europe by easyJet plc

Annual report and accounts 2012

Overview
europe by **easyJet**

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 2012. 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.

OVERVIEW

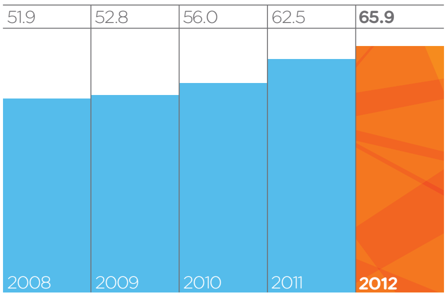
Overview
easyJet at a glance

easyJet continues to grow its seats and passengers

We continue to grow our capacity and improve load factor, increasing the number of people flying with us by 7.1% in 2012.

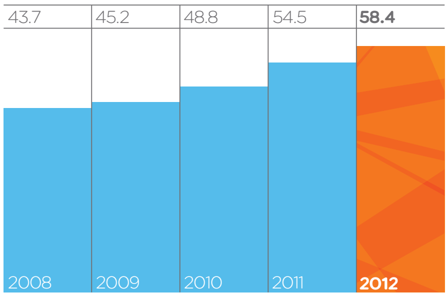
Seats flown
million

65.9



Number of passengers
million

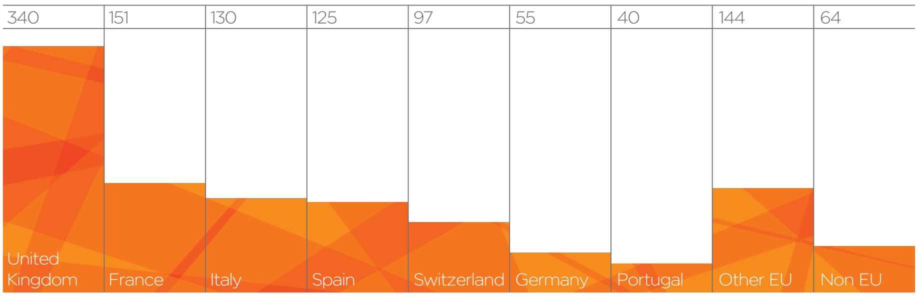
58.4



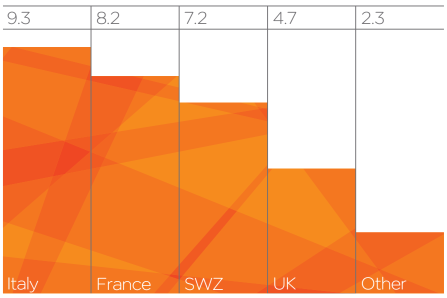
Our network is truly pan-European

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

Number of routes by country



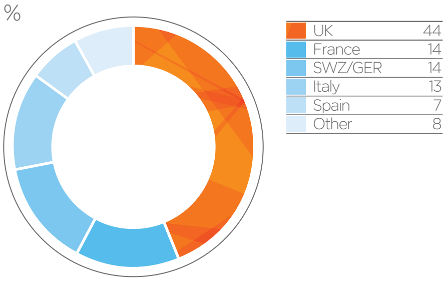
Capacity growth by country
%



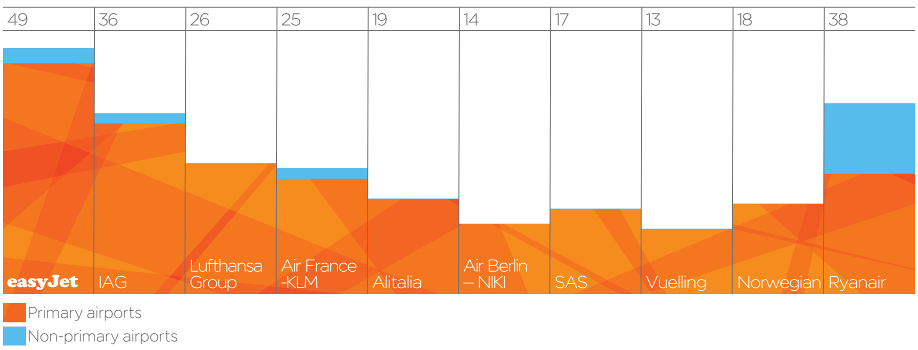
We attract customers across Europe

In 2012, 56% of our customers did not originate from the UK.

Passengers by country 2012
%



Presence on top 100 routes
Ranked by primary airport



Our presence across Europe

23	214	605*
Bases	Aircraft	Routes

UK

Number of routes	
London Gatwick	98
Bristol	44
London Luton	38
Edinburgh	30
Manchester	29
London Stansted	26
Liverpool	26
Belfast	23
Glasgow	15
London Southend	13
Newcastle	13
Others	16

France

Number of routes	
Paris Charles de Gaulle	36
Lyon	29
Nice	24
Paris Orly	19
Toulouse	17
Bordeaux	11
Corsica	11
Others	27

Switzerland

Number of routes	
Geneva	56
Basel	39
Zurich	2

Italy

Number of routes	
Milan Malpensa	44
Rome Fiumicino	25
Sardinia	17
Venice	15
Naples	14
Sicily	9
Others	19

Germany

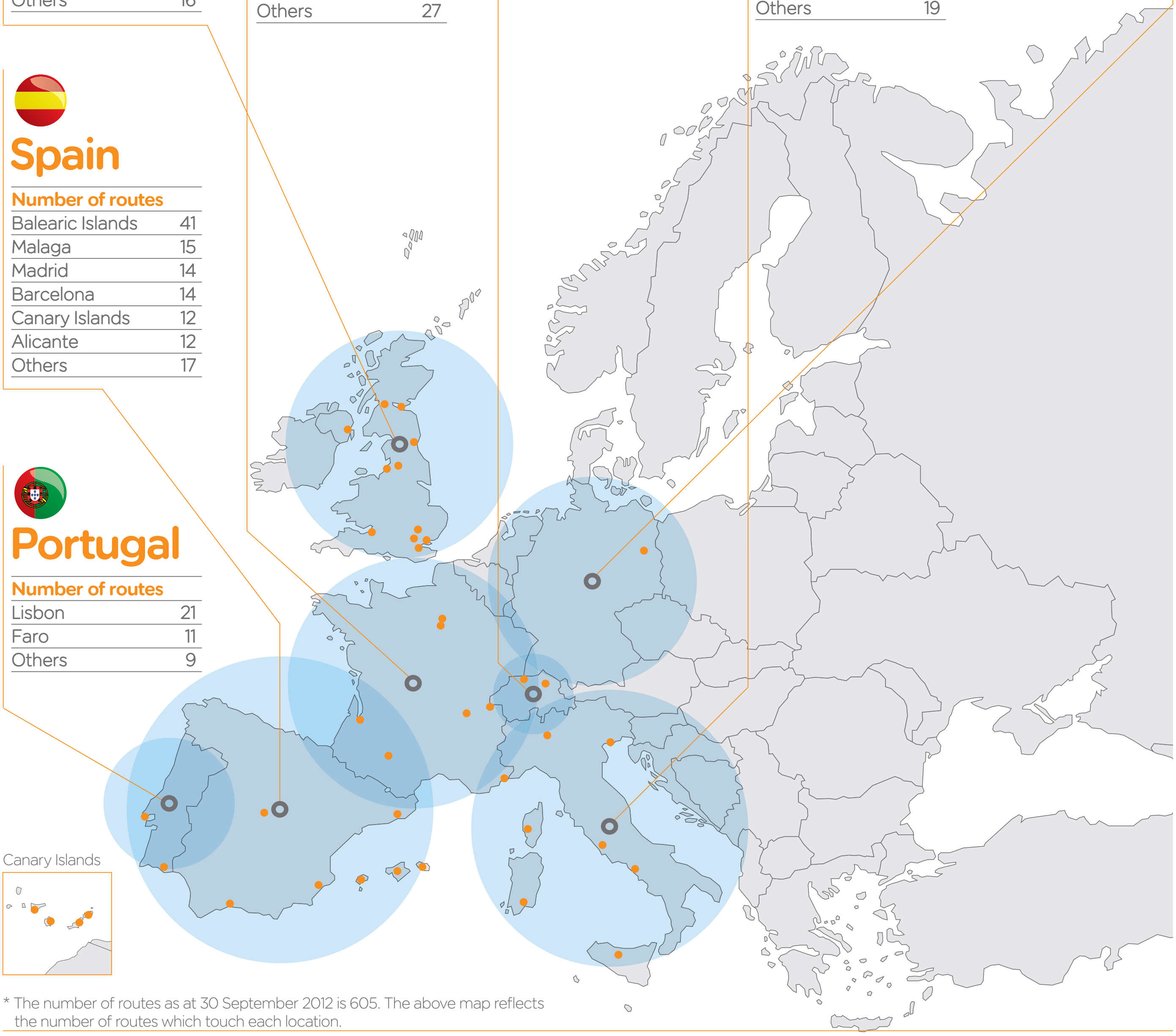
Number of routes	
Berlin	41
Others	14

Spain

Number of routes	
Balearic Islands	41
Malaga	15
Madrid	14
Barcelona	14
Canary Islands	12
Alicante	12
Others	17

Portugal

Number of routes	
Lisbon	21
Faro	11
Others	9



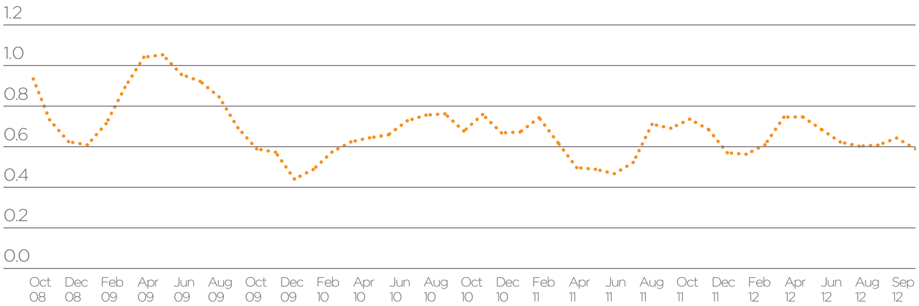
* The number of routes as at 30 September 2012 is 605. The above map reflects the number of routes which touch each location.

Overview
Key performance indicators

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

32–37 +
See Corporate responsibility for more information

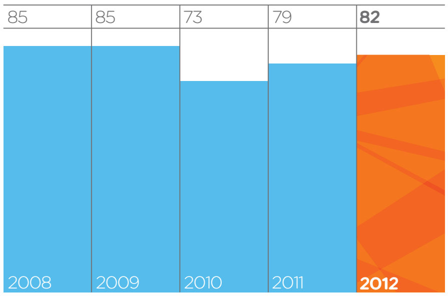
Composite risk value (CRV) index



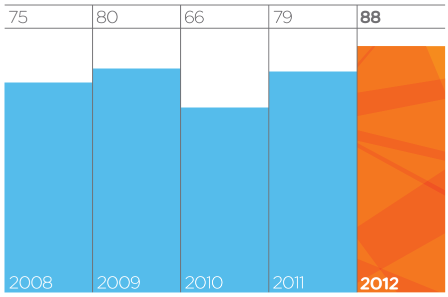
Focus on our customers
Focused on network development
We are committed to making travel easy and affordable and provide friendly service to our customers.

08–17 +
See Business review for more information

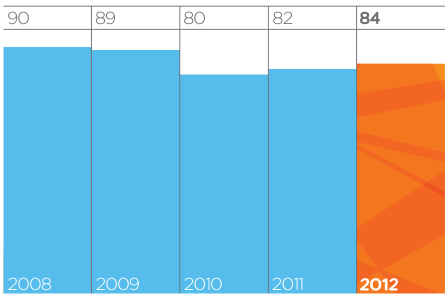
Overall satisfaction on this occasion
%



On time performance
%



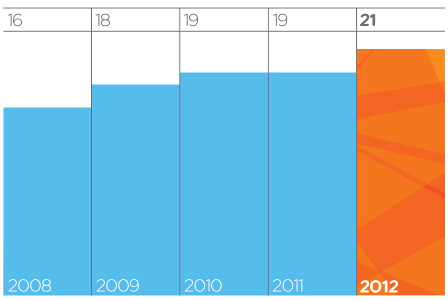
Likely to recommend
%



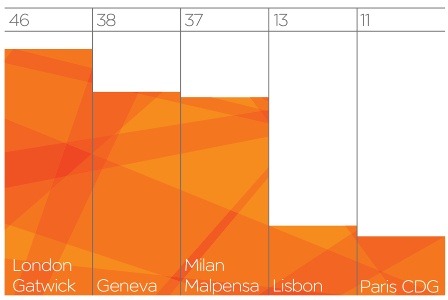
Focus on our network development
We are focused on improving our routes, slots and bases to build on our leading presence across Europe.

08–17 +
See Business review for more information

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



Market share of airports
%



Focus on our people

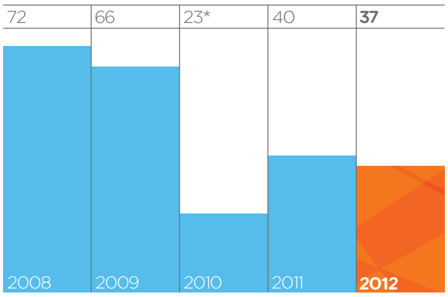
We are committed to listening to our people and engaging with them to improve what we do and how we do it.

Note, from 2010, we moved from measuring satisfaction to measuring engagement.

32–37 +
See Corporate responsibility for more information

Employee engagement (uSay)

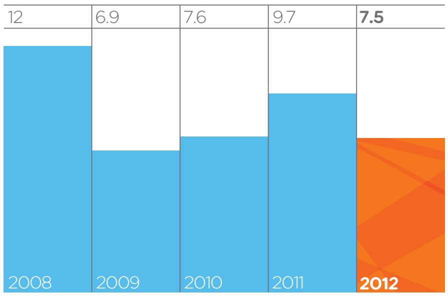
%



* 2010: Satisfaction was 35%, engagement was 23%

Staff turnover

%



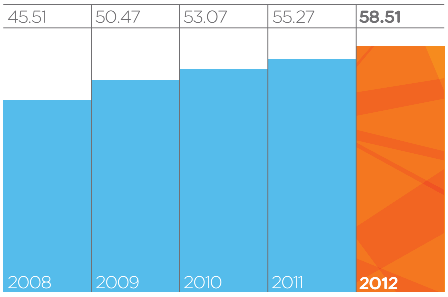
Financially strong

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

19–30 +
See Performance and risk for more information

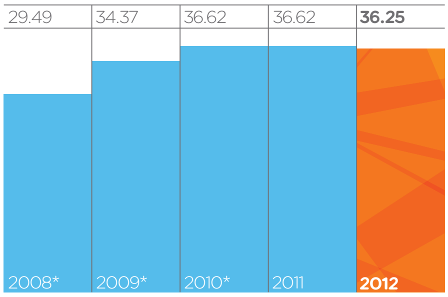
Revenue per seat

£ +5.9%



Cost per seat excluding fuel

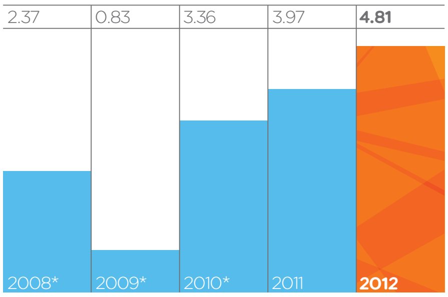
£ -1.0%



* underlying

Profit before tax / per seat

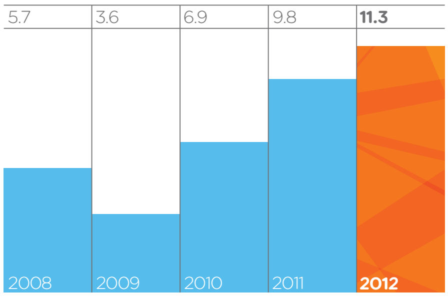
£ +21.3%



* underlying

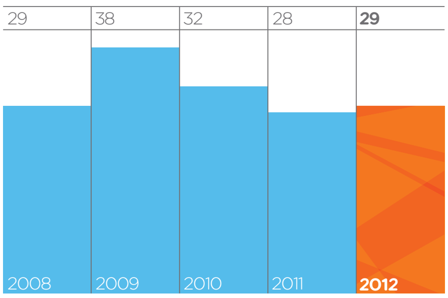
ROCE (including operating leases adjustment)

% +1.5ppt



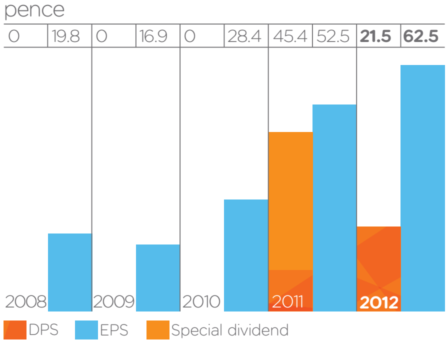
Gearing

% +1ppt



Dividends and basic earnings per share

pence



Overview
Chairman's introduction

Our ambition is to be Europe's preferred short-haul airline, delivering market leading returns.

Sir Michael Rake
Non Executive Chairman

Dear Shareholder,

I am pleased that your Company has delivered continued strong results this year despite the economic headwinds that we face.

Progress this year

The strength of easyJet's business model is based around a pan European network to primary airports, delivered with friendly service, efficiency and at the lowest cost. This has enabled it to thrive, evidenced by the 27.9% increase in pre-tax profit to £317 million.

Return to shareholders

Due to the strength of the performance this year, and the Board's confidence in the strength of easyJet business model, strategy and people, the Board has recommended increasing the level of ordinary dividend paid annually from a ratio of five times cover to three times cover. Consequently an ordinary dividend of 21.5 pence per share will be paid in respect of the financial year ended 30 September 2012, an increase of 11 pence per share compared to the prior year.

Making a strong business stronger

The easyJet team has also taken proactive steps this year to further strengthen the business. Steps have been taken to ensure that returns are maximised from the capital deployed in our aircraft. As a consequence the base in Madrid is being closed. The Company has redeployed the capacity released to more profitable opportunities in France, Switzerland, UK and Italy where the potential for shareholder value is improved. To ensure easyJet remains competitive on cost and aircraft performance the team are well advanced in its technical and commercial evaluation of the next generation narrow body aircraft and engine technology. The Company has stepped up investment in leadership development and succession planning ensuring it has the capabilities necessary to deliver superior returns in the future against a challenging environment.

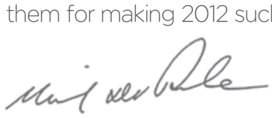
Regulatory environment

It is vital that aviation operates within a regulatory environment that rewards efficient behaviour and guards against protectionism which still shields airports, airlines and ground handling from true and full competition. In particular, the European Union must now press ahead with reform of the allocation of slots at airports to enable new entrants to build up enough frequencies to mount serious challenges to the legacy operators and overhaul the practices around ground handling to ensure there is real competition at every airport. These reforms will benefit the European economy as consumers will benefit from more new routes, more services and affordable fares.

easyJet welcomes the Davies Commission as easyJet believes that the UK aviation sector needs a coherent roadmap for aviation capacity and infrastructure that integrates air, road and rail links and ensures we have a thriving and robust aviation sector centred around customer needs. However any investment in infrastructure must be cost effective and focused on delivering the level of service that customers need.

Conclusion

Finally the hard work and commitment of all of easyJet's people has been instrumental to its success this year and I would like to thank them for making 2012 such a successful year.



Sir Michael Rake
Non Executive Chairman

BUSINESS REVIEW

Business review
Strategic framework

Chief Executive's introduction

Our cause is to make travel easy and affordable.

Carolyn McCall OBE
Chief Executive

£317m
Profit before tax
(2011: £248m) +27.9%

21.5 pence per share
Proposed ordinary dividend
(2011: 10.5 pence per share) +104.8%

Performance during the year

This has been a strong performance and I would like to thank all the easyJet team for their hard work in delivering this.

Financial performance

easyJet delivered record profit before tax of £317 million up by £69 million from 2011. The result was delivered despite headwinds from a £182 million increase in unit fuel costs and ongoing consumer pressure from the weak European economy combined with a £50 million increase in Air Passenger Duty charges in UK, France and Germany. Profit per seat (including fuel) rose by 84 pence to £4.81. This performance was driven by:

- 5.5% capacity growth and a 1.4 percentage point improvement in load factor to 88.7%. Passenger numbers rose 7.1% to 58.4 million.
- Total revenue per seat grew by 5.9% (7.5% at constant currency) to £58.51, driven by improved load factors; the annualisation of changes to fees and charges made in 2011; the careful targeting of capacity to markets with the strongest returns potential; improvements to easyJet.com; the success of the "europe by easyJet" campaign and from competitor capacity constraint in the market.
- Cost per seat excluding fuel fell by 1% for the full year (and grew by 1.8% at constant currency). Unit cost increases were driven by increased charges at regulated airports especially in Spain and Italy and higher load factors. Cost pressures were partially offset by shorter average sector lengths, the easyJet Lean programme delivering significant savings in ground handling and non-regulated airport charges, by the increased proportion of larger A320 aircraft in the fleet and by the exceptionally low levels of disruption in comparison to previous years.

easyJet generated operating cash (excluding dividend payments) of £457 million in the year. In light of the continued strong financial performance and cash generation of easyJet and the robustness of the easyJet balance sheet, the Board has decided to reduce the level of dividend cover from five times to three times and consequently the Board has recommended paying an ordinary dividend of 21.5 pence a share or £85 million.

Return on Capital Employed

easyJet is committed to driving improved returns and growth for shareholders and so uses a Return on Capital Employed (ROCE) metric to enable transparent and consistent communication of this goal for shareholders.

easyJet's returns have improved year-on-year and its ROCE continues to be in excess of the Company's cost of capital.

	2012	2011	Change
ROCE – excluding operating leases adjustment	**14.5%**	12.7%	+1.8ppt
ROCE – including operating leases adjustment	**11.3%**	9.8%	+1.5ppt

When easyJet introduced ROCE as a key performance indicator in 2010, the decision was taken not to adjust the calculation for leases in the expectation that the International Accounting Standards Board (IASB) would shortly be concluding a review of the most appropriate accounting treatment of lease financing.

Business review
Chief Executive's introduction
continued

Example only. Not a current offer.

Over the last year it has become clear that the process is far from complete and the accounting position is not expected to change before 2016 at the earliest. As a consequence of the delay and following shareholder consultation, easyJet has decided to amend its ROCE methodology to reflect the impact on returns of aircraft held under operating leases by capitalising them at seven times the annual lease rental in line with market practice.

Robust operations
easyJet's strong operational and cost performance is built around ensuring aircraft depart and arrive on time. This both minimises the costs of disruption, and improves customer satisfaction and repeat purchase, which in turn increases revenue. easyJet experienced considerably less disruption from weather and industrial action than in previous years. In total, fewer than 1,000 flights were cancelled in the year to 30 September 2012 compared to over 4,000 flights in the year to 30 September 2011.

Although predominantly driven by external factors, the reduced level of cancellations and delays is also as a result of the investment in easyJet's operations control centre (OCC). Initiatives launched to drive operational performance and minimise disruption included the easyJet turn project, the ongoing twice daily operational calls and temporarily basing MET Office forecasters in easyJet's head office during the course of the Olympics.

On-time performance (OTP) improved again in the year with a 9 percentage point improvement across the network and an increase of 3 percentage points in the fourth quarter [(1)]. easyJet's OTP is now best in-class within the industry [(2)].

OTP % arrivals within 15 minutes	Q1	Q2	Q3	Q4	Full year
2011	65%	81%	84%	85%	79%
2012	88%	90%	87%	88%	88%

The focus of the operations team in the coming financial year will be on aircraft turn time during the roll-out of allocated seating whilst continuing to control cost through standardisation and simplification.

Customer satisfaction
The strong operational performance was reflected in improvements in customer satisfaction, with a 3 percentage point year-on-year improvement satisfaction to 82%[(3)] and a 2 percentage points improvement in the likelihood to recommend score to 84%.

easyJet closely monitors customer satisfaction and strives to maintain or grow its customer satisfaction scores through making travel easy and affordable for its customers. easyJet made further improvements to its end-to-end customer experience such as the decision to roll-out allocated seating across the network following its successful trial this summer. The decision to trial allocated seating was prompted by scores for the boarding experience which were lower than the other categories monitored.

Country review
UK
easyJet is the largest carrier in the UK with a market share of around 20%[(4)] in the total intra-European market and around 35% share in easyJet's markets. easyJet has further increased its total UK market share by around 1% in the last year, largely due to other carriers reducing capacity. easyJet saw growth at Gatwick and in its new base at Southend, while bases in Stansted and Liverpool were reduced. easyJet is the number one carrier in nine out of eleven UK easyJet bases with the total number of UK based aircraft at 122.

Switzerland

Switzerland continues to be a focus market for easyJet. With 7.2% capacity growth, easyJet has consolidated its leadership position in both Geneva with around 37% market share and Basel with 43% market share[(4)]. The capacity increase has enabled easyJet to launch 7 new routes and add frequencies on core routes such as Berlin, Barcelona and London. easyJet now operates 19 aircraft out of its Swiss bases.

France

easyJet grew capacity in France by 8.2% in the year and is the second largest carrier in France with over 12% market share[(4)] and bases 24 aircraft in France. A key part of easyJet's strategy in France is to address regional demand for both domestic and international flights and to become the alternative carrier to Air France. Capacity growth was focused on the French regions driven by 11 new routes from its new bases in Nice and Toulouse which opened in March. This brings the total number of routes touching these two bases to 41.

Brand consideration[(5)] and customer satisfaction scores have increased in the year. Since April 2012, easyJet.com is the most visited airline website in France.

Italy

easyJet is the third largest carrier in Italy, with a market share of 11%[(4)]. easyJet has 23 aircraft based in Italy with a number 1 share[(4)] in its main Milan Malpensa base and a strong presence in Rome Fiumicino, Venice and Naples.

The easyJet brand is increasing its profile in Italy with the recent launch of easyJet's first television advertising campaign. Brand consideration[(5)] has increased by 11 percentage points up to 46% thanks to more targeted marketing activities in the key catchment areas.

Germany

In a highly regional market, easyJet's focus in Germany has remained on building a strategic European point-to-point network in Berlin (now with 50% market share in Schönefeld[(4)]). easyJet has continued to build both its leisure and business product out of Berlin whilst rationalising the non-essential network in Dortmund to improve profitability.

Spain

The outbound Spanish market, remains one of the most competitive in Europe, with the existing overcapacity leading to lower yields than in other easyJet markets. Lower yields and high and increasing airport charges led to the decision to cease having crew and aircraft based in Madrid from 1 December 2012. The base closure is on plan and 87% of the 300+ staff currently based in Madrid have accepted the offer to relocate to another easyJet operational base in Europe.

easyJet remains committed to Spain, including Madrid, and will continue to fly to and from Spain out of its other bases. Although capacity will be reduced by around 9%, easyJet expects to carry over 12 million passengers to and from Spain next year.

Portugal

easyJet is the third largest carrier in Portugal with a market share of around 13%[(4)] and is also the second carrier in Lisbon Portela airport, having opened a base there in April 2012. The base launched with two aircraft and a third one started there in November 2012.

(1) Source: On-time performance as measured by internal easyJet system.

(2) Source: On-time performance as measured by flightstats.com.

(3) Source: customer satisfaction data from GfK Customer Satisfaction Tracker. Time period: FY 2012 versus FY 2011. Data updated October 2012.

(4) Market share data from OAG. Size of European market based on internal easyJet definition. Historic data based on the 12 month period from October 2011 to end September 2012. Forward looking data based on available OAG information to the end of March 2013 with assumptions made on Ryanair growth.

(5) Brand consideration scores from GfK ascent.

Business review
Chief Executive's introduction
continued

Market overview

Competitive landscape

There are 3,000 short-haul aircraft in operation in Europe and around half of overall capacity is flown by the top five carriers: Ryanair, IAG, Lufthansa, AF-KLM and easyJet. In recent years, the sustained high price of aviation fuel combined with restricted European economic growth and consumer spending, rising aviation taxes and scarcity of financing has led to a difficult operating environment for all airlines.

In the past year, several carriers have exited and other carriers have changed ownership or required refinancing; the charter operators are seeing their market share and profitability diminishing further; and the losses incurred from legacy operators' short-haul operations are well publicised. Consequently, overall capacity in the European short-haul aviation market remained flat, and declined slightly on easyJet's routes[(4)].

Overall demand for European point-to-point leisure and business travel in the medium term is expected to grow slightly ahead of GDP and this, combined with the capacity restraint in the European aviation market, means that there are structural growth opportunities for carriers such as easyJet with robust business models and strong competitive positions.

Competitive position

easyJet is one of the very few pan-European low-cost carriers in the European short-haul passenger aviation market and is focused on making travel easy and affordable for its customers. easyJet is the fourth largest short-haul carrier in Europe with a market share of 8%[(4)] and derives its competitive advantages from the following attributes:

→ leading short-haul network with the highest number of market pairs within Europe's top 100 market pairs and strong market shares in valuable markets such as London, Paris, Milan, Amsterdam and Geneva;

→ low cost, efficient and flexible business model derived from scale and cost advantage, high asset utilisation, a young efficient fleet with low cost ownership, a leading online and digital offering and industry-leading load factors; and

→ efficient and robust capital structure.

Regulatory environment

The regulatory environment continues to have a significant impact on easyJet and over the last year monopoly infrastructure providers have pushed through unreasonable increases in charges.

However, there are EU proposals on slot and ground handling frameworks which could improve competition across Europe and allow better access to congested airports. easyJet has devoted significant effort to the European Commission's proposals as these have the potential to improve competition at airports. In particular, easyJet is advocating the legalisation of secondary slot trading at airports across Europe and an increase in competition within the ground handling market which would lead to lower costs and an improved service. This is particularly important in Germany and Portugal, where anti-competitive restrictions on the number of ground handlers at an airport have led to excessive costs.

easyJet supports the work to make airspace more efficient through the Single European Sky initiative, and the European Commission's efforts to drive lower costs into airspace. Europe now has a real opportunity to address the inefficiencies in airspace, and it is vital that individual Member States are not allowed to escape their responsibilities to deliver change and control costs.

easyJet remains concerned with the continual increase in taxes on aviation across Europe, which is undermining European growth and ultimately jobs. easyJet has undertaken work to demonstrate to governments that these taxes are not in their interest or those of consumers or people working within the sector.

Towards the end of 2012, the European Commission will set out a redraft of the EU 261 regulations, which govern passenger rights. easyJet is focused on ensuring that the reform brings clarity to airline obligations. easyJet believes in the importance of providing passengers with the right level of protection, but also the protection passengers value and want to pay for.

The airports easyJet flies to are central to its business model. easyJet's network focuses on primary airports where people want to fly to and this provides easyJet with access to important catchments and drives up unit revenues. Primary airports tend to have pricing power and could engage in monopolistic behaviour if they are not regulated.

Where airports are monopolies, regulation is the only effective answer. Only in this way will passengers be protected from excessive airport charges and poor service. easyJet has focused on ensuring that there is effective regulation where it is needed, but also that regulators understand the needs of point-to-point airlines and their passengers. There is cost pressure from regulated airports across Europe from a combination of lower passenger volumes, restricted access to finance and upcoming regulatory reviews. The cost increases from the regulatory reviews in Spain and Italy were disappointing for easyJet and there are upcoming reviews at Gatwick, Geneva and Stansted. To address the risk of increasing airport costs, easyJet has put in place a more sophisticated approach to regulated airport charges building on experience of working with governments and economic regulators. This has involved developing economic evidence on the impact of airport charges, providing technical input into regulatory reviews and ensuring that easyJet is properly represented in discussions with regulators and governments.

At non-regulated airports, easyJet has worked where possible to put in place long-term contracts that mitigate the risk of future cost increases and ensure that easyJet can build on a long-term sustainable platform.

Strategic progress: easyJet is uniquely positioned to be the structural winner in European short-haul aviation

easyJet is structurally positioned as the strongest pan European airline due to its cost advantage, leading market positions at convenient airports and great customer proposition of low fares with friendly and efficient service supported by one of the strongest balance sheets in European aviation. As inefficient and financially weak competitors retrench, easyJet will continue its strategy to build its leading position on Europe's top 100 routes where it has a 25% market share to become the leading point-to-point airline flying between primary airports. This will enable easyJet to deliver passenger growth, in excess of the market overall, of around 3% to 5% per annum and tangible returns to shareholders of an annual ordinary dividend of three times cover.

Example only. Not a current offer.

(4) Market share data from OAG. Size of European market based on internal easyJet definition. Historic data based on the 12 month period from October 2011 to end September 2012. Forward looking data based on available OAG information to the end of March 2013 with assumptions made on Ryanair growth.

Business review
Chief Executive's introduction
continued

Example only. Not a current offer.

In order to execute against our strategy, easyJet is focused on four key objectives:

1. Build strong number 1 and 2 network positions
2. Maintain cost advantage
3. Drive demand, conversion and yields across Europe
4. Disciplined use of capital

1. Build strong number 1 and 2 network positions

A core easyJet strength is its pan-European network which connects more of the top 100 city to city market pairs than any other airline. easyJet's principal competitors are the legacy carriers operating in slot constrained, primary airports over whom easyJet enjoys a significant cost advantage, allowing it to offer competitive, affordable fares. easyJet has the number 1 or 2 market share position in 21 valuable slot constrained airports such as London Gatwick, Paris Orly, Milan Malpensa, Amsterdam and Geneva.

easyJet has built up key positions in slot constrained airports over a number of years which provide the Company with a very competitive and resilient network platform for its operations. easyJet's strategy is to continue to build positions of strength in its key markets and to reallocate aircraft to the routes and bases which will deliver the highest returns. Routes are measured on the returns they are delivering against the Company's returns target. Capacity on underperforming routes is reallocated, or performance managed and profitability improved, to deliver an appropriate return. In a dynamic marketplace, 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.

As a consequence of the desire to re-orientate the easyJet network to drive sustainable long-term returns, easyJet took the difficult step of announcing the proposed closure of its Madrid base from winter 2012/13. easyJet will continue to serve Madrid and the rest of Spain but to do so differently by moving its aircraft to other easyJet bases, which will deliver higher returns for the airline.

It was clear from the network review that the Madrid base was delivering returns, significantly below all of easyJet's other bases. This was due to a combination of overcapacity in the Spanish airline market, leading to low revenue per passenger, combined with high airport charges, which have more than doubled in the last two years and will be subject to further increases above inflation in the coming years.

Aircraft have been redeployed in areas which have the potential to drive higher returns, further evidenced by the strengthening of our position in Lyon and the opening of the French regional bases in Nice and Toulouse; the new Lisbon base; London Southend opening to improve the offering in north London and additional aircraft based in Gatwick, Basel and Milan with further plans to increase aircraft based in Edinburgh and Manchester.

2. Maintain cost advantage

easyJet has a cost advantage over its competitors in the airports that it operates from, allowing it to offer competitive and affordable fares. Its key competitors in these airports tend to be legacy carriers with older, less efficient aircraft, lower asset utilisation, lower seat densities and load factors and higher levels of fixed costs. This lower cost base enables easyJet to offer the lower fares its customers value.

In addition, easyJet's asset utilisation of 10.4 block hours per day for owned aircraft is amongst the highest in the industry. During the year, asset utilisation decreased by 0.6% year-on-year following the introduction of shorter but higher returning sectors including French domestic routes.

(6) To be delivered as part of a GB Airways commitment.

(7) The 16 future easyJet deliveries and 2 ex-GB Airways deliveries are anticipated to be delivered over the next three financial years; 10 in FY13, 6 in FY14 and 2 in FY15.

(8) Purchase options and rights may be taken on any A320 family aircraft and are valid until 2015.

easyJet Lean

The easyJet Lean programme is now firmly established and embedded within the organisation with targets every year on a rolling 5 year basis under the sponsorship of the Chief Financial Officer.

easyJet Lean's goal is to protect easyJet's structural cost advantage by ensuring below inflation non-fuel cost per seat increases. The emphasis is both on keeping cost out as well as taking cost out. easyJet Lean delivered ahead of the planned £90 million in 2012 and expects to deliver additional savings of around £35 million in the 2013 financial year. Savings are being achieved by driving cost efficiencies through best in-class procurement, leveraging scale, tight control of overhead costs, greater crew flexibility and improved operational performance. Savings to date have partially offset inflationary increases and the increased investments in infrastructure developments including allocated seating.

Ground handling was a target area in the last financial year and significant savings have been achieved. Over a third of ground handling contracts measured by spend were renegotiated, delivering typical savings of between 5% and 15%. easyJet continues to work with suppliers to drive operational efficiencies and to simplify its product.

easyJet's strategy is focused around building strong positions at primary airports where there is inherent demand and thus higher yields are available. Consequently around 70% of easyJet's airport costs come from regulated airports and there have been above inflationary cost increases in the period especially in Italy and Spain. The easyJet procurement team have mitigated part of the impact by putting in place key deals to support asset growth elsewhere in the network. easyJet expects further cost pressure from regulated airports in 2013.

easyJet continues to make progress in optimising crew costs to ensure it is competitive in each market in which it operates. Successes include agreeing more flexibility with crew and increasing crew planning horizons. easyJet continues to recognise and engage with unions during a difficult economic time for the industry.

Fleet

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 the flexibility to move aircraft between routes and markets to improve returns.

easyJet's total fleet as at 30 September 2012 comprised 214 aircraft, split between 156 seat Airbus A319s and 180 seat A320s. During the year, easyJet took delivery of 19 A320 aircraft under the terms of the Airbus easyJet agreement and seven A319 aircraft exited the fleet. The two remaining Boeing 737-700s were returned to their lessors in November 2011.

The larger A320 aircraft have been introduced over the last few years with minimal reduction in yields, and deliver a per seat cost saving of approximately 7% over the A319 aircraft through economies of scale, efficiencies in crew, ownership, fuel and maintenance. The modest increase in the proportion of A320s this year delivered a 21 pence per seat cost saving in 2012. easyJet believes that the mix of A320s in the fleet can continue to increase in the foreseeable future with minimal impact on yields.

easyJet targets an owned:leased split of aircraft of 70:30 but, as it evaluates the next generation of aircraft, expects the mix to fluctuate.

The major airframe suppliers have embarked upon the development of the next generation of short-haul aircraft to take advantage of new engine technology being developed by CFM International (a joint venture between General Electric and Snecma) and Pratt & Whitney. Airbus and Boeing are updating their single aisle aircraft with new engines and various other upgrades whilst Bombardier is producing a completely new 100 to 150 seat family aircraft using the latest systems and production techniques. The new aircraft types, which are planned to enter service over the next six years, promise double digit fuel efficiency improvements which are clearly attractive to easyJet.

easyJet is making good progress on its technical and commercial evaluation of the next generation of short-haul aircraft technology. As the evaluation advances further, easyJet will bring a proposal to shareholders which will cover both the next generation of deliveries which are likely to be after 2017 and a plan for the bridging period from 2014 to 2017.

easyJet's intention for any new aircraft order is to maximise the economic efficiencies of the fleet and to support further returns-focused capacity growth.

Fleet as at 30 September 2012:

	Owned	Operating leases	Finance leases	**Total**	Changes in year	Future committed deliveries[7]	Unexercised purchase rights and options[8]
easyJet A319	105	49	6	**160**	-7	–	–
easyJet A320	43	6	5	**54**	19	16	73
Boeing 737-700	–	–	–	**–**	-2	–	–
GB Airways A320 family	–	–	–	**–**	–	2[6]	–
	148	55	11	**214**	10	18	73

3. Drive demand, conversion and yields across Europe

Over the course of the year, easyJet introduced a number of initiatives to drive demand and improve unit revenue. Unit revenues rose by 7.5% on a constant currency basis to £59.41.

The "**europe by easyJet**" campaign has continued to drive visits to easyJet.com and has been a success in all of its major markets. The aim of the campaign has been to develop a brand that people know, like and understand, increasing their likelihood to fly with easyJet on a recurring basis.

During the course of the year, easyJet launched its first television advertising campaign focusing on connecting people across Europe and the experiences customers have. The emphasis has been placed on having a consistent presence across Europe with appropriate market testing and tailoring of key messages. The TV campaign was delivered at the same time as reducing marketing cost per seat with a reallocation of marketing investment achieved through the rigorous testing of all media.

easyJet has continued to focus on attracting business travellers to improve unit revenues. Key to success in this market is to establish effective partnerships with Global Distribution System (GDS) providers, travel management companies (TMCs) and large scale corporate customers. The emphasis of the business traveller initiative in 2012 was to put these building blocks in place for future growth. Agreements were signed with the major GDS providers (including Amadeus), the leading TMCs (including American

Business review
Chief Executive's introduction
continued

Express) and by reaching agreements with specific customers (including major high street banks) and recently with the UK Houses of Parliament. easyJet is working in partnership with the GDS providers and TMCs to improve technology to make the booking functionality for third party agents easier and expects these improvements to be completed in mid-2013.

In the cost conscious business travel market, easyJet has seen a 6% growth in business passengers and increased its share of the European business travel market. [9]

In September, easyJet announced that its allocated seating trial had been successful and would be rolled out across its network by 27 November 2012. easyJet was keen to ensure that allocated seating did not impact asset utilisation and is confident that the roll-out will not materially diminish on-time performance. Customer feedback has been positive with more than 70% of customers preferring allocated seating and over 60% more likely to use easyJet in the future[10].

easyJet is the third most searched for airline globally[11] with close to 400 million visits to easyJet.com over the last 12 months. 60% of visitors originate from outside the UK.

easyJet.com's new content management system was introduced to improve operational efficiency, increase agility, and target specific users with relevant route pricing and messages. Other new initiatives include the introduction of InspireMe, a map based search tool targeting those people who may not know exactly where or when they want to travel, and specific Swiss and US websites.

During the course of the year, easyJet also focused on broadening its digital reach through the introduction of new channels. As at 30 September 2012, the easyJet mobile app had over 3 million downloads delivering £42 million of revenue since its introduction in December 2011. The easyJet app is now available through iPhone and Android devices and has been complemented with the recent launch of a mobile website. By focusing on core booking functionality and "making travel easy" for customers on the move, easyJet is well positioned to take further advantage of developments in this growing area.

easyJet made significant improvements in the way it prices its flights over the last 12 months, investing in improvements to its yield management system. Developments include continuous pricing allowing more specific yield algorithms to be utilised on a wider range of flights, using the latest artificial intelligence techniques to optimise pricing, and further unbundling and yield managing ancillary charges.

Through partnerships with leading providers (including booking.com and Europcar) and an increased focus on customer insight and segmentation, easyJet is in the process of overhauling its customer contact strategy. A range of relevant and personalised emails will be deployed at appropriate points with the aim of driving ancillary upsell and improving customer experience.

4. Disciplined use of capital

The aviation market is a highly capital intensive industry and it is important for airlines to pay careful consideration to its financing and balance sheet position to balance risk, growth, access to funding and shareholder returns.

easyJet has a strong balance sheet and derives a competitive advantage through access to funding at a lower cost. easyJet has a range of measures and tools to effectively allocate capital and resources across its network whilst maintaining an optimal capital structure. This has enabled easyJet to deliver returns in excess of its cost of capital. easyJet has the following targets to ensure its capital structure remains both robust and efficient:

- → a maximum gearing of 50% giving investors and finance providers assurance that easyJet will not over-leverage;
- → a limit of £10 million net debt per aircraft; and
- → a target £4 million liquidity per aircraft.

These measures allow easyJet to withstand external shocks such as an extended closure of airspace, significant fuel price increases or a sustained period of low yields whilst being in a position to drive growth and returns for shareholders.

Over the cycle, easyJet is committed to covering its cost of capital, and will self-fund both growth and the dividend from the cash flows of the business.

During the year good progress has been made on reducing excess liquidity and capital by paying a special dividend of £150 million and repaying £162 million of relatively high coupon mortgage debt. easyJet is currently in the process of closing sale and leasebacks for 12 new A320s and 12 older A319 aircraft. The tender process was heavily oversubscribed allowing easyJet to close deals at very attractive lease rates; demonstrating the benefit of easyJet's strong balance sheet.

In light of the continued strong financial performance of easyJet and the robustness of the easyJet balance sheet, the Board has decided that it is appropriate to reduce the level of dividend cover from 5 times to 3 times for the foreseeable future and consequently the Board has recommended paying an ordinary dividend of 21.5 pence per share at total cost of £85 million, an increase of 104.8%.

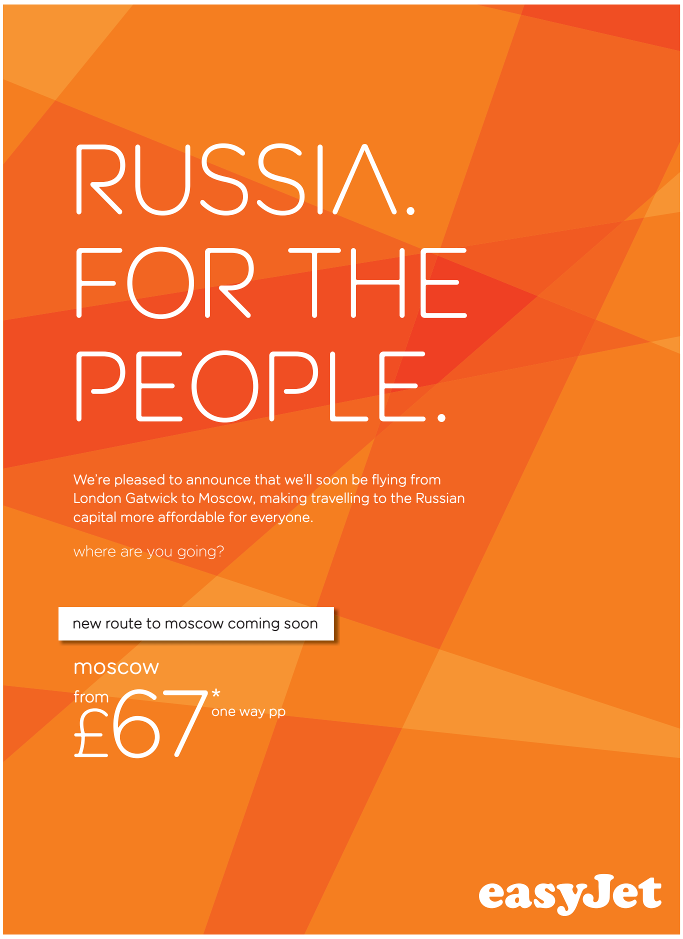
The recommended ordinary dividend will be paid on Friday 22 March 2013 to those shareholders on the register at the close of business on Friday 1 March 2013 with an ex-dividend date of Wednesday 27 February 2013.

Looking forward

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 current hedging arrangements are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus
Six months ending 31 March 2013	86%	86%	76%
Average rate	$986 m/t	$1.61	€1.18
Full year ending 30 September 2013	78%	81%	68%
Average rate	$985 m/t	$1.60	€1.18
Full year ending 30 September 2014	55%	62%	48%
Average rate	$993 m/t	$1.58	€1.22



Example only. Not a current offer.

Sensitivities

- → A $10 movement per metric tonne impacts the FY'13 fuel bill by $4 million.
- → A one cent movement in £/$ impacts the FY'13 profit before tax by £1.6 million.
- → A one cent movement in £/€ impacts the FY'13 profit before tax by £1.2 million.

Outlook

The European macro-economic environment remains uncertain and easyJet continues to be disciplined in its approach to asset allocation. Weaker competitors have retrenched and there are clear opportunities for profitable growth, thus easyJet will grow overall capacity in seats flown by around 3.5% in the first half of the year. Full year capacity growth is expected to be at a similar level to the first half of the year.

Forward bookings for the first half of the 2013 financial year are broadly 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 low to mid-single digits; as is usual at this time of the year, it is too early to have any visibility on second half revenue per seat performance.

easyJet expects cost per seat (excluding fuel and currency movements) to increase by around 3% to 4% for the full year and by around 4% to 5% for the first half assuming normal levels of disruption and constant load factors. Cost increases will be predominantly driven by increases in charges at regulated airports and airport costs are likely to increase by £70 million at constant currency for the 2013 financial year.

It is estimated that at current exchange rates and with fuel remaining within its recent $1,000 m/t to $1,100 m/t trading range, easyJet's unit fuel bill for 2013 financial year would be up to £30 million higher[12]. In addition, exchange rate movements (excluding those related to fuel) are likely to have a further £50 million[12] negative impact in the 2013 financial year.

The challenges faced by easyJet are shared by all European airlines but easyJet's leading European network and cost advantage combined with a disciplined approach to use of capital means that easyJet is well placed to continue to make travel easy and affordable for customers and to continue to generate returns and growth for shareholders.

Whilst there is always the potential for unexpected events to temporarily impact financial results the Board of easyJet is confident that its business model, strategy and people will consistently continue to generate returns and growth for shareholders.

We are well placed to take advantage of opportunities due to the strength and commitment of the people at easyJet for which I would like to say thank you.

Carolyn McCall

Carolyn McCall OBE
Chief Executive

(9) Source: Business traveller market share from PhoCusWright report October 2012.

(10) Source: Allocated seating data based on 32,000 respondents to end of August 2012.

(11) Source: Google.

(12) Rates as at 16 November 2012: USD $1.59 / £1, €1.25 / £1 and US $1,019 per metric tonne.

PERFORMANCE AND RISK

Performance and risk
Financial review

We will maintain a robust capital structure and deliver sustainable returns to shareholders.

Chris Kennedy
Chief Financial Officer

£4.81
Profit before tax per seat
(2011: £3.97) +21.3%

11.3%
ROCE (including operating leases adjustment)
(2011: 9.8%) +1.5ppt

Key performance indicators

easyJet has delivered a strong financial performance for the 2012 financial year, despite continuing macroeconomic challenges across Europe and fuel prices remaining both high and volatile. Profit before tax grew by 27.9% to £317 million, resulting in profit before tax per seat of £4.81; close to our ambition of £5. Profit after tax was £255 million, an increase of 13.3% from £225 million last year.

Return on capital employed and capital structure

	2012	2011	Change
ROCE – excluding operating leases adjustment	**14.5%**	12.7%	+1.8ppt
ROCE – including operating leases adjustment	**11.3%**	9.8%	+1.5ppt
Return on equity	**14.6%**	14.0%	+0.6ppt
Gearing	**29%**	28%	+1ppt

When return on capital employed was introduced as a key performance indicator in 2010, the decision was taken not to adjust the calculation for aircraft held under operating leases. This was in the expectation that the IASB's leasing project would complete in a relatively short time frame, resulting in all leases being shown on the statement of financial position.

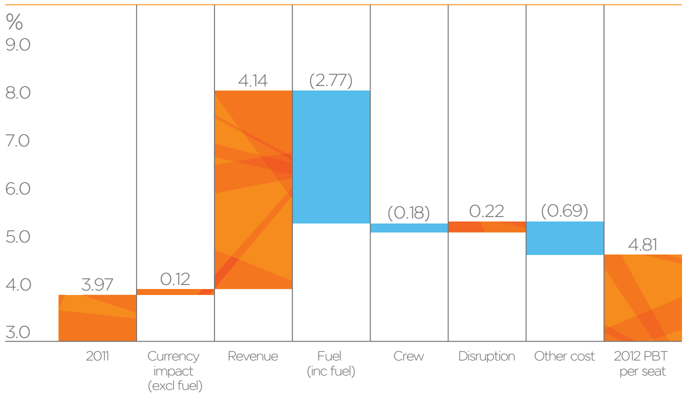
Over the last year it has become clear that this process is far from complete and the accounting position is not expected to change before our 2016 financial year at the earliest. Consequently it has been decided to amend our ROCE calculation to reflect appropriately the impact on return on capital of aircraft held under operating leases by capitalising that at seven times the annual lease rental, in line with market practice. While the returns indicated by the new measure are lower, the measures are closely correlated and both old and new measures indicate returns in excess of cost of capital.

ROCE including operating leases adjustment for the year was 11.3%, an increase of 1.5 percentage points from the previous year.

Return on equity improved by 0.6 percentage points to 14.6%. This increase is lower than that seen in either ROCE measure due to the increase in effective tax rate from 9% last year to 20% this year.

During the year good progress has been made on reducing excess liquidity and capital by paying a special dividend of £150 million and repaying £162 million of relatively high-coupon mortgage debt. Gearing was stable at 29% (2011: 28%).

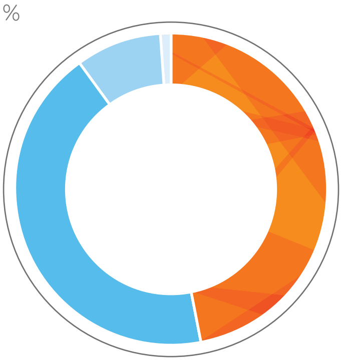
Profit before tax per seat



Performance and risk
Financial review
continued

Revenue

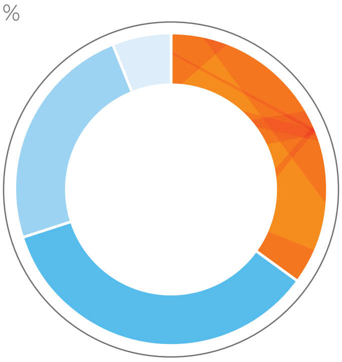
%



GBP	47
EUR	43
Other	9
USD	1

Costs

%



EUR	35
USD	35
GBP	24
Other	6

Financial performance per seat

	2012			2011		
	£ million	**£ per seat**	**Pence per ASK**	£ million	£ per seat	Pence per ASK
Total revenue	**3,854**	**58.51**	**5.34**	3,452	55.27	4.98
Costs excluding fuel	**2,388**	**36.25**	**3.31**	2,287	36.62	3.30
Fuel	**1,149**	**17.45**	**1.59**	917	14.68	1.32
Profit before tax	**317**	**4.81**	**0.44**	248	3.97	0.36
Tax charge	**62**	**0.94**	**0.09**	23	0.37	0.04
Profit after tax	**255**	**3.87**	**0.35**	225	3.60	0.32

Total revenue grew by 11.6% to £3,854 million resulting in growth of 5.9% in revenue per seat to £58.51. At constant currency, revenue per seat grew by 7.5% to £59.41. Just over half of this improvement was driven by improved ticket prices, with the balance mainly from the annualising of changes to fees and charges introduced last year.

Excluding fuel, cost per seat fell by 1.0% to £36.25, however it grew by 1.8% at constant currency. easyJet experienced above-inflation increases in charges at regulated airports (particularly in Spain and Italy). Set against this easyJet successfully re-negotiated a number of key ground handling contracts and also continued to benefit from the increasing proportion of larger A320 aircraft in the fleet. To a lesser extent, cost per seat was also adversely impacted by higher load factors and benefited from slightly shorter average sector length.

Disruption levels and the costs that resulted were exceptionally low this year with just over 1,000 sectors cancelled on the day or delayed overnight. This is a quarter of the level experienced last year. While it is pleasing to be able to report this, easyJet does not consider it to be representative of what may be seen in the future.

As previously reported, our average fuel price increased by $164 per tonne compared with last year resulting in an increase in fuel unit costs of £182 million, equivalent to £2.77 per seat.

Overall, profit before tax increased by £69 million (£0.84 per seat) to £317 million (£4.81 per seat). While the impact of exchange rate changes on certain components of the income statement were significant, overall profit before taxation was improved by £10 million driven by the favourable timing of Euro booking revenues.

The tax charge was £62 million resulting in an effective tax rate of 20% (2011: charge of £23 million and effective tax rate of 9%). The difference between the effective tax rate and standard UK rate is principally driven by the reduction in the UK deferred tax rate to 23% and the utilisation of previously unrecognised losses.

Earnings per share and dividends per share

	2012	2011	Change
Earnings per share	**62.5p**	52.5p	19.0%
Ordinary dividend per share	**21.5p**	10.5p	104.8%
Special dividend per share	**–**	34.9p	N/A

easyJet paid its first ever dividends during March 2012, comprising an ordinary dividend of 10.5 pence per share and a special dividend of 34.9 pence per share. The total dividend paid was £196 million. Following payment of the special dividend, share capital was consolidated on a basis of 11 for 12, and at year end we had 396 million shares of $27^{2}/_{7}$ pence outstanding.

Earnings per share grew 19.0% to 62.5 pence per share. Of this increase, 13.6% is due to growth in profit after tax and 5.4% due to the impact of the share consolidation following payment of the special dividend in March.

Ordinary dividend per share grew by 104.8% to 21.5 pence per share. easyJet is pleased to announce that dividend policy is being amended from this year to pay out one-third of profit after tax for each year, up from the one-fifth payout introduced last year. There are no plans to propose a further special dividend at this time, and excess liquidity will continue to be used where appropriate to pay down mortgage debt.

Exchange rates

Capacity grew in the year by 3.4 million seats flown, of which around two-thirds was deployed in bases outside the UK. While this resulted in increased cash flows denominated in euros, the weakness of the euro against the pound meant that the overall currency profile of the business was little changed year-on-year:

	Revenue 2012	Revenue 2011	Costs 2012	Costs 2011
Sterling	**47%**	47%	**24%**	24%
Euro	**43%**	44%	**35%**	35%
US dollar	**1%**	–	**35%**	35%
Other (principally Swiss franc)	**9%**	9%	**6%**	6%

Average exchange rates

	2012	2011	Change
Euro – revenue	**€1.19**	€1.15	(3.9%)
Euro – costs	**€1.22**	€1.15	5.8%
US dollar	**$1.60**	$1.61	(0.6%)
Swiss franc	**CHF 1.46**	CHF 1.45	(0.7%)

The value of the euro against sterling declined during the year, with the year end exchange rate 7.8% lower at €1.25/£1. This decline was more marked during the second half of the year. Since the business generates a euro surplus (euro revenue exceeds euro costs) a net loss from this euro exposure might be expected.

However a significant proportion of summer bookings were taken before the sharpest decline in the exchange rate, which, coupled with the policy of hedging surplus euros, meant that easyJet was shielded from the full impact of the falling euro in this financial year.

The impact on profit of changes in exchange rates was as follows:

Favourable / (adverse)

	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Revenue	(65)	9	1	(5)	(60)
Fuel	11	–	(10)	–	1
Costs excluding fuel	68	4	(5)	2	69
Total	14	13	(14)	(3)	10

Financial performance

Revenue

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Seat revenue	**3,794**	**57.61**	**5.26**	3,389	54.25	4.89
Non-seat revenue	**60**	**0.90**	**0.08**	63	1.02	0.09
Total revenue	**3,854**	**58.51**	**5.34**	3,452	55.27	4.98

Revenue per seat improved by 5.9% compared with last year to £58.51 reflecting strong performances across the network (with the exception of Spain), particularly from London Gatwick, France and Switzerland.

Seats flown grew by 5.5% to 65.9 million, principally in London Gatwick, France and Switzerland. Load factor was marginally higher at 88.7% and passengers increased by 7.1% to 58.4 million.

Seat revenue contributed 6.2% 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, increased by 8.0% to £6.76 per seat.

Non-seat revenue contracted by 11.8% to £0.90 per seat as commissions earned from sale of travel insurance and, to a lesser extent, car hire continued to fall.

Costs

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Operating costs excluding fuel	**2,174**	**33.00**	**3.01**	2,067	33.10	2.98
Fuel	**1,149**	**17.45**	**1.59**	917	14.68	1.32
Ownership costs	**214**	**3.25**	**0.30**	220	3.52	0.32
Total costs	**3,537**	**53.70**	**4.90**	3,204	51.30	4.62
Total costs excluding fuel	**2,388**	**36.25**	**3.31**	2,287	36.62	3.30

Total cost per seat increased by 4.7% to £53.70; however excluding fuel, cost per seat was broadly flat at £36.25, and up by 1.8% at constant currency.

Operating costs excluding fuel

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Ground operations	**955**	**14.49**	**1.32**	923	14.79	1.33
Crew	**432**	**6.55**	**0.60**	407	6.51	0.58
Navigation	**280**	**4.25**	**0.39**	285	4.56	0.41
Maintenance	**203**	**3.08**	**0.28**	179	2.86	0.26
Selling and marketing	**104**	**1.58**	**0.14**	102	1.64	0.15
Other costs	**200**	**3.05**	**0.28**	171	2.74	0.25
	2,174	**33.00**	**3.01**	2,067	33.10	2.98

Performance and risk
Financial review
continued

Operating costs per seat excluding fuel decreased by 0.3% to £33.00. At constant currency, operating costs per seat excluding fuel increased by 2.8% to £34.01 per seat.

Ground operations cost per seat fell by 2.0% but increased by 1.6% excluding the effect of changes in exchange rates. Although costs have decreased due to the relatively benign winter weather and better controls over the use of de-icing fluid, as well as savings on contract renegotiations with ground handlers, this has been offset by significant increase at airports operated in Spain by AENA and a doubling of charges for on-ground navigation services in Italy. The further increases in AENA charges were a factor in our decision to withdraw the six aircraft based in Madrid from December 2012.

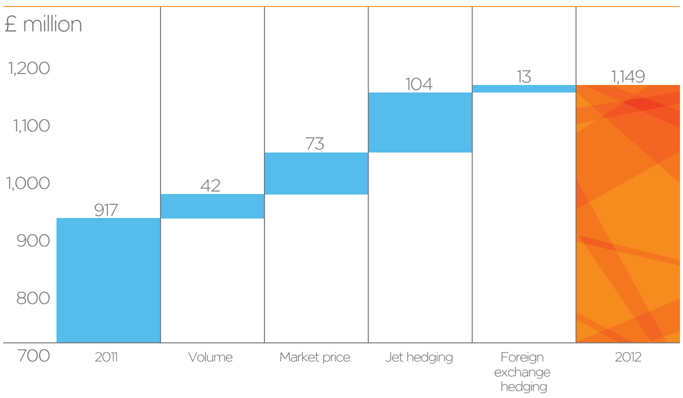
Crew cost per seat increased by 0.6%, and by 2.8% at constant currency driven by an average 2% increase in salaries and disciplined thinning of capacity during the winter months.

Navigation costs fell 6.7% to £4.25 per seat and were down 1.2% at constant currency despite regulated cost increases averaging 2%. This reduction is driven by the increased proportion of A320 aircraft in the fleet and a slightly shorter average sector length as capacity based on the European mainland continues to grow at a faster rate than in the UK.

Maintenance costs have been declining for a number of years, but increased this year by 7.7% to £3.08 per seat; similar to the level seen in 2010. This increase is driven by one-off items that are unlikely to recur. The cost benefits from reducing the proportion of leased aircraft in the fleet have now come to an end, and the average age of the fleet is gradually increasing as planned. We are investing in process improvements that will maintain our cost position in the future.

Other costs increased by 11.3% to £3.05 per seat. This is due to investment in IT infrastructure, and higher performance-related employee costs, reflecting the significantly improved profitability of the business. This was partly offset by unusually low levels of operational disruption resulting in lower compensation payments under EU Regulation EU261/2004.

Fuel cost



Fuel

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Fuel	**1,149**	**17.45**	**1.59**	917	14.68	1.32

The market price for jet fuel remained high and volatile over the year, mostly in excess of $1,000 per tonne. Our hedging activities continued to defer the full impact of this. Average price paid increased by $164 to $982 per tonne; in sterling terms an increase of £110 to £618. Of the total increase in fuel costs of £232 million, £182 million (£2.77 per seat) is due to the roll off of fuel purchases hedged at favourable rates.

Forward purchases of 1.8 million tonnes of fuel for 2013 and 2014 were executed during the periodic dips below $1,000 at an average price of $992 per tonne. As a result the hedged percentages are 78% for 2013 at $985 per tonne and 55% for 2014 at $993 per tonne.

Ownership costs

	2012 £ million	2012 £ per seat	2012 Pence per ASK	2011 £ million	2011 £ per seat	2011 Pence per ASK
Aircraft dry leasing	**95**	**1.44**	**0.13**	109	1.75	0.16
Depreciation	**97**	**1.47**	**0.14**	83	1.33	0.12
Amortisation	**8**	**0.12**	**0.01**	7	0.12	0.01
Interest receivable	**(10)**	**(0.14)**	**(0.01)**	(9)	(0.15)	(0.01)
Interest payable and other financing charges	**25**	**0.38**	**0.03**	24	0.38	0.03
Net exchange (gains) / losses	**(1)**	**(0.02)**	**–**	6	0.09	0.01
	214	**3.25**	**0.30**	220	3.52	0.32

Ownership costs declined slightly to £3.25 per seat; continuing recent strong performance.

The final two Boeing 737 aircraft were returned to lessors during the first quarter, and we now operate a standardised fleet with two gauges of Airbus aircraft. Depreciation cost per seat increased by £0.14 to £1.47 driven by the increased proportion of owned aircraft in the fleet.

The leased proportion of the fleet is currently 26%, which is below the objective of a 70% owned and 30% leased fleet mix, as completion of a number of leases was deferred into the first quarter of the coming financial year. The recent trend of declining ownership costs is not expected to continue at the same rate, although the increasing proportion of A320 aircraft in the fleet will continue to deliver some reductions to depreciation and aircraft dry leasing costs per seat.

Exchange gains and losses arise from changes in the value of monetary assets and liabilities denominated in currencies other than sterling. Fluctuations of the size seen in the last two years are within the range of expectations given the size of the related foreign currency cash flows.

Cash flows and financial position

Summary consolidated statement of cash flows

	2012 £ million	2011 £ million	Change £ million
Net cash generated from operating activities (excluding dividends)	**457**	424	33
Ordinary dividend paid	**(46)**	–	(46)
Special dividend paid	**(150)**	–	(150)
Net capital expenditure*	**(389)**	(478)	89
Net loan and lease finance (repayment) / drawdown	**(314)**	356	(670)
Net decrease / (increase) in money market deposits	**55**	(38)	93
Other including the effect of exchange rates	**(68)**	(76)	8
Net (decrease) / increase in cash and cash equivalents	**(455)**	188	(643)
Cash and cash equivalents at beginning of year	**1,100**	912	188
Cash and cash equivalents at end of year	**645**	1,100	(455)
Money market deposits at end of year	**238**	300	(62)
Cash and money market deposits at end of year	**883**	1,400	(517)

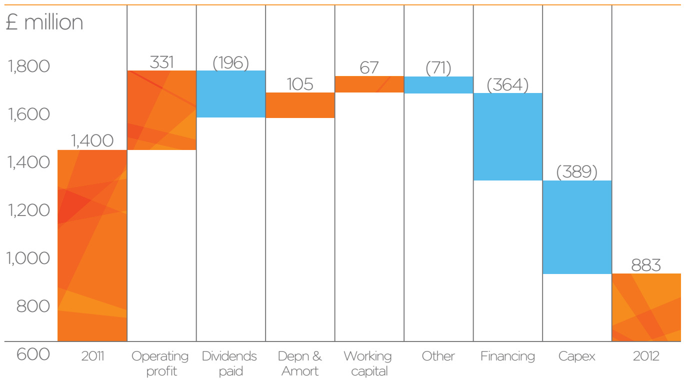
* Stated net of disposal proceeds of £75 million in 2011.

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. Operating cash flow exceeded capital expenditure and the ordinary dividend paid in line with the ambition to self-fund growth and fleet renewal.

Net capital expenditure principally comprises the acquisition of 19 A320 aircraft and advance payments on aircraft due to be delivered mainly over the next two years.

No new loan or lease finance was drawn down during the year, and mortgage loans on 12 aircraft were fully repaid. Two of these loans had reached their contractual end, however the other ten loans were repaid early as part of our strategy to reduce excess liquidity.

Cash flow



Summary consolidated statement of financial position

	2012 £ million	2011 £ million	Change £ million
Goodwill	**365**	365	–
Property, plant and equipment	**2,395**	2,149	246
Net working capital	**(792)**	(765)	(27)
Restricted cash	**159**	123	36
Net (debt) / cash	**(74)**	100	(174)
Current and deferred taxation	**(227)**	(188)	(39)
Other non-current assets and liabilities	**(32)**	(79)	47
	1,794	1,705	89
Opening shareholders' equity	**1,705**	1,501	
Profit for the year	**255**	225	
Ordinary dividend paid	**(46)**	–	
Special dividend paid	**(150)**	–	
Change in hedging reserve	**28**	(21)	
Other movements	**2**	–	
	1,794	1,705	

Net assets increased by £89 million driven by the profit for the year offset by dividends paid and a small net change in the hedging reserve.

The net book value of property plant and equipment increased by £246 million driven principally by the acquisition of 19 A320 family aircraft, and advance payments for aircraft due to be delivered over the next two years.

Net working capital was broadly flat at a net negative £792 million. Passengers pay for their flights in full when booking, therefore the key component of this balance is unearned revenue, which increased by £24 million to £496 million. This increase was rather lower than that seen last year as flights for July and August 2013 did not go on sale until shortly after year end.

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

	2012 £ million	2011 £ million	Change £ million
Cash and cash equivalents	**645**	1,100	(455)
Money market deposits	**238**	300	(62)
	883	1,400	(517)
Bank loans	**(752)**	(1,079)	327
Finance lease obligations	**(205)**	(221)	16
	(957)	(1,300)	343
Net (debt) / cash	**(74)**	100	(174)

easyJet ends the year with £883 million in cash and money market deposits; a decrease of £517 million compared with 30 September 2011. Net borrowings decreased by £343 million.

Net debt at 30 September 2012 was £74 million compared with net cash of £100 million at 30 September 2011. At 30 September 2012 gearing was 29%, marginally higher than last year's gearing of 28%.

Although the net position has changed relatively little, both cash and debt balances have declined markedly during the year, due to payment of the special dividend and accelerated repayment of £162 million mortgage loans and a reduction in the number of leased aircraft. These actions reduced excess liquidity, and we ended the year with a cash and money market deposits balance in line with our policy of holding £4 million cash per aircraft in the fleet.

Performance and risk
Financial review
continued

Operational measures

	2012	2011	Change
Seats flown (millions)	**65.9**	62.5	5.5%
Passengers (millions)	**58.4**	54.5	7.1%
Load factor	**88.7%**	87.3%	+1.4ppt
Available seat kilometres (ASK) (millions)	**72,182**	69,318	4.1%
Revenue passenger kilometres (RPK) (millions)	**65,227**	61,347	6.3%
Average sector length (kilometres)	**1,096**	1,110	(1.3%)
Sectors	**411,008**	393,147	4.5%
Block hours	**786,854**	761,708	3.3%
Number of aircraft owned / leased at end of year	**214**	204	4.9%
Average number of aircraft owned / leased during year	**206.6**	198.8	3.9%
Number of aircraft operated at end of year	**203**	197	3.0%
Average number of aircraft operated during year	**195.7**	185.4	5.5%
Operated aircraft utilisation (hours per day)	**11.0**	11.3	(2.1%)
Owned aircraft utilisation (hours per day)	**10.4**	10.5	(0.6%)
Number of routes operated at end of year	**605**	547	10.6%
Number of airports served at end of year	**133**	123	8.1%

Financial measures

	2012	2011	Change
Return on equity	**14.6%**	14.0%	+0.6ppt
Return on capital employed – excluding operating leases adjustment	**14.5%**	12.7%	+1.8ppt
Return on capital employed – including operating leases adjustment	**11.3%**	9.8%	+1.5ppt
Gearing	**29%**	28%	+1ppt
Profit before tax per seat (£)	**4.81**	3.97	21.3%
Profit before tax per ASK (pence)	**0.44**	0.36	22.8%
Revenue			
Revenue per seat (£)	**58.51**	55.27	5.9%
Revenue per seat at constant currency (£)	**59.41**	55.27	7.5%
Revenue per ASK (pence)	**5.34**	4.98	7.2%
Revenue per ASK at constant currency (pence)	**5.42**	4.98	8.9%
Costs			
Per seat measures			
Total cost per seat (£)	**53.70**	51.30	4.7%
Total cost per seat excluding fuel (£)	**36.25**	36.62	(1.0%)
Total cost per seat excluding fuel at constant currency (£)	**37.28**	36.62	1.8%
Operational cost per seat (£)	**50.45**	47.78	5.6%
Operational cost per seat excluding fuel (£)	**33.00**	33.10	(0.3%)
Operational cost per seat excluding fuel at constant currency (£)	**34.01**	33.10	2.8%
Ownership cost per seat (£)	**3.25**	3.52	(7.8%)
Per ASK measures			
Total cost per ASK (pence)	**4.90**	4.62	6.0%
Total cost per ASK excluding fuel (pence)	**3.31**	3.30	0.2%
Total cost per ASK excluding fuel at constant currency (pence)	**3.40**	3.30	3.1%
Operational cost per ASK (pence)	**4.60**	4.30	6.9%
Operational cost per ASK excluding fuel (pence)	**3.01**	2.98	0.6%
Operational cost per ASK excluding fuel at constant currency (pence)	**3.10**	2.98	4.1%
Ownership cost per ASK (pence)	**0.30**	0.32	(6.6%)

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 26 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 £645 million as at 2012. Total debt of £957 million is free from financial covenants, with £129 million due for repayment in the year to 30 September 2013.

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 single Airbus fleet with the last two Boeings having been returned to lessors in the year to 30 September 2012. Engines are provided by CFM International. Maintenance is undertaken by SR Technics, Virgin Atlantic Engineering*, Monarch Aircraft Engineering, General Electric, BF Goodrich, ATIS, Storm, Nayak, Honeywell, Dublin Aerospace and Lufthansa Technik. The major lessors of aircraft to easyJet are Amentum Capital, AWAS*, GECAS*, Nomura Babcock & Brown*, SMBC Aviation Capital*, 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*, SMBC Aviation Capital*, Sumitomo Mitsui Banking Corporation* and WestLB*.

Our main insurers are Global Aerospace, Allianz, AXA, Canada Life, QBE Houston Casualty Company Europe and Generali.

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 Unit 4 who provide our accounting system, Agresso.

As at 30 September 2012 easyJet had 23 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	London Southend Airport Company
Aeroport Toulouse Blagnac	Aeroport de la Cote D'Azur
ANA – Aeroportos de Portugal	

At these airports our ground handling was carried out by:

Menzies Aviation	Servisair
Group Europe Handling	Aviapartner
Swissport	SEA Handling
	Swissport Menzies
Globeground Berlin	Gate Aviation
Aviation Service	London Southend Airport Company
Portway	

Our main ancillary partners are Gate Gourmet, who provide our in-flight merchandise, Europcar, who provide car rental services, booking.com who broker hotels, Low Cost Holidays who provide accommodation and transfers for easyJet UK 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 Limited and CAE Parc Aviation and flight simulation services from CAE and SIM Aerotraining.

We have a key relationship with easyGroup IP Licensing, who own the easyJet brand, through the Amended Brand Licence, and with Sir Stelios Haji-Ioannou through the Comfort Letter[1].

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

1 See Note 26 to the accounts on Related Party Transactions.

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 2012, the number of creditors days outstanding for the Group was 10 days (2011: 8 days), and for the Company was nil days (2011: nil days).

Performance and risk
Financial review
continued

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 47 and 48.

Strategic impact	Risk description and potential impact	Current mitigation
SAFETY FIRST	**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. **Security and terrorist threat or attack** A major security related threat or attack from either internal or external sources occurs and we fail to deal with it effectively. This could adversely affect our reputation, operational and financial performance.	Our number one priority is the safety, including security, 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 including 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 regularly. Insurance is held which is believed to be in line with other airlines. We constantly ensure that regulations required by relevant Governments are enforced. Crew are trained within the current guidelines.

Strategic impact	Risk description and potential impact	Current mitigation
OPERATIONAL EXCELLENCE	**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 affect our reputation, operational 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 regularly and a business continuity programme is in place. Significant analysis and senior management focus has resulted in 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 us 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). There are significant cost and efficiency advantages of 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 at this time is with the ageing 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. Rigorous established maintenance programme is followed. easyJet constantly reviews the second-hand market and has a number of different options when looking at fleet exit strategies, e.g. easyJet's targeted fleet mix is a 70:30 split between owned and leased. This facilitates the exit strategy of older A319s, protects residual values as well as increasing flexibility in managing the fleet size.
	IT system failure easyJet is currently 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 including the website, could lead to significant disruption and have an operational, reputational and financial impact.	Key systems are hosted in multiple datacentres in two distinct locations with failover arrangements between them. A business continuity programme including disaster recovery arrangements is in place. This is being refined to ensure continued alignment to operational requirements. Alternative sites are available should there be a need to relocate critical staff at short notice due to a 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 our flight schedule. This could adversely affect our reputation, operational and financial performance.	Employee and union engagement takes place on a regular basis. Significant analysis and senior management focus has resulted in crewing solutions being put into place to further recognise the external factors and volatility that impact the airline industry.

Performance and risk
Financial review
continued

Strategic impact	Risk description and potential impact	Current mitigation
EFFICIENT ASSET UTILISATION	**Asset allocation** 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 easyJet'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.
STRONG BALANCE SHEET	**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 protected against, this would have a material adverse effect on financial performance. easyJet's business can also be affected by macroeconomic issues outside of our 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 period. To provide protection, the Group uses a limited range of hedging instruments traded in the over the counter (OTC) markets, principally forward purchases, with a number of approved counterparties. A strong balance sheet supports the business through fluctuations in the economic conditions for the sector. Regular monitoring of markets and route performance by our network and fleet management teams.
	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 our 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. All on balance sheet debt is floating rate, re-priced up to six months. None of the agreements contain financial covenants to be met. 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 our financial performance.	Board policy is to maintain a targeted level of free cash and money market deposits. This allows the business to ride out downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at a 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 £150 million for AAA counterparty money market funds.

Strategic impact	Risk description and potential impact	Current mitigation
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.	We have a very active shareholder engagement programme led by our Investor Relations team. We seek to engage with easyGroup Holdings Limited on a regular basis alongside all our other major shareholders as part of that programme with a view to ensuring the Board and management team are kept aware of the views of all shareholders. A team of individuals from the Board and senior management take responsibility for addressing issues arising from the activist approach adopted by the major shareholder. The objective is to address issues when they arise as effectively as possible in order to minimise the disruptive effect on day-to-day management of the Company's operation and to anticipate and plan for potential future activism.
	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 key senior management on it to ensure monitoring, challenge and key decisions are being made at the appropriate level.
	Information security easyJet faces external and internal information security risks. The Company receives most of its revenue through credit card transactions 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. Information security controls are being further enhanced in key areas including third parties, governance, HR, physical security and IT / technical. The security of internal systems and easyJet.com are reviewed quarterly through penetration testing. Employee security sessions are run periodically to maintain staff awareness. Scanning software for fraudulent customer activity is monitored and controlled by the Revenue Protection team.
	Bribery Act The Bribery Act came into force in July 2011. To date there are no precedents set in respect of how this will be enforced with respect to corporations. 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.
	New offerings add complexity to customer experience easyJet has the ability to deliver value to the customer by ensuring the end to end customer proposition continues to make travel easy. There is a risk that as easyJet continues to grow we could add additional complexity into our business model.	Rigorous change governance process in place. The customer experience is at the heart of all changes or new offerings considered by easyJet.

Performance and risk
Financial review
continued

Strategic impact	Risk description and potential impact	Current mitigation
EXTERNAL RISKS	**Competition and industry consolidation** easyJet operates in competitive marketplaces against both flag carriers and other low-cost airlines. One of easyJet's key competitive advantages is its strong cost base. If we lost sight of this or relaxed our stance over cost control this could significantly reduce any competitive advantage and impact profitability. Industry consolidation will also 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. Strong cost control across the company. "easyJet Lean" drives cost reduction and efficiency into targeted areas.
	Regulator intervention The airline industry is currently heavily regulated, with expected increased regulator intervention. This includes environmental, security and airport regulation which have charges 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.

Chris Kennedy
Chief Financial Officer

CORPORATE RESPONSIBILITY

Corporate responsibility

Introduction

easyJet aims to achieve its ambition of becoming Europe's preferred short-haul airline by making travel easy and affordable and in order to do so we continually look at safer, more sustainable and innovative ways of running the airline.

Our foremost responsibility is **SAFETY**.

We take our responsibility to our customers and our people seriously. Over the last year we have worked hard to make it easy for our customers and our people.

Aviation makes a positive contribution to the economies of Europe. At easyJet we believe in connecting people as efficiently as possible, in the air and on the ground. This is integral to the ongoing success and sustainable development of the business.

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 ensuring we generate market leading returns.

Safety first

The safety of our customers and staff comes first and this is one of our guiding principles and a core part of our DNA. Safety informs everything we do and is the starting point for every decision.

The evolution of our just culture continues with easyJet being at the forefront of promoting open reporting of all safety-related incidents.

We maintain processes and structures to monitor and manage safety related risk throughout the airline.

Our Chief Executive, Carolyn McCall OBE, and Chief Operations Officer, Warwick Brady, are responsible for all aspects of safety delivery, including our compliance obligations under the Air Operator's Certificate (AOC). The AOC Accountable Manager is Carolyn McCall OBE and she chairs our Safety Review Board which meets monthly to assess reports from the Safety Action Groups across the airline. This review and assessment process delivers monthly reports to both the UK Civil Aviation Authority (UK CAA) and the easyJet plc Board. In addition to our internal safety and compliance oversight, our Director of Safety and Security, Captain David Prior delivers an independent safety report to the Board each month. Captain David Prior has a direct line through to the Chairman which reinforces the independence of safety oversight.

No compromise on safety

The Safety Management System (SMS), Fatigue Risk Management System (FRMS) and SafetyNet are all at the forefront of technology.

Our reporting process is very rigorous. All reported safety-related incidents are assessed and categorised, with risk values assigned and aggregated to form our Composite Risk Value (CRV) index. This past year, the index has shown a steady improvement, continuing a long-term trend of reducing risk to well within the assigned boundary level.

The Safety Management System (SMS) launched in 2009 has continued to extend its influence across the organisation to ensure that the highest standards of 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 our ground de-icing programme.

During 2012 we continued to develop our SMS capability and carried out a range of activities designed to enhance our data management acquisition. We are in the process of integrating our bespoke safety data system into our operations. easyJet has developed the capability to generate risk based 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 continued our commitment to further understand rostering practices by carrying out Human Factors studies with our research partners at the National Aeronautics and Space Administration (NASA) and Imperial College London. Given that easyJet has led the field in FRMS development, it is well placed to achieve EASA Sub Part Q as soon as it becomes available.

Safety innovators

easyJet has continued to work closely with UK, EU and European governments and authorities to ensure a coordinated response to large scale air traffic disruption caused by extreme weather conditions or other unexpected events. In 2012 easyJet continued to develop the on-board ash detection radar **AVOID (Airborne Volcanic Object Identifier and Detector)** technology, which it helped pioneer in 2010 in collaboration with the Norwegian Institute for Air Research and its inventor Dr Fred Prata. This 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.

Over the past year AVOID was successfully tested using a light aircraft on an active Mount Etna in Sicily. Following on from this, a partnership was announced with Airbus to test the equipment on an A340-300 test aircraft at the speed and altitude of commercial aircraft. The equipment was successfully fitted which led to the UK's Civil Aviation Authority asking it to be made available during the period running up to and during the London 2012 Olympic Games.

These latest developments also led to easyJet's Head of Engineering Ian Davies being awarded, alongside Dr Fred Prata, Flight Global's Aviators of the Year award.

In 2012 easyJet continued its campaign to help raise awareness of the pan-European emergency number 112 as the safety of our passengers once off the plane remains just as important. On 11 February, also known as 112 day, easyJet pledged its support for the European 112 Emergency Number campaign run by the European Commission, the 112 Foundation and a number of transportation companies (airlines, trains, ferries) to publicise the 112 number. easyJet remains the first airline to have pioneered the use of inflight services to help promote the number and continued to do so in 2012 by increased visibility on the website, corporate activities and its in-flight magazine, as well as introducing a rolling programme of on-board announcements ahead of major holiday periods.

Passengers who require special assistance

easyJet takes the welfare of all of its passengers extremely seriously as it continuously looks to improve the travelling experience. In 2012 we took a further step to better assess the requirements of our 300,000 passengers requiring special assistance. Following on from continued improvements to service delivery, we looked closely at upgrading the training provided to our staff on the ground and in the air by reviewing existing courses and calling upon the support of the special assistance and disabled community to do so. We have worked with several leading experts and associations from across Europe including Guide Dogs UK and the French association APAJH (Association pour Adultes et Jeunes Handicapés) to help do this. We have also set up a special advisory group – the **easyJet Special Assistance Advisory Group (ESAAG)** – and chaired by the Right Honourable David Blunkett MP to help fully oversee these changes.

Our people

Our people are at the heart of our business and they are the key to our ability to make travel easy and affordable and meet our goal of being Europe's preferred short-haul airline. Our focus is to attract the right person at every level, and to keep them engaged.

People strategy

This year we have reviewed our people strategy and have set ourselves clear goals. Our three-part strategy is to make it easy for our people to be at the gate, on-board and able to fly. By this we mean:

→ **At the gate** – The right people, in the right job at the right time equipped to succeed, supported by processes that work.

→ **On-board** – Living the values, wanting to be part of the Company's success and knowing the part they play.

→ **Able to fly** – A high-performance culture where success and continuous improvement are expected, managed and rewarded and people achieve their maximum potential.

In order to deliver this we have organised the strategy under five core strategic pillars.

→ **HR service delivery.** This is all about the easyJet HR team being able to deliver a reliable, effective and efficient service to our easyJet people. By this we mean ensuring that our people and their managers are supported by clear, simple and accurate processes and making it easy for them to understand these processes and to ask when they need to. This also means holding accurate data on our people and providing our people managers with information which supports their roles.

→ **Organisational effectiveness.** This is about ensuring that the infrastructure of the organisation enables delivery of the required business performance and ensuring that our core business processes, organisation design and physical environment are all enablers of business success.

→ **Leadership, management and development.** Our success will come from our people so we want to ensure that we have capable leaders and people managers to drive the business agenda, and that our people have the right skills and capability to deliver both now and in the future.

→ **High performance culture.** At easyJet we set ourselves stretching goals and we want our people to understand the key part that they play in our business plan and our success. We want them to feel accountable for their delivery and rewarded for their success.

→ **Talent and succession.** In order to protect the long-term success of easyJet we want to ensure that we understand our talent portfolio and nurture this such that our people can be the best that they can be. We would like to be a destination of choice for current and future talent from across Europe.

Building the foundations for success

This financial year marked the first year of our plan and our focus was on building the foundations for future success. We focused on reviewing some of the basics of good people practice such that we could improve them and on sowing the seeds of our ambitions for our people. We believe that we have moved the people agenda forward this year and that there is still more to do.

Staff turnover and attendance

In line with the growth of the airline, our employment levels across Europe have continued to grow.

As at 30 September 2012, easyJet employed 8,446 people (2011: 8,288) based across Europe as illustrated below:

United Kingdom	5,132
Switzerland	698
France	840
Spain	583
Italy	822
Germany	294
Netherlands	1
Portugal	76
Total	**8,446**

Of the 158 additional heads we added 56 cabin crew, 51 pilots and 51 new management and administration staff.

The commitment by our people to working at easyJet was very strong with staff attendance at 95% for 2012 (FY 2011: 96%), and staff turnover decreasing to 7.5% (FY 2011: 9.7%).

Corporate responsibility
continued

Delivery
We have improved our recruitment processes and the information and support we give to candidates. As an example, for our cabin crew recruitment we have introduced a "try before you fly" feature on our career portal (careers.easyJet.com) enabling candidates to self-assess whether the role of cabin crew is the right move for them and we also introduced online assessment tools in the recruitment process.

In 2012 we improved our conversion rate by 7% on last year.

Organisational efficiency
This year easyJet announced that it was going to cease basing aircraft and crew out of Madrid. This of course was an exceptionally difficult message for our crew based in Madrid.

Our approach was all about doing the right thing for our people. We offered all of our cabin crew and pilots an alternative role across the network and are pleased that 87% of our people have accepted to continue with us.

Leadership, management and development
We have spent time building our leadership teams and building individual leadership capability, ensuring that our leaders understand our strategy, the associated business challenges and their roles in leading and engaging their teams to deliver on this. To support this we have introduced an easyJet leadership framework, highlighting for our leaders and managers the competencies required at different levels across the Company.

We ran our first manager conference in November 2011 where we brought together our key functional leaders and our leaders at the various bases across the network to share our goals and align our managers behind our plan.

In addition, we have introduced a number of core development modules for many of our people to support individual development – including development planning workshops and an introduction to project management.

High performance culture
We have continued our focus on engagement as there are proven links between an engaged workforce and excellence in customer service and business delivery. We saw an encouraging uplift in the Company engagement survey in October 2011 to 40% (from 23% in September 2010) as measured by the AonHewitt "say stay strive" model of engagement. There is still a lot of work to do and each department across the Company had its own improvement plan which was actively managed throughout the year.

At the time of writing, we have just received top level results for our September 2012 survey. Disappointingly, but perhaps not surprisingly given the tough climate, our top level results have dropped by 3% on the previous year. The leadership team are committed to understanding the feedback from the survey and to work with our people to continue to drive a culture of engagement across all parts of the airline.

As in previous years we have continued with our various internal communications channels such as the CEO weekly call, news round-ups, AMB base visits and community based newsletters, to ensure that we share our thinking and business successes with all of our people.

In the spirit of partnership we have spent a lot of time this year in dialogue with our employee representatives and union representatives across Europe. We have also established a new European Works Council which met for the first time in May 2012.

Recognising that good performance management and recognition are both drivers of engagement and performance, we have improved our approach to both this past year. Our hugely successful second annual awards event was held in February 2012 at Disneyland Paris in France where we celebrated our people who have the Orange Spirit. We have asked our people how we can improve our culture of recognition and will make changes to our Spirit programme and portal in the coming year.

Talent and succession
We ran the first year of our new European Graduate programme. This got off to a flying start with easyJet being listed as 35th Best Company to work for in The Job Crowd publication of "Top Companies for Graduates to work for 2012/13" . This report is based on reviews and feedback from graduate employees. easyJet rated **4.18/5** in the publication gaining a higher position than other well established graduate programmes such as Rolls-Royce, KPMG, L'Oreal, ASDA, M&S and Sainsbury's to name just a few. easyJet scored 4.6/5 for its company culture which is described by graduates as "vibrant", "young" and "exciting". The Company is "dynamic and enthusiastic" and reviewers report that it is a "fast-paced environment that rewards its employees".

The second intake of graduates started in October 2012 and we plan to have a further intake in October 2013.

As part of our goal of becoming a destination of choice for future talent, we translated our careers website into five additional languages.

We recognise that our approach to **reward** is critical to our ability to both attract and retain our people. easyJet offers a competitive reward package and reviews salaries annually in line with market rates to ensure continued alignment to the market. The focus is on cash and variable pay rather than fixed benefits. The reward package includes an annual performance-driven bonus, based on personal and Company performance, and grants of performance shares, which encourages all our people to contribute towards achieving our strategic objectives.

We once again offered all our people the opportunity to join our popular all-employee **share plans**. These help to increase engagement and commitment to easyJet and contribute to Company success.

The plans have won five major awards to date, and involve three elements: Save As You Earn (SAYE); Buy As You Earn (BAYE) and Performance Shares. During the year, all eligible employees were offered the equivalent of two week's salary in the form of "Performance 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 schemes remains very strong, with over 85% of our eligible people taking part in one or more of the plans.

easyJet offers a small number of Company provided **benefits** in line with our cost focused approach. These include insurances and access to staff travel at cost price.

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. In the UK we have also been able to facilitate a number of additional "flexible benefits" under our Benefits4me programme. These enable our people to access programmes and savings which would not be available to them on an individual basis, without additional cost to easyJet. These include our popular environmentally friendly Cycle 2 Work scheme and a carbon offsetting scheme. A "lifestyle benefits" programme was also in place 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 flexible benefits, through salary sacrifice. easyJet's National Insurance savings contribute to the financing of the scheme, which is fully outsourced.

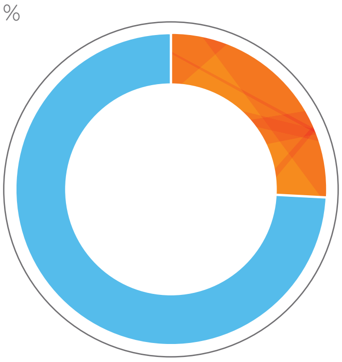
Equality and diversity

easyJet is an equal opportunities employer and our people and applicants are treated fairly and equally regardless 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.

Capitalising on what is unique about individuals and drawing on their different perspectives and experiences adds value to the way we do business. We recognise that a diverse workforce will provide us with an insight into different markets and help us anticipate and provide what our customers want from us.

Senior management team

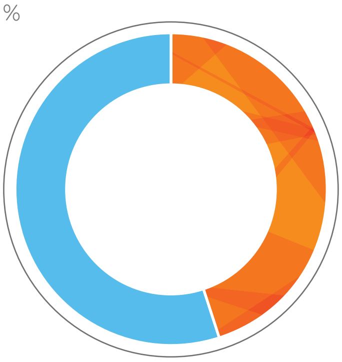
%



Female	26
Male	74

easyJet

%



Female	45
Male	55

Community and charitable activities

2012 has been an important year for easyJet and its charity work with a renewed focus on charitable activities across the easyJet network.

UNICEF – our new charity

In 2012 easyJet formed a partnership with UNICEF, the world's leading organisation for children. The partnership runs across easyJet's pan-European network during the peak summer and winter seasons.

The programme is branded Change for Good and offers all our customers the chance to support the world's children simply by dropping their spare change into specially designed pouches, which are handed out by easyJet's crew during flights. The money raised through donations from easyJet customers will fund UNICEF's life-saving work for children across the world, such as vaccinating children at risk from diseases such as measles and polio or providing mosquito nets to prevent malaria.

We have chosen to focus on immunisation projects in the hope of saving the lives of over a million children across the world. The response by our people and passengers has been overwhelming. To date easyJet has raised as part of this campaign over £800,000. The Company has also provided over £15,000 of benefits in kind, and given the initiative visibility through various channels including the in-flight magazine "Traveller". easyJet has also provided free flights in support of UNICEF's work.

Since the partnership's launch a series of road shows have taken place across our European bases to raise the partnership's profile with our own people.

Our aim into next year is to raise more funds than any other UNICEF Change for Good partner in the world.

New easyJet European Charity Committee set-up

This past year a dedicated European Charity Committee was set up to oversee the partnership with UNICEF and any additional charitable actions. This committee includes representatives from across the whole of our airline.

One of the outcomes has been the creation of a special fund where staff members from across Europe can apply for access to funds to support their local charities and communities.

Support for local communities

We have continued to provide support at local community level through a variety of unplanned and planned initiatives. In May 2012 Italy was struck by a tragic earthquake which impacted the lives of thousands of people in the Emilia Romagna region. easyJet decided to carry out a special onboard collection on its Italian flights to support the victims of this tragedy. We raised over €70,000 in support of the Italian Red Cross' work in this region.

In addition, easyJet has sponsored a number of local community based events and activities such as Manchester and Brighton PRIDE to reflect our diversity, the Edinburgh International Film Festival 2012 to reflect our position as Scotland's leading airline, the Love Luton city status campaign because of our historic links to Luton, and the Daily Mirror Pride of Northern Ireland awards to name a few.

Corporate responsibility
continued

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. Every Christmas (and less frequently, at various times through the year) easyJet holds a staff raffle of all the gifts that are received.

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. This also means that every year is often 'more of the same', in other words we continue to focus on being as efficient as possible and making steady gains, rather than outlining eye catching initiatives that in reality would have little impact.

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

As we continue to grow we are replacing less efficient operators across Europe, and therefore reducing emissions on those routes where we are replacing capacity provided by inefficient legacy carriers.

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. This year was the first year that aviation played a full role in the European Union's Emission Trading System (EU ETS), as carriers are required to have carbon permits for all flights at EU airports. This is an important step as it ensures that aviation is helping to tackle climate change, and means that we can now push for the removal of inefficient taxes such as the UK's Air Passenger Duty.

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

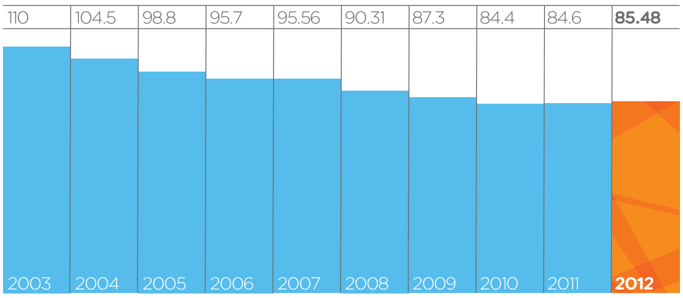
Progress over time and environmental data
Over the last ten years easyJet has successfully improved our CO_2 efficiency every year. However, in 2012 easyJet's emissions per passenger km (the standard industry measure of efficiency) rose from 84.6g / km in 2011 to 85.5g / km. The reflects a further shortening of stage-lengths and the business focus on primary airports, which by their nature tend to have long taxi-times.

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.

CO_2 / passenger Km

g



On local air quality
Local air quality impacts arise from NOx emissions during aircraft take-offs and landings. We have upgraded 57% 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 routings 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.

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 in 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 AMB receives regular updates on environmental policy as part of our reporting on regulatory issues.

easyJet 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.

New technologies and design

In 2012 easyJet announced a trial of an electronic ground taxi motor, which will allow easyJet to save fuel by reducing the need for engines to be run during ground taxi.

Entry into ETS

Aviation entered ETS in 2010. For easyJet's emissions in 2012 it is required to surrender permits to cover its CO_2 emissions. ETS compliance is overseen by our finance team. easyJet has put in place the appropriate mechanisms to monitor and report the required data and to manage its 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 there has been some progress in the short-haul market, with the development of the Airbus A320 NEO and Boeing B737 MAX, easyJet remains 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. easyJet will continue 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. easyJet believes 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 to cover their 2012 emissions. easyJet was a strong supporter of aviation's entry and continues 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

easyJet does not support the imposition of aviation specific taxes. Furthermore the entry of aviation into ETS removes any environmental justification for such taxes. Where these taxes are in place (such as the UK) easyJet believes 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

Governance
Chairman's statement on corporate governance

This has been a successful year for easyJet on the corporate governance front as well as operationally and financially.

easyJet's strategy has been further rigorously reviewed and challenged by the Board during the course of the year. This included a two day session in June 2012 devoted to debating and refining the strategy. The information presented by the management team in June resulted in a high quality, detailed review, a well focused debate and a clear strategic vision for the Company to take forwards. The process was a good demonstration of how effectively the management team and the Board are currently functioning together.

More work has been put into the sharing of that strategic vision and other relevant information with our shareholders: easyJet continues to run an active investor relations programme and in the past year has hosted a number of well attended events including a capital markets day and a number of site visits aimed at giving our shareholders greater transparency of the Company's operations. The Company actively solicits feedback from investors and the Board is kept informed of market perceptions and shareholder feedback via a formal monthly report to the Board and by regular verbal briefings.

It has obviously been a source of regret to the Board that, in spite of our outstanding results, our largest shareholder, easyGroup, has pursued a highly public activist campaign which on occasion has been targeted at undermining the good governance of the Company and overriding normal corporate governance protocols. However the 2012 Annual General Meeting process and the EGM called by easyGroup seeking my removal as Chairman provided the opportunity to consult with our shareholders and for them to formally record their views, with 96% of the non-family votes supportive for the Board.

In recent months the Board has consulted with ten of our largest shareholders on the matter of the optimal methodology for the calculation of ROCE as the Company's principal corporate target, following an independent review carried out by Deloitte. This was led by Chris Kennedy with the support of Andy Martin. Subsequently, Charles Gurassa undertook a consultation with 15 shareholders on the most appropriate remuneration structure for Executive Directors. This interaction has ensured that the Board has been able to undertake its debate and decision-making process on these issues with a clear understanding of shareholder sentiment.

We have refreshed the memberships of some of the Board committees:

Andy Martin has joined the Remuneration Committee, as has Charles Gurassa who has taken over as chairman of the Committee. The review of our remuneration policy and consultation with shareholders took place under the auspices of the Committee and further details of the review and consultation can be found in the Directors' remuneration report.

Charles Gurassa also took over the chair of the Nominations Committee last year. As a result of appointing three new Non Executive Directors towards the end of the last financial year, there has been no need to appoint any further Non Executives and consequently the Nominations Committee has only met once during the year. I stepped down from the Nominations Committee as of 27 September 2012.

David Bennett continues to chair the Audit Committee and, despite having had to miss some meetings of the Board and its committees at the start of the financial year due to illness, has been able to attend all scheduled meetings since February 2012. During his absence, David remained in regular contact with me to provide his views on matters arising.

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. There have been questions over demands on my own time and I would like to take this opportunity to reiterate my continued commitment to give all the time necessary to fulfil my duties at easyJet.

During the year, a performance review of the Board was undertaken using an independent external facilitator, Lintstock. This process involved a detailed questionnaire completed by each of the Directors and the Company Secretary. This was followed up by Lintstock interviewing each respondent before producing a report to the whole Board. The Senior Independent Director led the Non Executive Directors in a review of my own performance which also involved feedback from the Executive Directors.

We have reviewed the monthly management information provided to the Board with the assistance of Board Intelligence, and are developing measures to update and improve the quality of information provided to the Board and ways in which the Board can access information in an easy and secure manner. These actions to drive further improvement in the quality of information presented to the Board form a significant part of a plan compiled in response to the output of this year's annual evaluation process.

We recognise the importance of diversity for Board effectiveness and have established a new diversity policy. We remain committed to ensuring that appointments are ultimately made on merit against the agreed selection criteria. Further details of our diversity considerations are set out in the Nominations Committee section.

At our Annual General Meeting in February 2012, we put all of our Directors up for re-election in compliance with the June 2010 UK Corporate Governance Code (the Code) and anticipate continuing to put all Directors up for re-election annually.

Shortly before entering the close period at the end of the 2012 financial year, the Board agreed to adopt Non Executive Director shareholding guidelines setting out that Non Executive Directors are expected to hold shares in the Company to the value of at least 100% of their annual fees. This level of shareholding is to be achieved by the later of three years from the adoption of the guidelines or, for Non Executives joining after the adoption of the guidelines, within three years of their joining date. The intention of implementing these guidelines is to demonstrate the Board's commitment to the Company and to align Non Executive Directors' interests with those of the shareholders.

Governance
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 and Deputy Chairman of Barclays PLC, as well as a Non Executive Director of McGraw Hill Inc. 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 and 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, Genesis Housing Association and Group NBT.

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, Parthenon Entertainment 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. In 2012, Carolyn won the 'Woman of the Year Award' at the Women 1st Shine Awards 2012.

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 in the position of Chief Financial Officer and was appointed to the Board.

After graduating from Cambridge with a degree in Engineering, Chris progressed rapidly within Audit and Consultancy before a two year stint as a venture capitalist and banker. In 1993 Chris joined EMI Music where he worked both in the UK and the US, covering a variety of roles including; UK CFO, European Chief Operating Officer and International CFO. In early 2008 he joined the Board as CFO and then Chief Investment Officer. He has a proven track record of delivering operational improvement and has deep knowledge and invaluable experience of working in senior financial and commercial positions within high profile, international, fast changing consumer facing businesses.

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 appointed to the KPMG UK Board in 2000 and was appointed Chief Financial Officer 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 and Finance Committees. He is currently Chairman of Homeserve Membership Ltd and a Non Executive Director of Pacnet Ltd, Jerrold Holdings Ltd, Cheshire Mortgage Corporation Limited and a member of the Advisory Board of Glendevon King Asset Management.

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 was previously Senior Vice President of Retail at Apple Inc. Prior to joining Apple in 2012, John was Chief Executive Officer of Dixons Retail plc for four years and also held a number of Executive Director positions at Tesco plc, including Operations Development Director, Group Strategy Director and 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 was Professor and Head of the Air Transport Department at Cranfield University and is still a Visiting Professor there. He is also the author of books on aviation economics and management.

Keith Hamill OBE
Independent Non Executive Director
(1952)

Keith (1952) was appointed to the Board of easyJet on 1 March 2009. He has considerable experience as a Director of listed companies and is currently the Chairman of Tullett Prebon plc and a Non Executive Director of Samsonite International SA.

He was previously Chairman of Go, prior to its acquisition by easyJet in 2002, and Travelodge. He was Chairman of Collins Steward, Heath Lambert and the Council of The University of Nottingham and a Non Executive Director of Electrocomponents and Cadmus Communications Corp. He was Finance Director of WH Smith, Forte and United Distillers and a partner in Price Waterhouse (from 1986 to 1988).

Keith is a Fellow of the Institute of Chartered Accountants.

Andy Martin
Independent Non Executive Director
(1960)

Andy (1960) was appointed to the Board of easyJet on 1 September 2011. He is currently Group Chief Operating Officer-Europe,UK and Japan for Compass Group PLC.

Prior to joining the Compass Group in 2004, as Group Finance Director, 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.

Governance
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
Chief Operations Officer
(1964)

Warwick (1964) is currently our Chief Operations Officer responsible for all of the easyJet operation. He joined easyJet in May in 2009 as the Procurement Director responsible for Fleet management, airport, central procurement and regulation. In October 2010 he was appointed Director of Group Operations.

He has extensive airline and broad business experience at senior level and within the Aviation sector has lead and managed high growth low cost airlines, early start-ups as well as restructuring.

Before joining easyJet Warwick was the CEO at Mandala Airlines in Asia where he turned a legacy brand into a modern, low cost carrier with an all Airbus fleet. He also spent two years as Chief Operating Officer of Air Deccan/Kingfisher with commercial and operational accountability. Air Deccan at the time was India's 2nd largest airline and during this time he was instrumental in listing the company on the Bombay stock exchange. Prior to this Warwick was Deputy Operations Director at Ryanair from 2002 to 2005, where he held various senior executive roles including Deputy CEO of Buzz, following its acquisition from KLM.

Mike Campbell
Europe Director
(1957)

Mike (1957) is currently our Europe Director and is responsible for looking after all of our business outside the UK. He joined easyJet in October 2005 as People Director.

Before joining easyJet, Mike worked at Wedgwood in a broad role as Director of People and Brands and Managing Director for Canada, Australia and Pan-Asia. Prior to that, Mike worked for 14 years at Fujitsu in a variety of development and personnel roles across Europe, Asia, Africa and the Middle East, ending up as Chief Personnel Officer. His early career was in education and research.

Mike has a BSc in Mathematics and Masters in Fluid Dynamics.

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
Group Commercial 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, and to Group Commercial Director in April 2012.

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. Cath graduated from University of Leicester with a BA (Hons) in Geography.

Carolyn McCall OBE
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.

Governance
Corporate governance

Principles statement

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

Statement of compliance

The version of the Code applicable to the current reporting period is the June 2010 UK Corporate Governance Code.

Throughout the year ended 30 September 2012, the Board considers that it and the Company have complied without exception with the provisions of the June 2010 UK Corporate Governance 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 2012, the Board comprised eight Non Executive Directors (including the Chairman) and two Executive Directors.

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

Charles Gurassa fills the posts of Senior Independent Non Executive Director and Deputy Chairman.

The Board meets regularly, with ten scheduled meetings having been held during the year ended 30 September 2012 with a further three ad hoc meetings. All members of the Board are supplied in advance with appropriate information in a timely manner covering matters which are to be considered. The Non Executive Directors have also met without any Executive Directors present during the year.

The document containing the matters reserved for the Board is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

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 Directors' attendance record at the scheduled Board meetings and Board committee meetings for the year ended 30 September 2012 was as set out in the table below. For Board and Board Committee meetings, attendance is expressed as the number of meetings attended out of the number that each Director was eligible to attend. In addition to those scheduled meetings set out below, ad hoc meetings were also arranged to deal with matters between scheduled meetings as appropriate.

John Browett was unable to attend two Board meetings due to unavoidable commitments, details of which he had notified to the Company in advance (for one of the meetings he notified the Company at the time when the Board meeting dates were initially confirmed).

	Board (maximum 10)	Remuneration Committee (maximum 3)	Audit Committee (maximum 3)	Nominations Committee (maximum 1)
Executive Directors				
Chris Kennedy	10/10	1*	3*	n/a
Carolyn McCall OBE	10/10	2*	2*	n/a
Non Executive Directors				
Sir Michael Rake	10/10	n/a	n/a	1/1
Charles Gurassa	10/10	3/3	n/a	1/1
David Bennett	8/10	2/3	2/3	0/1
Keith Hamill	10/10	1/1	3/3	n/a
John Browett	8/10	n/a	1/1	n/a
Rigas Doganis	10/10	2/3	n/a	1/1
Adèle Anderson	10/10	n/a	3/3	n/a
Andy Martin	10/10	2/2	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 Non Executive Directors who are independent in character and judgement.

All new Directors are given a full, formal and tailored induction upon appointment which provides them with information about the Company. In addition, meetings are arranged with key executives and managers within the business during and after induction to provide ongoing education and information about the business. Visits to network bases are organised for the Board from time to time to assist understanding of the operational issues the business faces. The next visit by Non Executive Directors to one of the European bases has been arranged for December 2012. The Board is also regularly kept up to date with developments in relevant law, regulation and best practice to maintain their skills and knowledge. Directors are given the opportunity to highlight specific areas in which their skills or knowledge would benefit from development as part of the annual Board evaluation process. Directors' and officers' insurance cover has been established for all Directors to provide cover against their reasonable actions on behalf of the Company and a deed was executed in 2007 indemnifying each of the Directors of the Company and/or its subsidiaries. The indemnities were in force during the last financial year and remain in force for all persons who are, or were, such Directors.

During the year, a performance review of the Board was undertaken using an external facilitator, Lintstock, in accordance with provision B6.2 of the Code. Lintstock has no connection with the Company, beyond evaluating the Board, other than providing software to the Company with which to monitor insider lists and Directors' shareholdings. The Board considers that the performance review shows that each Director continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and committee meetings and other duties) and that there is an appropriate balance of skills, experience, independence, diversity (including gender) and knowledge of the Company to enable the Directors to discharge their respective duties and responsibilities effectively.

Directors' conflicts of interest

The Company has procedures for managing conflicts of interest in place and the Company's Articles of Association contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his/her duty under company law. Should a Director become aware that they have an interest, directly or indirectly, in an existing or proposed transaction with easyJet, they should notify in accordance with the Company's Articles of Association. Directors have a continuing duty to update any changes to these conflicts.

Board engagement with investors

The Chairman and Deputy Chairman (also being the Senior Independent Director) have both had meetings with shareholders in order to help maintain a balanced understanding of the issues and concerns of major shareholders. They have both updated the whole Board on the results of these meetings and on the opinions of investors. Regular feedback is provided to the Board on the opinions of shareholders. In addition the Company has held an investor day and capital markets day to share information with investors and listen to shareholder opinion.

Board Committees

Remuneration Committee

At 30 September 2012, the Remuneration Committee comprised four Independent Non Executive Directors, namely Charles Gurassa (Chairman), David Bennett, Professor Rigas Doganis and Andy Martin. This Committee, which has met three times during the 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. New Bridge Street (NBS) (an AON Hewitt Company) has been appointed as easyJet's remuneration advisors. NBS are a member of the Remuneration Consultants Group and comply with its code of conduct. A different member of the AON Hewitt Group also conducted employee surveys for the Company.

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 three Non Executive Directors, all of whom are independent. At 30 September 2012, the Audit Committee members were David Bennett (Chairman), 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.

Governance
Corporate governance
continued

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

→ Assess potential conflicts of interest of Directors on behalf of the Board and

→ Report to the Board on how it has discharged its responsibilities

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 2012. The Company currently has no set frequency for tendering the external audit however notes the September 2012 Corporate Governance Code, which applies to its next reporting period, and includes a provision to put the external audit out to tender at least every ten years. The Company's external audit was last tendered in 2005 and resulted in a change of external auditors in February 2006 to the current external auditors, PricewaterhouseCoopers LLP.

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. To assess the effectiveness of the external audit process, 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 current and prior financial year, easyJet did not incur any costs with PricewaterhouseCoopers LLP in respect of non-audit services. There are no contractual obligations which restrict the choice of external auditors.

Both external and internal 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 & Leicester plc, financial 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

→ Principal judgemental accounting issues affecting the Group based on reports from both the Group's management and the external auditors

→ External audit plans and reports

→ Risk and assurance plans and reports, including:

  → key internal audit reports

  → control themes

  → follow ups

  → fraud and loss prevention

  → revenue protection

  → risk assessment

  → internal controls

→ Information Security and Business Continuity

→ Delegated authorities

→ Audit Committee terms of reference

→ Whistleblower reports

→ Internal audit effectiveness and independence

→ Maintenance accounting

→ Specific investigations as required

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

Nominations Committee

The Nominations Committee has comprised of at least three members during the year. As at 30 September 2012, the Nominations Committee members were Charles Gurassa (Chairman), David Bennett and Professor Rigas Doganis.

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 once during the year.

The terms of reference of the Nominations Committee are documented and agreed by the 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, independence, diversity (including gender) and experience on the Board to ensure that a suitable balance is maintained. The Committee adopts a formal, rigorous and transparent procedure for the appointment of new Directors to the Board. 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. The standard terms and conditions of the appointment of Non Executive Directors are also available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

The appointments process takes account of the benefits of diversity of the Board, including gender diversity, and in identifying suitable candidates the Committee will seek candidates from a range of backgrounds, with the final decision being based on merit against objective criteria. The Company has two female Directors on its Board, one being the Chief Executive. There are currently ten Directors of the Company. Accordingly, women represent 20% of the Board, a percentage which easyJet aspires to improve or at least to retain in the future.

In addition to Board diversity, the Company believes in promoting diversity at all levels of the organisation, further details of which can be found in the Corporate responsibility section on page 35.

Relations with investors

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.

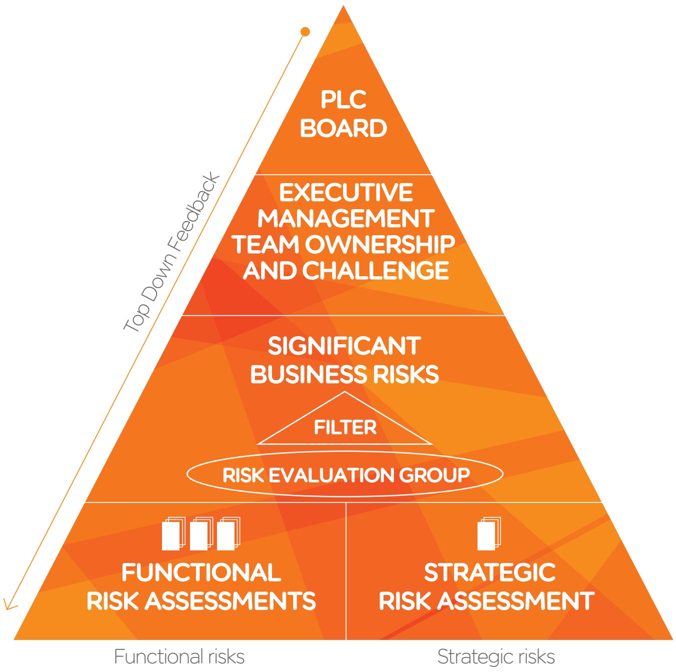
The Board has conducted an annual review of the effectiveness of the system of internal control during the year under the auspices of the Audit Committee. This included systems and controls in relation to financial reporting processes and in preparing the accounts. This process was enhanced during the year following the establishment of an Internal Financial Control monitoring programme administered by Internal Audit. No material failings or weaknesses were identified during the course of this review.

The internal control regime is supported 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 its operation.

Governance
Corporate governance
continued

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 2012, there was continued investment in and assessment of the risk management process resulting in improved risk management understanding and reporting. 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 strategic, financial and operational 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 risk management and assurance 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 operational weekly meetings. In addition, the Safety Audit Group (SAG) meets monthly to discuss safety, security and environmental risks and the Safety Review Board (SRB) 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 and overall business performance.
- → Internal Audit considers, reviews and tests internal control and business risk matters as defined by its risk based audit plan.

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 internal and external audit reports.
- → Controls which mitigate or minimise high-level risks are reviewed by management 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.

The Audit Committee undertake an annual review of the appropriateness of the risk management processes to ensure that they are sufficiently robust to meet the needs of the Company.

Internal audit

Internal Audit is part of the Company's Risk and Assurance function. 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 basis.

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

- → are designed and operating effectively;
- → are adequate to manage easyJet's risks; and
- → safeguard the Company's assets.

The Head of Internal Audit reports to the Head of Risk and Assurance and also has direct access to the Chief Executive, Chief Financial Officer and the Chairman of the Audit Committee. The Risk and Assurance function was formed in 2011 which combines the responsibilities for Internal Audit, monitoring internal financial controls, 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.

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 in meeting its corporate governance and regulatory responsibilities. During the year the effectiveness of the Internal Audit function was assessed by the Head of Risk and Assurance and the Audit Committee; this followed a formal external effectiveness review completed in 2011.

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 directors or ordinary shares which are unallocated. Generally, on a poll the trustee shall vote in accordance with directors 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 Trust (the Trust), which is 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 Trust.

Substantial interests

In accordance with the Disclosure and Transparency Rules DTR 5, the Company as at 16 November 2012, has been notified of the following disclosable interests of 3% or more in its issued ordinary shares:

	%
easyGroup Holdings Ltd (Holding vehicle for Sir Stelios Haji-Ioannou)	26.07
Polys Haji-Ioannou	11.11
Standard Life Investments Ltd	7.36
Prudential Group of Companies (M&G)	6.24

Note: Changes to the position above since 16 November 2012 can be found at our corporate website, http://corporate.easyjet.com.

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

Governance
Directors' remuneration report
for the year ended 30 September 2012

Charles Gurassa
Non Executive Deputy Chairman and Senior Independent Director

Letter from the Chairman of the Remuneration Committee

Dear shareholder,
On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 30 September 2012.

Performance of the Company in 2012
The Company continued its strong performance in 2012 despite a difficult macroeconomic environment. The key highlights are set out below:

- → 27.9% growth in profit before tax.
- → 1.8ppt growth in ROCE (excluding lease adjustment) from 12.7% in 2011 to 14.5% in 2012.
- → A major improvement in On Time Performance from 79% to 88%, reflecting operational robustness.
- → Increasing dividend with a proposed ordinary dividend of 21.5 pence per share for 2012.

These results should be considered in light of the continuing challenges faced in the airline industry. In addition to the results set out above, we remain committed to delivering returns in excess of our cost of capital and returning surplus capital to our shareholders.

Aligning remuneration policy with Company principles
Simple and cost effective approach – In line with our low cost and efficient business model, the Committee aim to set a simple fixed pay package against the market. For example, our Executive Directors receive minimal benefits (see page 53).

Support the stated business strategy of growth and returns – Performance is assessed against a range of financial, operational and longer term returns ensuring value is delivered to shareholders, and participants are rewarded for the successful delivery of the key strategic objectives of the Company.

Pay for performance – Remuneration is heavily weighted towards variable pay, dependent on performance. This ensures that there is a clear link between the value created for shareholders and pay.

Key pay outcomes in respect of 2012
Annual bonus payment is based on PBT and key operational performance targets. Bonuses of 95.8% of the maximum were awarded to the CEO and 93.3% for the CFO, in respect of 2012. This reflects the outstanding financial and operational results the Company has achieved.

Carolyn McCall OBE chose to defer the maximum amount of 50% of her bonus permitted into shares for three years under the matching scheme. Chris Kennedy chose to defer a third of his bonus into shares under the matching scheme.

Long-Term Incentive Plan – LTIP awards made in July 2010 are due to vest in July 2013. These awards are based on ROE performance for the financial year ended 30 September 2012. During this period the Company achieved ROE performance of 14.6%, resulting in 91.7% of the awards vesting.

Pay for 2013
Following discussions with shareholders around the 2012 AGM, we consulted widely on how best to calculate ROCE to appropriately reflect the performance of the Company. Given that this has clear implications on our wider remuneration policy, and taking into account my recent appointment as Remuneration Committee Chairman, we also took the opportunity to review remuneration arrangements as a whole.

The key objective of the review process was to ensure that remuneration arrangements support the successful delivery of the strategy of the Company. We also compared our arrangements against a 'best practice' point of view and took on board shareholder comments. As a result we are making the following changes:

- → Salary increases – Neither Executive Director has received a salary increase since their appointment in July 2010. The CEO will not receive an increase at this time. The CFO received a salary increase of 2.5% effective 1 October 2012, in line with those across the wider workforce.
- → Mandatory deferral of annual bonus – One-third of the annual bonus will now be compulsorily deferred each year and will be subject to forfeiture (as a result, the CEO will have a lower take home pay opportunity). Executive Directors will also have the opportunity to voluntarily defer an additional portion.
- → No increase in incentive opportunity –The CFO's incentive opportunity (split between short term and long term) has been rebalanced to ensure alignment with the CEO's. There is no increase in overall incentive opportunity for either the CEO or CFO.
- → Tougher annual bonus targets – Higher levels of performance required and a lower payout for the delivery of threshold performance target. A formal safety underpin also applies to the bonus.
- → Definition of ROCE – Following extensive shareholder consultation, this has been revised. ROCE for future LTIP grants will now include an adjustment for operating leases.
- → Introduction of a relative TSR measure to LTIP – The LTIP will be based 50% on TSR relative to the FTSE 51 to 150 and 50% on ROCE to incorporate an external relative assessment of performance. In addition, the TSR portion of the LTIP will not vest unless the Company has achieved positive TSR performance over the award period.
- → Introduction of clawback – Introduced to both short and long-term incentives in line with emerging best practice.

Shareholder feedback
We are committed to maintaining an open and transparent dialogue with shareholders. The objective of this report is to clearly communicate how much our Executive Directors are earning and how this is strongly linked to performance. As always, I welcome any comments you may have.

Charles Gurassa

Charles Gurassa
Remuneration Committee Chairman

19 November 2012

What is in this report?

This report sets out details of the remuneration policy for Executive Directors, describes the implementation and discloses the amounts paid relating to the year ended 30 September 2012.

The report complies 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.

The report has been prepared in line with the recommendations of the UK Corporate Governance Code 2010 and UKLA Listing Rules.

What is the role of our Remuneration Committee?

The Remuneration Committee has responsibility for determining remuneration for the Executive Directors and the Chairman. The Committee also reviews the remuneration of the Company's most senior executives in consultation with the CEO.

The Committee takes into account the need to recruit and retain executives and ensure that they are properly motivated to perform in the interests of the Company and its shareholders, while paying no more than is necessary.

Who is on our Remuneration Committee?

The members of the Committee are: Charles Gurassa (Chairman with effect from 1 April 2012, Keith Hamill to 31 March 2012), David Bennett, Professor Rigas Doganis and Andy Martin. The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report on page 45.

During the year the Committee appointed and used the services of New Bridge Street ("NBS") (an Aon Hewitt company) as remuneration advisers. NBS are a member of the Remuneration Consultants Group and comply with its Code of Conduct. Aon Hewitt also conducted employee surveys for the Company.

What activities have been undertaken by the Committee in the year?

The past year has seen unprecedented levels of scrutiny around executive pay. The Committee takes its responsibility to shareholders very seriously, demonstrated through the recent shareholder consultation process.

In addition to the remuneration review, the Committee considered the following during the year ended 30 September 2012:

→ Executive Director and senior executive remuneration policy and changes required for the future.

→ Annual bonus awards for the financial year ended 30 September 2011.

→ The structure and targets of the annual bonus scheme for the financial year ended 30 September 2012.

→ Employee Save As You Earn scheme grants.

→ The performance targets and award levels for grants during the financial year ended 30 September 2012 under the Long Term Incentive Plan.

→ Testing of the performance conditions for Long Term Incentive Plan awards granted in January 2010.

What does the Committee consider when setting remuneration?

When setting the policy for Executive Directors' remuneration, the Committee takes into account the pay and employment conditions elsewhere in the Group.

The Committee has sight of the overall approach to reward for employees in the Group as well as appropriate external market reference points.

Have shareholders raised any concerns? If so, how are you going to address them?

We remain committed to shareholder dialogue and take an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, we seek to understand the reasons for any such vote, and will detail here any actions in response to it.

Following the 2012 AGM we consulted widely with shareholders on the definition of ROCE which is used to measure performance under the LTIP.

Our dialogue with shareholders on this was constructive and we agreed that going forward, the definition of ROCE will take into consideration operating leases on our aircraft.

As indicated in the Remuneration Committee Chairman's letter, we also took this opportunity to review the wider remuneration framework and consulted extensively with shareholders on proposals, taking into account their feedback before implementing the changes for 2012 / 13.

What did the Executive Directors earn in 2012?

We have set out the amount earned by the CEO and CFO in respect of 2012 in the table below:

Element	CEO £'000	CFO £'000
Salary	665	400
Benefits	0	0
Pension or cash equivalent	47	29
Annual bonus		
→ Cash	637	249
→ Deferred into shares	637	124
Total	1,986	802

LTIP shares earned for FY12 performance (original grant at 5 July 2010 at a share price of £3.97)	307,115	184,732

Governance
Directors' remuneration report
continued

How was pay linked to performance in 2012?

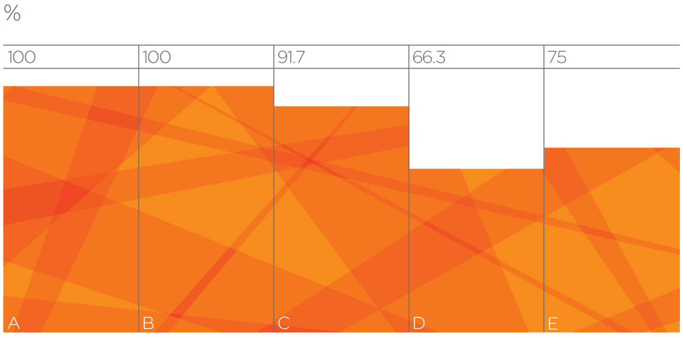
Annual bonus

For 2012, the annual bonus was based on the following performance targets:

Measure	As a percentage of maximum bonus opportunity	
	CEO	CFO
Profit before tax	70%	60%
On-time performance	10%	10%
Customer satisfaction targets	10%	10%
Total cost per seat excluding fuel at constant currency	10%	10%
Departmental objectives	–	10%

The following chart shows performance achieved against the bonus targets in respect of 2012:

Achievement



A – Profit before tax
B – On-time performance
C – Customer satisfaction targets
D – Total cost per seat excluding fuel at constant currency
E – Departmental objectives

Company measures	Actual	Achieved
Financial – PBT	£317m	100%
On-time performance	88%	100%
Customer satisfaction	82.5%	91.7%
Cost per seat (ex fuel)	£37.57	66.3%
Departmental		75%

- → Profit before tax – Strong performance, particularly in the context of fuel price increases, with 27.9% growth to £317 million.
- → On-time performance – Very pleasing improvement in this measure, increasing from 79% to 88%.
- → Customer satisfaction targets – Much improved score, rising from 78.6% to 82.5%.
- → Total cost per seat excluding fuel at constant currency – We made considerable progress against this measure during the year.
- → CFO's departmental objectives – Reflects a very successful year for Finance & Procurement, measured against a number of business objectives.

95.8% of the maximum bonus was awarded to the CEO and 93.3% for the CFO in respect of performance for the year ended 30 September 2012. This resulted in a bonus payment of £1,274,101 to the CEO and £373,188 to the CFO.

LTIP

The awards made to Executive Directors in 2010 were subject to ROE performance in the financial year ended 30 September 2012.

The percentage which could be earned was determined using the following vesting schedule:

ROE year ended 30 September 2012	Threshold (25% vests)	Target (50% vests)	Maximum (100% vests)
Award One (up to 100% of salary)	9.0%	12.0%	15.0%
Award Two (over 100% of salary)	11.0%	13.0%	15.0%

ROE in the year to 30 September 2012 was 14.6%, this compares to a 5.5% ROE in the year prior to grant. Correspondingly 93.3% of award one and 90% of award two (or 91.7% of the overall award) is due to vest in July 2013.

How is remuneration structured for 2013?

Element	Purpose and link to strategy	Operation for 2013	Performance metrics	Changes effective for 2012 / 13 financial year and associated rationale
Salary	To provide a core reward for the role Sufficient level to recruit and retain individuals of the necessary calibre to execute our business strategy	Annual review with any change effective from 1 October Set by reference to companies of a similar size and complexity targeted at or around median Scope of the role and responsibilities, performance, experience and potential retention issues are also considered	None, although overall performance of the individual is taken into account in reviewing salaries	Neither the CEO or CFO has received a salary increase since joining in July 2010 The CEO will not receive an increase at this time. The CFO received a salary increase of 2.5% effective 1 October 2012, in line with those across the wider workforce. This results in the following salaries: CEO £665,000 and CFO £410,000
Benefits	In line with the Company's strategy to keep remuneration simple and consistent, the Executive Directors receive no conventional executive Company benefits	Executives can pay for voluntary benefits, where Company purchasing power may provide an advantage to employees Executives receive modest personal accident and life assurance cover (0.5 x salary), at the same levels as the wider employee population	–	No change
Pension	To provide employees with long-term savings via modest pension provision	Defined contribution plan with the same monthly employer contributions as those offered to all eligible employees below the Board of 7% of basic salary HMRC approved salary sacrifice arrangement for employee contribution	–	No change
Annual bonus	To incentivise and recognise execution of the business strategy on an annual basis Rewards the achievement of annual financial and operational goals Compulsory and voluntary deferral provides alignment with shareholders Bonuses subject to clawback (repayment) in the event of a misstatement of results	Maximum opportunity of 200% of salary for CEO and 150% of salary for CFO One-third subject to compulsory deferral into shares for three years Executives can choose to defer a further portion of their bonus into shares which is subject to matching The remainder of the bonus will be paid in cash	Primary measure is profit before tax Performance is also assessed against a range of operational measures – customer satisfaction, operating costs, on-time performance and in the case of the CFO departmental objectives In addition, there is a safety underpin which must be satisfied before bonuses are paid, under this the Committee will review the Company's record over the period in relation to safety and, in the event that it was considered appropriate to do so, the Committee may scale back the bonus earned based on performance against the other metrics	Rebalancing of CFO's annual bonus opportunity from 100% of salary to 150% of salary (corresponding decrease in LTIP opportunity) Introduction of compulsory deferral element with no potential for a matching element to be earned Tougher targets with higher levels of performance required (relative to budget) and a lower payout (90% of maximum vs. 85% previously) for delivery of the threshold performance target Introduction of a formal safety underpin Introduction of clawback

Governance
Directors' remuneration report
continued

Element	Purpose and link to strategy	Operation for 2013	Performance metrics	Changes effective for 2012 / 13 financial year and associated rationale
Matching share awards	To incentivise and recognise execution of the business strategy over the longer term Rewards sustained profit growth and sustained increase in shareholder value LTIP award subject to clawback (reduction) in the event of a misstatement of results	Only the portion of bonus that is not subject to compulsory deferral may be applied to matching shares Each year, Executive Directors can voluntarily defer 50% of bonus for CEO and 33% of bonus for CFO into shares for three years The amount they voluntarily defer may be subject to a 1:1 match dependent on the delivery of performance goals over three years	Performance against key goals is measured over three years 50% of award based on three year average ROCE 50% of award based on TSR relative to UK listed companies ranked in the positions FTSE 51–150 In order for the TSR portion of the award to be earned, the Company's absolute TSR performance must also be positive over the performance period	Following the introduction of compulsory deferral, the matching element is only available on the additional portion of the bonus that Executive Directors choose to defer Following extensive shareholder consultation, there has been a change to the definition of ROCE used to assess performance under this Plan. It will now include the cost of leases of our planes Introduction of relative TSR performance measure Introduction of clawback
Long term incentive plan	To incentivise and recognise execution of the business strategy over the longer term Rewards substantially increased and sustained Return on Capital Employed and sustained increase in shareholder value LTIP award subject to clawback (reduction) in the event of a misstatement of results	Each year performance shares are allocated which can be earned subject to the delivery of performance goals over a three year performance period Maximum opportunity of 200% of salary for CEO and 150% of salary for CFO	Performance against key goals is measured over three years 50% of award based on three year average ROCE 50% of award based on TSR relative to UK listed companies ranked in the positions FTSE 51–150 In order for the TSR portion of the award to be earned, the Company's absolute TSR performance must also be positive over the performance period	Reduction in CFO's opportunity from 200% of salary to 150% of salary Following extensive shareholder consultation, there has been a change to the definition of ROCE used to assess performance under this Plan It will now include the cost of leases of our planes Introduction of relative TSR performance measure Introduction of clawback
Share ownership	To ensure alignment between executives and shareholders	175% of salary holding required for Executive Directors expected to be reached within five years of appointment Executives are required to retain half of the shares vesting under the LTIP until the guideline is met Executive Directors may also participate in the Share Incentive Plan and Sharesave Plan on the same terms as other eligible staff		50% of shares vesting after tax are required to be retained until the guideline is met (previously 100%)

How much could the Executive Directors earn under the current remuneration guidelines?

As mentioned earlier in this report, a significant proportion of remuneration is linked to performance, particularly at maximum performance levels.

Neither Executive Director will receive an increase in the overall opportunity as a result of the changes. The proportion of the CEO's pay delivered in cash will decrease.

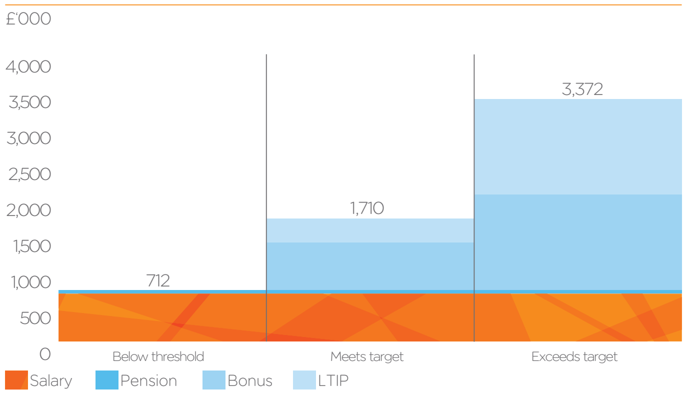
The charts below show how much the CEO and CFO could earn under easyJet's remuneration guidelines under different performance scenarios. The following assumptions have been made:

Below threshold – There is no bonus and no vesting under the LTIP.

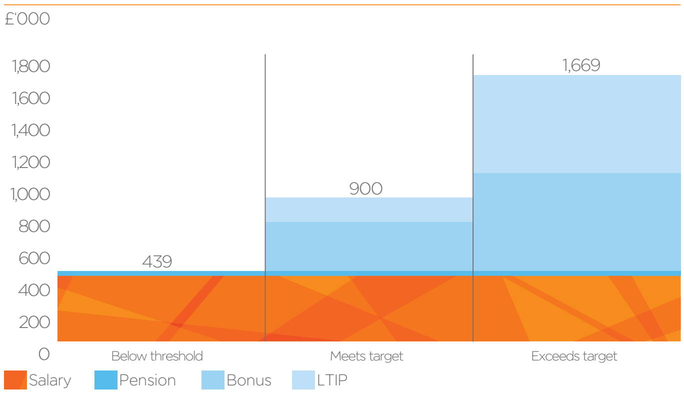
Meets target – This shows the value payable for performance at the mid point of the bonus range (giving 50% of the maximum opportunity) and vesting at threshold under the LTIP (of 25% of the award).

Exceeds target – There is maximum bonus and maximum vesting under the LTIP.

Chief Executive Officer



Chief Financial Officer



The value of any matching shares has been excluded for simplicity.

What are the Executive Directors' salaries?

The salaries of the CEO and CFO have not been increased since they joined the Company in July 2010.

The Directors' salaries for 2012 / 13 are as follows:

	1 October 2011 salary	1 October 2012 salary
CEO	£665,000	£665,000 (0%)
CFO	£400,000	£410,000 (+2.5%)

What pension contributions are given?

In line with the Company's simple and prudent approach to remuneration, easyJet normally offers a modest 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).

If an Executive Director has reached the lifetime pension limit, a cash alternative may be paid with the agreement of the Committee.

How is successful annual performance rewarded?

The maximum annual bonus opportunity during the 2011 / 12 financial year was 200% of salary for the CEO, with a 100% of salary opportunity for the CFO.

As stated previously, for the 2012 / 13 financial year, the maximum bonus will remain unchanged for the CEO but will be increased to 150% of salary for the CFO (with a corresponding decrease in his LTIP opportunity) ensuring management incentives are aligned.

The annual bonus will now be delivered as follows:

→ One-third of any bonus earned will be compulsorily deferred and subject to forfeiture. This element will be deferred into shares for three years and will not be subject to any further matching.

→ In addition, Executive Directors can choose to invest a further proportion of their bonus into the LTIP (CEO 50% of bonus and CFO 33% of bonus). Matching share awards may be made linked to this investment which may then be matched on a 1:1 pre-tax basis subject to the LTIP performance conditions.

→ The remainder of the bonus will be delivered as cash.

The change in the operation of deferral means a greater proportion of the CEO's package will now be subject to deferral over a three year period.

Annual performance is measured against a range of financial and operational performance indicators as follows:

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

Governance
Directors' remuneration report
continued

Targets for the financial year ending 30 September 2013 will be subject to the same metrics but the Remuneration Committee has made the threshold performance target tougher relative to budget and reduced the proportion of the total bonus that is earned at this level of performance.

The safety of our customers and people underpins all of the operational activities of the Group and the bonus plan includes an underpin that enables the Remuneration Committee to scale back the bonus earned in the event that there is a safety event that occurs that it considers warrants the use of such discretion.

How does the Long Term Incentive Plan work?
The LTIP provides for annual awards of performance shares and matching shares subject to three year performance.

The annual award limit for performance shares is 200% of salary. In the year ending 30 September 2013 the intention is to grant awards of 200% of salary to the CEO and 150% of salary to the CFO (previously 200% of salary). The reduced award to the CFO reflects a policy to ensure full alignment of incentives for the senior executives following the remuneration review.

Matching share awards are linked to the investment of any voluntary amount deferred by the Executive Directors under the annual bonus plan (up to 50% of annual bonus earned for the CEO and 33% for the CFO). The investment is made into easyJet shares, which are then matched on a 1:1 pre-tax basis.

2013 awards
For 2013 awards onwards, performance and matching share awards are earned three years after grant, subject to continued employment and the satisfaction of the following performance conditions:

→ 50% ROCE (including operating leases adjustment)

→ 50% relative TSR

The introduction of relative TSR reflects feedback received from shareholders around the time of last year's AGM to consider the use of more than one performance measure, and will provide a balance between incentivising improved financial performance and creating market-leading returns for shareholders.

ROCE (including operating leases adjustment) targets
ROCE targets for 2013 grants have been reviewed against the Company's three year business plan.

Following extensive shareholder consultation and feedback, going forward, operating leases will be included in the ROCE calculation.

ROCE is calculated based on normalised profit after tax, adjusted for implied interest on operating lease costs, divided by the average net debt, plus average shareholders' equity, plus an adjustment to capitalise operating leases at seven times the annual lease rental, in line with market practice.

In addition, three year average ROCE will be assessed to ensure sustainable performance over the whole period (for 2013 awards performance will be assessed for the financial years ending 30 September 2013, 30 September 2014 and 30 September 2015).

Subsequent to this review, the appropriateness of the level of ROCE targets for 2013 awards was considered. After careful thought, the following ranges are to apply:

ROCE	Vesting % (of ROCE part of award)
Below 12%	0%
12%	25%
16%	100%

Straight-line vesting between performance points.

Following the review, the ROCE targets were set against a background of the excellent progress made by the management team, the business plan and market expectations.

The increased ROCE targets represent an incentive for significantly improved performance.

Relative TSR targets
The TSR performance condition will assess the relative TSR performance of the Company against a comparator group comprised of those UK listed companies ranked in the positions FTSE 51–150 at the date of grant, on the basis that they are broadly of a similar size. The following performance schedule will apply:

	Threshold (25% vesting)	Maximum (100% vesting)
Relative TSR performance	Median performance	Upper quartile performance

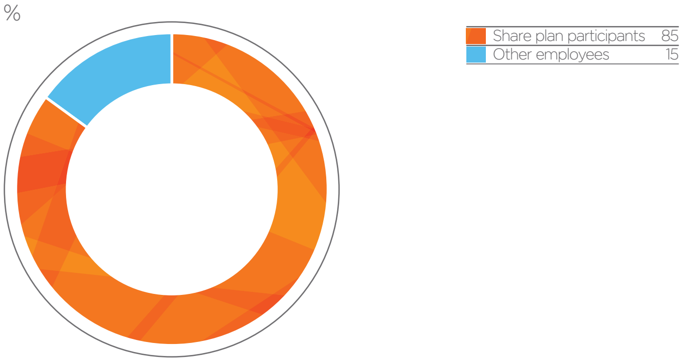
Awards will vest on a straight-line basis between these points.

In order for the TSR element of the awards to be earned, there will be an additional requirement that the Company must achieve positive absolute TSR performance over the performance period.

Employee share plan participation
easyJet encourages share ownership throughout the Company by the use of Performance (Free) Shares within a Share Incentive Plan and a Sharesave Plan. Take up of the schemes remains high with over 85% of eligible staff now participating in one or more of the plans. Executive Directors may also participate in these plans on the same terms as other eligible staff. They are summarised in the Corporate Responsibility section on page 34.

During the review, the ROCE targets were reviewed in light of the excellent progress made by the management team, the business plan and market expectations.

Employee Share Plans



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 Sep 2011[1]	Share consolidation	Share/ options granted in year	Share/ options lapsed in year	Share/ options exercised in year	**No. of shares/ options at 30 Sep 2012[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry date
A	335,096	–	–	–	–	**335,096**	5 Jul 2010	–	–	5 Jul 2013	5 Jul 2020
A	196,803	–	–	–	–	**196,803**	31 Mar 2011[2]	–	–	31 Mar 2014	31 Mar 2021
A	147,602	–	–	–	–	**147,602**	31 Mar 2011[2]	–	–	31 Mar 2014	31 Mar 2021
A	–	–	169,297	–	–	**169,297**	4 Jan 2012[3]	–	–	4 Jan 2015	4 Jan 2022
A	–	–	169,297	–	–	**169,297**	4 Jan 2012[3]	–	–	4 Jan 2015	4 Jan 2022
B	–	–	106,978	–	–	**106,978**	4 Jan 2012[3]	–	–	4 Jan 2015	4 Jan 2022
C	880	(73)	–	–	–	**807**	1 May 2011	–	–	1 May 2014	n/a
C	–	–	617	–	–	**617**	18 Apr 2012	–	–	18 Apr 2015	n/a
D	349	(28)	319	–	–	**640**	–	–	See note 4	–	n/a
E	3,133	–	–	–	–	**3,133**	1 Aug 2011	2.88	–	1 Aug 2014	1 Feb 2015

Chris Kennedy

Scheme	No. of shares/ options at 30 Sep 2011[1]	Share consolidation	Share/ options granted in year	Share/ options lapsed in year	Share/ options exercised in year	**No. of shares/ options at 30 Sep 2012[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry date
A	201,562	–	–	–	–	**201,562**	5 Jul 2010	–	–	5 Jul 2013	5 Jul 2020
A	118,378	–	–	–	–	**118,378**	31 Mar 2011[2]	–	–	31 Mar 2014	31 Mar 2021
A	88,783	–	–	–	–	**88,783**	31 Mar 2011[2]	–	–	31 Mar 2014	31 Mar 2021
A	–	–	101,832	–	–	**101,832**	4 Jan 2012[3]	–	–	4 Jan 2015	4 Jan 2022
A	–	–	101,832	–	–	**101,832**	4 Jan 2012[3]	–	–	4 Jan 2015	4 Jan 2022
B	–	–	32,174	–	–	**32,174**	4 Jan 2012[3]	–	–	4 Jan 2015	4 Jan 2022
C	880	(73)	–	–	–	**807**	1 May 2011	–	–	1 May 2014	n/a
C	–	–	617	–	–	**617**	18 Apr 2012	–	–	18 Apr 2015	n/a
D	376	(31)	319	–	–	**664**	–	–	See note 4	–	n/a
E	3,133	–	–	–	–	**3,133**	1 Aug 2011	2.88	–	1 Aug 2014	1 Feb 2015

The closing share price of the Company's ordinary shares at 28 September 2012 was £5.81 and the closing price range during the year ended 30 September 2012 was £3.54 to £5.93.

Notes

A Long Term Incentive plan – Performance Shares
B Long Term Incentive plan – Matching Shares
C Share Incentive Plan – Performance (Free) Shares
D Share Incentive Plan – Matching Shares
E Save As You Earn Awards

Note 1: The numbers of share 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 announcement of results.

Note 2: For LTIP awards made in March 2011, vesting is based on ROCE (excluding operating leases adjustment) performance for the year to 30 September 2013, according to the following targets:

	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Award 1	7.0%	8.5%	12.0%
Award 2	10.0%	12.0%	13.0%

Note 3: For LTIP awards made in January 2012, vesting is based on three year average ROCE (excluding lease adjustment) performance for the years ended 30 September 2012, 30 September 2013 and 30 September 2014. The following targets were published in an RNS in January and apply for these awards:

	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Award 1	8.0%	10.0%	12.0%
Award 2	11.5%	12.5%	13.0%

Note 4: Participants 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.

Governance
Directors' remuneration report
continued

What shareholdings are Directors' required to have?
Executive Directors are required to build up a shareholding of 175% of salary. It is expected that this guideline will be achieved within five years of appointment. Until the guideline is met, they are required to retain 50% of net vested shares from the LTIP. Other senior executives have a 100% of salary shareholding requirement.

The Board agreed a policy on shareholding guidelines for Non Executives. The level of shareholding is to be 100% of annual fees to be built up over three years from the (30 September 2012) adoption of the policy.

What are the Directors' interests?
The following current Directors hold direct interests in the share capital of easyJet:

Number	30 September* 2012	30 September 2011
Carolyn McCall OBE	63,540	12,602
Chris Kennedy	27,685	12,631
Sir Michael Rake	11,283	12,308
Charles Gurassa	18,198	19,853
Adèle Anderson	2,614	2,854
David Bennett	9,166	10,000
John Browett	4,312	4,705
Professor Rigas Doganis	12,467	13,600

* The final shareholding has been adjusted to reflect the share consolidation that occurred on 5 March 2012.

Note: Changes to the position above since 30 September 2012 can be found at our corporate website, http://corporate.easyjet.com

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 2012, ordinary shares held in the Trusts were as follows:

	Number
Share Incentive Plan Trust (unallocated as employees are not entitled to these shares)	3,242,663
Total unallocated	3,242,663
Share Incentive Plan (allocated)	1,170,393
Total held by UK Trust (allocated)	97,047
Total held by Overseas Trust (allocated)	8,378
Total allocated	1,275,818
	4,518,481

Position against dilution limits
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 ten 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 share purchases on the market. The remaining 1.4 million options under the Discretionary Share Option Schemes, when or if exercised, will continue to be settled by the issue of new shares.

What are the Executive Directors' terms of employment and external appointments?
Executive Directors

Name	Date of service contract	Notice period
Carolyn McCall OBE	1 July 2010	12 months
Chris Kennedy	1 July 2010	12 months

On termination by the Company, Carolyn McCall OBE would continue to receive 12 monthly instalments of salary and pension which would cease to the extent that alternative employment was taken up. Alternatively, by mutual consent, the Company may elect to make a payment to the value of 12 months' 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 predetermined compensation to be paid on termination.

Executive Directors are permitted to accept one appointment on an external board or committee so long as this is not thought 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 2012.

What are the terms of appointment of the Non Executive Directors?

Non Executive Directors

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 2012	Notice period	Provision for compensation
Sir Michael Rake	1 June 2012	2 years 8 months	3 months	None
Charles Gurassa	27 June 2011	1 year 9 months	3 months	None
David Bennett	27 September 2010	1 year	3 months	None
Keith Hamill	1 March 2012	2 years 5 months	3 months	None
John Browett	27 September 2010	1 year	3 months	None
Professor Rigas Doganis	27 September 2010	1 year	3 months	None
Adèle Anderson	1 September 2011	1 year 11 months	3 months	None
Andy Martin	1 September 2011	1 year 11 months	3 months	None

Non-Executive Directors do not have service contracts and are not entitled to compensation on loss of office. The required notice from the Company is three months in all cases.

How are the Non Executive Directors remunerated?

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.

Our Non Executive Directors are paid an annual fee, however do not participate in any of the Company's incentive schemes.

The Chairman's fees are currently £300,000 per annum and the Deputy Chairman's basic fees are £80,000 per annum.

The other Non Executive Directors' fees as at 30 September 2012 are as follows:

	Per annum
Basic fee	£55,000
Chairmen of the Audit and Remuneration Committees	£10,000

Governance
Directors' remuneration report
continued

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 2012 are as follows:

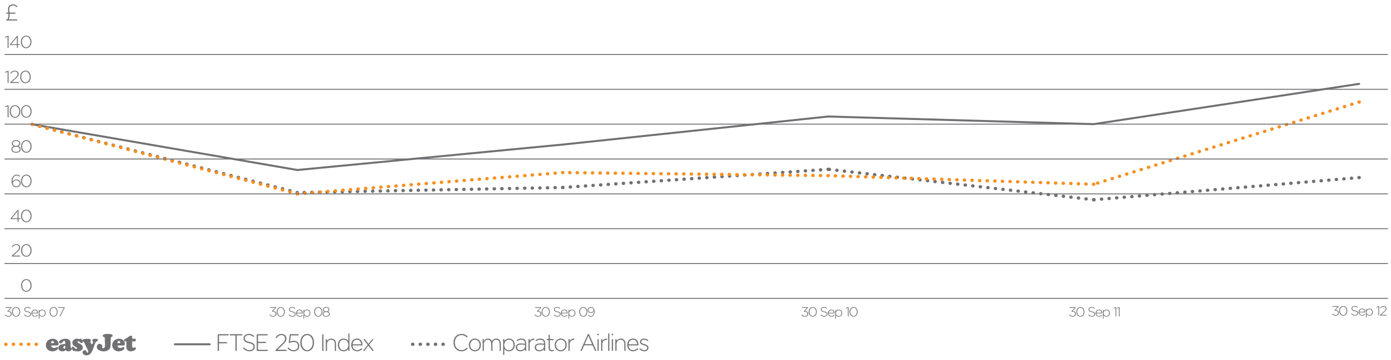
	Fees and salary	Bonuses	Total 2012	Total 2011	Pension contributions 2012	Pension contributions 2011
Executive						
Carolyn McCall OBE	**712**	**1,274**	**1,986**	1,552	**–**	–
Chris Kennedy	**400**	**373**	**773**	653	**29**[1]	28
Non Executive						
Sir Michael Rake	**300**	**–**	**300**	300	**–**	–
Charles Gurassa	**85**	**–**	**85**	15	**–**	–
Sir David Michels (resigned 26 August 2011)	**–**	**–**	**–**	73	**–**	–
David Jonathan Bennett	**65**	**–**	**65**	65	**–**	–
Professor Rigas Sotiris Doganis	**55**	**–**	**55**	55	**–**	–
John Browett	**55**	**–**	**55**	55	**–**	–
Keith Hamill	**60**	**–**	**60**	65	**–**	–
Sven Boinet (resigned 30 September 2011)	**–**	**–**	**–**	55	**–**	–
Adèle Anderson	**55**	**–**	**55**	5	**–**	–
Andrew David Martin	**55**	**–**	**55**	5	**–**	–
	1,842	**1,647**	**3,489**	2,898	**29**	28

1 Chris Kennedy received £690 in exchange for sacrificing salary into the pension scheme, in line with easyJet's SMART pension arrangements (page 55).

Total shareholder return performance

The chart below sets out the performance of the Company relative to the FTSE 250 and a group of European airlines. The FTSE 250 has been chosen as we are a member of that Index.

Total shareholder return



Source: Thomson Reuters

This graph shows the value, by 30 September 2012 of £100 invested in easyJet on 30 September 2007 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: British Airways, Lufthansa, Ryanair, Air France-KLM and Iberia have all been included in the comparative European Airlines group.

British Airways and Iberia have been tracked forward for 2011 and 2012 as IAG.

Governance
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 and the Company 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 and the Group'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 40 and 41 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 accordance with Section 418 of the Companies Act 2006, each Director in office at the date the Directors' report is approved, confirms that:

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

The Annual Report on pages 1 to 62 was approved by the Board of Directors and authorised for issue on 19 November 2012 and signed on behalf of the Board by:

Carolyn McCall

Carolyn McCall OBE
Chief Executive Officer

Chris Kennedy
Chief Financial Officer

ACCOUNTS & OTHER INFORMATION

Accounts & other information
Independent auditors' report to the members of easyJet plc

We have audited the accounts of easyJet plc for the year ended 30 September 2012 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 2012 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

19 November 2012

Consolidated income statement

	Notes	Year ended 30 September 2012 £ million	Year ended 30 September 2011 £ million
Seat revenue		**3,794**	3,389
Non-seat revenue		**60**	63
Total revenue	25	**3,854**	3,452
Fuel		**(1,149)**	(917)
Ground operations		**(955)**	(923)
Crew		**(432)**	(407)
Navigation		**(280)**	(285)
Maintenance		**(203)**	(179)
Selling and marketing		**(104)**	(102)
Other costs		**(200)**	(171)
EBITDAR		**531**	468
Aircraft dry leasing		**(95)**	(109)
Depreciation	8	**(97)**	(83)
Amortisation of intangible assets	7	**(8)**	(7)
Operating profit		**331**	269
Interest receivable and other financing income		**11**	9
Interest payable and other financing charges		**(25)**	(30)
Net finance charges	2	**(14)**	(21)
Profit before tax	3	**317**	248
Tax charge	5	**(62)**	(23)
Profit for the year		**255**	225
Earnings per share, pence			
Basic	6	**62.5**	52.5
Diluted	6	**61.7**	52.0

Accounts & other information
Consolidated statement of comprehensive income

	Notes	Year ended 30 September 2012 £ million	Year ended 30 September 2011 £ million
Profit for the year		**255**	225
Other comprehensive income			
Cash flow hedges			
Fair value gains in the year		**109**	122
Gains transferred to income statement		**(74)**	(152)
Related tax	5	**(7)**	9
		28	(21)
Total comprehensive income for the year		**283**	204

Consolidated statement of financial position

	Notes	30 September 2012 £ million	30 September 2011 £ million
Non-current assets			
Goodwill	7	**365**	365
Other intangible assets	7	**91**	86
Property, plant and equipment	8	**2,395**	2,149
Derivative financial instruments	21	**21**	24
Loan notes	9	**10**	11
Restricted cash	12	**29**	33
Other non-current assets	10	**57**	63
		2,968	2,731
Current assets			
Trade and other receivables	11	**241**	165
Derivative financial instruments	21	**73**	83
Restricted cash	12	**130**	90
Money market deposits	12	**238**	300
Cash and cash equivalents	12	**645**	1,100
		1,327	1,738
Current liabilities			
Trade and other payables	13	**(1,021)**	(916)
Borrowings	14	**(129)**	(155)
Derivative financial instruments	21	**(26)**	(52)
Current tax liabilities		**(29)**	(9)
Maintenance provisions	16	**(59)**	(45)
		(1,264)	(1,177)
Net current assets		**63**	561
Non-current liabilities			
Borrowings	14	**(828)**	(1,145)
Derivative financial instruments	21	**(24)**	(27)
Non-current deferred income		**(46)**	(59)
Maintenance provisions	16	**(141)**	(177)
Deferred tax liabilities	5	**(198)**	(179)
		(1,237)	(1,587)
Net assets		**1,794**	1,705
Shareholders' equity			
Share capital	17	**108**	108
Share premium		**656**	654
Hedging reserve		**42**	14
Translation reserve		**1**	1
Retained earnings		**987**	928
		1,794	1,705

The accounts on pages 65 to 97 were approved by the Board of Directors and authorised for issue on 19 November 2012 and signed on behalf of the Board.

Carolyn McCall

Carolyn McCall OBE
Director

Chris Kennedy
Director

Accounts & other information
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 2011	**108**	**654**	**14**	**1**	**928**	**1,705**
Total comprehensive income	**–**	**–**	**28**	**–**	**255**	**283**
Dividends paid	**–**	**–**	**–**	**–**	**(196)**	**(196)**
Share incentive schemes						
Proceeds from shares issued	**–**	**2**	**–**	**–**	**–**	**2**
Value of employee services	**–**	**–**	**–**	**–**	**12**	**12**
Related tax (note 5)	**–**	**–**	**–**	**–**	**3**	**3**
Purchase of own shares	**–**	**–**	**–**	**–**	**(15)**	**(15)**
At 30 September 2012	**108**	**656**	**42**	**1**	**987**	**1,794**

	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

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 2012 £ million	Year ended 30 September 2011 £ million
Cash flows from operating activities			
Cash generated from operations (excluding dividends)	19	**494**	449
Ordinary dividends paid		**(46)**	–
Special dividends paid		**(150)**	–
Net interest and other financing charges paid		**(9)**	(23)
Tax paid		**(28)**	(2)
Net cash generated from operating activities		**261**	424
Cash flows from investing activities			
Purchase of property, plant and equipment		**(379)**	(550)
Proceeds from sale of assets held for sale		**–**	75
Proceeds from sale of property, plant and equipment		**1**	–
Purchase of other intangible assets		**(13)**	(6)
Redemption of loan notes		**2**	3
Net cash used by investing activities		**(389)**	(478)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**2**	3
Purchase of own shares for employee share schemes		**(15)**	(8)
Proceeds from drawdown of bank loans		**–**	172
Repayment of bank loans		**(305)**	(154)
Proceeds from drawdown of finance leases		**–**	71
Repayment of capital elements of finance leases		**(9)**	(6)
Net proceeds from sale and operating leaseback of aircraft		**–**	273
Net decrease / (increase) in money market deposits		**55**	(38)
Increase in restricted cash		**(37)**	(67)
Net cash (used by) / generated from financing activities		**(309)**	246
Effect of exchange rate changes		**(18)**	(4)
Net (decrease) / increase in cash and cash equivalents		**(455)**	188
Cash and cash equivalents at beginning of year		**1,100**	912
Cash and cash equivalents at end of year	12	**645**	1,100

Accounts & other information
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, Luton, 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 17. Principal risks and uncertainties are described on pages 26 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 £645 million as at 30 September 2012. Total debt of £957 million is free from financial covenants, with £129 million due for repayment in the year to 30 September 2013.

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

Basis of consolidation

The consolidated accounts incorporate those of easyJet plc and its subsidiaries for the years ended 30 September 2011 and 2012.

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 seat revenue, being the value of airline services (net of air passenger duty, VAT and discounts), and non-seat revenue.

Seat revenue arises from the sale of flight seats, including the provision of checked baggage, speedy (priority) boarding services, booking, credit card and change fees. Seat revenue is recognised when the service is provided. This is generally when the flight takes place, but in the following cases, this is 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.

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

Unearned revenue represents flight seats, including the provision of checked baggage and speedy (priority) boarding services, sold but not yet flown and is included in trade and other payables until it is realised in the income statement when the service is provided.

Non seat revenue arises from commissions earned from services sold on behalf of partners. Non seat revenue is recognised when the service is provided. This is generally when the related flight takes place. In the case of commission earned from travel insurance, revenue is recognised at the time of booking as easyJet acts solely as appointed representative of the insurance company.

During the year, the classification between seat and non-seat revenue has been revised and the comparative data has been reclassified to conform to the current year presentation.

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.

Accounts & other information
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 utilisation 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 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.

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.

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1 Accounting policies continued
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 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 basis:

→ 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 2012:

Amendments to standards

IAS 24	Related party disclosures
IFRS 1	First-time Adoption of IFRS (Hyperinflation and Removal of Fixed Dates for First-time Adopters)
IFRS 7	Financial Instruments: Disclosures

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

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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 2012.

Effective for the year ending 30 September 2013
Amendments to standards
IAS 1 Presentation of Items of Other Comprehensive Income
IAS 12 Deferred Tax (Recovery of Underlying Assets)

Effective for the year ending 30 September 2014
New and revised standards
IAS 27 Separate Financial Statements
IAS 28 Investments in Associates and Joint Ventures
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

Effective for the year ending 30 September 2015
Amendments to standards and interpretations
IAS 32 Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

Effective for the year ending 30 September 2016
Amendments to standards and interpretations
IFRS 9 Financial Instruments

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

	2012 £ million	2011 £ million
Interest receivable and other financing income		
Interest income	**(10)**	(9)
Net exchange gains on financing items (note 21)	**(1)**	–
	(11)	(9)
Interest payable and other financing charges		
Interest payable on bank loans	**20**	20
Interest payable on finance lease obligations	**5**	5
Other interest payable	**–**	(1)
Net exchange losses on financing items (note 21)	**–**	6
	25	30
	14	21

Other interest payable in 2011 includes a credit of £1 million reversing previous interest accruals.

3 Profit before tax

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

	2012 £ million	2011 £ million
Depreciation of property, plant and equipment		
Owned assets	**90**	77
Assets held under finance leases	**7**	6
Loss on disposal of property, plant and equipment	**1**	–
Operating lease rentals		
Aircraft	**89**	102
Other assets	**5**	4

Auditors' remuneration

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

	2012 £ million	2011 £ million
Group audit fee	**0.4**	0.3

4 Employees

The average number of persons employed by easyJet was:

	2012	2011
Flight and ground operations	**7,743**	7,361
Management and administration (including IT)	**463**	363
	8,206	7,724

Employee costs for easyJet were:

	2012 £ million	2011 £ million
Wages and salaries	**379**	350
Social security costs	**53**	48
Pension costs	**32**	28
Share-based payments	**12**	6
	476	432

Key management compensation was:

	2012 £ million	2011 £ million
Short-term employee benefits	**7**	6
Share-based payments	**4**	2
	11	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:

	2012 £ million	2011 £ million
Remuneration	**4**	3

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

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5 Tax charge
Tax on profit on ordinary activities

	2012 £ million	2011 £ million
Current tax		
United Kingdom corporation tax	**37**	5
Foreign tax	**11**	9
Prior year adjustments	**–**	(30)
Total current tax charge / (credit)	**48**	(16)
Deferred tax		
Temporary differences relating to property, plant and equipment	**42**	54
Other temporary differences	**(8)**	(5)
Prior year adjustments	**(2)**	7
Change in tax rate	**(18)**	(17)
Total deferred tax charge	**14**	39
	62	23
Effective tax rate	**20%**	9%

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:

	2012 £ million	2011 £ million
Profit on ordinary activities before tax	**317**	248
Tax charge at 25% (2011: 27%)	**79**	67
Attributable to rates other than standard UK rate	**–**	(1)
Expenses / (income) not deductible / (chargeable) for tax purposes	**7**	(4)
Share-based payments	**1**	1
Adjustments in respect of prior years – current tax	**–**	(30)
Adjustments in respect of prior years – deferred tax	**(2)**	7
Utilisation of previously unrecognised losses	**(5)**	–
Change in tax rate	**(18)**	(17)
	62	23

In the year ended 30 September 2011 the adjustments in respect of prior year 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 2012 amounted to £29 million (2011: £9 million), of which £12 million relates to years prior to 2012 which remain open with the relevant tax authorities.

During the year ended 30 September 2012, net cash tax paid amounted to £28 million (2011: £2 million).

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

	2012 £ million	2011 £ million
(Charge) / credit to other comprehensive income		
Deferred tax (charge) / credit on fair value movements of cash flow hedges	**(7)**	9
Credit / (charge) to shareholders' equity		
Current tax credit on share-based payments	**1**	–
Deferred tax credit / (charge) on share-based payments	**2**	(1)
	3	(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	Fair value gains £ million	Share-based payments £ million	Total £ million
At 1 October 2011	**120**	**39**	**23**	**(3)**	**179**
Charged / (credited) to income statement	**26**	**(9)**	**(1)**	**(2)**	**14**
Charged to other comprehensive income	**–**	**–**	**7**	**–**	**7**
Credited to shareholders' equity	**–**	**–**	**–**	**(2)**	**(2)**
At 30 September 2012	**146**	**30**	**29**	**(7)**	**198**

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains £ 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

It is estimated that deferred tax liabilities of approximately £11 million (2011: £5 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 £212 million (2011: £190 million). The net overseas deferred tax asset is £14 million (2011: £11 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.

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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:

	2012 £ million	2011 £ million
Profit for the year	255	225

	2012 million	2011 million
Weighted average number of ordinary shares used to calculate basic earnings per share	408	429
Weighted average number of dilutive share options	5	4
Weighted average number of ordinary shares used to calculate diluted earnings per share	413	433

Earnings per share	2012 pence	2011 pence
Basic	62.5	52.5
Diluted	61.7	52.0

An ordinary dividend in respect of the year ended 30 September 2012 of £85 million (21.5 pence per share) is to be proposed at the forthcoming Annual General Meeting (2011: ordinary dividend £46 million, special dividend £150 million). These accounts do not reflect this dividend payable.

On 5 March 2012, the shares of easyJet plc were consolidated on an 11 for 12 basis. The impact of the share consolidation on the weighted average number of shares used to calculate basic and diluted earnings per share is 21 million. Further details in respect of the share consolidation are given in note 17.

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 2011	365	74	4	25	103
Transfer from property, plant and equipment	–	–	–	13	13
Disposals	–	–	(3)	(3)	(6)
At 30 September 2012	365	74	1	35	110
Amortisation					
At 1 October 2011	–	–	3	14	17
Charge for the year	–	–	–	8	8
Disposals	–	–	(3)	(3)	(6)
At 30 September 2012	–	–	–	19	19
Net book value					
At 30 September 2012	365	74	1	16	91
At 1 October 2011	365	74	1	11	86

	Goodwill £ million	Other intangible assets 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

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 approved by the Board for the period up to 2017, 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)	1,100
Exchange rates:	
US dollar	1.58
Euro	1.27
Swiss franc	1.50

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

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

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

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8 Property, plant and equipment

	Aircraft and spares £ million	Leasehold improvements £ million	Other £ million	Total £ million
Cost				
At 1 October 2011	**2,410**	**8**	**19**	**2,437**
Additions	**371**	**7**	**14**	**392**
Transfer to intangible assets	**–**	**–**	**(13)**	**(13)**
Disposals	**(36)**	**–**	**(6)**	**(42)**
At 30 September 2012	**2,745**	**15**	**14**	**2,774**
Depreciation				
At 1 October 2011	**276**	**4**	**8**	**288**
Charge for the year	**93**	**1**	**3**	**97**
Disposals	**(1)**	**–**	**(5)**	**(6)**
At 30 September 2012	**368**	**5**	**6**	**379**
Net book value				
At 30 September 2012	**2,377**	**10**	**8**	**2,395**
At 1 October 2011	2,134	4	11	2,149

	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

The net book value of aircraft includes £88 million (2011: £164 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £990 million (2011: £1,206 million) were mortgaged to lenders as loan security.

Aircraft with a net book value of £154 million (2011: £159 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 18 (2011: 37) Airbus A320 family aircraft, with a total list price of US$1.0 billion (2011: US$1.9 billion) before escalations and discounts for delivery in the period to April 2015.

9 Loan notes

In 2001, easyJet in consortium with six other UK airlines formed The Airline Group Limited in order to acquire a non-controlling 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.

	2012 £ million	2011 £ million
At 1 October	**11**	13
Interest receivable converted to loan notes	**1**	1
Redemption of loan notes	**(2)**	(3)
At 30 September	**10**	11

10 Other non-current assets

	2012 £ million	2011 £ million
Recoverable supplemental rent (pledged as collateral)	**36**	40
Deposits held by aircraft lessors	**17**	17
Other	**4**	6
	57	63

11 Trade and other receivables

	2012 £ million	2011 £ million
Trade receivables	**124**	84
Less provision for impairment	**(4)**	(3)
	120	81
Other receivables	**33**	27
Recoverable supplemental rent (pledged as collateral)	**6**	11
Prepayments and accrued income	**82**	46
	241	165

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:

	2012 £ million	2011 £ million
At 1 October	**3**	3
Increase in provision (included in 'other costs')	**1**	–
At 30 September	**4**	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.

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11 Trade and other receivables continued

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

	2012 £ million	2011 £ million
Up to three months past due	**52**	31
Over three months past due	**1**	10
	53	41

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

	2012 £ million	2011 £ million
Cash and cash equivalents (original maturity less than three months)	**645**	1,100
Money market deposits (original maturity more than three months)	**238**	300
Current restricted cash	**130**	90
Non-current restricted cash	**29**	33
	1,042	1,523

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:

	2012 £ million	2011 £ million
Pledged as collateral to third parties:		
Payment card acquiring	**130**	90
Aircraft operating lease deposits	**25**	30
Other	**4**	3
	159	123

13 Trade and other payables

	2012 £ million	2011 £ million
Trade payables	**109**	90
Unearned revenue	**496**	472
Accruals and deferred income	**338**	280
Other taxes and social security	**13**	13
Other creditors	**65**	61
	1,021	916

14 Borrowings

At 30 September 2012	Current £ million	Non-current £ million	Total £ million
Bank loans	**120**	**632**	**752**
Finance lease obligations	**9**	**196**	**205**
	129	**828**	**957**

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

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 2011	222
Exchange adjustments	(7)
Charged to income statement	61
Utilised	(76)
At 30 September 2012	**200**

Maintenance provisions are analysed as follows:

	2012 £ million	2011 £ million
Current	**59**	45
Non-current	**141**	177
	200	222

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

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17 Share capital

	Number		Value	
	2012 million	2011 million	**2012 £ million**	2011 £ million
Authorised				
At 30 September 2011; ordinary shares of 25 pence each	**–**	500	**–**	125
At 30 September 2012; new ordinary shares of $27^{2}/_{7}$ pence each	**458**	–	**125**	–
Allotted, called up and fully paid				
At 1 October	**431**	430	**108**	107
Issued during the year under share incentive schemes	**1**	1	**–**	1
Effect of share consolidation	**(36)**	–	**–**	–
At 30 September	**396**	431	**108**	108

On 5 March 2012, following the special dividend, the shares of easyJet plc were consolidated. The share consolidation replaced every 12 existing ordinary shares of 25 pence each with 11 new ordinary shares of 27 $^{2}/_{7}$ pence each. The impact of the share consolidation on the number of allotted, called up and fully paid shares is 36 million.

There is no change in the total value of the Company's issued share capital.

The weighted average share price for options exercised during the year was £4.57 (2011: £4.31) easyJet's employee share trusts hold the following shares. The cost of these has been deducted from retained earnings:

	2012	2011
Number of shares (million)	**3**	2
Cost (£ million)	**12**	7
Market value at year end (£ million)	**17**	7

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 2011 million	Granted million	Forfeited million	Share consolidation million	Exercised million	**30 September 2012 million**
Discretionary schemes						
19 January 2004	0.4	–	–	–	(0.2)	**0.2**
8 December 2004	2.6	–	–	–	(1.2)	**1.4**
Long Term Incentive Plan						
16 January 2009	1.2	–	(0.1)	–	(0.8)	**0.3**
16 December 2009	0.9	–	–	–	–	**0.9**
5 July 2010	0.5	–	–	–	–	**0.5**
31 March 2011	2.4	–	(0.1)	–	–	**2.3**
4 January 2012	–	2.7	–	–	–	**2.7**
Sharesave						
6 June 2008	1.0	–	(0.1)	–	(0.9)	**–**
5 June 2009	1.1	–	–	–	(0.9)	**0.2**
10 June 2010	0.4	–	(0.1)	–	–	**0.3**
1 July 2011	2.3	–	(0.1)	–	–	**2.2**
1 July 2012	–	1.0	–	–	–	**1.0**
Share incentive plan	4.3	2.0	(0.1)	(0.4)	(0.3)	**5.5**
	17.1	5.7	(0.6)	(0.4)	(4.3)	**17.5**

Weighted average exercise prices are as follows:

	1 October 2011 £	Granted £	Forfeited £	Exercised £	**30 September 2012 £**
Discretionary schemes	2.05	–	–	1.98	**2.11**
Sharesave	2.73	4.11	2.78	2.42	**3.24**

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	
	2012	2011	**2012**	2011
Discretionary schemes	**2.11**	2.05	**1.6**	3.0
Sharesave	**2.43**	2.40	**0.2**	1.0
Share incentive plan	**–**	–	**0.8**	0.7
			2.6	4.7

The weighted average remaining contractual life for each class of share award at 30 September 2012 is as follows:

	Years
Discretionary schemes	2.1
Long Term Incentive Plan	8.5
Sharesave	2.9
Share incentive plan	2.0

Discretionary schemes

All 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.

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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
Long Term Incentive Plan						
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
4 January 2012	3.92	–	–	–	–	3.92
Sharesave						
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
1 July 2012	5.23	4.18	35%	3.5	0.24%	1.77

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 £4.96 (2011: £3.81)

For grants under the Sharesave scheme after 30 September 2011, the dividend yield assumption is calculated based on the actual yield at the date the options are granted. For the options granted on 1 July 2012, the dividend yield assumption was 2%.

19 Reconciliation of operating profit to cash generated from operations

	2012 £ million	2011 £ million
Operating profit	**331**	269
Adjustments for non-cash items:		
Depreciation	**97**	83
Loss on disposal of property, plant and equipment	**1**	–
Amortisation of intangible assets	**8**	7
Share-based payments	**12**	6
Changes in working capital and other items of an operating nature:		
(Increase) / decrease in trade and other receivables	**(44)**	27
Increase in trade and other payables	**74**	87
Increase / (decrease) in provisions	**18**	(5)
Increase / (decrease) in other non-current assets	**6**	(9)
Decrease / (increase) in derivative financial instruments	**4**	(2)
Increase in non-current deferred income	**(13)**	(14)
	494	449

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

	1 October 2011 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	30 September 2012 £ million
Cash and cash equivalents	1,100	(18)	–	(437)	**645**
Money market deposits	300	(7)	–	(55)	**238**
	1,400	(25)	–	(492)	**883**
Bank loans	(1,079)	25	(3)	305	**(752)**
Finance lease obligations	(221)	7	–	9	**(205)**
	(1,300)	32	(3)	314	**(957)**
Net funds / (debt) (non-GAAP measure)	100	7	(3)	(178)	**(74)**

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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 2012	**Loans and receivables £ million**	**Financial liabilities £ million**	**Cash flow hedge £ million**	**Held for trading £ million**	**Other £ million**	**Carrying value £ million**	**Fair value £ million**
Loan notes	**10**	**–**	**–**	**–**	**–**	**10**	**10**
Other non-current assets	**53**	**–**	**–**	**–**	**4**	**57**	**57**
Trade and other receivables	**195**	**–**	**–**	**–**	**46**	**241**	**241**
Trade and other payables	**–**	**(454)**	**–**	**–**	**(567)**	**(1,021)**	**(1,021)**
Derivative financial instruments	**–**	**–**	**53**	**(9)**	**–**	**44**	**44**
Restricted cash	**159**	**–**	**–**	**–**	**–**	**159**	**159**
Money market deposits	**238**	**–**	**–**	**–**	**–**	**238**	**238**
Cash and cash equivalents	**645**	**–**	**–**	**–**	**–**	**645**	**645**
Borrowings	**–**	**(957)**	**–**	**–**	**–**	**(957)**	**(965)**

	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 value £ 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)

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 2012	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	**3,204**	**1**	**4**	**(11)**	**(15)**	**(21)**
Euro	**653**	**5**	**20**	**–**	**–**	**25**
Swiss franc	**202**	**1**	**4**	**–**	**–**	**5**
Jet fuel	**2**	**14**	**45**	**(6)**	**(9)**	**44**
Designated as held for trading: US dollar	**850**	**–**	**–**	**(9)**	**–**	**(9)**
		21	**73**	**(26)**	**(24)**	**44**

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

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.

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21 Financial instruments continued

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

At 30 September 2012	**Within 1 year £ million**	**1–2 years £ million**	**Total £ million**
Hedges of transaction currency risk	**17**	**(8)**	**9**
Hedges of jet fuel price risk	**39**	**5**	**44**
	56	**(3)**	**53**
Related deferred tax			**(11)**
			42

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

	2012 £ million	2011 £ million
Gains on cash flow hedges recycled from other comprehensive income in income statement captions:		
Revenue	**21**	9
Fuel	**51**	142
Other costs	**1**	1
Aircraft lease costs	**1**	–
	74	152

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:

	2012 $ million	2011 $ million
Cash and money market deposits	**619**	673
Borrowings	**(1,245)**	(1,654)
Maintenance provisions	**(280)**	(301)
Other	**39**	73
Net monetary liabilities	**(867)**	(1,209)
Forward US dollar contracts	**850**	1,240
	(17)	31

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:

	2012 £ million	2011 £ million
Unrealised revaluation gains / (losses) on non-derivative financial instruments	8	(7)
Realised foreign exchange gains on non-derivative financial instruments	10	4
Unrealised revaluation gains / (losses) on other monetary assets and liabilities	7	(1)
Unrealised (losses) / gains on derivatives	(16)	9
Realised losses on derivatives	(8)	(11)
Net gains / (losses) (note 2)	1	(6)

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 employed

Capital employed comprises shareholders' equity, borrowings, cash and money market deposits (excluding restricted cash) and an adjustment for the capital implicit in aircraft operating lease arrangements. The adjustment is calculated by multiplying the annual charge for aircraft dry leasing by a factor of seven, in line with accepted practice for the airline industry.

Normalised operating profit is adjusted for the implied interest incorporated in the charge for aircraft dry leasing.

Consequently, the capital employed and normalised operating profit after tax (both excluding and including the adjustment for operating leases) at the end of the current and prior year and the return earned during those years were as follows:

	2012 £ million	2011 £ million
Shareholders' equity	1,794	1,705
Borrowings	957	1,300
Cash and money market deposits (excluding restricted cash)	(883)	(1,400)
Reported capital employed	1,868	1,605
Operating leases adjustment	665	763
Capital employed including operating leases adjustment	2,533	2,368
Operating profit – reported	331	269
Implied interest in operating lease costs	32	36
Operating profit – adjusted	363	305
Normalised operating profit after tax – reported	252	199
Normalised operating profit after tax – adjusted	276	226
Return on capital employed – excluding leases adjustment	14.5%	12.7%
Return on capital employed – including leases adjustment	11.3%	9.8%

Return on capital employed was introduced as a key performance indicator in 2010. The decision was taken at the time not to adjust the calculation for aircraft held under operating leases, in the expectation that the IASB's leasing project would complete in a relatively short time frame, resulting in all leases being shown on the statement of financial position.

As the accounting position is now not expected to change before easyJet's 2016 financial year at the earliest, it has been decided to amend the ROCE calculation to reflect appropriately the impact on return on capital of aircraft held under operating leases. The above table shows both the return on capital employed excluding and including operating leases adjustment.

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22 Financial risk and capital management continued

The percentage of operating leased aircrafts at 30 September 2012 was 26% (2011: 30%). Board policy is to hold around 30% of the fleet under operating lease arrangements to provide an appropriate degree of flexibility in fleet size and partially mitigate the residual value risk associated with a single fleet type.

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 cash and net debt position, together with the maturity profile of existing debt, is monitored to ensure the continuity of funding.

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 and restricted cash) to shareholders' equity. Gearing remained stable at 29% (2011: 28%).

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 a target level of liquidity of £4 million per aircraft in the fleet. Total cash (excluding restricted cash) and money market deposits at 30 September 2012 was £883 million (2011: £1,400 million). Surplus funds are invested in high quality short-term liquid instruments, usually money market funds or bank deposits.

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

At 30 September 2012	**Within 1 year £ million**	**1–2 years £ million**	**2–5 years £ million**	**Over 5 years £ million**
Borrowings	**146**	**140**	**467**	**288**
Trade and other payables	**454**	**–**	**–**	**–**
Derivative contracts – receipts	**(2,943)**	**(1,821)**	**–**	**–**
Derivative contracts – payments	**2,874**	**1,790**	**–**	**–**

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	–	–

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 by setting limits on credit exposure 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 amount in the statement of financial position at each year end.

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 and credit limits differentiate between A, AA and AAA rated counterparties. 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 given in note 11 to the accounts.

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 55 operating leases in place at 30 September 2012, 75% were based on fixed interest rates and 25% were based on floating interest rates (2011: 69% fixed, 31% 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 nineteen aircraft were cash acquired (2011: 11 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% (2011: between 65% and 85%) of estimated exposures up to 12 months in advance, and to hedge between 45% and 65% (2011: between 45% and 65%) 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 2012	**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)	**17**	**(13)**	**(3)**	**2**	**(1)**	**–**
Impact on other comprehensive income: increase / (decrease)	**164**	**(134)**	**(43)**	**35**	**–**	**111**

	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

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.

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23 Leasing commitments
Commitments under operating leases

	Aircraft		Other	
	2012 £ million	2011 £ million	**2012 £ million**	2011 £ million
Total commitments under non-cancellable operating leases due:				
Not later than one year	**85**	101	**2**	1
Later than one year and not later than five years	**214**	272	**2**	2
Later than five years	**51**	84	**2**	3
	350	457	**6**	6

easyJet holds 55 aircraft (2011: 64 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

	2012 £ million	2011 £ million
Minimum lease payments fall due as follows:		
Not later than one year	**14**	13
Later than one year and not later than five years	**129**	139
Later than five years	**93**	105
	236	257
Future finance charges	**(31)**	(36)
	205	221

easyJet holds 11 aircraft (2011: 11 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 2012 easyJet had outstanding letters of credit and performance bonds totalling £37 million (2011: £44 million), of which £34 million (2011: £41 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

	2012 £ million	2011 £ million
United Kingdom	**1,761**	1,594
Southern Europe	**1,310**	1,190
Northern Europe	**738**	629
Other	**45**	39
	3,854	3,452

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 159 owned and finance leased aircraft. A further 55 aircraft are held under operating leases, giving a total fleet of 214 at 30 September 2012. All of these aircraft are registered in the United Kingdom except for 21 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

The Company licences the easyJet brand from easyGroup IP Licensing Limited ("easyGroup"), a wholly owned subsidiary of easyGroup Holdings Limited, an entity which easyJet's founder, Sir Stelios Haji-Ioannou, holds a beneficial interest and holds 26.07% of the issued share capital of the Company.

Under the Amended Brand Licence signed in October 2010, 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 ended 30 September 2012) is payable for a minimum term of ten years. The full term of agreement is 50 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 with Sir Stelios ("the Comfort Letter"), dated 9 October 2010, under which, in return for certain non-compete obligations, easyJet makes payment of a fee of £300,000, adjusted annually per the UK Retail Price index, each year for five years (or until the expiry of the longest subsisting restriction, whichever is later). Whilst certain of those obligations have since expired, remaining in force are the following:

→ For three years from the date of the Comfort Letter, to not sell the easyJet brand or the shares in easyGroup IP Holdings Limited to any airline licensed in any EEA country, or Switzerland, or the owner or indirect owner of such airline,

→ For five years from the date of the Comfort Letter, Sir Stelios shall not use his own name (or a derivative thereof) to brand an airline flying to or from any EEA country, or Switzerland.

The Amended Brand Licence and Comfort Letter were approved by the shareholders at a general meeting held on 10 December 2010.

The amounts included in the income statement for the year ended 30 September 2012 for these items were as follows:

	2012 £ million	2011 £ million
Annual royalty	**5.0**	4.0
Brand protection (legal fees paid through easyGroup to third parties)	**1.2**	0.7
Agreement with Sir Stelios Haji-Ioannou	**0.3**	0.3
	6.5	5.0

At 30 September 2012, £0.2 million (2011: £nil) of the above aggregate amount was included in trade and other payables.

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Company statement of financial position

	Notes	30 September 2012 £ million	30 September 2011 £ million
Non-current assets			
Investments in subsidiary undertakings	b	**283**	271
Current assets			
Amounts due from subsidiary undertakings		**1,143**	933
Current liabilities			
Amounts due to subsidiary undertakings		**(278)**	(31)
Current tax liabilities		**(4)**	–
		(282)	(31)
Net current assets		**861**	902
Net assets		**1,144**	1,173
Shareholders' equity			
Share capital		**108**	108
Share premium		**656**	654
Retained earnings		**380**	411
		1,144	1,173

The accounts on pages 98 to 102 were approved by the Board of Directors and authorised for issue on 19 November 2012 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 2011	**108**	**654**	**411**	**1,173**
Total comprehensive income				
Profit for the year	**–**	**–**	**153**	**153**
Dividends paid	**–**	**–**	**(196)**	**(196)**
Share incentive schemes				
Proceeds from shares issued	**–**	**2**	**–**	**2**
Movement in reserves for employee share schemes	**–**	**–**	**12**	**12**
At 30 September 2012	**108**	**656**	**380**	**1,144**

	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

An ordinary dividend in respect of the year ended 30 September 2012 of £85 million (21.5 pence per share) is to be proposed at the forthcoming Annual General Meeting (2011: ordinary dividend £46 million, special dividend £150 million). These accounts do not reflect this dividend payable.

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

Accounts & other information
Company statement of cash flows

	Notes	Year ended 30 September 2012 £ million	Year ended 30 September 2011 £ million
Cash flows from operating activities			
Cash generated from / (used by) operations	c	**54**	(26)
Interest received		**10**	14
Dividends received		**130**	3
Dividends paid		**(196)**	–
Net cash used by operating activities		**(2)**	(9)
Cash flows from investing activities			
Capital distributions		**–**	6
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**2**	3
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 and statement of comprehensive income. The Company's profit for the year was £153 million (2011: £16 million). Included in this amount are dividends received of £130 million (2011: £3 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 2012 (2011: eight). 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:

	2012 £ million	2011 £ million
At 1 October	**271**	271
Capital contributions to subsidiaries	**12**	6
Capital distributions made by subsidiaries	**–**	(6)
At 30 September	**283**	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 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.

Accounts & other information
Notes to the Company accounts
continued

c) Reconciliation of operating profit to cash generated from operations

	2012 £ million	2011 £ million
Operating profit	**146**	2
Adjustments for non-cash items:		
Unrealised foreign exchange differences	**(15)**	1
Changes in working capital:		
Increase in amounts due from subsidiary undertakings	**(340)**	(19)
Increase / (decrease) in amounts due to subsidiary undertakings	**263**	(10)
	54	(26)

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 Group accounts.

Five year summary
Year end to 30 September

	2012 £ million	2011 £ million	2010 £ million	2009 £ million	2008 £ million
Income statement					
Revenue	**3,854**	3,452	2,973	2,667	2,363
EBITDAR	**531**	468	361	225	249
Operating profit (EBIT)	**331**	269	174	60	91
Profit before tax	**317**	248	154	55	110
Profit for the year	**255**	225	121	71	83
Profit before tax (underlying)	**317**	248	188	44	123
Earnings per share (basic)	**62.5**	52.5	28.4	16.9	19.8
Earnings per share (diluted)	**61.7**	52.0	28.0	16.6	19.4
Statement of financial position					
Non-current assets	**2,968**	2,731	2,488	2,191	1,681
Current assets	**1,327**	1,738	1,515	1,482	1,415
Current liabilities	**(1,264)**	(1,177)	(1,065)	(1,062)	(910)
Non-current liabilities	**(1,237)**	(1,587)	(1,437)	(1,304)	(908)
Net assets	**1,794**	1,705	1,501	1,307	1,278
Statement of cash flows					
Operating activities	**261**	424	363	134	296
Investing activities	**(389)**	(478)	(482)	(430)	(418)
Financing activities	**(309)**	246	233	440	6
Exchange activities	**(18)**	(4)	9	12	29
Increase / (decrease) in cash and cash equivalents	**(455)**	188	123	156	(87)
Key performance indicators					
Return on capital employed – including operating lease adjustment	**11.3%**	9.8%	6.9%	3.6%	5.7%
Return on capital employed – excluding operating lease adjustment	**14.5%**	12.7%	8.8%	3.6%	7.3%
Gearing	**29%**	28%	32%	38%	29%
Net debt / (cash)	**74**	(100)	40	46	(236)
Profit before tax per seat (£)	**4.81**	3.97	2.75	1.04	2.12
Revenue per seat (£)	**58.51**	55.27	53.07	50.47	45.51
Cost per seat (£)	**53.70**	51.30	50.32	49.43	43.39
Cost per seat excluding fuel (£)	**36.25**	36.62	37.23	34.16	29.74
Seats flown (millions)	**65.9**	62.5	56.0	52.8	51.9

Accounts & other information
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) excluding operating leases
Normalised profit after tax divided by average net debt plus average shareholders' equity.

Return on capital employed (ROCE) including operating leases
Normalised profit after tax adjusted for implied interest on operating lease costs, divided by average net debt plus average shareholders' equity, plus an adjustment to capitalise operating leases at seven times the annual lease rental, in line with market practice.

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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www.easyJet.com

Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF

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