

2005 Preliminary results

22 November 2005



easyJet

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Headlines for FY 2005

- Passenger numbers up 21%: total revenue up 23%
- Strong profitable growth in continental Europe: revenue up 78%
- Ancillary revenue continued to perform well: up 38% in H2, up 41% for full year
- Fuel cost per seat up 68% in H2, up 47% for full year
- Cost reduction accelerated: cost per seat ex-fuel down 7% in H2, down 4% for full year
- Profit before tax up 11% in H2, up 9% for full year

Financial overview – strong second half

	H2	Change	2005	Change
Passengers (m)	16.1	+ 19.0%	29.6	+ 21.4%
Total revenue (£m)	788	+ 21%	1,341	+ 23%
Profit before tax (£m)	99	+ 11%	68	+ 9%

Revenue / seat	£42.37	+ 2.8%	£38.66	+ 2.1%
Cost / seat	£36.57	+ 4.4%	£36.20	+ 3.1%
Cost / seat ex fuel	£27.89	- 6.7%	£28.71	- 4.4%

Key messages

→ Financial review

→ Business review

- Network developing rapidly, particular focus on non-UK routes
- Germany on track
- Tough competition: progress in Europe, slowdown in UK

→ Outlook

- New management team with clear targets
- Managing revenue: active management of network and ancillaries
- Managing cost: significant progress in 2005, with more to come

→ Guidance

Profit and loss account

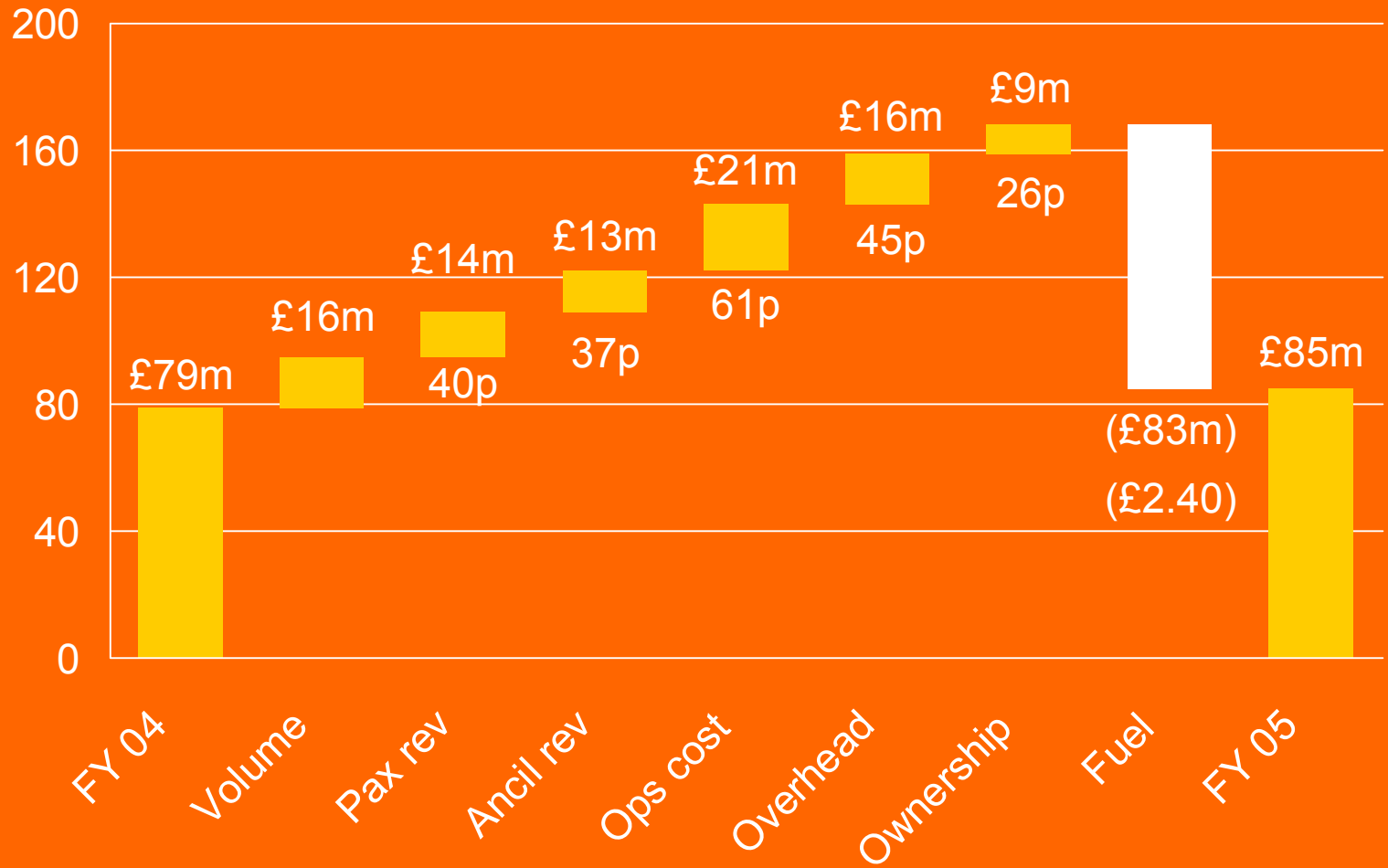
£m	2005	2004	Change
Total revenue	1,341	1,091	+ 23%
Operating costs	(1,133)	(902)	+ 26%
EBITDAR	209	189	+ 10%
Finance and Ownership	(124)	(110)	+ 12%
Pre-tax profit (ex goodwill)	85	79	+ 8%
Margin	6.3%	7.3%	
Pre-tax profit (reported)	68	62	+ 9%

UK GAAP

Financial review: how we measure ourselves

- Internally at a company level, we look at both revenue and cost *per seat flown*
- Each seat flown incurs a cost of capital: we try to minimise the cost of debt through effective financing; we incentivise our top management to deliver higher returns on equity
- We will continue to publish ASK / RPK, to facilitate comparison with other airlines
- For individual routes, we look at *contribution* (flight revenue minus on-the-day costs) *per block hour* – allowing us to compare marginal returns on capital at a more granular level

Profit buildup: contribution per seat



Passenger revenue: strong summer

	H2	Change	2005	Change
Passengers (m)	16.1	+ 19.0%	29.6	+ 21.4%
Load Factor	86.4%	+ 0.9pp	85.2%	+ 0.7pp
Seats (m)	18.6	+ 17.7%	34.7	+ 20.5%
Passenger revenue (£m)	741	+ 20%	1,254	+ 22%
Per seat	£39.82	+ 2.0%	£36.15	+ 1.1%

Ancillary revenues: increasing

	H2	Change	2005	Change
Ancillary revenue (£m)	47	+38%	87	+41%
Per seat	£2.55	+17.5%	£2.51	+17.4%

Change in ancillary revenue per seat

	H2	2005
Credit card fees	+ 19%	+ 19%
Change fees	+ 19%	+ 11%
Partner	- 15%	- 10%
Excess baggage / other	+ 58%	+ 54%
In-flight	+ 39%	+ 58%

Ancillary revenue per seat in order of revenue contribution

Cost per seat: all items down except fuel, navigation



	Cost / seat	Change vs last year	Change vs last year
Crew	£ 3.92	- 10.8%	- £ 0.47
Other	£ 2.86	- 9.8%	- £ 0.31
Ownership	£ 3.56	- 6.7%	- £ 0.26
Selling	£ 1.40	- 8.9%	- £ 0.14
Airports / handling	£ 10.39	- 1.1%	- £ 0.12
Maintenance	£ 3.44	- 2.9%	- £ 0.10
Navigation	£ 3.13	+ 2.8%	+ £ 0.09
Fuel	£ 7.50	+ 46.9%	+ £ 2.40

Total	£ 36.20	+ 3.1%	+ £ 1.08
Total (ex fuel)	£ 28.71	- 4.4%	- £ 1.32

Net income and EPS

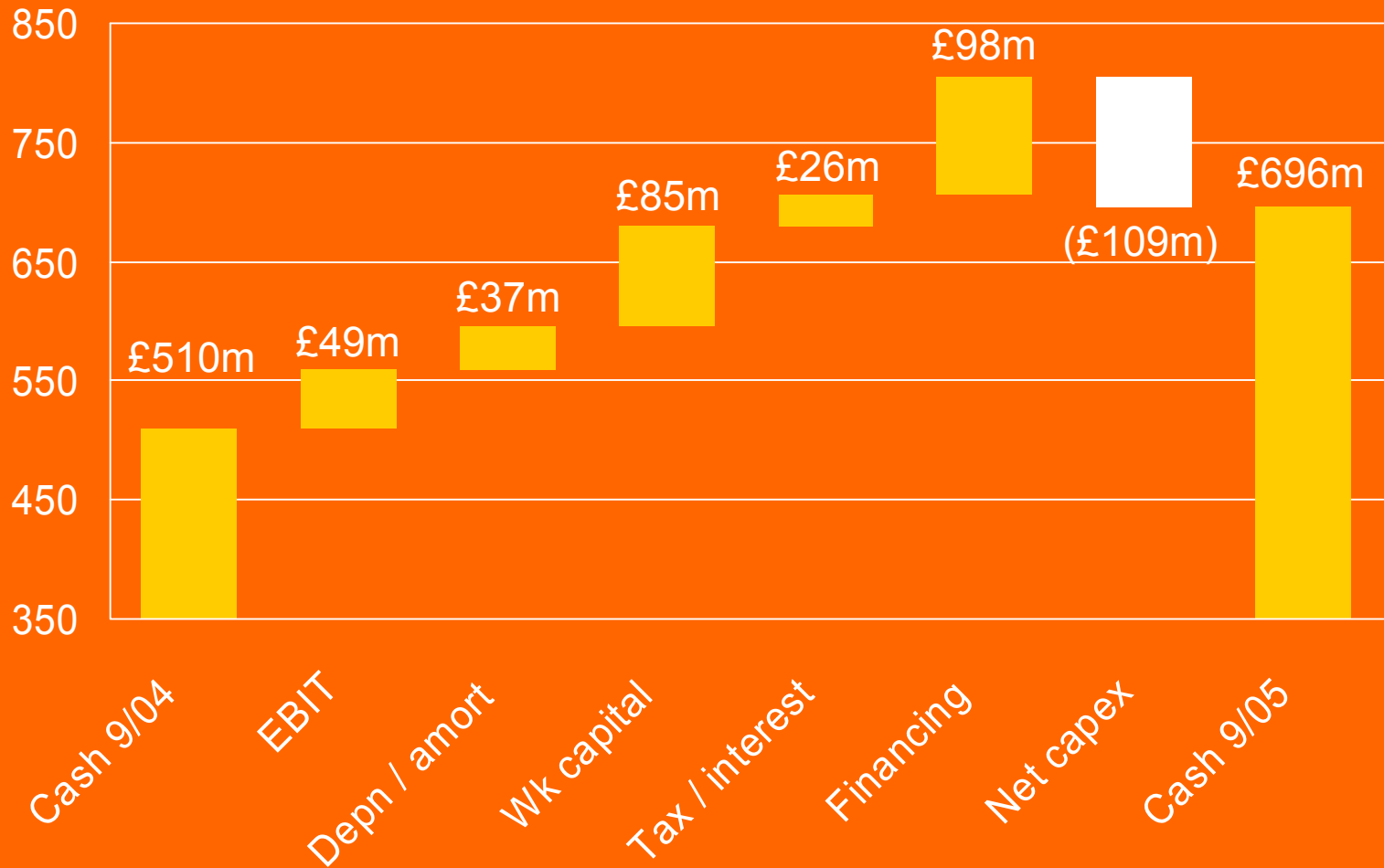
£m	2005	2004	Change
PBT (ex goodwill)	85	79	+ 8%
Tax	(25)	(21)	+ 20%
Net income (ex goodwill)	60	58	+ 3%
EPS (fully diluted)	14.7p	14.3p	+ 3%
Net income (reported)	43	41	+ 4%
EPS (fully diluted)	10.4p	10.1p	+ 3%

Strong balance sheet

£m	Sep 05	Sep 04
Aircraft (inc. deposits)	419	325
Cash	696	510
Goodwill	292	310
Other assets	204	180
Total assets	1,611	1,325
Debt	217	120
Other liabilities	554	416
Shareholders' funds	840	789
Total equity and liabilities	1,611	1,325
Gearing	31%	26%

Gearing defined as (debt + 7 x annual lease payments – cash) divided by (shareholders funds + debt + 7 x annual lease payments – cash)

Good cash generation



Business review: network expansion, fleet change

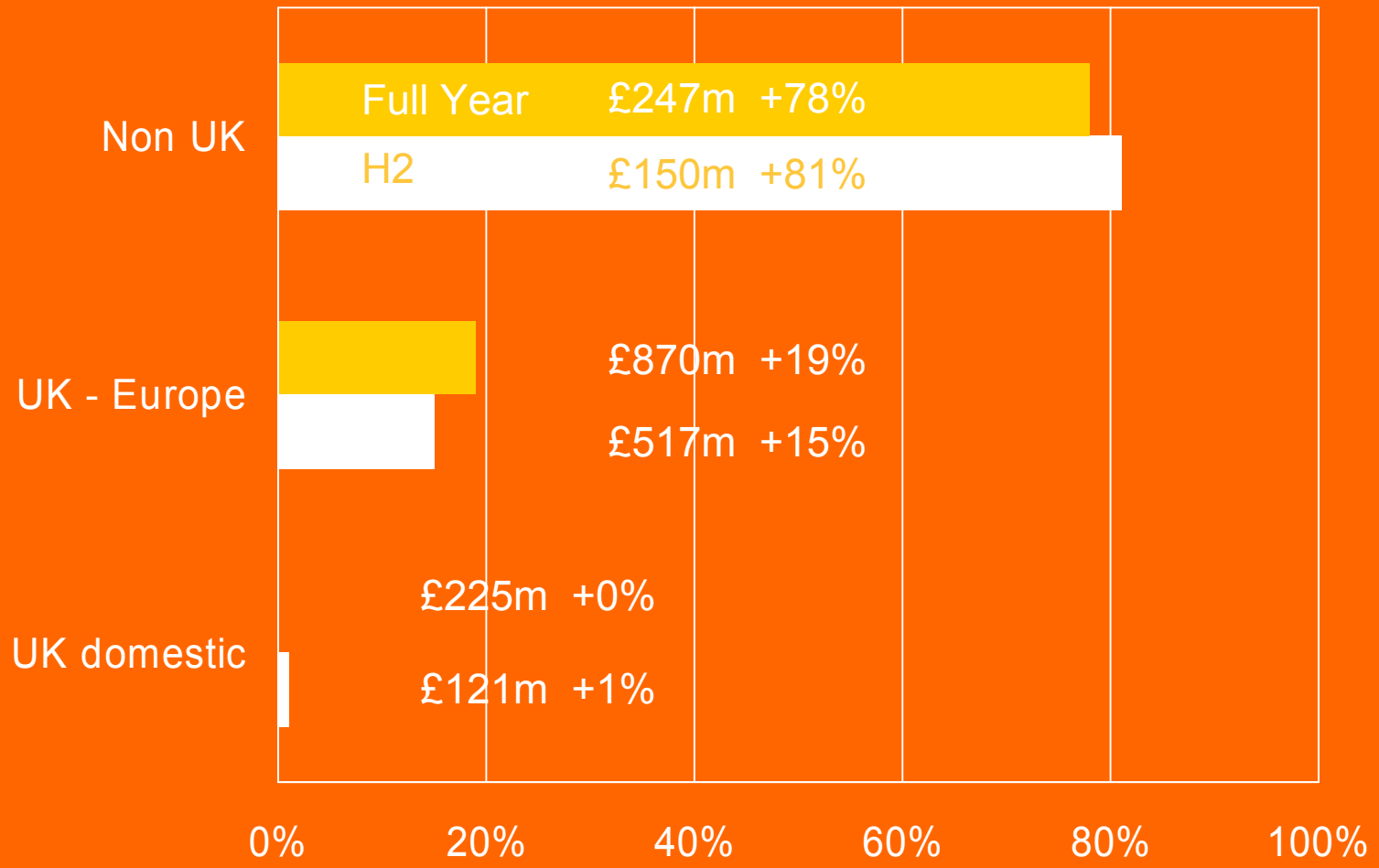
	Year end 2005	Year end 2004	Change
Bases	15	14	+ 1
Airports	64	44	+ 45%
Routes	212	153	+ 39%
Countries	18	13	+ 38%

Fleet:

B737-300	22	38	- 16
B737-700	32	33	- 1
A319	55	21	+ 34
Total	109	92	+ 17

Business review: rapid growth outside UK

Growth in revenue by location of route, vs last year



Business review: Germany on track

Contribution per block hour, first full year of operation

Current scale:

Berlin

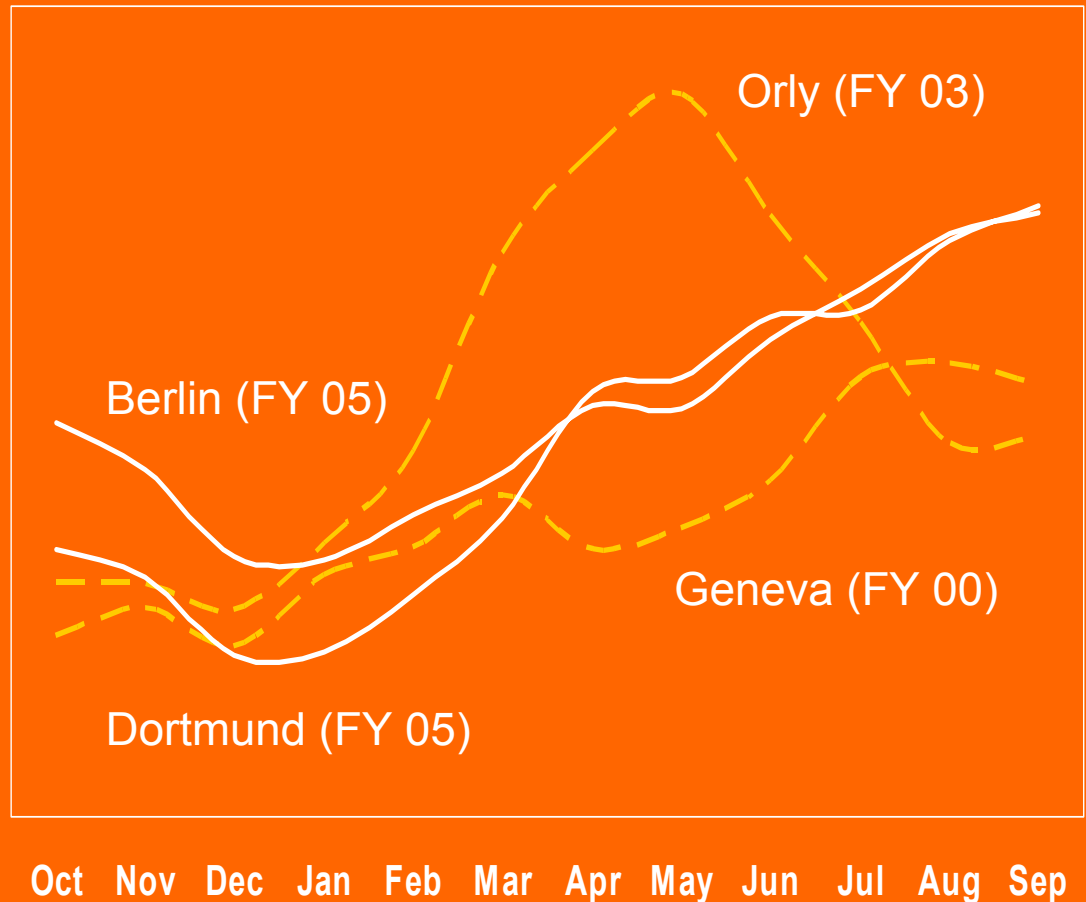
→ 7 aircraft

→ 26 routes

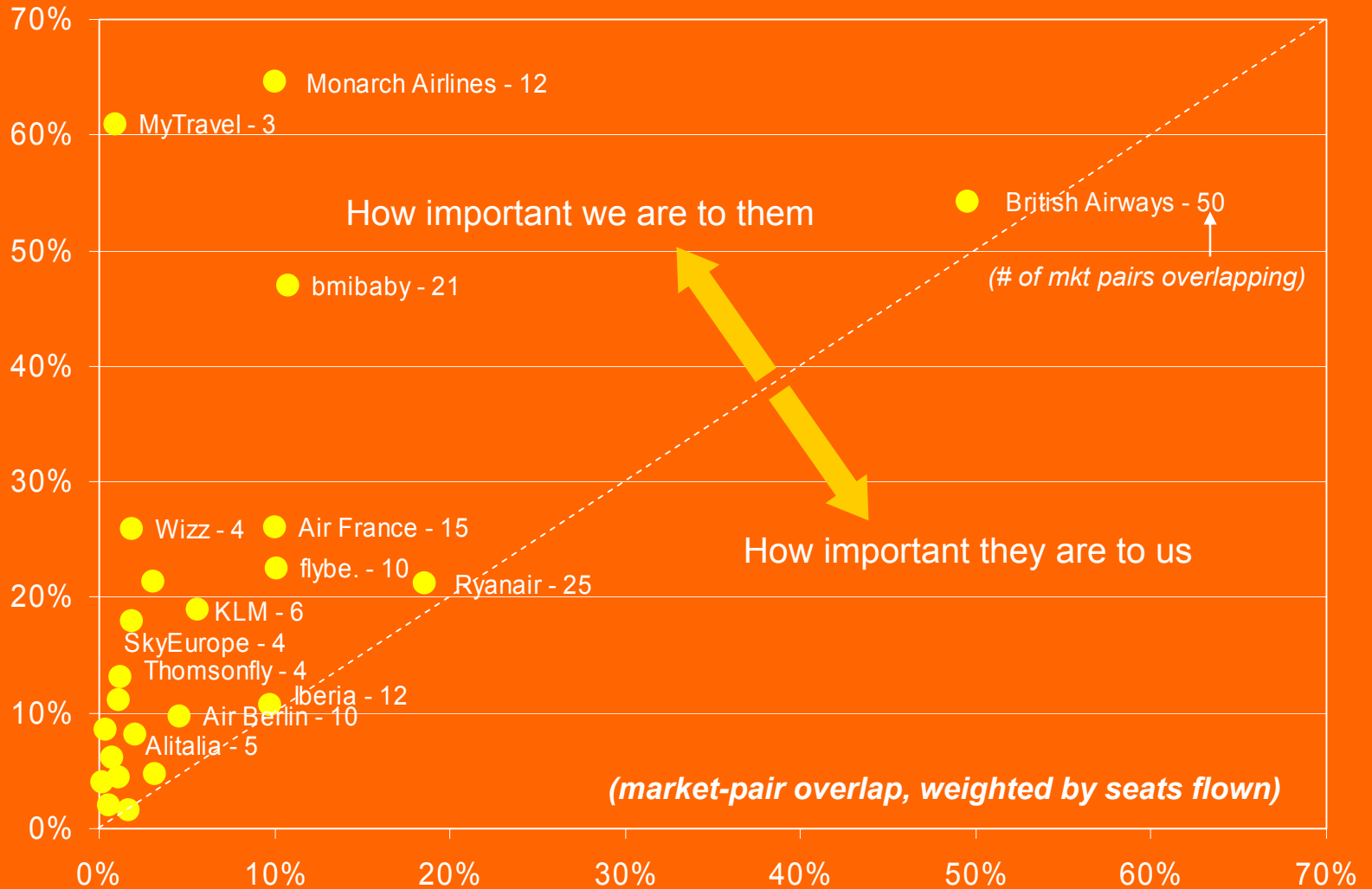
Dortmund

→ 3 aircraft

→ 11 routes



Business review: competition overlap analysis



Looking forward

- A new team at easyJet, with clear financial targets
- Capacity growth of 15%
- Fleet: exit of old B737-300s; addition of efficient A319s
- More expansion in Europe
- Less growth in soft UK market
- More to come on ancillaries
- More to come on cost

A new team at easyJet



Andrew Harrison – CEO
(Start date December 2005)



Jeff Carr – CFO
(Appointed March 2005)



Mike Szucs – COO
(Appointed October 2003)



Saad Hammad – Commercial Director
(Appointed November 2005)

New management financial targets

New financial target for the company based on RoE (from 2005 base of 7.4%):

	Threshold	Target
FY 2008	12.5%	15.0%

Additional net profit required per seat - based on current year:

	Threshold	Target
FY 2008	+ £ 1.30	+ £ 1.96

RoE defined as net profit after tax, before goodwill amortisation, divided by average shareholders' funds for the year

How we manage revenue



1. Determine three-year growth rate, with reference to market opportunities, RoE targets and value-creation objectives
2. Carry out continuous prospecting for potential new bases / markets, in order to maximise 18 month commercial opportunities
3. Continuously monitor marginal returns on existing routes, adjusting network where necessary
4. Maximise ancillary opportunities

Managing revenue: three-year capacity growth

Aircraft owned / leased at end of financial year

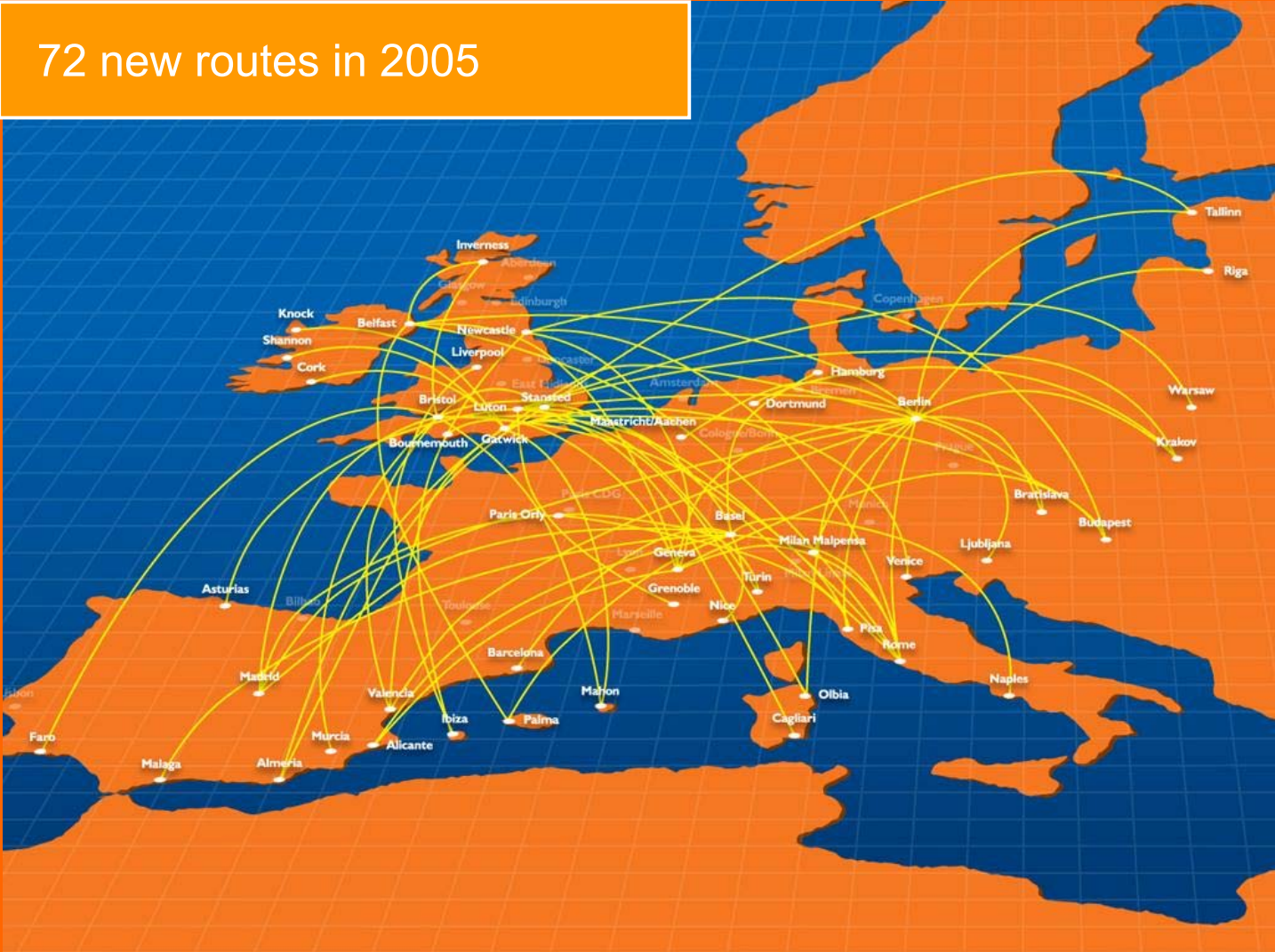


Managing revenue: operated fleet by base

Base	9/05	9/06	Base	9/05	9/06
Gatwick	16	+ 1	Belfast	5	
Luton	15	+ 1	Dortmund	3	+ 1
Stansted	13		Basel	3	+ 1
Bristol	8		Glasgow	3	
Berlin	7	+ 1	Edinburgh	3	
Liverpool	7		E Midlands	3	
Newcastle	6		Malpensa		+ 3
Paris Orly	5		<i>Tactical</i>	7	
Geneva	5	+ 1	<i>Unallocated</i>		+ 4

Managing revenue: active route development

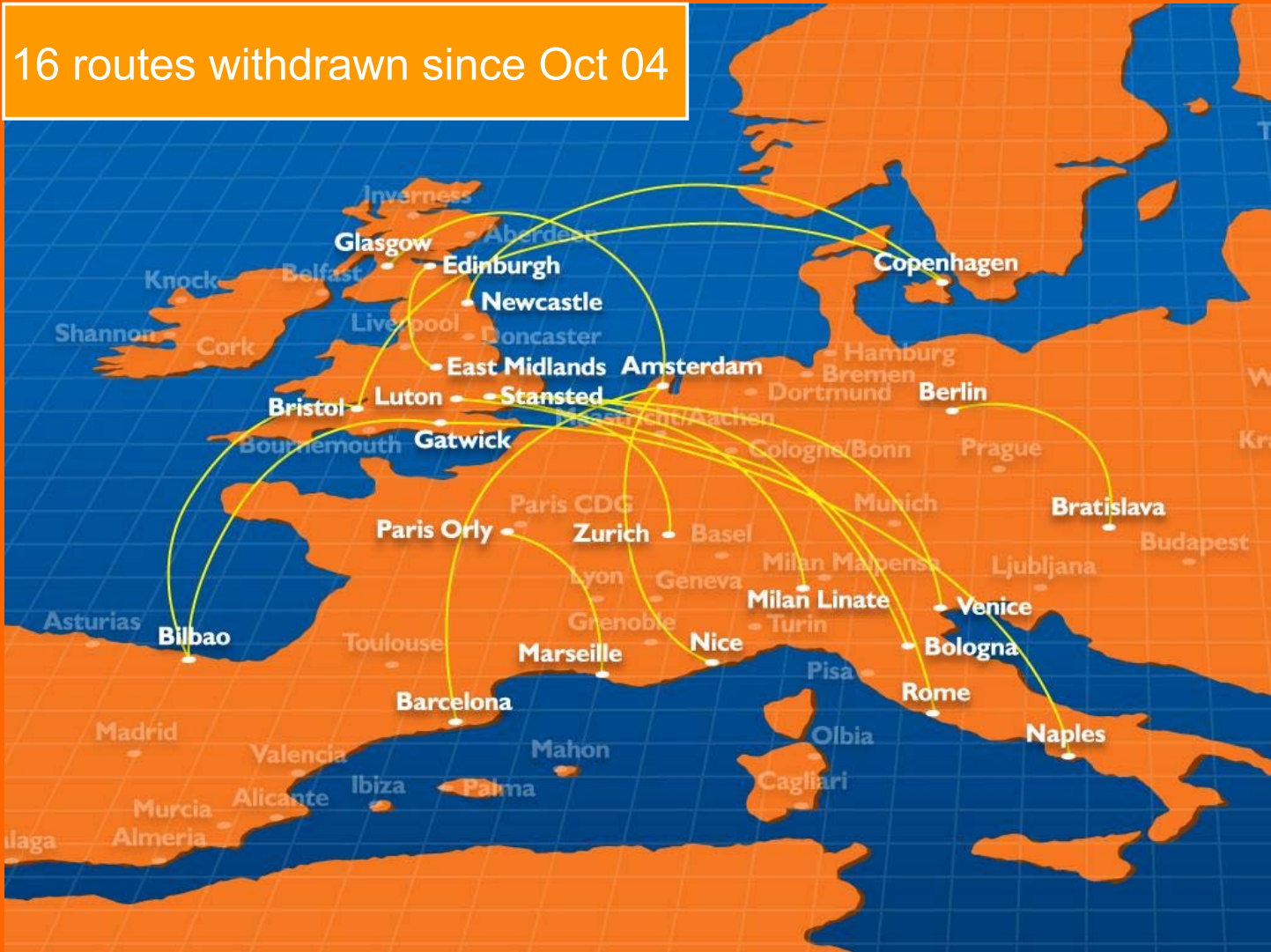
72 new routes in 2005



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Managing revenue: active pruning

16 routes withdrawn since Oct 04



Managing revenue: ancillary revenue per seat +37p

Conversion rates:

- Dynamic packaging intro during H2
- Insurance +350%
- Car hire +200%

Rate revisions:

- Sporting goods
- Infants
- Excess baggage
- Change fees



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→ 2006: full-year effect of insurance / car hire / rate revisions

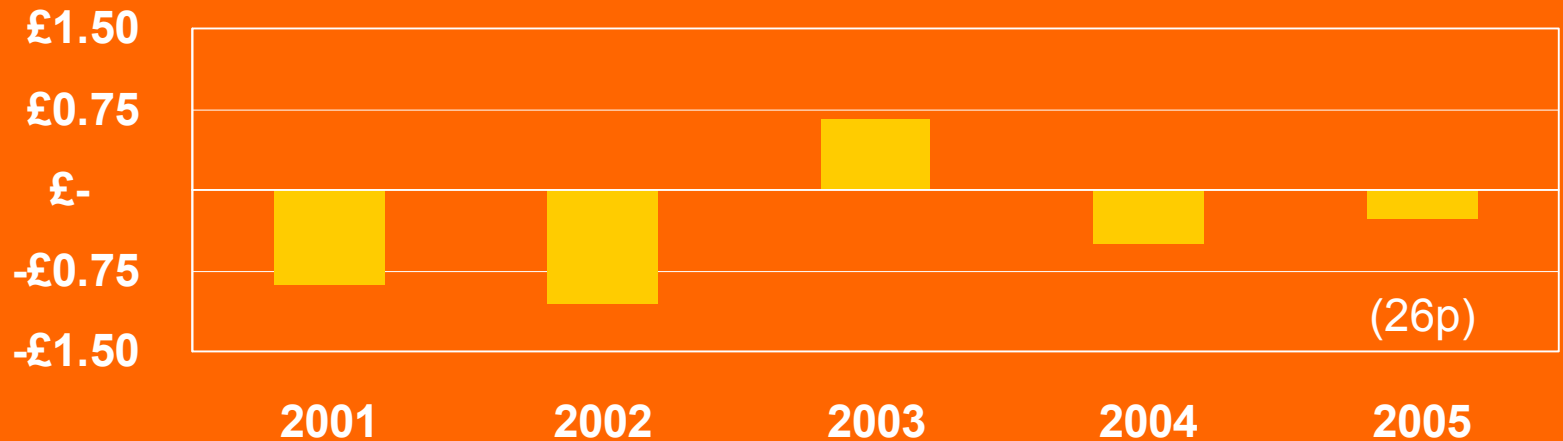
How we manage costs



1. Low-cost, high-utilisation fleet
2. Efficient crew
3. Aggressive review of all supplier agreements
4. Low cost head office

Managing costs: aircraft ownership

Change in aircraft ownership cost per seat

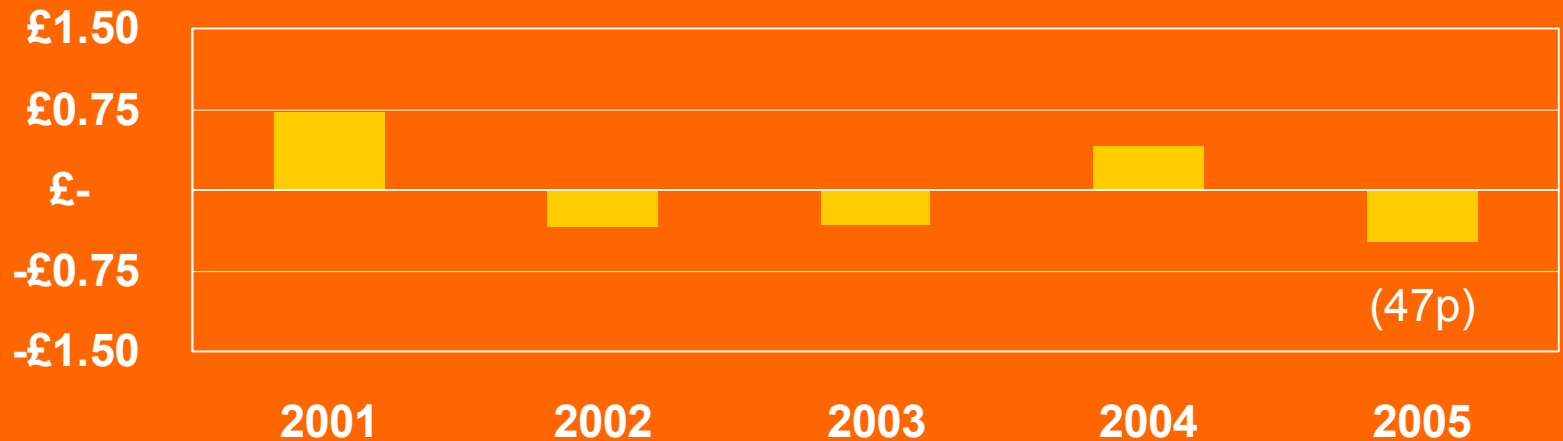


- Older, more expensive aircraft leaving the fleet; cheaper Airbuses coming in
- Optimisation of financing charges

→ 2006: continued review of financing for cost savings

Managing costs: crew

Change in crew / training cost per seat

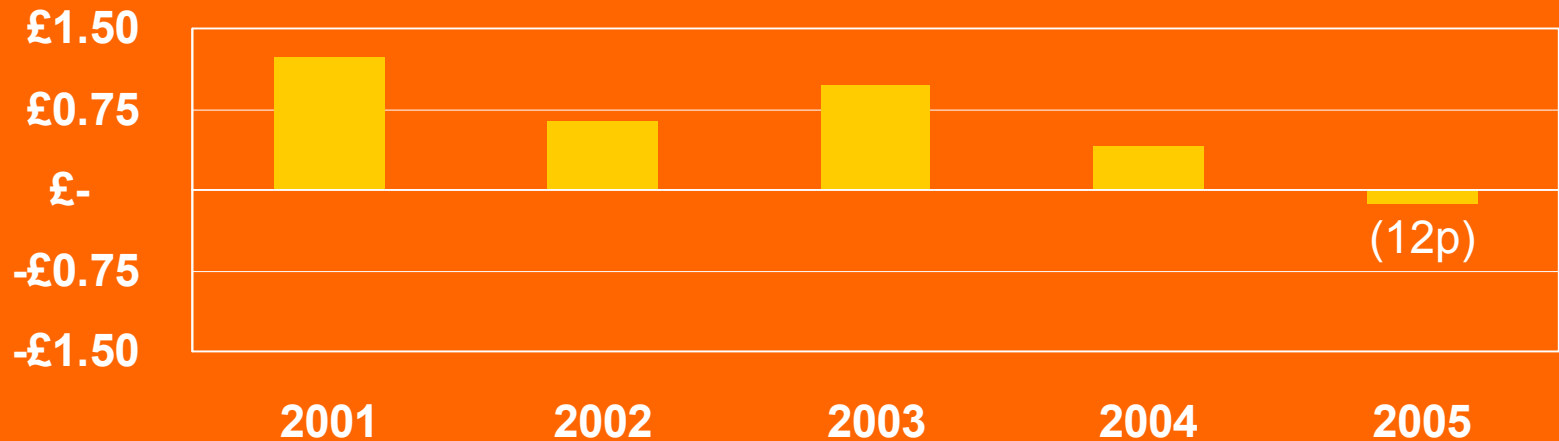


- Training volumes falling as one-off Airbus conversion costs drop out – cost benefit of £6.4m / 19p per seat in FY05
- Crew productivity returning to acceptable levels – cost benefit of £9.7m / 28p per seat in FY05

→ 2006: easyJet Academy will improve training cost efficiency

Managing costs: airports

Change in airport / handling cost per seat

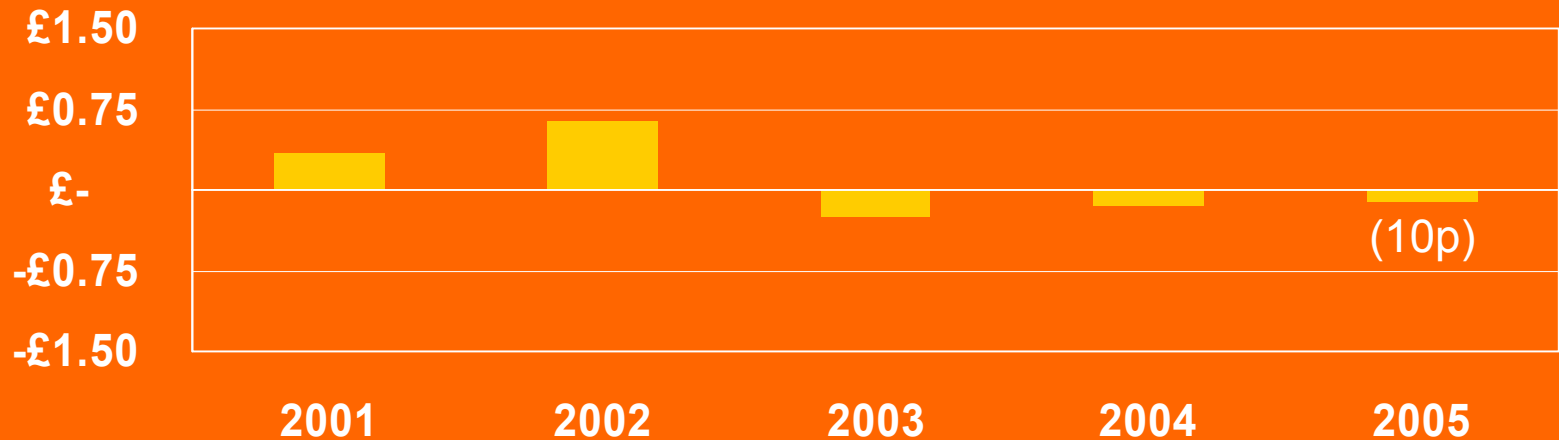


- Contract renegotiations at existing airports offset inflation effect of £7.6m / 22p per seat in FY05
- Mix effect – capacity reduction at high cost / low return airports + new, cheaper bases – delivered £6.5m / 19p per seat of cost benefit in FY05

→ 2006: Handling cost reductions in Switzerland, Spain, France

Managing costs: maintenance

Change in maintenance cost per seat

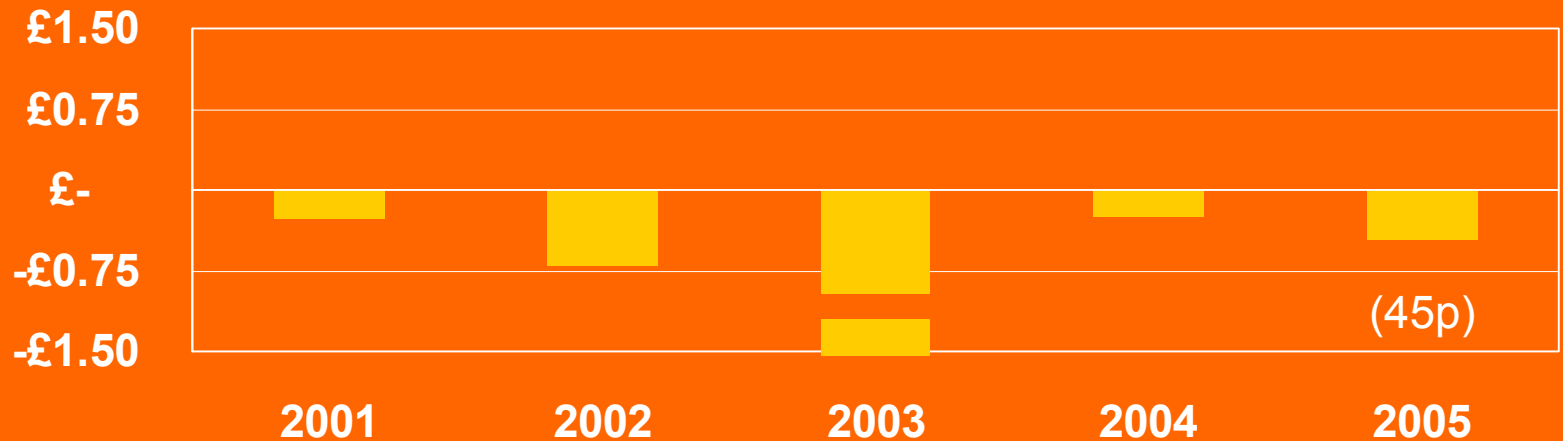


- SRT contract delivered £2.1m / 6p per seat of cost benefit FY05
- SRT contract will deliver more than £10m / 25p per seat of cost benefit in FY06; higher ratio of aircraft on the balance sheet and falling fleet age will deliver further P&L benefit

→ 2006: Boeing / Airbus engine contract to be negotiated

Managing costs: selling and other

Change in selling and other cost per seat



- Efficiency gains mean sales & marketing headcount fell from 293 to 246 in 2005
- Falls in aircraft insurance cost per seat, reflecting economies of scale, our safety record, and falling rates – cost benefit of £4.5m / 13p in FY05; £11.1m / 32p over last two years

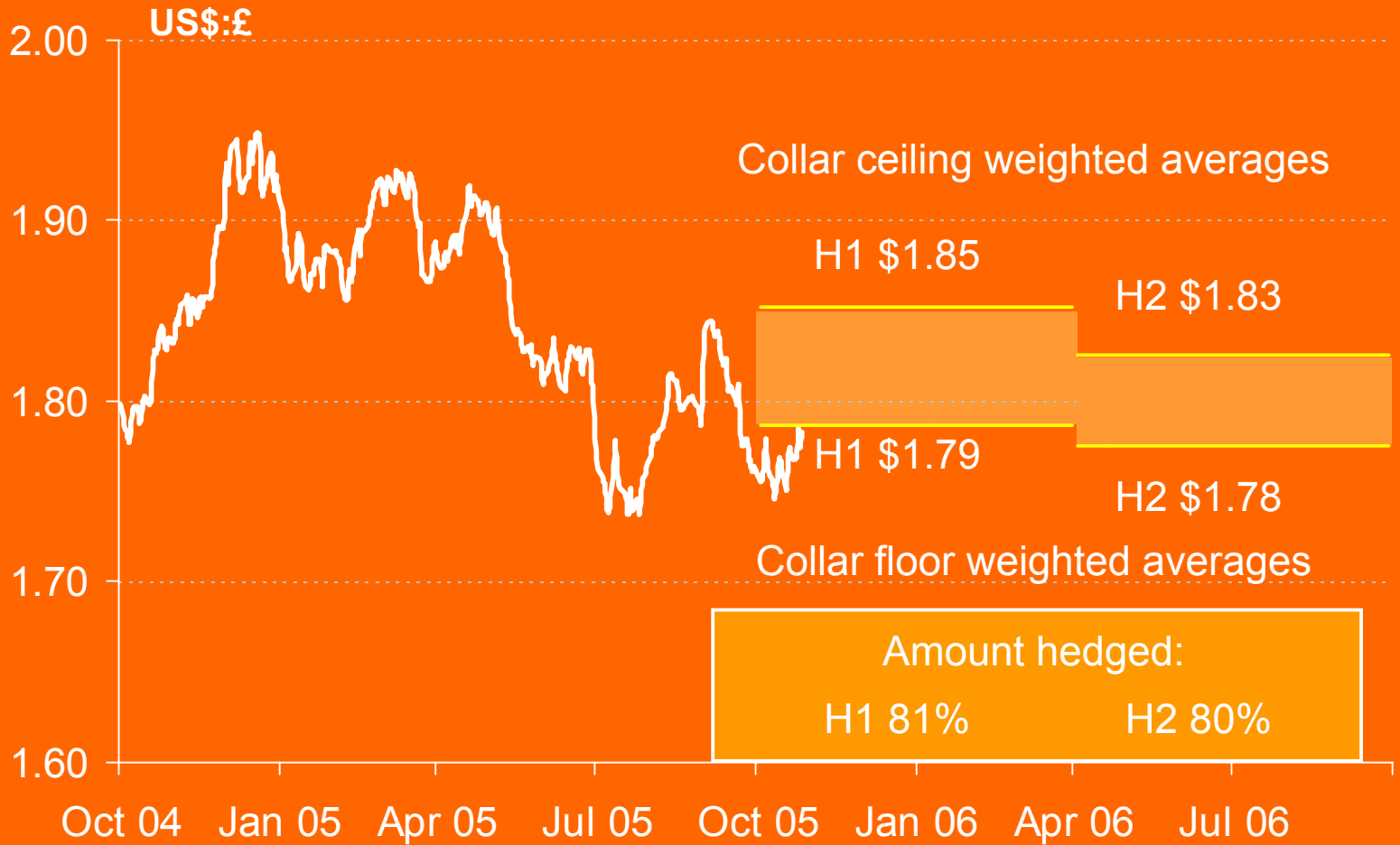
→ **2006: smaller, lower-cost HQ; further falls in insurance cost**

Managing costs: fuel hedging

Jet A1 price per tonne (US\$)



Managing costs: US\$ hedging



2006 outlook

- Capacity: 15% growth in seats
- Passenger revenue: we anticipate full year revenue per seat to be slightly down versus 2005
- Ancillary revenue: continued focus and new initiatives should result in double-digit growth per seat
- Cost ex-fuel: down 3% - 5% per seat
- Profit before tax (ex goodwill): mid to high single-digit percentage growth

Appendix



Operating statistics

	H2	Change	2005	Change
Seats (m)	18.6	+ 17.7%	34.7	+ 20.5%
Load Factor (%)	86.4	+ 0.9pp	85.2	+ 0.7pp
Passengers (m)	16.1	+ 19.0%	29.6	+ 21.4%
ASKs (m)	17,675	+ 22.3%	32,141	+ 26.3%
RPKs (m)	15,350	+ 23.9%	27,448	+ 27.3%
Stage Length (km)	950	+ 3.8%	926	+ 4.8%
Sectors	122,363	+ 16.2%	229,068	+ 18.8%

Calculated amounts

	H2	Change	2005	Change
Revenue per pax (£)	49.04	+ 1.7%	45.38	+ 1.3%
Cost / ASK (p)	3.90	+ 0.3%	3.96	- 1.9%
Cost / ASK (ex fuel) (£)	2.99	- 10.2%	3.15	- 9.0%
Cost / ASK (ex fuel / stage length)			3.18	- 5.7%