easyJet plc

ANNUAL REPORT AND ACCOUNTS 2017

PURPOSEFUL AND DISCIPLINED GROWTH

2017 at easyJet

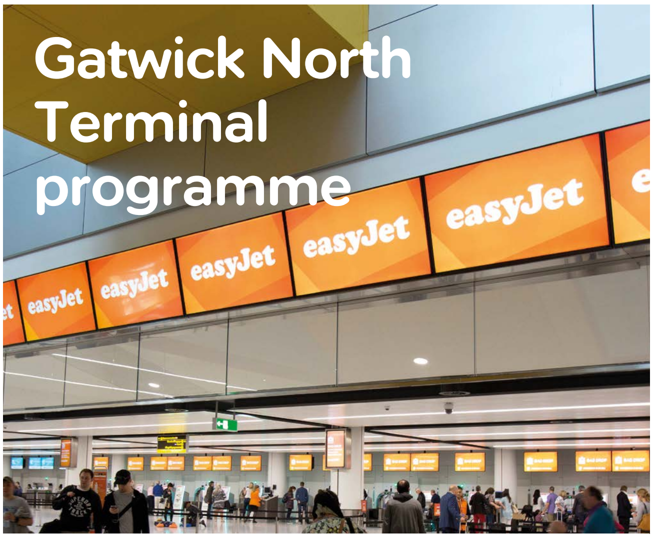
2017 has been a year of purposeful and disciplined growth to develop our market positions at slot-constrained airports. We have grown our share in a number of key airports, with our fleet up-gauging process also allowing us to add capacity where our competitors cannot.

Our sustained focus on cost control and lean initiatives is supported by our fleet development and increased use of digital to improve our customers' experience.

We moved quickly in response to the UK's referendum vote to leave the European Union by establishing a new airline, easyJet Europe, in Austria. easyJet Europe is now operational and will enable easyJet to continue to operate flights both across and domestically within all European countries after the UK has left the EU, regardless of the outcome of talks on a future UK-EU aviation agreement.

We continue investing in innovation, which has already revolutionised our customer offer and we expect to continue to harness technology to deliver cost and reliability benefits as well as exciting improvements in customer experiences that will keep easyJet a structural winner at the forefront of the aviation industry.

easyJet's customer proposition continues its positive development and, backed by a strong balance sheet, will deliver long-term shareholder value.



See case study on p22

See case study on p23

STRATEGIC REPORT

Investment case	2
Chairman's letter	3
easyJet at a glance	4
Our business model	8
Chief Executive's review	10
Overview	10
Market environment	11
Strategic progress	11
Outlook	17
Our markets	18
Our strategy	19
Our strategy in action	22
Key performance indicators	24
Financial review	26
Going concern	31
Viability statement	31
Key statistics	32
Risk	33
Corporate responsibility	41

GOVERNANCE

Chairman's statement on corporate governance	47
Board of Directors	48
Executive Management Team	50
Corporate governance report	52
Directors' remuneration report	65
Directors' report	85
Statement of Directors' responsibilities	88
Independent auditors' report to the members of easyJet plc	89

ACCOUNTS

Consolidated accounts	94
Notes to the accounts	99
Company accounts	126
Notes to the Company accounts	129

OTHER INFORMATION

Five-year summary	131
Glossary	132

VISIT OUR WEBSITE FOR OTHER INVESTOR INFORMATION

http://corporate.easyJet.com/investors

Investing in our strengths

We continue to invest in what differentiates us, strengthening our long-term proposition.

UNPARALLELED NETWORK

We have an increasing presence in the key markets, with frequencies and slots at slot-constrained primary airports that deliver choice and flexibility to our customers.

97.6%

PERCENTAGE OF EASYJET CAPACITY THAT TOUCHES AN AIRPORT WHERE EASYJET HAS A NUMBER ONE OR NUMBER TWO POSITION[1]

862

routes operated [1]

DISCIPLINED USE OF CAPITAL

We have a clear capital structure framework and a strategy intended to maximise shareholder returns.

50%

DIVIDEND PAYOUT RATIO

LOW-COST MODEL

We are driven by our strong focus on cost control, with a commitment to maintaining easyJet's structural cost advantage against its major competitors in each of its markets.

FLAT

TARGET FOR COST PER SEAT EXCLUDING FUEL AT CONSTANT CURRENCY[2]

WELL-KNOWN BRAND

We are respected for delivering a safe, reliable and great-value service to top destinations across Europe and beyond.

1 OR 2

AIRLINE BRAND IN THE UK, FRANCE AND SWITZERLAND[1]

STRONG BALANCE SHEET

We maintain a strong balance sheet to facilitate low funding costs and operational flexibility, and to provide insulation from external shocks.

£3.6M

LIQUIDITY PER 100 SEATS[1]

£357M

NET CASH[1]

DRIVING REVENUE GROWTH

We have a clear focus on building strong relationships with customers to create more sustainable, long-term revenues leveraging quality, innovation and digital.

23.0M

APP DOWNLOADS TO 30 SEPTEMBER 2017

(1) As at 30 September 2017
(2) Before the impact of acquisitions, at constant currency, performance from 2015 financial year compared to 2019 financial year at normal levels of disruption

Delivering long-term value

JOHN BARTON
Chairman

easyJet delivered a robust financial performance this year, with record passenger numbers and revenues growing to more than £5 billion. We continue to invest for the future in order to deliver sustainable long-term value for shareholders.

50%
DIVIDEND PAYOUT RATIO

80.2m
RECORD PASSENGER NUMBERS IN THE YEAR ENDING 30 SEPTEMBER 2017

DELIVERING OUR STRATEGY

Last year we reported our intention to continue to implement our purposeful growth strategy, which will deliver long-term returns to shareholders. As a result, easyJet grew capacity by 8.5% this year, focusing on reaching strong number one positions in Europe's primary airports. Cost control was robust and we invested in increased resilience which will deliver long-term benefits to easyJet and its customers. We also continue to ensure that we have a strong and flexible balance sheet to underpin our plans for the future.

RESULTS

As a result of this strategy we have been able to deliver a robust performance this year. Our passenger growth was healthy, increasing by 9.7% to 80.2 million, and revenue increased to £5,047 million, an increase of 8.1%. Headline profit before tax was £408 million, despite the impact of £101 million from adverse foreign exchange rates. Reported profit after tax was £305 million.

We have achieved a headline return on capital employed of 11.9% as we start to take deliveries of our new fleet order, including our first A320neo aircraft.

We are confident in our ability to deliver sustainable returns to shareholders and in our dividend policy. As a result we are recommending a dividend of 40.9 pence per share based on our payout policy of 50% of headline profit after tax.

BOARD

In July Carolyn McCall resigned to become CEO of ITV plc. After joining in 2010, Carolyn built and led the management team that transformed easyJet's performance in every respect. She put easyJet's passengers and people at the heart of the business, having first built a solid operational performance. This has seen both the number and loyalty of easyJet's passengers grow as a result and has led to sustained and continuing financial success, which has been shared with shareholders with a more than trebling of easyJet's share price and the payment of £1.2 billion in dividends. On 10 November 2017 the Board announced the appointment of Johan Lundgren as its new Chief Executive. Johan was previously Group Deputy Chief Executive Officer of TUI Group. He will be joining the Company on 1 December 2017, with Carolyn stepping down on 30 November.

This year we welcomed Moya Greene to the Board as a Non-Executive Director. Moya brings significant transport and logistics expertise as well as her experience as a FTSE 100 Chief Executive. At the same time François Rubichon decided to step down after three years on the Board. Keith Hamill also indicated that he would retire, but kindly agreed to remain on the Board whilst we found a successor to Carolyn McCall. François and Keith leave easyJet with our gratitude and best wishes.

PEOPLE

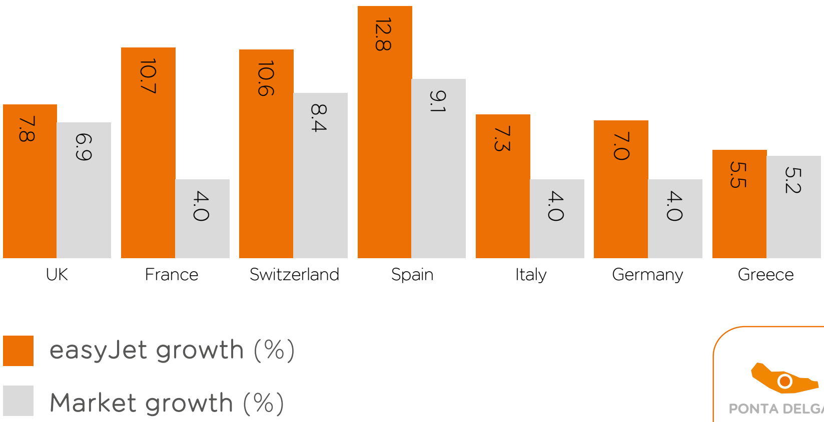
Once again I would like to thank all of our people, in particular those on the front line as they represent easyJet at its best in sometimes challenging situations. We continue to invest in our pilots and crew to deliver excellent service and as we continue to grow. In addition, I would also like to thank those in support functions who have participated in the organisational review during the year, which creates a better platform for the future. With both of these communities I believe that easyJet is building a strong and sustainable advantage for the long term.

JOHN BARTON
Non-Executive Chairman

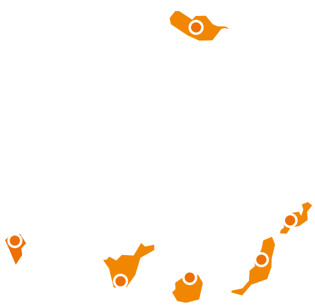
PURPOSEFUL GROWTH

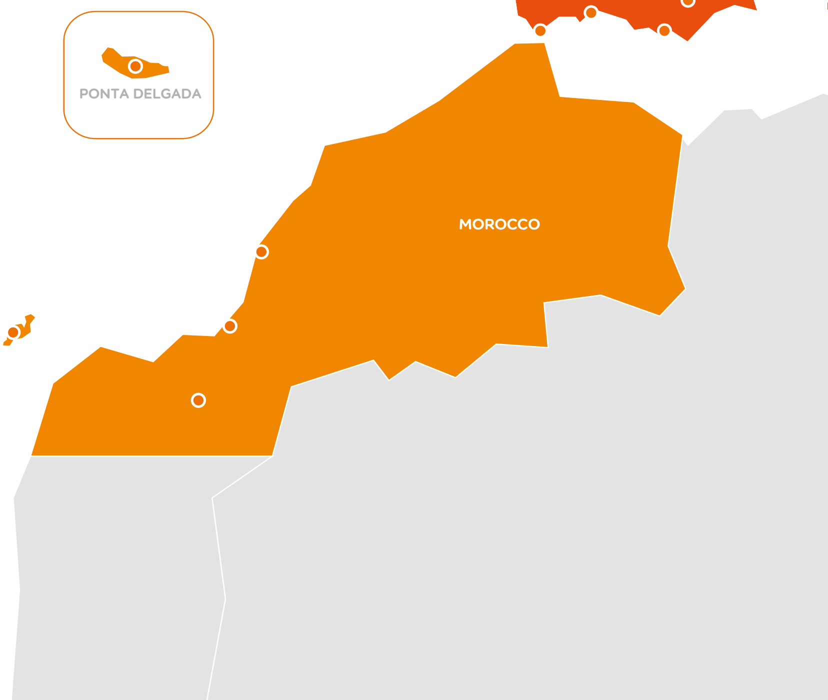
Our network strategy provides passengers with a primary airport network and schedule that no other airline can replicate. Our returns are driven by strong network positions at primary airports and we are building and strengthening our number one and number two positions at key airports, where returns are highest.

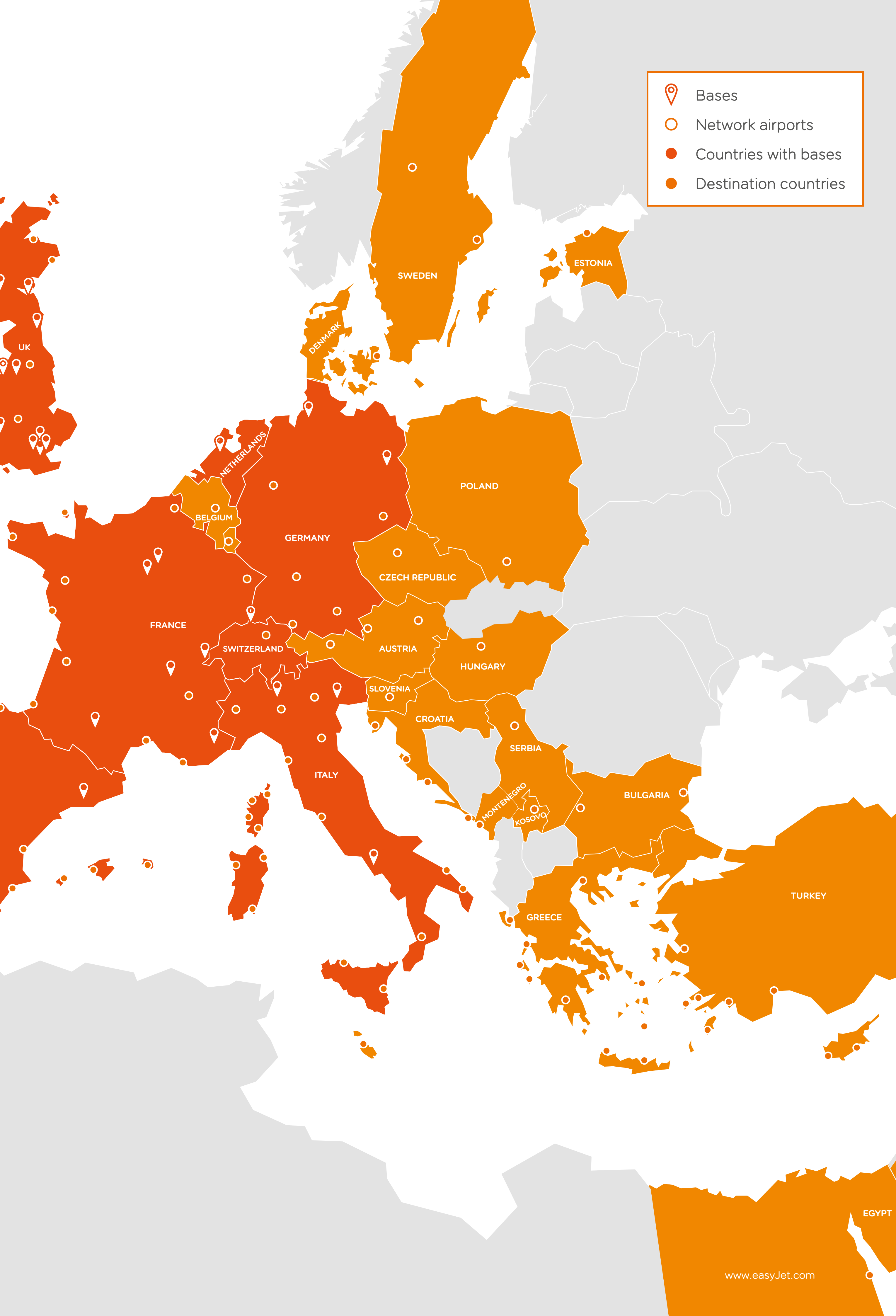
WE ARE GROWING AHEAD OF THE MARKET IN MOST OF OUR COUNTRIES OF OPERATION



Growth figures from OAG (2017)



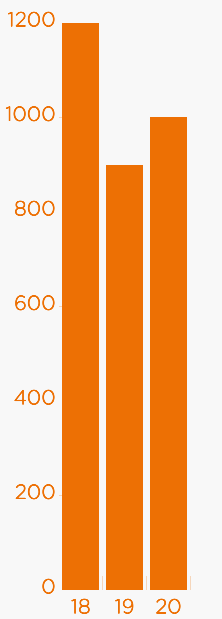



Bases
Network airports
Countries with bases
Destination countries
SWEDEN
ESTONIA
DENMARK
UK
NETHERLANDS
BELGIUM
GERMANY
POLAND
CZECH REPUBLIC
FRANCE
SWITZERLAND
AUSTRIA
HUNGARY
SLOVENIA
CROATIA
SERBIA
ITALY
MONTENEGRO
KOSOVO
BULGARIA
GREECE
TURKEY
ISRAEL
EGYPT

THROUGH A DISCIPLINED APPROACH

Our investment strategy is focused on our long-term sustainability. The up-gauging of our fleet through the addition of A320 and A321neos to the fleet plan delivers a significant cost per seat benefit, as well as supporting an increase in market share in slot-constrained airports.

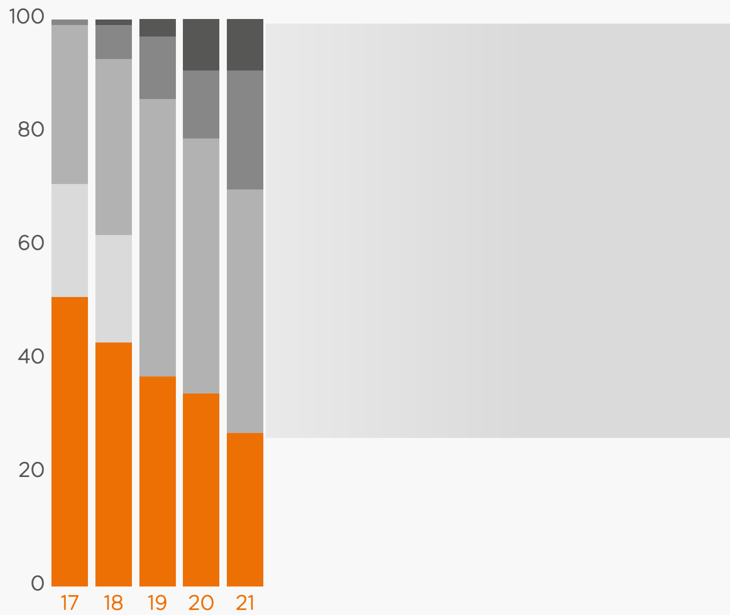
GROSS CAPITAL EXPENDITURE (£M)



over £3bn

CAPEX SPEND OVER THE NEXT THREE YEARS

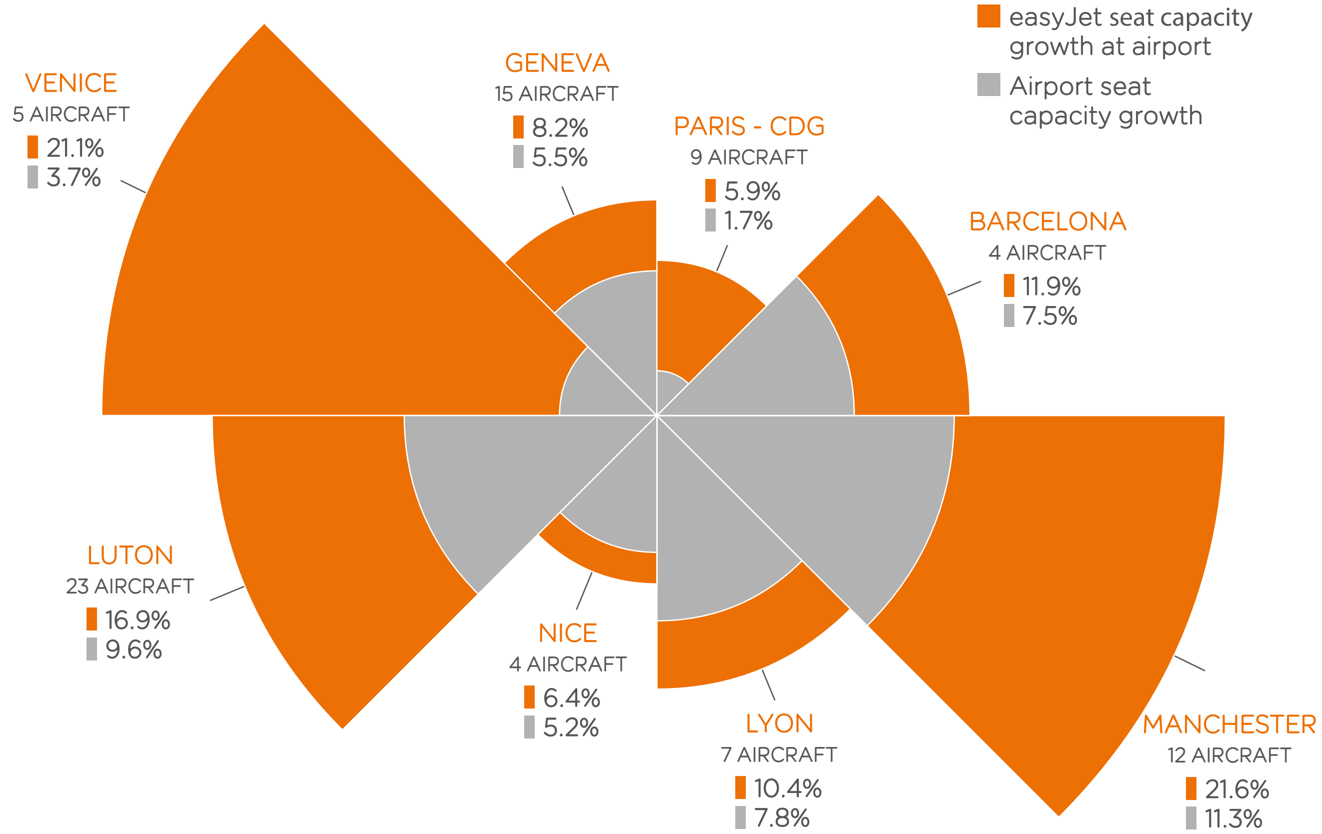
EASYJET FLEET MIX (%)



19-22%

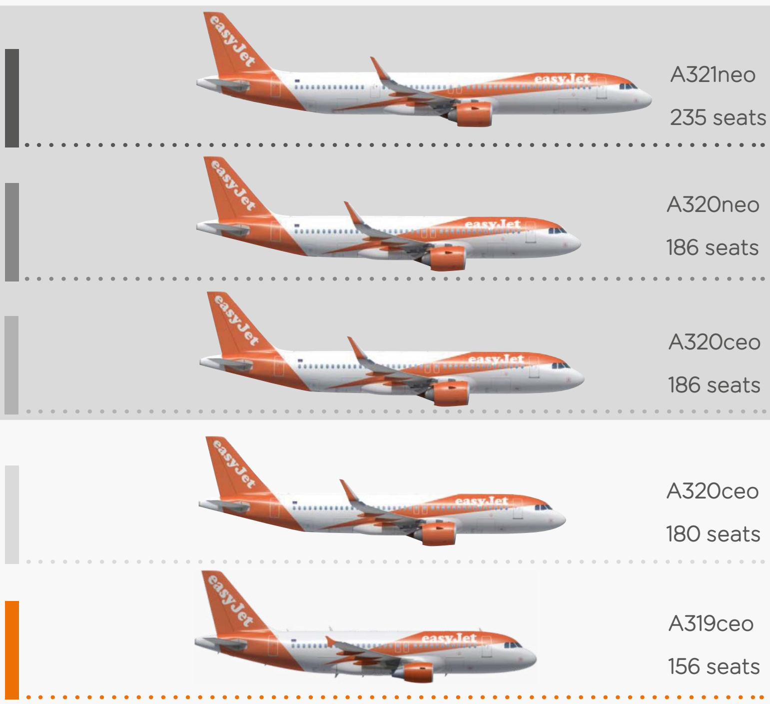
COST PER SEAT SAVING A321neo vs A319

INCREASING SHARE AT KEY BASE AIRPORTS IN THE 2017 FINANCIAL YEAR



Growth figures from OAG. Aircraft numbers represent based aircraft.

DEVELOPING OUR FLEET



73%
A320 and A321 by 2021

Our new A320 and A321neo planes will allow us to fly more passengers than ever to their destinations, increasing profitability and taking an important step in reducing our environmental footprint.

An efficient low-cost model to drive sustainable shareholder returns

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

KEY RESOURCES

The success of our business depends on a number of key resources:

Capital

easyJet has a strong capital base, with market capitalisation of £5 billion(1) and a net cash position of £357 million at 30 September 2017. easyJet's credit ratings are amongst the strongest in the world for an airline.

CREDIT RATING

BBB+/Baa1

Aircraft

easyJet operates a modern Airbus fleet, using the A320 family of aircraft, and is investing in the new 186-seat, fuel-efficient A320neo aircraft, as well as A321neos from summer 2018. This provides customer, operating and maintenance benefits to the Group.

279

AIRCRAFT

People

easyJet has a dedicated workforce of over 12,000 people, including 3,291 pilots and 7,547 cabin crew members, as at 30 September 2017.

OVER

12,000

PEOPLE

Technology and insight

easyJet leverages its customer relationship management capabilities, driving revenue by increasing customer loyalty and implementing its wider digital strategy. Our increasingly sophisticated use of data will enable us to continue to make travel easy and affordable in the longer term.

23.0m

APP DOWNLOADS

Relationships with stakeholders

easyJet interacts with a number of stakeholders in its operations, such as customers, suppliers (including infrastructure owners and operators e.g. airports, air traffic control), regulators and national governments.

OVER

80.2m

PASSENGERS

OUR VALUES

Safety
We never compromise on safety

Simplicity
We cut out the things that don't matter to keep us lean and make it easy

One team
Together we'll always find a way

SAFETY UNDERPINS EVERYTHING WE DO

(1) Based on a share price of £12.17 at 30 September 2017.

HOW WE DO IT

We build on our business through our strategic pillars:

Building and strengthening number one and two network positions
We fly from the main airports in attractive catchment areas. We are increasing our presence in the right markets, with frequencies and slots at primary airports that deliver choice and flexibility.

Maintaining a lean cost advantage
easyJet is committed to maintaining its structural cost advantage against competitors in our markets. We have low overhead costs, use our aircraft efficiently and have a lean approach to all areas of the business.

Maintaining customer and operational excellence
People are attracted to the well-known easyJet brand and high-quality service offering. We make it easy to buy our low fares through our website and digital platforms, which have on average over one million visits every day.

Continuing to leverage data and digital platforms
easyJet's award-winning digital platform continues to be a major enabler of revenue and customer satisfaction. easyJet's app has been downloaded 23.0 million times at 30 September 2017 and as it becomes more established it is driving increasing contribution to revenue.

Grow revenue
We have a clear focus on building strong relationships with customers to create more sustainable, long-term revenues, leveraging quality, innovation and digital. easyJet is looking to develop new revenue streams, leveraging its network, cost focus and track record of innovation.

The best people
It is our people who continue to deliver the strategy for the business and will drive future success. Internally, we continue to focus on recruiting the right people, helping them to understand their role and our values, and then giving them the tools to develop a high-performance culture.

Turn to page: 19
for more details of Strategy

OUTCOMES

Creating value for our stakeholders

GENERATING HIGH RETURNS FOR OUR SHAREHOLDERS

50%

DIVIDEND PAYOUT RATIO

71%

CUSTOMER SATISFACTION

OPERATIONAL EXCELLENCE

76%

ON-TIME PERFORMANCE

EMPLOYEE TURNOVER

7.4%

Turn to page: 24
for more details of KPIs

http://corporate.easyJet.com
to read more about our values

Integrity
We stand by our word and do what we say

Passion
We have a passion for our customers, our people and the work we do

Pioneering
We challenge ourselves to find new ways to make travel easy and affordable

SAFETY UNDERPINS EVERYTHING WE DO

Building momentum

CAROLYN MCCALL DBE
Chief Executive

Our planned approach of achieving number one or two positions at Europe's leading airports, friendly and efficient customer service and a continuous focus on sustainable cost control has put easyJet at a strategic advantage during a period when there have been bankruptcies and some airlines have struggled operationally.

£5.0bn

REVENUE (2016: £4.7BN)

4.4%

HEADLINE COST PER SEAT IMPROVEMENT FROM THE 2016 FINANCIAL YEAR, RESTATED AT CONSTANT CURRENCY

easyJet delivered a robust performance in the 2017 financial year. During the period the airline continued to make good progress in its purposeful growth strategy, making disciplined investments to maintain and grow its market-leading positions in Europe's primary, slot-constrained airports. easyJet's focused capacity growth of 8.5%, includes a number of time-sensitive opportunities in slot-constrained airports such as Amsterdam, which is now full. Over seven million more passengers flew with easyJet this year, representing an increase of 9.7%, at historically high load factors of 92.6%. This reflects the strength of easyJet's network and customer proposition.

The airline's disciplined strategy will enable it to be a structural winner within its chosen markets in the European short-haul market.

Total revenue increased by 8.1% to £5,047 million (2016: £4,669 million).

Revenue per seat is broadly flat at £58.23 (down 4.5% at constant currency[1]), driven by:

- The persisting low fuel price environment, resulting in high levels of market capacity growth (7.4% growth in easyJet's markets).
- An aggressive pricing environment which saw net ticket revenue per seat fall by 7.8% at constant currency.
- Ancillary revenue[2] which grew by 17.8% to £986 million as high load factors and consumer-focused initiatives helped to offset ticket pricing pressures.
- Within this, non-seat revenue increased by 9.3% to £89 million, supported by strong inflight sales of easyJet's enhanced product offering.

easyJet's focus on rigorous cost control continues to deliver excellent results and supported the investment in operational resilience. Headline cost per seat increased by 2.4% to £53.52 driven by an adverse headline foreign exchange impact of £308 million (£3.56 per seat) and the costs of disruption, which remains a major industry challenge. At constant currency the headline cost per seat decreased by 4.4% as easyJet continued to benefit from its hedged fuel position. The overall cost performance is driven by:

- Fuel cost reduction of 19.2% per seat at constant currency.
- Lean initiatives in:
  - airports and ground handling, leveraging easyJet's scale across the network;
  - engineering and maintenance savings in the supplier base; and
  - reduced navigation charges.
- Up-gauging of fleet with the delivery of an additional 21 186-seat A320 and two A320neo aircraft and retrofitting of 49 existing 180-seat A320s to 186-seats.

This helped to offset:

- A continued increase in the combined impact on cost from disruption of EU 261 claims and an increasingly congested European aviation infrastructure.

(1) Constant currency is calculated by comparing the 2017 financial year performance translated at the 2016 financial year effective exchange rate to the 2016 financial year reported performance, excluding foreign exchange gains and losses on balance sheet revaluations

(2) Ancillary revenue includes revenue from the provision of checked baggage, allocated seating and change fees, and also includes non-seat revenue which arises from commissions earned from services sold on behalf of partners and inflight sales.

- Investment in resilience including an additional light aircraft in Milan Malpensa, additional spare parts distributed across the network and three wet leased aircraft to add flexibility in the schedule.
- Additional ownership and financing costs that were anticipated following investment in the long-term growth of the airline.
- Inflationary cost increases such as agreed crew deals and start-up costs related to the introduction of a new ground handling company, DHL, at Gatwick.

easyJet remains on track to deliver flat headline cost per seat excluding fuel at constant currency from the 2015 financial year to the 2019 financial year, assuming normal levels of disruption and excluding Air Berlin.

easyJet continues to prioritise its sector leading balance sheet and dividend policy:

- Cash and money market deposits(3) at 30 September 2017 of £1,328 million (2016: £969 million) with net cash of £357 million (2016: £213 million).
- Headline return on capital employed(4) at 11.9%, in line with easyJet's long-term benchmark.
- Dividend payout ratio of 50% of headline profit after tax delivering a proposed ordinary dividend per share of 40.9 pence.

easyJet is well prepared for the UK's exit from the European Union:

- Following the successful award of its Air Operator Certificate (AOC) and airline operating licence in Austria, easyJet Europe airline will be operating with more than 10 aircraft by the end of 2017 and is in the process of registering more aircraft over the next 12 months.
- A resolution will be proposed at easyJet's AGM to update easyJet's Articles of Association relating to shareholder ownership controls to ensure compliance with EU ownership requirements.

MARKET ENVIRONMENT

easyJet operates in the European short-haul aviation market, with a focused business model that has enabled it to consistently generate high levels of profitability. As competitors continue to struggle to restructure their high cost bases or operate with inadequate financial resources, easyJet is well positioned selectively to strengthen its market positions. Economic trends remain favourable across Europe with continued GDP growth supporting spending in all easyJet's major countries.

The total European short-haul market(5) grew by 5.9% year-on-year and by 7.4% in easyJet's markets. This was driven by easyJet's own growth and competitor growth supported primarily by a continued low fuel price. easyJet delivered particularly strong growth in France and Switzerland.

STRATEGIC PROGRESS

easyJet is delivering through its six strategic pillars:

1. Purposeful investment to build strong number one and two network positions
2. A lean cost advantage
3. Customer and operational excellence
4. Data and digital
5. Enhance revenue growth
6. The best people

PURPOSEFUL INVESTMENT TO BUILD STRONG NUMBER ONE AND NUMBER TWO NETWORK POSITIONS

easyJet's strategy is focused on primary airports, serving valuable catchment areas that represent Europe's top markets by GDP. This helps to drive both leisure and business travel. These are strong, existing markets, built up over a period of time by legacy carriers. easyJet's portfolio of peak time slots at airports, where either total slot availability or availability at customer-friendly times is constrained, further reinforces its competitive advantage.

easyJet currently holds 18 number one market positions by share of seat capacity and has identified a number of potential targets for the next five years where GDP and passenger volumes are high, and where there is a weak incumbent and/or where there is no clear winner today. easyJet's network decisions are not driven by cost but by the desire to secure strong, long-term, sustainable and profitable positions in key airports, in order to secure long-term, sustainable returns for shareholders. Number one or number two positons to weaker legacy incumbents in key airports enable the airline to offer a better proposition to customers and higher, sustainable returns for investors.

easyJet will continue to pursue this strategy with clarity and purpose. Looking ahead, easyJet expects that its capacity growth will be targeted at deepening existing number one positions or converting number two positions into number one positions, as well as seeding new number one and two positions.

easyJet takes a disciplined approach to capital allocation, balancing its network by deploying aircraft to where it can achieve the highest returns. easyJet's strategy achieves this through:

1. Building number one positions both at primary airports and on its routes, which drives significantly greater contribution:
   - 98% of easyJet's capacity touches an airport where it has the number one or number two position by market share.
2. Investing in scale:
   - Leading positions, route frequencies and multiple destinations create flexibility for customers, as well as reinforcing the easyJet brand to ensure that it is 'top of mind'.
3. Investing with purpose:
   - easyJet has a track record of generating above the cost of capital returns from purposeful investments within a three-year period.

easyJet regularly reviews its route network in order to maximise returns and exploit demand opportunities in the market. During the 2017 financial year easyJet added 79 routes to the network. Reflecting the airline's discipline, it also discontinued 20 routes which either did not meet expected return criteria, or became secondary to a more attractive route elsewhere. During the year easyJet also took the decision to close its base in Hamburg in March 2018, with greater returns available by redeploying those aircraft elsewhere in the network.

easyJet has continued to focus on key markets, growing market share in the UK, Switzerland and Italy. Growth in market share was more robust in France and the airline's announcement that it will launch a new base in Bordeaux in spring 2018, will create the airline's sixth base in the country.

(3) Excludes restricted cash.

(4) Headline return on capital employed shown adjusted for leases with leases capitalised at 7 times.

(5) Capacity and market share figures from OAG. Size of European market based on internal easyJet definition. Historical data based on 12 month period from October 2016 to September 2017.

easyJet also invested in high capacity growth in its city strategy: in Venice and Naples to improve its number one positions as well as maintaining share in the slot-constrained Amsterdam airport, where the airport is now at full capacity. easyJet's announcement regarding its purchase of parts of Air Berlin's operations is consistent with this strategy.

Overall easyJet grew capacity by 8.5% in the period, with its market share for easyJet's markets up 0.8 percentage points to 31.6%. Progress in easyJet's main markets is as follows:

United Kingdom
easyJet has strong market positions in all of the UK's busiest airports, with 10 number one airports and two number two airports. This includes 47% share of short-haul capacity at London Gatwick and 43% share at Luton. At 30 September 2017, 146 aircraft were based in the UK, with 93 at four London airports. easyJet increased its capacity in the UK during the year by 8%, with significant growth targeted at maintaining its share of the London market through Luton and Gatwick and increasing capacity at Edinburgh, Bristol and Manchester airports in particular.

France
easyJet currently has a number one position in Nice, with number two positions in Paris, Lyon, Toulouse and Bordeaux. At 30 September 2017, the airline had 30 aircraft based in France. easyJet increased capacity in the year by 11%, significantly ahead of the overall market, to consolidate its presence in Paris and increase its share in the regions. With an overall market share at 30 September 2017 of 15%, easyJet has increased its share of the market in France over the last year by almost one percentage point.

Italy
easyJet has a number one position at Milan Malpensa, Naples and Venice. At 30 September 2017, the airline had 31 aircraft based in Italy. easyJet increased capacity in the year by 7%, further increasing its investment in Venice, where easyJet now has 26% share; Naples (30% share); and consolidating its position in Milan Malpensa (40% share).

Switzerland
easyJet has a strong position in Switzerland and is number one in both Geneva and Basel with 43% and 60% market share respectively. At 30 September 2017, the airline had 24 aircraft based in Switzerland. easyJet increased capacity in the year by 11%, increasing its share in both Geneva and Basel, against overall market growth of 8%.

Germany
In Germany, easyJet has two bases, at Berlin Schönefeld, where it has a number two position, and Hamburg which it has now decided to close from March 2018. At 30 September 2017, the airline had 16 aircraft based in Germany. easyJet increased capacity by 7% in Germany during the period as it invested in maintaining its strong market share of the Berlin market. The transaction with Air Berlin will secure a leading position at Berlin Tegel airport and a number one overall position in the Berlin market (Europe's third most popular destination for overnight stays).

Netherlands
easyJet holds the number two position behind KLM at Amsterdam Schiphol airport, which is now at full capacity. At 30 September 2017, the airline had eight aircraft based in the Netherlands, which has increased purposefully since opening the base in March 2015. easyJet increased capacity by 8% in the year as it began to annualise the high growth from the previous two years, focusing on adding frequencies to existing destinations and capturing first wave demand from business passengers.

Portugal and Spain
easyJet operates out of all five major airports in Portugal and flies both international and domestic routes. At 30 September 2017, the airline had eight aircraft based in Portugal. easyJet increased capacity by 14% in the year as it continued to establish its position in both bases (Lisbon and Oporto).

easyJet operates at 20 airports in Spain and serves over 150 routes. At 30 September 2017, the airline had seven aircraft based in Spain. In March, easyJet opened its first seasonal base in Palma de Mallorca, a major leisure destination with a focus on the summer market. This has been a major success and has the potential to be replicated elsewhere. easyJet grew capacity in Spain by 13% in the year as it continued to build its presence at both Palma and its base in Barcelona.

A LEAN COST ADVANTAGE

easyJet is committed to maintaining its structural cost advantage in the markets where it operates, primarily against the legacy airlines.

Through its Lean programme which is embedded in the airline's culture, easyJet continues to identify both short-term efficiencies and longer term structural cost savings, leveraging its increasing scale. These savings enable the airline to offset the effects of underlying inflation and build flexibility to help mitigate revenue pressure.

The Lean programme has been able to deliver sustainable cost reduction: £400 million of savings have been achieved over the last seven years, with £85 million saved this year, and 2017 financial year headline cost per seat, excluding fuel, at constant currency is marginally lower than the 2015 financial year. This is despite the regulatory environment and current inflationary pressures.

As a result, easyJet remains committed to its target of flat unit headline cost performance between the 2015 financial year and the 2019 financial year, at constant currency and before the effect of fuel, assuming normal levels of disruption and excluding Air Berlin.

Savings will be delivered in the following areas:

Airport and ground handling
- As easyJet increases in size, the airline will drive further economies of scale from long-term deals with airports and ground handling operators. Management continues to work with airports that will reward easyJet's commitment and growth with attractive financial packages. For example, despite 80% of outbound airports being regulated, airport and ground handling costs decreased by 1.3% per seat at constant currency.
- 20% of all easyJet passengers now travel through an automated bag drop area with further automation planned to be rolled out across the network. Automatic gates are also being trialled for boarding.

Maintenance and engineering
- easyJet is driving further efficiencies from its contract for maintenance and the provision of spare parts, which started in October 2015.
- easyJet is using data science and its strong relationship with Airbus to support predictive maintenance, which will drive further long-term cost savings.
- Innovation continues to drive down costs. For example, the BladeFix application determines the most efficient way of replacing blades, resulting in savings of c.US$250,000 per year.

Crew

- easyJet's business model of employing crew across Europe on local contracts delivers significant value in attracting and retaining high quality crew. The airline believes this is the best long-term and sustainable resourcing model in the markets it operates in. easyJet's investment in this area has driven structural benefits, including low crew turnover, at less than 4% for pilots, and a strong pipeline of pilots and crew.
- easyJet is investing significant resources to improve schedule and rostering efficiency, which will improve productivity and create a more stable working environment for its crew.

Overhead and IT

- easyJet continues to implement its new organisational design which will bring significant efficiency to the business, as well as the ability to leverage scale in overhead for future growth. This will deliver c.£15 million of annualised saving, with a six to nine month payback on the investment.
- Increasing investment into data and digital to increase simplicity, enhance flexibility and drive efficiency.
- Continuing end-to-end review of the supplier base in all areas of the business to reduce cost and drive innovative thinking about the way the airline works in the future.

Up-gauging and efficient fleet management

- Moving from 156 seats on an A319 to 186 seats on an A320neo aircraft is expected to deliver a cost per seat saving of around 11% to 13%. This is being achieved by increasing the proportion of higher gauge A320 aircraft in the fleet:
  - all new A320 deliveries will be fitted with 186 seats;
  - retrofitting the existing fleet of 180-seat A320s; and
  - introduction of the 186-seat A320neo from June 2017.
- The addition of A321neo aircraft to the fleet from July 2018 is expected to deliver an 8% to 9% cost per seat saving compared to an A320neo, primarily due to their 235-seat configuration.
- easyJet has built fleet flexibility which means the airline is able to either increase or decrease the fleet growth programme, allowing it to manage ownership costs in line with external factors.

Fuel

- easyJet continues to optimise its commercial and logistical fuel supply arrangements, working closely with its fuel providers.

Non-headline items

As indicated previously, easyJet has incurred a number of non-headline costs during the 2017 financial year. These costs are separately disclosed as non-headline profit before tax items:

- easyJet transacted the sale and leaseback of 10 aircraft in December 2016 to de-risk the exit from the business of the ageing A319 fleet. easyJet has incurred a non-cash charge of £16 million. Of this, £10 million relates to a loss on disposal, which reflects the timing of the transaction and the specific aircraft sold. A further £6 million relates to a one-off catch up in the maintenance provision due to the differences in accounting treatment between owned and leased aircraft. The proceeds of the transaction were US $144 million and are reflected in the cash flow statement. The next tranche of 10 has now completed for proceeds of US $137 million, which will result in a non-headline charge of approximately £20 million in the 2018 financial year.
- As a result of the UK's referendum vote to leave the European Union, easyJet has established an airline in Austria. This will secure the flying rights of the c.30% of the network that remains wholly within and between EU states, excluding the UK. This one-off cost, comprised mainly of aircraft registration costs, is expected to total up to £10 million over three years, with £2 million incurred in the 2017 financial year.
- Expenses associated with implementing the organisational review in the 2017 financial year totalled £6 million. Approximately £3 million is expected in the final phase of this process in the 2018 financial year. Annualised savings are expected to be £15 million.
- Balance sheet foreign exchange gains were £2 million and the fair value adjustment associated with the bond cross-currency interest rate swap was a £1 million loss.

CUSTOMER AND OPERATIONAL EXCELLENCE

easyJet continues to challenge itself to make things easier for our customers and deliver good operational performance during a challenging time for the industry. We know that airport and airspace congestion will not change overnight, but we are investing in the tools to ensure better performance and improve our On-Time Performance (OTP).

In the 2017 financial year, cancellations and delays decreased by 4% to 7,047 (2016 7,357) but OTP decreased by one percentage point to 76%. The challenges of working at Gatwick, where easyJet outperforms most of its direct competitors on OTP, continue to have an impact on the rest of the network; OTP excluding the UK was three percentage points higher at 79%. In particular, easyJet was affected by a number of external factors:

- Severe weather at peak times of year.
- Strikes around the network including French Air Traffic Control (ATC), Italian Ground Handling and Berlin Ground Handling.
- Reduced capacity as French ATC perform systems upgrades in Bordeaux, similar to the Brest upgrades last year.
- Capacity limitation events at Gatwick airport such as the disruption caused by a burst tyre on an Air Canada flight in July.

OTP % arrivals within 15 minutes	Q1	Q2	Q3	Q4	Full year
2016 Network	82%	82%	74%	71%	77%
Network excluding UK	83%	84%	78%	76%	80%
2017 Network	79%	80%	78%	68%	76%
Network excluding UK	82%	82%	80%	72%	79%

easyJet invested in a number of initiatives in the year to drive better On-Time Performance and improve operational resilience:

- Engineering initiatives to increase aircraft availability: easyJet has set up an Aircraft On Ground Response Team and added a second light aircraft at Milan Malpensa to the one at Luton to ensure engineers can fix aircraft more quickly, saving c.£6 million in the summer; spare parts have been distributed around the network to support a faster response, guided by predictive maintenance analysis; and predictive maintenance is also being used in scheduled checks and is expected to reduce technical operational interruptions by up to 20%.
- Gatwick North Terminal consolidation: since January easyJet has been able to improve operations and customer experience at Gatwick; and 80% of stands are now dedicated to easyJet aircraft, enabling more efficient ground handling processes and consistent turn times.
- Customer communications: easyJet has increased its push notifications to customers, to manage disruption better; technology is also supporting more consistent communication between Operations Control, ground handling teams and on-board crew to passengers; and easyJet has now introduced further automation to the compensation claims process to improve customer satisfaction and reduce processing costs.
- Schedule and rosters: easyJet has introduced breaks to its schedule and increased block times (reducing asset utilisation) to ensure it can deliver a more robust schedule for its customers. In addition, three aircraft were wet leased this summer to build flexibility and a further two spare aircraft made available to add resilience.
- Employing new technology: increasing the use of digital technology in recording aircraft maintenance and causes of delays. Additionally, we are piloting the use of solutions such as zero-emission electric tugs to reduce noise and pollution as well as drones to speed up the aircraft maintenance process.

Over the last three years easyJet has been working with Gatwick Airport to create its Airport of the Future at the North Terminal. This has seen the introduction of mobile hosting, which provides information on baggage and departure belts for 5.5 million customers, the introduction of the world's largest Autobag drop and upgrades to security resulting in reduced waiting times. Following these upgrades, queue times at manual bag drop desks have declined with 90% of our customers waiting fewer than five minutes. The North Terminal now processes 600 passengers per lane per hour, up from 170 last year. This has seen Customer Satisfaction scores for baggage drop wait time increase by 22 percentage points year-on-year. Autobag drop has been rolled out to six further airports in total since introduction at Gatwick.

easyJet is also pleased to have announced a strategic partnership with DHL. They are now working with easyJet to transform ground handling at Gatwick airport with new ideas, innovation and a razor sharp approach to efficiency and consistency.

Looking ahead, the next phase of the Airport of the Future will focus on the boarding process, using facial recognition technology and e-Gates to reduce queuing time, speed up boarding and improve the efficiency of our turn arounds. Trials of these new innovations will commence in Gatwick and Luton in 2018.

DATA AND DIGITAL

easyJet has been at the forefront of digital innovation in the airline industry and its digital strategy is a core part of easyJet's wider strategy. Its capability helps to build customer loyalty, drive revenue growth, secure cost savings and deliver greater customer satisfaction. easyJet's increasingly sophisticated use of data will enable the business to make travel even easier and more affordable in the long-term.

Customers are now making 27% of all e-commerce bookings through mobile platforms, an increase of 5.4 percentage points from 30 September 2016, as functionality and accessibility improve further. The ability to simplify transactions continues to improve with technology such as Apple Pay seeing strong adoption and representing 10% of all app bookings. 24% of passengers now use mobile boarding passes (9.5 percentage points increase from 2016 financial year) and 40 airports support real time data exchange for gate information and bag drop. easyJet sent 11.6 million "go to gate" push notifications during the period.

Innovation and digital leadership

easyJet continues to innovate to maintain its advantage, improving the customer experience and increasing efficiency. This is being delivered across the business, from the new commercial platform and easyJet Worldwide; within the lean initiatives; in operations with the rollout of iPads in Palma for our crew members; and in engineering where we are reducing both fuel use and carbon emissions.

The new website customer interface, rolled out this year, is a key point of differentiation and provides a platform to release new features and enhancements. This has already delivered increases in conversion and attachment rates as customers find it easier to search for flights, compare routes, times and fares and see more relevant information on seats and bags. Further opportunities for commercial optimisation are planned.

easyJet has continued to enhance its app capabilities, building on its consistent 4.5 star rating, 23 million downloads and over 600,000 uses per day. In addition to functionality that improves the travel experience and drives loyalty, such as mobile boarding passes and the flight tracker, easyJet's app is increasingly being used to manage disruption, combining better communication with the ability for passengers to self-handle, easily rebooking their flights and securing pre-approved hotel accommodation.

Through the app customers can also add bags, seats, hotels, cars, insurance, lounges, transfers and, most recently, in-destination activities. During the year, easyJet announced initiatives with its first two Founders Factory portfolio companies, Flio and Lucky Trip, and will be integrating both into the easyJet travel app during 2018, delivering customer benefits in airport experience and travel experience. This activity is already getting significant traction with mobile customers, who are spending over 35% more than web-only customers and in-destination mobile purchases are growing 250% year-on-year.

Loyalty and data

easyJet continues to benefit from increasingly loyal customers. During the year 75% of seats were booked by returning customers, representing an increase of nearly six million compared to 2016. easyJet has seen significant increases in returning customer loyalty in its core markets of the UK (2.0 million customers) and Switzerland (1.4 million customers), with strong increases also in France and Germany.

easyJet is building increasingly strong relationships with its customers through the use of personalised data. easyJet's Customer Relationship Management (CRM) database of marketable customers increased by 5.6% during the year to 27.7 million. easyJet's loyalty scheme Flight Club is also producing demonstrable benefits, driving higher retention and higher satisfaction than non-members. Over 50% of Flight Club members fly 20 or more times a year, with just under 40% representing business or commuter customers.

The introduction of a new Data Hub, will allow easyJet to store significant amounts of customer, operational and financial data in a secure environment. This builds on the strong foundations of the existing CRM programme and will deliver increasingly personalised communications to customers. Investments in effective CRM bring tangible cost and revenue benefits, including:

- Reducing marketing cost per seat by 25% over the past five years.
- Enhancing customer value by over 30% – with 29% more customers in our CRM programme booking flights versus those outside the programme:
  - of those customers, each generates 50% more flight revenue and 47% more ancillary revenue.

ENHANCED REVENUE GROWTH

easyJet has a programme to develop additional revenue streams as well as enhancing existing revenue streams, leveraging its primary airport-focused network, cost focus and track record of innovation.

The airline is exploring new distribution channels, partner agreements and structures such as connectivity with other airlines. easyJet is also increasingly using data science to support revenue-enhancing initiatives, for example using customer profiling on specific sectors and routes.

During the 2017 financial year, bag revenue increased by 30% above projection due to improved pricing algorithms. easyJet also began the trial of artificial intelligence to conduct market diagnostics to help it react faster to changes in competitor pricing and other dynamics, as well as to improve route forecasting and to inform pricing strategy.

Business passengers

During the year the total number of business passengers has increased by 3.6%, against a backdrop of capacity investment weighted towards leisure routes. Business passengers comprised 16% of easyJet's customer base, reflecting the mix of routes flown. The business passenger premium outperformed the prior year at £11.58, up 9.5% versus the 2016 financial year. This was aided by the recovery from shock events (which disproportionately impacted short-term travel) and an increase in Business Flexi revenue.

With the proposition now well established, easyJet is evolving the product offering, to drive better distribution and reduce costs. This year negotiations with Global Distribution System (GDS) partners helped to drive costs savings of over £1 million.

Additional revenue streams

During the year, easyJet has seen strong growth in its ancillary (including non-seat) revenue of 17.8% to £986 million, offsetting pressure on ticket prices from the external environment. For example easyJet has seen excellent early results from new initiatives in its baggage strategy as well as continued strong pick-up in allocated seating, reflecting changes to consumer behaviour. In September easyJet launched its "easyJet Worldwide" platform, leveraging its network and schedule in Europe's primary airports, offering connections with long-haul partners as well as a channel for third party partner sales. easyJet also has opportunities to build on its partnerships with industry-leading brands in car rental (Europcar) and hotels (Booking.com) and is exploring other value channels. Building on these, easyJet has a number of projects in the pipeline for the next 12 months.

The integration of technological platforms will enable easyJet to add products more easily across the value chain and offer them to customers in dynamic and compelling ways. In May easyJet launched its hands free bag proposition which has sold over 420,000 bags by the end of the financial year. Further products such as pre-order meals, entertainment and car parking will be integrated over the course of 2018.

THE BEST PEOPLE

easyJet cares about its people and believes they set the airline apart. easyJet's customer-facing employees are the very best in the industry and contribute significantly to the positive experience that passengers enjoy, leading to increased loyalty and repeat business.

easyJet continues to recruit to support its growth, adding over 531 pilots and 1,846 cabin crew during the 2017 financial year. 36% of positions were filled by internal candidates, ahead of easyJet's target of 30%. Retention rates remain good with total employee turnover at 7%, while flight deck turnover was less than 4%.

Since 2015, particularly through its Amy Johnson initiative, easyJet has been seeking to encourage more women to become pilots, to help address the significant gender imbalance in the world-wide pilot community. easyJet met its initial target to increase the proportion of new entrant pilots who are female to 12% in 2016, a year ahead of schedule. easyJet's current target is for 20% of new entrant pilots who are female by 2020.

This year easyJet has invested in its 'Next Generation' programme, that is focused on driving efficiency and effectiveness in the overhead structure. By optimising a scaleable organisational design, focusing on accountabilities and empowerment, it will enhance ways of working that will support more effective and cost-efficient growth as well as more agile decision making that best fits easyJet's entrepreneurial culture. The programme will be completed in the 2018 financial year.

Fleet as at 30 September 2017

	Owned	Operating leases	Finance leases	**Total**	% of fleet	Changes in year	Future committed deliveries	Unexercised purchase rights
A319	89	54	–	**143**	51%	(1)	–	–
A320	111	18	5	**134**	48%	21	15	–
A320neo	2	–	–	**2**	1%	2	98	100
A321	–	–	–	**–**	–	–	30	–
	202	72	5	**279**		22	143	100

CAPITAL ALLOCATION AND FLEET

easyJet has a ruthless focus on capital allocation, using its market-leading fleet flexibility to increase or decrease capacity deployed. easyJet regularly reviews the opportunities available and prevailing economic and market conditions to determine the most effective capital allocation. Every year the airline churns routes that have not reached their targeted objectives using the flexibility to move aircraft between routes and markets to ensure improved utilisation and generate increased returns.

In the past five years easyJet has closed bases in Madrid and Rome and redeployed those aircraft to secure stronger more profitable market positions elsewhere. Likewise this year easyJet announced the closure of its Hamburg base which will take place in March 2018.

easyJet is able to support this with industry-leading fleet flexibility, through the timing and scale of capacity deployment: new aircraft orders can be deferred, leases may be extended or returned to the lessor, aircraft may be sold or utilisation can be reduced at times of low demand. This year easyJet secured, with Airbus, a reduced notice period for deferring deliveries from 24 months to 18 months, giving it a competitive advantage in its ability to respond to market conditions.

In addition, easyJet has reached an agreement with Airbus to purchase 30 A321neo aircraft in a 235-seat configuration, with the first deliveries expected in July 2018. This is a conversion of 30 A320neo orders under the existing 2013 easyJet Airbus agreement. This will enable easyJet to continue to deliver growth in slot-constrained airports, as well as securing substantial unit cost savings, which are estimated to be around 8% to 9% better than a 186-seat A320neo.

easyJet's total fleet as at 30 September 2017 comprised 279 aircraft (2016: 257 aircraft), split between 156-seat Airbus A319s, 180-seat A320s, 186-seat A320s and, since June 2017, 186-seat A320neos. Alongside its lean initiatives over the next five years easyJet will reduce cost per seat by improving the fleet mix. In the 2017 financial year, easyJet took delivery of 23 aircraft, including 21 186-seat A320s and its first two A320neos. The A320neo provides a total per seat cost saving of 11% to 13% compared to the A319 through economies of scale, efficiencies in crew, ownership, fuel and maintenance. easyJet also completed the up-gauging of 49 of its existing 180-seat A320s to 186 seats and is expecting to complete the remainder of the fleet in Winter 2018/9.

The average age of the fleet increased to 7.1 years (2016: 6.9 years) and the average number of seats per aircraft increased to 169 seats. During the year, easyJet maintained its asset utilisation across the network at an average 10.9 block hours per day (2016: 10.9 hours).

easyJet continues to have a strong balance sheet, with net cash of £357 million at 30 September 2017. This is partly as a result of its procurement review of supplier terms, particularly with its fuel suppliers, as well as cash received in advance from the growing customer base. Of the 207 aircraft on easyJet's balance sheet at 30 September 2017, 202 (98%) are unencumbered. Moody's and Standard & Poor's have both recently reaffirmed their industry leading ratings of BBB+ and Baa1 respectively.

Based on current plans including the recently agreed changes to include A321neo aircraft, capital expenditure for the next three years is as follows:

Year	2017	2018	2019	2020
Gross capital expenditure (£million)	630	1,200	900	1,000

easyJet continues to look for ways of optimising the efficiency of the balance sheet, including the management of the liquidity position, which is currently set at a minimum of £2.6 million per 100 seats. To support the liquidity position, a policy has been written with Munich Re to provide £150 million of business interruption insurance to cover large short-term shock events, with a limited number of exclusions. Pricing is competitive with other sources of funding and frees up cash for use in the business.

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 exposures and between 45% and 65% of the following 12 months anticipated requirements. Specific decisions may require consideration of a longer-term approach. Treasury strategies and actions will be driven by the need to meet treasury, financial and corporate objectives.

BREXIT PLANS AND SHARE OWNERSHIP

In July easyJet announced that it had established a new airline, easyJet Europe, which is headquartered in Vienna and will enable easyJet to continue to operate flights both across

Details of hedging arrangements as at 30 September 2017 are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus	CHF surplus
Six months to 31 March 2018	82%	80%	71%	83%
Average rate	$512 /metric tonne	$1.36	€1.25	CHF 1.34
Full year ending 30 September 2018	75%	73%	73%	80%
Average rate	$514 / metric tonne	$1.36	€1.24	CHF 1.31
Full year ending 30 September 2019	45%	47%	51%	47%
Average rate	$533 / metric tonne	$1.30	€1.13	CHF 1.22

Europe and domestically within European countries after the UK has left the EU (regardless of the outcome of talks on a future UK-EU aviation agreement). The new structure means that easyJet will become a pan-European airline group with three airlines based in the UK, Switzerland and Austria. All of these will be owned by easyJet plc which itself will be EU owned and controlled, listed on the London Stock Exchange and based in the UK.

It is a requirement of EU law that an EU member state may only permit an air carrier to operate airline services if the majority of its share capital is owned and the carrier is effectively controlled by member states of the EEA or their nationals. Therefore easyJet will propose changes to its Articles of Association, to be put to shareholders at its Annual General Meeting in February 2018, that will ensure easyJet plc is able to remain EU owned and controlled at all times after the UK has left the EU as required under EU law.

easyJet's Articles of Association already contain existing provisions to give the Directors powers to limit the ownership of the Company's shares by non-UK nationals and a number of powers to enforce this limitation. easyJet intends to amend these provisions, pending shareholder approval, such that they apply to non-EU holders of easyJet shares (which will exclude UK holders once the UK has left the EU). It is currently anticipated that the permitted maximum in respect of non-EU holders of easyJet shares following this change will be set at slightly less than 50%. Full details of the proposed changes to the articles of association will be included in the Notice of Annual General Meeting to be posted to shareholders in January 2018.

easyJet begins from a position of strength, with close to 50% of its shares already held in the hands of EEA nationals (excluding UK-only nationals) and the Company has already begun a more rigorous investor relations programme across Europe with the intention of increasing EEA (non-UK) ownership above 50% prior to the UK's exit from the EU. As such, easyJet has no current intention of using these proposed powers, in respect of non-EU holders of easyJet shares but considers these changes an important step in ensuring that easyJet plc has the ability to maintain EU ownership and control at all times should it need to do so and thus secure its future operations in Europe for the long-term.

easyJet is working with the UK government, EU institutions and their member states to ensure that flying rights between the UK and the EU are maintained.

AIR BERLIN ACQUISITION

In October easyJet announced an agreement to acquire part of Air Berlin's operations at Berlin Tegel airport for a purchase consideration of €40 million, subject to antitrust and regulatory approvals. The acquisition, which is expected to close in December 2017, will result in easyJet entering into leases for up to 25 A320 aircraft, offering employment to up to 1,000 former Air Berlin crews and taking over other assets including slots. The purchase price excludes start-up and transitional operating costs.

This agreement is consistent with easyJet's strategy of purposeful investment in strong number one positions in Europe's leading airports (or number two to a legacy incumbent). This will enable easyJet to operate the leading short-haul network at Tegel connecting passengers to and from destinations across Germany and the rest of Europe. This is in addition to easyJet's existing base at Berlin Schönefeld and would mean that easyJet would be the leading airline in Berlin.

Based on current assumptions, easyJet expects to incur headline losses of around £60 million on its activities at Tegel in the 2018 financial year, as it starts up operations in January 2018 using wet lease aircraft with initially lower loads and yields. In addition, one-off non-headline costs associated with the transaction are expected in the 2018 financial year of around £100 million. These costs represent the parallel ramp up of a dry lease operation, including fleet conversion and staff recruitment and training costs, as well as transaction costs.

The transaction is expected to be earnings accretive by the 2019 financial year.

OUTLOOK

easyJet continues to see the current market environment as an opportunity to build and strengthen its network and customer proposition for the long-term.

easyJet plans to grow capacity by around 6% for the 2018 financial year, excluding Air Berlin capacity. Forward bookings are ahead of last year at 88% for the first quarter and 26% for the second quarter.

Revenue trends in the first quarter have been encouraging, primarily as a result of some capacity leaving the market. Revenue per seat growth at constant currency in the first quarter is now expected to be positive by low to mid-single digits and reflects a degree of short term benefit as well as underlying improvement. Revenue per seat growth at constant currency in the first half is also currently expected to be positive by low to mid-single digits reflecting the move of Easter from the third quarter, excluding the impact of Air Berlin which will be disclosed separately throughout the 2018 financial year. Visibility for the second half of the financial year is very limited.

Total headline cost per seat is expected to decrease by around 2% during the 12 months to 30 September 2018, excluding the impact of Air Berlin costs. Headline cost per seat, excluding fuel and at constant currency, is expected to increase by up to 1% due to underlying crew and ground handling cost inflation, and excludes the impact of Air Berlin.

Based on today's fuel prices(6) unit fuel costs for the year to 30 September 2018 are expected to benefit easyJet by between £100 million and £125 million as a result of easyJet's advantaged hedging position.

The total expected headline foreign exchange(7) impact for the year to 30 September 2018, is expected to be a headwind of around £5 million.

easyJet's policy of paying its dividend from headline profit after tax is expected to deliver dividend growth in the 2018 financial year.

CAROLYN MCCALL DBE
Chief Executive

On a personal note, this will be my final set of results as CEO and I would like to thank all of easyJet's people who have contributed so much to easyJet's success story, and I wish them all the very best for the future.

(6) Unit fuel is calculated as the difference between latest estimate of the 2018 financial year fuel costs less the 2017 financial year fuel costs per seat, multiplied by the 2018 financial year seat capacity. Based on fuel spot price range of $580-$650.

(7) US dollar to £ Sterling 1.32, Euro to £ Sterling 1.12, Swiss Franc to £ Sterling 1.31. Currency, capital expenditure and fuel increases are shown net of hedging impact.

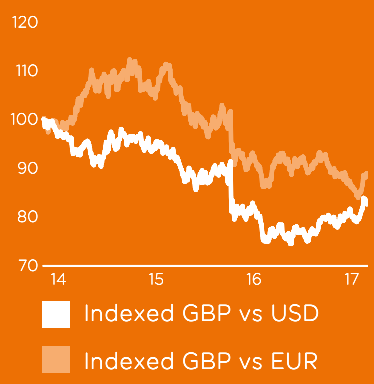
Our markets

easyJet operates in the European short-haul aviation market. The following trends are key drivers in that market:

FOREIGN EXCHANGE

easyJet is exposed to foreign exchange rate movements, principally Sterling against the US dollar and the Euro, which it hedges to mitigate volatility.

Since the UK referendum vote to leave the European Union Sterling has significantly fallen in value against both currencies, which has had an ongoing negative impact on profit. A strong US dollar increases the price of fuel, easyJet's biggest cost; a strong Euro typically has a net benefit for easyJet's European operations.



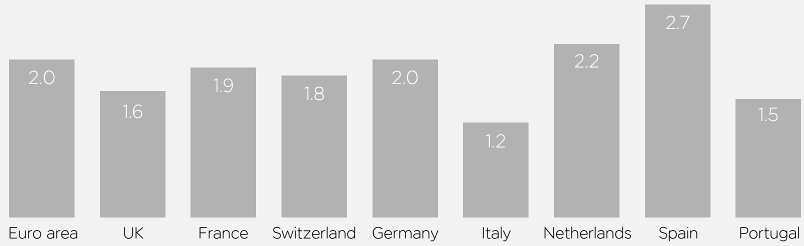
The weakening of Sterling has seen an adverse headline impact of £101m in FY17.

GDP

GDP is an established driver that is generally accepted as having a positive multiplier effect on air passenger traffic.

Economic trends remain favourable, with positive GDP expected in all of easyJet's European base markets in 2018.

2018 GDP PROJECTIONS (%)

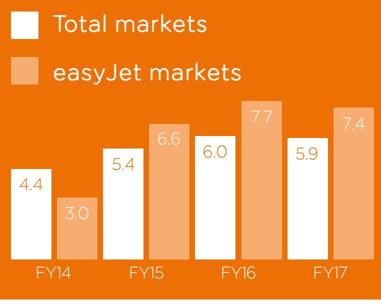


(Source: Credit Suisse Economic research)

FUEL AND CAPACITY

Fuel is the biggest cost that airlines face. Continued low fuel prices have sustained market capacity growth and weaker airlines. During the financial year the price of Brent increased by 13%.

EUROPEAN SHORT-HAUL CAPACITY GROWTH YOY %



BRENT PRICE ($ PER BBL)

GEOPOLITICAL EVENTS

The aviation industry has been affected by a number of geopolitical events in recent years which have had both short-term and long-term consequences for demand and the structure of the industry.

UK DECISION TO LEAVE EU

easyJet has been a major beneficiary of the European Union, in particular the Open Skies regulation. Following the UK's decision to leave the EU in June 2016 easyJet has taken steps to protect its operations in the future, including the establishment of an Air Operator Certificate (AOC) in Austria.

TERROR ATTACKS IN THE EU

Major European cities have been subject to a number of terrorist attacks including easyJet's key bases of Paris, London, Nice and Berlin. These all had an immediate impact on consumer demand, which reversed over time.

Through a consistent strategy

Our strategy is shaped by our positioning and response to these market conditions and we believe we have the best strategy going forward to create value for our stakeholders.

The pillars of our strategy remain consistent. We have six strategic pillars through which we deliver sustainable growth and returns for our shareholders. Our people are the key enablers that underpin everything we do.

OUR STRATEGIC FRAMEWORK

AMBITION

To be Europe's preferred short-haul airline, delivering market-leading returns

CAUSE

To make travel easy and affordable

VALUES

Safety - Pioneering - One Team - Passion - Integrity - Simplicity

STRATEGIC PILLARS

No.1 positions at leading airports

Drive premium returns through brand and operational presence via a compelling network.

No. 2 behind legacy carrier.

Cost advantages

Sustain material relative cost advantage on the routes we serve to allow us to offer value for money fares.

Customer & operational excellence

Ensure that our model is efficient, delivers customer satisfaction and is fit for purpose for today's business requirements.

Data & digital advantage

Leverage data to improve both commercial performance (revenue) and operational efficiency (cost).

Grow revenue

Leverage existing capital investment to drive incremental revenue and profit.

The best people

An organisation that is engaged and fit for purpose to take the business forward.

Deliver improved and stable rosters.

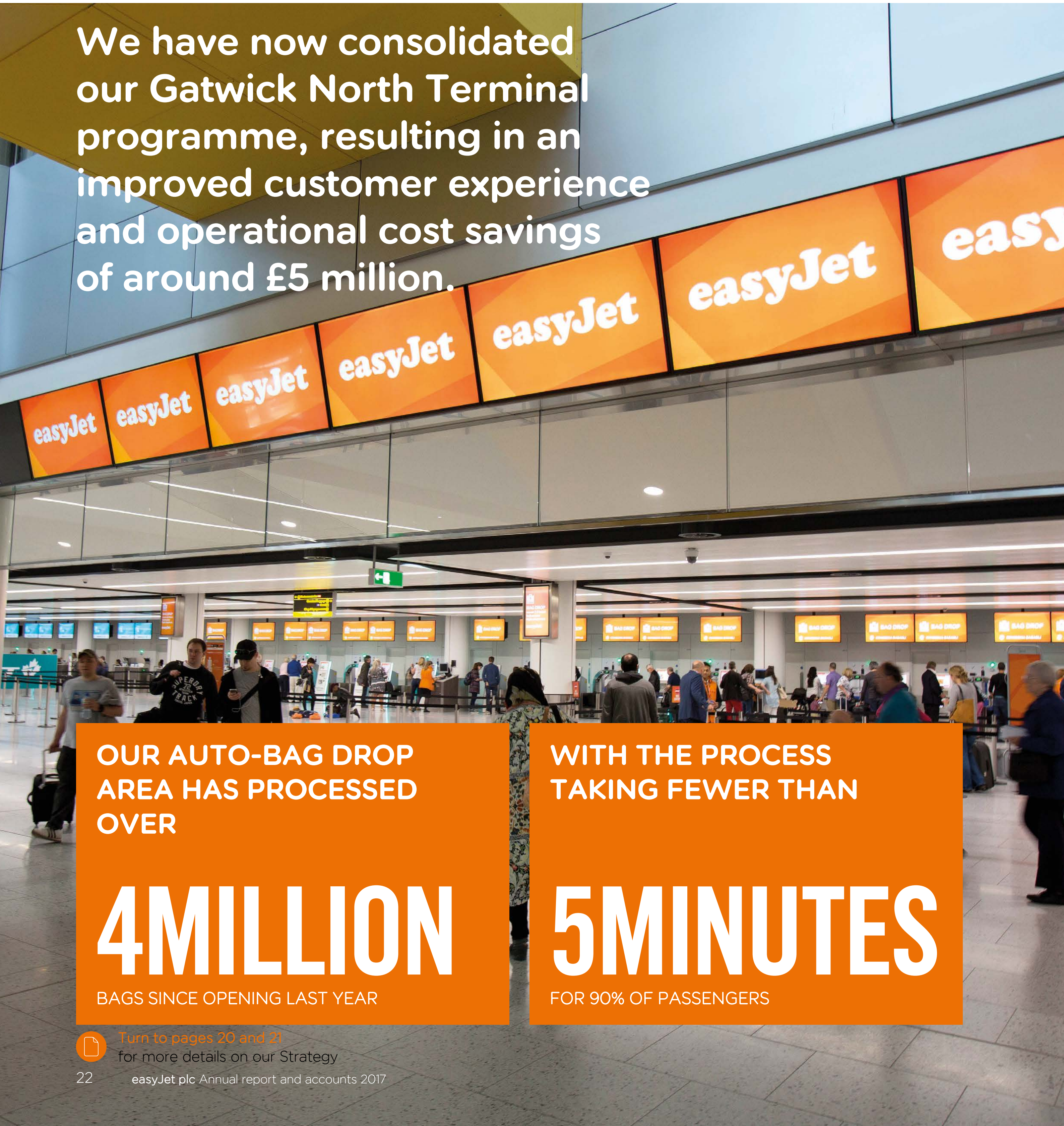
Enabling delivery

Our strategy dashboard provides a clear overview of our performance against our strategic priorities.

	WHAT WE SAID
NETWORK 1. BUILDING AND STRENGTHENING NO.1 AND NO.2 NETWORK POSITIONS	• Achieve number 1 and 2 positions at primary airports • Invest in scale and purpose • Purposefully invest up to 9% annual organic capacity increases in growing the network
COST 2. MAINTAINING A LEAN COST ADVANTAGE	• Move towards our target, before the impact of acquisitions, of delivering flat cost per seat excluding fuel at constant currency in the 2019 financial year, versus the 2015 financial year at normal levels of disruption • Leverage our scale and increasingly large positions at our airports • Drive easyJet Lean within the business
REVENUE 3. MAINTAINING CUSTOMER AND OPERATIONAL EXCELLENCE	• Improve returning customer metric, in turn increasing revenue • Secure better on-time performance, ensuring aircraft arrive and depart on time • Minimise and better manage disruption
4. CONTINUING TO LEVERAGE DATA AND DIGITAL PLATFORMS	• Identify our most valuable flyers using our customer database • Use data to increase level of personalisation to customers across multiple channels through CRM • Enhance customer experience on app to increase mobile bookings • Roll out first stage of digital commercial platform
5. GROW REVENUE	• Grow business passenger revenue • Increase ancillary revenue
6. THE BEST PEOPLE	• Increase the number of female pilots as part of long-term strategy • Employ the right people to understand easyJet's values and develop a high-performance culture • Invest in the 'Next Generation' programme

WHAT WE DID	WHAT WE'RE GOING TO DO
• Added 79 routes to the network • Opened a seasonal base in Palma de Mallorca • Decided to close our Hamburg base because it did not meet expected return criteria • Purposeful growth in UK, France and Switzerland in particular	• Continue to establish strong leadership positions • Invest to achieve number 1 position in each airport or a number 2 position to a weak flag carrier • 21 aircraft deliveries scheduled
• Delivered lean savings of £85 million • Invested in resilience measures to address disruption • Invested in the 'Next Generation' programme to drive efficiency and effectiveness in the overhead structure	• Drive further lean initiatives throughout the business • Up-gauge our fleet with A320ceo, A320neo and A321neo aircraft • Complete 'Next Generation' programme
• Processed four million bags through our Autobag drop area • Improved customer satisfaction at Gatwick by 22 percentage points by reducing the amount of time customers wait to go through bag drop off • Completed our Gatwick North Terminal consolidation programme • Strong year-on-year improvement in summer OTP at Gatwick	• Reduce the number of technical events with predictive maintenance and enhanced part management and distribution • Improve disruption management through better processes and communication with our customers • Influence structural improvements through discussion with airports, governments and the EU
• 75% of seats booked by returning loyal customers • Increased easyJet's marketable customers by 5.6% • Increased easyJet Plus membership by 58.3% • Increased bookings by mobile app by 27.2%	• Continue investing substantially in digital capability • Continue roll-out of new commercial platform with improved capability • Drive higher conversion rates • Increase ancillary revenue
• Increased non-seat revenue by 9.3% • Launched Worldwide by easyJet • Introduced Hands Free bag offer – £420k revenue in the financial year	• Explore new distribution channels, partner agreements and structures • Continue to strengthen our corporate sales • Further innovative and targeted product roll-out
• Increased the number of female new entrant co-pilots by 48% through the Amy Johnson initiative • Introduced 'For the love of flying' campaign to attract new pilots • Recruited 14 engineering apprentices.	• Continue to improve diversity by attracting more women to apply for cadet programme • Improve retention and engagement scores • Develop strong pilot and crew recruitment pipelines

DRIVING OPERATI



We have now consolidated our Gatwick North Terminal programme, resulting in an improved customer experience and operational cost savings of around £5 million.

OUR AUTO-BAG DROP AREA HAS PROCESSED OVER

4MILLION

BAGS SINCE OPENING LAST YEAR

WITH THE PROCESS TAKING FEWER THAN

5MINUTES

FOR 90% OF PASSENGERS

Turn to pages 20 and 21
for more details on our Strategy

ONAL BENEFITS

easyJet has been exploring the use of predictive maintenance technology to help predict when an aircraft fault is likely to occur on its Airbus A320 family aircraft.

WE ARE USING THIS DATA TO GREAT EFFECT AND EXPECT TO REDUCE TECHNICAL FAULTS ON OUR FLEET

BY UP TO

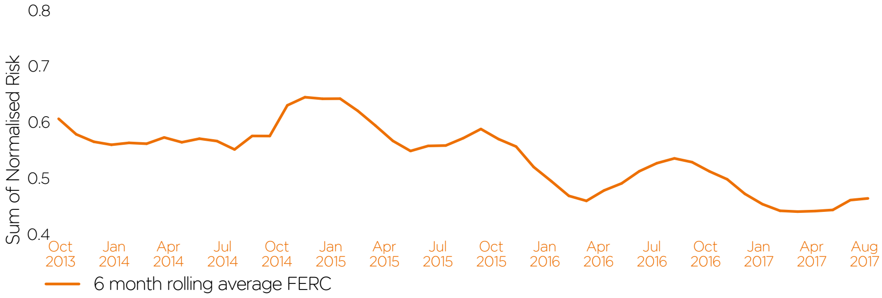
15%[1]

(1) Up to 15% of operational interruptions with an aircraft technical root cause that resulted in a delay over three hours.

Turn to pages 20 and 21
for more details on our Strategy

Measuring our performance

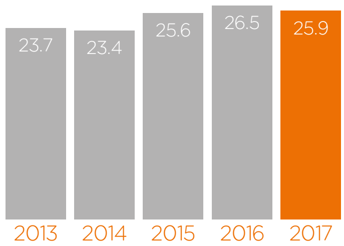
SAFETY FIRST
FINAL EVENT RISK CLASSIFICATION (FERC)



DEFINITION:
All reported safety-related incidents are assessed and categorised with risk values assigned and aggregated to form a final event risk classification.

PERFORMANCE:
Safety remains our number one priority, supported by a strong safety reporting culture.

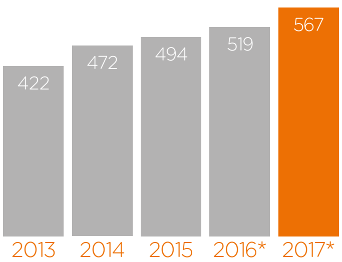
MARKET SHARE AT AIRPORTS WHERE EASYJET IS NUMBER ONE OR TWO CARRIER (%)



DEFINITION:
Market share at airports where easyJet is the number one or number two carrier based on short-haul capacity.

PERFORMANCE:
In line with our strategy, we continued to hold our market share at airports where easyJet is the number one or number two carrier based on short-haul capacity. The percentage of easyJet capacity that touches a number one or two airport also remained steady at 97.6%.

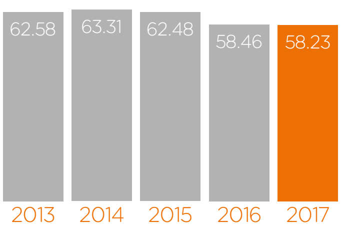
DATA AND DIGITAL
TOTAL NUMBER OF VISITS TO ALL DIGITAL PLATFORMS (m)



PERFORMANCE:
easyJet's award-winning digital platform has driven an increase in number of visits to all digital platforms.

* 2016 and 2017 include visits to the Flight Tracker section of our website

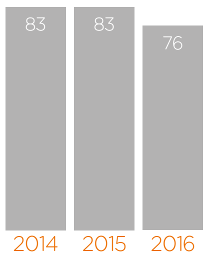
GROW REVENUE
REVENUE PER SEAT (£)



DEFINITION:
Revenue divided by seats flown.

PERFORMANCE:
Revenue per seat remained broadly flat with a decrease of 4.5% at constant currency. Due to the impact from increased overall market capacity along with low pricing sustained by a low fuel price.

BEST PEOPLE
EMPLOYEE ENGAGEMENT – uSAY (%)(1)



DEFINITION:
Employee engagement index, based on results of an employee survey.

PERFORMANCE:
Feedback in the 2017 financial year was obtained through the 'Next Generation' programme. To avoid duplication we decided to conduct the next employee survey in the 2018 financial year.(2)

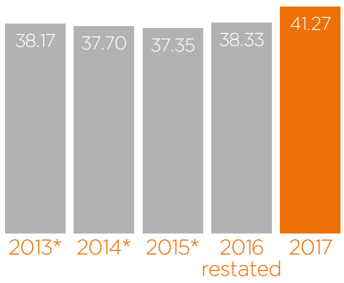
(1) Surveys carried out prior to 2014 were conducted using different methodology and the results are therefore not comparable.
(2) See CEO review on page 15 for further details.

Link to strategy

- ● Network / Cost
- ● Revenue
- ○ Best people

LEAN COST ADVANTAGE ●

HEADLINE COST PER SEAT EXCLUDING FUEL (£)



DEFINITION:
Revenue less profit before tax, plus fuel costs plus non-headline costs, divided by seats flown.

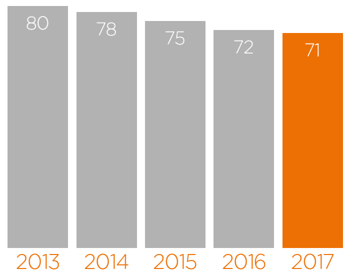
PERFORMANCE:
Headline cost per seat excluding fuel increased by 7.7%, with an increase of 0.9% at constant currency reflecting planned investment in the resilience of the operation and increased disruption costs which were partially offset by the fleet up-gauging and lean initiatives.

Total cost per seat excluding fuel increased by 8.8% to £41.53.

* 2013-2015 as reported, not headline

CUSTOMER AND OPERATIONAL EXCELLENCE ● ○

OVERALL CUSTOMER SATISFACTION (%)

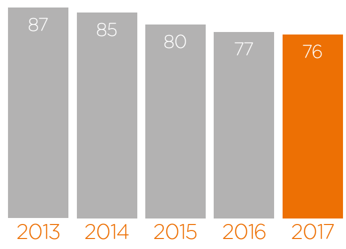


DEFINITION:
Customer satisfaction index, based on results of a customer satisfaction survey which measures how satisfied the customer was with their most recent flight.

PERFORMANCE:
Overall customer satisfaction was lower than the prior year primarily due to increased disruption.

●

ON-TIME PERFORMANCE (%)

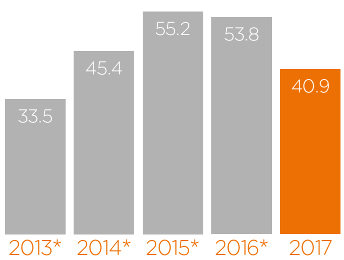


DEFINITION:
Percentage of flights which arrive within 15 minutes of the scheduled arrival time.

PERFORMANCE:
Increased disruption due to the continued air traffic control strikes, severe adverse weather and ongoing congestion at London Gatwick have contributed to the decrease in on-time performance.

DISCIPLINED USE OF CAPITAL

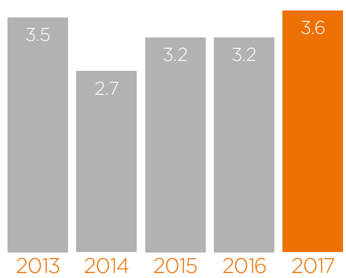
ORDINARY DIVIDEND
(pence per share)



PERFORMANCE:
The Board has recommended a final dividend in line with the dividend policy of 50% of headline profit after tax.

* 2013-2016 based on reported profit after tax, not headline

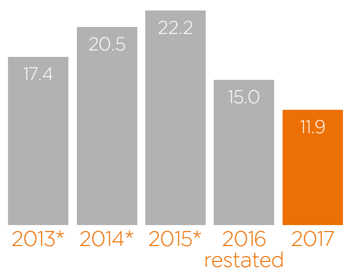
LIQUIDITY PER 100 SEATS (£m)



DEFINITION:
Liquidity (cash plus revolving credit facility) per 100 aircraft seats.

PERFORMANCE:
This remains significantly above the liquidity buffer to cover peak unearned revenue with a minimum position of £2.6 million per 100 seats.

HEADLINE ROCE (%)



DEFINITION:
Normalised operating headline profit after tax divided by average adjusted capital employed.

PERFORMANCE:
Headline ROCE decreased, driven by a fall in headline profit and an increase in the average adjusted capital employed.

Total ROCE decreased to 11.3% (2016 (restated): 15.2%).

* 2013-2015 as reported, not headline

Our financial results

ANDREW FINDLAY
Chief Financial Officer

In the 2017 financial year, easyJet flew 80.2 million passengers (2016: 73.1 million) and delivered a headline profit before tax for the year of £408 million (£4.71 per seat), a decrease of £86 million from a restated headline profit before tax of £494 million (restated profit of £6.18 per seat) last year. The 2017 result includes a £101 million unfavourable movement from foreign exchange. At constant currency, easyJet delivered a headline profit before tax of £509 million during the year.

FINANCIAL OVERVIEW

	2017			2016 (restated)		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Total revenue	5,047	58.23	5.27	4,669	58.46	5.32
Headline costs excluding fuel	(3,577)	(41.27)	(3.73)	(3,061)	(38.33)	(3.49)
Fuel	(1,062)	(12.25)	(1.11)	(1,114)	(13.95)	(1.27)
Headline profit before tax	408	4.71	0.43	494	6.18	0.56
Headline tax charge	(83)	(0.96)	(0.09)	(67)	(0.84)	(0.07)
Headline profit after tax	325	3.75	0.34	427	5.34	0.49
Non-headline loss/profit after tax	(20)	(0.23)	(0.02)	10	0.13	0.01
Total profit after tax	305	3.52	0.32	437	5.47	0.50

Seats flown grew by 8.5%. Total revenue per seat fell by 0.4% to £58.23, a decrease of 4.5% at constant currency. The decrease is a consequence of the persisting low fuel price environment, resulting in high levels of capacity growth and a competitive pricing environment which saw yields fall by 7.3% at constant currency. Partially offsetting these impacts was growth in ancillary revenue which grew by 8.6% to £11.38 per seat, as initiatives and high load factors offset ticket pricing pressures.

Headline cost per seat excluding fuel increased by 7.7% to £41.27 and increased by 0.9% at constant currency. This increase is mainly due to continued inflationary pressures in the market, particularly at regulated airports, and higher disruption costs as a result of a greater level of EU 261 compensation claims and an increase in welfare costs driven by significant industrial strike action and adverse weather conditions. Disruption increased the cost per seat by £0.34 at constant currency. These were combined with an increase in aircraft lease costs due to rent associated with the 10 aircraft sale and leasebacks in the year, increase in depreciation due to the acquisition of new aircraft both last year and this year, increase in wet lease charges due to three aircraft being wet leased in the year to build peak season resilience and increase in net interest costs which is attributable to the financing costs of the two bonds. These were partially offset by the impact of the annualisation of reduced navigation charges, savings obtained from airport lean initiatives, engineering and maintenance savings such as the component supply contract and the up-gauging of fleet as easyJet continues to move from A319s to A320s.

Fuel costs fell by £52 million, and from £13.95 to £12.25 per seat. Despite an increase in the market price of fuel, the operation of easyJet's hedging policy resulted in a reduction in the effective fuel price.

Headline profit before tax per seat decreased by 23.8% to £4.71 per seat (2016 (restated): £6.18).

Non-headline costs of £23 million were recognised in the period, consisting of a £16 million charge as a result of the sale and leaseback of 10 A319 aircraft in December, a £6 million charge associated with our organisational review, a £2 million charge in relation to the set-up of an EU Air Operator Certificate (AOC), a £1 million charge for fair value adjustments associated with the bond issued in February 2016 and a £2 million gain for balance sheet revaluations.

Total costs increased by £500 million to £4,662 million, and by £1.67 to £53.78 per seat (2016 (restated): £52.11).

The tax charge for the year was £80 million. The effective tax rate for the period was 20.8% (2016 (restated): 13.8%), higher than the standard UK rate of 19%, due to the Swiss income being taxed at a higher rate combined with the impact of prior year adjustments.

Total profit after tax decreased from £437 million to £305 million.

Due to a change in accounting policy, to recognise the initial maintenance provision catch up on sale and leasebacks immediately in the income statement, a change was required as a restatement of previous financial statements. Please refer to note 1 of the accounts for full details. During the year the presentation of the results in the income statement was also changed to include a measure of profit described as 'headline' to be used by the Directors to measure and monitor underlying trading performance. The excluded items are referred to as 'non-headline' items. Please refer to the non-headline items section on page 29 for further details.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

	2017 pence per share	2016 (restated) pence per share	Change
Basic headline earnings per share	**82.5**	108.4	(25.9)
Basic total earnings per share	**77.4**	110.9	(33.5)
Diluted headline earnings per share	**81.9**	107.6	(25.7)
Proposed ordinary dividend	**40.9**	53.8	(12.9)

Basic total earnings per share decreased by 30.2% to 77.4p (2016 (restated): 110.9p). Basic headline earnings per share decreased by 23.9% to 82.5p (2016 (restated): 108.4p) as a consequence of the £102 million decrease in the headline profit after tax.

In line with the stated dividend policy of a pay-out ratio of 50% of headline profit after tax, the Board is recommending an ordinary dividend of £162 million or 40.9 pence per share which is subject to shareholder approval at the Company's Annual General Meeting on 8 February 2018. This will be paid on 23 March 2018 to shareholders on the register at close of business on 2 March 2018.

RETURN ON CAPITAL EMPLOYED (ROCE)

	2017	2016 (restated)	Change
Headline ROCE	**11.9%**	15.0%	(3.1ppt)
Total ROCE	**11.3%**	15.2%	(3.9ppt)

Headline ROCE for the year was 11.9%, a decline of 3.1 percentage points on the restated prior year. The decrease in ROCE was due to the decrease in headline profit for the year and a 11.1% increase in the average adjusted capital employed including lease adjustments, primarily due to the acquisition of 23 aircraft during the year. The ROCE calculation excludes borrowings, cash and money market deposits and includes 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.

EXCHANGE RATES

The proportion of revenue and costs denominated in currencies other than Sterling remained broadly consistent year-on-year:

	Revenue		Costs	
	2017	2016	**2017**	2016
Sterling	**46%**	50%	**30%**	27%
Euro	**41%**	39%	**37%**	35%
US dollar	**1%**	1%	**26%**	32%
Other (principally Swiss franc)	**12%**	10%	**7%**	6%

AVERAGE EXCHANGE RATES

	2017	2016
Euro – revenue	**€1.19**	€1.28
Euro – costs	**€1.15**	€1.27
US dollar	**$1.46**	$1.58
Swiss franc	**CHF1.38**	CHF1.51

Revenue cash inflows occur several months before cost cash outflows, as a result revenue and costs may be recognised at different Euro exchange rates. The net adverse impact on profit due to the year-on-year changes in exchange rates was mainly driven by the stronger average US dollar and Euro rates:

HEADLINE

Favourable/(adverse)	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Revenue	151	42	6	8	207
Fuel	(1)	–	(84)	–	(85)
Headline costs excluding fuel	(165)	(28)	(26)	(4)	(223)
Headline total	(15)	14	(104)	4	(101)

NON-HEADLINE

Favourable/(adverse)	Euro £ million	Swiss franc £ million	US dollar £ million	Other £ million	Total £ million
Non-headline costs excluding prior year balance sheet revaluations	(1)	–	20	–	19
Prior year balance sheet revaluations	(3)	1	(5)	4	(3)
Non-headline total	(4)	1	15	4	16

FINANCIAL PERFORMANCE REVENUE

	2017			2016		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Seat revenue	4,958	57.20	5.18	4,587	57.43	5.23
Non-seat revenue	89	1.03	0.09	82	1.03	0.09
Total revenue	5,047	58.23	5.27	4,669	58.46	5.32

Revenue per seat decreased by 0.4% to £58.23 (2016: £58.46), a decrease of 4.5% to £55.83 at constant currency. The decrease is a consequence of the persisting low fuel price environment, resulting in high levels of capacity growth and a competitive pricing environment which saw yields fall by 7.3% at constant currency. Partially offsetting these impacts was growth in ancillary revenue which grew by 8.6% to £11.38 per seat, as initiatives and high load factors offset ticket pricing pressures.

Average load factor for the year increased by one percentage point to 92.6%.

Revenue per ASK decreased by 1.0%, or by 5.1% at constant currency, impacted by a 0.4% decrease in revenue per seat, and a 0.6% increase in the average sector length.

easyJet currently categorises total revenue earned on the face of the income statement between seat and non-seat revenue. From 1 October 2017, total revenue will be categorised between passenger and ancillary revenue. This change provides greater transparency of the ancillary element of revenue and brings easyJet in line with other airlines. Under the new presentation, total revenue would have been categorised as follows:

	2017			2016		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Passenger revenue	4,061	46.85	4.24	3,832	47.98	4.37
Ancillary revenue	986	11.38	1.03	837	10.48	0.95
Total revenue	5,047	58.23	5.27	4,669	58.46	5.32

HEADLINE COSTS EXCLUDING FUEL

Headline cost per seat excluding fuel increased by 7.7% to £41.27 and increased by 0.9% at constant currency.

	2017			2016 (restated)		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Operating costs						
Airports and ground handling	1,465	16.90	1.53	1,267	15.86	1.44
Crew	645	7.44	0.67	542	6.78	0.62
Navigation	381	4.40	0.40	336	4.21	0.38
Maintenance	268	3.09	0.28	245	3.07	0.28
Selling and marketing	122	1.41	0.13	107	1.33	0.12
Other costs	371	4.28	0.38	294	3.69	0.34
	3,252	37.52	3.39	2,791	34.94	3.18
Ownership costs						
Aircraft dry leasing	110	1.27	0.12	91	1.15	0.11
Depreciation	181	2.09	0.19	157	1.97	0.18
Amortisation	14	0.16	0.01	12	0.15	0.01
Net interest payable	20	0.23	0.02	10	0.12	0.01
	325	3.75	0.34	270	3.39	0.31
Total headline costs excluding fuel	3,577	41.27	3.73	3,061	38.33	3.49

Headline airports and ground handling cost per seat increased by 6.5% but decreased by 1.3% at constant currency. Savings obtained from airport lean initiatives have offset regulatory airport uplifts.

Headline crew cost per seat increased by 9.7% to £7.44, and by 4.2% at constant currency. This reflects pay increases, increased disruption and additional investment into operational resilience over the summer peak period, given the level of airport and airspace congestion. However, these were largely offset by efficiencies obtained from the up-gauging of our fleet and savings from lean initiatives.

Headline navigation cost per seat increased by 4.4% to £4.40 but decreased by 4.0% at constant currency driven by the annualisation of reduced charges, primarily in France and Germany.

Headline maintenance cost per seat increased by 0.7% to £3.09, but decreased by 7.2% at constant currency. This was driven by engineering and maintenance savings, such as the component supply contract, and the up-gauging of fleet as easyJet continues to move from A319s to A320s.

Headline other operating costs per seat increased by 16.1% to £4.28 per seat, and by 12.2% at constant currency. This was mainly driven by an increase in disruption costs due to a greater level of EU 261 compensation claims and an increase in welfare costs driven by significant industrial strike action and adverse weather conditions. This was combined with an increase in wet lease charges due to three aircraft being wet leased over the summer to aid operational resilience.

Headline aircraft dry leasing cost per seat increased by 11.2% to £1.27 but decreased by 0.8% at constant currency. The favourable variance was driven by the return of four leased aircraft last year and one aircraft this year. These more than offset the increase from the rent associated with the 10 aircraft sale and leasebacks that occurred earlier in the year. The average number of leased aircraft increased by 9.6% to 70.

Depreciation costs have increased by 5.8% on a per seat basis driven by the acquisition of 20 new aircraft last year and 23 aircraft this year, which more than offset the decrease from the 10 aircraft sale and leasebacks and the impact of increased capacity. The average number of owned aircraft increased by 6.9% to 197.

An increase in headline net interest costs of £0.11 per seat is attributable to the financing costs of the two bonds, as we invest in the long-term growth of the airline.

FUEL

	2017			2016		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Fuel	1,062	12.25	1.11	1,114	13.95	1.27

Fuel cost per seat decreased by 12.2% and by 19.2% at constant currency.

During the period the average market jet fuel price increased by 20.7% to $501 per tonne from $415 per tonne in the previous year. The operation of easyJet's hedging policy meant that the average effective fuel price movement saw a decrease of 14.0% to £412 per tonne from £479 per tonne in the previous year.

NON-HEADLINE ITEMS

During the year the presentation of the results in the income statement was changed to include a measure of profit described as 'headline' to be used by the Directors to measure and monitor underlying trading performance. The excluded items are referred to as 'non-headline' items. See note 1 for further details.

	2017			2016		
	£ million	**£ per seat**	**pence per ASK**	£ million	£ per seat	pence per ASK
Sale and leaseback charge	(16)	(0.18)	(0.02)	–	–	–
Organisational review	(6)	(0.07)	(0.01)	(1)	(0.01)	–
Air Operator Certificate	(2)	(0.02)	–	(1)	–	–
Maintenance reserves discounting	–	–	–	8	0.10	0.01
Balance sheet foreign exchange gain	2	0.02	–	3	0.04	–
Fair value adjustment	(1)	(0.01)	–	4	0.04	0.01
Non-headline (charge)/credit before tax	(23)	(0.26)	(0.03)	13	0.17	0.02

Non-headline profit before tax items of £23 million comprise:

- a £10 million loss on disposal and a £6 million maintenance provision catch-up – both one-off charges as a result of the sale and leaseback of 10 A319 aircraft in December 2016, arising due to the age of the selected aircraft and maintenance provision accounting;
- a £6 million one-off charge associated with implementing the organisational review ('Next Generation');
- a £2 million charge in relation to establishing a multi-AOC post-Brexit structure, which includes the set-up of an European AOC, based in Austria, in July 2017, following the UK's referendum vote to leave the European Union (EU). This European AOC helps secure future flying rights for the 30% of easyJet's network which remains wholly within and between EU member states;
- a £2 million non-cash gain relating to balance sheet foreign exchange gains and losses; and
- a £1 million charge relating to fair value adjustments associated with the cross currency interest rate swaps in place for the bond issued in February 2016.

NET CASH AND FINANCIAL POSITION
SUMMARY NET CASH RECONCILIATION

	2017 £ million	2016 (restated) £ million	Change £ million
Operating profit	**404**	510	(106)
Depreciation and amortisation	**195**	169	26
Net working capital movement	**325**	23	302
Net tax paid	**(51)**	(99)	48
Net capital expenditure	**(630)**	(586)	(44)
Net proceeds from sale and operating leaseback of aircraft	**115**	–	115
Purchase of own shares for employee share schemes	**(10)**	(22)	12
Net decrease in restricted cash	**–**	6	(6)
Other (including the effect of exchange rates)	**10**	(4)	14
Ordinary dividend paid	**(214)**	(219)	5
Net increase/(decrease) in net cash	**144**	(222)	366
Net cash at beginning of year	**213**	435	(222)
Net cash at end of year	**357**	213	144

Net cash at 30 September 2017 was £357 million (2016: £213 million) and comprised cash (excluding restricted cash) and money market deposits of £1,328 million (2016: £969 million) and borrowings of £971 million (2016: £756 million). After allowing for the impact of aircraft operating leases (seven times operating lease costs incurred in the year), adjusted net debt decreased by £11 million to £413 million.

Net capital expenditure includes the acquisition of 23 A320 aircraft (2016: 20 aircraft), the purchase of life-limited parts used in engine restoration and pre-delivery payments relating to aircraft purchases. The number of scheduled aircraft operating in the fleet increased from 249 at 30 September 2016 to 270 at 30 September 2017.

Borrowings as at 30 September 2017 were £971 million, an increase of £215 million from 30 September 2016. Under the £3 billion Euro Medium Term Note Programme announced in early 2016, easyJet plc issued notes in October 2016 amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.125%. This increase in borrowings was partially offset by the repayment of mortgages on aircraft amounting to £220 million in the period.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2017 £ million	2016 (restated) £ million	Change £ million
Goodwill	**365**	365	–
Property, plant and equipment	**3,525**	3,252	273
Derivative financial instruments	**92**	98	(6)
Net working capital	**(1,270)**	(981)	(289)
Restricted cash	**7**	7	–
Net cash	**357**	213	144
Current and deferred taxation	**(284)**	(253)	(31)
Other non-current assets and liabilities	**10**	(7)	17
	2,802	2,694	108
Opening shareholders' equity	**2,694**	2,221	
Profit for the year	**305**	437	
Ordinary dividend paid	**(214)**	(219)	
Change in hedging reserve	**14**	263	
Other movements	**3**	(8)	
	2,802	2,694	

Net assets increased by £108 million, due to the profit generated in the period and favourable movements on the hedging reserve, which were partially offset by the payment of the ordinary dividend. The movement on the hedging reserve was predominantly due to the favourable mark-to-market movement on both jet fuel and US dollar forward contracts.

The net book value of property, plant and equipment increased by £273 million, driven principally by the acquisition of 23 A320 family aircraft, and pre-delivery payments relating to aircraft purchases.

ANDREW FINDLAY
Chief Financial Officer

GOING CONCERN

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 46. Principal risks and uncertainties are described on pages 33 to 40. Note 23 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.

At 30 September 2017, the Group held cash and cash equivalents of £711 million and money market deposits of £617 million. Total debt of £971 million is free from financial covenants, with £8 million due for repayment in the year to 30 September 2018.

Net current assets at 30 September 2017 were £64 million and included unearned revenue (payments made by customers for flights scheduled post year end) of £727 million.

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 between 45% and 65% of estimated exposures from 13 up to 24 months in advance. Specific decisions may require consideration of a longer-term approach. Treasury strategies and actions will be driven by the need to meet treasury, financial and corporate objectives. 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 and deposits for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual report and accounts.

VIABILITY STATEMENT

The Directors have assessed easyJet's viability over a three-year period to September 2020. This is based on a three year strategic plan, which gives greater certainty over the forecasting assumptions used.

In making their assessment, the Directors took account of easyJet's current financial and operational positions and contracted capital expenditure. They also assessed the potential financial and operational impacts of the principal risks and uncertainties set out on pages 33 to 40 in severe but plausible scenarios, including the impact of a sustained significant adverse movement in foreign currency exchange rates or jet fuel prices and the likely degree of effectiveness of current and available mitigating actions.

Based on this assessment, the Directors have a reasonable expectation that the Company and the Group will be able to continue in operation and meet all liabilities as they fall due up to September 2020.

In making this statement, the Directors have also made the following key assumptions:

- funding for capital expenditure in the form of capital markets debt, bank debt or aircraft leases will be available in all plausible market conditions;
- there will not be a prolonged grounding of a substantial portion of the fleet; and
- the terms on which the United Kingdom leaves the EU are such that easyJet will be able to continue to operate over broadly the same network as at present.

Key statistics

OPERATING MEASURES

	2017	2016 (restated)	Increase/ (decrease)
Seats flown (millions)	86.7	79.9	8.5%
Passengers (millions)	80.2	73.1	9.7%
Load factor	92.6%	91.6%	1.0ppt
Available seat kilometres (ASK) (millions)	95,792	87,724	9.2%
Revenue passenger kilometres (RPK) (millions)	89,685	81,496	10.0%
Average sector length (kilometres)	1,105	1,098	0.6%
Sectors	516,902	482,110	7.2%
Block hours	1,009,572	934,223	8.1%
Number of aircraft owned/leased at end of year	279	257	8.6%
Average number of aircraft owned/leased during year	267.3	248.7	7.5%
Number of scheduled aircraft operated at end of year	270	249	8.4%
Average number of aircraft operated during year	253.2	234.6	7.9%
Operated aircraft utilisation (hours per day)	10.9	10.9	0.4%
Owned aircraft utilisation (hours per day)	10.3	10.3	0.8%
Number of routes operated at end of year	862	803	7.3%
Number of airports served at end of year	138	132	4.5%

FINANCIAL MEASURES

	2017	2016 (restated)	Increase/ (decrease)
Headline return on capital employed	11.9%	15.0%	(3.1ppt)
Liquidity per 100 seats (£m)	3.6	3.2	12.5%
Profit before tax per seat (£)	4.45	6.35	(30.0%)
Headline profit before tax per seat (£)	4.71	6.18	(23.8%)
Profit before tax per ASK (pence)	0.40	0.58	(30.4%)
Headline profit before tax per ASK (pence)	0.43	0.56	(24.3%)
Revenue			
Revenue per seat (£)	58.23	58.46	(0.4%)
Revenue per seat at constant currency (£)	55.83	58.46	(4.5%)
Revenue per ASK (pence)	5.27	5.32	(1.0%)
Revenue per ASK at constant currency (pence)	5.05	5.32	(5.1%)
Costs			
Per seat measures			
Headline cost per seat (£)	53.52	52.28	2.4%
Non-headline cost per seat (£)	0.26	(0.17)	260.7%
Headline cost per seat excluding fuel (£)	41.27	38.33	7.7%
Headline cost per seat excluding fuel at constant currency (£)	38.69	38.33	0.9%
Headline operating cost per seat (£)	49.77	48.89	1.8%
Headline operating cost per seat excluding fuel (£)	37.52	34.94	7.4%
Headline operating cost per seat excluding fuel at constant currency (£)	35.08	34.94	0.4%
Headline ownership cost per seat (£)	3.75	3.39	10.8%
Per ASK measures			
Headline cost per ASK (pence)	4.84	4.76	1.8%
Non-headline cost per ASK (pence)	0.03	(0.02)	259.7%
Headline cost per ASK excluding fuel (pence)	3.73	3.49	7.0%
Headline cost per ASK excluding fuel at constant currency (pence)	3.50	3.49	0.3%
Headline operating cost per ASK (pence)	4.50	4.45	1.2%
Headline operating cost per ASK excluding fuel (pence)	3.39	3.18	6.7%
Headline operating cost per ASK excluding fuel at constant currency (pence)	3.17	3.18	(0.2%)
Headline ownership cost per ASK (pence)	0.34	0.31	10.1%

Risk management framework

easyJet is exposed to a variety of risks which are driven by both internal and external factors. These risks have an effect on the performance and achievement of the Group's strategic objectives. The Board is responsible for risk management and ensuring appropriate mitigating actions are being taken to manage risks effectively.

RISK APPETITE

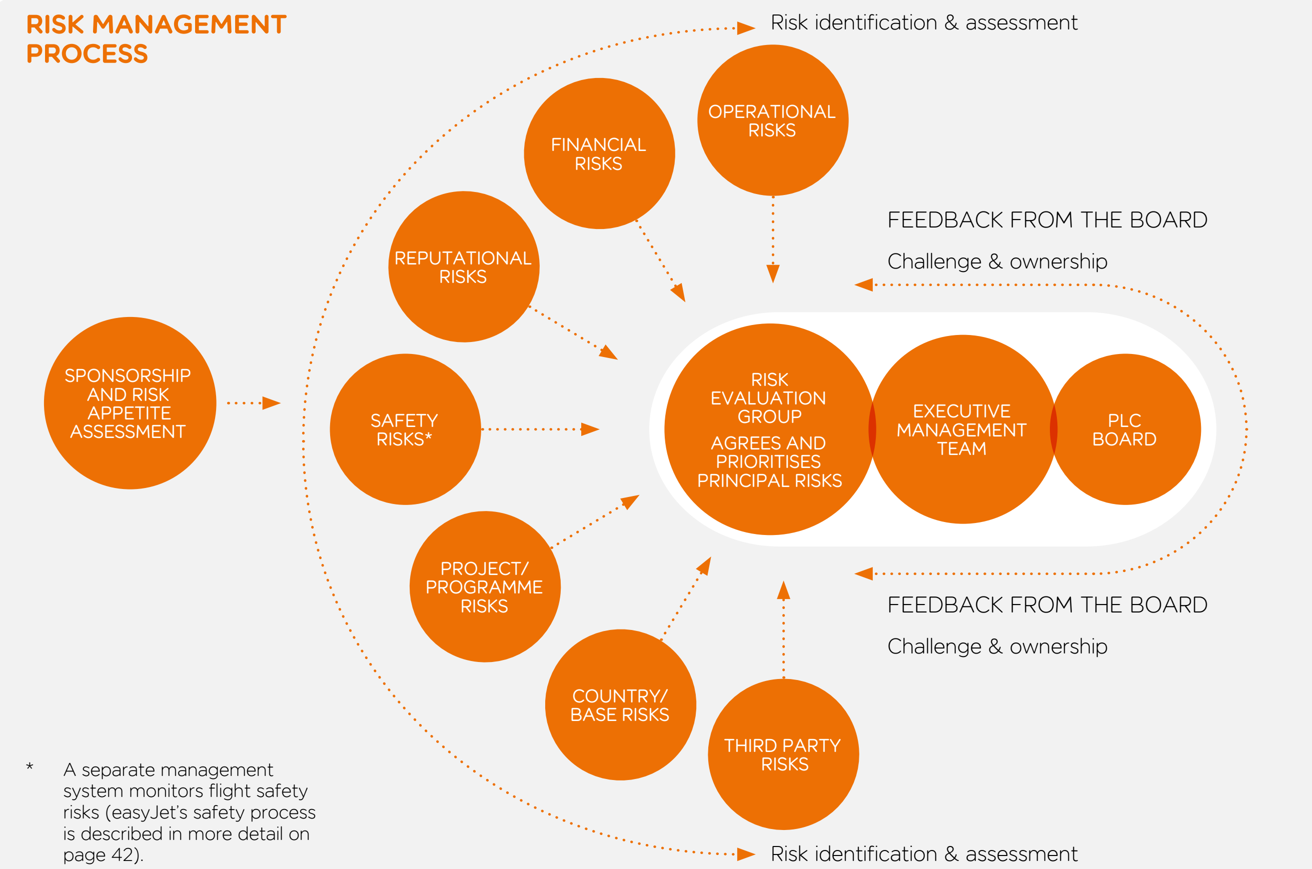
The risk appetite is the level of risk considered appropriate to accept in achieving easyJet's strategic objectives. The appropriateness of the mitigating actions is determined in accordance with the Board's approved risk appetite for the relevant area. The risk appetite is reviewed and validated by the Board on an annual basis.

RISK MANAGEMENT PROCESS

- The risk management function is coordinated by the Risk and Assurance Team which reports to the Chief Financial Officer, as well as having a direct line to the Chair of the Audit Committee. The key elements of the process are:
  - The risk management process begins with the identification of significant risks by each function.
  - Risks are assessed taking into account the potential impact and likelihood of the risks occurring and the key mitigations identified. The current level of risk is compared to the Board's risk appetite to determine whether further mitigations are required. Risks specific to a function's activities are managed within the function on an ongoing basis with regular follow-up by the risk team.
  - The most significant risks from each function (based on materiality, cross functional impact and/or those which have common themes across the business) are reviewed and prioritised by the Risk Evaluation Group, which consists of members of senior management from each function. This group's role is to debate, agree and prioritise the principal risks.
  - These risks, which form the basis of the principal risks and uncertainties detailed in this section, are challenged and validated by the Executive Management Team and the Board. Principal risks are being monitored throughout the year, with material changes being presented to the Board as they arise, and updates presented at least quarterly.
  - In addition to supporting the Board, the risk team supports the business in its management of risks relating to key projects and programmes, specific business risks, third parties, countries and bases.

Turn to page: 54 for further details on Risk Management and Internal Control.

The diagram below sets out easyJet's risk management process.



* A separate management system monitors flight safety risks (easyJet's safety process is described in more detail on page 42).

Principal risks and uncertainties

The risks and uncertainties described below are considered, at this point in time, to have the greatest effect on easyJet's strategic objectives. This categorised list is not intended to be exhaustive, and the ordering of the risks is not an indication of exposure. Whilst easyJet can monitor risks and prepare for adverse scenarios, the ability to affect the core drivers of many risks is not within the Group's control, for example adverse weather, pandemics, acts of terrorism, changes in government regulation and macroeconomic issues.

Link to strategy

1	Building and strengthening number 1 and number 2 network positions	4	Continuing to leverage data and digital platforms
2	Maintaining a lean cost advantage	5	Grow revenue
3	Maintaining customer and operational excellence	6	The best people
V	Considered as part of the long-term viability assessment (turn to page 31 for further details)		

SAFETY FIRST

Risk description | Mitigation

MAJOR SAFETY INCIDENT

A major safety incident (such as a hull loss) could adversely affect easyJet's reputation and its operational and financial performance. The impact of such an incident would be heightened if easyJet failed to react promptly and deal with it effectively.

Link to strategy:

1 5
2 6
3 V

easyJet's number one priority is the safety and security of its customers and people.

A Safety Committee (a committee of the Board) provides oversight of the management of easyJet's safety processes and systems.

Turn to page: 57 for further details

A Safety Review Board (at Executive Management Team level) is responsible for directing overall safety policy and governance. This is chaired by the Chief Executive.

Safety Action Groups from across the airline are responsible for the identification, evaluation and control of safety-related risks.

easyJet operates a Safety Management System using a leading software system (SafetyNet). This is used to:

- collect and analyse safety data (enabling potential areas of risk to be projected); and
- enable learning from easyJet and industry events/incidents to be captured and embedded into future risk mitigations.

A robust incident reporting process and 'Just Culture' are in place.

easyJet has an emergency response process and performs regular crisis management exercises.

Hull (all risks) and liabilities insurance (including spares) is held.

easyJet has an industry-leading fatigue risk management system and has implemented the European Aviation Safety Agency ("EASA") Flight Time Limitations regulations.

Turn to page: 42 for further details

SECURITY THREAT OR ATTACK

Failure to identify or prevent a major security-related threat or attack, or react immediately and effectively, could adversely affect easyJet's reputation and its operational and financial performance.

Such an incident has the potential to impact upon easyJet's business, regardless of the location or target.

The threat of further security-related attacks (regardless of where they may occur) may impact the future demand for air travel.

Link to strategy:

1 5
2 6
3

A Security Decision Group, comprising the Chairman of the plc Board, Chief Executive, appropriate members of the Executive Management Team and other senior management, determines whether easyJet should continue to operate in countries or areas affected by security-related incidents or conflict. As part of that process the easyJet security team works to provide the Security Decision Group with the most timely, credible and reliable information upon which to base operational decisions. easyJet adheres to all recommendations and guidelines provided by the authorities.

The Director of Safety and Security and the Head of Security work with authorities and governments around easyJet's network to assess whether security measures are effective and in compliance with regulatory requirements. A significant amount 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 methods for reducing the impact of any security-related incident; and
- the Group's security culture and awareness.

COMMERCIAL AND OPERATIONAL

Risk description	Mitigation
COMPETITION, CAPACITY AND INDUSTRY CONSOLIDATION The aviation market is highly competitive and easyJet operates in competition with both flag carriers and other low-cost airlines. Excess capacity in the market may arise due to a decrease in demand for air travel and/or additional capacity as a result of low fuel prices. This could have an adverse financial impact. easyJet's key competitive advantages include its network, cost base, brand, digital innovation and efficient and robust capital structure. Failure to retain these advantages or react quickly to competitor changes could have an adverse financial impact. Industry consolidation could also affect the competitive environment in a number of markets. This could cause a loss of market position and erosion of revenue. **Link to strategy:** 1 4 2 5 3	easyJet seeks to have a rapid response to any such activity that may impact easyJet's ability to grow the business. Competitor and consolidation activity is monitored, enabling strategic decision making on key routes/positions. The Network Development Forum, a cross-functional panel of senior executives, approves new bases and the allocation of assets around the network. Fleet framework arrangements, together with the Group's leasing policy, provide easyJet with significant flexibility in respect of scaling the fleet according to business requirements. Strong cost control is a key behaviour across the Company, with initiatives to drive cost reduction and improve efficiency in targeted areas. easyJet is developing commercial and digital enhancements that will improve commercial options and enable more rapid changes, thereby conserving as well as increasing its commercial capabilities. Following the announcement in October that easyJet will purchase parts of Air Berlin, subject to anti-trust and regulatory approvals, there is now an additional programme risk relating to the integration of Air Berlin operations.
SIGNIFICANT NETWORK DISRUPTION Widespread disruption to easyJet's network may be caused by a single event or factors which occur for a sustained period. Examples include forces of nature (extreme weather, volcanic ash, etc.), terrorism, air traffic management issues, epidemics/pandemics or the closure of a key airport. Significant disruption to the network could adversely affect easyJet's reputation and its operational and financial performance including the payment of EU 261 claims. **Link to strategy:** 1 4 2 5 3 6	There are processes in place, and clear roles and responsibilities within teams across the business, to plan for and manage significant disruption. A business disruption team, which includes senior management from relevant business areas, determines and initiates required action. Board policy is to maintain a liquidity buffer which allows the Group to better manage the impact of downturns in business or temporary curtailment of activities. In addition, easyJet holds business disruption insurance which provides some cover for some of these very significant shock events such as extreme weather, air traffic management issues and loss of access to key airports.

COMMERCIAL AND OPERATIONAL CONTINUED

Risk description	Mitigation
CONTINUITY OF SERVICES easyJet is dependent on a number of key IT systems and processes. A loss of critical systems or access to facilities, including the website, may lead to significant disruption to operations and could have an adverse reputational and financial impact. **Link to strategy:** 2 3	Critical systems are hosted either across two data centres, or at third-party provider locations. Recovery arrangements, including failover between the two data centres, are in place for all locations holding critical systems. An IT incident management team is in place to respond rapidly to any unforeseen incidents that may arise. IT disaster recovery plans are tested regularly to identify opportunities for improved resilience. Business continuity plans ensure easyJet is prepared in the event of loss of facilities, including alternative sites for the relocation of critical staff.
THIRD PARTY SERVICE PROVIDERS easyJet has entered into agreements with third party service providers for services covering a significant proportion of its operational and cost base. Failure to adequately manage third party performance may adversely affect easyJet's reputation and its operational and financial performance. **Link to strategy:** 2 5 3 6 4	There is a defined procurement process, led by a centralised procurement team, which ensures a competitive and robust selection of suppliers. As part of the process, alternative service providers are identified and assessed against a balanced evaluation criteria within the major markets in which easyJet operates. Any specific supplier risks are identified and assessed during the procurement process and controls and risk mitigations are included in the contracts entered into with the supplier. Contracts are managed according to easyJet's supplier relationship management framework, with key principles covering defined ownership and accountability, a governance framework and effective communication. Supplier performance is monitored through regular business reviews, including achievement of service level agreements and key performance indicators. Robust transition plans are agreed in the event of switching suppliers to enable an acceptable level of service to be maintained.
INDUSTRIAL ACTION easyJet, and the aviation industry in general, has a significant number of employees who are members of trade unions. Industrial action taken by easyJet employees, or by the employees of key third party service providers, could impact on easyJet's ability to maintain its flight schedules. This could adversely affect easyJet's reputation and its operational and financial performance. **Link to strategy:** 2 3 6	As easyJet operates across Europe, its crew are members of 20 unions and 11 representative bodies across eight countries. easyJet seeks to maintain positive working relationships with all trade unions and other representative bodies. Each of the countries in which easyJet operates has localised employment terms and conditions. This 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.

Link to strategy

1 Building and strengthening number 1 and number 2 network positions	3 Maintaining customer and operational excellence	5 Grow revenue
2 Maintaining a lean cost advantage	4 Continuing to leverage data and digital platforms	6 The best people
V Considered as part of the long term viability assessment (turn to page 31 for further details)		

COMMERCIAL AND OPERATIONAL CONTINUED

Risk description

SINGLE FLEET RISK

easyJet is dependent on Airbus as its sole supplier for aircraft.

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; and
- valuation risks which crystallise when aircraft exit the fleet. The main exposure at this time is with the ageing A319 fleet, where easyJet is reliant on the future demand for second-hand aircraft.

Link to strategy:

2

3

V

Mitigation

The Board considers that the efficiencies achieved by operating a single fleet type outweigh the risks associated with easyJet's single fleet strategy.

The Airbus A320 family (which includes the A319 and A321) is one of the two primary fleets used for short-haul travel, the other being the Boeing B737 family. There are approximately 7,400 A320 family aircraft operating with a proven track record for safety and reliability.

The introduction of the A320neo during the year in part mitigates this risk as the aircraft is equipped with a different engine type.

easyJet operates a rigorous established aircraft maintenance programme.

To mitigate the potential valuation risks, easyJet regularly reviews the second-hand market and has a number of different options when looking at fleet exit strategies. Sale and leaseback facilitates the exit of A319 aircraft from the fleet by transferring residual value risk, and also provides flexibility in managing the fleet size.

FINANCIAL

Risk description

FINANCIAL RISK

easyJet is exposed to a variety of financial risks which could give rise to adverse pressure on the financial performance of the Group, e.g. costs, revenue and cash flow.

- Market risks – significant/sudden increases in jet fuel prices, currency fluctuations or interest rates which have not been adequately protected through hedging.
- Counterparty risk – non-performance of counterparties used for depositing surplus funds (e.g. money market funds, bank deposits) and hedging.
- Liquidity risk – misjudgment in the level of liquidity resulting in inability to meet contractual/contingent financial obligations or the inability to fund the business when needed.

Link to strategy:

2 V

Mitigation

The Finance Committee (a committee of the Board) oversees the Group's treasury and funding policies and activities.

Turn to page: 63 for further details

This includes:

- maintaining a treasury policy setting out Board approved strategies for foreign exchange and fuel hedging, along with liquidity, interest rate management, counterparties' limits; and
- reviewing and reporting on compliance with Board treasury policies.

The policy is to hedge revenue and costs within a percentage band for a rolling 24-month period.

Board policy is to maintain a liquidity buffer including cash and a $500 million revolving credit facility provided by a group of 12 relationship banks. This allows the Group to better manage the impact of downturns in business or temporary curtailment of activities. The basis for the liquidity policy was revised in 2016. The policy is to maintain a minimum liquidity buffer at £2.6 million per 100 seats (previously £4 million per aircraft).

A strong balance sheet supports the business through fluctuations in economic conditions and the Group has access to diverse sources of funding to support liquidity requirements.

FINANCIAL CONTINUED

Risk description	Mitigation
DELIVERY OF PROJECTS SUPPORTING THE BUSINESS STRATEGY The business is undertaking a number of key projects and programmes to deliver key elements of the strategy. Following the announcement in October that easyJet will purchase parts of Air Berlin, a large scale complex programme is underway to implement the Air Berlin operation. Failure to deliver the planned business benefits and cost savings from these projects may result in under achievement of easyJet's planned financial results. **Link to strategy:** 1 4 2 5 3 6	The easyJet Change Board meets monthly to review progress made on the portfolio of programmes and solve issues that require escalation. Key IT projects or programmes have additional oversight through the IT Governance and Oversight Committee (a committee of the Board). Turn to page: 63 for further details Each project or programme has its own steering group which provides challenge to the project, monitors progress and ensures that decisions are made at the appropriate level. A portfolio management office is in place to oversee delivery of projects and programmes, and track budgets and realisation of benefits. A project management framework, which sets out the governance requirements, key processes and controls, is followed by all projects and programmes. Lessons learnt reviews are undertaken to ensure continuous improvement to this approach.

PEOPLE

Risk description	Mitigation
ATTRACTION AND RETENTION OF TALENT easyJet's current and future success is reliant on having the right people with the right capabilities. Increased competition in the recruitment market may impact easyJet's ability to attract and retain key talent. This could adversely affect the delivery of strategic objectives. **Link to strategy:** 6	There is a recruitment strategy for pilots and cabin crew. This includes pilot sponsorship and the Amy Johnston flying initiative to attract more female pilots. In addition, easyJet has developed a coherent employment brand to attract and retain top talent. easyJet also this year opened recruitment for 14 engineering apprentices and sought to encourage more women to apply for these roles. easyJet's aim is to develop talent from within. There are several talent development programmes in place for individuals who have been identified for fast-tracking into more senior roles as vacancies arise. Alongside this, there is an annual succession planning process to ensure there are clear successors for all key business roles.

Link to strategy

1 Building and strengthening number 1 and number 2 network positions	3 Maintaining customer and operational excellence	5 Grow revenue
2 Maintaining a lean cost advantage	4 Continuing to leverage data and digital platforms	6 The best people
V Considered as part of the long term viability assessment (turn to page 31 for further details)		

COMPLIANCE AND REGULATORY

Risk description	Mitigation
IMPACT OF EU EXIT The UK government is in the process of negotiating the UK's exit from the European Union although details of the future relationship still remain uncertain. If easyJet is unable to continue to fly its UK-EU network this would have a significant operational and financial impact. **Link to strategy:** 1 4 V 2 5 3 6	easyJet has put in place in Austria a third AOC; easyJet Europe. This will ensure easyJet can retain its intra-EU flying rights. We continue to actively engage with the European Commission, EU Member States and the UK government to ensure that there is an EU/UK agreement in place to maintain flying rights between the UK and the EU. An internal working group has been established to manage all aspects of easyJet's operations and structure with relation to the EU exit and the implementation of the third AOC.
LEGISLATIVE AND REGULATORY RISKS The airline industry is heavily regulated and there is a continual need to keep well informed and adapt to (as required) any legislative or regulatory changes across the jurisdictions in which easyJet operates. Failure to comply with legislative and regulatory requirements (or interpretations thereof), such as local consumer laws, legal decisions or policy changes in relation to passenger compensation, environmental and airport regulation, in the jurisdictions in which easyJet operates, could have an adverse reputational and financial impact. **Link to strategy:** 2 6 3 5	easyJet has an in-house legal and compliance team to advise on legal issues and developments, and to monitor compliance with formal regulatory requirements. It also has a panel of external legal advisers, both in the UK and in key easyJet markets, who are briefed to keep easyJet informed of any changes or new legislation and to assist easyJet in developing appropriate responses to such legislation. The Regulatory Affairs Group co-ordinates easyJet's role in influencing future and existing policy and regulations which affect the airline industry and will work with industry bodies to assist in this, as appropriate. Country Review Boards are established for easyJet's main markets, raising awareness of in-country issues, and providing a forum in which to highlight any potential legislative changes and impacts in the different countries.

REPUTATIONAL

Risk description	Mitigation
MAJOR SHAREHOLDER AND BRAND OWNER RELATIONSHIP easyJet has two major shareholders (easyGroup Holdings Limited and Polys Holding Limited) which, as a concert party, control approximately 33% of its ordinary shares. Shareholder activism on their part could adversely impact the reputation of easyJet and cause a distraction to management. Regulations surrounding easyJet's share ownership and control may be affected by the outcome of negotiations relating to Britain's exit from the EU. easyJet does not own its company name or branding, which is licensed from easyGroup Ltd. 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. **Link to strategy:** 2 5	easyJet has an active shareholder engagement programme led by its investor relations team. As part of that programme easyJet engages with easyGroup Holdings Limited on a regular basis alongside its other major shareholders. In addition, the Company has a relationship agreement with easyGroup and Polys Holdings in line with the controlling shareholder regime as set out in the Financial Conduct Authority's Listing Rules. Representatives from the Board and senior management take collective responsibility for addressing issues arising from any activist approach adopted by the major shareholder. The objective is to address issues when they arise and anticipate and plan for potential future activism. easyJet has a number of initiatives in place to ensure that its shares are held by relevant shareholders in order to comply with European Union regulations. easyJet's current ownership by EU-relevant, non-UK shareholders is close to 50%. The brand licence agreement with easyGroup Ltd provides for the regular meeting of senior representatives from both sides, attended by the Chief Financial Officer and General Counsel, to actively manage brand-related issues as they arise. Such meetings occur on a quarterly basis and have proven effective. easyJet also monitors compliance with brand licence service levels and has a right to take steps to remedy any instance of non-compliance.
CYBER THREAT AND INFORMATION SECURITY easyJet faces both external cyber threats and internal risks to its data and systems. A security breach may have an adverse customer, operational or financial impact which adversely affects easyJet's reputation. **Link to strategy:** 2 6 3 4	An Information Security Steering Group, chaired by the General Counsel, oversees any developments in data threats and controls, and determines whether actions taken in response are appropriate. There are dedicated information security teams that monitor threats and ensure that the design, implementation and operation of easyJet systems are secure. This is through the following: • achieving secure by design through a dedicated security architecture capability; • monitoring of secure systems for unauthorised access; • reviewing the security of external and internal systems, including easyJet.com, through periodic vulnerability scanning; • considering information security risks within procurement processes and the introduction of new systems and IT services; • ensuring payment card security with data encryption and a dedicated team to monitor and control access; • reviewing and refreshing information acceptable use policies; and • maintaining staff security awareness and education through a Security Champions network, on-line training materials and periodic awareness campaigns. Given the nature of this risk, the appropriateness of mitigation activity is continuously reviewed under the governance of an information security programme. This programme is subject to independent programme assurance on an at least annual basis.

Running our business responsibly

easyJet wants to run its business with a true sense of purpose that serves society and is based on a set of principles which helps it achieve sustainable profitability.

easyJet has continued to work with Blueprint for Better Business, an organisation which helps businesses to develop their purpose and role in society. To give focus to this work, easyJet has defined its purpose as:

We're here to connect people across Europe for work and leisure.

We do this by challenging ourselves and our industry to make travel easy and affordable for all.

Our unique Orange Spirit defines us and it means we always try to do things in the right way, every day, for our people, our customers, society and the environment.

DELIVERING OUR COMMITMENTS

AIM	HOW EASYJET IS DOING THIS	KEY HIGHLIGHTS
1. SAFETY IS OUR NUMBER ONE PRIORITY	• Safety and security management • Managing crew fatigue • Protecting passengers and crew from disruptive behaviour • Safety in the supply chain	• easyJet has established a new relationship with the Austrian safety regulator Austro Control, in addition to its existing work with the UK CAA and Swiss FOCA
2. HONEST AND FAIR WITH OUR CUSTOMERS AND SUPPLIERS	• Supporting passengers with special assistance • Supporting passengers during disruption • Building positive supplier relationships • Preventing bribery, corruption and modern slavery	• Customer satisfaction amongst passengers who need special assistance is higher than for all passengers, for the fourth consecutive year
3. A RESPONSIBLE AND RESPONSIVE EMPLOYER	• Employing people locally • Working with trade unions • Encouraging a diverse workforce • Offering fair reward	• easyJet has a target that 20% of its new entrant co-pilots should be female by 2020
4. A GUARDIAN FOR FUTURE GENERATIONS	• Investing in efficient aircraft • Operating efficiently • Encouraging sustainable tourism	• Since 2000 easyJet has reduced its aircraft carbon emissions per passenger, per kilometre by over 32% • Its current target is a 10% reduction from its 2016 financial year performance by 2022, which would be a 38% improvement from 2000
5. A GOOD CITIZEN	• Partnership with UNICEF • Emergency charity appeals • Local donations for employees • Reducing aircraft noise	• Since 2012 easyJet has raised over £10 million for its charity partner UNICEF, including over £1.5 million in the 2017 financial year

SAFETY IS OUR NUMBER ONE PRIORITY

WHY DOES THIS MATTER?
Customers should be confident that they can travel where they want to go safely. easyJet's employees and suppliers should be able to work in a safe environment.

SAFETY MANAGEMENT
Safety is easyJet's highest priority. It is committed to providing a safe journey for its passengers and a safe working environment for all its people and suppliers. easyJet's safety is managed and maintained through business processes and structures.

The Chief Executive of easyJet takes overall responsibilty for safety, alongside the Accountable Managers of easyJet Switzerland S.A. (EZS) and easyJet Europe Airline GmbH (easyJet Europe Airline). The Director of Safety, Security & Compliance reports directly to the Chief Executive and Chairman and has a remit to act independently outside other operational or commercial considerations.

The Safety Committee, made up of independent Non-Executive Directors, also reviews safety matters. More information on the Safety Committee is provided on page 57.

EASYJET EUROPE SAFETY REGULATION
easyJet Europe Airline was this year awarded an Air Operator Certificate by Austro Control and an airline operating licence by Austria's Federal Ministry for Transport, Innovation and Technology.

Austria's aviation regulator Austro Control was selected as the best fit for easyJet. Austro Control has a rigorous approach to safety regulation and has contributed to EASA's work on shaping future safety regulation that emphasises performance based safety regulation.

SECURITY
The easyJet Security Team works closely with government and regulatory agencies throughout its network in order to minimise the vulnerability of its customers and people to security risks. Security risk assessments, informed by the current geopolitical situation, are made for each country and airport to which easyJet flies. The Group also employs measures to protect business and personal data.

FATIGUE RISK MANAGEMENT
easyJet manages the risk of fatigue to make sure that its crew can operate flights safely. Its Fatigue Risk Management System is approved to EASA standards and the Company continues to invest in fatigue research with the US National Aeronautics and Space Administration (NASA) and the Netherlands Aerospace Centre.

SAFETY IN THE SUPPLY CHAIN
easyJet carries out its oversight of safety in its supply chain through its Standards Assurance and Compliance Monitoring processes. Standards Assurance enables managers to undertake performance reviews through sample checks to monitor service level agreements, key performance indicators and supplier engagement activities. Compliance Monitoring is undertaken by easyJet's independent Operations Risk compliance monitoring team. The audit schedule is established on a risk-based programme focused on applicable standards throughout the supply chain.

DISRUPTIVE PASSENGERS
easyJet does not tolerate disruptive behaviour on its flights. Its crew are trained to assess all situations to ensure that the safety of the flight and passengers is not compromised at any time. The airline has introduced measures to discourage and prevent disruptive behaviour, and to further increase the support for crew to respond when it does occur.

Disruptive behaviour on-board is often caused by passengers who have consumed too much alcohol whilst in the airport before their flight or who consume on-board alcohol purchased at the airport. easyJet has been working with industry partners through Airline UK's Code of Practice which encourages voluntary action. easyJet is also seeking regulatory changes to further discourage excess alcohol consumption when travelling.

NEW TECHNOLOGY
easyJet continues to add new safety related technology to the aircraft fleet. The A320neo aircraft which began entering the fleet in June 2017 are fitted with the Autopilot Traffic Collision Avoidance System (APTCAS), which builds on the existing collision avoidance technology, and the Runway Overrun Prevention System (ROPS), which provides additional warnings to pilots to avoid high energy approaches which contribute to runway overrun risks. These technologies supplement the existing operating procedures and pilot training.

HONEST AND FAIR WITH CUSTOMERS AND SUPPLIERS

WHY DOES THIS MATTER?

easyJet wants to make travel easy and affordable for its customers. By being honest and fair with customers, easyJet will earn their loyalty.

Some of easyJet's suppliers directly provide services to easyJet customers and all suppliers help to deliver the overall service. easyJet believes that positive relationships create long-term, productive partnerships which in turn improve customer service.

CUSTOMERS

This financial year easyJet carried more than 80 million passengers. More information on the service we provide to customers and customer satisfaction is on page 13.

easyJet recognises that it needs to give extra support to particular groups of passengers. These include passengers who need special assistance or experience disruption.

CUSTOMERS WHO NEED SPECIAL ASSISTANCE

In 2012 easyJet established the easyJet Special Assistance Advisory Group (ESAAG) to provide feedback and guidance on the services it provides to passengers who require special assistance.

The Group is chaired by Lord David Blunkett, a former UK cabinet minister who is himself blind. The group includes members from key easyJet markets (the UK, France, Switzerland and Italy) and all have personal or professional experience of special assistance issues.

easyJet carried over 519,000 passengers who needed special assistance in the 2017 financial year. This increased by 14% from the prior financial year. Customer satisfaction amongst these passengers was 83%. This is down one percentage point year-on-year, however, it was 12 percentage points higher than customer satisfaction amongst all passengers. This is the fourth successive year that satisfaction is higher for customers who need special assistance.

Since 2012 easyJet and ESAAG have introduced a range of measures to assist passengers with physical constraints, such as on-board wheelchairs and more accessible aircraft bathrooms. They are now looking at what more support can be given to passengers with 'hidden disabilities'. In July 2017 ESAAG brought together charities that represent people with these conditions, as well as the UK Civil Aviation Authority, to discuss these issues.

SUPPORTING PASSENGERS DURING DISRUPTION

easyJet is committed to providing the right support to passengers during disruption. Passengers are already given timely updates about their flight through text messages, emails and live updates on easyJet's Flight Tracker tool. This year easyJet further improved the information, by adding information about the reason for a delay and what passengers should do next.

To reduce the time it takes to resolve aircraft technical faults, easyJet contracted two light aircraft and crew for summer 2017 to take engineers and spare parts around its network.

When there are delays, easyJet provides welfare support, overnight accommodation when it is required and covers all reasonable out of pocket expenses for extended delay situations and additional EU 261 payments, when the delay is caused by an airline issue. It has established an online compensation claim form and bank transfer program, to simplify applications and payments.

SUPPLIERS

easyJet seeks to have an open, constructive and effective relationship with all suppliers, as it believes they are integral to the Group's success.

easyJet has an established supplier relationship management framework, which provides a toolkit and guidance for easyJet managers who lead relationships with easyJet's key partners. The supplier relationship management framework is developed around easyJet's core values and the objective is to build strong, lasting relationships with partners and drive value from the partnership. The principles are based on managing suppliers in the same way that easyJet manages its people, and ensuring that suppliers' rights and responsibilities are clearly set out.

When tendering for new suppliers, easyJet seeks information to ensure compliance from suppliers on factors including quality assurance, health and safety, environmental practices, sub-contracting arrangements and legal, regulatory and tax compliance.

HUMAN RIGHTS AND MODERN SLAVERY ACT

easyJet is committed to human rights. This includes observance of the principles set out by the International Labour Organisation Declaration on Fundamental Principles and Rights at Work.

easyJet manages the risk of modern slavery in its supply chain. It published its first statement for the Modern Slavery Act in March 2017, which is available at https://corporate.easyjet.com.

BRIBERY AND CORRUPTION

easyJet has a company-wide anti-bribery and corruption policy. There is also a gifts and hospitality policy and an online register to record all gifts and hospitality that are accepted by employees.

When tendering key new supplier contracts easyJet informs suppliers of its anti-bribery and corruption and gifts and hospitality policies and requires compliance with the same as a condition of doing business with easyJet. Subsequently, in key contracts, an appointed supplier is expected to reaffirm its commitment by signing up to specific contractual obligations on anti-bribery and corruption in its contract with easyJet.

A RESPONSIBLE AND RESPONSIVE EMPLOYER

WHY DOES THIS MATTER?

easyJet wants to be a good employer so that it can attract, retain and develop the best people. It believes that a diverse workforce that reflects the diversity of its customers, and a culture in which people can be themselves at work, leads to a better service for customers.

LOCAL EMPLOYMENT ACROSS EUROPE

As at 30 September 2017 easyJet employed 12,280 people across its network.

easyJet employs people on local contracts in eight countries across Europe, complying with national laws. This has a higher cost than the approach taken by some other airlines that employ all their people on one contract, irrespective of where they may work. easyJet does this so that its roles are attractive locally and to reflect each country's employment practices. This also helps to build relationships with key local stakeholders.

easyJet regularly communicates with its employees about business priorities and issues, as well as financial performance. This includes a weekly podcast from the Chief Executive, newsletters for the pilot and cabin crew communities and a regularly updated internal news site.

This year easyJet has continued to address issues that are important to its employees, particularly its crew, such as roster stability and reducing disruption, which also affects crew's working hours.

easyJet works in partnership with 20 trade unions across eight countries. It also consults its employees across Europe on business issues through its Works Councils structure and the overarching European Works Council forum.

REWARD

easyJet offers a competitive reward package, focused on cash and variable pay rather than fixed benefits. All easyJet employees, with a minimum amount of service, have the opportunity to become shareholders in the Company.

FEMALE PILOTS AND ENGINEERS

Since 2015 easyJet has been seeking to encourage more women to become pilots, to help address the significant gender imbalance in the world-wide pilot community.

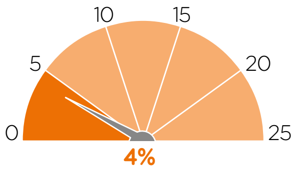
Through its 'Amy Johnson Initiative' easyJet has arranged for pilots to visit schools and youth organisations, highlighted current female pilots in the media and its own communications, and offered pilot training loan underwriting for selected female new entrant pilots.

easyJet met its initial target to increase the proportion of new entrant co-pilots who are female to 12% in 2016, a year ahead of schedule. In the 2017 financial year easyJet attracted 49 female new-entrant co-pilots, which was a 48% increase on the 33 female co-pilots in the 2016 financial year, and represented 13% of new-entrant co-pilots attracted in this period. easyJet's current target is 20% of new entrant co-pilots to be female by 2020.

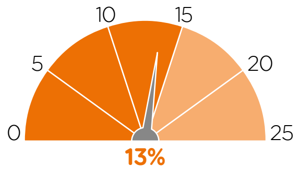
easyJet also this year opened recruitment for 14 engineering apprentices and sought to encourage more women to apply for these roles.

FEMALE MAKE UP OF:

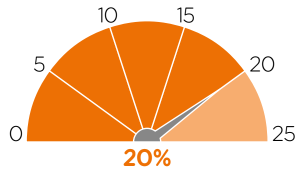
WORLDWIDE PILOT COMMUNITY



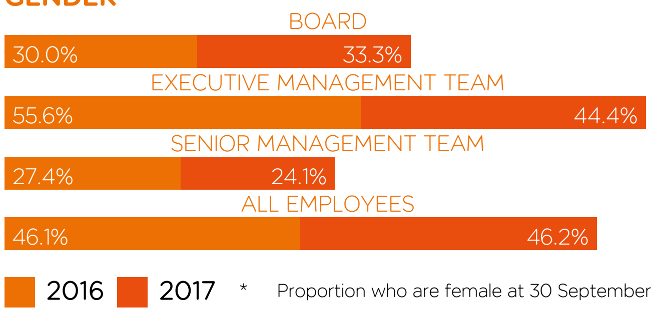
EASYJET NEW ENTRANT PILOTS IN FY17



EASYJET NEW ENTRANT TARGET FOR 2020



GENDER*



* Proportion who are female at 30 September

GENDER PAY

easyJet voluntarily reported on its gender pay gap in 2015 and 2016, ahead of the new UK regulations.

easyJet's gender pay gap is strongly influenced by the salaries and gender make-up of its pilot community, which is around a quarter of its UK employees. Pilots are predominantly male and their higher salaries, relative to other employees, significantly increases the average male pay at easyJet.

Salaries for pilots and cabin crew are collectively agreed, meaning, for example, female pilots' or cabin crew's basic salary and variable pay rates are 100% of that of their male equivalents.

DIFFERENCE IN UK RATE OF PAY BETWEEN MEN AND WOMEN

	Mean
Difference in mean hourly rate of pay	51.71%
Difference in mean bonus pay	43.77%

Notes: Pay and bonus data for UK employees as specified by UK reporting requirements.

For more information, see our online gender pay report at www.easyjet.com

DISABILITY

easyJet treats applicants with disabilities equally and supports current employees who become disabled. This includes offering flexibility and making reasonable adjustments to the workplace to ensure they can achieve to their full potential. However, for easyJet's two largest communities, pilots and cabin crew, there are a range of regulatory requirements on health and physical ability which all applicants and current employees must comply with.

A GUARDIAN FOR FUTURE GENERATIONS

WHY DOES THIS MATTER?

easyJet's biggest impact on the environment is its fuel consumption and the associated carbon emissions. easyJet is continuing to make more efficient use of fuel and to further reduce emissions per passenger kilometre on its flights.

CARBON EMISSIONS

easyJet's aircraft CO_2 emissions in the 2017 financial year were 7.1 million tonnes, compared to 6.5 million tonnes in the 2016 financial year. easyJet's calculation of emissions is based on fuel burn measurement, which is verified to comply with the European Union's Emission Trading System requirements.

The increase in overall emissions has been due to the continued expansion of easyJet's operations. In this financial year easyJet's passenger numbers increased by 9.7% compared to the 2016 financial year.

CARBON EMISSIONS PER PASSENGER KILOMETRE

Since 2000 easyJet has reduced its carbon emissions per passenger, per kilometre by over 32%. Its current target is a 10% reduction from its 2016 financial year performance by 2022, which would be a 38% improvement from 2000.

In the 2017 financial year easyJet's carbon emissions per passenger kilometre (km) were 78.62 grams (g), down from 79.98g per passenger km in the prior financial year.

EFFICIENT AIRCRAFT

easyJet operates an efficient fleet of Airbus A320 family aircraft mainly equipped with CFM56 engines.

This year easyJet started to operate the new generation Airbus A320neo aircraft. There will be 100 of these aircraft in the fleet by the end of 2022. These aircraft, equipped with CFM LEAP-1A engines and wingtip 'Sharklets', are expected to be 15% more fuel efficient than current generation aircraft.

From summer 2018 easyJet will also start to receive 30 A321neo aircraft, with 235 seats compared to 186 seats on the A320neo aircraft. This will also contribute to easyJet's carbon reduction target by reducing the amount of fuel used to carry each passenger.

OPERATING EFFICIENTLY

easyJet continues to use operational measures to reduce fuel usage and carbon emissions. This includes the use of one engine taxiing, installation of lightweight Recaro seats, and the use of electronic devices rather than numerous paper documents in the flight deck.

SUSTAINABLE TOURISM

The tourists that easyJet, other airlines and travel operators bring to destinations make a very significant contribution to local economies. However tourism also needs to have a sustainable impact on the local environment and community. easyJet believes that if there is a need to control the tourism activity in a particular area then this should be done by the relevant local authorities, taking account of the economic benefit of tourism.

CARBON EMISSIONS

Reduction compared to 2000

A GOOD CITIZEN

WHY DOES THIS MATTER?
easyJet wants to make a positive contribution to society, to support the areas where its customers and employees live, as well as in the wider world.

UNICEF PARTNERSHIP
easyJet has a pan-European charity partnership with UNICEF, the world's leading children's organisation. Since 2012 the partnership has raised over £10 million, helping UNICEF to protect millions of children around the world from disease and keep them safe during emergencies.

During the spring, summer and winter collection periods easyJet cabin crew carry out on-board appeals for customers to donate their spare change and leftover foreign currency.

The funds primarily support UNICEF's vaccination work to keep children safe from polio, as part of the global efforts to eradicate this deadly disease. This year the funds have supported activities in Pakistan, one of only three remaining countries where polio is still endemic, helping UNICEF vaccinate more than 285,300 children in some of the hardest to reach areas of the country.

In the 2017 financial year the partnership raised over £1.5 million, which included the on-board collections and other fundraising activity by easyJet employees and met its current partnership fundraising target of £10 million.

LOCAL DONATIONS
easyJet also supports local charities nominated by its employees, through donations awarded by its Charity Committee. This year the committee has made 140 awards of flight vouchers or financial donations, each to the value of £250 or €300.

CASE STUDY
In June 2017 a group of easyJet employees visited the Philippines to see UNICEF's work in the country, which had been supported by an earlier easyJet charity emergency appeal. The group saw how UNICEF responded immediately following the 2013 typhoon and in the recovery, as well as the local polio immunisation programme.

EMERGENCY APPEALS
easyJet launches emergency appeals on board its aircraft, particularly for significant, tragic events in countries across its network and around the world. In the 2017 financial year easyJet held appeals following: the Grenfell Tower fire in London; the Manchester terrorist attack; the earthquake in Italy; and for Unicef's response to the East Africa famine and Hurricane Irma in the Caribbean.

AIRCRAFT NOISE
easyJet seeks to reduce the impact of aircraft noise on residents who live near airports or under flight paths. It works locally with airports and air traffic control to put in place noise mitigation activities that best fit each airport. easyJet pilots also use flying techniques to reduce noise impact, such as continuous descent approaches.

The new generation Airbus A320neo aircraft that easyJet started to operate this year are 50% quieter during take-off and landing than current generation aircraft.

easyJet is also completing a retrofit programme to address a particular sound associated with A320 family aircraft of all airlines due to the airflow under the wing. All new aircraft delivered to easyJet since September 2014 are fitted with 'vortex generators'. In 2015 easyJet began an engineering programme to modify existing aircraft with vortex generators. As of 30 September 2017 over 93% of easyJet's fleet were fitted with vortex generators and easyJet expects all aircraft to be modified by 31 December 2017.

Committed to corporate governance

JOHN BARTON
Chairman

DEAR SHAREHOLDER

I am pleased to present to you this year's Corporate governance report. The Board remains committed to maintaining a high standard of governance to enhance performance, drive continued good behaviours and protect shareholders. During 2017 the following key areas of governance were discussed:

CULTURE IN THE ORGANISATION

easyJet is committed to nurturing an open and communicative culture which encourages employee participation in the exchange of ideas, information and suggestions. Significant work has taken place over the year to identify and review issues related to the Group's culture, using Internal Audit reports, corporate governance questionnaires and external studies. Our review concluded that there was good engagement, collaboration and accountability within the organisation, and the tone from the top was right. We will continue to review and report on our culture and this will remain a key focus in 2018.

SUCCESSION PLANNING AND CHANGES TO THE BOARD

This year has been particularly busy for both the Board and the Nominations Committee in relation to succession planning, assessing the Executive, Non-Executive and senior succession pipeline, and identifying what skills are needed to support our strategy and business for the long-term.

On 10 November the Board announced the appointment of Johan Lundgren as its new Chief Executive as replacement for Carolyn McCall. He will be joining the Company on 1 December 2017, with Carolyn stepping down as Chief Executive on 30 November but remaining with easyJet until 31 December 2017 to assist with the transition. The Nominations Committee led the process to appoint the new Chief Executive, with support from the other Non-Executive Directors throughout the process. Johan was appointed following a rigorous assessment and selection process.

We welcomed Moya Greene to the Board on 19 July 2017 as a Non-Executive Director. She also became a member of the Remuneration and Safety Committees in September. Her logistics and transport background and FTSE 100 CEO experience have already served to strengthen the diverse mix of expertise and experience on the Board.

The recruitment and selection process for Johan and Moya, along with further detail on the activities of the Nominations Committee, are set out on page 58.

Keith Hamill had decided to retire from the easyJet Board at the end of July, however he extended his term for a further period to support the Chief Executive search process. François Rubichon stepped down on 22 July 2017, following completion of three years on the Board.

I would like to thank Carolyn on behalf of the Board for her commitment and important contribution to the easyJet Board and to easyJet's success.

BREXIT

A main focus for the Board has continued to be overseeing and carefully reviewing management's plans, and evaluating key decisions, to protect the airline's existing flying rights when the UK leaves the European Union. This has been discussed and presented at every scheduled Board meeting during the year.

easyJet has made significant progress in safeguarding the future of its operations and network in Europe over the last year. In July this year, following a rigorous and comprehensive process, we were granted an Air Operator Certificate and airline operating licence by the authorities in Austria which will support our European operations in the lead up to and post-Brexit.

GOVERNANCE

I am pleased to report that we have complied without exception with the provisions of the UK Corporate Governance Code (April 2016). The Code is issued by the Financial Reporting Council and is available for review on the Financial Reporting Council's (FRC) website: https://www.frc.org.uk.

This year our remuneration policy is due for approval by the Company's shareholders. The Remuneration Committee has been working closely with the Group and its advisers to produce a policy that promotes the sustainable long-term success of the business. Further information can be found in the Remuneration Committee section on page 64.

STRUCTURE OF THE CORPORATE GOVERNANCE REPORT

The Corporate governance report which follows indicates the Board's approach to corporate governance arrangements and how they operated during the year. The report includes reports from each of the Committee Chairs, providing details on key matters addressed by the Committees during the year.

We have also set out a separate section (on pages 53 to 55) to provide a detailed description of how the Group has complied with all principles of the UK Corporate Governance Code.

John Barton

JOHN BARTON
Non-Executive Chairman

An experienced and balanced Board

N

JOHN BARTON
Non-Executive Chairman

Appointed
May 2013
Key areas of prior experience
Finance, Governance
Skills & Experience
John has also served as Chairman of Next plc, Catlin Group Limited, Cable and Wireless Worldwide plc, Brit Holdings plc and Wellington Underwriting plc. John was previously Senior Independent Director of WHSmith plc and Hammerson plc. He was also the Chief Executive of insurance broker JIB Group plc. After JIB's merger with Lloyd Thompson he became Chairman of the combined Group, Jardine Lloyd Thompson Group plc.
Current External Appointments
Senior Independent Director of SSP Group plc, Chair of its Nomination and Remuneration Committees and member of its Audit Committee. Senior Independent Director of Luceco plc and member of its Audit, Remuneration and Nomination Committees. Non-Executive Director of Matheson & Co Ltd.

F N R

CHARLES GURASSA
Non-Executive Deputy Chairman and Senior Independent Director

Appointed
June 2011
Key areas of prior experience
Airline Industry
Skills & Experience
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 of TUI Northern Europe Limited and Director of Passenger and Cargo at British Airways plc. Charles retired from full time work in June 2003 to pursue a portfolio career. He was previously Non-Executive Chairman of Genesis Housing Association, LOVEFiLM International Limited, Phones4U Limited, Virgin Mobile plc, Alamo/National Rent a Car, 7Days Ltd and Non-Executive Director at Whitbread plc.
Current External Appointments
Non-Executive Chairman of Channel 4 and member of its Remuneration, Ethics and Audit Committees. Senior Independent Director of Merlin Entertainments plc and Chairman of its Remuneration Committee and member of its Audit and Health and Safety Committees. Member of the Board of Trustees at English Heritage and Chairman of its Remuneration and Appointments Committee. Member of the Board of Trustees at the Migration Museum Project and member of its Development Committee.

CAROLYN MCCALL DBE
Chief Executive

Appointed
July 2010
Key areas of prior experience
Media
Skills & Experience
Prior to joining easyJet, Carolyn was Chief Executive of Guardian Media Group plc. She was also Non-Executive Director of Lloyds TSB Limited, Tesco plc and New Look plc. Carolyn was Chair of Opportunity Now and former President of Women in Advertising and Communications London (WACL).
Current External Appointments
Non-Executive Director of Burberry Group plc and member of its Audit and Nominations Committees. Director of French Chamber of Commerce. Director of the Corporate Board of Royal Academy of Arts. Non-Executive Director of the Department of Business, Energy and Industrial Strategy.

ANDREW FINDLAY
Chief Financial Officer

Appointed
October 2015
Key areas of prior experience
Finance
Skills & Experience
Andrew was previously Chief Financial Officer at Halfords plc. Prior to this, Andrew was Director of Finance, Tax and Treasury at Marks and Spencer Group plc. He has also held senior finance roles at the London Stock Exchange and at Cable and Wireless both in the UK and US.
Current External Appointments
Non-Executive Director at Rightmove plc and member of its Audit and Nominations Committees.

S R A I

ADÈLE ANDERSON
Independent Non-Executive Director

Appointed
September 2011
Key areas of prior experience
Finance
Skills & Experience
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.
Current External Appointments
Senior Independent Director of Intu Properties plc and Chair of its Audit Committee and member of its Remuneration Committee. Non-Executive Director of Spire Healthcare Group plc and Chair of its Audit and Risk Committee and member of its Remuneration Committee. Member of the Board of Trustees and its Audit Committee at Save the Children UK. Member of the Audit Committee of the Wellcome Trust.

Board Committee Membership as at 20 November 2017

S Safety Committee	A Audit Committee	F Finance Committee
R Remuneration Committee	N Nominations Committee	I IT Governance and Oversight Committee

S F

DR ANDREAS BIERWIRTH
Independent Non-Executive Director

Appointed
July 2014
Key areas of prior experience
Airline Industry, European perspective
Skills & Experience
Andreas previously served as Chief Commercial Officer and a Member of the Board at Austrian Airlines AG. He also served as Vice President Marketing of Deutsche Lufthansa AG in Frankfurt. Prior to this, Andreas was Deputy Managing Director and later Managing Director at Germanwings.
Current External Appointments
Chief Executive Officer, T-Mobile Austria GmbH. Member of the Supervisory Board of Do&Co AG, Casinos Austria AG (on behalf of the Austrian Government) Lindner Hotels AG and Telekom Deutschland GmbH.

S A N I

KEITH HAMILL OBE
Independent Non-Executive Director

Appointed
March 2009
Key areas of prior experience
Finance
Skills & Experience
Keith was Chairman of Travelodge and Go, the latter prior to its acquisition by easyJet in 2002. His other previous Chairman roles included Tullett Prebon plc, Collins Stewart plc, Avant Homes Limited, Heath Lambert Limited and Moss Bros Group plc. His Non-Executive Director roles included Max Property Group plc, Electrocomponents plc and Cadmus Communications Corporation. Keith was Finance Director of WHSmith, of Forte plc and of United Distillers, Director of Financial Control at Guinness plc and a Partner in Price Waterhouse.
Current External Appointments
Chairman, Premier Foods plc and a member of its Nominations Commitee. Chairman of Horsforth Holdings Limited. Non-Executive Director, Samsonite International SA. Member of the Board of Trustees, St George, the English International School, Rome.

R A N F I

ANDY MARTIN
Independent Non-Executive Director

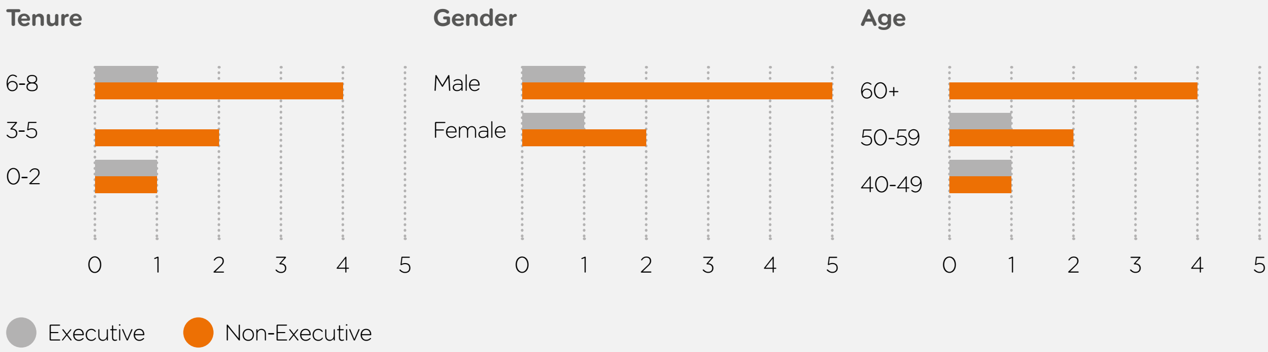
Appointed
September 2011
Key areas of prior experience
Finance, Airline Industry
Skills & Experience
From 2012 to 2015, Andy was the Group Chief Operating Officer for Europe and Japan for Compass Group plc and prior to that served as their Group Finance Director from 2004 to 2012. Before he joined the Compass Group, he was Group Finance Director at First Choice Holidays plc (now TUI Group) which had an airline as part of a wider tour operator business. Andy has also held senior financial positions, including Partner, with Granada Group plc, Forte plc and Arthur Andersen (now part of Deloitte).
Current External Appointments
Non-Executive Director of Intertek Group plc, Chairman of its Audit Committee and member of its Remuneration Committee. Non-Executive Director of Hays plc and member of its Audit, Remuneration and Nomination Committees.

R S

MOYA GREENE
Independent Non-Executive Director

Appointed
July 2017
Key areas of prior experience
Logistics and Transport
Skills & Experience
Moya has been Chief Executive of Royal Mail Group since July 2010. Prior to joining Royal Mail, Moya was CEO of Canada Post. She also has a strong public sector background, developed over a 17-year period when she assumed progressively more senior roles in seven different Ministries of the Canadian Federal Public Service. She has previously been a Non-Executive Director on the Board of Great-West Lifeco and Tim Hortons Inc, both publicly quoted in Canada.
Current External Appointments
Chief Executive of Royal Mail Group plc. Member of the Board of Trustees, the Tate Gallery.

DIVERSITY IN THE BOARD
The Board recognises the benefits of having diversity across the Board to ensure effective engagement with key stakeholders and effective delivery of the business strategy.



An experienced team to deliver

CHRIS BROCKLESBY
Chief Information Officer

Appointed
March 2015
Key areas of prior experience
IT
Skills & Experience
Before joining easyJet, Chris was Chief Information Officer at Tesco Bank and was a member of the Executive Committee with responsibility for IT, Change Management, Supplier Management and Procurement. Chris also spent 18 years at Accenture in their Financial Services and Technology practices. He became a Partner in 2000 and led the UK Financial Services Systems Integration practice, as well as leading work at clients such as AXA Life, Zurich Financial Services, Standard Life and Prudential.

CHRIS BROWNE
Chief Operating Officer

Appointed
October 2016
Key areas of prior experience
Airline industry
Skills & Experience
Chris was appointed to the Board of easyJet plc on 1 January 2016 as a Non-Executive Director, before stepping down on 30 September 2016 to join the Executive Management Team as Chief Operating Officer. Chris has previously held several senior leadership positions within aviation including Chief Operating Officer, Aviation, of TUI Travel plc, Managing Director, Thomson Airways and Managing Director, First Choice Airways. She also has commercial and general management experience in consumer-facing industries with previous roles at Carlson Worldwide and Iberia Airways.
Current External Appointments
Non-Executive Director of Bovis Homes plc and member of its Nominations, Remuneration and Audit Committees.

PETER DUFFY
Chief Commercial Officer

Appointed
February 2011
Key areas of prior experience
Marketing, Digital and Commercial
Skills & Experience
Before joining easyJet, Peter was Marketing Director for Audi in the UK. Prior to that, he was Marketing Services Director at Barclays.

ANDREW FINDLAY
Chief Financial Officer

See Board of Directors' Profiles on page 48

ROBERT CAREY
Group Director of Strategy and Network

Appointed
September 2017
Key areas of prior experience
Airline industry, Strategy
Skills & Experience
Robert joined from McKinsey & Company where he was a leader in the Airline practice. Over the last 11 years, Robert has assisted airline clients around the world on a range of strategic, revenue, commercial and operational issues.
Robert has authored multiple articles and spoken widely about the airline industry. He has also been a keynote speaker at a number of travel forums and conferences. Prior to McKinsey, Robert worked for Delta Air Lines and America West Airlines in a variety of roles across revenue and operational functions.

CAROLYN MCCALL
Chief Executive

See Board of Directors' Profiles on page 48

PAUL MOORE
Communications Director

Appointed
November 2010
Key areas of prior experience
Communications
Skills & Experience
Before joining easyJet, Paul was Group Public Affairs and Communications Director for FirstGroup. Prior to that Paul worked for Virgin Atlantic Airways for 10 years as its Director of Corporate Affairs.

KYLA MULLINS
Company Secretary and Group General Counsel

Appointed
February 2015
Key areas of prior experience
Legal, Company Secretarial, Regulation
Skills & Experience
Kyla is a qualified solicitor, having spent four years with Clifford Chance before moving in-house. Over the past 20 years she has held senior legal positions in the media, entertainment and strategic outsourcing sectors. Before joining easyJet, Kyla was General Counsel and Company Secretary at Mitie Group plc, Global General Counsel of EMI Music, and Group Legal Director at ITV plc and Granada Media.

JACKY SIMMONDS
Group People Director

Appointed
January 2016
Key areas of prior experience
Airline industry, travel and tourism, Human Resources
Skills & Experience
Before joining easyJet, Jacky was Group Human Resources Director at TUI and previously held a number of senior positions within that group, including Human Resources Director for TUI UK & Ireland and First Choice plc before the merger with TUI.
Current External Appointments
Non-Executive Director, Ferguson plc (formerly Wolseley plc), and Chair of its Remuneration Committee and a member of its Audit and Nominations Committees.

EXECUTIVE MANAGEMENT TEAM CHANGES DURING THE 2017 YEAR AND UP TO 20 NOVEMBER 2017:
- Cath Lynn stepped down from her role as Group Director of Strategy and Network on 29 September 2017. Robert Carey took over from Cath and was appointed as Group Director of Strategy and Network on 30 September 2017.

BOARD OF DIRECTORS CHANGES DURING THE 2017 YEAR AND UP TO 20 NOVEMBER 2017:
- It was announced on 10 November 2017 that Johan Lundgren would be appointed as Chief Executive from 1 December 2017. Carolyn McCall will be stepping down as Chief Executive on 30 November 2017.
- François Rubichon stepped down from the Board on 22 July 2017.
- Moya Greene was appointed to the Board on 19 July 2017.

BOARD COMMITTEE STRUCTURE

easyJet plc Board
Responsible for the Group's long-term planning and providing the necessary resources and structure to achieve long-term objectives

Safety Committee
Chair: Dr. Andreas Bierwirth
(page 57)
Key responsibilities: To examine specific safety issues as requested by the Board or any member of the Committee. To receive, examine and monitor reports on actions taken by departments. To review and monitor the implementation of easyJet's annual safety plan.

Nominations Committee
Chair: John Barton
(page 57)
Key responsibilities: To keep under review the composition, structure and size of, and succession to, the Board and its Committees. To provide succession planning for senior executives and the Board, leading the process for all Board appointments. To evaluate the balance of skills, knowledge, experience and diversity on the Board.

Audit Committee
Chair: Adèle Anderson
(page 59)
Key responsibilities: To monitor the integrity of the Group's financial statements, the adequacy and effectiveness of the systems of internal control (including whistleblowing procedures), and the effectiveness and independence of the internal and external auditors.

Finance Committee
Chair: Andy Martin
(page 63)
Key responsibilities: To review and monitor the Group's treasury policies, treasury operations and funding activities, along with the associated risks.

IT Governance and Oversight Committee
Chair: Andy Martin
(page 63)
Key responsibilities: To provide independent oversight over the governance and controls relating to the IT business area, in particular covering the required resilience and change.

Remuneration Committee
Chair: Charles Gurassa
(page 64)
Key responsibilities: To set remuneration for all Executive Directors and the Chairman, including pension rights and any compensation payments. To recommend and monitor the level and structure of remuneration for senior management.

Executive Management Team
Responsible for implementing operational decisions which are within the framework and long-term strategy set by the Board

ATTENDANCE AT SCHEDULED MEETINGS DURING 2017 FINANCIAL YEAR

For further information regarding when Board members joined or stepped down from Committees during and after the 2017 financial year, please refer to the 'Committee changes' sections in the relevant Committee reports (pages 57 to 64).

	Board	Audit Committee	Remuneration Committee	Finance Committee	Safety Committee	Nominations Committee	IT Governance and Oversight Committee
Scheduled Meetings	10	4	5	5	4	4	4
Executive Directors							
Carolyn McCall DBE	10/10		2*		3*	2*	
Andrew Findlay	10/10	4*	1*	5*			
Non-Executive Directors							
John Barton	10/10	1*	4*	1*	4*	4/4	
Charles Gurassa	10/10		5/5	5/5	1*	4/4	
Adèle Anderson	10/10	4/4	5/5		4/4	1*	4/4
Dr. Andreas Bierwirth (1)	9/10		1*	5/5	4/4	1*	
Keith Hamill OBE (2)	10/10	4/4	1*		4/4	4/4	3/4
Andy Martin	10/10	4/4	5/5	5/5	1*	4/4	4/4
François Rubichon (3)	7/8		3/4			3/3	
Moya Greene (4)	3/3				1/1	1*	

* Not a member of the relevant Committee – attendance at meeting by invitation.

(1) Andreas Bierwirth missed one Board meeting in a two-day Board strategy offsite due to a prior commitment that could not be re-arranged.

(2) Keith Hamill missed one IT Governance and Oversight Committee meeting due to a prior commitment.

(3) François Rubichon stepped down from the Board on 22 July 2017 and informed the Board that he was unable to attend any meetings that July; his absences from meetings relate to that period.

(4) Moya Greene joined the Board on 19 July 2017, and joined the Safety Committee on 1 September 2017 and the Remuneration Committee on 20 September 2017.

Compliance with the UK Corporate Governance Code

The Group has, throughout the 2017 financial year, complied without exception with the provisions of the 2016 UK Corporate Governance Code ('the Code'). The section below details how the Company has complied with the Code, available at http://www.frc.org.uk. The following disclosures are ordered into the sections as they appear in the Code.

A. LEADERSHIP

A.1 Role of the Board

The Board is responsible for providing effective leadership to the airline. It does this by setting strategic priorities and overseeing their delivery in a way that enables sustainable long-term growth, while maintaining a balanced approach to risk within a framework of effective controls.

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. Day-to-day management responsibility rests with the Executive Management Team, listed on pages 50 to 51. These individuals are also the Directors and Company Secretary of the principal operating company, easyJet Airline Company Limited.

The Board meets regularly, with 10 scheduled meetings having been held during the year. The Directors' attendance records at those meetings and Board Committee meetings held during the year are shown in the table on page 52. In addition to those scheduled meetings, five ad hoc Board calls were also arranged during the 2017 financial year to deal with matters arising between scheduled meetings as appropriate. Non-Executive Directors are encouraged to communicate directly with each other and senior management between Board meetings.

The Group has purchased and maintains appropriate insurance cover in respect of Directors' and Officers' liabilities.

The Group has also entered into qualifying third party indemnity arrangements for the benefit of all its Directors, in a form and scope which comply with the requirements of the Companies Act 2006.

A.2 Division of responsibilities

The roles of Chairman and Chief Executive are separate, set out in writing, clearly defined, and approved by the Board. They are available on easyJet's corporate website: http://corporate.easyJet.com. The Chairman's role is to lead the Board and ensure that it operates effectively. The Chief Executive's role is the day-to-day running of the Group's businesses and the development and implementation of strategy.

A.3 The Chairman

The Chairman, John Barton, sets the Board's agenda and ensures that adequate time is available for discussion of all agenda items, including strategic issues. On his appointment in May 2013, the Board considered John Barton to be independent in character and judgment in accordance with the Code.

A.4 Non-Executive Directors

Charles Gurassa is Senior Independent Director and Deputy Chairman. In this role, Charles provides advice and additional support and experience to the Chairman as required, and is available to act as an intermediary for the other Directors if necessary. Charles is also available to address shareholders' concerns that have not been resolved through the normal channels of communication with the Chairman, Chief Executive or other Executive Directors, and leads the appraisal of the Chairman's performance annually in consultation with the other Non-Executive Directors in a meeting without the Chairman being present. The Non-Executive Directors, together with the Chairman, also meet regularly without any Executive Directors. During the year, there were no unresolved concerns regarding the running of the Group.

B. EFFECTIVENESS

B.1 Composition of the Board

As at 30 September 2017, the Board comprised seven Non-Executive Directors (including the Chairman) and two Executive Directors.

After considering the matter, the Board considers Adèle Anderson, Dr. Andreas Bierwirth, Charles Gurassa, Keith Hamill OBE, Andy Martin and Moya Greene to be Non-Executive Directors who are independent in character and judgment. The Board reviews its Committee membership each year to ensure that undue reliance is not placed on individuals.

B.2 Appointments to the Board

The Nominations Committee leads the process for Board appointments and makes recommendations to the Board. For information on the work of the Nominations Committee and a description of the Board's policy on diversity, please refer to the Nominations Committee report on pages 57 and 58.

B.3 Commitment

Following the Board evaluation process, detailed further below, the Board is satisfied that each of the Directors is able to allocate sufficient time to the Group to discharge their responsibilities effectively.

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.

Executive Directors and the Executive Management Team are permitted to take up non-executive positions on a board of a listed company so long as this is not thought to interfere with the business of the Group. Carolyn McCall DBE, the Chief Executive, has acted as Non-Executive Director at Burberry Group plc since September 2014. Andrew Findlay was appointed Non-Executive Director at Rightmove plc in June 2017. Executive Directors' appointments to such positions is subject to the approval of the Board which considers, amongst other things, the time commitment required.

B.4 Development

On joining the Board, new members receive a tailored induction, organised by the Company Secretary, which covers amongst other things: the business of the Group, their legal and regulatory responsibilities as Directors, briefings and presentations from relevant executives and opportunities to visit and experience easyJet's business operations.

To update the Directors' skills, knowledge and familiarity with the Group, visits to bases are organised for the Board periodically, to assist its understanding of the operational issues that the business faces. The Board was invited to visit the base in Gatwick in March 2017, and to attend a presentation on Gatwick Airport, as well as a site tour which included a visit to the new bag drop area, and the new airside crew facility, with the chance to meet the base management team and members of the crew.

A briefing paper is provided to Board members to update them on relevant developments in law, regulation and best practice, usually two to four times per year. Directors are encouraged to highlight specific areas where they feel their skills or knowledge would benefit from further development as part of the annual Board evaluation process.

B.5 Information and support

All members of the Board are supplied with appropriate, clear and accurate information in a timely manner covering matters which are to be considered at forthcoming Board or Committee meetings.

Should Directors judge it necessary to seek independent legal advice about the performance of their duties with the Company, they are entitled to do so at the Company's expense. Directors also have access to the advice and services of the Company Secretary, who is responsible for advising the Board on all governance matters and ensuring that Board procedures are complied with.

The appointment and removal of the Company Secretary is a matter requiring Board approval.

B.6 Evaluation

A performance review of the Board, its Committees and Directors is carried out every year and is externally facilitated at least every third year. Following the evaluation being externally facilitated in 2015, the 2017 Board and Committee evaluation was conducted internally by the Company Secretary and Group General Counsel, Kyla Mullins, at the request of the Chairman. Kyla prepared surveys that were completed by Board members.

The review extended to all aspects of Board and Committee performance including composition and dynamics, the Chairman's leadership, agenda and focus, time management, strategic oversight, oversight of risk and succession planning, and priorities for change.

Charles Gurassa, as Senior Independent Director, led a review of the Chairman's performance and held a private meeting of the Non-Executive Directors without the Chairman present to discuss the Chairman's performance. It was concluded that John Barton's performance and contribution are strong and that he demonstrates effective leadership. The Executive Directors and the Non-Executive Directors also reviewed and were satisfied with the Chairman's time commitment to the Board and the business.

The Chairman conducted a process of evaluating the performance and contribution of each Director, which included a one-to-one performance evaluation and feedback discussion with each of them.

B.7 Re-election

The Company's Articles of Association require the Directors to submit themselves for re-election by shareholders at least once every three years. However, the Board has decided that all Directors will stand for re-election or election at each Annual General Meeting in accordance with the Code.

C. ACCOUNTABILITY

C.1 Financial and Business Reporting

Please refer to:

- page 88 for the Board's statement on the Annual report and accounts being fair, balanced and understandable;
- page 31 for the statement on the status of the Company and the Group as a going concern; and
- the Strategic report on pages 4 to 21 for an explanation of the Group's business model and the strategy for delivering the objectives of the Group.

C.2 Risk Management and Internal Control

The Board has carried out a robust assessment of the principal risks facing the Group and how those risks affect the prospects of the Group. Please refer to pages 33 to 40 for further information on the Group's principal risks and uncertainties and page 31 for their impact on the longer-term viability and prospects of the Group.

The overall responsibility for easyJet's systems of internal control and for reviewing their effectiveness rests with the Board. The Board has conducted an annual review of the effectiveness of the systems of internal control during the year, under the auspices of the Audit Committee. Further information on the Group's risk management processes is given on this page and on its internal control systems on page 56.

C.3 Audit Committee and Auditors

For further information on the Group's compliance with the Code provisions relating to the Audit Committee and auditors, please refer to the Audit Committee report on pages 59 to 62.

D. REMUNERATION

For further information on the Group's compliance with the Code provisions relating to remuneration, please refer to:

- the Directors' remuneration report on pages 65 to 84 for the level and components of remuneration (D.1); and
- page 64 (the Remuneration Committee Report) for the procedure relating to remuneration (D.2).

E. RELATIONS WITH SHAREHOLDERS

E.1 Dialogue with shareholders

The Group actively engages with investors and solicits their feedback. The Chairman and Deputy Chairman met with shareholders during the year to help maintain a balanced understanding of their issues and concerns. They also attended a senior investor dinner in January and met with the Company's top 10 institutional investors. The Chairman has updated the Board on the opinions of investors. The views of shareholders and market perceptions are also communicated to the Board via presentations by the Head of Investor Relations at least every quarter.

easyJet has an investor relations department which runs an active programme to facilitate engagement with investors based around the financial reporting calendar. This year the programme has included one-to-one meetings with institutional investors, road shows and conferences, as well as a Capital Markets Day at London Gatwick Airport. There is also regular communication with institutional investors on key business issues.

During the year, the Chairman, Deputy Chairman and Chief Executive met with representatives of easyGroup Holdings Limited, the Company's largest shareholder, to discuss relevant matters. The Chief Financial Officer and General Counsel have also met separately with representatives of easyGroup Ltd (an affiliate of easyGroup Holdings Limited) to discuss matters relating to the management and protection of the "easyJet" and "easy" brands.

E.2 Constructive use of the Annual General Meeting

The Annual General Meeting gives all shareholders the opportunity to communicate directly with the Board and encourages their participation. Shareholders are given the opportunity to raise issues formally at the Annual General Meeting or informally with Directors after the meeting. All Directors normally attend the Annual General Meeting and the Chairs of the Committees are available to answer questions at the Annual General Meeting.

BOARD INDUCTION IN ACTION: MOYA GREENE

On joining the Board, new members receive a tailored induction, organised by the Company Secretary.

UNDERSTANDING THE CULTURE AND BUSINESS OF EASYJET

A Board induction pack was provided in electronic form to assist with building an understanding of the nature of the Group, its business and markets, to help build a link with the Group's people and provide an understanding of the Group's main relationships and to ensure a thorough understanding of the role of Director and the framework within which the Board operates. The documents that were provided in the pack included the Group's structure chart, Board and Committee calendar, previous minutes of meetings as well as key contacts of the organisation, procedure and policy manuals and briefings on the corporate governance framework.

MEET WITH SENIOR MANAGEMENT

A day at the Group's headquarters at Hangar 89 was arranged for Moya to meet with key senior members of the Group. This included a meeting with the Company Secretary and Group General Counsel to discuss the Board and Committee meeting process at easyJet, and a meeting with the Chief Financial Officer, to assist in the understanding of the Investor Relations schedule and the Group's approach to risk and risk management. Other key activities during the day were a tour around the Hangar, a flight operations and safety induction and a meeting with our Head of Airport & Central Procurement to understand the challenges of our largest bases.

MEET WITH THE BOARD, ITS COMMITTEES AND OTHER EXTERNAL STAKEHOLDERS

Further meetings took place over the course of the summer with other key members of management as well as the Chairman, Deputy Chairman and the Committee Chairs. Additionally, Moya had the opportunity to meet with other key advisers and stakeholders, including the Company's brokers.

VISIT VARIOUS EASYJET SITES

Moya has visited Hangar 89, the Group's main headquarters, to meet with key staff and had the opportunity to speak with management and administration employees. Additionally, a Board site visit is currently scheduled to take place in June, which Moya will attend as a member of the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibility for easyJet's risk management and systems of internal control.

Risk management

easyJet has an established risk management process to ensure that significant risks are identified and mitigated where possible. For further details of the risk management process, the principal risks and uncertainties faced by the Group and the associated mitigating actions, please refer to pages 33 to 40.

To ensure that risks are managed effectively, a number of activities are undertaken:

- An Executive Management Team member is allocated as the risk owner for each principal risk, with responsibility for the day-to-day management of those risks.
- Ongoing risk management and assurance is provided through the various monitoring reviews and reporting mechanisms that are embedded into the business operations. The results of these reviews are reported to the Audit Committee and the Board, which consider whether these high-level risks are being effectively controlled.
- Regular operational (including safety), commercial, financial and IT functional meetings are held to review performance and to consider key risks and issues (please refer to page 57 for details of the Safety Committee).
- The Executive Management Team meets regularly to consider significant risks, status of risk mitigations and overall business performance; this ensures key issues are escalated through the management team and, as appropriate, ultimately to the Board.
- The Directors review the effectiveness of internal controls, including operating, financial and compliance controls.

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 Group (please refer to pages 59 to 62 for details of the Audit Committee's responsibilities).

Internal control

The responsibility for establishing and operating detailed control procedures lies with the Chief Executive. 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 internal financial control monitoring programme, administered by Internal Audit, has continued to enhance the review process. 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

The Internal Audit function'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. The audit plan is approved by the Audit Committee on behalf of the Board, and updated on a rolling basis.

Internal Audit 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 Group's assets.

During the second half of the year the Internal Audit and Risk Management functions were merged to create a single Risk and Assurance team. The Head of Risk and Assurance reports directly to the Chief Financial Officer and continues to have direct access to the Chief Executive and the Chair of the Audit Committee. The Head of Risk and Assurance is invited to, and attends, Audit Committee meetings throughout the year and reports regularly on Internal Audit reviews to the Executive Management Team.

During the year, an external effectiveness assessment of the Internal Audit function was completed by Mazars LLP on behalf of the Audit Committee. The role of the Internal Audit function and the scope of its work both continue to evolve to take account of recommendations from the external effectiveness review, changes within the business, and emerging best practice. A formal audit charter is in place.

Board Committees

BOARD COMMITTEE STRUCTURE

The Committee reports that follow set out, amongst other things, the responsibilities and activities of the Committees in the past financial year.

The terms of reference of each Committee are documented and agreed by the Board. The Committees' terms of reference are reviewed annually and are available in the governance section of easyJet's corporate website: http://corporate.easyJet.com

The Chair of each Board Committee formally reports back to the Board on a regular basis.

Details of Directors' attendance at Board and Board Committee meetings are set out on page 52.

SAFETY COMMITTEE

DR. ANDREAS BIERWIRTH
Chair of the Safety Committee

In line with easyJet's position that safety is our number one priority, the Safety Committee continues to ensure that safety receives the highest level of Board attention.

The Director of Safety, Security & Compliance has a direct reporting line to the Chairman which reinforces the independence of safety oversight. In addition, the Chair of the Committee has reported to the Board with his own assessment of safety management within the airline throughout the year.

COMMITTEE MEMBERSHIP

(members are all independent Non-Executive Directors)

- Dr. Andreas Bierwirth (Chair)
- Keith Hamill OBE
- Adèle Anderson
- Moya Greene

COMMITTEE CHANGES

Moya Greene was appointed as a member of the Committee on 1 September 2017.

Turn to page 52
for meeting attendance

HIGHLIGHTS DURING THE 2017 FINANCIAL YEAR

A range of safety-related matters have been reviewed by the Committee during the 2017 financial year involving all areas – flight operations, cabin crew, ground services and engineering. Some of these reviews followed requests from the Board to carry out detailed assessments of specific operational incidents; others were reports of safety actions taken by easyJet operational departments, and investigations by national investigation authorities.

NOMINATIONS COMMITTEE

JOHN BARTON
Chair of the Nominations Committee

The Committee has been busy during the year in leading the selection and appointment process for a new Chief Executive and Non-Executive Director. We are confident that the Board and the Committee have ensured a rigorous and transparent process to find the most suitable replacement for Chief Executive and someone who has the skills and experience to implement the long-term business strategy.

COMMITTEE MEMBERSHIP

(members are independent Non-Executive Directors and the Non-Executive Chairman of the Board)

- John Barton (Chair)
- Charles Gurassa
- Keith Hamill OBE
- Andy Martin

COMMITTEE CHANGES

François Rubichon stepped down from the Board and the Committee on 22 July 2017.

Turn to page 52
for meeting attendance

HIGHLIGHTS DURING THE 2017 FINANCIAL YEAR

- Leading the recruitment process for a new Chief Executive and overseeing appointment.
- Overseeing the selection process and appointment of Moya Greene, a new independent Non-Executive Director.
- Review and approval of updated Non-Executive Director appointment terms.
- Consideration of the appointments to the Board Committees following the change in Board composition.

SUCCESSION PLANNING

The Board satisfies itself that plans are in place for orderly succession for appointments to the Board, to maintain appropriate skills and experience on the Board. During the year, it was discussed and agreed that management development plans for senior management would be put in place.

BOARD APPOINTMENTS

As reported in last year's Annual report, last summer the Committee undertook a deep dive analysis in calibrating the capability and skills of the current Board against the future requirements of the Board in terms of size, structure, composition and behaviour, with the support of an external consultant, Calibroconsult Limited. The Committee adopts a formal and transparent procedure for the appointment of new Directors to the Board (both executive and non-executive). For each recruitment process, the executive search consultant was provided with a detailed brief of the desired candidate profile based on merit and against objective criteria. The Committee worked closely with the executive search consultants in compiling long and short lists of candidates and members of the Committee identified and interviewed a range of candidates from various backgrounds and industries, and all candidates were measured against criteria agreed at the start of each respective process. Further details of each specific search process is set out below. A comprehensive induction was provided on Moya's appointment and is in train for Johan – and more details of Moya's induction can be found on page 55.

Chief Executive appointment

Chief Executive succession planning is regularly discussed and reviewed at the Committee which provided a helpful background to the recruitment process. Following the announcement of Carolyn McCall's resignation as Chief Executive on 17 July 2017, the Committee immediately commenced a rigorous recruitment process to appoint a new Chief Executive. JCA Group (JCA) were appointed to act as easyJet's executive search consultants with respect to the search for a new Chief Executive. Other than supporting historic Board and senior executive appointments the Board confirms that JCA has no other connection with the Group. The Committee worked closely with JCA in compiling long and short lists of candidates, had weekly updates either via call or email from the Chairman, and a number of ad hoc Committee meetings took place to which all the Non-Executive Directors were invited and largely attended. The final shortlisted candidates took part in a leadership assessment process by YSC, a leading assessment organisation with significant experience of CEO profiling. The final shortlisted candidates also met all of the Non-Executive Directors individually or in small groups, and gave a presentation to the Non-Executive Board as a whole. Following this process, Johan Lundgren was selected as the preferred candidate.

Non-Executive Director appointment

In appointing Non-Executive Directors, the Board's practice is to use external search consultants. Following a selection process, terms were negotiated with Egon Zehnder to act as easyJet's search consultants with respect to the search for a new Non-Executive Director which resulted in the appointment of Moya Greene. Other than supporting historic Board and senior executive appointments, Egon Zehnder has no connection with the Group. The detailed brief of the desired candidate profile provided to Egon Zehnder included an assessment of the time commitment expected and candidates were interviewed by the Nominations Committee and other members of the Board. 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. Following this process, Moya Greene joined the Board as a Non-Executive Director. Moya's other significant commitments were disclosed to the Board before her appointment and are provided on page 49.

DIVERSITY

The Board recognises the benefits of having diversity across all areas of the Group and believes that this supports easyJet's continued success and advantage. When considering the optimum make-up of the Board, the benefits of diversity of the Board are appropriately reviewed and balanced where possible, and due regard given in terms of differences in skills, industry experience, business model experiences, gender, gender expression, gender identity, race, disability, age, nationality, background and other contributions that individuals may make. The list of ways in which diversity is considered is non-exhaustive, and subject to regular review. The Committee continues to encourage diversity of business skills and experience, recognising that Directors with varying 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.

easyJet works hard to create an environment where women have the opportunity to build careers in all communities and at all management levels of the organisation, by ensuring there is a pipeline of women coming up through the organisation. As at 30 September 2017, the Company had three female Directors at plc Board level, one being the Chief Executive, equating to a 33% female Board representation. easyJet's policy on diversity applies across all levels of the organisation, and further details can be found in the Corporate responsibility section on page 44, including further details of the Executive Management Team.

AUDIT COMMITTEE

ADÈLE ANDERSON
Chair of the Audit Committee

The Committee has focused on the integrity of the Group's financial reporting and ensuring the appropriate challenge and governance around risk management. The Committee has continued to follow a detailed programme of work and to respond to the increasing depth of review and reporting that is now required of audit committees.

Accurate and informative financial reporting and an effective control environment are of critical importance to the Board and our shareholders. The Committee has established arrangements that enable it to ensure that the information presented is fair, balanced and understandable.

COMMITTEE MEMBERSHIP

(members are all independent Non-Executive Directors)

- Adèle Anderson (Chair)
- Keith Hamill OBE
- Andy Martin

For the purposes of the Code, the Board considers the Committee members' financial experience to be recent and relevant and the Board has determined that the current composition of the Audit Committee as a whole has competence relevant to the sector in which the Company operates. All the Committee members have had a significant amount of sector experience as Non-Executive Directors of easyJet for a number of years, and in addition Andy Martin has had executive sector experience in his previous role at First Choice Holidays plc. All three Committee members are qualified accountants.

COMMITTEE CHANGES

There have been no changes to the Committee during the year.

Turn to page 52
for meeting attendance

FINANCIAL AND BUSINESS REPORTING

The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. For example, during the financial year, the Committee reviewed the level of provisions and accruals recorded which are judgemental in nature. The Committee reviewed accounting papers prepared by management which provide details on significant financial reporting judgements. The Committee also reviewed the 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 Committee reviewed financial issues through discussion with management and the external auditors and comparison to other organisations. The number of such issues currently considered as significant are, however, limited given easyJet's relatively simple business model and group structure which are unencumbered with legacy issues. The significant issues considered in relation to the accounts are detailed below:

- 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 forecasted cash flows are 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 forecasted cash flows used in the calculation were presented to the Board and they concluded no impact on impairment.
- The Committee considered a detailed review of the assumptions underpinning aircraft residual value estimates along with the treatment of the sale of 10 A319 aircraft in December 2016 and their immediate lease back. The sale and leaseback transaction led to reconsideration of the accounting policy for maintenance provisions on a mid-life sale and leaseback, so that the maintenance catch-up commitment crystallising was recognised immediately in the income statement. This accounting policy change resulted in a prior year adjustment of previous maintenance provision catch-ups, which were historically held on the balance sheet and released over the lease term (see page 99).
- The Committee considered changes to the presentation of performance measures and to the income statement resulting from the separate reporting of 'non-headline' items, being non-recurring material items of income and expense that are significant in either nature or amount, or items which are not considered to be reflective of the trading performance of the business. This change provides readers with a clearer view of easyJet's underlying performance.
- The Committee reviewed the level and calculations of key accruals and provisions which are judgemental in nature, specifically, the areas of customer flight delays or cancellation and air passenger duty claims and maintenance provision.

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

At the request of the Board, the Committee also considered whether the Annual report and accounts are fair, balanced and understandable and whether they provided the necessary information for shareholders to assess the Group's position and performance, business model and strategy. The Committee is satisfied that, taken as a whole, the Annual report and accounts are fair, balanced and understandable. In reaching this conclusion, the Committee considered the overall review and confirmation process around the Annual report and accounts, including:

- the input of subject matter experts, the Executive Management Team and other senior management and, where applicable, the Board and its Committees;
- the processes and controls which underpin the overall review and confirmation process, including the verification process being carried out by an internal financial controls specialist (independent of the Finance function); and
- Internal Audit providing assurance over the audit trail for material data points relating to the non-financial statement aspects of the Annual report and accounts, and external audit providing assurance over the accounts.

The Committee was provided with, and commented on, a draft copy of the Annual report and accounts.

In carrying out the above processes, key considerations included ensuring that there was consistency between the accounts and the narrative provided in the front half of the Annual report, and that there was an appropriate balance between the reporting of weaknesses, difficulties and challenges, as well as successes, in an open and balanced manner.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic report. easyJet's going concern statement and longer-term viability statement can be found on page 31.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board, as a whole, including the Audit Committee members, considers the nature and extent of easyJet's risk management framework and the risk profile that is acceptable in order to achieve the Group's strategic objectives. The Audit Committee has reviewed the work done by management, the Committee itself and the Board on the assessment of the Group's principal risks, including their impact on the prospects of the Group. As a result, it is considered that the Board has fulfilled its obligations under the Code in relation to risk management and internal controls. Further details on the Group's principal risks and uncertainties and their impact on the prospects of the Group are set out on pages 34 to 40.

KEY RESPONSIBILITIES AND HOW THEY WERE DISCHARGED BY THE AUDIT COMMITTEE DURING THE 2017 FINANCIAL YEAR

Integrity of financial statements

The Committee reviewed the financial statements and announcements relating to the financial performance and governance of the Group at year end and half year. The Committee discussed and carefully considered and reviewed the new Standards, IFRS 9, 15 and 16, accounting policy implications.

The Committee also considered the material areas in which significant judgements were applied based on reports from both the Group's management and the external auditors. Further information is provided in the **Financial and Business reporting** section on page 59.

Internal financial controls and risk management systems

The Committee reviewed the adequacy and effectiveness of the Group's ongoing risk management systems and control processes, through an evaluation of:

- the risk and assurance plans;
- Internal Audit reports;
- risk assessments;
- information security and business continuity;
- control themes; and
- internal financial control assessments.

Internal Audit effectiveness and review of activities

The Committee undertook an assessment of the effectiveness and independence of the Internal Audit function, which included consideration of:

- key Internal Audit reports;
- stakeholder feedback on the quality of Internal Audit activity;
- Internal Audit's compliance with prevailing professional standards; and
- the implementation of Internal Audit recommendations.

The Committee also commissioned and reviewed an external quality assessment of the Internal Audit function in February. Further information is provided in the **Risk Management and Internal Control** section on pages 60 and 61.

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. Any control deficiencies identified are followed up with action plans tracked by the Committee. Further details of risk management and internal control are set out on page 56.

RISK AND ASSURANCE

The Audit Committee is responsible for overseeing the work of the Internal Audit function. It reviews and approves the scope of the Internal Audit annual plan and assesses the quality of Internal Audit reports, along with management's actions relating to findings and the closure of recommended actions. The Audit Committee also considers stakeholder feedback on the quality of Internal Audit's work.

The Corporate Governance Code requires organisations to have a strong and effective internal audit function. The Chartered Institute of Internal Auditors (IIA) requires the quality of the internal audit function to be assessed by an independent external party every five years. In order to comply with these guidelines and to continuously improve, easyJet engaged with Mazars LLP to conduct an independent review of the Internal Audit function. This report and its recommendations was presented to the Committee during the year.

Since the review, a new Head of Risk and Assurance has been appointed. Looking forward, the Risk and Assurance team will move towards a fully risk-based audit plan, with varying breadth and depth of reviews. This will include greater focus on providing assurance over relationships with key third parties.

In order to safeguard the independence of the Internal Audit function, the Head of Risk and Assurance (who heads up the Internal Audit function) is given the opportunity to meet privately with the Audit Committee without any other members of management present.

Further information on the Internal Audit function is provided on page 56.

EXTERNAL AUDITORS AND EFFECTIVENESS OF EXTERNAL AUDIT PROCESS

PricewaterhouseCoopers LLP were reappointed auditors of the Company at the 2017 Annual General Meeting following a tender process undertaken in 2015. Senior management 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.

Relationship with external auditor (independence, objectivity, process effectiveness, engagement)

The Committee reviewed and monitored the external auditor independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements.

There is regular engagement with the external auditors during Committee meetings and ad hoc meetings (when required), including meetings without any member of management being present. At the end of the financial year, each Committee member completes an auditor effectiveness review questionnaire.

Further information on how the effectiveness, independence and objectivity of the external audit process were assessed, is provided in the External auditors and effectiveness of external audit process section.

The Committee implemented a revised non-audit services policy to reflect updated regulation and guidance. More information on the external auditors' non-audit services, and audit tendering, is provided in the Non-audit services and the Audit tendering sections respectively.

The Committee noted the principal findings of the FRC 2016 Audit Quality Review on the external auditor.

Systems and controls for prevention of bribery, detection of fraud and whistleblowing policy

The Committee reviewed whistleblower reports, reports on anti-bribery and corruption procedures, reports on procedures on fraud and loss prevention and reports on credit card fraud and monitoring and investigations. The Committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up actions to take place.

Other specific items looked at as part of main activities

- Review and approval of the controls that the Group would seek to implement to safeguard against any liability relating to the Criminal Finances Act 2017.
- A detailed review of the assumptions underpinning aircraft residual value estimates.
- The approval of an ongoing approach to auditing culture within the organisation, which was reported on by Risk and Assurance for the first time in the year. See further detail in the Chairman's statement on corporate governance on page 47.
- Review of easyJet's exposure to fraud in contact centres and associated mitigating controls and action.
- Continued discussion and review of cybersecurity.
- Oversight of the appointment of the new Head of Risk and Assurance.

The Audit Committee also assesses the effectiveness, independence and objectivity of the external auditors by, amongst other things:

- considering all key external auditor plans and reports; in particular those summarising audit work performed on significant risks and critical judgements identified and detailed audit testing thereon;
- having regular engagement with the external auditor during Committee meetings and ad hoc meetings (when required), including meetings without any member of management being present;
- the Committee Chair having discussions with the Senior Statutory Auditor ahead of each Committee meeting; and
- following the end of the financial year, each Committee member completing an auditor effectiveness review questionnaire.

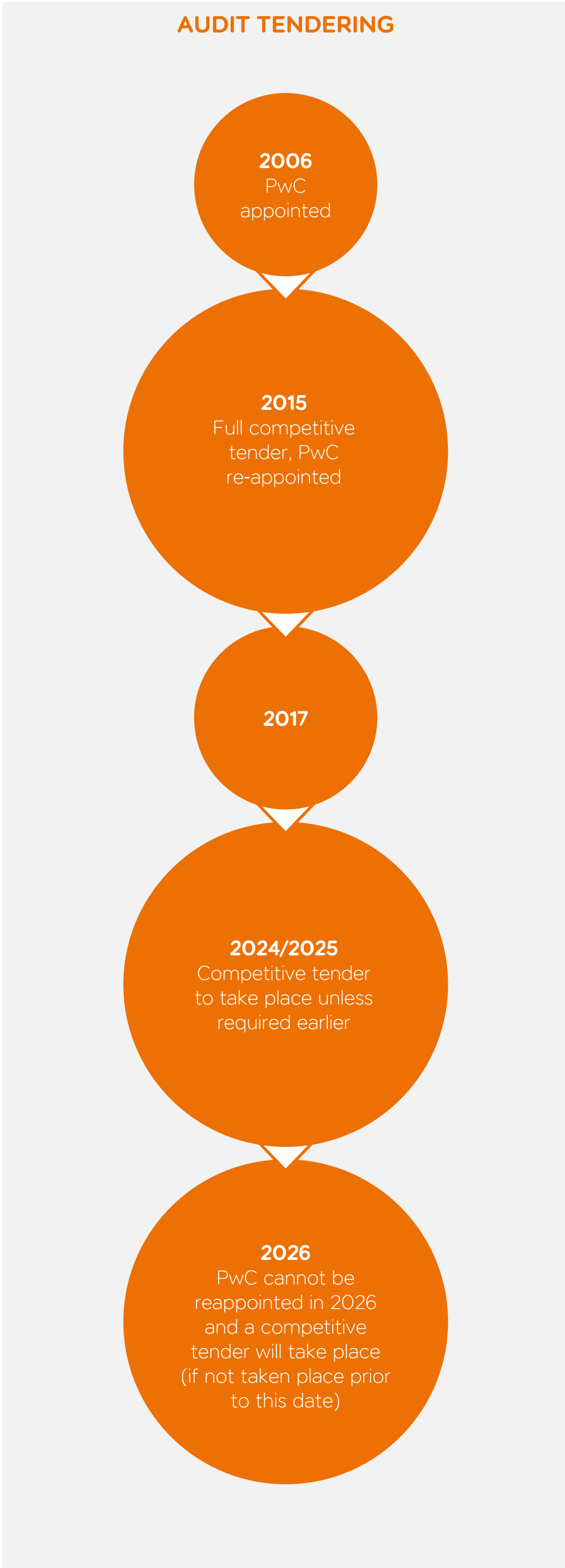
NON-AUDIT SERVICES

To preserve objectivity and independence, the external auditors do not provide consulting services unless this is in compliance with the Group's non-audit services policy. During the year the Committee implemented a revised non-audit services policy to reflect the EU audit reform regulations and the FRC's Revised Ethical Standard 2016, which is available in the governance section of easyJet's corporate website, http://corporate.easyJet.com.

In the 2017 financial year, PriceWaterhouseCoopers LLP undertook work to provide a comfort letter in relation to the Company updating its Euro Medium Term Note Programme for which the fees were £32,000. This was considered audit related work and the Committee approved this work under the non-audit services policy. Therefore, in the 2017 financial year the Company incurred non-audit services of £32,000 (2016: audit related fees of £38,000).

AUDIT TENDERING

PricewaterhouseCoopers LLP were first appointed to audit the Annual report and accounts for the year ended 30 September 2006, and have therefore served an 11-year term. Under EU audit reform legislation, companies are required to have a mandatory rotation of auditors after 10 years, or 20 years if there is a compulsory retender at 10 years. During the 2015 financial year, the Committee led a tender process for external audit services, following which the Audit Committee agreed to recommend that the Board reappoint PricewaterhouseCoopers LLP as, on balance, they performed best against the Committee's pre-agreed selection and assessment criteria.



FINANCE COMMITTEE

ANDY MARTIN
Chair of the Finance Committee

The Finance Committee continues to provide effective oversight of the Group's treasury and funding policies and activities, ensuring that activities undertaken will not subject the Group to undesired levels of risk, and that treasury activities are appropriately aligned with Group strategy and support the Group financial performance.

COMMITTEE MEMBERSHIP

(members are all independent Non-Executive Directors)

- Andy Martin (Chair)
- Dr. Andreas Bierwirth
- Charles Gurassa

COMMITTEE CHANGES

There were no changes during the year to the Committee.

Turn to page 52
for meeting attendance

HIGHLIGHTS DURING THE 2017 FINANCIAL YEAR

- Oversaw the issue of further Eurobonds under its Euro Medium Term Note Programme as well as an updating of that programme.
- Reviewed and approved revised share warehousing policy
- Provided a regulatory update on the current and future regulation impacting Treasury and the impact this had on easyJet.
- Reviewed a number of policies, including jet fuel hedging policy and foreign exchange hedging policy.
- Reviewed sale and leaseback of 10 A319 aircraft to manage residual value risk.

IT GOVERNANCE AND OVERSIGHT COMMITTEE

ANDY MARTIN
Chair of the IT Governance and Oversight Committee

The IT Governance and Oversight Committee provides governance oversight, and gives independent validation and challenge, to one of the Group's key business areas.

COMMITTEE MEMBERSHIP

(members are all independent Non-Executive Directors)

- Andy Martin (Chair)
- Keith Hamill OBE
- Adèle Anderson

COMMITTEE CHANGES

There were no changes during the year to the Committee.

Turn to page 52
for meeting attendance

HIGHLIGHTS DURING THE 2017 FINANCIAL YEAR

Provided independent oversight over:

- The governance and controls relating to the IT business area.
  - The new e-commerce platform programme during its design and build phase.
  - The delivery of the front end new look booking system.
- Commissioned and reviewed independent assurance reports from consultants relating to certain IT programmes.
- Reviewed the capabilities and resourcing required to deliver the IT programmes.

REMUNERATION COMMITTEE

CHARLES GURASSA
Chair of the Remuneration Committee

The Board and the Committee are committed to ensuring that easyJet's remuneration framework is designed to support the strategy, providing balance between motivating and challenging senior management whilst also driving the long-term success of the Group for its shareholders.

The remuneration policy has been designed to be straightforward and transparent, in alignment with the Group's principle of having a simple and cost-effective approach.

Turn to page 65
for Directors' remuneration report

COMMITTEE MEMBERSHIP

(members are all independent Non-Executive Directors)

- Charles Gurassa (Chair)
- Andy Martin
- Adèle Anderson
- Moya Greene

COMMITTEE CHANGES

François Rubichon stepped down from the Board and the Committee on 22 July 2017.

Moya Greene was appointed as a member of the Committee on 20 September 2017.

Turn to page 52
for meeting attendance

HIGHLIGHTS DURING THE 2017 FINANCIAL YEAR

- Reviewed the salaries and service contracts of the Executive Directors and senior management.
- Assessed the level of performance in respect of 2016 financial year bonus and LTIP awards set in December 2013 and vesting in December 2016 to determine appropriate payouts.
- Determined the bonus and LTIP targets for the 2017 financial year considering and debating alternative targets, investor expectations and internal business plans.
- Reviewed pay-related governance and key themes arising from the 2016/2017 AGM seasons as well as specific easyJet investor and investor body feedback.
- Completed a comprehensive review of Executive Directors' remuneration policy in light of the current internal and external environment.
- Considered the results and implications of Gender Pay Gap Reporting and reviewed and commented on recommendations to further enhance the Company's performance.

ADDITIONAL DISCLOSURES UNDER THE UK CORPORATE GOVERNANCE CODE

For additional disclosures under the UK Corporate Governance Code in relation to the Remuneration Committee's work and remuneration consultants, please refer to the Directors' remuneration report.

The full Directors' remuneration report follows the Governance Report on pages 65 to 84

Annual statement by the Chair of the Remuneration Committee

CHARLES GURASSA
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present the Directors' remuneration report (the 'Report') for the year ended 30 September 2017. The 2017 Report sets out details of the remuneration policy for Executive and Non-Executive Directors, describes how the remuneration policy is implemented and discloses the amounts paid relating to the year ended 30 September 2017 and how it will be implemented for the 2018 financial year.

CHANGES TO THE BOARD

We announced on 17 July 2017 that our Chief Executive, Carolyn McCall, had advised the Board of her intention to leave easyJet in order to become Chief Executive of ITV plc. She steps down from the Board and her position as Chief Executive on 30 November 2017 but will continue to be actively employed by easyJet until 31 December 2017, in order to assist with the transition to the new Chief Executive. Carolyn will continue to receive salary and benefits over the period until she leaves the Business. She will not be eligible for an annual bonus payment for the 2017 financial year or the 2018 financial year; all of her unvested Long Term Incentive Plan (LTIP) awards have lapsed and her deferred bonus share awards will lapse in full beyond the end of her employment.

We were delighted to announce on 10 November 2017 the appointment of Johan Lundgren who will join the Board and replace Carolyn as Chief Executive on 1 December. The remuneration arrangements for Johan are fully consistent with our remuneration policy. The remuneration package has been designed to provide a competitive total pay arrangement with a focus on variable pay and is aligned with the long-term interests of shareholders. On appointment Johan will receive an annual salary of £740,000, an annual bonus up to a maximum of 200% of salary, an LTIP award of up to 250% of salary, pension contribution of 7% of salary and some modest benefits. No additional buy-outs from previously awarded incentive arrangements will be payable. Johan will be expected to build and maintain a shareholding of 200% of salary over a five year period following appointment.

PERFORMANCE AND REWARD OUTCOMES IN THE 2017 FINANCIAL YEAR

I am pleased to report that easyJet has delivered a strong trading performance in 2017 across the business despite the continuing external challenges impacting the business. This is reflected in our performance and incentive outcomes which are summarised in the 'Remuneration at a glance' section on page 67. Once again this shows the great resilience of our operating model and the continued effectiveness of our strategy in the face of significant headwinds in the year.

BONUS

Annual bonus payments are based on a combination of key financial and operational targets as well as an element based on personal and departmental objectives. A bonus of 67% of the maximum was awarded to the Chief Financial Officer, Andrew Findlay, in respect of the 2017 financial year. This reflects the strong company performance versus the profit, cost, personal and departmental objectives set at the outset of the year. However, no bonus was earned in respect of the on-time performance and customer satisfaction scores which fell just below the threshold set by the Committee. One-third of the bonus earned is subject to compulsory deferral into shares for three years. As noted above, Carolyn McCall is not eligible to receive a bonus in respect of the 2017 financial year.

LTIP

An LTIP award made to the Chief Financial Officer on recruitment in November 2015 is due to vest in December 2017. The award is based on a combination of average return on capital employed (ROCE) performance (including lease adjustments) and relative total shareholder return (TSR) compared to FTSE 31-130 companies for the three financial years ended 30 September 2017. The Group achieved three-year average ROCE performance (including lease adjustments) of 16.2% but TSR was below median. This resulted in 15.3% of the awards vesting, subject to continued employment to the vesting date. LTIP awards made to Carolyn McCall in December 2014 and due to vest in December 2017 have now lapsed as a result of her resignation.

REVIEW OF THE DIRECTORS' REMUNERATION POLICY

In advance of the expiry of the Group's approved policy at the next AGM, the Committee has undertaken a thorough review of the current arrangements and has concluded that the existing approach remains effective and aligned with easyJet's strategic objectives as set out on page 11.

The Committee believes that the current remuneration framework ensures there is significant alignment between the interests of Executive Directors and shareholders, focuses executives on safely delivering easyJet's key strategic objectives and incorporates features which contribute to an appropriate level of risk mitigation. For example, incentive pay is subject to recovery and withholding provisions, a post-vesting holding period operates for LTIP awards and significant share ownership guidelines apply.

We are not, therefore, proposing any fundamental changes to the policy. However, we are recommending some minor amendments to increase flexibility, enhance clarity and further strengthen alignment with shareholders' interests. The key change is in relation to the LTIP, where we are proposing to introduce greater flexibility in the selection of measures and weightings to ensure that targets are fully aligned with the strategic imperatives prevailing at the time they are set.

IMPLEMENTATION OF THE REMUNERATION POLICY IN THE 2018 FINANCIAL YEAR

We will be taking the following approach to implementation of the remuneration policy for the year ending 30 September 2018:

SALARY

Johan Lundgren's salary on appointment will be £740,000. As previously reported, Andrew Findlay's salary was set at £425,000 on appointment, with a stated intention to increase this in phases to £500,000 over time. Last year, this was increased to £462,500 and this year the Committee has decided to increase Andrew Findlay's salary to £500,000. This represents the final step in this process and will complete the transition to the appropriate level. Carolyn McCall's salary will remain at its current level until her employment ends.

BONUS

The Committee has set appropriate and stretching annual bonus targets for the year ended 30 September 2018 based on headline profit before tax and key operational, financial and personal targets. One-third of any bonus earned will continue to be subject to compulsory deferral into shares for three years.

LTIP

In order to provide a balance between growth and returns that reflects our financial goals more closely, the Committee is consulting with major shareholders and shareholder advisory groups on the introduction of an earnings per share (EPS) measure to operate alongside the current ROCE and relative Total Shareholder Return (TSR) measures in the LTIP. We believe that the combination of these three measures will focus our executive team on sustainable growth of the business (EPS), maintain a disciplined approach to use of capital (ROCE), and align executive remuneration to growth in sustainable shareholder value (TSR).

The Committee will fully disclose finalised targets at the earliest opportunity.

On behalf of the Committee I thank you for your continued support. We trust that you find the report informative and, as always, I welcome any comments you may have.

20 November 2017

CHARLES GURASSA
Chair of the Remuneration Committee

WHAT IS IN THIS REPORT?

This Report sets out easyJet's remuneration policy for Executive and Non-Executive Directors, describes the implementation of that policy and discloses the amounts earned relating to the year ended 30 September 2017. The Report complies with the provisions of the Companies Act 2006 and supporting regulations. The Report has been prepared in line with the recommendations of the UK Corporate Governance Code and the requirements of the UK LA Listing Rules.

The Directors' remuneration policy (set out on pages 69 to 75) will be put to shareholders in a binding vote at the forthcoming AGM and, if approved, will formally supersede the previous policy with immediate effect. The Annual Statement by the Chairman of the Remuneration Committee (set out on pages 65 to 66) and the Annual Report on Remuneration (set out on pages 75 to 84) will together be subject to an advisory vote at the forthcoming AGM.

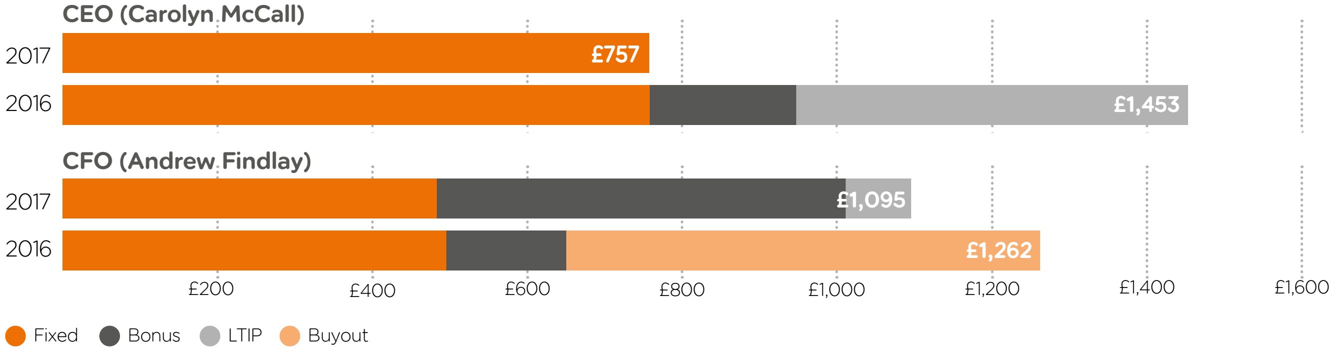
Remuneration at a glance

REWARD PRINCIPLES

The Committee's primary objective is to design a remuneration framework which promotes the long-term success of the Group. To this end, we are guided by the following reward principles which remain unchanged:

Principle	Application in remuneration framework
Simple & cost effective	To establish a simple and cost-effective reward package in line with our low-cost and efficient business model. For example, our Executive Directors do not receive the level of benefits that can be found in the majority of listed companies and instead are aligned with those in the wider employee population.
Aligned with business strategy	To support the achievement of our business strategy of growth and returns, performance is assessed against a range of financial, operational, and longer-term targets. This ensures that value is delivered to shareholders and that Executive Directors are rewarded for the successful and sustained delivery of the key strategic objectives of the Group.
Pay for performance	Total remuneration closely reflects performance and is therefore more heavily weighted towards variable pay than fixed pay. This ensures that there is a clear link between the value created for shareholders and the amount paid to our Executive Directors.

SINGLE TOTAL FIGURE OF REMUNERATION (£'000)

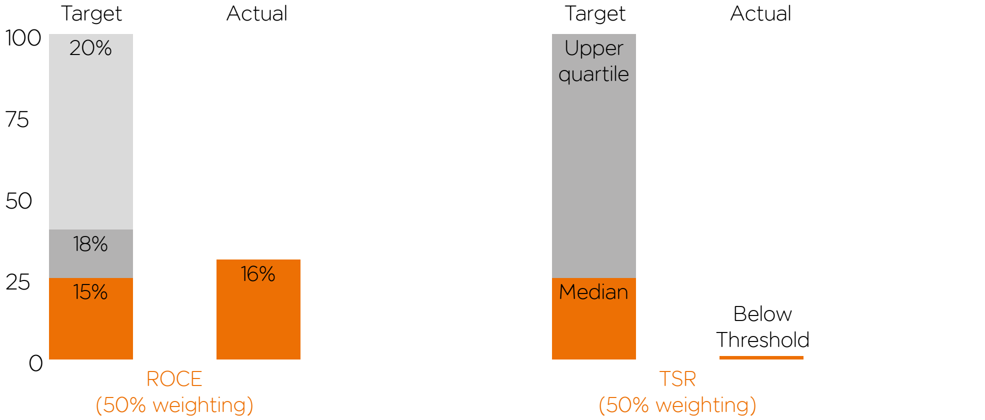


ANNUAL BONUS AND LTIP OUTCOMES

Annual bonus - FY2017 performance

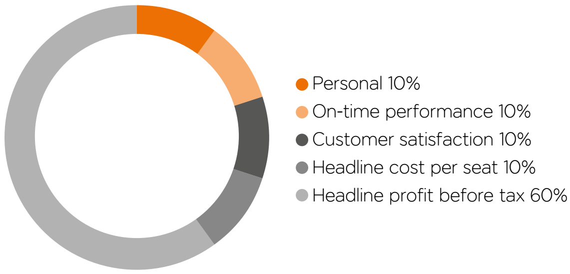
Metrics	Weighting		Threshold	Target	Maximum	Achieved (% of max)	% of Maximum bonus achieved
Headline profit before tax at budgeted constant currency (£m)	60%	£433	£359	£398	£457	80%	47.8%
On-time performance	10%	76%	77%	78.5%	80%	0%	0%
Customer satisfaction	10%	71%	72%	73.5%	75%	0%	0%
Headline cost per seat at budgeted constant currency	10%	£40.20	£40.88	£40.61	£40.07	88%	8.8%
Departmental/Individual	10%	Outstanding	n/a	Successful	Outstanding	100%	10%

LTIP - FY2017 performance



30.6% of ROCE LTIPs vested and 0% of TSR LTIPs such that, overall, 15.3% of LTIPs will vest

EXECUTIVE DIRECTOR REMUNERATION POLICY – AT A GLANCE

Element	Policy	Implementation of Policy for FY2018
Base salary	Increase normally up to the average workforce level (though may be increased at higher rates in certain circumstances, e.g. where salary is set below market on recruitment and is being transitioned to a competitive level in a series of planned stages).	Johan Lundgren's salary on appointment will be £740,000. Andrew Findlay's salary will increase from £462,500 to £500,000 (final stage in planned transition to the market level) effective 1 January 2018. Carolyn McCall's salary will not be increased.
Benefits and pension	Modest pension and benefit provision, at similar levels as the wider UK workforce.	Pension of 7% of salary; plus modest benefits.
Annual bonus	Maximum opportunity is 200% of salary (Chief Executive) and 175% of salary (Chief Financial Officer). One-third of bonus deferred into shares for three years. Majority based on financial measures. Withholding and recovery provisions apply.	Maximum will remain at 200% of salary for the new Chief Executive and at 175% of salary for the Chief Financial Officer. Carolyn McCall will not participate in the 2018 financial year. Performance measures and weightings are as follows: **Annual bonus performance weighting** 
Long-term incentive plan	Normal maximum awards of 250% of salary (Chief Executive) and 200% of salary (Chief Financial Officer). Up to 300% of salary in exceptional circumstances. Three-year performance period plus two-year post-vesting holding period. Based on financial and relative TSR targets. Withholding and recovery provisions apply.	Award to new Chief Executive of 250% of salary and award to Chief Financial Officer of 200% of salary. Carolyn McCall will not participate for the 2018 financial year. The Committee is seeking feedback from major shareholders and shareholder advisory groups and will confirm the targets at the earliest opportunity.
Share ownership guidelines	200% of salary (Chief Executive) and 175% of salary Chief Financial Officer). Requirement to retain 50% of post-tax LTIP vesting and 100% of post-tax deferred bonus shares until guideline is met (and maintained).	In line with policy.

Directors' remuneration policy

This part of the Directors' remuneration report sets out easyJet's directors' remuneration policy. This revised policy will be put to shareholders for approval in a binding vote at the AGM on 8 February 2018. The effective date of the revised policy, if approved, will also be 8 February 2018. The Committee's current intention is that the revised policy will operate for the three year period to the AGM in 2021.

ROLE OF OUR REMUNERATION COMMITTEE

The Remuneration Committee has responsibility for determining remuneration for the Executive Directors and the Chairman of the Board. The Committee also reviews the remuneration of the Group's most senior executives in consultation with the Chief Executive. The Committee takes into account the need to recruit and retain executives and ensure that they are properly motivated to perform in the long-term interests of the Group and its shareholders, while paying no more than is necessary.

CONSIDERATIONS WHEN DETERMINING THE REMUNERATION POLICY

The primary objective of the Group's remuneration policy is to promote the long-term success of the Group through the operation of competitive pay arrangements which are structured so as to be in the best interests of shareholders. 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 at a competitive level, offering very modest pension and benefits, and with the potential to earn above-market variable pay subject to the achievement of demanding performance targets linked to the Group's strategic objectives.

In setting remuneration for the Executive Directors, the Committee takes note of the overall approach to reward for employees in the Group. Salary increases will ordinarily be (in percentage of salary terms) no higher than 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.

CONSIDERING THE VIEWS OF SHAREHOLDERS WHEN DETERMINING THE REMUNERATION POLICY

easyJet remains committed to shareholder dialogue and takes an active interest in voting outcomes. We consult extensively with our major shareholders when setting our remuneration policy or when considering any significant changes to our remuneration arrangements. The Committee also considers shareholder feedback received in relation to the Directors' remuneration report each year following the AGM. This, plus any additional feedback received from time to time, is then considered as part of the Committee's annual review of remuneration policy and its implementation.

CHANGES TO THE PREVIOUS REMUNERATION POLICY (APPROVED BY SHAREHOLDERS AT THE 2015 AGM)

The Committee has undertaken a thorough review of the existing remuneration policy, taking full account of easyJet's strategic objectives and developments in the external pay environment. The Committee firmly believes that the current overarching remuneration policy continues to be effective and that no significant changes are required. However, some minor amendments have been proposed in order to ensure that the policy is sufficiently flexible to operate effectively over the next three-year period and provide additional clarity on how we operate our policy in some areas. Specifically, the policy incorporates additional flexibility with regard to the specific measures and weightings which will be used for the LTIP to ensure that any measures and targets are fully aligned with the strategic imperatives prevailing at the time they are set.

SUMMARY OF THE REMUNERATION STRUCTURE

The table below sets out the main components of easyJet's remuneration policy:

Element, purpose and link to strategy	Operation (including maximum levels where applicable)	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 Group's business strategy.	Base salaries are normally reviewed annually, with changes typically effective from 1 January. Salaries are typically set after considering 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 at a broadly market competitive level. Salaries may be adjusted and any increase will ordinarily be (in percentage of salary terms) no higher than 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.	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 Group's policy to keep remuneration simple and consistent.	Executive Directors receive benefits provisions at similar levels as the wider UK workforce. Benefits will typically include, for example, modest death in service cover. The cost to the Group of providing these benefits may vary from year-to-year depending on the level of the associated premium. Executive Directors typically receive no other conventional executive company benefits but will be eligible for any other benefits which are introduced for the wider workforce on broadly similar terms. Other benefits such as relocation allowances (and other incidental associated expenses) may be offered if considered appropriate and reasonable by the Committee. Executive Directors can pay for voluntary benefits, where Group 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). Necessary expenses incurred undertaking Group business are reimbursed so that Executive Directors are not worse off on a net of tax basis for fulfilling Group duties.	Not applicable. No recovery provisions apply to benefits.
Pension To provide employees with long-term savings via pension provisions in line with the Group's strategy to keep remuneration simple and consistent.	Defined contribution plan with the same monthly employer contributions as those offered to eligible employees in the wider UK workforce (i.e. up to 7% of base salary); or a cash alternative to the equivalent value less employers' National Insurance contribution costs. easyJet operates a pension salary sacrifice arrangement whereby individuals can exchange part of their salary for Group paid pension contributions. Where individuals exchange salary this reduces employer National Insurance contributions. easyJet credits half of this reduction (currently 6.9% of the salary exchanged) to the individual's pension plan.	Not applicable. No recovery provisions apply to employer pension contributions.

Element, purpose and link to strategy	Operation (including maximum levels where applicable)	Framework used to assess performance and provisions for the recovery of sums paid
Share ownership To ensure alignment between the interests of Executive Directors and shareholders.	The Chief Executive and the Chief Financial Officer are expected to build and maintain a holding equivalent to 200% and 175% of salary respectively over a period of five years from appointment. Executive Directors are expected to retain 50% of the post-tax shares vesting under the LTIP and 100% of the post-tax deferred bonus shares until the guideline is met and keep it maintained thereafter.	Not applicable.
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 deferral provides alignment with shareholders.	Maximum opportunity of 200% of salary for Chief Executive and 175% of salary for other Executive Directors. One-third of the pre-tax 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. The remainder of the bonus is paid in cash. Dividend equivalent payments may be made on the deferred bonus, 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 personal/departmental performance measures, as set and assessed by the Committee in its discretion, with performance normally measured over a one-year period. Financial measures (e.g. headline profit before tax) will represent the majority of bonus, with other measures representing the balance. A graduated 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 a provision that enables the Remuneration Committee to scale back the bonus earned (including to zero) in the event that there is a safety event which it considers warrants the use of such discretion. The annual bonus plan includes provisions which enable the Committee (in respect of both the cash and the deferred elements of bonuses) to recover or withhold value in the event of certain defined circumstances.
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 LTIP awards may be granted subject to the achievement of performance targets. Awards normally vest over a three-year period. The maximum opportunity contained within the plan rules for Performance Share Awards is 250% of salary (with awards up to 300% of salary eligible to be made in exceptional circumstances, such as recruitment). The normal maximum face value of annual awards will be 250% of salary for the Chief Executive and 200% of salary for other Executive Directors. Dividend equivalent awards may be made on LTIP awards that vest, and may assume the reinvestment of dividends. A holding period applies to share awards granted in the financial year ended 30 September 2015 and beyond. The holding period will require the Executive Directors to retain the after-tax value of shares for 24 months from the vesting date.	LTIP awards currently vest based on performance against a challenging range of financial targets and relative TSR performance set and assessed by the Committee in its discretion. Financial targets currently determine vesting in relation to at least 50% of awards. The selection of measures and weightings may be varied for future award cycles as appropriate to reflect the strategic priorities of the business at that time. Performance is normally measured over a three-year period. A maximum of 25% of each element vests for achieving the threshold performance target with 100% of the awards being earned for maximum performance. The LTIP includes provisions which enable the Committee to recover or withhold value in the event of certain defined circumstances.

DISCRETION RETAINED BY THE COMMITTEE IN OPERATING THE INCENTIVE PLANS

The Committee will operate the annual bonus plan and LTIP 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 annual bonus deferred in shares:

- the participants;
- the timing of grant of an award;
- the size of an award;
- the determination of vesting;
- the payment vehicle of the award/payment;
- 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 which cause it to determine that the conditions are no longer appropriate (e.g. material acquisition and/or divestment of a Group business), 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 be explained in the Annual Report on Remuneration and may be the subject of consultation with the Company's major shareholders.

The use of discretion in relation to the Company's Save As You Earn and Share Incentive Plans 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 79 of the Annual Report. These remain eligible to vest based on their original award terms.

PERFORMANCE METRICS AND TARGET SETTING

The choice of the performance metrics applicable to the annual bonus plan reflect the Committee's belief that any incentive compensation should be appropriately challenging and tied to the delivery of a blend of key financial, operational and personal targets intended to ensure that Executive Directors are incentivised to deliver across a scorecard of objectives for which they are accountable. Financial measures (e.g. headline profit before tax) will be used for the majority of the bonus and will be selected in order to provide a clear indication of how successful the Group has been in managing operations effectively overall (e.g. in maximising profit per seat whilst maintaining a high load factor). The remainder of the bonus will be based on key operational (e.g. on-time performance and customer satisfaction) and personal or departmental measures set annually.

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 (including to zero) in the event that there is a safety event that it considers warrants the use of such discretion.

LTIP awards are earned for delivering performance against an appropriate balance of key long-term financial (e.g. ROCE and EPS) 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 awards are available for delivering threshold performance levels with maximum awards requiring substantial outperformance of challenging plans.

The Committee has retained some flexibility on the specific measures which can be used for the annual bonus plan and the LTIP to ensure that they will be fully aligned with the strategic imperatives prevailing at the time they are set.

No performance targets are set for Save As You Earn awards since these are purposefully designed to encourage employees across the Group to purchase shares in the Company. A measure of Group performance is used in determining awards under the Share Incentive Plan.

HISTORICAL AWARDS

All historical awards that were granted under any current or previous share schemes operated by the Company, and which remain outstanding, remain eligible to vest on the basis of their original award terms.

DIFFERENCES IN PAY POLICY FOR EXECUTIVE DIRECTORS COMPARED TO OTHER EASYJET EMPLOYEES

The remuneration policy for the Executive Directors is more heavily weighted towards variable and share-based 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 Group's policy to keep remuneration simple and performance-based, the benefit and pension arrangements for the current Executive Directors are on the same terms as those offered to eligible employees in the wider workforce. All employees have the opportunity to participate in the tax-advantaged share plans.

ILLUSTRATION OF HOW MUCH THE EXECUTIVE DIRECTORS COULD EARN UNDER THE REMUNERATION POLICY

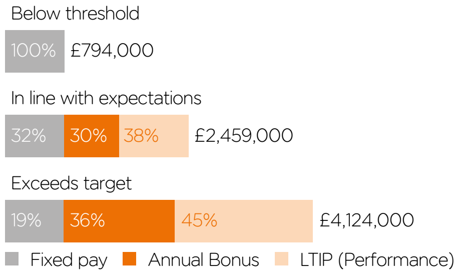
A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts below show how much the Chief Executive and Chief Financial Officer could earn under easyJet's remuneration policy under different performance scenarios in the 2018 financial year. 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 vesting of 50% of the maximum under the LTIP.
- Maximum (performance meets or exceeds maximum) – Fixed pay plus maximum bonus and maximum vesting under the LTIP.

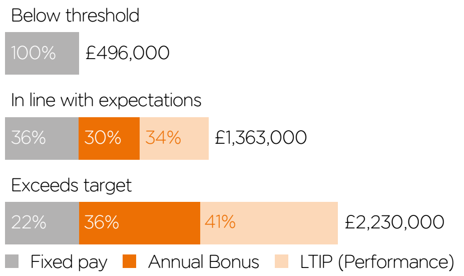
Fixed pay comprises:

- salaries – salary effective as at 1 October 2017 (or on appointment for the Chief Executive);
- benefits – amount received in the 2017 financial year (estimated for the new Chief Executive);
- pension – employer contributions or cash-equivalent payments received in the 2017 financial year (the level on appointment for the Chief Executive); and
- Free and Matching Shares under the all-employee share incentive plan.

CHIEF EXECUTIVE (JOHAN LUNDGREN)



CHIEF FINANCIAL OFFICER (ANDREW FINDLAY)



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 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 77 detailing what was actually earned by the Executive Directors in relation to the financial year ended 30 September 2017, since these values are based on the actual levels of performance achieved to 30 September 2017 and include the impact of share price growth in relation to share awards.

EXECUTIVE DIRECTORS' TERMS OF EMPLOYMENT

The Group's policy is for Executive Directors to have service contracts which may be terminated with no more than 12 months' notice from either party.

The Executive Directors' service contracts are available for inspection by shareholders at the Company's registered office.

APPROACH TO LEAVERS

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 Business may require the individual to continue to fulfil their current duties or may assign a period of garden leave.

A payment in lieu of notice may be made and, in this event, the Committee's normal policy is to make the payment in up to 12 monthly instalments which may be reduced if alternative employment was taken up during this period.

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 financial year.

In relation to a termination of employment, the Committee may make any statutory entitlements or payments to settle or compromise claims in connection with a termination of any existing or future Executive Director as necessary. The Committee also retains the discretion to reimburse reasonable legal expenses incurred in relation to a termination of employment and to meet any outplacement costs if deemed necessary.

The rules of our share plans 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 an 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 relevant plan's rules. Under the deferred bonus, 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 conditions, with a pro-rata reduction to reflect the proportion of the vesting period served. 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 plc (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 a takeover, the Committee may determine, with the agreement of the acquiring company, that awards will be exchanged for equivalent awards in another company.

POLICY ON EXTERNAL APPOINTMENTS

Executive Directors are permitted to accept appropriate outside Non-Executive Director appointments so long as the overall commitment is compatible with their duties as Executive Directors and 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.

APPROACH TO DETERMINING REMUNERATION ON RECRUITMENT

Base salary levels will be set in accordance with easyJet's remuneration policy, taking into account the experience and calibre of the individual. Where it is considered 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 to reflect progression in the role, subject to individual performance. Benefits will normally be provided in line with those offered to other employees. The Committee may provide an allowance and/or reimbursement of any reasonable expenses in relation to the relocation of an Executive Director. easyJet may also 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 450% of salary (200% annual bonus and 250% Performance Shares under the LTIP), taking into account annual and long-term variable pay. This limit does not include the value of any buy-out arrangements. Any incentive offered above this limit would be contingent on the Company receiving shareholder approval for an amendment to its approved policy. 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. LTIP awards can be made shortly following an appointment (assuming the Company is not in a closed period).

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), 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 share plans to the extent possible, although awards may also be granted outside these schemes if necessary and as permitted under the Listing Rules.

In the case of an internal promotion, any outstanding variable pay awarded in relation to the previous role will be paid 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, 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.

The Board evaluation and succession planning processes in place are designed to ensure there is the correct balance of skills, experience and knowledge on the Board. The activities of the Nominations Committee overseeing these matters are disclosed in the Nominations Committee report.

NON-EXECUTIVE DIRECTOR FEES

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

TERMS OF APPOINTMENT OF THE NON-EXECUTIVE DIRECTORS

The terms of appointment of the Chairman and the other Non-Executive Directors are recorded in letters of appointment. The required notice from the Company is three months. The Non-Executive Directors are not entitled to any compensation on loss of office.

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

Element	Purpose and link to strategy	Operation (including maximum levels where applicable)
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 Committee responsibilities. The Chairman and Non-Executive Directors do not participate in any of the Group's incentive arrangements. Fee levels are reviewed on a regular 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 exceed current fee levels if it is necessary to do so in order to appoint a new Chairman or Non-Executive Director of an appropriate calibre. In exceptional circumstances, if there is a temporary yet material increase in the time commitments for Non-Executive Directors, the Board may pay extra fees to recognise the additional workload. Necessary expenses incurred undertaking Group business will be reimbursed so that the Chairman and Non-Executive Directors are not worse off, on a net of tax basis, for fulfilling Company duties. No other benefits or remuneration are provided to the Chairman or Non-Executive Directors.

ANNUAL REPORT ON REMUNERATION

Membership of the Remuneration Committee

As at 30 September 2017, the members of the Committee were:

- Charles Gurassa (Chair)
- Adèle Anderson
- Moya Greene (appointed to the Committee effective 20 September 2017)
- Andy Martin

François Rubichon stepped down from the Board and the Committee on 22 July 2017.

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual report on page 64.

The Chairman and the Chief Executive attend meetings by invitation and assist the Committee in its deliberations as appropriate. The Committee also receives assistance from the Group People Director and the Group Head of Reward. The Company Secretary and the Group General Counsel acts as secretary to the Committee. No Directors are involved in determining their own remuneration.

APPLICATION OF THE REMUNERATION POLICY FOR THE 2018 FINANCIAL YEAR

There will be no material changes to the remuneration policy or its implementation for the 2018 financial year. easyJet's remuneration policy has received consistently high levels of investor support over time and the Committee considers that it remains aligned with the best practice expectations of institutional investors.

Base salary

The current and proposed salaries of the Executive Directors are:

	1 January 2018 salary	1 January 2017 salary[1]	Change
Johan Lundgren	£740,000	£740,000	–
Carolyn McCall	n/a	£705,600	n/a
Andrew Findlay	£500,000	£462,500	8%

(1) or on appointment if later

Johan Lundgren's salary has been set at £740,000 from appointment on 1 December 2017. The salary will not be reviewed before 1 January 2019. Andrew Findlay's base salary was set at £425,000 when he joined the Board in October 2015. The salary was set at a significant discount to the market level with the intention that it would be brought up to the mid-market level (£500,000) over time to reflect progression in the role. The increase effective 1 January 2018, to £500,000 is the final stage in this process and was subject to an assessment of individual and Business performance.

For comparison, the typical rates of salary increase to be awarded to employees in Group functions is 1% to 3%.

ANNUAL BONUS IN RESPECT OF PERFORMANCE IN THE 2018 FINANCIAL YEAR

The maximum bonus opportunity remains at 200% of salary for the new Chief Executive (Carolyn McCall will not participate in the annual bonus for the 2018 financial year) and at 175% for the Chief Financial Officer. The measures have been selected to reflect a range of financial and operational goals that support the key strategic objectives of the Group.

The performance measures and weightings will be as follows:

Measure	As a percentage of maximum bonus opportunity CEO	CFO
Headline profit before tax (at budgeted constant currency)	60%	60%
On-time performance	10%	10%
Customer satisfaction	10%	10%
Headline costs per seat excluding fuel at budgeted constant currency	10%	10%
Personal and departmental objectives	10%	10%

The proposed target levels for the 2018 financial year have been set to be challenging relative to the business plan.

The Committee is comfortable that the bonus targets for both Executive Directors are appropriately demanding in light of their respective bonus opportunities.

The targets themselves, as they relate to the 2018 financial year, are commercially sensitive. However, retrospective disclosure of the targets and performance against them will be provided in next year's remuneration report unless they 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 a provision that enables the Remuneration Committee to scale back the bonus awarded in the event that a safety event has occurred, which it considers warrants the use of such discretion. One-third of the pre-tax bonus earned will be deferred into shares for a period of three years and will be subject to continued employment.

The annual bonus includes provisions which enable the Remuneration Committee to recover or withhold value from any recipient of a cash or deferred bonus share award in the event of a material misstatement of results for the financial year to which the awards related, or an error in determining the size of a bonus, within three years of the payment of the cash bonus or the vesting of the deferred bonus shares. The Remuneration Committee may also recover or withhold value from any recipient of an award of deferred bonus shares in situations where the individual is considered to have contributed to any safety failure which could result in reputational damage for the Business.

LTIP AWARDS IN RELATION TO THE 2018 FINANCIAL YEAR

We intend to make an award to the Chief Executive of 250% of salary and to the Chief Financial Officer of 200% of salary in respect of the 2018 financial year. Carolyn McCall will not participate in the LTIP for the 2018 financial year.

In order to provide a balance between growth and returns that reflects our financial goals the Committee is seeking feedback from major shareholders and shareholder advisory groups on the introduction of an EPS measure to operate alongside the current ROCE and TSR measures in the LTIP. The finalised targets will be fully disclosed at the earliest opportunity.

A post-vesting holding period requiring the Executive Directors to retain the after tax value of any shares for two years from the vesting date will continue to apply to awards made in the 2018 financial year.

The LTIP includes provisions which enable the Committee to recover or withhold value in certain events within three years of the vesting. These include misstatement of results or a calculation error used in assessing the number of shares under an award or the extent to which any performance condition was met or in situations where the individual is considered to have contributed to any safety failure which could result in reputational damage for the Business.

NON-EXECUTIVE DIRECTOR FEES

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

Chairman	£300,000
Basic fee for other Non-Executive Directors	£60,000
Fees for Deputy Chairman and Senior Independent Director role[1]	£25,000
Chair of the Audit, Safety and Remuneration Committees[1]	£15,000
Chair of the Finance Committee[1]	£10,000

(1) Supplementary fees.

The Board has agreed that there will be no increase to the basic fees for the 2018 financial year; these are reviewed regularly and were last increased on 1 October 2013.

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 30 SEPTEMBER 2017

The table below sets out the amounts earned by the Directors (£'000) (Audited)

£'000	2017 Fees and Salary	2017 Benefits[5]	2017 Bonus[6]	2017 LTIP[7]	2017 Pension[8]	2017 Total	2016 Fees and Salary	2016 Buy out[9]	2016 Benefits	2016 Bonus	2016 LTIP[10]	2016 Pension	2016 Total
Executive													
Carolyn McCall DBE	706	2	–	–	49	757	704	–	5	189	506	49	1,453
Andrew Findlay	453	2	528	84	28	1,095	423	612	42	155	–	30	1,262
Non-Executive													
John Barton	300	–	–	–	–	300	300	–	–	–	–	–	300
Charles Gurassa	100	–	–	–	–	100	100	–	–	–	–	–	100
Adèle Anderson	75	–	–	–	–	75	77	–	–	–	–	–	77
Dr. Andreas Bierwirth	75	–	–	–	–	75	60	–	–	–	–	–	60
John Browett[1]	–	–	–	–	–	–	15	–	–	–	–	–	15
Chris Browne OBE[2]	–	–	–	–	–	–	54	–	–	–	–	–	54
Keith Hamill OBE	60	–	–	–	–	60	60	–	–	–	–	–	60
Andy Martin	70	–	–	–	–	70	68	–	–	–	–	–	68
Moya Greene[3]	12	–	–	–	–	12	–	–	–	–	–	–	–
François Rubichon[4]	48	–	–	–	–	48	60	–	–	–	–	–	60
Total	1,899	4	528	84	77	2,592	1,921	612	47	344	506	79	3,509

(1) Left the Board on 31 December 2015.

(2) Left the Board on 30 September 2016.

(3) Appointed to the Board on 19 July 2017.

(4) Left the Board on 22 July 2017.

(5) Benefits relate to the cost to the Business of personal accident and life assurance cover and the value of shares during the year under the Company's Share Incentive Plan. Andrew Findlay's financial year 2016 benefits also included a one-off relocation allowance payment of £40,000.

(6) One-third of the bonus will be compulsorily deferred into shares for three years and subject to forfeiture.

(7) This relates to the LTIP awards granted on recruitment in November 2015 which vest in December 2017 based on performance measured to 30 September 2017. For the purposes of this table, the award has been valued using the average share price over the three months to 30 September 2017 of £12.695. This compares to £17.14 at grant.

(8) Carolyn McCall has reached her lifetime pension limit and received a cash alternative of £49,392 in lieu of pension contributions.

(9) Performance related buy-out arrangements were agreed to compensate Andrew Findlay for bonus and LTIP forfeited from his previous employer. The buy-out comprised a £311,837 cash pay-out as well as various share awards (see page 80 for details). Of these share awards, 22,762 (plus 1,248 dividend equivalent awards) vested on 7 August 2016; the share price at the vesting date was £10.35. A further 4,680 awards (plus 257 dividend equivalent awards) vested on 17 December 2016 based on performance measured to 30 September 2016. For the purposes of the table in last year's report, the award was valued using the average share price over the three months to 30 September 2016 of £10.781. The value has been updated in this table to reflect using the share price at the date of vesting of £10.43. This compares to £17.14 at grant.

(10) This relates to the LTIP awards granted in December 2013 which vested in December 2016 based on performance measured to 30 September 2016. For the purposes of the table in last year's report, the awards were valued using the average share price over the three months to 30 September 2016 of £10.781. The value has been updated in this table to reflect using the share price at the date of vesting of £10.43. This compares to £14.99 at grant.

ANNUAL BONUS OUTTURN FOR PERFORMANCE IN THE 2017 FINANCIAL YEAR (AUDITED)

Measure	CEO	CFO	Threshold	On-Target	Maximum	Actual	Payout
Headline profit before tax (£m)[1]	70%	60%	359	398	457	433	80%
On-time performance[2]	10%	10%	77%	78.5%	80%	76%	0%
Customer satisfaction targets[3]	10%	10%	72%	73.5%	75%	71%	0%
Headline cost per seat (ex. fuel)[1]	10%	10%	£40.88	£40.61	£40.07	£40.20	88%
Departmental objectives[4]	–	10%	n/a	Successful	Outstanding	Outstanding	100%

(1) At budgeted constant currency.

(2) On-time performance measures the percentage of arrivals within 15 minutes of scheduled time, subject to flying 99.5% of programme (excluding cancellations made 14 days in advance which do not attract EU compensation and those which affect the whole airline sector e.g. terrorist disruption).

(3) Customer satisfaction measures the percentage of our passengers that are 'Quite satisfied', 'Very satisfied' or 'Completely satisfied' at last contact.

(4) An outstanding performance assessment has been awarded to Andrew Findlay to recognise his performance against the departmental objectives set at the outset of the year. Specifically, these relate to a number of projects designed to maintain the strength of the balance sheet and progress on various strategic, M&A, commercial and organistational change projects. The payout awarded was therefore at the maximum for this element of bonus (17.5% of salary).

A sliding scale of financial and operational targets for each objective was set at the start of the 2017 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. Achievements between these points are calculated on a straight-line basis.

Despite continued challenging business conditions during the year financial performance (headline profit before tax and headline cost per seat) was ahead of target but below the maximum level of performance set by the Committee at the outset of the year. In contrast, given a number of external factors including rising congestion in key airports, OTP and CSAT performance did not achieve the threshold required to trigger a bonus. In recognition of the performance of the Chief Financial Officer against a range of personal and departmental objectives, the Committee decided to make a maximum payment to the Chief Financial Officer for this element of bonus. In total, therefore, 67% of the maximum bonus was awarded to the Chief Financial Officer in respect of performance for the year ended 30 September 2017 resulting in a bonus payment of £528,344. One-third of the bonus is compulsorily deferred into shares for three years and subject to continued employment. As noted earlier in this report Carolyn McCall will no longer be eligible to receive a bonus in respect of the 2017 financial year or the 2018 financial year.

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

LTIP (AUDITED)

The awards vesting in respect of the performance period to 30 September 2017 were subject to a combination of average ROCE (including lease adjustments) and relative TSR compared to FTSE 31-130 companies performance conditions measured over the three financial years ended 30 September 2017. The percentage which could be earned was determined using the following vesting schedule:

	Below threshold (0% vesting)	Threshold (25% vesting)	On Target (40% vesting)	Maximum (100% vesting)
ROCE awards (50% of total awards)	Below 15%	15%	18.2%	20% or above
TSR awards (50% of total awards)	Below median	Median		Upper Quartile

Three-year average ROCE (including lease adjustments) to 30 September 2017 was 16.2% and the Company did not meet the threshold TSR performance target. In the case of the Chief Financial Officer, this will result in 15.3% of the maximum LTIP award vesting in December 2017, subject to continued service. The LTIP awards made to Carolyn McCall in December 2014 have lapsed.

PAYMENTS FOR LOSS OF OFFICE AND PAYMENTS TO PAST DIRECTORS (AUDITED)

No payments for loss of office or to past Directors have been made during the year.

EXECUTIVE DIRECTORS' SHARE AWARDS OUTSTANDING AT THE FINANCIAL YEAR END (AUDITED)

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

CAROLYN MCCALL DBE

Scheme	No. of shares/ options at 30 September 2016[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2017[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable (or date of vesting for SIP)	Expiry Date
A	180,461	–	–	(180,461)	–	18 Dec 2012[2]	–	9.78	18 Dec 2015	18 Dec 2022
A	90,517	–	(56,426)	(34,091)	–	17 Dec 2013[3]	–	9.78	17 Dec 2016	17 Dec 2023
A	84,987	–	(84,987)	–	–	19 Dec 2014[4]	–	–	19 Dec 2017	19 Dec 2024
A	102,977	–	(102,977)	–	–	17 Dec 2015[5]	–	–	17 Dec 2018	17 Dec 2025
A	–	169,127	(169,127)	–	–	19 Dec 2016[6]	–	–	19 Dec 2019	19 Dec 2026
B	86,438	–	–	(86,438)	–	18 Dec 2012[2]	–	9.78	18 Dec 2015	18 Dec 2022
B	38,283	–	(23,865)	(14,418)	–	17 Dec 2013[3]	–	9.78	17 Dec 2016	17 Dec 2023
B	31,441	–	(31,441)	–	–	19 Dec 2014[4]	–	–	19 Dec 2017	19 Dec 2024
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
C	176	–	–	–	**176**	25 Apr 2014	–	–	25 Apr 2017	n/a
C	122	–	(122)	–	**–**	24 Apr 2015	–	–	24 Apr 2018	n/a
C	199	–	(199)	–	**–**	28 Apr 2016	–	–	28 Apr 2019	n/a
D	1,094	134	(310)	–	**918**	–	–	Note 10		n/a
E	947	–	–	–	**947**	12 Jun 2014	13.30	–	1 Aug 2017	1 Feb 2018
E	408	–	(408)	–	**–**	10 Jun 2015	13.23	–	1 Aug 2018	1 Feb 2019

ANDREW FINDLAY

Scheme	No. of shares/ options at 30 September 2016[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2017[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable (or date of vesting for SIP)	Expiry Date
A	22,762	–	–	(22,762)	–	20 Nov 2015[7]	–	10.24	7 Aug 2016	20 Nov 2025
A	14,625	–	(9,945)	(4,680)	–	20 Nov 2015[8]	–	10.24	17 Dec 2016	20 Nov 2025
A	39,923	–	–	–	**39,923**	20 Nov 2015[9]	–	–	19 Dec 2017	20 Nov 2025
A	49,620	–	–	–	**49,620**	17 Dec 2015[5]	–	–	17 Dec 2018	17 Dec 2025
A	–	88,686	–	–	**88,686**	19 Dec 2016[6]	–	–	19 Dec 2019	19 Dec 2026
D	91	133	–	–	**224**	–	–	Note 10	–	n/a
E	1,051	–	–	–	**1,051**	10 Jun 2016	11.98	–	1 Aug 2019	1 Feb 2020
E	–	557	–	–	**557**	15 Jun 2017	9.69	–	1 Aug 2020	1 Feb 2021

The closing share price of the Company's ordinary shares at 30 September 2017 was £12.17 and the closing price range during the year ended 30 September 2017 was £8.74 to £14.31.

Key:

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 is 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 the half year results.

Note 2: For LTIP awards made in December 2012, 50% of vesting was based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2015. This was the first award where ROCE calculations included operating leases and this is the basis for all subsequent awards. 50% of vesting was based on relative TSR performance compared to companies ranked FTSE 51-150. Three year average ROCE (including lease adjustments) was 20.0% and the Company was ranked at the 94th percentile versus FTSE 51-150 companies in terms of TSR; correspondingly 100% of these awards vested in December 2015. The following targets applied 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

Note 3: LTIP awards made in December 2013

50% of vesting is based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2016 and 50% of vesting is based on relative TSR performance compared to companies ranked FTSE 51-150. Three year average ROCE (including lease adjustments) was 19.1% and the Company did not meet the TSR performance metric. The following targets apply for these awards:

	Below threshold (0% vesting)	Threshold (25% vesting)	Target (40% vesting)	Maximum (100% vesting)
ROCE awards (50% of total award)	< 15.0%	15.0%	18.5%	20.0%
TSR awards (50% of total award)	< Median	Median	n/a	Upper quartile

Note 4: LTIP awards made in December 2014

50% of vesting is based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2017 and 50% of vesting is based on relative TSR performance compared to companies ranked FTSE 31-130. Three year average ROCE (including lease adjustments) was 16.2% and the Company did not meet the TSR performance metric. The following targets apply for these awards:

	Below threshold (0% vesting)	Threshold (25% vesting)	Target (40% vesting)	Maximum (100% vesting)
ROCE awards (50% of total award)	< 15.0%	15.0%	18.2%	20.0%
TSR awards (50% of total award)	< Median	Median	n/a	Upper quartile

Note 5: LTIP awards made in December 2015

70% of vesting is based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2018 and 30% of vesting is based on relative TSR performance compared to companies ranked FTSE 31-130. The following targets apply for these awards:

	Below threshold (0% vesting)	Threshold (25% vesting)	Target (40% vesting)	Maximum (100% vesting)
ROCE awards (70% of total award)	< 15.0%	15.0%	18.0%	20.0%
TSR awards (30% of total award)	< Median	Median	n/a	Upper quartile

Note 6: LTIP awards made in December 2016

70% of vesting is based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2019 and 30% of vesting is based on relative TSR performance compared to companies ranked FTSE 51-150. The following targets apply for these awards:

Vesting in December 2019	Below threshold (0% vesting)	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
ROCE awards (70% of total award)	< 9.0%	9.0%	11.2%	13.0%
TSR awards (30% of total award)	< Median	Median	n/a	Upper quartile

In addition, the TSR awards will not vest unless there has been positive TSR over the performance period. The face value of the awards granted was £1,763,995 (250% of salary) to Carolyn McCall and £924,995 (200% of salary) to Andrew Findlay.

Note 7: An award of 22,762 easyJet shares was made to compensate Andrew Findlay for the forfeiture of the LTIP award he was awarded in August 2013 from his previous employer. Since around two-thirds of the vesting period for this award had already run its course, the Committee assessed the extent to which the performance targets were likely to be met (based on current market forecasts) in respect of the shares comprising two-thirds of the award and converted this number of shares into an equivalent value of easyJet shares on joining. These vested on 7 August 2016, so as to mirror the original time horizon of the award.

Note 8: An award of 14,625 easyJet shares relating to the forfeiture of the LTIP Andrew Findlay was awarded in August 2013 from his previous employer. This award was calculated based on the value of one-third of the award at the time of joining easyJet, but these shares will only vest to the extent that the performance targets set for the 2013 easyJet LTIP award (as provided in Note 3 above) are met and continued employment to 17 December 2016. This compensation replicated the assessed value of the awards forfeit and also, in part, switched into easyJet performance on a pro-rata basis for part of the award.

Note 9: An award of 39,923 easyJet shares was made to compensate for the forfeiture of the award granted to Andrew Findlay in August 2014 from his previous employer. This award comprised an exchange of the maximum number of shares that could vest under his previous employer's award which were then converted to easyJet shares on joining. These shares will only vest based on the extent to which the performance targets applying to the 2014 easyJet LTIP award (as provided in Note 4 above) are met and Andrew remaining in employment until 19 December 2017, being the ordinary vesting date for the easyJet award and later than the vesting date of the original award at his former employer.

Note 10: Participants buy Partnership Shares monthly under the Share Incentive Plan. The Company provides one Matching Share for each Partnership Share purchased, up to the first £1,500 per year. These Matching Shares are first available for vesting three years after purchase.

SHAREHOLDING GUIDELINES IN THE 2018 FINANCIAL YEAR

The shareholding guidelines will continue to operate on broadly the same basis as last year, i.e. the Chief Executive and Chief Financial Officer are expected to build up a shareholding of 200% and 175% of salary, respectively over the first five years from appointment to the Board. Until the guideline is met Executive Directors are required to retain 50% of net vested shares from the LTIP and 100% of net vested deferred bonus shares. Similarly, the Non-Executive Directors, including the Chairman of the Board, are required to build up a shareholding of 100% of annual fees over a period of three years from appointment.

DIRECTORS' CURRENT SHAREHOLDINGS AND INTERESTS IN SHARES

The following table provides details on the Directors' shareholdings and interests in shares as at 30 September 2017, or on leaving the Board if earlier (Audited):

	Unconditionally owned shares(2)	Shareholding guidelines achieved(3)	Interests in share schemes				
			Deferred bonus(5)	SAYE(8)	LTIP(6)	SIP(7)	Total
John Barton	34,000	100%	–	–	–	–	–
Charles Gurassa	18,198	100%	–	–	–	–	–
Carolyn McCall DBE(4)	511,559	100%	20,960	947	–	–	21,907
Andrew Findlay	16,848	30%	4,985	1,608	178,229	224	185,046
Adèle Anderson	5,114	100%	–	–	–	–	–
Dr. Andreas Bierwirth	5,251	100%	–	–	–	–	–
Keith Hamill OBE	4,560	100%	–	–	–	–	–
Andy Martin	7,000	100%	–	–	–	–	–
Moya Greene	7,407	100%	–	–	–	–	–
François Rubichon(1)	3,465	100%	–	–	–	–	–

(1) Left the Board on 22 July 2017. 100% of the shareholding guideline had been achieved on the date François Rubichon left the Board.

(2) Includes SIP Partnership Shares, vested SIP Performance (Free) Shares, vested SIP Matching Shares, LTIP Investment Shares, and any shares owned by connected persons regardless of changes in share price.

(3) Based on unconditionally owned shares and post tax value of share interests under the deferred bonus plan as per the Committee's policy on shareholding guidelines.

(4) Outstanding awards under the LTIP, deferred bonus plan and SIP have lapsed following the Chief Executive's resignation in July 2017.

(5) Deferred bonus shares outstanding beyond the Chief Executive's departure date have lapsed due to her resignation in July 2017. Andrew Findlay's deferred bonus figure includes 4,985 awards granted in the year.

(6) LTIP shares are granted in the form of nil cost options subject to performance. Andrew Findlay's LTIP figure includes 88,686 awards granted in the year.

(7) Consists of unvested SIP Performance (Free) Shares and unvested SIP Matching Shares.

(8) Carolyn McCall has 947 SAYE options which are currently exercisable up until 31 January 2018 at an option price of £13.30.

As at 20 November 2017, the unconditionally owned shares of Carolyn McCall had increased by 40 shares since 30 September 2017 to 511,599 shares and the unconditionally owned shares of Andrew Findlay had increased by 146 shares since 30 September 2017 to 16,994 shares.

Changes made throughout the year may be found on 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 2017, ordinary shares held in the Trusts were as follows:

	Number
easyJet Share Incentive Plan Trust	1,322,662
easyJet plc Employee Benefit Trust	101,466
Total	1,424,128

POSITION AGAINST DILUTION LIMITS

easyJet complies with the Investment Association's Principles of Remuneration with regard to dilution limits. These principles require that commitments under all of the Company's share incentive schemes must not exceed 10% of the issued share capital in any rolling 10 year period. Share awards under all current share incentive schemes (LTIP, Save As you Earn and Share Incentive Plan) will be satisfied with share purchases on the market and the Company's current position against its dilution limit is within the maximum 10% limit.

EMPLOYEE SHARE PLAN PARTICIPATION

A key component of easyJet's reward philosophy is to provide share ownership opportunities throughout the Group by making annual awards of performance-related shares to all eligible employees. In addition, easyJet operates a voluntary discounted share purchase arrangement for all employees via a Save As You Earn scheme and a Buy As Your Earn arrangement with matching shares in the UK under the tax approved Share Incentive Plan.

DETAILS OF DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

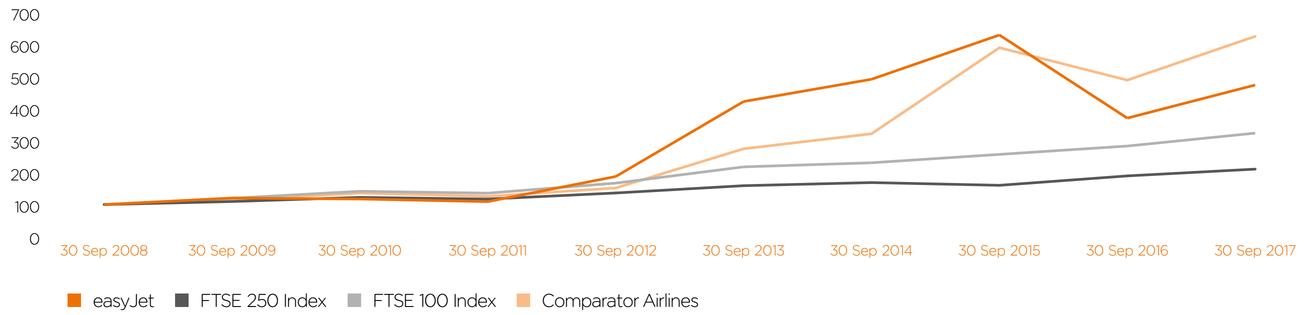
Details of the service contracts and letters of appointment in place as at 30 September 2017 for Directors are as follows:

	Date of appointment	Date of current service contract	Unexpired term at 30 September 2017
John Barton	1 May 2013	1 May 2016	Letters of appointment for the Non-Executive Directors do not contain fixed term periods; however, they are appointed in the expectation that they will serve for a maximum of nine years, subject to satisfactory performance and re-election at AGMs.
Charles Gurassa	27 June 2011	19 June 2017	
Carolyn McCall DBE	1 July 2010	1 July 2010	
Andrew Findlay	2 October 2015	10 April 2015	
Adèle Anderson	1 September 2011	19 July 2017	
Dr. Andreas Bierwirth	22 July 2014	19 July 2017	
Moya Greene	19 July 2017	19 July 2017	
Andy Martin	1 September 2011	19 July 2017	
Keith Hamill OBE	1 March 2009	3 March 2015	Stepping down

REVIEW OF PAST PERFORMANCE

The chart below sets out the TSR performance of the Company relative to the FTSE 250, FTSE 100 and a group of European airlines[i] since 2008. The FTSE 100 and FTSE 250 were chosen as easyJet has been a member of both indices during the period.

TOTAL SHAREHOLDER RETURN



This graph shows the value, by 30 September 2017, of £100 invested in easyJet on 30 September 2008, compared with the value of £100 invested in the FTSE 100 and FTSE 250 Indices or a comparator group of airlines on the same date.

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).

(i) 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 from 2011 onwards as IAG.

SINGLE TOTAL FIGURE OF REMUNERATION

The table below shows the total remuneration figure for the Chief Executive over the same ten 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 vesting percentages show the payout for each year as a percentage of the maximum.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**
Single total figure of remuneration (£'000)	1,075	1,686	2,741(4)	1,552	3,694	7,777	9,209(3)	6,241(2)	1,453(1)	757
Annual bonus (%)	23%	89%	0%	63%	96%	87%	76%	66%	13%	0%
LTIP vesting (%)	67%	0%	0%	0%	92%	100%	100%	100%	32%	0%

(1) Includes 48,509 LTIP shares (inclusive of dividend equivalents) at the vesting date share price of £10.43, a decrease of 30% on the share price at grant of £14.99.

(2) Includes 266,899 LTIP shares vesting for the period, share price is £17.15 (the actual share price at vesting) an increase of 133% on the share price at grant of £7.37.

(3) Includes 445,575 LTIP shares vesting for the period, share price was £16.71 (the actual share price at vesting) an increase of 325% on the share price at grant of £3.928.

(4) Includes remuneration for the current Chief Executive, Carolyn McCall, of £178,000 and for the former Chief Executive of £2,563,000.

CHANGE IN CHIEF EXECUTIVE PAY FOR THE YEAR IN COMPARISON 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 2017 and the year ended 30 September 2016 for the Chief Executive, compared to the average earnings of all other easyJet UK employees.

%	Salary	Benefits(2)	Annual bonus(3)
Chief Executive	0%	(63%)	n/a
Average pay based on all easyJet's UK employees(1)	1%	(67%)	215%

(1) UK employees are presented as the comparator as their salaries and benefits represent the most appropriate comparison. Note that UK employees comprise over 60% of total employees.

(2) Benefits received in the year to 30 September 2017 fell against prior year levels as no SIP Performance (Free) Share award was granted in the current year.

(3) The Chief Executive will not receive a bonus in respect of the year to 30 September 2017. UK employee bonuses increased by 215% compared with last year as a result of easyJet's performance against its financial targets in the current year.

RELATIVE IMPORTANCE OF SPEND ON PAY

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

	Year ended 30 September 2017	Year ended 30 September 2016 (restated)	Change %
Employee costs (£m)	717	604	19%
Ordinary dividend (£m)	162	214	(24%)
Average number of employees	11,628	10,273	13%
Revenue (£m)	5,047	4,669	8%
Headline profit before tax (£m)	408	494	(17%)

Additional information on the number of employees, total revenue and profit has been provided for context. The majority of easyJet's employees (around 94%) perform flight and ground operations, with the rest performing administrative and managerial roles.

EXTERNAL APPOINTMENTS

Carolyn McCall DBE received fees of £80,000 in the year to 30 September 2017 for her role as Non-Executive Director of Burberry Group plc. Andrew Findlay received fees of £16,667 in the year to 30 September 2017 for his role as Non-Executive Director of Rightmove plc.

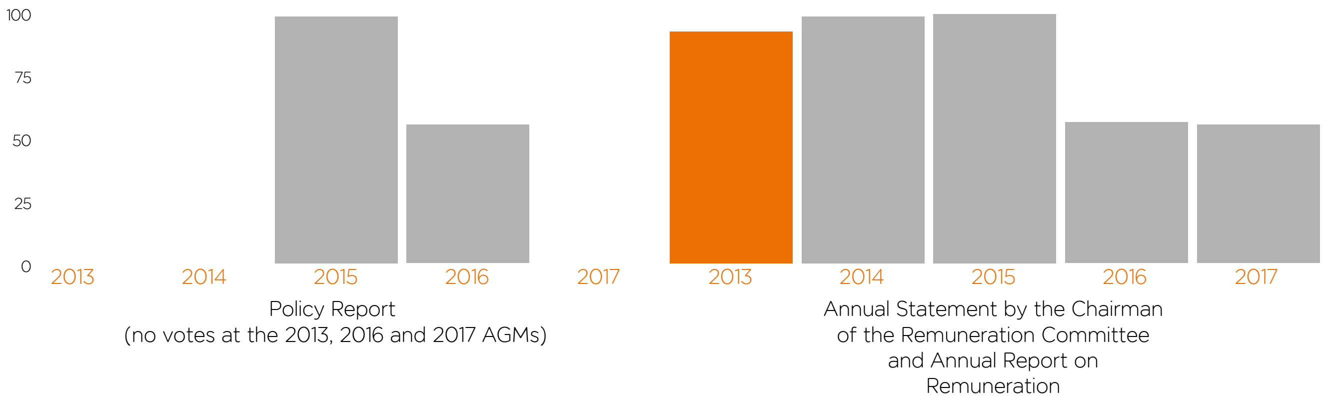
STATEMENT OF SHAREHOLDERS' VOTING AT THE 2017 AGM

Votes cast at the AGM in February 2017 in respect of the Company's Annual Statement by the Chairman of the Remuneration Committee and Annual Report on Remuneration are given in the table below.

	Policy		Annual Report on Remuneration	
Votes cast in favour	169,949,424	97.59%	144,374,816	92.06%
Votes cast against	4,205,137	2.41%	12,444,182	7.94%
Total votes cast in favour or against	174,154,561	100%	156,818,998	100%
Votes withheld	354,559		16,426,543	

The remuneration policy was last voted on at the February 2015 AGM. The next vote is scheduled for February 2018.

SHAREHOLDERS' AGM VOTING HISTORY (%)



ADVISORS TO THE REMUNERATION COMMITTEE

The Remuneration Committee is advised by New Bridge Street (NBS), (a trading name of Aon plc). NBS was appointed by the Committee in 2004 following a tender process. NBS advises the Committee on developments in executive pay and on the operation of easyJet's incentive plans. Other than to the Committee, NBS also provides some associated advice to easyJet in relation to, for example, legal implementation and the fees of the Non-Executive Directors. Other than the provision of these services, NBS has no other connection with the Company. However, a sister company in the Aon group also provides pension and flexible benefits administration services to the Company. Total fees (excluding VAT) paid to NBS in respect of services to the Committee during the 2017 financial year were £136,490, charged on a time and materials basis. NBS is a signatory to the Remuneration Consultants Group Code of Conduct and any advice received is governed by that code. The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice it receives is independent and objective.

The Directors present the Directors' report, together with the audited accounts for the year ended 30 September 2017. The Directors' report comprises pages 85 to 88, and the sections of the Annual report incorporated by reference are set out below:

Membership of Board during 2017 financial year	See pages 48 to 49
Financial instruments and financial risk management	See pages 118 to 123
Greenhouse gas emissions	See page 45
Corporate governance report	See pages 47 to 64
Future developments of the business of the Group	See page 17
Employee equality and diversity	See page 44
Employee involvement	See page 43

In accordance with the UK Financial Conduct Authority's Listing Rules (LR 9.8.4C), the information to be included in the Annual report and accounts, where applicable, under LR 9.8.4, is set out in this Directors' report, with the exception of details of transactions with controlling shareholders which are set out on page 125 (note 27 to the accounts).

The Annual report and accounts have been drawn up and presented in accordance with UK company law and the liabilities of the Directors in connection with the report shall be subject to the limitations and restrictions provided by such law.

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 Company's registrars are Equiniti Limited who are situated at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

POLITICAL DONATIONS AND EXPENDITURE

easyJet works constructively with all levels of government across its network, regardless of political affiliation. easyJet believes in the rights of individuals to engage in the democratic process, however it is easyJet's policy not to make political donations.

There were no political donations made or political expenditure incurred during the 2017 financial year (2016: £2,056). The expenditure incurred in 2016 was in relation to a visit by David Cameron to easyJet's headquarters. This constituted political expenditure under the Companies Act 2006, as it involved the prime minister campaigning for the EU referendum.

DIVIDEND

The Directors are recommending an ordinary dividend, with a pay-out ratio of 50% of headline profit after tax, resulting in a dividend of £162 million or 40.9 pence per share. The ordinary dividend is subject to shareholder approval at the Company's Annual General Meeting to be held on 8 February 2018.

APPOINTMENT AND RETIREMENT OF DIRECTORS

Subject to applicable law, a Director may be appointed by an ordinary resolution of shareholders in a general meeting following nomination by the Board or a member (or members) entitled to vote at such meeting, or following retirement by rotation if the Director chooses to seek re-election at a general meeting. In addition, the Directors may appoint a Director to fill a vacancy or as an additional Director, provided that the individual retires at the next Annual General Meeting. A Director may be removed by the Company as provided for by applicable law, in certain circumstances set out in the Company's Articles of Association (for example bankruptcy or resignation), or by an ordinary resolution of the Company in a general meeting. All Directors stand for election at the Annual General Meeting following their appointment, and stand for re-election on an annual basis.

POWERS CONFERRED ON THE DIRECTORS IN RELATION TO ISSUING OR BUYING BACK SHARES

Subject to applicable law and the Company's Articles of Association the Directors may exercise all powers of the Company, including the power to authorise the issue and/or market purchase of the Company's shares (subject to an appropriate authority being given to the Directors by shareholders in a general meeting and any conditions attaching to such authority). The shareholders delegated the following powers in relation to the issuing or market purchase by the Company of its shares at the Company's 2017 Annual General Meeting:

i. authority to allot equity securities with a nominal value of up to approximately 10% of its issued share capital;
ii. authority to allot equity securities, without first offering them to existing shareholders in proportion to their holdings, with a nominal value of up to approximately 5% of its issued share capital; and
iii. authority to make market purchases of its own shares, up to a maximum of approximately 10% of the Company's issued share capital.

These standard authorities will expire on 9 May 2018, or at the conclusion of the Annual General Meeting in 2018, whichever is the earlier. The Directors will seek to renew the authorities at the Annual General Meeting in 2018. As at 20 November 2017, none of these authorities had been exercised.

During the 2017 financial year, no ordinary shares in the Company were issued.

DIRECTORS' INDEMNITIES

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 2017 financial year and remain in force for all current and past Directors of the Company.

DIRECTORS' CONFLICTS OF INTEREST

Directors have a statutory duty to avoid situations in which they have, or may have, interests that conflict with those of easyJet, unless that conflict is first authorised by the Board. 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/her duty under company law. Should a Director become aware that he/she has an interest, directly or indirectly, in an existing or proposed transaction with easyJet, he/she should notify the

Board in line with the Company's Articles of Association. Directors have a continuing duty to update any changes to their conflicts of interest.

SHARE CAPITAL AND RIGHTS ATTACHING TO SHARES

Details of the authorised and issued share capital during the year are provided in note 18 to the accounts on page 115.

On 30 September 2017, there was a single class of 397,208,133 ordinary shares of 27 2/7 pence in issue, each with one vote. There were no shares held in treasury at that date.

The rights and obligations attaching to the Company's ordinary shares are set out in its Articles of Association. Holders of ordinary shares are entitled, subject to any applicable law and the Company's Articles of Association, to:

- have shareholder documents made available to them, including notice of any general meeting;
- attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- participate in any distribution of income or capital.

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.

There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such a restriction (for example under the Articles of Association where amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to the Company). 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, or in relation to any resolutions proposed at a general meeting (including the Annual General Meeting), 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. On a poll, the trustee shall vote in accordance with directions given by participants. In the absence of directions, or on a show of hands, the trustee shall not vote.

The trustee of the easyJet plc Employee Benefit Trust (the Trust), which is used to acquire and hold shares in the Company for the benefit of employees, including in connection with the easyJet Long Term Incentive Plan, the International Share Incentive Plan and Sharesave plans, 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 adopts a policy of not voting in respect of such shares.

Both the trustees of the easyJet UK Share Incentive Plan and the easyJet plc Employee Benefit Trust have a dividend waiver in place in respect of shares which are the beneficial property of each of the trusts.

AMENDMENT OF THE ARTICLES OF ASSOCIATION

The Company's Articles of Association may only be amended by a special resolution at a general meeting of the shareholders.

CHANGE OF CONTROL PROVISIONS

The following significant agreements which were in force at 20 November 2017 take effect, alter or terminate on a change of control of the Company.

The Company does not have agreements with any Director or employee that would provide compensation for loss of office or employment resulting from a change of control on takeover, except that provisions of the Company's share schemes and plans may cause options and awards granted to employees under such schemes and plans to vest on a takeover.

Revolving Credit Facility

The Company is party to a Revolving Credit Facility (RCF) which contains change of control provisions. The effect of a change of control would be that unless otherwise agreed by the Company and the agent of the lenders:

- a lender would not be obliged to fund a utilisation of the facility;
- the commitment of the lenders would be cancelled; and
- all amounts accrued would become immediately due and payable.

As at 20 November 2017 no amounts had been drawn down under the RCF.

EMTN Programme and Eurobond issue

On 7 January 2016, the Group established a Euro Medium Term Note Programme (the "EMTN Programme") which provides the Group with a standardised documentation platform to allow for senior unsecured debt issuance in the Eurobond markets. The maximum potential issuance under the EMTN Programme is £3 billion. Under the EMTN Programme, in February 2016, the Company issued Eurobonds consisting of €500 million guaranteed notes paying 1.75% interest and maturing in

2023, and in October 2016 Eurobonds consisting of €500 million guaranteed notes paying 1.125% interest and maturing in October 2023 were also issued (the "Notes"). Pursuant to the final terms attaching to the Notes, the Company will be required to make an offer to redeem or purchase its Notes at its principal amount plus interest up to the date of redemption or repurchase if there is a change of control of the Company which results in a downgrade of the credit rating of the notes to a non-investment grade rating or withdrawal of the rating by both Moody's and Standard & Poor's.

SUBSTANTIAL INTERESTS

In accordance with the Disclosure Guidance and Transparency Rules DTR 5, the Company, as at 30 September 2017, has been notified of the following disclosable interests in its issued ordinary shares:

	Number of shares as notified to the Company	% of issued share capital as at 30 September 2017
The Haji-Ioannou family concert party shareholding, consisting of easyGroup Holdings Limited (holding vehicle for Sir Stelios Haji-Ioannou and Clelia Haji-Ioannou) and Polys Haji-Ioannou (through his holding vehicle Polys Holdings Limited	133,977,772	33.73%
Invesco Ltd	39,814,678	10.02%
BlackRock, Inc.*	25,206,537	6.34%

* Note: Since 30 September 2017, Blackrock, Inc. has made further notifications to the Company, the latest being a disclosure of a decrease in holding to 6.27% (24,933,610 ordinary shares). No other changes to the above have been disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rules DTR 5, between 30 September 2017 and 20 November 2017. All interests disclosed to the Company in accordance with DTR 5 that have occurred since 30 September 2017 can be found at easyJet's corporate website: http://corporate.easyJet.com/investors.

INDEPENDENT AUDITORS

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

RELATIONSHIP AGREEMENT WITH CONTROLLING SHAREHOLDERS

Any person who exercises or controls on their own or together with any person with whom they are acting in concert, 30% or more of the votes able to be cast on all or substantially all matters at general meetings of a Company are known as 'controlling shareholders'. The Financial Conduct Authority's Listing Rules require companies with controlling shareholders to enter into a written and legally binding agreement which is intended to ensure that the controlling shareholder complies with certain independence provisions. The agreement must contain undertakings that:

a. transactions and arrangements with the controlling shareholder (and/or any of its associates) will be conducted at arm's length and on normal commercial terms;
b. neither the controlling shareholder nor any of its associates will take any action that would have the effect of preventing the listed company from complying with its obligations under the Listing Rules; and
c. neither the controlling shareholder nor any of its associates will propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

The Board confirms that, in accordance with the Listing Rules, on 14 November 2014, the Company entered into such an agreement with Sir Stelios Haji-Ioannou (easyJet's founder) and easyGroup Holdings Limited, an entity in which Sir Stelios holds a beneficial interest and which holds shares in the Company on behalf of Sir Stelios (the 'Relationship Agreement'). Under the terms of the Relationship Agreement, Sir Stelios and easyGroup Holdings Limited have agreed to procure the compliance of Polys and Clelia Haji-Ioannou with the independence obligations contained in the Relationship Agreement. Sir Stelios, easyGroup, Polys and Clelia Haji-Ioannou together comprise controlling shareholders of the Company who have a combined total holding of approximately 33% of the Company's voting rights.

The Board confirms that, since the entry into the Relationship Agreement on 14 November 2014 until 20 November 2017, being the latest practicable date prior to the publication of this Annual report and accounts:

i. the Company has complied with the independence provisions included in the Relationship Agreement;
ii. so far as the Company is aware, the independence provisions included in the Relationship Agreement have been complied with by Sir Stelios, easyGroup, and Clelia and Polys Haji-Ioannou and their associates; and
iii. so far as the Company is aware, the procurement obligation included in the Relationship Agreement has been complied with by Sir Stelios and easyGroup Holdings Limited.

IMPORTANT EVENTS AFFECTING THE GROUP SINCE 30 SEPTEMBER 2017

On 27 October easyJet signed an agreement with Air Berlin's administrators, as part of which it will enter into leases for up to 25 A320 aircraft at Berlin Tegel airport, offer employment to former Air Berlin flying crews and take over other assets including slots for a purchase consideration of €40 million. Completion of the transaction is subject to regulatory approvals and the transaction is expected to close in December 2017. For more information on the transaction please refer to page 17.

On 10 November 2017 the Board announced the appointment of Johan Lundgren as its new Chief Executive as replacement to Carolyn McCall. Johan was previously Group Deputy Chief Executive of TUI Group. He will be joining the Company on 1 December 2017, with Carolyn stepping down as Chief Executive on 30 November. Carolyn will remain with the Company to assist with the transition until 31 December 2017.

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 (EU). 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 EU 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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company 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 Group and the Company 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, amongst other things, the financial and corporate governance information provided on the easyJet website (http://corporate.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 Group's and the Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 48 and 49, confirm that, to the best of their knowledge:

- the Group and Company 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 Company; and
- the Strategic report, included in the Annual 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 88 was approved by the Board of Directors and authorised for issue on 20 November 2017 and signed on its behalf by:

Carolyn McCall

CAROLYN MCCALL DBE
Chief Executive

ANDREW FINDLAY
Chief Financial Officer

REPORT ON THE FINANCIAL STATEMENTS

Opinion

In our opinion, easyJet plc's consolidated Group financial statements and Company financial statements (the 'financial statements'):

- give a true and fair view of the state of the Group's and of the Company's affairs as at 30 September 2017 and of the Group's profit and the Group's and the Company's cash flows for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and, as regards the Company's financial statements, as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

What we have audited

We have audited the financial statements, included within the Annual report, which comprise: the Group and Company statements of financial position as at 30 September 2017; the Group income statement and statement of comprehensive income, the Group and Company statements of cash flows, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ('ISAs (UK)') and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company.

Other than those disclosed in the Corporate governance report, we have provided no non-audit services to the Group or the Company in the period from 1 October 2016 to 30 September 2017.

Our audit approach

The Group operates through the Company and its nine subsidiary undertakings, of which six are trading, as set out on page 129 and the Group financial statements are a consolidation of these entities. The accounting for these entities is largely centralised in the UK and our audit scope comprises an audit of the financial information for four of the trading subsidiaries. These procedures gave us the evidence that we needed for our opinion on the Group's financial statements as a whole.

Overview

Materiality

Overall Group materiality: £19.3 million (2016: £24.7 million), based on 5% of profit before tax.

Overall Company materiality: Would amount to £25 million (2016: £21 million), based on 1% of total assets, however, this has been capped at £19.3 million in line with the Group materiality level above.

Audit scope

The Group operates through the Company and its nine subsidiaries; and the Group financial statements are a consolidation of these entities. The accounting for these entities, along with the Group consolidation, is largely centralised in the UK. Our audit scope comprises an audit of the financial information of four of the trading subsidiaries and the Company.

Key audit matters

- Aircraft maintenance provision (Group).
- Fair value of derivative instruments (Group and Company).
- EU 261 provision (Group).
- Goodwill and landing rights impairment assessment (Group).

The scope of our audit and our areas of focus

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Aircraft maintenance provision (Group)	
The Group operates aircraft which are owned or held under finance or operating lease arrangements and incurs liabilities for maintenance costs in respect of aircraft leased under operating leases during the term of the lease. These arise from legal and contractual obligations relating to the required condition of the aircraft when it is returned to the lessor. Maintenance provisions of £284 million for aircraft maintenance costs in respect of aircraft leased under operating leases were recorded in the accounts at 30 September 2017. At each balance sheet date, the calculation of the maintenance provision includes a number of variable factors and assumptions including: 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. We focus on this area because of the inherent level of management judgement required in calculating the amount of provision needed as a result of the complex and subjective elements around these variable factors and assumptions.	We evaluated the maintenance provision model and tested calculations therein. This included assessing the process by which the variable factors within the provision are estimated, evaluating the reasonableness of the assumptions, testing the input data and re-performing calculations. In particular, we challenged the key assumptions using the Group's internal data, such as business plans and maintenance contract terms and previously settled invoices. We also performed sensitivity analysis around the key drivers of the model. We found no material exceptions from these assessments and comparisons. Having ascertained the magnitude of movements in those key 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 aircraft maintenance provisions recorded in the accounts. Our assessment as to likelihood and magnitude did not identify any material exceptions.
Fair value of derivative instruments (Group and Company)	
Given the nature of the business, the Group and the Company make use of derivative financial instruments. Forward contracts are used to hedge transaction currency risk (comprising fuel, leasing and maintenance US dollar payments), jet fuel price risk, and Euro and Swiss franc revenue receipts. At 30 September 2017, the Group's derivative financial assets amounted to £218 million and derivative financial liabilities were £126 million. We focus on these balances because of their materiality to the financial position of the Group and the Company, the volume of transactions passing through the respective accounts and the number of counterparties involved.	We evaluated and assessed the processes, procedures and controls in respect of treasury and other management functions which directly impact the relevant account balances and transactions. We tested management's year end account reconciliation process. The results of this work allowed us to focus on substantiating the year end positions recorded in the financial statements. We did not identify any material exceptions. We independently obtained third party confirmations from counterparties of the year end positions. We assessed the appropriateness of hedge accounting for the derivative financial instruments and tested, using independent data-feeds, the fair values being ascribed to those instruments at the year end. These procedures did not identify any material exceptions. We also assessed the appropriateness of the disclosures in the financial statements in respect of both non-derivative and derivative financial instruments. Based on our work, we considered the disclosures to be appropriate.
EU 261 provision (Group)	
The Group records a provision for EU 261 compensation payable in respect of flight delays and cancellations. At 30 September 2017 this provision was £25.9 million. We focus on this area because of the inherent level of judgement required estimating this provision.	We tested and challenged the reasonableness of the key assumptions underlying the EU 261 provision which included: • passenger claim history; • current levels of passenger claims; • flight disruptions; and • time periods over which the assessment is made. We tested the input data of the EU 261 provision, reperformed the underlying calculations, traced settled claims to cash payments and performed sensitivity analysis over the key drivers of the provision. We found no material exceptions from these procedures. Having ascertained the magnitude of movements in those key assumptions that, either individually or collectively, would be required for the provision to be materially misstated, we considered the likelihood of such movements arising and any impact on the overall level of judgemental provisions recorded in the financial statements. Our assessment as to likelihood and magnitude did not identify any material exceptions.

Key audit matter	How our audit addressed the key audit matter
Goodwill and landing rights impairment assessment (Group)	
Goodwill arises from acquisitions in previous years and has an indefinite expected useful life. Landing rights (which are an intangible asset) are considered by management to have an indefinite useful life as they will remain available for use for the foreseeable future. Goodwill and landing rights are tested for impairment at least annually at the cash-generating unit ("CGU") level. The Group has one CGU, being its route network. As at 30 September 2017, they amounted, in aggregate, to £459 million (refer to notes 1 and 9 to the accounts). We focus on this assessment as the impairment test involves a number of subjective judgements and estimates by management, many of which are forward-looking. These estimates include key assumptions surrounding the strategic plan, fuel prices, exchange rates, long-term economic growth rates and discount rates.	We evaluated and challenged the future cash flow forecasts of the CGU, and the process by which they were drawn up, and tested the underlying value in use calculations. In doing this, we compared the forecast to the latest Board approved plans. We also challenged the key assumptions for fuel prices, exchange rates and long-term growth rates in the forecasts by comparing them to economic and industry forecasts; and the discount rate by assessing the Group's cost of capital. We found no material exceptions from our work. We performed sensitivity analysis around the key assumptions above to ascertain the extent of change in those assumptions that, either individually or collectively, would be required for the goodwill and landing rights to be impaired. We found no material exceptions from this analysis.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Company financial statements
Overall materiality	£19.3 million (2016: £24.7 million).	£19.3 million (2016: £21 million).
How we determined it	5% of profit before tax.	1% of total assets, capped at group materiality.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £930,000 and £19,250,000. Certain components were audited to a local statutory audit materiality that was less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £0.96 million (2016: £1.2 million) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Going concern

In accordance with ISAs (UK) we report as follows:

Reporting obligation	Outcome
We are required to report if we have anything material to add or draw attention to in respect of the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements and the Directors' identification of any material uncertainties to the Group's and the Company's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements.	We have nothing material to add or to draw attention to. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and the Company's ability to continue as a going concern.
We are required to report if the Directors' statement relating to going concern in accordance with Listing Rule 9.8.6R(3) is materially inconsistent with our knowledge obtained in the audit.	We have nothing to report.

Reporting on other information

The other information comprises all of the information in the Annual report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report, Directors' Report and Corporate Governance Statement, we also considered whether the disclosures required by the UK Companies Act 2006 (CA06) have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, CA06, ISAs (UK) and the Listing Rules of the Financial Conduct Authority (FCA) require us also to report certain opinions and matters as described below (required by ISAs (UK) unless otherwise stated).

STRATEGIC REPORT AND DIRECTORS' REPORT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 30 September 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report (CA06).

CORPORATE GOVERNANCE STATEMENT

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 47 to 64) about internal controls and risk management systems in relation to financial reporting processes and about share capital structures in compliance with rules 7.2.5 and 7.2.6 of the Disclosure Guidance and Transparency Rules sourcebook of the FCA ('DTR') is consistent with the financial statements and has been prepared in accordance with applicable legal requirements (CA06).

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in this information (CA06).

In our opinion, based on the work undertaken in the course of the audit, the information given in the Corporate Governance Statement (on pages 47 to 64) with respect to the Company's Corporate Governance Code and practices and about its administrative, management and supervisory bodies and their committees complies with rules 7.2.2, 7.2.3 and 7.2.7 of the DTR (CA06).

We have nothing to report arising from our responsibility to report if a Corporate Governance Statement has not been prepared by the Company (CA06).

THE DIRECTORS' ASSESSMENT OF THE PROSPECTS OF THE GROUP AND OF THE PRINCIPAL RISKS THAT WOULD THREATEN THE SOLVENCY OR LIQUIDITY OF THE GROUP

We have nothing material to add or draw attention to regarding:

The Directors' confirmation on page 88 of the Annual report that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity.

The disclosures in the Annual report that describe those risks and explain how they are being managed or mitigated.

The Directors' explanation on page 31 of the Annual report as to how they have assessed the prospects of the Group, over what period they have done so and why they consider that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

We have nothing to report having performed a review of the Directors' statement that they have carried out a robust assessment of the principal risks facing the Group and statement in relation to the longer-term viability of the Group. Our review was substantially less in scope than an audit and only consisted of making inquiries and considering the Directors' process supporting their statements; checking that the statements are in alignment with the relevant provisions of the UK Corporate Governance Code (the 'Code'); and considering whether the statements are consistent with the knowledge and understanding of the Group and the Company and their environment obtained in the course of the audit (Listing Rules).

OTHER CODE PROVISIONS

We have nothing to report in respect of our responsibility to report when:

The statement given by the Directors, on page 88, that they consider the Annual report taken as a whole to be fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and the Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and the Company obtained in the course of performing our audit.

The section of the Annual report on pages 59 to 62 describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

The Directors' statement relating to the Company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified, under the Listing Rules, for review by the auditors.

DIRECTORS' REMUNERATION

In our opinion, the part of the Directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006 (CA06).

RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS AND THE AUDIT

Responsibilities of the Directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities set out on page 88, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

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
- certain disclosures of Directors' remuneration specified by law are not made; or
- the Company's financial statements 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.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 22 February 2006 to audit the financial statements for the year ended 30 September 2006 and subsequent financial periods. The period of total uninterrupted engagement is 12 years, covering the years ended 30 September 2006 to 30 September 2017.

Andrew Kemp
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

20 November 2017

Consolidated income statement

	Notes	2017 Headline £ million	2017 Non-headline (note 5) £ million	2017 Total £ million	2016 (restated) Headline (note 1) £ million	2016 (restated) Non-headline (note 5) £ million	2016 (restated) Total (note 1) £ million
		Year ended 30 September					
Seat revenue		4,958	–	4,958	4,587	–	4,587
Non-seat revenue		89	–	89	82	–	82
Total revenue	26	5,047	–	5,047	4,669	–	4,669
Fuel		(1,062)	–	(1,062)	(1,114)	–	(1,114)
Airports and ground handling		(1,465)	–	(1,465)	(1,267)	–	(1,267)
Crew		(645)	–	(645)	(542)	–	(542)
Navigation		(381)	–	(381)	(336)	–	(336)
Maintenance		(268)	(6)	(274)	(245)	8	(237)
Selling and marketing		(122)	–	(122)	(107)	–	(107)
Other costs		(371)	(18)	(389)	(294)	(2)	(296)
EBITDAR		733	(24)	709	764	6	770
Aircraft dry leasing		(110)	–	(110)	(91)	–	(91)
Depreciation	10	(181)	–	(181)	(157)	–	(157)
Amortisation of intangible assets	9	(14)	–	(14)	(12)	–	(12)
Operating profit		428	(24)	404	504	6	510
Interest receivable and other financing income		8	2	10	7	3	10
Interest payable and other financing charges		(28)	(1)	(29)	(17)	4	(13)
Net finance charges	2	(20)	1	(19)	(10)	7	(3)
Profit before tax	3	408	(23)	385	494	13	507
Tax (charge)/credit	6	(83)	3	(80)	(67)	(3)	(70)
Profit/(loss) for the year		325	(20)	305	427	10	437
Earnings per share, pence							
Basic	7			77.4			110.9
Diluted	7			76.8			110.1

Consolidated statement of comprehensive income

	Notes	Year ended 30 September 2017 £ million	Year ended 30 September 2016 (restated) £ million
Profit for the year		305	437
Other comprehensive income/(expense)			
Cash flow hedges			
Fair value gains in the year		28	10
Losses transferred to income statement		97	347
Gains transferred to property, plant and equipment		(107)	(28)
Related tax charge	6	(4)	(66)
		14	263
Total comprehensive income for the year		319	700

For capital expenditure cash flow hedges, the accumulated gains and losses recognised in other comprehensive income will be transferred to the initial carrying amount of the asset, within property, plant and equipment. All other items in other comprehensive income will be reclassified to the income statement.

Losses/(gains) on cash flow hedges reclassified from other comprehensive income in income statement captions are as follows:

	2017 £ million	2016 £ million
Revenue	83	(7)
Fuel	38	375
Maintenance	(11)	(8)
Aircraft dry leasing	(15)	(11)
Other costs	2	(2)
	97	347

Consolidated statement of financial position

	Notes	**30 September 2017 £ million**	30 September 2016 (restated) (note 1) £ million
Non-current assets			
Goodwill	9	365	365
Other intangible assets	9	179	152
Property, plant and equipment	10	3,525	3,252
Derivative financial instruments	22	87	154
Restricted cash	13	7	7
Other non-current assets	11	74	112
		4,237	4,042
Current assets			
Trade and other receivables	12	275	205
Derivative financial instruments	22	131	268
Money market deposits	13	617	255
Cash and cash equivalents	13	711	714
		1,734	1,442
Current liabilities			
Trade and other payables	14	(714)	(565)
Unearned revenue		(727)	(568)
Borrowings	15	(8)	(92)
Derivative financial instruments	22	(82)	(275)
Current tax payable		(35)	(16)
Provisions for liabilities and charges	17	(104)	(53)
		(1,670)	(1,569)
Net current assets/(liabilities)		64	(127)
Non-current liabilities			
Borrowings	15	(963)	(664)
Derivative financial instruments	22	(44)	(49)
Non-current deferred income	16	(25)	(36)
Provisions for liabilities and charges	17	(218)	(235)
Deferred tax	6	(249)	(237)
		(1,499)	(1,221)
Net assets		2,802	2,694
Shareholders' equity			
Share capital	18	108	108
Share premium		659	659
Hedging reserve		38	24
Translation reserve		1	1
Retained earnings		1,996	1,902
		2,802	2,694

The accounts on pages 94 to 125 were approved by the Board of Directors and authorised for issue on 20 November 2017 and signed on behalf of the Board.

CAROLYN MCCALL DBE
Director

ANDREW FINDLAY
Director

Consolidated statement of changes in equity

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings (restated) £ million	Total £ million
At 1 October 2016	108	659	24	1	1,920	2,712
Effect of change in accounting policy	–	–	–	–	(18)	(18)
Restated balance at 1 October 2016	108	659	24	1	1,902	2,694
Total comprehensive income	–	–	14	–	305	319
Dividends paid (note 8)	–	–	–	–	(214)	(214)
Share incentive schemes						
Value of employee services	–	–	–	–	13	13
Purchase of own shares	–	–	–	–	(10)	(10)
At 30 September 2017	108	659	38	1	1,996	2,802

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings (restated) £ million	Total £ million
At 1 October 2015	108	659	(239)	1	1,720	2,249
Effect of change in accounting policy	–	–	–	–	(28)	(28)
Restated balance at 1 October 2015	108	659	(239)	1	1,692	2,221
Total comprehensive income	–	–	263	–	437	700
Dividends paid (note 8)	–	–	–	–	(219)	(219)
Share incentive schemes						
Value of employee services	–	–	–	–	19	19
Related tax (note 6)	–	–	–	–	(5)	(5)
Purchase of own shares	–	–	–	–	(22)	(22)
At 30 September 2016	108	659	24	1	1,902	2,694

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 2017 £ million	Year ended 30 September 2016 £ million
Cash flows from operating activities			
Cash generated from operations	20	949	724
Ordinary dividends paid	8	(214)	(219)
Interest and other financing charges paid		(30)	(26)
Interest and other financing income received		9	7
Net tax paid		(51)	(99)
Net cash generated from operating activities		663	387
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(586)	(549)
Purchase of intangible assets	9	(44)	(37)
Net (increase)/decrease in money market deposits	21	(363)	45
Net proceeds from sale and operating leaseback of aircraft		115	-
Net cash used by investing activities		(878)	(541)
Cash flows from financing activities			
Purchase of own shares for employee share schemes		(10)	(22)
Proceeds from Eurobond issue	21	451	379
Repayment of bank loans and other borrowings	21	(220)	(142)
Repayment of capital element of finance leases	21	(7)	(98)
Net decrease in restricted cash		–	6
Net cash generated from financing activities		214	123
Effect of exchange rate changes		(2)	95
Net (decrease)/increase in cash and cash equivalents		(3)	64
Cash and cash equivalents at beginning of year		714	650
Cash and cash equivalents at end of year	13	711	714

Notes to the accounts

1. Accounting policies, judgements and estimates

Statement of compliance

easyJet plc (the 'Company') and its subsidiaries ('easyJet' or the 'Group' as applicable) are 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 IFRS Interpretations Committee (IFRSIC) 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 46. Principal risks and uncertainties are described on pages 34 to 40. Note 23 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 31.

The use of critical accounting estimates and management judgement is required in applying the accounting policies. Areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are highlighted on pages 105 to 106.

Changes in accounting policies

During the year, a change was made to the accounting policy in respect of the presentation of headline and non-headline items (see Critical accounting judgements and estimates section). This provides a relevant and reliable measure for assessing the underlying trading performance of the business by identifying material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This presentational change has been made for the first time in the current year, and the comparative financial statements have been restated.

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. Historically this liability has been treated as part of the surplus or shortfall arising on the sale and leaseback and recognised in either deferred income or non-current or current assets as appropriate and amortised in the income statement on a straight-line basis over the expected lease term.

During the year, the accounting policy was changed to recognise the initial maintenance provision on sale and leasebacks immediately in the income statement. The new accounting policy will result in an accounting treatment which better reflects the economics of the lease arrangements.

This change requires a restatement of previous financial statements.

The following table sets out the adjustments made to certain line items of the previously reported comparative amounts as a result of the change to the initial maintenance provision catch-up on sale and leasebacks accounting policy.

1. Accounting policies, judgements and estimates continued

	Year ended 30 September 2016 As reported £ million	Year ended 30 September 2016 As restated £ million
Impacted lines		
Statement of financial position		
Other non-current assets	121	112
Trade and other receivables	217	205
Trade and other payables	(564)	(565)
Current tax payable	(21)	(16)
Non-current deferred income	(35)	(36)
Net assets	2,712	2,694
Retained earnings	1,920	1,902
Income statement		
Aircraft dry leasing	(103)	(91)
Operating profit	498	510
Profit before tax	495	507
Tax charge	(68)	(70)
Profit for the period	427	437
Earnings per share (pence)		
Basic	108.4	110.9
Diluted	107.6	110.1
Statement of changes in equity		
Retained earnings at 1 October 2015	1,720	1,692
Result for the period	427	437
Retained earnings at 30 September 2016	1,920	1,902

Significant accounting policies

The significant accounting policies applied are summarised below. They have been applied consistently to both years presented. The explanations of these policies focus on areas where judgement is applied or which are particularly significant in the financial statements.

Basis of consolidation

The consolidated accounts incorporate those of easyJet plc and its subsidiaries for the years ended 30 September 2016 and 2017. A full list of subsidiaries can be found in the Notes to the Company accounts on page 129.

A subsidiary is an entity controlled by easyJet plc. Control is achieved when easyJet is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power, directly or indirectly, over the investee.

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, rounded to the nearest £million, 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 gains or losses is recognised in the income statement. Profits and losses of foreign operations are translated into Sterling at average rates of exchange during the year, since this approximates the rates on the dates of the transactions.

Transactions arising in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling using the rate of exchange ruling at the end of a reporting period 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 and similar charges, VAT and discounts), and non-seat revenue.

Seat revenue arises from the sale of flight seats, including the provision of checked baggage, 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; and
- 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 held in the statement of financial position 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.

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 acquired and the liabilities assumed.

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	3-7 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 and residual values are reviewed annually.

	Expected useful life
Aircraft	23 years
Aircraft spares	14 years
Aircraft – prepaid maintenance	7-10 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	3-5 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 end of the reporting period for equivalently aged assets and depreciation rates are 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. For aircraft, easyJet is dependent on Airbus as its sole supplier. This gives rise to a valuation risk which crystallises when aircraft exit the fleet, where easyJet is reliant on the future demand for second-hand aircraft.

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

1. Accounting policies, judgements and estimates continued

Pre-delivery and option payments made in respect of aircraft are recorded in property, plant and equipment at cost. These amounts are not depreciated. Interest attributed to pre-delivery and option payments made in respect of aircraft and other qualifying assets under construction are capitalised and added to the cost of the asset concerned.

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.

Other non-current assets

Payments for aircraft and engine maintenance, as stipulated in the respective operating lease agreements, have historically been made to some lessors as security for the performance of future heavy maintenance works. The payments are recorded within current and non-current assets (as applicable) as receivables from the lessors until the respective maintenance event occurs and the reimbursement with the lessor is finalised. Any payment that is not expected to be reimbursed by the lessor is recognised immediately within operating expenses in the statement of comprehensive income.

Impairment of non-current assets

An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's or cash generating unit'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.

Leases

easyJet enters into sale and leaseback transactions whereby it sells either new or mid-life aircraft to a third party and immediately leases them back. Where sale proceeds received are judged to reflect the aircraft's fair value, any gain or loss arising on disposal is recognised immediately in the income statement. Where sale proceeds received do not represent the aircraft's fair value, any shortfall or surplus arising is deferred within non-current assets or liabilities respectively, and amortised in the income statement 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.

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 trade receivables, cash and money market deposits.

Cash and cash equivalents comprise cash held in bank accounts with no access restrictions and bank deposits and tri-party repos 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, and include trade and other payables, borrowings and provisions. 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 reporting period date.

Derivative financial instruments and hedging activities

easyJet uses foreign currency forward exchange contracts to hedge foreign currency risks on transactions denominated in US dollars, Euros, Swiss francs and South African rand. These transactions primarily affect revenue, fuel and aircraft dry leasing costs, and the carrying value of owned aircraft. easyJet also uses cross-currency interest rate swaps to hedge currency and interest rate risk on certain borrowings, and jet fuel forward contracts to hedge fuel price risks.

Derivative financial instruments are measured at fair value. Hedge accounting is applied to those derivative financial instruments that are designated as cash flow hedges or fair value hedges.

Fair value hedges

Changes in the fair values of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair values of the hedged assets or liabilities that are attributable to the hedged risk.

Cash flow hedges

Gains and losses arising from changes in the fair value of forward contracts are recognised in other comprehensive income and deferred in the hedging reserve to the extent that the hedges are determined to be effective. All other changes in fair value are recognised immediately in the income statement.

When the hedged forecast transaction relates to an item of property, plant and equipment, the relevant accumulated gains and losses are transferred from the hedging reserve and included in the initial carrying amount of that purchased asset. Otherwise they are recognised in the income statement in the same period in which the hedged transaction affects the income statement.

In the event that a hedged forecast transaction is no longer considered highly probable, any related gains and losses are immediately transferred from the hedging reserve and recognised in 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 remains a highly probable forecast transaction, the related gains and losses remain deferred in the hedging reserve until the transaction takes place.

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 consists of 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 calculated 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.

1. Accounting policies, judgements and estimates continued

Where an aircraft is sold and leased back, other than when first delivered to easyJet, a maintenance catch-up liability resulting from past flying activity arises at the point the lease agreement is signed and a corresponding maintenance provision catch-up is recognised immediately in the income statement.

A number of leases also require easyJet to pay recoverable 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. This recoverable supplemental rent is included in trade and other receivables within current assets and other non-current assets, as applicable, and is refunded when qualifying heavy maintenance is performed, or is offset against the costs incurred at the end of the lease.

Other provisions

Provisions are recognised when a present legal or constructive obligation arises as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Amounts provided for represent the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account all related risks and uncertainties.

Provision is made for passenger compensation claims when the Group has an obligation to recompense customers under Flight Compensation Regulation 261/2004. Provisions are measured based on known eligible events, passengers impacted and historical claim rates.

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 benefit 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, the Save As You Earn scheme, Restricted Share Plan 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 Save As You Earn 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 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 are 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; and
- commission revenue earned from partners is allocated according to the domicile of each partner.

Critical accounting judgements and estimates

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 amounts are based on management's best estimates, 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 are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised and presented in the financial statements.

Classification of operating and financing leases (Notes 10 and 24)

Management exercises judgement in determining the classification of leases as either finance or operating leases in nature at inception of the lease. Management considers the likelihood of exercising break clauses or extension options in determining the lease term. Where the lease term constitutes substantially all of the economic life of the asset, or where the present value of minimum lease payments amount to substantially all of the fair value of the aircraft, the lease is classified as a finance lease. All other leases are classified as operating leases.

Classification of income or expenses between headline and non-headline items (Note 5)

The Group seeks to present a measure of underlying performance which is not impacted by material non-recurring items or items which are not considered to be reflective of the trading performance of the business. This measure of profit is described as 'headline' and is used by the Directors to measure and monitor performance. The excluded items are referred to as 'non-headline' items.

Non-headline items may include impairments, amounts relating to acquisitions and disposals, expenditure on major restructuring programmes, litigation and insurance settlements, balance sheet exchange gains or losses, the income or expense resulting from the initial recognition of sale and lease back transactions, fair value adjustments on financial instruments and other particularly significant or unusual non-recurring items. Items relating to the normal trading performance of the business will always be included within the headline performance.

Judgement is required in determining the classification of items between headline and non-headline.

Consolidation of easyJet Switzerland

Judgement has been applied in consolidating easyJet Switzerland S.A. 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 consolidated 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 pre-determined minimal consideration.

The following three critical accounting estimates involve a higher degree of judgement or complexity, or are areas where assumptions are significant to the financial statements:

Aircraft maintenance provisions – £284 million (Note 17)

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. The most critical estimates required are considered to be the utilisation of the aircraft, the expected costs of the heavy maintenance checks at the time which they are expected to occur, the condition of the aircraft, the lifespan of life-limited parts and the rate used to discount the provision.

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.

Other provisions – £38 million (Note 17)

easyJet incurs liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges. Estimates include passenger claim rates, the value of claims made and the period of time over which claims will be made. The bases of all estimates are reviewed at least annually and also when information becomes available that is capable of causing a material change to the estimate.

Goodwill and landing rights – £459 million (Note 9)

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.

1. Accounting policies, judgements and estimates continued

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 key estimates including its ability to meet its strategic plans, future fuel prices and exchange rates, long-term economic growth rates for the principal countries in which it operates, and its pre-tax weighted average cost of capital. Both fuel price and exchange rates are volatile in nature, and the assumptions used are sensitive to significant changes in these rates.

New and revised standards and interpretations not applied

The following new or revised standards and interpretations issued by the International Accounting Standards Board (IASB) have not been applied in preparing these accounts as their effective dates fall in periods beginning on or after 1 October 2017 (and in some cases have not been endorsed by the EU).

IFRS 15 'Revenue from Contracts with Customers' – effective for the year ending 30 September 2019

easyJet will adopt IFRS 15 on 1 October 2018 and anticipates applying the cumulative catch-up ("modified") transition method.

The standard provides a single model for measuring and recognising revenue arising from contracts with customers. It supersedes all existing revenue requirements in IFRS. Under IFRS 15, revenue is recognised when customers obtain control of goods or services and so are able to direct the use, and obtain the benefits, of those goods or services.

easyJet has reviewed all revenue streams as part of its IFRS 15 impact assessment. Whilst the majority of revenues are already recognised in line with the requirements of the new standard, revenue recognition from certain ancillary streams will be delayed from the date of booking to the date of flight.

This change is expected to result in a higher proportion of annual revenues being recognised in the second half of the financial year. More specifically, under IAS 18, administration fees arising on bookings in the first half of the financial year for flights in the second half would be recognised in the first half of the year; under IFRS 15 these revenues will be recognised in the second half.

The anticipated full year impact on adoption of the standard is expected to be immaterial.

IFRS 9 'Financial Instruments' – effective for the year ending 30 September 2019

easyJet will adopt IFRS 9 on 1 October 2018 and anticipates applying the standard prospectively with no retrospective adjustments required.

The standard removes the multiple classification and measurement models for financial assets required by IAS 39 and instead introduces a model that has three classification categories: amortised cost; fair value through the Income Statement and fair value through Other Comprehensive Income. Classification of a debt asset instrument is driven by its cash flow characteristics and the business model in which the asset is held. Accounting for financial liabilities and for derecognising financial instruments under IFRS 9 is materially consistent with that required by IAS 39. IFRS 9 adds new requirements to address the impairment of financial assets and hedge accounting.

easyJet does not anticipate any material change in the classification or measurement of its financial instruments or in its hedging activities on adoption of the standard.

IFRS 16 'Leases' – effective for the year ending 30 September 2020

easyJet is currently planning to early adopt IFRS 16 on 1 October 2018, bringing the timing of adoption in line with that of IFRS 9 and IFRS 15. easyJet anticipates applying the cumulative catch-up ("modified") transition method.

The standard provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. Under IFRS 16, easyJet will capitalise all aircraft and properties currently held under operating leases. Operating lease expenses will be replaced by a depreciation expense on Right of Use assets recognised and an interest expense as the interest rate implicit in easyJet's lease liabilities unwinds.

At 30 September 2017 (excluding the impact of the post balance sheet Air Berlin transaction (see note 28) which has not yet been evaluated) easyJet anticipates that on adoption of IFRS 16 on 1 October 2018, it will recognise approximately £0.3 billion of lease liabilities and approximately £0.3 billion of Right of Use Assets. Annual operating lease expenses of £0.1 billion, which would have been recognised under the existing leases standard, will be replaced by anticipated similar levels of depreciation and interest expense such that no material impact on profit before tax is expected in the year of transition.

Retained earnings are expected to decrease slightly on adoption of IFRS 16, reflecting the difference in carrying value between Right of Use assets and Lease Liabilities initially recognised.

Key assumptions used to calculate the impacts outlined above:

- easyJet anticipates the continuation of its aircraft sale and leaseback programme prior to the date of transition;
- a USD/GBP foreign exchange rate of 1.27/1 at the date of initial application and throughout year of initial application; and
- based on current aircraft financing incremental borrowing rate estimates, calculations at the date of initial application use a discount rate of 2 per cent.

Effective for the year ending 30 September 2018 (not yet EU endorsed)

IAS 7 'Statement of Cash flows' – Amendments relating to the IASB's Disclosure Initiative intended to provide information to help investors better understand changes in a company's debt.

IAS 12 'Income Taxes' – Amendments relating to the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value.

Effective for the year ending 30 September 2019 (not yet EU endorsed)

IFRS 2 'Share-based Payment' – Amendments clarifying how to account for certain types of share-based payment transactions.

2. Net finance charges

	2017 £ million	2016 £ million
Interest receivable and other financing income		
Interest income	(6)	(4)
Dividend income	(2)	(3)
Net exchange gains on monetary assets and liabilities	(2)	(3)
	(10)	(10)
Interest payable and other financing charges		
Interest payable on bank and other borrowings	20	8
Interest payable on finance lease obligations	4	4
Other interest payable	5	1
	29	13
Net finance charges	19	3

3. Profit before tax

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

	2017 £ million	2016 (restated) £ million
Depreciation of property, plant and equipment		
Owned assets	177	150
Assets held under finance leases	4	7
Loss on disposal of intangibles, property, plant and equipment	4	3
Loss on sale and leaseback	10	–
Operating lease rentals		
Aircraft	124	101
Other assets	7	6

Auditors' remuneration

During the year easyJet incurred fees payable for the audit of the Group and individual accounts from easyJet's auditors and their associates totalling £0.4 million (2016: £0.4 million). In addition, easyJet incurred non-audit services fees of £32,000 (2016: audit related fees of £38,000) from its auditors.

4. Employees

The average monthly number of people employed by easyJet was:

	2017 Number	2016 Number
Flight and ground operations	10,932	9,571
Sales, marketing and administration	723	702
	11,655	10,273

Employee costs for easyJet were:

	2017 £ million	2016 £ million
Wages and salaries	570	474
Social security costs	73	63
Pension costs	61	48
Share-based payments	13	19
	717	604

Key management compensation was:

	2017 £ million	2016 £ million
Short-term employee benefits	8	7
Share-based payments	–	4
	8	11

Share-based payment charges arising during the year in respect of grants to key management personnel are offset by credits recognised on certain forfeitures arising from bad leavers and from downward revisions to some LTIP forecast vesting percentages.

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:

	2017 £ million	2016 £ million
Remuneration	3	3
Gains made on the exercise of Long Term Incentive Plan and Buy Out awards	3	–
	6	3

Details of Directors' remuneration are disclosed in the Directors' remuneration report on pages 65 to 84.

5. Non-headline items

An analysis of the amounts presented as non-headline is given below:

	Year ended 30 September 2017 £ million	Year ended 30 September 2016 £ million
Sale and leaseback charge	16	–
Organisational review	6	1
Air Operator Certificate (AOC)	2	1
Maintenance reserves discounting	–	(8)
Recognised in operating profit	24	(6)
Balance sheet foreign exchange gain	(2)	(3)
Fair value adjustment	1	(4)
Total non-headline charge/(credit) before tax	23	(13)
Tax on non-headline items	(3)	3
Total non-headline charge/(credit) after tax	20	(10)

Sale and leaseback charge
The sale and leaseback of the Group's 10 oldest A319 aircraft resulted in a loss on disposal of the assets of £10 million, recognised within other costs in the income statement, and a £6 million maintenance provision catch-up, charged immediately to the income statement upon entering the lease, within maintenance costs.

Organisational review
The implementation of an organisational review has resulted in costs of £6 million, which have been recognised in other costs within the income statement. This programme, which involves redundancy costs and associated third party adviser fees, is considered a material non-recurring item by virtue of the estimated size of the whole programme.

Air Operator Certificate (AOC)
Following the UK's referendum vote to leave the European Union (EU), easyJet is in the process of establishing a multi-AOC post-Brexit structure, which included the set-up of an European AOC, based in Austria, in July 2017. The European AOC helps secure future flying rights for the 30% of easyJet's network which remains wholly within and between EU member states. In the year ended 30 September 2017 the Group incurred £2 million, primarily comprising set up costs, which have been recognised in other costs within the income statement.

Maintenance reserves discounting
In the year ended 30 September 2016 the maintenance provision was discounted for the first time, reflecting the time value of money. The discount applied generated a cumulative one-off non-headline income statement credit of £8 million. In the year ended 30 September 2017 and for future periods the impact of discounting will be reflected as a headline item.

Balance sheet foreign exchange gain
Foreign exchange gains or losses arising from the retranslation of foreign currency monetary assets and liabilities held in the statement of financial position resulted in a gain of £2 million, recognised within interest in the income statement.

Fair value adjustment
A £1 million charge was recognised relating to fair value adjustments associated with the cross-currency interest rate swaps put in place to hedge the bond issued in February 2016, recognised within interest in the income statement.

6. Tax charge
Tax on profit on ordinary activities

	2017 £ million	2016 (restated) £ million
Current tax		
United Kingdom corporation tax	67	79
Foreign tax	5	4
Prior year adjustments	–	(2)
Total current tax charge	72	81
Deferred tax		
Temporary differences relating to property, plant and equipment	6	23
Other temporary differences	–	(1)
Prior year adjustments	3	3
Change in tax rate from financial year 2017 to 19% (2016: 20%)	–	(14)
Change in tax rate from financial year 2020 to 17%	–	(22)
Attributable to rates other than the standard UK rate	(1)	–
Total deferred tax charge/(credit)	8	(11)
	80	70
Effective tax rate	20.8%	13.8%

6. Tax charge continued

Reconciliation of the total tax charge

The tax for the year is higher than (2016: lower than) the standard rate of corporation tax in the UK as set out below:

	2017 £ million	2016 £ million
Profit before tax	385	507
Tax charge at 19.5% (2016: 20%)	75	101
Attributable to rates other than standard UK rate	–	1
Expenses not deductible for tax purposes	2	–
Share-based payments	1	3
Adjustments in respect of prior years – current tax	–	(2)
Adjustments in respect of prior years – deferred tax	3	3
Change in tax rate from financial year 2017 to 19% (2016: 20%)	–	(14)
Change in tax rate from financial year 2020 to 17%	–	(22)
Attributable to rates other than the standard UK rate	(1)	-
	80	70

Current tax payable at 30 September 2017 amounted to £35 million (2016 (restated): £16 million. See note 1.). This related to £38 million (2016 (restated): £19 million) of tax payable in the UK and £3 million (2016: £3 million) to tax recoverable in other European countries.

During the year ended 30 September 2017, net cash tax paid amounted to £51 million (2016: £99 million).

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

	2017 £ million	2016 £ million
Charge to other comprehensive income		
Deferred tax on change in fair value of cash flow hedges	(4)	(66)
Credit/(charge) to shareholders' equity		
Current tax credit on share-based payments	–	1
Deferred tax charge on share-based payments	–	(6)
	–	(5)

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/(losses) £ million	Share-based payments £ million	Total £ million
At 1 October 2016	191	33	19	(6)	237
Charged to income statement	8	–	–	–	8
Charged to other comprehensive income	–	–	4	–	4
Charged to shareholders' equity	–	–	–	–	–
At 30 September 2017	199	33	23	(6)	249

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains/(losses) £ million	Share-based payments £ million	Total £ million
At 1 October 2015	199	37	(46)	(14)	176
(Credited)/Charged to income statement	(8)	(4)	(1)	2	(11)
Charged to other comprehensive income	–	–	66	–	66
Charged to shareholders' equity	–	–	–	6	6
At 30 September 2016	191	33	19	(6)	237

It is estimated that deferred tax liabilities of approximately £15 million (2016: deferred tax assets of £1 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 £249 million (2016: £237 million). The net overseas deferred tax asset is £nil (2016: £nil).

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

7. Earnings per share

Basic earnings per share has been calculated by dividing the total 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.

Headline basic and diluted earnings per share are also presented, based on headline profit for the year.

Earnings per share is based on:

	2017 £ million	2016 (restated) £ million
Headline profit for the year	325	427
Total profit for the year	305	437

	2017 million	2016 million
Weighted average number of ordinary shares used to calculate basic earnings per share	394	394
Weighted average number of dilutive potential shares	3	3
Weighted average number of ordinary shares used to calculate diluted earnings per share	397	397

Earnings per share	**2017 pence**	2016 (restated) pence
Basic	77.4	110.9
Diluted	76.8	110.1

Headline earnings per share	**2017 pence**	2016 pence
Basic	82.5	108.4
Diluted	81.9	107.6

8. Dividends

An ordinary dividend in respect of the year ended 30 September 2017 of 40.9 pence per share, or £162 million, based on headline profit after tax, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 53.8 pence per share, or £214 million, in respect of the year ended 30 September 2016 was paid in the year ending 30 September 2017. An ordinary dividend of 55.2 pence per share, or £219 million, in respect of the year ended 30 September 2015 was paid in the year ended 30 September 2016.

9. Goodwill and other intangible assets

		Other intangible assets		
	Goodwill £ million	**Landing rights £ million**	**Computer software £ million**	**Total £ million**
Cost				
At 1 October 2016	365	94	75	169
Additions	–	–	44	44
Disposals	–	–	(4)	(4)
At 30 September 2017	365	94	115	209
Amortisation				
At 1 October 2016	–	–	17	17
Charge for the year	–	–	14	14
Disposals	–	–	(1)	(1)
At 30 September 2017	–	–	30	30
Net book value				
At 30 September 2017	365	94	85	179
At 1 October 2016	365	94	58	152

9. Goodwill and other intangible assets continued

	Goodwill £ million	Other intangible assets: Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2015	365	94	60	154
Additions	–	–	37	37
Disposals	–	–	(22)	(22)
At 30 September 2016	365	94	75	169
Amortisation				
At 1 October 2015	–	–	27	27
Charge for the year	–	–	12	12
Disposals	–	–	(22)	(22)
At 30 September 2016	–	–	17	17
Net book value				
At 30 September 2016	365	94	58	152
At 1 October 2015	365	94	33	127

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 forecast cash flows presented to the Board for the period up to 2022, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	10%
Fuel price (US dollars per metric tonne)	550 – 600
Exchange rates:	
US dollar	1.27
Euro	1.10
Swiss franc	1.25

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.

The impairment model is sensitive to a sustained significant adverse movement in foreign currency exchange rates.

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.

10. Property, plant and equipment

	Aircraft and spares £ million	**Other £ million**	**Total £ million**
Cost			
At 1 October 2016	3,971	63	4,034
Additions	584	2	586
Aircraft sold and leased back under operating leases	(186)	–	(186)
Transfer to maintenance provision	(6)	–	(6)
Disposals	(18)	(5)	(23)
At 30 September 2017	4,345	60	4,405
Depreciation			
At 1 October 2016	763	19	782
Charge for the year	176	5	181
Aircraft sold and leased back under operating leases	(61)	–	(61)
Disposals	(17)	(5)	(22)
At 30 September 2017	861	19	880
Net book value			
At 30 September 2017	3,484	41	3,525
At 1 October 2016	3,208	44	3,252

	Aircraft and spares £ million	Other £ million	Total £ million
Cost			
At 1 October 2015	3,485	43	3,528
Additions	526	23	549
Transfer to maintenance provision	(14)	–	(14)
Disposals	(26)	(3)	(29)
At 30 September 2016	3,971	63	4,034
Depreciation			
At 1 October 2015	636	15	651
Charge for the year	152	5	157
Disposals	(25)	(1)	(26)
At 30 September 2016	763	19	782
Net book value			
At 30 September 2016	3,208	44	3,252
At 1 October 2015	2,849	28	2,877

The net book value of aircraft includes £300 million (2016: £280 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £nil million (2016: £381 million) are mortgaged to lenders as loan security.

Aircraft with a net book value of £77 million (2016: £76 million) are held under finance leases.

easyJet is contractually committed to the acquisition of 143 (2016: 166) Airbus A320 family aircraft, with a total list price of US$14.0 billion (2016: US$14.8 billion) before escalations and discounts for delivery in financial years 2018 (36 aircraft), in 2019 (21 aircraft), in 2020 (23 aircraft), in 2021 (35 aircraft) and in 2022 (28 aircraft).

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

11. Other non-current assets

	2017 £ million	2016 (restated) £ million
Deferred consideration and deposits held by aircraft lessors	66	95
Leased aircraft – shortfall on sale and leaseback	–	6
Recoverable supplemental rent (pledged as collateral)	6	7
Other	2	4
	74	112

12. Trade and other receivables

	2017 £ million	2016 (restated) £ million
Trade receivables	95	62
Less provision for impairment	(4)	(5)
	91	57
Prepayments and accrued income	118	97
Leased aircraft – shortfall on sale and leaseback	5	8
Recoverable supplemental rent (pledged as collateral)	28	5
Other receivables	33	38
	275	205

Trade and other receivables of £19 million (2016: £24 million) are up to three months past due but not impaired.

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.

13. Cash and money market deposits

	2017 £ million	2016 £ million
Cash and cash equivalents (original maturity less than three months)	711	714
Money market deposits (original maturity more than three months)	617	255
Non-current restricted cash	7	7
	1,335	976

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:

	2017 £ million	2016 £ million
Pledged as collateral to third parties:		
Aircraft operating lease deposits	7	7

14. Trade and other payables

	2017 £ million	2016 (restated) £ million
Trade payables	201	126
Accruals	412	350
Leased aircraft – surplus on sale and leaseback	9	12
Taxes and social security	20	13
Other payables	72	64
	714	565

15. Borrowings

	Current £ million	Non-current £ million	Total £ million
At 30 September 2017			
Eurobond	–	870	870
Finance lease obligations	8	93	101
	8	963	971

	Current £ million	Non-current £ million	Total £ million
At 30 September 2016			
Eurobond	–	435	435
Bank loans	84	126	210
Finance lease obligations	8	103	111
	92	664	756

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

The maturity profile of borrowings is set out in note 23.

On 7 January 2016, the UK Listing Authority approved a prospectus relating to the establishment of a £3,000 million Euro Medium Term Note Programme of easyJet plc. Under this programme, in February 2016 easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.750% and in October 2016 easyJet plc issued notes amounting to €500 million for a seven year term with a fixed annual coupon rate of 1.125%.

The €500 million Eurobond issued in February 2016 was designated as the hedged item in an effective fair value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling floating rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2017 was £377 million. See note 22 for additional details.

The €500 million Eurobond issued in October 2016 was designated as the hedged item in an effective cash flow value hedging relationship. The Group used cross-currency interest rate swaps to convert the fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps have the same maturity and common terms as the Eurobond that they are hedging. The carrying value of the fixed rate Eurobond net of cross-currency interest rate swaps at 30 September 2017 was £448 million. See note 22 for additional details.

On 10 February 2015 easyJet signed a $500 million revolving credit facility with a minimum five-year term. The facility is currently due to mature in February 2022.

16. Non-current deferred income

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

17. Provisions for liabilities and charges

	Maintenance provisions £ million	Other provisions £ million	Total provisions £ million
At 1 October 2016	259	29	288
Exchange adjustments	(8)	–	(8)
Charged to income statement	51	125	176
Related to aircraft sold and leased back	6	–	6
Transferred from property, plant and equipment	(6)	–	(6)
Utilised	(18)	(116)	(134)
At 30 September 2017	**284**	**38**	**322**

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

Other provisions comprise liabilities for amounts payable to customers who make claims in respect of flight delays and cancellations, refunds of air passenger duty or similar charges and other provisions.

	2017 £ million	2016 £ million
Current	104	53
Non-current	218	235
	322	288

Maintenance provisions are expected to be utilised within six years. Other provisions are expected to be utilised within one year.

18. Share capital

	Number		Nominal value	
	2017 £ million	2016 £ million	**2017 £ million**	2016 £ million
Authorised				
At 30 September 2017 and 30 September 2016				
Ordinary shares of 27 2/7 pence each	458	458	125	125
Allotted, called up and fully paid				
At 30 September 2017 and 30 September 2016	397	397	108	108

There was no new share capital issued in the year.

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

	2017	2016
Number of shares (million)	1	2
Cost (£ million)	21	25
Market value at year end (£ million)	17	16

19. 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 2016 million	Granted million	Forfeited million	Exercised million	**30 September 2017 million**
Long Term Incentive Plan					
18 December 2012	0.3	–	–	(0.3)	**–**
17 December 2013	0.5	–	(0.3)	(0.1)	**0.1**
19 December 2014	0.7	–	(0.2)	–	**0.5**
18 December 2015	0.7	–	(0.2)	–	**0.5**
19 December 2016	–	1.0	(0.2)	–	**0.8**
Restricted Share Plan					
19 December 2016	–	0.1	–	–	**0.1**
Save As You Earn scheme					
1 July 2013	0.3	–	(0.2)	(0.1)	**–**
1 July 2014	0.6	–	(0.2)	–	**0.4**
1 July 2015	0.9	–	(0.5)	–	**0.4**
1 July 2016	1.2	–	(0.5)	–	**0.7**
1 July 2017	–	2.4	–	–	**2.4**
Share Incentive Plans	4.3	0.4	(0.3)	(0.8)	**3.6**
	9.5	3.9	(2.6)	(1.3)	**9.5**

Weighted average exercise prices are as follows:

	1 October 2016 £	Granted £	Forfeited £	Exercised £	**30 September 2017 £**
Save As You Earn scheme	12.39	9.69	12.29	9.69	**10.83**

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 are as follows:

	Price £		Number million	
	2017	2016	**2017**	2016
Long Term Incentive Plan	**–**	–	**0.1**	0.3
Restricted Share Plan	**–**	–	**–**	–
Save As You Earn scheme	**13.30**	9.69	**0.4**	0.3
			0.5	0.6

The weighted average remaining contractual life for each class of share award at 30 September 2017 is as follows:

	Years
Long Term Incentive Plan	**8.3**
Restricted Share Plan	**9.2**
Save As You Earn scheme	**2.6**

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 250% (200% up to 31 December 2014) of salary each year. For awards granted from the 2015 financial year onwards, the vesting of these shares is dependent on return on capital employed (ROCE) targets and total shareholder return (TSR) targets compared to FTSE ranked companies at the start of the performance period. All awards have a three-year vesting period; 2017 awards are assessed on performance conditions measured over the three financial years ended 30 September 2019.

Restricted Share Plan

Granted for the first time in December 2016, the plan is open by invitation to certain senior managers, and provides for an annual award of Performance Shares. The vesting of these shares is dependent on remaining in employment for a period of two years.

Save As You Earn scheme

The scheme is open to all employees on the UK payroll. Participants may elect to save up to £500 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, the option becomes exercisable for a period of six months. Employees who are not paid through the UK payroll may participate in the scheme under similar terms and conditions, albeit without the same tax benefits.

Share Incentive Plan

The plan is open to all employees on the UK payroll. Participants may invest up to £1,800 of their pre-tax salary each year to purchase partnership shares in easyJet. For each partnership share acquired, easyJet purchases a matching share up to a maximum value of £1,500 per annum. 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 on shares purchased, and to vote at shareholder meetings.

Subject to Company performance, easyJet also issues free shares to UK employees under an approved share incentive plan of up to £3,000 per annum in value. There is a similar unapproved free shares scheme for international employees.

The fair value of grants under the Save As You Earn scheme are calculated by applying the Binomial Lattice option pricing model. The fair value of grants under the TSR 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 £
Long Term Incentive Plan						
18 December 2012 – ROCE	7.37	–	–	–	–	6.92
18 December 2012 – TSR	7.37	–	33	3.0	0.44	5.16
17 December 2013 – ROCE	14.99	–	–	–	–	14.99
17 December 2013 – TSR	14.99	–	31	3.0	0.76	9.83
19 December 2014 – ROCE	16.52	–	–	–	–	16.52
19 December 2014 – TSR	16.52	–	29	3.0	0.78	11.65
18 December 2015 – ROCE	17.13	–	–	–	–	17.13
18 December 2015 – TSR	17.13	–	29	3.0	0.81	9.69
19 December 2016 – ROCE	10.43	–	–	–	–	10.43
19 December 2016 – TSR	10.43	–	35	3.0	1.40	5.21
Restricted Share Plan						
19 December 2016	10.43	–	–	–	–	10.43
Save As You Earn scheme						
1 July 2013	12.11	9.69	34	3.5	0.32	3.54
1 July 2014	16.62	13.30	33	3.5	1.64	5.03
1 July 2015	16.54	13.23	31	3.5	0.95	4.42
1 July 2016	14.98	11.98	35	3.5	0.20	4.28
1 July 2017	12.11	9.69	31	3.5	0.42	2.84

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

Exercise price for the Save As You Earn scheme is set at a 20% discount from the share price at grant date.

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 £11.23 (2016: £15.04).

For grants under the Save As You Earn scheme, the dividend yield assumption is calculated based on the actual yield at the date of grant. For the options granted in 2012 to 2014, the dividend yield assumption was 2% and this increased to 2.75% in 2015, to 3.5% in 2016 and to 4.2% in 2017.

20. Reconciliation of operating profit to cash generated from operations

	2017 £ million	2016 (restated) £ million
Operating profit	404	510
Adjustments for non-cash items:		
Depreciation	181	157
Loss on disposal of property, plant and equipment	4	3
Loss on sale and leaseback	10	–
Amortisation of intangible assets	14	12
Share-based payments	13	19
Other	(2)	–
Changes in working capital and other items of an operating nature:		
(Increase)/decrease in trade and other receivables	(74)	8
Increase in trade and other payables	147	44
Increase/(decrease) in unearned revenue	159	(51)
Increase in provisions	44	44
Decrease/(increase) in other non-current assets	38	(3)
Increase/(decrease) in derivative financial instruments	22	(7)
Decrease in non-current deferred income	(11)	(12)
Cash generated from operations	949	724

21. Reconciliation of net cash flow to movement in net cash

	1 October 2016 £ million	Fair value and foreign exchange £ million	Loan issue costs capitalised £ million	Loan issue costs amortised £ million	Net cash flow £ million	30 September 2017 £ million
Cash and cash equivalents	714	(2)	–	–	(1)	711
Money market deposits	255	(1)	–	–	363	617
	969	(3)	–	–	362	1,328
Eurobond	(435)	10	8	(2)	(451)	(870)
Bank loans	(210)	(10)	–	–	220	–
Finance lease obligations	(111)	3	–	–	7	(101)
	(756)	3	8	(2)	(224)	(971)
Net cash	213	–	8	(2)	138	357

22. 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 2017	Loans and receivables £ million	Financial liabilities £ million	Fair value hedges[1] £ million	Cash flow hedges[2] [3] £ million	Other £ million	Carrying value £ million	Fair value £ million
Other non-current assets	72	–	–	–	2	74	74
Trade and other receivables	177	–	–	–	98	275	275
Trade and other payables	–	(613)	–	–	(101)	(714)	(714)
Derivative financial instruments	–	–	61	31	–	92	92
Restricted cash	7	–	–	–	–	7	7
Money market deposits	617	–	–	–	–	617	617
Cash and cash equivalents	711	–	–	–	–	711	711
Eurobonds[1]	–	(870)	–	–	–	(870)	(909)
Finance lease obligations	–	(101)	–	–	–	(101)	(105)

At 30 September 2016	Amortised cost: Loans and receivables £ million	Amortised cost: Financial liabilities £ million	Held at fair value: Fair value hedges[1] £ million	Held at fair value: Cash flow hedges £ million	Other (restated) £ million	Carrying value £ million	Fair value £ million
Other non-current assets	102	–	–	–	10	112	112
Trade and other receivables	145	–	–	–	60	205	205
Trade and other payables	–	(468)	–	–	(97)	(565)	(565)
Derivative financial instruments	–	–	61	37	–	98	98
Restricted cash	7	–	–	–	–	7	7
Money market deposits	255	–	–	–	–	255	255
Cash and cash equivalents	714	–	–	–	–	714	714
Eurobond[1]	–	(435)	–	–	–	(435)	(453)
Bank loans	–	(210)	–	–	–	(210)	(210)
Finance lease obligations	–	(111)	–	–	–	(111)	(117)

(1) In February 2016, easyJet plc issued a €500 million bond under the €3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.750%. At the same time the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling floating rate exposure. All three swaps pay floating interest (3 month LIBOR plus a margin) quarterly, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a fair value hedge of the interest rate and currency risks on the €500 million Eurobond. The swaps are measured at fair value through profit or loss with any gains or losses being taken immediately to the income statement. The carrying value of the Eurobond is adjusted for changes in fair value attributable to the risks being hedged. This net carrying value differs to the swaps' fair value depending on movements in the Group's credit risk and cross-currency basis. The fair value of the Eurobond represents the quoted market price of the Eurobond as at 30 September 2017. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 30 September 2017 was £377 million.

(2) In October 2016 easyJet plc issued a €500 million bond under the €3,000 million Euro Medium Term Note Programme guaranteed by easyJet Airline Company Limited. The Eurobond pays an annual fixed coupon of 1.125%. Shortly after the issuance of the €500 million bond the Group entered into three cross-currency interest rate swaps to convert the entire €500 million fixed rate Eurobond to a Sterling fixed rate exposure. The cross-currency interest rate swaps were executed on 8 November 2016 with settlement and notional exchange occurring on 14 November 2016. All three swaps pay fixed interest semi-annually, receive fixed interest annually, and have maturities matching the Eurobond. The Group designated all three cross-currency interest rate swaps as a cash flow hedge of the currency risk on the €500 million Eurobond. The cross-currency interest rate swaps are measured at fair value with the effective portion taken through the statement of comprehensive income. The element of the fair value generated by the change in the spot rate is recycled to the income statement from the statement of comprehensive income to offset the revaluation of the Eurobond. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 30 September 2017 was £448 million.

(3) On 21 and 22 September 2017 foreign exchange forward contracts were de-designated from cash flow hedge relationships when the fair value of these trades was a liability of £4.6 million. This amount is held in other comprehensive income to be recycled to the income statement once the hedged item impacts the profit and loss. Foreign exchange forward contracts designated at fair value through profit or loss offsetting these derivatives were entered into at the point of de-designation and as such derivatives held at fair value through profit and loss on the balance sheet total a net liability of £4.6 million as at 30 September 2017,

The fair value of the Eurobonds are classified as level 1 of the IFRS 13 'Fair Value Measurement' fair value hierarchy. The remaining financial instruments for which fair value is disclosed in the table above, and derivative financial instruments, are classified as level 2.

The fair value measurement hierarchy levels have been defined as follows:

- Level 1, fair value of financial instruments based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2, fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives), which are determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.
- Level 3, fair value of financial instruments that are not based on observable market data.

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

The fair values of derivatives and financial instruments have been determined by reference to observable market prices where the instruments are traded, where available. Where market prices are not available, the fair value has been estimated by discounting expected future cash flows at prevailing interest rates and by applying year end exchange rates.

22. Financial instruments continued

Fair value of derivative financial instruments

At 30 September 2017	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges						
US dollar	2,537	–	50	(25)	(29)	(4)
Euro	2,185	2	22	(49)	(5)	(30)
Swiss franc	389	5	3	(6)	–	2
South African rand	335	3	1	–	–	4
Jet fuel	3	16	55	(2)	(2)	67
Cross-currency interest rate swaps	445	–	–	–	(8)	(8)
Designated as fair value hedges						
Cross-currency interest rate swaps	379	61	–	–	–	61
		87	131	(82)	(44)	92

At 30 September 2016	Quantity million	Non-current assets £ million	Current assets £ million	Current liabilities £ million	Non-current liabilities £ million	Total £ million
Designated as cash flow hedges						
US dollar	2,311	56	152	–	–	208
Euro	1,700	14	107	(67)	(29)	25
Swiss franc	356	–	–	(19)	(11)	(30)
South African rand	428	3	1	–	–	4
Jet fuel	3	20	8	(189)	(9)	(170)
Designated as fair value hedges						
Cross-currency interest rate swaps	379	61	–	–	–	61
		154	268	(275)	(49)	98

For foreign currency forward exchange contracts, quantity represents the nominal value of currency contracts held, disclosed in the contract currency. The cross-currency interest rate swap contracts are represented at the Sterling notional value. For jet fuel forward contracts, quantity represents contracted metric tonnes.

The majority of hedged foreign exchange and jet fuel transactions are expected to occur on various dates within the next 24 months. The foreign exchange and jet fuel contracts are designated as cash flow hedges and the accumulated gains or losses deferred in the hedging reserve will be recognised in the income statement in the periods that the hedged transaction affects the income statement. Where the gain or loss is included in the initial amount recognised for the purchase of an aircraft, recognition in the income statement will be over a period of up to 23 years in the form of depreciation of the purchased asset.

The Group maintains cross-currency interest rate swap contracts on fixed rate debt issuance as part of its approach to currency and interest rate risk management. The cross-currency interest rate swap contracts are designated and qualify as either fair value or cash flow hedges to minimise volatility in the income statement.

The following derivative financial instruments are subject to offsetting, enforceable master netting agreements:

At 30 September 2017	Gross amount £ million	Amount not set off £ million	Net amount £ million
Derivative financial instruments			
Assets	218	(99)	119
Liabilities	(126)	99	(27)
	92	–	92

At 30 September 2016	Gross amount £ million	Amount not set off £ million	Net amount £ million
Derivative financial instruments			
Assets	422	(264)	158
Liabilities	(324)	264	(60)
	98	–	98

All financial assets and liabilities are presented gross on the face of the statement of financial position as the conditions for netting specified in IAS 32 'Financial Instruments Presentation' are not met.

23. 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's 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:

	2017 **£ million**	2016 (restated) £ million
Shareholders' equity	2,802	2,694
Borrowings	971	756
Cash and money market deposits (excluding restricted cash)	(1,328)	(969)
Reported capital employed	2,445	2,481
Operating lease adjustment	770	637
Capital employed including operating lease adjustment	3,215	3,118
Headline operating profit – reported	428	504
Implied interest in operating lease costs	37	30
Headline operating profit – adjusted	465	534
Headline operating profit after tax – adjusted	376	427
Headline return on capital employed	11.9%	15.0%
Total return on capital employed	11.3%	15.2%

Return on capital employed is calculated by dividing the adjusted operating profit after tax by the average of the opening and closing capital employed, including the operating lease adjustment.

The percentage of operating leased aircraft at 30 September 2017 was 26% (2016: 25%).

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.

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.

On 30 September 2017, easyJet held long-term corporate credit ratings from both Standard & Poor's (BBB+) and Moody's (Baa1).

In February 2016, easyJet plc issued notes under the £3,000 million Euro Medium Term Programme guaranteed by easyJet Airline Company Limited, amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.750%. At the same time easyJet Airline Company Limited entered into three cross-currency interest rate swaps converting the €500 million notes issued at a fixed rate of 1.750% to £379 million at a floating rate of three month LIBOR plus a margin, with principal exchanges of €500 million and £379 million at inception and maturity of the bond. In October 2016, easyJet plc issued notes under the £3,000 million Euro Medium Term Programme guaranteed by easyJet Airline Company Limited, amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.125%. Subsequent to the issuance of the €500 million fixed rate notes, easyJet Airline Company Limited entered into three cross-currency interest rate swaps converting the €500 million notes issued at a fixed rate of 1.125% to £455 million at a fixed rate paid semi-annually, with principal exchanges of €500 million and £445 million on 14 November 2016 and maturity of the bond.

23. Financial risk and capital management continued

Liquidity risk management

The objective of easyJet's liquidity risk management is to ensure sufficient cash is available to meet future liabilities as they fall due.

easyJet continues to hold significant cash and liquid funds to mitigate the impact of potential business disruption events. easyJet also has a $500 million revolving credit facility supported by a group of 12 banks. The revolving credit facility was agreed on 10 February 2015 and was undrawn at 30 September 2017. easyJet has a target minimum liquidity requirement of a minimum of £2.6 million per 100 seats in the fleet and the revolving credit facility is taken into account when managing this metric. Total cash (excluding restricted cash) and money market deposits at 30 September 2017 was £1,328 million (2016: £969 million). Surplus funds are invested in high quality short-term liquid instruments, mainly money market funds, bank deposits and tri-party repos.

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

At 30 September 2017	**Within 1 year £ million**	**1-2 years £ million**	**2-5 years £ million**	**Over 5 years £ million**
Borrowings	25	25	127	899
Trade and other payables	613	–	–	–
Foreign exchange and jet derivative contracts – receipts	(2,969)	(1,096)	(66)	–
Foreign exchange and jet derivative contracts – payments	2,973	1,105	62	–
Cross-currency swap contracts – receipts	(13)	(13)	(38)	(899)
Cross-currency swap contracts – payments	20	20	60	845

At 30 September 2016	Within 1 year £ million	1-2 years £ million	2-5 years £ million	Over 5 years £ million
Borrowings	106	88	186	443
Trade and other payables	468	–	–	–
Foreign exchange and jet derivative contracts – receipts	(2,384)	(1,123)	(61)	–
Foreign exchange and jet derivative contracts – payments	2,394	1,086	54	–
Cross-currency swap contracts – receipts	(8)	(8)	(23)	(443)
Cross-currency swap contracts – payments	10	10	31	394

The maturity profile has been calculated based on spot rates for the US dollar, Euro, Swiss franc, South African rand 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, cross-currency interest rate swap contracts, foreign currency swap contracts and jet fuel forward contracts are required to have a long-term credit rating of A- or better at contract inception. Exposures to these counterparties are regularly reviewed and, if the long-term credit rating falls below A- management will take remedial action.

Disclosure relating to the credit quality of trade and other receivables is given in note 12.

Foreign currency risk management

The majority of easyJet's exposure to currency arises from fluctuations in the US dollar, Euro and Swiss franc exchange rates which can significantly impact easyJet's financial results and cash flows. The aim of the foreign currency risk management is to reduce the impact of these exchange rate fluctuations.

Significant currency exposures in the income statement are managed through the use of currency forward contracts, in line with the Board approved policy. The policy states that easyJet hedges between 65% and 85% of the next 12 months forecast surplus cash flows on a rolling basis, and between 45% and 65% of the following 12 months forecast surplus cash flows on a rolling basis.

Significant currency exposures relating to the acquisition cost or sale proceeds of aircraft is also managed through the use of currency forward contracts where up to 90% of the next 24 months committed forecast requirement is hedged. In addition, easyJet has substantial borrowings and other liabilities denominated in US dollars and Euros, which are largely offset by holding US dollar and Euro cash and money market deposits.

Significant currency exposures relating to foreign currency denominated debt issuances are managed through the use of cross-currency interest rate swap contracts, where deemed appropriate. These hedges are designated as either fair value hedges or cash flow hedges.

Management may take action to hedge other currency exposures as deemed appropriate.

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. Borrowings are issued at either fixed or floating interest rates repricing every three to six months. A significant proportion of the US dollar debt liabilities are matched with US dollar cash assets by value. Operating leases are a mix of fixed and floating rates. Of the 72 operating leases in place at 30 September 2017 (2016: 63), 79% were based on fixed interest rates and 21% were based on floating interest rates (2016: 73% fixed, 27% floating).

On 7 January 2016 easyJet plc published a £3,000 million European Medium Term Note Programme. Under this programme, in February 2016 easyJet plc issued notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.750%. In October 2016 easyJet plc issued a second Eurobond under this program, amounting to €500 million for a seven-year term with a fixed annual coupon of 1.125%. The proceeds from these issuances were used for general corporate purposes.

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, which is hedged on a rolling basis, and to hedge between 45% and 65% of estimated exposures from 13 up to 24 months in advance, which is hedged on a rolling basis. Specific decisions may require consideration of a longer-term approach. Treasury strategies and actions are driven by the need to meet treasury, financial and corporate objectives.

Market risk sensitivity analysis

Financial assets and liabilities 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 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 in a cash flow hedge relationship held at the reporting date. The sensitivities are calculated based on all other variables remaining constant. The analysis is considered representative of easyJet's exposure over the next 12-month period.

The sensitivity analysis is based on easyJet's financial assets and liabilities and financial instruments held as at 30 September 2017.

The currency exchange rate analysis assumes a +/-10% change in both US dollar and Euro exchange rates.

The interest rate analysis assumes a 1% increase in interest rates over the next 12 months.

The fuel price analysis assumes a 10% increase in fuel price over the next 12 months.

	Currency rates					
At 30 September 2017	**US dollar +10%(1) £ million**	**US dollar -10%(2) £ million**	**Euro +10%(1) £ million**	**Euro -10%(2) £ million**	**Interest rates 1% increase £ million**	**Fuel price 10% increase £ million**
Income statement impact: gain/(loss)	25	(21)	3	(3)	7	–
Impact on other comprehensive income: increase/(decrease)	128	(105)	40	(32)	–	98

	Currency rates					
At 30 September 2016	US dollar +10%(1) £ million	US dollar -10%(2) £ million	Euro +10%(1) £ million	Euro -10%(2) £ million	Interest rates 1% increase £ million	Fuel price 10% increase £ million
Income statement impact: gain/(loss)	25	(21)	5	(4)	3	–
Impact on other comprehensive income: increase/(decrease)	139	(113)	–	–	–	83

(1) GBP weakened.

(2) GBP strengthened.

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.

24. Leasing commitments

Commitments under operating leases

	Aircraft		Other	
	2017 £ million	2016 £ million	**2017 £ million**	2016 £ million
Total commitments under non-cancellable operating leases due:				
Not later than one year	109	110	3	2
Later than one year and not later than five years	229	223	8	6
Later than five years	1	11	2	2
	339	344	13	10

easyJet holds 72 aircraft (2016: 63 aircraft) under operating leases, with initial lease terms ranging from five to sixteen 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 significant accounting policies section of note 1.

Commitments under finance leases

	2017 £ million	2016 £ million
Present value of minimum lease payments fall due as follows:		
Not later than one year	12	12
Later than one year and not later than five years	100	114
	112	126
Future finance charges	(11)	(15)
	101	111

easyJet holds five aircraft (2016: five aircraft) under finance leases with ten year initial terms. Further details are given in notes 10 and 15.

25. 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.

As at 30 September 2017 easyJet had agreements with third parties for which fees were contingent upon the completion of acquisition activities totalling £4 million (2016: £nil).

At 30 September 2017 easyJet had outstanding letters of credit and performance bonds totalling £44 million (2016: £49 million), of which £21 million (2016: £38 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.

26. Geographical revenue analysis

	2017 £ million	2016 £ million
United Kingdom	2,257	2,243
Southern Europe	1,568	1,376
Northern Europe	1,148	984
Other	74	66
	5,047	4,669

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 202 owned and five finance leased aircraft. A further 72 aircraft are held under operating leases, giving a total fleet of 279 at 30 September 2017. 24 aircraft (2016: 23) are registered in Switzerland, one is registered in Austria and the remaining 254 are registered in the United Kingdom.

27. Related party transactions

easyJet licenses the easyJet brand from easyGroup Limited ('easyGroup'), a wholly owned subsidiary of easyGroup Holdings Limited, an entity in which easyJet's founder, Sir Stelios Haji-Ioannou, holds a beneficial controlling interest. The Haji-Ioannou family concert party shareholding (being easyGroup Holdings Limited and Polys Holding Limited) holds, in total, approximately 33% of the issued share capital of easyJet plc as at 30 September 2017.

Under the Amended Brand Licence signed in October 2010 and approved by the shareholders of easyJet plc in December 2010, an annual royalty of 0.25% of total revenue is payable by easyJet to easyGroup for a minimum term of 10 years. The full term of the agreement is 50 years.

easyJet and easyGroup established a fund to meet the annual costs of protecting the 'easy' (and related marks) and the 'easyJet' brands. easyJet contributes up to £1 million per annum to this fund and easyGroup contributes £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 side letter to the Brand Licence was entered with easyGroup, dated 29 September 2016, under which, in return for easyGroup consenting to easyJet acquiring a portion of the equity share capital in Founders Factory Limited, easyJet made a payment of £1.

The amounts included in the income statement, within other costs, for these items were as follows:

	2017 £ million	2016 £ million
Annual royalty	13	12
Brand protection (legal fees paid through easyGroup to third parties)	1	1
	14	13

At 30 September 2017, £1 million (2016: £nil million) of the above aggregate amount was included in trade and other payables.

28. Events after the reporting period

On 27 October easyJet signed an agreement with Air Berlin's administrators, as part of which it will enter into leases for up to 25 A320 aircraft at Berlin Tegel airport, offer employment to former Air Berlin flying crews and take over other assets including slots for a purchase consideration of €40 million. Completion of the transaction is subject to regulatory approvals and the transaction is expected to close in December 2017.

easyJet completed the sale and leaseback of 10 A319 aircraft in November 2017. Cash proceeds were $137 million; due to the age of the selected aircraft at the time of this transaction and easyJet's maintenance provision accounting policy, a one-off, non-cash charge of approximately £20 million (of which £12 million relates to the loss on disposal and £8 million relates to the maintenance provision catch-up) will be recognised in the first half of the 2018 financial year as a non-headline item.

Company statement of financial position

	Notes	30 September 2017 £ million	30 September 2016 £ million
Non-current assets			
Investments in subsidiary undertakings	c	910	897
Current assets			
Amounts due from subsidiary undertakings		1,582	1,152
Current tax assets		2	–
Derivative financial instruments with subsidiary undertakings	d	54	61
		1,638	1,213
Current liabilities			
Amounts due to subsidiary undertakings		(2)	(1)
Current tax payable		–	(12)
		(2)	(13)
Net current assets		1,636	1,200
Non-current liabilities			
Borrowings	e	(870)	(435)
Net assets		1,676	1,662
Shareholders' equity			
Share capital		108	108
Share premium		659	659
Hedging reserve		(3)	–
Retained earnings		912	895
		1,676	1,662

The accounts on pages 126 to 130 were approved by the Board of Directors and authorised for issue on 20 November 2017 and signed on behalf of the Board.

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 £218 million (2016: £307 million). Included in this amount are dividends received of £226 million (2016: £259 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, other than the profit for each year.

CAROLYN MCCALL DBE
Director

ANDREW FINDLAY
Director

Company statement of changes in equity

	Share capital £ million	Share premium £ million	Hedging Reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2016	108	659	–	895	1,662
Total comprehensive income	–	–	(3)	218	215
Dividends paid	–	–	–	(214)	(214)
Share incentive schemes					
Movement in reserves for employee share schemes	–	–	–	13	13
At 30 September 2017	108	659	(3)	912	1,676

	Share capital £ million	Share premium £ million	Hedging Reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2015	108	659	–	788	1,555
Total comprehensive income	–	–	–	307	307
Dividends paid	–	–	–	(219)	(219)
Share incentive schemes					
Movement in reserves for employee share schemes	–	–	–	19	19
At 30 September 2016	108	659	–	895	1,662

An ordinary dividend in respect of the year ended 30 September 2017 of 40.9 pence per share or £162 million, based on headline profit after tax, is to be proposed at the forthcoming Annual General Meeting. These accounts do not reflect this proposed dividend.

An ordinary dividend of 53.8 pence per share, or £214 million, in respect of the year ended 30 September 2016 was paid in the year ended 30 September 2017. An ordinary dividend of 55.2 pence per share, or £219 million, in respect of the year ended 30 September 2015 was paid in the year ended 30 September 2016.

The disclosures required in respect of share capital are shown in note 18 to the consolidated accounts.

Company statement of cash flows

	Notes	Year ended 30 September 2017 £ million	Year ended 30 September 2016 £ million
Cash flows from operating activities			
Cash used by operations (excluding dividends)	f	(11)	(54)
Interest received		20	19
Interest paid		(21)	(5)
Dividends received		226	259
Dividends paid		(214)	(219)
Net cash used by operating activities		–	–
Cash flows from financing activities			
Proceeds from drawdown of bank loans and other borrowings		451	379
Movement in loans with subsidiary undertakings		(451)	(379)
Net cash generated from financing activities		–	–
Net movement in cash and cash equivalents		–	–
Cash and cash equivalents at beginning and end of year		–	–

Notes to the Company accounts

a) Significant accounting policies

The significant accounting policies applied in the preparation of these Company accounts are the same as those set out in note 1 to the consolidated accounts with the addition of the following:

Investments

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.

b) Income statement and statement of total comprehensive income

In accordance with Section 408 of the Companies Act 2006, the Company is exempt from the requirement to present its own income statement and statement of comprehensive income. The Company's profit for the year was £218 million (2016: £307 million). Included in this amount are dividends received of £226 million (2016: £259 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, other than the profit for each year.

The Company has seven employees at 30 September 2017 (2016: eight). These employees 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 note 4 to the consolidated accounts and in the Directors' remuneration report on pages 65 to 84.

c) Investments in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	2017 £ million	2016 £ million
At 1 October	897	878
Capital contributions to subsidiaries	13	19
At 30 September	910	897

A full list of Group companies is detailed below, including addresses in the footnotes.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
easyJet Airline Company Limited(2)	England and Wales	Airline operator	100
easyJet Switzerland S.A.(3)	Switzerland	Airline operator	49
Dawn Licensing Holdings Limited(4)	Malta	Holding company	100
Dawn Licensing Limited(4)	Malta	Graphic design	100
easyJet Sterling Limited(1)(5)	Cayman Islands	Aircraft trading and leasing	100
easyJet Leasing Limited(1)(5)	Cayman Islands	Aircraft trading and leasing	100
Kiyoka Limited(2)	England and Wales	Air transport	100
easyJet Europe Airline GmbH(6)	Austria	Airline operator	100
SALEM Beteiligungsverwaltung achtundachtzigste GmbH(6)	Austria	Air transport	100

(1) Although these companies are Cayman Islands incorporated they have always been, and continue to be, UK tax resident.
(2) Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF
(3) 5 Route de l'Aeroport, Meyrin, CH-1215 Geneve 15, Switzerland
(4) Sterling Buildings, The Penthouse, Enrico Mizzi Street, Ta' Xbiex, XBX 1453, Malta
(5) Governor's Square, West Bay Road, Lime Tree Bay Road, UNIT # 2-105 , PO Box 1982, Grand Cayman KY1-1104, Cayman Islands
(6) Wagramer Straße 19, 11.Stock IZD Tower, 1220 Wien, Austria

The Company has a 49% interest in easyJet Switzerland S.A. with an option to acquire the remaining 51%. The option is automatically extended for a further year on a rolling basis, unless the option is terminated by written agreement prior to the automatic renewal date. easyJet Switzerland S.A. is 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 consolidated 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 minimal consideration.

d) Financial instruments

In October 2016 easyJet plc issued notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.125% under the £3,000 million Euro Medium Term Note programme. The Group subsequently entered into cross-currency interest rate swaps on 8 November 2016 to convert the €500 million fixed rate Eurobond to a £445 million fixed rate Sterling exposure. For further details please refer to note 22 of the consolidated accounts.

e) Borrowings

	Current £ million	Non-current £ million	Total £ million
At 30 September 2017			
Eurobond	–	870	870

	Current £ million	Non-current £ million	Total £ million
At 30 September 2016			
Eurobond	–	435	435

For further details please see the disclosures shown in note 15 of the consolidated accounts.

f) Reconciliation of profit for the year to cash used by operations

	2017 £ million	2016 £ million
Profit for the year	218	307
Adjustments for:		
Finance and other similar income	(5)	(16)
Unrealised foreign exchange differences	15	(45)
Tax (credit)/charge	(2)	12
Dividends received	(226)	(259)
Operating cash flows before movement in working capital	–	(1)
Changes in working capital:		
Increase in amounts due from subsidiary undertakings	(6)	(50)
Increase in amounts due to subsidiary undertakings	1	–
Increase in derivative financial instruments	(6)	(3)
	(11)	(54)

g) 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 A320 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 issued on behalf of subsidiary undertakings.

The Company has guaranteed the contractual obligations of easyJet Airline Company Limited, a subsidiary undertaking, in respect of a $500 million revolving credit facility. The revolving credit facility was agreed during the year ended 30 September 2015, for a minimum of five years, and was undrawn at 30 September 2017 and 30 September 2016. The facility is currently due to mature in February 2022.

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.

h) 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.

During the financial year the Company received a dividend from easyJet Switzerland of £12 million (2016: £40 million).

For full details of transactions and arrangements with easyJet's largest shareholder, see note 27 of the consolidated accounts.

Five-year summary

	2017 £ million	2016* (restated) £ million	2015** (as reported) £ million	2014** (as reported) £ million	2013** (as reported) £ million
Income statement					
Revenue	5,047	4,669	4,686	4,527	4,258
Total EBITDAR	709	770	940	823	711
Headline EBITDAR	733	764			
Total operating profit	404	510	688	581	497
Headline operating profit	428	504			
Total profit before tax	385	507	686	581	478
Headline profit before tax	408	494			
Total profit after tax	305	437	548	450	398
Headline profit after tax	325	427			
Basic total earnings per share – pence	77.4	110.9	139.1	114.5	101.3
Basic headline earnings per share – pence	82.5	108.4			
Diluted total earnings per share – pence	76.8	110.1	138	113.2	100.0
Diluted headline earnings per share – pence	81.9	107.6			
Ordinary dividend per share – pence	40.9	53.8	55.2	45.4	33.5
Special dividend per share – pence	–	–	–	–	44.1
Statement of financial position					
Non-current assets	4,237	4,042	3,549	3,221	2,964
Current assets	1,734	1,442	1,279	1,261	1,448
Current liabilities	(1,670)	(1,569)	(1,768)	(1,420)	(1,379)
Non-current liabilities	(1,499)	(1,221)	(811)	(890)	(1,016)
Net assets	2,802	2,694	2,249	2,172	2,017
Net cash					
Operating activities	663	387	609	394	616
Investing activities	(515)	(586)	(532)	(445)	(416)
Financing activities (excluding movements in borrowings and money market deposits)	(10)	(16)	(70)	(76)	439
Loan issue costs	6	1	–	(1)	(3)
Exchange gains/(losses)	–	(8)	6	(8)	(4)
Net (decrease)/increase in net cash	144	(222)	13	(136)	632
Key performance indicators					
Headline return on capital employed	11.9%	15.0%	22.2%	20.5%	17.4%
Net cash/(debt)	357	213	435	422	558
Total profit before tax per seat (£)	4.45	6.35	9.15	8.12	7.03
Headline profit before tax per seat (£)	4.71	6.18			
Revenue per seat (£)	58.23	58.46	62.48	63.31	62.58
Total cost per seat (£)	53.78	52.11	53.33	55.19	55.55
Headline cost per seat (£)	53.52	52.28			
Total cost per seat excluding fuel (£)	41.53	38.16	37.55	37.70	38.17
Headline cost per seat excluding fuel (£)	41.27	38.33			
Seats flown (millions)	86.7	79.9	75.0	71.5	68.0

* See note 1 for change in accounting policies.

** The performance metrics for 2013 to 2015 above have not been restated to reflect the change in accounting policies detailed in note 1.

Glossary

Adjusted capital employed	Capital employed plus seven times operating lease costs incurred in the year.
Adjusted net cash/debt	Net cash/debt less seven times operating lease costs incurred in the year.
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 adjusted capital employed	The average of opening and closing capital employed.
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.
Capital employed	Shareholders' equity less net cash/debt.
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 aircraft held for sale.
Gearing	Adjusted net cash/debt divided by the sum of shareholders' equity and adjusted net cash/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.
Net cash/debt	Total cash less borrowings. (Cash includes money market deposits but excludes restricted cash.)
Normalised operating profit after tax	Reported operating profit adjusted for one-third of operating lease costs incurred in the year, less tax at the prevailing UK corporation tax rate at the end of the financial year.
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.
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.
ROCE	Return on capital employed.
ROCE (excluding lease adjustments)	Operating profit, less tax at the prevailing UK corporation tax rate at the end of the financial year, divided by average capital employed.
ROCE (including lease adjustments)	Normalised operating profit after tax divided by average adjusted capital employed.
Seats flown	Seats available for passengers.
Sector	A one-way revenue flight.

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