The Low Cost Phenomenon

easyJet in the European airline market

The Low Cost Sector

LCC Market Development

- In 1996 low cost airlines (LCCs) accounted for only **1.4%** of intra-European Union capacity. By the end of 2002, low cost airlines had captured **12%** of all intra-EU capacity.*

- Currently LCC's have a **30%** market share of scheduled European point-to-point passengers. According to AEA forecasts, the LC market is expected to increase to **43%** of European traffic by 2011.**

- In 2006 **140million** passengers were carried by LCCs.***

- Low-fare airlines have increased their presence from **13%** of city pairs in 2003 to **26%** in 2007. **96%** of new city-pairs between 2005 and 2007 were added by LCCs.**

- The United Kingdom still sees the highest number of low-cost flights, followed by Spain, which has been making up a lot of ground over the last year. This is followed by Italy and Germany with slightly fewer flights. These four countries contribute to roughly three quarters of low-cost departures. France is fifth in this list with only 5% of LC flights.****

- easyJet and Ryanair continue to be the biggest players in the European LCC market accounting for about **40%** of all LCC capacity. The top two are followed by Airberlin, which contributes another **10%** leaving three carriers in control of half the European low-cost market.****

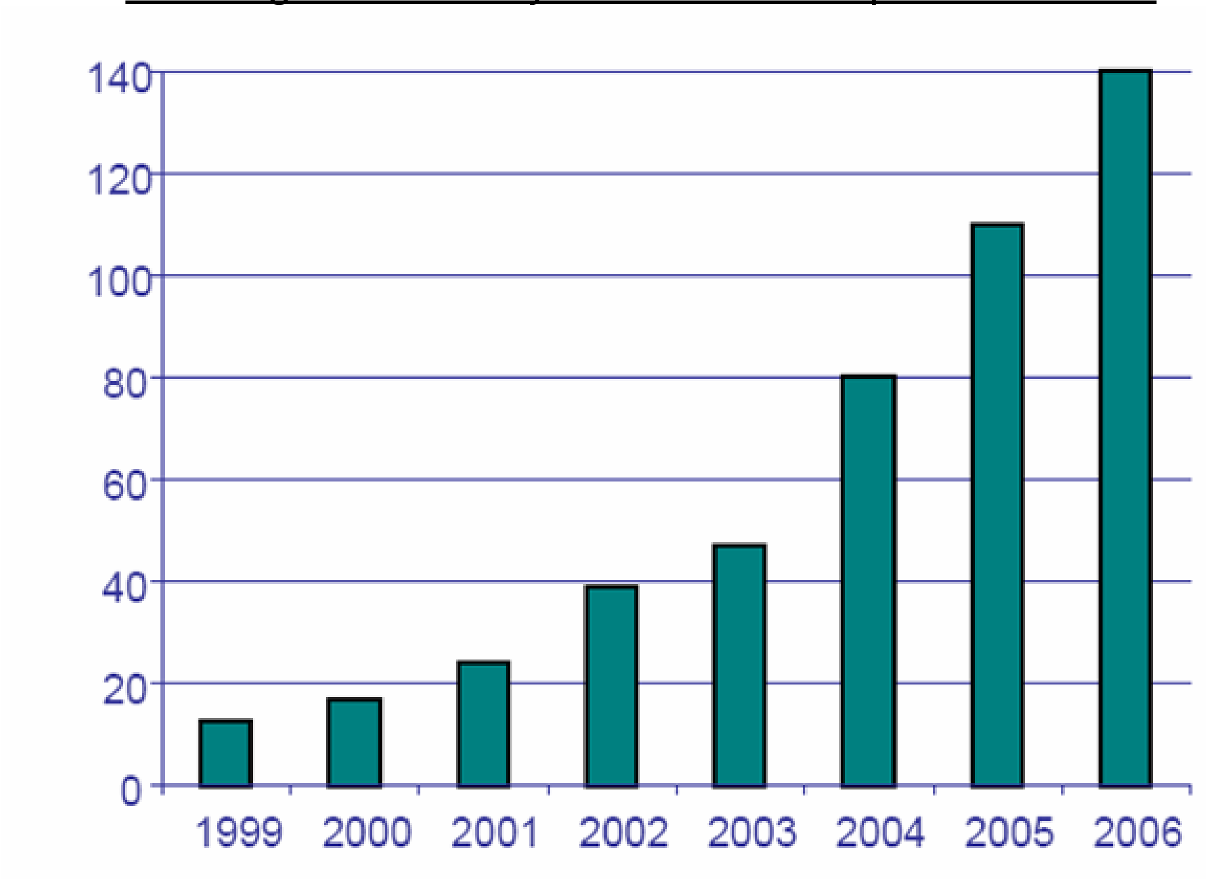
** Airline Business 2005*
***AEA York Report Nov 2007*
****ELFAA press release Nov07*
*****Source: OAG data January 2008; Airline financial reports*

easyJet

European Low Cost Carrier Growth

Passenger volume growth has been significant in terms of LCC within Europe

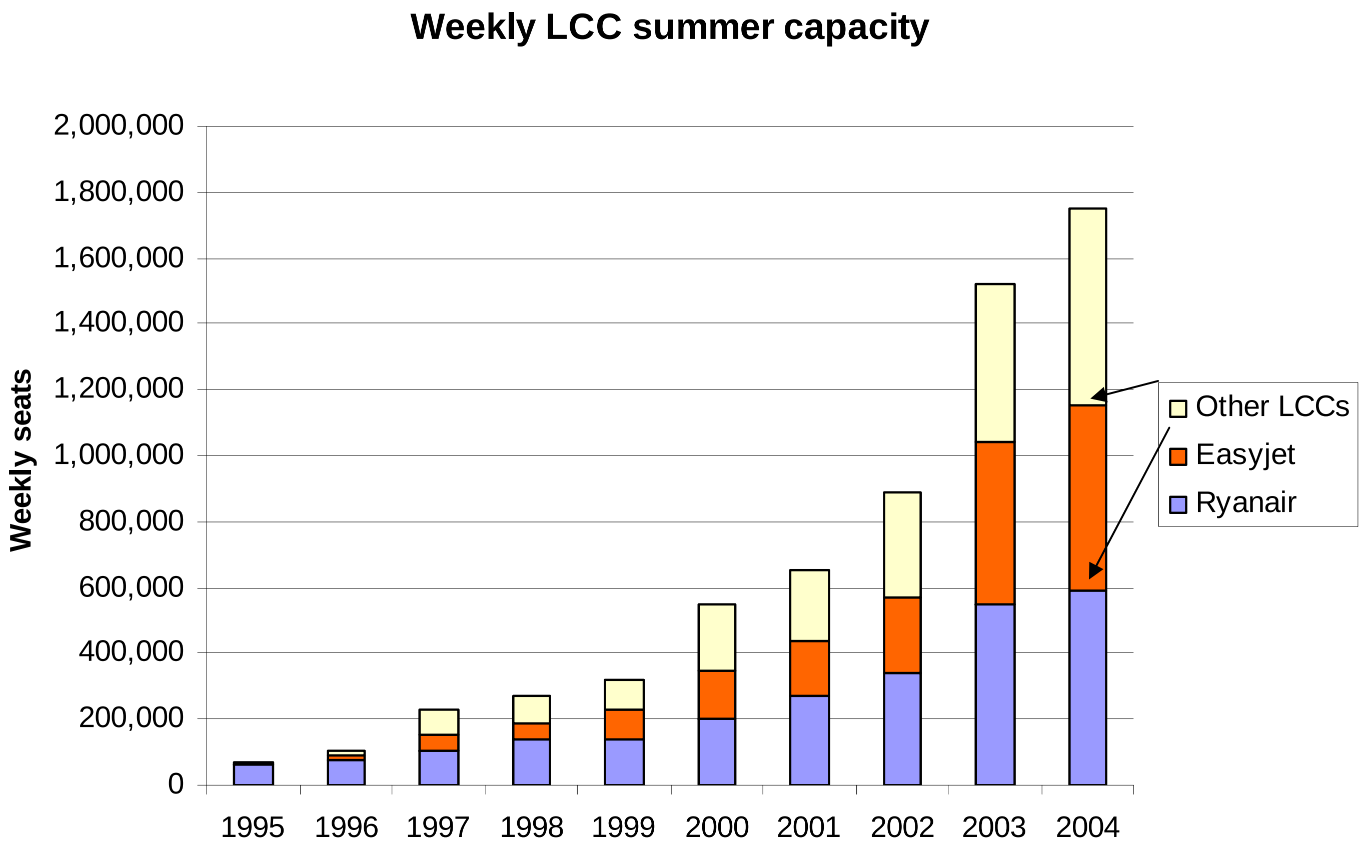
Passengers carried by LCC within Europe 1999 - 2006



Source: ELFAA Analysis (includes non-ELFAA airlines)

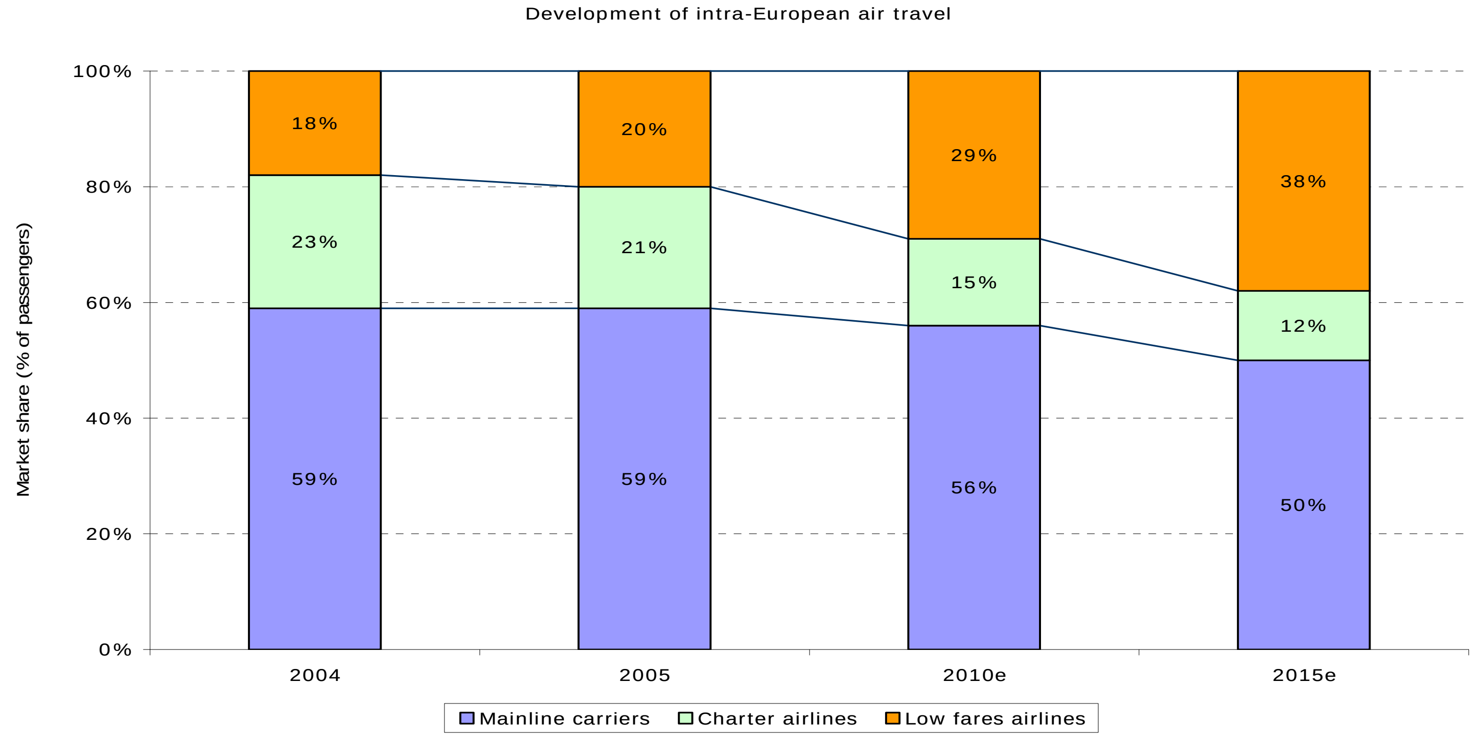
European Low-Cost Capacity Growth

Growth primarily driven by easyJet and Ryanair



Source: AEA (2004)

Growth in LCC Share of Market



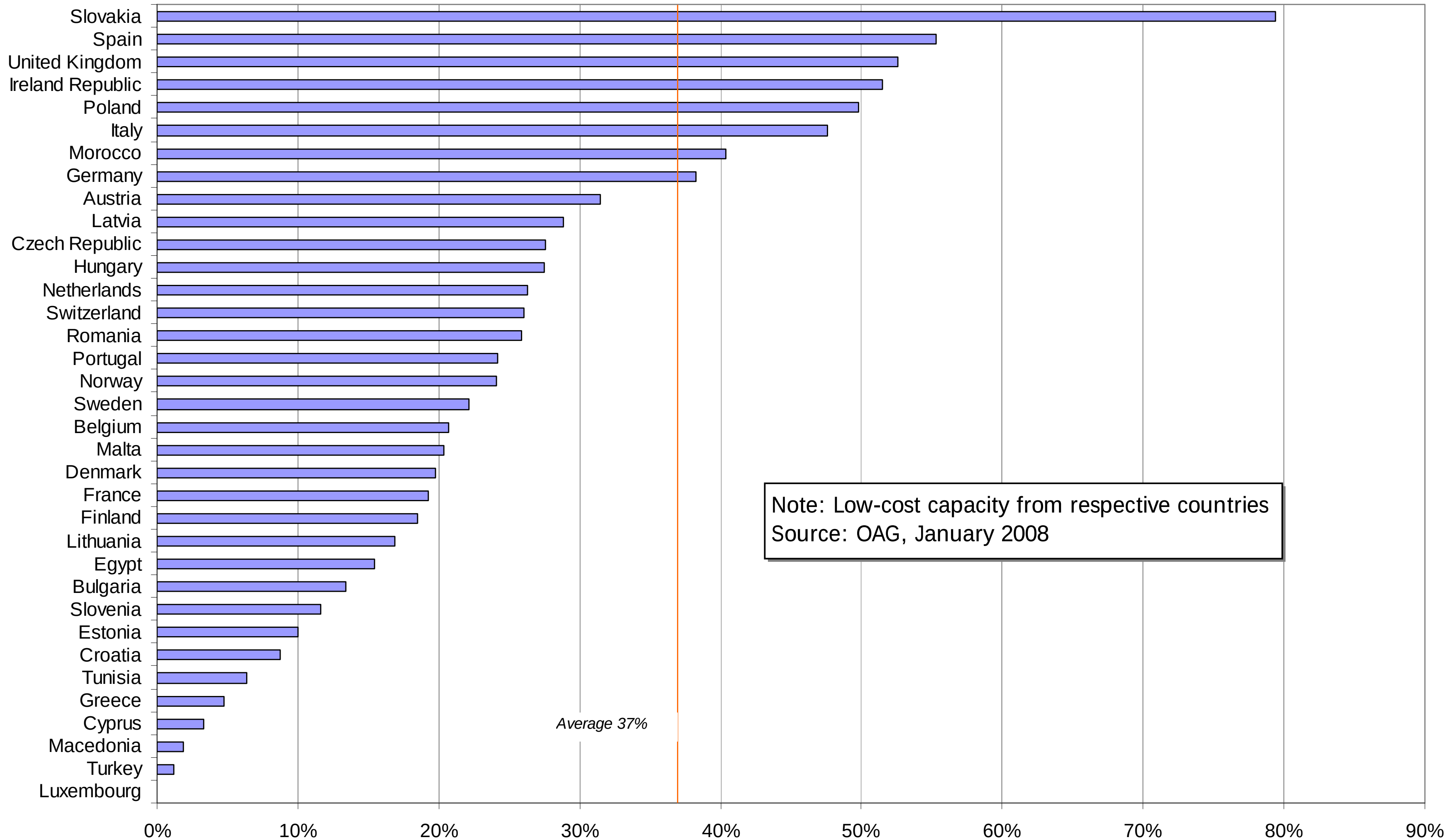
Source: Mercer, Hapag-Lloyd, Air Berlin, McKinsey, Global Research (HVB) (2007)

- ELFAA estimates that around 60% of LCC traffic is stimulated and around 40% is substitution.

- The CAA confirms in a study (Nov06) that stimulation is a significant factor in overall growth.

Market Growth Potential in Europe

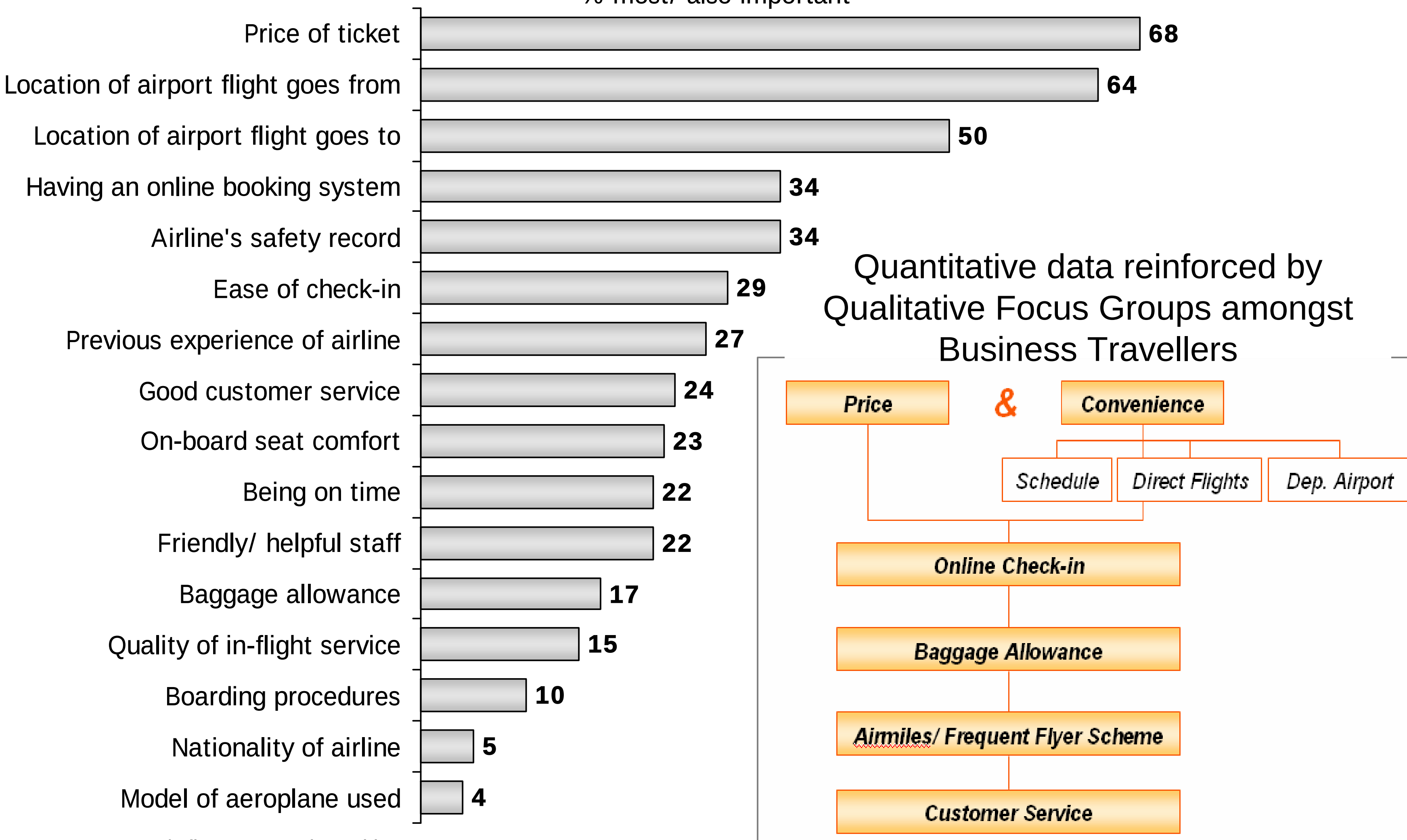
Markets are not yet saturated in terms of LCCs, still significant opportunity in the majority of markets



The Purchase Decision Process

Price and Convenience are the main drivers of airline choice

Qu. What is important when deciding which airline to use?



Quantitative data reinforced by Qualitative Focus Groups amongst Business Travellers

Source: easyJet/Gfk NOP Brand Tracking
Base: All Airlines – July '07 (4,525)

Driving Airline Preference

Qu. Why prefer "preferred airline"? – All airlines

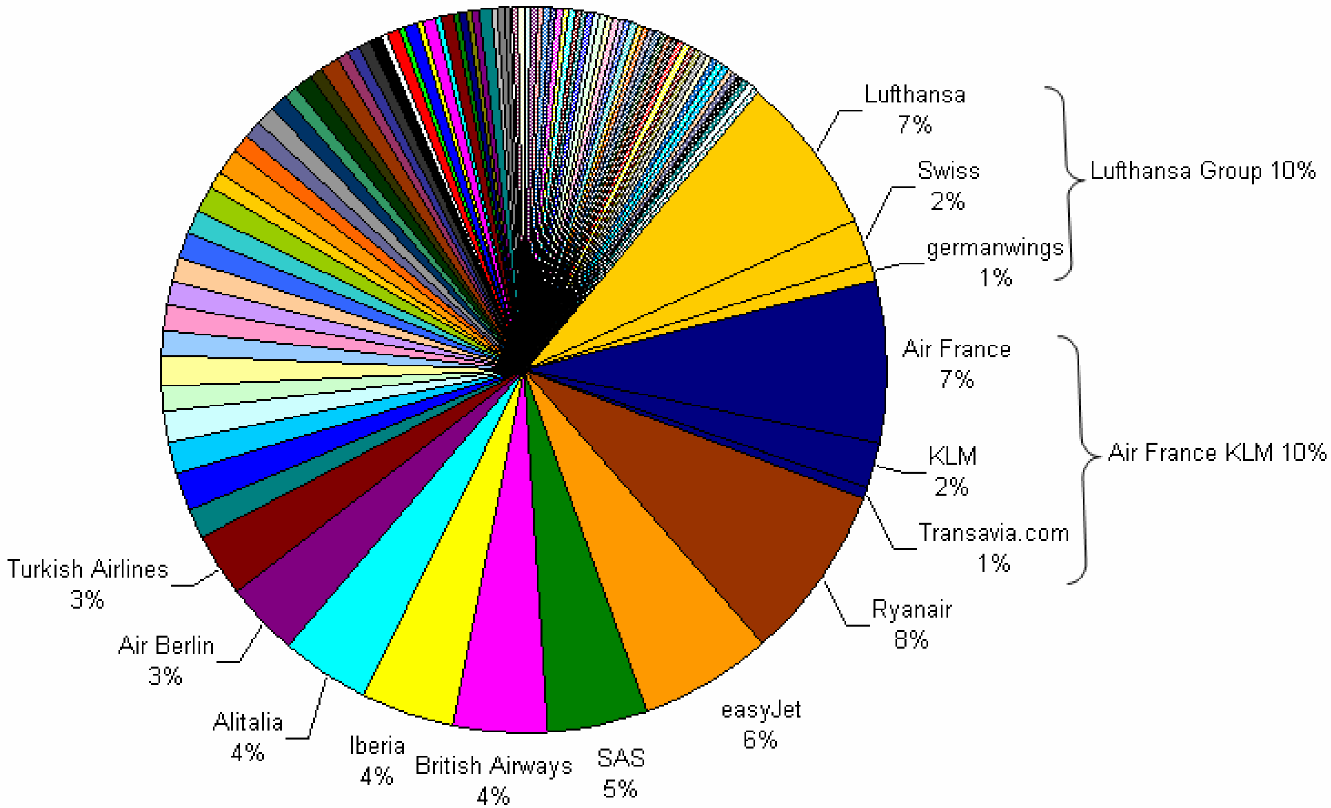
Source: easyJet/Gfk NOP Brand Tracking
Base: All Airlines – July '07 (4,525)

easyJet

easyJet in The Low Cost Sector

Total Airline Market Share in Europe (Capacity)

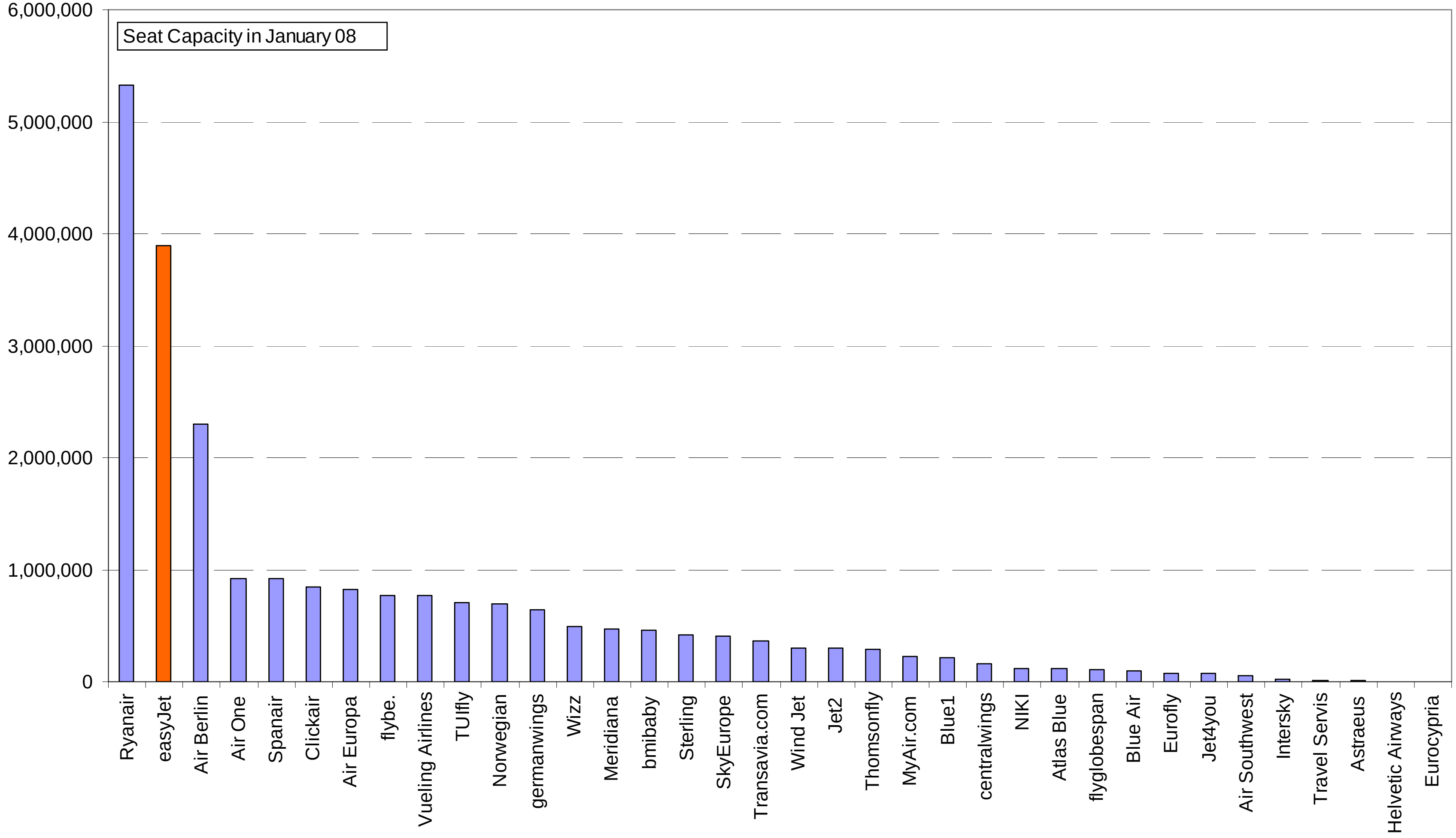
easyJet is Europe's 4th largest airline ahead of a number of National Carriers



In terms of seat capacity.
Source: OAG, January 08

Low-Cost Airlines in Europe

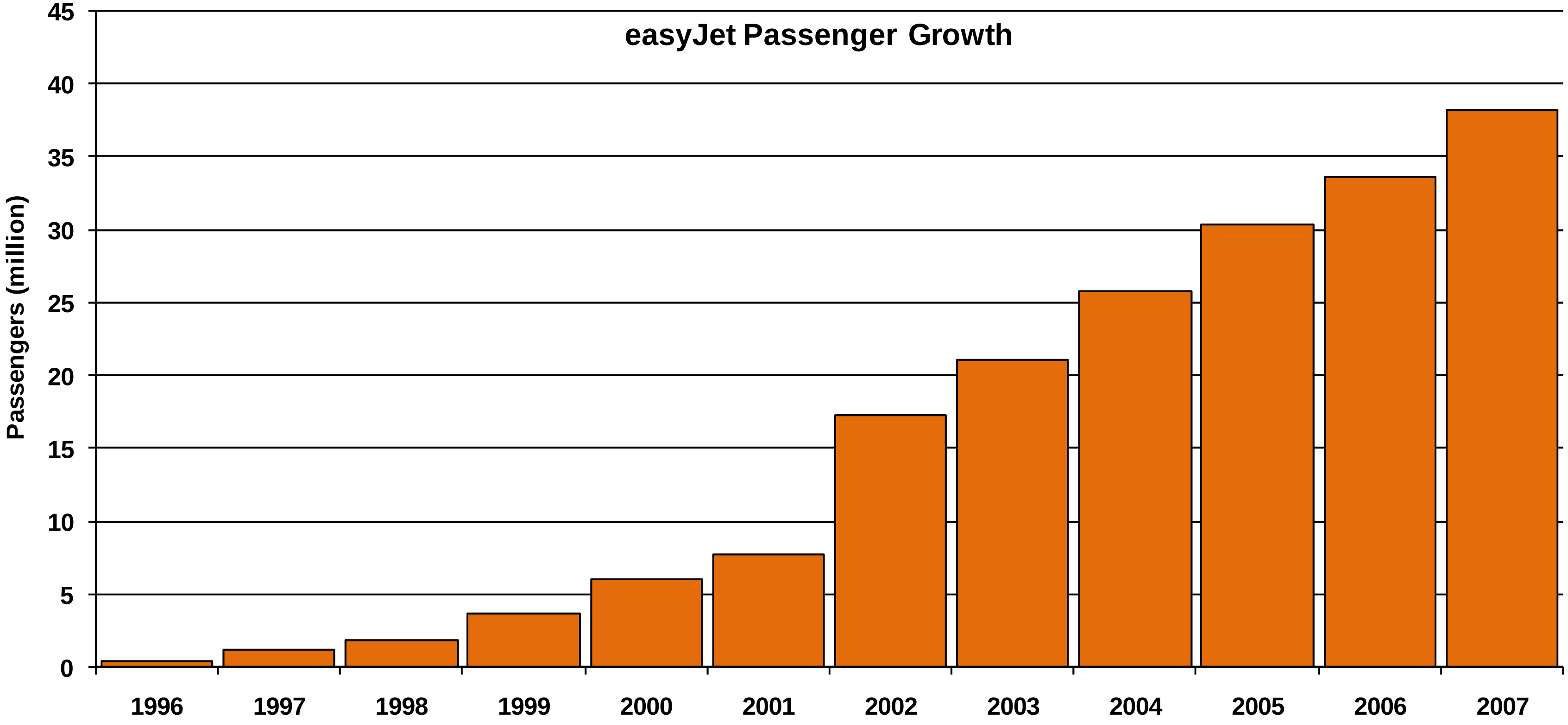
easyJet is Europe's 2nd largest LCC for seat capacity



Source: OAG low cost seat capacity January 08

easyJet Passenger Growth

easyJet has witnessed significant passenger growth during the last 5 years



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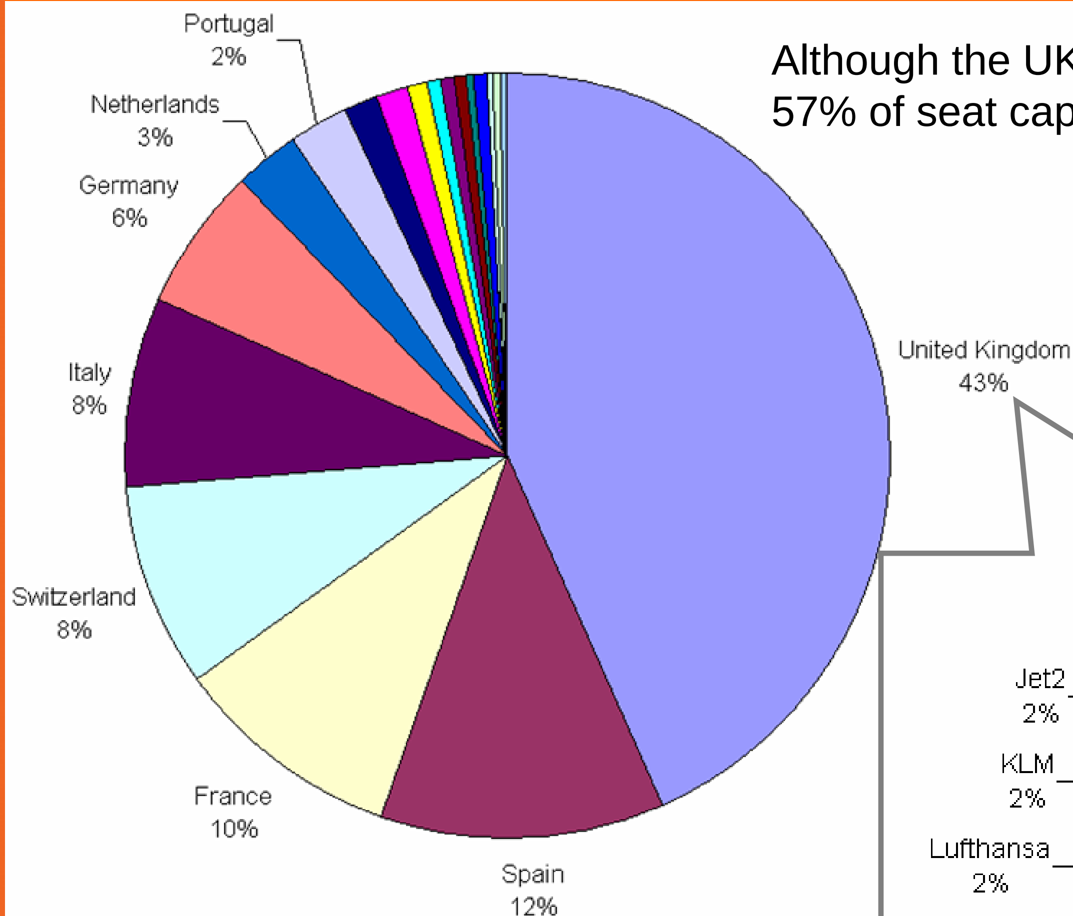
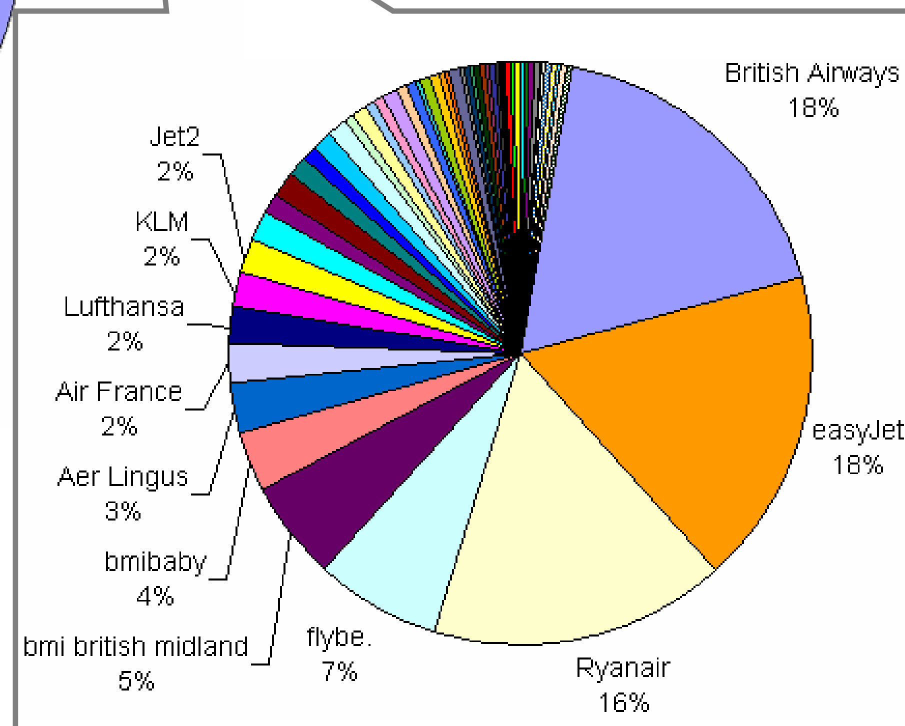
easyJet Country Share

Although the UK still dominates Country share, 57% of seat capacity is in the rest of Europe



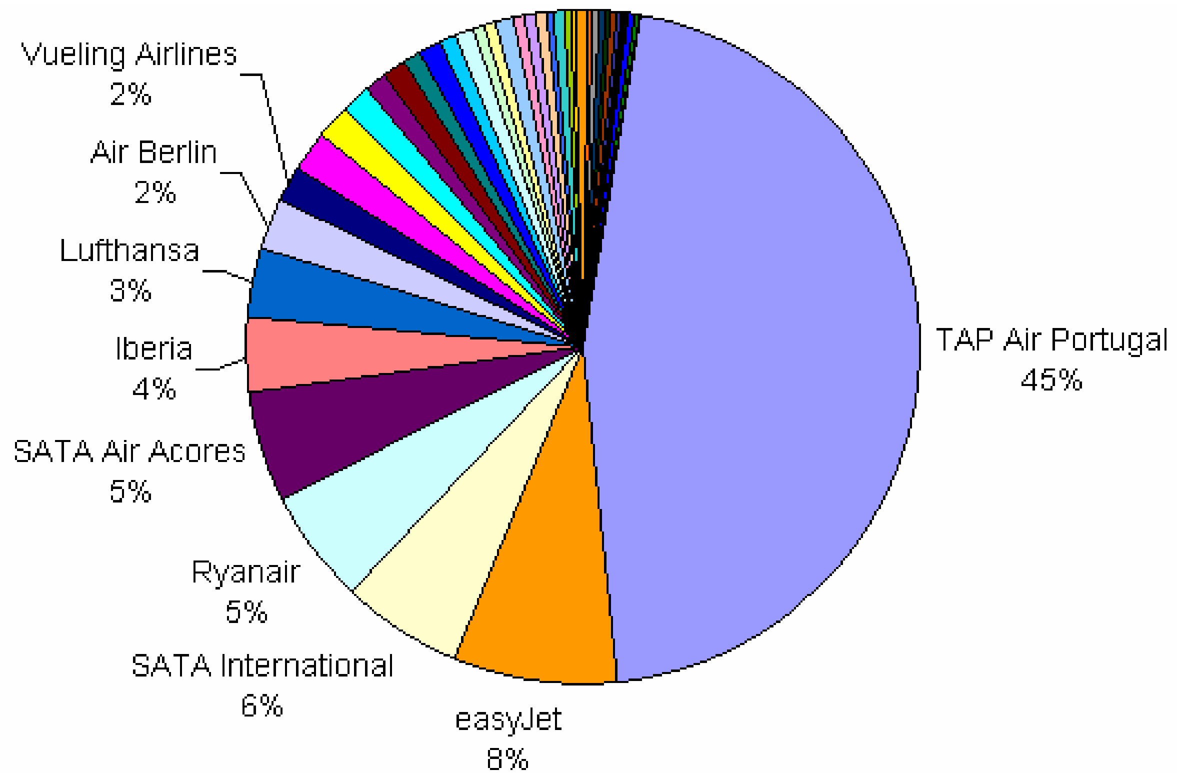
easyJet is on a par with BA in the UK and ahead of Ryanair on a capacity basis



In terms of seat capacity.
Source: OAG, January 2008

Market Share in Portugal

easyJet is the no. 2 brand in Portugal



In terms of seat capacity.
Source: OAG, January 2008

easyJet Strategy & Growth

easyJet is Turning Europe Orange

- ✈ 145 aircraft
- ✈ 388 routes
- ✈ 103 airports
- ✈ 24 countries
- ✈ 19 bases
- ✈ 40m+ passengers *(past 12 months rolling)*
- ✈ 1000+ daily departures

Summer schedule 2008

The easyJet Proposition

Cost

Consistently low prices with no hidden charges

Care

Friendly, attentive cabin crew trained in the easyJet way at our own accredited academy

No weight restriction (within reason) on cabin baggage

Attractive in-flight refreshment & gift service

New, reliable fleet (average age per plane = 2 and a half years)

Safety first approach

Convenience

Flights to and from major airports

Multiple daily flights on major routes

On-line check-in. Go straight to security.

Speedy Boarding. Be among the first on the plane for a small extra charge

Hand baggage only check-in available

Flexibility – take an earlier flight at no extra charge, pay a Rescue Fee to take a later flight if you miss yours, passenger name and date changes also available for a small charge

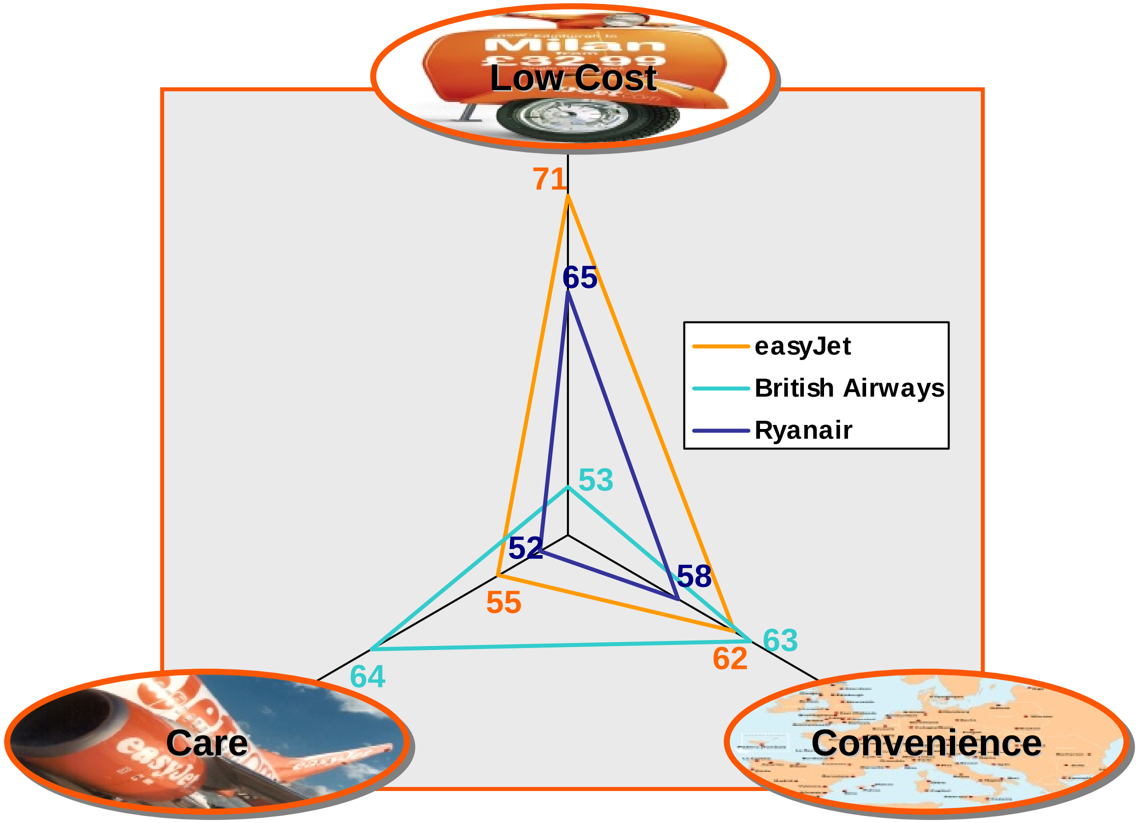
Website (easy to use)

Delivery of the Proposition – Bridging the Gap Between Low-Cost and Traditional Airlines

easyJet bridges the gap between Ryanair and BA

Offering the low cost model of Ryanair but the convenience of major airports of BA

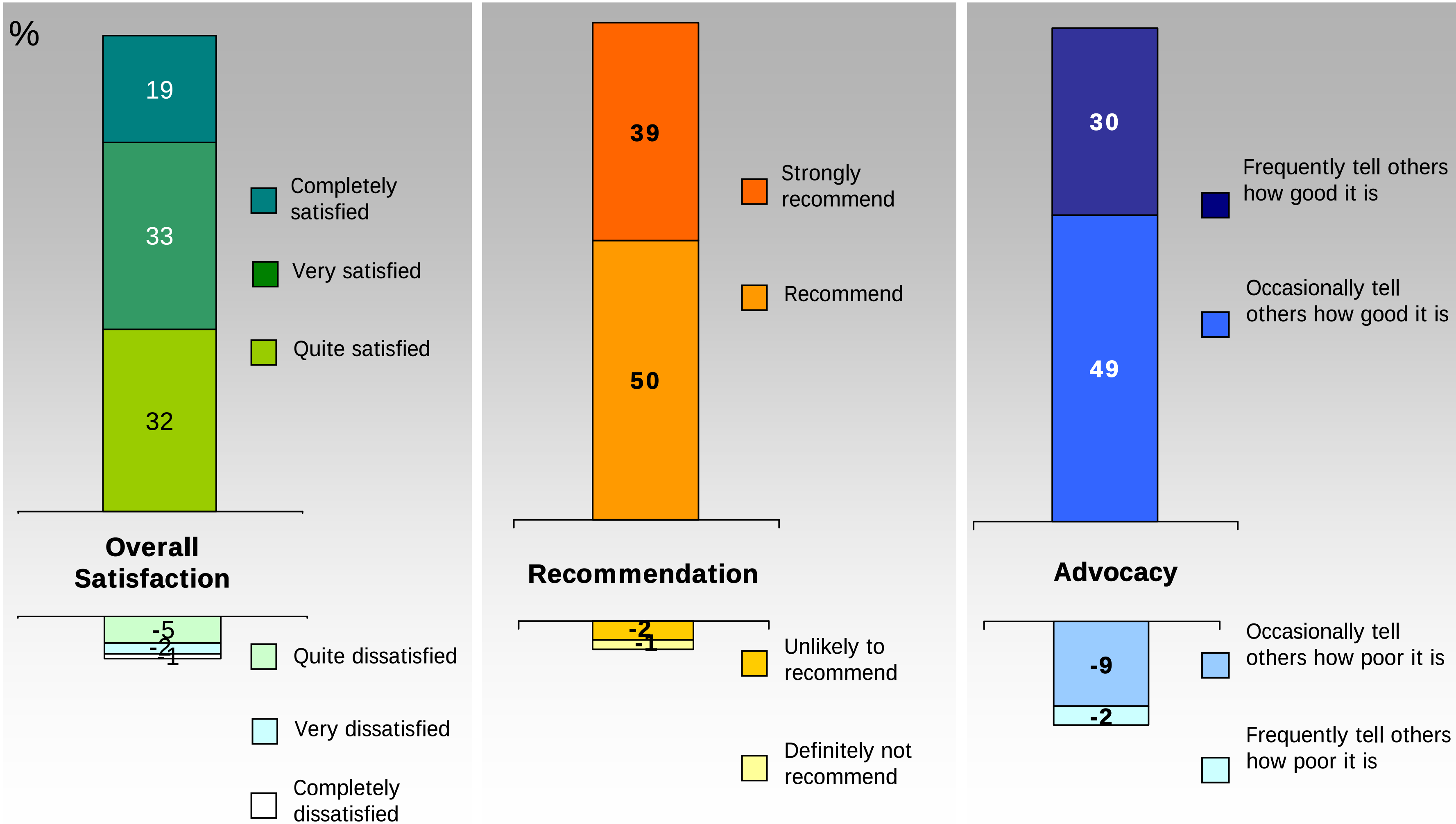
% endorsement of key image statements amongst all air passengers in the UK



Source: easyJet/Gfk NOP Brand Tracking. Base: All Airlines – July '07 (4,525)

Delivering the Customer Experience

- Customer Satisfaction Survey July 2007 – (10,000 easyJet passengers across all bases)
- High overall satisfaction contributing to strong recommendation and advocacy



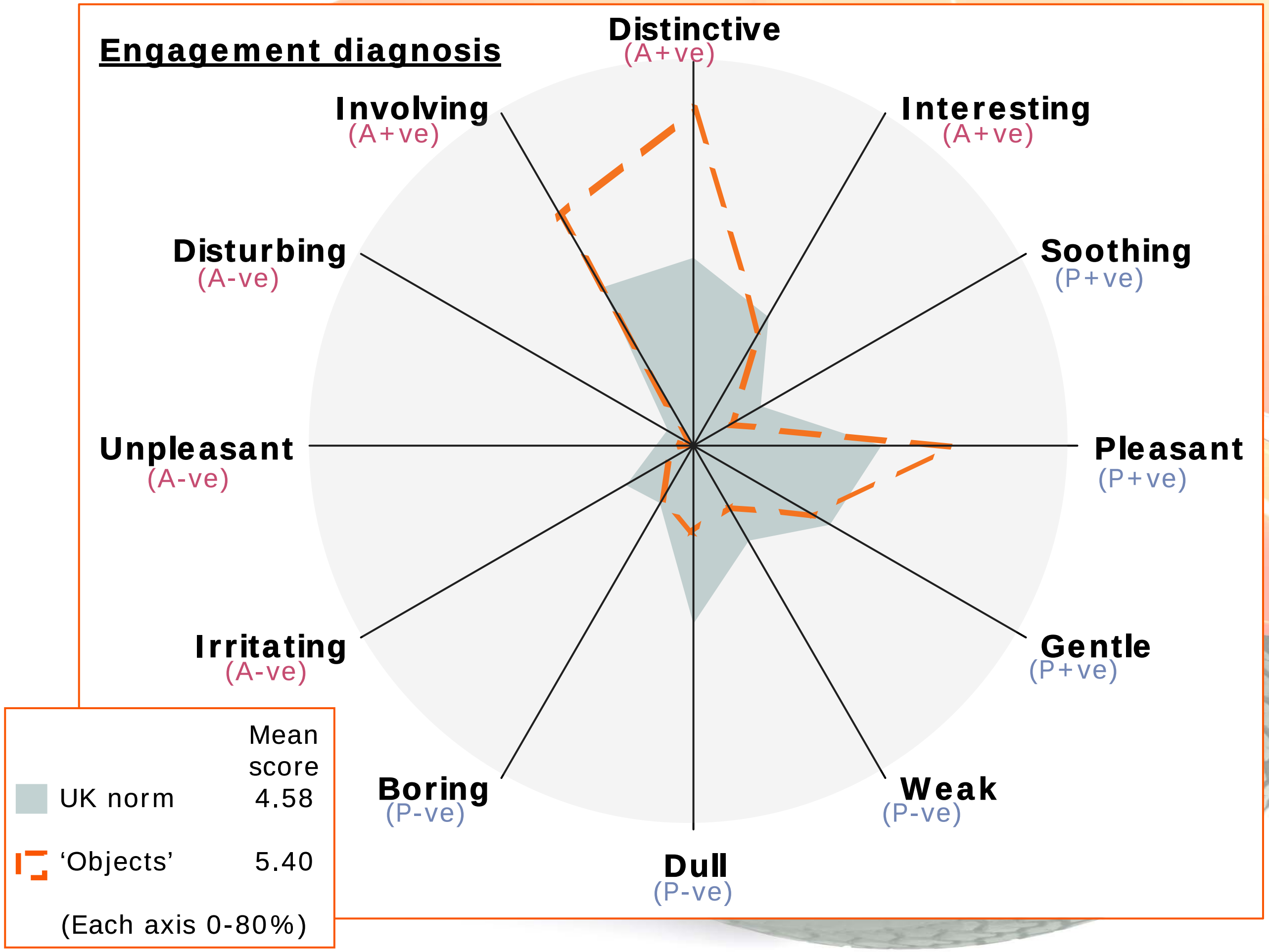
Source: easyJet/GfKNOP Customer Satisfaction July 2007. Base: easyJet passengers 10,021

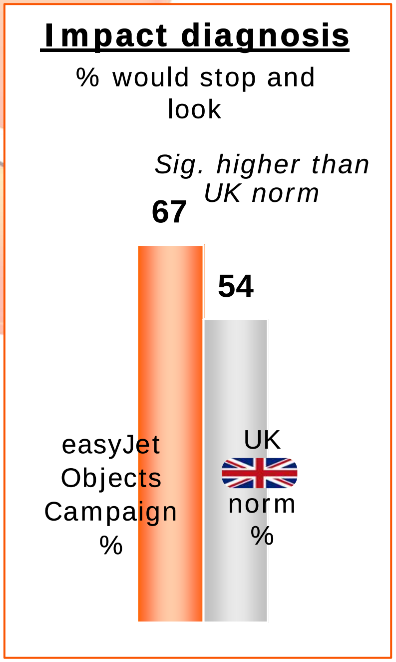
easyJet

Building the Brand

Building the Brand – Generating Impact & Engagement

easyJet's advertising is seen to cut through against the media landscape, being seen as significantly more 'involving' and 'distinctive' as well as more likely to make people stop and look.





Source: easyJet/Millward Brown Link Test June 2007. Base: 150

Building the Brand – Reinforcing Brand Cues

Clearly branded – significantly more likely to remember it is for easyJet compared to typical ad performance

Branding diagnosis

	'Objects' %	UK norm %
You couldn't fail to remember it was for easyJet	49	21
The ad is quite good at making you remember it is for easyJet	39	38
The ad is not at all good at making you remember it is for easyJet	5	16
Could have been for any airline	5	15
Could have been for almost anything	3	9
Mean score:	4.25 *	3.47
Base:	(103)	

* *sig. higher than UK norm*

"Bright, simple, easy to recognise, to the point"

"Use of items to relate to cities. Uniformity in adverts"

"The prices were clear, the destinations they related to was clear and the branding was good"

"Common orange colour, the simplicity, clear message, concise"

Source: easyJet/Millward Brown Link Test June 2007. Base: 150

Building the Brand – Motivating Behaviour

Also significantly more likely to motivate consideration of easyJet for flying purposes

Persuasion diagnosis

	'Objects' %	UK norm %
Strongly encourage me to continue/consider/try flying	13	12
Encourage me/a little more likely to consider/try	65	28
Makes no difference	38	56
Makes me less likely to continue	0	4
Mean score	2.90	2.49

* sig. higher than UK norm

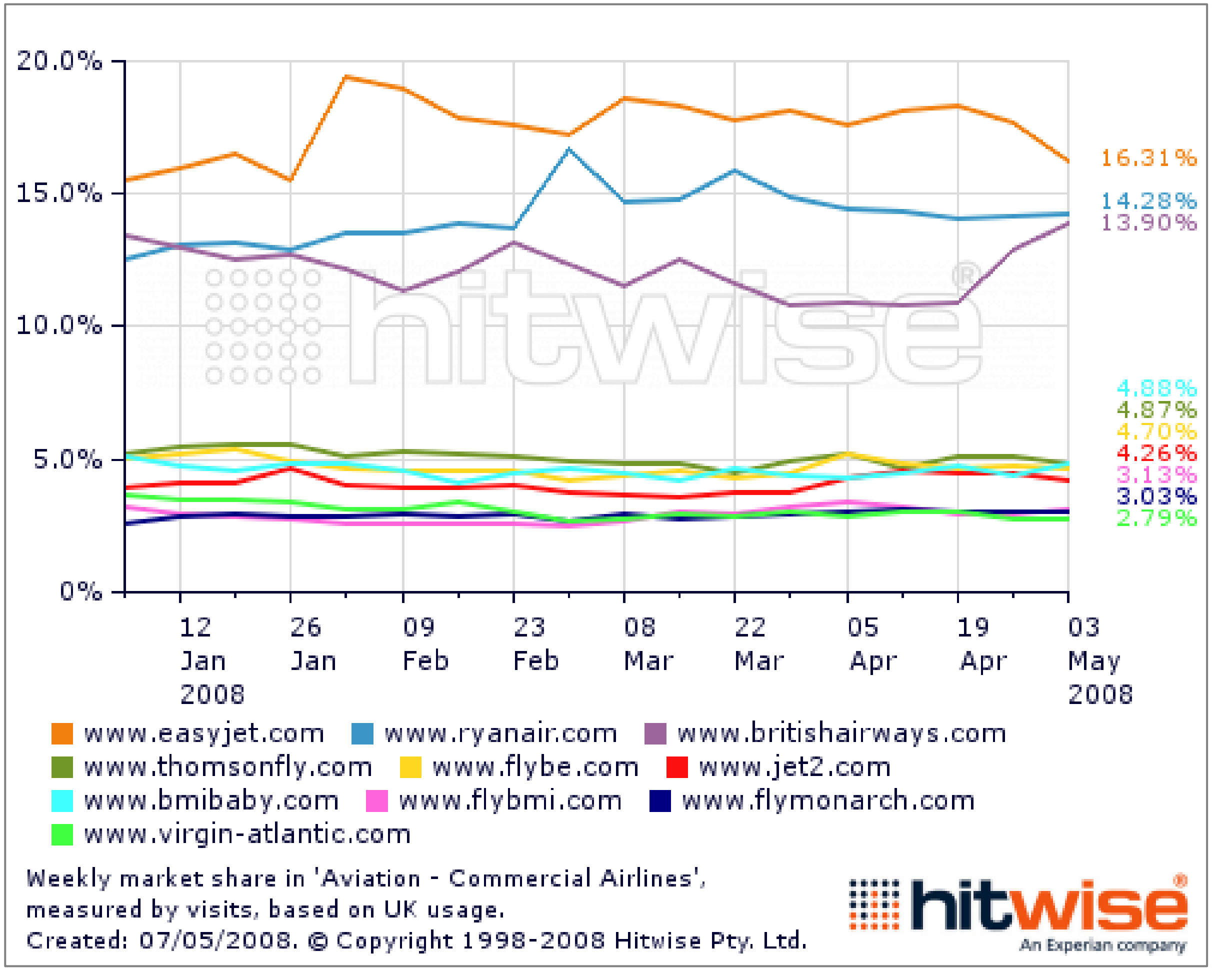
Source: easyJet/Millward Brown Link Test June 2007. Base: 150

easyJet

Building the Brand – Online

easyJet consistently dominates the internet in the UK including vs BA & Ryanair

Monthly share of website hits amongst Commercial Airlines in the UK



easyJet

The Environment is at the core of our business - Today

The easyJet Environmental Code

- Efficient in the air
- Efficient on the ground
- Leading the way in developing a greener future

- easyJet has one of the youngest fleets in the world - the average age of our planes is under 2.7 years
- We are greener too, emitting 22% less CO_2 per passenger Km than a traditional airline
- And we also offer a Carbon Offsetting scheme that operates to the highest UN Accredited standards
- ITM Icarus Air Supplier Award

easyJet

The Environment is at the core of our business – and in the future

The easyJet Environmental Code

- ✈ Efficient in the air
- ✈ Efficient on the ground
- ✈ Leading the way in developing a greener future

- The "easyJet ecoJet": to cut CO2 emissions by 50% by 2015
- The first airline to outline the environmental requirements that must be met by the next generation of short-haul super-clean aircraft
- 25% quieter and would emit 50% less CO2 and 75% less NOx than today's newest aircraft
- The projection for the eco-liner would generate less than 47g of CO2 per passenger km

2008 Growth - New Bases and Aircraft in the Fleet

Paris - CDG

Lyon – LYS

Boeing 737 = 29

Airbus 319 = 120

Airbus 320 = 9

Airbus 321 = 7

Total aircraft in the fleet by the end of 2008 = ***165***

Summary

- Clear growth in the LCC sector (significantly over the last 5 years) at the cost of Traditional and Charter airlines. easyJet and Ryanair dominating the LCC market in Europe

- Price and convenience are the main drivers of airline choice – key strengths for easyJet

- However creating a brand beyond a one-dimensional ‘low-cost’ platform is essential to build customer loyalty and provide a more robust business model in the longer-term

- The easyJet proposition of Low Cost with Care and Convenience enables the brand to bridge the gap between the traditional national carriers and purely low-cost carriers

- Existing brand communications support this through engaging and impactful advertising, that is clearly branded, and motivates purchase

- This is clearly demonstrated in existing customer satisfaction and advocacy, as well as perceptions amongst the wider air-passenger community, who spontaneously distinguish easyJet as being superior to other low-cost carriers