16 November 2010 **easyJet plc**

Results for the year ended 30 September 2010
Continuing strong commercial performance and cash generation

Results at a glance

	2010	2009	Change
Total revenue (£ million)	**2,973.1**	2,666.8	+11.5%
Profit before tax – reported (£ million)	**154.0**	54.7	+181.5%
Profit before tax – underlying (£ million) [1]	**188.3**	43.7	+330.9%
Pre tax margin – underlying (%) [1]	**6.3**	1.6	+4.7ppt
Return on equity (%)	**8.6**	5.5	+3.1ppt
Return on capital employed (%)[2]	**8.8**	4.0	+4.8ppt
Basic EPS (pence)	**28.4p**	16.9p	+68.0%

Financial highlights:

- Continued growth in total revenue per seat, up 5.1% (3.3% at constant currency), following strong growth in the prior year (up 4.1% at constant currency) driven by the strength of the easyJet network and good underlying consumer demand
- Passenger numbers up 7.9% to 48.8 million and load factor increased by 1.5ppt to 87.0%
- Reported profit before tax of £154.0 million delivered ahead of our original guidance, this includes £27.3 million of costs resulting from volcanic ash disruption. Total impact of the volcano, including lost contribution, estimated to be £57 million
- Improvement in margins as underlying profit before tax[1] increased by £144.6 million to £188.3 million, primarily driven by a unit fuel cost reduction equivalent to £122.7 million
- Disruption costs have had a significant impact on the financial results with a £97.9 million increase versus the prior year. £27.3 million volcano related, £20.8 million snow related and £49.8 million of costs (wet leasing and other costs, mainly EU 2004/261 related), as a result of Air Traffic Control (ATC) strike action and easyJet's operational difficulties over the summer
- Total underlying cost per seat[1] (excluding fuel and currency movement) up 5.2% mainly driven by disruption costs. Excluding the impact of additional disruption costs , underlying cost per seat[1] (excluding fuel and currency movement) rose by 2.2%
- Continued strong cash generation, net cash flow from operations improved by £228.9 million to £363.4 million. Gearing fell from 37.6% to 31.8%
- Return on equity increased to 8.6% from 5.5% as easyJet delivered both capacity growth and margin improvement

Highlights – business and capital structure review:

- Fundamental business model and strategy is sound, focus going forward will be on improved execution
- Clear opportunities for easyJet to continue to grow profitably and take share of the European short-haul market
- Focus on the end to end customer experience
- Guiding principle will be driving improvement in margins to achieve profit per seat of £5 and ROCE of 12% through the cycle. Increased focus on business customers and the network will enable easyJet to drive revenue. In addition, opportunities continue to exist for easyJet to deliver cost savings
- Planned increase in the fleet of 24 aircraft to a total of 220 aircraft by September 2013. This represents an average annual growth rate of 7% in seats flown. One of

easyJet's strengths is the flexibility it has in its fleet planning arrangements which can be adjusted dependant on the opportunities available and the economic environment

- easyJet is highly cash generative and well financed. Consequently, the Board now feels that the time is right to set in place a formula to trigger a dividend payment in years when the Company is profitable whilst at the same time ensuring that it retains a conservative capital structure
- Root cause analysis of operational issues over the summer completed, actions to fundamentally resolve now being implemented

Note 1: Underlying measures exclude £27.3 million of cost relating to the volcanic ash cloud and £7.0 million loss on disposal of A321 aircraft in 2010 and £11.0 million profit on disposal of A321 aircraft in 2009.

Note 2: Return on capital employed is calculated by dividing normalised operating profit after tax by average net debt plus average shareholders' equity.

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

"easyJet's solid financial performance in a tough trading environment demonstrates that the business model is strong. I'd like to thank the whole team at easyJet for their commitment and hard work over what has been a very tough year in the airline industry.

I've now been at easyJet for four months and completed my review of the business and capital structure. The strategy will build on the strength of easyJet's network and target leisure and business customers with its best value fares to convenient airports. easyJet is strongly positioned to take advantage of the continuing profitable growth opportunities in European short-haul. This combined with margin improvement through a tight focus on costs and accessing new revenue opportunities, means that easyJet is poised to continue the strong operating cash generation of the past few years."

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There will be an analyst presentation at 9:30 am on 16 November 2010 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 is my first Chief Executive's review at easyJet and I am proud to be leading a company that has achieved so much in the past 15 years.

easyJet was born out of the liberalisation of European aviation by 'Open Skies'. It has been a true industry innovator pioneering the use of the web and low cost air travel centred around a transparent pricing model. Post 9/11, easyJet took bold strategic moves that have been the foundation of the Company's present day success including the initial entry into primary airports such as London Gatwick. Over the past five years, easyJet has grown from a UK centric airline to develop a significant presence in mainland Europe built around valuable positions at slot constrained airports.

The strength of easyJet's business model, which is centred around offering low fares to convenient airports, is reflected in the performance of the past year. easyJet has delivered a robust financial result against a difficult backdrop. Reported pre-tax profit grew by £99.3 million to £154.0 million driven by a strong revenue performance as total revenue grew by 11.5% to £2,973.1 million. Return on equity grew by 3.1 percentage points to 8.6%. easyJet also generated significant positive cash flows in the period with cash and money market deposits at 30 September 2010 totalling £1,171.9 million (30 September 2009: £1,074.9 million).

Since I joined the Company in July, my priorities have been to spend as much time as possible out in the network with our people to understand their perspective on the business; the mitigation of the operational issues experienced in July; resolution of the Brand Licence dispute; and importantly, taking a fresh look at the business to assess the opportunities available to it, in conjunction with a review of easyJet's capital structure to ensure easyJet has the financial resources necessary to support its future plans.

Our people make a difference

I have been truly impressed by easyJet's people. Our front line cabin crew and pilots are highly trained and committed. Their warmth and focus on passenger care helps create a connection with our customers which makes us a more popular and successful airline and they need to be recognised for this. Our engineering, management and administration teams are equally important to the success of the business and I'd like to thank the whole team at easyJet for their commitment and hard work over what has been a very tough year in the airline industry.

Taking a fresh look at the business

Over the past couple of months, the senior management team has conducted an end to end review of the business. We have examined all of the assumptions that underline our business plan. We have looked carefully at the broader market in which we operate and the trends that will challenge us and provide us with opportunities.

Our conclusion is that the business model and strategy is delivering for customers, our people and shareholders. We have a unique network which will enable us to expand in Europe as our routes and low fares are attractive to customers.

Market place review

We see clear opportunities for easyJet to continue to take market share as charter traffic continues to decline, as weaker short-haul carriers retrench or fail and as new infrastructure capacity comes on stream. Low cost carrier penetration across Europe is expected to increase as several major markets including France, Switzerland, Italy, Netherlands and Portugal see the penetration of low cost carrier traffic increase to around 50%, in line with that now seen in the UK and Spain.

Passenger growth in the European short-haul market is expected to continue at between 3% and 4% per annum, with the majority of the growth in point to point business and leisure travel.

Around 200 carriers currently compete in the European short-haul aviation market and the top five players, including easyJet, account for around 60% of seats flown with the rest of the market being highly fragmented. 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 grew by 4.2%.

easyJet is the only pan European short-haul carrier with a significant position in major airports and operates the leading network in European short-haul aviation measured by presence on the top 100 routes. Our network not only ensures that easyJet is well positioned to capture leisure traffic but also will enable easyJet to continue to build its share of the £18 billion per annum European short-haul air travel market.

Whilst we anticipate that the European short-haul market will continue to grow, the industry is clearly cyclical and profitable opportunities for expansion will not be linear. Therefore flexibility in fleet planning will be key in order to seize strategic opportunities when they emerge whilst not putting excess capacity into uneconomic markets. Consequently, easyJet has built flexibility into its fleet planning arrangements that means that its growth rate in terms of seats flown can be flexible and dependant on the opportunities available and economic conditions.

Business model and vision

easyJet's vision is to 'Turn Europe Orange'. This will be achieved by:

- Ensuring no compromise on safety;
- Giving our customers low fares to convenient airports at convenient times of the day combined with helpful and friendly service that is reliable and punctual;
- Smart cost management so we can continue to offer competitive fares;
- Attracting talented people to easyJet and keeping them with us because easyJet is an enjoyable and challenging place to work; and
- Delivering a good return to shareholders by focusing on improving margins to achieve a profit per seat of £5.

easyJet has a number of opportunities to drive margin improvement:

- To grow fares through continued network optimisation and driving the business traveller proposition harder;
- To grow ancillary revenues through both yield management of fees and charges and partner and in-flight revenues through better execution and innovation such as easyJet Holidays; and
- Smart cost management by reducing complexity and disruption costs in the business and continuing to drive procurement initiatives in airports, ground handling and maintenance.

Capital structure review

It is vital that easyJet has the financial resources in place to support its expansion plans and to ensure it can withstand external shocks. Consequently, we have performed a rigorous review of the balance sheet including modelling downside scenarios such as extreme fuel prices to ensure that we have the appropriate capital structure going forward.

We will continue with a conservative policy including a liquidity target of £4 million cash per aircraft, a leverage cap of £10 million adjusted gross debt per aircraft and a 50% limit on net gearing.

easyJet is highly cash generative and will continue to be as the business grows and improves its margins. easyJet has also been able to access financing for its aircraft at attractive rates. Consequently, the Board is confident that easyJet has the ability to maintain a conservative balance sheet whilst funding growth and a regular formulaic return to shareholders. We therefore intend to commence the payment of an annual dividend based on a dividend cover of five times. The first dividend will be payable in 2012 in respect of the year ending 30 September 2011.

Return on Equity (ROE) has been an important target for easyJet. We continue to target improvement in ROE however, with the introduction of a dividend policy and the belief that easyJet needs to maintain a strong balance sheet, the Board is of the view that Return on Capital Employed (ROCE) is a more relevant target. Our aim will be to achieve an average post tax ROCE of 12% through the cycle.

Disruption

easyJet's results this year reflect the high levels of disruption from snow, volcanic ash, ATC strike action and easyJet's own operational difficulties. The combination of these events led to incremental costs of £97.9 million versus the prior year.

During December 2009 and January 2010, Europe experienced exceptional snowfall causing the closure of many airports. Despite this easyJet managed to fly 90% of its programme during the affected period. Nonetheless, the impact of this disruption on our customers and people was significant. easyJet incurred £20.8 million of additional costs associated with this disruption and the pre-tax result, including lost contribution, in the first half of the year was adversely impacted by £25 million.

The disruption to European airspace due to the Eyjafjalla volcano in April and May was significant. easyJet was forced to cancel 7,314 flights, disrupting 960,000 passengers. The lost contribution and additional cost as a result of this event were £30 million and £27.3 million, respectively.

easyJet gave priority to supporting its customers affected by the volcanic ash disruption and was able to repatriate approximately 200,000 stranded passengers within five days by implementing the following special measures:

- Operating effectively a full flying programme as soon as the skies reopened;
- Operating special rescue flights to hot spot areas where many passengers were stranded. These flights were operated with additional aircraft leased at easyJet's expense;
- Prioritising stranded passengers over new sales. easyJet suspended sales on many routes to give priority to our repatriation efforts; and
- Allowing customers to fly on stand-by. easyJet set up stand-by desks in airports to try to help stranded passengers get on the next available flight.

Over the summer, easyJet experienced operational difficulties, including a high level of cancellations and poor on time performance (OTP). Following a thorough review, it is clear that the root cause of these operational problems was that easyJet did not have the right number of crew in the right locations at the right times. High levels of ATC industrial action across Europe further exacerbated the problems.

When the extent of the problems came to light, easyJet swiftly put in place a series of mitigating actions including sub-chartering aircraft. Throughout this period our priority was ensuring no compromises on safety and seeking to minimise the impact of these issues on our passengers. Subsequently, we have seen an improvement in OTP while the numbers of cancellations has reduced. Our objective now is to ensure acceptable levels of OTP return for summer 2011.

Going forward we have implemented a series of measures to ensure these issues are fundamentally resolved including ensuring realistic planning assumptions for crew numbers, greater use of flexible rosters, a more robust management structure and more effective communication with the crew. These measures will not incur additional net costs to easyJet but will deliver savings as disruption costs are reduced.

Brand Licence resolution

On 11 October 2010, we announced a resolution to the ongoing Brand Licence dispute. The proposed variations to the Brand Licence will ensure that we have a more workable agreement going forward that allows easyJet to carry out all current commercial activities and innovate without restriction within the parameters of the airline and airport environment. The proposed variations will be the subject of a shareholder circular that will be issued today.

Business performance

easyJet's strategy is centred around achieving profitable growth and delivering improved returns. Therefore, the management team continually focuses its efforts on both driving revenue and managing costs. Margins improved in the period, mainly driven by a unit fuel cost decrease equivalent to £122.7 million, offset by lower interest income of £11.3 million and £97.9 million of additional disruption costs.

Revenue

Total revenue per seat was £53.07 in the year, an increase of 3.3% at constant currency; a good performance against a difficult backdrop and strong comparators driven by the strength of easyJet's network, good route management and growth in ancillary revenues.

Focused network development

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. Additionally, 53% of easyJet's passengers now originate from outside the UK, an increase of 3 percentage points compared with the prior year.

easyJet has continued to manage the performance of its network by careful allocation of aircraft to routes and optimisation of its flying schedule. During the past year, 28 underperforming routes were closed and 115 new routes were launched. easyJet closed its base at East Midlands airport and reallocated the aircraft to bases where it will be able to drive an improved return. easyJet now operates 25 A320 aircraft across the network and this has enabled us both to extend our network to longer range destinations such as Israel, Egypt and Turkey and to fly a higher number of passengers at highly slot congested airports such as Paris Orly.

easyJet continues to focus its efforts on the business travel market through adding new routes to business destinations, improving frequencies and increasing the proportion of flights at peak times of the day. easyJet continues to see a yield premium of about 20% to 30% from flights booked via the GDS and Business API.

Overall, easyJet's capacity (measured in seats flown) grew by 6% during the year, with an increase of 16% in mainland Europe with growth focused on France, Italy, Spain and Switzerland.

UK

Consolidating UK performance

The network strategy in the UK is focused around consolidating our position as the UK's leading airline. Capacity in the UK was flat overall but careful capacity allocation decisions delivered a good revenue performance across all of our UK bases.

At London Gatwick seats flown grew by 9% and we increased based capacity by a further three aircraft to 42 over the summer following the withdrawal of Aer Lingus from the routes on which they competed directly with easyJet.

Capacity elsewhere in the UK reduced by 6% as easyJet closed its base at East Midlands in January 2010 and terminated underperforming routes in Luton. There were good performances at a number of UK regional bases, particularly at Belfast and Edinburgh following competitor retreat. We continue to invest in our Manchester base with a range of business and leisure routes.

Mainland Europe

Growing our footprint through increased based capacity in Switzerland, France and Italy

In Switzerland three new aircraft were introduced and seats flown grew by 12%. Frequencies were increased on routes such as Geneva to London Gatwick, Paris Orly and Barcelona. An

A320 was introduced at Geneva to enable flights to longer range destinations such as Sharm El Sheikh. easyJet also took advantage of Ryanair's retreat from Basel to add additional capacity into the market.

France is a compelling investment opportunity for easyJet. Low cost carrier penetration is half the European average and easyJet is uniquely positioned to grow in France due to its decision to put its crew onto local terms and conditions. easyJet grew capacity by 22% in France in the year, against market growth of just 1%. At Paris Orly, easyJet has added a seventh aircraft and now has ten aircraft deployed at Paris Charles De Gaulle. At Lyon, a third aircraft has been added as we have taken advantage of Air France's reduced capacity on routes such as Madrid and Barcelona; a fourth aircraft will be added over the winter.

Capacity in Italy increased by 25%, with 16 aircraft now based at Milan Malpensa where easyJet launched eight new routes and increased frequencies on business routes such as Rome, Madrid, Barcelona and Amsterdam.

Growing our footprint through increased inbound flying in Germany and Spain

In Germany, easyJet continued to refocus its offering. We have increased capacity on key business routes out of Berlin such as Brussels, Copenhagen and London Gatwick. easyJet has also increased its presence in Scandinavia and we now have 13 routes operating out of the region.

In Madrid, capacity grew by 20% in the period, with eight aircraft now deployed there. The Spanish market continues to be competitive however both city and beach in-bound routes continue to perform well.

Portugal is an important market for easyJet and we are already its second largest airline . In October, we announced that we are opening a base at Lisbon in winter 2011. This will enable us to further develop our business there.

Ancillary revenues

Ancillary revenues grew in the year by 43 pence per seat to £10.20 despite regulatory changes to the sales process for insurance products which led to a reduction in insurance income of £8 million in the year and changes in VAT legislation which negatively impacted in-flight income by £2 million. There were improved performances in fees and charges and bag revenue.

However, hotel and car hire revenues were down versus the prior year. This performance is disappointing and we are reviewing this area to ensure that we have the correct product offerings to underpin our growth plans going forward.

Smart cost management

It is vital that easyJet effectively manages its cost base so that it can continue to offer competitive fares profitably. However, it is important that cost management is sensibly executed and does not lead to sub-optimal decisions such as those made around crewing this year.

Total cost per seat excluding fuel, rose by 5.2% at constant currency to £36.15 in the period, principally due to disruption and wet leasing costs. Excluding the effect of additional disruption, cost per seat rose by 2.2% at constant currency to £35.14 as improvements in aircraft ownership and maintenance costs partially offset increased airport and navigation charges.

We are making good progress to be on track to deliver against our £190 million savings programme.

- **Systems implementation to drive reduced fuel consumption and improvements in crew efficiency.** easyJet has maintained the level of fuel burn in the period. Whilst crew productivity savings were delivered in the year, the way in which these savings were achieved drove substantially more cost in the business as we suffered disruption due to crew shortages in part of the network. Consequently, we have decided to stabilise the operation during 2011 and have built more resilience into our crew planning. These additional costs will be offset by reduced disruption and wet leasing costs.

- **Leverage scale and the recession to deliver procurement efficiencies.** The renegotiation of our maintenance contract with SR Technics will drive savings of around £17 million per annum. We have also maintained our approach of leveraging our scale and buying power to challenge airports on the charges they levy.
- **Efficient fleet management.** easyJet continues to make good progress towards its goal of operating a common aircraft fleet. Eliminating the Boeing and ex-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 £30 million per annum. Nine Boeing 737s and three ex-GB Airways A320s were returned to lessors in the year. The remaining four ex-GB Airways A321s exited the fleet in November 2010.

We have benchmarked easyJet cost categories against other low cost carriers and identified further efficiencies. We have named this programme easyJet Lean and the £190million cost savings programme will be folded into this initiative. One of our cost savings plans we have already stepped up is to build a greater proportion of A320's into our fleet plan. There are currently 25 easyJet 180 seat A320's in the fleet and our review of their introduction has show a reduction in cost per seat which has led to a significant increase in contribution although as you might expect there is a slight yield decrease. This is a perfect example of how we aim to balance yield and cost to improve margins.

Regulated costs

A significant proportion of easyJet's cost base is determined by governments and regulators and we continue to constructively engage with them on a number of issues that will impact easyJet's cost base in the future. The closure of European airspace because of volcanic ash and the wide scale air traffic control disruption across Europe have highlighted some of the weaknesses of the current policy framework. We are supporting efforts to put in place a European framework to deal with future crises. The volcanic ash disruption also exposed the weaknesses in EU2004 / 261, which effectively requires airlines to act as insurer of last resort. We will work with the EU on consumer rules to ensure that they strike the right balance between the benefits that regulation brings to consumers over its costs to the industry. The strike disruption to air traffic control is due to the wider economic pressures facing Europe and union concerns about the forthcoming Single European Sky programme. We expect disruption to continue in 2011; we will press for measures to be put in place that alleviate the impact of these strikes and push for faster reform.

Our increasing focus on primary airports increases the importance of regulated airport charges to the business. We continue to work with airports and regulators to ensure that charges are as low as possible and also that charging structures do not discriminate against easyJet. In the UK, we are active participants in the CAA's work on airport regulation methodologies and competition; we are also involved in regulation in the Netherlands, France and Belgium.

We are now at the initial stages of aviation's entry into the EU Emissions Trading System (ETS); 2010 is a monitoring year ahead of the requirement in 2012 to have permits to cover emissions. We support moves towards a global framework for addressing aviation's impact on climate change. However, this must not come at the expense of schemes such as ETS. These schemes are the right way to address aviation's environmental obligations. We also remain concerned about the imposition of passenger taxes across Europe, with Germany introducing a €8 passenger tax for European flights. We can see no rationale for these taxes and where they remain we will continue to argue for their reform of any passenger taxes into environmentally efficient plane taxes, which tax flights rather than passengers.

Fleet plan

In the period, easyJet took delivery of eight A320 aircraft and nineteen A319 aircraft under the terms of the easyJet Airbus agreement. Configured with 180 seats, the A320 is enabling us to increase our capacity at peak times at slot constrained airports. The aircraft also operates with a cost per seat that is around 6% lower than the A319.

The total fleet at 30 September 2010 comprised 196 aircraft. A further 45 easyJet specification aircraft deliveries are currently planned for arrival over the next three years. The fleet is expected to comprise 220 aircraft by 30 September 2013.

easyJet has 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.

Fleet as at 30 September 2010:

	Owned	Operating leases	Finance leases	Total	Changes in the year	Future committed deliveries[3]	Unexercised purchase options and rights[4]
easyJet A320 family	122	52	8	182	27	45	88
Boeing 737-700	-	8	-	8	(9)	-	-
GB Airways A320 family	4	2	-	6	(3)	2	-
	126	**62**	**8**	**196**	**15**	**47**	**88**

Note 3: The 45 future easyJet deliveries and 2 ex-GB Airways deliveries are anticipated to be delivered over the next three financial years, 25 in 2011, 18 in 2012 and 4 in 2013.

Note 4 Purchase options and rights may be taken on any A320 family aircraft and are valid until 2015.

The total fleet plan over the period to 30 September 2013 is as follows:

	easyJet A320 family	Boeing 737-700	GB Airways A320 family[5]	Total aircraft[5]
At 30 September 2010	182	8	6	196
At 30 September 2011	202	2	-	204
At 30 September 2012	214	-	-	214
At 30 September 2013	218	-	2	220

Note 5: Four ex-GB Airways A321 aircraft exited the fleet in November 2010.

Hedging positions

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short term earnings volatility 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. Details of our current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus sale
Full year ending 30 September 2011	70%	66%	64%
Rate	$734/MT	$1.60	€1.10
Full year ending 30 September 2012	23%	40%	21%
Rate	$802/MT	$1.57	€1.11

Outlook

- Capacity measured in seats flown, adjusting for the impact of disruption is expected to increase compared to the prior year by around 8% as easyJet continues with its strategy of carefully targeting growth. On a reported basis, capacity is expected to be up by 12% for the full year and 14% in the first half. The current expectation is that competitor capacity on easyJet routes will be up by low single digits.
- Over 45% of the available first half seats now sold and forward bookings are in line with the prior year. Total revenue per seat in the first half is expected to be broadly flat on a reported basis (at current exchange rates) [6] versus the prior year and slightly up at constant currency despite a greater proportion of A320 aircraft in the fleet and the impact of increased APD in the UK and its introduction into Germany.
- Total reported cost per seat excluding fuel (at current exchange rates) [6] is anticipated to fall by around 4% on a underlying basis, assuming normal levels of external disruption. Improvements in maintenance and ownership costs and a reduction in disruption related costs will offset the impact of planned increases in crew costs as we build more resilience in to the operation.
- The economic outlook in Europe remains uncertain and the continuing level of ATC industrial action is causing disruption to our flying programme and driving additional cost. However, the strength of the easyJet network combined with its proposition of offering consumers the best value fares to convenient airports means that easyJet is well positioned for future success.

Note 1: Underlying measures exclude £27.3 million of cost relating to the volcanic ash cloud and £7.0 million loss on disposal of A321 aircraft in 2010 and £11.0 million profit on disposal of A321 aircraft in 2009.

Note 2: Return on capital employed is calculated by dividing normalised operating profit after tax by average net debt plus average shareholders' equity.

Note 3: The 45 future easyJet deliveries and 2 ex-GB Airways deliveries are anticipated to be delivered over the next three financial years, 25 in 2011, 18 in 2012 and 4 in 2013.

Note 4: Purchase rights may be taken on any A320 family aircraft and are valid until 2015.

Note 5: Four ex-GB Airways A321 aircraft exited the fleet in November 2010.

Note 6: US$1.60/£, €1.18/£ and US$788 per metric tonne at noon on 15 November 2010

Financial review

Introduction

	2010			2009		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Total revenue	2,973.1	53.07	4.72	2,666.8	50.47	4.58
Profit before tax	154.0	2.75	0.24	54.7	1.04	0.09
Profit after tax	121.3	2.17	0.19	71.2	1.35	0.12

2010 confirmed the underlying strength of easyJet's business model and customer proposition. The Company continued to develop Europe's No.1 air transport network by increasing presence at primary airports and continuing to enhance the route offering and timing and frequency of the schedule.

This investment in the network has resulted in increased revenue yields and profitability despite the backdrop of a recessionary economic environment across Europe.

Total revenue grew 11.5% to £2,973.1 million and reported profit before tax was £154.0 million or £2.75 per seat (2009: £54.7 million or £1.04 per seat). This result was achieved despite the significant impact of disruption on the business during the year.

easyJet continues to generate strong operating cash flows and maintain a strong balance sheet. Gearing levels remain low and the Company has sufficient liquidity to fund its future growth.

The reported financial performance in the year has been significantly impacted by the following factors:

- Network improvement
- Fuel prices
- Volcanic ash disruption
- Winter snow disruption
- Air traffic control and strike action

Network improvement

The move in capacity towards continental Europe continued in 2010. Of the 6.0% overall growth in seats flown, the increase at continental European bases was 15.9%, with investment being focused in Milan Malpensa, Rome Fiumicino and Paris Charles de Gaulle. London bases in aggregate grew by 4.5% with investment continuing at Gatwick but being reduced at Luton. Capacity was reduced across the UK regions by 6.3% with only Manchester showing any significant growth.

easyJet has continued to grow in both 2009 and 2010 and has returned growth in total revenue per seat at constant currency in both years. The strong 2009 comparators make the 2010 performance stand out amongst European short-haul competitors.

A consequence of investment in higher yielding routes is a mix impact on cost. However, the overall cost impact across the airport charges, ground handling and crew lines was more than recovered through additional revenue yield.

Fuel prices

	2010			2009		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Fuel	733.4	13.09	1.17	807.2	15.28	1.39

Total fuel cost for 2010 was £733.4 million, a £73.8 million decrease on 2009. After taking into account a 6% increase in volume, fuel cost per seat was £13.09, down £2.19 from £15.28 per seat in 2009. The market cost of fuel, excluding fees and charges, increased in the year from $595 per metric tonne to $688. However, the effective price for fuel, after taking into account jet fuel hedging, decreased significantly from $951 per metric tonne to $732 as higher cost hedges matured.

The effective US dollar exchange rate reduced in the year from 1.78/£ to 1.64/£ resulting in a sterling cost of fuel (excluding fees and charges) of £445 per metric tonne compared to £536 in 2009.

Fuel burn was flat year on year at 715 US gallons per block hour. The introduction of additional heavier A320 aircraft and a 1.5 percentage point increase in load factor being offset by fuel conservation initiatives in the year.

Volcanic ash disruption

The aviation industry was subject to the unprecedented closures of European airspace during April and May 2010 following the eruption of the Eyjafjalla volcano in Iceland. easyJet was forced to cancel over 7,000 sectors during this period. Costs of customer compensation, direct operating costs and additional resource in our contact centres totalled £27.3 million or £0.49 per seat. In addition, the Company estimates the lost contribution from these incidents at approximately £30 million.

Winter snow disruption

During December 2009 and January 2010, Europe experienced heavier than normal snowfall which caused the closure of many airports and the loss of nearly 2,800 sectors. As reported in the Company's interim report, operating costs and customer compensation associated with the snow totalled £20.8 million or £0.37 per seat. Additional lost contribution from the snow disruption is estimated at £4 million.

Air traffic control and strike action

As a result of the recessionary environment across Europe and austerity measures introduced by national governments the operation has been affected by significant levels of industrial action and work to rule by ground handling suppliers and air traffic control. This caused a large number of cancelled flights and significant lost contribution and cost in the form of customer compensation. Industrial action has continued into the early part of the 2011 financial year particularly in France. These issues and operational difficulties during the summer resulted in additional costs of £49.8 million in 2010 including £13.7 million of aircraft wet leasing.

Underlying financial performance

	2010 £ million	2009 £ million
Underlying profit before tax	188.3	43.7
Volcanic ash disruption	(27.3)	-
(Loss) / profit on disposal of assets held for sale	(7.0)	11.0
Reported profit before tax	154.0	54.7

The reported profit for the year includes £27.3 million of cost relating to the volcanic ash cloud disruption in April and May 2010 as detailed above and a £7.0 million loss associated with the disposal of the final four ex-GB Airways A321 aircraft in November 2010. This now completes the sale of ex-GB Airways A321 sub-fleet, generating an overall net profit of £4.0 million on the disposal of the seven aircraft.

Excluding these one off items, underlying profit before tax for 2010 was £188.3 million or £3.36 per seat (2009: £43.7 million or £0.83 per seat).

Exchange rates

Movements in exchange rates, principally the US dollar and euro, are a key factor in determining the Company's financial performance. The underlying average market rate for the US dollar in 2010 was flat compared to the prior year at 1.56/£. However, after taking into account hedging, the effective average rate for the year was 1.64/£, down from 1.78/£ in 2009. The Company has no US dollar revenue but significant US dollar costs within fuel, leasing, maintenance and interest, therefore this movement has had an adverse impact on the result for the year compared to 2009.

The average euro market rate in 2010 has strengthened marginally from 1.16/£ in 2009 to 1.15/£ in 2010. With 44% of revenue and 34% of costs denominated in euro, this results in a net surplus position therefore the movement in the euro has contributed positively to the result in 2010.

Revenue

	2010			2009		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Passenger revenue	2,401.7	42.87	3.81	2,150.5	40.70	3.69
Ancillary revenue	571.4	10.20	0.91	516.3	9.77	0.89
Total revenue	2,973.1	53.07	4.72	2,666.8	50.47	4.58

In spite of the challenging economic environment, the Company returned a strong commercial performance in 2010. Total revenue increased 11.5% to £2,973.1 million.

Disruption in the year meant that seat capacity increased by 6.0% whilst there was an increase of 9.2% in the average number of aircraft operated. This contributed to a 1.5 percentage point increase in load factor.

Total revenue per seat increased 5.1% to £53.07 with a particularly strong second half performance. After accounting for the positive impact of foreign exchange, total revenue per seat at constant currency grew by 3.3%. Non sterling currencies accounted for 52% of revenue in 2010 (2009: 51%).

This revenue increase was driven by:

- improvements in route mix with investment in higher yielding European routes and some capacity re-alignment within the UK (including the closure of the East Midlands base); and
- encouraging year on year performance on routes from the UK, these performed well throughout the summer with high levels of demand for both beach and European cities.

Ancillary revenue grew by 10.7% in 2010, or 4.4% on a per seat basis. This was driven by a 3.3% increase in checked bag revenue per seat and price optimisation across other fees and charges. Partner revenue was impacted by the regulatory change which forced travel insurance to be presented on an opt-in basis.

Costs

	2010			2009		
Underlying costs *	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Operating costs	1,851.1	33.04	2.94	1,634.5	30.93	2.81
Fuel	733.4	13.09	1.17	807.2	15.28	1.39
Net ownership costs	200.3	3.58	0.32	181.4	3.43	0.31
Total costs	2,784.8	49.71	4.43	2,623.1	49.64	4.51
Total costs excluding fuel	2,051.4	36.62	3.26	1,815.9	34.36	3.12

* Underlying measures exclude £27.3 million of cost relating to the volcanic ash cloud and £7.0 million loss on disposal of A321 aircraft in 2010 and £11.0 million profit on disposal of A321 aircraft in 2009.

Total cost per seat increased by £0.07 to £49.71 per seat. Excluding fuel costs, the increase was £2.26 or 6.6% to £36.62 per seat. Adjusting for the impact of foreign exchange, total cost per seat excluding fuel was up 5.2% compared to 2009.

The cost of non-volcanic ash related disruption and wet leasing in the year, the impact of network mix on airport, ground handling and crew costs and the significant reduction in interest income have all been factors in the increase in total costs year on year.

Operating costs

	2010			2009		
Underlying costs *	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Ground handling	274.4	4.90	0.44	255.9	4.84	0.44
Airport charges	529.8	9.46	0.84	481.5	9.11	0.83
Navigation	256.0	4.57	0.41	232.3	4.40	0.40
Crew	336.0	6.00	0.53	306.6	5.80	0.53
Maintenance	176.8	3.16	0.28	161.6	3.06	0.28
Advertising	49.8	0.89	0.08	47.0	0.89	0.08
Merchant fees and commissions	42.4	0.75	0.06	33.5	0.64	0.06
Aircraft and passenger insurance	10.2	0.18	0.02	11.3	0.21	0.02
Aircraft wet leasing	13.7	0.24	0.02	-	-	-
Other costs	162.0	2.89	0.26	104.8	1.98	0.17
Total operating costs excluding fuel	1,851.1	33.04	2.94	1,634.5	30.93	2.81

* Underlying measures exclude £27.3 million of cost relating to the volcanic ash cloud and £7.0 million loss on disposal of A321 aircraft in 2010 and £11.0 million profit on disposal of A321 aircraft in 2009.

Operating costs increased by £2.11 or 6.8% per seat compared to 2009. Adjusting for foreign exchange, the increase was £2.06 per seat principally due to network mix, as we increased our presence in the top European airports, wet leasing and the costs of snow and other disruption.

Ground handling includes significant additional de-icing costs following the exceptional winter snow. After adjusting for foreign exchange and the impact of network mix, underlying price shows a decrease per seat year on year. The majority of the increase in airport charges can also be attributed to mix and foreign exchange. Approximately two thirds of all ground handling and airports costs are now denominated in foreign currency.

The combined impact of mix across ground handling, airports and crew costs is estimated at £0.45 per seat, this has been more than recovered through additional revenue per seat.

The increase in navigation costs per seat is driven by continued regulated cost increases from Eurocontrol and the 2.1% increase in average sector length in the year. Average cost increases across the major European countries covered by easyJet routes was approximately 3.5%.

Crew costs have increased as we continue our expansion into Europe. Per head costs including social security at our European bases are higher than those in the UK but are a necessary part of our growth strategy. In 2009, one third of crew costs were denominated in euro or Swiss francs, in 2010 this proportion has risen to 40% therefore this has resulted in an increase in sterling cost as the euro and Swiss franc have strengthened year on year.

Crew pay negotiations and contract changes have also added cost in 2010. Despite the expansion into Europe, the UK is still the largest country in terms of crew heads and, along with the introduction of German contracts, has been the biggest driver of the cost increase.

The reduction in utilisation due to disruption has also impacted cost per seat as the fixed cost element of our crew establishment is spread over fewer seats. Crew costs remain the key cost challenge for the Company in 2011.

Maintenance costs show an increase of £0.10 per seat but decreased after adjusting for foreign exchange, benefiting from the new SR Technics contract completed in 2009. Maintenance costs have also benefited from the reduction in the number of leased aircraft compared to 2009. During the year nine Boeing 737s and three ex-GB Airways A320s were returned to lessors.

Aircraft wet leasing costs totalled £13.7 million or £0.24 per seat as the Company complemented its fleet with additional wet leased Boeing 757s during the summer period to deal with short term operational crew shortages and to improve operational resilience.

Other costs show a significant £0.91 per seat increase year on year. This line includes the operational costs and compensation relating to the winter snow and other ATC and strike related disruption and is also impacted by the reduction in utilisation. In addition, 2009 cost per seat was flattered by the Boeing spares sale.

After excluding foreign exchange, the costs of network mix and disruption, the underlying cost per seat was broadly flat, demonstrating the strong underlying cost control now evident across the business.

Ownership costs

	2010			**2009**		
Underlying costs *	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Depreciation	72.5	1.29	0.12	55.4	1.05	0.10
Amortisation of intangible assets	6.2	0.11	0.01	4.4	0.08	0.01
Aircraft dry leasing	102.0	1.82	0.16	116.2	2.20	0.20
Interest receivable and other financing income	(7.1)	(0.13)	(0.01)	(22.5)	(0.43)	(0.04)
Interest payable and other financing charges	26.7	0.49	0.04	27.9	0.53	0.04
Net ownership costs	200.3	3.58	0.32	181.4	3.43	0.31

* Underlying measures exclude £27.3 million of cost relating to the volcanic ash cloud and £7.0 million loss on disposal of A321 aircraft in 2010 and £11.0 million profit on disposal of A321 aircraft in 2009.

Ownership costs increased by £0.15 per seat, however after adjusting for foreign exchange, ownership costs were down £0.25 per seat reflecting the change in the owned / leased mix of aircraft. Average owned aircraft in 2010 was 123.7 compared to 98.1 in 2009 an increase of 26%. An additional 23 owned aircraft were added in the year.

The average number of leased aircraft decreased from 76.0 in 2009 to 64.2 in 2010 as the Boeing 737 and ex-GB Airways A320 return programmes continued. Return of the higher cost Boeings and reductions in variable rates also contributed to a positive price variance compared to 2010.

The net of interest receivable and interest payable shows a £0.26 per seat increase year on year. However, excluding foreign exchange, the net of the two lines is constant year on year on a per seat basis as interest rates have fallen. All current debt is floating rate and re-fixes on either a 3 month or 6 month basis. Interest payable includes the effects of realised and unrealised foreign exchange adjustments on the financing element of US dollar balance sheet hedging, the impact of which was significant year on year.

Ownership costs were also impacted by spreading costs over a smaller number of seats as capacity was reduced and utilisation impacted as a result of disruption.

Profit after tax

Profit after tax was £121.3 million (2009: £71.2 million) resulting in a return on equity of 8.6% (2009: 5.5%). The current year tax charge was £32.7 million resulting in an effective tax rate of 21.2% (2009: tax credit of £16.5 million or 30.2%).

The difference between the effective and the statutory rate is primarily driven by:

- Profits arising overseas being subject to lower tax rates than the UK;
- Non-taxable foreign exchange gains; and
- The future lowering of the UK rate to 27% resulting in a lower deferred tax charge.

Earnings per share and dividends

Basic earnings per share was 28.4 pence, a 68.0% increase on the 16.9 pence achieved in 2009. No dividends have been paid or proposed in either the current or prior financial year.

Summary consolidated statement of cash flows

£ million	**2010**	2009	Change
Net cash generated from operating activities	**363.4**	134.5	228.9
Capital expenditure (net of disposal proceeds of £90.2 million in 2009)	**(482.6)**	(430.3)	(52.3)
Net loan and lease finance drawdown	**177.3**	470.1	(292.8)
Net decrease / (increase) in money market deposits	**31.1**	(29.0)	60.1
Other including the effect of exchange rates	**34.1**	11.1	23.0
Net increase in cash and cash equivalents	**123.3**	156.4	(33.1)
Cash and cash equivalents at beginning of year	**788.6**	632.2	156.4
Cash and cash equivalents at end of year	**911.9**	788.6	123.3
Money market deposits at end of year	**260.0**	286.3	(26.3)
Cash and money market deposits at end of year	**1,171.9**	1,074.9	97.0

easyJet generated a strong operating cash flow for the year; driven by growth in forward bookings and revenue per seat. Net cash generated from operating activities totalled £363.4 million.

Net capital expenditure of £482.6 million was incurred, principally driven by the acquisition of a further 27 A320 family aircraft.

Net loan and lease finance drawdown was £177.3 million, comprising mortgages on 13 aircraft, finance leases on two aircraft and the sale and operating leaseback of six aircraft, net of repayments on mortgages and finance leases. easyJet continues to be an attractive proposition to providers of aircraft finance in both the mortgage and lease markets and had $754 million of undrawn committed facilities at 30 September 2010.

US $ million	1 October 2009	Facilities negotiated	Facilities utilised	**30 September 2010**
Revolving credit facility – mortgages	250	-	-	**250**
December 2007 facility – mortgages	278	-	(278)	**-**
November 2009 facility – operating leases	-	222	(222)	**-**
Summer 2010 facilities – mortgages and finance leases	-	615	(111)	**504**
	528	837	(611)	**754**
Operating leases facility secured after the year end				**237**
Committed financing facilities				**991**

The combination of available cash, committed financing facilities and 38 unencumbered cash acquired aircraft in the fleet at 30 September 2010 leaves easyJet well positioned to finance its committed aircraft orders.

Summary consolidated statement of financial position

	30 September 2010	30 September 2009	Change
	£ million	£ million	£ million
Goodwill	**365.4**	365.4	-
Property, plant and equipment	**1,928.1**	1,612.2	315.9
Net working capital	**(589.8)**	(503.9)	(85.9)
Restricted cash	**55.6**	72.3	(16.7)
Current and deferred taxation	**(175.4)**	(134.0)	(41.4)
Net debt	**(40.1)**	(45.7)	5.6
Other non-current assets and liabilities	**(43.1)**	(59.0)	15.9
Net assets	**1,500.7**	1,307.3	193.4
Opening shareholders' equity	**1,307.3**	1,278.2	29.1
Profit in year	**121.3**	71.2	50.1
Change in hedging reserve	**58.7**	(51.5)	110.2
Other movements	**13.4**	9.4	4.0
	1,500.7	1,307.3	193.4

Net assets increased by £193.4 million over the year, driven by the profit for the year and an increase of £58.7 million in the hedging reserve as high cost jet swaps matured, offset in part by the US dollar strengthening against sterling.

The net book value of property, plant and equipment increased by £315.9 million, driven principally by the addition of a net 21 owned A320 family aircraft.

Net working capital improved by £85.9 million to a net negative £589.8 million. As easyJet's passengers pay for their flights at the time of booking, the key component of this balance is unearned revenue of £356.5 million; an increase of £32.2 million during the year driven by increased bookings and improvements in yield. A further benefit was derived from renegotiating contract terms with key card acquirers, contributing to a reduction in trade receivables of £81.9 million.

Restricted cash principally relates to operating lease deposits and customer payments for holidays and decreased by £16.7 million to £55.6 million. This reduction was driven by the implementation of insurance arrangements to meet our obligations under the Package Holiday Regulations and reductions in operating lease deposits as we continued to return the Boeing 737 fleet to lessors.

Current and deferred taxation liabilities increased by £41.4 million to £175.4 million, driven by higher profitability and deferred taxation on the gains recognised on derivatives accounted for as cash flow hedges.

	30 September 2010	30 September 2009	Change
	£ million	£ million	£ million
Cash and cash equivalents	911.9	788.6	123.3
Money market deposits	260.0	286.3	(26.3)
	1,171.9	1,074.9	97.0
Bank loans	(1,057.0)	(1,010.7)	(46.3)
Finance lease obligations	(155.0)	(109.9)	(45.1)
	(1,212.0)	(1,120.6)	(91.4)
Net debt	**(40.1)**	(45.7)	5.6

easyJet ends the period with £1,171.9 million in cash and money market deposits; an increase of £97.0 million compared with 30 September 2009. Net borrowings increased by £91.4 million in the period. The majority of mortgage and finance lease debt and all money market deposits are denominated in US dollars and the sterling value of this net liability increased by £9.1 million during the year as a consequence of the strengthening of the US dollar against sterling.

Net debt at 30 September 2010 was £40.1 million compared with £45.7m at 30 September 2009. Strong operating cash flow and the increase in net assets delivered a reduction in gearing of six percentage points to 32% at 30 September 2010.

Appendix to financial review

Operational measures	**2010**	**2009**	**Change**
Seats flown (millions)	56.0	52.8	6.0%
Passengers (millions)	48.8	45.2	7.9%
Load factor	87.0%	85.5%	+1.5pts
Available Seat Kilometres (ASK) (millions)	62,945	58,165	8.2%
Revenue Passenger Kilometres (RPK) (millions)	56,128	50,566	11.0%
Average sector length (kilometres)	1,123	1,101	2.1%
Sectors	353,080	337,266	4.7%
Block hours	689,316	645,446	6.8%
Number of aircraft owned/leased at end of year	196	181	8.3%
Average number of aircraft owned/leased during year	187.9	174.1	7.9%
Number of aircraft operated at end of year	186	170	9.4%
Average number of aircraft operated during year	174.9	160.1	9.2%
Operated aircraft utilisation (hours per day)	10.8	11.0	(2.2%)
Number of routes operated at end of year	509	422	20.6%
Number of airports served at end of year	125	114	9.6%

Financial measures	**2010**	**2009**	**Change**
Return on equity	8.6%	5.5%	+3.1pts
(Underlying)			
Profit before tax per seat (£)	3.36	0.83	306.3%
Profit before tax per ASK (pence)	0.30	0.08	298.1%
Revenue (underlying)			
Revenue per seat (£)	53.07	50.47	5.1%
Revenue per seat at constant currency (£)	52.15	50.47	3.3%
Revenue per ASK (pence)	4.72	4.58	3.0%
Revenue per ASK at constant currency (pence)	4.64	4.58	1.2%
Costs (underlying)			
Per seat measures			
Total cost per seat (£)	49.71	49.64	0.1%
Total cost per seat excluding fuel (£)	36.62	34.36	6.6%
Total cost per seat excluding fuel at constant currency (£)	36.15	34.36	5.2%
Operational cost per seat (£)	46.13	46.21	(0.2%)
Operational cost per seat excluding fuel (£)	33.04	30.93	6.8%
Operational cost per seat excluding fuel at constant currency (£)	32.99	30.93	6.7%
Ownership cost per seat (£)	3.58	3.43	4.1%
Per ASK measures			
Total cost per ASK (pence)	4.43	4.51	(1.9%)
Total cost per ASK excluding fuel (pence)	3.26	3.12	4.4%
Total cost per ASK excluding fuel at constant currency (pence)	3.22	3.12	3.1%
Operational cost per ASK (pence)	4.11	4.20	(2.2%)
Operational cost per ASK excluding fuel (pence)	2.94	2.81	4.6%
Operational cost per ASK excluding fuel at constant currency (pence)	2.94	2.81	4.5%
Ownership cost per ASK (pence)	0.32	0.31	2.0%

Consolidated income statement

	Notes	**Year ended 30 September 2010 £ million**	Year ended 30 September 2009 £ million
Passenger revenue		**2,401.7**	2,150.5
Ancillary revenue		**571.4**	516.3
Total revenue		**2,973.1**	2,666.8
Ground handling		**(274.4)**	(255.9)
Airport charges		**(529.8)**	(481.5)
Fuel		**(733.4)**	(807.2)
Navigation		**(256.0)**	(232.3)
Crew		**(336.0)**	(306.6)
Maintenance		**(176.8)**	(161.6)
Advertising		**(49.8)**	(47.0)
Merchant fees and commissions		**(42.4)**	(33.5)
Aircraft and passenger insurance		**(10.2)**	(11.3)
Aircraft wet leasing		**(13.7)**	-
Volcanic ash disruption		**(27.3)**	-
Other costs		**(162.0)**	(104.8)
EBITDAR		**361.3**	225.1
Amortisation of intangible assets		**(6.2)**	(4.4)
Depreciation	7	**(72.5)**	(55.4)
(Loss) / profit on disposal of assets held for sale		**(7.0)**	11.0
Aircraft dry leasing		**(102.0)**	(116.2)
Operating profit		**173.6**	60.1
Interest receivable and other financing income		**7.1**	22.5
Interest payable and other financing charges		**(26.7)**	(27.9)
Net finance charges	3	**(19.6)**	(5.4)
Profit before tax		**154.0**	54.7
Tax (charge) / credit	4	**(32.7)**	16.5
Profit for the year		**121.3**	71.2
Earnings per share, pence	5		
Basic		**28.4**	16.9
Diluted		**28.0**	16.6

Consolidated statement of comprehensive income

	Year ended 30 September 2010 £ million	Year ended 30 September 2009 £ million
Profit for the year	**121.3**	71.2
Other comprehensive income		
Cash flow hedges		
Fair value gains / (losses) in year	**90.3**	(214.3)
(Gains) / losses transferred to income statement	**(9.1)**	228.8
Gains transferred to property, plant and equipment	**-**	(85.9)
Related tax	**(22.5)**	19.9
	58.7	(51.5)
Currency translation differences	**1.2**	(0.5)
Total comprehensive income for the year	**181.2**	19.2

Consolidated statement of financial position

	Notes	**30 September 2010 £ million**	30 September 2009 £ million
Non-current assets			
Goodwill		**365.4**	365.4
Other intangible assets		**86.8**	81.7
Property, plant and equipment	7	**1,928.1**	1,612.2
Derivative financial instruments		**8.2**	7.8
Loan notes		**13.1**	12.6
Restricted cash		**32.5**	48.0
Other non-current assets		**53.5**	62.7
Deferred tax assets		**-**	0.4
		2,487.6	2,190.8
Current assets			
Assets held for sale	8	**73.2**	73.2
Trade and other receivables		**194.1**	241.8
Derivative financial instruments		**52.6**	68.0
Restricted cash		**23.1**	24.3
Money market deposits		**260.0**	286.3
Cash and cash equivalents		**911.9**	788.6
		1,514.9	1,482.2
Current liabilities			
Trade and other payables		**(828.7)**	(750.7)
Borrowings		**(127.4)**	(117.6)
Derivative financial instruments		**(9.6)**	(91.1)
Current tax liabilities		**(27.5)**	(57.7)
Maintenance provisions		**(71.4)**	(45.1)
		(1,064.6)	(1,062.2)
Net current assets		**450.3**	420.0
Non-current liabilities			
Borrowings		**(1,084.6)**	(1,003.0)
Derivative financial instruments		**(4.0)**	(2.6)
Non-current deferred income		**(56.6)**	(52.6)
Maintenance provisions		**(144.1)**	(168.6)
Deferred tax liabilities		**(147.9)**	(76.7)
		(1,437.2)	(1,303.5)
Net assets		**1,500.7**	1,307.3
Shareholders' equity			
Share capital		**107.3**	106.0
Share premium		**651.6**	642.5
Hedging reserve		**34.8**	(23.9)
Translation reserve		**0.8**	(0.4)
Retained earnings		**706.2**	583.1
		1,500.7	1,307.3

Consolidated statement of changes in equity

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2009	**106.0**	**642.5**	**(23.9)**	**(0.4)**	**583.1**	**1,307.3**
Total comprehensive income	-	-	58.7	1.2	121.3	181.2
Share incentive schemes						
Proceeds from shares issued	1.3	9.1	-	-	(1.2)	9.2
Value of employee services	-	-	-	-	4.8	4.8
Related tax (note 4c)	-	-	-	-	(0.5)	(0.5)
Purchase of own shares	-	-	-	-	(1.3)	(1.3)
At 30 September 2010	**107.3**	**651.6**	**34.8**	**0.8**	**706.2**	**1,500.7**

	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**
Total comprehensive income	-	-	(51.5)	(0.5)	71.2	19.2
Share incentive schemes						
Proceeds from shares issued	0.3	2.3	-	-	-	2.6
Value of employee services	-	-	-	-	7.4	7.4
Related tax (note 4c)	-	-	-	-	1.5	1.5
Purchase of own shares	-	-	-	-	(1.6)	(1.6)
At 30 September 2009	**106.0**	**642.5**	**(23.9)**	**(0.4)**	**583.1**	**1,307.3**

Consolidated statement of cash flows

	Notes	**Year ended 30 September 2010 £ million**	Year ended 30 September 2009 £ million
Cash flows from operating activities			
Cash generated from operations	9	**364.8**	164.5
Net interest and other financing charges received / (paid)		**12.7**	(20.6)
Tax paid		**(14.1)**	(9.4)
Net cash generated from operating activities		**363.4**	134.5
Cash flows from investing activities			
Purchase of property, plant and equipment		**(471.3)**	(515.0)
Proceeds from sale of assets held for sale		**-**	77.8
Proceeds from sale of property, plant and equipment		**-**	12.4
Purchase of other intangible assets		**(11.3)**	(5.5)
Redemption of loan notes		**0.6**	0.3
Net cash used by investing activities		**(482.0)**	(430.0)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**9.2**	2.6
Purchase of own shares for employee share schemes		**(1.3)**	(1.6)
Proceeds from drawdown of bank loans		**213.3**	543.1
Repayment of bank loans		**(188.4)**	(69.4)
Proceeds from drawdown of finance leases		**47.1**	-
Repayment of capital elements of finance leases		**(4.0)**	(3.6)
Net proceeds from sale and operating leaseback of aircraft		**109.3**	-
Net decrease / (increase) in money market deposits		**31.1**	(29.0)
Decrease / (increase) in restricted cash		**16.5**	(1.9)
Net cash generated from financing activities		**232.8**	440.2
Effects of exchange rate changes		**9.1**	11.7
Net increase in cash and cash equivalents		**123.3**	156.4
Cash and cash equivalents at beginning of year		**788.6**	632.2
Cash and cash equivalents at end of year		**911.9**	788.6

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.

The financial information set out in this document does not constitute statutory accounts for easyJet plc for the two years ended 30 September 2010 but is extracted from the 2010 Annual report and accounts.

The Annual report and accounts for 2009 have been delivered to the Registrar of Companies.

The Annual report and accounts for 2010 will be delivered to the Registrar of Companies in due course. The auditors' report on those accounts was unqualified and neither drew attention to any matters by way of emphasis nor contained a statement under either section 498(2) of Companies Act 2006 (accounting records or returns inadequate or accounts not agreeing with records and returns), or section 498(3) of Companies Act 2006 (failure to obtain necessary information and explanations).

2. Significant 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 three 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.

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.

3. Net finance charges

	2010 **£ million**	2009 £ million
Interest receivable and other financing income		
Interest income	**(7.1)**	(18.4)
Net exchange gains on financing items	**-**	(4.1)
	(7.1)	(22.5)
Interest payable and other financing charges		
Interest payable on bank loans	**20.3**	26.2
Interest payable on finance lease obligations	**2.9**	3.9
Other interest	**(3.7)**	(2.2)
Net exchange losses on financing items	**7.2**	-
	26.7	27.9
	19.6	5.4

Other interest payable includes a credit of £6.0 million (2009: £3.3 million) reversing previous interest accruals.

4. Tax charge / (credit)

a) Tax on profit on ordinary activities

	2010 **£ million**	2009 £ million
Current tax		
United Kingdom corporation tax	**-**	6.9
Foreign tax	**4.7**	12.1
Prior year adjustments	**(18.4)**	(27.4)
Total current tax credit	**(13.7)**	(8.4)
Deferred tax		
Temporary differences relating to property, plant and equipment	**14.6**	(13.1)
Other temporary differences	**19.0**	9.3
Prior year adjustments	**15.2**	(4.3)
Change in tax rate	**(2.4)**	-
Total deferred tax charge / (credit)	**46.4**	(8.1)
	32.7	(16.5)
Effective tax rate	**21.2%**	(30.2)%

b) 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:

	2010 £ million	2009 £ million
Profit on ordinary activities before tax	**154.0**	54.7
Tax charge at 28%	**43.1**	15.3
Attributable to rates other than standard UK rate	**(1.7)**	(1.3)
Income not chargeable for tax purposes	**(6.0)**	(2.5)
Expenses not deductible for tax purposes	**2.1**	2.5
Share-based payments	**0.8**	1.2
Adjustments in respect of prior years – current tax	**(18.4)**	(27.4)
Adjustments in respect of prior years – deferred tax	**15.2**	(4.3)
Change in tax rate	**(2.4)**	-
Total tax	**32.7**	(16.5)

The prior year adjustments in 2010 reflect the resolution and reassessment of various tax matters following discussions with the UK tax authorities. This has resulted in net credits to prior year current tax and debits to prior year deferred tax referred to above. During 2009, agreement was reached with the UK tax authorities on certain tax matters, resulting in the release to the income statement of £30.7 million relating to current tax liabilities provided for in prior years.

Current tax liabilities at 30 September 2010 amounted to £27.5 million (2009 - £57.7 million), of which £25.6 million relates to years prior to 2010 which remain open with the relevant tax authorities. As in prior years a significant portion of this balance may not be settled in cash but accounted for as a movement in the deferred tax liability. During the year ended 30 September 2010, cash tax paid amounted to £14.1 million (2009 - £9.4 million), which principally comprises foreign taxes paid.

c) Tax on items recognised directly in shareholders' funds

	2010 £ million	2009 £ million
Charge / (credit) to other comprehensive income		
Deferred tax (charge) / credit on fair value movements of cash flow hedges	**(22.5)**	19.9
Current tax credit on share-based payments	**2.2**	0.4
Deferred tax(charge) / credit on share-based payments	**(2.7)**	1.1
	(0.5)	1.5

5. Earnings per share

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

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:

	2010 **£ million**	2009 £ million
Profit for the year	**121.3**	71.2

	2010 **million**	2009 million
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share	**426.5**	421.9
Weighted average number of dilutive share options	6.0	6.4
Weighted average number of ordinary shares used to calculate diluted earnings per share	**432.5**	428.3

Earnings per share

	2010 **Pence**	2009 Pence
Basic	**28.4**	16.9
Diluted	**28.0**	16.6

6. Dividends

No dividends have been paid or proposed in the year ended 30 September 2010 or during the comparative accounting period.

7. Property, plant and equipment

	Aircraft £ million	**Leasehold improve - ments £ million**	**Other £ million**	**Total £ million**
Cost				
At 1 October 2009	1,747.1	12.5	30.1	1,789.7
Additions	441.7	-	9.7	451.4
Aircraft sold and leased back	(51.7)	-	-	(51.7)
Disposals	(7.8)	-	(10.9)	(18.7)
At 30 September 2010	**2,129.3**	**12.5**	**28.9**	**2,170.7**
Depreciation				
At 1 October 2009	153.3	7.1	17.1	177.5
Charge for the year	69.2	0.7	2.6	72.5
Aircraft sold and leased back	(0.3)	-	-	(0.3)
Disposals	(6.5)	-	(0.6)	(7.1)
At 30 September 2010	**215.7**	**7.8**	**19.1**	**242.6**
Net book value				
At 30 September 2010	**1,913.6**	**4.7**	**9.8**	**1,928.1**
At 1 October 2009	1,593.8	5.4	13.0	1,612.2

During the year ended 30 September 2010, six aircraft were sold and leased back under operating leases. Two of these aircraft were acquired during the year ended 30 September 2009. The amounts shown above under the caption "aircraft sold and leased back" relate to these two aircraft and deposits paid before 1 October 2009 on the other four aircraft.

The net book value of aircraft includes £153.2 million (2009: £148.5 million) relating to advance and option payments for future deliveries of aircraft. This amount is not depreciated.

Aircraft with a net book value of £1,107.6 million (2009: £984.5 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £105.4 million (2009: £71.1 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 47 (2009: 74) Airbus A320 family aircraft with a total list price of US$2.2 billion (2009: US$3.4 billion) before escalations and discounts, for delivery in the period to May 2013.

8. Assets held for sale

Following the acquisition of GB Airways in the year ended 30 September 2008, seven A321 aircraft were classified as assets held for sale.

During the year ended 30 September 2009 three of these aircraft were sold realising a net profit of £11.0 million. At 30 September 2009, easyJet continued to market the remaining four A321 aircraft and although the period over which the assets were classified as held for sale exceeded one year, the Directors considered that this classification remained appropriate.

easyJet has entered into an arrangement to dispose of the remaining four aircraft. Subsequent to the year end, in November 2010, legal title to the aircraft was transferred. The total cash consideration received is £75.2 million. easyJet has incurred certain costs in connection with the disposal and the aggregate net loss on the disposal of £7.0 milllion has been charged to the income statement in the year ended 30 September 2010.

9. Reconciliation of operating profit to cash generated from operations

	2010 £ million	2009 £ million
Operating profit	**173.6**	60.1
Adjustments for non-cash items:		
Depreciation	**72.5**	55.4
Loss / (profit) on disposal of property, plant and equipment	**1.5**	(7.5)
Loss / (profit) on disposal of assets held for sale	**7.0**	(11.0)
Amortisation of intangible assets	**6.2**	4.4
Share-based payments	**4.8**	7.4
Derivative financial instruments – time value	**-**	0.3
Unrealised foreign exchange differences	**(3.1)**	(6.2)
Changes in working capital and other items of an operating nature:		
Decrease in trade and other receivables	**43.4**	3.2
Increase in trade and other payables	**44.9**	104.9
Decrease in provisions	**(1.2)**	(27.8)
Decrease / (increase) in other non-current assets	**9.2**	(1.6)
Decrease / (increase) in derivative financial instruments	**2.0**	(0.9)
Increase / (decrease) in non-current deferred income	**4.0**	(16.2)
	364.8	164.5

10. Reconciliation of net cash flow to movement in net debt

	1 October 2009 £ million	**Exchange differences £ million**	**Loan issue costs £ million**	**Net cash flow £ million**	**30 September 2010 £ million**
Cash and cash equivalents	788.6	9.1	-	114.2	911.9
Money market deposits	286.3	4.8	-	(31.1)	260.0
	1,074.9	13.9	-	83.1	1,171.9
Bank loans	(1,010.7)	(21.0)	(0.4)	(24.9)	(1,057.0)
Finance lease obligations	(109.9)	(2.0)	-	(43.1)	(155.0)
	(1,120.6)	(23.0)	(0.4)	(68.0)	(1,212.0)
Net debt	**(45.7)**	**(9.1)**	**(0.4)**	**15.1**	**(40.1)**

-ENDS-