. The checked bag charge, declined by 1.1% in the period to £4.60 per seat as charges were waived in the period immediately after the volcanic disruption.

Ancillary revenues, excluding the checked bag charge, increased by 0.1% per seat in the quarter. This is despite the £2.5 million negative impact from regulatory changes to the sales process for insurance products. Hotel and car hire revenues have also declined against a difficult economic environment. As a result of our improved offering, on board spend per head has continued to increase and grew from £1.84 to £2.00. However a change in European Union VAT regulation has negatively impacted margins. Actions to mitigate this impact are now in place.

Third quarter cost performance

Operating costs⁴ for the quarter continue in line with expectations. At constant currency, operating costs per seat ex fuel were up 1.8%, before the £36 million of additional cost resulting from disruption caused by the volcanic ash cloud. Maintenance and ownership costs showed improvement per seat versus the prior year. Airport and ground handling costs were flat in the quarter as savings offset price increases. This reflects the ongoing delivery of the £190 million cost improvement programme by FY12 which we remain on track to achieve.

Crew costs per seat rose due to the impact of the volcanic ash cancellations and higher costs due to the increased proportion of crew on non-UK contracts.

Fleet and financing

During the quarter, easyJet took delivery of two A319s and two A320s. Three B737's and two ex GB Airways A320s were returned to lessors. The fleet stood at 188 aircraft as at 30 June 2010 (including four A321s held for sale).

easyJet has arranged to sell the four remaining ex GB Airways Airbus A321-200 aircraft ("Aircraft") to Airbus S.A.S or any affiliate or subsidiary of Airbus S.A.S. The Aircraft are being sold for a total cash consideration approximately equal to their aggregate book value, payable on completion. Therefore, no material profit or loss will arise as a result of the disposal of the Aircraft. However, the Company will incur certain costs in connection with the disposal, these costs are not expected to exceed £3.3 million at current exchange rates⁵ and will be shown in the financial results for the year ending 30 September 2010.

The sale is expected to complete in October 2010 subject to satisfaction of certain standard conditions. After redeeming the outstanding debt on the aircraft easyJet will generate a positive cash flow of £25 million on the transaction. The sale proceeds will be applied to normal business purposes.

The number of non operational aircraft reduced by four compared to the same period last year as easyJet seeks to improve the efficiency of its fleet. Nevertheless, utilisation in the period has been impacted by the volcanic ash closures of European airspace and hence average utilisation per aircraft reduced by 7.2% in the period from 11.8 hours to 10.9 hours per day.

Fleet plan	Total aircraft
At 30 September 2009	181
At 30 June 2010 ¹	188
At 30 September 2010	192
At 30 September 2011	200
At 30 September 2012	208

¹ Includes four A321 aircraft held for sale which are expected to exit the fleet in October 2010

easyJet is financially strong with £1,304 million of cash and money market deposits at 30 June 2010 consequently easyJet has net cash of £47.1 million. In the period, easyJet has awarded mandates to a number of financial institutions for approximately \$450m of additional debt financing at market leading rates as part of its rolling fleet financing program.

Brand License dispute

The court case over the interpretation of the brand licence agreement with easyGroup IP has concluded and we await judgement. Following the trial, easyGroup's lawyers have sent a letter to easyJet purporting that its on time performance is in breach of the Brand Licence and have given the company 90 days to cure the alleged breach or it will have the right to terminate the Brand Licence. easyJet is advised that that the Brand Licence does not impose or create any contractual obligation regarding on time performance and consequently easyGroup has no right to terminate the Brand Licence.

The Litigation Committee of the Board is committed to ensuring the optimal outcome for the Company and we remain reassured by robust advice from our professional advisers that the Company's interpretation of the brand licence is well-founded.

Hedging

To reduce short term earnings volatility easyJet has put the following fuel and currency hedging positions in place:

Three months to 30 September 2010

- 66% of anticipated US\$ requirement for the three months to 30 September 2010 hedged using forwards at \$1.60
- 80% of anticipated Jet requirement for the three months to 30 September 2010 hedged using forwards at \$726/MT
- 81% of anticipated euro surplus for the three months to 30 September 2010 hedged using forwards at €1.13

Full Year to 30 September 2011

- 51% of anticipated US\$ requirement for the full year to 30 September 2011 hedged using forwards at \$1.61
- 70% of anticipated Jet requirement for the full year to 30 September 2011 hedged using forwards at \$734/MT
- 52% of anticipated euro surplus for the full year to 30 September 2011 hedged using forwards at €1.09

Outlook

Forward bookings are in line with the prior year and with 64% of the fourth quarter seats now sold, total revenue per seat growth for the final quarter at constant currency is expected to be in the range of 2% to 3%. Therefore full year total revenue per seat at constant currency is expected to increase by around 2.5%, a better performance than originally expected.

Total operating costs excluding fuel at constant currency⁴ before volcanic ash related costs of £36 million and snow disruption costs of £21 million will be up by between 2% and 3% per seat for the full year. This one-off increase in costs compared to the prior year is because easyJet has put in place temporary mitigating actions to minimise the impact to our customers during the busy summer period from the combination of air traffic control industrial action and crewing issues in some parts of our network. It is not expected that the cost of these mitigating actions will continue into FY11.

Despite these additional one-off costs and the uncertain economic outlook the company continues to expect to make a pre-tax profit for the year of between £100 million and £150 million at current exchange rates and fuel prices⁵.

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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 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.

2. 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.
3. Represents statutory revenue (unaudited).
4. Excludes interest income and includes wet leasing.
5. Jet cif NWE August 2010 \$706 per metric tonne, US \$ to £ sterling 1.55, euro to £ sterling 1.20 .