20 November 2012 **easyJet plc**

Results for the year ended 30 September 2012

Strategy continues to deliver record profits, growth in profit margins and improved returns for shareholders

Results at a glance

	2012	2011	Change
Total revenue (£ million)	**3,854**	3,452	+11.6%
Profit before tax (£ million)	**317**	248	+27.9%
Pre-tax margin (%)	**8.2%**	7.2%	+1.0ppt
Basic earnings per share (pence)	**62.5**	52.5	+19.0%
Proposed dividend – ordinary (pence per share)	**21.5**	10.5	+104.8%
Return on Capital Employed (%) – excluding operating leases adjustment	**14.5%**	12.7%	+1.8ppt
Return on Capital Employed (%) – including operating leases adjustment	**11.3%**	9.8%	+1.5ppt
Return on equity	**14.6%**	14.0%	+0.6ppt

- easyJet has delivered improved returns for shareholders and growth in a challenging economic environment. Profit before tax was up by 27.9% to a record £317 million and pre-tax profit margins grew by 1 percentage point to 8.2% despite a £182 million increase in unit fuel costs. Return on Capital Employed excluding operating lease adjustment improved by 1.8 percentage points to 14.5% (while Return on Capital Employed including operating lease adjustment improved by 1.5 percentage points to 11.3%.)
- Total revenue per seat grew by 5.9% (7.5% at constant currency) to £58.51 driven by: improved load factors; the annualisation of changes to fees and charges made in 2011; the careful targeting of capacity to markets with the strongest returns potential; improvements to easyJet.com; the success of the 'Europe by easyJet' campaign and from capacity constraint in the market.
- Seats flown grew by 5.5% to 65.9 million, load factors increased by 1.4 percentage points to 88.7% and passenger numbers rose 7.1% to 58.4 million.
- Cost per seat excluding fuel fell by 1% for the full year (and grew by 1.8% at constant currency). Unit cost increases were driven by increased charges at regulated airports especially in Spain and Italy and higher load factors. Cost pressures were partially offset by shorter average sector lengths, the easyJet Lean programme delivering significant savings in ground handling and non-regulated airport charges, by the increased proportion of larger A320 aircraft in the fleet and by the exceptionally low levels of disruption in comparison to previous years.
- easyJet generated operating cash (excluding dividend payments) of £457 million in the year, an increase of 7.8% compared to the prior year.
- In light of the continued strong financial performance of easyJet and the confidence in easyJet's position within European short-haul aviation, the Board has decided to amend the dividend policy from this year to pay out one-third of profit after tax each year, up from the one-fifth payout introduced last year. As a result the recommended ordinary dividend is 21.5pence per share or £85 million.
- Earnings per share grew 19.0% to 62.5 pence per share.

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

"These results demonstrate that easyJet is a structural winner in the European short-haul market against both legacy and low cost competition. The strength of easyJet's business model and strategy coupled with the hard work and dedication of the easyJet team has delivered record profits as well as a significant increase in returns for shareholders during the year.

As evidence of its confidence in easyJet's current position and future prospects the Board proposes to increase the dividend from 10.5p to 21.5p for the year ended September 2012 which will see our shareholders benefit from easyJet's success with £85m of dividends.

"Whilst there is always the potential for unexpected events to temporarily impact financial results the Board of easyJet is confident that its business model, strategy and people will consistently continue to generate superior returns and growth for shareholders."

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There will be an analyst presentation at 9:30 am on 20 November 2012 at Nomura, One Angel Lane, London, EC4R 3AB.

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

Audio Details

- UK & International Number +44 (0) 203 140 0722
- US Number +1 718 705 7514

Playback Details

- UK Playback Number +44 (0) 203 140 0698
- US Playback Number +1 877 846 3918
- Playback Pin Code 387362#

The replay service will be available up until 27 November 2012

A) PERFORMANCE DURING THE YEAR

Financial performance

easyJet delivered record profit before tax of £317 million up by £69 million from 2011. The result was delivered despite headwinds from a £182 million increase in unit fuel costs and ongoing consumer pressure from the weak European economy combined with a £50 million increase in Air Passenger Duty charges in UK, France and Germany. Profit per seat (including fuel) rose by 84 pence to £4.81. This performance was driven by:

- 5.5% capacity growth and a 1.4 percentage point improvement in load factor to 88.7%. Passenger numbers rose 7.1% to 58.4 million.
- Total revenue per seat grew by 5.9% (7.5% at constant currency) to £58.51, driven by improved load factors; the annualisation of changes to fees and charges made in 2011; the careful targeting of capacity to markets with the strongest returns potential; improvements to easyJet.com; the success of the 'Europe by easyJet' campaign and from competitor capacity constraint in the market.
- Cost per seat excluding fuel fell by 1% for the full year (and grew by 1.8% at constant currency). Unit cost increases were driven by increased charges at regulated airports especially in Spain and Italy and higher load factors. Cost pressures were partially offset by shorter average sector lengths, the easyJet Lean programme delivering significant savings in ground handling and non-regulated airport charges, by the increased proportion of larger A320 aircraft in the fleet and by the exceptionally low levels of disruption in comparison to previous years.

easyJet generated operating cash of £457 million in the year. In light of the continued strong financial performance and cash generation of easyJet and the robustness of the easyJet balance sheet, the Board has decided to reduce the level of dividend cover from five times to three times and consequently the Board has recommended paying an ordinary dividend of 21.5 pence a share or £85 million.

Return on Capital Employed

easyJet is committed to driving improved returns and growth for shareholders and so uses a Return on Capital Employed (ROCE) metric to enable transparent and consistent communication of this goal for shareholders.

easyJet's returns have improved year on year and its ROCE continues to be in excess of the Company's cost of capital.

	2012	2011	Change
ROCE - excluding operating leases adjustment	**14.5%**	12.7%	+1.8ppt
ROCE - including operating leases adjustment	**11.3%**	9.8%	+1.5ppt

When easyJet introduced ROCE as a key performance indicator in 2010, the decision was taken not to adjust the calculation for leases in the expectation that the International Accounting Standards Board (IASB) would shortly be concluding a review of the most appropriate accounting treatment of lease financing.

Over the last year it has become clear that the process is far from complete and the accounting position is not expected to change before 2016 at the earliest. As a consequence of the delay and following shareholder consultation, easyJet has decided to amend its ROCE methodology to reflect the impact on returns of aircraft held under operating leases by capitalising them at seven times the annual lease rental in line with market practice.

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 purchase, which in turn increases revenue. easyJet experienced considerably less disruption from weather and industrial action than in previous years. In total, fewer than 1,000 flights were cancelled in the year to 30 September 2012 compared to over 4,000 flights in the year to 30 September 2011.

Although predominantly driven by external factors, the reduced level of cancellations and delays is also as a result of the investment in easyJet's operations control centre (OCC). Initiatives launched to drive operational performance and minimise disruption included the easyJet turn project, the ongoing twice daily operational calls and temporarily basing MET Office forecasters in easyJet's head office during the course of the Olympics.

On-time performance (OTP) improved again in the year with a 9 percentage point improvement across the network and an increase of 3 percentage points in the fourth quarter(1). easyJet's OTP is now best in-class within the industry(2).

OTP % arrivals within 15 minutes	Q1	Q2	Q3	Q4	Full year
2011	65%	81%	84%	85%	79%
2012	88%	90%	87%	88%	88%

The focus of the operations team in the coming financial year will be on aircraft turn time during the roll-out of allocated seating whilst continuing to control cost through standardisation and simplification.

Customer satisfaction

The strong operational performance was reflected in improvements in customer satisfaction, with a 3 percentage point year-on-year improvement to 82%(3) and a two percentage points improvement in the likelihood to recommend score to 84%.

easyJet closely monitors customer satisfaction and strives to maintain or grow its customer satisfaction scores through making travel easy and affordable for its customers. easyJet made further improvements to its end-to-end customer experience such as the decision to roll-out allocated seating across the network following its successful trial this summer. The decision to trial allocated seating was prompted by scores for the boarding experience which were lower than the other categories monitored.

Country review

UK

easyJet is the largest carrier in the UK with a market share of around 20%(4) in the total intra-European market and around 35% share in easyJet's markets. easyJet has further increased its total UK market share by around 1% in the last year, largely due to other carriers reducing capacity. easyJet saw growth at Gatwick and in its new base at Southend, while bases in Stansted and Liverpool were reduced. easyJet is the number one carrier in nine out of eleven UK easyJet bases with the total number of UK based aircraft at 122.

Switzerland

Switzerland continues to be a focus market for easyJet. With 7.2% capacity growth, easyJet has consolidated its leadership position in both Geneva with around 37% market share and Basel with 43% market share(4). The capacity increase has enabled easyJet to launch 7 new routes and add frequencies on core routes such as Berlin, Barcelona and London. easyJet now operates 19 aircraft out of its Swiss bases.

France

easyJet grew capacity in France by 8.2% in the year and is the second largest carrier in France with over 12% market share(4) and bases 24 aircraft in France. A key part of easyJet's strategy in France is to address regional demand for both domestic and international flights and to become the alternative carrier to Air France. Capacity growth was focused on the French regions driven by 11 new routes from its new bases in Nice and Toulouse which opened in March. This brings the total number of routes touching these two bases to 41.
Brand consideration(5) and customer satisfaction scores have increased in the year. Since April 2012, easyJet.com is the most visited airline website in France.

Italy

easyJet is the third largest carrier in Italy, with a market share of 11%(4). easyJet has 23 aircraft based in Italy with a number 1 share(4) in its main Milan Malpensa base and a strong presence in Rome Fiumicino, Venice and Naples.
The easyJet brand is increasing its profile in Italy with the recent launch of easyJet's first television advertising campaign. Brand consideration (5) has increased by 11 percentage points up to 46% thanks to more targeted marketing activities in the key catchment areas.

Germany

In a highly regional market easyJet's focus in Germany has remained on building a strategic European point-to-point network in Berlin (now with 50% market share in Schönefeld(4)), easyJet has continued to build both its leisure and business product out of Berlin whilst rationalising the non-essential network in Dortmund to improve profitability.

Spain

The outbound Spanish market remains one of the most competitive in Europe, with the existing overcapacity leading to lower yields than in other easyJet markets. Lower yields and high and increasing airport charges led to the decision to cease having crew and aircraft based in Madrid from 1 December 2012. The base closure is on plan and 87% of the 300+ staff currently based in Madrid have accepted the offer to relocate to another easyJet operational base in Europe.

easyJet remains committed to Spain, including Madrid, and will continue to fly to and from Spain out of its other bases. Although capacity will be reduced by around 9%, easyJet expects to carry over 12 million passengers to and from Spain next year.

Portugal

easyJet is the third largest carrier in Portugal with a market share of around 13%(4) and is also the second carrier in Lisbon Portela airport, having opened a base there in April 2012. The base launched with two aircraft and a third one started there in November 2012.

B) MARKET OVERVIEW

Competitive landscape

There are 3,000 short-haul aircraft in operation in Europe and around half of overall capacity is flown by the top five carriers: Ryanair, IAG, Lufthansa, AF-KLM and easyJet. In recent years, the sustained high price of aviation fuel combined with restricted European economic growth and consumer spending, rising aviation taxes and scarcity of financing has led to a difficult operating environment for all airlines.

In the past year, several carriers have exited and other carriers have changed ownership or required refinancing; the charter operators are seeing their market share and profitability diminishing further; and the losses incurred from legacy operators' short-haul operations are well publicised. Consequently, overall capacity in the European short-haul aviation market remained flat, and declined slightly on easyJet's routes(4).

Overall demand for European point-to-point leisure and business travel in the medium term is expected to grow slightly ahead of GDP and this, combined with the capacity restraint in the European aviation market, means that there are structural growth opportunities for carriers such as easyJet with robust business models and strong competitive positions.

Competitive position

easyJet is one of the very few pan-European low-cost carriers in the European short-haul passenger aviation market and is focused on making travel easy and affordable for its customers. easyJet is the fourth largest short-haul carrier in Europe with a market share of 8%(4) and derives its competitive advantages from the following attributes:

- leading short-haul network 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, efficient and flexible business model derived from scale and cost advantage, high asset utilisation, a young efficient fleet with low cost ownership, a leading online and digital offering and industry-leading load factors; and
- efficient and robust capital structure.

Regulatory environment

The regulatory environment continues to have a significant impact on easyJet and over the last year monopoly infrastructure providers have pushed through unreasonable increases in charges.

However, there are EU proposals on slot and ground handling frameworks which could improve competition across Europe and allow better access to congested airports. easyJet has devoted significant effort to the European Commission's proposals as these have the potential to improve competition at airports. In particular, easyJet is advocating the legalisation of secondary slot trading at airports across Europe and an increase in competition within the ground handling market which would lead to lower costs and an improved service. This is particularly important in Germany and Portugal, where anti-competitive restrictions on the number of ground handlers at an airport have led to excessive costs.

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. Europe now has a real opportunity to address the inefficiencies in airspace, and it is vital that individual Member States are not allowed to escape their responsibilities to deliver change and control costs.

easyJet remains concerned with the continual increase in taxes on aviation across Europe, which is undermining European growth and ultimately jobs. easyJet has undertaken work to demonstrate to governments that these taxes are not in their interest or those of consumers or people working within the sector.

Towards the end of 2012, the European Commission will set out a redraft of the EU 261 regulations, which govern passenger rights. easyJet is focused on ensuring that the reform brings clarity to airline obligations. easyJet believes in the importance of providing passengers with the right level of protection, but also the protection passengers value and want to pay for.

The airports easyJet flies to are central to its business model. easyJet's network focuses on primary airports where people want to fly to and this provides easyJet with access to important catchments and drives up unit revenues. Primary airports tend to have pricing power and could engage in monopolistic behaviour if they are not regulated.

Where airports are monopolies, regulation is the only effective answer. Only in this way will passengers be protected from excessive airport charges and poor service. easyJet has focused on ensuring that there is effective regulation where it is needed, but also that regulators understand the needs of point-to-point airlines and their passengers. There is cost pressure from regulated airports across Europe from a combination of lower passenger volumes, restricted access to finance and upcoming regulatory reviews. The cost increases from the regulatory reviews in Spain and Italy were disappointing for easyJet and there are upcoming reviews at Gatwick, Geneva and Stansted. To address the risk of increasing airport costs, easyJet has put in place a more sophisticated approach to regulated airport charges building on experience of working with governments and economic regulators. This has involved developing economic evidence on the impact of airport charges, providing technical input into regulatory reviews and ensuring that easyJet is properly represented in discussions with regulators and governments.

At non-regulated airports, easyJet has worked where possible to put in place long-term contracts that mitigate the risk of future cost increases and ensure that easyJet can build on a long-term sustainable platform.

C) STRATEGIC PROGRESS: easyJet is uniquely positioned to be the structural winner in European short haul aviation

easyJet is structurally positioned as the strongest pan European airline due to its cost advantage, leading market positions at convenient airports and great customer proposition of low fares with friendly and efficient service supported by one of the strongest balance sheets in European aviation. As inefficient and financially weak competitors retrench, easyJet will continue its strategy to build its leading position on Europe's top 100 routes where it has a 25% market share to become the leading point-to-point airline flying between primary airports. This will enable easyJet to deliver passenger growth, in excess of the market overall, of around 3% to 5% per annum and tangible returns to shareholders of an annual ordinary dividend of three times cover.

In order to execute against our strategy, easyJet is focused on four key objectives:

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

1. Build strong number 1 and 2 network positions

A core easyJet strength is its pan-European network which connects more of the top 100 city to city market pairs than any other airline. easyJet's principal competitors are the legacy carriers operating in slot constrained, primary airports over whom easyJet enjoys a significant cost advantage, allowing it to offer competitive, affordable fares. easyJet has the number 1 or 2 market share position in 21 valuable slot constrained airports such as London Gatwick, Paris Orly, Milan Malpensa, Amsterdam and Geneva.

easyJet has built up key positions in slot constrained airports over a number of years which provide the Company with a very competitive and resilient network platform for its operations. easyJet's strategy is to continue to build positions of strength in its key markets and to reallocate aircraft to the routes and bases which will deliver the highest 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. In a dynamic marketplace, 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.

As a consequence of the desire to re-orientate the easyJet network to drive sustainable long term returns, easyJet took the difficult step of announcing the proposed closure of its Madrid base from Winter 2012/13. easyJet will continue to serve Madrid and the rest of Spain but to do so differently by moving its aircraft to other easyJet bases, which will deliver higher returns for the airline.

It was clear from the network review that the Madrid base was delivering returns significantly below all of easyJet's other bases. This was due to a combination of overcapacity in the Spanish airline market, leading to low revenue per passenger, combined with high airport charges, which have more than doubled in the last two years and will be subject to further increases above inflation in the coming years.

Aircraft have been redeployed in areas which have the potential to drive higher returns further evidenced by the strengthening of our position in Lyon and the opening of the French regional bases in Nice and Toulouse; the new Lisbon base; London Southend opening to improve the offering in north London and additional aircraft based in Gatwick, Basel and Milan with further plans to increase aircraft based in Edinburgh and Manchester.

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 in these airports 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. This lower cost base enables easyJet to offer the lower fares its customers value.

In addition, easyJet's asset utilisation of 10.4 block hours per day for owned aircraft is amongst the highest in the industry. During the year, asset utilisation decreased by 0.6% year-on-year following the introduction of shorter but higher returning sectors including French domestic routes.

easyJet Lean

The easyJet Lean programme is now firmly established and embedded within the organisation with targets every year on a rolling 5 year basis under the sponsorship of the Chief Financial Officer.

easyJet Lean's goal is to protect easyJet's structural cost advantage by ensuring below inflation non-fuel cost per seat increases. The emphasis is both on keeping cost out as well as taking cost out. easyJet Lean delivered ahead of the planned £90 million in 2012 and expects to deliver additional savings of around £35 million in the 2013 financial year. Savings are being achieved by driving cost efficiencies through best in-class procurement, leveraging scale, tight control of overhead costs, greater crew flexibility and improved operational performance. Savings to date have partially offset inflationary increases and the increased investments in infrastructure developments including allocated seating.

Ground handling was a target area in the last financial year and significant savings have been achieved. Over a third of ground handling contracts measured by spend were renegotiated, delivering typical savings of between 5% and 15%. easyJet continues to work with suppliers to drive operational efficiencies and to simplify its product.

easyJet's strategy is focused around building strong positions at primary airports where there is inherent demand and thus higher yields are available. Consequently around 70% of easyJet's airport costs come from regulated airports and there have been above inflationary cost increases in the period especially in Italy and Spain. The easyJet procurement team have mitigated part of the impact by putting in place key deals to support asset growth elsewhere in the network. easyJet expects further cost pressure from regulated airports in 2013.

easyJet continues to make progress in optimising **crew costs** to ensure it is competitive in each market in which it operates. Successes include agreeing more flexibility with crew and increasing crew planning horizons. easyJet continues to recognise and engage with unions during a difficult economic time for the industry.

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. The Company also has the flexibility to move aircraft between routes and markets to improve returns.

easyJet's total fleet as at 30 September 2012 comprised 214 aircraft, split between 156 seat Airbus A319s and 180 seat A320s. During the year, easyJet took delivery of 19 A320 aircraft under the terms of the Airbus easyJet agreement and seven A319 aircraft exited the fleet. The two remaining Boeing 737-700s were returned to their lessors in November 2011.

The larger A320 aircraft have been introduced over the last few years with minimal reduction in yields, and deliver a per seat cost saving of approximately 7% over the A319 aircraft through economies of scale, efficiencies in crew, ownership, fuel and maintenance. The modest increase in the proportion of A320s this year delivered a 21 pence per seat cost saving in 2012. easyJet believes that the mix of A320s in the fleet can continue to increase in the foreseeable future with minimal impact on yields.

easyJet targets an owned:leased split of aircraft of 70:30 but as it evaluates the next generation of aircraft expects the mix to fluctuate.

The major airframe suppliers have embarked upon the development of the next generation of short-haul aircraft to take advantage of new engine technology being developed by CFM International (a joint venture between General Electric and Snecma) and Pratt & Whitney. Airbus and Boeing are updating their single aisle aircraft with new engines and various other upgrades whilst Bombardier is producing a completely new 100 to 150 seat family aircraft using the latest systems and production techniques. The new aircraft types, which are planned to enter service over the next six years, promise double digit fuel efficiency improvements which are clearly attractive to easyJet.

easyJet is making good progress on its technical and commercial evaluation of the next generation of short-haul aircraft technology. As the evaluation advances further, easyJet will bring a proposal to shareholders which will cover both the next generation of deliveries which are likely to be after 2017 and a plan for the bridging period from 2014 to 2017.

easyJet's intention for any new aircraft order is to maximise the economic efficiencies of the fleet and to support further returns-focused capacity growth.

Fleet as at 30 September 2012:

	Owned	Operating leases	Finance leases	**Total**	Changes in year	Future committed deliveries[7]	Unexercised purchase rights and options[8]
easyJet A319	105	49	6	**160**	-7	-	-
easyJet A320	43	6	5	**54**	19	16	73
Boeing 737-700	-	-	-	**-**	-2	-	-
GB Airways A320 family	-	-	-	**-**	-	2[6]	-
	148	**55**	**11**	**214**	10	18	73

3. Drive demand, conversion and yields across Europe

Over the course of the year, easyJet introduced a number of initiatives to drive demand and improve unit revenue. Unit revenues rose by 7.5% on a constant currency basis to £59.41.

The '**europe by easyJet'** campaign has continued to drive visits to easyJet.com and has been a success in all of its major markets. The aim of the campaign has been to develop a brand that people know, like and understand, increasing their likelihood to fly with easyJet on a recurring basis.

During the course of the year, easyJet launched its first television advertising campaign focusing on connecting people across Europe and the experiences customers have. The emphasis has been placed on having a consistent presence across Europe with appropriate market testing and tailoring of key messages. The TV campaign was delivered at the same time as reducing marketing cost per seat with a reallocation of marketing investment achieved through the rigorous testing of all media.

easyJet has continued to focus on attracting business travellers to improve unit revenues. Key to success in this market is to establish effective partnerships with Global Distribution System (GDS) providers, travel management companies (TMCs) and large scale corporate customers. The emphasis of the business traveller initiative in 2012 was to put these building blocks in place for future growth. Agreements were signed with the major GDS providers (including Amadeus), the leading TMCs (including American Express) and by reaching agreements with specific customers (including major high street banks) and recently with the UK Houses of Parliament. easyJet is working in partnership with the GDS providers and TMCs to improve technology to make the booking functionality for third party agents easier and expects these improvements to be completed in mid-2013.

In the cost conscious business travel market, easyJet has seen a 6% growth in business passengers and increased its share of the European business travel market[9].

In September, easyJet announced that its **allocated seating** trial had been successful and would be rolled out across its network by 27 November 2012. easyJet was keen to ensure that allocated seating did not impact asset utilisation and is confident that the roll-out will not materially diminish on-time performance. Customer feedback has been positive with more than 70% of customers preferring allocated seating and over 60% more likely to use easyJet in the future[10].

easyJet is the third most searched for airline globally[11] with close to 400 million visits to **easyJet.com** over the last 12 months. 60% of visitors originate from outside the UK.

easyJet.com's new content management system was introduced to improve operational efficiency, increase agility, and target specific users with relevant route pricing and messages. Other new initiatives include the introduction of InspireMe, a map based search tool targeting those people who may not know exactly where or when they want to travel, and specific Swiss and US websites.

During the course of the year, easyJet also focused on broadening its digital reach through the introduction of new channels. As at 30 September 2012, the easyJet mobile app had over 3 million downloads delivering £42 million of revenue since its introduction in December 2011. The easyJet app is now available through iPhone and Android devices and has been complemented with the recent launch of a mobile website. By focusing on core booking functionality and "making travel easy" for customers on the move, easyJet is well positioned to take further advantage of developments in this growing area.

easyJet made significant improvements in the way it prices its flights over the last 12 months, investing in improvements to its **yield management system**. Developments include continuous pricing allowing more specific yield algorithms to be utilised on a wider range of flights, using the latest artificial intelligence techniques to optimise pricing, and further unbundling and yield managing ancillary charges.

Through **partnerships** with leading providers (including booking.com and Europcar) and an increased focus on customer insight and segmentation, easyJet is in the process of overhauling its **customer contact strategy**. A range of relevant and personalised emails will be deployed at appropriate points with the aim of driving ancillary upsell and improving customer experience.

4. Disciplined use of capital

The aviation market is a highly capital intensive industry and it is important for airlines to pay careful consideration to its financing and balance sheet position to balance risk, growth, access to funding and shareholder returns.

easyJet has a strong balance sheet and derives a competitive advantage through access to funding at a lower cost. easyJet has a range of measures and tools to effectively allocate capital and resources across its network whilst maintaining an optimal capital structure. This has enabled easyJet to deliver returns in excess of its cost of capital. 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
- a minimum £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.

Over the cycle, easyJet is committed to covering its cost of capital, and will self-fund both growth and the dividend from the cash flows of the business.

During the year good progress has been made on reducing excess liquidity and capital by paying a special dividend of £150 million and repaying £162 million of relatively high-coupon mortgage debt. easyJet is currently in the process of closing sale and leasebacks for 12 new A320s and 12 older A319 aircraft. The tender process has been heavily oversubscribed which should allow easyJet to close deals at very attractive lease rates; demonstrating the benefit of easyJet's strong balance sheet.

In light of the continued strong financial performance of easyJet and the robustness of the easyJet balance sheet, the Board has decided that it is appropriate to reduce the level of dividend cover from 5 times to 3 times for the foreseeable future and consequently the Board has recommended paying an ordinary dividend of 21.5 pence per share at a total cost of £85 million, an increase of 104.8%.

The recommended ordinary dividend will be paid on Friday 22 March 2013 to those shareholders on the register at the close of business on Friday 1 March 2013 with an ex-dividend date of Wednesday 27 February 2013.

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 ending 31 March 2013	86%	86%	76%
Average rate	$986 m/t	$1.61	€1.18
Full year ending 30 September 2013	78%	81%	68%
Average rate	$985 m/t	$1.60	€1.18
Full year ending 30 September 2014	55%	62%	48%
Average rate	$993 m/t	$1.58	€1.22

Sensitivities

- A $10 movement per metric tonne impacts the FY'13 fuel bill by $4 million.
- A one cent movement in £/$ impacts the FY'13 profit before tax by £1.6 million.
- A one cent movement in £/€ impacts the FY'13 profit before tax by £1.2 million.

Outlook

The European macro-economic environment remains uncertain and easyJet continues to be disciplined in its approach to asset allocation. Weaker competitors have retrenched and there are clear opportunities for profitable growth, thus easyJet will grow overall capacity in seats flown by around 3.5% in the first half of the year. Full year capacity growth is expected to be at a similar level to the first half of the year.

Forward bookings for the first half of the 2013 financial year are broadly in line with the prior year. With around 45% of winter seats now booked, first half total revenue per seat at constant currency is expected to be up by low to mid-single digits; as is usual at this time of the year it is too early to have any visibility on second half revenue per seat performance.

easyJet expects cost per seat (excluding fuel and currency movements) to increase by around 3% to 4% for the full year and by around 4% to 5% for the first half assuming normal levels of disruption and constant load factors. Cost increases will be predominantly driven by increases in charges at regulated airports and airport costs are likely to increase by £70 million at constant currency for the 2013 financial year.

It is estimated that at current exchange rates and with fuel remaining within its recent $1,000 m/t to $1,100 m/t trading range, easyJet's unit fuel bill for the 2013 financial year would be up to £30 million higher [12]. In addition, exchange rate movements (excluding those related to fuel) are likely to have a further £50 million[12] negative impact in the 2013 financial year.

The challenges faced by easyJet are shared by all European airlines but easyJet's leading European network and cost advantage combined with a disciplined approach to use of capital means that easyJet is well placed to continue to make travel easy and affordable for customers and to continue to generate returns and growth for shareholders.

Whilst there is always the potential for unexpected events to temporarily impact financial results the Board of easyJet is confident that its business model, strategy and people will consistently continue to generate superior returns and growth for shareholders.

(1) Source: On-time performance as measured by internal easyJet system
(2) Source: On-time performance as measured by flightstats.com
(3) Source: customer satisfaction data from GfK Customer Satisfaction Tracker. Time period: FY 2012 versus FY 2011. Data updated October 2012.
(4) Market share data from OAG. Size of European market based on internal easyJet definition. Historic data based on the 12 month period from October 2011 to end September 2012. Forward looking data based on available OAG information to the end of March 2013 with assumptions made on Ryanair growth.
(5) Brand consideration scores from GfK ascent
(6) To be delivered as part of a GB Airways commitment
(7) The 16 future easyJet deliveries and 2 ex-GB Airways deliveries are anticipated to be delivered over the next three financial years;10 in FY13, 6 in FY14 and 2 in FY15.
(8) Purchase options and rights may be taken on any A320 family aircraft and are valid until 2015.
(9) Source: Business traveller market share from PhoCusWright report October 2012.
(10) Source: Allocated seating data based on 32,000 respondents to end of August 2012
(11) Source: Google
(12) Rates as at 16 November 2012 US$1.59/£, €1.25/£ and US$1,019 per metric tonne:

Finance Review

Key performance indicators

easyJet has delivered a strong financial performance for the 2012 financial year, despite continuing macroeconomic challenges across Europe and fuel prices remaining both high and volatile. Profit before tax grew by 27.9% to £317 million, resulting in profit before tax per seat of £4.81; close to our ambition of £5. Profit after tax was £255 million, an increase of 13.3% from £225 million last year.

Return on capital employed and capital structure

	2012	2011	Change
ROCE - including operating leases adjustment	**11.3%**	9.8%	+1.5ppt
ROCE - excluding operating leases adjustment	**14.5%**	12.7%	+1.8ppt
Return on equity	**14.6%**	14.0%	+0.6ppt
Gearing	**29%**	28%	+1ppt

When return on capital employed was introduced as a key performance indicator in 2010, the decision was taken not to adjust the calculation for aircraft held under operating leases. This was in the expectation that the IASB's leasing project would complete in a relatively short time frame, resulting in all leases being shown on the statement of financial position.

Over the last year it has become clear that this process is far from complete and the accounting position is not expected to change before our 2016 financial year at the earliest. Consequently it has been decided to amend our ROCE calculation to reflect appropriately the impact on return on capital of aircraft held under operating leases by capitalising that at seven times the annual lease rental in line with market practice. While the returns indicated by the new measure are lower, the measures are closely correlated and both old and new measures indicate returns in excess of cost of capital.

ROCE including operating leases adjustment for the year was 11.3%, an increase of 1.5 percentage points from the previous year.

Return on equity improved by 0.6 percentage points to 14.6%. This increase is lower than that seen in either ROCE measure due to the increase in effective tax rate from 9% last year to 20% this year.

During the year good progress has been made on reducing excess liquidity and capital by paying a special dividend of £150 million and repaying £162 million of relatively high-coupon mortgage debt. Gearing was stable at 29% (2011: 28%)

Financial performance per seat

	£ million	**£ per seat**	**2012 Pence per ASK**	£ million	£ per seat	2011 Pence per ASK
Total revenue	**3,854**	**58.51**	**5.34**	3,452	55.27	4.98
Costs excluding fuel	**2,388**	**36.25**	**3.31**	2,287	36.62	3.30
Fuel	**1,149**	**17.45**	**1.59**	917	14.68	1.32
Profit before tax	**317**	**4.81**	**0.44**	248	3.97	0.36
Tax charge	**62**	**0.94**	**0.09**	23	0.37	0.04
Profit after tax	**255**	**3.87**	**0.35**	225	3.60	0.32

Total revenue grew by 11.6% to £3,854 million resulting in growth of 5.9% in revenue per seat to £58.51. At constant currency, revenue per seat grew by 7.5% to £59.41. Just over half of this improvement was driven by improved ticket prices, with the balance mainly from the annualising of changes to fees and charges introduced last year.

Excluding fuel, cost per seat fell by 1.0% to £36.25, however it grew by 1.8% at constant currency. easyJet experienced above-inflation increases in charges at regulated airports (particularly in Spain and Italy). Set against this easyJet successfully re-negotiated a number of key ground handling contracts and also continued to benefit from the increasing proportion of larger A320 aircraft in the fleet. To a lesser extent, cost per seat was also adversely impacted by higher load factors and benefitted from slightly shorter average sector length.

Disruption levels and the costs that resulted were exceptionally low this year with just over 1,000 sectors cancelled on the day or delayed overnight. This is a quarter of the level experienced last year. While it is pleasing to be able to report this, easyJet does not consider it to be representative of what may be seen in the future.

As previously reported, our average fuel price increased by $164 per tonne compared with last year resulting in an increase in fuel unit costs of £182 million, equivalent to £2.77 per seat.

Overall, profit before tax increased by £69 million (£0.84 per seat) to £317 million (£4.81 per seat). While the impact of exchange rate changes on certain components of the income statement were significant, overall profit before taxation was improved by £10 million driven by the favourable timing of Euro booking revenues.

The tax charge was £62 million resulting in an effective tax rate of 20% (2011: charge of £23 million and effective tax rate of 9%). The difference between the effective tax rate and standard UK rate is principally driven by the reduction in the UK deferred tax rate to 23% and the utilisation of previously unrecognised losses.

Earnings per share and dividends per share

	2012	2011	Change
Earnings per share	**62.5p**	52.5p	19.0%
Ordinary dividend per share	**21.5p**	10.5p	104.8%
Special dividend per share	**-**	34.9p	N/A

easyJet 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. Following payment of the special dividend, share capital was consolidated on a basis of eleven for twelve, and at year end easyJet had 396 million shares of 27 $^{2}/_{7}$ pence outstanding.

Earnings per share grew 19.0% to 62.5 pence per share. Of this increase,13.6% is due to growth in profit after tax and 5.4% due to the impact of the share consolidation following payment of the special dividend in March.

Ordinary dividend per share grew by 104.8 % to 21.5p pence per share. easyJet is pleased to announce that its dividend policy is being amended from this year to pay out one-third of profit after tax for each year, up from the one-fifth payout introduced last year.

Exchange rates

Capacity grew in the year by 3.4 million seats flown, of which around two-thirds was deployed in bases outside the UK. While this resulted in increased cash flows denominated in Euros, the weakness of the Euro against sterling meant that the overall currency profile of the business was little changed year on year:

	Revenue		Costs	
	2012	2011	**2012**	2011
Sterling	**47%**	47%	**24%**	24%
Euro	**43%**	44%	**35%**	35%
US Dollar	**1%**	-	**35%**	35%
Other (principally Swiss Franc)	**9%**	9%	**6%**	6%

Average Exchange Rates	**2012**	2011	Change
Euro – revenue	**€1.19**	€1.15	(3.9%)
Euro – costs	**€1.22**	€1.15	5.8%
US Dollar	**$1.60**	$1.61	(0.6%)
Swiss Franc	**CHF 1.46**	CHF 1.45	(0.7%)

The value of the Euro against sterling declined during the year, with the year end exchange rate 7.8% lower at €1.25/£1. This decline was more marked during the second half of the year. Since the business generates a Euro surplus (Euro revenue exceeds Euro costs) a net loss from this Euro exposure might be expected.

However a significant proportion of summer bookings were taken before the sharpest decline in the exchange rate, which, coupled with the policy of hedging surplus Euros, meant that easyJet was shielded from the full impact of the falling Euro in this financial year.

The impact on profit of changes in exchange rates was as follows:

Favourable / (Adverse)	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Revenue	(65)	9	1	(5)	(60)
Fuel	11	-	(10)	-	1
Costs excluding fuel	68	4	(5)	2	69
Total	14	13	(14)	(3)	10

Financial performance

Revenue

	2012 £ million	**2012 £ per seat**	**2012 Pence per ASK**	2011 £ million	2011 £ per seat	2011 Pence per ASK
Seat revenue	**3,794**	**57.61**	**5.26**	3,389	54.25	4.89
Non-seat revenue	**60**	**0.90**	**0.08**	63	1.02	0.09
Total revenue	**3,854**	**58.51**	**5.34**	3,452	55.27	4.98

Revenue per seat improved by 5.9% compared with last year to £58.51 reflecting strong performances across the network (with the exception of Spain), particularly from London Gatwick, France and Switzerland.

Seats flown grew by 5.5% to 65.9 million, principally in London Gatwick, France and Switzerland. Load factor was marginally higher at 88.7% and passengers increased by 7.1% to 58.4 million.

Seat revenue contributed to 6.2% of this increase, held back by significant increases in APD, VAT and similar taxes levied on passengers. Overall these taxes, driven by a further increase in UK APD, increased by 8.0% to £6.76 per seat.

Non-seat revenue contracted by 11.8% to £0.90 per seat as commissions earned from sale of travel insurance and, to a lesser extent, car hire continued to fall.

Costs

	2012 £ million	**2012 £ per seat**	**2012 Pence per ASK**	2011 £ million	2011 £ per seat	2011 Pence per ASK
Operating costs excluding fuel	**2,174**	**33.00**	**3.01**	2,067	33.10	2.98
Fuel	**1,149**	**17.45**	**1.59**	917	14.68	1.32
Ownership costs	**214**	**3.25**	**0.30**	220	3.52	0.32
Total costs	**3,537**	**53.70**	**4.90**	3,204	51.30	4.62
Total costs excluding fuel	**2,388**	**36.25**	**3.31**	2,287	36.62	3.30

Total cost per seat increased by 4.7% to £53.70; however excluding fuel, cost per seat was broadly flat at £36.25, and up by 1.8% at constant currency.

Operating costs excluding fuel

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Ground operations	**955**	**14.49**	**1.32**	923	14.79	1.33
Crew	**432**	**6.55**	**0.60**	407	6.51	0.58
Navigation	**280**	**4.25**	**0.39**	285	4.56	0.41
Maintenance	**203**	**3.08**	**0.28**	179	2.86	0.26
Selling and marketing	**104**	**1.58**	**0.14**	102	1.64	0.15
Other costs	**200**	**3.05**	**0.28**	171	2.74	0.25
	2,174	**33.00**	**3.01**	2,067	33.10	2.98

Operating costs per seat excluding fuel decreased by 0.3% to £33.00. At constant currency, operating costs per seat excluding fuel increased by 2.8% to £34.01 per seat.

Ground operations cost per seat fell by 2.0% but increased by 1.6% excluding the effect of changes in exchange rates. Although costs have decreased due to the relatively benign winter weather and better controls over the use of de-icing fluid, as well as savings on contract renegotiations with ground handlers, this has been offset by significant increase at airports operated in Spain by AENA and a doubling of charges for on-ground navigation services in Italy. The further increases in AENA charges were a factor in our decision to withdraw the six aircraft based in Madrid from December 2012.

Crew cost per seat increased by 0.6%, and by 2.8% at constant currency driven by an average 2% increase in salaries and disciplined thinning of capacity during the winter months.

Navigation costs fell 6.7% to £4.25 per seat and were down 1.2% at constant currency despite regulated cost increases averaging 2%. This reduction is driven by the increased proportion of A320 aircraft in the fleet and a slightly shorter average sector length as capacity based on the European mainland continues to grow at a faster rate than in the UK.

Maintenance costs have been declining for a number of years, but increased this year by 7.7% to £3.08 per seat; similar to the level seen in 2010. This increase is driven by one-off items that are unlikely to recur. The cost benefits from reducing the proportion of leased aircraft in the fleet have now come to an end, and the average age of the fleet is gradually increasing as planned. easyJet is investing in process improvements that will maintain our cost position in the future.

Other costs increased by 11.3% to £3.05 per seat. This is due to investment in IT infrastructure, and higher performance-related employee costs, reflecting the significantly improved profitability of the business. This was partly offset by unusually low levels of operational disruption resulting in lower compensation payments under EU Regulation EU261/2004.

Fuel

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Fuel	**1,149**	**17.45**	**1.59**	917	14.68	1.32

The market price for jet fuel remained high and volatile over the year, mostly in excess of $1,000 per tonne. Our hedging activities continued to defer the full impact of this. Average price paid increased by $164 to $982 per tonne; in sterling terms, an increase of £110 to £618. Of the total increase in fuel costs of £232 million, £182 million (£2.77 per seat) is due to the roll off of fuel purchases hedged at favourable rates.

Forward purchases of 1.8 million tonnes of fuel for 2013 and 2014 were executed during the periodic dips below $1,000 at an average price of $992 per tonne. As a result the hedged percentages are 78% for 2013 at $985 per tonne and 55% for 2014 at $993 per tonne.

Ownership costs

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Aircraft dry leasing	**95**	**1.44**	**0.13**	109	1.75	0.16
Depreciation	**97**	**1.47**	**0.14**	83	1.33	0.12
Amortisation	**8**	**0.12**	**0.01**	7	0.12	0.01
Interest receivable	**(10)**	**(0.14)**	**(0.01)**	(9)	(0.15)	(0.01)
Interest payable and other financing charges	**25**	**0.38**	**0.03**	24	0.38	0.03
Net exchange (gains) / losses	**(1)**	**(0.02)**	**-**	6	0.09	0.01
	214	**3.25**	**0.30**	220	3.52	0.32

Ownership costs declined slightly to £3.25 per seat continuing recent strong performance.

The final two Boeing 737 aircraft were returned to lessors during the first quarter, and easyJet now operates a standardised fleet with two gauges of Airbus aircraft. Depreciation cost per seat increased by £0.14 to £1.47 driven by the increased proportion of owned aircraft in the fleet.

The leased proportion of the fleet is currently 26%, which is below the objective of a 70% owned and 30% leased fleet mix, as completion of a number of leases was deferred into the first quarter of the coming financial year. The recent trend of declining ownership costs is not expected to continue at the same rate, although the increasing proportion of A320 aircraft in the fleet will continue to deliver some reductions to depreciation and aircraft dry leasing costs per seat.

Exchange gains and losses arise from changes in the value of monetary assets and liabilities denominated in currencies other than sterling. Fluctuations of the size seen in the last two years are within the range of expectations given the size of the related foreign currency cash flows.

Cash flows and financial position

Summary consolidated statement of cash flows

	2012	2011	Change
	£ million	£ million	£ million
Net cash generated from operating activities (excluding dividends)	**457**	424	33
Ordinary dividend paid	**(46)**	-	(46)
Special dividend paid	**(150)**	-	(150)
Net capital expenditure *	**(389)**	(478)	89
Net loan and lease finance (repayment) / drawdown	**(314)**	356	(670)
Net decrease / (increase) in money market deposits	**55**	(38)	93
Other including the effect of exchange rates	**(68)**	(76)	8
Net (decrease) / increase in cash and cash equivalents	**(455)**	188	(643)
Cash and cash equivalents at beginning of year	**1,100**	912	188
Cash and cash equivalents at end of year	**645**	1,100	(455)
Money market deposits at end of year	**238**	300	(62)
Cash and money market deposits at end of year	**883**	1,400	(517)

* stated net of disposal proceeds of £75 million in 2011

In line with prior years, easyJet generated strong operating cash flow in the year principally driven by growth in forward bookings and revenue per seat. Operating cash flow exceeded capital expenditure and ordinary dividend paid in line with the ambition to self-fund growth and fleet renewal.

Net capital expenditure principally comprises the acquisition of 19 A320 aircraft and advance payments on aircraft due to be delivered mainly over the next two years.

No new loan or lease finance was drawn down during the year, and mortgage loans on twelve aircraft were fully repaid. Two of these loans had reached their contractual end, however the other ten loans were repaid early as part of our strategy to reduce expensive borrowings and excess liquidity.

Summary consolidated statement of financial position

	2012	2011	Change
	£ million	£ million	£ million
Goodwill	**365**	365	-
Property, plant and equipment	**2,395**	2,149	246
Net working capital	**(792)**	(765)	(27)
Restricted cash	**159**	123	36
Net (debt) / cash	**(74)**	100	(174)
Current and deferred taxation	**(227)**	(188)	(39)
Other non-current assets and liabilities	**(32)**	(79)	47
	1,794	1,705	89

Opening shareholders' equity	**1,705**	1,501
Profit for the year	**255**	225
Ordinary dividend paid	**(46)**	-
Special dividend paid	**(150)**	-
Change in hedging reserve	**28**	(21)
Other movements	**2**	-
	1,794	1,705

Net assets increased by £89 million driven by the profit for the year offset by dividends paid and a small net change in the hedging reserve.

The net book value of property plant and equipment increased by £246 million driven principally by the acquisition of 19 A320 family aircraft, and advance payments for aircraft due to be delivered over the next two years.

Net working capital was broadly flat at a net negative £792 million. Passengers pay for their flights in full when booking, therefore the key component of this balance is unearned revenue, which increased by £24 million to £496 million. This increase was rather lower than that seen last year as flights for July and August 2013 did not go on sale until shortly after year end.

Reconciliation of net cash flow to movement in net (debt) / cash

	2012	2011	Change
	£ million	£ million	£ million
Cash and cash equivalents	**645**	1,100	(455)
Money market deposits	**238**	300	(62)
	883	1,400	(517)
Bank loans	**(752)**	(1,079)	327
Finance lease obligations	**(205)**	(221)	16
	(957)	(1,300)	343
Net (debt) / cash	**(74)**	100	(174)

easyJet ends the year with £883 million in cash and money market deposits; a decrease of £517 million compared with 30 September 2011. Net borrowings decreased by £343 million.

Net debt at 30 September 2012 was £74 million compared with net cash of £100 million at 30 September 2011. At 30 September 2012 gearing was 29%, marginally higher than last years gearing of 28%.

Although the net position has not changed significantly, both cash and debt balances have declined markedly during the year, due to payment of the special dividend, accelerated repayment of £162 million of mortgage loans and a reduction in the number of leased aircraft. These actions reduced excess liquidity, and easyJet ended the year with a cash and money market deposits balance in line with our policy of holding £4 million cash per aircraft in the fleet.

Key statistics

Operational measures	2012	2011	Change
Seats flown (millions)	**65.9**	62.5	5.5%
Passengers (millions)	**58.4**	54.5	7.1%
Load factor	**88.7%**	87.3%	+1.4ppt
Available seat kilometres (ASK) (millions)	**72,182**	69,318	4.1%
Revenue passenger kilometres (RPK) (millions)	**65,227**	61,347	6.3%
Average sector length (kilometres)	**1,096**	1,110	(1.3%)
Sectors	**411,008**	393,147	4.5%
Block hours	**786,854**	761,708	3.3%
Number of aircraft owned/leased at end of year	**214**	204	4.9%
Average number of aircraft owned/leased during year	**206.6**	198.8	3.9%
Number of aircraft operated at end of year	**203**	197	3.0%
Average number of aircraft operated during year	**195.7**	185.4	5.5%
Operated aircraft utilisation (hours per day)	**11.0**	11.3	(2.5%)
Owned aircraft utilisation (hours per day)	**10.4**	10.5	(0.6%)
Number of routes operated at end of year	**605**	547	10.6%
Number of airports served at end of year	**133**	123	8.1%

Financial measures			
Return on equity	**14.6%**	14.0%	+0.6ppt
Return on capital employed - excluding operating leases adjustment	**14.5%**	12.7%	+1.8ppt
Return on capital employed - including operating leases adjustment	**11.3%**	9.8%	+1.5ppt
Gearing	**29%**	28%	+1ppt
Profit before tax per seat (£)	**4.81**	3.97	21.3%
Profit before tax per ASK (pence)	**0.44**	0.36	22.8%
Revenue			
Revenue per seat (£)	**58.51**	55.27	5.9%
Revenue per seat at constant currency (£)	**59.41**	55.27	7.5%
Revenue per ASK (pence)	**5.34**	4.98	7.2%
Revenue per ASK at constant currency (pence)	**5.42**	4.98	8.9%
Costs			
Per seat measures			
Total cost per seat (£)	**53.70**	51.30	4.7%
Total cost per seat excluding fuel (£)	**36.25**	36.62	(1.0%)
Total cost per seat excluding fuel at constant currency (£)	**37.28**	36.62	1.8%
Operational cost per seat (£)	**50.45**	47.78	5.6%
Operational cost per seat excluding fuel (£)	**33.00**	33.10	(0.3%)
Operational cost per seat excluding fuel at constant currency (£)	**34.01**	33.10	2.8%
Ownership cost per seat (£)	**3.25**	3.52	(7.8%)
Per ASK measures			
Total cost per ASK (pence)	**4.90**	4.62	6.0%
Total cost per ASK excluding fuel (pence)	**3.31**	3.30	0.2%
Total cost per ASK excluding fuel at constant currency (pence)	**3.40**	3.30	3.1%
Operational cost per ASK (pence)	**4.60**	4.30	6.9%
Operational cost per ASK excluding fuel (pence)	**3.01**	2.98	0.6%
Operational cost per ASK excluding fuel at constant currency (pence)	**3.10**	2.98	4.1%
Ownership cost per ASK (pence)	**0.30**	0.32	(6.6%)

Consolidated Income Statement

	Notes	**Year ended 30 September 2012 £ million**	Year ended 30 September 2011 £ million
Seat revenue		**3,794**	3,389
Non-seat revenue		**60**	63
Total revenue		**3,854**	3,452
Ground operations		**(955)**	(923)
Fuel		**(1,149)**	(917)
Crew		**(432)**	(407)
Navigation		**(280)**	(285)
Maintenance		**(203)**	(179)
Selling and marketing		**(104)**	(102)
Other costs		**(200)**	(171)
EBITDAR		**531**	468
Aircraft dry leasing		**(95)**	(109)
Depreciation	6	**(97)**	(83)
Amortisation of intangible assets		**(8)**	(7)
Operating profit		**331**	269
Interest receivable and other financing income		**11**	9
Interest payable and other financing charges		**(25)**	(30)
Net finance charges	3	**(14)**	(21)
Profit before tax		**317**	248
Tax charge	4	**(62)**	(23)
Profit for the year		**255**	225
Earnings per share, pence			
Basic	5	**62.5**	52.5
Diluted	5	**61.7**	52.0

Consolidated Statement of Comprehensive Income

	Notes	**Year ended 30 September 2012 £million**	Year ended 30 September 2011 £million
Profit for the year		**255**	225
Other comprehensive income			
Cash flow hedges			
Fair value gains in the year		**109**	122
Gains transferred to income statement		**(74)**	(152)
Related tax	4	**(7)**	9
		28	(21)
Total comprehensive income for the year		**283**	204

Consolidated Statement of Financial Position

	Notes	**30 September 2012 £ million**	30 September 2011 £ million
Non-current assets			
Goodwill		**365**	365
Other intangible assets		**91**	86
Property, plant and equipment	6	**2,395**	2,149
Derivative financial instruments		**21**	24
Loan notes		**10**	11
Restricted cash		**29**	33
Other non-current assets		**57**	63
		2,968	2,731
Current assets			
Trade and other receivables		**241**	165
Derivative financial instruments		**73**	83
Restricted cash		**130**	90
Money market deposits		**238**	300
Cash and cash equivalents		**645**	1,100
		1,327	1,738
Current liabilities			
Trade and other payables		**(1,021)**	(916)
Borrowings		**(129)**	(155)
Derivative financial instruments		**(26)**	(52)
Current tax liabilities		**(29)**	(9)
Maintenance provisions		**(59)**	(45)
		(1,264)	(1,177)
Net current assets		**63**	561
Non-current liabilities			
Borrowings		**(828)**	(1,145)
Derivative financial instruments		**(24)**	(27)
Non-current deferred income		**(46)**	(59)
Maintenance provisions		**(141)**	(177)
Deferred tax liabilities		**(198)**	(179)
		(1,237)	(1,587)
Net assets		**1,794**	1,705
Shareholders' equity			
Share capital		**108**	108
Share premium		**656**	654
Hedging reserve		**42**	14
Translation reserve		**1**	1
Retained earnings		**987**	928
		1,794	1,705

Consolidated Statement of Changes in Equity

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 01 October 2011	**108**	**654**	**14**	**1**	**928**	**1,705**
Total comprehensive income	**-**	**-**	**28**	**-**	**255**	**283**
Dividends paid	**-**	**-**	**-**	**-**	**(196)**	**(196)**
Share incentive schemes						
Proceeds from shares issued	**-**	**2**	**-**	**-**	**-**	**2**
Value of employee services	**-**	**-**	**-**	**-**	**12**	**12**
Related tax (note 4)	**-**	**-**	**-**	**-**	**3**	**3**
Purchase of own shares	**-**	**-**	**-**	**-**	**(15)**	**(15)**
At 30 September 2012	**108**	**656**	**42**	**1**	**987**	**1,794**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 01 October 2010	107	652	35	1	706	1,501
Total comprehensive income	-	-	(21)	-	225	204
Share incentive schemes						
Proceeds from shares issued	1	2	-	-	-	3
Value of employee services	-	-	-	-	6	6
Related tax (note 4)	-	-	-	-	(1)	(1)
Purchase of own shares	-	-	-	-	(8)	(8)
At 30 September 2011	**108**	**654**	**14**	**1**	**928**	**1,705**

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 year end.

Consolidated Statement of Cash Flows

	Notes	**Year ended 30 September 2012 £ million**	Year ended 30 September 2011 £ million
Cash flows from operating activities			
Cash generated from operations (excluding dividends)	7	**494**	449
Ordinary dividends paid		**(46)**	-
Special dividends paid		**(150)**	-
Net interest and other financing charges paid		**(9)**	(23)
Tax paid		**(28)**	(2)
Net cash generated from operating activities		**261**	424
Cash flows from investing activities			
Purchase of property, plant and equipment		**(379)**	(550)
Proceeds from sale of assets held for sale		**-**	75
Proceeds from sale of property, plant and equipment		**1**	-
Purchase of other intangible assets		**(13)**	(6)
Redemption of loan notes		**2**	3
Net cash used by investing activities		**(389)**	(478)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**2**	3
Purchase of own shares for employee share schemes		**(15)**	(8)
Proceeds from drawdown of bank loans		**-**	172
Repayment of bank loans		**(305)**	(154)
Proceeds from drawdown of finance leases		**-**	71
Repayment of capital elements of finance leases		**(9)**	(6)
Net proceeds from sale and operating leaseback of aircraft		**-**	273
Net decrease / (increase) in money market deposits		**55**	(38)
Increase in restricted cash		**(37)**	(67)
Net cash (used by) / generated from financing activities		**(309)**	246
Effect of exchange rate changes		**(18)**	(4)
Net (decrease) / increase in cash and cash equivalents		**(455)**	188
Cash and cash equivalents at beginning of year		**1,100**	912
Cash and cash equivalents at end of year		**645**	1,100

Notes to the Accounts

1. Basis of preparation

This consolidated financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2012 but is extracted from the 2012 Annual report and accounts.

The Annual report and accounts for 2011 have been delivered to the Registrar of Companies.

The Annual report and accounts for 2012 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

2. Significant judgements, estimates and critical accounting policies

The preparation of accounts in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of income and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, events or actions may mean that actual results ultimately differ from those estimates, and these differences may be material. The estimates and the underlying assumptions are reviewed regularly.

The following two accounting policies are considered critical accounting policies as they require a significant amount of management judgment and the results are material to easyJet's accounts.

Goodwill and landing rights

Goodwill and landing rights are tested for impairment at least annually. easyJet has one cash-generating unit, being its route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of its operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network.

The value in use of the cash-generating unit is determined by discounting future cashflows to their present value. When applying this method, easyJet relies on a number of estimates including its strategic plans, fuel prices, exchange rates, long term economic growth rates for the principal countries in which it operates and its pre-tax weighted average cost of capital.

Aircraft maintenance provisions

easyJet incurs liabilities for maintenance costs in respect of aircraft leased under operating leases during the term of the lease. These arise from legal and constructive contractual obligations relating to the condition of the aircraft when it is returned to the lessor. To discharge these obligations, easyJet will also normally need to carry out one heavy maintenance check on each of the engines and the airframe during the lease term.

A charge is made in the income statement based on hours or cycles flown to provide for the cost of these obligations. Estimates required include the likely utilisation of the aircraft, the expected cost of the heavy maintenance check at the time it is expected to occur, the condition of the aircraft and the lifespan of life-limited parts.

The bases of all estimates are reviewed annually, and also when information becomes available that is capable of causing a material change to an estimate, such as renegotiation of end of lease return conditions, increased or decreased utilisation, or changes in the cost of heavy maintenance services.

3. Net finance charges

	2012 £ million	2011 £ million
Interest receivable and other financing income		
Interest income	**(10)**	(9)
Net exchange gains on financing items	**(1)**	-
	(11)	(9)
Interest payable and other financing charges		
Interest payable on bank loans	**20**	20
Interest payable on finance lease obligations	**5**	5
Other interest payable	**-**	(1)
Net exchange losses on financing items	**-**	6
	25	30
	14	21

Other interest payable in 2011 includes a credit of £1 million reversing previous interest accruals.

4. Tax charge

Tax on profit on ordinary activities

	2012 £ million	2011 £ million
Current tax		
United Kingdom corporation tax	**37**	5
Foreign tax	**11**	9
Prior year adjustments	**-**	(30)
Total current tax charge / (credit)	**48**	(16)
Deferred tax		
Temporary differences relating to property, plant and equipment	**42**	54
Other temporary differences	**(8)**	(5)
Prior year adjustments	**(2)**	7
Change in tax rate	**(18)**	(17)
Total deferred tax charge	**14**	39
	62	23
Effective tax rate	**20%**	9%

In the year ended 30 September 2011 the adjustments in respect of prior year reflect the resolution and reassessment of various tax matters following discussions with the UK and European tax authorities. This has resulted in the net credits to the prior year current tax, and debits to prior year deferred tax referred to above.

Current tax liabilities at 30 September 2012 amounted to £29 million (2011: £9 million), of which £12 million relates to years prior to 2012 which remain open with the relevant tax authorities.

During the year ended 30 September 2012, net cash tax paid amounted to £28 million (2011: £2 million).

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

	2012 £ million	2011 £ million
(Charge) / credit to other comprehensive income		
Deferred tax (charge) / credit on fair value movements of cash flow hedges	**(7)**	9
Credit / (charge) to shareholders' equity		
Current tax credit on share-based payments	**1**	-
Deferred tax credit / (charge) on share-based payments	**2**	(1)
	3	(1)

5. Earnings per share

Basic earnings per share has been calculated by dividing the profit for the year by the weighted average number of shares in issue during the year after adjusting for shares held in employee share trusts.

To calculate diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares. Share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year are considered to be dilutive potential shares. Where share options are exercisable based on performance criteria and those performance criteria have been met during the year, these options are included in the calculation of dilutive potential shares.

Earnings per share is based on:

	2012 £ million	2011 £ million
Profit for the year	**255**	225

	2012 million	2011 million
Weighted average number of ordinary shares used to calculate basic earnings per share	**408**	429
Weighted average number of dilutive share options	**5**	4
Weighted average number of ordinary shares used to calculate diluted earnings per share	**413**	433

Earnings per share	**2012 pence**	2011 pence
Basic	**62.5**	52.5
Diluted	**61.7**	52.0

An ordinary dividend in respect of the year ended 30 September 2012 of £85 million (2011: ordinary dividend £46 million, special dividend £150 million) 21.5 pence per share (2011: 10.5 pence per share) is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this dividend payable.

On 5 March 2012, the shares of easyJet plc were consolidated on an 11 for 12 basis. The impact of the share consolidation on the weighted average number of shares used to calculate basic and diluted earnings per share is to reduce it by 21 million.

6. Property, plant and equipment

	Aircraft and spares	Leasehold improvements	Other	Total
	£ million	£ million	£ million	£ million
Cost				
At 01 October 2011	**2,410**	**8**	**19**	**2,437**
Additions	**371**	**7**	**14**	**392**
Transfer to intangible assets	**-**	**-**	**(13)**	**(13)**
Disposals	**(36)**	**-**	**(6)**	**(42)**
At 30 September 2012	**2,745**	**15**	**14**	**2,774**
Depreciation				
At 01 October 2011	**276**	**4**	**8**	**288**
Charge for the year	**93**	**1**	**3**	**97**
Disposals	**(1)**	**-**	**(5)**	**(6)**
At 30 September 2012	**368**	**5**	**6**	**379**
Net book value				
At 30 September 2012	**2,377**	**10**	**8**	**2,395**
At 01 October 2011	2,134	4	11	2,149

The net book value of aircraft includes £88 million (2011: £164 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £990 million (2011: £1,206 million) were mortgaged to lenders as loan security.

Aircraft with a net book value of £154 million (2011: £159 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 18 (2011: 37) Airbus A320 family aircraft, with a total list price of US$1.0 billion (2011: US$1.9 billion) before escalations and discounts for delivery in the period to April 2015.

7. Reconciliation of operating profit to cash generated from operations

	2012 **£ million**	2011 £ million
Operating profit	**331**	269
Adjustments for non-cash items:		
Depreciation	**97**	83
Loss on disposal of property, plant and equipment	**1**	-
Amortisation of intangible assets	**8**	7
Share based payments	**12**	6
Changes in working capital and other items of an operating nature:		
(Increase) / decrease in trade and other receivables	**(44**)	27
Increase in trade and other payables	**74**	87
Increase / (decrease) in provisions	**18**	(5)
Decrease / (increase) in other non-current assets	**6**	(9)
Decrease / (increase) in derivative financial instruments	**4**	(2)
Increase in non-current deferred income	**(13)**	(14)
	494	449

8. Reconciliation of net cash flow to movement in net funds / (debt)

	01 October 2011 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	30 September 2012 £ million
Cash and cash equivalents	1,100	(18)	-	(437)	**645**
Money market deposits	300	(7)	-	(55)	**238**
	1,400	(25)	-	(492)	**883**
Bank loans	(1,079)	25	(3)	305	**(752)**
Finance lease obligations	(221)	7	-	9	**(205)**
	(1,300)	32	(3)	314	**(957)**
Net funds / (debt) (non-GAAP measure)	100	7	(3)	(178)	**(74)**

9. Related party transactions

The Company licences the easyJet brand from easyGroup IP Licensing Limited ("easyGroup"), a wholly owned subsidiary of easyGroup Holdings Limited, an entity which easyJet's founder, Sir Stelios Haji-Ioannou, holds a beneficial interest and holds 26.07% of the issued share capital of the Company.

Under the Amended Brand Licence signed in October 2010, 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. The full term of the agreement is 50 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-Ioannou ("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 5 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 3 years from the date of the Comfort Letter, to not sell the easyJet brand or the shares in easyGroup IP Holdings Limited to any airline licensed in any EEA country, or Switzerland, or the owner or indirect owner of such airline; and
- for 5 years from the date of the Comfort Letter, Sir Stelios Haji-Ioannou 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 income statement for the year ended 30 September 2012 for these items were as follows:

	2012 £ million	2011 £ million
Annual royalty	**5.0**	4.0
Brand protection (legal fees paid through easyGroup to third parties)	**1.2**	0.7
Agreement with Sir Stelios Haji-Ioannou	**0.3**	0.3
	6.5	5.0

At 30 September 2012, £0.2 million (2011: £nil) of the above aggregate amount was included in trade and other payables.