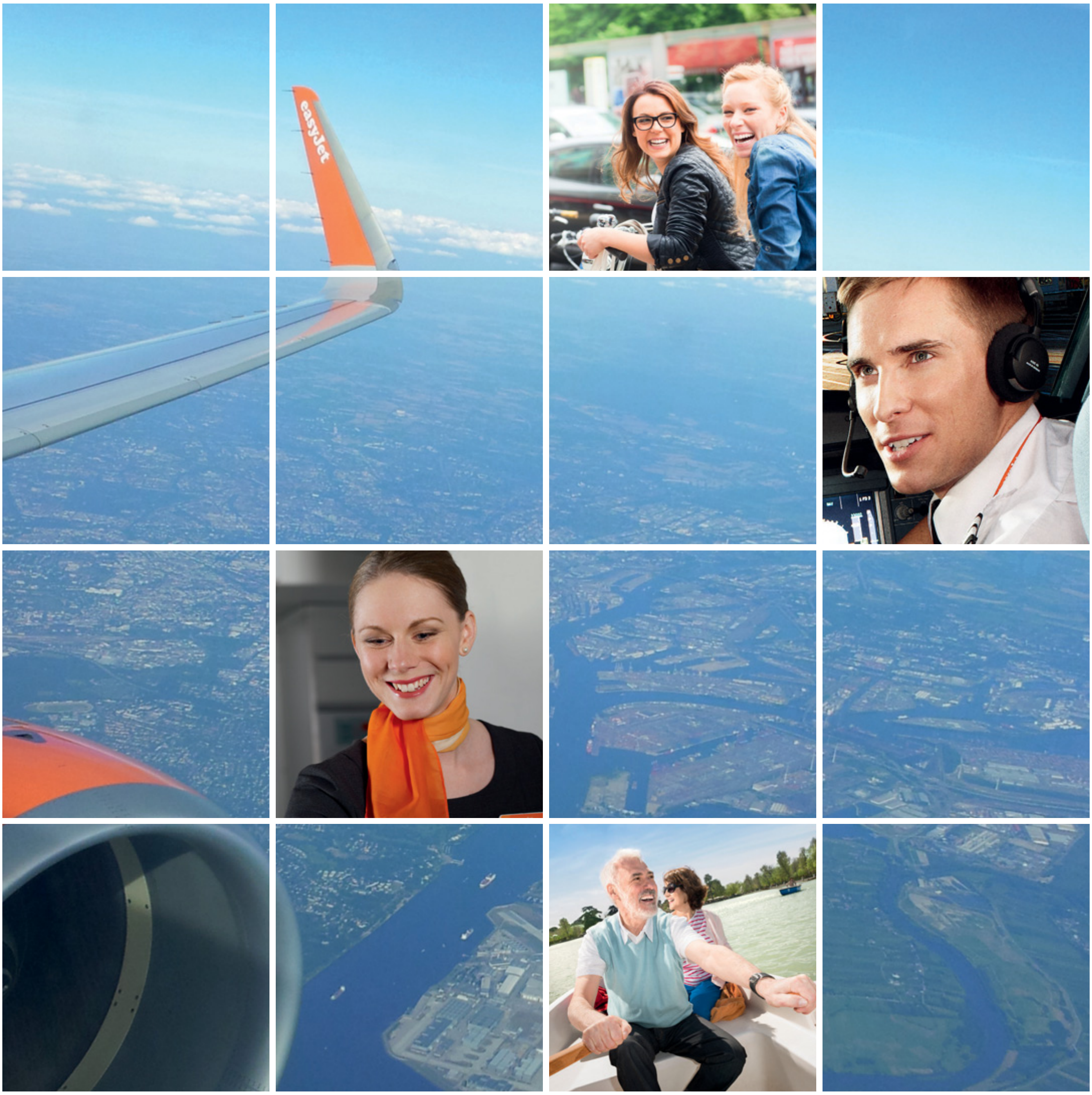


easyJet plc

Annual report and accounts 2013

See all of the investor information online at
http://corporate.easyjet.com/investors

STRATEGIC REPORT

Our business model	2
easyJet at a glance	4
Our journey so far	6
Chairman's statement	8
Chief Executive's review	9
Financial performance	9
Market overview	10
Strategic progress	12
Looking forward	18
Our strategy in action	19
Key performance indicators	28
Financial review and risk	30
Corporate responsibility	44

GOVERNANCE

Chairman's statement on corporate governance	58
Board of Directors	60
Executive Management Team	62
Corporate governance report	64
Audit Committee report	70
Directors' remuneration report	73
Directors' report	89
Statement of Directors' responsibilities	90
Independent Auditors' report	91

ACCOUNTS & OTHER INFORMATION

Consolidated income statement	94
Consolidated statement of comprehensive income	95
Consolidated statement of financial position	96
Consolidated statement of changes in equity	97
Consolidated statement of cash flows	98
Notes to the accounts	99
Company statement of financial position	126
Company statement of changes in equity	127
Company statement of cash flows	128
Notes to the Company accounts	129
Five year summary	131
Glossary	132

OUR AMBITION IS TO BE EUROPE'S PREFERRED SHORT-HAUL AIRLINE

Our aim is to deliver market leading returns to our shareholders through maintaining a leading European network at primary airports with a clear focus on making travel easy and affordable for our customers. Delivering a friendly and efficient service, at a low cost, will see us realise our vision.

See how we are achieving this.

HOW WE DRIVE GROWTH AND RETURNS

WHAT WE DO

WE ARE A LOW-COST EUROPEAN POINT-TO-POINT SHORT-HAUL AIRLINE

We use our cost advantage and number 1 and number 2 network positions in strong markets to deliver point-to-point low fares and operational efficiency, with our people making the difference by offering friendly service for our customers.

WHERE WE DO IT

INTRA-EUROPEAN SHORT-HAUL NETWORK

Network focused on primary airports serving significant inherent catchment areas.

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

OUR CAUSE
is to make travel easy and affordable.

217
aircraft

60.8m
passengers

633
routes

22
bases

SAFETY UNDERPINS EVERYTHING WE DO

Our sustainable business model makes travel easy and affordable and drives growth and returns for shareholders.

HOW WE DO IT

OUR FIVE DRIVERS

CAPITAL DISCIPLINE

We maintain a strong balance sheet so that we can withstand external shocks, such as airspace closure. We maximise the use of our aircraft and have a policy of returning excess cash to shareholders.

COMPELLING NETWORK

We fly from the main airports in attractive catchment areas and have the biggest presence on Europe's top 100 routes.

CULTURE, PEOPLE AND PLATFORM

Our people are passionate and friendly. We strive for simple systems and processes.

CUSTOMER DEMAND, CONVERSION AND YIELD

We make it easy to buy our low fares through our website, which has over one million visits every day, and also through mobile devices. People are attracted to the well-known easyJet brand and service offering.

COST ADVANTAGE

We are able to provide low fares to our customers by maintaining a low cost base and by delivering operational excellence. We have low overhead costs, use our aircraft efficiently and have industry leading on-time performance.

OUR VALUES

SAFETY

SIMPLICITY

ONE TEAM

INTEGRITY

PASSION

PIONEERING

SAFETY UNDERPINS EVERYTHING WE DO

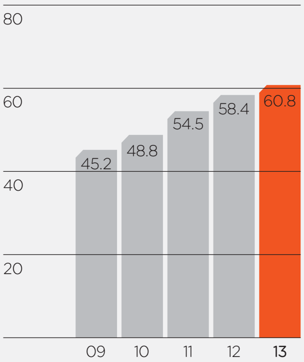
WHERE WE ARE NOW

WE CONTINUE TO GROW OUR SEATS AND PASSENGERS

We continue to grow our capacity and improve load factor, increasing the number of people flying with us by 4.0% in 2013.

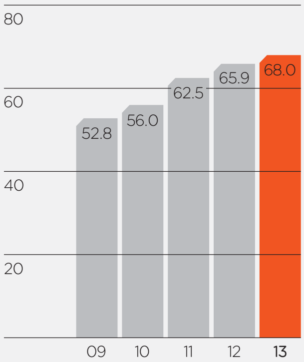
Number of passengers
million

60.8



Seats flown
million

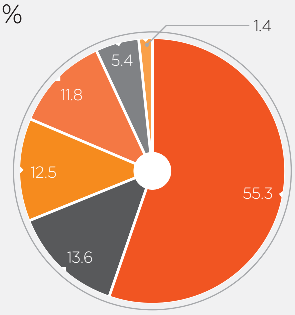
68.0



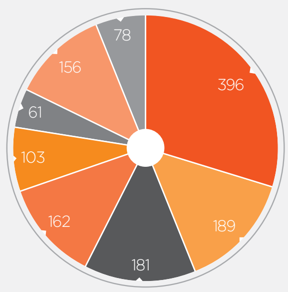
OUR NETWORK IS TRULY EUROPEAN

We have increased the number of routes offered to our passengers across Europe.

Proportional capacity growth by country
%



Number of routes by country



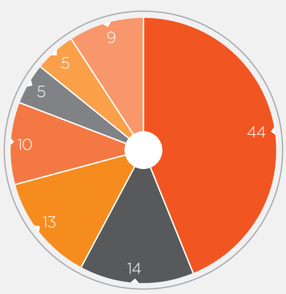
- UK
- France
- Switzerland
- Italy
- Germany
- Portugal & Spain
- Other EU
- Non-EU

WE ATTRACT CUSTOMERS ACROSS EUROPE

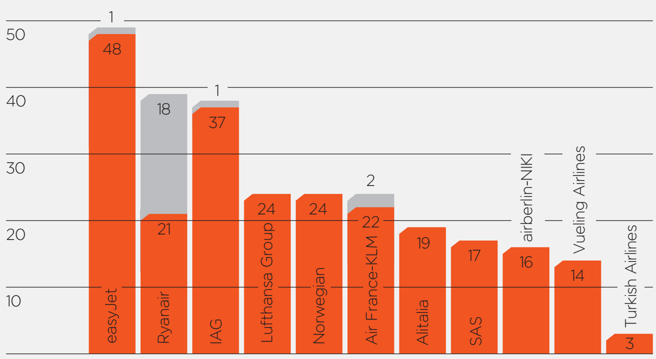
In 2013, 56% of our passengers originated from outside the UK.

Passengers by country
%

- UK
- France
- Italy
- Switzerland
- Germany
- Spain
- Other



Presence on top 100 routes



- Primary airports
- Non-primary airports

OUR PRESENCE ACROSS EUROPE

UK

London Gatwick	102
Bristol	44
London Luton	38
Manchester	33
Liverpool	33
Edinburgh	31
London Stansted	29
Belfast	24
Glasgow	15
London Southend	15
Newcastle	14
Other	1

GERMANY

Berlin	41
Other	20

SWITZERLAND

Geneva	59
Basel	42
Other	2

ITALY

Milan Malpensa	49
Rome Fiumicino	31
Sardinia	17
Venice	16
Naples	15
Sicily	12
Other	22

PORTUGAL

Lisbon	23
Faro	11
Other	10

FRANCE

Paris Charles de Gaulle	39
Lyon	29
Nice	24
Paris Orly	19
Toulouse	18
Bordeaux	12
Corsica	12
Other	2

SPAIN

Balearic Islands	43
Madrid	22
Barcelona	18
Malaga	15
Canary Islands	14
Alicante	13
Other	20

The data listed above reflects the number of routes which touch each location. Airports with less than 10 routes are not shown.

OUR JOURNEY SO FAR

From our modest beginnings we have grown to become Europe's leading airline, operating on over 600 routes across more than 30 countries, with a fleet of over 200 Airbus aircraft. We employ over 8,000 people including 2,000 pilots and 4,500 plus cabin crew. This year we flew over 60 million passengers. Here are some of our highlights over the years.

'95

easyJet launches its inaugural flights from London Luton to Glasgow and Edinburgh with fares starting at £29 one way.

£29
fares starting price one way

'96

easyJet takes delivery of its first wholly owned aircraft and starts international flights with routes from London Luton to Amsterdam, Barcelona and Nice.

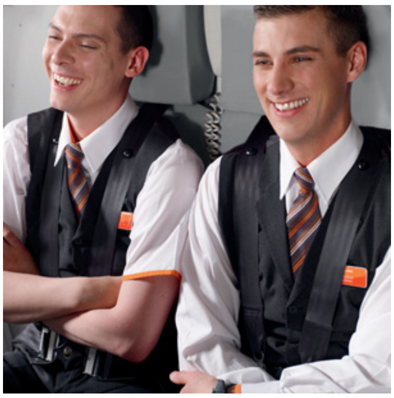
'97

easyJet launches its website with online bookings available a year later. The second base opens in Liverpool with flights to Amsterdam.

'00

easyJet floats on the London Stock Exchange at an offer price of 310p valuing the Company at £777 million.

5
easyJet opens its 5th base



'01

easyJet makes London Gatwick its fifth base and becomes the second largest scheduled airline at the airport.

'08

easyJet opens bases at Paris Charles de Gaulle and Lyon to bring the number of bases to 20.

20
easyJet opens its 20th base

'03

easyJet's shareholders approve the purchase of 120 aircraft from Airbus with the option to purchase an additional 120 aircraft.

>50%
of passengers originate from outside the UK

'11

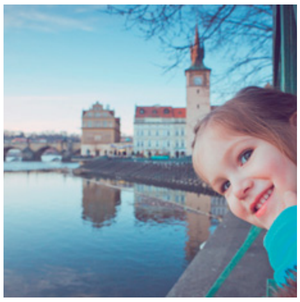
easyJet announces 2 new bases in France at Nice and Toulouse, bringing the number of bases in France to 5. easyJet announces its maiden dividend to shareholders.

'09

easyJet operates over 400 routes with over 175 aircraft in 27 countries. For the first time over 50% of passengers originate from outside the UK.

'12

easyJet introduces allocated seating on all of its flights from November 2012. easyJet also announces that it has reached the landmark of flying more than 100 routes from London Gatwick, its largest base. easyJet is awarded the rights to fly between Moscow and London.



135
new aircraft ordered

'13

easyJet's shareholders approve the purchase of 35 current generation Airbus A320 aircraft and 100 new generation A320neo aircraft for delivery between 2015 and 2022. easyJet announces new bases in Hamburg and Naples and the expansion of its base in Berlin.

CHAIRMAN'S INTRODUCTION

John Barton
Non-Executive Chairman

DEAR SHAREHOLDER

I am pleased to report that your Company continued to deliver an exceptionally strong performance with pre-tax profits growing by 50.9% to £478 million.

Platform for future success

The Company's platform for future success was also secured as our shareholders approved a ten year fleet framework arrangement with Airbus. This deal will enable easyJet to continue to grow profitably and will be a significant platform of our ability to continue to be competitive on cost and therefore fares. As we said in June, when we announced our fleet decision, the deal will be funded without recourse to shareholders.

Returns to shareholders

The Board is proposing an ordinary dividend of 33.5 pence per share, due to the strong performance of the business in the year, and a special dividend of 44.1 pence per share. Thus the Board is proposing to return £308 million to shareholders, an increase of 262% over the dividend paid last year.

Customers

easyJet's customer proposition consists of a network of convenient airports, our friendly service, website and mobile app and industry leading on-time performance, all of which we have continued to deliver in the year to a high standard. We have also improved our proposition by the addition of 25 new routes and the introduction of allocated seating. The rollout of this has been a great success, with good feedback from customers and achieved without compromising on-time performance.

Regulation

The regulatory environment continues to have a significant impact on easyJet and whilst there has been progress in some areas such as airspace costs and increased competition on restricted routes, there continues to be protectionism such as state subsidy of failing carriers. Thus easyJet continues to work constructively with governments and regulators to build a regulatory framework for aviation which rewards efficient behaviour. In particular the European Commission needs to create and enforce a system of legislation that ensures a full and fair competitive environment for airports, airlines and ground handlers. easyJet welcomes the Davies Commission as it is clear that the UK needs a coherent roadmap for aviation capacity, however any future investment needs to be cost effective and not subsidised by passengers.

People

As a frequent traveller on easyJet, I was delighted to be given the opportunity to become the Company's Chairman. The Company's performance over the past few years has been remarkable. For that, we owe much thanks to Mike Rake, my predecessor, but also Carolyn McCall, her management team and the hard work, commitment and loyalty of all the people at easyJet.

Conclusion

easyJet's leading European network and cost advantage combined with a disciplined approach to use of capital means that it is well placed to continue to make travel easy and affordable for customers and generate sustainable returns and growth for shareholders.

John Barton
Non-Executive Chairman

WHAT WE HAVE ACHIEVED

Carolyn McCall OBE
Chief Executive

FINANCIAL PERFORMANCE

easyJet delivered record profit before tax of £478 million up by £161 million from 2012 with a profit before tax margin of 11.2%. Profit before tax per seat rose by £2.22 year on year to £7.03.

Return on capital employed[(1)] grew by 6.1 percentage points to 17.4% and total shareholder return grew by 143.8%. easyJet generated operating cash of £616 million in the year. In light of the continued strong financial performance, cash generation and the robustness of the easyJet balance sheet, the Board has decided, in addition to the regular ordinary dividend of 33.5 pence per share, to recommend a special dividend of 44.1 pence per share, equivalent to £175 million.

The strong performance in the year was driven by:

- a benign capacity environment in many key markets;
- strong revenue performance across the UK, Switzerland, Germany, France, Italy and Portugal;
- the successful introduction of allocated seating across the easyJet network which drove incremental revenue without impacting on-time performance or unit costs;
- returns focused changes to the easyJet network including the reallocation of the eight Madrid based aircraft to bases and routes with the potential to drive higher returns including Edinburgh, Manchester, London Gatwick, Geneva, Lisbon and Lyon;
- routes and bases introduced in previous financial years maturing and driving up overall returns; and
- a focus on maintaining easyJet's cost advantage driven by both the easyJet lean programme and the scale advantages from increasing the proportion of the larger A320 aircraft in the fleet.

£478m
profit before tax
(2012: £317m)

17.4%
ROCE
(2012: 11.3%)

33.5
pence per share
proposed ordinary dividend
(2012: 21.5 pence per share)

44.1
pence per share
proposed special dividend
(2012: nil)

(1) Unless otherwise stated Return on Capital Employed (ROCE) shown is adjusted for leases with leases capitalised at seven times.

MARKET OVERVIEW

Competitive landscape

Around half of capacity in the European short-haul market is flown by the five largest carriers: the three largest legacy airlines Air France-KLM, Lufthansa and IAG; and the two largest low-cost carriers easyJet and Ryanair. In general, most of the profits generated in the European short-haul market come from the low-cost carriers, with the large legacy carriers' profitability being created predominantly through premium long-haul traffic. There are a few regional low-cost carriers, including Norwegian and Wizz Air, with aggressive growth plans, whilst the other, smaller network carriers tend to be loss making, restructuring and seeking external sources of finance (e.g. Alitalia).

In order to stem their short-haul losses, the larger legacy carriers have been seeking to restructure their cost bases to become more competitive. In addition, larger legacy carriers have been seeking to transfer traffic to their lower cost subsidiary airlines. Air France-KLM is transferring regional traffic towards HOP! and Transavia; Lufthansa is using Germanwings and IAG launched Iberia Express and has recently acquired the remaining stake in Vueling. The majority of these initiatives are at the early stages of development with lower levels of customer awareness of the new low-cost brands.

As these transformations progress, there is a trend towards the products converging: easyJet has introduced allocated seating which has broadened its customer appeal, whilst the legacies have started disaggregating charges with bag fees being imposed and new lower fare bands being introduced on a limited range of seats to try and improve their price perception.

There is evidence that the smaller legacy, regional and charter operator models are under significant pressure and this has led to new sources of funding and restructuring. For example, Etihad has continued its investment in Europe by acquiring airberlin's frequent flyer programme and a stake in JAT/Air Serbia and Korean Air has purchased a stake in CSA Czech Airlines. In addition, Flybe has cut costs, restructured and sold its slots at Gatwick to easyJet, Thomas Cook has restructured its airline division, Alitalia is seeking investment and Aegean and Olympic are in the process of merging their businesses. Further consolidation cannot be ruled out.

The smaller, emerging low-cost carriers have placed large fleet orders and have started to expand from their traditional bases; for example Norwegian has started to expand out of Scandinavia and Vueling out of Barcelona. easyJet has a competitive advantage from its network driven by its portfolio of scarce, early slots at congested primary airports, which has taken a number of years to build up and cannot be readily replicated. In addition, easyJet's pan-European brand enables it to fill the aircraft at both origin and destination airports whilst other brands have lower levels of cross-European recognition and advocacy.

easyJet expects that legacy carriers will continue to cut capacity from their unprofitable short-haul operations but that there will be increased competition from the new low-cost carriers looking to expand. Whilst the benign capacity environment is unlikely to continue in the short-term, there will continue to be retrenchment by less efficient airlines and therefore opportunities for easyJet to continue to take profitable share in its core markets.

Regulatory environment

The regulatory environment continues to have a significant impact on easyJet, with progress made in certain areas, but with continued unsustainable and uneconomic increases in prices by some monopoly infrastructure providers.

easyJet has worked with national and European regulatory authorities to increase competition and to provide easy and affordable travel for passengers on restricted routes. During the year easyJet acquired the right to fly between Moscow and London, won the right to fly between Rome and Tel Aviv as part of the Italian – Israeli bilateral agreement and easyJet also acquired slots at Milan Linate airport to fly to Rome after winning approval from the Italian regulator.

There has been progress towards more efficient airspace costs, with the EU's independent advisors recommending cost targets for Europe's airspace providers that will lead to reduction in airspace charges. The final targets will not be set for another 12 months, and easyJet will continue to place pressure on both the European Commission and key Member States to ensure that airspace becomes more cost efficient.

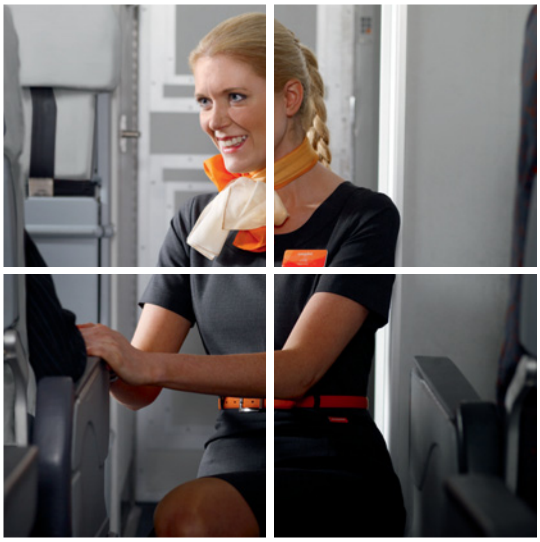
easyJet remains concerned with the continual increase in taxes on aviation across Europe, which is undermining European growth and ultimately jobs. easyJet has undertaken work to demonstrate to governments that these taxes are not in their interest or those of consumers or people working within the sector. easyJet is disappointed that the scope of aviation's role in the European Union's Environmental Trading Scheme (EU ETS) has been reduced, and will continue to push for a scheme that incorporates as much of aviation's emissions as possible.

The reform of the European regulations that govern passenger rights, EU 261, is continuing, with a new set of rules expected next year. 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. easyJet continues to work with regulators and governments to show where increases are unjustified, and while this work has led to airports having to reduce their demands we have seen unreasonable increases in Spain. easyJet will continue to focus on 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 flies to airports people want to fly to; its principal competitors at these primary airports are the legacy carriers and charter airlines. easyJet has a significant cost advantage relative to these airlines allowing it to offer customers more affordable fares. This cost advantage is driven through a combination of factors including aircraft configuration with easyJet carrying a higher number of seats per aircraft; easyJet's higher load factors and higher aircraft utilisation driven by its point-to-point model; its younger fleet and advantaged fleet deal reducing ownership and maintenance costs and easyJet's leaner overhead costs.

easyJet is confident that its strategy of building on its competitive advantages of a strong network and market positions, efficient low-cost model, pan-European brand and strong balance sheet will position it to deliver sustainable returns and growth for shareholders.

In order to deliver on its strategy, easyJet has four key objectives:

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

For shareholders, this will deliver: sustainable and flexible growth; industry leading returns and tangible and regular cash returns via ordinary dividends paid out at a third of post-tax profit; and, in addition, a policy of distributing excess cash to shareholders.

easyJet undertook a highly competitive, rigorous and thorough process to secure the necessary fleet arrangements to deliver this sustainable and flexible growth. In July 2013, following an 18 month process, easyJet's shareholders approved new fleet arrangements with Airbus which provide the platform to deliver this growth until 2022. easyJet secured the delivery of 35 current generation A320 aircraft and 100 new generation A320neo aircraft between 2015 and 2022 with purchase rights over a further 100 A320neo family aircraft. Of the 135 aircraft to be delivered, 85 aircraft will be for the planned replacement of the existing fleet as it ages. easyJet negotiated a significant amount of flexibility in the fleet order to provide protection in the event of negative changes in the external environment with the ability to reduce the fleet size to 171 by 2022 compared to the current fleet size of 217. There is also flexibility to increase the fleet size to 298 by 2022. Importantly, the new fleet arrangements are expected to be funded through a combination of easyJet's internal resources, cashflow, sale and leaseback transactions and debt and easyJet expects the ability to deliver cash returns to shareholders to be enhanced.

Build strong number 1 and 2 network positions

easyJet has developed the leading pan-European network by building up a valuable portfolio of slots, held at slot constrained, primary airports over several years. easyJet connects more of the top European city-to-city market pairs than any other airline and its network is a clear competitive advantage. easyJet has number 1 or 2 market positions at slot constrained airports including London Gatwick, Geneva, Paris Orly and Milan Malpensa.

easyJet regularly reviews its route portfolio and re-orientates its network to optimise returns. Significant changes to the network this year include the closure of the Madrid base.

easyJet has a market share of around 8%[2] in the total intra-European market and around 31% share in easyJet's key markets.[2] An overview of the developments in each of easyJet's key markets is shown below.

Country review

UK

easyJet is the largest short-haul carrier in the UK with a market share of around 20%.[2] easyJet saw growth at Gatwick, Manchester and Edinburgh.

In March, easyJet introduced flights to Moscow from Gatwick, having won the right to fly from London as part of a bilateral agreement with Russia. easyJet has also launched flights from Manchester to Moscow. Other significant new routes from the UK include Luxembourg from Gatwick and Tel Aviv from Manchester. In addition during the year capacity was increased on business routes such as Copenhagen from Gatwick.

In May, easyJet announced the purchase of 25 slot pairs at Gatwick from Flybe for a total consideration of £20 million. These slots will transfer at the start of the summer 2014 season and be used to further build the route portfolio at Gatwick and depth on

(2) Source: Market share figures from OAG. Size of European market based on internal easyJet definition. Historical data based on 12 month period from October 2012 to September 2013.

existing routes such as Inverness and Amsterdam.

easyJet holds leading positions in nine out of eleven UK easyJet bases with the total number of UK based aircraft at 126.

Switzerland

Switzerland continues to be a focus market for easyJet, with the number of aircraft at its Swiss bases in Geneva and Basel increasing to 21. With 13% capacity growth, easyJet has consolidated its leadership position in both Geneva with around 40% market share and Basel with 50% market share[2].

easyJet benefited from a strong ski season with favourable snow conditions and an early Easter which drove a strong winter performance in Geneva. In addition, easyJet successfully led opposition to French plans to increase civil aviation taxes at Basel airport which were eventually abandoned.

France

easyJet is the largest low-cost airline in France with over 13% market share,[2] having grown capacity in France by 5% in the year and now has 25 aircraft based there. Capacity growth was focused on the French regions driven from the easyJet bases in Lyon, Nice and Toulouse. easyJet is now the largest short-haul carrier in Nice.

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. easyJet will continue to look for opportunities as Air France restructures, retrenches and transfers capacity to HOP! and Transavia.

Italy

easyJet grew by 6% in Italy over the last 12 months and is the third largest carrier in Italy, with a market share of 12%[2]. easyJet has 25 aircraft based in Italy with a number one share[2] in its Milan Malpensa base and a strong number two presence in Rome Fiumicino. In addition, easyJet established a number one share in Venice and Naples this year.

In March, easyJet started flying the Milan Linate to Rome Fiumicino route having won approval from the Italian regulator and thereby breaking the Alitalia monopoly. easyJet has recently launched flights to Tel Aviv from Rome and to Sharm el-Sheik from Milan as part of Italian bilateral agreements.

easyJet is continuing to grow profitable share in Italy as Alitalia looks to retrench to stem its losses. easyJet's third base in Italy will open in Naples in spring 2014. Brand consideration and preference scores have significantly improved in the year creating the platform for easyJet to become the preferred short-haul airline in Italy.

Germany

easyJet's focus has been on Berlin with eight aircraft and a 50% market share in Berlin Schönefeld[2]. easyJet has performed well in Berlin taking share from Lufthansa as it retrenches and transfers traffic to Germanwings. easyJet is in a strong position to drive returns when the new Berlin airport eventually opens.

From March 2014, easyJet will open its 23rd base in Hamburg and by basing aircraft in the two largest German cities will further grow and secure its position in the country.

Portugal/Spain

easyJet is the third largest carrier in Portugal carrying approximately 4 million passengers with a market share of around 13% and is the second largest carrier in Lisbon Portela with 4 aircraft based at the airport and a 13% market share[2].

Despite closing its Madrid base in December 2012, Spain is an important inbound destination for easyJet with 13% of its flights touching Spain and having an 8%[2] share of the Spanish short-haul market.

£143m
sustainable savings delivered by easyJet lean

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 the primary airports it operates from 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. easyJet's lower cost base enables it to offer the affordable fares its customers value.

easyJet's asset utilisation of 11 block hours per day for operated aircraft is amongst the highest in the industry and has remained constant year-on-year as easyJet successfully introduced allocated seating across its network.

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 purchases, which in turn increases revenue.

The first half of the financial year saw a return to more typical winter weather with increased incidents of frost and snowfalls compared to the prior year. The long cold spell meant easyJet was still de-icing at some airports into May and June 2013. The snow and ice impacted all airlines and explains the year-on-year decline in on-time performance in the first half of the financial year[3].

To maintain asset utilisation and punctuality during the roll-out of allocated seating, the 'easyJet turn' programme was introduced. This involved working with pilots, cabin crew and ground handling partners to review all policies and procedures associated with turning round an aircraft and unnecessary processes were removed and operations streamlined.

As a consequence, easyJet maintained its industry leading levels of on-time performance[4].

OTP % arrivals within 15 minutes[3]	Q1	Q2	Q3	Q4	Full year
2012	88%	90%	87%	88%	88%
2013	**86%**	**86%**	**89%**	**88%**	**87%**

easyJet lean

easyJet is committed to maintaining its structural cost advantage against the legacy and charter operators who are its major competitors in the airports it operates from. Under the sponsorship of the Chief Financial Officer, easyJet lean is a programme designed to ensure unit cost growth excluding fuel is kept below the prevailing market inflation. The focus is on both reducing existing costs and initiatives designed to keep cost out, with targets set through to 2015 and beyond.

easyJet lean delivered a cumulative £143 million of sustainable savings by the end of September 2013, with £43 million delivered in the financial year. Incremental savings delivered in financial year 2013 focused on ground handling contracts and agreements with non-regulated airports. Further significant savings were extracted from engineering initiatives and fuel burn projects including the introduction of lightweight trolleys across the fleet and one engine taxiing.

easyJet will be looking to progress initiatives designed to deliver savings in the longer term. Areas of focus include engineering and maintenance with 95% of annual contracts up for re-tender by 2015 and navigation where easyJet is lobbying and working with relevant authorities to optimise European airspace charges.

New fleet arrangements

In July 2013 easyJet's shareholders approved new framework arrangements with Airbus, under which Airbus will supply 35 current generation A320 aircraft for delivery between 2015 and 2017 and 100 new generation A320neo aircraft which are planned for delivery from 2017 to 2022. Airbus also granted easyJet additional purchase rights to acquire up to 100 further new generation A320neo family aircraft. The 180 seat new generation A320neo aircraft is expected to deliver a cost per seat saving of around 11% to 12% compared to the 156 seat current generation A319 aircraft, comprising the 7% to 8% saving from up-gauging from the A319 aircraft to the A320 aircraft and a further 4% to 5% from moving from a current generation A320 aircraft to a new generation A320neo aircraft.

easyJet targets an owned: leased split of aircraft of 70:30 but expects the mix to fluctuate as it takes delivery of aircraft under the new framework arrangements.

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

easyJet's total fleet as at 30 September 2013 comprised 217 aircraft, split between 156 seat Airbus A319s and 180 seat A320s. During the year, easyJet took delivery of ten A320 aircraft under the terms of the current generation Airbus agreement and seven A319 aircraft exited the fleet.

The larger A320 aircraft have been introduced over the last few years with minimal reduction in yields, and they deliver a per seat cost saving of approximately 7% to 8% 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 31 pence per seat cost saving in 2013.

Fleet as at 30 September 2013:

	Owned	Operating leases	Finance leases	**Total**	% of fleet	Changes in year	Future committed deliveries[5]	Unexercised purchase rights and options[6]
easyJet A319	93	54	6	**153**	71%	-7	–	–
easyJet A320	41	18	5	**64**	29%	10	144	135
	134	72	11	**217**		3	144	135

Following on from the acquisition of Flybe's slots at Gatwick airport easyJet exercised the six remaining aircraft options under the current generation Airbus agreement on 31 October 2013. These aircraft will be delivered in spring 2015.

easyJet's latest fleet plan:

	2014 Financial Year	2015 Financial Year	2016 Financial Year	2017 Financial Year	2018 Financial Year	2019 Financial Year
Maximum fleet[7]	226	237	247	262	279	300
Minimum fleet[7]	226	220	220	229	187	173
Fleet plan — base case[7]	226	237	247	262	267	270

(3) Source: on-time performance as measured by internal easyJet system.

(4) Source: on-time performance as measured by flightstats.com (external definition).

(5) Future committed deliveries through to 2022 including 9 aircraft ordered before July 2013.

(6) Purchase rights and options may be taken on any A320 family aircraft and are valid until 2022. 35 of these relate to prior years. 6 options were exercised on 31 October 2013.

(7) Maximum, minimum and base fleet show the fleet position at the end of the relevant financial year. Base case reflects exercise of 6 options.

Drive demand, conversion and yields across Europe

Over the course of the year, easyJet has progressed a number of initiatives to drive demand and improve unit revenue. Average revenue per seat was £62.58, increasing by 7.1% year-on-year on a constant currency basis.

Core to the improvement in unit revenues is a strong understanding of easyJet's customers and their needs and preferences. easyJet balances a low cost base with strong customer experience to optimise customer satisfaction and loyalty. Low fares remain the primary focus for passengers, but the ability to fly to primary airports in a family environment is increasingly important. easyJet is a pan-European airline with 56% of easyJet's passengers originating from outside of the UK. easyJet is attracting more affluent older passengers, with the average age of customers on the easyJet database increasing by 1.2 years since 2009 to 41.5. easyJet has also adapted its network, schedules and offer, including allocated seating to become increasingly relevant to business travellers.

The '**europe by easyJet**' campaign has established a resonant brand positioning that is effective across all key markets and has continued to drive visits to easyJet.com. During the year, easyJet targeted consumers through a range of channels and successfully used television advertising whilst reducing marketing cost per seat.

The '**generation easyJet**' campaign was launched in September and was well received in all markets. These actions have driven universally strong brand awareness scores in all of the core markets and easyJet is the preferred airline for more than 20% of consumers in the UK, France, Italy, Switzerland, Portugal and Spain[8].

easyJet is the third most searched for airline globally[9] generating over 370 million annual visits to easyJet.com, which accounts for 85% of sales. The site has a high proportion of personalised content based on browsing history and a rigorous multi-variant testing programme ensures new features are trialled with up to 20% of the customer base before going live.

The easyJet mobile app was launched in December 2011, has been downloaded by over six million people and now accounts for 5% of overall sales. Mobile boarding cards are now available via the app and makes travel easier for customers. Similarly, we have automated our disrupted flight handling as a way of improving the passenger experience and reducing contact centre costs.

easyJet has a bespoke revenue management system which has been developed over a number of years to optimise revenue per aircraft. Each flight has its own specific selling profile and individual fare bands based on multiple variables and pricing is altered according to demand, with pricing increasing closer to departure as load factors increase with the aim of selling the last seat the day before departure.

Allocated seating was rolled out across the easyJet network in November 2012 and has been a strong success. Research conducted by easyJet suggested that certain customer groups including business travellers and affluent retired people were put off flying with easyJet due to the boarding experience[9] associated with free seating. Allocated seating drove a 5 percentage point improvement in customer satisfaction with the boarding experience[9] and has contributed 0.9 percentage points of the 7.1% constant currency increase in revenue per seat without adversely impacting turn times. From November 2013 easyJet will be yield managing allocated seating, altering prices on certain routes depending on levels of demand.

Another important revenue driver has been the business traveller initiative. There has been good progress enhancing the products available including offering fast track security for flexi-fare customers at 26 airports and a new inclusive fare, which is available only through indirect channels. easyJet has in excess of ten million business passengers[10] travelling on a rolling 12 month basis and has increased its share of the business travel market by 4%[11].

£308m
proposed dividends
(2012: £85m)

Disciplined use of capital

easyJet allocates its aircraft and capacity to optimise the returns across its network. easyJet discontinued 41 routes during the financial year including Liverpool to Brussels, Amsterdam to Barcelona and Brest to Paris Charles de Gaulle. The Madrid base closure was implemented efficiently and the withdrawn capacity was allocated to routes which have the potential to drive higher returns.

easyJet maintains a strong balance sheet and low gearing and derives a competitive advantage through access to funding at a lower cost. Over the cycle, easyJet is committed to earning returns in excess of its cost of capital, and intends to fund both aircraft purchases and dividends from the cash generated from the business.

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 of £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.

As at 30 September 2013, easyJet had cash and money market deposits of £1,237 million, an increase of £354 million on 30 September 2012 and net cash of £558 million against net debt of £74 million at the same period last year. Adjusted net debt, including leases at seven times at 30 September 2013 was £156 million against £739 million at 30 September 2012.

easyJet is focused on driving returns for shareholders and, consistent with this focus, the Board considers returns in addition to its ordinary dividend based on three times cover to reduce excess capital.

easyJet finished the year with a strong balance sheet and a low level of gearing and therefore the Board is recommending a return to shareholders of £308 million or 77.6 pence per share which will be in the form of a special dividend of £175 million or 44.1 pence per share and the regular ordinary dividend paid at three times cover of £133 million or 33.5 pence per share. The ordinary and special dividend are subject to shareholder approval at the Company's AGM on 13 February 2014. The ordinary and special dividends will be paid on 21 March 2014 to shareholders on the register at close of business on 28 February 2014.

(8) Source: customer satisfaction from Millward Brown and GfK.
(9) Source: google analytics.
(10) Source: internal easyJet definition based on booking algorithm.
(11) Source: Business travel market share from PhoCusWright report.

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 to 31 March 2014	76%	82%	76%
Average rate	$991 m/t	$1.57	€1.19
Full year ending 30 September 2014	72%	79%	73%
Average rate	$982 m/t	$1.57	€1.20
Full year ending 30 September 2015	56%	58%	54%
Average rate	$950 m/t	$1.56	€1.17

Sensitivities

- A $10 movement per metric tonne impacts the FY'14 fuel bill by $4.8 million.
- A one cent movement in £/$ impacts the FY'14 profit before tax by £1.2 million.
- A one cent movement in £/€ impacts the FY'14 profit before tax by £1.4 million.

Outlook

easyJet expects to grow capacity, measured in seats flown, by around 3.5% in the first half of the year and by 5% for the full year. Forward bookings for the first half of the 2014 financial year are in line with the prior year. The first quarter will be impacted by the tough comparison with the prior year due to strong post-Olympics demand in the UK in October 2012 and by a number of European governments imposing travel restrictions to Egypt. The situation in Egypt will reduce first half revenue per seat growth at constant currency by 0.7 percentage points, and the movement of Easter into the second half of the year will reduce first half revenue per seat growth at constant currency by a further 1.5 percentage points. easyJet therefore expects revenue per seat at constant currency for the first half of the financial year to be very slightly up on the prior year.

easyJet expects cost per seat (excluding fuel and currency) to increase by around 2% for the first half of the year and by 2% for the full year. The cost per seat increase will principally be driven by charges at regulated airports and the increased maintenance costs associated with the fleet ageing in the transition to the new generation of Airbus aircraft arriving in the fleet.

The levels of disruption are expected to be higher than the same period last year as the impact of ATC strikes and issues such as the power outage at Gatwick have already led to a year-on-year increase of 152 cancelled flights in the month of October.

It is estimated that at current exchange rates and with fuel remaining within its $950 m/t to $1,050 m/t trading range, easyJet's unit fuel bill for the 2014 financial year will be up to £20 million adverse in the 6 months to 31 March 2014 and up to £50 million adverse in the 12 months to 30 September 2014. Using current rates and hedging positions, it is estimated that year-on-year exchange rate movements (including those related to fuel) will have an adverse impact of up to £10 million in the 6 months to 31 March 2014 and be broadly neutral over the 12 months to 30 September 2014.

easyJet will continue to deliver its strategy of offering its customers low fares to great destinations with friendly service so that it can continue to win in a more competitive market. This means easyJet is well placed to continue to deliver sustainable returns and growth for shareholders.

Carolyn McCall.

Carolyn McCall OBE
Chief Executive

ACHIEVING OUR GOAL

A clear strategy which makes travel easy and affordable and drives growth and returns for shareholders.

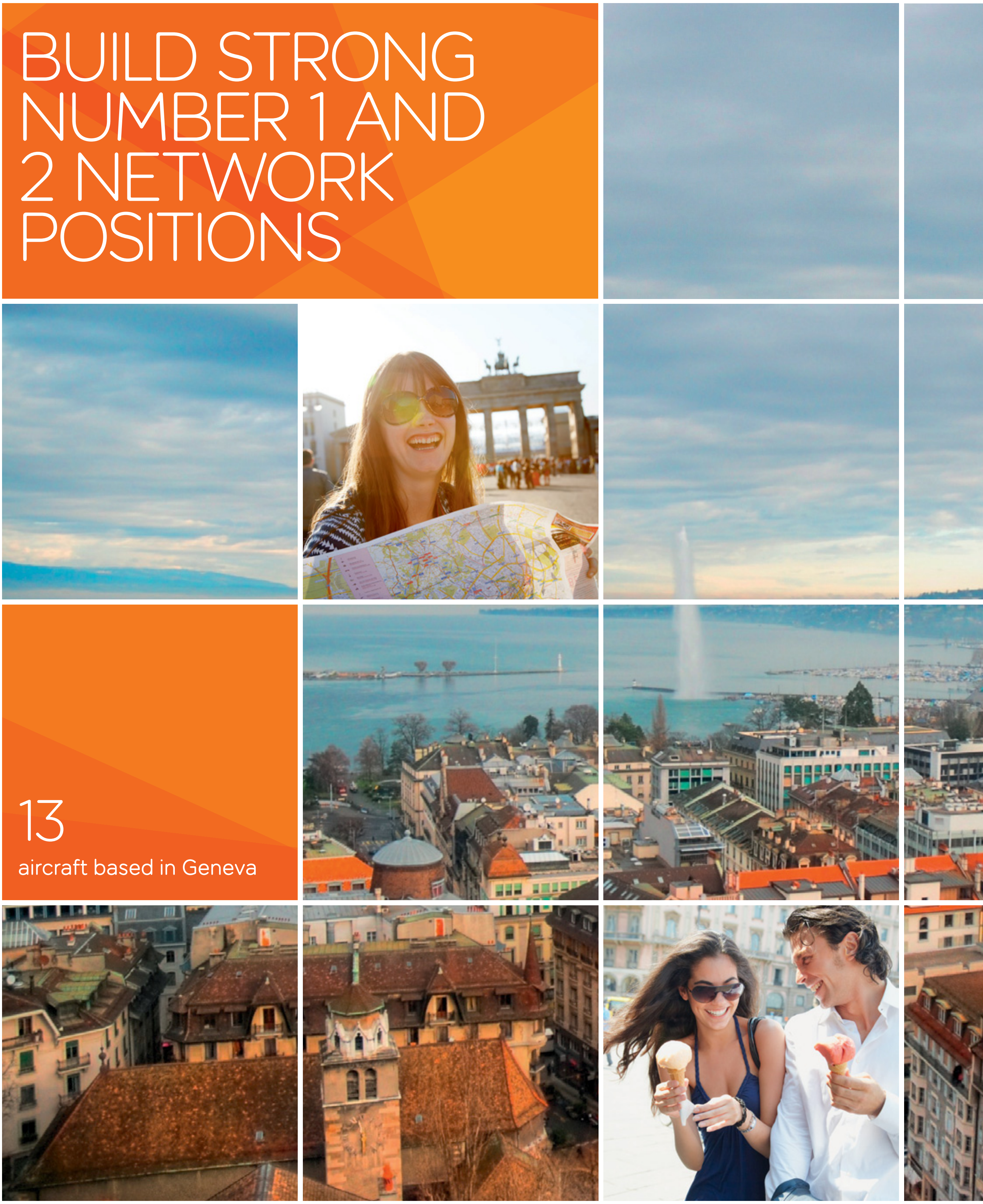
BUILD STRONG NUMBER 1 AND 2 NETWORK POSITIONS

MAINTAIN COST ADVANTAGE

DRIVE DEMAND, CONVERSION AND YIELDS ACROSS EUROPE

DISCIPLINED USE OF CAPITAL

BUILD STRONG NUMBER 1 AND 2 NETWORK POSITIONS



13
aircraft based in Geneva

GENEVA

easyJet flies to airports people want to fly to and has developed Europe's leading pan-European network by building up, over several years, a valuable portfolio of slots at constrained, primary airports. easyJet has number 1 or number 2 positions in 21 of the top 100 airports across Europe including London Gatwick, Geneva, Milan Malpensa, Paris Charles de Gaulle, Paris Orly and Berlin Schönefeld.

One example of how easyJet has built a strong network position in an attractive market is Geneva where the base was opened in 1999. easyJet's capacity at Geneva has increased from 4 million seats in 2006 to around 7 million in 2013 and it is the number 1 airline at the airport with around a 40% market share. easyJet now has 13 aircraft based in Geneva and operates 59 routes from the airport.

Geneva is a particularly attractive market for easyJet as it is an important centre for business with many leading multinational companies and organisations in the area. Geneva is also an important leisure destination as it is a key gateway to the Alpine ski slopes. easyJet's brand awareness in Geneva is high and customer satisfaction is amongst the highest in the network. It is an affluent catchment area with 1.6 million people living within a one hour drive of the airport. easyJet has been able to develop the potential of the bi-national catchment area, and has built a strong portfolio of nine domestic French routes, in line with its French regional strategy.

MAINTAIN COST ADVANTAGE

7%-8%

cost per seat savings between a current generation A319 and a current generation A320 aircraft

4%-5%

further cost per seat savings between a current generation A320 and a new generation A320neo aircraft

FLEET ORDER

Maintaining the cost advantage is another key pillar of easyJet's strategy. Since 2003 easyJet has benefitted from a framework agreement with Airbus which has enabled the Company to take delivery of aircraft at very significant discounts to the list price.

New technology has become available in the short-haul market, primarily in the form of new engines, so easyJet undertook a highly competitive, rigorous and thorough fleet selection process to secure its fleet arrangements to 2022. The process included a detailed evaluation of the technical and financial benefits of placing an aircraft order which were subject to the highest standards of governance, control and ethical behaviour.

In July 2013, easyJet's shareholders approved a new framework agreement with Airbus which secures the delivery of aircraft until 2022 and will help easyJet maintain its cost advantage through use of a more fuel efficient fleet of aircraft.

The new framework arrangements with Airbus are for 35 current generation A320 aircraft for delivery between 2015 and 2017 under its existing agreement with Airbus and 100 new generation A320neo aircraft for delivery from 2017 until 2022, under a new agreement. Under this new agreement, Airbus also granted easyJet the right to acquire up to 100 further new generation A320neo family aircraft. The new fleet arrangements contain a significant amount of flexibility giving easyJet the ability to reduce the fleet size to 171 by 2022 or increase it to 298 depending on the external environment.

The new generation aircraft were sourced at highly attractive prices and at a greater percentage discount to list price than easyJet's previous contract with Airbus. The new framework arrangements continue the current policy of operating a common fleet type and secure easyJet's supply of aircraft. Importantly, although this transaction represents a substantial financial commitment, it is expected to be financed through a combination of easyJet's internal resources, cashflow, sale and leaseback transaction and debt.

In recent years easyJet has been improving its cost per seat advantage by increasing the number of 180 seat A320 aircraft in the fleet and reducing the number of 156 seat A319 aircraft. This improves its cost per seat advantage through economies of scale, efficiencies in crew, ownership, fuel and maintenance.

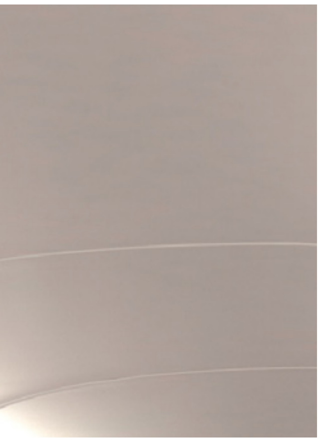
Up-gauging from a current generation 156 seat A319 aircraft to a current generation A320 aircraft gives a cost per seat saving of 7% to 8%. By moving from a current generation 180 seat A320 aircraft to a 180 seat new generation A320neo aircraft, easyJet is able to secure a further 4% to 5% cost per seat saving.

The new fleet arrangements will help easyJet maintain its cost advantage, which is one of the critical factors in its future success and will enable easyJet to continue its successful strategy of offering customers low fares to convenient airports and efficient and friendly service.

DRIVE DEMAND, CONVERSION AND YIELDS ACROSS EUROPE

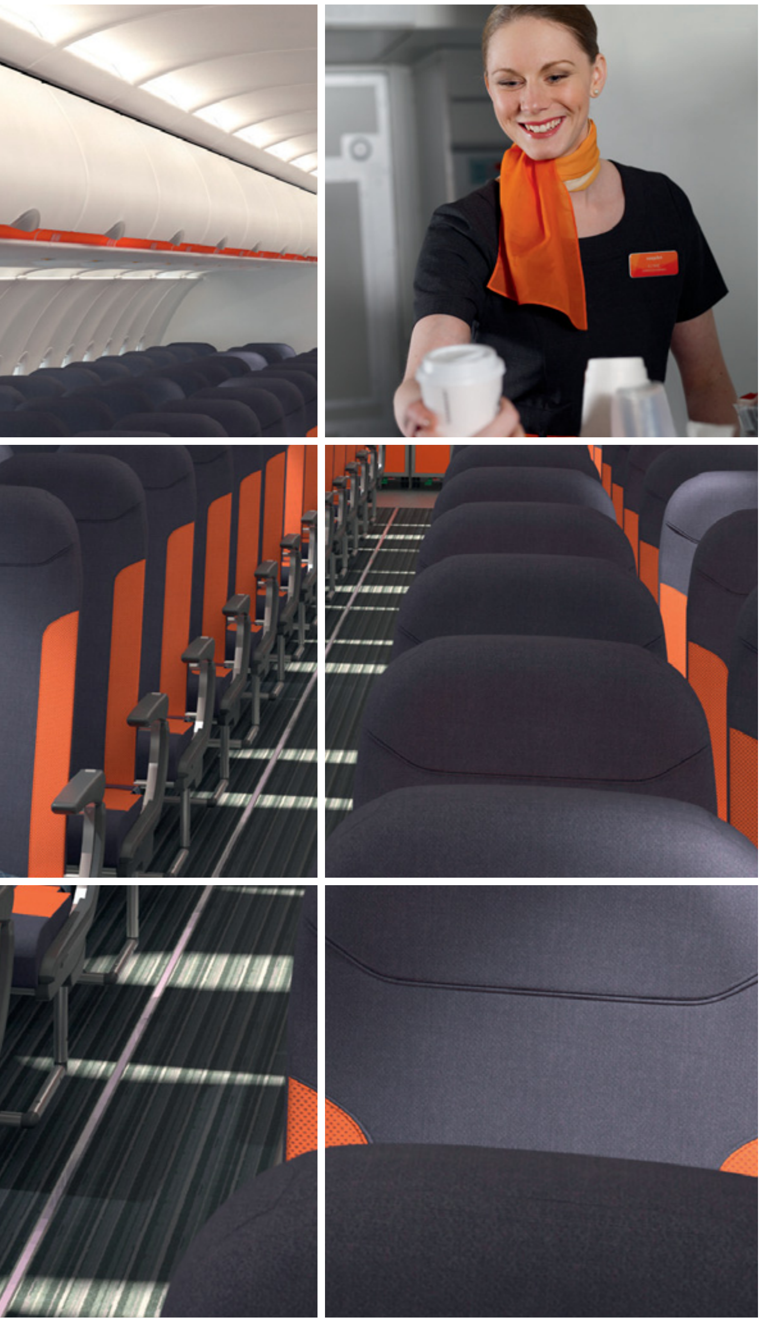
5%

improvement in passengers' boarding experience



November 2012

allocated seating rolled out across the entire network



ALLOCATED SEATING

Passenger research revealed that easyJet's previous boarding process could be a source of stress for some customers and in some cases a barrier to them flying with the airline. In response, easyJet decided to test allocated seating and a trial was undertaken across 5% of the network between April 2012 and September 2012 with nearly 2 million passengers flying on 12,500 flights. The key tests of the trial were to improve passenger satisfaction without impacting easyJet's ability to deliver industry leading punctuality – and both aims were achieved on the trial flights. As a result of the trial, easyJet took the decision to introduce allocated seating across the entire network and this was fully operational by the end of November 2012. Since its introduction, allocated seating has driven a 5% improvement in passengers' boarding experience, made easyJet appeal to more passengers, such as business passengers and retirees and has increased revenue for the airline.

Now that allocated seating has been rolled out across the whole network, all passengers are allocated a seat on easyJet's flights and have the choice of selecting their seat for a fee when they book flights or adding them later to guarantee where they sit. There are currently three bands of pricing, dependent on the seat selected. Anyone who chooses not to select their seat is automatically given a seat number when they check in online.

This is an example of easyJet trying to do all it can to make travel easy and affordable for its passengers. Customers asked easyJet to trial allocated seating and feedback from passengers has been extremely positive. As importantly, easyJet has shown that it can do so while delivering strong on-time performance – the most important driver of passenger satisfaction.

In the 2013 financial year, allocated seating contributed to 0.9 percentage points of 7.1% constant currency increase in revenue per seat. In addition, easyJet now appeals to a broader range of passengers, such as retirees and business passengers, who value the certainty of an allocated seat.

DISCIPLINED USE OF CAPITAL

33.5 pence per share

proposed ordinary dividend

(2012: 21.5 pence per share)

44.1 pence per share

proposed special dividend
(2012: nil)

SHAREHOLDER RETURNS

The aviation market is a highly capital intensive industry and it is important for airlines to give careful consideration to their financing and balance sheet positions to balance risk, growth, access to funding and shareholder returns. A strong balance sheet allows 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.

easyJet has a policy of returning excess capital to shareholders and it first announced a dividend policy in November 2010. The policy was to pay out 20% of profit after tax to shareholders and in respect of the 2011 financial year, this resulted in a payment to shareholders of £46 million (10.5 pence per share). As a result of the strong performance of the business throughout the 2011 financial year, easyJet also paid a special dividend to shareholders of £150 million (34.9 pence per share).

In November 2012, easyJet increased the payout ratio in respect of the ordinary dividend from one fifth to one third of profit after tax which resulted in an ordinary dividend of £85 million (21.5 pence per share) paid to shareholders.

Following another year of strong financial performance in the 2013 financial year easyJet has proposed an ordinary dividend of £133 million (33.5 pence per share) and a special dividend of £175 million (44.1 pence per share). This is a result of the strong balance sheet position, the low level of gearing and the highest profit after tax in the Company's history.

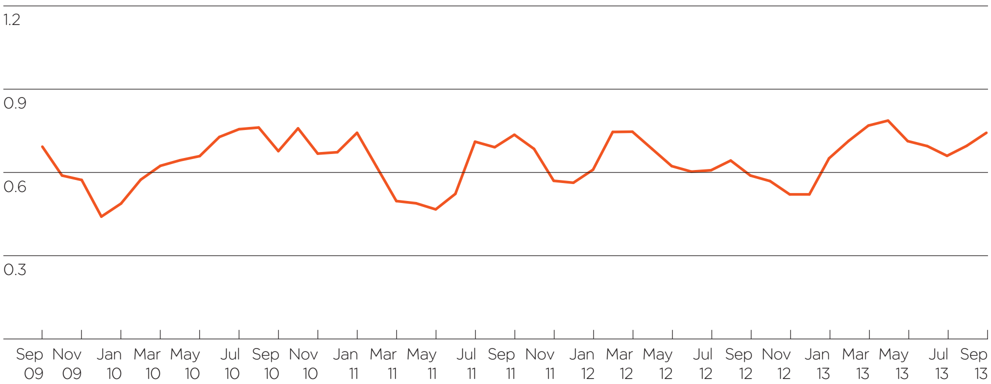
Following the payment of these dividends, easyJet will have returned £589 million to shareholders since its maiden dividend in 2011.

Strategic report
Key performance indicators

SAFETY FIRST

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

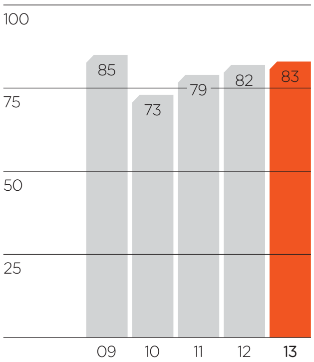
Composite risk value (CRV) index



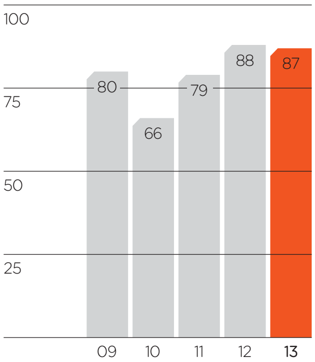
FOCUS ON OUR CUSTOMERS

We are committed to making travel easy and affordable and providing friendly service to our customers.

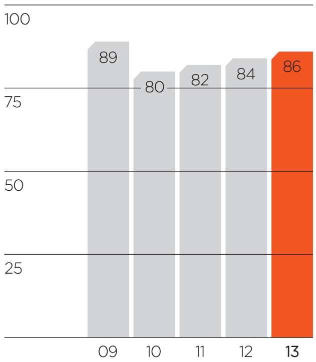
Overall satisfaction on this occasion
%



On-time performance
%



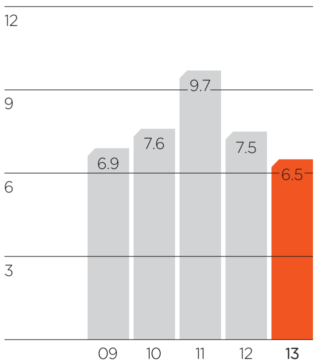
Likely to recommend
%



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.

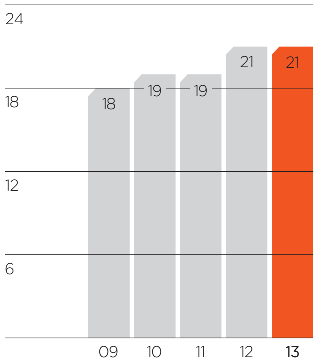
Staff turnover
%



FOCUS ON OUR NETWORK DEVELOPMENT

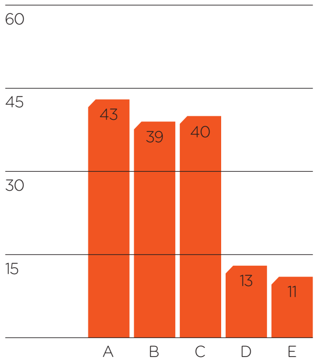
We are focused on improving our routes, slots and bases to build on our leading presence across Europe.

Top 100 airports where we are No.1 or No.2 airline



Market share of airports

%



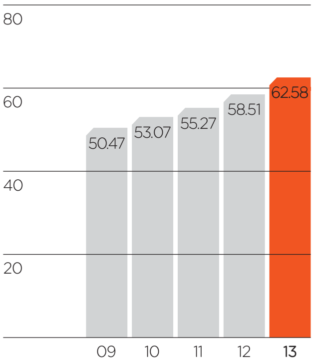
A London Gatwick
B Geneva
C Milan Malpensa
D Lisbon
E Paris CDG

FINANCIALLY STRONG

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

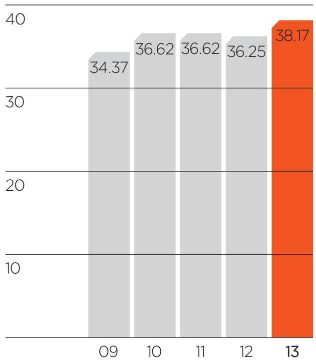
Revenue per seat

£ +7.0%



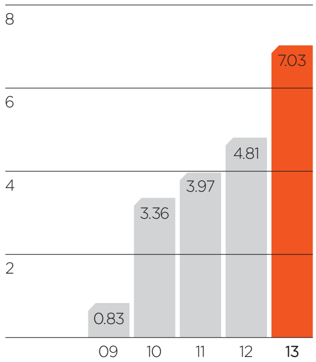
Cost per seat excluding fuel

£ +5.3%



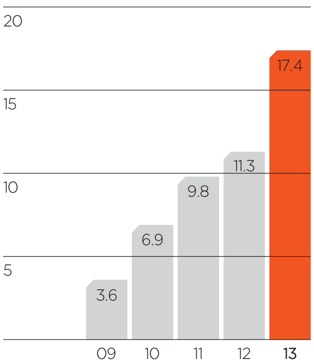
Profit before tax/ per seat

£ +46.0%



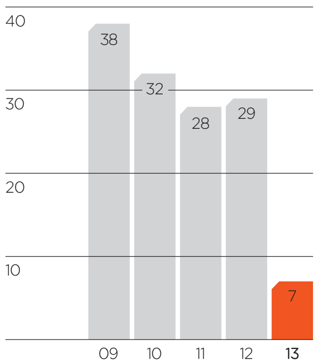
ROCE

% +6.1ppt



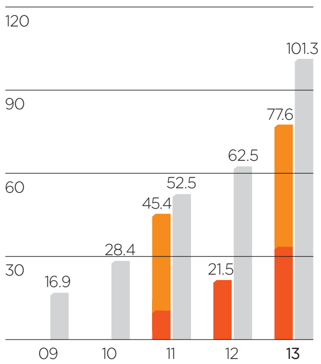
Gearing

% -22ppt



Dividends and basic earnings per share

pence



Basic earnings per share
Ordinary dividend per share
Special dividend per share

OUR FINANCIAL RESULTS

Chris Kennedy
Chief Financial Officer

KEY PERFORMANCE INDICATORS

easyJet grew revenue by 10.5% from £3,854 million to £4,258 million. Whilst the economic environment remained tough, the combination of a benign competitor capacity environment and easyJet's efficient management of its network in targeting markets with the highest returns has driven improved yields and load factor. Capacity increased by 3.3% as easyJet flew over 60 million passengers for the first time this year.

easyJet's profit before tax grew by 50.9% to £478 million, resulting in profit before tax per seat of £7.03 (2012: £4.81). Profit after tax was £398 million, an increase of 56.1% from £255 million last year.

Financial performance per seat

	2013			2012		
	£ million	**£ per seat**	**Pence per ASK**	£ million	£ per seat	Pence per ASK
Total revenue	**4,258**	**62.58**	**5.74**	3,854	58.51	5.34
Costs excluding fuel	**(2,598)**	**(38.17)**	**(3.51)**	(2,388)	(36.25)	(3.31)
Fuel	**(1,182)**	**(17.38)**	**(1.59)**	(1,149)	(17.45)	(1.59)
Profit before tax	**478**	**7.03**	**0.64**	317	4.81	0.44
Tax charge	**(80)**	**(1.18)**	**(0.10)**	(62)	(0.94)	(0.09)
Profit after tax	**398**	**5.85**	**0.54**	255	3.87	0.35

Total revenue per seat grew by 7.0% to £62.58 and by 7.1% at constant currency. As competitors have reduced their capacity on easyJet routes, easyJet has increased capacity by 3.3%. The Company's strategy of targeting capacity with the highest returns generated strong yields in the year. Further improvements in yields were driven by the maturity of routes introduced in prior years, and revenue initiatives, including the introduction of allocated seating.

Excluding fuel, cost per seat grew by 5.3% to £38.17, and by 3.9% at constant currency; of this increase, 2.6% was due to increases in charges at regulated airports. A further 0.4% of the increase was due to the increased need for de-icing following one of the longest periods of adverse weather experienced across the network in the last few years. The increased proportion of A320 aircraft in the fleet delivered a cost per seat reduction of 0.9%.

Fuel costs decreased slightly on a per seat basis, due to the increased proportion of A320 aircraft and a slightly shorter average sector length. Our effective fuel price of $980 per tonne was in line with last year.

Profit before tax increased by £161 million (£2.22 per seat) to £478 million (£7.03 per seat).

Tax charge for the year was £80 million. The significant majority of profits are subject to UK corporation tax at 23.5%; the remainder being subject to Swiss corporate tax at 24.1%. The lower effective tax rate of 17% is a consequence of legislation being enacted in the year reducing the UK corporation tax rate to 20% from 1 April 2015, which resulted in a reduction of the deferred tax element of the tax liability.

Earnings per share and dividends per share

	2013 pence per share	2012 pence per share	Change
Basic earnings per share	**101.3**	62.5	62.1%
Proposed ordinary dividend	**33.5**	21.5	55.8%
Proposed special dividend	**44.1**	–	–

Basic earnings per share increased by 62.1% to 101.3 pence driven by the 56.1% increase in profit after tax from £255 million to £398 million, and a 3.7% reduction in the weighted average number of ordinary shares.

The ordinary dividend grew by 55.8% to 33.5 pence per share. After taking into consideration the level of liquidity in the business at the end of the financial year, the Board is additionally proposing to pay a special dividend of £175 million (44.1 pence per share). The ordinary and special dividends are subject to shareholder approval at the Company's Annual General Meeting on 13 February 2014.

Return on capital employed and capital structure

	2013	2012	Change
ROCE	**17.4%**	11.3%	6.1ppt
Gearing	**7%**	29%	(22ppt)

ROCE for the year was 17.4%, an improvement of 6.1 percentage points from the prior year driven by the increase in profit as average adjusted capital employed remained broadly in line with the prior year. Total shareholder return for the year was 143.8% driven mainly by the increase in share price from £5.81 to £12.78.

Gearing decreased significantly to 7% (2012: 29%). This was a result of the significantly improved cash flow performance, proceeds from sale and leasebacks and the release of restricted cash in the period.

EXCHANGE RATES

The proportion of revenue and costs denominated in currencies other than sterling was little changed year on year. The slight reduction in revenues denominated in euros was the result of improved yields earned across the UK.

	Revenue		Costs	
	2013	2012	**2013**	2012
Sterling	**48%**	47%	**25%**	24%
Euro	**41%**	43%	**35%**	35%
US dollar	**1%**	1%	**34%**	35%
Other (principally Swiss franc)	**10%**	9%	**6%**	6%

Average exchange rates

	2013	2012	Change
Euro – revenue	**€1.19**	€1.19	0.2%
Euro – costs	**€1.19**	€1.22	(2.0%)
US dollar	**$1.59**	$1.60	(0.5%)
Swiss franc	**CHF 1.45**	CHF 1.46	(0.7%)

Exchange rates were again volatile, with the euro fluctuating between €1.14 and €1.25 to the pound and the US dollar between $1.49 and $1.63. However over the year as a whole, movements in average effective exchange rates were relatively small.

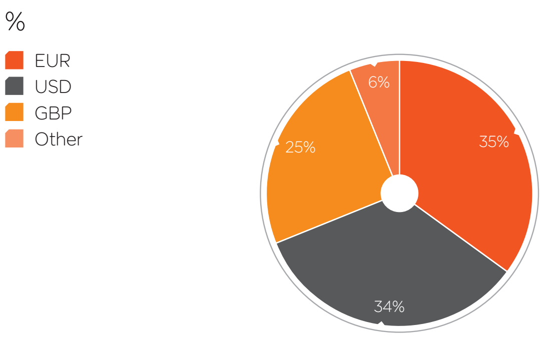
In the 2012 financial year easyJet saw a difference of €0.03 between average exchange rates for euro revenue and costs due to sterling strengthening during the second half of the year. In the 2013 financial year the average rates were the same, driven by sterling weakness in the early part of 2013 followed by a gradual recovery during the second half of the year.

The total negative impact on profit for the year of changes in exchange rates was as follows:

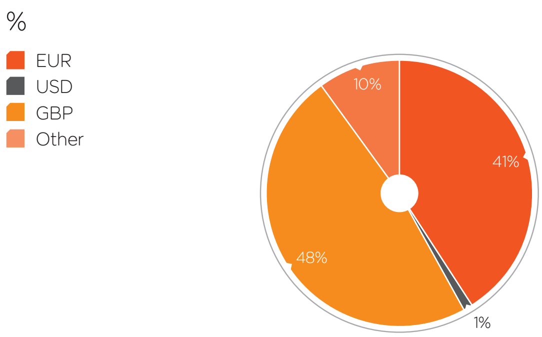
Favourable/(adverse)

	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Revenue	(5)	(3)	1	1	(6)
Fuel	1	–	(5)	–	(4)
Costs excluding fuel	(33)	(2)	–	1	(34)
Total	**(37)**	**(5)**	**(4)**	**2**	**(44)**

Costs



Revenue



FINANCIAL PERFORMANCE

Revenue

	2013			2012		
	£ million	**£ per seat**	**Pence per ASK**	£ million	£ per seat	Pence per ASK
Seat revenue	**4,194**	**61.64**	**5.65**	3,794	57.61	5.26
Non-seat revenue	**64**	**0.94**	**0.09**	60	0.90	0.08
Total revenue	**4,258**	**62.58**	**5.74**	3,854	58.51	5.34

Revenue per seat improved by 7.0% to £62.58 in comparison to the prior year, with seat revenue contributing to almost all of this increase. The primary driver for revenue per seat increase was the improved yield, as easyJet took advantage of competitor capacity reduction on its routes and made changes to its network, including the closure of the Madrid base, in order to drive capacity to markets which deliver the highest returns. Load factor increased by 0.6 percentage points to 89.3%.

Revenue initiatives further drove the increase in revenue per seat, in particular the introduction of allocated seating in November 2012 contributed £0.51 of this increase.

Non-seat revenue per seat performance stabilised after falling last year. Commissions earned from travel insurance continued to decline however this was offset by improved in-flight sales.

Operating costs excluding fuel

	2013			2012		
	£ million	**£ per seat**	**Pence per ASK**	£ million	£ per seat	Pence per ASK
Airports and ground handling	**1,078**	**15.84**	**1.45**	955	14.49	1.32
Crew	**454**	**6.68**	**0.61**	432	6.55	0.60
Navigation	**294**	**4.33**	**0.40**	280	4.25	0.39
Maintenance	**212**	**3.11**	**0.29**	203	3.08	0.28
Selling and marketing	**101**	**1.49**	**0.14**	104	1.58	0.14
Other costs	**226**	**3.31**	**0.30**	200	3.05	0.28
	2,365	**34.76**	**3.19**	2,174	33.00	3.01

Operating costs per seat excluding fuel increased by 5.3% to £34.76 and by 4.1% at constant currency.

Airports and ground handling cost per seat increased by 9.4% (7.9% at constant currency), primarily driven by increases in charges at regulated airports, with significant increases in Spain and Italy. The increases in Spain by AENA were a factor in the decision to close easyJet's Madrid base earlier in the year. Italian increases were driven by the implementation of the 'contratto di programma' programme, with further costs as a result of the quadrupling of the terminal Navaid charges. Airports and ground handling costs were also impacted by the higher load factor as well as the prolonged winter weather resulting in a significant increase in de-icing costs.

Crew cost per seat increased by 1.9% (1.1% at constant currency), with an average pay increase of 1.7% partially mitigated by the increased proportion of A320 aircraft in the fleet.

Navigation costs were broadly in line with the prior year at constant currency, as higher rates were offset by the benefit of the increased mix of A320 aircraft in the fleet and the reduced average sector length.

Maintenance costs were flat at constant currency. As expected, the one-off items incurred last year did not recur, however there were cost increases as a consequence of an increase in the average fleet age to 5.1 years and a net 17 additional leased aircraft. The average age of the fleet is expected to gradually rise in the next few years as a result of easyJet's decision to minimise expenditure on the current generation aircraft ahead of the fleet order to acquire new generation A320neo aircraft, due for delivery from 2017.

Other costs have increased by 8.5% to £3.31 per seat, mainly as a result of an increase in those performance-related employee costs which are based on either return on capital employed or total shareholder return. Disruption costs also increased with higher levels of compensation claims made in the year as more flights were cancelled due to the adverse weather. Other costs also include brand licence royalties, which doubled to £10.6 million following the transition from fixed fees in 2011 and 2012 to 0.25% of total revenue as set out in the Brand Licence Agreement.

Fuel

	2013			2012		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Fuel	**1,182**	**17.38**	**1.59**	1,149	17.45	1.59

The market price for jet fuel traded between $900 and $1,100 per tonne during the year, and easyJet's average market price paid was $992. After taking account of hedging, easyJet's average effective fuel price was $980, in line with last year. This, together with the increased proportion of A320 aircraft in the fleet and a small reduction in average sector length, resulted in a small decline in fuel cost per seat.

For much of the year future fuel prices were below spot price and we have purchased forward 1.4 million tonnes of fuel for 2014 and 2015 at an average price of $948 per tonne. As a result the hedged percentages are 72% for 2014 at $982 per tonne and 56% for 2015 at $950 per tonne.

Ownership costs

	2013			2012		
	£ million	£ per seat	Pence per ASK	£ million	£ per seat	Pence per ASK
Aircraft dry leasing	**102**	**1.49**	**0.14**	95	1.44	0.13
Depreciation	**102**	**1.50**	**0.15**	97	1.47	0.14
Amortisation	**10**	**0.15**	**0.01**	8	0.12	0.01
Interest receivable	**(5)**	**(0.07)**	**(0.01)**	(10)	(0.14)	(0.01)
Interest payable and other financing charges	**16**	**0.23**	**0.02**	25	0.38	0.03
Net exchange losses/(gains)	**8**	**0.11**	**0.01**	(1)	(0.02)	–
	233	**3.41**	**0.32**	214	3.25	0.30

Ownership costs per seat increased by 5.1% from the prior year, and 1.4% at constant currency.

Aircraft leasing costs per seat increased by 3.7% driven by the sale and leaseback of 12 new A320 aircraft and 12 mid-life A319 aircraft. Seven A319 aircraft were returned to lessors, so overall the number of leased aircraft increased by 17 to 72. Leased aircraft represent 33% of the fleet at year end, which allows easyJet to eliminate their future residual value risk and provide fleet flexibility over and above that provided by the new framework arrangements. easyJet expects the owned/leased mix to fluctuate in advance of the delivery of new generation A320neo aircraft from 2017.

Interest payable and finance charges decreased by £0.15 per seat to £0.23 as easyJet repaid early £186 million of relatively high-coupon debt in the year, partly offset by reduced interest rates earned on cash and money market deposits.

Net exchange 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 few 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

	2013 £ million	2012 £ million	Change £ million
Net cash generated from operating activities (excluding dividends)	**701**	457	244
Ordinary dividend paid	**(85)**	(46)	(39)
Special dividend paid	**–**	(150)	150
Net capital expenditure	**(416)**	(389)	(27)
Net loan and lease finance drawdown/(repayment)	**33**	(314)	347
Net decrease in money market deposits	**41**	55	(14)
Net decrease/(increase) in restricted cash	**148**	(37)	185
Other including the effect of exchange rates	**(54)**	(31)	(23)
Net increase/(decrease) in cash and cash equivalents	**368**	(455)	823
Cash and cash equivalents at beginning of year	**645**	1,100	(455)
Cash and cash equivalents at end of year	**1,013**	645	368
Money market deposits at end of year	**224**	238	(14)
Cash and money market deposits at end of year	**1,237**	883	354

easyJet generated strong operating cash flow in the year principally driven by growth in revenue per seat and forward bookings.

Net capital expenditure includes the acquisition of 10 A320 aircraft (2012: 19 A320 aircraft), the purchase of life-limited parts used in engine restoration and the pre-delivery payments made on aircraft purchases.

Net loan and finance repayment comprises £316 million proceeds received on 24 aircraft sale and leaseback transactions entered into in the year, offset by £283 million debt repayment. £186 million of this related to loans repaid early as part of easyJet's liquidity management strategy.

Movement in restricted cash relates to the recalling of £130 million of previously held restricted cash to free cash as easyJet made changes in card acquiring service providers, reducing the requirement to hold cash on deposit.

At the year end, the amount of customer payments in advance ("unearned revenue") was £547 million compared with £496 million last year.

Summary consolidated statement of financial position

	2013 £ million	2012 £ million	Change £ million
Goodwill	**365**	365	–
Property, plant and equipment	**2,280**	2,395	(115)
Derivative financial instruments	**(71)**	44	(115)
Net working capital	**(980)**	(841)	(139)
Restricted cash	**12**	159	(147)
Net cash/(debt)	**558**	(74)	632
Current and deferred taxation	**(202)**	(227)	25
Other non-current assets and liabilities	**55**	(27)	82
	2,017	1,794	223

	2013	2012
Opening shareholders' equity	**1,794**	1,705
Profit for the year	**398**	255
Ordinary dividend paid	**(85)**	(46)
Special dividend paid	**–**	(150)
Change in hedging reserve	**(97)**	28
Other movements	**7**	2
	2,017	1,794

Net assets increased by £223 million driven by the profit for the year offset by dividends paid and the adverse movement in the hedging reserve. The movement in the hedging reserve was due to the mark-to-market movement on the US dollar and jet fuel forward contracts, partly offset by the favourable movements on the Swiss franc and euro forward contracts.

The net book value of property plant and equipment decreased by £115 million. Movement in property plant and equipment is driven by the acquisition of 10 aircraft, pre-delivery payments on aircraft orders, offset by the sale and operating leaseback of 24 aircraft.

Net working capital improved from the prior year, partly driven by the greater number of seats on sale, and partly by the decrease in credit card receivables at the year end as easyJet made changes to its contract with providers, improving settlement terms.

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

	2013 £ million	2012 £ million	Change £ million
Cash and cash equivalents	**1,013**	645	368
Money market deposits	**224**	238	(14)
	1,237	883	354
Bank loans	**(484)**	(752)	268
Finance lease obligations	**(195)**	(205)	10
	(679)	(957)	278
Net cash/(debt)	**558**	(74)	632

easyJet ended the year with £1,237 million in cash and money market deposits; an increase of £354 million compared with 30 September 2012. Borrowings decreased by £278 million as easyJet repaid a number of relatively high-coupon rate loans in the year as part of its liquidity management strategy.

Net cash at 30 September 2013 was £558 million compared with net debt of £74 million at 30 September 2012 driven by the increased cash generated from operations, proceeds received on the sale and leaseback transactions in the year and the release of restricted cash in the year. Adjusted net debt decreased by £583 million to £156 million. As a result, gearing reduced significantly from 29% at the prior year end to 7% at the end of 30 September 2013.

GOING CONCERN

easyJet's business activities, together with factors likely to affect its future development and performance, are described in this strategic report on pages 2 to 57. Principal risks and uncertainties are described on pages 38 to 43. Note 22 to the accounts sets out the Group's objectives, policies and procedures for managing its capital and gives details of the risks related to financial instruments held by the Group.

The Group holds cash and cash equivalents of £1,013 million as at 30 September 2013. Total debt of £679 million is free from financial covenants, with £87 million due for repayment in the year to 30 September 2014.

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.

Chris Kennedy
Chief Financial Officer

KEY STATISTICS

Operational measures

	2013	2012	Change
Seats flown (millions)	**68.0**	65.9	3.3%
Passengers (millions)	**60.8**	58.4	4.0%
Load factor	**89.3%**	88.7%	+0.6ppt
Available seat kilometres (ASK) (millions)	**74,223**	72,182	2.8%
Revenue passenger kilometres (RPK) (millions)	**67,573**	65,227	3.6%
Average sector length (kilometres)	**1,091**	1,096	(0.5%)
Sectors	**420,311**	411,008	2.3%
Block hours	**799,480**	786,854	1.6%
Number of aircraft owned/leased at end of year	**217**	214	1.4%
Average number of aircraft owned/leased during year	**212.6**	206.6	2.9%
Number of aircraft operated at end of year	**209**	203	3.0%
Average number of aircraft operated during year	**199.8**	195.7	2.1%
Operated aircraft utilisation (hours per day)	**11.0**	11.0	(0.2%)
Owned aircraft utilisation (hours per day)	**10.3**	10.4	(1.0%)
Number of routes operated at end of year	**633**	605	4.6%
Number of airports served at end of year	**138**	133	3.8%

Financial measures

	2013	2012	Change
Return on capital employed	**17.4%**	11.3%	+6.1ppt
Gearing	**7%**	29%	-22ppt
Profit before tax per seat (£)	**7.03**	4.81	46.0%
Profit before tax per ASK (pence)	**0.64**	0.44	46.7%
Revenue			
Revenue per seat (£)	**62.58**	58.51	7.0%
Revenue per seat at constant currency (£)	**62.65**	58.51	7.1%
Revenue per ASK (pence)	**5.74**	5.34	7.4%
Revenue per ASK at constant currency (pence)	**5.74**	5.34	7.6%
Costs			
Per seat measures			
Total cost per seat (£)	**55.55**	53.70	3.5%
Total cost per seat excluding fuel (£)	**38.17**	36.25	5.3%
Total cost per seat excluding fuel at constant currency (£)	**37.66**	36.25	3.9%
Operational cost per seat (£)	**52.14**	50.45	3.4%
Operational cost per seat excluding fuel (£)	**34.76**	33.00	5.3%
Operational cost per seat excluding fuel at constant currency (£)	**34.36**	33.00	4.1%
Ownership cost per seat (£)	**3.41**	3.25	5.1%
Per ASK measures			
Total cost per ASK (pence)	**5.10**	4.90	3.9%
Total cost per ASK excluding fuel (pence)	**3.51**	3.31	5.8%
Total cost per ASK excluding fuel at constant currency (pence)	**3.45**	3.31	4.4%
Operational cost per ASK (pence)	**4.78**	4.60	3.8%
Operational cost per ASK excluding fuel (pence)	**3.19**	3.01	5.8%
Operational cost per ASK excluding fuel at constant currency (pence)	**3.14**	3.01	4.6%
Ownership cost per ASK (pence)	**0.32**	0.30	5.6%

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.

Many risks, however, remain outside easyJet's full control, for example adverse weather, pandemics, acts of terrorism, changes in government regulation and macroeconomic issues.

SAFETY FIRST

Risk description and potential impact	Current mitigation
Major safety incident/accident Failure to prevent a major safety incident (hull loss) or deal with it effectively. This could adversely affect easyJet's reputation and its operational and financial performance. **Security and terrorist threat or attack** Failure to prevent a major security-related threat or attack, from either internal or external sources, or failure to deal with it effectively. This could adversely affect easyJet's reputation and its operational and financial performance.	easyJet's number one priority is the safety, including security, of its customers and people. easyJet operates a Safety Management System (SMS) using a leading software system (SafetyNet). This is used to collect and analyse safety data and enables learning from easyJet and industry events/incidents to be captured and embedded into future risk mitigations. Data collected is also used to project potential areas of risk. A robust incident reporting process and 'Just Culture' (see page 59) are in place. The following also support the SMS: • a Safety Committee (a Committee of the Board) which provides oversight of the management of easyJet's safety processes and systems; • a Safety Review Board (at Executive Management Team level) responsible for directing overall safety policy and governance; • airline and departmental Safety Action Groups responsible for the identification, evaluation and control of safety-related risks; and • weekly operations meetings, safety reporting and monitoring of fatigue risk management. easyJet has response systems in place and provides training for crisis management, including the performance of regular crisis management exercises. Hull (all risks) and liabilities insurance (including spares) is held. easyJet has been working alongside EASA (European Aviation Safety Agency) and is well placed to meet the new European safety regulations by the required date of October 2014. easyJet's Director of Safety and Security and Head of Security work with relevant authorities and governments around our network to ensure that security measures are effective and in compliance with all regulatory requirements. A great deal of work is carried out with the aim of enhancing: • early identification of developing and emerging security risks; • the active management of security risks; • the reduction of the impact of any security-related incident; and • the company security culture and awareness. Crew are trained within the current safety and security guidelines.

OPERATIONAL RISKS

Risk description and potential impact	Current mitigation
Impact of mass disruption A number of factors could lead to widespread disruption to easyJet's network, including forces of nature (extreme weather, volcanic ash, etc), union activity and strike action, acts of terrorism and epidemics/pandemics. Any widespread disruption could adversely affect easyJet's reputation and its operational and financial performance. If widespread disruption occurred during the peak summer months then easyJet's financial results would be significantly adversely impacted.	Processes are in place to manage widespread disruption. Crisis management exercises are performed regularly and a business continuity programme is also in place. easyJet has a strong financial balance sheet. Board policy is to maintain target liquidity at £4 million per aircraft. This allows the business to better manage the impact of downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at key supplier).
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; and • valuation risks which crystallise on the ownership exit of the aircraft. The main exposure at this time is with the ageing A319 fleet, where easyJet is 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 easyJet's single fleet strategy. The risks/rewards of a single fleet were considered again during the recent fleet decision process. The Airbus A320 family (which includes the A319) and Boeing 737 family are the two primary fleets used for short-haul travel. There are approximately 5,000 of each fleet operating globally with a proven track record for reliability. easyJet operates a rigorous established aircraft maintenance programme. To mitigate the potential valuation risks, easyJet constantly reviews the second-hand market and has a number of different options when looking at fleet exit strategies. easyJet's targeted fleet mix is a 70:30 split between owned and leased. This facilitates the exit strategy of older A319s and protects residual values, as well as providing flexibility in managing the fleet size.
IT system failure easyJet is dependent on a number of key IT systems and processes operated at London Luton airport and other key facilities. A loss of systems and access to facilities, including the website, could lead to significant disruption and could have an adverse operational, reputational and financial impact.	Key systems are hosted across two data centres in two distinct locations with failover arrangements between them. A business continuity programme, including disaster recovery arrangements, is in place. This is reviewed continuously to identify areas for improvement and to ensure that arrangements are adequate and appropriate. An experienced IT team are in place to respond rapidly to any unforeseen incidents that may arise. Alternative sites are available should there be a need to relocate critical staff at short notice due to a loss of facilities.

OPERATIONAL RISKS CONTINUED

Risk description and potential impact	Current mitigation
Scalability and flexibility of key IT systems The rapid growth of easyJet over recent years, through the introduction of new sales channels and initiatives, creates additional complexity in IT systems. If not managed effectively, the core applications could lose their flexibility and create issues of scalability, which could increase cost and cause delays when implementing required business change.	Enterprise architecture is reviewed continuously and improvements are made where opportunities arise. Structured testing is in place for key systems where required. easyJet is a member of relevant system user groups, providing contact with other users and the ability to share any issues and review system assessments. easyJet holds periodic meetings with third party system management.
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 could affect easyJet's reputation and its operational and financial performance. Loss of these contracts or inability to renew or negotiate favourable replacement contracts could have an adverse effect on future operating costs.	Processes are in place to manage third party service provider performance. easyJet has a centralised procurement department that negotiates key contracts. In the major markets in which easyJet operates there are alternative service providers.
Industrial action The aviation industry has a significant number of employees in unions. Within the easyJet workforce, large parts (90% of crew) are unionised. If any action was taken by easyJet employees or by key third party service providers, this could impact on easyJet's ability to maintain its flight schedule. This could adversely affect easyJet's reputation and its operational and financial performance.	Employee and union engagement takes place on a regular basis. As easyJet operates across Europe there are multiple unions of which crew are members (eight for cabin crew and six for pilots). Each of the countries have localised employment terms and conditions which mitigates the risk of large scale internal industrial action occurring at the same time. Processes are in place to adapt to disruptions as a result of industrial action. The level of standby crew cover in place recognises the external factors and volatility that impact the airline industry.

CAPITAL DISCIPLINE

Risk description and potential impact	Current mitigation
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 easyJet fails to continue to optimise its 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 easyJet flies, to ensure that it optimises each aircraft to get the best return for each time of day and each day of the week. Route performance is monitored on a regular basis and operating decisions are made to improve performance where required. The fleet framework arrangements in place, together with our leasing policy, provide easyJet with significant flexibility in respect of scaling the fleet according to business requirements.
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 would have an adverse effect on the financial performance of easyJet if not protected against. easyJet's business can also be affected by macroeconomic issues outside of its control such as weakening consumer confidence, inflationary pressure or instability of the euro. This could give rise to adverse pressure on revenue, load factors and residual values of aircraft.	A Board approved hedging policy (fuel and currency) is in place that is consistently applied. The policy is to hedge within a percentage band for a rolling 24 month period. To provide protection, easyJet uses a limited range of hedging instruments traded in the over-the-counter (OTC) markets. These are 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 is undertaken by easyJet's network and fleet management teams.
Financing and interest rate risk All of easyJet'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 easyJet's financial performance.	easyJet presently finances its fleet through a mix of sale and leaseback transactions, internal resources, cash flow and bank borrowing. In the future easyJet may use forms of debt, sale and leaseback transactions or other financing structures, which may include the sale or securitisation of aircraft or public debt offers where the Board considers these sources of financing more favourable. easyJet's interest rate management policy is based on a natural hedge with cash deposits mirroring floating debt. None of the agreements contain financial covenants. A portion of US dollar mortgage debt is matched with US dollar money market deposits. Operating lease rentals are a mix of fixed and floating rates.
Liquidity risk easyJet continues to hold significant cash or liquid funds as a form of insurance. A misjudgement in the level of liquidity required could result in business disruption and have an adverse effect on easyJet's financial performance.	Board policy is to maintain target liquidity at £4 million per aircraft. This allows the business to better manage the impact of downturns in business or temporary curtailment of activities (e.g. fleet grounding, security incident, extended industrial dispute at key supplier).
Counterparty risk Surplus funds are invested in high quality short-term liquid instruments, usually money market funds or bank deposits. There is a possibility of loss arising in the event of non-performance of counterparties.	Cash is placed on deposit with institutions based upon their credit rating with a maximum exposure of £200 million for any individual AAA counterparty money market fund.

REPUTATIONAL RISKS

Risk description and potential impact	Current mitigation
Major shareholder and brand owner relationship easyJet has a major shareholder (easyGroup Holdings Limited) controlling approximately 26% of its ordinary shares. Shareholder activism could adversely impact the reputation of easyJet and cause a distraction to management. easyJet does not own its company name or branding, which is licensed from easyGroup IP Licensing Limited. The licence includes certain minimum service levels that easyJet must meet in order to retain the right to use the name and brand. The easyJet brand could also be impacted through the actions of easyGroup or other easyGroup licensees.	easyJet has a very active shareholder engagement programme led by its investor relations team. As part of that programme easyJet seeks to engage with easyGroup Holdings Limited on a regular basis alongside all its other major shareholders. This is to ensure that 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 any 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 the day-to-day management of easyJet's operation and to anticipate and plan for potential future activism. easyJet's brand licence with easyGroup IP Licensing Limited contains terms agreed between the parties for the regular meeting of senior representatives from both sides to actively manage brand-related issues as they arise. Such meetings occur on a quarterly basis and have, to date, proven an effective way of managing brand-related issues. Separately, easyJet monitors its compliance with brand licence service levels and has a right to take steps to remedy any instance of non-compliance.
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, easyJet could fall short of its planned financial results.	A programme management office and experienced project teams are in place to oversee delivery and track the budget and benefits realisation of all projects. A Steering Group, consisting of key senior management, provides challenge to the project teams, monitors progress and ensures that key decisions are being made at the appropriate level.
Information security easyJet faces external and internal information security risks. easyJet receives most of its revenue through credit card transactions and operates as an e-commerce business. A security breach could result in an adverse impact for the business and reputational damage.	easyJet continues to focus on the protection of information. Appropriate controls are in place including: • an effective information security incident management process to identify, report and ensure appropriate management of security incidents; • systems which are secured and monitored against unauthorised access; • quarterly review of the security of internal systems and easyJet.com through penetration testing; • pre-employment screening checks performed for all new employees; • enhanced physical security at head office buildings; • periodic mandatory employee security training to maintain staff awareness; • consideration of information security risks within procurement processes; and • monitoring and control of scanning software for fraudulent customer activity by the Revenue Protection team.

REPUTATIONAL RISKS CONTINUED

Risk description and potential impact	Current mitigation
Bribery Act The Bribery Act came into force in July 2011. To date, there have only been a few precedents set in respect to how this will be enforced with respect to corporations (although no corporate prosecutions have been made as at 30 September 2013). As with all companies, if easyJet were found to be in breach of the Act, this could adversely affect easyJet's reputation and financial performance.	easyJet has a strong ethical tone from the top. The adoption of appropriate anti-bribery controls has been a key point of focus for the legal compliance programme at easyJet. These have included: • completion of risk assessments to determine specific compliance needs; • introduction of new policies, including an anti-bribery and corruption policy; • development of an online training module and mandatory training for all managers and administrative employees in the UK and across the easyJet network; • targeted face-to-face training for employee groups perceived as higher risk; and • the adoption of standard anti-bribery clauses for inclusion in supplier contracts. In addition, as part of easyJet's evaluation of the new generation of short-haul engine technology, additional controls and monitoring have been implemented including a more restrictive gifts and hospitality policy, enhanced recording of contact with potential suppliers, assurance visits to assess standards of anti-bribery controls of potential suppliers and close monitoring of the completion of mandatory compliance training. These extra controls have been the subject of monitoring by an independent third party auditor.

EXTERNAL RISKS

Risk description and potential impact	Current mitigation
Competition and industry consolidation easyJet operates in competitive market places against both flag carriers and other low-cost airlines. One of easyJet's key competitive advantages is its strong cost base. If easyJet lost sight of this or relaxed its 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 and consolidation activity, enabling key routes/positions to be readily defended. easyJet seeks to have a rapid response to any such activity that may impact easyJet's ability to grow the business. Strong cost control across the Company. 'easyJet lean' drives cost reduction and efficiency into targeted areas.
Political and regulatory risks Political decisions, particularly at a national and European level, can have a significant impact on the airline industry, for example increasing Air Passenger Duty in the UK. 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 its network, which will increase as easyJet grows geographically. This could adversely affect easyJet's reputation, cost base and market share. An inadequate knowledge or misinterpretation of local regulations could result in fines or enforcement orders.	easyJet seeks to have a key role in influencing the future state of regulations and decisions made. A Regulatory Affairs Group coordinates the work and effort in this area. Country oversight boards are established for easyJet's main markets, raising awareness of potential changes and impacts in different countries.

WE ARE COMMITTED TO CORPORATE RESPONSIBILITY

Carolyn McCall OBE
Chief Executive

As the UK's largest airline and fourth largest in Europe, we take our Corporate Responsibility (CR) very seriously. It is fundamental to delivering our ambition and therefore influences everything we do.

Our passengers and people lie at the heart of the business. The delivery of high levels of customer service depends on motivated, connected people. As well as placing safety as our highest priority we continually seek to improve customer service. Our Customer Board plays an important role in this process and this year we have developed a number of new initiatives which will help drive further performance improvements. This has been supported by a culture change programme involving our people to ensure we deliver excellent customer service.

Airlines have a responsibility to minimise their impact on the environment. At easyJet we do this in a number of ways.

Our industry's most significant impact is through our CO_2 emissions. However, due to easyJet's simple, efficient operations and young fleet, our passengers' carbon footprint is already 22% less than a passenger on a traditional airline flying on the same route and aircraft.

We are also always looking at ways to lower our emissions further. Our planned investment in 100 new Airbus A320neo aircraft will ensure we continue to have one of the most efficient fleets in Europe. The new planes will be around 13% to 15% more fuel efficient than the planes they are replacing and our target is that they will form 35% of the fleet by 2022.

We recognise the importance of developing a long-term strategy for further reductions and work to achieve this through Sustainable Aviation, which sets out the collective approach of UK aviation to tackling the challenge of ensuring a sustainable future for our industry.

At a local level, noise tends to be the major environmental issue and accordingly easyJet works very closely with our airport partners in order to reduce noise.

More generally, we remain strongly committed to engaging with the local communities where we are based and this has involved easyJet supporting a number of community initiatives and activities across our network.

Our links are particularly strong around our headquarters in Luton where we employ the most people and where we have forged strong links with the local community through partnerships with schools, local government, businesses and the local football team.

Across our network we focus our charitable efforts through our partnership with UNICEF which has raised over £2.1 million in just two years. These donations from easyJet and its passengers have allowed UNICEF to vaccinate over 5.3 million mothers and children against preventable, life-threatening diseases across West and Central Africa.

We want to grow our talent and keep easyJet strong. We do this by having enthusiastic, well-prepared people who are capable of stepping in for each other and taking ownership.

We're already working hard on this. Last year's priority of developing good leaders and managers has added value to our business already and we will continue to build on this to ensure we are developing our key people.

In this section of the report we provide an overview of our performance in our key CR areas. These are safety, our people, our customers, the environment and the community. Further details in relation to each of these areas can be found on our web site at http://corporate.easyjet.com/sustainability.

Carolyn McCall OBE
Chief Executive

SAFETY FIRST

At easyJet the safety of passengers and people comes first. Safety is a guiding principle and a core value that influences every decision made. easyJet is committed to developing an open safety culture that promotes reporting of all safety-related incidents.

Comprehensive processes and structures are maintained to monitor and manage safety-related risk throughout the airline. The safety management structure is led from the top of the organisation.

The Chief Executive, Carolyn McCall, and the Chief Operations Officer, Warwick Brady, are responsible for all aspects of safety delivery, including compliance obligations under the Air Operator's Certificate (AOC). The AOC Accountable Manager is Carolyn McCall and she chairs the Company's 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 Board. In addition to the internal safety and compliance, the Director of Safety and Security, Captain David Prior, delivers an independent safety report to the Safety Committee of 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 easyJet Safety Management System (SMS), Fatigue Risk Management System (FRMS) and SafetyNet are all well established and incorporate rigorous reporting processes.

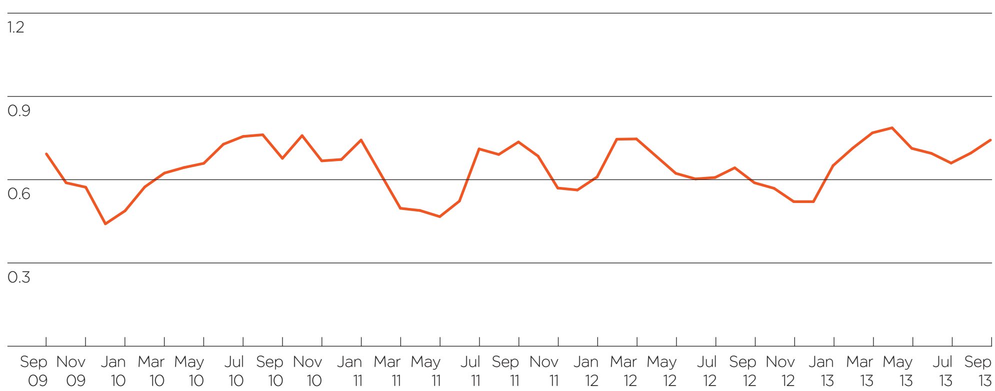
All reported safety-related incidents are assessed and categorised, with risk values assigned and aggregated to form a Composite Risk Value (CRV) index. The index has remained consistent, continuing to be well within the assigned boundary level. easyJet maintains a constant focus to ensure the risk value remains within this target range.

Protecting passengers, people, brand and assets

The security of passengers and people is a high priority. easyJet employs a security team that works to reduce vulnerability from security-related risks. The team co-operates closely with government and regulatory agencies throughout the network to ensure strict compliance with security regulations. Security risk assessments are conducted for each airport and country to which the airline flies. The highest standards of vigilance are maintained regarding the current geopolitical situation within those countries to inform these assessments. easyJet implements measures to protect the Company from corporate and aviation security risks, ensuring internal governance of business sensitive and personal data, staff vetting and asset protection. Security awareness is driven through the business to ensure the security team is able to deliver an effective and efficient support service to easyJet's people.

KPI

Composite risk value (CRV) index



REDUCING FATIGUE RISK

easyJet operates an industry leading Fatigue Risk Management System (FRMS). To achieve this, the airline works with independent partners, Imperial College London and the NASA Ames Research Institute in California.

Research is undertaken, known as the Human Factors Monitoring Programme (HFMP). This collects performance and alertness data which is used to mitigate fatigue proactively. Imperial College London provides analytical support which looks for trends and correlations in the data. NASA reviews the data to determine reliable methods of predicting fatigue and alertness. For example, this involves correlating pilot and aircraft performance data to identify fatigue precursors and associated risk profiles.

An HFMP study runs typically every two years using crew volunteers. The 2013 study was the largest to date with 44 participating pilots recording data over a four week period. This study used the latest technology to collect data and also involved the use of melatonin testing on participants. The melatonin test is the first attempt to correlate physiological measures with a range of other fatigue and alertness measures.

The results of this ground breaking research will help inform easyJet's future rostering strategies and ensure measures are in place to mitigate against fatigue risk as the network and operations evolve and develop.

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 ambition of being Europe's preferred short-haul airline. Our focus is to attract and recruit the right person at every level, and to keep them engaged in such a way that we can deliver our business goals and our customer promises.

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 and 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; and
- **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 people, 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**
  Ensuring that the infrastructure of the organisation enables delivery of the required business performance and drives 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 deliver the airline's strategy, and help to ensure 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 strategy 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 pipeline and support their development so that our people can be the best that they can be. We would like to be a company of choice for current and future talent from across Europe.

Embedding our people ambition

2013 was the second year of this people strategy, with the focus this year being on creating more connection with our people and continuing to improve key people-related processes. We have made good progress this year, examples of which are documented below, and we are confident that we will deliver our people strategy.

HR service delivery

We successfully transferred 237 of our people from Madrid to 17 bases around our network and are delighted that 195 of these employees remain with us 10 months later.

This year we have recruited a total number of 989 cabin crew, 98 cabin managers, 160 cadets and 89 experienced pilots for our summer 2014 flying season, and converted a further 224 from flexi-crew contracts to a permanent easyJet contract for 2013.

In our management and administration function we have filled 318 roles of which 38% were filled internally.

This year we launched an external recruitment campaign for experienced pilots. We invited both pilots already experienced on the Airbus A320 family and also those requiring training such as those leaving the military and we are delighted with the calibre of candidates and their desire to be part of our airline. We have also strengthened our relationship with our pilot training suppliers so that our career path for pilots is now very clear.

We are also trialling the introduction of a new, flexible employment contract for cabin crew. This enables us to be able to offer many more cabin crew permanent employment with us helping to manage our seasonal demand. Take up has been high and we expect to extend the trial very soon.

Organisational effectiveness

This year we completed our expansion and refurbishment of our main office location in Luton, Hangar 89, where we greeted 15,660 visitors last year. To support our people we added new shower facilities, bicycle racks and new restaurant facilities. More information on our facilities and their environmental impact are shown on page 52.

600
people took part in our Race The World challenge

RACE THE WORLD

In 2013 our people were invited to do some exercise and raise money for UNICEF. 'Race The World' was launched on 15 July at Hangar 89, by easyJet's Chief Executive Carolyn McCall and UNICEF's High Profile Supporter and Olympic medallist Colin Jackson.

The aim was to run, walk, cycle, swim and row the circumference of the world – that's 40,075km – by the end of September.

Over 600 of our people took part, logging every kilometre they covered which was made up as follows:

Target distance	40,075 km
Actual distance	60,803 km
Walking	5,475 km
Running	12,617 km
Cycling	40,333 km
Swimming	1,667 km
Rowing	711 km

Our fundraising target was £20,000 and we were pleased to beat it and raised £21,863, which is enough to buy 54,872 vaccines. So not only did our people get fitter and have some fun but we helped UNICEF save some lives.

Leadership, management and development

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

To support this, we introduced a management development programme for all of our people managers; a new commercial awareness programme which helps our people understand how we drive commercial success and the associated impact of their role; we have launched a new online learning management system which has opened up learning and development to all of our people across the network (currently we have 882 management and administration staff, 718 cabin crew and 604 pilots registered on the Learning Management System and have 211 courses available). We have launched a new career development framework for all of our crew.

We ran our second management conference in November 2012, with a follow up at the half year, 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 for the rest of the year.

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 are in the process of refining our approach to our employee survey so there are no new results to add this year. However, we have successfully implemented a number of initiatives across the business to help connect our people to our goals and ambition. These include a new additional day of training for all our captains on non-technical aspects of their leadership role and the critical part they play in supporting our commercial success; an additional training day for our cabin managers on our customer promise; and overhaul of our corporate induction to enable our new people to hit the ground running.

As in previous years we have continued with our various internal communication channels such as the Chief Executive weekly call, news round-ups, Executive Management Team base visits and community based newsletters (including a new one aimed at people managers).

In the spirit of partnership we have spent significant time this year in dialogue with our employee representatives, union representatives across Europe and our European Works Council representatives.

A culture of wellbeing

We recognise that creating a happier and healthier workforce will enable us to deliver our ambition and we want to further embed this into the culture of easyJet to ensure a sustainable future for our business.

We recognise that employee wellness (physical and psychological health of the individual) and employee engagement (the commitment, satisfaction, advocacy and pride of the employee) are at the heart of our business. Incorporating these elements into our people strategy will ensure that our people are happy and healthy and our business is successful and profitable.

easyJet is committed to ensuring the wellbeing of its people. All employees have access to the Employee Assistance Programme which can offer support to employees at times of stress or challenge in relation to issues experienced both at home and at work. A confidential whistleblowing helpline is in operation through which employees can raise issues of concern. easyJet is also looking progressively at ways to support employees to look after their general wellbeing. For example a wellbeing clinic for the 24:7 teams operating out of our headquarters to help people understand how to look after themselves to deliver at their best through to our industry leading safety programmes.

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 2013, easyJet employed 8,945 people (2012: 8,446) based across Europe as illustrated below:

United Kingdom	5,609
France	950
Italy	883
Switzerland	793
Germany	304
Spain	268
Portugal	137
Netherlands	1
Total	**8,945**

Our performance culture is driven by the commitment of our people to working at easyJet and this was very strong with staff attendance at 96% for 2013 (2012: 95%), and staff turnover decreasing to 6.5% (2012: 7.5%).

Talent and succession planning

This year we held our first succession review and we are confident that this will support us going forward and become a key people process that is part of our way of life at easyJet.

In support of developing our future talent we ran the second year of our European Graduate Programme and during the year we improved our ranking in The Job Crowd publication of 'Top Companies for Graduates to work' from 35th to 30th and top of the category 'Transport and Logistics' (beating more established programmes in our sector). This is a great achievement for the programme particularly as the ratings are derived from what our graduates think and say about the programme and represents an improvement on the previous year's survey as we are now ahead of more established programmes in our industry.

Our third year intake started with us on 1 October 2013.

In addition we launched a new engineering apprenticeship scheme and 10 aeronautical engineers joined us last November. We are pleased to say that all of them have now finished their college learning and are back with us to learn on the job. We are so pleased by this success that we have announced that we are seeking another 10 to join us in the coming year.

We recognise that our approach to reward is critical to our ability to both attract and retain our people and drive a performance culture. 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 grant of shares, based on the performance of the airline which encourages all our people to contribute towards achieving our strategic objectives and enables them to share in our success.

Over 90% of easyJet employees are shareholders in the Company. As at 30 September 2013, easyJet's employee share trust held around 90 million shares (worth over £240 million) on behalf of employees. At the same point in 2012, the shares held in these trusts were valued at around £100 million. The share price has risen from £5.81 at 30 September 2012 to £12.78 on the same date in 2013 and over 3 million share options were granted during the financial year.

These shares are held in a variety of share schemes such as Save As You Earn (SAYE), Buy As You Earn (BAYE) and also include reward shares which easyJet gives to all its employees every year so they can share in the Company's success.

The plans have won five major awards to date, and involve three elements: SAYE; BAYE and Performance Shares. During the year, all eligible employees were offered the equivalent of two weeks' 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. 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, 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 Ride 2 Work scheme (in 2012, 93 people took up the scheme, 180 in 2013 and now the scheme has had over 700 participants in the five years since its launch) 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.

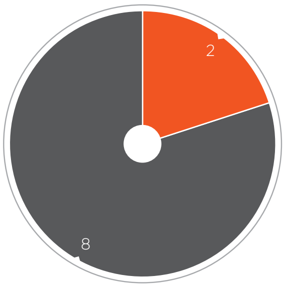
Equality and diversity

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.

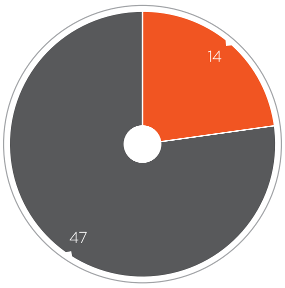
Capitalising on what is unique about individuals and drawing on their different perspectives and experiences adds value to the way we do business. We recognise that a diverse workforce will provide us with an insight into different markets and help us anticipate and provide what our customers want from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

A breakdown by gender of the number of persons who were Directors of the Company, senior managers and other employees as at 30 September 2013, is set out below. Our gender diversity throughout the Group remains strong, especially at the senior level. Out of two current Executive Directors, our Chief Executive is female. We are continuing to work towards improving our workforce diversity including in terms of nationality, notably through our European Graduate Programme.

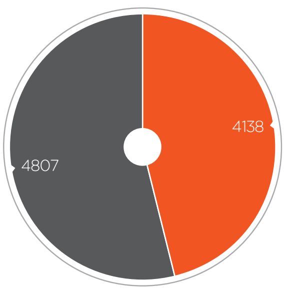
Directors



Senior management team



All easyJet employees



OUR ENVIRONMENT

Addressing environmental impact is clearly part of the responsibility of an airline. easyJet also considers it 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 the Company's interest to ensure that both easyJet and the wider industry properly address environmental concerns.

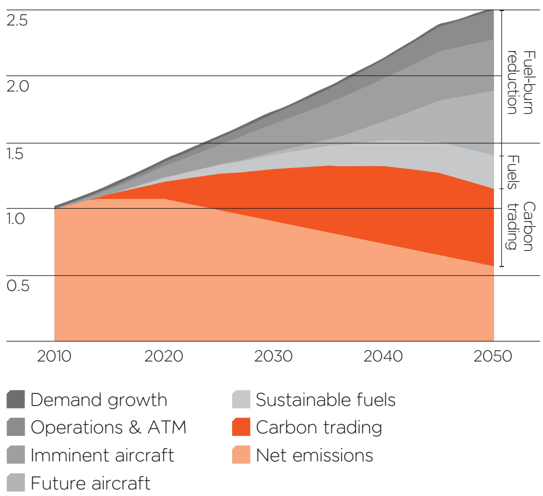
Aviation emissions continue to increase. Over the last ten years global aviation traffic has grown by over 5% a year, while efficiency gains have been about 2%. Unless the industry can reverse this trend there is a real risk it will be subjected to growth constraints; a suggestion already put forward by the Committee on Climate Change in their December 2009 report. To prevent this, the industry needs to significantly reduce emissions from flying through step-changes in technology and the right incentives to ensure that airlines and passengers fly as efficiently as possible.

Climate change

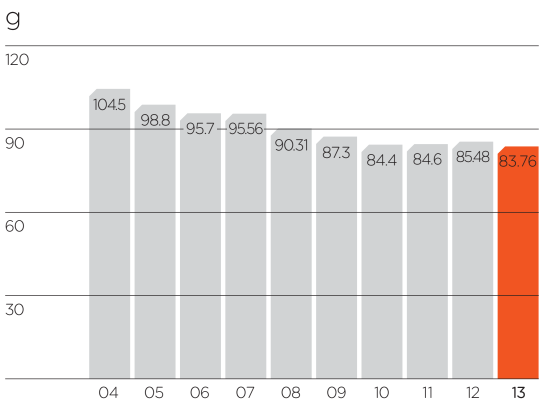
easyJet believes the most important environmental issue facing the industry is climate change. As for all transport sector organisations there remain significant challenges in moving away from reliance on fossil fuels. In terms of the short to medium term easyJet remains committed to making its operations as efficient as possible through purchasing the most fuel efficient aircraft available and optimising their use.

To support the longer term technological change necessary to deliver more sustainable flying, easyJet supports industry wide efforts as a member of Sustainable Aviation. This is a UK body that focuses on cross-industry measures to improve carbon efficiency in particular. Sustainable Aviation has shown how overall CO_2 emissions reductions can be delivered alongside growth in aviation. The chart below sets out the path to lower emissions and the contribution from different emission saving aspects.

Net CO_2 emissions from UK aviation



CO_2/ passenger Km



Projection of CO_2 Emissions from UK Aviation

easyJet was among the first supporters of aviation's entry into the European Union's Emission Trading System (ETS), an important step to ensuring that aviation is helping to tackle climate change. The Company is disappointed that the scope of aviation's role in ETS has been reduced with the exclusion of long-haul flights in 2013 and believes the future scope should be as wide as possible. Mechanisms are in place to verify, monitor and report the required data, which is independently verified, and to manage easyJet's exposure to the carbon market.

To achieve further emission reductions it is vital that the policy framework set by governments supports increased environmental efficiency in aviation. easyJet would like to see ETS taxes support environmental objectives. Aviation specific taxes should provide incentives for more environmentally efficient flying such as taxes on planes rather than passengers.

easyJet's carbon emissions

easyJet's total carbon emissions were 5.6 million tonnes (see table below). This is overwhelmingly made up of emissions from fuel burn. The calculation of these emissions is based on fuel burn measurement, which is verified, to comply with EU ETS requirements.

Table of easyJet's greenhouse gas emissions

	Emission total (tonnes)
CO_2 emitted from flying activities[(1)]	5,551,338
CO_2 equivalent from facilities[(2)]	1,382
Total emissions (CO_2)	**5,552,720**

(1) Emissions from flying activities are verified as part of our EU-ETS obligations. The data reported here is verified internally, as part of the ETS reporting requirements. Note that the CO_2 reported figure for fuel emissions is actual CO_2, which is emitted from aircraft fuel burn. CO_2 equivalents other than CO_2 are not included in the reporting of fuel emissions as there is no CO_2 conversion factor for any non-CO_2 emissions from aircraft fuel burn.

(2) Emissions calculated using UK Government guidelines for conversion of grid electricity.

In addition to total emissions, easyJet also monitors emissions per passenger kilometre. This is a measure of how efficiently passengers are carried and allows comparison between airlines.

At 83.76g/km easyJet's emissions per passenger kilometre are amongst the lowest in the industry and have reduced significantly over the past 10 years. In the 2013 financial year, easyJet's emissions per passenger km (the standard industry measure of efficiency) were 83.76g/km reduced from 85.48g/km in 2012.

easyJet remains committed to reducing these emissions further. A recent order for the new generation of Airbus short-haul aircraft, entering the fleet from 2017, will be an important factor in achieving this. These aircraft are 13% to 15% more fuel efficient than the existing fleet and will help further reduce carbon emissions.

Accordingly, easyJet has set targets to reduce CO_2 g/km per passenger further, by 2.5% by 2017 and by 5% by 2022. These are driven largely by the introduction of the new, larger aircraft and assume a similar sector length and route network as today.

Significant progress in the development of the new generation of aircraft will also be necessary to reduce emissions. While there has been some progress in the short-haul market a second step change in efficiency is necessary. easyJet will continue to push the manufacturers to deliver this and would also like to see international minimum standards in place to drive the development of new technology aircraft.

In addition, easyJet has an ongoing programme that looks at how existing aircraft can be flown as efficiently as possible. This has included the installation of new lightweight seats and trolleys and the introduction of sharklets; an enlarged wing tip which makes the wing more aerodynamic. Fuel efficiency is monitored to determine the impact of these measures. Although some of these measures save relatively small amounts of CO_2 per flight, as easyJet averages over 1,000 flights a day, total savings are significant.

Local air quality

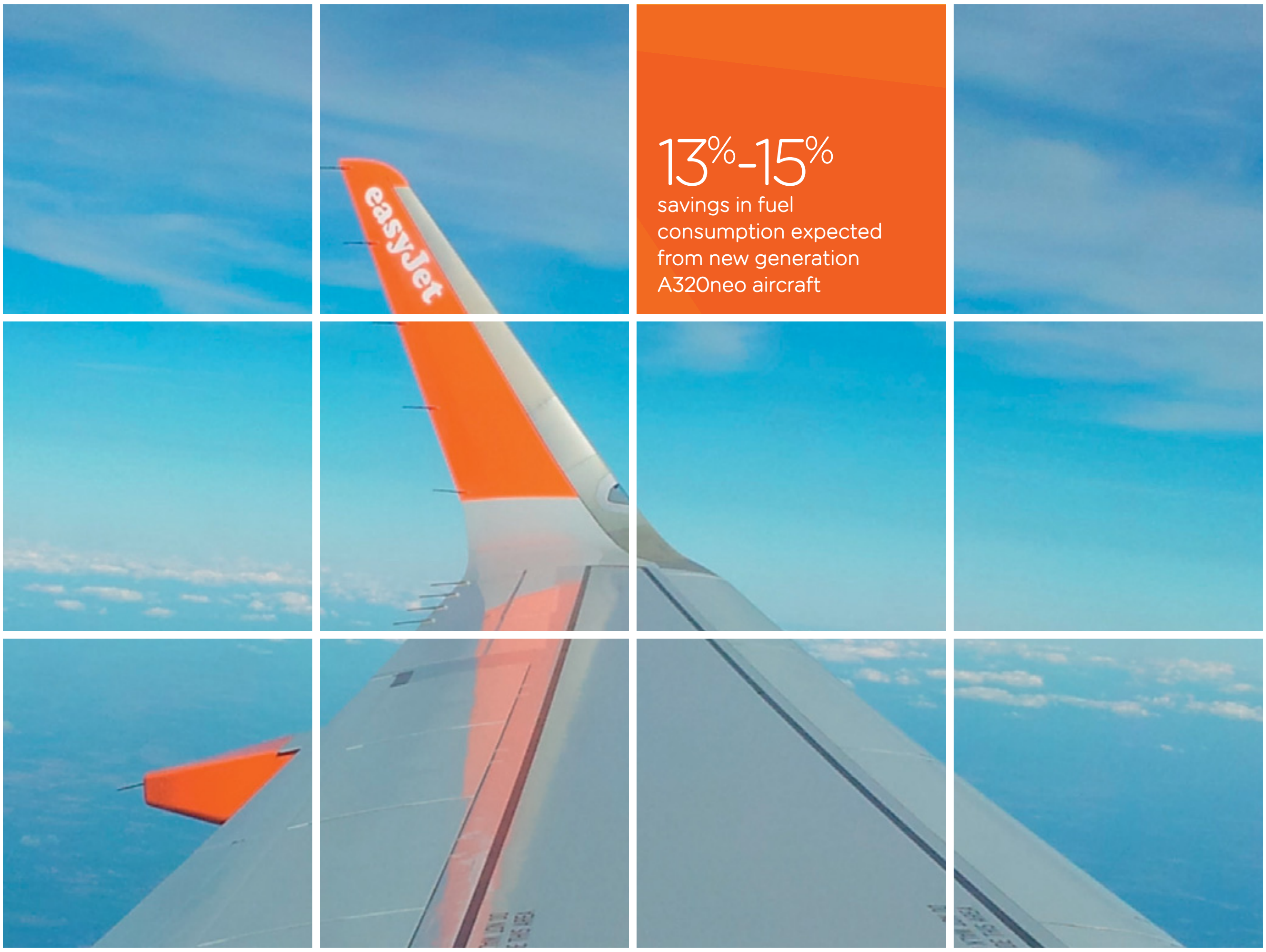
Local air quality impact arises from nitrogen oxides (NOx) emissions during aircraft take-offs and landings. easyJet has upgraded 61% of engines with the tech insertion upgrade which reduces NOx emissions by around 10%. These engines are the best in class and help minimise the impact on local air quality.

Noise

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). easyJet aircraft meet the tightest international noise standards (ICAO chapter 4). The Company's focus on improving the efficiency of flying has also reduced the noise impact; by changing the flap settings used for landings, fuel efficiency has improved and noise levels at landing have been reduced.

Governance

Many people within easyJet help deliver easyJet's environmental aims. Oversight of easyJet's environment policy is carried out by its regulatory team, and the Executive Management Team and Chief Executive receive regular updates on environmental policy as part of reporting on regulatory issues.



13%-15%

savings in fuel consumption expected from new generation A320neo aircraft

REDUCING OUR CARBON EMISSIONS

In July 2013, easyJet confirmed an order for 100 new generation Airbus A320neo aircraft for delivery from 2017 to 2022 and has taken purchase rights on a further 100 aircraft. The aircraft will be equipped with new technology engines, either the Pratt & Whitney PurePower or CFM Leap – easyJet has yet to finalise its selection.

The manufacturers expect that these new generation aircraft, equipped with wing tip "Sharklets", will deliver between 13% to 15% savings in fuel consumption and consequent reductions in CO_2 emissions.

Importantly, Airbus expects that as a result of the use of new technology, nitrogen oxide emissions will be 50% below the CAEP/6 standard and that noise levels will be up to 15dB below the ICAO Chapter 4 standard.

The target is for the easyJet fleet to comprise of approximately 35% new generation A320neo aircraft by 2022.

OUR CUSTOMERS

easyJet is passionate about connecting people by making travel easy and affordable. At easyJet the service is focused on the customer with an emphasis on creating a friendly experience. Over the last year a number of new initiatives have been introduced to further improve customer service and ensure customers lie at the heart of the airline including:

- end to end customer journey;
- easyJet 'Customer Charter';
- customer experience governance;
- allocated seating; and
- operational performance.

End to end customer journey

A framework is in place which looks at every part of the customer experience and focuses on how it can be improved. For each stage of the journey – attract, book, check-in, bag drop, board, in-flight, arrival, contact and disruption – the desired customer experience is documented. Customer satisfaction and business performance measures are also included. The framework provides a mechanism to drive continual performance improvement.

easyJet 'Customer Charter'

The charter sets out what customers should expect when they travel with easyJet:

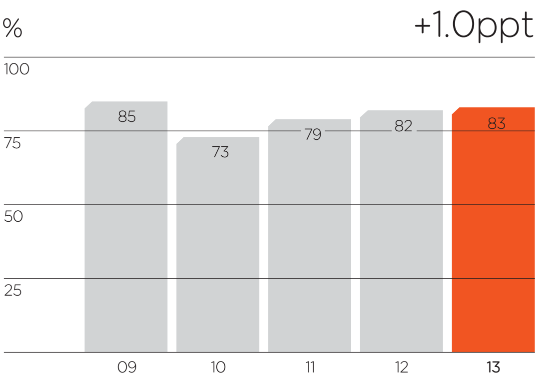
- Safety first, we never compromise.
- On your side, we see it from your point of view.
- A big smile, friendly service is our passion.
- Make it easy, at every step.
- Open and upfront, we will always be straight with you.

To ensure easyJet's people have ownership of the charter it was co-created with over 300 employees including pilots, cabin crew, contact centre employees and airport partners. Over the past 18 months, over 16,000 employees have been introduced to these promises and have been trained on their relevance to their specific roles.

This cultural change programme seeks to engage the hearts and minds of easyJet's people to embrace the customer. More recently, a team of customer champions has begun to engage the management and administration teams on how they can also live the customer charter promises. Employees are also being encouraged to use the charter promises when dealing with each other. This will ensure a consistent culture and approach is developed across the Company. A customer charter recognition programme is being introduced to reward and celebrate where easyJet's people demonstrate and bring to life the promises within the charter.

KPI

Overall satisfaction on this occasion



Customer experience governance

In March 2012 the easyJet Customer Board was formed. The aim was to bring together the key stakeholders in the customer journey, to share customer insights and data and to discuss and agree continuous improvement initiatives. A key output from these discussions has been the introduction of a customer impact assessment element in the framework for completing a business case.

Operational performance

Strong operational performance is critical to easyJet maintaining its cost levels. On-time departures minimise the cost of disruption and are a key driver of customer satisfaction which in turn encourages repeat purchases.

easyJet has introduced the easyJet turn programme to drive continued strong on-time performance. This has delivered improvements in on-time performance by 3.9 ppt – within 15 minutes.

Measuring customer satisfaction

Regular feedback from customer satisfaction (CSAT) surveys helps inform our programmes to continually improve the customer experience. Customers are invited to take part in the CSAT survey shortly after their flight.

This web-based survey gathers feedback on performance from booking through to arrival across the entire network. The core strategic customer measures focus on how satisfied the customer was with their recent experience, how likely they are to book again with easyJet in the future and how likely they are to recommend easyJet.

In the last year there has been particular focus on the areas most important to the customer – on-time performance and boarding the plane. The introduction of allocated seating in November 2012 increased satisfaction with boarding the plane with easyJet being recognised by the Family and Parenting Institute with their 'Family friendly award 2013'.

easyJet continues to achieve strong on-time performance ensuring the majority of customers arrive on time. This has been helped by the fact the vast majority of customers now check in online and an increasing number of customers travelling without hold luggage which speeds movement through the airport. easyJet continues to focus on smoothing the seasonal peaks and troughs in customer satisfaction by proactively managing the airport and in-flight experience in our busiest periods.

Special assistance passengers

easyJet takes the welfare of all passengers extremely seriously as it continues to work to improve the travelling experience. This includes the requirements of around 300,000 passengers requiring special assistance. There have been ongoing improvements to training for both ground and air crew developed with the support of the special assistance and disabled community.

easyJet works with several leading experts and associations from across Europe. These include the French association APAJH (Association pour Adultes et Jeunes Handicapés), Age UK and Mobility Schweiz International. A special advisory group – the easyJet Special Assistance Advisory Group (ESAAG) – chaired by the Right Honourable David Blunkett MP continues to provide important feedback and guidance. This covers the welfare, requirements and trends around the special assistance community.

ESAAG gave crucial feedback on the website, the pre notification process, important new services such as allocated seating, online check-in, the easyJet app, and discussed important themes such as eAccessbility, boarding processes, airport services and in-flight requirements. An important addition to the group has been representatives from easyJet's legal and operations units. With the help of the advisory group, new mandatory eLearning special assistance training has been rolled out to all managers.

easyJet has also worked with them to raise awareness of the challenges faced by passengers requiring special assistance, including a presentation by David Blunkett at easyJet's headquarters. Practical sessions have been used to further understand the challenges faced by those with special needs.

HUMAN RIGHTS

Whilst easyJet does not have a specific human rights policy at present, it does have policies that adhere to internationally proclaimed human rights principles some of which are summarised below. easyJet will give careful consideration to whether a specific human rights policy is needed in the future over and above our existing policies.

Equality

easyJet is an equal opportunities employer and actively seeks to protect the right of all individuals to be free from discrimination or harassment. To support this, fair, objective and innovative employment practices are used to ensure that all employees are protected from discrimination and harassment and have an equal chance to contribute and to achieve their potential.

easyJet is committed to the equal treatment of all passengers. This commitment to protecting the welfare of all passengers is supported by the advice of stakeholders within easyJet and the continued involvement of the easyJet Special Assistance Advisory Group in policy and product development.

Freedom of association

easyJet recognises the right of all employees to freedom of association and collective bargaining. The Company seeks to promote a spirit of co-operation between all employees, the management team, recognised trade unions and representative bodies in order to promote the success of the business. The airline constructively engages with around 14 trade unions representing pilots, cabin crew and engineers and eight representative bodies covering information and consultation obligations across various business areas and jurisdictions. There is a structured schedule of meetings and negotiations with each body which is proactively managed across each community and group. The establishment of the easyJet European Works Council, which consists of representatives from across easyJet, also enables progressive communication between all parties.

Trade union membership and representation is entirely voluntary and, in recognition of this, easyJet ensures that no employee is at a disadvantage by not being a trade union member. easyJet ensures this by providing other avenues for employee representation through the relevant consultative or collective bargaining bodies.

Bribery and corruption

easyJet has a company-wide Anti-Bribery and Corruption Policy. This requires compulsory Anti-Bribery and Ethics training with an online examination for all management and administration employees. As at 30 September 2013, this has been completed and passed by all of the Executive Management Team and 98% of senior management.

Political donations

easyJet works constructively with all levels of government across Europe, the Middle East, Russia, and North Africa, regardless of political affiliation. easyJet believes in the rights of individuals to engage in the democratic process, including making political donations, however easyJet does not itself make any political donations.

COMMUNITY AND CHARITABLE ACTIVITIES

easyJet undertakes a number of community activities. These are focused on supporting the local communities where the Company is based as well as harnessing the fundraising power of employees and customers. To this end, in 2012 easyJet formed a three year partnership with UNICEF, the world's leading organisation focusing on children and their rights, under the "Change for Good" partnership.

UNICEF: Our pan-European charity partner 'Change for Good'

This year easyJet raised £302,000 during the winter collection and £725,000 during the summer collection. In addition, £215,000 was raised in response to the UNICEF emergency appeal to help the children of Syria caught in the ongoing conflict.

This means that since launching the partnership, £2.1 million has been raised. This is more than any other airline within the 'Change for Good' programme; an achievement easyJet aims to continue.

The 'Change for Good' programme offers all easyJet customers the chance to support the world's children by dropping their spare change and leftover foreign currency into fundraising pouches. easyJet employees support this through fundraising activities such as sponsored challenges and raising money in innovative ways in their free time.

Donations from easyJet and its passengers have allowed UNICEF to vaccinate over 5.3 million mothers and children against preventable, life-threatening diseases across West and Central Africa.

The Company has also provided benefits in kind, such as free profile raising for the charity through various channels and free flights to support the work of the charity.

Charity Committee

easyJet has a dedicated European Charity Committee to oversee the partnership with UNICEF that also determines how funding is spent.

Since launching in 2012, the Committee has awarded £36,000 to over 100 local charities across Europe. These awards are nominated and chosen by easyJet people on a monthly basis, which ensures support for charities at a local level.

Local community engagement

easyJet continues to provide support at local community level through a variety of initiatives across Europe. This has included school visits by pilots and hosting a schools event at the headquarters in partnership with Solar Impulse – 'Around the World in a Solar Airplane'.

easyJet has sponsored a number of local community events and activities. These include:

- the Manchester and Berlin PRIDE, in recognition of the airline's diversity;
- the Edinburgh International Film Festival to reflect easyJet's position as Scotland's largest airline; and
- Luton Town Football Club along with the Love Luton campaign which reflects the airline's historic links to the town.

SEEING UNICEF'S WORK

In the summer of 2013, a group of easyJet staff including pilots and cabin crew travelled to Ghana, West Africa, to see how money raised through customer donations is being used to help children in the region.

The team visited the rural districts of Northern Ghana to see how UNICEF delivers life-saving vaccines to children at risk from diseases including measles, diphtheria and tetanus.

The easyJet group followed the last stages of the 'cold chain'; the journey that a vaccine takes. After seeing where vaccines are stored in the regional centre, Tamale, in industrial-grade refrigerators supplied by UNICEF, the group then travelled to a rural health centre. There they met community health nurse, Paulina Dumba, and followed her on her motorbike with vaccines carried in a specially designed cool box as she delivered and administered them to children in rural locations.

unicef

£2.1m
Raised so far, for the UNICEF charity

5.3m
mothers and children vaccinated against preventable life-threatening diseases

£1.2m
raised for UNICEF in the year

FOCUS ON GOVERNANCE

John Barton
Non-Executive Chairman

DEAR SHAREHOLDER

At easyJet, we are committed to maintaining high standards of corporate governance to enhance performance and for the protection of our shareholders. The corporate governance report which follows is intended to give shareholders an understanding of the Group's corporate governance arrangements and how they operated during the year ended 30 September 2013, including how the Group complied with the principles of the UK Corporate Governance Code.

I joined easyJet on 1 May 2013, taking over from Mike Rake as the Company's Non-Executive Chairman. Following my appointment, my induction was full, formal, tailored and included meetings with easyJet's key executives and various institutional shareholders and high value suppliers. I have also taken full advantage of easyJet's "back to the shop floor" programme, which has allowed me to spend time within the operational environment seeing the commitment given every day by our pilots, cabin crew, maintenance, base staff and others to deliver the easyJet service.

Board focus

During the year ended 30 September 2013, much of the Board's time was spent reviewing and scrutinising the new fleet selection process to ensure it was the right deal for the Company and its shareholders (the outcome of which was ultimately approved by shareholders in July 2013). A substantial amount of time was spent on the fleet selection process in scheduled Board meetings and two ad hoc Board meetings were also held in relation to the process. When I was appointed, I spent time with the fleet selection project team to understand the rationale for easyJet placing an aircraft order and the optimal timing of such an order. I also met with Boeing, Airbus and some of the Company's largest shareholders as part of the process. I was actively involved in the latter stages of the Board's fleet selection process and in ensuring that this was the correct decision for easyJet to recommend to its shareholders. The Board also constituted a Fleet Oversight and Governance Committee, chaired by Charles Gurassa, specifically to oversee the governance of the fleet selection process. The Committee met nine times during the year to ensure that the highest standards of governance, control and ethical behaviour were being applied during the fleet selection process and that these continued to be maintained. As part of the governance process, the Committee relied on the input of two independent third parties, as well as easyJet's Internal Audit function, to review the controls, the overall governance and the construction of financial models surrounding the process. The Committee will continue to provide governance oversight on the selection of the engine suppliers relating to the order of new generation aircraft.

The Board created a new Safety Committee in January 2013 to enhance Board oversight on the management of safety and security issues at easyJet and enable more in-depth reviews of safety-related matters by Board members. This standing Committee is chaired by Professor Rigas Doganis, who has a wealth of experience in the aviation sector. Keith Hamill also brings his prior industry experience to the Committee. The third Committee member is Geoff Want. Geoff is not a member of the Board, but was appointed on the basis of his independent safety knowledge. He will provide Committee members and the Board with expert, objective input on all aspects of safety and security. Since its constitution, the Committee has reviewed a range of safety-related matters. Some of these followed requests from the Board to undertake detailed reviews of specific operational factors following up the regular safety reports provided to the Board. This included a review of the Company's "Just Culture". A Just Culture is recognised as a key component of a mature safety management system and is an environment within which individuals feel free to report on safety matters.

More detail on the operation of the new Fleet Oversight and Governance Committee and the Safety Committee can be found in the corporate governance report.

During the year, the Board also continued its programme of visiting its overseas bases and meeting local management. Board members undertook a trip to Charles de Gaulle Airport, Paris which included a tour of the operations to deepen the Non-Executive Directors' understanding of the day-to-day functioning of the airline.

easyJet's strategy has continued to be rigorously reviewed and challenged by the Board during the course of the year. This included a two day session in July 2013 devoted to debating and refining the strategy. The information presented by the management team in July resulted in a high quality, detailed review, a well-focused debate and a clear strategic vision for the Company to take forward. The process was a good demonstration of how effectively the management team and the Board are functioning together.

Board effectiveness

During the year a performance review of the Board, its key Committees and Directors was undertaken by Lintstock Limited, an external facilitator. The process and findings are described on page 65. Following this review and based on what I have seen in the initial months of my tenure as Chairman, I am satisfied that the Board and its Committees are performing efficiently and that there is the appropriate balance of skills, experience, independence and knowledge of the Company to enable the Directors to discharge their respective duties and responsibilities effectively. I am also satisfied that the members of the Board, in particular the Non-Executive Directors, have sufficient time to undertake their roles at the Board and Committee level with the Company, so as to be able to discharge their responsibilities effectively.

Diversity

We recognise the importance of diversity in Board effectiveness and 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 on page 67.

Investor engagement

We remain committed to sharing our strategic vision and other relevant information with our shareholders: the Company actively solicits feedback from investors and the Board is kept informed of market perceptions and shareholder feedback via formal monthly Board reports and regular verbal briefings. As part of the process to approve the order of new aircraft in June and July, the Chief Executive and the Chief Financial Officer visited and spoke with shareholders to ensure that the rationale for the fleet order was clearly understood.

Non-Executive Director shareholdings

Last year, the Board agreed to adopt Non-Executive Director shareholding guidelines. These outline an expectation that Non-Executive Directors 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 target has already been achieved by three quarters of the current Non-Executive Directors.

John Barton
Non-Executive Chairman

BOARD OF DIRECTORS

1. John Barton
Non-Executive Chairman
John (1944) was appointed to the Board of easyJet as Chairman on 1 May 2013. He is also Chairman of Next plc and Catlin Group Limited (the international insurance underwriters).

John has also served as Chairman of Cable and Wireless Worldwide plc, Brit Holdings plc, Wellington Underwriting plc and was previously Senior Independent Director of WHSmith plc and Hammerson plc. He was also the Chief Executive of the insurance broker JIB Group plc from 1984 to 1997. After JIB's merger with Lloyd Thomson in 1997, he became Chairman of the combined group, Jardine Lloyd Thompson Group plc, until 2001.

John is a chartered accountant and received an MBA from Strathclyde University.

2. Charles Gurassa
Non-Executive Deputy Chairman and Senior Independent Director
Charles (1956) was appointed to the Board of easyJet as an independent Non-Executive Director on 27 June 2011 and became Deputy Chairman and Senior Independent Director on 1 September 2011. Charles is the Chairman of the Remuneration, Nominations and Fleet Governance and Oversight Committees. He is currently Non-Executive Chairman of Tragus, Genesis Housing Association and NetNames.

Charles' 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 of 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.

Charles is Deputy Chairman of the National Trust, Chairman of National Trust Enterprises Ltd and a former member of the University of York Development Board.

3. Carolyn McCall OBE
Chief Executive
Carolyn (1961) joined easyJet on 1 July 2010 as Chief Executive and was appointed to the Board of easyJet. 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).

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

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

4. Chris Kennedy
Chief Financial Officer
Chris (1964) joined easyJet on 1 July 2010 in the position of Chief Financial Officer and was appointed to the Board of easyJet.

After graduating from Cambridge with a degree in Engineering, Chris worked in 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 Chief Financial Officer, European Chief Operating Officer and International Chief Financial Officer. In early 2008 he joined the EMI Music Board as Chief Financial Officer and then Chief Investment Officer.

5. Adèle Anderson
Independent Non-Executive Director
Adèle (1965) was appointed to the Board of easyJet on 1 September 2011. Until July 2011, Adèle was a partner in KPMG and held roles including Chief Financial Officer of KPMG UK, Chief Executive Officer of KPMG's captive insurer and Chief Financial Officer of KPMG Europe. Adèle is also a Non-Executive Director of Intu Properties plc where she chairs the Audit Committee, a member of the Board of Trustees of both Save the Children UK and Save the Children International and chair of the Audit Committee of Save the Children International.

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

6. David Bennett
Independent Non-Executive Director
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 Bank of Ireland (UK), Pacnet Ltd, Jerrold Holdings Ltd and Cheshire Mortgage Corporation Ltd.

David 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 senior positions in

Abbey National, Alliance & Leicester, Cheltenham & Gloucester, Lloyds TSB and the National Bank of New Zealand.

7. John Browett

Independent Non-Executive Director

John (1963) was appointed to the Board of easyJet on 27 September 2007. He is currently Chief Executive Officer of Monsoon Accessorize and 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.

8. Professor Rigas Doganis

Independent Non-Executive Director

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 and is Chairman of the Safety Committee. He is Chairman of the European Aviation Club in Brussels.

He is a former Chairman and 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.

9. Keith Hamill OBE

Independent Non-Executive Director

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 a Non-Executive Director of Samsonite International SA and Max Property Group plc as well as being Chairman of a number of private equity financed companies.

He was previously Chairman of Go, prior to its acquisition by easyJet in 2002, and Travelodge. He was Chairman of Tullett Prebon, Collins Stewart, 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.

10. Andy Martin

Independent Non-Executive Director

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.

EXECUTIVE MANAGEMENT TEAM

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

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

Before joining easyJet Warwick was the CEO at Mandala Airlines in Asia. He also spent two years as Chief Operating Officer of Air Deccan/Kingfisher which, at the time, was India's second largest airline. 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.

Prior to this Warwick worked in private equity for 6 years as well as a number of years with Thomson Airways. He also holds an MBA.

3. Mike Campbell
Group Director, Europe
Mike (1957) is currently Group Director, Europe and is responsible for looking after all of easyJet's 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 a Masters in Fluid Dynamics.

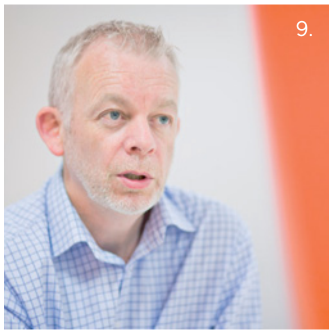
4. Trevor Didcock
Chief Information Officer
Trevor (1963) joined easyJet in September 2010 as Chief Information Officer. He is responsible for all aspects of IT across easyJet. Before easyJet Trevor was CIO at Homeserve plc, The AA and RAC Motoring Services and spent 9 years in IT management roles at Mars, Inc. His earlier career was in IT, Finance and Engineering roles at JP Morgan and Esso.

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

5. Peter Duffy
Marketing Director
Peter (1966) joined easyJet in February 2011 as Marketing Director and leads on all aspects of easyJet's marketing, e-commerce, contact centre and customer programme across Europe.

Before joining easyJet, he was Marketing Director for Audi in the UK. Prior to that, Peter was Marketing Services Director at Barclays.

Peter has a degree in Economics and an MBA.



6. Chris Kennedy
Chief Financial Officer
See Board of Directors' profiles.

7. Cath Lynn
Group Commercial Director
Cath (1964) joined easyJet in 2002 following the merger with Go, in which she played an active role. Cath has 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.

Cath spent 12 years in retail for J Sainsbury before joining Go where she was part of the management buy-out team and headed up cabin services, ground operations and customer service. Cath graduated from the University of Leicester with a BA (Hons) in Geography.

8. Carolyn McCall OBE
Chief Executive
See Board of Directors' profiles.

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

Before joining easyJet, Paul was Group Public Affairs and Communications Director for FirstGroup. Prior to that Paul worked for Virgin Atlantic Airways for ten years as its Director of Corporate Affairs.

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

10. Giles Pemberton
Director of Corporate Governance and Group General Counsel
Giles (1968) joined easyJet in April 2006 and heads the Legal and Company Secretarial departments. 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.

Principles statement

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

Statement of compliance

The version of the Corporate Governance Code applicable to the current reporting period is the September 2012 UK Corporate Governance Code (the Code).

Throughout the year ended 30 September 2013, the Board considers that it and the Company have complied without exception with the provisions of the Code. The Code is issued by the Financial Reporting Council and is available for review on the Financial Reporting Council's (FRC's) website http://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-September-2012.aspx.

Leadership

As at 30 September 2013, 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 nine scheduled meetings having been held during the year ended 30 September 2013 with a further seven ad hoc meetings. All members of the Board are supplied in advance with appropriate, clear and accurate 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. At our Annual General Meeting in February 2013, all of the Directors were put up for re-election as required by the Code and we anticipate continuing to put all Directors up for re-election annually.

The Board is responsible for the overall conduct of the Group's business and has the powers and duties set out in the relevant laws of England and Wales and easyJet plc's Articles of Association. The Board has a formal schedule of matters reserved for its decision which is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com. This was reviewed and updated during the course of the year.

Day-to-day management responsibility rests with the Executive Management Team, listed on pages 62 and 63. These ten individuals also make up the Executive Directors and the Company Secretary 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 2013 is shown in the table below. For Board and Board Committee meetings, attendance is expressed as the number of meetings that each Director attended out of the number that they were eligible to attend. In addition to those scheduled meetings, ad hoc meetings were also arranged to deal with matters between scheduled meetings as appropriate.

	Board (maximum 9)	Audit Committee (maximum 3)	Remuneration Committee (maximum 4)	Finance Committee (maximum 5)	Safety Committee (maximum 4)**	Nominations Committee (maximum 5)	Fleet Oversight and Governance Committee (maximum 9)
Executive Directors							
Carolyn McCall OBE	9/9	3*	1*	3*	4*	2*	3*
Chris Kennedy	9/9	3*	1*	5*	n/a	n/a	9*
Non-Executive Directors							
John Barton (1 May 2013 – 30 September 2013)	5/5	1*	n/a	n/a	n/a	n/a	n/a
Sir Michael Rake (1 October 2012 – 30 April 2013)	4/4	n/a	n/a	n/a	n/a	n/a	n/a
Charles Gurassa	9/9	n/a	4/4	n/a	n/a	1/1	9/9
David Bennett	9/9	3/3	4/4	5/5	n/a	5/5	8/9
Keith Hamill OBE	9/9	3/3	n/a	n/a	4/4	n/a	n/a
John Browett	9/9	n/a	n/a	n/a	n/a	n/a	n/a
Rigas Doganis	9/9	n/a	4/4	n/a	4/4	5/5	n/a
Adèle Anderson	9/9	3/3	n/a	5/5	n/a	n/a	9/9
Andy Martin	9/9	n/a	4/4	4/5	n/a	5/5	8/9

* not a member of the Committee – attendance at meeting by invitation

** Geoff Want (the independent safety expert) attended four out of four Safety Committee meetings

Effectiveness

After giving thorough consideration to the matter, the Board considers Charles Gurassa, David Bennett, Keith Hamill, John Browett, Professor Rigas Doganis, Adèle Anderson and Andy Martin to be Non-Executive Directors who are independent in character and judgement. On appointment, the Board also considered the current Chairman to be independent in character and judgement. The Board seeks to strike an appropriate balance between continuity of experience and succession, taking into account the underlying principles of the Code provisions regarding tenure and refreshing of the Board.

To update the Directors' skills, knowledge and familiarity with the Company, visits to network bases are organised for the Board periodically to assist their understanding of the operational issues that the business faces; the Board visited Charles de Gaulle Airport, Paris in November 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. Consequently, a briefing paper ensuring Board members are kept up to date on key administrative issues and changes in the law and best practice that affect Directors is produced and circulated when required, usually two to four times per year. Directors are given the opportunity to highlight specific areas where they feel 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. A deed was executed in 2007 indemnifying each of the Directors of the Company and/or its subsidiaries as a supplement to the directors' and officers' insurance cover. The indemnities, which constitute a qualifying third party indemnity provision as defined by section 234 of the Companies Act 2006, were in force during the last financial year and remain in force for everyone who is or was a Director.

Like last year, a performance review of the Board, its key Committees and Directors was undertaken using an external facilitator, Lintstock Limited. Lintstock Limited has no connection with the Company beyond evaluating the Board, other than providing the Company with software to monitor insider lists and Directors' shareholdings. Face-to-face interviews were conducted as part of the evaluation process last year. The process this year involved each Director and the Company Secretary completing a detailed questionnaire, tailored to reflect the activities of the Board and its Committees during the year. The Board considers that the performance review shows that each Director continues to contribute effectively and demonstrate commitment to the role. The review shows 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. Commitment of time by all Directors for Board and Committee meetings and other duties was also considered sufficient for the effective discharge of responsibilities. It was considered that, given that John Barton had held the position of Chairman for less than six months, it would not be appropriate to have his performance as Chairman prior to 30 September 2013 reviewed by the Senior Independent Director. However, the Board has committed to appraising John's performance prior to the end of his first full year as Chairman in accordance with provision A4.2 of the Code.

There has been a continued focus on the quality of information being sent and presented to the Board to optimise its time and effectiveness. Significant technological improvements are being implemented around the new electronic portal for the Board. This will optimise the interface between the Board and management and will improve the efficiency of the Board's operation.

Directors' conflicts of interest

The Company has in place procedures for managing conflicts of interest. The Company's Articles of Association also contain provisions to allow the Directors to authorise potential conflicts of interest so that a Director is not in breach of his or 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 line with the Company's Articles of Association. Directors have a continuing duty to update any changes to their conflicts of interest.

Board engagement with investors and relations with shareholders

The Annual General Meeting gives all shareholders the opportunity to communicate directly with the Board and encourages their participation. The Chairman (both current and previous) and Deputy Chairman (also being the Senior Independent Director) have both held meetings with shareholders 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. The views of shareholders are also regularly communicated to the Board as a whole via a formal monthly report to the Board and regular verbal briefings.

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

During the course of the year the Chief Executive and Chief Financial Officer have both met with representatives of easyGroup Holdings Limited, the Company's largest shareholder, to discuss relevant matters. The Chief Financial Officer has also met separately with representatives of easyGroup IP Licensing Limited (an affiliate of easyGroup Holdings Limited) to discuss matters relating to the management and protection of the easyJet and 'easy' brands.

Board Committees

Audit Committee

The Audit Committee comprises three independent Non-Executive Directors. As at 30 September 2013, the Audit Committee members were David Bennett (Chairman), Keith Hamill and Adèle Anderson. David Bennett has served as the Chairman of the Committee throughout the year. The Committee members have been selected to provide the wide range of financial and commercial expertise necessary to fulfil the Committee's duties. David Bennett was previously an Executive Director of Abbey National plc, and prior to that the Group Chief Executive and Group Finance Director of Alliance & Leicester plc. Keith Hamill has had considerable experience as a Director of listed companies and was Finance Director of WHSmith, Forte and United Distillers and a partner in Price Waterhouse (from 1986 to 1988). Adèle Anderson was a partner in KPMG until July 2011 and held roles including Chief Financial Officer of KPMG UK, Chief Executive Officer of KPMG's captive insurer and Chief Financial Officer of KPMG Europe. Adèle currently chairs the Audit Committee of Intu Properties plc. The Board considers each Committee member's financial experience to be recent and relevant for the purposes of the Code. This Committee meets at least three times per year and, during the year ended 30 September 2013 the Committee met three times.

The terms of reference of the Audit 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.

The Audit Committee report is set out on pages 70 to 72.

Remuneration Committee

As at 30 September 2013, the Remuneration Committee comprised four independent Non-Executive Directors: Charles Gurassa (Chairman), David Bennett, Professor Rigas Doganis and Andy Martin. This Committee, which meets at least twice per year, is responsible for making recommendations to the Board concerning the compensation of senior executives. It also determines, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors and the Chairman, as well as the level and structure of remuneration for senior management. New Bridge Street (NBS) (an AON Hewitt Company) has been appointed as easyJet's remuneration consultants. NBS are a member of the Remuneration Consultants Group and comply with its code of conduct. A sister company in the AON Hewitt Group also conducted employee surveys for the Company; other than this, NBS has no other connection with the Company. The Remuneration Committee has met four times during the year.

Shareholders are required to approve all new Long Term Incentive Plans and significant changes to existing plans. Further details of these plans, as well as the activities undertaken by the Committee during the year, can be found in the Directors' remuneration report as set out on pages 73 to 88. 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.

Finance Committee

The Finance Committee comprises three independent Non-Executive Directors. As at 30 September 2013, the Finance Committee members were David Bennett (Chairman), Adèle Anderson and Andy Martin. This Committee meets at least twice a year; this year it met five times. The primary function of the Finance Committee is to review and monitor the Company's treasury policies and activities. Examples of matters considered by the Committee during the year include liquidity metrics, aircraft financing and currency hedging. The terms of reference of the Finance 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.

Safety Committee

The Safety Committee was set up in January 2013 to consider matters relating to the operational safety of the Group. The Committee comprises two independent Non-Executive Directors, and one independent safety expert. As at 30 September 2013, the Safety Committee members were Professor Rigas Doganis (Chairman), Keith Hamill and Geoff Want (independent safety expert). The Committee meets at least three times a year; this year it met four times. The primary function of the Safety Committee is to assess the Company's oversight of safety systems, processes, operations and resources, and to review and monitor the implementation of the Company's annual safety plan. The Committee also examines specific safety issues as requested by the Board. Where appropriate, the Committee reviews relevant reports published by the UK Air Accident Investigation Branch (AAIB), major incidents that have affected other operators, and other external reports on matters relevant to safety and security. As was the case prior to the establishment of this Committee, the Board continues to review and assess safety through monthly independent safety reports from the Director of Safety and Security, Captain David Prior. Captain David Prior had, and continues to have, a direct reporting line to the Chairman which reinforces the independence of safety oversight. For further information on the safety management system, please refer to page 45.

Since its constitution, the Committee has reviewed a range of safety-related matters. Some of these followed requests from the Board to carry out detailed reviews of specific operational incidents following up the regular safety reports provided to the Board. This included a review of the Company's "Just Culture". The terms of reference of the Safety 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.

Nominations Committee

As at 30 September 2013, the Nominations Committee members were Charles Gurassa (Chairman), David Bennett, Professor Rigas Doganis and Andy Martin. Andy Martin joined the Committee in January 2013.

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; during the year terms were negotiated with JCA Group to act as easyJet's recruitment consultants for Board and senior executive posts. Other than providing recruitment consultancy services, JCA Group has no other connection with the Company.

The Committee adopts a formal, rigorous and transparent procedure for the appointment of new directors to the Board. In January 2013, the Board initiated a succession planning process to search for a new chairman led by the Nominations Committee. JCA Group was provided with a detailed brief of the desired candidate profile based on merit and against objective criteria (including an assessment of the time commitment expected) and their services were used to conduct a thorough search to identify suitable candidates. The Nominations Committee considered a list of potential candidates and the balance of skills, knowledge, independence, diversity (including gender) and experience on the Board to ensure that a suitable balance was maintained. Those shortlisted were interviewed by members of the Board including the Nominations Committee and the Chief Executive. Following this process, John Barton was invited to join the Board and to become easyJet's Chairman in succession to Sir Michael Rake. John's other significant commitments were disclosed to the Board before his appointment and can be found in his biography on page 60. The Board was and continues to be satisfied that John would allocate sufficient time to the Company to discharge his responsibilities effectively. John's wealth of plc board experience, valuable commercial and financial expertise and understanding of competitive service-oriented consumer markets were factors in the Board's decision.

The Nominations Committee met five times during the year, four times to deal with the appointment of John Barton as Chairman. During the period of selecting a new Chairman, Charles Gurassa, who was also a candidate for the role, was replaced by David Bennett as Nominations Committee Chairman. Charles Gurassa did not attend any of the meetings relating to the new Chairman's search and appointment. The outgoing Chairman, Sir Michael Rake, was not involved in the Chairman selection or appointment decision process. However, John Barton did request a meeting with Sir Michael Rake prior to accepting his Chairman appointment as part of his own due diligence process.

During the year, other matters considered by the Committee included the consideration of succession planning for the Board and the key skills and experience required for future recruits. The assessment of succession planning will be further developed during the course of next 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.

On joining the Board, new members receive a full and tailored induction. Following this induction, meetings are arranged with key executives and managers within the business to provide ongoing education and information about the business. 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 Board recognises the benefits of having diversity across all areas of the Group and believes that this adds to easyJet's continued success and advantage. The boardroom diversity policy was introduced in 2012. When considering the optimum make-up of the Board, the benefits of diversity of the Board are appropriately reviewed and balanced where possible, including in terms of differences in skills, industry experience, business model experiences, gender, race, disability, age, nationality, background and other contributions that individuals may bring. The Committee continues to focus on encouraging diversity of business skills and experience, recognising that Directors with diverse skill sets, capabilities and experience gained from different geographic and cultural backgrounds enhance the Board. 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 upon 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 50.

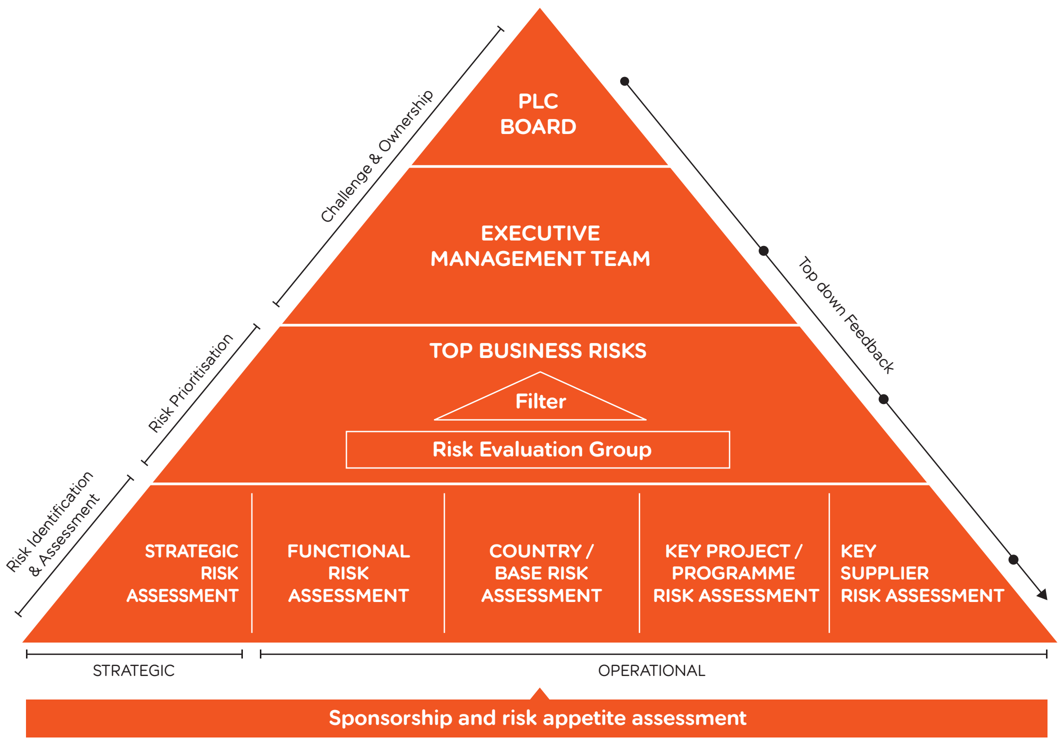
Fleet Oversight and Governance Committee

The Fleet Oversight and Governance Committee was set up as a standing Committee in October 2012 and comprises four independent Non-Executive Directors. As at 30 September 2013, the Committee members were Charles Gurassa (Chairman), David Bennett, Adèle Anderson and Andy Martin. The purpose of the Committee is to provide independent oversight over the governance and controls relating to easyJet's fleet order which was approved by shareholders in July 2013. Matters considered by the Committee during the year include reviews of the risk register; the Internal Audit and independent third party reports regarding the controls; the overall governance arrangements; and the construction of financial models surrounding the process. The Committee remains constituted and will meet to provide oversight of the procurement process in relation to the selection of the engine supplier for the new generation aircraft order. The Fleet Oversight and Governance Committee has met nine times during the year.

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 2013, there was continued investment in and assessment of the risk management process resulting in improved risk management understanding, assessment and reporting. The process is underpinned by rigorous annual risk identification workshops which were attended by the functional managers, the Executive Management Team and the Board. The process focuses on strategic, financial and operational risks. During the year, the risk management process was specifically enhanced by capturing key project, supplier and country/base level risks at a granular level. This process is coordinated by the Risk team who report to the Chief Financial Officer.

Risk management



To ensure that risk is managed effectively, 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 weekly operational meetings. In addition, the Safety Action 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. During the year a separate Safety Committee was constituted (a Committee of the Board) which provides additional oversight of the management of the Company's safety processes and systems;
- regular commercial, financial and IT functional meetings are held to review performance and to consider key issues and risks;
- the Executive Management Team meets regularly to consider significant risks and overall business performance; and
- Internal Audit considers, reviews and tests internal controls 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 the following:

- 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; and
- review by management of controls, which mitigate or minimise high-level risks, to ensure that they are in operation. The results of this review are reported to the Audit Committee and the Board which considers whether these high-level risks are being effectively controlled.

The Audit Committee undertakes 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 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. By their nature, they 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. The Internal Financial Control monitoring programme, administered by Internal Audit, has continued to enhance the review process. 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 anonymously and in confidence. The Audit Committee has approved the processes and reporting structure for the function and receives regular reports on its operation.

Internal Audit

Internal Audit's work is designed to provide effective risk based coverage over the internal control environment. This is summarised in an audit plan, which is approved by the Board and the Audit Committee and updated on a rolling basis. For example, during the year the audit plan was flexed to include reviews of the governance and controls surrounding the fleet selection process.

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

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

The Head of Internal Audit reports to the Chief Financial Officer and has direct access to the Chief Executive and the Chairman of the Audit Committee.

The Head of Internal Audit is invited to and attends Audit Committee meetings throughout the year and reports regularly on Internal Audit reviews at the Executive Management Team meetings.

Internal Audit's key objectives are to provide independent and objective assurance on risks and controls to the Board, Audit Committee 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 Internal Audit 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.

ANNUAL STATEMENT BY THE CHAIRMAN OF THE AUDIT COMMITTEE

David Bennett
Chairman of the Audit Committee

During the year, the Audit Committee has continued its detailed scrutiny of the appropriateness of the Group's system of risk management and internal controls, the robustness and integrity of the Group's financial reporting, along with both the internal and external audit processes.

The Committee has devoted significant time to reviewing these areas, which are integral to the Group's core management and financial processes, as well as engaging regularly with management, Internal Audit and the external auditor.

The Committee has, where necessary, taken initiative in requesting information in order to provide the appropriate constructive challenge for its role (further outlined in this report). During the course of the year, the information that the Committee has received has been timely and clear and has enabled the Committee to discharge its duties effectively.

The Committee is very supportive of the latest UK Corporate Governance Code recommendations. We have always strived to achieve the aims of the Code and the best practice recommendations of other corporate governance organisations, and believe that the revised Code allows the Audit Committee at easyJet to further strengthen its role as a key independent oversight Committee which has also added value to the Group.

Role

The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities. This includes reviewing the financial reports and other financial information before publication. In addition, the Committee also reviews the systems of internal controls on a continuing basis, with respect to finance, accounting, risk management, compliance, fraud and audit that management and the Board have established.

The Committee also reviews the accounting and financial reporting processes; along with reviewing the roles and effectiveness of both the internal and external auditors. The ultimate responsibility for reviewing and approving the annual and other accounts remains with the Board.

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 line of communication between the internal auditors, the independent external auditors and the Board of Directors;
- 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.

Risk management and internal control

The Board, as a whole, including the Audit Committee members, consider the nature and extent of easyJet's risk management framework and the risk profile that is acceptable in order to achieve the Company's strategic objectives. As a result, it is considered 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 on-going risk management systems and processes.

easyJet's system of internal controls, along with its design and operating effectiveness, is subject to review by the Audit Committee through reports received from management, along with those from both internal and external auditors.

Further details of risk management and internal control are set out on pages 68 and 69.

Internal audit

The Audit Committee has oversight responsibilities for the Internal Audit department. The Internal Audit annual plan is reviewed and approved and all reports arising therefrom are reviewed and assessed, along with management's actions to findings and recommendations. Further information on the Internal Audit department is given on page 69. The Head of Internal Audit is invited to and attends Audit Committee meetings and is also given the opportunity to meet privately with the Audit Committee without any members of management present. During the year the Audit Committee undertook an internal assessment of the effectiveness and independence of the Internal Audit function.

Main activities of the Committee during the year

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

- half year results;
- full year results;
- principal judgemental accounting matters 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;
  - follow up of internal audit recommendations;
  - control themes;
  - internal financial control assessments;
  - fraud and loss prevention;
  - revenue protection;
  - risk assessment;
- information security and business continuity;
- delegated authorities;
- whistleblower reports;
- Internal Audit effectiveness and independence;
- external audit effectiveness, independence and reappointment;
- anti-bribery and corruption procedures; and
- specific investigations as required.

Financial reporting and significant financial issues

The Committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. The Committee reviews accounting papers prepared by management which provide details on the main financial reporting judgements. For example, during the year the Committee reviews the level of provisions and accruals recorded which are judgemental in nature. The Committee also reviews reports by the external auditors on the full year and half year results which highlight any issues with respect to the work undertaken on the audit.

The two significant issues considered in the year are detailed below:

- The Committee reviewed the maintenance provision at the year end. A number of judgements are used in the calculation of the provision, primarily pricing, utilisation of aircraft and timing of maintenance checks. The Committee addressed these matters using reports received from management which underlie the basis of assumptions used. The Committee also discussed with the external auditors their review of the assumptions underlying the estimates used.
- The Committee considered whether the carrying value of goodwill and landing rights held by easyJet should be impaired. The judgement in relation to impairment largely relates to the assumptions underlying the calculation of the value in use of the business being tested for impairment, primarily whether the strategic plan is achievable and the overall macroeconomic assumptions which underlie the valuation process. The Committee addressed these matters using reports received from management outlining the basis for assumptions used. The strategic plan used in the calculation was approved by the Board.

The Committee is satisfied that the judgements made by management are reasonable, and that appropriate disclosures have been included in the accounts.

External auditors

The Audit Committee has responsibility for making a recommendation on the appointment, re-appointment and removal of the external auditors. PricewaterhouseCoopers LLP were reappointed auditors of the Group at the Annual General Meeting held in February 2013. During the year the Committee received and reviewed audit plans and reports from the external auditors. It is standard practice for the external auditors to meet privately with the Audit Committee without any member of management or the Executive Directors being present at each Audit Committee meeting.

Audit tendering

The Audit Committee has noted the changes to the Code, the recent findings of the Competition Commission and the Guidance for Audit Committees issued by the Financial Reporting Council, each in the context of tendering for the external audit contract at least every ten years. The Company's external audit was last tendered in 2005, resulting in a change of external auditors in 2006 to PricewaterhouseCoopers LLP. Since 2006, there have been two different senior statutory auditors in line with the required rotation timetable. Having previously conducted a full tender exercise and considered retendering in subsequent years, the Committee will continue to give consideration to the timing of the next formal tender in light of the regulatory requirements and any further changes in the regulatory framework. In any event, we do not anticipate that this will be earlier than the date of the rotation of the current senior statutory auditor. There are no contractual obligations that restrict the choice of external auditors.

Effectiveness of external 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, including where the auditor provides non-audit services. easyJet monitors the auditors' performance, behaviour and effectiveness during the exercise of their duties, which informs the Audit Committee's decision to recommend reappointment on an annual basis. This included this year obtaining a report on the auditors' own quality control procedures and consideration of their annual audit quality and transparency report.

Non-audit services

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. In order to preserve auditor objectivity and independence, PricewaterhouseCoopers LLP are not asked to provide consulting services unless this is in the best interests of the Company. In the current financial year, PricewaterhouseCoopers LLP did provide services in reporting on profit forecast and working capital in connection with the fleet order circular which falls under the Listing Rules as a class 1 transaction. It was considered that the services should be provided by the external auditor given their existing knowledge of the business, working capital and profits. It was also determined that the nature of the work would not undermine auditor objectivity and independence. This additional scope of work is in line with easyJet's non-audit services policy which is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com. In the financial year, easyJet spent £0.3 million with PricewaterhouseCoopers LLP (2012: £nil) in respect of non-audit services.

David Bennett

David Bennett
Chairman of the Audit Committee

18 November 2013

ANNUAL STATEMENT BY THE CHAIRMAN OF THE REMUNERATION COMMITTEE

Charles Gurassa
Chairman of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' remuneration report for the year ended 30 September 2013.

Performance of the Company in 2013

easyJet has continued to deliver sustainable returns and growth for our shareholders. The key highlights are as follows:

- profit before tax up by 50.9% to £478 million;
- 8.5 percentage point growth in ROCE (excluding lease adjustments) from 14.5% in 2012 to 23.0% in 2013. ROCE (including lease adjustments) increased from 11.3% to 17.4% in the year;
- strong, sustained on-time performance of 87.4% of arrivals within 15 minutes; and
- increasing dividend with a proposed ordinary dividend of 33.5 pence per share and a special dividend of 44.1 pence per share.

Aligning remuneration policy with Company principles

Simple and cost effective approach – In line with our low cost and efficient business model, the Committee has chosen to set a simple pay package against the market. For example, our Executive Directors receive minimal benefits (see page 75).

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 the amount paid to our Directors.

Key pay outcomes in respect of 2013

The basic salary of the Chief Executive Officer (CEO) will increase by 2.5% from £665,000 (as it has been since appointment in July 2010) to £681,600 and the salary of the Chief Financial Officer (CFO) will similarly increase from £410,000, to £420,250, each with effect from 1 January 2014.

Annual bonuses are based on profit before tax and key operational targets. Bonuses of 86.7% of the maximum were awarded to the CEO and CFO, in respect of 2013. This reflects the strong financial and operational results the Company has achieved.

In addition to the portion of the bonus subject to compulsory deferral, Carolyn McCall chose to defer the maximum 50% of her bonus into shares for three years under the Matching Share Award element of the Long Term Incentive Plan (LTIP) and Chris Kennedy chose to defer the maximum one third of his bonus.

Under the LTIP, Performance Share Awards made in March 2011 are due to vest in March 2014. These awards are based on ROCE performance (excluding operating lease adjustments) for the financial year ended 30 September 2013. The Company achieved ROCE (excluding operating lease adjustments) performance of 23.0% reflecting exceptional performance over the period, resulting in 100% of the awards being earned, subject to continued employment to the vesting date.

Remuneration policy for 2014

The Directors' remuneration policy is set out for shareholder approval in the policy report on pages 74 to 81. Details on how the policy will be applied in practice for the 2014 financial year are set out in the Annual Report on Remuneration on page 81. Following the changes made to the remuneration policy last year, no structural changes are proposed for the coming year. The Committee will be reviewing the Long Term Incentive Plan, which reaches the end of its 10 year term in 2015. This review will include looking at the timeframe of the LTIP, the policy on Matching Shares and the possibility of introducing a minimum holding period for the after tax value of shares after vesting.

Shareholder feedback

We are committed to maintaining an open and transparent dialogue with shareholders. The objective of this report is to communicate clearly 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
Chairman of the Remuneration Committee

18 November 2013

WHAT IS IN THIS REPORT?

This report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes the implementation of that policy and discloses the amounts paid relating to the year ended 30 September 2013.

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) (Amendment) Regulations 2013. The report has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UKLA Listing Rules.

The Directors' remuneration policy (set out on pages 74 to 81) will be put to shareholders for approval in a binding vote at the AGM. The effective date of the policy is 13 February 2014 which is the date shareholder approval is being sought for the policy for the first time under the new reporting rules. The policy remains consistent with that operated during the 2013 financial year and approved at the 2013 AGM under the previous reporting framework, following extensive consultation with shareholders.

The Annual Statement by the Chairman of the Remuneration Committee (set out on page 73) and the Annual Report on Remuneration (set out on pages 81 to 88) will be subject to an advisory vote at the AGM.

OUR REMUNERATION POLICY

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.

What does the Committee consider when setting remuneration?

When setting the policy for Executive Directors' remuneration, the Committee takes into account total remuneration levels operating in companies of a similar size and complexity, the responsibilities of each individual role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is to weight remuneration towards variable pay. This is typically achieved through setting base pay up to market median levels, offering very modest pension and benefits and above market variable pay opportunity linked to the achievement of very demanding performance targets.

In setting remuneration for the Executive Directors, the Committee does take note of the overall approach to reward for employees in the Group and salaries increases will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. The Committee does not formally consult directly with employees on executive pay but does receive periodic updates from the Group People Director.

The Committee also considers developments in institutional investors' best practice expectations and the views expressed by shareholders during any dialogue.

How do you take into account the views of shareholders when you determine the remuneration policy?

We remain committed to shareholder dialogue and take an active interest in voting outcomes. We consult extensively with our major shareholders when setting our remuneration policy. If any of these shareholders are opposed to our policy, we would endeavour to meet with them, as appropriate, to understand and respond to any issues they may have.

HOW IS REMUNERATION STRUCTURED?

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
Salary	To provide the core reward for the role. Sufficient level to recruit and retain individuals of the necessary calibre to execute the Company's business strategy.	Base salaries are normally reviewed annually, with changes effective from 1 January. Salaries are typically set after considering the salary levels in companies of a similar size and complexity, the responsibilities of each individual role, progression within the role, individual performance and an individual's experience. Our overall policy, having had due regard to the factors noted, is normally to target salaries up to the market median level. Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) in line with those of the wider workforce. Increases beyond those granted to the wider workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, progression in the role, experience or a significant increase in the scale of the role and/or size, value and/or complexity of the Group. Salary levels for current incumbents for the 2014 financial year are as follows: • Chief Executive: £681,600. • Chief Financial Officer: £420,250.	The Committee considers individual salaries at the appropriate Committee meeting each year after having due regard to the factors noted in operating the salary policy. No recovery provisions apply to salary.
Benefits	In line with the Company's strategy to keep remuneration simple and consistent.	Executive Directors receive modest personal accident and life assurance cover (0.5 x salary), at the same levels as the wider employee population. The cost to the Company of providing these benefits may vary from year to year depending on the cost of insuring the benefit. Executive Directors receive no other conventional executive Company benefits. Executive Directors can pay for voluntary benefits, where Company purchasing power may provide an advantage to employees. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees. Should it be appropriate to recruit a director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment as opposed to providing the benefits detailed above).	Not applicable. No recovery provisions apply to benefits.
Pension	To provide employees with long-term savings via modest pension provisions in line with the Company's strategy to keep remuneration simple and consistent.	Defined contribution plan with the same monthly employer contributions as those offered to eligible employees below the Board of 7% of basic salary. A cash alternative may be considered. While individuals are not obliged to make a contribution, easyJet operates a pension salary sacrifice arrangement where individuals can exchange part of 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).	Not applicable. No recovery provisions apply to pension benefits.

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
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.	Maximum opportunity of 200% of salary for CEO and 150% of salary for other Executive Directors. One third of the bonus earned is subject to compulsory deferral into shares (or equivalent) typically for a period of three years and is normally subject to continued employment. Executive Directors can choose to voluntarily defer a further portion of their bonus into shares for three years which may be eligible for a Matching Share Award under the LTIP (see below). The remainder of the bonus is paid in cash. Dividend equivalent payments may be made (in cash or shares) under the Deferred Share Bonus Plan, at the time of vesting and may assume the reinvestment of dividends. All bonus payments are at the discretion of the Committee, as shown following this table.	Bonuses are based on stretching financial, operational and, in some cases, personal/departmental performance measures as set and assessed by the Committee in its discretion. Financial measures (e.g. profit before tax) will represent the majority of bonus, with other measures representing the balance. A sliding scale of targets is set for each measure, with 10% of each element being payable for achieving the relevant threshold hurdle. Safety 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 which it considers warrants the use of such discretion. The cash and deferred elements of bonuses are subject to clawback at the discretion of the Committee in the event of a misstatement of results for the year to which the bonus relates, or an error in determining the cash bonus or the number of shares comprising a deferred share award within three years of the payment of the cash bonus.
LTIP Matching Share Award	To incentivise and recognise execution of the business strategy over the longer term. Rewards strong financial performance and sustained increase in shareholder value.	Each year, the Executive Directors can voluntarily defer a portion of their bonus which is invested (after tax) into shares for three years. The maximum voluntary deferral is restricted to: • CEO: half of bonus; and • Other Executive Directors: one third of bonus. The maximum voluntary investment is therefore limited to 100 per cent of salary in the case of the CEO and 50 per cent of the salary in case of the CFO. The amount they defer may be eligible for a 1:1 match, based on the number of pre-tax shares deferred. Vesting of matching shares is dependent on the delivery of performance goals. Awards normally vest over a three year period. A dividend equivalent provision exists which allows the Committee to pay dividends on vested shares (in cash or shares) at the time of vesting and may assume the reinvestment of dividends.	Matching Share Awards vest based on three year performance against a challenging range of financial targets and relative Total Shareholder Return (TSR) performance set and assessed by the Committee in its discretion. Financial targets will determine vesting in relation to at least 50% of a Matching Share Award. 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. 25% of each element vests for achieving the threshold performance target with 100% of the awards being earned for maximum performance. (There is straight line vesting between these points.) The Matching Share Awards can be reduced (clawback) at the discretion of the Committee within three years of vesting, in the event of a misstatement of the results or an error in determining the extent to which performance targets were met.

Element	Purpose and link to strategy	Operation (including maximum levels)	Framework used to assess performance and provisions for the recovery of sums paid
LTIP Performance Share Award	To incentivise and recognise execution of the business strategy over the longer term. Rewards strong financial performance and sustained increase in shareholder value.	Each year Performance Shares may be granted which can be earned subject to the delivery of performance goals. Awards normally vest over a three year period. Maximum opportunity contained within the plan rules is 200% of salary. The current maximum face value of annual awards will be 200% of salary for the current CEO and 150% of salary for the current CFO. The dividend provisions are as described for the Matching Share Award.	The performance targets are as described above for the Matching Share Award. The clawback provisions are as described above in relation to Matching Share Awards.
Share ownership	To ensure alignment between Executive Directors and shareholders.	175% of salary holding required for Executive Directors expected to be reached within five years of appointment. Executive Directors are required to retain half of the post-tax shares vesting under the LTIP until the guideline is met.	Not applicable.

What discretions are retained by the Committee in operating its incentive plans?

The Committee will operate the annual bonus, LTIP and Deferred Share Bonus Plan according to their respective rules (or relevant documents) and in accordance with the Listing Rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans.

These include, but are not limited to, the following in relation to the LTIP and Deferred Share Bonus Plan:

- the participants;
- the timing of grant of an award;
- the size of an award;
- the determination of vesting;
- discretion required when dealing with a change of control or restructuring of the Group;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen;
- adjustments required in certain circumstances (e.g. rights issues, corporate restructuring events and special dividends); and
- the annual review of performance measures and weighting, and targets for the LTIP from year to year.

In relation to the annual bonus plan, the Committee retains discretion over:

- the participants;
- the timing of grant of a payment;
- the determination of the bonus payment;
- dealing with a change of control;
- determination of the treatment of leavers based on the rules of the plan and the appropriate treatment chosen; and
- the annual review of performance measures and weighting, and targets for the annual bonus plan from year to year.

In relation to both the Company's LTIP and annual bonus plan, the Committee retains the ability to adjust the targets and/or set different measures if events occur (e.g. material acquisition and/or divestment of a Group business) which cause it to determine that the conditions are no longer appropriate and the amendment is required so that the conditions achieve their original purpose and are not materially less difficult to satisfy.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

The use of discretion in relation to the Company's Sharesave and Share Incentive Plan will be as permitted under HMRC rules and the Listing Rules.

Details of share awards granted to existing Executive Directors are set out on page 85 of the Annual Report on Remuneration. These remain eligible to vest based on their original award terms.

How did we choose performance metrics and how do we set performance targets?

The performance metrics that are used for our annual bonus and LTIP have been selected to reflect the Group's key performance indicators.

Profit before tax is used to assess annual performance as this reflects how successful we have been in managing our operations effectively (e.g. in maximising profit per seat whilst maintaining a high load factor). The balance is determined based on how well we perform against other specific key performance indicators set annually (e.g. on-time performance and customer satisfaction) to ensure that Executive Directors are motivated to deliver across a scorecard of objectives.

Since safety is of central importance to the business, the award of any bonus is subject to an underpin that enables the Remuneration Committee to reduce the bonus earned in the event that there is a safety event that occurs that it considers warrants the use of such discretion.

LTIP awards are earned for delivering performance against ROCE (which, since December 2012 has included operating lease adjustments) and relative TSR targets. These seek to assess the underlying financial performance of the business while maintaining clear alignment between shareholders and Executive Directors.

Targets are set based on a sliding scale that takes account of relevant commercial factors. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of our challenging plans.

No performance targets are set for Sharesave and Share Incentive Plan awards since these form part of all-employee arrangements that are purposefully designed to encourage employees across the Group to purchase shares in the Company.

Have LTIP Awards always been granted subject to the same performance targets?

The LTIP, under which the Performance and Matching Share Awards are granted, was approved by shareholders in 2008. Further details on how the awards are structured and operated are set out in the plan rules which are available on request from the Company.

The policy set out above applies to awards granted from the 2013 financial year onwards. Awards granted under the previous policy, are subject to different performance measures (typically ROE or ROCE as the sole performance measure), have different award levels and may be earned in line with the terms of their grant in due course. Details of all the outstanding share awards granted to existing Executive Directors are set out in the Annual Report on Remuneration.

How does the executive pay policy differ from that for other easyJet employees?

The remuneration policy for the Executive Directors is more heavily weighted towards variable pay than for other employees to make a greater part of their pay conditional on the successful delivery of business strategy. This aims to create a clear link between the value created for shareholders and the remuneration received by the Executive Directors. However, in line with the Company's strategy to keep remuneration simple and consistent, the benefit and pension arrangements for the current Executive Directors are on the same terms as those offered to eligible employees below the Board.

How much could the Executive Directors earn under the remuneration policy?

A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts on page 79 show how much the CEO and CFO could earn under easyJet's remuneration policy (as detailed above) under different performance scenarios (based on their salaries as at 1 October 2013). The following assumptions have been made:

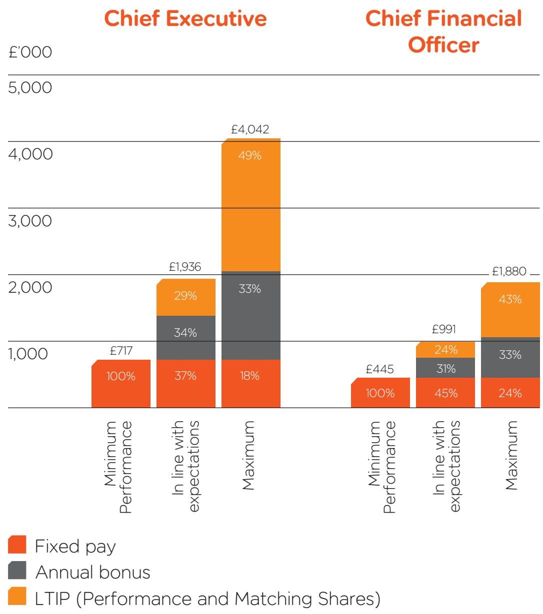
- **Minimum (performance below threshold)** – Fixed pay only with no vesting under any of easyJet's incentive plans.
- **In line with expectations** – Fixed pay plus a bonus at the mid-point of the range (giving 50% of the maximum opportunity and assuming half of the maximum voluntary deferral) and vesting of one third of the maximum under the Performance and Matching Share elements of the LTIP.
- **Maximum (performance meets or exceeds maximum)** – Fixed pay plus maximum bonus (with maximum voluntary deferral) and maximum vesting under the Performance and Matching Shares elements of the LTIP.

Fixed pay comprises:

- salaries – salary effective as at 1 October 2013;
- benefits – amount received by each Executive Director in the 2013 financial year;
- pension – amount received by each Executive Director in the 2013 financial year; and
- Free and Matching Shares under the all employee share incentive plan.

The scenarios do not include any share price growth or dividend assumptions.

It should be noted that since the analysis above shows what could be earned by the Executive Directors based on the 2014 financial year remuneration policy described above (ignoring the potential impact of share price growth), the numbers will be different to the values included in the table on page 83 detailing what was actually earned by the Executive Directors in relation to the financial year ended 30 September 2013, since these values are based on the actual levels of performance achieved to 30 September 2013 and include the impact of share price growth in relation to share awards.



What are the Executive Directors' terms of employment?

Under the Executive Directors' service contracts both parties are required to give 12 months' notice of termination of employment.

For Executive Directors, if notice is served by either party, the Executive Director can continue to receive basic salary, benefits and pension for the duration of their notice period during which time the Company may require the individual to continue to fulfil their current duties or may assign a period of garden leave.

The policy for a new hire would be based on similar terms and will also include the ability for easyJet to make a payment in lieu of notice of up to 12 monthly instalments which would be reduced if alternative employment was taken up.

Under the current CEO's contract, the Company, by mutual consent, may elect to make a payment in lieu of notice equivalent in value to 12 months' basic salary, payable in monthly instalments which would be subject to mitigation if alternative employment is taken up during this time. Alternatively, this payment may be paid as a lump sum. Bonus payments may be made, payable in cash, on a pro-rata basis, but 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. The current CEO has a contractual entitlement to such a pro-rated payment under her service contract, other than in the cases of resignation or gross misconduct. These provisions do not apply to the CFO.

The Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are available for inspection by shareholders at the Company's registered office.

What is our policy when an Executive Director leaves or there is a takeover?

The rules of both schemes (LTIP and Deferred Share Bonus Plan) set out what happens to awards if a participant ceases to be an employee or Director of easyJet before the end of the vesting period. Generally, any outstanding share awards will lapse on such cessation, except in certain circumstances.

If the Executive Director ceases to be an employee or Director of easyJet as a result of death, injury, retirement, the sale of the business or company that employs the individual or any other reason at the discretion of the Committee, then they will be treated as a 'good leaver' under the plan rules. Under the Deferred Share Bonus Plan, the shares for a good leaver will normally vest in full on the normal vesting date (or on cessation of employment in the case of death) and if the award is in the form of an option, there is a 12 month window in which the award can be exercised. Awards structured as options which have vested prior to cessation can be exercised within 12 months of cessation of office or employment.

Under the LTIP, a good leaver's unvested awards will vest (either on the normal vesting date or the relevant date of cessation, as determined by the Committee) subject to achievement of any relevant performance condition, with a pro-rata reduction to reflect the proportion of the vesting period served (although the Committee has the discretion to disapply time pro-rating if it considers it appropriate to do so). A good leaver may exercise their vested awards structured as options for a period of 12 months following the individual's cessation of office or employment, whereas unvested awards may be exercised within 12 months of vesting.

In determining whether an Executive Director should be treated as a good leaver and the extent to which their award may vest, the Committee will take into account the circumstances of an individual's departure. In the event of a takeover or winding-up of easyJet (which is not part of an internal reorganisation of the easyJet Group in circumstances where equivalent replacement awards are not granted) all awards will vest subject to, in the case of LTIP awards, the achievement of any relevant performance conditions with a pro-rata reduction to reflect the proportion of the vesting period served. The Committee has discretion to disapply time pro-rating if it considers it appropriate to do so. In the event of an internal reorganisation, the Committee may determine, with the agreement of the acquiring company, that awards will be exchanged for equivalent awards in another company.

What is the policy on Executive Directors holding external appointments?

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.

What would the remuneration policy be if a new Director was appointed?

Base salary levels will be set in accordance with easyJet's remuneration policy, taking into account the experience and calibre of the individual (e.g. typically up to median market levels but salaries above or below this level may be set dependent upon the level of the individual). Where it is appropriate to offer a lower salary initially, a series of increases to achieve the desired salary positioning may be given over the following few years subject to individual performance. Benefits will be provided in line with those offered to other employees, with relocation expenses/arrangements provided for if necessary. easyJet may offer a cash amount on recruitment, payment of which may be staggered, to reflect the value of benefits a new recruit may have received from a former employer.

Should it be appropriate to recruit a director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment).

The maximum level of variable pay that may be offered on an ongoing basis and the structure of remuneration will be in accordance with the approved policy detailed above (i.e. at an aggregate maximum of up to 500% of salary (200% annual bonus, 200% Performance Shares and 100% Matching Shares under the LTIP), taking into account annual and long-term variable pay). This limit does not include the value of any buyout arrangements.

Different performance measures may be set initially for the annual bonus, taking into account the responsibilities of the individual, and the point in the financial year that they joined. Any incentive offered above this limit would be contingent on the Company receiving shareholder approval for an amendment to its approved policy at its next General Meeting.

The above policy applies to both an internal promotion to the Board or an external hire.

In the case of an external hire, if it is necessary to buy-out incentive pay or benefit arrangements (which would be forfeited on leaving the previous employer), this would be provided for taking into account the form (cash or shares) and timing and expected value (i.e. likelihood of meeting any existing performance criteria) of the remuneration being forfeited. Replacement share awards, if used, will be granted using easyJet's existing share plans to the extent possible, although awards may also be granted outside of these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal hire, any outstanding variable pay awarded in relation to the previous role will be allowed to pay out according to its terms of grant (adjusted as relevant to take into account the Board appointment).

On the appointment of a new Chairman or Non-Executive Director, the fees will be set taking into account the experience and calibre of the individual. Where specific cash or share arrangements are delivered to Non-Executive Directors, these will not include share options or other performance-related elements.

How are the Non-Executive Directors paid?

The Chairman, Deputy Chairman and Non-Executive Directors receive an annual fee (paid in monthly instalments). The fee for the Chairman is set by the Remuneration Committee and the fees for the Non-Executive Directors are approved by the Board, on the recommendation of the Chairman and Chief Executive.

Element	Purpose and link to strategy	Operation (including maximum levels)
Fees	To attract and retain a high-calibre Chairman, Deputy Chairman and Non-Executive Directors by offering market competitive fee levels.	The Chairman is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with supplementary fees payable for additional Board responsibilities. The Non-Executive Directors do not participate in any of the Company's incentive arrangements. The fee levels are reviewed on a periodic basis, and may be increased taking into account factors such as the time commitment of the role and market levels in companies of comparable size and complexity. Flexibility is retained to go above the current fee levels if necessary to do so to appoint a new Chairman or Non-Executive Director of an appropriate calibre. No benefits or other remuneration are provided to Non-Executive Directors. Fee levels for current incumbents for 2013/14 are as follows: • Non-Executive Chairman: £300,000; • Non-Executive Director Base Fee: £60,000; • supplementary fee for Deputy Chairman and Senior Independent Director (SID) role: £25,000; and • supplementary fee for Chairmen of the Audit, Remuneration and Safety Committees £15,000. Finance Committee Chairman £10,000.

Governance

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

The Chairman, Deputy Chairman and Non-Executive Directors' terms of appointment are recorded in letters of appointment, which are usually renewed every three years. The required notice from the Company is three months in all cases. The Non-Executive Directors are not entitled to any compensation on loss of office.

OUR ANNUAL REPORT ON REMUNERATION

Who is on our Remuneration Committee?

The members of the Committee are: Charles Gurassa (Chairman), 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 66.

The CEO attends meetings by invitation and assists the Committee in its deliberations as appropriate. The Committee also received assistance from the Group People Director and the Group Head of Reward. The Group Company Secretary acts as secretary to the Committee. No Executive Directors are involved in deciding their own remuneration.

The Remuneration Committee is advised by New Bridge Street ("NBS"), a trading name of Aon plc. NBS was appointed by the Company in 2004. NBS provided advice keeping the Committee up to date on developments in executive pay and on the operation of easyJet's incentive plans. The total fees paid to NBS in respect of service to the Committee during the year were £143,000. NBS is a signatory to the Remuneration Consultants' Code of Conduct. Aon plc also assisted easyJet with operating an employee engagement survey. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice it receives is independent and objective.

How will the Remuneration Policy be applied for the 2014 financial year?

What are the Executive Directors' current salaries?

The Executive Directors' salaries for the 2014 financial year are as follows:

	1 January 2014[1] salary	1 October 2012 salary	Change
CEO	£681,600	£665,000	2.5%
CFO	£420,250	£410,000	2.5%

1 To ensure consistency across the Group, salary increases are effective from 1 January from 2014 onwards. This is now the policy on an on-going basis.

How will annual performance be rewarded for performance in the 2014 financial year?

The annual bonus for the 2014 financial year will operate on the same basis as for 2013 financial year and will be consistent with the policy detailed in the Remuneration policy section of this report in terms of the maximum bonus opportunity, deferral and clawback provisions. The measures have been selected to reflect a range of financial and operational goals that support the key strategic objectives of the Company.

The performance measures and weightings will be as follows:

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

The proposed target levels for 2014 have been set to be challenging relative to the 2014 business plan.

The targets themselves, as they relate to the 2014 financial year, are deemed to be commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report to the extent that they do not remain commercially sensitive at that time. 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 will the LTIP be operated in relation to the 2014 financial year awards?

The award levels of Performance Shares for the Executive Directors in the 2014 financial year are 200% of salary for the Chief Executive and 150% of salary for the Chief Financial Officer.

If Executive Directors elect to voluntarily defer more of their bonus into shares beyond the compulsory deferred element, Matching Share Awards may be granted. The amount they voluntarily defer may be eligible for a 1:1 match dependent on the delivery of performance goals, with awards vesting over a three year period. The CEO may voluntarily defer up to 50% of the annual bonus earned and the CFO may defer up to 33% of the bonus earned. The CEO and CFO both deferred the maximum amount of their 2013 financial year bonus and will be eligible for Matching Awards on these amounts.

The 2014 financial year LTIP awards (Performance and Matching Share Awards) will be subject to the following performance conditions:

	Below Threshold (0% vesting)	Threshold (25% vesting)	On-target (40% vesting)	Maximum (100% vesting)
ROCE (50% of total award)	15.0%	15.0%	18.5%	20.0%

	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
TSR (50% of total award)	< median	median	upper quartile

Awards vest on a straight line basis between these points. As with the awards granted in the 2013 financial year the ROCE targets are based on average ROCE (including operating lease adjustments) over the three year performance period (being three financial years from 1 October 2013). The TSR targets are based on relative TSR compared to companies ranked FTSE 51-150 at the date of grant, where the average share price is calculated over three months at the start and end of the period. In addition, in order for the TSR awards to vest, easyJet must have achieved positive absolute TSR performance over the performance period. The Executive Directors have confirmed that they will retain the after tax value of shares for a minimum of six months from the vesting of this award.

These targets will require management to deliver strong, sustainable performance over the period.

How will the Non-Executive Directors be paid in the 2014 financial year?

The fees for the Chairman and Non-Executive Directors will be as follows:

	FY 2014	FY 2013
Chairman	£300,000	£300,000
Basic fee for other Non-Executive Directors	£60,000	£55,000
Fees for Deputy Chairman and SID Role	£25,000	£25,000
Chairmen of the Audit, Safety and Remuneration Committees	£15,000	£10,000
Chairman of the Finance Committee	£10,000	£10,000

Basic fees were reviewed and increased on 1 October 2013; the previous rates had been in place since October 2010. Fees for the Chairmen of the Audit, Safety and Remuneration Committees were also increased at this time to reflect the increasing workload of these Committees.

What did the Directors earn in relation to the 2013 financial year?

We have set out the amount earned by the Directors in the table below (£000) (Audited):

	2013						2012					
£'000	**Fees and Salary**	**Benefits[3]**	**Bonus[4]**	**LTIP[5]**	**Pension[6]**	**Total**	Fees and Salary	Benefits	Bonus	LTIP	Pension	Total
Executive												
Carolyn McCall OBE	**665**	**5**	**1,153**	**4,565**	**47**	**6,435**	665	5	1,274	1,703	47	3,694
Chris Kennedy	**410**	**5**	**533**	**2,746**	**30**	**3,724**	400	5	373	1,024	29	1,831
Non-Executive												
John Barton[1]	**125**	**–**	**–**	**–**	**–**	**125**	–	–	–	–	–	–
Sir Michael Rake[2]	**175**	**–**	**–**	**–**	**–**	**175**	300	–	–	–	–	300
Charles Gurassa	**90**	**–**	**–**	**–**	**–**	**90**	85	–	–	–	–	85
David Bennett	**75**	**–**	**–**	**–**	**–**	**75**	65	–	–	–	–	65
Rigas Doganis	**63**	**–**	**–**	**–**	**–**	**63**	55	–	–	–	–	55
John Browett	**55**	**–**	**–**	**–**	**–**	**55**	55	–	–	–	–	55
Keith Hamill OBE	**55**	**–**	**–**	**–**	**–**	**55**	60	–	–	–	–	60
Adèle Anderson	**55**	**–**	**–**	**–**	**–**	**55**	55	–	–	–	–	55
Andy Martin	**55**	**–**	**–**	**–**	**–**	**55**	55	–	–	–	–	55
Total	**1,823**	**10**	**1,686**	**7,311**	**77**	**10,907**	1,795	10	1,647	2,727	76	6,255

1 Appointed to the Board on 1 May 2013
2 Retired from the Board on 1 May 2013
3 Benefits relates to the cost to the Company of personal accident and life assurance cover and the value of free and matching shares during the year under the Company's Share Incentive Plan.
4 One third of the bonus will be compulsorily deferred in shares for three years and subject to forfeiture. Carolyn McCall chose to defer the maximum 50% of her bonus and Chris Kennedy chose to defer the maximum one third of his bonus.
5 This relates to the 2011 LTIP awards which vests in March 2014 based on performance measured to 30 September 2013. For the purposes of this table, the award has been valued using the average share price over the three months to 30 September 2013 of £13.254. This compares to £3.379 at grant.
6 Chris Kennedy received £1,315 in exchange for sacrificing salary into the pension scheme, in line with easyJet's SMART pension arrangements. Carolyn McCall has reached her lifetime pension limit and receives a cash alternative (of £47,000) in lieu of pension contributions.

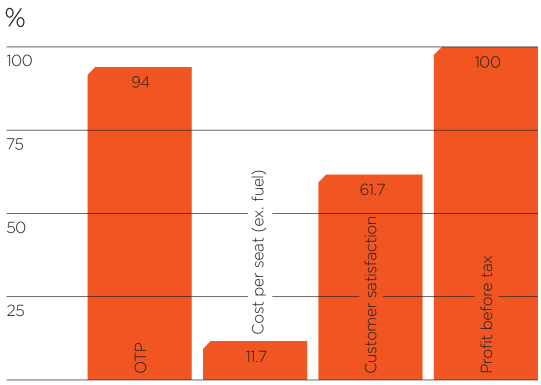
How was pay linked to performance in 2013?

	As a percentage of maximum bonus opportunity		Performance required			Actual	Payout
Measure	CEO	CFO	Threshold	On-Target	Maximum		
Profit before tax (£m)	70%	60%	283	315	362	478	100%
On-time performance	10%	10%	80%	83%	88%	87%	94%
Customer satisfaction targets[1]	10%	10%	77%	82%	85%	83%	62%
Cost per seat (ex. fuel)[2]	10%	10%	£36.82	£36.59	£36.24	£36.81	11.7%
Departmental objectives	–	10%	Successful	Exceeding	Outstanding	Outstanding	100%

1 easyJet changed survey provider during the year and future targets will be set on the basis of a different survey provided by Milward Brown. For future reference, the correlated customer satisfaction scores for achievement and targets above, on the basis of the new provider, would be: 80.4% achieved versus targets of 74.8% threshold, 79.7% on target and 82.6% stretch.
2 Cost per seat (excluding fuel) targets are at constant (plan) currency.

Annual bonus

The following chart shows the performance against bonus targets for 2013:



A sliding scale of targets for each objective was set at the start of the financial year. 10% of each element is payable for achieving the threshold target, increasing to 50% for on-target performance and 100% for achieving maximum 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 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. No such event occurred in 2012/13.

Performance highlights during the year were:

- profit before tax – Achievement was up by 50.9% to £478 million and pre-tax profit margins grew by 3 percentage points to 11.2%, considerably exceeding market consensus at the time the targets were set;
- on-time performance – Strong sustained on-time performance of 87.4% of arrivals within 15 minutes;
- customer satisfaction targets – 82.7% of customers satisfied with the service;
- total costs per seat excluding fuel at constant currency – 3.9% increase, reflecting increases at regulated airports and increased use of de-icing fluid following one of the longest periods of adverse weather experienced across the network in recent years; and
- CFO's departmental objectives – These were met in full.

86.7% of the maximum bonus was awarded to the CEO and CFO in respect of performance for the year ended 30 September 2013. This resulted in a bonus payment of £1,153,110 to the CEO and £533,205 to the CFO. One-third of the bonus is compulsorily deferred into shares for three years and subject to continued employment. In addition, Executive Directors can voluntarily defer a portion of their bonus which may be eligible for Matching Share Awards.

The Committee is satisfied with the overall payments in light of the level of performance achieved.

LTIP

The awards made to Executive Directors in 2011 were subject to ROCE (excluding operating lease adjustments) performance in the financial year ended 30 September 2013. The percentage which could be earned was determined using the following vesting schedule:

ROCE y/e 30 September 2013	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Award One (up to 100% of salary)	7.0%	8.5%	12.0%
Award Two (over 100% of salary)	10.0%	12.0%	13.0%

There were no Matching Awards made in 2011.

ROCE (excluding operating lease adjustments) in the year ended 30 September 2013 was 23%; correspondingly 100% of awards are due to vest in March 2014, subject to continued service.

What LTIP awards were granted to Directors in the year?

Performance and Matching Share Awards were made in the year under the LTIP scheme. Details of the awards made to the Executive Directors are summarised below, with further details given in the table on outstanding share interests on page 85.

	Award	Type	Number of Shares	Face value[1] (percentage of salary)	Performance condition[2]	Performance period	% vesting at threshold performance
CEO	Performance	Nil cost option	180,461	£1,329,998 (200%)	50% based on average ROCE[4] and 50% based on relative TSR[5] (versus FTSE 51-150)	3 financial years ending 30 September 2015	25%
	Matching		86,438	£637,048 (96%)[3]			
CFO	Performance	Nil cost option	83,446	£614,997 (150%)			
	Matching		16,878	£124,391 (30%)[3]			

1 Face value calculated based on the grant date share price of 737p on 18 December 2012.
2 Performance conditions are set out on pages 76 and 77.
3 Matching awards are granted over an equal number of shares as the Executive Directors voluntarily defer bonus (pre-tax).
4 ROCE (including operating lease adjustments) 12% threshold to 16% maximum.
5 In addition, the TSR awards will not vest unless there has been positive TSR over the performance period.

Have there been any payments to past Directors? (Audited)

There have been no payments made to past directors during the year.

What about payments for loss of office? (Audited)

Sir Michael Rake stood down as Chairman of the Board on 1 May 2013. He was paid a fee up until his date of departure. He did not receive any payment for loss of office.

What share awards do the Executive Directors have outstanding at the year end?

Details of share options and share awards outstanding at the year end are shown in the following tables (Audited):

Carolyn McCall OBE

Scheme	No. of shares/ options at 30 September 2012[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2013[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry Date
A	335,096	–	(27,981)	(107,490)	**199,625**	5 Jul 2010[2]	–	£11.97	5 Jul 2013	5 Jul 2020
A	344,405	–	–	–	**344,405**	31 Mar 2011[3]	–	–	31 Mar 2014	31 Mar 2021
A	338,594	–	–	–	**338,594**	4 Jan 2012[4]	–	–	4 Jan 2015	4 Jan 2022
A	–	180,461	–	–	**180,461**	18 Dec 2012[5]			18 Dec 2016	18 Dec 2022
B	106,978	–	–	–	**106,978**	4 Jan 2012[4]	–	–	4 Jan 2015	4 Jan 2022
B	–	86,438	–	–	**86,438**	18 Dec 2012[5]	–	–	18 Dec 2016	18 Dec 2022
C	807	–	–	–	**807**	1 May 2011	–	–	1 May 2014	n/a
C	617	–	–	–	**617**	18 Apr 2012	–	–	18 Apr 2015	n/a
C	–	265	–	–	**265**	30 Apr 2013	–	–	30 Apr 2016	n/a
D	640	156	–	–	**796**	–	–	See note 6	–	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 September 2012[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2013[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry Date
A	201,562	–	(16,830)	(106,001)	**78,731**	5 Jul 2010[2]	–	£12.01	5 Jul 2013	5 Jul 2020
A	207,161	–	–	–	**207,161**	31 Mar 2011[3]	–	–	31 Mar 2014	31 Mar 2021
A	203,664	–	–	–	**203,664**	4 Jan 2012[4]	–	–	4 Jan 2015	4 Jan 2022
A	–	83,446	–	–	**83,446**	18 Dec 2012[5]			18 Dec 2016	18 Dec 2022
B	32,174	–	–	–	**32,174**	4 Jan 2012[4]	–	–	4 Jan 2015	4 Jan 2022
B	–	16,878	–	–	**16,878**	18 Dec 2012[5]	–	–	18 Dec 2016	18 Dec 2022
C	807	–	–	–	**807**	1 May 2011	–	–	1 May 2014	n/a
C	617	–	–	–	**617**	18 Apr 2012	–	–	18 Apr 2015	n/a
C	–	265	–	–	**265**	30 Apr 2013	–	–	30 Apr 2016	n/a
D	664	156	–	–	**820**	–	–	See note 6	–	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 30 September 2013 was £12.78 and the closing price range during the year ended 30 September 2013 was £5.92 to £14.48.

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 (SAYE)

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

Note 2: For LTIP awards made in March 2010, vesting was based on ROE performance in the financial year ended 30 September 2012, according to the following targets:

	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Award 1 (up to 100% of salary)	9.0%	12.0%	15.0%
Award 2 (over 100% of salary)	11.0%	13.0%	15.0%

As disclosed in last year's remuneration report, ROE in the year to 30 September 2012 was 14.6% (compared to 5.5% in the year prior to grant). Correspondingly 93.3% of award one and 90.0% of award two (or 91.7% of the overall award) vested in July 2013.

Note 3: For LTIP awards made in March 2011, vesting is based on ROCE (excluding operating leases adjustment) performance for the year to 30 September 2013. As disclosed on page 84, 100% of the award is due to vest in March 2014.

	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Award 1 (up to 100% of salary)	7.0%	8.5%	12.0%
Award 2 (over 100% of salary)	10.0%	12.0%	13.0%

Note 4: For LTIP awards made in January 2012, vesting is based on three year average ROCE (excluding lease adjustment) performance for the three financial years ending 30 September 2014. The following targets apply for these awards:

	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
Award 1 (up to 100% of salary)	8.0%	10.0%	12.0%
Award 2 (over 100% of salary)	11.5%	12.5%	13.0%

Note 5: For LTIP awards made in December 2012, 50% of vesting is based on three year average ROCE (including operating lease adjustment) performance for the three financial years ending 30 September 2015 and 50% of vesting is based on relative total shareholder return performance compared to companies ranked FTSE 51-150. The following targets apply for these awards:

	Below Threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
ROCE awards (50% of total award)	< 12.0%	12.0%	16.0%
TSR awards (50% of total award)	< median	median	upper quartile

In addition, the TSR awards will not vest unless there has been positive TSR over the performance period.

Note 6: Participants buy shares monthly under the Share Incentive Plan and the Company provides one matching share for each share purchased. These are first available for vesting three years after purchase.

What are the shareholding guidelines for Directors?

Executive Directors are required to build up a shareholding of 175% of salary, to be built up over 5 years from the adoption of the policy (27 September 2012) or their appointment (if later). 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 Non-Executive Directors, including the Chairman, are required to build up a shareholding of 100% of annual fees, to be built up over 3 years from the adoption of the policy or their appointment (if later).

What are the Directors' current shareholdings?

The following table provides details on the Directors' shareholdings as at 30 September 2013 (Audited):

	Beneficially owned shares[3]	% shareholding guideline achieved[4]	Interests in Shares			
Number			SAYE	LTIP[5]	SIP	Total
Carolyn McCall OBE	100,916	100%	3,133	1,256,501	2,485	1,262,119
Chris Kennedy	58,091	100%	3,133	622,054	2,509	627,696
John Barton[1]	20,000	85%	–	–	–	–
Sir Michael Rake[2]	–	–	–	–	–	–
Charles Gurassa	18,198	100%	–	–	–	–
Adèle Anderson	5,114	100%	–	–	–	–
David Bennett	9,166	100%	–	–	–	–
John Browett	4,312	100%	–	–	–	–
Professor Rigas Doganis	12,467	100%	–	–	–	–
Keith Hamill OBE	1,960	45%	–	–	–	–
Andy Martin	7,000	100%	–	–	–	–

1 Appointed to the Board on 1 May 2013.
2 Retired from the Board on 1 May 2013.
3 Includes any shares owned by connected persons.
4 Shares counting towards achievement of the guideline include beneficially owned shares.
5 LTIP are granted in the form of nil cost options subject to performance.

Note: Changes to the position above since 30 September 2013 can be found at our corporate website, http://corporate.easyjet.com

Executive Directors are deemed to be interested in the unvested shares held by the easyJet Share Incentive Plan and the easyJet plc Employee Benefit Trust. At 30 September 2013, ordinary shares held in the Trusts were as follows:

	Number
easyJet Share Incentive Plan Trust	3,597,798
easyJet plc Employee Benefit Trust	338,186
Total	**3,935,984**

Position against dilution limits

easyJet complies with the ABI Principles of Executive Remuneration. These principles require that commitments under all of the Company's share ownership schemes, must not exceed 10% of the issued share capital in any rolling 10 year period. The requirement for shares under all current share incentive schemes, (LTIP, Deferred Annual Bonus Plan, Save As you Earn and Share Incentive Plan) will be satisfied with share purchases on the market. The remaining 0.8 million options under the Discretionary Share Option Schemes, when or if exercised, will continue to be settled by the issue of new shares. The Company's current position against its dilution limit is therefore under the maximum 10% limit.

Employee share plan participation

easyJet encourages share ownership throughout the Company by the use of Performance (Free) Shares and Matching shares within a Share Incentive Plan and a Save As You Earn. Take up of the schemes remains high with over 91% of eligible staff participating in one or more of the plans during the year. 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 50.

Details of Directors' service contracts and letters of appointment

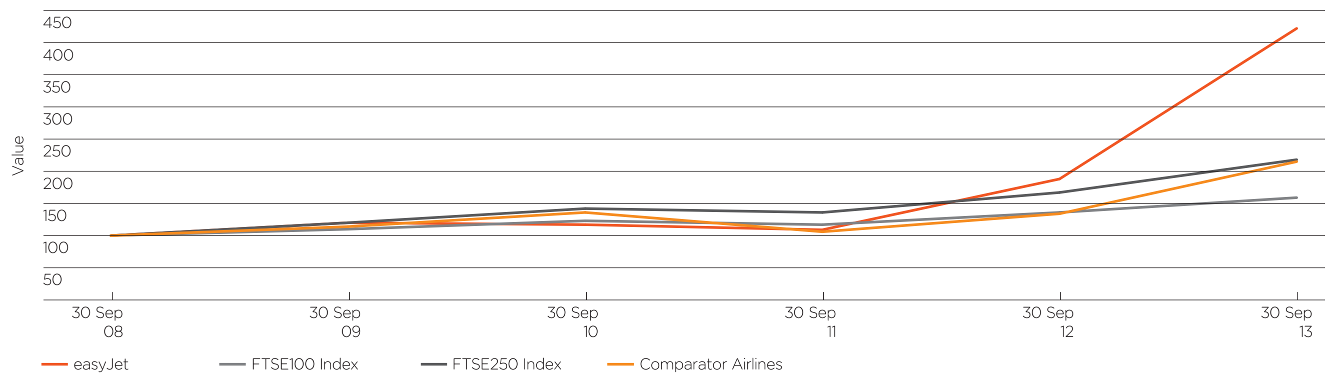
Details of the service contracts and letters of appointment in place as at 30 September 2013 for Directors are as follows:

	Date of current service contract or letter of appointment	Unexpired term at 30 September 2013
Carolyn McCall OBE	1 July 2010	–
Chris Kennedy	1 July 2010	–
John Barton	17 April 2013	2 years 7 months
Charles Gurassa	27 June 2011	9 months
Adèle Anderson	1 September 2011	11 months
David Bennett	26 September 2013	1 year
John Browett	26 September 2013	2 years 11 months
Professor Rigas Doganis	26 September 2013	1 year 2 months
Keith Hamill OBE	1 March 2012	1 year 5 months
Andy Martin	1 September 2011	11 months

Review of past performance

The chart below, sets out the total shareholder return performance of the Company relative to the FTSE 250, FTSE 100 and a group of European airlines[1]. The FTSE 100 and FTSE 250 were chosen as we have been members of both indices during the period.

Total shareholder return



Source: Thomson Reuters

This graph shows the value, by 30 September 2013 of £100 invested in easyJet on 30 September 2008 compared with the value of £100 invested in the FTSE 100 and FTSE 250 Index or a comparator group of airlines. The other points plotted are the values at intervening financial year-ends (overseas companies have been tracked in their local currency, i.e. ignoring exchange rate movements since 30 September 2008).

(1) 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, 2012 and 2013 as IAG.

The table below shows the total remuneration figure for the CEO over the same five year period. The total remuneration figure includes the annual bonus and LTIP awards which vested based on performance in those years. The annual bonus and LTIP percentages show the payout for each year as a percentage of the maximum.

	Year ended 30 September				
	2009	2010	2011	2012	**2013**
Single total figure of remuneration (£'000)	1,686	2,741	1,552	3,694	**6,435**[1]
Annual bonus (%)	88%	0%	63%	96%	**87%**
LTIP vesting (%)	0%	0%	0%	92%	**100%**

1 344,405 LTIP shares vesting for the period, share price is £13.254 (the average share price for the three months to 30 September 2013) an increase of 292% on the share price at grant of £3.379.

How does the change in CEO pay for the year compare to that for easyJet employees?

The table below shows the percentage year-on-year change in salary, benefits and annual bonus earned between the year ended 30 September 2013 and the year ended 30 September 2012 for the CEO compared to the average UK easyJet employee during each year.

%	Salary	Benefits	Annual Bonus
CEO	0%	0%	10% reduction
Average pay based on all easyJet's UK employees[1]	3%	3%	3%

1 Reflects the change in average pay for UK employees employed in both the year ended 30 September 2012 and the year ended 30 September 2013.

How much does easyJet spend on employee pay each year?

The table below shows the total pay for all of easyJet's employees compared to other key financial indicators.

	Year ended 30 September 2012	**Year ended 30 September 2013**	% change
Employee costs (£m)	476	**517**	8%
Ordinary dividend (£m)	85	**133**	56%
Special dividend (£m)	–	**175**	–
Average number of employees	8,206	**8,343**	2%
Revenues (£m)	3,854	**4,258**	10%
Profit before tax (£m)	317	**478**	51%

Additional information on the number of employees, total revenues and profit has been provided for context. The majority of easyJet's employees (around 85%) perform flight and ground operations, with the rest performing administrative and managerial roles.

What have Executive Directors earned for holding external appointments?

No fees were received by Executive Directors for external appointments during the year ended 30 September 2013.

How did shareholders vote on remuneration at the last AGM?

At the AGM in February 2013, the Directors' remuneration report received the following votes from shareholders:

Votes cast in favour	183,047,385	55.3%
Votes cast against	147,995,583	44.7%
Total votes cast in favour or against	331,042,968	100.0%
Votes withheld	487,819	

In line with the Company's commitment to ongoing dialogue with its shareholders, meetings are offered, where appropriate, to understand the reasons for any potential or actual opposition to the Company's remuneration policy. Changes are made to our policy where it is considered appropriate to do so (e.g. operating leases were incorporated into the definition of ROCE used for LTIP purposes in the year under review following feedback from the Company's major shareholders).

easyJet consulted extensively with shareholders in advance of the 2013 financial year Directors' remuneration report. In addition, we improved disclosure to enable other shareholders to take a fully informed view on the current remuneration framework policies and practices at easyJet. We met with the NAPF and the ABI, who recommended a vote for and gave a "blue top" report respectively.

In relation to voting at our 2013 AGM, 37.3% of the total shares able to be voted were cast against the resolution. Two of our top twenty shareholders voted against the resolution. However, all of our top 20 institutional shareholders voted in support of the resolution and the next largest shareholder voting against the resolution held just over 0.1% of the shares able to be voted.

Where individual shareholders voted against our policy, the Committee has sought to engage with them to understand their concerns as part of determining remuneration policy.

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, Luton, Bedfordshire, LU2 9PF.

The Directors present the Annual report and accounts for the year ended 30 September 2013. References to 'easyJet', the 'Group', and the 'Company', 'we' or 'our' are to easyJet plc or to easyJet and its subsidiary companies where appropriate.

Pages 1 to 90, 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.

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 its Articles of Association.

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 Share Dealing Code 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 UK 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 direction to vote or ordinary shares which are unallocated. Generally, on a poll the trustee shall vote in accordance with directions to vote given by participants. In the absence of directions or on a show of hands the trustee shall not vote.

The trustee of the easyJet plc Employee Benefit Trust (the Trust), which is used to purchase shares on behalf of the Company for the benefit of employees, including in connection with the easyJet Long Term Incentive Plan and the International Share Incentive Plan, has the power to vote or not vote at its absolute discretion in respect of any shares in the Company held unallocated in the Trust. However, in accordance with good practice, the trustee does not intend to vote on such shares.

Substantial interests

In accordance with the Disclosure and Transparency Rules DTR 5, the Company as at 30 September 2013, has been notified of the following disclosable interests in its issued ordinary shares:

	Number of shares as notified to the Company	Percentage of current issued share capital
easyGroup Holdings Ltd (holding vehicle for Sir Stelios Haji-Ioannou and Clelia Haji-Ioannou)	102,753,438	25.91%
Polys Haji-Ioannou (through his holding vehicle Polys Holding Limited)	43,758,360	11.04%
Standard Life Investments Ltd (in relation to shares held through Vidacos Nominees)	27,649,683	6.97%
Blackrock, Inc.	19,819,175	5.00%

This position remains the same as at 15 November 2013.

Note: All interests disclosed to the Company in accordance with DTR 5 that have occurred since 30 September 2013 can be found at our corporate website: http://corporate.easyjet.com/investors.

Registered office

Hangar 89
London Luton Airport
Luton
Bedfordshire
LU2 9PF

Company registrar

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

Company number

3959649

Auditors

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report, the Directors' remuneration report 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; and
- 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 Directors' remuneration report 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 financial and corporate governance information as provided on the easyJet website (www.easyJet.com). Legislation in the United Kingdom governing the preparation and dissemination of accounts may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's and the Group's performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 60 and 61 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:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 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 90 was approved by the Board of Directors and authorised for issue on 18 November 2013 and signed on behalf of the Board by:

Carolyn McCall OBE
Chief Executive

Chris Kennedy
Chief Financial Officer

REPORT ON THE ACCOUNTS

Our opinion

In our opinion:

- the accounts, defined below, give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2013 and of the Group's profit and of the Group's and Company's cash flows for the year then ended;
- the Group accounts have been properly prepared in accordance with International Financial Reporting Standards (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.

This opinion is to be read in the context of what we say below.

What we have audited

The Group accounts and Company accounts (the "accounts"), which are prepared by easyJet plc, comprise:

- the Group consolidated and Company statements of financial position as at 30 September 2013;
- the Group consolidated income statement and consolidated statement of comprehensive income for the year then ended;
- the Group consolidated and Company statements of changes in equity and statements of cash flows for the year then ended; and
- the notes to the accounts, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and, as regards the Company, as applied in accordance with the provisions of the Companies Act 2006.

What an audit of accounts involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ('ISAs (UK & Ireland)'). 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 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the accounts as a whole.

Based on our professional judgement, we determined materiality for the Group accounts as a whole to be £23 million.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £1 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

The Group operates through four trading subsidiary undertakings as set out on page 129 and the Group's accounts are a consolidation of these entities. In establishing the overall approach to the Group audit we determined the type of work that needed to be performed in respect of each subsidiary; which comprised an audit of their complete financial information. These procedures gave us the evidence that we needed for our opinion on the Group's accounts as a whole.

Areas of particular audit focus

In preparing the accounts, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the accounts.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the accounts is set out on page 71.

Area of focus	How the scope of our audit addressed the area of focus
Aircraft maintenance provisions The Directors have included a provision of £252 million for aircraft maintenance costs in respect of aircraft leased under operating leases (refer to notes 1 and 16 to the accounts). We focused on this area because of a level of difficulty in estimating the amount of the provision as a result of the complex and subjective judgements that the Directors needed to make.	We evaluated and tested the Directors' maintenance provision model and calculations, including evaluating the reasonableness of the assumptions, testing the input data and reperforming calculations. We also performed sensitivity analysis around the key drivers of the model: 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. Having ascertained the magnitude of movements in those assumptions, that either individually or collectively would be required for the provision to be misstated, we considered the likelihood of such movements arising and any impact on the overall level of provision recorded in the accounts.
Risk of management override of internal controls ISAs (UK & Ireland) require that we consider this.	We assessed the overall control environment of the Group, including the arrangements for staff to 'whistle-blow' inappropriate actions, and interviewed senior management and the Group's internal audit function. We examined the significant accounting estimates and judgements relevant to the accounts for evidence of bias by the Directors that may represent a risk of material misstatement due to fraud. We also tested journal entries.
Fraud in revenue recognition ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results. We focused on the timing of the recognition of seat revenue and its presentation in the consolidated income statement, because this is dependent on the fulfilment of certain obligations.	We evaluated the relevant information technology systems and tested the internal controls over the completeness, accuracy and timing of seat revenue recognised in the accounts. We tested the reconciliations between the revenue systems used by the Group and its financial ledgers and journal entries posted to revenue accounts to identify unusual or irregular items. We also tested the timing of revenue recognition, checking the necessary obligations had been fulfilled, generally that the relevant flight had taken place.

Going concern

Under the Listing Rules we are required to review the Directors' statement, set out on page 36, in relation to going concern. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's and the Company's accounts using the going concern basis of accounting. The going concern basis presumes that the Group and the Company have adequate resources to remain in operation, and that the Directors intend them to do so, for at least one year from the date the accounts were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's and the Company's ability to continue as a going concern.

OPINIONS ON MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion:

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

OTHER MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Adequacy of accounting records and information and explanations received

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

- we have not received all the information and explanations we require for our audit; or
- 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 Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report if, in our opinion, certain disclosures of Directors' remuneration specified by law have not been made, and under the Listing Rules we are required to review certain elements of the report to shareholders by the Board on Directors' remuneration. We have no exceptions to report arising from these responsibilities.

Corporate governance statement

Under the Listing Rules we are required to review the part of the Corporate Governance Statement relating to the Company's compliance with nine provisions of the UK Corporate Governance Code (the 'Code'). We have nothing to report having performed our review.

On page 90 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On page 71, as required by C3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the accounts, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited accounts; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group and the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

RESPONSIBILITIES FOR THE ACCOUNTS AND THE AUDIT

Our responsibilities and those of the Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 90, the Directors are responsible for the preparation of the Group and the Company accounts and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the Group and the Company accounts in accordance with applicable law and ISAs (UK & 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.

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

18 November 2013

Consolidated income statement

	Notes	Year ended 30 September 2013 £ million	Year ended 30 September 2012 £ million
Seat revenue		**4,194**	3,794
Non-seat revenue		**64**	60
Total revenue	25	**4,258**	3,854
Fuel		**(1,182)**	(1,149)
Airports and ground handling		**(1,078)**	(955)
Crew		**(454)**	(432)
Navigation		**(294)**	(280)
Maintenance		**(212)**	(203)
Selling and marketing		**(101)**	(104)
Other costs		**(226)**	(200)
EBITDAR		**711**	531
Aircraft dry leasing		**(102)**	(95)
Depreciation	8	**(102)**	(97)
Amortisation of intangible assets	7	**(10)**	(8)
Operating profit		**497**	331
Interest receivable and other financing income		**5**	11
Interest payable and other financing charges		**(24)**	(25)
Net finance charges	2	**(19)**	(14)
Profit before tax	3	**478**	317
Tax charge	5	**(80)**	(62)
Profit for the year		**398**	255
Earnings per share, pence			
Basic	6	**101.3**	62.5
Diluted	6	**100.0**	61.7

Consolidated statement of comprehensive income

	Notes	Year ended 30 September 2013 £ million	Year ended 30 September 2012 £ million
Profit for the year		**398**	255
Other comprehensive income			
Cash flow hedges			
Fair value (losses)/gains in the year		**(82)**	109
Gains transferred to income statement		**(42)**	(74)
Related tax	5	**27**	(7)
		(97)	28
Total comprehensive income for the year		**301**	283

All items in other comprehensive income will be re-classified to the income statement.

Consolidated statement of financial position

	Notes	30 September 2013 £ million	30 September 2012 £ million
Non-current assets			
Goodwill	7	**365**	365
Other intangible assets	7	**102**	91
Property, plant and equipment	8	**2,280**	2,395
Derivative financial instruments	21	**13**	21
Loan notes	9	**7**	10
Restricted cash	12	**12**	29
Other non-current assets	10	**185**	57
		2,964	2,968
Current assets			
Trade and other receivables	11	**194**	241
Derivative financial instruments	21	**17**	73
Restricted cash	12	**–**	130
Money market deposits	12	**224**	238
Cash and cash equivalents	12	**1,013**	645
		1,448	1,327
Current liabilities			
Trade and other payables	13	**(1,093)**	(1,021)
Borrowings	14	**(87)**	(129)
Derivative financial instruments	21	**(60)**	(26)
Current tax liabilities		**(58)**	(29)
Maintenance provisions	16	**(81)**	(59)
		(1,379)	(1,264)
Net current assets		**69**	63
Non-current liabilities			
Borrowings	14	**(592)**	(828)
Derivative financial instruments	21	**(41)**	(24)
Non-current deferred income	15	**(68)**	(46)
Maintenance provisions	16	**(171)**	(141)
Deferred tax liabilities	5	**(144)**	(198)
		(1,016)	(1,237)
Net assets		**2,017**	1,794
Shareholders' equity			
Share capital	17	**108**	108
Share premium		**657**	656
Hedging reserve		**(55)**	42
Translation reserve		**1**	1
Retained earnings		**1,306**	987
		2,017	1,794

The accounts on pages 94 to 125 were approved by the Board of Directors and authorised for issue on 18 November 2013 and signed on behalf of the Board.

Carolyn McCall OBE
Director

Chris Kennedy
Director

Consolidated statement of changes in equity

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2012	**108**	**656**	**42**	**1**	**987**	**1,794**
Total comprehensive income	**–**	**–**	**(97)**	**–**	**398**	**301**
Dividends paid	**–**	**–**	**–**	**–**	**(85)**	**(85)**
Share incentive schemes						
Proceeds from shares issued	**–**	**1**	**–**	**–**	**–**	**1**
Value of employee services	**–**	**–**	**–**	**–**	**18**	**18**
Related tax (note 5)	**–**	**–**	**–**	**–**	**14**	**14**
Purchase of own shares	**–**	**–**	**–**	**–**	**(26)**	**(26)**
At 30 September 2013	**108**	**657**	**(55)**	**1**	**1,306**	**2,017**

	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

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 2013 £ million	Year ended 30 September 2012 £ million
Cash flows from operating activities			
Cash generated from operations	19	**788**	494
Ordinary dividends paid		**(85)**	(46)
Special dividends paid		**–**	(150)
Net interest and other financing charges paid		**(22)**	(9)
Tax paid		**(65)**	(28)
Net cash generated from operating activities		**616**	261
Cash flows from investing activities			
Purchase of property, plant and equipment		**(400)**	(379)
Proceeds from sale of property, plant and equipment		**1**	1
Purchase of intangible assets		**(21)**	(13)
Redemption of loan notes		**4**	2
Net cash used by investing activities		**(416)**	(389)
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1**	2
Purchase of own shares for employee share schemes		**(26)**	(15)
Repayment of bank loans		**(273)**	(305)
Repayment of capital elements of finance leases		**(10)**	(9)
Net proceeds from sale and operating leaseback of aircraft		**316**	–
Net decrease in money market deposits		**41**	55
Decrease/(increase) in restricted cash		**148**	(37)
Net cash generated from/(used by) financing activities		**197**	(309)
Effect of exchange rate changes		**(29)**	(18)
Net increase/(decrease) in cash and cash equivalents		**368**	(455)
Cash and cash equivalents at beginning of year		**645**	1,100
Cash and cash equivalents at end of year	12	**1,013**	645

1 Significant 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 strategic report on pages 2 to 57. Principal risks and uncertainties are described on pages 38 to 43. 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 accounts have been prepared on a going concern basis. Details on going concern are provided on page 36.

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 judgment 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.

1 Significant accounting policies continued

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 2012 and 2013.

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 shareholders' equity until all or part of the interest is sold, when the relevant portion of the accumulated exchange gain or loss 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 and allocated seating, administration, 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:

- Administration 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 allocated seating, 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 and 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.

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.

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 – 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

Aircraft 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.

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 (other than aircraft sale and leaseback transactions) 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 goodwill are not reversed. Impairment losses recognised on assets other than goodwill are only reversed where changes in the estimates used result in an increase in recoverable amount.

1 Significant accounting policies continued

Leases

easyJet enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft to a third party and immediately leases it back under 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 expected lease term.

In some operating sale and leaseback arrangements, receipt of part of the proceeds is deferred until the end of the lease, the amount of which is recorded as deferred consideration within non-current or current assets as appropriate.

Additionally, in some cases receipt of part of the sales proceeds due is exchanged for a reduction in future lease rentals, which consequently are below market price. As a result, the proceeds received on sale and leaseback are lower than the fair value of the aircraft sold. The resulting shortfall is deferred within non-current or current assets as appropriate, and amortised on a straight-line basis over the expected lease term.

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.

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.

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. 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.

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 is a non-financial asset, the accumulated gains and losses previously recognised in other comprehensive income form part of the initial carrying amount of the asset. 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 held in shareholders' equity are immediately recognised in the income statement.

Financial guarantees

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

Tax

Tax expense in the income statement comprises both current and deferred tax. Tax is recognised in the income statement except when it relates to items credited or charged directly to other comprehensive income or shareholders' equity, in which case it is recognised in other comprehensive income or shareholders' equity. 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.

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; and
- 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 date of the statement of financial position.

Deferred tax assets represent amounts recoverable in future periods in respect of deductible temporary differences, losses and tax credits carried forwards. 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.

Where an aircraft is sold and leased back other than when first delivered to easyJet, a liability to undertake future maintenance activities, resulting from past flying activity, arises at the point the lease agreement is signed. The cost is treated as part of the surplus or shortfall arising on the sale and leaseback, the accounting treatment of which is described in the leases accounting policy.

A number of leases also require easyJet to pay supplemental rent to the lessor. 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 when the lease ends.

1 Significant accounting policies continued

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 or employee benefits trust purchases the Company's equity shares, the consideration paid and any directly attributable incremental costs are deducted from retained earnings until the shares are cancelled or reissued. Proceeds from re-issue are shown as a credit to retained earnings.

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

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 granted under the Discretionary and Sharesave scheme is measured at the date of grant using the Binomial Lattice option pricing model. The fair value of grants under the Long Term Incentive Plan is measured at the date of grant using the Black-Scholes model for awards based on ROCE performance targets, and the Stochastic model (also known as the Monte Carlo model) for awards based on total shareholder return (TSR) performance targets. The fair value of all other awards 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 non market performance criteria (such as ROCE) attached to the share options and awards are not met, any cumulative expense previously recognised is reversed. For awards with market related performance criteria (such as TSR), an expense is recognised irrespective of whether the market condition is satisfied.

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.

Segmental disclosures

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

Revenue is allocated to geographic segments on the following bases:

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

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 2013:

Revised standards

IAS 1	Presentation of Items of Other Comprehensive Income
IAS 12	Deferred Tax (Recovery of Underlying Assets)

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

New and revised standards and interpretations not applied

The following new or revised 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 2013.

Effective for the year ending 30 September 2014

IAS 19	Employee benefits
IFRS 1	First-time Adoption of International Financial Reporting Standards – Government Loans
IFRS 7	Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities
IFRS 13	Fair Value Measurement

Annual Improvements to IFRS 2009 – 2011 Cycle

Effective for the year ending 30 September 2015

IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IAS 32	Financial Instruments Presentation – Offsetting Financial Assets and Financial Liabilities
IAS 36	Recoverable Amounts Disclosure for Non-Financial Assets
IFRIC 21	Levies
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities

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

	2013 £ million	2012 £ million
Interest receivable and other financing income		
Interest income	**(5)**	(10)
Net exchange gains on monetary assets and liabilities (note 21)	**–**	(1)
	(5)	(11)
Interest payable and other financing charges		
Interest payable on bank loans	**9**	20
Interest payable on finance lease obligations	**5**	5
Other interest payable	**2**	–
Net exchange losses on monetary assets and liabilities (note 21)	**8**	–
	24	25
	19	14

3 Profit before tax

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

	2013 £ million	2012 £ million
Depreciation of property, plant and equipment		
Owned assets	**95**	90
Assets held under finance leases	**7**	7
Operating lease rentals		
Aircraft	**101**	89
Other assets	**3**	5

Auditors' remuneration

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

	2013 £ million	2012 £ million
Group audit fee	**0.4**	0.4
Fees for other assurance services	**0.3**	–
	0.7	0.4

Fees for other assurance services comprise reporting in connection with the Class 1 Shareholder Circular.

4 Employees

The average number of persons employed by easyJet was:

	2013	2012
Flight and ground operations	**7,812**	7,743
Sales, marketing and administration	**531**	463
	8,343	8,206

Employee costs for easyJet were:

	2013 £ million	2012 £ million
Wages and salaries	**399**	379
Social security costs	**64**	53
Pension costs	**36**	32
Share-based payments	**18**	12
	517	476

Key management compensation was:

	2013 £ million	2012 £ million
Short-term employee benefits	**8**	7
Share-based payments	**6**	4
	14	11

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:

	2013 £ million	2012 £ million
Remuneration	**4**	4
Gains made on the exercise of Long Term Incentive Plan awards	**3**	–
	7	–

Details of Directors' remuneration are disclosed in the Directors' remuneration report.

5 Tax charge

Tax on profit on ordinary activities

	2013 £ million	2012 £ million
Current tax		
United Kingdom corporation tax	**103**	37
Foreign tax	**4**	11
Prior year adjustments	**(11)**	–
Total current tax charge	**96**	48
Deferred tax		
Temporary differences relating to property, plant and equipment	**15**	42
Other temporary differences	**(9)**	(8)
Prior year adjustments	**6**	(2)
Change in tax rate	**(28)**	(18)
Total deferred tax (credit)/charge	**(16)**	14
	80	62
Effective tax rate	**17%**	20%

As a consequence of legislation being enacted in the year reducing the UK corporation tax rate to 20% from 1 April 2015, deferred tax in the year has been provided at 20% (2012: 23%). The consequent reduction in deferred tax liabilities of £28 million (2012: £18 million) is a credit to the income statement tax charge and so lowering the overall effective tax rate to 17% (2012: 20%).

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:

	2013 £ million	2012 £ million
Profit on ordinary activities before tax	**478**	317
Tax charge at 23.5% (2012: 25%)	**112**	79
Income not chargeable for tax purposes	**(4)**	–
Expenses not deductible for tax purposes	**2**	7
Share-based payments	**3**	1
Adjustments in respect of prior years – current tax	**(11)**	–
Adjustments in respect of prior years – deferred tax	**6**	(2)
Utilisation of previously unrecognised losses	**–**	(5)
Change in tax rate	**(28)**	(18)
	80	62

Current tax liabilities at 30 September 2013 amounted to £58 million (2012: £29 million). £50 million of this relates to tax payable in the UK, the remaining amount of £8 million is in respect of tax due in other European countries.

During the year ended 30 September 2013, net cash tax paid amounted to £65 million (2012: £28 million).

5 Tax charge continued

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

	2013 £ million	2012 £ million
Credit/(charge) to other comprehensive income		
Deferred tax on fair value movements of cash flow hedges	**27**	(7)
Credit to shareholders' equity		
Current tax on share-based payments	**3**	1
Deferred tax on share-based payments	**11**	2
	14	3

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 2012	**146**	**30**	**29**	**(7)**	**198**
Credited to income statement	**(7)**	**(4)**	**(2)**	**(3)**	**(16)**
Credited to other comprehensive income	**–**	**–**	**(27)**	**–**	**(27)**
Credited to shareholders' equity	**–**	**–**	**–**	**(11)**	**(11)**
At 30 September 2013	**139**	**26**	**–**	**(21)**	**144**

	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

It is estimated that deferred tax assets of approximately £18 million (2012: deferred tax liabilities of£11 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 £152 million (2012: £212 million). The net overseas deferred tax asset is £8 million (2012: £14 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.

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 benefit 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:

	2013 £ million	2012 £ million
Profit for the year	**398**	255

	2013 million	2012 million
Weighted average number of ordinary shares used to calculate basic earnings per share	**393**	408
Weighted average number of dilutive share options	**5**	5
Weighted average number of ordinary shares used to calculate diluted earnings per share	**398**	413

Earnings per share	**2013 pence**	2012 pence
Basic	**101.3**	62.5
Diluted	**100.0**	61.7

An ordinary dividend in respect of the year ended 30 September 2013 of 33.5 pence per share or £133 million (2012: 21.5 pence per share or £85 million, and a special dividend of 44.1 pence per share or £175 million is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect these dividends payable.

7 Goodwill and other intangible assets

		Other intangible assets			
	Goodwill £ million	**Landing rights £ million**	**Contractual rights £ million**	**Computer software £ million**	**Total £ million**
Cost					
At 1 October 2012	**365**	**74**	**1**	**35**	**110**
Additions	**–**	**7**	**–**	**–**	**7**
Transfer from property, plant and equipment	**–**	**–**	**–**	**14**	**14**
Disposals	**–**	**–**	**–**	**(15)**	**(15)**
At 30 September 2013	**365**	**81**	**1**	**34**	**116**
Amortisation					
At 1 October 2012	**–**	**–**	**–**	**19**	**19**
Charge for the year	**–**	**–**	**–**	**10**	**10**
Disposals	**–**	**–**	**–**	**(15)**	**(15)**
At 30 September 2013	**–**	**–**	**–**	**14**	**14**
Net book value					
At 30 September 2013	**365**	**81**	**1**	**20**	**102**
At 1 October 2012	**365**	**74**	**1**	**16**	**91**

In May 2013, easyJet entered into a conditional agreement with Flybe to exchange certain landing rights at Gatwick Airport. Under this agreement, £7 million was paid in August 2013 when the transaction was approved by Flybe's shareholders.

Provided Flybe meets its obligations to exchange those landing rights during the coming financial year, further consideration totalling £13 million will become payable. As these obligations had not been met at 30 September 2013, this amount has not been recognised as a liability in the statement of financial position.

7 Goodwill and other intangible assets continued

	Goodwill £ million	Other intangible assets 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

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 2018, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	10.2%-10.5%
Fuel price (US dollars per metric tonne)	1,100
Exchange rates:	
US dollar	1.55
euro	1.17
Swiss franc	1.44

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.

8 Property, plant and equipment

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2012	**2,745**	**29**	**2,774**
Additions	**395**	**19**	**414**
Aircraft sold and leased back	**(421)**	**–**	**(421)**
Transfer to intangible assets	**–**	**(14)**	**(14)**
Transfer to maintenance provision	**(43)**	**–**	**(43)**
Disposals	**(2)**	**(3)**	**(5)**
At 30 September 2013	**2,674**	**31**	**2,705**
Depreciation			
At 1 October 2012	**368**	**11**	**379**
Charge for the year	**100**	**2**	**102**
Aircraft sold and leased back	**(52)**	**–**	**(52)**
Disposals	**(1)**	**(3)**	**(4)**
At 30 September 2013	**415**	**10**	**425**
Net book value			
At 30 September 2013	**2,259**	**21**	**2,280**
At 1 October 2012	**2,377**	**18**	**2,395**

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2011	2,410	27	2,437
Additions	371	21	392
Transfer to intangible assets	–	(13)	(13)
Transfer to maintenance provision	(34)	–	(34)
Disposals	(2)	(6)	(8)
At 30 September 2012	2,745	29	2,774
Depreciation			
At 1 October 2011	276	12	288
Charge for the year	93	4	97
Disposals	(1)	(5)	(6)
At 30 September 2012	368	11	379
Net book value			
At 30 September 2012	2,377	18	2,395
At 1 October 2011	2,134	15	2,149

The net book value of aircraft includes £196 million (2012: £88 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £664 million (2012: £990 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £147 million (2012: £154 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 144 (2012: 18) Airbus A320 family aircraft, with a total list price of US$12.4 billion (2012: US$1.0 billion) before escalations and discounts for delivery in 2014 (9 aircraft), 2015 to 2017 (35 aircraft) and 2017 to 2022 (100 new generation aircraft).

Subsequent to the year end, easyJet has exercised options for the acquisition of six aircraft, for delivery in 2015, with a total list price of $458 million.

The 'other' category mainly comprises leasehold improvements, computer hardware and fixtures, fittings and equipment.

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.

	2013 £ million	2012 £ million
At 1 October	**10**	11
Interest receivable converted to loan notes	**1**	1
Redemption of loan notes	**(4)**	(2)
At 30 September	**7**	10

10 Other non-current assets

	2013 £ million	2012 £ million
Deferred consideration and deposits held by aircraft lessors	**76**	17
Leased aircraft – shortfall on sale and leaseback	**74**	–
Recoverable supplemental rent (pledged as collateral)	**32**	36
Other	**3**	4
	185	57

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

11 Trade and other receivables

	2013 £ million	2012 £ million
Trade receivables	**94**	124
Less provision for impairment	**(2)**	(4)
	92	120
Prepayments and accrued income	**64**	82
Leased aircraft – shortfall on sale and leaseback	**20**	–
Recoverable supplemental rent (pledged as collateral)	**–**	6
Other receivables	**18**	33
	194	241

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

	2013 £ million	2012 £ million
Up to three months past due	**29**	52
Over three months past due	**14**	1
	43	53

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

	2013 £ million	2012 £ million
Cash and cash equivalents (original maturity less than three months)	**1,013**	645
Money market deposits (original maturity more than three months)	**224**	238
Current restricted cash	**–**	130
Non-current restricted cash	**12**	29
	1,249	1,042

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:

	2013 £ million	2012 £ million
Pledged as collateral to third parties:		
Payment card acquiring	**–**	130
Aircraft operating lease deposits	**12**	25
Other	**–**	4
	12	159

13 Trade and other payables

	2013 £ million	2012 £ million
Trade payables	**117**	109
Unearned revenue	**547**	496
Accruals	**336**	327
Leased aircraft – surplus on sale and leaseback	**15**	11
Other taxes and social security	**14**	13
Other payables	**64**	65
	1,093	1,021

14 Borrowings

At 30 September 2013	**Current £ million**	**Non-current £ million**	**Total £ million**
Bank loans	**78**	**406**	**484**
Finance lease obligations	**9**	**186**	**195**
	87	**592**	**679**

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

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 required 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 surplus 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 nine years.

16 Maintenance provisions

	£ million
At 1 October 2012	200
Exchange adjustments	(2)
Charged to income statement	58
Related to aircraft sold and leased back	68
Transfer from property, plant and equipment	(43)
Utilised	(29)
At 30 September 2013	**252**

Amounts transferred from property, plant and equipment relate to aircraft life-limited parts used in engine restoration in the year.

Maintenance provisions are analysed as follows:

	2013 £ million	2012 £ million
Current	**81**	59
Non-current	**171**	141
	252	200

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

17 Share capital

	Number		Nominal value	
	2013 million	2012 million	**2013 £ million**	2012 £ million
Authorised				
At 30 September 2013 and 30 September 2012				
Ordinary shares of 27 2/7 pence each	**458**	458	**125**	125
Allotted, called up and fully paid				
At 1 October	**396**	431	**108**	108
Issued during the year under share incentive schemes	**1**	1	**–**	–
Effect of share consolidation	**–**	(36)	**–**	–
At 30 September	**397**	396	**108**	108

In March 2012, following a 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 in the prior year was 36 million. There was 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 £10.57 (2012: £4.57).

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

	2013	2012
Number of shares (million)	**4**	3
Cost (£ million)	**24**	12
Market value at year end (£ million)	**50**	17

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 2012 million	Granted million	Forfeited million	Exercised million	**30 September 2013 million**
Discretionary schemes					
19 January 2004	0.2	–	–	(0.1)	**0.1**
8 December 2004	1.4	–	–	(0.7)	**0.7**
Long Term Incentive Plan					
16 January 2009	0.3	–	–	(0.2)	**0.1**
16 December 2009	0.9	–	(0.1)	(0.6)	**0.2**
5 July 2010	0.5	–	–	(0.3)	**0.2**
31 March 2011	2.3	–	(0.1)	–	**2.2**
4 January 2012	2.7	–	(0.1)	–	**2.6**
18 December 2012	–	1.3	–	–	**1.3**
Sharesave					
5 June 2009	0.2	–	(0.1)	(0.1)	**–**
10 June 2010	0.3	–	–	(0.3)	**–**
1 July 2011	2.2	–	(0.1)	–	**2.1**
1 July 2012	1.0	–	–	–	**1.0**
1 July 2013	–	0.6	–	–	**0.6**
Share Incentive Plan	5.5	1.0	(0.1)	(0.6)	**5.8**
	17.5	2.9	(0.6)	(2.9)	**16.9**

Weighted average exercise prices are as follows:

	1 October 2012 £	Granted £	Forfeited £	Exercised £	**30 September 2013 £**
Discretionary schemes	2.11	–	–	2.13	**2.09**
Sharesave	3.24	9.69	3.18	3.10	**4.33**

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	
	2013	2012	**2013**	2012
Discretionary schemes	**2.09**	2.11	**0.8**	1.6
Long Term Incentive Plan	**–**	–	**0.6**	0.3
Sharesave	**3.49**	2.43	**–**	0.2
Share Incentive Plan	**–**	–	**0.4**	0.8
			1.8	2.9

18 Share incentive schemes continued

The weighted average remaining contractual life for each class of share award at 30 September 2013 is as follows:

	Years
Discretionary schemes	**1.1**
Long Term Incentive Plan	**8.0**
Sharesave	**2.4**
Share Incentive Plan	**1.4**

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 shares is dependent on return on capital employed (ROCE) targets and a positive total shareholder return (TSR) versus FTSE 51-150 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 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.

Subject to company performance, easyJet also issues free shares under the new approved share incentive plan of up to £3,000 in value. There is a similar unapproved scheme for international employees.

The fair value of grants under the Discretionary and Sharesave is estimated by applying the Binomial Lattice option pricing model. The fair value of grants under the total shareholder return based Long Term Incentive Plan is estimated under the Stochastic model (also known as the Monte Carlo model). The fair value of grants under all other schemes is the share price on the date of grant. The following assumptions are used:

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
18 December 2012 – ROCE	7.37	–	–	–	–	6.92
18 December 2012 – TSR	7.37	–	33%	3.0	0.44%	5.16
Sharesave						
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
1 July 2013	12.11	9.69	34%	3.5	0.32%	3.54

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 £9.77 (2012: £4.96).

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 and 1 July 2013, the dividend yield assumption was 2%.

19 Reconciliation of operating profit to cash generated from operations

	2013 £ million	2012 £ million
Operating profit	**497**	331
Adjustments for non-cash items:		
Depreciation	**102**	97
Loss on disposal of property, plant and equipment	**–**	1
Amortisation of intangible assets	**10**	8
Share-based payments	**18**	12
Changes in working capital and other items of an operating nature:		
Decrease/(increase) in trade and other receivables	**74**	(44)
Increase in trade and other payables	**64**	74
Increase in provisions	**29**	18
Decrease in other non-current assets	**8**	6
Increase in derivative financial instruments	**–**	4
Decrease in non-current deferred income	**(14)**	(13)
	788	494

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

	1 October 2012 £ million	Exchange differences £ million	Loan issue costs £ million	Net cash flow £ million	**30 September 2013 £ million**
Cash and cash equivalents	645	(29)	–	397	**1,013**
Money market deposits	238	27	–	(41)	**224**
	883	(2)	–	356	**1,237**
Bank loans	(752)	(2)	(3)	273	**(484)**
Finance lease obligations	(205)	–	–	10	**(195)**
	(957)	(2)	(3)	283	**(679)**
Net (debt)/funds	(74)	(4)	(3)	639	**558**

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 2013	**Loans and receivables £ million**	**Financial liabilities £ million**	**Cash flow hedge £ million**	**Other £ million**	**Carrying value £ million**	**Fair value £ million**
Loan notes	**7**	**–**	**–**	**–**	**7**	**7**
Other non-current assets	**108**	**–**	**–**	**77**	**185**	**185**
Trade and other receivables	**149**	**–**	**–**	**45**	**194**	**194**
Trade and other payables	**–**	**(454)**	**–**	**(639)**	**(1,093)**	**(1,093)**
Derivative financial instruments	**–**	**–**	**(71)**	**–**	**(71)**	**(71)**
Restricted cash	**12**	**–**	**–**	**–**	**12**	**12**
Money market deposits	**224**	**–**	**–**	**–**	**224**	**224**
Cash and cash equivalents	**1,013**	**–**	**–**	**–**	**1,013**	**1,013**
Borrowings	**–**	**(679)**	**–**	**–**	**(679)**	**(687)**

	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)

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 2013	**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	**3,323**	**–**	**–**	**(31)**	**(30)**	**(61)**
Euro	**1,048**	**10**	**6**	**(6)**	**(2)**	**8**
Swiss franc	**225**	**1**	**1**	**(1)**	**–**	**1**
Jet fuel	**2**	**2**	**10**	**(22)**	**(9)**	**(19)**
		13	**17**	**(60)**	**(41)**	**(71)**

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

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, the accumulated gains and losses previously recognised in other comprehensive income are included in the carrying value of that asset. Otherwise accumulated gains and losses are recognised in the income statement in the same period in which the hedged item affects the income statement.

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 when the related cash flow occurs.

21 Financial instruments continued

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

At 30 September 2013	**Within 1 year £ million**	**1-2 years £ million**	**Total £ million**
Hedges of transaction currency risk	**(31)**	**(21)**	**(52)**
Hedges of jet fuel price risk	**(12)**	**(7)**	**(19)**
	(43)	**(28)**	**(71)**
Related deferred tax			**16**
			(55)

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

	2013 £ million	2012 £ million
Gains on cash flow hedges recycled from other comprehensive income in income statement captions:		
Revenue	**2**	21
Fuel	**36**	51
Maintenance	**1**	–
Aircraft lease costs	**3**	1
Other costs	**–**	1
	42	74

Derivatives designated as held for trading

easyJet had material net monetary liabilities denominated in US dollars at 30 September 2012. In accordance with IAS21, 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 were as follows:

	2012 $ million
Cash and money market deposits	619
Borrowings	(1,245)
Maintenance provisions	(280)
Other	39
Net monetary liabilities	(867)
Forward US dollar contracts	850
	(17)

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:

	2013 £ million	2012 £ million
Unrealised revaluation (losses)/gains on non-derivative financial instruments	**(4)**	8
Realised foreign exchange (losses)/gains on non-derivative financial instruments	**(9)**	10
Unrealised revaluation gains on other monetary assets and liabilities	**2**	7
Unrealised gains/(losses) on derivative financial instruments	**9**	(16)
Realised losses on derivative financial instruments	**(6)**	(8)
Net (losses)/gains (note 2)	**(8)**	1

22 Financial risk and capital management

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

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

Capital 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 at the end of the current and prior year and the return earned during those years were as follows:

	2013 £ million	2012 £ million
Shareholders' equity	**2,017**	1,794
Borrowings	**679**	957
Cash and money market deposits (excluding restricted cash)	**(1,237)**	(883)
Reported capital employed	**1,459**	1,868
Operating leases adjustment	**714**	665
Capital employed including operating leases adjustment	**2,173**	2,533
Operating profit – reported	**497**	331
Implied interest in operating lease costs	**34**	32
Operating profit – adjusted	**531**	363
Operating profit after tax – adjusted	**409**	276
Return on capital employed	**17.4%**	11.3%

The percentage of operating leased aircrafts at 30 September 2013 was 33% (2012: 26%). Board policy is to hold around 30% of the fleet under operating lease arrangements to provide an appropriate degree of flexibility in fleet size.

22 Financial risk and capital management continued

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). Gearing has improved at 7% (2012: 29%).

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 2013 was £1,237 million (2012: £883 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 2013	**Within 1 year £ million**	**1-2 years £ million**	**2-5 years £ million**	**Over 5 years £ million**
Borrowings	**99**	**102**	**356**	**180**
Trade and other payables	**454**	**–**	**–**	**–**
Derivative contracts – receipts	**(2,494)**	**(1,885)**	**(128)**	**–**
Derivative contracts – payments	**2,512**	**1,878**	**125**	**–**

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	–	–

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. 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. In the prior year, the residual liability was managed using 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 72 operating leases in place at 30 September 2013 (2012: 55), 75% were based on fixed interest rates and 25% were based on floating interest rates (2012: 75% fixed, 25% 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. As at 30 September 2013, the Company had 78 (2012: 69) unencumbered 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% of estimated exposures up to 12 months in advance, and to hedge 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 statement of financial position 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 statement of financial position date.

22 Financial risk and capital management continued

At 30 September 2013	Currency rates 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)	**22**	**(15)**	**4**	**(3)**	**5**	**–**
Impact on other comprehensive income: increase/(decrease)	**180**	**(150)**	**(78)**	**64**	**–**	**183**

At 30 September 2012	Currency rates 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

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.

23 Leasing commitments

Commitments under operating leases

	Aircraft 2013 £ million	Aircraft 2012 £ million	Other 2013 £ million	Other 2012 £ million
Total commitments under non-cancellable operating leases due:				
Not later than one year	**110**	85	**2**	2
Later than one year and not later than five years	**293**	214	**4**	2
Later than five years	**102**	51	**3**	2
	505	350	**9**	6

easyJet holds 72 aircraft (2012: 55 aircraft) under operating leases, with initial lease terms ranging from five 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

	2013 £ million	2012 £ million
Minimum lease payments fall due as follows:		
Not later than one year	**14**	14
Later than one year and not later than five years	**121**	129
Later than five years	**85**	93
	220	236
Future finance charges	**(25)**	(31)
	195	205

easyJet holds 11 (2012: 11) aircraft under finance leases with 10 year initial terms. Further details are given in notes 8 and 14.

24 Contingent liabilities

easyJet is involved in a number of disputes and litigation which arose in the normal course of business. The likely outcome of these disputes and litigation cannot be predicted, and in complex cases reliable estimates of any potential obligation may not be possible.

Having reviewed the information currently available, management considers that the ultimate resolution of these disputes and litigation is unlikely to have a material adverse effect on easyJet's results, cash flows or financial position.

At 30 September 2013 easyJet had outstanding letters of credit and performance bonds totalling £40 million (2012: £37 million), of which £37 million (2012: £34 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

	2013 £ million	2012 £ million
United Kingdom	**1,971**	1,761
Southern Europe	**1,392**	1,310
Northern Europe	**835**	738
Other	**60**	45
	4,258	3,854

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 134 owned and 11 finance leased aircraft. A further 72 aircraft are held under operating leases, giving a total fleet of 217 at 30 September 2013. All of these aircraft are registered in the United Kingdom except for 22 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 25.91% 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 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, under which easyJet will contribute up to £1 million per annum to meet the costs to protect the 'easy' and 'easyJet' brands and easyGroup will contribute £100,000 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 2013 for these items were as follows:

	2013 £ million	2012 £ million
Annual royalty	**10.6**	5.0
Brand protection (legal fees paid through easyGroup to third parties)	**0.5**	1.2
Agreement with Sir Stelios Haji-Ioannou	**0.3**	0.3
	11.4	6.5

For the year ended 30 September 2013, the annual royalty is based on 0.25% of total revenue. In the prior year, the royalty was based on a fixed fee as per the Amended Brand Licence.

At 30 September 2013, £1.1 million (2012: £0.2 million) of the above aggregate amount was included in trade and other payables.

Company statement of financial position

	Notes	30 September 2013 £ million	30 September 2012 £ million
Non-current assets			
Investments in subsidiary undertakings	b	**286**	283
Current assets			
Amounts due from subsidiary undertakings		**1,090**	1,143
Tax recoverable		**10**	–
		1,100	1,143
Current liabilities			
Amounts due to subsidiary undertakings		**(274)**	(278)
Current tax liabilities		**–**	(4)
		(274)	(282)
Net current assets		**826**	861
Net assets		**1,112**	1,144
Shareholders' equity			
Share capital		**108**	108
Share premium		**657**	656
Retained earnings		**347**	380
		1,112	1,144

The accounts on pages 126 to 130 were approved by the Board of Directors and authorised for issue on 18 November 2013 and signed on behalf of the Board.

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 2012	**108**	**656**	**380**	**1,144**
Total comprehensive income				
Profit for the year	**–**	**–**	**34**	**34**
Dividends paid	**–**	**–**	**(85)**	**(85)**
Share incentive schemes				
Proceeds from shares issued	**–**	**1**	**–**	**1**
Movement in reserves for employee share schemes	**–**	**–**	**18**	**18**
At 30 September 2013	**108**	**657**	**347**	**1,112**

	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

An ordinary dividend in respect of the year ended 30 September 2013 of 33.5 pence per share or £133 million, and a special dividend of 44.1 pence per share or £175 million is to be proposed at the forthcoming Annual General meeting (2012: 21.5 pence per share totalling £85 million). These accounts do not reflect these dividends payable.

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

Company statement of cash flows

	Notes	Year ended 30 September 2013 £ million	Year ended 30 September 2012 £ million
Cash flows from operating activities			
Cash generated from operations	c	**27**	54
Interest received		**9**	10
Dividends received		**40**	130
Dividends paid		**(85)**	(196)
Tax paid		**(7)**	–
Net cash used by operating activities		**(16)**	(2)
Cash flows from investing activities			
Capital distributions		**15**	–
Cash flows from financing activities			
Net proceeds from issue of ordinary share capital		**1**	2
Cash and cash equivalents at beginning and end of year		**–**	–

a) Income statement and statement of 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 £34 million (2012: £153 million). Included in this amount are dividends received of £40 million (2012: £130 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 2013 (2012: 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 Directors' remuneration report and in note 4 to the consolidated accounts.

b) Investments in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	2013 £ million	2012 £ million
At 1 October	**283**	271
Capital contributions to subsidiaries	**18**	12
Capital distributions made by subsidiaries	**(15)**	–
At 30 September	**286**	283

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 Leasing Limited[1]	Cayman Islands	Aircraft trading and leasing	100
easyJet Sterling Limited[1]	Cayman Islands	Aircraft trading and leasing	100

1 Although these companies are Cayman Islands incorporated they have always been and continue to be UK tax resident

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.

c) Reconciliation of profit for the year to cash generated from operations

	2013 £ million	2012 £ million
Profit for the year	**34**	153
Adjustments for:		
Finance and other similar income	**(9)**	(10)
Unrealised foreign exchange differences	**12**	(16)
Income tax charge	**3**	3
Dividends received	**(40)**	(130)
Operating cash flows before movement in working capital	**–**	–
Changes in working capital:		
Increase in tax recoverable	**(10)**	–
Decrease/(increase) in amounts due from subsidiary undertakings	**52**	(204)
Decrease in amounts due to subsidiary undertakings	**(15)**	258
	27	54

Prior year numbers have been reclassified to conform to the current year presentation.

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 easyGroup, easyJet's largest shareholder, see note 26 of the Group accounts.

Five year summary

	2013 £ million	2012 £ million	2011 £ million	2010 £ million	2009 £ million
Income statement					
Revenue	**4,258**	3,854	3,452	2,973	2,667
EBITDAR	**711**	531	468	361	225
Operating profit	**497**	331	269	174	60
Profit before tax	**478**	317	248	154	55
Profit for the year	**398**	255	225	121	71
Earnings per share (basic) – pence	**101.3**	62.5	52.5	28.4	16.9
Earnings per share (diluted) – pence	**100.0**	61.7	52.0	28.0	16.6
Ordinary dividend per share – pence	**33.5**	21.5	10.5	–	–
Special dividend per share – pence	**44.1**	–	34.9	–	–
Statement of financial position					
Non-current assets	**2,964**	2,968	2,731	2,488	2,191
Current assets	**1,448**	1,327	1,738	1,515	1,482
Current liabilities	**(1,379)**	(1,264)	(1,177)	(1,065)	(1,062)
Non-current liabilities	**(1,016)**	(1,237)	(1,587)	(1,437)	(1,304)
Net assets	**2,017**	1,794	1,705	1,501	1,307
Statement of cash flows					
Operating activities (net of dividend payments)	**616**	261	424	363	134
Investing activities	**(416)**	(389)	(478)	(482)	(430)
Financing activities	**197**	(309)	246	233	440
Exchange (losses)/gains	**(29)**	(18)	(4)	9	12
Net increase/(decrease) in cash and cash equivalents	**368**	(455)	188	123	156
Key performance indicators					
Return on capital employed	**17.4%**	11.3%	9.8%	6.9%	3.6%
Gearing	**7%**	29%	28%	32%	38%
Net cash/(debt)	**558**	(74)	100	(40)	(46)
Profit before tax per seat (£)	**7.03**	4.81	3.97	2.75	1.04
Revenue per seat (£)	**62.58**	58.51	55.27	53.07	50.47
Cost per seat (£)	**55.55**	53.70	51.30	50.32	49.43
Cost per seat excluding fuel (£)	**38.17**	36.25	36.62	37.23	34.16
Seats flown (millions)	**68.0**	65.9	62.5	56.0	52.8

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) divided by the sum of shareholders' equity and adjusted net debt.

Load factor
Number of passengers as a percentage of number of seats flown. The load factor is not weighted for the effect of varying sector lengths.

Operated aircraft utilisation
Average number of block hours per day per aircraft operated.

Other costs
Administrative and operational costs not reported elsewhere, including some employee costs, compensation paid to passengers, exchange gains and losses and the profit or loss on the disposal of property plant and equipment.

Passengers
Number of earned seats flown. Earned seats comprises seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.

Profit before tax per seat
Profit before tax divided by seats flown.

Return on capital employed (ROCE)
Normalised profit after tax (adjusted for leases) divided by average net debt plus average shareholders' equity.

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

Revenue
The sum of seat revenue and non-seat 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

We'd like to thank everyone who has helped to produce this report:

Paul Ablin, Charlotte Allin, Paul Atkins, John Barton, Angela Bennett, Alita Benson, Lis Blair, Warwick Brady, Lisa Burger, Mike Campbell, Phil Chastell, Trevor Didcock, Peter Duffy, Chris Gadsden, Lewis Girdwood, Val Goldine, Pamela Harrison, Michelle Heywood, Martin Lynch, Bruce James, Reema Jandu, Sarah Kayser, Chris Kennedy, Rachel Kentleton, Ken Lawrie, Rosie Lobb, Cath Lynn, Will MacLaren, Carolyn McCall OBE, Andrew McConnell, Paul Moore, Shahina Mostafa, Tom Oliver, Giles Pemberton, Louise Pocklington, Captain Dave Prior, Adam Raffa, Zarina Sabir, Neil Slaven, Chris Sominka, Andrew Tempest, Hayley Thomas, Claire Walker, Charles Whitehouse, Helen Whittle, Anna Willshire, Andrew Winterton, Natalie Yeung and all of our employees across the network.

FSC www.fsc.org MIX Paper from responsible sources FSC® C001785

Printed by Park Communications on FSC® certified paper.

Park is EMAS certified; its Environmental Management System is certified to ISO 14001 and it is a CarbonNeutral® company.

100% of the inks used are vegetable oil based, 95% of press chemicals are recycled for further use and, on average 99% of any waste associated with this production will be recycled.

This document is printed on Core Silk, a paper containing 100% virgin fibre sourced from well managed, responsible, FSC® certified forests. The pulp used in this product is bleached using an elemental chlorine free (ECF) process.

This report is available at:
http://corporate.easyjet.com/investors/reports-and-accounts.aspx

Designed and produced by Black Sun Plc
www.blacksunplc.com

easyJet plc

Hangar 89
London Luton Airport
Luton
Bedforshire
LU2 9PF

www.easyJet.com