13 May 2014

easyJet plc

Results for the six months ended 31 March 2014

easyJet's strategy continues to deliver sustainable growth and returns

	2014	2013	Change
Total revenue (£ million)	**1,702**	1,601	6.3 %
Loss before tax (£ million)	**(53)**	(61)	13.6 %
Pre-tax margin (%)	**(3.1)**	(3.8)	+0.7 ppt
Loss per share - basic (pence)	**(10.4)**	(12.0)	13.3 %
Return on capital employed (%) (1)	**(1.2)**	(0.9)	-0.3 ppt

easyJet has delivered an improved first half financial performance driven by a strong focus on capacity allocation, a range of revenue initiatives and a stronger than expected cost performance.

Strategic Progress:

Drive demand, conversion and yields across Europe

- Total revenue per seat increased by 1.5% year on year on a constant currency basis, and by 2.6% per seat on a reported basis, to £54.80 driven, in part, by a number of digital and revenue management initiatives, increased average sector length and allocated seating.
- In the 12 months to 31 March 2014 easyJet carried 12 million business passengers for the first time.
- Average load factors increased by 0.4 percentage points to 89.0% whilst capacity grew by 3.6% to 31.1 million seats.

Maintain cost advantage

- Cost per seat excluding fuel grew by 0.5% on a constant currency basis and by 0.8% on a reported basis to £39.20. The planned year on year cost increases in maintenance and lease costs were offset by lower than expected levels of de-icing and disruption in the second quarter and by the early delivery of a number of easyJet lean initiatives.
- easyJet lean delivered £14 million of annualised savings in the six months to 31 March 2014.

Build strong number 1 and 2 network positions

- easyJet launched new bases in Naples, its third in Italy, and Hamburg, its second in Germany, bringing the total number of easyJet bases to twenty-four.

Disciplined use of capital

- In the six months to 31 March 2014, easyJet returned £308 million or 77.6 pence per share to shareholders through the payment of an ordinary dividend (at three times earnings cover) and a special dividend.
- easyJet ended the first half of the financial year with cash and money market deposits of £1,069 million, a decrease of £125 million against last year mainly driven by the special dividend payment. Net cash as at 31 March 2014 was £449 million compared to £433 million at 31 March 2013.

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

"easyJet has delivered a solid first half performance despite the less benign capacity environment. The results reflect our on-going progress against our strategic priorities, and demonstrate the structural advantage easyJet has against both legacy and low cost competition in the European short haul market.

By continuing to deliver our strategy of offering customers lower fares to great destinations with friendly service while focusing upon costs, we can continue to deliver sustainable growth and returns for our shareholders. There continue to be a number of attractive opportunities for easyJet to grow profitably in Europe and we look forward to making further progress in the second half of the year."

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There will be an analyst presentation at 9:30 am BST on 13 May 2014 at Nomura, One Angel Lane, London, EC4R 3AB

A live webcast of the presentation will be available at www.easyJet.com

Live conference call (Listen only):

- UK Access Number: 0808 237 0060
- UK Toll Free Number: +44 (0) 20 3426 2888
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- Conference Reference: 647745#

A. INTRODUCTION

easyJet delivered a solid first half performance reflecting on-going progress against its strategic objectives. Revenue per seat was in line with expectations and the cost per seat performance was better than expected due to lower levels of de-icing and disruption in the second quarter and the early delivery of a number of easyJet lean initiatives.

In the six months to 31 March 2014, easyJet returned £308 million or 77.6 pence per share to shareholders through the payment of ordinary dividend (at three times earnings cover) and a special dividend.

easyJet's balance sheet remains strong with gearing of 18%, net cash of £449 million and cash and money market deposits of £1,069 million at the end of the period.

B. MARKET OVERVIEW

Competitive landscape

The European short-haul market grew by 7.8 million seats or 2.1% year-on-year in the six months to 31 March 2014 and by 0.6 million seats or 0.6% on easyJet markets(2). easyJet's competitors reduced capacity by 0.9 million seats or 1.3% on easyJet's markets in the six months to 31 March 2014. In the same period, easyJet increased capacity by 1.1 million seats or 3.6%.

The growth in the European short-haul market looks set to continue for the six months to 30 September 2014 as a result of a more stable fuel price, improved economic forecasts and growing consumer confidence. easyJet expects the European short-haul market to grow by 23.9 million seats or 5.0% year-on-year in the six months to 30 September 2014 and by 5.0 million seats or 4.1% on easyJet markets(2). easyJet's competitors are expected to increase capacity by 2.4 million seats or 2.9% on easyJet's markets in the six months to 30 September 2014. In the same period, easyJet expects to increase capacity by 2.6 million seats or 6.7%.

In the medium term, it is expected that overall demand in the European aviation market will grow by around 3%(3) which is ahead of expected GDP growth. This growth combined with the structural inefficiencies and cost disadvantages of legacy and charter carriers, means that there remain significant opportunities for easyJet to grow profitability.

Regulatory environment

The regulatory environment continues to have a significant impact on easyJet. In the first six months of the financial year easyJet has seen both positive and negative developments across Europe.

In the UK the CAA confirmed the continued regulation of Gatwick, after finding that Gatwick has significant market power, and created a regulatory framework that provided easyJet with an opportunity to have a more commercial discussion with Gatwick. This led to easyJet's agreement with Gatwick, which delivers price certainty, improved airport charges and will deliver a better experience for our passengers at Gatwick. By contrast the regulator in Italy has approved a further significant increase in charges at Rome Fiumicino.

easyJet supports the work to make airspace more efficient through the Single European Sky initiative, and the European Commission's efforts to drive lower costs into airspace. The EU supported target for the next airspace charges target setting process ('RP2') is weaker than easyJet wanted, but will for the first time change the profile of airspace charges, putting them on a declining path in real terms. easyJet continues to play a full role in the RP2 process.

The terms of the current European Parliament and Commission are coming to an end and no new legislation will be passed this year. easyJet expects a reform of the main consumer regulation, EU 261/2004, to be supported by the next Parliament. This reform will bring clarity to the rights of passengers and the obligations placed on airlines, improving the passenger experience but also providing increased certainty over our costs.

easyJet remains concerned that European governments are continuing to support legacy carriers. There is also an emerging issue of government funded support for carriers from outside the EU. easyJet will urge the EU to apply the same rules to funding from outside the EU as it does to funding from inside the Union.

C. STRATEGIC PROGRESS

Progress against strategic objectives

easyJet improved its first half financial performance by continuing to focus on its four key strategic objectives and has made good progress over the winter period:

1. Build strong number 1 and 2 network positions
2. Maintain cost advantage
3. Drive demand, conversion and yields across Europe
4. Disciplined use of capital

Progress against each of these objectives is summarised below.

1. Build strong number 1 and 2 network positions

A significant source of easyJet's competitive advantage is its pan-European network, which connects more of the top 100 city to city market pairs than any other airline in Europe [(2)]. Additionally, easyJet has built number 1 and number 2 market share positions at its bases and at key airports such as Gatwick, Paris Orly, Milan Malpensa, Amsterdam and Geneva.

easyJet's strategy is to continue to build positions of strength in its key markets to take advantage of competitor retrenchment and to reallocate aircraft to the routes and bases which will deliver the highest return on capital employed.

easyJet regularly reviews its route portfolio and re-orientates its network to optimise returns. Significant changes to the network include the opening of bases in Hamburg and Naples. In the six months to 31 March 2014 easyJet dropped 15, or circa 2% of the routes flown in the six months to 31 March 2013 and made returns focused decisions to allocate aircraft to routes with higher returns.

An overview of the developments in each of easyJet's key markets is shown below.

Country overview[(2)]

UK

easyJet is the UK's largest short-haul airline with a 20% market share and it increased capacity by 5.1% in the six months to 31 March 2014. In the period, easyJet started 17 new routes; while continuing to increase frequencies on its existing UK routes.

easyJet signalled its continued commitment to the UK market with a number of long term growth deals signed with London Gatwick, London Luton and Bristol. At London Gatwick, easyJet agreed a seven year growth deal, and in the next 12 months will increase year-on-year capacity by around 10% due to the purchase of slots from Flybe and by deploying larger aircraft (156 seat A319s replaced with 180 seat A320s). At London Luton, easyJet agreed a ten year growth deal which could see the airline more than double in size at the airport.

Switzerland

easyJet has a strong structural position in Switzerland and is the number one carrier in Geneva and Basel with a 39% and 51% market share respectively. easyJet has a number one or number two position on all routes touching Geneva and Basel.

In the six months to 31 March 2014, easyJet increased capacity in Switzerland by 4.6% basing an additional two aircraft in Basel. easyJet flew to over one hundred different destinations from Switzerland in the first half of FY2014. In the period easyJet continued to increase capacity on existing routes and introduced new routes such as Basel to Krakow, Basel to Seville, Geneva to Tenerife and Geneva to Belgrade.

France

In the six months to 31 March 2014 easyJet continued to increase capacity and its market share in France. Capacity increased by 1.8% year-on-year in the period and easyJet now has a 13% market share. easyJet is uniquely positioned as a low cost carrier with strong structural position at important airports across France and continues to see attractive growth opportunities in the country.

In the six months to 31 March 2014 capacity increases were focused on increased frequencies on existing routes and new routes which were launched in the period such as Toulouse-Marrakech.

Italy

easyJet has strong structural positions in Italy with 26 based aircraft, of which 24 are based at Milan Malpensa and Rome Fiumicino. easyJet grew capacity by 1.7% in Italy in the 6 months to 31 March 2014 with a focus on increasing frequencies on existing routes. On 27 March 2014, easyJet opened its third base in the country, Naples, one of the largest catchment areas in Italy, with two based aircraft.

easyJet believes there are further opportunities in Italy, the fourth largest travel market in Europe, given its strong number one and number two positions and the degree of customer preference. easyJet has been steadily increasing its brand attractiveness and now one out of four Italians prefer to fly easyJet.

Germany

In the six months to 31 March 2014, easyJet increased capacity in Germany by 3.2%, driven by increasing frequencies on routes to business destinations including London, Amsterdam and Basel; and popular city break destinations such as Athens. easyJet also secured the rights and started flying to Tel Aviv from Berlin.

On March 31 2014, easyJet opened its second base in the country at Hamburg airport with two based aircraft. easyJet will operate an additional 11 routes from Hamburg in the six months to 30 September 2014, and expects its annual passenger numbers at the airport to double to more than one million.

Through its strong position in Berlin and the new Hamburg base, easyJet continues to see opportunities at its German bases.

Portugal

Portugal is an important market for easyJet; it has a market share of around 14% and a number two position at Lisbon Portela airport. easyJet holds a unique position in Portugal with a brand awareness close to 100% both for business and leisure passengers. In the six months to 31 March 2014 easyJet launched routes from Lisbon to Luxembourg and Nice.

Spain

Spain is an important market for easyJet with around 18% of all easyJet passengers touching Spain in the six months to 31 March 2014. easyJet currently has an 8% market share in Spain and continues to see opportunities to allocate capacity to routes able to generate high returns.

2. Maintain cost advantage

easyJet has a cost advantage over its competitors in the airports that it operates from, allowing it to offer competitive and affordable fares. Its key competitors tend to be legacy carriers with older, less efficient aircraft, lower asset utilisation, lower seat densities and load factors and higher levels of fixed costs. easyJet's lower cost base enables it to offer the affordable fares its customers value.

Cost per seat excluding fuel increased by 0.8% on a reported basis and by 0.5% on a constant currency basis. The cost increase was driven by the increases in charges at regulated airports; by increased maintenance costs associated with the planned ageing of the fleet and an increased proportion of leased aircraft in the fleet year on year. Cost increases were offset by lower levels of de-icing and disruption in the second quarter of the year and by the early delivery of a number of easyJet lean initiatives.

Robust operations

easyJet's strong operational and cost performance is built around ensuring aircraft depart and arrive on time. This both minimises the costs of disruption, and improves customer satisfaction and repeat purchases, which in turn increases revenue.

easyJet maintained its industry leading levels of on-time performance(4) throughout the first half of the year despite the challenges associated with a number of high profile incidents. easyJet's operations were impacted by events including the Italian Air Traffic Controllers strike in October, a power outage at Gatwick on Christmas Eve, Air Traffic Control computer systems failure in the UK, the adverse weather conditions in December across Northern Europe and the French Air Traffic Controllers strike in March. easyJet's strong operational process and teams ensured that the ground and flight operations recovered quickly from disruption events to ensure on-time performance remained industry leading.

OTP % arrivals within 15 minutes (5)	October	November	December	January	February	March	H1
FY'14	86%	93%	84%	90%	91%	91%	89%
FY'13	88%	89%	81%	86%	85%	87%	86%

easyJet lean

easyJet is committed to maintaining its structural cost advantage through easyJet lean, a programme designed to ensure unit cost growth excluding fuel is kept below the prevailing market inflation. easyJet lean delivered annualised savings of £14 million in the first half of the financial year. Savings were focused on Airports and Ground Handling initiatives, including a ground handling agreement in Geneva, and continued airport procurement benefits across the network. easyJet has recently undertaken a strategic review of the cost base in order to identify cost initiatives under the easyJet lean programme over the next five years.

Fleet

easyJet has built flexibility into its fleet planning arrangements such that it can increase or decrease capacity deployed, subject to the opportunities available and prevailing economic conditions. easyJet also has the flexibility to move aircraft between routes and markets to improve returns. Following on from the acquisition of Flybe's slots at Gatwick easyJet exercised 6 options over A320 aircraft on 31 October 2013 and recently exercised 2 A320 purchase rights under the terms of the current generation Airbus agreement in order to fly the summer 2015 programme.

easyJet's total fleet as at 31 March 2014 comprised 220 aircraft, split between 156 seat Airbus A319s and 180 seat Airbus A320s. In the six months to 31 March 2014, easyJet took delivery of 3 A320 aircraft under the terms of the current generation Airbus agreement; there were no exits in the period. In the six months to 30 September 2014, no aircraft will exit and a further 6 A320 deliveries are planned. As at 30 September 2014, the fleet will consist of 226 aircraft, with 153 A319's and 73 A320's. A further 19 A320 aircraft deliveries are currently planned for delivery by 30 September 2015.

A further 27 current generation Airbus A320 and 100 Airbus A320neo purchase rights remain providing additional flexibility to easyJet.

Committed fleet plan:

	Owned	Operating leases	Finance Leases	**Total**	Changes since Sep '13	Future committed deliveries (6)	Unexercised purchase rights (7)
A319	93	54	6	**153**	**-**	-	-
A320 current generation	44	18	5	**67**	3	49	27
A320neo	-	-	-	**-**	-	100	100
	137	72	11	**220**	3	149	127

	A320 family
At 31 March 2014	220
At 30 September 2014	226
At 30 September 2015	239

The larger A320 aircraft have been introduced over the last few years with minimal reduction in yields. These aircraft deliver a per seat cost saving of approximately 7-8% over the A319 aircraft through improved economies of scale, efficiencies in crew, ownership, fuel and maintenance.

3. Drive demand, conversion and yields across Europe

A key part of easyJet's strategy is to drive revenues by optimising its network, improving brand awareness, developing its competitive advantage through its bespoke revenue management system, improving its customer relationship management capabilities, driving conversion through the 'generation easyJet' campaign and implementing its wider digital strategy.

Revenue per seat grew by 2.6% on a reported basis to £54.80 and by 1.5% on a constant currency basis.

The good performance was driven by the following:

- Improved allocation of capacity as routes mature and as underperforming routes, such as Lisbon to Asturias and Geneva to Sharm El Sheikh were closed;

- On-going benefits from improvements to easyJet.com and the digital offering; the 'generation easyJet' campaign and improvements to the revenue management system;

- The performance of allocated seating and the yield management of bag charges;

- Competitor capacity retrenchment resulting in a 1.3%, or 0.9 million seat, decline in competitor capacity on easyJet routes during the six months period to 31 March 2014 (2). As competitors withdrew, easyJet made changes to its network, reallocating capacity to the routes which would drive the highest returns;

- Increased average sector length with an increase in capacity and routes to longer destinations such as Moscow, North Africa and Israel; and

- Business passengers, which grew by 8.5%, ahead of overall passenger growth of 4.0%.

Non-seat revenue per seat improved by £0.09 per seat (£0.08 per seat on a constant currency basis) to £0.92 per seat, primarily driven by a number of one-off events, with underlying performance being broadly flat.

easyJet continues to develop its business passenger initiative; partnering with Sabre to enhance its booking process in October 2013 and renewing its distribution agreement with Travelport in February 2014. The success of easyJet's developments within the corporate travel arena was recognised when it won best Short-Haul airline at the 2014 Business Travel awards.

4. Disciplined use of capital

easyJet allocates its aircraft and capacity to optimise the returns across its network. In the six months to 31 March 2014 the number of routes making above the network average ROCE increased by 8% versus the six months to 31 March 2013.

easyJet maintains a strong balance sheet and low gearing and derives a competitive advantage through access to funding at a lower cost. Over the cycle, easyJet is committed to earning returns in excess of its cost of capital, and intends to fund both aircraft purchases and dividends through a combination of internal resources, cashflow, sale and leaseback transactions and debt.

easyJet has the following targets to ensure its capital structure remains both robust and efficient:

- a maximum gearing of 50% giving investors and finance providers assurance that easyJet will not over-leverage;
- a limit of £10 million net debt per aircraft; and
- £4 million liquidity per aircraft.

These measures allow easyJet to withstand external shocks such as an extended closure of airspace, significant fuel price increases or a sustained period of low yields whilst being in a position to drive growth and returns for shareholders.

At 31 March 2014, easyJet had cash and money market deposits (excluding restricted cash) of £1,069 million and net cash of £449 million. Adjusted net debt, including leases at seven times at 31 March 2014 was £356 million against £211 million at 31 March 2013 mainly driven by the special dividend payment.

D. LOOKING FORWARD

Hedging positions

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short term earnings volatility. Therefore, easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months anticipated fuel and currency requirements and between 45% and 65% of the following 12 months anticipated requirements. Details of current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro Surplus
Six months to 30 September 2014	80%	91%	77%
Average rate	\$963 / metric tonne	1.58	1.20
Full year ending 30 September 2014	79%	89%	78%
Average rate	\$980 / metric tonne	1.58	1.20
Full year ending 30 September 2015	67%	75%	61%
Average rate	\$950 / metric tonne	1.58	1.17

Sensitivities(8 / 9)

easyJet hedges cash flows and profitability can be impacted by year on year changes in the fuel price and exchange rates. The sensitivity of easyJet's second half profit to further movements in fuel and foreign exchanges rates is estimated below:

- A \$10 movement in the fuel price per metric tonne impacts the FY'14 profit before tax by +/- \$1.8 million.
- A one cent movement in £/\$ exchange rate impacts the FY'14 profit before tax by +/- £0.3 million.
- A one cent movement in £/€ exchange rate impacts the FY'14 profit before tax by +/- £0.5 million.

Outlook

This summer easyJet expects to grow capacity (measured in seats flown) by 6.7%; around a third of this growth is due to the acquisition of the Flybe slots at Gatwick. easyJet expects competitor capacity to increase by around 3% this summer on its routes; and therefore overall capacity on easyJet's routes is expected to increase by around 4%. In this more competitive environment, trading for the second half of the year continues to be in line with management's expectations and around 51% of second half seats are now booked.

The movement of Easter in 2014 into the second half of the financial year is expected to increase revenue per seat growth in the second half of the year by one percentage point. As a result, percentage revenue per seat growth at constant currency for the six month period to 30 September 2014 is expected to be low single digits.

easyJet expects cost per seat (excluding fuel and currency) to increase by around 2% in the second half of the financial year assuming normal levels of disruption and load factors similar to prior year. The higher rate of the increase in cost per seat (excluding fuel and currency) in the second half compared with the first half will be driven by the timing of airport charge increases, particularly in Rome, and increases in maintenance costs due to the planned ageing of the fleet.

It is estimated that at current exchange rates(8) and with fuel remaining within its recent \$900 m/t to \$1,000 m/t trading range, easyJet's unit fuel bill for the second half of the financial year will be up to £10 million adverse year on year. Using current rates(8), it is estimated that year on year exchange rate movements for the second half of the financial year (including those related to fuel) will be £5 million to £10 million favourable compared to the prior year.

easyJet will continue to invest in its capacity in core markets in order to strengthen its number one and number two positions, this combined with a ruthless focus on cost and a compelling customer proposition means that easyJet is well placed to win in a more competitive market and to continue to deliver sustainable returns and growth for shareholders.

Footnotes

(1) ROCE shown on a lease adjusted basis with aircraft operating leases capitalised at seven times the annual lease rental.
(2) Source: market share data from OAG. Size of European market and easyJet routes based on internal easyJet definition. Historic data based on April download for the six months to 31 March 2014.
(3) Source: IATA; EUROCONTROL; easyJet internal analysis.
(4) Source: Independently published on-time performance statistics from flightstats.com.
(5) Source: easyJet generated on-time performance figures using internal systems.
(6) Future committed deliveries through to 2022.
(7) Purchase options and rights may be taken on any A320 family aircraft.
(8) Rates as at 12.00hrs 9 May 2014: Euro to sterling 1.2245; US$ to sterling 1.6896; Jet fuel cif US$964 per metric tonne.
(9) FX sensitivities shown relate to the impact of changes in the FX rate on the unhedged element of currency.

FINANCIAL RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2014

Key performance indicators

easyJet has delivered a solid financial performance for the six months to 31 March 2014 with loss before tax reducing by 13.6% from £61 million (£2.04 per seat) to £53 million (£1.70 per seat) and loss after tax by 11.5% from £47 million to £41 million. Revenue has grown by 6.3% with capacity increasing by 3.6%.

Financial performance per seat

	£ million	**£ per seat**	**2014 Pence per ASK**	£ million	£ per seat	2013 Pence per ASK
Total revenue	**1,702**	**54.80**	**5.10**	1,601	53.39	5.12
Costs excluding fuel	**(1,218)**	**(39.20)**	**(3.65)**	(1,166)	(38.89)	(3.73)
Fuel	**(537)**	**(17.30)**	**(1.61)**	(496)	(16.54)	(1.59)
Loss before tax	**(53)**	**(1.70)**	**(0.16)**	(61)	(2.04)	(0.20)
Tax credit	**12**	**0.37**	**0.04**	14	0.48	0.05
Loss after tax	**(41)**	**(1.33)**	**(0.12)**	(47)	(1.56)	(0.15)
Operating loss*	**(53)**	**(1.73)**	**(0.16)**	(40)	(1.32)	(0.13)

*Operating loss represents loss before interest and tax

Total revenue grew by 6.3% to £1,702 million with revenue per seat increasing by 2.6% to £54.80 and by 1.5% at constant currency. The revenue increase has been achieved despite the strong prior year performance which benefitted from the shift in the Easter weekend from April to March. The annualisation of allocated seating introduced in the first quarter of the prior year and yield management of bag charges have benefitted revenue performance.

Cost per seat excluding fuel increased by 0.8% and by 0.5% at constant currency, which is better than the guidance issued in January driven by the mild winter weather with reduced levels of de-icing and disruption in the three months to 31 March 2014. The number of leased aircraft in the fleet and the age of the fleet have increased from the prior half year as planned. This has driven an increase in both lease and maintenance costs. In addition, regulated airport charges continued to increase, primarily in Italy. The increased costs have been partly offset by the reduced level of de-icing costs following a mild weather in comparison to the long period of cold weather in the prior year, and the continued benefit of lean initiatives.

Fuel cost per seat increased by 4.6% to £17.30. This has been driven by the 3.1% increase in average sector length and change in the effective (post hedging) US dollar exchange rate. easyJet's effective US dollar fuel price remained broadly in line with prior year.

Operating loss has increased from £40 million to £53 million mainly due to the impact of the shift in Easter, therefore return on capital employed decreased by 0.3 percentage points to (1.2%). However, easyJet benefitted from the movement in exchange rates as the sharp movements seen in the prior year have not repeated. This has resulted in the loss before tax reducing from £61 million to £53 million.

Corporate tax has been credited at an effective rate of 21.6% (2013: 23.4%) based on rates enacted as at 31 March 2014 resulting in a tax credit of £12 million.

Loss per share and dividends per share

	2014	2013	Change
Loss per share	**10.4p**	12.0p	13.3%

Loss per share has reduced by 13.3% principally due to the reduced loss for the half year.

In March 2014, easyJet paid an ordinary dividend of 33.5 pence per share, an increase of 55.8% from the ordinary dividend of 21.5 pence per share paid in March 2013. A further special dividend of 44.1 pence per share (2013: nil) was also paid. The total dividend paid was £308 million.

Return on capital employed and capital structure

	2014	2013	Change
ROCE	(1.2%)	(0.9%)	-0.3ppt
Gearing	18%	11%	+7.0ppt

ROCE for the period was (1.2%), a decrease of 0.3 percentage points driven by the increased operating loss from prior year mainly due to impact of the shift in Easter. Average capital employed remained in line with the last half year.

Gearing has increased to 18% (2013: 11%) principally as a result of the special dividend payment made in the period.

Exchange rates

The currency profile of the business is shown below:

	Revenue		Costs	
	2014	2013	**2014**	2013
Sterling	**44%**	45%	**26%**	25%
Euro	**44%**	44%	**33%**	37%
US dollar	**1%**	1%	**35%**	31%
Other (principally Swiss franc)	**11%**	10%	**6%**	7%

Average exchange rates	**2014**	2013	Change
Euro – revenue	**€1.19**	€1.22	2.2%
Euro – costs	**€1.20**	€1.22	1.5%
US dollar	**$1.58**	$1.62	2.6%
Swiss franc	**CHF 1.45**	CHF 1.48	2.0%

The effective euro rate has changed from prior half year from €1.22 to €1.19 for revenue and to €1.20 for costs. This has resulted in a £17 million gain on revenue generated in euros and a loss of £6 million on costs incurred in euros.

The effective US dollar exchange rate has also changed from prior half year from $1.62 to $1.58, which has resulted in a loss on exchange rate movements of £14 million on the purchase of fuel.

Overall, the impact of exchange rate movements was a gain of £2 million as shown below:

Favourable / (adverse)	euro	Swiss franc	US dollar	Total
	£ million	£ million	£ million	£ million
Revenue	17	3	-	20
Fuel	(1)	-	(14)	(15)
Costs excluding fuel	(6)	-	3	(3)
Total	10	3	(11)	2

Financial performance

Revenue

	2014 £ million	**2014 £ per seat**	**2014 Pence per ASK**	2013 £ million	2013 £ per seat	2013 Pence per ASK
Seat revenue	**1,674**	**53.88**	**5.01**	1,576	52.56	5.04
Non-seat revenue	**28**	**0.92**	**0.09**	25	0.83	0.08
Total revenue	**1,702**	**54.80**	**5.10**	1,601	53.39	5.12

Revenue per seat has increased by 2.6% to £54.80 and 1.5% at constant currency. This has been achieved against a strong prior year performance which benefitted from the shift in Easter from April to March. Revenue initiatives, including yield management of bag charges, and the annualisation of allocated seating have driven the increase in revenue per seat.

Revenue per ASK has decreased by 0.5% which is a result of the increased average sector length. Load factor has continued to be strong at an average of 89.0%.

Costs excluding fuel

	2014 £ million	**2014 £ per seat**	**2014 Pence per ASK**	2013 £ million	2013 £ per seat	2013 Pence per ASK
Operating costs						
Airports and ground handling	**472**	**15.20**	**1.42**	464	15.47	1.49
Crew	**231**	**7.43**	**0.70**	215	7.17	0.69
Navigation	**131**	**4.23**	**0.39**	122	4.07	0.39
Maintenance	**104**	**3.34**	**0.31**	90	2.99	0.29
Selling and marketing	**53**	**1.69**	**0.15**	50	1.68	0.15
Other costs	**110**	**3.56**	**0.33**	101	3.37	0.32
	1,101	**35.45**	**3.30**	1,042	34.75	3.33
Ownership costs						
Aircraft dry leasing	**60**	**1.93**	**0.18**	47	1.56	0.15
Depreciation	**51**	**1.65**	**0.15**	51	1.70	0.16
Amortisation	**6**	**0.20**	**0.02**	5	0.16	0.02
Net interest payable	**4**	**0.13**	**0.01**	5	0.19	0.02
Net exchange (gains) / losses	**(4)**	**(0.16)**	**(0.01)**	16	0.53	0.05
	117	**3.75**	**0.35**	124	4.14	0.40
Total costs excluding fuel	**1,218**	**39.20**	**3.65**	1,166	38.89	3.73

Costs per seat excluding fuel increased by 0.8% to £39.20 and by 0.5% per seat at constant currency.

Airports and ground handling cost per seat decreased by 1.7% and by 2.5% at constant currency. Charges at regulated airports increased as anticipated, primarily from the annualisation of Contratto charges in Italy, however, this has been offset by the reduced level of de-icing costs as a result of the mild winter this year and savings on of new airport and ground handling contracts.

Crew cost per seat increased by 3.6% and by 3.2% at constant currency, driven by the increase in average salaries of 2.3% as well as the 3.1% increase in the average sector length. This has been partly offset by productivity initiatives to improve flight and cabin crew scheduling.

The longer average sector length has also impacted navigation cost per seat which has increased by 3.9% and by 2.4% at constant currency.

As expected, maintenance cost per seat has increased by 12.0% and by 11.8% at constant currency as the number of leased aircraft has increased. Maintenance costs have also been impacted by the increase in the average age of the fleet ahead of delivery of the new generation aircraft from 2017.

Other costs have increased by 5.3% per seat and by 4.9% at constant currency, with the main increase being performance-related employee costs primarily driven by the increase in the share price. In addition, IT and business related development costs have also increased.

Lease costs have increased to £1.93 per seat, an increase of 24.1% and by 21.6% at constant currency. This is driven by the higher number of leased aircraft in the fleet which has increased from 63 at 31 March 2013 to 72 as at 31 March 2014.

Depreciation costs have remained in line with prior year at £51 million but have decreased by 2.7% on a per seat basis. The leasing activity in the prior year has driven a decrease in depreciation, offset by the increase in depreciation on overhaul as a result of the increased age of the fleet.

Net interest payable and other financing charges have decreased by 32.0% per seat as easyJet repaid a number of high-coupon mortgage loans early during the prior year.

The impact of currency this year is £4 million favourable. This is in contrast to last year's adverse impact of £(16) million which was primarily driven by the sharp decline in the euro exchange rate experienced in January 2013. In addition, easyJet has refined its methodology for calculating average exchange rates.

Fuel

	£ million	**£ per seat**	**2014 Pence per ASK**	£ million	£ per seat	2013 Pence per ASK
Fuel	**537**	**17.30**	**1.61**	496	16.54	1.59

The effective price paid by easyJet remained broadly consistent with prior year at $993 per tonne (2013: $988 per tonne). Fuel cost per seat has increased by 4.6% to £17.30 driven by the 3.1% increase in average sector length as well as the change in the effective US dollar rate for fuel from $1.61 in the prior year to $1.58 in the current year. Excluding the impact of exchange rate movements, the increase in fuel cost per seat is 1.8%.

Cash flows and financial position

Summary consolidated statement of cash flows

	2014 £ million	2013 £ million	Change £ million
Net cash generated from operating activities (excluding dividends)	**431**	377	54
Ordinary dividend paid	**(133)**	(85)	(48)
Special dividend paid	**(175)**	-	(175)
Net capital expenditure	**(218)**	(97)	(121)
Net loan and lease finance repayment	**(43)**	(46)	3
Net decrease in money market deposits	**54**	23	31
Net decrease in restricted cash	**2**	131	(129)
Other including the effect of exchange rates	**(26)**	(11)	(15)
Net (decrease) / increase in cash and cash equivalents	**(108)**	292	(400)
Cash and cash equivalents at beginning of period	**1,013**	645	368
Cash and cash equivalents at end of period	**905**	937	(32)
Money market deposits at end of period	**164**	257	(93)
Cash and money market deposits at end of period	**1,069**	1,194	(125)

In line with prior periods, easyJet generated strong operating cash flow principally driven by the growth in revenue per seat and forward bookings.

Net capital expenditure primarily comprises the acquisition of three A320 aircraft, the purchase of life-limited parts for use in engine restoration, deposits on aircraft acquisition made in advance of delivery including payments on options exercised in the period and the exchange of Gatwick summer landing rights from Flybe.

The movement in restricted cash in the prior year was as a result of changes made in card acquiring service providers, reducing the requirement to hold cash on deposit.

Summary consolidated statement of financial position

	31 March 2014 £ million	30 September 2013 £ million	Change Change £ million
Goodwill	**365**	365	-
Property, plant and equipment	**2,416**	2,280	136
Derivative financial instruments	**(93)**	(71)	(22)
Net working capital	**(1,437)**	(980)	(457)
Restricted cash	**10**	12	(2)
Net cash	**449**	558	(109)
Current and deferred taxation	**(129)**	(202)	73
Other non-current assets and liabilities	**80**	55	25
	1,661	2,017	(356)
Opening shareholders' equity	**2,017**	1,794	
(Loss) / profit for the period	**(41)**	398	
Ordinary and special dividend paid	**(308)**	(85)	
Change in hedging reserve	**(18)**	(97)	
Other movements	**11**	7	
	1,661	2,017	

Net assets decreased by £356 million driven mainly by the payment of the ordinary and special dividends totalling £308 million.

The net book value of property plant and equipment increased by £136 million as a result of the acquisition of three aircraft in the period, purchase of life-limited parts, payments made on aircraft pre-delivery and the exchange of Gatwick summer landing rights from Flybe.

Net working capital improved by £457 million to a net negative £1,437 million. Passengers pay for their flights in full when booking, therefore the key component of this balance is unearned revenue, which increased by £506 million from £547 million to £1,053 million. The seasonal nature of the industry leads to significantly more unearned revenue at 31 March compared to 30 September each year. From the prior half year, unearned revenue has increased from £940 million primarily as a result of the impact of Easter and the increase in capacity.

Reconciliation of net cash flow to movement in net funds

	2014 £ million	2013 £ million	Change £ million
Cash and cash equivalents	**905**	937	(32)
Money market deposits	**164**	257	(93)
	1,069	1,194	(125)
Bank loans	**(435)**	(548)	113
Finance lease obligations	**(185)**	(213)	28
	(620)	(761)	141
Net funds	**449**	433	16

easyJet ended the period with £1,069 million in cash and money market deposits; a decrease of £125 million from the last half year mainly driven by the special dividend payment.

E. KEY STATISTICS

Operational measures	2014	2013	Change
Seats flown (millions)	**31.1**	30.0	3.6%
Passengers (millions)	**27.6**	26.6	4.0%
Load factor	**89.0%**	88.6%	+0.4ppt
Available seat kilometres (ASK) (millions)	**33,366**	31,241	6.8%
Revenue passenger kilometres (RPK) (millions)	**30,195**	28,395	6.3%
Average sector length (kilometres)	**1,074**	1,042	3.1%
Sectors	**191,376**	185,329	3.3%
Block hours	**361,957**	343,552	5.4%
Number of aircraft owned/leased at end of period	**220**	210	4.8%
Average number of aircraft owned/leased during period	**217.8**	212.3	2.6%
Number of aircraft operated at end of period	**212**	201	5.5%
Average number of aircraft operated during period	**203.3**	193.9	4.8%
Operated aircraft utilisation (hours per day)	**9.8**	9.7	0.5%
Owned aircraft utilisation (hours per day)	**9.1**	8.9	2.7%
Number of routes operated at end of period	**655**	612	7.0%
Number of airports served at end of period	**138**	134	3.0%

Financial measures			
Return on capital employed	**(1.2%)**	(0.9%)	-0.3ppt
Gearing	**18%**	11%	+7ppt
Loss before tax per seat (£)	**(1.70)**	(2.04)	16.5%
Loss before tax per ASK (pence)	**(0.16)**	(0.20)	19.1%
Revenue			
Revenue per seat (£)	**54.80**	53.39	2.6%
Revenue per seat at constant currency (£)	**54.16**	53.39	1.5%
Revenue per ASK (pence)	**5.10**	5.12	(0.5%)
Revenue per ASK at constant currency (pence)	**5.04**	5.12	(1.6%)
Costs			
Per seat measures			
Total cost per seat (£)	**56.50**	55.43	1.9%
Total cost per seat excluding fuel (£)	**39.20**	38.89	0.8%
Total cost per seat excluding fuel at constant currency (£)	**39.09**	38.89	0.5%
Operational cost per seat (£)	**52.75**	51.29	2.9%
Operational cost per seat excluding fuel (£)	**35.45**	34.75	2.0%
Operational cost per seat excluding fuel at constant currency (£)	**35.22**	34.75	1.4%
Ownership cost per seat (£)	**3.75**	4.14	(9.3%)
Per ASK measures			
Total cost per ASK (pence)	**5.26**	5.32	(1.2%)
Total cost per ASK excluding fuel (pence)	**3.65**	3.73	(2.3%)
Total cost per ASK excluding fuel at constant currency (pence)	**3.64**	3.73	(2.5%)
Operational cost per ASK (pence)	**4.91**	4.92	(0.3%)
Operational cost per ASK excluding fuel (pence)	**3.30**	3.33	(1.1%)
Operational cost per ASK excluding fuel at constant currency (pence)	**3.27**	3.33	(1.7%)
Ownership cost per ASK (pence)	**0.35**	0.40	(12.1%)

F. 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. Many risks however, remain outside easyJet's full control, for example adverse weather, pandemics, acts of terrorism, changes in government regulation and macroeconomic issues.

There have been no significant changes to the risks and uncertainties since last reported in the Annual report and accounts for the year ended 30 September 2013.

<table>
<thead>
<tr><th></th><th>Risk description and potential impact</th><th>Current mitigation</th></tr>
</thead>
<tbody>
<tr>
<td rowspan="2">SAFETY FIRST</td>
<td>Major safety incident / accident

Failure to prevent a major safety incident (hull loss) or deal with it effectively.

This could adversely affect easyJet's reputation and its operational and financial performance.</td>
<td rowspan="2">easyJet's number one priority is the safety, including security, of its customers and people.

easyJet operates a Safety Management System (SMS) using a leading software system (SafetyNet). This is used to collect and analyse safety data and enables learning from easyJet and industry events/incidents to be captured and embedded into future risk mitigations. Data collected is also used to project potential areas of risk. A robust incident reporting process and 'Just Culture' are in place. The following also support the SMS:
- a Safety Committee (a Committee of the Board) which provides oversight of the management of easyJet's safety processes and systems;
- a Safety Review Board (at Executive Management Team level) responsible for directing overall safety policy and governance;
- airline and departmental Safety Action Groups responsible for the identification, evaluation and control of safety-related risks; and
- weekly operations meetings, safety reporting and monitoring of fatigue risk management.

easyJet has response systems in place and provides training for crisis management, including the performance of regular crisis management exercises.

Hull (all risks) and liabilities insurance (including spares) is held.

easyJet has been working alongside EASA (European Aviation Safety Agency) and is well placed to meet the new European safety regulations by the required date of October 2014.

easyJet's Director of Safety and Security and Head of Security work with relevant authorities and governments around the network to ensure that security measures are effective and in compliance with all regulatory requirements. A great deal of work is carried out with the aim of enhancing:
- early identification of developing and emerging security risks;
- the active management of security risks;
- the reduction of the impact of any security-related incident; and
- the company security culture and awareness.

Crew are trained within the current safety and security guidelines.</td>
</tr>
<tr>
<td>Security and terrorist threat or attack

Failure to prevent a major security-related threat or attack, from either internal or external sources, or failure to deal with it effectively.

This could adversely affect easyJet's reputation and its operational and financial performance.</td>
</tr>
</tbody>
</table>

	Risk description and potential impact	Current mitigation
OPERATIONAL RISKS	**Impact of mass disruption** A number of factors could lead to widespread disruption to easyJet's network, including forces of nature (extreme weather, volcanic ash, etc), union activity and strike action, acts of terrorism and epidemics/pandemics. Any widespread disruption could adversely affect easyJet's reputation and its operational and financial performance. If widespread disruption occurred during the peak summer months then easyJet's financial results would be significantly adversely impacted.	Processes are in place to manage widespread disruption. Crisis management exercises are performed regularly and a business continuity programme is also in place. easyJet has a strong financial balance sheet. Board policy is to maintain target liquidity at £4 million per aircraft. This allows the business to better manage the impact of downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at key supplier).
	Single fleet risk 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 of a single fleet, however there are two main associated risks: - technical or mechanical issues that could ground the full fleet or part of the fleet which could cause negative perception by the flying public; and - valuation risks which crystallise on the ownership exit of the aircraft. The main exposure at this time is with the ageing A319 fleet, where easyJet is reliant on the future demand for second-hand aircraft.	The efficiencies achieved by operating a single fleet type are believed to outweigh the risks associated with easyJet's single fleet strategy. The risks / rewards of a single fleet were considered again during the recent fleet decision process. The Airbus A320 family (which includes the A319) and Boeing 737 family are the two primary fleets used for short-haul travel. There are approximately 5,000 of each fleet operating globally with a proven track record for reliability. easyJet operates a rigorous established aircraft maintenance programme. To mitigate the potential valuation risks, easyJet constantly reviews the second-hand market and has a number of different options when looking at fleet exit strategies. easyJet's targeted fleet mix is a 70:30 split between owned and leased. This facilitates the exit strategy of older A319s and protects residual values, as well as providing flexibility in managing the fleet size.
	IT system failure 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 including the website, could lead to significant disruption and could have an adverse operational, reputational and financial impact.	Key systems are hosted across two data centres in two distinct locations with failover arrangements between them. A business continuity programme, including disaster recovery arrangements, is in place. This is reviewed continuously to identify areas for improvement and to ensure that arrangements are adequate and appropriate. An experienced IT team is in place to respond rapidly to any unforeseen incidents that may arise. Alternative sites are available should there be a need to relocate critical staff at short notice due to a loss of facilities.
	Scalability and flexibility of key IT systems The rapid growth of easyJet over recent years, through the introduction of new sales channels and initiatives, creates additional complexity in IT systems. If not managed effectively the core applications could lose their flexibility and create issues of scalability, which could increase cost and cause delays when implementing required business change.	Enterprise architecture is reviewed continuously and improvements are made where opportunities arise. Structured testing is in place for key systems where required. easyJet is a member of relevant system user groups, providing contact with other users and the ability to share any issues and review system assessments. easyJet holds periodic meetings with third party system management.

	Risk description and potential impact	Current mitigation
OPERATIONAL RISKS	**Dependence on third party service providers** 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 could affect easyJet's reputation and its operational and financial performance. Loss of these contracts or inability to renew or negotiate favourable replacement contracts could have an adverse effect on future operating costs.	Processes are in place to manage third party service provider performance. easyJet has a centralised procurement department that negotiates key contracts. In the major markets in which easyJet operates there are alternative service providers.
	Industrial action The aviation industry has a significant number of employees in unions. Within the easyJet workforce, large parts (90% of crew) are unionised. If any action was taken by easyJet employees or by key third party service providers, this could impact on easyJet's ability to maintain its flight schedule. This could adversely affect easyJet's reputation and its operational and financial performance.	Employee and union engagement takes place on a regular basis. As easyJet operates across Europe there are multiple unions of which crew are members (eight for cabin crew and six for pilots). Each of the countries have localised employment terms and conditions which mitigates the risk of large scale internal industrial action occurring at the same time. Processes are in place to adapt to disruptions as a result of industrial action. The level of standby crew cover in place recognises the external factors and volatility that impact the airline industry.
CAPITAL DISCIPLINE	**Asset allocation** 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 easyJet fails to continue to optimise its 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 easyJet's costs and reputation.	A network portfolio management strategy is in place which looks to take a balanced approach to the route portfolio that easyJet flies, to ensure that it optimises 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 performance where required. The fleet framework arrangements in place, together with its leasing policy, provide easyJet with significant flexibility in respect of scaling the fleet according to business requirements.

Strategic impact	Risk description and potential impact	Current mitigation
CAPITAL DISCIPLINE	**Exposure to fuel price fluctuations and other macroeconomic shifts** 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 would have an adverse effect on the financial performance of easyJet if not protected against. 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.	A Board approved hedging policy (fuel and currency) is in place that is consistently applied. The policy is to hedge within a percentage band for a rolling 24 month period. To provide protection, easyJet uses a limited range of hedging instruments traded in the over-the-counter (OTC) markets. These are principally forward purchases with a number of approved counterparties. A strong balance sheet supports the business through fluctuations in the economic conditions for the sector. Regular monitoring of markets and route performance is undertaken by easyJet's network and fleet management teams.
	Financing and interest rate risk All of easyJet'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 easyJet's financial performance.	easyJet presently finances its fleet through a mix of sale and leaseback transactions, internal resources, cash flow and bank borrowing. In the future easyJet may use forms of debt, sale and leaseback transactions or other financing structures, which may include the sale or securitisation of aircraft or public debt offers where the Board considers these sources of financing more cost effective. easyJet's interest rate management policy is based on a natural hedge with cash deposits mirroring floating rate debt. None of the agreements contain financial covenants. A portion of US dollar mortgage debt is matched with US dollar money market deposits. Operating lease rentals are a mix of fixed and floating rates.
	Liquidity risk easyJet continues to hold significant cash or liquid funds as a form of insurance. A misjudgement in the level of liquidity required could result in business disruption and have an adverse effect on easyJet's financial performance.	Board policy is to maintain target liquidity at £4 million per aircraft. This allows the business to better manage the impact of downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at key supplier).
	Counterparty risk Surplus funds are invested in high quality short-term liquid instruments, usually money market funds or bank deposits. There is a possibility of loss arising in the event of non-performance of counterparties.	Cash is placed on deposit with institutions based upon their credit rating with a maximum exposure of £150 million for any individual AAA counterparty money market fund.

	Risk description and potential impact	Current mitigation
REPUTATIONAL RISKS	**Major shareholder and brand owner relationship** easyJet has a major shareholder (easyGroup Holdings Limited) controlling approximately 26% of its ordinary shares. Shareholder activism could adversely impact the reputation of easyJet and cause a distraction to management. easyJet does not own its company name or branding which is licensed from easyGroup IP Licensing Limited. The licence includes certain minimum service levels that easyJet must meet in order to retain the right to use the name and brand. The easyJet brand could also be impacted through the actions of easyGroup or other easyGroup licensees.	easyJet has a very active shareholder engagement programme led by its investor relations team. As part of that programme easyJet seeks to engage with easyGroup Holdings Limited on a regular basis alongside all its other major shareholders. This is to ensure that the Board and management team are kept aware of the views of all shareholders. A team of individuals from the Board and senior management take responsibility for addressing issues arising from any activist approach adopted by the major shareholder. The objective is to address issues when they arise, as effectively as possible, in order to minimise the disruptive effect on the day-to-day management of easyJet's operation and to anticipate and plan for potential future activism. easyJet's brand licence with easyGroup IP Licensing Limited contains terms agreed between the parties for the regular meeting of senior representatives from both sides to actively manage brand-related issues as they arise. Such meetings occur on a quarterly basis and have, to date, proven an effective way of managing brand-related issues. Separately, easyJet monitors its compliance with brand licence service levels and has a right to take steps to remedy any instance of non-compliance.
	Ineffective or non-delivery of the business strategy 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, easyJet could fall short of its planned financial results.	A programme management office and experienced project teams are in place to oversee delivery and track the budget and benefits realisation of all projects. A Steering Group, consisting of key senior management, provides challenge to the project teams, monitors progress and ensures that key decisions are being made at the appropriate level.
	Information security easyJet faces external and internal information security risks. easyJet receives most of its revenue through credit card transactions and operates as an e-commerce business. A security breach could result in an adverse impact for the business and reputational damage.	easyJet continues to focus on the protection of information. Appropriate controls are in place including: - an effective information security incident management process to identify, report and ensure appropriate management of security incidents; - systems which are secured and monitored against unauthorised access; - quarterly review of the security of internal systems and easyJet.com through penetration testing; - pre-employment screening checks performed for all new employees; - enhanced physical security at head office buildings; - periodic mandatory employee security training to maintain staff awareness; - consideration of information security risks within procurement processes; and - monitoring and control of scanning software for fraudulent customer activity by the Revenue Protection team.

	Risk description and potential impact	Current mitigation
REPUTATIONAL RISKS	**Bribery Act** The Bribery Act came into force in July 2011. To date, there have only been a few precedents set in respect to how this will be enforced with respect to corporations (although no corporate prosecutions have been tried as at 31 March 2014). As with all companies, if easyJet were found to be in breach of the Act, this could adversely affect easyJet's reputation and financial performance.	easyJet has a strong ethical tone from the top. The adoption of appropriate anti-bribery controls has been a key point of focus for the legal compliance programme at easyJet. These have included: - completion of risk assessments to determine specific compliance needs; - introduction of new policies, including an anti-bribery and corruption policy; - development of an online training module and mandatory training for all managers and administrative employees in the UK and across the easyJet network; - targeted face-to-face training for employee groups perceived as higher risk; and - the adoption of standard anti-bribery clauses for inclusion in supplier contracts. In addition, as part of easyJet's evaluation of the new generation of short-haul engine technology, additional controls and monitoring have been implemented including a more restrictive gifts and hospitality policy, enhanced recording of contact with potential suppliers, assurance visits to assess standards of anti-bribery controls of potential suppliers and close monitoring of the completion of mandatory compliance training. These extra controls have been the subject of monitoring by an independent third party auditor.

	Risk description and potential impact	Current mitigation
EXTERNAL RISKS	**Competition and industry consolidation** easyJet operates in competitive market places against both flag carriers and other low-cost airlines. One of easyJet's key competitive advantages is its strong cost base. If easyJet lost sight of this or relaxed its stance over cost control this could significantly reduce any competitive advantage and impact profitability. Industry consolidation will also affect the competitive environment in a number of markets. This could cause a loss of market share and erosion of revenue.	Regular monitoring of competitor and consolidation activity, enabling key routes / positions to be readily defended. easyJet seeks to have a rapid response to any such activity that may impact easyJet's ability to grow the business. Strong cost control across the Company. 'easyJet lean' drives cost reduction and efficiency into targeted areas.
	Political and regulatory risks Political decisions, particularly at a national and European level, can have a significant impact on the airline industry, for example increasing Air Passenger Duty in the UK. The airline industry is currently heavily regulated, with expected increased regulator intervention. This includes environmental, security and airport regulation which have charges levied by regulatory decision rather than by commercial negotiation. easyJet is exposed to various regulators across its network, which will increase as easyJet grows geographically. This could adversely affect easyJet's reputation, cost base and market share. An inadequate knowledge or misinterpretation of local regulations could result in fines or enforcement orders.	easyJet seeks to have a key role in influencing the future state of regulations and decisions made. A Regulatory Affairs Group coordinates the work and effort in this area. Country oversight boards are established for easyJet's main markets, raising awareness of potential changes and impacts in the different countries.

G. CONDENSED FINANCIAL INFORMATION

Consolidated income statement (unaudited)

	Notes	**Six months ended 31 March 2014 £ million**	Six months ended 31 March 2013 £ million
Seat revenue		**1,674**	1,576
Non-seat revenue		**28**	25
Total revenue	11	**1,702**	1,601
Fuel		**(537)**	(496)
Airports and ground handling		**(472)**	(464)
Crew		**(231)**	(215)
Navigation		**(131)**	(122)
Maintenance		**(104)**	(90)
Selling and marketing		**(53)**	(50)
Other costs		**(110)**	(101)
EBITDAR		**64**	63
Aircraft dry leasing		**(60)**	(47)
Depreciation	6	**(51)**	(51)
Amortisation of intangible assets		**(6)**	(5)
Operating loss		**(53)**	(40)
Interest receivable and other financing income		**6**	3
Interest payable and other financing charges		**(6)**	(24)
Net finance charges		**-**	(21)
Loss before tax		**(53)**	(61)
Tax credit	3	**12**	14
Loss for the period		**(41)**	(47)
Loss per share, pence			
Basic	4	**10.4**	12.0

Consolidated statement of comprehensive income (unaudited)

	Notes	**Six months ended 31 March 2014 £million**	Six months ended 31 March 2013 £million
Loss for the period		**(41)**	(47)
Other comprehensive (loss) / income			
Cash flow hedges			
Fair value (losses) / gains in the period		**(38)**	32
Losses / (gains) transferred to income statement		**16**	(37)
Related tax	3	**4**	1
		(18)	(4)
Total comprehensive loss for the period		**(59)**	(51)

All items in the consolidated statement of comprehensive income will be re-classified to the consolidated income statement.

Consolidated statement of financial position (unaudited)

	Notes	**31 March 2014 £ million**	30 September 2013 £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**112**	102
Property, plant and equipment	6	**2,416**	2,280
Derivative financial instruments		**15**	13
Loan notes		**7**	7
Restricted cash		**5**	12
Other non-current assets		**160**	185
		3,080	2,964
Current assets			
Trade and other receivables		**190**	194
Derivative financial instruments		**17**	17
Restricted cash		**5**	-
Money market deposits		**164**	224
Cash and cash equivalents		**905**	1,013
		1,281	1,448
Current liabilities			
Trade and other payables		**(1,518)**	(1,093)
Borrowings		**(90)**	(87)
Derivative financial instruments		**(78)**	(60)
Current tax liabilities		**(13)**	(58)
Maintenance provisions		**(109)**	(81)
		(1,808)	(1,379)
Net current (liabilities) / assets		**(527)**	69
Non-current liabilities			
Borrowings		**(530)**	(592)
Derivative financial instruments		**(47)**	(41)
Non-current deferred income		**(60)**	(68)
Maintenance provisions		**(139)**	(171)
Deferred tax liabilities		**(116)**	(144)
		(892)	(1,016)
Net assets		**1,661**	2,017
Shareholders' equity			
Share capital	7	**108**	108
Share premium		**658**	657
Hedging reserve		**(73)**	(55)
Translation reserve		**1**	1
Retained earnings		**967**	1,306
		1,661	2,017

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 2013	**108**	**657**	**(55)**	**1**	**1,306**	**2,017**
Total comprehensive loss	**-**	**-**	**(18)**	**-**	**(41)**	**(59)**
Dividends paid	**-**	**-**	**-**	**-**	**(308)**	**(308)**
Share incentive schemes						
Proceeds from shares issued	**-**	**1**	**-**	**-**	**-**	**1**
Value of employee services	**-**	**-**	**-**	**-**	**10**	**10**
Related tax (note 3)	**-**	**-**	**-**	**-**	**13**	**13**
Purchase of own shares	**-**	**-**	**-**	**-**	**(13)**	**(13)**
At 31 March 2014	**108**	**658**	**(73)**	**1**	**967**	**1,661**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2012	108	656	42	1	987	1,794
Total comprehensive loss	-	-	(4)	-	(47)	(51)
Dividends paid	-	-	-	-	(85)	(85)
Share incentive schemes						
Proceeds from shares issued	-	1	-	-	-	1
Value of employee services	-	-	-	-	7	7
Related tax (note 3)	-	-	-	-	7	7
Purchase of own shares	-	-	-	-	(6)	(6)
At 31 March 2013	108	657	38	1	863	1,667

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 2014 £ million**	Six months ended 31 March 2013 £ million
Cash flows from operating activities			
Cash generated from operations (excluding dividends)	8	**471**	413
Ordinary dividend paid		**(133)**	(85)
Special dividend paid		**(175)**	-
Net interest and other financing income / charges received / (paid)		**4**	(12)
Tax paid		**(44)**	(24)
Net cash generated from operating activities		**123**	292
Cash flows from investing activities			
Purchase of property, plant and equipment		**(202)**	(92)
Purchase of other intangible assets		**(16)**	(5)
Net cash used by investing activities		**(218)**	(97)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1**	1
Purchase of own shares for employee share schemes		**(13)**	(6)
Repayment of bank loans		**(38)**	(234)
Repayment of capital elements of finance leases		**(5)**	(5)
Net proceeds from sale and operating leaseback of aircraft		**-**	193
Net decrease in money market deposits		**54**	23
Decrease in restricted cash		**2**	131
Net cash generated from financing activities		**1**	103
Effect of exchange rate changes		**(14)**	(6)
Net (decrease) / increase in cash and cash equivalents		**(108)**	292
Cash and cash equivalents at beginning of period		**1,013**	645
Cash and cash equivalents at end of period		**905**	937

Notes to the condensed consolidated interim financial information (unaudited)

1. Basis of preparation

The condensed consolidated interim financial information has been prepared in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority and with International Accounting Standards 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 2013, which were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union.

The interim financial information do 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 2013 were approved by the Board of Directors on 18 November 2013, 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 interim financial information, the Directors have considered easyJet's business activities, together with factors likely to affect its future development and performance, 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 available facilities and cash for the foreseeable future. For this reason easyJet continues to adopt the going concern basis.

The significant accounting policies adopted are consistent with those described in the Annual report and accounts for the year ended 30 September 2013.

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 interim 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

Tax on loss on ordinary activities

	2014 £ million	2013 £ million
Current tax	**3**	(3)
Deferred tax	**(15)**	(11)
	(12)	(14)
Effective tax rate	22%	23%

The effective tax rate is lower than the standard rate of corporation tax in the United Kingdom (23%) principally due to deferred tax being provided at lower than the standard rate.

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

	2014 £ million	2013 £ million
Credit to other comprehensive income		
Deferred tax on fair value movements of cash flow hedges	**4**	1
Credit to shareholders' equity		
Current tax on share-based payments	**4**	1
Deferred tax on share-based payments	**9**	6
	13	7

4 Loss per share

	2014 £ million	2013 £ million
Loss for the period	**(41)**	(47)

	2014 million	2013 million
Weighted average number of ordinary shares in issue	**393**	393

	2014 pence	2013 pence
Loss per share – basic	**10.4**	12.0

Diluted loss per share for the six months ended 31 March 2014 and 2013 is not presented as the impact of potential ordinary shares is anti-dilutive.

5 Dividends

The company paid an ordinary dividend of 33.5 pence per share (2013: 21.5 pence per share) and a special dividend of 44.1 pence per share (2013: nil). A total dividend of £308 million was paid in the period (2013: £85 million).

6. Property, plant and equipment

	2014 £ million	2013 £ million
At 1 October	**2,280**	2,395
Additions	**209**	97
Transfer to intangible assets	**(7)**	(5)
Disposals	**-**	(6)
Aircraft sold and leased back	**-**	(225)
Transfer to maintenance provision	**(15)**	(13)
Depreciation	**(51)**	(51)
At 31 March	**2,416**	2,192

The net book value of aircraft includes £252 million (2013: £82 million) relating to advance and option payments for future deliveries.

At 31 March 2014 easyJet is contractually committed to the acquisition of 149 Airbus A320 family aircraft, with a total list price of US$12.8 billion before escalations and discounts for delivery in 2014 (8 aircraft), 2015 to 2017 (41 aircraft) and 2017 to 2022 (100 new generation aircraft).

7. Share capital

	Number		Nominal value	
	2014 million	2013 million	**2014 £ million**	2013 £ million
At 1 October and 31 March	**397**	396	**108**	108

8. Reconciliation of operating loss to cash generated from operations

	2014 £ million	2013 £ million
Operating loss	**(53)**	(40)
Adjustments for non-cash items:		
Depreciation	**51**	51
Amortisation of intangible assets	**6**	5
Share-based payments	**10**	7
Changes in working capital and other items of an operating nature:		
Decrease / (increase) in trade and other receivables	**1**	(24)
Increase in trade and other payables	**422**	415
Increase in provisions	**17**	1
Decrease in other non-current assets	**25**	11
Decrease in derivative financial instruments	**-**	(3)
Decrease in non-current deferred income	**(8)**	(10)
	471	413

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

	01 October 2013 £ million	**Exchange differences £ million**	**Net cash flow £ million**	**31 March 2014 £ million**
Cash and cash equivalents	1,013	(14)	(94)	**905**
Money market deposits	224	(6)	(54)	**164**
	1,237	(20)	(148)	**1,069**
Bank loans	(484)	11	38	**(435)**
Finance lease obligations	(195)	5	5	**(185)**
	(679)	16	43	**(620)**
Net funds	558	(4)	(105)	**449**

10. Contingent liabilities

easyJet is involved in a number of disputes and litigation which arose in the normal course of business. The likely outcome of these disputes and litigation cannot be predicted, and in complex cases reliable estimates of any potential obligation may not be possible.

Having reviewed the information currently available, management considers that the ultimate resolution of these disputes and litigation is unlikely to have a material adverse effect on easyJet's results, cash flows or financial position.

11. Geographical revenue analysis

	2014 £ million	2013 £ million
United Kingdom	**736**	703
Southern Europe	**573**	551
Northern Europe	**362**	324
Other	**31**	23
	1,702	1,601

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 137 owned and 11 finance leased aircraft. A further 72 aircraft are held under operating leases, giving a total fleet of 220 at 31 March 2014. All of these aircraft are registered in the United Kingdom except for 23 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 party transactions

The Company licenses the easyJet brand from easyGroup IP Licensing Limited (‘easyGroup’), a wholly owned subsidiary of easyGroup Holdings Limited, an entity in which easyJet’s founder, Sir Stelios Haji-Ioannou, holds a beneficial interest and hold 25.89% of the issued share capital of the Company as at 31 March 2014.

Under the Amended Brand Licence signed in October 2010, a royalty of 0.25% of total revenue is payable for a minimum term of ten years. The full term of agreement is 50 years.

A new brand protection protocol was also agreed in 2010, under which easyJet contributes up to £1 million per annum to meet the costs of protecting the ‘easy’ and ‘easyJet’ brands and easyGroup contributes £100,000 per annum. Beyond the first £1.1 million of costs, easyJet can commit up to an aggregate £5.5 million annually, with easyGroup continuing to meet its share of costs on a 10:1 ratio, to meet brand protection costs. easyJet must meet 100% of any brand protection costs it wishes to incur above this limit.

A separate agreement has been entered with Sir Stelios (‘the Comfort Letter’), dated 9 October 2010, under which, in return for certain non-compete obligations, easyJet makes payment of a fee of £300,000, adjusted annually per the UK Retail Price index, each year for five years (or until the expiry of the longest subsisting restriction, whichever is later). Whilst certain of those obligations have since expired, remaining in force are the following:

- For five years from the date of the Comfort Letter, Sir Stelios shall not use his own name (or a derivative thereof) to brand an airline flying to or from any EEA country, or Switzerland.

The Amended Brand Licence and Comfort Letter were approved by the shareholders at a general meeting held on 10 December 2010.

The amounts included in the consolidated income statement for the six months ended 31 March 2014 for these items were as follows:

	2014 £ million	2013 £ million
Royalty[1]	**4.3**	4.0
Brand protection (legal fees paid through easyGroup to third parties)	**0.5**	0.5
Agreement with Sir Stelios Haji-Ioannou	**0.2**	0.2
	5.0	4.7

[1] Prior year numbers have been reclassified to conform to the current period presentation.

As at 31 March 2014, an amount of £1.9 million was prepaid in respect of the Brand Licence and included in trade and other receivables.

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 ('Interim Financial Reporting') as adopted by the European Union. The interim management report includes a fair review of the information required by the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority paragraphs 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the six months ended 31 March 2014 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 2014 and any material changes in the related-party transactions described in the last Annual report and accounts 2013.

The Directors of easyJet plc are listed in the Annual report and accounts 2013. There have been no changes since the date of publication. A list of current Directors is maintained on the easyJet plc website: www.easyjet.com.

The Directors are responsible for the maintenance and integrity of the financial and corporate governance information as provided on the easyJet website (www.easyJet.com). 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 12 May 2014 and signed on behalf of the Board by:

Carolyn McCall OBE	Chris Kennedy
Chief Executive	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 year	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.
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 and aircraft dry leasing costs.
Gearing	Net debt (adjusted by adding seven times aircraft dry leasing payments for a rolling 12 months) 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.
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, royalty costs, 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.
Profit / loss before tax per seat	Profit / loss before tax divided by seats flown.
Return on capital employed (ROCE)	Normalised profit / loss after tax (adjusted for leases) divided by average net debt (adjusted by adding seven times aircraft dry leasing payments for a rolling 12 months) plus average shareholders' equity.
Revenue	The sum of seat revenue and non-seat 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

Report on the condensed consolidated interim financial information

Our conclusion
We have reviewed the condensed consolidated interim financial information, defined below, in the interim report of easyJet plc for the six months ended 31 March 2014. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial information 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 Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed
The condensed consolidated interim financial information, which is prepared by easyJet plc, comprises:

- the consolidated statement of financial position as at 31 March 2014;
- the consolidated income statement for the period then ended;
- the consolidated statement of comprehensive income for the period then ended;
- the consolidated statement of changes in equity for the period then ended;
- the consolidated statement of cash flows for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial information.

As disclosed in note 1, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial information included in the interim report has been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial information involves
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.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial information.

Responsibilities for the condensed consolidated interim financial information and the review

Our responsibilities and those of the Directors
The interim report, including the condensed consolidated interim financial information, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the interim report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial information in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
St Albans, Hertfordshire
12 May 2014