Results for the year ended 30 September 2009

RESILIENT PERFORMANCE; INCREASED YIELDS, PROFITS IMPACTED BY HIGHER FUEL COSTS

Results at a glance

	2009	2008	Change
Total revenue (£ million)	**2,667**	2,363	12.9%
Profit before tax – underlying (£ million) [1]	**43.7**	123.1	(64.5)%
Profit before tax – reported (£ million)	**54.7**	110.2	(50.4)%
Pre tax margin – underlying (%) [1]	**1.6%**	5.2%	(3.6)ppt
Return on equity (%)	**5.5%**	6.8%	(1.3)ppt
Basic EPS - reported (pence)	**16.9**	19.8	(14.6)%

- Total revenue per seat up 10.9% (4.1% at constant currency), driven by the strength of the easyJet network, competitor capacity reduction of around 6%, strong ancillary revenue performance and a 2.6% sector length increase
- Passenger numbers up 3.4% to 45.2 million and load factor improved by 1.4ppt to 85.5%
- Underlying profit before tax[1] of £43.7 million delivered in line with expectation. The £79.4 million reduction in underlying pre-tax profit compared to the prior year is driven by a unit fuel cost increase equivalent to £86.1 million and interest income lower by £30.5 million
- Operating costs[2] per seat (excluding fuel and currency movement) increased by 3.9% for the full year. Total underlying cost per seat[1] (excluding fuel and currency movement) up 6.2% partly driven by increased sector length, planned lower aircraft utilisation during the winter and a £30.5 million reduction in interest income
- Significant progress on cost reduction initiatives: 19 expensive aircraft exited from the fleet; systems implemented; renegotiation of our maintenance arrangements with SRT to deliver savings of around £175 million over the 11 year life of the contract
- easyJet's position in European short-haul aviation has strengthened with market share gains in a number of valuable markets such as Paris, London Gatwick, Milan and Madrid and over a 10% increase in slots at capacity constrained airports
- Sufficient resources in place through a combination of undrawn committed facilities and surplus cash to fund future aircraft deliveries for at least the next 18 months
- Forward bookings broadly in line with prior year

Note 1: Underlying financial performance excludes an £11.0 million profit on the disposal of three aircraft in 2009 and £12.9 million of costs associated with the integration of GB Airways in 2008.

Note 2: Excludes interest income.

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

“This is an extremely resilient performance making easyJet the best performing European airline based on our robust yields. We are one of the very few European airlines to make a profit during the last 12 recessionary months. This is a tribute to the strength of our business model and the quality of our people and our network. We offer the best prices to the most convenient airports.

We see a tough winter ahead. We are focussing our efforts on further cost savings and efficiency improvements together with optimising route profitability and aircraft allocation. We shall also benefit as our fuel hedges adjust to market prices. Putting all this together, at current fuel prices and exchange rates, we expect easyJet to make substantial profit improvement in 2010.”

Note 3: US$1.67/£, €1.12/£ and US$657 per metric tonne at 13 November 2009

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There will be an analyst presentation at 9:30 am on 17 November 2009 at RBS, 3rd floor, 250 Bishopsgate, EC2M 4AA. A live webcast of the presentation will be available at www.easyJet.com.

Business review

Introduction

This has been an important year for easyJet. The business has traded resiliently during a recession and easyJet was one of the few airlines globally to make a profit this year with an underlying[1] pre tax profit of £43.7 million. Revenue grew by 12.9% to £2,666.8 million, this strong performance partially offsetting the £30.5 million reduction in interest income and the £86.1 million increase in unit fuel costs (equivalent to £1.63 per seat).

We have strengthened the fundamentals of the business, with improvements in network quality, lower cost deals with key suppliers and enhancements to easyJet.com, giving easyJet a great platform for profitable growth in the medium term from which to achieve a 15% return on equity.

The Board has also agreed a fleet plan which will deliver around a 7.5% growth per annum in seats flown over the next five years. This fleet plan will enable easyJet to grow its share of the European short-haul market from around 7% to 10%.

Our people

We have outstanding people, including our front line cabin crew and pilots who are highly trained and professional. They all make a crucial contribution to our success and help to create an easyJet personality which is an important competitive advantage. I would like to thank them all for helping to deliver such a resilient performance in very difficult economic circumstances. We aim to have an open and egalitarian environment where everyone is valued for their contribution to easyJet. We consider it important to protect and develop this culture as the airline grows into a large pan European business. Balancing the imperative for cost efficiency and supporting our culture in a pressurised and uncertain economic climate has been particularly challenging in 2009.

Market place review

easyJet operates the leading network in European short-haul aviation, measured by presence on the top 100 routes. Around 200 carriers compete in the European short-haul market and the top five players, including easyJet, account for around 60% of seats flown with the rest of the market being highly fragmented.

Whilst the average growth of the market over the past 20 years or so has been 4.5% per annum, in the past year overall capacity in the European short-haul market shrank by around 5% as airlines sought to mitigate losses driven by higher fuel costs and falling demand. easyJet continued its strategy of carefully targeting growth in markets from which weaker competitors are retreating in this period of recession. Thus easyJet is building strong, defendable market positions that will ensure it is well positioned for profitable growth once the European economy improves.

Consequently, easyJet gained market share in the year and passenger numbers grew by 3.4% to 45.2 million and load factor improved by 1.4 percentage points to 85.5%. easyJet strengthened its position in a number of valuable markets including Paris, London Gatwick, Milan and Madrid, increasing its slots at constrained airports by over 10% in the year.

Regulatory update

In March 2009, the UK Competition Commission confirmed that BAA would be required to sell a number of its airports. Whilst easyJet welcomes the break-up of BAA and the recently confirmed sale of Gatwick, the London airports will continue to be monopolies, regardless of who owns them, due to the lack of spare capacity in the market. The sale highlights the need for tough and effective airport regulation to protect airlines and passengers from the new owners exploiting their market power.

easyJet continues to advocate the immediate reform of UK Air Passenger Duty (APD), which taxes passengers rather than flights, into an emissions-based tax, and the phasing out of APD when aviation joins the European Emission Trading Scheme (EU ETS) in 2012. easyJet was an early advocate of aviation's entry into the EU ETS as an international, market-based solution to ensuring aviation addresses its climate change responsibilities. We now look to the Copenhagen Climate Summit in December to produce a sensible global agreement on aviation and climate change. Such a global agreement should recognise efficiency standards for aircraft, with the emphasis on planes utilising modern, more environmentally friendly technology.

Business performance

easyJet delivered a resilient performance in a tough and uncertain macro economic environment this year by continuing to focus on the four themes we outlined in the Interim report:

- Development of Europe’s No. 1 air transport network
- Focus on margins through driving revenue and managing costs
- Management of cash, capital expenditure and fleet
- Mitigation of risk from volatility of fuel prices and currency rates

Development of Europe’s No. 1 air transport network

easyJet’s unique differentiator is its network, with a leading presence on the top 100 routes in Europe and positions at primary airports that are attractive to time sensitive consumers. easyJet’s network has appeal across a broad range of European consumers both leisure and business. Additionally, half of easyJet’s passengers now originate from outside of the UK. This balanced revenue base has protected easyJet from the worst effects of recession and allowed us to win share from higher cost competitors.

easyJet continued to actively manage its network by optimising routes. During the past year, 28 underperforming routes were closed and 70 new routes were launched. easyJet’s presence on the top 100 routes increased by six following our entry onto routes such as Rome to Milan and Paris to Barcelona.

Overall, easyJet’s capacity (measured in seats flown) grew by 1.8% during the year, with an increase of 16% in mainland Europe, focused on France (up 30%), Italy (up 78%) and Spain (up 16%). easyJet’s capacity at Gatwick grew by 12%, partly driven by the full year effect of the GB Airways acquisition on 31 January 2008. Capacity was reduced in weaker performing markets such as Luton and the UK regions.

UK

At Gatwick, easyJet is now the leading airline with 39 based aircraft and a 30% share of the airport’s passengers and we continue to leverage that position to absorb competitive pressures. Longer sector routes are performing well and slots acquired with GB Airways were optimised in the period with business orientated routes being allocated to peak slots and leisure routes moved to later in the day. We are winning the competitive battle on traditional sun routes with excellent load factors, albeit with weaker market pricing. easyJet has also benefited from legacy competitor withdrawal on key business routes.

At Belfast, competitors are in retreat and both yields and load factors improved towards the latter part of the year. We had a strong performance at Manchester, where we now have three aircraft based. In addition, we have proactively reduced capacity at other UK bases which deliver below Company average margins.

Northern Europe

In Germany, we improved the schedule during the year. Additional capacity has been added on routes to Milan, Copenhagen and Brussels from our Berlin base, which has improved our appeal to business travellers. We closed the base at Dortmund but profitable routes were retained. easyJet celebrated its tenth birthday in Switzerland in the past year where we have 12 aircraft based. easyJet's position improved as competitors came off key routes and we expanded flying between Switzerland and the French regions and Scandinavia.

Southern Europe

easyJet has 13 based aircraft at Milan and we continue to outperform the competition, with significantly stronger load factors. easyJet has opened a base at Rome Fiumicino with three aircraft based there operating on both intra-European and Italian domestic routes. Madrid delivered improvements in load and profitability in the year as competitors continued to retreat and we optimised our schedule. easyJet now has 14 aircraft based in France and is France's second largest airline with a 10% market share. France continues to be an attractive market for easyJet as low cost carrier penetration is half the European average and the market consequently has structurally higher fares.

Focus on margins through driving revenue and managing costs

easyJet's strategy is growth with margin improvement and therefore the management team continually focuses its efforts on all three drivers of margin, namely yield, ancillaries and costs.

Margins in the past two years have been severely impacted by higher fuel prices with an aggregate £5.71 (£1.63 in 2009) increase in unit fuel costs, albeit profit per seat has only declined by £3.47 due to the strength of the revenue performance.

In the past year, easyJet's industry leading revenue performance has been driven by proactive aircraft allocation into stronger markets such as Gatwick and Milan, and good commercial management, especially in pricing, promotion and route selection.

In addition, easyJet is benefiting from its efforts to target the business travel market with around 15% of business passengers now originating through business orientated distribution channels. Business customers tend to book later, paying around 20% more than the average fare for their easyJet flights.

Ancillary revenue income grew by 38% to £9.77 per seat. The checked bag charge averaged £4.51 per seat, an increase of £1.73 per seat in the year, and other ancillary revenues grew by £0.97 to £5.26 per seat. Going forward, easyJet's in-flight revenues will benefit from the introduction of electronic point of sale equipment on board and food offerings tailored by market and designed to appeal to a broader range of consumers. Improvements in website presentation should also result in improved conversion rates for car hire and hotels.

It is vital that easyJet aggressively manages its cost base so that it can continue to offer competitive fares profitably. Operating costs excluding fuel[2], per seat rose 3.9% at constant currency in the year principally due to increased sector length, the planned lower aircraft utilisation over the winter as we mitigated margin dilution due to higher fuel costs and price increases at Gatwick which have cost around £10 million this year.

In the second half of the year, we saw improvements in aircraft ownership and maintenance costs. easyJet also delivered improvements in its operations information technology infrastructure in the year and key systems to support the crew efficiency programme have now been implemented. We have now reviewed our progress against the £125 million cost savings target identified in 2008 and believe there is greater potential to take cost out of the business. Based on the financial results for the year ended 30 September 2009, we have updated our targets and now expect to deliver cost savings of £190 million by the end of financial year 2012. After inflation and increases in regulated airport charges this will equate to approximately £1 per seat profit improvement.

easyJet has also leveraged its scale and the recession to renegotiate some key contracts with suppliers. Overall capacity in the European short-haul market is shrinking and as one of the few carriers in Europe growing capacity, easyJet is well placed to secure better terms at airports.

Following a global tendering process, easyJet has selected Zurich-based SR Technics for airframe maintenance support of easyJet's core Airbus fleet for a period of 11 years. The agreement, valued at more than $1.6 billion, provides easyJet with a reduction in maintenance costs (excluding engines) of around £175 million over the life of the contract. SR Technics will provide a range of services including aircraft maintenance, component repair and overhaul and logistics management for easyJet's core Airbus fleet.

A significant portion of our cost base is determined by governments and regulatory bodies, in particular, navigation costs and charges at regulated airports. We have increased our focus on these costs by constructively engaging the governments and regulators that set them. Alongside our work at Gatwick and Stansted, areas of particular focus have been the regulatory changes at the Paris airports and Amsterdam, UK navigation charges and the wider European approach to navigation costs. Looking forward, we will sustain this involvement and seek to further develop our influence across Europe.

Management of cash, capital expenditure and fleet

Fleet plan

easyJet is making good progress towards its goal of operating a common aircraft fleet. Eliminating the Boeing and GB Airways sub-fleets will take cost out of the business and simplify our operations.

The intention is to exit all aircraft in the two sub-fleets by 2012 to complete the realisation of ownership cost savings of around £40 million per annum. 12 Boeing 737s and four GB Airways A320s were returned to lessors in the past year. The sale of the seven A321s from the GB Airways sub-fleet continues to progress with three A321s disposed of in the year with an associated profit on disposal of £11 million. It is anticipated that the remaining A321s will leave the fleet by the end of September 2010. The five A319s previously held for sale have been returned to the fleet and will be used to support our mainland European expansion plans in 2010.

In the past year, easyJet took delivery of 15 A320 aircraft and 20 A319 aircraft under the terms of the Airbus easyJet agreement. Configured with 180 seats, the A320 will enable us to increase our capacity at peak times at slot constrained airports. Also, the aircraft operates with a cost per seat that is around 6% lower than the A319.

The total fleet at 30 September 2009 comprised 181 aircraft. A further 70 easyJet specification aircraft deliveries are currently planned for arrival over the next three years, a net increase of 26 aircraft over this period giving an expected total number of aircraft of 207 by 2012.

easyJet has a high degree of flexibility in its fleet planning arrangements and thus is able to manage the total number of aircraft in the fleet through a combination of deferrals and lease extensions.

	Owned	Under operating lease	Under finance lease	Total	Changes in year	Future deliveries (including exercised purchase rights) (Note 4)	Unexercised purchase rights (Note 5)
easyJet A320 family	103	46	6	155	35	72	88
Boeing 737-700	-	17	-	17	(12)	-	-
GB Airways A320 family	4	5	-	9	(7)	2	-
	107	**68**	**6**	**181**	**16**	**74**	**88**

Note 4: The 72 future easyJet deliveries are anticipated to be delivered over the next four financial years, 27 in 2010, 22 in 2011, 21 in 2012 and 2 in 2013.

Note 5: Purchase rights may be taken on any A320 family aircraft and are valid until 2015.

The total fleet plan over the period to 30 September 2012 is as follows:

	easyJet A320 family	Boeing 737-700	GB Airways A320 family	Total aircraft (Note 6)
At 30 September 2008	120	29	16	165
At 30 September 2009	155	17	9	181
At 30 September 2010	182	8	2	192
At 30 September 2011	194	2	-	196
At 30 September 2012	207	-	-	207

Note 6: Assumes assets held for sale are sold in financial year 2010.

Cash and capital expenditure

easyJet's cash and money market deposits as at 30 September 2009 exceeded £1 billion reflecting continued strong cash flow generation; additionally, easyJet has sufficient resources in place, through a combination of undrawn committed facilities and surplus cash, to fund future aircraft deliveries for at least the next 18 months. In the year, gearing increased from 29% to 38% reflecting increased debt-financed capital expenditure as we continue the replacement of our Boeing sub-fleet.

Mitigation of risk from volatility of fuel prices and currency rates

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short term earnings volatility and therefore the Company hedges forward, on a rolling basis, between 50% and 80% of the next 12 months anticipated requirements and between 20% and 50% of the following 12 months anticipated requirements. In the past year, easyJet's fuel hedging caused an adverse variance to market rates of around £330 million, partially offset by a benefit of around £120 million from its US dollar hedging. Details of our current hedging arrangements are included in Appendix A.

Outlook

Whilst economic conditions remain challenging for consumer facing businesses and in particular airlines, easyJet's scale, low cost and highly efficient business model and strong financial position will ensure it is able to take advantage of the current recessionary period by:

- driving cost out of the business; and
- carefully targeting capacity increases and share gains in valuable markets across Europe ensuring that easyJet is well positioned to exploit profitable growth opportunities when economic conditions improve.

easyJet's pre tax result in 2010 at current fuel prices and exchange rates[3] will benefit by around £100 million from lower fuel prices as higher price fuel hedges roll off, slightly offset by a strengthening US dollar.

Capacity, measured in seats flown, for both the first half and the full year is expected to increase compared to the prior year by around 10% as easyJet continues with its strategy of carefully targeting growth. The current expectation is that competitor capacity on easyJet routes will be down by low single digits.

Naturally, the impact of unemployment is expected to lead to some yield deterioration over the winter. With over 45% of the available first half seats now booked, total revenue per seat at constant currency in the first half of the year is expected to decline by a few percentage points compared to the prior year.

Total operating costs[2] per seat, excluding fuel, at constant currency are expected to be broadly flat for the full year and up low single digits in the first half of the year compared to the prior period. Improvements in maintenance, crew and overhead costs will offset the mix impact of our continued growth in primary airports.

We expect a reduction in interest income of around £10 million compared to the prior year due to continued lower interest rates, which will mainly impact the first half result.

We see a tough winter ahead. We are focusing our efforts on further cost savings and efficiency programmes, together with optimising route profitability and aircraft allocation. We shall also benefit as our fuel hedges adjust to market prices. Putting all this together, at current fuel prices and currency rates[3], we expect easyJet to make substantial profit improvement during 2010.

Note 1: Underlying financial performance excludes an £11.0 million profit on the disposal of three aircraft in 2009 and £12.9 million of costs associated with the integration of GB Airways in 2008.
Note 2: Excludes interest income.
Note 3: US$1.67/£, €1.12/£ and US$657 per metric tonne at 13 November 2009
Note 4: The 72 future easyJet deliveries are anticipated to be delivered over the next four financial years, 27 in 2010, 22 in 2011, 21 in 2012 and 2 in 2013.
Note 5: Purchase rights may be taken on any A320 family aircraft and are valid until 2015.
Note 6: Assumes assets held for sale are sold in financial year 2010.

Appendix A – Hedging position as at 16 November 2009:

easyJet currently has the following fuel and currency hedging positions in place:

Hedging for the six months to 31 March 2010

- 65% of anticipated US dollar requirement for the six months to 31 March 2010 hedged using forwards at $1.78
- 72% of anticipated jet requirement for the six months to 31 March 2010 hedged using forwards at $769 per metric tonne
- 87% of anticipated euro surplus for the six months to 31 March 2010 hedged using forwards at €1.17

Hedging for the six months to 30 September 2010

- 38% of anticipated US dollar requirement for the six months to 30 September 2010 hedged using forwards at $1.64
- 61% of anticipated jet requirement for the six months to 30 September 2010 hedged using forwards at $732 per metric tonne
- 76% of anticipated euro surplus for the six months to 30 September 2010 hedged using forwards at €1.14

Hedging for the year to 30 September 2010

- 51% of anticipated US dollar requirement for the full year to 30 September 2010 hedged using forwards at $1.72
- 66% of anticipated jet requirement for the full year to 30 September 2010 hedged using forwards at $750 per metric tonne
- 80% of anticipated euro surplus for the full year to 30 September 2010 hedged using forwards at €1.15

Hedging for the year to 30 September 2011

- 20% of anticipated US dollar requirement for the full year to 30 September 2011 hedged using forwards at $1.62
- 22% of anticipated jet requirement for the full year to 30 September 2011 hedged using forwards at $722 per metric tonne
- 35% of anticipated euro surplus for the full year to 30 September 2011 hedged using forwards at €1.08

Financial review

Reported profit before tax for the year ended 30 September 2009 was £54.7 million including £11.0 million profit on the disposal of three Airbus A321 aircraft, acquired as part of the GB Airways acquisition and sold during the year. Excluding this profit on sale, the underlying profit before tax for the year was £43.7 million; this compares to an underlying profit before tax in 2008, excluding the one-off costs associated with the integration of GB Airways, of £123.1 million. GB Airways is now fully integrated into the easyJet business and therefore its results are not separately identifiable. However, it should be noted that the comparative period to these results includes only eight months of GB Airways activity.

Results this year have been significantly impacted by the following factors:

- Fuel prices and hedging
- US dollar and euro exchange rates
- Reduction in aircraft utilisation

Fuel prices and hedging

Total fuel cost amounted to £807.2 million in 2009, an increase of 13.9% compared to 2008, equating to a cost per seat of £15.28, up £1.63 per seat or 11.9%. The average market price for jet fuel during 2009 was $595 per metric tonne (excluding fees and taxes) compared to $1,070 in 2008, driven by the extraordinary spike in fuel prices during that year. However, after taking account of hedging taken out in 2008 during the period of high fuel prices, easyJet's effective price for 2009 was $951 per metric tonne compared to $948 in 2008.

With the effective US dollar price broadly flat for 2009 compared to 2008, the increase in fuel cost per seat is largely driven by the strengthening of the US dollar against sterling, partly mitigated by US dollar hedging.

Despite the introduction of additional heavier A320 aircraft into the fleet and an increase in the average load factor of 1.4 percentage points, average fuel burn for the year was 715 US gallons per block hour compared to 717 in 2008, principally reflecting the implementation of fuel conservation initiatives.

US dollar and euro exchange rates

The market rate for the US dollar strengthened by 22% from an average rate of 1.99/£ in 2008 to 1.56 in 2009; after taking account of hedging, easyJet’s effective rate strengthened from an average of 1.96/£ in 2008 to 1.78/£ in 2009. The business has no US dollar revenues but significant US dollar costs for fuel, aircraft leases, maintenance and some loan interest and consequently the 9% movement in the effective dollar rate had a significant impact on financial performance.

The euro has strengthened by 12% from an average rate of 1.32/£ in 2008 to 1.16/£ in 2009. Approximately 42% of revenues and 31% of costs (principally ground handling, airport and navigation charges and some crew costs) are denominated in euro resulting in a net long position; the strengthening of the euro, therefore, delivers a positive impact to the results. For the first time this year some hedging of the euro surplus has also been undertaken.

Certain key measures are therefore significantly impacted by exchange rate fluctuations. These measures on a constant currency basis are shown in the table below.

Reduction in aircraft utilisation

In response to the fuel price situation at the beginning of the year, the level of flying activity during the first six months of 2009 was actively reduced; however, utilisation returned to more normal levels for the summer. So while total aircraft has increased by 16.0% from an average of 150.1 in 2008 to 174.1 in 2009, the number of seats flown has only increased by 1.8%. Average aircraft utilisation, measured in terms of block hours per operated aircraft per day, has fallen from 11.9 hours per day in 2008 to 11.0 hours in 2009.

As a result of this positive decision to reduce utilisation, and therefore capacity flown, to protect profit margins, cost per seat measures are adversely affected as non-variable costs are spread over relatively fewer seats.

Operational measures	**2009**	2008	Change
Seats flown (millions)	**52.8**	51.9	1.8%
Passengers (millions)	**45.2**	43.7	3.4%
Load factor	**85.5%**	84.1%	1.4ppt
Available Seat Kilometres (ASK) (millions)	**58,165**	55,687	4.4%
Revenue Passenger Kilometres (RPK) (millions)	**50,566**	47,690	6.0%
Average sector length (kilometres)	**1,101**	1,073	2.6%
Sectors	**337,266**	333,017	1.3%
Block hours	**645,446**	631,084	2.3%
Number of aircraft owned / leased at end of year	**181**	165	9.7%
Average number of aircraft owned / leased during year	**174.1**	150.1	16.0%
Number of aircraft operated at end of year	**170**	161	5.6%
Average number of aircraft operated during year	**160.1**	145.3	10.2%
Operated aircraft utilisation (hours per day)	**11.0**	11.9	(6.9)%
Number of routes operated at end of year	**422**	380	11.1%
Number of airports served at end of year	**114**	100	14.0%

Financial measures	**2009**	2008	Change
Return on equity	**5.5%**	6.8%	(1.3)ppt
Per seat measures (underlying)*			
Profit before tax per seat (£)	**0.83**	2.37	(65.1)%
Revenue per seat (£)	**50.47**	45.51	10.9%
Revenue per seat at constant currency (£)	**47.36**	45.51	4.1%
Cost per seat (£)	**49.64**	43.14	(15.1)%
Cost per seat excluding fuel (£)	**34.36**	29.49	(16.5)%
Cost per seat excluding fuel at constant currency (£)	**31.32**	29.49	(6.2)%
Per ASK measures (underlying)*			
Profit before tax per ASK (pence)	**0.08**	0.22	(66.0)%
Revenue per ASK (pence)	**4.58**	4.24	8.1%
Revenue per ASK at constant currency (pence)	**4.30**	4.24	1.4%
Cost per ASK (pence)	**4.51**	4.02	(12.1)%
Cost per ASK excluding fuel (pence)	**3.12**	2.75	(13.6)%
Cost per ASK excluding fuel at constant currency (pence)	**2.85**	2.75	(3.5)%

*Underlying measures exclude an £11.0 million profit on the sale of three aircraft in 2009 and £12.9 million of costs associated with the integration of GB Airways in 2008.

Total revenue

Total revenue in 2009 grew by 12.9% to £2,666.8 million which equates to £50.47 per seat, representing a growth of £4.96 per seat or 10.9%. On a constant currency basis, total revenue per seat grew 4.1%; after allowing for the increase in sector length of 2.6%, this represents a strong underlying performance, particularly in light of the difficult external economic conditions. This result has been supported by the continuing strategy to increasingly deploy capacity to the better located but more expensive airports preferred by customers and thereby improve network mix.

Passenger revenue

Passenger revenue in 2009 grew by 7.8% to £2,150.5 million. Despite the 16.0% increase in average aircraft during the year, capacity in terms of seats flown increased by only 1.8% as a result of the decision to reduce flying activity particularly through the winter. Load factor improved 1.4 percentage points to 85.5%, the first time since 2005 that the annual load factor has exceeded 85%. This resulted in a 3.4% increase in passenger numbers to 45.2 million demonstrating a flight to value as easyJet increased market share by attracting customers from higher fare competitors.

The shift towards deploying relatively more capacity to European markets continues. Capacity in total rose 1.8% in 2009 versus 2008; of this overall increase, capacity at UK regional bases reduced by 8.4% whilst continental European bases increased by 16.0% with most of this investment being focused in Milan Malpensa, Paris Charles de Gaulle and Lyon. London bases, in aggregate, reduced by 3.1% with Gatwick capacity up by 11.5% but Luton and Stansted reducing by 18.3% and 16.3% respectively. The percentage of revenues denominated in euros in 2009 was 42% with, in aggregate, non-sterling revenues now accounting for 51% of total revenues.

Passenger revenue per seat increased by 5.9% to £40.70 but on a constant currency basis fell by 1.9%. This reduction in revenue per seat in the current economic environment, taking into account the expected dilution from an increase in the checked bag charge, is a welcome result and testament to the strength of the network. Passenger revenue per ASK, on a constant currency basis, fell by 4.4%.

Ancillary revenue

Ancillary revenue increased by 40.6% to £516.3 million in 2009, driven mainly by increases in the checked bag charge. Bag charge revenue delivered £238.1 million in 2009, an increase of £94.0 million or 65.2% compared to the previous year. As expected, this has been accompanied by a small yield dilution, but with approximately 70% of passengers having checked baggage, the net result is positive. Speedy Boarding continues to deliver a strong performance.

Costs

Underlying costs*	2009 £ million	2009 per seat	2008 £ million	2008 per seat
Ground handling	**255.9**	**4.84**	212.2	4.09
Airport charges	**481.5**	**9.11**	397.2	7.65
Fuel	**807.2**	**15.28**	708.7	13.65
Navigation	**232.3**	**4.40**	195.7	3.77
Crew	**306.6**	**5.80**	263.2	5.07
Maintenance	**161.6**	**3.06**	147.5	2.84
Advertising	**47.0**	**0.89**	46.5	0.90
Merchant fees and commissions	**33.5**	**0.64**	33.7	0.65
Aircraft and passenger insurance	**11.3**	**0.21**	9.1	0.17
Other costs	**104.8**	**1.98**	87.5	1.68
Total operating costs	**2,441.7**	**46.21**	2,101.3	40.47
Net ownership costs	**181.4**	**3.43**	138.4	2.67
Total costs	**2,623.1**	**49.64**	2,239.7	43.14
Total operating costs excluding fuel	**1,634.5**	**30.93**	1,392.6	26.82
Total costs excluding fuel	**1,815.9**	**34.36**	1,531.0	29.49

*Underlying measures exclude the £11.0 million profit on disposal of assets held for sale in 2009 and £12.9 million of GB Airways integration costs in 2008.

Total costs

Total cost per seat excluding fuel was up 16.5% or £4.87 per seat to £34.36 in 2009, compared to 2008. In addition to the strengthening of the US dollar and euro, the Swiss franc strengthened by 19%. As a significant proportion of the cost base is denominated in these currencies, this has had a significant impact on unit costs. Excluding the impact of exchange rates, cost per seat excluding fuel was up 6.2% or £1.83 per seat compared to last year.

The impact of the reduction in global interest rates has had a significant impact on interest income in the year; interest income in 2009 at £18.4 million was £30.5 million lower than the £48.9 million reported in 2008. These changes in interest rates are largely out of easyJet's control so, excluding the impact of this reduction, operating cost per seat (excluding fuel and at constant currency) was up 3.9% compared to 2008. On a cost per ASK basis, excluding fuel, costs increased by 13.6% but on a constant currency basis by just 3.5%. Again, excluding the impact of interest income, this figure falls to 1.3%.

As a result of the reduction in winter flying activity and utilisation, unit cost measures are adversely impacted as non-variable costs are spread over relatively fewer units of production.

Ground handling

Ground handling cost per seat at constant currency was up £0.27 or 6.6% compared to 2008. Approximately 61% of ground handling costs are now denominated in euro, up 6 percentage points from 2008. The drivers of this increase include airport mix, as presence continues to be increased in the top European airports (estimated impact £0.14 per seat), the full year effect of PRM (Passengers with Reduced Mobility) charges and increased adverse weather related de-icing costs.

Airport charges

Airport cost per seat at constant currency was up £0.59 or 7.8% compared to 2008. Approximately 58% of these costs are denominated in euro, up 7 percentage points from 2008. The key driver of this increase has been over-inflation price rises in airport passenger related charges at a number of locations across the network, increasing costs by approximately £30 million. Significant increases have occurred at Gatwick, Luton, Amsterdam and at all Spanish and Italian airports. Mix continues to impact as we increase our presence in the top European airports. In a specific response to the uneconomic level of charges at Luton, easyJet announced in September 2009 that it would remove some flying for 2010 and redeploy aircraft to more profitable activity elsewhere.

Crew

Crew cost per seat at constant currency was up £0.44 or 8.7% compared to 2008. An increasing proportion of these costs are denominated in non-sterling currencies as more overseas contracts are introduced and approximately 25% of these costs are now denominated in euro and 9% in Swiss franc. The increase in unit costs has been driven by last year's crew pay deal which was linked to August 2008 RPI, the increased costs associated with the introduction of overseas contracts (a necessary part of the expansion strategy into continental Europe) and maintaining higher than required crew numbers over the winter, whilst there was reduced aircraft utilisation, as these crew were required for the summer activity.

Crew costs continue to be a key area of management focus with significant opportunities for efficiency improvement in the medium term.

Maintenance

Maintenance cost per seat at constant currency was down £0.12 or 4.1% compared to 2008. The net reduction in unit cost mainly reflects the benefit of the reduction in the number of leased aircraft as the Boeing 737-700s have started to leave the fleet partly offset by the full year costs of the new in-house maintenance planning function. During the year, 12 leased Boeing 737-700s and four leased (ex GB) A320s were returned to lessors. Approximately 35% of maintenance costs are denominated in US dollar and 21% in euro.

At the end of the year, negotiations were completed with SR Technics on a new maintenance contract which will deliver savings of around £175 million over the 11 year life of the contract.

Insurance and other costs

Other costs per seat at constant currency were up £0.17 or 9.3% compared to 2008. The main drivers of this per seat increase were reduced utilisation and an increase in disruption costs (driven by bad weather in the winter) partially offset by the profit on the Boeing spares optimisation project, as reported in the first half of the financial year.

Ownership costs

Net ownership costs, on a per seat basis at constant currency, were up £0.52 or 19.4% compared to 2008. The average number of aircraft during the year was 174.1, up 16.0% compared to the previous year. The number of non-operational aircraft increased by nine compared to last year principally due to aircraft held for sale and an increase in aircraft in maintenance as easyJet prepared aircraft for return to lessors. There were 35 additions during the year, 31 debt financed and four cash financed; 12 Boeing 737-700s and four ex-GB A320s were returned to lessors and three ex-GB A321s were sold.

Net ownership costs include interest income which has fallen from £48.9 million in 2008 to £18.4 million in 2009, a fall of £30.5 million due to the dramatic drop in market interest rates and despite cash balances and money market deposits rising from £863 million at 30 September 2008 to £1,075 million at 30 September 2009. Gross ownership costs i.e. excluding the impact of interest income, on a constant currency basis, improved by £0.13 per seat or 3.5%. This benefit is driven by the exit of higher cost leased Boeing 737-700 aircraft and replacement by lower cost owned Airbus aircraft and lower interest rates feeding into interest payable as rates are re-priced to market.

Unit costs have been impacted by the reduced winter flying activity with costs of the fleet that is, on average, 16.0% larger being spread over a similar amount of seats flown as last year.

The exit of higher cost 737-700 aircraft is well under way and this, together with the exit of higher cost aircraft acquired as part of the acquisition of GB Airways, is expected to deliver the targeted benefits in aircraft ownership.

Profit after tax and return on equity

Headline profit before tax for 2009 was £54.7 million; after excluding the one-off benefit of the profit on sale of three ex-GB A321s, underlying profit before tax was £43.7 million. This is a fall of £79.4 million in underlying profit before tax compared to 2008, despite the fuel bill rising £98.5 million. With total revenue per seat increasing by 10.9% and total cost per seat increasing by 15.1%, profit margin dropped by 3.6 percentage points to 1.6%.

At the end of 2009, favourable resolution was reached with HMRC on a prior year tax matter resulting in the release of a provision. This release has contributed to an effective tax credit rate for the year of 30.2% compared to an effective tax charge rate of 24.5% in 2008. For 2010 the effective tax rate is expected to be a charge of 25%.

The tax provision release also had a significant impact on the return on equity in 2009. For the year it was 5.5% compared to 6.8% in 2008, a fall of 1.3 percentage points. Although underlying profit before tax fell by 64.5%, retained profit, significantly impacted by the tax provision release, fell by only 14.4%. With shareholders' funds broadly flat year on year, the resultant return on equity is therefore only down by 1.3 percentage points.

Basic earnings per share, at 16.9 pence, is down 14.6% compared to 2008, reflecting the significant drop in retained profit, being offset, to a large extent, by the tax provision release.

Balance sheet and cash flow

As discussed in the Business Review, the industry has faced challenging economic conditions in 2009. However, easyJet continued to generate a strong operating cash flow and ended the year with over £1 billion in cash and short-term liquid deposits, a strong balance sheet and significant undrawn committed financing to fund future aircraft deliveries.

A clear focus on working capital and balance sheet management has put easyJet in a strong position to withstand the current economic climate and to emerge stronger.

Despite a significant tightening of credit in capital markets, easyJet has capitalised on the strength of its business model and financial position to secure additional debt and lease financing to add to that agreed in December 2007.

Summary balance sheet

	2009 **£ million**	2008 (restated)* £ million	Change £ million
Goodwill	**365.4**	365.4	-
Property, plant and equipment	**1,612.2**	1,102.6	509.6
Other non-current assets	**213.2**	218.4	(5.2)
	2,190.8	1,686.4	504.4
Net working capital	**(537.3)**	(306.5)	(230.8)
Cash and cash equivalents	**788.6**	632.2	156.4
Money market deposits	**286.3**	230.3	56.0
Borrowings	**(1,120.6)**	(626.9)	(493.7)
Other non-current liabilities	**(300.5)**	(337.3)	36.8
Net assets	**1,307.3**	1,278.2	29.1
Share capital and premium	**748.5**	745.9	2.6
Reserves	**558.8**	532.3	26.5
Shareholders’ funds	**1,307.3**	1,278.2	29.1

* Fair value adjustments in respect of GB Airways, see note 12 to the Financial Information.

Shareholders’ funds increased by £29.1 million in the year, the profit after tax being offset by a reduction in the fair value of the Group’s cash flow hedges net of deferred tax. The strengthening of the US dollar and the euro against sterling in the year has caused a significant reduction in the fair value of the Group’s currency derivative portfolio; this was partially offset by a decrease in the value of the jet fuel derivative liability as fuel prices fell.

These fair value gains and losses are deferred in equity and recycled to the income statement in line with the underlying hedged transaction.

Goodwill was £365.4 million at 30 September 2009. Provisional fair values of assets and liabilities acquired through a business combination may be adjusted for 12 months following the acquisition date; for GB Airways this period ended on 31 January 2009. Since 30 September 2008, the fair value of maintenance provisions has been increased reflecting additional liabilities relating to engines on aircraft held under operating leases. After allowing for tax relief, goodwill relating to the GB Airways acquisition increased by £5.6 million to £55.8 million. Comparative balances have been adjusted to reflect that these liabilities were extant at the acquisition date.

The net increase in property, plant and equipment in the year was £509.6 million. Additions in respect of new aircraft delivered, pre-delivery deposits for future deliveries and non-aircraft fixed assets totalled £515.0 million, this was offset by depreciation charged in the year of £55.4 million and disposals of £4.9 million. During the year, easyJet took delivery of an additional 20 A319 aircraft and the first 15 easyJet specification A320 aircraft. Three ex-GB Airways A321 aircraft were sold generating a profit of £11.0 million. These assets had been transferred to assets held for sale in 2008. Four A321 aircraft remain as assets held for sale at 30 September 2009. The five easyJet specification A319 aircraft disclosed as assets held for sale at 30 September 2008 were taken off the market in the year and returned to property, plant and equipment at their book value of £54.9 million. Potential purchasers have found credit hard to obtain in the current market and the Board has agreed to retain these owned aircraft to support the European expansion plans in 2010.

Net working capital improved by £230.8 million in the year. Assets held for sale decreased by £121.7 million with three A321s sold and five A319s returned to property, plant and equipment. Trade and other payables increased by £97.7 million as a result of additional unearned income, the increase in the size of the business and efficient working capital management. Unearned income increased due to the strength of the euro against sterling and as a result of the schedule now being on sale out for up to 11 months. In addition, the fair value of short term derivative balances decreased £43.6 million year on year as the US dollar and euro strengthened against sterling.

The total of cash and cash equivalents and money market deposits was £1,074.9 million at 30 September 2009 up £212.4 million compared to 30 September 2008. Net cash of £134.5 million was generated from operations as a result of cash received in advance from customers and strong working capital management. £90.2 million was received from the sale of three ex-GB A321 aircraft and other fixed assets in the year. The purchase of aircraft in the year was funded predominately by additional borrowings. Of the 35 A320 family aircraft delivered in the year, 31 were mortgage financed. Money market deposits are held partially in US dollars to provide a match against US dollar denominated borrowings.

Excluded from the above total is £72.3 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. The total of cash and cash equivalents, money market deposits and restricted cash at 30 September 2009 was £1,147.2 million (30 September 2008: £928.7 million).

As detailed above, most aircraft deliveries were funded from additional borrowings. Total borrowings increased by £493.7 million in the year to £1,120.6 million as a result of £468.2 million of new draw downs net of repayments and foreign exchange movements of £25.5 million on the retranslation of debt. Most borrowings are denominated in US dollars; however some facilities were drawn in euros for the first time in the year. The US dollar rate moved from 1.78 at 30 September 2008 to 1.60 at 30 September 2009.

Other non-current liabilities include maintenance provisions for work due to be performed in more than one year of £168.6 million, deferred income relating principally to the excess of sale price over fair value for aircraft subject to sale and leaseback of £52.6 million, deferred tax liabilities of £76.7 million and long-term financial instrument liabilities of £2.6 million.

Maintenance provisions have been impacted by the movement in the US dollar and euro exchange rates in the year. Deferred tax liabilities have decreased by £31.1 million since 30 September 2008 as a result of the reduction in the value of cash flow hedges, reduced accelerated capital allowances and the recognition of a deferred tax asset on losses; offset by a charge for increased short term operating timing differences.

Net (debt) / funds (excluding restricted cash)

	2009 **£ million**	2008 £ million	Change £ million
Cash and cash equivalents	**788.6**	632.2	156.4
Money market deposits	**286.3**	230.3	56.0
	1,074.9	862.5	212.4
Bank loans	**(1,010.7)**	(524.9)	(485.8)
Finance lease obligations	**(109.9)**	(102.0)	(7.9)
	(1,120.6)	(626.9)	(493.7)
Net (debt) / funds (excluding restricted cash)	**(45.7)**	**235.6**	**(281.3)**

The net of cash and cash equivalents, money market deposits and borrowings (excluding restricted cash) at 30 September 2009 was a net debt position of £45.7 million (30 September 2008: net funds of £235.6 million) following the funding of capital expenditure through additional borrowings in the year.

Gearing increased in the year from 28.7% to 37.6%. The increase is a result of additional borrowings relating to new owned aircraft and the movement in the US dollar exchange rate. Gearing is consistent with that reported at the half year. Additional debt drawdown in the second half of the year has been offset by improved shareholders' funds as a result of profits earned in the summer and the reversal of fair value fuel hedge losses deferred in equity at 31 March 2009.

Summary cash flow

	2009 **£ million**	2008 £ million	Change £ million
Cash generated from operations	**134.5**	296.2	(161.7)
Acquisition of GB Airways	**-**	(118.0)	118.0
Net capital expenditure	**(430.3)**	(299.9)	(130.4)
Net increase / (decrease) in loan finance	**470.1**	(5.5)	475.6
Net increase in money market deposits	**(29.0)**	(8.7)	(20.3)
Other including the effect of exchange rates	**11.1**	49.0	(37.9)
Net increase / (decrease) in cash and cash equivalents	**156.4**	(86.9)	243.3
Cash and cash equivalents at beginning of year	**632.2**	719.1	(86.9)
Cash and cash equivalents at end of year	**788.6**	**632.2**	**156.4**

Despite reduced profit levels in 2009, easyJet generated a positive operating cash flow in 2009 of £134.5 million as a result of a strong improvement in working capital.

Capital expenditure in the year was funded from further borrowings and is shown net of the proceeds from the sale of the three A321 aircraft and other assets in the year.

The value of cash holdings benefited from foreign exchange movements following the strengthening of both the US dollar and the euro against sterling.

Undrawn committed financing facilities

	2009 $ million	2008 $ million	Change $ million
December 2007 facility	**278**	885	(607)
Revolving credit facility	**250**	250	-
Facilities at 30 September	**528**	1,135	(607)
Sale and leaseback finance secured after the balance sheet date	**222**	-	222
Undrawn committed financing facilities	**750**	**1,135**	**(385)**

Of the $937 million aircraft financing facility agreed in December 2007, $52 million was drawn in the year ended 30 September 2008, an additional $607 million was drawn in the current year, leaving $278 million for future deliveries. Seven A320 deliveries in the year were funded from additional mortgage finance secured in September 2009.

In addition to the undrawn December 2007 facilities of $278 million, easyJet has an undrawn revolving credit facility in place for $250 million, giving total undrawn facilities at 30 September 2009 of $528 million.

Subsequent to the year end in November 2009, easyJet secured $222 million of additional sale and leaseback finance bringing total undrawn facilities to $750 million. Future aircraft deliveries will be funded through a combination of undrawn committed facilities and surplus cash.

Going concern

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

Principal risks and uncertainties

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

Risk description	Potential impact	Mitigation
Safety and security		
Safety / security incident: Failure to prevent a safety or security incident or deal with it effectively.	Adversely affect our reputation, operational and financial performance.	Our number one priority is the safety of our customers and people. We operate a strong safety management system through: – Fatigue Risk Management System – Incident reporting – Safety Review Board – Safety Action Group We also have response systems in place and provide crisis management training.
External risks		
Economic demand for air travel: easyJet's business can be affected by macro economic 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 by our network and fleet management teams. Strong balance sheet supports business through challenging economic conditions for the sector. 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.	Routine monitoring of competitor activity. Rapid response in anticipation of and to changes.
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 and therefore also subject to regulation.	Airport charges may rise. Furthermore, slots may not become readily available. This may adversely impact our cost base and require us to revise our network development plan.	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.
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.

Risk description	Potential impact	Mitigation
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 our main markets.
Reputational risks		
Business continuity: easyJet's head office is located at a major London airport	A loss of facilities could lead to disruption.	Alternative site is in place should there be a need to relocate at short notice due to loss of facilities.
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 customer activity that is monitored and controlled by Revenue Protection team.
Brand ownership: The claim brought by easyGroup IP Licensing Limited ('Licensor') against the Company in the High Court for clarification of certain terms of its Brand Licence agreement with the Company continues.	Earlier this year the Court held that some of the Licensor's requests for declarations about interpretation of Brand Licence provisions could only be tried if they were amended to breach of contract claims. The Licensor subsequently amended its case to claim specific breaches of contract and served a number of notices of breach. However, the substantive points of difference between the parties remain materially unchanged.	It is now anticipated that the case will be heard in the High Court during June 2010. The Company remains confident that its response to the claims is well founded.
E-commerce risk		
Dependence on technology: easyJet is heavily dependent on the website easyJet.com and three key systems in particular: eRes, which is used to process seat purchases and manage reservations, RMS, which is used for yield management, and AIMS, which is used to manage operational data and crew positioning.	An outage of any of these key systems could have a material adverse affect for the business.	Two server locations are run in parallel resulting in a highly resilient system architecture which is subject to review and testing. easyJet has a comprehensive system of back-up and protection.
People risks		

Risk description	Potential impact	Mitigation
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.
Retention of key management: Due to easyJet's lean business model, the Company is reliant on certain key managers.	Loss of key personnel could result in a short-term lack of necessary expertise in certain positions.	Bi-annual talent management and succession planning of key positions.
Key supplier risk		
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 on future operating costs.	Centralised procurement department that negotiates key contracts. Most developed markets have suitable alternative service providers.
Financial risks		
Fuel price and currency fluctuations: Sudden and significant increases in jet fuel price and foreign exchange rates would significantly impact fuel costs and other foreign currency denominated costs.	If not protected against, this would have a material adverse effect on financial performance.	Policy to hedge within a percentage band for rolling 24 month period. To provide protection, the Group uses a limited range of hedging instruments traded in the over the counter (OTC) markets, principally forward purchases, with a number of approved counterparties.
Financing and interest rate risk: All of the Group's debt is asset related, reflecting the capital intensive nature of the airline industry.	Market conditions could change the cost of finance which may have an adverse effect 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 (currently 60%/40%). All on balance sheet debt is floating rate, re-priced up to six months. A portion of US dollar mortgage debt is matched with US dollar cash deposits.

Risk description	Potential impact	Mitigation
Liquidity risk: The Group continues to hold significant cash and liquid funds as a form of insurance.	Lack of sufficient liquid funds could result in business disruption and have a material adverse effect on financial performance.	Board policy is to maintain an absolute minimum level of free cash and money market deposits. Allows business to ride out downturns in business or temporary curtailment of activities (e.g. fleet grounding security incident, extended industrial dispute at key supplier). Committed borrowing facilities of US$0.5 billion at 30 September 2009.
Credit risk: Surplus funds are invested in high quality short-term liquid investments, usually money market funds or bank deposits.	Possibility of material loss arising in the event of non-performance of counterparties, given recent turmoil in financial markets.	Cash is placed on deposit with institutions based upon credit rating with a maximum exposure of £100 million for AAA ratings.

Consolidated income statement

	Notes	Year ended 30 September 2009 £ million	Year ended 30 September 2008 £ million
Passenger revenue		**2,150.5**	1,995.7
Ancillary revenue		**516.3**	367.1
Total revenue		**2,666.8**	2,362.8
Ground handling		**(255.9)**	(212.2)
Airport charges		**(481.5)**	(397.2)
Fuel		**(807.2)**	(708.7)
Navigation		**(232.3)**	(195.7)
Crew		**(306.6)**	(263.2)
Maintenance		**(161.6)**	(147.5)
Advertising		**(47.0)**	(46.5)
Merchant fees and commissions		**(33.5)**	(33.7)
Aircraft and passenger insurance		**(11.3)**	(9.1)
Other costs		**(104.8)**	(87.5)
GB Airways integration costs		**-**	(12.9)
EBITDAR		**225.1**	248.6
Depreciation		**(55.4)**	(44.4)
Profit on disposal of assets held for sale	8	**11.0**	-
Amortisation of intangible assets		**(4.4)**	(2.5)
Aircraft lease costs		**(116.2)**	(110.7)
Operating profit		**60.1**	91.0
Interest receivable and other financing income		**22.5**	53.2
Interest payable and other financing charges		**(27.9)**	(34.0)
Net finance (charges) / income	2	**(5.4)**	19.2
Profit before tax		**54.7**	110.2
Tax credit / (charge)	3	**16.5**	(27.0)
Profit for the year		**71.2**	83.2
Earnings per share, pence	4		
Basic		**16.9**	19.8
Diluted		**16.6**	19.4

Consolidated balance sheet

	Notes	**30 September 2009** **£ million**	30 September 2008 (Restated) (note 12) £ million
Non-current assets			
Goodwill	6	**365.4**	365.4
Other intangible assets	6	**81.7**	80.6
Property, plant and equipment	7	**1,612.2**	1,102.6
Derivative financial instruments		**7.8**	21.3
Loan notes		**12.6**	12.0
Restricted cash		**48.0**	42.9
Other non-current assets		**62.7**	61.1
Deferred tax assets		**0.4**	0.5
		2,190.8	1,686.4
Current assets			
Assets held for sale	8	**73.2**	194.9
Trade and other receivables		**241.8**	236.9
Derivative financial instruments		**68.0**	96.5
Restricted cash		**24.3**	23.3
Money market deposits		**286.3**	230.3
Cash and cash equivalents		**788.6**	632.2
		1,482.2	1,414.1
Current liabilities			
Trade and other payables		**(750.7)**	(653.0)
Borrowings		**(117.6)**	(56.7)
Derivative financial instruments		**(91.1)**	(76.0)
Current tax liabilities		**(57.7)**	(73.2)
Maintenance provisions		**(45.1)**	(55.9)
		(1,062.2)	(914.8)
Net current assets		**420.0**	499.3
Non-current liabilities			
Borrowings		**(1,003.0)**	(570.2)
Derivative financial instruments		**(2.6)**	(0.3)
Non-current deferred income		**(52.6)**	(68.8)
Maintenance provisions		**(168.6)**	(160.4)
Deferred tax liabilities		**(76.7)**	(107.8)
		(1,303.5)	(907.5)
Net assets		**1,307.3**	1,278.2
Shareholders' funds			
Share capital	9	**106.0**	105.7
Share premium	9	**642.5**	640.2
Hedging reserve	9	**(23.9)**	27.6
Translation reserve	9	**(0.4)**	0.1
Retained earnings	9	**583.1**	504.6
		1,307.3	1,278.2

Consolidated cash flow statement

	Notes	**Year ended 30 September 2009 £ million**	Year ended 30 September 2008 £ million
Cash flows from operating activities			
Cash generated from operations	10	**164.5**	290.4
Net interest and other financing charges (paid) / received		**(20.6)**	20.0
Tax paid		**(9.4)**	(14.2)
Net cash generated from operating activities		**134.5**	296.2
Cash flows from investing activities			
Acquisition of subsidiary, net of cash and cash equivalents acquired	12	**-**	(118.0)
Purchase of property, plant and equipment		**(515.0)**	(324.0)
Proceeds from sale of assets held for sale		**77.8**	30.0
Proceeds from sale of property, plant and equipment		**12.4**	0.5
Purchase of other intangible assets		**(5.5)**	(6.4)
Redemption of loan notes		**0.3**	-
Proceeds from sale of investment in associate		**-**	0.3
Net cash used by investing activities		**(430.0)**	(417.6)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**2.6**	6.9
Purchase of own shares for employee share schemes		**(1.6)**	(4.6)
Proceeds from drawdown of bank loans		**543.1**	40.2
Repayment of bank loans		**(69.4)**	(43.0)
Repayment of capital elements of finance leases		**(3.6)**	(2.7)
Increase in money market deposits		**(29.0)**	(8.7)
(Increase) / decrease in restricted cash		**(1.9)**	17.8
Net cash generated from / (used by) financing activities		**440.2**	5.9
Effects of exchange rate changes		**11.7**	28.6
Net increase / (decrease) in cash and cash equivalents		**156.4**	(86.9)
Cash and cash equivalents at beginning of year		**632.2**	719.1
Cash and cash equivalents at end of year		**788.6**	632.2

Consolidated statement of recognised income and expense

	Year ended 30 September 2009 £ million	Year ended 30 September 2008 £ million
Cash flow hedges		
Fair value (losses) / gains in period	**(214.3)**	143.6
Losses / (gains) transferred to income statement	**228.8**	(87.6)
Gains transferred to property, plant and equipment	**(85.9)**	(0.3)
Related tax	**19.9**	(14.4)
Translation differences on foreign currency net investments	**(0.5)**	0.1
Net (expense) / income recognised directly in shareholders' funds	**(52.0)**	41.4
Profit for the year	**71.2**	83.2
Total recognised income and expense attributable to shareholders	**19.2**	124.6

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 2009.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2009 but is derived from the 2009 Annual report and accounts.

The Annual report and accounts for 2008 have been delivered to the Registrar of Companies.

The Annual report and accounts for 2009 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

Significant judgments, estimates and critical accounting policies

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

The following 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 accounts.

Goodwill and landing rights

Goodwill and landing rights are tested for impairment at least annually. easyJet has one cash-generating unit, being its route network. In making this assessment, easyJet has considered the manner in which the business is managed including the centralised nature of its operations and the ability to open or close routes and redeploy aircraft and crew across the whole route network. The value in use of the cash-generating unit is determined by discounting future cash flows to their present value. When applying this method, easyJet relies on a number of estimates including its strategic plans, fuel prices, exchange rates, long-term economic growth rates for the principal countries in which it operates and its pre-tax weighted average cost of capital.

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 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 changes in the cost of heavy maintenance services.

Tax

In drawing up the accounts, estimates are made of current and deferred 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 accounts were finalised. The issues involved are often complex and may take an extended period to resolve. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

2. Net finance charges / (income)

	2009 £ million	2008 £ million
Interest receivable and other financing income		
Interest income	**(18.4)**	(48.9)
Net exchange gains on financing items	**(4.1)**	(4.3)
	(22.5)	(53.2)
Interest payable and other financing charges		
Interest payable on bank loans	**26.2**	27.9
Interest payable on finance lease obligations	**3.9**	4.2
Other interest payable	**(2.2)**	1.9
	27.9	34.0
	5.4	(19.2)

3. Tax (credit) / charge

a) Tax on profit on ordinary activities

	2009 £ million	2008 £ million
Current tax	**(8.4)**	(2.3)
Deferred tax	**(8.1)**	29.3
	(16.5)	27.0
Effective tax rate	**(30.2)%**	24.5%

During the year, agreement was reached with Her Majesty's Revenue & Customs on certain tax issues. This has resulted in the release to the income statement of £30.7 million relating to current tax liabilities provided for in prior years. In addition, easyJet has reassessed certain other open tax matters. The net impact of these has been classified as prior year current and deferred tax adjustments. The prior year adjustments in 2008 include a reclassification of £16.9 million from current tax to deferred tax.

b) Tax on items recognised directly in shareholders' funds

	2009 **£ million**	2008 £ million
Deferred tax credit / (charge) on share-based payments	**1.1**	(7.3)
Deferred tax credit / (charge) on fair value movements of cash flow hedges	**19.9**	(14.4)
Current tax credit on share-based payments	**0.4**	2.0
	21.4	(19.7)

c) Reconciliation of the total tax charge

The tax for the year is lower than the standard rate of corporation tax in the UK as set out below:

	2009 **£ million**	2008 £ million
Profit on ordinary activities before tax	**54.7**	110.2
Tax charge at 28%	**15.3**	30.9
Attributable to rates other than standard UK rate	**(1.3)**	(1.5)
Income not chargeable for tax purposes	**(2.5)**	(0.2)
Expenses not deductible for tax purposes	**2.5**	0.3
Share-based payments	**1.2**	0.2
Adjustments in respect of prior years – current tax	**(27.4)**	(23.1)
Adjustments in respect of prior years – deferred tax	**(4.3)**	20.4
Total tax	**(16.5)**	27.0

4. Earnings per share

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

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

Earnings per share is based on:

	2009 **£ million**	2008 £ million
Profit for the year	**71.2**	83.2

	Million	million
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share	**421.9**	419.4
Weighted average number of dilutive share options used to calculate dilutive earnings per share	**6.4**	9.2
Weighted average number of dilutive share options used to calculate dilutive earnings per share	**428.3**	428.6

Earnings per share

	2009 **Pence**	2008 pence
Basic	**16.9**	19.8
Diluted	**16.6**	19.4

5. Dividends

No dividends have been paid or proposed in the year ended 30 September 2009 or during the comparative accounting period.

6. Goodwill and other intangible assets

		Other intangible assets			
	Goodwill £ million	Landing rights £ million	Contractual rights £ million	Computer software £ million	Total £ million
Cost					
At 1 October 2008 – originally reported	359.8	72.6	2.5	12.6	87.7
Adjustment re acquisition of GB Airways (note 12)	5.6	-	-	-	-
At 1 October 2008 – restated	365.4	72.6	2.5	12.6	87.7
Additions	-	1.4	-	4.1	5.5
At 30 September 2009	**365.4**	**74.0**	**2.5**	**16.7**	**93.2**
Amortisation					
At 1 October 2008	-	-	0.7	6.4	7.1
Charge for the year	-	-	1.0	3.4	4.4
At 30 September 2009	**-**	**-**	**1.7**	**9.8**	**11.5**
Net book value					
At 30 September 2009	**365.4**	**74.0**	**0.8**	**6.9**	**81.7**
At 1 October 2008 - restated	359.8	72.6	1.8	6.2	80.6

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.

Pre-tax cash flow projections have been derived from the five-year strategic plan approved by the Board in June 2009, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	10.69%
Fuel price, per metric tonne, in US dollars	775
Exchange rates	
US dollar	1.55
Euro	1.20
Swiss franc	1.70

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 growth rate scenarios ranging from zero up to an estimated average of long term economic growth rates for the principal countries in which easyJet operates. No impairment resulted from any of these scenarios.

No reasonably possible combination of changes in the key assumptions above would result in the carrying value of the cash-generating unit exceeding its recoverable amount.

7. Property, plant and equipment

	Aircraft £ million	Leasehold improve - ments £ million	Other £ million	Total £ million
Cost				
At 1 October 2008	1,177.8	12.5	26.6	1,216.9
Additions	511.5	-	3.5	515.0
Transfer from assets held for sale	67.9	-	-	67.9
Disposals	(10.1)	-	-	(10.1)
At 30 September 2009	**1,747.1**	**12.5**	**30.1**	**1,789.7**
Depreciation				
At 1 October 2008	93.1	6.4	14.8	114.3
Charge for the year	52.4	0.7	2.3	55.4
Transfer from assets held for sale	13.0	-	-	13.0
Disposals	(5.2)	-	-	(5.2)
At 30 September 2009	**153.3**	**7.1**	**17.1**	**177.5**
Net book value				
At 30 September 2009	**1,593.8**	**5.4**	**13.0**	**1,612.2**
At 1 October 2008	1,084.7	6.1	11.8	1,102.6

At 30 September 2009, easyJet is contractually committed to the acquisition of 74 (2008: 109) Airbus A320 family aircraft with a total list price of US$3.4 billion (2008: US$5.1 billion) before escalations and discounts, for delivery in the period to October 2013.

The net book value of aircraft at 30 September 2009 includes £148.5 million (2008: £188.1 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 2009 was £71.1 million (2008: £74.5 million). £3.4 million of the related accumulated depreciation was charged in the year ended 30 September 2009 (2008: £3.3 million).

At 30 September 2009, aircraft with a net book value of £984.5 million (2008: £610.9 million) were mortgaged to lenders as loan security.

8. Assets held for sale

	£ million
At 1 October 2008 – originally reported	195.8
Adjustment re acquisition of GB Airways (note 12)	(0.9)
At 1 October 2008 – restated	194.9
Disposals	(66.8)
Transfers to property, plant and equipment	(54.9)
At 30 September 2009	**73.2**

During 2008, seven Airbus A321 and five Airbus A319 aircraft, measured at carrying value which was considered to be less than current market value, were reclassified from property, plant and equipment to assets held for sale. This carrying value was subsequently restated (see note 12).

During the year, three Airbus A321 have been sold, realising a net profit of £11.0 million. easyJet continues to market the remaining four A321 aircraft, and although the period over which the asset is classified as held for sale exceeds one year, the Directors consider that this classification remains appropriate.

In view of current market conditions and the challenges for potential purchasers in arranging finance, the five A319 aircraft have been transferred back to property, plant and equipment, with a corresponding catch-up of related depreciation charged to the income statement.

9. Shareholders' funds

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2008	**105.7**	**640.2**	**27.6**	**0.1**	**504.6**	**1,278.2**
Profit for the year	-	-	-	-	71.2	71.2
Cash flow hedges						
Fair value losses	-	-	(214.3)	-	-	(214.3)
Losses transferred to income statement	-	-	228.8	-	-	228.8
Transfers to property, plant and equipment	-	-	(85.9)	-	-	(85.9)
Related tax (note 3b)	-	-	19.9	-	-	19.9
Share incentive schemes						
Proceeds from shares issued	0.3	2.3	-	-	-	2.6
Value of employee services	-	-	-	-	7.4	7.4
Related tax (note 3b)	-	-	-	-	1.5	1.5
Purchase of own shares	-	-	-	-	(1.6)	(1.6)
Currency translation differences	-	-	-	(0.5)	-	(0.5)
At 30 September 2009	**106.0**	**642.5**	**(23.9)**	**(0.4)**	**583.1**	**1,307.3**

10. Reconciliation of operating profit to cash generated from operations

	2009 £ million	2008 £ million
Operating profit	**60.1**	91.0
Adjustments for non-cash items:		
Depreciation	**55.4**	44.4
Profit on disposal of property, plant and equipment	**(7.5)**	(0.1)
Profit on disposal of assets held for sale	**(11.0)**	-
Amortisation of intangible assets	**4.4**	2.5
Share-based payments	**7.4**	4.2
Derivative financial instruments – time value	**0.3**	2.6
Unrealised foreign exchange differences	**(6.2)**	(3.4)
Changes in working capital and non-current deferred income:		
Decrease in trade and other receivables	**3.2**	10.1
Increase in trade and other payables	**104.9**	112.9
(Decrease) / increase in provisions	**(27.8)**	49.8
Increase in other non-current assets	**(1.6)**	(0.3)
Increase in derivative financial instruments	**(0.9)**	(5.3)
Decrease in non-current deferred income	**(16.2)**	(18.0)
	164.5	290.4

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

	1 October 2008 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	30 September 2009 £ million
Cash and cash equivalents	632.2	11.7	-	144.7	788.6
Money market deposits	230.3	27.0	-	29.0	286.3
	862.5	38.7	-	173.7	1,074.9
Bank loans	(524.9)	(14.0)	1.9	(473.7)	(1,010.7)
Finance lease obligations	(102.0)	(11.5)	-	3.6	(109.9)
	(626.9)	(25.5)	1.9	(470.1)	(1,120.6)
Net funds / (debt)	**235.6**	**13.2**	**1.9**	**(296.4)**	**(45.7)**

12. Acquisition of GB Airways

On 31 January 2008, easyJet acquired 100% of the share capital of and voting rights in GB Airways. At 30 September 2008 the fair values of assets acquired and liabilities assumed were determined on a provisional basis. These provisional fair values and subsequent adjustments made are as follows:

	Provisional fair value £ million	Adjustments £ million	Fair value £ million
Landing rights	72.4	-	72.4
Other intangible assets	2.5	-	2.5
Property, plant and equipment	83.4	(0.9)	82.5
Other non-current assets	2.7	-	2.7
Assets held for sale	30.0	-	30.0
Current assets excluding cash and cash equivalents	55.6	-	55.6
Cash and cash equivalents	15.1	-	15.1
Current liabilities, excluding borrowings and overdrafts	(91.6)	1.9	(89.7)
Overdrafts	(3.7)	-	(3.7)
Borrowings	(59.1)	-	(59.1)
Deferred tax liabilities	(22.0)	0.3	(21.7)
Maintenance provisions	(6.1)	(6.9)	(13.0)
Net assets acquired	79.2	(5.6)	73.6
Goodwill	50.2	5.6	55.8
	129.4	**-**	**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
Net cash outflow	**118.0**

Adjustments made since 30 September 2008, but within twelve months of the acquisition date, principally relate to maintenance provisions in respect of leased aircraft. Fair values are now final and no further adjustments may be made.

To report these adjustments in accordance with the provisions of IFRS3 'Business Combinations', the consolidated balance sheet at 30 September 2008 has been restated as follows:

	Previously reported £ million	Adjustments £ million	Restated £ million
Goodwill	359.8	5.6	365.4
Assets held for sale (included on acquisition as property, plant and equipment)	195.8	(0.9)	194.9
Current tax liabilities	(75.1)	1.9	(73.2)
Maintenance provisions (current portion)	(49.0)	(6.9)	(55.9)
Deferred tax liabilities	(108.1)	0.3	(107.8)