europe by easyJet plc

Annual report and accounts 2011

Europe by easyJet

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Directors' report

easyJet plc is incorporated as a public limited company and is registered in England with the registered number 3959649. easyJet plc's registered office is Hangar 89, London Luton Airport, Bedfordshire LU2 9PF. The Directors present the Annual report and accounts for the year ended 30 September 2011. References to 'easyJet', the 'Group', the 'Company', 'we', or 'our' are to easyJet plc or to easyJet plc and its subsidiary companies where appropriate. Pages 01 to 62, inclusive, of this Annual report comprise the Directors' report that has been drawn up and presented in accordance with English company law and the liabilities of the Directors in connection with that report shall be subject to the limitations and restrictions provided by such law.

4 Corporate responsibility

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OVERVIEW

1

Highlights

Our results

£3,452m
Total revenue
(2010: £2,973m) + 16.1%

£248m
Profit before tax – reported
(2010: £154m) +60.8%

£248m
Profit before tax – underlying[1]
(2010: £188m) +31.5%

7.2%
Pre-tax margin – underlying[1]
(2010: 6.3%) +0.9ppt

12.7%
Return on Capital Employed
(2010: 8.8%) +3.9ppt

52.5p
Basic earnings per share (pence)
(2010: 28.4p) +84.9%

10.5p
Proposed dividend – ordinary (pence per share)
(2010: nil)

34.9p
Proposed dividend – special (pence per share)
(2010: nil)

Operational highlights

- easyJet has made excellent progress over the past year and has delivered a strong set of results with underlying profit before tax up by £60 million to £248 million despite a £100 million increase in unit fuel costs. This strong performance is due to firm control of costs, effective yield management, the strength of easyJet's network and focus on customers
- Return on Capital Employed (ROCE) improved by 3.9 percentage points to 12.7%
- On time performance improved by 13 percentage points to 79% with the strong performance across the network leading to a six percentage point improvement in customer satisfaction
- Total revenue per seat up 4.1% (3.4% at constant currency) to £55.27, as capacity investments made in FY'10 and the first half of FY'11 matured combined with a strong performance from ancillary revenue, up 12.9% to £11.52 per seat following decisive management action in the second quarter
- Passenger numbers rose 11.8% to 54.5 million and load factor improved by 0.3 percentage points to 87.3%. Passengers originating outside of the UK now account for 56%, an increase of 3 percentage points compared to the prior year. Passengers travelling with easyJet on business increased by almost one million to 9.5 million
- Underlying cost[1] per seat (excluding fuel and currency movement) fell by 1.3% for the full year and was flat on a reported basis with strong performances in ground handling, maintenance and disruption related costs
- The year saw strong operating cash generation of £424 million, resulting in net cash of £100 million as at 30 September 2011
- The Board has recommended a one-off return to shareholders, structured as a special dividend, of £150 million. Taken together with the ordinary dividend of 10.5 pence per share, this provides an estimated total cash return to shareholders for the year of £195 million or 45.4 pence per share to be paid on 23 March 2012 to those shareholders on the register at the close of business on 2 March 2012 with an ex dividend date of 29 February 2012
- Earnings per share improved by 24.1 pence to 52.5 pence per share, of which around nine pence resulted from changes in the UK corporation tax rate and the resolution of various tax enquiries
- Forward bookings are in line with the prior year. With around 45% of winter seats now booked, first half total revenue per seat at constant currency is expected to be up by mid single digits

Note 1: Underlying measures exclude £27 million of cost relating to the volcanic ash cloud and £7 million loss on disposal of A321 aircraft in 2010. There were no underlying adjustments in 2011.

Chairman's introduction

I am pleased to report that your Company has delivered a good financial performance this year and the business has strengthened.

Progress this year

In its first full year in charge the management team has made excellent progress in implementing the strategy laid out in last year's annual report and driving improvement in processes and capability.

As a result both unit revenues and costs have improved to drive a substantial improvement in profitability and returns.

We have refreshed the Board with the appointments of Charles Gurassa as Deputy Chairman and Senior Independent Director, Andy Martin and Adele Anderson and strengthened the Board's capabilities in the areas of aviation, and risk and financial management.

Returns to shareholders

The Board is committed to delivering returns in excess of the cost of capital and returning excess capital to shareholders. In the past year, earnings per share has increased by 24.1 pence to 52.5 pence and Return on Capital Employed improved by 3.9 percentage points to 12.7%.

The weak consumer environment with rising fuel costs and taxation will continue to present challenges for the aviation industry. We have proactively put in place actions to ensure the business navigates a difficult environment by maintaining a strong balance sheet and by curtailing growth over winter 2012 and 2013. This combined with our strong network and focus on improving revenues and cost control means that easyJet is well placed and the Board is confident in confirming our first ever dividend of £45 million for financial year 2011 and a special dividend of £150 million.

Sir Michael Rake
Non Executive Chairman

Industry regulation

It is important that our industry ensures that we play our part in tackling climate change. However, if this is done through only constraining demand the economic and social benefits of travel will be put at risk. In the UK alone aviation contributes £11 billion to GDP.

Environmental measures must deliver real gains in environmental efficiency and cannot be used as a way to simply tax passengers. easyJet continues to support aviations' entry to EU ETS, however we are disappointed by the UK Government's proposal to increase the tax on short-haul travel and reduce it for long-haul travel. This proposal will reduce growth and jobs, as the majority of the UK's tourists come from Europe, and it will increase emissions, as long-haul flights are responsible for much greater emissions than short-haul flights.

We are also concerned about the apparent lack of Government commitment to expanding runway capacity in the South East. This will have negative consequences for the London and wider UK economy and easyJet supports projects, such as a second runway at Gatwick, the most congested runway in Europe.

Finally, we call for the end of inconsistent application of consumer rules across Europe. We are proud of our commitment to ensuring our passengers receive the support they deserve if they are disrupted, and that our website provides clear and transparent information on fares. easyJet led the way in Europe in providing passengers with simple fares. However, we have seen regulators across Europe applying the rules in different ways, and making inconsistent demands on us and so we are campaigning to ensure there is a level playing field across Europe.

Conclusion

Finally I would like to thank all of easyJet's people for their efforts in the past year, their commitment and enthusiasm is core to easyJet's success.

Sir Michael Rake
Non Executive Chairman

Turning Europe Orange

In 2011 we started to implement our strategy to "Turn Europe Orange", expanding our network and presence across Europe.

We continue to grow our capacity and improve our load factor, increasing the number of people flying with us by 11.8% in 2011.

easyJet continues to grow its seats and passengers

Seats flown million **62.5**

2011	62.5
2010	56.0
2009	52.8
2008	51.9
2007	44.5

Total number of passengers million **54.5**

2011	54.5
2010	48.8
2009	45.2
2008	43.7
2007	37.2

Load factor % **87.3**

2011	87.3
2010	87.0
2009	85.5
2008	84.1
2007	83.7

We have increased the number of routes offered to our passengers and focused this growth across continental Europe.

Our network is truly pan-European

Number of routes by country

UK	300
Switzerland	72
France	67
Italy	59
Germany	30
Spain	19

Capacity growth by country %

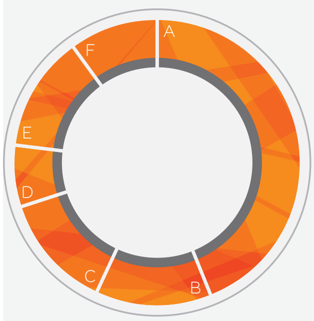
Italy	8.6
France	29.1
Spain	10.5
Switzerland/Germany	21.7
London	6.6
UK regions	6.0

In 2011, 56% of our customers did not originate from the UK, up 3 percentage points from 2010.

In 2011, we have increased our employee numbers across our network, with larger increases across continental Europe.

We attract customers from across Europe

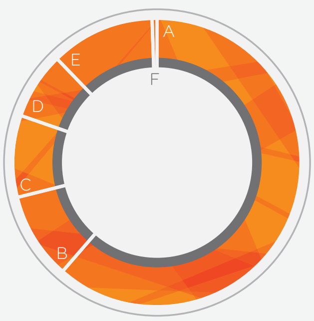
Passengers by country 2011
%



A	UK	44
B	Italy	13
C	France	13
D	Spain	7
E	Switzerland/Germany	13
F	Other Europe	10

We grow talent across Europe

Total headcount 2011



A	UK	5,116
B	Italy	797
C	France	774
D	Spain	614
E	Switzerland/Germany	986
F	Other Europe	1

19 bases
204* aircraft
547 routes

France

22 aircraft

Number of routes	
Lyon	22
Paris – Charles de Gaulle	29
Paris – Orly	16

Germany

8 aircraft

Number of routes	
Berlin – Schöenefeld	24

Italy

21 aircraft

Number of routes	
Milan – Malpensa	41
Rome – Fiumicino	18

Spain

8 aircraft

Number of routes	
Madrid	19

Switzerland

18 aircraft

Number of routes	
Basel	31
Geneva	41

UK

120 aircraft

Number of routes	
Belfast	15
Bristol	40
Edinburgh	17
Glasgow	12
Liverpool	32
London – Gatwick	90
London – Luton	36
London – Stansted	27
Manchester	24
Newcastle	13

*7 of which are on standby cover

Our cause

We are using this cause as a test in our day-to-day operations. It applies throughout the passengers' journey with us – from end to end. If we get it right it will enable us to deliver our ambition of becoming Europe's preferred short-haul airline making market leading returns.

PASSION

We're passionate about connecting people by making travel easy and affordable.

PEOPLE

We're on our customers' side and our people make the difference.

AMBITION

We have a big ambition, to be Europe's preferred short-haul airline, delivering market-leading returns.

BUSINESS REVIEW

2

Our long-term strategy

Safe and sustainable

We will never compromise our commitment to safety, which is always the first priority for all our people, and we continually strive to improve our sustainability.

Focus on customer

Focused on network development

We are focusing on improving our routes, slots and bases to build on our leading presence across Europe.

Improving our customer's experience

We are focused on improving the experience of travelling with us for all our passengers.

Operational excellence

We focus on maintaining a strong operation that delivers for our customers.

Where people make the difference

We are committed to ensuring high employee engagement levels across the business.

Financial discipline

We are committed to improving shareholder returns whilst remaining prudently financed with a strong, liquid balance sheet.

Chief Executive's introduction

Introduction

easyJet has made strong progress this year in the execution of its strategy. Our strong operational and financial performance is a result of the hard work and commitment of easyJet's people to make travel easy and affordable for customers. The business has strengthened despite the headwinds of fuel costs, rising aviation taxes and a weak economy. The management team has introduced an enhanced focus on financial discipline, financial return and operational performance and constantly takes a rigorous look at the Company's network and profitability.

Financial performance

easyJet delivered record profit before tax of £248 million up by £60 million from an underlying profit of £188 million in 2010 despite a £100 million increase in unit fuel costs. Underlying profit per seat (including fuel, adjusting for last year's volcano effect and loss on disposal of A321 aircraft) rose by 61 pence to £3.97. This strong performance was driven by:

- Passenger numbers rose 11.8% to 54.5 million and load factor improved by 0.3 percentage points to 87.3%. Passengers originating outside of the UK now account for 56%, an increase of 3 percentage points compared to the prior year. Passengers travelling with easyJet on business increased by almost one million to 9.5 million
- Total revenue per seat up 4.1% (3.4% on a constant currency basis) to £55.27 as capacity investments made in 2010 and the first half of 2011 matured, combined with a strong performance from ancillary revenue up 12.9% to £11.52 per seat following decisive management action in the second quarter
- Underlying cost per seat (excluding fuel and currency movement) fell by 1.3% for the full year and was flat on a reported basis with strong performances in ground handling, maintenance and disruption related costs

easyJet delivered ROCE of 12.7% in the year and generated cash from operations of £424 million resulting in net cash as at 30 September 2011 of £100 million.

Returns to shareholders

In light of the strong performance of the business over the past 12 months, management's current medium–term expectations for easyJet's financial performance and a prudent approach to maintaining balance sheet strength, the Board has recommended a one-off return to shareholders, structured as a special dividend, of £150 million or 34.9 per share. Taken together with the ordinary dividend of 10.5 pence per share this provides an estimated total cash return to shareholders for the year of £195 million or 45.4 pence per share to be paid on 23 March 2012 to those shareholders on the register at the close of business on 2 March 2012 with an ex dividend date of 29 February 2012. The special dividend will be accompanied by an associated share consolidation. The consolidation factor will be announced in due course.

Operational performance

Investment in operational robustness has delivered a strong improvement in easyJet's On Time Performance (OTP) with a 13 percentage point improvement across the network across the year with an increase of 25% in the fourth quarter and our performance is now in line or ahead of our key competitors.

OTP % arrivals within 15 minutes

	Q1	Q2	Q3	Q4	Full year
2010	75%	66%	64%	60%	66%
2011	65%	81%	84%	85%	79%

The focus of the operations team in the coming financial year will be on maintaining the current performance whilst at the same time reducing cost through standardisation and simplification.

Carolyn McCall OBE
Chief Executive

Chief Executive's introduction
Continued

Customer satisfaction

The improvement in operational performance has been reflected in increased customer satisfaction. Overall satisfaction was up by six percentage points to 79% compared with the same period last year.

easyJet continues to develop its end-to-end customer proposition and announced on 15 November 2011 that it will start trialing allocated seating on selected routes from spring 2012.

Engagement

At easyJet people are at the heart of delivering for our customers and executing the strategy to create value for shareholders. Consequently improving communication and engagement have been given a high priority this year as the whole of the Executive Management Team have travelled extensively across the network.

europe by easyJet

easyJet has made good progress implementing its new European structure. Country managers are now in place in each of our key European markets and are focused on improving the end to end customer proposition driving better route decisions and better engagement and lobbying with key regulatory and governmental agencies.

In September easyJet launched its new advertising campaign "europe by easyJet". We have seen promising initial results from the campaign with a 250% increase[2] in customers describing themselves as "much more likely to buy from easyJet"

Note 2: source – Gfk Brand tracking.

Strategic position

easyJet business strengths

easyJet is the fourth largest short-haul carrier in Europe with a market share of 7.6%[3]. easyJet derives its competitive advantage from the following attributes:

- leading short-haul network in Europe with the highest number of market pairs within Europe's top 100 market pairs[3] and strong market shares in valuable markets such as London Gatwick, Paris, Milan Malpensa, Amsterdam and Geneva
- low cost and efficient business model derived from scale and cost advantage, high asset utilisation, a young efficient fleet with low cost of ownership and industry leading load factors
- financial and balance sheet strength

Note 3: Market share data from OAG.

Competitive and regulatory environment

In the past year capacity in European short-haul grew by 2.8%, and by 3.1% on easyJet's routes[3]. It is expected that due to higher fuel costs, rising airport costs, taxation on air travel and a weak economic environment that over the coming year capacity growth will be at lower rate as carriers seeks to rebuild margins.

A significant proportion of easyJet's cost base is determined by governments and regulators and easyJet continues to constructively engage with them on a number of issues that will impact easyJet's cost base in the future

Example only. Not a current offer.

Example only. Not a current offer.

easyJet remains concerned that monopoly infrastructure providers across Europe, of both airports and airspace, continue to impose higher charges, despite the uncertain economic climate. Consequently there is now an increased focus on regulated airport charges, and easyJet has actively participated in the regulatory dialogue for Spanish; French; UK; Dutch; German; and Italian airports in 2011. Monopoly airports need to become more efficient, with infrastructure and associated charges built around the needs of passengers on point-to-point carriers such as easyJet. This will bring wider economic benefits by promoting tourism and trade.

The UK Government has reversed its election promise to turn Air Passenger Duty into a per plane tax. Instead it is proposing to lower the tax on long-haul flights and increase it on short-haul flights. Evidence shows this is both economically and environmentally damaging. Aviation's entry into the European Union Emissions Trading System means that there is no longer any environmental case for taxes on aviation.

Pleasingly the European Commission is planning in 2012 to propose reforms to the consumer rules that govern aviation. easyJet welcomes this announcement and will be working to ensure the proposals give passengers the rights they deserve, but do not expose airlines to unmanageable risks of the type we saw arising from the ash clouds of 2010. The Commission will also be working on a reform of the slot regulation. We hope this will give a renewed opportunity to ensure that slots are allocated to airlines such as easyJet which will use them efficiently.

Capacity planning and capital allocation

The Board is focused on driving returns for shareholders and consistent with this focus has outlined a clear set of financial objectives and metrics.

The Board's objective is to achieve returns in excess of the cost of capital and this will be measured by the ROCE achieved within a financial year. The Board has set a target of 12% ROCE through the five years planning cycle and for the financial year ended 30 September 2011 easyJet achieved a ROCE of 12.7%.

After providing appropriate returns for shareholders, capital is allocated to support the network. Capital expenditure will be principally allocated to the following activities:

– maintaining fleet size through the replacement of leased aircraft as they exit the fleet and the maintenance, repair and overhaul of engines (an overhaul being required when an aircraft has operated for between eight and nine years in easyJet service in accordance with the manufacturer's maintenance programme)
– new network opportunities where the Board is satisfied that they can deliver on-target returns within a tight and defined timescale

In the past year, easyJet has implemented a new and more rigorous approach to assessing network returns. Routes are measured on the returns they are delivering against the Company's 12% ROCE target. Capacity on underperforming routes is reallocated, or performance managed and profitability improved, to deliver an appropriate return. In a dynamic market place, profitability of routes can change over time and by ensuring that route returns are continually monitored the Company is most effectively able to drive ROCE.

Capacity is also principally deployed on routes which operate on a year-round basis, with less than 5% of easyJet's capacity allocated to summer-only routes, all of which are intended to deliver upper quartile ROCE (on average delivering ROCE above 12%).

Fleet plan and growth

easyJet has built flexibility into its fleet planning arrangements such that it can increase or decrease capacity deployed, subject to the opportunities available and prevailing economic conditions. The Company also has flexibility to move aircraft between routes and markets to improve ROCE.

12.7%
ROCE achieved in year

79%
13 ppt improvement in OTP

Chief Executive's introduction
Continued

During the past financial year, the Company took advantage of the agreement signed with Airbus in 2002 and converted 15 A320-family aircraft that had been under option to the Company since June 2007 into firm orders for 15 A320 aircraft, primarily to replace existing aircraft that will be retiring from the fleet in 2013.

In the year, easyJet took delivery of 13 A319 aircraft and 12 A320 aircraft under the terms of the Airbus easyJet agreement. The two remaining Boeing 737-700s have been withdrawn from service and will be returned to their lessors in the first half of 2012.

The current contracted fleet plan over the period to 30 September 2013 as set out below:

	easyJet A320 family	Boeing 737-700	GB Airways A320 family[4]	Total contracted aircraft
At 30 September 2011	202	2	–	204
At 30 September 2012	213	–	–	213
At 30 September 2013	216	–	2	218

Note 4: To be delivered as part of a GB Airways commitment.

The total fleet at 30 September 2011 comprised 204 aircraft.

Fleet as at 30 September 2011:

	Owned	Operating leases	Finance leases	Total	Changes in year	Future committed deliveries[5]	Unexercised purchase rights and options[6]
easyJet A319	105	56	6	167	8	–	–
easyJet A320	24	6	5	35	12	35	73
Boeing 737-700	–	2	–	2	-6	–	–
GB Airways A320 family	–	–	–	–	-6	2	–
	129	64	11	204	8	37	73

Note 5: The 35 future easyJet deliveries and 2 ex-GB Airways deliveries are anticipated to be delivered over the next three financial years; 20 in 2012, 12 in 2013 and 5 in 2014.

Note 6: Purchase options and rights may be taken on any A320 family aircraft and are valid until 2015.

A further 35 easyJet specification aircraft deliveries are currently planned for arrival over the next three years, which will be offset by 24 planned exits from the fleet.

The high cost of jet fuel and uncertain consumer demand across Europe means that easyJet is taking a cautious approach to capacity, utilising the flexibility in its fleet planning arrangements to ensure the fleet is held constant for the next two winters at 204 aircraft, as announced on 10 May 2011.

Thereafter, the Company has sufficient flexibility in its fleet planning arrangements to adapt to market and economic conditions, which the Board continues to keep under review.

Example only. Not a current offer.

Strategy implementation

easyJet has continued to make excellent progress in executing the strategy as outlined in November 2010 to drive sustainable planning cycle. An update against the pillars of the programme is set out below.

Network optimisation

easyJet's goal is to improve the underlying ROCE of the network through optimisation of the schedule and route portfolio.

Progress in 2011

- Strong growth in mainland Europe with seats flown up 18.6%
- Valuable peak times slots obtained at London Gatwick, Paris Charles de Gaulle, Amsterdam
- Clinical approach to reviewing route performance e.g. dropping Gothenburg from the network
- New capital allocation framework introduced focusing on return on capital metrics by route
- Supporting business traveller strategy

Passengers travelling on business

easyJet's goal is to drive additional contribution of £100 million from passengers travelling on business through delivering improvements in product and distribution

Progress in 2011

- Frequency increased on key business routes such as Gatwick to Milan Malpensa up from four to five times a day
- Rollout of flexifare on easyJet.com
- Sales force starting to deliver, significant enterprise contracts signed
- Agreements reached with travel management companies
- Key business to business deals negotiated with pipeline of corporate growth deals
- New commercial freedom in Global Distribution System (GDS) contracts

easyJet lean

easyJet's lean projects are set up under the sponsorship of the Chief Financial Officer and the goal is to maintain its cost advantage by ensuring below inflation non-fuel cost per seat increases. This will be achieved by driving cost efficiencies through best in class procurement, leveraging our scale, tight control of overhead costs, greater crew flexibility and improved operational performance.

Progress in 2011

- Unit costs (excluding fuel) fell by 1.3% at constant currency with strong performances in ground handling, maintenance and disruption related costs
- Process re-engineering to deliver cost optimisation e.g. de-icing in Malpensa; ground handling contracts
- Implemented plans to increase proportion of lower unit cost A320 in the fleet
- Improvement in operational resilience. OTP improved by 13 percentage points to 79%
- £92 million of savings identified in 2012 which will partially offset inflationary increases and investment in initiatives such as allocated seating

+18.6%
Growth in mainland Europe capacity

c£90m
Savings identified for 2012

Market review

The UK macroeconomic environment remains difficult, especially in the travel and tourism sector as the number of UK residents taking an overseas holiday over the three months to August 2011 fell by 4% compared to the same period in 2010. The competitive environment remained tough with capacity increases in 2011. Against this backdrop easyJet performed well with total revenue per seat growth of mid single digits. At London Gatwick easyJet significantly increased frequency on many of the busiest business routes such as Madrid, Milan, Rome and Amsterdam. easyJet also increased its market share at bases such as Bristol as carriers such as Ryanair retreated, and in Glasgow after BMI withdrew services to Heathrow from the airport.

Despite the Euro-crisis German consumer confidence remained positive. However, the introduction of APD in Germany in January 2011 has damaged profitability across all airlines operating in Germany. easyJet's focus in 2011 has been on maintaining our market leadership on key city routes from Berlin with increased frequencies on routes to London Gatwick, Copenhagen, Basel and Barcelona. easyJet

Chief Executive's introduction
Continued

Example only. Not a current offer.

has gained share on routes to London, Milan and Madrid as competitors have retreated. Switzerland has also seen a stable economic environment and easyJet's focus in 2011 has been on defending its leading position at Basel and Geneva whilst increasing its focus on passengers travelling on business.

Spain continues to be one of the most competitive markets in Europe. In 2011 easyJet refocused capacity to enable the network to improve profitability and attract more passengers travelling on business. In Spain more than 60% of air travel is purchased in offline channels and consequently easyJet is implementing measures to improve its presence in these areas.

Despite a difficult economic environment in Italy the short-haul intra-European market remains buoyant easyJet grew capacity by around 11% as it built its presence in selected key Italian markets of Milan, Rome, Naples and Venice. At Milan Malpensa easyJet further consolidated its leading share as Lufthansa announced the closure of its base.

easyJet consolidated its position as the number two airline in France and increased its capacity by 29% as it continued with its strategy to build its position as the alternative airline to Air France in major French airports. easyJet's share of the French short-haul market is now 12%. easyJet also announced that it intends to open bases in 2012 at Toulouse and Nice. easyJet already has a 20% market share at these airports.

Looking forward to 2012

Hedging positions

easyJet operates under a clear set of treasury policies agreed by the Board. The aim of easyJet's hedging policy is to reduce short-term earnings volatility. Therefore easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months anticipated fuel and currency requirements and between 45% and 65% of the following 12 months anticipated requirements.

Details of our current hedging arrangements are set out below:

Percentage of anticipated requirement / surplus hedged	Fuel requirement	US dollar requirement	Euro surplus sale
Six months ending 31 March 2012	80%	80%	76%
Rate/$ per MT	$950 per MT	$1.60	€1.13
Full year ending 30 September 2012	73%	69%	71%
Rate/$ per MT	$956 per MT	$1.59	€1.13
Full year ending 30 September 2013	49%	46%	50%
Rate/$ per MT	$979 per MT	$1.61	€1.14

Sensitivities

- A $10 movement per metric tonne impacts the 2012 fuel bill by $5 million
- A one cent movement in £/$ impacts the 2012 profit before tax by £3 million

Outlook

The macroeconomic environment remains challenging for all airlines as weak consumer confidence across Europe slows the rate at which higher fuel prices and increased taxation can be passed on to passengers. Against this backdrop easyJet is taking a cautious approach to capacity deployment. As a result, capacity in the first half of the year is planned to be flat (adjusting for disruption in the first part of the prior year), with growth of around 4% for the full year.

With around 45% of winter seats now sold, in line with the prior year, first half passenger revenue per seat is expected to grow by mid-single digits with planned improvement in yields, bag charges and other ancillary revenues.

Cost per seat excluding fuel and currency[7] impact is expected to grow by 2 to 3% for the full year and by 4% in the first half, assuming normal levels of disruption, of the year driven by price increases at regulated airports and investments in new revenue streams.

At current fuel[7] and exchange rates easyJet's fuel bill is anticipated to increase by £220 million in 2012 compared to 2011.

Despite the headwinds of higher fuel costs and a weak and uncertain economic outlook, our focus on customers, robust operational performance, the strength of easyJet's network combined with cost control and capital discipline means that easyJet is well placed to succeed.

Note 7: Rates as at 14 November 2011: US$1.59/£, €1.17/£ and US$1,075 per metric tonne.

Financial objectives and metrics

	Objectives	Measures
Return targets	– Earn returns in excess of cost of capital through the cycle – Invest in growth opportunities where returns are attractive	– After tax ROCE of 12% through the cycle – Improve profit before tax per seat to £5
Capital structure and liquidity	– Ensure robust capital structure – Maintain sufficient liquidity to manage through the cycle and industry shocks – Return excess capital to shareholders	– Maximum gearing of 50% (gearing meaning debt plus seven times annual lease payments less cash) divided by (shareholders' equity plus debt plus seven times annual lease payments less cash) – Cap of £10 million adjusted net debt per aircraft Target £4 million cash per aircraft
Dividend policy	– Target consistent and continuous dividend payout	– Five times cover, subject to meeting gearing and liquidity targets – Annual payment based on full year profits after tax; introduced for year ended 30 September 2011, payable 2012 – Consider returns over five times cover to reduce excess capital
Aircraft ownership	– Maintain flexibility around fleet deployment and size	– Target of 70% owned aircraft, 30% leased aircraft
Fuel hedging	– Insulate short-term operating performance against adverse movements in fuel price and exchange rates	– 65%–85% of the next 12 months' anticipated requirements – 45%–65% of the following 12 months' anticipated requirements

Carolyn McCall OBE
Chief Executive

Key performance indicators

We monitor the performance of the business and performance against our strategic objectives using the following key performance indicators.

Financial discipline

We are committed to improving shareholder returns whilst remaining prudently financed with a strong, liquid balance sheet.

Revenue per seat
£

+4.1%

2011	55.27
2010	53.07
2009	50.47

Cost per seat excluding fuel (underlying)
£

Flat

2011	36.62
2010	36.62
2009	34.36
2008	29.49
2007	26.55

Profit before tax (underlying) / per seat
£

+17.9%

2011	3.97
2010	3.36
2009	0.83
2008	2.37
2007	4.30

Return on capital employed
ppt

+3.9ppt

2011	12.7
2010	8.8
2009	3.6
2008	7.3
2007	11.7

Gearing
ppt

-4ppt

2011	28
2010	32
2009	38
2008	29
2007	20

Net cash
£ million

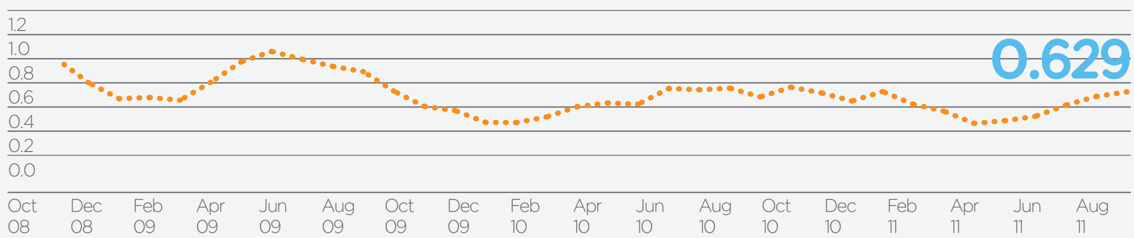
+£140m

2011	100
2010	-40
2009	-46
2008	236
2007	393

Safe and sustainable

No compromise on safety
We will never compromise our commitment to safety, which is always the first priority for all our people.

Composite risk value (CRV) index



Control carbon footprint
We control our fuel usage on our flights.

Fuel burn
(USG/BH)

715

2011	715
2010	715
2009	715

Focus on customer

Focused on network development
We are focused on improving our routes, slots and bases to build on our leading presence across Europe.

Presence on top 100 routes
Ranked by primary airport

easyJet	49
BA/Iberia	41
Lufthansa Group	40
Air France-KLM	23
Alitalia	19
Air Berlin – NIKI	15
SAS	14
Vueling	13
Norwegian	15
Ryanair	42

Primary airports
Non-primary airports

Airports where we are No.1 or No.2 airline

2011	19
2010	19
2009	18

Improving our customers' experience
We are focused on improving the experience of travelling with us for all our passengers.

Overall satisfaction on this occasion
%

2011	79
2010	73
2009	85

Likely to recommend
%

2011	82
2010	80
2009	89

Operational excellence

We have built a strong operation, that delivers for our customers.

On time performance
%

2011	79
2010	66
2009	80

Bags shortshipped per thousand passengers

2011	0.9
2010	1.0
2009	1.0

Flights cancelled on the day*

2011	4,703
2010	15,976
2009	1,102

*2010 figure includes 7,314 flights cancelled due to volcanic dust cloud

Where people make the difference

We are committed to ensuring high employee engagement across the business.

Employee engagement (uSay)
%

2011	40
2010	35
2009	66

Staff turnover
%

2011	9.7
2010	7.6
2009	6.9

Attendance
%

2011	96
2010	95
2009	95

PERFORMANCE AND RISK

3

Financial review

Introduction

easyJet produces a strong financial performance despite continuing pressures from the macroeconomic environment.

	2011			2010		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Total revenue	**3,452**	**55.27**	**4.98**	2,973	53.07	4.72
Profit before tax (underlying)	**248**	**3.97**	**0.36**	188	3.36	0.30
Profit before tax (reported)	**248**	**3.97**	**0.36**	154	2.75	0.24
Profit after tax (reported)	**225**	**3.60**	**0.32**	121	2.17	0.19

Chris Kennedy
Chief Financial Officer

During 2011 easyJet continued to grow its network successfully with an increase in seats flown of 11.5%, principally in London Gatwick, France and Switzerland. Load factor was marginally higher at 87.3% and passengers increased by 11.8% to 54.5 million.

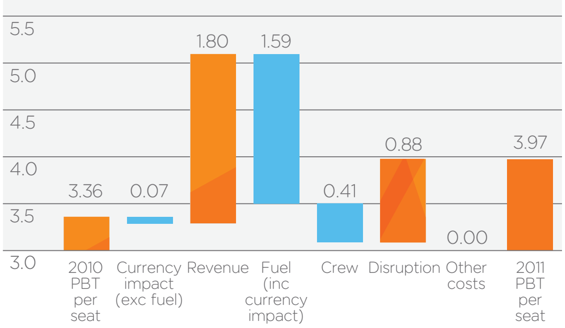
Total revenue grew by 16.1% to £3,452 million resulting in growth of 4.1% in revenue per seat, driven by increases in ancillary revenue and maturing of capacity investments made in previous years. This was achieved despite a significant increase in passenger taxes, and continuing economic uncertainty across Europe.

Excluding the impact of volcanic ash disruption and the loss on the sale of four A321 aircraft in 2010, profit before tax increased by £60 million (£0.61 per seat) to £248 million. With the exception of external industrial action in the first quarter and a period of severe winter weather around Christmas, the business benefited from significantly lower levels of operational disruption than last year, with on the day cancellations and overnight delays reducing by 46%.

Return on capital employed increased by 3.9 percentage points to 12.7%, driven by the improved levels of profit. Gearing remains low at 28% and the business had cash and money market deposits totalling £1.4 billion at 30 September 2011.

After taking into consideration the level of liquidity in the business, and contracted commitments to acquire further aircraft, the Board is proposing to pay an ordinary dividend of £45 million (10.5 pence per share) and a special dividend of £150 million (34.9 pence per share) and resolutions to this effect will be tabled at the Annual General Meeting in February next year.

Profit before tax per seat
%



£225m
Profit after tax for 2011

£195m
Proposed dividend

Financial review
Continued

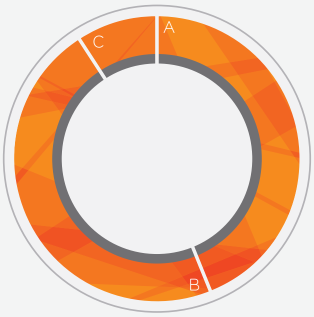
Operational measures	2011	2010	Change
Seats flown (millions)	**62.5**	56.0	11.5%
Passengers (millions)	**54.5**	48.8	11.8%
Load factor	**87.3%**	87.0%	+0.3ppt
Available Seat Kilometres (ASK) (millions)	**69,318**	62,945	10.1%
Revenue Passenger Kilometres (RPK) (millions)	**61,347**	56,128	9.3%
Average sector length (kilometres)	**1,110**	1,123	(1.2)%
Sectors	**393,147**	353,080	11.3%
Block hours	**761,708**	689,316	10.5%
Number of aircraft owned/leased at end of year	**204**	196	4.1%
Average number of aircraft owned/leased during year	**198.8**	187.9	5.8%
Number of aircraft operated at end of year	**197**	186	5.9%
Average number of aircraft operated during year	**185.4**	174.9	6.0%
Operated aircraft utilisation (hours per day)	**11.3**	10.8	4.2%
Number of routes operated at end of year	**547**	509	7.5%
Number of airports served at end of year	**123**	125	(1.6)%

Financial measures	2011	2010	Change
Return on equity	**14.0%**	8.6%	+5.4ppt
Return on capital employed	**12.7%**	8.8%	+3.9ppt
Underlying measures			
Profit before tax per seat (£)	**3.97**	3.36	17.9%
Profit before tax per ASK (pence)	**0.36**	0.30	20.9%
Revenue			
Revenue per seat (£)	**55.27**	53.07	4.1%
Revenue per seat at constant currency (£)	**54.87**	53.07	3.4%
Revenue per ASK (pence)	**4.98**	4.72	5.4%
Revenue per ASK at constant currency (pence)	**4.94**	4.72	4.7%
Costs			
Per seat measures			
Total cost per seat (£)	**51.30**	49.71	3.2%
Total cost per seat excluding fuel (£)	**36.62**	36.62	Flat
Total cost per seat excluding fuel at constant currency (£)	**36.15**	36.62	(1.3)%
Operational cost per seat (£)	**47.78**	46.13	3.6%
Operational cost per seat excluding fuel (£)	**33.10**	33.04	0.2%
Operational cost per seat excluding fuel at constant currency (£)	**32.75**	33.04	(0.9)%
Ownership cost per seat (£)	**3.52**	3.58	(1.6)%
Per ASK measures			
Total cost per ASK (pence)	**4.62**	4.43	4.2%
Total cost per ASK excluding fuel (pence)	**3.30**	3.26	1.2%
Total cost per ASK excluding fuel at constant currency (pence)	**3.26**	3.26	Flat
Operational cost per ASK (pence)	**4.30**	4.11	4.7%
Operational cost per ASK excluding fuel (pence)	**2.98**	2.94	1.3%
Operational cost per ASK excluding fuel at constant currency (pence)	**2.95**	2.94	0.3%
Ownership cost per ASK (pence)	**0.32**	0.32	Flat

Example only. Not a current offer.

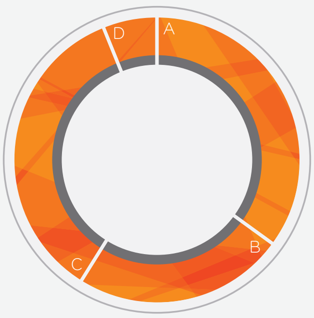
Total revenue
2011 currency split

A euro	44%
B sterling	47%
C other (principally swiss franc)	9%



Total costs
2011 currency split

A euro	35%
B sterling	24%
C US dollar	35%
D other (principally swiss franc)	6%



Exchange rates

Capacity growth in the year of 6.5 million seats flown, around two-thirds was deployed in bases outside the UK, resulting in the following exposures to foreign currency:

	Revenue		Costs	
	2011	2010	**2011**	2010
Sterling	**47%**	48%	**24%**	27%
Euro	**44%**	44%	**35%**	34%
US dollar	**–**	–	**35%**	33%
Other (principally Swiss franc)	**9%**	8%	**6%**	6%

Average exchange rates	**2011**	2010	Change
Euro	**€1.15**	€1.15	nil
US dollar (sterling weaker)	**$1.61**	$1.64	-1.8%
Swiss franc (sterling weaker)	**CHF 1.45**	CHF 1.64	-11.6%

Although a substantial proportion of both revenue and costs is denominated in euros, there was no change year-on-year in the euro exchange rate, and hence no impact on the reported result. The impact of changes in the Swiss franc and US dollar were.

Favourable / (adverse)	Swiss franc £ million	US dollar £ million	Total £ million
Revenue	24	–	24
Fuel	–	(17)	(17)
Costs excluding fuel	(21)	(8)	(29)
Total	3	(25)	(22)

Financial review
Continued

Financial performance

Revenue

	2011 £ million	2011 £ per seat	2011 Pence per ASK	2010 £ million	2010 £ per seat	2010 Pence per ASK
Passenger revenue	**2,733**	**43.75**	**3.94**	2,402	42.87	3.81
Ancillary revenue	**719**	**11.52**	**1.04**	571	10.20	0.91
Total revenue	**3,452**	**55.27**	**4.98**	2,973	53.07	4.72

Revenue per seat improved by 4.1% compared with last year reflecting a strong summer performance from the UK and the steady maturing of significant capacity investments made in mainland Europe during the last few years.

Passenger revenue contributed 2% of this increase, held back by significant increases in APD, VAT and similar taxes levied on passengers. Overall these taxes, driven by a further increase in UK APD and the introduction of APD in Germany, increased by 19.8% to £6.26 per seat.

We remain convinced that taxes of this nature are a blunt instrument that does not achieve their stated objective and will continue to press our case for such taxes to be levied on aircraft and not passengers.

Ancillary revenue grew strongly, up by 12.9% to £11.52 per seat. This improvement was driven by the introduction of higher charges for hold baggage on longer sectors, and revised speedy boarding and booking fees.

Costs

Underlying costs *	2011 £ million	2011 £ per seat	2011 Pence per ASK	2010 £ million	2010 £ per seat	2010 Pence per ASK
Operating costs excluding fuel	**2,067**	**33.10**	**2.98**	1,852	33.04	2.94
Fuel	**917**	**14.68**	**1.32**	733	13.09	1.17
Ownership costs	**220**	**3.52**	**0.32**	200	3.58	0.32
Total costs	**3,204**	**51.30**	**4.62**	2,785	49.71	4.43
Total costs excluding fuel	**2,287**	**36.62**	**3.30**	2,052	36.62	3.26

* Underlying measures exclude (in 2010) costs of £27 million relating to the volcanic ash cloud and a loss of £7 million on disposal of four A321 aircraft. There are no underlying adjustments made in 2011.

Total cost per seat increased by 3.2% to £51.30; however excluding fuel, cost per seat was flat at £36.62, and down by 1.3% at constant currency. This result was driven by savings from renegotiation of key contracts with ground handlers and lower levels of operational disruption, offset by some significant price increases at regulated airports and planned investment in crew standby levels.

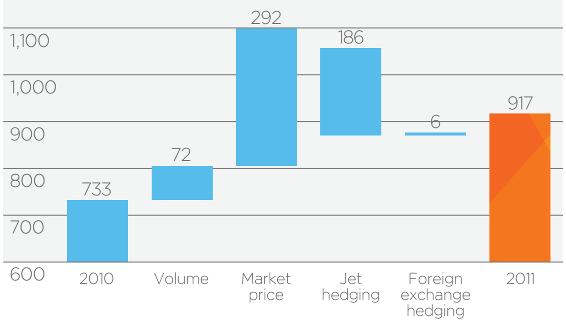
Operating costs excluding fuel

Underlying costs *	2011 £ million	2011 £ per seat	2011 Pence per ASK	2010 £ million	2010 £ per seat	2010 Pence per ASK
Ground operations	**923**	**14.79**	**1.33**	805	14.36	1.28
Crew	**407**	**6.51**	**0.58**	336	6.00	0.53
Navigation	**285**	**4.56**	**0.41**	256	4.57	0.41
Maintenance	**179**	**2.86**	**0.26**	177	3.16	0.28
Selling and marketing	**102**	**1.64**	**0.15**	92	1.64	0.14
Other costs	**171**	**2.74**	**0.25**	186	3.31	0.30
	2,067	**33.10**	**2.98**	1,852	33.04	2.94

Operating costs per seat excluding fuel increased by 0.2% to £33.10. At constant currency, operating costs per seat excluding fuel fell by 0.9% to £32.75 per seat.

Ground operations cost per seat increased by 3.0% of which around half was due to changes in exchange rates. Good progress was made in renegotiating contracts with ground handlers and reducing the use of optional services at airports, however this was more than offset by price increases at regulated airports,

Fuel cost
£ million



notably London Gatwick and the AENA airports in Spain. Successful delivery of easyJet's strategy requires the use of more expensive, often regulated, primary airports, and we will continue to develop more efficient ways of working to contain cost per seat in this area.

Crew cost per seat increased by 8.6%, driven by continued growth of crew based in mainland Europe and an overall increase in crew numbers of 19%. This increase in headcount allowed us to increase the number of standby crews and made the operation more resilient during the summer, contributing to lower disruption costs and significant improvements in on time performance and customer satisfaction.

Navigation costs were flat at £4.56 per seat despite regulated cost increases averaging 2%.

Continuing the improvement shown last year, maintenance costs declined by 9.5% to £2.86 per seat, with further cost initiatives offsetting supplier price increases. However the benefits seen in prior years from the reduction in the number of leased aircraft in the fleet have now run their course, and it is likely that cost savings will now level off.

Other costs were down 17.2% at £2.74 per seat, mainly due to significantly reduced levels of operational disruption.

Fuel

	2011			2010		
Underlying costs *	**£ million**	**£ per seat**	**Pence per ASK**	£ million	£ per seat	Pence per ASK
Fuel	**917**	**14.68**	**1.32**	733	13.09	1.17

The market price for jet fuel rose sharply over the year. Our hedging activities shielded us from the full impact of this rise and the average price paid increased by $86 to $818 per tonne; in sterling terms an increase of £63 to £508. Of the total increase in fuel costs of £184 million, £100 million (£1.59 per seat) is due to this increase in fuel prices.

For the coming financial year we have hedged 73% of our anticipated fuel requirements at $956 per tonne.

Ownership costs

	2011			2010		
Underlying costs *	**£ million**	**£ per seat**	**Pence per ASK**	£ million	£ per seat	Pence per ASK
Aircraft dry leasing	**109**	**1.75**	**0.16**	102	1.82	0.16
Depreciation	**83**	**1.33**	**0.12**	72	1.29	0.12
Amortisation	**7**	**0.12**	**0.01**	6	0.11	0.01
Interest receivable	**(9)**	**(0.15)**	**(0.01)**	(7)	(0.13)	(0.01)
Interest payable and other financing charges	**24**	**0.38**	**0.03**	20	0.36	0.03
Net exchange losses	**6**	**0.09**	**0.01**	7	0.13	0.01
	220	**3.52**	**0.32**	200	3.58	0.32

Ownership costs declined slightly to £3.52 per seat; continuing recent strong performance. This is particularly pleasing given that changes in average exchange rates increased total ownership cost per seat by £0.13.

The benefits seen in recent years from the move away from more expensive leased Boeing aircraft are now virtually all realised. The last two Boeing aircraft will be withdrawn from service and returned to their lessors during the first half of the coming year. We have therefore now reached the objective of a standardised fleet with two gauges of Airbus aircraft. Going forward we will increase the proportion of A320 aircraft in the fleet which will deliver an overall reduction in depreciation and aircraft dry leasing cost per seat.

Interest rates continue at historically low levels; while this adversely impacts interest income, we also benefit from lower interest payable and, to an extent, lower lease payments as 20 aircraft are subject to floating rate lease arrangements. There is no immediate end in sight to this period of exceptionally low interest rates.

Exchange losses arise from changes in the value of monetary assets and liabilities denominated in currencies other than sterling.

Financial review
Continued

Earnings per share

Profit after tax was £225 million (2010: £121 million) resulting in basic earnings per share of 52.5 pence (2010: 28.4 pence), an increase of 84.9%. The tax charge was £23 million resulting in an effective tax rate of 9% (2010: charge of £33 million and effective tax rate of 21%.

The difference between the effective tax rate and standard UK rate is principally driven by the reduction in the UK deferred tax rate to 25% and the resolution and reassessment of various tax matters following discussions with the UK and European tax authorities.

Cash flows and financial position

Summary consolidated statement of cash flows

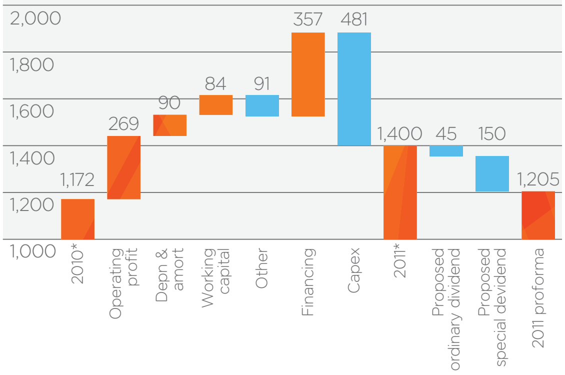
	2011 £ million	2010 £ million	Change £ million
Net cash generated from operating activities	**424**	363	61
Net capital expenditure *	**(478)**	(482)	4
Net loan and lease finance drawdown	**357**	177	180
Net (increase) / decrease in money market deposits	**(38)**	31	(69)
Other including the effect of exchange rates	**(77)**	34	(111)
Net increase in cash and cash equivalents	**188**	123	65
Cash and cash equivalents at beginning of year	**912**	789	123
Cash and cash equivalents at end of year	**1,100**	912	188
Money market deposits at end of year	**300**	260	40
Cash and money market deposits at end of year	**1,400**	1,172	228

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

In line with prior years, easyJet generated strong operating cash flow in the year principally driven by growth in forward bookings and revenue per seat.

Net capital expenditure principally comprises the acquisition of 25 aircraft (13 A319 and 12 A320) and payments in connection with the new order for aircraft announced in January 2011; net of proceeds received for the disposal of the remaining four A321 aircraft acquired with GB Airways.

Cash flow
£ million



Net loan and lease drawdown comprised proceeds received from the sale and leaseback of 18 aircraft (three on finance leases), and the mortgage of nine aircraft, net of repayments on mortgages and finance leases.

At 30 September 2011 easyJet had £1.4 billion of cash and money market deposits. Board policy is to hold a cash reserve of £4 million per aircraft, so £584 million is available to finance committed aircraft orders and pay the proposed ordinary and special dividends.

Summary consolidated statement of financial position

	2011 £ million	2010 £ million	Change £ million
Goodwill	**365**	365	–
Property, plant and equipment	**2,149**	1,928	221
Net working capital	**(765)**	(590)	(175)
Restricted cash	**123**	56	67
Net cash / (debt)	**100**	(40)	140
Current and deferred taxation	**(188)**	(176)	(12)
Other non-current assets and liabilities	**(79)**	(42)	(37)
Net assets	**1,705**	1,501	204
Opening shareholders' equity	**1,501**	1,307	194
Profit for the year	**225**	121	104
Change in hedging reserve	**(21)**	59	(80)
Other movements	**–**	14	(14)
	1,705	1,501	204

Example only. Not a current offer.

Net assets increased by £204 million over the year driven by the profit for the year offset by a small net change in the hedging reserve.

The net book value of property plant and equipment increased by £221 million driven principally by the acquisition of a net ten owned A320 family aircraft, and advance payments under the new aircraft order announced in January 2011.

Net working capital improved by £175 million to a net negative £765 million. Passengers pay for their flights in full when booking, therefore the key component of this balance is unearned revenue, which increased by £115 million. The increase in restricted cash is connected with this increase due to contractual arrangements with certain card acquirers.

	2011 £ million	2010 £ million	Change £ million
Cash and cash equivalents	**1,100**	912	188
Money market deposits	**300**	260	40
	1,400	1,172	218
Bank loans	**(1,079)**	(1,057)	(22)
Finance lease obligations	**(221)**	(155)	(66)
	(1,300)	(1,212)	(88)
Net cash / (debt)	**100**	(40)	140

easyJet ends the year with £1,400 million in cash and money market deposits; an increase of £218 million compared with 30 September 2010. Net borrowings increased by £88 million. The majority of bank loans and finance leases and all money market deposits are denominated in US dollars and the sterling value of this net liability increased by £8 million during the year as a consequence of exchange rate changes.

Net cash at 30 September 2011 were £100 million compared with net debt of £40 million at 30 September 2010. Strong operating cash flow and the increase in net assets delivered a reduction in gearing of five percentage points to 28% at 30 September 2011.

Going concern

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the business review on pages 8 to 17. Principal risks and uncertainties are described on pages 27 to 30. Note 22 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Group.

The Group holds cash and cash equivalents of £1.1 billion as at 30 September 2011. Total debt of £1.3 billion is free from financial covenants, with £155 million due for repayment in the year to 30 September 2012.

The business is exposed to fluctuations in fuel prices and US dollar and euro exchange rates. The Group's policy is to hedge between 65% and 85% of estimated exposures 12 months in advance, and 45% and 65% of estimated exposures from 13 up to 24 months in advance. The Group was compliant with this policy at the date of this Annual report and accounts.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and cash for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Significant contracts and creditor policy

Significant contracts

easyJet operates a fleet constituted mainly of Airbus* aircraft with two Boeings which will have left the fleet by 30 September 2012. Engines are provided by CFM International and the maintenance of the aircraft and engines is undertaken by SRT, Virgin Atlantic Engineering*, Aerotron*, GE, MTU, BF Goodrich and Lufthansa Technik. The major lessors of aircraft to easyJet are Amentum Capital, AWAS*, GECAS*, Nomura Babcock & Brown*, Royal Bank of Scotland*, Sumisho*, and Santander*. The major lenders to easyJet for aircraft purchase are Alliance & Leicester*, Bank of Tokyo-Mitsubishi*, BNP Paribas*, Calyon*, Commerz, HSH Nordbank*, KfW*, Natixis*, PK AirFinance*, Royal Bank of Scotland*, Sumitomo Mitsui Banking Corporation* and WestLB*.

Financial review
Continued

Our main insurers are Global, La Reunion, AXA, Canada Life, QBE and Houston Casualty Company Europe.

One of our biggest costs is fuel and our main suppliers are Shell, Air BP, Exxon, Air Total and Q8. Our IT systems include agreements with AIMS, who provide crew, aircraft and flight management control and operation software; SAVVIS who provide data centre hosting facilities and our data network; Lufthansa Systems who provide flight planning systems; SOPRA who develop and support our reservations system and other areas of system development; AD OPT Technologies who provide our pairings and roster optimiser; and Agresso who provide our accounting system.

As at 30 September 2011 easyJet had 19 bases and they were operated by:

BAA
Global Infrastructure Partners
AdP
EuroAirport Basel-Mulhouse-Freiburg
Manchester Airports Group
South West Airports
Abertis
Peel Holdings
Aeroports de Lyon
Flughafen Berlin-Schoenefeld
Aeroporti Di Milano
Newcastle Airport
Geneva International Airport
AENA
Aeroporti di Roma

At these airports our ground handling was carried out by:

Menzies Aviation
Servisair
Group Europe Handling
Aviapartner
Swissport
SEA Handling
Globeground Berlin
Swissport Menzies
Gate Aviation
Aviation Service

Our main ancillary partners are Gate Gourmet, who provide our in-flight merchandise, Europcar, who provide car rental services, Hotelopia and Laterooms who broker hotels, Low Cost Holidays who provide accommodation and transfers for easyJet Holidays and Alvia who, through the Mondial brand, provide travel insurance.

Our credit card acquirers are Elavon, Lloyds TSB, Barclays Merchant Services and American Express. Our payment service providers are CyberSource.

The Company is regulated in the UK by the CAA and easyJet Switzerland is regulated by FOCA. We have important relationships with NATS and Eurocontrol in relation to air traffic services.

The main employee unions we deal with in the UK are BALPA, UNITE and Prospect; in France they are SNPL and UNAC/SNPNC/CFTC; in Spain they are SEPLA, STAVLA and CCOO; in Italy IPA, FIT-CISL and FILT-CGIL; in Germany Ver.di; and in Switzerland SSP/VPOD.

We use contract pilots from Airline Recruitment and Parc Aviation and flight simulation services from CAE.

We have a key relationship with easyGroup IP Licensing who own the easyJet brand, and with Sir Stelios Haji-Ioannou through the Agreement Letter.

*These contracts contain provisions giving the other party the right to terminate if there is a change in control in easyJet.

Policy and practice on payment of creditors

easyJet aims to have partnership agreements with suppliers, which stresses 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 the business, to make sure that suppliers are rewarded appropriately for delivering services which meet pre-agreed performance targets and align with easyJet's own internal performance goals. Our 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 the payments

– Pay in accordance with contractual and other legal obligations

At 30 September 2011, the number of creditors days outstanding for the Group was 8 days (2010: 6 days), and for the Company was nil days (2010: nil days).

Principal risks and uncertainties

The risks and uncertainties described below are considered to have the most significant effect on easyJet's business, financial results and prospects. This list is not intended to be exhaustive.

easyJet carries out a detailed risk management process, to ensure that risks are identified and mitigated where possible, although many remain outside our full control, for example adverse weather, pandemics, acts of terrorism, changes in government regulation and macroeconomic issues. A more detailed overview of the risk management process and internal control can be found in our Corporate Governance section on pages 49 and 50.

The trend line highlighted represents the prevailing inherent risk trend being faced by easyJet. Inherent risk is assessed prior to the determination of all current mitigation.

Strategic impact	Risk description and potential impact	Prevailing inherent risk trend	Current mitigation
NO COMPROMISE ON SAFETY	**Major safety incident / accident** Failure to prevent a major safety incident or deal with it effectively. This could adversely affect our reputation, operational and financial performance.	→	Our number one priority is the safety of our customers and people. We operate a strong safety management system through: – Fatigue Risk Management System – Incident reporting – Safety Review Board – Safety Action Group Management and control system for our operations. Weekly operations meetings and reporting. Regular review by the Board of Directors. We have response systems in place and provide training for crisis management; combined with full crisis management exercises performed at least three times a year. Insurance is held which is believed to be in line with other airlines.
	Security and terrorist threat or attack Failure to prevent a major security related threat or attack from either internal or external sources or deal with it effectively. This could adversely affect our reputation, operation and financial performance.	↑	Our number one priority is the safety, including security, of our customers and people. We operate a strong safety management system as set out above. We constantly ensure that regulations required by relevant governments are enforced. Crew are trained within the current guidelines. We have response systems in place and provide training for crisis management; combined with full crisis management exercises performed at least three times a year. Insurance is held which is believed to be in line with other airlines.

Financial review
Continued

Strategic impact	Risk description and potential impact	Prevailing inherent risk trend	Current mitigation
OPERATIONAL EXCELLENCE	**Financial impact of mass disruption in peak seasonal months** A number of factors can lead to widespread disruption to our network, including epidemics / pandemics, forces of nature (extreme weather, volcanic ash, etc), acts of terrorism, union activity and strike action. Any widespread disruption could adversely effect our reputation, operation and financial performance. If the widespread disruption occurred during our peak summer months then easyJet's financial results would be significantly impacted. As load factors are also higher during this period, it would potentially take longer to recover from any significant disruption.	→	Processes in place to adapt to widespread disruption. A full crisis management exercise is performed at least three times a year and a business continuity programme is in place. Significant analysis and senior management focus has resulted in additional crewing solutions being put into place to further recognise the external factors and volatility that impact the airline industry. easyJet has a strong financial balance sheet allowing the Company to be in a strong position to withstand potential events that result in periods of reduced revenues.
	Single fleet risk easyJet is dependent on Airbus as its sole supplier for aircraft, with two aircraft types (A319 and A320). All Boeing 737's are planned to be exited by the end of 2012 There are significant cost and efficiency advantages in a single fleet, however there are two main associated risks: – Technical or mechanical issues that could ground the full fleet or part of the fleet which could cause negative perception by the flying public – Valuation risks which crystallise on the ownership exit of the aircraft. The main exposure is with the A319 fleet, where we are reliant on the future demand for second-hand aircraft	→	The efficiencies achieved by operating a single fleet type are believed to outweigh the risks associated with the Company's single fleet strategy. A rigorous established maintenance programme is followed. Constant reviews of the second-hand market and managing exit strategies for the aircraft. easyJet has a number of different options when looking at exit strategies.
	IT system failure easyJet is dependent on a number of key IT systems and processes operated at London Luton airport and other key facilities. A loss of systems and access to facilities could lead to significant disruption and have an operational, reputational and financial impact.	→	A business continuity programme, including disaster recovery, is in place and will be further developed over the coming year. This covers alternative sites being available should there be a need to relocate at short notice due to loss of facilities.
	Dependence on third-party service providers easyJet has entered into agreements with third-party service providers for services covering a significant proportion of its operation and cost base. Failure to adequately manage third-party performance would affect our reputation, operation and financial performance. Loss of these contracts, inability to renew or negotiate favourable replacement contracts could have a material adverse effect on future operating costs.	↑	Processes are in place to manage third-party service provider performance. Centralised procurement department that negotiates key contracts. Most developed markets have suitable alternative service providers.
	Industrial action Large parts of the easyJet workforce are unionised. Similar issues exist at our key third-party service providers. If any action was taken this could impact on easyJet's ability to maintain its flight schedule. This could adversely effect our reputation, operation and financial performance.	→	Employee and union engagement takes place on a regular basis. Significant analysis and senior management focus has resulted in additional crewing solutions being put into place that recognises the external factors and volatility that impact the airline industry.

Example only. Not a current offer.

Strategic impact	Risk description and potential impact	Prevailing inherent risk trend	Current mitigation
EXTERNAL RISKS	**Competition and industry consolidation** easyJet operates in competitive marketplaces against both flag carriers and other low-cost airlines. Industry consolidation will affect the competitive environment in a number of markets. This could cause a loss of market share and erosion of revenue.	→	Regular monitoring of competitor activity and potential impact of any consolidation activity. Rapid response in anticipation of, and to, changes.
EXTERNAL RISKS	**Regulator intervention** The airline industry is currently heavily regulated, with expected increased regulator intervention; this includes environmental, security and airport regulation in which charges are levied by regulatory decision rather than by commercial negotiation. easyJet is exposed to various regulators across our network, which will increase as the Company grows geographically. This could have an adverse impact to our reputation, cost base and market share. An inadequate knowledge or misinterpretation of local regulations could result in fines or enforcement orders.	↑	easyJet has a key role in influencing the future state of regulations. A Regulatory Affairs Group coordinates the work and effort in this area.
REPUTATIONAL RISKS	**Major shareholder / investor relationship issues** easyJet has a major shareholder (easyGroup Holdings Limited) controlling over 25% of ordinary shares. Shareholder activism could adversely impact the reputation of the Company and cause a distraction to management. easyJet does not own its company name or branding which is licensed from easyGroup IP Licensing. As for all brand licensees, the easyJet brand could be impacted through actions of the easyGroup or other easyGroup licensees.	↑	Dedicated Investor Relations team, utilising a shareholder engagement programme. Significant Board and Senior management time dedicated to engage with major shareholders.
REPUTATIONAL RISKS	**Ineffective or non delivery of the business strategy** A number of key projects have been set up to deliver key elements of the strategy. If these projects do not deliver the benefits and cost savings planned we could fall short of our planned financial results.	→	Programme management office (PMO) and experienced project teams have been set up to oversee delivery and track the budget and benefits realisation of all projects. Steering Group set up with full key senior management involvement to ensure monitoring, challenge and key decisions are being made at the appropriate level.
REPUTATIONAL RISKS	**Information security** easyJet faces external and internal information security risks. The Company receives most of its revenue through credit cards and operates as an e-commerce business. A security breach could result in a material adverse impact for the business and reputational damage.	↑	Systems are secured and monitored against unauthorised access; this will receive continued focus. Scanning software for fraudulent customer activity is monitored and controlled by the Revenue Protection team.
REPUTATIONAL RISKS	**Bribery Act 2010** The Bribery Act 2010 came into force in April 2011. To date there are no precedents set in respect of how this will be enforced. As with all companies, if we were found to be in breach of the Act this could adversely affect us financially and reputationally.	↑	easyJet has a strong ethical tone from the top. Risks assessments have been completed and appropriate actions taken where necessary. General awareness training has been provided, with additional targeted training given to higher risk groups.

Financial review
Continued

Example only. Not a current offer.

Strategic impact	Risk description and potential impact	Prevailing inherent risk trend	Current mitigation
END TO END CUSTOMER PROPOSITION	**Missing optimisation opportunities for aircraft fleet and network portfolio** easyJet has a leading presence on the top 100 routes in Europe and positions at primary airports that are attractive to time sensitive consumers. easyJet manages the performance of its network by careful allocation of aircraft to routes and optimisation of its flying schedule. If we fail to continue to optimise our network and fleet plan this will have a major impact on easyJet's ability to grow and gain the required yield. In addition, poor planning of the correct number of aircraft to fly the schedule would have a critical impact on the Company's costs and reputation.	↓	A Network Portfolio Management Strategy is in place which looks to take a balanced approach to the route portfolio that we fly to ensure that we optimise each aircraft to get the best return for each time of day, each day of the week. Route performance is monitored on a regular basis and operating decisions are made to improve performances where required.
	Exposure to fuel price fluctuations and other macroeconomic shifts Sudden and significant increases in jet fuel price and movements in foreign exchange rates would significantly impact fuel and other costs. Increases in fuel costs have a direct impact on the financial performance of the Company. If not mitigated, this could have a material adverse effect on financial performance. easyJet's business can also be affected by macroeconomic issues outside of its control such as weakening consumer confidence, inflationary pressure or instability of the euro. This could give rise to adverse pressure on revenue, load factors and residual values of aircraft.	↑	Board approved hedging (jet fuel and currency) in place that is consistently applied. Policy is to hedge within a percentage band for rolling 24 month periods. To provide protection, the Group uses a limited range of hedging instruments traded in the over the counter (OTC) markets, principally forward purchases, with a number of approved counterparties. A strong balance sheet supports business through fluctuations in the economic conditions for the sector. Regular monitoring of markets and route performance by our network and fleet management teams.
FINANCIAL DISCIPLINE	**Financing and interest rate risk** All of the Group's debt is asset related, reflecting the capital intensive nature of the airline industry. Market conditions could change the cost of finance which may have an adverse effect on the financial performance.	→	Group interest rate management policy aims to provide certainty in a proportion of its financing. Operating lease rentals are a mix of fixed and floating rates (currently 68% to 32%). All on balance sheet debt floating rate, repriced up to six months. None of the agreements contain financial covenants. A portion of US dollar mortgage debt is matched with US dollar money market deposits.
	Liquidity risk The Group continues to hold significant cash or liquid funds as a form of insurance. Lack of sufficient liquid funds could result in business disruption and have a material adverse effect on financial performance.	→	Board policy is to maintain an absolute minimum level of free cash and money market deposits. Allows business to ride out downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at key supplier).
	Credit risk Surplus funds are invested in high quality short-term liquid instruments, usually money market funds or bank deposits. Possibility of material loss arising in the event of non-performance of counterparties.	↑	Cash is placed on deposit with institutions based upon credit rating with a maximum exposure of £100 million for AAA ratings.

Chris Kennedy
Chief Financial Officer

CORPORATE RESPONSIBILITY

4

Corporate responsibility

At easyJet we view ourselves as a responsible European airline. We want to achieve our ambition of becoming Europe's preferred short-haul airline and in order to do so we are always looking at safer, more sustainable and innovative ways of running things, but place just as much importance on nurturing the well-being and happiness of our people. As we continue along the path of Turning Europe Orange there is no substitute to having a responsible approach. We know that that our success is inextricably linked to the well-being of our customers, our people and the communities in which we operate and work.

Our foremost responsibility is towards the safety of all of our people, from our customers through to our hard working staff both on the ground and onboard our aircraft. This is core to the business and something we communicate on at all times to all our partners and stakeholders, be they European governments, regulators, or other stakeholders central to our business operations and commercial success.

But it is the strength of our people which above all others marks us apart. Their passion, expertise and commitment is at the heart of what we do. Over the past year we have continued to build up connection with our people. We're evolving and changing the way we communicate to them all across our European operations. In turn, our long-term performance and sustainability are dependent upon their understanding, goodwill and active support so that they continue to improve the experience for our customer.

We believe in the positive contribution flying brings to Europe, particularly during these difficult economic times, and is central to many Europeans' businesses and way of life. At easyJet we are rightly pursuing our ambitious path towards minimising our environmental footprint both in the air and on the ground. This is central to the ongoing success and sustainable development of the business. Operating across an increasingly environmentally conscious Europe, we can justly lay claim to having one of the youngest and most fuel-efficient fleets around. We are proud of this, and proud of our role in helping shape a greener future for European aviation.

There is little doubt that by continuing to act in a responsible manner this will help us to achieve our ambition of becoming Europe's preferred short haul airline by making travel easy and affordable and generating market leading returns.

Safety first and foremost

The safety of our customers and staff is easyJet's number one priority; it remains a core part of our DNA. From all across the business, the boardroom to the flight deck and the check-in desk to the maintenance bay, safety informs everything we do and is the starting point for every decision, at all times.

The evolution of our open and just culture continues with easyJet being at the forefront of promoting open reporting of all safety-related incidents, no matter how minor they may appear at first glance. At easyJet, we aim to maintain processes and structures to monitor and manage safety related risk throughout the business.

Our Chief Executive Officer, Carolyn McCall, and Director of Group Operations, Warwick Brady, are responsible for all aspects of safety delivery, including our compliance obligations under the Air Operator's Certificate (AOC). The Accountable Safety Executive is Carolyn McCall and she chairs our Safety Review Board which meets monthly to assess reports from the Safety Action Groups across the business. This review and assessment process delivers monthly reports to both the UK Civil Aviation Authority (UK CAA) and the easyJet Board. In addition to our internal safety and compliance oversight regime, our Director of Safety and Security, Captain David Prior delivers an independent safety report to the Board each month which underlines how serious this issue is for our Board. Safety is taken very seriously by the Board right down to regular day-to-day communication. The Board even has direct phone line through to our Director of Safety.

Any reported safety-related incidents are assessed and categorised, with risk values assigned and aggregated to form our Composite Risk Value (CRV) index. During the year, the index showed a steady improvement, continuing a long-term trend reducing risk to well within the assigned boundary level.

Example only. Not a current offer.

8,288
Number of people across easyJet network

5,000
Number of Spirit recognitions in first four months since launch

The Safety Management System (SMS) launched in 2009 has continued to extend its influence across the organisation to ensure that the highest standards of safety risk management and oversight are embedded in everything that we do. We have now successfully embedded the concept of Operational Readiness and this process now applies to all our major operational initiatives such as the ground de-icing programme. During 2011 we configured a number of SMS tools and carried out a range of activities. We are in the process of integrating our bespoke safety data system into our operations. easyJet has developed the capability to generate risk based safety oversight through the use of intelligent systems. These new initiatives will deliver further cost efficiencies whilst maintaining high levels of safety.

As an acknowledged leader in the field of Fatigue Risk Management Systems (FRMS) easyJet continues to work with other world class entities to ensure maximum benefit is gained in terms of cost efficiencies and crew utilisation. In 2012 we will see FRMS linked as an integral part of the operations team. In this position the system will be well placed to deliver Quality Assurance of roster delivery whilst maintaining strict regulatory compliance.

easyJet is working closely with UK, EU and European governments and agencies to ensure there is a coordinated response to any future large scale air traffic disruption caused by volcanic activity or weather events. During this year's Icelandic volcanic eruption easyJet worked closely with the British authorities to provide advice on the whereabouts of the latest ash cloud. easyJet has since been appointed as one of the Government's strategic partners on this issue.

easyJet has also taken part in several international exercises simulating the effects of large scale volcanic eruptions. In parallel continued work alongside the Norwegian Institute for Air Research, to support the development of the innovative on board ash detection radar AVOID, invented by Dr Fred Prata. AVOID (Airborne Volcanic Object Identifier and Detector) technology is a system which uses infrared technology built on the aircraft, similar to weather detectors currently used, to enable pilots and flight control to see an ash cloud up to 100km ahead and at altitudes between 5,000ft and 50,000ft, and to amend their course to miss areas of ash cloud, and in effect open up a larger area of airspace than might be available using existing data methods alone.

easyJet has since become the first airline to start trials of the AVOID.

The safety of our passengers once they have left the aircraft is also important to us. Last year easyJet worked with the EU to help raise awareness of the pan-European emergency number 112. Several activities were carried out including onboard announcements and a permanent mention in the in flight magazine. All of this to help our millions of customers feel safer on their European travels.

Connecting with our customer is also core to the easyJet strategy. The past year has seen a raft of innovations introduced across the business to improve the communication with the customer, from new website information tools, an improved booking process, an expanded customer experience team. Throughout the disruptions, be it the bad winter, the political and industrial unrest, and the latest Icelandic eruption, we have been there for our customer throughout. We spent the year introducing a raft of new measures to help better deal with disruption, including leaflets, improved accommodation and catering support, and more efficient communication tools. Throughout these events we also added rescue flights to our schedule to ensure that our customers reached their destinations as soon as possible.

Finally at easyJet we take the welfare of our passengers extremely seriously whatever their needs and disabilities. In 2010/2011 we carried over 350,000 passengers with reduced mobility from across Europe and have worked closely with European disability groups across various countries to improve our service offering for this group of travellers, but without compromising our safety.

Connecting with our people

Our people make the difference, across all areas of our team, from cabin crew and pilots through to our engineering teams and management and admin teams. Our focus is to attract the right person regardless of level within the business, and to keep them engaged in making travel easy and affordable for our passengers.

We also look for ways to operate more efficiently across all areas of the business to provide the best returns for our shareholders whilst maintaining the level of service and satisfaction among our people to provide a quality service to our customers.

Corporate responsibility
Continued

2011 saw a lot of work on ensuring a stable and efficient crew planning and rostering approach to ensure that we could operate effectively through our busiest summer months. We increased standby across the network, resourced at a base level and not a network level as in previous years and worked on the resource planning and the rostering robustness. Given this summer's results, this has all been to good effect.

People strategy

We have continued to implement our three-part strategy to find and retain the best people to deliver our ambition of becoming Europe's short-haul airline of choice with market leading returns.

Talent

During the year we added to our existing talent pool by recruiting some 1,371 cabin crew, 395 new pilots and 228 management and administrative staff.

Following the appointment of the new CEO towards the end of the last financial year, we have grown and developed our Executive Management Team (EMT), with a new structure focused on building capability across Europe, developing our business traveller proposition and focusing on the customer. This resulted in new roles for some of the existing EMT members and the appointment of a new Group Director IT, Group Director Marketing, Group Director Communications, Group Director People and Group Director Europe. In support of our strategy to become Europe's preferred short-haul airline, we have appointed Senior roles in each of our European countries to help us drive the implementation of our strategy and maximise our potential in each of these countries.

This year we have also made three new Non Executive appointments to our PLC Board.

We have spent time building our leadership teams and capability, ensuring that our leaders understand the evolving strategy, the associated business challenges and their roles in leading and engaging their teams to deliver on this.

And the talent development doesn't only stop at the top. As part of our plans to build a talent pool for the future, 17 graduates from across Europe have been recruited this year and a new graduate programme introduced. As a result we plan to have introduced approximately 100 highly capable graduates into our management pipeline within the next five years.

In addition to this and to ensure that our people remain at their highest level and support their progression, this past year we have provided training at our bespoke easyJet training Academy to ensure our crews are all up-to-date on the latest industry developments.

Engagement

Recognising that there are proven links between an engaged workforce and excellence in customer service and business delivery, we have continued to focus on the engagement of our people.

We have focused on making it easy for our people to do their work and listened to their ideas and feedback through various communication channels, including a weekly CEO call, EMT base visits across the European network, and web chats and videos directly to our people.

We understand that good communication is vital within a business – especially one which has such an extensive and multinational staff base – to ensuring that key issues and matters are discussed with staff so that we can react quickly and ensure our people remain engaged in the business. Communication is a two way task, enabling us to both listen to our peoples' views and disseminate messages to them, but also respond to their concerns.

Our flat management structure enables us to pass messages across the team, directly to our people. In addition, through our company intranet, our people have an opportunity to use the various forums to highlight and discuss issues that affect them, and to raise issues.

More formally, we communicate and discuss matters with our employee representatives and partner a number of trade unions across Europe, ensuring two way communication across these partnerships.

All of our locations have funds allocated for the local groups to support local engagement initiatives at base.

We have also begun a new redevelopment programme of our main base crew rooms, including the construction of new offices and rest facilities at specified locations. As a part of this we have been engaging with our people to ensure that the design and refurbishment are reflective of what works well for our teams locally, as well as meeting the needs of the business going forward.

uSay
For the second year running, we have conducted our uSay staff survey, aimed at obtaining employee feedback from everyone across our European organisation as well as each of our main communities. In 2011 our overall score has improved to 40%. We will be using the results to identify improvement areas and action on suggestions.

Organisation
To succeed in our corporate ambitions, we need to have high quality people with the right skills in the right place at the right time. Our aim is to ensure that our people contribute more to our business than they would for any other employer. We aim to ensure that we continue to recruit the best people in the roles and keep these people engaged in the business so that we can achieve these objectives.

Following our strategic review we reshaped the organisation around a few key principles:

- the customer is at the centre of all that we do; align the structure around our product delivery, ensuring robust tracking systems monitor and advise on that needs to be achieved, ensuring clear accountability, roles and responsibilities for our fundamental processes, putting in place simplified structures and processes to facilitate good coordination securing the right people in the right places and improving tools and processes across the organisation

This year we have looked to improve all our recruitment programmes, placing emphasis on the candidate experience and the assessment tools we use so that we attract and retain the best.

We have also begun a programme of investment in the relationships we have with our people forums, such that we can have more of a partnership dialogue about what is best for easyJet and our people. In addition we are establishing a European Works Council which is currently at the stage of electing appropriate representatives across all countries.

As with all businesses there are levels of staff attrition that will occur and in 2011 our overall unforced staff turnover was 9.69%, which was a slight increase on 2010.

Turning Europe Orange
Following the growth of our network, we continue to grow our presence across Europe to continue to strengthen our position as Europe's only truly pan-European air transport network.

As at 30 September 2011, easyJet employed 8,288 people (2010: 7,359), based throughout Europe as illustrated below;

United Kingdom	5,116
Switzerland	666
France	774
Spain	614
Italy	797
Germany	320
Netherlands	1
Total	**8,288**

Equality and diversity
easyJet is an equal opportunities employer. We ensure that our people and applicants do not receive 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. Applications from disabled people are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event that one of our people becomes disabled every effort is made to ensure that their employment at easyJet continues and training is arranged where appropriate.

We are pleased to report that our gender ratio across the organisation is 51:49 (male : female) and in the last year we have increased our female representation on both the PLC Board and the EMT.

Reward
easyJet offers a competitive rewards package and reviews salaries annually in line with market rates to ensure continued alignment to the market. The rewards package includes an annual performance-driven bonus, based on personal and Company performance, which encourages all our people to contribute towards achieving our strategic objectives. Our UK people are also eligible to participate in a Group personal pension towards which easyJet contributes to, as well as having the option to make their own contributions through salary sacrifice.

Corporate responsibility
Continued

Share schemes
We once again offered all our people the opportunity to join its popular all-employee share plan, easyJet Shares 4 Me. The plan has won five major awards to date, and involves three elements: Save As You Earn (SAYE); Buy As You Earn (BAYE) and Free Shares. Each scheme is Her Majesty's Revenue & Customs (HMRC) approved and is open to all our people on the UK payroll. For our people who are on non-UK payrolls, international schemes have been established, with similar terms and conditions to the UK scheme, albeit without the UK tax benefits. Participation in the scheme remains very strong, with over 80% of our eligible people taking part in one or more of the plans.

Your benefits
Our UK people continued to be entitled to select from a number of flexible benefits. This enables our people to access programmes and savings which would not be available to them on an individual basis. A "lifestyle benefits" scheme also remained in the year offering discounts on a wide range of products and services.

Our people make further savings in tax and National Insurance for many of these benefits, through salary sacrifice. easyJet's National Insurance savings contribute to the financing of the scheme, which is fully outsourced.

easyJet Spirit Awards
In 2010 we launched a new employee awards scheme; Spirit. This scheme rewards our people for their commitment and hard work, and recognises where our people go above and beyond to enable our business to succeed. During the course of the year, we have monthly, quarterly and annual recognising achievement across the different communities within our business.

This year we also launched the easyJet Spirit Awards Portal, a section of our intranet where employees can recognise each other, and nominate their colleagues for Spirit Awards. This has been really well received with more than 5,000 nominations for Spirit Awards during the first four months, representing an over 500% increase on the number of our people formally recognised during the previous year. We will be holding our second annual awards event in February 2012.

Charitable donations
easyJet has continued to support the Alzheimer's Society as its European charity partner. Through onboard collections we have managed to raise over £800,000 for this charity.

Our charitable support also focuses on our employees and their efforts to raise funds for local charities across our pan-European bases. This has involved raising funds for a number of different charities and has seen our staff undertake numerous activities including, the London and Paris marathons, and the Three Peaks challenge to name a few.

Political donations
easyJet does not make donations to any political party. This in not in line with our values and would be deemed as inappropriate.

Gifts and gratuities
easyJet employees are sometimes sent gifts from various companies throughout the year. In order to provide clear guidance to employees and avoid potential conflicts of interest, we have a strict policy that prevents any employee accepting gifts over a nominal value of £35. When required, 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.

easyJet and the environment
Efficiency is in our DNA and this applies to our environmental impact as well. We believe the most important environmental issue facing the industry is climate change and addressing our environmental impact is part of our responsibility as an airline. As an airline easyJet is constrained in what it can do in the area of CSR as we are heavily constrained by the technology available to us, the development of which is a highly regulated and lengthy process.

Fuel is our largest single cost item, so we are heavily incentivised to minimise its use and therefore CO_2 emissions

As we grow we are replacing less efficient operators and therefore reducing emissions on routes where we are replacing capacity.

Example only. Not a current offer.

Environment

The aim of our business is to be as efficient as we can be – this applies to our environmental impact as well. Our environmental policy is governed by three promises:

- To be efficient in the air
- To be efficient on the ground
- To lead the move to more efficient flying

We have also focused on ensuring the industry plays its role in tackling climate change. Our next financial year is an important one for aviation and the environment as it will encompass the first year aviation will play a full role in the European Union's Emission Trading System (ETS), ensuring that aviation emissions are part of Europes efforts to tackle climate change.

To significantly reduce our environmental impact further will require technological change across the industry, so our environment policy focuses on these long-term gains.

CO_2/passenger Km
g

+0.2ppt

2011	84.60
2010	84.40
2009	87.30
2008	90.31
2007	95.56
2006	95.70
2005	98.80
2004	104.50
2003	110.00
2002	106.90
2001	112.50

Progress over time and environmental data

- Over the last ten years easyJet has successfully improved our CO_2 efficiency every single year. However, this year our CO_2 efficiency declined slightly. This is due to a number of factors including shorter sector lengths, increased fuel burn in the first half of the year due to winter weather and disruption. Emissions per passenger km (the standard industry measure of efficiency) increased in 2011 to 84.6g/km from 84.4g/km in 2010. Emissions per passenger journey also increased, rising from 82.3 kg per sector to 84.6 kg. We redoubled our efforts to improve fuel efficiency in the second half of the year and this will continue to be a significant focus in 2012

Aviation and the environment

Aviation has three main environmental impacts:

On climate change

Aviation contributes to climate change through both the direct emission of CO_2 from fuel burn, and due to other non-CO_2 effects from the emission of Nitrogen Oxides (NOx), particles and aerosols and cloud formation. The science surrounding the impact of aviation's CO_2 emissions is very well developed, while the science surrounding non-CO_2 effects remains uncertain. It is clear however that the long-lasting impact is from CO_2 emissions.

On local air quality

Local air quality impacts arise from NOx emissions during aircraft take-offs and landings. We have upgraded 40% of our engines with the tech insertion upgrade. This reduces emissions but also reduces NOx emissions by 10%. These engines are the best in class and help minimise our impact on local air quality.

On noise levels

Aircraft noise clearly has an impact on residents around airports. easyJet complies with local rules that govern noise at airports (such as curfews and routeings to avoid built up areas). Our aircraft meet the tightest international noise standards [ICAO chapter 4]. Our focus on improving the efficiency of our flying has also reduced our noise impact; by changing the flap settings used for landings we have both improved fuel efficiency and reduced noise levels at landing.

Corporate responsibility
Continued

We believe the most significant environmental impact is on climate change. This is the dominant global environmental issue, and it also is of long-term strategic importance to the airline industry. We have therefore focused our reporting and public policy work on this issue.

Why the environment matters

Addressing our environmental impact is clearly part of our responsibility as an airline. However, it is also a business imperative. Environmental concerns have a significant impact on public policy towards aviation, from restrictions on airport expansion to passenger taxes. It is therefore in our own interest to ensure that both we and the wider industry properly address environmental concerns. This is why we have focused on considering public policy solutions to the challenges the industry faces.

Long-term sustainability of the industry

Aviation emissions have increased steadily over time, despite significant improvement in environmental efficiency – the growth in air traffic has outweighed the efficiency gains. Over the last ten years global aviation traffic has grown by over 5% a year, while efficiency gains have been about 2%. This has led to concerns that aviation emissions will continue to grow into the future, and that this will be inconsistent with the overall reductions in greenhouse gas emissions that are needed to limit the impact of climate change. This is clearly unsustainable and needs to change going forward.

We believe that the main environmental key challenge facing the industry is to ensure that emissions are put on a downwards path. There is a real risk that if the industry does not achieve this on its own, it will have growth constraints placed on it. We have already seen suggestions of this in the UK, where the Committee on Climate in its December 2009 report on aviation emissions suggested the growth of the industry would need to be limited to 60% over the next 40 years to control UK emissions.

To ensure the industry does not face any artificial constraints we need to significantly improve the efficiency of flying, through step-changes in technology, and the right incentives to ensure that airlines and passengers fly as efficiently as possible.

Delivering our environmental promises

Our promises revolve around actions we can take in the short term to directly improve the environmental efficiency of our business, and at the same time working to deliver a sustainable long-term outcome for the industry. The latter involves changing the framework within which the industry operates to ensure it delivers sustainable outcomes.

Governance

Many people within easyJet help deliver our environmental aims. Oversight of our environment policy is carried out by a manager in our regulatory team, and the EMT receives regular updates on environmental policy as part of our reporting on regulatory issues.

easyJet's actions

How we fly our aircraft has an effect on the environment and finding new innovative ways of doing so continues to drive us.

We are continually working to improve the environmental impact of our current operations, by increasing fuel efficiency. We have a fuel efficiency programme which is continually monitored, with new measures being regularly implemented. While some of these measures save relatively small amounts of CO_2 per flight, as we have an average of over 1,000 flights a day the total savings can be very large.

Examples of fuel efficiency programmes are:

– Ground power usage

We have instituted a policy of using ground based power where possible (rather than the Auxiliary Power Unit on the aircraft); this is considerably more efficient. This saves 13 kg of CO_2 per turnaround, and in total we have saved 44,000 tonnes of CO_2 over the year based on current usage levels.

– Landing lights

We have lowered the height at which the landing lights are lowered on landing (reducing drag). This saves 150 grams of CO_2 per flight, and 550 tonnes of CO_2 per year.

– One engine taxi on departure

Example only. Not a current offer.

We now use a single engine to taxi the aircraft before departure at airports where it is possible to do this. This saves 7.9 kg of CO_2 per departure, and across the network we have saved 1,380 tonnes of CO_2 in the year based on current usage.

New technologies and design

In 2011 we were the first commercial airline to trial a revolutionary nano-technology coating on our aircraft aimed at reducing drag and increasing fuel efficiency. We are also regularly looking at ways to reduce weight onboard and are currently looking at lighter seats in the cabin.

Entry into ETS

Aviation entered ETS in 2010. In 2010 we were required to report our CO_2 emissions and the Revenue Tonne Kilometres flown by easyJet. In 2012 we will be required to surrender permits to cover CO_2 emissions. ETS compliance is overseen by our finance team. We have put in place the appropriate mechanisms to monitor and report the required data and to manage our exposure to the carbon market.

Changing the industry framework

Achieving step change in the environmental efficiency of aviation will require significant progress in the development of next-generation aircraft. Without significant improvements in fuel efficiency it will not be possible to increase the rate of environmental efficiency improvement.

While we have seen some progress in the short-haul market, with the development of the Airbus A320 NEO and Boeing B737 MAX, we remain concerned that the current effective duopoly in the production of large commercial aircraft is restricting the development of next-generation aircraft. There has been limited progress on the development of a next-generation short-haul aircraft and it is clear that it will be many years before there is a new short-haul aircraft. We are continuing to push the manufacturers to develop a next-generation short-haul aircraft.

It is also vital that the policy framework set out by governments supports the objective of increasing the environmental efficiency of aviation. We believe there are three parts to this, only one of which is in place.

– Aviation in ETS

Aviation entered the EU Emissions Trading Scheme (EU ETS) in 2010, and airlines will have to surrender permits in 2013 to cover their 2012 emissions. We were a strong supporter of aviation's entry and we continue to believe that this is the best way to ensure aviation makes its fair contribution to tackling climate change.

– Ensuring any taxes support environmental objectives

We do not support the imposition of aviation specific taxes. However, where they are in place (such as the UK) we believe they must be designed to provide incentives for more environmentally efficient flying. This means the tax base must be flights, not passengers.

– Minimum standards for aircraft

International minimum standards are needed to drive the development of new technology aircraft.

GOVERNANCE

5

Chairman's introduction

easyJet welcomes the introduction of the UK Corporate Governance Code 2010 ("the Code"), which has applied to the Company from 1 October 2010. The Code gives me the opportunity to set out how, as Chairman, I have been fulfilling my responsibility for leadership and effectiveness of the Board.

In October 2010, easyJet signed an amended brand licence with easyGroup IP Holdings Limited and a letter of agreement with the Company's founder, Sir Stelios Haji-Ioannou. This has given us greater certainty and freedom to pursue the Company's strategy which was explained to our stakeholders in November by our Chief Executive Officer, Carolyn McCall. At the same time the Relationship Agreement was terminated which meant that easyGroup Holdings and Sir Stelios no longer had the right to appoint two directors and Sir Stelios no longer had the right to be chairman of easyJet.

The strategy presented in November has been further rigorously reviewed and challenged by the Board, in June 2011 we had a two day session devoted to debating and refining the strategy.

The Board also undertook a two day visit to easyJet's largest base at Gatwick which included a detailed tour of the operations to assist the Non Executives' understanding of the day-to-day operational issues facing the Company. This was in addition to the introduction of an enhanced induction programme for our new non executive directors during the course of the year.

There have been a number of changes to the Board during the year with the addition of three new Non Executive Directors and the resignation of Sir David Michels and Sven Boinet. Further details of the appointments are described in the section on the Nominations Committee. The additions to the Board have strengthened the Board in the areas of finance and risk management and have added to the balance of experience and skills on the Board. The diversity of opinions, perspectives and insights given by the Non Executives with their variety of backgrounds and experience has inevitably benefitted the Executive Management Team through the feedback gained from having members of the management team attending Board meetings.

I am satisfied that the members of the Board, in particular the Non Executive Directors, have sufficient time to undertake their roles at Board and Committee level with the Company, so as to be able to discharge their responsibilities effectively

The Company has carried out an in-depth review of the quality and quantity of information provided to the Board and, following input from all of the Directors, is now providing information in an updated format. This ensures a regular supply of tailored information allowing the Directors to assess the performance of the Company in the most efficient and effective manner.

The Board has appointed Lintstock to assist with an external evaluation of the Board's effectiveness to be carried out over the next few months and we expect that such an external review will be carried out every three years. Between these external reviews, we will use an external evaluation tool to carry out annual Board performance review.

At our AGM in February 2011, we put all of our Directors up for re-election in compliance with the Code and anticipate continuing to put all Directors up for re-election annually.

During the year the UK Bribery Act came into effect and the Board has overseen a review of its requirements to ensure that the Company is well placed to adhere to it in full.

Sir Michael Rake
Non Executive Chairman

Board of Directors

Sir Michael Rake
Non Executive Chairman (1948)

Michael (1948) was appointed to the Board of easyJet as Deputy Chairman on 1 June 2009 and became Chairman on 1 January 2010. He is Chairman of BT Group plc, as well as a Non Executive Director of Barclays PLC, McGraw Hill Inc and the Financial Reporting Council. He is also Chairman of the private equity oversight group; the Guidelines Monitoring Committee.

From May 2002 to September 2007, Michael was Chairman of KPMG International. Prior to his appointment as Chairman of KPMG International he was Chairman of KPMG Europe and Senior Partner of KPMG in the UK.

Michael is a Governor of Wellington College, a Board member of Guards Polo Club and is a member of the Prime Minister's Business Advisory Group.

Charles Gurassa
Non Executive Deputy Chairman and Senior Independent Director (1956)

Charles (1956) was appointed to the Board of easyJet as Independent Non Executive Director on 27 June 2011 and became Deputy Chairman and Senior Independent Director on 1 September 2011. He is currently Non Executive Chairman of Tragus, MACH, Parthenon Entertainment and Genesis Housing Association.

His career has been primarily in the travel, tourism and leisure industries in a number of senior positions including Chief Executive of Thomson Travel Group Plc, Executive Chairman TUI Northern Europe and Director Passenger and Cargo at British Airways. Previously he was Non Executive Chairman of LOVEFiLM, Phones4U, Virgin Mobile plc, Alamo/National Rent a Car, 7Days and has been a Senior Independent Director of Merlin Entertainments, a Non Executive Director at Whitbread plc and an advisory Board member of Alpitour.

Carolyn McCall OBE
Chief Executive (1961)

Carolyn (1961) joined easyJet on 1 July 2010 as Chief Executive and was appointed to the Board. Prior to this, she was Chief Executive of Guardian Media Group.

She was a Non Executive Director of Lloyds TSB from 2008 to 2009, Non Executive Director of Tesco Plc from 2005 to 2008 and Non Executive Director of New Look from 1999 to 2005. She was Chair of Opportunity Now and a former President of Women in Advertising and Communications London (WACL).

She was awarded the OBE for services to women in business in 2008. In April 2008, she was named Veuve Clicquot Business Woman of the Year.

Carolyn graduated from Kent University with a BA in History and Politics and from London University with a Masters in Politics.

Chris Kennedy
Chief Financial Officer (1964)

Chris (1964) joined easyJet on 1 July 2010 as Chief Financial Officer and was appointed to the Board. Chris joined easyJet from EMI Music where he has had a successful career covering a range of international roles including Chief Financial Officer. Chris has considerable experience of working within a high profile international, fast changing consumer facing business, strong financial skills and a demonstrable track record of delivering operational improvement.

Adèle Anderson
Independent Non Executive Director (1965)

Adèle (1965) was appointed to the Board of easyJet on 1 September 2011. She previously worked for KPMG and became a partner in 1997. She was the youngest member of the KPMG UK Board when appointed in 2000 and was appointed CFO in 2001. She became Chief Executive Officer of KPMG's captive insurer in 2003 and in 2009 moved to KPMG Europe where she was Head of Financial Analysis, Risk and Control and then Europe Chief Financial Officer before leaving in July 2011.

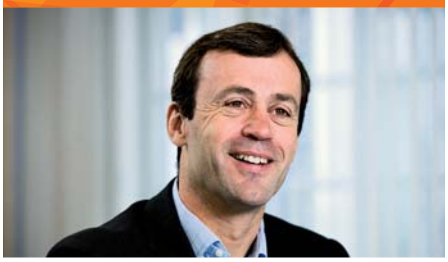
Adèle graduated from Kent University with BSc Hons in Mathematics & Computer Science.

David Bennett
Independent Non Executive Director (1962)

David (1962) was appointed to the Board of easyJet on 1 October 2005 and is Chairman of the Audit Committee. He is currently Chairman of Pacnet, a Pan-Asian provider of telecommunications / internet systems connectivity, and a Non Executive Director of CMC Markets plc, Jerrold Holdings Ltd and Clarity Commerce, a software solutions provider.

He has had a long career in the financial services sector and was both Group Finance Director and Group Chief Executive of Alliance & Leicester plc until its sale to Santander in 2008. David has also held a number of positions in Abbey, Cheltenham & Gloucester, Lloyds TSB and the National Bank of New Zealand.

John Browett
Independent Non Executive Director (1963)



John (1963) was appointed to the Board of easyJet on 27 September 2007. He is currently Chief Executive Officer of Dixons Retail plc, a position he has held since December 2007.

Prior to joining Dixons Retail, John was the Operations Development Director of Tesco plc. He joined Tesco as Group Strategy Director in 1998 and held a number of Executive Director positions in the company including running Tesco.com from 2000 to 2004 where he was responsible for formulating and delivering its strategy from launch to profitability. Between 1993 and 1998, John was at the Boston Consulting Group.

John is a graduate of Cambridge University and Wharton Business School.

Professor Rigas Doganis
Independent Non Executive Director (1939)

Rigas (1939) was appointed to the Board of easyJet 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.

Keith Hamill
Independent Non Executive Director (1952)

Keith (1952) was appointed to the Board of easyJet on 1 March 2009 and is Chairman of the Remuneration Committee. He has considerable experience as a Director of listed companies and is currently the Chairman of Tullett Prebon. He is also is Deputy Chairman of Travelodge, which he previously chaired for eight years, and a Director of Samsonite.

He was previously Chairman of Go, prior to its acquisition by easyJet in 2002, Alterian, Collins Steward, Heath Lambert, Luminar, and Moss Bros and Director of Electrocomponents, Cadmus Communications Corp. He was Finance Director of WH Smith, Forte and United Distillers and a partner in PricewaterhouseCoopers.

Keith is a Fellow of the Institute of Chartered Accountants and also chairs the Board of the University of Nottingham.

Andy Martin
Independent Non Executive Director (1960)

Andy (1960) was appointed to the Board of easyJet on 1 September 2011. He is currently Group Finance Director of Compass Group PLC.

Prior to joining the Compass Group in 2002, Andy was a partner with Arthur Andersen and held senior financial positions with Forte PLC and Granada Group PLC. Following the disposal of the Hotels Division in 2001, Andy joined First Choice Holidays PLC (now TUI Travel PLC) as Group Finance Director.

Andy graduated from Manchester University with a BA in Economics and is a member of the Institute of Chartered Accountants of England & Wales.

Executive Management Team

Alita Benson
People Director (1967)

Alita (1967) joined easyJet in February 2011 as Head of HR Central Services and in June 2011 was appointed as People Director.

Before joining easyJet, Alita was Head of HR Business Partners at T-Mobile for nine years and led the T-Mobile UK HR input for the merger with Orange.

Alita is a fellow of CIPD and graduated from Southampton University with a BA (Hons) in English Literature and obtained a Post Graduate Diploma in Personnel Development at Manchester Polytechnic.

Warwick Brady
Director of Group Operations (1964)

Warwick (1964) joined easyJet in May 2009 as Procurement Director and in October 2010 was appointed Director of Group Operations.

He has significant experience of leading low cost airlines in areas ranging from high growth and restructuring, through to turnarounds.

Before joining easyJet, Warwick was Deputy Operations Director at Ryanair from 2002 to 2005, where he held various executive roles including Deputy CEO of Buzz, following its acquisition from KLM. He also spent two years as Chief Operations Officer of Air Deccan. His role focused on delivering high growth at the lowest cost and during this time he was instrumental in listing the company on the Bombay stock exchange. Most recently, Warwick was CEO at Mandala Airlines where he turned a legacy brand into a modern, low cost carrier.

Mike Campbell
Europe Director (1957)

Mike (1957) joined easyJet in October 2005 as People Director and in April 2011 was appointed Europe 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.

Trevor Didcock
Chief Information Officer (1963)

Trevor (1963) joined easyJet in September 2010 as Chief Information Officer.

Before joining easyJet, Trevor was CIO at Homeserve plc, The AA and RAC Motoring Services and spent nine years in IT management roles at Mars, Inc. His earlier career was in IT, Finance and Engineering roles at J P Morgan and Esso.

Trevor has an MBA from Cranfield and a BSc in Mechanical Engineering from Nottingham University.

Peter Duffy
Marketing Director (1966)

Peter (1966) joined easyJet in February 2011 as Marketing Director.

Before joining easyJet, he was Marketing Director for Audi in the UK where he oversaw a period of rapid and profitable growth. Prior to that, Peter was Marketing Services Director at Barclays.

Peter has a degree in Economics and an MBA.

Chris Kennedy
Chief Financial Officer (1964)

See Directors' profiles.

Cath Lynn
Customer and Revenue Director (1964)

Cath (1964) joined easyJet in 2002 following the merger with Go, in which she played an active role. Cath has successfully carried out a number of senior leadership roles at easyJet including Head of Ground Operations, Head of Airport Development and Procurement and Head of Network Development. In April 2011, she was appointed as Customer and Revenue Director.

Before joining easyJet, Cath spent 12 years in retail for J Sainsbury before being head hunted in 1998 by Barbara Cassani for the start up of Go where she was part of the management buy out team and headed up cabin services, ground operations and customer service.

Carolyn McCall
Chief Executive Officer (1961)

See Directors' profiles.

Paul Moore
Communications Director (1962)

Paul (1962) joined easyJet in November 2010 as Communications Director.

Before joining easyJet, Paul was Group Public Affairs and Communications Director for FirstGroup, the world's largest private sector transport operator. Prior to that Paul worked for Virgin Atlantic Airways for ten years as its Director of Corporate Affairs during a period when the airline significantly grew its worldwide network while delivering award winning customer service. Highlights included managing the communications of several crises, winning PR Week Award for Crisis Communications in 2002, coordinating the airline's lobbying activities and organising several successful world records.

Paul started his career as a civil servant and first joined the transport sector with the Department of Transport.

Giles Pemberton
General Counsel and Group
Company Secretary (1968)

Giles (1968) joined easyJet in April 2006 as General Counsel and Company Secretary. He has been on the Executive Management Team since July 2010.

Before joining easyJet, Giles was Assistant General Counsel and Director of Compliance at Cable & Wireless plc where he spent ten years as a legal adviser within the UK and Australian operating divisions and then in its head office. He is a qualified solicitor (England & Wales) who spent the first four years of his career with the City law firm Freshfields.

Giles holds an LLB (Hons) degree from Nottingham University and obtained his professional qualification from The Guildford College of Law.

Corporate governance

Principles statement

easyJet is committed to meeting the required standards of corporate governance.

Statement of compliance

During the year, the Board considers that it and the Company have complied without exception with the provisions of the Code. The Code is issued by the Financial Reporting Council and is available for review on the Financial Reporting Council's website http://www.frc.org.uk/corporate/ukcgcode.cfm.

Leadership

As at 30 September 2011, the Board comprised eight Non Executive Directors (including the Chairman) and two Executive Directors.

The roles of Chairman and Chief Executive are separated, clearly defined, and approved by the Board.

Sir David Michels was, until 26 August 2011 the Senior Independent Non Executive Director and held the post of Deputy Chairman. Both posts are now filled by Charles Gurassa.

The Board meets regularly, with 11 scheduled meetings having been held during the year ended 30 September 2011 with a further four ad hoc meetings. All members of the Board are supplied in advance with appropriate information covering matters which are to be considered. The Non Executive Directors have met without any Executive Directors present during the year from time to time, usually prior to or immediately after Board meetings.

The matters reserved for the Board had originally been drafted at the time of flotation and was reviewed during the year. As a result, an updated terms of reference was approved during the year to bring it into line with current best practice as set out by the Institute of Company Secretaries and Administrators. It is available on easyJet's website. Day-to-day management responsibility rests with the Executive Management Team ("EMT"), which comprises ten Executives (including the Executive Directors of the main operating company, easyJet Airline Company Limited). The first reports of the EMT then form the Executive Leadership Team.

Meetings attended during the financial year ended 30 September 2011 plc Board

	Scheduled meetings eligible to attend	Scheduled meetings attended	Additional meetings eligible to attend	Additional meetings attended
Executive Directors				
Chris Kennedy	11	11	4	4
Carolyn McCall OBE	11	11	4	4
Non Executive Directors				
Sir Michael Rake	11	11	4	4
Charles Gurassa (joined 27 June 2011)	3	3	3	2
Sir David Michels (left 26 August 2011)	10	8	3	2
David Bennett	11	7	4	4
Keith Hamill	11	10	4	4
John Browett	11	9	4	2
Rigas Doganis	11	10	4	4
Sven Boinet (left 30 September 2011)	11	7	4	1
Adèle Anderson (joined 1 September 2011)	1	1	1	1
Andy Martin (joined 1 September 2011)	1	0	1	0

Board Committees

	Audit Committee	Remuneration Committee	Nominations Committee	Litigation Committee
Executive Directors				
Chris Kennedy	3*	2*	n/a	n/a
Carolyn McCall	3*	3*	n/a	n/a
Non Executive Directors				
Sir Michael Rake	n/a	1*	n/a	n/a
Charles Gurassa (joined 27 June 2011)	n/a	n/a	n/a	n/a
Sir David Michels (left 26 August 2011)	n/a	n/a	1	n/a
David Bennett	3	2	0	n/a
Keith Hamill	2	6	n/a	n/a
John Browett	2	n/a	n/a	n/a
Rigas Doganis	n/a	4	1	n/a
Sven Boinet (left 30 September 2011)	n/a	3	n/a	n/a
Adèle Anderson (joined 1 September 2011)	n/a	n/a	n/a	n/a
Andy Martin (joined 1 September 2011)	n/a	n/a	n/a	n/a

*By invitation.

Effectiveness

The Company regards David Bennett, Professor Rigas Doganis, John Browett, Keith Hamill, Charles Gurassa, Adèle Anderson and Andy Martin as Independent Non Executive Directors and also considered Sven Boinet and Sir David Michels as independent during their tenure.

All new Directors are given a tailored induction upon appointment which provides them with information about the Company, the matters reserved for the Board, minutes of Board and Committee meetings and share dealing code. In addition, meetings are arranged with key executives and managers within the business. The Board are also kept up to date with developments in law, regulation and best practice.

Directors and officers' insurance cover has been established for all Directors to provide cover against their reasonable actions on behalf of the Company.

During the year, a performance review of the Board was undertaken using an external evaluation tool provided by a corporate advisory company. This process involved a detailed questionnaire completed by each of the Directors and one-on-one discussions with individual Directors. The performance of the Board (including the Chairman), the Board's Committees and also that of the individual Board Directors was reviewed as part of the same process.

The Senior Independent Director led the Non Executive Directors in a review of the Chairman's performance which also involved feedback from the Executive Directors. The Company has now engaged an independent external facilitator to carry out the next review of the Board's effectiveness in accordance with the Code provision B 6.2. The facilitator has no connection with the Company beyond evaluating the Board.

Board engagement with investors

The Board continues to consider that it is appropriate for the Chairman to be the primary conduit with investors given his experience in liaising with shareholders.

The Chairman has made himself available for investor meetings and questions, in person, during the year and has updated the whole Board on the results of these meetings and the opinions of investors. The Senior Independent Non Executive Director has also acted as an alternative point of contact and both incumbents in the role during the year have attended meetings in order to help develop a balanced understanding of the issues and concerns of major shareholders. Regular feedback is provided to the Board on the opinions of shareholders and an investor perception audit is carried out by an independent third party on an annual basis.

Board Committees

Remuneration Committee

At 30 September 2011, the Remuneration Committee comprised three Independent Non Executive Directors, namely Keith Hamill (Chairman), David Bennett and Professor Rigas Doganis. 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 two times during the year.

Corporate governance
Continued

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

Shareholders are generally required to approve all new Long Term Incentive Plans and significant changes to existing plans. Further details of these plans can be found in the Report on Directors' remuneration and the full text of the terms of reference for the Remuneration Committee is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

Audit Committee

The Audit Committee comprises four Non Executive Directors, all of whom are independent. At 30 September 2011, the Audit Committee members were David Bennett (Chairman), John Browett, Keith Hamill and Adèle Anderson. 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 terms of reference of the Audit Committee are documented and agreed by the main Board. The full text of the terms of reference is available in the governance section of easyJet's corporate website, http://corporate.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 auditors (in particular, in the context of the provision of additional services to the Company)
- Review and ensure the effectiveness of the risk management processes of the Company
- Review and monitor the effectiveness of the internal audit function and management's responsiveness to any findings and recommendations; and
- Assess potential conflicts of interest of Directors on behalf of the Board

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 February 2011. In order to preserve auditor objectivity and independence, PricewaterhouseCoopers LLP will not be asked to provide consulting services unless this is in the best interests of the Company. The Audit Committee's terms of reference set out that they are responsible for the formal policy on the award of non-audit work to the auditors. The Audit Committee has, during the year, updated the policy, which can be found in the governance section of easyJet's corporate website, http://corporate.easyJet.com. The auditors are asked on an annual basis to articulate the steps that they have taken to ensure objectivity and independence. easyJet monitors the auditors' performance, behaviour and effectiveness during the exercise of their duties, which informs, on an annual basis, the Audit Committee's decision to recommend reappointment. This included this year obtaining a report on the auditors own quality control procedures and a consideration of their annual quality and transparency report. In the financial year, easyJet spent £nil million with PricewaterhouseCoopers LLP (2010: £0.1 million) in respect of non-audit services. There are no contractual obligations which restrict the choice of external auditors.

Both internal and external auditors are given the opportunity to meet privately with the Audit Committee without any member of management present. It is standard practice for the external auditors to meet with the Audit Committee without the Executive Directors being present at each Audit Committee meeting.

The Board is satisfied that the Directors who are currently members of this Committee are those who are best able to contribute to the Committee's objectives. David Bennett has served as the Chairman of the Committee during the year. David has previously been an Executive Director of Abbey National plc prior to which he was Chief Executive Officer and Finance Director of Alliance and Leicester plc, experience which the Board considers to be recent and relevant for the purposes of undertaking the role as Chairman of the Committee.

During the year the Audit Committee's business has included the following items:

- Half Year Results
- Annual Results
- Internal Audit Plan and Reports, including:
  - key internal audit reports
  - control themes
  - follow ups
  - programme assurance
  - fraud prevention
  - quality assurance
  - internal controls
- Bribery Act compliance
- Business continuity and disaster recovery
- Matters reserved for the Board
- Delegated authorities
- Audit Committee terms of reference
- Non-audit services policy
- Whistleblower reports
- Internal audit effectiveness and independence.

The Board as a whole, including the Audit Committee, debated risks and risk management on which basis we believe that the Board has fulfilled its obligations under the Code. Going forward the Audit Committee will continue to be responsible for reviewing the adequacy and effectiveness of the Company's risk management process.

Nominations Committee

The Nominations Committee comprises at least three members. During the year, the Nominations Committee members were Sir David Michels until his resignation from the Board (Chairman), David Bennett and Professor Rigas Doganis. Charles Gurassa and Sir Michael Rake were appointed to the Committee after the departure of Sir David Michels with Charles Gurassa taking the Chair.

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 external recruitment consultants.

The Nominations Committee has met twice during the year to deal with the appointments of Andrew Martin and Adèle Anderson. The searches for the Non Executive Directors involved the use of independent recruitment consultants.

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 governance section of easyJet's corporate website, http://corporate.easyJet.com.

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 opportunity to meet new Directors.

Contracts and letters of appointment with Directors are made available at the Annual General Meeting or on request.

Litigation Committee

As a result of the proceedings brought by easyGroup IP Licensing Limited (a company under the ultimate control of Sir Stelios Haji-Ioannou) in 2008 in relation to the clarification of the brand licence, the Board formed a separate Litigation Committee to deal with the proceedings and all matters related to them. There have been no meetings of the Litigation Committee during the year although it remains validly constituted.

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 on key business issues. easyJet has an investor relations department which runs an active investor relations programme to facilitate engagement with investors including one on one meetings, visits to easyJet's operations and presentations. The investor relations website can be accessed at http://corporate.easyjet.com.

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.

The Board has conducted an annual review of the effectiveness of the system of internal control during the year under the auspices of the Audit Committee. This included systems and controls in relation to financial reporting processes and in preparing the accounts. No material failings or weaknesses were identified during the course of this review.

Corporate governance
Continued

The internal control regime is enhanced by the operation 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 has approved the processes and reporting structure for the function and receives regular reports on the operation of the function.

Risk management

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. During 2011, the risk management process was refreshed; increasing the level of rigour of risk identification, evaluation and mitigation. This is combined with enhanced risk reporting to the Executive Management Team and the Board. The process is underpinned by rigorous annual risk identification workshops completed by both the functional managers and the Executive Management Team. The process focuses on both strategic and operational level risks. This process is coordinated by the Risk Manager who reports to the Head of Risk and Assurance. The Head of Risk and Assurance reports to the Chief Financial Officer and the Chairman of the Audit Committee.

To ensure that risk is effectively managed a number of key activities are undertaken, as defined by the Executive Directors:

- Ongoing assurance and risk management is provided through the various monitoring reviews and reporting mechanisms that are 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 regularly to consider significant risks. Individual department and overall business performance is reviewed. The reporting of significant risks to the Executive Management Team and the Board has been enhanced by the refined risk management processes referred to above
- Internal Audit considers, reviews and tests internal control and business risk matters as defined by its risk based audit plan. Further details of the Internal Audit function's operations are set out below

The Directors review the effectiveness of internal control, including operating, financial, compliance and risk management controls, which mitigate the significant risks identified. The mechanisms 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 internal and external auditors; and
- The controls, which mitigate or minimise the high-level risks, are reviewed to ensure that they are in operation. The results of this review are reported to the Board which considers whether these high-level risks are effectively controlled

Internal audit

Internal Audit's work is designed to provide effective risk based coverage over the internal control environment. This is summarised in an audit plan, which is approved by the Board and Audit Committee and updated on a rolling quarterly basis.

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

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

Internal Audit's 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. During the year the effectiveness of the Internal Audit function was confirmed through an independent external quality assessment performed by Mazars LLP.

The Head of Internal Audit reports to the Head of Risk and Assurance. The Risk and Assurance function was formed in August 2011 which combines the responsibilities for Internal Audit, risk management coordination and fraud investigation into a single function.

The Head of Internal Audit was invited to and attended all of the Audit Committee meetings in the year and reported regularly on Internal Audit reviews at the Executive Management Team meetings during the course of the year.

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. A formal audit charter is in place.

Shareholder information

Share capital
Details of the movements in authorised and issued share capital during the year are provided in note 17 to the accounts.

The rights and obligations attaching to the Company's ordinary shares are set out in the Articles.

Voting rights and restrictions on transfer of shares
None of the ordinary shares carry any special rights with regard to control of the Company. There are no restrictions on transfers of shares other than:

- certain restrictions which may from time to time be imposed by laws or regulations such as those relating to insider dealing
- pursuant to the Company's code for securities transactions whereby the Directors and designated employees require approval to deal in the Company's shares
- where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares
- where a proposed transferee of the Company's shares has failed to furnish to the Directors a declaration of nationality (together with such evidence as the Directors may require) as required by the Company's Articles of Association; and
- the powers given to the Directors by the Company's Articles of Association to limit the ownership of the Company's shares by non UK nationals and powers to enforce this limitation including the right to force a sale of any affected shares

The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Employee share schemes – rights of control
The trustee of the easyJet Share Incentive Plan (the Plan) will, on receipt of any offer, compromise, arrangement or scheme which affects ordinary shares held in the Plan, invite participants to direct the trustee on the exercise of any voting rights attaching to the ordinary shares held by the trustee on their behalf and/or direct how the trustee shall act in relation to those ordinary shares. The trustee shall take no action in respect of ordinary shares for which it has received no directions or ordinary shares which are unallocated. Generally, on a poll the trustee shall vote in accordance with directions given by participants. In the absence of directions or on a show of hands the trustee shall not vote.

The trustee of the easyJet Employee Share Trusts (the Trusts), which are used in connection with the easyJet Long Term Incentive Plan, has the power to vote or not vote at its discretion in respect of any shares in the Company held in the Trusts.

Substantial interests
In accordance with the Disclosure and Transparency Rules DTR 5, the Company as at 14 November 2011, has been notified of the following disclosable interests of 3% or more in its issued ordinary shares:

	%
easyGroup Holdings Limited (Holding vehicle for Sir Stelios Haji-Ioannou)	26.5
Polys Holdings Limited (Holding vehicle for Polys Haji-Ioannou)	11.1
Standard Life Investments	6.0
Schroders plc	5.4
Prudential plc	6.5
MRG Investment Funds	5.4
Sanderson Asset Management	4.0

Registered office
Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF

Company registrar
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

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

Company number
3959649

Report on Directors' remuneration

Dear shareholder

easyJet's remuneration policy is to pay the Executive Directors and senior executives competitively against the comparative market place, in order to recruit and retain executives and ensure that they are properly motivated to perform in the interests of the Company and its shareholders.

The Company aims to provide competitive 'total pay' for 'on target' performance, with superior rewards for exceptional performance. This includes an appropriate level of fixed remuneration to recruit and retain executives, which is broadly set at around median levels for comparable businesses but also takes account of experience and contribution. The Company has low levels of contractual benefits, including a defined contribution pension scheme with a low contribution level and no continuing financial exposure to the Company.

Remuneration is weighted towards variable pay, comprising annual bonuses which are intended to provide a clear incentive to achieve annual financial and operational performance objectives and a long-term incentive plan which is intended to reward executives over the longer term, with recurring annual grants and performance conditions which reflect the stated strategic objective of the Company of return on capital employed. Where practical the performance targets of Executive Directors are aligned with those of other managers and the Committee considers the relationship between executive remuneration and pay and changes in the level of pay throughout the Company.

In common with many companies, the Committee's major challenge is setting performance conditions for the long-term incentive plan which are stretching but also which achieve the objectives of motivation and retention, against a background of uncertainty about future economic conditions and the relatively high sensitivity of the airline sector to external factors.

The Committee keeps its remuneration policy and approach to target setting under review. In reviewing its policy, it takes due account of investors' best practice guidance (including the recently published ABI Principles of Remuneration). It intends to monitor developing practice on long term incentive plans and consider if amendments can be made which mitigate some of the aspects of volatility while achieving a satisfactory relationship with performance and alignment with the interest of investors. Should it be considered appropriate to make material amendments to the remuneration structure for future years, appropriate prior consultation with major investors and shareholder representative organisations will take place.

The Committee has also noted the consultation document issued by the department of Business, Innovation and Science. The Company's remuneration policies are in line with the guidance previously issued by shareholder bodies and have been subject to consultation with shareholders. In setting policy for the current financial year, the Committee took into account current issues highlighted by investors such as quantum, employee alignment and the importance of not placing too great a focus on the results of periodic benchmarking. Accordingly, Executive Director salary levels have not been increased for the year ending 30 September 2012.

The performance of the year to 30 September 2011 in achieving ambitious financial and operational targets was strong in challenging circumstances, gives rise to high levels of bonuses which the Committee considers appropriate in light of the performance levels achieved. The bonuses reflect management performance against targets set at the start of the financial year which has seen record profits and a general strengthening of the business.

The Remuneration Report for the year ended 30 September 2010 was rejected by shareholders at the last AGM because of objections to retention arrangements relating to the previous Chief Executive, which were one off and entered into in difficult and unusual circumstances. Immediately following the AGM, the Board issued a statement which acknowledged the concerns expressed by shareholders. The Committee stated in its last report that it would not approve such arrangements in the future. It is also aware of the importance in normal circumstances of succession planning in avoiding the need for retention arrangements.

Introduction

This report sets out details of the remuneration policy for Directors, describes its implementation and discloses the amounts paid relating to the year ended 30 September 2011.

The report has been prepared in accordance with the provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Those sections of the report that have been subject to audit, in accordance with corporate governance requirements, are identified below.

Included within the report, are the following areas:

- Membership and responsibilities of the Committee
- Remuneration policy
- Activities of the Committee
- Salary
- Bonus
- Achievement of bonus for 2011
- Long Term Incentive Plan
- Employee share plan participation
- Executive Director shareholding requirements
- Pension contributions
- External appointments
- Service contracts
- Non Executive Directors (NEDs)
- Total shareholder return

Tables and text summarising Directors' emoluments in 2011:

- Directors' emoluments (audited)
- Directors' interests
- Directors' share awards (audited)
- Position against dilution limits
- Potential vesting of outstanding awards

Membership and responsibilities of the Committee

The responsibilities of the Committee are disclosed in the Corporate governance section on pages 47 and 48. The members of the Committee are: Keith Hamill (Chairman), David Bennett, Sven Boinet (until 30 September 2011) and Professor Rigas Doganis.

The Company appointed and continues to use Hewitt New Bridge Street ("HNBS") as remuneration advisers. HNBS provides no other services to the Company.

Report on Directors' remuneration
Continued

easyJet's current remuneration policies are summarised below:

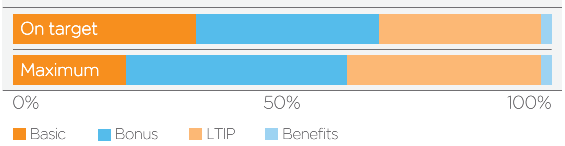
Element	Purpose	Policy	Delivery
Salary	– Reflect the value of the individual and their role – Reflect skills, experience over time – Provide an appropriate level of basic fixed income avoiding excessive risk arising from over reliance on variable income	– Reviewed annually, effective 1 October – Agreed when results for the previous year have been finalised – Takes account against companies with similar characteristics and sector comparators – Targeted at or around median	– Cash – Paid monthly – Pensionable

Bonus	– Incentivise annual delivery of financial and operational goals
	– Relatively high potential rewards for achieving demanding targets
		– Major measure is profit before tax
		– Performance compared with budget
		– Operational measures based on:
		  – Customer satisfaction
		  – Cost
		  – On time performance
			– Paid as cash
			– Not pensionable
			– May defer up to half of bonus into LTIP

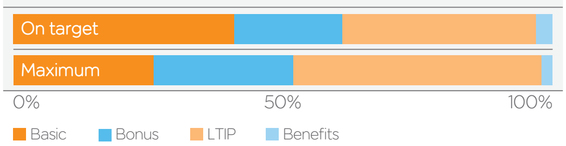
Long Term Incentive Plan	– Aligned to main strategic objective – Based on return on capital employed (ROCE)	– Performance measured over three years – Vests after three years – Subject to 175% of salary shareholding requirement	– Annual grant of performance shares – Opportunity to defer bonus and obtain future matching share awards
Pension	– Provide modest retirement benefits – Opportunity for Executive to contribute to their own retirement plan	– Defined contribution – HMRC approved salary sacrifice arrangement	– Monthly employer contribution of 7% of basic salary – Non-contributory – Salary sacrifice for employee contribution
Other benefits	– Executives can pay for voluntary benefits, where Company purchasing power provides an attractive advantage to employees	– Company cars or cash equivalents not provided	– As acquired

The balance between fixed and variable pay is shown in the charts below. A significant proportion of remuneration is linked to performance, particularly at maximum performance levels.

Chief Executive
%



Chief Financial Officer
%



Activities of the Committee

The Committee has responsibility for determining the specific remuneration packages for each of the Executive Directors and the Chairman and also reviewing and approving the remuneration of the Company's senior executives in consultation with the Chief Executive. It is also responsible for approving share schemes and their targets. The Committee is also consulted in relation to significant changes in the employee remuneration structure are also considered by the Committee.

During the year ended 30 September 2011, the Committee considered the following items of business:

- Executive Director and senior executive remuneration
- Annual bonus awards for the financial year ended 30 September 2010
- The structure and targets of the annual bonus scheme for the financial year ended 30 September 2011
- Employee Save As You Earn scheme grants
- The performance targets and award levels for grants during the financial year ended 30 September 2011 under the Long Term Incentive Plan; and
- Testing of performance conditions and vesting of Long Term Incentive Plan awards granted in December 2007

In line with the Association of British Insurers' Guidelines on Responsible Investment Disclosure, the Committee considers whether the incentive policies for Executive Directors and senior executives will raise unacceptable environmental, social or governance ("ESG") risks by inadvertently motivating irresponsible behaviour.

More generally, with regard to the overall remuneration policies, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters and the Committee takes due account of issues relating to risk when structuring incentive policies to ensure that the remuneration policies do not encourage inappropriate risk-taking.

Salary

The basic salaries of the Executive Directors (Carolyn McCall £665,000 and Chris Kennedy £400,000), were set when they joined the Company in July 2010 and have not been changed.

Salaries are reviewed annually taking account of:

- practice adopted in companies of a broadly similar size and characteristics, including a survey of thirty companies larger and smaller than easyJet by reference to comparative market capitalisation
- a formal appraisal of their contribution to the business, involving the Chairman of the Board and the Remuneration Committee
- the competitive environment; and
- general pay and employment conditions of employees elsewhere within easyJet

Bonus

The maximum annual bonus opportunity during the year was 200% of salary for the Chief Executive, with 100% of salary for the Chief Financial Officer. Other senior executives also had a 100% maximum bonus. The maximum bonus will remain at these levels for the financial year ending 30 September 2012.

Bonus targets are based on annual financial plans and specific targets around its key operational performance indicators. Performance targets for Executive Directors' annual bonus opportunities in the financial year ended 30 September 2011 were as follows:

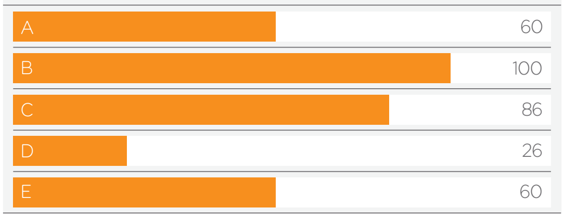
	As percentage of maximum bonus opportunity	
Measure	Carolyn McCall	Chris Kennedy
Profit before tax	70%	60%
Customer satisfaction targets	10%	10%
Operating costs (excluding fuel) per seat at constant currency	10%	10%
On time performance	10%	10%
Departmental objectives	–	10%

Targets for the financial year ending 30 September 2012 will be on the same basis. The safety of our customers and people underpins all of the operational activities and is required to be achieved before any bonus would be payable and therefore is not included in the specific bonus targets.

Report on Directors' remuneration
Continued

Achievement of bonus for 2011

Achievement
%



A Profit before tax
B On time performance
C Customer satisfaction targets
D Operating costs (excluding fuel) per seat at constant currency
E Departmental objectives

The results for the year ended 30 September 2011 were above budget and expectations in spite of demanding circumstances, achieving 60% of the maximum profit related bonus. Performance against the operational targets was also above expectations – with 100% of available maximum achieved for record On Time Performance and 86% for customer satisfaction. The Committee believes that this performance is in line with general improvements in the strength of the business.

Accordingly, Carolyn McCall will be paid a bonus of £840,000 (126% of salary) and Chris Kennedy £253,000 (63% of salary) in the year ending 30 September 2012. They have both decided to defer the maximum 50% of the above bonuses into the Long Term Incentive Plan.

No bonuses were paid to Executive Directors for the year ended 30 September 2010. The Executive Management Team (including Carolyn McCall and Chris Kennedy who joined the Company in July 2010) informed the Board and the Committee that, in view of operating problems over the summer in 2010 and the resulting difficulties experienced by customers and staff, they did not consider it appropriate for its members to receive bonuses. Accordingly £474,000 which might have otherwise been paid to Executive Directors for bonuses was not awarded in that year.

Long Term Incentive Plan

The Long Term Incentive Plan ("LTIP") provides for annual awards of performance shares and matching shares. The plan was approved by shareholders at the AGM in 2005 and amended at the 2008 AGM.

The annual award limit for performance shares is 200% of basic salary.

Matching share awards are linked to the investment of up to 50% of annual bonus earned into easyJet shares, which are then matched on a 1:1 gross of tax basis.

Performance and matching share awards vest three years after grant, subject to continued employment and the satisfaction of performance conditions (which are now based on ROCE and until this year largely related to return on equity).

LTIP awards granted in 2011

Awards granted in the year under review were subject to the following performance targets relating to easyJet's ROCE in the year ending 30 September 2013:

Awards up to 100% of salary

	Threshold	Target	Maximum
	(25% vests)	(50% vests)	(100% vests)
Return on capital employed	7.0%	8.5%	12.0%

Awards between 100% and 200% of salary

	Threshold	Target	Maximum
	(25% vests)	(50% vests)	(100% vests)
Return on capital employed	10.0%	12.0%	13.0%

The lower levels of performance targets for awards up to 100% of salary take account of the retention objective of the plan.

Although the annual award limit of Performance Shares is 200% of salary, the maximum award was restricted to 175% of salary in the year under review. The performance targets applying to the part of an award over 100% of salary were set to be tougher in lieu of the higher potential quantum available.

A full summary of the performance targets applying to all subsisting LTIP awards are set out on page 61.

Employee share plan participation

easyJet encourages share ownership throughout the Company by the use of Free Shares, a Share Incentive Plan and a Sharesave Plan. Take up of the schemes remains very positive with over 80% of eligible staff now participating in one or more of the plans. Executive Directors may also participate in these plans. They are summarised in the Corporate responsibility section on page 36.

Executive Director shareholding requirement

Executive Directors are required to retain all the shares acquired on the vesting of LTIP awards (net of tax) until they have a holding equivalent to 175% of salary. Any shares owned will count towards this requirement, as do shares bought by participants as "Investment Shares" under the Matching Shares element of the LTIP and any shares held on through participation in the Company's all-employee share plans. Any unvested performance shares or matching shares granted under the LTIP will not count since they are subject to future performance.

The same requirements apply to members of the Executive Management Team. For senior executives who report to the Executive Management Team and receive LTIP awards, a 50% share ownership guideline applies.

Pension contributions

easyJet normally makes a contribution for Executive Directors to a defined contribution pension scheme of 7% of basic salary. While individuals are not obliged to make a contribution, 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 6.9% of the amount exchanged). Where an Executive Director has reached the lifetime pension limit, a cash alternative may be paid with the agreement of the Committee.

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. No such fees were received by Executive Directors during the year ended 30 September 2011.

Service contracts

Carolyn McCall's contract provides for 12 months' notice by either party. On termination by the Company, she would continue to receive 12 monthly instalments of basic salary and benefits which would cease to the extent that commensurate alternative employment was taken up. Alternatively, by mutual consent, the Company may elect to make a payment to the value of 12 months' basic salary only. Bonus payments would be included in a termination payment, payable on a pro-rata basis, only for the period of time served from the start of the financial year to the date of termination and not for any period in lieu of notice. Any bonus paid would be subject to the normal bonus targets, tested at the end of the year.

Chris Kennedy's notice period is 12 months by either party. There is no provision for bonus to be paid on termination.

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 and their appointment may be terminated with three months' notice without compensation.

Details of the service contracts and letters of appointment currently in place for Directors who served during the year are as follows:

	Date of current service contract or letter of appointment	Unexpired term at 30 September 2011	Notice period	Provision for compensation
Executive				
Carolyn McCall OBE	1 July 2010	n/a	12 months	12 months
Chris Kennedy	1 July 2010	n/a	12 months	12 months
Non Executive				
Sir Michael Rake	1 April 2010	1 year 6 months	3 months	None
Charles Gurassa (appointed 27 June 2011)	27 June 2011	2 years 9 months	3 months	None
Sir David Michels (resigned 26 August 2011)	27 September 2010	n/a	3 months	None
David Bennett	27 September 2010	2 years	3 months	None
Keith Hamill	23 December 2008	3 months	3 months	None
John Browett	27 September 2010	2 years	3 months	None
Professor Rigas Doganis	27 September 2010	2 years	3 months	None
Sven Boinet (resigned 30 September 2011)	11 February 2008	n/a	3 months	None
Adele Anderson (appointed 1 September 2011)	1 September 2011	2 years 11 months	3 months	None
Andy Martin (appointed 1 September 2011)	1 September 2011	2 years 11 months	3 months	None

Report on Directors' remuneration
Continued

Non Executive Directors (NEDs)

The NEDs, including the Chairman, have letters of appointment which set out their duties and responsibilities. The key terms of the appointments are set out in the table below:

Provision	Policy
Appointment letters	Aligned to the standard terms appended to the UK Corporate Governance Code. Copies of the service contracts and letters of appointment are available on request from the Company Secretary
Period	Three year term
Termination	By the Director or the Company at their discretion without compensation and with three months notice
Fees	See below
Expenses	Reimbursement of reasonable travel and other expenses incurred in the performance of their duties
Time commitment	Anticipated to be 12 days per annum depending on Board and Committee requirements and corporate activity

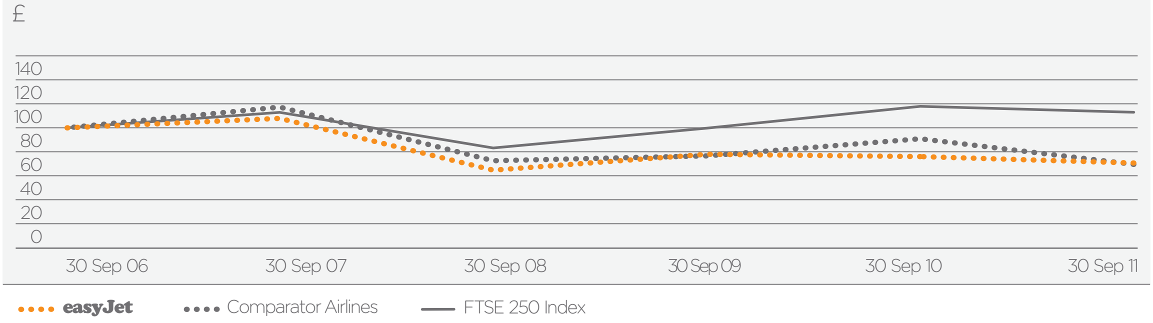
The Board as a whole determines the remuneration of the Company's Non Executive Directors, with Non Executive Directors exempting themselves from discussions and voting. When determining the remuneration of Non Executive Directors, account is taken of practice adopted in competitors and other similar sized organisations, committees chaired and anticipated time commitment. During the year under review the NEDs (other than the Chairman and Deputy Chairman) received a basic annual fee of £55,000 in respect of their Board duties. A further fee of £10,000 is paid in respect of Chairmanship of the Audit Committee and the Remuneration Committee. The annual fee for the Chairman was £300,000 and for the Deputy Chairman was £90,000.

The current fee level of NEDs fees were agreed in October 2010 and have remained unchanged since then and are applicable for the year ending 30 September 2012.

Total shareholder return

Given the nature of easyJet's operations, the Committee does not consider that there is a suitable comparator group against which to measure total shareholder return. However, for completeness, the following graph shows the Company's performance compared with the performance of the FTSE 250 and that of a group of European Airlines[1]. The FTSE 250 has been chosen as it is the FTSE index in which the Company resides. The group of European Airlines comprises companies operating in a comparable sector.

Total shareholder return



Source: Thomson Reuters

This graph shows the value, by 30 September 2011 of £100 invested in easyJet on 30 September 2006 compared with the value of £100 invested in the FTSE 250 Index or a comparator group of airlines. The other points plotted are the values at intervening financial year-ends.

Note 1: British Airways, Lufthansa, Air France-KLM and Iberia have all been included in the comparative European Airlines group.

Directors' emoluments (audited)

Details of emoluments, paid or payable by easyJet to the Directors of easyJet plc who served in the financial year ended 30 September 2011 are as follows:

Figures stated in £'000s	Salary/fee 2011	Bonus 2011	Total 2011	Total 2010	Pension contributions 2011	Pension contributions 2010
Executive						
Carolyn McCall OBE	**712**	**840**	**1,552**	178	**–**	–
Chris Kennedy	**400**	**253**	**653**	150	**28**	–
Andrew Harrison (resigned 30 June 2010)	**–**	**–**	**–**	2,516	**–**	47
Non Executive						
Sir Michael Rake	**300**	**–**	**300**	205	**–**	–
Charles Gurassa (appointed 27 June 2011)	**15**	**–**	**15**	–	**–**	–
Sir David Michels (resigned 26 August 2011)	**73**	**–**	**73**	135	**–**	–
David Bennett	**65**	**–**	**65**	55	**–**	–
Keith Hamill	**65**	**–**	**65**	55	**–**	–
John Browett	**55**	**–**	**55**	45	**–**	–
Professor Rigas Doganis	**55**	**–**	**55**	45	**–**	–
Sven Boinet (resigned 30 September 2011)	**55**	**–**	**55**	45	**–**	–
Adele Anderson (appointed 1 September 2011)	**5**	**–**	**5**	–	**–**	–
Andy Martin (appointed 1 September 2011)	**5**	**–**	**5**	–	**–**	–
Bob Rothenberg (resigned 14 May 2010)	**–**	**–**	**–**	28	**–**	–
	1,805	**1,093**	**2,898**	3,457	**28**	47

There have been no gains as a result of the exercise of share schemes.

The annual salary of Carolyn McCall OBE shown above comprises £665,000, plus £47,000 as a cash alternative to a contribution to a pension scheme made by the Company.

There was no increase to Executive Directors' basic pay during the year under review.

Directors' interests

The following current Directors hold direct interests in the share capital of easyJet:

Number	30 September 2011	30 September 2010
Carolyn McCall OBE	**12,602**	6,141
Chris Kennedy	**12,631**	6,141
Sir Michael Rake	**12,308**	6,200
Charles Gurassa	**19,853**	–
David Bennett	**10,000**	10,000
John Browett	**4,705**	4,705
Professor Rigas Doganis	**13,600**	13,600
Adele Anderson	**2,854**	–

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 2011, ordinary shares held in the Trusts were as follows:

	Number
Share Incentive Plan Trust (unallocated as employees are not entitled to these shares)	2,113,423
Total unallocated	2,113,423
Share Incentive Plan (allocated)	742,017
Total held by UK Trust (allocated)	6,995
Total held by Overseas Trust (allocated)	60,155
Total allocated	809,167
	2,922,590

Report on Directors' remuneration
Continued

Directors' share awards (audited)

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 tables:

Carolyn McCall OBE

Scheme	No. of shares/ options at 30 September 2010[1]	Share/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2011[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry date
A	335,096	–	–	–	**335,096**	5 July 2010	–	–	5 July 2013	5 July 2020
A	–	344,405	–	–	**344,405**	31 March 2011	–	–	31 March 2014	31 March 2021
B	–	880	–	–	**880**	1 May 2011	–	–	1 May 2014	n/a
C	–	349	–	–	**349**			See note 2		

Chris Kennedy

Scheme	No. of shares/ options at 30 September 2010[1]	Share/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2011[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry date
A	201,562	–	–	–	**201,562**	5 July 2010	–	–	5 July 2013	5 July 2020
A	–	207,161	–	–	**207,161**	31 March 2011	–	–	31 March 2014	31 March 2021
B	–	880	–	–	**880**	1 May 2011	–	–	1 May 2014	n/a
C	–	376	–	–	**376**			See note 2		

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

The closing share price of the Company's ordinary shares at 30 September 2011 was £3.44 and the range during the year ended 30 September 2011 was £3.01 to £4.79.

Notes

A Long Term Incentive Plan – Performance Shares
B Share Incentive Plan – Free Shares
C Share Incentive Plan – Matching Shares

Note 1: The number of shares are calculated according to the scheme rules of individual plans based on the middle-market closing share price of the day prior to grant. As is usual market practice, the option price for SAYE awards is determined by the Committee in advance of the award, by reference to the share price following announcements of results.

Note 2: 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.

The potential vesting of outstanding awards if the performance were based on that for the year under review is as shown at the end of this section.

The performance criteria for vesting of these share options and awards are as follows:

Long Term Incentive Plan (A)

Awards prior to those made during the year under review were subject to the achievement of the following Return on Equity targets:

Grant date	Basis year	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
5 July 2010	30 September 2012	9.0%	12.0%	15.0%
5 July 2010	30 September 2012	11.0%	13.0%	15.0%

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

The targets that applied to the awards of performance shares made to Executive Directors during the year under review were subject to the achievement of the following Return on Capital Employed targets:

Grant date	Basis year	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
31 March 2011	30 September 2013	7.0%	8.5%	12.0%
31 March 2011	30 September 2013	10.0%	12.0%	13.0%

The comparison between ROCE and return on equity depends on the capital structure. At the time that the latest performance targets were set the same performance would give rise to an ROCE approximately two percent lower than return on equity.

Matching Share Awards

Directors waived their bonuses for the year ended 30 September 2010, therefore no matching shares were granted to Executive Directors in the year under review.

ABI Principles of Executive Remuneration

easyJet complies with the ABO Principles of Executive Remuneration. These principles require that commitments under all of the Company's other share ownership schemes, must not exceed 10% of the issued share capital in any rolling 10 year period. The requirement for shares under all current share incentive schemes, (Long-term Incentive Plan, Sharesave and Share Incentive Plan) will be satisfied with shares purchases on the market. The remaining three million options under the Discretionary Share Option Schemes, when or if exercised, will continue to be settled by the issue of new shares.

Potential vesting of outstanding awards

The extent of vesting is difficult to determine because of the possible effect of economic uncertainty and external factors of the remaining period to vesting. If the record financial performance of the year ended 30 September 2013, 54% of the July 2010 grants and 94% of the March 2011 grants would vest. However, current market forecasts consensus for future performance would substantially reduce these estimates the forecast vesting would be approximately 15% and approximately 75% for the July 2010 and March 2011 grants respectively.

On behalf of the Board

Keith Hamill
Remuneration Committee Chairman

14 November 2011

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Report on Directors' remuneration and the accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Group and Company accounts in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period. In preparing these accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and accounting estimates that are reasonable and prudent
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the accounts
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the accounts and the Report on Directors' remuneration comply with the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

Each of the Directors, whose names and functions are listed on pages 42 and 43 confirm that, to the best of their knowledge:

- the Group accounts, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

In the case of each Director in office at the date the Directors' report is approved and in accordance with Section 418 of the Companies Act 2006:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

(b) he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Annual Report on pages 1 to 62 was approved by the Board of Directors and authorised for issue on 14 November 2011 and signed on behalf of the Board by:

Carolyn McCall OBE
Chief Executive Officer

Chris Kennedy
Chief Financial Officer

ACCOUNTS
& OTHER INFORMATION

6

Independent auditors' report to the members of easyjet plc

We have audited the accounts of easyJet plc for the year ended 30 September 2011 which comprise the Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity, Company statement of cash flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company accounts, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities set out on page 62, the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Group's and the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion:

- the accounts give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2011 and of the Group's profit and the Group's and Company's cash flows for the year then ended
- the Group accounts have been properly prepared in accordance with IFRSs as adopted by the European Union
- the Company accounts have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the accounts have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group accounts, Article 4 of the IAS Regulation

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Report on Directors' remuneration to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' report for the financial year for which the accounts are prepared is consistent with the accounts

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company accounts and the part of the Report on Directors' remuneration to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 25, in relation to going concern
- the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review; and
- certain elements of the report to shareholders by the Board on Directors' remuneration

John Minards (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans, Hertfordshire

14 November 2011

Consolidated income statement

	Notes	Year ended 30 September 2011 £ million	Year ended 30 September 2010 £ million
Passenger revenue		**2,733**	2,402
Ancillary revenue		**719**	571
Total revenue	25	**3,452**	2,973
Ground operations		**(923)**	(805)
Fuel		**(917)**	(733)
Crew		**(407)**	(336)
Navigation		**(285)**	(256)
Maintenance		**(179)**	(177)
Selling and marketing		**(102)**	(92)
Aircraft wet leasing		**–**	(14)
Volcanic ash disruption		**–**	(27)
Royalty	26	**(4)**	–
Other costs		**(167)**	(172)
EBITDAR		**468**	361
Aircraft dry leasing		**(109)**	(102)
Depreciation	8	**(83)**	(72)
Amortisation of intangible assets	7	**(7)**	(6)
Loss on disposal of assets held for sale		**–**	(7)
Operating profit		**269**	174
Interest receivable and other financing income		**9**	7
Interest payable and other financing charges		**(30)**	(27)
Net finance charges	2	**(21)**	(20)
Profit before tax	3	**248**	154
Tax charge	5	**(23)**	(33)
Profit for the year		**225**	121
Earnings per share, pence	6		
Basic		**52.5**	28.4
Diluted		**52.0**	28.0

Consolidated statement of comprehensive income

	Notes	Year ended 30 September 2011 £ million	Year ended 30 September 2010 £ million
Profit for the year		**225**	121
Other comprehensive income			
Cash flow hedges			
Fair value gains in the year		**122**	91
Gains transferred to income statement		**(152)**	(9)
Related tax	5	**9**	(23)
		(21)	59
Currency translation differences		**–**	1
Total comprehensive income for the year		**204**	181

Consolidated statement of financial position

	Notes	**30 September 2011 £ million**	30 September 2010 £ million
Non-current assets			
Goodwill	7	**365**	365
Other intangible assets	7	**86**	87
Property, plant and equipment	8	**2,149**	1,928
Derivative financial instruments	21	**24**	8
Loan notes	9	**11**	13
Restricted cash	12	**33**	33
Other non-current assets	10	**63**	54
		2,731	2,488
Current assets			
Assets held for sale		**–**	73
Trade and other receivables	11	**165**	194
Derivative financial instruments	21	**83**	53
Restricted cash	12	**90**	23
Money market deposits	12	**300**	260
Cash and cash equivalents	12	**1,100**	912
		1,738	1,515
Current liabilities			
Trade and other payables	13	**(916)**	(829)
Borrowings	14	**(155)**	(127)
Derivative financial instruments	21	**(52)**	(10)
Current tax liabilities		**(9)**	(28)
Maintenance provisions	16	**(45)**	(71)
		(1,177)	(1,065)
Net current assets		**561**	450
Non-current liabilities			
Borrowings	14	**(1,145)**	(1,085)
Derivative financial instruments	21	**(27)**	(4)
Non-current deferred income		**(59)**	(56)
Maintenance provisions	16	**(177)**	(144)
Deferred tax liabilities	5	**(179)**	(148)
		(1,587)	(1,437)
Net assets		**1,705**	1,501
Shareholders' equity			
Share capital	17	**108**	107
Share premium		**654**	652
Hedging reserve		**14**	35
Translation reserve		**1**	1
Retained earnings		**928**	706
		1,705	1,501

The accounts on pages 65 to 97 were approved by the Board of Directors and authorised for issue on 14 November 2011 and signed on behalf of the Board.

Carolyn McCall

Carolyn McCall OBE
Director

Chris Kennedy
Director

Consolidated statement of changes in equity

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2010	**107**	**652**	**35**	**1**	**706**	**1,501**
Total comprehensive income	**–**	**–**	**(21)**	**–**	**225**	**204**
Share incentive schemes						
Proceeds from shares issued	**1**	**2**	**–**	**–**	**–**	**3**
Value of employee services	**–**	**–**	**–**	**–**	**6**	**6**
Related tax (note 5)	**–**	**–**	**–**	**–**	**(1)**	**(1)**
Purchase of own shares	**–**	**–**	**–**	**–**	**(8)**	**(8)**
At 30 September 2011	**108**	**654**	**14**	**1**	**928**	**1,705**

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2009	106	642	(24)	–	583	1,307
Total comprehensive income	–	–	59	1	121	181
Share incentive schemes						
Proceeds from shares issued	1	10	–	–	(1)	10
Value of employee services	–	–	–	–	5	5
Related tax (note 5)	–	–	–	–	(1)	(1)
Purchase of own shares	–	–	–	–	(1)	(1)
At 30 September 2010	107	652	35	1	706	1,501

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments relating to highly probable transactions that are forecast to occur after the year end.

Consolidated statement of cash flows

	Notes	Year ended 30 September 2011 £ million	Year ended 30 September 2010 £ million
Cash flows from operating activities			
Cash generated from operations	19	**449**	365
Net interest and other financing charges (paid) / received		**(23)**	12
Net tax paid		**(2)**	(14)
Net cash generated from operating activities		**424**	363
Cash flows from investing activities			
Purchase of property, plant and equipment		**(550)**	(472)
Proceeds from sale of assets held for sale		**75**	–
Purchase of other intangible assets		**(6)**	(11)
Redemption of loan notes		**3**	1
Net cash used by investing activities		**(478)**	(482)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**3**	10
Purchase of own shares for employee share schemes		**(8)**	(1)
Proceeds from drawdown of bank loans		**172**	213
Repayment of bank loans		**(154)**	(188)
Proceeds from drawdown of finance leases		**71**	47
Repayment of capital elements of finance leases		**(6)**	(4)
Net proceeds from sale and operating leaseback of aircraft		**273**	109
Net (increase) / decrease in money market deposits		**(38)**	31
(Increase) / decrease in restricted cash		**(67)**	16
Net cash generated from financing activities		**246**	233
Effect of exchange rate changes		**(4)**	9
Net increase in cash and cash equivalents		**188**	123
Cash and cash equivalents at beginning of year		**912**	789
Cash and cash equivalents at end of year	12	**1,100**	912

Notes to the accounts

1 Accounting policies

Statement of compliance

easyJet plc (the "Company") and its subsidiaries ("easyJet" or the "Group" as applicable) is a low cost airline carrier operating principally in Europe. The Company is a public limited company whose shares are listed on the London Stock Exchange under the ticker symbol EZJ and is incorporated and domiciled in the United Kingdom. The address of its registered office is Hangar 89, London Luton Airport, Bedfordshire LU2 9PF.

The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, taking into account International Financial Reporting Interpretations Committee (IFRIC) interpretations and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Basis of preparation

The accounts are prepared based on the historical cost convention except for certain financial assets and liabilities including derivative financial instruments that are measured at fair value.

The accounting policies set out below have been applied consistently to all years presented in these accounts.

easyJet's business activities, together with factors likely to affect its future development and performance, are described in the business review on pages 8 to 15. Principal risks and uncertainties are described on pages 27 to 30. Note 22 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Group.

The Group holds cash and cash equivalents of £1.1 billion as at 30 September 2011. Total debt of £1.3 billion is free from financial covenants, with £155 million due for repayment in the year to 30 September 2012.

The business is exposed to fluctuations in fuel prices and US dollar and euro exchange rates. The Group's policy is to hedge between 65% and 85% of estimated exposures 12 months in advance, and 45% and 65% of estimated exposures from 13 up to 24 months in advance. The Group was compliant with this policy at the date of this Annual report and accounts.

After making enquiries, the Directors have a reasonable expectation that the Company and the Group will be able to operate within the level of available facilities and cash for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the accounts.

Significant judgements, estimates and critical accounting policies

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

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

Goodwill and landing rights (note 7)

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

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

Aircraft maintenance provisions (note 16)

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

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

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

Tax (note 5)

In drawing up the accounts, estimates are made of current and deferred tax assets and liabilities for each jurisdiction in which easyJet operates. These estimates are affected by transactions and calculations where the ultimate tax determination was uncertain at the time the accounts were finalised. The issues involved are often complex and may take an extended period to resolve. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Basis of consolidation

The consolidated accounts incorporate those of easyJet plc and its subsidiaries for the years ended 30 September 2010 and 2011.

A subsidiary is an entity controlled by easyJet. Control exists when easyJet has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to benefit from its activities.

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

Foreign currencies

The primary economic environment in which a subsidiary operates determines its functional currency. The consolidated accounts of easyJet are presented in sterling, which is the Company's functional currency and the Group's presentation currency. 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 gains or losses is recognised in the income statement. Profits and losses of foreign operations are translated into sterling at average rates of exchange during the year, since this approximates the rates on the dates of the transactions.

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

Revenue recognition

Revenue comprises passenger revenue, being the value of airline services (net of air passenger duty, VAT and discounts), and ancillary revenue.

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

Ancillary revenue primarily arises from the provision of checked baggage and speedy (priority) boarding services, booking, credit card and change fees, and commissions earned from services sold on behalf of partners.

Ancillary revenue is recognised when the service is provided. This is generally when the related flight takes place, but in the following cases revenue is recognised at the time of booking:

- Booking and credit card fees as they are contractually non-refundable
- Change fees as the service provided is that of allowing customers to change bookings
- Commissions earned from travel insurance as easyJet acts solely as appointed representative of the insurance company

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

Business combinations

Business combinations in prior years were accounted for by applying the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given and liabilities incurred or assumed plus any costs directly attributable to the business combination. The acquiree's identifiable assets and liabilities are recognised at their fair values at the acquisition date. There have been no business combinations since the effective date of IFRS 3 Business Combinations (Revised).

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over easyJet's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

Notes to the accounts
Continued

1 Accounting policies continued

Goodwill and other intangible assets

Goodwill is stated at cost less any accumulated impairment losses. It has an indefinite expected useful life and is tested for impairment at least annually or where there is any indication of impairment.

Landing rights are stated at cost less any accumulated impairment losses. They are considered to have an indefinite useful life as they will remain available for use for the foreseeable future provided minimum utlisation requirements are observed, and are tested for impairment at least annually or where there is any indication of impairment.

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

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

Property, plant and equipment

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

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

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

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

An element of the cost of a new aircraft is attributed on acquisition to prepaid maintenance and is depreciated 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 depreciated over the length of period benefiting from these enhancements. All other maintenance costs are charged to the income statement as incurred.

The cost of new aircraft comprises the invoiced price of the aircraft from the supplier less the estimated value of other assets received by easyJet for nil consideration. These other assets principally comprise cash (recognised as an asset) and aircraft spares and service credits.

Pre delivery and option payments made in respect of aircraft are recorded in property, plant and equipment at cost. These amounts are not amortised.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised in the income statement.

Impairment of non-current assets

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

Leases

Non-contingent operating lease rentals are charged to the income statement on a straight-line basis over the life of the lease. A number of operating leases require easyJet 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 an operating lease. Surpluses arising on disposal, where the price that the aircraft is sold for is above fair value, are recognised in deferred income and amortised on a straight-line basis over the lease term of the asset.

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

Financial instruments

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

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

Non-derivative financial assets

Non-derivative financial assets are recorded at amortised cost and include loan notes, trade receivables, cash and money market deposits. 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.

Restricted cash comprises cash deposits which have restrictions governing their use and is classified as a current or non-current asset based on the estimated remaining length of the restriction. Cash and cash equivalents comprise cash held in bank accounts with no access restrictions and bank or money market deposits repayable on demand or maturing within three months of inception. Interest income on cash and money market deposits is recognised using the effective interest method.

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

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

Non-derivative financial liabilities

Non-derivative financial liabilities are initially recorded at fair value less directly attributable transaction costs, and subsequently at amortised cost. Interest expense on borrowings is recognised using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Derivative financial instruments

Derivative financial instruments are measured at fair value.

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

Changes in intrinsic fair value are recognised in other comprehensive income to the extent that the cash flow hedges are determined to be effective. All other changes in fair value are recognised immediately in the income statement. Where the hedged item results in a non-financial asset or liability the accumulated gains and losses previously recognised in other comprehensive income form part of the initial carrying amount of the asset or liability. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged items affect the income statement.

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

Notes to the accounts
Continued

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

Financial guarantees
If a claim on a financial guarantee given to a third party becomes probable, the obligation is recognised at fair value. For subsequent measurement, the carrying amount is the higher of initial measurement and best estimate of the expenditure required to settle the obligation on the statement of financial position date.

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

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

- where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither taxable income nor accounting profit
- deferred tax arising on investments in subsidiaries is not recognised where easyJet is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future

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

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

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

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

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

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

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

Employee benefits
easyJet contributes to defined contribution pension schemes for the benefit of employees. easyJet has no further payment obligations once the contributions have been paid. The assets of the schemes are held separately from those of easyJet in independently administered funds. easyJet's contributions are charged to the income statement in the year in which they are incurred.

The expected cost of compensated holidays is recognised at the time that the related employees' services are provided.

Share capital and dividend distribution

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the Company's equity shares (treasury shares) the consideration paid and any directly attributable incremental costs are deducted from equity until the shares are cancelled or reissued.

Dividend distributions to the Company's shareholders are recognised as a liability in the period in which the dividends are approved by the Company's shareholders.

Share-based payments

easyJet has a number of equity-settled share incentive schemes. The fair value of share options is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of awards under the Long Term Incentive Plan and Share Incentive Plan is the share price at the date of grant.

The fair value of the estimated number of options and awards that are expected to vest is expensed to the income statement on a straight-line basis over the period that employees' services are rendered, with a corresponding increase in shareholders' equity. Where performance criteria attached to the share options and awards are not met, any cumulative expense previously recognised is reversed. The social security obligations payable in connection with grant of the share options is an integral part of the grant itself and the charge is treated as a cash-settled transaction.

easyJet settles share awards under the Long Term Incentive, Sharesave and Share Incentive Plans by purchasing its own shares on the market through employee share trusts. The cost of such purchases is deducted from retained earnings in the period that the transaction occurs.

Segmental disclosures

easyJet has one operating segment, being its route network, based on management information provided to the Executive Management Team; which is easyJet's Chief Operating Decision Maker. Resource allocation decisions are made for the benefit of the route network as a whole, rather than for individual routes within the network. Performance of the network is assessed based on the consolidated profit or loss before tax for the year.

Revenue is allocated to geographic segments on the following bases:

- Revenue earned from passengers is allocated according to the location of the first departure airport on each booking
- Commission revenue earned from partners is allocated according to the domicile of each partner

Assets held for sale

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

Impact of new standards and interpretations

The following standards and interpretations issued by the International Accounting Standards Board have been implemented for the year ended 30 September 2011:

New and revised standards

IAS 24 Related Party Disclosures

Amendments to standards

IAS 32 Financial Instruments: Presentation (Classification of Rights Issues)
IFRS 1 First-time Adoption of IFRS (Additional Exemptions for First-time Adopters)
IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
IFRS 2 Share-based Payment (Group cash-settled share-based payment transactions)
Improvements to IFRS (2009) – items with an effective date of 1 January 2010

New and revised interpretations

IFRIC 14 Prepayments of a Minimum Funding Requirement
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The adoption of these standards and interpretations has not led to any changes in accounting policies.

Notes to the accounts
Continued

1 Accounting policies continued

New standard and interpretations not applied

The following standards and interpretations issued by the International Accounting Standards Board have not been applied in preparing these accounts as their effective dates fall in periods beginning after 1 October 2011.

Effective for the year ending 30 September 2012

Amendments to standards and interpretations

IAS 1	Presentation of Items of Other Comprehensive Income
IAS 12	Deferred Tax (Recovery of Underlying Assets)
IFRS 1	First-time Adoption of IFRS (Hyperinflation and Removal of Fixed Dates for First-time Adopters
IFRS 7	Financial Instruments: Disclosures

Effective for the year ending 30 September 2013

New and revised standards

IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IFRS 9	Financial Instruments
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities
IFRS 13	Fair Value Measurement

Amendments to standards and interpretations

IAS 19	Employee Benefits

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

2 Net finance charges

	2011 £ million	2010 £ million
Interest receivable and other financing income		
Interest income	**(9)**	(7)
	(9)	(7)
Interest payable and other financing charges		
Interest payable on bank loans	**20**	21
Interest payable on finance lease obligations	**5**	3
Other interest payable	**(1)**	(4)
Net exchange losses (note 21)	**6**	7
	30	27
	21	20

Other interest payable includes a credit of £1 million (2010: £6 million) reversing previous interest accruals.

3 Profit before tax

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

	2011 £ million	2010 £ million
Depreciation of property, plant and equipment		
Owned assets	**77**	68
Assets held under finance leases	**6**	4
Loss on disposal of property, plant and equipment	**–**	2
Operating lease rentals		
Aircraft	**102**	99
Other assets	**4**	3

Auditors' remuneration

During the year easyJet obtained the following services from easyJet's auditors and their associates (including foreign partners):

	2011 £ million	2010 £ million
Group audit fee	**0.3**	0.3
Fees for other services (principally tax services)	**–**	0.1
	0.3	0.4

4 Employees

The average number of persons employed by easyJet was:

	2011	2010
Flight and ground operations	**7,361**	6,577
Sales, marketing and administration	**363**	310
	7,724	6,887

Employee costs for easyJet were:

	2011 £ million	2010 £ million
Wages and salaries	**350**	300
Social security costs	**48**	39
Pension costs	**28**	23
Share-based payments	**6**	5
	432	367

Key management compensation was:

	2011 £ million	2010 £ million
Short-term employee benefits	**6**	6
Share-based payments	**2**	2
	8	8

The Directors of easyJet plc and the other members of the Executive Management Team are easyJet's key management as they have collective authority and responsibility for planning, directing and controlling the business.

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

	2011 £ million	2010 £ million
Remuneration	**3**	4

Details of Directors' remuneration are disclosed in the Report on Directors' remuneration.

Notes to the accounts
Continued

5 Tax charge
Tax on profit on ordinary activities

	2011 £ million	2010 £ million
Current tax		
United Kingdom corporation tax	**5**	–
Foreign tax	**9**	5
Prior year adjustments	**(30)**	(18)
Total current tax credit	**(16)**	(13)
Deferred tax		
Temporary differences relating to property, plant and equipment	**54**	15
Other temporary differences	**(5)**	19
Prior year adjustments	**7**	15
Change in tax rate	**(17)**	(3)
Total deferred tax charge	**39**	46
	23	33
Effective tax rate	**9%**	21%

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

	2011 £ million	2010 £ million
Profit on ordinary activities before tax	**248**	154
Tax charge at 27% (2010: 28%)	**67**	43
Attributable to rates other than standard UK rate	**(1)**	(2)
Income not chargeable for tax purposes	**(4)**	(6)
Expenses not deductible for tax purposes	**–**	3
Share-based payments	**1**	1
Adjustments in respect of prior years – current tax	**(30)**	(18)
Adjustments in respect of prior years – deferred tax	**7**	15
Change in tax rate	**(17)**	(3)
	23	33

The prior year adjustments in 2011 and 2010 reflect the resolution and reassessment of various tax matters following discussions with the UK and European tax authorities. This has resulted in the net credits to the prior year current tax and debits to prior year deferred tax referred to above.

Current tax liabilities at 30 September 2011 amounted to £9 million (2010: £28 million), of which substantially all relates to years prior to 2011 which remain open with the relevant tax authorities. As in prior years a significant portion of this balance may not be settled in cash but accounted for as a movement in the deferred tax liability. During the year ended 30 September 2011, net cash tax paid amounted to £2 million (2010: £14 million), which principally comprises foreign taxes paid.

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

	2011 £ million	2010 £ million
Credit / (charge) to other comprehensive income		
Deferred tax credit / (charge) on fair value movements of cash flow hedges	**9**	(23)
Charge to shareholders' equity		
Current tax credit on share-based payments	**–**	2
Deferred tax charge on share-based payments	**(1)**	(3)
	(1)	(1)

Deferred tax

The net deferred tax liability in the statement of financial position is as follows:

	Accelerated capital allowances £ million	Short-term timing differences £ million	Tax losses £ million	Fair value (gains)/ losses £ million	Share-based payments £ million	Total £ million
At 1 October 2010	**62**	**57**	**–**	**33**	**(4)**	**148**
Charged / (credited) to income statement	**58**	**(18)**	**–**	**(1)**	**–**	**39**
Credited to other comprehensive income	**–**	**–**	**–**	**(9)**	**–**	**(9)**
Charged to shareholders' equity	**–**	**–**	**–**	**–**	**1**	**1**
At 30 September 2011	**120**	**39**	**–**	**23**	**(3)**	**179**

	Accelerated capital allowances £ million	Short-term timing differences £ million	Tax losses £ million	Fair value (gains)/ losses £ million	Share-based payments £ million	Total £ million
At 1 October 2009	36	52	(16)	10	(6)	76
Charged / (credited) to income statement	26	5	16	–	(1)	46
Charged to other comprehensive income	–	–	–	23	–	23
Charged to shareholders' equity	–	–	–	–	3	3
At 30 September 2010	62	57	–	33	(4)	148

It is estimated that deferred tax liabilities of approximately £5 million (2010: £12 million) will reverse during the next financial year.

Deferred tax assets and liabilities have been offset where they relate to taxes levied by the same taxation authority. As a result the net UK deferred tax liability is £190 million (2010: £148 million). The net overseas deferred tax asset is £11 million (2010: £nil 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 easyJet.

Notes to the accounts
Continued

6 Earnings per share

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

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

Earnings per share is based on:

	2011 £ million	2010 £ million
Profit for the year	**225**	121

	2011 million	2010 million
Weighted average number of ordinary shares used to calculate basic earnings per share	**429**	427
Weighted average number of dilutive share options	**4**	6
Weighted average number of ordinary shares used to calculate diluted earnings per share	**433**	433

Earnings per share	**2011 pence**	2010 pence
Basic	**52.5**	28.4
Diluted	**52.0**	28.0

A dividend in respect of the year ended 30 September 2011 of £195 million is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this dividend payable.

7 Goodwill and other intangible assets

		Other intangible assets			
	Goodwill £ million	**Landing rights £ million**	**Contractual rights £ million**	**Computer software £ million**	**Total £ million**
Cost					
At 1 October 2010	**365**	**74**	**4**	**27**	**105**
Transfer from property, plant and equipment	**–**	**–**	**–**	**6**	**6**
Disposals	**–**	**–**	**–**	**(8)**	**(8)**
At 30 September 2011	**365**	**74**	**4**	**25**	**103**
Amortisation					
At 1 October 2010	**–**	**–**	**3**	**15**	**18**
Charge for the year	**–**	**–**	**–**	**7**	**7**
Disposals	**–**	**–**	**–**	**(8)**	**(8)**
At 30 September 2011	**–**	**–**	**3**	**14**	**17**
Net book value					
At 30 September 2011	**365**	**74**	**1**	**11**	**86**
At 1 October 2010	**365**	**74**	**1**	**12**	**87**

	Goodwill £ million	Other intangible assets: Landing rights £ million	Contractual rights £ million	Computer software £ million	Total £ million
Cost					
At 1 October 2009	365	74	3	17	94
Additions	–	–	1	–	1
Transfer from property, plant and equipment	–	–	–	10	10
At 30 September 2010	365	74	4	27	105
Amortisation					
At 1 October 2009	–	–	2	10	12
Charge for the year	–	–	1	5	6
At 30 September 2010	–	–	3	15	18
Net book value					
At 30 September 2010	365	74	1	12	87
At 1 October 2009	365	74	1	7	82

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

Pre-tax cash flow projections have been derived from the strategic plan for the period up to 2015 approved by the Board, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	9–10%
Fuel price (US dollars per metric tonne)	1,060
Exchange rates	
US dollar	1.60
Euro	1.15
Swiss franc	1.30

Both fuel price and exchange rates are volatile in nature, and the assumptions used represent management's view of reasonable average rates and are derived from recent market information. Operating margins are sensitive to significant changes in these rates.

Cash flow projections beyond the forecast period have been extrapolated using growth rate scenarios ranging from zero up to an estimated average of long-term economic growth rates for the principal countries in which easyJet operates. No impairment resulted from any of these scenarios.

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

Notes to the accounts
Continued

8 Property, plant and equipment

	Aircraft and spares £ million	Leasehold improvements £ million	Other £ million	Total £ million
Cost				
At 1 October 2010	**2,129**	**13**	**29**	**2,171**
Additions	**519**	**–**	**9**	**528**
Aircraft sold and leased back	**(228)**	**–**	**–**	**(228)**
Transfer to intangible assets	**–**	**–**	**(6)**	**(6)**
Disposals	**(10)**	**(5)**	**(13)**	**(28)**
At 30 September 2011	**2,410**	**8**	**19**	**2,437**
Depreciation				
At 1 October 2010	**216**	**8**	**19**	**243**
Charge for the year	**80**	**1**	**2**	**83**
Aircraft sold and leased back	**(20)**	**–**	**–**	**(20)**
Disposals	**–**	**(5)**	**(13)**	**(18)**
At 30 September 2011	**276**	**4**	**8**	**288**
Net book value				
At 30 September 2011	**2,134**	**4**	**11**	**2,149**
At 1 October 2010	**1,913**	**5**	**10**	**1,928**

	Aircraft and spares £ million	Leasehold improvements £ million	Other £ million	Total £ million
Cost				
At 1 October 2009	1,747	13	30	1,790
Additions	442	–	10	452
Aircraft sold and leased back	(52)	–	–	(52)
Transfer to intangible assets	–	–	(10)	(10)
Disposals	(8)	–	(1)	(9)
At 30 September 2010	2,129	13	29	2,171
Depreciation				
At 1 October 2009	154	7	17	178
Charge for the year	68	1	3	72
Disposals	(6)	–	(1)	(7)
At 30 September 2010	216	8	19	243
Net book value				
At 30 September 2010	1,913	5	10	1,928
At 1 October 2009	1,593	6	13	1,612

The net book value of aircraft includes £164 million (2010: £153 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £1,206 million (2010: £1,108 million) were mortgaged to lenders as loan security.

Aircraft with a net book value of £159 million (2010: £105 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 37 (2010: 47) Airbus A320 family aircraft, with a total list price of US$ 1.9 billion (2010: US$2.2 billion) before escalations and discounts for delivery in the period to March 2014.

9 Loan notes

In 2001, easyJet in a 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. easyJet's investment is principally in the form of unsecured loan notes bearing interest at a fixed rate of 8%. Interest receivable is settled by the issue of additional loan notes. Redemption is governed by a priority agreement among the consortium members.

	2011 £ million	2010 £ million
At 1 October	**13**	13
Interest receivable converted to loan notes	**1**	1
Redemption of loan notes	**(3)**	(1)
At 30 September	**11**	13

10 Other non-current assets

	2011 £ million	2010 £ million
Recoverable supplemental rent (pledged as collateral)	**40**	49
Deposits held by aircraft lessors	**17**	1
Other	**6**	4
	63	54

Supplemental rent is pledged to lessors to provide collateral should an aircraft be returned in a condition that does not meet the requirements of the lease and is refunded when qualifying heavy maintenance is performed, or is offset against the costs incurred at the end of the lease.

11 Trade and other receivables

	2011 £ million	2010 £ million
Trade receivables	**84**	77
Less provision for impairment	**(3)**	(3)
	81	74
Other receivables	**27**	31
Recoverable supplemental rent (pledged as collateral)	**11**	13
Prepayments and accrued income	**46**	76
	165	194

Supplemental rent is pledged to lessors to provide collateral should an aircraft be returned in a condition that does not meet the requirements of the lease and is refunded when qualifying heavy maintenance is performed, or is offset against the costs incurred at the end of the lease.

Allowance for credit losses

Movements in the provision for impairment of trade receivables are shown below:

	2011 £ million	2010 £ million
At 1 October	**3**	3
Increase in provision (included in "other costs")	**–**	1
Amounts written off	**–**	(1)
At 30 September	**3**	3

Trade receivables are monitored and allowances are created when there is evidence that amounts due, according to the terms of the receivable, may not be collected.

Notes to the accounts
Continued

11 Trade and other receivables continued

The following amounts of trade and other receivables are past due but not impaired:

	2011 £ million	2010 £ million
Up to three months past due	**31**	22
Over three months past due	**10**	–
	41	22

With respect to trade receivables that are neither impaired nor past due, there are no indications at the reporting date that the payment obligations will not be met. Amounts due from trade receivables are short term in nature and largely comprise credit card receivables due from financial institutions with credit ratings of at least A and, accordingly, the possibility of significant default is considered to be unlikely.

12 Cash and money market deposits

	2011 £ million	2010 £ million
Cash and cash equivalents (original maturity less than three months)	**1,100**	912
Money market deposits (original maturity more than three months)	**300**	260
Current restricted cash	**90**	23
Non-current restricted cash	**33**	33
	1,523	1,228

Interest rates on money market deposits and restricted cash are repriced within 185 days based on prevailing market rates of interest. Carrying value is not significantly different from fair value.

Restricted cash comprises:

	2011 £ million	2010 £ million
Customer payments for packaged holidays	**–**	18
Pledged as collateral to third parties:		
Payment card acquiring	**90**	5
Aircraft operating lease deposits	**30**	30
Other	**3**	3
	123	56

13 Trade and other payables

	2011 £ million	2010 £ million
Trade payables	**90**	79
Unearned revenue	**472**	357
Accruals and deferred income	**280**	328
Other taxes and social security	**13**	9
Other creditors	**61**	56
	916	829

14 Borrowings

At 30 September 2011	Current £ million	Non-current £ million	Total £ million
Bank loans	**146**	**933**	**1,079**
Finance lease obligations	**9**	**212**	**221**
	155	**1,145**	**1,300**

At 30 September 2010	Current £ million	Non-current £ million	Total £ million
Bank loans	122	935	1,057
Finance lease obligations	5	150	155
	127	1,085	1,212

Bank loans, which bear interest at variable rates linked to LIBOR, were drawn down to finance the acquisition of aircraft that have been mortgaged to the lender to provide security. None of the agreements contain financial covenants to be met.

Finance lease obligations relate to aircraft and bear interest partly at fixed rates and partly at variable rates linked to LIBOR.

The maturity profile of borrowings is set out in note 22.

15 Non-current deferred income

Deferred income principally comprises the non-current excess of sale proceeds over fair value of aircraft that have been sold and leased back under operating leases. This balance will be realised in the income statement over the next eight years.

16 Maintenance provisions

	£ million
At 1 October 2010	215
Exchange adjustments	(1)
Charged to income statement	52
Related to aircraft sold and leased back	21
Utilised	(65)
At 30 September 2011	**222**

Maintenance provisions are analysed as follows:

	2011 £ million	2010 £ million
Current	**45**	71
Non-current	**177**	144
	222	215

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

Notes to the accounts
Continued

17 Share capital

	Number		Value	
	2011 million	2010 million	**2011 £ million**	2010 £ million
Authorised				
At beginning and end of the year; ordinary shares of 25p each	**500**	500	**125**	125
Allotted, called up and fully paid				
At 1 October	**430**	425	**107**	106
Issued during the year under share incentive schemes	**1**	5	**1**	1
At 30 September	**431**	430	**108**	107

The weighted average share price for options exercised during the year was £4.31 (2010: £4.01).

easyJet's employee share trusts hold the following shares. The cost of these has been deducted from retained earnings:

	2011	2010
Number of shares (million)	**2**	1
Cost (£ million)	**7**	6
Market value at year end (£ million)	**7**	5

18 Share incentive schemes

easyJet operates the following share incentive schemes, all of which are equity settled. The change in the number of awards outstanding and weighted average exercise prices during the year, and the number exercisable at each year end were as follows:

Grant date	1 October 2010 million	Granted million	Forfeited million	Exercised million	Expired million	**30 September 2011 million**
Discretionary schemes						
18 January 2001	0.1	–	–	(0.1)	–	**–**
19 January 2004	0.4	–	–	–	–	**0.4**
8 December 2004	2.9	–	–	(0.3)	–	**2.6**
1 December 2005	0.4	–	–	(0.4)	–	**–**
Long Term Incentive Plan						
3 December 2007	0.4	–	(0.4)	–	–	**–**
29 February 2008	0.2	–	(0.2)	–	–	**–**
16 January 2009	1.5	–	(0.3)	–	–	**1.2**
16 December 2009	1.5	–	(0.6)	–	–	**0.9**
5 July 2010	0.5	–	–	–	–	**0.5**
31 March 2011	–	2.4	–	–	–	**2.4**
Sharesave						
8 June 2007	0.3	–	–	–	(0.3)	**–**
6 June 2008	2.9	–	(0.1)	(1.8)	–	**1.0**
5 June 2009	1.2	–	(0.1)	–	–	**1.1**
10 June 2010	0.6	–	(0.2)	–	–	**0.4**
1 July 2011	–	2.3	–	–	–	**2.3**
Share incentive plan	2.3	2.4	(0.1)	(0.3)	–	**4.3**
	15.2	**7.1**	**(2.0)**	**(2.9)**	**(0.3)**	**17.1**

Weighted average exercise prices are as follows:

	1 October 2010 £	Granted £	Forfeited £	Exercised £	Expired £	**30 September 2011 £**
Discretionary schemes	2.21	–	2.80	2.77	–	**2.05**
Sharesave	2.66	2.88	2.87	2.40	4.79	**2.73**

The exercise price of all awards save those disclosed in the above table is £nil.

The number of awards exercisable at each year end and their weighted average exercise price is as follows:

	Price £		Number million	
	2011	2010	**2011**	2010
Discretionary schemes	**2.05**	2.21	**3.0**	3.8
Sharesave	**2.40**	4.79	**1.0**	0.3
Share incentive plan	**–**	–	**0.7**	0.7
			4.7	4.8

The weighted average remaining contractual life for each class of share award at 30 September 2011 is as follows:

	Years
Discretionary schemes	3.1
Long Term Incentive Plan	8.7
Sharesave	2.6
Share incentive plan	2.2

Discretionary schemes

Options awarded in 2001 in connection with easyJet's admission to the Official List had a three year vesting period and no performance conditions.

All other awards have a three year vesting period and performance conditions based on growth in earnings per share. All options expire ten years after grant.

Long Term Incentive Plan

The plan is open, by invitation, to Executive Directors and senior management, and provides for annual awards of performance shares worth up to 200% of salary each year and matching shares linked to the investment of up to 50% of annual bonus in easyJet shares. The vesting of these awards is dependent on return on equity or return on capital employed targets being achieved.

Sharesave

Sharesave is open to all employees on the UK payroll. 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 discount of 20% from market price 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.

Employees who are not paid through the UK payroll may save under similar terms and conditions, albeit without tax benefits.

Share incentive plan

The share incentive plan is open to all employees on the UK payroll. Participants may invest up to £1,500 of their pre-tax salary each year to purchase partnership shares in easyJet. For each partnership share acquired easyJet purchases a matching share. Employees must remain with easyJet for three years from the date of purchase of each partnership share in order to qualify for the matching share, and for five years for the shares to be transferred to them tax free. The employee is entitled to dividends and to vote at shareholder meetings.

Employees on the Swiss payroll may save under similar terms and conditions, albeit without tax benefits.

Notes to the accounts
Continued

18 Share incentive schemes continued

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

Grant date	Share price £	Exercise price £	Expected volatility %	Option life years	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
1 December 2005	3.42	3.30	42%	6.5	4.15%	1.42
Long Term Incentive Plan						
3 December 2007	5.63	–	–	–	–	5.63
29 February 2008	4.33	–	–	–	–	4.33
16 January 2009	2.88	–	–	–	–	2.88
16 December 2009 and 5 July 2010	3.49	–	–	–	–	3.49
31 March 2011	3.41	–	–	–	–	3.41
Sharesave						
8 June 2007	5.19	4.79	32%	3.5	5.76%	1.82
6 June 2008	2.86	2.40	41%	3.5	4.92%	1.16
5 June 2009	3.02	2.43	53%	3.5	2.52%	1.40
10 June 2010	4.36	3.49	53%	3.5	1.20%	1.96
1 July 2011	3.60	2.88	46%	3.5	1.45%	1.37

Share price is the closing share price from the last working day prior to the date of grant.

Exercise price for the discretionary schemes was determined using a five-day weighted average price. For the Sharesave scheme, exercise price is set at a 20% discount from share price.

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

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

The weighted average fair value of matching shares granted under the share incentive plan during the year was £3.81 (2010: £4.15).

19 Reconciliation of operating profit to cash generated from operations

	2011 £ million	2010 £ million
Operating profit	**269**	174
Adjustments for non-cash items:		
Depreciation	**83**	72
Loss on disposal of property, plant and equipment	**–**	2
Loss on disposal of assets held for sale	**–**	7
Amortisation of intangible assets	**7**	6
Share-based payments	**6**	5
Unrealised foreign exchange differences	**–**	(3)
Changes in working capital and other items of an operating nature:		
Decrease in trade and other receivables	**27**	43
Increase in trade and other payables	**87**	45
Decrease in provisions	**(5)**	(1)
(Increase) / decrease in other non-current assets	**(9)**	9
(Increase) / decrease in derivative financial instruments	**(2)**	2
(Increase) / decrease in non-current deferred income	**(14)**	4
	449	365

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

	1 October 2010 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	30 September 2011 £ million
Cash and cash equivalents	912	(4)	–	192	**1,100**
Money market deposits	260	2	–	38	**300**
	1,172	(2)	–	230	**1,400**
Bank loans	(1,057)	(5)	1	(18)	**(1,079)**
Finance lease obligations	(155)	(1)	–	(65)	**(221)**
	(1,212)	(6)	1	(83)	**(1,300)**
Net (debt) / cash (non-GAAP measure)	(40)	(8)	1	147	**100**

21 Financial instruments

Carrying value and fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying value at each reporting date are as follows:

	Amortised cost		Held at fair value				
At 30 September 2011	**Loans and receivables £ million**	**Financial liabilities £ million**	**Cash flow hedge £ million**	**Held for trading £ million**	**Other £ million**	**Carrying £ million**	**Fair value £ million**
Loan notes	**11**	**–**	**–**	**–**	**–**	**11**	**11**
Other non-current assets	**59**	**–**	**–**	**–**	**4**	**63**	**63**
Trade and other receivables	**130**	**–**	**–**	**–**	**35**	**165**	**165**
Trade and other payables	**–**	**(375)**	**–**	**–**	**(541)**	**(916)**	**(916)**
Derivative financial instruments	**–**	**–**	**20**	**8**	**–**	**28**	**28**
Restricted cash	**123**	**–**	**–**	**–**	**–**	**123**	**123**
Money market deposits	**300**	**–**	**–**	**–**	**–**	**300**	**300**
Cash and cash equivalents	**1,100**	**–**	**–**	**–**	**–**	**1,100**	**1,100**
Borrowings	**–**	**(1,300)**	**–**	**–**	**–**	**(1,300)**	**(1,307)**

	Amortised cost		Held at fair value				
At 30 September 2010	Loans and receivables £ million	Financial liabilities £ million	Cash flow hedge £ million	Held for trading £ million	Other £ million	Carrying £ million	Fair value £ million
Loan notes	13	–	–	–	–	13	13
Other non-current assets	50	–	–	–	4	54	54
Trade and other receivables	130	–	–	–	64	194	194
Trade and other payables	–	(399)	–	–	(430)	(829)	(829)
Derivative financial instruments	–	–	48	(1)	–	47	47
Restricted cash	56	–	–	–	–	56	56
Money market deposits	260	–	–	–	–	260	260
Cash and cash equivalents	912	–	–	–	–	912	912
Borrowings	–	(1,212)	–	–	–	(1,212)	(1,221)

Amounts disclosed in the "other" column are items that do not meet the definition of a financial instrument. They are disclosed to facilitate reconciliation of the carrying values of financial instruments to line items presented in the statement of financial position.

Fair value calculation methodology

Derivative financial instruments are forward contracts that are valued based on market rates and market-accepted models. Fair value for financial instruments held at amortised cost has been estimated by discounting cash flows at prevailing interest rates and by applying year end exchange rates.

Fair value of derivative financial instruments

At 30 September 2011	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges:						
US dollar	**2,157**	**18**	**23**	**(2)**	**–**	**39**
Euro	**501**	**3**	**8**	**–**	**–**	**11**
Swiss franc	**140**	**1**	**1**	**(3)**	**(1)**	**(2)**
Jet fuel	**2**	**2**	**43**	**(47)**	**(26)**	**(28)**
Designated as held for trading:						
US dollar	**1,240**	**–**	**8**	**–**	**–**	**8**
		24	**83**	**(52)**	**(27)**	**28**

At 30 September 2010	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges:						
US dollar	911	2	14	(4)	(2)	10
Euro	263	2	12	–	–	14
Swiss franc	69	–	–	(1)	–	(1)
Jet fuel	2	4	27	(4)	(2)	25
Designated as held for trading:						
US dollar	1,055	–	–	(1)	–	(1)
		8	53	(10)	(4)	47

For currency contracts, quantity represents the nominal value of currency contracts held, disclosed in the contract currency. For jet fuel contracts, quantity represents contracted metric tonnes.

All derivative financial instruments are in level 2 of the IFRS 7 fair value hierarchy.

Derivatives designated as cash flow hedges

All derivatives to which hedge accounting is applied are designated as cash flow hedges.

Changes in fair value are recognised directly in other comprehensive income, to the extent that they are effective, with the ineffective portion being recognised in the income statement.

Where the hedged item is a non-financial asset or liability, the accumulated gains and losses previously recognised in other comprehensive income are included in the carrying value of that asset or liability. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged item affects the income statement.

easyJet uses forward contracts to hedge US dollar transaction currency risk (comprising fuel, leasing and maintenance payments), jet fuel price risk and euro and Swiss franc revenues. Where these hedges are assessed as highly effective, gains and losses are deferred in other comprehensive income and transferred to the income statement or cost of property, plant and equipment when the related cash flow occurs.

Notes to the accounts
Continued

21 Financial instruments continued

The cumulative net gains / (losses) deferred in shareholders' equity and their expected maturities are as follows:

At 30 September 2011	**Within 1 year £ million**	**1–2 years £ million**	**Total £ million**
Hedges of transaction currency risk	**25**	**21**	**46**
Hedges of jet fuel price risk	**(4)**	**(24)**	**(28)**
	21	**(3)**	**18**
Related deferred tax			**(4)**
			14

At 30 September 2010	Within 1 year £ million	1–2 years £ million	Total £ million
Hedges of transaction currency risk	20	2	22
Hedges of jet fuel price risk	24	2	26
	44	4	48
Related deferred tax			(13)
			35

	2011 £ million	2010 £ million
Gains on cash flow hedges recycled from other comprehensive income in income statement captions:		
Revenue	**9**	1
Fuel	**142**	1
Maintenance	**–**	1
Interest payable and other financing charges	**1**	–
Aircraft lease costs	**–**	5
	152	8

Derivatives designated as held for trading

easyJet has material net monetary liabilities denominated in US dollars at each balance sheet date. In accordance with IAS 21, monetary assets and liabilities are revalued using exchange rates at the balance sheet date. This exposure is managed by the use of forward foreign exchange contracts.

Net US dollar monetary liabilities at each balance sheet date were as follows:

	2011 $ million	2010 $ million
Cash and money market deposits	**673**	709
Borrowings	**(1,654)**	(1,571)
Maintenance provisions	**(301)**	(299)
Other	**73**	78
Net monetary liabilities	**(1,209)**	(1,083)
Forward US dollar contracts	**1,240**	1,055
	31	(28)

Amounts recorded in the income statement in respect of revaluation of monetary assets and liabilities and the gains and losses on derivatives designated as held for trading are as follows:

	2011 £ million	2010 £ million
Unrealised revaluation losses on non-derivative financial instruments	**(7)**	(7)
Realised foreign exchange gains on non-derivative financial instruments	**4**	2
Unrealised revaluation losses on other monetary assets and liabilities	**(1)**	(3)
Unrealised gains / (losses) on derivatives	**9**	(15)
Realised (losses) / gains on derivatives	**(11)**	24
Net (losses) / gains	**(6)**	1
Credited to other costs	**–**	8
Charged to net finance charges (note 2)	**(6)**	(7)
	(6)	1

22 Financial risk and capital management

easyJet is exposed to financial risks including fluctuations in exchange rates, jet fuel prices and interest rates. Financial risk management aims to limit these market risks with selected derivative hedging instruments being used for this purpose. easyJet policy is not to trade in derivatives but to use the instruments to hedge anticipated exposure. As such, easyJet is not exposed to market risk by using derivatives as any gains and losses arising are offset by the outcome of the underlying exposure being hedged. In addition to market risks, easyJet is exposed to credit and liquidity risk.

The Board is responsible for setting financial risk and capital management policies and objectives which are implemented by the treasury function on a day-to-day basis. The policy outlines the approach to risk management and also states the instruments and time periods which the treasury function is authorised to use in managing financial risks. The policy is regularly reviewed to ensure best practice, however there have been no significant changes during the current year.

Capital management

The objective of capital management is to ensure that easyJet is able to continue as a going concern whilst delivering shareholder expectations of a strong capital base as well as returning benefits for other stakeholders and optimising the cost of capital.

easyJet manages its capital structure in response to changes in both economic conditions and strategic objectives. The net cash or debt position, together with the maturity profile of existing debt, is monitored to ensure the continuity of funding. During the year funding totalling $278 million was put in place all of which was utilised during the year.

The principal measure used by easyJet to manage capital risk is the gearing ratio of debt (defined as debt plus seven times aircraft operating lease payments less cash, including money market deposits) to shareholders' equity. Gearing decreased in the year from 32% to 28%, principally due to operating cash flow.

Liquidity risk management

The objective of easyJet's liquidity risk management is to ensure sufficient cash resources and the availability of funding as required. easyJet holds financial assets either for which there is a liquid market or which are expected to generate cash inflows that are available to meet liquidity needs.

easyJet continues to hold significant cash and liquid funds to mitigate the impact of potential business disruption events with Board approved policy stating an absolute minimum level of liquidity that must be maintained at all times. Total cash (excluding restricted cash) and money market deposits at 30 September 2011 was £1,400 million (2010: £1,172 million). Surplus funds are invested in high quality short-term liquid instruments, usually money market funds or bank deposits.

22 Financial risk and capital management continued

The maturity profile of financial liabilities based on undiscounted gross cash flows and contractual maturities is as follows:

At 30 September 2011	Within 1 year £ million	1–2 years £ million	2–5 years £ million	Over 5 years £ million
Borrowings	**177**	**169**	**584**	**493**
Trade and other payables	**375**	**–**	**–**	**–**
Derivative contracts – receipts	**(2,887)**	**(1,041)**	**–**	**–**
Derivative contracts – payments	**2,843**	**1,031**	**–**	**–**

At 30 September 2010	Within 1 year £ million	1–2 years £ million	2–5 years £ million	Over 5 years £ million
Borrowings	148	159	444	573
Trade and other payables	399	–	–	–
Derivative contracts – receipts	(1,838)	(369)	–	–
Derivative contracts – payments	1,844	391	–	–

The maturity profile has been calculated based on spot rates for the US dollar, euro, Swiss franc and jet fuel at close of business on 30 September each year.

Credit risk management

easyJet is exposed to credit risk arising from cash and money market deposits, derivative financial instruments and trade and other receivables. Credit risk management aims to reduce the risk of default through setting credit exposure limits to counterparties based on their respective credit ratings. Credit ratings also determine the maximum period of investment when placing funds on deposit. Credit risk is limited to the carrying value amount in the statement of financial position at each year end date.

Counterparties for cash investments, currency forward contracts and jet fuel forward contracts are required to have a credit rating of A or better at contract inception. Exposures to those counterparties are regularly reviewed and, when the market view of a counterparty's credit quality changes, adjusted as considered appropriate. Accordingly in normal market conditions, the probability of material loss due to non-performance by counterparties is considered to be low.

Disclosure relating to the credit quality of trade and other receivables is detailed in note 11.

Foreign currency risk management

The principal exposure to currency exchange rates arises from fluctuations in both the US dollar and euro rates which impact operating, financing and investing activities. The aim of foreign currency risk management is to reduce the impact of exchange rate volatility on the results of easyJet. Foreign exchange exposure arising from transactions in various currencies is reduced through a policy of matching, as far as possible, receipts and payments in each individual currency. Any remaining significant anticipated exposure is managed through the use of forward foreign exchange contracts. In addition, easyJet has substantial US dollar balance sheet liabilities, partly offset by holding US dollar cash; any residual net liability is managed through the use of forward foreign exchange contracts.

Financing and interest rate risk management

Interest rate cash flow risk arises on floating rate borrowings and cash investments.

Interest rate risk management policy aims to provide certainty in a proportion of financing while retaining the opportunity to benefit from interest rate reductions. Interest rate policy is used to achieve the desired mix of fixed and floating rate debt. All borrowings are at floating interest rates repricing every three to six months. A significant proportion of US dollar loans by value are matched with US dollar cash, with the cash being invested to coincide with the repricing of the debt. Operating leases are a mix of fixed and floating rates. Of the 64 operating leases in place at 30 September 2011, 69% were based on fixed interest rates and 31% were based on floating interest rates (2010: 66% fixed, 34% floating).

All debt is asset related, reflecting the capital intensive nature of the airline industry and the attractiveness of aircraft as security to lenders. These factors are also reflected in the medium term profile of easyJet's borrowings and operating leases. During the year 11 aircraft were cash acquired (2010: nine aircraft).

Fuel price risk management

easyJet is exposed to fuel price risk. The objective of the fuel price risk management policy is to provide protection against sudden and significant increases in jet fuel prices, thus mitigating volatility in the income statement in the short term. In order to manage the risk exposure, forward contracts are used in line with Board approved policy to hedge between 65% and 85% (2010: between 50% and 80%) of estimated exposures up to 12 months in advance, and to hedge between 45% and 65% (2010: between 20% and 50%) of estimated exposures from 13 up to 24 months in advance. In exceptional market conditions, the Board may accelerate or limit the implementation of the hedging policy.

Market risk sensitivity analysis

Financial instruments affected by market risk include borrowings, deposits, trade and other receivables, trade and other payables and derivative financial instruments. The following analysis illustrates the sensitivity of such financial instruments to changes in relevant foreign exchange rates, interest rates and fuel prices. It should be noted that the analysis reflects the impact on profit or loss after tax for the year and other comprehensive income on financial instruments held at the reporting date. It does not reflect changes in revenue or costs that may result from changing currency rates, interest rates or fuel prices. Sensitivity is calculated based on all other variables remaining constant. The analysis is considered representative of easyJet's exposure over the 12 month period.

The currency sensitivity analysis is based on easyJet's foreign currency financial instruments held at each balance sheet date taking into account forward exchange contracts that offset effects from changes in currency exchange rates. The increased sensitivity in the US dollar and euro rate represents sterling weakening against each variable currency with the -10% sensitivity reflecting stronger sterling.

The interest rate analysis assumes a 1% change in interest rates over the reporting year applied to end of year financial instruments.

The fuel price sensitivity analysis is based on easyJet's fuel related derivative financial instruments held at the end of each reporting period.

The impact of a 1% increase in interest rates and a 10% increase in the fuel price is disclosed. A corresponding decrease results in an equal and opposite impact on the income statement and other comprehensive income in both reporting periods.

Sensitivities are calculated based on a reasonably possible change in the rate applied to the value of financial instruments held at each balance sheet date.

	Currency rates					
At 30 September 2011	**US dollar +10% £ million**	**US dollar -10% £ million**	**Euro +10% £ million**	**Euro -10% £ million**	**Interest rates 1% increase £ million**	**Fuel price 10% increase £ million**
Income statement impact: gain / (loss)	**19**	**(15)**	**3**	**(3)**	**(2)**	**–**
Impact on other comprehensive income: increase / (decrease)	**108**	**(89)**	**(40)**	**25**	**–**	**84**

	Currency rates					
At 30 September 2010	US dollar +10% £ million	US dollar –10% £ million	Euro +10% £ million	Euro -10% £ million	Interest rates 1% increase £ million	Fuel price 10% increase £ million
Income statement impact: gain / (loss)	13	(15)	(4)	5	1	–
Impact on other comprehensive income: increase / (decrease)	43	(52)	(14)	20	–	47

The market risk sensitivity analysis has been calculated based on spot rates for the US dollar, euro and jet fuel at close of business on 30 September each year.

Notes to the accounts
Continued

23 Leasing commitments

Commitments under operating leases

	Aircraft		Other	
	2011 £ million	2010 £ million	**2011 £ million**	2010 £ million
Total commitments under non-cancellable operating leases due:				
Not later than one year	**101**	97	**1**	2
Later than one year and not later than five years	**272**	239	**2**	3
Later than five years	**84**	50	**3**	3
	457	386	**6**	8

easyJet holds 64 aircraft (2010: 62 aircraft) under operating leases, with initial lease terms ranging from seven to ten years. easyJet is contractually obliged to carry out maintenance on these aircraft, and the cost of this is provided based on the number of flying hours and cycles operated. Further details are given in the critical accounting policies section of note 1.

Commitments under finance leases

	2011 £ million	2010 £ million
Minimum lease payments fall due as follows:		
Not later than one year	**13**	10
Later than one year and not later than five years	**139**	41
Later than five years	**105**	129
	257	180
Future finance charges	**(36)**	(25)
	221	155

easyJet holds 11 aircraft (2010: 8 aircraft) under finance leases with ten year initial terms. Further details are given in notes 8 and 14.

24 Contingent liabilities

easyJet is involved in various disputes or litigation in the normal course of business. Whilst the results of such disputes cannot be predicted with certainty, management considers that the ultimate resolution of these disputes will not have a material effect on easyJet's financial position, results or cash flows.

At 30 September 2011 easyJet had outstanding letters of credit and performance bonds totalling £44 million (2010: £32 million), of which £41 million (2010: £28 million) expires within one year. The fair value of these instruments at each year end was negligible.

No amount is recognised on the statement of financial position in respect of any of these financial instruments as it is not probable that there will be an outflow of resources.

25 Geographical revenue analysis

	2011 £ million	2010 £ million
United Kingdom	**1,594**	1,423
Southern Europe	**1,190**	1,022
Northern Europe	**629**	504
Other	**39**	24
	3,452	2,973

Southern Europe comprises countries lying wholly or mainly south of the border between Italy and Switzerland, plus France.

easyJet's non-current assets principally comprise its fleet of 140 owned and finance-leased aircraft. A further 64 aircraft are held under operating leases, giving a total fleet of 204 at 30 September 2011. All of these aircraft are registered in the United Kingdom except for 15 registered in Switzerland. These assets are used flexibly across the entire route network, and accordingly there is no suitable basis for allocating them to geographic segments.

26 Related party transactions

On 11 October 2010, easyJet announced that it had reached an agreement on its dispute with easyGroup IP Licensing Ltd ("easyGroup") and Sir Stelios Haji-Ioannou over the terms and operation of the easyJet brand licence.

Under the agreement an annual royalty of 0.25% of total revenue (fixed at £3.95 million for the year ended 30 September 2011 and £4.95 million for the year ending 30 September 2012) is payable for a minimum term of ten years.

A new brand protection protocol was also agreed. easyJet must meet the costs to protect the "easy" and "easyJet" brands alongside easyGroup on a ratio of 10:1 respectively up to a combined cost of £1.1 million per annum. Beyond the first £1.1 million of costs, easyJet can commit up to an aggregate £5.5 million annually to meet brand protection costs, with easyGroup continuing to meet its share of costs on a 10:1 ratio. easyJet must meet 100% of any brand protection costs it wishes to incur above this limit.

A separate agreement has been entered into with Sir Stelios Haji-Ioannou, for two years, where for an annual fee of £300,000 he will not licence the "easy" brand to an ATOL holder in relation to the sale of airline seats, not to sell the shares in easyGroup or the easyJet brand or to acquire an interest in any other airline for two years.

Further details of the agreement can be found in easyJet's Annual report and accounts 2010.

The amounts included in the income statement for the year ended 30 September 2011 for these items were as follows:

	2011 £ million	2010 £ million
Annual royalty	**4.0**	–
Brand protection (legal fees paid through easyGroup to third parties)	**0.7**	–
Agreement with Sir Stelios Haji-Ioannou	**0.3**	–
	5.0	–

Company statement of financial position

	Notes	30 September 2011 £ million	30 September 2010 £ million
Non-current assets			
Investments in subsidiary undertakings	b	**271**	271
Current assets			
Amounts due from subsidiary undertakings		**933**	917
Current liabilities			
Amounts due to subsidiary undertakings		**(31)**	(40)
Net current assets		**902**	877
Net assets		**1,173**	1,148
Shareholders' equity			
Share capital		**108**	107
Share premium		**654**	652
Retained earnings		**411**	389
		1,173	1,148

The accounts on pages 98 to 102 were approved by the Board of Directors and authorised for issue on 14 November 2011 and signed on behalf of the Board.

Carolyn McCall

Carolyn McCall OBE
Director

Chris Kennedy
Director

Company statement of changes in equity

	Share capital £ million	Share premium £ million	Retained earnings £ million	Total £ million
At 1 October 2010	**107**	**652**	**389**	**1,148**
Total comprehensive income				
Profit for the year	**–**	**–**	**16**	**16**
Share incentive schemes				
Proceeds from shares issued	**1**	**2**	**–**	**3**
Movement in reserves for employee share schemes	**–**	**–**	**6**	**6**
At 30 September 2011	**108**	**654**	**411**	**1,173**

	Share capital £ million	Share premium £ million	Retained earnings £ million	Total £ million
At 1 October 2009	106	643	360	1,109
Total comprehensive income				
Profit for the year	–	–	24	24
Share incentive schemes				
Proceeds from shares issued	1	9	–	10
Movement in reserves for employee share schemes	–	–	5	5
At 30 September 2010	107	652	389	1,148

The disclosures required in respect of share capital are shown in note 17 to the consolidated accounts.

Company statement of cash flows

	Notes	Year ended 30 September 2011 £ million	Year ended 30 September 2010 £ million
Cash flows from operating activities			
Cash (used by) / generated from operations	c	**(26)**	156
Interest received		**14**	14
Dividends received		**3**	20
Net cash (used by) / generated from operating activities		**(9)**	190
Cash flows from investing activities			
Investment in subsidiaries		**–**	(200)
Capital distributions		**6**	–
Net cash generated from / (used by) investing activities		**6**	(200)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**3**	10
Cash and cash equivalents at beginning and end of year		**–**	–

Notes to the Company accounts

a) Income statement and statement of total comprehensive income

In accordance with Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement. The Company's profit for the year was £16 million (2010: £24 million). Included in this amount are dividends received of £3 million (2010: £20 million), which are recognised when the right to receive payment is established. The Company recognised no other income or expenses in either the current or prior year.

The Company has eight employees at 30 September 2011 (30 September 2010: seven). These are the Non Executive Directors of easyJet plc; their remuneration is paid by easyJet Airline Company Limited. The Executive Directors of easyJet plc are employed and paid by easyJet Airline Company Limited. Details of Directors' remuneration are disclosed in the Report on Directors' remuneration and in note 4 to the consolidated accounts.

b) Investments in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	2011 £ million	2010 £ million
At 1 October	**271**	66
Investment in subsidiaries	**–**	200
Capital contributions to subsidiaries	**6**	5
Capital distributions made by subsidiaries	**(6)**	–
At 30 September	**271**	271

Investments in subsidiaries are stated at cost, less any provision for impairment. Where subsidiary undertakings incur charges for share-based payments in respect of share options and awards granted by the Company, a capital contribution in the same amount is recognised as an investment in subsidiary undertakings with a corresponding credit to shareholders' equity.

The principal trading subsidiary undertakings, all of which are included in the consolidated accounts, are shown below. A full list of Group companies will be included in the Company's next annual return, in accordance with Section 410 of the Companies Act 2006.

	Country of incorporation	Principal activity	Class and percentage of ordinary shares held
easyJet Airline Company Limited	England and Wales	Airline operator	100
easyJet Switzerland S.A.	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

The Company has a 49% interest in easyJet Switzerland S.A. with an option that expires in 2014 to acquire the remaining 51%. easyJet Switzerland S.A. is consolidated as a subsidiary on the basis that the Company exercises a dominant influence over the undertaking. A non-controlling interest has not been reflected in the accounts on the basis that holders of the remaining 51% of the shares have no entitlement to any dividends from that holding and the Company has an option to acquire those shares for a predetermined consideration.

Notes to the Company accounts
Continued

c) Reconciliation of operating profit to cash generated from operations

	2011 £ million	2010 £ million
Operating profit	**2**	8
Adjustments for non-cash items:		
Unrealised foreign exchange differences	**1**	12
Changes in working capital:		
(Increase) / decrease in amounts due from subsidiary undertakings	**(19)**	112
(Decrease) / increase in amounts due to subsidiary undertakings	**(10)**	24
	(26)	156

d) Guarantees and contingent liabilities

The Company has given a formal undertaking to the Civil Aviation Authority to guarantee the payment and discharge of all liabilities of easyJet Airline Company Limited, a subsidiary of the Company. The guarantee is required 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 Airline Company Limited and easyJet Leasing Limited, both subsidiary undertakings, in respect of its contractual obligations to Airbus SAS in respect of the supply of Airbus 320 family aircraft.

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

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

No amount is recognised on the Company statement of financial position in respect to any of these guarantees as it is not probable that there will be an outflow of resources.

e) Related party transactions

Transactions with subsidiary undertakings, which principally relate to the provision of funding within the Group, are carried out on an arm's length basis. Outstanding balances are placed on intercompany accounts with no specified credit period, are unsecured, and bear market rates of interest.

For full details of transactions and arrangements with easyJet's largest shareholder, see note 26 of the consolidated accounts.

Five year summary
Year end to 30 September

	2011 £ million	2010 £ million	2009 £ million	2008 £ million	2007 £ million
Income statement					
Revenue	**3,452**	2,973	2,667	2,363	1,797
EBITDAR	**468**	361	225	249	298
Group operating profit (EBIT)	**269**	174	60	91	172
Profit before tax	**248**	154	55	110	202
Profit for the year	**225**	121	71	83	152
Profit before tax (underlying)	**248**	188	44	123	191
Earnings per share (basic)	**52.5**	28.4	16.9	19.8	36.6
Earnings per share (diluted)	**52.0**	28.0	16.6	19.4	35.6
Statement of financial position					
Non-current assets	**2,731**	2,488	2,191	1,681	1,350
Current assets	**1,738**	1,515	1,482	1,415	1,166
Current liabilities	**(1,177)**	(1,065)	(1,062)	(910)	(621)
Non-current liabilities	**(1,587)**	(1,437)	(1,304)	(908)	(743)
Net assets	**1,705**	1,501	1,307	1,278	1,152
Statement of cash flows					
Operating activities	**424**	363	134	296	271
Investing activities	**(478)**	(482)	(430)	(418)	(272)
Financing activities	**246**	233	440	6	(129)
Effect of exchange rate changes	**(4)**	9	12	29	(11)
Increase / (decrease) in cash and cash equivalents	**188**	123	156	(87)	(141)
Key performance indicators					
Return on capital employed	**12.7%**	8.8%	3.6%	7.3%	11.7%
Gearing	**28%**	32%	38%	29%	20%
Net (cash) / debt	**(100)**	40	46	(236)	(393)
Profit before tax per seat (£)	**3.97**	2.75	1.04	2.12	4.54
Revenue per seat (£)	**55.27**	53.07	50.47	45.51	40.42
Cost per seat (£)	**51.30**	50.32	49.43	43.39	35.88
Cost per seat excluding fuel (£)	**36.62**	37.23	34.16	29.74	26.31
Seats flown (millions)	**62.5**	56.0	52.8	51.9	44.5

Glossary

Aircraft dry / wet leasing
Payments to lessors under dry leasing arrangements relate solely to the provision of an aircraft. Payments to lessors under wet leasing arrangements relate to the provision of aircraft, crew, maintenance and insurance.

Aircraft owned / leased at end of year
Number of aircraft owned or on lease arrangements of over one month's duration at the end of the period.

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, aircraft dry leasing costs, and profit or loss on disposal of assets held for sale.

Gearing
Net debt (adjusted by adding seven times aircraft dry leasing payments for the year and deducting restricted cash) divided by the sum of shareholders' equity and adjusted net debt.

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 capital employed (ROCE)
Normalised profit after tax divided by average net debt plus average shareholders' equity.

Return on equity
Profit for the year divided by the average of opening and closing shareholders' equity.

Revenue
The sum of passenger revenue 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.

THANK YOU

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