



Interim results for the 6 months to March 2005

24 May 2005

**25% INCREASE IN PASSENGERS. MARGINS MAINTAINED.**

- Revenues up by 26% to £553m with the pre-tax margin before goodwill maintained.
- Seasonal pre-tax loss before goodwill of £22m (2004: £19m). Reported pre-tax loss of £31m (2004: £27m).
- Passenger numbers up 25% to 13.5 m. Slight improvement in load factor to 83.8%.
- Total revenue per passenger up 1.1%. Per ASK down 5% reflecting longer stage length.
- Total cost per ASK down 5%.
- Strong cash generation with gross cash increasing by £127m to £637m.
- Balanced growth in network to 187 routes and 57 airports utilising 103 aircraft.

Commenting on the results and prospects, Ray Webster, Chief Executive, said:

*“This performance is in line with expectations. Much has been achieved in the last six months – growing passengers by a quarter, launching 40 new routes and inaugurating service to 14 new airports. We have just taken delivery of our 100th operational aircraft and welcomed our 100 millionth passenger. Both are major achievements in our 10th anniversary year.*”

*“We have made steady progress on costs and, so far, mitigated the impact of a higher fuel price. But there is more to do as we seek balanced growth, extending our reach in Europe while protecting our margins. easyJet is a financially strong company and is in a good position to capitalise on the opportunities in the European airline market.*”

*“Based on our current trading outlook, total revenue per seat for the year to September 2005 is likely to be unchanged compared to the same period last year.*”

*“At prevailing fuel prices and exchanges rates, we continue to expect reported pre-tax profit to be below last year but in line with current expectations.”*

**For further details please contact:**

**easyJet plc**

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There will be an analyst presentation at 9:30 hours BST on 24 May 2005 at CSFB, 32nd floor, Tower 42, EC2M 4AA. A live webcast of the presentation will be available at [www.easyJet.com](http://www.easyJet.com).

There will be an analyst and investor conference call at 14:00 hours BST on 24 May 2005. For further details, contact Sara Freeman at Financial Dynamics on 020 7269 7134.

## **Chairman's statement**

I am happy to report that easyJet has come through a challenging period in good shape, our business remains strong with impressive growth despite a very volatile fuel market and continuing competitive pressures.

Fuel now represents 18 per cent of our cost base and the high prices experienced over the winter months show little sign of abating. The additional cost of fuel in the period was £18 million. The management team has responded to the challenge with a successful programme to reduce costs elsewhere. As a result our cost per ASK has reduced by 5 per cent over the same period last year.

Our average fares remained stable compared with the previous year, demonstrating the attraction of the easyJet business model to our customers. We continue to work to improve the quality and number of ancillary offerings we make available to our customers. Consequently our ancillary revenue per passenger increased by 16 per cent, bringing an increase in total revenue per passenger of 1 per cent. This is in line with the outlook given in March.

We continue to enjoy high load factors, and 25% more passengers were carried in the period compared with the previous year. easyJet remains both Europe's largest low cost carrier and the low cost carrier of choice for Europe's air travellers.

On 16 May we announced that Ray Webster, the Chief Executive Officer, will be stepping down once the company has identified and appointed a successor, whereupon he will resign from the Board. Following this, he will then report direct to me, carrying out specified tasks for the company until 30 November 2006. Ray's leadership of the easyJet team for almost ten years has underpinned the sustained achievement of the business. We shall greatly miss his talents.

On the same day easyJet announced that Amir Eilon, who joined easyJet in 1999 and represents easyGroup on the board, will not offer himself for re-election at the next annual general meeting. I want to thank Amir for his guidance and counsel.

We have also decided to invite Stelios Haji-Ioannou, founder and major shareholder, to rejoin the board as a non-executive director with immediate effect. I am delighted that Stelios has accepted our invitation. His entrepreneurial skills and business acumen will be of great value to easyJet.

In March, Jeff Carr replaced Chris Walton as Group Finance Director. I am delighted that Jeff has joined our team and wish him well in his new role.

Much has been achieved in the last six months but the fuel price remains high and we continue to operate in a highly competitive marketplace. However, I am confident that easyJet has the right business model to meet these challenges and ultimately deliver improved returns to our shareholders.

**Sir Colin Chandler**  
**Chairman**  
**23 May 2005**

## Chief Executive's review

During the first six months of the 2005 financial year, easyJet has continued to grow successfully across Europe, saving consumers both time and money by providing low fare, direct point to point services between attractive European airports.

Key highlights in the growth of the business were as follows:

- 13.5 million passengers were carried, an increase of 25.0 per cent on the prior half year. In the period from January to March 2005, only Air France/KLM and Lufthansa carried more intra European passengers;
- Available Seat Kilometres (ASKs) increased by 32.2 per cent to 14,526 millions, as a result of an increase in sectors of 22.0 per cent, the effect of the larger Airbus A319 aircraft and an increase in stage length by 6.9 per cent to 903 kilometres;
- 40 new routes have been commenced, with a total of 187 at 31 March 2005. This included the addition of 14 new destinations (Almeria, Asturias, Bratislava, Cork, Grenoble, Knock, Krakow, Pisa, Riga, Shannon, Tallinn, Turin, Valencia and Warsaw). With four further new cities already announced for the summer (Cagliari, Maastricht, Murcia and Olbia), and Basel to be established as a new base, we have 61 airports on the easyJet network in 18 European countries;
- Our operating performance has continued to be strong, with 80% of flights arriving within 15 minutes of scheduled arrival (2004: 79 per cent) and 95 per cent of flights arriving within an hour (2004: 94 per cent);
- We took delivery of a further 16 new Airbus A319 aircraft, increasing the Airbus fleet size to 37 by 31 March 2005. Our operational fleet size reached 100 aircraft in April 2005; and
- The balance sheet was further strengthened: at 31 March 2005, we held £637 million of cash on the balance sheet, £127 million higher than at 30 September 2004.

Revenues remained resilient. Average net fares showed a small increase of 0.1%. This was partly attributable to the timing of Easter, which in 2004 was in April, but in 2005 was in March. A 16.1% increase in per passenger ancillary revenues resulted from a number of steps taken during the period to improve performance. The average sector length increased by 6.9 per cent to 903 kilometres. As a result, total revenue per ASK reduced by 4.8 per cent to 3.81 pence.

We have made good steady progress on cost. As a result of the efforts of our team and our increasing scale, we were able to reduce our cost per ASK by 5.4 per cent from 4.25 pence to 4.02 pence. This is despite a markedly higher fuel price.

As a result, the loss for the period before tax was £31 million, 14.2 per cent higher than last year. As a percentage of revenue the scale of the losses reduced from 6.2 per cent to 5.6 per cent.

easyJet is a company that constantly leads the industry by innovation and a few initiatives particularly stand out in the period:

- We took great steps in developing our website, easyJet.com. The site is now available in 15 languages; we added the facility for booking up to 40 passengers and introduced dynamic packaging of travel insurance. Our goal is for the easyJet website to always be the best airline web site available and not surprisingly, easyJet.com was recently voted the number one travel website by The Independent newspaper and was the only airline in the top 10.
- In March we were widely praised by the Air Transport Users Council for doing more than any other airline to be transparent with our pricing. But then we went one step further by being the first airline to announce a move to all-inclusive pricing later this summer. We expect others to follow us in this pro-consumer move.

## **Chief Executive's review (continued)**

- Also in March, we announced an innovative deal with BTI, the leading corporate travel arranger, which will give its clients access to our booking inventory and certain back-office systems which should result in an increase in easyJet's penetration of the lucrative corporate travel market.
- Throughout the half we have introduced self-check-in kiosks into Geneva and Berlin; this follows the successful trial in Nottingham (East Midlands). To date, more than one million customers have used the kiosks to check-in.

## **Outlook**

Based on our current trading outlook, total revenue per seat for the year to September 2005 is likely to be unchanged compared to the same period last year.

At prevailing fuel prices and exchanges rates, we continue to expect reported pre-tax profit to be below last year but in line with current expectations.

**Ray Webster**  
**Chief Executive**  
**23 May 2005**

## Operational and financial review

The following tables set forth certain consolidated operating and profit and loss account data:

Selected consolidated operating data (unaudited)	Six month period ended 31 March		Change
	2005	2004	%
Number of aircraft owned/leased at end of period <sup>(1)</sup>	<b>103.0</b>	83.0	24.1
Average number of aircraft owned/leased during period <sup>(2)</sup>	<b>96.1</b>	77.7	23.7
Number of aircraft operated at end of period <sup>(3)</sup>	<b>92.0</b>	77.0	19.5
Average number of aircraft operated during period <sup>(4)</sup>	<b>88.0</b>	72.9	20.7
Sectors <sup>(5)</sup>	<b>106,705</b>	87,453	22.0
Block hours <sup>(6)</sup>	<b>184,426</b>	145,518	26.7
Number of routes operated at end of period	<b>187</b>	115	62.6
Number of airports served at end of period	<b>57</b>	39	46.2
Owned/leased aircraft utilisation (hours per day) <sup>(7)</sup>	<b>10.6</b>	10.2	3.9
Operated aircraft utilisation (hours per day) <sup>(8)</sup>	<b>11.4</b>	10.9	4.6
Available seat kilometres (“ASK”)(millions) <sup>(9)</sup>	<b>14,526</b>	10,991	32.2
Passengers (millions) <sup>(10)</sup>	<b>13.5</b>	10.8	25.0
Load factor <sup>(11)</sup>	<b>83.8%</b>	83.3%	0.6
Revenue passenger kilometres (“RPK”)(millions) <sup>(12)</sup>	<b>12,150</b>	9,175	32.4
Average internet sales percentage during the period <sup>(13)</sup>	<b>95.5%</b>	95.3%	0.2
Average sector length (kilometres)	<b>903</b>	845	6.9
Average fare <sup>(14)</sup>	<b>£38.08</b>	£38.06	0.1
Revenue per ASK (pence) <sup>(15)</sup>	<b>3.81</b>	4.00	(4.8)
Cost per ASK (pence) <sup>(16)</sup>	<b>4.02</b>	4.25	(5.4)
Cost per ASK before goodwill and non-recurring items (pence) <sup>(17)</sup>	<b>3.94</b>	4.15	(5.1)

Footnotes can be found at the end of this section.

**Operational and financial review** *(continued)*  
**Results of operations**

(unaudited)	Six months ended 31 March				Change
	2005		2004		
	£ million	%	£ million	%	
Passenger revenue	513.6	92.8	412.3	93.8	24.6
Non ticket revenue <sup>(18)</sup>	39.7	7.2	27.4	6.2	44.9
Revenue <sup>(19)</sup>	<u>553.3</u>	<u>100.0</u>	<u>439.7</u>	100.0	25.8
Ground handling charges, including salaries	(62.8)	11.4	(52.9)	12.0	18.7
Airport charges	(105.3)	19.0	(85.4)	19.4	23.3
Fuel	(98.6)	17.8	(65.4)	14.9	50.8
Navigation charges	(49.9)	9.0	(37.7)	8.6	32.4
Crew costs, including training (including £2.7 million Airbus crew training costs in 2004)	(66.6)	12.0	(58.1)	13.2	14.6
Maintenance	(57.9)	10.5	(47.3)	10.8	22.4
Advertising	(18.7)	3.4	(13.9)	3.2	34.5
Merchant fees & incentive pay	(7.5)	1.4	(6.5)	1.5	15.4
Aircraft insurance	(9.6)	1.7	(9.4)	2.1	2.1
Other costs <sup>(20)</sup>	<u>(39.1)</u>	<u>7.1</u>	<u>(29.6)</u>	<u>6.7</u>	<u>32.1</u>
EBITDAR <sup>(21)</sup>	37.3	6.7	33.5	7.4	11.4
Depreciation	(8.5)	1.5	(10.5)	2.3	(19.0)
Accelerated depreciation of certain owned aircraft	(2.7)	0.5	(3.4)	0.8	(20.6)
Goodwill amortisation	(8.8)	1.6	(8.8)	2.0	0.0
Aircraft dry lease costs	<u>(58.5)</u>	<u>10.7</u>	<u>(42.5)</u>	<u>9.7</u>	<u>37.6</u>
Group operating loss (EBIT)	(41.2)	7.4	(31.7)	7.2	29.9
Share of operating profit of The Big Orange Handling Company	0.1	0.0	0.0	0.0	n/a
Net interest receivable	<u>9.9</u>	<u>1.8</u>	<u>4.4</u>	<u>1.0</u>	<u>125.0</u>
Loss before tax	(31.2)	5.6	(27.3)	6.2	14.2
Tax	8.9	1.6	7.6	1.7	17.1
Retained loss for the period	<u>(22.3)</u>	<u>4.0</u>	<u>(19.7)</u>	<u>4.5</u>	<u>13.1</u>
<i>Earnings per share (pence)</i>					
Basic	(5.59)		(4.97)		12.5
Diluted	(5.59)		(4.97)		12.5
Basic, before goodwill amortisation	(3.38)		(2.75)		22.9
Diluted, before goodwill amortisation	(3.38)		(2.75)		22.9
Basic, before goodwill amortisation and accelerated depreciation of certain owned aircraft	(2.92)		(2.14)		36.4
Diluted, before goodwill amortisation and accelerated depreciation of certain owned aircraft	(2.92)		(2.14)		36.4

*Footnotes can be found at the end of this section*

## ***Footnotes***

- (1) Represents the number of aircraft owned (including those held on lease arrangements of more than one month's duration) at the end of the relevant financial year.
- (2) Represents the average number of aircraft owned (including those held on lease arrangements of more than one month's duration) during the relevant financial year.
- (3) Represents the number of owned/leased aircraft in service at the end of the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those which have been delivered but have not yet entered service.
- (4) Represents the average number of owned/leased aircraft in service during the relevant financial year. Owned/leased aircraft in service exclude those in maintenance and those, which have been delivered but have not yet entered service.
- (5) Represents the number of one-way revenue flights.
- (6) Represents the number of hours that aircraft are in actual service, measured from the time that each aircraft leaves the terminal at the departure airport to the time that such aircraft arrives at the terminal at the arrival airport.
- (7) Represents the average number of block hours per day per aircraft owned/leased during the relevant financial year.
- (8) Represents the average number of block hours per day per aircraft operated during the relevant financial year.
- (9) Represents the sum by route of seats available for passengers multiplied by the number of kilometres those seats were flown.
- (10) Represents the number of earned seats flown by easyJet. Earned seats include seats that are flown whether or not the passenger turns up, because easyJet is generally 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 easyJet staff for business travel.
- (11) 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.
- (12) Represents the sum by route of passengers multiplied by the number of kilometres those passengers were flown.
- (13) Represents the number of seats initially sold over the internet divided by the total number of seats initially sold, during the relevant financial year. Sales that are originally made via the internet, but are later amended by phone, are included.
- (14) Represents the passenger revenue divided by the number of passengers carried.
- (15) Represents the total revenue divided by the total number of ASK's.
- (16) Represents the difference between total revenue and profit before tax, divided by the total number of ASK's.
- (17) Represents the difference between total revenue and profit before tax less the amounts charged in respect of goodwill amortisation and accelerated depreciation of owned aircraft.
- (18) Includes revenue from in flight sales, excess baggage charges, booking charge fees, credit card booking fees and commissions received from products and services sold such as hotel and car hire bookings and travel insurance.
- (19) When easyJet makes refunds to customers, it records refunds made in the pre-flight period as reductions in revenue and any refunds made post-flight as marketing expenses, included in "Other costs", above.
- (20) Includes principally administrative and operational costs not included elsewhere, the costs associated with short-term aircraft wet leases, insurance and any post-flight refunds, together with certain other items, such as currency exchange gains and losses and profit or loss on the disposal of fixed assets.
- (21) EBITDAR is defined by the company as earnings before interest, taxes, depreciation, amortisation and lease payments (excluding the maintenance reserve component of operating lease payments). Maintenance reserve costs are charged to the cost heading, "Maintenance".

## **Operational and financial review** *(continued)*

### **Half year 2005 compared with half year 2004**

#### ***Revenue***

easyJet's revenue increased by 25.8 per cent from £439.7 million to £553.3 million, from half year 2004 to half year 2005, driven by a 24.5 per cent growth in passenger numbers from 10.8 million to 13.5 million, and a 0.1 per cent increase in average fares. The number of passengers carried reflected an increase in the size of the easyJet fleet in operation from an average of 72.9 aircraft to an average of 88.0, and an increase in the average load factor achieved from 83.3 per cent to 83.8 per cent.

Revenue from non-ticket sources, within ongoing operations, includes in-flight sales of food and beverages, excess baggage charges, change fees, credit card booking fees and commissions received from products and services sold such as hotel and car hire bookings and travel insurance. In half year 2005, £39.7 million was earned from non-ticket sources, up 44.9 per cent from the prior half year.

The average sector length increased by 6.9 per cent to 903 kilometres. As a result, total revenue per ASK reduced by 4.8 per cent to 3.81 pence.

#### ***Ground handling charges, including salaries***

easyJet's ground handling charges increased by 18.7 per cent from £52.9 million to £62.8 million, from half year 2004 to half year 2005. The increase in third-party ground handling charges reflects the increase in the number of sectors flown, set off against a change in mix towards less expensive airports, where easyJet's growth has recently been centred.

#### ***Airport charges***

easyJet's external airport charges increased by 23.3 per cent from £85.4 million to £105.3 million from half year 2004 to half year 2005. This increase was attributable to the increase in the number of sectors flown.

#### ***Fuel***

easyJet's fuel costs increased by 50.8 per cent from £65.4 million to £98.6 million from half year 2004 to half year 2005. There has been a 41 per cent increase in easyJet's effective average unit US dollar fuel cost, compared with the previous year, resulting in additional costs to easyJet of approximately £29.8 million. The strengthening of the value of sterling against the US dollar, the currency in which fuel prices are denominated, over the course of half year 2005 provided a set off benefit of approximately £11.9 million. Therefore the cost increase net of foreign exchange was £17.9 million.

The fuel price, while declining from its peak over the last few weeks, remains high. Assuming an average market price of \$500 per metric tonne and prevailing foreign exchange rates, fuel costs in the second half would increase by approximately £41 million before the impact of additional flying, fleet changes and management action to reduce the cost base to mitigate the impact.

#### ***Navigation charges***

easyJet's navigation charges increased by 32.4 per cent from £37.7 million to £49.9 million from half year 2004 to half year 2005. This increase was principally attributable to the increased number of ASKs flown. Cost savings from lower unit charges were offset by on average heavier aircraft and the relative strength of the Euro compared to Sterling.

## **Operational and financial review** *(continued)*

### ***Crew costs, including training***

easyJet's crew costs increased by 14.6 per cent from £58.1 million to £66.6 million from half year 2004 to half year 2005. The increase in crew costs resulted from an increase in headcount during the half year 2005 to service the additional sectors and aircraft operated by easyJet during the year, set off against a reduction in the additional crew required during the migration of certain operations from Boeing to Airbus aircraft, which amounted to £2.7 million in half year 2004.

### ***Maintenance***

Maintenance expenses increased by 22.4 per cent from £47.3 million to £57.9 million from half year 2004 to half year 2005. easyJet's maintenance expenses consist primarily of the cost of routine maintenance and spare parts and provisions for the estimated future cost of heavy maintenance and engine overhauls on aircraft operated by easyJet pursuant to dry operating leases. The extent of the required annual maintenance reserve charges is determined by reference to the number of flight hours and cycles permitted between each engine shop visit and heavy maintenance overhaul on aircraft airframes. The increase in maintenance costs was largely due to the addition of further leased aircraft to the fleet during the year.

Aircraft financed by operating lease incur reserves for maintenance, while the corresponding maintenance effect for owned aircraft is dealt with through a depreciation charge under aircraft ownership.

### ***Advertising***

Advertising costs increased by 34.5 per cent per cent from £13.9 million to £18.7 million from half year 2004 to half year 2005. Spend per passenger was approximately 6.5 per cent higher than the previous year which is principally due to the costs of redesigning the easyJet brand with the new 'Come on, let's fly' campaign. Significant investment was also made supporting awareness in the German market, particularly in Berlin and Dortmund.

### ***Merchant fees and incentive pay***

Merchant fees and incentive pay increased by 15.4 per cent from £6.5 million to £7.5 million from half year 2004 to half year 2005. Merchant fees and incentive pay includes the costs of processing fees paid to credit card companies on all of easyJet's credit and debit card sales and the per-seat sold/transferred commission paid as incentive pay to easyJet's telesales staff. The increase is due to the increase in the numbers of passengers, set off against a reduction in unit costs as a result of contract renegotiation.

### ***Aircraft insurance***

Aircraft insurance costs increased by 2.1 per cent from £9.4 million to £9.6 million from half year 2004 to half year 2005. The increase is due primarily to the growth in passengers of 25.0 per cent. Set off against this is the strengthening of sterling against the US dollar, which provided a benefit of £1.1 million and a reduction of £1.0 million due to renegotiated unit rates.

### ***Other costs***

Other costs increased by 32.1 per cent from £29.6 million to £39.1 million from half year 2004 to half year 2005. Items in this cost category include administrative and operational costs (not included elsewhere) including some salary expenses. Also this cost category includes short-term aircraft wet leases, compensation paid to passengers, certain other items, such as currency exchange gains and losses and the profit or loss on the disposal of fixed assets. The major influence of this category of costs was the growth in the scope of the operation, and increased compensation costs caused by relatively poor winter weather and the new EU compensation arrangements.

## **Operational and financial review** *(continued)*

### ***Depreciation***

Depreciation charges reduced by 19.0 per cent from £10.5 million to £8.5 million from half year 2004 to half year 2005. The depreciation charge reflects depreciation on owned aircraft and capitalised aircraft maintenance charges, and also includes depreciation on computer systems and other assets. easyJet has owned an average of 6 B737-300 aircraft and 8 A319 aircraft during the half year 2005 (2004: 10 B737-300 aircraft and 6 A319 aircraft). The increase in depreciation reflects the additional number of owned aircraft set off against the 10.8 per cent improvement in the value of sterling against the US dollar, the currency in which the majority of easyJet's assets are denominated, and the additional depreciation of other assets such as spares and leasehold improvements.

### ***Accelerated depreciation***

In half year 2005, accelerated depreciation was charged on easyJet's remaining 737-300 aircraft, continuing the acceleration recognised in financial year 2004. One of the six 737-300 aircraft was sold during half year 2004. In half year 2004, the acceleration related to certain older 737-300 aircraft which have now been sold.

### ***Goodwill amortisation***

Goodwill amortisation charges were unchanged at £8.8 million in half year 2005 (half year 2004: - £8.8 million). The amortisation relates to the goodwill arising on the acquisitions of Go Fly and easyJet Switzerland.

### ***Aircraft dry lease costs***

easyJet's aircraft dry lease costs comprise the lease payments paid by easyJet in respect of those aircraft in its fleet operated pursuant to dry operating leases. Aircraft dry lease costs increased by 37.6 per cent from £42.5 million to £58.5 million from half year 2004 to half year 2005. This increase was principally due to a high proportion of new aircraft being introduced to the fleet during the period under operating lease rather than being retained as an owned aircraft. During the period 13 new leased aircraft were added to the fleet and five were retired. Over the period, easyJet has benefited from the strengthening of the value of sterling against the US dollar, the currency in which lease costs are denominated, and low dollar interest rates.

### ***Net interest***

Net interest reflects interest received or receivable by easyJet net of interest paid or payable. easyJet's net interest receivable increased from £4.4 million in half year 2004 to £9.9 million in half year 2005. Interest rates in the UK (the currency in which most interest is received) increased by approximately 1.0 percentage points between half year 2005 and half year 2004. Dollar interest rates, in which most interest is paid increased by approximately 1.2 percentage points between half year 2005 and half year 2004. Whilst the amount of loans increased, from £110.3 million to £128.7 million, due to strong cash generation, the cash balance increased from £340.4 million at 31 March 2004 to £636.9 million at 31 March 2005.

## **Operational and financial review** *(continued)*

### ***Taxation***

In half year 2005, easyJet recognised a tax credit of £8.9 million (half year 2004: tax credit of £7.6 million). The increase in the tax credit recognised is due to the increase in pre-tax losses.

### ***Retained profit for the year***

For the reasons described above, easyJet's retained loss after interest and taxes increased by 13.1 per cent from £19.7 million in half year 2004 to £22.3 million in half year 2005.

### ***Earnings per share***

The basic loss per share increased by 12.5 per cent from 4.97 pence in the half year 2004 to 5.59 pence in half year 2005.

The basic loss per share, before goodwill amortisation, increased by 22.9 per cent from 2.75 pence in half year 2004 to 3.38 pence in half year 2005.

The basic earnings per share, before goodwill amortisation and accelerated depreciation of certain owned aircraft increased by 36.4 per cent from 2.14 pence in half year 2004 to 2.92 pence in half year 2005.



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## **Independent review report by KPMG Audit Plc to easyJet plc**

### **Introduction**

We have been engaged by the company to review the financial information set out on pages 12 to 22 and we have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Listing Rules of the Financial Services Authority. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Listing Rules which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where they are to be changed in the next annual accounts in which case any changes, and the reasons for them, are to be disclosed.

### **Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4: *Review of interim financial information* issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2005.

**KPMG Audit Plc**

Chartered Accountants  
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23 May 2005

## Consolidated profit and loss account

	<i>Notes</i>	<b>Unaudited Six months ended 31 March 2005</b>	Unaudited Six months ended 31 March 2004	Year ended 30 September 2004
		<b>£ million</b>	£ million	£ million
<b>Turnover:</b> Group and share of joint ventures	2	554.3	440.2	1,092.4
Less : share of turnover of joint ventures		(1.0)	(0.5)	(1.4)
<b>Group turnover</b>		<b>553.3</b>	439.7	1,091.0
Cost of sales		(530.5)	(421.6)	(929.3)
<b>Gross profit</b>		<b>22.8</b>	18.1	161.7
Distribution and marketing expenses		(35.6)	(27.3)	(55.7)
Administrative expenses		(28.4)	(22.5)	(55.5)
<b>Group operating (loss)/ profit</b>		<b>(41.2)</b>	(31.7)	50.5
Share of operating profit of joint venture		0.1	-	0.2
<b>Total operating (loss)/profit: group and share of joint ventures</b>		<b>(41.1)</b>	(31.7)	50.7
Interest receivable and similar income		12.0	5.7	14.2
Interest payable		(2.1)	(1.3)	(2.7)
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(31.2)</b>	(27.3)	62.2
Tax on (loss)/profit on ordinary activities	4	8.9	7.6	(21.1)
<b>Retained (loss)/profit for the financial period</b>		<b>(22.3)</b>	(19.7)	41.1
		Pence	Pence	Pence
<b>Earnings per share</b>				
Basic	3	(5.59)	(4.97)	10.34
Diluted	3	(5.59)	(4.97)	10.11
Basic, before goodwill amortisation	3	(3.38)	(2.75)	14.64
Diluted, before goodwill amortisation	3	(3.38)	(2.75)	14.33
Basic, before goodwill amortisation and accelerated depreciation of certain owned aircraft	3	(2.92)	(2.14)	15.71
Diluted, before goodwill amortisation and accelerated depreciation of certain owned aircraft	3	(2.92)	(2.14)	15.38

All activities relate to continuing operations in the current and previous year.

## Consolidated balance sheet

	<i>Notes</i>	<b>Unaudited</b> <b>31 March 2005</b>	Unaudited 31 March 2004 (re-stated)	30 September 2004
		<b>£ million</b>	£ million	£ million
<b>Fixed assets</b>				
Intangible assets		300.8	321.0	309.6
Tangible assets		335.1	363.9	330.4
Investments				
Joint venture arrangements:				
Share of gross assets		0.5	0.4	0.6
Share of gross liabilities		(0.2)	(0.3)	(0.4)
		<b>0.3</b>	<b>0.1</b>	<b>0.2</b>
		<b>636.2</b>	<b>685.0</b>	<b>640.2</b>
<b>Current assets</b>				
Debtors		174.1	151.0	174.4
Cash at bank and in hand		636.9	340.4	510.3
		<b>811.0</b>	<b>491.4</b>	<b>684.7</b>
<b>Creditors:</b> amounts falling due within one year		<b>(425.6)</b>	<b>(309.7)</b>	<b>(314.7)</b>
<b>Net current assets</b>		<b>385.4</b>	<b>181.7</b>	<b>370.0</b>
<b>Total assets less current liabilities</b>		<b>1,021.6</b>	<b>866.7</b>	<b>1,010.2</b>
<b>Creditors:</b> amounts falling due after more than one year		<b>(182.3)</b>	<b>(101.2)</b>	<b>(157.7)</b>
<b>Provisions for liabilities and charges</b>		<b>(80.4)</b>	<b>(41.2)</b>	<b>(63.1)</b>
<b>Net assets</b>		<b>758.9</b>	<b>724.3</b>	<b>789.4</b>
<b>Capital and reserves</b>				
Called up share capital	6	99.8	99.8	99.8
Share premium account	6	554.2	554.2	554.2
Profit and loss account	6	104.9	70.3	135.4
<b>Shareholders' funds – equity</b>		<b>758.9</b>	<b>724.3</b>	<b>789.4</b>

This Interim Report was approved by the Directors on 23 May 2005.

## Cash flow information

### Reconciliation of operating profit to net cash flows from operating activities

	<b>Unaudited Six months ended 31 March 2005 £million</b>	Unaudited Six months ended 31 March 2004 £million	Year ended 30 September 2004 £ million
Group operating (loss)/profit	(41.2)	(31.7)	50.5
Goodwill amortisation	8.8	8.8	17.1
Depreciation of tangible fixed assets	11.2	13.9	25.3
Increase in debtors	(0.1)	(10.7)	(36.1)
Increase in creditors and provisions	148.6	58.3	103.7
	<hr/>	<hr/>	<hr/>
Cash flow from operating activities	127.3	38.6	160.5
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Consolidated cash flow statement

	<b>Unaudited Six months ended 31 March 2005 £ million</b>	Unaudited Six months ended 31 March 2004 £ million	Year ended 30 September 2004 £ million
Cash flow from operating activities	127.3	38.6	160.5
Returns on investments and servicing of finance	10.4	4.7	12.6
Taxation	3.4	(5.7)	(6.2)
Capital expenditure	(29.1)	(90.9)	(61.9)
Acquisitions and disposals	-	-	3.4
	<hr/>	<hr/>	<hr/>
Cash inflow/(outflow) before management of liquid resources and financing	112.0	(53.3)	108.4
Management of liquid resources	(18.1)	(1.1)	4.8
Financing	14.6	58.3	66.5
	<hr/>	<hr/>	<hr/>
Increase in cash in the period	108.5	3.9	179.7
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Cash flow information *(continued)*

### Reconciliation of net cash flow to movements in net funds

	Unaudited Six months ended 31 March 2005 £ million	Unaudited Six months ended 31 March 2004 £ million	Year ended 30 September 2004 £ million
Increase in cash in the period	108.5	3.9	179.7
Cash inflow from the increase in debt	(14.6)	(49.6)	(57.5)
Cash outflow/(inflow) for increase in liquid resources	18.1	1.1	(4.8)
	-----	-----	-----
Change in net funds resulting from cash flows	112.0	(44.6)	117.4
Exchange difference on loans	5.7	12.1	10.5
	-----	-----	-----
Increase/(decrease) in net funds for the period	117.7	(32.5)	127.9
Net funds at the start of the period	390.5	262.6	262.6
	-----	-----	-----
<b>Net funds at the end of the period</b>	<b>508.2</b>	<b>230.1</b>	<b>390.5</b>
	=====	=====	=====

Net funds at the end of the period comprises:

	Unaudited 31 March 2005 £ million	Unaudited 31 March 2004 £ million	30 September 2004 £ million
Cash at bank and in hand	636.9	340.4	510.3
Bank loans	(128.7)	(110.3)	(119.8)
	-----	-----	-----
	508.2	230.1	390.5
	=====	=====	=====

£32.4 million (31 March 2004 - £20.2 million; 30 September 2004 - £14.3 million) of the cash at bank and in hand is subject to restrictions governing its use.

## Consolidated statement of total recognised gains and losses

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2005</b> <b>£ million</b>	Unaudited Six months ended 31 March 2004 £ million	Year ended 30 September 2004 £ million
Retained (loss)/profit for the year	(22.3)	(19.7)	41.1
Foreign currency translation differences	(8.2)	(22.8)	(18.8)
	<hr/>	<hr/>	<hr/>
Total recognised gains and losses for the period	<b>(30.5)</b>	(42.5)	22.3
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Consolidated reconciliation of movements in shareholders' funds

	<b>Unaudited</b> <b>Six months ended</b> <b>31 March 2005</b> <b>£ million</b>	Unaudited Six months ended 31 March 2004 £ million	Year ended 30 September 2004 £ million
<b>Retained (loss)/ profit for the year</b>	<b>(22.3)</b>	(19.7)	41.1
Foreign currency translation differences	(8.2)	(22.8)	(18.8)
Shares issued by easyJet plc	-	15.9	15.9
Movement in shares held by easyJet trustees	-	-	0.2
Movement in reserves for employee share scheme	-	(7.2)	(7.1)
	<hr/>	<hr/>	<hr/>
<b>Net addition to shareholders' funds</b>	<b>(30.5)</b>	(33.8)	31.3
Opening shareholders' funds	789.4	758.5	758.1
	<hr/>	<hr/>	<hr/>
<b>Closing shareholders' funds</b>	<b>758.9</b>	724.7	789.4
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

## Notes to the Interim Statements

### 1 Basis of preparation of interim financial information

The financial information contained in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985.

The unaudited consolidated profit and loss account and balance sheet for the half years ended 31 March 2004 and 31 March 2005 have been prepared on a basis consistent with the statutory accounts for the year ended 30 September 2004. The comparative figures for the period ended 30 September 2004 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the Registrar of Companies. The report of the auditor was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

#### *Implementation of UITF 38*

The Accounting Standards Board issued UITF Abstract 38 – “Accounting for ESOP trusts” in December 2003. The abstract is effective for accounting periods ending on or after 22 June 2004. The abstract requires that shares which have been issued, but which are held by the employee share trusts, are deducted from equity rather than shown as an asset on the balance sheet. As a result, an adjustment of £0.4 million has been made at 31 March 2004 to re-state 195,737 shares previously disclosed within debtors. There is no impact on the profit and loss account in either the current or prior financial year.

### 2 Turnover and segmental analysis

All revenues derive from the group's principal activity as an airline and include scheduled services, in-flight and related sales. Substantially all of the group's external revenues are earned by companies incorporated in the United Kingdom.

The geographical analysis of turnover is as follows:

	<b>Unaudited Six months ended 31 March 2005 £ million</b>	Unaudited Six months ended 31 March 2004 £ million	Year ended 30 September 2004 £ million
Within the United Kingdom	<b>103.6</b>	104.0	224.1
Between the United Kingdom and the Rest of Europe	<b>353.0</b>	280.5	728.5
Within the Rest of Europe	<b>96.7</b>	55.2	138.4
	<hr/> <b>553.3</b> <hr/>	<hr/> 439.7 <hr/>	<hr/> 1,091.0 <hr/>

All revenue from easyJet's joint ventures (share £1.0 million in six months ended 31 March 2005) was derived within the United Kingdom.

All the group's operating profit arises from airline-related activities.

The only revenue earning assets of the group are its aircraft fleet. Since the group's aircraft fleet is employed flexibly across its route network, there is no suitable basis of allocating such assets and related liabilities geographically.

### 3 Earnings per share

Basic earnings per share has been calculated by dividing the profit or loss for the period retained for equity shareholders by the weighted average number of shares in issue during the year after adjusting for changes to the capital structure of the group.

## Notes to the Interim Statements *(continued)*

### 3 Earnings per share *(continued)*

The calculation for diluted earnings per share uses the weighted average number of ordinary shares in issue adjusted by the effects of all dilutive potential ordinary shares. The dilution effect is calculated on the full exercise of all ordinary share options granted by the group including other share schemes, which the group considers to have been earned. The calculation compares the difference between the exercise price of exercisable share options, weighted for the period over which they were outstanding during the year, with the average daily mid-market closing price over the period when they were in existence as options.

The earnings per share are based on the following:

	<b>Unaudited Six months ended 31 March 2005</b>	Unaudited Six months ended 31 March 2004	Year ended 30 September 2004
(Loss)/profit for the period retained for equity shareholders (£ million)	<b>(22.3)</b>	(19.7)	41.1
	=====	=====	=====
	<b>Number</b>	Number	Number
Weighted average number of ordinary shares in issue during the period used to calculate basic earnings per share (000's)	<b>399.1</b>	396.3	397.7
	=====	=====	=====
Weighted average number of dilutive share options used to calculate dilutive earnings per share (000's)	<b>N/A</b>	N/A	8.7
	=====	=====	=====

The derivation of profit for the calculation of adjusted EPS before goodwill amortisation is as follows. This measure has been chosen to show the performance excluding goodwill amortisation, which is a significant non cash balance in the profit and loss account:

	<b>Unaudited Six months ended 31 March 2005 £ million</b>	Unaudited Six months ended 31 March 2004 £ million	Year ended 30 September 2004 £ million
(Loss)/profit for the period retained for equity shareholders	<b>(22.3)</b>	(19.7)	41.1
Add back: goodwill amortisation	<b>8.8</b>	8.8	17.1
	=====	=====	=====
	<b>(13.5)</b>	(10.9)	58.2
	=====	=====	=====

## Notes to the Interim Statements (continued)

### 3 Earnings per share (continued)

The derivation of profit for the calculation of adjusted EPS before goodwill amortisation and accelerated depreciation of certain owned aircraft is as follows. This measure has been chosen because it removes the effects of non-recurring items, significant non-cash items and items which have had a disproportional effect on the earnings of the business during the year:

#### Half year ended 31 March 2005 (unaudited):

	Pre-tax amount £ million	Tax effect £ million	Post-tax amount £ million
Loss for the period retained for equity shareholders	(31.2)	8.9	(22.3)
Add back:			
Goodwill amortisation	8.8	-	8.8
Accelerated depreciation of certain owned aircraft	2.7	(0.8)	1.9
	<u>(19.7)</u>	<u>8.1</u>	<u>(11.6)</u>

#### Half year ended 31 March 2004 (unaudited):

	Pre-tax amount £ million	Tax effect £ million	Post-tax amount £ million
Loss for the period retained for equity shareholders	(27.3)	7.6	(19.7)
Add back:			
Goodwill amortisation	8.8	-	8.8
Accelerated depreciation on certain owned aircraft	3.4	(1.0)	2.4
	<u>(15.1)</u>	<u>6.6</u>	<u>(8.5)</u>

#### Year ended 30 September 2004:

	Pre-tax amount £ million	Tax effect £ million	Post-tax Amount £ million
Profit for the year retained for equity shareholders	62.2	(21.1)	41.1
Add back:			
Goodwill amortisation	17.1	-	17.1
Accelerated depreciation of certain owned aircraft	6.1	(1.8)	4.3
	<u>85.4</u>	<u>(22.9)</u>	<u>62.5</u>

## Notes to the Interim Statements *(continued)*

### 4 Taxation

The taxation charge is made up as follows:

	<b>Unaudited Six months ended 31 March 2005 £ million</b>	Unaudited Six months ended 31 March 2004 £ million	Year ended 30 September 2004 £ million
Current taxation:			
UK corporation tax	<b>(9.3)</b>	(8.0)	9.2
Overseas taxation	<b>0.4</b>	0.4	1.2
	<hr/>	<hr/>	<hr/>
Total current taxation	<b>(8.9)</b>	(7.6)	10.4
Deferred taxation	-	-	10.7
	<hr/>	<hr/>	<hr/>
Total taxation (credit)/charge	<b>(8.9)</b>	(7.6)	21.1
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Effective tax rate	<b>28.5%</b>	27.8%	33.9%

The effective tax rate in the six months ended 31 March 2005 is different from the standard rate of tax principally due to the overall loss making position of the group. Whilst overseas profits have been taxed at the relevant effective tax rates in those countries, in the UK easyJet has made taxable losses. In addition, easyJet Switzerland, a group member, has the benefit of an exemption from communal and cantonal taxes in Switzerland until 1 January 2008, subject to meeting certain conditions. The effective tax rate in Switzerland at present is 7.8%, but will rise to 26.0% from 1 January 2008 assuming that tax rates remain unchanged.

## Notes to the Interim Statements (continued)

### 5 Dividends

No dividends have been paid or proposed in the period ended 31 March 2005 or during the comparative accounting periods.

### 6 Share capital and reserves

	Share capital £ million	Share premium £ million	Profit and loss account £ million	Total £ million
At 1 October 2004	99.8	554.2	135.4	789.4
Retained loss for the period	-	-	(22.3)	(22.3)
Foreign currency translation differences	-	-	(8.2)	(8.2)
<b>At 31 March 2005</b>	<b>99.8</b>	<b>554.2</b>	<b>104.9</b>	<b>(758.9)</b>

As described in note 1, in accordance with UITF 38, 207,904 shares (31 March 2004: - 195,737 shares; 30 September 2004: - 194,842 shares) which have been issued, but have not vested unconditionally with the employees, have been excluded from equity. These shares are held by easyJet Trustees, the trust managing employee share schemes.

### 7 Post balance sheet events

In April 2005, easyJet entered into a binding agreement with companies owned by Oak Hill Special Opportunities Fund LP for the sale of four owned Boeing 737-300 aircraft. The net sales value was broadly equivalent to book value.

### 8 Contingent liabilities

In 2002, Navitaire Inc. (“Navitaire”), a former supplier of airline reservation software to easyJet Airline Company Limited, a group company, issued proceedings against that group company alleging copyright infringement in relation to airline reservations software. easyJet Airline Company Limited vigorously defended the claims. In July 2004, judgment was given on the proceedings in the UK, which found that in all material respects, easyJet had not infringed any copyrights. Since then, easyJet has become entitled to an interim award of costs. However, Navitaire may take leave to appeal, or refer the case to the European Court of Justice. Proceedings have also been brought in the United States. The directors consider that, in the event of Navitaire being successful in any claim, any award of damages is unlikely to be material to the group.

Certain easyJet cabin crew, in conjunction with Amicus and the Transport and General Workers Union, have claimed that a proportion of their sector pay should be included in calculating holiday pay entitlement. easyJet is vigorously defending these claims. The directors consider that the costs of any adverse judgement are unlikely to be material.

The group is involved in a number of other various disputes or litigation in the normal course of business. Whilst the results of such disputes cannot be predicted with certainty, the Company believes that the ultimate resolution of these disputes will not have a material effect on the Group’s financial position or results.

## **Notes to the Interim Statements** *(continued)*

### **9 International Financial Reporting Standards ('IFRS')**

easyJet is preparing for the adoption of IFRS. At 30 September 2005, easyJet will include an update on its progress in the annual report and financial statements. easyJet will produce IFRS compliant accounts reconciled to UK GAAP in early 2006. For the year ending 30 September 2006, easyJet will produce fully IFRS compliant interim and final financial statements. Progress on the project is on time according to the project plan set out in the financial statements for the year ended 30 September 2004.

### **10 Shareholdings**

The percentage of easyJet shares owned by non-UK parties was 38.94% at 23 May 2005.