easyJet plc

Preliminary results for the year to 30 September 2008

PROFITS IMPACTED BY INCREASED FUEL COST

Highlights

- Underlying profit before tax of £123 million[1] (2007: £191 million[1]), equivalent to £2.37 (2007: £4.30) per seat flown
- Reported profit before tax of £110 million (2007: £202 million)
- Total revenue up 31.5% to £2,363 million
- Passenger numbers up 17.3% to 43.7 million and load factor improved 0.4pp to 84.1%
- Total revenue per seat up 12.6% (7.3% at constant currency) for the full year and 15.2% (9.3% at constant currency) for the second half, driven by improved ancillary revenue performance and increased sector length associated with the acquisition of GB Airways on 31 January 2008
- Total cost per seat[1] (excluding fuel and exchange movement) up 5.6% partly driven by increased sector length
- Over half of the £210 million or £4.08 fuel cost per seat increase recovered through revenue improvements
- The fleet grew to 165 aircraft at 30 September 2008 (2007: 137) including 16 as part of the acquisition of GB Airways
- Strong liquidity with cash and money market deposits of £863 million (excluding restricted cash of £66 million)
- Nearly half of passengers now originate outside the UK

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

“easyJet delivered a good trading performance in the financial year ending September 2008. Our winter bookings for the first quarter of 2009 are slightly ahead of last year, which is partly a reflection of the reduction in competitive capacity on our routes and partly our own decision to restrict our growth in seats flown. There is also evidence of a "flight to value" for both business and leisure passengers.

We recognise that economic conditions will be very difficult and easyJet is planning accordingly, which means focusing on offering customers great value, driving down controllable costs and preserving cash. Unlike many of our competitors, our Airbus contract provides us with a flexible approach to fleet growth, which we intend to make full use of in such uncertain economic conditions.

easyJet is well placed to emerge as a winner, due to our cost base, strong balance sheet, new fuel efficient fleet and the quality of the easyJet network. We now have a leading position at Gatwick and the 31% growth in seat capacity in mainland Europe has strengthened our position in France, Italy and Spain.”

Results at a glance

	2008	2007	% change
Total revenue (£ million)	**2,362.8**	1,797.2	31.5%
Profit before tax - underlying (£ million) [1]	**123.1**	191.3	(35.7)%
Profit before tax - reported (£ million)	**110.2**	201.9	(45.4)%
Pre tax margin - underlying (%) [1]	**5.2**	10.6	(5.4)pp
Return on equity - underlying (%) [1]	**7.6**	13.6	(6.0)pp
Basic EPS - reported (pence)	**19.8**	36.6	(45.9)%

Note 1: Underlying financial performance excludes £12.9 million of costs associated with the integration of GB Airways in 2008 and excludes the reversal of the impairment of the investment in The Airline Group of £10.6 million in 2007.

On the evening of 17 November 2008 easyJet received a statement from Sir Stelios Haji-Ioannou concerning the easyJet plc financial statements for the year ended 30 September 2008. His statement is attached to this release and explains his concerns and his reasons for abstaining from the Board vote to approve the annual report and accounts 2008. The rest of the Board were unanimous in their approval of the accounts and the Company's auditors, PwC, have reported on those accounts and have given an unqualified report that does not contain a statement under section 237 (2) or (3) of the Companies Act 1985.

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easyJet plc

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There will be an analyst presentation at 9:30 am on 18 November 2008 at RBS, 3rd floor, 250 Bishopsgate, EC2M 4AA. A live webcast of the presentation will be available at www.easyJet.com.

Business review

In the past year easyJet has continued to develop its business successfully with passenger numbers increasing by 17.3% to 43.7 million and nearly half of easyJet's passengers now originate from outside the UK. The average number of aircraft in the fleet in 2008 increased to 150 from 128 in 2007. easyJet has grown in the past 13 years through capturing market share from charter and legacy carriers on primary routes, as well as stimulating new markets to become the fourth largest airline in European short-haul aviation, with a near 7% share measured by seats flown**.** The market is highly fragmented with approximately 230 carriers in total of which the top 50 account for 90% of the capacity in the market. European short-haul aviation has seen an average annual increase in passenger traffic of around 4.5% over the past 20 years, however the combination of higher fuel costs and the weakening consumer environment is causing significant changes in the industry.

Strategy and business model

In the current environment it is companies such as easyJet with a strong business model and balance sheet that will survive and ultimately emerge stronger.

easyJet's business model is centred around the following strengths:

- Low cost, financially strong and highly efficient;
- Europe's No.1 air transport network;
- Strong customer proposition.

Through building on these strengths easyJet has improved its underlying return on equity from 7.1% in 2005 to 13.6% in 2007, however in 2008 underlying return on equity has reduced to 7.6% mostly due to the increase in fuel cost per seat of £4.08 equating to an increase in the fuel bill of around £210 million. Encouragingly though, easyJet was able to offset over half of this increase through revenue and cost initiatives demonstrating the strength and resilience of the business model and its appeal to customers. easyJet remains committed to achieving a 15% return on equity although the current difficult economic climate and uncertainty over the future may make this a challenging target to achieve over the medium term. In the current climate, the business will take a prudent approach to cash conservation in order to emerge as the winner in European short haul aviation when the economic conditions have improved.

Financial strength

easyJet is financially strong with £863 million of cash and money market deposits on the balance sheet (excluding restricted cash of £66 million) and low gearing at 29% as at the balance sheet date of 30 September 2008. In addition, financing at favourable rates (less than 100 basis points above LIBOR) is already in place with a number of counterparties to fund easyJet's committed aircraft deliveries over the next 18 months. In the next 18 months the capital expenditure outflow in respect of aircraft deliveries amounts to $1.2 billion. This will be funded from the current undrawn facilities of $1.1 billion. Beyond 18 months easyJet will seek additional aircraft financing.

Network development

A key differentiator for easyJet is its network. Through its focus on convenient airports and by building strong positions at the major airports in key markets such as London, Milan Malpensa, Geneva and Paris easyJet has developed Europe's premier air transport network when measured both by consumer reach and presence on the top 100 routes. The network ensures easyJet has a broad appeal across geographies and customer types and thus a balanced revenue base.

In the past year easyJet has further strengthened its network by the integration of GB Airways which has given easyJet the leading position at Gatwick with its large and affluent catchment area. easyJet now has 35 aircraft based at Gatwick.

easyJet's expansion in mainland Europe in 2008 has been derived from organic growth with capacity, measured by seats flown, in the year increasing by 31% focusing on the key markets of France, Italy and Spain.

Network performance

easyJet continues to manage its network performance by optimising routes, actively managing yields through its proprietary yield management system and continuing to focus on a broad range of customer groups.

During the year, 24 underperforming routes were closed and it was announced that Dortmund would be closed as a base in October.

In the UK, the summer performance was pleasing with particular strength at Gatwick and Newcastle. Yields at Belfast remained challenging, however, it is pleasing that customers continue to prefer easyJet with load factors being significantly ahead of the competition on key overlapping routes.

Over the past year, easyJet continued the development of its business in Italy. 11 aircraft are now based at Milan Malpensa covering a network of 21 destinations including domestic routes such as Naples, Palermo and Bari. easyJet has now displaced Alitalia to become the number one short-haul airline at Malpensa.

In the year, two new bases were opened in France, one at Paris Charles de Gaulle and one at Lyon. There are now 12 aircraft operating out of the French bases, further developing market share and consolidating easyJet's position as France's premier low fares carrier.

Performance of the Madrid base has been challenging but has improved during the year as weaker competitors have started to consolidate and withdraw capacity.

Switzerland continues to be an important market for easyJet where it holds the leading position at Basel and Geneva.

Focus on margins

easyJet remains focused on margin improvement and in order to limit further margin dilution over the winter, has withdrawn several lower yielding flights in those hours of the day and days of the week where consumer demand is weak thereby reducing aircraft utilisation compared to last winter.

A key element of revenue enhancement is the continued development of easyJet's ancillary revenue stream. The checked bag charge, introduced during the year, has quickly become a strong contributor to total revenue. Speedy Boarding and Speedy Boarding Plus are recognised as valuable customer offerings generating consistently good revenue. A significant step in the development of in-flight revenues was the transfer of the service provision to Gate Gourmet at the end of last year. Subsequently, revenues have improved and the next stage of development, the introduction of electronic point of sale equipment on board, will further enhance the in-flight revenue stream. Partner revenues continue to improve and of particular note this year was the improvement in insurance revenues following changes such as the introduction of annual, multi-trip, and one-way policies and enhancement of the website presentation.

The cost environment continued to be challenging with above inflationary increases in airport charges at Gatwick, Stansted, Paris and Amsterdam. Despite this, easyJet has delivered an improvement in cost per available seat kilometre excluding fuel and currency impacts. easyJet's low cost and efficient operation is a key competitive advantage and continued aggressive cost management is vital to easyJet's future success and thus easyJet has put in place clear targets for further cost reduction over the next three years in the areas of ownership, maintenance, crew and fuel burn. These initiatives are expected to deliver more than £100 million of savings by 2011. easyJet made 60 head office staff redundant in September 2008, this and other overhead rationalisation will result in annual savings of £6 million.

Fleet

easyJet benefits from its young fuel efficient fleet and the low ownership costs negotiated as part of the ongoing relationship with Airbus. In the year, easyJet took delivery of 13 A319 aircraft under the terms of the easyJet agreement and acquired 15 A320 family aircraft through the GB Airways acquisition. Subsequently, easyJet has taken delivery of three further A321 GB Airways configured aircraft with two returned to lessors during the period. In addition, easyJet reached an agreement with Airbus to convert 25 Airbus A319 orders to those for A320 aircraft with 180 seats. These aircraft will be deployed on some of the longer sector routes acquired with GB Airways, on some of the traditional easyJet routes to pick up extra revenue at peak times and at slot constrained airports. easyJet has 45 aircraft in its Boeing and GB Airways sub-fleet and the intention is to exit all of these aircraft from the fleet by 2011 to realise ownership cost savings of £40 million per annum.

The sale of the seven A321 aircraft from the GB Airways sub-fleet and five A319 aircraft continues to progress albeit in the current market potential purchasers are finding financing more difficult to arrange. In light of the current economic environment, the Board will adopt a cautious approach to growth and will focus on maintaining a strong balance sheet. The Board will continue to monitor capital expenditure plans and fleet planning decisions quarterly. The Airbus contract allows easyJet, with 18 months notice, to defer up to half of the future deliveries for up to two years. In the light of the slow sale of surplus aircraft and the likelihood of a prolonged recession the Board has decided in September 2008 to defer four aircraft scheduled for delivery in 2010 and will keep the rest of the committed orders under review given the current uncertain economic climate.

	Owned	Under operating lease	Under finance lease	Total	Changes in year	Future deliveries (including exercised options) (Notes 1,3)	Unexercised options (Note 2)
easyJet A320 family	68	46	6	120	13	107	88
Boeing 737-700	-	29	-	29	(1)	-	-
GB Airways Airbus	7	9	-	16	16	2	-
	75	**84**	**6**	**165**	**28**	**109**	**88**

Note 1: easyJet has the ability to defer 50% of its committed orders with Airbus for up to two years by giving 18 months notice

Note 2: Options may be taken as any A320 family aircraft and are valid until 2015

Note 3: The 109 future deliveries are anticipated to be delivered over the next four financial years, 36 in 2009, 30 in 2010, 24 in 2011 and 19 in 2012

The total fleet plan over the period to 30 September 2011 is as follows:

	Airbus A320 family	Boeing 737-700	GB Airways	Total aircraft
At 30 September 2007	107	30	-	137
At 30 September 2008	120	29	16	165
At 30 September 2009	150	17	5	172*
At 30 September 2010	179	8	-	187
At 30 September 2011	197	-	-	197

* Assumes assets held for sale are sold in financial year 2009.

Outlook

The economic outlook remains very difficult and highly uncertain. Despite this, easyJet's forward bookings for the first quarter of the financial year are currently slightly ahead of prior year.

In order to limit margin dilution over the winter from the impact of higher fuel costs easyJet has withdrawn lower yielding flights, and as a result aircraft utilisation this winter will fall to an average 9 hours a day from 11.6 hours in the previous winter.

easyJet's capacity for the winter, measured in seats flown, will be broadly flat with last year but we expect competitor capacity on easyJet routes to fall by 7% in the same period. There is also evidence of a "flight to value" for both business and leisure passengers which means that easyJet's total revenue per seat flown for the first half of the year is expected to be slightly ahead of last year on a constant currency basis.

Non fuel costs per seat for the winter are expected to increase mid to high single digits at constant currency in the first half. The impact of higher fuel costs will be felt most sharply in the first half of 2009 and thus pre-tax margins will decline in the first half compared to the prior year.

The outlook for summer 2009 is uncertain due to the difficult macro-economic environment and yields will depend on the extent of the fall in consumer expenditure in Europe and the level of competitor capacity reduction in the market. We expect to see further downsizing and consolidation of many weak competitors.

In the second half, easyJet expects to make progress on costs through negotiations with suppliers, reductions in overheads and improved crew efficiency which means that in total non fuel unit costs per seat for the full year are expected to increase by low single digits before the impact of currency. For the full year at current fuel and exchange rates easyJet expects to be profitable.

To reduce our short term earnings volatility easyJet has put the following fuel and currency hedging positions in place:

- 66% fuel requirement hedged at $1,146 per metric tonne;
- 66% of anticipated 2009 US$ requirement is hedged at $1.96 /£, an additional 5% of requirements are hedged with collars with average floors of $1.73/£;
- 56% of 2009 capital expenditure relating to aircraft deliveries hedged at $1.97/£;
- 81% of anticipated 2009 euro surplus hedged at €1.24 /£.

easyJet is financially strong and the Board, despite caution about the current consumer environment, remains confident in easyJet's future prospects.

Financial review

Key performance indicators	2008	2007	Change %
Return on equity (reported)	**6.8%**	14.3%	(7.5)pp
Return on equity (underlying)*	**7.6%**	13.6%	(6.0)pp
Seats flown (millions)	**51.9**	44.5	16.8
Passengers (millions)	**43.7**	37.2	17.3
Load factor	**84.1%**	83.7%	0.4pp
Available seat kilometres (ASK) (millions)	**55,687**	43,501	28.0
Revenue passenger kilometres (RPK) (millions)	**47,690**	36,976	29.0
Average sector length (kilometres)	**1,073**	978	9.6
Sectors	**333,017**	287,952	15.7
Block hours	**631,084**	518,410	21.7
Number of aircraft owned/leased at end of period	**165**	137	20.4
Average number of aircraft owned/leased during period	**150.1**	128.1	17.1
Number of aircraft operated at end of period	**161**	132	22.0
Average number of aircraft operated during period	**145.3**	122.6	18.5
Operated aircraft utilisation (hours per day)	**11.9**	11.6	2.5
Number of routes operated at end of period	**380**	289	31.5
Number of airports served at end of period	**100**	77	29.9
Per seat measures (underlying)*			
Profit before tax per seat (£)	**2.37**	4.30	(44.9)
Revenue per seat (£)	**45.51**	40.42	12.6
Cost per seat (£)	**43.14**	36.12	(19.4)
Cost per seat excluding fuel (£)	**29.49**	26.55	(11.1)
Per ASK measures (underlying)*			
Profit before tax per ASK (pence)	**0.22**	0.44	(49.7)
Revenue per ASK (pence)	**4.24**	4.13	2.7
Cost per ASK (pence)	**4.02**	3.69	(8.9)
Cost per ASK excluding fuel (pence)	**2.75**	2.71	(1.3)

* Underlying performance excludes the GB Airways integration costs in 2008 of £12.9m and the reversal of the impairment of the Group's investment in The Airline Group in 2007 of £10.6m.

Reported profit before tax for 2008 was £110.2 million including £12.9 million of one-off integration costs related to the acquisition of GB Airways. Excluding these costs the underlying profit for the year was £123.1 million compared to £191.3 million in 2007. The fundamental performance trends within the business remain strong despite a £1.93 fall in underlying profit per seat from £4.30 in 2007 to £2.37 in 2008. The financial presentation of the results is significantly influenced by the following factors:

- Fuel prices;
- GB Airways acquisition;
- Strengthening euro exchange rate.

Fuel prices

The average market price for jet fuel during 2008 was $1,070 per metric tonne (excluding fees and taxes) compared to $643 in 2007. After taking account of hedging the effective rates were $948 in 2008 compared to $688 in 2007. Total fuel cost amounted to £708.7m for 2008 an increase of 66.6% on 2007; this equates to a cost per seat of £13.65, up £4.08, or 42.6%, from 2007. With underlying profit per seat falling by £1.93 per seat over 50% of the increase in fuel costs has been offset in the year.

Despite adding heavier aircraft into the fleet during the year (GB Airways' A320s and A321s) the average fuel burn remained broadly flat at 717 (2007: 716) US gallons per block hour.

GB Airways acquisition

The acquisition of GB Airways was completed on 31 January 2008. The business continued to operate as a British Airways franchise until 29 March 2008 and was then fully integrated into the easyJet operation; thereafter separate performance information is not available for the ex GB Airways business.

The acquisition brought into easyJet 18 new destinations with, on average, double the sector length of the existing business. Consequently there has been a significant increase of 10% in average sector length this year compared to 2007 from 978km in 2007 to 1,073km in 2008 and this results in an increase in both revenue and most cost per seat flown performance measures.

Strengthening euro exchange rate

The euro has strengthened by 11% from an average rate of 1.48/£ in 2007 to 1.32/£ in 2008. As easyJet continues to grow and expand relatively more into mainland Europe the impact of the euro exchange rate on revenues and costs increases; approximately 42% of revenues and 30% of costs are denominated in euro or swiss francs. Both revenue and cost per seat measures, when compared to 2007, increased by just over 5% due to exchange rate movements.

Given the impact of the GB Airways acquisition on key performance per seat measures these are also presented on an ASK basis. However, key measures on a per seat basis are still the key unit metrics used by management to monitor the financial performance of the business.

Due to the large impact that the stronger euro has had on the business during the year and latterly the dollar at the end of the year, key measures are also shown on a constant currency basis versus 2007.

	2008	2007	Change %
Total revenue			
Per seat (£)	**45.51**	40.42	12.6
At constant currency (£)	**43.36**	40.42	7.3
Per ASK (pence)	**4.24**	4.13	2.7
At constant currency (pence)	**4.04**	4.13	(2.1)
Cost excluding fuel			
Underlying per seat (£)	**29.49**	26.55	(11.1)
At constant currency (£)	**28.04**	26.55	(5.6)
Underlying per ASK (pence)	**2.75**	2.71	(1.3)
At constant currency (pence)	**2.61**	2.71	3.7

Total revenue

Total revenue grew 31.5% to £2,362.8m which, on a per seat basis, reflects a growth of £5.09 or 12.6%. Passenger revenue grew 22.7% and ancillary revenue, excluding bag charges, grew by 30.3%; the introduction, this year, of the checked bag charge delivered £144.1m, or £2.76 per seat, of revenue.

Passenger revenue

Passenger revenue growth of 22.7% to £1,995.7 million was driven by an increase of 16.8% in seats flown from 44.5 million to 51.9 million using an average of 150 aircraft in 2008 compared to 128 in 2007, the acquisition of GB Airways and the strengthening of the euro. Load factor improved by 0.4pp to 84.1% resulting in passenger numbers increasing 17.3% to 43.7 million. The growth in capacity (seats flown) reflected a net increase of 22, or 17.1%, in the average number of aircraft compared to last year. Apart from the increase in aircraft at Gatwick through the acquisition of GB Airways, which accounts for almost all of the growth in London capacity, most of the growth, continuing the trend seen in the past two years, has been into continental Europe, particularly in France, Italy and Spain.

Average passenger yields rose 5.1% to £38.44 whilst on a constant currency basis the increase was 0.5%. Yield dilution from the introduction of the checked bag charge and the full year impact of the doubling of APD in the UK, from February 2007, has been more than offset by organic growth supplemented by the acquisition of GB Airways.

Ancillary revenue

Ancillary revenue increased by 114.5%, or £195.9 million to £367.1 million principally driven by the introduction of the checked bag charge which delivered £144.1 million of revenue. As expected there has been some yield dilution at ticket price level but with 71% of passengers having checked baggage the net result is positive.

Speedy Boarding continues to perform well and has recently been improved with the introduction of Speedy Boarding Plus; typically 11 passengers per flight take up Speedy Boarding. Total revenue in the year was £19.7 million up from £7.9 million in the previous year.

In November 2007 the provision of inflight services was changed from Alpha to Gate Gourmet and, after the expected transition period, performance is on target. Total partner and inflight revenue, on a per seat basis, increased by 11.7% from 2007 to £4.30.

Costs

Underlying costs*	**2008 £ million**	**2008 per seat**	2007 £ million	2007 per seat
Ground handling charges	**212.2**	**4.09**	156.1	3.51
Airport charges	**397.2**	**7.65**	305.8	6.88
Fuel	**708.7**	**13.65**	425.5	9.57
Navigation charges	**195.7**	**3.77**	141.8	3.19
Crew costs	**263.2**	**5.07**	204.1	4.59
Maintenance	**147.5**	**2.84**	98.1	2.21
Advertising	**46.5**	**0.90**	38.0	0.85
Merchant fees and commissions	**33.7**	**0.65**	20.6	0.46
Aircraft and passenger insurance	**9.1**	**0.17**	12.1	0.27
Other costs	**87.5**	**1.68**	96.9	2.18
Total operating costs	**2,101.3**	**40.47**	1,499.0	33.71
Net ownership costs	**138.4**	**2.67**	106.9	2.41
Total costs	**2,239.7**	**43.14**	1,605.9	36.12
Total costs excluding fuel	**1,531.0**	**29.49**	1,180.4	26.55

* Underlying costs exclude the GB Airways integration costs in 2008 of £12.9m and the reversal of the impairment of the Group's investment in The Airline Group in 2007 of £10.6m.

Total costs

Total underlying cost per seat increased by 19.4% or £7.02 to £43.14; the fuel price rise accounted for £4.08 of this increase so excluding fuel cost per seat was up £2.94 or 11.1% compared to 2007. In addition to the strengthening of the euro, the swiss franc strengthened by 11%. A significant portion of the cost base is denominated in these currencies (including airport and ground handling costs, navigation costs, maintenance and some staff and crew costs) and as a result unit costs have been adversely impacted. Excluding the impact of exchange rates cost per seat, excluding fuel, was up £1.49 or 5.6%. On a cost per ASK basis, excluding fuel, costs rose by 1.3% but on a constant currency basis fell by 3.7%.

The key areas driving the 5.6% cost increase are highlighted below:

Ground handling cost per seat at constant currency (approximately 55% of these costs are denominated in euro), was up £0.25, or 7.2%, compared to 2007. The three key drivers of this increase are price, mix and the acquisition of GB Airways. In terms of price, inflationary increases have been incurred through additional charges being levied and legislation being introduced e.g. the new PRM (Passengers with Reduced Mobility) charge has been passed by the EU, poorly handled by airports and partially passed on to the airlines.

In terms of mix, which is equally applicable to airport costs, easyJet continues to build its presence in the top airports throughout Europe and at the end of 2008 it was present in 37 of the top 50. These airports are typically the more expensive airports and the allocation of more capacity to these airports, such as Paris Charles de Gaulle and Gatwick, has resulted in higher costs offset by higher margins.

In addition, the acquisition of GB Airways has, in the short term, added higher costs relating to their network and the addition of their larger and heavier aircraft.

Airport cost per seat at constant currency (approximately 51% of these costs are denominated in euro), was up £0.14, or 2.1%, compared to 2007. The main driver of the increase in costs has been significant over-inflationary price rises in airport passenger related charges. The increases at Gatwick by BAA during the year have, alone, resulted in an additional 19p per seat and when combined with significant rises at Stansted and Luton this incremental cost rises to 37p per seat.

In May 2008, in response to the Gatwick increases, easyJet submitted to the High Court its application for a judicial review of the way the UK Civil Aviation Authority allowed BAA to raise its prices by such amounts.

The other key factor impacting airport costs was mix, as referred to in the ground handling section above.

Crew cost per seat at constant currency (a growing proportion of costs are denominated in non-sterling currencies as more overseas contracts are introduced) was up £0.36 or 7.9% compared to 2007. The main drivers of the increase in costs were the crew pay deals, the introduction of overseas contracts, an adverse increase in crew mix resulting from a lower attrition rate amongst senior crew members and the increase in sector length. During the year, including taking on GB Airways crews, easyJet recruited 315 pilots and 1,198 cabin crew. After taking account of leavers, this resulted in an 18% increase in crew complement.

Although the improvement in crew productivity has taken longer than expected, and it is affected by the lower aircraft utilisation in the winter months, crewing numbers are now back to planned levels. Crew costs continue to be a key opportunity for efficiency improvement and will be helped by investment in crew support systems.

Maintenance cost per seat at constant currency was up £0.57 or 25.9% compared to 2007. This increase in costs reflects the increase in support costs as the average age of components increases, annual contracted price escalation, the inclusion of significantly higher GB Airways maintenance costs, the insourcing of the maintenance planning function and, as mentioned in last year's annual report, the 2007 one-off adjustment to provisions resulting from the ten year engine maintenance deal agreed with GE.

On an ongoing basis the GB Airways higher costs will reduce as those aircraft exit the fleet over the next 18 months and the GE maintenance deal and the insourcing of the planning function both deliver future benefits. In addition, the move to a higher percentage owned fleet will reduce cost per seat.

Merchant fees and commissions on a cost per seat basis, at constant currency, increased by £0.16 or 35.1% compared to 2007. This increase was driven by a change in the commercial terms on which merchant fees were paid resulting in a corresponding increase in interest receivable.

Ownership cost per seat at constant currency was up £0.32 or 13.3% compared to 2007. After adjusting for the 2007 benefit of the leased Boeing 737-300s being returned at less cost than previously expected the 2008 ownership cost per seat remains flat compared to 2007. The benefit of new lower cost Airbus A319s continues to reduce the average cost of aircraft in the fleet; however, the impact this year of the higher cost GB Airways aircraft, the reduction in interest receivable due to the significant lowering of US dollar interest rates and the increase in non-aircraft depreciation through investment in systems have offset this benefit. In 2009 the GB Airways A321s are expected to be sold, and are included in assets held for sale on the balance sheet at 30 September 2008. In addition, four of the leased GB Airways A320s will also be returned to lessors.

All of the 29 Boeing 737-700 leased aircraft are expected to have left the fleet within the next three years being replaced by lower cost A320 family aircraft thereby realising more of the benefit, through lower ownership costs, of the Airbus purchase deal.

Aircraft insurance and other costs improved in the year. The improvement in insurance costs, achieved through better negotiation and scale, delivered £0.10 per seat and the continued focus on overhead costs delivered a year over year improvement of £0.50 per seat. During September 2008 easyJet completed a review of head office activities and as part of its ongoing drive to improve cost efficiency and to react to the changing external economic climate, made 60 people redundant. The financial benefit of this will be seen in 2009.

Profit before tax and return on equity

Reported profit before tax for 2008 was £110.2 million; after excluding the one-off integration costs related to the acquisition of GB Airways, underlying profit before tax was £123.1 million. This is a fall of £68.2 million from the underlying profit before tax in 2007, despite the fuel bill rising £283.2 million. With total revenue per seat increasing by 12.6% and total cost per seat increasing by 19.4% profit margin dropped by 5.4pp to 5.2%. The effective tax rate for the year was broadly unchanged at 24.5% compared to 24.6% in 2007. For 2009 the effective tax rate is expected to be in line with the current year.

Reported return on equity for the year was 6.8%; excluding the one-off integration costs in relation to GB Airways the underlying return was 7.6%. This is a fall of 6.0pp compared to the underlying return in 2007 of 13.6%. The Board has set return on equity as its key financial measure as it best represents the return attributable to shareholders; the medium term average target for this return is 15% and despite the drop in the return this year and the prospect of challenging times ahead, the Board believes that this return continues to be the appropriate and achievable medium term target.

Summary balance sheet

	2008 £ million	2007 £ million	Change £ million
Property, plant and equipment	**1,102.6**	935.8	166.8
Other non-current assets	**578.2**	414.2	164.0
	1,680.8	1,350.0	330.8
Net working capital	**(300.6)**	(326.9)	26.3
Cash and cash equivalents	**632.2**	719.1	(86.9)
Money market deposits	**230.3**	193.4	36.9
Borrowings	**(626.9)**	(519.1)	(107.8)
Other non-current liabilities	**(337.6)**	(264.1)	(73.5)
Net assets	**1,278.2**	1,152.4	125.8
Share capital and premium	**745.9**	738.7	7.2
Reserves	**532.3**	413.7	118.6
	1,278.2	1,152.4	125.8

Net assets increased by £125.8 million to £1,278.2 million due to the profit after tax and the increase in the fair value of cashflow hedges net of deferred tax.

The net increase in property, plant and equipment in the year was £166.8 million. Additions in respect of new aircraft delivered, the fair value of GB Airways aircraft acquired, pre-delivery deposits for future deliveries and non aircraft assets totalled £407.4 million, this was offset by depreciation in the year of £44.4 million and a transfer to assets held for sale of £195.8 million for the seven Airbus A321s and five Airbus A319s put up for sale prior to year end. These assets held for sale are included in net working capital above.

The increase in other non-current assets is predominately due to the fair value of Gatwick landing rights of £72.4 million, an intangible asset arising from the GB Airways acquisition and goodwill arising of £50.2 million from the GB Airways acquisition, and the fair value of foreign exchange and fuel derivative assets totalling £21.3 million that mature in more than one year.

Net working capital reduced by £26.3 million. The assets held for sale, net increases in the fair value of derivatives maturing in less than one year and small increases in restricted cash and trade receivables were offset by additional unearned revenue and trade payables as a result of increased capacity, and increased short term maintenance provisions as certain leased aircraft approach heavy maintenance shop visits.

The total of cash and cash equivalents and money market deposits is £862.5 million. This represents a decrease of £50.0 million, however, a net £118.0 million was spent on the acquisition of GB Airways in the year. Money market deposits of £230.3 million are held in US dollars to match US dollar denominated borrowings and provide a hedge against interest rate re-pricings. Net cash generated from operations was used to fund the continued investment in the fleet in addition to the acquisition.

Excluded from the above total is £66.2 million of restricted cash disclosed in other non-current assets and net working capital. These amounts relate principally to operating lease deposits and customer payments for holidays.

Borrowings have increased by £107.8 million in the year as a result of acquisition of loans from GB Airways of £59.1 million, new loans to fund three of the 13 Airbus A319 purchases in the year and a significant movement in the US dollar rate compared to 30 September 2007 offset by the repayment of loan and finance lease capital in the year.

Other non-current liabilities include maintenance provisions for work due to be performed in more than one year of £160.4 million, deferred tax liabilities of £108.1 million, deferred income relating principally to the excess of sale price over fair value for aircraft subject to sale and leaseback of £68.8 million and some minor derivative liabilities maturing in more than one year.

Gearing increased in the year from 20.4% to 28.7%. Cash was used to purchase GB Airways and the acquisition resulted in taking on additional borrowings related to owned aircraft and additional lease costs. A strengthening US dollar in the year also contributed to increased indebtedness and lease costs.

Summary cash flow

	2008 £ million	2007 £ million	Change £ million
Cash generated from operations	**296.2**	270.8	25.4
Net capital expenditure	**(417.6)**	(272.1)	(145.5)
Net (decrease) / increase in loan finance	**(5.5)**	69.1	(74.6)
Net increase in money market deposits	**(8.7)**	(197.3)	188.6
Other including the effect of exchange rates	**48.7**	(12.1)	60.8
Decrease in cash and cash equivalents	**(86.9)**	(141.6)	54.7
Cash and cash equivalents at beginning of year	**719.1**	860.7	(141.6)
Cash and cash equivalents at end of year	**632.2**	719.1	(86.9)

The business generated strong operating cash flow in the year, the decrease in profit after tax was offset by positive movements in working capital principally increases in trade and other payables and maintenance provisions. The increase in capital expenditure is largely due to a net £118.0 million spent on the acquisition of GB Airways.

The movement in the US dollar and the euro exchange rates in the year had a positive effect on the year end cash and cash equivalents balance.

easyJet continues to hold strong cash balances and has the benefit of $937 million of additional aircraft financing secured in December 2007. During the year $52 million was drawn down from this new facility against two deliveries leaving $885 million of available funding. During the year 13 Airbus A319 and 3 A321 aircraft were delivered, 13 of which were funded from cash and three were debt financed. In addition the group has a $250 million undrawn revolving credit facility in place.

Principal risks and uncertainties

This section describes the principal risks and uncertainties which may affect easyJet's business and financial prospects.

Operational risks

Risk description	Potential impact	Mitigation
Brand ownership: easyJet does not own its own name or branding which is licensed from easyGroup IP Licensing. A loss of the licence to use the brand or imposed restrictions on its operation.	easyGroup IP Licensing has brought proceedings seeking clarification of the Brand Licence. This is not a monetary claim.	The company will defend its position.
Economic demand for air travel: easyJet's business can be affected by macro issues outside of its control such as weakening consumer confidence or inflationary pressures.	Adverse pressure on revenue, load factors and potentially residual values of aircraft.	Regular monitoring of markets and route performance through network and fleet management. Strong balance sheet supports business through challenging economic conditions for the sector. Committed undrawn borrowing facilities of $1,135 million to support funding requirements. Appropriate mix of owned and leased aircraft reduces residual value exposure.
Competition: easyJet operates in competitive marketplaces against both flag carriers and other low-cost airlines.	Loss of market share and erosion of revenue from increased competition.	Routine monitoring of competitor activity Rapid response in anticipation of / to changes.
Environmental impact: consumer attitude to climate change.	Potential impact on consumer demand for the core business.	Environmental Management Group that co-ordinates environmental policy and public communications. easyJet operates modern, fuel-efficient aircraft operating at high capacity

		and flies to conveniently located airports.
Regulatory intervention: Many of the airports which easyJet flies to are regulated, and as such charges are levied by way of regulatory decision rather than by commercial negotiation. Many airports are also slot constrained which are also subject to regulation.	Airport charges may rise. Furthermore, slots may not become readily available.	easyJet has a key role in influencing the future state of regulations. One example of its pro-activeness is the instigation of a judicial review of the Civil Aviation Authority (CAA) which may lead to changes in the economic regulation of increases to UK airport charges.
Safety / security incident: Failure to prevent a safety or security incident or deal with it effectively.	Adversely affect easyJet's reputation, operational and financial performance.	easyJet's number one priority is the safety of customers and people. easyJet operates a strong safety management system through: – Fatigue Risk Management System – Incident reporting – Safety Review Board – Safety Audit Group Response systems are in place and crisis management training is provided.
Dependence on third-party service providers: easyJet has entered into agreements with third-party service providers for services covering a significant proportion of its cost base. There can be no assurance that contract renewals will be at favourable rates.	The loss of any of these contracts, any inability to renew them or any inability to negotiate replacement contracts could have a material adverse effect.	Centralised procurement department that negotiates key contracts. Most developed markets have suitable alternative service providers.
IT security and fraud risk: easyJet receives most of its revenues through credit cards and as an e-commerce business, faces external and internal IT security risks.	A security breach could result in material adverse effect for the business and severe reputational damage.	Systems are secured and monitored against unauthorised access. Scanning software for fraudulent activity that is monitored and controlled by Revenue Protection team.
Industrial action: Large parts of the easyJet workforce are unionised. The same applies to the business's key third-party service providers, where similar issues exist.	If there is a breakdown in this process, then operations could be disrupted with a resultant adverse effect on the business.	Collective bargaining takes place on a regular basis.
Regulation and oversight across Europe: Retaining control and oversight of local regulatory and management issues across the network as the business grows geographically.	Lack of awareness of local regulations or management issues could have adverse operational, reputational and financial consequences.	Country oversight boards are being established for the main markets easyJet operates in.

Financial risks

Risk description	Potential impact	Mitigation
Fuel price and currency fluctuations: Sudden and significant increases in jet fuel price or changes in foreign exchange rates.	If not protected against, this would have a material adverse effect to the financial performance.	Policy to hedge within a percentage band for rolling 24 months. To provide protection, easyJet uses a limited range of hedging instruments traded in the over the counter markets, principally forward purchases, with a number of approved counterparties.
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 to the financial performance.	Group interest rate management policy aims to provide certainty in a proportion of its financing. Operating lease rentals are a mix of fixed and floating rates (at 30 September 2008, 60% fixed, 40% floating). All on balance sheet debt is floating rate, re-priced up to six months. Significant proportion of US dollar mortgage debt is matched with US dollar cash deposits.
Liquidity and investment risk: easyJet continues to hold significant cash and liquid investments to mitigate the risk of business disruption events.	A lack of liquid funds could result in the business being unable to meet its debts and aircraft financing commitments as they fall due. This would have a significant impact on business and financial performance and restrict future growth.	Committed undrawn facilities were $1,135 million at 30 September 2008 comprising $885 million of aircraft financing and a $250 million standby facility. Board policy requires an absolute minimum level of free cash and deposits. Cash and money market deposits totalled £863 million at 30 September 2008, excluding restricted cash of £66 million. Surplus funds are invested in high quality short-term liquid investments usually money market funds and bank deposits. Cash is placed with counterparties based on credit ratings with a maximum exposure of £100 million for AAA ratings.

Consolidated income statement

	Notes	Year ended 30 September 2008 £ million	Year ended 30 September 2007 £ million
Passenger revenue		**1,995.7**	1,626.0
Ancillary revenue		**367.1**	171.2
Total revenue		**2,362.8**	1,797.2
Ground handling charges		**(212.2)**	(156.1)
Airport charges		**(397.2)**	(305.8)
Fuel		**(708.7)**	(425.5)
Navigation charges		**(195.7)**	(141.8)
Crew costs		**(263.2)**	(204.1)
Maintenance		**(147.5)**	(98.1)
Advertising		**(46.5)**	(38.0)
Merchant fees and commissions		**(33.7)**	(20.6)
Aircraft and passenger insurance		**(9.1)**	(12.1)
Other costs		**(87.5)**	(96.9)
GB Airways integration costs		**(12.9)**	-
EBITDAR		**248.6**	298.2
Depreciation		**(44.4)**	(33.3)
Amortisation of other intangible assets		**(2.5)**	(0.9)
Aircraft dry lease costs		**(110.7)**	(91.0)
Aircraft long-term wet lease costs		**-**	(1.0)
Operating profit		**91.0**	172.0
Interest receivable and other financing income		**53.2**	54.6
Reversal of prior year impairment losses on financial assets		**-**	10.6
Interest payable and other financing charges		**(34.0)**	(35.4)
Net finance income		**19.2**	29.8
Share of profit of associate		**-**	0.1
Profit before tax		**110.2**	201.9
Tax	2	**(27.0)**	(49.6)
Profit for the year		**83.2**	152.3
Earnings per share, pence	3		
Basic		**19.8**	36.6
Diluted		**19.4**	35.6

Consolidated balance sheet

	Notes	30 September 2008 £ million	30 September 2007 £ million
Non-current assets			
Goodwill	5	**359.8**	309.6
Other intangible assets	5	**80.6**	1.8
Property, plant and equipment	6	**1,102.6**	935.8
Derivative financial instruments		**21.3**	-
Loan notes – The Airline Group Limited		**12.0**	11.1
Restricted cash		**42.9**	32.9
Other non-current assets		**61.1**	58.1
Investments in associates		**-**	0.3
Deferred tax assets		**0.5**	0.4
		1,680.8	1,350.0
Current assets			
Assets held for sale		**195.8**	-
Trade and other receivables		**236.9**	223.6
Derivative financial instruments		**96.5**	14.4
Restricted cash		**23.3**	15.9
Money market deposits		**230.3**	193.4
Cash and cash equivalents		**632.2**	719.1
		1,415.0	1,166.4
Current liabilities			
Trade and other payables		**(653.0)**	(461.7)
Borrowings		**(56.7)**	(40.5)
Derivative financial instruments		**(76.0)**	(26.6)
Current tax liabilities		**(75.1)**	(89.7)
Maintenance provisions		**(49.0)**	(2.8)
		(909.8)	(621.3)
Net current assets		**505.2**	545.1
Non-current liabilities			
Borrowings		**(570.2)**	(478.6)
Derivative financial instruments		**(0.3)**	(6.3)
Other non-current liabilities		**(68.8)**	(86.8)
Maintenance provisions		**(160.4)**	(136.0)
Deferred tax liabilities		**(108.1)**	(35.0)
		(907.8)	(742.7)
Net assets		**1,278.2**	1,152.4
Shareholders' funds			
Share capital	7	**105.7**	104.8
Share premium	7	**640.2**	633.9
Hedging reserve	7	**27.6**	(13.7)
Translation reserve	7	**0.1**	-
Retained earnings	7	**504.6**	427.4
		1,278.2	1,152.4

Consolidated cash flow statement

	Notes	**Year ended 30 September 2008 £ million**	Year ended 30 September 2007 £ million
Cash flows from operating activities			
Cash generated from operations	8	**292.3**	260.8
Interest received		**50.5**	48.9
Interest paid		**(32.4)**	(36.9)
Tax paid		**(14.2)**	(2.0)
Net cash generated from operating activities		**296.2**	270.8
Cash flows from investing activities			
Acquisition of subsidiary, net of cash and cash equivalents acquired		**(118.0)**	-
Purchase of property, plant and equipment		**(324.0)**	(273.9)
Proceeds from sale of assets held for sale		**30.0**	-
Proceeds from sale of property, plant and equipment		**0.5**	3.3
Purchase of other intangible assets		**(6.4)**	(1.6)
Proceeds from sale of investment in associate		**0.3**	-
Dividend received from associate		**-**	0.1
Net cash used by investing activities		**(417.6)**	(272.1)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**6.9**	16.5
Purchase of own shares for employee share schemes		**(4.6)**	(4.6)
Net proceeds from drawdown of bank loans		**40.2**	103.2
Repayment of bank loans		**(43.0)**	(31.7)
Repayment of capital elements of finance leases		**(2.7)**	(2.4)
Increase in money market deposits		**(8.7)**	(197.3)
Decrease / (increase) in restricted cash		**17.8**	(12.6)
Net cash generated from / (used by) financing activities		**5.9**	(128.9)
Effects of exchange rate changes		**28.6**	(11.4)
Net decrease in cash and cash equivalents		**(86.9)**	(141.6)
Cash and cash equivalents at beginning of year		**719.1**	860.7
Cash and cash equivalents at end of year		**632.2**	719.1

Consolidated statement of recognised income and expense

	Year ended 30 September 2008 £ million	Year ended 30 September 2007 £ million
Cash flow hedges		
Fair value gains / (losses) in period	**143.6**	(39.7)
Transfers to income statement	**(87.6)**	34.6
Transfers to property, plant and equipment	**(0.3)**	1.1
Related tax	**(14.4)**	(0.2)
Translation differences on foreign currency net investments	**0.1**	-
Net income / (expense) recognised directly in shareholders' funds	**41.4**	(4.2)
Profit for the year	**83.2**	152.3
Total recognised income and expense attributable to shareholders	**124.6**	148.1

Notes to the financial information

1. Basis of preparation

This consolidated financial information has been prepared in accordance with the Listing Rules of the Financial Services Authority and uses accounting policies consistent with those described in the annual report and accounts for 2007.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2008 but is derived from the 2008 annual report and accounts.

The annual report and accounts for 2007 have been delivered to the Registrar of Companies. The annual report and accounts for 2008 will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report that does not contain a statement under section 237(2) or (3) of the Companies Act 1985.

Significant judgements, estimates and critical accounting policies

The preparation of financial statements 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 financial statements 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 four accounting policies are considered critical accounting policies as they require a significant amount of management judgment and the results are material to easyJet's financial statements.

Goodwill impairment testing

Goodwill is tested for impairment annually. easyJet assumes that it has only one cash-generating unit being its complete route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of the group's 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, the company relies on a number of estimates including strategic plans, pre-tax weighted average cost of capital, fuel prices, exchange rates and the long term growth rate assumption applicable to the sector.

Assets held for sale

When an aircraft is held for sale, the carrying value of the asset is assessed by comparison with its fair value less costs to sell the asset. The underlying market for aircraft is conducted in US dollars. In the current uncertain economic environment, where the market for used aircraft is thin, there are few transactions against which a market comparison of fair value can be made. In these circumstances easyJet uses data available from third party agencies and indications of interest from prospective purchasers to estimate the fair value at the balance sheet date. The time it will take to sell the aircraft held for sale is also uncertain, and asset values in sterling could rise or fall before a sale is completed.

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 once each year, 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 unanticipated changes in the cost of heavy maintenance services.

Corporation tax

In drawing up the financial statements, estimates are made of current and deferred corporation tax assets and liabilities for each jurisdiction in which easyJet operates. These estimates are affected by transactions and calculations where the ultimate tax determination was uncertain at the time the financial statements were finalised. The issues involved are often complex and may take an extended period to resolve.

Basis of consolidation

The consolidated financial statements incorporate those of easyJet plc and its subsidiaries for the years ended 30 September 2007 and 2008, together with the attributable share of results and reserves of associated undertakings, adjusted where appropriate to conform with easyJet's accounting policies.

A subsidiary is an entity controlled by easyJet. Control exists when easyJet has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities. A minority interest is the portion of the profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by easyJet.

Associates are those entities in which easyJet has significant influence, but not control over the financial and operating policies. They are accounted for using the equity method.

Intragroup balances, transactions and any unrealised gains and losses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Foreign currencies

The primary economic environment in which a subsidiary operates determines its functional currency. The functional currency of easyJet plc is sterling. Certain subsidiaries have operations that are primarily influenced by a currency other than sterling. Exchange differences arising on the translation of these foreign operations are taken to reserves until all or part of the interest is sold, when the relevant portion of the exchange is recognised in income. Profits and losses of foreign operations are translated into sterling at average rates of exchange during the year.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling using the rate of exchange ruling at the balance sheet date and (except where the asset or liability is designated as a cash flow hedge) the gains or losses on translation are included in the consolidated income statement. Non monetary assets and liabilities denominated in foreign currencies are translated into sterling at foreign exchange rates ruling at the dates the transactions were effected.

Revenue recognition

Revenues comprise the invoiced value of airline services, net of air passenger duty, VAT and discounts, plus ancillary revenue.

Passenger revenue arises from the sale of flight seats and is recognised when the service is provided. Unearned revenue represents flight seats sold but not yet flown and is included in trade and other payables until it is released to the income statement when the service is provided.

Ancillary revenue is generally recognised when the flight to which it relates departs. Certain types of ancillary revenue are recognised at the time the benefit of the service provided passes to the customer. Ancillary revenue in the form of fixed annual fees is recognised evenly throughout the year.

Amounts paid by "no-show" customers are recognised as revenue when the booked service is provided as such customers are not generally entitled to change flights or seek refunds once a flight has departed.

Business combinations

Business combinations are accounted for by applying the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Goodwill and other intangible assets

Goodwill and landing rights at Gatwick have indefinite expected useful lives and are tested for impairment annually or where there is any indication of impairment. They are stated at cost less any accumulated impairment losses.

Landing rights at Gatwick are considered to have an indefinite useful life as they will remain available for use for the foreseeable future provided minimum utilisation requirements are observed.

Other intangible assets are stated at cost less accumulated amortisation, which is calculated to write off their cost, less estimated residual value, on a straight line basis over their expected useful lives. Expected useful lives are reviewed annually.

	Expected useful life
Computer software	3 years
Contractual rights	Over the length of the related contracts

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost, less estimated residual value, of assets, on a straight line basis over their expected useful lives. Expected useful lives are reviewed annually.

	Expected useful life
Aircraft	23 years
Aircraft spares	14 years
Aircraft improvements	3-7 years
Aircraft – prepaid maintenance	3-10 years
Leasehold improvements	3 years or length of lease of property where equipment is used
Fixtures, fittings and equipment	5-10 years or the length of lease if shorter
Computer hardware	Over the length of the related contracts

Items held under finance leases are depreciated over the shorter of the lease term and their expected useful lives, as shown above.

Residual values, where applicable, are reviewed annually against prevailing market rates at the balance sheet date for equivalently aged assets and depreciation rates adjusted accordingly on a prospective basis. The carrying value is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance and is amortised over a period ranging from three to ten years from the date of manufacture. Subsequent costs incurred which lend enhancement to future periods such as long term scheduled maintenance and major overhaul of aircraft and engines are capitalised and amortised over the length of period benefiting from these enhancements. All other maintenance costs are charged to the income statement as incurred.

The cost of new aircraft comprises the invoiced price of the aircraft from the supplier less the estimated value of other assets received by easyJet for nil consideration. These assets principally comprise cash (recognised as an asset) and aircraft spares (capitalised at list price and depreciated over their expected useful life).

Pre delivery and option payments made in respect of aircraft which are expected to be funded out of cash reserves or by mortgage financing are recorded in property, plant and equipment at cost.

Impairment of non-current assets

An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's fair value less cost to sell and its value in use. Impairment losses recognised on assets other than goodwill are only reversed where changes in the estimates used result in an increase in recoverable amount. Impairment losses recognised on goodwill are not reversed.

Leases

Non-contingent operating lease rentals are charged to the income statement on a straight line basis over the life of the lease. A number of operating leases require the Group to make contingent rental payments based on variable interest rates; these are expensed as incurred.

easyJet enters into sale and leaseback transactions whereby it sells to a third party rights to acquire aircraft. On delivery of the aircraft, easyJet subsequently leases the aircraft back, by way of operating lease. Surpluses arising on disposal, where the price that the aircraft is sold for is above fair value, are recognised in deferred income and amortised on a straight-line basis over the lease term of the asset.

Finance leases, which transfer to easyJet substantially all the risks and benefits incidental to ownership of the leased item, are recognised at the inception of the lease at the fair value of the leased asset, or, if lower, at the present value of the minimum lease payments. Any directly attributable costs of entering into financing sale and leasebacks are included in the value of the asset recognised. Lease payments are apportioned between the finance charges and the reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in interest payable and other financing charges.

Financial instruments

Financial instruments are recognised when easyJet becomes a party to the contractual provisions of the relevant instrument and derecognised when it ceases to be a party to such provisions.

Where market values are not available, the fair value of financial instruments is calculated by discounting cash flows at prevailing interest rates and by applying year end exchange rates.

Non derivative financial assets

Non derivative financial assets are recorded at amortised cost and include loan notes, trade receivables, cash and money market deposits. Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. Cash and cash equivalents comprise cash held in bank accounts with no access restrictions and bank or money market deposits repayable on demand or maturing within three months of inception.

Impairment losses are recognised on financial assets carried at amortised cost where there is objective evidence that a loss has been incurred. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of future cash flows, discounted at the original effective interest rate.

If, subsequently, the amount of the impairment loss decreases, and the decrease can be related objectively to an event that occurred after the impairment was recognised, the appropriate portion of the loss is reversed. Both impairment losses and reversals are recognised in the income statement as components of net finance income.

Investments in equity instruments are carried at cost where fair value cannot be reliably measured due to significant variability in the range of reasonable fair value estimates.

Non derivative financial liabilities

Non derivative financial liabilities are initially recorded at fair value of net proceeds, and subsequently at amortised cost.

Derivative financial instruments

Derivative financial instruments are measured at fair value.

Derivative financial instruments designated as cash flow hedges are used to mitigate operating and investing transaction exposures to movements in jet fuel prices and currency exchange rates. Hedge accounting is applied to these instruments.

Changes in intrinsic fair value are recognised in shareholders' funds to the extent that they are effective. All other changes in fair value are recognised immediately in the income statement. Where the hedged item results in a non financial asset or liability the accumulated gains and losses previously recognised in shareholders' funds form part of the initial carrying value of the asset or liability. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged items affect the income statement.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item is a highly probable forecast transaction, the related gains and losses remain in shareholders' funds until the transaction takes place.

When a hedged future transaction is no longer expected to occur, any related gains and losses previously recognised in shareholders' funds are immediately recognised in the income statement.

Tax

Tax expense in the income statement consists of current and deferred tax. The charge for current tax is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using tax rates that are applicable to the taxable income. Tax is recognised in the income statement except when it relates to items credited or charged directly to shareholders' funds, in which case it is recognised in shareholders' funds.

Deferred tax is provided in full on temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, tax in the future, with the following exceptions:

- where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

- deferred tax arising on investments in subsidiaries, associates and joint ventures, is not recognised where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which recovery of assets and settlement of liabilities are expected to take place, based on tax rates or laws enacted or substantively enacted at the balance sheet date.

Deferred tax assets represent amounts recoverable in future periods in respect of deductible temporary differences, losses and tax credits carried forwards. Deferred tax assets are recognised to the extent that it is probable that there will be suitable taxable profits from which they can be deducted.

Deferred tax liabilities represent the amount of income taxes payable in future periods in respect of taxable temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and it is the intention to settle these on a net basis.

Aircraft maintenance provisions

The accounting for the cost of providing major airframe and certain engine maintenance checks for owned and finance leased aircraft is described in the accounting policy for property, plant and equipment.

easyJet has contractual obligations to maintain aircraft held under operating leases. Provisions are created over the term of the lease based on the estimated future costs of major airframe checks, engine shop visits and end of lease liabilities. These costs are discounted to present value where the amount of the discount is considered material.

A number of leases also require easyJet to pay supplemental rent to the lessor. Payments may be either a fixed monthly sum up to a cap or are based on usage. The purpose of these payments is to provide the lessor with collateral should an aircraft be returned in a condition that does not meet the requirements of the lease. Supplemental rent is either refunded when qualifying maintenance is performed, or is offset against end of lease liabilities. Where the amount of supplemental rent paid exceeds the estimated amount recoverable from the lessor, provision is made for the non-recoverable amount.

Employee benefits

easyJet contributes to defined contribution pension schemes for the benefit of employees. The assets of the schemes are held separately from those of the Group in independently administered funds. Group contributions are charged to the consolidated income statement in the year in which they are incurred.

The expected cost of compensated holidays is recognised at the time that the related service is provided.

Share based payments

easyJet has a number of equity settled share based payment compensation plans. The fair value of share option plans is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of the estimate of the number of options that are expected to vest is expensed to the income statement on a straight line basis over the period that employees services are rendered, with a corresponding increase in shareholders' funds. If it becomes reasonably certain that performance criteria attached to the share options will not be met, the cumulative expense previously recognised for those options is reversed. The fair value of free shares awarded is based on market value at the date of grant.

Segmental disclosures

The Group has only one business segment: the provision of a low cost airline service. The Group has only one geographical segment relating to the origin of its turnover which is Europe.

Assets held for sale

Where assets are available for sale in their current condition, and their disposal is highly probable, they are reclassified as held for sale and are measured at the lower of their carrying value and the fair value less costs to sell. Depreciation ceases at the point of their reclassification from non-current assets.

Impact of new International Financial Reporting Standards

The following standards, amendments to standards or interpretations are required to be implemented for the year ended 30 September 2008:

IFRS 7	Financial Instruments: Disclosure
IAS 1	Presentation of Financial Statements - Amendment: Capital Disclosures
IFRIC 10	Interims and Impairment (IAS 34)
IFRIC 11	Group and Treasury Share Transactions (IFRS 2)

The disclosures required by IFRS 7 and the amendment to IAS 1 have been incorporated in the financial statements for the year ended 30 September 2008. The adoption of IFRIC 10 and IFRIC 11 has had no impact on those financial statements.

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations that have not been applied in preparing these financial statements as their effective dates fall in periods beginning after 1 October 2007. At 30 September 2008, only IFRS 8 had been adopted by the European Union.

		Applies to periods beginning after
International Accounting Standards Board		
New and revised standards		
IAS 27	Consolidated and Separate Financial Statements (Revised)	1 July 2009
IFRS 3	Business Combinations (Revised)	1 July 2009
IFRS 8	Operating Segments	1 January 2009
Amendments to standards		
IAS 1	Presentation of Financial Statements (Revised Presentation)	1 January 2009
IAS 1	Presentation of Financial Statements (Puttable Instruments and Obligations Arising on Liquidation)	1 January 2009
IAS 27	Consolidated and Separate Financial Statements (Investment in Subsidiaries)	1 January 2009
IAS 32	Financial Instruments: Presentation (Puttable Instruments and Obligations Arising on Liquidation)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement (Eligible Hedged Items)	1 January 2009
IAS 39	Financial Instruments: Recognition and Measurement (Reclassification of Financial Assets)	1 July 2008*
IFRS 1	First-time Adoption of IFRS (Investment in Subsidiaries)	1 January 2009
IFRS 2	Share-based Payment (Vesting Conditions and Cancellations)	1 January 2009
IFRS 7	Financial Instruments: Disclosures (Reclassification of Financial Assets)	1 July 2008*
2007 Annual Improvements to IFRS		1 January 2009

International Financial Reporting Interpretations Committee		
IFRIC 12	Service Concession Arrangements	1 January 2008
IFRIC 13	Customer Loyalty Programmes (IAS 18)	1 July 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IAS 19)	1 January 2008
IFRIC 15	Agreements for the Construction of Real Estate	1 January 2009
IFRIC 16	Hedges of a Net Investment in a Foreign Operation	1 January 2009

* The amendments to IAS 39 and IFRS 7 are effective from 1 July 2008, however easyJet has not elected to reclassify any financial assets in the financial statements for the year ended 30 September 2008.

The Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group's financial statements. Certain of these standards and interpretations will, when adopted, require addition to or amendment of disclosures in the financial statements.

2. Tax

a) Tax on profit on ordinary activities

	2008 £ million	2007 £ million
Current tax	**(2.3)**	52.2
Deferred tax	**29.3**	(2.6)
	27.0	49.6
Effective tax rate	**24.5%**	24.6%

b) Tax on items recognised directly in shareholders' funds

	2008 £ million	2007 £ million
Deferred tax charge on share options	**(7.3)**	(5.3)
Deferred tax charge on fair value movements of cash flow hedges	**(14.4)**	(0.2)
Current tax credit on share options	**2.0**	7.3
	(19.7)	1.8

c) Reconciliation of the total tax charge

The tax for the year is lower than the standard rate of corporation tax in the UK.

	2008 £ million	2007 £ million
Profit on ordinary activities before tax	**110.2**	201.9
Tax charge at 28% (2007: 30%)	**30.9**	60.6
Attributable to rates other than standard UK rate	**(1.5)**	(6.7)
Income not chargeable for tax purposes	**(0.2)**	(0.9)
Expenses not deductible for tax purposes	**0.3**	0.7
Share based payments	**0.2**	5.1
Adjustments in respect of prior periods – current tax	**(23.1)**	(0.7)
Adjustments in respect of prior periods – deferred tax	**20.4**	(4.8)
Change in tax rate	**-**	(3.7)
Total tax	**27.0**	49.6

3. Earnings per share

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

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential shares arising out of share options. 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:

	2008 **£ million**	2007 £ million
Profit for the year	**83.2**	152.3
GB Airways integration costs	**12.9**	-
Reversal of prior year impairment losses on financial assets	**-**	(10.6)
Related deferred tax	**(3.6)**	3.0
Underlying profit for the year (non-GAAP measure)	**92.5**	144.7

	million	million
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share	**419.4**	416.0
Weighted average number of dilutive share options used to calculate dilutive earnings per share	**9.2**	12.2

Earnings per share

	2008 **pence**	2007 pence
Basic	**19.8**	36.6
Diluted	**19.4**	35.6

Underlying earnings per share (non-GAAP measure)

	2008 **pence**	2007 pence
Basic	**22.1**	34.8
Diluted	**21.6**	33.8

Underlying profit and underlying earnings per share for the current year are based on the profit for the year after adjusting for the costs and related taxation associated with the integration of the operations acquired from GB Airways. Underlying profit and earnings per share for the prior year are based on the profit for the year after adding back the reversal of impairment on financial assets and related taxation. These adjustments have been made on the grounds that they will not recur.

4. Dividends

No dividends have been paid or proposed in the year ended 30 September 2008 or during the comparative accounting period.

5. Goodwill and other intangible assets

	Goodwill £ million	Other intangible assets Landing rights £ million	Contractual rights £ million	Computer software £ million	Total £ million
Cost					
At 1 October 2007	309.6	-	-	6.4	6.4
Acquisition of GB Airways (note 9)	50.2	72.4	2.5	-	74.9
Additions	-	0.2	-	6.2	6.4
At 30 September 2008	**359.8**	**72.6**	**2.5**	**12.6**	**87.7**
Amortisation					
At 1 October 2007	-	-	-	4.6	4.6
Charge for the year	-	-	0.7	1.8	2.5
At 30 September 2008	**-**	**-**	**0.7**	**6.4**	**7.1**
Net book value					
At 30 September 2008	**359.8**	**72.6**	**1.8**	**6.2**	**80.6**
At 1 October 2007	309.6	-	-	1.8	1.8

The acquisition of GB Airways included a portfolio of landing rights at Gatwick, Heathrow, Manchester and a number at downroute airports.

Rights at Gatwick were valued at £72.4 million by applying the multi-period excess earnings method to forecast operating cash flows. The key assumptions in this valuation are the discount rate, fuel price and exchange rates for the US dollar and euro.

Rights at Heathrow were not operated by easyJet after 29 March 2008 and were sold for proceeds of £30.0 million before the year end. They were classified at acquisition as assets held for sale and are not included in the above table.

Rights at Manchester and at the downroute airports were fair valued at nil as there are no significant capacity constraints at those airports.

easyJet has one cash generating unit, being its route network. The recoverable amount of goodwill and other assets with indefinite expected useful lives has been determined based on value in use of the route network.

Cash flow projections have been derived from management-approved three-year forecasts, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	10.8%
Fuel price, per metric tonne	920
Exchange rates	
US dollar	1.75
Euro	1.25
Swiss franc	2.08

Both fuel price and exchange rates have been volatile during the past year, and the assumptions used represent management's view of reasonable average rates. Operating margins are sensitive to significant changes in these rates.

Cash flow projections beyond the forecast period have been extrapolated using real growth rate scenarios ranging from zero up to an estimated average of long term growth rates for the United Kingdom, France, Spain and Italy. No impairment resulted from any of these scenarios.

6. Property, plant and equipment

	Aircraft £ million	Leasehold improve - ments £ million	Fixtures and fittings £ million	Total £ million
Cost				
At 1 October 2007	987.8	12.2	22.4	1,022.4
Acquisition of GB Airways (note 9)	83.4	-	-	83.4
Additions	319.5	0.3	4.2	324.0
Transfer to assets held for sale	(212.2)	-	-	(212.2)
Disposals	(0.7)	-	-	(0.7)
At 30 September 2008	**1,177.8**	**12.5**	**26.6**	**1,216.9**
Depreciation				
At 1 October 2007	68.2	5.6	12.8	86.6
Charge for the year	41.6	0.8	2.0	44.4
Transfer to assets held for sale	(16.4)	-	-	(16.4)
Disposals	(0.3)	-	-	(0.3)
At 30 September 2008	**93.1**	**6.4**	**14.8**	**114.3**
Net book value				
At 30 September 2008	**1,084.7**	**6.1**	**11.8**	**1,102.6**
At 1 October 2007	919.6	6.6	9.6	935.8

At 30 September 2008, easyJet is contractually committed to the acquisition of 109 (2007: 120) Airbus A320 family aircraft with a total list price of US$5.1 billion (2007: US$5.3 billion) before escalations and discounts. 25 orders were converted from A319 to A320 during the current year with a consequent increase in financial commitments.

The net book value of aircraft at 30 September 2008 includes £188.1 million (2007: £116.0 million) relating to advance and option payments for future delivery of aircraft. This amount is not depreciated.

The net book value of aircraft held under finance leases at 30 September 2008 was £74.5 million (2007: £77.8 million). £3.3 million of the related accumulated depreciation was charged in the year ended 30 September 2008 (2007: £3.3 million).

At 30 September 2008, aircraft with a net book value of £610.9 million (2007: £517.5 million) were mortgaged to lenders as loan security.

7. Shareholders' funds

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2007	**104.8**	**633.9**	**(13.7)**	**-**	**427.4**	**1,152.4**
Profit for the year	-	-	-	-	83.2	83.2
Cash flow hedges						
Fair value gains	-	-	143.6	-	-	143.6
Transfers to income statement	-	-	(87.6)	-	-	(87.6)
Transfers to property, plant and equipment	-	-	(0.3)	-	-	(0.3)
Related tax (note 2b)	-	-	(14.4)	-	-	(14.4)
Share incentive schemes						
Proceeds from shares issued	0.9	6.3	-	-	(0.3)	6.9
Value of employee services					4.2	4.2
Related tax (note 2b)					(5.3)	(5.3)
Purchase of own shares					(4.6)	(4.6)
Currency translation differences	-	-	-	0.1	-	0.1
At 30 September 2008	**105.7**	**640.2**	**27.6**	**0.1**	**504.6**	**1,278.2**

8. Reconciliation of net profit to net cash inflow from operating activities

	2008 £ million	2007 £ million
Cash generated from operations		
Profit for the year	**83.2**	152.3
Adjustments for:		
Tax charge	**27.0**	49.6
Depreciation charge	**44.4**	33.3
Profit on disposal of property, plant and equipment	**(0.1)**	(0.9)
Amortisation of other intangibles	**2.5**	0.9
Reversal of prior year impairment losses on financial assets	**-**	(10.6)
Interest income	**(48.9)**	(53.0)
Interest expense	**34.0**	35.4
Share based payments	**4.2**	7.5
Share of profit of associates	**-**	(0.1)
Financial instruments – time value	**2.6**	(4.5)
Unrealised foreign exchange differences	**(4.4)**	(15.4)
Changes in working capital		
Decrease in trade and other receivables	**8.7**	6.0
Increase in trade and other payables	**112.9**	51.9
Increase / (decrease) in provisions	**49.8**	(0.2)
Increase in other non-current assets	**(0.3)**	(3.8)
(Increase) / decrease in financial instruments	**(5.3)**	0.4
(Decrease) / increase in other non-current liabilities	**(18.0)**	12.0
	292.3	260.8

9. Acquisition of GB Airways

On 25 October 2007, easyJet announced that, subject to regulatory clearance, it had agreed to acquire 100% of the share capital of and voting rights in GB Airways. The acquisition has been unconditionally cleared and completion occurred on 31 January 2008. The assets and liabilities acquired and their provisional fair values are as follows:

	Carrying amount £ million	**Provisional fair value £ million**
Landing rights	-	72.4
Other intangible assets	-	2.5
Property, plant and equipment	85.0	83.4
Other non-current assets	6.2	2.7
Assets held for sale	-	30.0
Current assets excluding cash and cash equivalents	59.7	55.6
Cash and cash equivalents	15.4	15.1
Current liabilities, excluding borrowings and overdrafts	(85.5)	(91.6)
Overdrafts	(3.7)	(3.7)
Borrowings	(59.1)	(59.1)
Deferred tax liabilities	-	(22.0)
Maintenance provisions	(3.3)	(6.1)
Net assets acquired	14.7	79.2
Goodwill	-	50.2
	14.7	**129.4**

Purchase consideration	
Initial consideration paid	103.5
Deferred consideration paid	21.6
Direct acquisition costs	4.3
	129.4
Cash and cash equivalents acquired	(15.1)
Overdrafts acquired	3.7
Cash outflow	**118.0**

Carrying amounts represent the assets and liabilities of GB Airways at completion determined in accordance with IFRS. Fair values are stated after accounting policy alignments and fair value adjustments.

The principal fair value adjustments were the recognition of landing rights ("slots") at Gatwick and Heathrow at fair value, and related deferred tax provisions. The Heathrow landing rights are shown as assets held for sale as these were not operated by easyJet after 29 March 2008. These rights were sold in June 2008, and, in accordance with the acquisition agreement, the net proceeds of £21.6 million were remitted to the vendors.

Additional fair value adjustments have been made since the publication of easyJet's Interim Report for the six months ended 31 March 2008. These adjustments, totalling £7.5 million before tax relief, principally comprise irrecoverable debtors and valuation adjustments relating to aircraft ordered by GB Airways for delivery during 2009.

Goodwill is attributable to the anticipated future operating synergies derived from improved yield, cost economies of scale and additional network destinations.

Prior to the acquisition, GB Airways commenced an arbitration action in the London Court of International Arbitration, concerning the interpretation of the franchise agreement with British Airways. This action is due to be heard in 2009, and any settlement from British Airways above an agreed amount will be remitted to the vendors as additional deferred consideration. The purchase consideration and net assets acquired shown above do not include any amount in respect of this action as it cannot be reliably measured.

GB Airways recorded a loss before tax of £4.9 million for the period from 1 February to 29 March 2008; this loss has been provided for in the fair value adjustments as the final two months of operations under the British Airways franchise agreement represented an onerous contract.

Had the acquisition occurred on 1 October 2007, easyJet's consolidated revenue and profit before tax for the year ended 30 September 2008 would have been £2,433.8 million and £107.8 million respectively. These figures include £71.0 million of revenue and £2.5 million of profit before tax in respect of GB Airways operations for the period 1 October 2007 to 31 January 2008 and the loss before tax incurred in February and March 2008 treated as an onerous contract.

With effect from 30 March 2008 the GB Airways operations were merged into the existing easyJet business, and separate disclosure of revenue and profit after that date is impracticable.

Statement – by Stelios for RNS

630pm Monday, 17th Nov 2008

After extensive discussions with the easyJet Board and having taken appropriate professional advice at my own expense, I regret to inform you that I as a director of easyJet PLC I am unable to approve the annual accounts for the following reasons. I am concerned about the application of certain of the accounting policies adopted by the board in a way that I believe is at odds with current commercial realities and the macro-economic climate. Their implications only became obvious to me this year because of the acquisition of GB Airways:

1) I believe it is more prudent for the company to reverse the judgment that its entire business represents a "single cash generating unit" (CGU) for the purpose of testing goodwill and intangible assets for impairment. Unlike a network airline such as BA that has many passengers connecting between 4 flights and paying one fare, I believe a "point-to-point low cost" airline like ours must monitor profitability by one-way flight, by route and by aircraft. This would result in the division of the business into "multiple CGUs" in the same way as Ryanair monitors its intangible assets for impairment. That way we can also monitor the profitability of corporate acquisitions such as GB Airways.

2) I believe the methodology by which easyJet ascribed value on its own balance sheet to the Gatwick landing slots that came for free with GB Airways is based on optimistic assumptions about future revenues, particularly in the current economic climate. Given the fact that many airlines have already ceased operating from Gatwick I believe that slots will be freely available and hence it will be more prudent not to create Gatwick slots as an "intangible asset" on our own balance sheet this year.

3) In our accounts we state the following: "the fair value of Gatwick landing slots of £72.4 million and goodwill arising of £50.2 million from the GB Airways acquisition". Assuming the GB Airways Gatwick slots are not worth carrying as assets on our balance sheet that increases the goodwill from the GB acquisition to approximately £122.6m. I believe this amount should be tested for impairment annually as a separate CGU using the same NPV used for the slots.

4) I believe that the aircraft owned by GB Airways (7 Airbus A321 / one future delivery) which are treated as assets held for sale in the balance sheet should be written down to their estimated market value. I have produced evidence found in the Ryanair published accounts that their market value has probably fallen since we first placed them for sale in February, 2008.

Given the 4 points above, I am left without any other options but to abstain from voting on the accounts as a director of easyJet PLC. I am doing so reluctantly but I believe it is in the interest of all shareholders to be more prudent at the present time.

On a separate matter I believe the dividend policy of the company should be changed. We must pass a board resolution to plan to pay a dividend by say 2011 if the markets and the liquidity of the company allow. Dividends must be planned several years ahead as they compete for cash with capital expenditure. It just makes good business sense for every properly run, mature company to plan to pay a dividend to its loyal shareholders one day.

This statement would not be complete if I didn't comment on the record, in an RNS so all shareholders and potential shareholders have an equal opportunity to read my views, about the recent speculation in the media about my motivations for seeking to appoint two more non-executive directors on the board of easyJet. In fact I will simply quote again part of the letter which I sent to the board last Thursday 13 November 2008:

"We as the Controlling Shareholders, continue to consider Sir Colin Chandler to be a suitable Chairman for the Company. In fact we have been impressed with the way he has been managing this difficult situation on behalf of all shareholders. We are also aware of the provisions of the Combined Code on Corporate Governance concerning the independence of Chairmen and given our publicly stated commitment to adhere to the highest standards of corporate governance, we do not wish to insist on the Chairman of the Company being someone who is clearly not independent. Accordingly, rather than exercise the right for Stelios to act as Chairman pursuant to Article 87.1, the Controlling Shareholders request that, in addition to Stelios continuing to be a non-executive director of the Company, Andrew Cooper and Anthony Robb-John, both easyGroup employees, initially be appointed as non-executive directors. The particulars necessary for inclusion in the register of directors of the Company for the proposed directors are set out in the schedule to this letter. We are however happy to agree to seek to find in due course alternative nominated directors to Andrew and Anthony following their appointment who are more independent of easyGroup."

Last, but not least, I would like to place on record that I believe that with careful cash management and in particular more prudent capital expenditure easyJet PLC and its shareholders will be THE winners in European short haul aviation. We must focus on cash flows forecasts and not on carrying more passengers. I am happy that the board of easyJet PLC works as it should do. In fact, during the board meeting to approve the accounts we have reached agreement that we will use the time between now and the company's AGM to seek to agree whether I shall appoint one or two additional non-executive directors and who these would be. As to the details of our future strategy, these are best discussed in our boardroom in Luton and not in the newspapers.

End of statement