

## Results for the six months ended 31 March 2012

*Improved operational and financial results reflecting the continued successful implementation of strategy*

### Results at a glance

	2012	2011	Change
Total revenue (£ million)	<b>1,465</b>	1,266	15.7 %
Loss before tax (£ million)	<b>(112)</b>	(153)	26.8 %
Pre-tax margin (%)	<b>(7.6)</b>	(12.1)	+4.5 ppt
Return on capital employed (%) <sup>(1)</sup>	<b>(5.0)</b>	(7.5)	+2.5 ppt
Loss per share - basic (pence)	<b>(21.2)</b>	(26.6)	20.3 %

- Careful allocation of capacity, revenue initiatives and tight control of costs, combined with exceptionally low levels of disruption compared to previous years has enabled easyJet to reduce its first half pre-tax loss by £41 million to £112 million despite an £87 million increase in its unit fuel costs. The results are ahead of the guidance issued in November 2011 and in January 2012.
- Total revenue per seat grew by 11.9% to £50.47, and by 11.2% at constant currency driven by a combination of tighter market capacity, improvements in revenue management, website initiatives and the 'europe by easyJet' marketing campaign. Seats flown grew by 3.5% and the average load factor improved by 1.5 percentage points.
- Passengers flown grew by 5.4% to 25.2 million. easyJet continued to grow its share of the short-haul business travel market.
- Total cost per seat excluding fuel grew by 2.1% to £37.70, and by 1.5% on a constant currency basis as easyJet benefited from the exceptionally low levels of disruption in the period. easyJet lean continues to deliver benefits particularly in the area of ground handling and line maintenance.
- easyJet continued to deliver best in class on time performance across the network with arrivals within 15 minutes increasing by 16 percentage points to 89%. The good performance contributed to a 7 percentage point increase in overall customer satisfaction to 85%.
- Cash and money market deposits decreased year on year by £226 million following the payment in March of a £150 million special dividend and the £46 million ordinary dividend. easyJet ended the period with £42 million of net cash.
- With nearly half of summer seats now sold, in line with the prior year, the performance of the business continues as outlined in the 26 March 2012 pre-close trading update.

Commenting on the results, Carolyn McCall, easyJet Chief Executive said:

"In the first six months of the year easyJet has continued to deliver improvements in customer satisfaction, operational, and financial performance. We have also returned £196 million to our shareholders.

The economic environment remains uncertain, and the aviation industry faces headwinds such as the recent increase in UK APD. However, easyJet's strategy of low fares and our focus on making it easy for our customers, aligned with tight cost management and strictly managed allocation of capital, ensures that easyJet is well positioned to deliver good results for shareholders."

*Note 1: ROCE on a reported basis. Adjusted ROCE on a lease multiple and on a discounted lease adjusted method are shown on page 6*



## Business review

### Introduction

Careful allocation of capacity, revenue initiatives and tight control of costs combined with exceptionally low levels of disruption enabled easyJet to reduce its first half pre-tax loss by £41 million to £112 million despite an £87 million increase in its unit fuel costs.

easyJet returned £196 million or 45.4 pence a share to shareholders in the period via a special dividend of £150 million and an ordinary dividend of £46 million or 10.5 pence per share at five times cover. easyJet's balance sheet remains robust with gearing of 31%, net cash of £42 million and cash and money market deposits of £1,211 million at the end of the period.

### Financial performance

The strong performance which was ahead of guidance issued in November 2011 and in January 2012 was driven by:

- passenger numbers growing by 5.4% for the half year as load factor increased by 1.5 percentage points to 86.9%;
- revenue per seat increasing by 11.9% (11.2% on a constant currency basis) to £50.47 driven by the full year effect of changes to fees implemented last year; improvements in the revenue management system and marketing and website improvements. These initiatives enabled easyJet to capitalise on capacity constraint across the market and selectively take advantage of opportunities from the exit of weaker competitors over the last few months; and
- cost per seat excluding fuel rising by 1.5% at constant currency. There was an £15m reduction in disruption costs as easyJet benefited from the benign winter weather across Europe. There was a strong performance in ground operations where the benefit of further contract renegotiation with ground handlers was a key factor in holding ground operations costs per seat flat year on year.

### Competitive and regulatory environment

easyJet's improved financial performance and tangible returns to shareholders were delivered despite an extremely difficult environment for airlines with continued weak consumer confidence, increased fuel costs and rising taxation for air travel.

Against this backdrop competitor capacity (measured in seats flown) in European short-haul over the past six months did not grow and fell by 3% in easyJet's markets as many carriers reduced capacity and some, such as Spanair and Malev, ceased to operate. easyJet carefully allocated its capacity increase of 3.5% in the period towards markets where it could generate the best returns.

#### UK

easyJet increased underlying capacity by 2.2% in the UK (scheduled, adjusting for last year's disruption). Reallocation of assets within the UK delivered strong improvements in unit revenue as easyJet grew underlying capacity in London by 1.8% and by 2.3% in the regions, where we have seen positive momentum. In March, easyJet opened a base at Southend Airport, where it will be based in the new terminal.

We continue to develop our business travel proposition and now have reached agreements with most of the top ten travel management companies.

easyJet remains the UK's largest airline with around a 20% share of the short-haul market<sup>(1)</sup>.

#### France

easyJet is the second largest short-haul carrier in France with a market share of 12% and has further increased its presence by opening two new regional bases at Nice and Toulouse. Additional capacity introduced into Paris Charles de Gaulle earlier in the year is maturing ahead of original expectations and competition is decreasing on some key routes as cost, price and scheduling advantages are maintained.

The business traveller strategy is progressing well in France with deals now signed with the largest travel management companies in the main regions. There is increased penetration of business passengers and strong revenue per seat growth on key business routes.

*Note 1: Market share data from OAG*

## Switzerland

easyJet is the second largest short-haul carrier in Switzerland with a number one market share in Geneva.

January 2012 saw the 50 millionth customer for easyJet in Switzerland since the start of our operations there in 1997. easyJet has continued to increase its breadth and depth of schedule in Switzerland with a seventh aircraft based in Basel and six new Swiss routes added, aligned with increased frequencies in Geneva and Basel.

There are now deals in place with the major travel management companies in Switzerland, including American Express, to allow us to further access the business travel market.

## Germany

In Germany there has been a recovery in yields following the introduction of APD in 2011. easyJet significantly increased frequencies on routes from Berlin Schoenefeld growing the share of the Berlin market.

Later in the year the new airport will open in Berlin combining operations previously at Tegel, Tempelhof and Schoenefeld. easyJet currently has the third largest share in Berlin behind Air Berlin and Lufthansa.

## Italy

easyJet has increased its market share in Milan Malpensa to 35% following the withdrawal of Lufthansa Italia last year, whilst driving strong unit revenue growth.

Frequencies have continued to grow on important business routes and customer satisfaction scores remain strong.

There was a delay in the publication of the findings of the regulatory review of Italian airport charges; these are expected to be announced in the second half of this financial year.

## Spain

Spain remains one of the most competitive markets in Europe. easyJet is extremely disappointed that the Spanish government has announced significant increases in AENA's airport charges and believes that these will undermine efforts to grow Spain's economy.

## Portugal

easyJet opened its 23rd base in Lisbon in April, basing two aircraft and opening 5 new routes to Bordeaux, Asturias, Venice, Amsterdam and Copenhagen. This takes the total number of routes out of Lisbon to 21. easyJet is currently the second largest airline in Portugal with a 13% share.

## Regulation

Aviation is a highly regulated industry and easyJet continues to constructively engage with government and regulators on a number of issues that are expected to impact easyJet's cost base in the future.

### Regulated airport charges across Europe

easyJet is continuing to focus on the airport charges at regulated airports across Europe. This involves working to influence the regulators of these airports to ensure that they understand the importance of airports providing services that passengers value, rather than developing costly infrastructure that airlines are forced to pay for but which passengers do not value. easyJet has put in place a project team to work on the next regulatory period at Gatwick (Q6), which starts in 2014, to ensure it delivers value for money. Alongside this, the CAA is considering the competitiveness of the regulated airports. Gatwick and Stansted assert that they are competitive airports and do not require regulation. However, it is clear that Gatwick and Stansted are monopolies and easyJet has provided evidence to the CAA to support its case.

### EU aviation policy

The European Commission has set out an important set of proposals for changes to the legislation covering airport slots and ground handling. Both of these proposals will impact easyJet. easyJet is working with our partners across Europe to ensure that they facilitate further liberalisation of the aviation market. easyJet has built up a strong portfolio of slots across European airports, and will be working to ensure that any change to slot rules supports the efficient use of slots, which it is well placed to deliver. Further liberalisation of the ground handling market has the potential to reduce costs in markets where there is limited competition amongst ground handlers, such as Portugal and Germany.

## UK aviation policy

easyJet has been working in the UK to push the government to set out a clear aviation policy, as the lack of a framework for UK aviation is causing uncertainty and appears to be slowing down decision making. There has been much focus on the role of a hub airport, and easyJet is concerned this will underplay the importance of point-to-point traffic provided by airlines such as easyJet. easyJet wants the UK government to set a clear vision for consumer policy, which will support our work to put the customer first.

easyJet has seen mixed news on APD. easyJet successfully resisted the UK government's proposals to restructure APD, which would have increased rates on short-haul travel and reduced long-haul rates. However, the UK government raised all APD rates in April this year. easyJet believe these increases are working against the government's growth agenda, and discouraging travel to the UK. easyJet is working with other airlines on this issue and seeking a reversal of the increase.

## Emissions Trading Scheme (ETS)

easyJet supports the introduction of the ETS in Europe. It is not only the most environmentally effective way to take account of the impact of aviation emissions on climate change but also a much better approach than local taxes such as Air Passenger Duty which simply punish the consumer without helping the environment. easyJet is fully compliant with ETS and continues to limit its environmental impact by reducing fuel burn. easyJet flights consume 22% less fuel per passenger than other airlines.

As expected we have received "free" emissions permits amounting to around 74% of our requirement for calendar year 2012. We have completed forward purchase of permits that cover our expected remaining requirement for calendar year 2012. Consequently we expect the cost of EU-ETS for the current financial year to be approximately £7 million.

## Strategic position

easyJet is now the fourth largest short-haul carrier in Europe with a market share of 7.9%<sup>(1)</sup>. easyJet derives its competitive advantage from the following attributes:

- leading short-haul network in Europe with the highest number of market pairs within Europe's top 100 market pairs and strong market shares in valuable markets such as London, Paris, Milan, Amsterdam and Geneva;
- low cost and efficient business model; and
- financial and balance sheet strength

## Strategy implementation

easyJet has successfully continued to implement the strategy detailed in 2011 with a clear focus on delivering sustainable value for our shareholders. Key enablers of a successful strategy are operational excellence and dedicated focus on the needs of our customers. The management team focussed relentlessly through the 2011 financial year on delivering strong foundations principally around on time performance to provide a solid base for completion of the strategic objectives. Additionally over the past six months the team has started a programme of work to put in place the levers to deliver sustainable returns and growth in the future.

*Note 1: Market share data from OAG*

## 1. 'Deliver strong foundations'

### Operational resilience

easyJet now delivers best in class on time performance (OTP) and there has been a year on year improvement in every month in this financial half year.

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OTP % arrivals within 15 minutes	October	November	December	January	February	March	H1
2011	70%	76%	47% <sup>(1)</sup>	79%	80%	83%	73%
2012	88%	91%	86%	91%	86%	94%	89%

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On time performance remains the core of our operational focus. Improvements have been delivered through: new leadership; a reorganisation of ground operations and the operational control centre to ensure the right people are in the right place at the right time; daily performance reviews, and through the easyJet turn programme which has delivered tangible improvements since its introduction in November 2011.

on time performance has been further strengthened by the reduction in disruption year on year following the benign winter weather. easyJet has also improved its processes for managing disruption resulting in reduced cancellations.

### Customer satisfaction

The strong operational performance has contributed to higher levels of customer satisfaction which was up 7 percentage points to 85%. easyJet continues to focus on making travel easy and affordable for both business and leisure passengers with the launch of fast track through security at key airports across our network.

The trial of allocated seating commenced in April and from the end of May will run across 5% of the network and there will be an update on its progress towards the end of the summer.

## 2. 'Deliver returns to shareholders'

The Board is focused on driving dividends and returns for shareholders, and consistent with this focus has outlined a clear set of financial objectives and metrics, shown in Appendix A. The Board's objective is to achieve returns above the cost of capital, a ROCE of 12% through the cycle and deliver tangible returns to shareholders through returns of excess capital.

As previously announced, because the changes to the accounting rules on leases have been delayed, we have continued to keep the future calculation of ROCE under review. To assist us in this review we have commissioned a study from Deloitte on market practice, which is well advanced and the Board will share findings with shareholders over the next few months.

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Return on capital employed (%)	2012	2011	Change
Reported – balance sheet method	<b>(5.0)</b>	(7.5)	+2.5 ppt
Leases adjusted – multiple method	<b>(2.8)</b>	(4.3)	+1.5 ppt
Lease adjusted – NPV method	<b>(3.3)</b>	(5.2)	+1.9 ppt

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### Dividend policy

easyJet remains committed to providing appropriate returns to shareholders. Whilst in line with its stated policy it will not pay an interim dividend, the Board is committed to paying an annual dividend declared at the time of the full year results based on a cover of five times available earnings subject to meeting gearing and liquidity targets. The Board will continue to keep the balance sheet under review and where appropriate consider further returns of capital in addition to the ordinary dividend.

*Note 1: December 2010 was impacted by severe winter weather*

## **Improving network returns through framework for capital allocation**

easyJet has implemented a new and more rigorous approach to assessing network returns. Routes are measured on the returns they are delivering against the Company's returns target. Capacity on underperforming routes is reallocated, or performance managed and profitability improved, to deliver an appropriate return. easyJet has put in place a target to thin or drop 5% to 10% of capacity every year. In a dynamic market place, profitability of routes can change over time and by ensuring that route returns are continually monitored the Company is most effectively able to drive ROCE.

In the past six months easyJet has transferred capacity to higher performing routes and bases with 15 routes flown in FY11 cancelled and incremental aircraft added to London, Basel and Milan. Additionally, easyJet has opened new bases in Toulouse and Nice to strengthen its regional position in France. Consequently, despite the increase in fuel prices, easyJet's overall network return curve is demonstrating improvement.

## **Improving returns - easyJet lean**

easyJet lean's goal is to protect easyJet's structural cost advantage by ensuring below inflation non-fuel cost per seat increases. The projects delivering £92 million of savings this financial year are progressing well and will partially offset inflationary increases and the increased investments as part of the infrastructure developments such as allocated seating.

A key achievement is the progress on ground handling. Over a third of ground handling contracts measured by spend are in the process of being renegotiated with typical savings of between 5% and 15% being achieved. easyJet will continue to work with suppliers to drive operational efficiencies and to simplify our product.

easyJet flies to a number of regulated airports where there have been above inflationary cost increases in the period. The easyJet procurement team have mitigated part of the impact by putting in place key deals to support asset growth elsewhere in the network.

Crew cost per seat increased by around 8% in the first half of the year, principally due to disciplined thinning of capacity. The impact will be mitigated by securing more flexibility from our crew and by increasing crew planning horizons.

## **Improving returns – driving revenue**

easyJet benefited from a number of new initiatives to drive demand in the past six months including the successful introduction of the 'europe by easyJet' marketing campaign, improvements in easyJet.com and the rollout of new booking applications. easyJet also continued to build on its strength in revenue management with ongoing development of continuous pricing and new price optimisation techniques.

The fee changes made during 2011 delivered a benefit of around £2.40 per seat in the six months to 31 March 2012. First bag revenue rose by 63 pence to £4.57 per seat, whilst fees and administration charges improved by £1.77 to £7.02 per seat.

## **Improving returns – passengers travelling on business**

easyJet's goal is to drive additional contribution of £100 million by 2015 from passengers travelling on business through delivering improvements in product and distribution. In the past six months, easyJet has grown its share of the business travel market.

easyJet has continued to increase frequency on key routes such as London Amsterdam – now 13 times daily, London Milan 9 times daily and Paris Milan 9 times daily. Flexi fare is gaining good traction on easyJet.com. easyJet has now signed new deals with all the major Global Distribution Systems (GDS) providers.

easyJet has added to its portfolio of travel management companies (TMCs) with deals signed including American Express, Hillgate Travel, Portman Travel, Viajes Eroski and El Corte Inglés.

## **3. 'Deliver sustainable returns and growth'**

Over the past six months the team at easyJet has begun work to put in place the levers to ensure the company is well positioned to deliver sustainable value for shareholders into the future. Key areas of focus include an analysis of fleet allocation, the returns available across our network and articulation of the initiatives that are necessary to ensure easyJet is able to sustain its competitive advantage. A number of next generation narrow body aircraft types are expected to come to the market from 2016 onwards and therefore easyJet has commenced a thorough analysis of its fleet options from 2016 when its current arrangements with Airbus come to an end. easyJet will update the market with progress on its fleet analysis towards the end of the summer.

## Fleet update

easyJet has benefited from the flexibility built into its fleet planning arrangements such that it can increase or decrease capacity deployed, subject to the opportunities available and prevailing economic conditions. For example, easyJet has decided to cap its fleet at 204 aircraft this winter and limit capacity to a similar level for winter 2012/13.

In the period, easyJet took delivery of three A320 aircraft under the terms of the Airbus easyJet agreement. The two remaining Boeing 737-700s were withdrawn from service and returned to their lessors during the first half of FY12.

The total fleet at 31 March 2012 comprised 204 aircraft. A further 32 easyJet specification aircraft deliveries (excluding two GB Airways) are currently planned for delivery to the end of FY15, which will be offset by 36 planned exits from the fleet. A further 42 Airbus A320 family aircraft options will provide additional flexibility.

Fleet as at 31 March 2012:

	Owned	Operating leases	Finance Leases	Total	Changes Since Sep '11	Future committed deliveries <sup>(2)</sup>	Unexercised purchase rights and options <sup>(3)</sup>
easyJet A319	105	55	6	<b>166</b>	-1	-	-
easyJet A320	27	6	5	<b>38</b>	+3	32	73
737-700	-	-	-	-	-2	-	-
GB Airways A320 family	-	-	-	-	-	2 <sup>(1)</sup>	-
	132	61	11	<b>204</b>	-	34	73

*Note 1: To be delivered as part of a GB Airways commitment*

*Note 2: The 32 future easyJet deliveries and 2 ex-GB Airways deliveries are anticipated to be delivered over the next three financial years; 16 in 2012, 10 in 2013, 6 in 2014 and 2 in 2015 (Both GB Airways)*

*Note 3: Purchase options and rights may be taken on any A320 family aircraft and are valid until 2015.*

The current contracted fleet plan over the period to 30 September 2014 is as set out below:

	easyJet A320 family	Boeing 737-700	GB Airways A320 family	Total contracted aircraft
At 31 March 2012	204			204
At 30 September 2012	214	-	-	214
At 30 September 2013	215	-	-	215
At 30 September 2014	215	-	-	215

## Hedging positions

Details of easyJet's current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus sale
Six months ending 30 September 2012	77%	79%	76%
Rate	\$976/MT	\$1.59	€1.15
Full year ending 30 September 2012	78%	80%	76%
Rate	\$964/MT	\$1.59	€1.14
Full year ending 30 September 2013	63%	71%	57%
Rate	\$995/MT	\$1.60	€1.17

## Outlook

With nearly half of summer seats now sold, in line with the same period last year, the performance and outlook for the business continues as outlined in the 26 March 2012 trading update. Capacity, measured in seats flown, for the second half of the year, is planned to increase by 7% assuming no significant disruption, giving an increase of around 5% for the full year compared to 2011.

Second half total revenue per seat at constant currency is expected to be up in the low to mid single digit range. The action taken in the first half of last year on fees will annualise in the second half of the year.

Continued good progress on the easyJet Lean initiatives means that on a constant currency basis, cost per seat excluding fuel should increase by around 2% in the second half of the year and by around 2% for the full year assuming no significant disruption arising from events such as airspace congestion during the Olympics and external industrial action.

At current rates<sup>(1)</sup> the second half will also see the impact of additional fuel costs and exchange rate movements of £145 million compared to the prior year.

The economic environment is uncertain and the aviation industry faces headwinds such as the recent increase in UK APD. However, easyJet's strategy of low fares and our focus on making it easy for our customers, aligned with tight cost management and strictly managed allocation of capital, ensures that easyJet is well positioned to deliver good results for shareholders.

Note 1: Rates as at 8 May 2012: US\$1.61/£, €1.24/£ and US\$1,037 per metric tonne.

## Financial review

### Introduction

	2012			2011		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Total revenue	1,465	50.47	4.76	1,266	45.11	4.22
Loss before tax	(112)	(3.87)	(0.36)	(153)	(5.47)	(0.51)
Loss after tax	(90)	(3.09)	(0.29)	(114)	(4.07)	(0.38)

easyJet delivered a strong performance for the six months to 31 March 2012, with loss before tax reducing by £41 million (£1.60 per seat) to £112 million (£3.87 per seat), despite an increase of £87 million in fuel unit costs, which is equivalent to 22% on a per seat basis.

Total cost per seat increased by 7.4% to £54.34, however cost per seat excluding fuel was 2.1% higher at £37.70.

This is a strong performance in the midst of continuing economic uncertainty, and came about from a combination of several positive factors:

- Market capacity on easyJet routes was tight as competitors reduced capacity by an average of 3.0%. At the same time, yields rose across the market as all participants sought to recover the increased cost of fuel.
- We adopted a disciplined approach to capacity deployment for the winter, cutting underperforming routes and reducing frequency on leisure routes. Seats flown for the second quarter, the most challenging of the year from a trading perspective, were flat year on year, and the increase for the six months as a whole was only 3.5% compared with 11.1% last year.
- The capacity investments made last year have now begun to mature and this, coupled with a robust approach to yield management, resulted in a strong performance from average fare paid, despite further increases in passenger taxes.
- We also derived benefit from the increases in booking fees and bag charges in the second half of last year. This benefit will not carry through to any significant extent in the second half of the year.
- Cost per seat excluding fuel were up 1.5% at constant currency. The performance of ground operations was especially noteworthy, where the benefit of further contract renegotiation with ground handlers was a key factor in holding cost per seat flat year on year.
- We were also fortunate to experience a very mild winter, and very little external industrial action. The number of cancellations and overnight delays was down almost 90% year on year, resulting in a saving of £15 million. It is important to appreciate that this was an exceptionally good result, and in the event of "normal" winter weather in the future, levels of disruption would be higher.

## Exchange rates

	Revenue		Costs	
	2012	2011	2012	2011
Sterling	44%	44%	25%	24%
Euro	46%	47%	34%	35%
US dollar	0%	0%	35%	34%
Other (principally Swiss franc)	10%	9%	6%	7%

Average exchange rates	2012	2011	Change
Euro	€ 1.18	€ 1.17	1.2%
US dollar	\$1.60	\$1.60	0.4%
Swiss franc	CHF 1.44	CHF 1.52	-5.2%

Favourable / (adverse)	Euro £ million	US dollar £ million	Swiss franc £ million	Total £ million
Revenue	-	-	10	10
Fuel	1	-	-	1
Costs excluding fuel	4	(5)	(5)	(6)
	5	(5)	5	5

The proportions of revenue and costs by currency are similar to last year, and the average exchange rate for the Euro and US dollar were also little changed.

The average exchange rate for the Swiss franc increased by 5.2% compared with last year, having strengthened significantly against all major currencies last summer.

The net impact of these changes was that the loss before tax was £5 million lower than it would have been if the same exchange rates had been applied as last year.

## Revenue

	2012			2011		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Seat revenue	1,438	49.53	4.67	1,238	44.11	4.13
Non-seat revenue	27	0.94	0.09	28	1.00	0.09
Total revenue	1,465	50.47	4.76	1,266	45.11	4.22

Revenue per seat increased by 11.9% compared with the first half last year, despite a further increase in passenger taxes. Improvements were seen across the network due to careful capacity planning and as last year's capacity increases matured. Average load factor improved by 1.5 percentage points to 86.9%.

Seat revenue improved by 12.3% on a per seat basis, despite the continuing impact of passenger taxes which increased by 11.2% per seat driven by last year's introduction of APD in Germany and rate increases in the UK. Approximately half of the increase was derived from the booking fee and bag charge changes introduced in the second half of last year.

Non-seat revenue declined by 6.0% on a per seat basis as continuing weakness in travel insurance commissions offset a good in-flight performance.

## Costs

	2012			2011		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Operating costs excluding fuel	982	33.82	3.19	928	33.08	3.10
Fuel	483	16.64	1.57	383	13.64	1.27
Ownership costs	112	3.88	0.36	108	3.86	0.36
	<b>1,577</b>	<b>54.34</b>	<b>5.12</b>	<b>1,419</b>	<b>50.58</b>	<b>4.73</b>
Total costs excluding fuel	<b>1,094</b>	<b>37.70</b>	<b>3.55</b>	<b>1,036</b>	<b>36.94</b>	<b>3.46</b>

Total cost per seat excluding fuel increased by 2.1% to £37.70, and up 1.5% at constant currency. We experienced a much lower level of disruption than usual with only 483 sectors lost compared with over 4,000 last year. This delivered a cost per seat benefit of £0.54, mainly in the form of lower welfare and compensation payments to passengers under EU Regulation 261/2004.

Fuel cost per seat increased by 22% to £16.64. The price of jet fuel has increased significantly during the first half and is currently trading in a range of \$1,020 to \$1,100 per tonne.

## Operating costs excluding fuel

	2012			2011		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Ground operations	414	14.23	1.34	403	14.38	1.35
Crew	206	7.11	0.67	185	6.58	0.62
Navigation	123	4.23	0.40	120	4.28	0.40
Maintenance	95	3.29	0.31	85	3.02	0.28
Selling and marketing	55	1.90	0.18	47	1.68	0.16
Other costs	89	3.06	0.29	88	3.14	0.29
	<b>982</b>	<b>33.82</b>	<b>3.19</b>	<b>928</b>	<b>33.08</b>	<b>3.10</b>

Operating costs per seat excluding fuel increased by 2.2% to £33.82, and by a similar amount at constant currency.

Ground operations cost per seat decreased by 1.0%, however were broadly flat when excluding lower de-icing costs. Benefits were realised from continued renegotiation of contract terms with ground handlers, changes to seasonal pricing at London Gatwick and the delayed introduction of airport infrastructure improvement charges in Italy. Against these benefits, we experienced cost increases at regulated airports run by AENA in Spain. In addition, while the increase in load factor delivers an overall benefit to the bottom line, the majority of airport use charges are levied on a per passenger basis, resulting in an increase of approximately £0.15 per seat in ground operations cost.

Crew cost per seat increased by 8.1% to £7.11 principally due to disciplined thinning of capacity in the second quarter. Smaller impacts came from an average 2% increase in salaries and some improvement to crew standby levels.

Navigation costs were broadly flat, with regulated rate increases offset by a small reduction in average sector length.

Maintenance costs increased by 8.9% to £3.29 per seat, however this reflects a natural unevenness in costs from year to year, rather than a sustained increase in cost base. The benefits from reducing the proportion of leased aircraft in the fleet are now coming to an end, and we have incurred some short-term cost in process improvements that will drive cost savings in the future.

Selling and marketing costs increased by £0.22 per seat to £1.90, driven by the investment in the sales force and costs incurred rolling out our inventory to GDS and TMC partners. The increase in costs is more than offset by incremental revenue.

Other costs were down slightly at £3.06 per seat, benefitting from lower levels of payments under EU Regulation EU261/2004. These savings were offset by investment in key skills principally in the IT team as we develop our systems and roll out new initiatives such as improvements to easyJet.com, enhanced connectivity with travel management companies and the allocated seating trial.

## Fuel

	2012			2011		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Fuel	483	16.64	1.57	383	13.64	1.27

The market price for jet fuel is 21% higher than in the first half of last year, and, having increased by around 12% since year end, is currently trading between \$1,020 and \$1,100 per tonne. The increase has occurred mainly during the second quarter as concerns over oil production, notably impending economic sanctions against Iran, intensified. These concerns outweighed the risk of further economic disruption in the Eurozone as Greece avoided a formal default on its sovereign debt obligations.

Our hedging activities continued to shield us from the full impact of these price rises, and the effective cost per tonne for fuel increased by \$203 to \$972 per tonne.

## Ownership costs

	2012			2011		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Aircraft dry leasing	50	1.75	0.16	56	2.00	0.19
Depreciation	45	1.57	0.15	39	1.39	0.13
Amortisation	4	0.13	0.01	4	0.13	0.01
Net interest payable	7	0.24	0.02	8	0.29	0.03
Net exchange losses	6	0.19	0.02	1	0.05	-
	112	3.88	0.36	108	3.86	0.36

Ownership costs increased marginally from £3.86 per seat to £3.88 despite adverse changes in average exchange rates which increased cost per seat by £0.19.

The final two Boeing 737 aircraft were returned to lessors during the first quarter, and we now operate a standardised fleet with two gauges of easyJet specification Airbus aircraft. Depreciation cost per seat increased by £0.18 to £1.57 driven by the increased proportion of owned aircraft in the fleet.

We have now reached our objective of a 70% owned and 30% leased fleet mix, and consequently we do not expect to see the recent trend of declining ownership cost per seat to continue at the same rate.

Interest rates have remained low, and consequently net interest paid was down £0.05 to £0.24 per seat.

## Tax credit

The tax credit takes into account the recently announced proposal to reduce the headline UK corporation tax rate to 24% with effect from 1 April 2012. This rate reduction has also had an impact on the deferred tax balance held at 30 September 2011, and consequently the effective tax rate applied is 20%.

## Dividends and loss per share

easyJet paid its first ever dividends during March, comprising an ordinary dividend of 10.5 pence per share and a special dividend of 34.9 pence per share. The total dividend paid was £196 million.

As a consequence of the improved first half result, the loss per share decreased by 20.3% to 21.2 pence.

Following payment of the special dividend on 5 March, share capital was consolidated on a basis of eleven for twelve. As a consequence we now have 395 million shares of 27 <sup>2</sup>/<sub>7</sub> pence outstanding. The share consolidation has not resulted in a significant impact on the loss per share for the half year to March 2012.

## Return on capital employed

	2012	2011	Change
Reported - balance sheet method	<b>(5.0%)</b>	(7.5%)	2.5 ppt
Lease adjusted - multiple method	<b>(2.8%)</b>	(4.3%)	1.5 ppt
Lease adjusted - NPV method	<b>(3.3%)</b>	(5.2%)	1.9 ppt

In line with the commitment we gave at the investor day, we have provided return on capital employed (ROCE) on three bases.

- Balance sheet ROCE calculates capital employed using only the values for shareholders' equity and net debt shown on the statement of financial position.
- Lease multiple ROCE adjusts capital employed by including seven times the operating lease charge for the last twelve months. This approach is consistent with the calculation of gearing that we have employed for many years.
- NPV ROCE adjusts capital employed by the estimated net present value of future lease commitments. Given that the average unexpired lease term is around four years, the capital adjustment on this basis is substantially less than results from the lease multiple method.

It should be noted that the International Accounting Standards Board has not yet re-exposed its proposed new standard on lease accounting, and is currently considering four different approaches, each of which would result in different capital employed metrics for easyJet. Accordingly the value shown for NPV ROCE should be viewed as indicative and not as a definitive metric.

## Summary statement of cash flows

£ million	2012	2011	Change
Net cash generated from operating activities (excluding dividends)	<b>288</b>	230	58
Ordinary dividend paid	<b>(46)</b>	-	(46)
Special dividend paid	<b>(150)</b>	-	(150)
Net capital expenditure	<b>(111)</b>	(204)	93
Net loan and lease finance (repayment) / drawdown	<b>(109)</b>	292	(401)
Net decrease / (increase) in money market deposits	<b>63</b>	(52)	115
Other including the effect of exchange rates	<b>(56)</b>	(48)	(8)
Net (decrease) / increase in cash and cash equivalents	<b>(121)</b>	218	(339)
Cash and cash equivalents at beginning of period	<b>1,100</b>	912	188
Cash and cash equivalents at end of period	<b>979</b>	1,130	(151)
Money market deposits at end of period	<b>232</b>	307	(75)
<b>Cash and money market deposits at end of period</b>	<b>1,211</b>	1,437	(226)

In line with prior years, easyJet generated strong operating cash flow in the period. The business has highly seasonal operating cash flow, with the second quarter being particularly strong due to bookings for the summer season.

Net capital expenditure principally comprises the acquisition of three A320 aircraft (compared with nine aircraft acquired in the same period last year). The comparative cash flow is also stated net of proceeds received for the remaining four A321 aircraft acquired with GB Airways.

No new loan or lease finance was drawn down during the period, and £109 million of existing loans and finance leases were repaid. This included £36m unscheduled repayment of debt which incurred no early repayment charges.

At 31 March 2012, easyJet had £1.2 billion of cash and money market deposits, after paying ordinary and special dividends totalling £196 million. Board policy is to hold a cash reserve of £4 million per aircraft; therefore £395 million is available to finance the sixteen A320 aircraft due to be delivered before the end of the current year.

## Summary consolidated statement of financial position

£ million	31 March 2012	30 September 2011	Change
Goodwill	365	365	-
Property, plant and equipment	2,193	2,149	44
Net working capital	(1,043)	(765)	(278)
Restricted cash	162	123	39
Current and deferred taxation	(181)	(188)	7
Net cash	42	100	(58)
Other non-current assets and liabilities	(32)	(79)	47
	<b>1,506</b>	<b>1,705</b>	<b>(199)</b>
Opening shareholders' equity	1,705	1,501	
(Loss) / profit in period / year	(90)	225	
Ordinary dividend paid	(46)	-	
Special dividend paid	(150)	-	
Change in hedging reserve	86	(21)	
Other movements	1	-	
	<b>1,506</b>	<b>1,705</b>	

Net assets decreased by £199 million, driven by the loss for the period and ordinary and special dividends paid. The impact of this was offset by an increase in the hedging reserve, driven by increases in jet fuel prices and weakness of the Euro against sterling.

The net book value of property, plant and equipment increased by £44 million, driven by the acquisition of three A320 aircraft offset by depreciation of the fleet.

Net working capital improved by £278 million to a net negative £1,043 million. This is principally due to the increase in unearned income relating to bookings for future travel. The seasonal nature of the industry leads to significantly more unearned income at 31 March compared with 30 September each year.

£ million	31 March 2012	30 September 2011	Change
Cash and cash equivalents	979	1,100	(121)
Money market deposits	232	300	(68)
	<b>1,211</b>	<b>1,400</b>	<b>(189)</b>
Bank loans	(957)	(1,079)	122
Finance lease obligations	(212)	(221)	9
	<b>(1,169)</b>	<b>(1,300)</b>	<b>131</b>
<b>Net cash</b>	<b>42</b>	<b>100</b>	<b>(58)</b>

easyJet ends the period with £1,211 million in cash and money market deposits; a decrease of £189 million from 30 September 2011 and £226 million compared to the same point in 2011. Borrowings decreased by £131 million, of which £23 million was due to exchange gains as sterling strengthened against the US dollar.

Net cash at 31 March 2012 was £42 million compared with net cash of £100 million at 30 September 2011 and net cash of £220 million at 31 March 2011.

Strong operating cash flow was more than offset by dividend and loan payments and consequently gearing increased by three percentage points from 28% at 30 September 2011 to 31% at 31 March 2012. However, gearing levels remain well within Board policy maximum of 50%.

## Appendix A – Financial objectives and metrics

	Objectives	Measures
<b>Return Targets</b>	<ul style="list-style-type: none"> <li>• Earn returns in excess of cost of capital through the cycle</li> <li>• Invest in growth opportunities where returns are attractive</li> </ul>	<ul style="list-style-type: none"> <li>• After tax ROCE of 12% through the cycle</li> <li>• Improve profit before tax per seat to £5</li> </ul>
<b>Capital Structure And Liquidity</b>	<ul style="list-style-type: none"> <li>• Ensure robust capital structure</li> <li>• Maintain sufficient liquidity to manage through the cycle and industry shocks</li> <li>• Return excess capital to shareholders</li> </ul>	<ul style="list-style-type: none"> <li>• Maximum gearing of 50% (gearing meaning debt plus seven times annual lease payments less cash) divided by (Shareholders' equity plus debt plus seven times annual lease payments less cash)</li> <li>• Cap of £10 million adjusted net debt per aircraft</li> <li>• Target £4 million cash per aircraft</li> </ul>
<b>Dividend Policy</b>	<ul style="list-style-type: none"> <li>• Target consistent and continuous dividend payout</li> </ul>	<ul style="list-style-type: none"> <li>• Five times cover, subject to meeting gearing and liquidity targets</li> <li>• Annual payment based on full year profits after tax; introduced for year ended 30 September 2011, payable 2012</li> <li>• Consider returns over five times cover to reduce excess capital</li> </ul>
<b>Aircraft Ownership</b>	<ul style="list-style-type: none"> <li>• Maintain flexibility around fleet deployment and size</li> </ul>	<ul style="list-style-type: none"> <li>• Target of 70% owned aircraft, 30% leased aircraft</li> </ul>
<b>Fuel Hedging</b>	<ul style="list-style-type: none"> <li>• Insulate short term operating performance against adverse movements in fuel price and exchange rates</li> </ul>	<ul style="list-style-type: none"> <li>• 65%-85% of the next 12 months' anticipated requirements</li> <li>• 45%-65% of the following 12 months' anticipated requirements</li> </ul>

## Appendix B – Key statistics

<b>Operational measures</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
Seats flown (millions)	<b>29.0</b>	28.1	3.5%
Passengers (millions)	<b>25.2</b>	23.9	5.4%
Load factor	<b>86.9%</b>	85.4%	1.5 ppt
Available Seat Kilometres (ASK) (millions)	<b>30,785</b>	29,988	2.7%
Revenue Passenger Kilometres (RPK) (millions)	<b>27,329</b>	26,085	4.8%
Average sector length (kilometres)	<b>1,061</b>	1,069	(0.8%)
Sectors	<b>181,904</b>	177,074	2.7%
Block hours	<b>342,708</b>	336,372	1.9%
Number of aircraft owned/leased at end of period	<b>204</b>	199	2.5%
Average number of aircraft owned/leased during period	<b>202.8</b>	195.4	3.8%
Number of aircraft operated at end of period	<b>192</b>	182	5.5%
Average number of aircraft operated during period	<b>189.6</b>	180.3	5.1%
Operated aircraft utilisation (hours per day)	<b>9.9</b>	10.3	(3.6%)
Number of routes operated at end of period	<b>562</b>	533	5.4%
Number of airports served at end of period	<b>130</b>	127	3.1%
<b>Financial measures</b>	<b>2012</b>	<b>2011</b>	<b>Change</b>
Return on capital employed	(5.0%)	(7.5%)	2.5 ppt
Loss before tax per seat (£)	(3.87)	(5.47)	29.3%
Loss before tax per ASK (pence)	(0.36)	(0.51)	29.4%
<b>Revenue</b>			
Revenue per seat (£)	50.47	45.11	11.9%
Revenue per seat at constant currency (£)	50.16	45.11	11.2%
Revenue per ASK (pence)	4.76	4.22	12.8%
Revenue per ASK at constant currency (pence)	4.73	4.22	12.1%
<b>Costs</b>			
<i>Per seat measures</i>			
Total cost per seat (£)	54.34	50.58	(7.4%)
Total cost per seat excluding fuel (£)	37.70	36.94	(2.1%)
Total cost per seat excluding fuel at constant currency (£)	37.50	36.94	(1.5%)
<i>Per ASK measures</i>			
Total cost per ASK (pence)	5.12	4.73	(8.2%)
Total cost per ASK excluding fuel (pence)	3.55	3.46	(2.9%)
Total cost per ASK excluding fuel at constant currency (pence)	3.54	3.46	(2.6%)

## Principal risks and uncertainties

The risks and uncertainties described below are considered to have the most significant effect on easyJet's business, financial results and prospects. This list is not intended to be exhaustive.

easyJet carries out a detailed risk management process, to ensure that risks are identified and mitigated where possible, although many remain outside our full control, for example adverse weather, pandemics, acts of terrorism, changes in government regulation and macroeconomic issues.

Inherent risk is assessed prior to the determination of all current mitigation.

Strategic impact	Risk description and potential impact	Current mitigation
<p><b>No Compromise on Safety</b></p>	<p><b>Major safety incident / accident</b>            Failure to prevent a major safety incident or deal with it effectively.            This could adversely affect our reputation, operational and financial performance.</p>	<p>Our number one priority is the safety of our customers and people. We operate a strong safety management system through:</p> <ul style="list-style-type: none"> <li>– Fatigue Risk Management System</li> <li>– Incident reporting</li> <li>– Safety Review Board</li> <li>– Safety Action Group</li> </ul> <p>Management and control system for our operations.            Weekly operations meetings and reporting.            Regular review by the Board of Directors.            We have response systems in place and provide training for crisis management; combined with full crisis management exercises performed regularly.            Insurance is held which is believed to be in line with other airlines.</p>
	<p><b>Security and terrorist threat or attack</b>            Failure to prevent a major security related threat or attack from either internal or external sources or deal with it effectively.            This could adversely affect our reputation, operation and financial performance.            Due to the high profile nature of the Olympics / Paralympics there may be an increased risk of a threat or attack in the UK this summer.</p>	<p>Our number one priority is the safety, including security, of our customers and people. We operate a strong safety management system as set out above.            We constantly ensure that regulations required by relevant governments are enforced. Crew are trained within the current guidelines.            We have response systems in place and provide training for crisis management; combined with full crisis management exercises performed regularly.            Insurance is held which is believed to be in line with other airlines.</p>

Strategic impact	Risk description and potential impact	Current mitigation
Operational Excellence	<p><b>Financial impact of mass disruption in peak seasonal months</b>  A number of factors can lead to widespread disruption to our network, including epidemics / pandemics, forces of nature (extreme weather, volcanic ash, etc), acts of terrorism, union activity and strike action. Any widespread disruption could adversely effect our reputation, operation and financial performance.  If the widespread disruption occurred during our peak summer months then easyJet's financial results would be significantly impacted. As load factors are also higher during this period, it would potentially take longer to recover from any significant disruption.</p>	<p>Processes in place to adapt to widespread disruption. A full crisis management exercise is performed regularly and a business continuity programme is in place.  Significant analysis and senior management focus has resulted in additional crewing solutions being put into place to further recognise the external factors and volatility that impact the airline industry.  easyJet has a strong financial balance sheet allowing the Company to be in a strong position to withstand potential events that result in periods of reduced revenues.</p>
	<p><b>Single fleet risk</b>  easyJet is dependent on Airbus as its sole supplier for aircraft, with two aircraft types (A319 and A320).  There are significant cost and efficiency advantages in a single fleet, however there are two main associated risks:</p> <ul style="list-style-type: none"> <li>- Technical or mechanical issues that could ground the full fleet or part of the fleet which could cause negative perception by the flying public</li> <li>- Valuation risks which crystallise on the ownership exit of the aircraft. The main exposure is with the A319 fleet, where we are reliant on the future demand for second-hand aircraft</li> </ul>	<p>The efficiencies achieved by operating a single fleet type are believed to outweigh the risks associated with the Company's single fleet strategy.  A rigorous established maintenance programme is followed.  Constant reviews of the second-hand market and managing exit strategies for the aircraft. easyJet has a number of different options when looking at exit strategies.</p>
	<p><b>IT system failure</b>  easyJet is dependent on a number of key IT systems and processes operated at London Luton airport and other key facilities.  A loss of systems and access to facilities could lead to significant disruption and have an operational, reputational and financial impact.</p>	<p>Key systems are hosted in multiple datacentres in two distinct locations with failover arrangements between them.  A business continuity programme including disaster recovery arrangements is in place. This is being refined to ensure continued alignment to operational requirements.  Alternative sites are available should there be a need to relocate critical staff at short notice due to a loss of facilities.</p>
	<p><b>Dependence on third-party service providers</b>  easyJet has entered into agreements with third-party service providers for services covering a significant proportion of its operation and cost base.  Failure to adequately manage third-party performance would affect our reputation, operation and financial performance. Loss of these contracts, inability to renew or negotiate favourable replacement contracts could have a material adverse effect on future operating costs.</p>	<p>Processes are in place to manage third-party service provider performance.  Centralised procurement department that negotiates key contracts.  Most developed markets have suitable alternative service providers.</p>
	<p><b>Industrial action</b>  Large parts of the easyJet workforce are unionised. Similar issues exist at our key third-party service providers. If any action was taken this could impact on easyJet's ability to maintain its flight schedule.  This could adversely affect our reputation, operation and financial performance.</p>	<p>Employee and union engagement takes place on a regular basis.  Significant analysis and senior management focus has resulted in additional crewing solutions being put into place that recognises the external factors and volatility that impact the airline industry.</p>

Strategic impact	Risk description and potential impact	Current mitigation
External Risks	<p><b>Competition and industry consolidation</b>  easyJet operates in competitive marketplaces against both flag carriers and other low-cost airlines.  Industry consolidation will affect the competitive environment in a number of markets.  This could cause a loss of market share and erosion of revenue.</p>	Regular monitoring of competitor activity and potential impact of any consolidation activity. Rapid response in anticipation of, and to, changes.
	<p><b>Regulator intervention</b>  The airline industry is currently heavily regulated, with expected increased regulator intervention; this includes environmental, security and airport regulation in which charges are levied by regulatory decision rather than by commercial negotiation.  easyJet is exposed to various regulators across our network, which will increase as the Company grows geographically.  This could have an adverse impact to our reputation, cost base and market share. An inadequate knowledge or misinterpretation of local regulations could result in fines or enforcement orders.</p>	easyJet has a key role in influencing the future state of regulations. A Regulatory Affairs Group coordinates the work and effort in this area.
Reputational Risks	<p><b>Major shareholder / investor relationship issues</b>  easyJet has a major shareholder (easyGroup Holdings Limited) controlling over 25% of ordinary shares. Shareholder activism could adversely impact the reputation of the Company and cause a distraction to management.  easyJet does not own its company name or branding which is licensed from easyGroup IP Licensing. As for all brand licensees, the easyJet brand could be impacted through actions of the easyGroup or other easyGroup licensees.</p>	Dedicated Investor Relations team, utilising a shareholder engagement programme. Significant Board and Senior management time dedicated to engage with major shareholders.
	<p><b>Ineffective or non delivery of the business strategy</b>  A number of key projects have been set up to deliver key elements of the strategy. If these projects do not deliver the benefits and cost savings planned we could fall short of our planned financial results.</p>	Programme management office (PMO) and experienced project teams have been set up to oversee delivery and track the budget and benefits realisation of all projects. Steering Group set up with full key senior management involvement to ensure monitoring, challenge and key decisions are being made at the appropriate level.
	<p><b>Information security</b>  easyJet faces external and internal information security risks. The Company receives most of its revenue through credit cards and operates as an e-commerce business.  A security breach could result in a material adverse impact for the business and reputational damage.</p>	Systems are secured and monitored against unauthorised access. This will receive continued focus. Information security controls are being further enhanced in key areas including 3rd parties, Governance, HR, Physical Security and IT/Technical. The security of internal systems and easyJet.com are reviewed quarterly through penetration testing. Employee security sessions are run periodically to maintain staff awareness. Scanning software for fraudulent customer activity is monitored and controlled by the Revenue Protection team.
<p><b>Bribery Act 2010</b>  The Bribery Act 2010 came into force in April 2011. As with all companies, if we were found to be in breach of the Act this could adversely affect us financially and reputationally.</p>	easyJet has a strong ethical tone from the top. Risks assessments have been completed and appropriate actions taken where necessary. General awareness training has been provided, with additional targeted training given to higher risk groups.	

Strategic impact	Risk description and potential impact	Current mitigation
End to End Customer Proposition	<p><b>Capital allocation risk</b> easyJet has a leading presence on the top 100 routes in Europe and positions at primary airports that are attractive to time sensitive consumers. easyJet manages the performance of its network by careful allocation of aircraft to routes and optimisation of its flying schedule. If we fail to continue to optimise our network and fleet plan this will have a major impact on easyJet's ability to grow and gain the required yield. In addition, poor planning of the correct number of aircraft to fly the schedule would have a critical impact on the Company's costs and reputation.</p>	<p>A Network Portfolio Management Strategy is in place which looks to take a balanced approach to the route portfolio that we fly to ensure that we optimise each aircraft to get the best return for each time of day, and each day of the week. Route performance is monitored on a regular basis and operating decisions are made to improve performances where required.</p>
	<p><b>Exposure to fuel price fluctuations and other macroeconomic shifts</b> Sudden and significant increases in jet fuel price and movements in foreign exchange rates would significantly impact fuel and other costs. Increases in fuel costs have a direct impact on the financial performance of the Company. If not mitigated, this could have a material adverse effect on financial performance. easyJet's business can also be affected by macroeconomic issues outside of its control such as weakening consumer confidence, inflationary pressure or instability of the euro. This could give rise to adverse pressure on revenue, load factors and residual values of aircraft.</p>	<p>Board approved hedging (jet fuel and currency) in place that is consistently applied. Policy is to hedge within a percentage band for rolling 24 month periods. To provide protection, the Group uses a limited range of hedging instruments traded in the over the counter (OTC) markets, principally forward purchases, with a number of approved counterparties. A strong balance sheet supports business through fluctuations in the economic conditions for the sector. Regular monitoring of markets and route performance by our network and fleet management teams.</p>
Financial Discipline	<p><b>Financing and interest rate risk</b> All of the Group's debt is asset related, reflecting the capital intensive nature of the airline industry. Market conditions could change the cost of finance which may have an adverse effect on the financial performance.</p>	<p>Group interest rate management policy aims to provide certainty in a proportion of its financing. Operating lease rentals are principally based on fixed interest rates. All on balance sheet debt floating rate, repriced up to six months. None of the agreements contain financial covenants. A portion of US dollar mortgage debt is matched with US dollar money market deposits.</p>
	<p><b>Liquidity risk</b> The Group continues to hold significant cash or liquid funds as a form of insurance. Lack of sufficient liquid funds could result in business disruption and have a material adverse effect on financial performance.</p>	<p>Board policy is to maintain an absolute minimum level of free cash and money market deposits. Allows business to ride out downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at key supplier).</p>
	<p><b>Credit risk</b> Surplus funds are invested in high quality short-term liquid instruments, usually money market funds or bank deposits. Possibility of material loss arising in the event of non-performance of counterparties.</p>	<p>Cash is placed on deposit with institutions based upon credit rating with a maximum exposure of £150 million for AAA ratings.</p>

## Consolidated income statement (unaudited)

	Notes	Six months ended 31 March 2012 £ million	Six months ended 31 March 2011 £ million
Seat revenue		1,438	1,238
Non-seat revenue		27	28
<b>Total revenue</b>	11	<b>1,465</b>	1,266
Fuel		(483)	(383)
Ground operations		(414)	(403)
Crew		(206)	(185)
Navigation		(123)	(120)
Maintenance		(95)	(85)
Selling and marketing		(55)	(47)
Other costs		(89)	(88)
<b>EBITDAR</b>		<b>-</b>	(45)
Aircraft dry leasing		(50)	(56)
Depreciation		(45)	(39)
Amortisation		(4)	(4)
<b>Operating loss</b>		<b>(99)</b>	(144)
Interest receivable and other financing income		5	4
Interest payable and other financing charges		(18)	(13)
<b>Loss before tax</b>		<b>(112)</b>	(153)
Tax credit	3	22	39
<b>Loss for the period</b>		<b>(90)</b>	(114)
<b>Loss per share, pence</b>			
Basic	4	21.2	26.6

## Consolidated statement of comprehensive income (unaudited)

	Notes	Six months ended 31 March 2012 £ million	Six months ended 31 March 2011 £ million
<b>Loss for the period</b>		<b>(90)</b>	(114)
<b>Other comprehensive income</b>			
Cash flow hedges			
Fair value gains in the period		<b>154</b>	206
Gains transferred to income statement		<b>(40)</b>	(46)
Related tax	3	<b>(28)</b>	(41)
		<b>86</b>	119
<b>Total comprehensive (loss) / income for the period</b>		<b>(4)</b>	5

## Consolidated statement of financial position (unaudited)

	Notes	31 March 2012 £ million	30 September 2011 £ million
<b>Non-current assets</b>			
Goodwill		365	365
Other intangible assets		87	86
Property, plant and equipment	6	2,193	2,149
Derivative financial instruments		43	24
Loan notes		11	11
Restricted cash		32	33
Other non-current assets		60	63
		<b>2,791</b>	<b>2,731</b>
<b>Current assets</b>			
Trade and other receivables		211	165
Derivative financial instruments		104	83
Restricted cash		130	90
Money market deposits		232	300
Cash and cash equivalents		979	1,100
		<b>1,656</b>	<b>1,738</b>
<b>Current liabilities</b>			
Trade and other payables		(1,308)	(916)
Borrowings		(152)	(155)
Derivative financial instruments		(12)	(52)
Maintenance provisions		(38)	(45)
Current tax liabilities		-	(9)
		<b>(1,510)</b>	<b>(1,177)</b>
<b>Net current assets</b>		<b>146</b>	<b>561</b>
<b>Non-current liabilities</b>			
Borrowings		(1,017)	(1,145)
Derivative financial instruments		(6)	(27)
Non-current deferred income		(52)	(59)
Maintenance provisions		(175)	(177)
Deferred tax liabilities		(181)	(179)
		<b>(1,431)</b>	<b>(1,587)</b>
<b>Net assets</b>		<b>1,506</b>	<b>1,705</b>
<b>Shareholders' equity</b>			
Share capital	7	108	108
Share premium		655	654
Hedging reserve		100	14
Translation reserve		1	1
Retained earnings		642	928
		<b>1,506</b>	<b>1,705</b>

## Consolidated statement of changes in equity (unaudited)

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2011	108	654	14	1	928	1,705
Total comprehensive (loss) / income	-	-	86	-	(90)	(4)
Dividends paid	-	-	-	-	(196)	(196)
Share incentive schemes						
Proceeds from shares issued	-	1	-	-	-	1
Value of employee services	-	-	-	-	5	5
Related tax (note 3)	-	-	-	-	2	2
Purchase of own shares	-	-	-	-	(7)	(7)
<b>At 31 March 2012</b>	<b>108</b>	<b>655</b>	<b>100</b>	<b>1</b>	<b>642</b>	<b>1,506</b>

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2010	107	652	35	1	706	1,501
Total comprehensive income	-	-	119	-	(114)	5
Share incentive schemes						
Proceeds from shares issued	1	2	-	-	-	3
Value of employee services	-	-	-	-	1	1
Purchase of own shares	-	-	-	-	(1)	(1)
<b>At 31 March 2011</b>	<b>108</b>	<b>654</b>	<b>154</b>	<b>1</b>	<b>592</b>	<b>1,509</b>

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to highly probable transactions that are forecast to occur after the period end.

## Consolidated statement of cash flows (unaudited)

	Notes	Six months ended 31 March 2012 £ million	Six months ended 31 March 2011 £ million
<b>Cash flows from operating activities</b>			
Cash generated from operations	8	310	262
Ordinary dividends paid		(46)	-
Special dividends paid		(150)	-
Net interest and other financing charges		(11)	(30)
Tax paid		(11)	(2)
<b>Net cash generated from operating activities</b>		<b>92</b>	<b>230</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(106)	(276)
Proceeds from sale of assets held for sale		-	75
Purchase of other intangible assets		(5)	(3)
Redemption of loan notes		-	1
<b>Net cash used by investing activities</b>		<b>(111)</b>	<b>(203)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of ordinary share capital		1	3
Purchase of own shares for employee share schemes		(7)	(1)
Proceeds from drawdown of bank loans		-	36
Proceeds from drawdown of finance leases		-	72
Net proceeds from sale and operating leaseback of aircraft		-	266
Repayment of bank loans		(105)	(79)
Repayment of capital elements of finance leases		(4)	(3)
Net decrease / (increase) in money market deposits		63	(52)
Increase in restricted cash		(40)	(56)
<b>Net cash generated from financing activities</b>		<b>(92)</b>	<b>186</b>
Effect of exchange rate changes		(10)	5
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(121)</b>	<b>218</b>
Cash and cash equivalents at beginning of period		1,100	912
<b>Cash and cash equivalents at end of period</b>		<b>979</b>	<b>1,130</b>

## Notes to the condensed financial information (unaudited)

### 1. Basis of preparation

The condensed financial information has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34 "Interim Financial Reporting" as adopted by the European Union. It should be read in conjunction with the Annual report and accounts for the year ended 30 September 2011, which were prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The condensed financial information does not constitute statutory accounts within the meaning of sections 434 and 435 of the Companies Act 2006. Statutory accounts for the year ended 30 September 2011 were approved by the Board of Directors on 15 November 2011, and have been delivered to the Registrar of Companies. The report of the auditors was unqualified, and did not contain either an emphasis of matter paragraph or any statement made under section 498 of the Companies Act 2006.

In adopting the going concern basis for preparing this condensed financial information, the Directors have considered the business activities as well as easyJet's principal risks and uncertainties. Based on easyJet's cash flow forecasts and projections, the Board is satisfied that easyJet will be able to operate within the level of its facilities and available cash for the foreseeable future. For this reason easyJet continues to adopt the going concern basis.

The accounting policies adopted are consistent with those described in the Annual report and accounts for the year ended 30 September 2011.

A number of amended standards and interpretations are effective for the current financial year, but none of them has had any material impact on the condensed financial information.

### 2. Seasonality

The airline industry is highly seasonal and demand and yields are significantly higher during the summer. Accordingly revenue and profitability are higher in the second half of the financial year. Historically, easyJet has reported a loss for the first half of the financial year and a profit in the second half.

### 3. Tax credit

	2012 £ million	2011 £ million
Current tax	2	3
Deferred tax	(24)	(42)
	(22)	(39)
Effective tax rate	20%	26%

The effective tax rate is lower than the standard rate of corporation tax in the United Kingdom principally due to the impact on deferred tax balances of the reduction in corporation tax rate announced in the 2012 UK Budget.

#### Tax on items recognised directly in other comprehensive income or shareholders' equity

	2012 £ million	2011 £ million
<b>Charge to other comprehensive income</b>		
Deferred tax on fair value of cash flow hedges	(28)	(41)
<b>Credit to shareholders' equity</b>		
Deferred tax on share-based payments	2	-
	2	-

#### 4. Loss per share

	2012 £ million	2011 £ million
Loss for the period	(90)	(114)
	2012 million	2011 million
Weighted average number of ordinary shares in issue	425	429
	2012 pence	2011 pence
Loss per share - basic	21.2	26.6

Following payment of the special dividend on 5 March 2012, share capital was consolidated on a basis of eleven for twelve. As a consequence the company now has 395 million ordinary shares of 27 <sup>2</sup>/<sub>7</sub> pence outstanding. The overall effect of these two events was equivalent to a share repurchase at fair value, hence the weighted average number of shares has been adjusted from the date the special dividend was recognised.

Diluted loss per share for the six months ended 31 March 2012 and 2011 is not presented as the impact of potential ordinary shares is anti-dilutive.

#### 5. Dividends

The company paid its first ever dividends during March 2012, comprising an ordinary dividend of 10.5 pence per share and a special dividend of 34.9 pence per share. The total dividend paid was £196 million.

#### 6. Property, plant and equipment

	2012 £ million	2011 £ million
<b>At 1 October</b>	<b>2,149</b>	1,928
Additions	110	248
Transfers to intangible assets	(4)	-
Disposals	(17)	(5)
Aircraft sold and leased back	-	(200)
Depreciation	(45)	(39)
<b>At 31 March</b>	<b>2,193</b>	1,932

At 31 March 2012 easyJet is contractually committed to the acquisition of 34 Airbus A320 family aircraft, with a total list price of US\$1.8 billion before escalations and discounts for delivery in the period to April 2015. Deposits paid against these aircraft at 31 March 2012 totalled £165 million.

#### 7. Share capital

	2012 million	Number 2011 million	2012 £ million	Value 2011 £ million
<b>At 1 October</b>	<b>431</b>	430	<b>108</b>	107
Share consolidation following special dividend	(36)	-	-	1
<b>At 31 March</b>	<b>395</b>	430	<b>108</b>	108

## 8. Reconciliation of operating loss to cash generated from operations

	2012 £ million	2011 £ million
Operating loss	(99)	(144)
<b>Adjustments for non-cash items:</b>		
Depreciation	45	39
Amortisation	4	4
Share-based payments	5	1
<b>Changes in working capital and other items of an operating nature</b>		
(Increase) / decrease in trade and other receivables	(48)	36
Increase in trade and other payables	391	348
Increase in provisions	13	6
Decrease / (increase) in other non-current assets	3	(12)
Decrease / (increase) in derivative financial instruments	3	(1)
Decrease in non-current deferred income	(7)	(15)
	<b>310</b>	<b>262</b>

## 9. Reconciliation of cash flow to movement in net cash

	1 October 2011 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	31 March 2012 £ million
Cash and cash equivalents	1,100	(10)	-	(111)	979
Money market deposits	300	(5)	-	(63)	232
	1,400	(15)	-	(174)	1,211
Bank loans	(1,079)	18	(1)	105	(957)
Finance lease obligations	(221)	5	-	4	(212)
	(1,300)	23	(1)	109	(1,169)
<b>Net cash</b>	<b>100</b>	<b>8</b>	<b>(1)</b>	<b>(65)</b>	<b>42</b>

## 10. Contingent liabilities

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

## 11. Segmental analysis

### *Operating segment*

easyJet has one operating segment, being its route network, based on management information provided to the Executive Management Team; which is easyJet's Chief Operating Decision Maker. Resource allocation decisions are made for the benefit of the route network as a whole, rather than for individual routes within the network. Performance of the network is assessed based on the consolidated profit or loss before tax for the period.

### *Geographic segments*

Revenue is allocated to geographic segments on the following bases:

- Revenue earned from passengers is allocated according to the location of the first departure airport on each booking;
- Commission revenue earned from partners is allocated according to the domicile of each partner.

	<b>2012</b>	2011
	<b>£ million</b>	£ million
United Kingdom	<b>619</b>	543
Southern Europe	<b>533</b>	460
Northern Europe	<b>294</b>	248
Other	<b>19</b>	15
	<b>1,465</b>	1,266

Southern Europe comprises countries lying wholly or mainly south of the border between Italy and Switzerland, plus France.

easyJet's non-current assets principally comprise its fleet of 143 owned and finance-leased aircraft. A further 61 aircraft are held under operating leases, giving a total fleet of 204 at 31 March 2012. All of these aircraft are registered in the United Kingdom except for 20 registered in Switzerland. These assets are used flexibly across the entire route network, and accordingly there is no suitable basis for allocating them to geographic segments.

## 12. Related parties

On 11 October 2010, easyJet announced that it had reached an agreement on its ongoing dispute with easyGroup IP Licensing Ltd ('easyGroup') and Sir Stelios Haji-loannou over the terms and operation of the easyJet brand licence.

Under the agreement an annual royalty of 0.25% of total revenue (fixed at £3.95 million for the year ended 30 September 2011 and £4.95 million for the year ending 30 September 2012) is payable for a minimum term of ten years.

A new brand protection protocol was also agreed. easyJet must meet the costs to protect the 'easy' and 'easyJet' brands alongside easyGroup on a ratio of 10:1 respectively up to a combined cost of £1.1 million per annum. Beyond the first £1.1 million of costs, easyJet can commit up to an aggregate £5.5 million annually to meet brand protection costs, with easyGroup continuing to meet its share of costs on a 10:1 ratio. easyJet must meet 100% of any brand protection costs it wishes to incur above this limit.

A separate agreement has been entered into with Sir Stelios Haji-loannou, for two years, where for an annual fee of £300,000 he will not licence the 'easy' brand to an ATOL holder in relation to the sale of airline seats, not to sell the shares in easyGroup or the easyJet brand or to acquire an interest in any other airline.

The payments made by easyJet to easyGroup and The Stelios Philanthropic Foundation in the period to 31 March 2012 for these elements were £3.1 million (2011: £2.1 million).

## Statement of directors' responsibilities

The Directors are responsible for preparing the interim report in accordance with applicable law and regulations.

The Directors confirm that the condensed consolidated interim financial information has been prepared in accordance with International Accounting Standard 34 as adopted by the European Union. The interim management report includes a fair review of the information required by the Disclosure and Transparency Rules paragraphs 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 31 March 2012 and their impact on the condensed set of financial information, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions during the six months ended 31 March 2012 and any material changes in the related-party transactions described in the last Annual report and accounts.

The Directors of easyJet plc are listed in the Annual report and accounts 2011. There have been no changes since the date of publication. A list of current Directors is also maintained on the easyJet plc website: [www.easyJet.com](http://www.easyJet.com).

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

The interim report was approved by the Board of Directors and authorised for issue on 8 May 2012 and signed on behalf of the Board by:

Carolyn McCall OBE  
Chief Executive

Chris Kennedy  
Chief Financial Officer

## Glossary

Aircraft dry / wet leasing	Payments to lessors under dry leasing arrangements relate solely to the provision of an aircraft. Payments to lessors under wet leasing arrangements relate to the provision of aircraft, crew, maintenance and insurance.
Aircraft owned / leased at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Available seat kilometres (ASK)	Seats flown multiplied by the number of kilometres flown.
Average fare	Passenger and ancillary revenue divided by passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Cost per ASK	Revenue less profit before tax, divided by available seat kilometres.
Cost per seat	Revenue less profit before tax, divided by seats flown.
Cost per seat, excluding fuel	Revenue, less profit before tax, plus fuel costs, divided by seats flown.
EBITDAR	Earnings before interest, taxes, depreciation, amortisation, aircraft lease costs, and profit or loss on disposal of aircraft.
Gearing	Net debt (adjusted by adding seven times aircraft dry leasing payments for the year and deducting restricted cash) divided by the sum of shareholders' equity and adjusted net debt.
Load factor	Number of passengers as a percentage of number of seats flown. The load factor is not weighted for the effect of varying sector lengths.
Loss before tax per seat	Loss before tax divided by seats flown.
Operated aircraft utilisation	Average number of block hours per day per aircraft operated.
Other costs	Administrative and operational costs not reported elsewhere, including some employee costs, compensation paid to passengers, exchange gains and losses and the profit or loss on the disposal of property plant and equipment.
Passengers	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Return on capital employed	Normalised profit after tax divided by average net debt plus shareholders' equity.
Return on equity	Loss for the period divided by the average of opening and closing shareholders' funds.
Revenue	The sum of revenue from ticket sales and ancillary revenue.
Revenue passenger kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers were flown.
Revenue per ASK	Revenue divided by available seat kilometres.
Revenue per seat	Revenue divided by seats flown.
Seats flown	Seats available for passengers.
Sector	A one-way revenue flight.

# **Independent review report to easyJet plc**

## **Introduction**

We have been engaged by the company to review the condensed set of financial information in the half-yearly financial report for the six months ended 31 March 2012, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial information.

## **Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 1, the annual accounts of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

## **Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency 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.

## **Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial information in the half-yearly financial report for the six months ended 31 March 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants  
St Albans, Hertfordshire  
8 May 2012