We're turning Europe orange

easyJet plc

Annual report and accounts 2007

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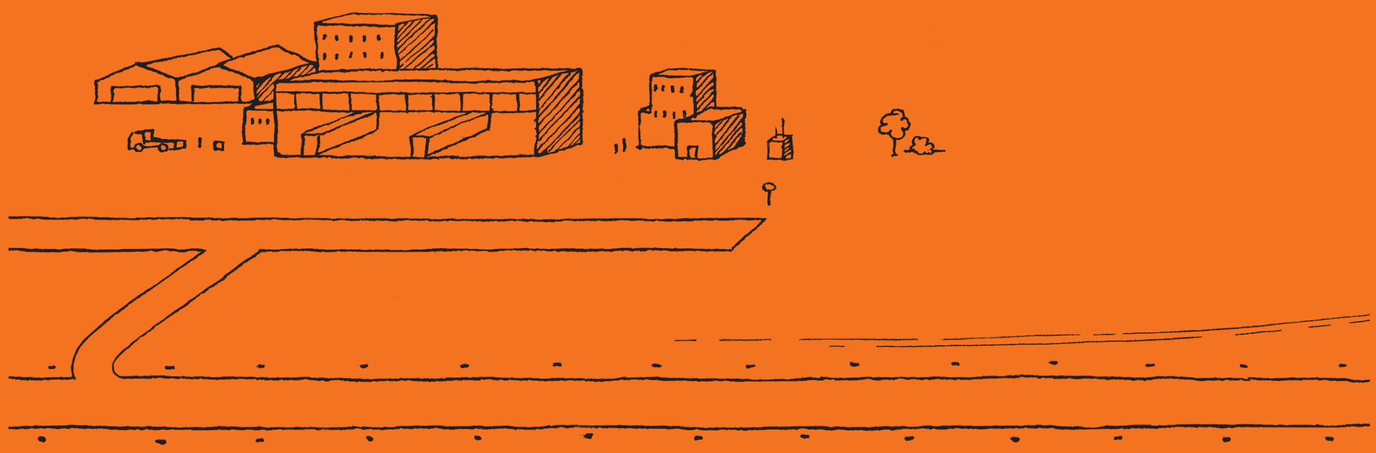
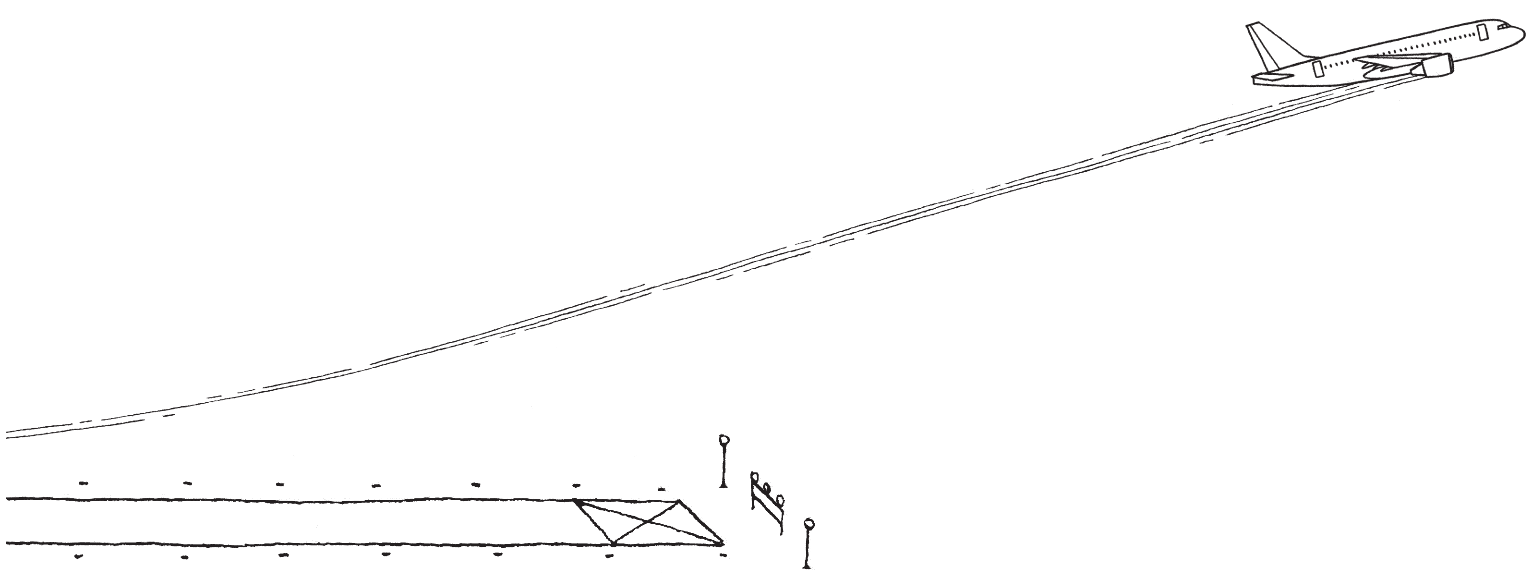


At easyJet we are working towards turning Europe orange, country by country, city by city.

We aim to be the best low-fares airline in the world, providing low cost travel with care and convenience for our passengers; resulting in superior financial returns for our investors.

We strive to minimise our impact on the environment with our modern fleet and efficient working practices.

This year has brought us a step closer to our objective.



easyJet at a glance

At easyJet we remain focused on delivering growth with margin improvement, underpinned by our customer proposition of "low cost with care and convenience".

Financial highlights

Headline figures

+11%

Revenue

	£m
03	932
04	1,091
05	1,341
06	1,620
07	1,797

+48%

Profit before tax*

	£m
03	52
04	62
05	83
06	129
07	191

*2007 excludes the effect of £10.6 million profit from the reversal of the impairment of the Group's investment in The Airline Group.

+18%

Cash flow from operations

	£m
03	77
04	161
05	221
06	222
07	261

+30%

Profit before tax per seat*

	£
03	2.13
04	2.16
05	2.38
06	3.32
07	4.30

*2007 excludes the effect of £10.6 million profit from the reversal of the impairment of the Group's investment in The Airline Group.

Profit drivers

–5%

Passenger revenue per seat

	£
03	36.38
04	35.74
05	36.15
06	38.28
07	36.57

+14%

Ancillary revenue per seat

	£
03	2.14
04	2.14
05	2.51
06	3.38
07	3.85

–6%

Cost excluding fuel per seat

	£
03	31.41
04	30.63
05	28.78
06	28.36
07	26.55

Operational highlights

Resources

137
Aircraft in fleet
120 firm orders
88 additional options

289
Routes in network
46 routes added in year
Improved frequency on **58** routes and **19** routes culled

77
Airports in network
8 new destinations in the year
21 countries

Other

37.2m
Passenger numbers
+13%

44.5m
Seats flown
+14%

5,674
Employees
+17%

Airports in network

Aberdeen
Alicante
Almeria
Amsterdam
Athens
Barcelona
Basel
Belfast
Berlin Schonefeld
Bilbao
Bordeaux
Bournemouth
Bremen
Bristol
Brussels
Bucharest
Budapest
Cagliari
Casablanca
Catania
Cologne
Copenhagen
Dortmund
East Midlands
Edinburgh
Faro
Geneva
Glasgow
Grenoble
Hamburg
Ibiza
Inverness
Istanbul
Krakow
La Coruna
La Rochelle
Lisbon
Liverpool
Ljubljana
London Gatwick
London Luton
London Stansted
Lyon
Madrid
Mahon
Malaga
Marrakech
Marseille
Milan Linate
Milan Malpensa
Munich
Murcia
Naples
Newcastle
Nice
Olbia
Oviedo/Asturias
Palermo
Palma
Paris Charles de Gaulle
Paris Orly
Pisa
Porto
Prague
Riga
Rijeka
Rimini
Rome Ciampino
Split
Tallin
Thessaloniki
Toulouse
Turin
Valencia
Venice
Warsaw
Zurich

easyJet facts

Customer satisfaction

92% of our passengers would recommend other people to fly with **easyJet**

easyJet.com

Average of 12 million unique users every month

Total of 246 million hits in the year ended 30 September 2007

Voted the UK's favourite travel website by Hitwise

For more information visit:
www.**easyJet**.com

Chairman's statement

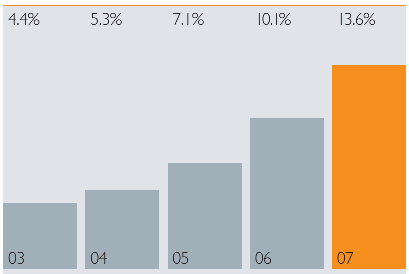
Investors can be assured that our focus will stay firmly on enhancing revenue and on the efficient management of the cost base, in order to continue to improve shareholder value.

Return on equity

13.6%

2006: 10.1%

+3.5 pp



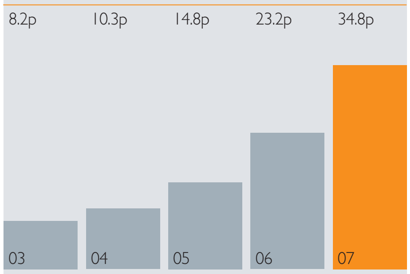
2007 excludes the effect of £10.6 million profit from the reversal of the impairment of the Group's investment in The Airline Group.

Earnings per share

34.8p

2006: 23.2p

+50%



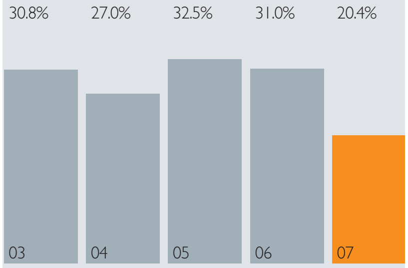
Basic earnings per share except for 2007 which excludes the effect of £10.6 million profit from the reversal of the impairment of the Group's investment in The Airline Group.

Gearing

20.4%

2006: 31.0%p

–10.6 pp



Profitable growth and improved shareholder return

We are proud to report on another great year at easyJet. Our performance has been excellent and it is very pleasing to announce a 48.1% increase in underlying pre tax profits, especially coming on top of an increase of 56.4% in the prior year.

During the year we experienced some significant challenges; not least continued higher fuel prices and in February, the unexpected doubling of Air Passenger Duty ("APD") in the UK. However our business model, based on low cost with care and convenience, continues to prove as successful in continental Europe as it has been in the UK.

The Board set return on equity as its key financial measure and this year our shareholders have benefited from an underlying improvement of 3.5 percentage points to 13.6%, with underlying earnings per share increasing 50.1% to 34.8 pence.

The environment

We fully recognise the importance of environmental issues in the context of the value for money services we provide to our customers. We have taken and will continue to take responsible actions such as continuing to operate one of the youngest and most environmentally efficient fleets of aircraft in Europe. Our investment in modern aircraft continues with the confirmation of further orders for 87 new Airbus A319 aircraft announced during the year.

Looking to the longer term, we are active participants, with both Boeing and Airbus, in the teams developing the next generation of environmentally efficient aircraft.

easyJet continues to support the inclusion of aviation in the EU Emissions Trading Scheme. We have consistently and coherently argued for the abolition of APD, and its replacement by a method of taxation which is sensibly related to emissions not passengers. The recognition of our case by all three of the main political parties in the UK, and in particular by the Chancellor in his pre-budget report, is most welcome.

In addition we are encouraging our passengers to contribute to the mitigation of climate change through our carbon offsetting programme which provides for credits only in projects certified by the United Nations.

People

Our people are a major asset to the Company and enabling them to work in a modern and efficient environment was the objective of the move from our original home at easyLand to Hangar 89 at London Luton Airport. Staff and visitors alike have praised the much improved working conditions of this facility.

Investment in the recruitment and retention of both flight deck and cabin crew has enabled us to match the growth in our network with quality people. This demonstrates our commitment to sustaining easyJet's well deserved reputation for good service.

My fellow directors and I continue to be very grateful for the commitment of our people to maintaining easyJet's standards and we extend a warm welcome to those who have joined us during the year.

In October we announced an agreement to purchase GB Airways, this is subject to normal regulatory approval and we anticipate a completion date no later than 31 January 2008. Over the next few months we will be planning the integration of GB Airways into the easyJet family. This acquisition will help us to grow and be a stronger airline, and we welcome the GB Airways team which I am sure will be a positive addition to easyJet.

The Board

Stability in the structure of the Board and the senior management team has considerably helped the achievement of this year's results. We have a combination of experience, expertise and talent which has served us well and on which we can continue to build the Company's future.

I was delighted that John Browett accepted our invitation to join the Board as a Non-Executive Director after an extensive search. John's experience and achievements at Tesco PLC, together with his forthcoming position as Chief Executive of DSG international plc, will enhance the present board structure and aligns with the future direction of the Company.

Sadly, we will lose the services of Diederik Karsten who will step down after the Annual General Meeting in February 2008. Diederik has been an outstanding contributor to the Board since the Company was listed on the London Stock Exchange in November 2000. We will very much miss his contribution of sound judgement, experience and expertise.

Conclusion

We have come a long way to become Europe's fourth largest airline in just 12 years, and there is much more to come.

The continuous growth of easyJet since its inception is testament to the soundness of the basic business model. Our policy of striving for continuous improvement to the model gives me confidence that growth will be sustained as we go forward.

Investors can be assured that our focus will stay firmly on enhancing revenue and on the efficient management of the cost base, in order to continue to improve shareholder value.

Colin Chandler

Sir Colin Chandler
Chairman,
19 November 2007

We're turning Europe orange...

over 800 times a day

By the end of the year we had 137 aircraft employed flying an average of

872 flights per day

Business review

We have stated our targets of growing capacity at an annual rate of 15% with improved operating margins and return on equity. This will be achieved through a combination of network development and optimisation, ancillary revenue growth and tough cost control. The results for the year speak for themselves.

Andrew Harrison
Chief Executive

Strategy and business model

At the centre of easyJet's established customer proposition is "low cost with care and convenience". We continue to eliminate the unnecessary cost and frills which characterise traditional airlines, but provide a friendly onboard service, flying to Europe's principal business and leisure destinations, ensuring our passengers use us again and again. A customer satisfaction study in January 2007 reported that 92% of our customers would recommend other people to fly with easyJet.

The key elements of our business model remain unchanged:

- Internet sales through easyJet.com
- Investment in new aircraft and high asset utilisation
- Low cost ticketless travel
- No frills and no "free lunch"
- Efficient use of airports
- Full engagement of all our people

Safety is at the heart of our business model and as always remains our number one priority. We continue to promote an open safety reporting culture and invest the necessary resources to ensure our safety management systems are in line with industry best practice.

We have stated our targets of growing capacity at an annual rate of 15% with improved operating margins and return on equity. This will be achieved through a combination of network development and optimisation, ancillary revenue growth and tough cost control. The results for the year speak for themselves.

Highlights of the year

The doubling of Air Passenger Duty ("APD") on UK departing customers and continued high fuel prices represented challenges in the year. However, our people rose to the challenge to deliver an excellent performance.

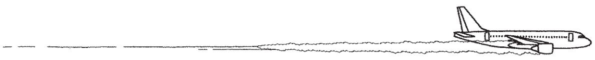
Key business highlights were as follows:

- Profit before tax increased 56.3% to £201.9 million. Excluding the one-off benefit of reinstating easyJet's investment in The Airline Group underlying* profit before tax increased 48.1% to £191.3 million
- Passenger numbers increased by 13.0% to 37.2 million with consistently high load factors
- Total revenue increased 11.0% to £1,797.2 million
- Ancillary revenue increased by 47 pence per seat or 30.4% to £171.2 million
- Unit operating costs (excluding fuel) reduced by an excellent 6.4% or £1.81 per seat to £26.55 per seat
- Underlying* return on equity increased to 13.6% and underlying* earnings per share increased 50.1% to 34.8 pence
- European expansion continued with the opening of our 17th base in Madrid in February 2007
- Successful full year of operation at Milan Malpensa
- In April 2007 we took delivery of our 100th Airbus A319
- During the year we added eight new destinations and 46 routes, and as at 30 September 2007 we were flying 289 routes through 77 airports in 21 countries
- On 25 October 2007 we announced an agreement to acquire GB Airways

* Underlying financial performance excludes the effect of the reversal of the impairment of the Group's investment in The Airline Group of £10.6 million.

Market and network development

During 2007 we continued to expand our network in mainland Europe. In 2007 we increased the capacity deployed at our European bases by 29.9%, which now account for 30.3% of our total available seats.



In February 2007 we launched our 17th base at Madrid's Barajas Airport creating over 200 jobs. During the year we carried over two million passengers through Madrid, making easyJet Madrid's number one low cost carrier.

We continued to expand our Milan Malpensa base, where we have become the second largest carrier only one year after the launch of the base and we have agreed to double our capacity to 15 aircraft by the end of 2008.

In 2007 we continued to establish easyJet as Switzerland's largest short-haul carrier increasing capacity in Switzerland by 22.4% growing at both our bases in Basel and Geneva.

2007 saw easyJet expand its network further into eastern Europe with routes launched to Romania and further focus on the Polish market. Flying commenced to Bulgaria in November 2007.

Following the year end we announced the launch of two additional bases in France, at Paris Charles de Gaulle and Lyon. Initially five additional aircraft will be located in France, starting in spring 2008, creating significant numbers of jobs and reinforcing easyJet's position as France's number two airline.

In the UK we continue to build our bases, adding two A319s at Gatwick, one at Bristol and increasing our presence at Belfast International to a total of six aircraft.

Gatwick, our largest base, offers an attractive catchment area in the South East of England with easy access to London. With this in mind we recently announced an agreement to acquire GB Airways which operates 15 A320 family aircraft. GB Airways is predominately based at Gatwick but also flies from Heathrow and Manchester. We look forward to welcoming the GB team to easyJet, confident that together we will be able to deliver an unbeatable product to customers in the South East of England.

The markets in which easyJet operates are highly competitive, both from traditional flag carriers and other low cost carriers who seek to replicate the easyJet model. Low costs, improving margins, prime slots at major European airports and access to low cost aircraft mean we are confident in our growth plans and we continue to target an organic capacity growth rate of 15% in the medium term.

Innovation

We continue to change and innovate at easyJet. In June 2007 we launched easyJetHolidays which allows our customers to purchase an integrated flight and hotel package through easyJet.com. We are optimistic that this will enhance the customer experience and contribute to increasing ancillary revenues.

In September 2007 we announced an agreement with our new in-flight partner, Gate Gourmet. We believe this is a partner who will support our growth plans in this area allowing us to maximise onboard ancillary revenue.

To supplement our development of the business traveller market, we announced post year end a unique partnership with Amadeus and Galileo. For the first time this allows corporate travel agents access to easyJet via the Global Distribution System ("GDS") with all cost borne by the user.

Overall we continue to maximise the benefits of easyJet.com which is the UK's largest travel website receiving an average 12 million unique visitors per month.

Fleet

We continued to develop our fleet in 2007 with the delivery of 20 additional Airbus A319s, conversion of 87 options to firm orders and the securing of a further 75 options on A320 family aircraft. In April 2007 we took delivery of our 100th A319. On average we have introduced a new A319 to the fleet every 13 days since 2004.

We completed the return of our last 737-300s and returned two 737-700s to lessors. At 30 September 2007 the fleet totalled 137 aircraft with confirmed future deliveries of 120 and 88 unexercised options over additional aircraft.

We're turning Europe orange...

by transforming aviation

1995
First **easyJet** flight

1996
easyJet moves into Europe with Amsterdam route

1998
First seat sold online at **easyJet**.com

1999
First European base at Geneva

2000
Listed on London Stock Exchange and 10 millionth passenger

2002
Airbus deal and Go Fly acquisition

2005
100 millionth passenger

2007
Launch of **easyJet**Holidays and speedy boarding

Key dates in our history

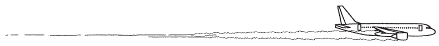
We're turning Europe orange...

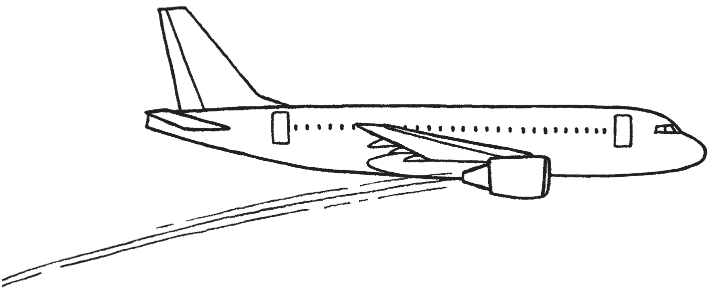
city by city

46 new routes and 8 new destinations in the year

Total of 289 routes and 77 destinations

at 30 September 2007





	Owned	Under operating lease	Under finance lease	Total	Changes in year	Future deliveries (including exercised options) (note 2)	Unexercised options (note 1)
Airbus A319s	55	46	6	107	+20	120	88
Boeing 737-700s	–	30	–	30	–2	–	–
Boeing 737-300s	–	–	–	–	–3	–	–
	55	**76**	**6**	**137**	**+15**	**120**	**88**

Notes:
1. Options may be taken as any A320 family aircraft and are valid until 2015.
2. A further 120 Airbus A319 aircraft are planned to be delivered through to April 2012.

Our investment in a modern fleet underpins our high levels of asset utilisation, increased operational efficiency and is complementary to our goal of being environmentally responsible. The average age of our fleet is 2.7 years, one of the youngest in Europe. This leaves easyJet well positioned to fulfil its growth plans.

The total fleet over the period to 30 September 2010 based on contractual commitments is as follows:

	Airbus A319s	Boeing 737-700s	Boeing 737-300s	Total aircraft
At 30 September 2005	55	32	22	109
At 30 September 2006	87	32	3	122
At 30 September 2007	**107**	**30**	**0**	**137**
At 30 September 2008	120	29	0	149
At 30 September 2009	156	18	0	174
At 30 September 2010	188	12	0	200

People

In February easyJet moved, from its original home easyLand, over the road at Luton Airport, to our maintenance location, Hangar 89. This provides a modern, low cost, open plan working environment. Rather than causing a distraction, the move was seamless and a credit to all those involved in it. During the year our team grew from 4,859 to 5,674 at 30 September 2007; much of this growth was in pilots and cabin crew as we corrected the shortages experienced in summer 2006 which resulted in some wet leasing during that time.

After several years we decided to change our crew uniform and in October 2007 we introduced a new uniform, designed in-house by our crew at no extra cost to the previous design.

We are committed to delivering high quality customer support and in August 2007 we announced the outsourcing of the easyJet Customer Services Centre ("CSC"). The CSC has served us well from the early days before easyJet.com, however the time is right to make a step change in the service and support we provide to our nearly 40 million annual customers throughout our network.

Our "Pulse" survey of employee satisfaction and engagement produced positive results. 74% of employees responded by completing the survey. Our people differentiate easyJet from our competitors and we have a very pleasing 82% satisfaction level. This translated into a substantially higher crew retention rate.

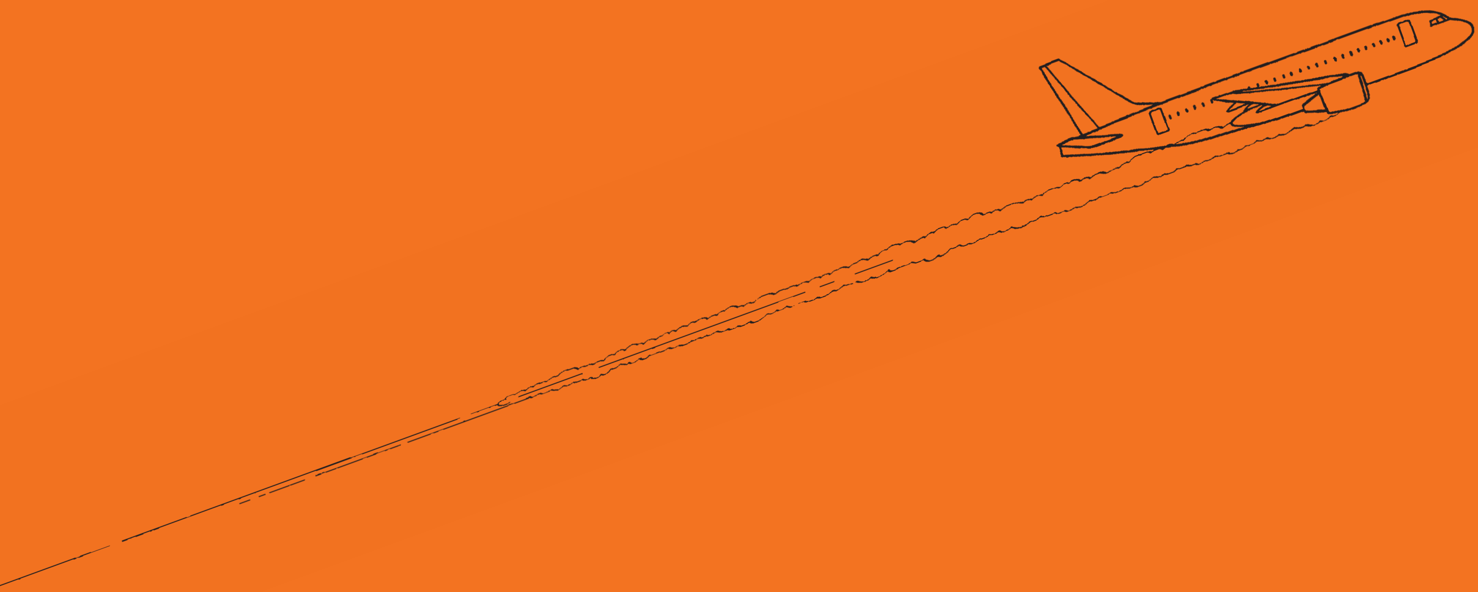
Outlook

Looking forward, for this winter we expect total revenue per seat to be broadly in line with last winter. For summer 2008 we expect the effect of annualising APD, checked bag charges and growing ancillary revenues to result in total revenue per seat being ahead of the previous summer. High fuel costs will be partly offset by the weak US dollar however we anticipate an overall increase in sterling unit fuel costs. Unit costs excluding fuel are anticipated to be similar to last year. The fuel environment remains challenging; however, we believe the easyJet business model is resilient and well positioned for success. Over the past two years we have significantly increased profitability and in the current financial year the Board anticipates an increase in underlying profit before tax of around 20%.

The above outlook excludes the proposed acquisition of GB Airways. We anticipate the acquisition to complete no later than 31 January 2008. Excluding one-off costs of around £12 million we expect the acquisition to be earnings enhancing in the current financial year.

We're turning Europe orange...

pound by pound and euro by euro



Total revenue increased 11% to £1.8 billion with a growing emphasis on European sales

Revenue by currency	
£	59%
€	33%
Other	8%

Financial review

Underlying profit before tax amounted to £191.3 million, 48.1% higher than 2006, equating to a profit per seat of £4.30, compared to £3.32 in 2006.

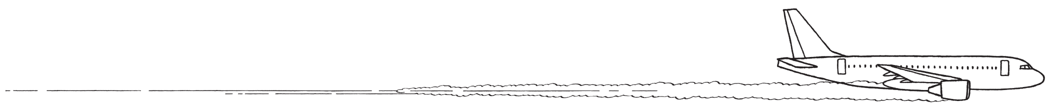
Jeff Carr
Finance Director

Consolidated financial and operating data

(unaudited)	2007	2006	Change %
Key performance indicators			
Return on equity (headline)	**14.3%**	10.1%	4.2pp
Return on equity (underlying*)	**13.6%**	10.1%	3.5pp
Profit before tax per seat (headline) (£)	**4.54**	3.32	36.7
Profit before tax per seat (underlying*) (£)	**4.30**	3.32	29.5
Revenue per seat (£)	**40.42**	41.66	(3.0)
Cost per seat (£)	**36.12**	38.34	(5.8)
Cost per seat excluding fuel (£)	**26.55**	28.36	(6.4)
Output measures			
Seats flown (millions)	**44.5**	38.9	14.4
Passengers (millions)	**37.2**	33.0	13.0
Number of aircraft owned/leased at end of period	**137**	122	12.3
Sectors	**287,952**	253,548	13.6
Block hours	**518,410**	454,823	14.0
Number of routes operated at end of period	**289**	262	10.3
Number of airports served at end of period	**77**	74	4.1
Other performance measures			
Load factor	**83.7%**	84.8%	(1.1)pp
Operated aircraft utilisation (hours per day)	**11.6**	11.6	–
Available seat kilometres ("ASK") (millions)	**43,501**	37,088	17.3
Revenue passenger kilometres ("RPK") (millions)	**36,976**	31,621	16.9
Average sector length (kilometres)	**978**	954	2.5
Average fare (£)	**43.68**	45.17	(3.3)
Revenue per ASK (pence)	**4.13**	4.37	(5.5)
Cost per ASK (pence)	**3.67**	4.02	(8.7)

*Underlying financial performance excludes the effect of the reversal of the impairment of the Group's investment in The Airline Group of £10.6 million.

Financial review
continued



Summary income statement

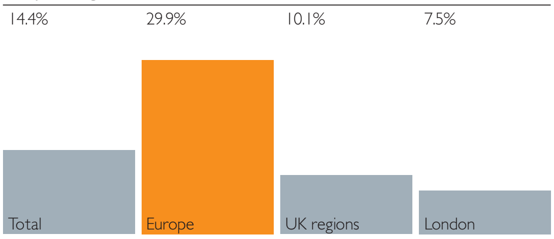
	Year ended 30 September 2007 £million	Year ended 30 September 2006 £million	Change %
Passenger revenue	**1,626.0**	1,488.4	9.2
Ancillary revenue	**171.2**	131.3	30.4
	1,797.2	1,619.7	11.0
Operating costs	**(1,499.0)**	(1,341.2)	(11.8)
EBITDAR	**298.2**	278.5	7.1
Ownership costs	**(106.9)**	(149.3)	28.4
Underlying* profit before tax	**191.3**	129.2	48.1
Reversal of prior year impairment losses on financial assets	**10.6**	–	N/A
Profit before tax	**201.9**	129.2	56.3
Taxation	**(49.6)**	(35.1)	(41.3)
Profit for the year	**152.3**	94.1	61.8
Effective tax rate	**24.6%**	27.2%	(2.6)pp
Earnings per share			
Basic	**36.62**	23.18	58.0
Basic underlying*	**34.79**	23.18	50.1

*Underlying financial performance excludes the effect of the reversal of the impairment of the Group's investment in The Airline Group of £10.6 million.

Passenger revenue

Passenger revenue grew 9.2% to £1,626.0 million, largely as a result of an increase in seats flown from 38.9 million to 44.5 million. A small reduction in load factor from 84.8% in 2006 to 83.7% meant that total passengers increased by 13.0% to 37.2 million. The growth in passengers was supported by the addition of 20 new aircraft in the year. The majority of this growth was in continental Europe where we grew capacity by 29.9%.

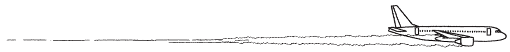
Capacity increase in 2007



As a consequence of this European growth our non-sterling revenues increased to 41.4% of total, predominantly being euros and Swiss francs.

Average passenger yields in the year declined by 4.5% per seat to £36.57 or 3.3% per passenger to £43.68. This was partly market driven following high per seat revenues in 2006 and partly the result of the initial passenger reaction to the surprise doubling of APD in the UK from £5 per departing passenger to £10. To compensate for this easyJet increased its promotional programme in the early summer to ensure demand remained strong.

While we are committed to offering our customers the lowest fares and best value, we also continue to actively manage our network to ensure revenues and shareholder value are optimised. To that end we discontinued 19 poorly performing routes in the year and launched 46 new routes. In addition we made significant improvements to the quality of our schedule by increasing frequency by more than 15% on 58 routes and improving the timing on 65 routes.



Ancillary revenue

Ancillary revenues have continued to contribute significantly to our profit improvement. Total ancillary revenues increased by 30.4% to £171.2 million, or £0.47 to £3.85 per seat. The biggest contributor to this improvement was the introduction of our speedy boarding product which allows customers to priority board the aircraft for a charge of between £2.50 and £7.50. This great value product has resulted in very high levels of repeat business.

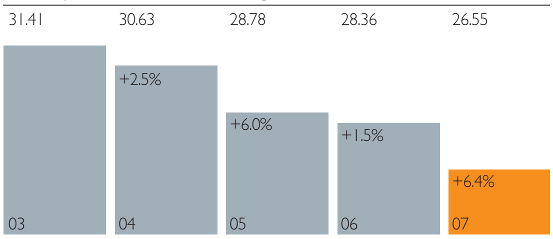
In addition our web partners continue to contribute positively with 19.3% unit growth, primarily coming from increased insurance and car rental sales.

Costs

At easyJet a key part of our financial strategy is to continue to aggressively manage our cost base; cost management and efficiency improvement are a passion second only to our attention to safety.

Our cost performance this year has been impressive with total unit costs improving by £2.22 or 5.8% to £36.12 per seat. We focus particularly on unit costs excluding fuel because the significant volatility in easyJet's fuel cost is largely dictated by external economic and political factors, and therefore we consider unit costs, excluding fuel, are a better indicator of underlying performance. On this basis, unit costs excluding fuel improved by £1.81 or 6.4% to £26.55.

Cost per seat excluding fuel £



easyJet continues to demonstrate its ability to deliver year over year improvements to its cost base. Over the four years since 2003 we have, on average, improved our cost per seat, excluding fuel, by 4.1%.

These cost performance results are a tremendous achievement and reflect both continuing direct management of our day-to-day costs together with more strategic step change initiatives.

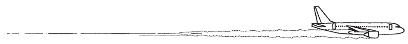
Our cost of aircraft ownership, on a per seat basis, has improved by £1.44 or 37.5%, compared to 2006. This significant improvement results from three key drivers. Firstly, at the beginning of the year we completed the return of all of our Boeing 737-300 aircraft. This programme, which has resulted in 22 Boeing 737-300s being returned over the last two years, generates a step change in ownership costs as they are replaced by lower cost Airbus A319s. Additionally, these aircraft were returned with considerably less "one-off" end of lease costs than previously anticipated. Secondly, as most of our lease costs are payable in US dollars we have benefited from the continued weakness of the US dollar versus sterling. Thirdly, we continue to look to minimise our financing costs, resulting in the percentage of owned aircraft increasing from 36% to 45% over the last year. Of our 55 owned aircraft at the year end, 13 have been purchased out of cash.

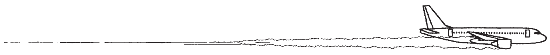
In addition we saw a benefit in 2007 compared to our costs in 2006 due to the fact that we did not have to take on any short-term wet leased aircraft. This was done in 2006 to enable us to continue to provide our customers with the flights we had promised them whilst we experienced some short-term crew shortages.

Over the next four years our Boeing 737-700 fleet is due to be returned to lessors and we expect to see continued improvement in our unit aircraft ownership costs as we move more to an A320 family fleet which enables us to reflect the full benefit of the purchase deal we signed with Airbus in 2002.

Engineering costs per seat have improved by £0.61 or 21.7%, compared to 2006. A major driver of this improvement was our new engine maintenance deal with GE Aviation that we agreed at the end of June 2007. This guarantees the provision of efficient, low cost maintenance services with the world's leading engine maintenance supplier. The ten year agreement with GE Aviation covers maintenance and overhaul of our CFM56 engines, which power our fleet of Airbus and Boeing aircraft. The agreement, which covers as many as 340 shop visits, was valued at around US$1 billion and will enable us to further reduce our ongoing engineering cost per seat. In addition to ongoing annual cost reductions we benefited during the current financial year from a one-off adjustment to maintenance provisions.

Financial review continued





Two other specific areas of significant unit cost improvement are in our ground handling and insurance costs. Our ground handling cost per seat improved by £0.19 or 5.2%, compared to 2006. This reflects tight management of our contracts with our suppliers, benefits from a slightly weaker euro to sterling exchange rate and the implementation of self-handling at some of our Spanish airports.

Our insurance cost per seat improved by £0.14 or 33.2%, compared to 2006, reflecting our successful recent renewal. This was driven by the improving perception by the insurance market of easyJet, the weakening of the US dollar and the underlying recent low loss record for the aviation insurance market.

The two cost areas where we experienced inflationary pressures during 2007 were in our crew costs and airport charges. Crew costs on a per seat basis increased by £0.47 or 11.5%, compared to 2006. During the summer in 2006 we experienced crew shortages which required us to take on wet leased aircraft with the associated incremental costs being recorded in aircraft lease costs. A key priority in this financial year has been to address these crew shortages and it is pleasing to be able to say that we have successfully achieved both the recovery from the shortages and have also been able to fully resource our current year growth without any significant disruptions to our flying programme. During the year we recruited some 400 pilots and 1,000 cabin crew which, after taking account of leavers, resulted in a 20% net increase in our crew complement.

Airport costs on a per seat basis increased in the year by £0.23 or 3.5%, compared to 2006. The key driver of this increase related to BAA's decision to increase Stansted's charges to the regulatory cap. The effect of this has been a doubling of Stansted airport costs from April 2007. We continue to monitor the impact of this rate increase and will make future asset allocation decisions accordingly.

Fuel costs for the year totalled £425.5 million up 9.7% from £387.8 million in 2006. On a per seat basis our fuel costs were £9.57, down 4.1% from last year's £9.98. Our average cost per metric tonne increased 4.4% from US$659 to US$688, however this rise was more than offset by the weakening of the US dollar against sterling.

For 2008 we anticipate increasing jet fuel prices; we currently have 40% of our jet fuel requirements hedged using a mix of forward contracts and caps at a maximum price of US$735 per metric tonne.

Offsetting the impact of fuel price increases will be the effect of a continued weak US dollar. Our average effective exchange rate in 2007 was 1.89 and we expect our 2008 rate to be significantly higher. We have 68% of US dollar exposure covered at an average rate of 1.95. Around 40% of our cost base is denominated in US dollars.

As a result of our target to grow capacity on average by 15% per annum we would expect our underlying overhead cost per seat to show significant year-on-year improvements as we necessarily invest to some degree to support the growth but benefit from continuing economies of scale and are able to spread those costs over the increased capacity. For 2007 our overhead cost per seat improved 4.0% from £2.27 in 2006 to £2.18 in 2007.

Profit before tax and return on equity

Profit before tax for 2007 amounted to £201.9 million; after excluding the one-off benefit of £10.6 million relating to the reinstatement of our investment in The Airline Group, underlying profit before tax was £191.3 million. This is a 48.1% increase over 2006 and equates to a profit per seat of £4.30 compared to £3.32 in the previous year.

With total revenue per seat falling by 3.0% but total cost per seat improving by 5.8% our profit margin increased by 2.7 percentage points from 8.0% in 2006 to 10.7% in 2007.

The effective tax rate for the year was 24.6% (2006: 27.2%). The decrease is primarily due to amendments made in relation to earlier years of £5.5 million and a one-off benefit due to a reduction in the tax rate at which deferred tax liabilities will crystallise of £3.3 million. For 2008 the expected effective tax rate is estimated to be 25%.

In terms of our core financial performance measure, return on equity, the headline result for the year was 14.3%. This does include the benefit of The Airline Group one-off and after excluding this underlying return on equity for the year was 13.6%. This represents a very pleasing improvement of 3.5 percentage points from 10.1% in 2006 and means that over the last two financial years we have increased the return on equity for our shareholders by 6.5 percentage points. The Board has set return on equity as its key financial measure as it best represents the return attributable to equity shareholders.

Summary balance sheet

	2007 £million	2006 £million (re-presented)*	Change £million
Property, plant and equipment	**935.8**	695.7	240.1
Other non-current assets	**414.2**	392.6	21.6
	1,350.0	1,088.3	261.7
Net working capital	**(326.9)**	(249.7)	(77.2)
Cash and cash equivalents	**719.1**	860.7	(141.6)
Money market deposits	**193.4**	–	193.4
Borrowings	**(519.1)**	(479.7)	(39.4)
Other non-current liabilities	**(264.1)**	(236.7)	(27.4)
Net assets	**1,152.4**	982.9	169.5
Share capital and premium	**738.7**	694.0	44.7
Reserves	**413.7**	288.9	124.8
	1,152.4	982.9	169.5

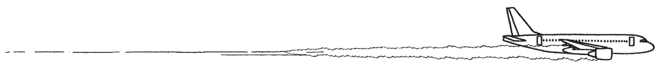
*Recoverable supplemental rent which was offset against aircraft maintenance provisions in prior accounting periods has been re-presented gross to provide additional information. There is no effect on net assets or profit of this reclassification.

Balance sheet highlights

- Net assets increased by 17.2% to £1,152.4 million
- Property, plant and equipment increased by £240.1 million due to the delivery of a further 17 owned A319 aircraft and some capital expenditure incurred on the refit of easyJet's new Luton head office
- Other non-current assets increased largely due to the reinstatement of easyJet's investment in The Airline Group
- Net working capital increased as a result of additional unearned revenue as a consequence of increased flight capacity, and tax payable increasing on higher profits
- The total of cash and cash equivalents and money market deposits is £912.5 million; an increase of £51.8 million on the prior year. During the year US dollar cash balances were increased in order to match US dollar denominated borrowings. This cash was invested for 90 days or more in order to match the interest rate re-pricing of these borrowings. These amounts are disclosed as money market deposits and amount to £193.4 million. The overall increase in cash and money market deposits was small compared to the profit for the year as cash generated from operations was invested in the fleet
- Cash and cash equivalents exclude £48.8 million of restricted cash which is disclosed in other non-current assets and net working capital. These amounts relate principally to customer payments for packaged holidays and operating lease deposits
- Borrowings increased by £39.4 million as a result of additional mortgage finance for seven aircraft delivered in the year. Ten additional aircraft were purchased for cash

The notional debt related to aircraft held under operating leases reduced substantially, principally due to the weakness of the US dollar against sterling, therefore gearing reduced to 20.4% at 30 September 2007 from 31.0% in 2006.

Shareholders expect us to retain a prudent cash balance, yet also manage the balance sheet efficiently. Accordingly, the Board has decided to seek shareholder approval at the Annual General Meeting to be held on 21 February 2008 to purchase up to 10% of our issued share capital in the market. This is a normal authority for a public company and we would expect to renew it annually.



Summary cash flow

	2007 £million	2006 £million	Change £million
Cash generated from operations	**270.8**	225.2	45.6
Net capital expenditure	**(272.1)**	(314.3)	42.2
Net increase in loan finance	**69.1**	278.4	(209.3)
Net increase in money market deposits	**(197.3)**	–	(197.3)
Other	**(12.1)**	4.4	(16.5)
(Decrease)/increase in cash and cash equivalents	**(141.6)**	193.7	(335.3)
Cash and cash equivalents at beginning of year	**860.7**	667.0	193.7
Cash and cash equivalents at end of year	**719.1**	860.7	141.6

We continue to generate strong annual cash flow and our cashflow from operations increased 20.2% to £270.8 million. Our cash was principally used to invest in aircraft. Out of 20 additional aircraft delivered in the year seven were mortgage financed and ten were cash acquired. In total 13 aircraft were owned outright at 30 September 2007.

Of the 49 Airbus aircraft to be delivered through to 2009 11 have committed financing in place at 30 September 2007 (2006: 18 of 53). The Group has commenced a process for arranging further financing of future deliveries and this is expected to be concluded by December 2007.

Investment in the fleet and information technology will continue in 2008 and is expected to total approximately £280 million.

Principal risks and uncertainties

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

Demand for air travel

easyJet is dependent on the demand for European air travel and its business can be affected by macro issues outside its control, such as global (or even local) economic conditions, the continued acceptance of the low cost model, and the willingness of potential customers to fly. Changes in any of these will affect the demand for our services and could have a material effect on the financial results of the business.

Competition

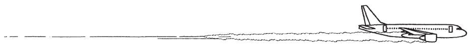
easyJet operates in competitive marketplaces against both flag carriers and other low cost airlines (some of which are owned by flag carriers). An increase in competition from any of these sources could result in an adverse effect on easyJet's performance.

Terrorism/catastrophic loss

The attacks and attempted terrorist attacks on the aviation industry of 11 September 2001 in the United States and 10 August 2006 in the UK show that easyJet's business is exposed to potential terrorist attacks, even if easyJet is not a direct target and even if an attack is not successful. easyJet's business can be affected in a number of ways, including loss of key national infrastructure (which may have a knock on effect), loss of restricted access to the airport infrastructure which easyJet uses, increased security costs, potential restriction or removal of insurance cover, and a reduction in the propensity of customers to fly. Any one of these issues could have a material adverse effect on the business.

Fleet grounding

easyJet operates only two types of aircraft, the Boeing 737-700 and the Airbus A319. Were there an accident or discovered defect on these aircraft types, even if related to another airline elsewhere in the world, this could result in some or all of easyJet's aircraft fleet being grounded for an indeterminable period of time.



Outbreak of epidemics or pandemics
An outbreak of a contagious disease such as avian influenza could affect the propensity of passengers to travel, or in extreme circumstances could affect easyJet's ability to continue to operate its planned schedule. These could have a material adverse impact on the business.

Government or EU taxes may be imposed
Air passenger and other taxes are levied by some European countries. Due to the low fares charged by easyJet, these taxes can form a significant proportion of the total fare paid by a passenger. These taxes could increase in the future. Furthermore, there has been much discussion about the possibility of environmental or other taxes being levied by the EU or other governments. Any increase in taxes may lead to loss of customers who are highly sensitive to changes in prices.

Fuel price fluctuations
Fuel is a significant cost to easyJet, being 26.7% of the cost base during the 2007 financial year. During the last ten years, the price of fuel has been subject to significant volatility. Whilst the Group's hedging activities can provide some degree of protection against short-term price volatility, easyJet is exposed to fuel price movements over longer time periods, which could be material to the cost base.

Currency fluctuations
easyJet has significant US dollar denominated costs relating to the purchase price of an aircraft, aircraft financing costs, maintenance reserve payments, engine maintenance costs and fuel purchases. The US dollar is subject to significant volatility against sterling. Whilst the Group's hedging activities can provide some degree of protection against short-term exchange rate movements, easyJet is exposed over longer time periods, which could be material to the cost base.

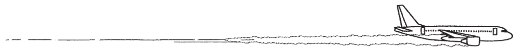
Landing charges and airport access
Many of the airports which easyJet fly to are regulated, and charges are levied by way of regulatory decision rather than by commercial negotiation. As such, easyJet has little influence in the future level and even the basis of charges, which may result in costs increasing at beyond the level of inflation.

Airport access
The availability of suitable landing slots at airports is key to easyJet's continued growth. Many airports are slot constrained and are subject to regulation. This means that there is a risk that slots may not become available. Furthermore, environmental regulation such as noise restrictions and curfews may further restrict availability.

easyJet does not own its name or branding
easyJet does not own its trademarks, domain names or any rights to its orange and white livery. These are licensed from easyGroup IP Licensing, which is controlled by Stelios Haji-Ioannou, a Director and the major shareholder. The licence imposes duties on easyJet to maintain high standards in the use of the brand and also restricts the business activities that easyJet can carry on. A loss of the licence to use the brand could have a substantial adverse effect on the business of the Group. Furthermore, the easy brand is used by a number of other franchises and companies controlled by Stelios Haji-Ioannou. easyJet may be adversely affected should there be failures or problems in these businesses.

Dependence on technology
easyJet is heavily dependent on technology to operate its business. In particular, there are three key systems: 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. Whilst easyJet has a comprehensive system of back up and protection, an outage of any of these systems could result in a material adverse effect for the business.

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. This includes aircraft maintenance, pilot training, and ground handling services at airports, where easyJet considers that such services can be provided more efficiently and effectively by third parties. The loss of any of these contracts, any inability to renew them or any inability to negotiate suitable replacement contracts could have a material adverse effect. Furthermore, there can be no assurance that contract renewals will be at favourable rates or that there will be suitable alternative service providers on some of the newer, less developed routes.



Industrial action

Large parts of the easyJet workforce are unionised. Collective bargaining takes place on a regular basis. If there is a breakdown in this process, then operations could be disrupted with a resultant adverse effect on the business. The same applies to many of our key third party service providers, where similar issues exist. easyJet is proud of its good relationship with the unions, and has never been subject to significant strike action, but there is no guarantee that this will continue into the future.

Treasury management

Liquidity and investments

The cash, cash equivalents, restricted cash balances and money market deposits at 30 September 2007 totalled £961.3 million (2006: £899.0 million). The Group continues to hold significant cash or liquid funds as a form of insurance to mitigate the impact of potential business disruption events. During the year the Board approved an absolute minimum level for this liquidity that must be maintained at all times so as to provide this assurance. Surplus funds are invested, in line with Board approved policy, in high quality short-term liquid instruments, usually money market funds or bank deposits. Credit risk is managed by limiting the aggregate exposure to any one individual counterparty, based on its credit rating. Such counterparty exposures are regularly reviewed and adjusted as necessary. Accordingly, the possibility of material loss arising in the event of non-performance by counterparties is considered to be unlikely.

Management of financial and fuel price risks

The Board of Directors is responsible for setting treasury policy and objectives, and approves the parameters within which the various aspects of treasury risk management are operated. Approved treasury policy outlines the Group's approach to corporate and asset financing, interest rate risk, fuel price risk, foreign exchange risk and cash and liquidity management. The policy also lists the financial instruments and time periods which the Group's treasury function is authorised to use in managing financial risks. The policy is under ongoing review to ensure best practice in light of developments in the trading and financial markets.

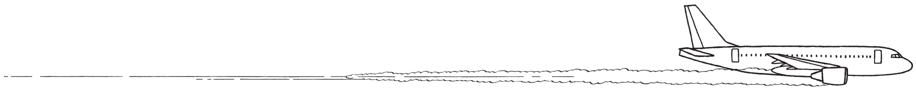
The treasury function implements the agreed policies on a day-to-day basis to meet the treasury objectives. These objectives include ensuring that the Group has sufficient liquidity to meet its day-to-day needs and to fund its capital commitments; deploying any surplus liquidity in a prudent and profitable manner; managing currency, fuel, interest rate and credit exposures; and managing the Group's worldwide relationship with banks and financial institutions.

Financing and interest rate risk

All of the Group's debt is asset related, reflecting the capital intensive nature of the airline industry and the attractiveness of aircraft as security to lenders and other financiers. These factors are also reflected in the medium term profile of the Group's loans and operating leases. The incidence of repayments of loans and finance leases is shown in note 15. During the year ten aircraft were cash acquired. In addition 11 of the 49 Airbus aircraft to be delivered through to 2009 have committed financing in place at 30 September 2007 (2006: 18 of 53).

Group interest rate management policy aims to provide certainty in a proportion of its financing. All Group loans are at floating interest rates repricing every three to six months, while a minimum of 40% of operating lease rentals are based on fixed interest rates at the time of aircraft delivery. Of the operating leases in place at 30 September 2007 approximately 54% of lease payments were based on fixed interest rates and 46% were based on floating interest rates (2006: 56% fixed, 44% floating).

The Group's loan borrowings and operating leases are denominated in US dollars and sterling. The Group's aircraft are priced in and transacted in US dollars and 62% of loans outstanding at 30 September 2007 were priced in US dollars and 38% in sterling (2006: 68% US dollars, 32% sterling).



Foreign currency risk

The predominant currency exposure for the Group is to the US dollar. Capital, lease, fuel, and some mortgage payments and proceeds from the sale of aircraft are denominated in US dollars. As a result the Group can experience adverse or beneficial effects arising from exchange rate movements. The Group seeks to reduce its foreign exchange exposure arising from transactions in various currencies through a policy of matching, as far as possible, receipts and payments in each individual currency. In addition, the Group uses forward foreign exchange contracts and zero cost collars.

The Group has substantial balance sheet liabilities denominated in US dollars. The effect of revaluing these liabilities is largely offset by holding US dollar cash. Any residual net liability is then managed through the use of forward foreign exchange contracts.

Fuel price risk

The Group fuel risk management policy aims to provide protection against sudden and significant increases in jet fuel price while ensuring that the Group may also benefit from price reductions. In order to provide protection the Group uses a limited range of hedging instruments traded on the Over The Counter markets, principally zero-cost collars and forwards, with approved counterparties and within approved limits. Group policy at 30 September 2007 is to hedge a maximum of 80% of estimated exposures up to 12 months in advance, and to hedge a smaller percentage of estimated expense up to 24 months in advance. In exceptional market conditions, the Board may accelerate or limit the implementation of the hedging policy.

Derivative financial instruments

The Group uses derivative financial instruments ("derivatives") selectively for currency and fuel risk management purposes as described above. The Group's policy is not to trade in derivatives but to use these instruments to hedge anticipated exposures.

Forward foreign exchange and fuel contracts and zero-cost collars are used to cover currency and jet fuel exposures. All contracts outstanding at 30 September 2007 are summarised in note 22.

The Group does not permit selling of currency and jet fuel options, except on a fully matched basis, to create a collar hedging structure.

All derivatives are used for the purpose of risk management: they do not expose the Group to market risk because gains and losses on the derivatives offset losses and gains on the matching asset, liability, revenue or cost being hedged. Counterparty credit risk is generally restricted to any hedging gain from time to time and is controlled by only dealing with rated or guaranteed counterparties.

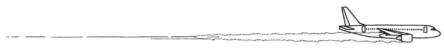
We're turning Europe orange and...

shaping a greener future

CO_2 emissions have reduced by 18% since 2000

CO_2 emissions per passenger kilometre

Corporate and social responsibility report



Our business model is designed around safety and efficiency, minimising the environmental impact of each flight.

easyJet and the environment

In aggregate with other man-made greenhouse gas ("GHG") emissions the activities of easyJet affects the environment. easyJet's goal is to ensure that its existing business is as efficient as possible, both in the air and on the ground; to find ways to minimise its environmental impact both now and in the future; and to lead the way in shaping a greener future for aviation. Below are the details of how easyJet will monitor and manage its environmental impact.

Aviation emissions

Carbon dioxide (CO_2) is the principal emission of airlines (the quantity of which can be derived from fuel burn) and its environmental effect is well understood. Aviation also emits water vapour (which can form contrails); nitrogen oxides (NOx) that enhance the formation of ozone and destroys methane; as well as substances that trigger the generation of aerosol particles or lead to changes in natural clouds. According to the Stern Review on the Economics of Climate Change, aviation CO_2 emissions currently account for 0.7 giga tonne CO_2 (1.6% of global GHG emissions). In 2050 under "business as usual" projections, CO_2 emissions from aviation would represent 2.5% of global GHG emissions[1].

The amount and effect of non-CO_2 emissions by aviation are still not well understood by the scientific community. More specifically, the non-CO_2 effects of different flights are not the same: the season, time of day, geographic location, altitude and duration of a flight will all influence the non-CO_2 effects of the flight. The IPCC's 1999 report on Aviation and the Global Atmosphere acknowledged some of the issues with applying the metric of radiative forcing to aviation:

"Because carbon dioxide has a long atmospheric residence time (≈100 years) and so becomes well mixed throughout the atmosphere, the effects of its emissions from aircraft are indistinguishable from the same quantity of carbon dioxide emitted by any other source. The other gases (e.g. NOx, SOx, water vapour) and particles have shorter atmospheric residence times and remain concentrated near flight routes, mainly in the northern mid-latitudes. These emissions can lead to radiative forcing that is regionally located near the flight routes for some components (e.g. ozone and contrails) in contrast to emissions that are globally mixed (e.g. carbon dioxide and methane)."[2]

Many of the leading scientists in the field now consider that radiative forcing (or a simple multiplier based on it) is not the correct metric to account for the non-CO_2 effects of aviation. As a recent scientific report states:

"However, the application of a factor of 2.5 (as used by the UK Government in certain publications) to aviation appears inequitable; for other sectors, the only non-CO_2 climate effects that are included are from emissions of other gases included under the Kyoto Protocol (specifically, methane, nitrous oxide, the hydrofluorocarbons, perfluorocarbons and SF6), using a well-defined metric (the 100 year global warming potential ("GWP")), whereas for aviation, the RFI impacts are from "non-Kyoto" sources of radiative forcing, for which metric design is much more difficult (Shine et al., 2005b). Worse, the use of the RFI multiplier is a mis-application of science as it fails to account for the resident timescales of emissions and thus attributes a larger fraction of climate change emissions to aircraft than is currently justifiable."[3]

1. Stern Review on the Economics of Climate Change, 30/10/06.
2. IPCC Summary for Policymakers on Aviation and the Global Atmosphere, 1999, Section 2.
3. It is premature to include non-CO_2 effects of aviation in emission trading schemes, Forster, Shine and Stuber, Atmospheric Environment, 40, 2006, 1117-1121.

Improved concepts for including the non-CO_2 effects of aviation are currently being discussed in the scientific community such as the temperature change resulting from an aviation induced perturbation of the atmosphere after a certain time, e.g. after 100 years (Global Temperature Potential)[4]. When accounting for the non-CO_2 effects of aviation easyJet considers the use of radiative forcing as clearly inappropriate and potentially misleading as it cannot accommodate the variance in the non-CO_2 effects of aviation between flights and it tends to overstate the climate impact of aviation emissions.

easyJet's emissions

easyJet's business is to fly passengers between European and Mediterranean cities. easyJet does not carry cargo. Therefore, for easyJet, the most appropriate measures of environmental efficiency with regard to CO_2 emissions are: grammes per passenger kilometre and kilogrammes per passenger flight. In 2007, easyJet flights produced an average CO_2 emission of 95.6g per passenger kilometre and 94.9kg per passenger flight.

All aspects of easyJet's business model are designed around safety and efficiency. This focus on efficiency minimises the environmental impact of each passenger flight. easyJet's network development has the following attributes:

- 80% of easyJet's current and future capacity is employed in established markets; easyJet aims to grow those markets but in the process substitute existing, less efficient services.
- Some easyJet passengers have other transport options available to them (such as road, rail and ferry). However, there are only three routes (London to Newcastle, London to Paris, and Paris to Geneva) where the city-centre to city-centre rail journey would be less than four hours. These routes represented less than 3% of passengers carried by easyJet in 2007. In both cases, easyJet caters for demand which is not necessarily travelling city-centre to city-centre.

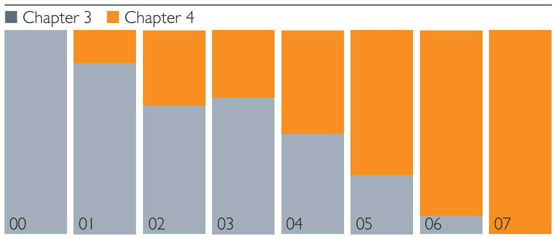
From its inception in 1995, easyJet's network development has focused on substituting services in markets dominated by inefficient former state-owned airlines with its more efficient product. easyJet stimulates demand through its low fares when it enters a market; the efficiency that easyJet brings to a market, though, can mean an overall reduction in emissions in absolute terms.

Noise performance

At the airports easyJet operates from it also has a local impact on the environment in the form of noise. As of September 2007, all of the aircraft in easyJet's fleet were compliant with the latest international noise standards, known as "Chapter 3". Furthermore, easyJet's entire fleet conformed to the more stringent standard, known as "Chapter 4" as of September 2007.

The easyJet environmental code

% of easyJet's fleet conforming to international noise standards



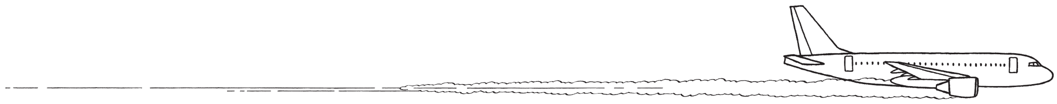
There is no accepted single measure for an airline's environmental efficiency. In the absence of such a measure, easyJet has set itself the target of being a leading environmentally efficient and responsible airline. easyJet has established an environmental code, which it aims to use to monitor progress towards this target. The environmental code is centred around three promises:

1) easyJet strives to be efficient in the air

2) easyJet strives to be efficient on the ground

3) easyJet aims to lead the way in shaping a greener future for aviation.

4. Findings of the Fourth Assessment Report of IPCC WG-III, Ron Witt, Aviation and the Environment: State of Play, Royal Aeronautical Society Conference, 16 October 2007.



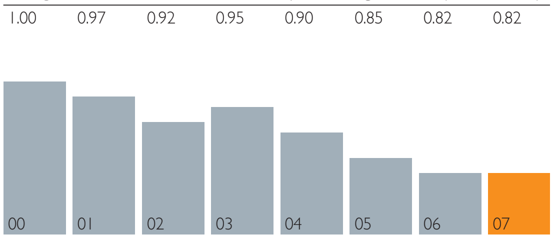
1. easyJet strives to be efficient in the air

A. Investment in the latest technology

easyJet's policy is to grow its fleet using the latest technology aircraft whilst retiring older aircraft, usually within seven to ten years of delivery. New technology aircraft are more fuel efficient than older models. At 30 September 2007, easyJet's fleet had an average age of 2.7 years, an increase of 0.4 years from September 2006.

Since 2000 easyJet's emissions of CO_2 per passenger kilometre has reduced by 18%.

easyJet's CO_2 emissions/passenger Km (2000 = 1)



B. Efficient use of aircraft

Our standard aircraft is the Airbus A319. The typical seating configuration of an Airbus A319 is 124 seats (source: Airbus). Our no-frills service allows us to reduce the space and weight inside the plane devoted to galleys, lavatories and storage. Our Airbus A319s fly with 156 seats.

Each of our Airbus A319s carries 26% more seats than the norm.

Our simple automated pricing allows us to sell significantly more seats than a typical European airline. Our average load factor (percentage of seats sold) in 2006 was 84.8%; the average load factor for European airlines in 2005 was 68.3%[5]. easyJet sells on average 132 seats per flight; a typical European airline would sell 84 seats per flight.

Each of our Airbus A319s potentially carries 57% more passengers per flight than the European norm.

Using a conservative estimate and assuming the carriage of no cargo (plus the same baggage allowance) the weight of the additional passengers carried by easyJet in this calculation would require an additional 23% more fuel for the same route length than carriers flying with 84 passengers.

easyJet estimates that the typical European airline operating an Airbus A319 would burn 27% more fuel per passenger compared to easyJet on the same route.

C. Direct point to point flights, no connections

Conventional airlines operate networks based on a "hub and spoke" system. In these networks, the majority of passengers will take two flights to reach their destination, connecting through the hub. easyJet always flies direct, or "point-to-point", and does not offer any connecting services. A direct service between two points will produce lower emissions than two flights via a hub.

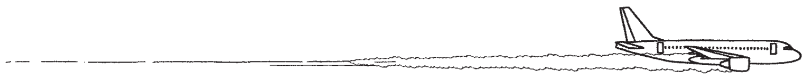
Example: easyJet offers a direct service from Berlin to Madrid. If a customer chooses to fly the same route via Paris Orly, which lies on the path of the direct flight, easyJet estimates that this routing would result in 19% more CO_2 emissions than if the customer had taken the direct flight.

Example: on a shorter route, the effect of changing aircraft at an airport positioned away from the direct route adds considerably more to the fuel burn per passenger trip. easyJet estimates that a trip from Berlin to Nice via Paris Orly would add 45% to the direct route distance and would add 57% to the CO_2 emissions generated per passenger.

A small proportion of easyJet's customers do buy combinations of flights to reach their final destination, where a direct easyJet service does not exist. If numbers of customers build up on certain routings, easyJet will actively look to open direct services to satisfy this demand.

Example: in July 2006, easyJet opened a direct service to Malaga from Glasgow, after having seen an increasing trend for our customers to choose to fly that route via one of our three London airports. easyJet believes this flight gave our passengers a better, quicker service as well as reducing congestion at the London airports and reduced fuel burn per passenger trip.

5. Association of European Airlines (AEA) Annual Results 2006.



D. Avoidance of air congestion

easyJet prefers to avoid the largest, most congested hub airports. easyJet does not fly to London Heathrow or to Frankfurt Main. It should be noted that easyJet's network is very different to that of a conventional "hub and spoke" carrier. easyJet has no hubs but places capacity at the airports that local demand requires. easyJet therefore has 17 local crew and aircraft bases in seven countries.

Example: large central hubs such as London Heathrow and Frankfurt tend to require aircraft to fly longer holding patterns and have longer taxi times to and from the runway. Below are the average time each aircraft spends in a holding pattern, the proportion of aircraft held and the proportion of easyJet flights at each of the four main London Airports for January to June 2006:

London airport	Average time held (mins)	Proportion of aircraft held	Number of easyJet aircraft based	Proportion of easyJet's fleet
Heathrow	4.4	54%	–	0%
Gatwick	1.1	19%	20	15%
Stansted	0.8	16%	13	9%
Luton	0.2	4%	17	12%

Source: NATS Operational Performance Report: July 2006.

E. easyJet monitors its performance relative to other transport options

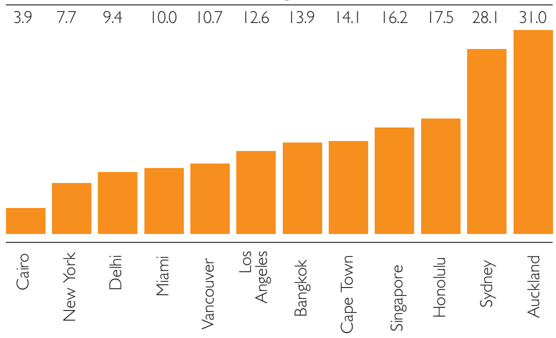
Comparison with long-haul flying

Many of easyJet's passengers are using easyJet to fly to specific destinations. A proportion of easyJet's passengers have a choice of holiday destination. Where they choose to fly can have a significant impact on their emissions. In making this choice, length of flight is the major determinant of the total emissions produced per passenger. easyJet's average length of flight in 2007 was 978 kilometres (up from 954 kilometres in 2006).

Example: the chart adjacent benchmarks a typical easyJet passenger journey (London to Nice, 1,050 kilometres) against a range of long-haul alternatives. A typical long-haul flight to Miami would create approximately ten times more emissions per passenger than an easyJet flight from London to Nice. (source: climatecare.org).

For contrast, the average easyJet flight carries less than four tonnes of fuel whereas a 747-400 has a maximum range of 13,450 km and is capable of carrying 173.5 tonnes of fuel[6] more than 40 times as much with less than three times the number of seats.

easyJet short-haul vs long-haul
Number of London–Nice flights



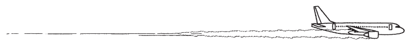
Source: easyJet based on climatecare.org data for long-haul.

Comparison with rail

According to the Association of Train Operating Companies[7], the average marginal CO_2 emissions (i.e. directly attributable marginal impact, as opposed to full impact) of passenger rail in the UK were 61g CO_2 per passenger kilometre in 2005/6.

The important fact when considering new rail infrastructure is the overall emission cost of building the infrastructure (and allocating this to future journeys as life-cycle costs), rather than just the marginal energy use of the single train journey. The environmental cost of rail infrastructure is unclear, but considerable.

6. http://www.boeing.com/commercial/747family/pf/pf_400_prod.html.
7. http://www.atoc-comms.org/admin/userfiles/Baseline%20statement%20-%20FINAL%20-%20Print%20version.pdf.



One of the problems when comparing the environmental performance of aviation and high speed rail concerns the timing of emissions, as a significant proportion of the total emissions from a high speed rail project occur during the construction of the infrastructure. As these greenhouse gasses can be resident in the atmosphere for decades before the date of travel, they can already have had a greater global warming effect than the emissions released on the day of travel.

Some scientists have argued that construction of high speed rail infrastructure is so energy intensive that, unless the infrastructure is fully exploited, it dwarfs any energy saving achieved by modal switch of passengers from car and plane. On a route like Edinburgh/Glasgow-London, even if all air passengers switched mode, there would still be massive over-capacity on the high speed rail line, pushing rail operators to generate more long-distance travel, which could lead to an absolute increase in CO_2. According to the High Speed Line Study report, commissioned by the Strategic Rail Authority in 2004: "HSL (High Speed Line) is potentially more damaging than other rail-based schemes, but is likely to be better than a road investment programme. The environmental case for HSL vs air travel is unproven"[8].

Comparison with road

According to the Stern Review, transport accounts for 14% of global greenhouse gas emissions, three quarters of these emissions are from road transport, while aviation accounts for around one eighth and rail and shipping make up the remainder of transport emissions.[9]

The European Environment Agency estimates that the average specific CO_2 emissions of the total EU15 passenger car fleet were 164g per kilometre in 2003. Its estimate for average car occupancy is 1.6 passengers. This equates to 102.5g of CO_2 per passenger kilometre, or 72% more than easyJet's average.

The EU's key instrument for reducing emissions from passenger cars is the Voluntary Commitment agreed by the European, Japanese and Korean car industries to reduce average CO_2 emissions from new passenger cars; a target of 140g/km for 2008 in the EU and 2009 in Japan and Korea has been set[10]. The EU's aim is to reach, by 2012, an average CO_2 emission figure of 120g/km for all new passenger cars marketed in the Union[11].

2. easyJet strives to be efficient on the ground

A. Short dwell time on ramp – quick turns

easyJet's business model is designed to achieve high aircraft utilisation. Key to this is minimising the turnaround time (measured as the time between the aircraft arriving at the gate and pushing back for departure). easyJet's benchmark turnaround time is 25 minutes and, where possible, easyJet turn the aircraft around in 20 minutes. During a turnaround, the crew secure and prepare the aircraft for the next flight before boarding passengers and their baggage. This process includes safety checks, cleaning the aircraft cabin and in most cases refuelling.

By operating to this standard, to service the same number of passengers through the day, easyJet requires fewer gates and other airport infrastructure than full service airlines.

B. Minimal use of ground equipment

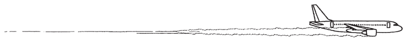
easyJet's policy is to use the most efficient and simple ground equipment in order to facilitate our 20 minute turnaround time. As such easyJet prefers, where possible, not to use air bridges. easyJet also prefers not to use motorised steps. easyJet cabin crew clean the cabin interior; a full service airline will require a separate cleaning crew to be delivered at each turnaround.

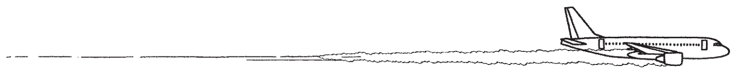
C. Simple airport infrastructure

easyJet has simple airport infrastructure requirements. As a short-haul point-to-point airline with one class of service and no cargo offering, easyJet has no need for segregated check-in areas or for complex baggage handling systems and facilities to transfer passengers between flights.

Wherever possible, easyJet works with airports to adapt and develop existing facilities efficiently to minimise airport capital expenditure, and reduce environmental impact. easyJet has launched an online check-in product, which helps reduce the need for expensive airport infrastructure.

8. http://www.dft.gov.uk/pgr/rail/researchtech/research/highspeedlinestudysummaryreport.
9. Stern Review on the Economics of Climate Change, 30/10/06.
10. EEA Report No 9/ 2006 Greenhouse gas emission trends and projections in Europe 2006, 27/10/06.
11. http://europa.eu/rapid/pressReleasesAction.do reference = IP/07/155.





D. easyJet keep surface journeys to a minimum

easyJet prefers to use local, convenient airports connected to good public transport links. As part of our airport selection process, easyJet assesses the convenience of an airport with respect to surface transport options.

According to latest census data, 44% of people within the EU live within a 60 minute local journey of an easyJet airport. easyJet analyses address data supplied by customers when they book, in order to draw conclusions about how far customers are travelling to their departure airport. Where a particular destination appears to be drawing customers from a very wide field, easyJet will actively look to serve that destination from multiple departure airports.

Example: in easyJet's 2006 summer schedule, half of the daily departures at easyJet's three London airports (Gatwick, Luton and Stansted) were to destinations served from all three airports, allowing customers in South East England to travel from their most convenient airport, reducing the emissions from ground transport.

Example: 5.4 million people live within 30 miles of Stansted Airport, according to the 2002 census. On routes that easyJet serves from all three of its London airports, typically between 45% and 50% of outbound passengers have given easyJet an address within 30 miles of Stansted. In contrast, on a route which is only served from one of easyJet's London airports, the proportion of outbound passengers giving easyJet an address within this catchment area can be as low as 15%.

E. Minimal waste

easyJet's no frills service is designed to reduce waste in all areas.

Office waste

easyJet is a ticketless airline and also has a policy of operating a near paperless office, where the majority of paper documents including all post are scanned into a document management system. All paper is disposed of through our recycling programme. This programme principally covers papers, including printer toner cartridges. Paper sent for recycling represented 13% of all waste by weight generated by head office activities.

Onboard waste

By not offering free food, easyJet eliminates meals that people do not want. At the same time, the food that easyJet sells in flight does not require preparation onboard. At present, the small volume of food waste contained within easyJet's onboard waste generally means it cannot be accepted for recycling. easyJet has initiated a programme to collect paper waste separately so that it can be sent for recycling at as many airports as possible.

Chemicals

easyJet monitors closely its use of fluids for aircraft de-icing. The majority of de-icing fluid used by easyJet have been designed to meet stringent environmental requirements (i.e. do not contain triazole) and are considered to be non-hazardous and readily biodegradable. The transfer and shipment of oils is maintained to a level as low as is practicable. Solvents and oils used in aircraft maintenance are either recycled or treated through approved licensed operators.

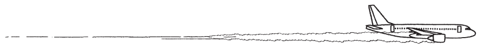
3. easyJet leads the way in shaping a greener future

easyJet has been setting the lead in the response to the environmental challenges facing aviation. easyJet believes that global emissions from aviation will need to fall in the long-term, but that achieving this will require the industry and governments to work together. It will require step changes in efficiency, through new technologies, and the right policies from governments. The sections below outline what easyJet has been doing to shape a greener future.

A. Actively engaging with aircraft manufacturers to influence next generation technology

Today's aircraft are typically 70% cleaner (per passenger kilometre) and 75% quieter than their 1960s counterparts[12]. Technological advancements are being planned now that will have a beneficial effect of a greater magnitude for the next 40 years which would provide an even greater improvement in the environmental efficiency of aircraft and decrease the overall climate change impact of global aviation (based on a mid-range demand growth scenario).

12. http://www.iata.org/html_email/4365801-coo_brief/so_i_brochure.pdf



Such advancements will be made in many ways including the use of advanced light-weight materials (such as composite materials) and the use of innovative engine technology (such as open-rotors).

Changes in airframe, air traffic control, fuel and propulsive technology in the next 40 years are expected to deliver further step changes in efficiency that could make the aircraft flying in 2050 four to eight times cleaner than today's cleanest models[13].

In mid-2007, easyJet outlined the environmental requirements that must be met by the next generation of short-haul super-clean aircraft for operation from 2015; and unveiled its design of what such an aircraft could look like. Dubbed the "easyJet ecoJet", the aircraft would need to be 25% quieter and would emit 50% less CO_2 and 75% less NOx than today's newest aircraft (the 737 and A320 families of aircraft, using the ACARE environment challenge definitions i.e. also including ATM improvements). The design will contain a number of key features, which will make it radically more environmentally efficient:

- Rear-mounted "open-rotor" engines that offer unrivalled environmental performance for short-haul flying due to their higher propulsive efficiency. However, there are significant difficulties in fixing such a large engine under a wing of a narrow-body aircraft, making rear-mounting of the engines the optimum solution
- A lower design cruise speed to reduce drag and a shorter design range to reduce weight
- The airframe will be made of advanced weight-reducing materials similar to those used in current projects such as the Boeing 787 and A350

easyJet continues to actively engage with both airframe and engine manufacturers and will continue pressing for the introduction of the next generation of short-haul aircraft as soon as the technology is available.

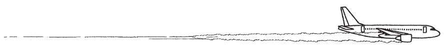
B. Shaping European policy on emissions trading

easyJet has the chair of the European Low Fares Airlines Association (ELFAA) environment working group and in that capacity was invited to join the European Commission's Aviation Working Group that was set up to review how international aviation could be included into the EU Emissions Trading Scheme (ETS). easyJet considers that including aviation in EU ETS is the best solution to address aviation emissions. The aim of ETS is to establish a market mechanism for capping CO_2 emissions (ETS does not cover the non-CO_2 effects of any industry) and easyJet supports aviation's entry into ETS as soon as practical.

All arriving and departing flights from the EU should be included to give the scheme the widest scope possible, and reward airlines that are environmentally efficient and penalise those that are not. The concept of an ETS is to establish a cap on emissions. Companies that exceed their allocation have to either buy permits from companies that have managed to reduce their emissions below their allocation or through the purchase of certified emission reductions (such as the Joint Implementation or the Clean Development Mechanism). easyJet believes that the only viable way for aviation to enter ETS is through a cap at EU level. Aircraft are not fixed plant and generally operate across borders, making national allocations meaningless. The proposed benchmark of Revenue Tonne Kilometres (RTKs) internalises most of the aspects of the environmental efficiency of airlines and is supported by a wide range of evidence as the most environmentally sound metric.

The key concept of an ETS is to set a cap on net emissions. After the system has been established and proved to work the cap may be reduced in successive trading periods in line with agreed emission reduction targets. easyJet supports the inclusion of aviation into the EU ETS in the manner proposed by the European Commission. The European Commission published its proposals in December 2006 and these are now going through the legislative process.

13. http://www.greenerbydesign.org.uk/_FILES/publications/GbD%20-%202006%20Annual%20Report.pdf



C. Shaping European policy on making ATM more efficient

The implementation of the EU's Single European Sky (SES) legislation is fundamental to improving the safety, reducing the cost and increasing the productivity of Europe's highly fragmented and inefficient air traffic management (ATM) system. easyJet is actively supporting the delivery of the SES initiatives, especially through its involvement in the SESAR programme. SESAR is the operational part of SES, which is proposing a new approach to reform the ATM structure in Europe. easyJet supports the ACARE ATM target to save 5% to10% of the fuel consumed by European aviation through radical changes to the air traffic management system[14].

D. Engaging with the consumer

In August 2007 easyJet became the first major European airline to offer its customers the opportunity to offset the carbon emissions of their flights as part of the booking process whilst investing exclusively in United Nations certified projects. By buying credits exclusively and directly from UN-backed projects, the scheme will ensure that the offset is of the highest quality and that passengers' contribution will reach the projects without wasting money unnecessarily on administration. At the same time, easyJet has built an environment section of easyJet.com and introduced a Carbon Calculator so that consumers can quantify the CO_2 emissions associated with each easyJet flight.

Progress since last CSR report

The executive body with overall responsibility for climate change policy within easyJet is the Environment Management Group, which currently meets twice a month. Membership of the Environment Management Group includes the Chief Executive, the Planning Director, Communications Director and the Head of Operations Development. easyJet has taken the decision to actively participate in the public debate concerning aviation and the environment. To this aim the Chief Executive and other Directors have given print, radio and TV interviews as well as speeches and presentations at conferences to a wide range of audiences on the environment (including investor conferences). easyJet has been working to improve the policy instruments used by governments. In the UK it has argued for a reform of APD, turning it into a tax on emissions, as opposed to passengers, so that it both reflects environmental impact and provides airlines and passengers with the right incentives. easyJet has been involved in similar discussions in the Netherlands, where the Government is planning to implement a tax on aviation.

Participation with stakeholders

easyJet welcomed the lead the UK has taken on tackling climate change and submitted paper and oral evidence to the Joint Committee on the draft Climate Change Bill. easyJet also made submissions on the DEFRA consultation on establishing a Voluntary Code of Best Practice for the provisions of carbon offsetting to UK consumers; the DfT consultation on ETS proposals and the DfT consultation on the emission costs of aviation; as well as submitting paper and oral evidence to the Treasury Select Committee on aviation and the environment. In Europe, easyJet continues to actively support the European Commission's proposals to include aviation into EU ETS, as well as making representations with the French Ministère de l'Ecologie, du Développement et de l'Aménagement Durables, the Swiss Authorities and the Dutch Government.

In April 2007, easyJet publicly called for the 700 oldest aircraft on European registers to be banned by 2012 (at which point they would be over 22 years old). This would lead to an improvement in the environmental efficiency of the European aviation sector by increasing the rate of adoption of the latest technology aircraft. easyJet also completed the (CDP5) Greenhouse Gas Emissions Questionnaire as part of the Carbon Disclosure project (www.cdproject.net).

easyJet sits on the climate change working group of the Sustainable Aviation group in the UK. easyJet is also engaging with environmental groups such as The Sustainable Development Commission, The Institute for Public Policy Research (IPPR), the World Wide Fund for nature (WWF) in their One Planet Business Personal Mobility programme as well as contributing to "The construction of demand for aviation" project by the Manchester Institute for Innovation Research and the Tyndall Centre for Climate Change Research.

14. http://www.acare4europe.org/docs/es-volume1-2/volume2-03-environment.pdf

easyJet and its people

As an employer, easyJet's aim is to create an environment where people feel that easyJet is a great place to work; to nurture pride in the Company and people's individual efforts; to deliver outstanding performance to our internal and external customers and to promote our low cost model. Our aspiration to be the best is underpinned by our five pillars of safety, customers, people, operational excellence and shareholder return together with our cultural values.

A. Equality and diversity

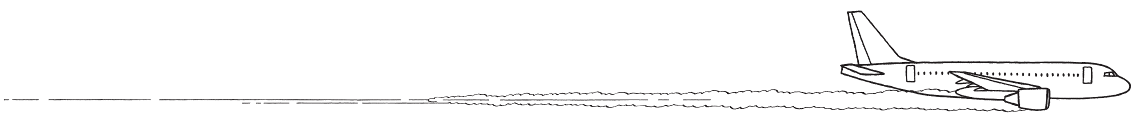
easyJet is a committed equal opportunities employer. Our policy aims to ensure that no job applicant or employee receives less favourable treatment on the basis of their age, colour, creed, disability, full or part time status, gender, marital status, nationality or ethnic origin, race, religion or sexual orientation.

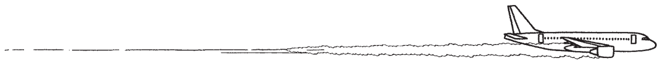
At 30 September 2007, easyJet employed 5,674 persons (2006: 4,859) as set out below:

Location of employees (including secondments)

	2007	2006
UK	**3,984**	3,648
Switzerland	**424**	364
Germany	**448**	387
France	**203**	167
Spain	**369**	201
Italy	**246**	92
	5,674	4,859

Our growth across Europe is reflected in our multinational workforce.





B. Training and development

easyJet is committed to providing high quality training to support the safe operation of the business, and the cultural and personal development of our people. During the year, the easyJet Academy training facility accommodated the ongoing development of approximately 5,500 pilots, cabin crew, contact centre and management and administrative staff, along with an additional 2,558 people passing through our recruitment and assessment centres. Notably, all cabin crew and pilots have received training this year on how we can continue to live and breathe our brand proposition of "low cost with care and convenience" in everything we do with our customers.

Employee induction

Over 1,850 new people joined easyJet through the year. In addition to our already well-established and thorough induction training programme for crew, our new employees to Management and Administration functions experience a robust three month induction process. easyJet wants new people to the organisation to settle in as quickly and efficiently as possible, and continues to follow these processes to ensure that this happens.

Management development

Over the past year we have introduced a leading edge portfolio of management development offerings to support our managers in further developing their own capability and that of their people. We have partnered with leading schools such as Ashridge School of Management and London City University to ensure our managers get high quality support in developing their skills and have made available a wide range of electronic learning media to provide our people with greater flexibility and choice in how they go about their learning.

Talent management

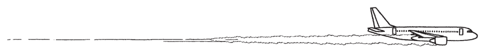
Our talent identification and succession planning process is now entering its second year of execution. The process is well embedded and our leaders continue to invest considerable time in identifying high potential individuals and planning activity so that we retain a pool of talent internally on which we can draw as key roles become vacant or new roles are created.

C. Employee information and consultation

easyJet is committed to ensuring high employee satisfaction and engagement levels. One way in which we achieve these high levels of advocacy and engagement is our underpinning cultural values and how we work with our people through informing and consulting with them. Our flat management structure enables us to communicate directly with all our employees, this year we have restructured our operational function to give further clarity to the business and our employees around their responsibilities. One of the key improvements was to establish Cabin Services as a focused department within the new operations team with its own dedicated functional leader. We are keen to consult and inform our employees on business issues and a number of forums exist, for example easyJet's business forum, which focuses on consultations with employees on company wide issues.

We aspire to work in partnership with our trade unions, those recognised include UNITE and BALPA and we value the importance of working strategically with these organisations. One of the highlights of these good working relationships was the two year pilot pay deal which was agreed this year. easyJet has lost no days to industrial action during the year. In addition we have joint working groups actively engaged in improving lifestyle related matters for our crew such as rostering. We survey opinion directly with all our crew members to take temperature checks on how we are progressing and how their needs are changing.

easyJet has a clear communication strategy which helps us to inform all our employees across Europe about business achievements and goals. The publication "Fresh" is a good example of this. Each year we give all our employees a copy of "Flight Plan" our business strategy. We are continuing to develop our online employee communication systems including our portals and intranet.



People opinion survey

In May 2007 easyJet conducted its second annual people opinion survey "Pulse" in order to fully understand its people's issues and measure progress. With a commitment from the Board to share the results of Pulse "warts and all" 74% of easyJet people responded to Pulse which is high, particularly within the airline industry. The survey showed a 14% point increase in the overall satisfaction score compared with last year with 82% of our people either satisfied or very satisfied. A key positive headline for easyJet was the high degree in which easyJet people are advocates of the Company and the service it provides; 79% of employees would recommend easyJet as an employer to other people, while there is more work to be done in the areas of employee engagement and line management. Corporate and local level action plans are being drawn up throughout the business and targets have already been set to better the response and satisfaction rates in Pulse 2008.

New employee uniform

One of the things our uniform-wearing employees were keen to let us know about was their opinion on our current uniform. As a result of their feedback, Chief Executive Andrew Harrison initiated "Project Uniform", which aimed to give easyJet employees the uniform they wanted at no extra cost provided it retained some orange! All easyJet employees were invited to submit their designs for their dream uniform and the best three designs were put on the easyJet intranet for people to choose their favourite two. The final two designs were chosen and both were put into production, so the crew could make the decision about which one they wanted to wear. They were asked to feedback on the suitability of the design, fabric and styling to name but a few. On conclusion of the trial, all the feedback was gathered and a final decision was made. Almost 3,000 uniforms were dispatched in preparation for the launch on 16 October 2007, when all of the bases held their own unique launch day event. As a result of "Project Uniform" numerous crew members now see a very different easyJet: one in which they have truly had a say in their future; one which they feel even more proud of and one that will stand out amongst our customers and competitors as a great airline to work for.

Communication

This year easyJet has focused on improving two-way communication across the Company; as a result it has focused on three areas:

Flight Plan

This is designed to update employees on easyJet's strategy and annual financial results; each session is led by a member of the executive team. Flight Plan 2007 was a great success, one we plan to repeat for 2008.

Back to the shop floor

Members of the executive and management team as part of their induction and ongoing development take part in this programme. They spend a day with our crew onboard the aircraft, experiencing what they do and obtaining a greater appreciation of the customer facing part of the business.

CRM

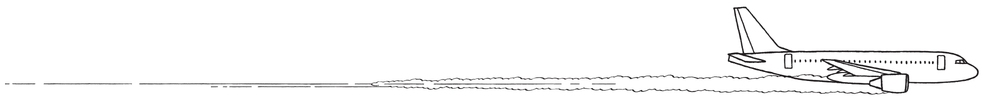
Members of easyJet's executive and management team have been attending CRM (Crew Resource Management) sessions in order to deliver a business briefing and to promote open discussions between cabin crew, pilots and our executive team. This has been positively received and will continue throughout the next financial year.

D. Staff rewards and recognition

Share schemes

easyJet once again offered all employees the opportunity to join its popular all employee share plans "easyJet Shares 4 Me" through our Save As You Earn (SAYE) and Buy As You Earn (BAYE) schemes. Take up of the schemes is very positive with 40% of eligible staff participating in one or both plans. These are HM Revenue & Customs (HMRC) approved schemes open to all employees on the UK payroll.

Under SAYE participants may elect to save up to £250 per month under a three year savings contract. An option is granted by the Company to buy shares at a price based on the market price of the shares at the time of the grant. At the end of the savings period, a tax free bonus is applied to the savings and the option becomes exercisable for a period of six months.



The Company made grants under the Sharesave scheme in each of 2005, 2006 and 2007, with options being granted at a discount of 20% to the market price at the time of the grant. For those employees who are on non-UK payrolls, an international scheme has been established with similar terms and conditions to the UK scheme, albeit without the UK tax benefits.

BAYE is a share incentive plan and is open all year. This scheme is open to all employees on the UK payroll. Employees can allocate part of their pre-tax salary up to a maximum of £1,500 per annum, to purchase "partnership" shares in easyJet. For every share purchased through the partnership scheme, easyJet purchases a "matching" share. Employees must remain in employment with easyJet for three years from the date of purchase of partnership shares in order to qualify for matching shares, and for five years for shares to be transferred to them tax free. The employee retains rights over both their own shares and the matching shares, receives dividends and is able to vote at meetings once the shares are purchased. An international scheme has been established for individuals on other payrolls, with similar terms and conditions to the UK share scheme, albeit without the UK tax benefits.

Free shares

To further encourage share ownership, easyJet gave all employees an award of free easyJet shares during the year, equivalent to two weeks' pay, subject to a minimum of £600 for full time employees and the HMRC upper limit of £3,000. This is also under the HMRC approved Share Incentive Plan. Employees who are not paid on the UK payroll are included in the international Share Incentive Plan.

easyJet Shares 4 Me has been the recipient of two further major industry awards this year, in addition to three previous awards.

This year's awards

"Best New Share Plan" at the ifsProShare Annual Awards December 2006 for:

- "Best overall performance in fostering share ownership"
- "Most effective communication of an employee share plan."

Previous awards

- "Best New Share Plan" at the ifsProShare Annual Awards 2005
- "Most Effective All-Employee Share Plan Strategy Award" from Employee Benefits magazine
- "Most Innovative Employee Share Plan" at the Institute of Chartered Secretaries and Administrators Company Secretary Awards 2006.

Staff travel

Staff travel continues to be a very popular employee benefit with year-on-year sales increasing by 140%.

Go the Extra Mile awards

One of the key differentiators between easyJet and other low-cost carriers is our people. Regardless of where in the Company our people are working, they work hard and give their all. For this reason, easyJet runs an employee incentive scheme called the "GEM" (Going the Extra Mile) awards. The awards are designed to recognise employees who go beyond what can rightly be expected of them in the role they are in. There are two different types of GEMs which recognise different areas of an employee's contribution and these are matched by an exciting range of rewards. This year, 377 people have been recognised with GEMs, which is an increase of 32% year-on-year.

E. Charitable donations

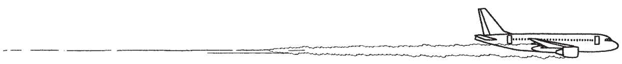
Our charity policy is to recognise and devote efforts to a single charity each year. This year the charity, chosen for the second time by a staff vote, was The Anthony Nolan Trust.

easyJet has worked with The Anthony Nolan Trust to help promote the Trust, with activities including onboard collections, a click and give campaign from our website, staff fundraising, being featured in the in-flight magazine and other public relations activities. £514,893 was raised to 30 September 2007 and the Anthony Nolan Trust received coverage in European press, UK regional press and National television. In addition to what was raised easyJet also donated £50,000 to the Anthony Nolan Trust.

F. Ethical

easyJet is committed to the highest standards of corporate behaviour from its Directors and employees. easyJet requires all of its people to perform their duties with efficiency and diligence and to always behave to customers and other people alike with courtesy and decorum.

easyJet's procurement process has strong controls to ensure that any dealings are open and transparent, and avoids any suspicion of conflicts of interest. In particular, easyJet has specific clauses in each employee's contract of employment, which set tight rules in respect of accepting gifts or gratuities.



Gifts and gratuities

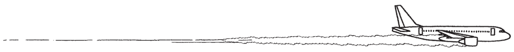
Some easyJet employees are sent gifts from various companies throughout the year. The airline has a strict policy that prevents any employee accepting gifts over a nominal value. Every Christmas (and less frequently, at various times through the year) easyJet holds a staff raffle of all the gifts that are received. Every employee across Europe is entered into the draw and allocated a unique reference number. Numbers are then drawn at random and winners have the gifts sent directly to their home in time for Christmas.

Andrew Harrison
Chief Executive Officer

19 November 2007

Jeff Carr
Group Finance Director

Directors' profiles

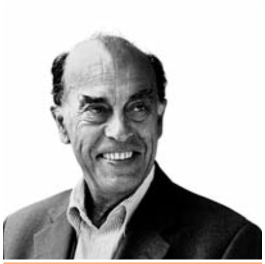



Dawn Airey


David Bennett


Jeff Carr


Sir Colin Chandler


Professor Rigas Doganis


Sir Stelios Haji-Ioannou


Andrew Harrison


Diederik Karsten


Sir David Michels

Sir Colin Chandler
(Non-Executive Chairman)

Colin (68) joined easyJet in April 2002 and was appointed Chairman in November 2002. Until November 2004, he was Non-Executive Deputy Chairman of Smiths Group plc, having been a Non-Executive Director of TI Group since 1992. Colin has been variously Managing Director, Chief Executive and then Chairman of Vickers plc. Earlier in his career he was seconded from British Aerospace to the role of Head of Defence Export Services, Ministry of Defence. He was Chairman of Racal Electronics plc. He is Chairman of Automotive Technik Limited and during the year he became a Non-Executive Director of Clarity Commerce Solutions plc. He is also the Pro-Chancellor of Cranfield University. He was knighted in June 1988 for services to export.

Andrew Harrison
(Chief Executive Officer)

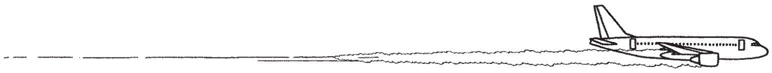
Andrew (50) became Chief Executive Officer on 1 December 2005. He was previously the Chief Executive of RAC plc prior to its acquisition by Aviva plc in 2005. Andrew joined Lex Service plc in 1996 as Chief Executive and led its transformation from a vehicle distribution company into RAC plc, a strongly-branded, consumer-facing services company with 6.5 million members. RAC plc delivered strong growth in a variety of consumer services, which included BSM, financial and legal services, as well as good expansion in business services, winning large contracts. The successful integration of Lex and RAC resulted in a strong rise in profits and a tripling of the share price during Andrew's tenure as Chief Executive. Since 2000, Andrew has been a Non-Executive Director at Emap, where he chairs the Audit Committee. Prior to Lex Service, Andrew was an Executive Director of Courtaulds Textiles plc.

Jeff Carr
(Group Finance Director)

Jeff (46) was appointed as Group Finance Director in March 2005. Prior to joining easyJet, Jeff was Director of Finance, Performance and Planning for Associated British Foods plc. He has previously held senior financial positions with Unilever, Grand Metropolitan and Reckitt Benckiser. In addition to experience with major consumer orientated companies, Jeff has wide international experience in both mainland Europe and in the USA.

Dawn Airey
(Independent Non-Executive Director)

Dawn (47) joined easyJet in April 2004. She has been Managing Director of Global Content at ITV plc since 1 October 2007, prior to which she was Managing Director of Channels and Services at Sky. Prior to joining Sky in January 2003, Dawn was Chief Executive of Channel Five (2000–2002); Director of Programmes, Channel Five (1996–2000); Controller of Arts and Entertainment at Channel 4 (1994–1996) and Controller of Network Children's and Daytime Programmes at ITV (1993–1994). Dawn has worked in television for over 22 years and began her career at Central TV as a management trainee. She is Vice President of the Royal Television Society, and a Trustee of the Media Trust. Dawn is a member of the Board of the International Emmy Awards, a governor of the Banff Television Festival and an Honorary Committee Member of the Monte Carlo Television Festival, and a Director of The British Library.



David Bennett
(Independent Non-Executive Director)
David (45) was appointed to the Board on 1 October 2005. He recently became CEO of the FTSE 100 bank Alliance & Leicester plc having previously served as its Group Finance Director. Prior to joining Alliance & Leicester in 1999, David held a number of senior management positions at Cheltenham & Gloucester Building Society and Lloyds TSB. He was also an Executive Director of the National Bank of New Zealand Limited and is a member of the Association of Corporate Treasurers.

Professor Rigas Doganis
(Independent Non-Executive Director)
Rigas (68) was appointed to the Board on 1 December 2005. Rigas is an aviation consultant and strategy adviser to airlines, airports, banks and governments around the world. He is Chairman of the European Aviation Club in Brussels and a Non-Executive Director of GMR Hyderabad International Airport, India. He is a former Chairman/CEO of Olympic Airways and was formerly a Non-Executive Director of South African Airways. Rigas is also a visiting Professor at Cranfield University and the author of books on aviation economics and management.

Sir Stelios Haji-Ioannou
(Non-Executive Director)
Stelios (40) founded easyJet in 1995. He was easyJet's Non-Executive Chairman until 26 November 2002 and was reappointed to the Board on 16 May 2005. A graduate of the London School of Economics and City University Business School, Stelios founded Stelmar Tankers, a shipping company which listed on the New York Stock Exchange in 2001 and was sold in 2005 to OSG shipping group. Since 1999 he has set up a number of other "easy" branded businesses, which are managed and capitalised separately from easyJet and an up-to-date list of them can be found on www.easy.com. Stelios is currently mostly acting through his private investment vehicle, the easyGroup, which owns the easy brand and licenses it to the various easy branded ventures including easyJet. He was knighted in November 2006 for services to entrepreneurship.

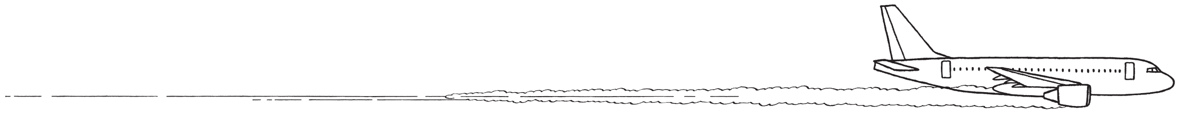
Diederik Karsten
(Independent Non-Executive Director)
Diederik (51) joined easyJet in May 2001 and is currently Chief Executive Officer of UPC in The Netherlands, a leading cable TV company. From February 2000 to November 2001 he was Chief Executive Officer of KPN Mobile N.V. Previously he was Director of the business unit Mobile Telephony and Director of The Mobile Net, both parts of KPN Telecom. Prior to joining KPN in 1996, Diederik held various management and marketing positions at Pepsi Co, both in the UK and Europe, including Vice President of Sales and Marketing at Snacks Ventures Europe and Sales and Marketing Director Pepsi Cola, Germany. Before that, Diederik held various marketing positions at Proctor & Gamble.

Sir David Michels
(Senior Independent Non-Executive Director)
David (60) was appointed to the Board on 6 March 2006. He is currently Non-Executive Director of British Land Company, Marks and Spencer plc, RAB Capital and Strategic Hotels and Resorts. David has held a number of senior management and plc board positions in the leisure industry. He spent 15 years with Grand Metropolitan mainly in sales and marketing, which culminated in a Board position as Worldwide Marketing Director. In 1989, he became Deputy Chairman of Hilton UK and Executive Vice President, Hilton International. He joined Stakis in 1991 as Chief Executive and became Group Chief Executive of the Hilton Group (formerly Ladbroke Group) in June 2000, a position he held until 2006. He is the current President of the British Hospitality Association and was knighted in June 2006 for services to the hospitality industry.

John Browett
(Independent Non-Executive Director)
John (43) joined easyJet in September 2007. He is currently Operations Development Director of Tesco PLC. A graduate of Cambridge University and Wharton Business School, John has held a number of Executive Director positions at Tesco since joining the business as Group Strategy Director in 1998. John ran Tesco.com from 2000 to 2004 where he was responsible for formulating and delivering its strategy from launch to profitability. Prior to joining Tesco, he was at the Boston Consulting Group between 1993 and 1998. John will join DSG international plc as CEO in early December 2007.

Executive management team

From left to right
Andrew Barker, Mike Campbell, Jeff Carr, Saad Hammad, Andrew Harrison, Tim Newing, Toby Nicol, Cor Vrieswijk.



Andrew Barker
(Planning Director)
Andrew (42) joined easyJet in 2005 as Head of Investor Relations and was appointed Planning Director in February 2006. Andrew is responsible for guiding easyJet's network and fleet planning, as well as developing environmental and aero-political policies and interfacing with the relevant regulatory bodies. Prior to joining easyJet, Andrew was a Managing Director at UBS Investment Bank, where he worked for 16 years. At UBS he was head of the global transport research team for ten years during which time he was consistently rated by Institutional Investor Magazine as the number one analyst in the sector in both European and Global surveys. He then went on to head the UBS European Equity Strategy Team. Andrew is a UK national.

Mike Campbell
(People Director)
Mike (50) joined easyJet in October 2005 as People Director. Before joining easyJet Mike worked at Wedgwood in a broad role as Director of People and Brands and Managing Director for Canada, Australia and Pan-Asia. Prior to that Mike worked for 14 years at Fujitsu in a variety of development and personnel roles across Europe, Asia, Africa and the Middle East, ending up as Chief Personnel Officer. His early career was in education and research. Mike has a BSC in Mathematics and Masters in Fluid Dynamics. Mike is a UK national.

Jeff Carr
(Group Finance Director)
See Directors' profiles

Saad Hammad
(Chief Commercial Officer)
Saad (45) joined easyJet in November 2005, bringing considerable commercial experience in international consumer-focused businesses. Prior to joining easyJet Saad was Managing Director Europe with the third party logistics provider Tibbett & Britten, where he managed the outsourced supply chain operations across Europe of prominent manufacturers and retailers including P&G, Unilever, PepsiCo, Tesco, Wal-Mart, Carrefour and Metro. Prior to that Saad helped to modernise Minit, the multi-service retailer, where he was commercially responsible for 3,710 stores worldwide before becoming CEO of Autocascade, a pan-European web-based yield management start-up. Earlier in his career, Saad held roles in consumer retailing and brand management at Vision Express, Thorn EMI and Procter & Gamble. Saad holds an undergraduate degree from Oxford and an MBA from INSEAD. Saad is a Non-Executive Director at Optos plc, a leading medical technology company for the design, development, manufacturing and marketing of retinal imaging devices. Saad is a UK national.

Andrew Harrison
(Chief Executive Officer)
See Directors' profiles

Tim Newing
(IT Director)
Tim (48) joined easyJet in August 2006. He has a wide range of experience across the technology spectrum and has played a major role in the development of the National Lottery over a ten year period, first as Technical Manager for IT supplier GTECH UK before joining Camelot as Head of Projects and Networks in December 2000 and becoming IT Director in March 2002. During this time, Tim has successfully developed and delivered a series of massive programs that saw a period of major technological innovation, significantly enhancing the systems architecture and key business processes within Europe's biggest lottery company, and, at the same time ensuring high reliability and availability from the production systems. His achievements saw him recognised as the 2005 IT Director of the Year in the Jaeger-LeCoultre Telegraph Business Awards. Tim is a UK national.

Toby Nicol
(Communications Director)
Toby (37) joined easyJet in December 1999. He was appointed as Communications Director in September 2005 after six years in a range of communications and lobbying roles within the Company and has been part of the Airline Management Board since mid 2004. Toby also chairs the Steering Group of Flying Matters, the aviation industry's environmental lobby group. Previously Toby was employed in senior positions for a leading communications consultancy undertaking work across a range of diverse clients from IBM to bmi British Midland. Toby is a UK national.

Cor Vrieswijk
(Operations Director)
Cor (49) joined easyJet in January 2007 from Transavia.com which is a Dutch-based airline where he was Chief Operations Officer for nine years together with 25 years' experience in the airline industry. His responsibilities at Transavia.com included flight operations, cabin operations, engineering and maintenance and ground handling, together with relevant experience in marketing, human resources and IT. Cor's first degree was in engineering followed up by a Masters Degree in organisational sciences. Cor is a Dutch national.

Directors' report

The Directors present the audited consolidated financial statements for easyJet plc ("the Company") for the year ended 30 September 2007.

Country of incorporation

The Company is incorporated in the United Kingdom and registered in England and Wales.

Principal activity

The principal activity of the Company and its subsidiary companies ("the Group" or "easyJet") is the provision of a "low-cost," airline service "with care and convenience" on short-haul and medium-haul point-to-point routes principally within Europe.

Results for the year

Retained profit for the year ended 30 September 2007 was £152.3 million (2006: £94.1 million). The Directors do not recommend the payment of a dividend (2006: £nil).

Key performance indicators

The Company's key performance indicators are considered in the Financial review on pages 13 to 21.

Share capital

Details of the movements in authorised and issued share capital during the year are provided in note 18 to the financial statements.

Health and safety

Safety is the number one priority for the business. easyJet aims to provide a safe and efficient work environment for all its people. Beyond those engaged in office based work, the large majority of people are aircrew. They have been one of the mainstays of easyJet's success, giving a great deal of effort to their role. easyJet is continuing to invest substantial effort and money into rostering practices and systems. easyJet is committed to the development of an industry leading Fatigue Risk Management System for its pilots, as an integral part of the airline's safety management processes. The aim of the programme is to detect any sources of fatigue risk within the airline operation and act upon them.

Customer service

easyJet seeks to provide its customers with a safe, low cost, good value and reliable service. easyJet operates an entirely ticketless sales and check-in service. This service is, easyJet believes, less burdensome for passengers. In addition, the service reduces the costs associated with ticket processing, including personnel costs, and simplifies administration and control.

People and culture

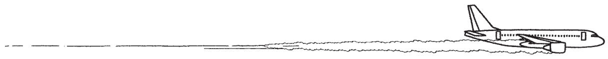
easyJet's employees have defined a statement of the organisation's values, the "orange culture". The Directors believe that the Group's framework of "orange" values helps to motivate and align employees to the Group's objectives.

The management of the Group is entrusted to an executive team with extensive commercial, operational and financial experience. In keeping with the "orange culture" the Directors encourage employees to contribute to the management of the business and allow employees to have access to a significant amount of information stored on the Group's electronic document system.

The Group is an equal opportunity employer, which actively encourages the training and development of all its employees on an ongoing basis.

It is the Group's policy to give full and fair consideration to applications for employment from disabled individuals, having regard to their particular aptitudes and abilities, and to provide such individuals with equal training, development, and opportunities for promotion. Employees who become disabled during their working life will be retained in employment wherever possible and will be given help with any necessary rehabilitation and retraining.

easyJet is committed to generating awareness among its employees of the Group's performance, development and progress, and to providing employees with information on matters of concern to them. It achieves this through regular communication meetings, employee newsletters and management briefings. Also, communication meetings are used by employee representatives to air the views of employees. Employees are encouraged to become involved in the Company's financial performance through participation in various share option schemes. Further details can be found in the Corporate and Social Responsibility Report.



Directors and Directors' interests

Non-Executive:

Sir Colin Chandler
Dawn Airey
David Bennett
Professor Rigas Doganis
Diederik Karsten
Sir Stelios Haji-Ioannou
Sir David Michels
John Browett (appointed 27 September 2007)

Executive

Andrew Harrison
Jeff Carr

Executive Directors are deemed to be interested in the shares held by the easyJet UK Employee Share Ownership Trust, the easyJet Overseas Employee Share Ownership Trust and the Share Incentive Plan Trust (the "Trusts"). At 30 September 2007, ordinary shares held in the Trusts were as follows:

Share Incentive Plan Trust (unallocated as employees are not entitled to these shares until performance conditions attached to them are met)	1,076,503
Total unallocated	1,076,503
Long term incentive plan (allocated)	74,333
Total held by UK Trust (allocated)	10,039
Total held by Overseas Trust (allocated)	28,177
Total allocated	112,549
Total	**1,189,052**

Details of share options and share gifts granted to the Directors of the Company are disclosed in the report on Directors' remuneration.

Overseas branches

Details of the Company's subsidiaries are given in the notes to the Company Balance Sheet. One of the Company's wholly owned subsidiaries, easyJet Airline Company Limited, operates a Spanish branch which performs self-handling operations.

Policy and practice on payment of creditors

We aim to have partnership agreements with our suppliers, which stress the importance of strong suppliers aligned to the success of easyJet as a business. Many of our supply agreements are unique and tailored to the needs of our business, to make sure that our suppliers are rewarded appropriately for delivering services which meet pre-agreed performance targets and align with easyJet's own internal performance goals.

The Group's practice is to:

- agree the terms of payment at the start of business with the supplier;
- ensure that those suppliers are made aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

At 30 September 2007, the number of creditor days outstanding for the Group was nine days (2006: nine days), and the Company, nil days (2006: nil days).

Political and charitable contributions

During the year, the Group made charitable contributions totalling £50,000 (2006: £52,000). The Group also performs onboard collections on behalf of charitable organisations and during 2007 raised £514,893 in this way for the benefit of the Anthony Nolan Trust. In addition, the Group provides free flights to selected charities. There is minimal incremental cost to the Group associated with these gifts. There were no contributions made for political purposes.

Post balance sheet events

On 25 October 2007, easyJet announced that it had agreed to acquire GB Airways Limited for cash consideration of £103.5 million. Completion is subject to clearance from the regulatory authorities and is expected to occur no later than 31 January 2008.

Substantial interests

As at 14 November 2007, the Company had been notified of the following disclosable interests of 3% or more in its ordinary shares:

	Number of shares	Percentage
easyGroup Holdings Limited (holding vehicle for Stelios Haji-Ioannou)	66,076,451	15.76
Polys Holdings Limited (holding vehicle for Polys Haji-Ioannou)	47,954,575	11.44
Clelia Holdings Limited (holding vehicle for Clelia Haji-Ioannou)	47,954,575	11.44
Standard Life Investments	35,101,865	8.37
Black Rock Inc.	26,613,125	6.35

Going concern

The Directors are satisfied, after due consideration, that the Group has sufficient financial resources to continue in operation for the foreseeable future. On this basis, they continue to adopt the going concern principle in preparing the financial statements.

Auditors

Each Director has taken steps that they ought to have taken in their duty as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

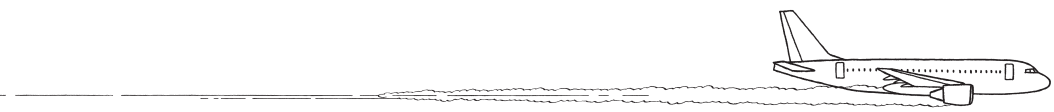
So far as each Director is aware, there is no relevant information of which the Company's auditors is unaware.

A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company will be put to shareholders at the forthcoming Annual General Meeting.

By order of the Board

Giles Pemberton
Company Secretary
Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF

19 November 2007



Corporate governance

Statement of compliance

easyJet is committed to meeting the required standards of corporate governance. During the year it has complied with the provisions of Section 1 of the Combined Code of 2003.

Board of Directors

As at 30 September 2007, the Board comprised eight Non-Executive Directors (including the Chairman) and two Executive Directors.

The roles of Chairman (Sir Colin Chandler) and Chief Executive (Andrew Harrison) are separated, clearly defined, and approved by the Board. Sir David Michels is the Senior Independent Non-Executive Director. The Company regards David Bennett, Professor Rigas Doganis, Dawn Airey, Diederik Karsten and John Browett who was appointed in September 2007 as Independent Non-Executive Directors. Sir Stelios Haji-Ioannou is not regarded as independent due to his significant beneficial shareholding in the Company and his prior involvement in an executive management capacity.

There are matters which are reserved to the Board by virtue of a resolution of the Board. These include matters relating to share issues, material acquisitions and disposals of assets, connected party transactions, borrowings and guarantees, material contracts, capital expenditure, shareholder and investor relations, officers and employees, treasury policies, risk management policies, donations, litigation, strategy, internal control, budgets, accounting issues and authority levels. By resolution, the Board has delegated certain authorities to management. This delegation covers areas such as finance (expenditure, treasury and the sale of assets), revenue management, customer compensation, contracts, leases, employment and business development. The delegation is reviewed regularly by the Board.

The Chairman participates in investor meetings and makes himself available for questions, in person, at the time of major announcements. Sir David Michels has also made himself available to participate in investor meetings as an alternative point of contact and in order to help develop a balanced understanding of the issues and concerns of major shareholders. This direct contact, together with feedback from management and from the Company's two corporate brokers (ABN Amro and Credit Suisse), is used to brief the Board. In addition, the Board has sought direct feedback from sources that are independent of easyJet. The Board considers that it is appropriate for the Chairman to be the primary conduit with investors given his experience in liaising with shareholders over the past few years. During the year, the Chairman has updated the whole Board on the results of his meetings and the opinions of investors. However, all Directors have a standing invitation to participate in meetings with investors.

The Board meets regularly, with 11 meetings having been held during the year ended 30 September 2007. All members of the Board are supplied in advance with appropriate information covering matters which are to be considered.

	Number of meetings attended	Total number of meetings
Sir Colin Chandler	11	11
Sir Stelios Haji-Ioannou	11	11
Andrew Harrison	11	11
Jeff Carr	11	11
Dawn Airey	10	11
Diederik Karsten	10	11
David Bennett	10	11
Professor Rigas Doganis	10	11
Sir David Michels	9	11
John Browett (appointed 27 September 2007)	–	–

The Chairman discusses governance and strategy with major shareholders when required and communicates the results of these discussions to the Board. If a major shareholder requests the attendance of a specific Non-Executive Director at a meeting they will be made available.

It is standard practice for the Chairman to meet and confer with other Non-Executive Directors prior to each scheduled Board meeting without the Executive Directors present.

All Directors have access to the Company Secretary. They have access to appropriate independent professional advice, resources and other services as they see fit to discharge their duties. The Nominations Committee, Remuneration Committee and the Audit Committee also have access to sufficient resources to allow them to undertake their duties effectively.

All Directors, both Executive and Non-Executive are encouraged to request inclusion of any unresolved concerns that they may have in the Board minutes.

The Company Secretary is responsible to the Board for ensuring that Board procedures have been complied with. The Board has agreed that the appointment or removal of the Company Secretary is a matter to be decided by itself. During the course of the year, Giles Pemberton held the office of Company Secretary.

Directors and officers insurance cover exists for all Directors to provide cover against their reasonable actions as an officer of easyJet. During the course of the year, the Board approved additional indemnity and funding protection in favour of each of its current directors and future directors to the extent permitted by applicable law.

During the year, the Chairman undertook a performance review of the Board using an external evaluation framework. The process involved structured interviews with Directors and management. The Chairman has also reviewed the performance of the Remuneration, Nomination and Audit Committees and also that of the individual Board Directors. Separately, Sir David Michels has met during the year with the other Non-Executive Directors (excluding the Chairman) to appraise the Chairman's performance.

Directors may be appointed by the Company by ordinary resolution or by the Board. A Director appointed by the Board holds office only until the next Annual General Meeting ("AGM"). At each AGM one third of the Directors will retire by rotation and be eligible for re-election. The Directors to retire will be those who wish to retire and those who have been longest in office since their last appointment or reappointment, with the proviso that all must retire within a three year period.

Non-Executive Directors are appointed for three year terms, after which time they may offer themselves for re-election. Executive Directors are not appointed for specific terms. However, in practice each Director will normally serve a term no longer than three years due to the required retirement by rotation of one third of the Board at each AGM. It is now the Company's standard policy to engage with new Non-Executive Directors on contractual terms based upon the Institute of Chartered Secretaries and Administrators' (ICSA) standard letter of appointment as appended to the Combined Code. During the year, new letters of appointment were executed by each Non-Executive Director based upon the ICSA standard document, with the exception of Sir Stelios Haji-Ioannou who does not receive a fee from the Company and does not have a letter of appointment.

Remuneration Committee

At 30 September 2007, the Remuneration Committee comprised at least three independent Non-Executive Directors, namely Sir David Michels (Committee Chairman), David Bennett, Professor Rigas Doganis and Dawn Airey. This Committee, which meets at least twice per year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors and the Chairman. In addition to meetings to allot shares under the Company's share option schemes, the Remuneration Committee has met twice during the year.

The Board has discussed the composition of the Remuneration Committee and is satisfied that the Directors who are members of this Committee are those who are best able to contribute to the Committee's objectives.

The terms of reference of the Remuneration Committee are documented and agreed by the main Board. The full text of the terms of reference is available in the investor relations section of the easyJet website, www.easyJet.com. The key terms set out that the Remuneration Committee will:

- Seek to provide the packages needed to attract, retain and motivate Executive Directors of the quality required without paying more than is necessary;
- Judge where to position easyJet relative to other companies, taking account of what comparable companies are paying and relative performance;
- Determine the terms of any compensation package in the event of early termination of any Executive Director's contract in accordance with its terms;
- Make recommendations to the Board on the Company's framework of executive remuneration and its cost; and
- Determine on behalf of the Board specific remuneration packages and conditions of employment for Executive Directors.

The record of attendance is:

	Number of meetings attended	Total number of meetings
Dawn Airey	2	2
David Bennett	2	2
Professor Rigas Doganis	2	2
Sir David Michels	2	2
By invitation:		
Sir Colin Chandler	1	1
Andrew Harrison	1	1

Shareholders are required to approve all new long term incentive plans. Further details of these plans can be found in the Directors' Remuneration Report.

Audit Committee

The Audit Committee comprises three Non-Executive Directors, all of whom are independent. During the year, the Audit Committee members were David Bennett (Chairman), Sir David Michels and Diederik Karsten. This Committee meets at least three times per year. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial reports and other financial information in advance of publication, reviewing on a continuing basis the systems of internal controls regarding finance and accounting that management and the Board have established and reviewing generally the auditing, accounting and financial reporting processes. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board. The Audit Committee has met three times during the course of the year.

The Audit Committee is charged with reviewing the effectiveness of internal control, approving and monitoring the Internal Audit work plan, considering issues arising from Internal Audit's work, reviewing management's response to internal control issues, approving the external audit fee, considering the external audit strategy and plans, reviewing the external auditors' reports and reviewing and approving the annual accounts. Both internal and external auditors are given the opportunity to meet privately with the Audit Committee without any member of management present.

The terms of reference of the Audit Committee are documented and agreed by the main Board. The terms of reference have been reviewed and updated recently in line with changes made to the ICSA model terms of reference for audit committees. The full text of the terms of reference is available in the investor relations section of the easyJet website www.easyJet.com. The key terms set out that the Audit Committee will:

- Serve as an independent and objective party to monitor the quality and timeliness of the financial reporting process and monitor the internal financial control system;
- Review and appraise the audit efforts of the external auditors;
- Provide an open avenue of communication among the external auditors, financial and senior management, and the Board;
- Confirm and assure the independence and objectivity of the external auditor; and
- Review and monitor the effectiveness of the internal audit function and the management responses to the recommendations.

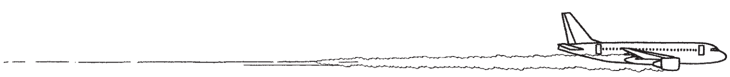
The Audit Committee has the responsibility for appointing the external auditors. PricewaterhouseCoopers LLP were reappointed auditors of the Group at the Annual General Meeting, held in March 2007.

In order to preserve auditor independence, the Board has decided that the auditor will not be asked to provide consulting services unless this is in the best interests of the Company. The auditor is asked on a regular basis to articulate the steps that it has taken to ensure its independence. easyJet monitors the auditors' performance and behaviour during the exercise of its duties. In the financial year, easyJet spent £0.6 million with PricewaterhouseCoopers LLP (2006: £0.5 million) in respect of non-audit services and £2.4million (2006: £1.0 million) with other parties who are entitled to act as registered auditors.

The Board has discussed the composition of the Audit Committee and is satisfied that the Directors who were members of this Committee during the year were those who were best able to contribute to the Committee's objectives. David Bennett has served as the Chairman of the Committee during the year. Until the middle of this financial year, David was the Group Finance Director of Alliance and Leicester plc, a major FTSE 100 company; experience which the Board considers to be recent and relevant for the purposes of undertaking the role as Chairman of the Committee.

The record of attendance is:

	Number of meetings attended	Total number of meetings
David Bennett	3	3
Diederik Karsten	3	3
Sir David Michels	2	3
By invitation:		
Andrew Harrison	3	3
Jeff Carr	3	3



Nominations Committee

The Nominations Committee comprises at least three members. During the year, the Nominations Committee members were Sir Colin Chandler (Chairman), David Bennett, Professor Rigas Doganis and Dawn Airey. Sir Colin Chandler is not considered to be independent as he is Chairman of the Group. However, the Board is satisfied that Sir Colin Chandler's personal integrity and experience makes him a highly effective member of the Board and the Nominations Committee.

This Committee is responsible for nominating candidates to fill Board positions and for making recommendations on Board composition and balance. In appointing Non-Executive Directors, the Board's practice is to use an external recruitment agency. The Nominations Committee has met once during the year.

The terms of reference of the Nominations Committee are documented and agreed by the main Board. The full text of the terms of reference is available in the investor relations section of the easyJet website, www.easyJet.com. The key terms are as follows:

- To consider, at the request of the Board or the Chairman of the Board, the making of any appointment or reappointment to the Board, whether of Executive or Non-Executive Directors; and
- To establish and carry out a formal selection process of candidates and provide advice and recommendations to the Board or Chairman (as appropriate) on any such appointment.

Before selecting new appointees, the Nominations Committee considers the balance of skills, knowledge and experience on the Board to ensure that a suitable balance is maintained. All job specifications prepared include details of the time commitments expected in the role.

On joining the Board, new board members receive a full and tailored induction. Shareholders are offered the chance to meet new Non-Executive Directors.

Contracts with Directors are made available at the Annual General Meeting or on request.

The record of attendance is:

	Number of meetings attended	Total number of meetings
Sir Colin Chandler	1	1
Dawn Airey	1	1
David Bennett	1	1
Professor Rigas Doganis	1	1

Before the appointment of Sir Colin Chandler to the Board in 2002, his significant other commitments were disclosed to the Board. Sir Colin continues to have significant commitments outside of easyJet, including the post of Pro-Chancellor of Cranfield University. The Board has considered this and has decided that these commitments do not represent an impediment to proper performance of his role as Chairman of easyJet.

Relations with investors and the Annual General Meeting ("AGM")

The AGM gives all shareholders the opportunity to communicate directly with the Board. There is also regular communication with institutional investors, fund managers and analysts on key business issues. The Group has an investor relations department to facilitate engagement with investors.

It is the Company's policy that the following procedures should be adhered to with respect to AGM's:

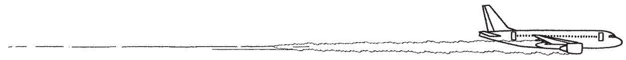
- All proxy votes are counted and read out at the AGM;
- Separate resolutions are proposed for each separate issue, including approval of the annual report and accounts;
- The Chairmen of the Audit, Remuneration and Nomination Committees are available for any questions at the meetings; and
- It is the Company's intention that notice of the forthcoming AGM and related papers will be sent to shareholders at least 20 working days before that meeting.

Internal control

The overall responsibility for easyJet's systems of internal control and for reviewing its effectiveness rests with the Directors of the Company. The responsibility for establishing and operating detailed control procedures lies with the Chief Executive. However, the internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and by their nature can only provide reasonable but not absolute assurance against material misstatement or loss.

A formal process established to identify, evaluate, manage and report upon significant risks faced by the Company is operated by the Company Secretary under the direction of the Audit Committee. The process involves a rigorous mandatory reporting regime across middle tier management with reporting of risks subject to review by a cross-functional executive committee which produces detailed risk reports to the Board. This process has operated throughout the year and during the period from the year end to the signing of the financial statements.

The Board has conducted an annual review of the effectiveness of the system of internal control during the year.



Early in the year, the internal control regime was enhanced by the creation of a whistleblower reporting function. The system is operated by a specialist external third party service provider and allows employees to report concerns in confidence on a no names basis. The Audit Committee approved the processes and reporting structure for the new function and receives regular reports on the operation of the function.

An ongoing process for the effective management of risk has been defined by the Company Directors and has been adopted as follows:

- Ongoing assurance and risk management is provided through the various monitoring reviews and reporting mechanisms embedded into the business operations. Key monitoring reviews include those conducted continuously in weekly meetings. Operational meetings include the Safety Audit Group which meets monthly to discuss safety, security and environmental risks. The Safety Review Board meets monthly, or more regularly where events require, to review safety performance. In addition, there are regular Commercial, Financial and IT functional meetings.
- The Executive Management Team meets monthly to consider significant current risks. Individual department and overall business performance is reviewed. The reporting of significant risks to the Executive Management Team and the Board of the Company has been enhanced by the new risk management processes referred to above. Individual department and overall business performance is reviewed.
- Written reporting of current significant risks is provided to the Board on a monthly basis. Control weaknesses or failings are considered by the Board if they arise.
- easyJet has had an Internal Audit function since 1 October 2006 which considers, reviews and tests internal control matters throughout the Group. The function was strengthened during the year. Further details of the internal audit function's operations are set out below.
- Comprehensive operational risk reviews are also performed to help improve risk management. A fatigue control assessment was completed in 2005, which resulted in implementation of a fatigue risk management plan which has significantly improved easyJet's safety performance above industry standards.
- An annual risk and control identification process, together with control effectiveness testing, is conducted. The key risks to significant business objectives are identified and the key controls to manage these risks to the desired level are also identified.
- Action plans are set to address any control weaknesses or gaps in controls identified.

The Directors reviewed the effectiveness of internal control, including operating, financial, compliance and risk management controls, which mitigate the significant risks identified. The procedures used by the Directors to review the effectiveness of these controls include:

- Reports from management. Reporting is structured to ensure that key issues are escalated through the management team and ultimately to the Board as appropriate;
- Discussions with senior personnel throughout the Company;
- Consideration by the Audit Committee of any reports from external auditors; and
- The controls, which mitigate or minimise the high level risks, are tested to ensure that they are in operation. The results of this testing are reported to the Board which considers whether these high level risks are effectively controlled.

Internal Audit

In response to the continued growth in the Company's size and the consequent increase in the complexity of its operations, the Board approved the creation of an Internal Audit function. This came into effect at the start of the financial year.

The new Internal Audit Function is a central element in our approach to risk management and this change reflects the importance we place on the internal control processes within easyJet. Internal Audit's work is focused on areas of greatest risk to easyJet, as determined by managements' risk identification and assessment processes as validated by Executive Directors. The output from this process is summarised in an audit plan, which is approved by the Board and Audit Committee, and updated on a rolling bi-annual basis.

The Head of Internal Audit reports regularly to the Group Finance Director and has direct access to meet with the Chairman of the Audit Committee without the presence of management. The Head of Internal Audit has been invited and attended all of the Audit Committee meetings in the year. A formal audit charter is in place.

Role of Internal Audit

The Internal Audit department reviews the extent to which systems of internal control:

- are effective;
- are adequate to manage the easyJet's significant risks; and
- safeguard the Company's assets.

The key objectives are to provide independent and objective assurance on risks and controls to the Board and senior management; and to assist the Board with meeting its corporate governance and regulatory responsibilities.

The role of Internal Audit and the scope of its work continue to evolve to take account of changes within the business and emerging best practice.

Report on Directors' remuneration

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 (the "Regulations"). The Regulations require the auditors to report to the Company's members on the "audited information" within the Directors' remuneration report and to state whether, in their opinion, that part of the report has been properly prepared in accordance with the Companies Act 1985 (as amended by the Regulations). As a result, the report has been divided into separate sections for unaudited and audited information.

This report sets out the Company's policy on Directors' remuneration for the forthcoming year, and, so far as practicable, for subsequent years, as well as information on remuneration paid to Directors in the financial year.

Unaudited information

Membership and responsibilities of the Remuneration Committee

Membership and responsibilities of the Remuneration Committee are disclosed in the Corporate Governance report.

The Remuneration Committee continues to use New Bridge Street Consultants LLP whom the Committee originally appointed as remuneration advisers. Apart from advice regarding the design, establishment and operation of remuneration arrangements, New Bridge Street Consultants LLP provides no other services to the Company.

Policy

The objective of the Remuneration Committee's remuneration policy is to reward the Company's executives competitively having regard to the comparative market place in order to ensure that they are properly motivated to perform in the best interests of the Company and its shareholders. The Committee also oversees any significant changes to pay and conditions elsewhere in easyJet and sets Directors' remuneration in the context of these pay and conditions. The Company aims to provide competitive "total pay" for "on target" performance, with superior awards for exceptional performance.

The remuneration packages of the Executive Directors comprise a combination of basic salary, annual bonus, participation in share-based long term incentive plans, and "lean" benefits provision. easyJet has a "no frills" approach and does not include, for example, company cars or final salary pensions as part of the package. Therefore, performance related elements form a significant proportion of the packages of the Executive Directors.

Element	Purpose	Delivery	Detailed policy
Basic salary	• Reflect the value of the individual and their role • Reflect skills and experience	• Cash • Paid monthly • Pensionable	• Reviewed annually, effective 1 October • Agreed when previous results are finalised • Benchmarked against similar sized companies and industry comparators • Targeted at around median • Individual contribution considered
Annual bonus	• Incentivise year-on-year delivery of short-term performance goals	• Cash • Paid annually • Not pensionable	• Majority measure is profit before tax aligned to long-term targets • Other measures based on vision – Customers – People – Operational excellence
Long term incentive plan	• Aligned to business plan • Incentivise long-term growth in easyJet's return on equity	• Annual grant of performance shares • Opportunity to defer bonus and get future matching share awards	• Subject to stretching return on equity targets • Maximum grant of one times salary • Subject to one times salary shareholding requirement
Pension	• Provide minimum retirement benefits • Opportunity for executive to contribute to their retirement	• Monthly contribution of 7% of basic salary • Salary sacrifice arrangement	• Defined contribution • HMRC approved salary sacrifice arrangement

The Board as a whole determines the remuneration of the Company's Non-Executive Directors, with Non-Executive Directors exempting themselves from discussions and voting as appropriate. When determining the remuneration of Non-Executive Directors, account is taken of practice adopted in other similar organisations and the time commitment of each Non-Executive Director.

Basic salary

The basic salaries of Executive Directors are reviewed annually and are set taking account of a number of factors including (i) practice adopted in companies of a broadly similar size, (ii) a formal appraisal of their contribution to the business and (iii) the competitive environment, as senior easyJet executives are potential targets for other low cost start-ups and other companies in the airline sector.

During the year Andrew Harrison's salary remained at £540,000, in line with his hiring agreement. Jeff Carr's salary increased from £250,000 to £300,000 reflecting a catch up against market salaries, following his first full year in position.

Pension contributions

Pension contributions for Executive Directors are set at 7% of their basic salaries. While this is a non contributory arrangement, easyJet operates a pension salary sacrifice arrangement where individuals can exchange their salary for company paid pension contributions. Where individuals exchange salary this reduces easyJet's National Insurance contributions. easyJet credits half of this saving to the individual's pension (currently 6.4% of the amount exchanged).

Annual bonus scheme

All Executive Directors participate in an annual bonus scheme. The maximum annual bonus opportunity of the Chief Executive during the year was 200% of salary, with a 100% of salary maximum for other senior executives. This policy will remain unchanged for the forthcoming year.

Bonus targets are aligned to easyJet's visions and values. For the financial year ending 30 September 2008, 70% of Executive Directors' bonus opportunity is subject to achieving demanding profit before tax targets related to the expected rate of return on equity. The remaining 30% is subject to the achievement of demanding quantifiable business targets related to customers, people and operational excellence. If the profit before tax measure is not achieved, payment on all other measures will be halved.

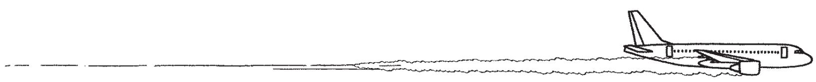
Bonus targets for 2008

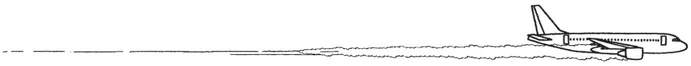
	Profit	Customers	People	Operating costs	On time performance
Andrew Harrison	Profit before tax	Network contribution	Employee satisfaction	Cost per seat	Arrivals within 15 minutes
Jeff Carr	Profit before tax	Network contribution	Employee satisfaction	Cost per seat	Arrivals within 15 minutes

Andrew Harrison will be paid a bonus of £996,840 (184.6% of salary paid) in the year ending 30 September 2008 to reflect performance in the year ended 30 September 2007. Jeff Carr will be paid a bonus of £276,900 (92.3% of salary) in the year ending 30 September 2008 to reflect performance in the year ended 30 September 2007. These bonuses reflect the year's financial performance and the Directors' contribution to this. This was calculated according to the bonus targets for the year ended 30 September 2007, the table below give details. The financial targets are related to a targeted rate of return on equity.

Achievement of bonus targets for 2007

Measure	Achievement	Comments
Profit		Excellent year, met in full
Customers		Revenue contribution per seat below target
People		Employee satisfaction 82%, met in full
Operating costs		Cost targets met in full
On time performance		Percentage arrivals target met in full





Long term incentive plans

The easyJet Long Term Incentive Plan (the "LTIP") was approved by shareholders at the AGM in 2005. The LTIP replaced the existing Unapproved Executive Share Option Scheme (the "ESOS") as the primary long term incentive arrangement for the Executive Directors and other senior employees although the ESOS was retained for flexibility, e.g. options were granted to the Chief Executive under the ESOS on his appointment in 2005. However, there were no grants during the year and there is no current intention to make regular grants of options under the ESOS.

In summary, the LTIP is structured to tie in directly with the Company's current circumstances and strategy. It provides for regular annual awards of (i) "Performance Shares" worth up to 100% of salary each year and (ii) "Matching Shares" linked to the investment of up to 50% of annual bonus in easyJet shares, which are then matched on a 1:1 gross basis.

Performance Shares and Matching Shares awards normally vest three years after grant, subject to continued employment. It is currently intended that the vesting of all such regular annual LTIP awards will be subject to the satisfaction of return on equity ("ROE") targets. These are defined as post tax profit divided by average shareholders' funds. The ROE targets will be measured by reference to a three year performance period. Awards granted in the forthcoming year will vest according to the achievement of the following ROE targets relating to the Group's ROE in the year ending 30 September 2010.

	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Return on equity	12.5%	14.5%	16.5%

ROE has been chosen as the performance measure for a number of reasons, such as:

- It is a fundamental measure of easyJet's underlying performance and is directly linked to the generation of returns to shareholders; and
- It is directly connected to the self-sustaining growth rate of the business and incentivises management to achieve the appropriate balance between growth and returns, to deliver the best shareholder value.

The Remuneration Committee will review the ROE targets prior to each grant date in order to ensure that they remain sufficiently challenging. When determining the extent to which the ROE targets (and indeed, the earnings per share ("EPS") targets that apply to awards made under other long term incentive schemes operated by the Company) are met the Committee will seek actual advice as and when it considers it necessary to do so.

In addition to the proposed regular annual LTIP grants, a one-off "FTSE 100" award was granted shortly following the establishment of the LTIP to provide senior executives with a simple, transparent incentive to increase materially easyJet's market capitalisation. This FTSE 100 award was structured so that, if easyJet becomes a member of the FTSE 100 index for a period of at least six months before the end of the financial year ending 30 September 2008, participants will become entitled to receive an award over easyJet shares worth 100% of salary (subject to the Remuneration Committee being satisfied that the Company's issued share capital has remained reasonably constant over the relevant period or any major acquisition has created shareholder value). These shares will vest three and a half years after entry into the FTSE 100 index subject to continued employment.

Although these FTSE 100 awards (that the Remuneration Committee views as a one-off grant) form a smaller part of the overall incentive arrangements compared to the annual bonus opportunity and the regular annual LTIP awards, they are an important element of the incentive arrangements at easyJet for a number of reasons:

- They support the corporate goal of easyJet;
- They provide an important growth underpin to the ROE targets; and
- They are indicative of easyJet's growth potential.

The Committee will regularly review the Company's long term incentive provision to ensure that it fully supports the corporate strategy and continues to take account of best practice.

Andrew Harrison matching award

To facilitate Andrew Harrison's recruitment as Chief Executive Officer and to ensure that his interests were directly and immediately aligned with those of easyJet shareholders, a matching award was introduced. This was covered in detail in previous reports. However in summary, Andrew acquired and will retain £1,000,000 worth of easyJet shares using his own funds. In recognition of this, he was granted a further share-based incentive award. The shares he acquires will be "matched" by the conditional award of an equal number of shares.

This matching share award will vest three years after grant subject to the satisfaction of challenging EPS and ROE performance conditions described more fully in the notes to Directors' share options below.

Andrew also received the one-off FTSE 100 award, together with the grant of options under the ESOS described above, but he did not receive a "normal" LTIP award in the relevant year.

Shareholding guideline

Linked to the establishment of the new LTIP, the Remuneration Committee has introduced a share ownership guideline which will apply to all members of the Executive Management Team (being those senior executives who report to the Chief Executive Officer) which requires them to retain all the shares they receive on the vesting of LTIP awards (on an after-tax basis) until they have built up a shareholding equal to 100% of salary (with pre-existing shareholdings taken into account). For senior executives who report to the Executive Management Team and receive LTIP awards, a 50% share ownership guideline will apply.

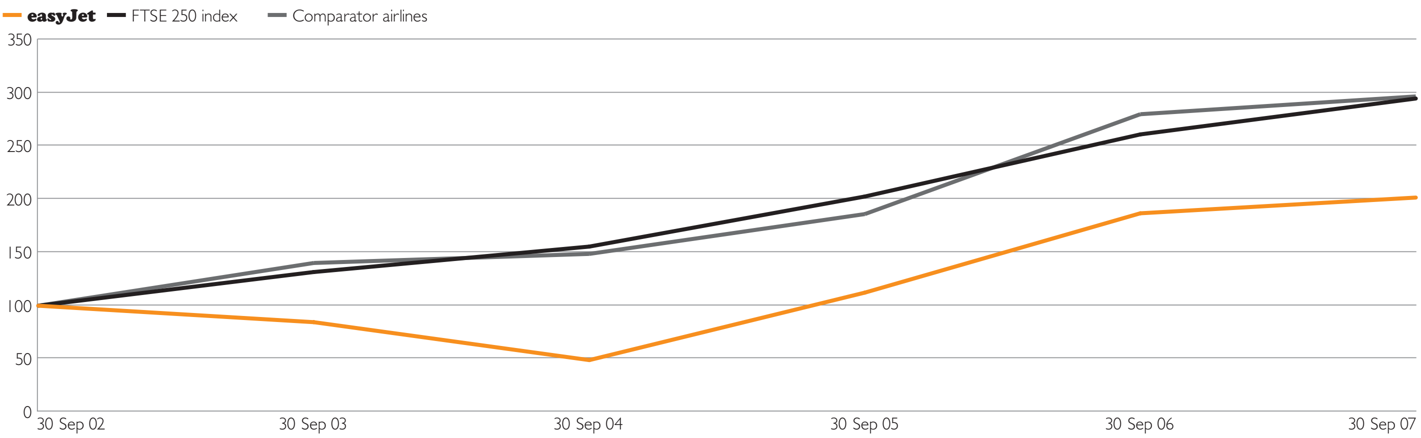
All employee share participation

easyJet encourages share ownership throughout the Company by the use of a Share Incentive Plan and a Sharesave Plan. There was a Sharesave scheme grant in June 2007. In October 2006, the Company granted a free share award under its Share Incentive Plan to all employees.

Total shareholder return

The following graph shows the Company's performance, measured by total shareholder return, compared with the performance of the FTSE Mid 250 and that of a group of European Airlines (note 1). The FTSE Mid 250 has been chosen as it consists of companies of similar size to easyJet. The group of European Airlines comprises companies operating in a comparable sector.

Total shareholder return



This graph shows the value, by 30 September 2007 of £100 invested in easyJet on 30 September 2002 compared with the value of £100 invested in the FTSE Mid 250 index or a comparator group of airlines. The other points plotted are the values at intervening financial year-ends.

Note1: British Airways, Lufthansa, Ryanair, Air France – KLM and Iberia have been included in the comparative European Airlines Group.

External appointments

Executive Directors are permitted to accept one appointment on an external board or committee so long as this is not deemed to interfere with the business of the Group. Any fees received in respect of these appointments are retained directly by the relevant Executive Director.

Andrew Harrison is a Non-Executive on the board of Emap plc. The Board has approved this arrangement. The annual fee for this role is £47,000.

Service contracts

The service contracts of the Executive Directors that served during the year were of no fixed term.

Andrew Harrison's service contract is terminable by the Company giving 12 months' notice or by Andrew giving six months' notice. On termination of Andrew's employment he will receive a pro rated bonus for the year of his termination based on performance up to the date of his termination. In addition, the Company has the right to pay Andrew, in lieu of notice and on a monthly basis until he secures commensurate employment, an amount equal to base salary, pension and bonus earned in the previous year.

Jeff Carr's notice period is six months. There are no other provisions for compensation for loss of office.

The Company's relationship with its Non-Executive Directors is governed by letters of appointment. The Non-Executive Directors are appointed for a period not exceeding three years. Their appointment may be terminated without compensation. Sir Stelios Haji-Ioannou does not have a letter of appointment and his appointment is of no fixed term. He is however subject to re-election by the shareholders every three years, and was last re-elected by shareholders in February 2006, although this does not prejudice his rights under the relationship agreement with the Company disclosed at the time of the Company's IPO. These rights, inter alia, allow him to be Chairman of the Board and the Company for so long as he and easyGroup Holdings Limited hold at least 10% of the issued ordinary share capital of the Company and the Company is entitled to use the easyJet brand under the terms of the easyJet Licence. Details of letters of appointment currently in place for Directors who have served during the year are as follows:

	Date of current letter of appointment	Unexpired term	Notice period	Provision for compensation
Non-Executive				
Sir Colin Chandler	26 September 2007	2 years 10 months	3 months	None
Dawn Airey	26 September 2007	2 years 10 months	3 months	None
David Bennett	26 September 2007	2 years 10 months	3 months	None
John Browett (appointed 27 September 2007)	27 September 2007	2 years 10 months	3 months	None
Professor Rigas Doganis	26 September 2007	2 years 10 months	3 months	None
Sir Stelios Haji-Ioannou	n/a	n/a	n/a	n/a
Diederik Karsten	26 September 2007	2 years 10 months	3 months	None
Sir David Michels	26 September 2007	2 years 10 months	3 months	None
Executive				
Andrew Harrison	15 September 2005	n/a	12 months (6 months from executive)	12 months
Jeff Carr	24 November 2004	n/a	6 months	6 months

Non-Executive Directors' letters of appointment were updated in September 2007 to align their terms to the standard ICSA terms as appended to the Combined Code.

Copies of the service contracts for Executive Directors and letters of appointment for Non-Executive Directors are available on request from the Company Secretary.

Audited information

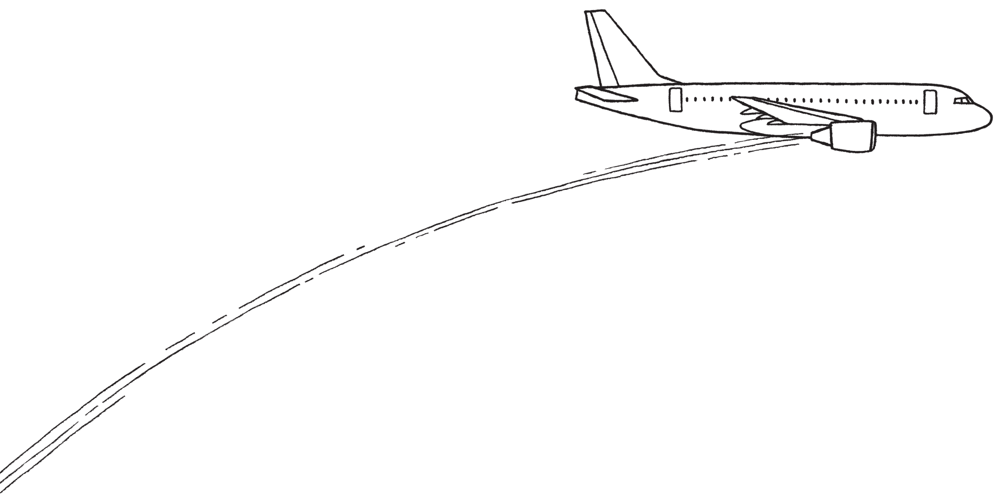
Directors' emoluments

Details of emoluments, paid or payable by Group companies to the Directors of easyJet plc who served in the current financial year are as follows:

	Salary/fees 2007 £000	Bonus 2007 £000	Total 2007 £000	Total 2006 £000	Pension contributions 2007 £000	Pension contributions 2006 £000
Non-Executive						
Sir Colin Chandler	**150**	**–**	**150**	150	**–**	–
Dawn Airey	**40**	**–**	**40**	40	**–**	–
David Bennett	**50**	**–**	**50**	50	**–**	–
John Browett (appointed 27 September 2007)	**–**	**–**	**–**	–	**–**	–
Professor Rigas Doganis	**40**	**–**	**40**	33	**–**	–
Sir Stelios Haji-Ioannou	**–**	**–**	**–**	–	**–**	–
Diederik Karsten	**40**	**–**	**40**	40	**–**	–
Sir David Michels	**50**	**–**	**50**	29	**–**	–
Executive						
Andrew Harrison	**540**	**997**	**1,537**	1,350	**38**	37
Jeff Carr	**300**	**277**	**577**	500	**21**	18
	1,210	**1,274**	**2,484**	2,192	**59**	55

The table above excludes gains as a result of the exercise of share options. Details of share options and share awards and any movements during the year are shown on the following page.

Pension contributions for Andrew Harrison and Jeff Carr are greater than the 7% of salary shown above as they include additional amounts resulting from the Group's salary exchange scheme as described above. These reflect a sacrifice from their salary, plus half of the resulting National Insurance saving for the company (6.4% of the sum sacrificed). Andrew Harrison exchanged £198,000 including national insurance savings for additional pension contributions in the year (2006: £81,000) and Jeff Carr exchanged a total of £22,000 (2006: £9,000).



Directors' share options

Details of share options and share awards under the schemes described above granted to the Directors of the Company and any movements during the year are shown in the following table:

	Scheme	Number of shares/options at 30 September 2006	Shares/options granted in year	**Number of shares/options at 30 September 2007**	Date of grant	Exercise price	Date from which exercisable	Expiry date
Andrew Harrison	A	763,153	–	**763,153**	1 Dec 2005	3.2985	1 Dec 2008	1 Dec 2011
	B	9,095	–	**9,095**	1 Dec 2005	3.2985	1 Dec 2008	1 Dec 2011
	C	–	90,756	**90,756**	1 Dec 2006	0.0000	1 Dec 2009	1 Jun 2010
	D		75,630	**75,630**	1 Dec 2006	0.0000	1 Dec 2008	1 Jun 2010
	E	267,109	–	**267,109**	8 Feb 2006	0.0000	8 Feb 2009	8 Aug 2009
	F	3,589	–	**3,589**	2 Jun 2006	2.6050	1 Aug 2009	1 Feb 2010
	G*	–	612	**612**	1 Dec 2006	0.0000	1 Dec 2009	n/a
	H	192	257	**449**	**See note below			
Jeff Carr	A	108,079	–	**108,079**	2 Jun 2005	2.3205	2 Jun 2008	2 Jun 2011
	B	12,928	–	**12,928**	2 Jun 2005	2.3205	2 Jun 2008	2 Jun 2011
	C	75,793		**75,793**	1 Dec 2005	0.0000	1 Dec 2008	1 Jun 2009
	C	–	50,420	**50,420**	1 Dec 2006	0.0000	1 Dec 2009	1 Jun 2010

No Non-Executive Director has been granted any share options or awards.

Andrew Harrison and Jeff Carr will be eligible for shares under the FTSE 100 award described above if the conditions pertaining to this award are met.

Notes

A Granted under the easyJet Non-Approved Discretionary Share Option Scheme and subject to meeting the performance criteria below

B Granted under the easyJet Approved Discretionary Share Option Scheme and subject to meeting the performance criteria below

C Performance shares granted under LTIP scheme

D Matching shares granted under LTIP scheme

E Matching shares granted under Andrew Harrison's Matching Award

F Sharesave scheme

G Free shares under an Approved Share Incentive Plan

H Matching Shares under an Approved Share Incentive Plan (Buy As You Earn)

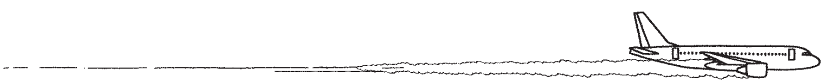
*In October 2006 the Company granted free shares under its Share Incentive Plan to all employees. Andrew Harrison applied to receive free shares worth £3,000. The number of free shares granted was 612, determined by the share price on 11 October 2006.

**Participants purchase shares monthly under the plan and the company provides one matching share for each share purchased. These are first available for vesting three years after purchase.

Performance criteria for A and B

June 2005 and December 2005:

Jeff Carr and Andrew Harrison's recruitment option award respectively, based on the average annual growth in earnings per share (EPS), where no shares vest if EPS is less than RPI plus 5%, 30% vest where EPS is RPI plus 5% and 100% vest where EPS is RPI plus 20%. Straight-line vesting will occur between these points.



Performance criteria for C

December 2005 award:

Award is subject to the achievement of the following ROE targets relating to performance in the financial years ending 30 September 2006, 2007 and 2008:

Tranche and financial year	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Tranche 1: 2006	8.4%	8.8%	10%
Tranche 2: 2007	11.8%	12.4%	13%
Tranche 3: 2008	12.5%	13.2%	15%

Straight-line vesting will occur between the threshold, target and maximum targets set out above. If a tranche satisfies its annual ROE target then it will vest three years after grant. In addition, if ROE in 2008 is between threshold and maximum the relevant portion of the entire LTIP Award will vest to that extent (rather than merely the relevant portion of tranche 3), unless the potential level of vesting of a previous tranche was higher in which case that tranche will vest at that higher level.

December 2006 award:

Award is subject to the achievement of the following ROE targets relating to performance in the financial year ending 30 September 2009:

	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Return on equity	12.5%	14%	16.5%

Straight-line vesting will occur between the threshold, target and maximum targets set out above.

Performance criteria for E

50% of award based on the average annual growth in earnings per share (EPS), where no shares vest if EPS is less than RPI plus 5%, 30% vest where EPS is RPI plus 5% and 100% vest where EPS is RPI plus 20%. Straight-line vesting will occur between these points.

50% of award will be based on the same criteria as for the December 2005 award noted in C above.

Where employees are considered to be good leavers, their share options vest immediately and are exercisable for a period of six months from the date that they leave easyJet.

Share price information

The middle market price of the Company's ordinary shares at 28 September 2007 was 524.50 pence and the range during the year to 28 September 2007 was 450.00 pence to 741.50 pence.

Directors' share interests

The following Directors held direct interests in the share capital of the Company:

	30 September 2007	30 September 2006
Dawn Airey	**10,000**	10,000
David Bennett	**10,000**	10,000
Jeff Carr	**5,000**	5,000
Sir Colin Chandler	**39,700**	39,700
Professor Rigas Doganis	**9,000**	9,000
Sir Stelios Haji-Ioannou	**66,076,451**	66,076,451
Andrew Harrison	**312,179**	267,109
Sir David Michels	**3,500**	3,500

The interests of Sir Stelios Haji-Ioannou are held through easyGroup Holdings Limited.

Andrew Harrison's shares at 30 September 2007 include 44,621 investment shares purchased under the Long Term Incentive Plan and 449 partnership shares under the Share Incentive Plan (Buy As You Earn).

On behalf of the Board

Colin Chandler

Sir Colin Chandler
Chairman

19 November 2007

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that period. In preparing those financial statements, the Directors are required to:

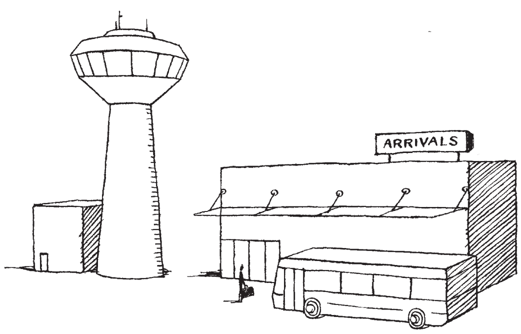
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985 and Article 4 of the IAS Regulation. The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Each of the persons who are a Director at the date of the approval of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with then provisions of Section 234ZA of the Companies Act 1985.



Independent Auditors' Report to the Members of easyJet plc

We have audited the Group and parent company financial statements (the "financial statements") of easyJet plc for the year ended 30 September 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Group Statement of Recognised Income and Expense and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the Combined Code (2003) specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only easyJet at a Glance, the Chairman's Statement, the Business Review including the Corporate and Social Responsibility Report, the Directors' Report, the Corporate Governance Statement, the unaudited part of the Directors' Remuneration Report, the Summary of Selected Financial Information for Five Years and the Shareholder Information. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 30 September 2007 and of its profit and cash flows for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2007 and cash flows for the year then ended;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

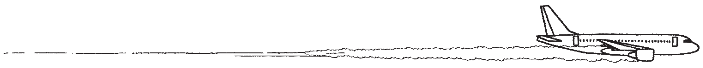
PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
St Albans

19 November 2007

Consolidated income statement

	Notes	Year ended 30 September 2007 £million	Year ended 30 September 2006 £million
Passenger revenue		**1,626.0**	1,488.4
Ancillary revenue		**171.2**	131.3
Revenue		**1,797.2**	1,619.7
Ground handling charges, including salaries		**(156.1)**	(144.1)
Airport charges		**(305.8)**	(258.4)
Fuel		**(425.5)**	(387.8)
Navigation charges		**(141.8)**	(121.2)
Crew costs, including training		**(204.1)**	(160.0)
Maintenance		**(98.1)**	(109.5)
Advertising		**(38.0)**	(38.2)
Merchant fees and incentive pay		**(20.6)**	(17.9)
Aircraft and passenger insurance		**(12.1)**	(15.8)
Other costs		**(96.9)**	(88.3)
EBITDAR		**298.2**	278.5
Depreciation		**(33.3)**	(27.4)
Amortisation of other intangible assets		**(0.9)**	(0.8)
Aircraft dry lease costs		**(91.0)**	(122.9)
Aircraft long-term wet lease costs		**(1.0)**	(9.6)
Group operating profit – EBIT		**172.0**	117.8
Interest receivable and other financing income		**54.6**	35.4
Reversal of prior year impairment losses on financial assets	12a	**10.6**	–
Interest payable and other financing charges		**(35.4)**	(24.1)
Net financing income	4	**29.8**	11.3
Share of profit after tax of associates	12b	**0.1**	0.1
Profit before tax	2	**201.9**	129.2
Tax	5	**(49.6)**	(35.1)
Profit for the year		**152.3**	94.1
Earnings per share, pence			
Basic	6	**36.62**	23.18
Diluted	6	**35.58**	22.64

Consolidated balance sheet



	Notes	**30 September 2007 £million**	30 September 2006 £million (re-presented) (note 1)
Non-current assets			
Goodwill	7	**309.6**	309.6
Other intangible assets	8	**1.8**	1.1
Property, plant and equipment	9	**935.8**	695.7
Financial assets			
Loan notes	12a	**11.1**	–
Restricted cash	10	**32.9**	26.1
Derivative financial instruments	22	**–**	0.4
Other non-current assets	11	**58.1**	54.8
Investments accounted for using the equity method	12b	**0.3**	0.3
Deferred tax assets	5d	**0.4**	0.3
		1,350.0	1,088.3
Current assets			
Trade and other receivables	13	**223.6**	227.2
Financial assets			
Money market deposits		**193.4**	–
Restricted cash	10	**15.9**	12.2
Derivative financial instruments	22	**14.4**	1.0
Cash and cash equivalents	10	**719.1**	860.7
		1,166.4	1,101.1
Current liabilities			
Trade and other payables	14	**(461.7)**	(414.1)
Financial liabilities			
Borrowings	15	**(40.5)**	(32.8)
Derivative financial instruments	22	**(26.6)**	(15.3)
Current tax liabilities		**(89.7)**	(46.8)
Maintenance provisions	17	**(2.8)**	(13.9)
		(621.3)	(522.9)
Net current assets		**545.1**	578.2
Non-current liabilities			
Financial liabilities			
Borrowings	15	**(478.6)**	(446.9)
Derivative financial instruments	22	**(6.3)**	(4.8)
Other non-current liabilities	16	**(86.8)**	(74.8)
Maintenance provisions	17	**(136.0)**	(125.1)
Deferred tax liabilities	5d	**(35.0)**	(32.0)
		(742.7)	(683.6)
Net assets		**1,152.4**	982.9
Shareholders' funds			
Ordinary shares	18	**104.8**	102.6
Share premium	20	**633.9**	591.4
Hedging reserve	20	**(13.7)**	(9.5)
Retained earnings	20	**427.4**	298.4
		1,152.4	982.9

The financial statements were approved by the Board of Directors and authorised for issue on 19 November 2007 and signed on behalf of the Board.

Andrew Harrison
Director

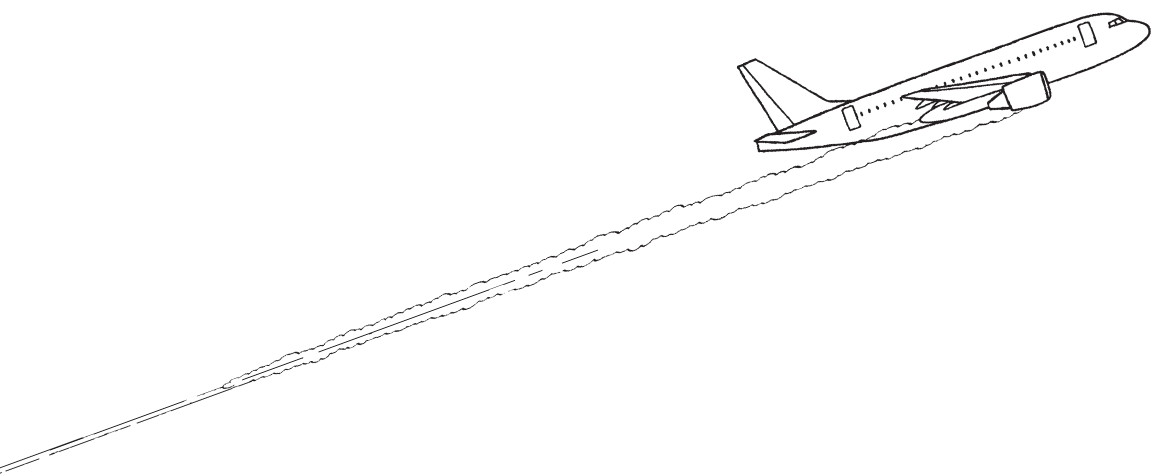
Jeff Carr
Director

Consolidated statement of cash flows

	Notes	Year ended 30 September 2007 £million	Year ended 30 September 2006 £million
Cash flows from operating activities			
Cash generated from operations	21	**260.8**	221.6
Interest received		**48.9**	32.5
Interest paid		**(36.9)**	(24.4)
Tax paid		**(2.0)**	(4.5)
Net cash generated from operating activities		**270.8**	225.2
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**3.3**	3.7
Purchase of property, plant and equipment		**(273.9)**	(324.6)
Proceeds from sale of asset held for resale		**–**	7.1
Purchase of other intangible assets		**(1.6)**	(0.5)
Dividend received from associate		**0.1**	–
Net cash used by investing activities		**(272.1)**	(314.3)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**16.5**	17.9
Purchase of shares for employee share schemes		**(4.6)**	(0.6)
Net proceeds from drawdown of new bank loans		**103.2**	201.2
Net proceeds from sale and finance leasebacks		**–**	108.6
Repayment of bank loans		**(31.7)**	(30.4)
Repayment of capital elements of finance leases		**(2.4)**	(1.0)
Increase in money market deposits		**(197.3)**	–
Increase in restricted cash		**(12.6)**	(11.2)
Net cash (used by)/generated from financing activities		**(128.9)**	284.5
Effects of exchange rate changes		**(11.4)**	(1.7)
Net (decrease)/increase in cash and cash equivalents		**(141.6)**	193.7
Cash and cash equivalents at beginning of year		**860.7**	667.0
Cash and cash equivalents at end of year		**719.1**	860.7

Consolidated statement of recognised income and expense

	Year ended 30 September 2007 £million	Year ended 30 September 2006 £million
Cash flow hedges		
Fair value losses in year	**(39.7)**	(25.2)
Transfers to income statement	**34.6**	(3.8)
Transfers to property, plant and equipment	**1.1**	–
Related taxation	**(0.2)**	8.7
Net expenses recognised directly in equity	**(4.2)**	(20.3)
Profit for the year	**152.3**	94.1
Total recognised income and expense for the year attributable to shareholders of the Company	**148.1**	73.8



Notes to the financial statements

1 Accounting policies

Basis of preparation

easyJet's (the Group's or the Company's) financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the International Accounting Standards Board (IASB). However the consolidated financial statements for the years presented would be no different had the Group applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU. These financial statements are prepared on the historical cost convention except for certain financial assets and liabilities including derivative financial instruments that are measured at fair value.

Significant judgements, estimates and critical accounting policies

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

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

Aircraft maintenance provisions

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

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

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

Corporation tax

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

Basis of consolidation

The consolidated financial statements incorporate those of easyJet plc and its subsidiaries for the years, made up to 30 September 2006 and 2007, together with the attributable share of results and reserves of associates, adjusted where appropriate to conform with easyJet's accounting policies.

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

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

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

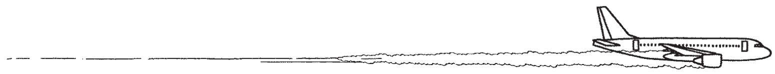
Revenue recognition

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

Passenger revenue arises from the sale of flight seats and is recognised in the period in which the service is provided. Unearned revenue represents flight seats sold but not yet flown and is included in trade and other payables.

Ancillary revenue includes: credit card fees, baggage charges, speedy boarding fees, sporting equipment fees, infant fees, change fees and rescue fees; profit share from in flight sales of food, beverages and boutique items; commissions received from products and services sold such as hotel and car hire bookings, and travel insurance, less chargebacks. These are recognised on the date that the right to receive consideration occurs.

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



Financial instruments

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

Non-derivative financial assets are classified as loans and receivables, cash and cash equivalents, deposits maturing in between three months and one year, or deposits maturing in greater than one year.

Cash and cash equivalents includes cash in hand and deposits repayable on demand or maturing within three months of inception, less any overdrafts repayable on demand.

Restricted cash comprises cash deposits which have restrictions governing their use, all of which expire in more than three months from inception of the deposit. Classification of restricted cash as a current or non-current asset is based on the remaining length of the restriction governing its use.

Loans and receivables are initially recorded at fair value of net proceeds, and subsequently at amortised cost which is based on the effective interest rate method.

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

Non-derivative financial liabilities are initially recorded at fair value of net proceeds, and subsequently at amortised cost which is based on the effective interest rate method. The carrying value of borrowings includes unamortised issue costs.

Derivative financial instruments are used by easyJet to hedge its exposure to movements in currency exchange rates and jet fuel prices, as well as for translation protection of balance sheet assets and liabilities.

Derivative financial assets and liabilities are stated at fair value. All derivatives to which hedge accounting is applied are designated as cash flow hedges. Changes to fair values are recognised directly in equity, to the extent that they are effective, with the ineffective portion being recognised in the income statement. Where the hedged item results in a non financial asset, the accumulated gains and losses previously recognised in equity are included in the initial carrying value of the asset. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged item affects the income statement.

Hedge accounting is discontinued when a hedging instrument is derecognised (e.g. through expiry or disposal), or no longer qualifies for hedge accounting. Where the hedged item is a highly probable forecast transaction, the related gains and losses remain in equity until the transaction takes place, when they are removed from equity and recognised in the income statement.

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

Where derivatives have been entered into for translation protection of balance sheet assets and liabilities, hedge accounting is not applied. Movements in fair values of these instruments are taken to the income statement in the month that they occur, to set off gains and losses resulting from the retranslation of foreign currency denominated assets and liabilities.

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

The Group's exposure to financial risks and its strategies for managing those risks are discussed in the treasury management section of the financial review.

Foreign currencies

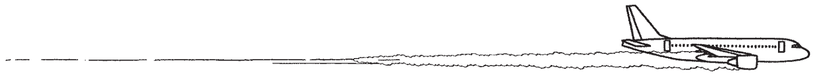
The primary economic environment in which an easyJet subsidiary operates determines its functional currency. The functional currency of easyJet plc is considered to be Sterling. Certain subsidiaries have operations that are primarily influenced by a currency other than Sterling. Exchange differences arising on the translation of these foreign operations are taken to reserves until all or part of the interest is sold, when the relevant portion of the exchange is recognised in income. Under IFRS 1, exchange differences arising prior to 1 October 2004 are deemed to be nil. Profits and losses of foreign operations are translated into Sterling at average rates of exchange during the year.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the consolidated income statement. Non-monetary assets and liabilities denominated in foreign currencies are translated into Sterling at foreign exchange rates ruling at the dates the transactions were effected.

Leases

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

easyJet enters into sale and leaseback transactions whereby it sells to a third party rights to acquire aircraft. On delivery of the aircraft, easyJet subsequently leases the aircraft back, by way of operating lease. Surpluses arising on disposal, where the price that the aircraft is sold for is above fair value, are recognised in deferred income and amortised on a straight-line basis over the lease term of the asset. Purchase rights (being the amount of pre-delivery deposits paid) for aircraft that are expected to be sold and leased back are monetary assets and are included within trade and other receivables.



1 Accounting policies (continued)

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

Aircraft maintenance provisions

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

easyJet has contractual obligations to maintain aircraft held under operating leases. Provisions to meet the cost of these obligations are charged to the income statement calculated by reference to the number of hours or cycles operated, based on the estimated future costs of major airframe, certain engine maintenance checks and costs incurred at the end of each lease. These costs are discounted to present value where the amount of the discount is considered material.

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

Re-presentation

In previous accounting periods, recoverable supplemental rent was offset against the related maintenance provisions as this properly reflects the commercial substance of the agreement with the lessor. To provide additional information, recoverable supplemental rent is now reported gross within either current or non-current assets according to when the refund is expected to be received. Comparative figures for other non-current assets, trade and other receivables and maintenance provisions have been adjusted accordingly.

Property, plant and equipment

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

	Period of depreciation
Aircraft	23 years
Aircraft improvements	3-7 years
Aircraft – prepaid maintenance	3-10 years
Aircraft spares	14 years
Leasehold improvements	5-10 years or the length of lease
Fixtures, fittings and equipment	3 years or length of lease of property where equipment is used
Computer hardware	5 years

During the year the expected useful life of aircraft spares has been extended from 10 to 14 years and of computer hardware from three to five years.

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

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

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

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

Advance payments and option payments made in respect of aircraft purchase commitments and options to acquire aircraft where the balance is expected to be funded by cash reserves or mortgage financing are recorded at cost. On acquisition of the related aircraft, these payments are included as part of the cost of aircraft and are depreciated from that date.

Goodwill

Where the cost of a business acquisition exceeds the fair values attributable to the separable net assets acquired, the resulting goodwill is capitalised. Goodwill has an indefinite expected useful life and is tested for impairment annually or where indicators imply that the carrying value is not recoverable.

Other intangible assets
Computer software is carried at cost less accumulated amortisation. It is amortised on a straight-line basis over its expected useful life of three years.

Impairment of assets

Assets with an indefinite useful life or subject to amortisation or depreciation
Assets with an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). The expected cash flows generated by the assets are discounted using appropriate discount rates, which reflect the risks associated with the groups of assets.

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

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

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

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

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

Taxation including deferred tax
The charge for current taxation is based on the results for the year as adjusted for income that is exempt and expenses that are not deductible using taxation rates that are applicable to the taxable income. Deferred taxation is recognised in profit or loss except when it relates to items credited or charged directly to equity, in which case it is recognised in equity.

Deferred taxation is provided in full on temporary differences relating to the carrying amount of assets and liabilities, where it is probable that the recovery or settlement will result in an obligation to pay more, or a right to pay less, taxation in the future. Deferred taxation is measured at the tax rates that are expected to apply in the periods in which recovery of assets and settlement of liabilities are expected to take place, based on tax rates or laws enacted or substantively enacted at the balance sheet date.

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

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

Deferred taxation assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit.

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

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

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

1 Accounting policies (continued)

In accordance with the transition provisions of IFRS 1, easyJet has not applied this fair value calculation to share option grants that were made before 7 November 2002, but which had not vested by 1 January 2005.

The cost of shares that are held by employee benefit trusts, and that are not allocated to specific grants of shares to employees, is deducted from equity.

Segmental disclosures

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

Investments in subsidiaries

Investments in subsidiaries and associates that are not classified as held for sale are stated at cost in the entity financial statements.

Assets held for resale

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

New standards and interpretations not applied

The IASB and IFRIC have issued the following standards and interpretations that have not been applied in preparing these financial statements as their effective dates are for periods beginning after 1 October 2006.

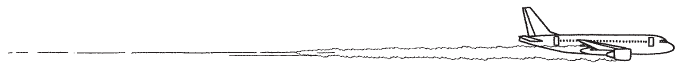
		Applies to periods beginning after
International Financial Reporting Standards		
IFRS 7	Financial Instruments: Disclosure	1 Jan 2007
IAS 1	Presentation of Financial Statements – Amendment: Capital Disclosures	1 Jan 2007
IAS 1	Financial Statement Presentation – Amendment: Contents of Financial Statements	1 Jan 2009
IAS 23	Borrowing Costs – Amendment: Removal of Option to Expense Borrowing Costs	1 Jan 2009
IFRS 8	Operating Segments	1 Jan 2009
International Financial Reporting Interpretations Committee		
IFRIC 10	Interims and Impairment (IAS 34)	1 Nov 2006
IFRIC 11	Group and Treasury Share Transactions (IFRS 2)	1 Mar 2007
IFRIC 12	Service Concession Arrangements	1 Jan 2008
IFRIC 13	Customer Loyalty Programmes (IAS 18)	1 Jul 2008
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (IAS 19)	1 Jan 2008

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

2 Profit before tax

The following have been included in arriving at profit before tax:

	2007 £million	2006 £million
Employee costs (note 3)	**231.2**	182.2
Depreciation of property, plant and equipment		
Owned assets	**30.0**	25.6
Under finance leases	**3.3**	1.8
Amortisation of intangible assets	**0.9**	0.8
Profit on disposal of property, plant and equipment	**(0.9)**	(1.3)
Operating lease rentals		
Aircraft	**97.9**	119.5
Other	**1.8**	2.0
Remuneration of the auditor and its associates (including foreign partners)	**0.9**	0.8
Remuneration of other parties entitled to act as registered auditor	**2.4**	1.1



Auditor's remuneration

During the year the Group obtained the following services from the Group's auditor and its associates:

	2007 £million	2006 £million
Audit fee, pursuant to legislation	**0.3**	0.3
Fees for other services		
Corporate finance	**0.3**	0.4
Taxation	**0.2**	–
Other	**0.1**	0.1
	0.9	0.8
Remuneration of other parties entitled to act as registered auditor		
Audit of subsidiaries, pursuant to legislation	**–**	0.1
Fees for other services	**2.4**	1.0
	2.4	1.1

Remuneration disclosed as "other parties entitled to act as registered auditor" comprise amounts paid to Deloitte & Touche, Ernst and Young, KPMG, BDO Stoy Hayward, Moore Stephens, Grant Thornton, Peters Elworthy and Moore and Bentley Jennison.

3 Employees

The average number of persons (including Executive Directors) employed by the Group was as follows:

	2007	2006
Operations and administration	**5,262**	4,104
Sales and marketing	**231**	255
	5,493	4,359

The employee costs for the Group during the year was as follows:

	2007 £million	2006 £million
Wages and salaries	**188.0**	155.1
Social security costs	**18.6**	12.0
Pension costs	**17.1**	10.7
Share-based payments	**7.5**	4.4
	231.2	182.2

Key management compensation (including Directors) was as follows:

	2007 £million	2006 £million
Short-term employee benefits	**4.3**	3.3
Post-employment benefits	**0.4**	0.1
Payments for loss of office	**–**	0.2
Share-based payments	**1.3**	0.8
	6.0	4.4

The eight members of the Executive Management Team are considered to be key management as they have collective authority and responsibility for planning, directing and controlling the activities of the Group. Other than pensions, no long-term benefits were provided.

Emoluments paid or payable to the Directors of easyJet plc were as follows:

	2007 £million	2006 £million
Remuneration	**2.1**	2.4
Pension contributions	**0.3**	0.1
Aggregate gains made on the exercise of share options	**–**	0.8
	2.4	3.3

4 Net financing income

	2007 £million	2006 £million
Interest payable on bank borrowings	**27.9**	16.9
Interest payable on finance leases	**5.3**	2.8
Other interest payable	**2.2**	3.0
Net exchange losses on financing items (note 22)	**–**	1.4
Interest payable and other financing charges	**35.4**	24.1
Interest income (including reversal of current year impairment losses of £0.6 million)	**(53.0)**	(35.4)
Net exchange gains on financing items (note 22)	**(1.6)**	–
Interest receivable and other financing income	**(54.6)**	(35.4)
Reversal of prior year impairment losses on financial assets	**(10.6)**	–
Net finance income	**(29.8)**	(11.3)

5 Taxation

a) Tax on profit on ordinary activities:

	2007 £million	2006 £million
Current taxation		
United Kingdom corporation tax	**50.2**	15.2
Foreign tax	**2.7**	2.1
Prior year adjustments	**(0.7)**	–
Total current taxation charge	**52.2**	17.3
Deferred taxation		
Temporary differences relating to property, plant and equipment	**5.1**	22.0
Other temporary differences	**0.4**	(4.2)
Prior year adjustments	**(4.8)**	–
Change in tax rate	**(3.3)**	–
Total deferred taxation (credit)/charge	**(2.6)**	17.8
Total taxation charge in the income statement	**49.6**	35.1
Effective tax rate	**24.6%**	27.2%
Underlying effective tax rate	**24.4%**	27.2%

The underlying effective tax rate excludes the taxation arising on the reversal of prior year impairment losses relating to easyJet's investment in The Airline Group. Further details are given in notes 6 and 12a.

b) Tax on items recognised directly in equity comprises:

	2007 £million	2006 £million
Deferred tax (charge)/credit on share options	**(5.3)**	5.9
Deferred tax (charge)/credit on fair value movements of cash flow hedges	**(0.2)**	8.7
Current tax credit on share options	**7.3**	4.9
Tax credit reported directly in reserves	**1.8**	19.5

c) Reconciliation of the total tax charge

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

	2007 £million	2006 £million
Profit on ordinary activities before tax	**201.9**	129.2
Tax charge at 30%	**60.6**	38.8
Attributable to rates other than standard UK rate	**(6.7)**	(6.4)
Income not chargeable for tax purposes	**(0.9)**	–
Expenses not deductible for tax purposes	**0.7**	2.0
Share-based payments	**5.1**	(0.3)
Adjustments in respect of prior periods – current taxation	**(0.7)**	1.6
Adjustments in respect of prior periods – deferred taxation	**(4.8)**	(0.6)
Change in tax rate	**(3.7)**	–
Total taxation	**49.6**	35.1

d) Net deferred tax liability

The net deferred tax liability included in the balance sheet is as follows:

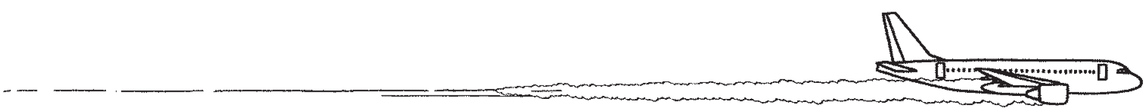
	Accelerated capital allowances £million	Short-term timing differences £million	Fair value losses/(gains) £million	Share-based payments £million	Future credits not taxable £million	Total £million
At 1 October 2006	46.8	6.0	(5.3)	(15.8)	–	31.7
Charged/(credited) to the income statement	5.1	(7.8)	1.4	(1.3)	–	(2.6)
Charged/(credited) to equity	–	–	0.2	5.3	–	5.5
At 30 September 2007	**51.9**	**(1.8)**	**(3.7)**	**(11.8)**	**–**	**34.6**

	Accelerated capital allowances £million	Short-term timing differences £million	Fair value (gains)/losses £million	Share-based payments £million	Future credits not taxable £million	Total £million
At 1 October 2005	28.7	3.7	6.3	(8.6)	(1.6)	28.5
Charged/(credited) to the income statement	18.1	2.3	(2.9)	(1.3)	1.6	17.8
Charged/(credited) to equity	–	–	(8.7)	(5.9)	–	(14.6)
At 30 September 2006	46.8	6.0	(5.3)	(15.8)	–	31.7

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority. As a result the net deferred tax liability is £34.6 million (2006: £31.7 million), which comprises a deferred tax liability of £35.0 million offset by a deferred tax asset of £0.4 million.

No deferred tax liability has been recognised on the unremitted earnings of overseas subsidiaries as no tax is expected to be payable in the foreseeable future based on the current repatriation policy of the Group.

There are no tax losses available for use in either the current or the prior year.



6 Earnings per share

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

	2007 £million	2006 £million
Profit for the year	**152.3**	94.1
Reversal of prior year impairment losses on financial assets	**(10.6)**	–
Related deferred taxation	**3.0**	–
Underlying profit for the year	**144.7**	94.1

	millions	millions
Weighted average number of ordinary shares in issue during the year used to calculate basic earnings per share	**416.0**	405.7
Weighted average number of dilutive share options used to calculate diluted earnings per share	**12.2**	9.7

Earnings per share

	2007 pence	2006 pence
Basic	**36.62**	23.18
Diluted	**35.58**	22.64

Underlying earnings per share (non-GAAP measure)

	2007 pence	2006 pence
Basic	**34.79**	23.18
Diluted	**33.80**	22.64

Underlying profit and earnings per share are based on the profit for the year after adding back the reversal of impairment on financial assets and related taxation. The adjustment has been made on the grounds that the credit relates to several prior years and will not recur. Further details are given in note 12a.

7 Goodwill

	2007 £million
Cost and net book value at 1 October 2006 and 30 September 2007	**309.6**

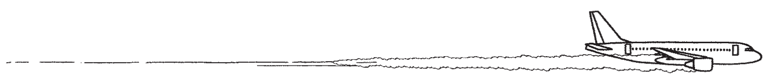
Goodwill arose on the purchases of TEA Basel and Go Fly.

easyJet has only one cash generating unit, which is its airline network. Goodwill arising through business combinations all relates to this one cash generating unit. The recoverability of goodwill has been determined based on value in use. This has been assessed by applying cash flow projections based on financial forecasts approved by the Board. The pre-tax discount rate applied to the cash flow projections is 9.8% (2006: 11.3%).

The calculation of value in use is most sensitive to the following assumptions: Operating margin and discount rate. Operating margins and growth rates are based on the estimated effects of planned business efficiency and operational growth, however the trading environment is subject to both regulatory and competitive pressures that can have a material effect on the operating performance of the business. Foreseeable events are unlikely to result in a change in the projections to a significant enough extent to result in the carrying value of the network failing to exceed its recoverable amount. The discount rate reflects management's estimate of the long-term return on capital employed for the business. Changes in sources of funding or the cost of the funding could result in changes to discount rates used. The discount rate would need to exceed 20% in order for there to be a significant risk that the carrying amount of assets would exceed their recoverable amount.

8 Other intangible assets

	Software development costs £million
Cost	
At 1 October 2006	4.8
Additions	1.6
At 30 September 2007	**6.4**
Amortisation	
At 1 October 2006	3.7
Charge for the year	0.9
At 30 September 2007	**4.6**
Net book value	
At 30 September 2007	**1.8**
At 30 September 2006	1.1
Cost	
At 1 October 2005	4.3
Additions	0.5
At 30 September 2006	4.8
Amortisation	
At 1 October 2005	2.9
Charge for the year	0.8
At 30 September 2006	3.7
Net book value	
At 30 September 2006	1.1
At 30 September 2005	1.4



9 Property, plant and equipment

	Aircraft £million	Leasehold improvements – buildings £million	Fixtures and fittings £million	Total £million
Cost				
At 1 October 2006	729.3	6.9	15.9	752.1
Additions	264.0	5.3	6.5	275.8
Disposals	(5.5)	–	–	(5.5)
At 30 September 2007	**987.8**	**12.2**	**22.4**	**1,022.4**
Depreciation				
At 1 October 2006	39.8	4.9	11.7	56.4
Charge for the year	31.5	0.7	1.1	33.3
Disposals	(3.1)	–	–	(3.1)
At 30 September 2007	**68.2**	**5.6**	**12.8**	**86.6**
Net book value				
At 30 September 2007	**919.6**	**6.6**	**9.6**	**935.8**
At 30 September 2006	689.5	2.0	4.2	695.7

	Aircraft £million	Leasehold improvements – buildings £million	Fixtures and fittings £million	Total £million
Cost				
At 1 October 2005	417.0	6.0	12.8	435.8
Additions	324.7	0.9	3.9	329.5
Disposals	(9.8)	–	(0.8)	(10.6)
Transfers to other non-current assets	(2.6)	–	–	(2.6)
At 30 September 2006	729.3	6.9	15.9	752.1
Depreciation				
At 1 October 2005	23.5	3.0	10.7	37.2
Charge for the year	23.9	1.9	1.6	27.4
Disposals	(7.6)	–	(0.6)	(8.2)
At 30 September 2006	39.8	4.9	11.7	56.4
Net book value				
At 30 September 2006	689.5	2.0	4.2	695.7
At 30 September 2005	393.5	3.0	2.1	398.6

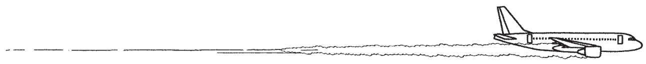
During the year the Group has revised the expected useful lives of aircraft spares and computer hardware as shown in note 1. The impact of these changes in accounting estimates was to reduce the depreciation charge for the year by £2.7 million.

The net book value of aircraft at 30 September 2007 includes £116.0 million (2006: £81.2 million) relating to advance payments 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 2007 was £77.8 million (2006 £80.9 million). £3.3 million of the related accumulated depreciation was charged in the year ended 30 September 2007 (2006: £1.8 million).

At 30 September 2007, aircraft with a net book value of £517.5 million (2006: £418.0 million) were mortgaged to lenders as loan security.

Aircraft spares with a value of £1.9 million (2006: £4.9 million) were received free of charge during the year. Accounting for these spares is described in note 1.



10 Cash, cash equivalents and restricted cash

	2007 £million	2006 £million
Cash and cash equivalents	**719.1**	860.7
Current restricted cash	**15.9**	12.2
Non-current restricted cash	**32.9**	26.1
	767.9	899.0

Interest rates earned on cash and cash equivalents are repriced within 90 days or less based on prevailing market rates of interest. Interest rates earned on restricted cash are repriced within 185 days or less based on prevailing market rates of interest. Carrying value is not significantly different from fair value. The overall effective interest rate on cash, cash equivalents, restricted cash and money market deposits at 30 September 2007 is 5.54% (2006: 4.68%).

Restricted cash comprises:

	2007 £million	2006 £million
Customer payments for packaged holidays	**15.9**	12.0
Deposits relating to operating lease arrangements	**26.2**	24.6
Funds in escrow related to overseas taxation investigations	**1.5**	1.5
Collateral for debt financing arrangements	**5.2**	0.2
	48.8	38.3

11 Other non-current assets

	2007 £million	2006 £million (re-presented)
Recoverable supplemental rent	**54.4**	51.9
Prepayments	**3.7**	2.9
	58.1	54.8

As explained in the aircraft maintenance provisions accounting policy in note 1, recoverable supplemental rent, which was offset against aircraft maintenance provisions in prior accounting periods, has been re-presented gross to provide additional information. The effect of this re-presentation is to increase other non-current assets by £51.9 million.

12 Investments

a) Investment in The Airline Group

In March 2001, easyJet in consortium with six other UK airlines formed The Airline Group Limited in order to acquire a minority interest in NATS, the company that owns the UK air traffic control system. At 30 September 2001, easyJet's investment totalled £7.2 million. This comprised equity of £10,080, loan notes of £6.8 million, bid costs of £0.1 million and accrued interest of £0.3 million. The loan notes are of two classes bearing interest at fixed rates of 8% and 11%. The blended interest rate is 8.07%.

During the year ended 30 September 2002 the carrying value of the investment was impaired to zero. This impairment was taken due to uncertainty over the timing of returns to easyJet following the events of 11 September 2001.

On 28 June 2007, NATS reported its results for the year ended 31 March 2007 showing a fourth consecutive year of profits, and announced that it would recommence paying dividends in July 2007. As a consequence the present value of estimated future cash flows from easyJet's investment in the loan notes exceeds their carrying value, and the impairment was reversed in July.

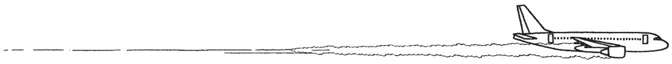
The impairment of the equity investment has not been reversed as its fair value cannot be reliably measured due to significant variability in the range of reasonable estimates. Accordingly the equity continues to be measured at zero, being cost less impairments booked in prior years.

The impairment reversal relating to prior years comprises:

	£million
Reinstatement of original loan notes and acquisition costs	6.9
Interest earned to 30 September 2006	3.7
	10.6

The impairment reversal relating to prior years is separately disclosed in the face of the income statement as it is a significant one-off item. A further £0.6 million of interest earned between October 2006 and July 2007 is included within interest receivable and other financing income.

The loan notes fall within the category of loans and receivables, and their fair value is equal to net book value.



12 Investments (continued)

b) Investments accounted for under the equity method

The Big Orange Handling Company Limited

	£million
At 1 October 2006	0.3
Share of profit after tax	0.1
Dividend received	(0.1)
At 30 September 2007	**0.3**

The Big Orange Handling Company Limited is a company owned by Menzies Aviation Limited and the Group. It was set up in January 2004 to provide ground handling services at London Luton. The Big Orange Handling Company is incorporated in the United Kingdom. The Group owns 26% of the equity and Menzies Aviation Group Limited owns the remainder.

easyJet's share of the assets, liabilities, income and expenses of The Big Orange Handling Company is:

	2007 £million	2006 £million
Long-term assets	**0.2**	0.3
Current assets	**0.3**	0.2
Current liabilities	**(0.2)**	(0.2)
	0.3	0.3
Revenue	**2.2**	2.1
Expenses	**(2.0)**	(2.0)
Profit before tax	**0.2**	0.1
Tax	**(0.1)**	–
Profit for the year	**0.1**	0.1

easyJet also owns 25% of the equity in SR Technics easyTech Limited, incorporated in the United Kingdom. No numerical data are shown since in each case the relevant amount is less than £100,000.

13 Trade and other receivables

	2007 £million	2006 £million (re-presented)
Trade receivables	**169.6**	129.4
Less: provision for impairment of receivables	**(1.2)**	(1.4)
Net trade receivables	**168.4**	128.0
Other receivables	**22.7**	38.6
Recoverable supplemental rent	**2.3**	19.7
Prepayments and accrued income	**30.2**	40.9
	223.6	227.2

As explained in the aircraft maintenance accounting policy in note 1, recoverable supplemental rent, which was offset against aircraft maintenance provisions in prior accounting periods, has been re-presented gross to provide additional information. The effect of this re-presentation is to increase trade and other receivables by £13.9 million.

14 Trade and other payables

	2007 £million	2006 £million
Trade payables	**39.6**	31.5
Other taxes and social security	**5.6**	4.3
Other creditors	**24.2**	12.8
Unearned revenue (including Air Passenger Duty)	**205.6**	179.4
Accruals and deferred income	**186.7**	186.1
	461.7	414.1

15 Borrowings

	2007 £million	2006 £million
Current		
Bank loans (a)	**37.9**	30.2
Finance lease obligations (b)	**2.6**	2.6
	40.5	32.8

	2007 £million	2006 £million
Non-current		
Bank loans (a)	**389.6**	346.9
Finance lease obligations (b)	**89.0**	100.0
	478.6	446.9

(a) The bank loans financed the acquisition of certain of the Group's aircraft. The aircraft purchased with the loans are provided as security against the borrowings. Bank loans are denominated in either US dollars or sterling and bear interest based upon LIBOR. Their fair value therefore approximates to carrying value.

(b) Finance leases are secured against certain of the Group's aircraft, and are based partly on variable interest rates, and partly on fixed interest rates. Their fair value is £87.8 million (2006: £96.4 million).

Maturity of borrowings

Based on contractual repayment dates:

	Bank loans £million	Finance leases £million	Total £million
30 September 2007			
Within one year	**37.9**	**2.6**	**40.5**
Between one and two years	**39.8**	**2.8**	**42.6**
Between two and five years	**165.6**	**9.5**	**175.1**
After five years	**184.2**	**76.7**	**260.9**
	427.5	**91.6**	**519.1**
Effective interest rate	**6.85%**	**5.40%**	
30 September 2006			
Within one year	30.2	2.6	32.8
Between one and two years	31.7	2.8	34.5
Between two and five years	131.1	9.7	140.8
After five years	184.1	87.5	271.6
	377.1	102.6	479.7
Effective interest rate	6.28%	5.60%	

Currency of borrowings

	US dollar denominated £million	Sterling denominated £million	Total £million
30 September 2007			
Due within one year	**22.1**	**18.4**	**40.5**
Due within greater than one year	**302.2**	**176.4**	**478.6**
	324.3	**194.8**	**519.1**
30 September 2006			
Due within one year	20.0	12.8	32.8
Due within greater than one year	306.2	140.7	446.9
	326.2	153.5	479.7

16 Other non-current liabilities

	2007 £million	2006 £million
Accruals and deferred income	**86.8**	74.8
	86.8	74.8

Accruals and deferred income represents the non-current excess of sale price over fair value of aircraft that were subject to sale and operating lease back transactions.

17 Maintenance provisions

	Re-presented £million
At 1 October 2006	139.0
Exchange adjustments	(9.5)
Charged to income statement	29.1
Utilised in the year	(19.8)
At 30 September 2007	**138.8**

As explained in the aircraft maintenance provisions accounting policy in note 1, recoverable supplemental rent, which was offset against aircraft maintenance provisions in prior accounting periods, has been re-presented gross to provide additional information. The effect of this re-presentation is to increase maintenance provisions by £65.8 million.

Maintenance provisions are analysed as follows:

	2007 £million	2006 £million
Current	**2.8**	13.9
Non-current	**136.0**	125.1
	138.8	139.0

The provision for maintenance liabilities is expected to be utilised within ten years.

18 Called up share capital

	Number 2007 million	Number 2006 million	Value 2007 £million	Value 2006 £million
Authorised				
At beginning and end of the year, shares of 25 pence each	**500.0**	500.0	**125.0**	125.0
Allotted, called up and fully paid				
At the beginning of the year	**410.5**	400.4	**102.6**	100.1
Issued during the year under share option schemes	**8.6**	10.1	**2.2**	2.5
At the end of the year	**419.1**	410.5	**104.8**	102.6

The Group's Employee Share Trusts hold the following shares. The cost of these shares has been deducted from retained earnings:

	2007	2006
Share incentive plan		
Number of shares (million)	**1.1**	0.2
Cost (£million)	**5.2**	0.6
Market value at 30 September (£million)	**5.6**	0.9

19 Share-based payments

The Group has the following share-based payment arrangements, all of which are equity settled. Further details are given in the Report on Directors' Remuneration.

(i) Employee Share Option Schemes

The easyJet Key Employee Pre-Flotation Share Option Scheme

The share options vested in tranches of 25% ending on the third anniversary of admission to the Official List of the UK Listing Authority. The options expire ten years after grant.

Substantially all of the employees accepted employer's Secondary National Insurance contributions due on the exercise of the first tranche of options. It is a condition of those options granted since March 2000 that the option holders accept liability for the employer's Secondary National Insurance contributions due on the exercise of the options.

An easyJet Supplemental Flotation Share Option Scheme was established in respect of both UK and Swiss employees to grant options to a number of participants.

The easyJet Non-Approved Discretionary Share Option Scheme 2000

An initial award of options over ordinary shares in easyJet plc was granted in January 2001 to eligible employees of SR Technics easyTech Limited, a 25% associate of easyJet Airline Company Limited with a three-year vesting period and no performance criteria. This award was made in connection with the admission of easyJet plc to the Official List.

Further awards were made between 2001 and 2005. The options have a three-year vesting period, expire ten years after grant, and are subject to performance criteria.

The easyJet Approved Discretionary Share Option Scheme

Awards were made between 2001 and 2005 on terms that meet Inland Revenue requirements for an Approved share option scheme. The options have a three-year vesting period expire ten years after grant, and are subject to the same performance criteria as the non-approved scheme.

(ii) Sharesave Scheme

This scheme is open to all UK resident employees. Participants may elect to save up to £250 per month under a three-year savings contract. An option is granted by the Company to buy shares at a price based on the market price of the shares at the time of the grant. At the end of the savings period, a tax-free bonus is applied to the savings and the option becomes exercisable for a period of six months. Options have been granted in 2005, 2006 and 2007 at a discount of 20% to the market price. For those employees who are not paid through the UK payroll, similar terms and conditions apply to the UK scheme, albeit without the UK tax benefits.

(iii) Share Incentive Plan

The scheme is open to all employees. Employees can allocate part of their pre-tax salary up to a maximum of £1,500 per annum, to purchase shares in easyJet through a partnership scheme without paying national insurance contributions or income tax. For every share purchased through the partnership scheme, easyJet purchases a matching share. Employees must remain in employment with easyJet three years from the date of purchase of the first share in order to qualify for the second "matching" share, and for five years for the partnership shares to be transferred to them tax free. The employee retains rights over both partnership and matching shares, and is entitled to dividends and to vote at meetings. For those employees who are not paid through the UK payroll, similar terms and conditions apply to the UK scheme, albeit without the UK tax benefits.

In October 2006, the Company granted free shares to all employees at 1 August 2006 under this scheme. The value of shares allocated to each employee was equal to two weeks' salary, with a minimum award of £600 and a maximum of £3,000.

(iv) Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is open, by invitation, to the Executive Management Team and Senior Management Group (SMG). The LTIP has been structured to provide for regular annual awards of (a) performance shares worth up to 100% of salary each year (up to 50% for SMG) and (b) matching shares linked to the investment of up to 50% of annual bonus in easyJet shares, which are then matched on a 1:1 gross basis. The vesting of these awards is dependent on return on equity targets being achieved.

In addition the LTIP provides for a one-off "FTSE 100" award to senior executives. This award is structured so that, if easyJet becomes a member of the FTSE 100 index for a period of at least six months before the end of the financial year ending 30 September 2008, participants will receive easyJet shares worth up to 100% of salary.

19 Share-based payments (continued)

(v) Chief Executive Matching Award

In December 2005, on Andrew Harrison acquiring and retaining £1,000,000 worth of easyJet shares using his own funds, he was granted an equal number of shares. 50% of this matching share award vests three years after grant subject to performance conditions relating to the growth in EPS over the three years. The other 50% of this matching award vests three years after grant subject to the same ROE targets as the LTIP.

The change in the number of options outstanding during the year, and the number exercisable at 30 September 2007 were are follows:

Grant date	1 October 2006 000	Granted 000	Forfeited/ lapsed 000	Exercised 000	**30 September 2007 000**	Exercisable 000
Pre-flotation scheme						
29 February 2000*	10,465	–	(95)	(6,575)	**3,795**	3,795
26 September 2000*	466	–	(4)	(155)	**307**	307
26 September 2000*	387	–	–	(129)	**258**	258
26 September 2000*	72	–	–	(61)	**11**	11
Discretionary schemes						
18 January 2001*	344	–	(6)	(260)	**78**	78
19 January 2004	2,810	–	(1,252)	(953)	**605**	605
8 December 2004	8,117	–	(681)	(423)	**7,013**	7
2 June 2005	414	–	–	–	**414**	–
1 December 2005	745	–	–	–	**745**	–
Sharesave						
29 June 2005	1,795	–	(120)	(10)	**1,665**	–
2 June 2006	660	–	(41)	(1)	**618**	–
8 June 2007	–	1,165	(22)	–	**1,143**	–
Share incentive plan	186	137	(11)	(1)	**311**	–
Free shares	–	776	(21)	(4)	**751**	–
Long term incentive plan						
1 December 2005	618	–	(85)	–	**533**	–
1 December 2006	–	719	(27)	–	**692**	–
Chief Executive matching award	267	–	–	–	**267**	–
	27,346	2,797	(2,365)	(8,572)	**19,206**	5,061

*These grants occurred before 8 November 2002 and, in accordance with its transitional provisions, the requirements of IFRS 2 have not been applied. Exercise prices for these options lie between £1.61 and £3.65.

During the year the share options issued under the discretionary scheme on 19 January 2004 became exercisable. Options over 1,042,429 shares did not vest as the performance conditions were not fully satisfied. All other movements shown in the forfeited/lapsed column in the table relate to forfeitures.

The weighted average share price for options exercised during the year was £6.10 (2006: £3.93)

The weighted average remaining contractual life for each class of share award is as follows:

	Years
Pre-flotation scheme	2.5
Discretionary schemes	7.2
Sharesave	1.6
Long term incentive plan	1.7
Share incentive plan	3.9
Free shares	2.2
Chief Executive matching award	1.4

The fair value of grants under the discretionary and sharesave schemes is estimated by applying a binomial option pricing model using the following assumptions. The fair value of grants under all other schemes is the share price on the date of grant.

	Share price	Exercise price	Expected volatility	Option life	Risk-free interest rate	Fair value
Discretionary schemes						
19 January 2004	3.80	3.60	40%	6.5	4.62%	1.90
8 December 2004	1.81	1.84	42%	6.5	4.45%	0.88
2 June 2005	2.25	2.32	42%	6.5	4.20%	1.08
1 December 2005	3.42	3.30	42%	6.5	4.15%	1.42
Sharesave						
29 June 2005	2.45	1.86	42%	3.5	4.09%	1.12
2 June 2006	3.66	2.61	42%	3.5	4.68%	1.79
8 June 2007	5.19	4.79	32%	3.5	5.76%	1.82
Long term incentive plan						
1 December 2005	3.42	–	–	–	–	3.42
1 December 2006	5.95	–	–	–	–	5.95
Share incentive plan	2.80–7.27	–	–	–	–	2.80–7.27
Free shares	4.90	–	–	–	–	4.90
Chief Executive matching award	3.76	–	–	–	–	3.76

Share price is the closing share price on the date of grant of each option. Exercise price for the discretionary schemes was determined using a five-day weighted average price. For the Sharesave scheme, a 20% discount has been given between share price and exercise price.

Expected volatility is based on recent historical volatility over a period comparable to the expected life of each type of option.

In all cases the dividend yield assumed is 0% as easyJet does not pay dividends.

Levels of early exercises and lapses are estimated using historical averages.

20 Equity

	Share capital £million	Share premium £million	Hedging reserve £million	Retained earnings £million	Total £million
At 1 October 2006	102.6	591.4	(9.5)	298.4	**982.9**
Profit for the year	–	–	–	152.3	**152.3**
Cash flow hedges					
Fair value losses	–	–	(39.7)	–	**(39.7)**
Transfers to income statement	–	–	34.6	–	**34.6**
Transfers to property, plant and equipment	–	–	1.1	–	**1.1**
Related taxation (note 5b)	–	–	(0.2)	–	**(0.2)**
Share options					
Proceeds from shares issued	2.2	42.5	–	(28.2)	**16.5**
Value of employee services	–	–	–	7.5	**7.5**
Related taxation (note 5b)	–	–	–	2.0	**2.0**
Employee share schemes – purchase of shares (note 18)	–	–	–	(4.6)	**(4.6)**
At 30 September 2007	**104.8**	**633.9**	**(13.7)**	**427.4**	**1,152.4**

20 Equity (continued)

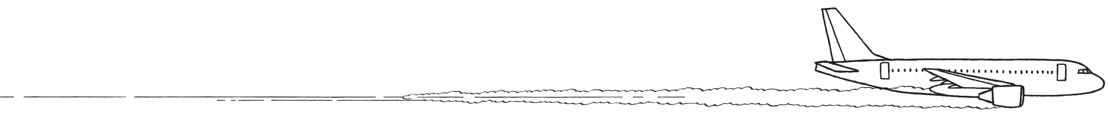
	Share capital £million	Share premium £million	Hedging reserve £million	Translation reserve £million	Retained earnings £million	Total £million
At 1 October 2005	100.1	557.2	10.8	0.1	208.5	876.7
Profit for the year	–	–	–	–	94.1	94.1
Cash flow hedges						
Fair value losses	–	–	(25.2)	–	–	(25.2)
Transfers to income statement	–	–	(3.8)	–	–	(3.8)
Related taxation (note 5b)	–	–	8.7	–	–	8.7
Currency translation differences	–	–	–	(0.1)	–	(0.1)
Share options						
Proceeds from shares issued	2.5	34.2	–	–	(18.8)	17.9
Value of employee services	–	–	–	–	4.4	4.4
Related taxation (note 5b)	–	–	–	–	10.8	10.8
Employee share schemes – purchase of shares (note 18)		–	–	–	(0.6)	(0.6)
At 30 September 2006	102.6	591.4	(9.5)	–	298.4	982.9

In prior years, when share options were exercised, the option holder paid the option price. The subsidiary employing the option holder paid the difference ("spread") between the option price and market value at the time the option was exercised. This applied to all subsidiaries regardless of where they were incorporated. The market value of the shares so issued was credited to share capital (25 pence per share) and share premium. The spread was debited to retained earnings. During the current year, payment of spread was discontinued for subsidiaries incorporated in the United Kingdom, but continues for subsidiaries incorporated elsewhere.

The amounts recognised in the current and prior years are as follows:

	2007 £million	2006 £million
Option price – paid by option holder	**16.5**	17.9
Spread – paid by employing subsidiary	**28.2**	18.8
	44.7	36.7

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to hedge transactions that are extant at each year end.



21 Reconciliation of net profit to net cash inflow from operating activities

	2007 £million	2006 £million
Cash generated from operations		
Profit for the year	**152.3**	94.1
Adjustments for:		
Tax charge	**49.6**	35.1
Depreciation charge	**33.3**	27.4
Profit on disposal of property, plant and equipment	**(0.9)**	(1.3)
Amortisation of other intangibles	**0.9**	0.8
Reversal of prior year impairment losses on financial assets	**(10.6)**	–
Interest income	**(53.0)**	(35.4)
Interest expense	**35.4**	22.7
Share-based payments	**7.5**	4.7
Share of results of associates	**(0.1)**	(0.1)
Financial Instruments – time value	**(4.5)**	9.8
Foreign exchange (note 22)	**(15.4)**	(17.3)
Changes in working capital:		
Increase/(decrease) in trade and other receivables	**6.0**	(6.9)
Increase in trade and other payables	**51.9**	79.0
(Decrease)/increase in provisions	**(0.2)**	3.2
(Increase)/decrease in other non-current assets	**(3.8)**	5.7
Decrease in financial instruments	**0.4**	0.4
Increase/(decrease) in other non-current liabilities	**12.0**	(0.3)
Cash generated from continuing operations	**260.8**	221.6

22 Derivative financial instruments

	2007			
	Quantity US dollar million	Quantity tonnes	Assets £million	Liabilities £million
Fair value				
Designated as cash flow hedges				
Forward US dollar contracts	**1,363.9**	**–**	**–**	**(17.0)**
Zero cost US dollar collars	**367.0**	**–**	**–**	**(15.7)**
Forward jet fuel contracts	**–**	**332.3**	**14.4**	**–**
Designated as held for trading				
Forward US dollar contracts	**100.0**	**–**	**–**	**(0.3)**
	1,830.9	**332.3**	**14.4**	**(32.9)**
Less non-current portion				
Forward US dollar contracts			**–**	**(3.4)**
Zero cost US dollar collars			**–**	**(2.9)**
Current portion			**14.4**	**(26.6)**

22 Derivative financial instruments (continued)

	Quantity US dollar million	Quantity tonnes	Assets £million	Liabilities £million
				2006
Fair value				
Designated as cash flow hedges				
Forward US dollar contracts	28.0	–	0.3	–
Zero cost US dollar collars	1,031.0	–	0.8	(12.0)
Forward jet fuel contracts	–	154.3	0.3	(0.9)
Zero cost jet fuel collars	–	321.0	–	(6.8)
Designated as held for trading				
Forward US dollar contracts	562.0	–	–	(0.4)
	1,621.0	475.3	1.4	(20.1)
Less non-current portion				
Zero cost US dollar collars			0.4	(4.8)
Current portion			1.0	(15.3)

Derivatives designated as cash flow hedges

The Group uses forward foreign exchange contracts and zero cost collars to hedge transaction currency risk and jet fuel price risk.

Where these hedges are assessed as highly effective, gains and losses are deferred in equity and transferred to the income statement or cost of property, plant and equipment when the related cash flow occurs. The net gains/(losses) deferred at each balance sheet date are as follows:

At 30 September 2007

	Within 1 year £million	**Within 1-2 years £million**	**Within 2-3 years £million**	**Total £million**
Hedges of transaction currency risk	**(25.8)**	**(6.1)**	**–**	**(31.9)**
Hedges of jet fuel price risk	**14.4**	**–**	**–**	**14.4**
	(11.4)	**(6.1)**	**–**	**(17.5)**
Related deferred tax				**3.8**
Total losses included within equity				**(13.7)**

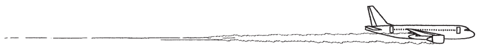
At 30 September 2006

	Within 1 year £million	Within 1-2 years £million	Within 2-3 years £million	Total £million
Hedges of transaction currency risk	(5.5)	(2.4)	(0.3)	(8.2)
Hedges of jet fuel price risk	(5.3)	–	–	(5.3)
	(10.8)	(2.4)	(0.3)	(13.5)
Related deferred tax				4.0
Total losses included within equity				(9.5)

Amounts recorded in the income statement were as follows:

	2007 £million	2006 £million
(Losses)/gains on cash flow hedges recycled from equity	**(34.5)**	3.8
Ineffective portion of gains/(losses) on cash flow hedges (time value)	**4.5**	(9.8)
	(30.0)	(6.0)

Changes in fair value of zero cost collars attributable to time value are the ineffective portion of the gain or loss and are charged directly to the income statement. Over the full life of each instrument, the income statement impact of time value will be zero.



Derivatives designated as held for trading

The Group has net monetary liabilities at the balance sheet date of US$95.7 million (2006: US$566.7 million). In accordance with IAS 21, monetary assets and liabilities are revalued using the exchange rates ruling at the balance sheet date. The Group manages this exposure by the use of forward foreign exchange contracts. Amounts recorded in the income statement were as follows:

	2007 £million	2006 £million
Operating profit		
Unrealised revaluation gains on monetary assets and liabilities	**2.3**	8.7
Realised foreign exchange gains/(losses)	**1.6**	(2.2)
Unrealised losses on derivatives	**(0.3)**	(0.3)
Realised (losses)/gains on derivatives	**(5.5)**	0.5
	(1.9)	6.7
Financing costs (note 4)		
Unrealised revaluation gains on monetary assets and liabilities	**13.1**	9.3
Unrealised gains/(losses) on derivatives	**0.4**	(0.4)
Realised losses on derivatives	**(11.9)**	(10.3)
	1.6	(1.4)
Net (losses)/gains	**(0.3)**	5.3

23 Commitments

a) Commitments under operating leases

	Aircraft	
	2007 £million	2006 £million
Total commitments under non-cancellable operating leases due:		
Within one year	**109.3**	117.1
Greater than one and less than five years	**305.9**	387.8
After five years	**100.7**	134.9
	515.9	639.8

Easyjet holds 76 aircraft (2006: 78 aircraft) under operating leases, with lease terms ranging from seven to ten years. At 30 September 2007, approximately 54% (2006: 56%) of lease payments were based on fixed interest rates and 46% (2006: 44%) on floating interest rates. easyJet is contractually obliged to carry out maintenance on these aircraft, and the cost of this is provided based on the number of hours and cycles operated. Further details are given in the critical accounting policies section of note 1.

	Land and buildings	
	2007 £million	2006 £million
Total commitments under non-cancellable operating leases due:		
Within one year	**1.5**	2.2
Greater than one and less than five years	**3.8**	4.2
After five years	**4.9**	5.1
	10.2	11.5

b) Minimum lease payments under finance leases fall due as follows:

	2007 £million	2006 £million
Not later than one year	**7.4**	7.8
Later than one year but not more than five years	**29.6**	31.5
More than five years	**89.0**	104.8
	126.0	144.1
Future finance charges on finance leases	**(34.4)**	(41.5)
Present value of finance lease liabilities	**91.6**	102.6

easyJet holds six aircraft under finance leases with ten year lease terms. Further details are given in note 15.

23 Commitments (continued)

c) Other financial commitments

As a result of a purchase agreement approved by shareholders in March 2003, a Class 1 circular approved by shareholders in December 2006, and as subsequently amended, the Group is contractually committed to the acquisition of a further 120 new Airbus A319 aircraft with a list price of approximately US$5.3 billion, being approximately £2.6 billion (before escalations, discounts and deposit payments already made). In respect of those aircraft, deposit payments amounting to US$223.5 million or £116.0 million (2006: US$164.3 million or £90.9 million) had been made as at 30 September 2007.

24 Contingent liabilities

The Group is involved in various disputes or litigation in the normal course of business. Whilst the result of such disputes cannot be predicted with certainty, the Company believes that the ultimate resolution of these disputes will not have a material effect on the Group's financial position or results.

25 Related party transactions

The Group has transacted with The Big Orange Handling Company Limited, of which easyJet Airline Company Limited, a Group company, owns 26% of the equity.

The charges are summarised below for the years ended 30 September 2007 and 2006, together with the balances outstanding at those dates.

	The Big Orange Handling Company Limited	
	2007 £million	2006 £million
Charges to the Group	**9.0**	8.4
Charges by the Group	**1.6**	1.5
Year end debtor	**0.1**	0.3

In the course of business the Group has also transacted with companies of which Stelios Haji-Ioannou is the majority shareholder: easyBus Limited and easyGroup IP Limited. Stelios Haji-Ioannou is a Non-Executive Director of easyJet plc and was formerly the Chairman of the Group. The transactions principally relate to the charging of advertising costs and web page click-through revenues between the Group and these companies. The amounts charged to the Group, charged by the Group and the year-end balance position with these companies is less than £0.1 million therefore they are not included in the table above.

26 Post balance sheet events

On 25 October 2007, easyJet announced that it had agreed to acquire GB Airways Limited, excluding its slots at Heathrow Airport, for cash consideration of £103.5 million. Completion is subject to clearance from the regulatory authorities and is expected to occur no later than 31 January 2008.

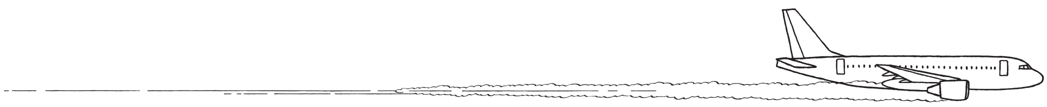
Company balance sheet

	Notes	30 September 2007 £million	30 September 2006 £million
Non-current assets			
Investments in subsidiaries	b	**694.6**	686.1
Loans receivable from subsidiaries	c	**46.1**	50.3
		740.7	736.4
Current assets			
Trade and other receivables	d	**854.5**	540.1
Current liabilities			
Trade and other payables	e	**(788.3)**	(521.1)
Net current assets		**66.2**	19.0
Net assets		**806.9**	755.4
Shareholders' funds			
Ordinary shares	g	**104.8**	102.6
Share premium	g	**633.9**	591.4
Retained earnings	g	**68.2**	61.4
		806.9	755.4

The financial statements were approved by the Board of Directors and authorised for issue on 19 November 2007 and signed on behalf of the Board.

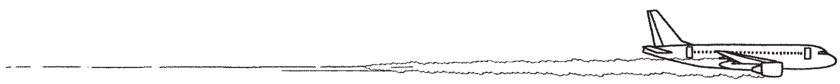
Andrew Harrison
Director

Jeff Carr
Director



Company statement of cash flows

	Notes	Year ended 30 September 2007 £million	Year ended 30 September 2006 £million
Cash flows from operating activities			
Cash used by operations	f	**(47.1)**	(91.2)
Interest received		**2.4**	2.6
Interest paid		**–**	(0.5)
Net cash from operating activities		**(44.7)**	(89.1)
Cash flows from investing activities			
Investment in subsidiaries		**–**	(6.2)
Dividends from subsidiaries		**–**	58.6
Net cash generated from investing activities		**–**	52.4
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**44.7**	36.7
Net movement in cash and cash equivalents		**–**	–
Cash and cash equivalents at beginning of year		**–**	–
Cash and cash equivalents at end of year		**–**	–



Notes to the Company balance sheet

a) Income statement and statement of recognised income and expense

In accordance with Section 230 of the Companies Act 1985, the Company is exempt from the requirement to present its own income statement. The Company's loss for the year was £1.7 million (2006: profit of £54.1 million). The Company recognised no other income or expenses in either the current or prior year.

The Company has seven employees (2006: nil). These are the Non-Executive Directors of easyJet plc; their remuneration is paid by easyJet Airline Company Limited. Andrew Harrison and Jeff Carr are employed and paid by easyJet Airline Company Limited.

b) Investments in subsidiaries

	2007 £million
At 1 October 2006	**686.1**
Capital contributions to subsidiaries	**8.5**
At 30 September 2007	**694.6**

Principal subsidiary undertakings

Principal subsidiaries, all of which are included in the consolidated financial statements, are shown below. A full list of Group companies will be included in the Company's next annual return, in compliance with Section 231 and parts I and II of Schedule 5 of the Companies Act 1985.

	Country of incorporation	Principal activity	Class and % of ordinary shares held
easyJet Airline Company Limited	England and Wales	Airline operator	100%**
easyJet Switzerland SA	Switzerland	Airline operator	49%*
easyJet Aircraft Company Limited	Cayman Islands	Aircraft trading and leasing	100%
easyJet Sterling Limited	Cayman Islands	Aircraft trading and leasing	100%
easyJet Leasing Limited	Cayman Islands	Aircraft trading and leasing	100%
easyJet Malta Limited	Malta	Aircraft trading and leasing	100%
Aero Invest (Jersey) LP	Jersey	Investment activities	100%

Notes

* The Company has a 49% interest in easyJet Switzerland SA with an option that expires in 2014 to acquire the remaining 51%. easyJet Switzerland SA has been consolidated as a subsidiary from 24 June 1999 on the basis that since that date the Company has actually exercised a dominant influence over the undertaking. A minority interest has not been reflected in the financial statements on the basis that holders of the remaining 51% of the shares in easyJet Switzerland SA have no entitlement to any dividends from that holding and easyJet plc has an option to acquire those shares for a predetermined consideration.

** Interest in other companies held by easyJet Airline Company Limited:

The Company has a 26% interest in the ordinary share capital of The Big Orange Handling Company Limited, a company incorporated in the United Kingdom, carrying on the business of providing ground handling services at London Luton airport. The investment in this associate has been equity accounted in the consolidated financial statements.

The Company also has a 25% interest in the ordinary share capital of SR Technics easyTech Limited, a company incorporated in the United Kingdom, carrying on the business activity of aircraft maintenance. The interest is held by easyJet Airline Company Limited. The investment in this associate has been equity accounted in the consolidated financial statements.

c) Loans receivable from subsidiaries

	2007 £million	2006 £million
Amounts owed by subsidiary undertakings	**46.1**	50.3
	46.1	50.3

Loans receivable from subsidiary undertakings are denominated in US dollars, bear interest at a fixed rate of 5%, and are repayable between October 2008 and April 2009. Fair value approximates to book value.

d) Trade and other receivables

	2007 £million	2006 £million
Amounts owed by subsidiary undertakings	**854.5**	540.1
	854.5	540.1

e) Trade and other payables

	2007 £million	2006 £million
Amounts owed to subsidiary undertakings	**788.3**	521.1
	788.3	521.1

f) Reconciliation of net loss to net cash inflow from operating activities

	2007 £million	2006 £million
Cash generated from operations		
(Loss)/profit for the year	**(1.7)**	54.1
Adjustments for:		
Tax credit	**–**	(1.9)
Interest income	**(5.7)**	(2.6)
Interest expense	**–**	0.5
Foreign exchange	**6.9**	4.4
Dividends received from subsidiary	**–**	(58.6)
Changes in working capital:		
Increase in amounts owed by subsidiary undertakings	**(270.6)**	(284.0)
Increase in amounts owed to subsidiary undertakings	**224.0**	196.9
Cash generated from continuing operations	**(47.1)**	(91.2)

g) Reconciliation of movement in shareholders' funds

	Share capital £million	Share premium £million	Retained earnings £million	Total £million
At 1 October 2006	102.6	591.4	61.4	**755.4**
Loss for the year	–	–	(1.7)	**(1.7)**
Share options				
Proceeds from shares issued	2.2	42.5	–	**44.7**
Movement in reserves for employee share schemes	–	–	8.5	**8.5**
At 30 September 2007	**104.8**	**633.9**	**68.2**	**806.9**

	Share capital £million	Share premium £million	Retained earnings £million	Total £million
At 1 October 2005	100.1	557.2	3.6	660.9
Profit for the year	–	–	54.1	54.1
Share options				
Proceeds from shares issued	2.5	34.2	–	36.7
Movement in reserves for employee share schemes	–	–	3.7	3.7
At 30 September 2006	**102.6**	**591.4**	**61.4**	**755.4**

For details of authorised and allotted share capital as well as movement in ordinary shares during 2007, refer to note 18 of the Group financial statements.

h) Guarantee and contingent liabilities

The Company has given a formal undertaking to the Civil Aviation Authority ("CAA") to guarantee the payment and discharge of all liabilities of easyJet Airline Company Limited, a subsidiary of the Company. The guarantee is required by the CAA for that company to maintain its operating licence under Regulation 3 of the Licensing of Air Carriers Regulations 1992.

The Company has issued a guarantee in favour of easyJet Airline Company Limited, a subsidiary undertaking in relation to the processing of credit card transactions, and also in respect of hedging transactions carried out according to treasury policy.

The Company has guaranteed the contractual obligations of easyJet Leasing Limited, a subsidiary undertaking, in respect of its contractual obligations to Airbus GIE in respect of the supply of Airbus 320 family aircraft.

The Company has guaranteed the repayment of borrowings that financed the acquisition of aircraft of certain subsidiary undertakings. The Company has also guaranteed the payment obligations for the lease of aircraft by certain subsidiaries.

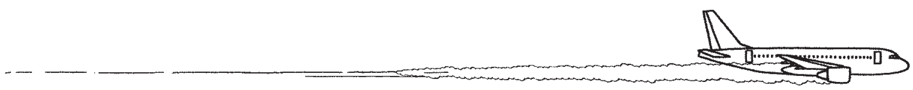
The Company has guaranteed certain letters of credit which have been issued by a bank on behalf of certain Group subsidiaries.

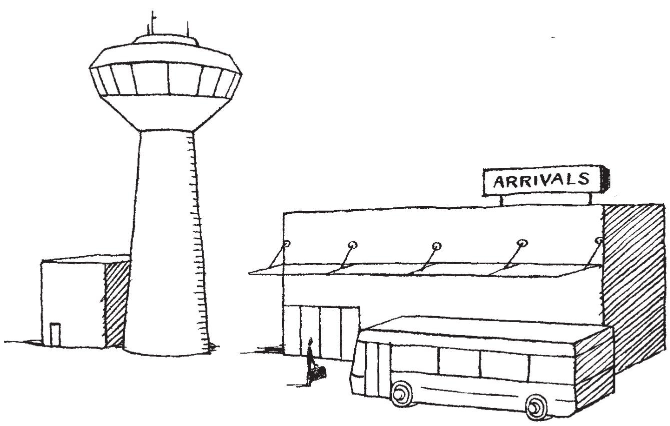
i) Related party transactions

The Company had transactions in the ordinary course of business during the financial year under review with related parties

	2007 £million	2006 £million
Purchases from subsidiaries	**–**	4.0
Amounts owed by subsidiaries	**854.5**	540.1
Amounts owed to subsidiaries	**(788.3)**	(521.1)

Transactions with subsidiaries are carried out on an arm's-length basis. Outstanding balances that relate to trading balances are placed on intercompany accounts with no specified credit period. Intercompany balances owed to and from the Company by subsidiary undertakings bear market rates of interest in accordance with intercompany loan agreements.



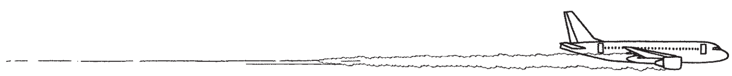


Summary of selected information for five years
Year end to 30 September

	2007 £million	2006 £million (re-presented)	2005 £million	2004 £million	2003 £million
Income statement					
Revenue	**1,797.2**	1,619.7	1,341.4	1,091.0	931.8
EBITDAR	**298.2**	278.5	206.6	189.6	179.5
Group operating profit (EBIT)	**172.0**	117.7	66.2	50.5	46.9
Profit before tax	**201.9**	129.2	82.6	62.2	51.5
Profit for the year	**152.3**	94.1	59.0	41.1	32.3
Earnings per share (basic)	**36.6**	23.2	14.8	14.6	12.7
Earnings per share (diluted)	**35.6**	22.6	14.4	14.3	12.4
Balance sheet					
Non-current assets	**1,350.0**	1,088.3	738.9	640.2	650.6
Current assets	**1,166.4**	1,101.1	890.9	684.7	477.0
Current liabilities	**(621.3)**	(522.9)	(414.5)	(314.7)	(260.9)
Non-current liabilities	**(742.7)**	(683.6)	(351.9)	(220.8)	(108.2)
Net assets	**1,152.4**	982.9	863.4	789.4	758.5
Cash flow statement					
Cash flows from operating activities	**260.8**	221.6	221.0	160.5	77.2
Net interest received	**12.0**	8.1	23.1	12.6	11.8
Tax (paid)/received	**(2.0)**	(4.5)	2.9	(6.2)	(16.5)
Investing activities	**(272.1)**	(314.3)	(162.7)	(58.5)	(176.1)
Financing activities	**(128.9)**	284.5	87.1	71.3	79.7
Exchange rates	**(11.4)**	(1.7)	(0.4)	n/a	n/a
(Decrease)/increase in cash and cash equivalents	**(141.6)**	193.7	171.0	179.7	(23.9)
Key performance indicators					
Return on equity	**13.6%**	10.1%	7.1%	5.3%	4.4%
Profit before tax per seat (£)	**4.54**	3.32	2.38	2.16	2.13
Revenue per seat (£)	**40.42**	41.66	38.66	37.88	38.53
Cost per seat (£)	**36.12**	38.34	36.28	35.72	36.40
Cost per seat excluding fuel (£)	**26.55**	28.36	28.78	30.63	31.41
Seats flown (millions)	**44.5**	38.9	34.7	28.8	24.2

Information for the three years from 2005 to 2007 is presented under IFRS. Information for 2003 and 2004 is presented under UK GAAP.

The amounts in the 2006 balance sheet for non-current assets, current assets and non-current liabilities have been re-presented however there is no change in net assets or profit for that year. Further details are given in the aircraft maintenance provisions accounting policy in note 1.



Glossary

Aircraft owned/leased at end of period	Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.
Ancillary revenue	Includes credit card fees, baggage charges, speedy boarding fees, sporting equipment fees, infant fees, change fees and rescue fees, profit share from in flight sales and commissions earned on products and services sold, less chargebacks.
Available seat kilometres (ASK)	Seats flown multiplied by the number of kilometres flown.
Average fare	Passenger and ancillary revenue divided by passengers.
Block hours	Hours of service for aircraft, measured from the time that the aircraft leaves the terminal at the departure airport to the time that it arrives at the terminal at the destination airport.
Cost per ASK	Revenue less profit before tax, divided by available seat kilometres.
Cost per seat	Revenue less profit before tax, divided by seats flown.
Cost per seat, excluding fuel	Revenue, less profit before tax, plus fuel costs, divided by seats flown.
EBITDAR	Earnings before interest, taxes, depreciation, amortisation, dry lease and long-term wet lease costs, and the share of profit after tax of associates.
Load factor	Number of passengers as a percentage of number of seats flown. The load factor is not weighted for the effect of varying sector lengths.
Operated aircraft utilisation	Average number of block hours per day per aircraft operated.
Other costs	Administrative and operational costs not reported elsewhere, including some employee costs, compensation paid to passengers, exchange gains and losses and the profit or loss on the disposal of property plant and equipment.
Passengers	Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Profit before tax per seat	Profit before tax divided by seats flown.
Return on equity	Profit for the year divided by the average of opening and closing shareholders' funds.
Revenue	The sum of revenue from ticket sales and ancillary revenue.
Revenue passenger kilometres (RPK)	Number of passengers multiplied by the number of kilometres those passengers were flown.
Revenue per ASK	Revenue divided by available seat kilometres.
Revenue per seat	Revenue divided by seats flown.
Seats flown	Seats available for passengers.
Sector	A one-way revenue flight.

Shareholder information

Financial calendar

Financial year end	30 September 2007
Annual General Meeting	21 February 2008
Announcement of 2008 results	
Release of interim results to 31 March 2008	7 May 2008
Preliminary results year to 30 September 2008	18 November 2008

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Company registrar

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Auditors

PricewaterhouseCoopers LLP

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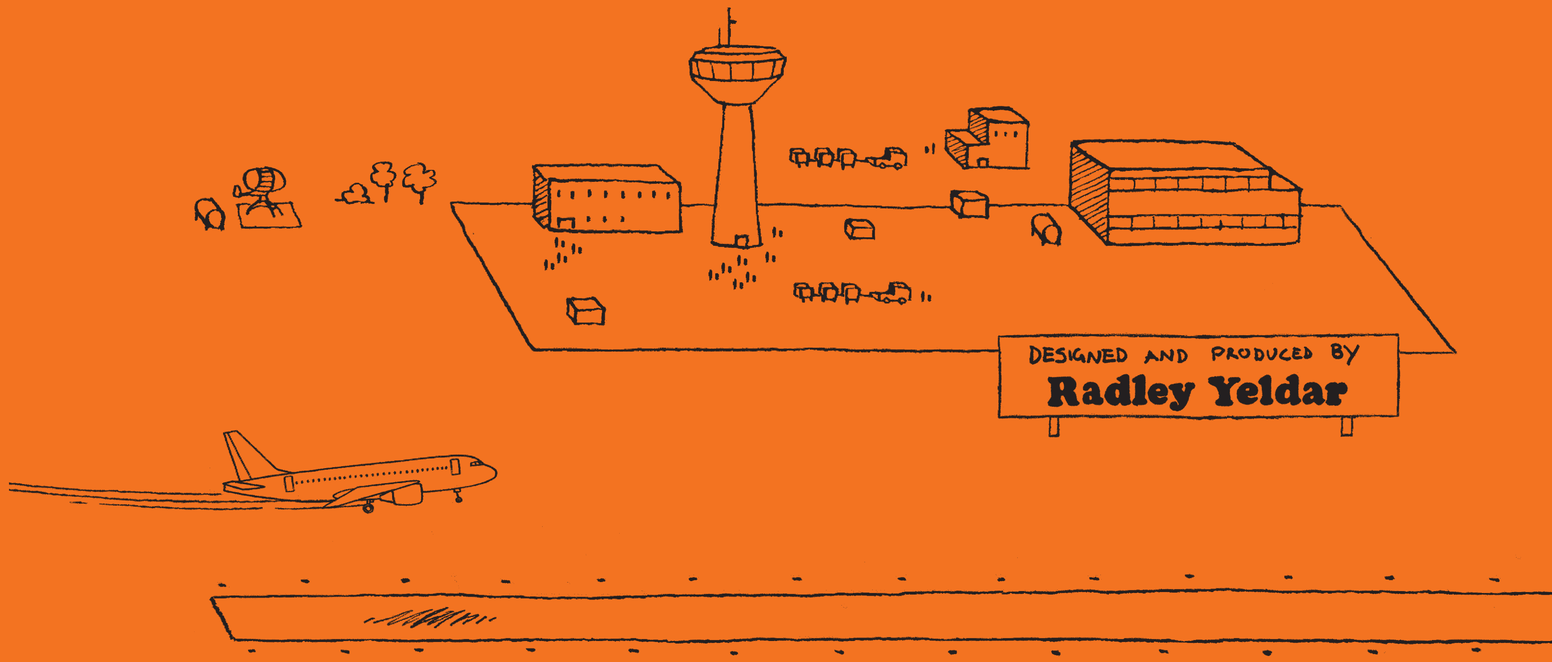

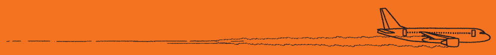

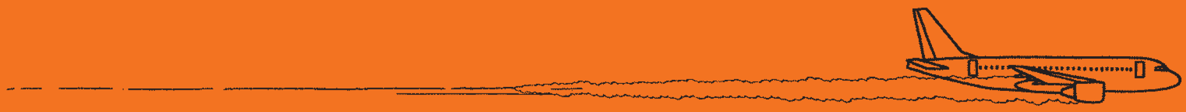

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