


THE WARMEST WELCOME IN THE SKY



easyJet plc

ANNUAL REPORT
AND ACCOUNTS 2018

2018 AT EASYJET

easyJet has a well-established business model that provides a strong foundation to drive profitable growth and long-term shareholder returns.

During the year easyJet has reviewed and refreshed its strategic framework which is now called 'Our Plan'.

This plan includes 'Our Purpose', 'seamlessly connecting Europe with the warmest welcome in the sky'.

'Our Promise' to ourselves is that we will be:

- Safe and responsible
- On our customers' side
- In it together
- Always efficient
- Forward thinking

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VISIT OUR WEBSITE FOR OTHER INVESTOR INFORMATION
http://corporate.easyJet.com/investors

DELIVERING LONG-TERM VALUE

The 2018 financial year has been a tough but successful one for easyJet, with industry-wide disruption being more than offset by record revenues. Uncertainty around Brexit, high oil prices and the wider macro-economic environment have led to a recent fall in the share price which is disappointing, but easyJet is well positioned to face current market challenges and take advantage of any opportunities arising. In 2018 the Group has increased the number of passengers flown by over 10.2% to 88.5 million passengers (2017: 80.2 million) and revenue has increased to £5,898 million (2017: £5,047 million). In the year, we acquired part of Air Berlin's operations at Tegel, the integration of which is progressing well. This acquisition is an important strategic move that secures a leading position in one of Europe's biggest markets.

BOARD

Johan Lundgren became Chief Executive on 1 December 2017 and during his first year has taken the opportunity to meet many employees, customers, regulatory bodies and other stakeholders to seek their views on, amongst other things, the Group's strategy and culture. This has culminated in the presentation to the Board of 'Our Plan', which is an evolution of our existing strategy, incorporating a number of new strategic initiatives. On behalf of the Board I would like to thank Johan and his team for their contribution during his first year; the Group continues to go from strength to strength under his refreshed and focused leadership.

In addition to Johan's arrival as Chief Executive there have also been other changes on the Board. We welcomed Julie Southern on 1 August 2018, who brings extensive experience of the airline industry and a background in commercially-oriented finance roles. Julie will assume the role of Audit Committee Chair on 1 January 2019. After seven years with easyJet, Adèle Anderson has recently notified us of her intention to step down and will be leaving with effect from the AGM on 7 February 2019. On behalf of the Board, I would like to thank Adèle for her important contribution to easyJet and specifically in her role as Audit Committee Chair. Keith Hamill OBE also stepped down from the easyJet Board in December 2017 following completion of nine years on the Board. On behalf of the Board, I would like to reiterate my thanks to Keith for his important contribution to the easyJet Board and to easyJet's success.

RESULTS

easyJet's results this year have been driven in particular by a strong revenue performance, which increased by 16.8% to £5,898 million (2017: £5,047 million), including £198 million from Tegel routes. This was partially offset by costs, which were negatively affected by severe disruption, an industry-wide issue, combined with inflationary pressures. This resulted in headline profit before tax increasing by £170 million to £578 million and basic headline earnings per share increasing by 43.4% to 118.3 pence (2017: 82.5 pence). Total profit before tax increased by £60 million to £445 million. Non-headline costs of £133 million (2017: £23 million) included a £40 million transition cost of Tegel and a £65 million charge relating to a change in our approach to technology development. Basic total earnings per share increased by 17.4% to 90.9 pence (2017: 77.4 pence).

DIVIDENDS

easyJet's dividend policy is to pay shareholders 50% of headline earnings, reflecting the Board's confidence in the long-term prospects of the business. I am pleased to recommend to shareholders a dividend of 58.6 pence for the 2018 financial year, an increase of 43.3% from the previous year.

BERLIN TEGEL

As noted above, easyJet acquired part of Air Berlin's operations at Berlin Tegel Airport, completing the transaction in December 2017. This secured a market-leading position across the Berlin market, which is one of Europe's biggest, and Berlin is now our second biggest city base after London. The start-up of operations has gone well and the total loss before tax this year of £152 million was broadly in line with initial expectations. We will continue to optimise both our operations and schedule in Berlin to underpin its long-term success.

OUR PEOPLE

I would like to thank all of easyJet's employees and in particular the crew who, despite all the disruption experienced this year, ensure easyJet provides the warmest welcome in the sky. We are committed to investing in creating a great place to work, on the ground as well as in the sky.

During the year we have introduced a number of new people to the Airline Management Board ('AMB'), who have market-leading expertise and experience that is aligned with the new strategic priorities and who will lead the business in its next stage of development.

THE FUTURE

easyJet continues to be well positioned for the future, with a sound business model and strong financial base. Whilst there are some challenges to face in the next 12 months, including the impact of Brexit, there are also significant opportunities and the business is well set to sustain our leading position in Europe's aviation market.

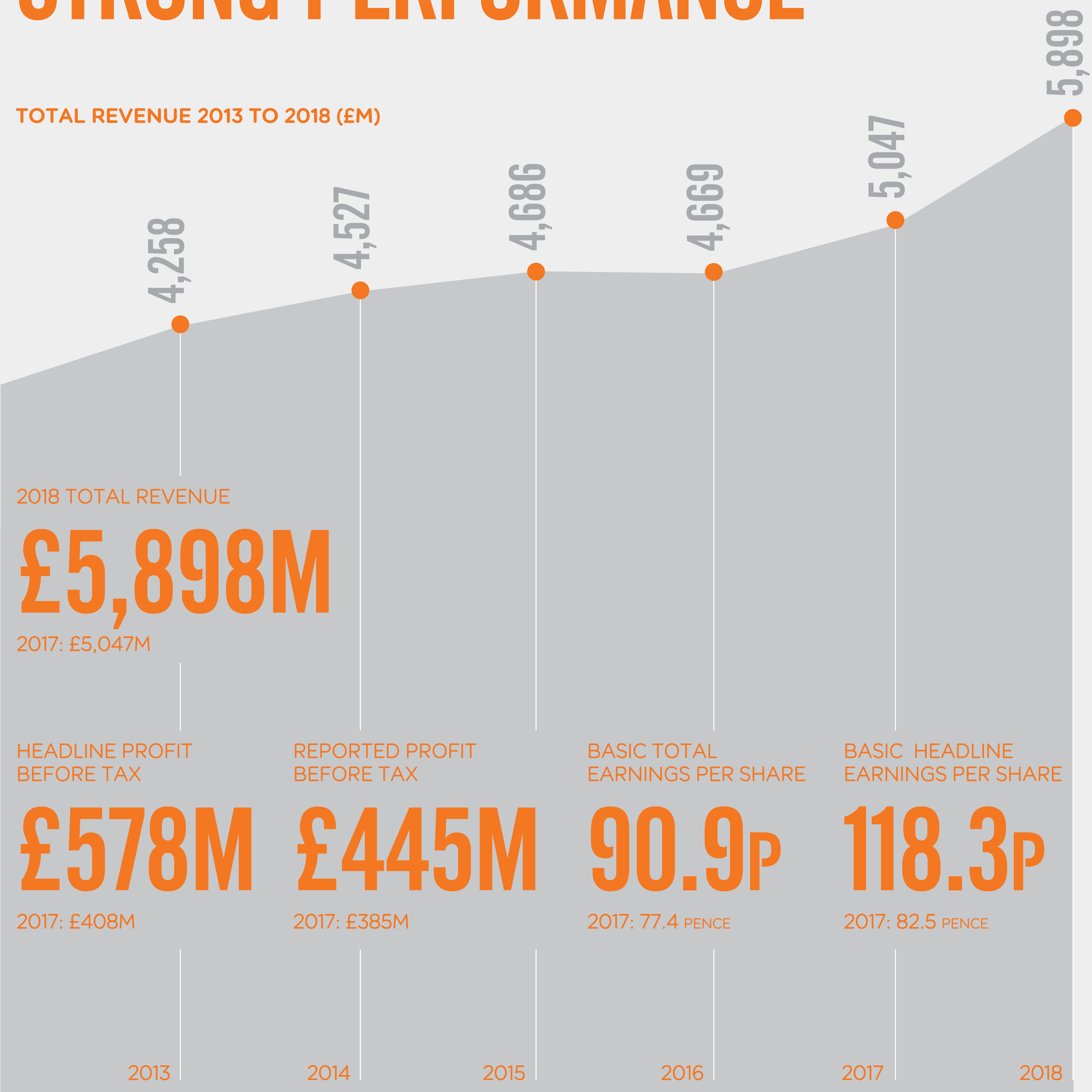
John Barton

JOHN BARTON
Non-Executive Chairman

HIGHLIGHTS

STRONG PERFORMANCE

TOTAL REVENUE 2013 TO 2018 (£M)



2018 TOTAL REVENUE

£5,898M

2017: £5,047M

HEADLINE PROFIT BEFORE TAX

£578M

2017: £408M

REPORTED PROFIT BEFORE TAX

£445M

2017: £385M

BASIC TOTAL EARNINGS PER SHARE

90.9P

2017: 77.4 PENCE

BASIC HEADLINE EARNINGS PER SHARE

118.3P

2017: 82.5 PENCE

LOAD FACTOR

92.9%

2017: 92.6%

SEATS FLOWN

95.2M

2017: 86.7M

TOTAL ANCILLARY REVENUE

£1,210M

2017: £986M

INVESTING IN OUR STRENGTHS

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

UNPARALLELED NETWORK

Read more on page 22

51

NUMBER ONE OR TWO AIRPORTS[1]
2017: 47

979

ROUTES OPERATED[2]
2017: 862

DRIVING REVENUE GROWTH

88.5M

PASSENGERS[3]
2017: 80.2M

LOW-COST MODEL

Read more on page 24

15%

FUEL BURN REDUCTION FROM NEW GENERATION AIRCRAFT[4]

CUSTOMER LOYALTY

Read more on page 26

66%

RETURNING CUSTOMERS[3,5]
2017: 66%

NO.1 OR 2

AIRLINE BRAND IN THE UK, FRANCE AND SWITZERLAND[2,6]

STRONG BALANCE SHEET

£396M

NET CASH[2]
2017: £357M

VALUE BY EFFICIENCY

14.4%

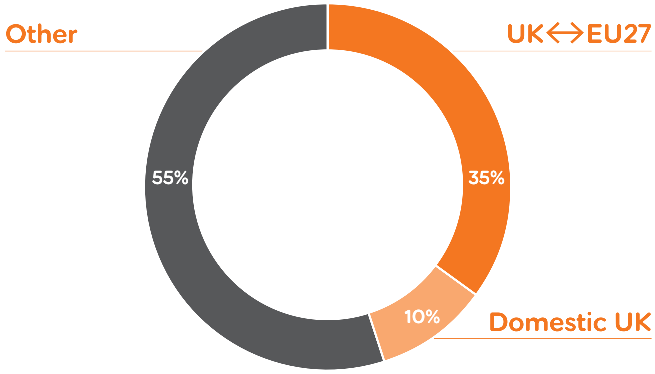
HEADLINE ROCE[3]
2017: 11.9%

(1) As at 30 September 2018 – airports where easyJet is the number one or number two carrier based on short-haul capacity
(2) As at 30 September 2018
(3) In the year ended 30 September 2018
(4) A320neo vs previous generation A320
(5) Percentage of seats booked by customers who made a booking in the preceding 24 months
(6) Millward Brown brand tracker

UNPARALLELED NETWORK

easyJet continues to go from strength to strength across Europe, adding more top destinations to our market-leading network and increasing our presence at slot-constrained primary airports.

REGIONAL FLOWS – % OF EASYJET'S CURRENT CAPACITY



	NO. OF NUMBER ONE OR TWO AIRPORTS[1] IN COUNTRIES WITH A BASE	NO. OF BASED AIRCRAFT[2]	YEAR-ON-YEAR EASYJET CAPACITY GROWTH[3]	TOTAL YEAR-ON-YEAR GROWTH ON EASYJET'S MARKETS[3]
GBR	14	155	4.4%	0.4%
FRA	10	34	6.5%	4.1%
ITA	5	37	10.4%	6.2%
DE	3	32	50.9%	(0.1)%
ESP	3	9	8.5%	0.5%
SUI	2	26	8.6%	4.1%
POR	2	9	6.7%	4.2%
NL	1	9	4.0%	2.3%

(1) Number one and number two airports defined as easyJet having the largest or second largest capacity at an airport of any carrier on European short-haul route markets

(2) As at 30 September 2018

(3) Scheduled country seat capacity growth based on country-touching seats (source: OAG)

156

AIRPORTS[1]

2017: 138

979

ROUTES OPERATED[1]

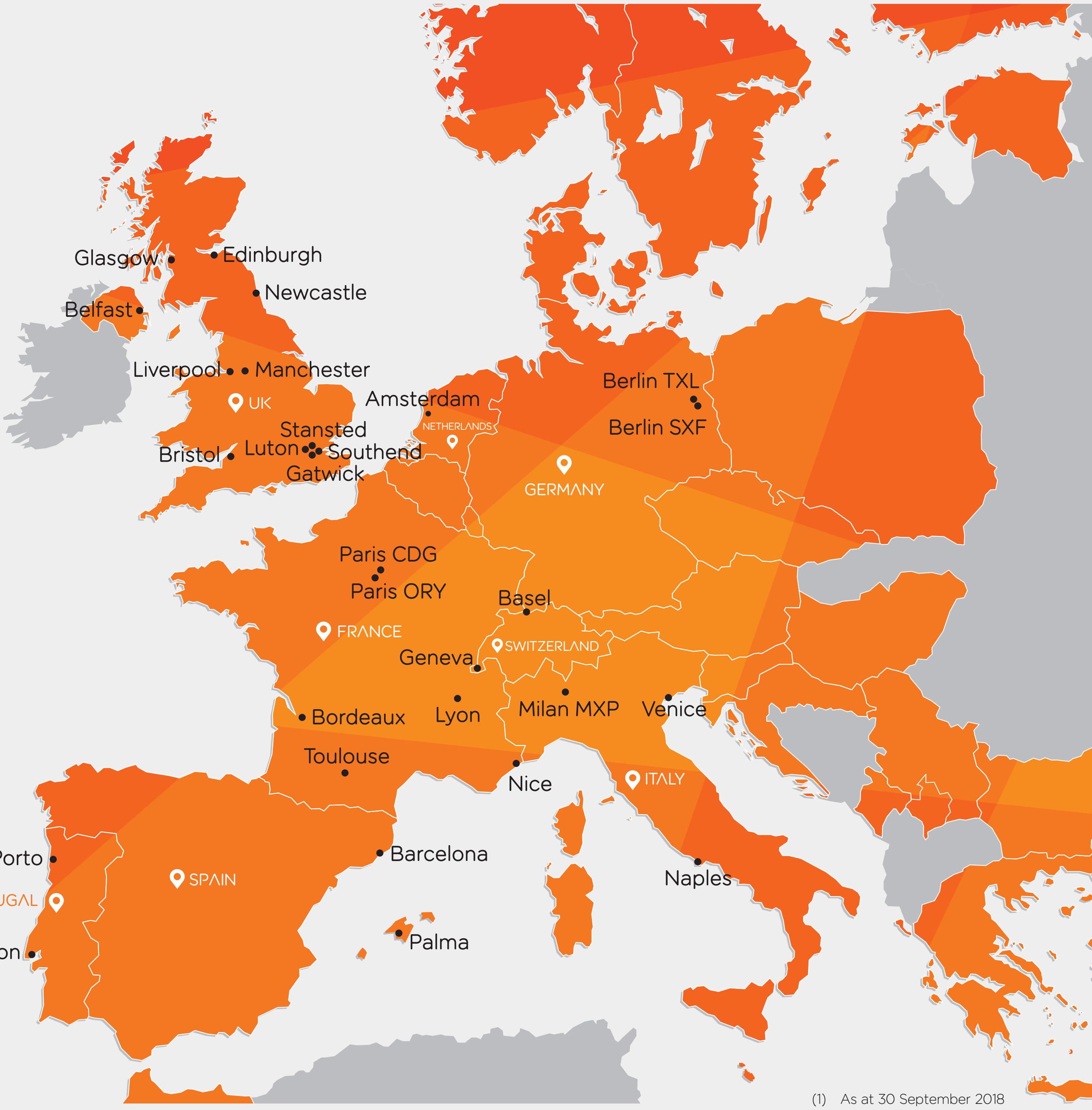
2017: 862

7

NEW NUMBER ONE AIRPORTS IN 2018

● Bases

Countries with bases



(1) As at 30 September 2018

MARKET DYNAMICS

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

DEMAND

GDP

easyJet is based in large, mature aviation markets with a high propensity to travel. GDP growth 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 growth expected in all of easyJet's European base markets in 2019.

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. easyJet has recently been particularly focused on addressing the potential impact of Brexit.

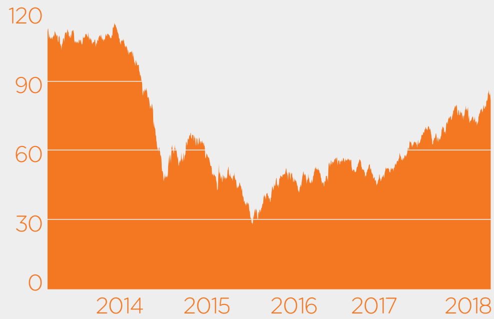
ENVIRONMENTAL AND SOCIAL IMPACT

easyJet's stakeholders increasingly demand greater focus on environmental and social factors. For example, airports are increasingly encouraging lower noise, lower carbon air traffic in response to environmental and social demands. easyJet's investment in new fleet, technology and development leave it well placed to improve further its impact on climate, its customers and employees.

FUEL

Fuel is one of the biggest costs that airlines face, and one of the most volatile. Fuel represented 22% of easyJet's cost base for the 2018 financial year. During the year the price of Brent Oil rose by 44%[1]. The price of Emissions Trading System (ETS) permits has also significantly increased in the year.

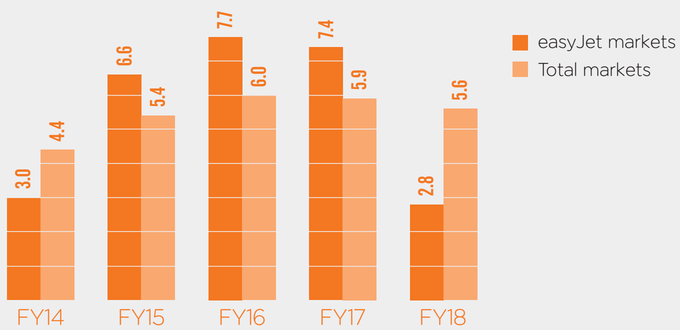
BRENT PRICE ($ PER BBL)



SUPPLY AND AIRSPACE MANAGEMENT

European short-haul capacity increased by 5.6%[2] in total and by 2.8%[2] on easyJet's markets in 2018. This was lower than in previous years reflecting the rising price of oil and various issues affecting competing airlines. With the growth in capacity, increasing pressure is being placed on airspace management. Disruption is an industry-wide issue that is having an increasing impact on customers and costs as aviation infrastructure becomes more congested.

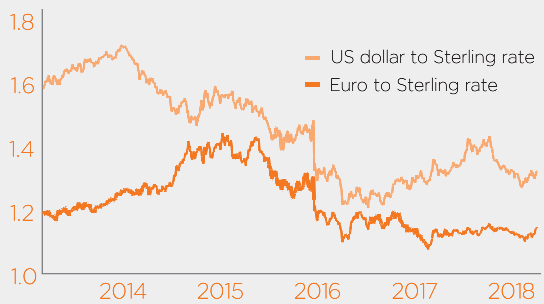
EUROPEAN SHORT-HAUL CAPACITY GROWTH YEAR ON YEAR %[2]



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 EU, Sterling has significantly fallen in value against both currencies, which has had an ongoing negative impact on profit and capital expenditure. A strong US dollar increases the price of fuel, one of easyJet's biggest costs; a strong Euro typically has a net translational benefit for easyJet's European operations, although it may impact Eurozone inbound demand. See page 32 for details of the impact from foreign exchange on our results for the 2018 financial year.



(1) Brent per barrel closing price 29 September 2017 to closing price 28 September 2018

(2) Country seat capacity growth based on country-touching seats (source: OAG)

OUR BUSINESS MODEL

Our sustainable business model makes it easy, enjoyable and affordable to travel again and again, and drives growth and returns for our shareholders.

KEY RESOURCES

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

Financial capital

easyJet has a strong capital base, with a market capitalisation of £5 billion(1) and a net cash position of £396 million at 30 September 2018 (2017: £357 million). easyJet's credit ratings are amongst the strongest in the world for an airline.

CREDIT RATING
BBB+/BAA1
2017: BBB+/BAA1

Aircraft

easyJet operates a modern fleet of Airbus A320 family aircraft, of which 70% are owned outright, and is investing in more fuel efficient(2) and environmentally friendly(3) new generation aircraft. This provides customer, operating and maintenance benefits to the Group.

315
AIRCRAFT[4]
2017: 279

People

easyJet has a dedicated workforce of over 14,000 people, including nearly 4,000 pilots and over 8,500 cabin crew members(4).

In 2018 we trialled our new employee listening platform, Peakon, across one-third of our people. The resulting score of 8.0 out of 10 reflects our strong levels of employee advocacy.

OVER
14,000
EMPLOYEES[4]
2017: OVER 12,000

Technology and data

easyJet leverages its information and data capabilities, driving revenue by increasing customer loyalty and implementing its wider digital strategy. Our increasingly sophisticated use of data will unlock significant revenue and cost opportunities.

615M
VISITS TO ALL DIGITAL PLATFORMS
2017: 567M

Slots and brand

easyJet has a valuable portfolio of slot pairs at slot-constrained primary airports, as well as flying rights and AOCs in the UK, Switzerland and Austria.

easyJet has a strong brand as the number one value airline in Europe.

89%
CAPACITY AT SLOT-CONSTRAINED AIRPORTS[5]
2017: 88%

Our suppliers

easyJet relies on its suppliers to deliver many of its critical operational and commercial activities. Our partners are carefully selected and significant emphasis is placed on managing these relationships, with the aim of extracting incremental innovation and performance. Currently, our top 300 suppliers are responsible for around 97% of our spend.

87%
SUPPLIER PAYMENTS ON TIME
2017: NOT REPORTED

OUTCOMES

Creating value for our stakeholders

50%
DIVIDEND PAYOUT RATIO[6]
2017: 50%

71%
CUSTOMER SATISFACTION
2017: 71%

75%
ON-TIME PERFORMANCE
2017: 76%

6.5%
EMPLOYEE TURNOVER
2017: 7.4%

(1) Based on a share price of £13.14 at 30 September 2018
(2) 15% fuel saving A320neo vs previous generation A320
(3) Around 50% quieter on takeoff and landing than previous generation aircraft
(4) As at 30 September 2018
(5) Based on level 2 and level 3 airports as updated by IATA on 26 October 2018 and defined within IATA Worldwide Slot Guidelines
(6) Based on headline profit after tax

OUR STRATEGY

OUR PLAN

Our new strategic plan is about evolution, not revolution; we are building on our strengths and charting our path into an even more successful future.

OUR PURPOSE

SEAMLESSLY CONNECTING EUROPE WITH THE WARMEST WELCOME IN THE SKY

OUR PRIORITIES

NUMBER ONE OR TWO IN PRIMARY AIRPORTS

Giving customers the leading offer in the airports they want to fly to

WINNING OUR CUSTOMERS' LOYALTY

Making it easy, enjoyable and affordable to travel again and again for business and holidays

VALUE BY EFFICIENCY

We are low cost, driving efficiency and investing only where it matters most to our customers and our people

THE RIGHT PEOPLE

Creating an inclusive and energising environment that attracts the right people and inspires everyone to learn and grow

INNOVATING WITH DATA

Using the millions of data points we collect to make smart decisions and shape the future of travel, to become the world's leading data-driven airline

OUR PROMISE

WE ARE:
SAFE AND RESPONSIBLE
ON OUR CUSTOMERS' SIDE
IN IT TOGETHER
ALWAYS EFFICIENT
FORWARD THINKING

HOW WE WILL DELIVER

WHAT DOES THIS MEAN FOR US?

Customers don't just want a great deal on price – they want to fly from the airports that work best for them.

We will continue to target being the market share leader at our primary airports, offering the most compelling network of destinations and driving greater returns and frequencies from these markets.

Customers have increasing choice and their expectations are rising.

We will give customers reasons to choose to spend more with us, including growing our end-to-end holiday offer, expanding our business travel and offering a compelling customer loyalty programme.

We are seeing increasing inflationary pressures and competitors expanding into some of our markets.

We will stay low cost but also invest in efficiency, developing customer solutions that drive operating efficiencies while meeting customers' evolving needs. Efficiency includes targeting the reduction of easyJet's impact on the environment.

In today's shifting environment, we will place even more focus on recruiting the right people and building the right talents.

Our new employee feedback and listening platform, Peakon, will be constantly used to enhance our employee experience.

easyJet generates millions of data points every day.

Our aim is to use this to become the world's leading data-driven airline, by making our people's jobs easier and creating deeper relationships with our customers.

KEY PERFORMANCE INDICATORS

PROFIT PER SEAT

ON-TIME PERFORMANCE

CUSTOMER SATISFACTION SCORE

RETURN ON CAPITAL EMPLOYED

EARNINGS PER SHARE

CO_2 EMISSIONS PER PASSENGER KILOMETRE

Progress against these KPIs, which have been selected to align with Our Plan, will be reported from the 2019 financial year.

Details of performance against our KPIs for the 2018 financial year can be found on pages 28 to 29.

CHIEF EXECUTIVE'S REVIEW

"EASYJET HAS DELIVERED A GREAT PERFORMANCE DURING THE YEAR. WE ARE ANNOUNCING A 43% INCREASE IN THE PROPOSED DIVIDEND REFLECTING A SUCCESSFUL YEAR OF DELIVERY."

OUR PLAN

OVERVIEW

easyJet delivered a strong performance in the 2018 financial year. The airline's strong revenue growth reflects the strength of its network, brand and value offer.

easyJet's strategy will enable it to continue to be a structural winner within its chosen network in the European short-haul market and across all market conditions.

easyJet has focused on strengthening its strategic positioning, investing in its network and acquiring operations at Tegel. easyJet continues to implement its customer focused strategy by securing and building on leading positions at primary airports to drive profitable growth and deliver resilient returns over the long term.

Disruption has been a major factor for easyJet and the industry this year. easyJet is investing significantly in resilience to reduce the impact on customers.

During the year easyJet has reviewed and refreshed its strategic framework which is now called 'Our Plan'. This plan includes our new Purpose, 'seamlessly connecting Europe with the warmest welcome in the sky', five Priorities and 'Our Promise'. easyJet has now recruited a number of people whose expertise and experience will help to lead and deliver the implementation of Our Plan.

REVENUE

Total revenue increased by 16.8% to £5,898 million (2017: £5,047 million). This includes £198 million of revenue from Berlin Tegel operations. Total revenue per seat grew by 6.4% to £61.94 (2017: £58.23) and by 4.7% at constant currency[1].

Passenger revenue grew by 15.4% to £4,688 million (2017: £4,061 million). This performance was driven by:

- passenger growth of 10.2% to a record 88.5 million, an increase of 8.3 million, including 3.9 million new passengers at Tegel;
- an increase in the overall load factor by 0.3 percentage points to a record 92.9%, with strong demand in the underlying business (up 1.0 percentage point to 93.6% excluding Tegel) partially offset by lower start-up loads in Berlin;

(1) Constant currency is calculated by comparing performance for the 2018 financial year translated at the effective exchange rate for the 2017 financial year with the 2017 financial year reported performance, excluding foreign exchange gains and losses on balance sheet revaluations.

- underlying demand growth, with good performance in particular from our core markets in the UK and France, where easyJet's brand and network positions are well established;
- the benefit of one-off events including the Monarch and Air Berlin bankruptcies and Ryanair winter 2017/18 UK schedule cancellations; and
- industrial action in France that led to a benefit of around £20 million as competitor airline and train customers switched to easyJet's services.

Ancillary revenue was also very strong and grew by 22.7% (18.4% growth excluding Tegel) to £1,210 million (2017: £986 million). This reflected easyJet's attractive products and innovative ancillary management, in particular:

- new bag segmentation (15/23kg offer) leading to better conversion rates and higher overall yields, reflecting an attractive price point for 15kg and demand for the higher weight;
- improved bag pricing algorithms that better reflect demand;
- allocated seating demand driving higher conversion rates through pricing improvements; and
- improvements to our website making it easier for customers to add ancillary products.

COST

Headline cost per seat increased by 4.4% to £55.87 (2017: £53.52), driven by exchange rates, underlying cost inflation and the cost of disruption, which remains a major industry challenge. Headline cost per seat at constant currency increased by 2.7% to £54.97 (2017: £53.52). Headline cost per seat excluding fuel increased by 5.3% to £43.43 (2017: £41.27), and by 4.8% at constant currency. Total cost per seat, including the impact of non-headline items, was £57.26 (2017: £53.78).

The overall cost performance excluding the impact of foreign exchange is driven by:

- the impact of disruption, an industry-wide issue, with significant third-party industrial action activity (Air Traffic Control (ATC) and ground handling) particularly in France, ATC capacity constraints due to systems upgrades and weather events. As a result cancellations increased significantly to 6,814 (2017: 2,502);
- crew cost inflation, including agreed pay deals, inefficiency due to disruption, higher crewing levels to support resilience and helped by higher than expected retention;
- general inflation, including the cost of regulated airports; and
- a negative impact from Airbus delivery delays resulting in lower than planned standby aircraft, and wet leased aircraft.

This was offset by:

- total cost programme savings during the year of £107 million. This ongoing cost programme aims to drive efficiencies from easyJet's business model; and
- in particular this reflected better cost control in airport costs (flat per seat at constant currency excluding Tegel) and lower navigation rates.

Total fuel cost increased by 11.5% (£122 million) to £1,184 million (2017: £1,062 million) as a result of capacity growth, higher Emissions Trading System (ETS) costs and adverse foreign exchange movements. Fuel cost per seat at constant currency decreased by 4.3% to £11.72 (2017: £12.25) helped by easyJet's lower year-on-year effective fuel price.

TEGEL OPERATIONS

On 15 December 2017 easyJet completed the acquisition of part of Air Berlin's operations at Berlin Tegel Airport. This resulted in easyJet becoming the largest short-haul operator in the Berlin market, leapfrogging both Ryanair and Lufthansa, with Tegel complementing easyJet's already well-established Berlin base at Schönefeld.

easyJet's flying programme at Tegel started on 5 January 2018, operating an adopted winter schedule with a fleet of mainly wet leased aircraft. As anticipated, Tegel flying has resulted in a dilutive impact to overall load performance and revenue per seat, and an increase in cost per seat, whilst the operation becomes established.

Overall progress to date has been in line with expectations and on track to demonstrate the value of this strategic acquisition. Since start-up, easyJet has seen strong operational performance with on-time performance of 82% (versus a network average of 75%: see page 16 for further details). Brand consideration scores have also improved significantly (by five points) in Germany as a result of easyJet's increased presence. Demand has been growing steadily with load factors reaching 86% over the summer period, despite a currently inefficient schedule.

The headline profit impact was worse than first expected due to increases in the unhedged fuel cost, airport charges and taxes as well as late competitive capacity in the market. Performance improved during the summer, as easyJet took direct control of its revenue management system to improve data decisions and revenue profiles.

The total loss for the year is better than originally expected at £152 million, due in part to faster than planned transition of crew and fleet.

In the 2019 financial year easyJet's operations in Berlin will benefit from a longer selling window, schedule improvements, a full flying programme, no planned wet lease costs and pricing optimisation. Schedule optimisation will continue into the 2020 financial year.

Tegel Operations	Year ended 30 September 2018
Passengers	3.9 million
Seats flown	4.9 million
Load factor	80.6%
Revenue	£198 million
Revenue per seat	£40.69
Headline cost per seat excluding fuel	£(51.45)
Headline loss before tax per seat	£(23.07)
Headline loss	£(112) million
Non-headline cost	£(40) million

CHIEF EXECUTIVE'S REVIEW CONTINUED

NON-HEADLINE ITEMS

easyJet has incurred £133 million in non-headline costs during the 2018 financial year (2017: £23 million). Non-headline items are material non-recurring items or are items which do not reflect the trading performance of the business. These costs are separately disclosed. The most significant items were as follows:

Commercial IT platform charge: £65 million

Over the past three years easyJet has been investing in its commercial IT platform which has delivered revenue benefits through significant improvement in its customer facing website and seating capability, as well as improvements in underlying resilience and control systems. However, in 2018 easyJet made the decision to change its approach to technology development through better utilisation and development of existing systems on a modular basis, rather than working towards a full replacement of our core eCommerce platform. As a result of this change in approach, a non-headline charge of £65 million has been recognised, relating to IT investments and associated commitments that are no longer required. easyJet will continue to invest in its digital and eCommerce layers that will enable it to continue to offer a leading innovative, revenue enhancing and customer-friendly platform.

Transition and integration cost of Air Berlin's Tegel operations: £40 million

The Air Berlin transaction resulted in £40 million of one-off integration costs. These primarily comprise: engineering costs to align the technical specification of ex-Air Berlin aircraft with the rest of the easyJet fleet; dry lease rental costs incurred prior to these aircraft becoming operational; and other costs including project, consultancy and legal fees. The expected non-headline cost reduced through the year as aircraft were registered, crewed and put into operation faster than originally planned and there was no requirement for the integration contingency fund.

Sale and leaseback: £19 million

The sale and leaseback of the Group's 10 oldest A319 aircraft resulted in a loss on disposal of the assets of £11 million and an £8 million maintenance provision catch-up charge.

Brexit-related costs: £7 million

The Group incurred £7 million in costs associated with establishing its new AOCs, principally due to the cost of re-registration of aircraft in Austria as well as legal and overhead costs.

Further detail can be found in note 5 to the accounts on page 133.

TOTAL PROFIT

Total profit before tax increased to £445 million (2017: £385 million), after a £133 million (2017: £23 million) impact from non-headline items.

Headline profit before tax increased to £578 million (2017: £408 million), driven by strong revenue performance. Excluding the impact of Tegel operations, headline profit before tax was £690 million.

Headline profit per seat increased to £6.07 (2017: £4.71) and headline profit per seat excluding Tegel operations increased to £7.64 (2017: £4.71).

The tax charge for the year was £87 million (2017: £80 million). The effective tax rate for the period was 19.7% (2017: 20.8%), higher than the standard UK rate of 19%, due to the Swiss and Austrian income being taxed at a higher rate.

Basic earnings per share increased to 90.9 pence (2017: 77.4 pence) after the impact of non-headline items. Basic headline earnings per share increased by 43.4% to 118.3 pence (2017: 82.5 pence).

In line with the stated dividend policy of a payout ratio of 50% of headline profit after tax, the Board is recommending that the dividend per share will increase by 43.3% to 58.6 pence (2017: 40.9 pence), subject to approval by shareholders.

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 try to restructure their high cost bases or operate with inadequate financial resources, easyJet is well positioned to selectively strengthen its market positions. Economic trends remain favourable across Europe with continued GDP growth supporting spending in all of easyJet's major markets.

The total European short-haul market[(2)] grew by 5.6% year on year and by 2.8% in easyJet's markets. This was lower than in previous years, reflecting a rising price of oil and the various issues affecting Monarch, Air Berlin, Alitalia, Ryanair and Air France.

Fuel is one of the biggest costs that airlines face, with structurally stronger airlines able to sustain higher levels of profitability in a high fuel price environment. Fuel represented 22% of easyJet's cost base in the 2018 financial year and during the year the price of Brent Oil rose by 44%.

Since the UK referendum vote to leave the EU, Sterling has fallen significantly in value against both the US dollar and the Euro, which has had an ongoing negative impact on profit. A strong US dollar increases the price of fuel in Sterling terms while a strong Euro typically results in a net translational benefit for easyJet's European operations, to the extent it doesn't impact inbound demand into the Eurozone.

easyJet's stakeholders increasingly demand greater focus on environmental and social factors. easyJet's investment in new fleet, technology and development makes it well-placed to reduce its impact on the climate, while improving its services to customers and working conditions for employees.

(2) 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 2017 to September 2018

STRATEGIC PROGRESS

New strategic framework – 'Our Plan'

easyJet has a well-established business model that provides a strong foundation to drive profitable growth and long-term shareholder returns. During the year easyJet has reviewed and refreshed its strategic framework which is now called 'Our Plan'. This plan includes our new Purpose, 'Seamlessly connecting Europe with the warmest welcome in the sky', five Priorities and 'Our Promise'.

The five Priorities are:

1. Network - number one or number two in primary airports
2. Winning our customers' loyalty
3. Value by efficiency
4. The right people
5. Innovating with data

1. Network - number one or number two in primary airports

easyJet aims to provide customers with the leading, best value offer in the airports they want to fly to. easyJet's strategy is focused on key airports, serving valuable catchment areas that represent Europe's largest markets by GDP, driving both leisure and business travel. These are strong, existing markets, built up over a period of time by higher cost legacy carriers. easyJet's portfolio of peak time slots at airports, where either total slot availability or availability at customer-friendly times is constrained, reinforces its competitive advantage against airlines that cannot match its breadth of destinations and frequencies in those airports.

99% of easyJet's capacity now touches either a number one or number two airport, positioning the airline strongly against its competitors and at 30 September 2018, 24 of easyJet's 29 bases were at airports where it held either number one or number two market positions by share of seat capacity. During the year easyJet established a number one position at seven more airports, including Berlin Tegel, Bordeaux and Lille. Looking forward easyJet has identified a number of potential target airports 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. By being number one in key airports with the strongest brand, delivering the best value, we can become the first choice airline for our customers. easyJet estimates that there are 60 million non-low cost carrier head-to-head seats being flown in its top 20 airports where it holds a number one or number two market share.

easyJet regularly reviews its route network in order to maximise returns and exploit demand opportunities in the market. During the 2018 financial year easyJet added 150 routes to the network. Reflecting the airline's discipline, it also discontinued 33 routes which either did not meet expected return criteria or became secondary to a more attractive route elsewhere.

easyJet's network decisions are not driven solely by cost but by the desire to secure strong, long-term, sustainable and profitable positions in key airports, which secure long-term, sustainable returns for shareholders. Number two positions to weaker legacy incumbents in key airports enable the airline to offer a better all-round experience 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.

In the 2018 financial year easyJet has continued its disciplined growth strategy in line with its purposeful growth framework:

- UK – 4% increase in capacity including to match airport capacity increases at Luton
- France – 5% increase in capacity aligned with our strategy of regional growth in the country
- Switzerland – 7% increase in capacity including a focus at our base in Basel
- Italy – 10% increase in capacity as a result of consolidation in Venice, further strengthening our number one position
- Germany – 48% increase in capacity following our acquisition of part of Air Berlin's operations at Tegel, partially offset by the closure of our base at Hamburg as we concentrate on Berlin
- Netherlands – 3% increase in capacity consolidating the position at Schiphol adding routes and frequencies
- Portugal – 6% increase in capacity to strengthen connections to the rest of Europe

Overall easyJet grew capacity by 9.8% in the period, with its market share for easyJet's markets up 0.6 percentage points to 32.2%.

2. Winning our customers' loyalty

easyJet prides itself on making travel easy, enjoyable and affordable for customers whether it is for business or leisure – seamlessly connecting Europe with the warmest welcome in the sky.

During the 2018 financial year easyJet increased revenue per seat by 6.4%, driven in part by an 11.7% increase in ancillary revenue per seat and a 0.9 percentage point increase in customers flying on business. Through investing in the brand, service, innovation and strong operational performance, easyJet aims to retain and grow customers and increase spend per passenger by continuously evolving the offer to make sure it offers fair value and relevant choices for a better travel experience.

easyJet's brand position in core markets continues to strengthen[(3)], appealing to consumers across Europe. easyJet is known for offering value for money and is in fact ranked first for value across its core markets. Over two thirds of consumers within key European markets state they would seriously consider flying easyJet over other airlines. 2018 has seen the highest levels of consideration to date in the UK, France and Germany, and maintained strong positions in Switzerland and Italy. In 2018 easyJet was voted Best Value Short-Haul Airline by Skyscanner.

In Berlin, perceptions around easyJet's brand have significantly improved due to the recent investment at Berlin's Tegel Airport. Perception has improved in all of our key areas with over three quarters of consumers believing we offer value for money, a six percentage point increase since last year. The German customer perception of easyJet speaks to easyJet's core mission, offering customers fair value for money, as well as ease.

(3) Millward Brown brand tracker

CHIEF EXECUTIVE'S REVIEW
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Holidays

easyJet sees a big opportunity to radically change its holidays offering, based on its existing network of destinations and frequencies, efficient low-cost operations, its unique customer base, strength of brand and the ability to develop a customer experience that is aligned with the easyJet core offer. Currently there are 20 million existing customers who fly to easyJet's top 29 destinations by market share, of which only 500,000 book a hotel through easyJet. This is an opportunity for easyJet to extend its reach in the wider travel value chain through the offer of accommodation and other services, with investment taking place in 2019 and 2020.

easyJet's plans involve:

- refining its current business model to capture more value through the customer journey;
- building the necessary infrastructure to directly curate its product offering;
- developing direct relationships with hotel partners;
- focusing on its pricing and yield management expertise to ensure that the price remains attractive to easyJet customers; and
- building enhanced value from bundling and vertical integration of the holiday experience.

easyJet has a clear vision to offer its customers quality and great value hotels based on its understanding of their needs. On the biggest and most attractive flows into the most popular destinations in Europe, easyJet has a market share, a frequency and most importantly a cost position that no one else can match.

easyJet will use its data and digital capability to support the offer, driving ancillary revenue through increasing conversion and attachment rates and the overall average booking value. easyJet will further develop its website and booking process and add data-driven customisation to maximise the attraction to customers. By combining a quality, great value hotel offer with the flexibility of multiple frequencies to major European destinations, we will deliver a better value experience for our customers.

easyJet targets to significantly improve its profit by moving to a contribution rather than commission model. easyJet has already spoken to a large number of hotel partners in Europe and is progressing well to develop deeper and stronger direct relationships with them. These relationships will inevitably help easyJet deliver a better value offer and experience for its customers.

easyJet's core focus will remain on airline services, but the holidays offering incorporates other aspects of the customer journey which can be sold to a customer base that is well aligned and that has high capacity and frequencies on Beach, City and Ski destinations.

Garry Wilson joined as the first ever Chief Executive of easyJet Holidays on 12 November. He has 20 years' experience in the holiday sector, often specialising in the holiday market across easyJet's network. He will continue to build the team and the total customer offer which we expect to launch in late 2019.

Business

easyJet has a well-established and attractive business passenger offer, based on its network of primary airports, slot portfolio and high frequency on Europe's major commercial routes. easyJet has built its business customer base from 10 million in 2012 to over 15 million for the first time in 2018, an increase of 17% on the 2017 financial year. The increase was driven in particular by strong business penetration on Berlin Tegel routes. Overall penetration is now 17.0% (2017: 16.1%) and 16.3% in the network excluding Tegel, a slight increase on 2017.

The business pricing premium increased by 14.4%, due to higher penetration, the inclusion of Tegel and the benefit from cancellations by other airlines or modes of transport (for example as a result of strikes in France), leading to late bookings and higher yields. High premiums were also generated from sales through indirect channels.

easyJet's business offer historically did not materially extend beyond schedule and price, and this has limited its growth within this space, as well as its ability to capture full yield. easyJet will extend its offer through the development of business products, a recognition programme and improved back office functionality. Continued investment in its business offer will help easyJet reach its 'fair share' of European short-haul business travellers.

easyJet's business offer development will focus on three core elements:

- firstly, by improving connectivity to our customers through improved back office functionality including the development of an SME portal to allow small and medium size businesses to book more easily, automating invoicing and increasing direct contracting with our corporate customers;
- secondly, easyJet will cater for its business customers with a more personalised product offering including new business fares and bundles. In the long term, easyJet will seek ways to innovatively offer an enhanced business traveller experience without undermining its low cost operating model; and
- thirdly, ongoing improvements to the schedule can add a business-bias on certain routes and frequencies.

Since May easyJet has:

- started to offer semi-automated invoicing, a process that will be simplified further through the launch of the SME Portal;
- launched Flight Club for Business Partners;
- undertaken schedule analysis for operational protection of higher value business flights where appropriate; and
- adapted its schedule to prioritise business routes at certain times of day, with a particular focus on Germany and France for the winter 2018/19 schedule.

Loyalty

easyJet continues to benefit from increasingly loyal customers. In the 2018 financial year, 65.6% of easyJet seats were booked by customers who had made a booking in the preceding two years, representing 58 million passengers, an increase of five million compared to the previous financial year and an increase from 48 million in 2016. easyJet's invitation only loyalty programme, Flight Club (for those who fly more than 20 times a year with easyJet), is also producing demonstrable revenue benefits, with Flight Club members increasing by 45% in 2018 and over 9% of all bookings being made by Flight Club customers.

Alongside Flight Club, easyJet Plus, easyJet's paid membership programme, allows customers to access additional privileges for an annual fee.

With just under half of travellers flying with easyJet once a year there is a major opportunity to drive loyalty across leisure and business travel. easyJet's ambition is to drive customer loyalty even further whilst proving that expensive and complex structures are not needed in order to be innovative.

easyJet is now evolving its loyalty offering to grow the total value per passenger through a customer-centric loyalty programme that enhances the end-to-end travel experience, driving loyalty through personalised benefits that offer fair value and relevancy.

Our ambition is to make the programme as relevant to customers as possible, whilst building further demand for flights, ancillaries and holidays and creating new and sustainable revenue streams.

Instead of recognising only flying behaviour, easyJet's new loyalty programme will recognise and encourage all behaviours that positively contribute to the bottom line. From booking direct to inputting customer data to build the member profile, spending with partners, and easyJet's financial services product, customers will be recognised and rewarded for various behaviours and choices. The programme will constantly evolve to address the changing behaviours and attitudes of our customers, leading to an enriched end-to-end travel experience that is personal to them.

With the intention of building a profitable ecosystem, easyJet plans to build a comprehensive network of cross-industry programme partners, in order to reward customers for purchases beyond the flight. This gives us the opportunity to engage as many customers as we can, as often as we can, unlocking new profitable revenue streams across the easyJet business, including Holidays and Business.

The programme will be powered by a new currency, in which customers are rewarded and recognised for their behaviours. This will create higher yielding fares with greater penetration of ancillaries and allow partners and brands to invest into the programme. This will be achieved as follows:

- Spend: customers earn points for every purchase with easyJet and partners
- Redeem: customers use points to purchase exclusive rewards to enhance the trip
- Recognise: customers progress easily and quickly through loyalty levels to unlock enhanced benefits

Having appointed its first ever Head of Loyalty, easyJet has started to assemble a new team dedicated to designing and developing the loyalty programme. The intention is to launch the programme in 2020 across key European markets. Further details of the programme will be announced, designed and developed in 2019, with further rollout of benefits and partners planned ahead of full launch.

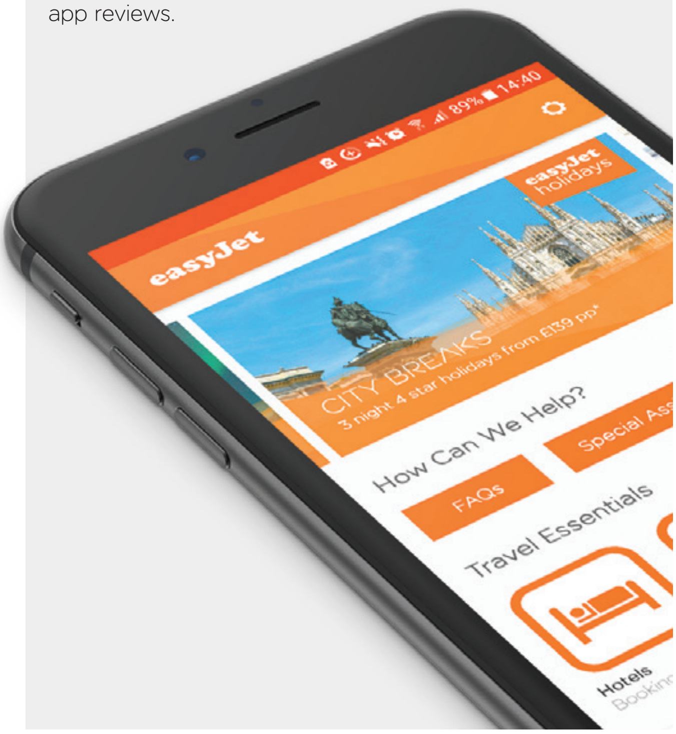
easyJet is confident that a loyalty programme will build further value into the overall easyJet experience, and will drive increased average revenue per seat, whilst also providing profitable new revenue streams from external partners.

In the meantime easyJet will continue to develop and launch further loyalty initiatives during this financial year, through enhancements to both easyJet Plus and Flight Club to try and build as much value for members as possible.

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 customer 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 more seamless for its customers in the long-term.

Customers made 26.8% of all eCommerce bookings through mobile platforms in the 2018 financial year, an increase of 4.5 percentage points year on year, as functionality and accessibility improved further. 29% of customers now use mobile boarding passes, up 4.5 percentage points from 2017. easyJet's digital channels received just under 600 million visits in the 2018 financial year, up 8.3% on 2017. easyJet's app has achieved 28.5 million downloads and 254,000 5-star iOS reviews. Features such as 'Look and Book' are tailored to the Instagram generation and help to drive positive app reviews.



CHIEF EXECUTIVE'S REVIEW
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Success in ancillaries
2018 was a successful year, with an 11.7% increase in ancillary revenue per seat year on year. This success is testament to our strategy of building a portfolio of products and services which is well matched to our customers' needs. In 2018, this was further enhanced by:

- improvements to the baggage options we offer customers, with the introduction of 15kg and 23kg options, the continued enhancement of Hands Free and home pick-up services in partnership with AirPortr;
- continued multi-variant testing of our digital merchandising of ancillary products, leading to a six percentage point increase in allocated seat attachment rates;
- the launch of new partnerships, including a new Insurance partnership with Collinson and a two-year brand partnership with Three Mobile who sponsor Hands Free for their UK customers;
- a trial of an inflight entertainment platform, accessed through customers' own devices, which has driven a 22 percentage point improvement in customer satisfaction for customers using the platform versus easyJet's network average. The trial was supported by Rakuten, American Express and other brand partners;
- the growth of Worldwide by easyJet, now offering connections to more than 10 partner airlines, across 11 airports in the network. Bag attachment rates for these bookings are circa 20 percentage points higher than easyJet's network average and the missed connection rate below 0.5%;
- growth in the Inflight Retail business, with Inflight vouchers now available in our booking funnel and average transaction value on board increasing by 4% from last year; and
- an increase in easyJet Plus membership of 52% year on year.

easyJet has a number of further initiatives and innovation in its pipeline to continue to drive ancillary revenue growth.

Operational performance
Operational performance drives long-term customer loyalty and cost efficiency. Over the last few years the impact of increasing levels of industry-wide disruption has led to a declining trend in on-time performance[(4)] (OTP) and customer satisfaction. During the 2018 financial year OTP decreased by 1.0 percentage point to 75%, primarily due to disruption, with a clear impact in the busiest summer months.

easyJet has begun a process of self-help which has already seen strong improvement in OTP at Gatwick by 3.0 percentage points to 68% following our contract with DHL to provide ground handling, further investments in resilience and our partnership with Gatwick Airport to resolve wider system issues. As a result of the OTP improvement easyJet has now agreed with DHL to manage ground handling at Bristol and Manchester as well as at Gatwick.

OTP % arrivals within 15 minutes	Q1	Q2	Q3	Q4	Full year
2018 Network	81%	82%	73%	68%	75%
Network excluding UK	83%	84%	75%	70%	77%
2017 Network	79%	80%	78%	68%	76%
Network excluding UK	82%	82%	80%	72%	79%

easyJet's focus on operational resilience and friendly, helpful service helped to sustain customer satisfaction with Customer Satisfaction[(5)] (CSAT) scores at 71.2% (an increase of 0.2 percentage points year on year), despite increased disruption during the year. Specifically:

- easyJet's efforts to manage disruption and engage with customers during this time earned it recognition with a two percentage point increase in overall satisfaction recorded by customers delayed for less than three hours and one percentage point increase in those disrupted by more than three hours;
- in addition to push notifications via our mobile app, easyJet updated its voice communications within the airport to shorten announcements and institute later calls to the gate, reducing passenger waits and increasing customer satisfaction with the handling of the boarding process; and
- easyJet's 'Summer of Boarding' initiative increased boarding satisfaction by 4.4 percentage points during the peak summer months and included improvements such as self-boarding gates, and greater care given to the boarding of families and persons with restricted mobility.

3. Value by efficiency
easyJet is committed to maintaining its structural cost advantage in the markets where it operates, primarily against the legacy airlines. easyJet is low cost, driving efficiency and investing only where it matters most to our customers and our people.

Through its cost and efficiency programme, easyJet continues to drive both short-term efficiencies and longer term structural cost savings across all areas of the business, 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 cost and efficiency programme has been able to deliver sustainable reduction this year: over £500 million of savings have been achieved to date with £107 million saved in the 2018 financial year, principally in airport costs (flat cost per seat at constant currency), fuel supplier initiatives and engineering savings.

Initiatives to drive improved cost performance
Airports 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. easyJet continues to work with airports that will reward easyJet's commitment, efficient operations and growth with attractive financial agreements.

30% of all easyJet customers 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.

Through the airline's ground-breaking deal with DHL at Gatwick, initial investment in the contract is driving superior OTP performance and operational efficiency.

(4) On-time performance (OTP) is defined as the percentage of flights which arrive within 15 minutes of the scheduled arrival time

(5) Customer satisfaction (CSAT) is based on results of a customer satisfaction survey which measures how satisfied the customer was with their most recent flight

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 is now active on all easyJet's A319 and A320 fleet and resulted in 149 pre-emptive maintenance actions in 2018. All new fleet deliveries will have hardware installed that enables even higher levels of data transfer. easyJet expects to deliver meaningful savings in the 2019 financial year and to drive greater value as the programme progresses.

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 5% for pilots, and a strong pipeline of talent wanting to join easyJet.

easyJet is investing significant resources to improve schedule and rostering efficiency, which will improve crew productivity and create a more stable working environment.

Up-gauging and efficient fleet management

Moving from 156 seats on an A319 to either 186 seats on an A320neo or 235 seats on an A321neo aircraft is expected to deliver a cost per seat saving of up to 13% and 20% respectively. This is being achieved by increasing the proportion of higher gauge aircraft in the fleet:

- all new A320 deliveries are fitted with 186 seats, with the first 186-seat A320neo delivered in June 2017;
- retrofitting the existing fleet of 180-seat A320s; and
- the addition of A321neo aircraft to the fleet from July 2018, which is delivering up to 9% cost per seat savings compared to an A320neo.

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.

Overheads and IT

easyJet has identified opportunities to reduce cost and become more efficient in its overhead cost base and IT systems by:

- continuing to embed its organisational redesign which has resulted in the ability to leverage scale in overheads for future growth;
- increasing investment into data and digital to increase simplicity, enhance flexibility and drive efficiency; and
- continuing end-to-end review of the supplier base in all areas of the business to drive value and support innovative thinking about the way the airline works in the future.

Fuel

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

Operational resilience

easyJet is investing in resilience to more effectively manage disruption and ease the impact on the customer. To tackle this sector-wide issue easyJet has begun a number of self-help initiatives:

- modifying schedules to improve overall resilience using better data and updated parameters and assumptions;
- increasing standby aircraft availability;
- focusing on the first wave, using better processes, communication and data-driven decisions to minimise delay minutes as the day progresses;
- implementing automation and data-driven decision making across all areas of operations through the use of our OTP simulator;
- developing strategic partnerships, predominantly in ground handling, to implement and deliver better processes and equipment levels into contracts, for example with DHL at Gatwick; and
- improving operational and customer communications across the Operational Control Centre (OCC), ground handlers and crew.

These initiatives are targeted to deliver savings of over £100 million in the 2019 financial year, offsetting inflationary pressures.

CHIEF EXECUTIVE'S REVIEW
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4. The right people

easyJet cares about its people and believes they set the airline apart. Providing the warmest welcome in the sky, easyJet's customer-facing employees are the very best in the industry and contribute significantly to the positive experience that customers enjoy, leading to increased loyalty and repeat business. At the end of the 2018 financial year, 14,605 people (2017: 12,181) worked for easyJet.

Creating an inclusive and energising environment which attracts the right people and inspires everyone to learn and grow is at the heart of easyJet's strategy. This is particularly important as our business continues to evolve. This year easyJet has introduced a new employee listening tool, Peakon, to obtain real-time, honest feedback on a more regular basis to help make better, data-led people decisions and to make easyJet a better place to work. Results of a first trial of the platform were good. The engagement score of 8.0 out of 10 is strong and the overall employee Net Promoter Score (eNPS) was 27, where any positive score is good on the Peakon benchmark. In our cabin crew community, eNPS was 41, a high score with a direct link to our positive customer perception of crew. Our Tegel employees are exceptionally positive about their experience with easyJet with the base registering an eNPS of 67. easyJet will work to maintain and improve further its employee engagement.

easyJet is seen as an attractive employer and featured in the Top 50 places to work in the UK Employees' Choice Awards on Glassdoor UK, voted by easyJet employees. easyJet continues to recruit to support its growth, adding over 742 pilots and 1,544 cabin crew during the 2018 financial year (2017: 399 pilots and 1,076 cabin crew). 29% of positions were also filled by internal candidates (2017: 36%). Retention rates remain good with total employee turnover at 6.5% (2017: 7.4%), while flight deck turnover was 4.9% (2017: 3.6%). There is also a strong pipeline of pilots and crew who want to work at easyJet, with 75,000 applications during the 2018 financial year, an increase of 7,800 compared to 2017.

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 worldwide pilot community. easyJet's current target is that 20% of its new entrant co-pilots attracted by 2020 are female. In the 2018 financial year easyJet attracted 15% female new entrant co-pilots, up from 13% in the 2017 financial year and 5% when the initiative was started in 2015.

In May, easyJet announced the appointments of a number of new Airline Management Board ('AMB') members, to take easyJet forward in alignment with the updated strategy:

- Garry Wilson as Chief Executive of easyJet Holidays
- Luca Zuccoli as Chief Data Officer
- Flic Howard-Allen as Chief Communications Officer
- Ella Bennett as Group People Director
- Thomas Haagensen was promoted to Group Markets Director
- Lis Blair was promoted to Chief Marketing Officer

5. Innovating with data

easyJet has the ambition to become the most data-driven airline in the world and is now investing substantially to give greater focus and weight to our use of data to improve the customer experience, drive revenue, reduce cost and improve operational reliability:

- Revenue – opportunities to leverage existing data-based initiatives, in particular focusing on enhancing the revenue management system, harnessing customer-related information and improving easyJet's ability to target clients with the right offer. In particular, easyJet is focusing on harnessing new sources of data to improve demand-forecasting and simulation capabilities, and to deliver further competitive pricing for tickets and ancillary products such as seat allocation.
- Cost and operations – specific data applications have opportunities to improve utilisation and productivity, fuel efficiency and resilience, enabling predictive maintenance and reducing waste, whilst also helping to minimise the impact of disruption by combining machine learning predictions of delays and optimisation algorithms to find the best solution to the problems. During 2018 easyJet implemented an OTP simulator that allows for rapid and often pre-emptive action resulting from first wave issues each day.
- Customer – both on board to complement existing demand and personalisation initiatives, such as food and beverage, and 'off-board' where we will develop our capability to make the most efficient, effective decisions to the customer's benefit such as in managing disruption (for example by implementing the Optym solution in future planning from 2019).

easyJet's new Chief Data Officer, Luca Zuccoli, joined the business in August and has started the process of hiring an additional 28 data scientists to join the existing team of 22.

As a result easyJet has made a major step up in its data activities and now has over 50 data projects in place to drive the above benefits, more than doubling the number of initiatives in the last six months. easyJet expects to secure benefits from the 2019 financial year which will deliver substantial future annualised benefits.

OUR PROMISE

easyJet has consolidated and updated its customer and employee values and behaviours, which it is now calling Our Promise. This is one single, simple way to bring together the elements which will support Our Plan:

- Safe and responsible: safety is our number one priority
- On our customers' side: we always think about the customer and see things from their point of view
- In it together: we are one team and work together in all we do
- Always efficient: we will always be efficient and focus on what matters most
- Forward thinking: we anticipate what we need tomorrow and consider how what we do today might affect us in the future

This brings a clarity of purpose and understanding for all of our employees that will drive better customer service and long-term success for the business.

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.

easyJet is able to support this with market-leading fleet flexibility, through the timing and scale of capacity deployment: new aircraft orders can be deferred, aircraft leases may be extended or returned to the lessor, aircraft may be sold or utilisation can be reduced at times of low demand.

easyJet's total fleet as at 30 September 2018 comprised 315 aircraft (2017: 279 aircraft), of which 42% are A319s, 57% are A320s and 1% are A321s.

Alongside its cost initiatives over the next five years easyJet will reduce cost per seat by improving the fleet mix. In the 2018 financial year, easyJet took delivery of 49 aircraft, and exited 13. Deliveries included 18 ex-Air Berlin aircraft now being leased by the company and 28 aircraft that are part of our highly advantageous deal with Airbus.

As at 30 September 2018, easyJet had taken delivery of two A321neo aircraft, with a third delivered since year end. The A321neos are operated from Gatwick, enabling growth in a slot-constrained, high customer demand airport. The A321neo has 51% more seat capacity than the A319 and delivers up to 9% cost savings compared to a 186-seat A320neo or up to 20% compared to an A319.

At 30 September 2018 the average age of the fleet was 7.0 years (2017: 7.1 years) and the average number of seats per aircraft increased to 172 seats (2017: 169 seats). During the year, easyJet improved its fleet utilisation across the network to an average 11.1 block hours per day (2017: 10.9 hours).

easyJet is pleased to announce that it has reached an agreement with Airbus that extends easyJet fleet plans into 2023, delivers more flexibility into the schedule and secures valuable delivery slots at a time when the Airbus order book has limited availability. In particular the agreement includes:

- The exercise of purchase rights resulting in firm orders for 17 A320neo under the existing framework agreement signed in 2013. These aircraft are subject to a very substantial discount from the list price[(6)] and are expected to be funded through a combination of easyJet's internal resources, cash flow, sale and leaseback transactions and debt.
- The deferral of delivery dates of 18 A320neo aircraft by up to 24 months.
- The conversion of 25 purchase rights for A320neo into purchase options, which has the primary purpose of securing delivery slots in 2024.

This provides additional flexibility to easyJet's existing plans; by 2022 easyJet could increase its fleet size to 385 or reduce it to 316, using existing Airbus delivery arrangements and operating lease optionality.

Fleet at 30 September 2018, updated to include future commitments including the new Airbus transaction. Since the end of the financial year five aircraft have been delivered (one A321neo and four A320neos), not included below.

	Owned	Finance leases	Operating leases	**Total**	% of fleet	Changes since Sept 2017	Future deliveries	Purchase options	Unexercised purchase rights
A319	79	–	53	132	42%	(11)	–	–	–
A320 180 seat	46	1	28	75	24%	19	–	–	–
A320 186 seat	80	4	9	93	29%	15	–	–	–
A320neo	13	–	–	13	4%	11	100	25	58
A321neo	2	–	–	2	1%	2	27	–	–
	220	5	90	315		36	127	25	58
Percentage of total fleet	70%	1%	29%						

(6) The aircraft list price for the new generation A320 NEO aircraft based on the relevant price catalogue in January 2012 was US$92,346,946 (being the sum of the airframe list price, engine option list price and the price of certain assumed specification change notices). Therefore the total list price for the 17 aircraft is approximately US$1,877,115,414 (November 2018). If easyJet chooses to take advantage of these purchase options, the price payable for such aircraft and the other terms applicable to such acquisitions will be the same as those for the purchase of other aircraft under the existing framework agreement signed in 2013. A small additional payment is made to Airbus on the conversion of the purchase right to a purchase option, which amount will be deducted from the purchase price on exercise.

CHIEF EXECUTIVE'S REVIEW CONTINUED

Balance sheet

easyJet continues to have a very strong and market leading balance sheet with net cash of £396 million at 30 September 2018 (2017: £357 million), positioning the airline to be able to take advantage of opportunities at a potentially challenging period for the sector. This is driven by high operating cash generation, increased unearned revenue from schedule releases, and improved supplier terms.

Moody's and Standard & Poor's credit ratings remain unchanged at Baa1+ (stable) and BBB+ (stable) respectively.

The majority of easyJet's capital expenditure is on its fleet, including pre-delivery payments, final delivery payments and maintenance expenditure. Over the next four years easyJet gross capital expenditure is expected to be as follows:

Year	2019	2020	2021	2022
Gross capital expenditure (£ million)	1,000	1,000	800	1,000

easyJet continues to look for ways to optimise the efficiency of the balance sheet, including management of the liquidity position. easyJet's policy is to maintain a liquidity buffer (defined as cash plus undrawn revolving credit facilities (RCF) and business interruption insurance) of at least £2.6 million per 100 seats. As at 30 September 2018, the liquidity position was significantly ahead of this policy at £3.9 million per 100 seats (2017: £3.6 million). On 1 August 2018, easyJet implemented an additional two-year £250 million RCF to further support its liquidity position. This RCF has no financial covenants or draw stops and is unsecured.

Headline return on capital employed[7] (ROCE) increased to 14.4%, an increase of 2.5 percentage points (2017: 11.9%), driven by the strong performance in profitability. Total ROCE increased to 11.5% (2017: 11.3%).

Hedging positions

easyJet has a strong hedging position which will allow the Group to remain highly competitive across the European airline industry. easyJet operates under a clear set of treasury policies approved by the Board. The aim of easyJet's hedging policy is to reduce short-term cash flow volatility. Therefore, easyJet hedges forward, on a rolling basis, between 65% and 85% of the next 12 months' anticipated fuel and foreign currency exposures and between 45% and 65% of the following 12 months' anticipated exposures. These policies are reviewed on at least an annual basis and any recommendations to amend policies to take into account changing market conditions need to be approved by the Board. No material changes were made to these hedging policies in the 2018 financial year.

Details of hedging arrangements as at 30 September 2018 are set out below:

Percentage of anticipated requirement hedged	Fuel requirement	US Dollar requirement	Euro surplus	CHF surplus
Six months to 31 March 2019	69%	70%	69%	68%
Average rate	$567 / metric tonne	$1.31	€1.14	CHF 1.24
Full year ending 30 September 2019	65%	66%	68%	66%
Average rate	$571 / metric tonne	$1.33	€1.13	CHF 1.25
Full year ending 30 September 2020	45%	46%	47%	47%
Average rate	$654 / metric tonne	$1.38	€1.10	CHF 1.27

BREXIT

Both the EU and the UK have said that their objective is to maintain flights between the EU and the UK, whatever the Brexit outcome. This gives easyJet confidence that flying rights will be maintained, and it continues to work with EU institutions, EU member states and the UK Government to ensure that this is achieved.

easyJet has established easyJet Europe, which is headquartered in Vienna and will enable easyJet to continue to operate flights both across the EU and domestically within EU countries after the UK has left the EU, regardless of the Brexit outcome. The new structure means that easyJet is now a pan-European airline group with three airlines based in Austria, Switzerland and the UK.

UK consumer demand remains strong, with bookings for next summer ahead of 2018.

In order to continue to operate air services within the EU, easyJet (and all other airlines with EU operating licences) must comply with the EU requirement that a majority of its equity capital must be owned and controlled by nationals of one of the member states of the EU, Switzerland, Norway, Iceland or Liechtenstein ('qualifying nationals').

With regard to its ownership easyJet is well prepared and begins from a position of strength with approximately 47% of its shares already held by qualifying nationals (excluding UK nationals). easyJet's investor relations programme has focused mainly on Europe since 2016 with the intention of increasing this to above 50% prior to the UK's exit from the EU.

easyJet's Articles of Association contain provisions to allow it to take action if necessary to ensure it continues to satisfy the EU ownership and control requirements. These provisions permit easyJet to regulate the level of ownership by non-qualifying nationals by suspending rights to attend and vote at meetings of shareholders and/or forcing the sale of shares owned by non-qualifying nationals to qualifying nationals. Similar powers exist in the articles of association of other airlines as well as in the articles of companies in other sectors that have national share ownership requirements.

(7) Headline return on capital employed shown adjusted for leases with leases capitalised at seven times. Under IFRS 16 headline return on capital employed is expected to improve by approximately 1.5 percentage points, as the newly capitalised lease liabilities are less than the adjustment historically made for the capital implicit in aircraft operating lease arrangements (the annual charge for aircraft dry leasing multiplied by a factor of seven).

Whilst easyJet has no current intention of exercising these powers, the position will be kept under review pending the outcome of Brexit negotiations between the UK and the EU, along with other options.

Currently, approximately 47% of easyJet's equity capital is held by qualifying nationals, if UK nationals are excluded, and therefore approximately 53% by non-qualifying nationals. Consequently, if no withdrawal agreement is agreed or approved, and there is therefore no transition period, it may become necessary for those powers to be exercised, and/or for other actions to be taken to reduce the proportion of non-qualifying nationals owning easyJet shares, in advance of Brexit on 29 March 2019, so as to be compliant with the relevant EU requirement.

easyJet currently expects to take action in respect of its level of ownership by non-qualifying nationals only if there is a real risk of a 'no deal' Brexit in the run up to 29 March 2019 and if the proportion of equity capital held by qualifying nationals (excluding UK nationals) remains below the required level of 50% plus one share. If the EU and the UK reach agreement on the terms of withdrawal, and a transition period is agreed, it is not anticipated that any action would be required in respect of the level of ownership by non-qualifying nationals until at least the later stages of the Brexit transition period (which is expected to end no earlier than 31 December 2020). easyJet continues to monitor developments but currently considers it would be inappropriate to commit to a set plan whilst the Brexit outcome remains uncertain. easyJet will provide a further update as appropriate in due course.

LONGER TERM FOCUS

Monthly traffic statistics

To reduce the short-term speculative impact around monthly traffic statistics, easyJet has decided to change the way it reports monthly passenger numbers and load factors, which will now be reported within the quarterly reporting framework in the same manner as our OTP reporting. Historic information will be available on a dedicated webpage.

Key performance indicators

easyJet has set a number of internal and external Key Performance Indicators (KPIs) that align to the 'Our Plan' strategic framework. The major external KPIs that will be reported from the 2019 financial year are as follows:

- Profit per seat
- On-time performance – arrival within 15 minutes
- Customer satisfaction score
- Return on capital employed (ROCE)
- Earnings per share
- CO_2 emissions per passenger kilometre

Over the longer term easyJet is confident that its strategy and positioning will deliver substantial value for its shareholders. easyJet will focus on:

- maintaining capital discipline and maximising ROCE;
- maximising profit per seat by underlying business improvement, profit from new initiatives and benefits to revenue and cost from data; and
- generating sustainable positive net cash flow (after payment of the ordinary dividend and investment in the fleet) through profitability and fleet flexibility.

OUTLOOK

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

easyJet plans to grow capacity by around 10% for the 2019 financial year, and by around 15% in the first half year. Forward bookings for the first half are 50%.

Bookings for next summer look promising at this very early stage, slightly ahead of summer 2018.

On a like-for-like accounting basis[8] revenue per seat for the first half is expected to be down by low to mid-single digits, in line with previous guidance, including the effect of annualisation of one-off revenue benefits from the 2018 financial year, dilution from Tegel and the effect of Easter moving into the second half of the year.

Adjusting for the impact of IFRS 15, revenue per seat in the first half is currently expected to be down by mid-single digits mainly due to new treatment of booking fee revenue which is now recognised at the time of flying and which will benefit the second half of the year, as well as the revised treatment of disruption costs which are now partially offset against revenue.

On a like-for-like accounting basis total headline cost per seat excluding fuel at constant currency (assuming normal levels of disruption) is expected to be flat for the 12 months to 30 September 2019. This includes one-off expenditures on the strategic initiatives to drive margin and returns in the long term. Adjusting for the impact of IFRS 15 total headline cost per seat excluding fuel at constant currency is expected to improve slightly as some disruption cost is offset against revenue, as noted above. IFRS 16 is not expected to have a material impact on cost as the annual operating lease expense and maintenance charges will be replaced by anticipated similar levels of depreciation and interest expense.

Capital expenditure for the 2019 financial year is expected to remain in line with previous guidance at £1 billion.

Based on today's fuel prices, unit fuel[9] costs for the year to 30 September 2019 are expected to be a headwind of between £50 million and £100 million as a result of easyJet's advantaged hedging position.

The total expected headline foreign exchange[10] impact for the year to 30 September 2019 is expected to be a headwind of around £10 million.

(8) Applying IAS 18 Revenue, IAS 17 and IAS 39 Financial Instruments: Recognition and Measurement.

(9) Unit fuel is calculated as the difference between the latest estimate of financial year 2019 fuel costs less the financial year 2018 fuel cost per seat, multiplied by the financial year 2018 seat capacity. Based on fuel spot price range of $675- $760.

(10) US$ to £ Sterling 1.28, Euro to £ Sterling 1.12, Swiss Franc to £ Sterling 1.28. Currency, capital expenditure and fuel increases are shown net of hedging impact.

INVESTING IN NUMBER ONE AND TWO AIRPORTS: BERLIN TEGEL

easyJet acquired part of Air Berlin's operations at Berlin Tegel Airport in December 2017, and launched its own operations on 5 January 2018 with the first easyJet flight from Berlin Tegel to Munich.

In June 2018, we welcomed our 300th aircraft into the fleet on a new route between Berlin Tegel and Cologne Bonn, marking another milestone in our network expansion.

By 30 September 2018, we had 23 aircraft based in Berlin Tegel. The flying schedule was initially supported by wet leased aircraft during the transition period from January to October 2018, but Tegel is now 'totally orange', with the final wet leased flight operated on 31 October 2018.

The implementation of Tegel operations has demonstrated the strong operational depth at easyJet and the ability to drive substantial change at pace, with 3.9 million passengers flown on Tegel routes by 30 September 2018.

Our new routes are especially popular with business travellers, who now account for over 50% of passengers on our German domestic routes.

We have also welcomed over 400 former Air Berlin employees into our family, with 182 pilots and 223 cabin crew recruited by 30 September 2018.

It's all part of our plan to become number one or number two in our key airports, seamlessly connecting Europe with the warmest welcome in the sky.

23

AIRCRAFT BASED AT BERLIN TEGEL AS AT 30 SEPTEMBER 2018

OVER 50%

BUSINESS TRAVELLERS

AROUND
50%
QUIETER ON
TAKEOFF AND LANDING
(THAN PREVIOUS
GENERATION AIRCRAFT)

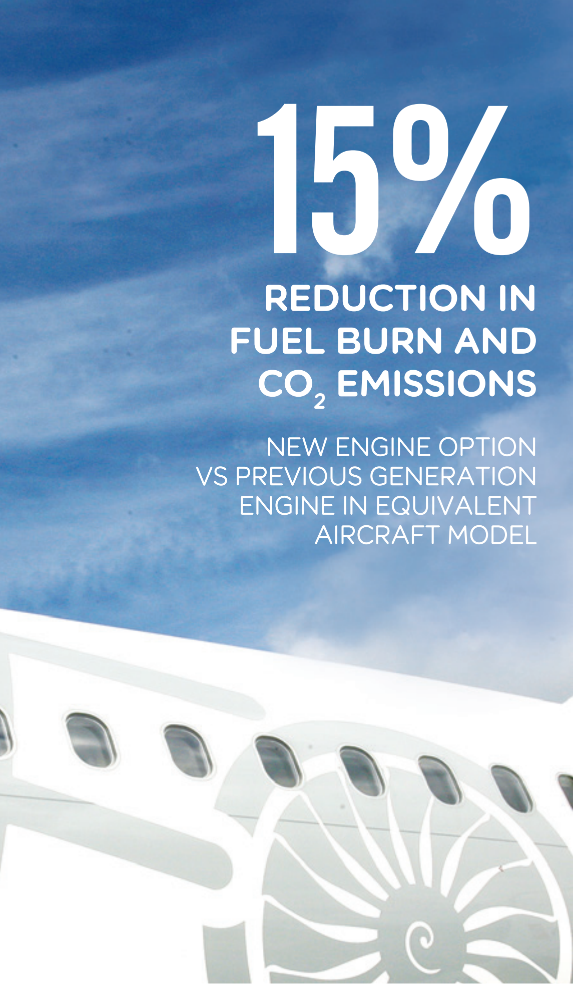
235
SEATS

UP TO
9%
COST PER
SEAT SAVING

(VS A320NEO)

UP TO
20%
COST PER
SEAT SAVING

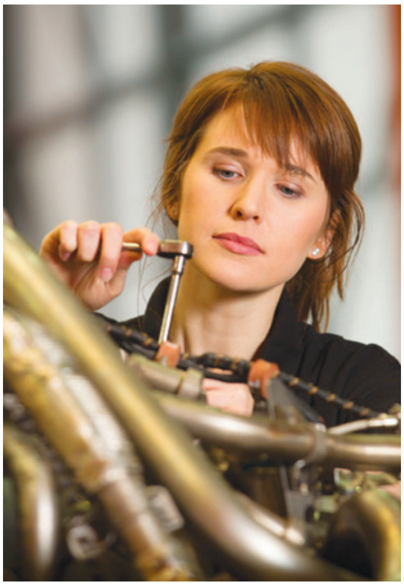
(VS A319)



15%

REDUCTION IN FUEL BURN AND CO_2 EMISSIONS

NEW ENGINE OPTION VS PREVIOUS GENERATION ENGINE IN EQUIVALENT AIRCRAFT MODEL

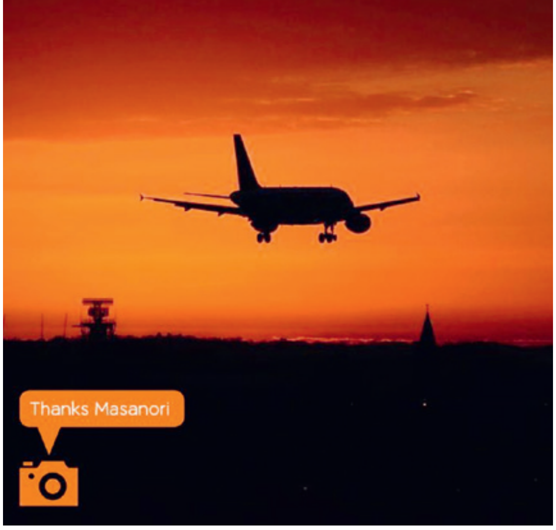


VALUE BY EFFICIENCY: THE A321NEO

In July 2018, the first of our Airbus A321neo aircraft joined the easyJet fleet, registered under the UK AOC as G-UZMA. Equipped with the Airbus Cabin Flex seating option and new emergency exit configuration, these aircraft have 235 passenger seats. The new aircraft type is expected to deliver up to a 9% cost per seat reduction compared to our A320neo, and up to a 20% reduction compared to our A319. The new engines are around 50% quieter on takeoff and landing than previous generation engines, and reduce fuel burn and CO_2 emissions by 15%. This makes the A321neo our largest, quietest, most cost-efficient and most eco-friendly aircraft yet.

easyJet first announced the conversion of 30 orders for A320neo aircraft to A321neo aircraft on 16 May 2017. 14 months later, on 16 July 2018, G-UZMA took off on its first commercial revenue service from Gatwick to Faro.

The A321neo onboard service was designed in close collaboration with our front-line cabin crew, with a focus group including representatives from our major bases throughout Europe. The first six A321neo aircraft will be based at Gatwick. The increased capacity will help us grow at slot-constrained airports and enable us to offer low fares to more people on our most popular business and leisure routes. To date, our A321neos are predominantly operating flights between Gatwick and mid-range leisure destinations.



WINNING OUR CUSTOMERS' LOYALTY

Our brand position is continuing to strengthen in our core markets and is driving greater customer loyalty as we focus on continuously improving our customer offer. At easyJet we pride ourselves on making travel easy, enjoyable and affordable for customers whether it is for business or leisure, seamlessly connecting Europe with the warmest welcome in the sky.

Through investing in the brand and service, innovation and strong operational performance, we aim to retain and grow our customer base.

easyJet is now number one low-cost carrier in value for money perceptions in all of its core markets[(1)].

easyJet was named 'Best Value Short-Haul Airline' by Skyscanner in 2018.

easyJet was voted 'Best Low Cost Airline' by Business Traveller magazine in 2018.

In Berlin, perceptions around our brand have made a significant leap forward with a six percentage point increase in customers who would seriously consider flying easyJet since last year[(1)]. The customer perception of easyJet in Germany speaks to easyJet's offering, giving customers value for money, as well as ease.

(1) Millward Brown brand tracker

OVER

66%

OF PEOPLE IN EASYJET'S CORE MARKETS (UK, FRANCE, ITALY, SWITZERLAND) WOULD SERIOUSLY CONSIDER FLYING EASYJET[1]

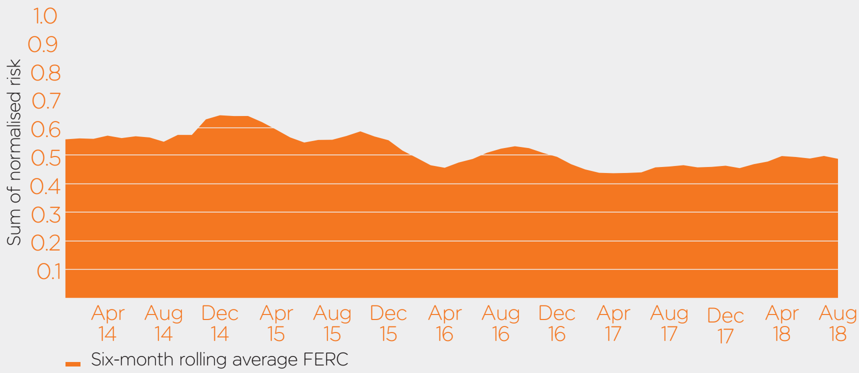
75%

OF PEOPLE IN ALL EASYJET'S MAIN MARKETS THINK EASYJET IS VALUE FOR MONEY[1]

KEY PERFORMANCE INDICATORS

MEASURING OUR PERFORMANCE

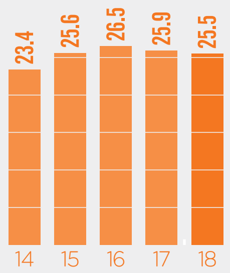
SAFE AND RESPONSIBLE
FINAL EVENT RISK CLASSIFICATION (FERC)



DEFINITION:
All reported safety-related incidents are assessed and categorised with risk values assigned and aggregated to form a final event risk classification. The sum of normalised risk is the risk classification of safety events, normalised by 1,000 sectors flown.

PERFORMANCE:
Safety continues to underpin everything we do, supported by a strong safety reporting culture. Overall the final event risk classification has remained broadly flat year on year, reflecting our continued appropriate reporting culture and focus on safety.

NETWORK
AIRPORT MARKET SHARE WHERE EASYJET IS NUMBER ONE OR TWO CARRIER*

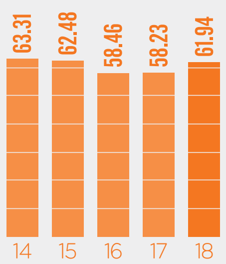


DEFINITION:
Market share at airports where easyJet is the number one or number two carrier based on short-haul capacity.

PERFORMANCE:
easyJet's market share decreased slightly to 25.5% (2017: 25.9%) as seven new airports achieved number one status in the year, whose market shares are not yet as strong as at established number one airports. The percentage of easyJet capacity that touches a number one or two airport increased to 98.7% (2017: 98.1%).

* Source: OAG

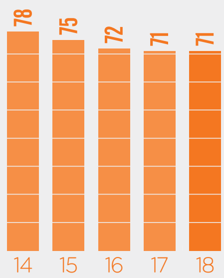
WINNING OUR CUSTOMERS' LOYALTY
REVENUE PER SEAT (£)



DEFINITION:
Revenue divided by seats flown.

PERFORMANCE:
Revenue per seat increased to £61.94 (2017: £58.23) with an increase of 4.7% at constant currency due to the positive trading environment based on the strength of our network and customer offer, competitor capacity reductions and lower competitor growth in easyJet markets.

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 increased from 71.0% to 71.2% year on year, despite significant air traffic disruption in the year.

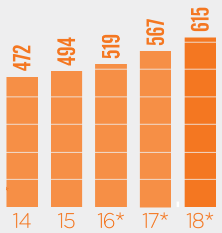
THE RIGHT PEOPLE
EMPLOYEE ENGAGEMENT – PEAKON SCORE OUT OF 10

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

PERFORMANCE:
In 2018 easyJet introduced a new employee feedback and continuous listening platform called Peakon. This was trialled with a third of our people across the network. The resulting score of 8.0 out of 10 reflects our strong levels of employee advocacy. Peakon has been rolled out to all employees in November 2018 and will be delivered on a quarterly basis across all easyJet communities.

* Trial data across one third of employees

INNOVATING WITH DATA
TOTAL NUMBER OF VISITS TO ALL DIGITAL PLATFORMS (M)

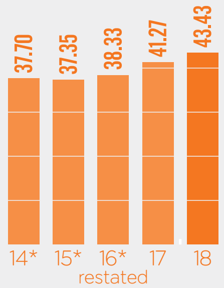


DEFINITION:
Total number of visits to all digital platforms (in millions)

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

* 2016, 2017 and 2018 include visits to the Flight Tracker section of our website

VALUE BY EFFICIENCY
HEADLINE COST PER SEAT EXCLUDING FUEL (£)

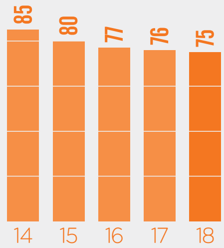


DEFINITION:
Revenue less headline profit before tax, plus fuel costs, divided by seats flown.

PERFORMANCE:
Headline cost per seat excluding fuel increased by 5.3% to £43.43, with an increase of 4.8% at constant currency, primarily driven by general inflation and higher disruption costs, as well as the integration of Tegel operations.

* 2014-2015 as reported, not headline. 2016 as restated, not headline.

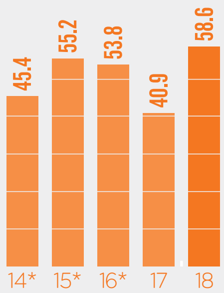
ON-TIME PERFORMANCE (%)



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

PERFORMANCE:
Despite increased disruption due to significant third-party industrial action, air traffic control restrictions and adverse weather conditions across Europe, on-time performance has only fallen by one percentage point year on year to 75% (2017: 76%).

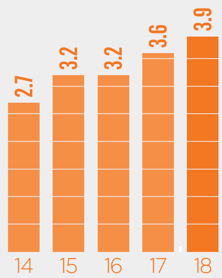
OVERALL
ORDINARY DIVIDEND (PENCE PER SHARE)



PERFORMANCE:
The Board has recommended a final dividend of 58.6 pence per share (2017: 40.9 pence), which is in line with the dividend policy of a payout ratio of 50% of headline profit after tax.

* 2014-2016 based on reported profit after tax, not headline

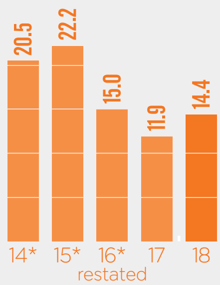
LIQUIDITY PER 100 SEATS (£M)



DEFINITION:
Liquidity (cash plus revolving credit facilities and business interruption insurance policy) per 100 aircraft seats.

PERFORMANCE:
easyJet liquidity continues to be significantly above the minimum policy position of £2.6 million per 100 seats. Liquidity increased in the year due to entering into an additional £250 million revolving credit facility and a business interruption insurance policy.

HEADLINE ROCE (%)



DEFINITION:
Normalised headline operating profit after tax divided by average adjusted capital employed (see Glossary).

PERFORMANCE:
Headline ROCE increased to 14.4% (2017: 11.9%) and total ROCE increased to 11.5% (2017: 11.3%), driven by an increase in headline profit for the year.

* 2014-2015 as reported, not headline. 2016 as restated, not headline.

FINANCIAL REVIEW

OUR FINANCIAL RESULTS

ANDREW FINDLAY
Chief Financial Officer

In the 2018 financial year, easyJet flew 88.5 million passengers (2017: 80.2 million) and delivered a headline profit before tax for the year of £578 million (2017: £408 million) or £6.07 per seat (2017: £4.71 per seat). Total reported profit before tax for the year was £445 million (2017: £385 million) or £4.68 per seat (2017: £4.45 per seat).

On 15 December 2017 easyJet completed the acquisition of part of Air Berlin's operations at Berlin Tegel Airport. Its flying programme started on 5 January 2018, operating a winter schedule with a fleet of mainly wet leased aircraft. As anticipated, Tegel flying resulted in a dilutive impact to overall load factor performance, revenue per seat and profit per seat whilst the operation was being established. The impact of the Tegel operation has therefore been split out in the financial overview below to provide visibility of the existing business.

Tegel headline loss before tax in the year of £112 million relates to our flying activities in Tegel, including the use of lower gauge wet leased aircraft, combined with anticipated initially lower loads and yields as we commenced our operations. Tegel non-headline costs represent the parallel integration of our dry lease operation, including fleet conversion and training costs, as well as transaction-related costs.

The headline profit before tax excluding Tegel for the year ended 30 September 2018 was £690 million (2017: £408 million) and the total profit before tax excluding Tegel was £597 million (2017: £385 million). Total profit before tax includes the impact of a £65 million non-headline charge resulting from our change in approach to technology development during the year.

FINANCIAL OVERVIEW

	Ex-Tegel		Tegel	Total	
£ million (reported)	**2018**	2017	**2018**	**2018**	2017
Revenue	5,700	5,047	198	5,898	5,047
Headline costs excluding fuel	(3,886)	(3,577)	(250)	(4,136)	(3,577)
Fuel	(1,124)	(1,062)	(60)	(1,184)	(1,062)
Headline profit/(loss) before tax	690	408	(112)	578	408
Headline tax (charge)/credit	(133)	(83)	21	(112)	(83)
Headline profit/(loss) after tax	557	325	(91)	466	325
Non-headline costs	(93)	(23)	(40)	(133)	(23)
Non-headline tax credit	17	3	8	25	3
Total profit/(loss) after tax	481	305	(123)	358	305

	Ex-Tegel		Tegel	Total	
£ per seat (reported)	**2018**	2017	**2018**	**2018**	2017
Revenue	63.09	58.23	40.69	61.94	58.23
Headline costs excluding fuel	(43.00)	(41.27)	(51.45)	(43.43)	(41.27)
Fuel	(12.45)	(12.25)	(12.31)	(12.44)	(12.25)
Headline profit/(loss) before tax	7.64	4.71	(23.07)	6.07	4.71
Headline tax (charge)/credit	(1.47)	(0.96)	4.38	(1.18)	(0.96)
Headline profit/(loss) after tax	6.17	3.75	(18.69)	4.89	3.75
Non-headline costs	(1.03)	(0.26)	(8.12)	(1.39)	(0.26)
Non-headline tax credit	0.18	0.03	1.55	0.26	0.03
Total profit/(loss) after tax	5.32	3.52	(25.26)	3.76	3.52

Total seats flown grew by 9.8% with total load factor increasing by 0.3 percentage points to 92.9%. Excluding Tegel, seats flown increased by 4.2% and load factor increased by 1.0 percentage point to 93.6%.

Total revenue per seat grew by 6.4% to £61.94 (2017: £58.23), an increase of 4.7% at constant currency. Revenue per seat performance excluding Tegel grew by 6.7% at constant currency. The increase in revenue per seat is a consequence of the positive trading environment based on the strength of our network and customer offer, competitor capacity reductions and lower growth in easyJet markets, in particular as a result of the bankruptcies of Monarch, Air Berlin and Alitalia, as well as the impacts from Ryanair's winter flight cancellations and summer strike action. Tegel generated £198 million of revenue in the period; Tegel revenue per seat was £40.69 which had a dilutive impact on total revenue per seat.

Total headline cost per seat excluding fuel increased by 5.3% to £43.43 and increased by 4.8% at constant currency. Headline cost per seat excluding fuel was £43.00 excluding Tegel, an increase from last year of 3.8% at constant currency. The increase was mainly due to higher disruption costs which have been driven by the high number of disruption events through the year, mainly as a result of significant third-party industrial action, air traffic control restrictions and adverse weather conditions across Europe. Crew costs were also higher than last year due to agreed inflationary increases in pay along with the impact of the significant disruption on crew productivity, combined with the increase in accrued employee incentive costs as a result of our strong financial performance. These were partially offset by cost benefits from synergies at our larger airports, the up-gauging of fleet to larger and more efficient aircraft, savings obtained from airport cost programme initiatives, and navigation price benefits. Tegel headline costs were £310 million in the year and Tegel headline cost per seat was £63.76, which had an adverse impact on total cost per seat.

Total fuel costs grew by £122 million, and increased from £12.25 to £12.44 per seat. At constant currency fuel cost per seat decreased by 4.3%. Despite an increase in the market price of fuel, the operation of easyJet's hedging policy resulted in a reduction in the effective US dollar fuel price.

Total headline profit before tax per seat increased by 28.7% to £6.07 per seat (2017: £4.71), which includes an £8 million favourable movement from foreign exchange.

Total non-headline costs of £133 million (2017: £23 million) were recognised in the year, consisting of: a £65 million charge for the write-down of IT investments and associated commitments the business will no longer require; a £40 million charge for the integration of the Berlin Tegel operation; a £19 million charge as a result of the sale and leaseback of 10 A319 aircraft in the first quarter; a £7 million charge for Brexit-related preparation activity; a £1 million charge associated with the completion of the organisational review; and a £1 million charge for fair value adjustments associated with the cross-currency interest rate swaps in place for the Eurobonds issued in February 2016 and October 2016.

Total profit before tax per seat increased by 5.2% to £4.68 per seat (2017: £4.45), which includes a £1 million favourable year-on-year movement from foreign exchange (£0.01 per seat).

The total tax charge for the year was £87 million (2017: £80 million). The effective tax rate for the year was 19.7% (2017: 20.8%), higher than the standard UK rate of 19.0% (2017: 19.0%), due to the impact of Swiss and Austrian income being taxed at higher rates.

EARNINGS PER SHARE AND DIVIDENDS PER SHARE

	2018 pence per share	2017 pence per share	Change in pence per share
Basic headline earnings per share	**118.3**	82.5	35.8
Basic total earnings per share	**90.9**	77.4	13.5
Diluted headline earnings per share	**117.4**	81.9	35.5
Proposed ordinary dividend per share	**58.6**	40.9	17.7

Basic headline earnings per share increased by 43.4% to 118.3 pence (2017: 82.5 pence) and basic total earnings per share increased by 17.4% to 90.9 pence (2017: 77.4 pence). The increases were as a consequence of the increases in both headline and total profit after tax for the year.

In line with the stated dividend policy of a payout ratio of 50% of headline profit after tax, the Board is recommending an ordinary dividend of £233 million or 58.6 pence per share which is subject to shareholder approval at the Company's Annual General Meeting on 7 February 2019. This will be paid on 22 March 2019 to shareholders on the register at close of business on 1 March 2019.

RETURN ON CAPITAL EMPLOYED (ROCE)

	2018	2017	Change
Headline ROCE	**14.4%**	11.9%	2.5ppt
Total ROCE	**11.5%**	11.3%	0.2ppt

Headline ROCE for the year was 14.4%, an improvement of 2.5 percentage points on the prior year and total ROCE for the year was 11.5%, an improvement of 0.2 percentage points from last year.

The increase in both headline and total ROCE was due to the increase in profits for the year, partially offset by a 13.9% increase in the average adjusted capital employed including lease adjustments. This is primarily due to the acquisition of 28 aircraft during the year and the entry into the fleet of 19 leased aircraft as part of the Air Berlin transaction.

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.

FINANCIAL REVIEW
CONTINUED

EXCHANGE RATES

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

	Revenue		Costs	
	2018	2017	**2018**	2017
Sterling	**45%**	46%	**29%**	30%
Euro	**44%**	41%	**39%**	37%
US dollar	**1%**	1%	**26%**	26%
Other (principally Swiss franc)	**10%**	12%	**6%**	7%

AVERAGE EXCHANGE RATES

	2018	2017
Euro – revenue	**€1.15**	€1.19
Euro – costs	**€1.13**	€1.15
US dollar	**$1.37**	$1.46
Swiss franc	**CHF 1.31**	CHF 1.38

There was a £1 million adverse (2017: £85 million adverse) impact on total profit due to the year-on-year changes in exchange rates. An £8 million favourable (2017: £101 million adverse) impact on headline profit was more than offset by a £9 million adverse (2017: £16 million favourable) impact on the non-headline loss. The adverse impact of the Sterling/US dollar exchange rate movement on fuel costs was partially offset by a favourable impact on revenue mainly driven by the weakening of Sterling against the Euro.

Foreign exchange rate movements arise as easyJet's foreign currency risk management policy is to hedge between 65% and 85% of the next 12 months' forecast surplus cash flows on a rolling basis, and hence a portion of cash flows remains unhedged. Additionally the Group's foreign currency risk management policy is aimed at reducing the impact of a fluctuation in exchange rates on future cash flows, however the timing of cash flows can be different to the timing of recognition within the income statement resulting in foreign exchange movements. Amounts presented at constant currency are an alternative performance measure and not determined in accordance with International Financial Reporting Standards.

HEADLINE EXCHANGE RATE IMPACT

Favourable/(adverse)	**Euro £ million**	**Swiss franc £ million**	**US dollar £ million**	**Other £ million**	**Total £ million**
Total revenue	96	(1)	(3)	1	93
Fuel	–	–	(68)	–	(68)
Headline costs excluding fuel	(24)	14	(6)	(1)	(17)
Headline total	72	13	(77)	–	8

NON-HEADLINE EXCHANGE RATE IMPACT

Favourable/(adverse)	**Euro £ million**	**Swiss franc £ million**	**US dollar £ million**	**Other £ million**	**Total £ million**
Non-headline costs excluding prior year balance sheet revaluations	–	–	(10)	3	(7)
Prior year balance sheet revaluations	3	1	(4)	(2)	(2)
Non-headline total	3	1	(14)	1	(9)

REVENUE

	2018		2017	
	£ million	**£ per seat**	£ million	£ per seat
Passenger revenue	4,688	49.23	4,061	46.85
Ancillary revenue	1,210	12.71	986	11.38
Total revenue	5,898	61.94	5,047	58.23

Total revenue in the year increased by 16.8% to £5,898 million (2017: £5,047 million), a 4.7% increase in revenue per seat at constant currency, reflecting the additional 8.3 million passengers carried as well as a benefit from foreign exchange. Tegel flying generated £198 million of revenue in the year.

The number of passengers carried increased by 10.2% to 88.5 million (2017: 80.2 million), driven by a growth in capacity of 9.8% to 95.2 million seats (2017: 86.7 million) and load factor increasing by 0.3 percentage points to 92.9% (2017: 92.6%). Increase in capacity has been lower than originally planned due to disruption, which resulted in 6,814 cancellations during the year (2017: 2,502).

Revenue per seat increased by 6.4% to £61.94 (2017: £58.23), and increased by 4.7% to £60.96 at constant currency. Tegel revenue per seat was £40.69, which had an anticipated dilutive impact on total revenue per seat.

easyJet saw a positive trading environment based on the strength of our network and customer offer, capacity reductions and lower growth in easyJet markets, in particular as a result of the bankruptcies of Monarch, Air Berlin and Alitalia as well as the impacts from Ryanair's winter flight cancellations and summer strike action.

Ancillary revenue per seat continued to perform well, and increased by 11.7% to £12.71 (2017: £11.38). The momentum from last year's product and pricing initiatives, particularly bags and allocated seating, continued into this year, along with greater conversion and attachment rates from improved website functionality. Performance benefitted from higher loads as well as further product offerings brought to market.

HEADLINE COSTS EXCLUDING FUEL

Headline cost per seat excluding fuel increased by 5.3% to £43.43 (2017: £41.27) and increased by 4.8% at constant currency.

	2018		2017	
	£ million	**£ per seat**	£ million	£ per seat
Operating costs				
Airports and ground handling	1,649	17.32	1,465	16.90
Crew	754	7.92	645	7.44
Navigation	400	4.20	381	4.40
Maintenance	313	3.28	268	3.09
Selling and marketing	143	1.50	122	1.41
Other costs	497	5.22	371	4.28
	3,756	39.44	3,252	37.52
Ownership costs				
Aircraft dry leasing	152	1.59	110	1.27
Depreciation	199	2.09	181	2.09
Amortisation	15	0.15	14	0.16
Net finance charges	14	0.16	20	0.23
	380	3.99	325	3.75
Total headline costs excluding fuel	4,136	43.43	3,577	41.27

Headline airports and ground handling cost per seat increased by 2.5%, and by 2.3% at constant currency. Excluding Tegel, these costs increased by 0.8% at constant currency, highlighting the impact of higher than average costs at Tegel Airport and the lower gauge of the wet leased aircraft used to launch the operation. The relatively flat movement excluding Tegel is a result of inflationary increases in ground handling charges in the UK, Germany and Spain, as well as the impact of the new DHL contract at Gatwick, substantially offset by the cost benefits from synergies which have been achieved as we deliver growth at our larger airports and airport cost savings obtained as a result of easyJet's cost programme initiatives.

Headline crew cost per seat increased by 6.4% to £7.92, and by 6.2% at constant currency. This was driven by agreed inflationary increases in crew and pilot pay combined with the accrual of expected crew incentive payments, due to our strong financial performance. Other factors included: a higher retention of crew over the winter to build for peak summer growth; an investment in resilience for the summer; and high levels of disruption impacting crew productivity related costs.

Headline navigation cost per seat decreased by 4.4% to £4.20, and by 5.1% at constant currency, driven by the annualisation of reduced charges, primarily in France and Germany, and the impact of the change in fleet mix.

Headline maintenance cost per seat increased by 6.3% to £3.28, and by 5.5% at constant currency. The increases were driven by higher costs associated with the increased level of lease returns, additional aircraft recovery resilience and inflation on supply chain contracts. These were partially offset by the impact of up-gauging the fleet.

Headline selling and marketing cost per seat increased by 6.0% to £1.50, and by 5.8% at constant currency. This was largely driven by marketing and advertising expenditure in the year in relation to the new Tegel routes and expenditure for the new advertising campaign in the year.

Headline other operating costs per seat increased by 22.0% to £5.22 per seat, and by 21.9% at constant currency. An increase in disruption costs was the main driver due to the high number of disruption events through the year, mainly as a result of significant third-party industrial action, air traffic control restrictions, adverse weather conditions across Europe and increased congestion at airports. This was combined with an increase in wet lease charges resulting from the Tegel integration and delays to Airbus deliveries, and the increase in accrued employee incentive costs due to our strong financial performance.

Headline aircraft dry leasing cost per seat increased by 25.4% to £1.59, and by 19.7% at constant currency. The adverse variance was mainly driven by the 10 aircraft sale and leasebacks that occurred earlier in the year.

Depreciation costs have increased by 0.3% on a per seat basis driven by the annualisation of 23 aircraft deliveries last year and 28 new aircraft deliveries this year, which more than offset the decrease from the 10 sale and leasebacks and the impact of increased capacity. The average number of owned aircraft increased by 6.9% to 211.

Headline net finance charges decreased by 30.4% to £0.16 per seat. The variance was driven by higher dividends received in the year, along with higher interest receivable from higher cash balances and favourable interest rates.

FINANCIAL REVIEW
CONTINUED

FUEL

	2018		2017	
	£ million	£ per seat	£ million	£ per seat
Fuel	1,184	12.44	1,062	12.25

Total fuel cost for the year was £1,184 million (2017: £1,062 million), of which £60 million related to Tegel. Fuel cost per seat of £12.44 was 1.5% higher than last year, but decreased by 4.3% at constant currency.

During the year the average market jet fuel price increased by 32.5% to $664 per tonne, from $501 per tonne in the previous year. The operation of easyJet's fuel hedging policy meant that the average effective fuel price decreased by 1.0% to $590 per tonne, from $596 per tonne in the previous year.

The impact of Sterling/US dollar exchange rate movement on fuel costs was £68 million adverse (2017: £85 million), resulting in an actual cost of £434 per tonne, a 5.3% increase compared to £412 per tonne in the previous year. The increase in fuel costs also reflects the increase in the price of Emissions Trading System (ETS) permits from €7.07 at 30 September 2017 to €21.21 at 30 September 2018.

NON-HEADLINE ITEMS

	2018		2017	
	£ million	£ per seat	£ million	£ per seat
Commercial IT platform charge	(65)	(0.68)	–	–
Tegel integration	(40)	(0.42)	–	–
Sale and leaseback charge	(19)	(0.20)	(16)	(0.18)
Brexit-related costs	(7)	(0.07)	(2)	(0.02)
Organisational review	(1)	(0.01)	(6)	(0.07)
Fair value adjustment	(1)	(0.01)	(1)	(0.01)
Balance sheet foreign exchange gain	–	–	2	0.02
Non-headline charge before tax	(133)	(1.39)	(23)	(0.26)

Non-headline profit before tax items of £133 million comprise:

- a one-off charge of £60 million for the write-down of IT assets under development which will no longer be utilised by the business, following a change in approach to technology development, as well as £5 million of associated commitments;
- a £40 million charge for the costs associated with the integration of the Tegel operation following the acquisition of part of Air Berlin's operations at Berlin Tegel Airport;
- an £11 million loss on disposal and an £8 million maintenance provision catch-up, both one-off charges as a result of the sale and leaseback of 10 A319 aircraft in the first quarter, arising due to the age of the selected aircraft and maintenance provision accounting;
- a £7 million charge for our Brexit-related plans, principally due to the cost of re-registration of aircraft in Austria;
- a £1 million charge associated with the completion of our organisational review; and
- a £1 million charge relating to fair value adjustments associated with the cross-currency interest rate swaps in place for the Eurobonds issued in February 2016 and October 2016.

SUMMARY NET CASH RECONCILIATION

	2018 £ million	2017 £ million	Change £ million
Operating profit	460	404	56
Depreciation and amortisation	214	195	19
Loss on disposal of intangibles, property, plant and equipment	4	4	–
Commercial IT platform charge	60	–	60
Net movement in working capital and other items of an operating nature	449	325	124
Net tax paid	(74)	(51)	(23)
Net capital expenditure	(1,012)	(630)	(382)
Net proceeds from sale and operating leaseback of aircraft	106	115	(9)
Purchase of own shares for employee share schemes	(17)	(10)	(7)
Net increase in restricted cash	(4)	–	(4)
Other (including the effect of exchange rates)	15	6	9
Ordinary dividend paid	(162)	(214)	52
Net increase in net cash	39	144	(105)
Net cash at beginning of year	357	213	144
Net cash at end of year	396	357	39

Net cash at 30 September 2018 was £396 million (2017: £357 million) and comprised cash (excluding restricted cash) and money market deposits of £1,373 million (2017: £1,328 million) and borrowings of £977 million (2017: £971 million). After allowing for the impact of aircraft operating leases (calculated as seven times operating lease costs incurred in the year), adjusted net debt increased by £325 million to £738 million, mainly due to the increase in total lease costs as a result of the sale and leaseback of 10 aircraft in the year and the leases entered into for ex-Air Berlin aircraft.

The movement in net working capital has increased by £124 million year on year, driven by an increase in trade and other payables as a result of an increase in activity, partially offset by an increase in trade and other receivables.

Net capital expenditure includes the acquisition of 28 A320 family aircraft (2017: 23 aircraft), the purchase of life-limited parts used in engine restoration and pre-delivery payments relating to aircraft purchases. The number of aircraft in the fleet increased from 279 at 30 September 2017 to 315 at 30 September 2018.

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2018 £ million	2017 £ million	Change £ million
Goodwill	**365**	365	–
Property, plant and equipment	**4,140**	3,525	615
Derivative financial instruments	**364**	92	272
Unearned revenue	**(877)**	(727)	(150)
Net working capital	**(733)**	(543)	(190)
Restricted cash	**11**	7	4
Net cash	**396**	357	39
Current and deferred taxation	**(357)**	(284)	(73)
Other non-current assets and liabilities	**(50)**	10	(60)
Net assets	**3,259**	2,802	457
Opening shareholders' equity	**2,802**	2,694	108
Ordinary dividend paid	**(162)**	(214)	52
Profit for the year	**358**	305	53
Change in hedging reserve	**261**	14	247
Other movements	**–**	3	(3)
	3,259	2,802	457

Net assets increased by £457 million, due to the profit generated in the year and favourable movements on the hedging reserve, which were only 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 jet fuel forward contracts.

The net book value of property, plant and equipment increased by £615 million, driven principally by the acquisition of 28 A320 family aircraft and pre-delivery payments relating to aircraft purchases.

Net derivative financial instruments have increased by £272 million due to mark-to-market gains on jet fuel contracts, gains on US dollar contracts and gains on cross-currency interest rate swaps, partially offset by losses on Euro contracts.

Unearned revenue increased by £150 million due to the increased revenue activity year on year, driven by the changes in trading conditions and the competitor landscape.

Net working capital (comprising trade receivables, trade payables and current provisions) increased by £190 million, primarily as a result of the timing of invoice receipts and payments as well as an increase in activity year on year.

Current and deferred taxation increased by £73 million, mainly driven by the deferred tax liability arising from movements in hedge positions.

Other non-current assets and liabilities have moved from a net asset position of £10 million to a net liability position of £50 million, mainly driven by the reduction in deposits held by aircraft lessors as a result of lease returns in the year.

FINANCIAL REVIEW
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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 58. Principal risks and uncertainties are described on pages 38 to 48. 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 2018, the Group held cash and cash equivalents of £1,025 million and money market deposits of £348 million. Total debt of £977 million is free from financial covenants, with £9 million due for repayment in the year to 30 September 2019.

Net current liabilities at 30 September 2018 were £59 million, including unearned revenue (payments made by customers for flights scheduled post year end) of £877 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 2021. 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 38 to 48 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 2021. 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 and there will be no material and sustained economic downturn following the United Kingdom's exit from the EU.

KEY STATISTICS

OPERATING MEASURES

	2018	2017	Increase/ (decrease)
Seats flown (millions)	**95.2**	86.7	9.8%
Passengers (millions)	**88.5**	80.2	10.2%
Load factor	**92.9%**	92.6%	0.3ppt
Available seat kilometres (ASK) (millions)	**104,800**	95,792	9.4%
Revenue passenger kilometres (RPK) (millions)	**98,522**	89,685	9.9%
Average sector length (kilometres)	**1,101**	1,105	(0.4%)
Sectors	**559,857**	516,902	8.3%
Block hours ('000)	**1,088**	1,010	7.8%
Number of aircraft owned/leased at end of year	**315**	279	12.9%
Average number of aircraft owned/leased during year	**295.1**	267.3	10.4%
Number of aircraft operated at end of year	**305**	270	13.0%
Average number of aircraft operated during year	**269.0**	253.2	6.2%
Operated aircraft utilisation (hours per day)	**11.1**	10.9	1.4%
Number of routes operated at end of year	**979**	862	13.6%
Number of airports served at end of year	**156**	138	13.0%

FINANCIAL MEASURES

	2018	2017	Increase/ (decrease)
Total return on capital employed	**11.5%**	11.3%	0.2ppt
Headline return on capital employed	**14.4%**	11.9%	2.5ppt
Liquidity per 100 seats (£m)	**3.9**	3.6	8.3%
Total profit before tax per seat (£)	**4.68**	4.45	5.2%
Headline profit before tax per seat (£)	**6.07**	4.71	28.7%
Total profit before tax per ASK (pence)	**0.42**	0.40	5.6%
Headline profit before tax per ASK (pence)	**0.55**	0.43	29.2%
Revenue			
Revenue per seat (£)	**61.94**	58.23	6.4%
Revenue per seat at constant currency (£)	**60.96**	58.23	4.7%
Revenue per ASK (pence)	**5.63**	5.27	6.8%
Revenue per ASK at constant currency (pence)	**5.54**	5.27	5.1%
Revenue per passenger (£)	**66.67**	62.90	6.0%
Revenue per passenger at constant currency (£)	**65.62**	62.90	4.3%
Costs			
Per seat measures			
Headline cost per seat (£)	**55.87**	53.52	4.4%
Non-headline cost per seat (£)	**1.39**	0.26	422.5%
Total cost per seat (£)	**57.26**	53.78	6.5%
Headline cost per seat excluding fuel (£)	**43.43**	41.27	5.3%
Headline cost per seat excluding fuel at constant currency (£)	**43.25**	41.27	4.8%
Total cost per seat excluding fuel (£)	**44.82**	41.53	7.9%
Total cost per seat excluding fuel at constant currency (£)	**44.57**	41.55	7.3%
Per ASK measures			
Headline cost per ASK (pence)	**5.08**	4.84	4.8%
Non-headline cost per ASK (pence)	**0.13**	0.03	424.5%
Total cost per ASK (pence)	**5.21**	4.87	6.9%
Headline cost per ASK excluding fuel (pence)	**3.95**	3.73	5.7%
Headline cost per ASK excluding fuel at constant currency (pence)	**3.93**	3.73	5.2%
Total cost per ASK excluding fuel (pence)	**4.08**	3.76	8.4%
Total cost per ASK excluding fuel at constant currency (pence)	**4.05**	3.76	7.7%

RISK MANAGEMENT FRAMEWORK

easyJet is exposed to a variety of risks which are driven by both internal and external factors. There are 16 principal risks which are being actively monitored and managed in order to maximise shareholder value. The plc Board ('the Board') is responsible for risk management and ensuring appropriate mitigating actions are being taken to manage risks effectively.

RISK APPETITE

Risk appetite is the level of risk considered appropriate to accept in achieving the Group's strategic objectives. The risk appetite provides direction and boundaries for balanced, risk-intelligent decision making, and guides us in ensuring that our risk response is appropriate for the relevant area. Risk appetite statements are subject to ongoing review and can change for a number of reasons, for example in response to changes in the external environment.

RISK MANAGEMENT ACTIVITIES

Corporate risk management activities are 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 risk management activities are outlined below:

- Risks are assessed taking into account the potential impact and likelihood of the risks occurring and the key responses identified. The level of risk is compared to the Board's risk appetite to determine whether the level and nature of the response is appropriate.
- The most significant risks from across the Group (based on materiality, cross-functional impact and/or those which have common themes across the business) are reviewed and prioritised by the relevant members of the Airline Management Board ('AMB').
- These risks, which form the basis of the principal risks and uncertainties detailed in this section, are challenged and validated by the AMB and the Board. Principal risks are monitored throughout the year by the owners as well as the Risk and Assurance team, with specific agenda items relating to particular risks driving discussion by both the AMB and the Board as they arise.
- The Risk and Assurance team also provides regular updates to the AMB (monthly) and the Board (as appropriate) on interdependencies and credible aggregation of principal risks.
- In addition to supporting the AMB and the Board, the Risk and Assurance team supports the business in its management of risks relating to key projects and programmes, specific business risks, third parties, countries and bases.

CHANGES IN THE YEAR

Our principal risks and uncertainties continue to evolve over time. As we evolve our strategy in a dynamic industry against a backdrop of political and economic uncertainty, new risks emerge and we adapt our response activities as our risk exposure changes. The following changes in our risk profile have been approved by the Board.

Three of our principal risks have increased since 30 September 2017:

- Delivery of strategic initiatives
- Impact of Brexit
- Cyber and information security

These risks, together with our response plans, are monitored regularly through our governance structure. Further detail on the context and mitigation for each is detailed on the following pages.

One risk has decreased since 30 September 2017:

- Attraction and retention of talent

This remains a significant risk to the Group and so is still closely monitored to enable the Group to take advantage of any opportunities presented, as well as mitigate downside risk appropriately.

This year, we have incorporated our 'third-party service providers' risk into a broader 'continuity of services' risk, due to the outsourced nature of our business model and the similarity in mitigating actions.

We have identified two new risks during the year:

- NEW Customer experience – a significant increase in disruption to our operation could negatively impact customer satisfaction and financial performance, including the payment of EU 261 claims.
- NEW Environmental – changes to the climatic conditions may lead to more volatile weather patterns. More extreme weather events could affect the reliability of easyJet's operations, and financial performance could be adversely affected.

GOING CONCERN AND VIABILITY STATEMENTS

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. Taking account of the Group's current position and principal risks, we reviewed the processes and assumptions underlying the Going Concern and Viability Statements set out on page 36.

In particular, we considered:

- the Group's forecast funding position over the next five years;
- an analysis of impacts of severe but plausible risk scenarios, ensuring that these were consistent with the risks reviewed by the Board as part of its strategy review;
- the impact of multiple risks crystallising simultaneously;
- additional mitigating actions that the Group could take in extreme circumstances; and
- the current borrowing facilities in place and the availability of future facilities.

As a result, we were satisfied that the Going Concern and Viability Statements have been prepared on an appropriate basis.

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.

SAFETY FIRST

RISK DESCRIPTION	CONTEXT AND MITIGATION
MAJOR SAFETY INCIDENT A major safety incident (such as a hull loss) could adversely affect easyJet's operational and financial performance and its reputation. The impact of such an incident would be heightened if easyJet failed to react promptly and deal with the incident effectively. ↔ **Links to Our Plan** 1 2 B C	easyJet's number one priority is the safety and security of its customers and people. The Safety Committee (a committee of the Board) provides oversight of the management of easyJet's safety processes and systems. See pages 76 to 77 for further details. The easyJet Safety Board, chaired by the Chief Executive and including the Chief Operating Officer and AOC Accountable Managers, is responsible for directing overall safety policy and governance. The Safety Board meets every month to review safety performance. Functional Safety Action Groups from across the airline are chaired by the appropriate senior manager and are responsible for the identification, evaluation and control of safety-related risks. easyJet operates a Safety Management System using leading software systems (SafetyNet and RiskNet). These are used to: • report incidents and identify hazards; • investigate events and take appropriate risk-mitigating actions; • 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 Safety Policy is published that promotes the incident reporting process and supports this safety culture. 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.

Links to Our Plan

Our Priorities
- A Network
- B Loyalty
- C People
- D Data
- E Efficiency

Our Promise
- 1 Safe and responsible
- 2 On our customers' side
- 3 In it together
- 4 Always efficient
- 5 Forward thinking

Change in Risk
- ↑ Increase
- ↔ No change
- ↓ Decrease

RISK
CONTINUED

SAFETY FIRST CONTINUED

RISK DESCRIPTION	CONTEXT AND MITIGATION
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. Links to Our Plan 1 2 B	A Security Decision Group, comprising the Chairman of the Board, the Chief Executive, appropriate members of the AMB 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, Security and Compliance and the Head of Security work with authorities and governments around easyJet's network to assess whether security measures are effective and compliant 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	CONTEXT AND MITIGATION
COMPETITION, CAPACITY AND INDUSTRY CONSOLIDATION easyJet's success in the highly competitive European short-haul aviation market is built on our key competitive advantages: our network, cost base, brand, digital innovation and efficient and robust capital structure. Failure to retain these advantages could have an adverse financial impact. Excess capacity in our markets may arise due to a decrease in demand for air travel and/or an acceleration of growth by competitors, driven for example by low fuel prices. This could have an adverse financial impact. Industry consolidation could affect the competitive environment in a number of markets. Whilst also an opportunity, consolidation could result in the loss of market positions (relative market share) with adverse financial impacts. easyJet's ability to respond quickly to changes in the competitive environment is fundamental to ensuring that profitability is sustainable. Failure to respond quickly could result in adverse market positions or the inability to capture opportunities to grow the business. Links to Our Plan 2 4 5 A B E	easyJet maintains a strong focus on each of its competitive advantages. There are initiatives to drive cost control and improve efficiency in targeted areas. easyJet is also developing commercial and digital enhancements, and continues to invest in its brand. The Network Development Forum, a cross-functional panel of senior managers, including members of the AMB, approves the allocation of assets around the network in the context of expected market conditions. easyJet also aims to have an agile response to any structural changes in market conditions. Competitor and consolidation activity is monitored in detail by the Network team, enabling strategic decision making on key market positions. easyJet's rapid and targeted response to the Air Berlin insolvency demonstrates the success of this approach. 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.

RISK DESCRIPTION	CONTEXT AND 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 and Operations Control Centre, could lead to significant disruption to operations and could have an adverse reputational and financial impact. easyJet has entered into agreements with third-party service providers for services covering a significant proportion of its operations and cost base. Failure to adequately manage third parties may adversely affect easyJet's reputation and its operational and financial performance. **Links to Our Plan** 1 2 4 B E	Critical systems identified through our Business Resilience Criticality Matrix are hosted either across two data centres, or at third-party provider locations. Recovery arrangements, including failover protocols 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. Continuity arrangements exist for critical IT systems and for loss or denial of access to critical facilities. These plans include relocation of staff to alternative locations. easyJet continues to enhance all elements of resilience activity, and has a programme of work with dedicated expertise and a view to adopting a more integrated model. There is a defined and centralised procurement process which ensures a competitive and robust selection of suppliers and a supplier relationship management framework covering key principles such as defined ownership and accountability, governance and communication. In addition, a new contracts database and e-sourcing tool have been introduced during the year, providing additional functionality to improve the procurement and supplier management processes. In the event of switching strategic suppliers, project management and transition plans are agreed, taking into account previous lessons learned to help ensure an acceptable level of performance is maintained. This was demonstrated by the transition of ground handling at our largest base, Gatwick Airport, from Menzies to DHL during the year. Where easyJet is affected by industrial action or other service interruption by a key supplier, internal and external resources are deployed to manage this as effectively as possible. See the significant network disruption risk outlined on page 43 for further detail.
CUSTOMER EXPERIENCE Reliability, including on-time performance (OTP), is a key element of the customer experience. Unreliable operational performance and inability to react to customer expectations as a result of routine and ongoing disruption will negatively impact customer satisfaction and financial performance, including the payment of EU 261 claims. NEW **Links to Our Plan** 2 4 5 A B D E	This year there has been a one percentage point decrease in OTP, driven by an increase in disruption events. There has been a significant increase in French Air Traffic Control (ATC) strikes compared to the 2017 financial year, resulting in widespread network disruption. easyJet, along with other airlines, has made a proactive challenge to the European Commission to seek to protect overflight rights in France in the event of ATC strikes. There is also continued focus on the EU 261 claims management process which has been further strengthened during the year by increasing the size of the team handling legal claims and the introduction of a claims management system. To provide the appropriate level of focus and oversight of risk response measures, easyJet has initiated a key strategic project, Operational Resilience, and as part of this, all aspects of the operation, schedule and disruption are under review. This includes how we manage customers before, during and after disruption. The project is prioritising the following themes: • aircraft and crew standby; • Operations Control Centre reporting on the day of operations, including customer communication; • airport performance and strategic supply chain; and • EU 261 management (see the significant network disruption risk outlined on page 43 for further detail).

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- Decrease

RISK
CONTINUED

COMMERCIAL AND OPERATIONAL CONTINUED

RISK DESCRIPTION

ENVIRONMENTAL

Climate change has the potential to affect easyJet's operations and broader business in a number of ways.

In particular, climate change is likely to lead to more volatile weather, including greater frequency and intensity of storms. This could disrupt easyJet's operations, such as a reduction in the handling capacity of airports and loss of ground transport access. Any increase in cancelled or delayed flights would also increase disruption costs and reduce revenue.

Changes in wind patterns and jet stream disruption as a result of climate change are also recognised as having the potential to increase en route turbulence.

The nature of airline operations means that easyJet is a significant emitter of greenhouse gases, in particular carbon dioxide. Aviation is already part of the EU's Emissions Trading System (EU ETS), and easyJet expects to be part of the future global scheme for aviation emissions, CORSIA. If the cost of carbon permits in the future significantly increases, or the cost of more efficient technologies (such as new aircraft) significantly increases, easyJet faces a material financial risk.

Future policy measures and regulation to tackle the impact of aviation on climate change could impact easyJet's business if they impose limitations and cost on how easyJet operates and the services it can provide. Linked to this, increased compliance costs and any costs associated with potential distortions to the aviation market could affect easyJet.

NEW

Links to Our Plan

1 2 3 4 5 E

CONTEXT AND MITIGATION

easyJet takes its environmental and climate change related responsibilities seriously and continues to develop its disclosures on this matter to reflect developing legal and regulatory requirements and increased stakeholder interest.

easyJet recognises the need to transition to a lower carbon economy and we continue to work towards ensuring that aviation plays its part in achieving this. easyJet was an early advocate for aviation being part of the EU ETS.

easyJet's business model supports fuel efficiency and minimising carbon emissions, through means such as investment in efficient aircraft, use of fuel efficiency measures and operating flights with a high load factor. easyJet is a short-haul operator, which has a lower carbon impact per passenger kilometre than the major European airlines whose operations include a significant amount of long-haul flights. By operating 'point-to-point' flights rather than encouraging customers to transfer, we make customer journeys more efficient.

easyJet started to operate a new generation of Airbus A320 family aircraft in 2017. These aircraft are 15% more fuel efficient than previous generation aircraft. As at 30 September 2018, 13 A320neo aircraft were in operation, with a further 87 to be delivered by August 2022. Two of the larger A321neo aircraft were also in the fleet at this date, with a further 28 to be delivered by October 2020.

More volatile weather can have an adverse impact on the customer experience (see the customer experience risk outlined on page 41).

Operational efficiency measures include: the continual review of flight plans to ensure the optimal routings and cruise levels are used; maximising the use of external power, rather than the aircraft auxiliary power unit, when on the ground; use of only one engine when taxiing on the ground; and climb, descent and landing techniques that improve efficiency.

In 2013 easyJet established a public target to reduce its carbon emissions per passenger kilometre. The target was strengthened in 2015 and is currently a 10% reduction in carbon emissions per passenger kilometre by 2022 from its 2016 financial year performance.

In the 2018 financial year easyJet's carbon emissions per passenger kilometre were 78.46 grams (g). This is a reduction from 78.62g per passenger km in the prior financial year and down by 1.9% from the 2016 baseline.

By engaging with key stakeholders, easyJet's Regulatory Affairs Group seeks to reach a common understanding on the drive to impose policy measures and regulation to address the impact of aviation on climate change. The 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. The group includes Country Directors and senior representation from Legal, Regulatory, Fleet, Airport and Public Affairs teams.

COMMERCIAL AND OPERATIONAL CONTINUED

RISK DESCRIPTION	CONTEXT AND MITIGATION
SIGNIFICANT NETWORK DISRUPTION Widespread, sustained disruption to easyJet's network could be caused by a single event or factors which occur for a prolonged period. Examples include forces of nature (such as extreme weather or volcanic ash), terrorism, air traffic management restrictions, strikes, epidemics/pandemics, or the closure of a key airport/runway. Significant, sustained disruption to the network could adversely affect easyJet's reputation and its operational and financial performance. Links to Our Plan 2 A B	There are processes in place, and clear roles and responsibilities within teams across the business, to plan for and manage significant disruption. This includes a Business Disruption team brought together to manage both expected and on-the-day/unexpected disruption events and to determine and initiate the required action. The Business Disruption team includes senior managers from relevant business areas, including the Operations Control Centre and Customer Services. 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 (see the financial risk outlined on page 44). In addition, easyJet holds business interruption insurance which provides some cover for very significant shock events such as extreme weather, air traffic management issues and loss of access to key airports. The policy would allow us to claim in the event of a very substantial number of cancellations.
SINGLE FLEET SUPPLIER 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 three main associated risks: • supply chain issues which may cause delay to the delivery of new aircraft; • technical or mechanical issues that could ground the full fleet, or part of the fleet, which could cause a negative reputational impact; and • valuation risks which crystallise when aircraft exit the fleet. The main exposure at this time is with the older A319 fleet, as easyJet is reliant on the future demand for second-hand aircraft. Links to Our Plan 1 4 A B E	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, A320 and A321) is one of the two primary fleets used for short-haul travel, the other being the Boeing B737 family. There are approximately 8,000 A320 family aircraft operating, with a proven track record for safety and reliability. The introduction of the A320neo in part mitigates this risk as the aircraft is equipped with a different engine type. Airbus has already delivered 13 A320neos to easyJet as at 30 September 2018 and two A321neos, with a total of 130 aircraft with the new engine option scheduled to be in the fleet by the end of 2022. easyJet continues to work closely with Airbus to ensure full visibility of the delivery schedule for new aircraft. In the event that there are material delays appropriate mitigation is put in place; for example short-term wet lease arrangements are used to minimise any operational impact. easyJet operates a rigorous established aircraft maintenance programme. Maintenance schedules are designed in line with manufacturer recommendations and approved by the relevant regulatory body (the Civil Aviation Authority, Austro Control or the Federal Office of Civil Aviation). To mitigate any 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 aircraft from the fleet by transferring residual value risk, and also provides flexibility in managing the fleet size. In December 2016, 10 A319 aircraft were sold, and a further 10 A319 aircraft in October to November 2017, under sale and leaseback arrangements.

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RISK
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FINANCIAL

RISK DESCRIPTION	CONTEXT AND MITIGATION
DELIVERY OF STRATEGIC INITIATIVES The business continues to undertake a number of initiatives to support its strategy. Ongoing strategic initiatives include: • rewarding and recognising our customers' loyalty; • transforming our Holidays business; • creating a compelling business offer; • investing in resilience to manage disruption more effectively; and • becoming the most data-driven airline in the world. These complex, large-scale programmes have been initiated and are managed through the Project Management Office. Failure to successfully execute these initiatives in a timely manner, or to deliver the planned business benefits and/or cost savings, could result in financial underperformance. **Links to Our Plan** 3 4 5 B C D E	A project management framework, which sets out approval processes, governance requirements, key ongoing processes and controls, is followed by all projects and programmes, and reviews are undertaken to ensure continuous improvement in this approach. Each strategic initiative has an executive sponsor from the AMB and its own steering group which provides oversight and challenge to the project, monitors progress against programme objectives and ensures that decisions are made at the appropriate level. These key strategic initiatives are managed by experienced programme managers, complemented by appropriate subject matter specialist resource where appropriate. A Project Management Office is in place to oversee delivery of projects and programmes, including the allocation of support resource, budget tracking and realisation of benefits. With an increase in the number of strategic initiatives, the AMB has approved additional headcount for the 2019 financial year to strengthen both the portfolio and programme management capability. The AMB meets twice monthly. The executive sponsor provides routine updates and can use this as an escalation channel for any issue resolution. The Board also receives updates on key strategic initiatives including any risks or issues associated with their delivery. In addition, our Internal Audit function provides independent programme assurance over our most significant initiatives, drawing upon independent subject matter expertise where appropriate.
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, such as costs, revenue and cash flow. These include: • market risk – significant/sudden increases in jet fuel prices, currency fluctuations or interest rate changes which have not been adequately protected through hedging; • counterparty risk – non-performance of counterparties used for depositing surplus funds (for example money market funds, bank deposits) and hedging; and • liquidity risk – misjudgement of the level of liquidity required, resulting in inability to meet contractual/ contingent financial obligations or the inability to fund the business when needed. **Links to Our Plan** 4 5 E	The Finance Committee (a committee of the Board) oversees the Group's treasury and funding policies and activities. See page 85 for further details. Its responsibilities include: • maintaining a treasury policy setting out Board-approved strategies for foreign exchange and fuel hedging, along with liquidity, interest rate management, and 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, revolving credit facilities (provided by a group of relationship banks) and business interruption insurance cover. This allows the Group to better manage the impact of downturns in business or temporary curtailment of activities. The policy is to maintain a minimum liquidity buffer at or above £2.6 million per 100 seats. 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.

PEOPLE

RISK DESCRIPTION	CONTEXT AND MITIGATION
ATTRACTION AND RETENTION OF TALENT easyJet's current and future success is reliant on having the right people with the right capabilities at the right time. Increased competition in the recruitment market may impact easyJet's ability to attract and retain key, as well as diverse, talent. This could adversely affect the delivery of strategic objectives. Change in risk: Decrease **Links to Our Plan** 3 5 C	easyJet has a comprehensive recruitment strategy for all employees including head office, engineering, pilots and cabin crew. In addition, easyJet has developed a coherent employment brand to attract and retain top talent across Europe. easyJet continually improves talent acquisition methods to ensure we stay ahead of the market. In the year, we have attracted talent at all levels of the business, including enhancing the AMB (see pages 64 to 66). easyJet has created a strategy which utilises the apprenticeship levy to build future capabilities. This year we took on 14 engineering apprentices, as well as broadening our offering of apprenticeships by opening up opportunities within our cabin crew, Operations Control Centre, leadership and people management roles. A focus this year has been on the development of a strategy to increase the diversity of our employee population to ensure it reflects that of our customer base. This builds on the existing Amy Johnson initiative, which aims to attract more female pilots. easyJet aims to develop talent from within. There are a range of talent development programmes in place for individuals who have been identified for fast-tracking into broader or more senior roles. Alongside this, there is an annual succession planning process to ensure there are clear successors for all AMB and key business leadership roles and associated risks are proactively managed. See pages 53 to 54 for further details of how easyJet attracts, retains and develops a diverse workforce. easyJet conducts annual salary benchmarking to ensure remuneration is competitive across all markets and levels. In 2018, easyJet launched a new employee listening platform called Peakon. Data and feedback from this platform will provide us with regular insight on levels of engagement within critical talent populations, enabling us to take action where required. One of the themes arising from the Peakon trial has resulted in the launch of Project Home – a suite of investment initiatives to enhance our head office environment into a more engaging and inspiring place for employees to perform at their best.
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 could impact on easyJet's ability to maintain its flight schedules. This could adversely affect easyJet's reputation, as well as its operational and financial performance. Change in risk: No change **Links to Our Plan** 2 3 B C	Each of the European countries in which easyJet operates has localised employment terms and conditions. As such its pilots and crew are members of 20 trade unions across eight countries. There are also an additional 11 consultative bodies, including five works councils and a European Works Council, that operate under EU legislative guidance. easyJet seeks to maintain positive working relationships with all trade unions and other representative bodies and has a framework in place for consulting and engaging with trade unions and consultative bodies. In the event of industrial action or expected disruption, easyJet has processes to mitigate the impact to our operations. The Operations team also has specific procedures to deal with such events (see the significant network disruption risk outlined on page 43).

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- No change
- Decrease

RISK
CONTINUED

REGULATORY AND LEGAL

RISK DESCRIPTION	CONTEXT AND MITIGATION
IMPACT OF BREXIT easyJet has made or is in the process of finalising the changes needed to its operating model to ensure that it is as robust as possible to any Brexit outcome, including the set-up of the Austrian AOC and new UK AOC. However, the outcome of the Brexit negotiations remains unknown and could impact easyJet. This has the potential to impact our existing safety approvals, pilot licensing arrangements, ownership model, Group tax profile, engineering and maintenance supply chain, and makeup of our crew establishment. Brexit could, at the most extreme, lead to a halt to flying between the EU and the UK, although not only do we think this highly unlikely but if this were to occur we think it would only last for a short period of time. However, this outcome would have both revenue and cost impacts, and could also lead to a deterioration of consumer confidence resulting in longer term financial underperformance. **Links to Our Plan** 1 2 5 A C	easyJet has established a cross-functional Brexit programme which has implemented a structured approach to the identification and management of all risks related to Brexit. The programme has already made changes to the current operating model and operating licences to protect our flying rights, regardless of the outcome of the national negotiations. easyJet's focus is now on the management of risks associated with the outcome of the negotiations around the Withdrawal Agreement. If a deal is agreed and ratified between the UK Government and EU27, a transition arrangement will be put in place until at least December 2020 effectively removing any impact on our operation. If the outcome of the negotiations results in 'no deal' and the UK leaves the EU without a Withdrawal Agreement in place, both the UK and EU have made it clear in their notices of no deal preparation that they will ensure that connectivity is maintained between the EU and the UK through what the EU has called a 'bare bones' aviation agreement. easyJet is finalising its Brexit preparations to ensure that its network is robust to a no deal outcome and the UK being outside both the single market and EASA. These include: • the transfer of all relevant pilot and cabin crew for EU27 crew from the UK to EU27 countries, in particular Austria; • being ready to implement EU27 based safety approvals (for example for an EASA Part 145, the training organisation) to ensure these are in place to support easyJet Europe (our Austrian operating airline) after Brexit; • further investment in the recruitment of EU27 nationality pilots and cabin crew; • the preparation of mitigating actions to ensure easyJet remains EU majority owned and controlled; • reviewing our engineering and maintenance supply chains and supplier readiness, making changes where required to our spare part stock levels and locations to mitigate the risk of customs arrangements being put in place between the UK and the EU and any restriction on the use of UK-licensed parts on Austrian registered aircraft; and • ensuring easyJet's systems and contract structure is robust to a 'no deal' outcome. Putting these mitigating actions in place will ensure easyJet can continue to operate its network in the event of a no deal Brexit. In a more extreme scenario, and in the unlikely event that there is no 'bare-bones agreement', approximately 40% of the easyJet programme (flying between UK and EU) would be at risk. We have conducted stress testing in this scenario (which included benchmarking of our balance sheet) and this showed we have significant resilience to this outcome. This analysis has been presented to the Board. Seats for the post-Brexit period went on sale in September 2018 and there were record breaking sales. This indicates that currently, consumer confidence post-Brexit is holding strong. However, easyJet closely monitors revenue performance including weekly review meetings involving senior managers including members of the AMB, to ensure appropriate tactical actions are taken in response to any identified trends.

REGULATORY AND LEGAL CONTINUED

RISK DESCRIPTION	CONTEXT AND MITIGATION
REGULATORY AND LEGAL COMPLIANCE The airline industry is heavily regulated and there is a continual need to keep well informed and adapt (as required) to any legislative or regulatory changes across the jurisdictions in which easyJet operates. Changes to government policy and/or increased regulation could have an adverse effect on easyJet. Failure to comply with legislative and regulatory requirements, such as local consumer laws, new case law or policy changes in relation to customer compensation, environmental or airport regulation, in the jurisdictions in which easyJet operates, could have an adverse reputational and financial impact. **Links to Our Plan** 1 2 5 B	easyJet has an in-house team of legal experts to advise on legal issues and developments, and to monitor compliance with formal regulatory requirements. Where appropriate, this expertise is supplemented by specialist external support relevant to a specific area or jurisdiction. This panel of external legal advisers, both in the UK and in key easyJet markets, is briefed to keep easyJet informed of any changes to, or new, legislation and to assist easyJet in developing appropriate responses to such legislation. This may include activities such as the implementation of mandatory training programmes, or clear policies and associated guidance. The Regulatory Affairs Group coordinates easyJet's role in influencing future and existing policy and regulations which affect the airline industry and works with industry bodies, as appropriate. The group includes Country Directors and senior representatives from the Legal, Regulatory, Fleet, Airport and Public Affairs teams. With the General Data Protection Regulation (GDPR) having become EU law on 25 May 2018, easyJet has a Data Protection Officer (DPO) and Data Privacy team in place, reporting to the Company Secretary & Group General Counsel. Key deliverables have been achieved for high-risk processing activities during the year and there is an ongoing programme for the 2019 financial year.

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REPUTATIONAL

RISK DESCRIPTION	CONTEXT AND MITIGATION
CYBER AND INFORMATION SECURITY A breach of our systems by internal or external threats could lead to financial loss, aircraft incident, operational disruption, and/or reputational damage. Unauthorised access to customer or employee data could lead to financial, regulatory or legal damage, and/or loss of customer or employee trust. **Links to Our Plan** 1 2 5 B C D	The Information Security Steering Group is a subset of the AMB, chaired by the Company Secretary & Group General Counsel. It oversees any developments or changes in the threat landscape, and determines whether actions taken in response are appropriate. This group provides senior support to business initiatives to drive continuous adaption and improvement. There is a dedicated Information Security team, comprised of experienced professionals, which continuously monitors threats and responds to incidents to minimise exposure and impact. In the year there has been a review, refresh and re-communication of a number of key policies and standards. easyJet has a strong programme of communication and engagement to maintain employee awareness and education. This is achieved through a network of champions, online training materials, and periodic awareness campaigns. easyJet is coming to the end of an initial three-year Information Security Remediation Programme, during which some projects have been, and continue to be, audited. This has resulted in additional proposed projects for the 2019 financial year to improve the effectiveness of controls. As part of easyJet's GDPR programme, key deliverables have been achieved for high-risk processing activities. There is an ongoing programme for the 2019 financial year to ensure changes are fully embedded into ways of working (see the regulatory and legal compliance risk outlined on page 47). easyJet continues to work closely with industry partners, such as Airbus, to manage the cyber risks associated with aircraft. In the year, there was a presentation to, and discussion with, the Board by Airbus on these risks and mitigations. However, the nature of this risk and the ever-increasing sophistication of attacks by serious organised crime groups, terrorists, nation states and even lone parties means that, despite all the mitigation detailed above, easyJet will inevitably retain an element of vulnerability.
MAJOR SHAREHOLDER AND BRAND OWNER RELATIONSHIP easyJet has two major shareholders (easyGroup Holdings Limited and Polys Holdings 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. 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. **Links to Our Plan** 3 5 B	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 Group has a relationship agreement with easyGroup and Polys Holdings in line with the controlling shareholder regime 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. The brand licence agreement with easyGroup provides for the regular meeting of senior representatives from both sides, attended by the Chief Financial Officer and the Company Secretary & Group General Counsel, to actively manage brand-related issues as they arise. Such meetings occur on a quarterly basis and have proved effective. easyJet also monitors compliance with brand licence service levels and has a right to take steps to remedy any instance of non-compliance.

RUNNING OUR BUSINESS RESPONSIBLY

easyJet wants to run its business with a purpose, in a way that truly serves society and is based on principles which help it achieve sustainable profitability.

AIM	HOW EASYJET IS DOING THIS	MEASUREMENTS AND OUTCOMES
1. SAFETY IS OUR NUMBER ONE PRIORITY	• Safety and security management • Managing crew wellbeing, including monitoring fatigue • Seeking to prevent disruptive behaviour on flights • Safety in the supply chain	• easyJet uses the Final Event Risk Classification (FERC) as its primary measure of safety. • Further detail on the FERC is available in the Key Performance Indicators section on page 28.
2. HONEST AND FAIR WITH OUR CUSTOMERS AND SUPPLIERS	• Supporting customers during disruption • Supporting customers who need special assistance • Building positive supplier relationships, including by making payments on time • Preventing bribery, corruption and modern slavery	• easyJet tracks customer satisfaction amongst customers who need special assistance. This year this was 82% (2017: 83%), which was higher than the average for all customers for the fifth consecutive year. • easyJet paid 87% of supplier invoices on time in the period 1 April 2018 to 30 September 2018.
3. A RESPONSIBLE AND RESPONSIVE EMPLOYER	• Employing people locally • Working collaboratively with trade unions • Encouraging a diverse workforce • Offering fair reward • Providing learning and development opportunities	• easyJet employs people on local contracts in nine countries across Europe, complying with national laws. • easyJet works in partnership with 20 trade unions across eight countries. • easyJet has a target that 20% of the new entrant co-pilots it attracts should be female by 2020. • This year 15% of new entrant co-pilots attracted were female, up from 13% last year and 5% when the initiative was started in 2015.
4. A GUARDIAN FOR FUTURE GENERATIONS	• Investing in efficient aircraft • Using operational efficiency measures	• easyJet measures its carbon emissions per passenger kilometre. Its current target is a 10% reduction in carbon emissions per passenger kilometre by 2022 from its 2016 financial year performance. • This year its emissions were 78.46 grams per passenger kilometre, down from 78.62 grams last year and down 1.9% since 2016. This is a 32.5% reduction since 2000.
5. A GOOD CITIZEN	• Raising funds for its charity partner Unicef • Making donations to charities nominated by employees • Reducing the aircraft noise that affects communities around airports	• easyJet has raised over £11.8 million for its charity partner Unicef since 2012. • This year easyJet made over 140 donations to local charities nominated by its employees. • easyJet's A320neo and A321neo aircraft are around 50% quieter during takeoff and landing than equivalent previous generation aircraft.

CORPORATE RESPONSIBILITY CONTINUED

1. SAFETY IS OUR NUMBER ONE PRIORITY

SAFETY MANAGEMENT

Safety is easyJet's highest priority. The Group is committed to providing a safe journey for its customers and a safe working environment for its people and suppliers. easyJet's safety is managed and maintained through business processes and structures.

The Chief Executive of easyJet has overall responsibility for safety, alongside the Accountable Managers of easyJet's UK, Swiss and Austrian AOCs, who are accountable for safety compliance to their relevant regulators. The Director of Safety, Security and Compliance reports directly to the Chief Executive, with direct access to the Chairman, and has a remit to act independently on safety and security matters outside other operational or commercial considerations.

The Safety Committee, comprising independent Non-Executive Directors, reviews the effectiveness of easyJet's safety management processes on behalf of the plc Board ('the Board'). This includes reviewing development progress of the safety plan, which describes easyJet's actions to enhance the safety management system. More information on the Safety Committee is provided on pages 76 to 77.

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 employees 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 support its crew operating flights safely. Its Fatigue Risk Management System is approved to EASA standards and the Group continues to invest in fatigue research with bodies such as the US National Aeronautics and Space Administration (NASA) and the Netherlands Aerospace Centre.

SAFETY IN THE SUPPLY CHAIN

easyJet carries out 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 Compliance Monitoring team. The compliance programme is risk based and focuses on applicable standards throughout the supply chain.

DISRUPTIVE PASSENGERS

easyJet does not tolerate disruptive or abusive behaviour on its flights or towards any of its agents. 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. Cabin crew are empowered to refuse to serve alcohol to customers and customers are not allowed to consume their own alcohol on easyJet flights.

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

AEROMEDICAL AND HEALTH AND SAFETY MANAGEMENT

Managing and providing oversight of the aeromedical and health and safety needs of its workforce is essential to delivering a resilient operation at easyJet. The Group effectively manages aeromedical and health and safety risks through an integrated risk management framework, business processes and structures. This growing capability in the organisation provides a holistic, proactive, integrated approach to aeromedical and occupational health management, human factors and occupational safety. The team ensures that the organisation is compliant with legislative requirements and standards associated with aeromedical and health and safety management and manages emerging risks in the air and on the ground, including pilot mental fitness, communicable disease concerns, health and safety, and occupational health issues. The team also supports the business in achieving its objectives by contributing to organisational and individual resilience.

NEW TECHNOLOGY

easyJet continues to add new safety-related technology to the aircraft fleet. The A320neo aircraft, which began to enter the fleet in June 2017, are fitted with the Autopilot Traffic Collision Avoidance System (APTCAS), which builds on 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. The latest addition to the easyJet fleet is the A321neo aircraft which entered service in July 2018 and provides the same enhanced safety capabilities as the A320neo aircraft.

2. HONEST AND FAIR WITH OUR CUSTOMERS AND SUPPLIERS

CUSTOMERS

This financial year easyJet carried more than 88 million passengers. More information on the service we provide to customers and customer satisfaction is on page 16.

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

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

This year the group visited Berlin Tegel Airport to see the special assistance facilities, as easyJet established a new base at the airport. The group also recruited a new member from Germany, to reflect the airline's larger operations in the country.

Customer satisfaction amongst special assistance customers was 82%, compared to 71% for all customers, and down by one percentage point from last year. This is the fifth successive year that satisfaction is higher among customers who need special assistance than the average across all customers.

Since 2012 easyJet and ESAAG have introduced a range of measures to assist passengers with physical constraints, such as onboard wheelchairs and more accessible aircraft toilets.

ESAAG has continued to look at how easyJet supports customers who have hidden disabilities, and the airline now trains crew to recognise hidden disability lanyards and badges, which are increasingly offered to customers by airports to discreetly inform staff of their condition.

ESAAG has also worked with easyJet to improve the service provided on the ground in key airports. ESAAG members have started a series of visits to easyJet's main airports to give feedback on facilities and services.

DISRUPTION

easyJet is committed to providing the right support to customers who experience disruption. Customers are given timely updates about their flight through text messages, emails and live updates on easyJet's Flight Tracker tool. The information given to customers on Flight Tracker includes the reason for any disruption and what customers should do next.

To reduce the time it takes to resolve aircraft technical faults, easyJet has extended its contract for two light aircraft and crew to transport engineers and spare parts around its network, with dedicated engineers on standby to travel. A Luton-based aircraft operates year round, with a Milan-based aircraft supporting the summer operation. easyJet has also worked alongside Airbus to enhance its predictive maintenance technology, and plans to retrofit its fleet with the new equipment.

When there are delays, easyJet provides welfare support and overnight accommodation when required, as well as additional EU 261 payments, when the disruption is caused by an airline issue. easyJet has established an online compensation claim form and bank transfer programme to simplify EU 261 applications and payments. easyJet has also chosen to be a member of an alternative disruptive resolution body, approved by the UK Civil Aviation Authority (CAA). This means that if a customer is not satisfied that easyJet has resolved their complaint, the customer can also refer it for independent review.

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 a supplier relationship management framework, which provides a toolkit and guidance for easyJet managers who lead relationships with easyJet's key partners.

easyJet aims to build strong, lasting relationships with partners and drive value from partnerships. 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.

In line with the new UK reporting requirements, easyJet made its second public report on its supplier payment performance in October 2018, covering the period 1 April 2018 to 30 September 2018. This showed that the average time to pay an invoice was 30 days and 87% of invoices were paid within the agreed terms with suppliers.

HUMAN RIGHTS

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

The Group has a Code of Ethics and Human Rights Policy. It also has in place other policies which support recognised human rights principles, including on non-discrimination, health and safety, whistleblowing and prevention of bribery and corruption.

CORPORATE RESPONSIBILITY CONTINUED

RESPONSIBLE SOURCING

easyJet has a Supplier Code of Conduct which requires all suppliers to comply with (and to ensure that their subcontractors comply with) a number of social and environmental principles including ensuring fair treatment of employees and a respectful working environment, no breach of human rights including no forced labour, and no bribery or corruption. This Supplier Code of Conduct was reviewed in the light of the requirements of the Modern Slavery Act and now also expressly prohibits modern slavery and human trafficking.

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

In 2016 easyJet established a modern slavery working group with representatives from across easyJet. The group assessed easyJet's supply chain based on the factors that tend to be associated with higher modern slavery risk, such as certain geographic areas and industries, particularly those with lower labour costs (such as textiles, electronics, road transport and food).

As a result of this assessment, easyJet focused its supplier due diligence questionnaire on 60 suppliers, made up of those who were considered to be higher risk and those with which easyJet has the highest spend.

This year easyJet revisited its risk assessment of the areas of easyJet's operations and supply chain most at risk and found that the underlying risk profile had not changed. Following the establishment of a large new base at Berlin Tegel Airport this year, some new suppliers were added to the higher risk category, due to the scale and significance of their services to easyJet.

In line with the reporting requirements, easyJet published its first Modern Slavery Statement in 2017 and an updated statement this year. These are available at http://corporate.easyjet.com/.

HUMAN TRAFFICKING PREVENTION

For all airlines and other transport providers, there is a risk that their services may be used by human traffickers.

The easyJet Security team works closely with relevant authorities across Europe to help to prevent human trafficking. easyJet's crew and ground staff have been provided with guidance on how to recognise behaviours that could indicate human trafficking. The crew trainers also receive regular training from the Security team on the risk of human trafficking in flight operations.

ANTI-BRIBERY AND CORRUPTION

easyJet has Group-wide policies on anti-bribery and corruption, and gifts and hospitality.

All easyJet management and administrative employees are required to complete online training modules covering anti-bribery and corruption, ethics and competition law. These training modules were refreshed this year and rolled out across all existing employees. All new employees must complete this training before passing their probation period and certain groups of employees will be required to complete recurrent training. Employee completion of this training is tracked and reported to the easyJet Airline Management Board ('AMB').

When tendering key new supplier contracts easyJet informs suppliers of its anti-bribery and corruption and gifts and hospitality policies, and requires compliance 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 obligations on anti-bribery and corruption in its contract with easyJet.

3. A RESPONSIBLE AND RESPONSIVE EMPLOYER

LOCAL EMPLOYMENT ACROSS EUROPE

As at 30 September 2018 easyJet employed over 14,000 people across its network.

easyJet employs people on local contracts in nine countries across Europe, complying with national laws. This has a higher cost than the approach taken by some other airlines which employ all their people on non-local contracts, irrespective of where they 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 issues, priorities and financial performance and encourages them to share feedback. This includes a weekly all-staff newsletter, specific newsletters for the pilot and cabin crew communities, staff events and a regularly updated intranet.

easyJet continues to focus on its employees and their experience at work. This year the Group has been looking at how it can further improve the health and wellbeing support offered to employees. This includes the working environment, ways of working, and the experience of crew during their rostered duties, as well as how operational disruption affects the lives of our crew and other employees. easyJet expects to start to deliver improvements on this in the 2019 financial year.

This year easyJet has continued to build on its engagement and relationship with its employees and their representatives across Europe. There is increasing union activity in the aviation sector, however, easyJet's investment in its employee relations approach over the last two years has encouraged stability in this active union environment. easyJet works in partnership with 20 trade unions across eight countries, along with its five national works councils in Europe, the overarching European Works Council and a number of other internal employee consultative groups.

REWARD

easyJet offers a competitive reward package, focused on cash and variable pay rather than fixed benefits.

easyJet offers all its employees, with a minimum amount of service, the opportunity to become shareholders in the Company through the following schemes:

- all employees can join easyJet's Save As You Earn scheme, which allows employees to save money from their salary with the option to purchase shares;
- UK employees can take part in the Buy As You Earn scheme, in which employees can buy shares from their salary each month with easyJet matching their investment; and
- easyJet awards Performance (Free) Shares to all employees, subject to meeting annual financial targets. Awards worth up to two weeks' salary have been granted in seven of the last eight years.

Over half of all employees participate in one or both of the Save As You Earn and Buy As You Earn schemes.

At 30 September 2018, employees held interests in 9.4 million shares. On this date, with a closing share price of £13.14, these awards had a market value of £123 million.

WORKPLACE ONLINE NETWORK

This year easyJet introduced Workplace by Facebook to encourage conversation, collaboration and idea-sharing amongst its employees. Workplace is an internal platform and allows communication and collaboration across desktop and mobile, using familiar social media features such as groups, reactions and videos.

The platform has encouraged greater communication between teams and with the business leadership team, particularly with crew who are not office-based and can use Workplace on mobile devices. This interaction has allowed easyJet to, for example, identify improvements to its inflight retail.

easyJet's Chief Executive shares weekly updates and actively encourages feedback. He also shares monthly videos covering our strategy and performance, and often uses the tool for employee recognition.

Workplace is actively used by over 6,000 people at easyJet on a monthly basis, with 78% of those invited choosing to sign up to the system.

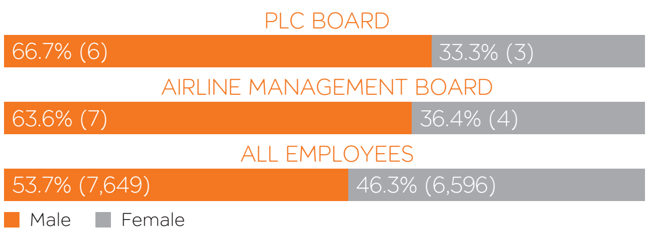
EMPLOYEE ENGAGEMENT

To improve its ability to understand employee engagement, easyJet this year trialled a new engagement platform, Peakon. Over 4,000 employees were invited to participate in a trial and 60% of these shared their view, generating over 20,000 comments about working at easyJet. These were analysed to identify common themes that can be used to inform better decision making. easyJet has decided to introduce this platform across the Group for the 2019 financial year, to continuously listen to employees' views and use the data and insights to inform its approach as an employer.

GENDER

The graphics below represent the gender makeup of easyJet's Board, AMB (easyJet's executive management team) and all employees directly employed by easyJet as at 30 September 2018.

Since this date one member of the AMB has left and one new member has been appointed. Both are male so this has not affected the gender makeup.



CORPORATE RESPONSIBILITY CONTINUED

DIVERSITY AND INCLUSION

This year easyJet carried out a review of its approach to diversity and inclusion, including what improvements could be made. Over 70 employees from across the business, selected using an opportunity sampling method, took part in interviews and focus group sessions conducted by an independent consultancy.

As a result of this review easyJet has committed to focus on three key areas:

- ensuring its employment policies and processes continue to support diversity and inclusion;
- enabling its leaders and managers to have the confidence and tools to support a diverse and inclusive culture; and
- creating partnerships, internally and externally, with those who can give expert support to its inclusion and diversity strategy.

Sophie Dekkers, previously UK Country Director and now Head of Scheduling, has been appointed as the senior sponsor for diversity and inclusion and will lead on these changes over the next year.

FEMALE PILOTS

Through its Amy Johnson initiative, set up in 2015, easyJet has sought to encourage more women to become pilots, to help address the significant gender imbalance in the worldwide pilot community.

Activities have included:

- carrying out more than 100 visits by pilots to schools, youth and aeronautical organisations;
- sponsoring the new Aviation Badge for Brownies, members of Girlguiding, the UK youth organisation for girls and young women; and
- continuing to highlight female easyJet pilots in the media.

easyJet's current target is that 20% of its new entrant co-pilots attracted by 2020 are female. In the 2018 financial year easyJet attracted 50 female new entrant co-pilots, which represented 15% of new entrant co-pilots in this period, up from 13% in the 2017 financial year and 5% when the initiative was started in 2015.

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 makeup of its pilot community, which represents around a quarter of its UK employees. Pilots are predominantly male and their higher salaries, relative to other employees, significantly increase the average male pay at easyJet.

Salaries for pilots and cabin crew are collectively agreed, meaning, for example, that a female pilot or cabin crew member's basic salary and variable pay rates are exactly the same as that of her male equivalents.

DIFFERENCE BETWEEN MALE AND FEMALE UK EMPLOYEE PAY

Difference in median hourly rate of pay	45.54%
Difference in median bonus pay	32.16%

This is the pay and bonus gap data published in easyJet's 2017 gender pay report. All data is for UK employees as specified by UK reporting requirements.

This means that, based on the 2017 reporting data, the median hourly rate of pay for a female UK employee at easyJet was 45.54% lower than for a male UK employee.

easyJet's full gender pay report is available at http://corporate.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 with which all applicants and current employees must comply.

LEARNING AND DEVELOPMENT

easyJet offers a range of in-person and online learning opportunities, as well as career development planning, for employees. All employees receive feedback on their performance and support on their development. People managers are also given resources and advice to help them support the development of their teams.

APPRENTICESHIPS

easyJet has established four new apprenticeship programmes this year, creating opportunities for 36 new apprentices to join the business, as well as development opportunities for 14 existing members of staff.

The programmes launched include cabin crew apprenticeships and three different apprenticeships across easyJet's Operations Control Centre. All apprentices across the programmes will take part in both on-the-job and classroom-based training.

In addition, easyJet has this year taken a new intake of 14 recruits on its engineering apprenticeship programme.

4. A GUARDIAN FOR FUTURE GENERATIONS

easyJet recognises that carbon emissions from air travel contribute to climate change and that the Group has a responsibility to seek to minimise the impact of its operations.

As a result easyJet's aim is to reduce the carbon emissions produced for each kilometre travelled by its customers.

easyJet's business model supports the minimisation of fuel usage and associated carbon emissions in the following ways:

- it relies on a cost advantage and continually looks for safe ways to reduce fuel use, including by using efficient aircraft and emissions-saving measures;
- most flights operate with a large majority of the seats filled, which means each flight is productively used. This year the load factor was 92.9%; and
- easyJet flies point-to-point routes between the customer's departure and arrival airports, rather than flying a customer to a hub airport and then on to their final destination.

easyJet is also working with partners on the development of an all-electric commercial aircraft.

CARBON EMISSIONS

easyJet's aircraft carbon emissions in the 2018 financial year were 7.6 million tonnes, compared to 7.1 million tonnes in the 2017 financial year. easyJet's calculation of emissions is based on fuel burn measurement, which complies with the EU's Emissions Trading System requirements.

The increase in emissions is due to the continued expansion of easyJet's operations. In this financial year easyJet's passenger numbers increased by 10.2% from the 2017 financial year.

easyJet's non-aircraft operations, such as energy use in the small number of buildings it operates, also create carbon emissions. However, as emissions related to these operations are not material when compared to the aircraft operations, it would not be proportionate for easyJet to include them in its carbon emissions reporting.

CARBON EMISSIONS REDUCTION TARGET

easyJet's aim is to reduce the amount of carbon emissions produced for each kilometre travelled by its passengers.

Since 2000 easyJet has reduced its carbon emissions per passenger kilometre by 32.5%.

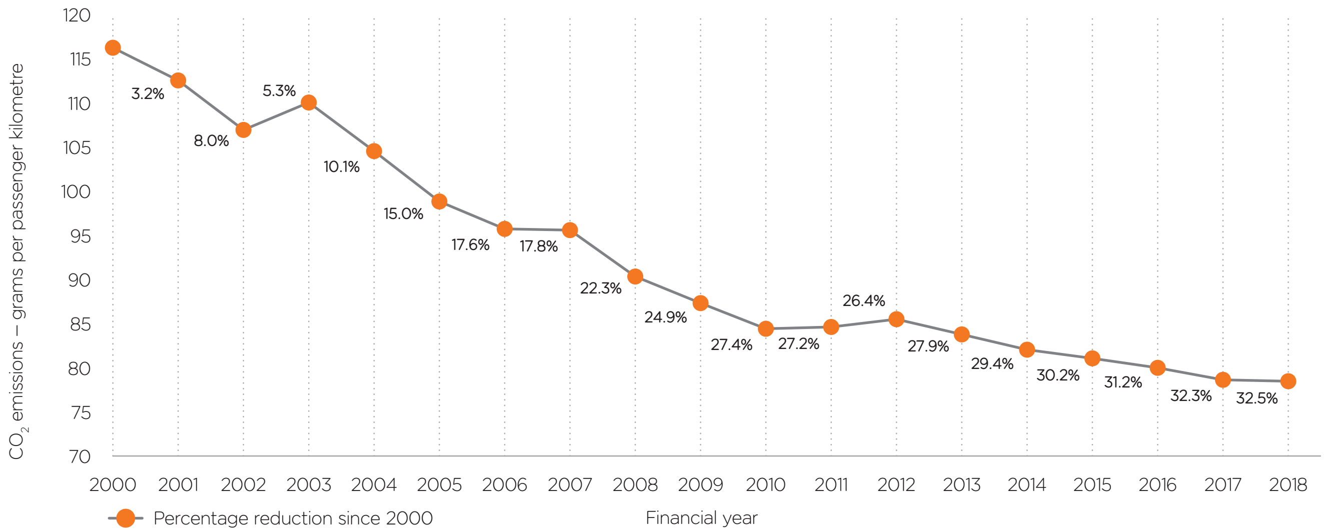
In 2013 easyJet established a public target to reduce its carbon emissions per passenger kilometre. The target was strengthened in 2015 and is currently a 10% reduction in carbon emissions per passenger kilometre by 2022 from its performance in the 2016 financial year.

If this target is met in 2022, easyJet will have reduced its carbon emissions per passenger kilometre by 38% since 2000.

In the 2018 financial year easyJet's carbon emissions per passenger kilometre were 78.46 grams (g). This is a reduction from 78.62g per passenger km in the 2017 financial year.

Carbon emissions per passenger kilometre in the 2018 financial year were down by 1.9% from the 2016 financial year, continuing towards the target of a 10% reduction by 2022.

EMISSIONS PER PASSENGER KILOMETRE SINCE 2000



CORPORATE RESPONSIBILITY
CONTINUED

INVESTING IN EFFICIENT AIRCRAFT

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

easyJet is continuing to invest in modern aircraft which are more efficient and quieter than previous generation aircraft. For example, easyJet has started to operate a new generation of Airbus A320 family aircraft, equipped with CFM LEAP engines, which are 15% more fuel efficient than previous generation aircraft.

easyJet introduced the Airbus A320neo aircraft in June 2017 and as at 30 September 2018 had 13 of these aircraft in the fleet, with a further 87 to be delivered by August 2022. In November 2018 easyJet converted purchase rights to firm orders for a further 17 A320neos to be delivered by 2023.

This year easyJet also took delivery of its first A321neo aircraft, which has 235 seats compared to 186 seats on the A320neo. As at 30 September 2018 there were two of these aircraft in the fleet, with a further 28 planned to be delivered by October 2020.

These larger aircraft allow easyJet to maximise the use of airport capacity, particularly at airports across Europe that are slot-constrained.

EFFICIENT OPERATION

easyJet operates its aircraft in a way which reduces fuel usage and carbon emissions. These efficiency measures are part of easyJet's standard operating procedures, which means they are requirements for all flights where they can be used. The measures include:

- continual review of flight plans to ensure the optimal routings and cruise levels are used;
- maximising the use of external power, rather than the aircraft auxiliary power unit, when on the ground;
- use of only one engine when taxiing on the ground; and
- climb, descent and landing techniques that improve efficiency.

Aircraft are also equipped to minimise weight, which is an important factor in fuel usage. This includes the introduction of lightweight Recaro passenger seats and the use of electronic devices to reduce the amount of paper documents in the flight deck.

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 which reduce noise impact, such as continuous descent approaches.

easyJet's new generation Airbus A320neo and A321neo aircraft are 50% quieter during takeoff and landing than the equivalent previous generation aircraft.

easyJet has also carried out a retrofit programme to address a particular sound, associated with A320 family aircraft of all airlines, due to the airflow under the wing. This involved fitting aircraft with 'vortex generators'. New aircraft delivered since September 2014 are fitted with vortex generators as standard.

ELECTRIC AIRCRAFT DEVELOPMENT

In 2017 easyJet began a partnership with Wright Electric to support the goal for short-haul flights to be operated by all-electric planes. Wright Electric has set itself the challenge of building an all-electric commercial passenger jet within a decade.

WASTE

easyJet's cabin crew already collect waste in two bags, separating out the recyclable materials. This year a 50 pence discount on hot drinks for customers who use their own reusable cup has been introduced. Certain plastic items used on board, such as plastic stirrers, will also be replaced with wooden alternatives.

To build on these measures, easyJet has this year carried out an initial review of the opportunities to minimise waste across its operations. This looked at how much waste is produced, what materials are used, and what improvements could be made.

5. A GOOD CITIZEN

UNICEF PARTNERSHIP

easyJet has a pan-European charity partnership with Unicef, the world's leading children's organisation. During the spring, summer and winter collection periods easyJet cabin crew carry out onboard appeals for customers to donate their spare change and leftover foreign currency.

Since 2012 the partnership has raised over £11.8 million, including over £1.8 million in the 2018 financial year.

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 the global eradication initiative by providing over five million vaccines for children under five, as well as the procurement and distribution of 2,600 cold boxes, 6,000 vaccine carriers and 22,280 ice packs, and the installation of 44 solar refrigerators to improve vaccine storage capacity.

In July 2018 easyJet renewed its partnership with Unicef. In addition to continuing to support polio eradication, the partnership will now also support Unicef's cause of Education in Emergencies. Each summer collection will support this area and the first took place this year.

easyJet chose to support the Education in Emergencies work because it believes the cause is important to its customers, many of whom are travelling with their own children in the summer during school holidays.

CHARITY DONATIONS

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

EDUCATION IN EMERGENCIES

In addition to continuing to support polio eradication, the partnership with Unicef now also supports the charity's cause of Education in Emergencies. Unicef has provided more information on this work:

"For children in emergencies, education is lifesaving. Schools give children stability and structure to help cope with the trauma they have experienced. Schools can protect children from the physical dangers around them, including abuse, exploitation and recruitment into armed groups. In many cases, schools also provide children with other lifesaving interventions, such as food, water, sanitation and health.

Despite the enormous benefits to children, education is often the first service suspended and the last service restored in crisis-affected communities.

Unicef works to deliver uninterrupted learning for every child affected by humanitarian crises and aims to provide learning spaces that are safe, available and suitable for children. Unicef provides teachers with training and learning materials including the 'School in a Box', which is a pop-up classroom which can be set up anywhere within 72 hours of an emergency and provides three months' worth of teaching supplies for a teacher and up to 40 students."

CORPORATE RESPONSIBILITY CONTINUED

NON-FINANCIAL INFORMATION STATEMENT

easyJet aims to comply with the new Non-Financial Reporting Directive requirements. The table below sets out where relevant information can be found in this Annual Report.

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COMMITTED TO GOOD CORPORATE GOVERNANCE

> "WE CONTINUE TO ACHIEVE GOOD GOVERNANCE THROUGH A RESPONSIVE GOVERNANCE FRAMEWORK THAT SUPPORTS AND CHALLENGES OUR EXECUTIVES' DECISION MAKING"

I am pleased to introduce this report, which describes the activities of your Board during the year, along with our governance arrangements and how we have applied the main principles and complied with the relevant provisions of the 2016 UK Corporate Governance Code ('the Code').

This year the Board has continued to focus on providing effective leadership and oversight of the Group as it seeks to focus on its strategic priorities and create value for our shareholders. A summary of Board activity during the year can be found on page 68.

The role and effectiveness of the Board is essential to a successfully run company; the way in which we discharge our duties is set out on the following pages.

APPOINTMENT OF A NEW CHIEF EXECUTIVE

Johan Lundgren joined the Board as Director and Chief Executive on 1 December 2017. During his first year Johan has taken the opportunity to meet many employees, customers, regulatory bodies and other stakeholders to seek their views on, amongst other things, the Group's strategy and culture.

CHANGES TO THE BOARD

There have been a number of Board changes since the last Annual Report, with membership of the Board and its Committees having evolved, but remaining balanced. Appointments have been subject to a formal, rigorous and transparent procedure.

We welcomed Julie Southern to the Board on 1 August 2018 as a Non-Executive Director. She also became a member of the Audit, Remuneration and Safety Committees, and will take over from Adèle Anderson as Audit Committee Chair from 1 January 2019. Julie has held a number of commercially-oriented finance and related roles and brings with her extensive experience of the airline industry. I believe she will be a huge asset to the easyJet Board and its Committees. More detailed information on Julie's induction can be found on page 75.

CHAIRMAN'S STATEMENT ON CORPORATE GOVERNANCE CONTINUED

Keith Hamill OBE stepped down from the easyJet Board on 31 December 2017 following completion of nine years on the Board. On behalf of the Board, I would like to reiterate my thanks to Keith for his valued contribution to the easyJet Board and to easyJet's success.

We are also sorry to lose Adèle Anderson, Non-Executive Director who, after seven years, will resign from the Board with effect from the end of the Company's 2019 Annual General Meeting on 7 February 2019. On behalf of the Board, I would like to thank Adèle for her important contribution to the easyJet Board and specifically in her role as Audit Committee Chair. She has brought deep understanding and acumen to her responsibilities and she leaves us with our gratitude and best wishes.

More information on these Board changes and the work of the Nominations Committee can be found on pages 78 to 79.

CULTURE AND DIVERSITY

We take the issue of diversity in the boardroom very seriously and are mindful of important recent developments in this area.

We remain focused on maintaining an inclusive and diverse culture. We believe this improves effectiveness, encourages constructive debate, delivers strong performance and enhances the success of the business. At its September 2018 meeting, the Nominations Committee approved a refreshed Board Diversity and Inclusion Policy and set our objectives in this area. You can read more about this, and our overall approach to diversity and inclusion in our other senior leadership positions and across easyJet, on page 79.

TEGEL OPERATIONS

A key focus of the Board during the year was the oversight of the acquisition of part of Air Berlin's operations at Berlin Tegel Airport.

This year the Board's annual base visit took place in Tegel, which provided the Board with the opportunity to see the operation in action and meet with various members of the management team. More information on the visit can be found on page 69.

BREXIT

The Board continued to closely oversee the implementation of easyJet's planning for Brexit. This has involved regular management updates on both the design and implementation of easyJet's response to Brexit negotiations, and the likely impact on the European airline industry. We will remain focused on ensuring that easyJet's operating model and network are unaffected by Brexit and that flying rights between the EU and the UK are maintained.

BOARD EVALUATION

Our Nominations Committee oversaw an externally facilitated review of the composition, diversity and effectiveness of the Board to achieve the objectives of the Group. A full report on the activities of the Nominations Committee and the outcomes of the evaluation can be found on pages 72 to 73.

LOOKING AFTER OUR STAKEHOLDERS

The Board continues to take account of the impact of its decisions on all of our stakeholders.

We have also begun to consider ways in which a stronger and more meaningful engagement can take place between the Board and the workforce.

This engagement, amongst other things, will allow Directors to gauge how the Group's new strategic initiatives are embedding within the organisation under the new leadership of Johan Lundgren.

UK CORPORATE GOVERNANCE CODE

I am pleased to report that we were in full compliance with the requirements of the Financial Reporting Council's (FRC) 2016 Code, a copy of which is available on www.frc.org.uk.

We welcomed the publication by the FRC of its new UK Corporate Governance Code in July 2018 and its focus on the themes of corporate and Board culture, stakeholder engagement and sustainability, which are critical factors for us as we partner with our stakeholders to build an enduring business.

Over the summer, as part of the FRC's regular review and assessment of the quality of corporate reporting in the UK, we engaged with the FRC in response to their questions relating to information within our 2017 Annual Report and Accounts. easyJet has taken on board the FRC's comments and recommendations with specific enhancements having been made to our 2018 Annual Report and Accounts. Further details can be found on page 81.

The following pages set out details of the composition of our Board, its corporate governance arrangements, processes and activities during the year, and reports from each of the Board's Committees.

JOHN BARTON
Non-Executive Chairman

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Board activity in 2018	Page 68
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Board Committee overview and activities during the year	Page 76
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AN EXPERIENCED AND BALANCED BOARD

JOHN BARTON (1944)

Non-Executive Chairman

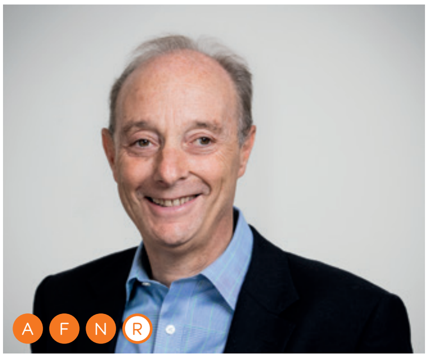
Nationality British

Appointed May 2013

Key areas of prior experience
Finance, Governance

Skills & Experience John has 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, until 2001.

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.



CHARLES GURASSA (1956)

Non-Executive Deputy Chairman and Senior Independent Director

Nationality British

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 Ltd, Phones4U Ltd, Virgin Mobile plc, Alamo/National Rent a Car and 7Days Ltd, and a 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, 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. Chairman of Great Rail Journeys.

JOHAN LUNDGREN (1966)

Chief Executive

Nationality Swedish

Appointed December 2017

Key areas of prior experience
Travel and Tourism

Skills & Experience Johan has more than 30 years' experience working in the travel industry, starting his career as a tour guide and occupying various roles in travel marketing and sales. Prior to joining easyJet in December 2017 as Chief Executive, Johan was the Group Deputy Chief Executive Officer and Chief Executive Officer of Mainstream Tourism at TUI AG. Prior to this, Johan was the Managing Director for the Northern Region at TUI Travel plc from 2007 until 2011. From 2003 until 2007, he was the Managing Director and Chief Executive Officer of TUI Nordic. Johan led MyTravel's businesses out of Canada and Sweden between 1999 and 2003, prior to which he was Managing Director of Always Tour Operations from 1996.

Current External Appointments
None

BOARD COMMITTEES

- ◯ Committee Chair
- A Audit Committee
- F Finance Committee
- N Nominations Committee
- R Remuneration Committee
- S Safety Committee

BOARD OF DIRECTORS
CONTINUED

ANDREW FINDLAY (1969)
Chief Financial Officer

Nationality British
Appointed October 2015
Key areas of prior experience
Finance

Skills & Experience Andrew was previously Chief Financial Officer at Halfords Group plc from February 2011 to October 2015. 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 the US.

Current External Appointments
Non-Executive Director at Rightmove plc, Chair of its Audit Committee and member of its Nomination Committee.

ADÈLE ANDERSON (1965)
Independent Non-Executive Director

Nationality British
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, Chair of its Audit Committee and member of its Remuneration Committee. Non-Executive Director of Spire Healthcare Group plc, Chair of its Audit and Risk Committee and member of its Remuneration Committee. Member of the Audit Committee of the Wellcome Trust.

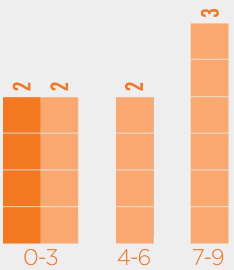
DR ANDREAS BIERWIRTH (1971)
Independent Non-Executive Director

Nationality German
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. Between 2006 and 2008, Andreas served as Vice President of Marketing at Deutsche Lufthansa AG (Frankfurt). Prior to this, Andreas was firstly Deputy Managing Director and later Managing Director at Germanwings.

Current External Appointments
Chief Executive Officer of T-Mobile Austria GmbH. Chairman of the Supervisory Board of Do&CoAG and member of the Supervisory Board of Telekom Deutschland GmbH.

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

TENURE (YEARS)


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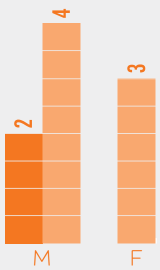

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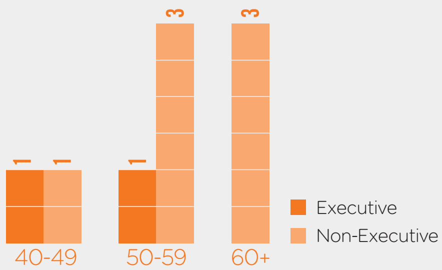


MOYA GREENE DBE (1954)
Independent Non-Executive Director

Nationality British and Canadian
Appointed July 2017
Key areas of prior experience
Logistics and Transport

Skills & Experience Moya served as Chief Executive of Royal Mail Group for eight years. Prior to joining Royal Mail, Moya was Chief Executive Officer 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 Boards of Great-West Lifeco and Tim Hortons Inc, both publicly quoted in Canada.

Current External Appointments
Non-Executive Director of Rio Tinto plc and member of its Audit, Remuneration and Nomination Committees. Member of the Board of Trustees of the Tate Gallery.

ANDY MARTIN (1960)
Independent Non-Executive Director

Nationality British
Appointed September 2011
Key areas of prior experience
Finance, Airline Industry

Skills & Experience Andy trained as a Chartered Accountant at Peat Marwick before moving to Arthur Andersen where he became a partner. He was, until 2015, Group Chief Operating Officer, Europe and Japan, for Compass Group plc, having previously been their Group Finance Director from 2004 to 2012. Before joining Compass Group plc, Andy was Group Finance Director at First Choice Holidays plc (now TUI Group) and prior to that held a number of senior finance roles at Granada Group plc and Forte plc.

Current External Appointments
Non-Executive Director of Intertek Group plc and Chairman of its Audit Committee. Non-Executive Director of John Lewis Partnership and Chairman of its Audit and Risk Committee. Non-Executive Chairman of Hays Group plc and Chairman of its Nomination Committee.

JULIE SOUTHERN (1959)
Independent Non-Executive Director

Nationality British
Appointed August 2018
Key areas of prior experience
Finance, Airline Industry

Skills & Experience Julie has held a number of commercially oriented finance and related roles during her career. She was Chief Commercial Officer of Virgin Atlantic Limited between 2010 and 2013, responsible for the commercial strategy of Virgin Atlantic Airways and Virgin Holidays. Prior to this, Julie was Chief Financial Officer of Virgin Atlantic Limited for 10 years. In addition, Julie was previously Group Finance Director at Porsche Cars Great Britain and Finance and Operations Director at WHSmith – HJ Chapman & Co. Ltd.

Current External Appointments
Non-Executive Director and Chair of the respective Audit Committees of Rentokil Initial plc, NXP Semi-Conductors N.V. and DFS Furniture plc (until 30 November 2018). Non-Executive Director, Chair of the Audit Committee and member of the Remuneration Committee at Cineworld Group plc. Non-Executive Director of Ocado plc.

CHANGES TO THE BOARD DURING THE 2018 YEAR AND UP TO 19 NOVEMBER 2018:

Carolyn McCall DBE stepped down as Chief Executive on 30 November 2017, with Johan Lundgren being appointed in her place from 1 December 2017.

Keith Hamill OBE stepped down from the Board on 31 December 2017.

Julie Southern was appointed to the Board on 1 August 2018.

AIRLINE MANAGEMENT BOARD

AN EXPERIENCED TEAM TO DELIVER

ELLA BENNETT
Group People Director
Nationality British
Appointed May 2018
Key areas of prior experience
People, Reward and Digital Transformation

Skills & Experience Ella joined easyJet from Sainsbury's Argos where she led the integration of their non-food business to create a multi-product, multi-channel business with fast delivery networks. Ella was also Group HR Director at Home Retail Group leading the people aspects of Argos' digital transformation. Prior to this she was a member of the executive management team at Fujitsu.

LIS BLAIR
Chief Marketing Officer
Nationality British
Appointed May 2018
Key areas of prior experience
Insight, Digital and Marketing

Skills & Experience Lis joined the AMB as Chief Marketing Officer in May 2018 after six years heading up Customer Relationship Management (CRM) and insight for the airline. Prior to joining easyJet Lis spent five years as a marketing consultant across multiple sectors, leading brands and marketing agencies including Audi, Barclaycard, Belu and Rapier London. Her marketing career began with 10 years at Barclays, incorporating leadership roles in all areas of marketing, including digital, CRM, insight, brand and advertising.

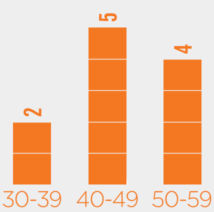
CHRIS BROWNE OBE
Chief Operating Officer
Nationality British
Appointed October 2016
Key areas of prior experience
Airline Industry – Operations and Strategy

Skills & Experience Chris was appointed to the plc Board on 1 January 2016 as a Non-Executive Director, before stepping down on 30 September 2016 to join the AMB as Chief Operating Officer. Chris has over 25 years' experience in the travel sector including the post of Chief Operating Officer for TUI Aviation following 10 years as Managing Director for Thomson Airways. She was previously the youngest and first female general manager for Iberia Airways and led the merger of Thomsonfly and First Choice Airways into one airline.

DIVERSITY IN THE AIRLINE MANAGEMENT BOARD ('AMB')

easyJet recognises the benefits of having diversity across the executive leadership team to inspire innovation and increased performance.

AGE



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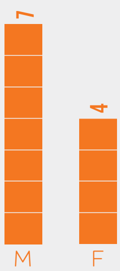


ROBERT CAREY
Group Director of Strategy and Network

Nationality French/American
Appointed September 2017
Key areas of prior experience Airline Industry, Strategy

Skills & Experience Robert joined from McKinsey & Company where he was a partner and leader in the Airline practice. Over the last 11 years, Robert has assisted airline clients around the world on a range of strategy, revenue and operations topics. Prior to McKinsey, Robert worked for Delta Air Lines and America West Airlines in a variety of roles across revenue and operations functions.

THOMAS HAAGENSEN
Group Markets Director

Nationality Danish
Appointed May 2018
Key areas of prior experience Commercial and Operations Management

Skills & Experience With over 20 years' experience in operations management in a variety of roles across Europe, Thomas has served as easyJet's Country Director for the Germany, Austria and Switzerland region since 2011, developing the market entry strategy for Germany and the business traveller segment in Northern Europe. Most recently, Thomas was appointed Managing Director of our Austrian AOC, easyJet Europe GmbH, which forms a key part of our Brexit migration plan.

FLIC HOWARD-ALLEN
Chief Communications Officer

Nationality British
Appointed August 2018
Key areas of prior experience Corporate Communications, Sustainability

Skills & Experience Flic has over 20 years' experience in corporate, consumer, internal, government relations and crisis communications. Flic joined easyJet from Associated British Foods, the owner of Primark, Twinings and many other major brands, where she headed up external affairs. Flic was previously Director of Communications and Corporate Responsibility at Marks and Spencer where she led the creation of 'Plan A', its Corporate Responsibility and Sustainability approach. Flic was also a Director at public relations consultancy Hill + Knowlton for a number of years.

AMB CHANGES DURING THE 2018 FINANCIAL YEAR AND UP TO 19 NOVEMBER 2018:

Carolyn McCall stepped down as Chief Executive on 30 November 2017, with Johan Lundgren being appointed in her place from 1 December 2017. Following Johan's appointment as Chief Executive, he has reshaped the AMB to best align with easyJet's strategic priorities.

Lis Blair was appointed to the new role of Chief Marketing Officer on 15 May 2018.

Thomas Haagensen was appointed to the new role of Group Markets Director on 15 May 2018.

Ella Bennett was appointed Group People Director on 21 May 2018, replacing Jacky Simmonds who stepped down in December 2017.

Jo Ferris acted as Interim Group People Director from December 2017 until Ella's appointment in May 2018.

Paul Moore stepped down from his role as Communications Director on 15 June 2018.

Flic Howard-Allen was appointed Chief Communications Officer on 20 August 2018.

Luca Zuccoli was appointed to the new role of Chief Data Officer on 20 August 2018.

Chris Brocklesby stepped down as Chief Information Officer on 31 October 2018. Andrew Findlay has taken responsibility for this area until a new Chief Information Officer is appointed.

Garry Wilson joined the business in the new role of Chief Executive of easyJet Holidays on 12 November 2018.

Kyla Mullins stepped down as Company Secretary & Group General Counsel on 3 September 2018. Daud Khan was appointed to this role on an interim basis from the same date.

AIRLINE MANAGEMENT BOARD CONTINUED

LUCA ZUCCOLI
Chief Data Officer
Nationality Italian
Appointed August 2018
Key areas of prior experience
Data and Analytics

Skills & Experience Luca Zuccoli brings world-leading technical data expertise as well as the experience of successfully applying data management to drive value in a commercial context. Prior to joining the airline Luca was at Experian where he was Head of Analytics and Data Lab for their Asia-Pacific region, focusing on managing analytics and leading on big data and artificial intelligence (AI).

DAUD KHAN
Company Secretary & Group General Counsel (Interim)
Nationality British
Appointed September 2018
Key areas of prior experience
Corporate Advisory and Corporate Finance

Skills & Experience Daud is currently acting as interim Company Secretary & Group General Counsel and head of easyJet's Legal, Company Secretarial and Regulatory departments. Daud is an experienced lawyer who specialises in corporate advisory and corporate finance matters.

GARRY WILSON
Chief Executive, easyJet Holidays
Nationality British
Appointed November 2018
Key areas of prior experience:
Travel, Business Transformation and Global Markets

Skills & Experience Garry has over 20 years' experience in the holiday and travel sector and joins easyJet from TUI Group where he most recently held the role of Managing Director for Group Product and Purchasing, leading commercial strategies across a number of markets and heading a global team across 20 countries.

Garry began his career as an international graduate at Nestlé before joining Thomson Travel Group (now TUI) in 1997 where he held a number of senior commercial roles. In 2006 he became Director of Europe, Middle East and Africa for American travel company Orbitz Worldwide (now Expedia Inc.) based in Chicago.

ANDREW FINDLAY
Chief Financial Officer
See Board of Directors' profiles on page 62

JOHAN LUNDGREN
Chief Executive
See Board of Directors' profiles on page 61

GOVERNANCE FRAMEWORK

SHAREHOLDERS

CHAIRMAN
Responsible for the leadership of the Board and for ensuring that it operates effectively through productive debate and challenge.

PLC BOARD ('THE BOARD')
The Board is responsible for providing leadership to the airline. It does this by setting strategic priorities and overseeing their delivery in a way that enables sustainable long-term growth, whilst maintaining a balanced approach to risk within a framework of effective controls and taking into account the interests of a diverse range of stakeholders.

BOARD COMMITTEES (1)
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/. Their key responsibilities are set out below.

SAFETY COMMITTEE
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.

Committee Report **on pages 76 to 77**

NOMINATIONS COMMITTEE
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.

Committee Report **on pages 78 to 79**

AUDIT COMMITTEE
To monitor the integrity of the Group's accounts, and the adequacy and effectiveness of the systems of internal control (including whistleblowing procedures).

To monitor the effectiveness and independence of the internal and external auditors.

Committee Report **on pages 80 to 84**

FINANCE COMMITTEE
To review and monitor the Group's treasury policies, treasury operations and funding activities, along with the associated risks.

Committee Report **on page 85**

REMUNERATION COMMITTEE
To set remuneration for all Executive Directors, the Chairman and the AMB, including pension rights and any compensation payments.

To oversee remuneration and workforce policies and practices and take these into account when setting the policy for Directors' remuneration.

Committee Report **on page 86**

CHIEF EXECUTIVE
Responsible for the day-to-day running of the Group's business and performance, and the development and implementation of strategy.

AIRLINE MANAGEMENT BOARD ('AMB')
Led by the Chief Executive, AMB members are collectively responsible for driving the performance of the airline against strategic KPIs and managing the allocation of central funds and capital.

(1) The IT Governance and Oversight Committee, which provided independent oversight over the governance and controls relating to the IT business area, was disbanded during the year with its responsibilities reverting to the Audit Committee and ultimately the Board.

CORPORATE GOVERNANCE REPORT
CONTINUED

BOARD ACTIVITY IN 2018

TOPIC	KEY ACTIVITIES
Safety Safety is our number one priority: read more about how we are ensuring this on pages 50 and 76 to 77	• Received and discussed regular safety performance reports and updates, presented by the Director of Safety, Security and Compliance • Received a presentation on cyber security, covering the threat environment, the regulations and standards applied to aircraft design, and the operation and security of easyJet aircraft
Strategy, operations and funding The strategic and financial review explains this in more detail on pages 2 to 58	• Approved the Group's five-year plan and strategic initiatives • Approved the acquisition of part of Air Berlin's operations at Berlin Tegel Airport • Received presentations from management in relation to business strategy and performance • Approved the annual budget, business plan and KPIs • Reviewed and approved the Group's full year 2017 and half year 2018 results (including the final 2017 dividend), as well as its quarterly results and the 2018 pre-close statement • Approved the Group's 2017 Annual Report (including its fair, balanced and understandable status) and 2018 AGM Notice • Reviewed the Group's debt, capital and funding arrangements and approved an update to the Euro Medium Term Note programme and a new revolving credit facility • Approved changes to the delegated authority policy • Approved changes to the treasury policy as recommended by the Finance Committee • Received regular status updates on the Operational Resilience programme including visibility of costs and activities • Considered and approved entering into various key operational agreements including a predictive maintenance service with Airbus • Approved a change in approach to technology development based on utilising existing systems on a modular basis rather than a full replacement of a core commercial platform
Internal control and risk management Our Risk Management Framework and principal risks are set out on pages 38 to 48	• Reviewed the Group's Risk Management Framework and principal risks and uncertainties • Reviewed and confirmed the Group's Viability Statement and going concern status • Reviewed and validated the effectiveness of the Group's systems of internal controls and risk management
Leadership and people You can read more about this on pages 69 and 78 to 79	• Continued to focus on the composition, balance and effectiveness of the Board • Reviewed Board composition, discussed and acted upon the recommendations of the Nominations Committee, including the approval of a Non-Executive Director appointment and AMB appointments • Reviewed the key operational roles and identified gaps in experience needed to deliver the Group's strategy • Considered the outcomes and approved the actions arising from the external Board evaluation process (further detailed information can be found on page 73) • Reviewed the Group's culture, vision and values • Reviewed and approved the proposals for the Chairman's and Non-Executive Directors' fees • Held separate Non-Executive Director sessions with the Chairman after every Board meeting to discuss leadership and other Board matters
Governance and legal To see how we comply with the UK Corporate Governance Code please turn to page 69	• Received and reviewed regular briefings on corporate governance developments and legal and regulatory issues, including a presentation from our corporate legal advisers • Approved the new Articles of Association as detailed in the 2017 Annual Report and Accounts, and recommended to shareholders their adoption at the 2018 AGM • Approved the Group's second Modern Slavery Statement for publication on the Group's website • Received reports on engagement with institutional shareholders, investors and other stakeholders throughout the year • Monitored and received regular updates on the economic and legislative landscape, including the potential impact of Brexit on both easyJet and the aviation sector as a whole • Considered the Group's proposed approach in preparing for compliance with the Gender Pay Gap Reporting Regulations and the General Data Protection Regulation • Received regular reports from the Chairs of the Safety, Nominations, Audit, Finance and Remuneration Committees

BOARD IN ACTION: BASE VISIT, BERLIN TEGEL

> Our visit to Tegel brought alive how easyJet's culture and values are being integrated at the local level

To update the Directors' skills, knowledge and familiarity with the Group, visits to easyJet's bases are periodically organised for the Board.

An understanding of, and connection with, easyJet's business are fundamental for our Non-Executive Directors if they are to maximise their contribution to effective Board debate. With this in mind, we aim to take the Board out of the boardroom to visit one of our bases at least once a year. These visits increase the visibility of the Board and provide our Non-Executive Directors with a valuable opportunity to engage with local management and crew. In June 2018, the Board was invited to visit the new Tegel base.

The Board toured the base and received presentations from the local management on the base's development, the country strategy and the key challenges faced and overcome as part of easyJet's fastest operational integration. The Board also lunched in the crew room and spent time with staff, gaining valuable feedback on easyJet's culture and values and how these are interpreted at the local level in the newly integrated business.

In particular, the visit enabled the Board to see how best practice in key areas, such as safety, is translated and applied to new operations.

All members of the Board attended the visit which also included a dinner with the head of 'Visit Berlin', who provided an overview of Berlin's economy and tourism trends.

COMPLIANCE WITH THE CODE

The Group has, throughout the year, complied with the provisions of the 2016 UK Corporate Governance Code ('the Code'), which is the version of the code that applied for the period under review. The section below details how the Company has complied with the Code, the full text of which is available at www.frc.org.uk.

LEADERSHIP

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 AMB, the members of which are listed on pages 64 to 66.

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

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 judgement in accordance with the Code.

Senior Independent Director

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. He also 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.

Non-Executive Directors

The Non-Executive Directors provide an external perspective, sound judgement and objectivity to the Board's deliberations and decision making. With their diverse range of skills and expertise, they both support and constructively challenge the Executive Directors and monitor and scrutinise the Group's performance against agreed goals and objectives. The Non-Executive Directors, together with the Chairman, also meet regularly without any Executive Directors being present. During the year, there were no unresolved concerns regarding the running of the Group.

CORPORATE GOVERNANCE REPORT
CONTINUED

Board meetings and attendance

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 below.

In addition to those scheduled meetings, four ad hoc Board calls were also arranged during the 2018 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.

ATTENDANCE AT MEETINGS DURING THE 2018 FINANCIAL YEAR

The core activities of the Board and its Committees are covered in scheduled meetings held during the year. Additional ad hoc meetings are also held to consider and decide matters outside of scheduled meetings. All Directors holding office at the time attended the Annual General Meeting held on 8 February 2018.

If a Director is unable to attend a meeting because of exceptional circumstances, he/she still receives the papers in advance of the meeting and has the opportunity to discuss with the relevant Chair or the Company Secretary & Group General Counsel any matters on the agenda which they wish to raise. Feedback is provided to the absent Director on the decisions taken at the meeting.

For further information regarding when Board members joined or stepped down from Committees during and after the 2018 financial year, please refer to the 'Committee changes' sections in the relevant Committee reports (pages 76 to 86).

	Board	Audit	Finance	Nominations	Remuneration	Safety
No of Meetings	14	5	4	6	7	4
Executive Directors						
Johan Lundgren[1]	11/11	–	–	–	–	–
Carolyn McCall DBE[2]	2/3	–	–	–	–	–
Andrew Findlay[3]	13/14	–	–	–	–	–
Non-Executive Directors						
John Barton	14/14	–	–	6/6	–	–
Charles Gurassa[4]	14/14	4/4	4/4	6/6	7/7	
Adèle Anderson[5]	13/14	5/5	–	–	7/7	4/4
Dr Andreas Bierwirth[6]	13/14	–	4/4	–	–	4/4
Keith Hamill OBE[7]	4/4	1/1	–	1/1	–	1/1
Moya Greene DBE[8]	14/14	–	–	4/4	7/7	4/4
Andy Martin[9]	12/14	5/5	4/4	5/6	6/7	–
Julie Southern[10]	2/2	N/A	–	–	N/A	N/A

Notes:

(1) Johan Lundgren joined the Board as Chief Executive on 1 December 2017

(2) Carolyn McCall DBE stepped down as Chief Executive on 30 November 2017 and was not invited to attend one Non-Executive Director only Board meeting

(3) Andrew Findlay was not invited to attend one Non-Executive Director only Board meeting

(4) Charles Gurassa was appointed to the Audit Committee on 17 November 2017 on a temporary basis and attended all Committee meetings following his appointment

(5) Adèle Anderson missed one Board meeting due to a significant family commitment

(6) Andreas Bierwirth missed one ad hoc Board meeting due to an employer commitment

(7) Keith Hamill OBE stepped down from the Board on 31 December 2017

(8) Moya Greene DBE was appointed to the Nominations Committee on 19 March 2018

(9) Andy Martin missed one set of ad hoc Board, Remuneration and Nominations Committee meetings (arranged at short notice) as a result of his being on annual leave. He also missed the September Board meeting due to ill health

(10) Julie Southern joined the Board, Audit, Remuneration and Safety Committees on 1 August 2018

Insurance cover

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.

ACCOUNTABILITY

Financial and business reporting

Please refer to:

- page 110 for the Board's statement on the Annual Report and Accounts being fair, balanced and understandable;
- page 36 for the statement on the status of the Company and the Group as a going concern and the Viability Statement; and
- the strategic report on pages 7 to 9 for an explanation of the Group's business model and the strategy for delivering the objectives of the Group.

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 38 to 48 for further information on the Group's principal risks and uncertainties and page 36 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 page 38 and on its internal control systems on page 82.

Audit Committee and auditors

For further information on the Group's compliance with the Code and provisions relating to the Audit Committee and auditors, please refer to the Audit Committee report on pages 80 to 84.

EFFECTIVENESS

Composition of the Board

As at 30 September 2018, the Board comprised seven Non-Executive Directors (including the Chairman) and two Executive Directors.

Independence

The Board considers Adèle Anderson, Dr Andreas Bierwirth, Charles Gurassa, Andy Martin, Moya Greene DBE and Julie Southern to be Non-Executive Directors who are independent in character and judgement. John Barton was considered to be independent prior to his appointment as Chairman. Non-Executive Directors do not participate in any of the Company's share option or bonus schemes. The Board reviews its Committee membership each year to ensure that undue reliance is not placed on individuals.

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 and inclusion, please refer to the Nominations Committee report on pages 78 and 79.

Time 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 his or her responsibilities effectively.

Contracts and letters of appointment with Directors are made available at the Annual General Meeting or upon 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 AMB are permitted to take up non-executive positions on the board of a listed company so long as this is not deemed to interfere with the business of the Group. Andrew Findlay has acted as Non-Executive Director at Rightmove plc since June 2017, with his time commitment for this role being six days per year. Executive Directors' appointments to such positions are subject to the approval of the Board which considers, amongst other things, the time commitment required.

Development

On joining the Board, new members receive a tailored induction organised by the Company Secretary & Group General Counsel 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. For further information on Board induction, please refer to page 75.

To update the Directors' skills, knowledge and familiarity with the Group, visits to bases are organised for the Board periodically, to assist Directors' understanding of the operational issues that the business faces. In June, the Board visited our new base at Berlin Tegel Airport, where Directors attended a presentation from the local management and took the opportunity to meet crew members. For further information on the base visit, please refer to page 69.

Regular briefing papers are 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.

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 Group, they are entitled to do so at the Group's expense. Directors also have access to the advice and services of the Company Secretary & Group General Counsel, 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 & Group General Counsel is a matter requiring Board approval.

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.

CORPORATE GOVERNANCE REPORT CONTINUED

BOARD EVALUATION

2017 BOARD AND COMMITTEE INTERNAL EVALUATION: ACTION AND PROGRESS

During 2017, an internal evaluation was undertaken by the Company Secretary & Group General Counsel. 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, overview of risk, succession planning and priorities for change. The areas identified for development, together with the actions undertaken to address them during 2018, are set out below.

AREAS IDENTIFIED IN 2017	WHAT WE HAVE DONE DURING 2018
Succession planning	The Nominations Committee reviewed both the Board's and the Group's leadership and succession plans. During 2018, the Nominations Committee initiated a process for the identification and recruitment of additional independent Non-Executive Directors over a two-year period. Further details are set out on page 78. During 2018, a comprehensive review of our talent and succession coverage across all business functions and at executive and senior leadership level was commenced; this will continue to evolve over the course of 2019.
Agenda planning and focus	When setting Board agendas, appropriate time has been allocated to improve the balance of time spent on commercial matters and more strategic discussion, including industry consolidation, the competitive environment and the impact of Brexit on the business.
Enhanced operational understanding for the Board	There is a tailored induction programme in place for newly appointed Directors, and the annual base visit provides an opportunity for the Board to better understand operational issues first hand through engagement with local staff. Key industry topics impacting the aviation sector have also been covered by external bodies at Board meetings during 2018. Greater focus will be placed in 2019 on encouraging Directors to highlight specific areas where they feel they would benefit from further development.

2018 BOARD AND COMMITTEE EXTERNAL EVALUATION: THE PREPARATION

For the 2018 external Board evaluation, the Board engaged Dr Sabine Dembkowski of Better Boards Limited ('Better Boards') to conduct an independent external evaluation of the performance of the Board, its Committees and the Chairman, following the process and steps outlined below and on the following page. Neither Sabine nor Better Boards has any other connection with the Group.

The purpose of Sabine's approach was to gain insights into the hallmarks of effective boards, together with how Directors view themselves versus how they are perceived by their fellow Directors and other key stakeholders. The overall outcome was an understanding of the levers that individual Directors can personally pull to increase their impact in the boardroom in order to make the Board more effective. The end result was a collective action plan that allows the Board to focus on the right and most crucial issues.

2018 BOARD AND COMMITTEE EXTERNAL EVALUATION: THE STAGES

STAGE 1: PROGRAMME DESIGN
Meetings held between Better Boards and the Company Secretary & Group General Counsel to discuss and agree the programme's objectives, areas of particular focus, design and action plan.

STAGE 2: BOARD INTRODUCTION
Better Boards presented the programme's objectives at the July Board meeting and explained the various steps in the process and the time commitment required from Board members.

STAGE 3: INDIVIDUAL FACE-TO-FACE MEETING
Better Boards held one-to-one meetings with individual Board and certain AMB members to gain personal insights into the Board's effectiveness, including any challenges and issues.

STAGE 4: QUESTIONNAIRE
Each Board member completed a confidential online questionnaire.

STAGE 5: DATA ANALYSIS BY BETTER BOARDS
Data from the online questionnaire and one-to-one meetings was combined to generate individual reports and an aggregated report for the collective Board.

STAGE 6: INDIVIDUAL FEEDBACK CONVERSATION
Better Boards held confidential feedback sessions with each Board member to discuss the findings from their individual reports. Each session concluded with a personal action plan.

STAGE 7: FEEDBACK MEETING
Better Boards held meetings with the Chairman and Company Secretary & Group General Counsel to discuss the aggregated Board results and agree an action plan.

STAGE 8: BOARD ACTION PLAN
This included a Board strength matrix, key competencies, priorities, culture and measures for aligning Board vision.

2018 BOARD AND COMMITTEE EXTERNAL EVALUATION: THE OUTCOME

Key insights
The Board evaluation process found that:

- the Board has distinctive strengths: openness and respect for each other, a collaborative working style, good diversity of experience and a healthy balance. Such strengths can be built on to create an upward trajectory in performance; and
- the Board has a strong collective memory of a series of successes and achievements, such as the acquisition of part of Air Berlin's operations at Berlin Tegel Airport.

The key areas identified by this year's external evaluation for increased focus and development during the 2019 financial year are set out below. Progress against these areas will be reviewed as part of the 2019 internal evaluation and reported on next year:

- continued focus on succession planning at Board, AMB and executive leadership team level;
- enhancements to be made to agenda planning working practices to improve the effectiveness and organisation of Board meetings; and
- integration of a broader set of stakeholders' interests within Board decision making processes.

Review of the Chairman's performance
Charles Gurassa, as Senior Independent Director, with input and data provided by Dr Sabine Dembkowski, led a review of the Chairman's performance and held a private meeting of the Non-Executive Directors without the Chairman being present to discuss this. It was concluded that John Barton's performance and contribution remain 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.

CORPORATE GOVERNANCE REPORT CONTINUED

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 87 to 105 for the level and components of remuneration; and
- page 86 (the Remuneration Committee report) for procedures relating to remuneration.

RELATIONS WITH SHAREHOLDERS

Dialogue with shareholders

The Group actively engages with investors and seeks 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 a number of the Group's top 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 function which runs an active programme of engagement with actual and potential investors based around the financial reporting calendar. This year the programme has included one-to-one meetings with institutional investors, roadshows and conferences. easyJet has particularly targeted and engaged with European investors during the year as part of an enhanced programme related to potential future ownership changes. 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 Company Secretary & Group General Counsel have also met separately with representatives of easyGroup Limited (an affiliate of easyGroup Holdings Limited) to discuss matters relating to the management and protection of the 'easyJet' and 'easy' brands.

Constructive use of the Annual General Meeting

The Annual General Meeting (AGM) 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 AGM or informally with Directors after the meeting. All Directors attend the AGM and the Chairs of the Committees are available to answer questions.

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 38 to 48.

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

- An AMB member is allocated as the risk owner for each principal risk, with responsibility for the day-to-day management of that risk.
- Ongoing risk management and assurance is provided through the various monitoring reviews and reporting mechanisms that are embedded in 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 76 for details of the Safety Committee).
- The AMB meets regularly to consider significant risks, the 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 80 to 84 for details of the Audit Committee's responsibilities).

Internal control

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

The Internal Audit team 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.

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 activity to the AMB.

During the year, the effectiveness of the Internal Audit function was assessed by 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.

NON-EXECUTIVE DIRECTOR INDUCTION PROGRAMME

> "The outcome was an insightful understanding of easyJet's business, culture, people and key relationships

Julie Southern, appointed Non-Executive Director on 1 August 2018, followed a tailored induction programme covering a range of key areas of the business, a flavour of which is given below. These included matters pertinent to her roles on the Audit, Remuneration and Safety Committees.

Safety

- Attended a half-day session hosted by the Director of Safety, Security and Compliance which included briefings on the regulatory framework, compliance monitoring, health and human rights performance and safety operations and security
- Met employees throughout the business and in key safety roles to discuss safety matters
- Met with the Chair of the Safety Committee

Governance and remuneration

- Met key employees in our Reward team, including the Group People Director, to understand our reward strategy, remuneration policy and current market practice
- Met with the Chair of the Remuneration Committee

Finance and audit

- Attended face-to-face briefing sessions on key risks, costs and revenue, balance sheet and financial metrics with the Chief Financial Officer, Head of Risk and Assurance, Director of Treasury and Tax, and the Finance Director
- Met with the Chair of the Audit Committee

The Board and senior management

- Met with the Chairman and Senior Independent Director
- Met with key members of the senior management team including the Group Director of Strategy and Network, the Chief Operating Officer and Chief Financial Officer
- Received a Board induction pack to assist with building an understanding of the nature of the Group, its business, markets and people, and to provide an understanding of the Group's main relationships. The pack also included information to help facilitate a thorough understanding of the role of Director and the framework within which the Board operates.

Business and functions

- Attended a London Luton Airport site visit, hosted by a senior Ground Operations manager and the Head of Airport and Central Procurement, to understand the issues of one of our largest bases
- Met with the Head of Investor Relations
- Met with a key broker to understand easyJet from a market and broker's perspective
- Received a briefing from McKinsey which focused on key issues facing easyJet, and the dynamics of the low-cost airline market

CORPORATE GOVERNANCE REPORT
CONTINUED

BOARD COMMITTEES

SAFETY COMMITTEE REPORT

DR ANDREAS BIERWIRTH
Chair of the Safety Committee

PRIMARY ROLE

To oversee the quality and effectiveness of easyJet's safety strategies, standards, policies and initiatives, together with risk exposures, targets and performance, in order to ensure that safety receives the highest level of Board attention.

The Committee's terms of reference, reviewed and approved annually, are available on the Company's website at http://corporate.easyjet.com/.

KEY RESPONSIBILITIES

- To assess the Group's oversight of safety (including security) systems, processes, operations and resources
- To monitor and review notable incidents and actions
- To review and receive updates on the progress of the Safety Plan
- To monitor and review specific deep-dive safety, security and compliance issues as requested by the Board and Committee
- To review the resourcing and operation of the Safety, Security and Compliance team through regular reports from the Director of Safety, Security and Compliance

MEMBERSHIP, MEETINGS AND ATTENDANCE

- Dr Andreas Bierwirth (Chair)
- Adèle Anderson
- Moya Greene DBE
- Julie Southern

All members of the Committee are independent Non-Executive Directors. Member biographies can be found on pages 61 to 63.

The Director of Safety, Security and Compliance has attended all Safety Committee meetings during the year. Other key invitees including the Chief Executive, the Chief Operating Officer, the Head of Safety, Security and Compliance and nominated persons for Flight Operations, Engineering and other functions have attended as relevant.

Meeting attendance can be found in the table on page 70.

COMMITTEE CHANGES

- Keith Hamill OBE stepped down from the Board and the Committee on 31 December 2017
- Julie Southern was appointed to the Board and as a member of the Committee on 1 August 2018

KEY ACTIVITIES OF THE COMMITTEE DURING THE YEAR

- Supported executive leadership with the appointment of key management in the Safety, Security and Compliance team
- Continued to monitor the progress of the 2018 Safety Plan
- Reviewed and approved the insourcing of maintenance operations at Gatwick Airport
- Received regular updates on any actions in relation to aircraft cyber security updates
- Oversight and assurance of the wet lease operations at Berlin Tegel Airport
- Monitored and reviewed the operation and integration of the new A321neo aircraft
- Reviewed and approved a consortium project to continue the work already done on wildlife management at airports, in particular relating to bird strikes

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 and Compliance reports to the Chief Executive and also has the right of direct access to Dr Andreas Bierwirth as Committee Chair and to the Board Chairman, which reinforces the independence of safety oversight. As Committee Chair, Andreas reports to the Board with his own assessment of safety management within the airline throughout the year.

The Committee has welcomed the ongoing continuous improvement being made by the business with regard to safety investigations. easyJet continues to train new investigators from across the business with monthly courses and now has over 300 lead investigators on its staff. In addition a revised version of the safety investigation manual was reviewed and approved by the Committee.

easyJet continues to deliver high standards of safety across the aviation sector in Europe. Following the UK's vote to leave the EU, a new AOC in Austria has been added to help manage the airline's risks associated with Brexit. This has broadened the scope of the Safety Plan to incorporate the Austrian regulator, Austro Control, and the associated easyJet Europe nominated person structure. easyJet continues to grow, making it imperative that we retain our focus on current and emergent risks.

The Committee received updates on progress towards an integrated management system with the major focus being the development of management system governance processes to ensure that our three AOCs can discharge their regulatory responsibilities effectively and efficiently.

SECURITY

The Security team continued to support the business in line with the team strategy for 2018 which included:

- dealing with nearly 300 investigations;
- supporting crew following disruptive passenger incidents;
- visiting over half of crew bases to offer support, training and provide threat briefings;
- working with the Department of Transport and other relevant authorities to provide additional security measures;
- supporting law enforcement agencies with data protection requests including assisting with their people trafficking investigations;
- working to achieve compliance with relevant elements of the SeMS (Security Management System) requirements; and
- monitoring events during the World Cup and their potential impact on the easyJet operation.

This summer easyJet employed additional police at the gates in Newcastle, Liverpool and Stansted to support routes where trends of disruptive passengers had been identified. The Committee is committed to ensuring that disruptive passengers are a key focus of the Safety, Security and Compliance team.

COMPLIANCE

The Group's internal compliance monitoring programme enables easyJet to monitor the organisation's compliance with the applicable aviation regulations. The programme activities include audits, inspections, reviews and assessments so as to measure the effectiveness of the procedures designed by the organisation to ensure safe activities. The findings resulting from the monitoring activities are regularly reported to, and reviewed by, the Committee in order to maintain and improve compliance.

HEALTH AND WELLBEING

The Committee endorses the integrated approach to health, wellbeing and safety being taken by easyJet to support our people and enhance the resilience of the operation.

As one example, the Pilot Peer Support Programme was launched in the UK bases in December 2017. This has been received very positively by the European Works Council and pilot unions across the network, and we are now progressively launching the programme.

Key policies are currently under development in collaboration with the People team which will cover areas such as 'just culture', mental health, and drugs and alcohol testing. We aim to provide a further update in next year's Committee report.

LOOKING FORWARD

Over the next year, the Committee will continue to monitor and review the structure, content and operation of the Group's safety, security and compliance activities. More generally, we will continue to provide support to management on embedding a productive culture to ensure high standards of safety continue to be delivered.

THE COMMITTEE IN ACTION

In July 2018, Committee members Moya Greene DBE and Julie Southern, both Non-Executive Directors spent half a day with the Safety, Security and Compliance team.

Moya and Julie had the opportunity to meet with key members of the management team and received presentations on topics such as:

- the regulatory framework;
- the easyJet Safety and Management System;
- risk management;
- change management;
- compliance monitoring and standards assurance;
- occupational health and safety;
- fatigue risk management; and
- security.

> "We could see first-hand how the business manages its processes, structures and relationships so that safety remains the number one priority

CORPORATE GOVERNANCE REPORT CONTINUED

NOMINATIONS COMMITTEE REPORT

JOHN BARTON
Chair of the Nominations Committee

PRIMARY ROLE

To ensure there is a formal, rigorous and transparent procedure for the appointment of new Directors to the Board.

The Committee's terms of reference, reviewed and approved annually, are available on the Company's website at http://corporate.easyjet.com/.

KEY RESPONSIBILITIES

- To review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and make any recommendations to the Board
- To satisfy itself that plans are in place for orderly succession for appointment to the Board and senior management
- To identify and nominate candidates to fill Board vacancies, for the approval of the Board
- To lead on the Board annual evaluation process

MEMBERSHIP, MEETINGS AND ATTENDANCE

- John Barton (Chair)
- Moya Greene DBE
- Charles Gurassa
- Andy Martin

All members of the Committee are independent Non-Executive Directors. Member biographies can be found on pages 61 to 63.

Other key invitees including the Chief Executive, the Group People Director and external advisers attended as relevant.

Meeting attendance can be found in the table on page 70.

COMMITTEE CHANGES

- Keith Hamill OBE stepped down from the Board and the Committee on 31 December 2017

KEY ACTIVITIES OF THE COMMITTEE DURING THE YEAR

- Evaluated the balance of skills, experience, independence and knowledge on the Board
- Prepared specifications of the roles and capabilities required for the recruitment of new independent Non-Executive Directors
- Oversaw the appointment process and interviewed shortlisted candidates for new Non-Executive Director roles, and recommended Julie Southern to the Board
- Reviewed and approved the Board Diversity and Inclusion Policy
- Oversaw the induction programmes for Moya Greene DBE and Julie Southern
- Under the direction of the Chairman, led the external Board evaluation process

SUCCESSION PLANNING

The Board continues to be satisfied that plans are in place for orderly succession for appointments to the Board so that the right balance of appropriate skills and experience is represented. During the year, the Committee agreed that, where appropriate, development plans be put in place for senior management as part of the Chief Executive succession planning process which commenced following the appointment of Johan Lundgren as Chief Executive in December 2017.

COMPOSITION OF THE BOARD

With the support of an external provider, Calibroconsult Limited, the Committee looked in detail at the skills that each Director brings to the Board and those that would be required from new joiners to help easyJet achieve its strategic objectives and deliver sustainable shareholder value. The outcome of this detailed review, which took into account the opinions expressed by all Board members, resulted in a two-year implementation plan for an orderly refresh process for external appointments to the Board. Against the background of the remaining tenure of the current Non-Executive Directors, the need was identified to recruit additional Non-Executive Directors with specific skills and experience such as finance, heavily data-driven businesses, the aviation sector, European businesses, and EU political and regulatory regimes.

NON-EXECUTIVE APPOINTMENTS

With the need for an additional Non-Executive Director with strong financial expertise having been identified for recruitment during the first half of 2018, Russell Reynolds Associates ('Russell Reynolds') were engaged, after a selection process, to act as easyJet's search consultants for this role. The Committee considered a list of potential candidates, provided by Russell Reynolds, and took into account the balance of skills, knowledge, independence, diversity and experience of the Board together with an assessment of the time commitment expected. The preferred candidate was interviewed individually by all members of the Nominations Committee and by other members of the Board. Following this process, the Committee recommended to the Board that Julie Southern be appointed as a Non-Executive Director with effect from 1 August 2018. Julie's other commitments were disclosed to the Board before her appointment and are provided on page 63.

The search for additional Non-Executive Directors commenced during the year, with the Committee having engaged Russell Reynolds to conduct the process which, as at the date of this report, is ongoing.

DIVERSITY AND INCLUSION AT BOARD LEVEL

We recognise the importance of a diverse Board, bringing together an appropriate mix of skills and experience to ensure the future success of our business. We understand the richness a diverse Board brings in providing the range of perspectives, insight and challenge needed to support good decision making and create a positive culture in the organisation.

New appointments to the Board continue to be made on merit in the context of the requirements of the Board at that time. The Committee identifies suitable candidates against objective criteria and with due regard for the benefits of diversity on the Board, including cognitive and personal strengths as well as diversity of gender and social and ethnic backgrounds. Where there is a known requirement to improve the diversity of the Board, the Nominations Committee will ask to see a higher proportion of candidates fitting the diversity criteria. However, the final selection will, as stated, always be on merit.

Following the annual review of the Board, the Nominations Committee will discuss the makeup of the Board and agree annual objectives on diversity for proposal to the Board, taking into account the recommendations set out in the Hampton-Alexander Review (which recommends that 33% of Board and executive committee members should be female), the McGregor-Smith Review and the Parker Review (which recommends at least one director of colour by 2021). To formalise this approach to diversity and inclusion, the Committee reviewed and approved a Board Diversity and Inclusion Policy at its September meeting.

As at 30 September 2018, the Company had three female Directors at Board level, equating to 33% female Board representation.

The Committee will report annually in the corporate governance section of the Annual Report on the progress made in this area by the Board, in particular on the specific approach to any Board appointments made in the year.

DIVERSITY AND INCLUSION ACROSS THE BUSINESS

The Nominations Committee oversees the development of a diverse pipeline for future succession to Board and senior management appointments, including the gender balance of senior management and its direct reports. Where there is a known requirement to improve the diversity at a certain level or in a certain function in the organisation, the recruiting team will ask to see a higher proportion of candidates fitting the diversity criteria. However, the final selection will always be on merit.

easyJet's People team monitors the Group's diversity on at least an annual basis and highlights any areas of concern to the AMB. The corporate responsibility section of the Annual Report on page 54 reports in further detail on the approach being taken to diversity and inclusion, and the implementation of the policy across the Group.

EXTERNAL BOARD EVALUATION PROCESS

Under the direction of the Chairman, an independent Board evaluation review was conducted during the year, which was externally facilitated by Better Boards Limited. Further details on the process taken and the outcome are given on pages 72 to 73.

RE-ELECTION OF DIRECTORS

The effectiveness and commitment of each of the Non-Executive Directors is reviewed annually. The Committee has satisfied itself as to the individual skills, relevant experience, contributions and time commitment of all the Non-Executive Directors, taking into account their other offices and interests held.

Prior to the appointment of Julie Southern to the Board in August, the Board reviewed Julie's other offices and was satisfied by her approach to managing her time commitment.

The Board is recommending the formal election to office of Julie Southern and the re-election to office of all the other Directors at this year's AGM. Details of the service agreements for the Executive Directors and letters of appointment for the Non-Executive Directors, and their availability for inspection, are set out in the Directors' remuneration report on pages 87 to 105.

ADVISERS

During the year, the Committee worked with external consultant Calibroconsult Limited to undertake a full analysis of the capability and size of the current Board against future needs. Search consultants Russell Reynolds were also engaged to identify candidates for additional Non-Executive Director roles. For the 2018 external Board evaluation, the Committee worked with Better Boards Limited. None of Calibroconsult, Russell Reynolds or Better Boards has any other connection with the Group.

CORPORATE GOVERNANCE REPORT CONTINUED

AUDIT COMMITTEE REPORT

ADÈLE ANDERSON
Chair of the Audit Committee

PRIMARY ROLE

To assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the integrity of the financial information provided to shareholders, the Group's system of internal controls and risk management, the internal and external audit process and the process for compliance with laws, regulations and ethical codes of practice.

The Committee's terms of reference, reviewed and approved annually, are available on the Company's website at http://corporate.easyjet.com/.

KEY RESPONSIBILITIES

- To monitor the integrity of the financial statements of the Company and the Group
- To review the content of the Annual Report and Accounts and advise the Board on whether, taken as a whole, they are fair, balanced and understandable
- To keep under review the adequacy and effectiveness of the Group's internal financial control systems
- To review and monitor the independence and objectivity of the external auditor

MEMBERSHIP, MEETINGS AND ATTENDANCE

- Adèle Anderson (Chair)
- Charles Gurassa
- Andy Martin
- Julie Southern

All members of the Committee are independent Non-Executive Directors. Member biographies can be found on pages 61 to 63.

Other key invitees, including the Chief Financial Officer, the Group Finance Director, the Head of Risk and Assurance, the Director of Treasury and Tax and the external auditor, attended as relevant.

Meeting attendance can be found in the table on page 70.

COMMITTEE CHANGES

- Charles Gurassa was appointed as a member of the Committee on 17 November 2017 on a temporary basis.
- Keith Hamill OBE stepped down from the Board and the Committee on 31 December 2017.
- Julie Southern was appointed as a member of the Committee on 1 August 2018 and will become Audit Committee Chair from 1 January 2019.
- Adèle Anderson will step down from the Committee with effect from 1 January 2019.

The Board is satisfied that the Audit Committee, as a whole, possesses experience relevant to the sector in which the Group operates. The majority of Committee members have a significant amount of sector experience as Non-Executive Directors of easyJet, and both Andy Martin and Julie Southern have executive sector experience in their previous roles at First Choice Holidays plc and Virgin Atlantic respectively. In addition, three of the four current Committee members are qualified accountants. The Board is also satisfied that Adèle Anderson, in particular, as Audit Committee Chair, possesses the recent and relevant experience required by the Code.

The Audit Committee met five times during the year. In each case, appropriate papers were distributed to the Committee members and other invited attendees, including representatives of the external audit firm and the internal Risk and Assurance function. In addition, as Committee Chair, Adèle holds regular private sessions with senior members of the Finance team, the Head of Risk and Assurance and the external audit team to ensure that open and informal lines of communication exist should they wish to raise any concerns outside of formal meetings.

FAIR, BALANCED AND UNDERSTANDABLE

The Committee assessed and recommended to the Board that, taken as a whole, the 2018 Annual Report and Accounts (which the Board subsequently approved) are fair, balanced and understandable and provide the necessary information for shareholders to assess the Group and Company's position and performance, business model and strategy. More information on the process undertaken to reach this assessment can be found on page 82.

FINANCIAL AND BUSINESS REPORTING

Through its activities, the Committee focuses on maintaining the integrity and quality of our financial reporting, considering the significant accounting judgements made by management and the findings of the external auditor. The Committee assesses whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements. The Committee reviewed accounting papers prepared by management which provided details of significant financial reporting judgements. The Committee also reviewed the reports by the external auditor on the half year and full year 2018 results, which highlighted any issues with respect to the work undertaken on the audit.

The Committee's process included the comprehensive review of financial issues through the challenge of management, consideration of the findings of the external auditor and comparison with other organisations. The number of such issues currently considered significant is limited, reflective of easyJet's relatively simple business model and group structure which are unencumbered by legacy issues. The significant issues considered in relation to the financial statements are detailed below.

SIGNIFICANT JUDGEMENTS

The Committee considered whether the carrying value of goodwill and landing rights held by easyJet, including those acquired as part of the Air Berlin transaction, 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 whether the overall macroeconomic assumptions which underlie the valuation process are reasonable. 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. In addition the Audit Committee considered whether the carrying value of significant IT projects was supported, taking into consideration the Board's view on the direction of the projects and the anticipated benefits to be obtained from each project.

The Committee reviewed the maintenance provision at the year end, which had increased significantly as a result of the leases acquired as part of the Air Berlin transaction. A number of judgements are used in the calculation of the provision, primarily pricing, utilisation of aircraft and timing of maintenance checks. The Committee addressed these matters using reports received from management which set out the basis of assumptions used. The Committee also discussed with the external auditor its review of the assumptions underlying the estimates used.

The Committee reviewed the level and calculations of key accruals and provisions which are judgemental in nature, specifically customer claims in respect of flight delays and cancellations.

The Committee considered the presentation of performance measures and 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, separately within its income statement in the Annual Report and Accounts. Additionally the Committee considered the separate presentation of performance measures in the strategic report excluding Tegel performance. The Committee believes that this presentation provides readers with a better understanding of easyJet's underlying performance.

The Committee considered the transition methods and ongoing accounting policy under new accounting standards IFRS 15 (Revenue from Contracts with Customers), IFRS 16 (Leases) and IFRS 9 (Financial Instruments), including the judgements, assumptions and estimates made by management and the financial impact these will have both upon adoption on 1 October 2018 and in the first year of adoption.

The Committee was satisfied that all issues had been fully addressed, that the judgements made by management were reasonable and appropriate and had been reviewed and debated with the external auditor (who concurred with the approach taken by management) and that the accounting and disclosure requirements had been included in the Annual Report and Accounts.

FINANCIAL REPORTING COUNCIL REVIEW LETTER

In May 2018, easyJet received a letter from the Corporate Reporting Review Team (CRRT) of the Financial Reporting Council (FRC) in relation to its regular review and assessment of the quality of corporate reporting in the UK. The letter focused on the balance of the strategic report, the disclosures of critical accounting judgements and estimates and the disclosures of other provisions. The CRRT raised certain questions regarding the presentation of the IFRS performance measures within the strategic report and compliance surrounding the usage of non-GAAP alternative performance measures (APMs) within the European Securities and Markets Authority (ESMA) guidelines. easyJet responded to the CRRT's questions providing clarifying information and proposing specific enhancements to its 2018 Annual Report and Accounts that would address the questions and comments raised. These enhancements included ensuring IFRS performance measures are disclosed alongside APMs where appropriate, providing comparatives for all performance measures within the strategic report and within the critical accounting estimates disclosure, and clarifying which estimates are not major sources of estimation uncertainty. The recommendations from the review have been incorporated into the 2018 financial statements.

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.

During 2018, a carefully targeted internal audit plan was agreed and undertaken across easyJet's operations, systems and support functions with subsequent reports, including management responses, recommended action plans and follow-up reviews being considered by the Audit Committee at each of its five meetings held during the year.

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 being present.

CORPORATE GOVERNANCE REPORT CONTINUED

FAIR, BALANCED AND UNDERSTANDABLE

At the request of the Board, the Committee considered whether the Annual Report and Accounts are fair, balanced and understandable and whether they provide 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 AMB 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 preparation, control process, verification of content, and consistency of information being carried out by an internal financial controls specialist (independent of the Finance function);
- 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 financial statements; and
- a full-day session to review the Annual Report and Accounts held by senior management and other subject matter experts to focus solely on the reporting being fair, balanced and understandable.

The Committee was provided with, and commented on, a draft copy of the Annual Report and Accounts. It also received a specific paper from management to assist in its challenge and testing of a fair, balanced and understandable assessment. This paper contained an agreed list of key positive and negative narratives for the business in the 2018 financial year and asked the Committee to confirm whether it feels each narrative was given due prominence in the report and treated in a fair, balanced and understandable manner.

In carrying out the above processes, key considerations included ensuring that there was consistency between the financial statements 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 including linkage between key messages throughout the document.

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 undertaken 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 38 to 48.

easyJet's system of internal controls, along with its design and operating effectiveness, which includes the Group's financial reporting process, 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 AMB and the Committee. Further details of risk management and internal control are set out on page 74.

ANTI-BRIBERY AND WHISTLEBLOWING

The Code includes a provision requiring the Audit Committee to review arrangements by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The Audit 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 action.

The Group is committed to the highest standards of quality, honesty, openness and accountability. The Group and all operating companies have whistleblowing policies in place. Employees are encouraged to raise genuine concerns under the policy and any concerns raised are investigated carefully and thoroughly to assess what action, if any, should be taken. Any matters of significance are reported to the Audit Committee, along with a comprehensive full year report. The Board supports the objectives of the Bribery Act 2010 and procedures have been established to ensure that compliance is achieved. These set out what is expected from our colleagues and stakeholders to ensure that they protect themselves as well as the Group's reputation and assets. Training has been provided to the Board, senior management and all employees and is refreshed on a regular basis. Any breach of the Bribery Act will be regarded as serious misconduct, potentially justifying immediate dismissal.

AUDIT COMMITTEE ACTIVITY IN THE 2018 FINANCIAL YEAR

The main areas of Committee activity during the 2018 financial year included the planning, monitoring, reviewing and approval of the following:

INTEGRITY OF FINANCIAL STATEMENTS

- The integrity of the 2017 full year and 2018 half year financial statements relating to the financial performance and governance of the Group
- The material areas in which significant judgements were applied based on reports from both the Group's management and the external auditor. Further information is provided in the significant judgements section on page 81
- The information, underlying assumptions and stress-test analysis presented in support of the Viability Statement and going concern status
- The consistency and appropriateness of the financial control and reporting environment
- The potential impact of new accounting standards IFRS 9 (Financial Instruments), IFRS 15 (Revenue from Contracts with Customers) and IFRS 16 (Leases)
- The availability of distributable reserves to fund the dividend policy and make dividend payments
- The fair, balanced and understandable assessment of the Annual Report and Accounts for the 2017 financial year and the 2018 half year statement
- The five-year plan for the business
- A progress update on the development of the impairment model

INTERNAL FINANCIAL CONTROLS AND RISK MANAGEMENT

- 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 review reports;
  - risk assessments;
  - information and cyber security threats and business continuity;
  - GDPR readiness; and
  - control themes.
- The Group's risk environment, including its significant and emerging risks register
- The Group's fraud detection, bribery prevention and whistleblowing measures
- The updated delegated authority policy
- Regular updates and assurance in relation to IT strategy, including external assurance in relation to the progress of our commercial IT platform development
- The financial controls relating to jet fuel supplier contracts

INTERNAL AUDIT EFFECTIVENESS AND REVIEW OF ACTIVITIES

- An assessment of the effectiveness and independence of the Internal Audit function, including 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.

RELATIONSHIP WITH EXTERNAL AUDITOR

- The scope of and findings from the external audit plan undertaken by PricewaterhouseCoopers LLP ('PwC') as the external auditor
- The effectiveness of the external audit process
- The assessment of the performance, continued objectivity and independence of PwC
- The level of fees paid to PwC for permitted non-audit services
- The reappointment of PwC as external auditor

SYSTEMS AND CONTROLS FOR PREVENTION OF BRIBERY, DETECTION OF FRAUD AND FACILITATION OF WHISTLEBLOWING

- Whistleblower reports, reports on anti-bribery and corruption procedures, reports on procedures for fraud and loss prevention and reports on credit card fraud, together with monitoring and investigations

OTHER SPECIFIC ITEMS CONSIDERED AS PART OF MAIN ACTIVITIES

- Responses to the FRC's Corporate Reporting Review Team's information request on the 2017 Annual Report and Accounts
- The controls that the Group would seek to implement to safeguard against any liability relating to the Criminal Finances Act 2017
- The Group's exposure to fraud within the business and associated mitigating controls and action
- Regular updates including key milestones in regard to the payroll accuracy project
- The Group's tax strategy
- The Committee's effectiveness and terms of reference
- Compliance with the Code and the Group's regulatory and legislative requirements

CORPORATE GOVERNANCE REPORT CONTINUED

EXTERNAL AUDITOR

PricewaterhouseCoopers LLP ('PwC'), as the external auditor, is engaged to conduct a statutory audit and express an opinion on the financial statements. Its audit includes the review and testing of the systems of internal financial control and data which are used to produce the information contained in the financial statements. PwC was reappointed as auditor of the Group at the 2018 Annual General Meeting following a tender process undertaken in 2015.

The current external audit engagement partner is Andrew Kemp, Senior Statutory Auditor, who has held this role since 2016. The external audit plan and the £0.4 million fee proposal for the financial year under review (2017: £0.4 million) was prepared by PwC in consultation with management and presented to the Committee for consideration and approval.

EXTERNAL AUDITOR EFFECTIVENESS

Senior management monitors the external auditor's performance, behaviour and effectiveness during the exercise of their duties, which informs the Audit Committee's decision on whether to recommend reappointment on an annual basis.

The Audit Committee also assesses the effectiveness, independence and objectivity of the external auditor 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.

The Committee this year asked PwC to reiterate the steps taken to ensure the quality of its listed audits. PwC confirmed that the Audit Partner and audit team are not the subject of any PwC, Institute, FRC or other regulatory investigation.

The Committee was satisfied that the external audit had provided appropriate focus to those areas identified as the key risk areas to be considered by the Audit Committee. It had also continued to address the areas of significant accounting estimates. On this basis, and considering the views of senior management, the Committee concurred that the external audit had been effective.

EXTERNAL AUDITOR INDEPENDENCE AND NON-AUDIT FEES

To preserve objectivity and independence, the external auditor does not provide consulting services unless this is in compliance with the Group's non-audit services policy which reflects the EU audit reform regulations and the FRC's Revised Ethical Standard 2016. This policy is available in the governance section of easyJet's corporate website, http://corporate.easyjet.com/.

In the 2018 financial year, PwC 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, and a non-statutory audit engagement for which the fees were £13,500. The Committee approved this work under the non-audit services policy. Therefore, in the 2018 financial year the Company incurred non-audit service fees of £45,500 (2017: non-audit service fees of £32,000), which represent 10% of the total audit fees payable to PwC for the year.

EXTERNAL AUDIT TENDERING

PwC were first appointed to audit the Annual Report and Accounts for the year ended 30 September 2006, and have therefore served a 12-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 re-tender 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 PwC as, on balance, they performed best against the Committee's pre-agreed selection and assessment criteria. Having undertaken such a process, the Company confirms that it has complied with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014.

LOOKING FORWARD

The Committee will continue to consider the financial reporting of the Group and review the Group's accounting policies and annual statements. In particular, any major accounting issues of a subjective nature will be discussed by the Committee.

The Committee will also continue to review internal and external audit activity and the effectiveness of the risk management process.

EXTERNAL AUDIT TENDERING TIMELINE

2006	2015	2020	2024/2025	2026
PwC appointed	Full competitive tender, PwC reappointed	Mandatory appointment of new external audit lead partner after five years	Competitive tender to take place unless required earlier	PwC cannot be reappointed in 2026 and a competitive tender will take place (if not already effected prior to this date)

FINANCE COMMITTEE REPORT

ANDY MARTIN
Chair of the Finance Committee

PRIMARY ROLE

To review and monitor the Group's treasury policies, treasury operations and funding activities, along with the associated risks.

The Committee's terms of reference, reviewed and approved annually, are available on the Company's website at http://corporate.easyjet.com/.

KEY RESPONSIBILITIES

- To regulate how the treasury activities of easyJet are conducted and how the associated risks are controlled
- To determine and approve any material inter-company distributions for the purpose of simplifying inter-company balances or otherwise within the Group
- To determine and approve any change to the share warehousing policies or loan facility arrangements in connection with the Company's share scheme trusts
- To provide approvals in relation to hedging, International Swaps and Derivatives Association (ISDA) arrangements and guarantees in line with the delegated authority and/or the treasury policy
- To ensure that treasury activities undertaken will not subject the Group to undesired levels of risk

MEMBERSHIP, MEETINGS AND ATTENDANCE

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

All members of the Committee are independent Non-Executive Directors. Member biographies can be found on pages 61 to 63.

Key executives including the Chief Financial Officer, the Finance Director, the Head of Risk and Assurance and the Director of Treasury and Tax attended as relevant.

Meeting attendance can be found in the table on page 70.

COMMITTEE CHANGES

There were no changes to the Committee during the year.

KEY ACTIVITIES OF THE COMMITTEE DURING THE YEAR

- Reviewed and approved a new £250 million revolving credit facility (RCF)
- Approved the annual update of the Euro Medium Term Note (EMTN) Programme
- Reviewed and approved the revised treasury policy
- Reviewed a number of policies, including the carbon emissions hedging policy and foreign exchange hedging policy
- Reviewed and approved the sale and leaseback of 10 A319 aircraft to manage residual value risk
- Reviewed ad hoc issues including the cash investment strategy and business interruption insurance

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

EURO MEDIUM TERM NOTE PROGRAMME

In February 2018, an updated version of easyJet's Euro Medium Term Note programme (EMTN) was approved by the UK Listing Authority. The Committee considers it good practice to maintain the EMTN platform, allowing the Group rapid access to highly liquid unsecured funding.

REVOLVING CREDIT FACILITY

A new two-year £250 million RCF was approved in July 2018, and subsequently entered into in August, to provide additional flexibility in maintaining the liquidity buffer.

TREASURY POLICY UPDATE

An update to the treasury policy was reviewed and approved in July 2018. The updates to the policy were made to ensure compliance with IFRS 9 (Financial Instruments) as well as incorporating previously approved specific policy updates.

CORPORATE GOVERNANCE REPORT CONTINUED

REMUNERATION COMMITTEE REPORT

CHARLES GURASSA
Chair of the Remuneration Committee

PRIMARY ROLE

To make recommendations to the Board on executive remuneration packages and to ensure that remuneration policy and practices of the Company reward fairly and responsibly, with a clear link to corporate and individual performance.

The Committee's terms of reference, reviewed and approved annually, are available on the Company's website at http://corporate.easyjet.com.

KEY RESPONSIBILITIES

- To set the remuneration policy for all executive Directors and the Company's Chairman
- To set the pay for the AMB
- To oversee remuneration and workforce policies and practices, and take these into account when setting the policy for Director remuneration
- To approve the design of, and determine targets for, all employee share schemes operated by the Company
- To oversee any major changes in employee benefit structures throughout the Company or Group
- To review and monitor the Group's compliance with relevant gender pay reporting requirements

MEMBERSHIP, MEETINGS AND ATTENDANCE

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

All members of the Committee are independent Non-Executive Directors. Member biographies can be found on pages 61 to 63.

Other key invitees including the Chief Executive, the Group People Director and external advisers attended as relevant.

Meeting attendance can be found in the table on page 70.

COMMITTEE CHANGES

Julie Southern was appointed as a member of the Committee on 1 August 2018.

KEY ACTIVITIES OF THE COMMITTEE DURING THE YEAR

- Assessed the level of performance in respect of the bonus for the 2017 financial year, and LTIP awards set in December 2014 and vesting in December 2017, to determine appropriate payouts
- Determined the bonus and LTIP targets for the 2018 financial year after considering and debating alternative targets, investor expectations and internal business plans
- Reviewed and approved the new Chief Executive's remuneration package as well as those of the new Group People Director and other AMB members
- Reviewed the salaries and service contracts of the AMB and senior management
- Reviewed and approved a revised Board expenses policy
- Considered the results and implications of gender pay gap reporting, and reviewed and commented on recommendations to further enhance the Company's performance
- Reviewed and approved the payment of the all-employee Performance Share Award in respect of the 2017 financial year

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 updated remuneration policy was approved by shareholders at the Company's 2018 AGM; it has been designed to be straightforward and transparent, in alignment with the Group's principle of having a simple and cost-effective approach.

During the year the Committee has received regular updates on the development of the new UK Corporate Governance Code. Work is well under way to incorporate, in particular, the new provisions to address and consider the employee voice.

The Committee carefully considered and approved the new Chief Executive's remuneration package during the year, along with a number of additional packages for new members appointed to the AMB. Remuneration arrangements have been designed to promote the long-term success of the Company.

The shareholding guidelines policy was also reviewed and approved during the year. The guidelines have been structured to encourage Directors and members of the AMB to acquire and maintain shares in the Company to specified levels over a five-year period in line with the external business environment.

Additional key activities of the Committee are detailed further in the Directors' remuneration report on pages 87 to 105.

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.

ANNUAL STATEMENT BY THE 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 2018. The 2018 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 2018, and explains how it will be implemented for the 2019 financial year.

CHANGES TO THE BOARD

As announced in last year's Annual Report, Johan Lundgren was appointed to the Board on 1 December 2017 as our new Chief Executive. Johan's base salary was set at appointment at £740,000, which reflected the competitive market rate for the role at a company of similar size and complexity to easyJet. However, underpinning the Company's commitment to equal pay and equal opportunity at all levels, Johan requested in January 2018 that his base salary be reduced to £706,000 going forward, in line with that paid to the previous Chief Executive before she left the Company. The Committee was pleased to endorse this decision. All other elements of Johan's package remain in line with our approved remuneration policy, and with the package of his predecessor.

Andrew Findlay stepped up during the transitional period between Carolyn McCall's resignation and the appointment of Johan Lundgren, taking on a number of additional responsibilities and leading the Company's acquisition of part of Air Berlin's operations at Tegel Airport. In recognition of his contribution to the success of the business during this period, the Committee approved an additional grant under the Company's Long Term Incentive Plan (LTIP) in June 2018. This grant was made to the value of 50% of salary, taking the total value of awards made in the year to the permitted policy maximum of 250% of salary. This top-up award is subject to the same challenging performance conditions as the annual grant made in December 2017, and if these are achieved will vest on the third anniversary of grant in June 2021.

PERFORMANCE AND REWARD OUTCOMES IN THE 2018 FINANCIAL YEAR

Despite the challenges facing the business and the industry as a whole, easyJet has delivered a strong trading performance in 2018 across the business. This good financial performance is reflected in the annual bonus outcome for the year. In contrast, performance for the three-year period to 30 September 2018 was impacted by more difficult trading conditions in earlier years resulting in no vesting under the LTIP this year. Performance against our targets for both the bonus plan and LTIP are summarised in the 'Remuneration at a Glance' section on page 89.

BONUS

Annual bonus payments are based on a combination of key financial and operational targets, with a minority element based on personal objectives.

A very positive financial performance in the year meant that the maximum headline profit before tax target was significantly exceeded, however performance against the headline cost per seat (excluding fuel) and on-time performance measures fell just below the threshold targets set. Customer satisfaction and personal performance were both above target and as a result a bonus of 146% of salary was payable to the Chief Executive (pro-rated for the portion of the year served) and a bonus of 132% of salary was payable to the Chief Financial Officer. One-third of the bonuses earned is subject to compulsory deferral into shares for three years.

LTIP

As noted above, awards made under the LTIP in December 2015 to the Chief Financial Officer and other members of senior management did not meet the threshold performance requirements for either return on capital employed (ROCE) or relative total shareholder return (TSR) set. No awards will vest in December 2018.

DIRECTORS' REMUNERATION REPORT CONTINUED

REVIEW OF THE DIRECTORS' REMUNERATION POLICY AND IMPLEMENTATION IN THE 2018 FINANCIAL YEAR

The Committee undertook a thorough review of the Group's remuneration policy in 2017, and a revised policy was approved by shareholders at the AGM in February 2018. The Committee believes that the policy provides an appropriate framework which aligns the interests of the company and shareholders, and focuses Executive Directors on the delivery of the Company's strategic objectives.

As disclosed in last year's Annual Report, the Committee carried out a thorough consultation with major shareholders and shareholder advisory groups regarding the introduction of an earnings per share (EPS) measure in the LTIP, to operate alongside the existing ROCE and TSR measures, to increase the focus of the plan on the sustainable growth of the business. Shareholders were supportive of this approach and accordingly LTIP awards were made in December 2017 with a combination of ROCE (40% of the award), EPS (40% of the award) and TSR (20% of the award) performance measures.

IMPLEMENTATION OF THE REMUNERATION POLICY IN THE 2019 FINANCIAL YEAR

We will take the following approach to implementation of the remuneration policy for the year ending 30 September 2019.

Salary

As described above, Johan Lundgren voluntarily reduced his salary in January 2018, while Andrew Findlay received the second of two planned phased increases to bring his salary to the level agreed on appointment, effective 1 January 2018. Executives' base salaries are reviewed annually and any changes are normally in line with the average increase for the wider workforce. The Committee has therefore agreed an increase of 2% for both Executive Directors, effective 1 January 2019.

Bonus

The Committee has set bonus targets reflecting the opportunities and challenges that the Company is likely to face in the coming year, 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 line with the approach adopted in 2017, LTIP awards will be granted to Executive Directors in December 2018 with a combination of EPS, ROCE and TSR performance measures. The Committee has determined that these measures remain aligned with the strategic plan described on pages 8 to 9 and the targets set have taken into consideration the challenging trading environment and market consensus.

RECOVERY AND WITHHOLDING

In line with emerging best practice, and in light of several high-profile cases which have highlighted the importance of recovery and withholding provisions, the Committee has carried out a thorough review of how these provisions are operated within the Group. To ensure that they remain fit for purpose, and to increase protection for the Group, a number of changes were made to the annual bonus and LTIP plan rules, which will apply in the 2019 financial year and thereafter. Additional triggers have been introduced allowing the Company to recover payments in case of serious personal misconduct or instances of corporate failure.

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

19 November 2018

Charles Gurassa

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 2018. 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 91 to 97) was approved by shareholders in a binding vote at the AGM in February 2018 and became effective on that date. The Annual Statement by the Chairman of the Remuneration Committee (set out on pages 87 to 88) and the Annual Report on Remuneration (set out on pages 97 to 105) will together be subject to an advisory vote at the forthcoming AGM.

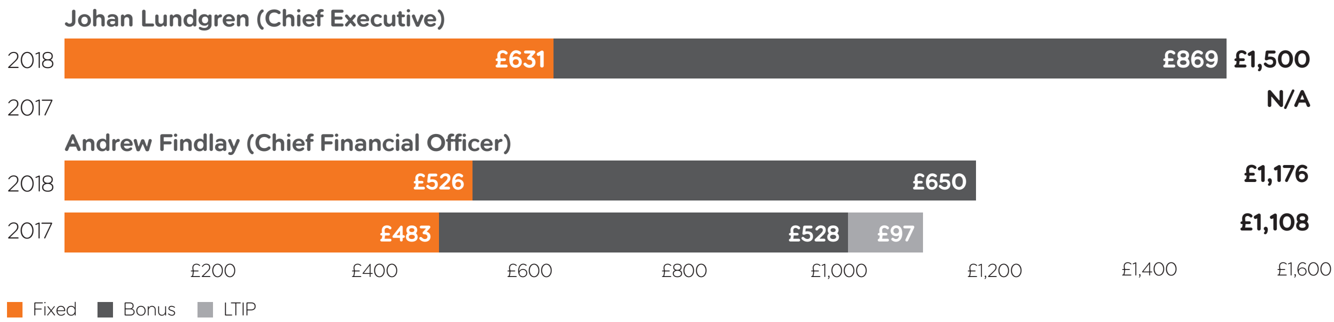
REMUNERATION AT A GLANCE

REWARD PRINCIPLES

The Remuneration 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)



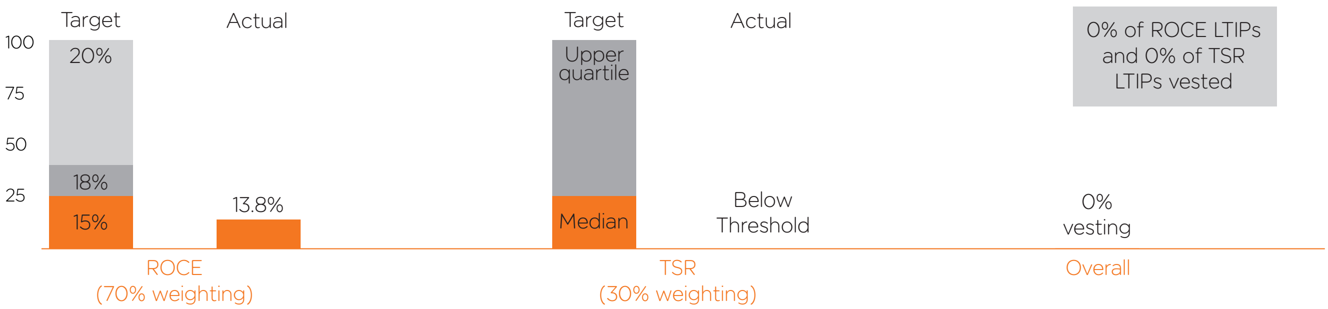
ANNUAL BONUS AND LTIP OUTCOMES

Annual bonus – performance for the 2018 financial year

Metrics	Weighting		Threshold	On-Target	Maximum	Achieved (% of max)	% of Maximum bonus achieved
Headline profit before tax at budgeted constant currency (£m)	60%	£551	£298	£341	£406	100%	60%
On-time performance	10%	74.9%	75%	76.5%	78%	0%	0%
Customer satisfaction	10%	71.2%	69.5%	71.0%	72.5%	57%	5.7%
Headline cost per seat at budgeted constant currency	10%	£44.25	£43.43	£43.01	£42.59	0%	0%

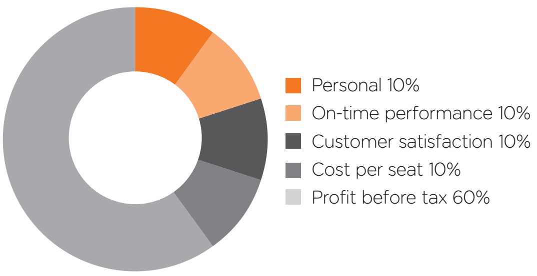
Based on the above and including individual/departmental performance, a total bonus of 146% of salary was payable to the Chief Executive (pro-rated for the portion of the year served) and a bonus of 132% of salary was payable to the Chief Financial Officer.

LTIP – performance for the 2018 financial year



DIRECTORS' REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTOR REMUNERATION POLICY – AT A GLANCE

Element	Policy	Implementation of Policy for the 2019 financial year
Base salary	Increase normally up to the average workforce level (though may be increased at higher rates in certain circumstances, for example 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 was reduced, at his request, to £706,000 effective 1 February 2018. Both Johan Lundgren's and Andrew Findlay's salaries will be increased by 2%, in line with the increase offered to the wider workforce. Their base salaries effective 1 January 2019 will therefore be £720,120 and £510,000, respectively.
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 is 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 Chief Executive and at 175% of salary for the Chief Financial Officer. 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 the Chief Executive of 250% of salary and award to the Chief Financial Officer of 200% of salary. The performance targets for the 2019 awards will be disclosed in full at the date of grant.
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).	200% of salary for the Chief Executive and 175% of salary for the Chief Financial Officer: in line with policy.

DIRECTORS' REMUNERATION POLICY

This part of the Directors' remuneration report sets out easyJet's Directors' remuneration policy. This policy was approved by shareholders in a binding vote at the AGM on 8 February 2018, and became effective on that date. The Committee's current intention is that the current policy will operate for the three-year period to the AGM in 2021.

A copy of the Directors' remuneration policy can be found online, within the Annual Report and Accounts, at http://corporate.easyjet.com/.

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 Company 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 business 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 given 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 giving 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 Company'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 given 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 no higher than those of the wider workforce (in percentage of salary terms). 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 or experience, progression in the role, or a significant increase in the scale of the role, size, value 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 Company'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 Company 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 Company purchasing power may provide an advantage to employees. Executive Directors are also eligible to participate in any all-employee share plans operated by the Company, in line with HMRC guidelines currently prevailing (where relevant), on the same basis as for other eligible employees. Should it be appropriate to recruit a Director from overseas, flexibility is retained to provide benefits that take account of those typically provided in their country of residence (e.g. it may be appropriate to provide benefits that are tailored to the unique circumstances of such an appointment as opposed to providing the benefits detailed above). Necessary expenses incurred undertaking Company business are reimbursed so that Executive Directors are not worse off on a net of tax basis as a result of fulfilling Company duties.	Not applicable. No recovery provisions apply to benefits.
Pension To provide employees with long-term savings via pension provisions in line with the Company's strategy to keep remuneration simple and consistent.	Defined contribution plan with the same monthly employer contributions as those offered to eligible employees in the wider UK workforce (i.e. up to 7% of base salary); or a cash alternative to the equivalent value less employer's National Insurance contribution costs. easyJet operates a pension salary sacrifice arrangement whereby individuals can exchange part of their salary for Company-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 or 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 the 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 Group's LTIP and the 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 Group'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 101. 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. These targets are 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. headline ROCE and headline 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

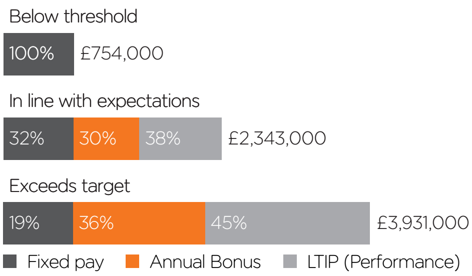
A significant proportion of remuneration is linked to performance, particularly at maximum performance levels. The charts below show how much the Chief Executive and Chief Financial Officer could earn through easyJet's remuneration policy under different performance scenarios in the 2019 financial year. 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

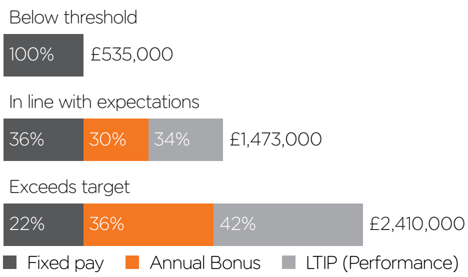
Fixed pay comprises:

- Salaries – salary effective as at 1 October 2018;
- Benefits – amount received in the 2018 financial year;
- Pension – employer contributions or cash-equivalent payments received in the 2018 financial year; and
- Free and Matching Shares under the all-employee share incentive plan.

Chief Executive (Johan Lundgren)[1]



Chief Financial Officer (Andrew Findlay)[2]



(1) Were easyJet's share price to increase by 50%, Johan Lundgren's total remuneration would increase to £4,820,000 under an 'exceeds target' scenario – driven by the increased value of the LTIP awards

(2) Were easyJet's share price to increase by 50%, Andrew Findlay's total remuneration would increase to £2,910,000 under an 'exceeds target' scenario – driven by the increased value of the LTIP awards

The scenarios do not include any 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 99 detailing what was actually earned by the Executive Directors in relation to the financial year ended 30 September 2018, since these values are based on the actual levels of performance achieved to 30 September 2018 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 is taken up during this period.

Bonus payments may be made 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 the Company's 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.

DIRECTORS' REMUNERATION REPORT CONTINUED

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 twelve 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 on pages 78 to 79.

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, as a result of 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

Members of the Committee serving during the year were:

- Charles Gurassa (Chair)
- Adèle Anderson
- Moya Greene DBE
- Andy Martin
- Julie Southern (joined 1 August 2018).

The responsibilities of the Committee are set out in the Corporate Governance section of the Annual Report on page 86.

The Chairman and the Chief Executive attend meetings by invitation and assist the Committee in its deliberations as appropriate. The Committee also receives assistance and advice from the Chief Financial Officer, Group People Director and the Group Head of Reward. The Company Secretary & 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 2019 FINANCIAL YEAR

There will be no material changes to the remuneration policy or its implementation for the 2019 financial year. easyJet's remuneration policy has received consistently high levels of investor support in recent years 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:

	01 January 2019 salary	01 February 2018 salary	01 January 2018 salary	Change vs 01 January 2018
Johan Lundgren	£720,120	£706,000	£740,000	(3%)
Andrew Findlay	£510,000	£500,000	£500,000	2%

Johan Lundgren's salary was set at £740,000 from appointment on 1 December 2017, reflecting a market-competitive rate for the role of Chief Executive. However, as disclosed in a Regulatory News Service (RNS) statement dated 29 January 2018, in line with easyJet's ongoing commitment to equal pay, Johan requested that the Board reduce his base salary to £706,000, in line with the salary paid to his predecessor.

Both Executive Directors were offered a salary increase of 2% effective 1 January 2019. For comparison, the typical rate of salary increase to be awarded to employees in Group functions is 1% to 3%.

DIRECTORS' REMUNERATION REPORT CONTINUED

ANNUAL BONUS IN RESPECT OF PERFORMANCE IN THE 2019 FINANCIAL YEAR

The maximum bonus opportunity remains at 200% of salary for the Chief Executive 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:

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

The proposed target levels for the 2019 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 2019 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.

Bonus payments may now be withheld or recovered if, within a period of three years from the date of payment, there is: a case of serious personal misconduct; a misstatement of accounts; an error in calculation of results; an instance of corporate failure; or material damage to the Company's reputation as a result of a safety event.

LTIP AWARDS IN RELATION TO THE 2019 FINANCIAL YEAR

We intend to make awards to the Chief Executive of 250% of salary and to the Chief Financial Officer of 200% of salary in respect of the 2019 financial year.

As in 2017, awards made in December 2018 will be subject to a combination of headline ROCE, headline EPS and TSR performance measures, reflecting a balance between growth and returns, and aligning with the Group's strategic priorities over the medium term described on pages 8 to 9.

The performance measures and weightings will be as follows:

	Below threshold (0% vesting)	Threshold (25% vesting)	On Target (50% vesting)	Maximum (100% vesting)
3 year average headline ROCE (40% of total award)	<11.0%	11.00%	13.00%	15.00%
3 year aggregate headline EPS (40% of total award)	<383p	383p	414p	446p

	Below threshold (0% vesting)	Threshold (25% vesting)	Maximum (100% vesting)
TSR (20% of total award)	<Median	Median	Upper quartile

The EPS and ROCE targets have been set under the accounting standards used in the preparation of the financial statements contained elsewhere in this report. New accounting standards (IFRS 15 and IFRS 16) will apply from this year onwards and the above targets will be restated accordingly in the next Annual Report.

Awards vest on a straight-line basis from threshold to on-target and from on-target to maximum. As with the awards granted in the 2018 financial year, the ROCE targets are based on average headline ROCE over a three-year performance period, commencing on 1 October 2018. The EPS targets are based on aggregate headline EPS over the three financial years ending 30 September 2021.

The TSR targets are based on relative TSR compared to companies ranked FTSE 51-150 at the start of the performance period, where the average share price is calculated over three months at the start and end of the period. In addition, in order for the TSR-based awards to vest, easyJet must have achieved positive absolute TSR over the performance period. Targets are set taking account of management's strategic plan, market consensus and the Board's strong focus on driving value from its increasing capital base.

A post-vesting holding period requiring the Executive Directors to retain the post-tax value of any shares for two years from the vesting date will continue to apply to this and future awards.

LTIP payments may now be withheld or recovered if, within a period of three years from the date of vesting, there is: a case of serious personal misconduct; a misstatement of accounts; an error in calculation of results; an instance of corporate failure; or material damage to the Company's reputation as a result of a safety event.

NON-EXECUTIVE DIRECTOR FEES

The fees for the Chairman and Non-Executive Directors from 1 January 2019 will be as follows:

Chairman	£306,000
Basic fee for other Non-Executive Directors	£61,200
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 an increase to basic fees of 2% which will apply from 1 January 2019. This increase is in line with that applied to Executive Directors and within the range awarded to employees in the wider UK Group functions. These fees were last increased on 1 October 2013.

DIRECTORS' REMUNERATION FOR THE YEAR ENDED 30 SEPTEMBER 2018

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

	2018						2017					
£'000	Fees and Salary	Benefits(6)	Bonus(7)	LTIP(8)	Pension(9)	Total	Fees and Salary	Benefits(6)	Bonus(7)	LTIP(10)	Pension(9)	Total
Executive												
Johan Lundgren	594	–	869	–	37	1,500	–	–	–	–	–	–
Carolyn McCall DBE(2)	118	–	–	–	7	125	706	2	–	–	49	757
Andrew Findlay	491	5	650	–	30	1,176	453	2	528	97	28	1,108
Non-Executive												
John Barton	300	–	–	–	–	300	300	–	–	–	–	300
Charles Gurassa	100	–	–	–	–	100	100	–	–	–	–	100
Adèle Anderson	75	–	–	–	–	75	75	–	–	–	–	75
Dr Andreas Bierwirth	75	–	–	–	–	75	75	–	–	–	–	75
Keith Hamill OBE(3)	15	–	–	–	–	15	60	–	–	–	–	60
Andy Martin	70	–	–	–	–	70	70	–	–	–	–	70
François Rubichon(4)	–	–	–	–	–	–	48	–	–	–	–	48
Moya Greene DBE	60	–	–	–	–	60	12	–	–	–	–	12
Julie Southern(5)	10	–	–	–	–	10	–	–	–	–	–	–
Total	1,908	5	1,519	–	74	3,506	1,899	4	528	97	77	2,605

(2) Left the Board on 30 November 2017 but continued to be actively employed by easyJet until 31 December 2017, in order to assist with the transition to the new Chief Executive. Carolyn McCall received salary of £58,833 and pension contributions of £3,618 between 1 December and 31 December 2017.

(3) Left the Board on 31 December 2017

(4) Left the Board on 22 July 2017

(5) Appointed to the Board on 1 August 2018

(6) Benefits relate to the cost to the business of personal accident and life assurance cover and the value of shares awarded under the Share Incentive Plan

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

(8) Andrew Findlay was granted LTIP awards in December 2015, vesting in December 2018 subject to Group performance measured to 30 September 2018. No awards will vest.

(9) Johan Lundgren, Carolyn McCall DBE and Andrew Findlay all received a cash alternative to pension contributions in the year equivalent to 6.15% of salary

(10) This relates to the LTIP awards granted in November 2015 (on recruitment) which vested in December 2017 based on performance measured to 30 September 2017. 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 2017 of £12.70. The value has been updated in this table to reflect using the share price at the date of vesting of £14.16. This compares to £17.14 at grant.

DIRECTORS' REMUNERATION REPORT
CONTINUED

ANNUAL BONUS OUTTURN FOR PERFORMANCE IN THE 2018 FINANCIAL YEAR (AUDITED)

Measure	CEO & CFO	Threshold	On-Target	Maximum	Actual	Payout
Headline profit before tax(1) (2) (£m)	60%	388	431	496	551	100%
Customer satisfaction targets(3)	10%	69.5%	71.0%	72.5%	71.2%	57%
On-time performance(4)	10%	75%	76.5%	78%	74.9%	0%
Headline cost per seat (ex. fuel)(1) (2)	10%	£42.84	£42.42	£42.00	£44.25	0%
Personal and departmental objectives	10%	n/a	50%	100%	Note 5	Note 5

(1) At budgeted constant currency.

(2) Targets were set prior to the acquisition of part of Air Berlin's operations at Tegel. This transaction took place after the targets had been concluded by the Committee, and their associated costs and revenues have been excluded. The impact of this adjustment is to reduce the headline profit before tax target ranges by £90 million such that the revised Threshold, On-Target and Maximum targets were £298 million, £341 million and £406 million respectively. On the same basis, the Committee upwardly adjusted the headline cost per seat target ranges by £0.59 such that the revised Threshold, On-Target and Maximum targets were £43.43, £43.01 and £42.59 respectively. Neither adjustment had an impact on the final bonus outcome as the maximum headline profit before tax target was significantly exceeded, whilst headline cost per seat performance was below the adjusted threshold level.

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

(4) 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).

(5) Johan Lundgren and Andrew Findlay will receive payouts of 75% and 100%, respectively, of the maximum for this element. Further detail of their performance against specific objectives is included below.

A sliding scale of financial and operational bonus targets was set at the start of the 2018 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.

The Company significantly exceeded the headline profit before tax target; whilst performance against the headline cost per seat target was below the adjusted threshold level. Similarly, customer satisfaction scored just above the on-target level while on-time performance fell just below threshold level.

In recognition of the strong progress against Johan Lundgren's personal and corporate goals, which include maintaining easyJet's outstanding safety record and procedures, successfully integrating the new Tegel operations into the wider easyJet network, reviewing and launching the new strategy and strengthening the senior team with a number of key appointments, the Committee awarded 75% of the maximum available under this element of the bonus.

In the case of Andrew Findlay, the Committee recognised his exceptional contribution in terms of successfully leading the Company during the transition to the new Chief Executive, completing the acquisition of part of Air Berlin's operations at Tegel Airport and achieving cash, fleet and Brexit objectives. The Committee therefore agreed to award the maximum under this element.

Accordingly, bonuses of 73.2% and 75.7% of the maximum were payable, resulting in bonus pay outs of £869,022 and £649,588 for Johan Lundgren and Andrew Findlay, respectively. One-third of the bonus is compulsorily deferred into shares for three years and subject to continued employment. 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 year to 30 September 2018 were subject to a combination of performance conditions based on average reported ROCE (including lease adjustments) and relative TSR compared to FTSE 31-130 companies measured over the prior three financial years. The percentage which could be earned was determined using the following vesting schedule:

	Below threshold (0% vesting)	Threshold (25% vesting)	On Target (50% vesting)	Maximum (100% vesting)
ROCE awards (70% of total awards)	< 15%	15%	18.0%	20% or above
TSR awards (30% of total awards)	Below median	Median		Upper quartile

These targets were set based on the Company's medium-term business plan which, at the time, did not include the acquisition of part of Air Berlin's operations at Tegel Airport. In order to ensure that the performance conditions reflected the original expectations of the Committee at the time of grant, the Committee determined that reported ROCE for the 2018 financial year would be calculated excluding the impact of the transaction. Notwithstanding this adjustment, three-year average reported ROCE (including lease adjustments) to 30 September 2018 finished below the threshold required (13.8%) and the Company did not meet the threshold TSR performance target. No awards are therefore eligible to vest in December 2018.

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

As disclosed in last year's Annual Report, Carolyn McCall DBE resigned from her position as Chief Executive in July 2017. She left the Board on 30 November 2017 but remained in employment with the Company until 31 December 2017, receiving salary of £58,833 and pension contributions of £3,618 during this one month period. Under the leaver provisions set out in the policy, she was not eligible for an annual bonus for the 2017 or 2018 financial years, all unvested LTIP awards lapsed in full on her resignation, and any outstanding unvested deferred share bonus awards lapsed at the point of cessation. No payments for loss of office or any other payments have been made to Carolyn McCall DBE or to any other past Directors 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:

Johan Lundgren

Scheme	No. of shares/ options at 30 September 2017[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2018[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry Date
A	–	134,350	–	–	134,350	19 Dec 2017[5]	–	–	19 Dec 2020	19 Dec 2027

Andrew Findlay

Scheme	No. of shares/ options at 30 September 2017[1]	Shares/ options granted in year	Shares/ options lapsed in year	Shares/ options exercised in year	**No. of shares/ options at 30 September 2018[1]**	Date of grant	Exercise price (£)	Market price on exercise date (£)	Date from which exercisable	Expiry Date
A	39,923	774	(33,815)	(6,882)	–	20 Nov 2015[2]	–	13.83	19 Dec 2017	20 Nov 2025
A	49,620	–	–	–	49,620	17 Dec 2015[3]	–	–	17 Dec 2018	17 Dec 2025
A	88,686	–	–	–	88,686	19 Dec 2016[4]	–	–	19 Dec 2019	19 Dec 2026
A	–	72,621	–	–	72,621	19 Dec 2017[5]	–	–	19 Dec 2020	17 Dec 2027
A	–	14,585	–	–	14,585	4 Jun 2018[6]	–	–	4 Jun 2021	4 Jun 2028
B	–	182	–	–	182	5 Apr 2018	–	–	5 Apr 2021	n/a
C	224	100	–	–	324	–	–	Note 7	–	n/a
D	1,051	–	–	–	1,051	10 Jun 2016	11.98	–	1 Aug 2019	1 Feb 2020
D	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 2018 was £13.14 and the closing price range during the year ended 30 September 2018 was £12.36 to £17.96.

Key:

A Long Term Incentive Plan – Performance Shares

B Share Incentive Plan – Performance (Free) Shares

C Share Incentive Plan – Matching Shares

D Save As You Earn Awards (SAYE)

Note 1: Number of share awards granted

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: LTIP awards granted in November 2015

An award of 39,923 easyJet shares was made to Andrew Findlay in November 2015, to compensate for the forfeiture of the awards granted 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 vested subject to 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) and to meeting the performance targets applying to the 2014 easyJet LTIP award (as provided below).

50% of vesting was based on three-year average ROCE (including lease adjustment) performance for the three financial years ending 30 September 2017 and 50% of vesting was 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, such that overall, 15.3% of awards vested. On vesting, 774 dividend equivalent shares were granted, reflecting the value of dividends which would have been earned had Andrew Findlay held shares over the vesting period. The following targets applied for these awards:

Vesting in December 2017	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 3: LTIP awards granted in December 2015

70% of vesting was based on three-year average ROCE (including lease adjustments) performance for the three financial years ending 30 September 2018 and 30% of vesting was based on relative TSR performance compared to companies ranked FTSE 31-130. ROCE for the 2018 financial year has been calculated excluding the impact of the Air Berlin acquisition. Three-year average ROCE (including lease adjustments) was 13.8% and the Company did not meet the threshold TSR performance target. The following targets applied for these awards:

Vesting in December 2018	Below threshold (0% vesting)	Threshold (25% vesting)	Target (50% 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

DIRECTORS' REMUNERATION REPORT CONTINUED

Note 4: LTIP awards made in December 2016

70% of vesting is based on three-year average ROCE (including lease adjustments) 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. Headline ROCE for the 2018 and 2019 financial years will be calculated excluding the impact of the acquisition of part of Air Berlin's operations at Tegel Airport. 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 award granted to Andrew Findlay was £924,995 (200% of salary).

Note 5: LTIP awards made in December 2017

40% of vesting is based on three-year average headline ROCE (including lease adjustment) performance for the three financial years ending 30 September 2020, 40% is based on aggregate headline EPS over the three financial years ending 30 September 2020, and 20% is based on relative TSR performance compared to companies ranked FTSE 51-150. The following targets apply for these awards:

Vesting in December 2020	Below threshold (0% vesting)	Threshold (25% vesting)	Target (50% vesting)	Maximum (100% vesting)
ROCE awards (40% of total award)	< 9.0%	9.0%	11.2%	13.0%
EPS awards (40% of total award)	<278p	278p	310p	335p
TSR awards (20% 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 £1,850,000 (250% of salary) to Johan Lundgren and £1,000,000 (200% of salary) to Andrew Findlay.

Note 6: LTIP awards made in June 2018

As described in the Chairman's statement, an additional LTIP award was made to Andrew Findlay on 4 June 2018, in recognition of his contribution to the business during the transitional period between the resignation of Carolyn McCall DBE and the appointment of her successor, as well as his leadership of the Air Berlin transaction process. This award is subject to the same performance conditions as those awards made in December 2017 (described in note 5 above), and will vest on 4 June 2021. The face value of the award granted was £249,914 (50% of salary).

Note 7: Buy As You Earn

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 2019 FINANCIAL YEAR

The shareholding guidelines will continue to operate on 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 five years from appointment.

DIRECTORS' CURRENT SHAREHOLDINGS AND INTERESTS IN SHARES

The following table provides details on current Directors' interests in shares at 30 September 2018. Note that Carolyn McCall DBE and Keith Hamill OBE had both achieved 100% of the shareholding guidelines at the point of their departure during the financial year.

	Unconditionally owned shares(3)	Shareholding guidelines achieved(4)	Interests in share schemes				
			Deferred bonus(5)	SAYE	LTIP(6)	SIP(7)	Total
John Barton	34,000	100%	–	–	–	–	–
Charles Gurassa	18,198	100%	–	–	–	–	–
Johan Lundgren(1)	20,000	22%	–	–	134,350	–	134,350
Andrew Findlay	30,391	54%	17,774	1,608	225,512	506	245,400
Adèle Anderson	5,114	100%	–	–	–	–	–
Dr Andreas Bierwirth	5,251	100%	–	–	–	–	–
Andy Martin	7,000	100%	–	–	–	–	–
Moya Greene DBE	7,407	100%	–	–	–	–	–
Julie Southern(2)	–	0%	–	–	–	–	–

(1) Appointed to the Board on 1 December 2017

(2) Appointed to the Board on 1 August 2018

(3) Includes SIP Partnership Shares, vested SIP Performance (Free) Shares, vested SIP Matching Shares and any shares owned by connected persons

(4) 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. Once the guideline has been met, the number of shares counting towards the guideline is fixed, regardless of any change in share price, with the Director only needing to invest in additional shares to the value of any increase in salary or fees awarded during the year in order to maintain satisfaction of the guideline.

(5) Andrew Findlay's deferred bonus figure includes 12,789 awards granted in the year

(6) LTIP shares are granted in the form of nil-cost options subject to performance. Includes 134,350 and 87,206 LTIP awards granted in the year to Johan Lundgren and to Andrew Findlay, respectively.

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

As at 20 November 2018, the unconditionally owned shares of Andrew Findlay had increased by 25 shares since 30 September 2018 to 30,416 shares.

Changes in share ownership levels 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 2018, ordinary shares held in the Trusts were as follows:

	Number of ordinary shares
easyJet Share Incentive Plan Trust	1,630,995
easyJet plc Employee Benefit Trust	106,695
Total	1,737,690

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 You Earn arrangement with matching shares in the UK under the tax-approved Share Incentive Plan.

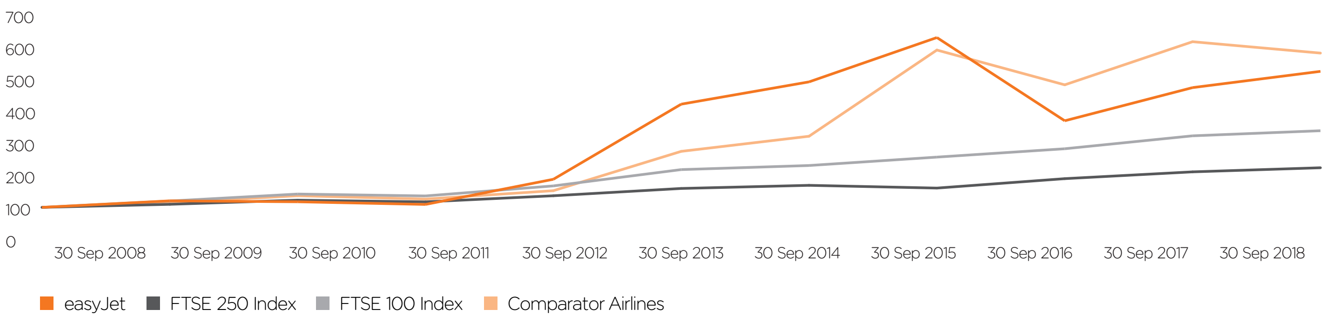
DETAILS OF DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Details of the service contracts and letters of appointment in place as at 30 September 2018 for Directors are as follows:

	Date of appointment	Date of current service contract	Unexpired term at 30 September 2018
John Barton	1 May 2013	3 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	
Johan Lundgren	1 December 2017	10 November 2017	
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 DBE	19 July 2017	19 July 2017	
Andy Martin	1 September 2011	19 July 2017	
Julie Southern	1 August 2018	7 June 2018	

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[(1)] since 2008. The FTSE 100 and FTSE 250 were chosen as easyJet has been a member of both indices during the period.



This graph shows the value, by 30 September 2018, 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.

(1) British Airways, Lufthansa, Ryanair, Air France-KLM and Iberia have all been included in the comparative European Airlines group. British Airways and Iberia have been tracked forward from 2011 onwards as IAG

DIRECTORS' REMUNERATION REPORT CONTINUED

SINGLE TOTAL FIGURE OF REMUNERATION

The table below shows the total remuneration figure for the Chief Executive over the same 10-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.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Single total figure of remuneration (£'000)	1,686	2,741	1,552	3,694	7,777	9,209(4)	6,241(3)	1,453(2)	757	1,625(1)
Annual Bonus (%)	89%	0%	63%	96%	87%	76%	66%	13%	0%	73%
LTIP vesting (%)	0%	0%	0%	92%	100%	100%	100%	32%	0%	0%

(1) Includes remuneration for the current Chief Executive, Johan Lundgren, of £1,500,000, and £125,000 paid to his predecessor, Carolyn McCall DBE

(2) 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

(3) 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

(4) 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 £3.93

CHANGE IN CHIEF EXECUTIVE PAY FOR THE YEAR IN COMPARISON TO THAT FOR EASYJET EMPLOYEES

The table below shows the year-on-year percentage change in salary, benefits and annual bonus earned between the year ended 30 September 2018 and the year ended 30 September 2017 for the Chief Executive, compared to the average earnings of all other easyJet UK employees.

	Salary	Benefits(3)	Annual bonus(4)
Chief Executive(1)	1%	0%	100%
Average pay based on all easyJet's UK employees(2)	3.5%	200%	21%

(1) Chief Executive figures present actual FY2018 data for Johan Lundgren, annualised for the full financial year and compared against actual FY2017 data for Carolyn McCall DBE

(2) UK employees are presented as the comparator as their salaries and benefits represent the most appropriate comparison. Note that UK employees comprise over 50% of total employees

(3) There was no change in the level of Chief Executive benefits received versus the prior year. UK employee benefits increased in FY2018 against prior year levels as no SIP Performance (Free) Share award was granted in April 2017

(4) No bonus was awarded to Carolyn McCall DBE in the prior year. The average UK employee bonus increased as a result of easyJet's achievement of stretch performance against its financial (profit) target in FY2018.

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.

(1)	**Year ended 30 September 2018**	Year ended 30 September 2017	Change %
Employee costs (£m)	847	717	18%
Ordinary dividend (£m)	233	162	44%
Average monthly number of employees	13,104	11,655	12%
Revenue (£m)	5,898	5,047	17%
Headline profit before tax (£m)	578	408	42%

(1) Additional information on the number of employees, total revenue and profit has been provided for context. The majority of easyJet's employees (around 95%) perform flight and ground operations, with the rest performing administrative and managerial roles.

EXTERNAL APPOINTMENTS

Carolyn McCall DBE received fees of £13,333 in the year to 30 September 2018, up to the date of her departure from the Board, for her role as Non-Executive Director of Burberry plc.

Andrew Findlay received fees of £54,167 in the year to 30 September 2018 for his role as Non-Executive Director of Rightmove plc.

STATEMENT OF SHAREHOLDERS' VOTING AT THE 2018 AGM

Votes cast at the AGM in February 2018 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	299,660,093	99.06%	301,234,869	99.58%
Votes cast against	2,831,491	0.94%	1,257,785	0.42%
Total votes cast in favour or against	302,491,584	100%	302,492,654	100%
Votes withheld	40,212		36,636	

ADVISERS 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 2018 financial year were £71,850, 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.

DIRECTORS' REPORT

The Directors present their report and audited accounts for the year ended 30 September 2018. This Directors' report and the strategic report, which includes the trends and factors likely to affect the future development, performance and position of the business and a description of the principal risks and uncertainties of the Group (which can found on pages 39 to 48 and is incorporated by reference), collectively comprise the management report as required under the Disclosure and Transparency Rules ('DTR').

ADDITIONAL DISCLOSURES

In accordance with the UK Financial Conduct Authority's Listing Rules, the information to be included in the 2018 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 149 (note 27 to the accounts).

Other information that is relevant to this report, and which is incorporated by reference, can be located as follows:

INFORMATION	PAGE NO
Membership of Board during 2018 financial year	See pages 61 to 63
Directors' service contracts	See pages 95 to 97
Financial instruments and financial risk management	See pages 142 to 147
Carbon emissions	See page 55
Corporate governance report	See pages 67 to 86
Future developments of the business of the Group	See pages 13 to 21
Employee equality, diversity and inclusion	See pages 53 to 54
Employee engagement	See page 53

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.

DIVIDEND

The Directors are recommending an ordinary dividend, with a payout ratio of 50% of headline profit after tax, resulting in a dividend of £233 million or 58.6 pence per share.

The ordinary dividend is subject to shareholder approval at the Company's Annual General Meeting (AGM) to be held on 7 February 2019 and will be payable on 22 March 2019 to the shareholders on the register at the close of business on 1 March 2019.

easyJet's dividend policy is to pay shareholders 50% of headline profit after tax, reflecting the Board's confidence in the long-term prospects of the business.

THE BOARD

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 AGM. 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 AGM 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 2018 AGM:

- authority to allot equity securities with a nominal value of up to approximately 10% of its issued share capital;
- 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
- 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 8 May 2019, or at the conclusion of the AGM in 2019, whichever is the earlier. The Directors will seek to renew the authorities at the AGM in 2019. As at 19 November 2018, none of these authorities had been exercised.

During the 2018 financial year, no ordinary shares in the Company were issued.

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 or her duty under company law. Should a Director become aware that he or she has an interest, directly or indirectly, in an existing or proposed transaction with easyJet, he or 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.

Directors' indemnities

Directors' and officers' insurance cover has been established for all Directors to provide cover for 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 2018 financial year and remain in force for all current and past Directors of the Company.

SHARES

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 139.

On 30 September 2018, 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 or, following a decision of the Directors, by non-EU 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 an Affected Shares Notice has been served, 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 AGM), 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 in respect of 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.

DIRECTORS' REPORT
CONTINUED

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 Save As You Earn 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.

Substantial interests
In accordance with the Disclosure Guidance and Transparency Rule DTR 5, the Company, as at 30 September 2018, 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 2018
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 Limited	39,717,251	9.99%
Blackrock, Inc.	20,021,980	5.04%

Note: Since 30 September 2018, Blackrock, Inc. has made a further notification to the Company, being a disclosure of a decrease in its holding to below the 5% threshold. No other changes in the above have been disclosed to the Company in accordance with the Disclosure Guidance and Transparency Rule DTR 5, between 30 September 2018 and 19 November 2018. All interests disclosed to the Company in accordance with DTR 5 that have occurred since 30 September 2018 can be found at easyJet's corporate website: http://corporate.easyjet.com/investors.

ADDITIONAL INFORMATION
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 19 November 2018 take effect, alter or terminate on a change of control of the Company.

Revolving credit facility
The Group 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.

A new RCF was reviewed and approved by the Finance Committee in July 2018. The new RCF amount is £250 million, supported equally by five banks, and is for a period of two years ending in July 2020.

As at 19 November 2018 no amounts had been drawn down under either 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. The EMTN Programme was subsequently updated on 6 February 2018.

Under the EMTN Programme, the following notes (the 'Notes') have been issued by the Company:

- February 2016: Eurobonds consisting of €500 million guaranteed notes paying 1.75% interest and maturing in February 2023; and
- October 2016: Eurobonds consisting of €500 million guaranteed notes paying 1.125% interest and maturing in October 2023.

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.

Other agreements
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.

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 2018 financial year.

Independent auditor and disclosure of information to the auditor

The Directors have taken all reasonable steps to ensure any audit-related information has been brought to the attention of the Group's auditor. The Directors are not aware of any relevant information which has not been disclosed to the auditor.

A resolution to reappoint PricewaterhouseCoopers LLP as auditor of the Group will be put to shareholders at the forthcoming AGM.

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:

- 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;
- 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
- 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 19 November 2018, being the latest practicable date prior to the publication of this Annual Report and Accounts:

- the Company has complied with the independence provisions included in the Relationship Agreement;
- 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
- 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.

2019 Annual General Meeting

The 2019 AGM will be held at 10.00am on Thursday, 7 February 2019 at Hangar 89, London Luton Airport, Luton, Bedfordshire, LU2 9PF. A separate circular, comprising a letter from the Chairman, Notice of Meeting and explanatory notes on the resolutions proposed, will be issued separately on 8 January 2019 and will also be published on easyJet's corporate website at http://corporate.easyjet.com/investors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have prepared the Group and Company accounts in accordance with International Financial Reporting Standards (IFRS) 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 IFRS 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. This enables 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, are fair, balanced and understandable and provide 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 61 and 63, confirm that, to the best of their knowledge:

- the Group and Company accounts, which have been prepared in accordance with IFRS 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 auditor is 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 auditor is aware of that information.

The Annual Report on pages 1 to 110 was approved by the Board of Directors and authorised for issue on 19 November 2018 and signed on its behalf by:

JOHAN LUNDGREN
Chief Executive

ANDREW FINDLAY
Chief Financial Officer

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion, easyJet plc's Consolidated Accounts and Company Accounts (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 2018 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Company's Accounts, 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 Consolidated Accounts, Article 4 of the IAS Regulation.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Consolidated and Company statements of financial position as at 30 September 2018; the Consolidated income statement and Consolidated statement of comprehensive income, the Consolidated and Company statements of cash flows, and the Consolidated and Company statements of changes in equity for the year then ended; and the notes to the Accounts, 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 on page 84 we have provided no non-audit services to the Group or the Company in the period from 1 October 2017 to 30 September 2018.

Our audit approach

The Group operates through the Company and its nine subsidiary undertakings of which six are trading as set out on page 153 and the Consolidated Accounts 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 five of the trading subsidiaries and the Company. These procedures gave us the evidence that we needed for our opinion on the Consolidated Accounts as a whole.

Overview

Materiality

Overall Group materiality: £28.8 million (2017: £19.3 million), based on 5% of headline profit before tax.

Overall Company materiality: £26.2 million (2017: £19.3 million), based on 1% of total assets.

Audit scope

The Group operates through the Company and its nine subsidiaries; and the Consolidated Accounts 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 five 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).
- Classification of non-headline items (Group).

The scope of our audit

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.

We gained an understanding of the legal and regulatory framework applicable to the Group and the industry in which it operates, and considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud. We designed audit procedures at Group and significant component level to respond to the risk, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EASYJET PLC
CONTINUED

We focused on laws and regulations that could give rise to a material misstatement in the Group and Company financial statements, including, but not limited to, Companies Act 2006, the Listing Rules, EU Emissions Trading Scheme, UK tax legislation, Employment regulation, Health and Safety regulation and equivalent local laws and regulations applicable to significant territories in which easyJet operates. Our tests included, but were not limited to, audit of the financial statement disclosures, enquiries of management and easyJet's in-house legal representatives, review of correspondence with regulators, review of correspondence with legal advisors, and review of internal audit reports in so far as they related to the financial statements. There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it.

We did not identify any key audit matters relating to irregularities, including fraud. As in all of our audits we also addressed the risk of management override of internal controls, including testing journals and 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 condition of the aircraft when it is returned to the lessor. Maintenance provisions of £392 million for aircraft maintenance costs in respect of aircraft leased under operating leases were recorded in the accounts at 30 September 2018. 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 focused on this area because of an 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 the 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 pricing. 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)	
The Group and Company hold significant net funds, comprising cash and money market deposits and borrowings through bank loans and finance lease obligations. Given the nature of the business, the Group and Company also 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 2018, cash and money market deposits amounted to £1,384 million, borrowings were £977 million, derivative financial assets amounted to £395 million and derivative financial liabilities were £31 million. We focus on these balances because of their materiality to the financial position of the Group and 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 accounts. 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 accounts in respect of both non-derivative and derivative financial instruments. Based on our work, we considered the disclosures to be appropriate.

Key audit matter	How our audit addressed the key audit matter
EU 261 PROVISION (GROUP)	
The Group records a provision for EU 261 compensation payable in respect of flight delays and cancellations. At 30 September 2018 this provision was £39 million. We focused on this area because there is an inherent level of complexity in management's estimate of this provision owing to its uncertain nature.	We have understood the processes, procedures and controls in place in respect of the EU 261 provision balance and assessed key account reconciliation processes. We tested and challenged the reasonableness of the key assumptions underlying the EU 261 provisions which included: • passenger claim history; • levels of passenger claims; • flight disruptions; • no-show passengers; and • time periods over which the assessment is made. We tested the input data of the EU 261 provisions, reperformed the underlying calculations and performed sensitivity analysis over the key drivers of the valuation 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 judgmental provisions recorded in the accounts. Our assessment as to the likelihood and magnitude did not identify any material exceptions.
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 intangible assets) 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, to which all goodwill and landing rights relate. At 30 September 2018, the aggregate value of goodwill and landing rights amounted to £494 million. We focused 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 five year 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, and compared prior year budget to actual data in order to assess the quality of the forecasting process. 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, for the discount rate, by assessing the cost of capital for the Company and comparable organisations. 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EASYJET PLC CONTINUED

Key audit matter	How our audit addressed the key audit matter
PRESENTATION OF NON-HEADLINE ITEMS (AIR BERLIN TRANSACTION AND COMMERCIAL IT PLATFORM CHARGE) (GROUP)	
The financial statements include certain items which are disclosed as non-headline. The nature of these non-headline items are explained within the Group accounting policies (page 128). In the current year, non-headline items include two material amounts relating to the costs incurred with the integration of assets acquired from Air Berlin operations at Tegel airport (£40 million), and the charge relating to the commercial IT platform which will no longer be used by the business (£65 million). We focused on this area because items classified as non-headline require judgement by the Directors as to whether the items meet the definition in the Group's accounting policy and because of the material nature of the costs associated with Air Berlin and the commercial IT platform charge.	We assessed the appropriateness of the Group's accounting policy for the recognition of non-headline items with reference to the applicable accounting standards. We evaluated whether each of the items disclosed as non-headline met the criteria set out in the accounting policy to confirm that items were appropriately classified. Air Berlin We have reviewed the asset purchase agreement, vouched cash payments made for the assets and concluded that the accounting for the transaction is appropriate. We have agreed a sample of costs incurred to invoice and other supporting documentation to confirm the accuracy of the amounts recorded and their appropriate classification as non-headline. These procedures did not identify any material exceptions. Commercial IT platform We have discussed the IT development strategy with management to confirm that the charge recognised is in relation to assets the business will no longer use and their associated commitments. We have agreed a sample of the underlying costs to supporting evidence to confirm the accuracy of the amounts recognised within the charge. We have challenged the key assumptions made by management in assessing the elements of the commercial IT platform that will be retained. These procedures did not identify any material exceptions.

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 Accounts	Company Accounts
OVERALL MATERIALITY	£28.8 million (2017: £19.3 million)	£26.2 million (2017: £19.3 million)
HOW WE DETERMINED IT	5% of headline profit before tax	1% of total assets
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 £2,000,000 and £27,360,000. 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 it misstatements identified during our audit above £1.4 million (Group audit) (2017: £1 million) and £1.3 million (Company audit) (2017: £1 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 12 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF EASYJET PLC
CONTINUED

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 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, the Companies Act 2006 *(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 2018 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 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 59 to 86) 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 59 to 86) 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 110 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 36 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 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 110, 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 Company's position and performance, business model and strategy is materially inconsistent with our knowledge of the Group and Company obtained in the course of performing our audit.
- The section of the Annual Report on pages 80 to 84 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 110, 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 Accounts and the part of the Directors' remuneration report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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 13 years, covering the years ended 30 September 2006 to 30 September 2018.

ANDREW KEMP
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

19 November 2018

CONSOLIDATED INCOME STATEMENT

	Notes	2018 Headline £ million	2018 Non-headline (note 5) £ million	2018 Total £ million	2017 Headline £ million	2017 Non-headline (note 5) £ million	2017 Total £ million
		Year ended 30 September					
Passenger revenue		4,688	–	4,688	4,061	–	4,061
Ancillary revenue		1,210	–	1,210	986	–	986
Total revenue	26	5,898	–	5,898	5,047	–	5,047
Fuel		(1,184)	–	(1,184)	(1,062)	–	(1,062)
Airports and ground handling		(1,649)	–	(1,649)	(1,465)	–	(1,465)
Crew		(754)	(7)	(761)	(645)	–	(645)
Navigation		(400)	–	(400)	(381)	–	(381)
Maintenance		(313)	(22)	(335)	(268)	(6)	(274)
Selling and marketing		(143)	–	(143)	(122)	–	(122)
Other costs		(497)	(93)	(590)	(371)	(18)	(389)
EBITDAR		958	(122)	836	733	(24)	709
Aircraft dry leasing		(152)	(10)	(162)	(110)	–	(110)
Depreciation	10	(199)	–	(199)	(181)	–	(181)
Amortisation of intangible assets	9	(15)	–	(15)	(14)	–	(14)
Operating profit/(loss)		592	(132)	460	428	(24)	404
Interest receivable and other financing income		15	–	15	8	2	10
Interest payable and other financing charges		(29)	(1)	(30)	(28)	(1)	(29)
Net finance (charges)/income	2	(14)	(1)	(15)	(20)	1	(19)
Profit/(loss) before tax	3	578	(133)	445	408	(23)	385
Tax (charge)/credit	6	(112)	25	(87)	(83)	3	(80)
Profit/(loss) for the year		466	(108)	358	325	(20)	305
Earnings per share, pence							
Basic	7			90.9			77.4
Diluted	7			90.2			76.8

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**Year ended 30 September 2018 £ million**	Year ended 30 September 2017 £ million
Profit for the year		358	305
Other comprehensive income/(expense)			
Cash flow hedges			
Fair value gains in the year		531	28
(Gains)/losses transferred to income statement		(191)	97
Losses transferred to property, plant and equipment		(19)	(107)
Related tax charge	6	(60)	(4)
		261	14
Total comprehensive income for the year		619	319

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 acquired, within property, plant and equipment. All other items in other comprehensive income will be reclassified to the relevant income statement lines.

(Gains)/losses on cash flow hedges reclassified from other comprehensive income to income statement lines are as follows:

	2018 £ million	2017 £ million
Revenue	32	83
Fuel	(206)	38
Maintenance	(2)	(11)
Aircraft dry leasing	(3)	(15)
Other costs	(12)	2
	(191)	97

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2018 £ million	30 September 2017 £ million
Non-current assets			
Goodwill	9	365	365
Other intangible assets	9	181	179
Property, plant and equipment	10	4,140	3,525
Derivative financial instruments	22	175	87
Restricted cash	13	11	7
Other non-current assets	11	122	74
		4,994	4,237
Current assets			
Trade and other receivables	12	408	275
Derivative financial instruments	22	220	131
Money market deposits	13	348	617
Cash and cash equivalents	13	1,025	711
		2,001	1,734
Current liabilities			
Trade and other payables	14	(1,023)	(714)
Unearned revenue		(877)	(727)
Borrowings	15	(9)	(8)
Derivative financial instruments	22	(24)	(82)
Current tax payable		(9)	(35)
Provisions for liabilities and charges	17	(118)	(104)
		(2,060)	(1,670)
Net current (liabilities)/assets		(59)	64
Non-current liabilities			
Borrowings	15	(968)	(963)
Derivative financial instruments	22	(7)	(44)
Non-current deferred income	16	(18)	(25)
Provisions for liabilities and charges	17	(335)	(218)
Deferred tax	6	(348)	(249)
		(1,676)	(1,499)
Net assets		3,259	2,802
Shareholders' equity			
Share capital	18	108	108
Share premium		659	659
Hedging reserve		299	38
Translation reserve		1	1
Retained earnings		2,192	1,996
		3,259	2,802

The accounts on pages 118 to 149 were approved by the Board of Directors and authorised for issue on 19 November 2018, and are signed on behalf of the Board.

JOHAN LUNDGREN
Director

ANDREW FINDLAY
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
At 1 October 2017	108	659	38	1	1,996	2,802
Total comprehensive income	–	–	261	–	358	619
Dividends paid (note 8)	–	–	–	–	(162)	(162)
Share incentive schemes						
Value of employee services	–	–	–	–	17	17
Purchase of own shares	–	–	–	–	(17)	(17)
At 30 September 2018	108	659	299	1	2,192	3,259

	Share capital £ million	Share premium £ million	Hedging reserve £ million	Translation reserve £ million	Retained earnings £ million	Total £ million
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

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 2018 £ million**	Year ended 30 September 2017 £ million
Cash flows from operating activities			
Cash generated from operations	20	1,215	949
Ordinary dividends paid	8	(162)	(214)
Interest and other financing charges paid		(29)	(30)
Interest and other financing income received		11	9
Net tax paid		(74)	(51)
Net cash generated from operating activities		961	663
Cash flows from investing activities			
Purchase of property, plant and equipment	10	(931)	(586)
Purchase of intangible assets	9	(81)	(44)
Net decrease/(increase) in money market deposits	21	269	(363)
Proceeds from sale and operating leaseback of aircraft		106	115
Net cash used by investing activities		(637)	(878)
Cash flows from financing activities			
Purchase of own shares for employee share schemes		(17)	(10)
Proceeds from Eurobond issue	21	–	451
Repayment of bank loans and other borrowings	21	–	(220)
Repayment of capital element of finance leases	21	(6)	(7)
Net increase in restricted cash		(4)	–
Net cash (used by)/generated from financing activities		(27)	214
Effect of exchange rate changes		17	(2)
Net increase/(decrease) in cash and cash equivalents		314	(3)
Cash and cash equivalents at beginning of year		711	714
Cash and cash equivalents at end of year	13	1,025	711

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) make up 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 (IFRS IC) 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 58. Principal risks and uncertainties are described on pages 38 to 48. 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 36.

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 128 to 129.

1a. 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 2017 and 2018. A full list of subsidiaries can be found in the Notes to the Company accounts on page 153.

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 presentational 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

The income statement has been re-presented in the current year to show passenger revenue and ancillary revenue. In the 2017 financial year, easyJet categorised total revenue earned on the face of the income statement between seat revenue (2017: £4,958 million) and non-seat revenue (2017: £89 million). From 1 October 2017, total revenue is 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.

Passenger revenue arises from the sale of flight seats and administration fees. Passenger revenue is recognised when the service is provided. This is generally when the flight takes place, apart from in the case of administration fees which are contractually non-refundable, so are recognised at the time of booking.

Amounts paid by 'no-show' customers are recognised as passenger 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.

NOTES TO THE ACCOUNTS
CONTINUED

1a. Significant accounting policies continued

Ancillary revenue includes revenue from the provision of checked baggage, allocated seating and change fees, as well as revenue arising from commissions earned from services sold on behalf of partners and inflight sales. Ancillary revenue is recognised when the service is provided, which is generally when the related flight takes place, with the following exceptions:

- change fees as the service provided is that of allowing customers to change bookings; and
- 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.

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.

Business combinations

Business combinations in prior years were accounted for by applying the purchase method. The cost of the acquisition was 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 were recognised at their fair values at the acquisition date.

Goodwill arising on acquisition was 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

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 the period benefiting from these enhancements. All other maintenance costs are charged to the income statement as incurred.

Pre-delivery and option payments made in respect of aircraft are recorded in property, plant and equipment at cost. These amounts are not 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 where proceeds are not judged to be equal to fair value) 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 income statement.

Impairment of non-current assets
An impairment loss is recognised to the extent that the carrying value exceeds the higher of the asset's 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 under an operating lease. 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 are above the aircraft's fair value, any surplus arising is deferred within non-current liabilities, and amortised in the income statement on a straight-line basis over the expected lease term. Where sale proceeds are below fair value, any profit or loss is recognised immediately except that, if the loss is compensated for by future lease payments at below market price, the shortfall is deferred within non-current assets and amortised in proportion to the lease payments over the period for which the asset is expected to be used.

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 and borrowings. 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.

NOTES TO THE ACCOUNTS
CONTINUED

1a. Significant accounting policies continued

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 capitalised cost 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 expected to occur, 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 continues to be expected to occur, 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 measured at the best estimate of that outflow.

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 cases 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 forward. Deferred tax assets are recognised to the extent that it is probable that there will be suitable taxable profits from which they can be deducted.

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

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

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

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

Where 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 catch-up charge 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.

Provisions for customer claims

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 customer 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, customers 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 Plan, the Save As You Earn scheme, the 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 dividend is 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, with movements in the accrual being recognised directly in the income statement.

Segmental disclosures

easyJet has one operating segment, being its route network, based on management information provided to the Airline Management Board ('AMB'), 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.

NOTES TO THE ACCOUNTS
CONTINUED

1b. 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.

1b.(i) Critical accounting judgements
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 finance 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 amounts 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 as headline or 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 leaseback transactions, fair value adjustments to 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 as headline or non-headline.

Consolidation of easyJet Switzerland S.A.
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.

1b.(ii) Critical accounting estimates
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. The accounting estimates concerned are not major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next year.

Aircraft maintenance provisions – £392 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 at 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. No reasonable combination of changes to these estimates would result in a material movement to the carrying value of the provision.

Provisions for customer claims – £61 million (Note 17)
easyJet incurs liabilities for amounts payable to customers who make claims in respect of flight delays, refunds of air passenger duty or similar charges and welfare costs. 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. No reasonable combination of changes to these estimates would result in a material movement to the carrying value of the provision.

Goodwill and landing rights – £494 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.

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.

1c. 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 2018 (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 applying the cumulative catch-up transition method. Under the cumulative catch-up method the comparative information will not be restated, but the retrospective cumulative impact of IFRS 15 will be recognised within the opening balance of retained earnings as at 1 October 2018.

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 and has identified two principal areas which will be impacted on adoption of IFRS 15:

- Revenue recognition from certain revenue streams, principally administration and change fees, will be recognised on the date of flight rather than the date of booking. This change is expected to result in a higher proportion of annual revenues being recognised in the second half of the financial year. The full year impact of this change is expected to be immaterial.
- Some of the compensation payments made to customers (in respect of flight delays), previously recorded wholly within expenses, will be offset against revenues recognised, with the excess compensation continuing to be recorded within expenses. This presentational change will have no impact on the overall profit for the year.

The cumulative impact of these changes as at 1 October 2018 will be the recognition of a one-off increase to unearned revenue (in respect of bookings made in the year ended 30 September 2018, for flights in the following financial year). Under current accounting standards, these revenues are recognised in the income statement in the year ended 30 September 2018 (on a booked basis); on adoption of IFRS 15 these fees will be deferred in the statement of financial position, with a charge recognised in retained earnings, until the date of the flight at which point the revenues will be recognised again. The expected impact as at 1 October 2018 is a charge to retained earnings of approximately £65 million, with a corresponding increase in unearned revenue of approximately £80 million and an increase in current tax asset of approximately £15 million.

IFRS 9 'Financial Instruments' – effective for the year ending 30 September 2019

easyJet will adopt IFRS 9 on 1 October 2018 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, though these will have an immaterial impact. Existing hedging activities will not materially change on adoption of the standard.

easyJet anticipates some changes to the classification and measurement of its financial instruments, though these changes will not materially impact the financial statements due to the stable nature of the Group's investments. Similarly, easyJet will not have a material impact from the changes to hedge accounting or impairment due to the high credit quality of counterparties with which easyJet transacts.

IFRS 16 'Leases' – effective for the year ending 30 September 2020

easyJet will early adopt IFRS 16 on 1 October 2018, bringing the timing of adoption in line with that of IFRS 9 and IFRS 15.

The standard provides a single lessee accounting model, specifying how leases are recognised, measured, presented and disclosed. The main expected impacts of adopting IFRS 16 have been disclosed below.

easyJet will apply the cumulative catch-up ('modified') transition method. Under the cumulative catch-up method the comparative information will not be restated, but the retrospective cumulative impact of IFRS 16 will be recognised within the opening balance of retained earnings as at 1 October 2018.

easyJet has elected to use the following practical expedients proposed by the standard:

- on initial application, the application of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- on initial application, the use of hindsight when determining the lease term if the contract contains options to extend or terminate the lease;
- on initial application, the exclusion of initial direct costs from the measurement of the right-of-use asset;
- on initial application, IFRS 16 will only be applied to contracts that were previously classified as leases; and
- lease payments for contracts with a duration of 12 months or less and contracts for which the underlying asset is of a low value will continue to be expensed to the income statement on a straight-line basis over the lease term.

NOTES TO THE ACCOUNTS
CONTINUED

1c. New and revised standards and interpretations not applied continued

Capitalisation of lease contracts
Under IFRS 16, easyJet will capitalise the right of use of all aircraft and properties currently held under operating leases. The lease term will correspond to the duration of the contracts signed except in cases where the Group is reasonably certain that it will exercise contractual extension options. easyJet will recognise a right-of-use asset representing its right to use the underlying asset and a corresponding lease liability representing its obligation to make lease payments. 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. When the interest rate implicit in the lease cannot be readily determined, easyJet's incremental borrowing rate will be used as an alternative.

Accounting for the maintenance of leased aircraft
easyJet has contractual obligations to maintain aircraft currently held under operating leases. Currently, 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 with the corresponding income statement charge recognised within maintenance costs. The unwinding of the discount is recognised within interest costs.

Under IFRS 16, contractual maintenance obligations which are not dependent on the use of the aircraft will be recognised in full on commencement of the lease. They will be capitalised as part of the right-of-use asset at the inception of the lease and depreciated over the lease term.

Contractual maintenance obligations which are dependent on the use of the aircraft will continue to be provided for over the term of the lease based on the estimated future costs, discounted to present value. However they will be capitalised to the right-of-use asset rather than recognised within maintenance costs in the income statement. This asset will be depreciated immediately as the obligation has arisen as a result of flying hours already undertaken.

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 charge is currently recognised immediately in the income statement. Under IFRS 16 this maintenance provision catch-up will be capitalised as part of the right-of-use asset at the inception of the lease and depreciated over the lease term.

These changes will result in a decrease in maintenance costs and an increase in depreciation expense.

On adoption of IFRS 16 on 1 October 2018, easyJet anticipates recognising approximately £550 million of lease liabilities, approximately £510 million of right-of-use assets, an increase in maintenance provisions of approximately £20 million, a £19 million derecognition of the net surplus on historical sale and leaseback transactions capitalised on the statement of financial position, and a corresponding decrease in equity of approximately £40 million. These figures do not include the tax impact which is subject to finalisation. Annual operating lease expenses and maintenance charges, which would have been recognised under existing accounting standards, 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.

Headline return on capital employed is expected to improve by approximately 1.5 percentage points under IFRS 16, as the newly capitalised lease liabilities are less than the adjustment historically made for the capital implicit in aircraft operating lease arrangements (the annual charge for aircraft dry leasing multiplied by a factor of seven).

Effective for the year ending 30 September 2019
IFRS 2 'Share-based Payment' – Amendments relating to classification and measurement

Effective for the year ending 30 September 2019 (not yet EU endorsed)
IFRIC 22 'Foreign Currency Transactions and Advance Consideration' – Clarifying the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency

IAS 28 'Investments in Associates and Joint Ventures' – Amendments regarding measuring investments in associates or joint ventures at fair value through profit and loss (FVTPL)

2. Net finance charges

	2018 £ million	2017 £ million
Interest receivable and other financing income		
Interest income	(12)	(6)
Dividend income	(3)	(2)
Net exchange gains on monetary assets and liabilities	–	(2)
	(15)	(10)
Interest payable and other financing charges		
Interest payable on bank and other borrowings	18	20
Interest payable on finance lease obligations	4	4
Other interest payable	8	5
	30	29
Net finance charges	15	19

3. Profit before tax

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

	2018 £ million	2017 £ million
Depreciation of property, plant and equipment		
Owned assets	195	177
Assets held under finance leases	4	4
Loss on disposal of intangibles	4	4
Loss on sale and leaseback	11	10
Operating lease rentals		
Aircraft	154	124
Other assets	7	7
Wet leased aircraft rentals	56	14

Aircraft operating lease rentals of £154 million (2017: £124 million) include only the operating dry lease rental charges recognised in the period. The aircraft dry lease expense within the income statement of £162 million (2017: £110 million) includes the operating dry lease rental costs as well as other lease-related costs or income, primarily the impact of hedging the US dollar exposure on these lease rentals.

Wet leased aircraft rentals of £56 million (2017: £14 million) are recognised within other costs. Wet leases are fundamentally different to regular, long-term operating and finance lease commitments as they are short-term in nature (with terms of less than one year) and they relate to the provision of aircraft, crew, maintenance and insurance ('ACMI').

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 (including foreign partners) totalling £0.4 million (2017: £0.4 million). In addition, easyJet incurred assurance-related service fees of £45,500 (2017: £32,000) from its auditors.

NOTES TO THE ACCOUNTS
CONTINUED

4. Employees
The average monthly number of people employed by easyJet was:

	2018 Number	2017 Number
Flight and ground operations	12,391	10,932
Sales, marketing and administration	713	723
	13,104	11,655

Employee costs for easyJet were:

	2018 £ million	2017 £ million
Wages and salaries	669	570
Social security costs	86	73
Pension costs	75	61
Share-based payments	17	13
	847	717

Key management compensation was:

	2018 £ million	2017 £ million
Short-term employee benefits	9	8
Share-based payments	2	–
Termination payments	2	1
	13	9

Share-based payment charges arising during the prior year in respect of grants to key management personnel were 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 Airline Management Board 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:

	2018 £ million	2017 £ million
Remuneration	4	3
Gains made on the exercise of Long Term Incentive Plan and Buy Out awards	–	3
	4	6

Details of Directors' remuneration are disclosed in the Directors' remuneration report on pages 87 to 105.

5. Non-headline items
An analysis of the amounts presented as non-headline is given below:

	Year ended 30 September 2018 £ million	Year ended 30 September 2017 £ million
Commercial IT platform charge	65	–
Tegel integration	40	–
Sale and leaseback charge	19	16
Brexit-related costs	7	2
Organisational review	1	6
Recognised in operating profit	132	24
Fair value adjustment	1	1
Balance sheet foreign exchange gain	–	(2)
Total non-headline charge before tax	133	23
Tax on non-headline items	(25)	(3)
Total non-headline charge after tax	108	20

5. Non-headline items continued

Commercial IT platform charge

During the year, easyJet made the decision to change its approach to technology development for its commercial IT platform, through better utilisation and development of existing systems on a modular basis, rather than working towards a full replacement of its core commercial platform. As a result of this change in approach, a one-off non-headline charge of £60 million (2017: £nil) was required to write down IT assets under development, previously held in computer software, which will no longer be utilised by the business. A charge of £5 million in relation to associated commitments was also incurred. Judgement involving estimation was required in determining the value of the IT assets no longer required.

Tegel integration

The structure of the Air Berlin transaction (an acquisition of slots and the subsequent, separate integration of ex-Air Berlin aircraft and crew, as opposed to an 'all-in' business combination) resulted in £40 million of one-off integration costs (2017: £nil). These comprise £14 million of engineering costs to align the technical specification of ex-Air Berlin aircraft with the rest of the easyJet fleet, £10 million of dry lease rental costs incurred prior to these aircraft becoming operational, £7 million of crew costs and £9 million of other costs including consultancy and legal fees.

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 £11 million (2017: £10 million), recognised within other costs in the income statement, and an £8 million (2017: £6 million) maintenance provision catch-up charged immediately to the income statement within maintenance costs.

Brexit-related costs

Following the UK's referendum vote to leave the European Union (EU), the Group has established a multiple Air Operator Certificate (AOC), post-Brexit structure. This includes the set-up of a European AOC based in Austria, an EU member state, as well as a new UK AOC. The EU AOC helps secure future flying rights for the proportion of easyJet's network which remains wholly within and between EU member states. For the year ended 30 September 2018 the Group incurred £7 million in Brexit-related costs (2017: £2 million), principally due to the cost of re-registration of aircraft in Austria; this has been recognised in other costs within the income statement.

Organisational review

The continuation of an organisational review has resulted in costs of £1 million (2017: £6 million) for the year ended 30 September 2018 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 significant non-recurring item by virtue of the estimated size of the whole programme. This programme has now been completed.

Fair value adjustment

The fair value adjustment arises from the ineffective portion of the cross-currency interest rate swaps elected into hedge relationships with the Eurobonds issued in February 2016 and October 2016 (fair value and cash flow hedges respectively). This is not considered to be reflective of the trading performance of the business and causes temporary volatility in the income statement. The adjustment amounted to a £1 million charge for the year, which is recognised within interest payable and other financing charges in the income statement.

Balance sheet foreign exchange gain

Foreign exchange gains or losses arising from the retranslation of monetary assets and liabilities held in the statement of financial position are recognised as non-headline items. For the year ended 30 September 2018, the overall impact of balance sheet revaluations was minimal (2017: £2 million gain).

6. Tax charge

Tax on profit on ordinary activities:

	2018 £ million	2017 £ million
Current tax		
United Kingdom corporation tax	57	67
Foreign tax	7	5
Prior year adjustments	(16)	–
Total current tax charge	48	72
Deferred tax		
Temporary differences relating to property, plant and equipment	39	6
Other temporary differences	(20)	–
Prior year adjustments	20	3
Attributable to rates other than the standard UK rate	–	(1)
Total deferred tax charge	39	8
Total tax charge	87	80
Effective tax rate	19.7%	20.8%

NOTES TO THE ACCOUNTS
CONTINUED

6. Tax charge continued

Reconciliation of the total tax charge

The tax for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK as set out below:

	2018 £ million	2017 £ million
Profit before tax	445	385
Tax charge at 19.0% (2017: 19.5%)	85	75
Income not chargeable for tax purposes	(1)	
Expenses not deductible for tax purposes	1	2
Share-based payments	2	1
Adjustments in respect of prior years – current tax	(16)	–
Adjustments in respect of prior years – deferred tax	20	3
Difference in applicable rates for current and deferred tax	(5)	–
Attributable to rates other than the standard UK rate	1	(1)
	87	80

Current tax payable at 30 September 2018 amounted to £9 million (2017: £35 million). This related to £12 million (2017: £38 million) of tax payable in the UK and £3 million (2017: £3 million) of tax recoverable in other European jurisdictions.

During the year ended 30 September 2018, net cash tax paid amounted to £74 million (2017: £51 million).

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

	2018 £ million	2017 £ million
Charge to other comprehensive income		
Deferred tax on change in fair value of cash flow hedges	(60)	(4)

Deferred tax

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

	Accelerated capital allowances £ million	**Short-term timing differences £ million**	**Fair value gains £ million**	**Share-based payments £ million**	**Total £ million**
At 1 October 2017	199	33	23	(6)	249
Charged to income statement	60	(19)	–	(2)	39
Charged to other comprehensive income	–	–	60	–	60
At 30 September 2018	259	14	83	(8)	348

	Accelerated capital allowances £ million	Short-term timing differences £ million	Fair value gains £ 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
At 30 September 2017	199	33	23	(6)	249

It is estimated that deferred tax liabilities of approximately £1 million (2017: deferred tax liabilities of £15 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 £348 million (2017: £249 million). The net overseas deferred tax asset is £nil (2017: £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:

	2018 £ million	2017 £ million
Headline profit for the year	466	325
Total profit for the year	358	305

	2018 million	2017 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	2018 pence	2017 pence
Basic	90.9	77.4
Diluted	90.2	76.8

Headline earnings per share	2018 pence	2017 pence
Basic	118.3	82.5
Diluted	117.4	81.9

8. Dividends

An ordinary dividend in respect of the year ended 30 September 2018 of 58.6 pence per share, or £233 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 40.9 pence per share, or £162 million, in respect of the year ended 30 September 2017 was paid in the year ending 30 September 2018. 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.

9. Goodwill and other intangible assets

		Other intangible assets		
	Goodwill £ million	Landing rights £ million	Computer software £ million	Total £ million
Cost				
At 1 October 2017	365	94	115	209
Additions	–	35	46	81
Disposals	–	–	(75)	(75)
At 30 September 2018	365	129	86	215
Amortisation				
At 1 October 2017	–	–	30	30
Charge for the year	–	–	15	15
Disposals	–	–	(11)	(11)
At 30 September 2018	–	–	34	34
Net book value				
At 30 September 2018	365	129	52	181
At 1 October 2017	365	94	85	179

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9. Goodwill and other intangible assets continued

	Goodwill £ million	Other intangible assets 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

Included in computer software disposals of £75 million is a £60 million non-headline write-down of IT assets under development which will no longer be utilised by the business.

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 calculations of the value in use of the route network.

Pre-tax cash flow projections have been derived from the strategic plan presented to the Board for the period up to 2023, using the following key assumptions:

Pre-tax discount rate (derived from weighted average cost of capital)	9.4%
Fuel price (US dollars per metric tonne)	725
Long-term economic growth rate	2.0%
Exchange rates:	
US dollar	1.35
Euro	1.13
Swiss franc	1.35

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 an estimated average of long-term economic growth rates for the principal countries in which easyJet operates. 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 be expected to impact the net cash flows in a way that 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 2017	4,345	60	4,405
Additions	919	12	931
Aircraft sold and leased back under operating leases	(184)	–	(184)
Disposals	(13)	(5)	(18)
At 30 September 2018	5,067	67	5,134
Depreciation			
At 1 October 2017	861	19	880
Charge for the year	195	4	199
Aircraft sold and leased back under operating leases	(67)	–	(67)
Disposals	(13)	(5)	(18)
At 30 September 2018	976	18	994
Net book value			
At 30 September 2018	4,091	49	4,140
At 1 October 2017	3,484	41	3,525

	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

The net book value of aircraft includes £283 million (2017: £300 million) relating to advance and option payments for future deliveries. This amount is not depreciated.

Aircraft with a net book value of £73 million (2017: £77 million) are held under finance leases.

As at 30 September 2018, easyJet was contractually committed to the acquisition of 115 (2017: 143) Airbus A320 family aircraft, with a total list price of US$13.2 billion (2017: US$14.0 billion) before escalations and discounts for delivery in financial years 2019 (29 aircraft), 2020 (23 aircraft), 2021 (35 aircraft) and 2022 (28 aircraft).

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

11. Other non-current assets

	2018 £ million	2017 £ million
Lessor maintenance contributions	88	–
Deferred consideration and deposits held by aircraft lessors	25	66
Recoverable supplemental rent (pledged as collateral)	7	6
Other	2	2
	122	74

Lessor maintenance contribution assets arise when to compensate easyJet for the delivery of a mid-life aircraft, a lessor has agreed to make a contribution to easyJet's maintenance costs to reflect the cycles already flown by the aircraft at the point it is delivered to easyJet. Depending on the contract terms, payment will be made either at the maintenance event date or at the lease return date.

12. Trade and other receivables

	2018 £ million	2017 £ million
Trade receivables	112	95
Less provision for impairment	(1)	(4)
	111	91
Prepayments and accrued income	217	118
Leased aircraft – shortfall on sale and leaseback	–	5
Recoverable supplemental rent (pledged as collateral)	24	28
Other receivables	56	33
	408	275

Trade and other receivables of £14 million (2017: £19 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.

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13. Cash and money market deposits

	2018 £ million	2017 £ million
Cash and cash equivalents (original maturity less than three months)	1,025	711
Money market deposits (original maturity more than three months)	348	617
Non-current restricted cash	11	7
	1,384	1,335

Interest rates on money market deposits and restricted cash are repriced within 365 days based on prevailing market rates of interest. Carrying value is not significantly different from fair value.

Restricted cash comprises:

	2018 £ million	2017 £ million
Aircraft operating lease deposits	7	7
Amounts held in escrow accounts for legal cases	4	–
	11	7

14. Trade and other payables

	2018 £ million	2017 £ million
Trade payables	329	201
Accruals	574	412
Leased aircraft – surplus on sale and leaseback	7	9
Taxes and social security	26	20
Other payables	87	72
	1,023	714

15. Borrowings

	Current £ million	Non-current £ million	Total £ million
At 30 September 2018			
Eurobond	–	879	879
Finance lease obligations	9	89	98
	9	968	977

	Current £ million	Non-current £ million	Total £ million
At 30 September 2017			
Eurobond	–	870	870
Finance lease obligations	8	93	101
	8	963	971

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%. In October 2016 easyJet plc issued additional 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 2018 was £378 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 2018 was £445 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 due to mature in February 2022.

Additionally, on 1 August 2018 easyJet signed a £250 million revolving credit facility with a two-year term. The facility is due to mature in July 2020.

Both facilities were undrawn as at 30 September 2018.

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 five years.

17. Provisions for liabilities and charges

	Maintenance provisions £ million	Provisions for customer claims £ million	Total provisions £ million
At 30 September 2017	284	38	322
Exchange adjustments	10	–	10
Charged to income statement	70	179	249
Related to aircraft sold and leased back	8	–	8
Related to mid-life lease acquisitions	85	–	85
Utilised	(65)	(156)	(221)
At 30 September 2018	392	61	453

Provisions for customer claims comprise amounts payable to customers who make claims in respect of flight delays and cancellations, and refunds of air passenger duty or similar charges.

	2018 £ million	2017 £ million
Current	118	104
Non-current	335	218
	453	322

Maintenance provisions are expected to be utilised within ten years. Provisions for customer claims are expected to be utilised within one year.

18. Share capital

	Number		Nominal value	
	2018 million	2017 million	2018 £ million	2017 £ million
Authorised				
At 30 September 2018 and 30 September 2017				
Ordinary shares of 27 2/7 pence each	458	458	125	125
Allotted, called up and fully paid				
At 30 September 2018 and 30 September 2017	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:

	2018	2017
Number of shares (million)	2	1
Cost (£ million)	26	21
Market value at year end (£ million)	23	17

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CONTINUED

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 2017 million	Granted million	Forfeited million	Exercised million	**30 September 2018 million**
Long Term Incentive Plan					
17 December 2013	0.1	–	–	–	0.1
19 December 2014	0.5	–	(0.4)	–	0.1
18 December 2015	0.5	–	(0.2)	–	0.3
19 December 2016	0.8	–	(0.2)	–	0.6
19 December 2017	–	0.9	(0.1)	–	0.8
Restricted Share Plan					
19 December 2016	0.1	–	–	–	0.1
Save As You Earn scheme					
1 July 2014	0.4	–	(0.2)	(0.2)	–
1 July 2015	0.4	–	–	(0.2)	0.2
1 July 2016	0.7	–	(0.1)	–	0.6
1 July 2017	2.4	–	(0.2)	–	2.2
1 July 2018	–	0.9	–	–	0.9
Share Incentive Plans	3.6	1.1	(0.2)	(0.7)	3.8
	9.5	2.9	(1.6)	(1.1)	9.7

Weighted average exercise prices are as follows:

	1 October 2017 £	Granted £	Forfeited £	Exercised £	**30 September 2018 £**
Save As You Earn scheme	10.83	13.94	11.59	13.27	11.20

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	
	2018	2017	**2018**	2017
Long Term Incentive Plan	–	–	0.2	0.1
Save As You Earn scheme	13.23	13.30	0.2	0.4
			0.4	0.5

The weighted average remaining contractual life for each class of share award at 30 September 2018 is as follows:

	Years
Long Term Incentive Plan	8.2
Restricted Share Plan	8.2
Save As You Earn scheme	2.3

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% of salary each year. The vesting of these shares is dependent on return on capital employed (ROCE), earnings per share (EPS) 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. 2018 awards are assessed on performance conditions measured over the three financial years ending 30 September 2020.

Restricted Share Plan

Granted in December 2016, the plan is open, by invitation, to certain senior managers. 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 (LTIP) 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
19 December 2017 – ROCE	13.77	–	–	–	–	13.77
19 December 2017 – EPS	13.77	–	–	–	–	13.77
19 December 2017 – TSR	13.77	–	34%	3.0	1.15%	6.89
Restricted Share Plan						
19 December 2016	10.43	–	–	–	–	10.43
Save As You Earn scheme						
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
1 July 2018	17.43	13.94	30%	3.5	0.88%	4.41

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 £15.44 (2017: £11.23).

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 2018, the dividend yield assumption was 3.2% (2017: 4.2%; 2016: 3.5%; 2015: 2.75%; 2014: 2%).

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20. Reconciliation of operating profit to cash generated from operations

	2018 £ million	2017 £ million
Operating profit	460	404
Adjustments for non-cash items:		
Depreciation	199	181
Loss on disposal of intangibles	4	4
Commercial IT platform charge	60	–
Loss on sale and leaseback	11	10
Amortisation of intangible assets	15	14
Share-based payments	17	13
Other	–	(2)
Changes in working capital and other items of an operating nature:		
Increase in trade and other receivables	(127)	(74)
Increase in trade and other payables	303	147
Increase in unearned revenue	150	159
Increase in provisions	121	44
(Increase)/decrease in other non-current assets	(48)	38
Increase in derivative financial instruments	57	22
Decrease in non-current deferred income	(7)	(11)
Cash generated from operations	1,215	949

21. Reconciliation of net cash flow to movement in net cash

	1 October 2017 £ million	Fair value and foreign exchange £ million	Loan issue costs amortised £ million	Net cash flow £ million	30 September 2018 £ million
Cash and cash equivalents	711	17	–	297	1,025
Money market deposits	617	–	–	(269)	348
	1,328	17	–	28	1,373
Eurobonds	(870)	(8)	(1)	–	(879)
Finance lease obligations	(101)	(3)	–	6	(98)
	(971)	(11)	(1)	6	(977)
Net cash	357	6	(1)	34	396

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 2018	Loans and receivables £ million	Financial liabilities £ million	Fair value hedges £ million	Cash flow hedges £ million	Other[5] £ million	Carrying value £ million	Fair value £ million
Other non-current assets	120	–	–	–	2	122	122
Trade and other receivables	242	–	–	–	166	408	408
Trade and other payables	–	(894)	–	–	(129)	(1,023)	(1,023)
Derivative financial instruments[1 & 2]	–	–	64	300	–	364	364
Restricted cash	11	–	–	–	–	11	11
Money market deposits	348	–	–	–	–	348	348
Cash and cash equivalents	1,025	–	–	–	–	1,025	1,025
Eurobonds[3 & 4]	–	(879)	–	–	–	(879)	(908)
Finance lease obligations	–	(98)	–	–	–	(98)	(100)

At 30 September 2017	Amortised cost Loans and receivables £ million	Amortised cost Financial liabilities £ million	Held at fair value Fair value hedges £ million	Held at fair value Cash flow hedges £ million	Other [5] £ 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[1]	–	–	61	31	–	92	92
Restricted cash	7	–	–	–	–	7	7
Money market deposits	617	–	–	–	–	617	617
Cash and cash equivalents	711	–	–	–	–	711	711
Eurobond[3 & 4]	–	(870)	–	–	–	(870)	(909)
Finance lease obligations		(101)	–	–	–	(101)	(105)

(1) 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 was 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 statement of financial position at 30 September 2017 was a total net liability of £4.6 million. As at 30 September 2018 the fair value of these trades remaining totalled a net liability of £0.4 million on the statement of financial position.

(2) Included within derivative amounts classified as being held in a cash flow hedge are foreign exchange forward contracts never designated in a hedge relationship and measured at fair value through profit and loss. As at 30 September 2018 these amounts totalled a net liability value of £1.0 million on the statement of financial position.

(3) 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 (three-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 to the risks being hedged. This net carrying value differs to the swap's 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 2018. The carrying value of the fixed rate Eurobond net of the cross-currency interest rate swap at 30 September 2018 was £378 million.

(4) In October 2016 easyJet plc issued €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 2018 was £445 million.

(5) 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.

The fair values of both 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 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 (i.e. unobservable inputs).

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.

Fair value of derivative financial instruments

At 30 September 2018	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	2,627	25	22	(11)	(1)	35
Euro	2,020	1	9	(12)	(2)	(4)
Swiss franc	429	–	5	(1)	(4)	–
South African rand	237	2	1	–	–	3
Jet fuel	3	83	183	–	–	266
Cross-currency interest rate swaps	445	–	–	–	–	–
Designated as fair value hedges						
Cross-currency interest rate swaps	379	64	–	–	–	64
		175	220	(24)	(7)	364

NOTES TO THE ACCOUNTS
CONTINUED

22. Financial instruments continued

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

For foreign currency forward exchange contracts and exchange swap 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. 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 2018	**Gross amount £ million**	**Amount not set off £ million**	**Net amount £ million**
Derivative financial instruments			
Assets	395	(31)	364
Liabilities	(31)	31	–
	364	–	364

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

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 speculatively trade 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:

			2018			2017
	Headline £ million	**Non-headline £ million**	**Total £ million**	Headline £ million	Non-headline £ million	Total £ million
Shareholders' equity	3,259	–	3,259	2,802	–	2,802
Borrowings	977	–	977	971	–	971
Cash and money market deposits (excluding restricted cash)	(1,373)	–	(1,373)	(1,328)	–	(1,328)
Reported capital employed	2,863	–	2,863	2,445	–	2,445
Operating lease adjustment	1,134	–	1,134	770	–	770
Capital employed including operating lease adjustment	3,997	–	3,997	3,215	–	3,215
Reported operating profit	592	(132)	460	428	(24)	404
Implied interest in operating lease costs	51	3	54	37	–	37
Adjusted operating profit	643	(129)	514	465	(24)	441
Tax rate			19%			19%
Adjusted operating profit after tax	521	(105)	416	376	(19)	357
Return on capital employed	14.4%		11.5%	11.9%		11.3%

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 2018 was 29% (2017: 26%), as a proportion of the total fleet.

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 and 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 2018, 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.

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 and ensure access to cost-effective funding in various markets.

NOTES TO THE ACCOUNTS
CONTINUED

23. Financial risk and capital management continued
easyJet continues to hold significant cash and liquid funds to mitigate the impact of potential business disruption events as well as having access to two separate revolving credit facilities of $500 million and £250 million respectively. The $500 million revolving credit facility was agreed on 10 February 2015, with an additional £250 million facility being signed with effect from 1 August 2018. Both facilities were undrawn at 30 September 2018.

On 1 December 2017 easyJet also entered into a bespoke business interruption insurance product that pays out up to £150 million in the event of specific liquidity stress scenarios (with standard insurance exclusions).

easyJet has a target minimum liquidity requirement to cover peak unearned revenue with a minimum of £2.6 million per 100 seats in the fleet. In assessing this liquidity metric, both revolving credit facilities and the business interruption insurance are taken into consideration.

Total cash (excluding restricted cash) and money market deposits at 30 September 2018 was £1,373 million (2017: £1,328 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 2018	Within 1 year £ million	1-2 years £ million	2-5 years £ million	Over 5 years £ million
Borrowings	26	32	558	450
Trade and other payables	894	–	–	–
Foreign exchange and jet derivative contracts – receipts	(3,184)	(1,282)	(68)	–
Foreign exchange and jet derivative contracts – payments	3,161	1,228	65	–
Cross-currency swap contracts – receipts	(13)	(13)	(484)	(450)
Cross-currency swap contracts – payments	22	22	439	450

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

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 (except where there is a specific regulatory, contractual requirement or a bank guarantee from an A- or above rated entity). 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 contractually committed forecast requirement is hedged. In addition, easyJet has substantial borrowings and other monetary 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 where permitted.

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 lease rentals are at a mix of fixed and floating rates. Of the 90 aircraft operating leases in place at 30 September 2018 (2017: 72), 87% were based on fixed interest rates and 13% were based on floating interest rates (2017: 79% fixed, 21% 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 programme 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, 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 will be 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 2018.

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 2018	**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)	33	(27)	7	(6)	8	–
Impact on other comprehensive income: increase/(decrease)	191	(156)	20	(16)	–	134

	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

(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.

NOTES TO THE ACCOUNTS
CONTINUED

24. Leasing commitments
Commitments under operating leases

	Aircraft		Other	
	2018 £ million	2017 £ million	**2018 £ million**	2017 £ million
Total commitments under non-cancellable operating leases due:				
Not later than one year	**165**	109	**3**	3
Later than one year and not later than five years	**350**	229	**6**	8
Later than five years	**76**	1	**1**	2
	591	339	**10**	13

easyJet holds 90 aircraft (2017: 72 aircraft) under operating leases, with total initial lease terms ranging from 4 to 12 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

	2018 £ million	2017 £ million
Present value of minimum lease payments fall due as follows:		
Not later than one year	**13**	12
Later than one year and not later than five years	**94**	100
	107	112
Future finance charges	**(9)**	(11)
	98	101

easyJet holds five aircraft (2017: five aircraft) under finance leases with 10-year initial terms. Further details are given in notes 10 and 15.

25. Guarantees and contingent liabilities
The Group has given a formal undertaking with Hotelopia Holidays S.L.U, the Civil Aviation Authority (CAA) and the Trustees of the Air Travel Trust that it will guarantee easyJet bookings made on its behalf by Hotelopia. In the event the CAA publishes a notice of failure in respect of Hotelopia, the Group will honour all easyJet related bookings or enter into alternative arrangements for the bookings to be fulfilled or compensated.

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 2018 easyJet had no agreements with third parties for which fees were contingent upon the completion of acquisition activities (2017: £4 million).

At 30 September 2018 easyJet had outstanding letters of credit and performance bonds totalling £33 million (2017: £44 million), of which £12 million (2017: £21 million) expire 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

	2018 £ million	2017 £ million
United Kingdom	**2,577**	2,257
Southern Europe	**1,837**	1,568
Northern Europe	**1,395**	1,148
Other	**89**	74
	5,898	5,047

The geographical analysis assumes that the customer is based in the origin country, i.e. the country from which the first sector on a booking departs.

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 220 owned and five finance leased aircraft. A further 90 aircraft are held under operating leases, giving a total fleet of 315 at 30 September 2018. 26 aircraft (2017: 24) are registered in Switzerland, 113 (2017: 1) are registered in Austria and the remaining 176 (2017: 254) are registered in the United Kingdom.

27. Related party transactions

The Company 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 2018.

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 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:

	2018 £ million	2017 £ million
Annual royalty	15	13
Brand protection (legal fees paid through easyGroup to third parties)	1	1
	16	14

At 30 September 2018, £3 million (2017: £1 million) of the above aggregate amount was included in trade and other payables.

COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	30 September 2018 £ million	30 September 2017 £ million
Non-current assets			
Investments in subsidiary undertakings	c	927	910
Current assets			
Amounts due from subsidiary undertakings		1,626	1,582
Current tax assets		–	2
Derivative financial instruments with subsidiary undertakings	d	63	54
		1,689	1,638
Current liabilities			
Amounts due to subsidiary undertakings		(1)	(2)
Current tax payable		(5)	–
		(6)	(2)
Net current assets		1,683	1,636
Non-current liabilities			
Borrowings	e	(879)	(870)
Net assets		1,731	1,676
Shareholders' equity			
Share capital		108	108
Share premium		659	659
Hedging reserve		(1)	(3)
Retained earnings		965	912
		1,731	1,676

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 £198 million (2017: £218 million). Included in this amount are dividends received of £177 million (2017: £226 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 accounts on pages 150 to 154 were approved by the Board of Directors and authorised for issue on 19 November 2018, and are signed on behalf of the Board.

JOHAN LUNDGREN
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 2017	108	659	(3)	912	1,676
Total comprehensive income	–	–	2	198	200
Dividends paid	–	–	–	(162)	(162)
Share incentive schemes					
Movement in reserves for employee share schemes	–	–	–	17	17
At 30 September 2018	108	659	(1)	965	1,731

	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

An ordinary dividend in respect of the year ended 30 September 2018 of 58.6 pence per share or £233 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 40.9 pence per share or £162 million in respect of the year ended 30 September 2017 was paid in the year ended 30 September 2018. 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.

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 2018 £ million**	Year ended 30 September 2017 £ million
Cash flows from operating activities			
Cash used by operations (excluding dividends)	f	(26)	(11)
Interest received		40	20
Interest paid		(29)	(21)
Dividends received		177	226
Dividends paid		(162)	(214)
Net cash used by operating activities		–	–
Cash flows from financing activities			
Proceeds from drawdown of bank loans and other borrowings		–	451
Movement in loans with subsidiary undertakings		–	(451)
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) Directors' remuneration

easyJet plc has seven Non-Executive Directors as at 30 September 2018 (2017: seven); their fees are paid by easyJet Airline Company Ltd. 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 87 to 105.

c) Investments in subsidiary undertakings

Investments in subsidiary undertakings were as follows:

	2018 £ million	2017 £ million
At 1 October	910	897
Capital contributions to subsidiaries	17	13
At 30 September	927	910

A full list of Group companies is detailed below.

	Country of incorporation	Principal activity	Percentage of ordinary shares held
easyJet Airline Company Limited(2)	England and Wales	Airline transport	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
easyJet UK Limited(2)	England and Wales	Airline operator	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 February 2016 easyJet plc issued notes amounting to €500 million for a seven-year term with a fixed annual coupon rate of 1.750% under the £3,000 million Euro Medium Term Note programme. At the same time the Group entered into cross-currency interest rate swaps to convert the €500 million fixed rate Eurobond to a £379 million floating rate Sterling exposure.

Additionally, 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 on Eurobond debt issuance, please refer to note 22 of the consolidated accounts.

NOTES TO THE COMPANY ACCOUNTS
CONTINUED

e) Borrowings

	Non-current £ million	Total £ million
At 30 September 2018		
Eurobond	879	879

	Non-current £ million	Total £ million
At 30 September 2017		
Eurobond	870	870

On 1 August 2018 easyJet signed a £250 million revolving credit facility with a two-year term. The facility is currently due to mature in July 2020.

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

	2018 £ million	2017 £ million
Profit for the year	198	218
Adjustments for:		
Finance and other similar income	(12)	(5)
Unrealised foreign exchange differences	(11)	15
Tax charge/(credit)	5	(2)
Dividends received	(177)	(226)
Operating cash flows before movement in working capital	3	–
Changes in working capital and other items of an operating nature:		
Increase in amounts due from subsidiary undertakings	(29)	(6)
(Decrease)/increase in amounts due to subsidiary undertakings	(1)	1
Increase in derivative financial instruments	1	(6)
	(26)	(11)

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 UK 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 contractual obligations of easyJet Airline Company Limited in respect of its contractual obligations to its aircraft lessors.

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 2018 and 30 September 2017. 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 £15 million (2017: £12 million).

For full details of transactions and arrangements with easyJet's largest shareholder, see note 27 of the consolidated accounts.

FIVE-YEAR SUMMARY

	2018 £ million	2017* (as reported) £ million	2016* (restated) £ million	2015** (as reported) £ million	2014** (as reported) £ million
Income statement					
Revenue	5,898	5,047	4,699	4,686	4,527
Total EBITDAR	836	709	770	940	823
Headline EBITDAR	958	733	764		
Total operating profit	460	404	510	688	581
Headline operating profit	592	428	504		
Total profit before tax	445	385	507	686	581
Headline profit before tax	578	408	494		
Total profit after tax	358	305	437	548	450
Headline profit after tax	466	325	427		
Basic total earnings per share – pence	90.9	77.4	110.9	139.1	114.5
Basic headline earnings per share – pence	118.3	82.5	108.4		
Diluted total earnings per share – pence	90.2	76.8	110.1	138.0	113.2
Diluted headline earnings per share – pence	117.4	81.9	107.6		
Ordinary dividend per share – pence	58.6	40.9	53.8	55.2	45.4
Statement of financial position					
Non-current assets	4,994	4,237	4,042	3,549	3,221
Current assets	2,001	1,734	1,442	1,279	1,261
Current liabilities	(2,060)	(1,670)	(1,569)	(1,768)	(1,420)
Non-current liabilities	(1,676)	(1,499)	(1,221)	(811)	(890)
Net assets	3,259	2,802	2,694	2,249	2,172
Net cash					
Operating activities	961	663	387	609	394
Investing activities	(906)	(515)	(586)	(532)	(445)
Financing activities (excluding movements in borrowings and money market deposits)	(21)	(10)	(16)	(70)	(76)
Loan issue costs	(1)	6	1	–	(1)
Exchange gains/(losses)	6	–	(8)	6	(8)
Net increase/(decrease) in net cash	39	144	(222)	13	(136)
Key performance indicators					
Headline return on capital employed	14.4%	11.9%	15.0%	22.2%	20.5%
Net cash	396	357	213	435	422
Total profit before tax per seat (£)	4.68	4.45	6.35	9.15	8.12
Headline profit before tax per seat (£)	6.07	4.71	6.18		
Revenue per seat (£)	61.94	58.23	58.46	62.48	63.31
Total cost per seat (£)	57.26	53.78	52.11	53.33	55.19
Headline cost per seat (£)	55.87	53.52	52.28		
Total cost per seat excluding fuel (£)	44.82	41.53	38.16	37.55	37.70
Headline cost per seat excluding fuel (£)	43.43	41.27	38.33		
Seats flown (millions)	95.2	86.7	79.9	75.0	71.5

* See note 1 to the 2017 financial statements for details of the change in accounting policy.

** The performance metrics for 2014 and 2015 above have not been restated to reflect the change in accounting policies detailed in note 1 to the 2017 financial statements.

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 held under lease arrangements of over one month's duration at the end of the period.
Ancillary revenue	Includes revenue from the provision of checked baggage, allocated seating, change fees and commissions.
AOC	Airline Operator Certificate.
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.
Customer satisfaction (CSAT)	Customer satisfaction index, based on results of a customer satisfaction survey which measures how satisfied the customer was with their most recent flight.
EBITDAR	Earnings before interest, taxes, depreciation, amortisation and aircraft dry leasing costs.
Gearing	Adjusted net cash/debt divided by the sum of shareholders' equity and adjusted net cash/debt.
Headline	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.
Non-headline	Material non-recurring items or items which are not considered to be reflective of the trading performance of the business.
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.
On-time performance (OTP)	Percentage of flights which arrive within 15 minutes of scheduled arrival time.
Operated aircraft utilisation	Average number of block hours per day per scheduled 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 comprise seats sold to passengers (including no-shows), seats provided for promotional purposes and seats provided to staff for business travel.
Passenger revenue	Revenue arising from the sale of flight seats and administration fees.
Profit before tax per seat	Profit before tax divided by seats flown.
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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