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easyJet PLC - EZJ easyJet Trading Update
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EASYJET TRADING UPDATE, 6 OCTOBER 2016

Summary

- **easyJet delivers record passenger numbers and higher load factors in summer trading**
- **Strong profit before tax achieved despite major external shock events and disruption**
- **Cost focus continues with significant cost per seat reduction in the fourth quarter**

easyJet's leading European network continued to drive passenger growth in the three months ending 30 September 2016. Passenger numbers for the three months were a record 22.0 million with a strong load factor of 93.9%. Passengers have benefitted from the low fares across our network with revenue per seat at constant currency decreasing by 8.7% during the quarter compared to this same period in 2015.

easyJet has performed strongly in a difficult operating environment for all European airlines and in the three month period has been affected by major disruption, exchange rate fluctuations impacting holiday travel costs, the impact on demand from terrorist events and the low cost of fuel continuing to drive increased market capacity.

easyJet has grown capacity by 6.1% in the quarter compared to prior year, continuing to deliver its strategy of enhanced long-term competitive advantage through building leading positions at key airports in its core summer beach routes and its European City network.

Cost per seat excluding fuel at constant currency is expected to decrease by 1.1% for the full year, slightly better than previous guidance. Cost per seat at constant currency including fuel is expected to decrease by 4.6%. easyJet remains very focused on cost and has continued to drive structural improvements, such as in maintenance and overhead costs.

Significant exchange rate movements since the EU referendum result have had a net adverse impact on the Company. Foreign exchange rate movements are now expected to have around a £90 million adverse impact compared to the financial year to 30 September 2015, an increase of £35 million since 23 June.

easyJet's unit fuel¹ bill for the second half of the financial year is expected to decrease by between

£75 million and £80 million compared to the six months to 30 September 2015.

Outlook

easyJet's full year profit before tax is expected to be the range of £490 million to £495 million for the year to 30 September 2016. The effective tax rate for financial year 2016 will be low double digits, primarily due to the non-cash benefit arising from the recognition of deferred tax liabilities at the recently enacted 17% tax rate, which will have a beneficial impact on earnings per share. easyJet remains committed to declaring a full year dividend based on a payout ratio of 50% of post-tax income.

easyJet continues to see the current market environment as an opportunity to build and strengthen its strategic position for the long term. As previously guided, capacity is expected to grow by around 8% for the financial year ending 30 September 2017. Approximately 45% of seats are now sold for the first quarter, in line with last year. Revenue per seat in the first quarter continues to be down year on year and is currently expected to be broadly in line with the reduction seen in the fourth quarter 2016. Cost per seat excluding fuel and at constant currency is currently expected to increase by around 1% for the year to 30 September 2017, reflecting increased investment in operational resilience as well as the timing of longer term cost savings. This excludes the impact of a number of aircraft sale and leaseback transactions, plus the one off costs associated with the set-up of a European AOC and changes to the organisational structure, as well as the outcome of on-going union negotiations. easyJet remains committed to its target of flat unit cost per seat in Financial Year 2019 against Financial Year 2015, excluding fuel and at constant currency with normal levels of disruption. The foreign exchange headwind will continue into 2017 mainly driven by weaker Sterling against the US dollar affecting the cost of fuel. The total expected foreign exchange impact for the year to 30 September 2017 is around £90 million².

Carolyn McCall, easyJet Chief Executive, commented:

"easyJet continues to attract record numbers of passengers due to its wide range of destinations, convenient flight times and value for money fares. We have been disproportionately affected by extraordinary events this year but our excellent network, cost control and revenue initiatives and our strong balance sheet underpin our confidence in the business.

The current environment is tough for all airlines, but history shows that at times like this the strongest airlines become stronger. That is why we will continue to invest for the long term success of the business, establishing even stronger market positions, delivering excellent customer service and establishing new revenue opportunities for the future."

Outlook	Previous guidance at Q3	Revised Outlook
H2 capacity growth	c. +6.1%	+5.8%
Q4 revenue per seat (constant currency)	No specific Q4 guidance provided. -7.5% on 65% of Q4 seats booked (with risk to the down side due to Nice and Turkey)	-8.7%
FY cost per seat ex fuel (constant currency)	c. -1.0%	c-1.1%
H2 unit fuel cost ¹	£75 million - £85 million favourable	£75 million - £80 million favourable
H2 exchange rate movements	Up to £45 million adverse	c.£55 million adverse
Full year pre-tax profit	n/a	£490 million to £495 million

EASYJET PASSENGER STATISTICS FOR SEPTEMBER 2016

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Month ending	September 2016	September 2015	Change
Passengers ³	6,956,654	6,610,844	5.2%
Load Factor ⁴	91.1%	93.1%	(2.0)pp
Rolling 12 months ending	September 2016	September 2015	Change
Passengers ³	73,137,826	68,629,825	6.6%
Load Factor ⁴	91.6%	91.5%	0.1pp

There will be a conference call for analysts and investors at 0830 BST on 6 October 2016 with Andrew Findlay. Please contact Sarah MacRory sarah.macrory@finsbury.com +4 (0)207 251 3801 at Finsbury for details.

easyJet will publish its full year results on 15 November 2016 and will provide further details on its performance in the twelve months to 30 September 2016.

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1. Unit fuel calculated as the difference between latest estimate of FY'16 fuel costs less FY'15 fuel cost per seat multiplied by FY'16 seat capacity

	Fuel requirement	US Dollar requirement	Euro surplus	CHF surplus
Full year ending 30 September 2016	88%	86%	100%	87%
	\$811 / metric tonne	\$1.61	€1.23	CHF1.46
Full year ending 30 September 2017	81%	74%	82%	71%
	\$617 / metric tonne	\$1.52	€1.35	CHF1.41

2. The expected foreign exchange impact of £90m assumes the Sterling rate against the US dollar at 1.2716, against the Euro at 1.134 and against the Swiss Franc at 1.2433. A one cent movement in the £/\$ would impact the full year 2017 pre-tax result by +/- £3.0m.
3. 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.
4. 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 "stage") lengths.

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