easyJet
Chris Walton

Agenda

1. What's changed / not changed since the IPO?
2. Our current challenge
3. Focus on costs: what we're doing about airports
4. Focus on revenues: what we're doing for business travellers
5. Conclusion

What's changed since the IPO? (1)

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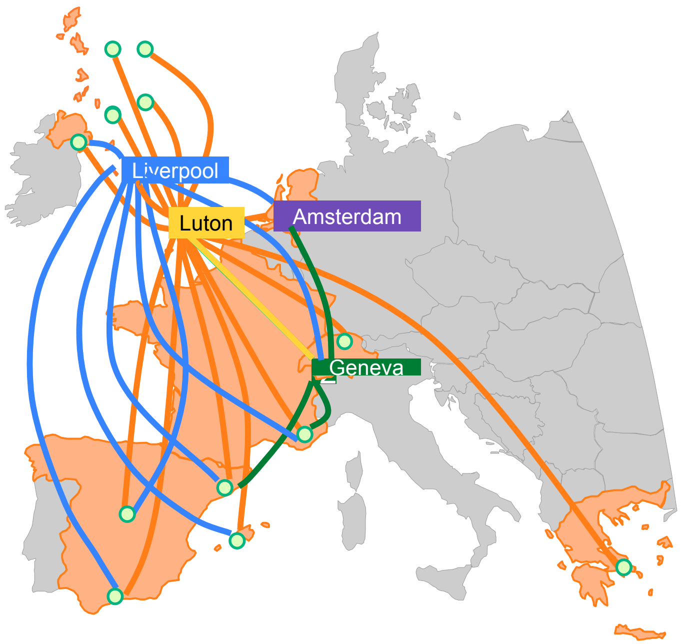
We are now five times the size…



- ✈ Planes: 19 >> 100
- ✈ Bases: 4 >> 15
- ✈ Airports served: 15 >> 60
- ✈ We are the largest European low-cost carrier

What's changed since the IPO? (2)

We've introduced a new aircraft type..

- Airbus A319: price we couldn't ignore
- Low-cost growth secured
- Attractive financing

What's NOT changed since the IPO? (1)

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Low-cost roots still very firmly in place

easyLand then…

… easyLand now

What’s NOT changed since the IPO? (2)

easyJet: low-cost by design

- ✈ High aircraft utilisation – currently 11.2 hours per day
- ✈ High-density, high-frequency network
- ✈ Simple pricing structure, no connecting traffic (unless you do it yourself), no channel-based pricing
- ✈ 100% ticketless, 97% online distribution

… we aim to be consistently the lowest-cost airline for the markets we serve

Who has the lowest cost?

- "*Southwest has the lowest operating cost structure in the domestic airline industry* ", Southwest Airlines website, company profile
- Southwest 2003 unit operating cost = 7.60 cents / ASM

- "*For the year ended December 31, 2003, our airline cost per available seat mile of 6.07 cents was lower than any of the major U.S. airlines*", Jet Blue Annual Report, 2003

… answer = BOTH. They have very different business models.

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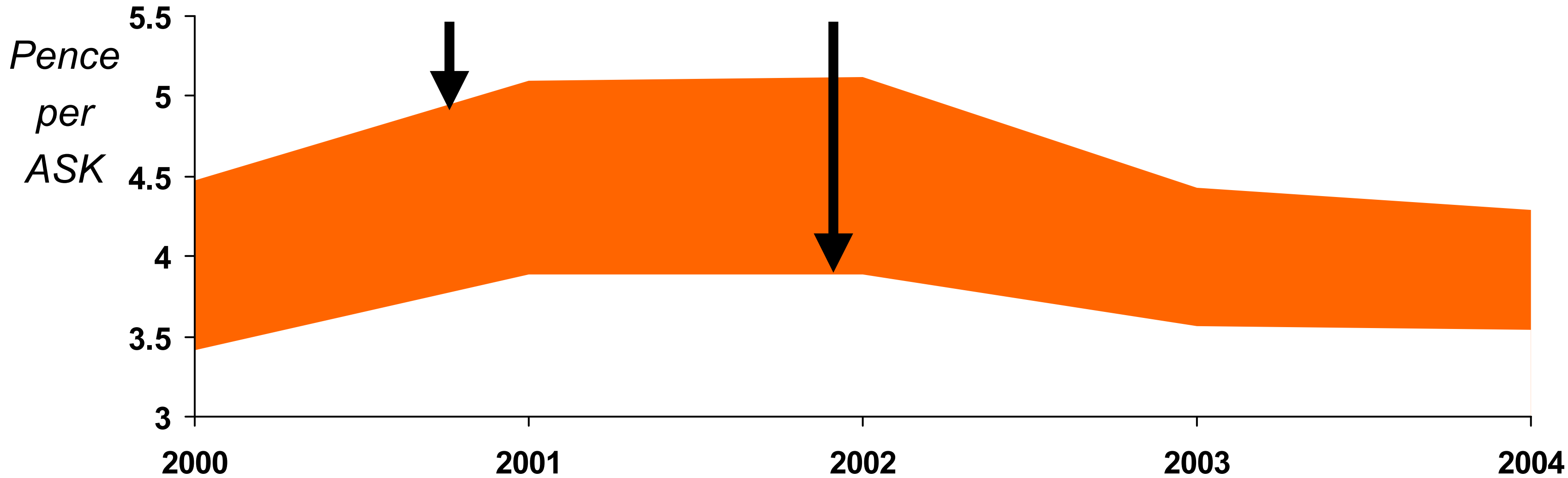
Our challenge (1)

We may have grown 5x since the IPO, but our profits haven't

- ✈ Unit revenues have fallen as stage length increased
- ✈ Unit costs have been stable *in aggregate,* but should have fallen with stage length

unit revenues vs unit costs (EBITDAR basis)

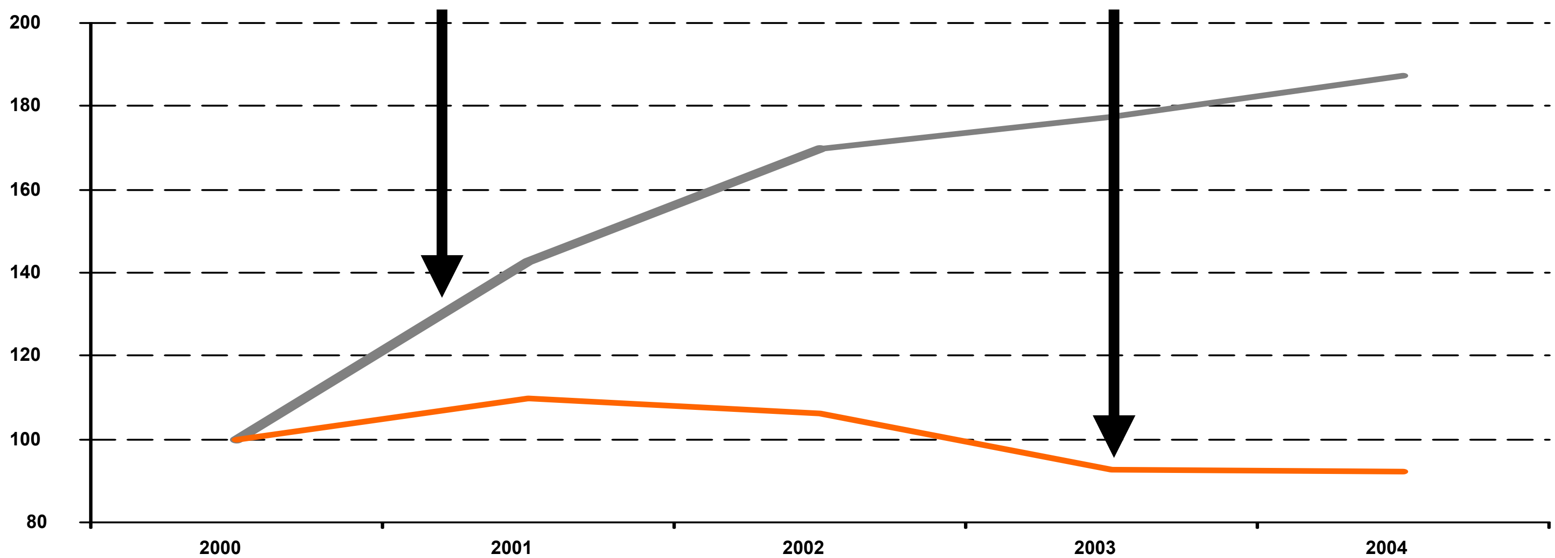


Our challenge (2)

Most unit costs have fallen: airport costs have risen sharply

- ✈ Some inflation
- ✈ Move into higher-cost airports

unit airport charges vs non-airport unit costs (rebased)



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Costs: what we're doing about airports (1)

Producing good deals, cutting out bad deals

- Airport negotiations team set up, reporting directly to Ed Winter, COO
- Ceased flying to Zurich Airport: 31st October 2004
- Reduced flying to Amsterdam: 31st October 2004
- New deal with Basel Airport - becoming a base from summer 2005

Our scale allows us to do much more of this than we could before. But NB: This is a long-term process – focus on partnerships, not price gouging.

Costs: what we're doing about airports (2)

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Working on infrastructure

- Common check-in at key bases reduces required check-in space AND improves service to customers
- Self-check-in easyKiosks further reduce required check-in space, improve service to customers AND simplify baggage processes
- easyKiosks already introduced in East Midlands and Geneva; introduction in Berlin last week
- Working closely with airports on infrastructure that suits easyJet: big projects at Luton / Berlin

…reducing the cost to ourselves and the airports, and improving the service to the customer

Costs: what we're doing about airports (3)

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Branding in Berlin

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Revenues: the business traveller (1)

easyJet

In the beginning…

- easyJet took a big risk in opting for 100% distribution direct to the consumer, with no tickets – at a time when all other airlines in the world were wholesalers distributing mainly through travel agents
- The reason: travel agents would have taken at least 15% of our revenue, and the global distribution systems another 10%, making low fares unsustainable
- We relied on early-adopters – people who were prepared to book over the phone and travel without a paper ticket or, later, to use the internet
- Developing our own direct channel to the business consumer would have been too expensive

Revenues: the business traveller (2)

Now it's changing

- Other airlines have dramatically reduced their agents' commissions, or eradicated them altogether – forcing the agents to look less to the airlines and more to the consumer for payment
- Unlike other airlines, we now own our own reservations system – eRes – which means we can innovate quickly without having to rely on others for 3rd party development
- Our presence in the market, high frequency service, and above all our low fares, have made corporate travel agents increasingly keen to gain access to our inventory on their systems

Revenues: the business traveller (3)

What we are changing

- Today we announce a deal with BTI, the leading corporate UK travel management company, to remove barriers to business bookings on easyJet
- The deal will give BTI's clients direct access to easyJet booking inventory, without using a Global Distribution System
- This will be facilitated through our own Application Programming Interface (API) – the work done to link the two systems will be done by BTI
- In addition to seat purchasing, the system will automatically fulfil various administrative functions such as billing, providing management information and notification in the event of flight disruptions.

Revenues: the business traveller (4)

What we are not changing

- There will be no change to the easyJet business model or its pricing. We will not be paying commission of any kind.
- Winners will be easyJet, BTI and its customers
- Losers will be legacy carriers who will now face much greater competition in their most lucrative market, and the Global Distribution Systems, who still charge exorbitant fees to link airlines to their ditributors

We are making life easier for all passengers

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… especially business passengers

- Unlimited hand luggage weight allowance launched in October '04
- Greater flexibility in changing flights was launched in December 04. Passengers can now move to an earlier flight free of charge if there are available seats on that flight
- 30 minute check-in guaranteed as from October 04
- self-service check-in machines make check-in quicker
- ability to look-up and change bookings online

Conclusion

- We aim to make controllable unit costs go down – in a sustainable way
- We aim to improve the revenue mix – without sacrificing our low-fares ethos
- We have given you two examples of what we are doing: there are many more
- Interim results 24th May
- Investor Day mid-September

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