easyJet Plc
Interim results for the 6 months to 31 March 2006 **3 May 2006**

RESULTS AHEAD OF EXPECTATIONS; GUIDANCE UPGRADED

- Pre-tax loss of £40m, better than expectations; good first half performance despite unit fuel costs up 49% (£55m) or £3.01 per seat.
- Cost reduction momentum continues: costs per seat excluding fuel down 6.2% or £1.84 per seat from £29.59 to £27.75.
- Total revenue per seat up 0.8% in the spite of the effect of Easter falling in the first half in 2005 and the second half in 2006.
- Ancillary revenues significantly improved, up 31% or £0.76 per seat.
- 14.9m passengers carried, up 10.1%.
- Strong balance sheet with cash increasing by £59m to £726m.
- Continued growth in network to 235 routes and 67 airports, utilising 110 aircraft.
- 28 new routes and 4 new destinations started operating in the period with 8 further new cities announced for summer 2006.
- Continued strong operating performance with 80% of flights arriving within 15 minutes of scheduled arrival and 96% arriving within an hour.

Commenting on the results, Andy Harrison, Chief Executive, said:

"easyJet's growth continues unabated, based on our unique and outstanding customer proposition of the lowest fares, convenient airports and customer care. We grew our revenues by 14% in the first half, launching 28 new routes and inaugurating services to our newest base in Milan Malpensa.

"We are encouraged by our first half performance, which is slightly ahead of our expectations at the time of our AGM in February. Successful cost reduction and revenue improvements, especially in ancillaries have largely offset the considerable hike in fuel prices and the effect of Easter moving from the first half in 2005 to the second half in 2006.

"Our stronger than expected first half performance and a good Easter provide the basis for an improved full year outlook. We are conscious that we have a big summer ahead, that the price of oil remains a risk, and we continue to operate in a highly competitive environment. Notwithstanding these uncertainties, we now anticipate full year passenger revenue per seat to be broadly in line with 2005, and expect ancillary revenue to grow at around twenty per cent per seat for the full year. Our continued cost management should result in a fall of approximately five per cent per seat excluding fuel. We assume the price of Jet fuel will stay around current levels and we maintain a neutral view on exchange rates. Overall, we now expect pre-tax profit to grow by ten to fifteen per cent compared with 2005."

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There will be an analyst presentation at 9:00 am on 3 May 2006 at ABN AMRO, 3rd floor, 250 Bishopsgate, EC2M 4AA. A live webcast of the presentation will be available at www.easyJet.com.

There will be an analyst and investor conference call at 2:00 pm on 3 May 2006. For further details, contact Helen Lutman at Financial Dynamics on 020 7269 7153.

Chairman's statement

The twin virtues of optimising revenues and reducing costs have continued to be the main objectives of easyJet's management team during the first half of this financial year. The results demonstrate their success with ancillary revenues increasing by 31% per seat over the same period last year and although passenger revenue per seat showed a decline of 1.5%, the lucrative Easter period fell outside the first half of this year but was within it in 2005. Performance on cost reduction, excluding fuel, was exemplary with the drive from the previous year being sustained. The previous year saw a reduction of 4.4% but in the first half of this year, a reduction of 6.2% was achieved.

Our passenger numbers increased by 10% over the same period last year with customers attracted, as before, by easyJet's winning combination of routes, frequencies, convenient airports and a young and reliable fleet of aircraft. This combination gives us confidence to continue expanding the business across the network and in the creation of new routes.

All of these achievements have been made in the face of tough competition and of high prices for oil. They reflect much credit on the leadership of easyJet by the management team and on all of our people. In September 2005, shareholders voted for the Long Term Incentive Programme, which provides the management team with targets to double the Company's return on equity from a figure of 7.1% in 2005 to 15% in 2008. These are challenging targets but I am encouraged by the start that has been made.

During this period, the Board of Directors was strengthened by the appointment of two non-executive directors, Professor Rigas Doganis and David Michels. Rigas is something of a legend in aviation, having been visiting professor in Air Transport Management at Cranfield University with a particular focus on low cost airlines. He is currently Chairman of the European Aviation Club in Brussels, a non-executive director of South African Airways and a director of Hyderabad International Airport Ltd. David, who until recently was Group Chief Executive at Hilton Group plc, is a non-executive director of The British Land Company plc and Marks and Spencer Group plc. As the Senior Independent Non-Executive Director, he brings to the Board unrivalled experience of the travel industry and considerable expertise in listed companies.

This has been a good start to the year and backed by a strong Board and barring unforeseen circumstances, I remain confident in the ability of the easyJet team to continue to enhance shareholder value, during the remainder of the year and beyond.

Sir Colin Chandler
Chairman
2 May 2006

Chief Executive's review

At the heart of easyJet's success is our outstanding customer proposition, offering a unique combination of the lowest fares, convenient airports and customer care. This is augmented by our

- Total commitment to safety
- Simple low fare structure
- Low unit costs
- Strong branding.

There are encouraging early signs in our Interim Results that we are moving forward more rapidly to deliver our full potential. We have a new leadership team in place with clear priorities; these are network development, revenue enhancement, cost reduction and improved efficiency, and continued development of our people. Our growth is continuing with customers attracted by our low fares which represent a considerable discount to network carriers. Our strong customer proposition is highlighted by the near 50% increase in customer visits to our website in the first half of the year.

We recognise that our strong customer proposition needs to be backed by good returns to our shareholders. Achieving our goal of 15% Return on Equity means almost doubling our profit per seat by 2008. The improvement will come from a combination of factors.

Network

In the first half we continued to expand and improve our network. Our capacity growth, in available seats, was 13% for the half with our plan for the full year maintained at 15%. We continued to exploit opportunities to grow our network throughout Europe, and in March 2006 we opened our 16th base in Milan Malpensa. This is in addition to strengthening our existing network bases. We have also announced new routes to non European Union destinations in Croatia (Split and Rijeka), Morocco (Marrakech), and Turkey (Istanbul). Overall in the period we added 28 new routes and discontinued 5. We have initiated a detailed route by route review of the existing network, seeking to maximise our return on assets and looking for new opportunities.

Revenue

Total revenues per seat improved in the first half when compared to last year by 0.8%, despite the fact that Easter has moved to the second half falling in April 2006 compared with March 2005. This performance was supported by an exceptional improvement in ancillary revenues which increased by 31% per seat, a year on year increase in absolute terms of £19 million or 47%. Our insurance, car rental and hotel partner revenues have performed particularly well, partially helped by the dynamic packaging of some of these products. This makes it easier for customers to add these items when purchasing their flights and has helped increase conversion rates. The announcement in February 2006 of our roll out of internet check-in marks another advance in our customer friendly product and we will continue to innovate with ideas such as "speedy boarding". This is currently in test and offers customers early boarding and the freedom to select their seat of preference. We are adding resource to our yield management processes to ensure we optimise contribution on a route by route basis.

Costs

Only through consistent cost reduction to drive a lower cost base can our low fare commitment be delivered to our customers. In the first half we continued to make good progress, with total costs per seat, excluding fuel, down 6.2% compared to last year. In the period, we saw the benefit of our long term maintenance contract with SR Technics; a significant reduction in overhead costs; and further improvement in our unit airport costs. The current high cost of fuel means we must continue to look for ways to improve our efficiency and reduce costs while ensuring we never compromise on our commitment to safety.

People

We recognise our people as a key differentiator at easyJet and recognise the importance of our crew and the value of their commitment, personality and professionalism in delivering the easyJet experience. We are proud of our training standards and celebrated the opening of our easyJet Academy in November 2005, a world class training facility for our crew. In terms of the easyJet management team, we have made some changes over the past year and the new team are settling in, working together, delivering innovations and new solutions, whilst continuing to drive and improve the business.

Key business highlights

- Pre-tax loss of £40 million was better than expectations; good first half performance despite unit fuel costs increasing by £55 million (49%) or £3.01 per seat.

- Cost reduction continues: costs per seat excluding fuel fell by 6.2% or £1.84 per seat from £29.59 to £27.75.

- Total revenue per seat was up 0.8% in spite of the effect of Easter falling in the first half in 2005 and the second half in 2006.

- Ancillary revenues showed a significant improvement year on year rising 31% on a per seat basis equating to an extra £0.76 per seat.

- 14.9 million passengers were carried, an increase of 10.1%.

- 28 new routes have started operating, with a total of 235 routes at 31 March 2006. This includes the addition of four new destinations (Bournemouth, Bremen, Doncaster and Lisbon). Eight further new cities have been announced for the summer (Bordeaux, Istanbul, Marrakech, Palermo, Rijeka, Rimini, La Rochelle, Split), increasing the easyJet network to 75 airports in 21 European countries.

- Our operating performance continues to be strong, with 80% of flights arriving within 15 minutes of scheduled arrival (2005: 80%) and 96% of flights arriving within an hour (2005: 95%).

- The balance sheet was further strengthened in the period: at 31 March 2006, we held £726 million of cash on the balance sheet, £59 million more than at 30 September 2005.

Outlook

Our stronger than expected first half performance and a good Easter provide the basis for an improved full year outlook. We are conscious that we have a big summer ahead, that the price of oil remains a risk, and we continue to operate in a highly competitive environment. Notwithstanding these uncertainties, we now anticipate full year passenger revenue per seat to be broadly in line with 2005, and expect ancillary revenue to grow at around twenty percent per seat for the full year. Our continued cost management should result in a fall of approximately five percent per seat excluding fuel. We assume that the price of jet fuel will stay around current levels and we maintain a neutral view on exchange rates. Overall, we now expect pre-tax profit to grow by ten to fifteen percent compared with 2005.

Andy Harrison
Chief Executive
2 May 2006

Selected consolidated financial and operating data

(unaudited)	**Six months ended 31 March**		Change
	2006	2005	%
Financial performance measures			
Revenues, £million	**629.5**	553.3	13.8
Operating costs, £million	**(602.2)**	(519.6)	(15.9)
EBITDAR [(1)], £million	**27.3**	33.7	(18.9)
Finance and ownership costs [(2)], £million	**(67.6)**	(55.3)	(22.0)
Loss before tax, £million	**(40.3)**	(21.6)	85.9
Loss after tax, £million	**(28.9)**	(15.4)	87.3
Net assets, £million	**856.6**	783.0	9.4
Loss per share (basic), pence	**(7.17)**	(3.86)	85.8
Key performance indicators			
Return on equity [(3)]	**(3.4%)**	(2.0%)	(1.4)pp
Loss before tax per seat, £ [(4)]	**2.22**	1.34	65.2
Revenue per seat, £ [(5)]	**34.67**	34.38	0.8
Cost per seat, £ [(6)]	**36.89**	35.72	3.3
Cost per seat excluding fuel, £ [(7)]	**27.75**	29.59	(6.2)
Seats flown (millions) [(8)]	**18.2**	16.1	12.8
Output measures			
Passengers (millions)[(9)]	**14.9**	13.5	10.1
Number of aircraft owned/leased at end of period[(10)]	**114**	103	10.7
Average number of aircraft owned/leased during period[(11)]	**110.5**	96.1	15.0
Number of aircraft operated at end of period[(12)]	**107.0**	92.0	16.3
Average number of aircraft operated during period[(13)]	**100.8**	88.0	14.5
Sectors[(14)]	**118,782**	106,705	11.3
Block hours[(15)]	**207,779**	184,426	12.7
Number of routes operated at end of period	**235**	187	25.7
Number of airports served at end of period	**67**	57	17.5
Other performance measures			
Load factor[(16)]	**81.8%**	83.8%	(2.0)pp
Operated aircraft utilisation (hours per day)[(17)]	**11.3**	11.4	(0.8)
Owned/leased aircraft utilisation (hours per day)[(18)]	**10.3**	10.6	(2.9)
Available seat kilometres (“ASK”) (millions) [(19)]	**16,672**	14,526	14.8
Revenue passenger kilometres (“RPK”)(millions)[(20)]	**13,642**	12,150	12.8
Average sector length (kilometres)	**918**	903	1.7
Average fare (£)[(21)]	**38.45**	38.08	1.0
Revenue per ASK (pence)[(22)]	**3.78**	3.81	(0.9)
Cost per ASK (pence)[(23)]	**4.02**	3.96	1.5

Footnote references are defined on page 5

Footnotes

(1) EBITDAR is 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”.
(2) Finance and ownership represents depreciation, amortisation of intangibles, aircraft dry lease costs, share of profit after tax of associates and financing income.
(3) Return on equity represents the loss after tax divided by the average shareholders' funds
(4) Loss per seat represents loss before tax divided by the number of flown seats available for passengers
(5) Revenue per seat represents total revenues divided by the number of seats flown available for passengers
(6) Cost per seat represents total revenues plus loss before tax, divided by the number of seats flown available for passengers
(7) Cost per seat excluding fuel represents total revenues less loss before tax plus fuel costs, divided by the number of seats flown available for passengers
(8) Represents the number of seats flown available for passengers
(9) 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.
(10) Represents the number of aircraft owned plus those held on lease arrangements of more than one month’s duration at the end of the relevant period.
(11) Represents the average number of aircraft owned plus those held on lease arrangements of more than one month’s duration during the relevant period.
(12) Represents the number of owned/leased aircraft in service at the end of the relevant period. Owned/leased aircraft in service exclude those in maintenance and those which have been delivered but have not yet entered service or those out of service prior to disposal or return.
(13) Represents the average number of owned/leased aircraft in service during the relevant period. Owned/leased aircraft in service exclude those in maintenance and those, which have been delivered but have not yet entered service or those out of service prior to disposal or return.
(14) Represents the number of one-way revenue flights.
(15) 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.
(16) 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.
(17) Represents the average number of block hours per day per aircraft operated during the relevant period.
(18) Represents the average number of block hours per day per aircraft owned / leased during the relevant period.
(19) Represents the sum by route of seats available for passengers multiplied by the number of kilometres those seats were flown.
(20) Represents the sum by route of passengers multiplied by the number of kilometres those passengers were flown.
(21) Represents the passenger revenue divided by the number of passengers carried.
(22) Represents the total revenue divided by the total number of ASK's.
(23) Represents the difference between total revenue and profit before tax, divided by the total number of ASK's.

Consolidated income statement (unaudited)

	Notes	Six months ended 31 March		Year ended 30 September
		2006	2005	2005
		£million	£million	£million
Passenger revenue		**571.0**	513.6	1254.2
Ancillary revenue		**58.5**	39.7	87.2
Revenue		**629.5**	553.3	1341.4
Ground handling charges, including salaries		**(71.2)**	(62.8)	(130.5)
Airport charges		**(115.7)**	(105.3)	(230.1)
Fuel		**(165.9)**	(98.6)	(260.2)
Navigation charges		**(54.6)**	(49.9)	(108.6)
Crew costs, including training		**(75.2)**	(66.6)	(136.2)
Maintenance		**(51.4)**	(57.9)	(119.2)
Advertising		**(17.4)**	(18.7)	(32.8)
Merchant fees and incentive pay		**(8.6)**	(7.5)	(15.6)
Aircraft and passenger insurance		**(8.2)**	(9.6)	(19.3)
Other costs		**(34.0)**	(42.7)	(82.4)
EBITDAR*		**27.3**	33.7	206.5
Depreciation		**(10.4)**	(8.4)	(15.8)
Amortisation of intangible assets		**(0.4)**	(0.4)	(0.8)
Aircraft dry lease costs		**(63.5)**	(58.5)	(123.7)
Group operating (loss) / profit (EBIT)		**(47.0)**	(33.6)	66.2
Share of profit after tax of associate		**0.1**	0.1	0.1
Interest and other finance income		**15.6**	12.0	27.2
Interest and other finance charges		**(9.0)**	(0.1)	(10.9)
Net financing income		**6.6**	11.9	16.3
(Loss) / profit before tax		**(40.3)**	(21.6)	82.6
Tax	4	**11.4**	6.2	(23.6)
(Loss) / profit after tax		**(28.9)**	(15.4)	59.0

(Loss) / earnings per share (pence)	*3*			
Basic		**(7.17)**	(3.86)	14.78
Diluted		**N/A**	N/A	14.43

* EBITDAR is defined as earnings before Net financing income, Tax, Depreciation, Amortisation and Lease payments (excluding the maintenance reserve component of operating lease payments).

Consolidated balance sheet (unaudited)

	Notes	**31 March 2006**	31 March 2005	30 September 2005
		£million	£million	£million
Goodwill		**309.6**	309.6	309.6
Intangible assets		**1.1**	1.2	1.4
Property, plant and equipment		**502.5**	301.7	398.6
Financial assets – cash on deposit		**47.6**	16.2	22.4
Other long term assets		**6.0**	12.6	6.7
Investments accounted for using the equity method		**0.3**	0.3	0.2
Non-current assets		**867.1**	**641.6**	**738.9**
Trade and other receivables		**244.8**	212.7	210.7
Asset held for sale		**-**	-	7.1
Financial assets:				
Cash on deposit		**-**	16.2	6.1
Derivative financial instruments	2	**13.0**	-	-
Cash and cash equivalents		**726.1**	604.5	667.0
Current assets		**983.9**	**833.4**	**890.9**
Borrowings		**(16.5)**	(10.0)	(16.3)
Finance lease borrowings		**(1.7)**	-	-
Trade and other payables		**(493.8)**	(403.1)	(342.9)
Current tax liabilities		**(39.3)**	(12.5)	(38.9)
Provisions		**(10.9)**	(8.5)	(16.4)
Current liabilities		**(562.2)**	**(434.1)**	**(414.5)**
Net current assets		**421.7**	**399.3**	**476.4**
Borrowings >1 year		**(207.7)**	(118.8)	(201.0)
Finance lease borrowings > 1 year		**(72.8)**	-	-
Other non-current liabilities		**(79.7)**	(63.5)	(75.1)
Provisions		**(59.3)**	(51.7)	(53.6)
Deferred tax liabilities		**(12.7)**	(23.9)	(22.2)
Non-current liabilities		**(432.2)**	**(257.9)**	**(351.9)**
Net assets		**856.6**	**783.0**	**863.4**
Ordinary shares	7	**101.6**	99.8	100.1
Share premium	7	**579.2**	554.2	557.2
Retained earnings	7	**170.3**	127.7	206.0
Other reserves	7	**5.5**	1.3	0.1
Shareholders' funds - equity		**856.6**	**783.0**	**863.4**

Consolidated statement of cashflows (unaudited)

	Notes	Six months ended 31 March 2006 £million	2005 £million	Year ended 30 September 2005 £million
Cashflows from operating activities				
Cash generated from operations	6	**90.6**	155.0	221.0
Interest received		**13.7**	12.0	28.8
Interest paid		**(5.4)**	(1.5)	(5.7)
Tax paid		**(0.5)**	3.4	2.9
Net cash from operating activities		**98.4**	**168.9**	**247.0**
Cashflows from investing activities				
Proceeds from sale of property, plant and equipment		**29.1**	42.9	75.5
Purchase of property, plant and equipment		**(143.3)**	(99.5)	(237.0)
Proceeds from sale of asset held for resale		**7.1**	-	-
Purchase of intangible fixed assets		**(0.1)**	(0.6)	(1.4)
Dividend received from joint venture		**-**	-	0.2
Net cash used in investing activities		**(107.2)**	**(57.2)**	**(162.7)**
Cashflows from financing activities				
Net proceeds from issue of ordinary share capital		**10.8**	-	2.0
Purchase of shares held by trustees		**(0.1)**	-	-
Net proceeds from drawdown of new bank loans		**24.4**	36.5	146.2
Repayment of bank loans		**(21.3)**	(21.9)	(46.9)
Net proceeds from sale and finance leasebacks		**74.5**	-	-
Management of liquid resources		**(19.6)**	(18.1)	(14.2)
Net cash inflow / (used) in financing activities		**68.7**	**(3.5)**	**87.1**
Effects of exchange rate changes		**(0.8)**	0.3	(0.4)
Net increase in cash and cash equivalents		**59.1**	**108.5**	**171.0**
Cash and cash equivalents at beginning of period		**667.0**	496.0	496.0
Cash and cash equivalents at end of period		**726.1**	**604.5**	**667.0**

Consolidated statement of recognised income and expense (unaudited)

	Notes	Six months ended 31 March 2006 £million	2005 £million	Year ended 30 September 2005 £million
Cash flow hedges				
Fair value losses in period, net of tax		(3.3)	-	-
Transfers to net profit		(2.0)	-	-
Translation differences on foreign currency net investments		(0.1)	1.3	0.1
Income / (expense) recognised directly in equity		**(5.4)**	**1.3**	**0.1**
(Loss) / profit for the period		(28.9)	(15.4)	59.0
Total recognised income / (expense) for the period attributable to shareholders of the Company		**(34.3)**	**(14.1)**	**59.1**
Adoption of IAS 32 and IAS 39	2	13.3	-	-
Total recognised income and expense		**(21.0)**	**(14.1)**	**59.1**

Operational and Financial Review

Half year 2006 compared with half year 2005

Revenue

easyJet's revenue increased by 13.8% from £553.3 million to £629.5 million, from half year 2005 to half year 2006. Total revenue per seat increased by 0.8% from £34.38 to £34.67.

Passenger revenue, the largest component, comprises the price paid for the seat less government taxes such as Air Passenger Duty and VAT. It increased by 11.2% from £513.6 million to £571.0 million, driven by a 12.8% growth in seats flown from 16.1 million to 18.2 million, offset by a 1.5% reduction in passenger revenue per seat from £31.91 to £31.44.

Revenue from ancillary sources, within ongoing operations, includes in-flight sales of food and beverages, excess baggage and sporting good 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 2006, £58.5 million was earned from ancillary sources, up 47.2% from the prior half year. The ancillary revenue per seat increased by £0.76 per seat to £3.23, an increase of 31%.

The average sector length increased by 2% to 918 kilometres.

Ground handling charges, including salaries

easyJet's ground handling charges increased by 13.4% from £62.8 million to £71.2 million, from half year 2005 to half year 2006. The increase in third-party ground handling charges reflects the increase in the number of sectors flown. Additional costs of £2 million were also incurred in de-icing charges as a result of an unusually cold winter across Europe. Despite this, the ground handling cost per seat increased by only 1% to £3.92.

Airport charges

easyJet's external airport charges increased by 9.8% from £105.3 million to £115.7 million from half year 2005 to half year 2006. This increase was attributable to the increase in the number of sectors flown. On a per seat basis, costs fell by 3% from £6.55 to £6.37.

Fuel

easyJet's fuel costs increased by 68.2% from £98.6 million to £165.9 million from half year 2005 to half year 2006. There has been a 41.2% increase in easyJet's effective average unit US dollar fuel cost, compared with the previous year, resulting in additional costs to easyJet of £45.1 million. The weakening of the value of sterling against the US dollar, the currency in which fuel prices are denominated, over the course of half year 2006 provided an additional cost of £11.1 million. Increased flying resulted in £12.5m additional fuel costs. Set against this were the benefits of a more fuel efficient fleet of aircraft, which provided a benefit of £1.4 million. On a per seat basis, costs increased by 49% from £6.13 to £9.14.

Navigation charges

easyJet's navigation charges increased by 9.4% from £49.9 million to £54.6 million from half year 2005 to half year 2006. This increase was principally attributable to the increased number of ASKs flown. Cost savings were derived from lower unit charges and a weaker Euro, but were partially offset by on average heavier aircraft. On a per seat basis, costs reduced by 3% from £3.10 to £3.01.

Operational and financial review *(continued)*

Crew costs, including training

easyJet's crew costs increased by 12.9% from £66.6 million to £75.2 million from half year 2005 to half year 2006. The increase in crew costs resulted from an increase in headcount during the half year 2006 to service the additional sectors and aircraft operated by easyJet during the period.

Maintenance

Maintenance expenses decreased by 11.3% from £57.9 million to £51.4 million from half year 2005 to half year 2006. 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 decrease in maintenance costs was largely due to the benefits of new contractual arrangements being negotiated with lower prices, such as with SR Technics set off by the additional costs of a 11.3% increase in the number of sectors flown. On a per seat basis, costs reduced by 21% from £3.60 to £2.83.

Advertising

Advertising costs decreased by 7.0% from £18.7 million to £17.4 million from half year 2005 to half year 2006. In half year 2005, there were additional costs incurred redesigning the easyJet brand in 2005 with a new "Come on, let's fly" campaign, for which there was no comparable spend in 2006. As a result, the advertising cost per seat fell by 18% from £1.16 to £0.96.

Merchant fees and incentive pay

Merchant fees and incentive pay increased by 14.0% from £7.5 million to £8.6 million from half year 2005 to half year 2006. 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 reflective of a larger volume of transactions in line with the growth of the business.

Aircraft and passenger insurance

Aircraft and passenger insurance costs decreased by 14.6% from £9.6 million to £8.2 million from half year 2005 to half year 2006. The decrease is due primarily to renegotiation of insurance contracts offset against an increase in both aircraft and passenger numbers.

Other costs

Other costs decreased by 20.3% from £42.7 million to £34.0 million from half year 2005 to half year 2006. Items in this cost category include administrative and operational costs (not included elsewhere) including some salary expenses. Also this cost category includes compensation paid to passengers, currency exchange gains and losses and the profit or loss on the disposal of fixed assets. The principal reason for the decrease is management action to increase the efficiency of the administration function. On a per seat basis, costs fell by 29% from £2.65 to £1.87.

Operational and financial review *(continued)*

Depreciation and amortisation of intangibles

Depreciation charges increased by 23.9% from £8.4 million to £10.4 million from half year 2005 to half year 2006. The depreciation charge reflects depreciation on owned or finance leased aircraft and capitalised aircraft maintenance charges, and also includes depreciation on computer hardware and other assets. easyJet has owned or leased under a finance lease an average of 22.3 A319 aircraft during the half year 2006 (half year 2005: 6.0 B737-300 aircraft and 7.3 A319 aircraft). The increase in depreciation reflects the additional number of owned aircraft, the strength of the US dollar which has increased the cost of aircraft acquired, and the additional depreciation of other assets such as spares and leasehold improvements.

Amortisation of intangibles remained unchanged at £0.4 million for both half year 2005 and half year 2006. The amortisation charge reflects amortisation on purchased computer software.

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 and end of operating lease return costs. Aircraft dry lease costs increased by 8.4% from £58.5 million to £63.5 million from half year 2005 to half year 2006. This increase was principally due to new aircraft being introduced to the fleet during the period under operating lease. During the period 5 new leased aircraft were added to the fleet and 8 were retired. Over the period, easyJet has been impacted by the weakening of the value of sterling against the US dollar, the currency in which lease costs are denominated, and rising dollar interest rates.

Share of profit after tax of associate

The Big Orange Handling Company Limited is a company owned by Menzies Aviation Limited and easyJet. It was set up in January 2004 to provide ground handling services at London Luton Airport. The share of operating profit after tax in both half year 2005 and half year 2006 is similar at £0.1 million.

Interest and other finance income

Interest and other finance income represents interest received or receivable by easyJet, offset by the revaluation of financing assets and liabilities. easyJet's financing income increased from £12.0 million in half year 2005 to £15.6 million in half year 2006. This was primarily due to the increase in cash and cash on deposit held, from £636.9 million at 31 March 2005 to £773.7 million at 31 March 2006.

Interest and other finance charges

Interest and other finance charges represents interest paid or payable by easyJet, offset by the revaluation of financing assets and liabilities. Finance charges relate predominantly to easyJet's borrowings through either loans or finance leases. The average number of aircraft held under these arrangements increased by 67.5% from 13.3 in half year 2005 to 22.3 in half year 2006. Interest and other finance charges increased from £0.1 million in half year 2005 to £9.0 million in half year 2006. The increase is attributable to the increase in number of aircraft financed, the impact of rising US dollar interest rates, and the effect of foreign exchange revaluations which produced a credit of £2.0 million during half year 2005.

Taxation

In half year 2006, easyJet recognised a tax credit of £11.4 million (half year 2005 – tax credit of £6.2 million). The increase in the tax credit recognised is due to the increase in pre-tax losses.

Operational and financial review *(continued)*

Retained profit for the year

For the reasons described above, easyJet's retained loss after interest and taxes increased by 87.3% from £15.4 million in half year 2005 to £28.9 million in half year 2006.

Loss per share

The basic loss per share increased by 85.8% from 3.86 pence in the half year 2005 to 7.17 pence in half year 2006.

Notes to the financial statements
For the six months ended 31 March 2006 (unaudited)

1. Basis of preparation

easyJet plc ("easyJet" or the "Group" or the "Company") has historically prepared its audited annual financial statements and unaudited interim results under UK Generally Accepted Accounting Practice ("GAAP"). In the current year, easyJet has adopted International Financial Reporting Standards ("IFRS") for the first time as the Group is required to present its annual consolidated financial statements in accordance with accounting standards adopted for use in the European Union (EU). The interim financial information has been prepared under the Group's IFRS accounting policies, details of which were made available on 20 January 2006 in the document entitled "Explanation of the financial impact following adoption of International Financial Reporting Standards". This document contains reconciliations of easyJet's equity and results from UK GAAP to IFRS at the date of transition to IFRS, 1 October 2004, and for the year ended 30 September 2005. Reconciliations of easyJet's balance sheet and income statements for the six months ended 31 March 2005 are detailed below.

As at the date of this Interim Report, not all International Financial Reporting Standards ("IFRSs"), including interpretations of both the Standing Interpretations Committee and the International Financial Reporting Interpretations Committee ("IFRIC"), issued by the International Accounting Standards Board have been endorsed by the European Commission. These standards are subject to ongoing review and endorsement by the European Commission, whilst the application of the standards continues to be subject to interpretation by IFRIC as well as emerging industry consensus. As a consequence, further adjustments to the accounting policies and treatments may need to be made to the information presented in this document before it is published as comparative information for the Group's full year results for the year ending 30 September 2006.

easyJet has adopted IAS 32, Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement from 1 October 2005 and applied the exemption not to restate its comparative information for the impact of these standards. The Group's accounting policies for these standards are included in the document "Explanation of the financial impact following adoption of International Financial Reporting Standards", which can be viewed under the financial information section of our website, easyJet.com. The Group has chosen to recognise the fair value of all financial Instruments as current assets and liabilities on the balance sheet. The Group's accounting policies for Financial Instruments in the periods to 30 September 2005 are included in the Group's annual report for the year ended 30 September 2005. The impact of adopting IAS 32 and IAS 39 is explained below.

easyJet has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing its 2005 interim statement, and therefore this interim financial information is not in full compliance with the presentational and disclosure requirements of IFRS.

The financial information included in this statement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information for the year ended 30 September 2005 included in this Interim Report is based upon easyJet's consolidated financial statements for that year, restated for the adoption of IFRS. Those financial statements were reported on by easyJet's auditors at that time and have been delivered to the Registrar of Companies. The report of the auditors was unqualified and did not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

2. Adoption of IAS 32 and IAS 39

As permitted by IFRS 1, IAS 32 and IAS 39 have been adopted prospectively from 1 October 2005 and as a consequence the fair value of certain financial instruments have been measured and adjustments have been made to the Balance Sheet at that date.

At 1 October 2005, easyJet has met the criteria to adopt hedge accounting for foreign exchange and fuel derivative instruments. These instruments comprise forwards and zero cost collars. As a result of applying hedge accounting, at 1 October 2005 the fair value of the financial instruments has been recognised as a financial asset on the balance sheet, with the intrinsic value of the instruments at that date being recognised in reserves, and the time value portion being an adjustment to retained earnings.

Effect of changes on consolidated balance sheet at 1 October 2005:

	At 30 September 2005 £million	Impact of adoption IAS 32 and 39 £million	**At 1 October 2005 £million**
Non-current assets	738.9	-	**738.9**
Financial assets – derivative financial instruments	-	21.0	**21.0**
Other current assets	890.9	(1.4)	**889.5**
Current assets	890.9	19.6	**910.5**
Current liabilities	(414.5)	-	**(414.5)**
Deferred taxation	(22.2)	(6.3)	**(28.5)**
Other non-current liabilities	(329.7)	-	**(329.7)**
Non-current liabilities	(351.9)	(6.3)	**(358.2)**
Net assets	**863.4**	**13.3**	**876.7**
Share capital and share premium	657.3	-	**657.3**
Retained earnings	206.0	2.5	**208.5**
Other reserves	0.1	10.8	**10.9**
Shareholders' equity	**863.4**	**13.3**	**876.7**

In the six months ended 31 March 2006, the movement in the intrinsic value of financial instruments has been taken to reserves and the time value portion has been taken to the income statement, causing an additional expense of £0.9 million before taxes, or a net impact of £0.6 million after taxes. Since easyJet's hedging instruments predominantly comprise zero cost collars, the income statement impact of the time value of instruments will be zero over the full life of the instrument.

3. Earnings per share

The earnings per share are based on the following:

	Six months ended 31 March 2006	2005	Year ended 30 September 2005
(Loss)/profit for the period retained for equity shareholders (£million)	**(28.9)**	(15.4)	59.0
	Number	Number	Number
Weighted average number of ordinary shares in issue during the period used to calculate basic earnings per share (millions)	**403.4**	399.1	399.3
Weighted average number of dilutive share options used to calculate dilutive earnings per share (millions)	**N/A**	N/A	9.6

There is no diluted earnings per share for the six months ended 31 March 2005 and 2006 as the impact of share options on the basic earnings per share is antidilutive.

4. Taxation

The taxation charge is made up as follows:

	Six months ended 31 March 2006	2005	Year ended 30 September 2005
	£million	£million	£million
Current taxation:	**0.9**	(8.9)	18.2
Deferred taxation	**(12.3)**	2.7	5.4
Total taxation (credit)/charge	**(11.4)**	(6.2)	23.6
Effective tax rate	**28.2%**	28.5%	28.6%

Tax on items charged to equity comprises:

	Six months ended 31 March 2006	2005	Year ended 30 September 2005
	£million	£million	£million
Deferred tax credit on stock options	**1.3**	3.3	8.0
Deferred tax credit on fair value movements of cashflow hedges	**1.4**	-	-

The effective tax rate in the six months ended 31 March 2006 is different from the standard rate of tax principally due to overseas profits having been taxed at lower effective tax rates in those countries. Due to the loss making position of the Group, a tax credit has been recognised, as these losses are expected to be more than matched by profits in the second half of the year ending 30 September 2006.

5. Dividends

No dividends have been paid or proposed in the period ended 31 March 2006 or during the comparative accounting periods.

6. Reconciliation of net (loss) / profit to net cash inflow from operating activities

	Six months ended 31 March 2006	2005	Year ended 30 September 2005
	£million	£million	£million
Net (loss) / profit	**(28.9)**	(15.4)	59.0
Adjustments for:			
Tax (credit) / charge	**(11.4)**	(6.2)	23.6
Depreciation charge	**10.4**	8.4	15.8
(Profit) / loss on disposal of property, plant and equipment	**(0.9)**	0.3	2.4
Amortisation of intangibles	**0.4**	0.4	0.8
Share based payments charge	**2.3**	1.6	2.0
Interest income	**(15.6)**	(12.0)	(27.2)
Interest expense	**8.9**	2.1	8.2
Financial instruments – time value	**0.9**	-	-
Share of results of joint ventures after taxation	**(0.1)**	(0.1)	(0.1)
Foreign exchange	**1.1**	(0.8)	5.3
Changes in working capital:			
(Increase)/decrease in trade and other receivables	**(33.0)**	23.5	21.1
Increase in payables	**147.9**	115.7	43.3
Increase in provisions	**0.2**	17.5	27.2
Decrease in other non-current assets	**3.5**	4.2	12.2
Decrease in financial instruments	**0.3**	-	-
Increase in other non-current liabilities	**4.6**	15.8	27.4
Cash generated from operations	**90.6**	**155.0**	**221.0**

7. Consolidated reconciliation of movements in shareholders' equity

	Share capital £million	Share premium £million	Other reserves £million	Retained earnings £million	Total £million
At 30 September 2005	**100.1**	**557.2**	**0.1**	**206.0**	**863.4**
Adoption of IAS 32 and IAS 39 (note 2)	-	-	10.8	2.5	13.3
At 1 October 2005	**100.1**	**557.2**	**10.9**	**208.5**	**876.7**
Loss for the period	-	-	-	(28.9)	(28.9)
Cashflow hedges					
Fair value gains in period, net of deferred tax	-	-	(3.3)	-	(3.3)
Transfers to net profit, net of tax	-	-	(2.0)	-	(2.0)
Translation differences on foreign currency net investments	-	-	(0.1)	-	(0.1)
Share options					
Proceeds from shares issued	1.5	22.0	-	-	23.5
Value of employee services	-	-		3.5	3.5
Movement in shares held by trustees	-	-	-	(0.1)	(0.1)
Movement in reserves for options exercised	-	-	-	(12.7)	(12.7)
At 31 March 2006	**101.6**	**579.2**	**5.5**	**170.3**	**856.6**

8. Contingent liabilities

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

9. Effect of the change to IFRS (continued)

a) Reconciliation of the income statement for the six months ended 31 March 2005

		Adjustments – see note 10							
	UK GAAP £m	**(a)(ii)** S'ware	**(b)** Forex	**(c)** Share options	**(d)** G'will	**(e)** Eee bens	**(f)** Tax	**(g)** Assoc	IFRS
Passenger revenue	513.6								513.6
Ancillary revenue	39.7								39.7
Group revenue	553.3								553.3
Ground handling charges	(62.8)								(62.8)
Airport charges	(105.3)								(105.3)
Fuel	(98.6)								(98.6)
Navigation charges	(49.9)								(49.9)
Crew costs	(66.6)								(66.6)
Maintenance	(57.9)								(57.9)
Advertising	(18.7)								(18.7)
Merchant fees & incentive pay	(7.5)								(7.5)
Aircraft and pax insurance	(9.6)								(9.6)
Other costs	(39.1)		(2.4)	(1.6)		0.4			(42.7)
EBITDAR	37.3	-	(2.4)	(1.6)	-	0.4	-	-	33.7
Depreciation	(8.5)	0.4	(0.3)						(8.4)
Accelerated depreciation of 737-300 aircraft	(2.7)		2.7						-
Goodwill amortisation	(8.8)				8.8				-
Amortisation of intangible assets	-	(0.4)							(0.4)
Aircraft dry lease costs	(58.5)								(58.5)
Group operating loss	**(41.2)**	**-**	**-**	**(1.6)**	**8.8**	**0.4**	**-**	**-**	**(33.6)**
Share of profit after tax of associate	0.1								0.1
Interest receivable and other income	12.0								12.0
Interest payable and other charges	(2.1)		2.0						(0.1)
Net financing income	9.9	-	2.0	-	-	-	-	-	11.9
Loss before tax	**(31.2)**	**-**	**2.0**	**(1.6)**	**8.8**	**0.4**	**-**	**-**	**(21.6)**
Tax	8.9						(2.7)		6.2
Retained loss for the year	**(22.3)**	**-**	**2.0**	**(1.6)**	**8.8**	**0.4**	**(2.7)**	**-**	**(15.4)**

9. Effect of the change to IFRS (continued)

b) Reconciliation of presentation of the Balance sheet as at 31 March 2005

UK GAAP	UK GAAP £m	Presentation adjustments – see note 10 (i) G'will	(ii) S'ware	(iii) LT Assets	(iv) Cash	(v) Prov'ns	(vi) Forex	UK GAAP £m	IFRS presentation
		300.8						300.8	Goodwill
Intangible assets	300.8	(300.8)	1.2					1.2	Intangible assets
Tangible assets	335.1		(1.2)					333.9	Property, plant and equipment
					16.2			16.2	Financial assets - deposits
				7.6				7.6	Other long term assets
Other investments	0.3							0.3	Investments accounted for using the equity method
Fixed assets	**636.2**	**-**	**-**	**7.6**	**16.2**		**-**	**660.0**	**Non-current assets**
Debtors	174.1			(7.6)				166.5	Trade and other recievables
Financial assets - deposits					16.2			16.2	Financial assets - deposits
Cash at bank and in hand	636.9				(32.4)			604.5	Cash and cash equivalents
Current assets	**811.0**	**-**	**-**	**(7.6)**	**(16.2)**		**-**	**787.2**	**Current assets**
Bank loans	10.0							10.0	Borrowings
Trade and other payables	403.1							403.1	Trade and other payables
Corporation tax	12.5							12.5	Current tax liabilities
							8.5	8.5	Provisions
Creditors: due within one year	**425.6**	**-**	**-**	**-**	**-**		**8.5**	**434.1**	**Current liabilities**
Net current assets	**385.4**	**-**	**-**	**(7.6)**	**(16.2)**		**(8.5)**	**353.1**	**Net current assets**
Bank loans	118.8							118.8	Borrowings >1 year
Accruals and deferred income	63.5							63.5	Other non-current liabilities
							51.7	51.7	Provisions
							20.2	20.2	Deferred tax liabilities
Creditors: due after one year	**182.3**	**-**	**-**	**-**	**-**		**71.9**	**254.2**	**Non-current liabilities**
Provisions for liabilties and charges	**80.4**	**-**	**-**	**-**	**-**		**(80.4)**	**-**	
Net assets	**758.9**	**-**	**-**	**-**	**-**		**-**	**758.9**	**Net assets**
Called up share capital	99.8							99.8	Ordinary shares
Share premium account	554.2							554.2	Share premium
Profit and loss account	104.9					(1.3)		103.6	Retained earnings
						1.3		1.3	Other reserves
Shareholders' funds - equity	**758.9**	**-**	**-**	**-**	**-**	**-**	**-**	**758.9**	**Shareholders' funds - equity**

9. Effect of the change to IFRS (continued)

c) Reconciliation of impact of adopting IFRS on the Balance sheet as at 31 March 2005

UK GAAP	UK GAAP £m	IFRS adjustments – see note 10 (b) Forex	(c) Share options	(d) G'will	(e) Eee bens	(f) Tax	IFRS £m
Goodwill	300.8			8.8			309.6
Intangible assets	1.2						1.2
Property, plant and equipment	333.9	(32.2)					301.7
Financial assets - deposits	16.2						16.2
Other long term assets	7.6	5.0					12.6
Investments accounted for using the equity method	0.3						0.3
Non-current assets	**660.0**	**(27.2)**	**-**	**8.8**	**-**	**-**	**641.6**
		46.2					212.7
Trade and other recievables	166.5						16.2
Financial assets - deposits	16.2						604.5
Cash and cash equivalents	604.5						
Current assets	**787.2**	**46.2**	**-**	**-**	**-**	**-**	**833.4**
Borrowings	10.0						10.0
Trade and other payables	403.1				-		403.1
Current tax liabilities	12.5						12.5
Provisions	8.5						8.5
Current liabilities	**434.1**	**-**	**-**	**-**	**-**	**-**	**434.1**
Net current assets	**353.1**	**46.2**	**-**	**-**	**-**	**-**	**399.3**
Borrowings >1 year	118.8						118.8
Other non-current liabilities	63.5						63.5
Provisions	51.7						51.7
Deferred tax liabilities	20.2					3.7	23.9
Non-current liabilities	**254.2**	**-**	**-**	**-**	**-**	**3.7**	**257.9**
	-						
Net assets	**758.9**	**19.0**	**-**	**8.8**	**-**	**(3.7)**	**783.0**
Ordinary shares	99.8						99.8
Share premium	554.2						554.2
Retained earnings	103.6	19.0	-	8.8	-	(3.7)	127.7
Other reserves	1.3						1.3
Shareholders' funds - equity	**758.9**	**19.0**	**-**	**8.8**	**-**	**(3.7)**	**783.0**

10. Explanation of principal changes under IFRS

a) Presentation adjustments

Note 9 contains reconciliations to assist in understanding the nature and value of the differences between UK GAAP and IFRS.

The financial information is in IFRS format, and reflects a number of differences in presentation between UK GAAP and IFRS as follows;

i) The disclosure of goodwill as separate from intangible assets on the balance sheet;
ii) The classification of software that is not an integral part of operating hardware as an intangible asset separate from property plant and equipment on the balance sheet, and the classification of the related depreciation as amortisation;
iii) The classification of long term assets previously included in current assets;
iv) The reclassification of cash on deposit with a maturity of greater than one year or between three months and one year, previously classified as liquid resources in the cashflow statement, as a long term or current financial asset;
v) The reclassification of provisions as current or non-current liabilities;
vi) The reclassification of foreign exchange reserves arising on the retranslation of subsidiaries with a functional currency other than Sterling from retained earnings to other reserves; and
vii) The format of the income statement is substantially similar to that of the results of operations included in the Operating and Financial Review in the Group's previous UK GAAP financial statements. The Companies Act Schedule 4 format of the Profit and Loss account is no longer required to be used under IFRS and use of this alternative format is more relevant to how the business is managed;

b) IAS 21 – The Effects of Changes in Foreign Exchange Rates, and IFRS 1 – First Time Adoption of IFRS

Under UK GAAP, certain US Dollar denominated assets and liabilities are treated as a foreign operation (branch) with the US Dollar as their functional currency. As a result, exchange movements on retranslation of assets and liabilities are taken to reserves rather than through the income statement. IAS 21 provides additional criteria to allow the functional currency of a foreign operation to be determined. Certain aircraft owning companies within the Group have now ceased to be classified as US Dollar branches under IAS 21, and now have a Sterling functional currency. On implementing IAS 21, non monetary assets have been restated at historic exchange rates, with no translation differences arising subsequent to their purchase. Exchange differences on retranslation of monetary items are taken to the income statement. This has resulted in an additional £0.5 million gain being recognised during the six months ended 31 March 2005.

The net book value of the Airbus fixed assets was restated to remove the impact of historic foreign exchange differences recognised on retranslation of the US Dollar denominated assets into Sterling under UK GAAP. Depreciation has also been restated to take into account the new cost base of the aircraft fixed assets. This resulted in an increase in the net book value of fixed assets of £18.8 million at 31 March 2005. As a result of these changes to the cost of Airbus aircraft fixed assets, depreciation increased by £0.4 million in the six months ended 31 March 2005.

Under the exemptions allowed by IFRS 1, the fair value at 1 October 2004 of the Boeing 737-300 aircraft has been taken as their deemed cost. This has resulted in a one off valuation decrease in property, plant and equipment of £6.5 million at 31 March 2005, a decrease in accelerated depreciation of £2.7 million and a decrease in depreciation of £0.2 million for the six months ended 31 March 2005, and an increase in the loss on disposal of fixed assets of £0.9 million for the six months ended 31 March 2005.

Certain payments on account made prior to delivery of aircraft are monetary assets, as the aircraft that will be delivered as a result of these payments are expected to be sold to lessors and leased back under operating leases on the basis of commercial arrangements in place. These pre delivery deposits have been classified separately on the balance sheet, resulting in a decrease in the book value of fixed assets of £44.3 million at 31 March 2005.

Adoption of IAS 21 may cause additional volatility in the income statement due to changes in foreign exchange rates. This risk will be managed through a mixture of drawing down loans in Sterling, holding cash and cash equivalents in US Dollars and entering into foreign exchange derivative instruments.

c) IFRS 2 – Share-based Payment

IFRS 2 requires a charge to be made to the income statement for the cost of providing share options to employees. The expense is calculated as the fair value of the award on the date of grant, and is recognised over the vesting period of the scheme. A binomial model has been used to calculate the fair value of options on their grant date. easyJet has applied the provisions of IFRS 2 only to awards made after 7 November 2002, an exemption allowed on transition by IFRS 1. There was no net impact on the balance sheet at 1 October 2004 as a result of adopting IFRS 2.

In the six months ended 31 March 2005, the application of IFRS 2 results in a pre tax charge to the income statement of £0.4 million.

d) IFRS 3 – Business Combinations

Under UK GAAP, goodwill arising on business combinations is amortised over a period not exceeding 20 years. Under IFRS 3, regular amortisation of goodwill is prohibited. Instead, an annual impairment test is required to support the carrying value of goodwill.

Amortisation of goodwill arising on the purchase of TEA Basel AG (now easyJet Switzerland) and Newgo 1 Limited, the parent company of Go Fly ceased on 1 October 2004, resulting in an increase of pre tax profits of £8.8 million in the six months ended 31 March 2005.

e) IAS 19 – Employee Benefits

Under UK GAAP, no provision is made for annual leave accrued. Under IAS 19, the expected cost of compensated short term absences should be recognised at the time the related service is provided. As a result, on transition, a provision of £0.4 million was recognised. A £nil provision is required at 31 March 2005, therefore there was a £0.4 million benefit in the six months ended 31 March 2005.

f) IAS 12 – Income taxes

Under UK GAAP, deferred tax was provided on timing differences that had originated, but had not reversed, before the balance sheet date. Under IAS 12, deferred tax is provided on temporary differences based upon the future recovery or settlement of assets and liabilities recognised in the balance sheet.

As a result of other accounting policy changes resulting from the implementation of IFRS, and the implementation of IAS 12, a total additional deferred tax liability of £3.7 million has been provided at 31 March 2005, and the tax credit under IFRS has been reduced by £2.7 million in the six months ended 31 March 2005 by comparison to UK GAAP. These changes are a result of the following items:

- No deferred tax on share options was recognised on transition as the market value of an easyJet share on 30 September 2004 was £1.27, less than the exercise price of all the options which were issued after 7 November 2002 and which are accounted for under IFRS 2. A deferred tax asset of £0.3 million has been recognised on transition in respect of share options issued prior to 7 November 2002. At 31 March 2005, a deferred tax asset of £3.3 million was recognised on all options. This caused a £3.3 million increase in equity. The increase in the deferred tax asset partly reflects the increase in the share price at 31 March 2005 to £2.16, above the exercise price for the majority of the options in issue on that date; and

- Other adjustments as a result of changes in asset bases and changes in accounting policies resulted in the recognition of an additional deferred tax liability at 31 March 2005 of £7.0 million and a reduction in the tax credit of £2.7 million.

g) IAS 28 – Investments in Associates

Associated undertakings are equity accounted for under both IAS 28 and UK GAAP. The only difference between the treatment of associates under IFRS compared to UK GAAP is the disclosures in the income statement. easyJet's share of the post tax profits of its associate are shown on a single line in the income statement under IFRS, whereas under UK GAAP easyJet's share of the pre tax profits of its associate were separately disclosed, with associate's the tax charge included in the Group's tax charge. This has no impact on the result for the six months ended 31 March 2005.

Independent review report to easyJet plc

Introduction

We have been instructed by the company to review the financial information for the six months ended 31 March 2006 which comprises consolidated income statement, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of recognised income and expense and related notes. 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.

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 of the Financial Services Authority.

As disclosed in note 1, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted by the European Union. This interim report has been prepared in accordance with the basis set out in note 1.

The accounting policies are consistent with those that the Directors intend to use in the next annual financial statements. As explained in note 1, there is, however, a possibility that the Directors may determine that some changes are necessary when preparing the full annual financial statements for the first time in accordance with International Financial Reporting Standards as adopted by the European Union. The IFRS standards and IFRIC interpretations that will be applicable and adopted by the European Union at 30 September 2006 are not known with certainty at the time of preparing this interim financial information.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 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 disclosed accounting policies have been applied. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 2006.

PricewaterhouseCoopers LLP
St Albans
2 May 2006

Notes:

(a) The maintenance and integrity of the easyJet web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the web site.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.